2015

Annual Report

for the year ended 30 June 2015

Bank Windhoek Holdings Limited

A member of Capricorn Investment Holdings

Index

Group profile

Bank Windhoek Holdings Limited (BWH), 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 a number of subsidiary companies and associates in the financial sector of Namibia.

The group structure of Bank Windhoek Holdings is diagrammatically depicted on page 4 and a brief overview of the Bank Windhoek Holdings subsidiaries and associates is presented below.

Bank Windhoek
Bank Windhoek, the flagship brand of the Bank Windhoek Holdings group, is 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 branches and through a joint venture with American Express, which has various outlets in Namibia. Bank Windhoek has 102 ATMs and, in addition, a total of 252 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 operates its micro lending business, in partnership with Nam-mic Financial Services Holdings, the group's strategic BEE partner.

Capricorn Asset Management (CAM) and Capricorn Unit Trust Management Company (CUTM)
During the prior year, 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 offers private client wealth management services and segregated portfolio management services to the institutional market.

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

It 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 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 unit-linked platform businesses.

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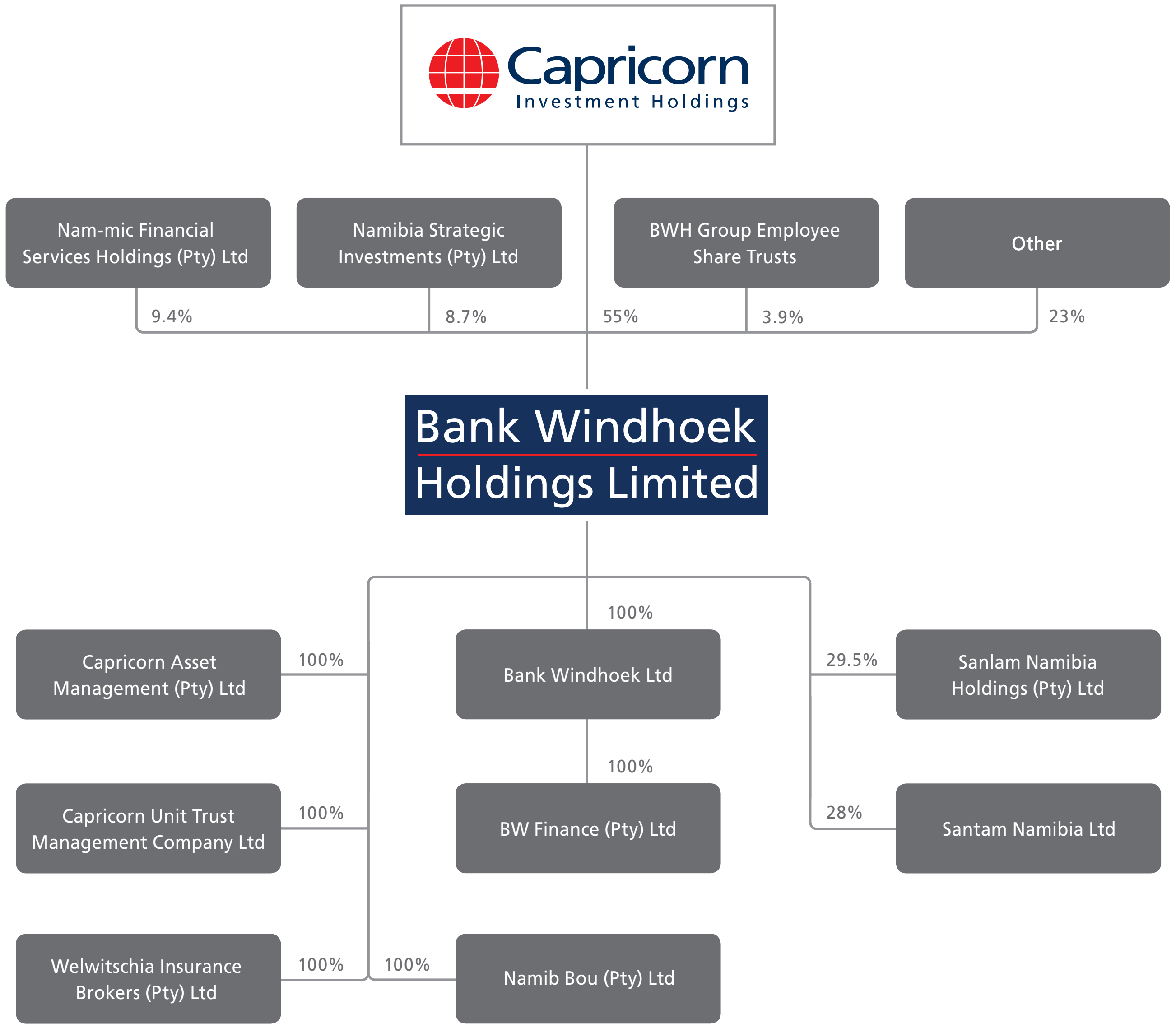
Group structure

as at 30 June 2015



Summary of key performance indicators

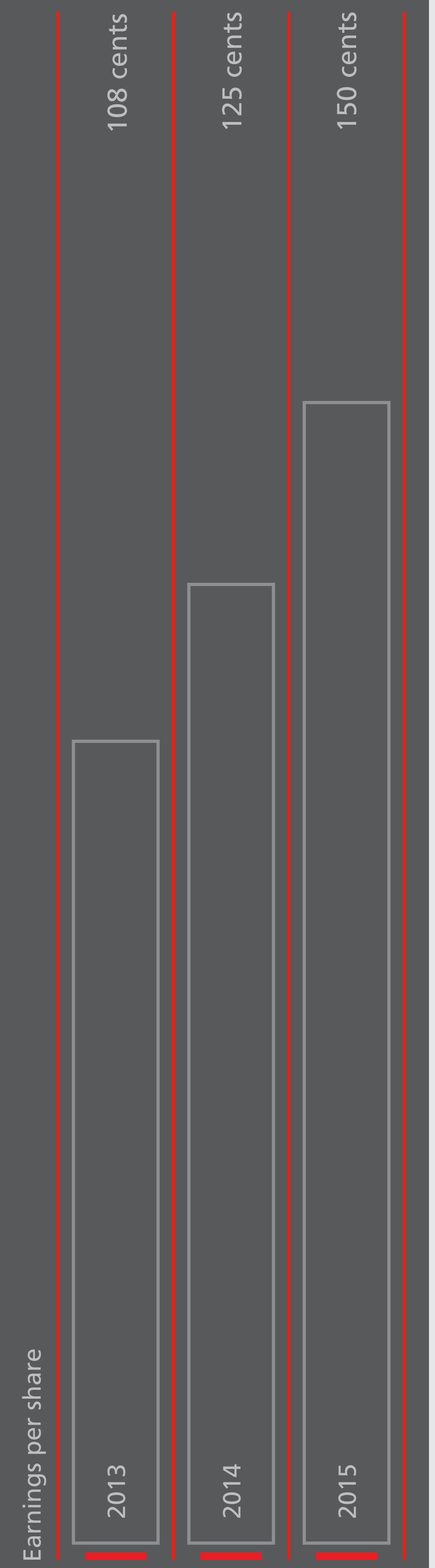
23.4%
N$978.3m
Operating profit

17.8%
N$3.6bn
Net asset value

21.5%
N$1,067.1m
Profit before tax

22.4%
Return on average equity

15.8%
Capital adequacy



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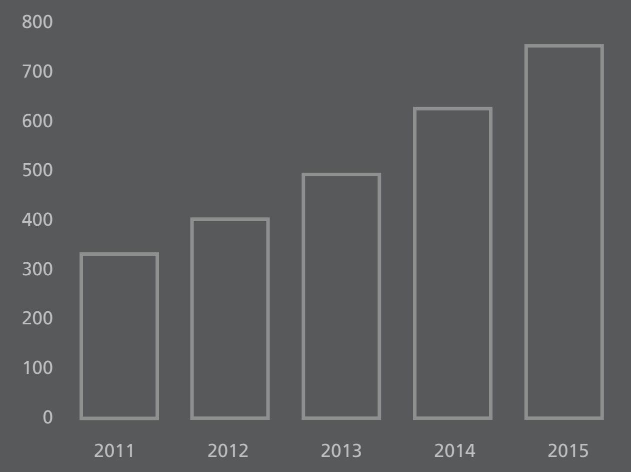
Summary of key performance indicators

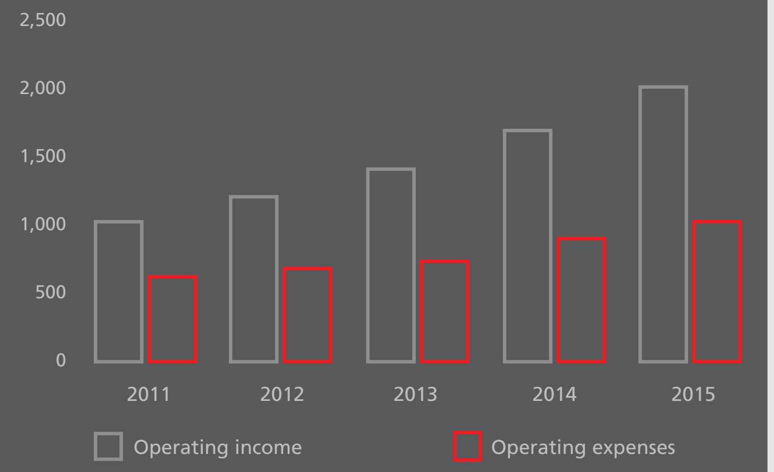
	2011	2012	2013	2014	2015	5 year CAGR[1]
STATEMENT OF COMPREHENSIVE INCOME (N$'000)						
Total income	1,074,230	1,246,390	1,437,645	1,736,630	2,078,852	17.2%
Operating profit	403,826	514,636	648,083	792,874	978,316	23.5%
Profit for the year after tax	328,510	402,611	493,271	624,915	753,002	21.8%
Total comprehensive income for the year	329,362	416,646	515,630	639,159	781,488	22.6%
Earnings per share (cents)	73	89	108	125	150	19.2%
Dividends per share (cents)	23	25	33	44	53	32.5%
STATEMENT OF FINANCIAL POSITION (N$'000)						
Total assets	15,984,823	18,921,050	20,938,608	24,318,268	28,608,842	14.6%
Total loans and advances to customers	13,004,405	15,484,932	17,651,962	20,245,395	23,621,871	15.8%
Total deposits	13,140,545	15,673,732	16,915,652	18,782,411	21,993,998	12.2%
Net asset value per share (cents)	349	417	532	617	728	19.5%
PERFORMANCE INDICATORS (%)						
Return on average equity	22.5%	23.3%	21.9%	21.9%	22.4%	
Return on average assets	2.2%	2.3%	2.5%	2.8%	2.8%	
Impairment charges as % of average gross loans and advances	0.22%	0.18%	0.16%	0.15%	0.26%	
Non-interest income as % of operating income	38.5%	37.9%	37.1%	39.8%	40.2%	
Cost to income ratio	61.4%	57.9%	54.1%	53.6%	51.6%	
Operating expenses as % of profit before tax	139.1%	124.0%	107.5%	104.1%	97.7%	
Closing share price (cents) at 30 June			1,015	1,115	1,556	
Price to book ratio at closing price per share			1.9	1.8	2.1	
Price earnings ratio at closing price per share			9.4	8.9	10.3	
CAPITAL ADEQUACY (%)						
Total risk-based capital ratio		13.4%	16.6%	15.8%	15.8%	

[1] Compound annual growth rate

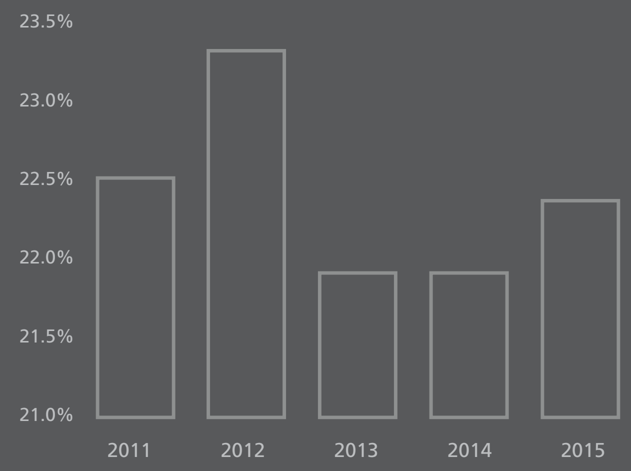
Profit for the year – N$ million



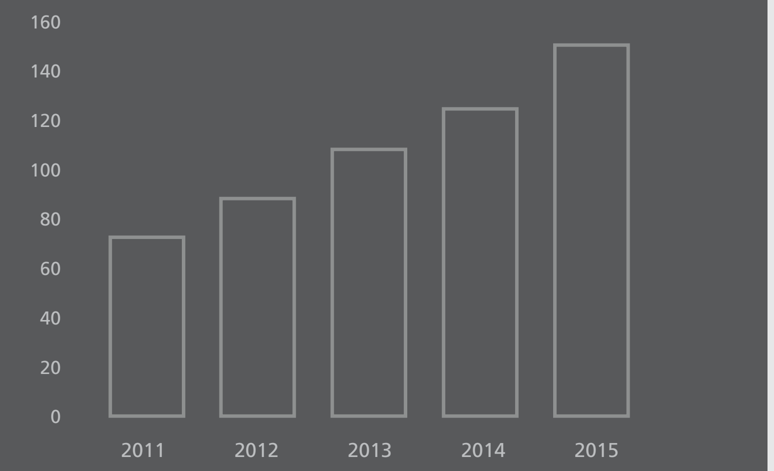
Operating performance – N$ million



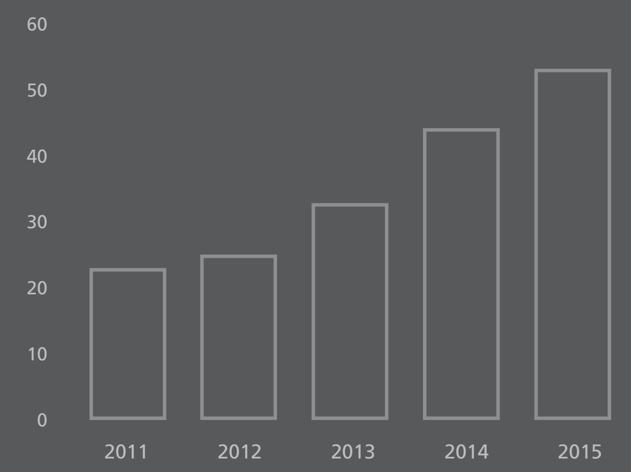
Return on average equity



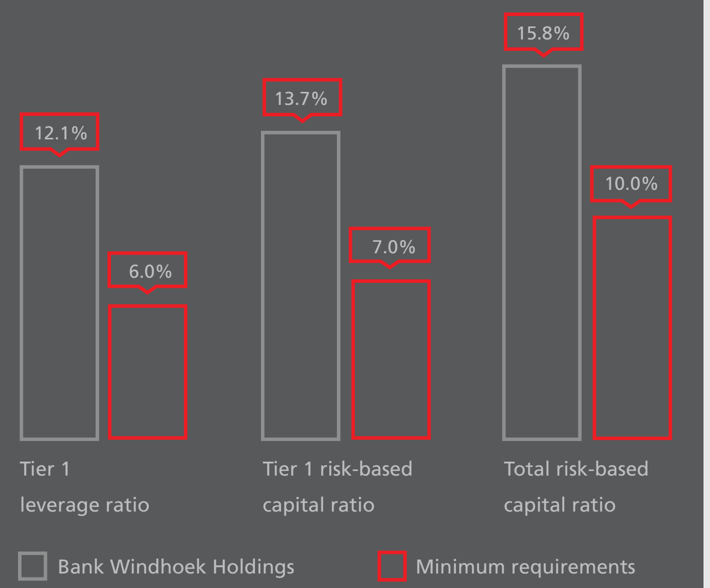
Earnings per share (cents)



Dividends per share (cents)



Capital adequacy



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Board of directors

Koos Brandt (72)
Non-executive chairman

Johan Swanepoel (55)
Non-executive vice-chairman

Gida Nakazibwe-Sekandi (62)
Non-executive

Brian Black (60)
Independent non-executive

Eric Knouwds (70)
Independent non-executive

Esi Schimming-Chase (45)
Independent non-executive

Frans du Toit (70)
Lead independent non-executive

Matheus Shikongo (65)
Independent non-executive

John Shaetonhodi (66)
Non-executive

Christo de Vries (63)
Managing Director

Thinus Prinsloo (44)
Executive

Hellmut von Ludwiger (47)
Company Secretary

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

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Chairman's statement

Koos Brandt

Chairman

Chairman's statement

I am grateful for what our group has managed to achieve over the past financial year and proud to present the Annual Report of Bank Windhoek Holdings Limited (BWH) for the year ending 30 June 2015. The consistent growth and positive performance of the group is a tribute to our loyal and expanding customer base and the continued commitment of our leadership and staff to BWH's quest to deliver on its strategic aspirations.

BWH has a proven track record of delivering sustainable and attractive returns for shareholders and we continue to honour our commitment to maintaining a sound balance sheet. This approach, over the years, has delivered significant value for investors. BWH listed on the Namibian Stock Exchange in June 2013. Its annualised shareholder return from 1 July 2013 to 30 June 2015 was 26.4%. The board believes that high quality asset growth and sustainable long-term earnings increases, combined with a disciplined approach to capital allocation and a progressive dividend policy, will continue to drive superior returns for shareholders. Without sustainable profitability we cannot ensure our future growth, as profit is the best form of self-replenishing capital.

The operating environment

The Namibian financial system is well-developed and sound, with a strong financial infrastructure. Clear objectives have been set by government in the financial sector strategy to address the structural weaknesses in the financial system, which include the deepening of financial markets. A well-functioning and stable financial services system has always played a key role in driving and supporting economic growth by providing capital, facilitating trade and financing infrastructure and innovation. Financial institutions acknowledge their role in supporting innovative solutions to the significant social, economic and environmental challenges the country faces.

The government of Namibia continues to create an enabling environment for businesses to grow and develop and to address prevailing economic and social issues. The Namibian government has made it very clear that its objective with the 2015 / 2016 budget is to move a step closer to its goals of inclusivity, reduction of poverty and income inequalities, thereby ensuring prosperity for all. We support the government's efforts in addressing socioeconomic issues that could hamper the continued economic growth and development of our country, improving healthcare and education, and support to SMEs.

I believe that the focus on tertiary and vocational education and the extension of free education to secondary schools is an important step towards improving the level of education and access to education and should reap socioeconomic benefits for Namibia,

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not only in the short-term but also in the medium to long-term. I am also encouraged by government's bold measures to improve internal efficiencies as well as service delivery to all Namibians. Better public service delivery will ensure the success of government's ambitious goals as set out in the budget and long term plans. The newly elected president of Namibia, Honourable Dr Hage Geingob, has set a new tone from the top, demanding efficiency, accountability and the promotion of transparency in government. This strong focus on sound corporate governance principles by the new leadership of our country is applauded.

Economic review

A key trend over the past 12 months in the global economy was a plunge in the oil price. This was due to slowing demand owing to weak global growth and improved energy efficiencies from alternative energy. On the supply side, the decision by OPEC to maintain supply at current levels and the shale gas revolution in North America contributed to the decline in oil prices. This has lifted growth expectations somewhat and put downward pressure on inflation. The lower inflationary environment has led to a global easing of monetary policy. The European Central Bank embarked on a massive quantitative easing (QE) programme; Japan extended its QE programme, and many central banks in developed economies are cutting interest rates to record lows, alleviating fears of rising interest rates in the short term to some extent.

Another key trend was a strong US dollar. This was due to the improved growth outlook in the US economy as well as a divergence in monetary policy expectations with interest rate hikes now expected in the USA. This is in stark contrast to its trading partners, which means that the interest rate differential is expected to move in favour of the dollar. The US Federal Reserve (Fed) ended its QE programme and is now managing expectations for rate hikes this year. The Fed confirmed that the pace of its interest rate hikes will most likely be mild and gradual, being mindful of not generating major market risk.

These developments have sparked mixed fortunes for emerging economies with the effects being country specific. Lower oil prices have been beneficial to net importers, as they translate to lower inflation and boost consumers' disposable income. The effects have been negative for oil exporters. Furthermore, the surge in the US dollar has, generally, not been positive for emerging markets as most suffered capital outflows. This aggravated problems in emerging market economies, such as Brazil and South Africa, with large current account shortages coupled with down cycles in their economies. The South African rand, for instance, has weakened by roughly 11% against the greenback over the past 12 months and Brazil was forced to hike interest rates.

The outlook for global economic growth is largely positive, albeit low and fragile. While growth in the US stalled in the first quarter of 2015, largely due to transitional factors and a strong dollar, the outlook remains reasonable, buoyed by improved consumer spending. The outlook in the Eurozone has improved on the back of a weak Euro supporting exports and low oil prices helping domestic demand. The ECB's QE programme is also expected to boost growth and improve business and consumer confidence. Latest data shows that the European economy seems to be responding favourably to the monetary stimulus.

The five-year long Greek sovereign debt crisis has flared up again, hitting market sentiment badly. In previous rounds of this crisis, there were real fears of a Eurozone breakup. This time around it is more focused on Greece and, specifically, its continued membership of the Eurozone. One trusts that European policymakers have the political will and the wherewithal to contain the fallout and possible contagion that may still emanate from a Greek default and exit. Global monetary policy will remain largely expansionary for as long as disinflation continues and doubt remains about the strength of the global economic recovery. This should mitigate the risks emanating from Greece.

Growth in major emerging markets is expected to continue, with the pace depending on market liquidity, the net impact of declining oil prices and exchange rate depreciations. Growth in the SADC region is expected to be more subdued following years of robust growth. While the Bank of Namibia has generally supported growth by maintaining low interest rates over the last few years, it has become increasingly concerned with rising household indebtedness and the pressures on foreign exchange reserves. This has led the Bank of Namibia to increase the repo rate. By increasing interest rates, the bank would effectively increase the cost of borrowing and the demand for credit (and consequently the demand for imports) would be slowed, thereby protecting reserves. Having increased the repo rate by 75 basis points over the last 12 months, monetary policy is effectively in a tightening cycle.

Adding downside risk to the growth outlook for the region is the slowing growth outlook in China. Real activity indicators in China that have surprised on the downside, include manufacturing, industrial production and fixed investments. The slowdown in the Chinese economy does not bode well for the commodity-rich regions' exports, which have enjoyed massive demand from China.

The Namibian economy has benefited from strong support from both monetary and fiscal policy in recent years. The government has committed itself to promoting a robust and fast-growing economy capable of creating employment. In its recent budget, the government prioritised an inclusive growth agenda for the economy with targeted budgetary allocations to sectors with high growth and job creation potential. Namibia's fiscal position appears healthy and government's commitment to reigning in spending growth over the next few years is encouraging. The budget bodes well for improved social conditions with the increase in capital spending, whilst aiming for more poverty alleviating redistribution.

The current stance of the Ministry of Finance to rein in spending growth should be supported. First, the monetary policy has turned somewhat contractionary as evidenced by rising interest rates. Fiscal policy should not work against it but rather also be anti-cyclical. This means deficits and debt pressures should be lowered in the "good times". Second, Namibia should avoid being in the same position as many global governments when the next crisis hits. We should be in a position to implement expansionary fiscal policy in a crisis period, i.e. ensure that some powder is dry in the next crisis.

The outlook for global economic growth is largely positive, albeit low and fragile. While growth in the US stalled in the first quarter of 2015, largely due to transitional factors and a strong dollar, the outlook remains reasonable, buoyed by improved consumer spending.

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The overall growth trajectory for Namibia remains positive. However, maintaining this momentum is expected to become more challenging in an environment of domestic policy tightening and subpar global growth. Further macroeconomic tightening should be very carefully considered. We observe a tightening liquidity trend in the Namibian money market, which could hamper the ability of banks to provide in the many and varied funding needs of the economy and thereby constricting growth. A high degree of wisdom and sound judgement will be required from policymakers in order to effectively navigate the economy along a path of sustainable economic growth.

What we as a group stand for

BWH is a remarkable Namibian story about a successful business built on integrity, entrepreneurship, relationships and, above all, the commitment and hard work of our people. Our organisational culture encourages exceptional performance, supported by a strong sense of responsibility and ethical behaviour.

Our group has always differentiated itself through a high level of customer service and its business philosophy of building strong, long-lasting relationships with its stakeholders. The consistent financial performance over the past 33 years is testament to this and provides us with a sound base from which to meet the challenges of the ever-changing landscape. We have a strong heritage and a solid track record and will continue to build on this firm foundation, which is supported by our commitment to good corporate governance and a strong sense of responsibility towards meaningfully contributing to Namibia's growth and development.

High standards of corporate governance are fundamental to the way in which BWH operates. The board therefore remains focused on ensuring its own effectiveness and that of governance processes throughout the group.

Governance for our group also entails setting values and principles that resonate with all our employees and stakeholders. A robust and effective system of internal controls and risk management processes is an essential part of our group's governance structure and a key part of being a responsible business.

With growth comes an acute sense of the group's social, economic and environmental responsibilities. We acknowledge that our role in society has never been more important and that we have the power to help communities achieve their social and economic potential. This is precisely what we aim to do through the group's social responsibility agenda. It is also for this reason that we have made great strides towards reporting on our sustainability agenda.

Sustainability was identified as a key strategic theme during the review of the group's competitive strategy in 2014. Since then, BWH has undertaken the development of a comprehensive sustainability and reporting framework that will integrate environmental, social and governance dimensions into its everyday operating practices. Sustainability is a core, long-term, value-creating competency for BWH and its entities.

Renewed focus on our strategic intent

The group's objective has always been to deliver sustainable long-term value to its stakeholders. The need for a focused, explicit strategy for stakeholders, the growth in competition for all our entities, as well as considering technological trends in financial services, led to the aspirations and the strategic themes identified for the period 2014 to 2017. A key focus area for the board and leadership of the group in 2014 has, therefore, been direction setting and formulation of the group's three-year strategy. I am pleased to report that the key initiatives underpinning the strategy continue to progress well.

Acknowledgements

Strategically, operationally and financially it has been a year of positive progress as set out in our Annual Report. There is, however, no room for complacency, and in such rapidly changing markets we continually need to focus our energies on delivering on our strategic intent, whilst being mindful of serving the needs of our customers and other stakeholders.

On behalf of the board, I would like to thank employees and management for their very considerable efforts in the past year. We recognise the value of our workforce and investing in our people is, without doubt, the most important investment that we can make in the future of our business.

A sincere "thank you" to our board of directors for their unfailing effort and wise counsel during the past year and for their valuable contribution to the group.

I would also like to extend my appreciation to the regulator and government institutions for the good working relationships that enable us to operate in an environment that is conducive to sustainable business growth. Lastly, I would like to thank our clients and shareholders for their loyalty and support, which contributed to the success of our group.

Conclusion

We expect the 2015 / 2016 financial year to be one with its share of challenges, but also opportunities. As we contemplated the future of the financial services industry during our strategy formulation sessions, the temptation was to merely focus on the immediate concerns around our balance sheet and creating adequate shareholder returns.

The financial crisis has, after all, conditioned us to be intolerant to any risk and compliance issues and channelling our efforts towards improving the economic and business fundamentals of our business, which BWH has done very successfully in the past. The economic crash in 2008 has taught us not to spend beyond our means and this applies to individuals, businesses and governments alike.

Issues such as increased competition in the local market, climate change (the imminent water crisis and drought), unemployment and the energy crisis will, however, force us to take a long-term view of our future as a financial services group in Namibia and to satisfy the needs and expectations of a wider group of stakeholders.

We have a proven track record of delivering change in our business and we are building on this strength to manage value for shareholders and deliver the most resilient future returns. Being a responsible business is an integral part of delivering on our strategy. It is not only reflected in our culture but also in our approach to governance and doing what is right. Our commitment to serve the local communities in which we operate is stronger than ever.

It remains a privilege to serve as chairman of this strong and dynamic Namibian group with a strong sense of responsibility towards contributing to the growth and development of Namibia. I remain confident in the group's future and look forward to seeing our current efforts bearing fruit for all our shareholders and stakeholders in the future.

J C Brandt
Chairman

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Managing Director's report

Christo de Vries

Managing Director

I am pleased to report on another solid financial performance of Bank Windhoek Holdings Ltd (BWH) for the year ended 30 June 2015 and on the value we have been able to create for our stakeholders. The group continues to do business in a responsible and ethical manner, with the creation of sustainable stakeholder value as the central focus. As outlined in the Chairman's Report, our success can largely be attributed to our loyal and growing customer base and leveraging off our local insight and decision-making to remain locally relevant whilst offering internationally competitive products and services. The financial performance of the group was further achieved through good revenue growth, disciplined expense management, increased transactional volumes and effective credit management. It can be noted that positive contributions were made by all subsidiaries and associates.

Any balanced review of our group needs to reflect the environment in which we operate. Bank Windhoek, the group's flagship brand, is a unique Namibian bank, operating under unique circumstances. The bank not only competes with other local and international players, but has to remain locally relevant with a world-class offering. Having said that, our local roots create a highly stimulating environment for the leadership of the group in that we are in charge of our own destiny. Our group has always recognised the value and power in having the advantage of local insight and local decision-making.

During the year under review, the group has made good progress with the delivery of our key strategic initiatives which ultimately can be summarised as follows:

- We will differentiate ourselves through our unique service offering and our customer experiences, which will be driven by a customer-centric strategy and culture.
- Success will depend on the skills and support of our people and on the handshake between company and employees in achieving superior performance.
- We will achieve our goals responsibly.
- We adhere to the highest ethical standards and continuously engage our stakeholders.
- We believe that sustainability comes from a firm focus on profits, our people and the planet.

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The group also benefited from the inclusion of a broader range of staff in our strategy review and formulation process, thereby gaining broader perspectives and new insights, but most importantly, also buy-in and support from staff.

- We will drive the digitisation of our channels to keep up with market demands, but also to lead with new technology.
- Market leadership depends on crafting and maintaining a unique identity as the BWH group. We will therefore have to maintain and create powerful brands that have earned their high value through exceptional customer service.

Increased cross-functional teamwork and collaboration between group companies contributed to the significant progress made on these initiatives. The group also benefited from the inclusion of a broader range of staff in our strategy review and formulation process, thereby gaining broader perspectives and new insights, but most importantly, also buy-in and support from staff.

Risk and compliance is an ongoing priority of the group and strong focus continues to be placed on further embedding the group risk internal control and assurance frame-work in all subsidiaries.

During the year under review, a number of key projects were implemented and various other projects are progressing well and will be implemented in the 2016 financial year. We recognise the value of strategic partnerships and alliances and will continue to explore opportunities for our group to benefit our broad customer base in banking, insurance and asset management.

The group recognises that sustainability is core to the long-term value creation for our stakeholders and we have embarked on a comprehensive process to develop a framework for sustainability and reporting. Our strategy is founded upon addressing sustainability holistically to also include environmental, social and governance (ESG) issues.

The insights gained from a recent stakeholder engagement survey, which was commissioned to better understand the needs and expectations of a broad group of stakeholders, will be used to further enhance our engagement with all stakeholders.

Given the complex nature and continuous changes faced by leaders in today's business environment, our group developed and launched targeted leadership programmes. The programmes have been custom-designed for the group to equip our leaders and talent to deal with an increasingly complex working environment. During the year under review, the first group of executives successfully completed the 12 month leadership programme.

The competitive and regulatory environment

The financial services industry continues to attract the interest of many new entrants and continues to come under intense scrutiny from regulators and market commentators. The rapid growth of digital technologies, especially in the payment solutions environment, is also quickly changing the way consumers choose their banking partner and conduct their banking business. The banking sector landscape has become more competitive than ever and although Bank Windhoek has always managed to excel in a highly competitive environment, we do not underestimate the impact that a number of new entrants in the market may have on the bank and our group.

Whilst the operating environment may be unpredictable and to a certain extent challenging with increased competition, we believe that our skilled workforce, loyal clients, clear business strategy and the support of our shareholders and other stakeholders will ensure our sustained growth and success.

The traditional role of banks is increasingly challenged, as more non-financial institutions enter the industry with innovative and low-cost solutions. Banks need to be more resilient in responding to changes in the market and take advantage of opportunities presented by new tecnologies and innovation. We will continue to effectively respond to the developments in the market by leveraging our skilled workforce, loyal clients, intimate knowledge of the market and clear business strategy. This will ensure our sustained growth and success in an increasingly unpredictable and competitive operating environment.

Overall, Namibia's economic fundamentals are sound, supported by a stable political environment and a strong financial sector. This paints a positive picture for business confidence in Namibia's future. However Namibia, as a developing economy, continues to face socioeconomic issues which the government of Namibia is actively trying to address. The group is encouraged by the government's efforts to create an enabling environment for businesses to grow and develop, and also to address the prevailing economic and social issues. The group will continue to support the efforts of the government of Namibia in this regard.

New regulatory actions, including possible increased risk governance expectations, will require financial institutions to continually invest in risk capabilities. The non-interest income of banks will continue to be put under pressure as there are more regulatory reforms introduced to, amongst others, promote financial inclusion. During the year under review, zero cash deposit fees for all individual and business clients with a turnover of less than N$1 million per annum came into effect. The Bank of Namibia also tightened its monetary policy during the year under review, with three interest

We will continue to effectively respond to the developments in the market by leveraging our skilled workforce, loyal clients, intimate knowledge of the market and clear business strategy. This will ensure our sustained growth and success in an increasingly unpredictable and competitive operating environment.

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The group produced another set of satisfying operating results, with a year-on-year increase in profit before tax of 21.5% to N$1,067.1 million.

rate increases in an effort to curb the high growth in household debt in especially the instalment credit segment. The interest rate increases are a signal to households to reduce their debt and rather take advantage of the resultant higher deposit rates to increase savings.

Bank Windhoek Holdings maintains an uncompromising stance to ensure compliance with regulatory requirements and remains committed to the principles of good corporate governance. We subscribe to the Corporate Governance Code for Namibia, NamCode, which was launched in July 2014 and the Code of Banking Practice of the Bankers Association of Namibia. As a signatory to the Namibian Financial Sector Charter, our group is also committed to the objectives of the charter, which include access to and affordability of financial products and services; human resource development; procurement and enterprise development; ownership and control; empowerment financing; corporate governance; social investment; and consumer protection and education.

Financial performance of Bank Windhoek Holdings

The group produced another set of satisfying operating results, with a year-on-year increase in profit before tax of 21.5% to N$1,067.1 million (2014: N$878.3 million). Growth was driven by an increase in net interest income supported by improved margins, increased transactional volumes and effective expense management.

Creating shareholder value

The group continues to deliver shareholder value with return on equity increasing from 21.9% to 22.4%, well above the average cost of equity of 13.4%. Earnings per share were 150.4 cents (2014: 124.7 cents), an increase of 20.6%.

The group declared a total dividend of 53 cents per share (2014: 44 cents), an increase of 20.5%.

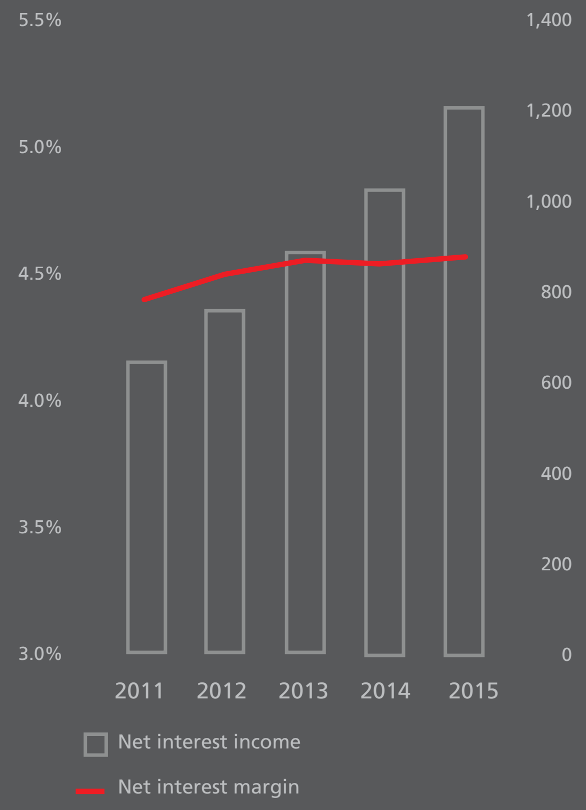
Statement of comprehensive income

Net interest income
Net interest income after loan impairment charges increased by 17.6% to N$1,208.7 million (2014: N$1,027.8 million) on the back of strong loans and advances growth of 16.7%, together with an improvement in the net interest margin. The improvement is due to a combination of more effective pricing as well as the increase in the prime rate during the year under review.

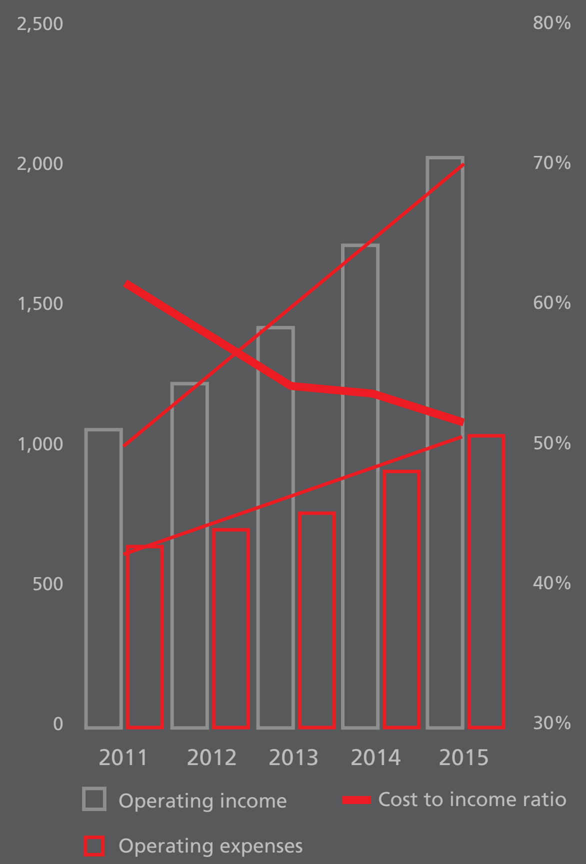
Impairment charges
Bank Windhoek fully provided for the impairment of a single large exposure at year-end which resulted in impairment charges increasing to N$58.3 million (2014: N$29.1 million).

This had a direct impact on the loan loss ratio increasing to 0.26% (2014: 0.15%), still well below the general banking norm.

Net interest income – N$ million



Operating performance – N$ million



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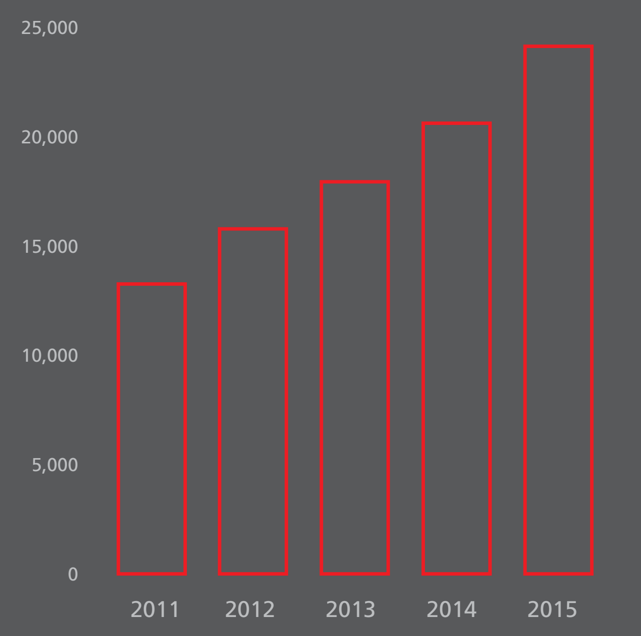
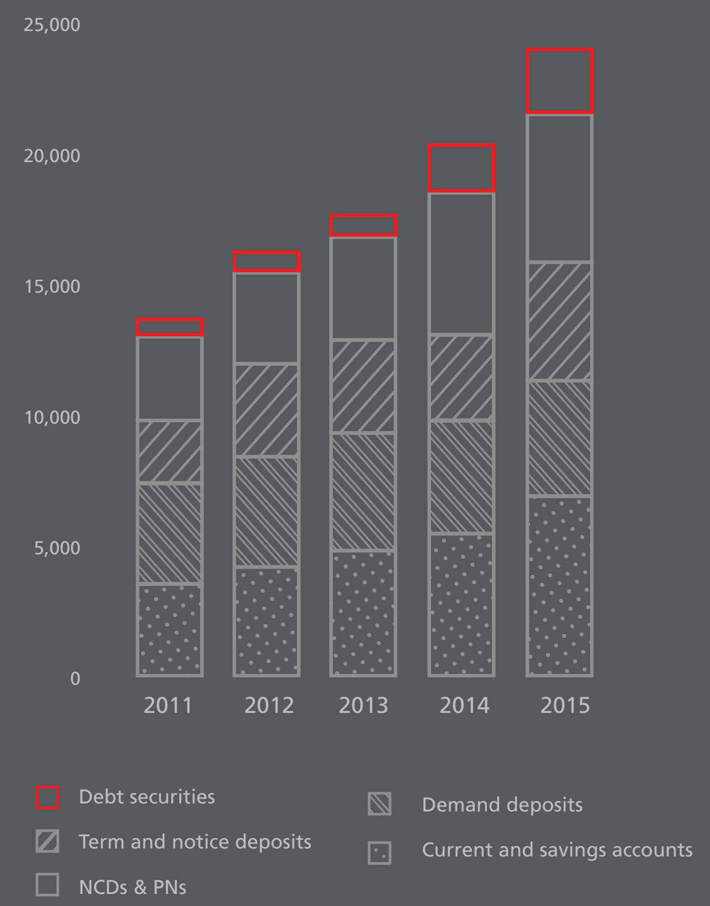
Gross loans and advances to customers – N$ million



Funding contribution – N$ million



Non-interest income
Despite the implementation of zero cash handling fees on certain accounts during the year under review, non-interest income increased by 19.4% to N$811.9 million (2014: N$679.7 million). The increase is mainly due to strong growth in transaction volumes, and income from trading activities, cards and electronic channels.

The group also continues to improve its efficiency and diversification ratios with non-interest income covering 77.9% (2014: 74.3%) of operating expenses and contributing 40.2% (2014: 39.8%) of operating income.

Operating expenses
Operating expenses increased by 13.9% to N$1,042.2 million compared with the prior year (2014: N$914.6 million). The increase above inflation is mainly due to:

- increased headcount to provide for growth;
- operational banking expenses, mainly due to increased transaction volumes; and
- ongoing investment in technology. The group continues to invest in existing and new offerings to ensure sustainable improvement in customer experience and financial performance.

The growth in operating income of 18.3% exceeds the growth in operating expenses of 13.9%. As a direct result of this positive operating performance, the cost to income ratio improved from 53.6% to 51.6%.

Income from associates
Income from associates increased by 3.4% to N$87.2 million and contributed 11.6% to profit for the year. Included in the prior year income from associates is a non-recurring profit on the sale of a subsidiary by Sanlam Namibia Holdings (Pty) Limited. Excluding this profit, the income from associates increased by 22.8%.

Statement of financial position

The group's total asset growth of 17.6% is driven by the growth in loans and advances of 16.7%, which is mainly due to growth in overdrafts and commercial mortgage loans. The growth in loans and advances was slightly above the Namibian credit growth, thus maintaining the group's market share.

Total funding increased by 17.6%, comprising a 17.1% increase in deposits to N$22.0 billion (2014: N$18.8 billion) and debt securities of 33.7% to N$2.5 billion (2014: N$1.8 billion).

The group remains well capitalised with a total risk-based capital adequacy ratio of 15.8% (2014: 15.8%), well above the minimum regulatory requirement of 10%.

Overview of Bank Windhoek

Bank Windhoek, the banking subsidiary of Bank Windhoek Holdings

The group remains well capitalised with a total risk-based capital adequacy ratio of 15.8% (2014: 15.8%), well above the minimum regulatory requirement of 10%.

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Despite a very competitive and challenging operating environment, Bank Windhoek has maintained consistent earnings growth and good efficiency ratios.

and the flagship brand of our group, contributed 84% (2014: 83%) to the profit for the year.

Despite a very competitive and challenging operating environment, Bank Windhoek has maintained consistent earnings growth and good efficiency ratios.

Bank Windhoek has always differentiated itself through a high level of customer service and its business philosophy of building strong, long-lasting relationships with its stakeholders. The consistent financial performance over the last number of years is a testimony of this and also provides us with a sound base from which to navigate our business. We maintain a strong heritage and sound track record with a uniquely Namibian ethos and local insight, and we will continue to build on this solid foundation, which is supported by our 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 continuous investment in technology will enable us to serve our customers even more efficiently and offer them improved functionalities and more convenience. We pride ourselves in our commitment to positioning ourselves in the market as the bank that offers its clients choice and convenience and really knows and understands their needs.

The relaunch of our internet banking site, IBank in March 2015, was as a result of our continued focus on enhancing existing electronic channels and offering our clients more convenience and additional functionality. During the year under review, Bank Windhoek also introduced a free "AlertMe" SMS notification service on all card transactions via ATM, Point-of-Sale or the Internet. We also enhanced our cellphone banking, which was the first fully-fledged cellphone banking offering in Namibia when it was launched in 2006. In addition to the range of other features, including buying airtime, transferring funds and paying beneficiaries, our cellphone banking now also offers a prepaid electricity purchase functionality.

We are excited about the progress made in the development of new offerings in digital banking that will be introduced in the new financial year.

Financial performance of Bank Windhoek

The solid financial performance of Bank Windhoek continued from the previous financial year and contributed to the increase in the asset base from N$23.8 billion as at 30 June 2014 to N$28.1 billion as at 30 June 2015.

The net profit after tax for 2015 amounted to N$655.6 million compared with the achievement of N$532.4 million for the previous financial year; a year-on-year growth of 23.1%.

Corporate social investment

During the year under review, Bank Windhoek invested N$6.3 million in a broad range of sponsorships as well as contributing to projects supported by our Social Investment Fund in the areas of job creation, education, entrepreneurship and health. A comprehensive Bank Windhoek Corporate Social Investment (CSI) report for the year ending 30 June 2015 can be downloaded from the Bank Windhoek website at www.bankwindhoek.com.na.

Overview of other subsidiaries and associates

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

The group's asset management activities are conducted under these two separate legal entities.

The main asset management offerings are:

- Bank Windhoek Unit Trusts;
- the Capricorn Investment Platform;
- wealth management;
- segregated portfolio management; and
- unlisted investment management.

Bank Windhoek unit trusts are registered under CUTM whilst all administration and asset management activities of the funds are performed by CAM. CUTM is the largest unit trust management company in Namibia in terms of assets under management with 14 funds totalling N$12.6 billion. More specifically the fund range includes two money market funds, four specialist interest funds, one bond fund, one property fund, one local equity fund and two international equity funds as well as three multi asset class-managed funds, covering the full risk and asset class spectrum.

The Capricorn Investment Platform was launched at the end of 2014 and offers a convenient one-stop investment implementation platform to retail and private clients, companies and pension funds. CAM's wealth management services include investment advisory and portfolio management services and showed significant growth over the past financial year in terms of the number of clients and total assets under management. CAM also entered the unlisted investment management space with the launch of the Caliber Capital Trust, an approved unlisted special purpose vehicle in terms of Regulation 29 of the Pension Fund Act. We are confident that the combination of our dedicated marketing efforts and the addition of a unique unlisted debt capital fund should result in strong gains into the pension fund market in the next financial year.

CUTM and CAM contributed a combined profit after tax for the year of N$32.3 million.

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 has a national footprint of 11 branches in Namibia and recorded a profit after tax for the year of N$5.8 million (2014: N$5.6 million), a 2.4% increase over the prior financial year.

During the year under review, regulatory reforms in the insurance industry required players in the market, including the removal of all policy and administration fees, to revisit their business models. A process has been initiated to consider alternative options in this regard.

Namib Bou

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 addressing 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.

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We have made great strides in improving cross-functional efficiencies and collaboration in the group, which will greatly enhance our ability to respond to changes in our environment and compete in a highly competitive market.

During the year under review, Namib Bou performed multiple property-related functions for the group. These mainly comprise:

- property valuations (residential, commercial, industrial and farming);
- acting in an advisory capacity on project developments for both Bank Windhoek and the clients of the bank; and
- property development with a focus on affordable housing in Ondangwa.

Santam Namibia

Bank Windhoek Holdings has a 28% shareholding in Santam Namibia (Santam).

Santam is the largest short-term insurer in Namibia with a market share exceeding 30%. With assets worth more than N$500 million, a countrywide infrastructure and a thriving intermediary network, it is uniquely positioned to lead the short-term insurance industry in Namibia.

Santam offers a diversified range of general insurance solutions across personal, commercial, agricultural and niche markets with a world-class scientific underwriting capability, supported by a strong and experienced team.

The company is committed to consumer education and to increase access to insurance for emerging and uninsured communities and individuals.

Santam achieved a gross written premium of N$1,055 billion and a growth of 29%.

Santam Namibia contributed N$36.8 million (2014: N$29.3 million) to equity accounted earnings from associates for the year ended 30 June 2015; an increase of 25.5% over the prior financial 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.

During the year under review, the group managed to significantly increase its market share in the investment equity space, but profit overall underperformed as a result of, amongst others, increased claims on the group life business and increased lapses (with a corresponding decrease in new business) on the entry-level market segment.

The key focus areas for the 2015 / 2016 year are to grow and optimise its existing business lines, focus on increasing synergies of partnerships and strategic relations as well as capital and operational efficiency.

The group continues to be well-positioned for the year to come and the introduction of new individual life insurance products, together with the implementation of the new administration platform, will enable the core business (life assurance) to remain competitive and focus on the needs of the client.

SNH contributed N$50.4 million (2014: N$55.0 million) to equity accounted earnings from associates for the year ended 30 June 2015, a decrease of 8.3% from the prior financial year. Included in the prior year's income is a non-recurring profit on the sale of a subsidiary by SNH. Excluding this profit, the income from SNH increased by 20.9%.

Outlook for Bank Windhoek Holdings for the 2015 / 2016 year

The outlook for Bank Windhoek Holdings remains positive and we look forward to building on the successful track record and solid foundation of our group. The group is well-positioned for the new financial year, with a clear plan to deliver future growth and value for all its stakeholders through a well-defined strategy.

We have made great strides in improving cross-functional efficiencies and collaboration in the group, which will enhance our ability to respond to changes in our environment and compete in a highly competitive market. This will ensure that we deliver on our obligation to stakeholders to create sustainable shareholder value whilst fulfilling our role as a partner in the development, economic growth and prosperity of Namibia.

With our strong vision, focused strategy and the support of all stakeholders, we remain confident that the year ahead will be characterised by continuous growth and prosperity for our group and all its stakeholders. We will continue to differentiate ourselves through a high level of customer service and our business philosophy of building strong, long-lasting relationships with our stakeholders.

We remain mindful that our group was established and built upon integrity, relationships, entrepreneurship, commitment and perseverance and we will continue to manage our business in a responsible and ethical manner.

In conclusion, I would like to extend my sincere appreciation to the leadership teams in the group for delivering on the objectives and strategy of the group. A special note of thanks is also extended to all our staff for their hard work and commitment to serve our customers. We embrace our responsibility to serve the communities in which we operate and value the relationships that we have formed with all our stakeholders, as we truly believe that *Together we do better.*

C P de Vries
Managing Director

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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 main risk categories have been identified and are referred to as principal risks.

The group has developed a strategy to achieve clear risk management objectives through its risk management framework, which consists of standard core risk management processes and a well-established governance and policy framework.

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

- optimise efficiency through the effective use of risk resources in the group;
- support and enable the achievement of strategic objectives;
- ensure accountability for risk management;
- manage expected risk exposure within acceptable risk appetite;
- ensure that risks are understood and managed; and
- maintain standard risk management principles and processes.

Risk management is integrated into the business process and the various practices associated with credit, market, liquidity and operational risks are derived from accepted international standards (*COSO, Basel II). The risk management techniques are explained in more detail in the sections below.

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 represents the group's 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 figure 1) and is adequate to satisfy the regulatory requirements and principles for sound corporate governance and risk management.

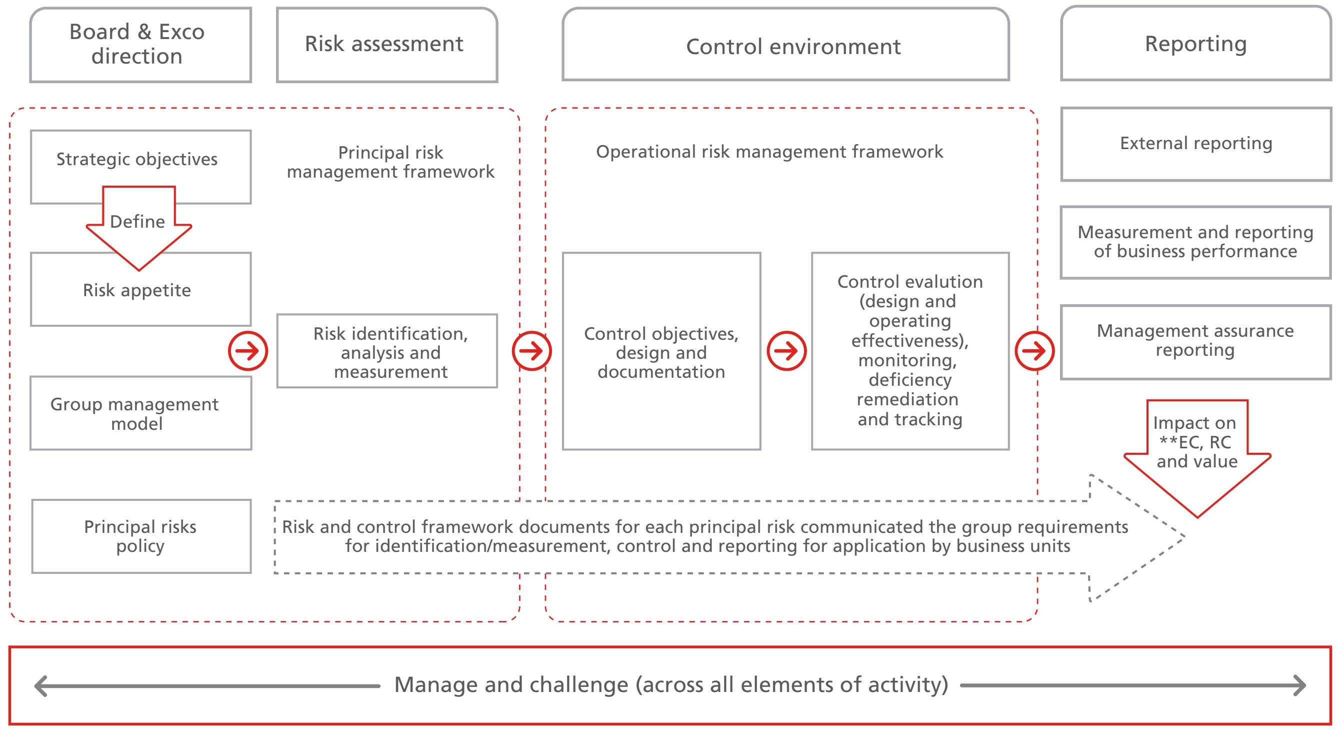

Figure 1: High-level organisation and flow of the GRICAF

** Committee of sponsoring organisations of the treadway commission*
*** Economic capital (EC), regulatory capital (RC)*

The GRICAF is divided into two primary components, namely the:

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

The secondary components in support of the primary components are:

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

2.1.1 Principal risk management framework

The principal risk management framework is the risk oversight component of management (i.e. the first line of defence of the risk management process). At its core, the PRMF identifies the main risk categories, each assigned to a principal risk owner (PRO) who is supported by a principal risk coordinator. A principal risk management framework is defined for each principal risk in order to determine the operational parameters and controls for risk mitigation. The principal risk management framework establishes sufficient management oversight of the risk profile of the group and enables PROs to attest to the adequacy of the risk and control framework. The PROs are responsible for the effective implementation of the principal risk management framework in the everyday operations of the group whereas all staff have a responsibility towards the consistent and correct execution of procedures.

The principal risk policy underpins the risk management process through a classification of the risk universe into 13 principal risks. This classification enables the allocation of accountability and risk identification, control and reporting across each of the principal risks. The principal risk policy sets out a five-step risk management process that serves as the foundation of every principal risk framework. The five steps are direct; assess; control; report; and manage and challenge.

The principal risk management framework is continuously improved through the process illustrated in figure 2 below.

2.1.2 Operational risk management framework

The operational risk management framework focuses on the risk of loss due to inadequate or failed systems or processes or external events. It supports the GRICAF and establishes effective methods for PROs to collect and interpret risk data to enable effective risk management. The methods used as part of the operational risk management framework are compliant with the standardised approach (TSA) under Basel II.

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

2.1.3 Principal risks

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

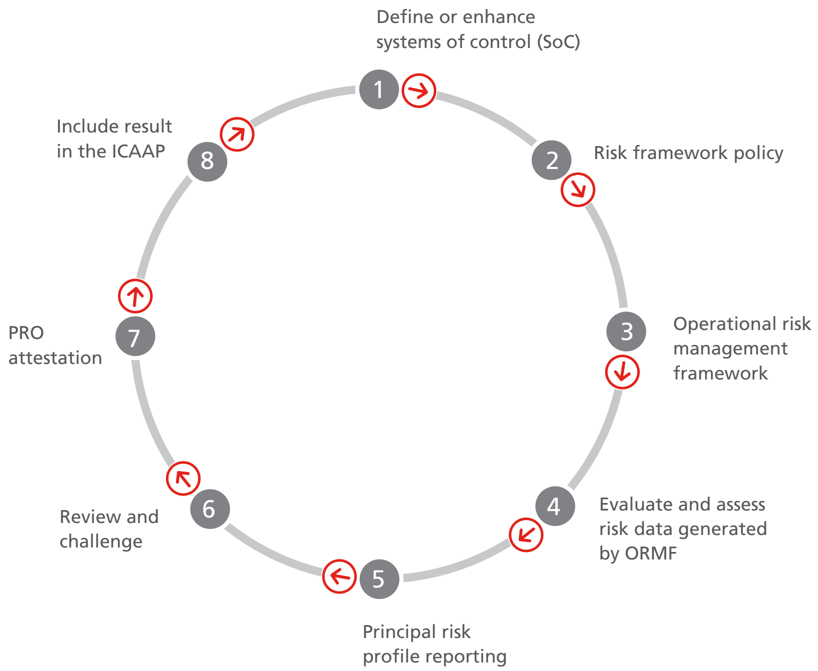

Figure 2: The principal risk framework improvement cycle

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 external events. This includes the following ten 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 capital base is not managed optimally, or the risk of failure to comply with minimum regulatory requirements.
   c) **Compliance risk** – The risk of failure to comply with applicable rules and regulations, and in so doing, 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, physical cash management, payment management and change execution and delivery.
   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 from people-related 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 due to a failure to conduct business in accordance with 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 manage events that impact negatively on the group's reputation.
2. **Liquidity risk** – The risk that the group is unable to meet financial obligations as they fall due.
3. **Credit risk** – The risk that a borrower or counterparty will fail to meet an obligation when it falls due, resulting in a financial loss.
4. **Market risk** – 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 purpose of principal risk profile reporting by PROs 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 principal risk management frameworks). The diagram on page 32 illustrates the GRICAF governance structure.

The roles of the functions in the governance structure in the diagram mentioned above 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 the 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 committee also reviews and challenges the risk capacity, appetite and tolerance (RCAT) statement and thresholds of the group before recommending it to the EMT.

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Credit risk forum (CRF), operational risk forum (ORF) and asset and liability committee (ALCO)
The role of the CRF and ORF is to review and challenge the principal risk profile and to evaluate the adequacy of the control framework and where these are found to be inadequate, to recommend and institute corrective actions.

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.

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 and have management oversight of the operation of the systems of control.

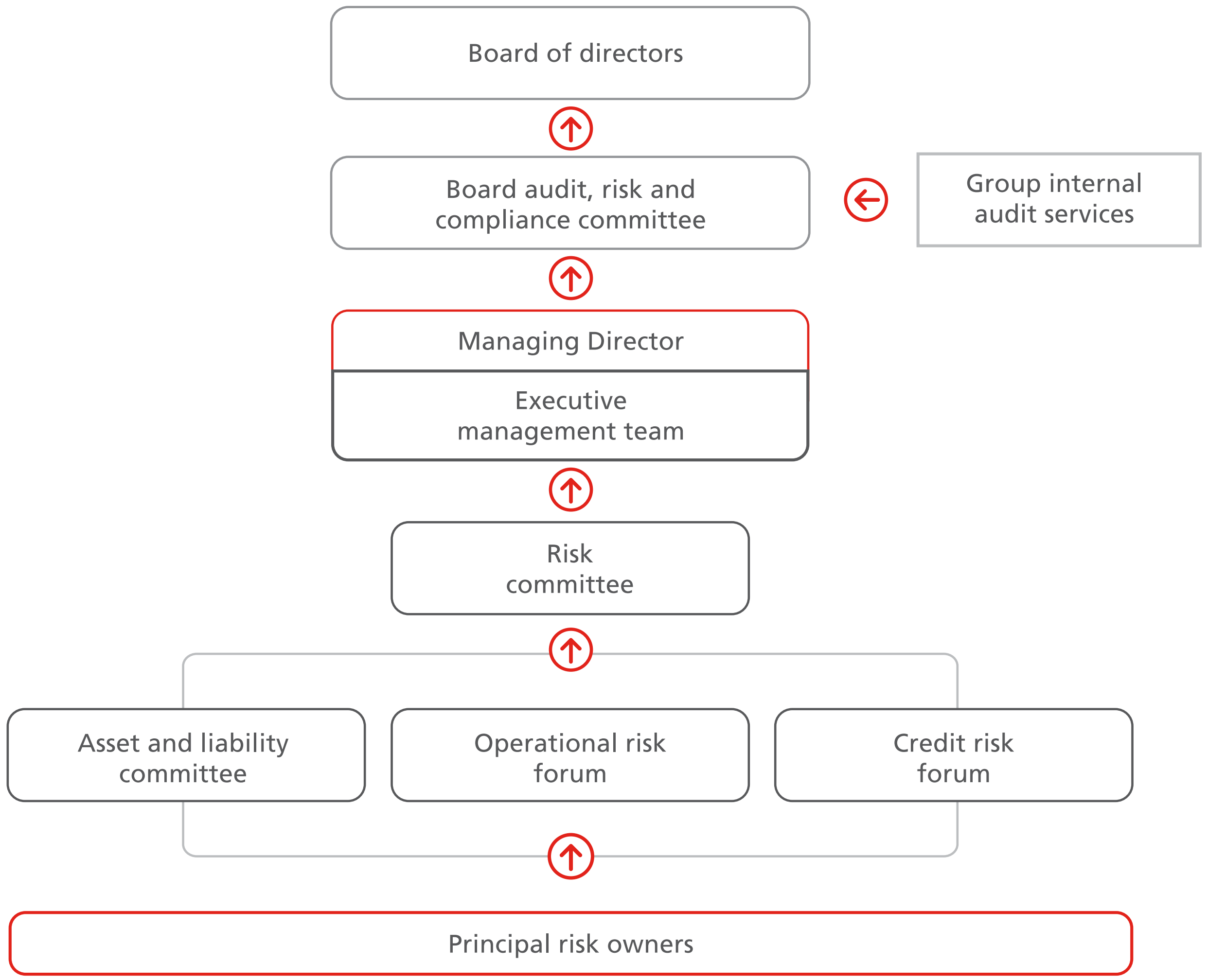

Figure 3: Governance structure reporting lines

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 a part of the day-to-day operations of the group and is therefore an inherent risk of any business operation.

Operational risk is managed through 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 management of business units where the risk arises.

As required by the Bank of Namibia, the standardised approach under Basel II is applied to calculate operational risk capital. The diagram below illustrates the operational risk management framework.

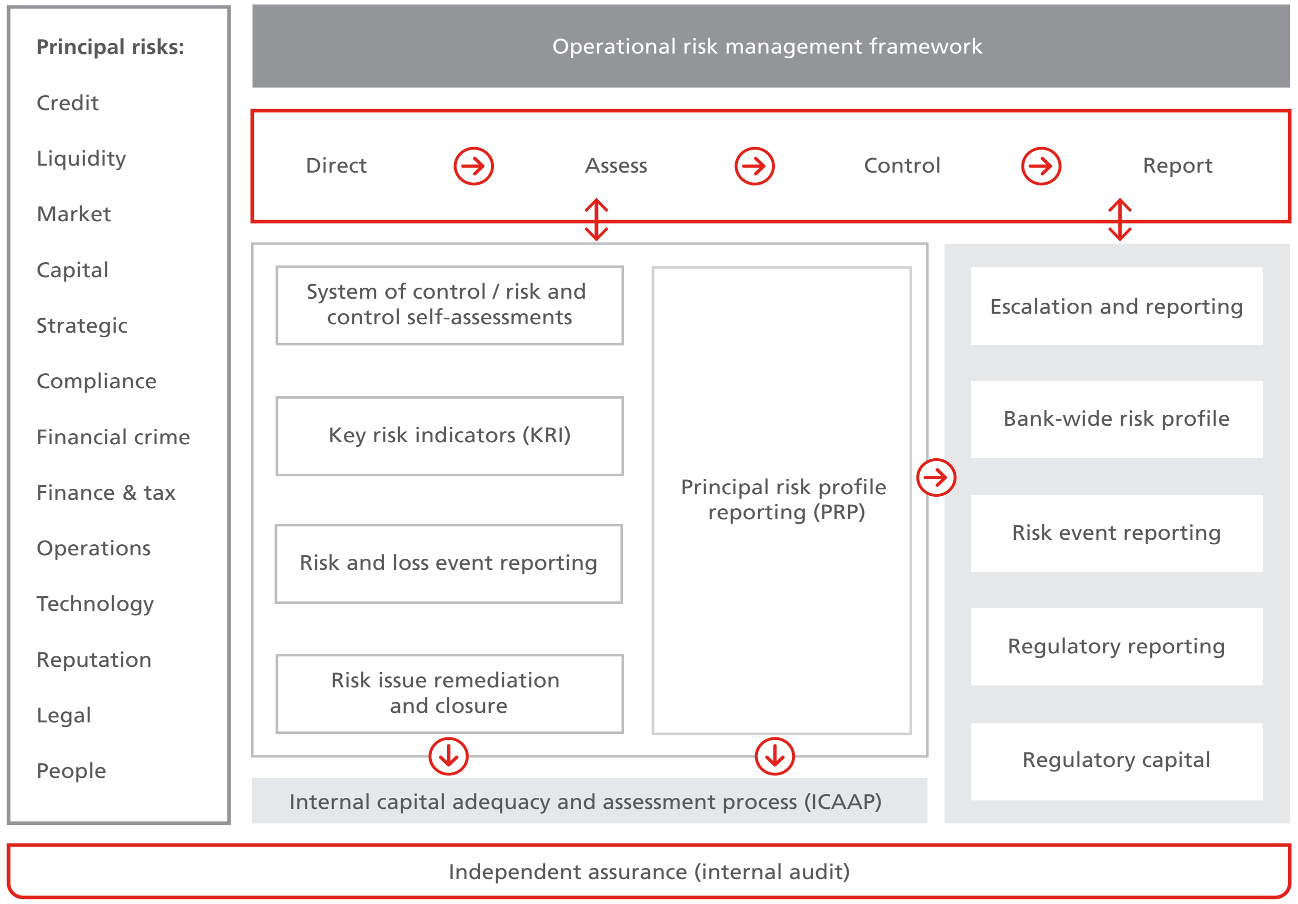

Figure 4: Operational risk management framework

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3.2 Operational risk management

The operational risk management framework establishes the operational infrastructure that enables PROs to collect, interpret and act on risk information, 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:

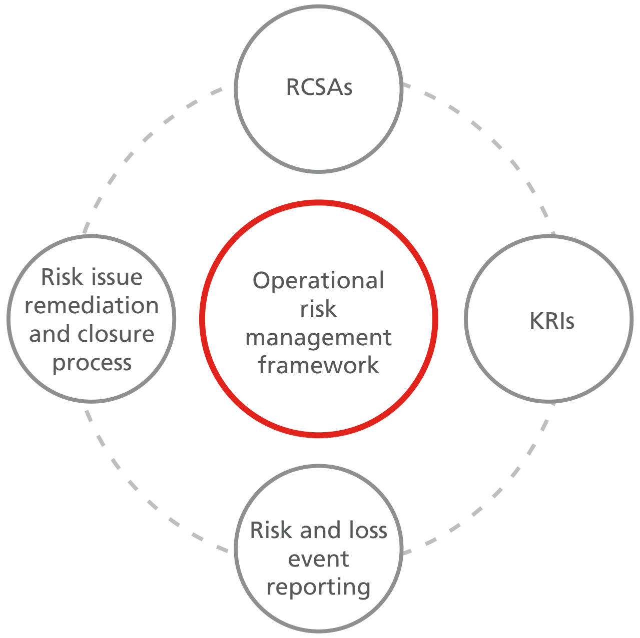

Figure 5: Elements of the operational risk framework

3.2.1 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 RCSA 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 semi-annual risk attestations. For an internal control to be effective, evidence must exist that supports this conclusion.

3.2.2 Risk capacity, appetite and tolerance (RCAT)

The RCAT statement reflects the group's capacity, appetite and tolerance for risk. The RCAT collectively refers to qualitative and quantitative statements. Quantitative statements include thresholds which, if breached, trigger a change in status that attracts a higher level of monitoring and management action. The capacity and appetite statements are approved annually by the board and are regularly reviewed and reported to the risk committee, EMT and the BARC.

3.2.3 Key risk indicators (KRIs)

KRIs are quantitative measurements specifically used for:

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

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

3.2.4 Risk and loss event reporting

Losses are included in monthly risk reports 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 possible that the loss will reoccur.

3.2.5 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 dashboards on a monthly basis. This allows PROs to take risk issue remediation performance into account when the effectiveness of the internal control framework is assessed.

3.2.6 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, resulting in a financial loss. It will remain 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 the group originates from the loan portfolio, other credit risk 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 investment securities such as treasury bills), 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 or type of instrument.

4.2 Credit risk management

Credit risk management and all credit activities are governed and guided by the credit risk framework, 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, e.g. 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 Impairments

The definitions for impairments and past-due accounts, as well as the calculations for provision for bad debts,

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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. Portfolio impairments 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 portfolio impairment is to build up reserves. A certain percentage of the group's total financing assets is created as a portfolio impairment (the minimum percentage is prescribed by the Bank of Namibia). Specific impairments are created against accounts already classified as 'substandard', 'doubtful' or 'loss', and are calculated as the difference between the outstanding amount and the realisable value of security.

The group follows a conservative approach and proactively identifies active accounts which have problem indicators. Such accounts are managed on special mention reports and cause applicable impairments to be raised proactively.

4.3.4 Concentration risk

The measurement and management of concentration risk is enabled through portfolio analysis of the product, region and sectorial dimensions of the credit book, as well as large exposures.

From a product perspective, the loans and advances of the group are classified as follows 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.

5.2 Market risk management

The market risk framework sets out the governance, controls, policies, guidance and procedures for market risk management within the group. The framework provides a high-level overview of how market risk will be managed by following the five-step risk management approach.

The effective management of market risk is primarily the responsibility of the chief treasurer with oversight by 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 matches the interest sensitivities of its assets and liabilities. The group's statement of financial position is divided into two broad types: interest rate sensitive (fixed and floating rates) and non-interest sensitive assets and liabilities. 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. The policies specify the limits in terms of transaction exposures, dealer exposures and overall currency and total exposure positions. The thresholds impose allowable limits on open positions (and stop losses) that dealers should 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 for example.

Guided by its liquidity risk framework, 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.

6.2 Liquidity risk management

The liquidity risk appetite is included in the RCAT statement. Breaches of risk appetite and tolerance levels are reported to the ALCO, risk committee, EMT and BARC.

The liquidity risk management process is guided by the liquidity risk framework, the establishment, review and implementation of which is the responsibility of the board and management. The group strives to hold an adequate liquid asset surplus additional to credit lines, which is 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 level of understanding of demand and supply for liquid assets;
- the level of adequacy and ability to access funding (established lines of funding) in a short period of time; and
- relationships with depositors.

Figure 6: Variables impacting on liquidity risk management

The size of the mismatch between demand and supply is monitored along with the effectiveness of asset and liability management.

This includes:

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

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

The main components of the liquidity risk management process are:

- liquidity risk control;
- liquidity risk management; and
- a funding strategy.

6.2.1 Liquidity risk control

a) **Compilation of the overall liquidity position** – This report shows the current and expected liquidity levels and is reported at the ALCO for discussion.
b) **Preparation of early warning indicators and triggers** – This report summarises all the indicators and triggers which provide early warning signals for liquidity risk. This is reviewed on a daily basis.

6.2.2 Liquidity risk management

a) **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 quantifies the capital position impact of deviations from the expected or norm.
b) **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.
c) **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.
d) **Trend analysis** – 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

a) **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.

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b) **Preventative funding strategy** – This funding strategy is a proactive strategy followed on a daily basis to prevent liquidity risks in advance.

c) **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.

d) **Contingency funding plan (CFP)** – The CFP identifies possible trigger events and indicators which could lead to 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, the group faces complex challenges to ensure that its activities comply with local legislation, regulations and supervisory requirements and the relevant international standards and requirements. In this regard, the board requires that the compliance risks associated with the 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 may expose the group to fines, civil claims, loss of authorisation to operate and an inability to enforce contracts, but also reputational damage and loss of shareholder value.

7.2 Compliance management

The responsibility to facilitate compliance risk management throughout the 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 the group.

The compliance function consists of general compliance as well as 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 the group 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 the group 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 that are 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 or when new regulation or legislation is introduced.
- **Compliance risk monitoring** – During the financial year there were no financial penalties, regulatory censure or public reprimands imposed on Bank Windhoek Holdings or any of its subsidiaries.
- **Compliance risk reporting** – Compliance reports are submitted to governance committees attended by directors, executive officers and management. Compliance awareness is created through the Group Net website and through the group risk and compliance newsletter. An introduction to compliance practice is provided during induction training.

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 sets 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** – The group's automated money laundering prevention solution provides a mechanism to efficiently counter money laundering risks and events.
- **Sanctions screening** – The group has key controls and procedures in place to conduct sanctions screening and minimum screening standards are maintained by the head of money laundering compliance.
- **Training** – The group has developed and maintained ongoing training programmes for employees on money laundering, combating of terrorist financing activities and sanctions laws.

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

for the year ended 30 June 2015

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 55 to 156 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 54.

The financial statements, set out on pages 55 to 156, were authorised and approved for issue by the board of directors on 9 September 2015 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 2015

Bank Windhoek Holdings Ltd (BWH) and its subsidiaries (the group) are committed to the principles of sound 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 establishing effective leadership, ethical practices and ensuring the appropriate application of governance practices and principles contained in the NamCode, the Corporate Governance Code for Namibia. The board believes that, based on the structures, policies and practices established, the group substantially applies the principles contained in the NamCode.

The board establishes corporate governance through the board audit, risk and compliance committee (BARC), which monitors the group's application of 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 sound 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 its values, which constitute its organisational behaviour and norms to achieve its purpose. Both the purpose and the values are considered to be clear, concise and achievable. The board also ensures that procedures and practices are in place that protect the group's assets and reputation. The group's strategy is considered, agreed and evaluated annually, prior to the approval of the annual budget.

Responsibilities of the board include the establishment, review and monitoring of strategic objectives, approval of major acquisitions, disposals and capital expenditure and overseeing the group's systems of internal control, governance and risk management.

A schedule of matters reserved for the board's decision details key aspects of the group's affairs that the board does not delegate, including, 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 enhances shareowner value and delivers long-term sustainable development and growth.

The board strives to balance the need to operate within regulatory and business practice requirements while at the same time promote sustainable, innovative products and operations.

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.

Chairman and lead director

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

The board is of the opinion that the governance structures and processes in place provide adequate challenge, review and balance, and mitigate against undue influence. Board decisions are robustly deliberated and consensus-driven.

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

Board composition

The composition and the skills and competence of the board are considered adequate to lead the group.

The company has a unitary board, consisting of an appropriate mix of executive, non-executive and independent directors. 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.

Board practices

Key board practices and activities focus on:

- open and honest discussion;
- active participation;
- consensus in decision-making;
- independent thinking and alternate views; and
- reliable and timely information.

Board committees and attendance at meetings

The board annually approves the meeting programme. There are at least 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.

The key committees are:

Group board executive committee:

The purpose of the committee is to coordinate and guide the execution of the group strategy as approved by 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 key matters the committee is responsible for are:

1. to support the managing director;
2. strategy formulation;
3. risk management, governance and business ethics;
4. oversight and monitoring of business activities and governance practices;
5. to consider and, where appropriate, approve any significant outsourcing or appointment of key advisers or other third parties;
6. to diligently execute and perform all duties, tasks and responsibilities delegated to the committee by the board;
7. to consider instances of significant litigation by or against the group; and
8. to consider significant regulatory matters and reports by regulators of the group.

Group board audit, risk and compliance committee (BARC):

The key responsibilities and duties of the committee are:

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

The group CFO attends all BARC meetings and has unfettered access to the BARC chairman and the board.

Group board HR committee:

The key matters the committee is responsible for are:

1. personnel policies;
2. the remuneration framework;
3. the appointment of and benefits and remuneration for senior and middle management;
4. remuneration and benefits for 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.

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Group board nominations and remuneration committee:

The key matters the committee is responsible for are:

1. the remuneration policy;
2. remuneration and fees for services;
3. director nominations and related matters;
4. director and executive performance; and
5. succession planning.

Group board IT committee:

The committee is chaired by Prof André Watkins, an independent external IT specialist.

The key matters the committee is responsible for are:

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;
7. IT risk management;
8. conflict resolution;
9. strategic projects;
10. significant outsourcing;
11. IT capital spend; and
12. adequacy of IT resources.

Attendance at meetings

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 noted or declared during the reporting period.

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:	7	8	6	5	5	5
J C Brandt	Non-executive chairman	6	8		5	5	
J J Swanepoel	Non-executive vice-chairman	7	7	5		5	5
C P de Vries	Managing director	7	8		5		5
K B Black	Independent non-executive	7			1		
F J du Toit	Lead independent non-executive	7		6	5	5	
E Knouwds	Independent non-executive	6		6			
M J Prinsloo	Executive	7	8		5		
E M Schimming-Chase	Independent non-executive	5					
G Nakazibwe-Sekandi	Non-executive	6	7		5		
J M Shaetonhodi	Non-executive	7					
M K Shikongo	Independent non-executive	6					

Appointments

Procedures for appointments to the board are formal and transparent.

Nominations for appointment as members of the board are recommended by the group board nominations and remuneration committee (remco). Remco is chaired by Mr F J du Toit, the lead 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 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 attend 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. Where appropriate, significant developments that impact the group and which the board needs to be aware of, are highlighted via the governance structures and process.

Board members

Jacobus Christiaan Brandt (72), BA LLB (non-executive, Chairman)

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 BWH since its inception in 1996. He studied law at the University of Stellenbosch and practiced as a commercial lawyer for more than 30 years at Dr Weder, Kruger and Hartmann (now Dr Weder, Kauta and Hoveka). He is a director of numerous companies in the CIH group, Namibia Strategic Investments, and Infocare Health Services. In 2013 he was appointed to the Presidential Economic Advisory Council.

Johannes Jacobus Swanepoel (55), BCom (Hons) (Accounting), CA (SA); CA (Nam) (non-executive vice-chairman)

Johan Swanepoel was appointed as Managing Director of Bank Windhoek and a director of BWH 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 numerous companies in the CIH group, Namibia Strategic Investments, Kuiseb Investments and Infocare Health Services.

Christiaan Petrus de Vries (63), Baccalaureus Commercii (Cum Laude) (executive)

Christo de Vries was appointed as Managing Director of Bank Windhoek and BWH 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 twelve 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 is a director of numerous companies in the BWH group.

Kephas Brian Black (60), Executive Management Diploma (Stellenbosch) (independent non-executive)

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, 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 BWH board for seven years.

Francois Jacobus du Toit (70), BCom (Hons), CA(SA) (lead independent non-executive)

Frans du Toit retired as Group Executive Director: Finance of the Absa group in 2005. Before his banking career, he

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was a partner of a leading audit firm for 14 years. Frans was appointed as a director of Bank Windhoek in 1998 and BWH in 2013 and currently is the Chairman of the group's BARC, the bank's board lending committee and the BWH group board nominations and remuneration committee.

Eric Knouwds (70), BComm (Accounting), CA (SA) (independent non-executive)
Eric Knouwds was appointed to the board of Bank Windhoek in 2004 and BWH in 2013. He is a member of the group BARC and the bank's board credit committee. After completing his BComm degree at Stellenbosch University in 1966, Eric qualified as a chartered accountant and has practised as such for more than 40 years. He is a trustee of the BWH Group Employee Share Ownership Trust and the BWH Group Employee Share Benefit Trust.

Gida Nakazibwe-Sekandi (62), LLB, PRISA (non-executive)
Gida Nakazibwe-Sekandi joined the banking industry in August 2000 when she was appointed as Executive Officer: Marketing and Corporate Communication at Bank Windhoek. She has since served in various other senior executive positions in the group. In 2008 she was appointed as Executive Director of Capricorn Investment Holdings Limited, the holding company of Bank Windhoek Holdings Limited. In this role she was instrumental in the establishment of the group's professional shared services function and provided oversight for its service delivery strategy, coordination of multifunctional and intragroup strategic projects as well as professional development.

Gida holds a Bachelor of Laws (LLB' 1976) degree from the University of Makerere, Uganda and a Diploma in Legal Practice awarded by the Legal Development Centre in Kampala, Uganda. She is an accredited public relations practitioner by the Public Relations Institute of South Africa (PRISA) and founder member of PRISA Namibia. Prior to joining the banking industry she served as Head of Corporate Affairs and Communication at Rössing Uranium Limited, a member of the Rio Tinto Group.

She has served as a non-executive member of the Bank Windhoek Holdings board since November 2004.

Marthinus Johannes Prinsloo (44), BCompt (Hons), CA (SA) (executive)
Thinus Prinsloo joined CIH in July 2011 and was appointed to the board of BWH in 2013. Thinus is responsible for group-wide strategy implementation, technology, risk and the people agenda. Prior to CIH, Thinus worked at Absa where he held various positions, including Head of Integration. Prior to joining Absa, Thinus worked as a business strategy consultant at IBM. 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 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 (45), LLB (Hons) (independent non-executive)
Esi Schimming-Chase obtained her LLB (Hons) degree from 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. She held the position of 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. She completed her articles at Koep & Partners Attorneys at Law and 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 lectured part time and acts as a judge of the High Court of Namibia from time to time. She was appointed to the BWH board in 2013.

John Mueneni Shaetonhodi (66), B Admin, MA, MBA (Maastricht) (non-executive)
John Shaetonhodi is a founding director and current Chairman of Nam-mic, the broad-based economic empowerment partner of BWH. John's career included political responsibilities, being a Member of Parliament for seven years, Deputy-minister of Labour, 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 BWH board in 2006.

Matheus Kristof Shikongo (65), Diploma in Personnel Management – Marketing (independent non-executive)
Matheus Shikongo was elected Mayor of The City of Windhoek in 2000 and became a member of the BWH 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. In addition to serving on the board of directors of a number of companies in the CIH group, he is a director of Oryx Properties, August 26 Logistics and a number of other companies.

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.

The board has unrestricted access to the executive management team of the group to engage on and discuss any matters that they require additional information on or understanding of.

2. Systems of 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 safeguarding of the group's assets.

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

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable, 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 2015 its systems of internal control over financial reporting and over safeguarding of assets against unauthorised acquisitions, use or disposition, were adequate.

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

3. Combined assurance

The group gains assurance regarding the internal risk and control environment from various assurance stakeholders, the key ones being business management, risk and compliance functions and an independent internal audit.

Risk management and compliance
The group has a structured, group-wide risk management and compliance governance structure, approved framework, and established process that is designed and monitored by the independent risk management function.

The group head of risk is responsible for the implementation and effectiveness of the risk management processes. The head of risk has access to the BARC chairman.

Risk management and compliance is fully detailed in pages 28 to 39.

An approved business continuity plan (BCP) is in place which is tested annually. The directors representing Bank Windhoek Holdings Ltd on the boards of our associates and joint ventures, 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.

Internal audit
The independent group internal audit function (GIA) is an independent and objective review and consulting

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CORPORATE GOVERNANCE STATEMENT (continued)

for the year ended 30 June 2015

function, created to add value and improve systems of internal control. GIA assists the group to achieve its objectives by systematically reviewing current processes, using a risk based approach to establish the adequacy of design and effectiveness and appropriateness of controls, the risk management process, the management control process and the governance process.

GIA reports to the BARC and has unrestricted access to the chairman.

With the support and oversight of BARC, GIA has been led by an acting head since January. Ernst & Young is a co-source partner that supports GIA, proving technical support and resource capability, and reporting to BARC.

4. External auditor

The external audit policy, as approved by the BARC, governs the work performed by the external auditor, both from an audit and non-audit perspective.

The BARC approved the external auditor's terms of engagement, scope of work, as well as the 2015 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 by the company are as follows:

Advisory support in respect of reward and incentive structures:	N$320,000
Attending committee meetings:	N$41,250
First provisional tax:	N$20,150

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 as adopted by the group, and their audit opinion is included on page 54.

5. Code of ethics and conduct

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. The ethical standards of the company have been maintained hroughout the year. Any contraventions of the code of ethics and conduct are acted upon in accordance with clearly communicated principles.

During the year a detailed exercise was undertaken to identify and assess ethical risks and identify areas requiring focus.

Dealing in shares is governed by a policy that sets out practices including approval requirements, disclosure principles and closed period rules.

6. Stakeholder engagement

The group actively engages with key stakeholders as follows:

- Regulators via open and transparent supervisory reviews and engagement on key matters, and via industry forums.
- Shareholders through regular updates and communication on strategic matters and operational performance.
- Clients through ongoing service monitoring and satisfaction surveys, and thorough proactive responses to complaints and queries.
- Staff via internal surveys, internal communication and feedback, and an established performance appraisal and career development process.

7. Sustainability

The group focuses on sustainability through successfully maintaining and growing the offerings and solutions to clients; supporting and engaging meaningfully with communities in which it operates and in societal matters identified; and through responsible business activities with regard to environmental matters.

A separate sustainability report will be published later in 2015.

REMUNERATION REPORT

for the year ended 30 June 2015

In line with the global movement towards increased communication with regards to executive remuneration, we are pleased to present the annual remuneration report of the group.

We continue 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 conditions for the long-term incentives and, consistent with the previous year, we have taken the decision to disclose the performance conditions in this report. We are confident that the targets which we have set for our performance conditions will stretch management, requiring strong company performance to unlock rewards for participants.

Consistent with 2014, we strive for appropriate transparency of our executive remuneration policies and practices and again present 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 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 2015, the committee comprised the following members:

- F J du Toit, independent non-executive chairman;
- J C Brandt, non-executive director; and
- 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. Ms. 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 a terms of reference that is approved by the board of directors and which clearly sets 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 2015. The extract of the terms of reference can be found on page 44.

1.3 Key activities and recommendations

The committee held five meetings during the year under review.

The key activities and recommendations of the committee with regard to remuneration during 2015 included the:

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

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REMUNERATION REPORT (continued)

for the year ended 30 June 2015

2. Remuneration policy and elements of pay

2.1 Elements of pay

The table below sets out an overview of the elements of pay applicable to the 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 basic 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 housing, car, entertainment or other allowances, depending on the job level of the employee. Company contributions are calculated as part of employee's cost to company.
Variable remuneration	**Short-term incentive plan (STI)**	The group operates a bonus pool short-term incentive plan, which all employees are eligible to participate in. The bonus pool is funded from the consolidated group profit, and is varied according to the company's performance during the year, as more fully described in the STI section below.
	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 with the option of an interest free loan, vesting over 3 to 5 years.

2.2 Short-term incentives (STI)

The company has introduced a new short-term incentive plan which aligns with best market practice within the industry and operates in the same manner for all employees within the group. A bonus pool from which all STIs are paid is calculated based on consolidated group profit.

The percentage of profit which forms the pool is modified according to company performance during the year, relative to profit before tax and return on equity targets which are set yearly in advance. Where company performance is below the threshold level, no bonus pool will accrue for senior management and executives.

Each individual's short-term incentive is then calculated based on individual performance and job grade, informed by the total pool. Where an employee's performance is assessed to be unacceptable, that employee will not qualify for any STI payment during the year.

The remco approves the individual performance scores for the executive management committee.

The maximum performance incentive remuneration of any employee is limited to twice the on-target incentive.

2.3 Long-term incentives (LTI)

Share appreciation rights plan (SAR)

Terms	Detail
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 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 September 2013 and 2014 awards is: *Achievement of budgeted cumulative profit after tax ('PAT') over the performance period.*

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REMUNERATION REPORT (continued)

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Conditional share plan (CSP)

Terms	Detail
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 September 2013 and 2014 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- or long-term incentives and do not have contracts of employment with the company. Their fees are reviewed by the company and 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 2016 financial year can be found on page 158 of the notice of the annual general meeting.

4. Non-binding advisory vote

At the forthcoming AGM, 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 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 8% was awarded to the executive directors and 7.2% to executive managers.

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 2015 consolidated annual financial statements.

The committee awarded the first tranche in September 2013, with a second tranche on 10 September 2014 as follows:

Share appreciation rights	455,875 (September 2013: 474,156)
Conditional shares	478,780 (September 2013: 510,532)

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 2014 was as follows:

Share purchase scheme 480,900 (September 2013: 1,562,166)

4. Directors' remuneration

4.1 Executive directors' remuneration

The analysis of the remuneration of executive directors for the 2015 year is disclosed in note 40.9.3 of the 30 June 2015 consolidated annual financial statements.

4.2 Non-executive director fees

The analysis of the non-executive director fees for the 2015 year is disclosed in note 40.9.2 of the 30 June 2015 consolidated annual financial statements.

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

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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 2015, 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 55 to 156.

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

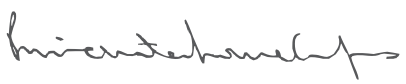
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 2015, 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
9 September 2015

DIRECTORS' REPORT

for the year ended 30 June 2015

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 2015.

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

Associate of Capricorn Asset Management (Pty) Ltd:

- Capricorn Asset Management (Botswana) (Pty) Ltd
  - Asset management

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 2015 amounted to:

	2015 N$'000	2014 N$'000
Profit for the year	753,002	624,915

Normal dividends of N$227.4 million (2014: N$116.2 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 58 to 156.

4. Share capital

4.1 Ordinary shares

The company's authorised share capital is 600,000,000 ordinary shares of 2.5 cents each.

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

4.2 Preference shares

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

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DIRECTORS' REPORT (continued)

for the year ended 30 June 2015

For full details on the issued preference share capital and the change to issued preference share capital, refer to notes 26 and 31 to the consolidated annual financial statements.

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:

	2015	2014
Capricorn Investment Holdings Ltd	55.0%	56.8%
Nam-mic Financial Services Holdings (Pty) Ltd	9.4%	9.4%
Namibia Strategic Investments (Pty) Ltd	8.7%	8.4%
Held by the public	21.0%	19.9%

4.4 Share analysis – preference shares

	2015	2014
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 (SAR) and (3) a conditional share plan (CSP), 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 to the consolidated annual financial statements 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 company shares

For details of the directors' holdings in the issued ordinary shares of Bank Windhoek Holdings Ltd, refer to note 40 to the consolidated annual financial statements.

5. Subsidiaries

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

6. Associates

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

7. Joint arrangements

For details relating to the joint arrangements of Bank Windhoek Holdings Ltd, refer to note 22 to the consolidated 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 4 November 2014, J Shaetonhodi, J J Swanepoel and G Nakazibwe-Sekandi were unanimously re-elected as directors. All directors appointed since a previous 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 3 November 2015, 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

1) On 11 August 2015 a final dividend of 29 cents per ordinary share was declared for the year ended 30 June 2015, paid on 11 September 2015.

2) The group is in discussions with parties to raise long-term funding in excess of N$1 billion. These transactions have been approved by the BWH board, subject to the finalisation of the contractual requirements.

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 consolidated annual financial statements.

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CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2015

	Notes	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Interest and similar income		2,425,239	1,944,847	-	-
Interest and similar expenses		(1,158,278)	(887,949)	-	-
Net interest income	5	1,266,961	1,056,898	-	-
Impairment charges on loans and advances	6	(58,305)	(29,115)	-	-
Net interest income after loan impairment charges		1,208,656	1,027,783	-	-
Non-interest income	7	811,891	679,732	387,928	309,571
Operating income		2,020,547	1,707,515	387,928	309,571
Operating expenses	9	(1,042,231)	(914,641)	(90,221)	(46,713)
Operating profit		978,316	792,874	297,707	262,858
Share of joint arrangements' results after tax	22	1,667	1,151	-	-
Share of associates' results after tax	10	87,159	84,264	-	-
Profit before income tax		1,067,142	878,289	297,707	262,858
Income tax expense	11	(314,140)	(253,374)	(2,816)	1,700
Profit for the year		753,002	624,915	294,891	264,558
Other comprehensive income					
Items that may subsequently be reclassified to profit or loss					
Change in value of available-for-sale financial assets	16	28,486	14,244	-	-
Total comprehensive income for the year		781,488	639,159	294,891	264,558
Basic earnings per ordinary share (cents)	12	150.4	124.7		
Fully diluted earnings per ordinary share (cents)	12	149.9	124.5		

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

as at 30 June 2015

	Notes	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
ASSETS					
Cash and balances with the central bank	13	619,907	709,431	132,603	5,548
Derivative financial instruments	14	977	2,190	-	-
Financial assets designated at fair value through profit or loss	15	2,587,461	2,104,938	194,035	160,505
Investment securities	16	100,533	72,047	-	-
Due from other banks	17	740,321	472,972	-	-
Loans and advances to customers	18	23,621,871	20,245,395	-	-
Other assets	19	363,680	250,320	19,921	99,256
Current tax asset		4,575	14,112	515	35
Investment in subsidiaries	20	-	-	744,991	744,991
Investment in associates	21	233,157	209,364	110,195	110,195
Interest in joint arrangements	22	7,104	5,437	-	-
Intangible assets	23	155,165	94,239	-	-
Property, plant and equipment	24	154,043	130,295	-	-
Deferred tax asset	29	20,048	7,528	-	2,816
Total assets		28,608,842	24,318,268	1,202,260	1,123,346
LIABILITIES					
Derivative financial instruments	14	1,731	138	-	-
Due to other banks	25	130,151	282,664	-	-
Debt securities in issue	26	2,461,212	1,841,287	150,969	150,877
Deposits	27	21,993,998	18,782,411	-	-
Other liabilities	28	359,015	298,643	22,316	16,009
Current tax liability		10,946	698	-	-
Deferred tax liability	29	-	10,708	-	-
Post-employment benefits	30	8,416	7,561	-	-
Total liabilities		24,965,469	21,224,110	173,285	166,886
EQUITY					
Share capital and premium	31	530,050	532,435	539,866	539,866
Non-distributable reserves	34	196,486	170,354	-	-
Distributable reserves	35	2,916,837	2,391,369	489,109	416,594
Total shareholders' equity		3,643,373	3,094,158	1,028,975	956,460
Total equity and liabilities		28,608,842	24,318,268	1,202,260	1,123,346

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CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2015

	Notes	Share capital and premium N$'000	Non-distributable reserves: Insurance fund reserve N$'000	Non-distributable reserves: Credit risk reserve N$'000	Distributable reserves: SBCR* N$'000	Distributable reserves: Fair value reserve N$'000	Distributable reserves: General banking reserve N$'000	Distributable reserves: Retained earnings N$'000	Total equity N$'000
GROUP									
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		-	-	-	-	-	-	(121,491)	(121,491)
Dividends	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
Balance at 1 July 2014		532,435	28,617	141,737	12,077	67,831	1,906,657	404,804	3,094,158
Shares held by the BWH Group Employee Share Trusts		(2,385)	-	-	-	-	-	-	(2,385)
Total comprehensive income for the year		-	-	-	-	28,486	-	753,002	781,488
Profit for the year		-	-	-	-	-	-	753,002	753,002
Other comprehensive income		-	-	-	-	28,486	-	-	28,486
Share-based payment charges	35	-	-	-	5,000	-	-	-	5,000
Profit on sale of treasury shares		-	-	-	-	-	-	764	764
Transfer from SBCR*	35	-	-	-	(10,015)	-	-	-	(10,015)
Transfer between reserves		-	-	26,132	-	-	390,659	(416,791)	-
Dividends	36	-	-	-	-	-	-	(225,637)	(225,637)
Balance at 30 June 2015		530,050	28,617	167,869	7,062	96,317	2,297,316	516,142	3,643,373

	Notes	Share capital and premium N$'000	Non-distributable reserves: Insurance fund reserve N$'000	Non-distributable reserves: Credit risk reserve N$'000	Distributable reserves: SBCR* N$'000	Distributable reserves: Fair value reserve N$'000	Distributable reserves: General banking reserve N$'000	Distributable reserves: Retained earnings N$'000	Total equity N$'000
COMPANY									
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	36	-	-	-	-	-	-	(116,215)	(116,215)
Balance at 30 June 2014		539,866	-	-	2,062	-	-	414,532	956,460
Balance at 1 July 2014		539,866	-	-	2,062	-	-	414,532	956,460
Share-based payment charges	35	-	-	-	5,000	-	-	-	5,000
Total comprehensive income for the year		-	-	-	-	-	-	294,891	294,891
Dividends	36	-	-	-	-	-	-	(227,376)	(227,376)
Balance at 30 June 2015		539,866	-	-	7,062	-	-	482,047	1,028,975

*Share-based compensation reserve (SBCR)

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CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

for the year ended 30 June 2015

	Notes	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Cash flows from operating activities					
Cash receipts from customers	37.1	3,226,606	2,604,796	55,574	16,153
Cash paid to customers, suppliers and employees	37.2	(1,968,532)	(1,635,870)	(74,421)	(34,872)
Cash generated from / (utilised in) operations	37.3	1,258,074	968,926	(18,847)	(18,719)
Net increase in financial assets designated at fair value		(421,073)	(474,345)	-	-
Net increase in loans and advances to customers and banks		(3,479,786)	(2,644,677)	-	-
Net (increase) / decrease in other assets		(108,519)	(49,151)	(14,665)	2,920
Net increase in deposits		3,184,619	1,830,330	-	-
Net increase in other liabilities		52,510	55,521	6,307	13,714
Net cash generated from / (utilised in) operations		485,825	(313,396)	(27,205)	(2,085)
Dividends received		76,420	72,411	424,863	190,895
Other interest received		588	3,002	1,087	8,523
Income taxes paid	37.4	(317,179)	(297,025)	(76)	(1,045)
Net cash generated from / (utilised in) operating activities		245,654	(535,008)	398,669	196,288
Cash flows from investing activities					
Additions to property, plant and equipment	24	(58,981)	(32,147)	-	-
Proceeds on sale of property, plant and equipment	37.3	2,581	1,427	-	-
Additions to intangible assets	23	(65,500)	(20,235)	-	-
Proceeds on sale of subsidiary		-	9,352	-	-
Acquisition of subsidiaries		-	(124,640)	-	(127,954)
Acquisition of associate	21	(853)	-	-	-
Proceeds on maturity of endowment policy	16	-	62,643	-	-
Net cash utilised in investing activities		(122,753)	(103,600)	-	(127,954)
Cash flows from financing activities					
Treasury shares (acquired) / sold		(2,017)	940	-	-
Repayment of debt securities in issue	26	(358,691)	(289,989)	(10,708)	(9,703)
Proceeds from the issue of debt securities	26	814,014	1,094,500	-	-
Dividends paid	36	(225,637)	(116,415)	(227,376)	(116,215)
Net cash generated from / (utilised in) financing activities		227,669	689,036	(238,084)	(125,918)
Net increase / (decrease) in cash and cash equivalents		350,570	50,428	160,585	(57,584)
Cash and cash equivalents at the beginning of the year		1,608,749	1,558,321	166,053	223,637
Cash and cash equivalents at the end of the year	39	1,959,319	1,608,749	326,638	166,053

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2015

1. Basis of presentation

The consolidated annual financial statements of Bank Windhoek Holdings Ltd for the year ended 30 June 2015 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 consolidated 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 Standards and interpretations issued

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

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 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.

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.

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.

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'.

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.

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IFRIC 21 – 'Levies'
This 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 a liability should be recognised.

IFRIC 21 is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

1.3.2 Standards and interpretations issued but not yet effective

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets
The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business', then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. **Effective for annual periods beginning on or after 1 January 2016.**

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption
The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. **Effective for annual periods beginning on or after 1 January 2016.**

Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation
This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. **Effective for annual periods beginning on or after 1 January 2016.**

IFRS 14 – 'Regulatory deferral accounts'
The IASB has issued IFRS 14, 'Regulatory deferral accounts' specific to first-time adopters, 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 its customers for goods and services is subject to oversight and / or approval by an authorised body. **Effective for annual periods beginning on or after 1 January 2016.**

Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative
In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. **Effective for annual periods beginning on or after 1 January 2016.**

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation
In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. **Effective for annual periods beginning on or after 1 January 2016.**

Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' on bearer plants
In this amendment to IAS 16 the IASB has scoped in bearer plants, but not the produce on bearer plants, and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. In this amendment to IAS 41, the IASB has adjusted the definition of a bearer plant to include examples of non-bearer plants and removed current examples of bearer plants from IAS 41. **Effective for annual periods beginning on or after 1 January 2016.**

Amendments to IAS 27, 'Separate financial statements' on equity accounting
In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. **Effective for annual periods beginning on or after 1 January 2016.**

IFRS 15 – 'Revenue from contracts with customers'
The FASB and IASB issued their long-awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer. **Effective for annual periods beginning on or after 1 January 2017.**

IFRS 9 – 'Financial instruments (2009 & 2010)'
This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses the 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.

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. **Effective for annual periods beginning on or after 1 January 2018.**

Amendment to IFRS 9 – 'Financial instruments', on general hedge accounting
The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:

- The own credit risk requirements for financial liabilities.
- Classification and measurement (C&M) requirements for financial assets.
- C&M requirements for financial assets and financial liabilities.
- The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting).

The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9. **Effective for annual periods beginning on or after 1 January 2018.**

2. Summary of significant accounting policies

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

The group adopted the standards effective for the first time during the current year on 1 July 2014. The new accounting policies did not have a significant impact on the consolidated annual financial statements (refer to note 1.3.1). For standards issues but not yet effective (refer to note 1.3.2), the group is considering the implications of IFRS 9 and its impact on the group. For all other standards and amendments not yet effective, the group does not expect any material impact on its 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.

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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 remeasured 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, 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 with 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 re-measured 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 consolidated annual 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 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.

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2.1.6 Joint arrangements

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 arrangements 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 arrangement equals or exceeds its interests in the joint arrangement (which includes any long-term interests that, in substance, form part of the group's net investment in the joint arrangement), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint arrangement.

Unrealised gains on transactions between the group and its joint arrangement are eliminated to the extent of the group's interest in the joint arrangement. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint arrangement have been changed where necessary to ensure consistency with the policies adopted by the group.

Investments in joint arrangements 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 dollar (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 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, money market investments, derivative financial instruments and other debt securities 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

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established. Changes in the fair value of monetary and 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 expenses 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 financial 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 when there are few recent transactions.

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

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

2.3.4 Derecognition

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

2.3.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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 their fair value is positive and as liabilities when their 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 the variables of which 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 financial 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;

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iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
v) the disappearance of an active market for that financial asset because of financial difficulties; or
vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  – adverse changes in the payment status of borrowers in the group; or
  – national or local economic conditions that correlate with defaults on the assets in the group.

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

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

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

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higher of the 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 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 expenses are not recognised as assets 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 life cycle.

2.7 Property, plant and equipment

Land and buildings mainly comprise branches and offices. All property, plant and equipment are 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 consolidated annual 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 is derecognised when the asset is sold to a third party.

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 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.

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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 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 assets 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 implication 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 the 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 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 where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

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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 that 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 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

2.18.1 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.

2.18.2 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 Inventory (residential units)

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in-first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventory include the transfer from equity of any gains / losses on qualifying cash flow hedges for purchases of raw materials.

2.20 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the consolidated annual

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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 in 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 consolidated annual 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, asset management and unit trust 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

Any business that requires a return on capital investment is exposed to financial risks. 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 either have a positive or 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 (BARC) 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 from customers or borrows money from investors at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in 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 primary responsibility of the ALCO is the management of market and liquidity risks within set risk capacity, appetite and tolerance thresholds whilst at the same time optimising the group's profitability and capital position. Therefore, the group trades in financial instruments where it takes positions in traded instruments, including derivatives, to take advantage of, and hedge against adverse, 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 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 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 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 on page 82 to 113.

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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 65 to 80 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.

2015	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
GROUP							
ASSETS							
Cash and balances with the central bank	-	-	619,907	-	-	-	619,907
Derivative financial instruments	977	-	-	-	-	-	977
Financial assets designated at fair value through profit or loss	-	2,587,461	-	-	-	-	2,587,461
Investment securities	-	-	-	100,533	-	-	100,533
Due from other banks	-	-	740,321	-	-	-	740,321
Loans and advances to customers	-	-	23,621,871	-	-	-	23,621,871
Other assets	-	-	316,324	-	-	47,356	363,680
Current tax asset	-	-	-	-	-	4,575	4,575
Investment in associates	-	-	-	-	-	233,157	233,157
Interest in joint arrangements	-	-	-	-	-	7,104	7,104
Intangible assets	-	-	-	-	-	155,165	155,165
Property, plant and equipment	-	-	-	-	-	154,043	154,043
Deferred tax asset	-	-	-	-	-	20,048	20,048
Total assets	977	2,587,461	25,298,423	100,533	-	621,448	28,608,842
LIABILITIES							
Derivative financial instruments	1,731	-	-	-	-	-	1,731
Due to other banks	-	-	-	-	130,151	-	130,151
Debt securities in issue	-	-	-	-	2,461,212	-	2,461,212
Deposits	-	-	-	-	21,993,998	-	21,993,998
Other liabilities	-	-	-	-	343,494	15,521	359,015
Current tax liability	-	-	-	-	-	10,946	10,946
Post-employment benefits	-	-	-	-	-	8,416	8,416
Total liabilities	1,731	-	-	-	24,928,855	34,883	24,965,469

3.1 Analysis of assets and liabilities (continued)

2014	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
GROUP							
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 arrangements	-	-	-	-	-	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

3.2 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. Impairments 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 audit, risk and compliance committee.

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.

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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 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 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 2015 N$'000	Maximum exposure 2014 N$'000
GROUP			
Credit risk exposures relating to on-statement of financial position assets are as follows:			
Cash and balances with the central bank	13	619,907	709,431
Derivative financial instruments	14	977	2,190
Financial assets designated at fair value through profit or loss	15	2,587,461	2,104,938
– Treasury bills		2,120,868	1,650,540
– Government stock		17,966	233,994
– Unit trust investments		19,232	26,808
– Money market investments		215,224	193,596
– Other debt securities		214,171	-
Investment securities	16	100,533	72,047
Due from other banks	17	740,321	472,972
Gross loans and advances to customers	18	23,817,768	20,393,082
– Overdrafts		3,672,578	3,086,470
– Term loans		4,549,801	4,093,955
– Mortgages		11,850,416	9,919,583
– Instalment finance		3,348,452	2,863,806
– Preference shares		396,521	429,268
Other assets*	19	316,324	201,737
Total on-statement of financial position exposure		28,183,291	23,956,397
Credit risk exposure relating to off-statement of financial position items are as follows:			
Liabilities under guarantees	38	1,610,392	1,233,091
Letters of credit	38	731,813	196,614
Loan commitments	38	1,929,720	1,732,289
Total off-statement of financial position exposure		4,271,925	3,161,994
Total credit risk exposure		32,455,216	27,118,391

*Other assets exposed to credit risk include the insurance fund asset, accounts receivable as well as clearing and settlement accounts.

The above table represents a worst case scenario of credit risk exposure to the group at 30 June 2015 and 2014, 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 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 represent 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.

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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, insurance 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;
- deposits with any registered financial institution and ceded to the group;
- life insurance policies with a confirmed surrender value; and
- any other form of tangible collateral security subject to approval by the board credit committee.

Collateral per class of loans and advances:

Mortgages:

- First, second and third covering bond; and
- 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; and
- Cession of fixed deposits, notice deposits, bills, bonds, shares, investments or debtors.

Valuation methodologies (which include 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. A revaluation of the property by an approved valuator 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. Home-owners comprehensive insurance is compulsory for all 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.

Credit life insurance

In the case of micro-loans, the customer signs a formal loan agreement and sufficient 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 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 statement of financial

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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 consolidated annual 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.

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 problem accounts and trends. The following reports are generated:

- Excesses are reported on a daily basis and re-viewed 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 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.
- All clients with exposures approved above branch level are interviewed by credit before non-performing accounts are transferred to the legal collections branch.
- All transfers to the legal collections branch with an impairment 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. Impairments 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.

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

The table below shows the loans and advances age analysis:

Group	Neither past due nor impaired	Special mention			Non-performing	Total
		0 – 30 days	31 – 60 days	61 – 90 days	More than 90 days	
As at 30 June 2015	**N$'000**	**N$'000**	**N$'000**	**N$'000**	**N$'000**	**N$'000**
Overdrafts	3,576,687	20,068	5	-	75,818	3,672,578
Term loans	4,502,176	1,363	280	17	45,965	4,549,801
Mortgages	11,686,848	79,987	5,136	873	77,572	11,850,416
Instalment finance	3,264,270	14,220	8,277	305	61,380	3,348,452
Preference shares	396,521	-	-	-	-	396,521
Total gross loans and advances	23,426,502	115,638	13,698	1,195	260,735	23,817,768
Specific impairment raised against unsecured amount*	-	(21,877)	(4,691)	(286)	(101,320)	(128,174)
Total loans and advances after specific impairments	23,426,502	93,761	9,007	909	159,415	23,689,594
Security held against impaired loans	-	(93,761)	(9,007)	(909)	(159,415)	(263,092)
	23,426,502	-	-	-	-	23,426,502
As at 30 June 2014						
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

*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 is subject to impairment. 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 special mention accounts are performing but subject to at least the minimum impairments as per the BID 2 determination.

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

Non-performing loans and advances to customers before taking into consideration the cash flows from collateral held is N$260.7 million (2014: N$139.3 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 2015					
Non-performing loans	75,818	45,965	77,572	61,380	260,735
Value of tangible collateral	31,444	19,029	64,934	44,008	159,415
Impairment raised against unsecured amount	44,374	26,936	12,638	17,372	101,320
Net exposure	-	-	-	-	-
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	-	-	-	-	-

The value of tangible collateral disclosed above 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 of financial assets other than loans and advances

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

	2015 N$'000	2014 N$'000
Group		
Cash and balances with the central bank	619,907	709,431
Derivative financial instruments	977	2,190
Financial assets designated at fair value through profit or loss	2,587,461	2,104,938
Investment securities	100,533	72,047
Due from other banks	740,321	472,972
Other assets	316,324	201,737

No 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 rating 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.

Group **As at 30 June 2015**	Carrying value N$'000	Investment grade (AAA to BBB) N$'000	Unrated N$'000	Total N$'000
Cash and balances with the central bank	-	400,348	219,559	619,907
Derivative financial instruments	-	9	968	977
Financial assets designated at fair value through profit or loss	-	2,350,461	237,000	2,587,461
Investment securities	-	98,897	1,636	100,533
Due from other banks	-	659,486	80,835	740,321
Other assets	-	-	316,324	316,324
Non-financial assets	621,448	-	-	621,448
Total assets (excluding loans and advances)	621,448	3,509,201	856,322	4,986,971

Group **As at 30 June 2014**	Carrying value N$'000	Investment grade (AAA to BBB) N$'000	Unrated N$'000	Total N$'000
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

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 creditworthiness of these government and large commercial banks' money market instruments are of high quality, which poses low credit risk. Other assets consist of accounts receivable, the insurance fund asset as well as clearing and settlement accounts. Unrated exposures due from other banks are fully collateralised and foreign currency exposures are hedged.

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

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 2015 and 30 June 2014 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 2015	Exposure N$'000	Impairment N$'000	Risk-weighted amounts N$'000	Written off N$'000
Counterparties				
Sovereign and central bank	2,294,364	-	-	-
Public sector entities	613,689	-	190,475	-
Banks	886,946	-	178,286	-
Corporate	5,756,771	47,949	5,697,441	-
Retail	5,596,430	35,916	4,220,503	13,566
Residential mortgage properties	6,385,539	7,834	3,212,285	417
Commercial real estate	5,464,877	863	5,471,398	-
Other assets	1,532,692	-	576,236	-
Included in other assets:				
– Listed shares	100,533	-	100,533	-
	28,531,308	92,562	19,546,624	13,983
Commitments	4,271,915	-	1,766,641	-

3.2.7 Credit risk weighted amounts (continued)

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	-

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:

	2015	2014
Namibia long-term local currency issuer default rating	BBB	BBB
Namibia long-term issuer default rating	BBB-	BBB-

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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 2015							
Agriculture and forestry	-	-	-	-	1,213,735	-	1,213,735
Fishing	-	-	-	-	212,177	-	212,177
Mining	-	1,636	-	-	256,324	-	257,960
Manufacturing	-	-	-	-	584,678	-	584,678
Building and construction	-	-	-	-	2,129,331	-	2,129,331
Electricity, gas and water	-	-	-	-	74,276	-	74,276
Trade and accommodation (note 1)	-	-	-	-	9,982,188	-	9,982,188
Transport and communication	-	-	-	-	456,290	-	456,290
Finance and insurance	219,559	977	448,627	740,321	1,421,432	-	2,830,916
Real estate and business services	-	-	-	-	4,041,380	-	4,041,380
Government	400,348	-	2,138,834	-	3,567	-	2,542,749
Individuals	-	-	-	-	3,387,892	-	3,387,892
Other (note 2)	-	98,897	-	-	54,498	316,324	469,719
Impairment	-	-	-	-	(195,897)	-	(195,897)
	619,907	101,510	2,587,461	740,321	23,621,871	316,324	27,987,394
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 (note 2)	-	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

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.

Note 2: Other assets include the insurance fund asset, accounts receivable as well as clearing and settlement accounts.

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 N$'000
Group							
As at 30 June 2015							
Namibia	619,907	-	2,587,461	300,003	23,621,871	316,324	27,445,566
South Africa	-	977	-	35,782	-	-	36,759
United Kingdom	-	1,636	-	15,520	-	-	17,156
United States of America	-	98,897	-	337,704	-	-	436,601
Zambia	-	-	-	2,255	-	-	2,255
Other countries	-	-	-	49,057	-	-	49,057
	619,907	101,510	2,587,461	740,321	23,621,871	316,324	27,987,394
As at 30 June 2014							
Namibia	709,431	-	2,104,938	52,096	20,245,395	201,737	23,313,597
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	-	-	-	2,250	-	-	2,250
Other countries	-	-	-	2,616	-	-	2,616
	709,431	74,237	2,104,938	472,972	20,245,395	201,737	23,808,710

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 receivables of N$26.9 million (2014: N$31.1 million) for which 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 off-set in the statement of financial position. Refer below for details of the gross financial asset and gross financial liability.

	Group 2015 N$'000	Group 2014 N$'000
Gross financial asset	81,866	115,144
Gross financial liability	(54,950)	(84,035)
Net financial asset included in loans and advances to customers	26,916	31,109

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 in the determination of interest rate views by the ALCO.

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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

	NAD N$'000	ZMW N$'000	US$ N$'000	€ N$'000	ZAR[1] N$'000	Other N$'000	Total N$'000
Group							
As at 30 June 2015							
ASSETS							
Cash and balances with the central bank	553,006	-	10,589	7,793	-	48,519	619,907
Derivative financial instruments	-	-	-	-	977	-	977
Financial assets designated at fair value through profit or loss	2,587,461	-	-	-	-	-	2,587,461
Investment securities	-	-	98,897	-	-	1,636	100,533
Due from other banks	300,003	2,255	337,704	61,510	35,782	3,067	740,321
Loans and advances to customers	23,612,790	-	4,586	4,331	-	164	23,621,871
Other assets	316,324	-	-	-	-	-	316,324
Total financial assets	27,369,584	2,255	451,776	73,634	36,759	53,386	27,987,394
Non-financial assets	621,448	-	-	-	-	-	621,448
Total assets	27,991,032	2,255	451,776	73,634	36,759	53,386	28,608,842
LIABILITIES							
Derivative financial instruments	-	-	-	-	1,731	-	1,731
Due to other banks	-	-	63,084	-	66,791	276	130,151
Debt securities in issue	1,075,297	-	-	-	1,385,915	-	2,461,212
Deposits	21,504,948	-	417,557	68,117	-	3,376	21,993,998
Other liabilities	343,494	-	-	-	-	-	343,494
Total financial liabilities	22,923,739	-	480,641	68,117	1,454,437	3,652	24,930,586
Non-financial liabilities	34,883	-	-	-	-	-	34,883
Total liabilities	22,958,622	-	480,641	68,117	1,454,437	3,652	24,965,469
Total equity	3,643,373	-	-	-	-	-	3,643,373
Total equity and liabilities	26,601,995	-	480,641	68,117	1,454,437	3,652	28,608,842
Net financial position of financial instruments	4,445,845	2,255	(28,865)	5,517	(1,417,678)	49,734	3,056,808
Credit commitments	-	-	704,912	38,405	27,884	920	772,121

3.3.2 Foreign currency risk (continued)

	NAD N$'000	ZMW N$'000	US$ N$'000	€ N$'000	ZAR[1] N$'000	Other N$'000	Total N$'000
Group							
As at 30 June 2014							
ASSETS							
Financial assets	23,281,371	2,250	334,318	63,800	118,064	8,907	23,808,710
Non-financial assets	509,558	-	-	-	-	-	509,558
Total assets	23,790,929	2,250	334,318	63,800	118,064	8,907	24,318,268
LIABILITIES							
Financial liabilities	19,910,159	-	271,708	60,059	905,803	51,814	21,199,543
Non-financial liabilities	24,567	-	-	-	-	-	24,567
Total liabilities	19,934,726	-	271,708	60,059	905,803	51,814	21,224,110
Total equity	3,094,158	-	-	-	-	-	3,094,158
Total equity and liabilities	23,028,884	-	271,708	60,059	905,803	51,814	24,318,268
Net financial position of financial instruments	3,371,212	2,250	62,610	3,741	(787,739)	(42,907)	2,609,167
Credit commitments	389	-	174,815	2,097	-	36,349	213,650

[1]The Namibian dollar is fixed to the South African rand and is therefore not exposed to currency risk.

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:

	2015	2014
USD	12.16	10.57
GBP	19.16	18.06
EUR	13.62	14.45
ZAR	1.00	1.00
ZMW	0.62	0.59

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:

	Group Effect on profit for the year	
	2015 N$'000	2014 N$'000
US dollar / Namibian dollar	(17,550)	33,089
– Foreign currency financial assets	274,680	176,687
– Foreign currency financial liabilities	(292,230)	(143,598)
Euro / Namibian dollar	3,757	2,703
– Foreign currency financial assets	50,145	46,096
– Foreign currency financial liabilities	(46,388)	(43,393)
Zambian kwacha / Namibian dollar	70	65
– Foreign currency financial assets	70	65

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3.3.2 Foreign currency risk (continued)

	Group Effect on other comprehensive income 2015 N$'000	Group Effect on other comprehensive income 2014 N$'000
The following effect of 5% change would arise on equity instruments:		
Effect of US dollar denominated equity instrument	4,945	3,392

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.

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 2015						
ASSETS						
Cash and balances with the central bank	155,529	-	-	-	464,378	619,907
Derivative financial instruments	977	-	-	-	-	977
Financial assets designated at fair value through profit or loss	435,493	562,664	1,558,089	31,215	-	2,587,461
Investment securities	-	-	-	-	100,533	100,533
Due from other banks	740,321	-	-	-	-	740,321
Loans and advances to customers	23,666,959	337	1,857	28,818	(76,100)	23,621,871
Other assets	52,871	-	-	-	263,453	316,324
Total financial assets	25,052,150	563,001	1,559,946	60,033	752,264	27,987,394
Non-financial assets	-	-	-	-	621,448	621,448
Total assets	25,052,150	563,001	1,559,946	60,033	1,373,712	28,608,842

3.3.3 Interest rate risk (continued)

	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
LIABILITIES						
Derivative financial instruments	1,731	-	-	-	-	1,731
Due to other banks	130,151	-	-	-	-	130,151
Debt securities in issue	25,134	1,773,365	107,713	555,000	-	2,461,212
Deposits	13,851,206	3,827,579	4,027,174	288,039	-	21,993,998
Other liabilities	-	-	-	-	343,494	343,494
Total financial liabilities	14,008,222	5,600,944	4,134,887	843,039	343,494	24,930,586
Total non-financial liabilities	-	-	-	-	34,883	34,883
Total liabilities	14,008,222	5,600,944	4,134,887	843,039	378,377	24,965,469
Total equity	-	-	-	-	3,643,373	3,643,373
Total equity and liabilities	14,008,222	5,600,944	4,134,887	843,039	4,021,750	28,608,842
Interest sensitivity gap (financial instruments)	11,043,928	(5,037,943)	(2,574,941)	(783,006)	408,770	3,056,808
Cumulative interest sensitivity gap (financial instruments)	11,043,928	6,005,985	3,431,044	2,648,038	3,056,808	
As at 30 June 2014						
Interest sensitivity gap (financial instruments)	9,798,977	(4,619,646)	(2,241,981)	(661,183)	333,000	2,609,167
Cumulative interest sensitivity gap (financial instruments)	9,798,977	5,179,331	2,937,350	2,276,167	2,609,167	

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

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.

	Group 2015 N$'000	Group 2014 N$'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	41,657	32,860
– Increase in interest income	137,087	124,363
– Increase in interest expense	(95,430)	(91,503)
50 basis points decrease	(20,476)	(31,960)
– Decrease in interest income	(116,663)	(122,252)
– Decrease in interest expense	96,187	90,292
100 basis points increase	83,563	65,985
– Increase in interest income	274,221	248,724
– Increase in interest expense	(190,658)	(182,739)
100 basis points decrease	(57,581)	(65,878)
– Decrease in interest income	(249,140)	(244,482)
– Decrease in interest expense	191,559	178,604

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3.3.3 Interest rate risk (continued)

	Group 2015 N$'000	Group 2014 N$'000
200 basis points increase	167,968	133,030
– Increase in interest income	548,920	497,440
– Increase in interest expense	(380,952)	(364,410)
200 basis points decrease	(159,119)	(157,488)
– Decrease in interest income	(514,181)	(488,914)
– Decrease in interest expense	355,062	331,426

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.

	Group 2015 N$'000	Group 2014 N$'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)	10,054	7,205
10% decrease in share price (effect on other comprehensive income)	(10,054)	(7,205)
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)	110	1,032
100 basis points decrease in discount rate (effect on profit or loss)	(104)	(1,050)
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:		

3.3.4 Price risk (continued)

	Group 2015 N$'000	Group 2014 N$'000
100 basis points increase in discount rate (effect on profit or loss)	(9,551)	(6,409)
100 basis points decrease in discount rate (effect on profit or loss)	9,665	6,489
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)	(873)	(1,468)
100 basis points decrease in discount rate (effect on profit or loss)	915	1,491

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 2015 N$'000	Capital charges 2014 N$'000
Interest rate risk	11,947	7,947
Foreign exchange risk	11,559	34,143

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

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3.4 Liquidity risk (continued)

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.

Liquidity risk analysis

The table below presents the cash flows payable by the group by remaining contractual maturities at the date of the 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						
As at 30 June 2015						
FINANCIAL LIABILITIES						
Derivative financial instruments	66	520	521	556	208	1,871
Due to other banks	130,151	-	-	-	-	130,151
Debt securities in issue	3,017	52,467	277,341	2,372,030	209,380	2,914,235
Deposits	12,539,604	2,461,872	5,928,303	1,703,366	6,135	22,639,280
Other liabilities	343,494	-	-	-	-	343,494
Total liabilities (contractual maturity dates)	13,016,332	2,514,859	6,206,165	4,075,952	215,723	26,029,031
Commitments (refer to note 3.2.7 for collateral held over commitments)	4,271,925	-	-	-	-	4,271,925
Loan commitments	1,929,720	-	-	-	-	1,929,720
Liabilities under guarantees	1,610,392	-	-	-	-	1,610,392
Letters of credit	731,813	-	-	-	-	731,813

3.4 Liquidity risk (continued)

	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
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	1,686,230	209,380	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	3,354,572	336,602	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

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 below:

		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
Group							
As at 30 June 2015							
ASSETS							
Cash and balances with the central bank	-	619,907	-	-	-	-	619,907
Derivative financial instruments	-	-	-	977	-	-	977
Financial assets designated at fair value through profit or loss	-	435,494	562,664	1,558,089	17,966	13,248	2,587,461
Investment securities	-	100,533	-	-	-	-	100,533
Due from other banks	-	740,321	-	-	-	-	740,321
Gross loans and advances to customers	-	3,709,109	239,278	847,232	4,802,705	14,219,444	23,817,768
Other assets	-	316,324	-	-	-	-	316,324
Non-financial instruments	621,448	-	-	-	-	-	621,448
Impairment	(195,897)	-	-	-	-	-	(195,897)
Total assets	425,551	5,921,688	801,942	2,406,298	4,820,671	14,232,692	28,608,842

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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	-	61	481	482	514	193	1,731
Due to other banks	-	130,151	-	-	-	-	130,151
Debt securities in issue	-	2,359	23,820	253,133	1,981,900	200,000	2,461,212
Deposits	-	12,509,725	2,409,106	5,547,368	1,521,667	6,132	21,993,998
Other liabilities	-	343,494	-	-	-	-	343,494
Non-financial instruments	34,883	-	-	-	-	-	34,883
Total liabilities	34,883	12,985,790	2,433,407	5,800,983	3,504,081	206,325	24,965,469
Net liquidity gap	390,668	(7,064,102)	(1,631,465)	(3,394,685)	1,316,590	14,026,367	3,643,373
Cumulative liquidity gap	390,668	(6,673,434)	(8,304,899)	(11,699,584)	(10,382,994)	3,643,373	
Group							
As at 30 June 2014							
ASSETS							
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	(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	1,420,000	200,000	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	2,892,091	327,222	21,224,110
Net liquidity gap	337,304	(6,117,191)	(1,717,857)	(2,980,236)	1,349,520	12,222,618	3,094,158
Cumulative liquidity gap	337,304	(5,779,887)	(7,497,744)	(10,477,980)	(9,128,460)	3,094,158	

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. Policies and procedures are in place to mitigate liquidity risk, which is detailed in the narrative above, as well as the risk and compliance report. Due to the composition of the liquidity market in Namibia, a negative maturity mismatch between assets and liabilities is an industry norm.

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 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

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.

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.

Other debt securities

– *Repo investments*

Repo investments are designated at fair value using discounted valuation techniques and available dealer quotes for similar instruments.

– *Corporate bonds*

Corporate bonds guaranteed by the respective corporates are designated at fair value based on the discounted valuation technique using quoted market prices.

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 approximates its fair value.

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3.5 Fair values of financial assets and liabilities (continued)

iv) Investment securities

Listed

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

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 impaired accounts. Refer to note 3.5 (b) for the disclosure of the fair value of loans and advances.

vii) Other assets and liabilities

The nominal values less impairment of trade receivables and payables are assumed to approximate their fair value, due to the short-term nature of these assets and liabilities. For the insurance asset 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 is N$433.1 million (2014: N$381.3 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 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$2.5 billion (2014: N$1.8 billion). The fair value of the issued preference shares approximates the carrying value, due to the floating rate nature of the instruments as well as the short term to maturity. 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.

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.

3.5. Fair values of financial assets and liabilities (continued)

Group	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
As at 30 June 2015				
Financial assets measured at fair value				
Financial assets designated at fair value through profit or loss	215,224	2,372,237	-	2,587,461
Treasury bills	-	2,120,868	-	2,120,868
Government stock	-	17,966	-	17,966
Unit trust investments	-	19,232	-	19,232
Money market investments	215,224	-	-	215,224
Other instruments	-	214,171	-	214,171
Financial assets at fair value through profit or loss				
Derivative financial instruments	-	977	-	977
Available-for-sale financial assets				
Investment securities – listed	100,533	-	-	100,533
	315,757	2,373,214	-	2,688,971
Financial assets for which the fair value is disclosed				
Loans and advances to customers	-	-	24,284,793	24,284,793
Directors' valuation of investment in associates	-	-	582,066	582,066
Directors' valuation of investment in joint arrangements	-	-	7,104	7,104
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	-	1,731	-	1,731
Financial liabilities for which the fair value is disclosed				
Debt securities in issue	-	-	2,457,404	2,457,404
Five-year callable bonds	-	-	216,933	216,933
Senior debt – unsecured	-	-	2,089,502	2,089,502
Preference shares (floating rate note)	-	-	150,969	150,969
Deposits	-	-	433,073	433,073
Promissory notes	-	-	312,745	312,745
Replica notes	-	-	120,328	120,328
	-	-	2,890,477	2,890,477
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

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3.5 Fair values of financial assets and liabilities (continued)

Group	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
Financial assets for which the fair value is disclosed				
Loans and advances to customers	-	-	20,574,382	20,574,382
Directors' valuation of investment in associates	-	-	488,109	488,109
Directors' valuation of investment in joint arrangements	-	-	5,437	5,437
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	-	-	1,838,575	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
	-	-	2,219,885	2,219,885

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

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 2015 N$'000	Group 2014 N$'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	(790,455)	(697,779)
100 basis points decrease in discount rate	856,732	755,756
100 basis points increase in earnings rate	162,371	159,103
100 basis points decrease in earnings rate	(161,387)	(165,795)
1 month increase in term to maturity	(44,595)	(30,475)
1 month decrease in term to maturity	48,374	31,402

3.5 Fair values of financial assets and liabilities (continued)

	Group 2015 N$'000	Group 2014 N$'000
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	(60,786)	(41,415)
100 basis points decrease in discount rate	62,999	42,589
100 basis points increase in coupon rate	63,741	44,488
100 basis points decrease in coupon rate	(63,741)	(44,488)
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	(2,249)	(786)
100 basis points decrease in discount rate	4,601	2,099
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	(2,734)	(3,622)
100 basis points decrease in discount rate	2,811	3,757
100 basis points increase in coupon rate	2,988	3,717
100 basis points decrease in coupon rate	(2,988)	(3,885)

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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) 2015	2014
Financial assets measured at fair value				
Financial assets designated at fair value through profit or loss				
Treasury bills	Income approach*	Note 1	5.4% – 7.4%	5.4% – 6.7%
Government stock	Income approach*	Note 1	7.9% – 9.9%	6.5% – 8.0%
Unit trust funds	Market approach**	Note 4	Note 4	Note 4
Other debt securities				
– Repo investments	Income approach*	Note 1	6.7% – 7.5%	5.7% – 6.6%
– Corporate bonds	Income approach*	Note 1	10.0%	
– OTC currency options	Income approach*	Note 1	€13.3 – 14.4 US$11.0 - 11.2	
Financial assets at fair value through profit or loss				
Derivative financial instruments	Income approach*	Note 1	5.3% – 10.3%	5.8% – 10.3%
Financial assets for which the fair value is disclosed				
Loans and advances to customers	Income approach*			
– Discount rate		Note 1	10.25%	9.5%
– Earnings rate		Note 2	5.7% – 18.2%	5.0% – 16.9%
– Term to maturity		Note 3	3 – 360 mo.	3 – 360 mo.
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	Income approach*	Note 1	5.3% – 10.3%	5.8% – 10.3%
Financial liabilities for which the fair value is disclosed				
Debt securities in issue				
Five-year callable bonds	Income approach*	Note 1	8.0%	8.4%
Senior debt - unsecured	Income approach*	Note 1	7.0% – 9.1%	6.8% – 9.2%
Deposits				
Promissory notes	Income approach*	Note 1	6.5% – 7.3%	5.8% – 6.5%
Replica notes	Income approach*	Note 1	7.8% – 8.4%	8.0% – 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 associates
Santam Namibia Ltd	Deduction approach	Equity accounted associates

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.

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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	
	2015 N$'000	2014 N$'000	2015 N$'000	2014 N$'000
Tier 1 capital				
Share capital and premium	485,000	485,000	539,866	539,866
General banking reserves	2,297,316	1,906,658	2,297,316	1,906,658
Retained earnings	49,479	36,670	638,889	527,102
Subtotal	2,831,795	2,428,328	3,476,071	2,973,626
Deduct: 50% investments in group entities				
Goodwill	-	-	(91,763)	(91,763)
50% investments in deconsolidated financial subsidiaries, significant minority and majority insurance entities and significant commercial entities	-	-	(131,300)	(128,922)
Net total Tier 1 capital	2,831,795	2,428,328	3,253,008	2,752,941
Tier 2 capital				
Subordinated debt	207,714	207,326	358,683	358,203
Five-year callable bonds	207,714	207,326	207,714	207,326
Preference shares	-	-	150,969	150,877
Portfolio impairment	262,386	231,854	262,386	231,854
Subtotal	470,100	439,180	621,069	590,057
Deduct: 50% investments in group entities				
50% investments in deconsolidated financial subsidiaries, significant minority and majority insurance entities and significant commercial entities	-	-	(121,491)	(121,491)
Net total Tier 2 capital	470,100	439,180	499,578	468,566
Total regulatory capital	3,301,895	2,867,508	3,752,586	3,221,507
Risk-weighted assets:				
Operational risk	2,187,522	1,906,784	2,210,548	1,940,610
Credit risk	21,310,920	18,031,267	21,313,265	18,034,198
Market risk	235,057	420,895	235,057	420,895
Total risk-weighted assets	23,733,499	20,358,946	23,758,870	20,395,703
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 and off-statement of financial position items.				
Capital adequacy ratios:				
Leverage capital ratio	10.1%	10.1%	12.1%	12.1%
Tier 1 risk-based capital ratio	11.9%	11.9%	13.7%	13.5%
Total risk-based capital ratio	13.9%	14.1%	15.8%	15.8%

3.6 Capital management (continued)

In addition to 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 2014, 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 notes 2.4 and 3.2.5 for more information on assumptions and judgements applied when determining 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 2015.

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. Refer to note 30.

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.

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

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.

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) Impairment of intangible assets

In terms of IAS 36 'Impairment of assets' an entity shall test an intangible asset not yet available for use for impairment irrespective of whether there is any indication of impairment. This requirement applies to the group's 'intangible assets in development' and an impairment test was performed for these capitalised assets. The recoverable amount of the individual intangible assets in development was determined based on value-in-use calculations, being the net present value of the discounted cash flows. For all such intangible assets the recoverable amount exceeded the carrying value and therefore no impairment was recognised for the year-ended 30 June 2015.

h) Assumptions used in directors' valuation for investments in associates and joint arrangements

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 arrangements are valued at net asset value. Additional information is disclosed in notes 21 and 22.

i) 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 2015 N$'000	Group 2014 N$'000
Interest and similar income		
Amortised cost		
Loans and advances	2,259,485	1,811,240
Cash and short-term funds	57,449	46,052
Fair value		
Financial assets designated at fair value through profit or loss	108,305	87,555
Treasury bills	96,775	69,150
Government stock and other investments	11,530	18,405
Total interest and similar income	2,425,239	1,944,847
Interest and similar expenses		
Amortised cost		
Demand deposits	228,533	216,349
Term and notice deposits	219,126	160,149
Negotiable certificates of deposits	354,159	265,630
Cheque deposits	141,718	104,395
Debt securities in issue	153,802	89,475
Savings deposits	25,526	17,904
Deposits from banks and financial institutions	8,446	3,041
Other	26,968	31,006
Total interest and similar expenses	1,158,278	887,949
Net interest income	1,266,961	1,056,898

6. Impairment charges on loans and advances

	2015	2014
Increase in specific impairment (note 18)	55,270	28,253
Increase in portfolio impairment (note 18)	6,923	5,698
Amounts recovered during the year	(3,888)	(4,836)
	58,305	29,115

Bank Windhoek fully provided for the impairment of a single large exposure at year-end which resulted in impairment charges increasing to N$58.3 million.

7. Non-interest income

	2015	2014
7.1 Fee and commission income		
Transaction and related fees	537,099	470,425
Commissions	19,973	17,107
Other	7,264	5,769
	564,336	493,301

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7. Non-interest income (continued)

7.2 Net trading income

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Net foreign exchange gains and losses from trading assets	90,395	47,268		
Net gain / (loss) from financial instruments designated at fair value through profit or loss	5,599	(5)		
	95,994	47,263		

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

7.3 Other operating income

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Asset management and administration fees	73,166	56,287	-	-
Brokerage commission	49,816	49,361	-	-
Dividend received – ordinary shares	806	613	320,220	280,402
Dividend received – BW Corporate Funds (deemed interest)	11,395	4,899	10,643	4,493
Interest received	588	3,002	1,087	8,523
Profit on sale of property, plant and equipment	533	554	-	-
Profit on sale of subsidiary	-	6,742	-	-
Profit on sale of residential units	816	1,958	-	-
Support services rendered	10,880	9,236	55,861	15,973
Other	3,561	6,516	117	180
	151,561	139,168	387,928	309,571
Total non-interest income	811,891	679,732	387,928	309,571

8. Staff costs

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Wages and salaries	519,651	430,570	48,717	18,328
Share-based payment expense	5,000	3,157	5,000	2,062
Granted to directors	356	64	356	64
Granted to employees	4,644	3,093	4,644	1,998
Staff training and transfer costs	10,042	5,981	914	196
Pension costs – defined contribution plan	34,147	30,096	3,116	1,208
Severance pay liability (note 30)	855	855	-	-
	569,695	470,659	57,747	21,794

9. Operating expenses

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Expenses by nature				
Advertising and marketing	21,017	18,543	341	126
Amortisation of intangible assets (note 23)	3,124	1,898	-	-
Asset management fees	387	20,174	-	-
Association transaction fees	80,900	61,562	-	-
Auditor's remuneration			-	
– Audit fees	2,884	2,493	494	460
– Fees for other services	722	1,091	381	370
Cash handling	6,044	5,667	-	-
Commission	5,621	5,229	-	-
Directors' emoluments				
– Non-executive directors	6,627	5,569	2,820	2,689
Depreciation of property, plant and equipment (note 24)	33,185	30,720	-	-
Finance costs	10,800	10,093	10,800	9,778
Intragroup consultancy and management fees	4,507	721	3,089	672
Operating lease rentals – immovable property	56,138	49,477	2,666	1,346
Professional services	79,949	48,843	9,189	4,538
Repairs and maintenance	20,772	18,015	-	-
Royalties paid on trademark	-	12,121	-	-
Security expenses	9,403	7,852	-	-
Staff costs (note 8)	569,695	470,659	57,747	21,794
Stamp duty	12,097	12,547	-	1,074
Stationery and printing	13,854	11,392	142	277
Sub-agents commission	797	2,121	-	-
Subscription fees	7,951	6,295	140	129
Technology costs	46,396	54,512	47	5
Telephone, postage and courier costs	12,922	13,598	53	30
Travelling	5,072	5,986	1,195	976
Valuation fees	907	1,229	-	-
Water and electricity	14,816	13,490	-	-
Other expenses	15,644	22,744	1,117	2,449
	1,042,231	914,641	90,221	46,713

Research and development costs of N$0.6 million (2014: N$0.3 million) are included in operating expenses above.

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10. Share of associates' results after tax

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

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Profit before taxation	107,203	99,934		
Taxation	(20,044)	(15,670)		
	87,159	84,264		

11. Income tax expense

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
11.1 Normal tax				
Current tax	337,368	290,908	-	1,116
– current year	337,368	290,908	-	1,116
– prior year	-	-	-	-
Deferred tax	(23,228)	(37,534)	2,816	(2,816)
– current year	(15,423)	(37,534)	2,816	(2,816)
– prior year	(7,805)	-	-	-
Total normal tax	314,140	253,374	2,816	(1,700)
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	979,983	794,025	297,707	262,858
Tax at the applicable tax rate of 33% (2014: 33%)	323,394	262,028	98,243	86,743
Non-taxable income	(15,901)	(16,179)	(109,198)	(94,021)
Non-deductible expenses	7,987	7,525	7,306	5,578
Prior year adjustment	(7,805)	-	-	-
Unregonised deferred tax asset	6,465	-	6,465	-
Income tax expense	314,140	253,374	2,816	(1,700)
Effective tax rate	32.06%	31.91%	0.95%	(0.65%)

12. Earnings and headline earnings per share

Basic earnings per share is calculated by dividing the group's profit for the year, 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	2015 Gross N$'000	2015 Taxation N$'000	2015 Net N$'000
Earnings			
Profit for the year			753,002
Headline adjustments	40	176	216
Remeasurement included in equity accounted earnings	573	-	573
Profit on sale of property, plant and equipment	(533)	176	(357)
Headline earnings			753,218

Group	2014 Gross N$'000	2014 Taxation N$'000	2014 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
Profit on sale of property, plant and equipment	(554)	183	(371)
Headline earnings			606,221

	Group 2015	Group 2014
Number of ordinary shares in issue at year-end ('000) (note 31)	500,523	501,117
Weighted average number of ordinary shares in issue during the year ('000)	500,523	501,117
Adjusted for effect of future share-based payment transactions	1,943	946
Diluted weighted average number of ordinary shares in issue during the year ('000)	502,466	502,063
Earnings per ordinary share (cents)		
Basic	150.4	124.7
Fully diluted	149.9	124.5
Headline earnings per ordinary share (cents)		
Basic	150.5	121.0
Fully diluted	149.9	120.7

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13. Cash and balances with the central bank

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Cash balances	219,559	190,171	132,603	5,548
Balances with the central bank other than mandatory reserve deposits	155,529	315,352	-	-
Included in cash and cash equivalents	375,088	505,523	132,603	5,548
Mandatory reserve deposits with the central bank	244,819	203,908	-	-
	619,907	709,431	132,603	5,548

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

	Group 2015 N$'000	Group 2014 N$'000
Assets		
Interest rate swaps	977	2,190
Liabilities		
Interest rate swaps	1,731	138

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 2015 was N$225.0 million (2014: N$556.5 million).

	Group 2015 N$'000	Group 2014 N$'000
Current	68	1,618
Non-current	(822)	434
Net derivative (liability) / asset	(754)	2,052

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

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Treasury bills	2,120,868	1,650,540	-	-
Government stock	17,966	233,994	-	-
Unit trust investments	19,232	26,808	-	-
Money market investments	215,224	193,596	194,035	160,505
Other debt securities	214,171	-	-	-
	2,587,461	2,104,938	194,035	160,505
Current	2,556,247	1,926,822	194,035	160,505
Non-current	31,214	178,116	-	-
	2,587,461	2,104,938	194,035	160,505

All instruments are unlisted.

The following represents the amortised cost of instruments where this differs from the fair value:

	Group 2015 N$'000	Group 2014 N$'000
Treasury bills	2,119,835	1,650,238
Government stock	18,979	234,844

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 gain / (loss) 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$265 million (2014: N$240 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 (2014: NIL) at the Bank of Namibia, although N$204 million (2014: N$195 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.

Refer to note 3.5 for fair value methodology used.

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16. Investment securities

	Group 2015 N$'000	Group 2014 N$'000
Available-for-sale		
Investment securities – listed [1]	100,533	72,047
The movement during the year is summarised as follows:		
Opening balance	72,047	120,446
Matured [2]	-	(62,643)
Change in value of available-for-sale financial assets	28,486	14,244
Closing balance	100,533	72,047
Current	100,533	72,047

[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 prior year.

Refer to note 3.5 for fair value methodology used.

17. Due from other banks

	Group 2015 N$'000	Group 2014 N$'000
Placement with other banks	740,321	472,972

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

18. Loans and advances to customers

	Group 2015 N$'000	Group 2014 N$'000
Overdrafts	3,672,578	3,086,470
Term loans	4,549,801	4,093,955
Mortgages	11,850,416	9,919,583
– Residential mortgages	6,385,539	5,550,585
– Commercial mortgages	5,464,877	4,368,998
Instalment finance	3,348,452	2,863,806
Preference shares	396,521	429,268
Gross loans and advances	23,817,768	20,393,082
Less impairment		
Specific impairment	(128,174)	(86,887)
Portfolio impairment	(67,723)	(60,800)
	23,621,871	20,245,395
Notional value of loans and advances	23,853,667	20,424,282
Interest in suspense (contractual interest suspended on non-performing loans)	(35,899)	(31,200)
Gross loans and advances	23,817,768	20,393,082

	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:					
30 June 2015					
Balance at the beginning 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
Loan impairment – specific	30,665	13,374	7,172	4,059	55,270
Loan impairment – portfolio	959	3,731	1,184	1,049	6,923
Amounts written off during the year as uncollectible	(1,188)	(7,436)	(417)	(4,942)	(13,983)
Balance at the end of the year	63,404	62,071	35,031	35,391	195,897
– Specific impairment	49,158	35,910	16,829	26,277	128,174
– Portfolio impairment	14,246	26,161	18,202	9,114	67,723
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
Loan impairment – specific	433	15,223	2,231	10,366	28,253
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

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18. Loans and advances to customers (continued)

	Group 2015 N$'000	%	Group 2014 N$'000	%
Specific and portfolio impairment by geographical area				
Namibia	195,897		147,687	
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	4,191		3,646	
100 basis points decrease in probability of default	(4,191)		(3,646)	
1,000 basis points increase in loss given default	1,250		1,134	
1,000 basis points decrease in loss given default	(1,250)		(1,134)	
Maturity analysis of loans and advances to customers for the group were as follows:				
Repayable within 1 month	3,709,109	15.6	3,108,496	15.2
Repayable after 1 month but within 3 months	239,278	1.0	211,813	1.0
Repayable after 3 months but within 6 months	583,967	2.5	179,636	0.9
Repayable after 6 months but within 12 months	263,265	1.1	279,958	1.4
Repayable after 12 months	19,022,149	79.8	16,613,179	81.5
	23,817,768	100.0	20,393,082	100.0

	Group 2015 N$'000	Group 2014 N$'000
The loans and advances to customers include instalment finance receivables which are analysed as follows:		
Repayable within 1 year	136,306	106,296
Repayable after 1 year but within 5 years	4,250,570	3,641,988
Repayable after 5 years	257,373	122,811
Gross investment in instalment finances	4,644,249	3,871,095
Unearned future finance income on instalment finances	(1,371,314)	(1,045,129)
Net investment in instalment finances	3,272,935	2,825,966

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 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Insurance fund asset	52,871	50,296	-	-
Accounts receivable	22,167	35,856	19,586	4,695
Dividends receivable	-	-	-	94,000
Clearing, settlement and internal accounts	241,286	105,376	-	-
Prepayments	15,289	18,142	114	-
Other taxes	946	8,911	221	561
Inventory	31,121	31,739	-	-
	363,680	250,320	19,921	99,256
Current	284,947	178,494	19,921	99,256
Non-current	78,733	71,826	-	-
	363,680	250,320	19,921	99,256

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 2015 %	Effective holding 2014 %
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	100
Capricorn Unit Trust Management Company Ltd	2,000	2,000	100	100
Subsidiaries of Bank Windhoek Ltd				
Bank Windhoek Nominees (Pty) Ltd	0.1	0.1	100	100
BW Finance (Pty) Ltd	0.1	0.1	100	100
Bank Windhoek Properties (Pty) Ltd	1	1	100	100

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20. Investment in subsidiaries (continued)

Financial details of subsidiaries

	Aggregate income of subsidiaries (before tax) 2015 N$'000	Aggregate income of subsidiaries (before tax) 2014 N$'000	Total investment 2015 N$'000	Total investment 2014 N$'000
Subsidiaries of Bank Windhoek Holdings				
Bank Windhoek Ltd (consolidated)	948,796	776,671	520,440	520,440
Welwitschia Insurance Brokers (Pty) Ltd	8,617	8,417	8,847	8,847
Namib Bou (Pty) Ltd	174	(1,193)	23,000	23,000
Capricorn Asset Management (Pty) Ltd (6 months profit in 2014)	27,505	12,024	127,954	127,954
Capricorn Unit Trust Management Company Ltd	19,386	15,606	64,750	64,750
	1,004,478	811,525	744,991	744,991
Non-current			744,991	744,991
Subsidiaries of Bank Windhoek Ltd				
BW Finance (Pty) Ltd	15,874	10,825	0.1	0.1
Bank Windhoek Properties (Pty) Ltd	11,042	928	19,799	19,799
	26,916	11,753	19,799	19,799

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. 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$'000	Effective holding 2015 and 2014 %	Shares at cost 2015 N$'000	Shares at cost 2014 N$'000
Associates of Bank Windhoek Holdings					
Santam Namibia Ltd	1,230	8,307	28.0	62,905	62,905
Sanlam Namibia Holdings (Pty) Ltd	30	160,665	29.5	47,290	47,290
				110,195	110,195
Associate of Capricorn Asset Management					
Capricorn Asset Management (Botswana) (Pty) Ltd	0.7	2,465	35	853	-
				853	-

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
21.1 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	36,752	29,285		
– Profit before tax	53,592	42,721		
– Current and deferred tax	(16,840)	(13,436)		
Dividends paid	(27,395)	(14,535)		
Post-acquisition retained income at the beginning of the year	40,180	25,430		
	112,442	103,085	62,905	62,905
Directors' valuation	238,447	193,154	238,447	193,154

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21. Investment in associates (continued)

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
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)	766,672	665,645		
Profit after tax	131,470	104,759		
Total comprehensive income	131,470	104,759		
Non-current assets	301,302	279,690		
Technical assets	286,793	154,306		
Current assets	314,977	285,799		
Non-current liabilities	(34,892)	(24,592)		
Technical liabilities	(441,604)	(300,005)		
Current liabilities	(107,910)	(110,007)		
Net asset value	318,666	285,191		
Interest in associate (28%)	89,082	79,725		
Goodwill on acquisition	23,360	23,360		
Carrying value of investment in associate	112,442	103,085		

21.2 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.

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Carrying value of investment in associate				
Investment at cost	47,290	47,290	47,290	47,290
Share of current year's retained income	50,438	54,979		
– Profit before tax	53,642	57,213		
– Current and deferred tax	(3,204)	(2,234)		
Dividends paid	(36,824)	(52,364)		
Post-acquisition retained income at the beginning of the year	58,989	56,374		
	119,893	106,279	47,290	47,290
Directors' valuation	342,797	294,955	342,797	294,955

21. Investment in associates (continued)

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
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)	709,233	613,829		
Profit after tax	171,211	186,625		
Total comprehensive income	171,211	186,625		
Non-current assets	3,334,871	2,800,860		
Current assets	150,222	154,478		
Non-current liabilities	(2,896,291)	(2,460,359)		
Current liabilities	(244,983)	(197,375)		
Net asset value	343,819	297,604		
Interest in associate (29.5%)	101,287	87,673		
Goodwill on acquisition	18,606	18,606		
Carrying value of investment in associate	119,893	106,279		

The associates above have December financial year-ends 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 2015 have been used for equity accounting the share of results of associates for their half year ended 30 June 2015.

21.3 Capricorn Asset Management (Botswana) (Pty) Ltd (CAMB)

Capricorn Asset Management (Pty) Ltd, a wholly owned subsidiary of Bank Windhoek Holdings Ltd, acquired a 35% interest in Capricorn Asset Management (Botswana) (Pty) Ltd during the current year, an asset management company incorporated in Botswana.

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21. Investment in associates (continued)

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Carrying value of investment in associate				
Investment at cost	853	-	-	-
Share of current year's retained loss	(31)	-		
– Loss before tax	(31)	-		
	822	-	-	-
Directors' valuation	822	-	-	-

Technique used for directors' valuation:
Capricorn Asset Management (Botswana) (Pty) 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 net asset value.

	Group 2015 N$'000	Group 2014 N$'000
Summarised financial information (unaudited)		
Other income	754	-
Loss after tax	(404)	-
Total comprehensive loss	(404)	-
Non-current assets	29	-
Current assets	2,126	-
Current liabilities	(94)	-
Net asset value	2,061	-

CAMB has a June financial year-end and is incorporated in Botswana. The country of incorporation or registration is also the principal place of business. The results of associates are equity accounted. Unaudited financial statements as at 30 June 2015 have been used for equity accounting the share of results of the associate for the year ended 30 June 2015.

The closing mid exchange rate of 1.22 has been applied to the conversion of assets and liabilities. An average exchange rate for the year of 1.23 has been applied on the conversion of the share of results of CAMB.

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Total investment in associates (non-current)	233,157	209,364	110,195	110,195

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

22. Interest in joint arrangements

The joint arrangements were incorporated in Namibia. The country of incorporation or registration is also their principal place of business. The results of the joint arrangements are equity accounted. Management accounts as at 30 June 2015 have been used for equity accounting the share of results for the year-ended 30 June 2015. 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 December year-end.

	Number of shares held '000	Issued ordinary share capital and premium N$'000	Effective holding 2015 and 2014 %	Shares at cost 2015 N$'000	Shares at cost 2014 N$'000
Namclear (Pty) Ltd	4	4,616	25	1,154	1,154

	Group 2015 N$'000	Group 2014 N$'000
Opening balance	2,734	2,679
The group's share of the profit in the joint venture	960	55
Closing balance	3,694	2,734

22.2 Joint operations

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 2015 N$'000	Group 2014 N$'000
Opening balance	2,703	1,607
The group's share of the profit in the joint operation	707	1,096
Closing balance	3,410	2,703
Share of joint arrangements' results after tax	1,667	1,151
Total investments	7,104	5,437
Non-current	7,104	5,437
Directors' valuation	7,104	5,437

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22. Interest in joint arrangements (continued)

	Group 2015 N$'000	Group 2014 N$'000
Technique used for directors' valuation:		
The directors' valuation was determined by using its net asset values.		
Aggregated summarised financial information (unaudited)		
Profit after tax	5,256	2,411
Total comprehensive income	5,256	2,411

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

23. Intangible assets

	Goodwill N$'000	Purchased software N$'000	Intangible assets in development N$'000	Total N$'000
Group				
30 June 2015				
Cost				
Cost at 1 July 2014	48,687	62,248	49,078	160,013
Transfers	-	-	(1,450)	(1,450)
Additions	-	2,273	63,227	65,500
Cost at 30 June 2015	48,687	64,521	110,855	224,063
Amortisation and impairment				
Amortisation and impairment at 1 July 2014	-	(58,931)	(6,843)	(65,774)
Charge for the year	-	(3,124)	-	(3,124)
Amortisation and impairment at 30 June 2015	-	(62,055)	(6,843)	(68,898)
Net book value at 30 June 2015	48,687	2,466	104,012	155,165
30 June 2014				
Cost				
Cost at 1 July 2013	3,169	61,075	28,361	92,605
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	62,248	49,078	160,013

23. Intangible assets (continued)

	Goodwill N$'000	Purchased software N$'000	Intangible assets in development N$'000	Total N$'000
Amortisation and impairment				
Amortisation at 1 July 2013	-	(56,775)	(6,843)	(63,618)
Acquisition of subsidiary	-	(258)	-	(258)
Charge for the year	-	(1,898)	-	(1,898)
Amortisation and impairment at 30 June 2014	-	(58,931)	(6,843)	(65,774)
Net book value at 30 June 2014	48,687	3,317	42,235	94,239

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 2015 nor 30 June 2014.

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.

Impairment of goodwill

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. The impairment test was based on the value in use of the subsidiaries, taking the discounted cash flows into consider-ation. This indicated that the value of the com-panies are higher than the cost of shares acquired. Goodwill was therefore not impaired.

Management used five-year projected cash flow models, growth rates in-line with individual company forecasts and discount rates representing the company's weighted average cost of capital in measuring the impairment losses.

Impairment of intangible assets in development

An impairment test was performed on the recoverable amount of intangible assets in development. The recoverable amount of the assets was determined based on value-in-use calculations, being the net present value of the discounted cash flows. For all such intangible assets the recoverable amount exceeded the carrying value and therefore no impairment was recognised. Management used five-year projected cash flow models, growth rates in-line with inflation and discount rates representing the company's weighted average cost of capital in measuring the impairment losses.

Sensitivity analysis

A 100 basis points increase / (decrease) in the growth rate or discount rate used in determining the recoverable amount of goodwill and intangible assets in development will not result in an impairment.

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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					
30 June 2015					
Cost					
Cost at 1 July 2014	50,209	192,288	17,823	160,255	420,575
Additions	366	38,045	2,851	17,719	58,981
Disposals	-	(34,202)	(1,400)	(27,291)	(62,893)
Cost at 30 June 2015	50,575	196,131	19,274	150,683	416,663
Depreciation and impairment					
Accumulated depreciation at 1 July 2014	(14,470)	(152,935)	(11,698)	(111,177)	(290,280)
Charge for the year	(1,687)	(16,497)	(2,263)	(12,738)	(33,185)
Depreciation on disposals	-	34,146	1,371	25,328	60,845
Accumulated depreciation at 30 June 2015	(16,157)	(135,286)	(12,590)	(98,587)	(262,620)
Net book value at 30 June 2015	34,418	60,845	6,684	52,096	154,043
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

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 2015 nor 30 June 2014. All property, plant and equipment are classified as non-current assets.

25. Due to other banks

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Current accounts	130,151	107,664		
Borrowings from other banks – in the normal course of business	-	175,000		
	130,151	282,664		
Current	130,151	282,664		

Due to other banks are unsecured with no fixed repayment terms and bears interest at market related interest rates.

26. Debt securities in issue

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Balance as at 1 July	1,841,287	943,115	150,877	150,801
Redemptions	(202,116)	(210,160)	-	-
Additions	814,014	1,094,500	-	-
Effective interest	164,602	99,254	10,800	9,779
Transfers	-	(5,593)	-	-
Coupon payments	(156,575)	(79,829)	(10,708)	(9,703)
Balance as at 30 June	2,461,212	1,841,287	150,969	150,877
Current	279,312	221,287	150,969	877
Non-current	2,181,900	1,620,000	-	150,000
	2,461,212	1,841,287	150,969	150,877

Debt instruments	Interest rate	Maturity date	Footnote	Group 2015 N$'000	Group 2014 N$'000
Five-year callable bonds					
BW20 (tranche 1) fixed rate note	9.38%	16 Aug 2020	26.1	109,947	103,508
BW20 (tranche 2) fixed rate note	9.38%	16 Aug 2020	26.1	41,658	51,977
BW20 (tranche 3) fixed rate note	9.38%	16 Aug 2020	26.1	56,109	51,841
				207,714	207,326
Senior debt – unsecured					
BWJh14 floating rate note	3m JIBAR + 100bps	15 Aug 2014	26.2	-	101,393
BWJb15 floating rate note	3m JIBAR + 115bps	23 Feb 2015	26.2	-	100,723
BWFd16 fixed rate note	6.69%	15 Apr 2016	26.2	101,407	101,389
BWJj16 floating rate note	3m JIBAR + 110bps	14 Oct 2016	26.2	71,064	71,000
BWJd17 floating rate note	3m JIBAR + 94bps	25 Apr 2017	26.2	101,295	101,214
BWFd19 fixed rate note	9.43%	25 Apr 2019	26.2	101,725	101,700
BWZj17 floating rate note	3m JIBAR + 155bps	17 Mar 2017	26.2	300,884	300,785
BWZj18 floating rate note	3m JIBAR + 180bps	19 Nov 2018	26.2	605,601	604,880
BWFh17 fixed rate note	8.09%	22 Aug 2017	26.2	149,180	-
BWFh19 fixed rate note	8.86%	22 Aug 2019	26.2	113,473	-
BWJh17 floating rate note	3m JIBAR + 95bps	22 Aug 2017	26.2	45,349	-

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26. Debt securities in issue (continued)

Debt instruments	Interest rate	Maturity date	Footnote	Group 2015 N$'000	Group 2014 N$'000
BWJe18 floating rate note	3m JIBAR + 135bps	29 May 2018	26.2	33,121	-
BWZ18B floating rate note	3m JIBAR + 185bps	27 Mar 2018	26.2	180,158	-
BWZ20A floating rate note	3m JIBAR + 215bps	27 Mar 2020	26.2	299,272	-
				2,102,529	1,483,084
Preference shares (floating rate note)					
7,000 Preference shares – Bank Windhoek Corporate Fund	3m JIBAR + 1.3%	1 Dec 2015	26.3	70,468	70,422
5,500 Preference shares – Bank Windhoek Selekt Fund	3m JIBAR + 1.3%	1 Dec 2015	26.3	55,367	55,332
2,500 Preference shares – Santam Namibia Ltd	64.5% of prime	1 Dec 2015	26.3	25,134	25,123
				150,969	150,877
Total debt securities in issue at the end of the year				2,461,212	1,841,287
Listed debt securities				2,310,243	1,690,410
Unlisted debt securities				150,969	150,877
				2,461,212	1,841,287

26.1 Five-year callable bonds

The five-year callable bonds BW 20 (tranche 1), BW 20 (tranche 2) and BW 20 (tranche 3), have been issued on 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 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, BWJb15, BWFd16, BWJj16, BWJd17, BWFd19, BWZj17, BWZj18, BWFh17, BWFh19, BWJh17, BWJe18, BWZ18B and BWZ20A have been issued on 15 February 2011, 23 November 2011, 15 April 2013, 15 April 2013, 25 April 2014, 25 April 2014, 18 March 2014, 19 November 2013, 22 August 2014, 22 August 2014, 22 August 2014, 29 May 2015, 27 March 2015 and 27 March 2015 respectively. The interest is paid quarterly in February, May, August and November of each year for the BWJh14, BWJb15, BWZj18, BWJh17 and BWJe18 and in January, April, July and October each year for the BWJj16 and BWJd17. The interest is paid quarterly in March, June, September and December for BWZj17, BWZ18B and BWZ20A. 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. Coupon payments for the BWFh17 and BWFh19 are paid semi-annually on 22 February and 22 August.

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 or prior year.

Debt securities in issue comprises subordinated debt, senior debt and preference shares with a combined nominal value of N$2.4 billion (2014: N$1.8 billion).

27. Deposits

	Group 2015 N$'000	Group 2014 N$'000
Current accounts	5,629,360	4,294,217
Savings accounts	1,468,289	1,184,861
Demand deposits	4,121,996	4,131,025
Term and notice deposits	4,577,459	3,341,149
Negotiable certificates of deposits (NCDs)	5,411,896	5,119,941
Other deposits	784,998	711,218
	21,993,998	18,782,411

	Group 2015 N$'000	Group 2015 %	Group 2014 N$'000	Group 2014 %
Maturity analysis within the customer current, savings, deposit account portfolio for the group were as follows:				
Withdrawable on demand	11,573,758	52.6	9,956,964	53.0
Maturing within 1 month	935,967	4.3	836,460	4.5
Maturing after 1 month but within 6 months	4,134,395	18.8	2,881,460	15.3
Maturing after 6 months but within 12 months	3,822,079	17.4	3,508,218	18.7
Maturing after 12 months	1,527,799	6.9	1,599,309	8.5
	21,993,998	100.0	18,782,411	100.0

28. Other liabilities

	Group 2015 N$000	Group 2014 N$000	Company 2015 N$000	Company 2014 N$000
Accounts payable and other accruals	97,016	100,419	8,118	7,824
Employee liabilities	143,386	99,356	12,753	8,185
– Leave pay accrual	39,065	32,161	3,722	1,155
– Provision for performance bonuses	85,424	59,015	9,031	7,030
– Other	18,897	8,180	-	-
Deferred revenue	4,096	4,030	-	-
Other taxes	11,425	1,570	1,445	-
Clearing, settlement and internal accounts	103,092	93,268	-	-
	359,015	298,643	22,316	16,009
Current	359,015	298,643	22,316	16,009

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

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29. Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 33% (2014: 33%).

The movement on the deferred income tax account is as follows:

	Group		Company	
	2015 N$000	2014 N$000	2015 N$000	2014 N$000
Deferred tax liability / (asset) as at 1 July	3,180	40,806	(2,816)	-
Acquisition of subsidiaries	-	(92)	-	-
Prior year adjustment (note 11)	(7,805)	-	-	-
Charge to profit or loss (note 11)	(15,423)	(37,534)	2,816	(2,816)
Deferred tax (asset) / liability as at 30 June	(20,048)	3,180	-	(2,816)
Deferred income tax assets and liabilities are attributable to the following items:				
Deferred income tax liability				
Accelerated tax depreciation and amortisation	23,790	22,217	-	-
Loans and receivables	8,043	14,601	-	-
Government stock and other securities	10,845	7,333	-	-
Derivative financial instruments	-	677	-	-
Other temporary differences	5,011	6,034	-	-
	47,689	50,862	-	-
Deferred income tax asset				
Accruals	40,160	32,869	-	2,816
Loan loss impairment	23,490	10,778	-	-
Assessed loss	2,486	2,594	-	-
Derivative financial instruments	249	-	-	-
Other temporary differences	1,352	1,441	-	-
	67,737	47,682	-	2,816
Net deferred income tax (asset) / liability	(20,048)	3,180	-	(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.

29. Deferred income tax (continued)

The deferred tax assets not allowed to be offset against the deferred tax liability in the prior year are as follows:

	Group		Company	
	2015 N$000	2014 N$000	2015 N$000	2014 N$000
Bank Windhoek Holdings Ltd		2,816		
Capricorn Unit Trust Management Company Ltd		111		
Namib Bou (Pty) Ltd		2,535		
Welwitschia Insurance Brokers (Pty) Ltd		2,066		
Deferred tax asset		7,528		
Deferred tax liability		10,708		
Net deferred tax liability		3,180		
Deferred tax liability				
Current	15,861	14,046	-	-
Non-current	31,828	36,816	-	-
Total	47,689	50,862	-	-
Deferred tax asset				
Current	65,571	45,187	-	2,816
Non-current	2,166	2,495	-	-
Total	67,737	47,682	-	2,816

30. Post-employment benefits

	Group	
	2015 N$000	2014 N$000

30.1 Severance pay liability

A valuation was performed for 30 June 2015 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:

	2015 N$000	2014 N$000
Present value of unfunded obligation (non-current)	8,416	7,561

The movement in the severance pay obligation over the year is as follows:

	2015 N$000	2014 N$000
As at 1 July	7,561	6,706
Current service costs	242	242
Interest cost	613	613
As at 30 June	8,416	7,561

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30. Post-employment benefits (continued)

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

	Group 2015 N$000	Group 2014 N$000
Current service costs	242	242
Interest cost	613	613
	855	855
The principal actuarial assumptions used were as follows:	%	%
Discount rate	9.8	9.8
Inflation rate	5.4	5.4
Salary increases	8.4	8.4
The following sensitivity of the overall liability to changes in principal assumption is:		
Salary increase 1% lower per annum	7,132	7,132
Salary increase 1% higher per annum	8,037	8,037

30.2 Medical aid scheme

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

30.3 Pension schemes

All fulltime 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.

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

	Group 2015 N$000	Group 2014 N$000	Company 2015 N$000	Company 2014 N$000
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 of 1 cent each	10	10	10	10
Issued ordinary share capital				
Balance as at 1 July	12,632	12,447	12,632	12,447
Shares issued during the year	-	185	-	185
Balance as at 30 June	12,632	12,632	12,632	12,632
Share premium				
Balance as at 1 July	527,234	462,669	527,234	462,669
Shares issued during the year	-	64,565	-	64,565
Balance at 30 June	527,234	527,234	527,234	527,234
Less: Treasury shares held by share trusts	(9,816)	(7,431)	-	-
Total ordinary share capital and premium	530,050	532,435	539,866	539,866
Issued number of ordinary shares reconciliation ('000):				
Issued number of shares at the beginning of the year	505,280	497,880	505,280	497,880
Shares issued during the year	-	7,400	-	7,400
Issued number of shares at the end of the year	505,280	505,280	505,280	505,280
Less: Treasury shares held by share trusts	(4,757)	(4,163)	-	-
Total number of ordinary shares issued at year-end	500,523	501,117	505,280	505,280

Issued preference share capital

No new preference share capital was issued during the current or prior 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 3 November 2015, 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 (2014: 505,280,000). All issued shares are fully paid up.

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32. Net asset value per share

	Group 2015	Group 2014
Net asset value per ordinary share (cents)		
Net assets (N$'000)	3,643,373	3,094,158
Number of ordinary shares in issue at year-end ('000)	500,523	501,117
Net asset value per share (cents)	728	617

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.

The shared-based payment charge associated with shares purchased by employees through the share purchase scheme 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.

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.

33. Share-based payments (continued)

	Opening balance '000	Granted[1] '000	Forfeitures '000	Closing balance '000
Details of the number of SAR outstanding are as follows:				
30 June 2015				
Employer company:				
Bank Windhoek Holdings	95	143	(14)	224
Bank Windhoek	290	313	(24)	579
Welwitschia Insurance Brokers	24	-	(24)	-
Capricorn Asset Management	64	-	-	64
	473	456	(62)	867
30 June 2014				
Employer company:				
Bank Windhoek Holdings	-	95	-	95
Bank Windhoek	-	290	-	290
Welwitschia Insurance Brokers	-	24	-	24
Capricorn Asset Management	-	64	-	64
	-	473	-	473

No SAR were exercisable or exercised in 2015.

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.

30 June 2015	Bank Windhoek Holdings	Bank Windhoek	Welwitschia Insurance Brokers	Capricorn Asset Management
Spot and strike price (N$)	11.43	11.43	90,141.06	2,132.93
Risk-free rate	7.5%	7.5%	7.5%	7.5%
Dividend yield	3.8%	3.8%	6%	12%
Volatility	35%	35%	35%	35%
Membership attrition	5%	5%	5%	5%
30 June 2014				
Spot and strike price (N$)	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%
Membership attrition	5%	5%	5%	5%

[1] Bank Windhoek Holdings equivalent SAR.

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33. Share-based payments (continued)

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
30 June 2015	
Opening balance	511
Granted[2]	479
Forfeited	(44)
Closing balance	946
30 June 2014	
Opening balance	-
Granted[2]	511
Closing balance	511

No shares have vested at 30 June 2015.

The fair value of shares granted during the year was determined with reference to the listed share price at grant date of N$11.43 (2014: N$10.50) and taking into account a membership attrition of 5% (2014: 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.

34. Non-distributable reserves

	Group 2015 N$'000	Group 2014 N$'000
34.1 Credit risk reserve		
Balance at 1 July	141,737	121,260
Transfer from retained earnings	26,132	20,477
Balance as at 30 June	167,869	141,737

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 2015 N$'000	Group 2014 N$'000
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.

	Group 2015 N$'000	Group 2014 N$'000
Total non-distributable reserves	196,486	170,354

35. Distributable reserves

	Group 2015 N$'000	Group 2014 N$'000
35.1 Fair value reserve		
Balance as at 1 July	67,831	53,587
Revaluation of available-for-sale equity instruments	28,486	14,244
Balance as at 30 June	96,317	67,831
35.2 General banking reserve		
Balance as at 1 July	1,906,657	1,588,834
Transfer from retained earnings	390,659	317,823
Balance as at 30 June	2,297,316	1,906,657

The general banking reserve is maintained to fund future expansion.

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35. Distributable reserves (continued)

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
35.3 Retained earnings				
Balance as at 1 July	404,804	356,095	414,532	266,189
Profit for the year	753,002	624,915	294,891	264,558
Transfer to reserves	(416,791)	(338,300)	-	-
Profit on sale of treasury shares	764	-	-	-
Dividends paid	(225,637)	(116,415)	(227,376)	(116,215)
Acquisition of subsidiary	-	(121,491)	-	-
Balance as at 30 June	516,142	404,804	482,047	414,532
35.4 Share-based compensation reserve				
Balance as at 1 July	12,077	8,920	2,062	-
Share-based payment charges recognised in equity	5,000	3,157	5,000	2,062
Transfer from reserve	(10,015)	-	-	-
Balance as at 30 June	7,062	12,077	7,062	2,062

The share-based compensation reserve was created to fund future staff costs relating to employee share schemes (note 33).

The transfer from reserves of N$10.0 million relates to a change in accounting treatment of the interest benefit to employees associated with the share purchase scheme (note 33). This is now recognised under IAS 19 'Employee benefits' instead of IFRS 2 'Share-based payment'.

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Total distributable reserves	2,916,837	2,391,369	489,109	416,594

36. Dividends per share

Normal dividends amounting to N$227.4 million (2014: N$116.2 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:

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Declared during the financial year				
Interim dividend per share (cents)			24.0	23.0
Declared after the financial year				
Final dividend per share (cents)*			29.0	21.0
Total dividend per share (cents)			53.0	44.0
Dividends declared during the year	225,637	116,415	227,376	116,215
Dividends paid during the year	(225,637)	(116,415)	(227,376)	(116,215)
Dividends payable at year-end	-	-	-	-

*Refer also 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 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
37.1 Receipts from customers				
Interest receipts	2,426,758	1,941,741	-	-
Commission and fee receipts	564,336	493,301	-	-
Other income received	235,512	169,754	55,574	16,153
	3,226,606	2,604,796	55,574	16,153
37.2 Payments to customers, suppliers and employees				
Interest payments	(966,708)	(757,859)	-	-
Cash payments to employees and suppliers	(1,001,824)	(878,011)	(74,421)	(34,872)
	(1,968,532)	(1,635,870)	(74,421)	(34,872)
37.3 Cash generated from operations				
Profit before income tax	1,067,142	878,289	297,707	262,858
Dividends received	(12,201)	(5,512)	(330,863)	(284,895)
Adjusted for non-cash items:				
– Effective interest on debt securities	164,602	99,254	10,800	9,779
– Effective interest on deposits	26,968	30,836	-	-
– Interest receivable	(3,163)	(5,355)	(1,087)	(8,523)
– Adjustment to fair value of financial instruments	6,593	338	-	-
– Amortisation of intangible assets	3,124	1,898	-	-
– Depreciation of property, plant and equipment	33,185	30,720	-	-
– Share-based payment expense	5,000	3,157	5,000	2,062
– Profit on sale of residential units	(816)	(1,958)	-	-
– Profit on sale of property, plant and equipment	(533)	(554)	-	-
– Profit on sale of subsidiary	-	(6,742)	-	-
– Impairment charges on loans and advances	58,305	29,115	-	-
– Provision for post-employment benefits	855	855	-	-
– Share of associates' results after tax	(87,159)	(84,264)	-	-
– Share of joint arrangements' results after tax	(1,667)	(1,151)	-	-
– Other	(2,161)	-	(404)	-
	1,258,074	968,926	(18,847)	(18,719)
In the statement of cash flows, proceeds from sale of property, plant and equipment comprise of:				
Net book value (note 24)	2,048	873	-	-
Profit on sale of property, plant and equipment (note 7.3)	533	554	-	-
Proceeds from sale of property, plant and equipment	2,581	1,427	-	-

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37. Statement of cash flows disclosure information (continued)

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Non-cash transactions				
The principal non-cash transaction is the issue of shares as consideration for the acquisition of CUTM in the prior year.				
37.4 Income taxes paid				
Amounts receivable as at 1 July	13,414	7,953	35	106
Current tax charged to profit or loss	(337,368)	(290,908)	-	(1,116)
Acquisition of subsidiary	-	(656)	-	-
Taxes not yet received	404	-	404	-
Amounts payable / (receivable) as at 30 June	6,371	(13,414)	(515)	(35)
Income taxes paid during the year	(317,179)	(297,025)	(76)	(1,045)

38. Contingent assets, liabilities and commitments

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
38.1 Capital commitments				
Authorised but not contracted for:				
Property, plant and equipment	76,656	78,470		
Intangible assets	154,567	153,873		
Contracted for but not yet incurred:				
For completion of residential units – Ondangwa phase 1	-	9,307		
For completion of residential units – Ondangwa phase 2	82,371	-		
	313,594	241,650		

Capital commitments for Ondangwa phase 1 and 2 relate to the development of residential units by Namib Bou (Pty) Ltd.

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
38.2 Letters of credit	731,813	196,614		
38.3 Liabilities under guarantees	1,610,392	1,233,091		

Guarantees mainly consist of endorsements and performance guarantees.

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
38.4 Loan commitments	1,929,720	1,732,289		
38.5 Operating lease commitments				
Office premises				
– Not later than 1 year	32,770	30,927		
– Later than 1 year but not later than 5 years	60,538	51,173		
	93,308	82,100		

38. Contingent assets, liabilities and commitments (continued)

Notice periods on operating lease contracts vary between 1 to 3 months (2014: 1 to 3 months), operating lease contracts are not fixed and escalation clauses range between 7% and 12% (2014: 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 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
Cash and balances with the central banks – excluding mandatory reserve (note 13)	375,088	505,523	132,603	5,548
Treasury bills and government stock with a maturity of less than 90 days	758,837	719,322	-	-
Money market investments (note 15)	215,224	193,596	194,035	160,505
Placement with other banks (note 17)	740,321	472,972	-	-
Borrowings from other banks (note 25)	(130,151)	(282,664)	-	-
	1,959,319	1,608,749	326,638	166,053

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;
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).

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40. Related parties (continued)

Bank Windhoek Holdings Ltd is listed on the Namibian Stock Exchange and is 55% (2014: 56.8%) 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 impairment has been recognised in respect of loans granted to key management personnel during the year under review (2014: 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	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
Capricorn Asset Management (Botswana) (Pty) Ltd	Associate	Banking relationship
		Support services
		Asset management fees
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 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'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	1,020	2,409	233	1,281
Fellow subsidiaries	1,349	2,743	33	1,861
Subsidiaries	-	-	19,075	95,102
Other indirect related parties	23,191	24,697	220	1,269
40.2 Loans and advances to related parties				
Parent company	-	3,358	-	-
Subsidiaries	-	-	132,599	5,549
Other indirect related parties	318	2,250	-	-
Key management personnel	19,156	18,328	-	-
40.3 Trade and other payables to related parties				
Parent company	9,640	11,623	2	71
Subsidiaries	-	-	5,453	6,765
Other indirect related parties	768	697	-	-
40.4 Deposits from related parties				
Parent company	47,023	112,854	-	-
Fellow subsidiaries	5,618	4,398	-	-
Other indirect related parties	131,003	127,133	-	-
Key management personnel	10,580	10,143	-	-
40.5 Expenses paid to related parties				
Parent company	-	4,765	-	672
Subsidiaries	-	-	3,090	1,103
Other indirect related parties	8,007	6,746	-	-
40.6 Interest and similar expenses paid to related parties				
Parent company	3,552	1,828	-	-
Fellow subsidiaries	50	36	-	-
Other indirect related parties	5,817	8,728	-	-
Key management personnel	174	175	-	-
40.7 Income received from related party transactions				
Parent company	7,348	6,176	6,300	5,351
Fellow subsidiaries	3,349	2,797	2,598	984
Subsidiaries	-	-	45,179	9,594
Other indirect related parties	32,060	31,584	1,983	342

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40. Related parties (continued)

	Group 2015 N$'000	Group 2014 N$'000	Company 2015 N$'000	Company 2014 N$'000
40.8 Interest and similar income received from related parties				
Parent company	24	52	-	-
Fellow subsidiaries	1	1	-	-
Subsidiaries	-	-	889	8,024
Other indirect related parties	1,978	6,747	-	-
Key management personnel	1,547	1,370	-	-
40.9 Compensation paid to key management				
40.9.1 Executive management team				
Salaries and bonuses	29,220	27,084	8,336	5,962
Contribution to defined contribution medical schemes	1,085	876	271	147
Contribution to defined contribution pension schemes	2,085	1,484	741	266
Share-based payment charges	1,576	888	519	99
Other allowances	4,423	4,418	1,137	1,189
	38,389	34,750	11,004	7,663

Compensation paid to key management comprises remuneration and other employee benefits to the executive management team, which excludes executive directors' emoluments. The increase from 2014 to 2015 on company level is mainly due to the change in the operating model and movement in executive employees.

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 2015			
Non-executive directors			
Brandt, J C (Chairman)	720	1,148	1,868
Swanepoel, J J (Vice-chairman)	372	767	1,139
Black, K B	158	123	281
Nakazibwe-Sekandi, G	262	198	460
du Toit, F J	519	249	768
Shaetonhodi, J M	146	-	146
Shikongo, M K	146	198	344
Schimming-Chase, E M	107	-	107
Knouwds, E	316	255	571
Total	2,746	2,938	5,684

40. Related parties (continued)

40.9.2 Non-executive directors' emoluments (continued)	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

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 2015 and 2014 financial years.

40.9.3 Executive directors' emoluments	Salary and bonuses N$'000	Pension and medical contributions N$'000	Share-based payment benefit N$'000	Other allowances and fringe benefits N$'000	Total N$'000
30 June 2015					
Executive directors					
de Vries, C P	4,657	85	356	485	5,583
Prinsloo, M J	2,466	210	-	624	3,300
	7,123	295	356	1,109	8,883
30 June 2014					
Executive directors					
de Vries, C P	3,898	79	64	517	4,558
Prinsloo, M J	1,329	200	-	248	1,777
	5,227	279	64	765	6,335

In addition to the above M J Prinsloo received emoluments of N$1.0 million (2014: N$1.9 million) paid by Capricorn Investment Holdings Ltd, the holding company of Bank Windhoek Holdings Ltd. The executive directors did not receive any other fees for services as directors or any emoluments other than that disclosed.

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40. Related parties (continued)

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

	Opening balance 1 July 2013 '000	Granted during the year '000	Closing balance 30 June 2014 '000	Granted during the year '000	Closing balance 30 June 2015 '000
Share appreciation rights (SAR)					
Executive director					
de Vries, C P					
– Bank Windhoek Holdings Ltd shares	-	36	36	79	115
Conditional shares awarded (CSP)					
Executive director					
de Vries, C P					
– Bank Windhoek Holdings Ltd shares	-	10	10	17	27

All CSP and SAR have a vesting period of three years. Refer to the table below for further details relating to SAR.

	Share appreciation rights			
	Strike price (N$)		Expiry date	
	2015	2014	2015	2014
Executive director				
de Vries, C P				
– Bank Windhoek Holdings Ltd shares	11.43	10.50	2019	2018

No shares were forfeited during the current or prior year.

40. Related parties (continued)

40.10 Directors' holdings in Bank Windhoek Holdings Ltd shares

	2015			2014	
	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)	1,540,000	4,540,700	0.90%	3,000,700	0.59%
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	0.40%
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	425,333	1,543,484	0.31%	1,118,151	0.22%
Schimming-Chase, E M	-	1,200	0.00%	1,200	0.00%
Knouwds, E	-	13,000	0.00%	13,000	0.00%
du Toit, F J	-	13,500	0.00%	13,500	0.00%
de Vries, C P	200,000	200,700	0.04%	700	0.00%
Indirect holding:					
Brandt, J C (Chairman)			35.27%		35.62%
Swanepoel, J J (Vice-chairman)			7.49%		7.47%
Prinsloo, M J			0.33%		0.41%
de Vries, C P			0.12%		0.16%

41. Assets under custody

As at year-end, the group has N$8.2 million (2014: N$20.1 million) assets under custody.

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42. Segment information

The group considers its banking operations as one operating segment. Other components include property development, asset management, unit trust 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 annual financial statements.

42.1 Entity-wide disclosures

42.1.1 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.

42.1.2 Geographical segments

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

42.1.3 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.

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 impairment 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 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) (%)
Group profit for the year divided by average total assets.

Return on average shareholders' equity (ROE) (%)
Group profit for the year 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.

Tier I leverage ratio
Net total Tier I capital (after deduction of goodwill and 50% of cost of investments in affiliates) divided by gross assets (total assets plus specific and general impairment).

The central bank
The Bank of Namibia.

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 19th 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, 3 November 2015 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 2015.
2. To confirm the ordinary dividends of 53 cents per share (2014: 44 cents per share) amounting to N$267.8 million.
3. To consider and, if accepted, approve by a non-binding advisory vote the remuneration policy set out in the Remuneration Report on pages 49 to 52.
4. To consider and, if accepted, approve the remuneration of the non-executive directors for the financial year ending 30 June 2016:

	N$ annual retainer	N$ attendance per meeting
BWH board of directors	80,000	7,700
BWH board executive committee	18,000	4,400
BWH group board audit, risk and compliance committee	47,500	29,700
BWH group board nominations and remuneration committee	18,000	3,300
BWH group board human resources committee	18,000	8,800
BWH group board information technology committee	17,000	13,133

A 75% premium is paid to the chairman of each of the committees and boards. The annual fee for the non-executive chairman of Bank Windhoek Holdings Limited is N$780,000.

5. To appoint Messrs PricewaterhouseCoopers as auditor for the new financial year.
6. To authorise the directors to determine the remuneration of the auditor.
7. To elect directors in place of Messrs K B Black, J C Brandt and F J du Toit, who retire by rotation but, being eligible, avail themselves for re-election. Biographical information of the directors is set out on pages 45 to 47 of the annual report.
8. To confirm the appointment of Mr Gerhard Fourie as independent non-executive director. Mr Fourie (57) qualified as a chartered accountant 35 years ago and was the managing partner of Ernst & Young Namibia until June 2015. He has completed a postgraduate management development programme of the Business School of the University of Cape Town and an Advanced Leadership programme at the Gordon Institute of Business Science and is a member of the ICAN Council.
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, 25 September 2015

PROXY FORM

I, we (full names) ____________________

being a holder of __________ shares in Bank Windhoek Holdings Limited (the company),

hereby appoint (name) ____________________

or failing him / her (name) ____________________

or failing him / her the chairman of the meeting, as my / our proxy to attend, speak and vote on a show of hands or on a poll for me and on my / our behalf at the annual general meeting of the company to be held on 3 November 2015 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	Confirmation of dividends			
3	Approve the remuneration policy			
4	Approve the remuneration of the non-executive directors for the next financial year			
5	Re-appoint PricewaterhouseCoopers as auditor			
6	Authorise directors to determine the auditor's remuneration			
7.1	Re-elect retiring director: Mr K B Black			
7.2	Re-elect retiring director: Mr J C Brandt			
7.3	Re-elect retiring director: Mr F J du Toit			
8	Confirm appointment of Mr G Fourie as independent non-executive director			
9	General authority to the directors to allot and issue shares			

Signed at ____________ this ____________ day of ____________ 2015

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.

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PROXY FORM (continued)

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