2023

Condensed Consolidated Interim Financial Statements (reviewed)

for the six months ended 31 December 2023

Bank Windhoek Limited and its subsidiaries
Registration no: 79/081

Bank Windhoek
a member of **Capricorn Group**

Contents

Financial Performance Overview

Bank Windhoek Limited ("the bank") delivered a solid performance for the six months ending 31 December 2023. Profit after tax for the year has grown by 11.2% on a year-on-year basis with good growth on both the net interest income and non-interest income offset by an increase in credit impairment losses. Whilst the higher interest rates benefited the bank's net interest income, it resulted in increased pressure on the loan book with the non-performing loan ratio increasing from 5.1% to 5.4% over the six months. The divergent macroeconomic environment saw economic growth being driven largely by the mining subsector and further supported by a recovery in tourism. The other subsectors unfortunately continue to face strain in the current economic environment.

Condensed Consolidated Statement of Financial Position

The balance sheet continues to show a very strong financial position, with a capital adequacy ratio of 17.3%, significantly above the 10% minimum regulatory requirement. The bank realised a 3.2% increase in total assets on the back of a 2.4% rise in loans and advances to N$36.7 billion over the six months. This growth was primarily driven by increases in instalment finance, overdrafts, and term loans. Funding also saw a 5.7% year-on-year increase, mainly due to growth in current accounts, foreign currency deposits, and demand deposits. The balance sheet strength is further underpinned by solid liquid asset positions and prudent credit loss provisioning.

Statement of Comprehensive Income

Net interest income amounted to N$1.2 billion for the period under review, marking a 12.1% increase compared to the previous period. Interest income growth of 26.8% was driven by the growth in interest earning assets, higher interest rates and effective pricing strategies. The positive impact of the higher interest income was partially offset by a 42.8% increase in interest expenses, mainly attributed to current accounts and NCD.

The bank's charge for credit losses and impairment provisioning amounted to N$208,6 million, for half year 2024 significantly higher than the N$117,6 million reported for half year 2023. This increase was primarily due to increased Stage 3 loan exposure from a few large corporate clients.

Non-interest income also increased by 15.8% year-on-year, due to increased levels of client related activities, particularly in EasyWallet and card related transactions, as well as increased contributions from investment, trading, and forex income.

Operating costs rose by 8.9%, mainly due to increased personnel and technology expenditures. Nonetheless, the bank's commitment to stringent cost management and operational efficiency remains steadfast, as evidenced by a decrease in the cost-to-income ratio from 47.4% to 45.3%.

Economic Outlook

Namibia experienced a strong GDP growth of 7.2% year-on-year in Q3 2023, primarily due to significant advancements in oil exploration and increased production of uranium and gold. However, the non-mining sectors have been subdued, affected by ongoing drought and weaker performance in manufacturing and construction. Looking ahead, expert analysis suggests that GDP growth is expected to moderate to 3.1% in 2024, down from the projected growth of 5.8% for 2023. Potential risks include geopolitical tensions and variable regional rainfall patterns. The Bank of Namibia is likely to adopt a cautious monetary policy stance, with a projected reduction in inflation to 4.9%.

The bank's strategic value drivers—encompassing sustainable growth, superior customer experience, scalable competitive advantage, sustained customer satisfaction, nurturing talent for business growth, cost-effective bank optimisation, environmental conservation, enhanced social contribution, and robust governance—are pivotal in its positive outlook. Confident in this strategic direction, the bank is poised to unlock additional value in both the medium and long term.

Key metrics

Net loans and advances
^ **3.5%**
Dec 2023: N$36.7bn Dec 2022: N$35.4bn

Profit after tax
^ **11.2%**
Dec 2023: N$569m Dec 2022:N$512.1m

Capital Adequacy
17.3%
Dec 2022: 16.7%

Return on Equity
16.5%
Dec 2022: 16.7%

Statement of Responsibility by the Board of Directors

for the six months ended 31 December 2023

The directors are responsible for the preparation, integrity and objectivity of the condensed consolidated interim financial statements that fairly present the state of affairs of the group at the end of the period, the net income and cash flow for the period 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 cost-effectively. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties;
- the group's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the Board Audit Committee (BAC), risk and compliance committees, appraises, evaluates and, when necessary, recommends improvements in the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business; and
- the board audit, risk and compliance committees of the group, 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 period under review.

The group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates. The condensed consolidated interim financial statements presented on pages 8 to 29 have been prepared in accordance with the provisions of the Namibian Companies Act and comply with International Accounting Standard, (IAS) 34 *Interim Financial Reporting*.

Comprehensive insurance coverage 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 about asset classification, suspension of interest and provisioning (BID 33). The external auditors have not identified or reported instances of non-compliance with BID 2 during the reporting period.

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

The directors have no reason to believe that the group will not be a going concern in the year ahead, based on forecasts and available cash resources. These condensed consolidated interim financial statements have accordingly been prepared on a going concern basis.

The condensed consolidated interim financial statements have been reviewed 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 review were valid and appropriate. The independent auditor's review report is presented on pages 6 to 7. The condensed consolidated interim financial statements, set out on pages 8 to 29, were authorised and approved for issue by the board of directors on 21 February 2024 and are signed on their behalf:

J J Swanepoel
Chairperson

B R Hans
Managing Director

Independent Auditor's Review Report

on Interim Financial Statements

To the Shareholders of Bank Windhoek Limited

We have reviewed the condensed consolidated interim financial statements of Bank Windhoek Limited in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 31 December 2023 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-months then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Accounting Standard (IAS) 34 *Interim Financial Reporting* 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 interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

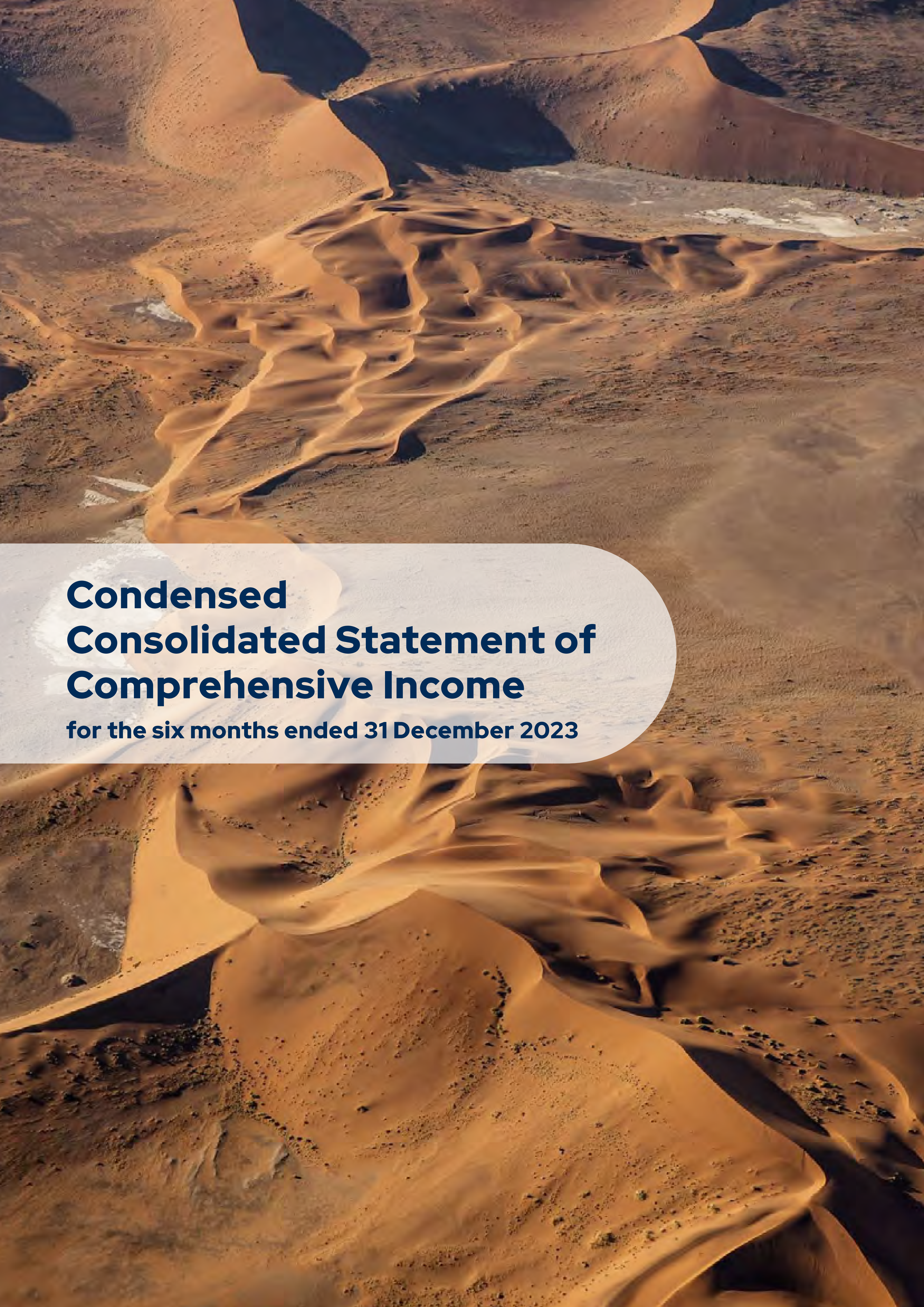
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Bank Windhoek Limited for the six months ended 31 December 2023 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* and the requirements of the Companies Act of Namibia.

PricewaterhouseCoopers

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Nina A Coetzer
Partner

Windhoek, Namibia
Date: 21 February 2024



Condensed Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2023

Condensed Consolidated Statement of Comprehensive Income
for the six months ended 31 December 2023

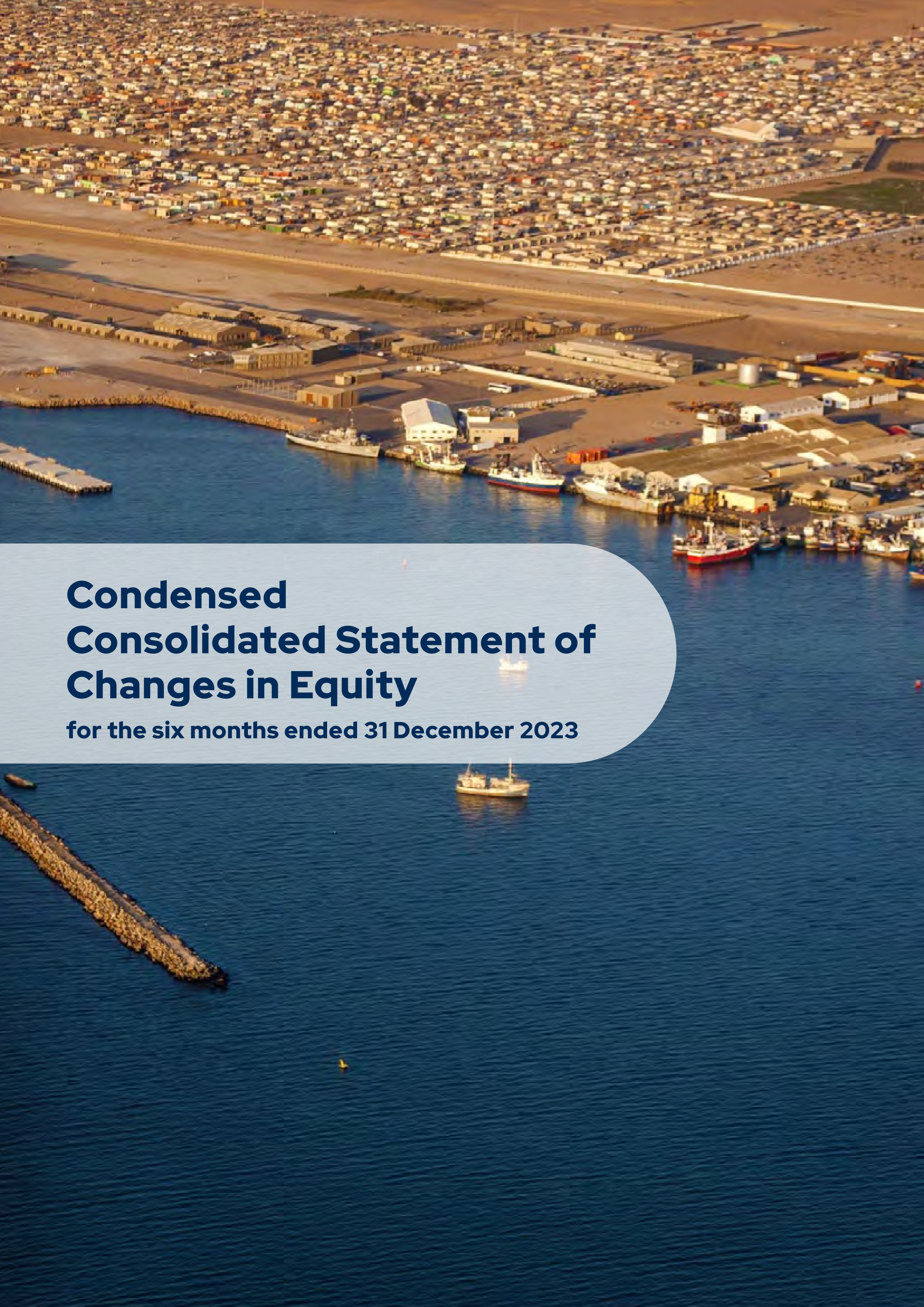
	Notes	Six months ended		Year ended
		December	December	June
		2023	2022	2023
		N$'000	N$'000	N$'000
	Notes	Reviewed	Reviewed	Audited
Interest and similar income		**2,563,468**	2,021,132	4,400,918
Interest and similar expenses		**(1,387,826)**	(972,114)	(2,217,025)
Net interest income		**1,175,642**	1,049,018	2,183,893
Credit impairment losses		**(208,610)**	(117,557)	(200,586)
Net interest income after credit impairment charges		**967,032**	931,461	1,983,307
Non-interest income	9.	**803,282**	693,779	1,380, 295
Fee and commission income		**648,191**	599,461	1,175,357
Net trading income		**128,607**	80,062	163,122
Other operating income		**26,484**	14,256	41,816
Operating income		**1,770,314**	1,625,240	3,363,602
Operating expenses		**(975,623)**	(896,186)	(1,823,887)
Profit before income tax		**794,691**	729,054	1,539,715
Income tax expense	10.	**(225,411)**	(216,987)	(449,076)
Profit for the period / year		**569,280**	512,067	1,090,639
Other comprehensive income				
Items that may be reclassified to profit or loss				
Changes in fair value of debt instruments at fair value through other comprehensive income		**30,349**	1,056	24,130
Income tax expense		**(9,712)**	(338)	(7,722)
Items that will not be reclassified to profit or loss				
Changes in fair value of equity instruments at fair value through other comprehensive income		**(77)**	10	576
Income tax expense		**25**	(3)	(184)
Total comprehensive income for the period / year		**589,865**	512,792	1,107,439

Condensed Consolidated Statement of Financial Position

as at 31 December 2023

Condensed Consolidated Statement of Financial Position
as at 31 December 2023

	Notes	December 2023 N$'000 Reviewed	December 2022 N$'000 Reviewed	June 2023 N$'000 Audited
ASSETS				
Cash and cash equivalents		**4,377,686**	3,113,110	3,569,268
Derivative financial instruments		**44,906**	26,847	37,454
Financial assets at fair value through profit or loss		**1,816,257**	1,359,946	1,736,095
Financial assets at amortised cost		**845,285**	867,325	808,410
Financial assets at fair value through other comprehensive income		**4,828,652**	4,829,216	4,915,603
Loans and advances to customers	11.	**36,693,549**	35,445,791	35,826,433
Other assets		**235,400**	310,044	421,663
Current tax asset		**83,197**	88,618	96,953
Deferred tax asset		**139,772**	77,514	97,388
Property and equipment	12.	**388,879**	420,130	446,449
Intangible assets	13.	**397,573**	325,711	354,705
Total assets		**49,851,156**	46,864,252	48,310,421
LIABILITIES				
Derivative financial instruments		**22,843**	163	14,241
Due to other banks		**155,556**	388,807	609,543
Other borrowings	14.	**256,636**	146,144	213,082
Debt securities in issue	15.	**3,014,348**	3,444,531	3,447,052
Deposits	16.	**38,821,864**	36,075,656	36,564,875
Other liabilities	17.	**488,600**	467,551	701,916
Post-employment benefits		**17,593**	17,176	17,061
Total liabilities		**42,777,440**	40,540,028	41,567,770
EQUITY				
Share capital and premium		**485,000**	485,000	485,000
Non-distributable reserves		**69,637**	59,682	65,346
Distributable reserves		**6,519,079**	5,779,542	6,192,305
Total shareholders' equity		**7,073,716**	6,324,224	6,742,651
Total equity and liabilities		**49,851,156**	46,864,252	48,310,421

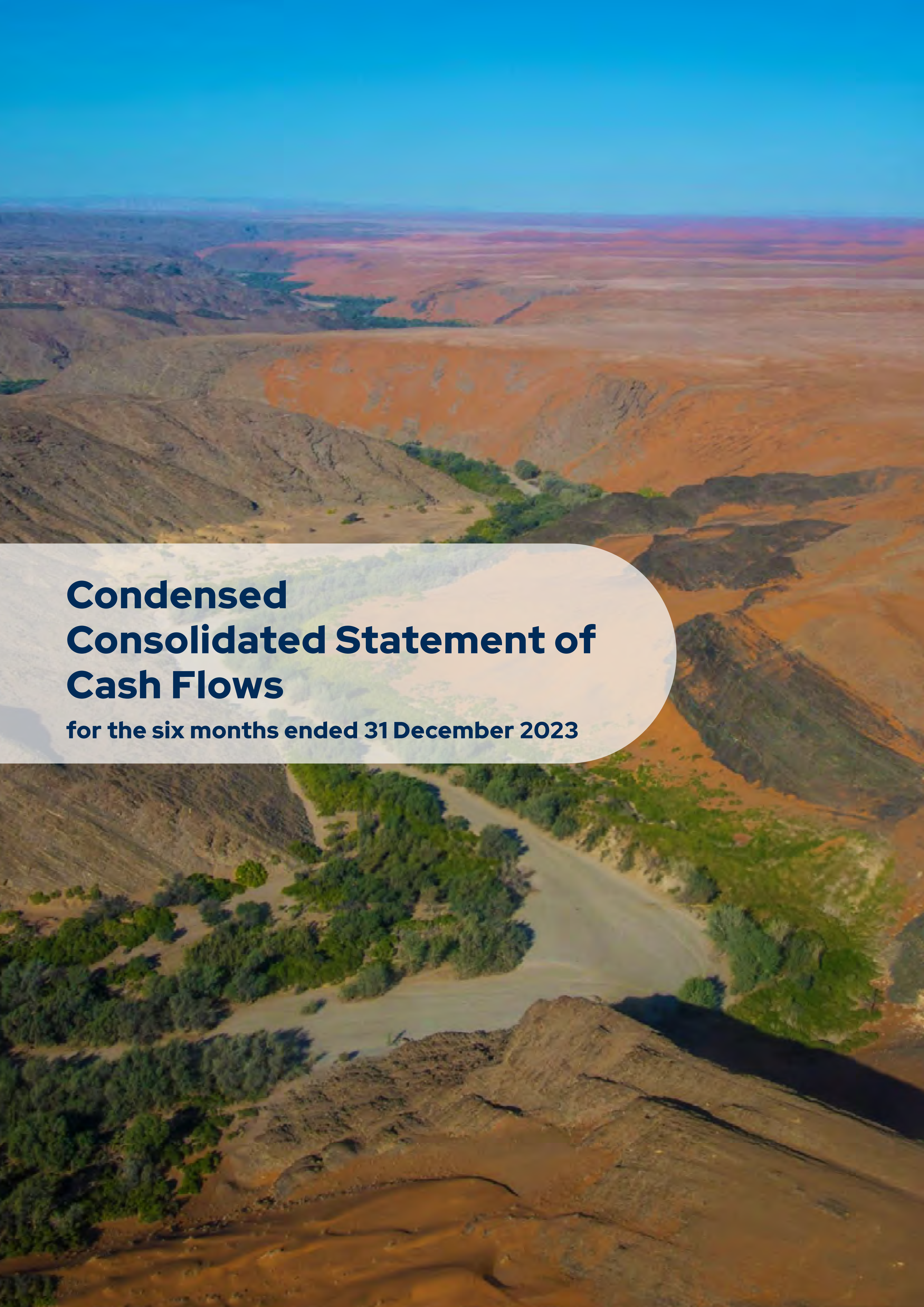


Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2023

Condensed Consolidated Statement of Changes in Equity
for the six months ended 31 December 2023

	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
For the six months ended 31 December 2022 (reviewed)									
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 period	-	-	-	-	-	10	-	512,782	512,792
Profit for the period	-	-	-	-	-	-	-	512,067	512,067
Other comprehensive income	-	-	-	-	-	10	-	715	725
Transfer between reserves	-	1,539	95	-	(22,322)	-	(1,539)	22,227	-
Dividends paid	-	-	-	-	-	-	-	(141,400)	(141,400)
Balance at 31 December 2022	485,000	59,530	152	-	-	1,070	5,231,375	547,097	6,324,224
For the six months ended 31 December 2023 (reviewed)									
Balance at 1 July 2023	**485,000**	**61,506**	**860**	**2,980**	**-**	**1,636**	**5,998,121**	**192,548**	**6,742,651**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(77)**	**-**	**589,942**	**589,865**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**569,280**	**569,280**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(77)**	**-**	**20,662**	**20,585**
Transfer between reserves	**-**	**2,283**	**2,008**	**-**	**-**	**-**	**(2,283)**	**(2,008)**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(258,800)**	**(258,800)**
Balance at 31 December 2023	**485,000**	**63,789**	**2,868**	**2,980**	**-**	**1,559**	**5,995,838**	**521,682**	**7,073,716**
For the year ended 30 June 2023 (audited)									
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	-	-	-	-	-	-	-	(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



Condensed Consolidated Statement of Cash Flows

for the six months ended 31 December 2023

Condensed Consolidated Statement of Cash Flows
for the six months ended 31 December 2023

	Six months ended		Year ended
	December	December	June
	2023	2022	2023
	N$'000	N$'000	N$'000
	Reviewed	Reviewed	Audited
Cash flows from operating activities			
Net cash generated from operations	**1,673,279**	196,537	1,560,642
Dividends received	**2,717**	1,387	3,621
Income taxes paid	**(288,246)**	(230,833)	(484,405)
Income taxes refunds	**26,287**	-	-
Net cash generated from/ (utilised in) operating activities	**1,414,037**	(32,909)	1,079,858
Cash flows from investing activities			
Additions to property and equipment	**(28,688)**	(50,840)	(100,039)
Additions to intangible assets	**(48,482)**	(63,145)	(119,725)
Redemption of unit trust investments	**-**	316,000	335,083
Additions to unit trust investments	**-**	(31,106)	(331,106)
Net cash (utilised in) / generated from investing activities	**(77,170)**	170,909	(215,787)
Cash flows from financing activities			
Other borrowings capital repaid	**(19,659)**	(16,069)	(31,286)
Proceeds from other borrowings	**62,516**	-	81,659
Redemption of debt securities in issue	**(979,750)**	(810,000)	(810,000)
Proceeds from the issue of debt securities	**556,000**	200,000	200,000
Principal payments on lease liability	**(30,262)**	(24,420)	(50,371)
Dividends paid	**(258,800)**	(141,400)	(320,600)
Net cash utilised from financing activities	**(669,955)**	(791,888)	(930,598)
Net increase / (decrease) in cash and cash equivalents	**666,912**	(653,888)	(66,527)
Cash and cash equivalents at the beginning of the period / year	**3,569,268**	3,826,316	3,826,316
Effects of exchange rates changes on cash and cash equivalents	**141,506**	(59,318)	(190,521)
Cash and cash equivalents at the end of the period / year	**4,377,686**	3,113,110	3,569,268

Notes to Condensed Consolidated Financial Statements

for the six months ended 31 December 2023

01 General information

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

These condensed consolidated interim financial statements were approved for issue on 21 February 2024.

02 Basis of presentation

The reviewed condensed consolidated interim financial statements of Bank Windhoek Limited for the six months ended 31 December 2023 have been prepared in accordance with the IFRS Accounting Standards ("IFRS") and presentation and disclosure requirements of International Accounting Standard (IAS) *34 Interim Financial Reporting* Standard effective at the time of preparing these statements and in the manner required by the Namibian Companies Act. The condensed consolidated interim 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 condensed consolidated interim financial statements should be read in conjunction with the consolidated annual financial statements for the year ended 30 June 2023, which have been prepared in accordance with IFRS.

03 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the amendments as listed in note 5.

04 Critical accounting estimates and judgement

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 30 June 2023.

05 Standards and interpretations issued

5.1 Standards and interpretations issued affecting amounts reported and disclosures in the current financial period

Title of standard	Nature of change	Impact	Mandatory application date / date of adoption by group
Narrow scope amendments to IAS 1 - 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.	Assessed to have no significant or material impact on the group but assessment of accounting estimates to be based on the new definition for periods 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	The amendments require entities to recognise deferred tax on single transactions that, on initial recognition gives rise to equal amounts of taxable and deductible temporary differences.	Assessed to have no significant or material impact on the group. 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	The IASB issued IFRS 17 Insurance contracts, and thereby started a new epoch of Accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplication, the premium allocation approach. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. Consequently, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.	Assessed to have no impact on the group. Management have reassessed all contractual arrangements and have not identified any significant impact in adopting the new accounting standard.	Mandatory for financial periods commencing on or after 1 January 2023. Expected date of Adoption: 1 July 2023.
IFRS 17 - Insurance contracts *Amendments*	Addressing the concerns and challenges identified, the IASB has formulated specific amendments alongside a series of proposed clarifications aimed at facilitating the implementation of IFRS 17, streamlining certain stipulations of the standard, and smoothing the transition process. These amendments, pertinent to eight distinct aspects of IFRS 17, are crafted not to alter the core principles of the standard but to refine its application and clarity.	Assessed to have no impact on the group. Management have reassessed all contractual arrangements and have not identified any significant impact in adopting the new accounting standard.	Mandatory for financial periods beginning on or after 1 January 2023

5.2 Standards and interpretations issued but not yet effective

Title of standard	Nature of change	Impact	Mandatory application date / date of adoption by group
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.	Assessed to have no impact on the group.	The effective date of this amendment has been deferred indefinitely until further notice. Adoption date by the group: 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.	Assessed to have no impact on the group.	Mandatory for financial periods commencing on or after 1 January 2024. Adoption date by the group: 1 July 2024.
Amendments to IAS 1 - Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	The amendments are not expected to have a material effect on the group, however, the full impact is under careful evaluation.	Mandatory for financial periods beginning on or after 1 January 2024. Adoption date by the group: 1 July 2024.
Amendments to Supplier Finance Arrangements (IAS 7 and IFRS 7)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	Assessed to have no impact on the group as there are no supplier finance agreements in place within the group.	Mandatory for financial periods beginning on or after 1 January 2024. Adoption date by the group: 1 July 2024.
Amendments to IAS 21 - Lack of Exchangeability (Amendments to IAS 21)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	Assessed to have no significant or material impact on the group.	Mandatory for financial periods beginning on or after 1 January 2025. Adoption date by the group: 1 July 2025.

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

06 Seasonality of operations

The Bank Windhoek Limited group does not experience any significant seasonality of business operations.

07 Financial risk management and financial instruments

7.1. Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 30 June 2023. There have been no changes in the risk management department or risk management policies since the year ended 30 June 2023.

7.2. Credit risk

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

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

a) Collateral

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

Group	Gross exposure N$'000	Impairment allowance N$'000	Carrying amount N$'000	Fair value of collateral held N$'000
As at 31 December 2023 (reviewed)				
Credit-impaired assets				
- Overdrafts	**663,006**	**(351,650)**	**311,356**	**340,580**
- Term loans	**627,599**	**(355,306)**	**272,293**	**282,378**
- Mortgage loans	**726,606**	**(330,078)**	**396,528**	**386,911**
- Instalment finance	**59,203**	**(33,465)**	**25,738**	**29,700**
Total credit-impaired assets	**2,076,414**	**(1,070,499)**	**1,005,915**	**1,039,569**
As at 31 December 2022 (reviewed)				
Credit-impaired assets				
- Overdrafts	546,483	(288,808)	257,675	288,218
- Term loans	484,486	(258,568)	225,918	251,449
- Mortgage loans	818,455	(326,752)	491,703	482,573
- Instalment finance	54,825	(29,409)	25,416	28,731
Total credit-impaired assets	**1,904,249**	**(903,537)**	**1,000,712**	**1,050,971**
As at 30 June 2023 (audited)				
Credit-impaired assets				
- 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
- Instalment finance	60,330	(33,245)	27,085	31,187
Total credit-impaired assets	**1,884,305**	**(934,848)**	**949,457**	**987,730**

b) Credit quality of loans and advances

The group implements a proactive strategy to manage potential problem accounts, thereby aiming to prevent potential losses. These advances are identified with the assistance of the branches and are part of monthly credit reporting processes. Impairment provisions on these active accounts are raised in accordance with IFRS but asset classifications (special mention) are raised in accordance with the requirements specified in BID 2 – 'Determination on asset classification, suspension of interest and provisioning'.

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 31 December 2023 (reviewed)						
Overdrafts	**4,298,332**	**337,806**	**41,968**	**57,221**	**663,006**	**5,398,333**
Term loans	**9,915,421**	**2,467,393**	**212,998**	**185,253**	**627,599**	**13,408,664**
Mortgage loans	**14,486,689**	**1,891,490**	**388,443**	**267,474**	**726,606**	**17,760,702**
Credit cards	**88,741**	**8,650**	**1,437**	**544**	**–**	**99,372**
Instalment finance	**937,339**	**30,148**	**9,134**	**2,875**	**59,203**	**1,038,699**
Preference shares	**213,679**	**–**	**–**	**–**	**–**	**213,679**
Total gross loans and advances[1]	**29,940,201**	**4,735,487**	**653,980**	**513,367**	**2,076,414**	**37,919,449**
Specific impairment raised against unsecured amount	**–**	**–**	**–**	**–**	**(1,070,499)**	**(1,070,499)**
Total loans and advances after specific impairments[1]	**29,940,201**	**4,735,487**	**653,980**	**513,367**	**1,005,915**	**36,848,950**
As at 31 December 2022 (reviewed)						
Overdrafts	4,258,164	332,366	64,281	26,796	546,483	5,228,088
Term loans	7,771,567	1,407,051	344,530	157,979	484,487	10,165,612
Mortgage loans	14,414,093	1,920,975	400,352	164,903	818,456	17,718,776
Credit cards	73,240	4,489	862	246	–	78,836
Instalment finance	3,225,856	180,263	32,839	12,731	54,825	3,506,512
Preference shares	226,396	–	–	–	–	226,396
Total gross loans and advances[1]	**29,969,316**	**3,845,144**	**842,864**	**362,655**	**1,904,251**	**36,924,220**
Specific impairment raised against unsecured amount	–	–	–	–	(903,538)	(903,538)
Total loans and advances after specific impairments[1]	**29,969,316**	**3,845,144**	**842,864**	**362,655**	**1,000,713**	**36,020,682**
As at 30 June 2023 (audited)						
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
Mortgage loans	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**

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

7.3 Liquidity risk

Senior debt to the value of N$556 million was raised during the six months ended 31 December 2023 under the group's medium-term note programme registered with the NSX and JSE.

7.4 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Fair value hierarchy

IFRS specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter derivative contracts, traded loans and issued structured debt. The sources of input parameters like the JIBAR yield curve or counterparty credit risk are Bloomberg and Reuters.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The group considers relevant and observable market prices in its valuations where possible. No transfers between level 1, level 2 or level 3 fair value measurements occurred during the six months ended 31 December 2023. There were no changes in valuation techniques during the period.

7.4 Fair values of financial assets and liabilities

Group	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
As at 31 December 2023 (reviewed)				
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	64,771	1,751,487	–	1,816,258
Investment in Capricorn Group	64,771	–	–	64,771
Unit trust investments	–	1,751,487	–	1,751,487
Financial assets at fair value through profit or loss				
Derivative financial instruments	–	44,907	–	44,907
Financial assets at fair value through other comprehensive income	110,758	4,717,894	–	4,828,652
Treasury bills	–	4,473,369	–	4,473,369
Government stock	–	240,508	–	240,508
Corporate bonds	–	4,017	–	4,017
Exchange traded funds	77,700			77,700
Equity instruments - listed securities	33,058	–	–	33,058
	175,529	6,514,288	–	6,689,817
Financial assets for which the fair value is disclosed				
Cash and cash equivalents	–	–	4,377,686	4,377,686
Loans and advances to customers	–	–	30,973,438	30,973,438
Financial assets at amortised cost	–	858,388	–	858,388
Treasury bills	–	171,903		171,903
Government stock	–	686,485	–	686,485
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	22,843	–	22,843
Financial liabilities for which fair value is disclosed				
Due to other banks	–	–	155,556	155,556
Other borrowings	–	–	258,563	258,563
Debt securities in issue	–	–	2,985,412	2,985,412
Senior debt - unsecured	–	–	2,985,412	2,985,412
Deposits	–	–	38,784,433	38,784,433
Current, Savings, Demand, Term and notices, NCD's, Foreign PN's	–	–	38,784,433	38,784,433
	–	22,843	42,183,964	42,206,807

7.4 Fair values of financial assets and liabilities

Group	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
As at 31 December 2022 (reviewed)				
Financial assets measured at fair value				
Financial assets designated at fair value through profit or loss	**37,867**	**1,322,079**	**–**	**1,359,946**
Investment in Capricorn Group	**37,867**	**–**	**–**	**37,867**
Unit trust investments	**–**	**1,322,079**	**–**	**1,322,079**
Financial assets at fair value through profit or loss				
Derivative financial instruments	**–**	**26,847**	**–**	**26,847**
Financial assets at fair value through other comprehensive income	**97,553**	**4,731,663**	**–**	**4,829,216**
Treasury bills	**–**	**4,200,642**	**–**	**4,200,642**
Government stock	**–**	**527,203**	**–**	**527,203**
Corporate bonds	**–**	**3,818**	**–**	**3,818**
Exchange traded funds	**66,483**	**–**	**–**	**66,483**
Equity instruments - listed securities	**31,070**	**–**	**–**	**31,070**
	135,420	**6,080,589**	**–**	**6,216,009**
Financial assets for which the fair value is disclosed				
Cash and cash equivalents	–	382,502	2,730,608	3,113,110
Loans and advances to customers	–	–	35,344,928	35,344,928
Financial assets at amortised cost	–	880,446	–	880,446
Government stock	–	773,960	–	773,960
Treasury bills	–	106,486	–	106,486
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	163	–	163
Financial liabilities for which fair value is disclosed				
Due to other banks	–	–	388,807	388,807
Other borrowings	–	–	129,849	129,849
Debt securities in issue	–	–	3,216,419	3,216,419
Senior debt - unsecured	–	–	3,261,419	3,261,419
Deposits	–	–	36,047,041	36,047,041
Current, Savings, Demand, Term and notices, NCD's, Foreign			36,047,041	36,047,041
	–	163	39,827,116	39,827,279

Group	Level 1	Level 2	Level 3	Total
	N$'000	N$'000	N$'000	N$'000
As at 30 June 2023 (audited)				
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 - listed securities	1,635	-	31,500	33,135
	146,956	6,542,196	31,500	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

The fair value of financial assets and liabilities recognised at amortised costs are disclosed below.

	December 2023		December 2022		June 2023	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
	Reviewed		Reviewed		Audited	
Financial assets						
Cash and cash equivalents	**4,377,686**	**4,377,686**	3,113,110	3,113,110	3,158,114	3,158,114
Financial assets at amortised cost	**845,285**	**858,389**	867,325	880,446	763,491	772,466
Loans and advances to customers	**36,693,549**	**30,973,438**	35,445,791	35,344,928	35,157,756	35,784,881
Other assets	**54,930**	**54,930**	127,938	127,938	167,970	167,970
Financial liabilities						
Due to other banks	**155,556**	**155,556**	388,807	388,807	707,602	707,602
Other borrowings	**256,636**	**258,563**	146,144	129,849	162,075	163,556
Debt securities in issue	**3,014,348**	**2,985,412**	3,444,531	3,261,419	4,056,586	4,072,316
Deposits	**38,821,864**	**38,784,433**	36,075,656	36,047,041	35,521,957	35,244,727
Other liabilities	**256,238**	**256,238**	314,912	314,912	429,328	429,328

7.5 Details of level 2 and level 3 fair value instruments

	Valuation technique	Types of valuation inputs	Valuation inputs (ranges)		
			December 2023	December 2022	June 2023
			Reviewed	Reviewed	Audited
Financial assets measured at fair value					
Financial assets at fair value through profit or loss					
Unit trust investments	Market approach	Note 1	**5.97%-8.59%**	3.98% - 6.70%	5.30%- 8.50%
Financial assets at fair value through profit or loss					
Derivative financial instruments – Interest rate swaps	Income approach*	Note 2	**7.08%-11.23%**	3.88%-12.82%	7.62% -11.71%
Derivative financial instruments – OTC currency option	Income approach*	Note 3	**17.42 - 22.69**	N/A	17.40 - 22.60
Financial assets at fair value through other comprehensive income					
Treasury bills	Income approach*	Note 2	**7.57%-9.00%**	7.35%-9.07%	7.54% - 9.41%
Government stock	Income approach*	Note 2	**8.59%-9.83%**	8.97%-11.47%	8.09% - 10.8%
Corporate bonds	Income approach*	Note 2	**11.40%**	10.26%	7.75%
Financial assets for which the fair value is disclosed					
Loans and advances to customers	Income approach*				
Discount rate		Note 2	**11.50%**	10.50%	11.50%
Earnings rate		Note 4	**7.00%- 21.76%**	7.30%- 20.71%	3.50%-17.50%
Term to maturity		Note 5	**3 –360 mnts**	3 –360 mnts	3 –360 mnts
Financial assets at amortised cost					
Treasury bills	Income approach*	Note 2	**7.57%-8.84%**	7.92%-8.61%	8.66% - 9.31%
Government stock	Income approach*	Note 2	**4.68%-11.40%**	3.40%-11.47%	8.09% - 10.84%
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	**7.08%-11.23%**	3.88%-10.01%	7.60%-10.90%
Derivative financial instruments – OTC currency option	Income approach*	Note 3	**17.42 - 22.69**	N/A	17.40 - 22.60
Financial liabilities for which the fair value is disclosed					
Other borrowings	Income approach*				
Discount rate		Note 2	**8.81%-10.27%**	8.08%-9.80%	9.53% - 10.76%
Earnings rate		Note 2	**7.80%-9.44%**	7.72%-8.40%	9.48% - 10%
Debt securities in issue					
Senior debt - unsecured	Income approach*	Note 2	**8.40%-11.95%**	3.88% - 6.60%	5.00%-8.90%
Deposits					
Promissory notes	Income approach*	Note 2	**7.88%-8.55%**	N/A	N/A

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: Contractual interest rates per transaction observable on the banking system.
Note 5: Contractual maturities per transaction observable on the banking system.

08 Capital management

The table below summarises the composition of regulatory capital and the ratios of the group for the year ended 30 June 2023 and the six months ended 31 December 2023 and 31 December 2022. During these three periods, the individual entities within the group complied with all of the externally imposed capital requirements to which it was subjected.

	December 2023	December 2022	June 2023
	N$'000	N$'000	N$'000
	BID5A	BID5A	BID5A
	Reviewed	Reviewed	Audited
Tier 1 capital			
Share capital and premium	**485,000**	485,000	485,000
General banking reserves	**5,998,121**	5,232,914	5,998,121
Retained earnings	**(66,252)**	12,088	192,548
Current year interim profits*	**589,865**	-	-
Total qualifying Tier 1 capital	**7,006,734**	5,730,002	6,675,669
Regulatory adjustments			
Deduct: Intangible assets	**397,573**	260,569	354,705
Total regulatory adjustments	**397,573**	260,569	354,705
Net total CET 1 capital	**6,609,161**	5,469,433	6,320,964
Tier 2 capital			
Current unaudited profits	**-**	512,782	-
Portfolio impairment for regulatory reporting	**523,230**	439,968	455,681
Net total qualifying Tier 2 capital	**523,230**	952,750	455,681
Total regulatory capital	**7,132,391**	6,422,183	6,776,645
Risk-weighted assets			
Operational risk	**4,395,484**	3,872,766	4,074,514
Credit risk	**36,187,785**	33,632,612	34,856,715
Market risk	**773,885**	848,778	571,742
Total risk-weighted assets	**41,357,154**	38,354,156	39,502,971
Capital adequacy ratios			
Leverage capital ratio	**12.8%**	11.2%	12.6%
Tier 1 capital adequacy ratio	**16.0%**	14.3%	16.0%
Total risk-based capital ratio	**17.3%**	16.7%	17.2%

* The profits from the current year's interim financial results meet all the criteria specified in paragraph 10.1 (e) of BID-5A. As a result, they are included in Tier 1 capital.

09 Disaggregation of revenue

	December 2023	December 2022	June 2023
	N$'000	N$'000	N$'000
	Reviewed	Reviewed	Audited
a.) At a specific point in time			
Transaction and related fees	621,650	574,067	1,119,095
Commissions	20,934	20,937	40,641
Trust and other fiduciary fees	5,608	4,457	15,621
Management fees received	382	350	675
Other	23,384	12,519	37,520
	671,958	**612,330**	**1,213,552**
b.) Over a period of time			
Net foreign exchange gains and losses from trading assets	54,620	42,383	71,628
Net gains from financial instruments at fair value through profit or loss	72,351	36,981	92,081
Net gains from financial instruments at fair value through other comprehensive income	1,636	698	(587)
Other	2,717	1,387	3,621
	131,324	**81,449**	**166,743**
Total	**803,282**	**693,779**	**1,380,295**

10 Income taxes

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 31 December 2023 is 28% (30 June 2023: 30% and 31 December 2022: 30%).

11 Loans and advances to customers

Loans and advances grew by 3.5% mainly driven by growth in term loans. The non-performing loans ratio marginally decreased to 5.4% from the previous year, attributed to a decline in the quality of the performing loan book. Loans and advances are well collateralised and the bank continues to actively monitor and manage credit risk.

Impairment charges on loans and advances have increased, driven by the marked transition of high-value corporate clients to Stage 3 loan exposure, emphasising the necessity for stringent provisioning.

12 Property and equipment

Total additions to property and equipment during the period ended 31 December 2023 amounted to N$28.7 million (31 December 2022: N$50.8 million).

Right-of-use asset of N$118.9 million is included in the balance.

13 Intangible assets

The net book value of intangible assets increased over the period from 30 June 2023 to 31 December 2023, predominantly attributed to the capitalisation of project costs totalling N$69.8 million (31 December 2022: N$63.2 million), which encompasses the additions and transfers recorded during this period.

14 Other borrowings

	December 2023	December 2022	June 2023
	N$'000	N$'000	N$'000
	Reviewed	Reviewed	Audited
Opening balance	**213,082**	162,075	162,075
Additions*	**62,515**	-	81,659
Repayments	**(19,659)**	(16,068)	(31,286)
Accrued interest	**6,694**	5,202	12,246
Coupon payments	**(5,996)**	(5,065)	(11,612)
Closing balance	**256,636**	146,144	213,082

*Additions relate to SME loan drawdowns with Bank of Namibia at the prevailing repo rate.

15 Debt securities in issue

Senior debt to the value of N$556 million was issued during the six months ended 31 December 2023. Total interest during the period amounted to N$ 162 million with repayments of N$980 million.

16 Deposits

The deposits grew by 7.6% and the growth was mainly driven by current accounts, FC deposits and demand deposits.

17 Other liabilities

The balance includes a lease liability of N$139.3 million.

18 Dividends declared

Bank Windhoek Limited declared a final dividend for the year ended 30 June 2023 of N$258.8 million, which was paid during the six month period ended 31 December 2023.

Refer to note 20 for dividends declared after the reporting period.

19 Contingent assets, liabilities and commitments

	December 2023	December 2022	June 2023
	N$'000	N$'000	N$'000
	Reviewed	Reviewed	Audited
19.1 Capital commitments			
Authorised but not contracted for:			
Property, plant and equipment	**153,517**	115,839	191,599
Intangible assets	**166,471**	76,850	208,067
19.2 Letters of credit	**187,621**	371,870	605,288
19.3 Liabilities under guarantee	**2,361,924**	1,646,270	2,003,498
19.4 Loan commitments (undrawn)	**1,678,719**	2,665,458	2,948,866

19.5 Pending litigations
There are a few pending legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material, either on an individual or group basis. Provisions have been raised for these to the extent that the outcome is known.

20 Related parties

The group did not enter into other material new related party transactions and balances for the six months ended 31 December 2023.

21 Events subsequent to period-end

Interim dividends

On 21 February 2024 an interim dividend of 4,339.4 cents per ordinary share was declared for the period ended 31 December 2023, payable during March 2024. The interim dividend amounting to N$213.5 million has not been recognised as a liability in the condensed consolidated interim financial statements. It will be recognised in the statement of changes in equity for the year ended 30 June 2024.