



SBN Holdings Limited **1H23 Initial Impression** **August 2023**



Research Analyst:

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

Standard Bank Namibia Holdings Ltd

1H23 Initial Impression

Target Price (c) 818
Current Price (c) 700

Year End 31 December	FY21	FY22	1H23	FY23E	FY24E	Recommendation	BUY
Net Interest Income (N\$ m)	1,237	1,445	864	1,753	1,787	NSX Code	SNO
Non-Interest Income (N\$ m)	1,209	1,283	675	1,350	1,404	Market Cap (N\$ m)	3,657.3
Profit after Tax (N\$ m)	371	624	363	791	780	Shares in Issue (m)	522
HEPS (c)	71	119	70	151	149	Free Float (%)	15.0
DPS (c)	31	66	42	91	90	52-Week High (c)	845
DY (%)	7.0	7.8	12.0	13.0	12.8	52-Week Low (c)	420
P/E (x)	6.3	7.1	5.0	4.6	4.7	Expected Total Return (%)	29.8
P/B (x)	0.5	0.9	0.7	0.7	0.7		

Source: Standard Bank Namibia Holdings Limited, IIG Securities

1H23 Initial Impression

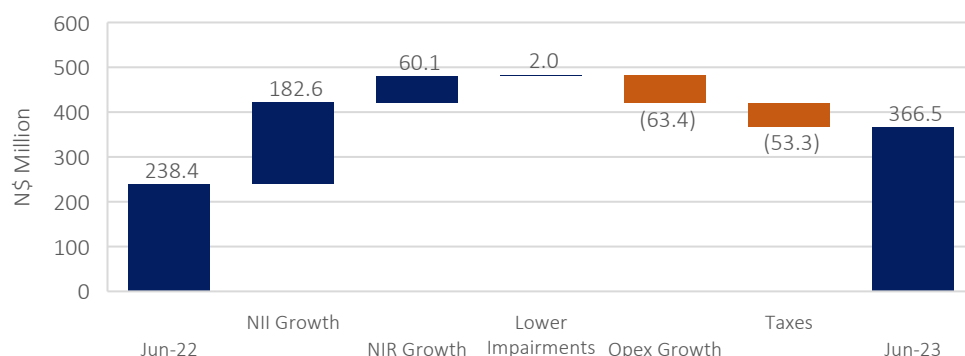
Standard Bank Namibia Holdings Ltd (SNO) released interim results for the period ended 30 June 2023 (1H23). Profit after tax grew by 53.7% y/y from an upward restated N\$238.4 million during 1H22 to N\$366.5 million during 1H23. ROE improved from 10.8% in 1H22 to 15.5% in 1H23. Earnings and headline earnings per share rose by 53.7% y/y from 46cps to 70cps. An interim dividend of 42cps was declared (1H22: 20cps), translating to a payout ratio of 60%, an increase from the 44% payout ratio of the last two years.

(N\$ '000)	1H22	1H23	Δ %
Net Interest Income	681 214	863 798	26.8%
Non-Interest Income	614 926	675 031	9.8%
Total Income	1 296 140	1 538 829	18.7%
Credit Impairment Charges	(132 069)	(130 027)	-1.5%
Net Income before Operating Expenses	1 164 071	1 408 802	21.0%
Operating Expenses	(832 948)	(896 302)	7.6%
Net Income before Taxation	331 123	512 500	54.8%
Taxation (Direct and Indirect)	(92 709)	(146 050)	-44.6%
Profit for the Period	238 414	362 638	53.7%

Source: SNO

Net Interest Income: The profit growth was unsurprisingly driven by an increase in net interest income of 26.8% y/y to N\$863.8 million, with the Bank of Namibia having raised rates by 300bps from June 2022 to the end of 1H23. SNO's net interest margin impressively rose from 4.4% at FY22 to 5.3% in 1H23.

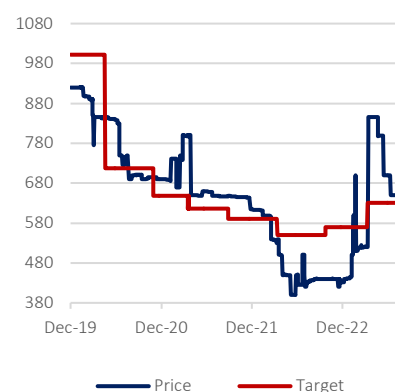
SNO Profit after Tax Growth Breakdown



Source: SNO, IIG Securities

Assets and Advances: Total assets grew by 7.6% over the interim period to N\$38.4 billion at 1H23. The growth was driven by a 100.4% or N\$1.68 billion increase in cash and balances with the central bank and a 44.0% or N\$1.63 billion increase in loans to banks. Investment securities rose by 16.7% or N\$820.0 million to N\$5.74 billion. Gross loans and advances to customers fell by 6.0% to N\$21.6 billion, versus PSCE growth of 1.0% over the same period. All loans and advances categories bar 'card and payments' recorded contractions since FY22. Corporate lending fell by 19.3% to N\$4.08 billion, mortgage loans fell by 2.2% to N\$11.6 billion and vehicle and asset finance contracted by 0.2% to N\$2.89 billion.

SNO Share Price vs Target Price (c)



Dividends

SNO declared an interim dividend of 42 cents per share.

- Last Day to Trade: 08 September 2023
- Ex-Dividend Date: 11 September 2023
- Record Date: 15 September 2023
- Payment Date: 29 September 2023



0.0005	4.85%
0.0003	13.04%
0.0001	50.00%
0.0003	14.29%
0.0005	12.50%

Impairments: Credit impairment charges fell marginally by 1.5% y/y to N\$130.0 million, with the group's credit loss ratio coming in at 0.90% (1H22: 1.00%), in line with management's target of 0.7-1.0% through the cycle.

Non-Interest Revenue: SNO recorded NIR growth of 9.8% y/y to N\$675.0 million. Fee and commission revenue increased by 3.5% y/y to N\$606.3 million on the back of strong card-based commission and account transaction fee growth. Fee and commission expenses rose by 3.0% y/y to N\$150.6 million, resulting in net fee and commission revenue of N\$455.8 million, growth of 3.6% y/y. Trading revenue grew by a strong 29.9% y/y to N\$88.9 million due to "increased client flows and volatility in the currency markets". 'Other' revenue grew by 32.3% y/y to N\$90.6 million, supported by property-related revenue growth of N\$24 million following the property portfolio acquisition.

Operating Expenses: Operating costs increased by 7.6% y/y to N\$896.3 million, quicker than inflation of 5.3% over the same period. Management ascribed the higher costs to expenses incurred to "support client growth strategies" and the inclusion of expenses related to the new property portfolio. IT expenses were the biggest driver, rising by 24.4% y/y. Staff costs rose by a relatively subdued 3.6% y/y. Auditors remuneration for the six-month period, meanwhile, rose by 131.9% y/y to N\$12.8 million, which was ascribed to an "increase in the scope of services resulting from the acquisition of the Spearmint property portfolio", coupled with an inflationary increase. SNO's cost-to-income ratio improved to 58.2% (1H22: 64.3%), coming in below management's 60% target for the first time since FY19.

Funding: Deposits from customers grew by a sturdy 12.4% or N\$3.22 billion during the six-month period to N\$29.1 billion, while deposits from banks declined by 51.9% or N\$742.2 million to N\$688.2 million. Apart from savings accounts, all deposit categories posted growth during the interim period. The largest increases were seen on call deposits, which grew by N\$1.65 billion to N\$11.6 billion and current account deposits which climbed by N\$940.5 million to N\$8.65 billion. These are both relatively cheap sources of funding and would have aided with the margin expansion. The relatively more expensive NCDs rose by N\$507.0 million to N\$3.79 billion. Debt securities meanwhile rose by a more subdued N\$5.86 million or 0.2% to N\$2.53 billion. In line with the rest of the commercial banks, SNO remains very well capitalised with a capital adequacy ratio of 20.3% (FY22: 17.7%).

Management and Board: SNO announced in May the appointment of Nelson Lucas as Acting Chief Executive for a period of six months, while the board of directors continues the search for a permanent chief executive, following Mercia Geises' surprise resignation. The board is also continuing its search for a new Chief Financial Officer, following Letitia du Plessis' resignation. Suné Brugman, a Standard Bank Group appointed director, resigned from the board during the period, while Ashley Tjipitua, Josephat Mwatotele and Gerald Riedel were appointed to fill the vacant seats. During the second half of the year, Natasha Bassingthwaighe, Birgit Rossouw and Herbert Maier, chairman of the board, will be retiring after serving for more than 10 years.

Our Take

SNO delivered another strong set of results aided by the continued rate hikes by the BoN, as well as the company's focus on growing the relatively cheap deposit base, which allowed for margin expansion.

Using a panel of standard valuation techniques, a cost of equity of 16.0% and a long-term sustainable return on equity of 14.0%, we derive a **target price of N\$818**. Coupled with an expected final dividend of 49cps, we derive a potential total return of 29.8%. Based on this, we view the current share price as undervalued and upgrade our recommendation on SNO to **BUY**.



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
Lynnet Sasele	Financial Accountant	lynnet@ijg.net	Tel: +264 (81) 958 3536
Matheus Namwandi	Financial Accountant	matheus@ijg.net	Tel: +264 (81) 958 3536
Madeline Olivier	Group PA	madeline@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

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
Leonie de Klerk	Wealth Operations Manager	leonie@ijg.net	Tel: +264 (81) 958 3533
Lorein Kazombaruru	Wealth Administration	lorein@ijg.net	Tel: +264 (81) 958 3521
Francoise van Wyk	Wealth Administration	francoise@ijg.net	Tel: +264 (81) 958 3513

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 Nell	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
---------------	-------------------	---------------	-------------------------

IJG Unit Trust

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

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
Hugo van den Heever	Corporate Advisor	hugo@ijg.net	Tel: +264 (81) 958 3542
Ursula Gollwitzer	Assistant Corporate Advisor	ursula@ijg.net	Tel: +264 (81) 958 3535

No representation is given about, and no responsibility is accepted, for the accuracy or completeness of this document. Any views reflect the current views of IJG Holdings (Pty) Ltd. The views reflected herein may change without notice. IJG Holdings (Pty) Ltd provides this document to you for information purposes only and should not be constructed as and shall not form part of an offer or solicitation to buy or sell securities or derivatives. It may not be reproduced, distributed or published by any recipient for any purposes.

Talk to **IJG** today ...
and let us make your money work for you

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

ADVISORY | BUSINESS BROKING | INVESTMENT MANAGEMENT | PRIVATE EQUITY | STOCKBROKING | WEALTH MANAGEMENT