SBN Holdings Limited
("SBN Holdings" or "the group")
Registration No. 2006/306
Registered in Namibia
ISIN: NA000A2PQ3N5

UNREVIEWED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

Overview of financial performance

Locally, the Namibian economy caught the global economy's tailwinds, with recoveries evident in mining, manufacturing, transport, storage and financial services. Coupled with base effects, following sharp contractions in 2020 and 2021, first quarter GDP growth was strong at 5.3% in contrast to a decline of 4.9% in Q1 2021. The rising tide of growth and economic activity was met with a surge in headline inflation from 3.6% during 2021 to 6% in June 2022 as rising international oil prices, soaring food prices, global supply disruptions and low base effects, materialised. Consequently, the Bank of Namibia followed the global trend and raised the repo rate to 4.75% to tame inflation and maintain the one-to-one peg with the Rand.

The global stage was dominated in the first half of 2022 by increasing geopolitical tension culminating in an invasion of Ukraine by Russia. The disruption, devastation and displacement experienced by Ukrainians set in motion a regrettable humanitarian crisis. Sanctions were imposed on Russia which exacerbated supply shocks to global logistics. Notwithstanding, the global economy has shown promising signs of recovery in 2022 as Covid-19 largely became endemic to our existence, bar China, with contrastingly low infection rates in the first half of 2022 versus first half 2021.

Despite the daunting macro-economic environment, Standard Bank Namibia Limited was awarded the accolade of the Best Investment Bank in Namibia at the 2021 Global Banking and Finance Awards held earlier this year. Our Corporate and Investment Banking segment continued their stellar performance by launching our inaugural Green Bond raising N$400 million across two notes, a N$200 million 3-year note and a N$200 million 5-year note. The auction was oversubscribed 2.41 times on issuance size with impressive spreads. Proceeds of the green bond issuance will finance eligible renewable energy projects in Namibia in accordance with the Standard Bank Group Sustainable Bond Framework. The SEE impact areas are: Infrastructure, Climate Change and Sustainable Finance. To date, the Green Bond funding has been used to finance the first corporate green loan outside of South Africa which is the first solar power plant operational under the modified single-buyer model.

Our transformation journey is well underway. Our three-segment model is delivering relevant, innovative and efficient digital solutions with digital banking volumes showing unprecedented increases. We believe that our strategy is achieving the desired outcomes as we see promising signs as reflected in our first-half 2022 results. Our customers continue to confirm their belief in our strategy and service with our strengthening balance sheet during the reporting period. Profit after tax has shown a strong rebound with our return on equity trending upwards.

We are making positive strides to achieve our 2025 priorities. Our 1H22 revenue growth of 9.6% exceeds our growth targets of between 5.0% and 9.0%. Our cost-to-income ratio decreased to 64.5%, moving in the right direction to be below 60% by 2025. Moreover, our credit loss ratio of 100 bps is within our 2025 target range of 70bps to 100bps through-the-cycle. We are on track to achieve the returns on equity 2025 targets of 15%-18% with an improvement in our return of equity from 9.0% in June 2021 to 10.6% in June 2022.

Dividends

Notice is hereby given that an interim cash dividend for the six months ended 30 June 2022 of 20 cents per ordinary share was declared on 30 August 2022.

Last day to trade cum dividend:	23 September 2022
First day to trade ex-dividend:	26 September 2022
Record date:	30 September 2022
Payment date:	14 October 2022

Highlights from the group's results for the six months ended 30 June 2022

- The Group's 1H22 profit after tax grew by 24.1% period-on-period to N$235.3 million. Modest balance sheet growth, stronger signals of a recovering economy and the positive endowment effect ensuing from repo rate increases has, driven substantial performance growth in 2022.

- Net interest income showed good growth stemming from the hikes in the repo rate, strong loans and advances growth and favourable restructure of the composition of the deposits and current accounts. The net interest margin improved to 4.3% (31 December 2021: 3.8%).

- Non-interest revenue was up 7.7%, continuing to grow above inflation levels to N$615 million. Good margins on trading revenue and growing use of digital channels, notably electronic banking and instant cash, were the main contributors. Excluding the reduction in other gains and losses on financial instruments in 1H22 versus 1H21, the growth in non-interest revenue has been 10.7% over the reporting period. Non-interest revenue for 1H22 has recovered well and exceeds 2019 levels of N$608 million, supported by growth in our customer base and increased adoption of our digital channels.

- Credit impairment charges increased by 7.2% to N$132 million and the credit loss ratio remained flat period-on-period. This remains a continued focus area.

- Growth in operating expenses of 6.8% was driven by rising inflation of 6.0% for June 2022, 'Change-the-Bank' technology costs to support client growth strategies, planned intergroup service management cost increases and increased operating costs as employees return to work. Our costs are robustly monitored and cost containment measures are in place to keep expenses within budgetary constraints.

- Gross loans and advances to customers increased by 2.2% to N$23.4 billion period-on-period driven by growth in vehicle and asset finance loans of 6.5%, corporate lending growth of 6.4% and growth in other loans and advances of 9.6% with signs of recovery being seen in credit demand. The decline in sovereign lending is attributed to good performance on structured transactions, resulting in reduced exposure. Loans and advances to banks increased by 133.9% following temporary placements with the central bank, primarily.

Highlights from the group's results for the six months ended 30 June 2022 (continued)

- Deposits and current accounts from customers grew by 11.2% to N$26.4 billion for the period ended 30 June 2022. The largest contributors were increases in cash management deposits, call deposits and term deposits. NCDs decreased while term and call deposits increased as the group continues their strategy to become compliant with the anticipated Basel III liquidity requirements. The strategy also supports our endeavour to change our depositor mix.

- Financial investments increased with N$738 million period-on-period, however, excluding the pledged assets of N$781 million from the June 2021 balance, there is a 1% decline period-on-period. Trading assets declined by 15.6%, resulting from government bonds sold and the repurchase agreement with South Africa that matured during the period. Growth in derivatives assets was due to an increase in client demands for foreign exchange forwards to hedge currency position, as well as the mark to market movements on existing interest rate swaps. These client transactions are done back-to-back with South Africa, which contributed to the increase in our derivative liabilities.

- The group maintained strong capital ratios, with a total capital adequacy ratio of 15.6%. The group's liquidity position remained strong and within approved risk appetite and tolerance limits.

Outlook

Global GDP grew by 6.1% in 2021 and is expected to improve by 3.6% in 2022 and 2023. Risks to the banking sector are forecast to remain broadly in line with 2021. Upward pressure on inflation is expected to persist for the remainder of 2022 as the Russia-Ukraine conflict is expected to continue. In response to macroeconomic pressures, further increases to the repo rate are expected in the second half of 2022, which might continue to have an impact on business confidence and will certainly impact disposable income.

Our long-term outlook and priorities are underpinned by cautious optimism for recovery in economic activity and growth exceeding pre-Covid-19 levels in the medium term.

One of our key focus areas for 1H22 is for Standard Bank Namibia Limited, a wholly-owned subsidiary of SBN Holdings Limited to finalise and embed the acquisition of the property-owning entities as part of a debt settlement transaction. Financial close was reached on 3 August 2022. Regulatory approvals from the Bank of Namibia, Namibia Competition Commission and the South African Reserve Bank have also been obtained.

We have seen changes in the composition of our Board of Directors in the reporting period, with Alpheus Mangale, a Standard Bank Group appointed director resigning from the Standard Bank Group and Jerry Muadinohamba, a long-serving director, who retired from the board. It is with heartfelt gratitude that we wish them well on the next chapter of their journeys. We welcome Silke Hornung to the Board and look forward to her contribution.

The board of directors and our stakeholders played invaluable roles in our ability to deliver our strategic objectives and we are celebrating a solid half-year mark. Thank you to the staff and clients who have shown resilience, tenacity and commitment. We continue into the second half with the rallying call that 'IT CAN BE', because we are bold, we are responsive, we are knowledgeable, we are inventive and are committed to ensure we grow Namibia and its people.

External review

The external auditors, PricewaterhouseCoopers did not review the condensed consolidated interim statement of financial position of SBN Holdings Limited as at 30 June 2022, and the related condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six months then ended, and selected explanatory notes.

Any investment decision should be based on the full announcement and financial statements accessible from Tuesday, 6 September 2022, via the NSX website and also available on our website at https://www.standardbank.com.na/.

Copies of the full announcement are available for inspection at the group's registered office at no charge, weekdays during office hours.

H Maier		M Geises
Chairman		Chief Executive

05 September 2022

BOARD OF DIRECTORS

H Maier (Chairman), I Tjombonde, P Schlebusch, N Bassingthwaighte, B Rossouw, M Shivute Dax, S Hornung, M Geises, L du Plessis.

REGISTERED OFFICE

1 Chasie Street, Kleine Kuppe, Windhoek; P.O. Box 3327, Windhoek, Namibia.

AUDITORS

PricewaterhouseCoopers, 344 Independence Avenue, Windhoek, Namibia.

SPONSOR

IJG Securities (Pty) Ltd, Member of the NSX
4th Floor, 1@Steps, c/o Grove and Chasie Street, Kleine Kuppe, Windhoek, Namibia
Registration No 95/505.

TRANFER SECRETARIES

Transfer Secretaries (Pty) Ltd, 4 Robert Mugabe Avenue, P.O. Box 2401, Windhoek, Namibia.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2022

	June 2022 Unreviewed N$'000	June 2021 Unreviewed Restated N$'000	December 2021 Audited N$'000
Assets			
Cash and balances with the central bank	1 385 431	975 320	1 488 497
Derivative assets	117 471	71 875	73 326
Trading assets	479 904	568 376*	619 584
Pledged assets	-	781 397	-
Financial investments	5 050 268	4 312 265	5 670 546
Current tax assets	107 245	104 297	138 521
Loans and advances	26 335 800	23 653 197*	25 447 708
Other assets	1 154 812	748 917*	346 814
Property, equipment and right-of-use assets	991 699	1 050 531	1 027 366
Goodwill and other intangible assets	540 400	516 758	547 857
Deferred tax assets	52 606	43 911*	1 560
Total assets	**36 215 636**	**32 826 844**	**35 361 779**
Equity and liabilities			
Equity	**4 549 070**	**4 292 996**	**4 394 811**
Ordinary share capital	1 045	1 045	1 045
Ordinary share premium	642 189	642 189	642 189
Reserves	3 891 160	3 635 503	3 736 724
Non-controlling interest	14 676	14 259	14 853
Liabilities	**31 666 566**	**28 533 848**	**30 966 968**
Derivative liabilities	135 411	67 518	70 576
Trading liabilities	36 874	64 305*	55 754
Deposits and current accounts	28 150 399	25 932 891	28 242 080
Debt securities issued	2 361 877	1 657 731	1 961 123
Provisions and other liabilities	982 005	811 403	625 267
Deferred tax liabilities	-	-*	12 168
Total equity and liabilities	**36 215 636**	**32 826 844**	**35 361 779**

* Refer to the 'Restatements' note for details of the restatements of treasury bill assets and treasury bill liabilities, fair value adjustments to staff loans and the offsetting of deferred tax assets and deferred tax liabilities.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2022

	June 2022 Unreviewed N$'000	June 2021 Unreviewed Restated N$'000	December 2021 Audited N$'000
Net interest income	676 655	607 380*	1 236 682
Non-interest revenue	614 926	570 891	1 208 806
Total income	**1 291 581**	**1 178 271**	**2 445 488**
Credit impairment charges	(132 069)	(123 145)	(288 751)
Net income before operating expenses	**1 159 512**	**1 055 126**	**2 156 737**
Operating expenses	(832 948)	(779 876)*	(1 586 804)
Net income before capital items	**326 564**	**275 250**	**569 933**
Indirect taxation	(23 225)	(17 945)	(43 356)
Profit before direct taxation	**303 339**	**257 305**	**526 577**
Direct taxation	(68 025)	(67 742)	(155 355)
Profit for the period	**235 314**	**189 563**	**371 222**
Attributable to ordinary shareholders	235 491	189 334	370 399
Attributable to non-controlling interest	(177)	229	823
Basic and diluted earnings per ordinary share (cents)	**45**	**36**	**71**

* Refer to the 'Restatements' note for details of restatements on fair value adjustments on staff loans.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2022

	June 2022 Unreviewed N$'000	June 2021 Unreviewed Restated N$'000	December 2021 Audited N$'000
Profit for the period	**235 314**	**189 563**	**371 222**
Other comprehensive loss (OCI) after tax for the period	**(2 648)**	**(3 964)**	**(213)**
Items that may be subsequently reclassified to profit or loss:			
Net change in debt financial assets measured at fair value through OCI	(2 648)	(3 438)	(8 906)
Net change in expected credit loss (ECL)	795	1 108	(1 939)
Net change in fair value	(3 443)	(4 546)	(6 967)
Items that may not be subsequently reclassified to profit or loss:			
Fair value movement on post-employment benefit	-	(526)	8 693
Total comprehensive income for the period	**232 666**	**185 599**	**371 009**
Attributable to ordinary shareholders	232 843	185 370	370 186
Attributable to non-controlling interest	(177)	229	823

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2022

	Ordinary shareholders' equity N$'000	Non- Controlling Interest N$'000	Total equity N$'000
Balance at 1 January 2021 (audited)	**4 166 513**	**14 030**	**4 180 543**
Total comprehensive income for the period	185 370	229	185 599
Transactions with owners and non-controlling interests recorded directly in equity	(73 146)	-	(73 146)
Dividends	(73 146)	-	(73 146)
Balance at 30 June 2021 (unreviewed)	**4 278 737**	**14 259**	**4 292 996**
Total comprehensive income for the period	184 817	594	185 411
Transactions with owners and non-controlling interests recorded directly in equity	(83 596)	-	(83 596)
Dividends	(83 596)	-	(83 596)
Balance at 31 December 2021 (audited)	**4 379 958**	**14 853**	**4 394 811**
Total comprehensive income for the period	232 843	(177)	232 666
Transactions with owners and non-controlling interests recorded directly in equity	(78 407)	-	(78 407)
Dividends	(78 407)	-	(78 407)
Balance at 30 June 2022 (unreviewed)	**4 534 394**	**14 676**	**4 549 070**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2022

	June 2022	June 2021	December 2021
	Unreviewed	Reviewed	Audited
		Restated	
	N$'000	N$'000	N$'000
Net cash flows (utilised in) / from operating activities	**(360 839)**	**61 793**	**446 661**
Direct taxation paid	(104 981)	(95 837)	(166 599)
Other operating activities	(255 858)	157 630	613 260
Net cash flows used in investing activities	**(54 195)**	**(73 890)**	**(157 194)**
Capital expenditure	(54 195)	(73 890)	(157 194)
Net cash flows used in financing activities	**311 610**	**(49 025)**	**163 902**
Dividends paid	(78 297)	(73 131)	(156 642)
Senior debt issued	400 000	500 000	1 543 000
Senior debt redeemed	-	(463 500)	(1 206 500)
Principal element of lease payments	(10 093)	(12 394)	(15 956)
Net (decrease)/ increase in cash and balances with the central bank	**(103 424)**	**(61 122)**	**453 369**
Cash and balances with the central bank at the beginning of the period	1 488 497	1 035 972	1 035 972
Effects of exchange rate changes on cash and balances with the central bank	116	470	(844)
Cash and balances with the central bank at the end of the period	**1 385 189**	**975 320**	**1 488 497**

SELECTED NOTES TO THE UNREVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

SBN Holdings Limited (the company) is a company incorporated in Namibia (registration number: 2006/306). The condensed consolidated interim financial statements for the six months ended 30 June 2022 comprise the company, its subsidiaries and other controlled entities, together referred to as 'the group'.

2. Statement of compliance

The group's financial results, including the condensed consolidated statement of financial position, condensed consolidated income statement, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2022 (results) are prepared in accordance with the requirements of the NSX Listings Requirements, the requirements of International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB), the presentation requirements of IAS 34 Interim Financial Reporting and the requirements of the Companies Act of Namibia, applicable to condensed financial statements.

These condensed consolidated interim financial statements were approved by the board of directors on 30 August 2022.

3. Significant accounting policies

The accounting policies applied in theses condensed consolidated interim financial statements for the six months ended, are consistent with those applied by the group in its annual consolidated financial statements as at and for the year ended 31 December 2021. No new and amended IFRS's that became effective for the current financial period were adopted during the period, as these were early adopted for the year ended 31 December 2021.

4. Restatements

During the year, the group noted the following restatement relating to the group's previously published results.

1. During 2021, it was identified that when treasury bills were sold to consumer and high net worth clients, the title of the instrument was not updated to reflect the names of the respective clients. Therefore, ownership of the instrument didn't transfer. The contractual rights to receive cash flows and the contractual obligation to pay these cash flows to the client remained with the company. This requires the treasury bill asset and liabilities to be disclosed separately and not netted off as was the practice in prior years. The error has been corrected by restating the comparatives in the statement of financial position and statement of cash flows. The correction of this error amount to a reclassification in the statement of financial position and statement of cash flow. The restatement has no impact on the reported profit for the year, earnings per share or net cash flows used in operating activities. The related interest income and interest expense are netted off in trading revenue in line with our accounting policy as detailed in the annual financial statements. The related notes were restated as required.

2. It was also identified during the current year that staff loans offered to employees at interest rates below the market rates were not fair valued upon initial recognition. The error has been corrected by restating the comparatives figures of the company's annual financial statements. The correction of this error amount to a reclassification in the statement of financial position and income statement. The restatement has no impact on profit for the year, earnings per share or net cash flows used in operating activities. The related notes were restated as required.

3. The deferred tax assets and deferred tax liability were offset in the current year as the company and subsidiaries meet the requirements to offset in terms of IAS 12 'Income Taxes'. The company and the subsidiaries have a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and the deferred tax liabilities relating to income taxes levied by the Namibian tax authority on the subsidiary, only.

5. Events subsequent to the reporting date

Standard Bank Namibia Limited ("Standard Bank"), a wholly owned subsidiary of SBN Holdings Limited ("SBN Holdings"), signed a share acquisition agreement ("SAA") with Spearmint Investments (Pty) Ltd ("Spearmint"), each of the property-owning entities (which property-owning entities are stipulated in the SAA) and related shareholders, as a debt settlement transaction to reduce non-performing loans. Spearmint is a 100% owned subsidiary of Standard Bank and will own 100% of the total issued share capital of all the property-owning entities. Subsequent to the reporting date, all the conditions precedent to the SAA have been fulfilled and the acquisition of the property-owning entities has become unconditional and effective from 3 August 2022. The transaction will have no impact on the profit after tax, net cash flow and total assets. Subsequent to the effective date the sale of these property-owning entities might have an impact on the financial results, financial position and cash flow of Standard Bank and SBN Holdings. Regulatory approvals and/or confirmations from the Bank of Namibia, Namibia Competition Commission and the South African Reserve Bank have been obtained.

The directors are not aware of any other material events, occurring between 30 June 2022 and the authorisation date of the announcement that would have an impact on these results.

6. Earnings and net asset value per share

	June 2022	June 2021	December 2021
	Unreviewed	**Unreviewed**	**Audited**
	N$'000	**N$'000**	**N$'000**
Number of ordinary shares in issue	522 471 910	522 471 910	522 471 910
Weighted average number of ordinary shares in issue	522 471 910	522 471 910	522 471 910
Basic and diluted earnings per ordinary share (cents)	45	36	71
Headline earnings per share (cents)	45	36	71

Net asset value per share (cents)	871	819	841
Headline earnings reconciliation:			
Profit after tax attributable to ordinary shareholders	235 491	189 334	370 399
Adjusted for:			
(Profit)/ loss on sale of property and equipment (net of tax)	(2,218)	(310)	(478)
Impairments on property and equipment (net of tax)	3,065		1 371
Headline earnings	236,338	189 024	371 292