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

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

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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 Board, 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.

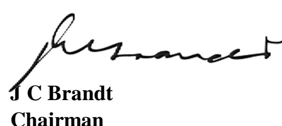
The group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis.

The financial statements, presented on pages 8 to 61 have been prepared in accordance with the provisions of the Namibian Companies Act and comply with International Financial Reporting Standards (IFRS).

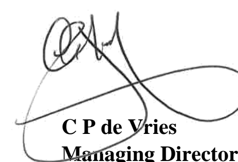
The directors have no reason to believe that the company and the group as a whole will not be going concerns in the year ahead, based on forecasts and available cash resources. These financial statements have accordingly been prepared on a going concern basis.

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. The independent auditor's report is presented on page 7.

The financial statements, on pages 8 to 61, were authorised and approved for issue by the board of directors on 5 September 2012 and are signed on their behalf:



J C Brandt
Chairman



C P de Vries
Managing Director

CORPORATE GOVERNANCE STATEMENT AND RISK REPORT
for the year ended 30 June 2012

Bank Windhoek Holdings Ltd 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.

The board and its sub-committees are responsible to ensure the appropriate application of governance practices and principles contained in the King II Report on Corporate Governance (King II). The board believes that, to the best of its knowledge, the group has complied, or is implementing processes to comply, with the principles contained in King II. The board manages corporate governance through the Board, Audit, Risk and Compliance Committee, which monitors the group's compliance with relevant corporate governance principles and reports any findings directly to the board.

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 group, namely the running of the board and the executive responsibility for the running of the group's business. There should be a clear division of responsibilities at the head of the group 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 chairman and managing director do not vest in the same person.

The company 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 committees and attendance at meetings
The meeting programme is approved by the board annually and there should be no less than four meetings per year. The board as a whole remains responsible for the operations of the group, but in order to assist in discharging its responsibilities it delegates certain functions to sub-committees established by the board. All committees act within agreed, written terms of reference and are chaired by a non-executive director. The attendance at meetings during the financial year was as follows:

Board committees and attendance at meetings (continued)

	Board of directors		
	Five meetings held during the year		Category
J C Brandt	✔	5 Chair	Non-executive
J J Swanepoel	✔	4	Non-executive
C P de Vries	✔	5	Executive
K B Black	✔	5	Independent non-executive
J M Shaetonhodi	✔	5	Independent non-executive
G Nakazibwe-Sekandi	✔	4	Non-executive
M K Shikongo	✔	5	Independent non-executive

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 conflicts of interests were observed during reporting period.

Appointments
Procedures for appointments to the board is formal and transparent. Members of the board are recommended by the CIH Group Board Nominations and Remuneration Committee which receives its mandate from the board of the group's ultimate holding company, Capricorn Investment Holdings Ltd. The CIH Group Board Nominations and Remuneration Committee is chaired by Mr F J du Toit, an independent non-executive director of Bank Windhoek Ltd, which is a wholly owned subsidiary of Bank Windhoek Holdings Ltd, and the majority of members are non-executive.

New board members will only hold office until the next annual general meeting at which time they will retire and become available for election. Executive directors will be engaged on employment contracts, subject to short-term notice periods, unless longer periods are approved by the board.

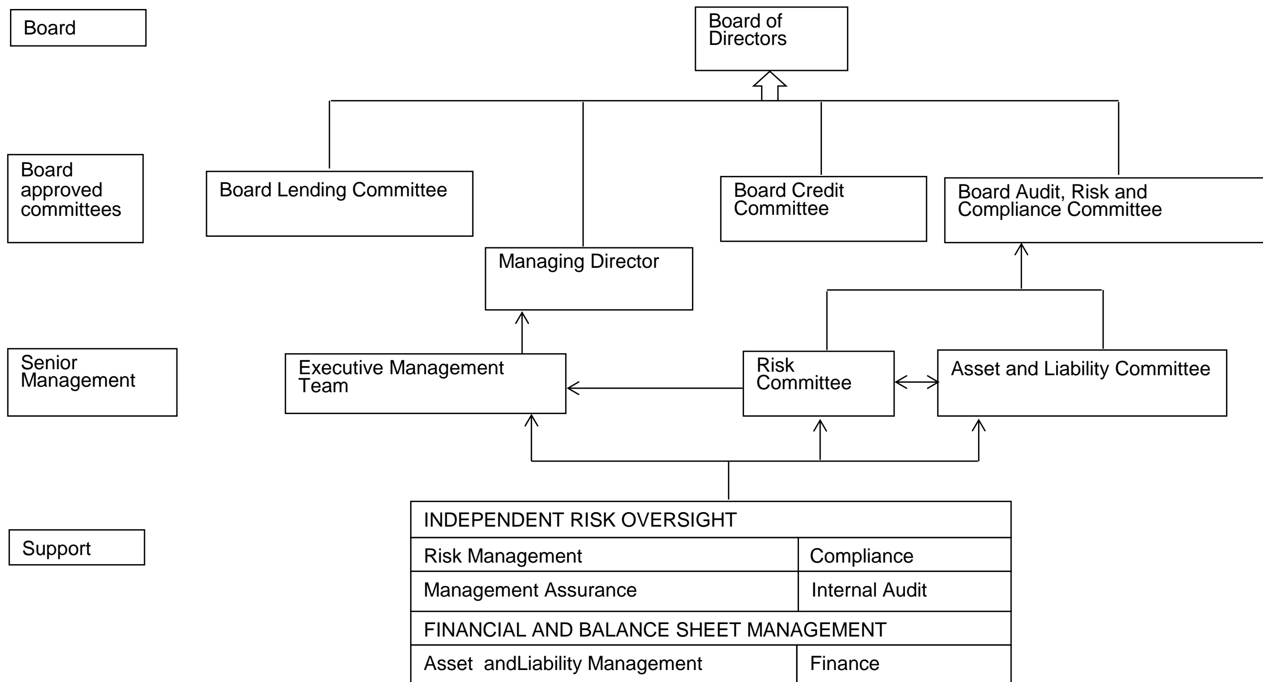
On appointment, non-executive directors will have the benefit of an induction programme aimed at deepening their understanding of the group and the business environment and markets in which the group operates that includes background material, meetings with senior management and visits to the group’s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

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. For the year under review, these risk management / control responsibilities have been dealt with by the board of directors. The Board Audit, Risk and Compliance Committee (BARC), a subcommittee established by the board, was constituted on 5 September 2012 and is to deal with these responsibilities in future. The BARC is governed by formal, written terms of reference.

Risk management governance (continued)
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 group's compliance with the requirements of the Banking Institutions Act, and more specifically to oversee sound risk management, accounting, internal audit, management assurance, 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.

The risk management (RM) function, 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 RM function is headed by the executive officer: risk, who is a member of the executive management team. The executive officer: risk reports directly to the managing director. He has unrestricted access to the chairman of the BARC. RM is responsible for establishing and driving the implementation of the risk management framework (Group Risk Internal Control and Assurance Framework), which include policies, procedures, standards, methodology and processes.

Risk management framework
The group has set in place a risk management framework to receive information on 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, including the design and operating effectiveness of internal control procedures to mitigate the identified risks.

Risk management framework (continued)

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 risk management policies, approved by the BARC, define the major risks that the 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 to.

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 risk rating. 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 risk management process. Risk management procedures enhanced during the year include refining of the risk registers/risk and control self-assessments and the implementation of key risk indicators.

Refer to note 3 to the financial statements for an analysis and quantitative disclosure in relation to credit, market and liquidity risk.

3. Internal control

The group maintains systems of internal control over financial reporting and over the 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. An approved business continuity plan (BCP) is in place which is tested annually. The directors representing Bank Windhoek Holdings Ltd on the boards of entities over which Bank Windhoek Holdings Ltd does not have control, and which are not included in the Bank Windhoek BCP, will seek assurance that significant risks pertaining to these entities are managed and any system of internal control is operating effectively.

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.

The independent internal audit function is an independent and objective review and consulting function created to add value and improve systems of internal control. It helps the group to accomplish its objectives by systematically reviewing current processes, using a disciplined approach to establish the appropriateness of controls, the risk management process, the management control process and the governance process.

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, and not absolute, 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 2012 its systems of internal control over financial reporting and over safeguarding of assets against unauthorised acquisitions, use or disposition, were adequate.

4. External auditor

The external audit policy, as approved by the BARC, governs the work performed by the external auditor, both from an audit and non-audit perspective. The BARC approved the external auditor’s terms of engagement, scope of work, as well as the 2012 annual audit and agreed on the applicable levels of materiality. Based on written reports submitted, the committee reviewed, with the external auditor, the findings of their work and confirmed that all significant matters had been satisfactorily resolved.

The committee has also assessed the external auditor's independence and has concluded that the external auditor’s independence was not impaired during the reporting period and up to the date of signing of the consolidated financial statements.

4. External auditor (continued)

Non-audit services received and fees paid during the financial year are as follows:

	Type of non-audit service	Fees paid (excl. VAT) N$'000
PricewaterhouseCoopers	Import VAT documents	205
	Consulting fees	226
	Meeting attendance	19
	Tax opinion	45
	Training	26
	Assistance with governance facilitation work shop	6
	Completion and submission of tax return	4
	Total	**531**

It is the external auditor's responsibility to report on whether the financial statements are fairly presented in all material respects in accordance with the applicable frameworks and their audit opinion is included on page 7.

5. Code of ethics

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

BANK WINDHOEK HOLDINGS LIMITED
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Registration no: 96/300

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 Ltd, which comprise the consolidated and separate statements of financial position as at 30 June 2012, 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 8 to 61.

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 Ltd as at 30 June 2012, 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
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Louis van der Riet
Partner

WINDHOEK
5 September 2012

BANK WINDHOEK HOLDINGS LIMITED
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DIRECTORS' REPORT
for the year ended 30 June 2012

The directors herewith submit their report with the annual financial statements of the company and the group for the year ended 30 June 2012.

1. General review

Bank Windhoek Holdings Ltd is a Namibian registered company that acts as an investment holding company. Its main investments comprise of 100% shareholdings in Bank Windhoek Ltd, Namib Bou (Pty) Ltd and Welwitschia Nammic Insurance Brokers (Pty) Ltd. The company has a 49.7% shareholding in VTB Capital (Namibia) (Pty) Ltd, 29.5% shareholding in Sanlam Namibia Holdings (Pty) Ltd and 27.95% in Santam Namibia Ltd.

2. Business activities

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

Associates:

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

Registered address of Bank Windhoek Holdings Ltd:

5th floor
CIH House
Kasino Street
Windhoek
Namibia

Country of incorporation:

Republic of Namibia

3. Financial results and dividends

The directors report that the group’s net profit after taxation from above business activities for the year ended 30 June 2012 amounted to:

	2012 **N$'000**	**2011** **N$'000**
Profit for the year	402,611	328,510

Normal dividends of 100 cents per share (2011: 90 cents) amounting to N$113.1 million (2011: N$100.8 million) were declared during the year under review. The normal dividends declared represent an interim dividend of 45 cents (2011: 52 cents) per share and a final dividend of 55 cents (2011: 38 cents) per share.

Full details of the financial results of the company and the group are set out on pages 12 to 61.

4. Share capital

During the year 1,085,750 (2011: 233,000) 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$13.87 (2011: N$11.63) per share.

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

5. Subsidiaries

The following information relates to the company's financial interests in its unlisted subsidiaries:

	Issued ordinary share capital and premium and proportion held		Details of the company's interests: Shares at cost		Indebtedness to/ (from) subsidiaries	
			2012	2011	2012	2011
	N$'000	%	N$'000	N$'000	N$'000	N$'000
Subsidiaries of Bank Windhoek Holdings Ltd						
Registered in Namibia						
Bank Windhoek Ltd	163,506	100	**198,944**	198,944	**(240)**	(346)
Welwitschia Nammic Insurance Brokers (Pty) Ltd	1,300	100	**8,847**	3,458	**-**	(9)
Capricorn Management Services (Pty) Ltd	-	100	**-**	-	**-**	-
Namib Bou (Pty) Ltd	23,000	100	**23,000**	23,000	**-**	**-**
			230,791	225,402	**(240)**	(355)

All subsidiaries have 30 June financial year-ends.

	N$'000	%
Subsidiaries of Bank Windhoek Ltd		
Registered in Namibia		
Bank Windhoek Nominees (Pty) Ltd	-	100
Intellect Investments Namibia (Pty) Ltd	3,000	100
BW Finance (Pty) Ltd	-	100
Bank Windhoek Properties (Pty) Ltd	1	100

All subsidiaries have 30 June financial year-ends.

The group's interest in the aggregate net profit after tax of subsidiaries amounted to N$354.0 million (2011: N$276.9 million) from which dividends of N$113.3 million (2011: N$94.9 million) had been declared.

	Issued ordinary share capital and premium and proportion held		Details of the company's interests: Shares at cost		Indebtedness to/ (from) affiliate	
			2012	2011	2012	2011
	N$'000	%	N$'000	N$'000	N$'000	N$'000
6. Associates						
Santam Namibia Ltd	8,307	27.95	**62,905**	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	**-**	-
			111,983	99,850	**-**	-

Santam Namibia Ltd and Sanlam Namibia Holdings (Pty) Ltd have a 31 December year-end. VTB Capital Namibia (Pty) Ltd has a 30 June year-end.

The group's interests in the aggregate net profit after tax of associates amounted to N$53.3 million (2011: N$54.8 million) for the year. Total dividends of N$41.5 million (2011: N$48.8 million) had been received from these associates.

7. Joint ventures

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:

	N$'000	%	2012 N$'000	2011 N$'000	2012 N$'000	2011 N$'000
Namclear (Pty) Ltd	4,616	25	**1,154**	1,154	**-**	-

Namclear (Pty) Ltd has a 31 December year-end.

The following information relates to the group's financial interest in its jointly controlled operations:

	Proportion held
The Tourvest Namibia (Pty) Ltd/ Bank Windhoek Ltd Joint Venture	50%

8. Holding company and ultimate holding company

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

9. 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

Mr H G von Ludwiger was the company secretary 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
Namibia	

10. Auditors

PricewaterhouseCoopers will continue in office as auditor in accordance with the Companies Act of Namibia.

11. Events subsequent to year-end

Bank Windhoek Ltd, a wholly owned subsidiary of Bank Windhoek Holdings Ltd, issued 19,436 shares for an amount of N$121,494,436 to the company after year-end. No other matter which is material to the financial affairs of the company and group has occurred between year-end 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 2012

	Notes	Group 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
Interest and similar income		**1,525,912**	1,351,539	**-**	**-**
Interest and similar expenses		**(742,854)**	(680,223)	**-**	**-**
Net interest income	**5**	**783,058**	671,316	**-**	-
Impairment charges on loans and advances	**6**	**(25,243)**	(27,129)	**-**	-
Net interest income after loan impairment charges		**757,815**	644,187	**-**	**-**
Fee and commission income	**7**	**355,155**	301,215	**-**	**-**
Net trading income	**8**	**42,009**	44,444	**-**	**-**
Other operating income	**9**	**66,168**	57,255	**163,706**	151,086
Operating expenses	**11**	**(706,511)**	(643,275)	**(13,810)**	(14,473)
Operating profit		**514,636**	403,826	**149,896**	136,613
Share of profit in joint ventures	**23**	**2,002**	3,915	**-**	**-**
Share of associates' results	**12**	**53,343**	54,814	**-**	**-**
Profit before income tax		**569,981**	462,555	**149,896**	136,613
Income tax expense	**13**	**(167,370)**	(134,045)	**(74)**	(249)
Profit for the year		**402,611**	328,510	**149,822**	136,364
Other comprehensive income					
Net gains on available-for-sale financial assets	**17**	**14,035**	852	**-**	**-**
Total comprehensive income for the year		**416,647**	329,362	**149,822**	136,364
Profit is attributable to:					
Equity holders of the group and company		**399,803**	327,374	**149,822**	136,364
Non-controlling interests		**2,808**	1,136	-	-
		402,611	328,510	**149,822**	136,364
Total comprehensive income is attributable to:					
Equity holders of the group and company		**413,839**	328,226	**149,822**	136,364
Non-controlling interests		**2,808**	1,136	-	-
		416,647	329,362	**149,822**	136,364

BANK WINDHOEK HOLDINGS LIMITED
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CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
as at 30 June 2012

	Notes	Group 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
ASSETS					
Cash and balances with the Central Bank	**14**	**1,011,363**	582,974	**133,731**	99,436
Derivative financial instruments	**15**	**-**	488	**-**	-
Financial assets designated at fair value through profit or loss	**16**	**1,393,496**	1,194,761	**-**	-
Investment securities	**17**	**351,698**	321,651	**-**	-
Due from other banks	**18**	**211,032**	362,238	**-**	-
Loans and advances to customers	**19**	**15,484,932**	13,004,405	**-**	-
Other assets	**20**	**140,237**	210,959	**2,110**	2,104
Investment in subsidiaries	**21**	**-**	-	**230,791**	225,402
Investment in associates	**22**	**175,997**	152,034	**111,983**	99,850
Interest in joint ventures	**23**	**5,095**	7,093	**-**	-
Intangible assets	**24**	**10,651**	13,369	**-**	-
Property, plant and equipment	**25**	**127,450**	131,484	**-**	-
Current tax asset		**3,635**	1,495	**300**	295
Deferred tax asset	**32**	**5,464**	1,872	**-**	-
Total assets		**18,921,050**	15,984,823	**478,915**	427,087
LIABILITIES					
Derivative financial instruments	**26**	**699**	1,895	**-**	**-**
Due to other banks	**27**	**237,611**	246,974	**-**	-
Other deposits	**28**	**3,398,657**	3,188,906	**-**	-
Debt securities in issue	**29**	**917,322**	767,311	**153,970**	153,932
Deposits from customers	**30**	**12,126,619**	9,852,677	**-**	-
Other liabilities	**31**	**206,252**	214,544	**1,726**	1,808
Current tax liability		**584**	-	**-**	-
Deferred tax liability	**32**	**140,708**	134,375	**-**	-
Post-employment benefits	**33**	**5,539**	5,288	**-**	**-**
Total liabilities		**17,033,991**	14,411,970	**155,696**	155,740
EQUITY					
Share capital and premium	**34**	**102,114**	86,945	**102,114**	86,945
Non-distributable reserves	**36**	**135,075**	116,066	**-**	-
Distributable reserves	**37**	**1,649,870**	1,362,019	**221,105**	184,402
		1,887,059	1,565,030	**323,219**	271,347
Non-controlling interests		**-**	7,823	**-**	-
Total equity		**1,887,059**	1,572,853	**323,219**	271,347
Total equity and liabilities		**18,921,050**	15,984,823	**478,915**	427,087

BANK WINDHOEK HOLDINGS LIMITED
and its subsidiaries
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CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2012

	Notes	Share capital and premium	Non distributable reserves		Distributable reserves				Non-controlling interests	Total equity
			Insurance fund reserve	Credit risk reserve	SBCR*	Fair value reserve	General banking reserve	Retained earnings		
		N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
GROUP										
Balance at 1 July 2010		84,212	23,049	72,481	-	16,341	973,377	165,441	7,102	1,342,003
Issue of shares	34	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	38	-	-	-	-	-	-	(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
Balance at 1 July 2011		**86,945**	**28,617**	**87,449**	**-**	**17,193**	**1,132,299**	**212,527**	**7,823**	**1,572,853**
Issue of shares	34	**15,169**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,169**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**14,035**	**-**	**399,803**	**2,808**	**416,646**
Value of employee services	37	**-**	**-**	**-**	**7,276**	**-**	**-**	**-**	**-**	**7,276**
Transfer between reserves		**-**	**-**	**19,009**	**-**	**-**	**198,915**	**(217,924)**	**-**	**-**
Dividends for 2012	38	**-**	**-**	**-**	**-**	**-**	**-**	**(113,119)**	**(224)**	**(113,343)**
Business combination		**-**	**-**	**-**	**-**	**-**	**-**	**(1,135)**	**(10,407)**	**(11,542)**
Balance at 30 June 2012		**102,114**	**28,617**	**106,458**	**7,276**	**31,228**	**1,331,214**	**280,152**	**-**	**1,887,059**
COMPANY										
Balance at 1 July 2010		84,212	-	-	-	-	-	148,868	-	233,080
Issue of shares	34	2,733	-	-	-	-	-		-	2,733
Total comprehensive income for the year		-	-	-	-	-	-	136,364	-	136,364
Dividends for 2011	38	-	-	-	-	-	-	(100,830)	-	(100,830)
Balance at 30 June 2011		86,945	-	-	-	-	-	184,402	-	271,347
Balance at 1 July 2010		**86,945**	**-**	**-**	**-**	**-**	**-**	**184,402**	**-**	**271,347**
Issue of shares	34	**15,169**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,169**
Value of employee services	37	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**-**	**149,822**	**-**	**149,822**
Dividends for 2012	38	**-**	**-**	**-**	**-**	**-**	**-**	**(113,119)**	**-**	**(113,119)**
Balance at 30 June 2012		**102,114**	**-**	**-**	**-**	**-**	**-**	**221,105**	**-**	**323,219**

***Share-based compensation reserve (SBCR)**

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CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
for the year ended 30 June 2012

	Notes	Group 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
Cash flows from operating activities					
Interest receipts		**1,509,541**	1,337,673	**-**	-
Interest payments		**(681,615)**	(641,623)	**-**	-
Commission and fee receipts		**355,155**	301,215	**-**	-
Other income received		**99,471**	96,764	**9,117**	7,771
Cash payments to employees and suppliers		**(666,226)**	(609,408)	**(4,150)**	(4,420)
Cash generated by operations	**39**	**616,326**	484,621	**4,967**	3,351
Dividends received		**43,325**	51,695	**154,589**	143,315
Income taxes paid	**41**	**(165,914)**	(129,629)	**(79)**	(254)
Cash flows from operating profits before changes in operating assets and liabilities		**493,737**	406,687	**159,477**	146,412
Changes in operating assets and liabilities					
Net increase in financial assets designated at fair value		**(114,566)**	(48,431)	**-**	-
Net decrease in derivative financial instruments		**-**	(13,228)	**-**	-
Net increase in loans and advances to customers and banks		**(2,531,063)**	(1,727,338)	**-**	-
Net decrease / (increase) in other assets		**63,055**	48,371	**(6)**	315
Net increase / (decrease) in other deposits		**209,751**	(781,893)	**-**	-
Net increase in deposits from customers		**2,273,942**	1,432,830	**-**	-
Net (decrease) / increase in other liabilities		**(9,575)**	(2,998)	**(82)**	871
Net cash generated from / (utilised in) operating activities		**385,282**	(686,000)	**159,389**	147,598
Cash flows from investing activities					
Additions to property, plant and equipment		**(27,060)**	(29,868)	**-**	-
Proceeds from sale of property, plant and equipment		**478**	197	**-**	-
Proceeds on sale of subsidiary	**46**	**14,034**	-	**-**	-
Additions to intangible assets		**-**	(14,000)	**-**	-
Additions in investment in subsidiaries	**45**	**(5,389)**	-	**(5,389)**	-
Additions in investment in associates		**(12,133)**	-	**(12,133)**	-
Distribution of profits from jointly controlled operations		**4,000**	-	**-**	-
Net cash utilised in investing activities		**(26,071)**	(43,671)	**(17,522)**	-
Cash flows from financing activities					
Proceeds from the issue of ordinary shares		**15,169**	2,733	**15,169**	2,733
Repayment of debt securities in issue		**(155,140)**	(124,223)	**(9,622)**	(10,682)
Proceeds from the issue of debt securities		**243,912**	500,801	**-**	-
Dividends paid	**38**	**(113,343)**	(101,245)	**(113,119)**	(100,830)
Net cash (utilised in) / generated from financing activities		**(9,402)**	278,066	**(107,572)**	(108,779)
Net increase / (decrease) in cash and cash equivalents		**349,810**	(451,605)	**34,295**	38,819
Cash and cash equivalents at the beginning of the year		**855,348**	1,306,953	**99,436**	60,617
Cash and cash equivalents at the end of the year	**42**	**1,205,158**	855,348	**133,731**	99,436

1. Basis of presentation

Bank Windhoek Holdings Ltd 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. The group 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 functional and presentation currency of both the group and the company.

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

Amendment to IFRS 7 Financial Instruments: 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. This amendment did not have any effect on the amounts reported as no such transactions occurred in the current year.

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. This amendment did not have any effect on the amounts reported as no such transactions occurred in the current year.

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. This amendment did not have any effect on the amounts reported as no such transactions occurred in the current year.

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. This amendment did not have any effect on the amounts reported as no such transactions occurred 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
Amendments to IAS 1, 'Presentation of Financial Statements', on presentation of items of other comprehensive income The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The IASB originally proposed that all entities should present profit or loss and OCI together in a single statement of comprehensive income. The proposal has been withdrawn and IAS 1 will still permit profit or loss and OCI to be presented in either a single statement or in two consecutive statements. The amendment does not address which items should be presented in OCI and the option to present items of OCI either before tax or net of tax has been retained.	Annual periods commencing on or after 1 July 2012

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

	Effective date
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
Amendment to IAS 19, 'Employee benefits' The IASB has issued an amendment to IAS 19, 'Employee benefits', which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, as well as to the disclosures for all employee benefits.	Annual periods commencing on or after 1 January 2013
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
Amendment to IFRS 1, 'First time adoption' on government loans This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.	Annual periods commencing on or after 1 January 2013
Amendment to IFRS 7 Financial Instruments: Disclosures – Asset and Liability offsetting The IASB has published an amendment to IFRS 7, 'Financial instruments: Disclosures', reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.	Annual periods commencing on or after 1 January 2013
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 loss.	Annual periods commencing on or after 1 January 2013

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

	Effective date
Amendments to IFRS 9 – Financial Instruments (2011) The IASB has published an amendment to IFRS 9, 'Financial instruments', that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.	Annual periods commencing on or after 1 January 2015
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
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
Amendments to IAS 32 – Financial Instruments: Presentation The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.	Annual periods commencing on or after 1 January 2014
IFRIC 20 - Stripping costs in the production phase of a surface mine In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping'. The interpretation clarifies there can be two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.	Annual periods commencing on or after 1 January 2013

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.

2.1.1 Subsidiaries (continued)

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.

In the company 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 subcategories: 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.

i) Financial assets at fair value through profit or loss (continued)
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.

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 its 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 subcategories: 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 expenses 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, which include 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.

2.3.6 Derivative financial instruments and hedge accounting (continued)
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 the 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:

2.5.1 Assets carried at amortised cost (continued)
(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 becoming 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 profit and loss. The carrying amount of impaired loans on the statement of financial position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

i) Individually assessed loans and advances
All loans and advances are assessed on a case-by-case basis at each reporting date as to 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 the likelihood of successful repossession.

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 account 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 programs 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 expenditures 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 three to seven years depending on the project lifecycle.

2.6.3 Trademarks
Trademarks and licenses 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 licenses over their estimated useful lives of ten years.

2.7 Property, plant and equipment

Land and buildings comprise mainly of branches and offices. All property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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 reporting period. 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 under other assets as inventory as it is held for sale in the ordinary course of business, 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 flows, 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, money market investments and 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, overdrafts 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 the employee:
i) 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 Share-based payments
The group operates a number of equity-settled share-based compensation plans (share purchase schemes) under which the entities within the group receives services from employees as consideration for equity instruments (shares) of Bank Windhoek Holdings Ltd. Equity-settled share purchase schemes are valued at grant date. The fair value of the employee services received in exchange for the grant of the shares and share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares and share options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between the service commencement period and the grant date.

At the end of each reporting period, the group revises its estimates of the number of shares and share options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

2.16 Deferred and current income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.16.1 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.

2.16.1 Deferred income tax (continued)
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.

2.16.2 Current income tax
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

2.17 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.

2.17.1 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.

2.17.2 Interest income and expenses
Interest income and expenses 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 expenses, as well as 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.

2.17.3 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.

2.17.4 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.

2.18 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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.

2.19 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 events subsequent to year-end note under the directors' report.

2.20 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.

2.21 Operating segments

The group considers its banking operations as one operating segment, the group has no significant components other than banking. 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 risks 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 key principles forming the foundation of the bank's risk management process include:
- 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 prior year, a subcommittee of ALCO, the interest rate subcommittee, was established. The interest rate subcommittee reviews the economic environment and recommends to ALCO interest rate views. ALCO activities are reported to the Board, Audit, Risk and Compliance Committee (BARC).

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 through the sanctioning of credit and thereby 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 regular review but at least once annually. 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 policies with a confirmed surrender value; and
- any other form of tangible collateral security subject to approval by the credit department.

Valuation methodologies and the 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 2.5.1.

3.1.2 Impairment and provisions (continued)

a) Loans and advances neither past due nor impaired
This category comprises of the following:
- 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. Loans and advances to customers in this category primarily comprise structured finance to large corporate clients, which have no evidence of a deterioration of credit quality.

b) Loans and advances subject to general impairment
The total loans and advances to customers portfolio are 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$168.9 million (2011: N$193.2 million). The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related tangible 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 2012					
Individually impaired loans	**36,431**	**40,856**	**67,324**	**24,307**	**168,918**
Fair value of tangible collateral	**11,087**	**23,183**	**56,987**	**6,150**	**97,407**
As at 30 June 2011					
Individually impaired loans	59,028	38,645	65,002	30,477	193,152
Fair value of tangible collateral	31,793	22,748	54,364	10,929	119,834

Loans and advances are summarised as follows:

	2012		2011	
	Loans and advances to customers	Due from other banks	Loans and advances to customers	Due from other banks
	N$'000	N$'000	N$'000	N$'000
Neither past due nor impaired	**312,222**	**211,032**	151,357	362,238
Loans and advances not past due but subject to general impairment	**15,123,481**	**-**	12,770,880	-
Individually impaired	**168,918**	**-**	193,152	-
Gross	**15,604,620**	**211,032**	13,115,389	362,238
Less: allowance for impairment	**119,688**	**-**	110,984	-
Net	**15,484,932**	**211,032**	13,004,405	362,238

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	
	2012	2011
Nature of assets	N$'000	N$'000
Residential property	**848**	1,126

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:

	2012			
	Exposure	Impairment	Risk-weighted amounts	Written-off
	N$'000	N$'000	N$'000	N$'000
Counterparties				
Sovereign and Central Bank	1,927,641	-	-	-
Public sector entities	223,086	-	91,199	-
Banks	211,032	-	42,709	-
Corporate	3,353,182	13,676	3,338,662	-
Retail	4,575,478	49,592	3,420,268	16,685
Residential mortgage properties	4,252,834	6,548	2,140,636	313
Commercial real estate	3,200,041	1,416	3,201,864	-
Other assets	1,188,196	-	676,530	-
	18,931,490	**71,232**	**12,911,867**	**16,998**
Commitments	**3,000,360**	**-**	**1,244,210**	**-**

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 counterparties:

	Cash and balances with the Central Bank	Derivative financial instruments and investment securities	Financial assets designated 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 2012							
Agriculture and forestry	-	-	-	-	899,501	-	**899,501**
Fishing	-	-	-	-	309,902	-	**309,902**
Mining	-	-	4,216	-	105,456	-	**109,672**
Manufacturing	-	-	-	-	441,109	-	**441,109**
Building and construction	-	-	-	-	771,045	-	**771,045**
Electricity, gas and water	-	-	-	-	54,781	-	**54,781**
Trade and accommodation	-	-	-	-	8,046,849	-	**8,046,849**
Transport and communication	-	-	-	-	378,040	-	**378,040**
Finance and insurance	310,316	320,469	1,024	211,032	406,287	-	**1,249,128**
Real estate and business services	-	-	-	-	1,567,788	-	**1,567,788**
Government	701,047	-	1,388,256	-	11,619	-	**2,100,922**
Individuals	-	-	-	-	2,547,374	-	**2,547,374**
Other	-	31,229	-	-	64,870	130,294	**226,393**
	1,011,363	**351,698**	**1,393,496**	**211,032**	**15,604,620**	**130,294**	**18,702,503**

3.1.5 Credit risk concentration by industry (continued)

	Cash and balances with the Central Bank	Derivative financial instruments and investment securities	Financial assets designated 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**

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 2012			
Botswana	-	23,629	**23,629**
South Africa	40,658	-	**40,658**
United Kingdom	21,415	-	**21,415**
United States of America	136,225	-	**136,225**
Zambia	6,577	-	**6,577**
Other countries	6,156	-	**6,156**
	211,032	23,629	**234,661**
As at 30 June 2011			
Botswana	-	39,553	39,553
South Africa	263,263	-	263,263
United Kingdom	1,177	-	1,177
United States of America	84,926	-	84,926
Zambia	9,825	-	9,825
Other countries	3,047	-	3,047
	362,238	39,553	401,791

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. Interest rate structures are discussed on a monthly basis by the interest rate subcommittee and external market resources are used to recommend interest rate views to ALCO.

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 year-end. 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 2012					
ASSETS					
Cash and balances with the Central Bank	**21,774**	**2,550**	**10**	**89**	**24,423**
Financial assets designated at fair value through profit	**-**	**-**	**4,216**	**-**	**4,216**
Investment securities	**31,229**	**-**	**-**	**-**	**31,229**
Due from other banks	**149,406**	**24,524**	**259**	**36,839**	**211,027**
Loans and advances to customers	**2,358**	**3,062**	**67**	**-**	**5,487**
Total financial assets	**204,768**	**30,136**	**4,551**	**36,928**	**276,382**
LIABILITIES					
Due to other banks	**877**	**1,428**	**485**	**44,821**	**47,611**
Deposits from customers	**173,626**	**28,558**	**2,157**	**-**	**204,341**
Total financial liabilities	**174,503**	**29,986**	**2,642**	**44,821**	**251,952**
Net financial position	**30,265**	**150**	**1,909**	**(7,894)**	**24,430**
Credit commitments	**26,176**	**4,821**	**-**	**26,535**	**57,532**
As at 30 June 2011					
Total financial assets	194,782	41,083	8,088	36,046	279,999
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

	Effect on net profit 2012 N$'000	 2011 N$'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	**8,615**	4,417
Euro / Namibia Dollar	**54**	3,177
British Pounds / Namibia Dollar	**853**	(723)
The following effect of 3.5% change would arise on equity instruments:		
Effect of British Pound denominated equity instrument on net profit before tax	**148**	239
Effect of US Dollar denominated equity instrument on equity	**1,093**	601

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 2012	**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**	**N$ '000**
ASSETS						
Cash and balances with the Central Bank	**849,703**	**-**	**-**	**-**	**161,660**	**1,011,363**
Financial assets designated at fair value through profit or loss	**83,609**	**298,509**	**941,221**	**65,941**	**4,216**	**1,393,496**
Investment securities	**320,469**	**-**	**-**	**-**	**31,229**	**351,698**
Due from other banks	**47,235**	**-**	**-**	**-**	**163,797**	**211,032**
Loans and advances to customers	**15,472,686**	**-**	**-**	**-**	**12,246**	**15,484,932**
Other assets	**45,687**	**-**	**-**	**-**	**84,607**	**130,294**
Total assets	**16,819,389**	**298,509**	**941,221**	**65,941**	**457,756**	**18,582,816**
LIABILITIES						
Derivative financial instruments	**(699)**	**-**	**-**	**-**	**-**	**(699)**
Due to other banks	**(237,611)**	**-**	**-**	**-**	**-**	**(237,611)**
Other deposits	**(152,090)**	**(160,200)**	**(3,038,800)**	**-**	**(47,567)**	**(3,398,657)**
Debt securities in issue	**(153,932)**	**(302,895)**	**-**	**-**	**(460,495)**	**(917,322)**
Deposits from customers	**(11,922,286)**	**-**	**-**	**-**	**(204,333)**	**(12,126,619)**
Other liabilities	**-**	**-**	**-**	**-**	**(197,798)**	**(197,798)**
Total liabilities	**(12,466,618)**	**(463,095)**	**(3,038,800)**	**-**	**(910,193)**	**(16,878,706)**
Interest sensitivity gap	**4,352,771**	**(164,586)**	**(2,097,579)**	**65,941**	**(452,437)**	**1,704,110**
Cumulative interest sensitivity gap	**4,352,771**	**4,188,185**	**2,090,606**	**2,156,547**	**1,704,110**	**-**
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	-

	2012 N$'000	2011 N$'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	**28,935**	22,130
100 basis points decrease	**(29,639)**	(22,817)
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	**3,124**	2,957
100 basis points decrease	**(3,124)**	(2,957)

In non-banking group companies, the effect of 100 basis point increase or decrease on the net profit and equity would have been N$135,516 (2011: 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 the 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:

	2012 N$'000	2011 N$'000
Effect on equity	**3,123**	1,719
Effect on net profit before taxation	**422**	683

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	
	2012 N$'000	2011 N$'000
Interest rate risk	**6,084**	5,613
Foreign exchange risk	**9,325**	9,099

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 utilised 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, include the:
- daily monitoring of liquid assets;
- proactive identification of liquidity requirements and maturing assets;
- liquid asset minimum limit;
- proactive identification of short, medium and long term liquidity requirements; and
- 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 2012						
Derivative financial instruments	-	699	-	-	-	**699**
Due to other banks	237,611	-	-	-	-	**237,611**
Other deposits	380,652	389,084	1,975,905	864,677	-	**3,610,318**
Debt securities in issue	77,448	-	279,287	685,101	-	**1,041,837**
Deposits from customers	9,402,347	1,431,798	1,273,427	116,162	-	**12,223,734**
Other liabilities	197,798	-	-	-	-	**197,798**
Total liabilities (contractual maturity dates)	10,295,856	1,821,581	3,528,620	1,665,940	-	**17,311,996**
Commitments (refer to note 3.1.4 for collateral held over commitments)	3,000,360	-	-	-	-	**3,000,360**

Liquidity risk analysis (continued)

FINANCIAL LIABILITIES	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
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

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

Amounts due from other banks include inter-bank placements. The fair value of overnight deposits represents its 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 JIBAR 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 2012			
Financial assets designated at fair value through profit or loss			
Debt securities	**-**	**1,389,280**	**1,389,280**
Equity securities	**4,216**	**-**	**4,216**
Available-for-sale financial assets			
Debt securities	**-**	**320,469**	**320,469**
Equity securities	**31,229**	**-**	**31,229**
	35,445	**1,709,749**	**1,745,194**
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	**-**	**699**	**699**
	-	**699**	**699**
As at 30 June 2011			
Financial assets designated 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

3.5 Classification of financial instruments

Financial assets and liabilities are classified as follows:

Group **As at 30 June 2012**	**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	-	-	1,011,363	1,011,363
Financial assets designated at fair value through profit or loss	-	1,393,496	-	1,393,496
Investment securities	351,698	-	-	351,698
Due from other banks	-	-	211,032	211,032
Loans and advances to customers	-	-	15,484,932	15,484,932
Other assets	-	-	130,294	130,294
	351,698	**1,393,496**	**16,837,621**	**18,582,815**

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	699	-	699
Due to other banks		237,611	237,611
Other deposits	-	3,398,657	3,398,657
Debt securities in issue	-	917,322	917,322
Deposits from customers	-	12,126,619	12,126,619
Other liabilities	-	197,798	197,798
	699	**16,878,007**	**16,878,706**

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.

Consolidated supervision became effective for the first time during the current year. The comparative figures are therefore based on the Bank Windhoek Ltd statutory returns (Bank Windhoek company only), the 2012 figures are based on the Bank Windhoek Holdings Ltd consolidated statutory returns. The 2011 and 2012 amounts are therefore not comparable.

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), non-controlling interest 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.

The 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	
	2012 N$'000	2011 N$'000
Tier 1 capital		
Share capital and premium	**102,114**	163,506
General banking reserves	**1,331,214**	1,132,299
Retained earnings	**204,160**	4,917
Total qualifying Tier 1 capital	**1,637,488**	1,300,722
Tier 2 capital		
Subordinated debt	**465,972**	312,215
Portfolio impairment	**155,478**	131,244
Total qualifying Tier 2 capital	**621,450**	443,459
Tier 3 capital	**-**	-
Total regulatory capital	**2,258,938**	1,744,181

3.6 Capital management (continued)

Risk-weighted assets:		
Operational risk	**1,443,969**	1,187,798
Credit risk	**14,156,077**	11,864,020
Market risk	**154,084**	147,117
Total risk-weighted assets	**15,754,130**	13,198,935
Capital adequacy ratios:		
Leverage capital ratio	**8.6%**	8.3%
Tier 1 risk-based capital ratio	**9.8%**	9.9%
Total risk-based capital ratio	**13.4%**	13.2%

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 2011, 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 2012.

(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.

4 Critical accounting estimates and judgements in applying accounting policies (continued)

(e) Equity-settled share-based payments

For share-based payment transactions among group entities, in its separate or individual financial statements, the entity receiving the goods or services shall measure the goods or services received as either an equity-settled or a cash-settled share-based payment transaction by assessing:
- the nature of the awards granted; and
- its own rights and obligations.

The amount recognised by the entity receiving the goods or services may differ from the amount recognised by the consolidated group or by another group entity settling the share-based payment transaction.

The entity receiving the goods or services shall measure the goods or services received as an equity-settled share-based payment transaction when:
- the awards granted are its own equity instruments; or
- the entity has no obligation to settle the share-based payment transaction.

In terms of the share purchase scheme arrangement, the awards granted are Bank Windhoek Holdings Ltd shares, thus the share purchase scheme is treated as equity-settled.

IFRS 2 requires an entity to measure the fair value of the employee services received by reference to the fair value of the equity instruments granted. This fair value depends on a number of factors that are determined on an actuarial basis, at grant date, using a number of assumptions. Any changes in these assumptions will impact the expense and share-based compensation reserve created at grant date. The valuation technique used to determine the cost at grant date is the Black-Scholes valuation model and includes assumptions such as share price, volatility and a risk-free interest rate. Additional information is disclosed in note 35.

	Group		Company	
	2012	**2011**	**2012**	**2011**
	N$'000	**N$'000**	**N$'000**	**N$'000**
5. Net interest income				
Interest and similar income				
Loans and advances	**1,399,915**	1,233,752		
Cash and short-term funds	**41,648**	41,463		
Financial assets designated at fair value through profit or loss	**67,737**	55,194		
Available-for-sale financial assets	**16,012**	17,448		
Other	**600**	3,682		
	1,525,912	1,351,539		
Interest and similar expenses				
Banks and customers	**691,275**	651,676		
Debt securities in issue	**51,579**	28,547		
	742,854	680,223		
6. Impairment charges on loans and advances				
Increase in specific impairment	**20,058**	25,644		
Increase in portfolio impairment	**5,644**	1,915		
Amounts recovered during the year	**(459)**	(430)		
	25,243	27,129		
7. Fee and commission income				
Transaction and related fees	**338,512**	287,420		
Commissions	**11,036**	9,541		
Trust and other fiduciary fees	**5,607**	4,254		
	355,155	301,215		
8. Net trading income				
Net foreign exchange gains and losses from trading assets	**36,767**	37,153		
Net gain from financial instruments designated at fair value through profit or loss	**5,242**	7,291		
	42,009	44,444		
9. Other operating income				
Brokerage commission	**43,566**	42,704	**-**	-
Dividend income	**812**	1,816	**154,589**	143,315
Interest received	**7,910**	7,657	**5,545**	4,025
Management fees received	**963**	1,674	-	-
Profit / (loss) on sale of property, plant and equipment	**79**	(618)	-	-
Profit on sale of subsidiary	**7,048**	-	-	-
Support services rendered	**3,078**	3,030	-	-
Other	**2,712**	992	**3,572**	3,746
	66,168	57,255	**163,706**	151,086
10. Staff costs				
Wages and salaries	**370,268**	322,611		
Shares purchased under the group share purchase scheme	**7,276**	-		
Staff training and transfer cost	**4,737**	3,899		
Pension costs - defined contribution plan	**22,858**	22,501		
Severance pay liability	**251**	973		
	405,390	349,984		

	Group		Company	
	2012	**2011**	**2012**	**2011**
	N$'000	**N$'000**	**N$'000**	**N$'000**
11. Operating expenses				
Expenses by nature				
Advertising and marketing	**15,679**	19,058	**-**	-
Amortisation and impairment of intangibles	**3,693**	3,508	**-**	-
Association transaction fees	**33,265**	25,761	**-**	-
Auditors remuneration				
- Audit fees	**2,534**	2,091	**117**	146
- Fees for other services	**415**	147	**-**	-
Directors' emoluments				
- Non-executive directors	**-**	-	**490**	428
Depreciation and impairment of property, plant and equipment	**29,065**	29,394	**-**	-
Finance cost	**11,896**	10,053	**9,660**	10,053
Intragroup consultancy and management fees	**10,620**	21,204	**3,414**	3,747
Operating lease rentals - immovable property	**40,948**	38,542	**-**	-
Professional services	**21,569**	8,602	**-**	-
Repairs and maintenance	**16,008**	14,023	**-**	-
Royalties paid on trademark	**675**	722	**-**	-
Staff costs (Note 10)	**405,390**	349,984	**-**	-
Sub-agents commission	**773**	1,182	**-**	-
Technology costs	**31,992**	31,367	**-**	-
Other expenses	**81,988**	87,637	**129**	99
	706,511	643,275	**13,810**	14,473

12. Share of associates' results

	Group 2012 N$'000	Group 2011 N$'000
Profit before taxation	**66,948**	67,423
Taxation	**(13,605)**	(12,609)
	53,343	54,814

13. Income tax expense

	Group 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
Current tax	**164,358**	130,165	**74**	249
- current year	**164,358**	129,988	**74**	72
- prior year	**-**	177	**-**	177
Deferred tax	**3,012**	3,880	**-**	**-**
- current year	**3,012**	3,880	**-**	-
- prior year	**-**	-	**-**	-
	167,370	134,045	**74**	249
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	**516,638**	407,741	**149,896**	136,613
Tax at the applicable tax rate of 34% (2011: 34%)	**175,657**	138,632	**50,965**	46,448
Prior year adjustment	**-**	177	**-**	177
Non-taxable income	**(10,662)**	(6,514)	**(54,419)**	(50,017)
Non-deductable expenses	**6,820**	4,518	**3,528**	3,641
Tax losses not utilised	**394**	-	**-**	-
Utilised tax loss previously not recognised	**-**	(442)	**-**	-
Special allowance	**(4,838)**	(2,326)	**-**	-
Income tax expense	**167,370**	134,045	**74**	249
Effective tax rate	**32%**	33%	**0%**	0%

	Group		Company	
	2012	**2011**	**2012**	**2011**
	N$'000	**N$'000**	**N$'000**	**N$'000**

14. Cash and balances with the Central Bank

Cash and bank balances	**310,316**	262,489	**133,731**	99,436
Balances with the Central Bank other than mandatory reserve deposits	**539,387**	182,150	**-**	-
Included in cash and cash equivalents	**849,703**	444,639	**133,731**	99,436
Mandatory reserve deposits with the Central Bank	**161,660**	138,335	**-**	-
	1,011,363	582,974	**133,731**	99,436

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

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$ NIL (2011: N$19 million).

16. Financial assets designated at fair value through profit or loss

Treasury bills	**1,322,315**	1,120,928
Government stock	**65,941**	37,802
Equity securities	**4,216**	6,833
Money market investments	**1,024**	29,198
	1,393,496	1,194,761

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$315 million (2011: N$305 million) are available at Bank of Namibia for collateral should the need arise. At year-end, there were no treasury bills utilised for security purposes (2011: NIL) at Bank of Namibia, although N$235 million (2011: N$108.9 million) of treasury bills have been collateralised under a sale-and-buyback agreement.

17. Investment securities

Securities available-for-sale - Listed	**31,229**	17,193
Securities available-for-sale - Unlisted	**320,469**	304,458
	351,698	321,651

The movement during the year is summarised as follows:		
Opening balance	**321,651**	303,351
Interest capitalised	**16,012**	17,448
Fair value gains	**14,035**	852
	351,698	321,651

	Group		Company	
	2012	**2011**	**2012**	**2011**
	N$'000	**N$'000**	**N$'000**	**N$'000**
18. Due from other banks				
Placement with other banks	**211,032**	362,238		
19. Loans and advances to customers				
Overdrafts	**2,484,964**	2,157,334		
Term loans	**3,084,177**	2,675,288		
Mortgages	**7,458,701**	6,063,829		
Installment finance	**2,382,126**	2,079,801		
Other	**194,652**	139,137		
Gross loans and advances	**15,604,620**	13,115,389		
Less impairment				
Specific impairment	**70,779**	67,719		
Portfolio impairment	**48,909**	43,265		
	15,484,932	13,004,405		
Movement in impairment for the group is as follows:				
Balance at the beginning of the year	**110,984**	103,353		
Provision for loan impairment	**25,702**	27,559		
Amounts written off during the year as uncollectible	**(16,998)**	(19,928)		
Balance at the end of the year	**119,688**	110,984		

	2012		2011	
	N$	**%**	**N$**	**%**
Maturity analysis of loans and advances to customers for the group were as follows:				
Repayable within 1 month	**2,652,121**	**17.0**	2,325,995	17.7
Repayable after 1 month but within 3 months	**361,581**	**2.3**	177,540	1.4
Repayable after 3 months but within 6 months	**156,282**	**1.0**	123,549	0.9
Repayable after 6 months	**12,434,636**	**79.7**	10,488,291	80.0
	15,604,620	**100.0**	13,115,375	100.0

	Group	
	2012	**2011**
	N$'000	**N$'000**
The loans and advances to customers include installment finance receivables which may be analysed as follows:		
Repayable within 1 year	**95,784**	141,683
Repayable after 1 year but within 5 years	**3,096,543**	2,601,277
Repayable after 5 years	**76,568**	11,659
Gross investment in installment finances	**3,268,895**	2,754,619
Unearned future finance income on installment finances	**(919,705)**	(706,212)
Net investment in installment finances	**2,349,190**	2,048,407

	Group		Company	
	2012 N$'000	2011 N$'000	2012 N$'000	2011 N$'000
20. Other assets				
Insurance fund asset	**45,687**	43,360	**-**	-
Accounts receivable and prepayments	**21,060**	21,327	**2,030**	2,040
Clearing, settlement and internal accounts	**63,547**	106,778	**-**	-
Other taxes	**1,974**	137	**80**	64
Repossessed property	**848**	1,126	**-**	-
Work-in-progress	**7,120**	38,231	**-**	-
	140,237	210,959	**2,110**	2,104
Current	**94,550**	167,599	**2,110**	2,104
Non-current	**45,687**	43,360	**-**	-
	140,237	210,959	**2,110**	2,104
21. Investment in subsidiaries				
Shares at cost			**230,791**	225,402
Total investment in subsidiaries			**230,791**	225,402
Directors' valuation of investment in shares			**2,743,316**	2,379,579
Non-current			**230,791**	225,402

22. Investment in associates

Santam Namibia Ltd

The company holds a 27.95% interest in Santam Namibia Ltd, a short-term insurance company.

	Group 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
Carrying value of investment in associate				
Cost/Investment	**62,905**	50,772	**62,905**	50,772
Share of current year's retained income	**20,491**	19,953		
- Profit before tax	**30,438**	29,509		
- Current and deferred tax	**(9,947)**	(9,556)		
Dividends received	**(15,000)**	(15,000)		
Post acquisition retained income at the beginning of the year	**18,386**	13,433		
	86,782	69,158	**62,905**	50,772
Directors' valuation	**128,498**	103,074	**128,498**	103,074
Summarised financial information				
Non-current assets	**220,328**	202,103		
Technical assets	**89,219**	84,136		
Current assets	**190,191**	247,884		
Non-current liabilities	**(22,514)**	(19,857)		
Technical liabilities	**(196,197)**	(225,764)		
Current liabilities	**(54,147)**	(81,518)		
Capital and reserves	**226,879**	206,984		

	Group		Company	
	2012	**2011**	**2012**	**2011**
	N$'000	**N$'000**	**N$'000**	**N$'000**

22. Investment in associates (continued)

Sanlam Namibia Holdings Ltd

Bank Windhoek Holdings Ltd holds an effective 29.5%, non-controlling interest in Sanlam Namibia Holdings Ltd, a Namibian company providing a variety of financial services.

	Group 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
Carrying value of investment in associate				
Cost/ Investment	**47,290**	47,290	**47,290**	47,290
Share of current year's retained income	**32,820**	35,004		
- Profit before tax	**36,478**	38,057		
- Current and deferred tax	**(3,658)**	(3,053)		
Dividends paid	**(26,513)**	(33,878)		
Post acquisition retained income at the beginning of the year	**33,954**	32,828		
	87,551	81,244	**47,290**	47,290
Directors' valuation	**197,006**	188,253	**197,006**	188,253
Summarised financial information				
Non-current assets	**1,544,596**	1,816,860		
Current assets	**869,737**	96,958		
Non-current liabilities	**(1,977,002)**	(1,566,338)		
Current liabilities	**(203,915)**	(134,862)		
Capital and reserves	**233,417**	212,618		

VTB Capital (Namibia) (Pty) Ltd

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

	Group 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
Carrying value of investment in associate				
Cost/ Investment	**1,788**	1,788	**1,788**	1,788
Share of current year's retained income / (loss)	**32**	(143)		
- Profit / (loss) before tax	**32**	(143)		
Post acquisition retained loss at the beginning of the year	**(156)**	(13)		
	1,664	1,632	**1,788**	1,788
Directors' valuation	**1,680**	1,648	**1,680**	1,648
Summarised financial information				
Non-current assets	**36**	69		
Current assets	**3,354**	3,262		
Current liabilities	**(8)**	(6)		
Capital and reserves	**3,383**	3,325		
Total investment in associates	**175,997**	152,034	**111,983**	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	
	2012	2011	2012	2011
	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 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
Opening balance	**4,864**	1,577		
The group's share of the profit in the joint venture	**1,150**	3,287		
Profit distribution	**(4,000)**	-		
Closing balance	**2,014**	4,864		

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 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
Opening balance	**2,229**	2,601		
The group's share of the profit in the joint venture	**852**	628		
Dividends	**-**	(1,000)		
Closing balance	**3,081**	2,229		
Total investments	**5,095**	7,093		
Directors' valuation of investment in shares	**5,095**	7,093		
Non-current	**5,095**	7,093		

24. Intangible assets

	Goodwill N$'000	Trademarks N$'000	Software and related development costs N$'000	Other intangibles N$'000	Total N$'000
Group					
Year-end - 30 June 2012					
Cost:					
Cost at 1 July 2011	**-**	**7,203**	**63,269**	**6,843**	**77,315**
Transfers	**-**	**-**	**(2,194)**	**-**	**(2,194)**
Acquisition of additional interest in subsidiaries	**3,169**	**-**	**-**	**-**	**3,169**
Cost at 30 June 2012	**3,169**	**7,203**	**61,075**	**6,843**	**78,290**
Amortisation and impairment:					
Amortisation and impairment at 1 July 2011	**-**	**(5,285)**	**(51,818)**	**(6,843)**	**(63,946)**
Charge for the year	**-**	**(959)**	**(2,061)**	**-**	**(3,020)**
Impairment for the year	**-**	**-**	**(673)**	**-**	**(673)**
Amortisation and impairment at 30 June 2012	**-**	**(6,244)**	**(54,552)**	**(6,843)**	**(67,639)**
Net book value at 30 June 2012	**3,169**	**959**	**6,523**	**-**	**10,651**

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 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 at 1 June 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

All intangible assets are held by the group, none are held by the company.

Intangible assets consist of goodwill, 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 Bank Windhoek Ltd, whilst the trademark is owned by the subsidiary, Intellect Investment Namibia (Pty) Ltd.

At reporting date an impairment test was performed on the recoverable amount of goodwill raised in the group during the year under review. The goodwill comprises of the excess consideration paid for the non-controlling interest acquired in its subsidiary, Welwitschia Nammic Insurance Brokers (Pty) Ltd of N$ 3.2 million. The impairment test was based on the price earnings valuation of the subsidiary, which indicated that the value of the company is higher than the cost of shares acquired. Goodwill was therefore not impaired.

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 2012					
Cost					
Cost at 1 July 2011	**49,005**	**153,009**	**12,685**	**126,974**	**341,673**
Additions	**2,896**	**16,205**	**1,600**	**6,360**	**27,060**
Transfers	**(1,656)**	**(1,319)**	**-**	**190**	**(2,785)**
Disposals	**-**	**(508)**	**(166)**	**(103)**	**(777)**
Cost at 30 June 2012	**50,245**	**167,387**	**14,119**	**133,421**	**365,172**
Depreciation and impairment					
Accumulated depreciation at 1 July 2011	**(9,717)**	**(117,087)**	**(8,975)**	**(74,410)**	**(210,189)**
Charge for the year	**(1,674)**	**(13,888)**	**(1,556)**	**(11,947)**	**(29,065)**
Transfers	**-**	**1,155**	**-**	**-**	**1,155**
Depreciation on disposals	**-**	**147**	**143**	**88**	**378**
Accumulated depreciation at 30 June 2012	**(11,391)**	**(129,673)**	**(10,388)**	**(86,269)**	**(237,721)**
Net book value at 30 June 2012	**38,854**	**37,714**	**3,731**	**47,152**	**127,450**
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 at 30 June 2011	49,005	153,009	12,685	126,974	341,673

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 2011					
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

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 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
26. Derivative financial instruments				
Interest rate swaps	**699**	1,895		

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 2012 was N$293.5 million (2011: N$500 million).

	Group 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
27. Due to other banks				
Current account	**17,089**	28,974		
Borrowings from other banks	**220,522**	218,000		
	237,611	246,974		
28. Other deposits				
Negotiable certificates of deposit (NCDs)	**3,398,657**	3,188,906		
29. Debt securities in issue				
Balance as at 1 July	**767,311**	352,133	**153,932**	154,561
Redemption	**(100,000)**	(90,000)	**-**	-
Additions	**243,912**	500,801	**-**	-
Effective interest rates adjustment	**61,239**	38,600	**9,660**	10,053
Coupon payment	**(55,140)**	(34,223)	**(9,622)**	(10,682)
Balance as at 30 June	**917,322**	767,311	**153,970**	153,932
Current	**307,244**	-	**153,970**	-
Non-current	**610,078**	767,311	**-**	153,932
	917,322	767,311	**153,970**	153,932

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 comprises of subordinated debts, senior debt and promissory notes with a combined nominal value of N$753.3 million (2011: N$600 million).

During the year, N$100 million (2011: 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. The remaining additions related to promissory notes issued by Bank Windhoek Ltd during the year.

	Group		Company	
	2012	**2011**	**2012**	**2011**
	N$'000	**N$'000**	**N$'000**	**N$'000**
30. Deposits from customers				
Current accounts	**3,434,623**	2,948,157		
Savings accounts	**811,945**	691,829		
Other deposits	**7,880,051**	6,212,691		
	12,126,619	9,852,677		

	2012		2011	
	N$'000	%	**N$'000**	%
Group				
Maturity analysis within the customer current, savings, deposit account portfolio for the group were as follows:				
Withdrawable on demand	**8,519,953**	**70.3**	7,432,590	75.4
Maturing within 1 month	**847,207**	**7.0**	233,449	2.4
Maturing after 1 month but within 6 months	**1,901,968**	**15.7**	1,972,198	20.0
Maturing after 6 months	**857,490**	**7.1**	214,440	2.2
	12,126,619	**100.0**	9,852,677	100.0

31. Other liabilities

	Group 2012	Group 2011	Company 2012	Company 2011
Accounts payable and other accruals	**124,384**	103,213	**1,726**	1,808
Deferred revenue	**4,321**	3,529	**-**	-
Other taxes	**8,454**	4,873	**-**	-
Clearing, settlement and internal accounts	**69,093**	102,929	**-**	-
	206,252	214,544	**1,726**	1,808

32. Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 34% (2011: 34%).

The movement on the deferred income tax account is as follows:	Group 2012	Group 2011
Balance as at 1 July	**132,503**	128,623
Prior year adjustment	**(1,521)**	-
Income statement charge	**3,012**	3,880
Sale of subsidiary	**1,250**	-
Balance as at 30 June	**135,244**	132,503

	Group		Company	
	2012	**2011**	**2012**	**2011**
	N$'000	**N$'000**	**N$'000**	**N$'000**
32. Deferred income tax (continued)				
Deferred income tax assets and liabilities are attributable to the following items:				
Deferred income tax liability				
Accelerated tax depreciation and amortisation	**20,557**	19,761		
Loans and receivables	**13,976**	11,055		
Government stock and other securities	**132,250**	125,801		
Other temporary differences	**3,324**	2,395		
	170,108	159,012		
Deferred income tax asset				
Accruals	**22,336**	17,788		
Loan loss provisions	**8,325**	6,758		
Assessed loss	**2,939**	704		
Derivative financial instruments	**238**	478		
Other temporary differences	**1,025**	781		
	34,864	26,509		
Net deferred income tax liability	**135,244**	132,503		

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

	Group 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
The deferred tax assets relating to subsidiaries not allowed to be offset are as follows:				
Intellect Investments Namibia (Pty) Ltd	**442**	-		
Bank Windhoek Properties (Pty) Ltd	**160**	-		
Namib Bou (Pty) Ltd	**2,552**	300		
Welwitschia Nammic Insurance Brokers (Pty) Ltd	**2,310**	1,572		
	5,464	1,872		
Deferred tax liability	**140,708**	134,375		
Net deferred tax liability	**135,244**	132,503		

33. Post-employment benefits

33.1 Severence pay liability

A valuation was performed for 30 June 2012 by an independent actuary on the group's liability with respect to severance pay. The benefit is not funded.

	Group 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
The amount recognised in the consolidated statement of financial position are determined as follows:				
Present value of unfunded obligation	**5,539**	5,288		
The movement in the severance pay obligation over the year is as follows:				
As at 1 July	**5,288**	4,323		
Current service costs	**251**	973		
Benefits paid	**-**	(8)		
As at 30 June	**5,539**	5,288		

	Group		Company	
	2012	**2011**	**2012**	**2011**
	N$'000	**N$'000**	**N$'000**	**N$'000**

33. Post-employment benefits (continued)

33.1 Severence pay liability (continued)

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	Group 2012 N$'000	Group 2011 N$'000
Current service costs	**251**	973
	251	973

The principle actuarial assumptions used were as follows:	**%**	%
Discount rate	**8.65**	9.05
Inflation rate	**5.40**	5.90
Salary increases	**7.00**	7.40

The following sensitivity of the overall liability to changes in principle assumption is:

	Group 2012	Group 2011
Salary increase 1% lower per annum	**5,240**	4,085
Salary increase 1% higher per annum	**5,868**	4,587

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 statutory 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%.

34. Share capital and premium

	Group		Company	
	2012	**2011**	**2012**	**2011**
	N$'000	**N$'000**	**N$'000**	**N$'000**
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	**11,203**	11,180	**11,203**	11,180
Shares issued during the year	**109**	23	**109**	23
Balance as at 30 June	**11,312**	11,203	**11,312**	11,203
Share premium				
Balance as at 1 July	**75,742**	73,032	**75,742**	73,032
Shares issued during the year	**15,060**	2,710	**15,060**	2,710
Balance at 30 June	**90,802**	75,742	**90,802**	75,742
Total ordinary share capital and premium	**102,114**	86,945	**102,114**	86,945

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 113,118,750 (2011: 112,033,000).

35. Share-based payments

Directors and selected employees from a specified grade level may participate in the group's share purchase schemes, to purchase Bank Windhoek Holdings Ltd shares. The shares are offered through the issue of an interest-free loan, cash or bonuses paid for an amount equal to the net asset value (NAV) of the shares at grant date. Employees who take up shares through a loan are required to make minimum monthly or annual repayments on the loan. The loan has to be repaid over a period of nine years. Employees are entitled to the dividends on the shares from the grant date. The shares can be sold, (should the portion of the loan be repaid for shares purchased on interest-free loan), as per the following conditions:

- one third of the shares can be sold after a minimum period of three years from grant date;
- The second third of the shares can be sold after a period of four years from grant date; and
- The last third of the shares can be sold after a period of five years from grant date.

Share purchase scheme
Movements in the number of share purchases and their related weighted average exercise prices are as follows:

	Interest-free loan		Cash		Total
	Average exercise price per purchase N$	Purchases '000	Average exercise price per purchase N$	Purchases '000	Purchases '000
Granted	**8.67**	**4,945**	**8.13**	**2,392**	**7,337**
Forfeited	**8.67**	**(936)**	**8.62**	**(124)**	**(1,060)**
Exercised	**8.67**	**(1,370)**	**8.62**	**(1,661)**	**(3,030)**
At 30 June 2012	**8.67**	**2,639**	**6.69**	**607**	**3,246**

Interest-free loan
Out of the 4,945,090 purchased shares, 2,818,887 shares have vested. Shares vested up to 2012 resulted in 1,369,762 shares being issued at a weighted average price of N$8.67 each. The related weighted average share price at the time of exercise was N$8.67 per share. No transaction costs resulted from these transactions. Of the outstanding shares at year-end 908,793 have vested.

Cash shares
Out of the 2,391,559 purchased shares, 1,998,349 shares have vested. Shares vested up to 2012 resulted in 1,660,668 shares being issued at a weighted average price of N$8.62 each. The related weighted average share price at the time of exercise was N$8.62 per share. No transaction costs resulted from these transactions. Of the outstanding shares at year-end 303,207 have vested.

Share purchases outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Purchase price per share N$	2012 Shares Interest-free loan	Cash
30/06/2005	**2014**	**5.74**	**26,300**	**13,750**
30/05/2006	**2015**	**6.90**	**143,837**	**17,500**
15/08/2006	**2015**	**6.90**	**32,500**	**-**
20/09/2006	**2015**	**6.90**	**-**	**5,000**
11/08/2006	**2015**	**8.18**	**-**	**143,269**
20/06/2007	**2016**	**6.20**	**413,553**	**104,284**
11/07/2007	**2016**	**7.21**	**191,736**	**21,050**
20/09/2008	**2017**	**8.89**	**494,337**	**16,113**
20/09/2009	**2018**	**10.45**	**235,150**	**26,392**
20/09/2010	**2019**	**11.73**	**462,800**	**19,155**
20/09/2011	**2020**	**13.97**	**638,820**	**240,748**
			2,639,033	**607,261**

35. Share-based payment (continued)

Interest-free loans

The share-based payment charge was determined using the Black-Scholes valuation model. The significant inputs into the model were the weighted average share price of N$8.67 at the grant date, the exercise price shown above, a volatility of 10%, a dividend yield of 0%, an expected option life of nine years and an annual risk-free interest rate ranging between 6.6% and 10.1%. The strike price is determined as the loan purchase price, which is equal to the NAV at the grant date, taking payments on the loan into consideration. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of annual share prices over the last four years for another bank operating in Namibia, as Bank Windhoek is not listed on the Namibian Stock Exchange. Refer to note 10 for the total expense recognised in the statement of comprehensive income for shares purchased by directors and employees.

Cash shares

The IFRS 2 charge associated with shares purchased for cash is zero as the grant date purchase price (NAV) approximates the grant date fair value of the shares.

The fair value of shares held as collateral over the interest-free loans is N$37 million at 30 June 2012.

	Group		Company	
	2012	**2011**	**2012**	**2011**
	N$'000	**N$'000**	**N$'000**	**N$'000**
36. Non-distributable reserves				
36.1 Credit risk reserve				
Balance at 1 July	**87,449**	72,481		
Transfer from retained earnings	**19,009**	14,968		
Balance as at 30 June	**106,458**	87,449		
The regulatory credit risk reserve was introduced in order to meet the regulatory requirements for the loan loss portfolio impairment of Bank Windhoek Ltd.				
36.2 Insurance fund reserve				
Balance as at 1 July	**28,617**	23,049		
Transfer from retained earnings	**-**	5,568		
Balance as at 30 June	**28,617**	28,617		
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	**135,075**	116,066		
37. Distributable reserves				
37.1 Fair value reserve				
Balance as at 1 July	**17,193**	16,341		
Revaluation of available-for-sale equity instruments	**14,035**	852		
Balance as at 30 June	**31,228**	17,193		

37. Distributable reserves (continued)

	Group 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
37.2 General banking reserve				
Balance as at 1 July	**1,132,299**	973,377		
Transfer from retained earnings	**198,915**	158,922		
Balance as at 30 June	**1,331,214**	1,132,299		

The general banking reserve is maintained to fund future expansion.

	Group 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
37.3 Retained earnings				
Balance as at 1 July	**212,527**	165,441	**184,402**	148,868
Net profit for the year	**399,803**	327,374	**149,822**	136,364
Transfers to reserves	**(217,924)**	(179,458)	**-**	-
Dividends declared	**(113,119)**	(100,830)	**(113,119)**	(100,830)
Business combination	**(1,135)**	-	**-**	-
Balance as at 30 June	**280,152**	212,527	**221,105**	184,402
37.4 Share-based compensation reserve				
Balance as at 1 July	**-**	-		
Share-based payment charges	**7,276**	-		
Balance as at 30 June	**7,276**	-		

The share-based compensation reserve was created to fund future staff costs relating to share purchase schemes (note 35).

	Group 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
Total distributable reserve	**1,649,870**	1,362,019	**221,105**	184,402

38. Dividends per share

Normal dividends of 100 cents per share (2011: 90 cents) amounting to N$113.1 million (2011: N$100.8 million) were declared during the year under review. The normal dividends declared represent an interim dividend of 45 cents (2011: 52 cents) per share and a final dividend of 55 cents (2011: 38 cents) per share.

Dividends paid by subsidiaries to minorities amounted to N$0.2 million (2011: N$0.4 million).

	Group 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
Dividends declared and paid during the year	**(113,343)**	(101,245)	**(113,119)**	(100,830)

39. Cash generated by operations

	Group 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
Profit before income tax	**569,981**	462,555	**149,896**	136,613
Dividends received	**(812)**	(1,816)	**(154,589)**	(143,315)
Adjusted for non-cash items:				
- Effective interest on debt securities in issue	**61,239**	38,600	**9,660**	10,053
- Interest receivable	**(18,339)**	(17,448)	**-**	-
- Adjustment to fair value of financial instruments	**1,200**	(155)	**-**	-
- Amortisation and impairment of intangible assets	**3,693**	3,508	**-**	-
- Depreciation and impairment of property, plant and equipment	**29,065**	29,394	**-**	-
- Share-based payment	**7,276**	-	**-**	-
- (Profit) / loss on disposal of property, plant and equipment	**(79)**	618	**-**	-
- Profit on sale of subsidiary	**(7,048)**	-	**-**	-
- Provision for impairment losses on loans and advances	**25,243**	27,129	**-**	-
- Provision for post-employment benefits	**251**	965	**-**	
- Share of associate profits	**(53,343)**	(54,814)	**-**	-
- Share of joint venture profits	**(2,002)**	(3,915)	**-**	-
	616,326	484,621	**4,967**	3,351

40. Contingent assets, liabilities and commitments

40.1 Guarantee issued to Bank Windhoek Selekt Unit Trust Fund

The bank has entered into an agreement with Capricorn Unit Trust Management Company Ltd as follows: in the event of a credit default event suffered by the Bank Windhoek Selekt Fund, the bank will refund the Selekt Fund any shortfall on the realisation of any bill, bond, deposit or security issued by any counterparty as approved in the Fund's mandate. A credit default event is defined as the bankruptcy of counterparties, approved by the Board Credit Committee, who issued the instrument. 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.

In addition to the monitoring of the guarantee under the risk management framework described in note 3, the interbank limits take 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		Company	
	2012	**2011**	**2012**	**2011**
	N$'000	**N$'000**	**N$'000**	**N$'000**
40.2 Capital commitments				
Authorised but not contracted for	**123,058**	66,762		
40.3 Letters of credit and liabilities under guarantees	**1,394,835**	962,340		
40.4 Loan commitments	**1,605,525**	1,510,394		
40.5 Operating lease commitments				
Office premises				
- Not later than 1 year	**35,459**	27,143		
- Later than 1 year but not later than 5 years	**93,314**	88,938		
	128,773	116,081		

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

41. Income tax paid (net)

	Group 2012	Group 2011	Company 2012	Company 2011
Amounts receivable as at 1 July	**1,495**	2,031	**295**	290
Current tax charged to profit or loss	**(164,358)**	(130,165)	**(74)**	(249)
Amounts receivable as at 30 June	**(3,051)**	(1,495)	**(300)**	(295)
	(165,914)	(129,629)	**(79)**	(254)

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:

	Group 2012	Group 2011	Company 2012	Company 2011
Cash and balances with the Central Banks (note 14)	**849,703**	444,639	**133,731**	99,436
Treasury bills and government stock with a maturity of less than 90 days (note 16)	**381,010**	266,247	**-**	-
Money market investments (note 16)	**1,024**	29,198	**-**	-
Placement with other banks (note 18)	**211,032**	362,238	**-**	-
Borrowings from other banks (note 27)	**(237,611)**	(246,974)	**-**	-
	1,205,158	855,348	**133,731**	99,436

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. No provision have been recognised in respect of loans given to related parties (2011: NIL).

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
Cavmont Capital Holdings Zambia Plc	Fellow associate	Support services
		Banking relationship
Nam-mic Financial Services Holdings (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 Insurance Brokers (Pty) Ltd	Subsidiary	Commission
		Support services
		Banking relationship

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

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
	N$'000	**N$'000**	**N$'000**	**N$'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	**-**	**-**
Fellow subsidiaries	**-**	974	**-**	**-**
Subsidiaries	**-**	-	**240**	355
Other indirect related parties	**118,273**	166,305	**1,798**	-
Key management personnel	**13,969**	12,058	**-**	-
43.2 Payable to related parties				
Parent company	**14,373**	13,342	**225**	355
Fellow subsidiaries	**5,682**	7,108	**-**	**-**
Subsidiaries	**-**	-	**128**	**-**
Other indirect related parties	**211,647**	88,893	**838.55**	-
43.3 Expenses paid to related parties				
Parent company	**4,022**	6,101	**3,415**	3,746
Fellow subsidiaries	**701**	910	**9,660**	10,053
Other indirect related parties	**9,987**	7,370	**-**	-
Key management personnel	**45**	37	**-**	-

	Group		Company	
	2012 N$'000	**2011 N$'000**	**2012 N$'000**	**2011 N$'000**

43. Related party transactions (continued)

43.4 Income received from related parties				
Parent company	**64**	1,155	**-**	-
Fellow subsidiaries	**5,309**	230	**5,309**	3,796
Subsidiaries	**-**	-	**3,415**	3,924
Other indirect related parties	**6,520**	5,745	**17**	-
Key management personnel	**1,037**	1,211	**-**	-
43.5 Compensation paid to key management	**23,692**	21,649	**-**	**-**

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$4,147.4 million (2011: N$3,543.9 million) of assets under custody.

45. Transactions with non-controlling shareholders

45.1. Acquisition of additional interest in a subsidiary

On 26 September 2011, the company acquired the remaining 22.44% of the issued shares of Welwitschia Nammic Insurance Brokers (Pty) Ltd for a purchase consideration of N$5,388,919 from Nammic Financial Services Holdings (Pty) Ltd. The group now holds 100% of the equity share capital of Welwitschia Nammic Insurance Brokers (Pty) Ltd. The carrying amount of the non-controlling interests in Welwitschia Nammic Insurance Brokers (Pty) Ltd on the date of acquisition was N$2,220,333. The group derecognised non-controlling interests of N$2,220,333 and recorded a decrease in equity attributable to owners of the parent of N$2,220,333. The effect of changes in the ownership interest of Welwitschia Nammic Insurance Brokers (Pty) Ltd on the equity attributable to owners of the company during the year is summarised as follows:

Carrying amount of non-controlling interests acquired	**2,220**	-	**2,220**	-
Consideration paid to non-controlling interests	**5,389**	-	**5,389**	-
Excess of consideration paid recognised in parent’s equity	**(3,169)**	-	**(3,169)**	-

	Group		Company	
	2012	**2011**	**2012**	**2011**
	N$'000	**N$'000**	**N$'000**	**N$'000**

46. Disposal of investment in subsidiary

On 15 December 2011 Namib Bou (Pty) Ltd disposed of the remaining 50% interest in its subsidiary, Namib Bou Hochland Estate Development at a consideration of N$14,033,855.

	Group 2012 N$'000	Group 2011 N$'000	Company 2012 N$'000	Company 2011 N$'000
Proceeds from sale of 50% investment in subsidiary	**14,034**	-		
Analysis of assets over which control was lost:				
Deferred tax	**1,250**	-		
Inventory	**16,387**	-		
Trade and other receivables	**1,432**	-		
Intercompany loan	**(5,097)**	-		
Net assets disposed of	**13,972**	-		
Non-controlling interest	**6,986**	-		
Net profit from sale of 50% investment in subsidiary	**7,048**	-		