

Bank Windhoek Limited

RESULTS ANNOUNCEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

The results of Bank Windhoek Limited ("the bank") for the six-months ended 31 December 2021 reflect a resilient, agile and responsive business reporting growth at a higher rate than the growth of the industry and the Namibian economy as reflected by key economic indicators. After contracting sharply by 12.3% during 2020, the Namibian Gross Domestic Product recovered modestly reflecting a 2.4% growth in December 2021.

The Namibian Consumer Price Index increased during the last 12 months from 2.4% to 4.5%. A year-on-year decline in the Private Sector Credit Extension (PSCE) to 1.2% was reported in December 2021. The PSCE is expected to show some recovery during the next 6 to 12 months due to pickup in activity in some sectors of the economy.

Following the significant rate cuts of 275 basis points between February and August 2020, Bank of Namibia kept the repo rate unchanged at 3.75% until 16 February 2022 when it increased the repo rate by 25 basis points to 4%. The Namibian repo rate is currently on the same level as the South African repo rate.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Interest and similar income decreased by 1.7% year on year whilst interest and similar expenses decreased by 12.7% compared to the same period in the prior year. These decreases resulted from the rate cuts in 2020 and the bank's effective managing of its funding, growing lower priced deposits and containing funding through the more expensive wholesale funding products. As a consequence, net interest income for the period under review was N\$ 68,6m (8.29%) higher than that of the half year ended 31 December 2020 in the comparative period.

Impairment charges on loans and advances decreased with 25.1% compared to the comparative period. The decrease is due to an improvement in the general economic environment and pro-active management of credit risk. The coverage ratio of credit impairment provisions in relation to loans and advances, remained stable at 2.3% (June 2021: 2.26%) during the six months under review.

Non-interest income increased by 18% compared to the same period in the prior year. The variance is reflective of an increase in business volumes due to less restrictive lockdown measures and an increase in customer spending.

Management continued to focus on realising operational efficiencies and controlling cost with non- variable operating expenses increasing by 6.47% year on year compared to an inflation rate of 4.50%

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Loans and advances grew by 2.07% to N\$ 34.5bn (December 2020: N\$ 33.8bn), well above the PSCE rate of 1.2%. The growth was mainly driven by growth in article finance and mortgage loans. This growth bears testimony to the bank's effort to continue supporting customers with financing facilities notwithstanding the challenging market conditions. The non-performing loans ratio remained stable at 5.9%, the same percentage as at 30 June 2021. Loans and advances to customers remain well collateralised and the bank has reviewed and further enhanced its credit risk management processes and procedures to pro-actively monitor and manage credit risk in a changed market.

Total funding grew by 4.5% (N\$ 1.7bn) year on year to N\$ 39.0bn (December 2020: N\$ 37.3bn). The increase is mainly attributable to a growth in balances due to other banks, debt securities in issue and deposits.

The bank remains well capitalised with a total risk-based capital adequacy ratio of 15.5%, well above the minimum regulatory capital requirement of 10%. The bank strives to maintain a strong capital position, despite the current Covid-19 pandemic and associated impact on the economy.

RESTATEMENT OF INTEREST RECOGNISED ON STAGE 3 LOANS AND ADVANCES

IFRS 9 requires that for loans and advances classified as non-performing (stage 3), entities should recognise interest income on the net carrying amount (gross loans less impairment). Additional interest recognised on loans and advances should then be included in the impairment test which will result in an increase in provision for expected credit losses and in credit impairment losses. Both the 31 December 2021 half year results as well as the 30 June 2021 full year results comply with these requirements.

In the December 2020 condensed interim financial statements, the interest on loans and advances in stage 3 and the corresponding increase in the provision for expected credit losses for stage 3 were not recognised as the impact on the net profit before tax was zero. The comparative figures for the six months ended has been restated to be consistent with the requirements of IAS 8.

DIVIDENDS DECLARED

On 15 February 2022, the board declared an interim dividend of N\$ 142.6m in line with its dividend policy. The interim dividend is payable during March 2022.

BASIS OF PREPARATION

The reviewed condensed consolidated financial statements of Bank Windhoek Limited for the period ended 31 December 2021 from which this information is derived, have been prepared in accordance with International Financial Reporting Standards (IFRS) and presentation and disclosure requirements of International Accounting Standards (IAS) 34: 'Interim financial reporting' effective at the time of preparing these statements and in the manner required by the Namibian Companies' Act. The information in this press announcement has been extracted from the condensed consolidated interim financial statements (reviewed), but the announcement is not itself reviewed.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2021

	Six months ended		Year ended
	Dec 2021 N\$ '000 Reviewed	Dec 2020 N\$ '000 Restated	June 2021 N\$ '000 Audited
Interest and similar income	1,559,309	1,587,010	3,139,597
Interest and similar expenses	(663,066)	(759,408)	(1,412,793)
Net interest income	896,243	827,602	1,726,804
Credit impairment losses	(147,670)	(197,403)	(375,952)
Net interest income after credit impairment charges	748,573	630,199	1,350,852
Non-interest income	616,338	522,400	1,112,058
Operating income	1,364,911	1,152,599	2,462,910
Operating expenses	(781,181)	(733,654)	(1,511,743)
Profit before income tax	583,730	418,945	951,167
Income tax expense	(176,036)	(120,656)	(281,624)
Profit for the period / year	407,694	298,289	669,543
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Changes in fair value of debt instruments at fair value through other comprehensive income	(10,672)	(8,344)	(38,353)
Income tax expense	3,415	2,670	12,273
<i>Items that will not be reclassified to profit or loss</i>			
Changes in fair value of debt instruments at fair value through other comprehensive income	142	(104)	(341)
Income tax expense	(45)	33	109
Total comprehensive income for the period / year	400,534	292,544	643,231

CAPITAL ADEQUACY

as at 31 December 2021

	Six months ended		Year ended
	Dec 2021 N\$ '000 Reviewed	Dec 2020 N\$ '000 Reviewed	June 2021 N\$ '000 Audited
Tier 1 capital			
Share capital and premium	485,000	485,000	485,000
General banking reserve	4,613,200	4,324,343	4,613,200
Retained earnings	123,885	100,718	123,884
Total qualifying Tier 1 capital	5,222,085	4,910,061	5,222,084
Regulatory adjustments			
Deduct: Intangible assets	199,873	106,796	122,362
Total regulatory adjustments	199,873	106,796	122,362
Net total CET 1 Capital	5,022,212	4,803,265	5,099,722
Tier 2 capital			
Current unaudited profits	400,534	292,544	-
Portfolio impairment	429,789	336,599	370,852
Total qualifying Tier 2 capital	830,323	629,143	370,852
Total regulatory capital	5,852,535	5,432,408	5,470,574
Risk-weighted assets (not reviewed)			
Operational risk	3,659,335	3,580,426	3,616,461
Credit risk	33,439,303	32,061,021	33,316,873
Market risk	732,851	315,133	717,202
Total risk-weighted assets	37,831,489	35,956,580	37,650,536
Capital adequacy ratios (not reviewed)			
Leverage capital ratio	10.8%	10.9%	11.1%
Tier 1 risk-based capital ratio	13.3%	13.4%	13.5%
Total risk-based capital ratio	15.5%	15.1%	14.5%

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Dec 2021 N\$ '000 Reviewed	Dec 2020 N\$ '000 Restated	June 2021 N\$ '000 Audited
ASSETS			
Cash and balances with the central bank	1,539,826	1,401,314	949,571
Derivative financial instruments	10,973	3,202	2,026
Financial assets at fair value through profit or loss	1,850,611	1,205,670	1,704,161
Financial assets at amortised cost	733,504	722,760	735,720
Financial assets at fair value through other comprehensive income	4,402,962	4,150,990	4,277,346
Due from other banks	1,117,832	673,244	1,640,828
Loans and advances to customers	34,468,963	33,831,040	33,700,430
Other assets	278,802	375,989	331,992
Current tax asset	148,685	88,714	111,026
Intangible assets	249,841	177,994	203,937
Property and equipment	381,438	457,316	427,587
Deferred tax asset	68,724	49,923	84,809
Total assets	45,252,161	43,138,156	44,169,433
LIABILITIES			
Derivative financial instruments	4,921	14,173	8,537
Due to other banks	823,835	18,506	538,023
Other borrowings	337,429	535,072	436,104
Debt securities in issue	3,721,320	3,051,979	3,696,106
Deposits	34,118,729	33,686,342	33,411,957
Other liabilities	531,032	633,113	632,696
Post-employment benefits	13,989	13,286	13,638
Total liabilities	39,551,255	37,952,471	38,737,061
EQUITY			
Share capital and premium	485,000	485,000	485,000
Non-distributable reserves	56,958	432,913	209,149
Distributable reserves	5,158,948	4,267,772	4,738,223
Total shareholders' equity	5,700,906	5,185,685	5,432,372
Total equity and liabilities	45,252,161	43,138,156	44,169,433

Net loans and advances

2.07%

Dec 2021: N\$34.5bn
Dec 2020: N\$33.8bn

Profit after tax

36.6%

Dec 2021: N\$407.7m
Dec 2020: N\$298.3m

Capital Adequacy

15.5%

Dec 2020: 15.1%

Return on Equity

14.65%

Dec 2020: 11.75%

By order of the Board



H von Ludwiger
Company Secretary
Windhoek, 15 February 2022

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Bank Windhoek
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