

SBN Holdings Limited
Registration No. 2006/306
Registered in Namibia
ISIN Code: NA000A2PQ3N5
NSX Share Code: SNO
Short Name: SBN Holdings Limited (the “Company”)



CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 December 2022

- BASIC EARNINGS PER SHARE OF 119 CENTS (2021: 70 CENTS)
- HEADLINE EARNINGS PER SHARE OF 119 CENTS (2021: 70 CENTS)
- ORDINARY DIVIDEND PER SHARE OF 46 CENTS (2021: 15 CENTS)
- TOTAL DIVIDEND PER SHARE OF 66 CENTS (2021: 31 CENTS)

Results

Key highlights from SBN Holdings Limited results for the period under review include:

- Profit for the year increased by 70.5%, up from N\$366 million to N\$624 million, driven by the increase in repo rate and improvement of our collection strategy to reduce our credit impairment charges which are down 44.2%.
- Net interest income increased by 17.5% to N\$1 445 million, predominantly due to the steady 300 basis point (bps) increase in the repo rate from 3.75% to 6.75% since 1 January 2022 and ongoing improvement in net interest margin, up from 3.9% to 4.4%.
- Non-interest revenue increased by 6.1% to N\$1 283 million, driven by 31.8% growth in trading revenue due to increased client flows and volatility in currency markets. In addition, other revenue was up 37.1% from N\$106 million to N\$146 million supported by growth in bancassurance revenue, as well as additional property-related revenue from the newly acquired property portfolio.
- Credit impairments decreased by 44.2% year on year, primarily due to the ongoing implementation of our 2021 non-performing loan reduction strategy and the achievement of related strategic initiatives. As a result, our credit loss ratio reduced by 49bps from 1.09% to 0.60%.
- Our measures to contain costs, continue. Operating expenses increased by 5.8% to N\$1.7 billion, below the average annual inflation of 6.1%.
- Loans and advances to customers and banks increased by 2.3% to N\$26 billion. The Corporate and Investment Banking (CIB) portfolio grew by 35.5%, driven by strong growth in corporate lending due to increased client activity. The Consumer and High Net Worth (CHNW) and Business and Commercial Banking (BCB) portfolios declined by 7.8% to N\$17.7 billion, partly driven by the 8.4% decrease in other loans and advances due to a debt settlement transaction that led to the acquisition of a property portfolio. The significant increase in property in possession was the result of the acquisition of the property portfolio.
- Deposits from customers and banks declined moderately by 3.2% to N\$27 billion, predominantly driven by a decline in negotiable certificates of deposits, savings deposits and demand deposits. Debt securities increased by 28.9% due to our inaugural Green Bond issuance that raised N\$400

million across two notes. The group’s liquidity position remained strong and within approved risk appetite and tolerance limits.

- The ROE improved from 8.6% to 13.7%. The group is well-positioned to achieve its ROE target of a minimum of 15% by 2025.

Business update

Operating environment

In 2022, the global economy experienced another fundamental shift. As the year progressed, complex challenges arose in the global operating context. In response to the Ukraine invasion the West instituted sanctions against Russia, driving up commodity prices. The geopolitical tension between China and the United States continues to disrupt global supply chains. Other factors such as rising inflation and interest rates, China’s zero Covid policy and slower growth all compounded to significantly impact the growth outlook. Despite this, Namibia’s economic recovery continued in 2022 with gross domestic product (GDP) growth forecast at 4.2%.

Delivering our strategic objectives

Our focus for 2022 remained on transforming client experience by developing bank specific capabilities that enhance our processes and drive efficiency while also improving service delivery to customers. We developed and then successfully delivered relevant and bespoke digital products and solutions to meet the needs of customers and employees, supported by leveraging the group’s key strategic partnerships.

It is therefore a privilege to present our financial results showing a growth in profit for the year of 70.5%, and an increase in ROE from 8.6% to 13.7%, albeit still below our aspired target of 15%. As a board, we are pleased by these improved results due to the focus and dedicated efforts made by the group’s people. We remain confident that the group is well-positioned to take advantage of the current and future opportunities the country holds. Increased investment in green energy and renewables, as well as the discovery of oil will continue to drive economic growth and thereby create value for society.

We continue to invest in our people and support their well-being to ensure that they can embrace the rapid changes in our environment. We are equipping them with the skills to make extensive use of the new technology, digital capabilities and data that we need, to deliver our purpose.

Sustainability over the long term is central to our strategy and our ability to deliver inclusive and sustainable growth. We continue to make a meaningful difference in our communities, ensuring that our social, economic and environment as well as our corporate social investment efforts contribute to the improvement and upliftment of the socioeconomic circumstances of the communities in which we operate.

Dividend

The Board recommended an ordinary final dividend of 46 cents per share (2021: 15 cents per ordinary share).

The salient dates are as follows:

Last day to trade cum dividend:	5 May 2023
First day to trade ex–dividend:	8 May 2023
Record date:	12 May 2023
Payment date:	26 May 2023

Looking ahead

A gloomier outlook is now expected during the coming year, with the world's economic growth expected to slow to 1.7% in 2023, down from 2.9% in 2022 according to the World Bank's latest reports. Challenges are expected to remain as geopolitical tension, climate events, global supply chain disruptions and higher food and oil prices will continue to drive volatility and growing socioeconomic challenges, due to the increased cost-of-living and higher household debt.

Namibia's economic growth over the medium term is expected to be higher than the pre-pandemic growth levels, however, given the current global environment, this will be slightly slower than initially anticipated. The International Monetary Fund forecasts Namibia's GDP to grow 3.0% for 2022 and 3.2% for 2023.

We remain optimistic about the reforms ahead that are likely to come to fruition towards the end of the mid-term expenditure framework. Large structural investments in both the green and blue economy, as well as the discovery of offshore oil, place Namibia in an excellent position to become an energy powerhouse on the African continent over the medium- to longer-term and alleviate its and the region's energy needs. This has the potential to accelerate economic growth moving forward, and we are well-positioned to navigate this future with our strategic partners. We are also looking forward to assisting our clients in these industries to achieve their aspirations.

Our strategy for 2023 will continue to focus on our clients, our people as well as operational excellence, thereby ensuring that our people, processes and systems are properly aligned to continue to deliver appealing and relevant customer value propositions across all segments, and we are also looking forward to assist our clients to achieve their aspirations.

H MAIER
CHAIRMAN

M GEISES
CHIEF EXECUTIVE

22 March 2023

BOARD OF DIRECTORS:

HERBERT MAIER (CHAIRMAN)
SUNE BRUGMAN
ISAC TJOMBONDE
SILKE HORNUNG
PETER SCHLEBUSCH
NATASHA BASSINGTHWAIGHTE
BIRGIT ROSSOUW
MARIA SHIVUTE DAX
NANGOSORA ASHLEY TJIPITUA
MERCIA GEISES
LETITEA DU PLESSIS

COMPANY SECRETARY

S TJIJOROKISA

AUDITOR'S OPINION

The consolidated financial statements are an extract from the audited financial statement for the year ended 31 December 2022. The auditor's unqualified audit opinion on the financial statements is available for inspection at the Company's registered office.

The information in this announcement has been extracted from the audited financial statements, but the announcement itself is not audited.

REGISTERED OFFICE

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AUDITORS

PricewaterhouseCoopers
344 Independence Avenue, Windhoek

SPONSOR

IJG Securities (Pty) Ltd
Member of the NSX
4th Floor, 1@Steps, c/o Grove and Chasie Streets, Kleine Kuppe,
Windhoek, Namibia

TRANSFER SECRETARIES

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

Release date: 22 March 2023

SBN HOLDINGS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 December 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Change	Audited 31 December 2022	Audited 31 December 2021 Restated
	%	N\$' 000	N\$' 000
Net interest income	17.5	1 444 802	1 229 312*
Non-interest revenue	6.1	1 283 086	1 208 806
Total income	11.9	2 727 888	2 438 118
Credit impairments	(44.2)	(161 213)	(288 751)
Income after credit impairments	19.4	2 566 675	2 149 367
Operating expenses	5.8	(1 678 675)	(1 586 804)
Net income before tax	57.8	888 000	562 563
Taxation (indirect and direct)	34.3	(263 720)	(196 352)*
Profit for the year	70.5	624 280	366 211
Profit attributable to ordinary shareholders	70.7	623 603	365 388

**Other comprehensive income net of taxation
that will not be reclassified to profit or loss**

Net change in fair value of equity financial assets measured at fair value through other comprehensive income (FVOCI)	(78.9)	(1 879)	(8 906)
Fair value movement on post-employment benefit	(40.0)	5 216	8 693

Total comprehensive income for the year	71.5	627 617	365 998
Attributable to ordinary shareholders	71.7	626 940	365 175
Attributable to non-controlling interest	(17.7)	677	823

EARNINGS PER SHARE

Profit for the year attributable to ordinary shareholders	70.5	624 280	366 211
Weighted average number of shares issued	-	522 472	522 472
Basic earnings per share	70.0	119	70

* Refer to the restatement narrative included in note 4 for the restatements of accrued interest and interest in suspense.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2022

	Change	Audited 31 December 2022	Audited 31 December 2021 Restated
	%	N\$' 000	N\$' 000
Assets			
Cash and balances with central banks	12.4	1 673 337	1 488 497
Trading assets and financial investments	(14.2)	5 397 635	6 290 130
Loans and advances to banks	14.0	3 714 600	3 257 649
Loans and advances to customers	0.6	22 254 850	22 124 673*
Properties in possession	>200	491 154	24,892
Other assets	0.5	2 143 121	2 133 208*
Total assets	1.0	35 674 697	35 319 049
Liabilities			
Deposits from banks	(3.0)	1 430 532	1 474 539
Deposits from customers	(3.2)	25 922 875	26 781 347*
Debt securities	28.9	2 528 252	1 961 123
Other liabilities	32.2	1 010 046	763 764
Total liabilities	(0.3)	30 891 705	30 980 773
Equity	10.3	4 782 992	4 338 276*
Total equity and liabilities	1.0	35 674 697	35 319 049

* Refer to the restatement narrative included in note 4 for the restatements of loans and advances, other assets and deposits.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Ordinary share capital and premium N\$'000	Share-based payment reserve N\$'000	Fair value adjustments on FVOCI financial assets N\$'000	Post-employment benefit reserve N\$'000	Statutory credit risk reserve N\$'000	Retained earnings N\$'000	Ordinary shareholders equity N\$'000	Non-controlling interest N\$'000	Total equity N\$'000
Balance at 1 January 2021 as previously reported	643,234	—	7,685	35,209	58,510	3,421,876	4,166,514	14,030	4,180,544
Restatement	—	—	—	—	—	(51,524)	(51,524)	—	(51,524)
Balance at 1 January 2021	643,234	—	7,685	35,209	58,510	3,370,352	4,114,990	14,030	4,129,020
Total comprehensive income for the year	—	—	(8,906)	8,693	—	365,388	365,175	823	365,998
Profit for the year						365,388	365,388	823	366,211
Other comprehensive income after tax for the year			(8,906)	8,693			(213)		(213)
Transactions with the shareholders, recorded directly in equity	—	—	—	—	74,873	(231,615)	(156,742)		(156,742)
Transfer between reserves					74,873	(74,873)	—		—
Dividends paid						(156,742)	(156,742)		(156,742)
Balance at 1 January 2022	643,234	—	(1,221)	43,902	133,383	3,504,125	4,323,423	14,583	4,338,276
Total comprehensive income for the year	—	—	(1,879)	5,216	—	623,603	626,940	677	627,617
Profit for the year						623,603	623,603	677	624,280
Other comprehensive income after tax for the year			(1,879)	5,216			3,337		3,337
Transactions with the shareholders, recorded directly in equity	—	—	—	—	(24,083)	(158,818)	(182,901)		(182,901)
Transfer between reserves					(24,083)	24,083	—		—
Dividends paid						(182,901)	(182,901)		(182,901)
Balance at 31 December 2022	643,234	—	(3,100)	49,118	109,300	3,968,910	4,767,462	15,530	4,782,992

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

	Audited 31 December 2022	Audited 31 December 2021 Restated
	N\$'000	N\$' 000
Net cash flows from operating activities	(87,195)	(1,476,768)*
Cash flow from operations	1,356,237	1,049,013*
Net movement in working capital	(1,271,187)	593,723*
Dividends received	—	631*
Direct taxation paid	(172,245)	(166,599)*
Net cash flows used in investing activities	(69,814)	(157,194)
Capital expenditure on property and equipment	(50,196)	(62,318)
Proceeds from sales of property and equipment	5,045	1,661
Capital expenditure on intangible assets	(24,663)	(96,537)
Net cash flows from financing activities	349,286	163,902
Net senior debt issued	400,000	1,543,000
Senior debt redeemed	-	(1,206,500)
Principal element of lease payments	(17,813)	(15,956)
Subordinated debt issued	250,000	
Subordinated debt redeemed	(100,000)	
Dividends paid	(182,901)	(156,642)
Net increase in cash and cash equivalents	192,277	1,483,476*
Cash and cash equivalents at the beginning of the year	4,739,268	3,270,130*
Effects of exchange rate changes on cash and balances with central banks	(148,012)	(14,338)*
Cash and cash equivalents at the end of the year	4,783,533	4,739,268*

* Refer to the restatement narrative included in note 4 for the restatements relating to the statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

SBN Holdings Limited is a company incorporated in Namibia (Registration number: 2006/306). The consolidated annual financial statements for the year ended 31 December 2022 comprise the Company, its subsidiaries and other controlled entities, together referred to as the “Group”.

2. Statement of compliance

The consolidated financial statements have been extracted from the audited financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards.

The annual financial statements were approved by the Board of Directors on 22 March 2023.

3. Significant accounting policies

The accounting policies applied in the annual financial statements as at and for the year ended 31 December 2022, are consistent with the prior year, except for the adoption of new and amended IFRS's that became effective for the current financial period. In accordance with the requirements of the transition methods chosen by the group in applying these standards, comparative information throughout the annual financial statements has not been restated.

4. Restatements

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

1. In the current year the group enhanced the control environment surrounding its client management system (CMS) by embedding a client contribution report tool for accrued interest. The report tool improves the process of reconciliation of interest accrued balances between the CMS and the balance sheet accounts. As part of the reconciliation process, all transactional data for accrued interest income, accrued interest expense and interest in suspense for the period 2012 to 2021 was analysed:

Unsubstantiated accrued interest income of N\$30.5 million, interest in suspense to the value of N\$8 million, accrued interest expense to the value of N\$14.0 million and credit impairments to the value of N\$23 million were adjusted and restated accordingly for periods ended up to 31 December 2020. For the 2021 financial year, a net total of N\$7.4 million in interest income and expense was restated. The N\$24.2 million normal tax impact of these restatements has also been reflected in the periods ended up to 31 December 2020. For 2021 the tax impact of N\$2.4 million was also adjusted for.

These errors have been corrected by restating the comparatives in the statement of financial position, statement of comprehensive income and related notes of the company.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2021		
	Previously reported N\$'000	Restatement N\$'000	Restated N\$'000
Assets			
Loans and advances	25 447 708	(65 386)	25 382 322
Other assets	346 814	(3 949)	342 865
<u>Normal tax asset</u>	<u>138 521</u>	<u>26 606</u>	<u>165 126</u>
Total assets		(42 729)	
Equity			
Equity attributable to ordinary shareholders	4 379 958	(56 535)	4 323 423
Liabilities			
<u>Deposits and current accounts</u>	<u>28 242 080</u>	<u>13 806</u>	<u>28 255 886</u>
Total equity and liabilities		(42 729)	

2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Previously reported N\$'000	Restatement N\$'000	Restated N\$'000
Net interest income	1 236 682	(7 370)	1 229 312
Interest income	1 972 847	(7 588)	1 965 259
Interest expense	(736 165)	218	(735 947)
Non-interest revenue	1 208 806		1 208 806
Total income	2 445 488	(7 370)	2 438 118
Credit impairment charges	(288 751)		(288 751)
Net income before operating expenses	2 156 737	(7 370)	2 149 367
Operating expenses	(1 586 804)		(1 586 804)
Net income before indirect tax	569 933	(7 370)	562 563
Indirect taxation	(43 356)		(43 356)
Profit before direct taxation	526 577	(7 370)	519 207
Direct taxation	(155 355)	2 359	(152 996)
Profit for the year	371 222	(5 011)	366 211
Attributable to ordinary shareholders	370 399	(5 011)	365 388
Attributable to non-controlling interest	823		823
Basic and diluted earnings per ordinary share	71		70

2. The group also performed benchmarking and internal investigations to reassess the definition of cash and cash equivalents when compiling the statement of cash flows. The following have been identified as industry best practice during this exercise and have resulted in the following restatements, changes to accounting presentation policies and related additional disclosures:

- The direct method provides a more reliable presentation of the cash flow movements for the group and company which is not available under the indirect method. This change only impacted net cash flows from operating activities within the statement of cash flows for the group and company.
- The group restated its financial statements to appropriately reflect and present the change from on demand loans and advances to banks to cash and cash equivalents in the statement of cash flow and updated the related accounting policy accordingly, refer to note 33.8 in the Annual Report. These balances, amounting to N\$3.3 billion in the 2021 closing cash and cash equivalents balance and N\$2.2 billion in the opening balance, were in prior periods excluded from cash

and cash equivalents and instead included in income-earning assets. Both the balances and movement (N\$1.0 billion) have now been appropriately included within the cash and cash equivalents line in the statement of cash flows.

- Specific accounting policies, have been included for the following:
 - Cash and balances with central banks
 - Cash and cash equivalents

The impact on the statement of cash flows of the above changes is detailed in the annual financial statements. The related notes were restated as required.

CONSOLIDATED STATEMENT OF CASH FLOWS	2021		
	Previously reported N\$'000	Restatement N\$'000	Restated N\$'000
Net cash flows from operating activities			
Cash flows from operations (indirect method)	446 661	(446 661)	
Net income before capital items and equity-accounted earnings	569 933	(569 933)	
Adjusted for non-cash items and other adjustments included in the income statement	(751 308)	751 308	
(Increase)/decrease in income-earning assets	(2 416 969)	2 416 969	
Increase/(decrease) in deposits and other liabilities	2 002 190	(2 002 190)	
Interest received	1 968 515	(1 968 515)	
Dividends received	631	(631)	
Interest paid	(759 732)	759 732	
Direct tax paid	(166 599)	166 599	
Net cash flows from operating activities		1 476 768	1 476 768
Cash flows from operations (direct method)		1 049 013	1 049 013
Interest and commission receipts		3 122 635	3 122 635
Interest payments		(759 732)	(759 732)
Recoveries on loans previously written off		35 954	35 954
Cash payments to suppliers and employees		(1 349 844)	(1 349 844)
Working capital changes		593 723	593 723
Increase)/decrease in operating assets		(1 391 904)	(1 391 904)
Increase/(decrease) in operating liabilities		1 985 627	1 985 627
Dividends received		631	631
Taxation paid		(166 599)	(166 599)

Net cash flows from investing activities	(157 194)		(157 194)
Net cash flows from financing activities	163 902		163 902
Net increase/(decrease) in cash and balances with the central bank	453 369	1 030 107	1 483 476
Cash and balances with the central bank at the beginning of the year	1 035 972	2 234 158	3 270 130
Effects of exchange rate differences on cash and balances with the central bank	(844)	(13 494)	(14 338)
Cash and balances with the central bank at the end of the year	1 488 497	3 250 771	4 739 268

5. Earnings per share

Headline earnings reconciliation	Change	Audited 31 December 2022	Audited 31 December 2021 Restated
	%	N\$'000	N\$'000
Profit for the year attributable to ordinary shareholders	70.7	623,603	365,388
Adjusted for:			
IAS 16 (Profit) on sale of property & equipment	>100	(2,330)	(478)
IAS 36 Impairment losses on property and equipment	(12.0)	1,207	1,371
Headline earnings	69.9	622,480	366,281
Net asset value per share (cents)	10.3	912	827
Basic earnings per share (cents)	70.0	119	70
Headline earnings per share (cents)	70.0	119	70

Changes to the board

During the year, Mr Alpheus Mangale and the chief financial officer, Mrs Letitea du Plessis, resigned from the board and Mr Jerry Muadinohamba retired. We thank them for their contribution to the group.

There will be more changes in the composition of the board during 2023. Ms Natasha Bassingthwaighe, Mrs Birgit Rossouw as well as Mr Herbert Maier, will be retiring from the board after serving on the SBN board for more than 10 years. This is in line with the group's board succession plan for directors. Mrs Maria Dax has reached the age of 70 years and, as prescribed by BID-1 which became effective during December 2022, she will also retire from the board at the 2023 AGM. We are honoured to be joined by Ms Silke Hornung, Ms Sune Brugman and Ms [Nangosora Ashley Tjipitua](#) and welcome them as directors on the board.