14 August 2014

Bank Windhoek Holdings

FY14 Initial Impression

Target Price (c)	1145
Current Price (c)	1142

Year End 30 June	2012A	2013A	2014A	F2015	F2016
Net interest income (N$m)	783	914	1,056	1,136	1,202
Non-interest income (N$m)	463	523	679	756	809
Profit (N$m)	414	516	624	659	705
HEPS (c)	87	108	121	131	141
P/E (x)	12.2	9.7	9.2	8.1	7.6
DPS (c)		33	44	49	54
DY (%)		3.1	3.9	4.6	5.1
P/B (x)		2.0	1.8	1.6	1.4

Source: BWH, IJG

Recommendation	BUY
NSX Code	BWH
Market Cap (N$m)	5 729
Shares in Issue (m)	501
Free float (%)	20
52 week high (c)	1136
52 week low (c)	1019
Expected Total Return (%)	5.1

FY14 Initial Impression

BWH released its full year results for year ended 30 June 2014. The firm delivered good results on the back of advances growth, increased non-interest revenue and credit management. HEPS rose 11.3% y/y to 121.0cps relative to IJG's projected HEPS of 116cps. The group declared a final dividend of 44cps, an increase of 34.4%.

Net Interest income

Net interest income added 15.6% to N$1,057.9bn, surpassing the billion dollar mark for the first time. This increase was on the back of 16.2% growth in the interest earning assets and a 0.8ppt increase in the net interest margin.

Non-interest income

Non-interest income totaled N$679.7m, up 29.9% y/y, and contributed 39.8% to income from operations, up from the 37.3% contributed in FY13. Excluding the contributions by the newly acquired CUTM and CAM, non-interest income increased by 18.8%.The strong growth in non-interest income is due to an increased number of accounts opened and substantial increase in transactions through electronic banking channels.

Operating expenses

With operating expenses at N$914.6m, BWH has managed to improve the cost-to-income ratio from 54.1% in FY13 to 53.6% in FY14. According to the bank's statement, this was a on the back of increased efficiencies and focused efforts to contain costs, and came about despite the inclusion of CUTM expenses, once-off listing expenses and investments in IT contributing to an absolute value increase in operating expenses.

Santam Namibia and Sanlam Namibia

Profits from JV's and associates increased by 39.4% to N$84.3m, contributing 13.5% to profit after tax, up from 12.3% in the same period last year.

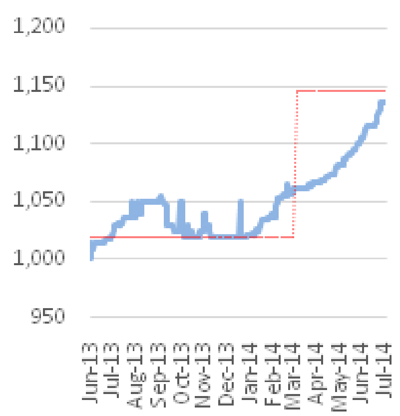
Profit after tax

Profit for the year rose by 26.7% to N$624.9m. Basic EPS increased 15.0% to 124.7cpsand ordinary final DPS amounted to 44c, representing a 34.4% escalation from the ordinary dividend of 32.75cps declared the previous year.

Asset base

BWH managed to grow its asset base by 16.1% to N$24.3bn, and loans and advances by 14.7% to N$20.2bn. This indicates that loans and advances increased N$2.6bn in FY14. Total PSCE grew N$8.5n over the 12 months, implying market share for BWH of 30.6%, significantly lower than the 50.0% share recorded in the 1H14.

BWH closing price



Analyst

Jan-Hendrik Conradie
+264 61 383 523
janhendrik@ijg.net

Overall health

The overall health of the bank's balance sheet remains good, and shows signs of improvement off an already high base with the impairment ratio down to 14bps from 15bps in FY13 and NPL as a percent of advances improving to 68bps, from 86bps. Bank Windhoek Holdings remains well capitalised. The group concluded the financial year with a total risk-based capital adequacy ratio of 15.8% (June 2013: 16.6%), well above the Bank of Namibia minimum regulatory requirement of 10%. This said, the bottom of the interest rate cycle is likely to be the inflection point for impairments and NPLs.

Valuation and Recommendation

We are currently reviewing our BWH valuation model; and as such have left our forecasts and target price unchanged and retain our BUY recommendation. We will release a detailed report following management discussions.

Managing Director
Romé Mostert
Tel: +264 (61) 383 520
rome@ijg.net

Sales and Research
Rowland Brown
Tel:+264 (61) 383513
rowland@ijg.net

Jan-Hendrik Conradie
Tel: +264 (61) 383 523
janhendrik@ijg.net

Money Market & Administration
Leon Maloney
Tel:+264 (61) 383 521
leon@ijg.net

Tashiya Shekutamba
Tel:+264 (61) 383 511
tashiya@ijg.net

Director
Mark Späth
Tel: +264 (61) 383 510
mark@ijg.net

Financial Manager
Jakob de Klerk
Tel: +264 (61) 383 517
jakob@ijg.net

IJG Direct
Naïke Burger
Tel: +264 (61) 383 515
naike@ijg.net

Equity & Fixed Income Dealing
Nigel Mubita
Tel: +264 (61) 383 514
nigel@ijg.net

Stuart Main
Tel: +264 (61) 383 512
stuart@ijg.net