

# Condensed Interim Financial Statements

Unaudited financial results for the six month period ended 30 June 2011



## Overview

The unaudited net profit of Standard Bank's operations in Namibia for the six month period ended 30 June 2011 increased by 5% from N\$ 141 million to N\$ 148 million.

Standard Bank Namibia's (SBN) unaudited net profit for the six month period ended 30 June 2011 decreased by 3% to N\$132 million compared to the six month period ended 30 June 2010 (1H2010). The return on average equity decreased to 18.7% (1H2010: 21.9%) and return on average assets decreased to 1.8% (1H2010: 2.2%) mainly due to significantly higher capital.

The decrease in profitability is mainly attributable to a revision in risk appetite leading to constrained growth in loans and advances. The cyclical downturn in interest rates as well as SBN's voluntary 50 basis points decrease in the spread between prime and bank rate during the latter part of 2010 placed pressure on margins. SBN's prudent approach to credit impairments remained unchanged.

SBN's liquidity and capital positions remained sound and it is well positioned for the future.

## Results analysis

Net interest income (NII) for the six month

period ended 30 June 2011 decreased by 3% compared to the same period in 2010 due to higher impairment charges and the impact of margin compression.

Non-interest revenue increased by 3% mainly on the back of fees and commission revenue performances. The 5% decrease in trading revenue was a pleasing performance given trading conditions. Other income decreased by 11% as money market yields contracted severely.

Credit impairment charges increased by 93% to N\$25.8 million from a low base in 2010. The credit loss ratio of 0.3% (1H2010: 0.2%) is within industry norms and the non-performing loans ratio improved substantially to 1.7% (1H2010: 2.6%) illustrating the focus that this key area receives.

Operating expenses decreased by 1% driven mainly by a decrease in information technology expenditure and the capitalization of certain qualifying costs related to the implementation of a new core banking system. The cost to income ratio decreased to 56.8% (1H2010: 58.7%).

## Liquidity

SBN's ability to attract customer deposits remained strong, contributing to a 19%

growth in deposits and current accounts. The Bank managed its liquidity risk exposures proactively within prudent risk parameters. The Namibian banking sector as a whole exhibited surplus liquidity over much of the year; coupled with the requirement to manage the structural liquidity mismatches this generated more liquidity than needed and the negative carry on cash placements impacted adversely on profitability.

## Capital

The company maintained its prudent approach to capital management during the year with a total capital adequacy ratio of 14.1% (1H2010: 13.7%), tier 1 capital adequacy ratio of 11.9% (1H2010: 11.2%) and a leverage ratio of 8.7% (1H2010: 8.4%). These ratios are well in excess of the buffer requirements but in terms of the capital plan no dividends were paid in 2010 or during the six month period ended June 2011.

## Prospects

Current global economic uncertainty shows little sign of abating and, indeed, the events of the last few weeks point to further volatility and softer prospects for global economic growth. Consumers remain vulnerable and, despite our expectation that interest rates will remain on hold for the remainder of the year, we expect only moderate credit growth.

Our strong capital position and our sharpened focus on cost discipline will enable us to build further on the progress we have made in the first half of the year. We will continue our efforts to grow our client franchises and improve returns to shareholders.

## Statement of compliance and basis of preparation

The interim condensed financial statements of the Bank for the six month period ended 30 June 2011 are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2010.

## Audit Opinion

Standard Bank Namibia's financial results for the six months ended 30 June 2011 have not been audited or independently reviewed by the Bank's external auditors.

PricewaterhouseCooper's unmodified audit reports on the 2010 comprehensive annual financial statements and the 2010 summarised financial statements are available for inspection at the Bank's registered office.

## Income statement for the period ended 30 June 2011

	% change	Unaudited six months ended 30 June 2011	Unaudited six months ended 30 June 2010	Audited year ended 31 December 2010	Audited Year ended 31 December 2009
	six months ended 30 June	N\$'000	N\$'000	N\$'000	N\$'000
Net interest income	-3	233,499	241,749	502,710	470,833
Interest income	-9	503,004	553,477	1,111,366	1,166,374
Interest expense	-14	269,505	311,728	608,656	695,541
Non-interest revenue	3	261,071	252,554	564,068	494,356
Net fees and commission revenue	9	183,395	167,763	385,438	305,006
Fees and commission revenue	14	195,203	171,163	412,695	325,125
Fees and commission expense	>100	11,808	3,400	27,257	20,119
Trading revenue	-5	34,644	36,651	76,698	78,747
Other revenue	-11	43,032	48,140	101,932	110,603
Total income	-	494,570	494,303	1,066,778	965,189
Credit impairment charges	93	25,752	13,368	7,315	40,878
Income after credit impairment charges	-3	468,818	480,935	1,059,463	924,311
Operating expenses	-1	289,531	292,345	631,492	587,123
Net income before associate	-5	179,287	188,591	427,971	337,188
Share of profits from associate	-68	(46)	(141)	655	1,382
Net income before indirect taxation	-5	179,241	188,450	428,626	338,570
Indirect taxation	-34	3,593	5,448	9,357	11,695
Profit before direct taxation	-4	175,648	183,002	419,269	326,875
Direct taxation	-6	43,725	46,511	105,929	74,978
Profit for the period	-3	131,923	136,491	313,340	251,897

## Statement of comprehensive income for the period ended 30 June 2011

	% change	Unaudited six months ended 30 June 2011	Unaudited six months ended 30 June 2010	Audited year ended 31 December 2010	Audited Year ended 31 December 2009
	six months ended 30 June	N\$'000	N\$'000	N\$'000	N\$'000
Profit for the period before associate income	-3	131,969	136,631	312,685	250,515
Other comprehensive income after tax for the period	30	1,021	783	840	5,574
Total comprehensive income for the period	-3	132,990	137,415	313,525	256,089

## Statement of financial position as at 30 June 2011

	% change	Unaudited six months ended 30 June 2011	Unaudited six months ended 30 June 2010	Audited year ended 31 December 2010	Audited Year ended 31 December 2009
	at 30 June	N\$'000	N\$'000	N\$'000	N\$'000
<b>Assets</b>					
Cash and balances with central bank	19	387,929	327,352	360,758	247,287
Derivative assets	12	45,354	40,601	169,732	55,647
Trading assets	-47	287,673	545,810	400,555	314,634
Financial investments	8	2,759,986	2,556,585	2,847,109	2,431,818
Loans and advances	19	9,953,717	8,348,193	9,907,217	9,439,844
Loans and advances to banks	89	574,258	304,332	1,225,210	1,303,737
Loans and advances to customers	17	9,379,459	8,043,861	8,682,007	8,136,107
Current tax asset	-100	-	14,590	11,379	16,486
Deferred asset	17	19,179	16,390	-	14,308
Other assets	159	806,146	311,474	386,010	510,669
Interest in subsidiaries and associate	-10	2,146	2,395	3,191	2,536
Intangible asset	>100	105,164	48,195	86,136	-
Property and equipment	74	162,620	93,424	122,252	93,440
Assets classified as held for sale	-	-	-	-	4,000
<b>Total assets</b>	<b>18</b>	<b>14,529,914</b>	<b>12,305,009</b>	<b>14,294,339</b>	<b>13,130,669</b>

	% change	Unaudited six months ended 30 June 2011	Unaudited six months ended 30 June 2010	Audited year ended 31 December 2010	Audited Year ended 31 December 2009
	six months ended 30 June	N\$'000	N\$'000	N\$'000	N\$'000
<b>Equity and liabilities</b>					
Equity	24	1,586,245	1,277,145	1,453,255	1,139,730
Share capital	-	2,000	2,000	2,000	2,000
Share premium	-	441,230	441,230	441,230	441,230
Reserves	37	1,143,015	833,915	1,010,025	696,500
Liabilities	17	12,943,668	11,027,865	12,841,084	11,990,939
Derivative liabilities	38	41,474	30,091	101,758	29,551
Trading liabilities	-	-	-	19,173	28,135
Deposit and current accounts	13	12,058,871	10,711,253	12,220,995	10,911,862
Current tax liability	>100	13,746	-	-	-
Deferred tax liability	-	-	-	7,609	-
Other liabilities	>100	606,639	78,741	273,432	817,600
Subordinated bonds	-	151,334	151,282	151,368	151,316
Provision for post-retirement benefits	27	71,604	56,498	66,749	52,475
<b>Total equity and liabilities</b>	<b>18</b>	<b>14,529,914</b>	<b>12,305,009</b>	<b>14,294,339</b>	<b>13,130,669</b>

## Statement of changes in equity for the period ended 30 June 2011

	Unaudited six months ended 30 June 2011	Unaudited six months ended 30 June 2010	Audited year ended 31 December 2010	Audited Year ended 31 December 2009
	N\$'000	N\$'000	N\$'000	N\$'000
Balance at beginning of the period	1,453,255	1,139,730	1,139,730	1,153,641
Total comprehensive income for the period	132,990	137,415	313,525	256,089
Dividend	-	-	-	(270,000)
Balance at end of period	1,586,245	1,277,145	1,453,255	1,139,730

## Statement of cash flows for the period ended 30 June 2011

	Unaudited six months ended 30 June 2011	Unaudited six months ended 30 June 2010	Audited year ended 31 December 2010	Audited Year ended 31 December 2009
	N\$'000	N\$'000	N\$'000	N\$'000
Net cash flows from operating activities	101,909	147,872	515,528	(153,988)
Net cash flows used in investing activities	(74,704)	(67,773)	(132,109)	(18,349)
Net cash flows from financing activities	(34)	(34)	(269,948)	53
Net increase/(decrease) in cash and cash equivalents	27,171	80,065	113,471	(172,284)
Cash and cash equivalents at beginning of the period	360,758	247,287	247,287	419,571
Cash and cash equivalents at end of the period	387,929	327,352	360,758	247,287

## Contingent liabilities

	Unaudited six months ended 30 June 2011	Unaudited six months ended 30 June 2010	Audited year ended 31 December 2010	Audited Year ended 31 December 2009
	N\$'000	N\$'000	N\$'000	N\$'000
Unutilised borrowing facilities	2,785,496	2,552,804	2,922,070	1,130,766
Guarantees	457,011	477,315	614,985	392,640
Letters of credit	17,232	16,156	82,908	71,341
Contracted capital expenditure	1,331	2,696	2,022	2,831
<b>Contingent liabilities</b>	<b>3,261,070</b>	<b>3,048,971</b>	<b>3,261,985</b>	<b>1,597,578</b>

## Financial statistics

	Unaudited six months ended 30 June 2011	Unaudited six months ended 30 June 2010	Audited year ended 31 December 2010	Audited Year ended 31 December 2009
	%	%	%	%
Return on average equity (%)	18.7	21.9	23.8	21.0
Return on average assets (%)	1.8	2.2	2.2	2.1
Credit loss ratio (%)	0.3	0.2	0.1	0.5
Cost to income (%)	56.8	58.7	59.2	60.8
Capital adequacy (%)	14.1	13.7	14.6	14.1