

Bank Windhoek Limited

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (REVIEWED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

OVERVIEW

The results of Bank Windhoek Limited ("the bank") for the six-month ended 31 December 2020 reflect a resilient, agile and responsive business that has been severely impacted by the challenging macro-economic environment. The Namibian Gross Domestic Product contracted sharply during the six months under review due to Covid-19 and the preventative measures implemented to curtail the spread of the virus. This is the most turbulent economic period ever experienced and the deepest contraction ever recorded.

The Namibian Consumer Price Index continued its downward trend in 2020 ending at 2.2%. A year on year decline in the Private Sector Credit Extension (PSCE) of 1.4% was reported in December 2020. The PSCE is expected to show some recovery during the next 6 to 12 months due to lower interest rates and some pickup in activity in some sectors of the property market.

Following the significant rate cuts of 275 basis points between February and August 2020, Bank of Namibia kept the repo rate unchanged at 3.75%. No further cuts are expected for the remainder of this financial year.

STATEMENT OF COMPREHENSIVE INCOME

Interest and similar income decreased by 23.2% year on year and is attributable to the 275 basis points cuts in the bank's prime and mortgage lending rates during 2020. The maximum lending rate of banks was cut by 440 basis points. Interest and similar expenses decreased by 33.6% compared to the same period in the prior year on the back of the rate cuts and the bank's ability to grow funding in the lower priced funding products and less so in the more expensive institutional funding products.

Impairment charges on loans and advances increased significantly compared to the pre-Covid-19 comparative period. The coverage ratio of credit impairment provisions in relation to loans and advances, however, remained stable at 2.23% during the six months under review.

Non-interest income decreased with 6.1% compared to the same period in the prior year. The variance is reflective of declining business volumes due to restrictive lockdown measures and more conservative customer spending habits.

Management continued to focus on realising operational efficiencies and controlling cost with operating expenses increasing by a marginal 0.3% year on year.

STATEMENT OF FINANCIAL POSITION

Loans and advances grew by 3.8% to N\$ 33.8bn (December 2019: N\$ 32.6bn). The growth was mainly driven by growth in commercial and mortgage loans. The non-performing loans ratio deteriorated to 5.0% from 4.4% at 30 June 2020 and 3.9% at 31 December 2019. Loans and advances to customers are well collateralised and the bank has reviewed and further enhanced its credit risk management processes and procedures to pro-actively monitor and manage credit risk in a changed market.

Total funding grew by 5.9% (N\$ 2.1bn) year on year to N\$ 37.3bn (December 2019: N\$ 35.2bn). The increase is mainly attributable to a combined growth in current accounts, demand, senior debt and notice deposits, netted off by an outflow in NCDs, deposits denominated in foreign currency, other borrowings and term deposits.

The bank remains well capitalised with a total risk-based capital adequacy ratio of 15.1%, well above the minimum regulatory capital requirement of 10%. In response to Covid-19 the Bank of Namibia issued BID-33 which reduces the Total Risk Weighted Ratio and it also removes the requirements for a capital conservation buffer (currently accounting for 1% of the 8.5%) for the next 24 months. This has enabled the bank to continue lending to support customers through these difficult times.

DIVIDENDS DECLARED

On 16 February 2021, the board declared an interim dividend of N\$ 104.0m in line with its dividend policy. The interim dividend is payable on or before 25 March 2021.

BASIS OF PREPARATION

The reviewed and condensed consolidated financial statements of Bank Windhoek Limited for the period ended 31 December 2020 from which this information is derived, have been prepared in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting and the requirements of the Companies Act of Namibia. The information in this press announcement has been extracted from the condensed consolidated interim financial statements (reviewed), but the announcement is not itself reviewed.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the period ended 31 December 2020

| | 6 months ended | | Year ended |
|---|----------------------------------|----------------------------------|----------------------------------|
| | Dec 2020 N\$ '000 Reviewed | Dec 2019 N\$ '000 Reviewed | June 2020 N\$ '000 Audited |
| Interest and similar income | 1,513,804 | 1,972,251 | 3,764,296 |
| Interest and similar expenses | (759,408) | (1,144,309) | (2,179,989) |
| Net interest income | 754,396 | 827,942 | 1,584,307 |
| Impairment charges on loans and advances | (124,197) | (33,783) | (207,090) |
| Net interest income after loan impairment charges | 630,199 | 794,159 | 1,377,217 |
| Non-interest income | 522,400 | 556,489 | 1,066,608 |
| Operating income | 1,152,599 | 1,350,648 | 2,443,825 |
| Operating expenses | (733,654) | (731,188) | (1,443,492) |
| Operating profit | 418,945 | 619,460 | 1,000,333 |
| Share of joint arrangements' results after tax | - | 1,855 | 2,817 |
| Profit before income tax | 418,945 | 621,315 | 1,003,150 |
| Income tax expense | (120,656) | (177,824) | (281,702) |
| Profit for the period / year | 298,289 | 443,491 | 721,448 |
| Other comprehensive income | | | |
| <i>Items that may be subsequently reclassified to profit or loss</i> | | | |
| Net gains on investments in debt instruments at fair value through other comprehensive income | (8,344) | 99 | 37,877 |
| Income tax expense | 2,670 | - | (12,121) |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Net gains on investments in equity instruments at fair value through other comprehensive income | (104) | (6,363) | 785 |
| Income tax expense | 33 | - | (251) |
| Total comprehensive income for the period / year | 292,544 | 437,227 | 747,738 |

CAPITAL ADEQUACY

as at 31 December 2020

| | 6 months ended | | Year ended |
|---|----------------------------------|----------------------------------|----------------------------------|
| | Dec 2020 N\$ '000 Reviewed | Dec 2019 N\$ '000 Reviewed | June 2020 N\$ '000 Audited |
| Tier 1 capital | | | |
| Share capital and premium | 485,000 | 485,000 | 485,000 |
| General banking reserve | 4,324,343 | 3,849,069 | 4,324,343 |
| Retained earnings | 100,718 | 84,183 | 100,718 |
| Total qualifying Tier 1 capital | 4,910,061 | 4,418,252 | 4,910,061 |
| Regulatory adjustments | | | |
| Deduct: Intangible assets | 106,796 | 72,773 | 73,182 |
| Total regulatory adjustments | 106,796 | 72,773 | 73,182 |
| Net total CET 1 Capital | 4,803,265 | 4,345,479 | 4,836,879 |
| Tier 2 capital | | | |
| Five-year callable bonds | - | 187,570 | 187,545 |
| Current unaudited profits | 292,544 | 177,007 | - |
| Portfolio impairment | 336,599 | 322,360 | 354,803 |
| Total qualifying Tier 2 capital | 629,143 | 686,937 | 542,348 |
| Total regulatory capital | 5,432,408 | 5,032,416 | 5,379,227 |
| Risk-weighted assets (not reviewed) | | | |
| Operational risk | 3,580,426 | 3,438,760 | 3,545,719 |
| Credit risk | 32,061,021 | 29,893,270 | 31,295,658 |
| Market risk | 315,133 | 775,791 | 634,517 |
| Total risk-weighted assets | 35,956,580 | 34,107,821 | 35,475,894 |
| Capital adequacy ratios (not reviewed) | | | |
| Leverage capital ratio | 10.9% | 10.4% | 11.0% |
| Tier 1 risk-based capital ratio | 13.4% | 12.7% | 13.6% |
| Total risk-based capital ratio | 15.1% | 14.8% | 15.2% |

By order of the Board



H von Ludwiger
Company Secretary
Windhoek, 16 February 2021

Postal address: P.O. Box 15,

Windhoek, Namibia

Registered address: Capricorn Group Building,

Kasino Street, Windhoek, Namibia

Tel: (+264 61) 299 1200

Fax: (+264 61) 22 3188

E-mail: info@bankwindhoek.com.na

Website: www.bankwindhoek.com.na

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

| | Dec 2020 N\$ '000 Reviewed | Dec 2019 N\$ '000 Reviewed | June 2020 N\$ '000 Audited |
|---|----------------------------------|----------------------------------|----------------------------------|
| ASSETS | | | |
| Cash and balances with the central bank | 1,401,314 | 753,950 | 705,937 |
| Derivative financial instruments | 3,202 | - | 10,238 |
| Financial assets designated at fair value through profit or loss | 1,205,670 | 1,360,962 | 1,338,691 |
| Financial assets at amortised cost | 722,760 | 643,605 | 712,757 |
| Financial assets at fair value through other comprehensive income | 4,150,990 | 4,131,613 | 4,862,878 |
| Due from other banks | 673,244 | 836,297 | 1,442,751 |
| Loans and advances to customers | 33,831,040 | 32,595,663 | 32,691,865 |
| Other assets | 375,989 | 274,986 | 335,138 |
| Current tax asset | 88,714 | 93,647 | 97,552 |
| Interest in joint arrangements | - | 12,869 | - |
| Intangible assets | 177,994 | 181,933 | 182,955 |
| Property and equipment | 457,316 | 310,679 | 446,262 |
| Deferred tax asset | 49,923 | 3,124 | 25,664 |
| Total assets | 43,138,156 | 41,199,328 | 42,852,688 |
| LIABILITIES | | | |
| Derivative financial instruments | 14,173 | 4,801 | 21,101 |
| Due to other banks | 18,506 | 837,562 | 902,052 |
| Other borrowings | 535,072 | 716,813 | 633,901 |
| Debt securities in issue | 3,051,979 | 3,493,003 | 3,188,274 |
| Deposits | 33,686,342 | 30,885,031 | 32,319,110 |
| Other liabilities | 633,113 | 439,360 | 809,674 |
| Post-employment benefits | 13,286 | 12,628 | 12,935 |
| Total liabilities | 37,952,471 | 36,389,198 | 37,887,047 |
| EQUITY | | | |
| Share capital and premium | 485,000 | 485,000 | 485,000 |
| Non-distributable reserves | 432,913 | 114,799 | 54,100 |
| Distributable reserves | 4,267,772 | 4,210,331 | 4,426,541 |
| Total shareholders' equity | 5,185,685 | 4,810,130 | 4,965,641 |
| Total equity and liabilities | 43,138,156 | 41,199,328 | 42,852,688 |

Gross loans and advances

3.8%

Dec 2020: N\$33.8bn
Dec 2019: N\$32.6bn

Profit after tax

32.7%

Dec 2020: N\$298.3m
Dec 2019: N\$443.5m

Capital Adequacy

15.1%

Dec 2019: 14.8%

Return on Equity

11.75%

Dec 2019: 19.04%



Bank Windhoek
a member of Capricorn Group