A member of Capricorn Group

Annual Report

for the year ended

2018

Bank Windhoek

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

for the year ended 30 June 2018

The directors are responsible for the preparation, integrity and objectivity of the financial statements that fairly present the state of affairs of the company and the group at the end of the financial year, the profit and cash flow for the year and other information contained in this report.

To enable the directors to meet these responsibilities:

- the board and management set standards and management implements systems of internal control, accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties;
- the group's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the board audit (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 year under review.

The group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis.

The financial statements presented on pages 23 to 134 have been prepared in accordance with the provisions of the Namibian Companies Act and comply with International Financial Reporting Standards (IFRS).

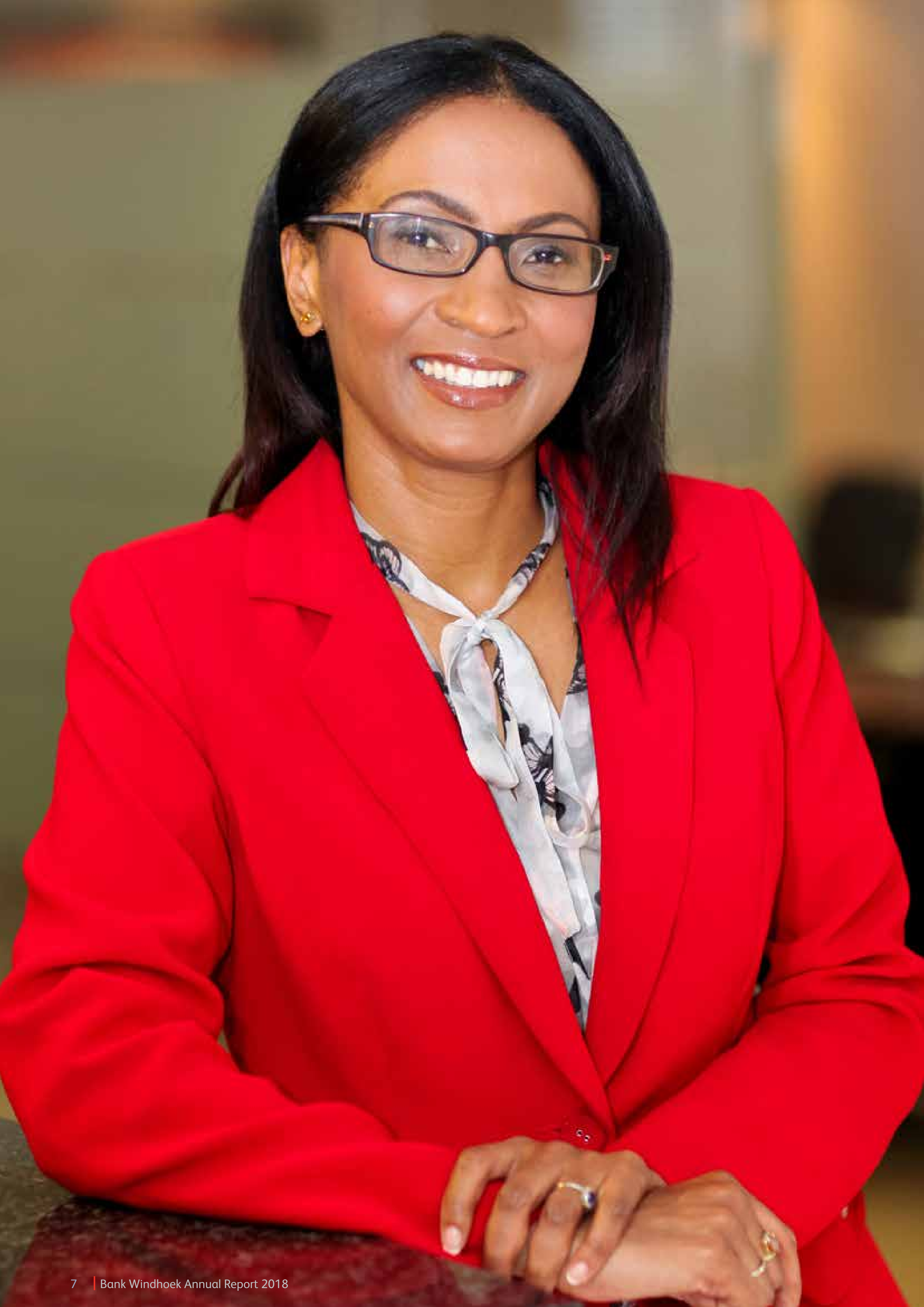
The directors have no reason to believe that the company and the group as a whole will not be going concerns in the year ahead, based on forecasts and available cash resources. These financial statements have accordingly been prepared on a going concern basis.

The financial statements have been audited by the independent auditing firm, PricewaterhouseCoopers, who was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The independent auditor's report is presented on page 16.

The financial statements, set out on pages 23 to 134, were authorised and approved for issue by the board of directors on 4 September 2018 and are signed on their behalf:

J J Swanepoel
Chairman

B R Hans
Managing Director



CORPORATE GOVERNANCE STATEMENT

for the year ended 30 June 2018

Bank Windhoek Ltd and its subsidiaries (the group) are committed to the principles of sound corporate governance which are characterised by discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. By subscribing to these principles, the group believes that all stakeholders' interests are promoted, including the creation of long-term shareholder value.

The board and its subcommittees are responsible for establishing effective leadership, ethical practices and ensuring the appropriate application of governance practices and principles contained in the NamCode, the Corporate Governance Code for Namibia. The board believes that, based on the structures, policies and practices established, the group applies the principles contained in the NamCode.

The board monitors the group's application of relevant corporate governance principles.

01 Board of Directors

The board plays a pivotal role in the group's corporate governance system. An overriding principle with regard to the board's deliberations and approach to corporate governance is that of intellectual honesty.

The board, as constituted by the Companies Act, is governed by the board charter. The purpose of this charter is to regulate how business is to be conducted by the board in accordance with the principles of sound corporate governance. The charter also sets out the specific responsibilities to be discharged by the board members collectively and the managing director and chairman in their respective capacities.

Role of the board

An important role of the board is to define the purpose of the group, which is its strategic intent and objectives as a business enterprise and its values, which constitute its organisational behaviour and norms to achieve its purpose. Both the purpose and the values are considered to be clear, concise and achievable. The group's strategy is considered, agreed and evaluated annually, prior to the approval of the annual budget. Implementation is monitored at the board and executive meetings quarterly.

The board also ensures that procedures and practices are in place that protect the group's assets and reputation. Further responsibilities of the board include the establishment, review and monitoring of strategic objectives, approval of major acquisitions, disposals and capital expenditure and overseeing the group's systems of internal control, governance and risk management.

A schedule of matters reserved for the board's decision details key aspects of the group's affairs that the board does not delegate, including the approval of business plans and budgets, material expenditure and alterations to share capital.

Board leadership and composition

The board provides leadership and vision to the group in a way that enhances share-owner value and delivers long-term sustainable development and growth.

The board strives to balance the need to operate within regulatory and business practice requirements while at the same time promoting sustainable, innovative products and operations.

There should be a clear division of responsibilities at the head of the group to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. Based on this principle, the roles of the chairman and managing director do not vest in the same person.

Chairman and Lead Director

As from 1 July 2017 the board is chaired by Johan Swanepoel, with Koos Brandt continuing as non-executive director. Neither is considered to be an independent non-executive director. The directors are of the view that their experience, leadership skills and intimate knowledge of the business and the economy equip them best to best lead the board and the group.

The board is of the opinion that the governance structures and processes in place provide adequate challenge, review and balance, and mitigate against undue influence. Board decisions are robustly deliberated and consensus-driven.

The board has appointed Mr F J du Toit as lead independent director.

Board composition

The composition, skills and competence of the board are considered adequate to lead the group.

The company has a unitary board, consisting of an appropriate mix of executive, non-executive and independent directors. The size of the board is dictated by the company's articles of association which requires a minimum of five directors. Currently, eight members constitute the board, with one executive director and three independent non-executive directors.

Board practices

Key board practices and activities focus on:

- open and honest discussion;
- active participation;
- consensus in decision-making;
- independent thinking and alternate views;
- reliable and timely information.

Board committees:

The board annually approves the meeting programme. There are at least four board meetings per year. The board as a whole remains responsible for the operations of the group, but to assist in discharging its responsibilities, it delegates certain functions to committees established by the board.

All committees are properly constituted, chaired by a non-executive director and act within agreed, written terms of reference that meet best practice standards and have been authorised by the board.

The key committees are:

Board executive committee:

The purpose of the committee is to coordinate and guide the execution of the group strategy as approved by the board and help align, coordinate and facilitate the management of the company's business in a proficient, timeous, quick, agile and proactive manner in order to achieve sustainable profitable growth and performance.

The committee is responsible for the following key matters:
1. support of managing director;
2. strategy formulation;
3. risk management, governance and business ethics;
4. oversight and monitoring of business activities and governance practices;
5. to consider and, where appropriate, approve any significant outsourcing or appointment of key advisers or other third parties;
6. to diligently execute and perform all duties, tasks and responsibilities delegated to the committee by the board;
7. to consider instances of significant litigation by or against the group;
8. to consider significant regulatory matters and reports by regulators of the group

Board audit committee (BAC):

The key responsibilities and duties of the committee are summarised as follows:
1. financial control, accounting systems and reporting, including management accounts, interim and annual financial results;
2. combined assurance;
3. review of the finance function;
4. internal audit and internal control;
5. external audit;
6. asset and liability committee (ALCO);
7. review and recommend operational and capital budgets, including the capital plan for board approval;
8. review and recommend interim and final dividends for board approval.

Board risk committee (BRC):

The key responsibilities and duties of the committee are:
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 II for board approval.

The CFO, group head of risk, head of internal audit and the external auditor attend all BAC and BRC meetings and have unfettered access to the BAC and BRC chairmen and the board.

Group board HR committee:

The key matters the committee is responsible for are:
The committee is responsible for the following key matters:
1. personnel policies;
2. remuneration framework;
3. appointment, benefits and remuneration of management below executive level;
4. remuneration and benefits of non-management;
5. retirement fund scheme;
6. medical aid and group life benefits;
7. performance management;
8. employment equity;
9. environmental health and safety.

Group board remuneration committee:

The committee is responsible for the following key matters:
1. remuneration policy;
2. remuneration and fees for services as directors;
3. talent management at executive level;
4. remuneration of executive positions;
5. incentive schemes.

Group board nominations committee:

The committee is responsible for the following key matters:
1. director nominations and related matters;
2. director performance;
3. director succession planning.

Group board investment committee:

The committee is responsible for the following key matters:
1. investment evaluations, approvals and recommendations of all prospective; investments and disinvestments above a certain value;
2. monitoring of investments;
3. measure and oversee equity investment portfolio;
4. review investment strategies.

Group board sustainability and ethics committee:

The committee is responsible for the following key matters:
1. group sustainability strategy and philosophy, good corporate citizenship and ethics;
2. monitoring social and economic development activities;
3. monitoring environment, health and public safety activities;
4. monitoring consumer relationships and public relations;
5. monitoring compliance with human rights conventions.

Group board IT committee:

The committee is chaired by Prof André Watkins, an independent external IT specialist.

The committee is responsible for the following key matters:
1. group IT strategy;
2. group IT policy;
3. operational policy guidelines;
4. group IT reference architecture;
5. group application portfolio;
6. group IT organisational and governance structures;
7. IT risk management;
8. strategic projects;
9. significant outsourcing;
10. IT capital spend;
11. adequacy of IT resources.

Attendance at meetings:

Board members are required to observe the requirements of section 242 of the Companies Act dealing with disclosures of interests and, where appropriate, board members should recuse themselves from discussions or decisions on matters of potential conflict, unless resolved otherwise by the chairman or by the remaining members of the board.

No conflicts of interests were noted or declared during the reporting period:

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

Director	Category	Board of directors	Board executive committee	Board audit committee	Board risk committee	Group board HR committee	Board credit committee	Group board IT committee	Group board remuneration committee	Group board nominations committee	Group board sustainability and ethics committee	Group investment committee	Board procurement committee
Meetings held:		7	6	5	4	4	Note 1	6	5	6	3	9	18
JC Brandt	Non-executive	5					6		2	6		2	
JJ Swanepoel	Non-executive chairman	Chair 7	Chair 6				Chair 35	3	5	Chair 6		Chair 4	Chair 18
KB Black	Independent non-executive	7				Chair 4				6			
FJ du Toit	Independent non-executive	6		Chair 5	4				5	2			
DG Fourie	Independent non-executive	7		5	Chair 4	4	42		Chair 5	6		9	
MJ Prinsloo	Non-executive	7	6	5	4	4		6			3	8	
G Nakazibwe-Sekandi	Independent non-executive	5						6			Chair 3		
BR Hans	Managing Director	7	6		4	4	42	6					18

Note 1: Board credit committee meetings are held on a weekly basis, and a quorum is always present. Loans, advances, guarantees or other commitments above a predetermined threshold are escalated to the board lending committee, which includes an additional board member (Mr F J du Toit) for approval, in terms of the credit policy.

Board appointments

Procedures for appointments to the board are formal and transparent. Nominations for appointment as members of the board are recommended by the group board nominations committee (Nomco). Nomco is chaired by the board chairman. Frans du Toit, the lead independent non-executive director is a member, and all members are non-executive. Background and reference checks are performed before the nomination and appointment of new directors.

New board members hold office until the next annual general meeting at which time they will retire and become available for re-election. Executive directors are engaged on employment contracts, subject to short-term notice periods, unless longer periods are approved by the board.

On appointment, all directors attend an induction programme aimed at deepening their understanding of the group and the business environment and markets in which the group operates. This includes background material, meetings with senior management and visits to the group's facilities. All board members are expected to keep themselves abreast of changes and trends in the business and in the group's environment and markets. This includes changes and trends in the economic, political, social and legal landscape. Where appropriate significant developments that impact the group and which the board needs to be aware, are highlighted via the governance structures and process.

02 Access to Independent Advice

The company secretary is available to provide assistance and information on governance and corporate administration to the directors as appropriate. The directors may also seek advice on such matters, or on other business-related matters, directly from independent professional advisors should they so wish. This is in addition to the advice provided by independent advisors to the committees of the board. No requests for external professional advice were received during the year.

The board has unrestricted access to the executive management team of the group to engage on and discuss any matters regarding which they require additional information or understanding.

03 Systems of Internal Control

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

The systems include a documented organisational structure and division of responsibility, established policies and procedures, which are communicated throughout the group, and the proper training and development of its people.

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

The group assesses its internal control systems on a continuous basis in relation to effective internal control over financial reporting. Based on its assessment, the group believes that, as at 30 June 2018 its systems of internal control over financial reporting and over safeguarding of assets against unauthorized acquisitions, use or disposition, were adequate.

In addition to Bank Windhoek Ltd group policies, Capricorn group policies are adopted after consideration by the board.

Combined Assurance

The group gains assurance regarding the internal risk and control environment from various assurance stakeholders, the key ones being business management, risk and compliance functions and an independent internal audit.

Risk management and compliance

The group has a structured, group-wide risk management and compliance governance structure, approved framework, and established process that is designed and monitored by the independent risk management function.

The group head of risk is responsible for the implementation and effectiveness of the risk management processes. The head of risk has access to the BAC and BRC chairman.

An approved business continuity plan (BCP) is in place which is tested annually.

Internal audit

The group internal audit function (GIA) is an independent and objective review and consulting function, created to add value and improve systems of internal control across the group. GIA assists the group to achieve its objectives by systematically reviewing current processes, using a risk-based approach to establish the adequacy of design and effectiveness and appropriateness of controls, the risk management process, the management control process and the governance process.

GIA reports to the BAC and board and has unrestricted access to the chairman of each of these committees.

External audit

The BAC approved the external auditor's terms of engagement, scope of work, as well as the 2018 annual audit strategy and agreed on the applicable levels of materiality. Based on written reports submitted, the committee reviewed, with the external auditor, the findings of their work and confirmed that all significant matters had been satisfactorily resolved.

The BAC has also assessed the external auditor's independence and has concluded that the external auditor's independence was not impaired during the reporting period and up to the date of signing of the consolidated annual financial statements. Non-audit services received and fees paid by the group during the financial year amounted to N$ 691,011 (2017: N$ 1,090,138).

It is the external auditor's responsibility to report on whether the financial statements are fairly presented in all material respects in accordance with the applicable frameworks as adopted by the group, and their audit opinion is included in the consolidated annual financial statements on page 16.

04 Code of Ethics and Conduct

As part of its corporate governance practice and to encourage an environment where loyalty, integrity and trust prevail, all directors and employees are required to abide to the group's code of ethics.

The code includes the ethics programme. The ethical standards of the company have been maintained throughout the year. Any contraventions of the code of ethics and conduct are acted upon in accordance with clearly communicated principles.

05 Stakeholder Engagement

The group actively engages with key stakeholders such as shareholders, regulators, customers and employees.

- Regulators via open and transparent supervisory reviews and engagement on key matters, and via industry forums.
- Its shareholder through regular updates and communication on strategic matters and operational performance.
- Clients through ongoing service monitoring and satisfaction surveys, and thorough proactive responses to complaints and queries.
- Staff via internal surveys, internal communication and feedback, and an established performance appraisal and career development process.

06 Sustainability

The group focuses on sustainability through successfully maintaining and growing the offerings and solutions to clients; supporting and engaging meaningfully with communities in which it operates and in societal matters identified; and through responsible business activities with regard to environmental matters.

INDEPENDENT AUDITOR'S REPORT

to the members of Bank Windhoek Ltd

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 2018, 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's consolidated and separate financial statements, set out on pages 23 to 134, comprise:

- the directors' report for the year ended 30 June 2018;
- the consolidated and separate statements of financial position as at 30 June 2018;
- 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.

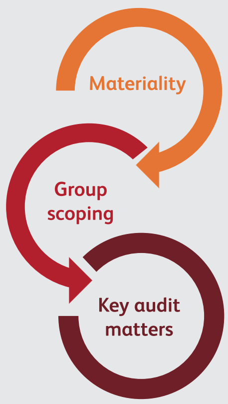
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with this code and in accordance with other ethical requirements applicable to performing audits in Namibia.

Our audit approach

Overview



Overall group materiality

- Overall group materiality: N$ 54 716 201, which represents 5 % of profit before tax.

Group audit scope

- The group audit scope included the audit of Bank Windhoek Limited and its subsidiaries , the only significant entities being BW Finance (Proprietary) Limited and Bank Windhoek Properties (Proprietary) Limited.

Key Audit Matter

- Impairment of loans and advances to customers
- Disclosure of the estimated impact of IFRS 9 Financial Instruments

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

Materiality

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

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

Overall group materiality	N$ 54,716,201
How we determined it	5 % of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5 % which is consistent with quantitative materiality thresholds used for profit-oriented public interest companies in this sector.

How we tailored our group audit scope

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

Our scoping assessment, for group reporting purposes included consideration of financially significant components identified based on indicators such as contribution to profit before tax or total asset value of the group. The significant components identified included BW Finance (Proprietary) Limited and Bank Windhoek Properties (Proprietary) Limited. These entities were subjected to a full scope audit. Entities included in our audit scope operate in Namibia.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters discussed in the table below apply to both the consolidated financial statements of the Group and the separate financial statements of the Company.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers (Refer to notes 2.4.1, 3.2.3, 4 and 16 to the annual financial statements) As at 30 June 2018, specific impairment allowances of N$ 154,571 thousand for the Group and N$ 147,724 thousand for the Company, and portfolio impairment allowances of N$75,743 thousand for the Group and the Company were recorded against gross loans and advances to customers of N$ 29,993,973 thousand for the Group and N$ 29,479,387 thousand for the Company. The calculation of the credit impairment for loans and advances was considered a matter of most significance to the audit as the estimate for credit impairment for loans and advances is complex, subjective and requires significant judgement by management. Impairment losses are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment losses are calculated on individual loans and on groups of loans assessed collectively. Impairment losses are recorded as charges to profit or loss. The carrying amount of impaired loans on the statement of financial position is reduced through the use of impairment allowance accounts. The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not individually significant. If the Group and the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the Group and Company include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss has been recognised, are not included in a collective assessment of impairment.	Our audit included considering the appropriateness of accounting policies and assessing management's loan impairment methodology in order to compare these with the requirements of IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). We found the methodology applied by management to be in accordance with the requirements of IAS 39's incurred loss model.

Individually assessed loans and advances (Specific impairment)
Management assessed all loans and advances on a case-by-case basis at the reporting date for objective evidence that the loans were impaired. Loans and advances that were flagged past due for longer than 90 days were individually assessed for impairment. Management determined impairment losses for those loans where objective evidence of impairment exists. Impairment losses are determined considering the aggregate exposure to the client and the realisable value of security (or other credit mitigants) and the likelihood of successful repossession of collateral for those loans where objective evidence of impairment was identified.
	Specific impairment
	• We evaluated management's process for identifying specific impairments on individual loans and advances based on considerations of IAS 39 and found it to be reasonable.
	• We obtained an understanding of, and tested, the relevant internal controls over the specific impairment of loans and advances which included controls over the valuation and recoverability of collateral.
	• In order to determine the reasonability of the Group's and the Company's specific impairment, we:
	  - independently calculated the impairment, with the assistance of our valuation experts, considering all accounts more than 90 days past due which were not considered to be well collateralised;
	  - independently calculated the impairment raised on the excluded accounts considering collateral in place.
	  - Compared the total specific impairment independently calculated to management's calculation and found management's calculation to be materially consistent with our expectations.
	• For a sample of loans excluded from the impairment, we inspected legal agreements and supporting documentation to confirm existence and legal right to collateral. We found no exceptions from our testing.
	• To assess the completeness and accuracy of the underlying data used in developing our expectation, we:
	  - selected a sample from all loans and advances and inspected the underlying loan agreements and supporting documentation to confirm existence and terms of agreements;
	  - We re-performed the aging of a sample of advances and found no exceptions.

Collectively assessed loans and advances (Portfolio impairment)

Individually assessed loans for which no evidence of loss was specifically identified on an individual basis were grouped together according to their credit risk characteristics for the purpose of calculating an estimated portfolio impairment. The calculation was based on the incurred but not reported ("IBNR") model, which takes into account that it may take a period of time before management becomes aware of objective evidence that a loan is impaired. For purposes of portfolio impairment, management estimated impairment for loans and advances where a loss event had occurred, but had not yet been identified.

Management estimated portfolio impairments based on an analysis of historical data relating to probability of default, emergence period and loss given default.

Portfolio impairment

We assessed the appropriateness of the model used by the Company and Group with the assistance of our valuation experts by performing amongst others the following procedures:

- We compared the emergence period to industry norms. We found the emergence period used by management to be consistent with industry norms.
- For the period of time required for an account that experienced a credit loss event to either cure or default, we compared the average time for an incurred credit loss event to reach a conclusion to industry norms and the period from historical data. The period was found to be comparable to industry norms.
- We independently re-performed the Company's and the Group's impairment calculation using Probability of Default and Loss Given Default rates determined by management. We found no material differences between our independently re-performed calculation and management's calculation.
- We independently calculated Probabilities of Default and Roll Rates (the probability of an account which does not currently show evidence of impairment moving into arrears over the emergence period) based on industry best practice methods and historical data and compared them to the rates used by management. We found the Probabilities of Default and Roll Rates used by management to be reasonable.
- We independently recalculated the Loss Given Default rates based on industry best practice methods and historical data. Trends and changes in portfolio risk were also investigated and allowed for. We found the Loss Given Defaults used by management to be within reasonable ranges.
- We compared the portfolio provision expressed as a percentage of gross loans and advances to publicly available information about the banking industry in Namibia. We found the portfolio provision expressed as a percentage of loans and advances to be reasonable based on the available information about the banking industry in Namibia.

Disclosure of the estimated impact of IFRS 9 Financial Instruments (Refer to Note 1.3.2)

When an entity has not applied a new International Financial Reporting Standard (IFRS) that has been issued but is not yet effective, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) requires the entity to disclose:

- this fact; and
- known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.

In the current year, these disclosures include a discussion of the impact that the initial application of IFRS 9 Financial Instruments (IFRS 9) is expected to have on the Company and Group's financial statements. IFRS 9 became effective for financial periods beginning on or after 1 January 2018. Under the new standard impairments are determined based on an expected credit loss (ECL) model rather than the incurred loss model used under IAS 39. The expected date of adoption of IFRS 9 by the group is 1 July 2018.

In determining the classification and measurement of financial instruments management has considered their business model for managing the financial instruments and their contractual cash flow characteristics.

During the 2018 financial year, management finalised the development, building and testing of the IFRS 9 impairment models to ensure the Company and the Group are ready to implement IFRS 9 when it becomes effective for the year ending 30 June 2019. As part of the Company and Group's IFRS 9 transition project, management tested the Company and Group's readiness for the transition to IFRS 9 whereby the Group's impairment loss was recalculated using impairment models that will be applied when IFRS 9 is effective.

Given management's focus on preparing for the IFRS 9 transition, significant audit effort was required of us in the current year in order to understand and test the systems and models used by management in anticipation of IFRS 9, which supports our evaluation of the disclosures that management have provided to meet the requirements of IAS 8. Accordingly, this disclosure has been identified as a matter of most significance to our audit of the current year's financial statements.

In evaluating the required disclosures of the impact of the adoption of IFRS 9, we considered, and where necessary (as described below) tested the governance over the project, the implementation of the necessary systems, processes, methodologies and controls by the Company and Group.

We considered the disclosures made with regard to the impact that IFRS 9's classification and measurement requirements are expected to have on the Company and Group's reserves as at 1 July 2018 by assessing the business model and contractual cash flows of a representative sample of financial assets, in order to determine whether we agreed with management's proposed classification and measurement of these instruments. We did not identify any material exceptions.

We assessed managements IFRS 9 impairment models by performing procedures normally performed when auditing credit impairment models, which included:

- considering governance over development of the models;
- evaluating key judgements;
- independently calculated the impairment, with the assistance of our valuation experts; and
- test of controls.

Based on the work that we performed, we found the amounts disclosed as the expected impact on the Company and Group's reserves as at 1 July 2018 to be within a reasonable range.

For the remainder of disclosures made in relation to IFRS 9, we considered these in relation to our understanding of the decisions made by management as part of the Company and Group's implementation project. We found disclosures made by management to be consistent with our understanding of the disclosure requirements of IAS 8.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Bank Windhoek Annual Report for the year ended 2018. Other information does not include the consolidated and 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 has 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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the 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.
The engagement partner on the audit resulting in this independent auditor's report is R.Nangula Uaandja.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants (Namibia)
Registered Accountants and Auditors

Per: R.Nangula Uaandja
Partner

Windhoek
4 September 2018

DIRECTORS' REPORT

for the year ended 30 June 2018

The directors herewith submit their report with the annual financial statements of Bank Windhoek Ltd (company and group) for the year ended 30 June 2018.

01 General Review

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

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

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

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

Company registration number: 79/081

Country of incorporation: Republic of Namibia

02 Financial Results and Dividends

The directors report that the group's profit for the year from the above business activities for the year ended 30 June 2018 amounted to:

	2018	2017
	N$'000	N$'000
Profit for the year	**796,772**	775,432

During the year under review, dividends of 6,199.20 cents per share (2017: 2,764.2 cents per share) amounting to a total of N$ 305 million (2017: N$136 million) were declared by the company. This represented a final dividend of N$134 million, which was declared after the previous year-end, interim dividends of N$129 million (2017: N$136 million) and a special dividend of N$42 million. Refer to events subsequent to year-end for final dividends declared after year-end.

Full details of the financial results of the company and the group are set out on pages 28 to 134.

03 Compliance to BID 2: Asset classification, suspension of interest and provisioning

The bank has complied in all material aspects with the requirements set out in BID 2 with regard to asset classification, suspension of interest and provisioning.

04 Share Capital

Ordinary Shares

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

All the unissued shares are under the control of the directors in terms of a general authority to allot and issue them on such terms and conditions and at such time as they deem fit. This authority expires at the forthcoming annual general meeting on 30 October 2018, when the authority can be renewed.

Preference Shares

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

05 Holding company

Bank Windhoek Ltd is a wholly-owned subsidiary of Capricorn Group. Capricorn Group is listed on the Namibian Stock Exchange and is 41.0 % (2017: 40.7 %) owned by Capricorn Investment Holdings Ltd and 26.0 % owned by the Government Institutions Pension Fund, its non-listed major shareholders which are incorporated in Namibia.

06 Subsidiaries

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

07 Joint arrangements

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

08
Directors and Company Secretary

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

Non-executive		Nationality	Date appointed	Date of resignation
J C Brandt		Namibian	1 April 1982	
J J Swanepoel	Chairman	Namibian	1 July 1999	
K B Black		Namibian	22 November 2006	
F J du Toit		South African	1 May 1998	
G Nakazibwe-Sekandi		Ugandan	1 July 2005	
M J Prinsloo		South African	24 February 2016	
G Fourie		Namibian	29 October 2015	

Executive		Nationality	Date appointed	Date of resignation
B R Hans		Namibian	1 July 2016	

Mr J J Swanepoel was appointed board chairman with effect from 1 July 2017.

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

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

6th Floor
Capricorn Group House
Kasino Street
Windhoek
Namibia

P O Box 15
Windhoek
Namibia

09
Directors' Interests

The directors' interests are reflected in the corporate governance statement.

10
Auditor

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

11
Insurance

Comprehensive insurance cover is in place as required by the Bank of Namibia BID 14 – 'Determinations on minimum insurance for banking institutions'.

12 Management by third party

No business of the company or any part thereof or of a subsidiary has been managed by a third person or a company in which a director has an interest.

13 Events subsequent to year-end

i. In August 2018 final dividends of N$159 million (or 3,231.7 cents per share) and special dividends of N$42.1 million were declared for the year ended 30 June 2018, payable on 12 September 2018.

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

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

Consolidated and separate statements of comprehensive income

for the year ended 30 June 2018

	Notes	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Interest and similar income		**3,588,688**	3,326,832	**3,556,690**	3,289,765
Interest and similar expenses		**(2,078,598)**	(1,840,170)	**(2,078,598)**	(1,840,170)
Net interest income	5.	**1,510,090**	1,486,662	**1,478,092**	1,449,595
Impairment charges on loans and advances	6.	**(58,069)**	(46,572)	**(44,353)**	(34,473)
Net interest income after loan impairment charges		**1,452,021**	1,440,090	**1,433,739**	1,415,122
Non-interest income	7.	**937,509**	798,868	**940,109**	802,056
Operating income		**2,389,530**	2,238,958	**2,373,848**	2,217,178
Operating expenses	9.	**(1,296,349)**	(1,131,523)	**(1,294,180)**	(1,129,100)
Operating profit		**1,093,181**	1,107,435	**1,079,668**	1,088,078
Share of joint arrangements' results after tax	19.	**1,148**	1,093	**-**	-
Profit before income tax		**1,094,329**	1,108,528	**1,079,668**	1,088,078
Income tax expense	10.	**(297,557)**	(333,096)	**(292,926)**	(326,595)
Profit for the year		**796,772**	775,432	**786,742**	761,483
Other comprehensive income					
Items that may subsequently be reclassified to profit or loss					
Net gains on available-for-sale financial assets	14.	**44,056**	15,383	**44,056**	15,383
Total comprehensive income for the year		**840,828**	790,815	**830,798**	776,866

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

as at 30 June 2018

Consolidated and separate statements of financial position

for the year ended 30 June 2018

	Notes	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
ASSETS					
Cash and balances with the central bank	11.	**1,221,703**	1,083,165	**1,221,703**	1,083,165
Derivative financial instruments	12.	**-**	71	**-**	71
Financial assets designated at fair value through profit or loss	13.	**4,166,953**	3,058,347	**4,166,953**	3,058,347
Financial assets at amortised cost	13.	**624,715**	41,621	**624,715**	41,621
Investment securities	14.	**134,028**	149,381	**134,028**	149,381
Due from other banks	15.	**749,021**	860,615	**749,021**	860,615
Loans and advances to customers	16.	**29,763,659**	28,507,718	**29,255,920**	28,035,256
Other assets	17.	**274,478**	240,021	**274,478**	240,021
Current tax asset		**44,283**	54,842	**36,512**	49,201
Investment in subsidiaries	18.	**-**	-	**19,799**	19,799
Loans to subsidiaries	18.	**-**	-	**437,540**	409,439
Interest in joint arrangements	19.	**7,340**	6,192	**1,154**	1,154
Intangible assets	20.	**182,476**	197,648	**182,476**	197,648
Property, plant and equipment	21.	**172,955**	171,417	**156,890**	154,391
Total assets		**37,341,611**	34,371,038	**37,261,189**	34,300,109
LIABILITIES					
Derivative financial instruments	12.	**5,535**	8,622	**5,535**	8,622
Due to other banks	22.	**63,037**	140,611	**63,037**	140,611
Other borrowings	23.	**1,217,510**	1,165,064	**1,217,510**	1,165,064
Debt securities in issue	24.	**3,537,990**	3,031,181	**3,537,990**	3,031,181
Deposits	25.	**27,408,878**	25,420,775	**27,408,878**	25,420,775
Other liabilities	26.	**308,659**	285,648	**310,153**	286,605
Deferred tax liability	27.	**7,205**	4,008	**7,205**	4,008
Post-employment benefits	28.	**11,440**	10,191	**11,440**	10,191
Total liabilities		**32,560,254**	30,066,100	**32,561,748**	30,067,057
EQUITY					
Share capital and premium	29.	**485,000**	485,000	**485,000**	485,000
Non-distributable reserves	31.	**269,653**	248,186	**269,653**	248,186
Distributable reserves	32.	**4,026,704**	3,571,752	**3,944,788**	3,499,866
Total shareholders' equity		**4,781,357**	4,304,938	**4,699,441**	4,233,052
Total equity and liabilities		**37,341,611**	34,371,038	**37,261,189**	34,300,109

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2018

Consolidated and separate statements of changes in equity

for the year ended 30 June 2018

	Notes	Share capital & premium	Non distributable reserves		Distributable reserves			Total equity
			Insurance fund reserve	Credit risk reserve	Fair value reserve	General banking reserve	Retained earnings	
		N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
GROUP								
Balance at 1 July 2016		485,000	27,773	185,261	129,781	2,764,278	58,030	3,650,123
Total comprehensive income for the year		-	-	-	15,383	-	775,432	790,815
Profit for the year		-	-	-	-	-	775,432	775,432
Other comprehensive income		-	-	-	15,383	-	-	15,383
Transfer between reserves		-	22,763	12,389	-	590,332	(625,484)	-
Dividends for 2017	33.	-	-	-	-	-	(136,000)	(136,000)
Balance at 30 June 2017		485,000	50,536	197,650	145,164	3,354,610	71,978	4,304,938
Balance at 1 July 2017		**485,000**	**50,536**	**197,650**	**145,164**	**3,354,610**	**71,978**	**4,304,938**
Total comprehensive income for the year		**-**	**-**	**-**	**44,056**	**-**	**796,772**	**840,828**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**796,772**	**796,772**
Other comprehensive income		**-**	**-**	**-**	**44,056**	**-**	**-**	**44,056**
Transfer between reserves		**-**	**3,206**	**18,261**	**-**	**460,270**	**(481,737)**	**-**
Reclassification to profit or loss		**-**	**-**	**-**	**(59,409)**	**-**	**-**	**(59,409)**
Dividends for 2018	33.	**-**	**-**	**-**	**-**	**-**	**(305,000)**	**(305,000)**
Balance at 30 June 2018		**485,000**	**53,742**	**215,911**	**129,811**	**3,814,880**	**82,013**	**4,781,357**
COMPANY								
Balance at 1 July 2016		485,000	27,773	185,261	129,781	2,764,278	93	3,592,186
Total comprehensive income for the year		-	-	-	15,383	-	761,483	776,866
Profit for the year		-	-	-	-	-	761,483	761,483
Other comprehensive income		-	-	-	15,383	-	-	15,383
Transfer between reserves		-	22,763	12,389	-	590,332	(625,484)	-
Dividends for 2017	33.	-	-	-	-	-	(136,000)	(136,000)
Balance at 30 June 2017		485,000	50,536	197,650	145,164	3,354,610	92	4,233,052
Balance at 1 July 2017		**485,000**	**50,536**	**197,650**	**145,164**	**3,354,610**	**92**	**4,233,052**
Total comprehensive income for the year		**-**	**-**	**-**	**44,056**	**-**	**786,742**	**830,798**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**786,742**	**786,742**
Other comprehensive income		**-**	**-**	**-**	**44,056**	**-**	**-**	**44,056**
Transfer between reserves		**-**	**3,206**	**18,261**	**-**	**460,270**	**(481,737)**	**-**
Reclassification to profit or loss		**-**	**-**	**-**	**(59,409)**	**-**	**-**	**(59,409)**
Dividends for 2018	33.	**-**	**-**	**-**	**-**	**-**	**(305,000)**	**(305,000)**
Balance at 30 June 2018		**485,000**	**53,742**	**215,911**	**129,811**	**3,814,880**	**97**	**4,699,441**

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

for the year ended 30 June 2018

Consolidated and separate statements of cash flows

for the year ended 30 June 2018

	Notes	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Cash flows from operating activities					
Receipts from customers	34.1	**4,450,029**	4,124,751	**4,420,633**	4,090,872
Payments to customers, suppliers and employees	34.2	**(2,801,351)**	(2,490,050)	**(2,800,143)**	(2,488,589)
Cash generated from operations	34.3	**1,648,678**	1,634,701	**1,620,490**	1,602,283
(Increase) / decrease in operating assets					
Financial assets designated at fair value and amortised cost		**(1,469,689)**	109,817	**(1,469,689)**	109,817
Loans and advances to customers and banks		**(1,345,519)**	(1,994,984)	**(1,296,525)**	(1,959,758)
Other assets		**47,759**	13,892	**47,759**	13,892
Increase / (decrease) in operating liabilities					
Deposits, other borrowings and due to other banks		**1,920,644**	1,492,224	**1,920,644**	1,492,224
Other liabilities		**(18,982)**	(158,641)	**(18,447)**	(158,070)
Net cash generated from operations		**782,891**	1,097,009	**804,232**	1,100,388
Dividends received		**2,420**	651	**2,420**	651
Income taxes paid	34.4	**(283,801)**	(321,693)	**(277,040)**	(314,289)
Net cash generated from operations		**501,510**	775,967	**529,612**	786,750
Cash flows from investing activities					
Additions to property, plant and equipment	21.	**(29,793)**	(55,816)	**(29,793)**	(55,816)
Proceeds on disposal of property, plant and equipment		**18**	479	**18**	479
Additions to intangible assets	20.	**(40,000)**	(70,445)	**(40,000)**	(70,445)
Increase in loans to subsidiaries		**-**	-	**(28,102)**	(10,783)
Net cash utilized in investing activities		**(69,775)**	(125,782)	**(97,877)**	(136,565)
Cash flows from financing activities					
Proceeds from borrowings	23.	**219,000**	-	**219,000**	-
Other borrowings capital repaid	23.	**(167,272)**	-	**(167,272)**	-
Other borrowings coupon payments	23.	**(124,301)**	(122,171)	**(124,301)**	(122,171)
Redemption of debt securities in issue	24.	**(411,584)**	(473,766)	**(411,584)**	(473,766)
Debt securities coupon payments	24.	**(277,639)**	(209,592)	**(277,639)**	(209,592)
Proceeds from the issue of debt securities	24.	**905,000**	1,304,000	**905,000**	1,304,000
Dividends paid	33.	**(263,000)**	(136,000)	**(263,000)**	(136,000)
Net cash generated from financing activities		**(119,796)**	362,471	**(119,796)**	362,471
Net increase in cash and cash equivalents		**311,939**	1,012,656	**311,939**	1,012,656
Cash and cash equivalents at the beginning of the year		**3,407,887**	2,395,231	**3,407,887**	2,395,231
Cash and cash equivalents at the end of the year	35.	**3,719,826**	3,407,887	**3,719,826**	3,407,887

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2018

01
Basis of Presentation

The consolidated annual financial statements of Bank Windhoek Ltd for the year ended 30 June 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS), interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) effective at the time of preparing these statements and in the manner required by the Namibian Companies' Act. The consolidated annual financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts.

The preparation of consolidated annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated annual financial statements, are disclosed in note 4.

1.1 Going concern

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current financing. The group continues to adopt the going concern basis in preparing its consolidated annual financial statements.

1.2. Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated annual financial statements are presented in Namibian dollar, which is the functional and presentation currency of the company and the presentation currency of the group.

1.3. Standards and interpretations issued

1.3.1 Standards and interpretations issued affecting amounts reported and disclosures in the current year.
1.3.2 Standards and interpretations issued but not yet effective

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
Amendments to IAS 7 Cash flow statements	In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.	The group assessed the amendment's impact and concluded that it will only impact the disclosure in the group's annual financial statements	Must be applied for financial years commencing on or after 1 January 2017. Expected date of adoption by the group: 1 July 2017.
Amendment to IAS 12 – Income taxes	The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets. The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.	The group assessed the amendment's impact and concluded that the amendment will have no impact on the group's annual financial statements.	Mandatory for financial years commencing on or after 1 January 2017. Adoption date by group: 1 July 2017

There are no other standards that are effective in the current year 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.

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
IFRS 9 "*Financial Instruments*"	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes a new model to determine impairments of financial assets. Details of requirements of IFRS 9 that will impact the group: **Classification and measurement** IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and its contractual cash flow characteristics. Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold these assets solely for collecting on contractual cash flows, where these contractual cash flows comprise solely payments of principal and interest. Financial assets are measured at fair value through other comprehensive income (FVOCI) if they are held within a business model whose objective is achieved by both collecting on contractual cash flows and by selling these financial assets. Contractual cash flows should comprise solely payments of principal and interest. The remaining financial assets, including derivatives, are measured at fair value through profit or loss (FVTPL). For equity investments that are neither held for trading nor contingent consideration, the group may irrevocably elect to present subsequent changes in fair value of these equity investments in other comprehensive income (OCI). Where the equity investment is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified within equity. The accounting for financial liabilities remains largely unchanged.	The group has elected not to restate comparative figures, as permitted by the transitional provisions of IFRS 9. Accordingly, any differences between previous IAS 39 and new IFRS 9 carrying amounts will be recognised in opening retained earnings and other reserves as at 1 July 2018. **Classification and measurement** The group did identify instances where the classification and measurement of financial assets changed from amortised cost to fair value and vice versa under IFRS 9. However, this is expected to have a negligible net impact on the group's reserves as at 1 July 2018. **Impairments** During 2018 the IFRS 9 implementation project progressed as follows: • Finalisation of the IFRS 9 impairment framework and methodology. • Finalising the development, building and testing of the IFRS 9 impairment models. • Improving the IT infrastructure in order to collect suitable data for an IFRS 9 compliant model. The group and company assessed the impact of IFRS 9 Expected credit losses (ECL) impairment requirements to result in an increase of approximately N$174.3 million and N$162.5 million in balance sheet impairments respectively; an increase of 76 % and 73 % over IAS 39 requirements respectively.	Must be applied for financial years commencing on or after 1 January 2018. Expected date of adoption by the group: 1 July 2018.

Title of standard	Nature of change	Impact	Mandatory application date / Date of adoption by group
	Impairments Under IFRS 9, impairments are determined based on an ECL model rather than the incurred loss model used under IAS 39. The group will be required to recognise impairments for either a 12-month or lifetime ECL on all financial assets measured at amortised cost and FVOCI, depending on whether there has been a significant increase in credit risk since initial recognition of the financial asset. Forward-looking information based on expected macroeconomic conditions and specific factors that are expected to impact individual portfolios are used when determining ECLs.	Management is in the process of developing an IFRS 9 compliant impairment framework and models. This includes collating data that can be used to estimate expected credit losses and information on the credit quality and performance of borrowers. Existing models such as the macro-economic forecast model and client rating methodologies are also being considered to ensure efficient use of existing models. Key impairment calculation requirements and considerations include the following key decisions: • setting criteria and cut-off points for significant deterioration; • forecasting credit losses based on borrower performance, forecasted macro-economic variables and once-off events; and • estimating default risk, default loss rates and outstanding balances over the expected lifetime of the loan. Decisions will balance the strict interpretation of IFRS 9, industry practice and materiality. Management will subsequently explore potential modelling methodologies which will then develop into a prototype model that can be reviewed before implementation. The group has performed an assessment of the impact that IFRS 9 classification and measurement might have on the financial statements and internal management reports, of the operating divisions. For all financial assets, the classification and measurement requirements of IFRS 9 were considered based on the group's business model for managing the assets and the contractual cash flow characteristics of the assets.	Must be applied for financial years commencing on or after 1 January 2018. Expected date of adoption by the group: 1 July 2018.
IFRS 15 "*Revenue from Contracts with Customers*"	The FASB and IASB issued their long awaited converged standard on revenue recognition 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer. The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.	Management is currently assessing the impact of the new rules.	Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the group: 1 July 2018.

Title of standard	Nature of change	Impact	Mandatory application date / Date of adoption by group
IFRS 16 *"Leases"*	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.	The group is currently assessing the impact of the new rules.	Mandatory for financial years commencing on or after 1 January 2019. Expected date of adoption by the group: 1 July 2019.
IFRS 17, *'Insurance contracts'*	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment	The group is currently assessing the impact of the new rules.	Mandatory for financial years commencing on or after 1 January 2021. Expected date of adoption by the group: 1 July 2021.

Title of standard	Nature of change	Impact	Mandatory application date / Date of adoption by group
	for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.		

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

02 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Consolidation

2.1.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are 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 value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. Acquisition-related costs are expensed as incurred.

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

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

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

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

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

2.1.2. Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant shares acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as non-controlling interest. Profits or losses attributable to non-controlling interests are reported in the consolidated statement of comprehensive income as profit or loss attributable to non-controlling interests.

2.1.3. Disposal of subsidiaries

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

2.1.4. Joint arrangements

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

Under the equity method of accounting, interests in joint arrangement are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint arrangement equals or exceeds its interests in the joint arrangement (which includes any long-term interests that, in substance, form part of the group's net investment in the joint arrangement), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint arrangement.

Unrealised gains on transactions between the group and its joint arrangement are eliminated to the extent of the group's interest in the joint arrangement. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint arrangement have been changed where necessary to ensure consistency with the policies adopted by the group.

Investments in joint arrangement are measured at cost less impairment in the company's financial statements.

2.2. Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated annual financial statements are presented in Namibian dollars (N$), which is the group's presentation currency.

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

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

2.3. Financial instruments

2.3.1. Financial assets

The group classifies its financial assets in the following categories:
- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale, are recognised on trade-date - the date on which the group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers.

i. Financial assets at fair value through profit or loss

This category has two subcategories: financial assets held for trading; and those designated at fair value through profit or loss at inception. The designation cannot be subsequently changed.

A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are categorised as held for trading, unless they are designated as hedges.

Financial assets are designated at fair value through profit or loss when:
- doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost for loans and advances to customers or banks and debt securities in issue;.

- they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis; or
- financial instruments, such as debt securities held, containing one or more embedded derivative that significantly modify the cash flows, are designated at fair value through profit or loss.

Treasury bills, government stock, corporate bonds, unit trust investments, derivative financial instruments and other debt securities are designated in this category.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value are included under net gain from financial instruments designated at fair value through profit or loss in profit or loss and in the period in which they arise. Interest income and dividend income are included in 'net interest income' or 'other operating income', respectively.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are carried at amortised cost using the effective interest rate method. Interest calculated using the effective interest rate method is recognised in profit or loss.

Loans and advances to customers, due from other banks, cash and balances with the central bank and other assets are classified in this category.

iii. Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest rate method. Interest calculated using the effective interest rate method is recognised in profit or loss.

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

iv. Available-for-sale

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

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

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

Investment securities are classified in this category.

2.3.2. Financial liabilities

The group recognises a financial liability when it becomes a party to the contractual terms of the financial instrument. The group classifies its financial liabilities in the following categories:

- at amortised cost; and
- financial liabilities at fair value through profit or loss.

Financial liabilities are initially recognised at fair value, being its issue proceeds (fair value of consideration received) net of transaction costs incurred, for all financial liabilities not carried at fair value through profit or loss.

i. At amortised cost

The liability is subsequently stated at amortised cost, any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the liability using the effective interest rate method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Classified in this category are amounts due to other banks, other borrowings, debt securities in issue, deposits and other liabilities.

ii. Financial liabilities at fair value through profit or loss

This category comprises two subcategories, namely:

- financial liabilities classified as held for trading; and
- financial liabilities designated by the group as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedges. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller. Those financial instruments are recognised in the consolidated statement of financial position as 'financial liabilities held for trading'.

Classified in this category are derivative financial instruments.

2.3.3. 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.

2.3.4. Derecognition

The group derecognises a financial asset when:

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

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

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

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

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

2.3.5. 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.

2.3.6. Derivative financial instruments

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

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

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

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

2.4. Impairment of financial assets

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

2.4.1. Financial assets carried at amortised cost

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

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

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

- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

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

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

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

Impairment of loans and advances

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

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

i. Individually assessed loans and advances

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

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

ii. Collectively assessed loans and advances

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

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

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

2.4.2. Financial assets carried at fair value

The group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

2.4.3. Renegotiated loans

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

2.5. Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

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

2.6. Intangible assets

2.6.1. Goodwill

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

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

2.6.2. Computer software and development costs

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

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

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

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

Computer software development costs recognized as assets are amortised using the straight-line method over their useful lives as follows:
Operating software 3 years
Application software 7 years

2.7. Property, plant and equipment

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

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

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

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

Investment properties held by group companies and which are occupied by other group companies are recognised as property, plant and equipment in the consolidated annual financial statements.

2.8. Repossessed property

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed property is included under other assets as inventory as it is held for sale in the ordinary course of business, at the lower of cost or net realisable value, and are derecognised when the assets are sold to third parties.

2.9. Impairment of non-financial assets

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

2.10. Leases

2.10.1. A group company is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The leases entered into by the group are primarily operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.10.2. A group company is the lessor

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.11. Cash and cash equivalents

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

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

2.12. Provisions

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

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

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

2.13. Financial guarantee contracts

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

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm’s length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the group’s liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history or past losses, supplemented by the judgement of management.

Any increase in the liability relating to financial guarantees is taken to profit or loss under operating expenses.

2.14. Employee benefits

2.14.1. Pension obligations

The group operates a defined contribution plan. The plan is generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity.

The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The group provides no other post-retirement benefits to their retirees.

2.14.2. Severance pay provision

In terms of the Labour Act of 2007, the group is required to make payments (or provide other benefits) to employees when it terminates their employment. The implications of this requirement is that severance pay has to be paid to all employees when the employee:
i) is dismissed (except if due to misconduct or poor performance); or
ii) dies while employed.

The group therefore has an obligation, more specifically a defined benefit, in terms of IAS 19 'Employee benefits'. The benefit is unfunded and is valued using the projected unit credit method as prescribed by IAS 19 'Employee benefits'. Refer to Note 28.1 for assumptions made in the determination of the group's liability with respect to severance pay.

2.14.3. Leave pay

Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees with reference to services rendered up to the reporting date.

2.14.4. Performance bonuses

The group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit before tax after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.15. Share-based payments

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

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

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

2.16. Current and deferred income tax

The tax expense for the period comprises of current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.16.1. Deferred income tax

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

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities including derivative contracts and tax losses carried forward and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

2.16.2. Current income tax

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

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

2.17. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group’s activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2.17.1. Net trading income

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

2.17.2. Interest income and expenses

Interest income and expenses are recognised in profit or loss for all instruments measured at amortised cost using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income and dividend income on financial assets at fair value through profit or loss, are included in 'net interest income' or 'dividend income', respectively.

When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.17.3. Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis. Asset management fees related to investment funds are recognised over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

2.17.4. Other income

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

2.18. Share capital

Share issue

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

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

2.19. Dividend distribution

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

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

2.20. Fiduciary activities

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

2.21. Operating segments

The group considers its banking operations as one operating segment; the group has no significant components other than banking. Other components include micro finance, however this component contributes less than 5% to the group revenue, assets and profit for the year, therefore the group has no significant components other than banking. This is in a manner consistent with the internal reporting provided to the chief operating decision-maker, identified as the managing director of the group. The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segment(s) of an entity.

In assessing the performance of the banking operation, the managing director reviews the various aggregated revenue streams, the total costs and the assets and liabilities related to the banking activity, which have been disclosed in the various notes to the consolidated annual financial statements.

03 Financial Risk Management

Any business that requires a return on capital investment is exposed to financial risks. Managing these risks continues to play a pivotal role within the group to ensure an appropriate balance is reached between risks and returns. The board of directors is ultimately responsible to manage risks that may have a negative impact on its financial performance, and which may ultimately have an adverse effect on the continued operations of the group. However, it is the responsibility of management to identify risks, whether real or anticipated, within their business units, and take appropriate actions.

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

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

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

The following subcommittees have been formed to assist the board audit and board risk and compliance committee (BAC and BRC) to manage risks:

Board credit committee (BCC) and board lending committee (BLC)

One of the group's primary activities is lending to retail and commercial borrowers. The group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The BCC and BLC are tasked to ensure this objective is achieved through the sanctioning of credit and thereby ensuring credit exposures remain within an acceptable range of credit standing. Such exposures involve not just loans and advances reflected on the statement of financial position; but also guarantees and other commitments such as letters of credit.

Asset and liability committee (ALCO)

The primary responsibility of the ALCO is the management of market and liquidity risks within set risk capacity, appetite and tolerance thresholds whilst at the same time optimising the group's profitability and capital position. The ALCO reviews the macro-economic environment, as well as historical financial and strategic performance as inputs in a strategy development process, which is supported by simulations and forecasting. The group trades in financial instruments where it takes positions in traded instruments, including derivatives, to take advantage of, and hedge against adverse, short-term market movements in bonds and in foreign currency, interest rate and commodity prices. Amongst other responsibilities, ALCO is tasked to monitor the risks associated with these activities.

Risk management includes the setting of trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. In addition, with the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

The ALCO also carries the primary responsibility of monitoring the group's liquidity position, as well as formulating the funding strategy. The interest rate subcommittee reviews the economic environment and recommends interest rate views to ALCO. ALCO activities are reported to the BAC.

Risk committee

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

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

Credit risk forum (CRF)

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

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

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

The CRF facilitates compliance with:

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

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

3.1. Analysis of assets and liabilities

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies on pages 43 to 59 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statement of financial position per category of financial instrument to which they are assigned and therefore measured. The table includes non-financial assets and liabilities to reconcile to the statement of financial position:

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

Group	Held for trading N$'000	Designated at fair value through profit / loss N$'000	Loans and receivables N$'000	Available-for-sale financial assets N$'000	Financial assets / liabilities at amortised cost N$'000	Non-financial assets / liabilities N$'000	Total N$'000
				2017			
ASSETS							
Cash and balances with the central bank	-	-	1,083,165	-	-	-	1,083,165
Derivative financial instruments	71	-	-	-	-	-	71
Financial assets designated at fair value through profit or loss	-	3,058,347	-	-	-	-	3,058,347
Financial assets at amortised cost	-	-	-	-	41,621	-	41,621
Investment securities	-	-	-	149,381	-	-	149,381
Due from other banks	-	-	860,615	-	-	-	860,615
Loans and advances to customers	-	-	28,507,718	-	-	-	28,507,718
Other assets	-	-	204,963	-	-	35,058	240,021
Current tax asset	-	-	-	-	-	54,842	54,842
Interest in joint arrangements	-	-	-	-	-	6,192	6,192
Intangible assets	-	-	-	-	-	197,648	197,648
Property, plant and equipment	-	-	-	-	-	171,417	171,417
Total assets	71	3,058,347	30,656,461	149,381	41,621	465,157	34,371,038
LIABILITIES							
Derivative financial instruments	8,622	-	-	-	-	-	8,622
Due to other banks	-	-	-	-	140,611	-	140,611
Other borrowings	-	-	-	-	1,165,064	-	1,165,064
Debt securities in issue	-	-	-	-	3,031,181	-	3,031,181
Deposits	-	-	-	-	25,420,775	-	25,420,775
Other liabilities	-	-	-	-	275,810	9,838	285,648
Deferred tax liability	-	-	-	-	-	4,008	4,008
Post-employment benefits	-	-	-	-	-	10,191	10,191
Total liabilities	8,622	-	-	-	30,033,441	24,037	30,066,100

3.2. Credit risk

The group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the reporting date. Significant changes in the economy of a particular industry segment that represents a concentration in the group's portfolio, could result in losses that are different from those provided for at the reporting date. Credit risk, together with large exposures, is monitored by the BAC and BRC.

In addition to credit risk through a loan, the group is exposed to counterparty credit risk, which is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Unlike credit exposures to loans, exposures to counterparty credit could result in a positive or negative impact to the financial performance of the group, depending on the underlying market factors. Such risk is associated primarily with derivative transactions.

3.2.1. Credit risk measurement

Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The group has developed statistical models to support the quantification of credit risk. These quantitative models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring the credit risk of loans and advances at a counterparty level, the group considers three components, namely: (i) the 'probability of default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the group derives the 'exposure at default' (EAD); and (iii) the expected loss on the defaulted obligations (the 'loss given default') (LGD).

These credit risk measurements, which reflect expected loss (the 'expected loss model'), are required by the Basel committee on banking regulations and the supervisory practices (the Basel committee) and are embedded in the group's daily operational management. The operational credit risk measurements can be contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the date of the consolidated statement of financial position (the 'incurred loss model') rather than expected losses (note 3.2.4).

i. Probability of default (PD)

The probability of default is an indication of the probability that a given loan will default. Under Basel II 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 is calculated using a historical one-year average to annualise the figures over one year.

ii. Exposure at default (EAD)

The exposure at default under Basel II will take into account an expectation of future draw-downs until the default event has occurred by utilising a credit conversion factor. For example, for a loan this is the face value. For a commitment, the group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

iii. Loss given default (LGD)

Loss given default or loss severity represents the group's expectation of the extent of loss on a claim should default occur (1 - recovery rate). It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. The measurement of exposure at default and loss given default is based on the risk parameters standard under Basel II. The Basel committee on banking supervision document on international convergence of capital measurement and capital standards states that the expected loss should be a one-year estimate. For this reason, and to relate the LGD to the PD one-year average, the LGD is also computed over a one year history. The LGD should be as a percentage of the EAD as required by Basel II.

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

Group	Notes	2018 N$'000 Year-end	2018 N$'000 Daily average balances	2017 N$'000 Year-end	2017 N$'000 Daily average balances
Credit risk exposures relating to on-statement-of-financial-position assets are as follows:					
Cash and balances with the central bank	11.	1,221,703	1,412,135	1,083,165	1,276,013
Derivative financial instruments	12.	-	-	71	78
Financial assets designated at fair value through profit or loss	13.	4,150,821	4,086,435	3,034,225	2,908,821
- Treasury bills		2,780,029	2,756,296	1,922,007	1,991,946
- Government stock		321,607	317,804	211,018	216,091
- Corporate bonds		40,212	30,124	9,797	8,373
- Unit Trust investments		1,008,973	982,211	891,374	692,314
- OTC currency options		-	-	29	97
Financial assets at amortised cost	13.	624,715	604,632	41,621	12,151
- Treasury bills		-	-	18,861	5,023
- Government stock		624,715	604,632	22,760	7,128
Due from other banks	15.	749,021	802,555	860,615	967,222
Gross loans and advances to customers	16.	29,993,973	29,843,787	28,709,034	28,503,534
- Overdrafts		4,821,811	4,786,079	4,844,567	4,786,507
- Term loans		6,569,017	6,542,677	5,610,369	5,573,625
- Mortgages		15,105,282	15,047,468	14,570,865	14,469,504
- Instalment finance		3,052,960	3,025,456	3,242,246	3,225,659
- Preference shares		444,903	442,106	440,987	448,239
Other assets*	17.	248,749	238,304	204,963	187,877
Total on-statement-of-financial-position exposure		36,988,982	36,987,848	33,933,694	33,855,696
Credit risk exposure relating to off-statement-of-financial-position items are as follows:					
Liabilities under guarantee	36.	1,056,456		1,286,610	
Letters of credit	36.	245,841		79,042	
Loan commitments	36.	1,714,759		1,763,653	
Total off-statement-of-financial position exposure		3,017,056		3,129,305	
Total credit risk exposure		40,006,038		37,062,999	

*Other assets exposed to credit risk include insurance fund assets, accounts receivable and clearing and settlement accounts.

The table represents a worst case scenario of credit risk exposure to the group as at 30 June 2018 and 2017, without taking account of any collateral held or other credit enhancements attached. For all assets listed on the statement of financial position, the exposures set out above are based on carrying amounts as reported.

The most significant exposures are derived from loans and advances to banks and customers.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the group resulting from both its loans and advances portfolio and other securities based on the following:

- The group employs a range of policies and practices to mitigate credit risk. Refer to note 3.2.3.
- Mortgage loans, which represent the biggest group in the loans and advances to customers portfolio, are backed by collateral.
- All financial assets, other than special mention and non-performing loans and advances, are neither past due nor impaired.

3.2.3. Risk limit control and mitigation policies

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

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

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

Other specific control and mitigation measures are outlined below:

a) Collateral

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

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

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

Collateral per class of loans and advances:
Mortgages:

- First, second and third covering bond; 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;
- Registered cession of life insurance policy; or
- 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.

Property valuation

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

Life insurance valuation

Life insurance that is used as security for loans taken out at the bank is ceded to the bank and the cession is registered by the insurance company. The values of the life insurance policies ceded to the bank must be updated at least annually to determine the security value and to establish whether premiums are up to date.

Credit life insurance

In the case of micro-loans, the customer signs a formal loan agreement and sufficient credit life insurance is ceded to the bank. A formal payroll agreement between the applicant's employer and the bank is also signed. Non-government applicants must sign an acknowledgement of debt and cede their surplus benefits (e.g. unpaid leave) payable on termination of service to Bank Windhoek.

Long-term finance and lending to corporate entities are generally secured. In addition, in order to minimise the credit loss, the group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Although revolving individual credit facilities are generally unsecured, these are only granted to clients after stringent credit reviews.

b) Derivatives

The group maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the group (i.e. assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the group requires margin deposits from counterparties.

c) Financial instruments subject to master netting arrangements (MNA) and similar agreements

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

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

d) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurance that the group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the group on behalf of a customer authorising a third party to draw drafts on the group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

3.2.4. Impairment policies

The credit measurement process as described in note 3.2.1 focuses on expected credit losses, taking into account the risk of future events giving rise to losses. In contrast, impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the date of the consolidated statement of financial position based on objective evidence of impairment (see note 2.4.1). Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

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

i. Credit quality and management of loans and advances

Initial applications

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

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

No internal scoring models are used except for the micro loans book, where the Delphi score forms part of the assessment. Assessments on all other loan classes are performed on a 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 45 days and longer), outstanding security, special mention accounts, guarantees, letters of credit and foreign exchange contracts, floor plans, savings accounts in overdraft and bad debts written off within branch mandates;
- The credit department submits a monthly report to the executive management team and a more detailed report to the board of directors on a quarterly basis regarding the status of the credit portfolio of the bank;
- Monthly statistics per product are used to monitor the quality and management of the loan portfolio per branch;
- All clients with exposures approved above branch level are interviewed by credit before non-performing accounts are transferred to legal collection branch; and
- All transfers to the legal collections branch with an impairment provision higher than N$10,000 are scrutinised by the credit department and categorised under:
  - poor assessment;
  - poor management;
  - poor collateral management;
  - economic reasons; and
  - other.

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

The table below shows the loans and advances age analysis:

Group	Neither past due nor impaired N$'000	Past due not impaired N$'000	Special mention 1 - 30 days N$'000	Special mention 31 - 60 days N$'000	Special mention 61 - 90 days N$'000	Non-performing More than 90 days N$'000	Total N$'000
As at 30 June 2018							
Overdrafts	**4,481,506**	**54,448**	**80,879**	**67**	**104**	**204,807**	**4,821,811**
Term loans	**6,374,630**	**10,283**	**11,319**	**558**	**8,458**	**163,769**	**6,569,017**
Mortgages	**14,521,447**	**120,922**	**58,264**	**4,146**	**5,927**	**394,576**	**15,105,282**
Instalment finance	**2,977,439**	**1,372**	**3,039**	**3,595**	**1,277**	**66,238**	**3,052,960**
Preference shares	**444,903**	**-**	**-**	**-**	**-**	**-**	**444,903**
Total gross loans and advances	**28,799,925**	**187,025**	**153,501**	**8,366**	**15,766**	**829,390**	**29,993,973**
Specific impairment raised against unsecured amount*	**-**	**-**	**(9,767)**	**(7,357)**	**(1,723)**	**(135,724)**	**(154,571)**
Total loans and advances after specific impairments	**28,799,925**	**187,025**	**143,734**	**1,009**	**14,043**	**693,665**	**29,839,402**
Security held against past due not impaired and impaired loans	**-**	**(156,934)**	**(66,602)**	**(5,421)**	**(14,076)**	**(797,110)**	**(1,040,143)**
	28,799,925	**30,091**	**77,132**	**-**	**-**	**-**	**28,799,259**
As at 30 June 2017							
Overdrafts	4,348,168	261,610	104,528	19,980	7,237	103,044	4,844,567
Term loans	5,401,120	19,004	103,934	19,778	7,039	59,494	5,610,369
Mortgages	13,612,863	529,522	120,250	47,962	50,586	209,682	14,570,865
Instalment finance	3,120,770	58,461	5,904	7,114	9,601	40,396	3,242,246
Preference shares	440,987	-	-	-	-	-	440,987
Total gross loans and advances	26,923,908	868,597	334,616	94,834	74,463	412,616	28,709,034
Specific impairment raised against unsecured amount*	-	-	(23,164)	(4,809)	(5,113)	(80,190)	(113,276)
Total loans and advances after specific impairments	26,923,908	868,597	311,452	90,025	69,350	332,426	28,595,758
Security held against past due not impaired and impaired loans	-	(573,274)	(255,801)	(75,147)	(62,564)	(332,426)	(1,299,212)
	26,923,908	295,323	55,651	14,878	6,786	-	27,296,546

*The specific impairment raised against the 1 - 30 days, 31 - 60 days and 61 - 90 days categories relates to a number of clients with future possible loss indicators.

Further information of the impairment allowance for loans and advances to customers is provided in note 16.

ii. Non-performing loans and advances

Loans and advances are managed with reference to the days in arrears. Loans and advances outstanding for longer than 90 days are considered non-performing. As determined by the requirements of BID 2 - 'Determination on asset classification, suspension of interest and provisioning', any asset which is overdue 60 days or more but less than 90 days shall be classified as special mention, at a minimum and is subject to impairment. Bank Windhoek follows a more conservative approach than the regulator and already classifies loans in 0 - 30 days and 31 - 60 days as special mention, where, on a case-by-case basis, indicators of a possible future loss event exist. Loans categorised as special mention accounts are performing but subject to at least the minimum impairments as per the BID 2 determination.

Non-performing loans and advances to customers before taking into consideration the cash flows from collateral held is N$ 829.3 million (2017: N$ 412.6 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 N$'000	Term loans N$'000	Mortgages N$'000	Instalment finance N$'000	Total N$'000
As at 30 June 2018					
Non-performing loans	**204,807**	**163,769**	**394,576**	**66,238**	**829,390**
Value of tangible collateral	**170,785**	**130,784**	**355,724**	**36,373**	**693,666**
Impairment raised against unsecured amount	**34,022**	**32,985**	**38,852**	**29,865**	**135,724**
Net exposure	**-**	**-**	**-**	**-**	**-**
As at 30 June 2017					
Non-performing loans	103,044	59,494	209,682	40,396	412,616
Value of tangible collateral	88,864	42,899	182,363	18,300	332,426
Impairment raised against unsecured amount	14,180	16,595	27,319	22,096	80,190
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 3.2.3 a) for the range of collateral policies and practices in place.

iii. Non-performing loans and advances by geographical area

All non-performing loans are within the geographical area of Namibia.

iv. Credit quality of financial assets other than loans and advances

As at 30 June the following financial instruments are neither past due nor impaired:

Group	2018 N$'000	2017 N$'000
Cash and balances with the central bank	**1,221,703**	1,083,165
Derivative financial instruments	**-**	71
Financial assets designated at fair value through profit or loss	**4,150,821**	3,034,225
Financial assets at amortised cost	**624,715**	41,621
Due from other banks	**749,021**	860,615
Other assets	**248,749**	204,963

No impairment has been raised against these assets.

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

The bank applies credit ratings in line with BID 17 'Country risk management' to reflect the credit risk of financial instruments. External credit ratings from reputable international ratings agencies are utilised for cross border exposures, which is augmented with thorough internal credit and financial analyses in the determination and setting of exposure limits. Distinction between two broad credit quality classes are made, i.e. investment grade (AAA to BBB) and speculative / high-yield (BB and lower). Fitch ratings are utilised as far as possible. If Fitch ratings are not available, Moody's and Standard & Poor's ratings are used for classification. If no ratings are available, i.e. certain African countries for example, these exposures are classified as unrated and are subject to much stricter lending criteria.

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

Group	Carrying value N$'000	Investment grade (AAA to BBB) N$'000	Unrated N$'000	Total N$'000
As at 30 June 2018				
Balances with the central bank	**-**	**971,435**	**-**	**971,435**
Cash and balances	**-**	**-**	**250,268**	**250,268**
Financial assets designated at fair value through profit or loss	**-**	**4,150,821**	**-**	**4,150,821**
- Treasury bills	**-**	**2,780,029**	**-**	**2,780,029**
- Government stock	**-**	**321,607**	**-**	**321,607**
- Corporate bonds	**-**	**40,212**	**-**	**40,212**
- Unit trust investments	**-**	**1,008,973**	**-**	**1,008,973**
Financial assets at amortised cost	**-**	**624,715**	**-**	**624,715**
- Government stock	**-**	**624,715**	**-**	**624,715**
Due from other banks	**-**	**308,431**	**440,590**	**749,021**
Other assets	**-**	**-**	**248,749**	**248,749**
Non-financial assets	**432,782**	**-**	**-**	**432,782**
Total assets (excluding loans and advances and investment securities)	**432,782**	**6,055,402**	**1,248,038**	**7,427,791**
As at 30 June 2017				
Balances with the central bank	-	843,255	-	843,255
Cash and balances	-	-	239,910	239,910
Derivative financial instruments	-	-	71	71
Financial assets designated at fair value through profit or loss	-	3,034,196	29	3,034,225
- Treasury bills	-	1,922,007	-	1,922,007
- Government stock	-	211,018	-	211,018
- Unit trust investments	-	891,374	-	891,374
- Other securities	-	9,797	29	9,826
Financial assets at amortised cost	-	41,621	-	41,621
- Treasury bills	-	18,861	-	18,861
- Government stock	-	22,760	-	22,760
Due from other banks	-	845,525	15,090	860,615
Other assets	-	-	204,963	204,963
Non-financial assets	465,157	-	-	465,157
Total assets (excluding loans and advances and investment securities)	465,157	4,764,597	460,063	5,689,817

Unrated exposures:

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

The following risk weightings are applied for due from other banks when calculating the risk-based capital ratios:

(a) Long-term claims	
Exposures to banks assigned a credit risk assessment rating of AAA to AA-	20 %
Exposures to banks assigned a credit assessment rating of A+ to BBB- or unrated	50 %
Exposures to banks assigned a credit assessment rating of BB+ to B-	100 %
Exposures to banks assigned a credit assessment rating of below B-	150 %
(b) Short-term claims	
Claims denominated and funded in domestic currency with an original maturity of three months or less, assigned a credit assessment rating of AAA to BBB- or unrated	20 %
Exposures to banks assigned a credit risk assessment rating of AAA to AA-	20 %
Exposures to banks assigned a credit assessment rating of A+ to BBB- or unrated	20 %
Claims to banks assigned a credit assessment rating of BB+ to B- or unrated	50 %
Claims to banks assigned a credit assessment rating of below B-	150 %

3.2.6. Repossessed collateral

The group obtains assets by taking possession of collateral held as security. The value of the assets still on the statement of financial position for both 30 June 2018 and 30 June 2017 was nil. Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the statement of financial position as other assets.

3.2.7 Credit risk-weighted amounts

The following risk-weighted amounts, including related impairments and write-off, have been assigned to the components of credit risk for the group, as defined in BID 5 - 'Determination on capital adequacy'. The figures below will not reconcile to the statement of financial position as they represent statutory amounts.

Group	Exposure N$'000	Impairment N$'000	Risk-weighted amounts N$'000	Written-off N$'000
As at 30 June 2018				
Counterparties				
Sovereign and central bank	**4,418,950**	**-**	**-**	**-**
Public sector entities	**466,487**	**-**	**152,223**	**-**
Banks	**744,646**	**-**	**165,517**	**-**
Corporate	**8,013,383**	**12,506**	**8,082,224**	**-**
Retail	**6,408,822**	**85,747**	**4,840,812**	**30,185**
Residential mortgage properties	**8,971,644**	**30,637**	**4,562,679**	**3,422**
Commercial real estate	**6,133,638**	**6,807**	**6,189,781**	**-**
Other assets	**2,444,169**	**-**	**1,821,111**	**-**
Included in other assets:				
- Listed shares	**134,028**	**-**	**134,028**	**-**
	37,601,739	**135,697**	**25,814,346**	**33,607**
Commitments	**3,022,110**	**-**	**1,118,151**	**-**
As at 30 June 2017				
Counterparties				
Sovereign and central bank	2,733,648	-	-	-
Public sector entities	426,150	-	134,143	-
Banks	855,167	-	171,402	-
Corporate	7,630,401	15	7,670,759	-
Retail	6,081,621	47,371	4,568,737	77,395
Residential mortgage properties	8,382,676	29,996	4,222,039	435
Commercial real estate	6,188,189	1,696	6,221,679	-
Other assets	2,344,517	-	1,751,929	-
Included in other assets:				
- Listed shares	149,381	-	149,381	-
	34,642,369	79,078	24,740,688	77,830
Commitments	3,129,530	-	1,312,531	-

Only claims on banks are risk-weighted based on external credit assessment for capital adequacy calculations. The group utilises available external rating agencies' ratings on both short-term and long-term exposures. No amounts are deducted from the bank's capital. The Bank of Namibia does not have its own credit rating. The sovereign and central bank credit risk weighting has been 0 % for local currency issued and controlled by the central bank for the last three financial years. The long-term country credit rating by an external credit rating agency for Namibia was as follows:

	2018	2017
Namibia long-term local currency issuer default rating	Ba1	BBB
Namibia long-term issuer default rating	BB+	BBB-

3.2.8 Credit concentration risk

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

3.2.8.1 Credit risk concentration by industry

The following table breaks down the group's main credit exposure at their gross amounts, as categorised by the industry sectors of counterparties:

Group	Cash and balances with the central bank N$'000	Financial assets designated at fair value through profit or loss N$'000	Financial assets at amortised cost N$'000	Due from other banks N$'000	Loans and advances to customers N$'000	Other assets N$'000	Total N$'000
As at 30 June 2018							
Agriculture and forestry	-	-	-	-	1,980,079	-	1,980,079
Fishing	-	-	-	-	116,617	-	116,617
Mining	-	-	-	-	433,460	-	433,460
Manufacturing	-	-	-	-	532,081	-	532,081
Building and construction	-	-	-	-	1,822,553	-	1,822,553
Electricity, gas and water	-	-	-	-	99,451	-	99,451
Trade and accommodation (note 1)	-	-	-	-	13,343,464	-	13,343,464
Transport and communication	-	-	-	-	420,817	-	420,817
Finance and insurance	250,268	1,049,185	-	749,021	584,967	-	2,633,441
Real estate and business services	-	-	-	-	6,609,114	-	6,609,114
Government	971,435	3,101,636	624,715	-	21,985	-	4,719,771
Individuals	-	-	-	-	3,608,240	-	3,608,240
Other (note 2)	-	-	-	-	421,145	248,749	669,894
Impairment	-	-	-	-	(230,314)	-	(230,314)
	1,221,703	4,150,821	624,715	749,021	29,763,659	248,749	36,758,668

Group	Cash and balances with the central bank	Derivative financial instruments	Financial assets designated at fair value through profit or loss	Financial assets at amortised cost	Due from other banks	Loans and advances to customers	Other assets	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
As at 30 June 2017								
Agriculture and forestry	-	-	-	-	-	1,641,726	-	1,641,726
Fishing	-	-	-	-	-	168,636	-	168,636
Mining	-	-	-	-	-	237,562	-	237,562
Manufacturing	-	-	-	-	-	545,363	-	545,363
Building and construction	-	-	-	-	-	1,856,325	-	1,856,325
Electricity, gas and water	-	-	-	-	-	91,225	-	91,225
Trade and accommodation (note 1)	-	-	-	-	-	11,238,314	-	11,238,314
Transport and communication	-	-	-	-	-	373,577	-	373,577
Finance and insurance	239,910	71	901,200	-	860,615	2,710,820	-	4,712,616
Real estate and business services	-	-	-	-	-	6,434,871	-	6,434,871
Government	843,255	-	2,133,025	41,621	-	35,948	-	3,053,849
Individuals	-	-	-	-	-	3,338,636	-	3,338,636
Other (note 2)	-	-	-	-	-	36,031	204,963	240,994
Impairment	-	-	-	-	-	(201,316)	-	(201,316)
	1,083,165	71	3,034,225	41,621	860,615	28,507,718	204,963	33,732,378

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

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

3.2.9 Credit risk concentration by geographical area

Group	Cash and balances with the central bank N$'000	Derivative financial instruments and investment securities N$'000	Financial assets designated at fair value through profit or loss N$'000	Financial assets at amortised cost N$'000	Due from other banks N$'000	Loans and advances to customers N$'000	Other assets N$'000	Total N$'000
As at 30 June 2018								
Namibia	1,221,703	-	4,150,821	624,715	2,750	29,763,659	248,749	36,012,397
Botswana	-	-	-	-	(51)	-	-	(51)
South Africa	-	-	-	-	89,862	-	-	89,862
United Kingdom	-	-	-	-	9,044	-	-	9,044
United States of America	-	-	-	-	538,778	-	-	538,778
Zambia	-	-	-	-	4,182	-	-	4,182
Other countries[1]	-	-	-	-	104,456	-	-	104,456
	1,221,703	-	4,150,821	624,715	749,021	29,763,659	248,749	36,758,668
As at 30 June 2017								
Namibia	1,083,165	-	3,034,225	41,621	152,748	28,507,718	204,963	33,024,440
Botswana	-	-	-	-	1,146	-	-	1,146
South Africa	-	71	-	-	21,470	-	-	21,541
United Kingdom	-	-	-	-	2,469	-	-	2,469
United States of America	-	-	-	-	579,444	-	-	579,444
Zambia	-	-	-	-	33	-	-	33
Other countries[1]	-	-	-	-	104,451	-	-	104,451
	1,083,165	71	3,034,225	41,621	860,615	28,507,718	204,963	33,732,378

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$100.9 million (2017: N$99.5 million) due from other banks.

3.2.10 Financial instruments: asset and liability offsetting

No financial assets and financial liabilities had been off-set in the current statement of financial position (2017: Nil).

3.3. Market risk

The group takes on exposure to market risks. Market risks arise from open positions in interest rate and currency and commodity products, all of which are exposed to general and specific market movements. It is the group's policy not to enter into long-term, unhedged fixed interest rate contracts for loans and advances. Interest rate structures of deposits reflect the interest rate view and strategy of the ALCO and maturity structures of term deposits are in line with the ALCO policy. Interest rate structures are addressed on a monthly basis by the ALCO. External market resources are used in the determination of interest rate views by the interest rate committee.

3.3.1. Market risk measurement techniques

The group employs several measurement techniques to assess potential exposures to market change. Sensitivity analysis is applied to measure the impact of changes in interest rates. This measure is of importance in assessing the exposure of the group's trading portfolio and the effect of such changes on the interest margin.

Other measurement techniques include comprehensive analysis of maturities, both from the advance and funding perspective.

3.3.2. Foreign currency risk

The group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk is managed through the market risk framework as well as the treasury dealing policy, both of which are approved by the board.

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

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

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

The table below summarises the group's exposure to foreign currency exchange rate risk at year-end. Included in the table are the group's financial instruments at the carrying amounts, categorised by currency:

	Concentration of foreign currency denominated financial instruments							
	NAD	ZMW	US$	€	BWP	ZAR[1]	Other[2]	Total
Group	**N$'000**	**N$'000**	**N$'000**	**N$'000**	**N$'000**	**N$'000**	**N$'000**	**N$'000**
As at 30 June 2018								
ASSETS								
Cash and balances with the central bank	1,221,703	-	-	-	-	-	-	1,221,703
Financial assets designated at fair value through profit or loss	4,166,953	-	-	-	-	-	-	4,166,953
Financial assets at amortised cost	624,715	-	-	-	-	-	-	624,715
Investment securities	-	-	133,376	-	-	-	652	134,028
Due from other banks	2,750	4,182	538,778	100,936	(51)	89,862	12,564	749,021
Loans and advances to customers	29,741,604	-	12,929	5,145		-	3,981	29,763,659
Other assets	248,749	-	-	-	-	-	-	248,749
Total financial assets	36,006,474	4,182	685,083	106,081	(51)	89,862	17,197	36,908,828
Non-financial assets	432,783	-	-	-	-	-	-	432,783
Total assets	36,439,257	4,182	685,083	106,081	(51)	89,862	17,197	37,341,611
LIABILITIES								
Derivative financial instruments	-	-	-	-	-	5,535	-	5,535
Due to other banks	-	-	62,654	-	8	-	375	63,037
Other borrowings	(6,958)	-	(55)	-	-	1,224,523	-	1,217,510
Debt securities in issue	3,009,419	-	-	-	-	528,571	-	3,537,990
Deposits	26,849,990	2	470,924	78,659	5	-	9,298	27,408,878
Other liabilities	280,799	-	-	-	-	-	-	280,799
Total financial liabilities	30,133,250	2	533,523	78,659	13	1,758,629	9,673	32,513,749
Non-financial liabilities	46,505	-	-	-	-	-	-	46,505
Total liabilities	30,179,755	2	533,523	78,659	13	1,758,629	9,673	32,560,254
Total equity	4,781,357	-	-	-	-	-	-	4,781,357
Total equity and liabilities	34,961,112	2	533,523	78,659	13	1,758,629	9,673	37,341,611
Net financial position of financial instruments	5,873,224	4,180	151,560	27,422	(64)	(1,668,767)	7,524	4,395,079
Credit commitments	-	-	114,524	3,294	7,370	48,186	180	173,554

Group	NAD N$'000	ZMW N$'000	US$ N$'000	€ N$'000	BWP N$'000	ZAR[1] N$'000	Other[2] N$'000	Total N$'000
As at 30 June 2017								
ASSETS								
Total financial assets	33,025,608	33	740,638	109,611	1,146	21,541	8,450	33,905,881
Total non-financial assets	465,157	-	-	-	-	-	-	465,157
Total assets	33,490,765	33	740,638	109,611	1,146	21,541	8,450	34,371,038
LIABILITIES								
Total financial liabilities	26,746,462	1,004	734,056	70,428	-	2,483,465	6,648	30,042,063
Non-financial liabilities	24,037	-	-	-	-	-	-	24,037
Total liabilities	26,770,499	1,004	734,056	70,428	-	2,483,465	6,648	30,066,100
Total equity	4,304,938	-	-	-	-	-	-	4,304,938
Total equity and liabilities	31,075,437	1,004	734,056	70,428	-	2,483,465	6,648	34,371,038
Net financial position of financial instruments	6,279,146	(971)	6,582	39,183	1,146	(2,461,924)	1,802	3,863,818
Credit commitments	-	-	89,574	680	-	14,361	-	104,615

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

[2]Other foreign currency exposures included in the table above relate mainly to exposures to the British pound of N$9.0 million (2017: British pound: N$2.5 million) due from other banks.

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

	2018	2017
USD	**13.82**	13.09
GBP	**18.18**	17.00
EUR	**16.09**	14.94
ZAR	**1.00**	1.00
ZMW	**1.38**	1.43
BWP	**1.32**	1.28

The following is a sensitivity analysis, monitored on the following major currencies of non-equity instruments, had a 5 % change arisen on the various currencies:

	Effect on profit for the year	
	2018 N$'000	2017 N$'000
US dollar / Namibian dollar	**7,572**	329
- Foreign currency financial assets	**34,254**	37,032
- Foreign currency financial liabilities	**(26,682)**	(36,703)
Euro / Namibian dollar	**1,371**	1,960
- Foreign currency financial assets	**5,304**	5,481
- Foreign currency financial liabilities	**(3,933)**	(3,521)
Zambian kwacha / Namibian dollar	**209**	(48)
- Foreign currency financial assets	**209**	2
- Foreign currency financial liabilities	**-**	(50)

	Effect on other comprehensive income of the group	
	2018 N$'000	2017 N$'000
The following effect of 5 % change would arise on equity instruments:		
Effect of US dollar-denominated	**6,669**	7,426

3.3.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly.

Assets and liabilities are classified as interest-sensitive if the interest rate is floating (classified in the 'up to 1 month' bucket) or if the interest rate applied to the outstanding principal balance fluctuates contractually during its lifespan (classified at the earliest of reprise or maturity). The key assumption made is that when an asset or liability matures within a certain bucket, the principal amount will be reprised. If an asset matures the proceeds are reinvested and when any liability matures the liability is replaced with new funding. Balances classified as 'non-interest sensitive' are not affected by changes in interest rates, e.g. statutory cash balances with the Bank of Namibia, which carries no interest. The balances included in the buckets are therefore exposed to both cash flow risk (to the extent that interest rates are floating) and fair value risk (to the extent that interest rates are fixed until reprised). This is in the manner consistent with information communicated to key management.

The table below summarises the group's exposure to interest rate risks. It includes the group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates:

i) Interest rate risk analysis

Group	Up to 1 month N$'000	1 - 3 months N$'000	3 - 12 months N$'000	More than 1 year N$'000	Non-interest sensitive N$'000	Total N$'000
As at 30 June 2018						
ASSETS						
Cash and balances with the central bank	652,388	-	-	-	569,315	1,221,703
Financial assets designated at fair value through profit or loss	1,464,441	669,016	713,425	1,303,939	16,132	4,166,953
Financial assets at amortised cost	-	-	-	624,715	-	624,715
Investment securities	-	-	-	-	134,028	134,028
Due from other banks	749,021	-	-	-	-	749,021
Loans and advances to customers	29,101,588	542	3,688	59,653	598,188	29,763,659
Other assets	53,742	-	-	-	195,007	248,749
Total financial assets	32,021,180	669,558	717,113	1,988,307	1,512,670	36,908,828
Non-financial assets	-	-	-	-	432,783	432,783
Total assets	32,021,180	669,558	717,113	1,988,307	1,945,453	37,341,611
LIABILITIES						
Derivative financial instruments	5,535	-	-	-	-	5,535
Due to other banks	63,037	-	-	-	-	63,037
Other borrowings	-	1,217,510	-	-	-	1,217,510
Debt securities in issue	580,734	2,236,341	321,017	399,898	-	3,537,990
Deposits	16,206,932	1,545,576	7,745,890	1,910,480	-	27,408,878
Other liabilities	-	-	-	-	280,799	280,799
Total financial liabilities	16,856,238	4,999,427	8,066,907	2,310,378	280,799	32,513,749
Non-financial liabilities	-	-	-	-	46,505	46,505
Total liabilities	16,856,238	4,999,427	8,066,907	2,310,378	327,304	32,560,254
Total equity	-	-	-	-	4,781,357	4,781,357
Total equity and liabilities	16,856,238	4,999,427	8,066,907	2,310,378	5,108,661	37,341,611
Interest sensitivity gap (financial instruments)	15,164,942	(4,329,869)	(7,349,794)	(322,071)	1,231,871	4,395,079
Cumulative interest sensitivity gap (financial instruments)	15,164,942	10,835,073	3,485,279	3,163,208	4,395,079	-
As at 30 June 2017						
Interest sensitivity gap (financial instruments)	16,707,329	(8,387,987)	(4,541,634)	(690,596)	776,706	3,863,818
Cumulative interest sensitivity gap (financial instruments)	16,707,329	8,319,342	3,777,708	3,087,112	3,863,818	-

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

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	2018 N$'000	2017 N$'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	**50,092**	41,662
- Increase in interest income	**182,573**	176,410
- Increase in interest expense	**(132,481)**	(134,748)
50 basis points decrease	**(46,896)**	(41,229)
- Decrease in interest income	**(179,463)**	(176,234)
- Decrease in interest expense	**132,567**	135,005
100 basis points increase	**100,817**	83,758
- Increase in interest income	**365,702**	352,997
- Increase in interest expense	**(264,885)**	(269,239)
100 basis points decrease	**(93,851)**	(82,028)
- Decrease in interest income	**(358,687)**	(352,294)
- Decrease in interest expense	**264,836**	270,266
200 basis points increase	**203,788**	169,424
- Increase in interest income	**733,521**	706,701
- Increase in interest expense	**(529,733)**	(537,277)
200 basis points decrease	**(218,717)**	(180,778)
- Decrease in interest income	**(715,780)**	(703,815)
- Decrease in interest expense	**497,063**	523,037

iii) Average balances and effective interest rate analysis

Group	2018 Average balance N$'000	2018 Average interest rate %	2018 Interest income / expense N$'000	2017 Average balance N$'000	2017 Average interest rate %	2017 Interest income / expense N$'000
ASSETS						
Cash, due from other banks and derivatives	**1,610,541**	**6.74%**	**108,578**	1,700,666	3.53 %	60,096
Financial assets designated at fair value through profit or loss	**4,107,501**	**6.02%**	**247,321**	2,935,668	6.27 %	184,092
Financial assets at amortised cost	**604,632**	**4.55%**	**27,497**	12,151	3.57 %	434
Gross loans and advances to customers	**29,039,104**	**11.03%**	**3,202,270**	28,111,763	10.95 %	3,078,667
Other assets	**56,755**	**5.33%**	**3,024**	58,339	6.07 %	3,543
Interest-earning assets / interest income	**35,418,533**		**3,588,690**	32,818,587		3,326,832
Non-interest-earning assets						
Cash, due from other banks and derivatives	**604,149**		**-**	554,798		-
Investment securities	**144,916**		**-**	134,511		-
Gross loans and advances to customers	**804,683**		**-**	391,771		-
Other assets	**181,549**		**-**	129,538		-
Non-interest-earning assets / interest income	**1,735,297**		**-**	1,210,618		-
LIABILITIES						
Deposits, due to banks and derivatives	**27,299,845**	**6.55%**	**1,787,566**	24,438,780	6.63 %	1,619,834
Other borrowings	**1,244,733**	**10.04%**	**125,019**	1,162,120	8.69 %	101,003
Debt securities in issue	**3,483,242**	**8.36%**	**291,032**	2,992,984	7.36 %	220,336
Interest-earning liabilities / interest expense	**32,027,820**		**2,203,617**	28,593,884		1,941,173

3.3.4 Price risk

The following fair value financial instruments expose the group to price risk: derivative financial instruments, treasury bills, government stock and unit trust investments designated at fair value through profit or loss and equity securities classified as available-for-sale. The equity securities are listed on the FTSE and NYSE and are included in 'Investment securities' on the statement of financial position. The group generally does not undertake equity exposure. The exposure arose due to specific circumstances and are managed individually.

Sensitivity analysis

	Group	2018 N$'000	2017 N$'000
i) Investment securities	The following is a sensitivity analysis showing the increase / (decrease) in the fair value of equity securities had the following changes arisen on the significant inputs:		
	10 % increase in share price (effect on other comprehensive income)	**13,338**	14,938
	10 % decrease in share price (effect on other comprehensive income)	**(13,338)**	(14,938)
ii) Derivative financial instruments	The following is a sensitivity analysis showing the increase/(decrease) in the fair value of derivative instruments had the following changes arisen on the significant inputs:		
	100 basis points increase in discount rate (effect on profit or loss)	**505**	759
	100 basis points decrease in discount rate (effect on profit or loss)	**(505)**	(759)
iii) Financial assets designated at fair value through profit or loss	The following is a sensitivity analysis showing the increase/(decrease) in the fair value of treasury bills had the following changes arisen on the significant inputs:		
	100 basis points increase in discount rate (effect on profit or loss)	**(11,067)**	(5,622)
	100 basis points decrease in discount rate (effect on profit or loss)	**11,198**	5,679
	The following is a sensitivity analysis showing the increase/(decrease) in the fair value of government stock had the following changes arisen on the significant inputs:		
	100 basis points increase in discount rate (effect on profit or loss)	**(5,940)**	(6,328)
	100 basis points decrease in discount rate (effect on profit or loss)	**6,152**	6,636

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	
Group	2018 N$'000	2017 N$'000
Interest rate risk	**40,737**	12,653
Foreign exchange risk	**7,312**	15,218

3.4. Liquidity risk

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

Liquidity risk is inherent in the group's business endeavours and represents the ability of the group to fund increases in assets and meet its financial obligations in a timely manner as they come due without incurring excessive costs, while complying with all statutory and regulatory requirements. The bank is the largest contributor to the group's liquidity risk. The liquidity risk framework and Contingency Funding Plan (CFP) sets out the minimum liquidity risk management requirements for the bank, and explains the low-level internal control processes. Under the policy, the bank is required to manage current and future liquidity positions in a prudent manner. This framework formalizes the liquidity risk management process of the bank, the goal of which is to:

- maintain liquidity risk at a manageable level through assessment and monitoring;
- assess and advise against any permanent or temporary adverse changes to the liquidity position of the bank;
- set and monitor limits for funding mix, investment products and client exposures;
- monitor all applicable financial and statutory ratios; and
- identify those liquidity triggers that may entail the activation of the CFP.

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

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

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

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

The group's liquidity management process is outlined in the group liquidity risk framework which includes, inter alia, the group's funding strategy. Procedures, as set out in this policy, include the:

- daily monitoring of liquid assets;
- proactive identification of liquidity requirements and maturing assets;
- liquid asset minimum limit;
- proactive identification of short-term, medium-term and long-term liquidity requirements; and
- relationship management with other financial institutions.

In general the banks do not engage in complex activities or structures and therefore it is considered unnecessary to employ sophisticated and expensive models when determining liquidity needs under various scenarios. A basic but thorough forward-looking analysis is conducted in the day-to-day, as well as monthly analysis of liquidity positions, needs and risks. Limits and rules stipulated in the liquidity risk management policy and by ALCO form the basis for daily quotes on deposits to ensure that an optimal mix and concentrations are maintained.

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

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

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

The bank must at all times hold an adequate liquid asset surplus which:

- includes a buffer portion;
- is additional to credit lines;
- is adequate to cater for unexpected outflows; and
- is simultaneously limiting the effect this surplus has on interest margins.

Liquidity risk analysis

The table below presents the cash flows payable by the group by remaining contractual maturities at the date of the consolidated 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:

	Contractual undiscounted cash-flows					
	Call to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Group	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
FINANCIAL LIABILITIES						
As at 30 June 2018						
Derivative financial instruments	**1,288**	**1,056**	**3,497**	**28**	**(69)**	**5,800**
Other borrowings	**-**	**-**	**18,332**	**1,374,888**	**240,230**	**1,633,450**
Due to other banks	**63,037**	**-**	**-**	**-**	**-**	**63,037**
Debt securities in issue	**-**	**-**	**804,000**	**2,514,000**	**187,533**	**3,505,533**
Deposits	**15,060,691**	**3,115,240**	**8,097,466**	**2,185,185**	**-**	**28,458,582**
Other liabilities	**280,799**	**-**	**-**	**-**	**-**	**280,799**
Total liabilities (contractual maturity dates)	**15,405,815**	**3,116,296**	**8,923,295**	**6,074,101**	**427,694**	**33,947,201**
Commitments (refer to note 3.2.7 for collateral held over commitments)	**3,017,056**	**-**	**-**	**-**	**-**	**3,017,056**
Loan commitments	**1,714,759**	**-**	**-**	**-**	**-**	**1,714,759**
Liabilities under guarantees	**1,056,456**	**-**	**-**	**-**	**-**	**1,056,456**
Letters of credit	**245,841**	**-**	**-**	**-**	**-**	**245,841**
As at 30 June 2017						
Derivative financial instruments	6	869	438	8,488	-	9,801
Other borrowings	-	-	-	2,024,852	364,048	2,388,900
Due to other banks	140,611	-	-	-	-	140,611
Debt securities in issue	2,720	258,969	398,998	2,143,301	1,390,196	4,194,184
Deposits	12,629,864	3,995,298	8,221,644	1,427,575	-	26,274,381
Other liabilities	275,810	-	-	-	-	275,810
Total liabilities (contractual maturity dates)	13,049,011	4,255,136	8,621,080	5,604,216	1,754,244	33,283,687
Commitments (refer to note 3.2.7 for collateral held over commitments)	3,129,305	-	-	-	-	3,129,305
Loan commitments	1,763,653	-	-	-	-	1,763,653
Liabilities under guarantees	1,286,610	-	-	-	-	1,286,610
Letters of credit	79,042	-	-	-	-	79,042

In terms of BID 18 “Public disclosures for banking institutions,” the maturity breakdown of a banking institution’s whole credit portfolio should be disclosed. This disclosure, for Bank Windhoek Limited, is detailed below:

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

Group	Carrying value N$'000	Contractual discounted cash flows Call to 1 month N$'000	1 - 3 months N$'000	3 - 12 months N$'000	1 - 5 years N$'000	Over 5 years N$'000	Total N$'000
As at 30 June 2017							
ASSETS							
Cash and balances with the central bank	-	1,083,165	-	-	-	-	1,083,165
Derivative financial instruments	-	-	-	-	71	-	71
Financial assets designated at fair value through profit or loss	-	1,470,362	452,556	921,816	160,757	52,856	3,058,347
Financial assets at amortised cost	-	-	-	18,861	10,095	12,665	41,621
Investment securities	-	149,381	-	-	-	-	149,381
Due from other banks	-	860,615	-	-	-	-	860,615
Gross loans and advances to customers	-	4,928,464	252,416	543,649	5,561,995	17,422,510	28,709,034
Other assets	-	204,963	-	-	-	-	204,963
Non-financial instruments	465,157	-	-	-	-	-	465,157
Impairment provisions	(201,316)	-	-	-	-	-	(201,316)
Total assets	263,841	8,696,950	704,972	1,484,326	5,732,918	17,488,031	34,371,038
LIABILITIES							
Derivative financial instruments	-	-	-	-	7,604	1,018	8,622
Due to other banks	-	140,611	-	-	-	-	140,611
Other borrowings	-	-	-	167,273	820,405	177,386	1,165,064
Debt securities in issue	-	1,906	222,891	212,384	1,613,000	981,000	3,031,181
Deposits	-	12,599,056	3,889,131	7,636,666	1,295,922	-	25,420,775
Other liabilities	-	275,810	-	-	-	-	275,810
Non-financial instruments	24,037	-	-	-	-	-	24,037
Total liabilities	24,037	13,017,383	4,112,022	8,016,323	3,736,931	1,159,404	30,066,100
Net liquidity gap	239,804	(4,320,433)	(3,407,050)	(6,531,997)	1,995,987	16,328,627	4,304,938
Cumulative liquidity gap	239,804	(4,080,629)	(7,487,679)	(14,019,676)	(12,023,689)	4,304,938	-

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 market in Namibia, a negative maturity mismatch between assets and liabilities is an industry norm.

3.5. Fair values of financial assets and liabilities

a) Fair value estimation

The group is presumed to be a going concern and the fair value methodology is therefore appropriate. Fair value is the current price to purchase an asset or to transfer a liability. Such a transaction is characterised by an arm's length and orderly transaction in a free market (neither party is compelled to act), between hypothetical willing, able and well-informed market participants. In addition, the fair value methodology is utilised to accurately reflect the current market conditions and the appropriate market price of such a transaction on the reporting date.

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives, trading and available-for-sale securities) is based on quoted market prices at the reporting date. The active market should be characterised by sufficient supply and demand by market participants, supported by adequate frequency and volumes to accurately approximate the true market price of such a transaction on an ongoing basis. The quoted market price used for financial assets held by the group is the price within the current bid-ask price, which is the most representative of fair value.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques to approximate the fair value. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These valuation techniques include quoted market prices or dealer quotes for similar instruments in active and inactive markets, and discounted cash flow valuation techniques.

i. Cash and balances with the central bank

Due to its short-term nature, the carrying amount approximates the fair value of these financial assets.

ii. Derivative financial instruments

Derivative financial instruments are classified as fair value through profit or loss using valuation techniques supported by observable market prices or rates (exchange traded). Over-the-counter transactions are also measured at fair value based on the following valuation techniques:

- Forward contracts are valued based on the daily mark-to-market value of the forward contract. The market rates are obtained from the Thompson Reuters foreign currency rate platform. Spot foreign currency transactions not yet matured are marked-to-market based on end of trading day quoted Thompson Reuters market rates.
- Interest rate swaps are valued by discounting the expected future fixed and floating interest rate cash flow streams with the applicable South African money market yield curves. The future fixed rate cash flows are based on the terms of the contractual agreements, while the floating rate cash flows are approximated using the estimated forward rate yield curve in line with contractual agreements.
- Option contract values are determined using the Black-Scholes pricing model, utilising real-time market data on the required inputs.

iii. Financial assets designated at fair value through profit or loss

Treasury bills

Treasury bills are designated at fair value through profit or loss 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 designated 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.

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

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

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

iv. Financial assets at amortised cost

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

Government stock Government stock and other bonds guaranteed by either the Namibian or South African governments, without the intention to trade, are classified as held to maturity and recognised at amortised costs. The fair value is determined for disclosure purposes based on the discounted valuation technique using quoted market prices. The Bond Exchange of South Africa bond pricing model is utilised to determine the fair value.

v. Investment securities

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

vi. Due to and from other banks Amounts due to and from other banks include interbank placements. The carrying amount of overnight deposits represents its fair value, as it is short term and callable on demand.

vii. Loans and advances to customers The loans and advances to customers are recognised at amortised cost. The fair value is determined for disclosure purposes by discounting the future expected cash flows using observable market inputs, such as the prime rate, as appropriate. For short maturity loans and advances, the carrying value approximates the fair value. Unobservable market inputs are developed using the best information available that market participants would use when pricing the loan. The credit risk will be approximated by the carrying values of defaulted and provisioned accounts. Refer to note 3.5 (b) for the disclosure of the fair value of loans and advances.

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

ix. Deposits The carrying amount approximates the fair value of these financial liabilities, except for promissory notes and replica notes. The fair value of promissory notes and replica notes for disclosure purposes is estimated by discounting the future contractual cash flows at the available market interest rate. Quoted prices for similar instruments are utilised in the event that active prices are not available. The fair value of these instruments is N$ 974.7 million (2017: N$625.4 million), refer to note 3.5 (b).

x. Other borrowings

Other borrowings are recognised at amortised cost. The fair value is determined for disclosure purposes by discounting the future expected cash flows using observable market inputs, such as the JIBAR money market rate, as appropriate. Refer to note 3.5 (b) for the disclosure of the fair value of other borrowings.

xi. Debt securities in issue

Financial instruments included in this category include senior debt, callable bonds and preference shares issued. The fair value of issued debt securities other than preference shares for disclosure purposes is estimated by discounting the future contractual cash flows at the available market interest rate. Quoted prices for similar instruments are utilised in the event that active prices are not available. The fair values of these instruments were N$ 3.5 billion (2017: N$3.0 billion), refer to note 3.5 (b).

xii. Financial instruments not recorded on the statement of financial position

The estimated fair values of the financial instruments not recorded on the statement of financial position are based on market prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

b) Fair value hierarchy

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

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

This hierarchy requires the use of observable market data when available. The group considers relevant and observable market prices in its valuations where possible.

3.5 Fair values of financial assets and liabilities

Group	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
As at 30 June 2018				
Financial assets measured at fair value				
Financial assets designated at fair value through profit or loss	1,025,105	3,141,848	-	4,166,953
- Treasury bills	-	2,780,029	-	2,780,029
- Government stock	-	321,607	-	321,607
- Corporate bond	-	40,212	-	40,212
- Investment in Capricorn Group	16,132	-	-	16,132
- Unit Trust investments	1,008,973	-	-	1,008,973
Available-for-sale financial assets				
- Investment securities - listed	134,028	-	-	134,028
	1,159,133	3,141,848	-	4,300,981
Financial assets for which the fair value is disclosed				
Loans and advances to customers	-	-	29,992,895	29,992,895
Financial assets at amortised cost	-	-	710,106	710,106
- Government stock	-	-	710,106	710,106
Director's valuation of interest in joint arrangements	-	-	7,340	7,340
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
- Derivative financial instruments	-	5,535	-	5,535
Financial liabilities for which the fair value is disclosed				
Other borrowings	-	-	1,256,647	1,256,647
Debt securities in issue	-	-	3,494,770	3,494,770
- Five-year callable bonds	-	-	180,823	180,823
- Senior debt - unsecured	-	-	3,313,947	3,313,947
Deposits	-	-	974,680	974,680
- Promissory notes	-	-	918,626	918,626
- Replica notes	-	-	56,054	56,054
	-	-	5,726,097	5,726,097

3.5 Fair values of financial assets and liabilities

Group	Level 1 N$'000	Level 2 N$'000	Level 3 N$'000	Total N$'000
As at 30 June 2017				
Financial assets measured at fair value				
Financial assets designated at fair value through profit or loss	915,496	2,142,851	-	3,058,347
- Treasury bills	-	1,922,007	-	1,922,007
- Government stock	-	211,018	-	211,018
- Corporate bond	-	9,797	-	9,797
- Investment in Capricorn Group	24,122	-	-	24,122
- OTC currency options	-	29	-	29
- Money market investments	891,374	-	-	891,374
Financial assets at fair value through profit or loss				
- Derivative financial instruments	-	71	-	71
Available-for-sale financial assets				
- Investment securities - listed	149,381	-	-	149,381
	1,064,877	2,142,922	-	3,207,799
Financial assets for which the fair value is disclosed				
Loans and advances to customers	-	-	28,976,282	28,976,282
Financial assets at amortised cost	-	-	42,428	28,976,282
- Treasury bills	-	-	18,862	18,862
- Government stock	-	-	23,566	23,566
Director's valuation of interest in joint arrangements	-	-	6,192	6,192
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
- Derivative financial instruments	-	8,622	-	8,622
Financial liabilities for which the fair value is disclosed				
Other borrowings	-	-	1,165,739	1,165,739
Debt securities in issue	-	-	2,957,757	2,957,757
- Five-year callable bonds	-	-	182,998	182,998
- Senior debt - unsecured	-	-	2,774,759	2,774,759
Deposits	-	-	625,378	625,378
- Promissory notes	-	-	506,406	506,406
- Replica notes	-	-	118,972	118,972
	-	-	4,748,874	4,748,874

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

c) Sensitivity analysis The sensitivity analyses performed below are for financial instruments for which the fair value is disclosed. Sensitivity analysis performed on financial instruments recognised at fair value are included in note 3.3.4.

Group	2018 N$'000	2017 N$'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	**(907,491)**	(916,628)
100 basis points decrease in discount rate	**977,458**	988,576
100 basis points increase in earnings rate	**122,411**	115,728
100 basis points decrease in earnings rate	**(118,981)**	(129,689)
1 month increase in term to maturity	**(50,217)**	(34,939)
1 month decrease in term to maturity	**49,518**	34,266
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	**-**	(129)
100 basis points decrease in discount rate	**-**	131
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	**(33)**	(1,186)
100 basis points decrease in discount rate	**35**	1,289
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	**(82,243)**	(82,123)
100 basis points decrease in discount rate	**86,324**	87,478
100 basis points increase in coupon rate	**87,805**	90,452
100 basis points decrease in coupon rate	**(87,805)**	(90,452)
The following is a sensitivity analysis showing the increase/(decrease) in the fair value of promissory notes had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	**(5,723)**	(3,698)
100 basis points decrease in discount rate	**6,951**	3,754
The following is a sensitivity analysis showing the increase/(decrease) in the fair value of replica notes had the following changes arisen on the significant inputs:		
100 basis points increase in discount rate	**(23)**	(724)
100 basis points decrease in discount rate	**23**	731
100 basis points increase in coupon rate	**140**	967
100 basis points decrease in coupon rate	**(140)**	(967)
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	**(49,257)**	11,866
100 basis points decrease in discount rate	**9,590**	(45,046)
100 basis points increase in Jibar rate	**27,089**	(47,637)
100 basis points decrease in Jibar rate	**(39,089)**	15,774

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

Group	Valuation technique	Types of valuation inputs	Valuation inputs (ranges) 2018	2017
Financial assets measured at fair value				
Financial assets designated at fair value through profit or loss				
Treasury bills	Income approach*	Note 1	**6.8% - 8.2%**	6.4 % - 8.5 %
Government stock	Income approach*	Note 1	**7.3% - 10.1%**	8.5 % - 11.0 %
Corporate bond	Income approach*	Note 1	**8.9%**	10.1 %
OTC currency options	Income approach*	Note 1	**EUR14.5–16.6 USD11.9– 12.1**	EUR14.1–EUR15.6 USD14.6– USD13.0
Financial assets at fair value through profit or loss				
Derivative financial instruments	Income approach*	Note 1	**7.2% - 8.5%**	7.2 % - 8.5 %
Financial assets for which the fair value is disclosed				
Loans and advances to customers	Income approach*			
Discount rate		Note 1	**10.5%**	10.8 %
Earnings rate		Note 2	**6.3% - 19.7%**	6.3 % - 17.2 %
Term to maturity		Note 3	**3 –360 mnts**	3 – 360 mnts
Financial assets at amortised cost				
Treasury bills	Income approach*	Note 1	**6.8% - 8.2%**	6.4 % - 8.5 %
Government stock	Income approach*	Note 1	**7.3% - 10.1%**	8.5 % - 11.0 %
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	Income approach*	Note 1	**7.2% - 8.5%**	7.2 % - 8.5 %
Financial liabilities for which the fair value is disclosed				
Other borrowings	Income approach*			
Discount rate		Note 1	**7.64%-11.79%**	10.0 % - 11.8 %
Earnings rate		Note 1	**8.19%-11.96%**	8.9 % - 12.4 %
Debt securities in issue				
Five-year callable bonds	Income approach*	Note 1	**9.8%**	9.8 %
Senior debt - unsecured	Income approach*	Note 1	**6.96% - 11.30%**	7.3 % - 13.4 %
Deposits				
Promissory notes	Income approach*	Note 1	**7.46% - 8.22%**	8.2 % - 8.6 %
Replica notes	Income approach*	Note 1	**7.3%**	8.6 % - 9.5 %

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

* Present value of expected future cash flows.
Note 1: Observable interest rates and yield curves observable at commonly quoted intervals.
Note 2: Contractual interest rates per transaction observable on the banking system.
Note 3: Contractual maturities per transaction observable on the banking system.

3.6. Capital management

The group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are to:

- comply with the capital requirements set by the regulators of the banking markets where the entities within the group operate;
- safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain a strong capital base to support the development of its business.

Capital management for the banking group

The Bank of Namibia requires each bank or banking group to maintain the following capital adequacy ratios:

- Tier 1 capital to total assets, as reported in the statutory return, at a minimum of 6 %, referred to as the leverage capital ratio;
- Tier 1 capital to the risk-weighted assets at a minimum of 7 %, referred to as Tier 1 risk-based capital ratio; and
- the total regulatory capital to risk-weighted assets at a minimum of 10 %, referred to as total risk- based capital ratio.

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

- Tier 1 capital: share capital (net of any book values of the treasury shares, if any), non-controlling interest arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital;
- Tier 2 capital: qualifying subordinated loan capital and collective impairment allowances; and
- Tier 3 capital: includes short-term subordinated debt that may be used only to cover a portion of the banking institution's capital charges for market risk.

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

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

Group	2018 N$'000	2017 N$'000
Tier 1 capital		
Share capital and premium	**485,000**	485,000
General banking reserve	**3,814,880**	3,354,610
Retained earnings	**82,013**	71,978
Net total Tier 1 capital	**4,381,893**	3,911,588
Tier 2 capital		
Subordinated debt (five-year callable bond)	**187,533**	187,533
Portfolio impairment for regulatory reporting	**291,640**	319,888
Net total Tier 2 capital	**479,173**	507,421
Total regulatory capital	**4,861,066**	4,419,009
Risk-weighted assets:		
Operational risk	**3,107,528**	2,858,775
Credit risk	**26,932,497**	26,053,217
Market risk	**480,491**	278,712
Total risk-weighted assets	**30,520,516**	29,190,704

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	**11.7%**	11.3 %
Tier 1 risk-based capital ratio	**14.4%**	13.4 %
Total risk-based capital ratio	**15.9%**	15.1 %

In addition to the above minimum capital requirements, the Bank of Namibia requires the bank to perform an internal capital adequacy and assessment process (ICAAP) in terms of Pillar II of Basel II, which has been documented and approved by the board. The process results in:
- the identification of all significant risk exposures to the banking group;
- the quantification of risk appetites for the major risks identified; and
- control measures to mitigate the major risks.

Based on the ICAAP assessment performed on 30 November 2017, which includes a capital projection for the next five years, it is envisaged that the bank will be able to maintain its capital ratios and will not require additional capital.

04

Critical accounting estimates and judgements in applying accounting policies

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment losses on loans and advances

Estimates in assessing the portfolio impairment are dependent on the analysis of historical data relating to probability of default, emergence period and loss given default. Specific impairment is triggered for individual non-performing loans and special mention accounts. Non-performing loans comprise loans due and unpaid for longer than 90 days. Refer to note 16.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Refer to notes 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.

c) Post-employment benefits

The present value of the severance pay liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the liability. The assumptions used in determining the net cost include the discount rate. The group determined this discount rate based on the yield of South African government bonds. Other key assumptions are based on generally accepted demographic tables. Refer to note 28.

d) Share-based payments

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

For share-based payment transactions among group entities, in its separate or group financial statements, the entity receiving the services shall measure the services received as either an equity-settled or a cash-settled share-based payment transaction by assessing:

- the nature of the awards granted; and
- its own rights and obligations.

The amount recognised by the entity receiving the services may differ from the amount recognised by the consolidated group or by another group entity settling the share-based payment transaction.

The entity receiving the services shall measure the services received as an equity-settled share-based payment transaction when:

- the awards granted are its own equity instruments; or
- the entity has no obligation to settle the share-based payment transaction.

In terms of the share scheme arrangement, the awards granted are Capricorn Group shares, thus the share schemes are treated as cash-settled.

IFRS 2 requires an entity to measure the fair value of the employee services received by reference to the fair value of the equity instruments granted. This fair value depends on a number of factors that are determined on an actuarial basis, at grant date, using a number of assumptions. Any changes in these assumptions will impact the expense and share-based compensation reserve created at grant date. The valuation technique used to determine the cost of shares granted on interest-free loans is the Black-Scholes valuation model and includes assumptions such as share price, volatility and a risk-free interest rate. Additional information is disclosed in note 30.

05
Net interest income

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Interest and similar income				
Amortised cost				
Loans and advances	**3,202,270**	3,078,667	**3,124,227**	3,004,424
Cash and short-term funds	**111,600**	63,639	**111,600**	63,639
Treasury bills	**1,041**	30	**1,041**	30
Government stock and other investments	**26,456**	404	**26,456**	404
Loans to subsidiaries	**-**	-	**46,045**	37,176
Fair value				
Financial assets designated at fair value through profit or loss	**247,321**	184,092	**247,321**	184,092
Treasury bills	**192,311**	170,588	**192,311**	170,588
Government stock and other investments	**55,010**	13,504	**55,010**	13,504
Total interest and similar income	**3,588,688**	3,326,832	**3,556,690**	3,289,765
Interest and similar expenses				
Amortised cost				
Demand deposits	**211,516**	223,854	**211,516**	223,854
Fixed and notice deposits	**549,057**	424,583	**549,057**	424,583
Negotiable certificates of deposits	**547,128**	501,593	**547,128**	501,593
Cheque deposits	**214,748**	206,102	**214,748**	206,102
Debt securities in issue	**291,032**	220,336	**291,032**	220,336
Savings deposits	**61,348**	61,302	**61,348**	61,302
Deposits from banks and financial institutions	**11,436**	13,167	**11,436**	13,167
Other	**192,333**	189,233	**192,333**	189,233
Total interest and similar expenses	**2,078,598**	1,840,170	**2,078,598**	1,840,170
Net interest income	**1,510,090**	1,486,662	**1,478,092**	1,449,595

06
Impairment charges on loans and advances

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Increase / (decrease) in specific impairment	**38,721**	(34,553)	**39,157**	(35,053)
Amounts written off as uncollectable	**33,607**	77,830	**18,307**	65,253
(Decrease) / increase in portfolio impairment	**(9,697)**	8,582	**(9,697)**	8,582
Amounts recovered during the year	**(4,562)**	(5,287)	**(3,414)**	(4,309)
	58,069	46,572	**44,353**	34,473

07
Non-interest income

7.1. Fee and commission income

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Transaction and related fees	**758,308**	686,835	**749,326**	677,156
Commissions	**30,110**	24,590	**23,850**	18,463
Trust and other fiduciary fees	**9,572**	7,477	**9,572**	7,477
	797,990	718,902	**782,748**	703,096

7.2. Net trading income

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Net foreign exchange gains and losses from trading assets	**55,714**	58,276	**55,714**	58,276
Net gain from financial instruments designated at fair value through profit or loss	**1,345**	6,387	**1,345**	6,387
	57,059	64,663	**57,059**	64,663

Net foreign exchange gains and losses from trading assets includes gains and losses from spot and forward exchange contracts, OTC currency options and translation of foreign currency assets and liabilities.

Net gain from financial instruments designated at fair value through profit or loss includes the gains from treasury bills, government stock and derivatives.

7.3. Other operating income

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Other operating income				
Dividend income	**2,420**	651	**2,420**	651
(Loss)/ profit on sale of property, plant and equipment	**(37)**	222	**(37)**	222
Profit with sale of VISA shares	**77,330**	-	**77,330**	-
Management fees received	**857**	624	**17,167**	19,618
Other	**1,890**	13,806	**3,423**	13,806
	82,460	15,303	**100,303**	34,297
Total non-interest income	**937,509**	798,868	**940,110**	802,056

08
Staff costs

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Wages and salaries	**609,770**	518,351	**609,770**	518,351
Share-based payment expense	**5,425**	5,687	**5,425**	5,687
Granted to employees	**5,425**	5,687	**5,425**	5,687
Staff training and transfer costs	**10,526**	6,033	**10,526**	6,033
Pension costs - defined contribution plan	**37,123**	33,959	**37,123**	33,959
Severance pay liability (note 28.1)	**1,249**	731	**1,249**	731
	664,093	564,761	**664,093**	564,761

09 Operating expenses

	Group		Company	
	2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'000
Expenses by nature				
Advertising and marketing	**21,918**	23,589	**21,918**	23,589
Amortisation of intangible assets (note 20)	**45,982**	20,953	**45,982**	20,953
Association transaction fees	**103,409**	104,060	**103,409**	104,060
Auditor's remuneration				
- Audit fees	**3,925**	2,892	**3,884**	2,853
- Fees for other services	**691**	1,090	**691**	1,090
Cash handling	**9,395**	8,525	**9,395**	8,525
Commission	**5,967**	6,245	**5,967**	6,245
Directors' emoluments				
- Non-executive directors	**4,574**	3,680	**4,574**	3,680
Depreciation of property, plant and equipment (note 21)	**40,549**	39,267	**39,587**	38,305
Intragroup consultancy and management fees	**38,694**	36,202	**36,566**	33,818
Operating lease rentals - immovable property	**68,866**	66,346	**69,828**	67,308
Professional services	**53,549**	69,403	**53,549**	69,403
Repairs and maintenance	**30,185**	24,511	**30,185**	24,511
Staff costs (note 8)	**664,093**	564,761	**664,093**	564,761
Security expenses	**14,117**	12,178	**14,117**	12,178
Subscription fees	**8,377**	8,586	**8,377**	8,586
Technology costs	**70,042**	61,984	**70,042**	61,984
Travelling	**4,045**	4,517	**4,045**	4,517
Stationery and printing	**13,076**	11,788	**13,076**	11,788
Stamp duty	**16,110**	13,757	**16,110**	13,757
Telephone, postage and courier costs	**12,049**	12,211	**12,049**	12,211
Water and electricity	**20,874**	18,163	**20,874**	18,163
Motor vehicle costs	**2,193**	2,052	**2,193**	2,052
Valuation fees	**6,858**	4,484	**6,858**	4,484
Insurance costs	**2,917**	2,418	**2,917**	2,418
Office expenses	**2,873**	3,280	**2,873**	3,280
Other expenses	**31,021**	4,581	**31,021**	4,581
	1,296,349	1,131,523	**1,294,180**	1,129,100

Research and development costs of N$405,213 (2017: N$496,508) are included in operating expenses above.

10 Income tax expense

Normal tax

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Current tax	**294,360**	326,403	**289,729**	319,902
- current year	**294,360**	326,403	**289,729**	319,902
Deferred tax	**3,197**	6,693	**3,197**	6,693
- current year	**3,197**	6,693	**3,197**	6,693
Total normal tax	**297,557**	333,096	**292,926**	326,595

Tax rate reconciliation

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate as follows:				
Profit before tax	**1,094,329**	1,108,528	**1,079,668**	1,088,078
Tax at the applicable tax rate of 32 % (2017: 32 %)	**350,185**	354,729	**345,494**	348,185
Non-taxable income	**(24,746)**	-	**(24,746)**	-
Dividends	**(32,981)**	(23,910)	**(32,981)**	(23,910)
Fair value adjustment on interest-free staff loans	**1,751**	1,747	**1,751**	1,747
Fair value adjustment on investments	**3,344**	573	**3,344**	573
Non-deductible expenses	**4**	-	**64**	-
Special allowance	**-**	(43)	**-**	-
Income tax expense	**297,557**	333,096	**292,926**	326,595
Effective tax rate	**27.19%**	30.05 %	**27.13%**	30.02 %

11 Cash and balances with the central bank

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Cash balances	**250,268**	239,910	**250,268**	239,910
Balances with the central bank other than mandatory reserve deposits	**652,388**	549,205	**652,388**	549,205
Included in cash and cash equivalents	**902,656**	789,115	**902,656**	789,115
Mandatory reserve deposits with the central bank	**319,047**	294,050	**319,047**	294,050
	1,221,703	1,083,165	**1,221,703**	1,083,165

Mandatory reserve deposits are not available for use in the group's day-to-day operations. Balances with the central bank other than mandatory deposits are interest sensitive. Cash balances as well as mandatory reserve deposits with the central bank are non-interest-bearing.

12 Derivative financial instruments

	Group		Company	
	2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'000
Assets				
Interest rate swaps	-	71	-	71
Liabilities				
Interest rate swaps	**(5,355)**	(8,622)	**(5,355)**	(8,622)
OTC currency options	**(180)**	-	**(180)**	-
	(5,535)	(8,622)	**(5,535)**	(8,622)
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 2018 was N$420.0 million (2017: N$420.0 million).				
Current	**(797)**	-	**(797)**	-
Non-current	**(4,738)**	(8,551)	**(4,738)**	(8,551)
Net derivative liability	**(5,535)**	(8,551)	**(5,535)**	(8,551)

13 Financial assets

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Financial assets designated at fair value through profit or loss				
Treasury bills	**2,780,029**	1,922,007	**2,780,029**	1,922,007
Government stock	**321,607**	211,018	**321,607**	211,018
Corporate bond	**40,212**	9,797	**40,212**	9,797
Investment in Capricorn Group	**16,132**	24,122	**16,132**	24,122
OTC currency options	-	29	-	29
Unit trust investments	**1,008,973**	891,374	**1,008,973**	891,374
	4,166,953	3,058,347	**4,166,953**	3,058,347
Current	**2,863,014**	2,844,734	**2,863,014**	2,844,734
Non-current	**1,303,939**	213,613	**1,303,939**	213,613
	4,166,953	3,058,347	**4,166,953**	3,058,347
All instruments are unlisted.				
The following represents the amortised cost of instruments where this differs from the fair value:				
Treasury bills	**2,784,771**	1,920,011	**2,784,771**	1,920,011
Government stock	**321,847**	218,944	**321,847**	218,944
Financial assets at amortised cost				
Treasury bills	-	18,861	-	18,861
Government Stock	**624,715**	22,760	**624,715**	22,760
	624,715	41,621	**624,715**	41,621
Current	-	18,861	-	18,861
Non-current	**624,715**	22,760	**624,715**	22,760
	624,715	41,621	**624,715**	41,621

Financial assets at fair value through profit or loss are presented within 'operating activities' in the statement of cash flows. Changes in fair values of financial assets at fair value through profit or loss are recorded in 'net gain from financial instruments designated at fair value through profit or loss' in the statement of comprehensive income (note 7.2).

Treasury bills and government stocks are securities issued by the Namibian treasury department for a term of three months, six months, a year or longer. Treasury bills and government stock with a maturity of less than 90 days from the reporting date, as well as unit trust investments, are included in cash and cash equivalents for the purposes of the cash flow statement. Refer to note 35.

The above-mentioned debt securities are managed and their performance evaluated on a fair value basis in accordance with a documented risk management strategy. Treasury bills with a nominal value of N$230 million (2017: N$290 million) are available at the Bank of Namibia for collateral should the need arise. At year-end, there were no treasury bills utilised for security purposes (2017: NIL) at the Bank of Namibia. At 30 June 2018 no treasury bills have been collateralised under a sale-and-buyback agreement (2017: NIL).

Refer to note 3.5 for fair value methodology used.

14 Investment securities

	Group		Company	
	2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'000
Available-for-sale				
Investment securities - listed [1]	**134,028**	149,381	**134,028**	149,381
	134,028	149,381	**134,028**	149,381
The movement during the year is summarised as follows:				
Opening balance	**149,381**	133,998	**149,381**	133,998
Matured [2]	**(59,409)**	-	**(59,409)**	-
Fair value gains	**44,056**	15,383	**44,056**	15,383
Closing balance	**134,028**	149,381	**134,028**	149,381
Current	**134,028**	149,381	**134,028**	149,381

Refer to note 3.5 for fair value methodology used.

[1] Listed shares are held as follows: 6,583,247 shares in Weatherley International Plc, 13,035 shares in Dundee Precious Metals Inc, 28,308 shares in China Africa Resources Plc and 18,182 shares in Visa Inc.

[2] During the period under review, 12,122 shares of an initially held 30,304 shares in Visa Inc were sold in two tranches: the first tranche of 7,576 shares sold in December 2017 resulted in N$43.4m and the second tranche of 4,546 shares sold in June 2018 resulted in N$33.9m profit.

15 Due from other banks

Placement with other banks	**749,021**	860,615	**749,021**	860,615

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

16 Loans and advances to customers

	Group		Company	
	2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'000
Overdrafts	**4,821,811**	4,844,567	**4,821,811**	4,844,567
Term loans	**6,569,017**	5,610,369	**6,054,431**	5,130,624
Mortgages	**15,105,282**	14,570,865	**15,105,282**	14,570,865
- Residential mortgages	**8,971,644**	8,382,676	**8,971,644**	8,382,676
- Commercial mortgages	**6,133,638**	6,188,189	**6,133,638**	6,188,189
Instalment finance	**3,052,960**	3,242,246	**3,052,960**	3,242,246
Preference shares	**444,903**	440,987	**444,903**	440,987
Gross loans and advances	**29,993,973**	28,709,034	**29,479,387**	28,229,289
Less impairment				
Specific impairment	**(154,571)**	(113,276)	**(147,724)**	(105,993)
Portfolio impairment	**(75,743)**	(88,040)	**(75,743)**	(88,040)
	29,763,659	28,507,718	**29,255,920**	28,035,256
Notional value of loans and advances	**30,132,738**	28,768,442	**29,618,152**	28,288,697
Interest in suspense (contractual interest suspended on non-performing loans)	**(138,765)**	(59,408)	**(138,765)**	(59,408)
Gross loans and advances	**29,993,973**	28,709,034	**29,479,387**	28,229,289
Movement in impairment on loans and advances to customers is as follows for the group:				
Balance at the beginning of the year	**201,316**	227,287	**194,033**	220,509
Provision for loan impairment	**62,605**	51,859	**47,741**	38,782
Amounts written off during the year as uncollectable	**(33,607)**	(77,830)	**(18,307)**	(65,258)
Balance at the end of the year	**230,314**	201,316	**223,467**	194,033

Group	Overdrafts N$000	Term loans N$000	Mortgages N$000	Instalment finance N$000	Total
Year-end - 30 June 2018					
Balance at the beginning of the year	**46,709**	**53,590**	**59,367**	**41,650**	**201,316**
- Specific impairment	**30,651**	**24,742**	**30,145**	**27,738**	**113,276**
- Portfolio impairment	**16,058**	**28,848**	**29,222**	**13,912**	**88,040**
Provision for loan impairment - specific	**12,010**	**31,090**	**16,378**	**15,424**	**74,902**
Provision for loan impairment - portfolio	**1,151**	**8,242**	**(20,584)**	**(1,106)**	**(12,297)**
Amounts written off during the year as uncollectable	**(3,449)**	**(20,641)**	**(3,422)**	**(6,095)**	**(33,607)**
Balance at the end of the year	**56,421**	**72,281**	**51,739**	**49,873**	**230,314**
- Specific impairment	**39,212**	**35,191**	**43,101**	**37,067**	**154,571**
- Portfolio impairment	**17,209**	**37,090**	**8,638**	**12,806**	**75,743**
Year-end - 30 June 2017					
Balance at the beginning of the year	77,429	47,561	44,246	58,051	227,287
- Specific impairment	59,724	23,278	22,418	42,409	147,829
- Portfolio impairment	17,705	24,283	21,828	15,642	79,458
Provision for loan impairment - specific	3,356	19,021	8,162	12,738	43,277
Provision for loan impairment - portfolio	(1,647)	4,565	7,394	(1,730)	8,582
Amounts written off during the year as uncollectable	(32,429)	(17,557)	(435)	(27,409)	(77,830)
Balance at the end of the year	46,709	53,590	59,367	41,650	201,316
- Specific impairment	30,651	24,742	30,145	27,738	113,276
- Portfolio impairment	16,058	28,848	29,222	13,912	88,040

	Group 2018		Group 2017	
Specific and portfolio impairment by geographical area	**N$'000**	**%**	**N$'000**	**%**
Namibia	**230,314**		201,316	
The following is a sensitivity analysis showing the increase / (decrease) in the portfolio impairment had the following changes arisen on the significant inputs:				
10 basis points increase in probability of default	**24,692**		25,781	
10 basis points decrease in probability of default	**(24,692)**		(25,781)	
100 basis points increase in loss given default	**61,642**		37,608	
100 basis points decrease in loss given default	**(40,124)**		(16,684)	
Maturity analysis of loans and advances to customers for the group were as follows:				
Repayable within 1 month	**4,921,230**	**16.3**	4,928,464	17.0
Repayable after 1 month but within 3 months	**135,894**	**0.5**	252,416	1.0
Repayable after 3 months but within 6 months	**259,344**	**0.9**	247,679	1.0
Repayable after 6 months but within 12 months	**293,318**	**1.0**	295,970	1.0
Repayable after 12 months	**24,384,187**	**81.3**	22,984,505	80.0
	29,993,973	**100.0**	28,709,034	100.0

	Group		Company	
	2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'000
The loans and advances to customers include instalment finance receivables which are analysed as follows:				
Repayable within 1 year	**33,859**	146,848	**33,859**	146,848
Repayable after 1 year but within 5 years	**3,593,920**	4,000,669	**3,593,920**	4,000,669
Repayable after 5 years	**13,070**	3,774	**13,070**	3,774
Gross investment in instalment finances	**3,640,849**	4,151,291	**3,640,849**	4,151,291
Unearned future finance income on instalment finances	**(663,209)**	(961,969)	**(663,209)**	(961,969)
Net investment in instalment finances	**2,977,640**	3,189,322	**2,977,640**	3,189,322

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

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

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

Included in term loans is an amount of N$43.5 million (2017: N$39.9 million) relating to abovementioned scheme. The movements on these staff loans were as follows:

The movements on these staff loans were as follows:

Group	2018 N$'000	2017 N$'000
Opening balance	**39,942**	**34,656**
New loans advanced during the year	**22,382**	**17,953**
Loans redeemed during the year	**(18,736)**	**(16,458)**
Staff costs (adjustment to fair value)	**(5,473)**	**(5,434)**
Effective interest charged	**5,381**	**9,225**
Closing balance	**43,496**	**39,942**

17 Other assets

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Insurance fund asset	**53,742**	58,628	**53,742**	58,628
Accounts receivable	**111,936**	47,631	**111,936**	47,631
Clearing, settlement and internal accounts	**83,071**	98,704	**83,071**	98,704
Prepayments	**19,449**	26,918	**19,449**	26,918
IT stock	**6,280**	8,140	**6,280**	8,140
	274,478	240,021	**274,478**	240,021
Current	**220,736**	181,393	**220,736**	181,393
Non-current	**53,742**	58,628	**53,742**	58,628
	274,478	240,021	**274,478**	240,021

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

18 Investment in subsidiaries

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

	Issued ordinary share capital and premium and proportion held	Details of the company's interest: Shares at cost 2018 N$'000	Shares at cost 2017 N$'000	Indebtedness to / (from) subsidiaries 2018 N$'000	Indebtedness to / (from) subsidiaries 2017 N$'000
Bank Windhoek Nominees (Pty) Ltd					
- Issued ordinary share capital	100	**0.1**	0.1	**-**	-
- Proportion held	100 %				
BW Finance (Pty) Ltd					
- Issued ordinary share capital	100	**0.1**	0.1	**438,001**	409,287
- Proportion held	100 %				
Bank Windhoek Properties (Pty) Ltd					
- Issued ordinary share capital	1000	**19,799**	19,799	**(461)**	152
- Proportion held	100 %				

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
	Aggregate income of subsidiaries (before tax)		Total investment	
Bank Windhoek Ltd subsidiaries				
Bank Windhoek Nominees (Pty) Ltd	**-**	-	**0.1**	0.1
BW Finance (Pty) Ltd	**13,553**	19,396	**0.1**	0.1
Bank Windhoek Properties (Pty) Ltd	**921**	8,923	**19,799**	19,799
	14,474	28,319	**19,799**	19,799

The company's interest in the aggregate income before taxation earned of subsidiaries amounted to N$14.5 million (2017: N$28.3 million) for the year. Bank Windhoek Properties aggregate income included no fair value gains on investment property during the year under review (2017: N$8.0 million). No dividends were declared for the year (2017: 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	2018	2017
Shares at cost	**19,799**	19,799
Indebtedness	**437,540**	409,439
	457,339	429,238
The indebtedness shown above has the following terms:		
Interest bearing at prime plus 2 %	**501,846**	461,164
Interest-free and callable on demand with no fixed repayment terms.	**(64,306)**	(51,725)
	437,540	409,439

The carrying value of the loan approximates the fair value.

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

19 Interest in joint arrangements

Joint venture

The joint venture was incorporated in Namibia. The country of incorporation or registration is also its principal place of business. The results of the joint venture is equity accounted. Management accounts as at 30 June 2018 have been used for equity accounting the share of results for the year-ended 30 June 2018. The value of the group's share in assets, liabilities, income and expenditure is not significant to the group as a whole. These components are therefore not disclosed.

The joint venture listed below has share capital consisting solely of ordinary shares, which are held directly by the group.

The group obtained a 25 % interest in Namclear (Pty) Ltd during 2005. According to the joint venture agreement, a unanimous vote from all four shareholders is required to effect a resolution. Namclear (Pty) Ltd has a December year-end.

Company	Number of shares held '000	Issued ordinary share capital & premium N$000	Effective holding 2018 & 2017 %	Shares at cost 2018 N$'000	Shares at cost 2017 N$'000
Namclear (Pty) Ltd	4	4,616	25	1,154	1,154

	Group 2018 N$000	Group 2017 N$000	Company 2018 N$000	Company 2017 N$000
Opening balance	6,192	5,099	1,154	1,154
The group's share of the profit in the joint arrangement	1,148	1,093	-	-
Closing balance	7,340	6,192	1,154	1,154
Share of joint arrangements' results after tax	1,148	1,093	-	-
Total investments	7,340	6,192	1,154	1,154
Non-current	7,340	6,192	1,154	1,154
Directors' valuation	7,340	6,192	1,154	1,154

Technique used for directors' valuation:

Namclear (Pty) Ltd is a private company and there is no quoted market price available for its shares. The directors' valuation was determined by using its net asset values.

Aggregated summarised financial information of Namclear (Pty) Ltd

Profit after tax	4,592	4,374
Total comprehensive income	4,592	4,374

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

20 Intangible assets

Group	Intangible assets in development N$'000	Internally generated software N$'000	Total N$'000
Year-end - 30 June 2018			
Cost			
Cost at 1 July 2017	9,240	214,510	223,750
Transfers	(36,594)	27,404	(9,190)
Additions	40,000	-	40,000
Cost at 30 June 2018	12,646	241,914	254,560
Amortisation			
Amortisation at 1 July 2017	-	(26,102)	(26,102)
Charge for the year	-	(45,982)	(45,982)
Amortisation at 30 June 2018	-	(72,084)	(72,084)
Net book value at 30 June 2018	12,646	169,830	182,476
Year-end - 30 June 2017			
Cost			
Cost at 1 July 2016	5,903	147,402	153,305
Transfers	(67,108)	67,108	-
Additions	70,445	-	70,445
Cost at 30 June 2017	9,240	214,510	223,750
Amortisation			
Amortisation at 1 July 2016	-	(5,149)	(5,149)
Charge for the year	-	(20,953)	(20,953)
Amortisation at 30 June 2017	-	(26,102)	(26,102)
Net book value at 30 June 2017	9,240	188,408	197,648

All intangible assets are held by the group and all are classified as non-current assets. No assets were encumbered at 30 June 2018 nor 30 June 2017.

Intangible assets consist of computer software, including its related acquisition and development costs and intangible assets in development.

21 Property, plant 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	Total N$'000
Year-end - 30 June 2018					
Cost					
Cost at 1 July 2017	**49,692**	**173,210**	**19,270**	**158,874**	**401,046**
Additions	**-**	**21,283**	**2,657**	**5,853**	**29,793**
Transfers	**-**	**4,074**	**-**	**5,116**	**9,190**
Disposals	**-**	**(1,525)**	**-**	**(69)**	**(1,594)**
Cost at 30 June 2018	**49,692**	**197,042**	**21,927**	**169,774**	**438,435**
Depreciation					
Accumulated depreciation at 1 July 2017	**(19,310)**	**(100,988)**	**(11,400)**	**(97,931)**	**(229,629)**
Charge for the year	**(1,604)**	**(25,255)**	**(1,662)**	**(12,028)**	**(40,549)**
Land depreciation write back	**3,201**	**-**	**-**	**-**	**3,201**
Depreciation on disposals	**-**	**1,441**	**-**	**56**	**1,497**
Accumulated depreciation at 30 June 2018	**(17,713)**	**(124,802)**	**(13,062)**	**(109,903)**	**(265,480)**
Net book value at 30 June 2018	**31,979**	**72,240**	**8,865**	**59,871**	**172,955**
Year-end - 30 June 2017					
Cost					
Cost at 1 July 2016	49,692	143,343	18,587	138,377	349,999
Additions	-	33,553	1,411	20,852	55,816
Disposals	-	(3,686)	(728)	(355)	(4,769)
Cost at 30 June 2017	49,692	173,210	19,270	158,874	401,046
Depreciation					
Accumulated depreciation at 1 July 2016	(17,628)	(80,619)	(10,314)	(86,312)	(194,873)
Charge for the year	(1,682)	(23,891)	(1,784)	(11,910)	(39,267)
Depreciation on disposals	-	3,522	698	291	4,511
Accumulated depreciation at 30 June 2017	(19,310)	(100,988)	(11,400)	(97,931)	(229,629)
Net book value at 30 June 2017	30,382	72,222	7,870	60,943	171,417

Details regarding the fixed properties are available to shareholders at the registered office of the company. All property, plant and equipment are owned by the company other than land and building with a cost of N$26.2 million (2017: 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 2018 is N$16.1 million (2017: N$17.0 million). All property, plant and equipment are classified as non-current assets.

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

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

No assets were encumbered at 30 June 2018 nor 30 June 2017. All property, plant and equipment are classified as non-current assets.

22 Due to other banks

	Group		Company	
	2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'000
Current accounts	**63,037**	140,611	**63,037**	140,611
	63,037	140,611	**63,037**	140,611
Current	**63,037**	140,611	**63,037**	140,611

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

23 Other borrowings

	Group		Company	
	2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'000
Balance as at 1 July	**1,165,064**	1,164,051	**1,165,064**	1,164,051
Additions	**219,000**	-	**219,000**	-
Repayment	**(167,272)**	-	**(167,272)**	-
Accrued interest and charges	**125,019**	123,184	**125,019**	123,184
Interest repaid	**(124,301)**	(122,171)	**(124,301)**	(122,171)
Balance as at 30 June	**1,217,510**	1,165,064	**1,217,510**	1,165,064
Current	**167,272**	-	**167,272**	-
Non-current	**1,050,238**	1,165,064	**1,050,238**	1,165,064

Other borrowings consist of N$920 million and N$250 million long-term funding with IFC (International Finance Corporation) and DEG (Deutsche Investitions- und Entwicklungsgesellschaft) respectively. New funding was raised during the year under review with AfD (Agence Francaise de Developpement) of N$219 million.

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

The DEG loan is repayable semi-annually over an 8-year term with quarterly interest repayments. The first capital repayment is due March 2020. Interest on the DEG loan is charged at 3 month JIBAR plus a spread of 3.65 %.

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

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

24 Debt securities in issue

	Group		Company	
	2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'000
Balance as at 1 July	**3,031,181**	2,190,203	**3,031,181**	2,190,203
Redemptions	**(411,584)**	(473,766)	**(411,584)**	(473,766)
Additions	**905,000**	1,304,000	**905,000**	1,304,000
Effective interest	**291,032**	220,336	**291,032**	220,336
Coupon payments	**(277,639)**	(209,592)	**(277,639)**	(209,592)
Balance as at 30 June	**3,537,990**	3,031,181	**3,537,990**	3,031,181
Current	**813,694**	437,181	**813,694**	437,181
Non-current	**2,724,296**	2,594,000	**2,724,296**	2,594,000
	3,537,990	3,031,181	**3,537,990**	3,031,181

Debt instruments		Interest rate	Maturity date	Group 2018 N$'000	Group 2017 N$'000
Five-year callable bond					
BW25	Note 1	9.75 %	18-Aug-25	**187,533**	187,533
				187,533	187,533
Senior debt - unsecured					
BWFh17 fixed rate note	Note 4	8.09 %	22-Aug-17	-	149,180
BWJh17 floating rate note	Note 2	3m JIBAR + 95bps	22-Aug-17	-	45,409
BWZ18B floating rate note	Note 2	3m JIBAR + 185bps	27-Mar-18	-	180,181
BWJe18 floating rate note	Note 2	3m JIBAR + 135bps	29-May-18	-	33,158
BWFj18 fixed rate note	Note 3	9.55 %	25-Oct-18	**105,819**	105,820
BWZj18 floating rate note	Note 2	3m JIBAR + 180bps	19-Nov-18	**606,150**	606,462
BWFd19 fixed rate note	Note 3	9.43 %	25-Apr-19	**101,725**	101,725
BWFh19 fixed rate note	Note 4	8.86 %	22-Aug-19	**113,473**	113,473
BWJj19 floating rate note	Note 2	3m JIBAR + 175bps	25-Oct-19	**121,850**	121,906
BWZj19 floating rate note	Note 2	3m JIBAR + 205bps	10-Nov-19	**162,040**	162,236
BWZ20A floating rate note	Note 2	3m JIBAR + 215bps	27-Mar-20	**299,298**	299,310
BWJi20 floating rate note	Note 2	3m JIBAR + 180bps	18-Sep-20	**265,863**	-
BWRj21 fixed rate note	Note 5	7.75 %	15-Oct-21	**57,112**	55,844
BWZj21 floating rate note	Note 2	3m JIBAR + 230bps	10-Nov-21	**60,786**	60,824
BWJD21 floating rate note	Note 2	3m JIBAR + 185bps	20-Apr-21	**132,476**	-
BWZ21B floating rate note	Note 2	3m JIBAR + 205bps	27-Mar-21	**300,296**	-
BWFH22 fixed rate note	Note 3	9.50 %	18-Aug-22	**155,254**	-
BWJH22 floating rate note	Note 2	3m JIBAR + 195bps	18-Aug-22	**60,544**	-
BWJ1e27 floating rate note	Note 2	3m JIBAR + 215bps	19-May-27	**505,331**	505,546
BWJ2e27 floating rate note	Note 2	3m JIBAR	19-May-27	**302,440**	302,574
				3,350,457	2,843,648
Total debt instruments in issue at the end of the year				**3,537,990**	3,031,181
Listed debt securities				**3,537,990**	3,031,181
				3,537,990	3,031,181

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

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

Debt securities in issue comprise subordinated debt and senior debt with a combined nominal value of N$ 3.5 billion (2017: N$ 3.0 billion).

25 Deposits

	Group		Company	
	2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'000
Current accounts	**6,600,860**	5,942,842	**6,600,860**	5,942,842
Savings accounts	**2,020,781**	1,948,582	**2,020,781**	1,948,582
Demand deposits	**3,752,509**	3,198,470	**3,752,509**	3,198,470
Term and notice deposits	**7,807,818**	6,473,927	**7,807,818**	6,473,927
Negotiable certificates of deposits (NCDs)	**5,691,463**	6,593,920	**5,691,463**	6,593,920
Other deposits	**1,535,447**	1,263,034	**1,535,447**	1,263,034
	27,408,878	25,420,775	**27,408,878**	25,420,775

	2018		2017	
Group	N$'000	%	N$'000	%
Maturity analysis within the customer current, savings, deposit account portfolio for the group were as follows:				
Withdrawable on demand	**13,965,128**	**51.0**	11,745,509	46.2
Maturing within 1 month	**2,632,866**	**9.6**	853,548	3.4
Maturing after 1 month but within 6 months	**5,765,581**	**21.0**	6,074,755	23.9
Maturing after 6 months but within 12 months	**3,874,503**	**14.1**	5,451,042	21.4
Maturing after 12 months	**1,170,800**	**4.3**	1,295,921	5.1
	27,408,878	**100.0**	25,420,775	100.0

26 Other liabilities

	Group		Company	
	2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'000
Accounts payable	**30,032**	15,925	**30,032**	15,925
Accruals	**103,067**	63,537	**103,067**	63,537
Employee liabilities	**107,052**	109,337	**107,052**	109,337
- Leave pay accrual	**41,028**	37,211	**41,028**	37,211
- Provision for performance bonuses	**41,333**	40,736	**41,333**	40,736
- Provision for share-based payment liability	**9,663**	11,945	**9,663**	11,945
- PAYE payable	**7,960**	7,094	**7,960**	7,094
- Medical aid payable	**6,494**	6,368	**6,494**	6,368
- Pension payable	**-**	5,302	**-**	5,302
- Other	**574**	681	**574**	681
Receiver of Revenue	**27,860**	9,838	**27,860**	9,838
Clearing, settlement and internal accounts	**40,648**	87,011	**42,142**	87,968
	308,659	285,648	**310,153**	286,605
Current portion of other liabilities	**308,659**	285,648	**310,153**	286,605

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

27 Deferred income tax

	Group		Company	
	2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'000
Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 32% (2017: 32%).				
The movement on the deferred income tax account is as follows:				
Deferred tax liability / (asset) as at 1 July	**4,008**	(2,685)	**4,008**	(2,685)
Charge to profit or loss (note 10)	**3,197**	6,693	**3,197**	6,693
Deferred tax liability as at 30 June	**7,205**	4,008	**7,205**	4,008
Deferred income tax assets and liabilities are attributable to the following items:				
Deferred income tax liability				
Accelerated tax depreciation and amortisation	**77,090**	56,991	**77,090**	56,991
Government stock and other securities	**3,417**	5,511	**3,417**	5,511
Prepaid expenses	**6,223**	8,614	**6,223**	8,614
	86,730	71,116	**86,730**	71,116
Deferred income tax asset				
Accruals	**13,159**	34,273	**13,159**	34,273
Loan loss provisions	**19,785**	29,643	**19,785**	29,643
Derivative financial instruments	**1,963**	2,736	**1,963**	2,736
Unrealised foreign exchange losses	**17,356**	-	**17,356**	-
Loans and receivables	**27,262**	456	**27,262**	456
	79,525	67,108	**79,525**	67,108
Net deferred income tax liability	**7,205**	4,008	**7,205**	4,008
Deferred tax liability	**7,205**	4,008	**7,205**	4,008
Net deferred tax liability	**7,205**	4,008	**7,205**	4,008
Deferred tax liability				
Current	**9,640**	14,125	**9,640**	14,125
Non-current	**77,090**	56,991	**77,090**	56,991
Deferred tax asset				
Current	**56,648**	59,569	**56,648**	59,569
Non-current	**22,877**	7,539	**22,877**	7,539

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

28 Post-employment benefits

28.1 Severence pay liability

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
A valuation was performed for 30 June 2018 by an independent actuary on the group's liability with respect to severance pay. The benefit is not funded.				
The amount recognised in the consolidated statement of financial position is determined as follows:				
Present value of unfunded obligation (non-current)	**11,440**	10,191	**11,440**	10,191
The movement in the severance pay obligation over the year is as follows:				
As at 1 July	**10,191**	9,460	**10,191**	9,460
Current service costs	**304**	(79)	**304**	(79)
Interest cost	**945**	810	**945**	810
As at 30 June	**11,440**	10,191	**11,440**	10,191
The amounts recognised in the consolidated statement of comprehensive income are as follows:				
Current service costs	**304**	(79)	**304**	(79)
Interest cost	**945**	810	**945**	810
	1,249	731	**1,249**	731
The principal actuarial assumptions used were as follows:				
		%		%
Discount rate	**8.50**	8.60	**8.50**	8.60
Inflation rate	**5.40**	6.40	**5.40**	6.40
Salary increases	**6.40**	7.40	**6.40**	7.40
The following sensitivity of the overall liability to changes in principal assumption is:				
Salary increase 1 % lower per annum	**565**	8,924	**565**	8,924
Salary increase 1 % higher per annum	**636**	10,053	**636**	10,053

28.2 Medical aid scheme

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

28.3 Pension schemes

All fulltime permanent employees are members of the CIH Group Retirement Fund, a defined contribution plan, which has been registered in Namibia in accordance with the requirements of the Pension Funds Act. The fund is governed by the Pension Funds Act, 1956, which requires a statutory actuarial valuation every three years. The latest statutory actuarial valuation was carried out on 31 March 2017 and in the actuary's opinion the fund was in a sound financial position at that date. The valuation confirmed that the value of the assets in the fund exceeded the value of the actuarially determined liabilities.

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

29 Share capital and premium

	Group		Company	
	2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'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 issued 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 (2017: 4,920,000). All issued shares are fully paid up.

Unissued shares

Authorised preference share capital				
750,000 10 % redeemable cumulative shares at N$1 each	**750**	750	**750**	750

All the unissued shares are under the control of the directors in terms of a general authority to allot and issue them on such terms and conditions and at such time as they deem fit. This authority expires at the forthcoming annual general meeting on 30 October 2018, when the authority can be renewed. Refer to the directors' report.

30 Share-based payments

The group operates two cash-settled share-based compensation plans: (1) a share appreciation rights plan (SAR) and (2) a conditional share plan (CSP), under which the entities within the group receive services from employees as consideration for equity instruments (shares) of Capricorn Group (refer to the directors' report for details of each plan).
The total expense for the share-based compensation plans included in the statement of comprehensive income is N$5.4 million in 2018 (2017: N$5.7 million). Refer to note 8.

Refer to Note 26 for provision for share-based payment liability. Total liability as at 30 June 2018 is N$ 9.7 million (30 June 2017: N$11.9 million), of which SAR and CSP are N$1.1 million and N$8.6 million (30 June 2017: N$2.1 million and N$9.8 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 predetermined performance conditions over the performance period. SAR are exercisable from the vesting date and have a contractual term of five years. Since these are Capricorn Group shares, Bank Windhoek Limited has an obligation to settle the SAR in cash.

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

	Opening balance	Granted[1]	Vested	Forfeitures	Closing balance
As at 30 June 2018					
Employer company:					
Bank Windhoek	**578**	**257**	**(211)**	**(72)**	**552**
	578	**257**	**(211)**	**(72)**	**552**
As at 30 June 2017					
Employer company:					
Bank Windhoek	613	229	(245)	(19)	578
	613	229	(245)	(19)	578

[1] Capricorn Group equivalent SAR.

SAR issued in September 2014 vested in September 2017 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 an expiry dates:

Grant date	Vesting date	Expiry date	2018	2017
September 2014	September 2017	September 2019	-	211
September 2015	September 2018	September 2020	**125**	157
September 2016	September 2019	September 2021	**170**	210
September 2017	September 2020	September 2022	**257**	-
			552	578
The weighted average remaining contractual life of options outstanding at the end of the year			**1.5 years**	1.2 years

At each reporting period the fair value of all SAR is determined by using the American Call Option valuation model. The significant inputs into the model are summarised in the table below. Refer to note 8 for the total expense recognised in profit or loss for SAR granted to executive directors and employees.

As at 30 June 2018	**Bank Windhoek**
Spot and strike price (N$)	**18.10**
Risk-free rate	**7.3% - 8.0%**
Dividend yield	**3.8%**
Volatility	**30%**
Membership attrition	**5%**
As at 30 June 2017	
Spot and strike price (N$)	17.45
Risk-free rate	8.1 %
Dividend yield	3.8 %
Volatility	35 %
Membership attrition	5 %

Conditional Share Plan (CSP)

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

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

As at 30 June	2018	2017
Opening balance	**790**	823
Granted[2]	**370**	248
Vested	**(281)**	(269)
Forfeited	**(87)**	(12)
Closing balance	**792**	790

[2] Capricorn Group equivalent CSPs.

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

Grant date	Vest date	2018	2017
September 2014	September 2017	**229**	326
September 2015	September 2018	**300**	224
September 2016	September 2019	**263**	240
		792	790

The fair value of shares granted during the year was determined with reference to the listed share price at year-end date of N$17.23 (2017: N$18.09) and taking into account a membership attrition of 5 % (2017: 5 %). This is revised at each reporting period. Refer to note 8 for the total expense recognised in profit or loss for shares granted to executive directors and employees.

31 Non-distributable reserves

31.1 Credit risk reserve

	Group		Company	
	2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'000
Balance at 1 July	**197,650**	185,261	**197,650**	185,261
Transfer from retained earnings	**18,261**	12,389	**18,261**	12,389
Balance as at 30 June	**215,911**	197,650	**215,911**	197,650
The regulatory credit risk reserve was introduced in order to meet the regulatory requirements for the loan loss portfolio impairment of Bank Windhoek Ltd.				

31.2 Insurance fund reserve

	Group		Company	
	2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'000
Balance at 1 July	**50,536**	27,773	**50,536**	27,773
Transfer from general banking reserve	**3,206**	22,763	**3,206**	22,763
Balance as at 30 June	**53,742**	50,536	**53,742**	50,536
The insurance fund reserve was created to fund a portion of the regulatory requirement to hold a certain level of insurance specific for banking risk.				
Total non-distributable reserves	**269,653**	248,186	**269,653**	248,186

32 Distributable reserves

32.1 Fair value reserve

Balance as at 1 July	**145,164**	129,781	**145,164**	129,781
Revaluation of available-for-sale equity instruments	**44,056**	15,383	**44,056**	15,383
Reclassification to profit or loss	**(59,409)**	-	**(59,409)**	-
Balance as at 30 June	**129,811**	145,164	**129,811**	145,164

32.2 General banking reserve

Balance as at 1 July	**3,354,610**	2,764,278	**3,354,610**	2,764,278
Transfer from retained earnings	**460,270**	590,332	**460,270**	590,332
Balance as at 30 June	**3,814,880**	3,354,610	**3,814,880**	3,354,610

The general banking reserve is maintained to fund future expansion.

32.3 Retained earnings

Balance as at 1 July	**71,978**	58,030	**92**	93
Profit for the year	**796,772**	775,432	**786,742**	761,483
Transfer to reserves	**(481,737)**	(625,484)	**(481,737)**	(625,484)
Dividends declared	**(305,000)**	(136,000)	**(305,000)**	(136,000)
Balance as at 30 June	**82,013**	71,978	**97**	92
Total distributable reserves	**4,026,704**	3,571,752	**3,944,788**	3,499,866

33 Dividends per share

During the year under review, dividends of 6,199.2 cents per share (2017: 2,764.2 cents per share) amounting to a total of N$305 million (2017: N$136 million) were declared by the company. On 22 August 2018 final dividends of N$159 million (or 3,231.7 cents per share) and special dividends of N$42.1 million were declared for the year ended 30 June 2018, payable on 12 September 2018. Refer to events subsequent to year-end in the directors' report for details of the final dividend declared after year-end.

Dividends declared during the year	**305,000**	136,000	**305,000**	136,000
Dividends paid during the year	**(263,000)**	(136,000)	**(263,000)**	(136,000)
Dividends payable at year-end	**42,000**	-	**42,000**	-

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Statement of cash flows disclosure information

34.1 Receipts from customers

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Interest receipts	**3,583,802**	3,325,047	**3,551,806**	3,287,980
Commission and fee receipts	**797,991**	718,902	**782,748**	703,096
Other income received	**68,236**	80,802	**86,079**	99,796
	4,450,029	4,124,751	**4,420,633**	4,090,872

34.2 Payments to customers, suppliers and employees

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Interest payments	**(1,595,088)**	(1,430,599)	**(1,595,088)**	(1,430,599)
Cash payments to employees and suppliers	**(1,206,263)**	(1,059,451)	**(1,205,055)**	(1,057,990)
	(2,801,351)	(2,490,050)	**(2,800,143)**	(2,488,589)

34.3 Cash generated from operations

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Profit before income tax	**1,094,329**	1,108,528	**1,079,668**	1,088,078
Dividends received	**(2,420)**	(651)	**(2,420)**	(651)
Adjusted for non-cash items:				
- Effective interest on debt securities	**291,032**	220,336	**291,032**	220,336
- Profit on sale of VISA shares	**(77,330)**	-	**(77,330)**	-
- Effective interest on deposits	**67,459**	66,051	**67,459**	66,051
- Effective interest on other borrowings	**125,019**	123,184	**125,019**	123,184
- Interest receivable	**(4,886)**	(3,543)	**(4,886)**	(3,543)
- Adjustment to fair value of financial instruments	**2,998**	1,676	**2,998**	1,676
- Amortisation of intangible assets	**45,982**	20,953	**45,982**	20,953
- Depreciation of property, plant and equipment	**37,390**	39,267	**36,431**	38,305
- Intangibles transfer to Proterty,plant and Equipment	**(9,190)**	-	**(9,190)**	-
- Interally generated software transfer	**(27,404)**	-	**(27,404)**	-
- Intangible assets in development transfer to software	**36,594**	-	**36,594**	-
- Fair value adjustment on interest free staff loans	**5,473**	5,434	**5,473**	5,434
- Loss /(Profit) on disposal of property, plant and equipment	**37**	(222)	**37**	(222)
- Share-based payment expense	**5,425**	5,687	**5,425**	5,687
- Income on share investments	**-**	1,791	**-**	1,791
- Impairment charges on loans and advances	**58,069**	46,572	**44,353**	34,473
- Provision for post-employment benefits	**1,249**	731	**1,249**	731
- Share of joint ventures' results after tax	**(1,148)**	(1,093)	**-**	-
	1,648,678	1,634,701	**1,620,490**	1,602,283

34.4 Income taxes paid

	Group 2018 N$'000	Group 2017 N$'000	Company 2018 N$'000	Company 2017 N$'000
Amounts receivable as at 1 July	**54,842**	59,552	**49,201**	54,814
Current tax charged to profit or loss	**(294,360)**	(326,403)	**(289,729)**	(319,902)
Amounts receivable as at 30 June	**(44,283)**	(54,842)	**(36,512)**	(49,201)
	(283,801)	(321,693)	**(277,040)**	(314,289)

35 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with less than 90 days maturity:

	Group		Company	
	2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'000
Cash and balances with the central banks – excluding mandatory reserve (note 11)	**902,656**	789,115	**902,656**	789,115
Treasury bills and government stock with a maturity of less than 90 days	**1,122,213**	1,007,394	**1,122,213**	1,007,394
Unit trust investments (note 13)	**1,008,973**	891,374	**1,008,973**	891,374
Placement with other banks (note 15)	**749,021**	860,615	**749,021**	860,615
Borrowings from other banks (note 22)	**(63,037)**	(140,611)	**(63,037)**	(140,611)
	3,719,826	3,407,887	**3,719,826**	3,407,887

36 Contingent assets, liabilities and commitments

Group	2018 N$'000	2017 N$'000
36.1 Capital commitments		
Authorised but not contracted for:		
Property, plant and equipment	**23,431**	85,791
Intangible assets	**108,436**	164,883
	131,867	250,674
Funds to meet these commitments will be provided from own resources.		
36.2 Letters of credit	**245,841**	79,042
36.3 Liabilities under guarantee	**1,056,456**	1,286,610
Guarantees mainly consist of endorsements and performance guarantees.		
36.4 Loan commitments	**1,714,759**	1,763,653
36.5 Operating lease commitments		
Office premises		
- Not later than 1 year	**40,016**	38,853
- Later than 1 year but not later than 5 years	**68,301**	46,451
	108,317	85,304

Notice periods on operating lease contracts vary between 1 to 3 months (2017: 1 to 3 months), operating lease contracts are not fixed and escalation clauses range between 6 % and 10 % (2017: 7 % and 12 %).

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

36.6 Pending litigations

There are a few pending legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material, either on an individual or group basis.

36.7 Guarantee issued to Bank Windhoek Selekt Unit Trust Fund

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

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

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

37 Related parties

In accordance with IAS 24, the group defines related parties as:
the parent company;
subsidiaries;

i. associate companies;
ii. entities that have significant influence over the group. If an investor has significant influence over the group that investor and its subsidiaries are related parties of the group. The group is Bank Windhoek Ltd and its subsidiaries;
iii. post-retirement benefit funds (pension fund);
iv. key management personnel being the group's board of directors, the Capricorn Group and CIH board of directors as well as the group's executive management team;
v. 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
vi. entities controlled, jointly controlled or significantly influenced by any individual referred to in (vi) and (vii).

Bank Windhoek Ltd is a wholly owned subsidiary of Capricorn Group. Capricorn Group is listed on the Namibian Stock Exchange and is 40.7 % (2017: 40.7 %) owned by Capricorn Investment Holdings Ltd and is 26.0 % owned by the Government institutions Pension Fund, its non-listed major shareholder which are incorporated in Namibia.

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

A few banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. No impairment has been recognised in respect of loans granted to key management personnel during the year under review (2017: NIL).

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

Entity	Relationship	Type of transaction
Capricorn Investment Holdings Ltd	Major shareholder of Capricorn Group	Support services Banking relationship
Government Institutions Pension Fund	Major shareholder of Capricorn Group	Banking relationship
Capricorn Investment Group Ltd	Parent company	Support services Banking relationship
Capricorn Investment Holdings (Botswana) Ltd	Fellow subsidiary	Banking relationship
Bank Gaborone Ltd	Fellow subsidiary	Support services Banking relationship
Capricorn Asset Management (Pty) Ltd	Fellow subsidiary	Support services Banking relationship
Capricorn Asset Management (Botswana) (Pty) Ltd	Fellow subsidiary	Banking relationship
Capricorn Capital (Pty) Ltd	Fellow subsidiary	Support services Banking relationship
Capricorn Unit Trust Management Company Ltd	Fellow subsidiary	Guarantee fee Banking relationship
Cavmont Capital Holdings Zambia Plc	Fellow subsidiary	Support services Banking relationship
Cavmont Bank Ltd	Fellow subsidiary	Support services Banking relationship
Namib Bou (Pty) Ltd	Fellow subsidiary	Support services Banking relationship
Bank Windhoek Properties (Pty) Ltd	Subsidiary	Rental
BW Finance (Pty) Ltd	Subsidiary	Support services Banking relationship
BW Nominees (Pty) Ltd	Subsidiary	Custodian of third party investments
Nam-mic Financial Services Holdings (Pty) Ltd	Other related party	Support services Banking relationship
Entrepo Insurance Limited	Fellow subsidiary	Support services Banking relationship
Entrepo Holdings (Pty) Ltd	Fellow subsidiary	Support services Banking relationship
Nam-mic Financial Solutions (Pty) Ltd	Other related party	Support services Banking relationship
Nam-mic Payment Solutions (Pty) Ltd	Other related party	Support services Banking relationship
Santam Namibia Ltd	Other related party	Banking relationship Insurance relationship
Sanlam Namibia Holdings (Pty) Ltd	Other related party	Banking relationship Insurance relationship
Namclear (Pty) Ltd	Joint venture	Technology services
Capricorn Group Employee Share Ownership Trust	Special purpose entity	Banking relationship
Capricorn Group Employee Share Benefit Trust	Special purpose entity	Banking relationship

The volumes of related party transactions and outstanding balances at year-end are as follows:

		Group		Company	
		2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'000
37.1 Trade and other receivables from related parties	Parent company	**5,491**	7,714	**5,491**	7,714
	Major shareholders of the group	**3**	148	**3**	148
	Fellow subsidiaries	**7,332**	6,943	**7,332**	6,943
	Indirect related parties	**521**	378	**521**	378
37.2 Loans and advances to related parties	Fellow subsidiaries	**5,764**	8,329	**5,764**	8,329
	Indirect related parties	**13,578**	46,316	**13,578**	46,316
	Key management personnel	**35,480**	33,601	**35,480**	33,601
37.3 Trade and other payables to related parties	Parent company	**143**	-	**143**	-
	Fellow subsidiaries	**960**	470	**960**	470
	Indirect related parties	**685**	63	**685**	63
37.4 Deposits from related parties	Parent company	**104,952**	140,639	**104,952**	140,639
	Major shareholders of the group	**162,864**	863,923	**162,864**	863,923
	Fellow subsidiaries	**79,071**	13,972	**79,071**	13,972
	Indirect related parties	**262,430**	498,033	**262,430**	498,033
	Key management personnel	**226**	2,080	**226**	2,080
37.5 Debt securities issued to related parties	Major shareholders of the group	**807,771**	808,120	**807,771**	808,120
37.6 Expenses paid to related parties	Parent company	**35,294**	32,604	**35,294**	32,604
	Fellow subsidiaries	**9,725**	1,214	**9,725**	1,214
	Joint venture in which the group is a venturer	**11,482**	10,694	**11,482**	10,694
37.7 Interest and similar expenses paid to related parties	Parent company	**4,768**	7,258	**4,768**	7,258
	Major shareholders of the group	**90,735**	16,403	**90,735**	16,403
	Fellow subsidiaries	**20,705**	3,204	**20,705**	3,204
	Indirect related parties	**11,855**	28,895	**11,855**	28,895
	Key management personnel	**7**	13	**7**	13
37.8 Income received from related party transactions	Fellow subsidiaries	**3,021**	2,489	**3,021**	2,489
	Subsidiaries	**-**	-	**20,412**	19,062
	Indirect related parties	**426**	32	**426**	32
37.9 Interest and similar income received from related parties	Major shareholders of the group	**96**	9	**96**	9
	Fellow subsidiaries	**1,088**	599	**1,088**	599
	Indirect related parties	**3,852**	2,599	**3,852**	2,599
	Key management personnel	**2,047**	3,245	**2,047**	3,245

37.10 Compensation paid to key management

37.10.1 Executive management team

	Group		Company	
	2018 N$'000	2017 N$'000	2018 N$'000	2017 N$'000
Salaries and bonuses	**17,846**	25,253	**17,846**	25,253
Contribution to defined contribution medical schemes	**634**	817	**634**	817
Contribution to defined contribution pension schemes	**947**	918	**947**	918
Share-based payment charges	**2,419**	1,589	**2,419**	1,589
Other allowances	**5,483**	4,207	**5,483**	4,207
	27,329	32,784	**27,329**	32,784

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

37.10.2 Non-executive directors' emoluments

Directors' sitting fees are disclosed under note 9.

38 Assets under custody

As at year-end, the group has no assets under custody (2017: Nil).

39 Segment information

The group considers its banking operations as one operating segment. Other components include micro-lending, property investment and custodian of third party investments, however these components each contribute less than 5 % to the group revenue, assets and profit for the year, therefore the group has no significant components other than banking. This is in a manner consistent with the internal reporting provided to the chief operating decision-maker, identified as the managing director of the group. The chief operating decision-maker is the person that allocates resources to and assesses the performance of the operating segment(s) of an entity.

In assessing the performance of the banking operations, the managing director reviews the various aggregated revenue streams, the total costs and the assets and liabilities related to the banking activities, which have been disclosed in the various notes to the consolidated annual financial statements.

39.1 Entity-wide disclosures

39.1.1 Products and services

Operating segment
Banking operations
Brand
Bank Windhoek
Description
Corporate and executive banking, retail banking services and specialist finance.
Product and services
Bank Windhoek Ltd conducts business as a registered bank and provides comprehensive banking services. Clients include both individuals and corporate clients.

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

39.1.3 Major customers Segment reporting requires the disclosure of an entity's reliance on its major customers, if revenue from transactions with a single customer is ten percent or more of the entity's revenue. The group does not have customers that contribute ten percent or more to its revenue and is therefore not reliant on a single major customer.