

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 2021

	30 June 2021	30 June 2020	31 December 2020
	Unreviewed	Reviewed	Audited
Profit after tax attributable to ordinary shareholders (N\$'000)	189 334	228 002	421 324
Total comprehensive income attributable to ordinary shareholders (N\$'000)	185 370	244 896	441 391
Headline earnings (N\$'000)	189 024	228 983	422 929
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 earnings per share (cents)	36	44	81
Headline earnings per share (cents)	36	44	81
Ordinary dividend declared (N\$'000)	83 596	143 001	252 720
Net asset value per share (cents)	819	780	797

Overview of financial performance

The last quarter of 2020 confirmed a breakthrough in Covid-19 vaccines globally and pointed to green shoots of recovery in trading activity in the domestic economy. We started out by re-imagining the future in a country filled with the promise of economic growth projected at 2.7%, an uplift for the first time since 2016. Disappointingly, economic activity remained weak, recording a contraction of 6.5% during the first quarter of 2021.

The second quarter saw a resurgence in Covid-19 infections and the confirmation of the Delta variant in the country, which resulted in unprecedented pressure on the public and private healthcare facilities. This necessitated stringent lockdown measures and increased the risk and uncertainty of economic recovery. We have therefore partnered with the Namibian Chamber of Commerce and Industry and the Bankers Association of Namibia and played our part to support the public sector in dealing with the devastating oxygen shortage at the peak of the crisis. The poor first quarter performance was exacerbated by the third wave of Covid-19, vaccination hesitancy and slow vaccination rates in Namibia. Hence, a revised economic outlook of 1.4% is projected for 2021.

To prepare our business to operate in the post-Covid world and accelerate the execution of our future ready strategy, we further committed to our transformation journey. One aspect of this journey involves the architectural change in our traditional operating model to a three-segment model focused on the design and delivery of relevant, innovative and efficient digital solutions. This will secure the better execution of our client value proposition. The three client segments are Consumer and High Net Worth clients (CHNW), Business and Commercial clients (BCC) and Wholesale clients. Client solutions will support the client segments and the group as a whole.

The transformation journey also pivots on a decision by Standard Bank Group to change the franchise architecture with the inclusion of the South African business as a franchise like all the other African region countries. The business objective for this transition is to enable all subsidiaries within the Standard Bank Group, including the Standard Bank South Africa, to directly control, rationalise and localise investment decisions and execution activities. We conducted a due diligence exercise in respect of IT services to determine which services can be localised and identified those services for which we do not either have the capability or capacity to localise at this stage. An agreement between SBSA and SBN Holdings was then reached for the services SBN Holdings is unable to localise. These services will be provided by SBSA through formalised service level agreements that are compliant with the transfer pricing framework. The service level agreement was effective from 1 January 2021. Although the initial cost impact is significant, the change in the operating model gives us autonomy and the opportunity to simplify our IT architecture to make it locally relevant, agile and future-ready. We will continue to further explore opportunities of localising and optimising the efficient delivery of the remaining services.

Dividends

Notice is hereby given that an interim cash dividend for the six months ended 30 June 2021 of 16 cents per ordinary share was declared on 24 August 2021.

Last day to trade cum dividend:	17 September 2021
First day to trade ex-dividend:	20 September 2021
Record date:	24 September 2021
Payment date:	8 October 2021

Highlights from the group's results for the six months ended 30 June 2021:

- The continued weak operating environment coupled with a low interest rate environment impacted our results with profit after tax declining by 16.5% compared with prior year.
- Net interest income reduced by 4.7% from N\$630 million to N\$601 million for the six months ending 30 June 2021. This is mainly attributable to the negative endowment as a result of the 2.75% staggered reduction in the repo rate between February and April 2020 combined with negative growth in loans and advances.
- Although non-interest revenue (NIR) decreased by 2.7% to N\$571 million period on period, net fee and commission revenue increased by 1.4% and trading revenue by 3.2%. The biggest contributor to the overall decrease in NIR is the 29.8% decrease in other gains and losses on financial instruments on account of the 2.75% decrease in the repo rate between February and April 2020. The revenue driver for other gains and losses on financial instruments is the return on investments on unit trusts.
- Impairments decreased by 18.5% and the credit loss ratio improved from 1.3% to 1.0% for the reporting period.
- Operating expenses increased by 4.1% compared to the prior period. The main drivers are continued investment in information technology capabilities to deliver digital platforms that support our client value proposition, the impact of information technology services not localised, incremental costs from the franchise architectural changes and amortisation expenses relating to investments in key regulatory projects. Conversely, our focus to run an efficient business enabled us to reduce our 'business as usual' costs by 1.1% with staff costs only increasing by 2.0%.
- Gross loans and advances to customers increased by 2.7% to N\$23.0 billion. Corporate lending recorded strong growth at 11% followed by other loans and advances at 7.4% and mortgage loans at 2.8%. The decline in sovereign lending was due to sizeable structured repayment obligations. The reason for the decrease in credit card debtors is well understood and a clear strategy has been put in place to reduce continues reduction. Loans in advances to banks decreased as depositors optimised the favourable USD/NAD exchange rate through withdrawals. There is a strategic focus on loans and advances growth but without taking undue risks.
- Deposit and current accounts from customers decreased by 10.2% to N\$23.7 billion for the period ending 30 June 2021 with the largest contributors being cash management deposits, call deposits and NCDs. Current accounts recorded growth of 3.7%. For the comparative period ending 30 June 2020, we saw a conversion from NCDs to call deposits as fund managers braced for the uncertainty in market conditions following the first outbreak of Covid-19.
- The group maintained strong capital ratios, with a total capital adequacy ratio of 15.2%. The group's capital and liquidity position remained strong and within approved risk appetite and tolerance limits.

Outlook

The global economy is forecast to grow by 6.0% in 2021. Developing economies, like Namibia, will catch the tailwinds of the growth but growth will be detracted by potential further COVID waves, vaccination hesitancy and slow vaccination rates. Namibia's forecast growth of 1.4% in 2021 and 3.4% in 2022 is expected to be driven by the mining industry with moderate support from most industries in the secondary and tertiary sectors. Interest rates are expected to remain unchanged for the remainder of 2021.

We have updated our strategic priorities and will focus relentlessly on three things. We will transform client experience, execute with excellence; and drive sustainable growth and value.

To achieve the above our aim will be to even better understand our clients as deeply as possible, and then use our skills and digital capacities to help meet their needs, including funding needs, and to enable them to achieve their goals.

We will deliver innovative and cost-effective products and services ourselves and in partnership with others like Microsoft, Amazon Web Services and Salesforce, the world leader in client engagement platforms, which will be the kernel of the way we will interact with our clients.

We thank all our employees for their continued commitment in what has been an extremely challenging six months. The third wave and its impact on our lives was devastating and we offer our heartfelt condolences to our employees, fellow Namibians and all our stakeholders who lost their loved ones to Covid-19. We pray for peace and comfort during this difficult time.

We are committed to building on our 30 June 2021 results, we will maintain our strong cost discipline, carefully manage our credit risk and remain steadfast in delivering on our purpose, "Namibia is our home, we drive her growth" in the second half of 2021 and beyond.

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 2021, 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.

SHORT FORM ANNOUNCEMENT

This short form announcement is the responsibility of the directors. It is only a summary of the information contained in the full announcement and does not contain full or complete details.

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

Any investment decision should be based on the full announcement and financial statements accessible from Friday, 3 September 2021, via our website at <https://www.standardbank.com.na/> and via the NSX link <https://senspdf.jse.co.za/documents/2021/nsx/isse/sno/ResJun2021.pdf>

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

By order of the Board

03 September 2021

BOARD OF DIRECTORS

H Maier (Chairman), I Tjombonde, J Muadinohamba, P Schlebusch, N Bassingthwaigthe, B Rossouw, M Shivute Dax, M Geises, L du Plessis, A Mangale.

REGISTERED OFFICE

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AUDITORS

PricewaterhouseCoopers, 344 Independence Avenue, Windhoek, Namibia.

SPONSOR

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Registration No 95/505.

TRANSFER SECRETARIES

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