

**Bank of Namibia**



**GUIDELINES ON APPLICATION TO ENTER INTO A MERGER**

**BANKING SUPERVISION DEPARTMENT**

**MARCH 2020**

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## **Definition of terms**

Terms used in these Guidelines are as defined in the Act, as further defined below, or as reasonably implied by contextual usage:

**“Act”** – means the Banking Institution Act, 1998 (Act No. 2 of 1998), as amended.

**“Applicant”**– means a banking institution or controlling company that is applying for approval to enter into a merger.

**“Merger”** - means when one or more banking institutions or controlling companies directly or indirectly acquire or establish direct or indirect control over the whole or part of the business of another banking institution or controlling company, in any means including –

(a) the purchase or lease of shares, an interest, or assets of that other banking institution or controlling company; or

(b) the amalgamation or other combination with any other banking institution or controlling company.

**“Merged entity”** – means a banking institution or controlling company that is formed after the merger transaction.

# Part I

## 1. Introduction

The Bank of Namibia (the Bank) has the mandate, in terms of the Banking Institutions Act, 1998 (Act No. 2 of 1998), as amended (the Act), to authorise banking institutions or controlling companies to enter into a merger. In order for the Bank to fulfil this mandate, it has developed these Guidelines in line with the relevant provisions of the Act, to provide guidance to prospective applicants.

### 1.1 Purpose and Application

These Guidelines serve the purpose of clarifying the process of applying for approval to enter into a merger; the minimum requirements for approval to enter into a merger; and the required documentation used in assessing an application. Therefore, these Guidelines may not be interpreted as legal advice and do not constitute an interpretation of the relevant provisions of the law.

### 1.2 Legal Basis

These Guidelines are established in terms of section 54(1)(a) of the Act, which gives the Bank the mandate to assess an application for a merger. Other applicable sections of the Act are sections 54(1)(b), 54(1)(d), 54(1)(e), 20(1) and 25(1). Further reference is made to the Determination on Appointment, Duties and Responsibilities of Directors and Principal Officers (BID-1); the Determination on Measurement and Calculation of Capital Charges for Credit Risk, Operational Risk and Market Risk (Capital Adequacy) (BID-5); the Determination on the Measurement and Calculation of Capital Charges for Credit Risk, Operational Risk and Market Risk for Domestic Systemically Important Banks (BID-5A); as well as the Determination on Consolidated Supervision (BID-24).

### 1.3 General Instructions

- (a) All responses and attachments to the application should be type written and in English. Where supporting documents are in a different language, the documents should be translated to English. Translation of original documents should be notarised by a Notary Public, with an original stamp and signature of the Notary Public.
- (b) Inaccurate and/or incomplete information may delay the processing of the application and may result in termination thereof. Therefore, applicants are required to submit clear and accurate information.
- (c) Inquiries concerning the preparation, filing, status and other matters pertaining to the application may be directed to:

The Director  
Banking Supervision Department  
Bank of Namibia  
P O Box 2882  
71 Robert Mugabe Avenue  
Windhoek  
Namibia

Or by way of telephonic enquiry at: Tel no. +26461 283 - 5040 / 5041

- (d) An application for a merger and all supporting documents should be submitted to the following address:

The Governor  
Bank of Namibia  
P O Box 2882  
71 Robert Mugabe Avenue  
Windhoek  
Namibia

#### **1.4 Application Timelines**

The Bank endeavours to complete an assessment of an application to enter into a Merger within a period of three months. However, the completion of the assessment of a merger application depends on the cooperation of the applicant with the officials of the Bank in submitting the relevant documents on time. The Bank will communicate regularly with the applicant throughout this process.

#### **1.5 Cancellation of Application**

The Bank may terminate an assessment of an application where, in its view:

- (a) the applicant is unable to satisfy the information requirements in support of the application; or
- (b) there is deficiency in the information submitted or delayed response from the applicant.

In this regard, applicants bear the onus of submitting clear and complete information to the Bank in a timely manner.

## Part II

### 2. Application and Approval Process

The main stages of the application and assessment process are explained below.

#### 2.1 Pre-filing Stage

Prior to the completion and submission of an application for a merger, the merging entities should meet with the Bank to discuss, among other things, the proposed transaction (preliminary business strategy, capitalisation plan, shareholding structure, etc), the application process and the requirements for granting authorisation.

The pre-filing meeting is intended to provide an opportunity for the merging parties to seek clarity on the application process as well as the documentary requirements, and for the Bank to explain the regulatory requirements, prudential and public policy issues or risks.

At this stage, the prospective applicants are required to explain the following during the pre-filing meeting:

- a) The reasons why they intend to merge;
- b) A brief overview of the proposed merged entity's business plan and strategies; and
- c) A description of the proposed ownership structure.

If prospective applicants are convinced that they wish to enter into a merger, they should make arrangements for a meeting with the Bank. An appointment for a meeting can be arranged with the office of the Director of Banking Supervision Department at the contact details as provided under section 1.3(c) above.

#### 2.3 Application Stage

Section 54(1)(b) of the Act requires an applicant to submit a written application for approval to enter into a merger. The application should be comprehensive for the Bank to make an informed decision. In support of the application, the applicant should submit the following:

**(a) Application for permission to acquire shares in a banking institution:** The acquiring banking institution or controlling company should complete and submit the Banking Institution Form (BIF 101) attached hereto as **annexure 1**, clearly indicating the amount and value of shares it intends to acquire.

**(b) The proposed business structure of the merged entity:** An applicant should submit a detailed description of the future plans of the proposed merged banking institutions or controlling companies. In drafting the business plan, an

applicant should be guided by the business plan template attached hereto as **annexure 2**.

- (c) Risk assessment report of the proposed transaction:** An applicant should submit a detailed risk assessment report, specifying the risks associated with the proposed merger. In compiling the report, the applicant should pay attention to risks which are ordinarily inherent to banking business as well as the plans to manage these risks. The report should also express views on possible contagion risk and how such risk will be managed.
- (d) Due diligence report on the acquired banking institution or controlling company:** It is expected that the acquiring banking institution or controlling company would have conducted a due diligence on the targeted entity, prior to making final decision whether to merge or not. The applicant is therefore expected to submit the detailed due diligence report to the Bank for scrutiny. The due diligence report should, at a minimum, include key factors such as: strategic fit between buyer and seller, contingent liabilities, problematic contracts, issues related to intellectual property, financial and profitability history as well as corporate governance issues.
- (e) Pro forma financial statements:** An applicant for a merger should complete and submit the pro forma financial statements of the prospective merged entity using the templates in **annexure 3**. All statistics should be supported by clear business assumptions.
- (f) Capital adequacy:** A complete capital structure should be submitted to the Bank for scrutiny. In assessing the capital adequacy of the acquiring banking institution or controlling company, an applicant should make use of the forms in **annexure 4**.
- (g) Complete information for the purpose of assessing fitness and probity:** The prospective executive officers and directors should submit all relevant information to be used for the purpose of establishing whether they are fit to take office in line with the requirements stipulated in the Determination on the Appointment, Duties and Responsibilities of Principal Officers, Executive Officers and Directors of Banking Institutions and Controlling Companies (BID -1).
- (h) Memorandum and Article of Association:** The Memorandum and Article of Association of the merging entities should be in conformity with the provisions of the Banking Institutions Act, 1998 (Act No. 2 of 1998), as amended, the Companies Act, 2004 (Act No. 28 of 2004) and related regulations.

- (i) **Declaration by Board of Directors:** The applicants should submit a declaration form signed by the board of directors of the two (or more) merging entities. The declaration form is attached hereto as **annexure 5**.

The Bank will not commence with the assessment of an application unless all the above listed forms and required information are satisfactorily completed and submitted to the Bank.

## **2.4 Assessment and authorisation stage**

Upon receipt of the application, the Bank verifies the correctness and completeness of the information provided. If the application is completed satisfactorily, the Bank will commence with the assessment. In an event that the application is incomplete and/or incorrectly completed, the Bank may, at its own discretion, request further and/or accurate information. However, if the applicant is not cooperative, the Bank reserves the right to cancel the assessment of such application and inform the applicant in writing that the application has been cancelled.

### **2.4.1 Minimum requirements for granting authorisation to enter into a merger**

The minimum requirements that an application for a merger will be assessed on are as discussed below:

- (a) The proposed **capital should be adequate** and commensurate with the business model (growth strategy, risks relating to the proposed business activities; funding requirements, etc.);
- (b) The prospective merging entities should submit a **viable business plan**;
- (c) The merger transaction should be **financially viable**;
- (d) Shareholding structure should be **transparent with fit and proper shareholders**;
- (e) The directors, executive officers and substantial shareholders of a prospective merged banking institution should be tested for **fitness and probity**. The integrity and competence of the management to conduct banking business is taken into account;
- (f) The applicant should have conducted and meticulously considered the **due diligence** of the acquired banking institution or controlling company;
- (g) The prospective merged entity should be able to apply **adequate, effective and proper internal control systems** and sound principles of corporate governance;
- (h) The applicant should carefully consider the **risk exposure** of the merging entities and the mitigating factors thereof;
- (i) The **integrity** of the applicant and its **competence** to conduct, or experience in conducting banking business; and



- (j) The merger should be to the benefit of the **customers, the existing employees** and **the entire economy**.

**An applicant should complete and submit the checklist in annexure 6, to ensure that all relevant documents required for the purpose of assessing an application for approval to enter into a merger have been submitted.**

#### **2.4.2 Granting or refusing of approval**

The Bank may consult with all other relevant regulators, who may have a direct interest in the merger transaction, for their input before arriving at the final decision whether or not to approve the application. The Bank will only grant approval if all the requirements have been satisfactorily met.

#### **2.4.3 Informing the applicant of the outcome of an application**

- i. Once a decision has been made regarding the outcome of an application, the Bank will inform the Minister of Finance about the outcome of an assessment of the application. The applicant will thereafter be informed about the outcome of the application i.e. whether approval was granted, rejected or granted subject to certain conditions being met.
- ii. In the event that the Bank rejects an application, the applicant is required, within 14 working days after the Bank has communicated its position, to show cause why the Bank should not make its position final.
- iii. Notwithstanding paragraph (ii) above, an applicant may only reapply for approval to enter into a merger after a period of 12 months.

## **ANNEXURE 1: APPLICATION TO ACQUIRE SHARES IN A BANKING INSTITUTION**

**Section 20(1) of the Act provides that** “Notwithstanding the Companies Act, but subject to the prior written approval of the Bank: -

- a) no banking institution shall allot or issue, or register the transfer of, any of its shares to a person; or
- b) no person shall acquire any shares in a banking institution,

to the extent to which the nominal value of the shares so allotted, issued, transferred or acquired, together with the nominal value of any other shares in the banking institution already registered in the name of such person or in the name of any related party of such person, equals or exceeds in total 20 per cent of the total nominal value of all issued vote-bearing shares in the banking institution.

The application for permission to acquire shares in a banking institution shall be made in writing and submitted to the Bank in one soft copy and duplicate of hard copy of form BIF 101 annexed hereto.

### **In support of the application, the following should be adhered to/submitted:**

The application must be submitted at least 90 days prior to the proposed date of incorporation and shall be accompanied by a written statement containing the following information, namely:

- i. Full particulars of the shareholders, as defined in section 1(1) of the Act, of the banking institution to which the application relates, specifying the name of each such associate and the percentage which the total nominal value of the applicant's shareholding in such associate constitutes of the total nominal value of all the issued shares of such associate;
- ii. Full particulars of the applicant's shareholding in any banking institution other than the banking institution to which the application relates, specifying the name of each such other banking institution and the percentage which the total nominal value of the applicant's shareholding in such other banking institution constitutes of the total nominal value of all the issued shares of such other banking institution;
- iii. In the case where the applicant is a company, the names, addresses and nationalities of its directors. If the applicant is a company, indicate particulars of each shareholder of the applicant holding 5% or more of the banking institution's outstanding shares (name/ nationality/percentage owned);

- iv. Particulars of all other corporate undertakings in which the applicant holds a shareholders' interest of 5 per cent or more; and
- i. The reason for the applicant's desire to acquire the shares in question in the banking institution or controlling company concerned;
  - a) A set of the most recent financial year end audited financial statements for the applicant on a consolidated and applicant only basis;
  - b) In the case of an individual, a signed personal financial statement form BIF 022 should be completed and attached.

Please complete the form BIF 101 below.

**APPLICATION FOR PERMISSION TO ACQUIRE SHARES IN A  
BANKING INSTITUTION**

The Governor  
Bank of Namibia  
**WINDHOEK**

1. I, the undersigned, a natural person/the duly authorized representative\* of .....  
....., (hereinafter referred to as the applicant), hereby apply in terms of section 20(1) of the Banking Institution Act, 1998, for the permission of the Bank of Namibia for the acquisition by the applicant of shares in.....  
....., a banking institution authorized as such in terms of the said Act (hereinafter referred to as the COMPANY), of which shares -

- (a) the total nominal value; \*
- (b) the total nominal value together with the total nominal value of such shares already held by the applicant; \*
- (c) the total nominal value together with the total nominal value of such shares already held by the applicant and by his associate or associates, \*

amounts to more than 20 per cent of the total nominal value of all the issued shares of the COMPANY.

2. The total nominal value of shares in the COMPANY presently held by the applicant and his associate/associates\*, constitutes the following percentage of the total nominal value of all the issued shares of the COMPANY:

- (a) Shares held by applicant: ..... per cent
- (b) Shares held by associate/s of applicant (furnish percentage/s opposite name/s of associate/s):
  - (i) ..... : ..... percent (Add paragraphs as necessary)

3. I submit with this application a written statement containing the information required.

.....  
Applicant

Applicant's address .....  
.....  
.....

Date .....

\* Delete whichever is not applicable

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**FOR OFFICIAL USE**

Permission for acquisition of shares approved/not Approved. \*

Governor .....  
Date.....

\* Delete whichever is not applicable

## **ANNEXURE 2: BUSINESS PLAN TEMPLATE**

Applicants for authorisation to enter into a merger must submit for review a detailed business plan as part of the application process. Any business plan format may be used, provided that all pertinent information is included. The business plan should identify the type of banking business to be conducted, the proposed market(s) to be served, products and services to be offered, projected profitability, capital adequacy and managerial resources and capabilities. The plan should include at least five years' operating financial projections and should contain sufficient information to demonstrate a reasonable likelihood of success.

The following list of compulsory factors should be incorporated in a business plan and will be used in the assessment. The applicant may provide explanatory notes as annexure, where necessary.

### **Required information, include but not limited to the following:**

#### **I. Identification Information**

- (a) **Name and location:** State the name and location of the prospective merged institution.
- (b) **Corporate structure:** Describe and provide a diagram of the institution's corporate structure post the merger.

#### **II. Market Analysis**

- (a) **Type:** Specify the type of banking business to be pursued by the merged entity.
- (b) **Market:** Identify the market(s) to be served by the proposed merged entity. Provide an analysis of the target market and opportunities that the proposed merged entity will pursue.
- (c) **Competition:** Provide an analysis of competitors, showing both challenges and opportunities, and plans to address.
- (d) **Success of proposed merger:** Provide reasons why the proposed merger will be successful, and the overall strategy for achieving this success, including a discussion of key assumptions.
- (e) **Economy:** Describe the economic characteristics of the target market(s). Include any anticipated changes in the market, factors influencing such changes, and possible effect(s) on the merging banking institutions.
- (f) **Benefits to the employees and existing customers.** Describe the developmental value of the merger to its customers and existing employees.

### III. Business Strategy and Objectives

- (a) **Product and Services:** Briefly describe both existing and new services and products to be offered by the merged entity. Distinguish among depository services, payment services, credit services, etc. Provide a detailed description of each business activity to be conducted by the proposed banking institution and the products and services to be offered, including how the lines of business interrelate.
- (b) **Assumptions:** List major assumptions upon which projections are based. These major assumptions should include, but not limited to, overhead, asset-liability mix, returns on assets and equity, dividend and capital ratios (both leverage and risk-based ratios).
- (c) **Pro forma financial statements:** Provide pro forma statements for five years. The pro forma financial statements should show expected asset-liability mixes. Volume of each type of services to be offered, fixed asset investment and compensation to be given to management and staff. Provide details regarding key assumptions and an identification of major asset, liability, income and expense categories. The applicant must also provide statistical data which was used in arriving at the assumptions used in formulating the pro forma financial statements, to ascertain that they are realistic and achievable. Further, the assumptions made on financial projections should be supported by prevailing market practice.
- (d) **Business strategies:** Every business strategy should be clear, well-articulated and clearly supported/reflected by/in the financial statements.

### IV. Leadership and Management

- (a) **Officers and compensation:** Provide a list of executive positions, the proposed organizational structure, reporting lines within the organization, the fees, salaries and other forms of compensation or benefits to be given to each individual.
- (b) **Insider agreements:** Describe any agreements for leases or services the institution intends to enter into with any of its directors, executive officers, substantial shareholders, or with any organization or affiliate controlled by directors, executive officers, substantial shareholders. Provide copies of any such agreements including specific details of rates and terms and comparative market data upon which the rates and terms are based.
- (c) **Corporate Governance:** Identify any changes to the Audit Committee, Credit Risk Management, Investments, Asset/Liability Management, Treasury, Enterprise Risk Management, Compliance, Internal Control and Internal Audit, and Information Technology Systems. Clearly indicate whether the merged entity will retain policies of the pre-merged banking institution or existing policies will be replaced with new ones.

## V. Capitalization and Additional Sources

- (a) **Capital Plan:** Explain in detail the capital formation and source of capital. Describe plans for financing growth, internally, or externally, over the first five years of operation post the merger.
- (b) **Additional capital sources:** Describe what sources of additional capital are available should the need arise.

## VI. Internal control system

(a) An applicant is expected to provide the Bank with a detailed description of how the proposed merged entity will be organised and controlled internally. The applicant should propose internal control systems, which may include, amongst others, the following considerations:

- (i) The proposed merged entity should have an adequate IT Governance and Risk Management policy in place;
- (ii) The key functions/departments are segregated with clear mandate;
- (iii) A board of directors with the ability to provide an independent check on management, with independent audit and compliance functions;
- (iv) Board subcommittees with clear mandates;
- (v) Dual signature; and
- (vi) The loan origination function is separated from the loan approval function.



## ANNEXURE 3: PRO FORMA FINANCIAL STATEMENTS

### 3.1 Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME (PROJECTIONS) (N\$'000)											
Item	Note No.	Year 1		Year 2		Year 3		Year 4		Year 5	
		Value	% Yield	Value	% Yield	Value	%Yield	Value	% Yield	Value	% Yield
Interest income:											
i. Loans and advances	1										
ii. Securities	2										
iii. Deposit Balances											
iv. Other	3										
<b>Total interest income</b>											
Interest expenses:											
i. Deposits											
ii. Borrowings	4										
iii. Others	5										
<b>Total interest expense</b>											
Net interest income											
i. Provisions for bad debts											
Non-interest income:											
i. Service charges and fees income											
ii. Forex commissions											
iii. Other	6										
<b>Total non-interest income</b>											
Non-interest expenses:											
i. Salaries and benefits	7										
ii. Administrative expenses	8										
iii. Other	9										
<b>Total non-interest expenses</b>											
Net Income before Tax											
Less Taxes											
Net income after Tax											

Less: Dividends											
Net change capital accounts											
Retained earnings											

Please provide notes as indicated above. The notes are intended to provide a breakdown of the items in the Statement of Comprehensive Income. The notes must be attached as annexure.

### 3.2 Statement of Financial Position Projections

STATEMENT OF FINANCIAL POSITION (N\$'000)						
Item	Note No.	Year 1	Year 2	Year 3	Year 4	Year 5
Assets:						
<b>Cash and Due From</b>						
<b>Bank Balances</b>	1					
<b>Securities</b>						
<b>Loans &amp; Leases</b>	2					
<b>Less: Allowances</b>						
<b>Fixed Assets</b>						
<b>Other Assets (List if &gt;10% of total)</b>	3					
Total Assets						
Liabilities & Capital						
<b>Deposits:</b>						
<b>i) Demand</b>						
<b>ii) Savings</b>						
<b>iii) Time</b>						
<b>iv) Forex</b>						
<b>Total Deposits</b>						
<b>Due to Other Banks</b>						
<b>Borrowings</b>	4					
<b>Other Liabilities (List if &gt;10% of total)</b>						
Total Liabilities						
<b>Capital:</b>						
<b>i) Common Stock</b>						
<b>ii) Share Premium</b>						
<b>iii) Retain Earnings</b>						
<b>iv) YTD Income (After provisions, accruals, taxes &amp; dividends)</b>						
Total Capital						
Total Liabilities & Capital						

#### **Notes to the Pro forma financial statement**

The Statement of Comprehensive Income as well as the Statement of Financial Position must be supported by notes to provide more clarity for further analysis of the pro-forma statements. The following items serve as an example: -

#### **Bank balances**

- Long-term loans/deposits to banks

- Short-term loans/deposits to banks<sup>1</sup>

### **Loans and Leases**

- Residential mortgage loans
- Corporate/commercial loans
- Retail loans
- Commercial real estate loans
- Loans to GRN
- Loans to Public Sector Entities (PSE)
- Loans to banks and security firms
- Other types of loans (specify)

### **Other assets**

- Foreign notes and coins
- Statutory reserve with Bank of Namibia
- Fixed & other assets

### **Borrowings**

- Short-term borrowing (specify the term)
- Long-term borrowing (specify the term)

### **Investments**

- Investment in equity or regulatory capital instruments issued by banks or securities firms.
- Securities of the Bank of Namibia
- Treasury Bills of the Government of Namibia
- Securities denominated in foreign currency
- Other type of securities (specify)
- Other types of investment (specify)

### **Foreign currency assets and liabilities**

- Foreign currency deposits from customers
- Foreign currency placement with other institutions
- Other foreign currency exposures (specify)

### **Initial capital amount**

- Amount allocated for formation expenditures (acquisition of office buildings, furniture and other office equipment)
- Amount earmarked to support funding & risks inherent in the balance sheet exposures of the proposed bank.

## **3.3 STATEMENT OF DERIVED INFORMATION**

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<sup>1</sup> For the purpose of Risk-weight application, short-term means a period of three months or less.

(N\$'000)

Year 1      Year 2      Year 3      Year 4      Year 5

**Credit Risk<sup>2</sup>**

Non-Performing loans (N\$)

Provisions (N\$)

NPL/Total Loans (%)

**Operating Ratios**

Interest Income/Earning Assets (%)

Interest expenses/Interest bearing (%)

Interest Margin (%)

**Profitability Ratios**

After Tax ROA (%)

After Tax ROE (%)

Net Interest Income/Earning Assets (%)

Earnings per share (%)

Dividend per share (%)

**Capital Ratios (Gearing)**

Borrowing/Capital

Total Loans/Capital

**Liquidity Ratios**

Current asset/current Liabilities (%)

Current assets/Total Liabilities (%)

Total Loans/total Deposits (%)

Total Loans/Deposit & Borrowing (%)

Pre-opening Expenses (N\$)

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<sup>2</sup> Refer to the Determination on Asset Classification (BID-2) for guidance in computing the credit risk component

## Annexure 4: Calculation of Capital Adequacy

**Table 4.1: Calculation of capital charge for credit risk<sup>3</sup>**

ASSET CATEGORY	(YEAR)		
	Nominal amount (N\$'000)	Risk weight	Risk-weighted amount (N\$'000)
Investments of deposits in:			
Namibian paper with BON		0%	
Short-term unrated bank paper (< 3 months)		20%	
Long-term unrated bank paper (>3 months)		50%	
Cash and bank balances		0%	
Foreign investments		100%	
Cash held with Bank of Namibia		0%	
Interbank placements		50%	
Fixed assets		100%	
Loans & advances		100%	
Other assets		100%	
TOTAL		-	
Risk-weighted assets for credit risk			
Minimum credit risk capital charge (10%)			

**Table 4.2: Calculation of minimum capital charge for operational risk**

	Year	Amount (N\$'000)
Gross income projections for the first three years	Year 1	
	Year 2	
	Year 3	
Average gross income for the first three years		
Alpha factor ( $\alpha$ )		15%
Capital charge for operational risk ( $\alpha \times$ Average gross income)		
Calibrated Risk-Weighted Amount		

<sup>3</sup> Refer to the Determination on Capital Adequacy (BID-5) for guidance on how to compute capital charger for credit risk, operational risk and market risk.

**Table 4.3: Calculation of risk-weighted assets for market risk**

Instruments	Nominal amount (N\$ '000)	Allocated Risk-weight	Specific risk capital charge (N\$'000)
Government of Namibia securities		8.0%	
Other domestic investments		8.0%	
Foreign investments		8.0%	
Bills receivable:			
Negotiable instruments		8.0%	
Domestic		8.0%	
Other foreign		8.0%	
Total specific market risk capital charge			
Notional risk-weighted amount			

**Table 4.4: Overall Capital Adequacy Position**

	(N\$'000)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Regulatory capital					
Tier 1 Capital					
Tier 2 Capital					
Less: Formation expenditure					
Less: Minimum capital charges					
Credit risk					
Operational risk					
Market risk					
Regulatory capital surplus/ (shortage)					
Risk-weighted assets					
Gross assets					
Tier 1 Leverage Ratio (%)					
Tier 1 Risk-Weighted Capital Ratio (%)					
Total Risk-Weighted Capital Ratio (%)					

**ANNEXURE 5: DECLARATION BY THE BOARD OF DIRECTORS WITH REGARD TO APPLICATION FOR APPROVAL TO ENTER INTO A MERGER**

We, the undersigned members of the Board of Directors of ..... (the merging banking institutions or controlling companies) for which this application is being submitted, do hereby certify that:

- i) all information given in response to and in support of this application is true and correct to the best of our knowledge and belief;
- ii) the personal data and financial statements submitted with respect to each director and officer are true and correct to the best of our knowledge and belief; and
- iii) this application is made in good faith with the purpose and intent that the affairs and business of the proposed merged entity will at all times be honestly conducted in accordance with good and sound banking business principles and in full compliance with all applicable laws and bylaws/directives.

We further certify that to the best of our knowledge and belief there are no other facts or information relevant to this application withheld of which the Bank of Namibia should be aware, and we pledge to promptly inform the Bank of Namibia of any changes material to this application which may arise while it is being considered by the Bank.

**Board Members:**

	(Print name)	(Signature)
Chairman of the Board:	-----	-----
Director:	-----	-----
Director:	-----	-----
Director:	-----	-----
Director:	_____	_____

Date -----



## ANNEXURE 6

### Information and documentation checklist

An applicant should use this checklist to ensure that all relevant documentation with respect to the application have been submitted. The checklist should be submitted as annexure to the application pack.

Type of Information	Submitted		Remarks	Page number (indicate page number as per the submitted application pack)
	Yes	No		
1. Names and addresses of the merging parties.				
2. A copy of the memorandum of understanding between the merging parties.				
3. Copies of current memorandum and articles of association of each of the merging parties.				
4. Shareholding Structures of each of the merging parties (including beneficiary shareholders), showing their names, business and residential addresses.				
4. Copies of the resolutions by each of the boards of the merging parties approving the merger.				
5. List of proposed directors of the merged entity and completed BIF 022 & 024 forms for each candidate, their CVs, designation and interests in the merged entity, as well as all other relevant information requirements in terms of BID-1.				
6. List of proposed executive management of the merged entity, their designation, detailed CVs, copies of BIF 024 & 022, as well as all other				

relevant information requirements in terms of BID-1.				
7. Copies of management letters relating to internal control systems of the merging entities for the past five years.				
8. Proposed name of the new banking institution or controlling company.				
9. Past five years audited financial statements of the merging parties.				
10. Due diligence report on each of the merging parties, as well as valuation report on the acquired entity.				
11. The impact on management and staff, for example, the extent to which management and staff will be redeployed, retrenched, or whether additional human resources will be required.				
12. Proposed organisational structure, showing all functional units and all activities to be conducted these functions under the merged entity.				
13. Letters of approval from relevant supervisory authorities (only applicable to foreign entities).				
14. Application to acquire direct or indirect controlling shareholding in a banking institution in terms of section 25 of the Act.				
15. Notice convening the general meeting and the proposed agreement embodying terms and conditions of the merger.				
16. Application to acquire shares equal to or more than 20 per cent in the merged institution in terms of section 20(1) of the Act. <b>Form BIF 101.</b>				
17. Comment by independent auditors on the ability of the merged entity to maintain				

adequate, effective and efficient internal control system.				
18. Five years' pro forma financial statements of proposed institution, such as the pro forma statement of comprehensive income, pro forma statement of financial position, and pro forma cashflow statement.				
19. Business plan of the merged entity for the next five years.				

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End

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