

# CONSOLIDATED GROUP FINANCIAL RESULTS

The reviewed consolidated results of the group for the year ended **30 June 2016**

Profit after tax	Earnings per share	Net asset value per share	Dividend per ordinary share	Capital adequacy	Return on average equity
<b>N\$905.0m</b>	<b>181.2 cents</b>	<b>856 cents</b>	<b>66 cents</b>	<b>15.8%</b>	<b>22.9%</b>
<b>↑ 20.2%</b>	<b>↑ 20.5%</b>	<b>↑ 17.6%</b>	<b>↑ 24.5%</b>		

## GROUP FINANCIAL PERFORMANCE

Bank Windhoek Holdings delivered a solid performance during the 2016 financial year with profit after tax increasing by 20.2% year on year and realising a return on average equity of 22.9%. This was the fifth consecutive year of profit growth in excess of 20%, emphasising the consistent performance of the group.

### Net interest income

Net interest income increased by 15.1% to N\$1.458bn (June 2015: N\$1.267bn), which is mainly due to growth in interest earning assets of 13.1% and the net interest margin improving slightly to 4.8% (June 2015: 4.7%). The improved interest margin has been achieved notwithstanding the increase in the average cost of funding resulting from the group's strategy to diversify sources of funding.

### Impairment charges

Impairment charges remained stable, increasing by 4.2% to N\$60.8m (June 2015: N\$58.3m). Non-performing loans as a percentage of gross loans and advances increased from 1.09% to 1.32%, still well within generally accepted banking norms.

### Non-interest income

As a result of the group's strategy and focus to further diversify its revenue streams, non-interest income growth exceeded the growth in net interest income after loan impairment charges for the third consecutive year, increasing by 17.4% to N\$953.8m (June 2015: N\$812.6m).

This is mainly due to growth in transaction-based fee income and trading income. Transaction-based fees continue to be the largest contributor and increased by 8.1% despite the implementation of zero cash handling fees from 1 April 2015. Trading income's contribution to non-interest income increased to 15% (June 2015: 11.8%), due to the income earned from the Kwanza trading activities and the volatility in the currency markets during the year under review. The dispensation from Bank of Namibia for Namibian banks to trade in Kwanza was withdrawn in December 2015.

The group continues to improve its efficiency ratios with non-interest income covering 80.8% (June 2015: 78.0%) of operating expenses and contributing 40.6% to operating income (June 2015: 40.2%).

### Operating expenses

Operating expenses increased by 13.2% to N\$1,180.2m (June 2015: N\$1,042.2m). The growth is in line with the prior year and the average of the last 5 years. The increase in operating expenses is mainly due to the increase in staff costs and technology related expenses.

The cost to income ratio improved to 50.2% (June 2015: 51.6%), with operating income growth of 16.3% exceeding operating expenses growth of 13.2%.

### Income from associates

Income from associates increased to N\$97.1m (June 2015: N\$87.2m) and contributed 10.7% (June 2015: 11.6%) to profit after tax.

### Loans and advances

Bank Windhoek grew loans and advances to N\$26.6bn (June 2015: N\$23.6bn). The 12.6% increase is mainly due to growth in overdrafts and mortgage loans. Compared to the prior year the growth in loans and advances has slowed down, mirroring the industry growth in credit to the private sector.

Reacting to the more challenging economic environment, the group reviewed its credit assessment process during the first half of the year, adopting a more cautious lending approach. However, we remain committed to our value of "Together we do better" and will continue to support our customers and act in their best interests through responsible lending.

### Funding increase

Total funding increased by 12.1% to N\$27.6bn (June 2015: N\$24.6bn), comprising a 7.9% increase in deposits to N\$23.7bn (June 2015: N\$22.0bn) and in other borrowings of N\$1.2bn. Other borrowings consist of long-term loans from the International Finance Corporation and the Deutsche Investitions- und Entwicklungsgesellschaft of N\$920m and N\$250m, respectively.

### Total risk-based capital adequacy ratio

The group remains well capitalised and is generating sufficient profits to fund the growth in the loans and advances book. At 15.8% the risk-based capital adequacy ratio remains well above the minimum regulatory capital requirement of 10%. Bank of Namibia has announced its intention for Basel III to be fully implemented by 2021.

### Outlook

We expect the more challenging economic conditions to persist in the near term with slower economic growth, inflationary pressures, increases in interest rates and a weakening of our currency.

We will continue to strive to improve the ease of doing business and the level of service to our customers. With a respected brand, good relationships, a prudent approach to credit and a strong capital adequacy position, the group remains focused on meeting the banking and financial services needs of Namibians.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2016

	2016 Reviewed N\$'000	2015 Audited N\$'000
Interest and similar income	2,963,244	2,425,239
Interest and similar expenses	(1,505,102)	(1,158,278)
<b>Net interest income</b>	<b>1,458,142</b>	<b>1,266,961</b>
Impairment charges on loans and advances	(60,779)	(58,305)
<b>Net interest income after loan impairment charges</b>	<b>1,397,363</b>	<b>1,208,656</b>
Non-interest income	953,804	812,598
<b>Operating income</b>	<b>2,351,167</b>	<b>2,021,254</b>
Operating expenses	(1,180,153)	(1,042,231)
<b>Operating profit</b>	<b>1,171,014</b>	<b>979,023</b>
Share of joint arrangement's results after tax	1,405	960
Share of associates' results after tax	97,123	87,159
<b>Profit before income tax</b>	<b>1,269,542</b>	<b>1,067,142</b>
Income tax expense	(364,494)	(314,140)
<b>Profit for the year</b>	<b>905,048</b>	<b>753,002</b>
<b>Other comprehensive income</b>		
<i>Items that may subsequently be reclassified to profit or loss</i>		
Change in value of available-for-sale financial assets	33,465	28,486

**Total comprehensive income for the year** **938,513** **781,488**

Ordinary shares in issue ('000) <sup>1</sup>	499,534	500,523
Weighted average no. of ordinary shares in issue ('000) <sup>1</sup>	499,534	500,523
Diluted weighted average no. of ordinary shares in issue ('000) <sup>1</sup>	500,692	502,466
Basic earnings per share (cents)	181.2	150.4
Diluted earnings per share (cents)	180.8	149.9
Basic headline earnings per share (cents)	181.2	150.5
Dividend per ordinary share (cents)	66.0	53.0

<sup>1</sup> Adjusted for treasury shares.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	2016 Reviewed N\$'000	2015 Audited N\$'000
<b>ASSETS</b>		
Cash and balances with the central bank	1,169,170	619,907
Financial assets designated at fair value through profit or loss	2,408,196	2,587,461
Investment securities	133,998	100,533
Due from other banks	1,006,602	740,321
Loans and advances to customers	26,598,023	23,621,871
Other assets	340,530	368,067
Current tax asset	60,177	4,575
Investment in associates	248,297	233,157
Interest in joint arrangements	5,099	3,694
Intangible assets	199,045	155,165
Property, plant and equipment	158,253	154,043
Deferred tax asset	6,263	20,048
<b>Total assets</b>	<b>32,333,653</b>	<b>28,608,842</b>
<b>LIABILITIES</b>		
Due to other banks	447,129	130,151
Other borrowings	1,164,051	-
Debt securities in issue	2,215,345	2,461,212
Deposits	23,724,128	21,993,998
Other liabilities	497,700	360,746
Current tax liability	1,801	10,946
Post-employment benefits	9,460	8,416
<b>Total liabilities</b>	<b>28,059,614</b>	<b>24,965,469</b>
<b>EQUITY</b>		
Share capital and premium	512,045	530,050
Non-distributable reserves	213,034	196,486
Distributable reserves	3,548,960	2,916,837
<b>Total shareholders' equity</b>	<b>4,274,039</b>	<b>3,643,373</b>
<b>Total equity and liabilities</b>	<b>32,333,653</b>	<b>28,608,842</b>
Net asset value per share (cents)	856	728

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

	Share capital and premium N\$'000	Non-distributable reserves N\$'000	Distributable reserves N\$'000	Total equity N\$'000
<b>For the year ended 30 June 2015 (audited)</b>				
<b>Balance at 1 July 2014</b>	532,435	170,354	2,391,369	3,094,158
Movement in treasury shares	(2,385)	-	-	(2,385)
Total comprehensive income for the year	-	-	781,488	781,488
Profit for the year	-	-	753,002	753,002
Other comprehensive income	-	-	28,486	28,486
Share-based payment charges	-	-	5,000	5,000
Profit on sale of treasury shares	-	-	764	764
Transfer from share-based payment reserve	-	-	(10,015)	(10,015)
Transfer between reserves	-	26,132	(26,132)	-
Dividends	-	-	(225,637)	(225,637)
<b>Balance at 30 June 2015</b>	<b>530,050</b>	<b>196,486</b>	<b>2,916,837</b>	<b>3,643,373</b>

	2016 Reviewed N\$'000	2015 Audited N\$'000
<b>For the year ended 30 June 2016 (reviewed)</b>		
<b>Balance at 1 July 2015</b>	530,050	196,486
Movement in treasury shares	(18,005)	-
Total comprehensive income for the year	-	-
Profit for the year	-	-
Other comprehensive income	-	-
Share-based payment charges	-	-
Utilisation of reserve	-	(844)
Transfer between reserves	-	17,392
Dividends	-	-
<b>Balance at 30 June 2016</b>	<b>512,045</b>	<b>213,034</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	2016 Reviewed N\$'000	2015 Audited N\$'000
Net cash generated from operating activities	354,350	245,654
Net cash utilised in investing activities	(92,011)	(122,753)
Net cash generated from financing activities	349,962	227,669
<b>Net increase in cash and cash equivalents</b>	<b>612,301</b>	<b>350,570</b>
Cash and cash equivalents at the beginning of the year	1,959,319	1,608,749
<b>Cash and cash equivalents at the end of the year</b>	<b>2,571,620</b>	<b>1,959,319</b>

## HEADLINE EARNINGS RECONCILIATION

for the year ended 30 June 2016

	2016 Reviewed N\$'000	2015 Audited N\$'000
Profit for the year	905,048	753,002
Remeasurement included in equity accounted earnings	542	573
Profit on sale of property, plant and equipment	(212)	(357)
<b>Headline earnings</b>	<b>905,378</b>	<b>753,218</b>
Basic headline earnings per share (cents)	181.2	150.5
Diluted headline earnings per share (cents)	180.8	149.9

## CAPITAL ADEQUACY

for the year ended 30 June 2016

	2016 Reviewed %	Minimum Requirement %
Total risk-based capital ratio	15.8	10.0
Tier I risk-based capital ratio	14.4	7.0
Tier II risk-based capital ratio	1.4	-

## SUMMARY OF KEY RATIOS

for the year ended 30 June 2016

	2016 Reviewed %	2015 Audited %
Profit after income tax growth	20.2	20.5
Earnings per share growth	20.5	20.6
Dividend per share growth	24.5	20.5
Return on average equity	22.9	22.4
Return on average assets	3.0	2.8
Cost to income ratio	50.2	51.6
Growth in total assets	13.0	17.6

## FINAL DIVIDEND

Notice is hereby given that a final dividend of 36 cents per ordinary share was declared on 10 August 2016 for the year ended 30 June 2016. Taking into account the interim dividend of 30 cents per share, this represents a total dividend of 66 cents per ordinary share for the year ended 30 June 2016 (2015: 53 cents per share).

- Last day to trade cum dividend: 18 August 2016
- First day to trade ex dividend: 19 August 2016
- Record date: 25 August 2016
- Payment date: 7 September 2016

## REVIEWED RESULTS – AUDITOR'S REVIEW CONCLUSION

The condensed consolidated financial statements for the year ended 30 June 2016, from which this information is derived, have been reviewed by PricewaterhouseCoopers, who expressed an unmodified review conclusion thereon. The review was conducted in accordance with ISRE 2410 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. A copy of the auditor's review report is available for inspection at the company's registered office together with the condensed consolidated financial statements referred to in the auditor's review report.

## BASIS OF PRESENTATION

The reviewed condensed consolidated financial statements of Bank Windhoek Holdings Ltd for the year ended 30 June 2016, from which this information is derived, have been prepared in accordance with International Accounting Standards (IAS) 34: 'Interim financial reporting' and the requirements of the Companies Act of Namibia.

This results announcement is the responsibility of the directors, and is extracted from the reviewed condensed consolidated financial statements, but is not itself reviewed or audited. The group's principal accounting policies comply with IFRS and have been applied consistently in all material aspects with the previous financial years.

Bank Windhoek Holdings Limited  
(Incorporated in the Republic of Namibia)  
(Registration Number: 96/300)  
Share code: BWH ISIN: NA000A1T6SV9  
("BWH" or "the group")

**Directors:** J C Brandt (Chairman), J J Swanepoel (Vice-Chairman),  
M J Prinsloo (Managing Director as from 1 Jan 2016),  
C P de Vries (resigned 13 Jan 2016), K B Black, F J du Toit, D G Fourie,  
G N Sekandi, E Schimming-Chase, J M Shaetonkong, M K Shikongo.

By order of the Board

H von Ludwiger  
Company Secretary  
Windhoek, 10 August 2016

Postal address: P.O. Box 15, Windhoek, Namibia  
Registered address: CIH House, Kasino Street, Windhoek, Namibia  
Tel: (+264 61) 299 1301  
Fax: (+264 61) 299 1309  
E-mail: info@bwholdings.com.na  
Website: www.bwholdings.com.na

**Sponsor: PSG Wealth Management (Namibia) (Pty) Limited**  
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