24 July 2014

Bank Windhoek Holdings

Trading Statement – We are at the lower end of guidance

Target Price (c)	1145
Current Price (c)	1136

Year End 30 June	2012A	2013A	F2014	F2015	F2016
Net interest income (N$m)	783	914	1,010	1,136	1,202
Non-interest income (N$m)	463	523	687	756	809
Profit (N$m)	414	516	580	659	705
HEPS (c)	87	108	116	131	141
P/E (x)	12.2	9.7	9.2	8.1	7.6
DPS (c)		33	46	49	54
DY (%)		3.1	4.3	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

Trading Statement

Bank Windhoek today released a trading statement in which the company gave guidance as to what we can expect from the FY14 financial year. Results are expected on or around the 14th August 2014. Guidance is as follows:

	BWH Guidance	IJG Forecast
Profit after tax	+24% to 29%	17.5%
Basic EPS	+12% to 17%	
Headline EPS	+8% to 13%	7.4%

Our forecast for HEPS is 0.6ppt below the lower end of the guidance range, thus implying a slight beat and a positive surprise by BWH. The 8% to 13% range suggests HEPS of between 116.6cps and 122.0cps relative to IJG's projected HEPS of 116cps. This also compares favorably to the prospectus forecast of 115cps. The range is however a miss when compared to Bloomberg Consensus forecast that is projecting HEPS of 123.5cps.

At the risk of stating the obvious, the slower growth at earnings per share level as opposed to profit after tax is attributed to the dilution effect realized from the IPO and CUTM transaction.

At first glance we are optimistic about the guidance, as it relieves our concern that earnings were possibly exposed to the negative impact of the squeezing BoN-SARB interest rate differential.

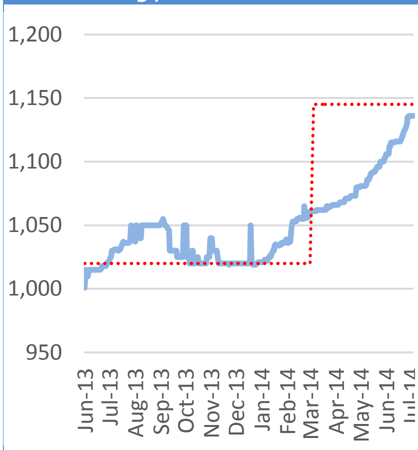
Earnings forecast and outlook

No change.

Target price and recommendation

We continue recommend a **BUY** on the stock.

BWH closing price



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Financial Statement Summary

N$ '000	FY10	FY11	FY12	FY13	FY14	FY15	FY16
INCOME STATEMENT							
Interest and similar income	1,300,366	1,351,539	1,525,912	1,708,096	1,949,719	2,402,176	2,741,300
Interest and similar expense	(732,625)	(680,223)	(742,854)	(793,642)	(939,995)	(1,266,045)	(1,539,702)
Net interest income	567,741	671,316	783,058	914,454	1,009,724	1,136,131	1,201,598
Impairment charges on loans and advances	(22,816)	(27,129)	(25,243)	(26,803)	(29,850)	(40,000)	(45,000)
Net interest income after loan impairment charges	544,925	644,187	757,815	887,651	979,874	1,096,131	1,156,598
Non-interest income	373,668	402,914	463,332	523,191	686,959	755,656	808,553
Operating income	918,593	1,047,101	1,221,147	1,410,842	1,666,833	1,851,786	1,965,151
Operating expenses	(577,965)	(643,275)	(706,511)	(762,759)	(911,000)	(965,660)	(1,023,600)
Operating profit	340,628	403,826	514,636	648,083	755,833	886,126	941,551
Share of JVs' and associates' results after tax	39,437	58,729	55,345	61,636	97,202	82,471	94,842
Profit before income tax	380,065	462,555	569,981	709,719	853,035	968,597	1,036,393
Income tax expense	(98,618)	(134,045)	(167,370)	(216,448)	(272,971)	(309,951)	(331,646)
Profit for the year	**281,447**	**328,510**	**402,611**	**493,271**	**580,064**	**658,646**	**704,747**
BALACE SHEET							
ASSETS							
Cash and balances with central bank	805,761	582,974	881,059	852,636	750,000	850,000	950,000
Government and other debt securities	1,069,042	1,194,761	1,523,800	1,493,165	1,792,826	2,076,973	2,255,249
Loans and advances to banks	403,712	362,238	211,032	251,355	210,000	250,000	300,000
Loans and advances to customers	11,320,292	13,004,405	15,484,932	17,651,962	19,920,287	22,575,796	24,513,573
Other assets	852,339	840,445	820,227	689,490	1,473,630	1,639,278	1,766,117
Total assets	14,451,146	15,984,823	18,921,050	20,938,608	24,146,742	27,392,047	29,784,939
LIABILITIES							
Deposits from banks	-	246,974	237,611	166,959	200,000	240,000	240,000
Other deposits	3,970,799	3,188,906	3,398,657	3,511,815	5,000,000	5,000,000	5,500,000
Debt securities in issue	352,133	767,311	917,322	1,323,976	1,451,330	1,155,500	705,500
Due to customers	8,419,847	9,852,677	12,126,619	13,022,976	12,892,436	15,188,390	16,847,423
Other liabilities	366,364	356,102	353,782	288,824	1,700,586	2,485,291	2,722,632
Total liabilities	13,109,143	14,411,970	17,033,991	18,314,550	21,244,351	24,069,181	26,015,555
Total shareholders' equity	**1,342,003**	**1,572,853**	**1,887,059**	**2,624,058**	**2,902,391**	**3,322,865**	**3,769,384**
	-	-	-	-	-	-	-
CAPITAL RATIOS							
Risk weighted assets	11,523,932	13,198,935	15,718,866	17,556,397			
Tier 1 Capital	1,137,328	1,300,722	1,513,217	2,104,358			
Tier 2 Capital	311,718	443,459	467,480	508,031			
Total regulatory capital	**1,449,046**	**1,744,181**	**1,980,697**	**2,612,389**			
Leverage capital ratio	8.0%	8.3%	8.1%	10.1%			
Tier 1 risk-based capital ratio	9.9%	9.9%	9.6%	12.0%			
Total risk-based capital ratio	12.6%	13.2%	12.6%	14.9%			
OPERATIONAL RATIOS							
Cost:Income Ratio	62.9%	61.4%	57.9%	54.1%	53.7%	51.0%	50.9%
Net Interest Margin	4.3%	4.2%	4.4%	4.5%	4.5%	4.4%	4.2%
NPLs/Average Advances	1.6%	1.6%	1.0%	0.9%	0.8%	1.0%	1.2%
Impairment Ratio	0.21%	0.22%	0.18%	0.16%	0.16%	0.19%	0.19%
RETURN RATIOS							
Return on average assets	2.1%	2.2%	2.3%	2.5%	2.6%	2.6%	2.5%
Return on average equity	22.2%	22.5%	23.3%	23.7%	21.0%	21.2%	19.9%
Current Price				1,061			
Price:Earning Ratio			12.20	9.73	9.17	8.08	7.55
Price:Book Ratio				1.99	1.83	1.60	1.41
Dividend Yield				3.1%	4.3%	4.6%	5.1%

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