



# SBN Holdings Limited 1H22 Initial Impression September 2022



*Research Analyst:*

*Danie van Wyk  
danie@ijg.net  
+264 81 958 3534*

# Standard Bank Namibia Holdings Ltd

1H22 Initial Impression

Target Price (c)\* 550  
Current Price (c) 440

Year End 30 December	FY20	FY21	1H22	FY22E	FY23E	Recommendation*	BUY
Net Interest Income (N\$ m)	1,174	1,237	676.7	1,454	1,617	NSX Code	SNO
Non-Interest Income (N\$ m)	1,193	1,209	614.9	1,227	1,249	Market Cap (N\$ m)	2,298.9
Profit after Tax (N\$ m)	421	371	235.3	532	541	Shares in Issue (m)	522
HEPS (c)	81	71	45	102	115	Free Float (%)	15.0
DPS (c)	35	31	20	43	43	52-Week High (c)	648
DY (%)	4.4	7.0	9.1	9.8	9.8	52-Week Low (c)	399
P/E (x)	9.9	6.3	4.9	4.3	3.8	Expected Total Return (%)*	34.0
P/B (x)	1.0	0.5	0.5	0.5	0.4		

Source: Standard Bank Namibia Holdings Limited, IJG Securities

## 1H22 Initial Impression

Standard Bank Namibia Holdings Ltd (SNO) released interim results for the period ended 30 June 2022 (1H22). Profit after tax grew by 24.1% y/y to N\$235.3 million and the group's ROE improved from 9.0% in 1H21 to 10.6% in 1H22. Earnings and headline earnings per share rose by 25.0% y/y from 36cps to 45cps. An interim dividend of 20cps was declared (1H21: 16cps).

(N\$ '000)	1H21	1H22	Δ %
Net Interest Income	607 380	676 655	11.4%
Non-Interest Income	570 891	614 926	7.7%
<b>Total Income</b>	<b>1 178 271</b>	<b>1 291 581</b>	<b>9.6%</b>
Credit Impairment Charges	(123 145)	(132 069)	7.2%
<b>Net Income before Operating Expenses</b>	<b>1 055 126</b>	<b>1 159 512</b>	<b>9.9%</b>
Operating Expenses	(779 876)	(832 948)	6.8%
<b>Net Income before Taxation</b>	<b>275 250</b>	<b>326 564</b>	<b>18.6%</b>
Taxation (Direct and Indirect)	(85 687)	(91 250)	6.5%
<b>Profit after Taxation</b>	<b>189 563</b>	<b>235 314</b>	<b>24.1%</b>

Source: SNO

Gross loans and advances to customers grew by 2.2% y/y to N\$23.4 billion, marginally slower than the normalised PSCE growth of 2.8% over the same period. The increase was driven by an increase in vehicle and asset finance loans of 6.5% y/y, corporate lending growth of 6.4% y/y and growth in 'other loans and advances' of 9.6% y/y. Management notes that they are seeing signs of a recovery in credit demand. Loans and advances to banks rose by 133.9% y/y, primarily driven by temporary placements with the central bank.

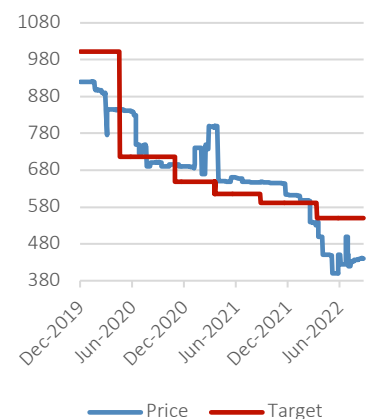
Unlike the rest of the 'big four' banks who all recorded smaller impairments, SNO increased credit impairment charges by 7.2% y/y to N\$132.1 million, with the group's credit loss ratio coming in at 1.00% (1H21: 1.02%). According to management "this remains a continued focus area" and that the CLR is within their 2025 target range of 70-100bps through-the-cycle.

The growth in the advances book, coupled with 100bps worth of increases in the repo rate during the first six months, and a restructuring of the composition of deposits and current accounts, has resulted in net interest income increasing by N\$69.3 million or 11.4% y/y to N\$676.7 million, exceeding the 1H19 pre-pandemic level for the first time. Non-interest revenue rose by 7.7% y/y to N\$614.9 million on the back of good margins on trading revenue and an increase in electronic banking and instant cash transactions.

Operating expenses increased by 6.8% y/y to N\$832.9 million, ahead of inflation of 6.0% over the same period, but in line with our forecasts. The results release does not contain a detailed breakdown of the operating expense line items, but the included commentary states that the increase was driven by IT costs, "planned intergroup service management cost increases" and operating costs related to employees returning to work. SNO's cost-to-income ratio improved from the 66.2% reported in 1H21 to 64.5% but remained in line with the FY21 ratio. The bank remains well capitalised with a capital adequacy ratio of 15.6% (1H21: 15.2%).

SNO reported strong deposit and current account growth of 8.6% y/y to N\$28.2 billion, although most of the increase happened during 2H21. Deposits fell by 0.3% from the FY21 figure. The FY21 results already showed the restructuring of deposits, with an increase in call-, term- and current account

## SNO Share Price vs Target Price (c)



## Dividends

SNO declared an interim dividend of 20 cents per share.

- Last Day to Trade: 23 September 2022
- Ex-Dividend Date: 26 September 2022
- Record Date: 30 September 2022
- Payment Date: 14 October 2022





0,0005	4,85%
0,0003	13,04%
0,0001	50,00%
0,0003	14,29%
0,0005	12,50%

deposits, and a decline in NCD funding. The restructuring was done as part of SNO's strategy to become compliant with the anticipated Basel III liquidity requirements.

On the 6<sup>th</sup> of April, the company released a voluntary SENS announcement, stating that Standard Bank Namibia has entered negotiations, which will see the bank acquiring property-owning entities as part of a debt settlement transaction. Today's results release sheds more light on the transaction, noting that Standard Bank signed a share purchase agreement with Spearmint Investments (Pty) Ltd subsequent to the reporting period that will see the bank own 100% of Spearmint and each of the property-owning entities, as a debt settlement transaction to reduce non-performing loans. According to the results release, the transaction will have no impact on SNO's profit after tax, net cash flow or total assets, but the sale of the property-owning entities might have an impact on SNO's financials. The exact size and other details of the property portfolio were not provided.

SNO's share price has dropped 28.2% from N\$613c per share at the start of the year to the current N\$4.40. Based on IJG's May target price of N\$550c per share, coupled with the fact that the interim results were in line with our forecasts, a total return of 34.0% is expected over the next 12 months. Seeing that we are in a rising interest rate environment with a somewhat improving macroeconomic picture which should support the company's earnings going forward, we believe that SNO's share price remains undervalued. We, therefore, maintain our **BUY** on the counter, pending further analysis of the 1H22 results and management discussions. Our target price and recommendation will be revised with our full review of the 1H22 results, as will the forecasts in the table at the top of the page.

## IJG Holdings

Mathews Hamutenya	Group Chairman		Tel: +264 (61) 256 699
Mark Späth	Group Managing Director	mark@ijg.net	Tel: +264 (81) 958 3510
Helena Shikongo	Group Financial Manager	helena@ijg.net	Tel: +264 (81) 958 3528
Zanna Beukes	Group Compliance Officer	zanna@ijg.net	Tel: +264 (81) 958 3516
Tashiya Josua	Group Financial Officer	tashiya@ijg.net	Tel: +264 (81) 958 3511
Tutaleni Armas	Financial Accountant	tutaleni@ijg.net	Tel: +264 (81) 958 3536
Francoise Van Wyk	Group PA	francoise@ijg.net	Tel: +264 (81) 958 3500

## IJG Securities

Eric van Zyl	Managing Director Designate	eric@ijg.net	Tel: +264 (81) 958 3530
Leon Maloney	Equity & Fixed Income Dealing	leon@ijg.net	Tel: +264 (81) 958 3512
Maria Amutenya	Settlements & Administration	maria@ijg.net	Tel: +264 (81) 958 3515
Danie van Wyk	Head: Research	danie@ijg.net	Tel: +264 (81) 958 3534
Hugo van den Heever	Sales and Research	hugo@ijg.net	Tel: +264 (81) 958 3542
Suzette Agustinus	Sales and Research	suzette@ijg.net	Tel: +264 (81) 958 3543

## IJG Wealth Management

Andri Ntema	Managing Director	andri@ijg.net	Tel: +264 (81) 958 3518
Wim Boshoff	Head Wealth Manager	wim@ijg.net	Tel: +264 (81) 958 3537
Aretha Burger	Wealth Manager	aretha@ijg.net	Tel: +264 (81) 958 3540
Katja Greeff	Wealth Manager	katja@ijg.net	Tel: +264 (81) 958 3538
Ross Rudd	Portfolio Manager	ross@ijg.net	Tel: +264 (81) 958 3523
Emilia Uupindi	Money Market & Administration	emilia@ijg.net	Tel: +264 (81) 958 3513
Lorein Kazombaruru	Wealth Administration	lorein@ijg.net	Tel: +264 (81) 958 3521
Madeline Olivier	Wealth Administration	madeline@ijg.net	Tel: +264 (81) 958 3533

## IJG Capital

Jakob de Klerk	Managing Director	jakob@ijg.net	Tel: +264 (81) 958 3517
Mirko Maier	Business Analyst	mirko@ijg.net	Tel: +264 (81) 958 3531
Letta Nel	Business Analyst	letta@ijg.net	Tel: +264 (81) 958 3532
Lucas Martin	Business Analyst	lucas@ijg.net	Tel: +264 (81) 958 3541
Fares Amunkete	Value Add Analyst	fares@ijg.net	Tel: +264 (81) 958 3527

## IJG Investment Managers

Dylan Van Wyk	Portfolio Manager	dylan@ijg.net	Tel: +264 (81) 958 3529
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## IJG Unit Trust

Keshia !Hoa-Khaos	Portfolio Administrator	keshia@ijg.net	Tel: +264 (81) 958 3514
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## IJG Advisory

Herbert Maier	Managing Director	herbert@ijg.net	Tel: +264 (81) 958 3522
Jolyon Irwin	Director	jolyon@ijg.net	Tel: +264 (81) 958 3500

## Aldes Namibia Business Brokers

Ursula Gollwitzer	Broker	ursula@aldesnamibia.com	Tel: +264 (81) 958 3535
Richard Hoff	Broker	richard@aldesnamibia.com	Tel: +264 (81) 958 3500

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4th Floor, 1@Steps, C/O Grove and Chasie Street, Kleine Kuppe, Windhoek

P O Box 186, Windhoek, Namibia

Tel: +264 (61) 383 500 [www.ijg.net](http://www.ijg.net)

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