BANK WINDHOEK HOLDINGS

1H15 Initial Impression

FEBRUARY 2015

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Target Price (c)	1360
Current Price (c)	1401

Year End 30 June	2013A	2014A	F2015	F2016	F2017
Net interest income (N$m)	914	1,057	1,195	1,323	1,447
Non-interest income (N$m)	523	680	761	853	955
Profit (N$m)	493	625	691	775	867
HEPS (c)	109	121	138	155	173
P/E (x)#	12.9	11.6	10.2	9.1	8.1
DPS (c)	33	44	51	57	64
DY (%)	2.3	3.1	3.6	4.1	4.6
P/B (x)*	2.6	2.3	2.0	1.7	1.5

Recommendation	Hold
NSX Code	BWH
Market Cap (N$m)	7079
Shares in Issue (m)	505.3
Free float (%)	20
52 week high (c)	1501
52 week low (c)	1034
Expected Total Return (%)	0.7

Source: BWH, IJG
#Based on HEPS and current share price
**Based on current share price*

BWH released its results for first half of the year ended 31 December 2014. The firm continued to register good growth, in line with its highly consistent performance of the past five years. Operating profit expanded by 20.2% year on year, driving strong expansion in headline earnings per share of 17.5%, towards the top of the guidance range of 14 - 19%. Headline earnings now stand at N$360.7m or 71.6 cents per share. On the back of the stellar performance of the company, a dividend of 24cps was declared, up 1c from the same period of 2013.

Net interest income added 15.1% to N$601.5m on the back of 18.2% growth loans and advances to customers. The group maintained a net interest margin of 5.0%, and continues to pursue a strategy to diversify its sources of funding and extend the maturity profile of its funding. The major growth in loans and advances seen over the year exceeds the growth seen in total private sector credit extension (of 16.5%), meaning that Bank Windhoek is gaining market share in the loans and advances space. Over the period, Bank Windhoek went from a market share of 31 to 32%. The growth in loans and advances to customers outgrew the growth in funding, putting the bank under further funding pressure, as the loan to deposit ratio increased from 96.7% to 98.5% over the 12 month period to December 2014. As this loan-to-deposit ratio is running close to the maximum at the moment, Bank Windhoek will have to increase deposits and/or debt significantly through 2015 should they want to continue to issue loans anywhere close to the current rate. Should the company have to issue debt to fund further loans, this will result in some compression of the company's net interest margin, as the marginal cost of funding is likely to be higher than the current average cost of funding. Nevertheless, given current and expected interest rates, 2015 is likely to be a good year in which to issue debt, which debt will also help with the maturity mismatch inherent to all banks.

Non-interest income increased by 16.4% in the 12 months to December 2014, and now stands at N$395.7m. As a result of slightly stronger growth in non-interest income than interest income, non-interest income now represents 40.2% of operating income, up from 39.8% as of December 2013. According to the company, "the growth in non-interest income is primarily as a result of the increase in business volumes, with the leading contributors being transactional accounts and electronic banking channels."

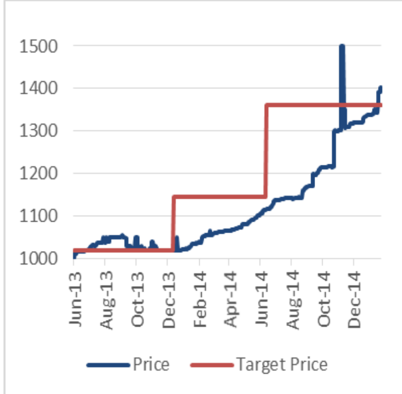
Over the year from December 2013 to 2014, operating expenses increased by 11.0% to N$508.5m, well below the increase in operating income of 15.3%. As a result, the cost to income ratio improved from 53.7% to 51.7%.

Income from associates decreased by 20.4% to N$41.2m, which according to the company was due to base effects "as a result of the non-recurring profit on the sale of Capricorn Unit Trust Management Company Ltd (CUTM) by associate company Sanlam Namibia Holdings (Pty) Limited included in the prior year." Excluding this profit, the income from associates would have increased by 7.0%.

The overall health of the bank's balance sheet remains good and shows signs of improvement off an already high base, as non-performing as a percentage of gross advances decreased from 76 basis points to 66 basis points over the one year period.

Overall, the BWH Namibia 1H15 results are good, particularly considering its lack of big-brother support, and look set to meet our full-year forecasts should this performance continue through 2H15. We are thus currently reviewing our BWH Namibia pricing model; and as such have left forecasts unchanged for the time being. We will release a more in depth note pending detailed analysis of the figures reported and discussions with management.

BWH Share Price



Dividends

Notice is hereby given that an interim dividend of 24 cents per ordinary share was declared on 11 February 2015 for the period ended 31 December 2014.

- Last day to trade cum dividend: 20 February 2015
- First day to trade ex-dividend: 23 February 2015
- Record date: 27 February 2015
- Payment date: 13 March 2015

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