



SBN Holdings Limited 1H24 Initial Impression August 2024



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Standard Bank Namibia Holdings Ltd

1H24 Initial Impression

Target Price (c) 983
Current Price (c) 884

Year End 31 December	FY22	FY23	1H24	FY24E	FY25E	Recommendation	BUY
Net Interest Income (N\$ m)	1,445	1,800	1,022	1,886	1,946	NSX Code	SNO
Non-Interest Income (N\$ m)	1,283	1,445	765	1,530	1,591	Market Cap (N\$ m)	4,619
Profit after Tax (N\$ m)	624	770	506	834	854	Shares in Issue (m)	522
HEPS (c)	119	147	97	160	163	Free Float (%)	15.0
DPS (c)	66	100	68*	112	98	52-Week High (c)	890
DY (%)	15.0	11.8	15.4**	12.6	11.1	52-Week Low (c)	650
P/E (x)	3.7	5.7	4.6	5.5	5.4	Expected Total Return (%)	23.9
P/B (x)	0.5	0.9	0.9	0.9	0.8		

Source: Standard Bank Namibia Holdings Limited, IJG Securities

*Interim

**Annualised

1H24 Initial Impression

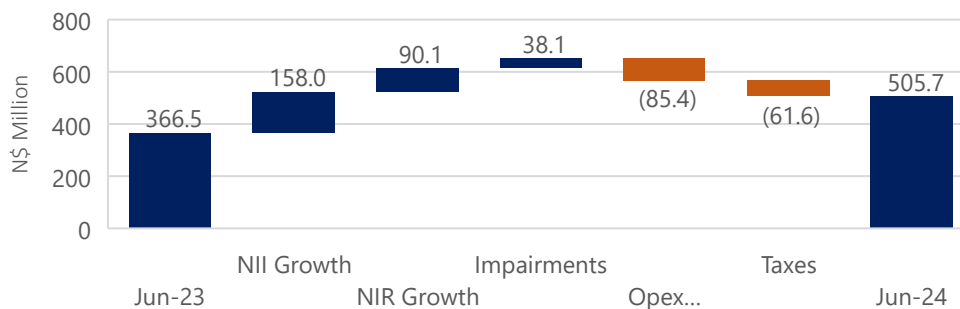
Standard Bank Namibia Holdings Ltd (SNO) released interim results for the period ended 30 June 2024 (1H24). Profit after tax rose by 38.0% y/y to N\$505.7 million, driven by optimised funding costs and higher yields on interest-earning assets (more below). ROE rose to 19.8% in 1H24, from 15.5% in 1H23. An interim dividend of 68cps was declared, up from 42cps at the same point of time last year. SNO has exceeded the payout ratio target set by management, with the payout ratio for 1H24 reaching 70%, up from 60% in 1H23.

(N\$ '000)	1H23	1H24	Δ %
Net Interest Income	863 798	1 021 757	18.3%
Non-Interest Income	675 031	765 123	13.3%
Total Income	1 538 829	1 786 880	18.7%
Credit Impairment Charges	(130 027)	(91 884)	-29.3%
Net Income before Operating Expenses	1 408 802	1 694 996	20.3%
Operating Expenses	(896 302)	(981 705)	9.5%
Net Income before Taxation	512 500	713 291	39.2%
Taxation (Direct and Indirect)	(146 050)	(207 628)	42.2%
Profit for the Period	366 450	505 663	38.0%

Source: SNO

Net Interest Income: Net interest income increased by 18.3% y/y to N\$1.02 billion, mainly attributed to the above-mentioned optimised funding costs and higher yields on interest-earning assets. SNO's net interest margin rose to 6.0% in 1H24, up from 5.2% in FY23, driven by an increase in loans and advances to customers.

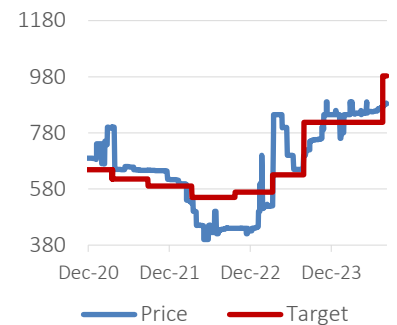
SNO Profit after Tax Growth Breakdown



Source: SNO, IJG Securities

Assets and Advances: Total assets declined marginally by 0.7% or N\$262.4 million over the interim period to N\$38.41 billion. The decline is attributed to a 30.4% or N\$1.65 billion decline in advances to other banks, which was marginally offset by a N\$716.8 million increase in cash and balances with the central bank. Financial investments rose by 29.8% y/y in 1H24 to N\$1.71 billion, driven by additional government bond purchases and endowment hedging. The Basel III high quality asset requirements were the main driver for the additional bond purchases. A 35.3% y/y increase in corporate lending and a 5.4% y/y increase in vehicle and asset finance were not enough to offset the 29.3% y/y decrease in gross loans and advances to banks, which resulted in a 1.8% y/y decline in total gross loans and

SNO Share Price vs Target Price (c)



Dividends

SNO declared an interim dividend of 68 cents per share.

- Last Day to Trade: 06 September 2024
- Ex-Dividend Date: 09 September 2024
- Record Date: 13 September 2024
- Payment Date: 27 September 2023



0,0005	4,85%
0,0003	13,04%
0,301	50,00%
0,0003	14,29%
0,0005	12,50%

advances. This increase in corporate lending is particularly encouraging to see, given that the PSCE data reflected that credit extended to corporates was only up 0.5% y/y as of 30 June 2024. Mortgage loans, the biggest contributor to total assets, continued its decline, now down 7.9% y/y or N\$151.1 million to N\$10.66 billion.

Impairments: Credit impairment charges fell by 29.3% y/y to N\$91.9 million, with SNO's credit loss ratio at 0.72%, less than the 1.0% witnessed for 1H23. The decrease in impairment charges is largely because of a regularisation of group scheme home loan accounts. When ignoring the regularisation, credit impairment charges increased by 7% y/y.

Non-Interest Revenue: NIR grew 13.3% y/y to N\$765.1 million. Fee and commission revenue rose by 7.0% y/y to N\$649.1 million, with card-based commission fees continuing to drive this increase. Card-based commissions increased by 10.2% y/y to N\$151.1 million. Fees and commission expenses rose by 20.9% to N\$182.1 million, resulting in net fee and commission revenue of N\$467.0 million, slightly up by 2.5% y/y. Revenue from trading posted robust growth of 37.7% y/y, to N\$122.4 million, due to increased transaction volumes and volatility in the currency markets. Other gains and losses on financial instruments grew by 88.8% y/y to N\$75.0 million, mainly due to the higher returns on excess liquidity which were invested in unit trusts and money market funds.

Operating Expenses: Operating expenses increased by 9.5% y/y to N\$981.7 million, more than double the inflation rate of 4.6% y/y recorded in June. Continued investments in technology were the biggest contributor towards the sharp rise in operating expenses, with IT expenses increasing by 23.3% y/y and the currency devaluation also playing a key role. SNO had a higher headcount due to filling vacant position during the review period. This higher headcount, along with annual increases drove a 6.9% y/y increase in staff costs. Total income growth outpaced the growth in operating expenses, resulting in a cost-to-income ratio of 54.9% (1H23: 58.2%). This figure is tracking ever closer to the industry average of 53.1%.

Funding: Deposits from customers declined by 1.5% y/y or N\$428.2 million to N\$28.71 billion, mainly attributed to a decrease in call deposits and NCDs, which is in line with SNO's funding optimisation strategy. There was, however, a significant increase of 33.1% y/y in current accounts and an increase of 16.9% y/y in term deposits. Deposits in current accounts now amount to N\$11.52 billion and term deposits are at N\$3.58 billion. The current account growth has aided with the margin expansion, given that it is a relatively cheap source of funding. Debt securities declined by 19.7% y/y or N\$500.4 million, mainly attributed to the maturity of the senior unsecured notes on 26 October 2023 and 24 May 2024. SNO, however, issued another senior unsecured note worth N\$296.5 million during the period under review. SNO maintained strong capital ratios with a capital adequacy ratio of 18.9% (FY23: 20.7%)

Management and Board: Mr Herbert Maier, who served as the board chairman, retired after serving on the board for more than 10 years. Mr Isac Tjombonde, an independent non-executive director, was appointed as the new board chairman. Mr Siphwe Madonsela (Standard Bank Group Limited appointed director) has been appointed as non-executive director and Mr Arlington Matenda has been appointed as CFO (executive director). Mr Matenda was the previous Chief Risk Officer in the company.

Our Take

Looking ahead, SNO is well-positioned to maintain its growth trajectory, with continued focus on optimising funding costs and expanding its interest-earning assets. The bank's strong capital ratios and improving cost-to-income ratio suggest resilience and efficiency, while the increase in current account deposits will likely support further margin expansion. However, slow domestic credit growth and declining interest rates pose shorter term challenges. We anticipate that SNO will continue to navigate these dynamics carefully, balancing growth with prudent risk management in 2H24.

Using a panel of standard valuation techniques, a cost of equity of 15.5% and a long-term sustainable return on equity of 15.0%, we derive a **target price of N\$983**. Coupled with an expected final dividend of 44cps, we derive a potential total return of 23.8%. Based on this, we view the current share price as undervalued and retain our **BUY** recommendation on SNO.



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