IJG Securities (Pty) Ltd.
Member of the NSX

BANK WINDHOEK HOLDINGS
FY16 Initial Impression
AUGUST 2016

Bank Windhoek Holdings

FY16 Initial Impression

Target Price (c)	1880
Current Price (c)	1745

Year End 30 June	2014A	2015A	2016A	F2017	F2018
Net interest income (N$m)	1,057	1,267	1,458	1,599	1,792
Non-interest income (N$m)	680	812	954	1,046	1,206
Profit (N$m)	654	753	905	989	1,182
HEPS (c)	127	150	181	198	236
P/E (x)#	13.8	11.6	9.6	8.8	7.4
DPS (c)	44.0	53.0	66.0	71.0	85.0
DY (%)*	2.5	3.0	3.8	4.1	4.9
P/B (x)*	2.8	2.4	2.0	1.8	1.5

Recommendation	BUY
NSX Code	BWH
Market Cap (N$m)	8817
Shares in Issue (m)	505.3
Free float (%)	26.5
52 week high (c)	1760
52 week low (c)	1570
Expected Total Return	9.7%

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

BWH released its results for financial year ending 30 June 2016. The firm recorded excellent growth, beating our earnings expectations. This performance is particularly impressive given the increasingly challenging macroeconomic climate in the country.

The company recorded growth in profit of 20.2% when compared to FY15, while earnings per share grew 20.4% and headline earnings expanded by 20.3%. The company declared a final dividend of 36cps, which when combined with the interim dividend of 30cps, gives a total for the year of 66cps, up from 53% in FY15. As such, very attractive dividend growth of 24.5% was seen between the two years. Based on the current share price, this shows a reasonably attractive dividend yield of 3.8%. The results are slightly ahead of our forecasts, with earning beating our expectations by 1.2%.

Net interest income expanded by 15.1%, to N$1.46 billion, beating our forecasts by 1.1%. Interest income grew by 22.2%, while the interest expense expanded by 29.9%. Total interest income stood at N$2.96 billion, compared to our forecast of N$2.94 billion, while the interest expense was N$1.51 billion, compared to our forecast of N$1.50 billion.

Impairment losses increased from N$58.3 million to N$60.8 million, compared to our forecast of N$57.3 million. Thus, impairments represent just 0.2% of the loan and advances book. Non-performing loans as a percentage of loans and advances increased from 1.09% to 1.32%.

Non-interest income expanded by 17.4%, to N$953 million, beating our forecasts of N$916 million by 4.1%. According to the bank, this was "mainly due to growth in transaction-based fee income and trading income." They further stated that "transaction-based fees continue to be the largest contributor [to non-interest income] and increased by 8.1% despite the implementation of zero cash handling fees from 1 April 2015".

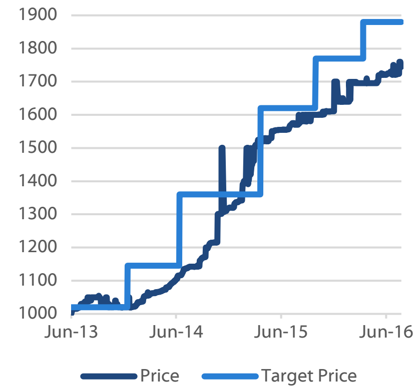
While strong growth was seen in income, operating expenses too grew, but at a much slower rate, of 13.2%, to N$1.18 million. This resulted in a further improvement in the cost-to-income ratio of the bank, which improved from 51.6% to 50.2% between FY15 and FY16. The increase in costs was largely driven by increased staff costs.

Income from associates increased to N$97.1 million, from N$87.2 million in FY15. These now contribute 10.7% to profit after tax, from 11.6% in FY15.

The group remains well capitalized with a total risk-based capital adequacy ratio of 15.8%, unchanged from 2015. The ratio of Tier I capital to risk weighted assets now stands at 14.4%, up from 13.7%, while the ratio of Tier II capital to risk weighted assets fell to 1.4% from 2.1%. Thus, the ratio of core capital to total capital improved over the period. Going forward, the Bank of Namibia has announced its intention for Basel III to be fully implemented by 2021.

Pending further analysis of the 1H16 results and meetings with management, we maintain our current target price and BUY recommendation on Bank Windhoek Holdings.

BWH Share Price



Dividends

Notice is hereby given that a final dividend of 36 cents per ordinary share was declared on 10 August 2016 for the year ended 30 June 2016.

Last day to trade cum:	18/08/2016
First day to trade ex:	19/08/2016
Record date:	25/08/2016
Payment date:	07/09/2016

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Disclaimer

The report author holds a small long position in Bank Windhoek Holdings.

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