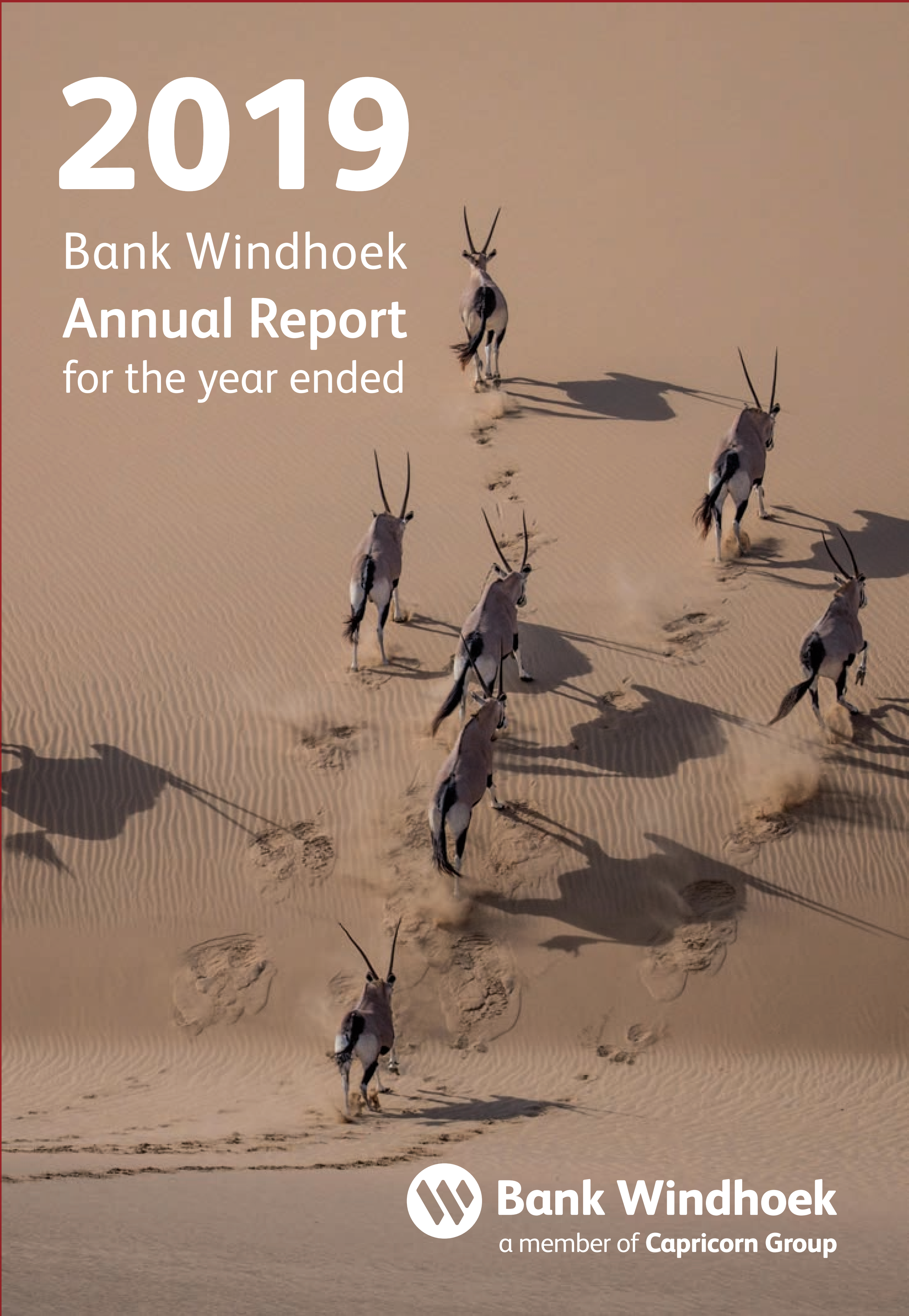
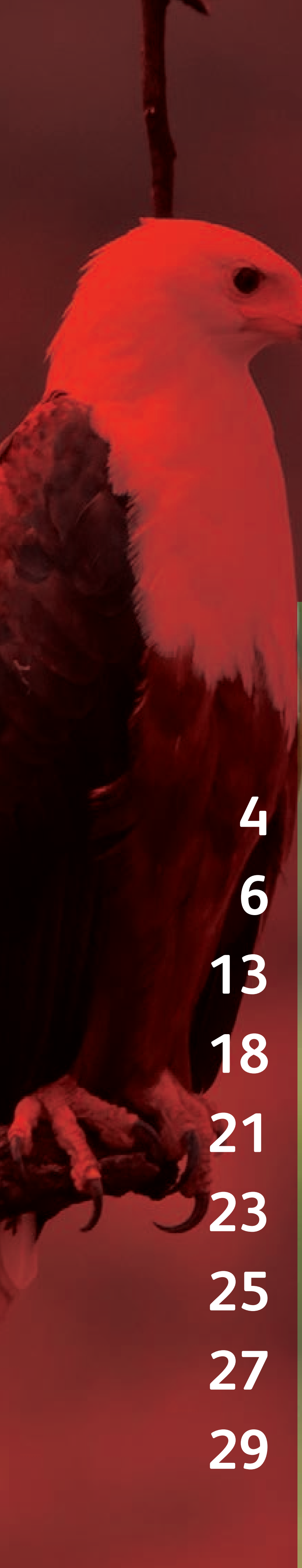
2019

Bank Windhoek
Annual Report
for the year ended



Bank Windhoek
a member of Capricorn Group



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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

for the year ended 30 June 2019

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 board audit and board 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 and board risk and compliance committees of the group, 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. Comprehensive insurance cover is in place as required by the Bank of Namibia BID 14 – 'Determinations on minimum insurance for banking institutions'.

The Bank has complied in all material aspects with the requirements set out in BID 2 with regards to asset classification, suspension of interest and provisioning. The external auditors have not identified nor reported instances of non-compliance with BID 2 during the reporting period.

The financial statements presented on pages 18 to 111 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 pages 13 to 17.

The financial statements, set out on pages 18 to 111, were authorised and approved for issue by the board of directors on 27 September 2019 and are signed on their behalf:

J J Swanepoel
Chairman

B R Hans
Managing Director

CORPORATE GOVERNANCE STATEMENT

for the year ended 30 June 2019

Bank Windhoek Ltd 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 and ethical practices for ensuring the application of appropriate governance practices to deliver the desired outcomes. Following a decision by the Namibian Stock Exchange (NSX) in 2018 to allow listed entities to select compliance either with the NamCode or the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™), the group resolved to adopt King IV™ in the current financial year.

The board supports the shift to an outcomes-based approach to governance, where the leadership tone is set from the top. The work done in embedding the bank's way signals the emphasis on creating an ethical culture with behaviours based on a common set of values.

The board has also been setting the tone to create an ethical culture through a group risk appetite statement that includes elements specifically related to ethical risk. Operational risk priorities include building an effective risk culture to support dynamic risk management.

Board members and employees adhere to an updated group Code of Ethics and Conduct Policy while the Procurement Policy was augmented with a Suppliers' Code of Conduct. Since its inception, the board sustainability and ethics committee (BSEC) has been mandated to recommend policies and guidelines for addressing ethics issues to the board and escalate any ethics risks to the board risk and compliance committee (BRC).

Key board practices and activities focus on:

- Open and rigorous discussion;
- Active participation;
- Consensus in decision-making;
- Independent thinking and alternate views
- Reliable and timely information.

The board provides oversight and ensures sustainability by approving a clear strategy linked to performance objectives and targets. The operational risk management infrastructure has been enhanced to support the group's strategy, which directs the evolution of the internal risk and control frameworks based on anticipated future operating dynamics. To achieve good performance as an outcome, the board evaluates its own performance, which includes the performance of the board committees, and ensures that remuneration throughout the group is linked to the achievement of performance targets.

Effective control is embedded in the governance structures in the group. The board follows a structured approach to meetings, supported by a timely flow of documents to ensure that the oversight responsibilities of the boards of subsidiaries, as well as the group board and its board committees, are carried out effectively.

The board believes that the group earns legitimacy through consistent performance over time, a reputation for compliance, customer service, stakeholder-inclusiveness and by acting as a connector of positive change.

Governance milestones for 2019

- Implementation of King IV™, transition from NamCode;
- External evaluation of the boards, committees, directors and company secretaries.

Our King IV™ journey

King IV™ focuses on outcomes as opposed to inputs in respect of good governance. It defines corporate governance as the exercise of ethical and effective leadership by the board towards the achievement of four corporate governance outcomes, namely:

- Ethical culture;
- Good performance (sustainable value creation);
- Effective controls;
- Trust, a good reputation and the legitimacy of the company (its social licence to operate).

Furthermore, King IV™ contains 17 principles, stated in an outcomes-based manner, which should all be applied.

The executive leadership and the board of the group, with the assistance of a governance expert, reviewed King IV™ with a view to:

- ensure alignment in the understanding of the King IV™ philosophy, corporate governance outcomes, 17 principles and how to apply the principles through supporting practices;
- assess the appropriateness of current practices in support of the outcomes required by each of the 17 principles; and
- identify proposed changes and enhancements to current practices to ensure the more effective application of the principles.

While no major gaps were found, management and the boards of each subsidiary company are in the process of finalising and implementing the proposed enhancements.

01 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 conducted by the board. Charter also sets out the specific responsibilities to be discharged by the board members collectively and the managing director and chairman in their respective capacities.

Role of the board

An important role of the board is to define the vision and 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 group's strategy is considered, agreed and evaluated annually, prior to the approval of the annual budget. Implementation is monitored quarterly at the board and executive meetings.

The board also ensures that procedures and practices are in place that protect the group's assets and reputation. Further 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 decisions details key aspects of the group's affairs that the board does not delegate, including the approval of business plans and budgets, material expenditure and alterations to share capital. This framework clarifies roles and ensures the effective exercise of authority and responsibilities.

Board leadership and composition

The composition, 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, eight members constitute the board, with one executive director and seven non-executive directors, of which five are independent non-executive directors. The nominations committee, which includes the lead independent director (LID), assessed the independence of the non-executive directors classified as independent and confirmed their continued classification as independent.

The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

Chairman, lead director and managing director

The board chairman, Johan Swanepoel, is considered to be an independent non-executive director. Mr D G Fourie is the lead independent director. His role and responsibilities are set out in the board charter and include serving as a nexus between executive and non-executive directors where a more stringent observation of independence is required on particular matters requiring a board decision, especially in situations where the independence of the chairman may be questionable or impaired, including discussions dealing with the succession of the chairman and the chairman's performance appraisal.

The managing director is appointed by the board, and her succession is attended to by the nominations committee.

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 by any particular director. Board decisions are robustly deliberated and consensus-driven.

Meeting attendance

Each board committee has an executive lead to coordinate meetings and meeting documentation. The board meets a minimum of four times a year, with board committee meetings normally held two weeks prior to board meetings.

Feedback reports from the committees to the board include feedback on key matters discussed, key decisions taken, and matters referred to the board.

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

Director	Category	Board of directors	Board audit committee	Board risk and compliance committee	Board credit committee	Group board HR committee	Group board remuneration committee	Group board nominations committee	Group investment committee	Group board sustainability and ethics committee	Group board IT committee	Board procurement committee
Meetings held:		6	5	4	48	4	5	5	3	4	4	12
JJ Swanepoel	Independent Non-executive chairman	Chair 6			Chair 37		5	Chair 5	Chair 3			Chair 12
KB Black	Independent non-executive	5				Chair 4		5				
JC Brandt	Non-executive	6						5	3			
FJ du Toit	Independent non-executive	6	Chair 5	4			5					
DG Fourie	Independent non-executive	6	5	Chair 4	43	4	Chair 5	5	3			
BR Hans	Managing Director	6		4	31	4				4	4	6
G Nakazibwe-Sekandi	Independent Non-executive	6								Chair 4		
MJ Prinsloo	Non-executive	6	5	4		4			3	4	4	

Board appointments, induction and training

Procedures for appointment to the board are formal and transparent. Nominations for appointment as members of the board are recommended by the group board nominations committee (Nomco), which is chaired by the board chairman.

The lead independent director is a member of the committee, 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 become available for re-election. Executive directors are engaged on employment contracts, subject to short-term notice periods unless longer periods are approved by the board.

On appointment, all directors attend an induction programme aimed at deepening their understanding of the group and the business environment and markets in which the group operates. This 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 economic, political, social and legal landscape in which the group operates. Where appropriate, significant developments that impact the group and of which the board needs to be aware, are highlighted via the governance structures and process.

With the assistance of a governance expert, the directors reviewed King IV™ to ensure alignment in the understanding of its philosophy, outcomes and principles, assess the appropriateness of our current practices and identify proposed changes and enhancements to our current practices.

This year, the board received a presentation on the board’s responsibilities regarding anti-money laundering (AML) and the combatting of terrorist financing (CTF) and a session on the Agile methodology.

Board evaluation

The nominations committee appointed the Institute of Directors of Southern Africa (IoD) to do an external evaluation of the boards, committees, directors and company secretaries of Capricorn Group and the three banks. Other subsidiaries participated in a process of self-evaluation. The appraisal included a review of the composition of the boards and committees, roles and responsibilities, relationships with management and other stakeholders, and board meetings, among other things. Following a review of the governance documentation, the IoD tailored appraisal questionnaires that were completed by the directors and company secretaries, after which the IoD interviewed them individually. The reports prepared by the IoD indicated a satisfactory outcome of the appraisal. Key strengths mentioned include that the board is highly functional, that members respect one another, work well together, have significant skills, experience and qualifications in finance and banking and that there are robust debate and discussion. The board identified a need for additional information technology skills. A comprehensive group governance framework has been developed over the years, and appropriate reporting and feedback channels have been established. The board is satisfied that the evaluation process is improving the board's performance and effectiveness.

02 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 these or other business-related matters directly from independent professional advisers should they so wish. This is in addition to the advice provided by independent advisers 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 discuss and ask advice about any matters on which they require additional information or clarification.

The board believes that these arrangements are effective for the optimal functioning of the board.

Board committees

The board as a whole remains responsible for the strategic direction of the group. To effectively assist in discharging its responsibilities, it delegates certain functions to committees 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 board has delegated the power and duties exercised by the group board committees listed below, to each of the corresponding and respective committees.

The key committees are:

- Board audit committee
- Board risk and compliance committee
- Board credit committee
- Group board human resources committee
- Group board remuneration committee
- Group board nominations committee
- Group board investment committee
- Group board sustainability and ethics committee
- Group board IT committee
- Board procurement committee

Board audit committee (BAC):

Members of the committee	Committee role, responsibilities and functions
Chairman: F J du Toit D G Fourie M J Prinsloo	The committee is responsible for the following key matters: 1. financial control, accounting systems and reporting, including management accounts, interim and annual financial results; 2. combined assurance; 3. review of the finance function; 4. internal audit and internal control; 5. external audit; 6. asset and liability committee (ALCO); 7. review and recommend operational and capital budgets, including the capital plan for board approval; 8. review and recommend interim and final dividends for board approval. The committee is satisfied that it has fulfilled its responsibilities with its terms of reference for the year.

Further disclosures

The audit committee is satisfied that the external auditor is independent of the organisation.

The committee has approved a non-audit services policy that is strictly adhered to. On a quarterly basis, management reports all payments made to the external auditor for all audit and non-audit fees to the BAC. Prior BAC approval is required for assignments exceeding the policy threshold.

The external audit firm has audited the company since its incorporation in 1996. Audit firm rotation is envisaged as required by BID-10.

The designated external audit partner was rotated in 2017. During the external audit firm's tenure, the finance team has a low tenure, and all BAC members have low tenures – all factors mitigating the risk of familiarity between the external auditor and management.

The IFRS 9 provisions were a significant matter that the audit committee has considered in relation to the annual financial statements. This was addressed by the committee by engaging with professional advisers.

The audit committee's views on the quality of the external audit is that the audit was executed in compliance with generally accepted audit standards. As regards the audit committee's views on the effectiveness of the chief audit executive and the arrangements for internal audit, the committee concurs with the opinion of the external quality assurance review, which allocated a "partially conforms" overall rating to the internal audit activity of the group, which means the evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the international internal audit standards. Actions identified by the quality assurance review were tracked at each BAC meeting and were fully addressed during the financial year.

The audit committee's views on the effectiveness of the design and the implementation of internal financial controls are reflected in the statement of responsibility by the board of directors on pages 4 to 5. During the year under review, there was no serious incident that would indicate a breakdown of controls. This, and the results of the internal audit report and the external audit report, confirm that material internal financial controls were effective.

Having assessed the effectiveness of the finance functions in the group as well as the chief financial officer, the audit committee considered the overall finance function in the group to be competent, well capacitated and in compliance with benchmark standards and norms.

With regards to combined assurance, the outcome from assurance activities of management assurance services and internal audit are reported to the BAC. The annual audit activities of the external audit take into consideration and are coordinated with internal audit assignments. Other assurance role players, like group compliance and IT risk, were identified relevant to their envisaged contribution to combined assurance. However, the outcome of their assurance efforts must still be coordinated and collated in the reporting to the BAC.

Board risk and compliance committee (BRC):

Members of the committee	Committee role, responsibilities and functions
Chairman: D G Fourie F J du Toit M J Prinsloo B R Hans N van der Merwe	The committee is responsible for the following key matters: 1. risk management, including IT risk, as referred by the IT committee; 2. compliance function; 3. non-trading losses; 4. determining risk appetite; 5. review and recommend the internal capital adequacy and assessment process (ICAAP) in terms of Pillar II of Basel II for board approval. The CFO, group head of risk, head of internal audit and the external auditor attend all BAC and BRC meetings and have unfettered access to the BAC and BRC chairmen and the board. The committee is satisfied that it has fulfilled its responsibilities with its terms of reference for the year.

Group board HR committee:

Members of the committee	Committee role, responsibilities and functions
Chairman: K B Black D G Fourie M J Prinsloo B R Hans T B Liebenberg	The committee is responsible for the following key matters: 1. personnel policies; 2. appointments, benefits and remuneration of management below executive level; 3. remuneration and benefits of non-management; 4. retirement fund scheme; 5. medical aid and group life benefits; 6. performance management; 7. employment equity; 8. environmental health and safety. The committee is satisfied that it has fulfilled its responsibilities with its terms of reference for the year.

Group board remuneration committee:

Members of the committee	Committee role, responsibilities and functions
Chairman: D G Fourie J J Swanepoel F J du Toit	The committee is responsible for the following key matters: 1. remuneration framework; 2. remuneration policy; 3. remuneration and fees for services as directors; 4. talent management at executive level; 5. remuneration of executive positions; 6. incentive schemes. The committee is satisfied that it has fulfilled its responsibilities with its terms of reference for the year.

Group board nominations committee (Nomco):

Members of the committee	Committee role, responsibilities and functions
Chairman: J J Swanepoel J C Brandt K B Black D G Fourie	The committee is responsible for the following key matters: 1. director nominations and related matters; 2. director performance; 3. director succession planning The committee is satisfied that it has fulfilled its responsibilities with its terms of reference for the year.

Group board investment committee:

Members of the committee	Committee role, responsibilities and functions
Chairman: J J Swanepoel J C Brandt D G Fourie M J Prinsloo J J Esterhuyse	The committee is responsible for the following key matters: 1. investment evaluations, approvals and recommendations of all prospective investments and disinvestments above a certain value; 2. monitoring of investments; 3. measure and oversee equity investment portfolio; 4. review investment strategies. The committee is satisfied that it has fulfilled its responsibilities with its terms of reference for the year.

Group board sustainability and ethics committee:

Members of the committee	Committee role, responsibilities and functions
Chairman: G Nakazibwe-Sekandi V Pillay (Special Adviser) M J Prinsloo E M Schimming-Chase N J van der Merwe (Enterprise Risk)	The committee is responsible for the following key matters: 1. group sustainability strategy and philosophy, good corporate citizenship and ethics; 2. monitoring social and economic development activities; 3. monitoring environment, health and public safety activities; 4. monitoring consumer relationships and public relations; 5. monitoring compliance with human rights conventions and ethical breaches internally and externally. The committee is satisfied that it has fulfilled its responsibilities with its terms of reference for the year.

Group board IT committee (GBITC):

Members of the committee	Committee role, responsibilities and functions
Chairman: Prof. A Watkins M J Prinsloo B R Hans S Coetzee J J Esterhuyse T B Liebenberg G Nakazibwe-Sekandi D J Reyneke P van der Walt	The committee is chaired by Prof André Watkins, an independent external IT specialist. The committee is responsible for the following key matters: 1. group IT strategy; 2. group IT policy; 3. the group IT reference architecture; 4. the group application portfolio; 5. group IT organisational and governance structures; 6. IT risk management; 7. strategic projects; 8. significant outsourcing; 9. adequacy of IT resources. The committee is satisfied that it has fulfilled its responsibilities with its terms of reference for the year.

Further disclosures

Technology and information are governed in a way that supports the group in setting and achieving its strategic objectives. The GBITC is well established to fulfil the oversight required and meets quarterly. Oversight of IT is part of every GBITC agenda and IT policies are reviewed and approved at GBITC.

GBITC actively monitored the delivery against the priorities of the eight platforms. Platform owners provided progress updates at very GBITC meeting and specific actions were noted and tracked to completion. All other focus areas were reviewed and actioned.

The following policies are in place and approved at GBITC:

- IT policy
- IT service delivery policy
- IT change management policy
- Information security policy
- IT disaster recovery policy
- IT acceptable use policy
- Technology risk framework

Planned areas of future focus are:

- Further embedding agile and platforms;
- Investing in the various platforms to support the group's strategy;
- Oversight for expanding platform capacity in line with business demand and to enable delivery of the strategy;
- Continue reviews of the platform roadmaps and delivery against strategy.

Board procurement committee

Members of the committee	Committee role, responsibilities and functions
Chairman: J J Swanepoel B R Hans	The committee is responsible for the following key matters: 1. the procurement of high-value and high-risk goods and services; 2. indefinite delivery contracts; 3. assessment and approval of quotations received. The committee is satisfied that it has fulfilled its responsibilities with its terms of reference for the year.

03 Audit and compliance report

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 continuously 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 2019 its systems of internal control over financial reporting and over safeguarding of assets against unauthorised acquisitions, use or disposition, were adequate.

The group internal audit services (GIAS) is an independent and objective review and consulting function, created to improve systems of internal control across the group. GIAS assists the group to achieve its objectives by systematically reviewing current processes by 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. GIAS reports to the BAC and the board and has unrestricted access to the chairman of each of these committees. EY acts as co-source partner to GIAS, supporting the Head: GIAS, providing technical support and resource capability, and reporting to the BAC.

External auditor

The BAC approved the external auditor's terms of engagement, scope of work, as well as the 2019 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 by the group during the financial year amounted to N$ 1,199,236 (2018: N$ 691,011).

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 in the consolidated annual financial statements on pages 13 to 17.

INDEPENDENT AUDITOR'S REPORT

to the members of Bank Windhoek Ltd

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Bank Windhoek Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2019, 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 the requirements of the Companies Act of Namibia.

What we have audited

Bank Windhoek Limited's consolidated and separate financial statements set out on pages 18 to 111 comprise:

- the directors' report for the year ended 30 June 2019;
- the consolidated and separate statements of financial position as at 30 June 2019;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate annual financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

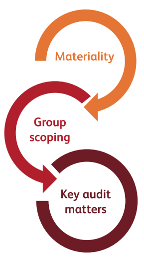
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with the Code of Conduct and in accordance with other ethical requirements applicable to performing audits in Namibia.

Our audit approach

Overview



Overall group materiality	• Overall group materiality: N$ 56,227,065, which represents 5 % of profit before tax.
Group audit scope	• The group audit scope included the audit of Bank Windhoek Limited and its subsidiaries, the only significant entity being Bank Windhoek Limited.
Key Audit Matter	• Expected credit losses ("ECL") on loans and advances

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	N$ 56,227,065
How we determined it	5 % of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5 % which is consistent with quantitative materiality thresholds used for profit-oriented public interest companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping assessment, for group reporting purposes included consideration of financially significant components identified based on the component's contribution to consolidated profit before tax . The significant component identified included Bank Windhoek Limited. This entity were subjected to a full scope audit. The entity included in our audit scope operate in Namibia. Full scope audits were also performed on non-significant components due to statutory requirements.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team. The group engagement team is responsible for the audit of all the entities within the group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses (ECL) on loans and advances *Refer to the Key management assumptions note, note 4(Critical accounting estimates and judgements in applying accounting policies), note 16 (Loans and advances to customers) and note 3.2 (Credit risk) to the consolidated and separate annual financial statements.* *This key audit matter is applicable to the consolidated and separate financial statements.* At 30 June 2019, gross loans and advances amounted to N$31.9 billion against which allowance for credit losses of N$831 million was raised for the Group. Gross loans and advances amounted to N$31.4 billion against which allowance for credit losses of N$816 million was raised for the Company. The expected credit losses (ECL) was calculated by applying IFRS 9 – Financial Instruments, as described in the notes to the financial statements, which was adopted for the first time on 1 July 2018. In calculating the ECL, the key areas of significant management judgement and estimation included: • Determining whether evidence exists that there has been a significant increase in credit risk (SICR) since initial recognition of the loans and advance, by considering credit scores, back-stops and qualitative factors and determining whether a 12 month or lifetime ECL is recognised. Loans and advances move from Stage 1 to Stage 2 if there has been a significant increase in credit risk ("SICR") since initial recognition, based on relative score movements as per the Capricorn Group ("CG") master rating scale, or if more than 30 days past due. • Determination of the write-off point. The Group and Company applies judgement in determining the point at which there is no reasonable expectation of further recovery to be made. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the group's recovery method is foreclosing on collateral and value of the collateral is such that there is no reasonable expectation of recovering in full. • • Determining and weighting of assumptions used in the forward-looking economic model. Three forward-looking scenarios are probability weighted by management to determine the ECL (Base, Upper and Lower scenario). These scenarios are then linked to probabilities of default (PDs) and losses given default (LGDs) to derive a forward looking ECL.	Our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on loans and advances as follows: *Evaluation of SICR* • We recalculated the impact of SICR, applying the assumptions and data included in management's model. • We tested the performance of SICR thresholds applied and the resultant transfer ratio into stage 2 for SICR. This included benchmarking of the volume of up to date accounts transferred to stage 2 based on history. • We performed a sensitivity analysis of SICR to determine the impact of change in SICR thresholds on the ECL recognised. • We evaluated management's supporting documentation for the performance of CG master rating scale and the correlation of these to default rates. *Determination of write-off point* • We evaluated management's assessment of historical post write-off recoveries, to determine the point at which there was no reasonable expectation of further recovery. • Through recalculation, we tested the application of the IFRS 9 write-off policy, including the exclusion of post write-off recoveries from the Loss Given Default (LGD). *Inclusion of forward looking information and macro-economic variables in the ECL* • We considered the assumptions used in the forward looking economic model, specifically around the forward-looking scenarios used, the macro-economic variables considered as well as the macro-economic outlook. We compared these to our own actuarial statistics and independent market data. • We tested the performance and sensitivity of the forward looking model in order to evaluate whether the chosen macro-economic factors and model fit provide a reasonable representation of the impact of macro-economic changes on the ECL results.

• Calibrating of the ECL statistical model components (Probability of Default "PD", Exposure at Default "EAD", Loss Given default "LGD") used to estimate the timing and amount of the forecasted cash flows based on historical default data, roll rates and recoveries. Management judgement is required to consider how historical data is used to project ECL. • Management applies its internal credit risk management approach and definitions to determine the recoverable amounts (including collateral) and timing of the future cash flows for stage 3 exposures at an individual exposure level. We determined the ECL on loans and advances to be a matter of most significance to our current year audit due to the following: • the first time adoption of IFRS 9 by the Group and Company; and • the degree of judgement and estimation applied by management in determining the ECL.	*Assessment of ECL raised for stage 3 exposures* • Where ECL was raised for individual exposures, we considered uncertainties and assumptions made by management in their assessment of the recoverability of the exposure. For a sample of stage 3 exposures, we independently recalculated the ECL based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level. • On a sample basis, we assessed whether the loss event (that is the point at which exposures are classified as credit-impaired had been identified in a timely manner by considering watch lists as well as credit committee meeting minutes. • For collateral held, we inspected legal agreements and supporting documentation to confirm the existence and legal right to collateral. *Calibrating of ECL statistical model components (PD, EAD, LGD)* • We obtained an understanding of the methodologies and assumptions used by management in the various ECL model components and how these were calibrated to use historical information and forward looking information to estimate future cash flows. • In gaining this understanding, we utilised our actuarial expertise to re-perform the ECL model. We found the accounting policies and the credit impairment methodologies applied by management to loans and advances to be in accordance with IFRS 9 – Financial Instruments.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Bank Windhoek Annual Report 2019". The other information does not include the consolidated or separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

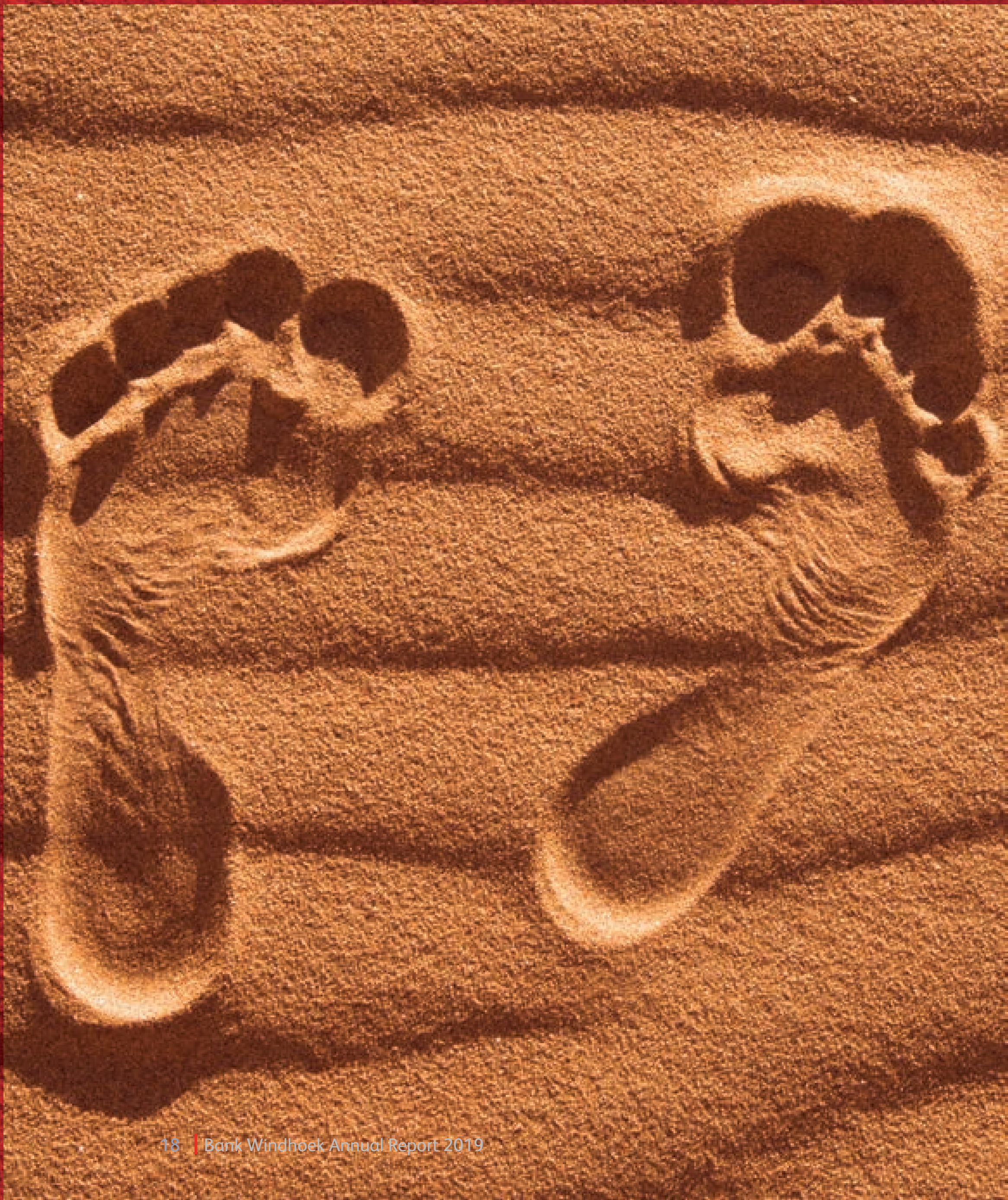
PricewaterhouseCoopers

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: R Nangula Uaandja
Partner

Windhoek
27 September 2019

DIRECTORS' REPORT

for the year ended 30 June 2019



The directors herewith submit their report with the annual financial statements of Bank Windhoek Ltd (company and group) for the year ended 30 June 2019.

01 General review

Bank Windhoek Ltd conducts business as a registered bank and provides comprehensive banking services to its clients in Namibia. Although Bank Windhoek is an autonomous Namibian company, the bank also provides international banking services through direct liaison with financial centers and institutions worldwide.

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

- Bank Windhoek Nominees (Pty) Ltd (Dormant)
  Custodian of third-party investments
- BW Finance (Pty) Ltd
  Micro lending
- Bank Windhoek Properties (Pty) Ltd
  Property investment
- Namclear (Pty) Ltd
  Payment clearing house

Registered address of Bank Windhoek Ltd:
6th floor
Capricorn Group Building
Kasino Street
Windhoek, Namibia

Company registration number:
79/081

Country of incorporation:
Republic of Namibia

02 Financial results and dividends

The directors report that the group's profit for the year from the above business activities for the year ended 30 June 2019 amounted to:

	2019 N$'000	2018 N$'000
Profit for the year	**797,713**	796,772

During the year under review, ordinary dividends of 6,219.5 cents per share (2018: 6,199.2 cents per share) amounting to a total of N$306 million (2018: N$305 million) were declared by the company. This represented a final dividend of N$159 million, which was declared and paid after the previous year end and interim dividends of N$147 million (2018: N$129 million). The group has paid special dividends of N$524.7m of which N$42m was declared in the prior year. Total dividends paid in the current year were N$830.7m. Refer to events subsequent to year-end for final dividends declared after year-end.

Full details of the financial results of the company and the group are set out on pages 21 to 111.

03 Share capital

Ordinary Shares

There were no changes to the share capital during the current and previous year.

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 29 October 2019, when the authority can be renewed.

Preference Shares

There were no changes to the authorised preference share capital during the current and previous year.

04 Holding company

Bank Windhoek Ltd is a wholly-owned subsidiary of Capricorn Investment Group. Capricorn Investment Group Limited is listed on the Namibian Stock Exchange and is 43.1 % (2018: 41.0 %) owned by Capricorn Investment Holdings Ltd and 25.9 % (2018: 25.9 %) owned by the Government Institutions Pension Fund, its non-listed major shareholders which are incorporated in Namibia.

05 Subsidiaries

For details relating to the subsidiaries of Bank Windhoek Ltd refer to note 18 to the annual financial statements.

06 Joint arrangements

For details relating to the joint arrangements of Bank Windhoek Ltd refer to note 19 to the annual financial statements.

07 Directors and company secretary

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

Non-executive		Nationality	Date appointed
J J Swanepoel	Chairman	Namibian	1 July 1999
K B Black		Namibian	22 Nov 2006
J C Brandt		Namibian	1 Apr 1982
F J du Toit		South African	1 May 1998
D G Fourie	Lead independent director	Namibian	29 Oct 2015
G Nakazibwe-Sekandi		Ugandan	1 July 2005
M J Prinsloo		South African	24 Feb 2016

Executive		Nationality	Date appointed
B R Hans		Namibian	1 July 2016

All directors appointed since the last annual general meeting have to be reappointed at the next annual general meeting.

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

6th Floor
Capricorn Group House
Kasino Street
Windhoek
Namibia

P. O Box 15
Windhoek
Namibia

08 Directors' interest

The directors' interest are reflected in note 9.1 of the consolidated financial statements.

09 Auditor

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

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 Events subsequent to year-end

i. In August 2019 final dividends of N$132 million (or 2,682.9 cents per share) were declared for the year ended 30 June 2019, payable on 13 September 2019.
ii. 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.

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2019

Consolidated and separate statements of comprehensive income

for the year ended 30 June 2019

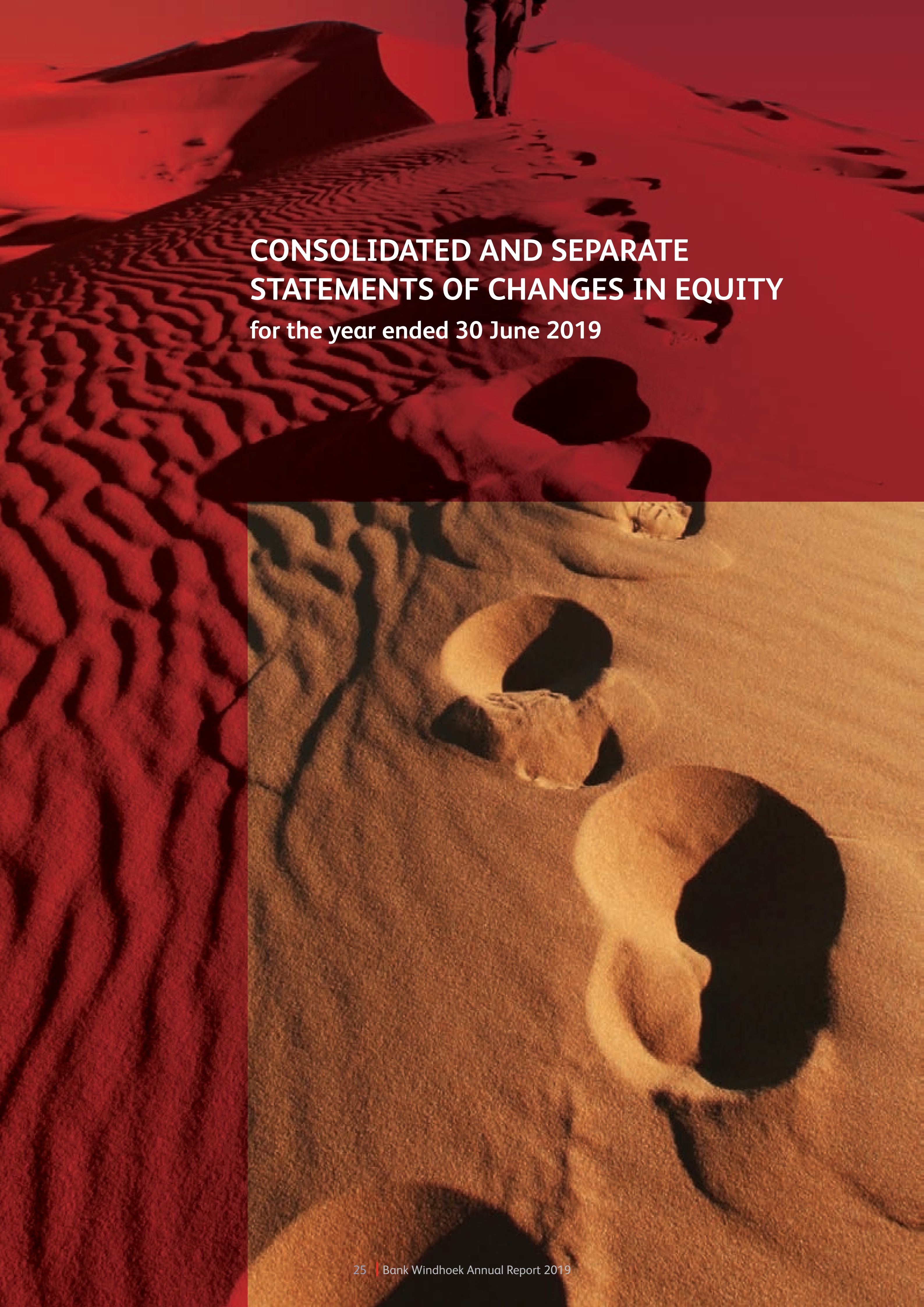
		Group		Company	
		2019	2018	2019	2018
	Notes	N$'000	N$'000	N$'000	N$'000
Interest and similar income		**3,773,195**	3,588,688	**3,747,372**	3,556,690
Interest and similar expenses		**(2,194,788)**	(2,078,598)	**(2,194,788)**	(2,078,598)
Net interest income	5.	**1,578,407**	1,510,090	**1,552,584**	1,478,092
Credit impairment losses	6.	**(94,726)**	(58,069)	**(96,964)**	(44,353)
Net interest income after credit impairment losses		**1,483,681**	1,452,021	**1,455,620**	1,433,739
Non-interest income	7.	**1,041,600**	937,509	**1,045,852**	940,109
Fee and commission income	7.1	**865,657**	797,990	**850,201**	782,748
Net trading income	7.2	**160,259**	57,059	**160,259**	57,059
Other operating income	7.3	**15,684**	82,460	**35,392**	100,302
Operating income		**2,525,281**	2,389,530	**2,501,472**	2,373,848
Operating expenses	9.	**(1,404,415)**	(1,296,349)	**(1,401,890)**	(1,294,180)
Operating profit		**1,120,866**	1,093,181	**1,099,582**	1,079,668
Share of joint arrangement's results after tax	19.	**3,675**	1,148	**-**	-
Profit before income tax		**1,124,541**	1,094,329	**1,099,582**	1,079,668
Income tax expense	10.	**(326,828)**	(297,557)	**(319,710)**	(292,926)
Profit for the year		**797,713**	796,772	**779,872**	786,742
Other comprehensive income **Items that may be reclassified to profit or loss**					
Net gains on investments in available-for-sale assets		**-**	44,056	**-**	44,056
Items that will not be reclassified to profit or loss					
Net gains on investments in equity instruments at fair value through other comprehensive income	14.	**7,263**	-	**7,263**	-
Total comprehensive income for the year		**804,976**	840,828	**787,135**	830,798

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

as at 30 June 2019

Consolidated and separate statements of financial position
as at 30 June 2019

	Notes	Group 2019 N$'000	Group 2018 N$'000	Company 2019 N$'000	Company 2018 N$'000
ASSETS					
Cash and balances with the central bank	11.	**1,095,599**	1,221,703	**1,095,599**	1,221,703
Derivative financial instruments	12.	**357**	-	**357**	-
Financial assets at fair value through profit or loss	13.	**1,336,392**	4,166,953	**1,336,392**	4,166,953
Financial assets at amortised cost	13.	**643,678**	624,715	**643,678**	624,715
Financial assets at fair value through other comprehensive income	14.	**3,521,978**	134,028	**3,521,978**	134,028
Due from other banks	15.	**862,394**	749,021	**862,394**	749,021
Loans and advances to customers	16.	**31,290,543**	29,763,659	**30,763,660**	29,255,920
Other assets	17.	**290,663**	274,478	**290,663**	274,478
Current tax asset		**76,919**	44,283	**69,896**	36,512
Investment in subsidiaries	18.	**-**	-	**19,799**	19,799
Loan to subsidiaries	18.	**-**	-	**459,895**	437,540
Interest in joint arrangements	19.	**11,015**	7,340	**1,154**	1,154
Intangible assets	20.	**181,776**	182,476	**181,776**	182,476
Property and equipment	21.	**199,658**	172,955	**184,555**	156,890
Deferred tax asset	27.	**26,318**	-	**22,767**	-
Total assets		**39,537,290**	37,341,611	**39,454,563**	37,261,189
LIABILITIES					
Derivative financial instruments	12.	**5,959**	5,535	**5,959**	5,535
Due to other banks	22.	**72,756**	63,037	**72,756**	63,037
Other borrowings	23.	**799,646**	1,217,510	**799,646**	1,217,510
Debt securities in issue	24.	**3,746,604**	3,537,990	**3,746,604**	3,537,990
Deposits	25.	**30,073,810**	27,408,878	**30,073,810**	27,408,878
Other liabilities	26.	**321,380**	308,659	**322,836**	310,153
Deferred tax liability	27.	**-**	7,205	**-**	7,205
Post-employment benefits	28.	**12,232**	11,440	**12,232**	11,440
Total liabilities		**35,032,387**	32,560,254	**35,033,843**	32,561,748
EQUITY					
Share capital and premium	29.	**485,000**	485,000	**485,000**	485,000
Non-distributable reserves	31.	**85,953**	269,653	**85,953**	269,653
Distributable reserves	32.	**3,933,950**	4,026,704	**3,849,767**	3,944,788
Total shareholders' equity		**4,504,903**	4,781,357	**4,420,720**	4,699,441
Total equity and liabilities		**39,537,290**	37,341,611	**39,454,563**	37,261,189



CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2019

Consolidated and separate statements of changes in equity
for the year ended 30 June 2019

	Notes	Share capital & premium	Non distributable reserves		Distributable reserves			Total equity
			Insurance fund reserve	Credit risk reserve	Fair value reserve	General banking reserve	Retained earnings	
		N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
GROUP								
Balance at 1 July 2017		485,000	50,536	197,650	145,164	3,354,610	71,978	4,304,938
Total comprehensive income for the year		-	-	-	44,056	-	796,772	840,828
Profit for the year		-	-	-	-	-	796,772	796,772
Other comprehensive income		-	-	-	44,056	-	-	44,056
Transfer between reserves		-	3,206	18,261	-	460,270	(481,737)	-
Reclassification to profit or loss		-	-	-	(59,409)	-	-	(59,409)
Dividends for 2018	33.	-	-	-	-	-	(305,000)	(305,000)
Balance at 30 June 2018		485,000	53,742	215,911	129,811	3,814,880	82,013	4,781,357
Balance at 1 July 2018		**485,000**	**53,742**	**215,911**	**129,811**	**3,814,880**	**82,013**	**4,781,357**
Credit risk reserve transfer to retained earnings - IFRS 9		**-**	**-**	**(194,536)**	**-**	**-**	**194,536**	**-**
IFRS 9 transitional impact - impairment		**-**	**-**	**-**	**-**	**-**	**(194,536)**	**(194,536)**
IFRS 9 transitional impact - effective interest rate		**-**	**-**	**-**	**-**	**-**	**(98,159)**	**(98,159)**
Restated balance at the beginning of the reporting period		**485,000**	**53,742**	**21,375**	**129,811**	**3,814,880**	**(16,146)**	**4,488,662**
Total comprehensive income for the year		**-**	**-**	**-**	**7,263**	**-**	**797,713**	**804,976**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**797,713**	**797,713**
Other comprehensive income		**-**	**-**	**-**	**7,263**	**-**	**-**	**7,263**
Transfer between reserves		**-**	**(2,618)**	**13,454**	**4,219**	**516,924**	**(531,979)**	**-**
Transfer of gain of disposal of equity investments at fair value through other comprehensive income to retained earnings		**-**	**-**	**-**	**(140,595)**	**-**	**140,595**	**-**
Dividends for 2019	33.	**-**	**-**	**-**	**-**	**(482,735)**	**(306,000)**	**(788,735)**
Balance at 30 June 2019		**485,000**	**51,124**	**34,829**	**698**	**3,849,069**	**84,183**	**4,504,903**
COMPANY								
Balance at 1 July 2017		485,000	50,536	197,650	145,164	3,354,610	92	4,233,052
Total comprehensive income for the year		-	-	-	44,056	-	786,742	830,798
Profit for the year		-	-	-	-	-	786,742	786,742
Other comprehensive income		-	-	-	44,056	-	-	44,056
Transfer between reserves		-	3,206	18,261	-	460,270	(481,737)	-
Reclassification to profit or loss		-	-	-	(59,409)	-	-	(59,409)
Dividends for 2018	33.	-	-	-	-	-	(305,000)	(305,000)
Balance at 30 June 2018		485,000	53,742	215,911	129,811	3,814,880	97	4,699,441
Balance at 1 July 2018		**485,000**	**53,742**	**215,911**	**129,811**	**3,814,880**	**97**	**4,699,441**
Credit risk reserve transfer to retained earnings - IFRS 9		**-**	**-**	**(194,536)**	**-**	**-**	**194,536**	**-**
IFRS 9 transitional impact - impairment		**-**	**-**	**-**	**-**	**-**	**(178,962)**	**(178,962)**
IFRS 9 transitional impact - effective interest rate		**-**	**-**	**-**	**-**	**-**	**(98,159)**	**(98,159)**
Restated balance at the beginning of the reporting period		**485,000**	**53,742**	**21,375**	**129,811**	**3,814,880**	**(82,488)**	**4,422,320**
Total comprehensive income for the year		**-**	**-**	**-**	**7,263**	**-**	**779,872**	**787,135**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**779,872**	**779,872**
Other comprehensive income		**-**	**-**	**-**	**7,263**	**-**	**-**	**7,263**
Transfer between reserves		**-**	**(2,618)**	**13,454**	**4,219**	**516,924**	**(531,979)**	**-**
Transfer of gain of disposal of equity investments at fair value through other comprehensive income to retained earnings		**-**	**-**	**-**	**(140,595)**	**-**	**140,595**	**-**
Dividends for 2019	33.	**-**	**-**	**-**	**-**	**(482,735)**	**(306,000)**	**(788,735)**
Balance at 30 June 2019		**485,000**	**51,124**	**34,829**	**698**	**3,849,069**	**-**	**4,420,720**

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

for the year ended 30 June 2019

Consolidated and separate statements of cash flows
for the year ended 30 June 2019

	Notes	Group		Company	
		2019	2018	2019	2018
			(Restated)[1]		(Restated)[1]
		N$'000	N$'000	N$'000	N$'000
Cash flows from operating activities					
Receipts from customers	34.1	**4,804,011**	4,509,095	**4,782,439**	4,479,699
Payments to customers, suppliers and employees	34.2	**(3,388,189)**	(3,203,291)	**(3,386,625)**	(3,202,083)
Cash generated from operations	34.3	**1,415,822**	1,305,804	**1,395,814**	1,277,616
(Increase) / decrease in operating assets					
Financial assets at fair value through profit and loss and amortised cost		**(1,159,689)**	(1,469,689)	**(1,159,689)**	(1,469,689)
Loans and advances to customers and banks		**(1,882,718)**	(1,345,519)	**(1,850,663)**	(1,296,525)
Net increase in derivatives		**66**	-	**66**	-
Other assets		**(13,567)**	47,759	**(13,567)**	47,759
Increase / (decrease) in operating liabilities					
Deposits, other borrowings and due to other banks		**2,583,352**	1,920,644	**2,583,352**	1,920,644
Other liabilities		**(39,641)**	(18,982)	**(39,680)**	(18,447)
Net cash generated from operations		**903,625**	440,017	**915,633**	461,358
Dividends received		**854**	2,420	**854**	2,420
Income taxes paid	34.4	**(347,198)**	(283,801)	**(336,851)**	(277,040)
Net cash generated from operations		**557,281**	158,636	**579,636**	186,738
Cash flows from investing activities					
Additions to property and equipment	21.	**(40,700)**	(29,793)	**(40,700)**	(29,793)
Proceeds on disposal of property and equipment		**909**	18	**909**	18
Additions to intangible assets	20.	**(62,947)**	(40,000)	**(62,947)**	(40,000)
Increase in loans to subsidiaries		**-**	-	**(22,355)**	(28,101)
Proceeds from sale of Visa shares	14.	**140,595**	-	**140,595**	-
Proceeds from financial assets at fair value through other comprehensive income (net of treasury bills and government bonds classified as cash and cash equivalents)	14.	**493,035**	-	**493,035**	-
Net cash generated from / (utilised in) investing activities		**530,892**	(69,775)	**508,537**	(97,877)
Cash flows from financing activities					
Proceeds from borrowings	23.	**-**	219,000	**-**	219,000
Other borrowings capital repaid	23.	**(417,273)**	(167,272)	**(417,273)**	(167,272)
Redemption of debt securities in issue	24.	**(844,883)**	(411,584)	**(844,883)**	(411,584)
Proceeds from the issue of debt securities	24.	**1,006,000**	905,000	**1,006,000**	905,000
Dividends paid	33.	**(830,735)**	(263,000)	**(830,735)**	(263,000)
Net cash (utilised in) / generated from financing activities		**(1,086,891)**	282,144	**(1,086,891)**	282,144
Net increase in cash and cash equivalents		**1,282**	371,005	**1,282**	371,005
Cash and cash equivalents at the beginning of the year		**3,719,826**	3,407,887	**3,719,826**	3,407,887
Effects of exchange rate changes on cash and cash equivalents		**7,934**	(59,066)	**7,934**	(59,066)
Cash and cash equivalents at the end of the year	35.	**3,729,042**	3,719,826	**3,729,042**	3,719,826

[1] Coupon payments on other borrowings and debt securities in issue are classified as one of the core revenue producing activities of the group. Coupon payments was previously classified within financing activities. The group has restated the disclosure of coupon payments on other borrowings and debt securities in issue from financing activities to operating activities. Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported in the statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating, investing and financing activities and includes the differences, if any, had those cash flows been reported at end of period exchange rates. Bank Windhoek has restated the disclosure in the cash flow statement to show the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency in terms of IAS 7.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

01 Basis of Presentation

The consolidated and separate annual financial statements of Bank Windhoek Ltd for the year ended 30 June 2019 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. The consolidated annual financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income and financial liabilities held at fair value through profit or loss and all derivative contracts.

The preparation of consolidated and separate 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 and separate 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 and separate 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 and separate 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

Title of standard	Nature of change	Impact	Mandatory application date / Date of adoption by group
IFRS 9 Financial Instruments	Details of requirements of IFRS 9 that will impact the group: **Classification and measurement** IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and its contractual cash flow characteristics. Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold these assets solely for collecting on contractual cash flows, where these contractual cash flows comprise solely payments of principal and interest. Financial assets are measured at fair value through other comprehensive income (FVOCI) if they are held within a business model whose objective is achieved by both collecting on contractual cash flows and by selling these financial assets. Contractual cash flows should comprise solely payments of principal and interest. The remaining financial assets, including derivatives, are measured at fair value through profit or loss (FVTPL). For equity investments that are neither held for trading nor contingent consideration, the group may irrevocably elect to present subsequent changes in fair value of these equity investments in other comprehensive income (OCI). Where the equity investment is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified within equity. The accounting for financial liabilities remains largely unchanged. **Impairments** Under IFRS 9, impairments are determined based on an expected credit loss (ECL) model rather than the incurred loss model used under IAS 39. The group is required to recognise impairments for either a 12-month or lifetime ECL on all financial assets measured at amortised cost and FVOCI, depending on whether there has been a significant increase in credit risk since initial recognition of the financial asset.	The group has adopted IFRS 9 as issued by the IASB in July 2014 with the date of transition of 1 July 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The group did not early adopt any of IFRS 9 in previous periods. The group has elected not to restate comparative figures, as permitted by the transitional provisions of IFRS 9. Accordingly, any differences between previous IAS 39 and new IFRS 9 carrying amounts were recognised in opening retained earnings and other reserves as at 1 July 2018. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have only been applied to the current period. The comparative period notes disclosures repeat those made in the prior year. The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'. Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the group. Further details of the specific IFRS 9 accounting policies applied in the current period(as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in section 2.3 and 2.4 below. **Classification and measurement** The measurements category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 July are disclosed in 1.3.1 (a). **Reconciliation of balances from IAS 39 to IFRS 9** The group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Please refer to 2.3.1 and 2.3.2 for more detailed information regarding the new classification requirements of IFRS 9.	Mandatory for financial years commencing on or after 1 January 2018. Adoption date by the group: 1 July 2018.

	Forward-looking information based on expected macroeconomic conditions and specific factors that are expected to impact individual portfolios are used when determining ECLs.	1.3.1(b) reconciles the carrying amounts of financial assets from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 July 2018. **Impairment allowance balance from IAS 39 to IFRS 9** 1.3.1(c) reconciles the prior period's closing impairment allowance measure in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 July 2018.	
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. The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.	The group has adopted IFRS 15 as issued by the IASB in May 2014 with the date of transition of 1 July 2018, which did not result in adjustments to the amounts previously recognised in the financial statements. IFRS 15 did not have a material impact on the timing or amounts of the group's income. The impact of IFRS 15 was limited to the new disclosure requirements.	Mandatory for financial years commencing on or after 1 January 2018. Adoption date by the group: 1 July 2018.

1.3.1 (a) Classification and measurement of financial instruments

	IAS 39		IFRS 9	
	Measurement category	Carrying amount N$'000	Measurement category	Carrying amount N$'000
Financial assets				
Cash and balances with the central bank	Amortised cost (Loans and receivables)	1,221,703	Amortised cost	1,221,703
Financial assets at fair value through profit or loss	FVPL (Designated)	4,166,953	FVPL (Mandatory)	1,025,105
Financial assets at amortised cost	Amortised cost (Held to maturity)	624,715	Amortised cost	603,321
Investment securities	FVOCI (Available for sale)	134,028	FVOCI	3,275,876
Due from other banks	Amortised cost (Loans and receivables)	749,021	Amortised cost	749,021
Loans and advances to customers	Amortised cost (Loans and receivables)	29,763,659	Amortised cost	29,544,727
Other assets	Amortised cost (Loans and receivables)	248,749	Amortised cost	248,749
Financial liabilities				
Derivative financial instruments	FVPL (Held for trading)	5,535	FVPL (Mandatory)	5,535
Due to other banks	Amortised cost (Loans and receivables)	63,037	Amortised cost	63,037
Other borrowings	Amortised cost (Loans and receivables)	1,217,510	Amortised cost	1,217,510
Debt securities in issue	Amortised cost (Loans and receivables)	3,537,990	Amortised cost	3,537,990
Deposits	Amortised cost (Loans and receivables)	27,408,878	Amortised cost	27,408,878
Other liabilities	Amortised cost (Loans and receivables)	280,799	Amortised cost	280,799

1.3.1 (b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

	IAS 39 carrying amount 30 June 2018 N$'000	Reclassifications[1] N$'000	Remeasurements N$'000	IFRS 9 carrying amount 1 July 2018 N$'000
Amortised cost - Financial assets				
Cash and balances with the central bank				
Opening balance under IAS 39 and closing balance under IFRS 9	1,221,703	-	-	1,221,703
Financial assets at amortised cost				
Opening balance under IAS 39	624,715			
Remeasurement: ECL allowance		-	(21,394)	
Closing balance under IFRS 9				603,321
Due from other banks				
Opening balance under IAS 39 and closing balance under IFRS 9	749,021	-	-	749,021
Loans and advances to customers				
Opening balance under IAS 39	29,763,659			
Remeasurement: Effective interest rate impact[2]			(98,159)	
Increase in ECL allowance gross of deferred tax			(218,932)	
Closing balance under IFRS 9				29,446,568
Other assets				
Opening balance under IAS 39 and closing balance under IFRS 9	248,749	-	-	248,749
Total financial assets measured at amortised cost	**32,607,847**	**-**	**(338,485)**	**32,269,362**
Financial assets at fair value through profit and loss (FVPL)				
Financial assets at fair value through profit or loss				
Opening balance under IAS 39	4,166,953			
Subtraction: To Financial assets at FVOCI (IFRS 9)		(3,141,848)	-	
Closing balance under IFRS 9				1,025,105
Total financial assets at FVTPL	**4,166,953**	**(3,141,848)**	**-**	**1,025,105**
Fair value through other comprehensive income (FVOCI)				
Investment securities - FVOCI (debt instruments)				
Opening balance under IAS 39	-			
Addition: From Financial assets at FVPL (IAS39)		3,141,848	-	
Closing balance under IFRS 9				3,141,848
Investment securities - FVOCI (equity instruments)				
Opening balance under IAS 39 and closing balance under IFRS 9	134,028	-	-	134,028
Total financial assets measured at FVOCI	**134,028**	**3,141,848**	**-**	**3,275,876**
Financial liabilities at fair value through profit and loss				
Derivative financial liabilities				
Opening balance under IAS 39 and closing balance under IFRS 9	5,535	-	-	5,535
Total financial liabilities at FVTPL	**5,535**	**-**	**-**	**5,535**
Amortised cost - Financial liabilities				
Due to other banks				
Opening balance under IAS 39 and closing balance under IFRS 9	63,037	-	-	63,037
Other borrowings				
Opening balance under IAS 39 and closing balance under IFRS 9	1,217,510	-	-	1,217,510
Debt securities in issue				
Opening balance under IAS 39 and closing balance under IFRS 9	3,537,990	-	-	3,537,990
Deposits				
Opening balance under IAS 39 and closing balance under IFRS 9	27,408,878	-	-	27,408,878
Other liabilities				
Opening balance under IAS 39 and closing balance under IFRS 9	280,799	-	-	280,799
Total financial liabilities measured at amortised cost	**32,508,214**	**-**	**-**	**32,508,214**

[1] Reclassifications of debt instruments that are held within a business model of collection of contractual cash flows and selling the assets.
The treasury bills, government stock and tradable instruments were previously designated at fair value through profit or loss as they were managed on a fair value basis. As part of transition to IFRS 9, these instruments are held with a view to collect contractual cash flows and to sell thus have been reclassified to measured at fair value through other comprehensive income.

The effective interest rate of these debt instruments ranges between 7.7 % and 9.6 % per annum and N$83.7million of interest income has been recognised during the year.

[2] Fees that are an integral part of the effective interest rate are treated as an adjustment to the effective interest rate. The IFRS 9 requirements on EIR for financial assets remain unchanged from IAS 39, however the group and the bank prior to 1 July 2018 used to compute the original EIR on loans at a very aggregated level and the adjustment was never material for adjustment in the financial statements. For IFRS 9 ECL calculation purposes the original EIR is used to discount ECL , as a result the assumptions applied in the EIR model were refined and data points used were at a more disaggregated level. This refinement in the EIR calculation resulted in a difference in the effective interest rate calculated in prior years . As it is impractical to determine what part of the adjustment is an error and what part relates to the transition to IFRS 9 without using hindsight, both are accounted for as a cumulative catch-up in opening retained earnings.

The EIR adjustment is included as part of the gross carrying amount of loans and advances in note 16.

1.3.1 (c) Reconciliation of impairment allowance from IAS 39 to IFRS 9

Measurement category	Loan loss allowance under IAS39 N$'000	Reclassification N$'000	Remeasurement N$'000	Loan loss allowance under IFRS 9 N$'000
Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS 9)				
Loans and advances to customers	230,314	(21,394)	240,326	449,246
Available for sale financial instruments (IAS 39)/ Financial assets at FVOCI (IFRS 9)				
Government stock	-	21,394	-	21,394
Total	**230,314**	**-**	**240,326**	**470,640**
Tax impact as a result of IFRS 9 transitional impact	**-**	**-**	**(45,790)**	**(45,790)**
Total after deferred tax IFRS 9 transitional impact	**230,314**	**-**	**194,536**	**424,850**

1.3.2 Standards and interpretations issued but not yet effective that are expected to be relevant to the group

Title of standard	Nature of change	Impact	Mandatory application date / Date of adoption by group
IFRS 16 Leases	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.	The group elected to apply IFRS 16 retrospectively without restating comparative periods. Comparative figures will be presented in terms of IAS 17. A transition adjustment from IAS 17 to IFRS 16 was posted on 1 July 2019. As at 1 July 2019, IFRS 16 is expected to have an increase of approximately N$86.2 million in total assets and total liabilities, which reflects the present value of remaining contractual lease payments as required by IFRS 16. As a lessee, the group elects to use a number of practical expedients.	Mandatory for financial years commencing on or after 1 January 2019.
IFRS 17, 'Insurance Contracts'	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.	The group is currently assessing the impact of the new rules.	Mandatory for financial years commencing on or after 1 January 2021. Expected date of adoption by the group: 1 July 2021.

There are no other standards that are not yet effective and that would be expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

02 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements, which complies with International Financial Reporting Standards (IFRS) and the Companies Act of Namibia, are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Consolidation

2.1.1. Subsidiaries

Subsidiaries are all entities (including 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 de-consolidated from the date that control ceases.

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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

2.1.2. 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.

2.1.3. Disposal of subsidiaries

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

2.1.4. Joint arrangements

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint arrangement depending on the contractual rights and obligations of each investor. Refer to note 19 for the group's joint arrangements. Joint arrangements are accounted for using the equity method.

Under the equity method of accounting, interests in joint arrangement 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 arrangement 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 and separate annual financial statements are presented in Namibian dollars (N$), which is the group's presentation currency.

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

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

2.3. Financial instruments

2.3.1. Initial measurement methods (IFRS 9 – Applicable to the current period figures)

Amortised cost and effective interest

The amortised cost is the amount at which the financial assets or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider the expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees.

The carrying value of loans and advances to customers is based on the calculation of the effective interest rate (EIR). This EIR is used in the IFRS 9 expected credit loss model for calculating provisions and to amortise any unearned loan origination fees over the contractual life of loans and advances.

The loan repayment calculation is based on the contractual rate, term, and capital amount including the loan origination fee. This adjusted instalment including the loan origination fee is used to determine the effective interest rate of the loan. The carrying value of loans and advances to customers is calculated using this effective interest rate.

When the group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a part to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset.

At initial recognition, the group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference immediately when the fair value is based on quoted price in an active market for an identical asset of liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss. In the event that fair value is not based on level 1 inputs, the fair value adjustment is deferred. The deferral is then amortised over the life of the instrument or realised when settled.

Financial assets that have subsequently become credit-impaired (or 'stage 3'), interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

2.3.2. Financial assets (IFRS 9 – Applicable to the current period figures)

i. Classification and subsequent measurement

From 1 July 2018, the group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

i. The group's business model for managing the asset; and
ii. The cash flow characteristics of the asset.

Based on these factors, the group classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance at recognition date. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- **Fair value through profit or loss:** assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented within the 'Non-operating income' in the period in which it arises. The group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- **Fair value through other comprehensive income (FVOCI)**: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss recognized in "Net Investment Income". Interest income from these financial assets are included in "Interest Income" using the effective interest rate method.

Business model: the business model reflects how the group manages the assets in order to generate cash flows. That is, whether the group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows arising from the sale of assets. If neither is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the group assesses whether the financial instruments' cash flow represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The group reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The group's management has elected, at initial recognition, to irrevocably designate equity investments at fair value through other comprehensive income. These investments are held for purposes other than to generate investment returns. Fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

ii. Impairment

The group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and with the exposure arising from loan commitments and financial guarantee contracts. The group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by using the transition matrix methodology;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

Note 3.2.2 provides more detail of how the expected credit loss allowance is measured.

iii. Modification of loans

The group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the group assesses whether or not the new terms are substantially different to the original terms. The group does this by considering, among others, the following factors:

- If the borrower in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower in expected to be able to pay.
- Whether any substantial new terms are introduced, such as profit share/ equity-based returns that substantially affect the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

A substantial modification of the contractual cash flows results in the group derecognising the original financial asset and recognising a 'new asset' at fair value and recalculating a new effective interest rate for the asset. If modified contractual cashflows differs by more than 10 % from original contractual cashflows, the modification will be deemed to be substantial. The date of renegotiation is consequently considered to the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

iv. Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and whether (i) the group transfers substantially all the risks and rewards of ownership, or (ii) the group neither transfers nor retains substantially all the risks and rewards of ownership and the group has not retained control.

Collateral furnished by the group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the group retains substantially all the risks and rewards on the basis of the predetermined repurchase price and the criteria for derecognition are therefore not met.

2.3.3. Financial liabilities

i. Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial guarantee contracts and loan commitments (see note 2.13).

ii. Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

2.3.4 Financial assets (IAS 39 – Applicable to the comparative period figures)

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 changed subsequently.

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.

ii. 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; or
- 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, corporate bonds, unit trust 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.

iii. 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.

iv. 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.

Treasury bills and government stock not held for trading, are classified in this category.

v. Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale instruments are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

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

Investment securities are classified in this category.

2.3.5. Financial liabilities (IAS 39 – Applicable to the comparative period figures)

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 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, other borrowings, 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 and separate statement of financial position as 'financial liabilities held for trading'.

Classified in this category are derivative financial instruments.

2.3.6. Determination of fair value

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date; and
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

2.3.7. Derecognition

The group derecognises a financial asset when:

- the contractual rights to the asset expire; or where there is a transfer of the contractual rights to receive the cash flows of the financial asset and substantially all of the risks and rewards related to the ownership of the financial asset are transferred; or
- the group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and rewards associated with the asset.

Where the group retains substantially all the risks and rewards of ownership of the financial asset, the group continues to recognise the financial asset in its entirety and recognises a financial liability for the consideration received. These financial assets and the related financial liabilities may not be offset.

Where the group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the group determines whether it has retained control of the financial asset. In this case:

- if the group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; or
- if the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The group derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. A substantial modification of the terms and conditions of an existing financial liability or part of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new one. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

2.3.8. 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.

2.3.9. Derivative financial instruments

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

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

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

The group's derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and the derivatives are disclosed separately in the statement of financial position.

2.3.10 Interest capitalised on stage 3 impaired loans and advances

IFRS 9 requires that interest income for loans and advances classified as Stage 3 be calculated on the net carrying amount, which will result in a portion of contractual interest being suspended. The group has applied this requirement by presenting interest capitalised on stage 3 loans and advances as a separate reconciling item when calculating the loans and advances' total value. Interest capitalised on stage 3 loans and advances, therefore, does not impact the net carrying amount of the financial asset as presented on the statement of financial position. However, this change in presentation has resulted in an increased gross carrying amount of the loans and advances when compared to IAS 39.

2.4. Impairment of financial assets

From 1 July 2018, the group has applied IFRS 9 and classifies its financial assets and the impairment thereof accordingly. For detail disclosure on impairment of financial assets under IFRS 9, refer to note 2.3 above.

IAS 39 – Applicable to the comparative period figures

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

2.4.1. Financial assets carried at amortised cost

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

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

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

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

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

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

Impairment of loans and advances

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

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

i. Individually assessed loans and advances
All loans and advances are assessed on a case-by-case basis at each reporting date as to whether there is any objective evidence that a loan is impaired. Loans and advances are individually assessed for impairment when they have been flagged as being past due more than 90 days. Furthermore, the criteria used to determine that there is such objective evidence, include the loss events described above. For those loans where objective evidence of impairment exists, impairment losses are determined considering the aggregate exposure to the client and the realisable value of security (or other credit mitigants) and the likelihood of successful repossession.

Due from other banks have not been impaired as these placements are made to banks that have high credit standing and, by policy, limits the amounts of credit exposure to any one financial institution. Refer to note 3.2.5 below.

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

To the extent that the unidentified impairments are insufficient to meet the minimum regulatory portfolio impairment, such shortfall is accommodated by a transfer of the applicable amount from distributable (retained earnings) to non-distributable reserves (credit risk reserve).

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

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

2.4.2. Financial assets carried at fair value
The group assesses at each reporting date whether there is objective evidence that a financial asset or a 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
Financial assets that would otherwise be past due that have been renegotiated are separately classified as neither past due nor impaired assets. Renegotiated loans are loans where, due to deterioration in the counterparty's financial condition, the group granted a concession where the original terms and conditions of the facility were amended and the counterparty is within the new terms of the loan. Loans are only classified as renegotiated if the terms of the renegotiated contract have not yet expired and remain classified as such until the terms of the renegotiated contract expire. Where the loans are reclassified as neither past due nor impaired the adherence to the new terms and conditions is closely monitored.

2.5. Sale and repurchase agreements
Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks 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 and separate financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

2.6. Intangible assets

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

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

2.6.2. Computer software and development costs

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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

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

Computer software development costs recognized as assets are amortised using the straight-line method over their useful lives as follows:

Operating software	3 years
Application software	7 years

2.7. Property and equipment

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

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

Motor vehicles	5 years
Furniture, fittings and other office equipment	6.67-8.3 years
Computer equipment	3-5 years
Buildings	24-30 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in profit or loss.

Investment properties held by group companies and which are occupied by other group companies are recognised as property and equipment in the consolidated and separate 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 are derecognised when the assets are sold to third parties.

2.9. Impairment of non-financial assets

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

2.10. Leases

2.10.1. A group company is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The leases entered into by 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 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 and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.11. Cash and cash equivalents

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

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, balances with less than three months' maturity from the reporting date, including cash and non-restricted balances with the central bank, treasury bills and other eligible bills, placements with other banks, short-term government securities, money market investments and short-term borrowings from other banks. In the statement of financial position, bank overdrafts are shown within 'due to other banks' as liabilities.

2.12. Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions for restructuring costs and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

2.13. Financial guarantee contracts

IFRS 15 - Applicable to the current period figures

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 guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculated as described in note 3.2.2); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the group are measured as the amount of the loss allowance (calculated as described in note 3.2.2). The group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

IAS 18 – Applicable to the comparative period figures

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 an asset to the extent that a cash refund or a reduction in the future payments is available. The group provides no other post-retirement benefits to their retirees.

2.14.2. Severance pay provision
In terms of the Labour Act of 2007, the group is required to make payments (or provide other benefits) to employees when it terminates their employment. The implications of this requirement is that severance pay has to be paid to all employees when the employee:

i. is dismissed (except if due to misconduct or poor performance); or
ii. dies while employed;
iii. retires upon reaching the age of 65.

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'. Refer to Note 28.1 for assumptions made in the determination of the group's liability with respect to severance pay.

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 two share-based compensation plans 1) a share appreciation rights plan and 2) a conditional share plan.

The share appreciation and conditional share plan are accounted for as cash-settled share based payments.

Liabilities for the group's share appreciation rights and conditional share plan are recognized as employee benefit expenses over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as employee benefit obligations in the statement of financial position. Refer to note 30 for more details on the respective plans.

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 and separate annual financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property 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.

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

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

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

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

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

2.17. Revenue from contracts with customers

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail, microlending and corporate banking services	The Group provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The group sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the group. There is no financing component.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place. Non-refundable up-front fees are recognised as revenue over the period for which a customer is expected to continue receiving the service or utilising the facility.

IAS 18 – applicable to the comparative and current period figures

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. Delivery occurs over a period of time and revenue is recognized accordingly.

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 other comprehensive income 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.

2.17.4. Other income

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

2.18. Share capital

Share issue

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

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

2.19. Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the consolidated and separate annual financial statements in the period in which the dividends are declared by the board of directors.

Dividends for the year that are declared after the reporting date are dealt with in the events subsequent to year-end note under the directors' report.

2.20. Fiduciary activities

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

2.21. Operating segments

The group considers its banking operations as one operating segment; the group has no significant components other than banking. Other components include micro finance, however this component contributes 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 and separate annual financial statements.

03 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 have a negative impact on its financial performance, and which may ultimately have an adverse effect on the continued operations of the group. However, it is the responsibility of management to identify risks, whether real or anticipated, within their business units, and take appropriate actions.

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

The key principles forming the foundation of the group's risk management process include:

- adoption of a risk management framework which applies to all business units and risk types;
- risk assessment, measurement, monitoring and reporting;
- independent reviews and assessment; and
- risk governance processes.

The following subcommittees have been formed to assist the board audit and board risk and compliance committee (BAC and BRC) 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 group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The BCC and 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. The ALCO reviews the macro-economic environment, as well as historical financial and strategic performance as inputs in a strategy development process, which is supported by simulations and forecasting. 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 foreign 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 BAC.

Risk committee

In addition to the mentioned committees, the risk committee, comprising of members of the executive management team and reporting to the BAC and BRC, was established. Its primary responsibilities are to:

- evaluate the risk management model employed by the group in terms of effectiveness and efficient deployment of resources (i.e. cost versus benefit);
- discuss and identify gaps and weaknesses in the management information system (MIS) to enable management to make the correct decisions;
- discuss the findings and recommendations of the group's risk functions and evaluate whether appropriate action has been taken when necessary;
- enhance general risk awareness within the group;
- monitor the management of risks to ensure that the group complies with the Bank of Namibia's guidelines for effective risk management; and
- discuss in detail any identified, unidentified and potential risks that are material to the group.

Credit risk forum (CRF)

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

On portfolio credit risk level, the scope of the CRF includes:

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

The CRF facilitates compliance with:

- Basel and other best practices for credit risk management; applicable legislative acts;
- Bank of Namibia determinations; and
- Group credit policies.

IFRS 9 committee

The IFRS 9 committee is the main forum where specific matters that can cause deterioration in credit risk will be discussed. At this meeting decisions will also be made on the risk associated with the prevailing and forecasted macroeconomic conditions and the impact on specific sectors in the applicable economies.

The IFRS 9 committee is established to make the following decisions at each reporting period in terms of the impairment allowance model utilised by the group:

1. Assumptions;
2. Inputs, including macro-economic variables;
3. Results;
4. Movements in sectors/regions;
5. Sign-off total impairments for the reporting period.

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

3.1. Analysis of assets and liabilities

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies on pages 35 to 47 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:

2019							
	Held for trading	Financial assets/ liabilities at FVTPL	Amor-tised cost (previously Loans and receivables)	Financial assets at fair value through OCI	Financial assets / liabilities at amortised cost	Non-financial assets / liabilities	Total
Group	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
ASSETS							
Cash and balances with the central bank	-	-	1,095,599	-	-	-	1,095,599
Derivative financial instruments	357	-	-	-	-	-	357
Financial assets at fair value through profit or loss	-	1,336,392	-	-	-	-	1,336,392
Financial assets at amortised cost	-	-	-	-	643,678	-	643,678
Financial assets at fair value through other comprehensive income	-	-	-	3,521,978	-	-	3,521,978
Due from other banks	-	-	862,394	-	-	-	862,394
Loans and advances to customers	-	-	31,290,543	-	-	-	31,290,543
Other assets	-	-	242,611	-	-	48,052	290,663
Current tax asset	-	-	-	-	-	76,919	76,919
Interest in joint arrangements	-	-	-	-	-	11,015	11,015
Intangible assets	-	-	-	-	-	181,776	181,776
Property and equipment	-	-	-	-	-	199,658	199,658
Deferred tax asset	-	-	-	-	-	26,318	26,318
Total assets	357	1,336,392	33,491,147	3,521,978	643,678	543,738	39,537,290
LIABILITIES							
Derivative financial instruments	5,959	-	-	-	-	-	5,959
Due to other banks	-	-	-	-	72,756	-	72,756
Other borrowings	-	-	-	-	799,646	-	799,646
Debt securities in issue	-	-	-	-	3,746,604	-	3,746,604
Deposits	-	-	-	-	30,073,810	-	30,073,810
Other liabilities	-	-	-	-	284,132	37,248	321,380
Post-employment benefits	-	-	-	-	-	12,232	12,232
Total liabilities	5,959	-	-	-	34,976,948	49,480	35,032,387

Group	Held for trading	Financial assets/ liabilities at FVTPL	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non-financial assets / liabilities	Total
	2018						
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
ASSETS							
Cash and balances with the central bank	-	-	1,221,703	-	-	-	1,221,703
Financial assets at fair value through profit or loss	-	4,166,953	-	-	-	-	4,166,953
Financial assets at amortised cost	-	-	-	-	624,715	-	624,715
Investment securities	-	-	-	134,028	-	-	134,028
Due from other banks	-	-	749,021	-	-	-	749,021
Loans and advances to customers	-	-	29,763,659	-	-	-	29,763,659
Other assets	-	-	248,749	-	-	25,729	274,478
Current tax asset	-	-	-	-	-	44,283	44,283
Interest in joint arrangements	-	-	-	-	-	7,340	7,340
Intangible assets	-	-	-	-	-	182,476	182,476
Property and equipment	-	-	-	-	-	172,955	172,955
Total assets	-	4,166,953	31,983,132	134,028	624,715	432,783	37,341,611
LIABILITIES							
Derivative financial instruments	5,535	-	-	-	-	-	5,535
Due to other banks	-	-	-	-	63,037	-	63,037
Other borrowings	-	-	-	-	1,217,510	-	1,217,510
Debt securities in issue	-	-	-	-	3,537,990	-	3,537,990
Deposits	-	-	-	-	27,408,878	-	27,408,878
Other liabilities	-	-	-	-	280,799	27,860	308,659
Deferred tax liability	-	-	-	-	-	7,205	7,205
Post-employment benefits	-	-	-	-	-	11,440	11,440
Total liabilities	5,535	-	-	-	32,508,214	46,505	32,560,254

3.2. Credit risk

Credit risk is the risk of suffering financial loss, should any of the group's customers, clients or market counterparties fail to fulfil their contractual obligations to the group. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

The group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements. Credit risk is the single largest risk for the group's business; management therefore carefully manages its exposure to credit risk and together with large exposures, is monitored by the BAC and BRC.

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 quantitative 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). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9 (note 3.2.2).

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.

i. Probability of default (PD)

The probability of default is an indication of the probability that a given loan will default. Under Basel II and IFRS 9 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 II and IFRS 9 is calculated using historical data of defaults.

ii. Exposure at default (EAD)

The exposure at default under Basel II and IFRS 9 will take into account an expectation of future draw-downs until the default event has occurred by utilising loan run down for amortizing products and a credit conversion factor for non-amortizing products. For example, for a loan this is the face value at the default date. 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 and IFRS 9.

b) Financial assets measured at amortised cost

Assets in this category mainly relate to investments in financial instruments that have an external credit rating. Implied probability of defaults have been benchmarked against published estimates by external credit rating agencies. LGD's were benchmarked against Basel best practice. The implied PD's and LGD's are used to calculate expected credit losses for these assets.

IFRS 9 – Applicable to the current period figures

Credit risk grading

The group uses internal credit risk grading that reflect its assessment of the probability of default of individual counterparties. The group use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of is fed into the rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers.

The credit grades are calibrated such that the risk of default increases exponentially at each risk grade.

The following are additional considerations for each type of portfolio held by the group:

Retail

After the date of initial recognition, for retail business, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioural score. Any other known information about the borrower which impacts their creditworthiness – such as unemployment and previous delinquency history – is also incorporated into the behavioural score. This score is mapped to a PD.

Corporate

For wholesale business, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessments into the credit systems on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

The group's rating method comprises 9 rating levels for instruments not in default (CG1to CG9). The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.
The group's internal rating scale and mapping of external ratings are set below:

Rating	Meaning	Score band
CG1	Virtually no risk	2 %
CG2	Low risk	2 %
CG3	Moderate risk	3 %
CG4	Acceptable risk	5 %
CG5	Borderline	5 %
CG6	Special Mention	27 %
CG7	Substandard	68 %
CG8	Doubtful	79 %
CG9	Loss	96 %

3.2.2. Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes on credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Please refer to note 3.2.2.1 for a description of how the group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 3.2.2.2 for a description of how the group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 3.2.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should be carried forward-looking information. Note 3.2.2.4 includes an explanation of how the group has incorporated this in its ECL models.

Further explanation is also provided of how the group determines appropriate groupings when ECL is measured on a collective basis (refer to note 3.2.2.5).

The following diagram summarises the impairment requirements under IFRS 9:

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition) 12-month expected credit losses	(Significant increase in credit risk since initial recognition) Lifetime expected credit losses	(Credit-impaired assets) Lifetime expected credit losses

The key judgements and assumptions adopted by the group in addressing the requirements of the standard are discussed below:

3.2.2.1. Significant increase in credit risk

The group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The credit rating at the reporting date has deteriorated significantly (moved down two rating levels e.g. CG1 to CG3), compared to the credit rating at initial recognition of the account. The thresholds for the significant increase in credit risk is determined by mapping the SICR roll rates to the actual historical arrears roll rates. An account can move back to stage 1 if it's credit score improved again.

Qualitative criteria

Accounts are classified on a watch list when there is qualitative information available on the client's credit risk increasing.

These accounts are moved over to stage 2.
The qualitative criteria used to determine whether accounts have increased in credit risk include, but is not limited to:

- Repayment ability of clients
- Collateral valuations
- Sector in which the client operates
- Natural events (i.e. drought)
- Debtors not paying across industries

The criteria used to identify SICR are monitored and reviewed periodically for the appropriateness by the independent Credit Risk team. Once the above matters improved sufficiently, an account can be moved back to stage 1.

Backstop

A backstop is applied and the financial instruments considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

An account can move back to stage 1 if it is less than 30 days past due.

The group has not used the low credit risk exemption for any financial instruments in the year ended 30 June 2019. This was also not applied at transition.

3.2.2.2. Definition of default and credit-impaired assets

The group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Qualitative criteria

The borrower is more than 90 days past due on its contractual payments.

Quantitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent;
- The borrower is in breach of financial covenants;
- It is becoming probable that the borrower will enter bankruptcy.

The criteria above have been applied to all financial instruments held by the group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria and it is fully paid up for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions. This is in line with regulatory requirements. When an account has been fully paid up for six months it is moved back to stage 1.

3.2.2.3. Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the probability of default (PD), exposure at default (EAD) and loss given default, defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation
- EAD is based on the amount the group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (lifetime EAD). For a revolving commitment, the group includes the current drawn balance plus any further amount that is to be expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss given default (LGD) represents the group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default

occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of observation throughout the remainder of the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio segment. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortisation products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the group’s recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type. This is supported by historical analysis of recoveries per portfolio segment, including the discounting of the recoveries to the default date as well as the recovery costs accounted for.

The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

3.2.2.4. Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The forecast of economic variables, regression analysis and expert judgement is applied and confirmed through internal governance structures in order to apply a Base, Upper and Lower scenario of the forward-looking view for the ECL calculation.

The following table shows the main macroeconomic factors used to estimate the allowances for credit losses on loans. The model is based on a weighting of 50/40/10 for the Base, Upper and Lower scenario. The remaining forecast period is a 20 year forecast to allow for all longer term loans.

	Base Scenario		Lower Scenario		Upper Scenario	
Macroeconomic factors	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Namibia						
Inflation	4.54 %	5.93 %	3.63 %	4.75 %	5.45 %	7.12 %
Real GDP	1.73 %	3.77 %	1.39 %	3.02 %	2.08 %	4.52 %
Prime	10.17 %	11.92 %	9.92 %	11.67 %	10.42 %	12.17 %

The following table shows a comparison of the group's allowances for credit losses on non-impaired exposures under IFRS 9 as at 31 December 2018 based on the probability weightings of abovementioned three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100 %.

For the sensitivity analysis on the SICR rules the quantitative SICR rules were adjusted. The SICR movements per scenario is shown below:
Base – 2 credit grades move downwards since origination
Lower – 3 credit grades move downwards since origination (less stringent)
Upper – 1 credit grade move downwards since origination (more stringent)

	Allowances for credit losses (N$'000)	% Change of total loss allowance
Sensitivity Analysis		
ECL	522,093	0.00 %
SICR rules		
Lower	510,764	-2.17 %
Upper	558,692	7.01 %
Forward-looking view		
Base	511,964	-1.94 %
Upper	517,707	-0.84 %
Lower	531,700	1.84 %

3.2.2.5. Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within the group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the group has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

- Product type
- Repayment type
- Collateral type

The groupings above only applies to stage 1 and stage 2 credit impairments.

All stage 3 exposures are assessed individually.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the IFRS 9 committee.

3.2.3. Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note 3.2.10).

The following table explains the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Opening ECL 1 July 2018	Total transfer between stages	Net impairments raised	Impaired accounts written-off	Closing ECL 30 June 2019
Installment finance	**66,421**	**-**	**3,897**	**(13,787)**	**56,531**
Stage 1	20,574	(3,472)	(2,381)	-	14,721
Stage 2	8,880	1,744	(3,862)	-	6,762
Stage 3	36,967	1,728	10,140	(13,787)	35,048
Overdrafts	**157,417**	**-**	**34,820**	**(4,885)**	**187,352**
Stage 1	31,133	(4,462)	(1,648)	-	25,023
Stage 2	24,321	(384)	13,735	-	37,672
Stage 3	101,963	4,846	22,733	(4,885)	124,657
Term loans	**101,723**	**-**	**44,651**	**(31,811)**	**114,563**
Stage 1	25,491	(3,889)	4,775	-	26,377
Stage 2	25,227	2,887	(4,492)	-	23,622
Stage 3	51,005	1,002	44,368	(31,811)	64,564
Mortgage loans	**123,685**	**-**	**18,799**	**(402)**	**142,082**
Stage 1	11,984	(2,022)	(868)	-	9,094
Stage 2	16,514	(2,513)	(1,211)	-	12,790
Stage 3	95,187	4,535	20,878	(402)	120,198
Other financial instruments	**21,394**	**-**	**170**	**-**	**21,564**
Stage 1	729	-	168	-	897
Stage 2	20,665	-	2	-	20,667
Total	**470,640**	**-**	**102,337**	**(50,885)**	**522,092**

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

Overdrafts

- Gross overdrafts increase by N$115.6 million (2.4 %) from the prior period, which lead to stage 1 and stage 2 expected credit losses to remain relatively flat year-on-year.
- Non-performing overdrafts increased by N$115.6 million year-on-year, which resulted in an increase in stage 3 expected credit losses of N$29.9 million. The non-performing overdrafts are well secured with a fair value of security of N$203.3 million.

Term Loans

- Term loans increased by N$1,818 billion (27.7 %) from the prior period, mainly driven by growth in commercial loans.
- The write-off of term loans with a gross carrying value of N$38.1 million resulted in the reduction of the expected credit loss allowance with the similar amount.

Mortgages

- Mortgages grew by N$268.1 million (1.8 %) over the prior period.
- Expected loss allowances grew by 14.8 % mainly as a result of an increase in well-collaterised non-performing mortgage loans of N$81.5 million.

Instalment finance

- Due to the current economic environment, the demand for installment finance has subsided, with gross instalment finance loans shrinking by N$290.2 million (9.5 %) year-on-year.

3.2.4. Maximum exposure to credit risk before collateral held or other credit enhancements

Group	Notes	2019 N$'000 Year-end	2019 N$'000 Daily average balances	2018 N$'000 Year-end	2018 N$'000 Daily average balances
Credit risk exposures relating to on-statement-of-financial-position assets are as follows:					
Cash and balances with the central bank	11.	1,095,599	1,362,345	1,221,703	1,412,135
Derivative financial instruments	12.	357	163	-	-
Financial assets at fair value through profit or loss	13.	1,320,305	1,315,570	4,150,821	4,086,435
- Treasury bills		-	-	2,780,029	2,756,296
- Government stock		-	-	321,607	317,804
- Corporate bonds		-	-	40,212	30,124
- Unit trust investments		1,320,305	1,315,570	1,008,973	982,211
Gross financial assets at amortised cost	13.	665,242	641,957	624,715	604,632
- Treasury bills		-	-	-	-
- Government stock		665,242	641,957	624,715	604,632
Financial assets at fair value through other comprehensive income	14.	3,521,283	3,649,856	3,141,848	3,104,224
- Treasury bills		2,957,814	3,258,048	2,780,029	2,756,296
- Government stock		522,971	351,657	321,607	317,804
- Corporate bonds		40,498	40,151	40,212	30,124
Due from other banks	15.	862,394	1,047,502	749,021	802,555
Gross loans and advances to customers[1]	16.	31,893,024	31,641,394	29,993,973	29,843,786
- Overdrafts		4,937,452	4,891,394	4,821,811	4,786,079
- Term loans		8,386,972	8,276,866	6,569,017	6,542,677
- Mortgages		15,373,437	15,294,440	15,105,282	15,047,468
- Credit cards		23,001	24,858	-	-
- Instalment finance		2,762,419	2,746,610	3,052,960	3,025,456
- Preference shares		409,743	407,226	444,903	442,106
Other assets[2]	17.	242,611	156,049	248,749	238,304
Total on-statement-of-financial-position exposure		39,600,815	39,814,836	40,130,830	40,092,071
Credit risk exposure relating to off-statement-of-financial-position items are as follows:					
Liabilities under guarantee	36.	1,189,541		1,056,456	
Letters of credit	36.	124,818		245,841	
Loan commitments	36.	1,554,355		1,714,759	
Total off-statement-of-financial position exposure		2,868,714		3,017,056	
Total credit risk exposure		42,469,529		43,147,886	

[1]Excludes the impact of interest in suspense and the IFRS 9 effective interest rate impact.

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

The table represents a worst-case scenario of credit risk exposure to the group as at 30 June 2019 and 2018, 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.

3.2.4.1. Maximum exposure to credit risk – Financial instruments subject to the impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the group's maximum exposure to credit risk on these assets.

	2019			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	N$'000	N$'000	N$'000	N$'000
Credit grade				
Low risk (CG1 - CG2)	(34,829)	(21,238)	(1,174)	**(57,241)**
Medium risk (CG3 - CG5)	(40,290)	(44,383)	(92,331)	**(177,004)**
Special monitoring (CG6 - CG7)	(1,639)	(13,074)	(223,534)	**(238,247)**
Doubtful (CG8 - CG9)	(8)	(167)	(27,857)	**(28,032)**
Loss allowance	(76,766)	(78,862)	(344,896)	**(500,524)**
Gross carrying amount[1]	28,831,517	1,340,958	1,220,021	**31,392,496**
Carrying amount	28,754,751	1,262,096	875,125	**30,891,972**

	Other Financial Instruments			
	2019			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	N$'000	N$'000	N$'000	N$'000
Credit grade				
Non-rated	(896)	(20,668)	-	**(21,564)**
Loss allowance	(896)	(20,668)	-	**(21,564)**
Gross carrying amount	191,834	473,408	-	**665,242**
Carrying amount	190,938	452,740	-	**643,678**

[1]Excludes the impact of the IFRS 9 effective interest rate adjustment.

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 3.2.2 'Expected credit loss measurement.'

3.2.5. Risk limit control and mitigation policies

The group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a monthly basis and are subject to regular review. Limits on the level of credit risk by country are approved by the board of directors. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-statement-of-financial-position exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts.

Exposure to credit risk is managed upfront when an application for credit is received. The credit risk management model is utilised by the group and assesses the three components of safety, desirability and profitability. Throughout the lifespan of the credit facility, regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations is assessed and lending limits are changed where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. The amount the group is willing to lend unsecured is capped and approved by the board.

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

Other specific control and mitigation measures are outlined below:

a. Collateral

The group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. Within the credit risk area, mandates are predetermined in order to ensure that the applicable level of authority provides guidance and approval for advances. Risk exposure to advances is reduced by obtaining approved security as defined by the Board credit committee and listed in the advance instruction manual.

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

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

Collateral per class of loans and advances:

Mortgages:

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

Instalment finance:

- The instalment finance contract binds the article as security.

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

- Suretyships;
- Registered cession of life insurance policy;
- any other form of tangible collateral security subject to approval by the board credit committee; and
- Cession of fixed deposits, notice deposits, bills, bonds, shares, investments or debtors.

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

The group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the group since the prior period.

IFRS 9 – Applicable to current period figures

The group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	N$'000	N$'000	N$'000	N$'000
Credit-impaired assets				
Instalment finance	58,188	(35,101)	23,087	34,764
Overdrafts	320,350	(124,830)	195,520	203,287
Term loans	231,476	(64,598)	166,878	174,423
Mortgage Loans	610,007	(120,369)	489,638	488,051
Total credit-impaired assets	**1,220,021**	**(344,898)**	**875,123**	**900,525**

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

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.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

i. Their economic characteristics and risks are not closely related to those of the host contract;
ii. A separate instrument with the same terms would meet the definition of a derivative; and
iii. The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

c. Financial instruments subject to master netting arrangements (MNA) and similar agreements
In accordance with IAS 32 the group offsets financial assets and financial liabilities and presents the net amount in the statement of financial position only if there is both a legally enforceable right to offset and there is an intention to settle the amounts on a net basis or to realise the asset and settle the liability simultaneously. The group is subject to a MNA in the form of ISDA agreements with counterparties.

ISDA agreements, under which swaps and derivatives are traded, may not be legally enforceable as one transaction to enforce post insolvency set-off and netting within Namibia, thus the IAS 32 set off requirements are not met. Consequently, no financial assets and financial liabilities, subject to MNA's, have been presented on the net amount in the statement of financial position.

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.

3.2.6. Credit quality of loans and advances and other financial instruments

i. Credit quality and management of loans and advances

Initial applications

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 judgmental 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 negative problem accounts and trends. The following reports are generated:

- Excesses are reported on a daily basis and reviewed annually;
- The branches submit a monthly report on specific issues in order to take remedial actions on dormant accounts, suspended accounts, irregular accounts (outstanding 30 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 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 legal collection branch; and
- All transfers to the legal collections branch with an impairment provision higher than N$10,000 are scrutinised by the credit department and categorised under:
  - poor assessment;
  - poor management;
  - poor collateral management;
  - economic reasons; and
  - other.

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

The table below shows the loans and advances age analysis as required by the Banking Institutions Act:

Group	Neither past due nor impaired	Past due not impaired	Special mention			Non-performing	Total
			1 - 30 days	31 - 60 days	61 - 90 days	More than 90 days	
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
As at 30 June 2019							
Overdrafts	**4,088,966**	**-**	**489,893**	**12,592**	**25,651**	**320,350**	**4,937,452**
Term loans	**7,950,557**	**-**	**106,658**	**30,939**	**67,342**	**231,476**	**8,386,972**
Mortgages	**14,012,176**	**-**	**513,298**	**157,441**	**80,515**	**610,007**	**15,373,437**
Credit cards	**21,627**	**-**	**1,272**	**102**	**-**	**-**	**23,001**
Instalment finance	**2,645,745**	**-**	**43,788**	**5,745**	**8,953**	**58,188**	**2,762,419**
Preference shares	**409,743**	**-**	**-**	**-**	**-**	**-**	**409,743**
Total gross loans and advances[1]	**29,128,814**	**-**	**1,154,909**	**206,819**	**182,461**	**1,220,021**	**31,893,024**
Specific impairment raised against unsecured amount*	**-**	**-**	**-**	**-**	**-**	**(344,898)**	**(344,898)**
Total loans and advances after specific impairments[1]	**29,128,814**	**-**	**1,154,909**	**206,819**	**182,461**	**875,123**	**31,548,126**

Group	Neither past due nor impaired	Past due not impaired	Special mention			Non-performing	Total
			1 - 30 days	31 - 60 days	61 - 90 days	More than 90 days	
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
As at 30 June 2018							
Overdrafts	4,481,506	54,448	80,879	67	104	204,807	4,821,811
Term loans	6,374,630	10,283	11,319	558	8,458	163,769	6,569,017
Mortgages	14,521,447	120,922	58,264	4,146	5,927	394,576	15,105,282
Instalment finance	2,977,439	1,372	3,039	3,595	1,277	66,238	3,052,960
Preference shares	444,903	-	-	-	-	-	444,903
Total gross loans and advances	28,799,925	187,025	153,501	8,366	15,766	829,390	29,993,973
Specific impairment raised against unsecured amount*	-	-	(9,767)	(7,357)	(1,723)	(135,724)	(154,571)
Total loans and advances after specific impairments	28,799,925	187,025	143,734	1,009	14,043	693,666	29,839,402
Security held against impaired loans	-	(156,934)	(66,602)	(5,421)	(14,076)	(797,110)	(1,040,143)
	28,799,925	30,091	77,132	-	-	-	28,799,259

[1]Excludes the impact of the IFRS 9 effective interest rate adjustment.

*The specific impairment raised against the 1 - 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 16.

ii. Non-performing loans and advances

Loans and advances are managed with reference to the days in arrears. Days in arrears are calculated based on the amount past due relative to the instalment amount. Loans and advances outstanding for longer than 90 days are considered non-performing and are included in stage 3 for the loss allowance calculation. As determined by the regulatory requirements, any asset which is overdue 30 days or more but less than 90 days shall be classified as special mention, at a minimum and is subject to impairment in accordance with the stage 2 calculations. The group follows a more conservative approach than the regulators and already classifies loans in 0 - 30 days on a watchlist, where, on a case-by-case basis, indicators of a possible future loss event exist. Additionally, loans that are made to a specific industry or individuals that are not past due, but we deem to be risky are assessed and in certain instances subject to impairment in accordance with the stage 2 calculations. Loans categorized on the watchlist are performing but subject to the impairment in accordance to the IFRS 9 calculations.

Non-performing loans and advances to customers before taking into consideration the cash flows from collateral held is N$ 1,220.0 million (2018: N$ 829.4 million). The breakdown of the gross amounts of non-performing loans and advances by class, along with the value of related tangible collateral held by the group as security, is as follows:

Group	Overdrafts N$'000	Term loans N$'000	Mortgages N$'000	Instalment finance N$'000	Total N$'000
As at 30 June 2019					
Non-performing loans	**320,350**	**231,476**	**610,007**	**58,188**	**1,220,021**
Value of tangible collateral	**195,520**	**166,878**	**489,639**	**23,087**	**875,124**
Impairment raised against unsecured amount	**124,830**	**64,598**	**120,368**	**35,101**	**344,897**
Net exposure	**-**	**-**	**-**	**-**	**-**
As at 30 June 2018					
Non-performing loans	204,807	163,769	394,576	66,238	829,390
Value of tangible collateral	170,785	130,784	355,724	36,373	693,666
Impairment raised against unsecured amount	34,022	32,985	38,852	29,865	135,724
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.

Refer to note 3.2.5 a) for the range of collateral policies and practices in place.

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:

Group	2019 N$'000	2018 N$'000
Cash and balances with the central bank	**1,095,599**	1,221,703
Derivative financial instruments	**357**	-
Financial assets at fair value through profit or loss	**1,320,305**	4,150,821
Financial assets at amortised cost	**643,678**	624,715
Financial assets at fair value through other comprehensive income	**3,521,283**	-
Due from other banks	**862,394**	749,021
Other assets	**242,611**	248,749

Balances with the central bank, treasury bills and government stock (financial assets at fair value) are subject to counterparty limits. Balances due from other banks are also subject to counterparty limits and together with credit ratings are factors in determining the investment decision.

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

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

Group	Carrying value	Investment grade (AAA to BBB)	Speculative/ high yield (BB and lower)	Unrated	Total
	N$'000	N$'000	N$'000	N$'000	N$'000
As at 30 June 2019					
Balances with the central bank	-	-	830,479	-	830,479
Cash and balances	-	-	265,120	-	265,120
Derivative financial instruments	-	-	-	357	357
Financial assets at fair value through profit or loss	-	-	1,320,305	-	1,320,305
- Treasury bills	-	-	-	-	-
- Government stock	-	-	-	-	-
- Corporate bonds	-	-	-	-	-
- Unit trust investments	-	-	1,320,305	-	1,320,305
Gross financial assets at amortised cost	-	-	665,242	-	665,242
- Government stock	-	-	665,242	-	665,242
Financial assets at fair value through other comprehensive income	-	-	3,480,785	40,498	3,521,283
- Treasury bills	-	-	2,957,814	-	2,957,814
- Government stock	-	-	522,971	-	522,971
- Corporate bonds	-	-	-	40,498	40,498
Due from other banks	-	291,774	23,350	547,270	862,394
Other assets	-	-	-	242,611	242,611
Non-financial assets	543,738	-	-	-	543,738
Total assets (excluding loans and advances and investment securities)	543,738	291,774	6,585,281	830,736	8,251,529
As at 30 June 2018					
Balances with the central bank	-	-	971,435	-	971,435
Cash and balances	-	-	250,268	-	250,268
Derivative financial instruments	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	4,110,609	40,212	4,150,821
- Treasury bills	-	-	2,780,029	-	2,780,029
- Government stock	-	-	321,607	-	321,607
- Corporate bonds	-	-	-	40,212	40,212
- Other securities	-	-	1,008,973	-	1,008,973
Gross financial assets at amortised cost	-	-	624,715	-	624,715
- Government stock	-	-	624,715	-	624,715
Due from other banks	-	406,794	76,079	266,148	749,021
Other assets	-	-	-	248,749	248,749
Non-financial assets	432,782	-	-	-	432,782
Total assets (excluding loans and advances and investment securities)	432,782	406,794	6,033,106	555,109	7,427,791

Unrated exposures:
Unrated exposures consist mainly of cash balances and due from other banks, which are short term and highly liquid in nature. The credit worthiness of these government and large commercial banks' money market instruments are of high quality, which pose low credit risk. Other assets consist of accounts receivable, insurance fund assets and clearing and settlement accounts. Unrated exposures due from other banks are fully collaterised and foreign currency exposures are hedged. All other exposures are not collateralised.

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 %

3.2.7. 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 30 June 2019 was N$ 6.6m (2018: 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.

3.2.8 Credit risk-weighted amounts

The following risk-weighted amounts, including related impairments and write-off, have been assigned to the components of credit risk for the 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.

	Exposure	Impairment	Risk-weighted amounts	Written-off
	N$'000	N$'000	N$'000	N$'000
As at 30 June 2019				
Counterparties				
Sovereign and central bank	**4,668,035**	**-**	**-**	**-**
Public sector entities	**363,609**	**-**	**123,450**	**-**
Banks	**860,302**	**-**	**352,219**	**-**
Corporate	**10,419,006**	**92,099**	**10,456,959**	**-**
Retail	**5,736,946**	**73,811**	**4,319,258**	**50,483**
Residential mortgage properties	**9,501,566**	**28,945**	**4,886,771**	**402**
Commercial real estate	**5,871,871**	**45,821**	**5,885,224**	**-**
Other assets	**2,616,074**	**-**	**1,950,861**	**-**
Included in other assets:				
- Listed shares	**695**	**-**	**695**	**-**
	40,037,409	**240,676**	**27,974,742**	**50,885**
Commitments	**2,874,584**	**-**	**1,227,440**	**-**
As at 30 June 2018				
Counterparties				
Sovereign and central bank	4,418,950	-	-	-
Public sector entities	466,487	-	152,223	-
Banks	744,646	-	165,517	-
Corporate	8,013,383	12,506	8,082,224	-
Retail	6,408,822	85,747	4,840,812	33,607
Residential mortgage properties	8,971,644	30,637	4,562,679	-
Commercial real estate	6,133,638	6,807	6,189,781	-
Other assets	2,444,169	-	1,821,111	-
Included in other assets:				
- Listed shares	134,028	-	134,028	-
	37,601,739	135,697	25,814,346	33,607
Commitments	3,022,110	-	1,118,151	-

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:

	2019	2018
Namibia long-term local currency issuer default rating	BB+	Ba1
Namibia long-term issuer default rating	BB+	BB+

3.2.9 Credit concentration risk

The group manages credit concentration risk by imposing credit risk concentration caps on the exposure for different loans and advances classifications, such as product classes, regions and industry. The credit risk concentration caps are directly linked to the board-approved risk capacity, appetite and tolerance thresholds, and are managed as part of the risk management process. The credit concentration risk is also further assessed using stress testing and scenario analyses quantitative models.

3.2.9.1 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:

Group	Cash and balances with the central bank	Derivative financial instru-ments	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other com-prehensive income*	Due from other banks	Loans and advances to customers	Other assets	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
As at 30 June 2019									
Agriculture and forestry	-	-	-	-	-	-	**1,726,600**	-	**1,726,600**
Fishing	-	-	-	-	-	-	**673,040**	-	**673,040**
Mining	-	-	-	-	-	-	**944,043**	-	**944,043**
Manufacturing	-	-	-	-	-	-	**712,613**	-	**712,613**
Building and construction	-	-	-	-	-	-	**1,226,918**	-	**1,226,918**
Electricity, gas and water	-	-	-	-	-	-	**1,648,786**	-	**1,648,786**
Trade and accommodation (note 1)	-	-	-	-	-	-	**3,667,147**	-	**3,667,147**
Transport and communication	-	-	-	-	-	-	**1,118,009**	-	**1,118,009**
Finance and insurance	**265,120**	**357**	**1,320,305**	-	**40,498**	**862,394**	**2,565,555**	-	**5,054,229**
Real estate and business services	-	-	-	-	-	-	**3,079,238**	-	**3,079,238**
Government	**830,479**	-	-	**665,242**	**3,480,785**	-	**3,480,644**	-	**8,457,150**
Individuals	-	-	-	-	-	-	**10,128,041**	-	**10,128,041**
Other (note 2)	-	-	-	-	-	-	**820,437**	**242,611**	**1,063,048**
Impairment	-	-	-	**(21,564)**	-	-	**(500,528)**	-	**(522,092)**
	1,095,599	**357**	**1,320,305**	**643,678**	**3,521,283**	**862,394**	**31,290,543**	**242,611**	**38,976,770**
As at 30 June 2018									
Agriculture and forestry	-	-	-	-	-	-	1,980,079	-	1,980,079
Fishing	-	-	-	-	-	-	116,617	-	116,617
Mining	-	-	-	-	-	-	433,460	-	433,460
Manufacturing	-	-	-	-	-	-	532,081	-	532,081
Building and construction	-	-	-	-	-	-	1,822,553	-	1,822,553
Electricity, gas and water	-	-	-	-	-	-	99,451	-	99,451
Trade and accommodation (note 1)	-	-	-	-	-	-	13,343,464	-	13,343,464
Transport and communication	-	-	-	-	-	-	420,817	-	420,817
Finance and insurance	250,268	-	1,049,185	-	-	749,021	584,967	-	2,633,441
Real estate and business services	-	-	-	-	-	-	6,609,114	-	6,609,114
Government	971,435	-	3,101,636	624,715	-	-	21,985	-	4,719,771
Individuals	-	-	-	-	-	-	3,608,240	-	3,608,240
Other (note 2)	-	-	-	-	-	-	421,145	248,749	669,894
Impairment	-	-	-	-	-	-	(230,314)	-	(230,314)
	1,221,703	-	4,150,821	624,715	-	749,021	29,763,659	248,749	36,758,668

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.

*Financial assets at fair value through other comprehensive income was disclosed with IFRS 9 in 2019.

3.2.9.2 Credit risk concentration by geographical area

Group	Cash and balances with the central bank N$'000	Derivative financial instruments N$'000	Financial assets at fair value through profit or loss N$'000	Financial assets at amortised cost N$'000	Financial assets at fair value through OCI N$'000	Due from other banks N$'000	Loans and advances to customers N$'000	Other assets N$'000	Total exposure N$'000
As at 30 June 2019									
Namibia	1,095,599	-	1,320,305	643,678	3,521,283	2,986	31,290,543	242,611	38,117,005
Botswana	-	-	-	-		79			79
South Africa	-	357	-	-		47,458	-	-	47,815
United Kingdom	-	-	-	-		4,254	-	-	4,254
United States of America	-	-	-	-		711,625	-	-	711,625
Other countries[1]	-	-	-	-		95,992	-	-	95,992
	1,095,599	357	1,320,305	643,678	3,521,283	862,394	31,290,543	242,611	38,976,770

Group	Cash and balances with the central bank N$'000	Derivative financial instruments N$'000	Financial assets at fair value through profit or loss N$'000	Financial assets at amortised cost N$'000	Financial assets at fair value through OCI N$'000	Due from other banks N$'000	Loans and advances to customers N$'000	Other assets N$'000	Total exposure N$'000
As at 30 June 2018									
Namibia	1,221,703	-	4,150,821	624,715	-	2,750	29,763,659	248,749	36,012,397
Botswana	-	-	-	-	-	(51)	-	-	(51)
South Africa	-	-	-	-	-	89,862	-	-	89,862
United Kingdom	-	-	-	-	-	9,044	-	-	9,044
United States of America	-	-	-	-	-	538,778	-	-	538,778
Zambia	-	-	-	-	-	4,182	-	-	4,182
Other countries[1]	-	-	-	-	-	104,456	-	-	104,456
	1,221,703	-	4,150,821	624,715	-	749,021	29,763,659	248,749	36,758,668

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

[1]Other foreign currency exposures relate mainly to exposures to the European Union euro: N$92.0 million (2018: N$100.9 million) due from other banks.

3.2.10 Financial instruments: asset and liability offsetting

No financial assets and financial liabilities were set off in the current statement of financial position (2018: Nil).

3.2.11. Write-off policy

The group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the group's recovery method is foreclosing on collateral and value of the collateral is such that there is no reasonable expectation of recovering in full.

3.3. Market risk

The group takes on exposure to market risks. Market risks arise from open positions in interest rate and currency and commodity 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 ALCO. External market resources are used in the determination of interest rate views by the interest rate committee.

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. Foreign currency risk is managed through the market risk framework as well as the treasury dealing policy, both of which are approved by the board.

Market risk is managed by closely monitoring the limits as set out in the market risk framework. The group follows a conservative approach to the products it deals with, and the approved products as well as the limits thereof are detailed in the dealing limits policy. The board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored continuously.

The traders' limits are a function of responsibility, experience and qualifications. Foreign currency risk management is achieved through an automated risk management system, and the limit management is independently administered by the middle office function within the risk department. All traders are required to sign off on the applicable policies, must be knowledgeable on its contents, and have them on hand when trading. All excesses on limits are immediately flagged, investigated, mitigated, and escalated if required.

Models and stress tests are used to gain an increased understanding of the market risk environment. In addition, foreign exchange positions are managed via stop-loss orders and closing or hedging out unwanted exposure via derivatives or in the spot market. Additionally, it is the group's policy to close out all forward and option foreign currency transactions via back-to-back forward and option foreign currency transactions with counterparty banks, which is also diligently monitored by the independent middle office risk function.

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 currency denominated financial instruments								
	NAD	ZMW	US$	€	BWP	ZAR[1]	Other[2]	Total
Group	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
As at 30 June 2019								
ASSETS								
Cash and balances with the central bank	1,095,599	-	-	-	-	-	-	1,095,599
Derivative financial instruments	-	-	-	-	-	357	-	357
Financial assets at fair value through profit or loss	1,336,392	-	-	-	-	-	-	1,336,392
Financial assets at amortised cost	643,678	-	-	-	-	-	-	643,678
Financial assets at fair value through other comprehensive income	3,521,283	-	-	-	-	-	695	3,521,978
Due from other banks	2,986	-	711,625	92,011	79	47,458	8,235	862,394
Loans and advances to customers	31,288,599	-	-	-	-	-	1,944	31,290,543
Other assets	242,611	-	-	-	-	-	-	242,611
Total financial assets	38,131,148	-	711,625	92,011	79	47,815	10,874	38,993,552
Non-financial assets	543,738	-	-	-	-	-	-	543,738
Total assets	38,674,886	-	711,625	92,011	79	47,815	10,874	39,537,290
LIABILITIES								
Derivative financial instruments	-	-	-	-	-	5,959	-	5,959
Due to other banks	72,623	133	-	-	-	-	-	72,756
Other borrowings	(5,657)	-	(61)	-	-	805,364	-	799,646
Debt securities in issue	2,581,047	-	-	-	-	1,165,557	-	3,746,604
Deposits	29,338,154	10	678,461	51,993	-	-	5,192	30,073,810
Other liabilities	284,132	-	-	-	-	-	-	284,132
Total financial liabilities	32,270,299	143	678,400	51,993	-	1,976,880	5,192	34,982,907
Non-financial liabilities	49,480	-	-	-	-	-	-	49,480
Total liabilities	32,319,779	143	678,400	51,993	-	1,976,880	5,192	35,032,387
Total equity	4,504,903	-	-	-	-	-	-	4,504,903
Total equity and liabilities	36,824,682	143	678,400	51,993	-	1,976,880	5,192	39,537,290
Net financial position of financial instruments	5,860,849	(143)	33,225	40,018	79	(1,929,065)	5,682	4,010,645
Credit commitments	-	-	106,049	5,303	-	18,337	-	129,689

Group	NAD N$'000	ZMW N$'000	US$ N$'000	€ N$'000	BWP N$'000	ZAR[1] N$'000	Other[2] N$'000	Total N$'000
Concentration of foreign currency denominated financial instruments								
As at 30 June 2018								
ASSETS								
Total financial assets	36,006,474	4,182	685,083	106,081	(51)	89,862	17,197	36,908,828
Total non-financial assets	432,783	-	-	-	-	-	-	432,783
Total assets	36,439,257	4,182	685,083	106,081	(51)	89,862	17,197	37,341,611
LIABILITIES								
Total financial liabilities	30,133,250	2	533,523	78,659	13	1,758,629	9,673	32,513,749
Non-financial liabilities	46,505	-	-	-	-	-	-	46,505
Total liabilities	30,179,755	2	533,523	78,659	13	1,758,629	9,673	32,560,254
Total equity	4,781,357	-	-	-	-	-	-	4,781,357
Total equity and liabilities	34,961,112	2	533,523	78,659	13	1,758,629	9,673	37,341,611
Net financial position of financial instruments	5,873,224	4,180	151,560	27,422	(64)	(1,668,767)	7,524	4,395,079
Credit commitments	-	-	114,524	3,294	7,370	48,186	180	173,554

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

[2]Other foreign currency exposures relate mainly to exposures to the Pound Sterling N$4.3 million (2018: N$9.0 million) due from other banks.

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:

	2019	2018
USD	**14.17**	13.82
GBP	**17.99**	18.18
EUR	**16.12**	16.09
ZAR	**1.00**	1.00
ZMW	**1.10**	1.38
BWP	**1.33**	1.32

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:

Effect on profit for the year	2019 N$'000	2018 N$'000
US dollar / Namibian dollar	**1,661**	7,572
- Foreign currency financial assets	**35,581**	34,254
- Foreign currency financial liabilities	**(33,920)**	(26,682)
Euro / Namibian dollar	**2,001**	1,371
- Foreign currency financial assets	**4,601**	5,304
- Foreign currency financial liabilities	**(2,600)**	(3,933)
Zambian kwacha / Namibian dollar	**(7)**	209
- Foreign currency financial assets	**-**	209
- Foreign currency financial liabilities	**(7)**	-

Effect on profit for the year The following effect of 5% change would arise on equity instruments:	2019 N$'000	2018 N$'000
Effect of US dollar denominated equity instrument	**-**	6,669

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

Group	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
As at 30 June 2019						
ASSETS						
Cash and balances with the central bank	481,510	-	-	-	614,089	1,095,599
Derivative financial instruments	357	-	-	-	-	357
Financial assets at fair value through profit or loss	1,320,305	-	-	-	16,087	1,336,392
Financial assets at amortised cost	-	-	89,854	575,388	(21,564)	643,678
Financial assets at fair value through other comprehensive income	422,353	449,421	2,357,279	292,230	695	3,521,978
Due from other banks	862,394	-	-	-	-	862,394
Loans and advances to customers	30,610,630	3,284	7,684	69,783	599,720	31,291,101
Other assets	51,125	-	-	-	191,486	242,611
Total financial assets	33,748,674	452,705	2,454,817	937,401	1,400,513	38,994,110
Non-financial assets	-	-	-	-	543,738	543,738
Total assets	33,748,674	452,705	2,454,817	937,401	1,944,251	39,537,848
LIABILITIES						
Derivative financial instruments	5,959	-	-	-	-	5,959
Due to other banks	72,756	-	-	-	-	72,756
Other borrowings	-	799,646	-	-	-	799,646
Debt securities in issue	136,672	2,830,845	-	779,087	-	3,746,604
Deposits	14,547,282	2,028,974	11,437,854	2,059,700	-	30,073,810
Other liabilities	-	-	-	-	284,132	284,132
Total financial liabilities	14,762,669	5,659,465	11,437,854	2,838,787	284,132	34,982,907
Total non-financial liabilities	-	-	-	-	49,480	49,480
Total liabilities	14,762,669	5,659,465	11,437,854	2,838,787	333,612	35,032,387
Total equity	-	-	-	-	4,504,903	4,504,903
Total equity and liabilities	14,762,669	5,659,465	11,437,854	2,838,787	4,838,515	39,537,290
Interest sensitivity gap (financial instruments)	18,986,005	(5,206,760)	(8,983,037)	(1,901,386)	1,116,381	4,011,203
Cumulative interest sensitivity gap (financial instruments)	18,986,005	13,779,245	4,796,208	2,894,822	4,011,203	-
As at 30 June 2018						
Interest sensitivity gap (financial instruments)	15,164,942	(4,329,869)	(7,349,794)	(322,071)	1,231,871	4,395,079
Cumulative interest sensitivity gap (financial instruments)	15,164,942	10,835,073	3,485,279	3,163,208	4,395,079	-

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

The interest rate sensitivity gap is measured ad monitored at the ALCO monthly.

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	2019 N$'000	2018 N$'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	49,996	50,092
- Increase in interest income	193,980	182,573
- Increase in interest expense	(143,984)	(132,481)
50 basis points decrease	(46,121)	(46,896)
- Decrease in interest income	(189,980)	(179,463)
- Decrease in interest expense	143,859	132,567
100 basis points increase	100,433	100,817
- Increase in interest income	388,426	365,702
- Increase in interest expense	(287,993)	(264,885)
100 basis points decrease	(92,117)	(93,851)
- Decrease in interest income	(379,396)	(358,687)
- Decrease in interest expense	287,279	264,836
200 basis points increase	202,227	203,788
- Increase in interest income	778,690	733,521
- Increase in interest expense	(576,462)	(529,733)
200 basis points decrease	(219,790)	(218,717)
- Decrease in interest income	(757,677)	(715,780)
- Decrease in interest expense	537,886	497,063

iii) Average balances and effective interest rate analysis

Group	2019			2018		
	Average balance N$'000	Average interest rate %	Interest income / expense N$'000	Average balance N$'000	Average interest rate %	Interest income / expense N$'000
ASSETS						
Cash, due from other banks and derivatives	**1,753,643**	**2.67%**	**46,798**	1,610,541	6.74 %	108,576
Financial assets at fair value through profit or loss	**-**	**0.00%**	**-**	4,107,501	6.02 %	247,321
Financial assets at amortised cost	**649,673**	**12.90%**	**83,798**	604,632	4.55 %	27,497
Financial assets at fair value through other comprehensive income	**3,649,856**	**7.14%**	**260,542**	-	0.00 %	-
Gross loans and advances to customers	**30,371,693**	**11.13%**	**3,379,011**	29,039,104	11.03 %	3,202,270
Other assets	**50,884**	**5.99%**	**3,046**	56,755	5.33 %	3,024
Interest-earning assets / interest income	**36,475,749**		**3,773,195**	35,418,533		3,588,688
Non-interest-earning assets						
Cash, due from other banks and derivatives	**656,204**		**-**	604,149		-
Financial assets at fair value through profit or loss	**1,315,570**		**-**	-		-
Investment securities	**540**		**-**	144,916		-
Gross loans and advances to customers	**1,269,701**		**-**	804,683		-
Other assets	**105,165**		**-**	181,549		-
Non-interest-earning assets / interest income	**3,347,180**		**-**	1,735,297		-
LIABILITIES						
Deposits, due to banks and derivatives	**28,739,540**	**5.88%**	**1,689,195**	27,299,845	6.55 %	1,787,566
Other borrowings	**1,038,255**	**9.89%**	**102,642**	1,244,733	10.04 %	125,019
Debt securities in issue	**3,614,590**	**8.90%**	**321,627**	3,483,242	8.36 %	291,032
Interest-earning liabilities / interest expense	**33,392,385**		**2,113,464**	32,027,820		2,203,617

3.3.4 Price risk

The following fair value financial instruments expose the group to price risk: derivative financial instruments and unit trust investments designated at fair value through profit or loss and treasury bills, government stock and equity investment securities classified as fair value through other comprehensive income. The equity securities are listed on the FTSE and NYSE and are included in 'Financial assets at fair value through other comprehensive income' 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.

Sensitivity analysis	Group	
	2019 N$'000	2018 N$'000
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)	**5,012**	13,338
10 % decrease in share price (effect on other comprehensive income)	**(5,012)**	(13,338)
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)	**285**	505
100 basis points decrease in discount rate (effect on profit or loss)	**(285)**	(505)
iii) Financial assets at fair value through other comprehensive income		
The following is a sensitivity analysis showing the increase/(decrease) in the fair value of treasury bills had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate (effect on other comprehensive income)	**(11,940)**	(11,067)
100 basis points decrease in discount rate (effect on other comprehensive income)	**12,077**	11,198
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 other comprehensive income)	**(40,512)**	(5,940)
100 basis points decrease in discount rate (effect on other comprehensive income)	**43,117**	6,152

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	
	2019	2018
	N$'000	N$'000
Interest rate risk	**45,018**	40,737
Foreign exchange risk	**3,214**	7,312

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 framework and Contingency Funding Plan (CFP) sets out the minimum liquidity risk management requirements for the bank, and explains the low-level internal control processes. Under the policy, the bank is required to manage current and future liquidity positions in a prudent manner. This framework formalizes 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 CFP.

The framework sets out rules to effectively control liquidity risk within the risk-return parameters dictated by the board of directors' risk appetite. The bank also conducts an external-assisted CFP testing to evaluate the effectiveness thereof, whilst also continuously enhancing the risk management process.

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

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

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

The group's liquidity management process is outlined in the liquidity risk framework 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-term, medium-term and long-term liquidity requirements; and
- relationship management with other financial institutions.

In general, the banks do 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.

As part of the bank's strategy, the bank continuously focuses on diversifying its funding sources and reducing its reliance on large depositors, which is a common occurrence in the Southern African financial markets. That said, the bank utilises a broad range of deposit and funding products to attract all spheres of clients and has strong market share representation in all categories.

Government Institutions Pension Fund ("GIPF") became a substantial shareholder in the Capricorn Group. GIPF as a substantial shareholder reduces both the capital and liquidity risk of the Capricorn group. CIH and GIPF will both fulfil the role of shareholders of reference to the group, providing funding support to the group in general and more specifically to its banking operations. The bank also created ring-fenced investment portfolios consisting of high-quality liquid assets to create additional liquidity buffers. This significantly reduces the liquidity risk of the bank.

Refer to note 23. for other borrowings obtained during the year and note 24. for the redemption and additions to debt securities.

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 consolidated and separate 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:

Group	Contractual undiscounted cash-flows					
	Call to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
FINANCIAL LIABILITIES						
As at 30 June 2019						
Derivative financial instruments	**13**	**776**	**776**	**4,687**	**-**	**6,252**
Other borrowings	**-**	**18,273**	**216,919**	**657,926**	**113,260**	**1,006,378**
Due to other banks	**72,756**	**-**	**-**	**-**	**-**	**72,756**
Debt securities in issue	**5,585**	**194,561**	**799,350**	**2,732,894**	**1,211,513**	**4,943,902**
Deposits	**14,728,222**	**2,292,044**	**10,201,958**	**2,671,289**	**916,027**	**30,809,540**
Other liabilities	**284,132**	**-**	**-**	**-**	**-**	**284,132**
Total liabilities (contractual maturity dates)	**15,090,708**	**2,505,654**	**11,219,003**	**6,066,796**	**2,240,800**	**37,122,961**
Commitments	**2,868,714**	**-**	**-**	**-**	**-**	**2,868,714**
Loan commitments	**1,554,355**	**-**	**-**	**-**	**-**	**1,554,355**
Liabilities under guarantees	**1,189,541**	**-**	**-**	**-**	**-**	**1,189,541**
Letters of credit	**124,818**	**-**	**-**	**-**	**-**	**124,818**
As at 30 June 2018						
Derivative financial instruments	1,288	1,056	3,497	28	(69)	5,800
Other borrowings	-	-	18,332	1,374,888	240,230	1,633,450
Due to other banks	63,037	-	-	-	-	63,037
Debt securities in issue	-	-	804,000	2,514,000	187,533	3,505,533
Deposits	15,060,691	3,115,240	8,097,466	2,185,185	-	28,458,582
Other liabilities	280,799	-	-	-	-	280,799
Total liabilities (contractual maturity dates)	15,405,815	3,116,296	8,923,295	6,074,101	427,694	33,947,201
Commitments	3,017,056	-	-	-	-	3,017,056
Loan commitments	1,714,759	-	-	-	-	1,714,759
Liabilities under guarantees	1,056,456	-	-	-	-	1,056,456
Letters of credit	245,841	-	-	-	-	245,841

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 Bank Windhoek Limited, is detailed below:

Group	Carrying value	Contractual discounted cash flows					
		Call to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
ASSETS							
As at 30 June 2019							
Cash and balances with the central bank	-	1,095,599	-	-	-	-	1,095,599
Derivative financial instruments	-	-	29	328	-	-	357
Financial assets at fair value through profit or loss	-	1,336,392	-	-	-	-	1,336,392
Gross financial assets at amortised cost	-	-	-	89,854	48,923	526,465	665,242
Financial assets at fair value through other comprehensive income	-	423,048	449,421	2,357,279	291,412	818	3,521,978
Due from other banks	-	862,394	-	-	-	-	862,394
Gross loans and advances to customers	-	5,051,574	103,150	344,427	9,078,656	17,315,217	31,893,024
Other assets	-	242,611	-	-	-	-	242,611
Non-financial instruments	543,738	-	-	-	-	-	543,738
Effective interest rate adjustment	(101,953)	-	-	-	-	-	(101,953)
Expected credit losses	(522,092)	-	-	-	-	-	(522,092)
Total assets	(80,307)	9,011,618	552,600	2,791,888	9,418,991	17,842,500	39,537,290
LIABILITIES							
Derivative financial instruments	-	-	-	608	5,351	-	5,959
Due to other banks	-	72,756	-	-	-	-	72,756
Other borrowings	-	-	-	219,268	519,271	61,108	799,646
Debt securities in issue	-	-	113,473	583,349	2,241,770	808,012	3,746,604
Deposits	-	14,519,374	1,754,556	9,768,924	3,078,405	952,551	30,073,810
Other liabilities	-	284,132	-	-	-	-	284,132
Non-financial instruments	49,480	-	-	-	-	-	49,480
Total liabilities	49,480	14,876,262	1,868,029	10,572,149	5,844,797	1,821,671	35,032,387
Net liquidity gap	(129,787)	(5,864,644)	(1,315,429)	(7,780,261)	3,574,194	16,020,829	4,504,903
Cumulative liquidity gap	(129,787)	(5,994,431)	(7,309,860)	(15,090,121)	(11,515,926)	4,504,903	-

Group	Carrying value	Contractual discounted cash flows					
		Call to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
ASSETS							
As at 30 June 2018							
Cash and balances with the central bank	-	1,221,703	-	-	-	-	1,221,703
Financial assets at fair value through profit or loss	-	1,480,573	669,016	713,425	1,250,632	53,307	4,166,953
Financial assets at amortised cost	-	-	-	-	127,581	497,134	624,715
Investment securities	-	134,028	-	-	-	-	134,028
Due from other banks	-	749,021	-	-	-	-	749,021
Gross loans and advances to customers	-	4,921,230	135,894	552,662	6,736,087	17,648,100	29,993,973
Other assets	-	248,749	-	-	-	-	248,749
Non-financial instruments	432,783	-	-	-	-	-	432,783
Impairment provisions	(230,314)	-	-	-	-	-	(230,314)
Total assets	202,469	8,755,304	804,910	1,266,087	8,114,300	18,198,541	37,341,611
LIABILITIES							
Derivative financial instruments	-	1,456	38	97	2,716	1,228	5,535
Due to other banks	-	63,037	-	-	-	-	63,037
Other borrowings	-	-	-	167,273	898,062	152,175	1,217,510
Debt securities in issue	-	-	-	927,167	1,615,520	995,303	3,537,990
Deposits	-	14,315,464	2,987,995	8,184,889	1,920,530	-	27,408,878
Other liabilities	-	280,799	-	-	-	-	280,799
Non-financial instruments	46,505	-	-	-	-	-	46,505
Total liabilities	46,505	14,660,756	2,988,033	9,279,426	4,436,828	1,148,706	32,560,254
Net liquidity gap	155,964	(5,905,452)	(2,183,123)	(8,013,339)	3,677,472	17,049,835	4,781,357
Cumulative liquidity gap	155,964	(5,749,488)	(7,932,611)	(15,945,950)	(12,268,478)	4,781,357	-

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 at fair value through profit or loss

Investment in Capricorn Group

Bank Windhoek Limited has acquired shares in Capricorn Group. For more details on the cash-settled share-based compensation plans, refer to note 30. The fair value of the investment is determined with reference to the stock market price of the underlying share.

Unit trust investments

For unit trust investments, the carrying value approximates its fair value.

iv. Financial assets at amortised cost

Treasury bills

Treasury bills, without the intention to trade, are classified as held to maturity and recognised at amortised costs. The fair value is determined for disclosure purposes based on the discounted valuation technique using quoted market prices and rates.

Government stock

Government stock and other bonds guaranteed by either the Namibian or South African governments, without the intention to trade, are classified as held to maturity and recognised at amortised costs. The fair value is determined for disclosure purposes 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.

v. Financial assets at fair value through other comprehensive income

Treasury bills

Treasury bills are measured at fair value based on the discounted valuation technique using quoted market prices and rates.

Government stock

Government stock and other bonds guaranteed by either the Namibian or South African governments are measured 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.

Corporate bonds

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

Investment securities - listed

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

vi. 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, as it is short term and callable on demand.

vii. 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 approximates the fair value. Unobservable market inputs are developed using the best information available that market participants would use when pricing the loan. The credit risk will be approximated by the carrying values of defaulted and provisioned accounts. Refer to note 3.5 (b) for the disclosure of the fair value of loans and advances.

viii. Other assets and liabilities

The nominal values less impairment of other assets and liabilities are assumed to approximate their fair value, due to the short-term nature of these assets and liabilities.

ix. Deposits

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 for disclosure purposes 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$ 389.4 million (2018: N$974.7 million), refer to note 3.5 (b).

x. Other borrowings

Other borrowings 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 JIBAR money market rate, as appropriate. Refer to note 3.5 (b) for the disclosure of the fair value of other borrowings.

xi. Debt securities in issue

Financial instruments included in this category include senior debt, callable bonds and preference shares issued. The fair value of issued debt securities other than preference shares for disclosure purposes 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$ 3.9 billion (2018: N$3.5 billion), refer to note 3.5 (b).

xii. 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 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

Group	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
As at 30 June 2019				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	1,336,392	-	-	1,336,392
Investment in Capricorn Group	16,087	-	-	16,087
Unit trust investments	1,320,305	-	-	1,320,305
Financial assets at fair value through profit or loss				
Derivative financial instruments	-	357	-	357
Financial assets at fair value through other comprehensive income	695	3,521,283	-	3,521,978
Treasury bills	-	2,957,814	-	2,957,814
Government stock	-	522,971	-	522,971
Corporate bonds	-	40,498	-	40,498
Investment securities - listed	695	-	-	695
	1,337,087	3,521,640	-	4,858,727
Financial assets for which the fair value is disclosed				
Cash and balances with the central bank	-	-	1,095,599	1,095,599
Due from other banks	-	-	862,394	862,394
Loans and advances to customers	-	-	31,625,925	31,625,925
Financial assets at amortised cost	-	-	697,205	697,205
Government stock	-	-	697,205	697,205
Director's valuation of investments in joint arrangements	-	-	11,015	11,015
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	-	5,959	-	5,959
Financial liabilities for which the fair value is disclosed				
Due to other banks	-	-	72,756	72,756
Other borrowings	-	-	818,088	818,088
Debt securities in issue	-	-	3,877,089	3,877,089
Five-year callable bonds	-	-	185,854	185,854
Senior debt - unsecured	-	-	3,691,235	3,691,235
Deposits	-	-	30,073,810	30,073,810
Current, Savings, Demand, Term and notice, NCDs, Foreign	-	-	29,684,394	29,684,394
Promissory notes	-	-	389,416	389,416
	-	-	34,841,743	34,841,743

	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
As at 30 June 2018				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	1,025,105	3,141,848	-	4,166,953
Treasury bills	-	2,780,029	-	2,780,029
Government stock	-	321,607	-	321,607
Corporate bond	-	40,212	-	40,212
Investment in Capricorn Group	16,132	-	-	16,132
Unit Trust investments	1,008,973	-	-	1,008,973
Available-for-sale financial assets				
Investment securities - listed	134,028	-	-	134,028
	1,159,133	3,141,848	-	4,300,981
Financial assets for which the fair value is disclosed				
Cash and balances with the central bank	-	-	1,221,703	1,221,703
Due from other banks	-	-	749,021	749,021
Loans and advances to customers	-	-	29,992,895	29,992,895
Financial assets at amortised cost	-	-	710,106	710,106
Government stock	-	-	710,106	710,106
Director's valuation of investments in joint arrangements	-	-	7,340	7,340
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	-	5,355	-	5,355
Financial liabilities for which the fair value is disclosed				
Due to other banks	-	-	63,037	63,037
Other borrowings	-	-	1,256,647	1,256,647
Debt securities in issue	-	-	3,494,770	3,494,770
Five-year callable bonds	-	-	180,823	180,823
Senior debt - unsecured	-	-	3,313,947	3,313,947
Deposits	-	-	27,406,999	27,406,999
Current, Savings, Demand, Term and notice, NCDs, Foreign	-	-	26,432,319	26,432,319
Promissory notes	-	-	918,626	918,626
Replica notes	-	-	56,054	56,054
	-	-	32,221,453	32,221,453

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

c) Sensitivity analysis

The sensitivity analyses 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	
	2019	2018
	N$'000	N$'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	**(901,737)**	(907,491)
100 basis points decrease in discount rate	**1,267,527**	977,458
100 basis points increase in earnings rate	**148,382**	122,411
100 basis points decrease in earnings rate	**(166,775)**	(118,981)
1 month increase in term to maturity	**(118,078)**	(50,217)
1 month decrease in term to maturity	**120,026**	49,518
The following is a sensitivity analysis showing the increase / (decrease) in the fair value of government stock at amortised cost had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	**(31)**	(33)
100 basis points decrease in discount rate	**33**	35
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	**(103,895)**	(82,243)
100 basis points decrease in discount rate	**109,176**	86,324
100 basis points increase in coupon rate	**106,442**	87,805
100 basis points decrease in coupon rate	**(106,442)**	(87,805)
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	**(1,290)**	(5,723)
100 basis points decrease in discount rate	**1,727**	6,951
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	**-**	(23)
100 basis points decrease in discount rate	**-**	23
100 basis points increase in coupon rate	**-**	140
100 basis points decrease in coupon rate	**-**	(140)
The following is a sensitivity analysis showing the increase / (decrease) in the fair value of other borrowings had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	**(27,657)**	(49,257)
100 basis points decrease in discount rate	**7,013**	9,590
100 basis points increase in Jibar rate	**(18,876)**	27,089
100 basis points decrease in Jibar rate	**18,876**	(39,089)

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

			Valuation inputs (ranges	
	Valuation technique	Types of valuation inputs	2019	2018
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Treasury bills	Income approach*	Note 1	**N/A**	6.8 % - 8.2 %
Government stock	Income approach*	Note 1	**N/A**	7.3 % - 10.1 %
Corporate bonds	Income approach*	Note 1	**N/A**	8.9 %
Unit trust investments	Market approach **	Note 4	**7.1% - 7.7%**	7.2 % - 8 %
Financial assets at fair value through profit or loss				
Derivative financial instruments – Interest rate swaps	Income approach*	Note 1	**7.7% - 8.5%**	7.2 % - 8.5 %
Derivative financial instruments – OTC currency options	Income approach*	Note 1	**EUR16.3–17.1 USD13.6– 17.6**	EUR14.5–16.6 USD11.9– 12.1
Financial assets at fair value through other comprehensive income				
Treasury bills	Income approach*	Note 1	**6.8% - 7.9%**	N/A
Government stock	Income approach*	Note 1	**7.3% - 9.9%**	N/A
Corporate bonds	Income approach*	Note 1	**8.9%**	N/A
Financial assets for which the fair value is disclosed				
Loans and advances to customers	Income approach*			
Discount rate		Note 1	**10.5%**	10.5 %
Earnings rate		Note 2	**6.3% - 19.7%**	6.3 % - 19.7 %
Term to maturity		Note 3	**3 –360 mnts**	3 –360 mnts
Financial assets at amortised cost				
Treasury bills	Income approach*	Note 1	**7.9% - 10.7%**	6.8 % - 8.2 %
Government stock	Income approach*	Note 1	**7.5% - 15.2%**	7.3 % - 10.1 %
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments – Interest rate swaps	Income approach*	Note 1	**7.7% - 8.5%**	7.2 % - 8.5 %
Financial liabilities for which the fair value is disclosed				
Other borrowings	Income approach*			
Discount rate		Note 1	**7.9% -10.7%**	7.6 %-11.8 %
Earnings rate		Note 1	**7.5% -15.2%**	8.2 %-12.0 %
Debt securities in issue				
Five-year callable bonds	Income approach*	Note 1	**8.3%**	9.8 %
Senior debt - unsecured	Income approach*	Note 1	**5.2% - 9.2%**	7.0 % - 11.3 %
Deposits				
Promissory notes	Income approach*	Note 1	**7.3% - 7.9%**	7.5 % - 8.2 %
Replica notes	Income approach*	Note 1	**N/A**	7.3 %

For the relationship of observable inputs to fair value refer to note 3.3.4 for items measured at fair value and note 3.5 c) for items disclosed at fair value.

* Present value of expected future cash flows.
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 Basel III capital determination was implemented in Namibia with effect from 1 September 2018. Bank Windhoek remains well capitalised after the implementation of Basel III capital determination in Namibia and the BID 5A determination on the measurement and calculation of capital charges for credit risk, operational risk and market risk for domestic systemically domestic banks.

The Bank of Namibia, under the determination of BID 5A, requires each bank or banking group to maintain the following capital adequacy ratios at all times from 1 September 2018:

- Common equity tier 1 (CET1) ratio must be at least 6.0 % of risk weighted assets ;
- Tier 1 capital adequacy ratio must be at least 7.5 % of risk weighted assets ;
- Tier 2 capital adequacy ratio must amount up to 2.5 % of risk-weighted assets, but must not exceed 25 % of total capital ;
- Total capital adequacy ratio to risk-weighted assets at a minimum of 10.0 % ; and
- Leverage ratio defined as the capital measure divided by the exposure measure with a minimum ratio of 6 % to be maintain at all times.

The group's regulatory capital is divided into two tiers:

- Tier 1 capital (going-concern capital): ordinary shares, share premium, retained earnings, regulating adjustments applied in the calculation of CET 1 ; and
- Tier 2 capital (gone-concern capital): instruments issued by the banking institution that meet the criteria for the inclusion in tier 2 capital and certain loan loss provisions.

The Bank of Namibia has adopted a standardised approach to Basel III, with risk-weighted assets being measured at three different levels: operational risk, market risk and credit risk.

The table below summarises the composition of regulatory capital and the ratios of the group for the years ended 30 June. During these two years, the group complied with all externally imposed capital requirements to which it is subjected.

	Group	
	2019	2018
	N$'000	N$'000
Tier 1 capital		
Share capital and premium	**485,000**	485,000
General banking reserves	**3,849,069**	3,814,880
Retained earnings	**84,183**	82,013
Total CET 1 capital	**4,418,252**	4,381,893
Regulatory adjustments		
Deduct: Intangible assets	**72,710**	-
Total regulatory adjustments	**72,710**	-
Net total CET 1 capital	**4,345,542**	4,381,893
Tier 2 capital instruments		
Subordinated debt (five-year callable bonds)	**187,533**	187,533
Portfolio impairment for regulatory reporting	**316,245**	291,640
Net total Tier 2 capital	**503,778**	479,173
Total regulatory capital	**4,849,320**	4,861,066
Risk-weighted assets:		
Operational risk	**3,319,122**	3,107,528
Credit risk	**29,377,172**	26,932,497
Market risk	**482,317**	480,491
Total risk-weighted assets	**33,178,611**	30,520,516
The increase in risk-weighted assets during the year is mainly attributable to the increase in credit risk, which relates to the growth in loans and advances. Operational risk increased in line with growth in gross income.		
Capital adequacy ratios:		
Leverage capital ratio	**10.8%**	11.7 %
Tier 1 capital adequacy ratio	**13.1%**	14.4 %
Total capital adequacy ratio	**14.6%**	15.9 %

In addition to the above minimum capital requirements, the Bank of Namibia requires the bank to perform an internal capital adequacy assessment process (ICAAP) in terms of Pillar II of Basel II. The annual ICAAP report has been compiled and was approved by the board. The Basel III capital regulations continue to be based on three mutually reinforcing pillars, namely, minimum capital requirements, supervisory review via the ICAAP process and market discipline via the relevant disclosures in the annual financial statements.
The process results in:

- the identification of all significant risk exposures to the banking group;
- the determination of the capital required to mitigate all the identified risks;
- the quantification of risk appetites for the major risks identified; and
- control measures to mitigate the major risks.

Based on the ICAAP assessment submitted on 30 November 2018, 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.

04 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) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.2.2.2., which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type pf product/ market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the group in the above areas is set out in note 3.2.1.

Refer to note 16 for a detailed analysis of the impairment of loans and advances. Refer to notes 2.3, 2.4 and 3.2.5 for more information on assumptions and judgements applied when determining the impairment of loans and advances.

b) 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 applied.

5. Net interest income

	Group		Company	
	2019	2018	2019	2018
	N$'000	N$'000	N$'000	N$'000
Interest and similar income				
Amortised cost				
Loans and advances	**3,379,011**	3,202,270	**3,294,678**	3,124,227
Cash and short-term funds	**49,844**	111,600	**49,844**	111,600
Treasury bills	**-**	1,041	**-**	1,041
Government stock and other investments	**83,798**	26,456	**83,798**	26,456
Loans to subsidiaries	**-**	-	**58,510**	46,045
Fair value				
Financial assets at fair value through profit or loss	**-**	247,321	**-**	247,321
Treasury bills	**-**	192,311	**-**	192,311
Government stock and other investments	**-**	55,010	**-**	55,010
Financial assets at fair value through other comprehensive income	**260,542**	-	**260,542**	-
Treasury bills	**238,926**	-	**238,926**	-
Government stock and other investments	**21,616**	-	**21,616**	-
Total interest and similar income	**3,773,195**	3,588,688	**3,747,372**	3,556,690
Interest and similar expenses				
Amortised cost				
Demand deposits	**235,622**	211,516	**235,622**	211,516
Fixed and notice deposits	**542,659**	549,057	**542,659**	549,057
Negotiable certificates of deposits	**602,122**	547,128	**602,122**	547,128
Cheque deposits	**231,438**	214,748	**231,438**	214,748
Debt securities in issue	**321,627**	291,032	**321,627**	291,032
Savings deposits	**57,144**	61,348	**57,144**	61,348
Deposits from banks and financial institutions	**20,004**	11,436	**20,004**	11,436
Other borrowings	**110,978**	130,120	**110,978**	130,120
Promissory notes	**72,989**	55,468	**72,989**	55,468
Replica notes	**205**	6,745	**205**	6,745
Total interest and similar expenses	**2,194,788**	2,078,598	**2,194,788**	2,078,598
Net interest income	**1,578,407**	1,510,090	**1,552,584**	1,478,092

6. Credit impairment losses

Increase in specific impairment	**47,244**	38,721	**52,764**	39,157
Amounts written off as uncollectable	**50,885**	33,607	**44,423**	18,307
Increase/(decrease) in portfolio impairment	**4,218**	(9,697)	**5,894**	(9,697)
Amounts recovered during the year	**(7,621)**	(4,562)	**(6,117)**	(3,414)
	94,726	58,069	**96,964**	44,353

Impairment charges reflects the movement in provisions as per the IFRS 9 models and specific Stage 3 provisions from the initial adoption of the standard.

7. Non-interest income

	Group		Company	
	2019 N$'000	2018 N$'000	2019 N$'000	2018 N$'000
7.1 Fee and commission income				
Transaction and related fees	**822,149**	758,308	**813,543**	749,326
Income from deposits	**376,093**	362,783	**367,487**	353,801
Income from loans and advances	**63,225**	58,647	**63,225**	58,647
Income from electronic banking	**382,831**	336,878	**382,831**	336,878
Commissions	**32,330**	30,110	**25,480**	23,850
Trust and other fiduciary fees	**11,178**	9,572	**11,178**	9,572
	865,657	797,990	**850,201**	782,748
7.2 Net trading income				
Net foreign exchange gains and losses from trading assets	**60,699**	55,714	**60,699**	55,714
Net gain from financial instruments at fair value through profit or loss	**94,288**	1,345	**94,288**	1,345
Net investment income	**5,272**	-	**5,272**	-
	160,259	57,059	**160,259**	57,059
Net foreign exchange gains and losses from trading assets includes gains and losses from spot and forward exchange contracts, OTC currency options and translation of foreign currency assets and liabilities.				
Net gain from financial instruments at fair value through profit or loss includes the gains from unit trusts and derivatives.				
7.3 Other operating income				
Dividend received	**854**	2,420	**854**	2,420
Profit/(loss) on sale of property and equipment	**339**	(37)	**339**	(37)
Management fees received	**1,235**	857	**20,943**	17,166
Profit with sale of VISA shares	**-**	77,330	**-**	77,330
Other*	**13,256**	1,890	**13,256**	3,423
	15,684	82,460	**35,392**	100,302
Total non-interest income	**1,041,600**	937,509	**1,045,852**	940,109
7.4 Types of revenue				
Fee and commission income	**865,657**	797,990	**850,201**	782,748
Net trading income	**154,987**	57,059	**154,987**	57,059
Other operating income	**14,830**	80,040	**34,538**	97,882
Revenue other than from contracts with customers	**6,126**	2,420	**6,126**	2,420
Total revenue	**1,041,600**	937,509	**1,045,852**	940,109
7.5 Disaggregation of revenue from contracts with customers				
a.) At a specific point in time				
Transaction and related fees	**822,149**	758,308	**813,543**	749,326
Commissions	**32,330**	30,110	**25,480**	23,850
Trust and fiduciary fees	**11,178**	9,572	**11,178**	9,572
Management fees received	**1,235**	857	**20,943**	17,166
Profit/(loss) on sale of property and equipment	**339**	(37)	**339**	(37)
Profit with sale of VISA shares	**-**	77,330	**-**	77,330
Other	**13,256**	1,890	**13,256**	3,423
	880,487	878,030	**884,739**	880,630
b.) Revenue other than from contracts with customers				
Net foreign exchange gains and losses from trading assets	**60,699**	55,714	**60,699**	55,714
Net gain from financial instruments at fair value through profit or loss	**94,288**	1,345	**94,288**	1,345
Other	**6,126**	2,420	**6,126**	2,420
	161,113	59,479	**161,113**	59,479
Total	**1,041,600**	937,509	**1,045,852**	940,109

8. Staff costs

Wages and salaries	**687,136**	609,770	**687,136**	609,770
Share-based payment expense	**4,662**	5,425	**4,662**	5,425
Staff training and transfer costs	**14,680**	10,526	**14,680**	10,526
Pension costs - defined contribution plan	**40,845**	37,123	**40,845**	37,123
Severance pay liability (note 28.1)	**792**	1,249	**792**	1,249
	748,115	664,093	**748,115**	664,093

9. Operating expenses

	Group		Company	
	2019	2018	2019	2018
	N$'000	N$'000	N$'000	N$'000
9.1 Normal operating expenses				
Expenses by nature				
Advertising and marketing	**25,631**	21,918	**25,631**	21,918
Amortisation of intangible assets (note 20)	**31,583**	45,982	**31,583**	45,982
Auditor's remuneration				
- Audit fees	**4,247**	3,925	**4,176**	3,884
- Fees for other services	**1,199**	691	**1,199**	691
Directors' emoluments				
- Non-executive directors	**4,443**	4,574	**4,443**	4,574
Depreciation of property and equipment (note 21)	**45,492**	37,348	**44,530**	36,386
Intragroup consultancy and management fees	**44,507**	38,694	**42,068**	36,566
Operating lease rentals - immovable property	**68,098**	68,866	**69,060**	69,828
Professional services	**47,373**	53,549	**47,373**	53,549
Repairs and maintenance	**33,351**	30,185	**33,351**	30,185
Staff costs (note 8)	**748,115**	664,093	**748,115**	664,093
Security expenses	**15,848**	14,117	**15,848**	14,117
Subscription fees	**7,497**	8,377	**7,497**	8,377
Technology costs	**66,872**	70,042	**66,872**	70,042
Travelling	**4,946**	4,045	**4,946**	4,045
Stationery and printing	**10,602**	13,076	**10,602**	13,076
Stamp duty	**17,624**	16,110	**17,609**	16,110
Telephone, postage and courier costs	**10,645**	12,049	**10,645**	12,049
Water and electricity	**21,298**	20,874	**21,298**	20,874
Motor vehicle costs	**2,530**	2,193	**2,530**	2,193
Valuation fees	**11,189**	6,858	**11,189**	6,858
Insurance costs	**9,370**	2,917	**9,370**	2,917
Office expenses	**3,607**	2,873	**3,607**	2,873
Other expenses	**37,532**	31,021	**37,532**	31,021
	1,273,599	1,177,578	**1,271,074**	1,175,409

9.2 Fee and commission expenses				
Association transaction fees	**114,475**	103,409	**114,475**	103,409
Cash handling fees	**9,844**	9,395	**9,844**	9,395
Commission	**6,497**	5,967	**6,497**	5,967
	130,816	118,771	**130,816**	118,771
Total operating expenses	**1,404,415**	1,296,349	**1,401,890**	1,294,180

Research and development costs of N$595,019 (2018: N$496,508) are included in operating expenses above.

10. Income tax expense

	Group		Company	
	2019	2018	2019	2018
	N$'000	N$'000	N$'000	N$'000
Normal tax				
Current tax	**305,604**	294,360	**298,889**	289,729
- current year	**305,604**	294,360	**298,889**	289,729
Deferred tax	**21,224**	3,197	**20,821**	3,197
- current year	**21,224**	3,197	**20,821**	3,197
Income tax expense	**326,828**	297,557	**319,710**	292,926
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	**1,124,541**	1,094,329	**1,099,582**	1,079,668
Tax at the applicable tax rate of 32% (2018: 32%)	**359,853**	350,185	**351,866**	345,494
Non-taxable income (Sale of VISA shares)		(24,746)	**-**	(24,746)
Dividends	**(37,105)**	(32,981)	**(37,105)**	(32,981)
Fair value adjustment on interest free staff loans	**2,484**	1,751	**2,484**	1,751
Fair value adjustment on investments	**358**	3,344	**358**	3,344
Non-deductible expenses	**1,238**	4	**2,107**	64
Income tax expense	**326,828**	297,557	**319,710**	292,926
Effective tax rate	**29.06%**	27.19%	**29.08%**	27.13%

11. Cash and balances with the central bank

Cash balances	**265,120**	250,268	**265,120**	250,268
Balances with the central bank other than mandatory reserve deposits	**481,510**	652,388	**481,510**	652,388
Included in cash and cash equivalents	**746,630**	902,656	**746,630**	902,656
Mandatory reserve deposits with the central bank	**348,969**	319,047	**348,969**	319,047
	1,095,599	1,221,703	**1,095,599**	1,221,703

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.

12. Derivative financial instruments

	Group		Company	
	2019	2018	2019	2018
	N$'000	N$'000	N$'000	N$'000
Assets				
OTC currency options	**357**	-	**357**	-
Liabilities				
Interest rate swaps	**(5,959)**	(5,355)	**(5,959)**	(5,355)
OTC currency options	**-**	(180)	**-**	(180)
	(5,959)	(5,535)	**(5,959)**	(5,535)
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 2019 was N$260.0 million (2018: N$420.0 million).				
Current	**(251)**	(797)	**(251)**	(797)
Non-current	**(5,351)**	(4,738)	**(5,351)**	(4,738)
Net derivative liability	**(5,602)**	(5,535)	**(5,602)**	(5,535)

13. Financial assets

Financial assets at fair value through profit or loss				
Treasury bills	**-**	2,780,029	**-**	2,780,029
Government stock	**-**	321,607	**-**	321,607
Corporate bonds	**-**	40,212	**-**	40,212
Investment in Capricorn Group	**16,087**	16,132	**16,087**	16,132
Unit trust investments	**1,320,305**	1,008,973	**1,320,305**	1,008,973
	1,336,392	4,166,953	**1,336,392**	4,166,953
Current	**1,336,392**	2,863,014	**1,336,392**	2,863,014
Non-current	**-**	1,303,939	**-**	1,303,939
	1,336,392	4,166,953	**1,336,392**	4,166,953
Unit trust investments are unlisted. The investment in Capricorn Group comprises listed equity instruments.				
The following represents the amortised cost of instruments where this differs from the fair value:				
Treasury bills*	**-**	2,784,771	**-**	2,784,771
Government stock*	**-**	321,847	**-**	321,847
*Treasury bills, government stock and corporate bonds previously classified as financial assets at fair value through profit and loss have been reclassified as financial assets at fair value through other comprehensive income under IFRS 9.				
Financial assets at amortised cost				
Government stock	**665,242**	624,715	**665,242**	624,715
Gross financial assets at amortised cost	**665,242**	624,715	**665,242**	624,715
Less expected credit loss allowance	**(21,564)**	-	**(21,564)**	-
Net financial assets at amortised cost	**643,678**	624,715	**643,678**	624,715
Current	**89,854**	-	**89,854**	-
Non-current	**575,388**	624,715	**575,388**	624,715
Gross financial assets at amortised cost	**665,242**	624,715	**665,242**	624,715

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 from financial instruments 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 unit trust investments, are included in cash and cash equivalents for the purposes of the cash flow statement. Refer to note 35.

Treasury bills with a nominal value of N$200 million (2018: N$230 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 (2018: NIL) at the Bank of Namibia. At 30 June 2019 no treasury bills have been collateralised under a sale-and-buyback agreement (2018: NIL).

Refer to note 3.5 for fair value methodology used.

14. Financial assets at fair value through other comprehensive income

	Group		Company	
	2019	2018	2019	2018
	N$'000	N$'000	N$'000	N$'000
Debt instruments				
Treasury bills	**2,957,814**	-	**2,957,814**	-
Government stock	**522,971**	-	**522,971**	-
Corporate bonds	**40,498**	-	**40,498**	-
Equity instruments				
Investment securities - listed[1]	**695**	134,028	**695**	134,028
	3,521,978	134,028	**3,521,978**	134,028
The movement during the year is summarised as follows:				
Opening balance (equity instruments)	**134,028**	149,381	**134,028**	149,381
Reclassification of debt instruments from financial assets at fair value through profit and loss - IFRS 9	**3,141,848**	-	**3,141,848**	-
Financial assets measured at FVOCI after IFRS 9 reclassification	**3,275,876**	149,381	**3,275,876**	149,381
Additions in debt instruments	**379,434**	-	**379,434**	-
Sale of equity instruments [2]	**(140,595)**	(59,409)	**(140,595)**	(59,409)
Net gains on investments in equity instruments at fair value through other comprehensive income	**7,263**	44,056	**7,263**	44,056
Closing balance (equity and debt instruments)	**3,521,978**	134,028	**3,521,978**	134,028
Current	**3,229,748**	134,028	**3,229,748**	134,028
Non-current	**292,230**	-	**292,230**	-
Refer to note 3.5 for fair value methodology used. All debt instruments are unlisted.				
[1] Listed shares are held as follows at the reporting date: 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 NIL shares (2018: 18,182) shares in Visa Inc.				
[2] During the period under review, the remaining 18,182 (2018: 12,122) shares of an initially held 30,304 shares in Visa Inc were sold. The realised fair value gains of N$136.4m were directly taken from fair value reserve to retained earnings in the statement of changes in equity. The investment was disposed of as it did not form part of the core business of the group.				
The following represents the amortised cost of instruments where this differs from the fair value:				
Treasury bills *	**2,956,441**	-	**2,956,441**	-
Government stock *	**513,584**	-	**513,584**	-
*Treasury bills, government stock and corporate bonds previously classified as financial assets at fair value through profit and loss have been reclassified as financial assets at fair value through other comprehensive income under IFRS 9.				

15. Due from other banks

	Group		Company	
	2019	2018	2019	2018
	N$'000	N$'000	N$'000	N$'000
Placement with other banks	**862,394**	749,021	862,394	749,021

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

16. Loans and advances to customers

Overdrafts	**4,937,452**	4,821,811	**4,937,452**	4,821,811
Term loans	**8,386,972**	6,569,017	**7,845,288**	6,054,431
Mortgages	**15,373,437**	15,105,282	**15,373,437**	15,105,282
- Residential mortgages	**9,501,566**	8,971,644	**9,501,566**	8,971,644
- Commercial mortgages	**5,871,871**	6,133,638	**5,871,871**	6,133,638
Credit cards	**23,001**	-	**23,001**	-
Instalment finance	**2,762,419**	3,052,960	**2,762,419**	3,052,960
Preference shares	**409,743**	444,903	**409,743**	444,903
Gross loans and advances	**31,893,024**	29,993,973	**31,351,340**	29,479,387
Less impairment				
Specific impairment	**-**	(154,571)	**-**	(147,724)
Portfolio impairment	**-**	(75,743)	**-**	(75,743)
Stage 1 impairment	**(76,776)**	-	**(61,975)**	-
Stage 2 impairment	**(78,854)**	-	**(78,854)**	-
Stage 3 impairment	**(344,898)**	-	**(344,898)**	-
	31,392,496	29,763,659	**30,865,613**	29,255,920
Effective interest rate adjustment per IFRS 9	**(101,953)**	-	**(101,953)**	-
	31,290,543	29,763,659	**30,763,660**	29,255,920
Value of loans and advances as per IFRS 9 (2019) / IAS 39 (2018)				
Gross loans and advances	**31,893,024**	29,993,973	**31,351,340**	29,479,387
Effective interest rate impact per IFRS 9	**(101,953)**	-	**(101,953)**	-
Interest in suspense	**237,126**	138,765	**237,126**	138,765
Interest capitalised on stage 3 impaired loans and advances	**93,574**	-	**93,574**	-
Value of loans and advances	**32,121,771**	**30,132,738**	**31,580,087**	29,618,152
Value of impairment as per IFRS 9 (2019)				
Gross impairments	**(500,528)**		**(485,727)**	
Interest in suspense	**(237,126)**		**(237,126)**	
Additional impairment on stage 3 capitalised interest	**(93,574)**		**(93,574)**	
Value of impairments	**(831,228)**		**(816,427)**	
Loans and advances	**31,290,543**		**30,763,660**	
Movement in impairment on loans and advances to customers is as follows for the group:				
Balance at the beginning of the year	**230,314**	201,316	**223,467**	194,033
IFRS 9 initial adoption increase	**218,932**	-	**203,782**	-
Restated balance at the beginning of the year	**449,246**	201,316	**427,249**	194,033
Provision for loan impairment	**102,167**	62,605	**102,901**	47,741
Amounts written off during the year as uncollectible	**(50,885)**	(33,607)	**(44,423)**	(18,307)
Balance at the end of the year	**500,528**	230,314	**485,727**	223,467

Group	Overdrafts N$000	Term loans N$000	Mortgages N$000	Instalment finance N$000	Total N$000
Year-end - 30 June 2019					
Balance at the beginning of the year	**56,421**	**72,281**	**51,739**	**49,873**	**230,314**
Specific impairment	**39,212**	**35,191**	**43,101**	**37,067**	**154,571**
Portfolio impairment	**17,209**	**37,090**	**8,638**	**12,806**	**75,743**
IFRS 9 transitional impact	**100,996**	**29,442**	**71,946**	**16,548**	**218,932**
IFRS 9 adjusted balance at the beginning of the year	**157,417**	**101,723**	**123,685**	**66,421**	**449,246**
Stage 1	**27,329**	**22,520**	**9,956**	**17,093**	**76,898**
Stage 2	**23,640**	**25,954**	**14,355**	**10,735**	**74,684**
Stage 3	**106,448**	**53,249**	**99,374**	**38,593**	**297,664**
Loan impairments	**34,820**	**44,651**	**18,799**	**3,897**	**102,167**
Amounts written off during the year as uncollectible	**(4,885)**	**(31,811)**	**(402)**	**(13,787)**	**(50,885)**
Balance at the end of the year	**187,352**	**114,563**	**142,082**	**56,531**	**500,528**
Stage 1	**25,681**	**27,295**	**9,088**	**14,712**	**76,776**
Stage 2	**37,375**	**21,462**	**13,144**	**6,873**	**78,854**
Stage 3	**124,296**	**65,806**	**119,850**	**34,946**	**344,898**
Year-end - 30 June 2018					
Balance at the beginning of the year	46,709	53,590	59,367	41,650	201,316
Specific impairment	30,651	24,742	30,145	27,738	113,276
Portfolio impairment	16,058	28,848	29,222	13,912	88,040
Provision for loan impairment - specific	12,010	31,090	16,378	15,424	74,902
Provision for loan impairment - portfolio	1,151	8,242	(20,584)	(1,106)	(12,297)
Amounts written off during the year as uncollectible	(3,449)	(20,641)	(3,422)	(6,095)	(33,607)
Balance at the end of the year	56,421	72,281	51,739	49,873	230,314
Specific impairment	39,212	35,191	43,101	37,067	154,571
Portfolio impairment	17,209	37,090	8,638	12,806	75,743

Specific and portfolio impairment by geographical area

	Group 2018 N$'000	%
Namibia	**230,314**	
The following is a sensitivity analysis showing the increase / (decrease) in the portfolio impairment had the following changes arisen on the significant inputs:		
10 basis points increase in probability of default	**24,692**	
10 basis points decrease in probability of default	**(24,692)**	
100 basis points increase in loss given default	**61,642**	
100 basis points decrease in loss given default	**(40,124)**	

The above disclosure relating to the 2019 Financial year is disclosed within note 3.2.2.4.

	Group 2019 N$'000	%	Group 2018 N$'000	%
Maturity analysis of gross loans and advances to customers for the group were as follows:				
Repayable within 1 month	**5,051,574**	**15.9**	4,921,230	16.3
Repayable after 1 month but within 3 months	**103,150**	**0.3**	135,894	0.5
Repayable after 3 months but within 6 months	**137,204**	**0.4**	259,344	0.9
Repayable after 6 months but within 12 months	**207,223**	**0.6**	293,318	1.0
Repayable after 12 months	**26,393,873**	**82.8**	24,384,187	81.3
	31,893,024	**100.0**	29,993,973	100.0

	Group		Company	
	2019	2018	2019	2018
	N$'000	N$'000	N$'000	N$'000
The loans and advances to customers include instalment finance receivables which are analysed as follows:				
Repayable within 1 year	**57,265**	33,859	**57,265**	33,859
Repayable after 1 year but within 5 years	**3,122,320**	3,593,920	**3,122,320**	3,593,920
Repayable after 5 years	**4,117**	13,070	**4,117**	13,070
Gross investment in instalment finances	**3,183,702**	3,640,849	**3,183,702**	3,640,849
Unearned future finance income on instalment finances	**(482,945)**	(663,209)	**(482,945)**	(663,209)
Net investment in instalment finances	**2,700,757**	2,977,640	**2,700,757**	2,977,640

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.

Bank Windhoek Limited has a share purchase scheme in which it has a mechanism to allow employees to purchase shares in Capricorn Group at a value that approximates fair value at the date of sale of shares. The shares are sold via an interest free loan provided by Bank Windhoek Limited. Such loans are full recourse loans and if not repaid, Bank Windhoek Limited may legally take possession of the employee's personal assets. Thus the share purchase scheme does not fall within the scope of IFRS 2. The benefit employees receive relating to the interest free element of the loan is taken directly to the employee loan accounts.

Included in term loans is an amount of N$46.6 million (2018: N$43.5 million) relating to abovementioned scheme. The movements on these staff loans were as follows:

	Group			
	2019	2018		
	N$'000	N$'000		
Opening balance	**43,496**	39,942		
New loans advanced during the year	**20,832**	22,382		
Loans redeemed during the year	**(15,621)**	(18,736)		
Staff costs (adjustment to fair value)	**(7,761)**	(5,473)		
Effective interest charged	**5,679**	5,381		
Closing balance	**46,625**	43,496		

17. Other assets

	Group		Company	
	2019	2018	2019	2018
Insurance fund asset	**51,125**	53,742	**51,125**	53,742
Accounts receivable	**53,436**	111,936	**53,436**	111,936
Clearing, settlement and internal accounts	**138,050**	83,071	**138,050**	83,071
Prepayments	**36,431**	19,449	**36,431**	19,449
IT consumables	**11,621**	6,280	**11,621**	6,280
	290,663	274,478	**290,663**	274,478
Current	**239,538**	220,736	**239,538**	220,736
Non-current	**51,125**	53,742	**51,125**	53,742
	290,663	274,478	**290,663**	274,478

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

18. Investment in subsidiaries

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

	Issued ordinary share capital and premium and proportion held	Details of the company's interest			
		Shares at cost		Indebtedness to / (from) subsidiaries	
		2019	2018	2019	2018
		N$'000	N$'000	N$'000	N$'000
Bank Windhoek Nominees (Pty) Ltd					
- Issued ordinary share capital	100	**0.1**	0.1	**-**	-
- Proportion held	100 %				
BW Finance (Pty) Ltd					
- Issued ordinary share capital	100	**0.1**	0.1	**460,980**	438,001
- Proportion held	100 %				
Bank Windhoek Properties (Pty) Ltd					
- Issued ordinary share capital	1000	**19,799**	19,799	**(1 085)**	(461)
- Proportion held	100 %				

	Group		Company	
	2019	2018	2019	2018
	N$'000	N$'000	N$'000	N$'000
	Aggregate income of subsidiaries (before tax)		Total investment	
Bank Windhoek Ltd subsidiaries				
Bank Windhoek Nominees (Pty) Ltd	**-**	-	**0.1**	0.1
BW Finance (Pty) Ltd	**21,326**	13,553	**0.1**	0.1
Bank Windhoek Properties (Pty) Ltd	**918**	921	**19,799**	19,799
	22,244	14,474	**19,799**	19,799

The company's interest in the aggregate income before taxation earned of subsidiaries amounted to N$16.6 million (2018: N$14.5 million) for the year. Bank Windhoek Properties aggregate income included no fair value gains on investment property during the year under review (2018: Nil). No dividends were declared for the year (2018: Nil).

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.

Company	2019	2018
Shares at cost	**19,799**	19,799
Indebtedness	**459,895**	437,540
	479,694	457,339

Company	2019	2018
	N$'000	N$'000
The indebtedness shown above has the following terms*:		
Interest bearing at prime plus 2 % (2018: prime plus 2 %), with no fixed repayment terms	**525,863**	501,846
Interest-free and callable on demand with no fixed repayment terms.	**(65,968)**	(64,306)
	459,895	437,540

*The above loan is disclosed in such a manner to reflect the portion of the loan which is subject to interest separately from the portion which relates to equity. The portion of the loan relating to equity, is interest free and has no fixed terms of repayment.

The carrying value of the loan approximates the fair value.

Refer to note 37 for related party transactions and balances with subsidiaries.

19. Interest in joint arrangements

Joint venture

The joint venture was incorporated in Namibia. The country of incorporation or registration is also its principal place of business. The results of the joint venture is equity accounted. Management accounts as at 30 June 2019 have been used for equity accounting the share of results for the year-ended 30 June 2019.

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 four shareholders is required to effect a resolution. Namclear (Pty) Ltd has a December year-end.

	Number of shares held	Issued ordinary share capital and premium	Effective holding 2019 and 2018	Shares at cost 2019	Shares at cost 2018
	'000	N$000	%	N$000	N$000
Namclear (Pty) Ltd	4	4,616	25	1,154	1,154

	Group 2019	Group 2018	Company 2019	Company 2018
	N$000	N$000	N$000	N$000
Opening balance	7,340	6,192	1,154	1,154
The group's share of the profit in the joint arrangement	3,675	1,148	-	-
Closing balance	11,015	7,340	1,154	1,154
Share of joint arrangement's results after tax	3,675	1,148	-	-
Total investments	11,015	7,340	1,154	1,154
Non-current	11,015	7,340	1,154	1,154
Directors' valuation	11,015	7,340		
Technique used for directors' valuation: Namclear (Pty) Ltd is a private company and there is no quoted market price available for its shares. The directors' valuation was determined by using its net asset values, which is level 3 of the fair value hierarchy. Refer to note 3.5.				
Aggregated summarised financial information of Namclear (Pty) Ltd				
Profit after tax	14,700	4,592		
Total comprehensive income	14,700	4,592		
Non-current assets	52,650	45,112		
Current assets	49,983	28,790		
Non-current liabilities	(40,709)	(35,075)		
Current liabilities	(17,866)	(9,466)		
Net asset value	44,058	29,361		
Interest in joint arrangement (25 %) (2018: 25 %)	11,015	7,340		
Carrying value of joint arrangement	11,015	7,340		
Total investment in joint arrangement (non-current)	11,015	7,340		

Refer to note 37 for related party transactions and balances with joint arrangements.

20. Intangible assets

Group	Intangible assets in development N$'000	Internally generated software N$'000	Total N$'000
Year-end - 30 June 2019			
Cost			
Cost at 1 July 2018	**12,646**	**241,914**	**254,560**
Transfers	**(54,054)**	**21,990**	**(32,064)**
Additions	**60,582**	**2,365**	**62,947**
Cost at 30 June 2019	**19,174**	**266,269**	**285,443**
Amortisation			
Amortisation at 1 July 2018	**-**	**(72,084)**	**(72,084)**
Charge for the year	**-**	**(31,583)**	**(31,583)**
Amortisation at 30 June 2019	**-**	**(103,667)**	**(103,667)**
Net book value at 30 June 2019	**19,174**	**162,602**	**181,776**
Year-end - 30 June 2018			
Cost			
Cost at 1 July 2017	9,240	214,510	223,750
Transfers	(36,594)	27,404	(9,190)
Additions	40,000	-	40,000
Cost at 30 June 2018	12,646	241,914	254,560
Amortisation			
Amortisation at 1 July 2017	-	(26,102)	(26,102)
Charge for the year	-	(45,982)	(45,982)
Amortisation at 30 June 2018	-	(72,084)	(72,084)
Net book value at 30 June 2018	12,646	169,830	182,476

All intangible assets are held by the group and all are classified as non-current assets. No assets were encumbered at 30 June 2019 nor 30 June 2018.

21. Property and equipment

Group	Freehold land and buildings	Computer and other equipment	Vehicles	Furniture, fittings and other office equipment	Total
	N$'000	N$'000	N$'000	N$'000	N$'000
Year-end - 30 June 2019					
Cost					
Cost at 1 July 2018	**49,692**	**197,042**	**21,927**	**169,774**	**438,435**
Additions	**-**	**29,987**	**5,161**	**5,552**	**40,700**
Transfers	**-**	**8,057**	**-**	**24,007**	**32,064**
Disposals	**-**	**(968)**	**(2,435)**	**(5,301)**	**(8,704)**
Cost at 30 June 2019	**49,692**	**234,118**	**24,653**	**194,032**	**502,495**
Depreciation					
Accumulated depreciation at 1 July 2018	**(17,713)**	**(124,802)**	**(13,062)**	**(109,903)**	**(265,480)**
Charge for the year	**(1,398)**	**(29,409)**	**(1,646)**	**(13,039)**	**(45,492)**
Depreciation on disposals	**-**	**964**	**2,040**	**5,131**	**8,135**
Accumulated depreciation at 30 June 2019	**(19,111)**	**(153,247)**	**(12,668)**	**(117,811)**	**(302,837)**
Net book value at 30 June 2019	**30,581**	**80,871**	**11,985**	**76,221**	**199,658**
Year-end - 30 June 2018					
Cost					
Cost at 1 July 2017	49,692	173,210	19,270	158,874	401,046
Additions	-	21,283	2,657	5,853	29,793
Transfers	-	4,074	-	5,116	9,190
Disposals	-	(1,525)	-	(69)	(1,594)
Cost at 30 June 2018	49,692	197,042	21,927	169,774	438,435
Depreciation					
Accumulated depreciation at 1 July 2017	(19,310)	(100,988)	(11,400)	(97,931)	(229,629)
Charge for the year	(1,604)	(25,255)	(1,662)	(12,028)	(40,549)
Land depreciation write back	3,201	-	-	-	3,201
Depreciation on disposals	-	1,441	-	56	1,497
Accumulated depreciation at 30 June 2018	(17,713)	(124,802)	(13,062)	(109,903)	(265,480)
Net book value at 30 June 2018	31,979	72,240	8,865	59,871	172,955

Details regarding the fixed properties are available to shareholders at the registered office of the company. All property and equipment are owned by the company other than land and building with a cost of N$26.2 million (2018: N$26.2 million), which is owned by Bank Windhoek Properties (Pty) Ltd, a wholly owned subsidiary of Bank Windhoek Ltd. The building is occupied by Bank Windhoek Ltd. The net carrying value of the building as at 30 June 2019 is N$15.2 million (2018: N$16.1 million). All property and equipment are classified as non-current assets.

There was no material change in the nature of property and equipment or in the policy regarding its use during the year.

Details regarding the fixed properties as required in terms of Schedule 4 of the Companies Act are available to shareholders at the registered office of the group. This information will be open for inspection in terms of the provisions of section 120 of the Companies Act, 2004.

No assets were encumbered at 30 June 2019 nor 30 June 2018. All property and equipment are classified as non-current assets.

22. Due to other banks

	Group		Company	
	2019	2018	2019	2018
	N$000	N$000	N$000	N$000
Current accounts	**72,756**	63,037	**72,756**	63,037
	72,756	63,037	**72,756**	63,037
Current	**72,756**	63,037	**72,756**	63,037

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

23. Other borrowings

Balance as at 1 July	**1,217,510**	1,165,064	**1,217,510**	1,165,064
Additions	**-**	219,000	**-**	219,000
Repayment	**(417,273)**	(167,272)	**(417,273)**	(167,272)
Accrued interest and charges	**102,642**	125,019	**102,642**	125,019
Interest repaid	**(103,233)**	(124,301)	**(103,233)**	(124,301)
Balance as at 30 June	**799,646**	1,217,510	**799,646**	1,217,510
Current	**219,267**	167,272	**219,267**	167,272
Non-current	**580,379**	1,050,238	**580,379**	1,050,238

Other borrowings consist of N$920 million long-term funding with IFC (International Finance Corporation), of which N$346 million has been repaid to date, as well as a long-term loan from AFD (Agence Francaise de Developpement) of N$219 million. N$250 million long-term funding from DEG (Deutsche Investitions- und Entwicklungsgesellschaft) has been repaid in full in December 2018.

The IFC loan is repayable semi-annually over a 7-year term with quarterly interest repayments. The first capital repayment was made in December 2017. Interest on the IFC loans is charged at 3 month JIBAR plus an average spread of 2.95 %.

The AFD loan is repayable semi-annually over a 7-year term with quarterly interest repayments. The first capital repayment is due in December 2020. Interest on the AFD loan is charged at 3 month JIBAR plus a spread of 1.131 %.

The group complied with all debt covenant requirements relating to these loans in the current and previous financial year.

24. Debt securities in issue

Balance as at 1 July	**3,537,990**	3,031,181	**3,537,990**	3,031,181
Redemptions	**(844,883)**	(411,584)	**(844,883)**	(411,584)
Additions	**1,006,000**	905,000	**1,006,000**	905,000
Effective interest	**321,627**	291,032	**321,627**	291,032
Coupon payments	**(274,130)**	(277,639)	**(274,130)**	(277,639)
Balance as at 30 June	**3,746,604**	3,537,990	**3,746,604**	3,537,990
Current	**696,822**	813,694	**696,822**	813,694
Non-current	**3,049,782**	2,724,296	**3,049,782**	2,724,296
	3,746,604	3,537,990	**3,746,604**	3,537,990

Debt instruments		Interest rate	Maturity date	Group 2019 N$000	Group 2018 N$000
Five-year callable bonds					
BW25	Note 1	9.75 %	18-Aug-25	**187,533**	187,533
				187,533	187,533
Senior debt - unsecured					
BWFJ18 fixed rate note	Note 3	9.55 %	25-Oct-18	**-**	105,819
BWZJ18 floating rate note	Note 2	3m JIBAR + 180bps	19-Nov-18	**-**	606,150
BWFD19 fixed rate note	Note 3	9.43 %	25-Apr-19	**-**	101,725
BWFH19 fixed rate note	Note 4	8.86 %	22-Aug-19	**113,473**	113,473
BWJJ19 floating rate note	Note 2	3m JIBAR + 175bps	25-Oct-19	**121,949**	121,850
BWZJ19 floating rate note	Note 2	3m JIBAR + 205bps	10-Nov-19	**162,099**	162,040
BWZ20A floating rate note	Note 2	3m JIBAR + 215bps	27-Mar-20	**299,300**	299,298
BWJI20 floating rate note	Note 2	3m JIBAR + 180bps	18-Sep-20	**265,857**	265,863
BWJL21G floating rate note	Note 2	3m JIBAR + 150bps	6-Dec-21	**66,387**	-
BWRJ21 fixed rate note	Note 5	7.75 %	15-Oct-21	**58,285**	57,112
BWZJ21 floating rate note	Note 2	3m JIBAR + 230bps	10-Nov-21	**60,808**	60,786
BWJD21 floating rate note	Note 2	3m JIBAR + 185bps	20-Apr-21	**132,460**	132,476
BWZ21B floating rate note	Note 2	3m JIBAR + 205bps	27-Mar-21	**300,299**	300,296
BWFH22 fixed rate note	Note 3	9.50 %	18-Aug-22	**285,545**	155,254
BWJH22 floating rate note	Note 2	3m JIBAR + 195bps	18-Aug-22	**136,672**	60,544
BWFK22 fixed rate note	Note 6	9.98 %	21-Nov-22	**247,724**	-
BWJK22 floating rate note	Note 2	3m JIBAR + 187bps	21-Nov-22	**156,572**	-
BWZJ23 floating rate note	Note 2	3m JIBAR + 190bps	19-Nov-23	**343,628**	-
BWJ1E27 floating rate note	Note 2	3m JIBAR + 215bps	19-May-27	**505,483**	505,331
BWJ2E27 floating rate note	Note 2	3m JIBAR	19-May-27	**302,530**	302,440
				3,559,071	3,350,457
Total debt instruments in issue at the end of the year				**3,746,604**	3,537,990
Listed debt securities				**3,746,604**	3,537,990
				3,746,604	3,537,990

Note 1: Interest is paid semi-annually on 17 February and 17 August.
Note 2: Interest is paid quarterly.
Note 3: Interest is paid semi-annually on 25 April and 25 October.
Note 4: Interest is paid semi-annually on 22 February and 22 August.
Note 5: Interest is paid semi-annually on 15 April and 15 October.
Note 6: Interest is paid semi-annually on 21 May and November.

All instruments in issue are under Bank Windhoek's Medium Term Note Programme, a programme registered with the Johannesburg and Namibian Stock Exchanges.

Debt securities in issue comprise subordinated debt and senior debt with a combined nominal value of N$ 3.7 billion (2018: N$ 3.5 billion).

25. Deposits

	Group		Company	
	2019	2018	2019	2018
	N$000	N$000	N$000	N$000
Current accounts	**6,010,164**	6,600,860	**6,010,164**	6,600,860
Savings accounts	**2,005,606**	2,020,781	**2,005,606**	2,020,781
Demand deposits	**3,937,095**	3,752,509	**3,937,095**	3,752,509
Term and notice deposits	**7,960,205**	7,807,818	**7,960,205**	7,807,818
Negotiable certificates of deposits (NCDs)	**9,035,899**	5,691,463	**9,035,899**	5,691,463
Other deposits	**1,124,841**	1,535,447	**1,124,841**	1,535,447
	30,073,810	27,408,878	**30,073,810**	27,408,878

	Group		Group	
	2019		2018	
	N$000	%	N$000	%
Maturity analysis within the customer current, savings, deposit account portfolio for the group were as follows:				
Withdrawable on demand	**11,952,865**	**39.8**	13,965,128	51.0
Maturing within 1 month	**2,566,509**	**8.5**	2,632,866	9.6
Maturing after 1 month but within 6 months	**4,872,160**	**16.2**	5,765,581	21.0
Maturing after 6 months but within 12 months	**6,651,320**	**22.1**	3,874,503	14.1
Maturing after 12 months	**4,030,956**	**13.4**	1,170,800	4.3
	30,073,810	**100.0**	27,408,878	100.0

26. Other liabilities

	Group		Company	
	2019	2018	2019	2018
	N$000	N$000	N$000	N$000
Accounts payable and other accruals	**51,268**	30,032	**51,268**	30,032
Accruals	**63,676**	103,067	**63,676**	103,067
Employee liabilities	**133,279**	107,052	**133,279**	107,052
- Leave pay accrual	**40,844**	41,028	**40,844**	41,028
- Provision for performance bonuses	**59,345**	41,333	**59,345**	41,333
- Provision for share-based payment liability	**10,550**	9,663	**10,550**	9,663
- PAYE payable	**8,833**	7,960	**8,833**	7,960
- Medical aid payable	**6,861**	6,494	**6,861**	6,494
- Other	**6,846**	574	**6,846**	574
Other taxes	**37,248**	27,860	**37,248**	27,860
Clearing, settlement and internal accounts	**35,909**	40,648	**37,365**	42,142
	321,380	308,659	**322,836**	310,153
Current portion of other liabilities	**321,380**	308,659	**322,836**	310,153

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

27. Deferred income tax

	Group		Company	
	2019	2018	2019	2018
	N$000	N$000	N$000	N$000
Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 32 % (2018: 32 %).				
The movement on the deferred income tax account is as follows:				
Deferred tax liability as at 1 July	**7,205**	4,008	**7,205**	4,008
Charge to profit or loss (note 10)	**21,224**	3,197	**20,821**	3,197
IFRS 9 transitional impact	**(54,747)**	-	**(50,793)**	-
Deferred tax (asset) / liability as at 30 June	**(26,318)**	7,205	**(22,767)**	7,205
Deferred income tax assets and liabilities are attributable to the following items:				
Deferred income tax liability				
Accelerated tax depreciation and amortisation	**83,623**	77,090	**83,623**	77,090
Government stock and other securities	**17,516**	3,417	**17,516**	3,417
Prepaid expenses	**11,067**	6,223	**11,067**	6,223
	112,206	86,730	**112,206**	86,730
Deferred income tax asset				
Accruals	**13,076**	13,159	**13,076**	13,159
Loan loss provisions	**25,665**	19,785	**25,665**	19,785
Derivative financial instruments	**6,814**	1,963	**6,814**	1,963
Unrealised foreign exchange losses	**14,441**	17,356	**14,441**	17,356
Loans and receivables	**78,528**	27,262	**74,977**	27,262
	138,524	79,525	**134,973**	79,525
Net deferred income tax (asset) / liability	**(26,318)**	7,205	**(22,767)**	7,205
Deferred tax liability	**(26,318)**	7,205	**(22,767)**	7,205
Deferred tax (asset) / liability	**(26,318)**	7,205	**(22,767)**	7,205
Deferred tax (asset) / liability				
Current	**28,583**	9,640	**28,583**	9,640
Non-current	**83,623**	77,090	**83,623**	77,090
Deferred tax asset				
Current	**135,148**	56,648	**131,596**	56,648
Non-current	**3,376**	22,877	**3,377**	22,877

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.

28. Post-employment benefits

28.1 Severence pay liability

A valuation was performed for 30 June 2019 by an independent actuary on the group's liability with respect to severance pay. The benefit is not funded.

	Group		Company	
	2019	2018	2019	2018
	N$000	N$000	N$000	N$000
The amount recognised in the consolidated and separate statement of financial position is determined as follows:				
Present value of unfunded obligation (non-current)	**12,232**	11,440	**12,232**	11,440
The movement in the severance pay obligation over the year is as follows:				
As at 1 July	**11,440**	10,191	**11,440**	10,191
Current service costs	**(173)**	304	**(173)**	304
Interest cost	**965**	945	**965**	945
As at 30 June	**12,232**	11,440	**12,232**	11,440
The amounts recognised in the consolidated and separate statement of comprehensive income are as follows:				
Current service costs	**(173)**	304	**(173)**	304
Interest cost	**965**	945	**965**	945
	792	1,249	**792**	1,249
The principal actuarial assumptions used were as follows:	**%**	%	**%**	%
Discount rate	**8.50**	8.50	**8.50**	8.50
Inflation rate	**5.40**	5.40	**5.40**	5.40
Salary increases	**6.40**	6.40	**6.40**	6.40
The following sensitivity of the overall liability to changes in principal assumption is:				
Salary increase 1 % lower per annum	**565**	565	**565**	565
Salary increase 1 % higher per annum	**636**	636	**636**	636
Inflation increase 1 % lower per annum	**477**	477	**477**	477
Inflation increase 1 % higher per annum	**537**	537	**537**	537
Discount increase 1 % lower per annum	**750**	750	**750**	750
Discount increase 1 % higher per annum	**845**	845	**845**	845

28.2 Medical aid scheme

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

28.3 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 2018 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.

29. Share capital and premium

	Group		Company	
	2019	2018	2019	2018
	N$000	N$000	N$000	N$000
Authorised share capital				
5,000,000 ordinary shares of N$1 each	**5,000**	5,000	**5,000**	5,000
Issued ordinary share capital				
Balance as at 1 July	**4,920**	4,920	**4,920**	4,920
Balance as at 30 June	**4,920**	4,920	**4,920**	4,920
Share premium				
Balance as at 1 July	**480,080**	480,080	**480,080**	480,080
Balance at 30 June	**480,080**	480,080	**480,080**	480,080
Total ordinary share capital and premium	**485,000**	485,000	**485,000**	485,000
The company's total number of issued ordinary shares at year-end was 4,920,000 (2018: 4,920,000). All issued shares are fully paid up.				
Unissued shares				
Authorised preference share capital				
750,000 10 % redeemable cumulative shares at N$1 each	**750**	750	**750**	750

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 30 October 2018, when the authority can be renewed. Refer to the directors' report.

30. Share-based payments

The group operates two cash-settled share-based compensation plans: (1) a share appreciation rights plan (SAR) and (2) a conditional share plan (CSP), under which the entities within the group receive services from employees as consideration for equity instruments (shares) of Capricorn Group (refer to the directors' report for details of each plan).

The total expense for the share-based compensation plans included in the statement of comprehensive income is N$4.7 million in 2019 (2018: N$5.4 million). Refer to note 8.

Refer to note 26 for provision for share-based payment liability. Total liability as at 30 June 2019 is N$ 10.6 million (30 June 2018: N$9.7 million), of which SAR and CSP are N$1.0 million and N$9.6 million (30 June 2018: N$1.1 million and N$8.6 million) respectively.

Share appreciation rights (SAR)

SAR are granted to executive directors and to selected employees for no consideration (exercise price of zero). The number of Capricorn Group 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 or Capricorn Group'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. Since these are Capricorn Group shares, Bank Windhoek Limited has an obligation to settle the SAR in cash.

Details of the number of SAR outstanding ('000) are as follows:

	Opening balance	Granted[1]	Vested	Forfeitures	Closing balance
As at 30 June 2019					
Employer company:					
Bank Windhoek	**552**	**240**	**(75)**	**(50)**	**667**
	552	**240**	**(75)**	**(50)**	**667**
As at 30 June 2018					
Bank Windhoek	578	257	(211)	(72)	552
	578	257	(211)	(72)	552

[1] Capricorn Group equivalent SAR.

SAR issued in September 2015 vested in September 2018 and were exercised during the current financial year.

No SAR expired during the periods covered by the above tables.

SAR outstanding ('000) at the end of the year have the following vesting and expiry dates:

Grant date	Vesting date	Expiry date	2019	2018
September 2015	September 2018	September 2020	**-**	125
September 2016	September 2019	September 2021	**170**	170
September 2017	September 2020	September 2022	**257**	257
September 2018	September 2021	September 2023	**240**	-
			667	552
			2019	**2018**
The weighted average remaining contractual life of options outstanding at end the of the year			**1.4 years**	1.5 years

At each reporting period the fair value of all SAR is determined by using the American 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 executive directors and employees.

			2019	2018
As at 30 June				
Spot and strike price (N$)			**16.89**	18.10
Risk-free rate			**6.4% - 7.3%**	7.3 % - 8.0 %
Dividend yield			**3.8%**	3.8 %
Volatility			**30%**	30 %
Membership attrition			**5%**	5 %

Conditional Share Plan (CSP)

Capricorn Group shares are granted to executive directors and to selected employees for no consideration. The allocations of shares are conditional on the employee completing three years' service after grant date (the vesting period). Since these are Capricorn Group shares, Bank Windhoek Limited has an obligation to settle the CSPs in cash. The CSPs are treated as cash-settled. Refer to note 8 for total expense recognized in profit or loss. Refer to note 26 for the share-based payment liability that has been raised.

Details of the number ('000) of shares outstanding are as follows:

			2019	2018
As at 30 June				
Opening balance			**792**	790
Granted[2]			**309**	370
Vested			**(224)**	(281)
Forfeited			**(191)**	(87)
Closing balance			**686**	792

[2] Capricorn Group equivalent CSPs.

Outstanding number ('000) of CSP's expected to vest as follows:

Grant date	Vest date	2019	2018
September 2015	September 2018	-	229
September 2016	September 2019	114	300
September 2017	September 2020	263	263
September 2018	September 2021	309	-
		686	792

The fair value of shares granted during the year was determined with reference to the listed share price at year-end date of N$16.00 (2018: N$17.23) and taking into account a membership attrition of 5 % (2018: 5 %). This is revised at each reporting period. Refer to note 8 for the total expense recognised in profit or loss for shares granted to executive directors and employees.

31. Non-distributable reserves

	Group		Company	
	2019	2018	2019	2018
	N$000	N$000	N$000	N$000
31.1 Credit risk reserve				
Balance at 1 July	215,911	197,650	215,911	197,650
Transfer to retained earnings: Initial adoption of IFRS 9	(194,536)	-	(194,536)	-
Adjusted balance at 1 July	21,375	197,650	21,375	197,650
Transfer from retained earnings	13,454	18,261	13,454	18,261
Balance as at 30 June	34,829	215,911	34,829	215,911
The regulatory credit risk reserve was introduced in order to meet the regulatory requirements for the loan loss portfolio impairment of Bank Windhoek Ltd.				
31.2 Insurance fund reserve				
Balance at 1 July	53,742	50,536	53,742	50,536
Transfer (to)/from general banking reserve	(2,617)	3,206	(2,617)	3,206
Balance as at 30 June	51,125	53,742	51,125	53,742
The insurance reserve was created to fund a portion of the regulatory requirement to hold a certain level of insurance specific for banking risk.				
Total non-distributable reserves	85,953	269,653	85,953	269,653

32. Distributable reserves

32.1 Fair value reserve				
Balance as at 1 July	129,811	145,164	129,811	145,164
Revaluation of available-for-sale equity instruments	7,263	44,056	7,263	44,056
Transfer from reserves	4,219	-	4,219	-
Reclassification to profit or loss: sale of Visa shares	(140,595)	(59,409)	(140,595)	(59,409)
Balance as at 30 June	698	129,811	698	129,811
32.2 General banking reserve				
Balance as at 1 July	3,814,880	3,354,610	3,814,880	3,354,610
Transfer from reserves	516,924	460,270	516,924	460,270
Dividends declared	(482,735)	-	(482,735)	-
Balance as at 30 June	3,849,069	3,814,880	3,849,069	3,814,880
The general banking reserve is maintained to fund future expansion.				
32.3 Retained earnings				
Balance as at 1 July	82,013	71,978	97	92
Initial adoption - IFRS 9	(98,159)	-	(82,585)	-
Restated balance at the beginning of the reporting period	(16,146)	71,978	(82,488)	92
Profit for the year	797,713	796,772	779,872	786,742
Transfer to reserves	(531,979)	(481,737)	(531,979)	(481,737)
Transfer from reserves - Reclassification to profit or loss	140,595	-	140,595	-
Dividends declared	(306,000)	(305,000)	(306,000)	(305,000)
Balance as at 30 June	84,183	82,013	-	97
Total distributable reserves	3,933,950	4,026,704	3,849,767	3,944,788

33. Dividends per share

During the year under review, dividends of 16,031.2 cents per share (2018: 6,199.2 cents per share) amounting to a total of N$788.735 million (2018: N$305 million) were declared by the company.

	Group		Company	
	2019	2018	2019	2018
	N$000	N$000	N$000	N$000
Dividends payable at beginning of year	**42,000**	-	**42,000**	-
Dividends declared during the year	**788,735**	305,000	**788,735**	305,000
Dividends paid during the year	**(830,735)**	(263,000)	**(830,735)**	(263,000)
Dividends payable at year-end	**-**	42,000	**-**	42,000

34. Statement of cash flows disclosure information

34.1 Receipts from customers				
Interest receipts	**3,770,577**	3,583,802	**3,744,754**	3,551,806
Commission and fee receipts	**861,862**	797,991	**846,405**	782,748
Other income received	**179,505**	68,236	**199,214**	86,079
	4,811,944	4,450,029	**4,790,373**	4,420,633
34.2 Payments to customers, suppliers and employees				
Interest payments	**(2,066,303)**	(1,997,028)	**(2,066,303)**	(1,997,028)
Cash payments to employees and suppliers	**(1,321,886)**	(1,206,263)	**(1,320,322)**	(1,205,055)
	(3,388,189)	(3,203,291)	**(3,386,625)**	(3,202,083)
34.3 Cash generated from operations				
Profit before income tax	**1,124,541**	1,094,329	**1,099,582**	1,079,668
Dividends received	**(854)**	(2,420)	**(854)**	(2,420)
Adjusted for non-cash items:				
- Effective interest on debt securities	**47,497**	13,393	**47,497**	13,393
- Profit on sale of VISA shares	**-**	(77,330)	**-**	(77,330)
- Effective interest on deposits	**81,579**	67,459	**81,579**	67,459
- Effective interest on other borrowings	**(591)**	718	**(591)**	718
- Interest receivable	**(2,618)**	(4,886)	**(2,618)**	(4,886)
- Adjustment to fair value of financial instruments	**(3,006)**	2,998	**(3,006)**	2,998
- Amortisation of intangible assets	**31,583**	45,982	**31,583**	45,982
- Depreciation of property and equipment	**45,492**	37,390	**44,531**	36,431
- Intangibles transfer to property and equipment	**(32,064)**	(9,190)	**(32,064)**	(9,190)
- Internally generated software transfer	**(21,990)**	(27,404)	**(21,990)**	(27,404)
- Effective interest rate adjustment on loan initiation fees	**(3,795)**	-	**(3,796)**	-
- Intangible assets in development transfer to software	**54,054**	36,594	**54,054**	36,594
- Fair value adjustment on interest free staff loans	**7,761**	5,473	**7,761**	5,473
- (Profit)/loss on disposal of property and equipment	**(338)**	37	**(338)**	37
- Share based payment expense	**4,662**	5,425	**4,662**	5,425
- Credit impairment losses	**94,726**	58,069	**96,964**	44,353
- Provision for post-employment benefits	**792**	1,249	**792**	1,249
- Share of joint ventures' results after tax	**(3,675)**	(1,148)	**-**	-
	1,423,755	1,246,738	**1,403,748**	1,218,550
34.4 Income taxes paid				
Amounts receivable as at 1 July	**44,283**	54,842	**36,512**	49,201
Current tax charged to profit or loss	**(305,604)**	(294,360)	**(298,889)**	(289,729)
IFRS 9 transitional impact	**(8,958)**	-	**(4,578)**	-
Amounts receivable as at 30 June	**(76,919)**	(44,283)	**(69,896)**	(36,512)
	(347,198)	(283,801)	**(336,851)**	(277,040)

35. 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		Company	
	2019	2018	2019	2018
	N$000	N$000	N$000	N$000
Cash and balances with the central banks – excluding mandatory reserve (note 11)	**746,630**	902,656	**746,630**	902,656
Treasury bills and government stock with a maturity of less than 90 days	**872,469**	1,122,213	**872,469**	1,122,213
Unit trust investments (note 13)	**1,320,305**	1,008,973	**1,320,305**	1,008,973
Placement with other banks (note 15)	**862,394**	749,021	**862,394**	749,021
Borrowings from other banks (note 22)	**(72,756)**	(63,037)	**(72,756)**	(63,037)
	3,729,042	3,719,826	**3,729,042**	3,719,826

36. Contingent assets, liabilities and commitments

36.1 Capital commitments				
Authorised but not contracted for:				
Property and equipment	**23,074**	23,431	**23,074**	23,431
Intangible assets	**82,021**	108,436	**82,021**	108,436
	105,095	131,867	**105,095**	131,867
Funds to meet these commitments will be provided from own resources.				
36.2 Letters of credit	**124,818**	245,841	**124,818**	245,841
36.3 Liabilities under guarantee	**1,189,541**	1,056,456	**1,189,541**	1,056,456
Guarantees mainly consist of endorsements and performance guarantees.				
36.4 Loan commitments	**1,554,355**	1,714,759	**1,554,355**	1,714,759
36.5 Operating lease commitments				
Office premises				
- Not later than 1 year	**49,920**	40,016	**49,920**	40,016
- Later than 1 year but not later than 5 years	**48,707**	68,301	**48,707**	68,301
	98,627	108,317	**98,627**	108,317

Notice periods on operating lease contracts vary between 1 to 6 months (2018: 1 to 3 months), operating lease contracts are not fixed and escalation clauses range between 3.5 % and 10 % (2018: 6 % and 10 %).

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.

36.6 Pending litigations

There are a few 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.

36.7 Guarantee issued to Bank Windhoek Selekt Unit Trust Fund

The bank has entered into an agreement with Capricorn Unit Trust Management Company Ltd as follows: In the event of a credit default event suffered by the Bank Windhoek Selekt Fund, the bank will refund the Selekt Fund any shortfall on the realisation of any bill, bond, deposit or security issued by any counterparty as approved in the fund's mandate. A credit default event is defined as the bankruptcy of counterparties, approved by the Board credit committee, who issued the instrument. The guarantee is subject to certain set conditions and is limited to the realised shortfall between the last determined market value of the underlying investments and the realised value of the underlying investment.

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

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

37. 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 Ltd and its subsidiaries;
v. post-retirement benefit funds (pension fund);
vi. key management personnel being the Capricorn Group and CIH 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).

Bank Windhoek Ltd is a wholly owned subsidiary of Capricorn Group. Capricorn Group is listed on the Namibian Stock Exchange and is 43.1 % (2018: 41.0 %) owned by Capricorn Investment Holdings Ltd and is 25.9 % (2018: 25.9 %) owned by the Government institutions Pension Fund, its non-listed major shareholder which are incorporated in Namibia.

Details of subsidiaries and joint arrangements are disclosed in notes 18 and 19.

A few 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 (2018: NIL).

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

Entity	Relationship	Type of transaction
Capricorn Investment Holdings Ltd	Major shareholder of Capricorn Group	Support services Banking relationships
Government Institutions Pension Fund	Major shareholder of Capricorn Group	Banking relationships
Capricorn Investment Group Ltd	Parent company	Support services Banking relationships
Bank Gaborone Ltd	Fellow subsidiary	Support services Banking relationship
Capricorn Asset Management (Pty) Ltd	Fellow subsidiary	Support services Banking relationship
Capricorn Capital (Pty) Ltd	Fellow subsidiary	Support services Banking relationship
Capricorn Mobile (Pty) Ltd (previously Capricorn Connect (Pty) Ltd)	Fellow subsidiary	Support services Banking relationship
Capricorn Investment Group (Pty) Ltd	Fellow subsidiary	Support services
Capricorn Unit Trust Management Company Ltd	Fellow subsidiary	Guarantee fee Banking relationship
Cavmont Capital Holdings Zambia Plc	Fellow subsidiary	Support services Banking relationship
Cavmont Bank Ltd	Fellow subsidiary	Support services Banking relationship
Namib Bou (Pty) Ltd	Fellow subsidiary	Support services Banking relationship
Bank Windhoek Properties (Pty) Ltd	Subsidiary	Rental
BW Finance (Pty) Ltd	Subsidiary	Support services Banking relationship
Bank Windhoek Nominees (Pty) Ltd	Subsidiary	Custodian of third party relationships
Entrepo Finance (Pty) Ltd	Fellow subsidiary	Support services Banking relationship
Entrepo Life Ltd	Fellow subsidiary	Support services Banking relationship
Entrepo Holdings (Pty) Ltd	Fellow subsidiary	Support services Banking relationship
Nimbus Infrastructure Ltd	Associate of parent company	Banking relationship
Paratus Telecommunications (Pty) Ltd	Associate of parent company	Banking relationship
Santam Namibia Ltd	Associate of parent company	Banking relationships Insurance relationship
Sanlam Namibia Holdings (Pty) Ltd	Associate of parent company	Banking relationships Insurance relationship
Namclear (Pty) Ltd	Joint venture	Technology services
Capricorn Group Employee Share Ownership Trust	Special purpose entity	Banking relationship
Capricorn Group Employee Share Benefit Trust	Special purpose entity	Banking relationship

	Group		Company	
	2019	2018	2019	2018
	N$000	N$000	N$000	N$000
The volumes of related party transactions and outstanding balances at year-end are as follows:				
37.1 Trade and other receivables from related parties				
Parent company	**265**	5,491	**265**	5,491
Major shareholders of the group	**-**	3	**-**	3
Fellow subsidiaries	**10,698**	7,332	**10,698**	7,332
Indirect related parties	**-**	521	**-**	521
Key management personel	**-**	-	**-**	-
37.2 Loans and advances to related parties				
Parent company	**-**	-	**-**	-
Major shareholders of the group	**-**	-	**-**	-
Fellow subsidiaries	**489,336**	5,764	**489,336**	5,764
Indirect related parties	**17,025**	13,578	**17,025**	13,578
Key management personnel	**37,327**	35,480	**37,327**	35,480
37.3 Trade and other payables to related parties				
Parent company	**143**	143	**143**	143
Fellow subsidiaries	**1,038**	960	**1,038**	960
Indirect related parties	**1,418**	685	**1,418**	685
37.4 Deposits from related parties				
Parent company	**595,872**	104,952	**595,872**	104,952
Major shareholders of the group	**250,551**	162,864	**250,551**	162,864
Fellow subsidiaries	**3,190,809**	79,071	**3,190,809**	79,071
Subsidiaries	**-**	-	**-**	-
Indirect related parties	**109,523**	262,430	**109,523**	262,430
Special purpose entity	**446**	-	**446**	
Key management personnel	**1,207**	226	**1,207**	226
37.5 Debt securities issued to related parties				
Major shareholders of the group	**875,127**	807,771	**875,127**	807,771
37.6 Expenses paid to related parties				
Parent company	**49,435**	35,294	**49,435**	35,294
Fellow subsidiaries	**20,408**	9,725	**20,408**	9,725
Subsidiaries	**1,106**	-	**-**	-
Joint venture in which the group is a venturer	**19,557**	11,482	**19,557**	11,482
Indirect related parties	**16,460**	-	**16,460**	-
37.7 Interest and similar expenses paid to related parties				
Parent company	**28,122**	4,768	**28,122**	4,768
Major shareholders of the group	**21,455**	90,735	**21,455**	90,735
Fellow subsidiaries	**254,948**	20,705	**254,948**	20,705
Indirect related parties	**9,529**	11,855	**9,529**	11,855
Special purpose entity	**8**	-	**8**	-
Key management personnel	**4**	7	**4**	7

	Group		Company	
	2019	2018	2019	2018
	N$000	N$000	N$000	N$000
37.8 Income received from related party transactions				
Parent company	**1,995**	-	**1,995**	-
Major shareholders of the group	**13**	-	**13**	-
Fellow subsidiaries	**28,741**	3,021	**28,741**	3,021
Subsidiaries	**22,072**	-	**22,090**	20,412
Indirect related parties	**319**	426	**319**	426
37.9 Interest and similar income received from related parties				
Major shareholders of the group	**-**	96	**-**	96
Fellow subsidiaries	**7,910**	1,088	**7,910**	1,088
Indirect related parties	**1,830**	3,852	**1,830**	3,852
Special purpose entity	**-**	-	**-**	
Key management personnel	**2,390**	2,047	**2,390**	2,047
37.10 Compensation paid to key management				
37.10.1 Executive management team				
Salaries and bonuses	**20,106**	17,846	**20,106**	17,846
Contribution to defined contribution medical schemes	**713**	634	**713**	634
Contribution to defined contribution pension schemes	**996**	947	**996**	947
Share-based payment charges	**1,867**	2,419	**1,867**	2,419
Other allowances	**5,815**	5,483	**5,815**	5,483
	29,497	27,329	**29,497**	27,329

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

37.10.2 Non-executive directors' emoluments	
Directors' sitting fees are disclosed under note 9.	

38. Assets under custody

As at year-end, the group has no assets under custody (2018: Nil).

39. Segment information

The group considers its banking operations as one operating segment. Other components include micro-lending, property investment and custodian of third party investments, 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 and separate annual financial statements.

39.1 Entity-wide disclosures

39.1.1 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.

39.1.2 Geographical segments

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

39.1.3 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.