Securities (Pty) Ltd.
Member of the NSX

BANK WINDHOEK HOLDINGS
1H16 Initial Impression
FEBRUARY 2016

Bank Windhoek Holdings

1H16 Initial Impression

Target Price (c)	1770
Current Price (c)	1640

Year End 30 June	2014A	2015A	F2016	F2017	F2018
Net interest income (N$m)	1,057	1,267	1,473	1,636	1,815
Non-interest income (N$m)	680	812	893	1,009	1,142
Profit (N$m)	625	753	890	1,015	1,159
HEPS (c)	121	150	178	203	232
P/E (x)#	13.6	10.9	9.2	8.1	7.1
DPS (c)	44.0	53.0	64.0	73.0	83.0
DY (%)*	2.7	3.2	3.9	4.5	5.1
P/B (x)*	2.7	2.3	1.9	1.7	1.5

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

Recommendation	BUY
NSX Code	BWH
Market Cap (N$m)	8287
Shares in Issue (m)	505.3
Free float (%)	26.5
52 week high (c)	1700
52 week low (c)	1391
Expected Total Return	11.8%

BWH released its results for the first half of the financial year ending 30 June 2016. The firm recorded exceptional growth over the period. Profit expanded by 26.4% when compared to 1H15 levels. Earnings per share grew 26.8%, while dividends per share grew 25%. Strong income growth was driven by both net-interest and non-interest income, with the former expanding by 21.0%, and the latter by 21.7%. The results are very much in-line with our forecasts for the year, and given that the second half of the financial year often offers marginally better results than the first, we are well positioned to see a positive surprise in the full year results.

Interest income expanded by 23.7% year on year, while interest expenses increased by 26.7%, resulting in growth in the net interest income of 21.0%. As such, net interest income for 1H16 was N$727.9 million. The average cost of funding for the bank increased from 4.91% in 1H15, to 5.48% in 1H16. At the same time, the average interest rate on advances increased from 10.44% to 11.15%. As such, the net interest margin of the bank has improved by 14 basis points.

Non-interest income increased by 21.7% to N$481.4 million in 1H16, from N$395.7 million the previous year. The increase is mainly due to strong growth in income from trading activities, which included income earned from the Kwanza trading activities. Non-interest income now makes up 40.9% of total operating income, from 40.2% in the preceding year.

While strong growth was seen in income, operating expenses too grew, but at a much slower rate, of 13.8%, to N$578.7 million. This resulted in an improvement in the cost-to-income ratio of the bank, which improved from 51.7% to 49.1%. The increase in costs was largely driven by increased staff costs.

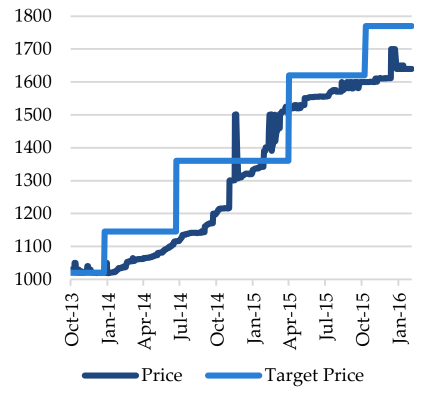
The group's total asset grew by 19.1%, driven by the growth in loans and advances of15.8%, which according to the company is mainly due to growth in overdrafts and mortgage loans. Funding increased by 18.7%, driven by a 13.5% increase in debt securities in issue, a 12.5% increase in deposits and loans from the International Finance Corporation and Deutsche Investitions- und Entwicklungsgesellschaft of N$920m and N$250m respectively. Due to the strong funding increase, the loan-to-funding ratio of the bank improved to 96.1%, from 98.5%. However, the loan-to-deposit ratio weakened somewhat, and now stands at 110.6%, from 108.4%, illustrating a higher reliance on more costly, but often more desirable duration, debt-financing.

The group remains well capitalised with a total risk-based capital adequacy ratio of 14.5%, down from 15.7% in 1H15, but still well above the minimum regulatory requirement of 10%.

The company announced an interim dividend of 30 cents per share, up 25% from the interim dividend of 1H15. This implies a payout ratio of 32.9%, down from 333.4% in 1H15.

Pending further analysis of the 1H16 results and meetings with management, we maintain our BUY recommendation on Bank Windhoek Holdings, and reiterate our expectation for a positive earnings surprise in the full year results.

BWH Share Price



Dividends

Notice is hereby given that an interim dividend of 30 cents per ordinary share was declared on 10 February 2016 for the period ended 31 December 2015.

- Last day to trade cum-dividend: 19 February 2016
- First day to trade ex-dividend: 22 February 2016
- Record date: 26 February 2016
- Payment date: 11 March 2016

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