Annual Report

2023

Bank Windhoek
a member of Capricorn Group

Index

Statement of Responsibility by the Board of Directors

for the year ended 30 June 2023

The directors are responsible for the preparation, integrity and objectivity of the financial statements that fairly present the state of affairs of the group and company 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 implement 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 and company'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 and company, 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 financial year under review.

The group and company consistently adopt 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 (BID 33). The external auditors have not identified nor reported instances of non-compliance with BID 2 during the reporting period.

The directors of the group and company are responsible for the controls over, and the security of the website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to stakeholders.

The financial statements presented on pages 20 to 119 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 group and company will not be going concerns in the year ahead, based on forecasts and available cash resources. These financial statements have accordingly been prepared on a going concern basis.

The financial statements have been audited by the independent auditing firm, PricewaterhouseCoopers, who was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The independent auditor's report is presented on page 15 to 19.

The financial statements, set out on pages 20 to 119, were authorised and approved for issue by the board of directors on, 5 September 2023 and are signed on their behalf:

J J Swanepoel
Chairperson

B R Hans
Managing Director

Corporate Governance Statement

for the year ended 30 June 2023

Bank Windhoek Ltd ("the company") 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 and company believe that all stakeholders' interests are promoted, and long-term value is created.

The board and its committees are responsible for establishing effective leadership and ethical practices, and 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™, the group and company have adopted King IV™.

The board accepts that the leadership tone is set from the top. The work done in embedding 'The Capricorn Way' signals the emphasis on creating an ethical culture with behaviours based on a common set of values.

Creating an ethical culture is our most pertinent material matter. The board sets the tone for an ethical culture through the group risk appetite statement, which includes ethics risk-related elements.

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. The Procurement Policy was augmented with a Suppliers' Code of Conduct. Since its inception, the Group board social 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; and
- 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 was enhanced to support the group and company'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 board committees' performance, and ensures that remuneration throughout the company is linked to the achievement of performance targets.

Effective control is embedded in the company's governance. 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 company board and its committees, are carried out effectively.

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

Governance milestones for 2023

- Ongoing reviews and improvements in line with the King IV™ principles and related recommended practices.
- The ethics strategy was implemented, and a three-year action plan as approved by the board, is progressing well.
- Comprehensive internal evaluations of the boards, committees, directors and company secretaries were completed to ensure that the group and company operates efficiently, have robust conversations and to address any gaps.
- There was early involvement of non-executive directors in planning and setting the strategy for the next strategy cycle.

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; and
- Trust, a good reputation and the legitimacy of the company (its social license to operate).

The executive leadership and the board, 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 implementing the proposed enhancements.

The company's King IV principles disclosure map is accessible at https://www.bankwindhoek.com.na/Pages/Reports.aspx

Board of directors

The board plays a pivotal role in the group and company's corporate governance system. Intellectual honesty is an overriding commitment in the board's deliberations and approach to corporate governance. We are also entrenching a risk culture that supports dynamic risk management.

The board is governed by the board charter, which regulates how the board conducts its business. The charter sets out the specific responsibilities to be discharged by the board members collectively and the managing director and chairperson in their respective capacities. The board is satisfied that it has fulfilled its responsibilities in terms of the board charter for 2023.

Role of the board

An important role of the board is to define the vision and purpose of the group and company (including its strategic intent and choices) and its values (manifested by 'The Capricorn Way'), which constitute its organisational culture, associated behaviours and norms to achieve its purpose. These are considered to be clear, concise and achievable. The group and company's strategies are considered, evaluated and agreed upon every year before the annual budget is approved. 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 and company's assets and reputation and mitigate risk.

A schedule of matters reserved for the board's decisions is in place. It details key aspects of the group and company's affairs that the board does not delegate, including the approval of business plans and budgets, material expenditure and alterations to share capital. This schedule of matters clarifies roles and ensures the effective exercise of authority and responsibilities.

Board leadership and composition

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, seven members constitute the board, with one executive director and six non-executive directors, of which four 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.

Two of the three members of the board audit committee are independent non-executive directors, and all three members are qualified chartered accountants.

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

As contemplated in paragraph 7.3 (c)(iii) of the JSE Debt Listings Requirements, independent directors are determined holistically, in accordance with the indicators provided in King IV™.

The company's conflict of interest and director's nominations policies ("the policies") are accessible at https://www.bankwindhoek.com.na/Pages/Reports.aspx. The policies deals, inter alia, with i) the conflicts of interest of the directors and the executive management of Bank Windhoek Ltd and how such conflicting interests can be identified and managed or avoided; and ii) the process for the nomination and appointment of directors of the company. Since publication of the policies, there have been no amendments to the policies.

Bank Windhoek Ltd confirms that, as at 5 September 2023, there are no recorded conflicts of interest and / or personal financial interests of the directors and / or the executive management of the company, as contemplated in the policies and paragraphs 7.5 and 7.6 of the JSE Debt Listings Requirements. Accordingly, as at 5 September 2023, there is no "register of any conflicts of interest and / or personal financial interests", as contemplated in paragraph 7.6 of the JSE Debt Listings Requirements.

J J Swanepoel

BCom (Hons) (Accounting), CA(SA), CA(Nam)	
INDEPENDENT NON-EXECUTIVE CHAIRPERSON	• Board credit committee • Group board remuneration committee • Group board nominations committee • Group board investment committee
Appointed to the board in 1999.	

After joining Coopers & Lybrand (now PricewaterhouseCoopers or "PwC") in 1980, Johan Swanepoel qualified as a chartered accountant in 1982. He was elected managing partner of the firm in Namibia in 1989. On 1 July 1999, he was appointed as managing director of Bank Windhoek and a director of Capricorn Group on 1 July 1999. In 2005, he took up the position of Group Managing Director of Capricorn Investment Holdings. Upon his retirement from this position in 2017, he accepted the role of Chairperson of the boards of Capricorn Group from which he retired on 31 December 2021, as well as the role of chairperson of Bank Windhoek, which he continues to hold.

Johan is a director of several companies in the Capricorn Group. He is also a director of:
- Capricorn Investment Holdings Ltd,
- Namibia Strategic Investments (Pty) Ltd,
- Kuiseb Investments (Pty) Ltd and
- Infocare International Ltd.

J C Brandt

BA LLB	
NON-EXECUTIVE DIRECTOR	• Board lending committee • Group board nominations committee • Group board investment committee
Appointed to the board in 1982.	

Koos Brandt is a founding member of Bank Windhoek. He was appointed as the chairperson of the board of Bank Windhoek on 1 April 1982 and was chairperson of Capricorn Group from its inception in 1996 until 2017. He practised as a commercial lawyer for more than 30 years at Dr Weder, Kruger and Hartmann (now Dr Weder, Kauta & Hoveka).

He is a director of several companies in the Capricorn Group and also holds board positions at:
- Capricorn Investment Holdings Ltd,
- Namibia Strategic Investments (Pty) Ltd and
- Infocare International Ltd.

F J du Toit

BCom (Hons), CA (SA)	
NON-EXECUTIVE DIRECTOR	• Board audit committee • Board lending committee • Board risk and compliance committee
Appointed to the board in 1998. Resigned from the board on 30 June 2023.	

Frans du Toit became a qualified chartered accountant (SA) in 1970 and subsequently joined Hoek & Wiehahn (Audit Firm) as an audit partner. In 1987, he became the Division General Manager: Finance at Volkskas Bank, which later merged to form the ABSA Group. In 1991, he was appointed as the Group General Manager: Finance of the ABSA Group, and in 1997, he assumed the role of Group Executive Director: Finance.

D G Fourie

BCom (Hons), CA(SA), CA(Nam)	
LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR	• Board audit committee • Board risk and compliance committee • Board credit committee • Group board remuneration committee • Group board investment committee • Group board nominations committee
Appointed to the board in 2015.	

Gerhard Fourie has 35 years' experience as a chartered accountant. He was a partner with EY (formerly Ernst & Young) for 28 years until his retirement as the managing partner of EY Namibia in 2015. Gerhard completed a post-graduate management development programme at the University of Cape Town Business School and an advanced leadership programme at the Gordon Institute of Business Science (GIBS) and was a member of the ICAN (Institute of Chartered Accountants of Namibia) Council until 2015.

He is appointed as a chairperson at Capricorn Group, Namib Bou, and Capricorn Foundation.

B R Hans

BCom (Hons), CA (Nam)

EXECUTIVE DIRECTOR

- Board risk and compliance committee
- Board credit committee
- Group board HR committee
- Group board IT committee

Appointed to the board in 2016.

Baronice Hans qualified as a chartered accountant (Nam) at EY, whereafter she joined NamPower to later hold the title of General Manager: Finance, Treasury and Property Management. She played a role in NamPower's listing of the inaugural bond on the NSX and BESA. In 2009, she joined Standard Bank, as the Chief Operating Officer and later became the Executive Director and Head Personal and Business Banking in 2010.

She is currently Bank Windhoek's Managing Director, a title she holds since 2016.

V J Mungunda

BCom, HDipAcc, CA(Nam), CA(SA)

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Board audit committee
- Board risk and compliance committee

Appointed to the board on 7 February 2023.

Vetumbuavi Mungunda qualified as a chartered accountant (Nam) in 1998 and became a partner at Deloitte in 2001. He was the Managing Partner of Deloitte Namibia from 2007 to 2013 before joining Standard Bank Namibia as Chief Executive from 2014 to 2021. In May 2021, he founded Ombu Capital, a private equity firm.

He is a Non-Executive Director at Entrepo, Namibia Breweries, Oryx Properties, NIPDB, and Schoemans Investments.

G Nakazibwe-Sekandi

LLB, Accredited public relations practitioner (APR)

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Group board remuneration committee
- Group board social and ethics committee

Appointed to the board in 2004.

Gida Nakazibwe-Sekandi joined the banking industry in 2000 when she was appointed as Executive Officer: Marketing and corporate communication at Bank Windhoek. In 2008, she was appointed as Executive Director of Capricorn Investment Holdings Ltd. Gida is a founding member of the Public Relations Institute of Southern Africa ("PRISA") Namibia. She has served in various executive roles, including as head of industrial relations and communications and head of corporate affairs at Rössing Uranium. She served in the Ministries of Justice in Uganda and Zimbabwe as state attorney and public prosecutor, respectively.

She invests her time pro bono in various social institutions, including MSR, Women@Work and the Capricorn Foundation.

Gida is a director of a number of companies in the Capricorn Group and also holds board positions with: Capricorn Foundation, Capricorn Investment Holdings Ltd and, Welwitschia Insurance Brokers.

M J Prinsloo

BCompt (Hons), CA(SA)

NON-EXECUTIVE DIRECTOR

- Board audit committee
- Board risk and compliance committee
- Group board HR committee
- Group board investment committee
- Group board social and ethics committee
- Group board IT committee

Appointed to the board in 2016.

Thinus Prinsloo joined Capricorn Investment Holdings in 2011 and was appointed as managing director of Capricorn Group from 1 January 2016. Before joining the Group, Thinus worked at Absa in South Africa where he held various positions, including the head of integration. Prior to that, he worked as a business strategy consultant at IBM and PwC. Thinus qualified as a chartered accountant while working at PwC in South Africa and the corporate finance division in the UK. He completed a number of executive programmes at GIBS, the University of Cape Town Business School and, most recently, the Oxford Advanced Management and Leadership Programme at Saïd Business School. In 2021 he qualified as a Certified Director.

He is a director on various boards in the Capricorn Group and the Sanlam Namibia group. He chaired the national Business Rescue Task Force at the request of the president of Namibia, Dr Hage Geingob.

Chairperson, lead director and managing director

The board chairperson, J J Swanepoel, is an independent non-executive director. The board has appointed Mr D G Fourie as lead independent director. His role and responsibilities are set out in the board charter. They include serving as a nexus between executive and non-executive directors, where a more stringent observation of independence is required. This relates to situations where the independence of the chairperson may be questionable or impaired, including discussions about the succession and performance appraisal of the chairperson.

The managing director is appointed by the board and the group board nominations committee, on advice from the group board remuneration committee, attends to her succession.

The board is of the opinion that the governance structures and processes in place provide adequate scope and means to challenge, review, balance, and mitigate against undue influence by any particular director. Board decisions are robustly deliberated and consensus-driven. The board is satisfied that the Delegation of Authority Framework contributes to role clarity and the effective exercise of authority and responsibilities.

Meeting attendance

Each board committee has an executive lead to coordinate meetings and prepare 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.

Board and committee members as at 30 June 2023 and their attendance at these committees' meetings during the year are 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 board investment committee	Group board social and ethics committee	Group board IT committee
Meetings held:		**5**	**6**	**4**	**48**	**5**	**8**	**4**	**7**	**3**	**6**
J J Swanepoel	Independent non-executive chairperson	5*			42*		8	4*	5		
J C Brandt	Non-executive	5						3	6		
F J du Toit#	Independent non-executive	4	6*	4							
D G Fourie	Independent non-executive	5	6	4*	43		7	4	7		
B R Hans	Managing director	5		4	44	5					6
G Nakazibwe-Sekandi	Independent non-executive	5					8*			3*	
M J Prinsloo	Non-executive	4	6	4		5			6	3	6
V J Mungunda##	Independent non-executive	3	3	2							

* Chairperson

** Loans are approved by the board credit committee up to N$390 million and thereafter by the board lending committee.

Mr du Toit retired from the board on 30 June 2023, after which Mr Mungunda became chairperson of the BAC.

Mr Mungunda was appointed to the board on 7 February 2023.

Refer to the directors' report for full disclosure on the changes in directors for the financial year ended 30 June 2023.

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 chairperson.

The lead independent director is a member of the Nomco, and all members are non-executive directors. 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, when 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 to deepen their understanding of the group and company, business environment and markets in which the group and company operates. This includes background material, meetings with senior management and visits to the group and company facilities. All board members are expected to keep abreast of changes and trends in the economic, political, social, and legal landscape in which the group and company operates. Where appropriate, significant developments that impact the group and company and of which the board needs to be aware, are highlighted via the governance structures and process.

Board evaluation

An independent external evaluation of the boards, committees, directors and company secretary of Capricorn Group was performed by CGF Research in the previous year. This year, Nomco requested each board and each board committee in the Group to consider, reflect on and discuss "its performance, its chair and its members as a whole", as per recommended practice 74 under Principle 9 of King IV™, and report back to Nomco. The following questions were provided to guide the conversation:

1. Are meetings conducive to achieving their purpose:
   a. Does the agenda facilitate a well-structured conversation?
   b. Are submissions (the documentation pack) of adequate quality?
   c. Does the chairperson lead the conversation appropriately?
2. How can the company help members to keep abreast of technical and business developments?
3. How can the company secretariat better support in order to "help leaders to do well"?
4. Having studied the board charter/board committee terms of reference, to what extent is the board/committee discharging its responsibilities in the context of this document, and are there opportunities for improvement?

The board and board committees had fruitful discussions. The summary reports were presented to Nomco and indicated a satisfactory appraisal outcome. Recommendations were converted into an action list for each board committee.

The board is satisfied that the evaluation process is improving the board's performance and effectiveness.

In accordance with paragraph 7.3(f) of the JSE Debt Listings Requirements, the company has a current policy on the evaluation of the performance of its board of directors and that of its committees, its chairperson, and its individual directors. The company considers and applies the aforementioned policy when appointments to its board and committees are made.

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 directly seek advice on these or other business-related matters from independent professional advisers should they so wish. This is in addition to the advice provided by independent advisers to the board's committees. No requests for external professional advice were received during the year.

The board has unrestricted access to the executive management team of the group and company to discuss and ask for advice on 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 and company. To effectively discharge 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 key committees are:

- Board audit committee
- Board risk and compliance committee
- Board credit / lending committee
- Group board human resources committee
- Group board remuneration committee
- Group board nominations committee
- Group board investment committee
- Group board social and ethics committee
- Group board IT committee

Board audit committee (BAC):

Members of the committee	Committee role, responsibilities and functions
Chairperson: V J Mungunda D G Fourie M J Prinsloo During the year under review Mr du Toit retired from the board and Mr Mungunda was appointed as member and chairperson of this committee.	The committee is responsible for the following key matters: 1. financial control, accounting systems and reporting, including management accounts, external reporting (interim and annual financial results); 2. review of the finance function; 3. ensure a combined assurance model is applied; 4. oversee the internal audit function; 5. engage with the external auditor; 6. oversee the assets and liability committee (ALCO); 7. review and recommend operational and capital budgets, including the capital plan for board approval; and 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 board audit committee (BAC) 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. Every quarter, 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 company and group have resolved to rotate external auditors in 2025, with the new auditor to shadow PwC in 2024. The group endorsed the proposed appointment of Deloitte and Touche with effect from the financial year ending 30 June 2025. The change in external auditor is in compliance with the Bank of Namibia's BID-10 regulation, which requires rotation of external auditors every ten years. The appointment of the new external auditor is subject to regulatory and shareholder approval.

The BAC's views on the quality of the external audit are that the audit was executed in compliance with generally accepted audit standards.

The BAC'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 2 to 3**. 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 and company as well as the chief financial officer, the audit committee considered the overall finance function in the group and company to be competent, well capacitated and in compliance with benchmark standards and norms.

The committee satisfied itself in terms of paragraph 7.3(e)(i) of the JSE Debt Listings Requirements that the company's chief financial officer, as well as the group finance function, have the appropriate expertise and experience.

The committee ensured that the company has established appropriate financial reporting procedures, as contemplated in paragraph 7.3(e)(ii) of the JSE Debt Listings Requirements, and that those procedures are operating.

The committee has, in terms of paragraph 7.3(e)(iii) of the JSE Debt Listing Requirements, satisfied itself that the external auditor is independent of the company and suitable for reappointment for the year under review by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements.

The committee has executed the responsibilities set out in paragraph 7.3(e) of the JSE Listings Requirements.

A combined assurance framework, based on the principles outlined in the King IV™, is in place. The committee believes that the framework is adequate to achieve the objective of an effective, coordinated approach for all assurance providers. The outcome from assurance activities of compliance monitoring, management assurance services and internal audit are reported to the BAC in a combined assurance report. The external auditors' annual audit activities are considered and coordinated with internal assurance providers. A process is underway to extend the combined assurance framework to identify and integrate other assurance role players and their envisaged contribution to combined assurance reporting.

Board risk and compliance committee (BRC):

Members of the committee	Committee role, responsibilities and functions
Chairperson: D G Fourie B R Hans V J Mungunda M J Prinsloo N van der Merwe (Group Executive: ERM) During the year under review Mr du Toit retired from the board and Mr Mungunda was appointed as member of this committee.	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; and 5. review and recommend the internal capital adequacy and assessment process (ICAAP) in terms of Pillar II of Basel III for board approval. The committee is satisfied that it has fulfilled its responsibilities with its terms of reference for the year.

Board credit / lending committee:

Members of the committee	Committee role, responsibilities and functions
Chairperson: J J Swanepoel E King D G Fourie B R Hans A Theunissen **Board Lending Committee (BLC):** BCC members J C Brandt During the year under review Mr du Toit retired from the committee.	The committee is responsible for the following key matters: 1. discharging the board's credit responsibility; 2. to ensure that credit management, the extension, controls and maintenance of credit, as well as the process of provision and writing-off of bad debts is executed in a proper way and in accordance with laid-down policy; 3. to assess and approve credit applications in excess of the credit mandate of the Managing Director and Executive Officer: Credit; 4. delegation of a credit mandate to the Managing Director and Executive Officer: Credit; 5. delegation of mandates in respect of legal accounts; 6. delegation of authority to the Managing Director and Executive Officer: Credit to approve credit mandates for branch managers and credit managers; and 7. review and approval of the Credit Risk Framework. The BCC and BLC both fulfil the same role, but in terms of different mandates. 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
Chairperson: G Nakazibwe-Sekandi D G Fourie J J Swanepoel No changes in members during the year under review.	The committee is responsible for the following key matters: 1. review and approve the group's remuneration philosophy, principles and the broad framework of remuneration; 2. oversee the establishment of the group's remuneration policy; 3. review and recommend remuneration and fees for services as directors; 4. oversee talent management at executive level; 5. consider and approve the remuneration of executive positions; 6. consider and approve incentive schemes; and 7. appointment and promotion of executive management. 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
Chairperson: J J Swanepoel J C Brandt D G Fourie No changes in members during the year under review.	The committee is responsible for the following key matters: 1. consider and recommend director nominations and related matters; 2. evaluate director performance; and 3. consider director succession plans. 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
Chairperson: H M Gaomab II J C Brandt D G Fourie J Maass M J Prinsloo J J Swanepoel During the year under review the Group CFO, Mr Maass was appointed to this committee.	The committee is responsible for the following key matters: 1. consider and recommend all prospective investments and disinvestments above a certain value; 2. evaluate and monitor the performance of investments; 3. measurement and oversight of equity investment portfolio; and 4. review and approve investment strategies. The committee is satisfied that it has fulfilled its responsibilities with its terms of reference for the year.

Group board social and ethics committee:

Members of the committee	Committee role, responsibilities and functions
Chairperson: G Nakazibwe-Sekandi D T Kali H M Gaomab II M J Prinsloo N J van der Merwe No changes in members during the year under review.	The committee is responsible for the following key matters: 1. consider and approved the group and company sustainability strategy and philosophy, good corporate citizenship and ethics; 2. promotion of equality, prevention of unfair discrimination and reduction of corruption; 3. monitoring social and economic development activities; 4. monitoring environment, health and public safety activities; 5. monitoring consumer relationships and public relations; and 6. 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
Chairperson: E Solomon S Coetzee B R Hans J Maass M J Prinsloo D J Reyneke E Slabbert J van Zyl During the year under review the Group CFO, Mr Maass was appointed to this committee.	The committee is responsible for the following key matters: 1. review and recommend the group and company IT strategy (a group board material matter); 2. consider and approve the group and company IT reference architecture; 3. consider and approve the group and company application portfolio; 4. assess and approve the group and company IT organisational and governance structures; 5. oversee IT risk management inclusive of information security / cybersecurity (a group board material matter); 6. consider and approve strategic projects; 7. consider and recommend significant outsourcing; 8. ensure the adequacy of IT resources; and 9. oversee IT systems and infrastructure stability (a group board material matter). 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 and company 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 by the GBITC.

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

Policies are in place and approved at GBITC that guide IT, service delivery, change management, information security, disaster recovery and acceptable use. It also has a Technology Risk Framework in place.

The distribution transformation programme (#gobeyond) to transform the company was considered and approved.

The architecture in line with "digitising the core" was reviewed and approved.

The Agile journey was enhanced by implementing DevOps in the IT function and appointing dedicated platform owners and product owners to lead this.

A King IV™ gap analysis was conducted as part of quarterly determinants of service quality ("DSQ") IT reviews, and gaps with action plans were identified.

Planned areas of future focus are:
- further enhancing Agile, DevOps and platforms execution;
- investing in the various platforms to support the group and company's strategy with particular focus on the distribution transformation programme;
- oversight for expanding platform capacity in line with business demand and to enable delivery of the strategy;
- continuing reviews of the platform execution and delivery against strategy;
- continuing focus on enhancing systems and infrastructure stability; and
- continual review and improvement of information and cyber security and supporting the cyber resilience programme.

Group board human resource committee:

Members of the committee	Committee role, responsibilities and functions
Chairperson: G Menetté E Fahl B R Hans T B Liebenberg M J Prinsloo No changes in members during the year under review.	The committee is responsible for the following key matters: 1. consider and approve personnel policies; 2. consider and challenge the appointment, benefits and remuneration of management below executive level; 3. consider and approve remuneration and benefits of non-management; 4. consider and act on recommendation by the Capricorn Group Retirement Fund; 5. consider and act on recommendations regarding medical aid and group life benefits; 6. determine and approve criteria for performance management and incentives; 7. oversee implementation of the Group's employment equity policy; and 8. approve and monitor the framework policies and guidelines for environmental health and safety management. The committee is satisfied that it has fulfilled its responsibilities with its terms of reference for the year.

Appointment of debt officer

The company's debt officer, as contemplated in paragraphs 6.39(a) and 7.3(g) of the JSE Debt Listings Requirements, is J D Kruger. The board of directors duly considered and satisfied itself with the competence, qualifications, and experience of J D Kruger before he was appointed as the debt officer of the company. The contact details of the debt officer is +264 61 299 1641.

Audit and compliance report

Systems of internal control

The group and company maintain control systems over financial reporting and the safeguarding of assets against unauthorised acquisition, use or disposition. These systems are designed to provide reasonable assurance to the group and each subsidiary's management and board of directors about the reliable preparation of financial statements and safeguarding of the group and company's assets.

The systems include a documented organisational structure and division of responsibility, established policies and procedures, communicated throughout the group and company, and employees' proper training and development.

There are inherent limitations in the effectiveness of any internal control system, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal control systems can provide only reasonable, and not absolute, assurance concerning the preparation of the financial statements and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances.

The group and company continuously assess its internal control systems, through reports from management, internal assurance providers and external audit, concerning effective internal control and risk management as the basis of the preparation of reliable financial reporting. No material breakdown in controls was identified during the year. Based on its assessment, and the results of the internal and external audit reports, the group and company believe that, as at 30 June 2023 its systems of internal control over financial reporting and safeguarding of assets against unauthorised acquisitions, use or disposition, were adequate.

Internal Audit

The group internal audit services (GIAS) are an independent and objective assurance and consulting function created to improve the internal control systems across the group and company. GIAS helps the group and company achieve its objectives by systematically reviewing current processes by using a risk-based approach to establish whether the risk management process, the management control process and the governance process are adequate, effective and appropriate. The internal audit function has sufficient knowledge and experience to execute on the BAC approved internal audit charter. The charter is aligned with King IV™ and adheres to the requirements of the Institute of Internal Auditors.

GIAS reports to the BAC and has unrestricted access to the BAC chairperson. A risk-based internal audit plan is approved annually by the BAC. It is reassessed bi-annually for the internal audit function to remain focused on the relevant risks and the material matters for the board. The BAC satisfied itself that the internal audit function was appropriately independent and approved the internal audit plan for the financial year.

EY Namibia acts as co-source partner to GIAS, supporting the Head: GIAS by providing technical support, training, resource capability, and reporting to the BAC.

External auditor

The BAC approved the external auditor's terms of engagement, scope of work and the 2023 annual audit strategy and agreed on the applicable levels of materiality. Based on written reports submitted, the committee reviewed the findings of the external auditor's work with the firm and confirmed that all significant matters had been satisfactorily resolved. The BAC's view on the quality of the external audit is that the audit was executed in compliance with international standards on auditing.

The committee assessed the external auditor's independence and 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. The BAC has approved a non-audit services policy that is strictly adhered to. Every quarter, management reports all payments made to the external auditors for audit and non-audit fees to the BAC. Prior BAC approval is required for assignments exceeding the policy threshold. Non-audit services received, and fees paid by the group during the financial year amounted to N$ 1 702 152 (2022: N$ 486 393). The increase in fees for the current year can be attributed to the costs incurred for conducting a liquidity simulation for the group and company.

The appointment of the external auditors is considered on an annual basis. The appointment is tabled as a resolution at the annual general meeting and approved by the board of directors.

The external auditor is responsible for reporting on whether the financial statements are fairly presented in all material respects in accordance with the applicable frameworks as adopted by the group and company. The audit opinion is included in the consolidated annual financial statements on **pages 15 to 19**.

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 2023, 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 20 to 119 comprise:

- the directors' report for the year ended 30 June 2023;
- the consolidated and separate statements of financial position as at 30 June 2023;
- 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 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.

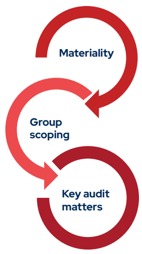
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standard) (Code of Conduct) 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$ 76,985,750, which represents 5% of the consolidated profit before income tax.

Group audit scope

- The group audit scope included a full scope audit of the Company, due to its financial significance to the Group, and full scope audits of all other components in the Group based on statutory audit requirements.

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.

PricewaterhouseCoopers, Registered Auditors, 344 Independence Avenue, Windhoek, Khomas Region, Republic of Namibia, P O Box 1571, Windhoek, Khomas Region, Republic of Namibia, T: + 264 (61) 284 1000, F: +264 (61) 284 1001, www.pwc.com/na

Country Senior Partner: Chantell N Husselmann
The Firm's principal place of business is at 344 Independence Avenue, Windhoek, Republic of Namibia, Khomas Region, Republic of Namibia
Partners: Louis van der Riet, Anna EJ Rossouw (Partner in charge: Coast), Gerrit Esterhuyse, Samuel N Ndahangwapo, Hans F Hashagen, Johannes P Nel, Willem A Burger, Nina A Coetzer, Practice Number 9406, VAT reg no. 00203281-015

Overall group materiality	N$ 76,985,750
How we determined it	5% of consolidated profit before income tax.
Rationale for the materiality benchmark applied	We chose profit before income 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 it is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented 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.

The consolidated financial statements are a consolidation of the Company and its five subsidiaries (each considered a 'component' for purposes of our group audit scope). A full scope audit was performed on the Company which was considered to be financially significant to the Group based on its contribution to the consolidated profit before income tax. Full scope audits were performed on all other components due to statutory audit 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 performed the audits of all the components within the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 **The key audit matter relates to the consolidated and separate financial statements.** ***Refer to the following accounting policies and notes to the financial statements:*** • ***Note 3.2 (Credit risk);*** • ***Note 4 (Critical accounting estimates and judgements in applying accounting policies); and*** • ***Note 15 (Loans and advances to customers).*** As at 30 June 2023, the Group and Company recognised gross loans and advances amounted to N$ 37,324,785,000 and N$ 36,705,305,000 respectively. The Group and Company also recognised an ECL of N$ 1,356,727,000 and N$ 1,323,562,000, respectively, against the gross loans and advances to customers. The significant judgements and assumptions applied by the Group and Company in determining the ECL on loans and advances to customers are described in note 3.2.2 to the consolidated and separate financial statements. The Group and Company writes off loans and advances, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The indicators which assist management in determining whether no reasonable expectation of recovery exists is disclosed in note 3.2.8 to the consolidated and separate financial statements. The Group and Company also recognised post--model adjustments which are included in stage 2, which consists of short-term adjustments to its ECL balances to reflect updates to market data and expert credit judgements. These post--model adjustments relate to risks associated with specific clients, where post model adjustments are necessary to ensure adequate provisions are held to cater for risks not adequately captured by the general models.	Our audit procedures addressed the key areas of significant judgement and estimation in determining ECL on loans and advances as follows: ***Evaluation of Significant Increase in Credit Risk ("SICR")*** • Utilising our actuarial expertise, we assessed the appropriateness of SICR by assessing the transfer of accounts between different stages. We noted no matters requiring further consideration. ***Calibration of ECL statistical model components (PD, EAD, LGD)*** We assessed the reasonableness of the inputs, assumptions and estimation techniques applied in the measurement of ECL by performing the following procedures: • Through discussions with management and inspection of Group and Company's documented methodologies, we obtained an understanding of how the probability of default (PD), exposure at default (EAD) and loss given default (LGD) are applied in the measurement of ECL. Our understanding obtained, included how the ECL models were calibrated to use historical information and forward-looking information to estimate future cash flows. • Utilising our actuarial expertise, we recalculated the ECL and compared this to management's ECL recognised. We noted differences which were the result of post-model adjustments made by management. Refer to the post model adjustment section below for procedures performed. ***Determination of write-off point*** • We assessed the reasonableness of the indicators used in determining the write off point by performing the following procedures: • We tested write-offs and recoveries that took place during the current year on a sample basis by agreeing the amount written-off to management's policy. We also agreed the amount received for recoveries to the amounts recorded. We noted no material exceptions. • We considered whether loans are included in the correct loan stage by recalculating the days in arrears for a sample of loans. We noted no material exceptions. • For collateral held, we inspected a sample of legal agreements and other underlying documentation to assess the existence thereof and the Group's legal right to the collateral held. No material exceptions were noted.

- We considered the ECL on loans and advances a to be a matter of most significance to our current year audit of the financial statements due to the following:
- The significant judgement and assumptions applied by management in determining the ECL; and
- The magnitude of the consolidated and separate loans and advances and corresponding ECL balances and post model adjustments in relation to the consolidated and separate financial statements.

Inclusion of forward-looking information and macroeconomic variables in the ECL calculation

We performed the following procedures:

- We compared the assumptions used in the forwardlooking economic model to our own actuarial and economic statistics and independent market data. We noted no matters requiring further consideration.
- Where ECL was raised for individual exposures, we tested significant judgments 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. We noted no matters requiring further consideration.

For the sample above, we also assessed management's determination of stage 3 exposures with reference to the group accounting policy and the methodology applied in the industry and the requirements of IFRS 9. We noted no matters requiring further consideration.

For all clients on which post-model adjustments were made, we performed the below procedures:

- We compared management's rationale provided for post-model adjustments of specific clients with elevated risk, to supporting documentation. No material exceptions were noted.
- We assessed the security values in place to confirm the unsecured exposure and, with reference to these we evaluated the reasonableness of the post-model adjustments made. We noted no matters requiring further consideration.
- With the assistance of our actuarial experts, we used lower and upper bound distressed PD's and a probability of write-off per client sector, in order to recalculate ECL.
- Utilising our actuarial expertise, we calculated a range of post-adjusted ECLs and compared management's post-adjusted ECL recognised to our determined range of ECL values. We noted an immaterial variance from our calculated range.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Bank Windhoek Limited Annual Report 2023". The other information does not include the consolidated or the 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, actions taken to eliminate threats or safeguards applied.

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: Louis van der Riet
Partner
Windhoek
Date: 5 September 2023

Directors' Report

for the year ended 30 June 2023

The directors herewith submit their report with the annual financial statements of Bank Windhoek Ltd (group and company) for the year ended 30 June 2023.

1. General review

Bank Windhoek Ltd conducts business as a registered bank and provides comprehensive banking services to its clients in Namibia. Although Bank Windhoek Ltd 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:

- Bank Windhoek EasyWallet Accounts Trust
- Bank Windhoek Nominees (Pty) Ltd (Dormant)
- Bank Windhoek Properties (Pty) Ltd
  Property holding
- BW Finance (Pty) Ltd
  Term lending
- Grape Orchard Farming (Pty) Ltd (Dormant)

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

2. 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 2023 amounted to:

	2023	2022
	N$'000	N$'000
Profit for the year	**1 090 639**	**813 198**

During the year under review, ordinary dividends of 6 516.3 cents per share (2022:, 5 581.3 cents per share) amounting to a total of N$320.6 million (2022: N$274.6 million) were declared by the group and company. Refer to events subsequent to year-end for final dividends declared after year-end.

Full details of the financial results of the group and company are set out on pages 23-119.

3. Share capital

3.1 Ordinary shares

There were no changes to the ordinary 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 14 November 2023, when the authority can be renewed.

3.2 Preference shares

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

4. Holding company

Bank Windhoek Ltd is a wholly-owned subsidiary of Capricorn Group Ltd. Capricorn Group Ltd is listed on the Namibian Stock Exchange and is 44.4% (2022: 43.1%) owned by Capricorn Investment Holdings Ltd and 26.8% (2022: 26.8%) owned by the Government Institutions Pension Fund, its non-listed major shareholders which are incorporated in Namibia.

5. Subsidiaries

For details relating to the subsidiaries of Bank Windhoek Ltd refer to note 17 of the annual financial statements.

6. Directors and company secretary

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

Non-executive		Nationality	Date appointed	Date of retirement
D G Fourie	Lead independent director	Namibian	29 Oct 2015	
F J du Toit		South African	1 May 1998	30 Jun 2023
G Nakazibwe-Sekandi		Ugandan	1 July 2005	
J C Brandt		Namibian	1 April 1982	
J J Swanepoel	Chairperson	Namibian	1 July 1999	
M J Prinsloo		South African	24 Feb 2016	
V J Mungunda		Namibian	7 Feb 2023	
Executive		**Nationality**	**Date appointed**	**Date of resignation**
B R Hans		Namibian	24 Feb 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 (appointed 1 February 2004). The business and postal addresses of the company secretary are:

6th Floor
Capricorn Group Building
Kasino Street
Windhoek
Namibia

P.O. Box 15
Windhoek
Namibia

7. Debt officer

J D Kruger who holds a BCom and Derivatives & Risk Management qualification as well as an ACI Dealing Certificate, was the debt officer during the year under review. He joined the group in 1988 and is currently the Head of Funding and Liquidity Management in the treasury department. He was appointed as the debt officer on 27 October 2020. The contact details for the debt officer is +264 61 299 1641.

8. Directors' fees

The directors' fees are reflected in note 9.1 of the consolidated and separate annual financial statements.

9. 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 group and company or any part thereof or of a subsidiary has been managed by a third party or a company in which a director has an interest.

11. Events subsequent to year-end
i. In August 2023 final dividends of N$258.8 million (or 5 260.2 cents per share) were declared for the year ended 30 June 2023, payable before the end of September 2023.

ii. No other matters which are material to the financial affairs of the group and company have occurred between year-end and the date of approval of the consolidated and separate annual financial statements.

12. Going concern
The board performed a rigorous assessment of whether the group and company are a going concern in the light of the prevailing economic conditions and other available information about future risks and uncertainties.

The projections of the group and company have been prepared, covering its future performance, capital and liquidity for a period of 12 months from the date of approval of these consolidated and separate annual financial statements, including performing sensitivity analyses.

Consolidated and Separate Statements of Comprehensive Income

for the year ended 30 June 2023

Consolidated and separate statements of comprehensive income
for the year ended 30 June 2023

		Group		Company	
		2023	2022	2023	2022
	Notes	N$'000	N$'000	N$'000	N$'000
Interest and similar income		**4 400 918**	3 257 863	**4 312 220**	3 198 851
Interest and similar expenses		**(2 217 025)**	(1 403 387)	**(2 217 025)**	(1 403 387)
Net interest income	5.	**2 183 893**	1 854 476	**2 095 195**	1 795 464
Credit impairment losses	6.	**(200 586)**	(327 161)	**(175 892)**	(315 149)
Net interest income after credit impairment losses		**1 983 307**	1 527 315	**1 919 303**	1 480 315
Non-interest income	7.	**1 380 295**	1 226 532	**1 366 733**	1 210 544
Fee and commission income	7.1	**1 175 357**	1 042 493	**1 163 984**	1 027 728
Net trading income	7.2	**163 122**	148 743	**163 122**	148 743
Other operating income	7.3	**41 816**	35 296	**39 627**	34 073
Operating income		**3 363 602**	2 753 847	**3 286 036**	2 690 859
Operating expenses	9.	**(1 823 887)**	(1 594 469)	**(1 803 310)**	(1 574 999)
Profit before income tax		**1 539 715**	1 159 378	**1 482 726**	1 115 860
Income tax expense	10.	**(449 076)**	(346 180)	**(431 147)**	(332 266)
Profit for the year		**1 090 639**	813 198	**1 051 579**	783 594
Other comprehensive income					
Items that may be reclassified to profit or loss					
Changes in the fair value of debt instruments at fair value through other comprehensive income	14.	**24 130**	(26 594)	**24 130**	(26 594)
Income tax effect	10.	**(7 722)**	8 510	**(7 722)**	8 510
Items that will not be reclassified to profit or loss					
Changes in fair value of equity instruments at fair value through other comprehensive income	14.	**576**	(79)	**576**	(79)
Income tax effect	10.	**(184)**	25	**(184)**	25
Total comprehensive income for the year		**1 107 439**	795 060	**1 068 379**	765 456

Consolidated and Separate Statements of Financial Position

for the year ended 30 June 2023

Consolidated and separate statements of financial position
as at 30 June 2023

		Group		Company	
		2023	2022	2023	2022
	Notes	N$'000	N$'000	N$'000	N$'000
ASSETS					
Cash and cash equivalents	11.	**3 569 268**	3 826 316	**3 569 268**	3 826 316
Derivative financial instruments	12.	**37 454**	29 100	**37 454**	29 100
Financial assets at fair value through profit or loss	13.	**1 736 095**	1 583 553	**1 703 962**	1 553 360
Financial assets at amortised cost	13.	**808 410**	763 491	**808 410**	763 491
Financial assets at fair value through other comprehensive income	14.	**4 915 603**	4 430 697	**4 915 603**	4 430 697
Loans and advances to customers	15.	**35 826 433**	35 157 756	**35 250 468**	34 571 745
Other assets	16.	**421 663**	378 795	**421 663**	378 795
Investment in subsidiaries	17.	**-**	-	**382 799**	382 799
Loans to subsidiaries	17.	**-**	-	**7 910**	58 576
Intangible assets	18.	**354 705**	285 867	**354 705**	285 867
Property and equipment	19.	**446 449**	409 387	**435 193**	397 169
Current tax asset	25.	**96 953**	99 095	**98 233**	100 251
Deferred tax asset	25.	**97 388**	67 824	**87 652**	60 585
Total assets		**48 310 421**	47 031 881	**48 073 320**	46 838 751
LIABILITIES					
Derivative financial instruments	12.	**14 241**	1 340	**14 241**	1 340
Due to other banks	20.	**609 543**	707 602	**609 543**	707 602
Other borrowings	21.	**213 082**	162 075	**213 082**	162 075
Debt securities in issue	22.	**3 447 052**	4 056 586	**3 447 052**	4 056 586
Deposits	23.	**36 564 875**	35 521 957	**36 523 390**	35 482 418
Other liabilities	24.	**701 916**	613 492	**701 828**	613 389
Post-employee benefits	26.	**17 061**	15 997	**17 061**	15 997
Total liabilities		**41 567 770**	41 079 049	**41 526 197**	41 039 407
EQUITY					
Share capital and premium	27.	**485 000**	485 000	**485 000**	485 000
Non-distributable reserves	29.	**65 346**	80 370	**62 366**	80 370
Distributable reserves	30.	**6 192 305**	5 387 462	**5 999 757**	5 233 974
Total shareholders' equity		**6 742 651**	5 952 832	**6 547 123**	5 799 344
Total equity and liabilities		**48 310 421**	47 031 881	**48 073 320**	46 838 751

Consolidated and Separate Statements of Changes in Equity

for the year ended 30 June 2023

Consolidated and separate statements of changes in equity
for the year ended 30 June 2023

	Notes	Share capital & premium	Non distributable reserves				Distributable reserves			Total equity
			Insurance fund reserve	Margin entitlement reserve	EasyWallet 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$'000	N$'000	N$'000
GROUP										
Balance at 1 July 2021		485 000	55 990	-	-	153 159	1 139	4 613 200	123 884	5 432 372
Total comprehensive income for the year		-	-	-	-	-	(79)	-	795 139	795 060
Profit for the year		-	-	-	-	-	-	-	813 198	813 198
Other comprehensive loss		-	-	-	-	-	(79)	-	(18 059)	(18 138)
Transfer between reserves		-	2 001	57	-	(130 837)	-	619 714	(490 935)	-
Dividends paid for 2022	31.	-	-	-	-	-	-	-	(274 600)	(274 600)
Balance at 30 June 2022		485 000	57 991	57	-	22 322	1 060	5 232 914	153 488	5 952 832
Balance at 1 July 2022		**485 000**	**57 991**	**57**	**-**	**22 322**	**1 060**	**5 232 914**	**153 488**	**5 952 832**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**576**	**-**	**1 106 863**	**1 107 439**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1 090 639**	**1 090 639**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**576**	**-**	**16 224**	**16 800**
Transfer between reserves		**-**	**3 515**	**803**	**2 980**	**(22 322)**	**-**	**765 207**	**(747 203)**	**2 980**
Dividends paid for 2023	31.	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(320 600)**	**(320 600)**
Balance at 30 June 2023		**485 000**	**61 506**	**860**	**2 980**	**-**	**1 636**	**5 998 121**	**192 548**	**6 742 651**
		27.								

	Notes	Share capital & premium	Non distributable reserves				Distributable reserves			Total equity
			Insurance fund reserve	Margin entitlement reserve	EasyWallet 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$'000	N$'000	N$'000
COMPANY										
Balance at 1 July 2021		485 000	55 990	-	-	153 159	1 139	4 613 200	-	5 308 488
Total comprehensive income for the year		-	-	-	-	-	(79)	-	765 535	765 456
Profit for the year		-	-	-	-	-	-	-	783 594	783 594
Other comprehensive loss		-	-	-	-	-	(79)	-	(18 059)	(18 138)
Transfer between reserves		-	2 001	57	-	(130 837)	-	619 714	(490 935)	-
Dividends paid for 2022	31.	-	-	-	-	-	-	-	(274 600)	(274 600)
Balance at 30 June 2022		485 000	57 991	57	-	22 322	1 060	5 232 914	-	5 799 344
Balance at 1 July 2022		**485 000**	**57 991**	**57**	**-**	**22 322**	**1 060**	**5 232 914**	**-**	**5 799 344**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**576**	**-**	**1 067 803**	**1 068 379**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1 051 579**	**1 051 579**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**576**	**-**	**16 224**	**16 800**
Transfer between reserves		**-**	**3 515**	**803**	**-**	**(22 322)**	**-**	**765 207**	**(747 203)**	**-**
Dividends paid for 2023	31.	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(320 600)**	**(320 600)**
Balance at 30 June 2023		**485 000**	**61 506**	**860**	**-**	**-**	**1 636**	**5 998 121**	**-**	**6 547 123**
		27.								

Consolidated and Separate Statements of Cash Flows

for the year ended 30 June 2023

Consolidated and separate statements of cash flows
for the year ended 30 June 2023

	Notes	Group		Company	
		2023	2022	2023	2022
		N$'000	N$'000	N$'000	N$'000
Cash flows from operating activities					
Receipts from customers*	32.1	**5 826 612**	4 567 741	**5 726 682**	4 492 495
Payments to customers, suppliers and employees*	32.2	**(3 846 215)**	(2 794 709)	**(3 826 600)**	(2 776 200)
Cash generated from operations	32.3	**1 980 397**	1 773 032	**1 900 082**	1 716 295
(Increase) / decrease in operating assets					
Financial assets at fair value through profit and loss and amortised cost (excluding unit trust investments)		**(48 333)**	(62 131)	**(716 538)**	(62 131)
Proceeds from financial assets at fair value through other comprehensive income		**14 251 716**	5 259 445	**14 251 718**	5 259 445
Purchases of financial assets at fair value through other comprehensive income		**(14 725 126)**	(5 439 469)	**(14 725 126)**	(5 439 469)
Loans and advances to customers and banks		**(881 112)**	(1 827 332)	**(198 261)**	(1 756 675)
Other assets		**(39 352)**	(44 802)	**(40 959)**	(45 537)
Increase / (decrease) in operating liabilities					
Deposits and due from other banks		**944 859**	2 279 579	**942 913**	2 273 882
Other liabilities		**77 593**	3 075	**77 785**	5 521
Net cash generated from operations		**1 560 642**	1 941 397	**1 491 614**	1 951 331
Dividends received		**3 621**	1 971	**1 681**	958
Income taxes paid	32.4	**(484 405)**	(362 700)	**(464 102)**	(348 145)
Income taxes refunds	32.4	**-**	53 972	**-**	53 972
Net cash generated from operations		**1 079 858**	1 634 640	**1 029 192**	1 658 116
Cash flows from investing activities					
Additions to property and equipment	19.	**(100 039)**	(67 983)	**(100 039)**	(67 983)
Additions to intangible assets	18.	**(119 725)**	(133 706)	**(119 725)**	(133 706)
Redemption of unit trust investments		**335 083**	15 000	**335 083**	15 000
Additions to unit trust investments		**(331 106)**	(5 538)	**(331 106)**	-
Decrease in loans to subsidiaries		**-**	-	**-**	(29 014)
Increase in loans to subsidiaries		**-**	-	**(50 666)**	-
Net cash utilised in investing activities		**(215 787)**	(192 227)	**(165 121)**	(215 703)
Cash flows from financing activities					
Proceeds from other borrowings	21.	**81 659**	6 489	**81 659**	6 489
Other borrowings capital repaid	21.	**(31 286)**	(282 195)	**(31 286)**	(282 195)
Redemption of debt securities in issue	22.	**(810 000)**	(186 000)	**(810 000)**	(186 000)
Proceeds from the issue of debt securities	22.	**200 000**	540 000	**200 000**	540 000
Principal payments on lease liability	24.	**(50 371)**	(52 783)	**(50 371)**	(52 783)
Dividends paid	31.	**(320 600)**	(274 600)	**(320 600)**	(274 600)
Net cash (utilised in) / generated from financing activities		**(930 598)**	(249 089)	**(930 598)**	(249 089)
Net increase in cash and cash equivalents		**(66 527)**	1 193 324	**(66 527)**	1 193 324
Cash and cash equivalents at the beginning of the year		**3 826 316**	2 789 797	**3 826 316**	2 789 797
Effects of exchange rate changes on cash and cash equivalents		**(190 521)**	(156 805)	**(190 521)**	(156 805)
Cash and cash equivalents at the end of the year	11.	**3 569 268**	3 826 316	**3 569 268**	3 826 316

* Interest and similar income of N$4.404 million (2022:, N$3.271 million) is included in receipts from customers line item and interest and similar expenses of N$2.204 million (2022:, N$1.363 million) is included in payments to customers, suppliers and employees line item.

Notes to the Consolidated and Separate Annual Financial Statements

for the year ended 30 June 2023

01 Basis of Presentation

The consolidated and separate annual financial statements of Bank Windhoek Ltd for the year ended 30 June 2023 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 and separate 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 and company'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.

The level of rounding used for the amounts presented in the annual financial statements is N$'000, unless indicated otherwise.

1.1. Going concern

The group and company's forecasts and projections, taking account of the prevailing economic conditions, other available information about future risks and uncertainties and reasonably possible changes in trading performance, show that the group and company should be able to operate within the level of its current financing. The group and company 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 annual 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 Namibia dollar (N$), which is the functional and presentation currency of the group and company.

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 and company
Amendments to interest rate benchmark reform Phase1 on: IAS 39 - Financial Instruments:, Recognition and Measurement; IFRS 7 – Financial Instruments:, Disclosures and IFRS 9 – Financial Instruments	Interest rate benchmark reform phase 2:, The amendments to IAS 39, IFRS 7 and IFRS 9, IFRS 4 and IFRS 16 amend requirements relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures. • The amendments enable (and require) entities to continue hedge accounting in circumstances when changes arise because of the IBOR reform by requiring companies to amend their hedging relationships to reflect: Designating an alternative benchmark rate as the hedged risk; changing the description of the hedged item, including the designated portion, and changing the description of how the entity would assess hedge effectiveness. • The amendment to IFRS 7 requires an entity to make additional disclosures in its financial statements so that investors can better understand the effects of IBOR reform. • The amendments to IFRS 9 enable an entity to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform.	The group and company assessed these amendments to have no impact.	Mandatory for financial periods commencing on or after 1 January 2021. Adoption date by the group and company: 1 July 2021.
Amendment to IFRS 4 – Insurance contracts	COVID-19-Related Rent Concessions: • Amendment providing lessees with an exemption from assessing whether a COVID-19-related rent concession (a rent concession that reduces lease payments due on or before 30 June 2021) is a lease modification, provided that the concession meets certain conditions. • The amendment extended the date of the practical expedient from • 30 June 2021 to 30 June 2022. This amendment is only available if an entity chose to apply the May 2020 optional practical expedient. Interest rate benchmark reform phase 2: • The amendment enables an entity to apply a practical expedient to account for a lease modification required by the IBOR reform.	Assessed to have no impact on Bank Windhoek Limited as the bank does not have any rent concessions. Assessed to have no impact on Bank Windhoek Limited.	Annual periods on or after 1 June 2020. Annual periods on or after 1 January 2021.
Amendment to IFRS 16 - Leases	COVID-19-Related Rent Concessions: • Amendment providing lessees with an exemption from assessing whether a COVID-19-related rent concession (a rent concession that reduces lease payments due on or before 30 June 2021) is a lease modification, provided that the concession meets certain conditions. The amendment extended the date of the practical expedient from 30 June 2021 to 30 June 2022. This amendment is only available if an entity chose to apply the May 2020 optional practical expedient. Interest rate benchmark reform phase 2: • The amendment enables an entity to apply a practical expedient to account for a lease modification required by the IBOR reform.	Assessed to have no impact on Bank Windhoek Limited as the bank does not have any rent concessions.	Annual periods on or after 1 June 2020. Annual periods on or after 1 January 2021.

Amendments to IAS 16 'Property, Plant and Equipment'	Proceeds before intended use on property, plant and equipment: • The amendments prohibit an entity from deducting from the cost of an item any proceeds from selling such items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. • Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in prof it or loss.	Assessed to have no significant or material impact on Bank Windhoek Limited as the bank does not own any item which can produce proceeds before intended use.	Mandatory for financial periods commencing on or after 1 January 2022. Adoption date by the group and company: 1 July 2022.
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'	Onerous Contracts - Cost of Fulfilling a Contract: The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making. • This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.	Assessed to have an impact on Bank Windhoek Limited when entering any new onerous contracts. Costs will be considered and added accordingly to contracts when entering new onerous contracts for periods on or after 1 January 2022. In summary: Should an incremental approach have been followed, the provision on onerous contracts will have to be increased for any new contracts. With the amendments to IAS 37, both incremental costs such as direct labour and materials as well as allocation of production overhead costs such as permanent staff costs and depreciations will need to be included.	Mandatory for financial periods commencing on or after 1 January 2022. Adoption date by the group and company: 1 July 2022.
Amendments to IFRS 3 'Business combinations'	Reference to the Conceptual Framework: • The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination, without changing the accounting requirements for business combinations.	Assessed to have an impact on Bank Windhoek Limited. Businesses to be acquired by Bank Windhoek in the ordinary course of realisation of security, will be evaluated in accordance with the requirements of IFRS 3.	Mandatory for financial periods commencing on or after 1 January 2022. Adoption date by the group and company: 1 July 2022.
Annual improvements to IFRS Standards 2018 – 2020.	These amendments include minor changes to: • IFRS 1, 'First-time adoption of International Financial Reporting Standards' - Extension of an optional exemption permitting a subsidiary that becomes a first-time adopter after its parent to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. A similar election is available to an associate or joint venture. • IFRS 9, 'Financial Instruments' - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. Fees paid to third parties are excluded from this calculation. • IAS 41 – Agriculture – The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.	• Assessed to have no impact on Bank Windhoek Limited. • Assessed to have an impact on Bank Windhoek Limited when applying the 10% test to financial liabilities. Impact expected not to be material. • Assessed to have no impact on Bank Windhoek Limited.	Mandatory for financial periods commencing on or after 1 January 2022. Adoption date by the group and company: 1 July 2022.

1.3.1 (a) Change in accounting estimate

During June 2023, the estimated total useful lives of certain items of equipment used were revised. The net effect of the changes in the current financial year was a decrease in depreciation of N$10.3 million.

Following the effect on profit or loss:

Group	30 June 2023
	N$'000
Depreciation	10 339
Income tax	(3 308)
Net effect on profit or loss	**7 031**

1.3.2 Standards and interpretations issued but not yet effective

Title of standard	Nature of change	Impact	Mandatory application date / Date of adoption by group and company
Amendments to IAS 1 – Presentation of Financial Statements	These amendments require the following changes to presentation: • Classification of liabilities as current or non-current: Narrow-scope amendments to clarify how to classify debt and other liabilities as current or non-current. • Disclosure of accounting policies: Entities should disclose material accounting policy information rather than significant accounting policies. • Additional guidance added to explain how an entity can identify this. Non- current liabilities with covenants: The amendment clarifies that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current, with additional guidance to explain how an entity should disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months.	Expected to have an impact on the presentation of the financial statements of Bank Windhoek Limited for FY2024.	• Annual periods on or after 1 January 2024. • Annual periods on or after 1 January 2023. • Annual periods on or after 1 January 2024 Expected date of adoption: 1 July 2024.
Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors	• The definition of accounting estimates changed: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. • The new definition: accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".The requirements for recognising the effect of change in accounting prospectively remain unchanged.	Assessed to have no significant or material impact on Bank Windhoek Limited, but assessment of accounting estimates to be based on the new definition for periods beginning after 1 January 2023.	Mandatory for financial periods commencing on or after 1 January 2023. Expected date of adoption: 1 July 2023.
Amendments to IAS 12 – Income Taxes: Deferred Tax	Deferred Tax relating to assets and liabilities arising from a single transaction: The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items.	The group and company have assessed these amendments and concluded that they have no material impact. This is because these amendments are already being treated in line with the new amendment.	Mandatory for financial periods commencing on or after 1 January 2023. Expected date of adoption: 1 July 2023.
IFRS 17 - Insurance Contracts	IFRS 17 creates one accounting model for all insurance contracts. • An entity should measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. • Financial statements will reflect the time value of money in estimated payments required to settle incurred claims. • Insurance contracts are required to be measured based only on the obligations created by the contracts. • Recognise profits as an insurance service is delivered, rather than on receipt of premiums. IFRS 17 supersedes IFRS 4 'Insurance Contracts.'	Assessed to have no impact on Bank Windhoek Limited line of business does not include writing of insurance contracts. IFRS 17 only applies to insurance contracts and affect companies that writes insurance contracts. Bank Windhoek Limited does have insurance cover from several companies which is excluded as Bank Windhoek Limited is the insured party. Bank Windhoek Limited also offers Sanlam insurance on products which is also excluded as Bank Windhoek Limited acts as the broker in these scenarios.	Mandatory for financial periods commencing on or after 1 January 2023. Expected date of adoption: 1 July 2023.
Amendment to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'	• Narrow scope amendment addresses an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	The group and company assessed these amendments to have no impact.	The effective date of this amendment has been deferred indefinitely until further notice. Adoption date by the group and company: n/a
Amendment to IFRS 16 'Leases'	• Lease Liability in a Sale and Leaseback: The narrow-scope amendment requires a seller-lessee in a sale and leaseback transaction to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of a gain or loss relating to the right of use retained by the seller-lessee. The new requirement does not prevent the seller-lessee from recognising in a profit or loss any gain or loss relating to the partial or full termination of a lease.	The group and company assessed these amendments to have no impact.	Mandatory for financial periods commencing on or after 1 January 2024. Adoption date by the group and company: 1 July 2024.

There are no other standards that are not yet effective, and that would be expected to have a material impact on the group and company in the current or future reporting periods and on foreseeable future transactions. The group and company has chosen not to early adopt the standards and interpretations issued but not yet effective.

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 and Equity Accounting

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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values 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.

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. There is no goodwill in the group.

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised 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's separate annual financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment. The cost of an investment in subsidiary is the aggregate of the fair value of assets given, liabilities incurred, and equity instruments issued plus any costs directly attributable to the purchase of the subsidiary.

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.

2.2. 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 Namibia dollar (N$), which is the group and company'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 remeasured. 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 fair value through other comprehensive income, are included in other comprehensive income.

2.3. Financial instruments

2.3.1. Measurement methods

Amortised cost and effective interest

The amortised cost is the amount at which the financial assets or financial liabilities 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.

When the group and company 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.

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 behavioural 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.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets. Interest on financial assets classified as stage 3 under IFRS 9 is calculated using the effective interest rate on the net carrying amount of the financial assets.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party 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 and company commits to purchase or sell the asset.

At initial recognition, the group and company 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, and fair value through other comprehensive income, 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 recognise the difference immediately when the fair value is based on quoted prices 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

(i) Classification and subsequent measurement

The group and company has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- 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 as well as exchange traded funds.

Classification and subsequent measurement of debt instruments depend on:
(i) The group and company's business model for managing the asset; and
(ii) The cash flow characteristics of the asset.

Based on these factors, the group and company 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 at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance at recognition date and subsequently. 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 (FVTPL): 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 instrument 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 'Non-operating income' in the period in which it arises. The group and company 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): 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 that are not designated at FVTPL are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Non-operating income'. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

Business model: The business model reflects how the group and company manages the assets in order to generate cash flows. That is, whether the group and company'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 FVTPL. Factors considered by the group and company 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 and company assesses whether the financial instruments' cash flow represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the group and company 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 and company 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 and company'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 and company's right to receive payments is established.

All other equity instruments are recognised at fair value through profit or loss.

(ii) Impairment
The group and company assesses on a forward-looking basis the expected credit loss ('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 and company 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 and company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. A substantial modification of the contractual cash flows results in the group and company 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 cash flows differs by more than 10% from original contractual cash flows, 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 purposes of determining whether a significant increase in credit risk has occurred. However, the group and company 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.

When this happens, the group and company assesses whether the new terms are substantially different to the original terms. The group and company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is 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.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the group and company 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 and company transfers substantially all the risks and rewards of ownership, or (ii) the group and company neither transfers nor retains substantially all the risks and rewards of ownership and the group and company has not retained control.

Collateral furnished by the group and company under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the group and company 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
Financial liabilities are classified and 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 2.12).

(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 company 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. 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.

2.3.5. Derecognition
The group and company 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 and company 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 and company retains substantially all the risks and rewards of ownership of the financial asset, the group and company continues to recognises 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 and company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the group and company determines whether it has retained control of the financial asset. In this case:
- if the group and company 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 and company has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The group and company 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% different from the discounted present value of the remaining cash flows of the original financial liability.

2.3.6. 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.

2.3.7. Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured 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 and company 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 and company'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.

2.3.8. 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. Interest suspended 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.

2.4. 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 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 method.

Securities borrowed are not recognised in the consolidated and separate annual financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

2.5. Intangible assets

2.5.1. Computer software and development costs

Intangible assets are initially recognised at cost. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Intangible assets in development are carried at cost.

Costs associated with maintaining computer software programmes 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 and company 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 recognised as assets are amortised using the straight-line method over their useful lives as follows:

Application software	7 years
Operating software	3 years

2.6. Property and equipment

Land and buildings mainly comprise of branches and offices. All property and equipment are stated at historical cost less accumulated depreciation and impairment. 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 company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. 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:

Buildings	47 years
Computer and other equipment	5 – 12.7 years
Furniture, fittings and other office equipment	7 - 17 years
Motor vehicles	5 – 15 years

The residual values for motor vehicles and furniture and fittings is 40% and 10% respectively.
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' or 'other expenses' 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 annual financial statements.

2.7. 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. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8. Impairment of non-financial assets

Intangible assets that have an indefinite useful life or not ready to use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 costs of disposal 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 are reviewed for possible reversal at each reporting date.

2.9. Leases

At inception of a contract, the group and company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group and company assesses whether:

- the contract involves the use of an identified asset;
- the group and company has the right to obtain substantially all the economic benefits associated with the use of the asset throughout the period of use; and
- the group and company has the right to direct or use the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Contracts may contain both lease and non-lease components. The group and company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group and company is a lessee, it has elected not to separate lease and non-lease components and instead account for these as a single lease component.

After conducting a review of the lease agreements, the group and company has determined that there are no explicit clauses or provisions that disclose the existence and amounts of restrictions on title, property and equipment pledged as security for liabilities.

2.9.1. Lessee accounting

The group and company leases various offices, branches and houses. Rental contracts are typically made for fixed periods of 3 to 10 years (useful life) but may have extension options.

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the group and company as required by IFRS 16.

Lease terms are negotiated on an individual basis and contains a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Right-of-use assets are presented as part of 'property and equipment', while lease liabilities are presented as part of 'other liabilities' on the statement of financial position.

Initial recognition

At the commencement date, a lessee recognises a right-of-use asset and a lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index rate or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group and company under residual value guarantees;
- the exercise price of a purchase option if the group and company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group and company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

Subsequent measurement

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group and company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Depreciation starts at the commencement date of the lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group and company's estimates of the amount expected to be repayable under a residual value guarantee, or if the group and company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in any way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Discount rate
The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group and company, the lessee's incremental borrowing rate is used, being the rate that the group and company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Generally, the group and company uses the lessee's incremental borrowing rate as the discount rate.

Short-term and leases of low-value assets
Payments associated with short-term leases of equipment and vehicles and all leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT equipment and small items of office furniture.

Extension and termination options
Extension and termination options are included in a number of property leases across the group and company. These are used to maximise operational flexibility in terms of managing the assets used in the group and company's operations. The majority of extension and termination options held are exercisable only by the group and company and not by the respective lessor.

2.9.2. Lessor accounting
Operating lease income is recognised as an income on a straight-line basis over the lease term.

2.10. 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 balances with the central bank, placements with other banks, short-term government securities and reverse repurchase agreements

2.11. Provisions
Provisions are recognised when the group and company 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 and company 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.

2.12. Financial guarantee contracts
Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial 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 and company are measured as the amount of the loss allowance (calculated as described in note 3.2.2). The group and company 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 and company 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.

2.13. Employee benefits
Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

2.13.1. Pension obligations
The group and company 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 and company pays fixed contributions into a separate entity.

The group and company 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 and company provides no other post-retirement benefits to their retirees.

2.13.2. Severance pay provision
In terms of the Labour Act of Namibia 2007, the group and company are 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:

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

The group and company, 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 26.1 for assumptions made in the determination of the group and company's liability with respect to severance pay.

2.13.3. 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.

2.13.4. Performance bonuses
The group and company 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 and company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.14. Share-based payments
The group and company 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 and company's share appreciation rights and conditional share plan are recognised 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 28 for more details on the respective plans.

2.15. Current and deferred tax
The income 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.

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

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries 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 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 tax assets and liabilities relates 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 remeasurement of 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.

2.15.2. Current tax

The current 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.

2.16. Revenue from contracts with customers

Revenue from customers is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group and company recognises revenue when it transfers control over a good or service to a customer. The revenue recognition policies adopted by the group and company are based on objective criteria, and no significant judgment is involved in determining the timing and satisfaction of performance obligations in contracts with customers.

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 and company 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 and company 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 and company. 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.

2.16.1. Net trading income

Net trading income comprises all gains and losses from changes in the fair value of financial assets and liabilities as well as foreign exchange gains and losses arising from instruments held for trading.

2.16.2. 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 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 and company 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 financial asset is impaired, the group and company 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 financial assets is recognised using the original effective interest rate.

2.16.3. 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 and company 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.

2.16.4. 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.

2.17. 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.

2.18. Dividend distribution

Dividend distribution to the group and company's shareholders are 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.

2.19. Fiduciary activities

The group and company commonly acts as trustees 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 and company.

2.20. 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 lending; 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 and company 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 and company. 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 and company'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 and company'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 and company's primary activities are lending to retail and commercial borrowers. The group and company 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 and company'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 and company 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, the 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 and company's liquidity position, as well as formulating the funding strategy. The interest rate subcommittee reviews the economic environment and recommends interest rate views to the ALCO. The 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 and company 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 and company's risk functions and evaluate whether appropriate action has been taken when necessary;
- enhance general risk awareness within the group and company;
- monitor the management of risks to ensure that the group and company 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 and company.

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

Significant risks to which the group and company is exposed are discussed below.

Note 3 deals only with the group figures, since the company is a majority of the group. Where group and company is different on financial assets, it relates to the unit trust investment of a subsidiary (financial assets at fair value through profit or loss) and the micro loans of BW Finance (Pty) Ltd (loans and advances). The risk management is the same for group and company.

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 34 to 45 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following tables analyse the financial assets and liabilities in the statement of consolidated financial position per category of financial instrument to which they are assigned and therefore measured. The tables include non-financial assets and liabilities to reconcile to the consolidated statement of financial position:

2023					
	Financial assets / liabilities at FVTPL	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
ASSETS					
Cash and cash equivalents	-	-	3 569 268	-	3 569 268
Derivative financial instruments	37 454	-	-	-	37 454
Financial assets at fair value through profit or loss#	1 736 095	-	-	-	1 736 095
Financial assets at amortised cost	-	-	808 410	-	808 410
Financial assets at fair value through other comprehensive income	-	4 915 603	-	-	4 915 603
Loans and advances to customers	-	-	35 826 433	-	35 826 433
Other assets	-	-	218 158	203 505	421 663
Current tax asset	-	-	-	96 953	96 953
Intangible assets	-	-	-	354 705	354 705
Property and equipment	-	-	-	446 449	446 449
Deferred tax asset	-	-	-	97 388	97 388
Total assets	1 773 549	4 915 603	40 422 269	1 199 000	48 310 421
LIABILITIES					
Derivative financial instruments	14 241	-	-	-	14 241
Due to other banks	-	-	609 543	-	609 543
Other borrowings	-	-	213 082	-	213 082
Debt securities in issue	-	-	3 447 052	-	3 447 052
Deposits	-	-	36 564 875	-	36 564 875
Other liabilities	-	-	414 606	287 310	701 916
Post-employment benefits	-	-	-	17 061	17 061
Total liabilities	14 241	-	41 249 158	304 371	41 567 770

Financial assets at fair value through profit or loss are mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

2023					
	Financial assets / liabilities at FVTPL	Financial assets at fair value through OCI	Financial assets / liabilities at amortised cost	Non-financial assets / liabilities	Total
Company	N$'000	N$'000	N$'000	N$'000	N$'000
ASSETS					
Cash and cash equivalents	-	-	3 569 268	-	3 569 268
Derivative financial instruments	37 454	-	-	-	37 454
Financial assets at fair value through profit or loss #	1 703 962	-	-	-	1 703 962
Financial assets at amortised cost	-	-	808 410	-	808 410
Financial assets at fair value through other comprehensive income		4 915 603			4 915 603
Loans and advances to customers	-	-	35 250 468	-	35 250 468
Other assets	-	-	218 158	203 505	421 663
Current tax asset	-	-	-	98 233	98 233
Investment in subsidiaries	-	-	-	382 799	382 799
Loans to subsidiaries	7 910	-	-	-	7 910
Intangible assets	-	-	-	354 705	354 705
Property and equipment	-	-	-	435 193	435 193
Deferred tax asset	-	-	-	87 652	87 652
Total assets	1 749 326	4 915 603	39 846 304	1 562 087	48 073 320
LIABILITIES					
Derivative financial instruments	14 241	-	-	-	14 241
Due to other banks	-	-	609 543	-	609 543
Other borrowings	-	-	213 082	-	213 082
Debt securities in issue	-	-	3 447 052	-	3 447 052
Deposits	-	-	36 523 390	-	36 523 390
Other liabilities	-	-	414 518	287 310	701 828
Post-employment benefits	-	-	-	17 061	17 061
Total liabilities	14 241	-	41 207 585	304 371	41 526 197

Financial assets at fair value through profit or loss are mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

2022					
	Financial assets / liabilities at FVTPL	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
ASSETS					
Cash and cash equivalents	668 202	-	3 158 114	-	3 826 316
Derivative financial instruments	29 100	-	-	-	29 100
Financial assets at fair value through profit or loss#	1 583 553	-	-	-	1 583 553
Financial assets at amortised cost	-	-	763 491	-	763 491
Financial assets at fair value through other comprehensive income	-	4 430 697	-	-	4 430 697
Loans and advances to customers	-	-	35 157 756	-	35 157 756
Other assets	-	-	167 970	210 825	378 795
Current tax asset	-	-	-	99 095	99 095
Intangible assets	-	-	-	285 867	285 867
Property and equipment	-	-	-	409 387	409 387
Deferred tax asset	-	-	-	67 824	67 824
Total assets	2 280 855	4 430 697	39 247 331	1 072 998	47 031 881
LIABILITIES					
Derivative financial instruments	1 340	-	-	-	1 340
Due to other banks	-	-	707 602	-	707 602
Other borrowings	-	-	162 075	-	162 075
Debt securities in issue	-	-	4 056 586	-	4 056 586
Deposits	-	-	35 521 957	-	35 521 957
Other liabilities	-	-	429 328	184 164	613 492
Post-employment benefits	-	-	-	15 997	15 997
Total liabilities	1 340	-	40 877 548	200 161	41 079 049

Financial assets at fair value through profit or loss are mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

2022					
	Financial assets / liabilities at FVTPL	Financial assets at fair value through OCI	Financial assets / liabilities at amortised cost	Non-financial assets / liabilities	Total
Company	N$'000	N$'000	N$'000	N$'000	N$'000
ASSETS					
Cash and cash equivalents	668 202	-	3 158 114	-	3 826 316
Derivative financial instruments	29 100	-	-	-	29 100
Financial assets at fair value through profit or loss#	1 553 360	-	-	-	1 553 360
Financial assets at amortised cost	-	-	763 491	-	763 491
Financial assets at fair value through other comprehensive income	-	4 430 697	-	-	4 430 697
Loans and advances to customers	-	-	34 571 745	-	34 571 745
Other assets	-	-	167 970	210 825	378 795
Current tax asset	-	-	-	100 251	100 251
Investment in subsidiaries	-	-	-	382 799	382 799
Loans to subsidiaries	58 576	-	-	-	58 576
Intangible assets	-	-	-	285 867	285 867
Property and equipment	-	-	-	397 169	397 169
Deferred tax asset	-	-	-	60 585	60 585
Total assets	2 309 238	4 430 697	38 661 320	1 437 496	46 838 751
LIABILITIES					
Derivative financial instruments	1 340	-	-	-	1 340
Due to other banks	-	-	707 602	-	707 602
Other borrowings	-	-	162 075	-	162 075
Debt securities in issue	-	-	4 056 586	-	4 056 586
Deposits	-	-	35 482 418	-	35 482 418
Other liabilities	-	-	429 225	184 164	613 389
Post-employment benefits	-	-	-	15 997	15 997
Total liabilities	1 340	-	40 837 906	200 161	41 039 407

Financial assets at fair value through profit or loss are mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

3.2. Credit risk

Credit risk is the risk of suffering financial loss, should any of the group and company's customers, clients or market counterparties fail to fulfil their contractual obligations to the group and company. 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 letters of credit, endorsements and acceptances.

The group and company is also exposed to other credit risks arising from 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 and company'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 and company 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 and company 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 and company 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 and company'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 III 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 III and IFRS 9 is calculated using historical data of defaults as well as apply forward looking adjustments to the historical PD to align the PD to the expected future economic conditions.

ii. **Exposure at default (EAD)**
The exposure at default under Basel III and IFRS 9 will take into account an expectation of future drawdowns until the default event has occurred by utilising loan run down for amortising products and a credit conversion factor for non-amortising products. For example, for a loan, this is the face value at the default date. For a commitment, the group and company 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 and company'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 III and IFRS 9. The LGD is calculated using historical data.

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.

c) Trade receivables and other asset
The group and company measures ECL on trade receivables in accordance with IFRS 9. The ECL is based on a lifetime expected loss allowance using the simplified approach, which is applicable to all trade receivables and other assets. Under the simplified approach, the ECL is calculated using a provision matrix that considers historical credit loss experience and forward-looking information. There are no ECL on trade receivables and other assets for the year under review.

Credit risk grading

The group and company uses internal credit risk grading that reflects its assessment of the probability of default of individual counterparties. The group and company uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time the application 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 and company:

i. **Retail**
After the date of first recognition, for retail business, the borrower's payment behaviour and transactional account conduct are monitored monthly to develop a behavioural score. Additionally, an external credit bureau score is taken into account to determine the retail client's score. The credit bureau score reflects the client's financial market behavior, including conduct at other banks and retailer accounts. Any other known information about the borrower that impacts their creditworthiness, such as unemployment and previous delinquency history, is also factored into the behavioural score.
Once the behavioural score is determined, a rating is assigned using the group rating method, which consists of 9 rating levels for loans not in default (CG1 to CG9). CG1 represents the best rating, while CG9 is the worst rating.
At the time of reporting, a significant increase in credit risk (SICR) since the asset's initial recognition is assessed. This determines whether the performing account falls into stage 1 or stage 2. If the account experienced a significant increase in credit risk since origination, it will be placed in stage 2, regardless of whether the account is in arrears, and the expected credit loss is calculated accordingly.

ii. **Corporate**
After the initial recognition date, the borrower's payment behaviour and transactional account conduct are monitored on a monthly basis to develop a behavioural score at the borrower level.
Once the behavioural score is determined, a rating is assigned using the group rating method, which consists of nine rating levels for loans not in default (CG1 to CG9), with CG1 being the best rating and CG9 the worst. These rating methods undergo an annual validation and recalibration process to ensure they reflect the most current projections in light of all observed defaults. At the time of reporting, a SICR since the asset's initial recognition is assessed. This evaluation determines whether the performing account will be classified as stage 1 or stage 2.
If the account experienced a SICR since origination, it is placed in stage 2, regardless of whether the account is in arrears, and the ECL is calculated accordingly.

iii. **Treasury**
For debt securities in the treasury portfolio, we rely on credit ratings provided by external rating agencies. These publicly available ratings are then matched with an internal risk grade, which undergoes continuous monitoring and updating. The probability of default associated with each grade is determined based on the average default rates published by the rating agency. Stage 1 debt securities use the 12-month average default rate/PD, while stage 2 debt securities rely on the lifetime average default rate/PD. The stage of the debt security is determined using the internal SICR rating scale, which helps assess and classify credit risk changes.

The group and company's internal rating scale for retail and corporate is set out below:

Rating	Score band	Meaning	Implied PD
CG1	900-1,000	Virtually no risk	3%
CG2	800-899	Low risk	5%
CG3	700-799	Moderate risk	4%
CG4	600-699	Acceptable risk	8%
CG5	500-599	Borderline	9%
CG6	400-499	ICU	5%
CG7	300-399	Substandard	32%
CG8	200-299	Doubtful	30%
CG9	100-199	Loss	98%

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 and company.
- If a significant increase in credit risk 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 and company 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 and company defines credit-impaired and default.
- Financial instruments in stage 1 have their ECL measured at an amount equal to the 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 calculated using forward-looking information. Note 3.2.2.4 includes an explanation of how the group and company has incorporated this in its ECL models.

Further explanation is also provided of how the group and company 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 and company in addressing the requirements of the standard are discussed below:

3.2.2.1. Significant increase in credit risk

The group and company 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 its 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 and company has not used the low credit risk exemption for any financial instruments in the year ended 30 June 2023 and 30 June 2022. This was also not applied at transition.

Climate-related risk consideration
Climate change is the change in the pattern of weather and changes in the oceans and sea levels, impacting ice sheets and available land surfaces. Climate change occurs over time scales of decades or longer.

Climate change will have an impact on most businesses as more frequent events are causing major impacts on products and services, as well as supply chains, loss of asset values and market dislocations.

Forward-looking climate-related risks that could potentially impact an entity is classified as physical risks and transition risks. The banking industry faces both physical and transition risks.

Physical risks
With a constant rise in temperatures, climate-change has an impact on farmers and other agricultural industries. Later rain seasons and longer periods of drought also has a significant impact on various sectors.

3.2.2.2. Definition of default and credit-impaired assets
The group and company 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; or
- 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 company 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 and company'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 (LGD), 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 and company 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 and company 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 and company'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 and company'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 measurement of the expected credit loss (ECL) allowance for financial assets requires the use of significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

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

- 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 of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

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 bank.
- 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.
- If the financial instrument is credit-impaired, the financial instrument is then moved to stage 3.

Refer to note 3.2.2.2 for the definition of the group and company to classify a financial instrument as in default.

The group and company estimates provision for impairments for stage 3 (non-performing loans) on an individual basis. Each loan's impairment is calculated as exposure less a discounted value of collateral held.

Stage 1 and 2

The assessment and calculation of ECL incorporates forward-looking information (FLI). The forecast of economic variables, regression analysis and expert judgement is applied and confirmed through internal governance structures to apply a forward-looking view for the ECL calculation. With the simultaneous impact of a multi-year recession as well as COVID-19 pandemic on the southern african region, statistical inference needs to be supplemented by qualitative expert judgment and input to ensure reliable and plausible forecasts are achieved. The group and company has performed historical analysis and identified key macro-economic inputs impacting the default rates of the group and company's assets and in determining key credit risk ratios and overlays. Historical relationships between macro-economic data and default rates have been identified as inputs into the FLI model. These relationships are used to project future default rates based on current macro-economic forecasts. The group and company mainly applied forecasted domestic macro-economic conditions as FLI. Regression modelling techniques were used for these purposes.

The group and company applied GDP changes as the main macro-economic indicator in the FLI modelling process. Changes in monetary interest rates were excluded from the modelling process.

The group and company applies a 'sensitivity factor' (the rate of change of default rates relative to the average default rate during the PD calibration period) to forecasted GDP growth. The calibration spans from March 2008 to June 2022. PD's were calibrated to historical GDP growth rates on an annual basis using regression modelling. Negative GDP growth is mostly associated with an increase in default rates, while positive GDP growth is associated with a reduction in default rates. The sensitivity factor is used to compute a scalar to the current default rates of each type of loan product that the group and company has. The scalar was applied to the current PD's per product type for all stage 1 and stage 2 exposures.

The following table shows the GDP growth assumptions used in calculating the scalar in the forward-looking model:

	Namibia	
	2023	2022
Growth in next 12 months	**3.3%**	3.8%
Growth in following 12 months	**3.2%**	3.0%

Qualitative factors influencing FLI

Expert judgement was applied to determine factors other than GDP that could influence future default rates. The group and company has offered financial relief to clients in the form of restructured exposures as well as deferral of payments for up to 3 months at a time. All clients to who relief was offered were assessed on an individual basis. Where the financial relief was deemed sufficient to assist the client in servicing debt again in future, its staging and probability of default remained unchanged. Should the financial relief be considered not to be of a temporary nature, the client is treated as distressed, and a higher probability of default is assigned as per the base and FLI ECL models.

Sensitivity Analysis

Expected credit losses calculated for stage 1, 2 and 3, after applying the sensitivity factor above was as follows:

Sensitivity Analysis	Allowances for credit losses	
	2023	2022
	N$'000	N$'000
Base ECL for stage 1 and 2	**306 978**	263 115
Base ECL for stage 3	**650 206**	628 770
Had the GDP forecast been 10% better or 10% worse, the ECL for stage 1 and 2 would be reflected as follows:		
GDP 10% improvement	**268 606**	230 225
GDP 10% deterioration	**330 001**	282 848
Had the GDP forecast been 10% better or 10% worse, the ECL for stage 3 would be reflected as follows:		
GDP 10% improvement	**568 930**	550 174
GDP 10% deterioration	**698 971**	675 928

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 and company are homogeneous.

In performing this grouping, there must be sufficient information for the group and company to be statistically credible. Where sufficient information is not available internally, the group and company 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 derecognised 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 insignificant 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 3.2.8).

Post model adjustments

Post model adjustments are short-term adjustments to the ECL balances as part of the year-end reporting process to reflect late updates to market data and expert credit judgement.

Specific to the group and company, the idiosyncratic risk associated to the specific client, where post model adjustments are necessary to ensure adequate provisions are held to cater for risk not adequately captured by the general models.

The post model adjustment is quantified by comparing the exposure on the identified clients versus the present value of the security available and the provisions kept by the current models. Any exposure above this value is then additionally kept as a post model adjustment, outside of the model.

The group and company had post model adjustments in the current year included in stage 2.

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

	Opening ECL 1 July 2022	Total transfer between stages	Net impairments raised	Impaired accounts written-off	Closing ECL 30 June 2023
30 June 2023					
Instalment finance	**42 068**	**-**	**12 987**	**(3 569)**	**51 486**
Stage 1	9 153	1 789	(1 304)	-	9 638
Stage 2	6 481	(3 164)	5 286	-	8 603
Stage 3	26 434	1 375	9 005	(3 569)	33 245
Overdrafts - cheques and credit cards	**395 064**	**-**	**48 651**	**(37 031)**	**406 684**
Stage 1	30 070	12 841	(13 132)	-	29 779
Stage 2	65 287	(12 278)	26 819	-	79 828
Stage 3	299 707	(563)	34 964	(37 031)	297 077
Term loans	**429 197**	**-**	**212 941**	**(28 624)**	**613 514**
Stage 1	34 883	8 367	(2 027)	-	41 223
Stage 2	161 127	(12 412)	43 567	-	192 282
Stage 3	233 187	4 045	171 401	(28 624)	380 009
Mortgage loans	**388 032**	**-**	**(82 042)**	**(25 295)**	**280 695**
Stage 1	21 732	12 092	(13 178)	-	20 646
Stage 2	54 346	(12 122)	(6 692)	-	35 532
Stage 3	311 954	30	(62 172)	(25 295)	224 517
Preference shares and guarantees	**3 097**	**-**	**1 250**	**-**	**4 347**
Stage 1	3 097	-	1 250	-	4 347
Other financial instruments	**4 244**	**-**	**(2 019)**	**-**	**2 225**
Stage 1	1 039	-	1 186	-	2 225
Stage 2	3 205	-	(3 205)	-	-
Total	**1 261 702**	**-**	**191 768**	**(94 519)**	**1 358 951**

	Opening ECL 1 July 2021	Total transfer between stages	Net impairments raised	Impaired accounts written-off	Closing ECL 30 June 2022
30 June 2022					
Instalment finance	**54 693**	**-**	**(5 737)**	**(6 888)**	**42 068**
Stage 1	8 372	3 657	(2 876)	-	9 153
Stage 2	10 046	(1 695)	(1 870)	-	6 481
Stage 3	36 275	(1 962)	(991)	(6 888)	26 434
Overdrafts - cheques and credit cards	**341 934**	**-**	**80 970**	**(27 840)**	**395 064**
Stage 1	26 563	11 706	(8 199)	-	30 070
Stage 2	76 136	(16 039)	5 190	-	65 287
Stage 3	239 235	4 333	83 979	(27 840)	299 707
Term loans	**269 471**	**-**	**185 951**	**(26 225)**	**429 197**
Stage 1	28 754	8 290	(2 161)	-	34 883
Stage 2	35 938	(6 270)	131 459	-	161 127
Stage 3	204 779	(2 020)	56 653	(26 225)	233 187
Mortgage loans	**410 762**	**-**	**4 419**	**(27 149)**	**388 032**
Stage 1	29 106	10 180	(17 554)	-	21 732
Stage 2	69 431	(9 502)	(5 583)	-	54 346
Stage 3	312 225	(678)	27 556	(27 149)	311 954
Preference shares and guarantees	**1 467**	**-**	**1 630**	**-**	**3 097**
Stage 1	1 467	-	1 630	-	3 097
Other financial instruments	**5 726**	**-**	**(1 482)**	**-**	**4 244**
Stage 1	1 014	-	25	-	1 039
Stage 2	4 712	-	(1 507)	-	3 205
Total	**1 084 053**	**-**	**265 751**	**(88 102)**	**1 261 702**

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

Overdrafts - cheques and credit cards

- Gross overdrafts decreased by N$200.5 million (3.8%) compared to the previous period.
- Non-performing overdrafts decreased by N$59.6 million (10.4%) year-on-year, resulting in a decrease in stage 3 expected credit losses of N$2.6 million.
- Written-off overdraft loans decreased by N$9.2 million (33%). The non-performing overdrafts remain well secured with a fair value of security of N$251 million.

Term Loans

- Term loans decreased by N$21.3 million (0.2%) from the prior period.
- Non-performing term loans increased by N$65 million (13.9%) from the prior period, leading to an increase in the stage 3 expected credit loss of N$146.8 million.
- Written-off term loans increased by N$2.4 million (9.1%) during the year under review. The non-performing term loans are secured with a fair value of security of N$264 million.

Mortgages

- Mortgages grew by N$504 million (2.9%) over the prior period.
- Non-performing mortgage loans decreased by N$97.8 million (11.2%) year-on-year.
- Written-off mortgage loans increased by N$1.9 million (6.8%). The non-performing mortgage loans, however, remain well secured with a fair value of security of N$441.7 million.

Instalment finance

- Gross instalment finance loans increased by N$484 million (14.8%) from the prior period.
- Non-performing instalment finance loans increased by N$13.2 million (28%) year-on-year.
- The non-performing instalment finance loans are well secured with a fair value of security of N$31.2 million.

Preference shares and guarantees

- Preference shares and guarantees decreased by N$10.4 million (4.5%) over the prior period.
- Impairments raised against preference shares and guarantees increased by N$1.3 million (40.4%) during the year under review.
- The total impairment raised at the year-end amounts to N$4.3 million.

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

Group	Notes	2023 N$'000 Year-end	2023 N$'000 Daily average balances	2022 N$'000 Year-end	2022 N$'000 Daily average balances
Credit risk exposures relating to on-statement-of-financial-position assets are as follows:					
Cash and cash equivalents	11.	**3 569 268**	**2 693 102**	3 826 316	2 808 198
Derivative financial instruments	12.	**37 454**	**39 446**	29 100	19 581
Financial assets at fair value through profit or loss	13.	**1 693 564**	**1 667 851**	1 559 623	1 542 066
- Unit Trust investments		**1 693 564**	**1 667 851**	1 559 623	1 542 066
Gross financial assets at amortised cost	13.	**810 635**	**794 713**	767 735	732 150
- Treasury bills		**42 143**	**29 846**	18 645	4 346
- Government stock		**768 492**	**764 867**	749 090	727 804
Financial assets at fair value through other comprehensive income	14.	**4 882 468**	**5 615 761**	4 429 637	4 452 289
- Treasury bills		**4 278 454**	**5 013 424**	3 830 963	3 856 661
- Government stock		**528 708**	**528 127**	532 414	528 651
- Exchange traded funds		**71 290**	**70 128**	62 346	63 067
- Corporate bonds		**4 016**	**4 082**	3 914	3 910
Gross loans and advances to customers[1]	15.	**37 324 785**	**37 215 974**	36 549 930	36 423 024
- Overdrafts		**5 117 908**	**5 156 434**	5 318 385	5 384 451
- Term loans		**10 233 613**	**10 196 788**	10 254 911	10 145 159
- Mortgages		**17 905 053**	**17 857 443**	17 400 624	17 371 229
- Credit cards		**86 945**	**90 352**	68 494	71 409
- Instalment finance		**3 761 176**	**3 690 995**	3 277 067	3 217 470
- Preference shares		**220 090**	**223 962**	230 449	233 306
Other assets[2]	16.	**218 158**	**119 197**	167 970	189 097
Total on-statement-of-financial-position exposure		**48 536 332**	**48 146 044**	47 330 311	46 166 405
Credit risk exposure relating to off-statement-of-financial-position items are as follows:					
Liabilities under guarantee	33.	**2 003 498**		2 005 067	
Letters of credit	33.	**605 288**		109 074	
Loan commitments	33.	**2 948 866**		2 808 400	
Total off-statement-of-financial position exposure		**5 557 652**		4 922 541	
Total credit risk exposure		**54 093 984**		52 252 852	

[1]Exclude the impact of effective interest rate.

[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 and company as at 30 June 2023 and 2022, without taking account of any collateral held or other credit enhancements attached. For all assets listed on the consolidated 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 and company resulting from both its loans and advances portfolio and other securities based on the following:
- The group and company 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 not past due.

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

The following tables contain 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.

2023	Stage 1 12-month ECL N$'000	Stage 2 Lifetime ECL N$'000	Stage 3 Lifetime ECL N$'000	Total N$'000
Credit grade - Loans and advances*				
Low risk (CG1 - CG2)	(73 015)	(143 384)	-	**(216 399)**
Medium risk (CG3 - CG5)	(24 923)	(96 854)	-	**(121 777)**
Special monitoring (CG6 - CG7)	(7 599)	(64 731)	-	**(72 330)**
Doubtful (CG8 - CG9)	(96)	(11 277)	(934 848)	**(946 221)**
Loss allowance	(105 633)	(316 246)	(934 848)	**(1 356 727)**
Gross carrying amount[1]	32 570 175	2 870 305	1 884 305	**37 324 785**
Carrying amount	32 464 542	2 554 059	949 457	**35 968 058**
Credit grade -Other financial instruments (financial assets at amortised cost)				
Low risk (CG1)	(2 225)	-	-	**(2 225)**
Loss allowance	(2 225)	-	-	**(2 225)**
Gross carrying amount	810 635	-	-	**810 635**
Carrying amount	808 410	-	-	**808 410**

2022	Stage 1 12-month ECL N$'000	Stage 2 Lifetime ECL N$'000	Stage 3 Lifetime ECL N$'000	Total N$'000
Credit grade - Loans and advances*				
Low risk (CG1 - CG2)	(55 711)	(71 039)	(58 211)	**(184 961)**
Medium risk (CG3 - CG5)	(37 226)	(108 394)	(264 231)	**(409 851)**
Special monitoring (CG6 - CG7)	(5 983)	(67 799)	(501 825)	**(575 607)**
Doubtful (CG8 - CG9)	(15)	(40 009)	(47 015)	**(87 039)**
Loss allowance	(98 935)	(287 241)	(871 282)	**(1 257 458)**
Gross carrying amount[1]	31 969 526	2 616 828	1 963 576	**36 549 930**
Carrying amount	31 870 591	2 329 587	1 092 294	**35 292 472**
Credit grade -Other financial instruments (financial assets at amortised cost)				
Low risk (CG1)	(1 039)	(3 205)	-	**(4 244)**
Loss allowance	(1 039)	(3 205)	-	**(4 244)**
Gross carrying amount	454 502	313 233	-	**767 735**
Carrying amount	453 463	310 028	-	**763 491**

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

* Loans and advances include instalment finance, overdrafts-cheques and credit cards, term loans, mortgages and preference shares and guarantees.

There are no purchased credit-impaired financial assets included in the above tables. 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.'

The expected recoveries from collateral or other credit enhancements is N$ 1.6 billion (2022: N$1.4 billion).

3.2.5. Risk limit control and mitigation policies

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

- cash deposited with and ceded to the group and company;
- deposit with any registered financial institution and ceded to the group and company;
- title deeds ceded to the group and company;
- 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; and
- Cession of fire policy.

Instalment finance:

- The instalment finance contract binds the article as security.

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

- Suretyships;
- Mortgage bonds over property;
- 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 and company'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 and company since the prior period.

The group and company closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the group and company 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
2023				
Credit-impaired assets				
Instalment finance	60 330	(33 245)	27 085	31 187
Overdrafts	516 101	(297 078)	219 023	250 917
Term loans	533 195	(380 009)	153 186	263 951
Mortgage Loans	774 679	(224 516)	550 163	441 675
Total credit-impaired assets	**1 884 305**	**(934 848)**	**949 457**	**987 730**
2022				
Credit-impaired assets				
Instalment finance	47 147	(26 434)	20 713	24 177
Overdrafts	575 731	(299 707)	276 024	291 956
Term loans	468 227	(233 187)	235 040	250 230
Mortgage Loans	872 471	(311 954)	560 517	548 846
Total credit-impaired assets	**1 963 576**	**(871 282)**	**1 092 294**	**1 115 209**

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 and company 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 and company.

Long-term finance and lending to corporate entities are generally secured. In addition, in order to minimise the credit loss, the group and company 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 and company 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 and company (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 and company assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, for financial liabilities, 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 and company 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

The group and company 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 and company 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 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 and company 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 and company on behalf of a customer authorising a third party to draw drafts on the group and company 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 Ltd applies a standardised approach when assessing applications for credit. All applications are completed according to the Bank Windhoek risk model, which covers all information required to make an informed decision when granting advances. The risk model has the main components of safety, desirability and profitability which is further broken down as:

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

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

Subsequent credit assessments

Management information system reports were developed over time in order to effectively monitor and manage the quality of the loan portfolio and pro-actively identify 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.

The group and company 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 (Bank of Namibia regulatory requirement).

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

Group	Neither past due nor 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
As at 30 June 2023						
Overdrafts	**4 239 758**	**299 257**	**17 297**	**45 495**	**516 101**	**5 117 908**
Term loans	**9 133 574**	**362 648**	**142 208**	**61 988**	**533 195**	**10 233 613**
Mortgages	**16 048 548**	**604 528**	**302 891**	**174 407**	**774 679**	**17 905 053**
Credit cards	**80 447**	**5 565**	**933**	**-**		**86 945**
Instalment finance	**3 589 294**	**54 506**	**41 314**	**15 732**	**60 330**	**3 761 176**
Preference shares	**220 090**	**-**	**-**	**-**	**-**	**220 090**
Total gross loans and advances[1]	**33 311 711**	**1 326 504**	**504 643**	**297 622**	**1 884 305**	**37 324 785**
Specific impairment raised against unsecured amount	**-**	**-**	**-**	**-**	**(934 848)**	**(934 848)**
Total loans and advances after specific impairments[1]	**33 311 711**	**1 326 504**	**504 643**	**297 622**	**949 457**	**36 389 937**
As at 30 June 2022						
Overdrafts	4 385 247	203 756	135 781	17 870	575 731	5 318 385
Term loans	9 360 479	195 076	99 875	131 254	468 227	10 254 911
Mortgages	15 257 596	840 099	303 420	127 038	872 471	17 400 624
Credit cards	65 029	2 957	466	42	-	68 494
Instalment finance	3 135 556	47 647	29 425	17 292	47 147	3 277 067
Preference shares	230 449	-	-	-	-	230 449
Total gross loans and advances[1]	32 434 356	1 289 535	568 967	293 496	1 963 576	36 549 930
Specific impairment raised against unsecured amount	-	-	-	-	(871 282)	(871 282)
Total loans and advances after specific impairments[1]	32 434 356	1 289 535	568 967	293 496	1 092 294	35 678 648

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

Further information of the impairment allowance for loans and advances to customers is provided in note 15.

ii. Non-performing loans and advances

Loans and advances are managed with reference to the days in arrears. Days in arrears are taken as the number of days past due. Loans and advances outstanding for longer than 90 days and more 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 89 days shall be classified as special mention, at a minimum and is subject to impairment in accordance with the stage 2 calculations. The group and company follows a more conservative approach than the regulators and already classifies loans in 0 – 30 days on 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 are deemed to be risky are assessed and in certain instances subject to impairment in accordance with the stage 2 calculations. Loans categorised 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$ 1 884.3 million (2022: N$ 1 963.6 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	Term loans	Mortgages	Instalment finance	Total
	N$'000	N$'000	N$'000	N$'000	N$'000
As at 30 June 2023					
Non-performing loans	**516 101**	**533 195**	**774 679**	**60 330**	**1 884 305**
Value of tangible collateral	**250 917**	**263 951**	**441 675**	**31 187**	**987 730**
Impairment raised against unsecured amount	**297 078**	**380 009**	**224 516**	**33 245**	**934 848**
Net exposure	**-**	**-**	**-**	**-**	**-**
As at 30 June 2022					
Non-performing loans	575 731	468 227	872 471	47 147	1 963 576
Value of tangible collateral	291 956	250 230	548 846	24 177	1 115 209
Impairment raised against unsecured amount	299 707	233 187	311 954	26 434	871 282
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 and government stock
Balances with the central bank, treasury bills and government stock (financial assets at fair value through other comprehensive income) 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 and company 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 no ratings are available, i.e. certain African countries, 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	Investment grade AAA	Investment grade AA	Investment grade A	Investment grade BBB	Speculative grade BB	Speculative grade CCC	Unrated	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
As at 30 June 2023								
Cash and cash equivalents	**265 254**	**2 663**	**9 627**	**45 000**	**3 181 588**	**–**	**65 136**	**3 569 268**
Derivative financial instruments	**–**	**–**	**–**	**–**	**–**	**–**	**37 454**	**37 454**
Financial assets at fair value through profit or loss	**–**	**–**	**–**	**–**	**1 693 564**	**–**	**–**	**1 693 564**
– Unit trust investments	**–**	**–**	**–**	**–**	**1 693 564**	**–**	**–**	**1 693 564**
Gross financial assets at amortised cost	**–**	**–**	**–**	**–**	**810 635**	**–**	**–**	**810 635**
- Treasury bills	**–**	**–**	**–**	**–**	**42 143**	**–**	**–**	**42 143**
- Government stock	**–**	**–**	**–**	**–**	**768 492**	**–**	**–**	**768 492**
Financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**4 807 162**	**–**	**75 306**	**4 882 468**
- Treasury bills	**–**	**–**	**–**	**–**	**4 278 454**	**–**	**–**	**4 278 454**
- Government stock	**–**	**–**	**–**	**–**	**528 708**	**–**	**–**	**528 708**
- Exchange traded funds	**–**	**–**	**–**	**–**	**–**	**–**	**71 290**	**71 290**
- Corporate bonds	**–**	**–**	**–**	**–**	**–**	**–**	**4 016**	**4 016**
Other assets	**–**	**–**	**–**	**–**	**–**	**–**	**218 158**	**218 158**
Total assets (excluding loans and advances and investment securities)	**265 254**	**2 663**	**9 627**	**45 000**	**10 492 949**	**–**	**396 054**	**11 211 547**
As at 30 June 2022								
Cash and cash equivalents	538 102	–	141 823	45 263	3 059 535	–	41 593	3 826 316
Derivative financial instruments	–	–	–	–	–	–	29 100	29 100
Financial assets at fair value through profit or loss	–	–	–	–	1 559 623	–	–	1 559 623
– Unit trust investments	–	–	–	–	1 559 623	–	–	1 559 623
Gross financial assets at amortised cost	–	–	–	–	767 735	–	–	767 735
- Treasury bills	–	–	–	–	18 645	–		18 645
- Government stock	–	–	–	–	749 090	–	–	749 090
Financial assets at fair value through other comprehensive income	–	–	–	–	4 363 377	–	66 260	4 429 637
- Treasury bills	–	–	–	–	3 830 963	–	–	3 830 963
- Government stock	–	–	–	–	532 414	–	–	532 414
- Exchange traded funds	–	–	–	–	–	–	62 346	62 346
- Corporate bonds	–	–	–	–	–	–	3 914	3 914
Other assets	–	–	–	–	–	–	167 970	167 970
Total assets (excluding loans and advances and investment securities)	538 102	–	141 823	45 263	9 750 270	–	304 923	10 780 381

Unrated exposures:

Unrated exposures consist mainly of cash balances, due from other banks and other assets 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 unrated exposures is managed based on an overall portfolio financial instruments grading.

The following risk weightings are applied for due from other banks when calculating the risk-based capital ratios (in terms of Bank of Namibia BID 5A regulation):

(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 and company 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 2023 was N$ 140.8m (2022: N$144.2m). Repossessed property is classified in the statement of financial position as other assets. Repossessed properties are derecognised when the assets are sold to third parties.

3.2.8 Write-off policy

The group and company 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 revealing no reasonable expectation of recovery, include (i) ceasing enforcement activity and (ii) where the group and company's recovery method is foreclosing on collateral and (iii) the economic cost to recover the outstanding debt exceeds the economic value to be gained.

The group and company categorises a receivable for write off when there is no collateral or security to cover the debt and not necessarily based on the timeframe that the debtor is unable to pay debt. Below is the detailed policy for secured and unsecured financial assets:

- Secured financial assets: Ensure that all collateral security is realised and perform research on any additional collateral to be used. If the collateral value does not exceed the financial asset value, the unrecoverable portion will be written off.
- Unsecured financial assets: The long outstanding financial assets will be handed over to debt collectors and if no recovery is made within 1 year and 6 months (debt below N$150k) or 2 years (debt above N$150k), the unrecoverable portion will be written off.

Where financial assets have been written off, the group and company continues to engage in enforcement activities (accounts are handed over to debt collectors for a further period of 6 months) attempting to recover the receivable due. The total contractual amount outstanding on financial assets that were written off during the year under review, but is still subject to enforcement activities is N$ 560.5 million (2022: N$ 159.2 million).

3.2.9 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' (Bank of Namibia regulatory requirement). The figures below will not reconcile to the statement of financial position as it represents statutory risk-weighted amounts.

	Exposure	Impairment	Risk-weighted amounts	Written-off
	N$'000	N$'000	N$'000	N$'000
As at 30 June 2023				
Counterparties				
Sovereign and central bank	**5 900 132**	**–**	**–**	**–**
Public sector entities	**97 070**	**–**	**27 192**	**–**
Banks	**2 441 155**	**–**	**1 155 138**	**–**
Corporate	**11 682 496**	**163 156**	**10 853 129**	**861 133**
Retail	**7 600 441**	**579 889**	**5 425 249**	**49 624**
Residential mortgage properties	**11 816 700**	**58 565**	**5 986 795**	**–**
Commercial real estate	**6 088 745**	**63 571**	**6 117 477**	**–**
Other assets	**6 584 555**	**–**	**5 917 099**	**–**
Included in other assets:				
– Equity instruments	**33 135**	**–**	**33 135**	
	52 211 294	**865 181**	**35 482 079**	**910 757**
Commitments	**2 003 498**	**–**	**2 003 498**	**–**
As at 30 June 2022				
Counterparties				
Sovereign and central bank	6 612 700	–	–	–
Public sector entities	187 423	–	67 305	–
Banks	924 592	–	308 674	–
Corporate	11 854 798	189 168	11 861 357	–
Retail	7 086 160	574 416	5 039 234	42 452
Residential mortgage properties	11 335 028	49 088	5 756 376	–
Commercial real estate	6 065 971	83 243	6 118 953	–
Other assets	3 528 583	–	2 923 327	–
Included in other assets:				
– Equity instruments	1 060	–	1 060	–
	47 595 255	895 915	32 075 226	42 452
Commitments	2 005 067	–	2 005 067	–

Only claims on banks are risk-weighted based on external credit assessment for capital adequacy calculations. The group and company utilises available external rating agencies' ratings on both short-term and long-term exposures. The Bank of Namibia does not have its own credit rating. The sovereign and central bank credit risk weighting have been 0% for local currency issued and controlled by the central bank. The long-term country credit rating by an external credit rating agency for Namibia was as follows:

	2023	2022
Namibia long-term local currency issuer default rating	BB-	BB-
Namibia long-term issuer default rating	BB-	BB-

3.2.10 Credit concentration risk

The group and company 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.

3.2.10.1 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 cash equivalents	Derivative financial instruments	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Loans and advances to customers	Other assets	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
As at 30 June 2023								
Agriculture and forestry	**–**	**–**	**–**	**–**	**–**	**3 869 233**	**–**	**3 869 233**
Fishing	**–**	**–**	**–**	**–**	**–**	**1 728 421**	**–**	**1 728 421**
Mining	**–**	**–**	**–**	**–**	**–**	**1 134 365**	**–**	**1 134 365**
Manufacturing	**–**	**–**	**–**	**–**	**–**	**1 212 003**	**–**	**1 212 003**
Building and construction	**–**	**–**	**–**	**–**	**–**	**2 295 028**	**–**	**2 295 028**
Electricity, gas and water	**–**	**–**	**–**	**–**	**–**	**1 533 347**	**–**	**1 533 347**
Trade and accommodation (note 1)	**–**	**–**	**–**	**–**	**–**	**5 850 668**	**–**	**5 850 668**
Transport and communication	**–**	**–**	**–**	**–**	**–**	**1 470 638**	**–**	**1 470 638**
Finance and insurance	**2 872 870**	**37 454**	**1 693 564**	**–**	**75 306**	**3 098 537**	**–**	**7 777 731**
Real estate and business services	**–**	**–**	**–**	**–**	**–**	**9 184 309**	**–**	**9 184 309**
Government	**696 398**	**–**	**–**	**810 635**	**4 807 162**	**3 199 754**	**–**	**9 513 949**
Individuals	**–**	**–**	**–**	**–**	**–**	**2 323 068**	**–**	**2 323 068**
Other (note 2)	**–**	**–**	**–**	**–**	**–**	**283 789**	**218 158**	**501 947**
Impairment	**–**	**–**	**–**	**(2 225)**	**–**	**(1 356 727)**	**–**	**(1 358 952)**
	3 569 268	**37 454**	**1 693 564**	**808 410**	**4 882 468**	**35 826 433**	**218 158**	**47 035 755**
As at 30 June 2022								
Agriculture and forestry	–	–	–	–	–	3 582 070	–	3 582 070
Fishing	–	–	–	–	–	1 265 401	–	1 265 401
Mining	–	–	–	–	–	1 211 656	–	1 211 656
Manufacturing	–	–	–	–	–	1 032 136	–	1 032 136
Building and construction	–	–	–	–	–	2 316 543	–	2 316 543
Electricity, gas and water	–	–	–	–	–	1 557 437	–	1 557 437
Trade and accommodation (note 1)	–	–	–	–	–	6 181 955	–	6 181 955
Transport and communication	–	–	–	–	–	1 584 107	–	1 584 107
Finance and insurance	1 964 242	29 100	1 559 623	–	66 260	3 173 521	–	6 792 746
Real estate and business services	–	–	–	–	–	9 211 194	–	9 211 194
Government	1 862 074	–	–	767 735	4 363 377	2 778 149	–	9 771 335
Individuals	–	–	–	–	–	2 282 882	–	2 282 882
Other (note 2)	–	–	–	–	–	238 163	167 970	406 133
Impairment	–	–	–	(4 244)	–	(1 257 458)	–	(1 261 702)
	3 826 316	29 100	1 559 623	763 491	4 429 637	35 157 756	167 970	45 933 893

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

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

3.2.10.2 Credit risk concentration by geographical area

Group	Cash and cash equivalents	Derivative financial instruments	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through OCI	Loans and advances to customers	Other assets	Total exposure
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
As at 30 June 2023								
Namibia	**1 091 857**	**-**	**1 366 136**	**808 410**	**4 811 178**	**35 483 709**	**218 158**	**43 779 448**
South Africa	**1 131 940**	**25 312**	**-**	**-**	**71 290**	**1 796**	**-**	**1 230 338**
United Kingdom	**12 804**	**-**	**-**	**-**	**-**	**-**	**-**	**12 804**
United States of America	**1 183 288**	**12 142**	**-**	**-**	**-**	**327 305**	**-**	**1 522 735**
Zambia	**2 353**	**-**	**-**	**-**	**-**	**-**	**-**	**2 353**
Other countries[1]	**147 026**	**-**	**327 428**	**-**	**-**	**13 623**	**-**	**488 077**
	3 569 268	**37 454**	**1 693 564**	**808 410**	**4 882 468**	**35 826 433**	**218 158**	**47 035 755**
As at 30 June 2022								
Namibia	2 887 367	-	1 320 699	763 491	4 367 291	34 775 543	167 970	44 282 361
Botswana	263	-	-	-	-	-	-	263
South Africa	147 233	29 100	-	-	62 346	-	-	238 679
United Kingdom	26 219	-	-	-	-	19 198	-	45 417
United States of America	614 908	-	-	-	-	288 863	-	903 771
Zambia	82	-	-	-	-	-	-	82
Other countries[1]	150 244	-	238 924	-	-	74 152	-	463 320
	3 826 316	29 100	1 559 623	763 491	4 429 637	35 157 756	167 970	45 933 893

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$147.0 million (2022: N$148.2 million) due from other banks.

Group	2023	2022
	N$'000	N$'000
Single borrower and concentration risk		
Total capital funds	**6 776 645**	6 030 818
30% of capital funds	**2 032 994**	1 809 245
800% of capital funds	**54 213 160**	48 246 544
The below table summarises the maximum exposure of the bank to a group of related persons as well as the aggregate of all large exposures of the bank.		
Single person maximum exposure		
Total highest exposure	**1 246 383**	1 080 685
Total exposure as a percentage of capital funds	**18%**	18%
None of the single person, or a group of related persons exposure exceed thirty percent (30%) of the bank's capital funds.		
Aggregate of large exposures		
Total large exposures that exceed 10% of capital funds	**2 337 359**	3 430 371
Total large exposure as a percentage of capital funds	**34%**	7%
None of the top aggregate large exposures exceed eight hundred percent (800%) of the bank's capital funds.		

3.3. Market risk

The group and company takes on exposure to market risks. Market risks arise from open positions in interest rate, foreign currency and price risk, all of which are exposed to general and specific market movements. It is the group and company'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 and company 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 and company'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 and company 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 and company 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 and company'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 following financial assets and liabilities are exposed to foreign currency risk (except for ZAR):

Assets

- Cash and cash equivalents: the group and company may hold cash in currencies other than the Namibia dollar which may be subject to fluctuations in exchange rates.
- Financial assets at fair value through profit or loss: the fair value of financial assets, such as equity securities may be impacted by foreign currency movements.
- Loans and advances to customers: loans denominated in foreign currencies may be subject to exchange rate fluctuations.

Liabilities

- Due to other banks: liabilities denominated in foreign currencies may be subject to exchange rate fluctuations.
- Deposits: deposits from customers denominated in foreign currencies may be subject to exchange rate fluctuations.

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								
Group	NAD	ZMW	US$	€	BWP	ZAR[1]	Other[2]	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
As at 30 June 2023								
ASSETS								
Cash and cash equivalents	1 091 857	2 353	1 183 288	147 026	-	1 131 940	12 804	3 569 268
Derivative financial instruments	-	-	12 142	-	-	25 312	-	37 454
Financial assets at fair value through profit or loss	1 408 667	-	327 428	-	-	-	-	1 736 095
Financial assets at amortised cost	808 410	-	-	-	-	-	-	808 410
Financial assets at fair value through other comprehensive income	4 843 737	-	-	-	-	71 290	576	4 915 603
Loans and advances to customers	35 483 709	-	327 305	1 796	-	-	13 623	35 826 433
Other assets	218 158	-	-	-	-	-	-	218 158
Total financial assets	43 854 538	2 353	1 850 163	148 822	-	1 228 542	27 003	47 111 421
Non-financial assets	1 199 000	-	-	-	-	-	-	1 199 000
Total assets	45 053 538	2 353	1 850 163	148 822	-	1 228 542	27 003	48 310 421

Group	Concentration of foreign currency denominated financial instruments							
	NAD	ZMW	US$	€	BWP	ZAR[1]	Other[2]	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
LIABILITIES								
Derivative financial instruments	**-**	**-**	**12 752**	**-**	**-**	**1 489**	**-**	**14 241**
Due to other banks	**257 998**	**-**	**188 854**	**99 777**	**1 316**	**59 607**	**1 991**	**609 543**
Other borrowings	**88 587**	**-**	**-**	**-**	**-**	**124 495**	**-**	**213 082**
Debt securities in issue	**2 268 144**	**-**	**-**	**-**	**-**	**1 178 908**	**-**	**3 447 052**
Deposits	**34 897 587**	**-**	**1 568 968**	**94 599**	**-**	**-**	**3 721**	**36 564 875**
Other liabilities	**414 606**	**-**	**-**	**-**	**-**	**-**	**-**	**414 606**
Total financial liabilities	**37 926 922**	**-**	**1 770 574**	**194 376**	**1 316**	**1 364 499**	**5 712**	**41 263 399**
Non-financial liabilities	**304 371**	**-**	**-**	**-**	**-**	**-**	**-**	**304 371**
Total liabilities	**38 231 293**	**-**	**1 770 574**	**194 376**	**1 316**	**1 364 499**	**5 712**	**41 567 770**
Total equity	**6 742 651**	**-**	**-**	**-**	**-**	**-**	**-**	**6 742 651**
Total equity and liabilities	**44 973 944**	**-**	**1 770 574**	**194 376**	**1 316**	**1 364 499**	**5 712**	**48 310 421**
Net financial position of financial instruments	**5 927 616**	**2 353**	**79 589**	**(45 554)**	**(1 316)**	**(135 957)**	**21 291**	**5 848 022**
Credit commitments	**-**	**-**	**338 981**	**261 112**	**-**	**5 195**	**-**	**605 288**

Group	Concentration of foreign currency denominated financial instruments							
	NAD	ZMW	US$	€	BWP	ZAR[1]	Other[2]	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
As at 30 June 2022								
ASSETS								
Cash and cash equivalents	2 887 367	82	614 908	148 209	263	147 233	28 254	3 826 316
Derivative financial instruments	-	-	-	-	-	29 100	-	29 100
Financial assets at fair value through profit or loss	1 344 629	-	238 924	-	-	-	-	1 583 553
Financial assets at amortised cost	763 491	-	-	-	-	-	-	763 491
Financial assets at fair value through other comprehensive income	4 366 828	-	-	-	-	62 809	1 060	4 430 697
Loans and advances to customers	34 775 543	-	288 863	74 152	-	-	19 198	35 157 756
Other assets	167 970	-	-	-	-	-	-	167 970
Total financial assets	44 305 828	82	1 142 695	222 361	263	239 142	48 512	45 958 883
Non-financial assets	1 072 998	-	-	-	-	-	-	1 072 998
Total assets	45 378 826	82	1 142 695	222 361	263	239 142	48 512	47 031 881
LIABILITIES								
Derivative financial instruments	-	-	-	-	-	1 340	-	1 340
Due to other banks	65 125	-	308 596	-	-	333 881	-	707 602
Other borrowings	5 336	-	-	-	-	156 739	-	162 075
Debt securities in issue	2 804 567	-	-	-	-	1 252 019	-	4 056 586
Deposits	34 461 140	29	797 892	223 051	13	-	39 832	35 521 957
Other liabilities	429 328	-	-	-	-	-	-	429 328
Total financial liabilities	37 765 496	29	1 106 488	223 051	13	1 743 979	39 832	40 878 888
Non-financial liabilities	200 161	-	-	-	-	-	-	200 161
Total liabilities	37 965 657	29	1 106 488	223 051	13	1 743 979	39 832	41 079 049
Total equity	5 952 832	-	-	-	-	-	-	5 952 832
Total equity and liabilities	43 918 489	29	1 106 488	223 051	13	1 743 979	39 832	47 031 881
Net financial position of financial instruments	6 540 333	53	36 207	(690)	250	(1 504 837)	8 680	5 079 996
Credit commitments	-	-	96 612	8 962	-	3 500	-	109 074

[1]The Namibia dollar (NAD) is fixed to the South African rand (ZAR) and is therefore not subject to currency risk. The inclusion of NAD in the table is solely for the purpose of aligning the figures with the face of the statement of financial position.

[2]Other foreign currency exposures relate mainly to exposures to the Pound Sterling, N$8.9 million (2022: N$26.2 million) due from other banks as well as N$13.6 million (2022: N$19.2 million) foreign currency loans and advances to customers. Included in deposits are exposures to the Pound Sterling of N$3.7 million (2022: N$39.8 million).

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

	2023	2022
USD	**18.89**	**16.24**
GBP	**23.98**	**19.71**
EUR	**20.61**	**16.99**
ZAR	**1.00**	**1.00**
ZMW	**1.07**	**0.95**
BWP	**1.40**	**1.32**

The following sensitivity analysis has been prepared based on the major currencies of non-equity instruments to assess the potential impact of a 5% change in exchange rates. The sensitivity analysis is prepared on the basis of a hypothetical 5% strengthening or weakening of the exchange rates of the respective currencies. The exchange rates used are based on the prevailing exchange rates at the reporting date. The methods and assumptions used in preparing the sensitivity analysis have not changed from the previous year.

Effect on profit and equity for the year		
	2023	2022
	N$'000	N$'000
US dollar / Namibia dollar	**3 979**	1 811
- Foreign currency financial assets	**92 508**	57 135
- Foreign currency financial liabilities	**(88 529)**	(55 324)
Euro / Namibia dollar	**(2 278)**	(35)
- Foreign currency financial assets	**7 441**	11 118
- Foreign currency financial liabilities	**(9 719)**	(11 153)

There are no foreign currency sensitivity on other comprehensive income.

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 and company 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 reprice 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 summarise 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	1 - 3 months	3 - 12 months	More than 1 year	Non-interest sensitive	Total
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
As at 30 June 2023						
ASSETS						
Cash and cash equivalents	2 755 731	-	-	-	813 537	3 569 268
Derivative financial instruments	37 454	-	-	-	-	37 454
Financial assets at fair value through profit or loss	1 693 564	-	-	-	42 531	1 736 095
Financial assets at amortised cost	-	-	140 177	668 233	-	808 410
Financial assets at fair value through other comprehensive income	424 844	1 636 043	2 589 122	232 459	33 135	4 915 603
Loans and advances to customers	34 822 704	47 470	927 557	-	28 702	35 826 433
Other assets	61 506	-	-	-	156 652	218 158
Total financial assets	39 795 803	1 683 513	3 656 856	900 692	1 074 557	47 111 421
Non-financial assets	-	-	-	-	1 199 000	1 199 000
Total assets	39 795 803	1 683 513	3 656 856	900 692	2 273 557	48 310 421
LIABILITIES						
Derivative financial instruments	14 241	-	-	-	-	14 241
Due to other banks	609 543	-	-	-	-	609 543
Other borrowings	-	213 082	-	-	-	213 082
Debt securities in issue	-	2 054 030	1 190 308	-	202 714	3 447 052
Deposits	22 599 835	4 834 332	6 779 677	2 351 031	-	36 564 875
Other liabilities	-	-	-	-	414 606	414 606
Total financial liabilities	23 223 619	7 101 444	7 969 985	2 351 031	617 320	41 263 399
Total non-financial liabilities	-	-	-	-	304 371	304 371
Total liabilities	23 223 619	7 101 444	7 969 985	2 351 031	921 691	41 567 770
Total equity	-	-	-	-	6 742 651	6 742 651
Total equity and liabilities	23 223 619	7 101 444	7 969 985	2 351 031	7 664 342	48 310 421
Interest sensitivity gap (financial instruments)	16 572 184	(5 417 931)	(4 313 129)	(1 450 339)	457 237	5 848 022
Cumulative interest sensitivity gap (financial instruments)	16 572 184	11 154 253	6 841 124	5 390 785	5 848 022	-

Group	Up to 1 month	1 - 3 months	3 - 12 months	More than 1 year	Non-interest sensitive	Total
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
As at 30 June 2022						
ASSETS						
Cash and cash equivalents	3 087 812	-	-	-	738 504	3 826 316
Derivative financial instruments	29 100	-	-	-	-	29 100
Financial assets at fair value through profit or loss	1 559 623	-	-	-	23 930	1 583 553
Financial assets at amortised cost	-	-	18 645	749 090	(4 244)	763 491
Financial assets at fair value through other comprehensive income	515 700	918 514	2 483 370	512 053	1 060	4 430 697
Loans and advances to customers	34 719 364	281	31 212	-	406 899	35 157 756
Other assets	57 991	-	-	-	109 979	167 970
Total financial assets	39 969 590	918 795	2 533 227	1 261 143	1 276 128	45 958 883
Non-financial assets	-	-	-	-	1 072 998	1 072 998
Total assets	39 969 590	918 795	2 533 227	1 261 143	2 349 126	47 031 881
LIABILITIES						
Derivative financial instruments	1 340	-	-	-	-	1 340
Due to other banks	707 602	-	-	-	-	707 602
Other borrowings	-	162 075	-	-	-	162 075
Debt securities in issue	136 088	3 064 864	125 137	45 500	684 997	4 056 586
Deposits	20 848 385	4 729 488	7 395 632	1 551 343	997 109	35 521 957
Other liabilities	-	-	-	-	429 328	429 328
Total financial liabilities	21 693 415	7 956 427	7 520 769	1 596 843	2 111 434	40 878 888
Total non-financial liabilities	-	-	-	-	200 161	200 161
Total liabilities	21 693 415	7 956 427	7 520 769	1 596 843	2 311 595	41 079 049
Total equity	-	-	-	-	5 952 832	5 952 832
Total equity and liabilities	21 693 415	7 956 427	7 520 769	1 596 843	8 264 427	47 031 881
Interest sensitivity gap (financial instruments)	18 276 176	(7 037 632)	(4 987 542)	(335 700)	(835 306)	5 079 996
Cumulative interest sensitivity gap (financial instruments)	18 276 176	11 238 544	6 251 002	5 915 302	5 079 996	-

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

The interest rate sensitivity gap is measured and 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 - Effect on equity and profit for the year	2023	2022
	N$'000	N$'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	**51 888**	46 535
- Increase in interest income	**204 281**	197 919
- Increase in interest expense	**(152 393)**	(151 384)
50 basis points decrease	**(51 763)**	(46 411)
- Decrease in interest income	**(204 281)**	(197 919)
- Decrease in interest expense	**152 518**	151 508
100 basis points increase	**103 899**	93 195
- Increase in interest income	**408 561**	395 839
- Increase in interest expense	**(304 662)**	(302 644)
100 basis points decrease	**(103 402)**	(92 701)
- Decrease in interest income	**(408 561)**	(395 839)
- Decrease in interest expense	**305 159**	303 138
200 basis points increase	**208 300**	186 888
- Increase in interest income	**817 122**	791 678
- Increase in interest expense	**(608 822)**	(604 790)
200 basis points decrease	**(206 311)**	(184 911)
- Decrease in interest income	**(817 122)**	(791 678)
- Decrease in interest expense	**610 811**	606 767

iii) Average balances and effective interest rate analysis

Group	2023			2022		
	YTD average balance N$'000	Average interest rate %	Interest income / expense N$'000	YTD average balance N$'000	Average interest rate %	Interest income / expense N$'000
ASSETS						
Interest-earning assets						
Cash, due from other banks and derivatives	**1 650 111**	**5.83%**	**96 275**	1 109 911	1.73%	19 187
Financial assets at amortised cost	**755 920**	**9.89%**	**74 788**	737 688	10.38%	76 540
Financial assets at fair value through other comprehensive income	**5 042 672**	**7.61%**	**383 844**	4 381 524	5.33%	233 457
Gross loans and advances to customers	**37 016 149**	**10.38%**	**3 842 496**	35 919 400	8.15%	2 926 678
Other assets	**59 748**	**5.88%**	**3 515**	57 049	3.51%	2 001
Interest-earning assets / interest income	**44 524 600**		**4 400 918**	42 205 572		3 257 863
Non-interest-earning assets						
Cash, due from other banks and derivatives	**793 316**		**-**	741 532		-
Financial assets at fair value through profit or loss	**1 532 038**		**-**	1 601 197		-
Financial assets at fair value through other comprehensive income	**78 163**		**-**	62 577		-
Other assets	**228 124**		**-**	334 624		-
Non-interest-earning assets	**2 631 641**		**-**	2 739 930		-
LIABILITIES						
Interest-earning liabilities						
Deposits, due to banks and derivatives	**36 179 917**	**5.28%**	**1 910 321**	33 905 237	3.32%	1 127 116
Other borrowings	**164 527**	**7.36%**	**12 109**	363 951	8.73%	31 790
Debt securities in issue	**3 558 788**	**8.02%**	**285 473**	3 842 914	6.10%	234 502
Other liabilities	**158 059**	**5.77%**	**9 122**	174 869	5.71%	9 979
Interest-earning liabilities / interest expense	**40 061 291**		**2 217 025**	38 286 971		1 403 387

3.3.4 Price risk

The following fair value financial instruments exposes the group and company to price risk: derivative financial instruments and unit trust investments at fair value through profit or loss, treasury bills, government stock, corporate bonds and exchange traded funds as well as equity investment securities classified as fair value through other comprehensive income. The equity securities are listed on the NSX, FTSE and NYSE and are included in 'Financial assets at fair value through other comprehensive income' on the statement of financial position. The group and company generally does not undertake equity exposure. The exposure arose due to specific circumstances and are managed individually.

Sensitivity analysis	Group	
	2023	2022
	N$'000	N$'000
i) Equity instruments - listed securities		
The following is a sensitivity analysis showing the increase / (decrease) in the fair value of equity instruments - listed securities had the following changes arisen on the significant inputs:		
10% increase in share price (effect on other comprehensive income)	**7 178**	5 717
10% decrease in share price (effect on other comprehensive income)	**(7 178)**	(5 717)
ii) Derivative financial instruments		
The following is a sensitivity analysis showing the (decrease) / increase 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)	**(26 846)**	(175)
100 basis points decrease in discount rate (effect on profit or loss)	**20 854**	177
iii) Financial assets at fair value through other comprehensive income		
The following is a sensitivity analysis showing the (decrease) / increase 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)	**(14 152)**	(15 288)
100 basis points decrease in discount rate (effect on other comprehensive income)	**14 286**	15 461
The following is a sensitivity analysis showing the (decrease) / increase 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)	**(8 616)**	(11 850)
100 basis points decrease in discount rate (effect on other comprehensive income)	**9 038**	12 407

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	
	2023	2022
	N$'000	N$'000
Interest rate risk	**41 938**	47 911
Foreign exchange risk	**15 032**	17 609

3.4. Liquidity risk

Liquidity risk is the risk that the group and company is unable to meet their payment obligations associated with their financial liabilities when they fall due and to replace funds when they are withdrawn.

Liquidity risk is inherent in the group and company's business endeavours and represents the ability of the group and company 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 formalises the liquidity risk management process of the bank, the goal of which is to:

- maintain liquidity risk at a manageable level through assessment and monitoring;
- assess and advise against any permanent or temporary adverse changes to the liquidity position of the bank;
- set and monitor limits for funding mix, investment products and client exposures;
- monitor all applicable financial and statutory ratios; and
- identify those liquidity triggers that may entail the activation of the 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 and company's liquidity management process is outlined in the liquidity risk framework which includes, inter alia, the group and company'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 the 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 21. for other borrowing repayments during the year and note 22. 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 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
As at 30 June 2023						
FINANCIAL ASSETS						
Derivative financial instruments	**14 545**	**993**	**28 501**	**117 880**	**34 910**	**196 829**
Total assets	**14 545**	**993**	**28 501**	**117 880**	**34 910**	**196 829**
FINANCIAL LIABILITIES						
Derivative financial instruments	**4 939**	**1 006**	**34 600**	**91 182**	**27 410**	**159 137**
Other borrowings	**-**	**-**	**31 286**	**93 857**	**-**	**125 143**
Due to other banks	**567 280**	**-**	**-**	**-**	**-**	**567 280**
Debt securities in issue	**-**	**123 412**	**1 633 764**	**2 310 663**	**-**	**4 067 839**
Deposits	**21 185 450**	**2 499 916**	**8 248 663**	**3 563 844**	**1 133 653**	**36 631 526**
Other liabilities	**247 922**	**-**	**-**	**145 260**	**21 424**	**414 606**
Total liabilities (contractual maturity dates)	**22 005 591**	**2 624 334**	**9 948 313**	**6 204 806**	**1 182 487**	**41 965 531**
Commitments	**5 557 652**	**-**	**-**	**-**	**-**	**5 557 652**
Loan commitments	**2 948 866**	**-**	**-**	**-**	**-**	**2 948 866**
Liabilities under guarantees	**2 003 498**	**-**	**-**	**-**	**-**	**2 003 498**
Letters of credit	**605 288**	**-**	**-**	**-**	**-**	**605 288**
As at 30 June 2022						
FINANCIAL ASSETS						
Derivative financial instruments	-	9 538	12 223	30 396	151 936	204 093
Total assets	-	9 538	12 223	30 396	151 936	204 093
FINANCIAL LIABILITIES						
Derivative financial instruments	-	4 119	19 569	23 785	120 669	168 142
Other borrowings	15 643	-	125 143	-	-	140 786
Due to other banks	680 053	-	-	-	-	680 053
Debt securities in issue	-	473 665	574 980	3 619 579	-	4 668 224
Deposits	19 312 139	1 920 323	9 559 105	3 816 079	982 188	35 589 834
Other liabilities	264 303	-	-	125 374	39 651	429 328
Total liabilities (contractual maturity dates)	20 272 138	2 398 107	10 278 797	7 584 817	1 142 508	41 676 367
Commitments	4 922 541	-	-	-	-	4 922 541
Loan commitments	2 808 400	-	-	-	-	2 808 400
Liabilities under guarantees	2 005 067	-	-	-	-	2 005 067
Letters of credit	109 074	-	-	-	-	109 074

The asset and liability contractual undiscounted cash-flows for derivative financial instruments is shown in the liquidity note as the derivatives is gross-settled.

In terms of BID 18 'Public disclosures for banking institutions' (Bank of Namibia regulatory requirement) the maturity breakdown of a banking institution's whole credit portfolio should be disclosed. This disclosure, for Bank Windhoek Ltd, is detailed below:

Group	Carrying value	Contractual discounted cash flows						
		Call to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	5 - 10 years	Over 10 years	Total
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
As at 30 June 2023								
ASSETS								
Cash and cash equivalents	-	3 569 268	-	-	-	-	-	3 569 268
Derivative financial instruments	-	-	-	17 871	11 249	8 334	-	37 454
Financial assets at fair value through profit or loss	-	1 736 095	-	-	-	-	-	1 736 095
Gross financial assets at amortised cost	-	-	14 674	125 503	421 115	249 343	-	810 635
Financial assets at fair value through other comprehensive income	-	457 979	1 636 043	2 589 122	153 572	78 887	-	4 915 603
Gross loans and advances to customers	-	4 599 182	9 609	59 073	9 096 062	7 654 877	15 764 357	37 183 160
Other assets	-	218 158	-	-	-	-	-	218 158
Non-financial instruments	1 199 000	-	-	-	-	-	-	1 199 000
Impairment provisions	(1 358 952)	-	-	-	-	-	-	(1 358 952)
Total assets	(159 952)	10 580 682	1 660 326	2 791 569	9 681 998	7 991 441	15 764 357	48 310 421
LIABILITIES								
Derivative financial instruments	-	-	14	12 752	1 475	-	-	14 241
Due to other banks	-	609 543	-	-	-	-	-	609 543
Other borrowings	-	1 712	3 425	46 697	161 248	-	-	213 082
Debt securities in issue	-	-	48 822	1 439 188	1 959 042	-	-	3 447 052
Deposits	-	21 387 939	2 441 120	8 056 311	3 514 426	1 165 079	-	36 564 875
Other liabilities	-	414 606	-	-	-	-	-	414 606
Non-financial instruments	304 371	-	-	-	-	-	-	304 371
Total liabilities	304 371	22 413 800	2 493 381	9 554 948	5 636 191	1 165 079	-	41 567 770
Net liquidity gap	(464 323)	(11 833 118)	(833 055)	(6 763 379)	4 045 807	6 826 362	15 764 357	6 742 651
Cumulative liquidity gap	(464 323)	(12 297 441)	(13 130 496)	(19 893 875)	(15 848 068)	(9 021 706)	6 742 651	-

Group	Carrying value	Contractual discounted cash flows						
	Carrying value	Call to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	5 - 10 years	Over 10 years	Total
	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
As at 30 June 2022								
ASSETS								
Cash and cash equivalents	-	3 826 316	-	-	-	-	-	3 826 316
Derivative financial instruments	-	-	29 100	-	-	-	-	29 100
Financial assets at fair value through profit or loss	-	1 583 553	-	-	-	-	-	1 583 553
Gross financial assets at amortised cost	-	-	-	18 645	501 483	247 607	-	767 735
Financial assets at fair value through other comprehensive income	-	516 760	918 514	2 483 370	438 460	73 593	-	4 430 697
Gross loans and advances to customers	-	4 771 946	413 996	765 406	11 537 456	5 525 053	13 401 357	36 415 214
Other assets	-	167 970	-	-	-	-	-	167 970
Non-financial instruments	1 072 998	-	-	-	-	-	-	1 072 998
Impairment provisions	(1 261 702)	-	-	-	-	-	-	(1 261 702)
Total assets	(188 704)	10 866 545	1 361 610	3 267 421	12 477 399	5 846 253	13 401 357	47 031 881
LIABILITIES								
Derivative financial instruments	-	-	1 340	-	-	-	-	1 340
Due to other banks	-	707 602	-	-	-	-	-	707 602
Other borrowings	-	-	-	31 286	130 789	-	-	162 075
Debt securities in issue	-	-	420 710	403 900	3 231 976	-	-	4 056 586
Deposits	-	19 469 645	1 878 036	9 373 686	3 803 481	997 109	-	35 521 957
Other liabilities	-	429 328	-	-	-	-	-	429 328
Non-financial instruments	200 161	-	-	-	-	-	-	200 161
Total liabilities	200 161	20 606 575	2 300 086	9 808 872	7 166 246	997 109	-	41 079 049
Net liquidity gap	(388 865)	(9 740 030)	(938 476)	(6 541 451)	5 311 153	4 849 144	13 401 357	5 952 832
Cumulative liquidity gap	(388 865)	(10 128 895)	(11 067 371)	(17 608 822)	(12 297 669)	(7 448 525)	5 952 832	-

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 and company 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 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 and company 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 and company 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 mark-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.
- Bond futures are valued based on the daily mark-to-market value of the underlying listed bonds. The market prices of these underlying bonds are obtained from end of trading day quoted JSE bond prices.

iii. Financial assets at fair value through profit or loss

Investment in Capricorn Group

Bank Windhoek Ltd has acquired shares in Capricorn Group. For more details on the cash-settled share-based compensation plans, refer to note 28. 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 approximate 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 cost. 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 cost. 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.

Equity instruments – listed securities
For listed equity investments, the fair value is derived by using stock market prices, adjusted for any restrictions on its tradability.

Exchange traded funds
Exchange traded funds are measured at fair value determined with reference to the JSE price of the underlying exchange traded funds unit price.

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 deposits exceeding maturity dates of 12 months. The fair value of deposits, for disclosure purposes is estimated by discounting the future contractual cash flows at the available market interest rate.

x. Other borrowings

Other borrowings are recognised at amortised cost. The fair value for disclosure purposes is determined by discounting the future expected cash flows using observable market inputs, such as the JIBAR money market rate, as appropriate.

The group and company have taken proactive measurses to address the impact of the IBOR reform (Phase 2) on their borrowing arrangements. Some borrowings have been successfully converted to SOFR as the new benchmark rate. For other borrowings, they were already linked to SOFR from their inception. As a result, the LIBOR change issue is no longer applicable to these arrangements. The group and company have thoroughly considered and addressed the implications of the IBOR reform on their financial statements, and the necessary qualitative and quantitative disclosures have been provided in the notes to the financial statements, as required by IFRS 9/IFRS 7.

xi. Debt securities in issue

Financial instruments included in this category include senior debt and callable 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$3.5 billion (2022: N$4.1 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. The off-balance sheet items approximates the fair value of these items.

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 and company'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 and company considers relevant and observable market prices in its valuations where possible.

This table indicates the fair value hierarchy of the financial assets and liabilities:

Group	Level 1	Level 2	Level 3	Total
	N$'000	N$'000	N$'000	N$'000
As at 30 June 2023				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	42 531	1 693 564	–	1 736 095
Investment in Capricorn Group	42 531	–	–	42 531
Unit trust investments	–	1 693 564	–	1 693 564
Financial assets at fair value through profit or loss				
Derivative financial instruments	–	37 454	–	37 454
Financial assets at fair value through other comprehensive income	72 925	4 811 178	31 500	4 915 603
Treasury bills	–	4 278 454	–	4 278 454
Government stock	–	528 708	–	528 708
Corporate bonds	–	4 016	–	4 016
Exchange Traded Funds	71 290	–	–	71 290
Equity instruments	1 635	–	31 500	33 135
	146 956	6 542 196	–	6 689 152
Financial assets for which the fair value is disclosed				
Cash and cash equivalents	–	–	3 569 268	3 569 268
Loans and advances to customers	–	–	36 411 130	36 411 130
Financial assets at amortised cost	–	820 614	–	820 614
Treasury bills	–	43 049	–	43 049
Government stock	–	777 565	–	777 565
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	14 241	–	14 241
Financial liabilities for which the fair value is disclosed				
Due to other banks	–	–	609 543	609 543
Other borrowings	–	–	217 332	217 332
Debt securities in issue	–	–	3 519 308	3 519 308
Senior debt - unsecured	–	–	3 519 308	3 519 308
Deposits	–	–	36 564 877	36 564 877
Current, Savings, Demand, Term and notice, NCDs, Foreign	–	–	36 564 877	36 564 877
	–	–	40 911 060	40 911 060

Group	Level 1	Level 2	Level 3	Total
	N$'000	N$'000	N$'000	N$'000
As at 30 June 2022				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	23 930	1 559 623	–	1 583 553
Investment in Capricorn Group	23 930	–	–	23 930
Unit trust investments	–	1 559 623	–	1 559 623
Financial assets at fair value through profit or loss				
Derivative financial instruments	–	29 100	–	29 100
Financial assets at fair value through other comprehensive income	63 406	4 367 291	–	4 430 697
Treasury bills	–	3 830 963	–	3 830 963
Government stock	–	532 414	–	532 414
Corporate bonds	–	3 914	–	3 914
Exchange Traded Funds	62 346	–	–	62 346
Equity instruments – listed securities	1 060	–	–	1 060
	87 336	5 956 014	–	6 043 350
Financial assets for which the fair value is disclosed				
Cash and cash equivalents	–	668 202	3 158 114	3 826 316
Loans and advances to customers	–	–	35 784 881	35 784 881
Financial assets at amortised cost	–	772 466	–	772 466
Treasury bills	–	18 597	–	18 597
Government stock	–	753 869	–	753 869
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	1 340	–	1 340
Financial liabilities for which the fair value is disclosed				
Due to other banks	–	–	707 602	707 602
Other borrowings	–	–	163 556	163 556
Debt securities in issue	–	–	4 072 316	4 072 316
Senior debt – unsecured	–	–	4 072 316	4 072 316
Deposits	–	–	35 244 727	35 244 727
Current, Savings, Demand, Term and notice, NCDs, Foreign	–	–	35 244 727	35 244 727
	–	–	40 188 201	40 188 201

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

The group and company recognises transfers into and out of fair value hierarchy levels as at the end of 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	
	2023	2022
	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	**(948 546)**	(981 481)
100 basis points decrease in discount rate	**1 021 921**	1 063 108
100 basis points increase in interest rate	**202 608**	197 359
100 basis points decrease in interest rate	**(184 625)**	(185 681)
1 month increase in term to maturity	**(274 260)**	(302 726)
1 month decrease in term to maturity	**314 245**	366 448
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	**(21 268)**	(27 394)
100 basis points decrease in discount rate	**22 309**	28 918
The following is a sensitivity analysis showing the increase / (decrease) in the fair value of treasury bills at amortised cost had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	**(140)**	(175)
100 basis points decrease in discount rate	**142**	177
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	**(55 241)**	(83 316)
100 basis points decrease in discount rate	**56 837**	83 294
100 basis points increase in coupon rate	**57 862**	87 765
100 basis points decrease in coupon rate	**(57 862)**	(87 765)
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	**(4 791)**	(7 394)
100 basis points decrease in discount rate	**307**	473
100 basis points increase in JIBAR rate	**(2 491)**	(3 762)
100 basis points decrease in JIBAR rate	**2 491**	3 762

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

	Valuation technique	Types of valuation inputs	Valuation inputs (ranges) 2023	2022
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
Unit trust investments	Market approach	Note 1	**5.30%-8.50%**	1.16% - 6.50%
Financial assets at fair value through profit or loss				
Derivative financial instruments – Interest rate swaps	Income approach*	Note 2	**7.62%-11.71%**	7.88% - 10.90%
Derivative financial instruments - OTC currency options	Income approach*	Note 3	**17.40 - 22.60**	N/A
Financial assets at fair value through other comprehensive income				
Treasury bills	Income approach*	Note 2	**7.54%-9.41%**	4.64% - 7.54%
Government stock	Income approach*	Note 2	**8.09%-10.80%**	0.20% - 11.87%
Corporate bonds	Income approach*	Note 2	**7.75%**	7.75%
Exchange traded funds	Market approach	Note 4	**ZAR19.13**	ZAR16.73
Financial assets for which the fair value is disclosed				
Loans and advances to customers	Income approach*			
Discount rate		Note 2	**11.50%**	8.50%
Earnings rate		Note 5	**3.50%-17.50%**	3.50% - 14.65%
Term to maturity		Note 6	**3 - 360 mnts**	3 - 360 mnts
Financial assets at amortised cost				
Treasury bills	Income approach*	Note 2	**8.66%-9.31%**	7.54%
Government stock	Income approach*	Note 2	**8.09%-10.84%**	3.90% - 11.87%
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments – Interest rate swaps	Income approach*	Note 2	**7.60%-10.90%**	5.01% - 10.56%
Derivative financial instruments - OTC currency options	Income approach*	Note 3	**17.40 - 22.60**	N/A
Financial liabilities for which the fair value is disclosed				
Other borrowings	Income approach*			
Discount rate		Note 2	**9.53%-10.76%**	5.81% - 10.15%
Earnings rate		Note 2	**9.48%-10.00%**	7.42% - 12.49%
Debt securities in issue				
Senior debt - unsecured	Income approach*	Note 2	**5.00%-8.90%**	3.69% - 8.14%

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: Valuations are performed per fund based on the net asset value of the underlying assets.
Note 2: Observable interest rates and yield curves observable at commonly quoted intervals.
Note 3: These represent the strike prices on currency options and are per U$1.00.
Note 4: Valuations are performed on the market price per day.
Note 5: Contractual interest rates per transaction observable on the banking system.
Note 6: Contractual maturities per transaction observable on the banking system.

3.6. Capital management

The group and company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the consolidated 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 and company'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 Ltd 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 8.5% 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 11.0%; 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.

In response to Covid-19, the Bank of Namibia issued BID 33, which reduced the total risk weighted ratio of the bank. The determination also removed the requirement for a capital conservation buffer, for the duration of the application of BID33. The removal of the capital conservation buffer, reduced the capital ratio by approximately 1%, it also reduced the regulatory minimum primarily to 10%, resulting in an overall increase over the regulatory minimum.

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.

To meet the objectives of capital management, the group and company uses a range of methods to manage its capital, including monitoring and stress testing the capital adequacy ratios, optimising the allocation of capital across the group, and considering the potential impact of any changes in the external capital requirements on its capital position. The group and company actively manages its capital to maintain a strong capital base, and regularly reviews its capital management policies and processes to ensure they remain effective and efficient in meeting its objectives.

The ALCO is responsible for oversight of the capital management of Bank Windhoek Ltd and to report this quarterly to the BAC and board.

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	
	2023	2022
	N$'000	N$'000
Tier 1 capital		
Share capital and premium	**485 000**	485 000
General banking reserves	**5 998 121**	5 232 914
Retained earnings	**192 548**	153 488
Total CET 1 capital	**6 675 669**	5 871 402
Regulatory adjustments		
Deduct: Intangible assets	**354 705**	228 694
Total regulatory adjustments	**354 705**	228 694
Net total CET 1 capital	**6 320 964**	5 642 708
Tier 2 capital instruments		
Portfolio impairment for regulatory reporting	**455 681**	388 110
Net total Tier 2 capital	**455 681**	388 110
Total regulatory capital	**6 776 645**	6 030 818
Risk-weighted assets:		
Operational risk	**4 074 514**	3 732 537
Credit risk	**34 856 715**	34 112 108
Market risk	**571 742**	655 200
Total risk-weighted assets	**39 502 971**	38 499 845

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	**12.6%**	11.6%
Tier 1 capital adequacy ratio	**16.0%**	14.7%
Total capital adequacy ratio	**17.2%**	15.7%

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 2022, 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 and company 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 experiences 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 behaviour (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, which also set 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 of 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 and company in the above areas is set out in note 3.2.1.

Refer to note 15 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	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Interest and similar income				
Amortised cost				
Loans and advances	**3 842 496**	2 926 678	**3 743 100**	2 859 396
Cash and short-term funds	**99 790**	21 188	**99 790**	21 188
Government stock and other investments	**74 788**	76 540	**74 788**	76 540
Loans to subsidiaries	**-**	-	**10 698**	8 270
Fair value				
Financial assets at fair value through other comprehensive income	**383 844**	233 457	**383 844**	233 457
Treasury bills	**336 656**	191 569	**336 656**	191 569
Government stock and other investments	**47 188**	41 888	**47 188**	41 888
Total interest and similar income	**4 400 918**	3 257 863	**4 312 220**	3 198 851
Interest and similar expenses				
Amortised cost				
Cheque deposits	**295 349**	139 308	**295 349**	139 308
Debt securities in issue	**285 473**	234 502	**285 473**	234 502
Demand deposits	**342 406**	184 809	**342 406**	184 809
Deposits from banks and financial institutions	**39 435**	6 608	**39 435**	6 608
Fixed and notice deposits	**475 432**	346 725	**475 432**	346 725
Leases	**9 122**	9 979	**9 122**	9 979
Negotiable certificates of deposits	**715 045**	425 988	**715 045**	425 988
Other borrowings	**12 109**	31 790	**12 109**	31 790
Promissory notes	**-**	5 427	**-**	5 427
Savings deposits	**42 654**	18 251	**42 654**	18 251
Total interest and similar expenses	**2 217 025**	1 403 387	**2 217 025**	1 403 387
Net interest income	**2 183 893**	1 854 476	**2 095 195**	1 795 464

6. Credit impairment losses

	Group 2023	Group 2022	Company 2023	Company 2022
Increase in specific impairment	**63 806**	149 362	**61 295**	151 568
• Increase in specific impairment	**21 778**	67 322	**19 267**	69 528
• Increase in impairment of interest in suspense	**42 028**	82 040	**42 028**	82 040
Amounts written off as uncollectable	**94 519**	88 102	**82 362**	76 634
• Initial specific impairment	**89 784**	81 917	**78 236**	71 254
• Written off as uncollectable	**4 735**	6 185	**4 126**	5 380
Increase in portfolio impairment	**34 094**	98 913	**23 136**	95 381
Increase in portfolio impairment for OCI instruments	**13 207**	-	**13 207**	-
Amounts recovered during the year	**(5 040)**	(9 216)	**(4 108)**	(8 434)
	200 586	327 161	**175 892**	315 149

Impairment charges reflect the movement in provisions as per the IFRS 9 models.

Subsequent recoveries of amounts previously written off are credited to the credit impairment losses line item.

Financial assets are only written off if there is no reasonable expectation at that time to recover the debt, however, recoveries are recorded when money is received back from clients when their circumstances change, as the written off amount was debited in full to the statement of comprehensive income.

7. Non-interest income

	Group		Company	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
7.1 Fee and commission income				
Transaction and related fees	**1 119 095**	991 112	**1 112 506**	982 567
Income from deposits	**631 768**	579 655	**631 769**	579 655
Income from loans and advances	**77 517**	76 593	**71 332**	68 231
Income from electronic banking	**409 810**	334 864	**409 405**	334 681
Commissions	**40 641**	38 398	**35 857**	32 178
Trust and other fiduciary fees	**15 621**	12 983	**15 621**	12 983
	1 175 357	1 042 493	**1 163 984**	1 027 728
7.2 Net trading income				
Net foreign exchange gains and losses from trading assets	**71 628**	72 369	**71 628**	72 369
Net gains from financial instruments at fair value through profit or loss	**92 081**	75 025	**92 081**	75 025
Net gains from financial instruments at fair value through other comprehensive income	**(587)**	1 349	**(587)**	1 349
	163 122	148 743	**163 122**	148 743

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 gains from financial instruments at fair value through profit or loss includes the gains from unit trusts and derivatives.

Net gains from financial instruments at fair value through other comprehensive income includes gains less losses from investing activities of financial debt instruments classified as financial assets at fair value through other comprehensive income.

	Group 2023 N$'000	Group 2022 N$'000	Company 2023 N$'000	Company 2022 N$'000
7.3 Other operating income				
Dividends received	**3 621**	1 971	**1 681**	957
Management fees received	**675**	784	**675**	784
Other*	**37 520**	32 541	**37 271**	32 332
	41 816	35 296	**39 627**	34 073
Total non-interest income	**1 380 295**	1 226 532	**1 366 733**	1 210 544
* Other operating income relates to rental income and sundry income.				
7.4 Types of revenue				
Fee and commission income	**1 175 357**	1 042 493	**1 163 984**	1 027 728
Net trading income	**163 122**	148 743	**163 122**	148 743
Other operating income	**38 195**	33 325	**37 946**	33 116
Revenue other than from contracts with customers	**3 621**	1 971	**1 681**	957
Total revenue	**1 380 295**	1 226 532	**1 366 733**	1 210 544
7.5 Disaggregation of revenue from contracts with customers				
a.) At a specific point in time				
Transaction and related fees	**1 119 095**	991 112	**1 112 506**	982 567
Commissions	**40 641**	38 398	**35 857**	32 178
Trust and other fiduciary fees	**15 621**	12 983	**15 621**	12 983
Management fees received	**675**	784	**675**	784
Other	**37 520**	32 541	**37 271**	32 332
	1 213 552	1 075 818	**1 201 930**	1 060 844

	Group		Company	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
b.) Over a period of time				
Net foreign exchange gains and losses from trading assets	**71 628**	72 369	**71 628**	72 369
Net gains from financial instruments at fair value through profit or loss	**92 081**	75 025	**92 081**	75 025
Net gains from financial instruments at fair value through other comprehensive income	**(587)**	1 349	**(587)**	1 349
Other	**3 621**	1 971	**1 681**	957
	166 743	150 714	**164 803**	149 700
Total	**1 380 295**	1 226 532	**1 366 733**	1 210 544

8. Staff costs

Wages and salaries	**902 459**	799 036	**886 308**	783 070
Share-based payment expense	**14 308**	7 341	**14 308**	7 341
Staff training and transfer costs	**14 964**	15 042	**14 916**	14 991
Pension costs - defined contribution plan	**49 108**	48 131	**47 997**	47 006
Severance pay liability (note 26.1)	**1 064**	2 359	**1 064**	2 359
	981 903	871 909	**964 593**	854 767

9. Operating expenses

Expenses by nature				
9.1 Normal operating expenses				
Advertising and marketing	**31 472**	27 013	**31 443**	26 986
Amortisation of intangible assets	**47 997**	42 162	**47 997**	42 162
Auditor's remuneration				
- Audit fees	**6 448**	5 512	**6 331**	5 400
- Fees for other services	**1 643**	400	**1 643**	400
Directors' emoluments				
- Non-executive directors	**6 333**	4 248	**6 333**	4 248
Depreciation of property and equipment	**116 893**	108 236	**115 931**	107 274
Insurance costs	**22 823**	18 510	**22 823**	18 510
Intragroup consultancy and management fees	**55 129**	46 216	**55 129**	46 216
Loss on disposal of property and equipment	**4 088**	2 602	**4 088**	2 483
Motor vehicle costs	**3 370**	2 665	**3 343**	2 643
Office expenses	**6 165**	5 612	**6 085**	5 537
Operating lease rentals - immovable property	**12 203**	11 346	**11 669**	11 475
Other expenses	**40 779**	27 910	**40 216**	27 844
Professional services	**39 395**	29 830	**39 395**	29 830
Property in possession	**16 491**	11 083	**16 491**	11 083
Repairs and maintenance	**21 062**	16 018	**21 050**	15 996
Staff costs (note 8)	**981 903**	871 909	**964 593**	854 767
Security expenses	**16 439**	15 481	**16 439**	15 479
Stamp duty	**16 673**	21 560	**16 669**	21 557
Stationery and printing	**12 084**	10 844	**11 950**	10 743
Subscription fees	**11 690**	10 537	**11 479**	10 298
Technology costs	**103 578**	98 880	**103 578**	98 880
Telephone, postage and courier costs	**11 389**	11 598	**11 331**	11 519
Travelling	**4 746**	3 310	**4 738**	3 306
Valuation fees	**12 475**	10 470	**12 484**	10 470
Water and electricity	**20 682**	19 453	**20 675**	19 353
	1 623 950	1 433 405	**1 603 903**	1 414 459

	Group		Company	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
9.2 Fee and commission expenses				
Association transaction fees	**174 926**	137 099	**174 926**	137 099
Cash handling fees	**11 725**	12 112	**11 725**	12 112
Commission	**13 286**	11 853	**12 756**	11 329
	199 937	161 064	**199 407**	160 540
Total operating expenses	**1 823 887**	1 594 469	**1 803 310**	1 574 999

Research and development costs of N$1 205 352 (2022: N$518 288) are included in operating expenses above.

10. Income tax expense

	Group 2023	Group 2022	Company 2023	Company 2022
Normal tax on profit or loss				
Current tax through profit or loss	**478 641**	329 194	**458 215**	314 040
- current year	**478 641**	329 194	**458 215**	314 040
Deferred tax	**(29 565)**	16 986	**(27 068)**	18 226
- current year	**(29 565)**	16 986	**(27 068)**	18 226
	449 076	346 180	**431 147**	332 266
Normal tax on other comprehensive income				
Current tax through other comprehensive income	**7 906**	(8 535)	**7 906**	(8 535)
- changes in fair value of debt instruments	**7 722**	(8 510)	**7 722**	(8 510)
- changes in fair value of equity instruments	**184**	(25)	**184**	(25)
Total income tax expense	**456 982**	337 645	**439 053**	323 731
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	**1 539 715**	1 159 378	**1 482 726**	1 115 860
Other comprehensive income	**24 706**	(26 673)	**24 706**	(26 673)
	1 564 421	1 132 705	**1 507 432**	1 089 187
Tax at the applicable tax rate of 32% (2022: 32%)	**500 615**	362 466	**482 378**	348 540
Dividends	**(36 009)**	(25 736)	**(35 388)**	(25 412)
Fair value adjustment on interest-free staff loans	**(410)**	918	**(410)**	918
Fair value adjustment on investments	**(1 830)**	(417)	**(1 830)**	(417)
Non-deductible expenses (donations)	**1 336**	414	**1 023**	102
Deferred tax correction	**(6 720)**	-	**(6 720)**	-
Income tax expense	**456 982**	337 645	**439 053**	323 731
Effective tax rate	**29 68%**	29 12%	**29 61%**	29 01%

11. Cash and cash equivalents

	Group		Company	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Cash balances	**395 459**	354 104	**395 459**	354 104
Due from other banks	**2 477 411**	941 936	**2 477 411**	941 936
Reverse repurchase agreements	**-**	668 202	**-**	668 202
Balances with the central bank other than mandatory reserve deposits	**278 319**	1 477 674	**278 319**	1 477 674
Mandatory reserve deposits with the central bank	**418 079**	384 400	**418 079**	384 400
	3 569 268	3 826 316	**3 569 268**	3 826 316

Mandatory reserve deposits held at the central bank is subject to restrictions and limitations, but is available for use by the group and company. 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 2023 N$'000	Group 2022 N$'000	Company 2023 N$'000	Company 2022 N$'000
Assets				
Interest rate swaps	**25 312**	29 100	**25 312**	29 100
OTC currency options	**12 142**	-	**12 142**	-
	37 454	29 100	**37 454**	29 100
Liabilities				
Interest rate swaps	**(1 489)**	(1 340)	**(1 489)**	(1 340)
OTC currency options	**(12 752)**	-	**(12 752)**	-
	(14 241)	(1 340)	**(14 241)**	(1 340)
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 2023 was N$637.7 million (2022: N$537.7 million).				
Current	**5 105**	-	**5 105**	-
Non-current	**18 108**	27 760	**18 108**	27 760
Net derivative asset	**23 213**	27 760	**23 213**	27 760

13. Financial assets

	Group 2023 N$'000	Group 2022 N$'000	Company 2023 N$'000	Company 2022 N$'000
Financial assets at fair value through profit or loss				
Investment in Capricorn Group	**42 531**	23 930	**42 531**	23 930
Unit trust investments	**1 693 564**	1 559 623	**1 661 431**	1 529 430
	1 736 095	1 583 553	**1 703 962**	1 553 360
Current	**1 736 095**	1 583 553	**1 703 962**	1 553 360
	1 736 095	1 583 553	**1 703 962**	1 553 360
Unit trust investments are unlisted. The investment in Capricorn Group comprises listed equity instruments held in a representative capacity in terms of section 45(2) of the Companies Act on behalf of recipients of unvested LTI-awards (long-term incentives), the liability for which is included under "employee liabilities" (refer note 24).				
Financial assets at amortised cost				
Treasury bills	**42 143**	18 645	**42 143**	18 645
Government stock	**768 492**	749 090	**768 492**	749 090
Gross financial assets at amortised cost	**810 635**	767 735	**810 635**	767 735
Less expected credit loss allowance	**(2 225)**	(4 244)	**(2 225)**	(4 244)
Net financial assets at amortised cost	**808 410**	763 491	**808 410**	763 491
Current	**140 177**	18 645	**140 177**	18 645
Non-current	**670 458**	749 090	**670 458**	749 090
Gross financial assets at amortised cost	**810 635**	767 735	**810 635**	767 735

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 gains from financial instruments at fair value through profit or loss' in the statement of comprehensive income (note 7.2).

14. Financial assets at fair value through other comprehensive income

	Group		Company	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Debt instruments				
Treasury bills	**4 278 454**	3 830 963	**4 278 454**	3 830 963
Government stock	**528 708**	532 414	**528 708**	532 414
Exchange traded funds[2]	**71 290**	62 346	**71 290**	62 346
Corporate bonds	**4 016**	3 914	**4 016**	3 914
Equity instruments - securities				
Investment securities[1]	**33 135**	1 060	**33 135**	1 060
	4 915 603	4 430 697	**4 915 603**	4 430 697
Current	**4 683 144**	3 918 644	**4 683 144**	3 918 644
Non-current	**232 459**	512 053	**232 459**	512 053
Total	**4 915 603**	4 430 697	**4 915 603**	4 430 697
Amounts recognised in other comprehensive income				
During the year under review, the following losses were recognised in other comprehensive income:				
Changes in the fair value of debt instruments at fair value through other comprehensive income	**24 130**	(26 594)	**24 130**	(26 594)
Changes in the fair value of equity instruments at fair value through other comprehensive income	**576**	(79)	**576**	(79)
	24 706	(26 673)	**24 706**	(26 673)
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: 13 035 shares in Dundee Precious Metals Inc and 28 308 shares in China Africa Resources Plc. No dividends were received during the year under review (2022: Nil).				
[2] During the period under review, the bank held 3 726 625 units of exchange traded funds, with no further additions or disposals.				
The following represents the amortised cost of instruments where this differs from the fair value:				
Treasury bills	**4 265 330**	3 834 726	**4 265 330**	3 834 726
Government stock	**526 741**	557 125	**526 741**	557 125
Corporate bonds	**3 921**	4 009	**3 921**	4 009
Treasury bills with a nominal value of N$750 million (2022: N$850 million) are available at the Bank of Namibia for collateral should the need arise for short term commitments on the interbank system. At year-end, there were no treasury bills utilised for security purposes (2022: Nil). At 30 June 2023, Bank Windhoek received no treasury bills (2022:, N$695 million) for collateral relating to reverse repurchase agreements.				

15. Loans and advances to customers

	Group		Company	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Overdrafts	**5 117 908**	5 318 385	**5 117 879**	5 318 316
Term loans	**10 233 613**	10 254 911	**9 614 162**	9 638 533
Mortgages	**17 905 053**	17 400 624	**17 905 053**	17 400 624
- Residential mortgages	**11 816 700**	11 334 653	**11 816 700**	11 334 653
- Commercial mortgages	**6 088 353**	6 065 971	**6 088 353**	6 065 971
Credit cards	**86 945**	68 494	**86 945**	68 494
Instalment finance	**3 761 176**	3 277 067	**3 761 176**	3 277 067
Preference shares	**220 090**	230 449	**220 090**	230 449
Gross loans and advances	**37 324 785**	36 549 930	**36 705 305**	35 933 483
Effective interest rate impact per IFRS 9 (deferment of loan admin fees)	**(141 625)**	(134 716)	**(131 275)**	(123 976)
Gross loans and advances after effective interest rate impact	**37 183 160**	36 415 214	**36 574 030**	35 809 507
Less impairment				
Stage 1 impairment	**(105 633)**	(98 935)	**(95 456)**	(87 235)
- Included in the stage 1 impairment Off balance sheet exposure impairment	**(3 746)**	(2 459)	**(3 746)**	(2 459)
Stage 2 impairment	**(316 246)**	(287 241)	**(300 219)**	(283 695)
Stage 3 impairment	**(934 848)**	(871 282)	**(927 887)**	(866 832)
	35 826 433	35 157 756	**35 250 468**	34 571 745
Movement in impairment on loans and advances to customers is as follows for the group and company:				
Balance at the beginning of the year	**1 257 458**	1 078 327	**1 237 762**	1 059 957
Provision for loan impairment	**193 788**	267 233	**168 162**	254 439
Amounts written off during the year as uncollectible	**(94 519)**	(88 102)	**(82 362)**	(76 634)
Balance at the end of the year	**1 356 727**	1 257 458	**1 323 562**	1 237 762

Group	Overdrafts - credit cards and cheques	Preference shares and guarantees	Term loans	Mortgages	Instalment finance	Total
	N$000	N$000	N$000	N$000	N$000	N$000
Year-end - 30 June 2023						
Balance at the beginning of the year	**395 064**	**3 097**	**429 197**	**388 032**	**42 068**	**1 257 458**
Stage 1	**30 070**	**3 097**	**34 883**	**21 732**	**9 153**	**98 935**
Stage 2	**65 287**	**-**	**161 127**	**54 346**	**6 481**	**287 241**
Stage 3	**299 707**	**-**	**233 187**	**311 954**	**26 434**	**871 282**
Loan impairments	**48 651**	**1 250**	**212 942**	**(82 043)**	**12 987**	**193 787**
Amounts written off during the year as uncollectible	**(37 030)**	**-**	**(28 624)**	**(25 295)**	**(3 569)**	**(94 518)**
Balance at the end of the year	**406 685**	**4 347**	**613 515**	**280 694**	**51 486**	**1 356 727**
Stage 1	**29 780**	**4 347**	**41 223**	**20 645**	**9 638**	**105 633**
Stage 2	**79 827**	**-**	**192 283**	**35 533**	**8 603**	**316 246**
Stage 3	**297 078**	**-**	**380 009**	**224 516**	**33 245**	**934 848**
Year-end - 30 June 2022						
Balance at the beginning of the year	341 934	1 467	269 471	410 762	54 693	1 078 327
Stage 1	26 563	1 467	28 754	29 106	8 372	94 262
Stage 2	76 136	-	35 938	69 431	10 046	191 551
Stage 3	239 235	-	204 779	312 225	36 275	792 514
Loan impairments	80 970	1 630	185 951	4 419	(5 737)	267 233
Amounts written off during the year as uncollectible	(27 840)	-	(26 225)	(27 149)	(6 888)	(88 102)
Balance at the end of the year	395 064	3 097	429 197	388 032	42 068	1 257 458
Stage 1	30 070	3 097	34 883	21 732	9 153	98 935
Stage 2	65 287	-	161 127	54 346	6 481	287 241
Stage 3	299 707	-	233 187	311 954	26 434	871 282

	Group		Group	
	2023		2022	
	N$'000	%	N$'000	%
Maturity analysis (contractual) of gross loans and advances to customers for the group were as follows:				
Repayable within 1 month	**4 740 807**	**12.7**	4 906 662	13.4
Repayable after 1 month but within 3 months	**9 609**	**0.0**	413 996	1.1
Repayable after 3 months but within 6 months	**5 472**	**0.0**	198 131	0.5
Repayable after 6 months but within 12 months	**53 601**	**0.1**	567 275	1.6
Repayable after 1 year but within 5 years	**9 096 062**	**24.4**	11 537 456	31.6
Repayable after 5 year but within 10 years	**7 654 877**	**20.5**	5 525 053	15.1
Repayable after 10 years	**15 764 357**	**42.3**	13 401 357	36.7
	37 324 785	**100.0**	36 549 930	100.0

	Group		Company	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Exposure of non-performing loans				
Non-performing loans	**1 598 057**	1 719 112	**1 589 714**	1 714 635
Interest recognised on these loans (interest in suspense)	**286 248**	244 464	**286 248**	244 464
Non-performing loans inclusive of interest	**1 884 305**	1 963 576	**1 875 962**	1 959 099

	Group		Company	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
The loans and advances to customers include active instalment finance receivables which are analysed as follows:				
Repayable within 1 year	**1 473 708**	22 245	**1 473 708**	22 245
Repayable after 1 year but within 2 years	**972 825**	455 234	**972 825**	455 234
Repayable after 2 years but within 3 years	**765 458**	707 159	**765 458**	707 159
Repayable after 3 years but within 4 years	**531 281**	691 628	**531 281**	691 628
Repayable after 4 years but within 5 years	**263 875**	1 235 184	**263 875**	1 235 184
Repayable after 5 years	**84 815**	249 656	**84 815**	249 656
Gross investment in instalment finances	**4 091 962**	3 361 106	**4 091 962**	3 361 106
Unearned future finance income on instalment finances	**(404 343)**	(141 852)	**(404 343)**	(141 852)
Net investment in instalment finances	**3 687 619**	3 219 254	**3 687 619**	3 219 254

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

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

Bank Windhoek Ltd has a share purchase scheme in which it has a mechanism to allow employees to purchase shares in Capricorn Group at a value that approximate fair value at the date of sale of shares. The shares are sold via an interest-free loan provided by Bank Windhoek Ltd. Such loans are full recourse loans and if not repaid, Bank Windhoek Ltd 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$20.8 million (2022: N$23.4 million) relating to abovementioned scheme. The movements on these staff loans were as follows:

	Group	
	2023	2022
	N$'000	N$'000
Opening balance	**23 424**	32 992
New loans advanced during the year	**8 588**	5 593
Loans redeemed during the year	**(5 289)**	(11 292)
Staff costs (adjustment to fair value)	**(7 900)**	(6 620)
Effective interest charged	**1 977**	2 751
Closing balance	**20 800**	23 424

16. Other assets

	Group		Company	
	2023	2022	2023	2022
	N$'000	N$'000	N$'000	N$'000
Financial other assets	**218 158**	167 970	**218 158**	167 970
Insurance fund asset*	**61 506**	57 991	**61 506**	57 991
Accounts receivable	**30 287**	31 922	**30 287**	31 922
Clearing, settlement and internal accounts	**126 365**	78 057	**126 365**	78 057
Non-financial other assets	**203 505**	210 825	**203 505**	210 825
Prepayments	**53 989**	54 020	**53 989**	54 020
Stock and property in possession	**149 516**	156 805	**149 516**	156 805
	421 663	378 795	**421 663**	378 795
Current	**354 459**	320 804	**354 459**	320 804
Non-current	**67 204**	57 991	**67 204**	57 991
	421 663	378 795	**421 663**	378 795

Refer to note 3.2.6 for credit quality disclosure of financial instruments included in other assets.

* Insurance fund asset pertains to a fund held in Santam for self insurance against risks not covered by insurance policies, more specifically for the excess on insurance. A cash balance is held and interest is earned and capitalised on the balance. The fund is not subject to any IFRS 4 reserving disclosure.

17. 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 2023 N$'000	Shares at cost 2022 N$'000	Indebtedness to / (from) subsidiaries 2023 N$'000	Indebtedness to / (from) subsidiaries 2022 N$'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 and share premium	362 970 100	**363 000**	363 000	**27 573**	72 183
- Proportion held	100%				
Bank Windhoek Properties (Pty) Ltd					
- Issued ordinary share capital	1 000	**19 799**	19 799	**(3 566)**	(2 948)
- Proportion held	100%				
Bank Windhoek EasyWallet Accounts Trust					
- Issued trust capital	100	**0.1**	0.1	**(16 097)**	(10 659)
- Proportion held	100%				
Grape Orchard Company (Pty) Ltd					
- Issued ordinary share capital and share premium	3 221 700	**0.1**	-	**-**	-
- Proportion held	100%				

	Aggregate income / (loss) of subsidiaries (before tax) 2023 N$'000	Aggregate income / (loss) of subsidiaries (before tax) 2022 N$'000	Total investment 2023 N$'000	Total investment 2022 N$'000
Bank Windhoek Ltd subsidiaries				
Bank Windhoek Nominees (Pty) Ltd	**-**	-	**0.1**	0.1
BW Finance (Pty) Ltd	**55 119**	42 566	**363 000**	363 000
Bank Windhoek Properties (Pty) Ltd	**(7 297)**	0.9	**19 799**	19 799
Bank Windhoek EasyWallet Accounts Trust	**1 542**	1	**0.1**	0.1
Grape Orchard Company (Pty) Ltd	**-**	-	**0.1**	-
	49 364	42 568	**382 799**	382 799

The company's interest in the aggregate profit before taxation earned of subsidiaries amounted to N$56.7 million (2022: N$42.6 million) and the aggregate loss before taxation of subsidiaries amounted to N$7.3 million (2022:, Nil) for the year. No dividends were declared for the year (2022: 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	2023 N$'000	2022 N$'000
Shares at cost	**382 799**	382 799
Indebtedness	**7 910**	58 576
	390 709	441 375
The indebtedness shown above has the following terms*:		
Interest bearing at prime plus 2% (2022:, prime plus 2), with no fixed repayment terms	**27 573**	72 183
Interest-free and callable on demand with no fixed repayment terms	**(19 663)**	(13 607)
	7 910	58 576

* No expected credit losses raised on intergroup indebtedness.

The carrying value of the loan approximates the fair value.

Refer to note 34 for related party transactions and balances with subsidiaries.

18. Intangible assets

Group	Intangible assets in development	Internally generated software	Total
	N$'000	N$'000	N$'000
Year-end - 30 June 2023			
Cost			
Cost at 1 July 2022	**177 694**	**290 490**	**468 184**
Transfers	**(46 167)**	**45 704**	**(463)**
Additions	**119 668**	**57**	**119 725**
Disposals	**–**	**(11 877)**	**(11 877)**
Cost at 30 June 2023	**251 195**	**324 374**	**575 569**
Amortisation			
Accumulated amortisation at 1 July 2022	**–**	**(182 317)**	**(182 317)**
Charge for the year	**–**	**(47 997)**	**(47 997)**
Disposals	**–**	**9 450**	**9 450**
Accumulated amortisation at 30 June 2023	**–**	**(220 864)**	**(220 864)**
Net book value at 30 June 2023	**251 195**	**103 510**	**354 705**
Year-end - 30 June 2022			
Cost			
Cost at 1 July 2021	68 082	276 010	344 092
Transfers	(24 094)	14 480	(9 614)
Additions	133 706	–	133 706
Cost at 30 June 2022	177 694	290 490	468 184
Amortisation			
Accumulated amortisation at 1 July 2021	–	(140 155)	(140 155)
Charge for the year	–	(42 162)	(42 162)
Accumulated amortisation at 30 June 2022	–	(182 317)	(182 317)
Net book value at 30 June 2022	177 694	108 173	285 867

All intangible assets are held by the group and company, and all are classified as non-current assets. No assets were encumbered at 30 June 2023 nor 30 June 2022.

No borrowing costs were capitalised during the year under review (2022: nil).

19. Property and equipment

Group	Freehold land and buildings N$'000	Computer and other equipment N$'000	Vehicles N$'000	Furniture, fittings and other office equipment N$'000	Right-of-use asset N$'000	Total N$'000
Year-end - 30 June 2023						
Cost						
Cost at 1 July 2022	**52 817**	**398 312**	**25 276**	**239 771**	**264 241**	**980 417**
Additions	**50 811**	**46 545**	**942**	**1 741**	**60 621**	**160 660**
Transfers*	**(34 738)**	**13 153**	**-**	**22 048**	**-**	**463**
Disposals	**-**	**(26 872)**	**-**	**(5 728)**	**(56 289)**	**(88 889)**
Cost at 30 June 2023	**68 890**	**431 138**	**26 218**	**257 832**	**268 573**	**1 052 651**
Depreciation						
Accumulated depreciation at 1 July 2022	**(21 781)**	**(282 412)**	**(12 465)**	**(136 723)**	**(117 649)**	**(571 030)**
Charge for the year	**(1 361)**	**(48 069)**	**(1 761)**	**(20 730)**	**(55 311)**	**(127 232)**
Depreciation on useful lives review	**-**	**7 160**	**700**	**2 479**	**-**	**10 339**
Depreciation on disposals	**-**	**26 439**	**-**	**4 439**	**50 843**	**81 721**
Accumulated depreciation at 30 June 2023	**(23 142)**	**(296 882)**	**(13 526)**	**(150 535)**	**(122 117)**	**(606 202)**
Net book value at 30 June 2023	**45 748**	**134 256**	**12 692**	**107 297**	**146 456**	**446 449**
Year-end - 30 June 2022						
Cost						
Cost at 1 July 2021	52 481	348 318	26 216	224 791	311 655	963 461
Additions	42 003	24 391	248	1 341	28 875	96 858
Transfers*	(41 667)	28 051	-	23 230	-	9 614
Disposals	-	(2 448)	(1 188)	(9 591)	(76 289)	(89 516)
Cost at 30 June 2022	52 817	398 312	25 276	239 771	264 241	980 417
Depreciation						
Accumulated depreciation at 1 July 2021	(20 420)	(249 932)	(11 790)	(127 022)	(126 710)	(535 874)
Charge for the year	(1 361)	(41 219)	(1 956)	(18 804)	(53 683)	(117 023)
Depreciation on useful lives review	-	6 412	586	1 789	-	8 787
Depreciation on disposals	-	2 327	695	7 314	62 744	73 080
Accumulated depreciation at 30 June 2022	(21 781)	(282 412)	(12 465)	(136 723)	(117 649)	(571 030)
Net book value at 30 June 2022	31 036	115 900	12 811	103 048	146 592	409 387

*The transfers represent capitalisations from assets under construction to their respective asset classes when the recognition criteria for creating an asset have been met. Transfers can also occur between asset classes, especially concerning computer equipment, as this asset class includes both intangible assets and tangible assets for assets under construction. Please note that the movements for land and buildings represent both acquired additions and the capitalisations of assets under construction.

Details regarding the fixed properties are available to shareholders at the registered office of the group and company. All property and equipment are owned by the company other than land and building with a cost of N$26.2 million (2022: 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 2023 is N$11.3 million (2022: N$12.2 million).

Included in freehold land and buildings is land to the value of N$4.8 million (2022: N$4.8 million).

The gross carrying amount of fully depreciated assets included in property and equipment is N$11.4 million (2022: N$17.2 million).

The useful lives of buildings were reviewed during June 2023 and the expectations differ from previous estimated, thus the change is accounted for as a change in estimates under IAS 8. Refer to note 1.3.1(a) for further disclosures.

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 and company. 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 2023 nor 30 June 2022. All property and equipment are classified as non-current assets.

20. Due to other banks

	Group		Company	
	2023	2022	2023	2022
	N$000	N$000	N$000	N$000
Current accounts	**609 543**	707 602	**609 543**	707 602
	609 543	707 602	**609 543**	707 602
Current	**609 543**	707 602	**609 543**	707 602
	609 543	707 602	**609 543**	707 602

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

21. Other borrowings

Balance as at 1 July	**162 075**	436 104	**162 075**	436 104
Additions	**81 659**	6 489	**81 659**	6 489
Repayment	**(31 286)**	(282 195)	**(31 286)**	(282 195)
Accrued interest and charges	**12 246**	24 847	**12 246**	24 847
Interest repaid	**(11 612)**	(23 170)	**(11 612)**	(23 170)
Balance as at 30 June	**213 082**	162 075	**213 082**	162 075
Current	**51 834**	31 286	**51 834**	31 286
Non-current	**161 248**	130 789	**161 248**	130 789
	213 082	162 075	**213 082**	162 075

Other borrowings consist of long-term funding with AFD (Agence Francaise de Developpement) and Bank of Namibia SME Scheme, of which N$31.3million (2022:, N$ 31.3 million) has been repaid to AFD during the financial year under review. The full outstanding amount of N$ 250.9 million due to IFC (International Finance Corporation) was repaid during the previous financial year.

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

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

22. Debt securities in issue

Balance as at 1 July	**4 056 586**	3 696 106	**4 056 586**	3 696 106
Redemptions	**(810 000)**	(186 000)	**(810 000)**	(186 000)
Additions	**200 000**	540 000	**200 000**	540 000
Effective interest	**285 473**	234 502	**285 473**	234 502
Coupon payments	**(285 007)**	(228 022)	**(285 007)**	(228 022)
Balance as at 30 June	**3 447 052**	4 056 586	**3 447 052**	4 056 586
Current	**1 488 010**	824 610	**1 488 010**	824 610
Non-current	**1 959 042**	3 231 976	**1 959 042**	3 231 976
	3 447 052	4 056 586	**3 447 052**	4 056 586

Debt instruments		Interest rate	Maturity date	Group 2023 N$000	Group 2022 N$000
Senior debt - unsecured					
BWFH22 fixed rate note	Note 2	9.50%	18-Aug-22	-	284 639
BWJH22 floating rate note	Note 1	3m JIBAR + 195bps	18-Aug-22	-	136 071
BWFK22 fixed rate note	Note 4	9.98%	21-Nov-22	-	247 724
BWJK22 floating rate note	Note 1	3m JIBAR + 187bps	21-Nov-22	-	156 176
BWZJ23 floating rate note	Note 1	3m JIBAR + 190bps	19-Nov-23	**344 002**	342 574
BWFI23 fixed rate note	Note 3	8.72%	29-Sep-23	**48 822**	48 802
BWJI24 floating rate note	Note 1	3m JIBAR + 150bps	30-Sep-24	**252 284**	125 289
BWJ1E27 floating rate note	Note 1	3m JIBAR + 215bps	19-May-27	**506 033**	503 932
BWJ2E27 floating rate note	Note 1	3m JIBAR	19-May-27	**302 860**	301 598
BWFL23 fixed rate note	Note 5	5.06%	04-Dec-23	**150 234**	149 441
BWJL23 floating rate note	Note 1	3m JIBAR + 95bps	04-Dec-23	**444 664**	442 552
BWZJ24 floating rate note	Note 1	3m JIBAR + 200bps	29-Mar-24	**500 287**	500 192
BWJL25 floating rate note	Note 1	3m JIBAR + 116bps	02-Dec-25	**152 896**	75 361
BWZJ25 floating rate note	Note 1	3m JIBAR + 200bps	11-Feb-25	**334 619**	332 982
BWJF26S floating rate note	Note 1	3m JIBAR + 150bps	02-Jun-26	**410 351**	409 253
Total debt instruments in issue at the end of the year				**3 447 052**	4 056 586
Listed debt securities				**3 447 052**	4 056 586
				3 447 052	4 056 586

Note 1: Interest is paid quarterly.
Note 2: Interest is paid semi-annually on 25 April and 25 October.
Note 3: Interest is paid semi-annually on 30 March and 30 September.
Note 4: Interest is paid semi-annually on 21 May and 21 November.
Note 5: Interest is paid semi-annually on 2 June and 2 December.

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 senior debt with a combined nominal value of N$ 3.4 billion (2022: N$ 4.0 billion).

23. Deposits

	Group		Company	
	2023	2022	2023	2022
	N$000	N$000	N$000	N$000
Current accounts	**11 221 599**	9 623 334	**11 180 114**	9 583 795
Credit cards	**39 399**	20 547	**39 399**	20 547
Savings accounts	**1 573 192**	1 471 368	**1 573 192**	1 471 368
Demand deposits	**5 363 340**	5 488 319	**5 363 340**	5 488 319
Term and notice deposits	**7 727 363**	8 592 839	**7 727 363**	8 592 839
Negotiable certificates of deposits (NCDs)	**8 983 152**	9 264 734	**8 983 152**	9 264 734
Other deposits	**1 656 830**	1 060 816	**1 656 830**	1 060 816
	36 564 875	35 521 957	**36 523 390**	35 482 418

	Group			
	2023		2022	
	N$000	%	N$000	%
Maturity analysis within the customer current, savings, deposit account portfolio for the group were as follows:				
Withdrawable on demand	**18 197 529**	**49.8**	16 603 568	46.7
Maturing within 1 month	**3 190 410**	**8.7**	2 866 077	8.1
Maturing after 1 month but within 6 months	**5 413 115**	**14.8**	4 782 755	13.5
Maturing after 6 months but within 12 months	**5 084 316**	**13.9**	6 468 967	18.2
Maturing after 12 months	**4 679 505**	**12.8**	4 800 590	13.5
	36 564 875	**100.0**	35 521 957	100.0

24. Other liabilities

	Group		Company	
	2023	2022	2023	2022
	N$000	N$000	N$000	N$000
Financial other liabilities	**414 606**	429 328	**414 518**	429 225
Accounts payable and other accruals	**41 893**	37 974	**41 893**	37 974
Accruals #	**77 608**	76 947	**77 520**	76 844
Lease liability - refer to 24.1	**166 684**	165 025	**166 684**	165 025
Clearing, settlement and internal accounts	**128 421**	149 382	**128 421**	149 382
Non-financial other liabilities	**287 310**	184 164	**287 310**	184 164
Other taxes *	**22 155**	17 283	**22 155**	17 283
Employee liabilities	**265 155**	166 881	**265 155**	166 881
	701 916	613 492	**701 828**	613 389
Current	**587 894**	490 006	**587 806**	489 903
Non-current	**114 022**	123 486	**114 022**	123 486
	701 916	613 492	**701 828**	613 389

* Other taxes include VAT, stamp duties and withholding tax.

No material provisions as per IAS 37 included in this line item.

24.1 Lease liability

	Group		Company	
	2023	2022	2023	2022
	N$000	N$000	N$000	N$000
Maturity analysis - discounted cash flows				
- Within one year	**52 662**	41 539	**52 662**	41 539
- Later than one year but not later than five years	**92 598**	83 835	**92 598**	83 835
- Later than five years	**21 424**	39 651	**21 424**	39 651
Total discounted lease liabilities	**166 684**	165 025	**166 684**	165 025
Lease liabilities included in statement of financial position				
Current	**52 662**	41 539	**52 662**	41 539
Non-current	**114 022**	123 486	**114 022**	123 486
	166 684	165 025	**166 684**	165 025
The group and company leases various offices, parking, branches and houses.				
Maturity analysis - contractual undiscounted cash flows				
- Within one year	**60 716**	49 862	**60 716**	49 862
- Later than one year but not later than five years	**106 429**	100 850	**106 429**	100 850
- Later than five years	**22 290**	42 522	**22 290**	42 522
Total undiscounted lease liabilities	**189 435**	193 234	**189 435**	193 234
Amounts recognised in profit or loss				
Interest on lease liabilities	**9 122**	9 979	**9 122**	9 979
Expenses relating to short-term leases	**12 203**	11 346	**11 669**	11 346
	21 325	21 325	**20 791**	21 325
Amounts recognised in statement of cash flows				
Principal payments on lease liability	**59 493**	52 783	**59 493**	52 783
Interest rate sensitivities				
The following interest rate sensitivity is based on the effect of changes to the incremental borrowing rate over a twelve-month period on the interest expense on lease liabilities.				
100 basis points increase				
- Increase in interest expense on lease liabilities	**912**	998	**912**	998
100 basis points decrease				
- Decrease in interest expense on lease liabilities	**912**	998	**912**	998

25. Deferred and Current tax

	Group		Company	
	2023	2022	2023	2022
	N$000	N$000	N$000	N$000
Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 32% (2022: 32%).				
The movement on the deferred tax account is as follows:				
Deferred tax asset as at 1 July	**67 823**	84 809	**60 584**	78 810
Charge to profit or loss (note 10)	**29 565**	(16 986)	**27 068**	(18 226)
Deferred tax asset as at 30 June	**97 388**	67 823	**87 652**	60 584
Deferred tax assets and liabilities are attributable to the following items:				
Deferred tax liability				
Accelerated tax on depreciation and amortisation	**(69 918)**	(74 988)	**(69 918)**	(74 988)
Derivative financial instruments	**-**	(9 733)	**-**	(9 733)
Government stock and other securities	**(7 722)**	-	**(7 722)**	-
Prepaid expenses	**(17 277)**	(17 286)	**(17 277)**	(17 286)
	(94 917)	(102 007)	**(94 917)**	(102 007)
Deferred tax asset				
Accruals	**18 057**	15 182	**18 057**	15 182
Other provisions*	**18 295**	15 216	**18 160**	15 073
Unrealised foreign exchange losses	**7 590**	832	**7 590**	832
Loans and receivables	**147 105**	130 090	**137 504**	122 994
Government stock and other securities	**-**	8 510	**-**	8 510
Derivative financial instruments	**1 258**		**1 258**	
	192 305	169 830	**182 569**	162 592
Net deferred tax asset	**97 388**	67 824	**87 652**	60 585
Deferred tax liability				
Non-current	**(94 917)**	(102 007)	**(94 917)**	(102 007)
Deferred tax asset				
Non-current	**192 305**	169 831	**182 569**	162 592

Other provisions relate to the provision for leave and severance pay, as well as provisions for potential losses.

Deferred 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 tax assets and liabilities relates to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The movement on the current tax account is as follows:				
Current tax asset as at 1 July	**99 095**	111 026	**100 251**	111 583
Charge to profit or loss and OCI (note 10)	**(486 547)**	(320 659)	**(466 121)**	(305 505)
Payments made to NamRa	**484 405**	362 700	**464 103**	348 145
Refunds received from NamRa	**-**	(53 972)	**-**	(53 972)
Current tax asset as at 30 June	**96 953**	99 095	**98 233**	100 251

26. Post-employment benefits

26.1 Severance pay liability

A valuation was performed for 30 June 2022 by an independent actuary on the group and company's liability with respect to severance pay. The benefit is not funded.

	Group		Company	
	2023	2022	2023	2022
	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)	**17 061**	15 997	**17 061**	15 997
The movement in the severance pay obligation over the year is as follows:				
As at 1 July	**15 997**	13 638	**15 997**	13 638
Current service costs	**(481)**	1 428	**(481)**	1 428
Interest cost	**1 545**	931	**1 545**	931
As at 30 June	**17 061**	15 997	**17 061**	15 997
The amount recognised in the consolidated and separate statement of comprehensive income are as follows:				
Current service costs	**(481)**	1 428	**(481)**	1 428
Interest cost	**1 545**	931	**1 545**	931
	1 064	2 359	**1 064**	2 359
The principal actuarial assumptions used were as follows:	**%**	%	**%**	%
Discount rate	**9.80**	9.80	**9.80**	9.80
Inflation rate	**6.70**	6.70	**6.70**	6.70
Salary increases	**7.70**	7.70	**7.70**	7.70
The following sensitivity of the overall liability to changes in principal assumption is:				
Salary increase 1% lower per annum	**664**	664	**664**	664
Salary increase 1% higher per annum	**(732)**	(732)	**(732)**	(732)
Inflation increase 1% lower per annum	**893**	893	**893**	893
Inflation increase 1% higher per annum	**(808)**	(808)	**(808)**	(808)
Discount rate increase 1% lower per annum	**893**	893	**893**	893
Discount rate increase 1% higher per annum	**(808)**	(808)	**(808)**	(808)

26.2 Medical aid scheme

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

26.3 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, no 24 of 1956. The Act requires a registered fund to cause its financial conditions to be investigated and reported upon to NAMFISA by a valuator at least once every three years. The latest statutory actuarial valuation was carried out on 31 March 2022 and in the actuary's opinion the fund was in a sound financial position at that date. The valuation for 2023 is currently being prepared for submission to the regulator.

The group and company currently contributes 12% of basic salary to the fund whilst the members contribute 7.5%. Post-employment benefits are classified as non-current liabilities.

27. Share capital and premium

	Group		Company	
	2023	2022	2023	2022
	N$000	N$000	N$000	N$000
Authorised ordinary 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 (2022: 4 920 000). All issued shares are fully paid up.				
Authorised preference share capital				
Authorised, but unissued 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 expire at the forthcoming annual general meeting on 14 November 2023, when the authority can be renewed. Refer to the directors' report.

28. Share-based payments

The group and company 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.

The total expense for the share-based compensation plans included in the statement of comprehensive income is N$14.3 million in 2023 (2022: N$7.3 million). Refer to note 8.

Refer to note 24 for provision for share-based payment liability. Total liability as at 30 June 2023 is N$19.6 million (30 June 2022: N$11.3 million), of which SAR and CSP are N$0.9 million and N$18.7 million (30 June 2022: N$1.3 million and N$10.0 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 Ltd has an obligation to settle the SAR in cash.

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

	2023	2022
As at 30 June		
Opening Balance	**870**	835
Granted[1]	**-**	385
Vested	**(214)**	(240)
Forfeitures	**-**	(110)
Closing Balance	**656**	870

[1] Capricorn Group equivalent SAR.

SAR issued in September 2019 vested in September 2022 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	2023	2022
September 2019	September 2022	September 2024	**-**	214
September 2020	September 2023	September 2025	**317**	317
September 2021	September 2024	September 2026	**339**	339
September 2022	September 2025	September 2027	**-**	-
			656	870

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.

			2023	2022
As at 30 June				
Strike price (N$)			**10.75**	12.86
Spot price (N$)			**14.65**	13.30
Risk-free rate			**8.8% - 9.3%**	6.4% - 8.7%
Dividend yield			**4.5%**	4.0%
Volatility			**35%**	33%
Membership attrition			**6%**	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 Ltd has an obligation to settle the CSPs in cash. The CSPs are treated as cash-settled. Refer to note 8 for total expense recognised in profit or loss. Refer to note 24 for the share-based payment liability that has been raised.

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

			2023	2022
As at 30 June				
Opening balance			**1 405**	1 066
Granted[2]			**1 681**	735
Vested			**(368)**	(368)
Forfeited			**(37)**	(28)
Closing balance			**2 681**	1 405

[2] Capricorn Group equivalent CSPs.

CSP's outstanding ('000) at the end of the year have the following vesting dates:

Grant date	Vesting date	2023	2022
September 2019	September 2022	**-**	372
September 2020	September 2023	**398**	406
September 2021	September 2024	**614**	627
September 2022	September 2025	**1 669**	-
		2 681	1 405

The fair value of shares granted during the year was determined with reference to the listed share price at year-end date of N$14.65 (2022: N$13.30) and taking into account a membership attrition of 6% (2022: 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.

29. Non-distributable reserves

	Group		Company	
	2023	2022	2023	2022
	N$000	N$000	N$000	N$000
29.1 Credit risk reserve				
Balance at 1 July	**22 322**	153 159	**22 322**	153 159
Transfer to retained earnings	**(22 322)**	(130 837)	**(22 322)**	(130 837)
Balance as at 30 June	**–**	22 322	**–**	22 322
The regulatory credit risk reserve was introduced in order to meet the regulatory requirements for the loan loss portfolio impairment of Bank Windhoek Ltd.				
29.2 Insurance fund reserve				
Balance at 1 July	**57 991**	55 990	**57 991**	55 990
Transfer from general banking reserve	**3 515**	2 001	**3 515**	2 001
Balance as at 30 June	**61 506**	57 991	**61 506**	57 991
The insurance reserve was created to fund a portion of the regulatory requirement to hold a certain level of insurance specific for banking risk.				
29.3 Margin entitlement reserve				
Balance at 1 July	**57**	–	**57**	–
Transfer from retained earnings	**803**	57	**803**	57
Balance as at 30 June	**860**	57	**860**	57
The margin entitlement reserve is maintained for the SME scheme of Bank of Namibia.				
29.4 EasyWallet reserve				
Balance as at 1 July	**–**	–	**–**	–
Transfer from retained earnings	**2 980**	–	**–**	–
Balance as at 30 June	**2 980**	–	**–**	–
The EasyWallet reserve is maintained in terms of the PSD-3 bank of Namibia				
Total non-distributable reserves	**65 346**	80 370	**62 366**	80 370

30. Distributable reserves

	Group 2023 N$000	Group 2022 N$000	Company 2023 N$000	Company 2022 N$000
30.1 Fair value reserve				
Balance as at 1 July	**1 060**	1 139	**1 060**	1 139
Revaluation of equity instruments	**576**	(79)	**576**	(79)
Balance as at 30 June	**1 636**	1 060	**1 636**	1 060
The fair value reserve is the equity instruments held under other comprehensive income.				
30.2 General banking reserve				
Balance as at 1 July	**5 232 914**	4 613 200	**5 232 914**	4 613 200
Transfer from reserves	**765 207**	619 714	**765 207**	619 714
Transfer from retained earnings	**768 722**	621 715	**768 722**	621 715
Transfer to insurance fund reserves	**(3 515)**	(2 001)	**(3 515)**	(2 001)
Balance as at 30 June	**5 998 121**	5 232 914	**5 998 121**	5 232 914
The general banking reserve is maintained to fund future expansion.				
30.3 Retained earnings				
Balance as at 1 July	**153 488**	123 884	**–**	–
Comprehensive income for the year	**1 106 863**	795 139	**1 067 803**	765 535
Transfer to reserves	**(747 203)**	(490 935)	**(747 203)**	(490 935)
- Transfer from credit risk reserve	**22 322**	130 837	**22 322**	130 837
- Transfer to margin entitlement reserve	**(803)**	(57)	**(803)**	(57)
- Transfer to general banking reserve	**(768 722)**	(621 715)	**(768 722)**	(621 715)
Dividends declared	**(320 600)**	(274 600)	**(320 600)**	(274 600)
Balance as at 30 June	**192 548**	153 488	**–**	–
Total distributable reserves	**6 192 305**	5 387 462	**5 999 757**	5 233 974

31. Dividends per share

During the year under review, dividends of 6516.3 cents per share (2022: 5581.3 cents per share) amounting to a total of N$320.6 million (2022: N$274.6 million) were declared and paid by the company.

	Group		Company	
	2023	2022	2023	2022
	N$000	N$000	N$000	N$000
Dividends declared during the year	**320 600**	274 600	**320 600**	274 600
Dividends paid during the year	**(320 600)**	(274 600)	**(320 600)**	(274 600)

32. Statement of cash flows disclosure information

	Group		Company	
	2023	2022	2023	2022
	N$000	N$000	N$000	N$000
32.1 Receipts from customers				
Interest receipts	**4 404 311**	3 270 634	**4 316 003**	3 210 363
Commission and fee receipts	**1 175 357**	1 042 493	**1 163 984**	1 027 728
Other income received	**246 944**	254 614	**246 695**	254 404
	5 826 612	4 567 741	**5 726 682**	4 492 495
32.2 Payments to customers, suppliers and employees				
Interest payments	**(2 203 896)**	(1 362 596)	**(2 203 896)**	(1 362 596)
Cash payments to employees and suppliers	**(1 642 319)**	(1 432 113)	**(1 622 704)**	(1 413 604)
	(3 846 215)	(2 794 709)	**(3 826 600)**	(2 776 200)
32.3 Cash generated from operations				
Profit before income tax	**1 539 715**	1 159 378	**1 482 726**	1 115 860
Dividends received	**(3 621)**	(1 971)	**(1 681)**	(957)
Adjusted for non-cash items:				
- Effective interest on debt securities	**466**	6 480	**466**	6 480
- Effective interest on deposits	**12 028**	32 634	**12 028**	32 634
- Effective interest on other borrowings	**635**	1 677	**635**	1 677
- Dividends capitalised to unit trust investments	**(91 884)**	(53 411)	**(91 884)**	(53 411)
- Net exchange differences on unit trust investments	**(44 094)**	(28 036)	**(44 094)**	(28 036)
- Interest receivable	**(3 516)**	(2 001)	**(3 516)**	(2 001)
- Adjustment to fair value of financial instruments	**(11 248)**	(5 702)	**(11 248)**	(5 702)
- Amortisation of intangible assets	**47 997**	42 162	**47 997**	42 162
- Depreciation of property and equipment	**120 089**	107 623	**119 128**	106 661
- Effective interest rate adjustment on loan initiation fees	**6 909**	14 772	**7 298**	13 513
- Fair value adjustment on interest free staff loans	**(1 280)**	2 870	**(1 280)**	2 870
- Net exchange differences	**190 521**	156 805	**190 521**	156 805
- Loss on disposal of property and equipment	**1 722**	2 891	**1 722**	2 891
- Share based payment expense	**14 308**	7 341	**14 308**	7 341
- Credit impairment losses	**200 586**	327 161	**175 892**	315 149
- Provision for post-employment benefits	**1 064**	2 359	**1 064**	2 359
	1 980 397	1 773 032	**1 900 082**	1 716 295
32.4 Income taxes paid				
Amounts receivable as at 1 July	**99 095**	111 026	**100 251**	111 583
Current tax charged to profit or loss	**(486 547)**	(320 659)	**(466 120)**	(305 505)
Refunds received	**-**	(53 972)	**-**	(53 972)
Amounts receivable as at 30 June	**(96 953)**	(99 095)	**(98 233)**	(100 251)
Net of income tax paid	**(484 405)**	(362 700)	**(464 102)**	(348 145)

33. Contingent assets, liabilities and commitments

	Group		Company	
	2023	2022	2023	2022
	N$000	N$000	N$000	N$000
33.1 Capital commitments				
Authorised but not contracted for:				
Property and equipment	**191 599**	21 920	**191 599**	21 920
Intangible assets	**208 067**	144 260	**208 067**	144 260
	399 666	166 180	**399 666**	166 180
Funds to meet these commitments will be provided from own resources.				
33.2 Letters of credit	**605 288**	109 074	**605 288**	109 074
33.3 Liabilities under guarantee	**2 003 498**	2 005 067	**2 003 498**	2 005 067
Guarantees mainly consist of endorsements and financial guarantees.				
33.4 Loan commitments (undrawn)	**2 948 866**	2 808 400	**2 948 866**	2 808 400
33.5 Operating lease commitments				
Office premises				
- Not later than 1 year	**438**	385	**438**	385
	438	385	**438**	385

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

33.6 Pending litigations

There are a few pending legal or potential claims against the group and company, the outcome of which cannot at present be foreseen. These claims are not regarded as material, either on an individual or group basis. Any material pending litigations that has a material effect has been provided for accordingly.

33.7 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 Capricorn 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.

34. Related parties

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

i. the parent company;
ii. subsidiaries;
iii. associate companies;
iv. entities that have significant influence over the group and company. If an investor has significant influence over the group and company, that investor and its subsidiaries are related parties of the group and company. The group is Bank Windhoek Ltd and its subsidiaries;
v. post-retirement benefit funds (pension fund);
vi. key management personnel being the Capricorn Group Ltd and Capricorn Investment Holdings Ltd board of directors and the group and company'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 Ltd. Capricorn Group Ltd is listed on the Namibian Stock Exchange and is 44.4% (2022: 43.1%) owned by Capricorn Investment Holdings Ltd and is 26.8% (2022: 26.3%) owned by the Government Institutions Pension Fund (GIPF), its non-listed major shareholders which are incorporated in Namibia.

Details of subsidiaries are disclosed in note 17.

Some 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 (2022: 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 Ltd	Support services Banking relationships
Government Institutions Pension Fund	Major shareholder of Capricorn Group Ltd	Banking relationships
Capricorn 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
Grape Orchard Farming (Pty) Ltd (previously Capricorn Mobile (Pty) Ltd)	Fellow subsidiary	Support services Banking relationship
Capricorn Group (Pty) Ltd	Fellow subsidiary	Support services
Capricorn Unit Trust Management Company Ltd	Fellow subsidiary	Guarantee fee 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
Bank Windhoek EasyWallet Trust	Subsidiary	Support services Banking relationship
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
Paratus Group Holdings Ltd	Associate of parent company	Banking relationship
Paratus Telecommunications (Pty) Ltd	Associate of parent company	Banking relationship
Paratus Namibia Holdings Ltd	Associate of parent company	Banking relationship
Santam Namibia Ltd	Associate of parent company	Insurance relationship Banking relationship
Sanlam Namibia Holdings (Pty) Ltd	Associate of parent company	Insurance relationship Banking relationship
Capricorn Group Employee Share Ownership Trust	Special purpose entity	Banking relationship
Capricorn Group Employee Share Benefit Trust	Special purpose entity	Banking relationship
Capricorn Hofmeyer Property (Pty) Ltd	Fellow subsidiary	Support services Banking relationship
Capricorn Foundation (Non-profit association incorporated under section 21)	Under control of parent company	Social responsibility foundation

	Group		Company	
	2023	2022	2023	2022
	N$000	N$000	N$000	N$000
The values of related party transactions and outstanding balances at year-end are as follows:				
34.1 Trade and other receivables from related parties				
Parent company	**21**	24	**21**	24
Fellow subsidiaries	**5 798**	2 528	**5 798**	2 528
34.2 Loans and advances to related parties				
Fellow subsidiaries	**358 251**	383 358	**358 251**	383 358
Indirect related parties	**32 649**	40 151	**32 649**	40 151
Key management personnel	**27 969**	31 100	**27 969**	31 100
Subsidiaries			**7 910**	58 576
34.3 Trade and other payables to related parties				
Parent company	**3**	–	**3**	–
Fellow subsidiaries	**–**	1 123	**–**	1 123
Indirect related parties	**128**	1 691	**128**	1 691
34.4 Deposits from related parties				
Parent company	**85 371**	313 631	**85 371**	313 631
Under control of parent company	**4**	–	**4**	–
Major shareholders of the group	**1 486 955**	876 821	**1 486 955**	876 821
Fellow subsidiaries	**2 684 656**	4 206 741	**2 684 656**	4 206 741
Indirect related parties	**1 333 357**	1 396 022	**1 333 357**	1 396 022
Special purpose entity	**280**	265	**280**	265
Key management personnel	**6 604**	5 385	**6 604**	5 385
34.5 Debt securities issued to related parties				
Major shareholders of the group	**905 988**	907 263	**905 988**	907 263
34.6 Expenses paid to related parties				
Parent company	**51 324**	33 632	**51 324**	33 632
Under control of parent company	**13 731**	12 230	**13 731**	12 230
Fellow subsidiaries	**21 415**	30 910	**21 415**	30 910
Subsidiaries	**–**	–	**1 012**	1 012
34.7 Interest and similar expenses paid to related parties				
Parent company	**11 134**	18 202	**11 134**	18 202
Under control of parent company	**38**	–	**38**	–
Major shareholders of the group	**113 414**	51 461	**113 414**	51 461
Fellow subsidiaries	**305 682**	205 478	**305 682**	205 478
Indirect related parties	**118 256**	90 682	**118 256**	90 682
Key management personnel	**533**	295	**533**	295
34.8 Dividends paid to related parties				
Dividends paid to parent company	**320 600**	274 600	**320 600**	274 600
34.9 Income received from related party transactions				
Parent company	**484**	455	**484**	455
Fellow subsidiaries	**28 390**	21 469	**28 390**	21 469
Subsidiaries	**–**	–	**14 769**	13 603

	Group		Company	
	2023	2022	2023	2022
	N$000	N$000	N$000	N$000
34.10 Interest and similar income received from related parties				
Fellow subsidiaries	**56 230**	51 806	**56 230**	51 806
Major shareholders of the group	**–**	63	**–**	63
Indirect related parties	**5 974**	5 093	**5 974**	5 093
Key management personnel	**3 083**	2 303	**3 083**	2 303
Subsidiaries	**–**	–	**10 698**	8 270
34.11 Compensation paid to key management				
34.11.1 Executive management team				
Salaries and bonuses	**30 022**	27 442	**30 022**	27 442
Contribution to defined contribution medical schemes	**1 432**	1 053	**1 432**	1 053
Contribution to defined contribution pension schemes	**1 230**	2 682	**1 230**	2 682
Other allowances	**4 980**	4 826	**4 980**	4 826
	37 664	36 003	**37 664**	36 003
Long term incentives awarded				
Share appreciation rights	**–**	315	**–**	315
Conditional shares – performance	**359**	95	**359**	95
Conditional shares – retention	**426**	98	**426**	98
34.11.2 Executive director				
Salaries and bonuses	**5 594**	4 787	**5 594**	4 787
Contribution to defined contribution pension schemes	**198**	144	**198**	144
Other allowances	**993**	993	**993**	993
	6 785	5 924	**6 785**	5 924
As at 30 June 2022, the executive director received a special gratuity on the renegotiation of her employment contract term of N$1.0 million (2023: nil). The executive director did not receive any other fees for services as director or any emoluments other than those disclosed.				
Long term incentives awarded				
Share appreciation rights	**–**	70	**–**	70
Conditional shares – performance	**168**	19	**168**	19
Conditional shares – retension	**–**	9	**–**	9
34.11.3 Non-executive directors' emoluments				
J J Swanepoel (chairperson)	**1 880**	1 888	**1 880**	1 888
D G Fourie	**987**	883	**987**	883
F J du Toit	**762**	708	**762**	708
G Nakazibwe-Sekandi	**246**	222	**246**	222
J C Brandt	**206**	223	**206**	223
V J Mungunda	**212**	–	**212**	–
M J Prinsloo*	**–**	–	**–**	–
	4 293	3 924	**4 293**	3 924

* Received no sitting fees during the year under review.

35. Assets under custody
As at year-end, the group and company have no assets under custody (2022: Nil).

36. Segment information
The group consider its banking operations as one operating segment. Other components include microlending, 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 decisionmaker, identified as the managing director of the group. The chief operating decisionmaker 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.

36.1 Entity-wide disclosures

36.1.1 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.

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

36.1.3 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 or company does not have customers that contribute ten percent or more to its revenue and is therefore not reliant on a single major customer.

37. Cost to income Ratio
For cost to income ratio purposes, the operational banking fees is reclassified from operating expenses to non-interest income.

		Group	
		2023	2022
		N$000	N$000
Net interest income	5.	**2 183 893**	1 834 653
Non-interest income	7.	**1 380 295**	1 246 355
Operational banking fees	9.2.	**(199 937)**	(161 064)
Income used for ratio		**3 364 251**	2 919 944
Operating expenses	9.	**1 823 887**	1 594 469
Operating banking fees	9.2	**(199 937)**	(161 064)
Cost used for ratio		**1 623 950**	1 433 405
Cost to income ratio		**48.3%**	49.1%