Bank Windhoek Holdings Limited

A member of Capricorn Investment Holdings

Annual Report

for the year ended 30 June 2014

index

Group profile

Bank Windhoek Holdings Limited, a subsidiary of Capricorn Investment Holdings Limited (CIH), was established in 1996. Bank Windhoek Holdings primarily operates as an investment holding company.

Overview of subsidiaries and associates of Bank Windhoek Holdings

The Bank Windhoek Holdings group comprises of a number of subsidiary companies and associates in the financial sector industry of Namibia.

The group structure of Bank Windhoek Holdings is diagrammatically depicted on page 3 and a brief overview of Bank Windhoek Holdings subsidiaries and associates is presented below.

Bank Windhoek

Bank Windhoek is the flagship brand of the Bank Windhoek Holdings group, a full scope commercial bank offering a wide range of banking products and services to the market.

Bank Windhoek has an extensive distribution network of 53 retail and specialist finance branches and agencies countrywide. The bank also has a corporate and executive banking division with offices in Windhoek, Oshakati and Walvis Bay. It offers foreign exchange services throughout its own branches and through a joint venture with American Express, which has various outlets in Namibia. Bank Windhoek has 97 ATMs and in addition, a total of 236 Bank Windhoek Cash Express ATMs installed at merchants across Namibia in partnership with ATM Solutions Namibia.

Bank Windhoek subsidiaries

BW Finance, a wholly owned subsidiary of Bank Windhoek, is the vehicle through which the Bank Windhoek Holdings group does its micro lending business in partnership with Nam-mic.

Capricorn Asset Management (CAM) and Capricorn Unit Trust Management Company (CUTM)

During the year under review, Bank Windhoek Holdings acquired 100% of the issued share capital of both Capricorn Asset Management and Capricorn Unit Trust Management Company.

Bank Windhoek Holdings' asset management activities are conducted under these two separate legal entities. The Bank Windhoek Unit Trusts are registered under CUTM whilst all administration and asset management activities of the funds are performed by CAM. In addition to the Bank Windhoek Unit Trust range of products, CAM also offers private client wealth management services and segregated portfolio management services to the institutional market.

Welwitschia Insurance Brokers (WIB)

Welwitschia Insurance Brokers is a short-term insurance broker with a national footprint. It is a wholly owned subsidiary of Bank Windhoek Holdings.

WIB offers short-term insurance broking services for all types of corporate, commercial, SME, marine, aviation and personal lines insurance, through an extensive branch network.

Namib Bou

Namib Bou is a property development company focusing on affordable housing development.

Namib Bou acts as facilitator between the local authorities and financial institutions (commercial banks) to ensure that sufficient housing stock is created over the long-term to assist with meeting the housing backlog in Namibia.

Bank Windhoek Holdings' associates

Bank Windhoek Holdings has a 28% shareholding in Santam Namibia and a 29.5% shareholding in Sanlam Namibia Holdings; both leaders in their fields of business.

Santam Namibia

Santam Namibia is the largest short-term insurer in Namibia with a countrywide contact centre infrastructure, a strong intermediary network and a market share exceeding 30%. Santam Namibia focuses on corporate, commercial and personal markets, underwriting a wide range of insurance classes.

Sanlam Namibia Holdings

Sanlam Namibia Holdings is a well-diversified financial services group with key operations in life assurance in the affluent and entry level market, group life assurance, credit life assurance, unit trust management and the distribution of unit-linked platform businesses.

Group structure

as at 30 June 2014

Summary of key performance indicators

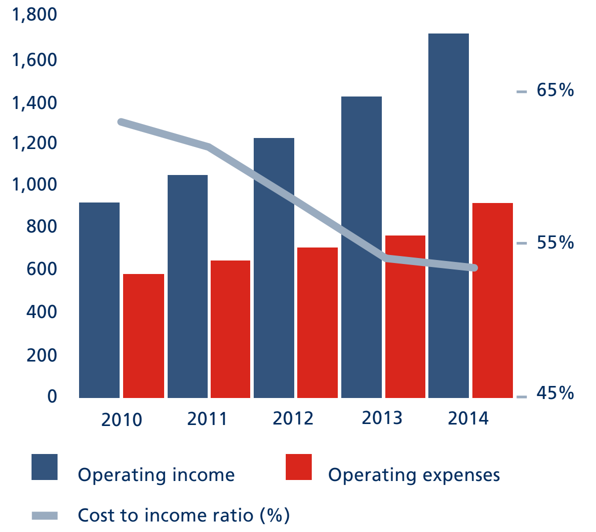
Operating profit	Profit for the year	Net asset value
N$792.9m	N$624.9m	N$3.1bn
↑ 22.3%	↑ 26.7%	↑ 17.9%

Return on average equity	Capital adequacy	Earnings per share
21.9%	15.8%	125 cents

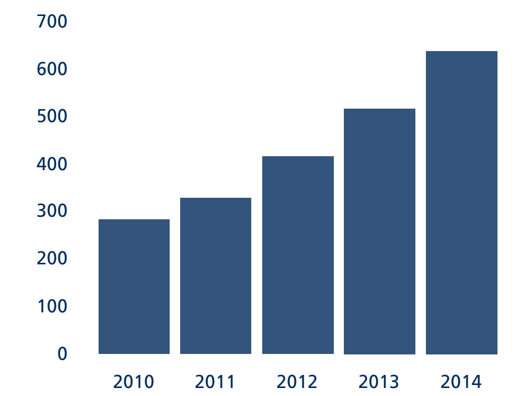
	2010	2011	2012	2013	2014	5 year CAGR[1]
Statement of comprehensive income (N$'000)						
Total income	941,409	1,074,230	1,246,390	1,437,645	1,736,630	15.8%
Operating profit	340,628	403,826	514,636	648,083	792,874	21.2%
Profit for the year	281,447	328,510	402,611	493,271	624,915	22.2%
Total comprehensive income for the year	282,472	329,362	416,646	515,630	639,159	22.8%
Earnings per share (cents)	63	73	89	108	125	19.7%
Dividends per share (cents)	13	23	25	33	44	30.2%
Statement of financial position (N$'000)						
Total assets	14,451,146	15,984,823	18,921,050	20,938,608	24,318,268	14.1%
Total loans and advances to customers	11,320,292	13,004,405	15,484,932	17,651,962	20,245,395	15.8%
Total deposits	12,390,646	13,140,545	15,673,732	16,915,652	18,782,411	12.0%
Net asset value per share (cents)	299	349	417	532	617	18.3%
Performance indicators (%)						
Return on average equity	22.2%	22.5%	23.3%	21.9%	21.9%	
Return on average assets	2.1%	2.2%	2.3%	2.5%	2.8%	
Net interest margin on average assets	4.2%	4.4%	4.5%	4.6%	4.5%	
Impairment charges to average gross loans and advances	0.21%	0.22%	0.18%	0.16%	0.15%	
Non-interest income as % of operating income	40.7%	38.5%	37.9%	37.1%	39.8%	
Cost to income ratio	62.9%	61.4%	57.9%	54.1%	53.6%	
Operating expenses as % of profit before tax	152.1%	139.1%	124.0%	107.5%	104.1%	
Closing share price (cents) at 30 June				1,015	1,115	
Price to book ratio at closing price per share				1.9	1.8	
Price earnings ratio at closing price per share				9.4	8.9	
Capital adequacy (%)						
Total risk-based capital ratio			13.4%	16.6%	15.8%	

[1] Compound annual growth rate

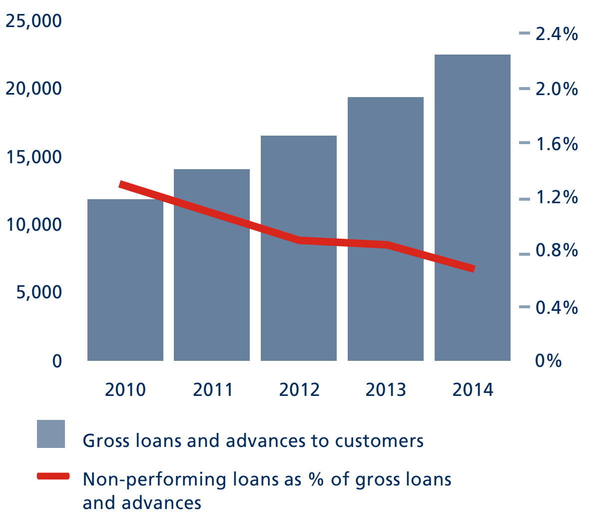
Operating performance (N$m)



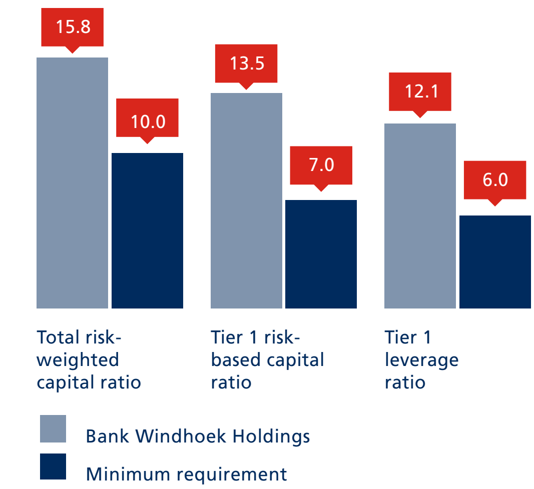
Total comprehensive income (N$m)



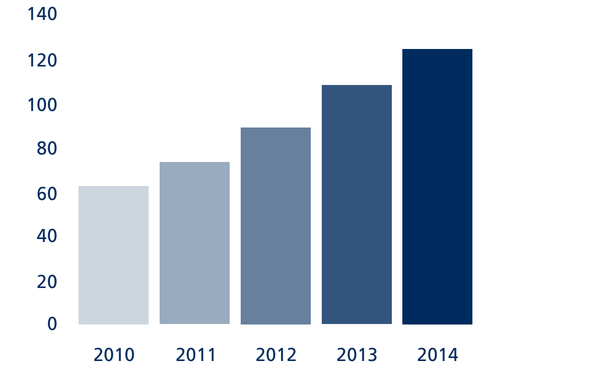
Loans and advances to customers (N$m)



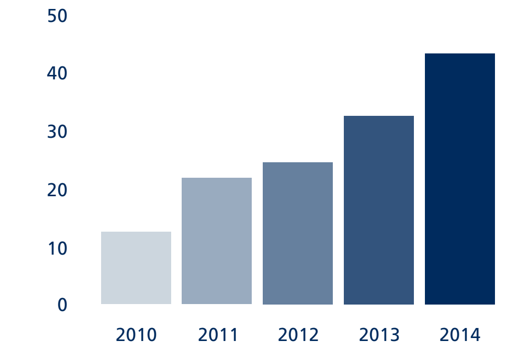
Capital adequacy ratios (%)



Earnings per share (cents)



Normal dividend per share (cents)



Board of directors

From left to right:

Koos Brandt (71)
Non-executive

Johan Swanepoel (54)
Non-executive

Matheus Shikongo (64)
Independent non-executive

Eric Knouwds (69)
Independent non-executive

Frans du Toit (69)
Independent non-executive

John Shaetonhodi (65)
Non-executive

** Refer to the corporate governance statement for more information on the board of directors.*

Board of directors






From left to right:

Christo de Vries (62)
Managing Director

Brian Black (59)
Independent non-executive

Thinus Prinsloo (43)
Executive

Esi Schimming-Chase (44)
Independent non-executive

Gida Nakazibwe-Sekandi (61)
Non-executive

Company Secretary:
Hellmut von Ludwiger (46)

** Refer to the corporate governance statement for more information on the board of directors.*

Chairman's statement

Koos Brandt
Chairman

It is with great pride that I present the Annual Report of Bank Windhoek Holdings Limited for the year ended 30 June 2014. In the previous Annual Report we reflected on the successful listing of Bank Windhoek Holdings on the Namibian Stock Exchange (NSX) on 20 June 2013; the largest and most successful listing of a Namibian company since the establishment of the NSX. We can now report back on this important first year of operation as a listed entity on the Namibian Stock Exchange and the value that we have created for our shareholders during this financial year through the success and performance of our operations.

The contribution of the Bank Windhoek Holdings group in stimulating the development and growth of the NSX index cannot be underestimated with almost 20 million Bank Windhoek Holdings shares at a value of more than N$203 million being traded until 30 June 2014. As at that date, the market capitalisation of Bank Windhoek Holdings comprised 28.5% of the local index. Shareholders who bought shares by the close of the public offer on 13 June 2013 received a total investment return of 32.5% by 30 June 2014.

I am proud of what the group has achieved this year. The positive financial performance of the group, as set out in the managing director's report, was achieved through good revenue growth, prudent expense management, effective credit management and the exceptional results of our associate companies.

I am particularly proud of how we delivered on our promise to shareholders at the time of the listing to deliver long-term sustainable value in a responsible manner. We remain mindful of the importance of a good balance between future value and current return.

We take pride in our Namibian heritage and majority Namibian shareholding (96.6% as at 30 June 2014). Our solid local foundation gives us the advantage of being able to decisively utilise our local insight and local decision-making power, ensuring that we can respond quicker to the local environment and to the needs of our clients. Furthermore, our success enables us to reinvest in the development of Namibia's economy and, as a responsible corporate citizen, contribute to the socioeconomic development of our country.

The macro environment

A well-functioning and stable financial services system has always played a key role in supporting growth by providing capital, facilitating trade and financing infrastructure and innovation. Financial institutions play a pivotal role in providing innovative solutions to the significant social, economic and environmental challenges the country faces. We are aware of the need to find ways to support sustainable growth that benefits the economy, the environment and society. Namibia, as a developing economy, continues to face risks such as potential economic instability as well as legal, political and social risks, with the high unemployment rate remaining a great cause for concern.

The Bank Windhoek Holdings group is encouraged by the efforts of the government of Namibia to create an enabling environment for business to grow and develop, and also to address the prevailing economic and social issues. The group will therefore continue to support the efforts of the government of Namibia to address the risks posed to economic growth and high unemployment.

The banking landscape promises to change in the forthcoming year with a number of new banking licences under review and consideration by the Bank of Namibia. Bank Windhoek has always managed to excel in a highly competitive environment but will not underestimate the impact that a number of new entrants in the market can have on the bank.

Economic overview

Recent US economic data in the form of growth and employment, points to a steady recovery in the world's largest economy. Following suit is the United Kingdom, where

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unemployment is at its lowest since the global financial crisis, and customer confidence has returned as reflected in the recovery of house prices. Unfortunately, Europe's resurgence has been sluggish in comparison. Although concerns of a possible exit from the Eurozone by Greece, Portugal and Ireland have almost completely abated, employment creation remains a challenge and growth remains stubbornly slow. This is especially the case in the Southern European states where deflationary fears have come to the fore. Debt sustainability remains an issue in these countries and falling prices worsen the position of debtors by increasing the real burden of their debts. It is likely that the European Central Bank (ECB) will explore more stimulus options in the near future in an attempt to combat these fears. In China, fears of a possible slowdown in the world's second-largest

Chairman's statement (continued)

economy have emerged following the shift in their economic policy from an investment-led growth model to a consumption-driven economy. The combination of stubbornly low economic growth across the globe, combined with high state and central bank debt levels, supports our overall view that the global economy is still vulnerable to negative shocks and we remain cautious in our outlook.

The positive momentum in the global economy sparks a mixture of fortunes for the emerging market economies. On the one hand, emerging market countries will benefit from an increased demand for their exports driven by a pickup in global economic activity. On the other hand, a more cynical implication looms as a result of the actions taken by large central banks in the developed world. Extraordinary monetary policy actions, which aimed to combat weak confidence and slowing growth, will soon have to be reversed, and this poses challenges for policy makers across the developing world. During the period of 'easy money' resulting from the actions of large central banks, the monetary policy in emerging markets has been allowed to reach new expansionary heights, with record low interest rates becoming the norm across most developing markets worldwide, Namibia being no exception. Now that these policy makers are satisfied that the economic recovery is underway, an unwinding of recent accommodative action is on the horizon.

The combination of stubbornly low economic growth across the globe, combined with high state debt levels, supports our overall view that the global economy is still vulnerable to negative shocks and we remain cautious in our outlook.

We have already seen glimpses of the aforementioned unwinding effect of monetary policy on emerging market currencies. Ever since the US Federal Reserve announced the imminent need to 'taper' their quantitative easing (QE) policy, we have witnessed heightened volatility and a general weakening of emerging market currencies. None of these currencies have been more vulnerable than the South African rand, which has weakened approximately 10 percent against the US dollar over the past 12 months. Furthermore, emerging markets themselves are faced with the prospect of tightening monetary policy and rising interest rates from recent historic lows. This is either justified by the fact that weaker exchange rates are driving inflationary pressures, or simply that interest rates will be moving back to historical, pre-crisis norms. Namibia shares a similar outlook.

Despite the prospect of tightening global financial conditions, robust domestic demand is expected to continue to support growth in the SADC region over the medium term. Foreign direct investment (FDI) flows into the region are expected to remain resilient. The tightening of global monetary conditions is not expected to have a major impact on most countries in the region, owing to their limited integration into the global financial system. However, South Africa remains particularly vulnerable to capital outflows, given its strong links to the global financial system and its dependence on portfolio inflows to fund its current account deficit. Other countries in the region that plan to utilise international bond markets for funding purposes are likely to face higher coupon rates.

The domestic economy has gained strong support from both monetary and fiscal policy. The Namibian government has maintained a strong fiscal stance in recent years, beginning with the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG). The government appears to be committed to promoting a fast-growing economy, capable of absorbing more labour in order to put a dent in Namibia's high unemployment rate. The Bank of Namibia has mirrored this initiative as it has maintained the repo rate at historical lows.

Record low interest rates have resulted in a strong appetite for credit in Namibia. Annual growth in private sector credit extensions has averaged approximately 14.8% since the start of 2013. Other proxy measurements for consumer demand, such as vehicle sales, also point to a very strong domestic demand-side of the economy. A significant portion of the uptake in credit has been used for the consumer-driven demand for imports. This is steadily growing Namibia's import bill and weighing down the trade balance as exports fail to follow suit. This is reducing the nation's balance of payments and the levels of international reserves. In order to maintain the currency peg with the South African rand, Namibia needs to maintain sufficient international reserves to cover the currency in circulation and three months of the nation's import bill, as per the international prudential measure. This is the main focus of the Bank of Namibia and the first step to safeguard these levels is interest rates. An increase in rates would increase the cost of borrowing and the demand for credit (and consequently the demand for imports) would be slowed. We feel that this will be the Bank of Namibia's first line of defence and anticipate that a monetary tightening cycle is in sight; a 0.25% interest rate hike seen at the recent Monetary Policy Committee meeting marks a signal of these intentions.

Prospects for the mining sector in the country also look bright, as we near completion of some large scale mines. This coincides nicely with a global economy in the midst of a recovery, with the hope that the increased production capabilities will be met with an increased global demand for the country's commodities. Namibia is also in the midst of what some might call a construction 'boom', with large-scale public and private projects underway and some nearing completion.

Overall, the growth picture for Namibia is positive, however maintaining this momentum is expected to become more challenging considering the imminent path of policy tightening on the horizon. A certain degree of prudency will be required from policy makers in order to effectively navigate the economy along a path of sustainable economic growth.

Responding to a changing environment

As a group, we continue to re-shape the business to address the fundamental changes taking place in our industry. The backdrop of technology-driven change in the financial services sector worldwide becomes a more insistent drumbeat every day. Boundaries between the online and offline world are becoming blurred. The challenge (and opportunity) for our group is not just to have (and be able to operate across) multiple channels, it is to meet the rapid changes in consumer behaviour that we are seeing as technology opens up new horizons for them. The capacity for consumers to communicate instantly with each other, with us and with other institutions is driving completely different expectations for service levels, choice and convenience. A level of customisation and personalisation, unthinkable a decade ago, is becoming the norm.

Overall, the growth picture for Namibia is positive, however maintaining this momentum is expected to become more challenging considering the imminent path of policy tightening on the horizon. A certain degree of prudency will be required from policy makers in order to effectively navigate the economy towards a path of sustainable economic growth.

The group has embarked on a process to review its customer value proposition. The accelerating evolution of customer behaviour compelled us to intensify our actions to deliver on this objective. This includes not only ensuring a more seamless service for customers but also a business that better matches what they want.

What we as a group stand for

As a group, we continue to apply the tried and tested models of organic growth and prudency in business. Our business philosophy of entrepreneurship and building sustainable wealth has stood us in good stead over the years. The group has always had (and continues to promote) a very strong corporate governance culture and

Chairman's statement (continued)

Relationships and partnerships form an integral part of our group's success. By investing in mutually beneficial relationships with stakeholders, we demonstrate our long-term commitment towards the development and empowerment of Namibians and the local economy.

an uncompromising stance to ensure compliance with all existing and new regulatory requirements.

Bank Windhoek Holdings subscribes to the principles of good corporate governance, which are characterised by discipline, transparency, accountability, fairness and social responsibility, to the benefit of all our stakeholders. The group remains committed to create sustainable shareholder value by leveraging our intimate know-ledge of the local market.

The group is a proud sponsor of the Corporate Governance Code for Namibia, the NamCode, and subscribes to the principles outlined in this voluntary governance compliance document based on international best practice and the King Report on Governance for South Africa. The NamCode was officially launched on 9 July 2014 by the honourable Minister of Finance. We are encouraged by government's buy-in and active promotion of the code, which should contribute to the improvement of governance in state-owned enterprises. The board of directors of the group is committed to its duty of care in ensuring that the standards of corporate governance are adhered to.

Outlook

The strategic actions that we have taken over several years and the key strategic drivers on which we focused during 2013, namely controlled asset growth; capital management; investment in technology and innovations; diversification of income streams; and focused cost efficiency programmes, have served us well in achieving a solid performance and ensuring long-term sustainable shareholder value. During the year under review, our group has taken decisive steps to review its business strategy, and in the year ahead we will focus on embedding the key strategic themes for the next three years. These include customers and products; talent and leadership development; and a focus on channels and digitisation. Strategic change requires investment in resources, which the group will do responsibly. Whilst embedding the strategic themes, the group will be resilient in responding to changes in the external environment that might impact on its operations.

Acknowledgements

Relationships and partnerships form an integral part of our group's success. By investing in mutually beneficial relationships with stakeholders, we demonstrate our long-term commitment towards the development and empowerment of Namibians and the local economy. We fully realise that the future success of our group, and any other local organisation, is dependent on the enhancement of the country's economy as a whole. Advancement is not a process that can take place in isolation. True development is only ensured when the entire system benefits; only then will we progress towards a healthier and more prosperous economy.

In pursuing our goals in the group, the most important resource we have is undoubtedly our staff, working unfailingly to ensure the success of the group. The entire board and I are grateful to each and every one of them for all that they do. I feel greatly privileged to be chairman of this strong and dynamic Namibian

A sincere 'thank you' is extended to all our business associates for the excellent working relationship that assisted us to steer the group through the past year. We are also grateful for the continued good relationships that we have with the regulators and government institutions, which allowed us to operate in a conducive environment.

group with its proud and successful history, committed staff, loyal shareholders, robust strategy and spirit of entrepreneurship.

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While the economic climate remains uncertain, the board is confident that the group is well-positioned with a clear plan to deliver future growth and value creation for all its stakeholders. On behalf of the board, I would like to thank shareholders for their continued support and all our stakeholders for their invaluable contribution to another excellent year for the business. The clients of the Bank Windhoek Holdings group also deserve special thanks for their continued loyalty and support.

To conclude, a special word of thanks to the board of directors of Bank Windhoek Holdings for their unfailing effort and wise counsel in guiding the group through the past year. As a board, we accept our role and responsibility to provide leadership and vision to the group.

I am confident about our group's future prospects and ability to pursue profitable growth, whilst fulfilling its role as a partner in the development, economic growth and prosperity of Namibia.

J C Brandt
Chairman

Managing Director's report

Christo de Vries
Managing Director

It is gratifying to report on another year of solid and positive financial performance of the Bank Windhoek Holdings group and to highlight the activities of our subsidiaries and associates during the year under review. The financial performance of the group was achieved through a combination of factors which is set out in this report.

During the reporting period, we remained focused on delivering on our identified strategic initiatives which included embedding the enhanced group risk internal control and assurance framework. We furthermore delivered on improving operating efficiencies and having a more results-orientated approach towards projects. We have also embarked on the process of delivering on a more customer-focused operating model and the development of new products and channels.

As part of the review of the operational structure of the Bank Windhoek Holdings group, the operating models of various support functions in the group have been aligned in the past financial year to improve efficiencies and to provide a quality shared service capability to the companies within Bank Windhoek Holdings. In the year ahead, Bank Windhoek Holdings will continue to invest in capacity to support future growth and to expand business activities.

During the year under review, the group continued to focus on leadership development and talent management and launched its talent leadership academy and executive leadership development programmes. The aim of these programmes is to equip the group's leaders with the theoretical and practical knowledge and skills to further strengthen a culture that is relevant in the new world of business. We have also further enhanced our reward and recognition scheme as part of embedding a high performance culture.

Following the successful listing of the group on the Namibian Stock Exchange on 20 June 2013, Bank Windhoek Holdings established an investor relations governance framework to monitor and coordinate investor relations for the group, which includes complying with relevant legislation and the listing requirements of the Namibian Stock Exchange. The group seeks to engage in dialogue by providing information to investors that facilitates sound investment decisions and keeps them updated regarding its operations and the strategy of the group.

As a group, we believe in creating sustainable and measurable value for our shareholders whilst meeting the expectations of all stakeholders. As set out in the Chairman's statement, the group is proud of its success in delivering on the undertaking to shareholders at the time of the listing to deliver long-term sustainable value in a responsible manner.

The macro and regulatory environment of Bank Windhoek Holdings

The year under review was characterised by high volatility in financial markets as we saw the continued weakening of the local currency against most major currencies. This was largely in line with a deteriorating global investor sentiment towards emerging markets. The currency stabilised somewhat towards the end of the financial year, but looking ahead, the risks for further weakening remain a reality.

The performance of the Namibian economy in terms of real GDP growth has been satisfactory, with growth of 4.4% seen in 2013. The outlook for growth in the current year remains positive. The current low interest rate environment continues to create a high demand for private sector credit. In June 2014 the regulator hiked the repo rate by 25 basis points to 5.75%, the first upward adjustment since 2007. We expect that the Bank of Namibia will tighten monetary policy with more interest rate increases to follow during the next financial year.

Namibia's annual inflation increased from 4.9% in December 2013 to 6.1% in May 2014, mainly due to increases in food and transport costs. It is however expected that inflation will remain stable at around 6% for 2014.

Overall, Namibia's economic fundamentals remain mostly sound, supported by a stable political environment and strong financial sector. This, combined with an improved outlook on the global economy, paints a positive picture for business confidence in Namibia's future.

The Namibian banking landscape continues to change and is becoming even more competitive with a number of new financial institutions entering the Namibian market.

The group remains committed to address the key areas outlined in the Ten-year Financial Sector Charter which was launched in 2012 by the Minister of Finance. I am proud to report that the group has embarked on the process of measurement and received its first BBBEE status report during the year under review.

As a responsible corporate citizen with strong ethical values, the group remains committed to the principles of good corporate governance and subscribes to the Corporate Governance Code for Namibia, NamCode, which was launched in July 2014.

Financial performance of Bank Windhoek Holdings

Bank Windhoek Holdings Limited continued to build on its strong historical performance during 2014, with year-on-year profit after tax growth of 26.7% to N$624.9 million (2013: N$493.3 million) and a five-year compound annual growth rate of 22.2%, emphasising a consistent performance.

The group has exceeded the forecasted June 2014 profit after tax included in the 2013 listing prospectus by 8%. This was achieved through good revenue growth, prudent expense management and effective credit management.

Acquisitions

In line with the commitments made during the listing of Bank Windhoek Holdings on the

Managing Director's report (continued)

Namibian Stock Exchange in June 2013 to further diversify its revenue streams, the group acquired 100% ownership in Capricorn Unit Trust Management Company Ltd (CUTM) on 1 July 2013 for N$64.8 million and 100% of Capricorn Asset Management (Pty) Ltd (CAM) on 1 January 2014 for N$128 million respectively.

Net interest income

Net interest income surpassed the one billion Namibian dollar mark for the first time with a year-on-year increase of 15.6% to N$1,056.9 million (2013: N$914.5 million). This was driven by the growth in average interest-earning assets of 16.2%.

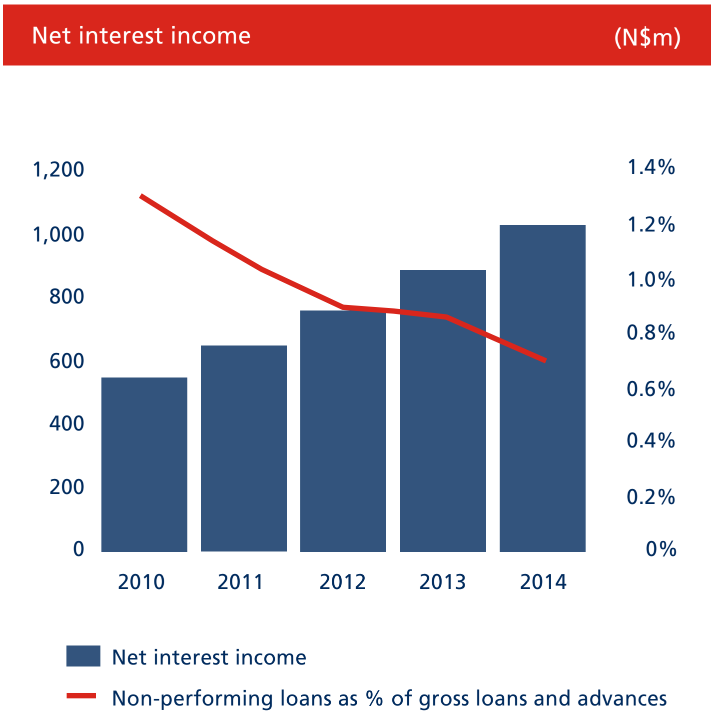
Impairment charges

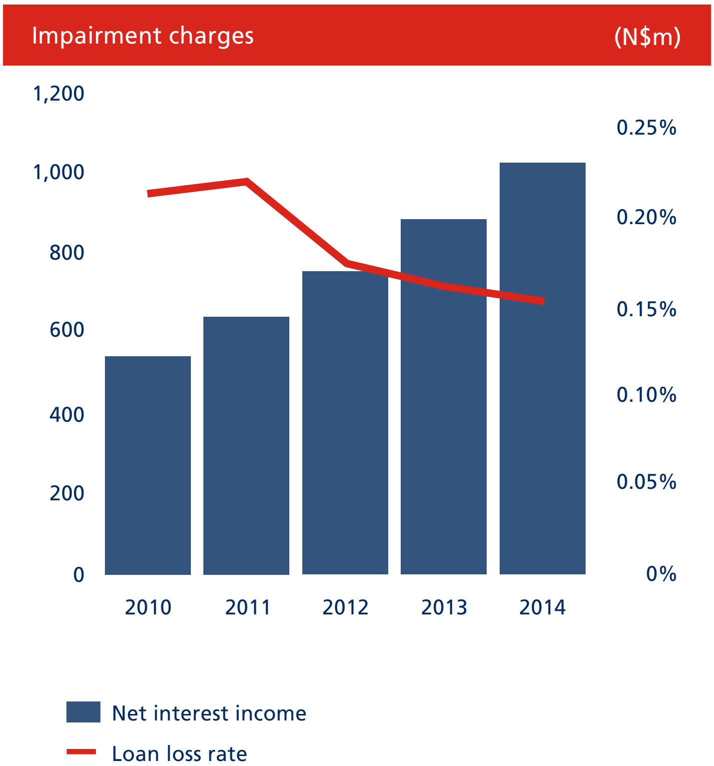
Impairment charges increased by 8.6% to N$29.1 million (2013: N$26.8 million). Whilst the loan loss rate remained stable, decreasing from 0.16% to 0.15%, the non-performing loans as a percentage of gross loans and advances decreased from 0.86% to 0.68%. This bears testimony to the quality of the loan book and the prudent credit management practices.

Non-interest income

Non-interest income increased by 29.9% to N$679.7 million (2013: N$523.2 million) compared with the prior financial year. Excluding the contributions by CUTM and CAM, non-interest income increased by 18.8%. The strong growth in non-interest income is a direct result of the constant focus on customer service resulting in increased business volumes with the leading contributors being growth in number of accounts and substantial increase in transactions through electronic banking channels.

The group further improved its efficiency and diversification ratio with non-interest income contributing 39.8% (2013: 37.1%) of the group operating income and covering 74.3% (2013: 68.6%) of the group's operating expenses.





Operating expenses

Operating expenses increased by 19.9% to N$914.6 million (2013: N$762.8 million) compared with the prior year. Excluding expenses of CUTM and CAM, operating expenses increased by 15.8%. The increase in operating expenses above inflation is a direct result of the increased focus on capacity building and investments in information technology.

Notwithstanding the above, the group has managed to deliver positive operating profit ratios, with operating income growth exceeding operating expenses growth. As a consequence the cost to income ratio improved from 54.1% to 53.6%.

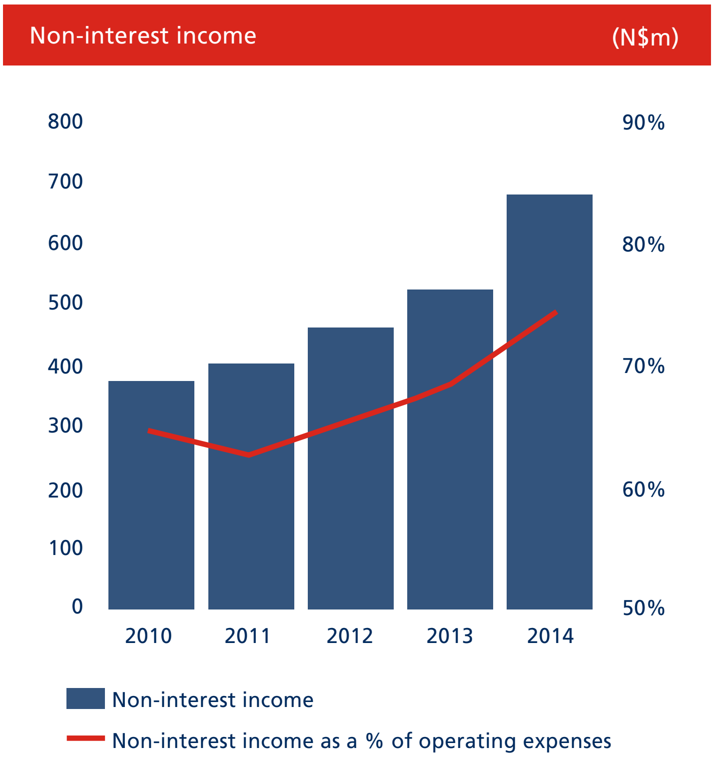
Income from associates

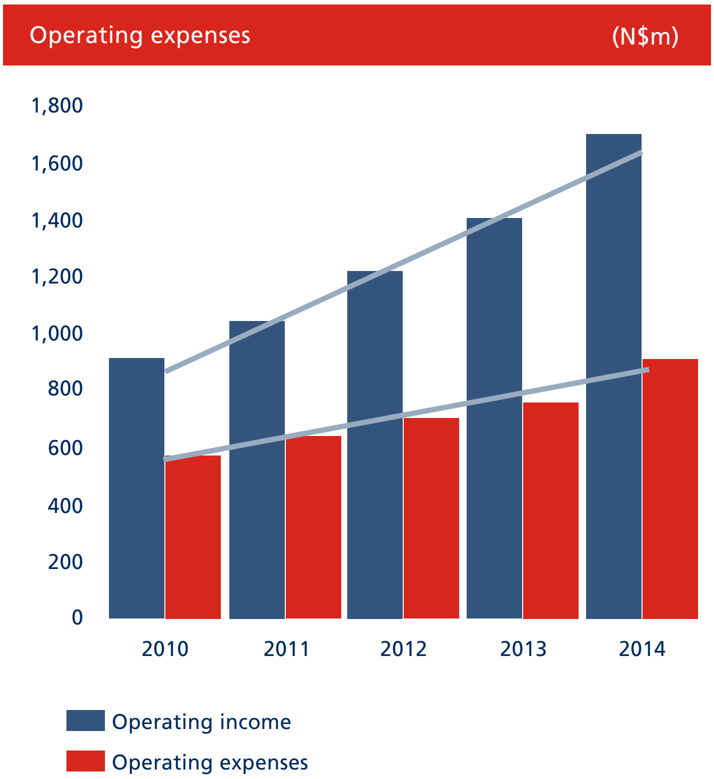
Both of the group's associates, Santam Namibia and Sanlam Namibia, delivered strong results during the year under review with income from associates increasing by 39.4% to N$84.3 million, contributing 13.5% (2013: 12.3%) to the group's profit for the year.

Statement of financial position

Loans and advances grew by 14.7% to N$20.2 billion. The compound annual growth rate of gross loans and advances over the last five years is 15.5% while the group's loan loss rate decreased from 0.22% to 0.15% over the same five-year period. The bank was therefore able to improve the quality of its loan book while delivering sustained growth.

During the year under review the group's banking subsidiary (Bank Windhoek Limited) successfully listed a N$5 billion Medium Term Note Programme on the Johannesburg and Namibian Stock Exchanges and issued the first two tranches of N$600 million and N$300 million respectively. These bonds were the main contributors to the increase of 95.2% in debt securities in issue. Bank Windhoek Holdings remains well capitalised. The group concluded the





Managing Director's report (continued)

financial year with a total risk-based capital adequacy ratio of 15.8% (2013: 16.6%), well above the Bank of Namibia minimum regulatory requirement of 10%.

Shareholder returns

The group delivered substantial shareholder returns during the year under review. Following the listing on 20 June 2013 the group's share price has appreciated by 27.4% to 30 June 2014. Bank Windhoek Holdings has the second largest market capitalisation on the NSX.

In addition to the capital appreciation, the group declared a dividend of 44 cents (2013: 32.75 cents) for the year; an increase of 34.4%.

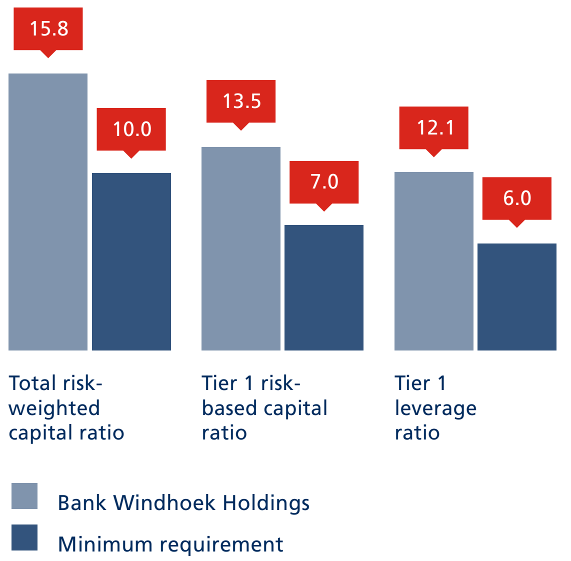
The return on average equity of 21.9%, (2013: 21.9%) has remained stable compared with the prior year. The decrease of the return on average equity from 2012 to 2013 is due to the dilution effect of the shares issued as part of the listing and for the acquisition of CUTM.

Overview of Bank Windhoek Holdings company

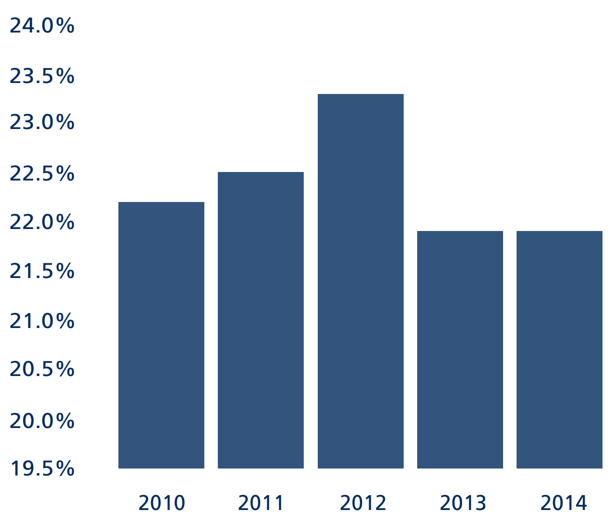
In line with our aspirations to continuously improve the effectiveness in our group the centralisation of all group support services was finalised in the year under review. This allowed us to create a quality shared service capability and also to improve the efficiencies in our group.

Income received from group services amounted to N$16.0 million for the year ended 30 June 2014. Dividend income received from investments in subsidiaries and associates was N$280.4 million (2013: N$203.7 million) and the company's profit for the year was N$264.6 million for the year-ended 30 June 2014 (2013: N$194.6 million).

Capital adequacy ratios (%)



Return on average equity (%)



Overview of Bank Windhoek

Bank Windhoek, the banking subsidiary of Bank Windhoek Holdings and the flagship brand of the group, contributed 85% (2013: 89%) to the profit for the year and 87% (2013: 88%) to the net asset value of the group the past financial year.

Bank Windhoek has, since its establishment in 1982, continued to show sound and sustained year-on-year growth in a very competitive environment and maintains consistent earnings growth and good efficiency ratios. Bank Windhoek's business philosophy of building long-lasting relationships with its stakeholders and its commitment to excellent service to its clients, contribute to the bank's success. This, combined with its uniquely Namibian ethos and local insight, makes Bank Windhoek one of the leaders and important players in the Namibian financial services industry. The bank continues to fulfil its role as a partner in the development, economic growth and prosperity of Namibia and seeks to provide clients with appropriately priced, segment-focused products and services.

Financial performance of Bank Windhoek

Bank Windhoek continued to build on its strong historical performance. The bank's asset base increased from N$20.6 billion as at 30 June 2013 to N$23.8 billion as at 30 June 2014. Bank Windhoek has achieved the half billion mark in net profit after tax for the first time. Net profit after tax amounted to N$532.4 million (2013: N$438.4 million), representing a 21.4% growth from the previous year.

Corporate social investment

During the year under review, Bank Windhoek has invested more than N$6 million in social investment projects and sponsorships. A comprehensive Bank Windhoek Corporate Social Investment (CSI) report for the year ending 30 June 2014 can be downloaded from the bank's website at: www.bankwindhoek.com.na.

Overview of other subsidiaries and associates

Capricorn Asset Management and Capricorn Unit Trust Management Company

Bank Windhoek Holdings' asset management activities are conducted under two separate legal entities; Capricorn Unit Trust Management Company (CUTM) and Capricorn Asset Management (CAM). Both companies are wholly owned subsidiaries of Bank Windhoek Holdings. The Bank Windhoek Unit Trust funds are registered under CUTM whilst all administration and asset management activities are performed by CAM.

The Bank Windhoek Unit Trust Funds comprise 13 separate unit trusts ranging from money market funds to equity funds and international equities. The Bank Windhoek Investment Fund is the largest unit trust in Namibia and combined assets under management of the Bank Windhoek Unit Trust range makes CUTM the largest unit trust company in Namibia.

In addition to the Bank Windhoek unit trust range of products, CAM also offers private clients wealth management services and segregated portfolio management services to the institutional market. We are optimistic that significant value will be unlocked in the private client wealth management area within the broader group with the acquisition of CAM. We are also optimistic in terms of CAM's ability to expand its asset under management to pension funds and other institutional investors in the future. CAM's excellent track record, local management capacity and position as a truly Namibian asset manager is expected to reap rewards in the coming years.

CUTM and CAM contributed N$10.7 million and N$8.6 million respectively, to profit for the year ended 30 June 2014.

Welwitschia Insurance Brokers

Welwitschia Insurance Brokers (WIB) is well-established in the local insurance market as one of the leading short-term insurance brokers, offering a competitive range of products including offshore insurance offerings in the aviation and marine industries. WIB is proud to have a highly

Managing Director's report (continued)

skilled staff and the biggest national footprint of 11 branches across Namibia. Its new brokerage system provides a platform for excellent client service.

The company has changed its brand identity during the year under review after a process of stakeholder engagement, which resulted in its new name and logo. Despite a downward trend in non-brokerage income, WIB still reported a 28% growth in core operating profit. WIB is also involved in the communities in which it operates with its main focus being education. The strategic focus of the company in the medium term will be to continuously engage technology to enhance service delivery for the benefit of its esteemed clients.

Welwitschia Insurance Brokers recorded a N$5.6 million profit after tax for the year ended 30 June 2014 (2013: N$4.6 million), a 21.6% increase from the prior year.

Namib Bou

During the year under review, Namib Bou continued to act as facilitator between the local authorities and financial institutions with the objective to contribute to sufficient housing stock over a long-term to assist with meeting the housing backlog in Namibia. This function entails the full spectrum from urban development and design and the installation of services, through to the final delivery of a home to a client.

Santam Namibia

Bank Windhoek Holdings has 28% shareholding in Santam Namibia, a leader in the short-term insurance industry in Namibia with net assets totalling more than N$260 million. Santam Namibia boasts a countrywide infrastructure, a strong intermediary network and a market share exceeding 30%.

Santam Namibia expects to grow its written premiums during the 2014 financial year through a combined effect of inflationary premium increases, growth in the agricultural sector and additional growth in other niche insurance areas. Modest profit growth will be driven by minimising claims incurred through controlled underwriting actions and an optimised reinsurance programme.

Santam Namibia contributed N$29.3 million (2013: N$19.7 million) to equity accounted earnings from associates for the year ended 30 June 2014, 48.5% increase from the prior year.

Sanlam Namibia Holdings

Bank Windhoek Holdings has a 29.5% shareholding in Sanlam Namibia Holdings (SNH), a leading financial services company with key business focuses in retail individual life assurance (in the affluent and entry-level market segments), group life assurance, retail and corporate savings and investments. In the year under review, SNH sold its 100% holding in Capricorn Unit Trust Management Company to Bank Windhoek Holdings in order to optimise operational efficiency.

Although all business units performed well compared with previous years, there is a visible change in the trading environment with tougher competition and a decrease in the quality of new business because of client disposable income being under increasing pressure.

The key focus areas for the 2014 / 2015 financial year will be a continued sustainable new business growth; to successfully implement the new life assurance system platform planned for late 2014; and to prepare for the changing regulatory environment.

SNH remained well-positioned to deal with the changing business environment and to ensure a sustainable return on equity to shareholders.

SNH contributed N$55.0 million (2013: N$40.7 million) to equity accounted earnings from associates for the year ended 30 June 2014, 35.0% increase from the prior year.

Outlook for Bank Windhoek Holdings for the 2014 / 2015 year

As we reflect on another successful year, we look forward to the future prospects of Bank Windhoek Holdings as a leading Namibian owned group, which has a strong heritage and excellent track record. We will build on this solid foundation which is supported by the group's commitment to good corporate governance and a strong sense of responsibility towards contributing in a meaningful way, to the growth and development of Namibia.

The focus it had in 2013 on controlled growth in assets; capital management; investment in technology and innovation; and diversification of income streams has laid a strong foundation for its future growth and success.

We will focus our efforts on creating long-term sustainable value for our shareholders, thereby rewarding them for their loyalty to the group, whilst also actively engaging with all our stakeholders as we believe in the value of building mutually beneficial relationships.

Our business strategy for the year ahead includes a review of our customer value proposition and suite of products offered to clients. Combined with this, is also a focus on the electronic channels through which products and services are delivered and the innovation of new capabilities to enhance the features of electronic channels.

Whilst the operating environment may be unpredictable and to a certain extent challenging, we believe that, with our committed and skilled workforce, our loyal clients and the support of our shareholders and other stakeholders, we can look forward to yet another successful year for the group.

Christo de Vries
Managing Director

Risk and compliance report

index

1. Introduction

The Bank Windhoek Holdings group (the group) is exposed to a variety of risks inherent to the nature of its business operations on an ongoing basis.

The group has, through core risk management processes, clear risk management objectives and a well-established policy framework, developed a strategy to meet these objectives.

At a strategic level, the risk management objectives are to:

- effectively use the risk resources in the group;
- assist with the achievement of strategic objectives;
- establish accountability for risk management;
- manage expected risk exposures within acceptable risk appetites through the risk capacity, appetite and tolerance (RCAT) statement and thresholds;
- establish standard risk management principles and processes; and
- ensure that risks are understood, managed and embedded in the business.

Risk management is integrated into the business process and the various practices associated with credit, market, liquidity and operational risk are derived from accepted international standards. Stress testing is applied for the financial risk types of credit, market and liquidity risk whilst scenario analysis is used to assess exposure to extreme but plausible operational risks. The risk management procedures and techniques are explained in more detail in the sections below. The first section expands on risk governance and reporting, followed by an elaboration on the operational risk process in section 3. Sections 4, 5 and 6 focus on the financial risks, namely credit risk, market risk and liquidity risk and the procedures to mitigate each of these risks. Section 7 expands on the compliance process to ensure that the group complies with all regulations.

2. Risk governance and reporting

2.1 Group risk, internal control and assurance framework (GRICAF)

Risk management and compliance is a discipline at the core of the group and a strategic enabler of the group strategy. This discipline and strategic enabler is delivered through the GRICAF, which is an integrated risk management framework.

The GRICAF establishes the structures, policies, guidelines, processes, procedures, systems and tools which collectively form the group's risk management process. It represents a conventional risk management process (refer to diagram 1) and is adequate to satisfy the regulatory requirements and principles for sound corporate governance and risk management.

Group risk, internal control and assurance framework

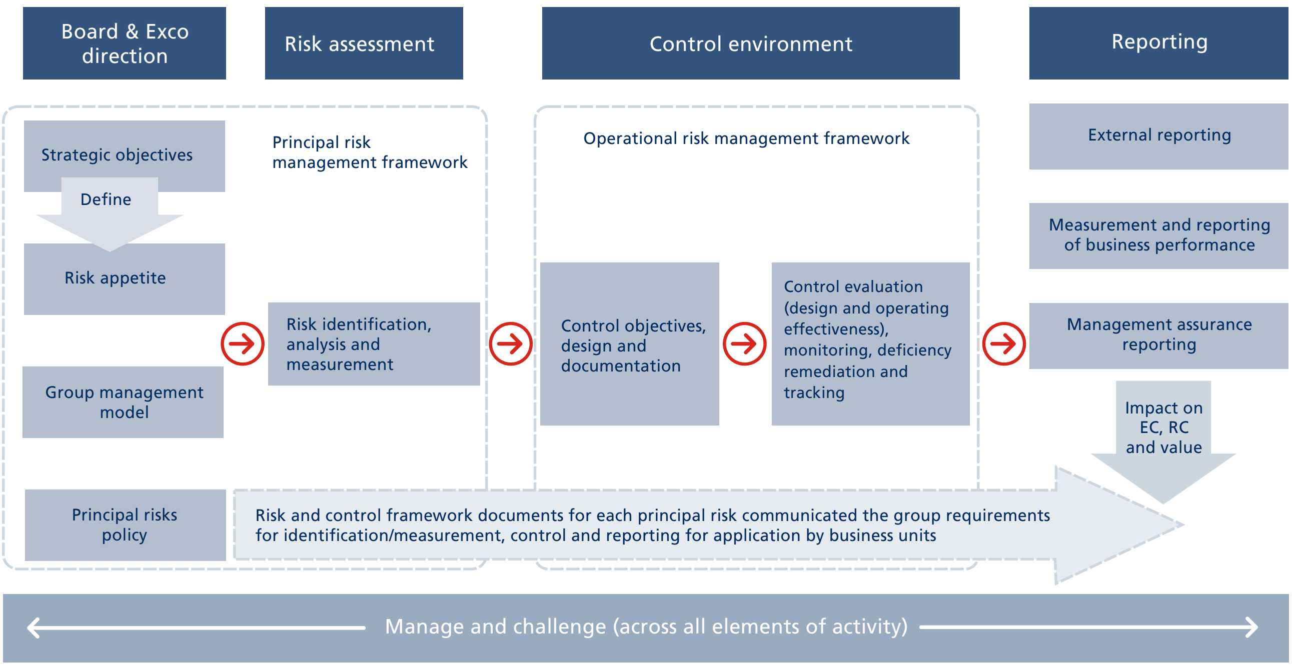


Diagram 1: High-level organisation and flow of the GRICAF

The GRICAF is divided into two primary components, namely:

a) principal risk management framework (PRMF); and
b) operational risk management framework (ORMF).

The following additional components exist to support the primary components:

a) risk capacity, appetite and tolerance (RCAT);
b) risk reporting;
c) governance structure;
d) risk and compliance function (to centrally co-ordinate and monitor the risks in the group); and
e) independent review.

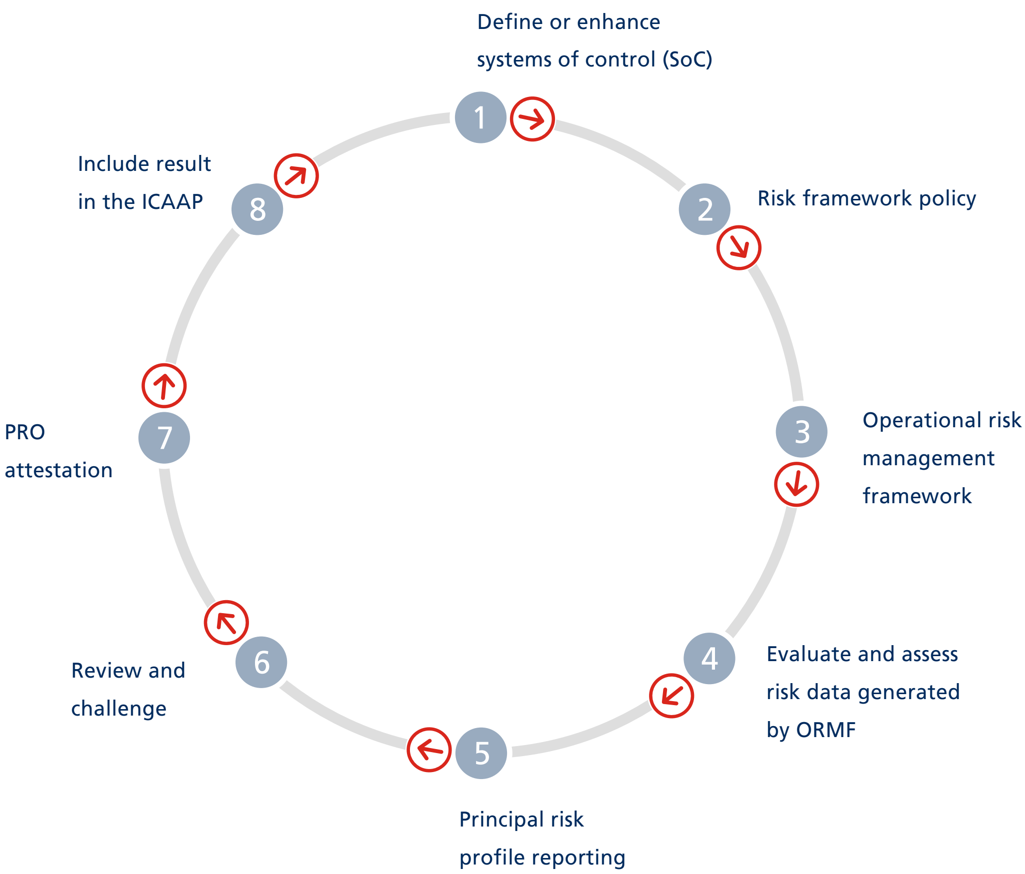
These components are explained in section 3.3 below.

2.1.1 Principal risk management framework

The principal risk management framework is the management risk oversight component of the GRICAF (i.e. the first line of defence of the risk management process). At its core lie the principal risk owners (PROs) and the principal risk coordinators (PRCs). A principal risk management framework is defined for each principal risk in order to determine the operational parameters for risk mitigation. The principal risk management framework aims to establish sufficient management oversight of the risk profile and exposure of the group to enable PROs to attest to the adequacy of the risk internal control framework. The PROs are responsible for the effective implementation of the principal risk management framework in the everyday operations of the group. This is achieved by defining key risks, called 'principal risks', and assigning a principal risk owner to oversee each risk. The results of each PRO's oversight process are combined in an aggregate risk profile document, which allows the group to have a view of its total risk exposure.

The principal risks policy underpins the risk management process through a classification of the risk universe into 13 principal risks. This classification allows for proper allocation of accountability and allows for risk identification, control and reporting across each of the principal risks.

The principal risk management framework is driven by a process aimed at continuously enhancing each principal risk's internal control framework. The following diagram summarises the operational flow of the process:



2.1.2 Operational risk management framework

The operational risk management framework focuses on the risks of losses due to inadequate or failed systems or processes. It supports the GRICAF framework and establishes effective methods for PROs to collect, interpret and conclude on risk data.

The operational risk management framework is discussed in more detail in section 3.2 below.

2.1.3 Principal risks

The following 13 principal risks are managed by the group through the GRICAF process:

1. **Operational risk** – Operational risk is the risk of the group suffering financial losses directly or indirectly due to failed internal processes or systems, human error or from external events. This includes the following principal risks:
   a) **Strategic risk** – The risk that the achievement of business objectives will be adversely affected by defective strategic planning.
   b) **Capital risk** – The risk that the total capital base is not properly managed in a prudent manner, or the risk of failure to comply with regulators' minimum requirements.
   c) **Compliance risk** – The risk of failure to comply with applicable financial services rules and regulations exposing the group to penalties and reputation damage.
   d) **Operations risk** – The risk of failure to deliver the intended outcome with respect to customers, products and services, facilities, data, processes, business continuity and physical security.
   e) **Technology risk** – The risk that the strategic technology investment is not aligned to the group's vision or business strategy, or catastrophic failure of technology to deliver secure IT services which provide critical business services.
   f) **People risk** – The risk of failure to achieve the group's business objectives through problems which may arise through people issues.
   g) **Finance and tax risk** – The risk of failure to monitor and report on statutory financial requirements in line with the group's requirements.
   h) **Legal risk** – The risk of exposure to legal risk arising from business not conducted in accordance with applicable laws or contractual obligations.
   i) **Financial crime risk** – The risk of fraud or dishonesty, misconduct in or misuse of information relating to a financial market, handling the proceeds of crime or the financing of terrorism. Financial crimes may involve fraud (cheque fraud or credit card fraud); theft; scams or confidence tricks; tax evasion; bribery; embezzlement; identity theft; forgery and counterfeiting, computer crime, burglary and armed robbery.
   j) **Reputation risk** – The risk of failure to understand, identify or subsequently manage occurrences that could negatively impact the group's reputation.
2. **Liquidity risk** – Liquidity risk is the risk that the group might not be able to meet obligations as they fall due.
3. **Credit risk** – Credit risk is the risk that the group might suffer financial losses if any of its customers or clients fail to meet their contractual obligations.
4. **Market risk** – Market risk is the risk that the group may suffer losses due to the fair value of financial assets, liabilities and off-balance sheet items varying with trading conditions.

2.2 GRICAF governance structure

The main purpose of principal risk profile reporting by principal risk owners is to enable the governance structures to review and challenge the adequacy and performance of individual principal risk profiles and internal control frameworks (as defined by their framework policies). The diagram on page 26, illustrates the GRICAF governance structure.

The roles of the functions in the governance structure in the diagram on page 26 are as follows:

Board of directors

Governed by the board charter, the board is ultimately accountable for the risk management process. For this reason, the GRICAF is a board-approved framework that aims to assist the board in discharging its duties in terms of risk management and compliance.

Board audit, risk and compliance committee (BARC)

Due to its wide range of oversight responsibilities, the board delegates its duties and responsibilities in terms of risk management, assurance and compliance to the BARC.

Executive management team (EMT)

The EMT is responsible for operational oversight and makes the day-to-day decisions that enable the group to function. This includes overseeing the development, implementation, monitoring and reporting on the risk management process approved by the BARC.

Risk committee

The Risk committee is chaired by the head: group risk and compliance and oversees the development, implementation, monitoring and reporting of GRICAF. It monitors the performance of the principal risk management framework and operational risk management framework in order to identify weaknesses and the remediation necessary to rectify them. The Risk committee reviews and challenges the risk capacity, appetite and tolerance (RCAT) statement of the group before recommending it to the EMT.

Credit risk forum (CRF), Operational risk forum (ORF) and Asset and liability committee (ALCO)

The CRF and ORF do not possess decision-making powers. Their primary role is to review and challenge principal risk profile reports before recommending the reports to the Risk committee.

The ALCO serves a dual purpose: it reviews and challenges the principal risk profiles for market, liquidity and capital risks; and oversees the asset and liability management strategy of the group.

Principal risk owners (PROs)

The PROs are responsible for the effective implementation of the principle risk management frameworks in the everyday operation of the group.

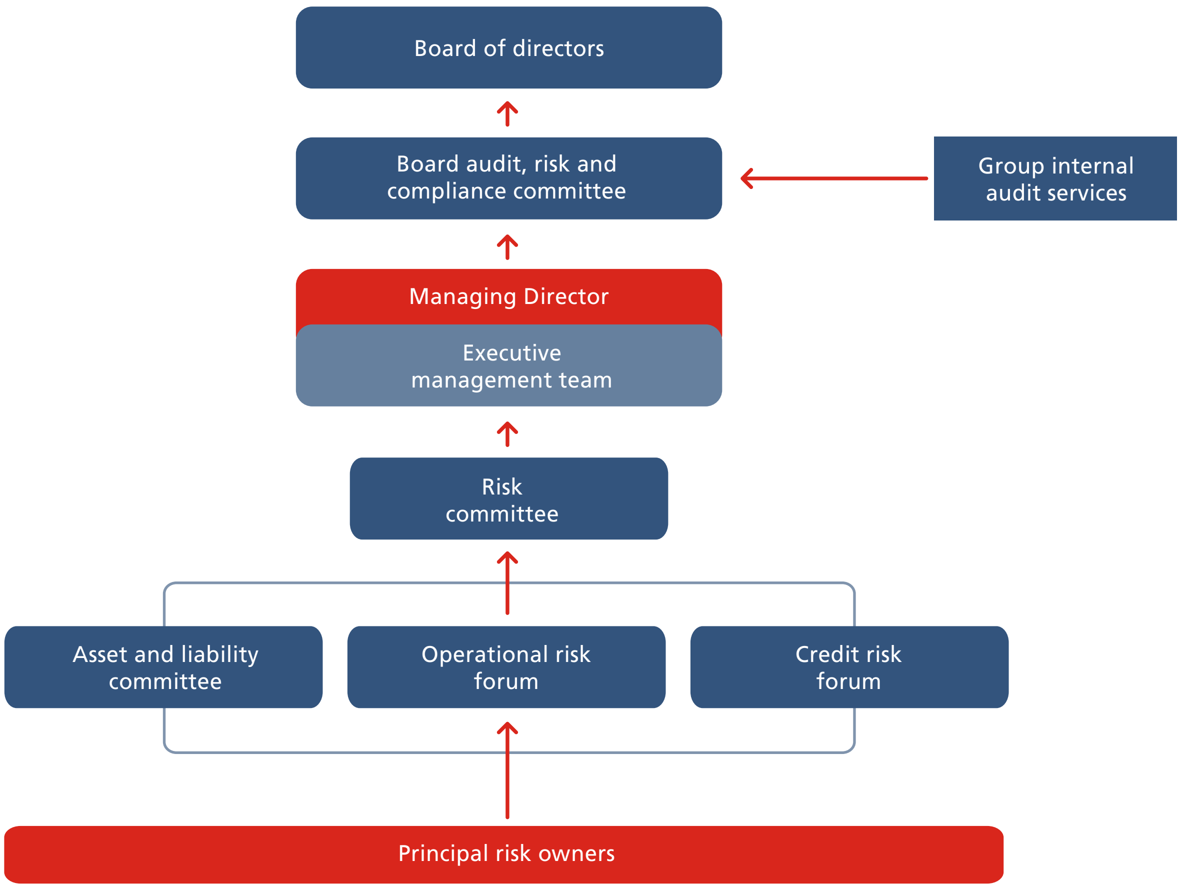


Diagram 2: Governance structure reporting lines

3. Operational risk

3.1 Overview

Operational risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes or systems, human error or external events. Operational risk is integrated into the day-to-day operations of the group and is therefore an inherent risk of any business operation.

Operational risk is managed in terms of the operational risk management framework. Within the framework, qualitative and quantitative tools are applied to identify and assess operational risks, as well as managing the mitigation of identified control weaknesses. The prime responsibility for the management of operational risk rests with the business units where the risk arises. The governance structures are described in section 2.2.

As required by the Bank of Namibia, the standardised approach under Basel II is applied to calculate operational risk capital.

3.2 Operational risk framework objectives

The operational risk management strategy supports the GRICAF through global best practices which are aligned with the standardised approach under Basel II. During this financial year the practices for risk identification, risk appetite setting and monitoring through key risk indicators (KRIs) and risk event reporting that was implemented during 2012 / 2013 were further improved and embedded.

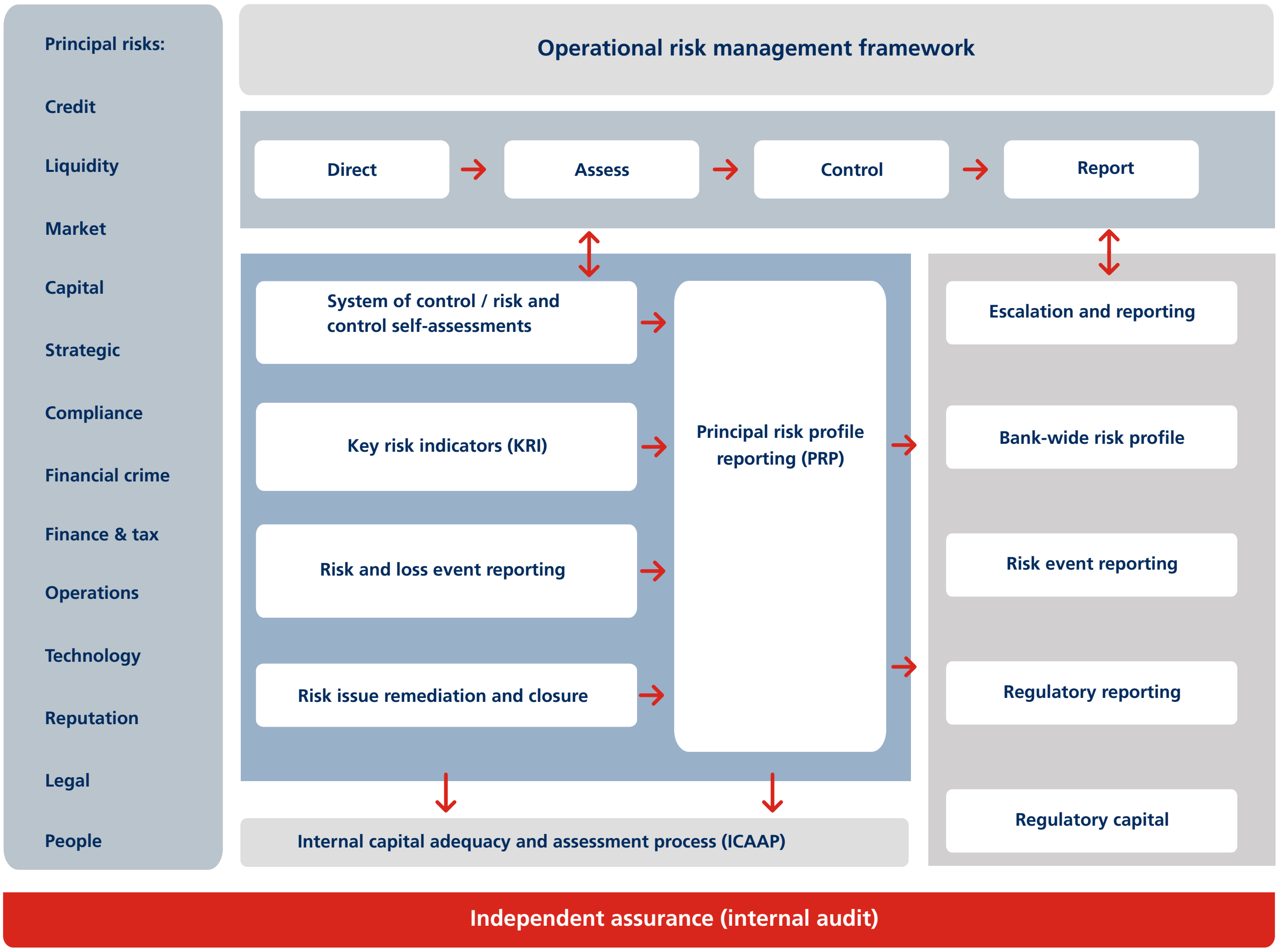
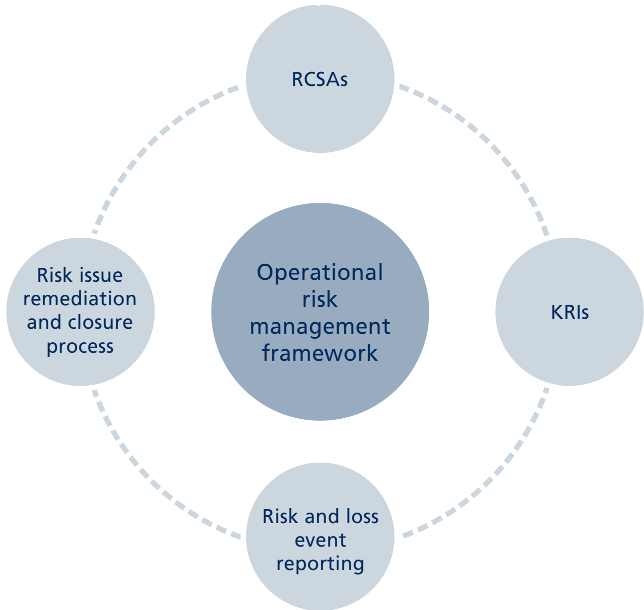


Diagram 3: High-level flow of the operational risk management framework

3.3 Operational risk management

The operational risk management framework establishes the operational infrastructure that enables principal risk owners to collect, interpret and conclude on risk data, thereby discharging their responsibilities in terms of the GRICAF. The following is a high-level illustration of the components of the operational risk management framework:



3.3.1 Risk and control self-assessments (RCSAs)

As part of the systems of control developed for every principal risk, a number of key internal controls are identified and documented. The aim of the risk and control self-assessments (RCSAs) process is for management to assess the design and operation of these controls in order to determine if they are functioning effectively or not and to perform the semi-annual risk attestation process. For an internal control to be effective, evidence must exist that supports this conclusion.

3.3.2 Key risk indicators

Key risk indicators (KRIs) are quantitative measurements specifically used for:

a) measuring risk exposure (via the RCAT statement and thresholds); and
b) assessing the effectiveness of internal controls.

A KRI is rated in terms of tolerance levels approved as part of the risk framework policies. RCSAs and KRIs complement each other and are not assessed in isolation.

3.3.3 Risk capacity, appetite and tolerance (RCAT)

The RCAT statement reflects the group's capacity, appetite and tolerance for risk. The RCAT is approved annually by the board and regularly reviewed and reported to the Risk committee, EMT and the BARC.

The RCAT statement is a collection of quantitative variables represented as KRIs with assigned levels of tolerance.

3.3.4 Risk and loss event reporting

Losses are included in risk reports on a monthly basis through the collection of information from business units. Although loss events are the result of historical events, an analysis of repeating losses and trends allows for the identification of potential expected or unexpected future losses. If, for example, a loss occurs regularly, this triggers two actions:

a) first, action is taken to remedy the cause of the loss; and
b) second, until the cause has been remedied, the process is monitored as it is likely that the loss will continue to occur.

3.3.5 Risk issue remediation and closure process

The process consists of recording, tracking and reporting on the group's performance in terms of resolving risk issues raised by risk service providers such as internal and external audit, management assurance services, the Bank of Namibia and other regulators.

The results of the issue closure process are incorporated into principal risk profile reports on a semi-annual basis. This allows principal risk owners to take risk issue remediation performance into account when the effectiveness of the internal control framework is assessed.

3.3.6 Financial crime

In terms of the management of financial crime, the group makes use of a fulltime forensic department that includes a team of qualified forensic specialists to monitor, investigate and report on financial crime.

4. Credit risk

4.1 Overview

Credit risk is expressed as the risk that a borrower or counterparty will fail to meet an obligation when it falls due, and is inherent to the group's business activities. The realisation of credit risk can cause a considerable loss in revenue as well as a decline in the total asset value when assets are categorised as non-performing.

Although the largest and most obvious source of credit risk for Bank Windhoek Holdings originates from the loan portfolio, other credit risks sources exist throughout the banking activities, including the banking book (investments that are meant to be held to maturity and not traded in the market – for example loans and advances to customers), the trading book and off-balance sheet items. The aim of credit risk management is to maximise the group's risk adjusted rate of return by maintaining credit risk exposures within acceptable parameters. The group recognises that the effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to its long-term success.

The Bank of Namibia requires commercial banks in Namibia to comply with the standardised approach for credit risk management under Basel II. The regulatory capital is based on the net counterparty exposures after recognising a limited set of qualifying collateral. The prescribed risk weightings are used, as set out by the Bank of Namibia, according to the perceived credit rating of the counterparty.

4.2 Credit risk management

Credit risk management and all credit activities are governed and guided by the credit risk framework policy, which is founded on the Bank of Namibia requirements as well as industry best practices.

Various mitigation techniques are used in the group. These include collateral, external credit enhancements, policies, letters of credit and corporate guarantees. The group has a decentralised approach to loan approvals, allocating mandates throughout the organisation for approving loans.

The credit risk framework is evaluated and the credit risk profile is quantified and evaluated through the Credit risk forum (CRF), the governance structures and the attestation process.

4.3 Credit risk mitigation

4.3.1 Collateral policy

A collateral policy exists as part of the policies for each specific loan type. The collateral is specific to the loan given and will be individually determined in each case. The collateral as well as the valuation of collateral is governed as set out in the collateral policy and as regulated by the Bank of Namibia.

The type of collateral offered depends on the type of product and client. Collateral carries different security values. The collateral must conform to certain requirements, namely:

a) it must be easily realisable;
b) it must not depreciate (if its value fluctuates, i.e. shares, a safe margin must be built in); and
c) it must be legally binding and enforceable.

4.3.2 Country risk

Country limits are set to restrict the group's exposure to any one country for its cross border transactions. The country risk is governed by the country ratings as determined by Fitch and the limit is set according to these ratings.

Facilities of banks, brokers and other institutions are intended to limit the group's exposure in dealings with one institution. Such facilities reflect the degree of risk assigned to individual instruments traded or the particular product or service offered.

4.3.3 Provisions and impairment

The definitions for impairments and past-due accounts, as well as the calculations for provision for bad debts, are set out according to the Bank of Namibia BID 2 – 'Determination on asset classification, suspension of interest and provisioning'.

Loan accounts of customers are classified into one of the following classes: pass; watch / special mention; substandard; doubtful; or loss, according to the number of days in arrears. The provision for doubtful debts is determined according to the class in which the account falls. General provisions are provided on the accounts that are classified 'pass' and 'watch / special mention', as specified by the BID 2 regulations and set out in the credit risk policies. The purpose of the general provisions is to build up reserves. A certain percentage of the group's total financing assets is created as a general provision (the minimum percentage is prescribed by the Bank of Namibia). Specific provisions are created against accounts already classified as 'substandard', 'doubtful' or 'loss'. Specific provisions are calculated as the difference between the outstanding amount and the realisable value of security.

The group follows a conservative approach and pro-actively identifies active accounts which have problem indicators, are managed on special mention reports and raise applicable provisions beforehand.

4.3.4 Concentration

The measurement and management of concentration risk is enabled through portfolio analysis of the product, region and sectoral dimensions of the credit book.

From a product perspective, the loans and advances of the group are classified in order to determine concentration risk in the various products. The classifications are:

a) overdrafts;
b) term loans (this includes commercial loans, micro loans and instalment loans);
c) mortgage loans;
d) instalment finance; and
e) preference shares.

5. Market risk

5.1 Overview

Market risk is defined as the risk of losses because the fair value of financial assets, liabilities and off-balance sheet items varies with trading conditions. Where market risk is a factor the practice of marking to market on a regular basis is an important discipline.

The main types of market risks that the group is exposed to are:

a) interest rate risk: the risk of loss resulting in fluctuations in interest rates and yield curves;
b) foreign exchange risk: the risk that arises from fluctuations in the currency market; and
c) equity risk: the risk of losses resulting from changes in levels of equity indices and values of individual stock.

5.2 Market risk management

The market risk framework policy sets out the governance, controls, policies, guidance and procedures for market risk management within the group. The policy provides a high-level overview of how market risk will be managed by following the five-step risk management approach, consisting of: direct; assess; control; report; and manage and challenge.

The effective management of market risk is primarily the responsibility of the Asset and liability committee (ALCO). The ALCO is responsible for the control, direction and setting of strategies for the group's day-to-day management of assets and liabilities in order to maximise net interest margins and net interest income.

5.2.1 Interest rate risk

In order to mitigate any possible losses arising from fluctuations in market rates, the group monitors the interest sensitivities of its assets and liabilities. Bank Windhoek Holdings' group statement of financial position is divided into two broad types of interest rate sensitive and non-interest rate sensitive assets and liabilities (fixed and floating rates) and interest rate profiles are aligned to match each asset and liability to the appropriate benchmark.

5.2.2 Foreign exchange risk

The group is a participant in the foreign currency market and its activities are governed by the Treasury dealer and dealing policies. These policies specify the limits in terms of transaction exposures, dealer exposures and overall currency and total exposure positions. These impose allowable limits on open positions (and stop losses) that dealers should proactively adhere to.

6. Liquidity risk

6.1 Overview

Liquidity risk is the risk that the group will be unable to meet its obligations as they fall due. It is also the risk that the group may not be able to liquidate assets quickly enough or without incurring excessive cost.

Liquidity risk is inherent in the group's business endeavours and represents its ability to fund increases in assets and meet its financial obligations in a timely manner as they fall due without incurring excessive costs, whilst complying with all statutory and regulatory requirements.

Liquidity risk is affected by a range of specific and market-wide events ranging from credit, rumours and natural disasters.

Guided by its liquidity risk framework policy, the group is required to measure and manage current and future liquidity positions, maintain and expand the funding base while ensuring payment obligations can be met under both expected and unexpected cash outflows.

Bank Windhoek Holdings group's overall liquidity risk appetite remained unchanged during the course of the year.

6.2 Liquidity risk management

The liquidity risk appetite is established according to the RCAT statement, which is approved by the BARC.

Breaches of risk appetites and tolerance levels are reported to the ALCO, Risk committee, EMT and BARC.

The liquidity risk management process of the group is guided by the five-step risk management process: direct; assess; control; report; and manage and challenge.

The liquidity risk management process is guided by the liquidity risk framework policy, the establishment, review and implementation of which is the responsibility of the board and management. The group must strive to hold an adequate liquid asset surplus additional to credit lines, which should be adequate to cater for unexpected outflows, while simultaneously limiting the effect this surplus has on interest margins.

The liquidity risk is managed by monitoring various identified variables which include the:

a) level of understanding of demand and supply for cash;
b) level of adequacy and ability to access funding (established lines of funding) in a short period of time; and
c) relationships with depositors.

The size of the mismatch between demand and supply is monitored along with the effectiveness of asset and liability management (ALM). This includes:

1. controlling the cash flow mismatches between on- and off-balance sheet assets and liabilities;
2. maintaining stable and diversified sources of funding;
3. accessing alternative sources of funds, if required;
4. controlling undrawn or unrealised commitments given; and
5. a general discussion and evaluation of stress testing results.

Lastly, the level of availability and reliability of information and the level of skills of resources (relationships) are monitored as part of the liquidity risk management.

The main components of the liquidity risk management process are:

a) liquidity risk control;
b) liquidity risk management; and
c) a funding strategy.

6.2.1 Liquidity risk control

1. **Compilation of the overall liquidity position** – This report gives insight on the current and expected liquidity levels and is reported at the ALCO for discussion.
2. **Preparation of early warning indicators and triggers** – This report summarises all the indicators and triggers that may serve as early warning signals for liquidity risk. This is reviewed on a daily basis.

6.2.2 Liquidity risk management

1. **Scenario analysis** – This is a process where different possible scenarios or outcomes are considered in order to better analyse future possible events. The group's scenario analysis should also quantify the capital position impact of deviations from the expected or norm.

2. **Stress testing** – Stress testing is a particular form of scenario analysis where the group's book is tested beyond its normal operating capacity in order to assess the stability of the book in difficult and / or unforeseen circumstances.
3. **Concentration risk** – Concentration risk arises when an enterprise is significantly dependent on a specific client, counterparty, industry, geographic area or country for investment return or the repayment of loans and advances. Concentration risk is usually managed by diversifying the deposit base and by setting maximum limits on the exposure vis-à-vis individual counterparties.
4. **Trend analyses** – Trend analysis refers to the concept of collecting information and attempting to spot a pattern (or trend) in the information which will aid in the effective management of liquidity risk.

6.2.3 Funding strategy

1. **Short-term liquidity strategy** – A proactive forward-looking approach for the management of liquidity and funding in order to ensure that effective and efficient liquid assets are available not only to meet current obligations as they become due, but also to fund immediate and future business growth and expansion.
2. **Preventative funding strategy** – This funding strategy is a proactive strategy followed on a daily basis to prevent liquidity risks in advance.
3. **Medium to long-term funding strategy** – This strategy is a forward-looking approach to plan ahead for medium to long-term liquidity needs, based on historical and expected outflows for the group.
4. **Contingency funding plan (CFP)** – The CFP identifies possible trigger events and indicators which could cause a liquidity crisis and details the actions to be taken to effectively and efficiently manage the group during stressed liquidity situations created by any adverse liquidity condition, whether market-wide or a name only condition.

7. Compliance

7.1 Overview

As a leading financial services institution, Bank Windhoek Holdings faces complex challenges in ensuring that its group's activities comply with not only local laws, regulations and supervisory requirements, but also with the relevant international requirements. In this regard, the board requires that the compliance risks associated with Bank Windhoek Holdings group's business activities are clearly directed, assessed, challenged, managed, controlled and reported on, as required by the regulators and international standards.

Compliance risk is inherent in the group's business endeavours and represents the risk that non-adherence to regulatory requirements and expectations of key stakeholders can not only expose the group to fines, civil claims, loss of authorisation to operate and an inability to enforce contracts, but also reputational damage.

7.2 Compliance management

The responsibility to facilitate compliance risk management throughout the Bank Windhoek Holdings group has been assigned to the chief compliance officer who manages the compliance function. The compliance function identifies, assesses, advises, monitors and reports on the regulatory risk of Bank Windhoek Holdings and its subsidiaries, as well as legal risk in terms of the potential impact of changes in laws and regulations. The management of regulatory risk forms part of the overall risk management framework of Bank Windhoek Holdings.

The compliance functions consist of general compliance and money laundering compliance and the methodology followed by the compliance function has been developed and benchmarked against industry and international best practice.

7.3 Key activities of general compliance

The key activities undertaken by general compliance to support the directors, executive officers, management and employees in discharging the relevant compliance responsibilities include the following:

- **Compliance risk management framework** – This framework sets out the minimum requirements for the management and control of compliance risk within Bank Windhoek Holdings and is applicable across all business units and branches.
- **Compliance risk identification, assessment and prioritisation** – Compliance risks, once assessed, are consolidated into a regulatory risk profile. Given that Bank Windhoek Holdings is a dynamic corporate entity and that the regulatory

landscape is evolving and becoming increasingly stringent, the regulatory risk profile is reviewed and updated at least annually or as and when new regulatory requirements are introduced, to ensure any possible risk of non-compliance with applicable laws, regulations and supervisory requirements are addressed.

- **Compliance risk management** – Compliance risk management plans serve as a management tool, outlining the compliance risks that the business units or support functions are exposed to and controls implemented to manage and mitigate those risks. These plans have been developed and are updated on an annual basis or as and when compliance risk changes.
- **Compliance risk monitoring** – During the financial year, compliance risks were monitored and tracked by various parties, including regulators, internal audit and management. No financial penalties, regulatory censure or public reprimands were imposed on Bank Windhoek Holdings or any of its subsidiaries during the financial year ending 30 June 2014.
- **Compliance risk reporting** – Compliance reports were submitted to governance committees attended by directors, executive officers and management.
- **Awareness and training** – Steps were taken to advise employees and to train them on aspects of relevant regulatory requirements.

7.4 Key activities undertaken by money laundering compliance

The key activities undertaken by money laundering compliance to support the directors, executive officers, management and employees in discharging their responsibilities in respect of the risk of money laundering and terrorist financing include the following:

- **Governance and oversight** – Money laundering compliance set policies and provides guidance and training relating to anti-money laundering and anti-terrorist financing regulatory requirements.
- **Regulatory or policy breaches** – Money laundering compliance reports any breaches to the various governance forums and, if required, to the regulators.
- **Automated money laundering prevention solution** – Bank Windhoek Holdings has implemented an automated money laundering prevention solution during the financial year ended 30 June 2014. The solution provides banks with a mechanism to efficiently counter money laundering risks and events.

Group annual financial statements

for the year ended 30 June 2014

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

for the year ended 30 June 2014

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 the group at the end of the financial year, the profit 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 the group subsidiaries, together with the external and internal auditors, play 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 48 to 144 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 auditor during the audit were valid and appropriate. The independent auditor's report is presented on page 47.

The financial statements, set out on pages 48 to 144, were authorised and approved for issue by the board of directors on 10 September 2014 and are signed on their behalf:

J C Brandt
Chairman

C P de Vries
Managing Director

CORPORATE GOVERNANCE STATEMENT

for the year ended 30 June 2014

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

The board and its subcommittees are responsible for ensuring the appropriate application of governance practices and principles contained in the King Report on Corporate Governance (King II). The board believes that, to the best of its knowledge, the group complies with the principles contained in King II. Furthermore, the board has embarked on the journey of implementing the principles outlined in the recently launched NamCode, most of which are already applied in the group. The board manages corporate governance through the Board audit, risk and compliance committee (BARC), 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 with regard to the board's deliberations and approach to corporate governance is that of intellectual honesty.

The board, as constituted by the Companies Act, is governed by the board charter. The purpose of this charter is to regulate how business is to be conducted by the board in accordance with the principles of good corporate governance. The charter also 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 also to define its values, which constitute 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 to protect the group's assets and reputation. The group's strategy is considered, agreed upon and evaluated annually, prior to the approval of the annual budget.

Responsibilities of the board include the establishment, review and monitoring of strategic objectives; the 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, amongst others, the approval of business plans and budgets, material expenditure and alterations to share capital.

Board leadership and composition

The board provides leadership and vision to the group in a way that will enhance share owner value and ensure long-term sustainable development and growth.

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 board has elected Mr J C Brandt as non-executive chairman. He is not an independent non-executive director, but a shareholder representative. The directors are of the view that Mr Brandt's experience and his intimate knowledge of the business and the economy equips him best to lead the board and the group.

The board has appointed Mr F J du Toit as lead independent director.

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, which requires a minimum of five directors. Currently, eleven members constitute the board at group level, with two executive directors and five independent non-executive directors.

The group financial controller attends all BARC meetings and has unfettered access to the BARC and the board.

Board committees and attendance at meetings

The board annually approves the meeting programme and there should be no less than four board 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 subcommittees established by the board. All committees are properly constituted, chaired by a non-executive director and act within agreed, written terms of reference that meet best practice standards and have been authorised by the board.

Board members are required to observe the requirements of section 242 of the Companies Act dealing with disclosures of interests and, where appropriate, board members should recuse themselves from discussions 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 the reporting period.

Group board executive committee:

The purpose of this committee is to coordinate and guide the execution of the group strategy as agreed with the board and help align, coordinate and facilitate the management of the company's business in a proficient, timeous, quick, agile and proactive manner in order to achieve sustainable profitable growth and performance.

The committee is responsible for:

1. support of the managing director;
2. strategy formulation;
3. policies;
4. monitor performance;
5. making recommendations on board and executive appointments to the Group board nominations and remuneration committee (Remco) with regard to remuneration and benefits for executive positions;
6. considering and, where appropriate, approving any significant outsourcing or appointment of key advisers or other third parties; and
7. diligently executing and performing all duties, tasks and responsibilities delegated to the committee by the board.

Group board audit, risk and compliance committee:

In short, the responsibilities and duties of this committee are:

1. financial control, accounting systems and reporting;
2. combined assurance;
3. the function of finance;
4. internal audit and internal control;
5. risk management;
6. compliance;
7. external audit;
8. non-trading losses;
9. ethics; and
10. asset and liability committee (ALCO) oversight.

Group board HR committee:

This committee is responsible for:

1. HR policies;
2. the remuneration framework;
3. the appointment, benefits and remuneration of senior and middle management;
4. the remuneration and benefits of non-management;
5. the retirement fund scheme;
6. medical aid and group life benefits;
7. the performance management and remuneration incentive scheme;
8. employment equity;
9. environmental health and safety; and
10. talent management.

Group board nominations and remuneration committee:

This committee is responsible for:

1. the remuneration policy;
2. appointment benefits and remuneration of executive directors and executive management;
3. the remuneration and fees for services for non-executives;
4. director nominations and related matters; and
5. executive talent management.

Group board IT committee:

This committee is responsible for:

1. the group IT strategy;
2. the group IT policy;
3. operational policy guidelines;
4. the group IT reference architecture;
5. the group application portfolio;
6. group IT organisational and governance structures; and
7. IT risk management.

Appointments

Procedures for appointments to the board are formal and transparent. Members of the board are recommended by the Remco. Remco is chaired by Mr F J du Toit, an independent non-executive director, and all members are non-executive. Background and reference checks are performed before the nomination and appointment of new directors.

New board members will only hold office until the next annual general meeting at which time they will retire and become available for re-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, which 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.

The attendance at meetings during the financial year was as follows:

Director	Category	Board of directors	Group board executive committee	Group board audit, risk and compliance committee	Group board HR committee	Group board nominations and remuneration committee	Group board IT committee
	Meetings held:	8	10	6	6	4	8
J C Brandt	Non-executive chairman	7	10		5	4	
J J Swanepoel	Non-executive vice-chairman	8	9	6		4	8
C P de Vries	Managing director	8	10		6		8
K B Black	Independent non-executive	8					
F J du Toit	Independent non-executive	8		6	6	4	
E Knouwds	Independent non-executive	7		5			
M J Prinsloo	Executive	8	9		6		
E M Schimming-Chase	Independent non-executive	6					
G Nakazibwe-Sekandi	Non-executive	8	10		6		
J M Shaetonhodi	Non-executive	8					
M K Shikongo	Independent non-executive	8					

Board members

Jacobus Christiaan Brandt (71), BA LLB

Koos Brandt was appointed as chairman of the board of directors of Bank Windhoek on 1 April 1982. Koos is a founding member of Bank Windhoek. He has been chairman of Bank Windhoek Holdings since its inception in 1996. He studied law at the University of Stellenbosch and practised as a commercial lawyer for more than 30 years at Dr Weder, Kruger and Hartmann. He is a director of a number of companies in the CIH group. In 2013 he was appointed to the Presidential Economic Advisory Council.

Johannes Jacobus Swanepoel (54), BCom (Hons) (Accounting), C.A. (S.A.), C.A. (Nam)

Johan Swanepoel was appointed as managing director of Bank Windhoek and a director of Bank Windhoek Holdings on 1 July 1999. In 2005 he took up the position of the group managing director of the CIH group. Johan completed his BCom (Accounting) degree in 1979 at the Rand Afrikaans University (RAU) and obtained his BCom (Hons) degree in 1981. After joining Coopers & Lybrand (now PricewaterhouseCoopers) in 1980, he qualified as a chartered accountant in 1982. He was elected managing partner of the firm in Namibia in 1989. He is a director of a number of companies in the CIH group.

Christiaan Petrus de Vries (62), Baccalaureus Commercii (Cum Laude)

Christo de Vries was appointed as managing director of Bank Windhoek and Bank Windhoek Holdings on 1 June 2011. Christo started his banking career 40 years ago at the then Volkskas Bank, which later became part of Absa. During his career with Absa he worked in various roles, with the last 12 years as a member of the executive team. In May 2004 he was appointed as managing director of Absa's subsidiary in Tanzania, the National Bank of Commerce. He holds a number of directorships in the Bank Windhoek Holdings group.

Kephas Brian Black (59), Executive Management Diploma (Stellenbosch)

Brian Black is the proprietor of the Airport Lodge, which he personally planned and developed. He is the managing director of Cernol Chemicals. Current and previous positions include national chairman of the Hospitality Association of Namibia, board member of the Namibian Employers Federation, founding board member of the Namibian Tourism Board, General Manager: Marketing & Sales: TransNamib Holding Limited, the executive director of Swachem Namibia (Pty) Limited and the Swaco Group of Companies and member of the Labour Advisory Council. He is the chairman of AFS Group Namibia and the Namibia Manufacturers Association. He has now served on the Bank Windhoek Holdings board for seven years, since June 2007.

Francois Jacobus du Toit (69), BCom (Hons), C.A. (S.A.)

Frans du Toit qualified as a chartered accountant in 1970 and was a partner of a leading audit firm for 14 years. He joined Volkskas Bank in 1989 and retired as Group Executive Director: Finance of the Absa group in 2005. Frans was appointed as a director of Bank Windhoek in 1998 and Bank Windhoek Holdings in 2013 and currently is the chairman of the group's BARC, the bank's Board lending committee and the Group board nominations and remuneration committee.

Eric Knouwds (69), BComm (Accounting), C.A. (S.A.)

Eric Knouwds was appointed to the board of Bank Windhoek in 2004 and Bank Windhoek Holdings in 2013. He is a member of the group BARC and the bank's Board credit committee. After completing his BComm degree at the Stellenbosch University in 1966, Eric became a chartered accountant and has practiced as such for more than 40 years. He is the Managing Partner of PKF (Namibia) (Pty) Limited. He is a trustee of the BWH Group Employee Share Ownership Trust and the BWH Group Employee Share Benefit Trust.

Gida Nakazibwe-Sekandi (61), LLB, PRISA

Gida Nakazibwe-Sekandi obtained her Bachelor of Laws degree at the University of Makerere, Uganda in 1976. In 1977 she completed her Diploma in Legal Practice at the Legal Assistance Centre, Kampala, Uganda. Between 1992 and 1994 she obtained her Public Relations, Practice Management Accreditation through the Public Relations Institute of Southern Africa (PRISA). Gida joined the banking environment in August 2000 when she was appointed as Executive Officer: Marketing and Corporate Communications at Bank Windhoek. From 2008 to 2013 Gida was Executive Director: CIH Group Professional Services, which involved the coordination of multi-functional and intragroup strategic projects, drawing on expertise from within the shared services division. She has been a non-executive member of the Bank Windhoek Holdings board since November 2004.

Marthinus Johannes Prinsloo (43), BCompt (Hons), C.A. (S.A.)

Thinus Prinsloo joined CIH in July 2011 and was appointed to the board of Bank Windhoek Holdings in 2013. Thinus is responsible for group-wide strategy implementation, technology, risk and people agenda. Prior to CIH, Thinus worked at Absa where he held various positions, including Head of Integration, Retail Franchise Chief Operating Officer for 2009 and 2010, and headed the Productivity and Efficiency Programme (PEP) during 2007 and 2008. Prior to joining Absa, Thinus worked as a business strategy consultant at IBM after the acquisition of PricewaterhouseCoopers (PwC) Consulting in 2002. Thinus completed his BCompt (Hons) degree at the University of Free State in 1992 and during his career at PwC qualified as a chartered accountant in 1995, working in the audit division in South Africa and in the corporate finance (financial services) division in the UK. He returned to South Africa in 2002 when he joined the business consulting division of PwC.

Esi Malaika Schimming-Chase (44), LLB (Hons)

Esi Schimming-Chase obtained her LLB (Hons) degree from the Coventry University, Coventry, England in 1992. She was admitted as a Barrister at law in England in 1994. From 1995 to 1997 she was a legal officer in the office of the Attorney General of Namibia, where amongst others, she represented Namibia at the Southern African Customs Union (SACU) meetings. She was Senior Manager: Investment Promotions at the Offshore Development Company (Pty) Limited, engaged mainly in all activities involving the promotion of foreign investment in export processing zones in Namibia. After completing her articles at Koep & Partners Attorneys at Law she was admitted as a legal practitioner of the High Court of Namibia and from March 2003 to date she has been a practising advocate of the High Court of Namibia and member of the Society of Advocates of Namibia. She has also acted as a judge of the High Court of Namibia and has lectured part time. She was appointed to the Bank Windhoek Holdings board in 2013.

John Mueneni Shaetonhodi (65), B Admin, MA, MBA (Maastricht)

John Shaetonhodi is a founding director and current chairman of Nam-mic, the broad-based economic empowerment partner of Bank Windhoek Holdings. John's career included political responsibilities, being a member of Parliament for seven years, deputy-minister, president of the Mineworkers Union of Namibia from its formation in 1986 until 1995, president and member of the National Executive Committee of the National Union of Namibian Workers as well as a number of executive and non-executive directorships. He was the CEO of TransNamib Holdings Limited from 2001 to 2007. He was appointed to the Bank Windhoek Holdings board in 2006.

Matheus Kristof Shikongo (64), Diploma in Personnel Management Marketing

Matheus Shikongo was elected mayor of The City of Windhoek in 2000 and became a member of the Bank Windhoek Holdings board of directors in 2001. During his working career, he has served on a number of boards which include, amongst others, the National Theatre of Namibia, the Namibia Broadcasting Corporation, Metropolitan Life Namibia, the Commercial Bank of Namibia, the Namibia Airports Company and Namibia Power Corporation. He currently serves on the board of directors of a number of companies in the CIH group.

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 committees of the board. No requests for external professional advice were received during the year.

2. 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 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.

Where appropriate, CIH group policies are adopted after consideration by the board.

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 2014, its systems of internal control over financial reporting and over safeguarding of assets against unauthorised acquisitions, use or disposition, were adequate.

3. 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 2014 annual audit strategy 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 annual financial statements.

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

Ongoing reward assistance: N$370,000

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 47.

4. 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.

The code includes the ethics programme, which has been embedded in the year under review. The ethical standards of the company have been maintained throughout the year, and contraventions of the code of ethics were acted upon.

REMUNERATION REPORT

for the year ended 30 June 2014

As a recently listed company, we have decided to introduce a remuneration report to our annual report this year, in line with the global movement towards increased communication surrounding executive remuneration.

During the year under review, we have worked closely with our independent advisors, PwC South Africa, to ensure that our remuneration practices and policies adhere to global best practice and align executive interests strongly to those of our shareholders. Particular attention was paid to the setting of the performance condition for the recently implemented long-term incentives, and we have taken the decision to disclose the performance condition in this report. We are confident that the targets which we have set for our performance condition are stretching, requiring strong company performance to unlock rewards for participants.

To enhance the transparency of our executive remuneration policies and practices, we have chosen to adopt a two-part report. This two-part report contains our forward-looking remuneration policy in the first section and the actual implementation of our remuneration policy for the year under review in the second section, allowing you as shareholders to observe the manner in which our stated policies translate into actual outcomes for executive directors and officers.

PART ONE:
REMUNERATION PHILOSOPHY AND POLICY

1. The Group board nominations and remuneration committee

1.1 Membership

The Group board nominations and remuneration committee consists of three non-executive directors and is chaired by an independent director. At 30 June 2014, the committee comprised the following members:

- F J du Toit, independent non-executive chairman
- J C Brandt, non-executive director
- J J Swanepoel, non-executive director

Executive directors attend committee meetings by invitation, but are requested to recuse themselves when matters are discussed that concerns them. Mrs A Coertzen acts as secretary to the committee. During the year under review, the committee received advice from PwC South Africa as independent advisors.

1.2 Terms of reference

The committee operates according to terms of reference that are approved by the board of directors and which clearly set out the scope of its responsibilities. The committee confirms that it has discharged the functions and complied with its terms of reference for the year ended 30 June 2014. The extract of the terms of reference can be found on page 37.

1.3 Key activities and recommendations

The committee held four meetings during the year under review.

The key activities and recommendations of the committee with regard to remuneration during 2014 included the:

- benchmarking of executive directors' and executive management's total reward;
- benchmarking of non-executive directors' fees, and approval of fees for recommendation to the board and shareholders;
- consideration of the outcome of the annual assessment of the performance of the committee;
- consideration of annual total guaranteed pay increases; and
- approval of short-term and long-term incentive allocations to management.

2. Remuneration policy and elements of pay

2.1 Elements of pay

The table on the next page sets out an overview of the elements of pay applicable to Bank Windhoek Holdings group staff from 1 July 2013 onwards:

	Element	Detail
Fixed remuneration and benefits	**Basic salary**	The fixed element of remuneration is referred to as base salary.
	Benefits	Benefits include membership of a pension fund and medical aid, to which contributions are made by both the employee and the company, and may also include mortgage bond interest subsidies as well as car, entertainment or other allowances, depending on the job level of the employee. Company contributions are calculated as part of employees' cost to company.
Variable remuneration	**Short-term incentive (STI)**	**Annual bonus:** Each employee at non-managerial level receives an annual bonus of 10% of their annual basic salary plus 50% of medical aid contributions, paid in November. **Performance remuneration scheme:** Employees at managerial level and above participate in the performance remuneration scheme and are therefore not entitled to the annual bonus. Short-term incentives through the performance remuneration scheme are calculated based on company performance, individual performance and job grade. Employees at non-managerial level receive a performance-based payment in September which is calculated based on company performance, individual performance and job grade.
	Long-term incentives (LTI)	LTI awards take the form of share appreciation rights, conditional shares or a combination of both. Most awards are subject to vesting conditions relating to company performance, measured over a three-year performance period. In instances where retention is required, conditional shares are awarded which are subject to a vesting condition of continued tenure within the group. In addition, employees from a specified grade level may participate in the group's share purchase scheme to purchase Bank Windhoek Holdings shares at the volume weighted average price over the previous 12 months through an interest free loan, vesting over 3 to 5 years.

2.2 Short-term incentive (STI)

The company operates two forms of short-term incentives, which employees participate in, depending on grade. These are described below.

Annual bonus

Employees below managerial level who are eligible for a bonus will receive an annual bonus equivalent to 10% of their annual basic salary plus 50% of medical aid contributions. The annual bonus is pro-rated for employees with less than 12 months service at the time of determination of the annual bonus, with no bonus payable if the service period is shorter than three months at year-end.

An employee share benefit scheme distributes dividend income in September for the most junior grades (ES1–3 / Gl1–3 / RB1–3 / SP1) from the BWH Group Employee Share Benefit Trust.

Performance remuneration scheme

Employees at managerial level and above, including executives, are eligible to participate in the performance remuneration scheme, which is intended to reward performance on both a company and individual level.

The STI in terms of the performance remuneration scheme is linked to both company and individual performance during the year under review and is determined on a multiplicative basis. The current company performance measure is actual pre-tax profit as a percentage of budgeted pre-tax profit, with a minimum performance of 90% required to qualify for a bonus.

The maximum performance incentive remuneration of any employee is limited to six times the employee's monthly salary.

2.3 Long-term incentives

Share appreciation rights plan (SAR)

Terms	Details
1. Purpose	To attract, retain and reward selected employees who are able to contribute to the trade of the group and to stimulate the personal involvement of these employees, encouraging their continued service with the employer companies. The SAR serves as a leveraged incentive to employees to promote and align the interest of employees with the shareholders of the company.
2. Operation	Participants receive conditional share appreciation rights ('SAR'), which vest after three years, subject to the satisfaction of the performance condition, and continued employment of the participant. After vesting, the SAR may be exercised until the period ending five years after the award date.
3. Participants	Executive directors, executive managers and selected members of senior and middle management.
4. Performance period	Three years.
5. Plan limits	An aggregate limit applies between the SAR and the CSP and existing ownership trust, being 7.5% of the issued shares of the company. An individual participant may not receive awards in excess of 10% of the overall company limit at any one time.
6. Performance conditions	The performance condition applicable to the 2013 awards is: *Achievement of budgeted cumulative profit after tax ('PAT') over the performance period.*

2.3 Long-term incentives (continued)
Conditional share plan (CSP)

Terms	Details
1. Purpose	To attract, retain and reward selected employees who are able to contribute to the trade of the group and to stimulate the personal involvement of these employees, encouraging their continued service with the employer companies. Under the CSP, participants receive conditional shares that vest after three years, subject to the satisfaction of the performance condition over the performance period.
2. Operation	In certain cases, where a retention risk exists, conditional shares that vest after three years and are subject to continued employment of the participant by the group but are not subject to performance conditions, may be awarded.
3. Participants	Executive directors, executive managers and selected members of senior and middle management.
4. Performance period	Three years.
5. Plan limits	An aggregate limit applies between the SAR and the CSP and existing ownership trust, being 7.5% of the issued shares of the company. An individual participant may not receive awards in excess of 10% of overall company limit at any one time.
6. Performance conditions	The performance condition applicable to the 2013 awards is: *Achievement of budgeted cumulative profit after tax ('PAT') over the performance period.*

3. Non-executive directors' fees

The non-executive directors do not participate in any short-term or long-term incentives and do not have contracts of employment with the company. Their fees are reviewed by the company annually and are submitted to shareholders for approval on an annual basis.

Non-executive director fees reflect the directors' roles and membership of the board and its subcommittees.

The resolution relating to non-executive director fees for the 2015 financial year can be found on page 147 of the notice of annual general meeting.

4. Non-binding advisory vote

In future shareholders will be requested to cast a non-binding advisory vote on the remuneration policy contained in Part 1 of this report.

PART TWO: REMUNERATION PAID DURING THE YEAR UNDER REVIEW

1. Increases to guaranteed pay (group remuneration policy)

Annual remuneration reviews take place on 1 September every year and increases are not guaranteed. During this process, remuneration structures and pay ranges are evaluated and adjusted where necessary, based on each individual's salary compared to the salary scales, considering the:

- employee's performance review;
- formal salary survey conducted to determine local pay practices; and
- adjustment of salary scales to reflect any market movement.

During the year under review, an average increase of 7.7% was awarded to the executive directors and 7.4% to executive managers.

A detailed benchmarking exercise was conducted by PwC which informed the executive directors' remuneration for 2015. As part of this process, a salary survey was used for executive management, containing data from the financial services industry.

2. Number of share appreciation rights and conditional shares awarded

The number of share appreciation rights and conditional shares awarded to executive directors are disclosed in note 40.9.4 of the 30 June 2014 consolidated annual financial statements.

The committee awarded the first tranche in September 2013 as follows:

Share appreciation rights	331,340
Conditional shares	493,643

3. Number of shares acquired under the share purchase scheme

The number of shares acquired by staff in the group's share purchase scheme in September 2013 was as follows:

Share purchase scheme	1,562,166

4. Directors' remuneration

4.1 Executive directors' remuneration

The analysis of the remuneration of executive directors for the 2014 year is disclosed in note 40.9.3 of the 30 June 2014 consolidated annual financial statements.

4.2 Non-executive director fees

The analysis of the non-executive director fees for the 2014 year is disclosed in note 40.9.2 of the 30 June 2014 consolidated annual financial statements.

Frans du Toit
Chairman of the Group board nominations and remuneration committee

INDEPENDENT AUDITOR'S REPORT

to the members of Bank Windhoek Holdings Limited

We have audited the group 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 2014, 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 48 to 144.

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 management, 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 2014, 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
10 September 2014

DIRECTORS' REPORT

for the year ended 30 June 2014

The directors herewith submit their report with the annual financial statements of the company (Bank Windhoek Holdings Ltd) and the group for the year ended 30 June 2014.

1. General review

Bank Windhoek Holdings Ltd is a Namibian registered investment holding company and has been listed on the Namibian Stock Exchange (NSX) since 20 June 2013. Its investments comprise 100% shareholdings in Bank Windhoek Ltd, Capricorn Asset Management (Pty) Ltd, Capricorn Unit Trust Management Company Ltd, Namib Bou (Pty) Ltd and Welwitschia Insurance Brokers (Pty) Ltd, all unlisted entities. The company has 29.5% shareholding in Sanlam Namibia Holdings (Pty) Ltd and 28% in Santam Namibia Ltd.

2. Business activities

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

Subsidiaries:

- Bank Windhoek Ltd ('the bank')
  - *Banking*
- Welwitschia Insurance Brokers (Pty) Ltd
  - *Insurance broking*
- Namib Bou (Pty) Ltd
  - *Property development*
- Capricorn Unit Trust Management Company Ltd (CUTM)
  - *Unit trust management*
- Capricorn Asset Management (Pty) Ltd (CAM)
  - *Asset management*
- BWH Group Employee Share Ownership Trust
  - *Special purpose entity for share incentive scheme*
- BWH Group Employee Share Benefit Trust
  - *Special purpose entity for share incentive scheme*

Subsidiaries of Bank Windhoek Ltd:

- Bank Windhoek Nominees (Pty) Ltd
  - *Custodian of third party investments*
- BW Finance (Pty) Ltd
  - *Micro lending*
- Bank Windhoek Properties (Pty) Ltd
  - *Property investment*

Associates:

- Sanlam Namibia Holdings (Pty) Ltd
  - *Long-term insurance*
- Santam Namibia Ltd
  - *Short-term Insurance*

Registered address of Bank Windhoek Holdings Ltd:

6th floor
CIH House
Kasino Street
Windhoek
Namibia

Company registration number: 96/300

Country of incorporation: Republic of Namibia

3. Financial results and dividends

The directors report that the group's net profit after taxation from the above business activities for the year ended 30 June 2014 amounted to:

	2014 N$'000	2013 N$'000
Profit for the year	624,915	493,271

Normal dividends of N$116.2 million (2013: N$149.5 million) were declared and paid by the company during the year under review. Refer to note 36 for details on dividends per share.

Full details of the financial results of the company and the group are set out on pages 51 to 144.

4. Share capital

4.1 Ordinary shares

The company's authorised share capital is 600,000,000 ordinary shares of 2.5 cents each. The company was incorporated with an authorised ordinary share capital of 150,000,000 ordinary shares with a par value of 10 cents per share, authorised in 2008. In the prior year the company split every authorised ordinary share of 10 cents each into four ordinary shares of 2.5 cents each. During the current year the company issued 7,400,000 new ordinary shares to Sanlam Namibia Holdings (Pty) Ltd for the acquisition of Capricorn Unit Trust Management Company Ltd (CUTM).

For full details on the changes to issued ordinary share capital refer to note 31 to the annual financial statements.

DIRECTORS' REPORT (continued)

for the year ended 30 June 2014

4.2 Preference shares

The company had 1,000,000 preference shares of 1 cent each that were authorised in 2008.

For full details on the issued preference share capital and the change to issued preference share capital refer to note 26 and note 31.

4.3 Share analysis – ordinary shares

The following shareholders have a beneficial interest of five percent or more of the issued ordinary shares of the company at year-end:

	2014	2013
Capricorn Investment Holdings Ltd	56.8%	57.6%
Nam-mic Financial Services Holdings (Pty) Ltd	9.4%	9.6%
Namibia Strategic Investments (Pty) Ltd	8.4%	7.4%
Held by the public	19.9%	20.1%

4.4 Share analysis – preference shares

	2014	2013
Bank Windhoek Corporate Fund	46.7%	46.7%
Bank Windhoek Selekt Fund	36.7%	36.7%
Santam Namibia Ltd	16.6%	16.6%

4.5 Share trusts

The group operates three equity-settled share-based compensation plans (1) a share purchase scheme, (2) a share appreciation rights plan and (3) a conditional share plan, under which the entities within the group receive services from employees as consideration for equity instruments (shares) of Bank Windhoek Holdings Ltd. All grants under the SAR and CSP plans are subject to approval by the Remco. Refer to note 33 and the remuneration report (unaudited) for more information.

The group also operates the BWH Group Employee Share Benefit Trust, which is intended as an incentive to employees on lower job levels to promote the continued growth of the group by giving them an opportunity to share in dividends distributed by the company.

4.6 Directors' interest in Bank Windhoek Holdings Ltd

For details of the directors' holdings in the issued ordinary shares of Bank Windhoek Holdings Ltd refer to note 40.10 to the annual financial statements.

5. Subsidiaries

For details relating to the subsidiaries of Bank Windhoek Holdings Ltd refer to note 20 to the annual financial statements.

6. Associates

For details relating to the associates of Bank Windhoek Holdings Ltd refer to note 21 to the annual financial statements.

7. Joint arrangements

For details relating to the joint arrangements of Bank Windhoek Holdings Ltd refer to note 22 to the annual financial statements.

8. Holding company and ultimate holding company

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

9. Insurance

Comprehensive insurance cover is in place as required by the Bank of Namibia BID 14 – 'Determinations on minimum insurance for banking institutions'.

10. Management by third party

No business of the company or any part thereof or of a subsidiary has been managed by a third person or a company in which a director has an interest.

11. Directors and company secretary

The Bank Windhoek Holdings Ltd board composition during the year was as follows:

Non-executive		Nationality	Date appointed
J C Brandt	Chairman	Namibian	5 September 1996
J J Swanepoel	Vice-chairman	Namibian	1 July 1999
K B Black		Namibian	13 June 2007
G Nakazibwe-Sekandi		Ugandan	30 November 2004
J M Shaetonhodi		Namibian	1 November 2006
M K Shikongo		Namibian	27 November 2001
E M Schimming-Chase		Namibian	4 March 2013
E Knouwds		Namibian	28 March 2013
F J du Toit		South African	28 March 2013
Executive			
C P de Vries	Managing Director	South African	1 June 2011
M J Prinsloo		South African	4 March 2013

At the annual general meeting held on 29 October 2013, M K Shikongo was unanimously re-elected as director, and the appointments as directors of M J Prinsloo, E M Schimming-Chase, F J du Toit and E Knouwds were unanimously confirmed. All directors appointed since last year's annual general meeting have to be confirmed at the next annual general meeting.

The authorised but unissued number of ordinary and preference shares of the company, exclusive of the number of ordinary shares reserved for purposes of the share incentive scheme as at that date and subject to the provisions of sections 229 and 230 of the Namibian Companies Act and approval of the Namibian Stock Exchange, are under the control of the directors of Bank Windhoek Holdings Ltd. This authority expires at the forthcoming annual general meeting on 4 November 2014, when this authority can be renewed.

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	

12. Directors' interests

The directors' interests are reflected in the Corporate governance statement.

13. Auditor

PricewaterhouseCoopers will continue in office as auditor, until the next annual general meeting, in accordance with the Companies Act of Namibia.

14. Special resolutions

No special resolutions have been adopted during the year under review.

15. Events subsequent to year-end

On 12 August 2014 a final dividend of 21 cents per ordinary share was declared for the year ended 30 June 2014, payable on 18 September 2014. No other matters which are material to the financial affairs of the company and group have occurred between year-end and the date of approval of the annual financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2014

	Notes	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
Interest and similar income		1,944,847	1,708,096	-	-
Interest and similar expenses		(887,949)	(793,642)	-	-
Net interest income	5	1,056,898	914,454	-	-
Impairment charges on loans and advances	6	(29,115)	(26,803)	-	-
Net interest income after loan impairment charges		1,027,783	887,651	-	-
Non-interest income	7	679,732	523,191	309,571	207,151
Operating income		1,707,515	1,410,842	309,571	207,151
Operating expenses	9	(914,641)	(762,759)	(46,713)	(12,308)
Operating profit		792,874	648,083	262,858	194,843
Share of joint ventures' results after tax	22	1,151	1,191	-	-
Share of associates' results after tax	10	84,264	60,445	-	-
Profit before income tax		878,289	709,719	262,858	194,843
Income tax expense	11	(253,374)	(216,448)	1,700	(222)
Profit for the year		624,915	493,271	264,558	194,621
Other comprehensive income					
Items that may subsequently be reclassified to profit or loss					
Net gains on available-for-sale financial assets	16	14,244	22,359	-	-
Total comprehensive income for the year		639,159	515,630	264,558	194,621
Basic earnings per ordinary share (cents)	12	124.7	108.4		
Fully diluted earnings per ordinary share (cents)	12	124.5	108.4		

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

as at 30 June 2014

	Notes	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
ASSETS					
Cash and balances with the central bank	13	709,431	852,636	5,548	169,625
Derivative financial instruments	14	2,190	12,188	-	-
Financial assets designated at fair value through profit or loss	15	2,104,938	1,493,165	160,505	54,012
Investment securities	16	72,047	120,446	-	-
Due from other banks	17	472,972	251,355	-	-
Loans and advances to customers	18	20,245,395	17,651,962	-	-
Other assets	19	250,320	189,704	99,256	8,177
Current tax asset		14,112	7,953	35	106
Investment in subsidiaries	20	-	-	744,991	552,286
Investment in associates	21	209,364	191,999	110,195	110,195
Interest in joint ventures	22	5,437	4,286	-	-
Intangible assets	23	94,239	28,987	-	-
Property, plant and equipment	24	130,295	129,486	-	-
Deferred tax asset	29	7,528	4,441	2,816	-
Total assets		24,318,268	20,938,608	1,123,346	894,401
LIABILITIES					
Derivative financial instruments	14	138	7,792	-	-
Due to other banks	25	282,664	166,959	-	-
Debt securities in issue	26	1,841,287	943,115	150,877	150,801
Deposits	27	18,782,411	16,915,652	-	-
Other liabilities	28	298,643	229,079	16,009	2,295
Current tax liability		698	-	-	-
Deferred tax liability	29	10,708	45,247	-	-
Post-employment benefits	30	7,561	6,706	-	-
Total liabilities		21,224,110	18,314,550	166,886	153,096
EQUITY					
Share capital and premium	31	532,435	466,745	539,866	475,116
Non-distributable reserves	34	170,354	149,877	-	-
Distributable reserves	35	2,391,369	2,007,436	416,594	266,189
Total shareholders' equity		3,094,158	2,624,058	956,460	741,305
Total equity and liabilities		24,318,268	20,938,608	1,123,346	894,401

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2014

		Share capital and premium	Non-distributable reserves		Distributable reserves				Total equity
	Notes	N$'000	Insurance fund reserve N$'000	Credit risk reserve N$'000	SBCR* N$'000	Fair value reserve N$'000	General banking reserve N$'000	Retained earnings N$'000	N$'000
GROUP									
Balance at 1 July 2012		102,114	28,617	106,458	7,276	31,228	1,331,214	280,152	1,887,059
Issue of shares	31	373,002	-	-	-	-	-	-	373,002
Shares held by the BWH Group Employee Share Trusts	31	(8,371)	-	-	-	-	-	-	(8,371)
Acquisition of control over share trusts		-	-	-	-	-	-	4,631	4,631
Total comprehensive income for the year		-	-	-	-	22,359	-	493,271	515,630
Profit for the year		-	-	-	-	-	-	493,271	493,271
Other comprehensive income		-	-	-	-	22,359	-	-	22,359
Share-based payment charges	35	-	-	-	1,644	-	-	-	1,644
Transfer between reserves		-	-	14,802	-	-	257,620	(272,422)	-
Dividends for 2013	36	-	-	-	-	-	-	(149,537)	(149,537)
Balance at 30 June 2013		466,745	28,617	121,260	8,920	53,587	1,588,834	356,095	2,624,058
Balance at 1 July 2013		466,745	28,617	121,260	8,920	53,587	1,588,834	356,095	2,624,058
Issue of shares	31	64,750	-	-	-	-	-	-	64,750
Shares held by the BWH Group Employee Share Trusts		940	-	-	-	-	-	-	940
Total comprehensive income for the year		-	-	-	-	14,244	-	624,915	639,159
Profit for the year		-	-	-	-	-	-	624,915	624,915
Other comprehensive income		-	-	-	-	14,244	-	-	14,244
Share-based payment charges	35	-	-	-	3,157	-	-	-	3,157
Transfer between reserves		-	-	20,477	-	-	317,823	(338,300)	-
Acquisition of subsidiary	45	-	-	-	-	-	-	(121,491)	(121,491)
Dividends for 2014	36	-	-	-	-	-	-	(116,415)	(116,415)
Balance at 30 June 2014		532,435	28,617	141,737	12,077	67,831	1,906,657	404,804	3,094,158
COMPANY									
Balance at 1 July 2012		102,114	-	-	-	-	-	221,105	323,219
Issue of shares	31	373,002	-	-	-	-	-	-	373,002
Total comprehensive income for the year		-	-	-	-	-	-	194,621	194,621
Dividends for 2013	36	-	-	-	-	-	-	(149,537)	(149,537)
Balance at 30 June 2013		475,116	-	-	-	-	-	266,189	741,305
Balance at 1 July 2013		475,116	-	-	-	-	-	266,189	741,305
Issue of shares	31	64,750	-	-	-	-	-	-	64,750
Share-based payment charges	35	-	-	-	2,062	-	-	-	2,062
Total comprehensive income for the year		-	-	-	-	-	-	264,558	264,558
Dividends for 2014	36	-	-	-	-	-	-	(116,215)	(116,215)
Balance at 30 June 2014		539,866	-	-	2,062	-	-	414,532	956,460

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

for the year ended 30 June 2014

	Notes	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
Cash flows from operating activities					
Cash receipts from customers	37.1	2,604,796	2,203,723	16,153	696
Cash paid to customers, suppliers and employees	37.2	(1,635,870)	(1,449,413)	(34,872)	(2,636)
Cash generated from / (utilised in) operations	37.3	968,926	754,310	(18,719)	(1,940)
Net (increase) / decrease in financial assets designated at fair value		(474,345)	314,589	-	-
Net increase in loans and advances to customers and banks		(2,644,677)	(2,212,675)	-	-
Net (increase) / decrease in other assets		(49,151)	(46,639)	2,920	(6,067)
Net increase in deposits		1,830,330	1,229,034	-	-
Net increase in other liabilities		55,521	22,826	13,714	569
Net cash (utilised in) / generated from operations		(313,396)	61,445	(2,085)	(7,438)
Dividends received		72,411	46,288	190,895	206,455
Other interest received		3,002	-	8,523	-
Income taxes paid	37.4	(297,025)	(315,788)	(1,045)	(28)
Net cash (utilised in) / generated from operating activities		(535,008)	(208,055)	196,288	198,989
Cash flows from investing activities					
Additions to property, plant and equipment	24	(32,147)	(30,888)	-	-
Proceeds on disposal of property, plant and equipment	37.3	1,427	490	-	-
Additions to intangible assets	23	(20,235)	(21,518)	-	-
Proceeds on disposal of subsidiary	47	9,352	-	-	-
Proceeds on disposal of associate	42	-	1,500	-	1,500
Additions to investment in subsidiaries		-	-	-	(321,495)
Acquisition of subsidiaries	45 & 46	(124,640)	-	(127,954)	-
Proceeds on maturity of endowment policy	16	62,643	271,113	-	-
Distribution of profits from joint operations	22	-	2,000	-	-
Net cash (utilised in) / generated from investing activities		(103,600)	222,697	(127,954)	(319,995)
Cash flows from financing activities					
Proceeds from the issue of ordinary shares	31	940	373,002	-	373,002
Repayment of debt securities in issue	26	(289,989)	(210,444)	(9,703)	(162,553)
Proceeds from the issue of debt securities	26	1,094,500	325,500	-	150,000
Dividends paid	36	(116,415)	(149,537)	(116,215)	(149,537)
Net cash generated from / (utilised in) financing activities		689,036	338,521	(125,918)	210,912
Net increase / (decrease) in cash and cash equivalents		50,428	353,163	(57,584)	89,906
Cash and cash equivalents at the beginning of the year		1,558,321	1,205,158	223,637	133,731
Cash and cash equivalents at the end of the year	39	1,608,749	1,558,321	166,053	223,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2014

1. Basis of presentation

The consolidated annual financial statements of Bank Windhoek Holdings Ltd for the year ended 30 June 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS), interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) effective at the time of preparing these statements and in the manner required by the Namibian Companies' Act and the Namibian Stock Exchange. The consolidated annual 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 annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise their 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 annual 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 annual 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 annual financial statements are presented in Namibian dollar, which is the functional and presentation currency of the company and the presentation currency of the group.

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

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.

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, and to the disclosures for all employee benefits. The changes on the group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The impact on the financial statements is immaterial.

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.

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 did not impact the entities that the group consolidates as its subsidiaries.

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.

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

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.

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-statement-of-financial-position vehicles.

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.

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.

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.

Amendment to the transition requirements in IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint arrangements', and IFRS 12, 'Disclosure of interests in other entities'
The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted, for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment.

The amendment also requires certain comparative disclosures under IFRS 12 upon transition. As IFRS 10 and 11 did not have a financial impact on the group, no comparative disclosures had to be amended.

1.3.2 Standards and interpretations issued but not yet effective	**Effective date**
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 2018
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 have 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 2018
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 2018. The original effective date was for annual periods beginning on or after 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	Annual periods commencing on or after 1 January 2018

1.3.2 Standards and interpretations issued but not yet effective (continued)	Effective date
project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.	
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
Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make.	Annual periods commencing on or after 1 January 2014
Amendment to IAS 39 on novation of derivatives The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a CCP meets specified criteria. Similar relief will be included in IFRS 9, 'Financial instruments'.	Annual periods commencing on or after 1 January 2014
IFRS 14 – 'Regulatory deferral accounts' The IASB has issued IFRS 14, 'Regulatory deferral accounts' an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and / or approval by an authorised body.	Annual periods commencing on or after 1 January 2016
Amendment to IAS 19 'Employee benefits' regarding defined benefit plan These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.	Annual periods commencing on or after 1 July 2014
Amendments to IAS 36, 'Impairment of assets' These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.	Annual periods commencing on or after 1 January 2014
IFRIC 21 – 'Levies' Sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised.	Annual periods commencing on or after 1 January 2014
IFRS 15 – 'Revenue from contracts with customers' Establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.	Annual periods commencing on or after 1 January 2017

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.

The group adopted IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint arrangements', IFRS 12, 'Disclosure of interests in other entities', and consequential amendments to IAS 28, 'Investments in associates and joint ventures' and IAS 27, 'Separate financial statements', on 1 July 2013. The group has also adopted IAS 19 (revised 2011) 'Employee benefits', amendments to IFRS 7 'Financial instruments: Disclosures – asset and liability offsetting' and IFRS 13 'Fair value measurement' on 1 July 2013. The new accounting policies did not have a significant impact on the consolidated annual financial statements (refer to note 1.3.1) other than additional disclosures required by IFRS 7, IFRS 12 and IFRS 13. These disclosures were incorporated in the various notes to the consolidated annual financial statements.

2.1 Consolidation

2.1.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value 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. 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. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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 identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured 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 profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. 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 Common control transactions

A common control transaction is defined as a business combination in which all of the combining entities are ultimately controlled by the same party, both before and after the business combination, and control is not transitory. Common control transactions fall outside the scope of IFRS 3 – 'Business combinations', and therefore the group has elected to apply predecessor accounting in the accounting of these transactions.

The cost of an acquisition of a subsidiary under common control is measured at fair value of the assets given,

2.1.2 Common control transactions (continued)

equity instruments issued and liabilities incurred or assumed at the date of exchange. Any costs directly attributable to the acquisition are written off against reserves. On acquisition the carrying values of assets and liabilities are not restated to fair value. The acquirer incorporates assets and liabilities at their pre-combination carrying amounts at the highest level of consolidation prior to transfer.

Any excess or deficit of the purchase price over the pre-combination recorded ultimate holding company's net asset value of the subsidiary is adjusted directly to equity. Any differences to values of the subsidiary's underlying assets and liabilities compared to those presented by the ultimate holding company and adjustments to achieve harmonisation of accounting policies will be adjusted in the records of the acquired company prior to consolidation.

In common control transactions, the group has elected to incorporate the acquired entity's results from the date of the business combination. As a consequence, comparative information is not restated. The principles of when control arises are the same as those for interests in subsidiaries where purchase price accounting is applied.

2.1.3 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant shares 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 statement of comprehensive income as profit or loss attributable to non-controlling interests.

2.1.4 Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in the 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.

2.1.5 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 using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of associates' results' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting

2.1.5 Associates (continued)

policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

Investments in associates are measured at cost less impairment in the company's financial statements.

For summarised financial information on the group's associates accounted for on the equity method, refer to note 21.

2.1.6 Joint arrangements

The group has applied IFRS 11 to all joint arrangements as of 1 July 2013. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Refer to note 22 for the group's joint arrangements. Joint arrangements are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group. The change in accounting policy has been applied as from 1 July 2013, but has had no financial impact on the results of the group.

Investments in joint ventures are measured at cost less impairment in the company's financial statements.

2.2 Foreign currency translation

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 annual financial statements are presented in Namibian dollars (N$), which is the group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 profit or loss under trading income, except when deferred in other comprehensive income 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 equities classified as available-for-sale, are included in other comprehensive income.

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.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in 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

2.3.1 Financial assets (continued)

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

This category has two subcategories: financial assets held for trading; and those designated at fair value through profit or loss at inception. The designation cannot be subsequently changed.

A financial asset is classified as held for trading 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. Derivatives are categorised as held for trading, unless they are designated as hedges.

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.
– 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 or loss.

Treasury bills, government stock, unit trust investments and money market investments are designated in this category.

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 are included under net gain from financial instruments designated at fair value through profit or loss in profit or loss and in the period in which they arise. Interest income and dividend income are included in ‘net interest income’ or ‘other operating 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 profit or loss.

Loans and advances to customers, due from other banks, cash and balances with the central bank and other assets 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 profit or loss.

(iv) Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale instruments are 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 other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss in ‘other operating income’ when the group's right to receive payments is established. Changes in the fair value of monetary and

(iv) Available-for-sale (continued)
non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Investment securities are classified in this category.

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.

Financial liabilities are initially recognised at fair value, being its issue proceeds (fair value of consideration received) net of transaction costs incurred, for all financial liabilities not carried at fair value through profit or loss.

(i) At amortised cost
The liability is subsequently stated at amortised cost, any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the liability using the effective interest rate method.

The dividends on preference shares are recognised in 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.

Classified in this category are amounts due to other banks, debt securities in issue, deposits and other liabilities.

(ii) Financial liabilities at fair value through profit or loss
This category comprises two subcategories, namely:
– 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 as hedges. 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'.

Classified in this category are derivative instruments.

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

2.3.4 Derecognition (continued)

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

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 option pricing models, as appropriate. All derivatives are carried as assets when its fair value is positive and as liabilities when its 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 profit or loss.

The group's 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 profit or loss and the derivatives are disclosed separately in the statement of financial position.

2.4 Impairment of financial assets

A financial asset is considered as impaired when there is objective evidence of impairment.

2.4.1 Financial assets carried at amortised cost

The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired, includes observable data that comes to the attention of the group about the following loss events:

(i) significant financial difficulty of the issuer or obligator;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) it 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

2.4.1 Financial assets carried at amortised cost (continued)

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 profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in 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 profit or 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.

The group employs scientific techniques to determine the specific and portfolio impairment of its loans and advances.

(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. Loans and advances are individually assessed for impairment when they have been flagged as being past due more than 90 days. Furthermore, 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.

Due from other 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. Refer to note 3.2.5 below. For more detailed procedures followed by the group on individual assessed loans and advances, refer to the Risk and compliance report.

(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 reported ('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 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 portfolio impairment, such shortfall is accommodated by a transfer of the applicable amount from distributable (retained earnings) to non-distributable reserves (credit risk reserve).

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 profit or loss.

For more detailed procedures followed by the group on collectively assessed loans and advances, refer to the Risk and compliance report.

2.4.2 Financial assets carried at fair value

The group assesses at each reporting date whether there is objective evidence that a financial asset or a

2.4.2 Financial assets carried at fair value (continued)

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 profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through 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 profit or loss.

2.4.3 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.

2.5 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.

2.6 Intangible assets

2.6.1 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill on acquisition of subsidiaries is included in 'Intangible assets' and carried at cost less accumulated impairment losses. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating-units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

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

2.6.2 Computer software and development costs (continued)

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.

The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the asset for its intended use. Recognition of costs in the carrying amount of an intangible asset ceases when the asset is in the condition necessary for it to be capable of operating in the manner intended by management.

Assets under construction recognised as intangible assets are not amortised until completed. Computer software development costs recognised as assets are amortised over their estimated useful lives, which range 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 mainly comprise 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 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, fittings and other office equipment	6.67 – 8.3 years
Computer equipment	3 – 5 years
Buildings	24 – 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 and are recognised within 'Other operating income' in 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

Intangible assets that have an indefinite useful life or intangible assets not ready to use 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). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal 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

2.10.1 A group company is the lessee (continued)

the group are primarily operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to 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. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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 cash in hand, 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. In the statement of financial position, bank overdrafts are shown within 'Due to other banks' as liabilities.

2.12 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable 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 probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised 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 an 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 profit or loss under operating expenses.

2.14 Employee 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

2.14.1 Pension obligations (continued)
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 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 benefits'. The benefit is unfunded and is valued using the projected unit credit method as prescribed by IAS 19 'Employee benefits'.

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 Performance bonuses
The group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit before tax 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 three equity-settled share-based compensation plans (1) a share purchase scheme, (2) a share appreciation rights plan and (3) a conditional share plan, under which the entities within the group receive services from employees as consideration for equity instruments (shares) of Bank Windhoek Holdings Ltd (refer to the directors' report and remuneration report (unaudited) for more details of each plan). 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.

At the end of each reporting period, the group revises its estimates of the number of shares 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 profit or loss, with a corresponding adjustment to equity.

2.16 Current and deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in profit or 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 recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; 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 income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the

2.16.1 Deferred income tax (continued)

related deferred income tax asset is realised or the deferred income tax liability is settled.

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 assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only were there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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.

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 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 statement of financial position 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 is measured at 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 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

2.17.2 Interest income and expenses (continued)
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 dividend income on financial assets at fair value through profit or loss, are included in 'Net interest income' or 'Dividend income', respectively.

When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

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, policy fee income and administration fee income comprise commission income and negotiated fees earned in respect of the placement of insurance and servicing of clients under insurance programmes. Income is brought to account when the premium is received and paid over to the insurer. 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

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

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

Shares held at year-end by the BWH Group Employee Share Ownership Trust and BWH Group Employee Share Benefit Trust
Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Shares held by the employee share trusts, which form part of the consolidated group, are deducted from total shareholders' equity until the shares are sold.

2.19 Construction contracts

A construction contract is a contract specially negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function, or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over

2.19 Construction contracts (continued)

the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Cost incurred in the year in connection with future activity on a contract are excluded and shown as contract work in progress. The aggregate of the cost incurred and the profit or loss recognised on each contract is compared against the progress billings up to the year-end. When costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from the customers and construction contracts, under receivables and prepayments. Where progress billings exceed cost incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on contractions contracts, under trade and other payables.

2.20 Dividend distribution

Dividend distribution to the company's shareholders 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.

2.21 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.

2.22 Operating segments

The group considers its banking operations as one operating segment; the group has no significant components other than banking. Other components include property development, insurance brokerage and asset management, however these components each contribute less than 5% to the group revenue, assets and profit for the year, therefore 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 the banking activity, which have been disclosed in the various notes to the consolidated annual financial statements.

3. Financial risk management

Assuming financial risks are 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 manage risks that 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 significant risks are identified and managed, and the returns are balanced with the risks taken. Compliance with a set of comprehensive risk management policies is an integral part of the group's day-to-day activities and systems of internal controls have been implemented to prevent and detect risks.

The key principles forming the foundation of the group'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 audit, risk and compliance committee to manage risks:

Board credit committee (BCC) and Board lending committee (BLC)

One of the group's primary activities is lending to retail and commercial borrowers. The bank accepts deposits

3. Financial risk management (continued)

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 BLC 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.

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. The interest rate subcommittee reviews the economic environment and recommends interest rate views to ALCO. ALCO activities are reported to the Board audit, risk and compliance committee (BARC).

Risk committee

In addition to the above committees, a risk committee, comprising of members of the executive management team and reporting to the BARC, 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);
– discuss and identify gaps and weaknesses in the management information system (MIS) to enable management to make the correct decisions;
– discuss the findings and recommendations of the group's risk functions and evaluate whether appropriate action has been taken when necessary;
– enhance general risk awareness within the group;
– monitor the management of risks to ensure that the group complies with the Bank of Namibia's guidelines for effective risk management; and
– discuss in detail any identified, unidentified and potential risks that are material to the group.

Credit risk forum (CRF)

The purpose of the CRF is to have an oversight of credit risk management in accordance with the board approved credit risk management policy, credit policies and credit risk and control framework, in order to achieve and maintain an acceptable credit risk profile and an adequate risk and control framework.

On portfolio level, the scope of the CRF includes:

– portfolio analysis and performance;
– key risk indicators and trends;
– risk adjusted pricing performance on portfolio level;
– review credit portfolio risk and recommend to the business units risk enhancement;
– product and pricing strategies;
– review of annual risk appetites and stress testing of the credit portfolio before submission to the Risk committee; and
– review collateral and recommend necessary improvements.

The CRF facilitates compliance with:

– Basel II and other best practices for credit risk management;
– applicable legislative acts;
– Bank of Namibia determinations; and
– Bank Windhoek credit policies.

Significant risks to which the group are exposed are discussed below.

3.1 Analysis of assets and liabilities

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies on pages 58 to 71 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statement of financial position per category of financial instrument to which they are assigned and therefore measured. The table includes non-financial assets and liabilities to reconcile to the statement of financial position:

				2014			
Group	Held for trading N$'000	Designated at fair value through profit / loss N$'000	Loans and receivables N$'000	Available-for-sale financial assets N$'000	Financial liabilities at amortised cost N$'000	Non-financial assets / liabilities N$'000	Total N$'000
ASSETS							
Cash and balances with the central bank	-	-	709,431	-	-	-	709,431
Derivative financial instruments	2,190	-	-	-	-	-	2,190
Financial assets designated at fair value through profit or loss	-	2,104,938	-	-	-	-	2,104,938
Investment securities	-	-	-	72,047	-	-	72,047
Due from other banks	-	-	472,972	-	-	-	472,972
Loans and advances to customers	-	-	20,245,395	-	-	-	20,245,395
Other assets	-	-	201,737	-	-	48,583	250,320
Current tax asset	-	-	-	-	-	14,112	14,112
Investment in associates	-	-	-	-	-	209,364	209,364
Interest in joint ventures	-	-	-	-	-	5,437	5,437
Intangible assets	-	-	-	-	-	94,239	94,239
Property, plant and equipment	-	-	-	-	-	130,295	130,295
Deferred tax asset	-	-	-	-	-	7,528	7,528
Total assets	2,190	2,104,938	21,629,535	72,047	-	509,558	24,318,268
LIABILITIES							
Derivative financial instruments	138	-	-	-	-	-	138
Due to other banks	-	-	-	-	282,664	-	282,664
Debt securities in issue	-	-	-	-	1,841,287	-	1,841,287
Deposits	-	-	-	-	18,782,411	-	18,782,411
Other liabilities	-	-	-	-	293,043	5,600	298,643
Current tax liability	-	-	-	-	-	698	698
Deferred tax liability	-	-	-	-	-	10,708	10,708
Post-employment benefits	-	-	-	-	-	7,561	7,561
Total liabilities	138	-	-	-	21,199,405	24,567	21,224,110

3.1 Analysis of assets and liabilities (continued)

	2013						
Group	Held for trading N$'000	Designated at fair value through profit / loss N$'000	Loans and receivables N$'000	Available-for-sale financial assets N$'000	Financial liabilities at amortised cost N$'000	Non-financial assets / liabilities N$'000	Total N$'000
ASSETS							
Cash and balances with the central bank	-	-	852,636	-	-	-	852,636
Derivative financial instruments	12,188	-	-	-	-	-	12,188
Financial assets designated at fair value through profit or loss	-	1,493,165	-	-	-	-	1,493,165
Investment securities	-	-	-	120,446	-	-	120,446
Due from other banks	-	-	251,355	-	-	-	251,355
Loans and advances to customers	-	-	17,651,962	-	-	-	17,651,962
Other assets	-	-	156,013	-	-	33,691	189,704
Current tax asset	-	-	-	-	-	7,953	7,953
Investment in associates	-	-	-	-	-	191,999	191,999
Interest in joint ventures	-	-	-	-	-	4,286	4,286
Intangible assets	-	-	-	-	-	28,987	28,987
Property, plant and equipment	-	-	-	-	-	129,486	129,486
Deferred tax asset	-	-	-	-	-	4,441	4,441
Total assets	12,188	1,493,165	18,911,966	120,446	-	400,843	20,938,608
LIABILITIES							
Derivative financial instruments	7,792	-	-	-	-	-	7,792
Due to other banks	-	-	-	-	166,959	-	166,959
Debt securities in issue	-	-	-	-	943,115	-	943,115
Deposits	-	-	-	-	16,915,652	-	16,915,652
Other liabilities	-	-	-	-	214,974	14,105	229,079
Deferred tax liability	-	-	-	-	-	45,247	45,247
Post-employment benefits	-	-	-	-	-	6,706	6,706
Total liabilities	7,792	-	-	-	18,240,700	66,058	18,314,550

3.2 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 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, is 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 loans, 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.

3.2.1 Credit risk measurement

(a) *Loans and advances (including loan commitments and guarantees)*

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash

3.2.1 Credit risk measurement (continued)

(a) Loans and advances (including loan commitments and guarantees) (continued)

flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The group has developed statistical models to support the quantification of credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring the credit risk of loans and advances at a counterparty level, the group considers three components, namely: (i) the 'probability of default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the group derives the 'exposure at default' (EAD); and (iii) the expected loss on the defaulted obligations (the 'loss given default') (LGD).

These credit risk measurements, which reflect expected loss (the 'expected loss model'), are required by the Basel committee on banking regulations and the supervisory practices (the Basel committee) and are embedded in the group's daily operational management. The operational credit risk measurements can be contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the date of the consolidated statement of financial position (the 'incurred loss model') rather than expected losses (note 3.2.4).

(i) Probability of default (PD)

The probability of default is an indication of the probability that a given loan will default. Under Basel II the elements that make up a loss are defined as economic loss and will include direct and indirect costs associated with collecting on the exposure such as allocations of internal overheads and other non-cash costs. The PD in Basel is calculated using a historical one-year average to annualise the figures over one year.

(ii) Exposure at default (EAD)

The exposure at default under Basel II will take into account an expectation of future draw-downs until the default event has occurred by utilising a credit conversion factor. For example, for a loan this is the face value. For a commitment, the group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default (LGD)

Loss given default or loss severity represents the group's expectation of the extent of loss on a claim should default occur (1 – recovery rate). It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. The measurement of exposure at default and loss given default is based on the risk parameters standard under Basel II. The Basel committee on banking supervision document on international convergence of capital measurement and capital standards states that the expected loss should be a one-year estimate. For this reason, and to relate the LGD to the PD one-year average, the LGD is also computed over a one year history. The LGD should be as a percentage of the EAD as required by Basel II.

3.2.2 Maximum exposure to credit risk before collateral held or other credit enhancements

	Notes	Maximum exposure 2014 N$'000	2013 N$'000
Group			
Credit risk exposures relating to on-statement-of-financial- position assets are as follows:			
Cash and balances with the central bank	13	709,431	852,636
Derivative financial instruments	14	2,190	12,188
Financial assets designated at fair value through profit or loss	15	2,104,938	1,493,165
– Treasury bills		1,650,540	1,228,664
– Government stock		233,994	9,125
– Unit trust investments		26,808	-
– Money market investments		193,596	255,376
Investment securities	16	72,047	120,446
Due from other banks	17	472,972	251,355
Gross loans and advances to customers	18	20,393,082	17,786,928
– Overdrafts		3,086,470	2,854,865
– Term loans		4,093,955	3,537,973
– Mortgages		9,919,583	8,499,995
– Instalment finance		2,863,806	2,597,434
– Preference shares		429,268	296,661
Other assets*	19	201,737	156,013
Total on-statement-of-financial-position exposure		23,956,397	20,672,731
Credit risk exposure relating to off-statement-of-financial-position items are as follows:			
Liabilities under guarantees	38	1,233,091	948,243
Letters of credit	38	196,614	31,515
Loan commitments	38	1,732,289	1,199,093
Total off-statement-of-financial-position exposure		3,161,994	2,178,851
Total credit risk exposure		27,118,391	22,851,582

*Other assets exposed to credit risk include insurance fund assets, accounts receivables and clearing and settlement accounts.

The above table represents a worst case scenario of credit risk exposure to the group at 30 June 2014 and 2013, without taking account of any collateral held or other credit enhancements attached. For all assets listed on the statement of financial position, the exposures set out above are based on net carrying amounts as reported.

The most significant exposures are derived from loans and advances to banks and customers.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the group resulting from both its loans and advances portfolio and other securities based on the following:

- The group employs a range of policies and practices to mitigate credit risk. Refer to note 3.2.3.
- Mortgage loans, which represents the biggest group in the loans and advances to customers portfolio, are backed by collateral.
- All financial assets, other than special mention and non-performing loans and advances, are neither past due nor impaired.

3.2.3 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 are monitored on a monthly basis and are subject to regular review. Limits on the level of credit risk by country are approved by the board of directors. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-statement-of-financial-position exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts.

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 assesses 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. The amount the group is willing to lend unsecured is capped and approved by the board.

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

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. Within the credit risk area, mandates are predetermined in order to ensure that the applicable level of authority provides guidance and approval for advances. Risk exposure to advances is reduced by obtaining approved security as defined by the Board credit committee and listed in the advance instruction manual.

The group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation and the principal collateral types for loans and advances are:

– cash 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.

Collateral per class of loans and advances:

Mortgages:

– First, second and third covering bond
– Cession of fire policy.

Instalment finance:

– The instalment finance contract binds the article as security.

The following security can be given for any loan class depending on the circumstances and purpose of the loan:

– Suretyships
– Registered cession of life insurance policy
– Cession of fixed deposits, notice deposits, bills, bonds, shares, investments or debtors.

Valuation methodologies (which includes applying a hair-cut to the fair value of collateral depending on a number of factors) and the period of validity on collateral are outlined in established policies, which are approved by the board.

Property valuation

In the case where a property is offered as security in the form of covering a mortgage bond, the valuation of the property is valid for two years in the banking book (excluding residential properties offered for home loans). A revaluation of the property needs to be done when there is an indication that the value of the property has declined. An approved revaluation of the property is required when a further advance or additional mortgage is applied for, when repayment comes in arrears, when an application for the release of collateral or any additional security is received or for properties in possession. Homeowner's comprehensive insurance is compulsory for all the mortgage loans. All articles financed by Bank Windhoek must be comprehensively insured.

Life insurance valuation

Life insurance that is used as security for loans taken out at the bank is ceded to the bank and the cession is registered by the insurance company. The values of the life insurance policies ceded to the bank must be updated at least annually to determine the security value and to establish whether premiums are up to date.

3.2.3 Risk limit control and mitigation policies (continued)

Credit life insurance

In the case of micro-loans, the customer signs a formal loan agreement and sufficient Capricorn credit life insurance is ceded to the bank. A formal payroll agreement between the applicant's employer and the bank is also signed. Non-government applicants must sign an acknowledgement of debt and cede their surplus benefits (e.g. unpaid leave) payable on termination of service to Bank Windhoek.

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.

3.2.4 Impairment and provisioning policies

The credit measurement process as described in note 3.2.1 focuses on expected credit losses, taking into account the risk of future events giving rise to losses. In contrast, impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the date of the consolidated statement of financial position based on objective evidence of impairment (see note 2.4.1). Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

3.2.5 Credit quality of loans and advances and other financial instruments

(i) Credit quality and management of loans and advances

Initial applications

The bank is the largest contributor to the group's credit risk. Bank Windhoek applies a standardised approach when assessing applications for credit. All applications are completed according to the Bank Windhoek risk model, which covers all information required to make an informed decision when granting advances. The risk model has the main components of safety, desirability and profitability which is further broken down as:

- background;
- needs;
- financial position;
- security;
- desirability;
- profitability; and
- recommendation – positive / negative aspects.

No internal scoring models are used except for the micro loans book, where the Delphi score forms part of the assessment. Assessments on all other loan classes are performed on a judgemental basis.

3.2.5 Credit quality of loans and advances and other financial instruments (continued)

(i) Credit quality and management of loans and advances (continued)

Subsequent credit assessments

Management information system reports were developed over time in order to effectively monitor and manage the quality of the loan portfolio and pro-actively identify negative problem accounts and trends. The following reports are generated:

- Excesses are reported on a daily basis and reviewed annually.
- The branches submit a monthly report on specific issues in order to take remedial actions on dormant accounts, suspended accounts, irregular accounts (outstanding 45 days and longer), outstanding security, special mention accounts, guarantees, letters of credit and foreign exchange contracts, floor plans, savings accounts in overdraft and bad debts written off within branch mandates.
- The credit department submits a monthly report to the executive management team at Bank Windhoek Ltd level and a more detailed report to the board of directors on a quarterly basis regarding the status of the credit portfolio of the bank.
- Monthly statistics per product are used to monitor the quality and management of the loan portfolio per branch.
- Exposures approved above branch level mandate are transferred to the legal collections branch.
- All transfers to the legal collections branch with an impairment provision higher than N$10,000 are scrutinised by the credit department and categorised under:
  - poor assessment;
  - poor management;
  - poor collateral management;
  - economic reasons; and
  - other.

Bank Windhoek has a process to proactively manage potential problem accounts to prevent possible losses. These advances are identified with assistance of the branches and are part of monthly credit reporting processes. Impairment provisions on these active accounts are raised in accordance with BID 2 – 'Determination on asset classification, suspension of interest and provisioning' requirements under the special mention category.

The table below shows the loans and advances age analysis:

Group 30 June 2014	Neither past due nor impaired	Special mention			Non-performing	Total
		0 – 30 days	31 – 60 days	61 – 90 days	More than 90 days	
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
Overdrafts	3,045,788	12,501	4,634	-	23,547	3,086,470
Term loans	4,055,975	3,807	2,657	176	31,340	4,093,955
Mortgages	9,780,629	58,549	11,551	9,047	59,807	9,919,583
Instalment finance	2,817,790	16,934	3,393	1,093	24,596	2,863,806
Preference shares	429,268	-	-	-	-	429,268
Total gross loans and advances	20,129,450	91,791	22,235	10,316	139,290	20,393,082
Specific impairment raised against unsecured amount*	-	(23,727)	(4,460)	(1,710)	(56,990)	(86,887)
Total loans and advances after specific impairments	20,129,450	68,064	17,775	8,606	82,300	20,306,195
Security held against impaired loans	-	(68,064)	(17,775)	(8,606)	(82,300)	(176,745)
	20,129,450	-	-	-	-	20,129,450

3.2.5 Credit quality of loans and advances and other financial instruments (continued)

(i) Credit quality and management of loans and advances (continued)

Group 30 June 2013	Neither past due nor impaired N$'000	Special mention 0 – 30 days N$'000	Special mention 31 – 60 days N$'000	Special mention 61 – 90 days N$'000	Non-performing More than 90 days N$'000	Total N$'000
Overdrafts	2,804,865	14,118	2,788	8,475	24,619	2,854,865
Term loans	3,455,144	30,683	6,059	14,826	31,261	3,537,973
Mortgages	8,384,386	27,232	5,378	19,254	63,745	8,499,995
Instalment finance	2,539,198	13,407	2,648	9,409	32,772	2,597,434
Preference shares	296,661	-	-	-	-	296,661
Total gross loans and advances	17,480,254	85,440	16,873	51,964	152,397	17,786,928
Specific impairment raised against unsecured amount*	-	(16,178)	(2,505)	(1,339)	(59,842)	(79,864)
Total loans and advances after specific impairments	17,480,254	69,262	14,368	50,625	92,555	17,707,064
Security held against impaired loans	-	(54,456)	(10,754)	(40,215)	(92,555)	(197,980)
	17,480,254	14,806	3,614	10,410	-	17,509,084

*The specific impairment raised against the 0 – 30 days, 31 – 60 days and 61 – 90 days categories relates to a number of clients with future possible loss indicators.

Further information of the impairment allowance for loans and advances to customers is provided in note 18.

(ii) Non-performing loans and advances

Loans and advances are managed with reference to the days in arrears. Loans and advances outstanding for longer than 90 days are considered non-performing. As determined by the requirements of BID 2 – 'Determination on asset classification, suspension of interest and provisioning', any asset which is overdue 60 days or more but less than 90 days shall be classified as special mention, at a minimum and are subject to impairment provisions. Bank Windhoek follows a more conservative approach than the regulator and already classifies loans in 0 – 30 days and 31 – 60 days as special mention, where, on a case-by-case basis, indicators of a possible future loss event exist. Loans categorised as 31 – 90 days (special mention accounts) are performing but subject to at least the minimum impairment provisioning as per the BID 2 determination.

Non-performing loans and advances to customers before taking into consideration the cash flows from collateral held is N$139.3 million (2013: N$152.4 million). The breakdown of the gross amounts of non-performing loans and advances by class, along with the value of related tangible collateral held by the group as security, is as follows:

	Overdrafts N$'000	Term loans N$'000	Mortgages N$'000	Instalment finance N$'000	Total N$'000
Group					
As at 30 June 2014					
Non-performing loans	23,547	31,340	59,807	24,596	139,290
Value of tangible collateral	8,547	15,478	51,924	6,351	82,300
Impairment raised against unsecured amount	15,000	15,862	7,883	18,245	56,990
Net exposure	-	-	-	-	-
As at 30 June 2013					
Non-performing loans	24,619	31,261	63,745	32,772	152,397
Value of tangible collateral	8,331	17,367	56,566	10,291	92,555
Impairment raised against unsecured amount	16,288	13,894	7,179	22,481	59,842
Net exposure	-	-	-	-	-

3.2.5 Credit quality of loans and advances and other financial instruments (continued)

(ii) Non-performing loans and advances (continued)

The value of tangible collateral disclosed on the previous page is limited to the outstanding balance, therefore any over-collateralised portion of a loan is excluded from the value of tangible collateral. Impairments are raised for under-collateralised non-performing loans, resulting in a net exposure of nil.

(iii) Non-performing loans and advances by geographical area

All non-performing loans are within the geographical area of Namibia.

(iv) Credit quality – financial assets other than loans and advances

As at 30 June the following financial instruments are neither past due nor impaired:

	2014 N$'000	2013 N$'000
Group		
Cash and balances with the central bank	709,431	852,636
Derivative financial instruments	2,190	12,188
Financial assets designated at fair value through profit or loss	2,104,938	1,493,165
Investment securities	72,047	120,446
Due from other banks	472,972	251,355
Other assets	201,737	156,013

No provision for impairment has been raised against these assets.

(v) Credit ratings of financial assets other than loans and advances

The bank applies credit ratings in line with BID 17 'Country risk management' to reflect the credit risk of financial instruments. External credit ratings from reputable international ratings agencies are utilised for cross border exposures, which is augmented with thorough internal credit and financial analyses in the determination and setting of exposure limits. Distinction between two broad credit quality classes are made, i.e. investment grade (AAA to BBB) and speculative / high-yield (BB and lower). Fitch ratings are utilised as far as possible. If Fitch ratings are not available, Moody's and Standard & Poor's ratings are used for classification. If no ratings are available, i.e. certain African countries for example, these exposures are classified as unrated.

The following section summarises the credit quality of financial assets, derivatives, and exposures to corresponding and counterparty banks for 30 June.

As at 30 June 2014	Carrying value N$'000	Investment grade (AAA to BBB) N$'000	Unrated N$'000	Total N$'000
Group				
Cash and balances with the central bank	-	519,260	190,171	709,431
Derivative financial instruments	-	1,994	196	2,190
Financial assets designated at fair value through profit or loss	-	1,884,534	220,404	2,104,938
Investment securities	-	67,831	4,216	72,047
Due from other banks	-	343,589	129,383	472,972
Other assets	-	-	201,737	201,737
Non-financial assets	509,558	-	-	509,558
Total assets (excluding loans and advances)	509,558	2,817,208	746,107	4,072,873

3.2.5 Credit quality of loans and advances and other financial instruments (continued)

(v) Credit ratings of financial assets other than loans and advances (continued)

As at 30 June 2013	Carrying value N$'000	Investment grade (AAA to BBB) N$'000	Unrated N$'000	Total N$'000
Group				
Cash and balances with the central bank	-	669,941	182,695	852,636
Derivative financial instruments	-	3,898	8,290	12,188
Financial assets designated at fair value through profit or loss	-	1,237,789	255,376	1,493,165
Investment securities	-	117,357	3,089	120,446
Due from other banks	-	210,317	41,038	251,355
Other assets	-	-	156,013	156,013
Non-financial assets	400,843	-	-	400,843
Total assets (excluding loans and advances)	400,843	2,239,302	646,501	3,286,646

Unrated exposures:

Unrated exposures consist mainly of cash balances, due from other banks and money market investments (financial assets designated at fair value through profit or loss), which are short term and highly liquid in nature. The credit worthiness of these government and large commercial banks' money market instruments are of high quality, which pose low credit risk. Other assets consist of accounts receivable, insurance fund assets and clearing and settlement accounts. Unrated exposures due from other banks are fully collaterised and foreign currency exposures are hedged.

The following risk weightings are applied for due from other banks when calculating the risk-based capital ratios:

(a) Long-term claims	
Exposures to banks assigned a credit risk assessment rating of AAA to AA-	20%
Exposures to banks assigned a credit assessment rating of A+ to BBB- or unrated	50%
Exposures to banks assigned a credit assessment rating of BB+ to B-	100%
Exposures to banks assigned a credit assessment rating of below B-	150%
(b) Short-term claims	
Claims denominated and funded in domestic currency with an original maturity of three months or less,	
assigned a credit assessment rating of AAA to BBB- or unrated	20%
Exposures to banks assigned a credit risk assessment rating of AAA to AA-	20%
Exposures to banks assigned a credit assessment rating of A+ to BBB- or unrated	20%
Claims to banks assigned a credit assessment rating of BB+ to B- or unrated	50%
Claims to banks assigned a credit assessment rating of below B-	150%

3.2.6 Repossessed collateral

The group obtains assets by taking possession of collateral held as security. The value of the assets still on the statement of financial position for both 30 June 2014 and 30 June 2013 was nil. 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.

3.2.7 Credit risk weighted amounts

The following risk-weighted amounts, including related impairments and write-offs, have been assigned to the components of credit risk for the group, as defined in BID 5 – 'Determination on capital adequacy'. The figures below will not reconcile to the statement of financial position as it represents statutory amounts.

As at 30 June 2014	Exposure N$'000	Impairment N$'000	Risk-weighted amounts N$'000	Written-off N$'000
Counterparties				
Sovereign and central bank	2,199,887	-	-	-
Public sector entities	384,019	-	145,527	-
Banks	475,024	-	111,511	-
Corporate	4,701,585	7,710	4,695,059	-
Retail	5,387,893	40,109	4,024,946	20,081
Residential mortgage properties	5,550,585	4,961	2,794,389	1,149
Commercial real estate	4,368,998	66	4,372,958	-
Other assets	1,448,576	-	607,658	-
Included in other assets:				
– Listed shares	72,047	-	72,047	-
	24,516,567	52,846	16,752,048	21,230
Commitments	3,161,994	-	1,282,151	-

As at 30 June 2013	Exposure N$'000	Impairment N$'000	Risk-weighted amounts N$'000	Written-off N$'000
Counterparties				
Sovereign and central bank	1,726,703	-	-	-
Public sector entities	459,253	-	188,467	-
Banks	255,751	-	71,151	-
Corporate	4,264,627	6,900	4,257,096	-
Retail	4,563,052	43,615	3,411,595	11,420
Residential mortgage properties	4,876,821	3,899	2,460,723	1,270
Commercial real estate	3,623,174	13	3,627,170	-
Other assets	1,257,169	-	759,424	-
Included in other assets:				
– Listed shares	57,804	-	57,804	-
	21,026,550	54,427	14,775,626	12,690
Commitments	2,178,851	-	964,375	-

Only claims on banks are risk-weighted based on external credit assessment for capital adequacy calculations. The group utilises available external rating agencies' ratings on both short-term and long-term exposures. No amounts are deducted from the bank's capital. The Bank of Namibia does not have its own credit rating. The sovereign and central bank credit risk weighting has been 0% for local currency issued and controlled by the central bank for the last three financial years. The long-term country credit rating by an external credit rating agency for Namibia was as follows:

	2014	2013
Namibia long-term local currency issuer default rating	BBB	BBB
Namibia long-term issuer default rating	BBB-	BBB-

3.2.8 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 N$'000	Derivative financial instruments and investment securities N$'000	Financial assets designated at fair value through profit or loss N$'000	Due from other banks N$'000	Loans and advances to customers N$'000	Other assets N$'000	Total N$'000
Group							
As at 30 June 2014							
Agriculture and forestry	-	-	-	-	1,023,814	-	1,023,814
Fishing	-	-	-	-	257,078	-	257,078
Mining	-	4,216	-	-	108,261	-	112,477
Manufacturing	-	-	-	-	623,406	-	623,406
Building and construction	-	-	-	-	1,729,463	-	1,729,463
Electricity, gas and water	-	-	-	-	90,298	-	90,298
Trade and accommodation (note 1)	-	-	-	-	9,730,034	-	9,730,034
Transport and communication	-	-	-	-	369,610	-	369,610
Finance and insurance	190,171	2,190	220,404	472,972	681,971	-	1,567,708
Real estate and business services	-	-	-	-	2,845,841	-	2,845,841
Government	519,260	-	1,884,534	-	5,414	-	2,409,208
Individuals	-	-	-	-	2,875,746	-	2,875,746
Other	-	67,831	-	-	52,146	201,737	321,714
Impairment	-	-	-	-	(147,687)	-	(147,687)
	709,431	74,237	2,104,938	472,972	20,245,395	201,737	23,808,710
As at 30 June 2013							
Agriculture and forestry	-	-	-	-	930,700	-	930,700
Fishing	-	-	-	-	294,303	-	294,303
Mining	-	3,089	-	-	109,914	-	113,003
Manufacturing	-	-	-	-	557,099	-	557,099
Building and construction	-	-	-	-	1,178,068	-	1,178,068
Electricity, gas and water	-	-	-	-	73,253	-	73,253
Trade and accommodation (note 1)	-	-	-	-	9,305,140	-	9,305,140
Transport and communication	-	-	-	-	338,872	-	338,872
Finance and insurance	182,695	74,830	255,376	251,355	649,866	-	1,414,122
Real estate and business services	-	-	-	-	1,686,376	-	1,686,376
Government	669,941	-	1,237,789	-	9,152	-	1,916,882
Individuals	-	-	-	-	2,595,706	-	2,595,706
Other	-	54,715	-	-	58,479	156,013	269,207
Impairment	-	-	-	-	(134,966)	-	(134,966)
	852,636	132,634	1,493,165	251,355	17,651,962	156,013	20,537,765

Note 1: Trade and accommodation includes all loans and advances granted to individuals that acquire property for residential purposes, e.g. residential mortgage loans and advances granted to hotels, lodges, restaurants and the related.

No disclosures are made from a company perspective, as these disclosures are only applicable to the group.

3.2.9 Credit risk concentration by geographical area

	Cash and balances with the central bank N$'000	Derivative financial instruments and investment securities N$'000	Financial assets designated at fair value through profit or loss N$'000	Due from other banks N$'000	Loans and advances to customers N$'000	Other assets N$'000	Total exposure on the statement of financial position N$'000
Group							
As at 30 June 2014							
Namibia	709,431	-	2,104,938	3	20,245,395	201,737	23,261,504
South Africa	-	2,190	-	123,483	-	-	125,673
United Kingdom	-	4,216	-	58,875	-	-	63,091
United States of America	-	67,831	-	233,652	-	-	301,483
Zambia	-	-	-	54,343	-	-	54,343
Other countries	-	-	-	2,616	-	-	2,616
	709,431	74,237	2,104,938	472,972	20,245,395	201,737	23,808,710
As at 30 June 2013							
Namibia	852,636	62,642	1,493,165	3	17,651,962	156,013	20,216,421
South Africa	-	12,188	-	46,682	-	-	58,870
United Kingdom	-	3,089	-	13,734	-	-	16,823
United States of America	-	54,715	-	131,178	-	-	185,893
Zambia	-	-	-	41,036	-	-	41,036
Other countries	-	-	-	18,722	-	-	18,722
	852,636	132,634	1,493,165	251,355	17,651,962	156,013	20,537,765

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

3.2.10 Financial instruments: asset and liability offsetting

Included in loans and advances to customers are financial instrument receivables amounting to N$31.1 million (2013: N$59.4 million). For these receivables, the bank has a legally enforceable right to set off the recognised amounts and will realise the asset and settle the liability simultaneously. The financial asset and financial liability has thus been offset in the statement of financial position. Refer below for details of the gross financial asset and gross financial liability.

	Group 2014 N$'000	Group 2013 N$'000
Gross financial asset	115,144	138,865
Gross financial liability	(84,035)	(79,471)
Net financial asset included in loans and advances to customers	31,109	59,394

Refer to note 18 for details of loans and advances to customers.

3.3 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 addressed on a monthly basis by the interest rate subcommittee. External market resources are used to recommend interest rate views to ALCO.

3.3.1 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.

3.3.2 Foreign currency 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

	ZMW N$'000	NAD N$'000	US$ N$'000	€ N$'000	£ N$'000	Other[1] N$'000	Total N$'000
Group							
As at 30 June 2014							
ASSETS							
Cash and balances with the central bank	-	683,876	20,680	4,651	63	161	709,431
Derivative financial instruments	-	-	-	-	-	2,190	2,190
Financial assets designated at fair value through profit or loss	-	2,104,938	-	-	-	-	2,104,938
Investment securities	-	-	67,831	-	4,216	-	72,047
Due from other banks	54,291	2	241,992	56,935	2,368	117,384	472,972
Loans and advances to customers	-	20,238,777	3,815	2,214	589	-	20,245,395
Other assets	-	201,737	-	-	-	-	201,737
Total financial assets	54,291	23,229,330	334,318	63,800	7,236	119,735	23,808,710
Non-financial assets	-	509,558	-	-	-	-	509,558
Total assets	54,291	23,738,888	334,318	63,800	7,236	119,735	24,318,268
LIABILITIES							
Derivative financial instruments	-	-	-	-	-	138	138
Due to other banks	52,093	174,999	2,647	3,773	-	49,152	282,664
Debt securities in issue	-	935,622	-	-	-	905,665	1,841,287
Deposits	-	18,454,402	269,061	56,286	2,662	-	18,782,411
Other liabilities	-	293,043	-	-	-	-	293,043
Total financial liabilities	52,093	19,858,066	271,708	60,059	2,662	954,955	21,199,543
Non-financial liabilities	-	24,567	-	-	-	-	24,567
Total liabilities	52,093	19,882,633	271,708	60,059	2,662	954,955	21,224,110
Total equity	-	3,094,158	-	-	-	-	3,094,158
Total equity and liabilities	52,093	22,976,791	271,708	60,059	2,662	954,955	24,318,268
Net financial position of financial instruments	2,198	3,371,264	62,610	3,741	4,574	(835,220)	2,609,167
Credit commitments	-	389	174,815	2,097	-	36,349	213,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2014

3.3.2 Foreign currency risk (continued)

Concentration of foreign denominated currency financial instruments (continued)

	ZMW N$'000	NAD N$'000	US$ N$'000	€ N$'000	£ N$'000	Other[1] N$'000	Total N$'000
Group							
As at 30 June 2013							
Total financial assets	32,800	20,183,698	230,443	34,927	3,613	52,284	20,537,765
Total non-financial assets	-	400,843	-	-	-	-	400,843
Total assets	32,800	20,584,541	230,443	34,927	3,613	52,284	20,938,608
Total financial liabilities	31,966	17,955,826	184,927	31,627	1,361	42,785	18,248,492
Non-financial liabilities	-	66,058	-	-	-	-	66,058
Total liabilities	31,966	18,021,884	184,927	31,627	1,361	42,785	18,314,550
Total equity	-	2,624,058	-	-	-	-	2,624,058
Total equity and liabilities	31,966	20,645,942	184,927	31,627	1,361	42,785	20,938,608
Net financial position of financial instruments	834	2,227,872	45,516	3,300	2,252	9,499	2,289,273
Credit commitments	-	339	24,506	347	-	11,662	36,854

[1] 'Other' foreign currency exposures included in the table above relate mainly to exposures to the South African rand. The Namibian dollar is fixed to the South African rand and is therefore not exposed to currency risk. All derivative financial instruments as well as debt securities in issue are exposed to the South African rand. Due from other banks of N$115.9 million (2013: N$37.4 million) and due to other banks of N$49.1 million (2013: N$34.2 million) are exposed to the South African rand. No cash and balances at the central bank are exposed to the South African rand.

The following exchange rates (number of units of Namibian dollar per unit of foreign currency) were used on conversion of foreign currency monetary items at the reporting date:

	2014	2013
USD	10.57	9.88
GBP	18.06	14.99
EUR	14.45	12.84
ZAR	1.00	1.00
ZMW	0.59	0.55

3.3.2 Foreign currency risk (continued)

	Effect on net profit 2014 N$'000	Effect on net profit 2013 N$'000
The following is a sensitivity analysis, monitored on the following major currencies of non-equity instruments, had a 5% change arisen on the various currencies:		
US dollar / Namibian dollar	33,089	22,475
– Foreign currency financial assets	176,687	113,786
– Foreign currency financial liabilities	(143,598)	(91,311)
Euro / Namibian dollar	2,703	2,118
– Foreign currency financial assets	46,096	22,419
– Foreign currency financial liabilities	(43,393)	(20,301)
British pound / Namibian dollar	4,131	1,689
– Foreign currency financial assets	6,535	2,709
– Foreign currency financial liabilities	(2,404)	(1,020)
Zambian kwacha / Namibian dollar	65	23
– Foreign currency financial assets	1,602	902
– Foreign currency financial liabilities	(1,537)	(879)

	Effect on other comprehensive income 2014 N$'000	Effect on other comprehensive income 2013 N$'000
The following effect of 5% change would arise on equity instruments:		
– Effect of British pound denominated equity instrument	211	154
– Effect of US dollar denominated equity instrument	3,392	2,736

3.3.3 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 monthly.

Assets and liabilities are classified as interest-sensitive if the interest rate is floating (classified in the 'up to 1 month' bucket) or if the interest rate applied to the outstanding principal balance fluctuates contractually during its lifespan (classified at the earliest of reprise or maturity). The key assumption made is that when an asset or liability matures within a certain bucket, the principal amount will be reprised. If an asset matures the proceeds are reinvested and when any liability matures the liability is replaced with new funding. Balances classified as 'non-interest sensitive' are not affected by changes in interest rates, e.g. statutory cash balances with the Bank of Namibia, which carries no interest. The balances included in the buckets are therefore exposed to both cash flow risk (to the extent that interest rates are floating) and fair value risk (to the extent that interest rates are fixed until reprised). This is in the manner consistent with information communicated to key management.

3.3.3 Interest rate risk (continued)

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:

(i) Interest rate risk analysis

	Up to 1 month N$'000	1 – 3 months N$'000	3 – 12 months N$'000	More than 1 year N$'000	Non-interest sensitive N$'000	Total N$'000
Group						
As at 30 June 2014						
ASSETS						
Cash and balances with the central bank	315,352	-	-	-	394,079	709,431
Derivative financial instruments	2,190	-	-	-	-	2,190
Financial assets designated at fair value through profit or loss	688,929	250,797	987,096	178,116	-	2,104,938
Investment securities	-	-	-	-	72,047	72,047
Due from other banks	472,972	-	-	-	-	472,972
Loans and advances to customers	20,158,766	95	2,369	75,689	8,476	20,245,395
Other assets	50,296	-	-	-	151,441	201,737
Total financial assets	21,688,505	250,892	989,465	253,805	626,043	23,808,710
Non-financial assets	-	-	-	-	509,558	509,558
Total assets	21,688,505	250,892	989,465	253,805	1,135,601	24,318,268
LIABILITIES						
Derivative financial instruments	138	-	-	-	-	138
Due to other banks	282,664	-	-	-	-	282,664
Debt securities in issue	25,123	225,844	100,071	1,490,249	-	1,841,287
Deposits	11,581,603	949,157	3,206,446	3,045,205	-	18,782,411
Other liabilities	-	-	-	-	293,043	293,043
Total financial liabilities	11,889,528	1,175,001	3,306,517	4,535,454	293,043	21,199,543
Total non-financial liabilities	-	-	-	-	24,567	24,567
Total liabilities	11,889,528	1,175,001	3,306,517	4,535,454	317,610	21,224,110
Total equity	-	-	-	-	3,094,158	3,094,158
Total equity and liabilities	11,889,528	1,175,001	3,306,517	4,535,454	3,411,768	24,318,268
Interest sensitivity gap (financial instruments)	9,798,977	(924,109)	(2,317,052)	(4,281,649)	333,000	2,609,167
Cumulative interest sensitivity gap (financial instruments)	9,798,977	8,874,868	6,557,816	2,276,167	2,609,167	-
As at 30 June 2013						
Interest sensitivity gap (financial instruments)	7,110,217	(3,122,160)	(1,715,876)	(330,983)	348,075	2,289,273
Cumulative interest sensitivity gap (financial instruments)	7,110,217	3,988,057	2,272,181	1,941,198	2,289,273	-

The interest rate sensitivity gap is determined based on methodology applied when reviewing interest rate risk.

3.3.3 Interest rate risk (continued)

(ii) Interest rate sensitivity analysis

An interest sensitivity analysis shows how net interest income will perform under a variety of scenarios. The sensitivities below measure the effect of overall changes in interest rates on profit or loss (net interest income) as defined by the bank's interest rate modelling tool. The extent of the shock (50, 100 or 200 basis points) is applied to all interest rates in the system and the effects of these shocks are detailed below.

	2014 N$'000	2013 N$'000
The following interest-rate sensitivity is based on the effect of changes to the interest rate over a twelve-month period on net interest income:		
50 basis points increase	32,860	19,168
– Increase in interest income	124,363	111,415
– Increase in interest expense	(91,503)	(92,247)
50 basis points decrease	(31,960)	(20,926)
– Decrease in interest income	(122,252)	(110,307)
– Decrease in interest expense	90,292	89,381
100 basis points increase	65,985	38,549
– Increase in interest income	248,724	222,826
– Increase in interest expense	(182,739)	(184,277)
100 basis points decrease	(65,878)	(51,278)
– Decrease in interest income	(244,482)	(220,568)
– Decrease in interest expense	178,604	169,290
200 basis points increase	133,030	77,949
– Increase in interest income	497,440	445,635
– Increase in interest expense	(364,410)	(367,686)
200 basis points decrease	(157,488)	(120,484)
– Decrease in interest income	(488,914)	(441,097)
– Decrease in interest expense	331,426	320,613
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	-	3,271
100 basis points decrease	-	(3,271)

In non-banking group companies, the effect of 100 basis point increase or decrease on the net profit and equity would have been N$0.4 million (2013: N$0.1 million).

3.3.4 Price risk

The following fair value financial instruments expose the group to price risk: derivative financial instruments, treasury bills, government stock and unit trust investments designated at fair value through profit or loss and equity securities classified as available-for-sale. The equity securities are listed on the FTSE and NYSE and are included in 'Investment securities' on the statement of financial position. The group generally does not undertake equity exposure. The exposure arose due to specific circumstances and are managed individually.

	2014 N$'000	2013 N$'000
Sensitivity analysis		
(i) Investment securities		
The following is a sensitivity analysis showing the increase / (decrease) in the fair value of equity securities had the following changes arisen on the significant inputs:		
10% increase in share price (effect on other comprehensive income)	7,205	5,780
10% decrease in share price (effect on other comprehensive income)	(7,205)	(5,780)
(ii) Derivative financial instruments		
The following is a sensitivity analysis showing the increase / (decrease) in the fair value of derivative instruments had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate (effect on profit or loss)	1,032	5,116
100 basis points decrease in discount rate (effect on profit or loss)	(1,050)	(5,232)
(iii) Financial assets designated at fair value through profit or loss		
The following is a sensitivity analysis showing the increase / (decrease) in the fair value of treasury bills had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate (effect on profit or loss)	(6,409)	(4,426)
100 basis points decrease in discount rate (effect on profit or loss)	6,489	4,472
The following is a sensitivity analysis showing the increase / (decrease) in the fair value of government stock had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate (effect on profit or loss)	(1,468)	(210)
100 basis points decrease in discount rate (effect on profit or loss)	1,491	218

3.3.5 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	
	2014 N$'000	2013 N$'000
Interest rate risk	7,947	5,249
Foreign exchange risk	34,143	8,584

3.4 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.

Liquidity risk is inherent in the group's business endeavours and represents the ability of the group to fund increases in assets and meet its financial obligations in a timely manner as they come due without incurring excessive costs, while complying with all statutory and regulatory requirements. The bank is the largest contributor to the group's liquidity risk. The liquidity risk management policy sets out the minimum liquidity risk management requirements for the bank. Under the policy, the bank is required to manage current and future liquidity positions in a prudent manner. This policy formalises the liquidity risk management process of the bank, the goal of which is to:

- maintain liquidity risk at a manageable level through assessment and monitoring;
- assess and advise against any permanent or temporary adverse changes to the liquidity position of the bank;
- set and monitor limits for funding mix, investment products and client exposures;
- monitor all applicable financial and statutory ratios; and
- identify those liquidity triggers that may entail the activation of the contingency funding plan.

The policy sets out rules to effectively control liquidity risk within the risk-return parameters dictated by the board of directors' risk appetite.

The policy aims to protect depositors, creditors, shareholders and other stakeholders of the bank by establishing rules and directions for identifying and managing the resolution of possible serious liquidity problems.

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.

In general the bank does not engage in complex activities or structures and therefore it is considered unnecessary to employ sophisticated and expensive models when determining liquidity needs under various scenarios. A basic but thorough forward looking analysis is conducted in the day-to-day, as well as monthly analysis of liquidity positions, needs and risks. Limits and rules stipulated in the liquidity risk management policy and by ALCO form the basis for daily quotes on deposits to ensure that an optimal mix and concentrations are maintained.

The bank must at all times hold an adequate liquid asset surplus which:

- includes a buffer portion;
- is additional to credit lines;
- is adequate to cater for unexpected outflows; and
- is simultaneously limiting the effect this surplus has on interest margins.

3.4 Liquidity risk (continued)

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 flows, hence it does not reconcile to the values reflected on the statement of financial position:

	Contractual undiscounted cash-flows					
	Call 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
Group						
FINANCIAL LIABILITIES						
As at 30 June 2014						
Derivative financial instruments	156	345	1,544	58	-	2,103
Due to other banks	282,664	-	-	-	-	282,664
Debt securities in issue	2,766	131,680	188,705	1,895,610	-	2,218,761
Deposits	10,815,072	2,122,101	4,581,179	1,668,284	127,222	19,313,858
Other liabilities	293,043	-	-	-	-	293,043
Total liabilities (contractual maturity dates)	11,393,701	2,254,126	4,771,428	3,563,952	127,222	22,110,429
Commitments (refer to note 3.2.7 for collateral held over commitments)	3,161,994	-	-	-	-	3,161,994
Loan commitments	1,732,289	-	-	-	-	1,732,289
Liabilities under guarantees	1,233,091	-	-	-	-	1,233,091
Letters of credit	196,614	-	-	-	-	196,614
As at 30 June 2013						
Derivative financial instruments	249	1,151	2,940	3,989	-	8,329
Due to other banks	166,959	-	-	-	-	166,959
Debt securities in issue	2,591	19,823	245,440	807,250	-	1,075,104
Deposits	10,708,581	1,957,776	3,462,385	1,317,827	4,955	17,451,524
Other liabilities	214,974	-	-	-	-	214,974
Total liabilities (contractual maturity dates)	11,093,354	1,978,750	3,710,765	2,129,066	4,955	18,916,890
Commitments (refer to note 3.2.7 for collateral held over commitments)	2,178,851	-	-	-	-	2,178,851
Loan commitments	1,199,093	-	-	-	-	1,199,093
Liabilities under guarantees	948,243	-	-	-	-	948,243
Letters of credit	31,515	-	-	-	-	31,515

In terms of BID 18 'Public disclosures for banking institutions' the maturity breakdown of a banking institution's whole credit portfolio should be disclosed. This disclosure, for the Bank Windhoek Holdings group, is detailed on the next page.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2014

3.4 Liquidity risk (continued)

	Carrying value N$'000	Call to 1 month N$'000	1 – 3 months N$'000	3 – 12 months N$'000	1 – 5 years N$'000	Over 5 years N$'000	Total N$'000
			Contractual discounted cash-flows				
Group							
ASSETS							
As at 30 June 2014							
Cash and balances with the central bank	-	709,431	-	-	-	-	709,431
Derivative financial instruments	-	15	81	1,938	156	-	2,190
Financial assets designated at fair value through profit or loss	-	688,929	250,797	987,096	178,116	-	2,104,938
Investment securities	-	72,047	-	-	-	-	72,047
Due from other banks	-	472,972	-	-	-	-	472,972
Gross loans and advances to customers	-	3,108,496	211,813	459,594	4,063,339	12,549,840	20,393,082
Other assets	-	201,737	-	-	-	-	201,737
Non-financial instruments	509,558	-	-	-	-	-	509,558
Impairment provisions	(147,687)	-	-	-	-	-	(147,687)
Total assets	361,871	5,253,627	462,691	1,448,628	4,241,611	12,549,840	24,318,268
LIABILITIES							
Derivative financial instruments	-	10	23	101	4	-	138
Due to other banks	-	282,664	-	-	-	-	282,664
Debt securities in issue	-	1,677	111,105	108,505	1,620,000	-	1,841,287
Deposits	-	10,793,424	2,069,420	4,320,258	1,472,087	127,222	18,782,411
Other liabilities	-	293,043	-	-	-	-	293,043
Non-financial instruments	24,567	-	-	-	-	-	24,567
Total liabilities	24,567	11,370,818	2,180,548	4,428,864	3,092,091	127,222	21,224,110
Net liquidity gap	337,304	(6,117,191)	(1,717,857)	(2,980,236)	1,149,520	12,422,618	3,094,158
Cumulative liquidity gap	337,304	(5,779,887)	(7,497,744)	(10,477,980)	(9,328,460)	3,094,158	3,094,158
ASSETS							
As at 30 June 2013							
Cash and balances with the central bank	-	852,636	-	-	-	-	852,636
Derivative financial instruments	-	-	-	1,846	10,342	-	12,188
Financial assets designated at fair value through profit or loss	-	296,449	505,867	681,724	9,125	-	1,493,165
Investment securities	-	57,804	-	62,642	-	-	120,446
Due from other banks	-	251,355	-	-	-	-	251,355
Gross loans and advances to customers	-	3,006,514	249,119	276,869	3,654,613	10,599,813	17,786,928
Other assets	-	156,013	-	-	-	-	156,013
Non-financial instruments	400,843	-	-	-	-	-	400,843
Impairment provisions	(134,966)	-	-	-	-	-	(134,966)
Total assets	265,877	4,620,771	754,986	1,023,081	3,674,080	10,599,813	20,938,608

3.4 Liquidity risk (continued)

		Contractual discounted cash-flows					
	Carrying value N$'000	Call to 1 month N$'000	1 – 3 months N$'000	3 – 12 months N$'000	1 – 5 years N$'000	Over 5 years N$'000	Total N$'000
LIABILITIES							
Derivative financial instruments	-	233	1,077	2,750	3,732	-	7,792
Due to other banks	-	166,959	-	-	-	-	166,959
Debt securities in issue	-	1,668	14,466	201,481	725,500	-	943,115
Deposits	-	10,566,796	1,916,520	3,278,604	1,148,777	4,955	16,915,652
Other liabilities	-	214,974	-	-	-	-	214,974
Non-financial instruments	66,058	-	-	-	-	-	66,058
Total liabilities	66,058	10,950,630	1,932,063	3,482,835	1,878,009	4,955	18,314,550
Net liquidity gap	199,819	(6,329,859)	(1,177,077)	(2,459,754)	1,796,071	10,594,858	2,624,058
Cumulative liquidity gap	199,819	(6,130,040)	(7,307,117)	(9,766,871)	(7,970,800)	2,624,058	2,624,058

The table above represents the group's maturity mismatch between assets and liabilities based on contractual maturities, which represents a worst-case scenario and is therefore not representative of business as usual. Due to the composition of the liquidity market in Namibia, a negative maturity mismatch between assets and liabilities is an industry practice.

3.5 Fair values of financial assets and liabilities

(a) Fair value estimation

The group is presumed to be a going concern and the fair value methodology is therefore appropriate. Fair value is the current price to purchase an asset or to transfer a liability. Such a transaction is characterised by an arm's length and orderly transaction in a free market (neither party is compelled to act), between hypothetical willing, able and well-informed market participants. In addition, the fair value methodology is utilised to accurately reflect the current market conditions and the appropriate market price of such a transaction on the reporting date.

The fair value of financial assets and liabilities 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 active market should be characterised by sufficient supply and demand by market participants, supported by adequate frequency and volumes to accurately approximate the true market price of such a transaction on an ongoing basis. The quoted market price used for financial assets held by the group is the price within the current bid-ask price, which is the most representative of fair value.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques to approximate the fair value. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These valuation techniques include quoted market prices or dealer quotes for similar instruments in active and inactive markets, and discounted cash flow valuation techniques.

(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

Derivative financial instruments are classified as fair value through profit or loss using valuation techniques supported by observable market prices or rates (exchange traded). Over-the-counter transactions are also measured at fair value based on the following valuation techniques:

– Forward contracts are valued based on the daily mark-to-market value of the forward contract. The market rates are obtained from the Thompson Reuters foreign currency rate platform. Spot foreign currency transactions not yet matured are marked-to-market based on end of trading day quoted Thompson Reuters market rates.
– Interest rate swaps are valued by discounting the expected future fixed and floating interest rate cash flow streams with the applicable South African money market yield curves. The future fixed rate cash flows are based on the terms of

3.5 Fair values of financial assets and liabilities (continued)

(a) Fair value estimation (continued)

the contractual agreements, while the floating rate cash flows are approximated using the estimated forward rate yield curve in line with contractual agreements.

– Option contract values are determined using the Black-Scholes pricing model, utilising real-time market data on the required inputs.

(iii) Financial assets designated at fair value through profit or loss

Treasury bills

Treasury bills are designated at fair value through profit or loss based on the discounted valuation technique using quoted market prices and rates.

Government stock

Government stock and other bonds guaranteed by either the Namibian or South African governments are designated at fair value based on the discounted valuation technique using quoted market prices. The Bond Exchange of South Africa bond pricing model is utilised to determine the fair value.

Unit trust investments

The fair value of unit trust investments is determined with reference to the daily published market prices.

Money market investments

For money market investments, the carrying value is assumed to represent its fair value.

(iv) Investment securities

Investment securities – listed

For listed investment securities, the fair value is derived by using stock market prices, adjusted for any restrictions on its tradability.

Investment security – unlisted

For the endowment policy, the carrying value approximates its fair value.

(v) Due to and from other banks

Amounts due to and from other banks include interbank placements. The carrying amount of overnight deposits represents its fair value.

(vi) Loans and advances to customers

The loans and advances to customers are recognised at amortised cost. The fair value is determined for disclosure purposes by discounting the future expected cash flows using observable market inputs, such as the prime rate, as appropriate. For short maturity loans and advances the carrying value is designated as fair value. Unobservable market inputs are developed using the best information available that market participants would use when pricing the loan. The credit risk will be approximated by the carrying values of defaulted and provisioned accounts. Refer to note 3.5 (b) on the next page for the disclosure of the fair value of loans and advances.

(vii) Other assets and liabilities

The nominal values 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. For insurance assets and the remaining other assets and liabilities the carry value approximates its fair value.

(viii) Deposits and borrowings

The carrying amount approximates the fair value of these financial liabilities, except for promissory notes and replica notes. The fair value of promissory notes and replica notes is estimated by discounting the future contractual cash flows at the available market interest rate. Quoted prices for similar instruments are utilised in the event that active prices are not available. The fair value of these instruments are N$381.3 million (2013: N$379.9 million).

(ix) Debt securities in issue

Financial instruments included in this category include senior debt, callable bonds and preference shares issued. The fair value of issued debt securities other than preference shares is estimated by discounting the future contractual cash flows at the available market interest rate. Quoted prices for similar instruments are utilised in the event that active prices are not available. The fair values of these instruments were N$1.8 billion (2013: N$947.9 million). The fair value of the issued preference shares approximates the carrying value, due to the floating rate nature of the instruments. Refer to note 26.

(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.

3.5 Fair values of financial assets and liabilities (Continued)

(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 over-the-counter 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.

Group	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
As at 30 June 2014				
Financial assets measured at fair value				
Financial assets designated at fair value through profit or loss	193,596	1,911,342	-	2,104,938
Treasury bills	-	1,650,540	-	1,650,540
Government stock	-	233,994	-	233,994
Unit trust investments	-	26,808	-	26,808
Money market investments	193,596	-	-	193,596
Financial assets at fair value through profit or loss				
Derivative financial instruments	-	2,190	-	2,190
Available-for-sale financial assets				
Investment securities – Listed	72,047	-	-	72,047
	265,643	1,913,532	-	2,179,175
Financial assets for which the fair value is disclosed				
Loans and advances to customers	-	-	20,574,382	20,574,382
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	-	138	-	138
Financial liabilities for which the fair value is disclosed				
Debt securities in issue	150,877	1,687,698	-	1,838,575
Five-year callable bonds	-	209,011	-	209,011
Senior debt – unsecured	-	1,478,687	-	1,478,687
Preference shares (floating rate note)	150,877	-	-	150,877
Deposits	-	381,310	-	381,310
Promissory notes	-	260,392	-	260,392
Replica notes	-	120,918	-	120,918
	150,877	2,069,008	-	2,219,885

3.5 Fair values of financial assets and liabilities (continued)

(b) Fair value hierarchy (continued)

Group	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
As at 30 June 2013				
Financial assets measured at fair value				
Financial assets designated at fair value through profit or loss	255,376	1,237,789	-	1,493,165
Treasury bills	-	1,228,664	-	1,228,664
Government stock	-	9,125	-	9,125
Money market investments	255,376	-	-	255,376
Financial assets at fair value through profit or loss				
Derivative financial instruments	-	12,188	-	12,188
Available-for-sale financial assets				
Investment securities – unlisted	-	62,642	-	62,642
Investment securities – listed	57,804	-	-	57,804
	313,180	1,312,619	-	1,625,799
Financial assets for which the fair value is disclosed				
Loans and advances to customers	-	-	17,874,936	17,874,936
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	-	7,792	-	7,792
Financial liabilities for which the fair value is disclosed				
Debt securities in issue	150,801	797,073	-	947,874
Five-year callable bonds	-	318,570	-	318,570
Senior debt – unsecured	-	478,503	-	478,503
Preference shares (floating rate note)	150,801	-	-	150,801
Deposits				
Promissory notes	-	379,938	-	379,938
	150,801	1,177,011	-	1,327,812

No transfers between level 1, level 2 or level 3 fair value measurements occurred during the year under review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2014

3.5 Fair values of financial assets and liabilities (continued)

(c) Sensitivity analysis

The sensitivity analysis performed below are for financial instruments for which the fair value is disclosed. Sensitivity analysis performed on financial instruments recognised at fair value are included in note 3.3.4.

	Group	
	2014 N$'000	**2013 N$'000**
The following is a sensitivity analysis showing the increase / (decrease) in the fair value of loans and advances had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	(697,779)	(581,994)
100 basis points decrease in discount rate	755,756	629,285
100 basis points increase in earnings rate	159,103	93,671
100 basis points decrease in earnings rate	(165,795)	(124,024)
1 month increase in term to maturity	(30,475)	(28,458)
1 month decrease in term to maturity	31,402	20,167
The following is a sensitivity analysis showing the increase / (decrease) in the fair value of debt securities had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	(6,541)	(8,030)
100 basis points decrease in discount rate	6,813	8,231
100 basis points increase in coupon rate	35,619	8,964
100 basis points decrease in coupon rate	(35,619)	(8,964)
The following is a sensitivity analysis showing the increase / (decrease) in the fair value of promissory notes had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	(786)	(1,359)
100 basis points decrease in discount rate	2,099	1,359
The following is a sensitivity analysis showing the increase / (decrease) in the fair value of replica notes had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	(3,622)	-
100 basis points decrease in discount rate	3,757	-
100 basis points increase in coupon rate	3,717	-
100 basis points decrease in coupon rate	(3,885)	-

3.5 Fair values of financial assets and liabilities (continued)

(d) Details of level 2 and level 3 fair value instruments

	Valuation technique	Types of valuation inputs	Valuation inputs (ranges) 2014	2013
Financial assets measured at fair value				
Financial assets designated at fair value through profit or loss				
Treasury bills	Income approach *	Note 1	5.4% to 6.7%	5.4% to 5.7%
Government stock	Income approach *	Note 1	6.5% to 8.0%	6.1% to 7.7%
Unit trust funds	Market approach **	Note 4	Note 4	Note 4
Financial assets at fair value through profit or loss				
Derivative financial instruments	Income approach *	Note 1	5.8% to 10.3%	4.9% to 10.3%
Financial assets for which the fair value is disclosed				
Loans and advances to customers	Income approach *			
- Discount rate		Note 1	9.50%	9.25%
- Earnings rate		Note 2	5% to 16.9%	5% to 16.8%
- Term to maturity		Note 3	3 to 360 months	3 to 325 months
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	Income approach *	Note 1	5.8% to 10.3%	4.9% to 10.3%
Financial liabilities for which the fair value is disclosed				
Debt securities in issue				
Five-year callable bonds	Income approach *	Note 1	8.4%	7.5% to 7.8%
Senior debt – unsecured	Income approach *	Note 1	6.8% to 9.2%	6.1% to 8.0%
Deposits				
Promissory notes	Income approach *	Note 1	5.8% to 6.5%	5.1% to 5.4%
Replica notes	Income approach *	Note 1	8.0% to 8.7%	

* Present value of expected future cash flows.

** The fair value is determined with reference to the daily published market prices.

Note 1: Observable interest rates and yield curves observable at commonly quoted intervals.

Note 2: Contractual interest rates per transaction observable on the banking system.

Note 3: Contractual maturities per transaction observable on the banking system.

Note 4: Valuations are performed per fund based on the net asset value of the underlying assets.

3.6 Capital management

The group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are to:

- comply with the capital requirements set by the regulators of the banking markets where the entities within the group operate;
- safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain a strong capital base to support the development of its business.

Capital management for the banking group

The Bank of Namibia requires each bank or banking group 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 the 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 the 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 levels, operational risk, market risk and credit risk.

During 2012, the Bank of Namibia introduced BID 24 – 'Consolidated supervision', which denotes consolidation rules only for the purposes of computing regulatory minimum capital requirements. These rules do not impact on accounting consolidation of banking groups, which is done in accordance with IFRS. Although regulatory consolidation may track the accounting consolidation, it is not identical because of a different approach that is prescribed or required for treatment of certain types of transactions and / or subsidiaries. According to the statutory framework, the group entities are treated as follows in the Bank Windhoek Holdings group:

Subsidiaries:	Consolidated supervision approach	Accounting consolidation approach
Bank Windhoek Ltd	Full consolidation	Full consolidation
Namib Bou (Pty) Ltd	Deduction approach	Full consolidation
Welwitschia Insurance Brokers (Pty) Ltd	Deduction approach	Full consolidation
Capricorn Unit Trust Management Company Ltd	Deduction approach	Full consolidation
Capricorn Asset Management (Pty) Ltd	Deduction approach	Full consolidation
Associates:	**Consolidated supervision approach**	**Accounting consolidation approach**
Sanlam Namibia Holdings (Pty) Ltd	Deduction approach	Equity accounted associate
Santam Namibia Ltd	Deduction approach	Equity accounted associate

Deduction approach means deductions of 50 percent of the cost of investment in the affiliate is made from Tier 1 capital and 50 percent from Tier 2 capital.

3.6 Capital management (continued)

The table below summarises the composition of regulatory capital and the ratios of Bank Windhoek Ltd and the Bank Windhoek Holdings group for the years ended 30 June, at both bank solo and consolidated supervision level. During these two years, the individual entities within the group complied with all externally-imposed capital requirements to which they are subjected.

	Bank Windhoek Ltd		Bank Windhoek Holdings group	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Tier 1 capital				
Share capital and premium	485,000	485,000	539,866	475,116
General banking reserves	1,906,658	1,588,834	1,906,658	1,588,834
Retained earnings	36,670	30,524	527,102	355,833
Subtotal	2,428,328	2,104,358	2,973,626	2,419,783
Deduct: 50% investments in group entities				
Goodwill	-	-	91,763	48,507
50% investments in deconsolidated financial subsidiaries, significant minority and majority insurance entities and significant commercial entities	-	-	128,922	55,138
Net total Tier 1 capital	2,428,328	2,104,358	2,752,941	2,316,138
Tier 2 capital				
Subordinated debt	207,326	311,710	358,203	462,511
Five-year callable bonds	207,326	311,710	207,326	311,710
Preference shares	-	-	150,877	150,801
Portfolio impairment	231,854	196,321	231,854	196,321
Subtotal	439,180	508,031	590,057	658,832
Deduct: 50% investments in group entities				
50% investments in deconsolidated financial subsidiaries, significant minority and majority insurance entities and significant commercial entities	-	-	121,491	55,138
Net total Tier 2 capital	439,180	508,031	468,566	603,694
Total regulatory capital	2,867,508	2,612,389	3,221,507	2,919,832
Risk-weighted assets:				
Operational risk	1,906,784	1,686,357	1,940,610	1,710,837
Credit risk	18,031,267	15,731,715	18,034,198	15,739,999
Market risk	420,895	138,325	420,895	138,325
Total risk-weighted assets	20,358,946	17,556,397	20,395,703	17,589,161

The increase in risk-weighted assets during the year is mainly attributable to the increase in credit risk, which relates to the growth in loans and advances. Operational risk increased in line with growth in gross income.

Capital adequacy ratios:				
Leverage capital ratio	10.1%	10.1%	12.1%	11.4%
Tier 1 risk-based capital ratio	11.9%	12.0%	13.5%	13.2%
Total risk-based capital ratio	14.1%	14.9%	15.8%	16.6%

3.6 Capital management (continued)

In addition the above minimum capital requirements, the Bank of Namibia requires the bank 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 identification of all significant risk exposures to the banking group;
– the 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 November 2013, which includes a capital projection for the next five years, it is envisaged that the bank will be able to maintain its capital ratios and will not require additional capital.

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 on loans and advances

Estimates in assessing the portfolio impairment are dependent 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 comprise loans due and unpaid for longer than 90 days.

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.

Refer to note 18 for a detailed analysis of the impairment of loans and advances.

(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 was no such evidence requiring impairment for the year ended 30 June 2014.

(c) Fair value of financial instruments

The fair value of financial instruments requires the use of estimates and judgements. Refer to note 3.5 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 are based on generally accepted demographic tables.

(e) Share-based payments

For share-based payment transactions among group entities, in its separate or group 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 scheme arrangements, the awards granted are Bank Windhoek Holdings Ltd shares, thus the share schemes are treated as equity-settled.

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

(e) Share-based payments (continued)

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. For assumptions made in the valuation of share based payments refer to note 33.

(f) Impairment of goodwill

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the cash generating units ('CGU') has been determined based on value-in-use calculations, being the net present value of the discounted cash flows of the CGU. Refer to note 23.

(g) Assumptions used in directors' valuation for investments in associates and joint ventures

Valuations of operating entities are normally done on a price: earnings or price: book basis, whichever is most appropriate. Life insurance companies are valued using appropriate price: embedded value ratios. Investment holding companies are valued on the sum-of-the-parts basis. Actual transaction values where shares were traded are also taken into account to support the valuations. Where information is not available to apply these valuation methods, associates and joint ventures are valued at net asset value. Additional information is disclosed in notes 21 and 22.

(h) Performance bonuses

The group recognises a liability and an expense for performance bonuses, based on a formula that takes into consideration the profit before tax after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Additional information is disclosed in note 28.

5. Net interest income

	Group 2014 N$'000	Group 2013 N$'000
Interest and similar income		
Amortised cost		
Loans and advances	1,811,240	1,591,340
Cash and short-term funds	46,052	34,942
Fair value		
Financial assets designated at fair value through profit or loss	87,555	68,528
Treasury bills	69,150	67,474
Government stock and other investments	18,405	1,054
Available-for-sale financial assets	-	13,286
	1,944,847	1,708,096
Interest and similar expenses		
Amortised cost		
Demand deposits	216,349	221,003
Fixed and notice deposits	160,149	207,768
Negotiable certificates of deposits	265,630	205,168
Current deposits	104,395	77,089
Debt securities in issue	89,475	49,810
Savings deposits	17,904	15,010
Deposits from banks and financial institutions	3,041	4,778
Other	31,006	13,016
	887,949	793,642
Net interest income	1,056,898	914,454

6. Impairment charges on loans and advances

	Group 2014 N$'000	Group 2013 N$'000
Increase in specific impairment (note 18)	28,253	21,775
Increase in portfolio impairment (note 18)	5,698	6,193
Amounts recovered during the year	(4,836)	(1,165)
	29,115	26,803

7. Non-interest income

	Group 2014 N$'000	Group 2013 N$'000
7.1 Fee and commission income		
Transaction and related fees	470,425	395,814
Commissions	17,107	14,845
Other	5,769	5,702
	493,301	416,361
Fee and commission income, by category		
– Financial instruments at amortised cost	458,932	385,597
– Non-financial assets and liabilities	22,876	20,547
– Income from guarantees and letters of credit	11,493	10,217
	493,301	416,361

7. Non-interest income (continued)

7.2 Net trading income

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
Net foreign exchange gains and losses from trading assets	47,268	41,233		
Net (loss) / gain from financial instruments designated at fair value through profit or loss	(5)	4,976		
	47,263	46,209		

Net foreign exchange gains and losses from trading assets includes gains and losses from spot and forward contracts and translation of foreign currency assets and liabilities.

Net (loss) / gain from financial instruments designated at fair value through profit or loss includes the gains and losses from treasury bills, government stock and derivatives.

7.3 Other operating income

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
Brokerage commission	49,361	45,397	-	-
Asset management and administration fees	56,287	-	-	-
Dividend received – ordinary shares	613	234	280,402	203,682
Dividend received – BW Corporate funds (deemed interest)	4,899	3,273	4,493	2,773
Interest received	3,002	2,149	8,523	666
Management fees received	-	810	-	-
Profit on sale of property, plant and equipment	554	393	-	-
Profit on sale of subsidiary (note 47)	6,742	-	-	-
Construction contract profit	1,958	572	-	-
Support services rendered	12,439	7,132	15,973	-
Other	3,313	661	180	30
	139,168	60,621	309,571	207,151
Total non-interest income	679,732	523,191	309,571	207,151

8. Staff costs

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
Wages and salaries	430,570	377,497	18,328	-
Share-based payment expense	3,157	9,942	2,062	-
Granted to directors	64	710	64	-
Granted to employees	3,093	932	1,998	-
Granted to employees as part of a once-off share allocation	-	8,300	-	-
Staff training and transfer costs	5,981	4,479	196	-
Pension costs – defined contribution plan	30,096	26,644	1,208	-
Severance pay liability (note 30.1)	855	1,167	-	-
	470,659	419,729	21,794	-

9. Operating expenses

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
Expenses by nature				
Advertising and marketing	18,543	17,055	126	198
Amortisation of intangible assets (note 23)	1,898	3,182	-	-
Asset management fees	20,174	-	-	-
Association transaction fees	61,562	44,852	-	-
Auditor's remuneration				
– Audit fees	2,493	2,089	460	142
– Fees for other services	1,091	242	370	-
Cash handling	5,667	5,142	-	-
Commission	5,229	4,778	-	-
Directors' emoluments				
Non-executive directors	3,165	2,971	2,689	588
Depreciation of property, plant and equipment (note 24)	30,720	28,755	-	-
Finance costs	10,093	9,384	9,778	9,384
Intragroup consultancy and management fees	721	6,272	672	1,001
Loss on disposal of associate (note 42)	-	162	-	288
Operating lease rentals – immovable property	49,477	43,294	1,346	-
Professional services	48,843	31,347	4,538	-
Repairs and maintenance	18,015	15,833	-	-
Royalties paid on trademark	12,121	648	-	-
Security expenses	7,852	7,291	-	-
Staff costs (note 8)	470,659	419,729	21,794	-
Stamp duty	12,547	11,880	1,074	-
Stationery and printing	11,392	10,130	277	-
Sub-agents commission	2,121	796	-	-
Subscription fees	6,295	5,492	129	
Technology costs	54,512	34,481	5	-
Telephone, postage and courier costs	13,598	13,067	30	-
Travelling	5,986	4,573	976	-
Valuation fees	1,229	1,404	-	-
Water and electricity	13,490	12,349	-	-
Other expenses	25,148	25,561	2,449	707
	914,641	762,759	46,713	12,308

Research and development costs of N$348,241 (2013: N$313,229) are included in operating expenses above.

10. Share of associates' results after tax

The following represents Bank Windhoek Holdings' share of the associates' after tax results:

	Group 2014 N$'000	Group 2013 N$'000
Profit before taxation	99,934	74,527
Taxation	(15,670)	(14,082)
	84,264	60,445

11. Income tax expense

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
11.1 Normal tax				
Current tax	290,908	310,886	1,116	222
– current year	290,908	310,682	1,116	222
– prior year	-	204	-	-
Deferred tax	(37,534)	(94,438)	(2,816)	-
– current year	(37,534)	(94,239)	(2,816)	-
– prior year	-	(199)	-	-
Total normal tax	253,374	216,448	(1,700)	222
11.2 Tax rate reconciliation				
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 share of associates' results after tax	794,025	649,274	262,858	194,843
Tax at the applicable tax rate of 33% (2013: 34%)	262,028	220,753	86,743	66,247
Prior year adjustment	-	5	-	-
Non-taxable income	(16,179)	(6,765)	(94,021)	(70,210)
Non-deductible expenses	7,525	5,245	5,578	4,185
Utilised tax loss previously not recognised	-	629	-	-
Deferred tax rate change	-	(1,244)	-	-
Special allowance	-	(2,326)	-	-
Other	-	151	-	-
Income tax expense	253,374	216,448	(1,700)	222
Effective tax rate	31.91%	33.34%	(0.65%)	0.11%

As per the Government Gazette of 31 May 2013, the tax rate has been decreased from 34% to 33%, for all years of assessments starting on or after 1 January 2013. The income tax rate applicable for the 30 June 2014 financial year is therefore 33%. Deferred tax has been recognised at the expected future rate of 33%.

12. Earnings and headline earnings per share

Basic earnings per share is calculated by dividing the profit for the year of the group, by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Headline earnings per share is calculated by dividing the group's profit for the year after excluding identifiable remeasurements, net of tax, by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

12. Earnings and headline earnings per share (continued)

Group	Gross N$'000	2014 Taxation N$'000	Net N$'000
Earnings			
Profit for the year			624,915
Headline adjustments	(18,877)	183	(18,694)
Profit on sale of subsidiary by an associate included in equity accounted earnings	(13,277)	-	(13,277)
Profit on sale of subsidiary	(6,742)	-	(6,742)
Remeasurement included in equity accounted earnings	1,696	-	1,696
Disposal gains on sale of property, plant and equipment	(554)	183	(371)
Headline earnings			606,221

	Gross N$'000	2013 Taxation N$'000	Net N$'000
Earnings			
Profit for the year			493,271
Headline adjustments	1,465	130	1,595
Loss on disposal of an associate	162	-	162
Remeasurement included in equity accounted earnings	1,696	-	1,696
Disposal gains on sale of property, plant and equipment	(393)	130	(263)
Headline earnings			494,866

	Group 2014	2013
Number of ordinary shares in issue at year-end ('000) (note 31)	501,117	493,135
Adjusted for shares issued during the year ('000)	-	(37,983)
Weighted average number of ordinary shares in issue during the year ('000)	501,117	455,152
Diluted weighted average number of ordinary shares in issue during the year ('000)	502,063	455,152
Earnings per ordinary share (cents)		
Basic	124.7	108.4
Fully diluted	124.5	108.4
Headline earnings per ordinary share (cents)		
Basic	121.0	108.7
Fully diluted	120.7	108.7

13. Cash and balances with the central bank

	Group		Company	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
Cash balances	190,171	182,695	5,548	169,625
Balances with the central bank other than mandatory reserve deposits	315,352	488,914	-	-
Included in cash and cash equivalents	505,523	671,609	5,548	169,625
Mandatory reserve deposits with the central bank	203,908	181,027	-	-
	709,431	852,636	5,548	169,625

Mandatory reserve deposits are not available for use in the group's day-to-day operations. Balances with the central bank other than mandatory deposits are interest sensitive. Cash balances as well as mandatory reserve deposits with the central bank are non-interest-bearing.

14. Derivative financial instruments

	2014 N$'000	2013 N$'000
Assets		
Interest rate swaps	2,190	12,188
Liabilities		
Interest rate swaps	138	7,792

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 2014 was N$556.5 million (2013: N$1,121.5 million).

	2014 N$'000	2013 N$'000
Current	1,618	1,097
Non-current	434	3,299

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

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
Treasury bills	1,650,540	1,228,664	-	-
Government stock	233,994	9,125	-	-
Unit trust investments	26,808	-	-	-
Money market investments	193,596	255,376	160,505	54,012
	2,104,938	1,493,165	160,505	54,012
Current	1,926,822	1,484,040	160,505	54,012
Non-current	178,116	9,125	-	-
	2,104,938	1,493,165	160,505	54,012

All instruments are unlisted.

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
The following represents the amortised costs of instruments where this differs from the fair value:				
Treasury bills	1,650,238	1,229,390		
Government stock	234,844	9,345		

Financial assets at fair value through profit or loss are presented within 'operating activities' in the statement of cash flows. Changes in fair values of financial assets at fair value through profit or loss are recorded in 'net (loss) / gain from financial instruments designated at fair value through profit or loss' in the statement of comprehensive income (note 7.2).

Treasury bills and government stocks are securities issued by the Namibian treasury department for a term of three months, six months, a year or longer. Treasury bills and government stock with a maturity of less than 90 days from the reporting date, as well as money market investments, are included in cash and cash equivalents for the purposes of the cash flow statement. Refer to note 39.

The above-mentioned 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$240 million (2013: N$360 million) are available at the Bank of Namibia for collateral should the need arise. At year-end, there were no treasury bills utilised for security purposes (2013: NIL) at the Bank of Namibia, although N$194.8 million (2013: N$150 million) of treasury bills have been collateralised under a sale-and-buyback agreement. A limited session of N$2 million is registered over the Bank Windhoek Corporate Fund held by Welwitschia Insurance Brokers (Pty) Ltd (the fund had a balance of N$3.5 million at year-end).

Refer to note 3.5 for fair value methodology used.

16. Investment securities

	Group 2014 N$'000	Group 2013 N$'000
Available-for-sale		
Investment securities – listed [1]	72,047	57,804
Investment securities – unlisted [2]	-	62,642
	72,047	120,446
The movement during the year is summarised as follows:		
Opening balance	120,446	351,698
Matured [2]	(62,643)	(271,113)
Interest capitalised	-	13,286
Fair value gains	14,244	22,359
Additions	-	4,216
	72,047	120,446

Refer to note 3.5 for fair value methodology used.

[1] Listed shares are held as follows: 6,583,247 shares in Weatherley International Plc, 13,035 shares in Dundee Precious Metals Inc, 28,308 shares in China Africa Resources Plc and 30,304 shares in Visa Inc.

[2] Sanlam joint life single premium endowment policy, the remaining balance matured during the current year.

	Group 2014 N$'000	Group 2013 N$'000
Current	72,047	120,446

17. Due from other banks

	Group 2014 N$'000	Group 2013 N$'000
Placement with other banks	472,972	251,355

Placements with other banks are callable on demand and are therefore current assets.

18. Loans and advances to customers

	Group 2014 N$'000	Group 2013 N$'000
Overdrafts	3,086,470	2,854,865
Term loans	4,093,955	3,537,973
Mortgages	9,919,583	8,499,995
– Residential mortgages	5,550,585	4,876,821
– Commercial mortgages	4,368,998	3,623,174
Instalment finance	2,863,806	2,597,434
Preference shares	429,268	296,661
Gross loans and advances	20,393,082	17,786,928
Less impairment		
Specific impairment	(86,887)	(79,864)
Portfolio impairment	(60,800)	(55,102)
	20,245,395	17,651,962
Notional value of loans and advances	20,424,282	17,816,666
Interest in suspense (contractual interest suspended on non-performing loans)	(31,200)	(29,738)
Gross loans and advances	20,393,082	17,786,928

18. Loans and advances to customers (continued)

	Overdrafts N$'000	Term loans N$'000	Mortgages N$'000	Instalment finance N$'000	Total N$'000
Movement in impairment on loans and advances to customers is as follows for the group:					
Year-end – 30 June 2014					
Balance at the beginning of the year	33,491	41,588	25,286	34,601	134,966
- Specific impairment	21,760	22,689	8,992	26,423	79,864
- Portfolio impairment	11,731	18,899	16,294	8,178	55,102
Provision for loan impairment – specific	433	15,223	2,231	10,366	28,253
Provision for loan impairment – portfolio	1,556	3,531	724	(113)	5,698
Amounts written off during the year as uncollectible	(2,512)	(7,940)	(1,149)	(9,629)	(21,230)
Balance at the end of the year	32,968	52,402	27,092	35,225	147,687
- Specific impairment	19,681	29,972	10,074	27,160	86,887
- Portfolio impairment	13,287	22,430	17,018	8,065	60,800
Year-end – 30 June 2013					
Balance at the beginning of the year	41,208	32,779	20,958	24,743	119,688
- Specific impairment	24,966	17,617	10,365	17,831	70,779
- Portfolio impairment	16,242	15,162	10,593	6,912	48,909
Provision for loan impairment – specific	(1,598)	12,448	(103)	11,028	21,775
Provision for loan impairment – portfolio	(4,511)	3,737	5,701	1,266	6,193
Amounts written off during the year as uncollectible	(1,608)	(7,376)	(1,270)	(2,436)	(12,690)
Balance at the end of the year	33,491	41,588	25,286	34,601	134,966
- Specific impairment	21,760	22,689	8,992	26,423	79,864
- Portfolio impairment	11,731	18,899	16,294	8,178	55,102

	Group 2014		Group 2013	
	N$'000	%	N$'000	%
Specific and portfolio impairment by geographical area				
Namibia	147,687		134,966	
The following is a sensitivity analysis showing the increase / (decrease) in the portfolio impairment had the following changes arisen on the significant inputs:				
100 basis points increase in probability of default	3,646		3,414	
100 basis points decrease in probability of default	(3,646)		(3,414)	
1,000 basis points increase in loss given default	1,134		890	
1,000 basis points decrease in loss given default	(1,134)		(890)	
Maturity analysis of loans and advances to customers for the group were as follows:				
Repayable within 1 month	3,108,496	15.2	3,006,514	17.0
Repayable after 1 month but within 3 months	211,813	1.0	249,119	1.4
Repayable after 3 months but within 6 months	179,636	0.9	111,914	0.6
Repayable after 6 months but within 12 months	279,958	1.4	164,955	0.9
Repayable after 12 months	16,613,179	81.5	14,254,426	80.1
	20,393,082	100.0	17,786,928	100.0

18. Loans and advances to customers (continued)

	Group		Company	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
The loans and advances to customers include instalment finance receivables which are analysed as follows:				
Repayable within 1 year	106,296	101,299		
Repayable after 1 year but within 5 years	3,641,988	3,329,912		
Repayable after 5 years	122,811	121,201		
Gross investment in instalment finances	3,871,095	3,552,412		
Unearned future finance income on instalment finances	(1,045,129)	(998,651)		
Net investment in instalment finances	2,825,966	2,553,761		

The group has not sold or pledged any advances to third parties.

Under the terms of lease agreements, no contingent rentals are payable. These agreements relate to motor vehicles and equipment.

19. Other assets

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
Insurance fund asset	50,296	47,943	-	-
Accounts receivable	46,065	22,454	4,695	8,177
Dividends receivable	-	-	94,000	-
Clearing, settlement and internal accounts	105,376	85,616	-	-
Prepayments	18,142	10,822	-	-
Other taxes	8,911	2,185	561	-
Construction contracts work in progress	21,530	20,684	-	-
	250,320	189,704	99,256	8,177
Current	178,494	121,077	99,256	8,177
Non-current	71,826	68,627	-	-
	250,320	189,704	99,256	8,177

Work in progress relates to the Namib Bou (Pty) Ltd township development Portion 19 of Erf 882 situated in the town of Ondangwa. At the reporting date, the stage of completion of the development was 83.6% (2013: 8.3%) of the houses and 128 (2013: 31) of the 140 erven.

Refer to note 3.2.5 for credit quality disclosure of financial instruments included in other assets.

20. Investment in subsidiaries

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

	Number of shares held '000	Issued ordinary share capital and premium N$'000	Effective holding 2014 %	Effective holding 2013 %
Subsidiaries of Bank Windhoek Holdings Ltd				
Bank Windhoek Ltd	4,920	485,000	100	100
Welwitschia Insurance Brokers (Pty) Ltd	0.31	1,300	100	100
Namib Bou (Pty) Ltd	600	23,000	100	100
Capricorn Asset Management (Pty) Ltd	55	1,001	100	-
Capricorn Unit Trust Management Company Ltd	2,000	2,000	100	-
Subsidiaries of Bank Windhoek Ltd				
Bank Windhoek Nominees (Pty) Ltd	0.1	0.1	100	100
Intellect Investments Namibia (Pty) Ltd (sold during the year)	-	-	-	100
BW Finance (Pty) Ltd	0.1	0.1	100	100
Bank Windhoek Properties (Pty) Ltd	1	1	100	100

Financial details of subsidiaries

	Aggregate income of subsidiaries (before tax) 2014 N$'000	Aggregate income of subsidiaries (before tax) 2013 N$'000	Total investment 2014 N$'000	Total investment 2013 N$'000
Bank Windhoek Holdings subsidiaries				
Bank Windhoek Ltd (consolidated)	776,671	652,002	520,440	520,439
Welwitschia Insurance Brokers (Pty) Ltd	8,417	7,145	8,847	8,847
Namib Bou (Pty) Ltd	(1,193)	(1,107)	23,000	23,000
Capricorn Asset Management (Pty) Ltd (6 months profit)	12,024	-	127,954	-
Capricorn Unit Trust Management Company Ltd	15,606	-	64,750	-
	811,525	658,040	744,991	552,286
Non-current			744,991	552,286
Bank Windhoek Ltd subsidiaries				
Intellect Investments Namibia (Pty) Ltd (sold during the year)	-	2,786	-	3,000
BW Finance (Pty) Ltd	10,825	6,455	0.1	0.1
Bank Windhoek Properties (Pty) Ltd	928	4,973	19,799	19,799
	11,753	14,214	19,799	22,799

20. Investment in subsidiaries (continued)

All subsidiaries are registered in Namibia (the country of incorporation or registration is also their principal place of business), and have 30 June financial year-ends.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company further does not have any shareholdings in the preference shares of subsidiary undertakings included in the group.

Refer to note 40 for related party transactions and balances with subsidiaries.

21. Investment in associates

Set out below are the associates of the group as at 30 June 2014. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the group.

	Number of shares held '000	Issued ordinary share capital and premium N$'000	Effective holding 2014 and 2013 %	Shares at cost 2014 N$'000	Shares at cost 2013 N$'000
Santam Namibia Ltd	1,230	8,307	28	62,905	62,905
Sanlam Namibia Holdings (Pty) Ltd	30	160,665	29.5	47,290	47,290
				110,195	110,195

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
Santam Namibia Ltd				
The company holds a 28% interest in Santam Namibia Ltd, a short-term insurance company.				
Carrying value of investment in associate				
Investment at cost	62,905	62,905	62,905	62,905
Share of current year's retained income	29,285	19,723		
– Profit before tax	42,721	28,986		
– Current and deferred tax	(13,436)	(9,263)		
Dividends paid	(14,535)	(18,170)		
Post-acquisition retained income at the beginning of the year	25,430	23,877		
	103,085	88,335	62,905	62,905
Directors' valuation	193,154	163,880	193,154	163,880
Technique used for directors' valuation: Santam Namibia Ltd is not listed on a stock exchange and therefore has no quoted market price available for its shares. The directors' valuation was determined by using its price to book value.				
Summarised financial information (unaudited)				
Revenue (net earned premium)	665,645	570,964		
Profit after tax	104,759	70,553		
Total comprehensive income	104,759	70,553		
Non-current assets	279,690	246,840		
Technical assets	154,306	97,078		
Current assets	285,799	188,542		
Non-current liabilities	(24,592)	(14,068)		
Technical liabilities	(300,005)	(216,441)		
Current liabilities	(110,007)	(69,518)		
Net asset value	285,191	232,433		

21. Investment in associates (continued)

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
Interest in associates (28%)	79,725	64,975		
Goodwill on acquisition	23,360	23,360		
Carrying value of investment in associate	103,085	88,335		
Sanlam Namibia Holdings (Pty) Ltd				
Bank Windhoek Holdings Ltd holds an effective 29.5% in Sanlam Namibia Holdings (Pty) Ltd, a Namibian company providing a variety of financial services.				
Carrying value of investment in associate				
Investment at cost	47,290	47,290	47,290	47,290
Share of current year's retained income	54,979	40,724		
– Profit before tax	57,213	45,543		
– Current and deferred tax	(2,234)	(4,819)		
Dividends paid	(52,364)	(24,611)		
Post-acquisition retained income at the beginning of the year	56,374	40,261		
	106,279	103,664	47,290	47,290
Directors' valuation	294,955	247,804	294,955	247,804
Technique used for directors' valuation: Sanlam Namibia Holdings (Pty) Ltd is a private company and there is no quoted market price available for its shares. The directors' valuation was determined by using the price to embedded value basis of valuation.				
Summarised financial information (unaudited)				
Revenue (net insurance income)	613,829	589,463		
Profit after tax	186,625	138,239		
Total comprehensive income	186,625	138,239		
Non-current assets	2,800,860	2,426,288		
Current assets	154,478	122,059		
Non-current liabilities	(2,460,359)	(2,141,558)		
Current liabilities	(197,375)	(118,058)		
Net asset value	297,604	288,731		
Interest in associates (29.5%)	87,673	85,058		
Goodwill on acquisition	18,606	18,606		
Carrying value of investment in associate	106,279	103,664		
Total investment in associates (non-current)	209,364	191,999	110,195	110,195

21. Investment in associates (continued)

VTB Capital (Namibia) (Pty) Ltd was sold to Capricorn Investment Holdings Ltd during the previous year. Refer to note 42 for further details.

All associates have 31 December financial year-ends (except for VTB Capital (Namibia) (Pty) Ltd), which has a 30 June year-end) and are incorporated in Namibia. The country of incorporation or registration is also their principal place of business. The results of associates are equity accounted. Management accounts as at 30 June 2014 have been used for equity accounting the share of results of associates for their half year ended 30 June 2014.

Refer to note 40 for related party transactions and balances with associates.

22. Interest in joint ventures

The joint venture and joint operation were incorporated in Namibia. The country of incorporation or registration is also their principal place of business. The results of the joint venture and joint operation are equity accounted. Management accounts as at 30 June 2014 have been used for equity accounting the share of results for the year-ended 30 June 2014. 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.

22.1 Joint ventures

The joint venture listed below has share capital consisting solely of ordinary shares, which are held directly by the group.

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

	Number of shares held '000	Issued ordinary share capital and premium N$'000	Effective holding 2014 and 2013 %	Shares at cost 2014 N$'000	Shares at cost 2013 N$'000
Namclear (Pty) Ltd	4	4,616	25	1,154	1,154

	Group 2014 N$'000	Group 2013 N$'000
Opening balance	2,679	3,081
The group's share of the profit / (loss) in the joint venture	55	(402)
Closing balance	2,734	2,679

22. Interest in joint ventures (continued)

22.2 Joint operation

The group has a 50% share in a joint operation with American Express Foreign Exchange. The joint operation 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 2014 N$'000	Group 2013 N$'000
Opening balance	1,607	2,014
The group's share of the profit in the joint operation	1,096	1,593
Profit distribution	-	(2,000)
Closing balance	2,703	1,607
Share of joint ventures' results after tax	1,151	1,191
Total investments	5,437	4,286
Non-current	5,437	4,286
Directors' valuation	5,437	4,286

Technique used for directors' valuation:

Namclear (Pty) Ltd is a private company and there is no quoted market price available for its shares. The directors' valuation was determined by using its net asset values.

Refer to note 40 for related party transactions and balances with joint ventures.

23. Intangible assets

	Goodwill N$'000	Trademarks N$'000	Software and related development costs N$'000	Intangible assets in development N$'000	Total N$'000
Group					
Year-end – 30 June 2014					
Cost					
Cost at 1 July 2013	3,169	7,203	61,075	28,361	99,808
Transfers	-	-	785	(785)	-
Acquisition of subsidiary	45,518	-	342	1,313	47,173
Additions	-	-	46	20,189	20,235
Cost at 30 June 2014	48,687	7,203	62,248	49,078	167,216
Amortisation and impairment					
Amortisation and impairment at 1 July 2013	-	(7,203)	(56,775)	(6,843)	(70,821)
Acquisition of subsidiary	-	-	(258)	-	(258)
Charge for the year	-	-	(1,898)	-	(1,898)
Amortisation and impairment at 30 June 2014	-	(7,203)	(58,931)	(6,843)	(72,977)
Net book value at 30 June 2014	48,687	-	3,317	42,235	94,239
Year-end – 30 June 2013					
Cost					
Cost at 1 July 2012	3,169	7,203	61,075	6,843	78,290
Acquisition of additional interest in subsidiaries	-	-	-	21,518	21,518
Cost at 30 June 2013	3,169	7,203	61,075	28,361	99,808
Amortisation and impairment					
Amortisation at 1 July 2012	-	(6,244)	(54,552)	(6,843)	(67,639)
Charge for the year	-	(959)	(2,223)	-	(3,182)
Amortisation and impairment at 30 June 2013	-	(7,203)	(56,775)	(6,843)	(70,821)
Net book value at 30 June 2013	3,169	-	4,300	21,518	28,987

All intangible assets are held by the group, none by the company and all are classified as non-current assets. No assets were encumbered at 30 June 2014 nor 30 June 2013.

Intangible assets consist of goodwill, computer software, including its related acquisition and development costs and intangible assets in development. The software and development costs are mainly owned by Bank Windhoek Ltd.

At 30 June 2014 an impairment test was performed on the recoverable amount of goodwill raised in the group. The goodwill comprises of the excess consideration paid for the non-controlling interest acquired in its subsidiaries, Welwitschia Insurance Brokers (Pty) Ltd (WIB) of N$3.2 million and Capricorn Unit Trust Management Company Ltd (CUTM) of N$45.5 million (note 46). The impairment test was based on the value in use of the subsidiaries, taking the discounted cash flows into consideration. This indicated that the value of the companies are higher than the cost of shares acquired. Goodwill was therefore not impaired.

24. 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 2014					
Cost					
Cost at 1 July 2013	49,580	181,804	15,313	143,913	390,610
Additions	1,459	11,879	3,375	15,434	32,147
Acquisition of subsidiary	-	454	-	1,428	1,882
Disposals	(830)	(1,849)	(865)	(520)	(4,064)
Cost at 30 June 2014	50,209	192,288	17,823	160,255	420,575
Depreciation and impairment					
Accumulated depreciation at 1 July 2013	(13,057)	(139,265)	(10,468)	(98,334)	(261,124)
Charge for the year	(1,649)	(15,106)	(1,844)	(12,121)	(30,720)
Acquisition of subsidiary	-	(389)	-	(1,238)	(1,627)
Depreciation on disposals	236	1,825	614	516	3,191
Accumulated depreciation at 30 June 2014	(14,470)	(152,935)	(11,698)	(111,177)	(290,280)
Net book value at 30 June 2014	35,739	39,353	6,125	49,078	130,295
Year-end – 30 June 2013					
Cost					
Cost at 1 July 2012	50,244	167,387	14,119	133,421	365,171
Additions	18	18,081	2,881	9,908	30,888
Transfers	(682)	(8)	-	690	-
Disposals	-	(3,656)	(1,687)	(106)	(5,449)
Cost at 30 June 2013	49,580	181,804	15,313	143,913	390,610
Depreciation and impairment					
Accumulated depreciation at 1 July 2012	(11,391)	(129,673)	(10,388)	(86,269)	(237,721)
Charge for the year	(1,666)	(13,182)	(1,764)	(12,143)	(28,755)
Transfers	-	5	-	(5)	-
Depreciation on disposals	-	3,585	1,684	83	5,352
Accumulated depreciation at 30 June 2013	(13,057)	(139,265)	(10,468)	(98,334)	(261,124)
Net book value at 30 June 2013	36,523	42,539	4,845	45,579	129,486

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.

No assets were encumbered at 30 June 2014 nor 30 June 2013. All property, plant and equipment are classified as non-current assets.

25. Due to other banks

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
Current accounts	107,664	32,788		
Borrowings from other banks – in the normal course of business	175,000	134,171		
	282,664	166,959		
Current	282,664	166,959		

26. Debt securities in issue

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
Balance as at 1 July	943,115	768,866	150,801	153,970
Redemptions	(210,160)	(150,000)	-	(150,000)
Additions	1,094,500	325,500	-	150,000
Effective interest rate adjustments	99,254	59,193	9,779	9,384
Transfers	(5,593)	-	-	-
Coupon payments	(79,829)	(60,444)	(9,703)	(12,553)
Balance as at 30 June	1,841,287	943,115	150,877	150,801
Current	221,287	115,301	877	801
Non-current	1,620,000	827,814	150,000	150,000
	1,841,287	943,115	150,877	150,801

Debt instruments	Interest rate	Maturity date	Footnote	Group 2014 N$'000	Group 2013 N$'000
Five-year callable bonds					
BW19 fixed rate note	10.16%	4 Feb 2019	26.1	-	104,092
BW20 (tranche 1) fixed rate note	9.38%	16 Aug 2020	26.1	103,508	103,508
BW20 (tranche 2) fixed rate note	9.38%	16 Aug 2020	26.1	51,977	52,175
BW20 (tranche 3) fixed rate note	9.38%	16 Aug 2020	26.1	51,841	51,935
				207,326	311,710
Senior debt – unsecured					
BWJh14 floating rate note	3m JIBAR +100bps	15 Aug 2014	26.2	101,393	101,302
BWJd14 floating rate note	3m JIBAR +102bps	14 Apr 2014	26.2	-	100,761
BWJb15 floating rate note	3m JIBAR +115bps	23 Feb 2015	26.2	100,723	100,653
BWFd16 fixed rate note	6.69%	15 Apr 2016	26.2	101,389	101,389
BWJj16 floating rate note	3m JIBAR + 110bps	14 Oct 2016	26.2	71,000	70,907
BWRL17 fixed rate note	8.00%	15 Oct 2017	26.2	-	5,592
BWJd17 floating rate note	3m JIBAR + 94bps	25 Apr 2017	26.2	101,214	-
BWFd19 fixed rate note	9.43%	25 Apr 2019	26.2	101,700	-
BWZj17 floating rate note	3m JIBAR + 155bps	17 Mar 2017	26.2	300,785	-
BWZj18 floating rate note	3m JIBAR + 180bps	19 Nov 2018	26.2	604,880	-
				1,483,084	480,604

26. Debt securities in issue (continued)

Debt instruments	Interest rate	Maturity date	Footnote	Group 2014 N$'000	Group 2013 N$'000
Preference shares (floating rate note)					
7,000 Preference shares – Bank Windhoek Corporate Fund	3m JIBAR + 1.3%	1 Dec 2015	26.3	70,422	70,380
5,500 Preference shares – Bank Windhoek Selekt Fund	3m JIBAR + 1.3%	1 Dec 2015	26.3	55,332	55,298
2,500 Preference shares – Santam Namibia Ltd	64.5% of prime	1 Dec 2015	26.3	25,123	25,123
				150,877	150,801
Total debt instruments in issue at the end of the year				1,841,287	943,115
Listed debt securities				1,690,410	792,314
Unlisted debt securities				150,877	150,801
				1,841,287	943,115

26.1 Five-year callable bonds

The five-year callable bonds, BW 19, BW 20 (tranche 1), BW 20 (tranche 2) and BW 20 (tranche 3), have been issued on 4 February 2009, 16 August 2010, 29 October 2010 and 17 June 2011 respectively. The interest is paid semi-annually in February and August of each year. These bonds qualify as Tier II capital for the group. BW 19 is registered with the Namibian Stock Exchange and was redeemed early on 4 February 2014. BW 20 was issued under Bank Windhoek's Domestic Medium Term Note Programme, a programme registered with the Namibian Stock Exchange.

26.2 Senior debt – unsecured

The senior debt instruments, BWJh14, BWJd14, BWJb15, BWFd16, BWJj16, BWJd17, BWFd19, BWZj17 and BWZj18 have been issued on 15 February 2011, 14 April 2011, 23 November 2011, 15 April 2013, 15 April 2013, 25 April 2014, 25 April 2014, 18 March 2014 and 19 November 2013 respectively. The interest is paid quarterly in February, May, August and November of each year for the BWJh14, BWJb15 and BWZj18 and in January, April, July and October each year for the BWJd14, BWJj16 and BWJd17. The interest is paid quarterly in March, June, September and December for the BWZj17. Coupon payments for the BWFd16 are paid semi-annually on 15 April and 15 October. Coupon payments for the BWFd19 are paid semi-annually on 25 April and 25 October. BWRL17 was transferred to replica notes during the current period.

All instruments issued during the year were under Bank Windhoek's Medium Term Note Programme, a programme registered with the Johannesburg and Namibian Stock Exchanges.

26.3 Preference shares

No new preference shares were issued by the company during the current year (2013: 15,000).

Debt securities in issue comprises subordinated debt, senior debt and preference shares with a combined nominal value of N$1,820.0 million (2013: N$925.5 million).

For reclassifications refer to note 48.

27. Deposits

	Group 2014 N$'000	Group 2013 N$'000
Current accounts	4,294,217	3,936,324
Savings accounts	1,184,861	977,654
Demand deposits	4,131,025	4,266,628
Fixed and notice deposits	3,341,149	3,624,465
Negotiable certificates of deposits (NCDs)	5,119,941	3,511,815
Other deposits	711,218	598,766
	18,782,411	16,915,652

	Group 2014		Group 2013	
	N$'000	%	N$'000	%
Maturity analysis within the customer current, savings, deposit account portfolio for the group were as follows:				
Withdrawable on demand	9,956,964	53.0	9,377,386	55.5
Maturing within 1 month	836,460	4.5	1,189,410	7.0
Maturing after 1 month but within 6 months	2,881,460	15.3	3,277,856	19.4
Maturing after 6 months but within 12 months	3,508,218	18.7	1,917,268	11.3
Maturing after 12 months	1,599,309	8.5	1,153,732	6.8
	18,782,411	100.0	16,915,652	100.0

For reclassifications refer to note 48.

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
28. Other liabilities				
Accounts payable and other accruals	100,419	50,504	7,824	2,295
Employee liabilities	99,356	77,603	8,185	-
– Leave pay accrual	32,161	29,311	1,155	-
– Provision for bonuses and performance remuneration	59,015	41,258	7,030	-
– Other	8,180	7,034	-	-
Deferred revenue	4,030	3,005	-	-
Other taxes	1,570	11,100	-	-
Clearing, settlement and internal accounts	93,268	86,867	-	-
	298,643	229,079	16,009	2,295
Current	298,643	229,079	16,009	2,295

The provision for bonuses and performance remuneration is payable in September after the financial year-end.

29. Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 33% (2013: 33%).

29. Deferred income tax (continued)

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
The movement on the deferred income tax account is as follows:				
Balance as at 1 July	40,806	135,244	-	-
Acquisition of subsidiaries	(92)	-	-	-
Prior year adjustment	-	(199)	-	-
Charge to profit or loss (note 11)	(37,534)	(94,239)	(2,816)	-
Balance as at 30 June	3,180	40,806	(2,816)	-
Deferred income tax assets and liabilities are attributable to the following items:				
Deferred income tax liability				
Accelerated tax depreciation and amortisation	22,217	22,247	-	-
Loans and receivables	14,601	15,350	-	-
Government stock and other securities	7,333	38,588	-	-
Derivative financial instruments	677	1,451	-	-
Other temporary differences	6,034	3,528	-	-
	50,862	81,164	-	-
Deferred income tax asset				
Accruals	32,869	26,189	2,816	-
Loan loss provisions	10,778	10,455	-	-
Assessed loss	2,594	2,588	-	-
Other temporary differences	1,441	1,126	-	-
	47,682	40,358	2,816	-
Net deferred income tax liability	3,180	40,806	(2,816)	-
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.				
The deferred tax assets not allowed to be offset are as follows:				
Bank Windhoek Holdings Ltd	2,816	-		
Capricorn Unit Trust Management Company Ltd	111	-		
Intellect Investments Namibia (Pty) Ltd	-	429		
Namib Bou (Pty) Ltd	2,535	2,140		
Welwitschia Insurance Brokers (Pty) Ltd	2,066	1,872		
Deferred tax asset	7,528	4,441		
Deferred tax liability	10,708	45,247		
Net deferred tax liability	3,180	40,806		
Deferred tax liability				
Current	14,046	30,564	-	-
Non-current	36,816	50,600	-	-
Deferred tax asset				
Current	45,187	38,145	2,816	-
Non-current	2,495	2,213	-	-

30. Post-employment benefits

	Group 2014 N$'000	Group 2013 N$'000
30.1 Severence pay liability		
A valuation was performed for 30 June 2014 by an independent actuary on the group's liability with respect to severance pay. The benefit is not funded.		
The amount recognised in the consolidated statement of financial position is determined as follows:		
Present value of unfunded obligation (non-current)	7,561	6,706
The movement in the severance pay obligation over the year is as follows:		
As at 1 July	6,706	5,539
Current service costs	242	690
Interest cost	613	477
As at 30 June	7,561	6,706
The amounts recognised in the consolidated statement of comprehensive income are as follows:		
Current service costs	242	690
Interest cost	613	477
	855	1,167
The principal actuarial assumptions used were as follows:	%	%
Discount rate	9.80	8.65
Inflation rate	5.40	5.40
Salary increases	8.40	7.00
The following sensitivity of the overall liability to changes in principal assumption is:		
Salary increase 1% lower per annum	7,132	5,240
Salary increase 1% higher per annum	8,037	5,868

30.2 Medical aid scheme

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

30.3 Pension schemes

All full-time permanent employees are members of the CIH Group 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 a statutory actuarial valuation every three years. The latest statutory actuarial valuation was carried out on 31 March 2013 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.

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
30. Post-employment benefits (continued)				
The group currently contributes 12% of basic salary to the fund whilst the members contribute 7.5%. Post-employment benefits are classified as non-current liabilities.				
31. Share capital and premium				
Authorised share capital				
600,000,000 ordinary shares of 2.5 cents each	15,000	15,000	15,000	15,000
1,000,000 redeemable preference shares at 1 cent each	10	10	10	10
Authorised ordinary share capital				
On 2 April 2013, the company split every authorised ordinary share of 10 cents each into four ordinary shares of 2.5 cents each. This was approved by a special resolution on 8 March 2013.				
Issued ordinary share capital				
Balance as at 1 July	12,447	11,312	12,447	11,312
Shares issued during the year	185	1,135	185	1,135
Balance as at 30 June	12,632	12,447	12,632	12,447
Share premium				
Balance as at 1 July	462,669	90,802	462,669	90,802
Shares issued during the year	64,565	371,867	64,565	371,867
Balance at 30 June	527,234	462,669	527,234	462,669
Less: Treasury shares held by share trusts	(7,431)	(8,371)	-	-
Total ordinary share capital and premium	532,435	466,745	539,866	475,116
Ordinary issued number of shares reconciliation ('000):				
Issued number of shares at the beginning of the year	497,880	452,475	497,880	452,475
Shares issued during the year	7,400	45,405	7,400	45,405
Issued number of shares at the end of the year	505,280	497,880	505,280	497,880
Less: Treasury shares held by share trusts	(4,163)	(4,745)	-	-
Total number of ordinary shares issued at year-end	501,117	493,135	505,280	497,880

Issued preference share capital

During the prior year, the company issued 15,000 cumulative, redeemable preference shares at 1 cent per share and a share premium of N$9,999.99 per share. No new preference share capital was issued during the current year. Refer to note 26. All issued shares are fully paid up.

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 on 4 November 2014, when the authority can be renewed. Refer to the directors' report.

The company's total number of issued ordinary shares at year-end was 505,280,000 (2013: 497,880,000). All issued shares are fully paid up.

Total expenses charged against the share premium account on shares issued with the Bank Windhoek Holdings primary listing during June 2013 amounted to N$5.9 million.

32. Net asset value per share

	Group	
	2014	2013
Net asset value per ordinary share (cents)		
Net assets (N$'000)	3,094,158	2,624,058
Number of ordinary shares in issue at year-end ('000)	501,117	493,135
Net asset value per share (cents)	617	532
Tangible net asset value per ordinary share (cents)		
Net assets (N$'000)	3,094,158	2,624,058
Less: Intangible assets (N$'000)	(94,239)	(28,987)
Tangible net assets (N$'000)	2,999,919	2,595,071
Number of ordinary shares in issue at year-end ('000)	501,117	493,135
Tangible net asset value per share (cents)	599	526

33. Share-based payments

The group operates three equity-settled share-based compensation plans: (1) a share purchase scheme, (2) a share appreciation rights plan and (3) a conditional share plan, under which the entities within the group receive services from employees as consideration for equity instruments (shares) of Bank Windhoek Holdings Ltd (refer to the remuneration report (unaudited) for details of each plan).

Share purchase scheme
Directors and selected employees from a specified grade level may participate in the group's share purchase scheme of the BWH Group Employee Share Ownership Trust, 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 volume weighted average price of a share as reported on the NSX over the preceding twelve months. 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.

33. Share-based payments (continued)

	Interest-free loan		Cash		Total
	Weighted average exercise price per purchase N$	Purchases '000	Weighted average exercise price per purchase N$	Purchases '000	Purchases '000
At 1 July 2013	2.98	11,982	2.84	2,373	14,355
Granted	8.86	1,562	8.86	-	1,562
Forfeited	N/A	(413)	N/A	(81)	(494)
Transferred	N/A	(1,659)	N/A	(104)	(1,763)
At 30 June 2014	4.32	11,472	3.08	2,188	13,660
At 1 July 2012	2.17	10,556	1.67	2,429	12,985
Granted	4.17	3,079	4.17	642	3,721
Forfeited	N/A	(221)	N/A	-	(221)
Transferred	N/A	(1,432)	N/A	(698)	(2,130)
At 30 June 2013	2.98	11,982	2.84	2,373	14,355

Interest-free loan

Out of the total 24,321,878 (2013: 22,759,712) purchased shares, 15,216,080 (2013: 13,271,480) shares have vested. During the current year 1,562,166 (2013: 3,079,352) shares were granted to employees under the scheme at N$8.86 (2013: N$4.17) a share. Shares vested up to 2014 resulted in 1,659,123 (2013: 1,431,877) shares being transferred to employees. No transaction costs resulted from these transactions (2013: NIL). Of the outstanding shares at year-end 3,667,241 (2013: 3,694,083) have vested.

Cash shares

Out of the total 10,308,516 (2013: 10,308,516) purchased shares, 8,509,348 (2013: 8,257,401) shares have vested. No shares were granted to employees during the current year (2013: 642,280). Shares vested up to 2014 resulted in 103,924 (2013: 698,076) shares being transferred to employees. No transaction costs resulted from these transactions (2013: NIL). Of the outstanding shares at year-end 502,933 (2013: 586,661) have vested.

			2014	
Grant date	Expiry date	Purchase price per share N$	Number of shares Interest-free loan	Cash
30 Jun 2005	2014	1.44	234,000	40,000
30 May 2006	2015	1.73	287,200	15,000
15 Aug 2006	2015	1.73	130,000	4,000
11 Aug 2006	2015	2.05	-	196,560
20 Jun 2007	2016	1.55	511,000	95,000
11 Jul 2007	2016	1.80	205,464	20,200
20 Sep 2008	2017	2.22	1,367,824	45,200
20 Sep 2009	2018	2.61	647,274	92,488
20 Sep 2010	2019	2.93	1,500,713	75,944
20 Sep 2011	2020	3.49	2,253,280	962,992
20 Sep 2012	2021	4.17	2,887,352	640,280
20 Sep 2013	2022	8.86	1,447,866	-
			11,471,973	2,187,664

33. Share-based payments (continued)

Grant date	Expiry date	Purchase price per share N$	2013 Number of shares Interest-free loan	Cash
30 Jun 2005	2014	1.44	266,000	55,000
30 May 2006	2015	1.73	401,508	15,000
15 Aug 2006	2015	1.73	130,000	4,000
11 Aug 2006	2015	2.05	-	296,988
20 Jun 2007	2016	1.55	1,046,080	101,800
11 Jul 2007	2016	1.80	482,272	75,200
20 Sep 2008	2017	2.22	1,643,352	47,852
20 Sep 2009	2018	2.61	817,964	95,516
20 Sep 2010	2019	2.93	1,680,544	76,620
20 Sep 2011	2020	3.49	2,471,280	962,992
20 Sep 2012	2021	4.17	3,043,352	642,280
			11,982,352	2,373,248

Interest-free loans

The share-based payment charge was determined by calculating a fair value adjustment on the interest free loans. Refer to note 8 for the total expense recognised in the statement of comprehensive income for shares purchased by directors and employees.

Cash shares

The IFRS 2 shared-based payment charge associated with shares purchased for cash is zero, as the grant date purchase price (volume weighted average price of a share as reported on the NSX over the preceding twelve months) approximates the grant date fair value of the shares.

The fair value of shares held as collateral over the interest-free loans is N$127.9 million at 30 June 2014 (2013: N$121.6 million).

As part of the Bank Windhoek Holdings Ltd listing on the NSX in the prior year, 948,500 shares were issued to group employees. An IFRS 2 charge of N$8,299,375 was recognised in the statement of comprehensive income during the prior year.

Share appreciation rights (SAR)

Share appreciation rights (SAR) are granted to directors and to selected employees for no consideration (exercise price of zero). The number of Bank Windhoek Holdings shares to which each employee is entitled upon the exercise of the SAR will be calculated with reference to the increase in the value of the employer company's share price over the period from grant date to the exercise date. SAR are conditional on the employee completing three years' service after grant date (the vesting period) and subject to the relevant employer company achieving its pre-determined performance conditions over the performance period. SAR are exercisable from the vesting date and have a contractual term of five years. The group has no legal or constructive obligation to repurchase or settle the SAR in cash.

Details of the number of SAR outstanding are as follows:

	Opening balance '000	Granted[1] '000	Closing balance '000	Grant-vest September	Expiry date September
As at 30 June 2014					
Employer company:					
Bank Windhoek Holdings	-	95	95	2013-2016	2018
Bank Windhoek	-	290	290	2013-2016	2018
Welwitschia Insurance Brokers	-	24	24	2013-2016	2018
Capricorn Asset Management	-	64	64	2013-2016	2018
	-	473	473		

No SAR were exercisable or exercised in 2014.

33. Share-based payments (continued)

The fair value of SAR granted during the year was determined by using the Bermudan Call Option valuation model. The significant inputs into the model are summarised in the table below. Refer to note 8 for the total expense recognised in profit or loss for SAR granted to directors and employees.

	Bank Windhoek Holdings	Bank Windhoek	Welwitschia Insurance Brokers	Capricorn Asset Management
Fair value of SAR at grant date (N$)	2.85	2.85	16,882.07	253.54
Spot and strike price (N$)	10.50	10.50	74,118.59	1,911.49
Risk-free rate	7%	7%	7%	7%
Dividend yield	3.8%	3.8%	6%	12%
Volatility	35%	35%	35%	35%
Exercise multiple	2	2	2	2
Membership attrition	5%	5%	5%	5%

¹ Bank Windhoek Holdings equivalent SAR.

Conditional Share Plan (CSP)

Bank Windhoek Holdings shares are granted to directors and to selected employees for no consideration. The allocation of shares are conditional on the employee completing three years' service after grant date (the vesting period). The group has no legal or constructive obligation to repurchase or settle the shares in cash.

Details of the number of shares outstanding are as follows:

	'000[2]	Grant-vest September
As at 30 June 2014		
Opening balance	-	
Granted[2]	511	2013-2016
Closing balance	511	

No shares have vested at 30 June 2014.

The fair value of shares granted during the year was determined with reference to the listed share price at grant date of N$10.5 and taking into account a membership attrition of 5%. Refer to note 8 for the total expense recognised in profit or loss for shares granted to directors and employees.

² Bank Windhoek Holdings equivalent CSPs.

	Group 2014 N$'000	Group 2013 N$'000
34. Non-distributable reserves		
34.1 Credit risk reserve		
Balance at 1 July	121,260	106,458
Transfer from retained earnings	20,477	14,802
Balance as at 30 June	141,737	121,260

The regulatory credit risk reserve was introduced in order to meet the regulatory requirements for the loan loss portfolio impairment of Bank Windhoek Ltd.

		Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
34.	**Non-distributable reserves (continued)**				
	34.2 Insurance fund reserve				
	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	170,354	149,877		
35.	**Distributable reserves**				
	35.1 Fair value reserve				
	Balance as at 1 July	53,587	31,228		
	Revaluation of available-for-sale equity instruments	14,244	22,359		
	Balance as at 30 June	67,831	53,587		
	35.2 General banking reserve				
	Balance as at 1 July	1,588,834	1,331,214		
	Transfer from retained earnings	317,823	257,620		
	Balance as at 30 June	1,906,657	1,588,834		
	The general banking reserve is maintained to fund future expansion.				
	35.3 Retained earnings				
	Balance as at 1 July	356,095	280,152	266,189	221,105
	Profit for the year	624,915	493,271	264,558	194,621
	Transfer to reserves	(338,300)	(272,422)	-	-
	Dividends paid	(116,415)	(149,537)	(116,215)	(149,537)
	Acquisition of subsidiary	(121,491)	4,631	-	-
	Balance as at 30 June	404,804	356,095	414,532	266,189
	35.4 Share-based compensation reserve				
	Balance as at 1 July	8,920	7,276	-	-
	Share-based payment charges recognised in equity	3,157	1,644	2,062	-
	Balance as at 30 June	12,077	8,920	2,062	-
	The share-based compensation reserve was created to fund future staff costs relating to employee share schemes (note 33).				
	Total distributable reserves	2,391,369	2,007,436	416,594	266,189

36. Dividends per share

Normal dividends amounting to N$116.2 million (2013: N$149.5 million) were declared and paid by the company during the year under review. The normal dividends declared represent interim and final dividends per share as follows:

36. Dividends per share (continued)

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
Interim dividend per share (cents)			23.00	18.25
Final dividend per share (cents)*			-	14.50
Total dividend per share (cents)			23.00	32.75
Dividends declared during the year	116,415	149,537	116,215	149,537
Dividends paid during the year	(116,415)	(149,537)	(116,215)	(149,537)
Dividends payable at year-end	-	-	-	-

*Refer to events subsequent to year-end in the directors' report for final dividends declared after year-end.

37. Statement of cash flows disclosure information

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
37.1 Receipts from customers				
Interest receipts	1,941,741	1,692,030	-	-
Commission and fee receipts	493,301	416,361	-	-
Other income received	169,754	95,332	16,153	696
	2,604,796	2,203,723	16,153	696
37.2 Payments to customers, suppliers and employees				
Interest payments	(757,859)	(721,563)	-	-
Cash payments to employees and suppliers	(878,011)	(727,850)	(34,872)	(2,636)
	(1,635,870)	(1,449,413)	(34,872)	(2,636)
37.3 Cash generated from operations				
Profit before income tax	878,289	709,719	262,858	194,843
Dividends received	(5,512)	(3,507)	(284,895)	(206,455)
Adjusted for non-cash items:				
– Effective interest on debt securities	99,254	59,194	9,779	9,384
– Effective interest on deposits	30,836	12,885	-	-
– Interest receivable	(5,355)	(16,066)	(8,523)	-
– Adjustment to fair value of financial instruments	338	(3,287)	-	-
– Amortisation of intangible assets	1,898	3,182	-	-
– Depreciation of property, plant and equipment	30,720	28,755	-	-
– Share-based payment expense	3,157	1,644	2,062	-
– Construction contract profit	(1,958)	(572)	-	-
– Profit on disposal of property, plant and equipment	(554)	(393)	-	-
– Profit on sale of subsidiary	(6,742)	-	-	-
– Loss on sale of associate	-	162	-	288
– Acquisition of control over share trusts	-	(3,740)	-	-
– Impairment charges on loans and advances	29,115	26,803	-	-
– Provision for post-employment benefits	855	1,167	-	-
– Share of associates' results after tax	(84,264)	(60,445)	-	-
– Share of joint ventures' results after tax	(1,151)	(1,191)	-	-
	968,926	754,310	(18,719)	(1,940)

37. Statement of cash flows disclosure information (continued)	Group		Company	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:				
Net book value (note 24)	873	97	-	-
Profit on disposal of property, plant and equipment (note 7.3)	554	393	-	-
Proceeds from disposal of property, plant and equipment	1,427	490	-	-
Non-cash transactions				
The principal non-cash transaction is the issue of shares as consideration for the acquisition of CUTM (note 46).				
37.4 Income taxes (paid) / received				
Amounts receivable as at 1 July	7,953	3,051	106	300
Current tax charged to profit or loss	(290,908)	(310,886)	(1,116)	(222)
Acquisition of subsidiary	(656)	-	-	-
Amounts receivable as at 30 June	(13,414)	(7,953)	(35)	(106)
	(297,025)	(315,788)	(1,045)	(28)
38. Contingent assets, liabilities and commitments				
38.1 Capital commitments				
Authorised but not contracted for:				
Property, plant and equipment	78,470	61,880		
Intangible assets	153,873	97,940		
Contracted for but not yet incurred:				
Completion of residential units – Ondangwa phase 1	9,307	26,751		
	241,650	186,571		
38.2 Letters of credit	196,614	31,515		
38.3 Liabilities under guarantees	1,233,091	948,243		
Guarantees mainly consist of endorsements and performance guarantees.				
38.4 Loan commitments	1,732,289	1,199,093		
38.5 Operating lease commitments				
Office premises				
– Not later than 1 year	30,927	41,313		
– Later than 1 year but not later than 5 years	51,173	61,058		
– Later than 5 years	-	14,198		
	82,100	116,569		

38. Contingent assets, liabilities and commitments (continued)

Notice periods on operating lease contracts vary between 1 to 3 months (2013: 1 to 3 months), operating lease contracts are not fixed and escalation clauses range between 7% and 12% (2013: 7% and 12%).

The group has various operating lease agreements, of which the majority contain renewal options. The lease terms do not contain restrictions on the group's activities concerning further leasing, distribution of dividends or obtaining additional funding.

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

38.6 Pending litigations

There are a number of pending legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material, either on an individual or group basis.

39. 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 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
Cash and balances with the central banks – excluding mandatory reserve (note 13)	505,523	671,609	5,548	169,625
Treasury bills and government stock with a maturity of less than 90 days	719,322	546,940	-	-
Money market investments (note 15)	193,596	255,376	160,505	54,012
Placement with other banks (note 17)	472,972	251,355	-	-
Borrowings from other banks (note 25)	(282,664)	(166,959)	-	-
	1,608,749	1,558,321	166,053	223,637

40. Related parties

In accordance with IAS 24, the group defines related parties as:

(i) the parent company;
(ii) subsidiaries;
(iii) associate companies;
(iv) entities that have significant influence over the group. If an investor has significant influence over the group that investor and its subsidiaries are related parties of the group. The group is Bank Windhoek Holdings Ltd and its subsidiaries;
(v) post-retirement benefit funds (pension fund);
(vi) key management personnel being the Bank Windhoek Holdings Ltd board of directors and the group's executive management team;

40. Related parties (continued)

(vii) close family members of key management personnel (individual's spouse / domestic partner and children; domestic partner's children and dependants of individual or domestic partner); and
(viii) entities controlled, jointly controlled or significantly influenced by any individual referred to in (vi) and (vii).

Bank Windhoek Holdings Ltd is listed on the Namibian Stock Exchange and is 56.8% (2013: 57.6%) owned by Capricorn Investment Holdings Ltd, its non-listed ultimate holding company, which is incorporated in Namibia.

Details of subsidiaries, associates and joint arrangements are disclosed in notes 20, 21 and 22.

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 for impairment has been recognised in respect of loans granted to key management personnel during the year under review (2013: NIL).

During the year, the group and company transacted with the following related parties:

Entity	Relationship	Type of transaction
Capricorn Investment Holdings Ltd	Parent company	Consulting services
		Support services
		Banking relationship
Capricorn Investment Holdings Botswana Ltd	Fellow subsidiary	Banking relationship
Bank Gaborone Ltd	Fellow subsidiary	Support services
		Banking relationship
Capricorn Asset Management (Pty) Ltd	Subsidiary	Support services
		Banking relationship
Capricorn Capital (Pty) Ltd	Fellow subsidiary	Support services
		Banking relationship
Capricorn Unit Trust Management Company Ltd	Subsidiary	Banking relationship
Cavmont Capital Holdings Zambia Plc	Fellow associate	Support services
		Banking relationship
Cavmont Bank Ltd	Fellow associate	Support services
		Banking relationship
Nam-mic Financial Services Holdings (Pty) Ltd	Fellow associate	Support services
		Banking relationship
Nam-mic Financial Solutions (Pty) Ltd	Fellow associate	Support services
		Banking relationship
Nam-mic Payment Solutions (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 Insurance Brokers (Pty) Ltd	Subsidiary	Commission
		Support services
		Banking relationship
Santam Namibia Ltd	Associate	Dividends
		Banking relationship
		Insurance relationship
Sanlam Namibia Holdings (Pty) Ltd	Associate	Dividends
		Banking relationship
		Insurance relationship
Bank Windhoek Properties (Pty) Ltd	Subsidiary	Rental
BW Finance (Pty) Ltd	Subsidiary	Support services
		Banking relationship
Namclear (Pty) Ltd	Joint venture	Technology services
BWH Group Employee Share Ownership Trust	SPE	Banking relationship
BWH Group Employee Share Benefit Trust	SPE	Banking relationship

40. Related parties (continued)

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
The volumes of related party transactions and outstanding balances at year-end are as follows:				
40.1 Trade and other receivables from related parties				
Parent company	2,409	427	1,281	-
Fellow subsidiaries	2,743	1,885	1,861	-
Subsidiaries	-	-	95,102	7,514
Other indirect related parties	24,697	22,425	1,269	-
40.2 Loans and advances to related parties				
Parent company	3,358	-	-	-
Subsidiaries	-	-	5,549	-
Other indirect related parties	2,250	116,576	-	-
Key management personnel	18,328	17,363	-	-
40.3 Trade and other payables to related parties				
Parent company	11,623	-	71	50
Subsidiaries	-	-	6,765	1,202
Other indirect related parties	697	-	-	-
40.4 Deposits from related parties				
Parent company	112,854	7,767	-	-
Fellow subsidiaries	4,398	83,351	-	-
Other indirect related parties	127,133	158,688	-	-
Key management personnel	10,143	7,312	-	-
40.5 Expenses paid to related parties				
Parent company	4,765	16,874	672	714
Fellow subsidiaries	-	188	-	9,384
Subsidiaries	-	-	1,103	-
Other indirect related parties	6,746	5,289	-	-
40.6 Interest and similar expenses paid to related parties				
Parent company	1,828	163	-	-
Fellow subsidiaries	36	1,930	-	-
Other indirect related parties	8,728	8,100	-	-
Key management personnel	175	77	-	-
40.7 Income received from related party transactions				
Parent company	6,176	1,577	5,351	-
Fellow subsidiaries	2,797	1,778	984	-
Subsidiaries	-	-	9,594	-
Other indirect related parties	31,584	25,251	342	-
40.8 Interest and similar income received from related parties				
Parent company	52	3	-	-
Fellow subsidiaries	1	2	-	-
Subsidiaries	-	-	8,024	666
Other indirect related parties	6,747	1,406	-	-
Key management personnel	1,370	1,351	-	-

40. Related parties (continued)

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
40.9 Compensation paid to key management				
40.9.1 Executive management team				
Salaries and bonuses	27,084	18,461	5,962	-
Contribution to defined contribution medical schemes	876	486	147	-
Contribution to defined contribution pension schemes	1,484	949	266	-
Share-based payment charges	888	109	603	-
Other emoluments	4,418	3,253	1,189	-
	34,750	23,258	8,167	-

Compensation paid to key management comprises remuneration and other employee benefits to the executive management team, which excludes executive directors' emoluments.

40.9.2 Non-executive directors' emoluments

	Directors' fees Paid by company N$'000	Directors' fees Paid by subsidiary N$'000	Total N$'000
30 June 2014			
Non-executive directors			
Brandt, J C (Chairman) *	484	913	1,397
Swanepoel, J J (Vice chairman) *	353	636	989
Black, K B	187	112	299
Nakazibwe-Sekandi, G *	240	175	415
du Toit, F J	474	229	703
Shaetonhodi, J M	187	-	187
Shikongo, M K	187	166	353
Schimming-Chase, E M	142	-	142
Knouwds, E	302	255	557
Total	2,556	2,486	5,042
30 June 2013			
Non-executive directors			
Brandt, J C (Chairman) *	110	782	892
Swanepoel, J J (Vice chairman) *	74	557	631
Black, K B	67	128	195
Nakazibwe-Sekandi, G *	74	194	268
du Toit, F J	-	382	382
Shaetonhodi, J M	66	-	66
Shikongo, M K	74	164	238
Prinsloo, M J	22	-	22
Schimming-Chase, E M	22	-	22
Knouwds, E	32	434	466
Total	541	2,641	3,182

Directors' fees consist of a quarterly retainer and a fee for attendance of meetings. No fees relating to other services (e.g. commission) have been paid during the 2013 and 2014 financial years.

*Remuneration was paid to Capricorn Investment Holdings Ltd and not to the directors.

40. Related parties (continued)

40.9.3 Executive directors' emoluments

	Salary N$'000	Bonuses and performance related fees N$'000	Pension and medical contributions N$'000	Other allowances and fringe benefits N$'000	Total N$'000
30 June 2014					
Executive director					
de Vries, C P	2,398	1,500	79	581	4,558
Prinsloo, M J	1,329	-	200	248	1,777
30 June 2013					
de Vries, C P	2,220	1,000	73	479	3,772

The executive directors did not receive fees for services as directors or any emoluments other than disclosed above.

40.9.4 Number of share appreciation rights and conditional shares awarded to directors

	Opening balance '000	Granted during the year '000	Closing balance '000
Share appreciation rights			
30 June 2014			
Executive director			
de Vries, C P			
– Bank Windhoek Holdings Ltd shares	-	36	36
Conditional shares awarded			
30 June 2014			
Executive director			
de Vries, C P			
– Bank Windhoek Holdings Ltd shares	-	10	10

	Share appreciation rights		Conditional shares awarded	
	Strike price N$	Expiry date	Strike price N$	Expiry date
30 June 2014				
Executive director				
de Vries, C P				
– Bank Windhoek Holdings Ltd shares	10.50	2018	N/A	2018

No shares were forfeited during the year under review.

40. Related parties (continued)

40.10 Directors' holdings in Bank Windhoek Holdings Ltd shares

	2014			2013	
	Number of ordinary shares acquired during the current year	Number of ordinary shares at year-end	% held	Number of ordinary shares at year-end	% held
Direct holding:					
Brandt, J C (Chairman)	797,280	3,000,700	0.59%	2,203,420	0.44%
Swanepoel, J J (Vice chairman)	-	700	0.00%	700	0.00%
Black, K B	-	38,636	0.01%	38,636	0.01%
Nakazibwe-Sekandi, G	-	2,040,784	0.40%	2,040,784	0.41%
Shaetonhodi, J M	-	70,300	0.01%	70,300	0.01%
Shikongo, M K	-	82,000	0.02%	82,000	0.02%
Prinsloo, M J	868,151*	1,118,151	0.22%	250,000	0.05%
Schimming-Chase, E M	-	1,200	0.00%	1,200	0.00%
Knouwds, E	-	13,000	0.00%	43,000	0.01%
du Toit, F J	-	13,500	0.00%	13,500	0.00%
de Vries, C P	-	700	0.00%	700	0.00%
Indirect holding:					
Brandt, J C (Chairman)			35.62%		35.02%
Swanepoel, J J (Vice chairman)			7.47%		7.34%
Prinsloo, M J			0.41%		0.22%
de Vries, C P			0.16%		0.16%

* Shares vested in the BWH Group Employee Share Ownership Trust on 30 June 2014.

41. Assets under custody

As at year-end, the group has N$20.1 million (2013: N$19.4 million) of assets under custody.

	Group		Company	
	2014 N$'000	2013 N$'000	2014 N$'000	2013 N$'000
42. Disposal of investment in associate				
Effective 31 December 2012, the company disposed of its 49.67% shareholding in its associate, VTB Capital (Namibia) (Pty) Ltd, to its holding company, Capricorn Investment Holdings Ltd at a consideration of N$1,500,000.				
Proceeds from the sale of investment in associate	-	1,500	-	1,500
Analysis of assets and equity:				
Associate accumulated losses	-	(126)	-	-
Cash and cash equivalents	-	1,788	-	1,788
Net assets disposed of	-	1,662	-	1,788
Non-controlling interest	-	1,662	-	1,788
Net loss from the sale of 49.67% investment in associate	-	(162)	-	(288)

43. Disposal of investment in subsidiary

	Group 2014 N$'000	Group 2013 N$'000	Company 2014 N$'000	Company 2013 N$'000
On 31 December 2012 the company disposed of its 100% interest in its subsidiary, Capricorn Management Services (Pty) Ltd at a consideration of N$100.				
Proceeds from the sale of 100% investment in subsidiary	-	0.1	-	0.1
Analysis of assets over which control was lost:				
Cash and cash equivalents	-	0.1	-	0.1
Net assets disposed of	-	0.1	-	0.1
Non-controlling interest	-	0.1	-	0.1
Net profit from the sale of 100% investment in subsidiary	-	-	-	-

44. Segment information

The group considers its banking operations as one operating segment. Other components include property development, asset management and insurance brokerage, however these components each contribute less than 5% to the group revenue, assets and profit for the year, therefore 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 operations, the managing director reviews the various aggregated revenue streams, the total costs and the assets and liabilities related to the banking activities, which have been disclosed in the various notes to the consolidated financial statements.

44.1 Entity-wide disclosures

44.1.1 Products and services

Operating segment
Banking operations
Brand
Bank Windhoek
Description
Corporate and executive banking, retail banking services and specialist finance.

Product and services
Bank Windhoek Ltd conducts business as a registered bank and provides comprehensive banking services. Clients include both individuals and corporate clients.

44.1.2 Geographical segments
There are no segment operations outside Namibia as the group operates within the borders of Namibia.

44.1.3 Major customers
Segment reporting requires the disclosure of an entity's reliance on its major customers, if revenue from transactions with a single customer is ten percent or more of the entity's revenue. The group does not have customers that contribute ten percent or more to its revenue and is therefore not reliant on a single major customer.

45. Common control transaction

Acquisition of Capricorn Asset Management (Pty) Ltd (CAM)
On 1 January 2014, the group acquired 100% of the share capital of Capricorn Asset Management (Pty) Ltd (CAM), an asset management company operating in Namibia, for a cash consideration of N$128 million. The shares were acquired from Capricorn Investment Holdings Ltd (CIH) (75.2%), Nam-mic Financial Services Holdings (Pty) Ltd (19.9%) and the BWH Group Employee Share Ownership Trust (4.9%).

45. Common control transaction (continued)

The transaction is classified as a common control transaction as the combining entities are ultimately controlled by the same party (CIH), both before and after the business combination, and the control is not transitory. Predecessor accounting has been applied, where the acquiree's net assets are recognised at carrying value in the acquiring company, Bank Windhoek Holdings Ltd. Profits from CAM have been included in the group from the date of acquisition of control.

	Group 2014 N$'000
Consideration at 1 January 2014:	
Cash consideration	127,954
Total consideration transferred	127,954
Carrying value of net assets at date of acquisition of control	6,463
Recognised directly in equity	(121,491)

46. Business combination

Acquisition of Capricorn Unit Trust Management Company Ltd (CUTM)

On 1 July 2013, the group acquired 100% of the share capital of Capricorn Unit Trust Management Company Ltd, a unit trust management company operating in Namibia, for N$64.75 million. The purchase price was settled by Bank Windhoek Holdings Ltd through the issue of 7,400,000 new ordinary shares to Sanlam Namibia Holdings (Pty) Ltd at the Bank Windhoek Holdings Ltd listing price of 875 cents per share.

As a result of the acquisition, the Bank Windhoek branded unit trust funds were placed under the ownership and control of Bank Windhoek Holdings Ltd and will bolster group profits. The goodwill of N$45.5 million arising from the acquisition is attributable to synergies from combining the operations of the group and CUTM. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for CUTM, the fair value of assets acquired and liabilities assumed at the acquisition date:

46. Business combination (continued)

	Group 2014 N$'000
Consideration at 1 July 2013:	
Equity instruments (7.4 million ordinary shares at 875 cents per share)	64,750
Total consideration transferred	64,750
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	10,564
Investments	14,696
Trade and other receivables	4,686
Inventory	14
Property, plant and equipment	13
Current tax asset	106
Trade and other payables	(10,847)
Total identifiable net assets	19,232
Goodwill	45,518
Total	64,750

Acquisition-related costs of N$464,023 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 30 June 2014.

Non-interest income included in the consolidated statement of comprehensive income since 1 July 2013 contributed by CUTM was N$56.8 million. CUTM also contributed profit after tax of N$10.7 million over the same period.

47. Disposal of investment in subsidiary

On 6 June 2014 Bank Windhoek Ltd disposed of its 100% interest in its subsidiary, Intellect Investments Namibia (Pty) Ltd for a consideration of N$9.4 million. Intellect owned certain Bank Windhoek trademarks, which were sold to the bank as part of a process to simplify the ownership structure of the Bank Windhoek trademarks. Following the sale of the trademarks by Intellect Investments the subsidiary was sold to a third party.

	Group 2014 N$'000
Proceeds from the sale of 100% investment in subsidiary:	
Cash consideration	9,352
Analysis of assets over which control was lost:	
Net assets disposed of	2,999
Accumulated losses	(389)
Net profit from the sale of 100% investment in subsidiary	6,742

The profit on sale of subsidiary is included in non-interest income as other operating income in the statement of comprehensive income (note 7).

48. Reclassifications

	Group 2013 N$'000
Deposits and promissory notes	
During the current year deposits from customers and other deposits were collated on the face of the statement of financial position and in the notes to ensure these instruments are viewed as one category. Promissory notes were reclassified from debt securities in issue to deposits to be in line with industry practice.	
As a result of the above reclassification, the statement of cash flows and related notes have been restated accordingly. The reclassification had no impact on profit for the year or total liabilities.	
Statement of financial position:	
Debt securities in issue	
Amount as previously reported	1,323,976
Reclassification	(380,861)
Amount as reclassified	943,115
Other deposits	
Amount as previously reported	3,511,815
Reclassification	(3,511,815)
Amount as reclassified	-
Deposits	
Amount as previously reported	13,022,976
Reclassifications	3,892,676
– Promissory notes	380,861
– Other deposits	3,511,815
Amount as reclassified	16,915,652

GLOSSARY OF TERMS

Basel II
The capital adequacy framework issued by the Bank for International Settlements aimed at aligning banks' capital requirements with relevant risk profile and risk practices.

Capital adequacy requirement (CAR)
The minimum amount of capital required to be held, as determined by the Bank of Namibia.

Cost to income ratio (%):
Operating expenses, divided by total operating income.

Earnings per share (cents)
The group profit for the year divided by the weighted average number of ordinary shares in issue during the year.

Fair value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

General banking reserve
The prescribed minimum provisions by Bank of Namibia on performing loans and advances. Allocations to this reserve are made from after-tax retained earnings.

Headline earnings
Profit for the year of the group from trading operations, excluding goodwill gain or losses, capital profits and losses and recycled profits or losses on available-for-sale financial instruments. Headline earnings do not measure sustainable earnings.

Headline earnings per share (cents)
Headline earnings divided by the weighted average number of ordinary shares in issue during the year.

Net interest margin on average assets (%)
Net interest income (after deducting the impairment charges on loans and advances) divided by average total assets.

Net asset value per share (cents)
Net assets divided by number of the group's ordinary shares in issue at year-end.

Price earnings ratio
Closing share price (cents) divided by earnings per share (cents).

Price to book ratio
Closing share price (cents) divided by net asset value per share (cents).

Return on average assets (ROA) (%)
Profit for the year of the group divided by average total assets.

Return on average shareholders' equity (ROE) (%)
Profit for the year of the group divided by average total shareholders' equity.

Tier I capital ratio
Net total Tier I capital (after deduction of goodwill and 50% of cost of investments in affiliates) divided by total risk weighted assets.

Tier II capital ratio
Net total Tier II capital (after deduction of 50% of cost of investments in affiliates) divided by total risk-weighted assets.

Total risk-based capital ratio
Total regulatory capital (Tier I, II and III capital) divided by total risk-weighted assets.

The central bank
The Bank of Namibia.

Notes

Notice of Annual General Meeting

Notice is hereby given that the eighteenth Annual General Meeting of the shareholders of Bank Windhoek Holdings Limited (the company) will be held in the Kokerboom Room of the NamPower Convention Centre, on the corner of Goethe and Dr Kenneth David Kaunda (previously Uhland) Streets, Windhoek, on Tuesday, 4 November 2014 at 16h00 for the following purposes:

Agenda:

1. To consider, and if approved, adopt the group and company annual financial statements for the year ended 30 June 2014.
2. To confirm the actions undertaken and discharged by the directors on behalf of the company during the year under review.
3. To approve the remuneration of the directors for the past financial year as disclosed in the annual financial statements.
4. To consider, and if accepted, approve the remuneration of the non-executive directors for the financial year ending 30 June 2015:

30 June 2015:	N$ annual retainer	N$ attendance per meeting
BWH board of directors	75,000	7,000
BWH board executive committee	17,000	4,000
BWH group board audit, risk and compliance committee	45,000	27,000
BWH group board nominations and remuneration committee	17,000	3,000
BWH group board human resources committee	17,000	8,000
BWH group board information technology committee	16,000	12,000

   A 75% premium on committee fees is paid to the chairpersons of each of the committees. The annual fee for the non-executive chairman of Bank Windhoek Holdings is N$720,000.

5. To confirm the ordinary dividends of 44 cents per share (2013: 32.75 cents per share) amounting to N$222.3 million.
6. To appoint Messrs PricewaterhouseCoopers as auditor for the new financial year.
7. To authorise the directors to determine the remuneration of the auditor.
8. To elect directors in place of Ms G Nakazibwe-Sekandi, Mr J M Shaetonhodi and Mr J J Swanepoel, who retire by rotation, but being eligible, avail themselves for re-election.
9. To grant, in terms of the provisions of section 229 of the Companies Act, the directors a general authority to allot and issue the authorised but unissued ordinary and preference shares of the company, upon such terms and conditions as they deem fit, subject to the provisions of the Banking Institutions Act and the listing requirements of the NSX.
10. To transact such other business as may be transacted at an annual general meeting.

Voting:

All holders of Bank Windhoek Holdings Limited shares will be entitled to attend and vote at the annual general meeting. On a show of hands, every holder of Bank Windhoek Holdings Limited shares who is present in person, or in the case of a company, the representative appointed in terms of section 196 of the Companies Act, shall have one vote. On a poll, the holders of ordinary shares present in person or by proxy will each be entitled to one vote for every ordinary share held.

Proxies:

A shareholder qualified to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and, on a poll, vote in his/her stead. A proxy need not also be a shareholder of the company.

In order to be effective, duly completed proxy forms must be delivered or posted to the company's transfer secretaries, Transfer Secretaries (Proprietary) Limited, 4 Robert Mugabe Avenue (entrance on Burg Street), Windhoek (P O Box 2401, Windhoek, Namibia) to reach this address not less than 48 hours prior to the meeting.

By order of the board
H von Ludwiger
Company Secretary
Windhoek, 26 September 2014

Proxy Form

I *(full names)* ______________________________

of *(address)* ______________________________

being a holder of *(quantity)* __________ shares in Bank Windhoek Holdings Limited (the company),

hereby appoint *(name)* ______________________________

of *(address)* ______________________________

or failing him / her *(name)* ______________________________

of *(address)* ______________________________

or failing him / her the chairman of the meeting, as my proxy to attend, speak and vote on a show of hands or on a poll for me and on my behalf at the annual general meeting of the company to be held on 4 November 2014 and at any adjournment thereof, in particular to vote as indicated below on the resolutions contained in the notice of the meeting:

Please indicate by inserting an 'X' in the appropriate block (either 'for', 'against' or 'abstain'). If no indication is given, the proxy may vote as he / she deems fit.

I / we desire as follows:

Item	Description	For	Against	Abstain
1	Adoption of the annual financial statements			
2	Confirm actions undertaken by the directors			
3	Approve the remuneration of the directors for the past financial year			
4	Approve the remuneration of the non-executive directors for the next financial year			
5	Confirmation of dividends			
6	Re-appoint PricewaterhouseCoopers as auditor			
7	Authorise directors to determine the auditor's remuneration			
8.1	Re-elect retiring director: Ms G Nakazibwe-Sekandi			
8.2	Re-elect retiring director: Mr J M Shaetonhodi			
8.3	Re-elect retiring director: Mr J J Swanepoel			
9	General authority to the directors to allot and issue shares			

Signed at ____________________________ this _________________ day of _____________________________2014

Signature ____

(A shareholder entitled to attend and vote at a meeting shall be entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy need not be a shareholder of the company.)

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting 'the chairman of the annual general meeting', but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an 'X' in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by the proxy.
3. Forms of proxy must be received at the company's transfer secretaries, Transfer Secretaries (Proprietary) Limited, 4 Robert Mugabe Avenue (entrance on Burg Street), (P.O. Box 2401) Windhoek, Namibia not less than 48 hours prior to the meeting.
   Alternatively, forms of proxy may be sent to the company's transfer secretaries by way of telefax (+264 61 248531), provided that such telefaxes are received by the transfer secretaries not less than 48 hours prior to the meeting.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the annual general meeting.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the company.
8. The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these notes, if the chairman is satisfied as to the manner in which the shareholder wishes to vote.
9. Where there are joint holders of ordinary shares:
   i. any one holder may sign the form of proxy;
   ii. the vote of the senior (for that purpose seniority will be determined by the order in which the names of the shareholders appear in Bank Windhoek Holdings Limited's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

Holding Company of Bank Windhoek Holdings
Capricorn Investment Holdings Limited
6th Floor
CIH House
Kasino Street
Windhoek
Namibia

P O Box 15
Windhoek
Namibia

Telephone: +264 (61) 299 1301
Facsimile: +264 (61) 299 1309

Bank Windhoek Holdings
www.bwholdings.com.na
info@bwholdings.com.na

Produced by
Marketing & Corporate Communication Services
Bank Windhoek
Telephone: +264 (61) 299 1267
info@bankwindhoek.com.na
www.bankwindhoek.com.na

Layout and design
Chapter 3
info@chapter3.co.za
www.chapter3.co.za

Bank Windhoek Holdings Limited

A member of Capricorn Investment Holdings