



SBN Holdings Limited 1H21 Initial Impression September 2021



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Standard Bank Namibia Holdings Ltd

1H21 Initial Impression

Target Price (c) 616

Current Price (c) 647

Year End 31 December	FY19A	FY20A	FY21E	FY22E	FY23E	Recommendation	SELL
Net interest income (N\$ million)	1,333	1,174	1,296	1,338	1,378	NSX Code	SNO
Non-interest income (N\$ million)	1,263	1,193	1,230	1,284	1,347	Market Cap (N\$ m)	3,380
Profit after tax (N\$ million)	613	421	524	577	627	Shares in Issue (m)	522
HEPS (c)	117	81	100	110	120	Free Float (%)	15.0
DPS (c)	23	35	42	46	50	52-Week High	845
DY (%)	3.3	4.4	5.3	5.8	6.3	52-Week Low	647
P/E	6.0	9.9	8.0	7.2	6.6	Expected Total Return (%)	1.7%
P/B	0.9	1.0	1.0	0.9	0.9		

Source: SNO, IIG Securities

1H21 Initial Impression

Standard Bank Namibia Holdings Ltd (SNO) released interim results for the period ended 30 June 2021 (1H21). The financial results highlight the difficult operating environment as well as low interest rate environment the company has to navigate as profit after tax fell by 16.5% y/y to N\$189.6 million from N\$223.9m in 1H20, with ROE dropping for a fifth consecutive year from the 11.1% recorded in 1H20 to 9.0% in 1H21. Earnings and headline earnings per share contracted by 18.2% y/y from 44cps to 36cps. An interim dividend of 16cps was declared (1H20: 21cps).

(N\$ '000)	1H20	1H21	Δ %
Net Interest Income	630 441	600 605	(4.7%)
Non-Interest Income	586 539	570 891	(2.7%)
Total Income	1 216 980	1 171 496	(3.7%)
Credit Impairment Charges	(151 180)	(123 145)	(18.5%)
Net Income before Operating Expenses	1 065 800	1 048 351	(1.6%)
Operating Expenses	(742 897)	(773 101)	4.1%
Net Income before Taxation	322 903	275 250	(14.8%)
Taxation	(96 012)	(85 687)	(10.8%)
Profit after Taxation	226 891	189 563	(16.5%)

Source: SNO

Gross loans and advances contracted by 3.2% y/y to N\$24.7 billion. Corporate lending posted strong growth of 11.0% y/y, other loans and advances grew by 7.4% y/y and the mortgage loans rose by 2.8% y/y. The overall contraction in the advances book was mostly due to a 46.1% decline in interbank lending and a 25.9% drop in sovereign lending. Management ascribed the decline in sovereign lending to sizeable structured repayment obligations. Gross advances to customers grew marginally by 2.7% y/y.

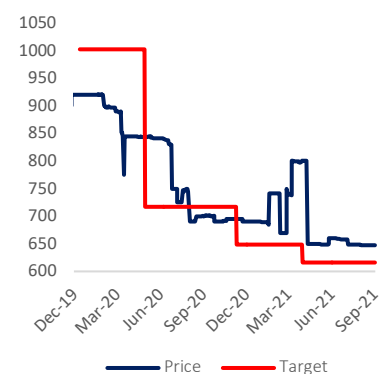
The contraction in the advances book, coupled with the 275-basis point drop in the repo rate last year, resulted in net interest income declining by N\$29.8 million (or 4.7% y/y) to N\$600.6 million, largely as a result of the endowment effect of the banks funding base. SNO also posted a drop in net interest income of 4.3% y/y in 1H20. The bank's non-performing loans have increased from 7.8% to 8.3% of total gross advances since the end of FY20. The credit impairment charge amounted to N\$123.1 million or 1.0% of gross advances.

Deposits fell significantly, dropping by 10.2% y/y to N\$23.7 billion, with the decline primarily attributable to a drop in cash management deposits of 18.2% y/y and a 21.4% y/y decrease in relatively more expensive NCD funding during the period. Term deposits however grew by 13.3% y/y and current accounts by 3.7% y/y.

Non-interest revenue fell by 2.7% y/y to N\$570.9 million. In the results release, management attributes the decline to the 29.8% y/y contraction in other gains and losses on financial instruments due to the repo rate cuts last year.

Operating expenses increased by 4.1% y/y to N\$773.1 million, above our forecasts, driven primarily by an increase in professional fees and IT costs of 28.0% and 13.6%, respectively. Staff costs were well contained, increasing by only 2.0% y/y. The increase in operating expenses resulted in SNO's cost to

SNO Share Price vs Target Price (c)



Dividends

An interim dividend of 16 cents per share has been declared.

- Last Day to Trade: 17 September 2021
- Ex-Dividend Date: 20 September 2021
- Record Date: 24 September 2021
- Payment Date: 8 October 2021



0.0002	0.0005	4.85%
1.0002	0.0003	13.04%
0.0001	0.0001	50.00%
0.0004	0.0003	14.29%
0.0011	0.0005	12.50%

income ratio increasing from 61.0% in 1H20 to 66.0% in 1H21. The bank remains well capitalised with a capital adequacy ratio of 15.2% (1H20: 15.6%).

Overall, the results are somewhat disappointing and came in below our forecasts for the most part. The macroeconomic environment remains challenging with risks remaining to the downside. Pending further analysis of the 1H21 results and management discussions, we maintain our **SELL** recommendation on SNO. Our target price and recommendation will be revised with our full report on the 1H21 results, as will the table at the top of the page.

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