



BANK WINDHOEK HOLDINGS
FY15 Results Review
AUGUST 2015

Bank Windhoek Holdings						Target Price (c)	1620
FY15 Results Review						Current Price (c)	1570
Year End 30 June	2013A	2014A	2015A	F2016	F2017	Recommendation	HOLD
Net interest income (N\$m)	914	1,057	1,267	1,364	1,478	NSX Code	BWH
Non-interest income (N\$m)	523	680	812	853	955	Market Cap (N\$m)	7933
Profit (N\$m)	493	625	753	803	889	Shares in Issue (m)	505.3
HEPS (c)	109	121	150.5	160	177	Free float (%)	20
P/E (x) [#]	14.4	13.0	10.4	9.8	8.9	52 week high (c)	1575
DPS (c)	33	44	53	58	66	52 week low (c)	1141
DY (%) [*]	2.1	2.8	3.4	3.7	4.2		
P/B (x) [*]	3.0	2.5	2.2	1.9	1.7		

Source: BWH, IJG

[#]Based on HEPS and current share price^{*}Based on current share price

BWH released its results for the year ended 30 June 2015. The firm recorded exceptional growth over the period, with profit before tax increasing by 21.5% year on year, to surpass the N\$1 billion mark for the first time in the Bank's history. Profit after tax increased by 20.5% to N\$753 million, surpassing our forecast by 7.9%. Earnings per share expanded by 20.6% to 150.4cps, while headline earnings per share expanded 24.4% to 150.5cps. Headline earnings growth exceeded our expectations by 8.3%. A dividend of 53cps was declared by the company, an increase of 20.5% over the previous year, and surpassing our expectation by 3cps, or by 6%.

Net interest income added 19.9% to N\$1.267 billion on the back of a 16.7% increase in loans and advances, as well as an improvement in the net-interest margin as interest rate increases in Namibia resulted in a widening margin between South African interest rates (off which a portion of funding is priced) and Namibian rates (off which loans are priced). This income was notably better than forecast, with the company beating our net-interest income expectations by some N\$60 million.

On the side of non-interest income, the company experienced growth of 19.4% to N\$812 million. According to the Bank, this increase was driven by "strong growth in transaction volumes, and income from trading activities, cards and electronic channels" and comes about despite "the implementation of zero cash handling fees on certain accounts during the year under review."

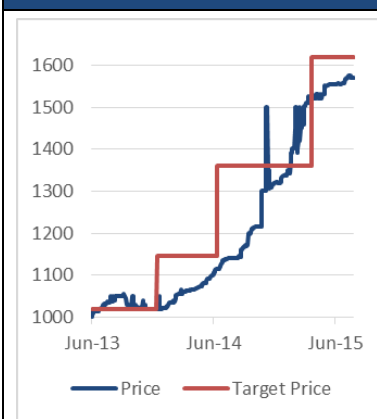
From an operating expense position, the company continued to perform well, as the cost-to-income ratio improved from 53.6% to 51.6%. This was driven by cost containment despite a notable increase in operating income. All told, operating expenses increased by 13.9% to N\$1.042 billion. According to the company, this increase was mainly due to higher staffing numbers, as well as an increase in transaction volumes, as well as investment in technological upgrades.

Over the year, the bank grew its assets by 17.6% to N\$28.609 billion, largely off the back of the aforementioned loan book, which grew by 16.7% to N\$23.622 billion. Deposits grew by 17.1% to N\$21.994 billion, while debt securities in issue increased by 33.7%, to N\$2.461 billion. While this increase will no doubt have negatively affected the marginal cost of funding, given the relatively minor relative contribution of debt securities to total funding, the average cost will not have been much affected. Following these developments, the bank's funding position has improved, with the loan-to-funding ratio improving from 98.2% to 96.6%

The overall health of the bank's balance sheet remains extremely good despite a doubling in total impairments on loans and advances in FY15 when compared to FY14. Total impairments remain minute, representing just 0.2% of total advances. The group remains well capitalised with a total risk based capital adequacy ratio of 15.8%, well above the minimum regulatory requirement of 10%

Overall, the Bank Windhoek Holdings FY15 results are extremely good, far surpassing our expectations, which already considered strong growth. We are currently reviewing our Bank Windhoek Holdings 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

A final dividend of 29 cents per ordinary share was declared on 11 August 2015 for the year ended 30 June 2015. Taking into account the 24 cents per share interim dividend, this represents a total dividend of 53 cents per ordinary share for the year ended 30 June 2015 (2014: 44 cents per share).

- Last day to trade cum dividend: 28 August 2015
- First day to trade ex-dividend: 31 August 2015
- Record date: 4 September 2015
- Payment date: 11 September 2015

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