

SBN Holdings Limited

Results announcement

for the year ended 31 December 2013



Return on equity
18.29%

2012
18.03%

Credit loss ratio
0.49%

2012
0.27%

Cost-to-income ratio
64.99%

2012
63.07%

Return on assets
1.64%

2012
1.78%

Consolidated condensed statement of financial position

at 31 December 2013

	YOY change %	2013 N\$'000	2012 Restated N\$'000	2011 N\$'000
Assets				
Cash and balances with central banks	(41)	643 728	1 095 026	1 337 871
Derivative assets	(12)	26 344	30 038	51 079
Trading assets	(68)	53 478	168 585	56 822
Financial investments	42	3 582 793	2 524 776	2 429 782
Loans and advances	8	13 214 941	12 261 893	10 137 895
Loans and advances to banks	196	86 595	29 231	2 563
Loans and advances to customers	7	13 128 346	12 232 662	10 135 332
Current tax receivable	136	23 430	9 939	617
Deferred taxation asset	65	20 218	12 225	57 997
Other assets	(51)	153 317	309 876	143 350
Assets in group companies and joint ventures	43	2 181 779	1 527 014	1 655 363
Intangible assets	(100)		9 246	144 059
Property, plant and equipment	23	297 465	242 165	195 463
Total assets	11	20 197 493	18 190 783	16 210 298
Equity and liabilities				
Equity attributable to ordinary shareholders				
Share capital – ordinary	0	1 000	1 000	1 000
Share premium on issue of shares	0	442 234	442 234	442 234
Reserves	17	1 435 273	1 231 632	1 120 505
Total equity	12	1 878 507	1 674 866	1 563 739
Liabilities				
Derivative liabilities	11	34 656	31 144	89 444
Deposit and current accounts	15	16 222 054	14 165 566	13 465 491
Deposits from banks	239	461 862	136 415	124 378
Deposits from customers	12	15 760 192	14 029 151	13 341 113
Debt securities issued	0	656 610	655 173	389 258
Current taxation liability	(100)		2 587	5 920
Other liabilities	4	313 170	301 402	359 766
Loans from group companies	(20)	1 092 496	1 360 045	336 680
Total liabilities	11	18 318 986	16 515 917	14 646 559
Total equity and liabilities	11	20 197 493	18 190 783	16 210 298

Consolidated condensed income statement

for the year end 31 December 2013

	YOY change %	2013 N\$'000	2012 Restated N\$'000
Net interest income			
Interest income	12	1 364 192	1 218 247
Interest expense	8	675 398	623 475
Non-interest revenue	12	709 049	632 101
Net fee and commission revenue	10	476 124	432 792
Fee and commission revenue	10	526 894	478 604
Fee and commission expense	11	50 770	45 812
Trading revenue	29	98 347	76 440
Other income	10	134 578	122 869
Total income	14	1 397 843	1 226 873
Credit impairment charges	98	64 708	32 632
Income after credit impairment charges	12	1 333 135	1 194 241
Operating expenses			
Employee costs	13	482 153	426 956
Other operating expenses	23	426 238	346 792
Net income	1	424 744	420 493
Income from equity accounted investments	(167)	(487)	726
Net income before indirect taxation	1	424 257	421 219
Indirect taxation	(12)	14 997	17 055
Profit before direct taxation	1	409 260	404 164
Direct taxation	(13)	89 796	102 649
Profit for the year attributable to ordinary shareholders	6	319 464	301 515

Consolidated condensed statement of changes in equity

for the year end 31 December 2013

	Total share capital N\$'000	Available for sale revaluation reserve N\$'000	Share-based payment reserve N\$'000	Statutory credit risk reserve N\$'000	Post-employment benefit reserve N\$'000	Retained earnings N\$'000	Total equity N\$'000
Balance at 1 January 2012	443 234	(828)	5 606	94 578		1 021 151	1 563 741
Profit for the year						301 515	301 515
Other comprehensive income		4 858			2 723	7 581	7 581
Total comprehensive income for the year						301 515	309 096
Equity-settled share-based payment transactions			2 029				2 029
Transfer between reserves				3 000		(3 000)	(200 000)
Dividends						(200 000)	(200 000)
Total contributions by and distributions to owners of company recognised directly in equity			2 029	3 000		(203 000)	(197 971)
Balance at 1 January 2013 as previously presented	443 234	4 030	7 635	97 578		1 122 389	1 674 866
Restatement					2 723	(2 723)	
Balance at 1 January 2013 as restated	443 234	4 030	7 635	97 578	2 723	1 119 666	1 674 866
Profit for the year						319 464	319 464
Other comprehensive income		(6 283)			9 020	2 737	2 737
Total comprehensive income for the year						319 464	322 201
Equity-settled share-based payment transactions			1 440				1 440
Transfer between reserves				10 000		(10 000)	
Dividends						(120 000)	(120 000)
Total contributions by and distributions to owners of company recognised directly in equity			1 440	10 000		(130 000)	(118 560)
Balance at 31 December 2013	443 234	(2 253)	9 075	107 578	11 743	1 309 130	1 878 507

Consolidated condensed statement of other comprehensive income

for the year end 31 December 2013

	YOY change %	2013 N\$'000	2012 Restated N\$'000
Profit for the year		319 464	301 515
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Change in fair value of post employment benefit obligations	231	9 020	2 723
Items that may be subsequently reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets'	(229)	(6 283)	4 855
Other comprehensive income for the year net of taxation	(64)	2 737	7 578
Total comprehensive income	4	322 201	309 093

Consolidated condensed cashflow statement

for the year end 31 December 2013

	YOY change %	2013 N\$'000	2012 N\$'000
Cash flow used in operations			
Interest income	(21)	(785 193)	(646 517)
Dividends received	11	1 368 020	1 231 852
Interest expense	38	35 976	26 145
Tax (paid) received	(19)	(739 109)	(623 475)
	(61)	(113 865)	(70 873)
Net cash from operating activities	(183)	(234 171)	(82 868)
Cash flows from investing activities			
Net cash from investing activities	(343)	(97 127)	40 023
Cash flows from financing activities			
Dividends paid	(40)	(120 000)	(200 000)
Net cash from financing activities	(40)	(120 000)	(200 000)
Total cash and balances with central banks movement for the year	(86)	(451 298)	(242 845)
Cash and balances with central banks at the beginning of the year	(18)	1 095 026	1 337 871
Total cash and balances with central banks at end of the year	(41)	643 728	1 095 026

Consolidated condensed segment report

	YOY change %	2013 N\$'000	2012 Restated N\$'000
Revenue contribution by Business unit			
Personal & Business Banking	21	1 036 336	853 883
Corporate & Investment Banking	0	345 647	345 429
Banking activities	15	1 381 983	1 199 312
Other	(42)	15 860	27 561
SBN Holdings – ordinary shareholders	14	1 397 843	1 226 873
Profit attributable to ordinary shareholders			
Personal & Business Banking	36	200 091	147 075
Corporate & Investment Banking	(20)	109 093	135 525
Banking activities	9	309 184	282 600
Other	(46)	10 280	18 915
SBN Holdings – ordinary shareholders	6	319 464	301 515

Accounting policies

The condensed consolidated financial statements of SBN Holdings Limited and its subsidiaries (the Group) have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia.

The directors of SBN Holdings Limited take full responsibility for the preparation of this announcement and that the financial information, where applicable, has been correctly extracted from the underlying annual consolidated financial statements. This announcement is not itself audited.

The same accounting policies, presentations and method of computation have been followed in this announcement as were applied in the preparation of the Group's annual financial statements for the financial year ended 31 December 2012, except for the adoption of IFRS10, 11, 12, 13 and 19R, and the reclassification of debt securities issued, which resulted in the restatement as highlighted below.

Adoption of IAS 19 (revised 2011) - The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense/income to be calculated as the product of the net defined benefit liability/asset and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognising an expected return on plan assets. The revised standard requires actuarial gains and losses to be recognised directly in other comprehensive income and not part of the income statement as per the previous standard. The effect of the changes to the accounting policies was a net decrease in profit for the year attributable to ordinary shareholders of N\$2.72 million for the year ended 31 December 2012.

Reclassification of Debt securities issued - In prior periods debt securities issued were disclosed as part of deposit and current accounts in the statement of financial position. In the current year, debt securities issued are disclosed as a separate line item in the statement of financial position.

The consolidated financial statements are presented in Namibia dollars. All amounts are stated in thousands of dollar (N\$'000s), unless indicated otherwise.

Capital adequacy ratio

	Minimum regulatory requirement %	Target ratio %	Including unappropriated profits 2013 %	2012 %	Excluding unappropriated profits 2013 %	2012 %
Group						
Total capital adequacy ratio	10	11 – 12	12.49	11.81	12.14	12.16
Tier I capital adequacy ratio	7	7.7 – 8.2	11.52	10.78	11.17	10.42
Tier I leverage ratio	6	6.6 – 7.2	8.07	7.83	7.83	7.60
Bank						
Total capital adequacy ratio	10	11 – 12	12.13	11.81	11.86	11.81
Tier I capital adequacy ratio	7	7.7 – 8.2	11.16	10.78	10.89	10.21
Tier I leverage ratio	6	6.6 – 7.2	7.75	7.83	7.56	7.42

Other information

	YOY change %	2013	2012
Total branches	2	52	51
Total ATMs	5	160	152
Total headcount	5	1 503	1 433

Commentary

The Standard Bank Namibia Group produced a satisfactory performance in 2013, increasing profit after tax by 6% and total assets by 11%. Group return on equity (ROE) has increased to 18.29% from 18.03% in 2012. Total income grew by 14% and expenses grew by 17% reflecting the investment made in the localisation of systems.

Revenue

Total revenue increased by 14% over the year with net interest income (NII) growing strongly by 16% and non-interest revenue (NIR) up by 12%. The NII growth of 16% was achieved in spite of moderate customer loan growth of 7% to customers. Continued repricing of the residential mortgage portfolio, the product mix benefit resulting from growth in higher-margin unsecured lending and focused monitoring of funding costs resulted in further margin expansion.

Net fee and commission growth of 10% over the year was driven mostly by a good performance from Personal & Business Banking (PBB) despite no price increases on personal transactional accounts during the year. Further good growth was experienced in bancassurance income which supported PBB's fee and commission levels. Corporate & Investment Banking (CIB) fee and commission levels were affected by a decline in transaction levels.

Trading revenue grew by 29% due mainly to a strong performance from currency trading during the year in, due in part to significant inward investment in infrastructure projects within Namibia.

Credit impairments

Credit impairments increased by 98% over the year and the credit loss ratio increased to 0.49% from 0.27% in 2012. The bank's credit loss ratio of 0.49% (2012: 0.27%) was driven mainly by small and medium enterprise (SME) lending and higher losses in card products and instalment sale and finance leases off low bases in 2012.

Operating expenses

Operating expenses increased by 17% in 2013. Staff costs increased by 13%, driven by an increase in employee levels arising from additional points of representation and the localisation of processes supporting systems. Other operating expenses increased by 23% mainly driven by higher IT and depreciation charges reflecting the investment made in the short term. Although these investments in IT place pressure on our cost ratios, we expect to reap the benefits of more efficient processes in future.

The group's cost-to-income ratio increased to 64.99% from 63.07% in 2012. The group continues to invest in staff and infrastructure to provide excellent customer service and deliver on our strategic priorities. We strive to control costs tightly while investing for long-term growth.

Loans and advances

Total loans and advances grew by 8% from 2012 – mainly driven by growth in residential mortgage (11%) and vehicle asset and finance (15%). CIB loans and advances grew by 2% in line with its strategy to contain growth in risk-weighted assets.

Prospects

The global economic outlook appears somewhat brighter in recent months due to the strengthening of US growth. However, the distribution of expected growth is unbalanced with the Eurozone struggling to lift economic activity. Robust economic growth of around 6% is expected generally across sub-Saharan Africa in 2014, but only a mild improvement to 5% growth is expected for Namibia assuming some negative impact from higher interest rates and subdued consumer demand.

We are confident of the quality and dedication of our people to serve and provide value for our clients in Namibia. Competition is high in all the markets we serve and business operating environments remain challenging. However, the group's capital and liquidity strength, together with our firm commitment to our strategy which includes the building of world-class information systems and the strengthening of our customer service levels, provides substantial opportunity for growth and to deliver higher levels of value to our shareholders over the medium term.

Report of the independent auditor

The unmodified audit report of PricewaterhouseCoopers, the independent auditor, on the annual financial statements and the abridged financial statements contained herein for the year ended 31 December 2013, dated 28 March 2013, is available for inspection at the registered office of the group.

Registered address:

5th Floor, Standard Bank Centre, Corner of Werner List Street & Post Street Mall, PO Box 3327, Windhoek, Namibia

Registration number:

2006/306

Country of incorporation:

Republic of Namibia

The directors of the company during the year and to the date of this report are as follows:
Mr H Maier*, Mr MM Pupuma*, Dr N Hamunime*, Mr JL Muadinohamba*, Mrs BR Hans*, Ms PM Nyandoro*, Mrs M Namundjebo-Tilahun*, Adv N Bassingthwaite*, Mrs B Eimbeck*
* Namibian * South African * Zimbabwean

Company Secretary

Adv S Tjijorokisa