

SBN Holdings Limited
(Incorporated in the Republic of Namibia)
(Registration number: 2006/306)
ISIN: NA000A2PQ3N5
NSX Share Code: SNO
(“SBN Holdings” or “the Group”)

UNREVIEWED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

Overview

Our financial results for the first half of the 2024 financial year reflect our commitment to live true to our purpose through delivering on our strategic objectives and we are pleased to note that good progress has been made towards achieving our financial targets.

Operating environment

Global economic growth is projected to be steady but slow in 2024 before improving slightly in 2025. Headline inflation shocks have receded in most major global economies without causing an economic recession. However, the higher-for-longer interest rates, debt difficulties, and escalating geopolitical risks continued to pose a challenge to stable and sustained economic growth.

Despite these challenging global economic conditions, Namibia’s economy has remained resilient. The domestic economy has shown positive growth for twelve consecutive quarters, with a 4.7% year on year real gross domestic product (GDP) growth for the first quarter of 2024 as reported by the Namibia Statistics Agency (NSA). The economy is expected to continue on a positive trajectory, albeit at a slower pace, over the coming year.

Domestic inflationary pressures continue to ease year on year. Monthly annual inflation decelerated from 5.4% in January 2024 to 4.5% in March 2024, but has since been slowly increasing as evidenced by the inflation rate of 4.6% in June 2024, primarily driven by higher transport inflation due to fuel price increases in recent months.

Following a detailed review of economic developments, the Bank of Namibia (BoN) has held rates steady since June 2023. This monetary policy stance is to safeguard the peg between the Namibian Dollar and the South African Rand while stimulating domestic economic activity. This aligns with developments in most countries where central banks have left rates unchanged to curb inflation. The continued high interest rate environment and inflationary pressures have dampened consumer and business demand, as reflected by the decline in Private Sector Credit Extension (PSCE), from 3.0% at 30 June 2023 to 1.8% at 30 June 2024.

In February 2024, Namibia was greylisted by the Financial Action Task Force’s Plenary and placed under increased monitoring. The group will continue supporting Namibia through the National Focal Committee to timeously address the remaining shortcomings identified and fast-track progress towards full compliance with international Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation Framework standards.

Dividends

Notice is hereby given that an interim cash dividend for the six months ended 30 June 2024 of 68 cents per ordinary share was declared on 6 August 2024.

Last day to trade cum dividend:	6 September 2024
First day to trade ex-dividend:	9 September 2024
Record date:	13 September 2024
Payment date:	27 September 2024

Highlights from the group’s results for the six months ended 30 June 2024

- Funding optimisation, higher trading and transactional volumes have contributed to the group’s strong performance in the first half of 2024. Profit grew by 38.0% period-on-period to N\$505.7 million. The cost-to-income ratio decreased to 54.9% from 58.2% in June 2023 and ROE improved from 15.6% in December 2023 to 18.6% in June 2024.
- Net interest income increased by 18.3% to N\$1.0 billion. This increase is attributable to the growth in loans and advances to customers of 5.0% and the realisation of funding optimisation strategies, which improved the net interest margin to 6.0% (31 December 2023: 5.2%).
- Growth in transaction volumes and client activities resulted in a 13.3% increase in non-interest revenue to N\$765.1 million. Trading revenue growth of 37.7% to N\$122.4 million was driven by increased transaction volumes and volatility in the currency markets. Other gains and losses on financial instruments increased by 88.8% to N\$75.0 million, mainly due to the higher returns on excess liquidity invested in unit trusts and money market funds.

Credit impairment charges decreased by 29.3% to N\$92 million. The decrease is largely as a result of the regularisation of group scheme home loan accounts, which were previously impaired due to technical arrears. Excluding these exposures, impairment charges increased by 7% period-on-period. The credit loss ratio (CLR) decreased period-on-period to 0.7%. Normalising credit impairments for the aforementioned group scheme exposures results in a CLR increase of 0.1% from 0.6% in 2023. Given the difficult macro-economic environment (prolonged high interest rates and elevated inflation), the non-performing loans (NPLs) ratio increased to 6.06%, but still remaining within the industry average of 6.1% as at 31 March 2024. Excluding one large client exposure, which has been disposed of and funds expected subsequent to period-end, the NPL ratio would be 5.6%. Inflows to NPLs are mainly from home loans and other secured lending. Our overall and specific debt provision coverage ratios are 4% (June 2023: 4%) and 37.0% (June 2023: 36.8%) respectively. The group continues to closely monitor the CLR and the progress made on short- and long-term strategic initiatives on managing non-performing loans.

- Inflationary increases and continued investment in technology caused operating expenses to increase by 9.5% to N\$982 million. The 23.3% increase in IT expenses was mainly driven by:
 - continued investments to enhance customer experience;
 - automation initiatives to achieve operational excellence and improve efficiencies;
 - investments to reinforce our risk and compliance enablement and enhance our digital capabilities; as well as

- the impact of the depreciation of the Namibian dollar against major currencies on services provided by foreign denominated cross border vendors.

Staff costs increased by 6.9%, driven by annual increases, a higher headcount due to filling of vacant positions and variable remuneration that increased in line with the group's performance.

Other operating costs excluding IT and staff costs increased by 5.8% period-on-period.

Operating expenses growth was well below total income growth, which resulted in a positive JAWS ratio of 6.6% and a decline of the cost to income (CTI) ratio to 54.9%, which is tracking closer to industry average of 53.1% (as at 31 March 2024). The group continues to focus on cost management to drive the attainment of a CTI ratio that is within industry and our targets.

- Notwithstanding the relatively subdued credit demand, as evidenced by a PSCE of 1.8% as at 30 June 2024, gross loans and advances to customers registered growth of 5.0% period-on-period to N\$22.7 billion. The increase was mainly driven by the 35.3% increase in corporate lending and the 5.4% increase in vehicle and asset finance. Gross loans and advances to banks decreased by 29.3%, driven by customers' call deposit withdrawals, deployment of funds into Eurobonds as part of an endowment hedge and placement of additional funds to the operational account with the central bank. This decrease is aligned to the reduction in call deposits, an increase in financial investments and an increase in cash and balances with the central bank.
- Deposits and current accounts from customers decreased marginally by 1.5% to N\$28.7 billion for the six months ended 30 June 2024. This was driven by decreases in call deposits and negotiable certificates of deposit (NCDs, in line with our funding optimisation strategy). The decrease was offset by a significant increase of 33.1% in current accounts and an increase of 13.5% in cash management deposits. The group is focused on growing its funding base through different initiatives undertaken.
- Financial investments increased by N\$1.7 billion period-on-period, driven by additional government bond purchases in the banking book to meet Basel III high quality liquid asset requirements and endowment hedging, as well as additional placements in money market funds. The decrease in derivative assets of N\$134.2 million is attributable to the maturity of foreign exchange forwards taken by clients to hedge their currency positions. These client transactions are hedged out in the market and caused the corresponding decrease in derivative liabilities of N\$137.6 million.
- The group maintained strong capital ratios, with a total capital adequacy ratio of 18.9% and a common equity tier 1 ratio of 16.9%. The group proactively manages its capital levels to support business growth and maintain depositors and creditors confidence. The capital management strategy ensures that regulatory requirements are always met and that value is created for shareholders.

Board changes during the year

The board chairman, Herbert Maier, retired after serving on the board for more than 10 years. It is with heartfelt gratitude that we thank him for his contributions to the group, and we wish him well in the next chapter of his journey. Isac Hiriua Tjombonde, an independent non-executive director, was appointed as the new board chairman. We welcome Sipiwe Themba Bruce Madonsela, a Standard Bank Group Limited (SBGL) appointed director, and Arlington Tendai Matenda, the chief finance and value management officer, to the board and look forward to their contributions to the success of the board.

Outlook

The world economy is expected to continue recovering at a subdued pace. The International Monetary Fund's July 2024 World Economic Outlook update estimates global economic growth of 3.2% for 2024 and 2025 growth is forecast to be at the same pace as in 2023.

Namibia's economic growth rate is expected to decrease to 3.5% in 2024 before improving to 3.9% in 2025. The projected slowdown in 2024 is largely due to the anticipated weaker global demand and slower growth in the primary industries, particularly the mining industry. GDP growth in 2025 will be underpinned by rebounding of activities within the agriculture and mining sectors.

Customer spending is expected to remain contained with disposable income still under pressure from high interest rates and elevated inflation. We will continue to support our clients through these challenging times, and transforming our client's experience remains our priority.

Looking ahead, we remain steadfast in fulfilling our purpose through our pursuit of innovation, excellence and customer satisfaction. We eagerly anticipate a future marked by shared success, sustainable growth and creation of enduring value.

Appreciation

We express our deepest gratitude to the dedicated employees, loyal customers, supportive board of directors, committed shareholders, regulators, and all other stakeholders for their unwavering support throughout the period. Their collective efforts have been instrumental in the continuing success of the group.

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 2024, 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 Thursday, 15 August 2024, 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.

IH Tjombonde		E Tjipuka
Chairman		Chief Executive

15 August 2024

BOARD OF DIRECTORS

IH Tjombonde (Chairman); E Tjipuka; S Hornung; STB Madonsela; AT Matenda; JS Mwatotele; JG Riedel; PL Schlebusch; NA Tjipitua.

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.

TRANSFER 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 2024

	June 2024 Unreviewed NS'000	June 2023 Unreviewed NS'000	December 2023 Audited NS'000
Assets			
Cash and balances with the central bank	2 392 213	3 352 974	1 675 382
Derivative assets	83 561	217 723	71 123
Trading assets	512 005	625 595	494 985
Financial investments	7 454 131	5 742 974	7 103 628
Normal tax assets	21 877	66 761	92 749
Properties in possession ¹	369 658	494 601	439 255
Loans and advances	25 560 980	26 131 070	26 953 890
Other assets	655 647	268 818	424 951
Property, equipment and right-of-use assets	884 976	915 021	904 883
Goodwill and other intangible assets	425 065	512 975	457 901
Deferred tax assets	47 047	46 633	50 843
Total assets	38 407 160	38 375 145	38 669 590
Equity and liabilities			
Equity	5 292 339	4 905 293	5 087 791
Ordinary share capital	1 045	1 045	1 045
Ordinary share premium	642 189	642 189	642 189
Reserves	4 629 814	4 245 295	4 425 581
Non-controlling interest	19 291	16 764	18 976
Liabilities	33 114 821	33 469 852	33 581 799
Derivative liabilities	76 829	214 447	69 048
Trading liabilities	40 609	48 819	46 366
Deposits and current accounts	29 168 811	29 831 349	30 209 417
Debt securities issued	2 033 730	2 534 109	2 230 957
Provisions and other liabilities ²	1 763 421	815 802	996 875
Deferred tax liabilities	31 421	25 326	29 136
Total equity and liabilities	38 407 160	38 375 145	38 669 590

¹ During FY23, the group reassessed the order of liquidity within the statement of financial position and moved properties in possession above the loans and advances line on the face of the statement of financial position as these items were found to be more liquid than those that follow them in the above presentation. This had no impact on the associated amounts within these line items. The reorder has also been applied to 1H23 and notes where the line items are listed.

² The period-on-period movement is mainly due to the timing of the settlement of other payables, which took place in July 2024 subsequent to the period end.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2024

	June 2024 Unreviewed NS'000	June 2023 Unreviewed NS'000	December 2023 Audited NS'000
Net interest income	1 021 757	863 798	1 800 015
Non-interest revenue	765 123	675 031	1 455 093
Total income	1 786 880	1 538 829	3 255 108
Credit impairment charges	(91 884)	(130 027)	(163 411)
Net income before operating expenses	1 694 996	1 408 802	3 091 697
Operating expenses	(981 705)	(896 302)	(1 976 192)
Net income before indirect taxation	713 291	512 500	1 115 505
Indirect taxation	(21 369)	(12 505)	(49 170)
Profit before direct taxation	691 922	499 995	1 066 335
Direct taxation	(186 259)	(133 545)	(296 622)
Profit for the period	505 663	366 450	769 713
Attributable to ordinary shareholders	505 348	365 216	766 267
Attributable to non-controlling interest	315	1 234	3 446
Basic and diluted earnings per ordinary share (cents)	97	70	147

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2024

	June 2024 Unreviewed NS'000	June 2023 Unreviewed NS'000	December 2023 Audited NS'000
Profit for the period	505 663	366 450	769 713
Other comprehensive loss (OCI) after tax for the period	1 918	(3 812)	(5 139)
Items that may be subsequently reclassified to profit or loss:			
Net change in debt financial assets measured at fair value through OCI	1 918	(3 812)	1 319
Net change in expected credit loss (ECL)	(308)	115	1 454
Net change in fair value	2 226	(3 927)	(135)
Items that may not be subsequently reclassified to profit or loss:			
Fair value movement on post-employment benefit	—	—	(6 458)
Total comprehensive income for the period	507 581	362 638	764 574
Attributable to ordinary shareholders	507 266	361 404	761 128
Attributable to non-controlling interest	315	1 234	3 446

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2024

	Ordinary equity NS'000	shareholders' Non- Interest NS'000	Controlling	Total equity NS'000
Balance at 1 January 2023 (audited)		4 767 462	15 530	4 782 992
Total comprehensive income for the period		361 404	1 234	362 638
Transactions with owners and non-controlling interests recorded directly in equity		(240 337)	—	(240 337)
Dividends		(240 337)	—	(240 337)
Balance at 30 June 2023 (unreviewed)		4 888 529	16 764	4 905 293
Total comprehensive income for the period		399 724	2 212	401 936
Transactions with owners and non-controlling interests recorded directly in equity		(219 438)	—	(219 438)
Dividends		(219 438)	—	(219 438)
Balance at 31 December 2023 (audited)		5 068 815	18 976	5 087 791
Total comprehensive income for the period		507 266	315	507 581
Transactions with owners and non-controlling interests recorded directly in equity		(303 033)	—	(303 033)
Dividends		(303 033)	—	(303 033)
Balance at 30 June 2024 (unreviewed)		5 273 048	19 291	5 292 339

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2024

	June 2024 Unreviewed NS'000	June 2023 Unreviewed Restated* NS'000	December 2023 Audited Restated* NS'000
Net cash flows (utilised in) / from operating activities¹	(134 692)	3 489 785*	2 177 770*
Direct taxation paid	(110 781)	(153 919)	(342 041)
Other operating activities	(23 911)	3 643 704*	2 519 811*
Net cash flows used in investing activities	(34 804)	(50 796)	(92 095)
Capital expenditure	(34 804)	(50 796)	(92 095)
Net cash flows used in financing activities	(501 705)	(246 894)	(774 578)
Dividends paid	(300 797)	(239 603)	(459 775)
Senior debt issued	150 000		
Senior debt redeemed	(344 500)		(300 000)
Principal element of lease payments	(6 408)	(7 291)	(14 803)
Net (decrease)/ increase in cash and cash equivalents	(671 201)	3 192 095*	1 311 097*
Cash and cash equivalents at the beginning of the period	6 256 809	4 783 533	4 783 533
Effects of exchange rate changes on cash and cash equivalents	(26 935)	239 049*	162 179*
Cash and cash equivalents at the end of the period	5 558 673	8 214 677	6 256 809

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

¹ The movement in cash used in operating activities for the current period is mainly due to the increase in interest earning assets and the decrease in deposits and current accounts.

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 2024 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 2024 (results) are prepared in accordance with the requirements of the NSX Listings Requirements, the requirements of IFRS® Accounting 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 6 August 2024.

3. Significant accounting policies

The accounting policies applied in these 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 2023, except for the adoption of new and amended IFRSs 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. Restatement

Effects of exchange rate differences on cash and cash equivalents

During the period, it was noted that a portion of the effects of exchange rate differences on cash and cash equivalents was erroneously disclosed under cash flows from other operating activities instead of effects of exchange rate differences on cash and cash equivalents, as required by paragraph 28 of IAS 7 - *Statement of Cash Flows*. The allocation was corrected and the balances of the relevant lines were restated.

This restatement had no impact on either the condensed consolidated statement of financial position or condensed consolidated income statement and had the following impact on the condensed consolidated statement of cash flows:

	1H23		
	Previously reported N\$'000	Restatement N\$'000	Restated N\$'000
Net cash flows from operating activities	3,337,895	151,890	3,489,785
Direct taxation paid	(153,919)		(153,919)
Other operating activities	3,491,814	151,890	3,643,704
Net cash flows used in investing activities	(50,796)		(50,796)
Net cash flows used in financing activities	(246,894)		(246,894)
Net increase in cash and cash equivalents	3,040,205	151,890	3,192,095
Cash and cash equivalents at the beginning of the period	4,783,533		4,783,533
Effects of exchange rate differences on cash and cash equivalents	390,939	(151,890)	239,049
Cash and cash equivalents at the end of the period	8,214,677		8,214,677

	FY23		
	Previously reported N\$'000	Restatement N\$'000	Restated N\$'000
Net cash flows from operating activities	2,301,109	(123,339)	2,177,770
Direct taxation paid	(342,041)		(342,041)
Other operating activities	2,643,150	(123,339)	2,519,811
Net cash flows used in investing activities	(92,095)		(92,095)
Net cash flows used in financing activities	(774,578)		(774,578)
Net increase in cash and cash equivalents	1,434,436	(123,339)	1,311,097
Cash and cash equivalents at the beginning of the year	4,783,533		4,783,533
Effects of exchange rate differences on cash and cash equivalents	38,840	123,339	162,179
Cash and cash equivalents at the end of the year	6,256,809		6,256,809

Reallocation between classes of loans and advances

Commercial property loans with a gross carrying amount of N\$532.1 million for FY23 and N\$594.5 million for 1H23 were reallocated from “Home services” to “Other loans and advances” due to a misallocation. This restatement is only for presentation purposes and has no impact on the group’s condensed consolidated statement of financial position, condensed consolidated income statement, condensed consolidated statement of cash flows or any disclosed ratios.

5. Events subsequent to the reporting date

The directors are not aware of any material events, occurring between 30 June 2024 and the authorisation date of the announcement that would have an impact on these results.

6. Earnings and net asset value per share

	June 2024	June 2023	December 2023
	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)	97	70	147
Headline earnings per share (cents)	97	70	150
Net asset value per share (cents)	1 009	936	970
Headline earnings reconciliation:			
Profit after tax attributable to ordinary shareholders	505 348	365 216	766 267
Adjusted for:			
(Profit)/loss on sale of property and equipment (net of tax)	(134)	(502)	(833)
Impairments on property and equipment (net of tax)	—	—	459
Impairment of Goodwill (net of tax)	—	—	17 629
Headline earnings	505 214	364 714	783 522