



SBN Holdings Limited FY21 Initial Impression March 2022



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Standard Bank Namibia Holdings Ltd

FY21 Initial Impression

Target Price (c) 592

Current Price (c) 530

Year End 31 December	FY19A	FY20A	FY21A	FY21E	FY22E	Recommendation	SELL
Net interest income (N\$ million)	1,333	1,169	1,237	1,331	1,366	NSX Code	SNO
Non-interest income (N\$ million)	1,263	1,193	1,209	1,142	1,165	Market Cap (N\$ m)	2,769
Profit after tax (N\$ million)	613	421	371	461	469	Shares in Issue (m)	522
HEPS (c)	117	81	71	88	90	Free Float (%)	15.0
DPS (c)	23	35	31	37	38	52-Week High	800
DY (%)	3.3	4.4	5.8	5.7	5.8	52-Week Low	530
P/E	6.0	9.9	7.5	7.3	7.2	Expected Return (%)	11.7%
P/B	0.9	1.0	1.0	0.7	0.6		

Source: SNO, IIG Securities

FY21 Initial Impression

Standard Bank Namibia Holdings Ltd (SNO) released results for the year ended 31 December 2021 (FY21). The financial results continue to highlight the difficult operating climate the company has to navigate as profit attributable to ordinary shareholders fell by 12.1% y/y or N\$50.9 million to N\$370.4 million. ROE fell from 10.2% in FY20 to 8.7%. Earnings and headline earnings per share contracted by 12.3% y/y from 81 cps to 71 cps. A final dividend of 15 cps was declared (FY20: 14 cps).

(N\$ '000)	FY20 (Restated)	FY21	Δ %
Interest Income	2 172 717	1 972 847	(9.2%)
Interest Expense	(1 003 677)	(736 165)	(26.7%)
Net Interest Income	1 169 040	1 236 682	5.8%
Non-Interest Income	1 192 672	1 208 806	1.4%
Total Income	2 361 712	2 445 488	3.5%
Credit Impairment Charges	(253 910)	(288 751)	13.7%
Net Income before Operating Expenses	2 107 802	2 156 737	2.3%
Operating Expenses	(1 497 868)	(1 171 496)	5.9%
Net Income before Taxation	608 330	569 933	(6.3%)
Taxation (Direct and Indirect)	(187 144)	(198 711)	6.2%
Profit after Taxation	421 186	371 222	(11.9%)

Source: SNO

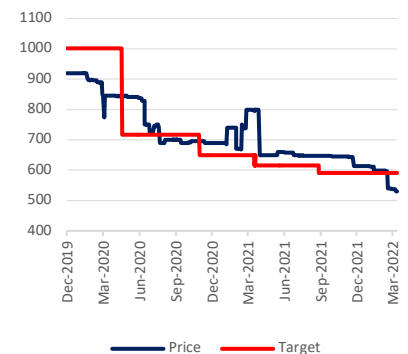
Total gross loans and advances increased by 5.9% y/y to N\$26.4 billion, outpacing PSCE growth of 1.0% over the period. The increase was largely driven by an increase in bank lending of N\$1.02 billion or 45.6% y/y. Gross loans and advances to customers increased by a more modest 1.9% y/y to N\$23.2 billion. Vehicle and asset finance posted relatively strong growth of 13.5% y/y to N\$3.2 billion and home services posted growth of 1.6% y/y to N\$12.8 billion. Corporate and sovereign lending fell by 6.3% y/y and 25.7% y/y, respectively. Management ascribed the decline in sovereign lending to sizeable structured repayment obligations.

Despite the growth in the advances book, interest income fell by 9.2% y/y to N\$1.97 billion, coming in below our forecast. The company however managed to reduce interest expense by 26.7% to N\$736.2 million. Management notes that the reduction is due to a change in composition of the deposit and current accounts of customers, the repricing of long-term funding and the lower interest rate environment. This resulted in net interest income increasing by 5.8% y/y to N\$1.24 billion.

Unlike the rest of the 'big four' banks who all recorded smaller impairments, SNO increased credit impairment charges by 13.7% y/y to N\$288.8 million, resulting in the credit loss ratio increasing from 1.02% to 1.09%. According to management, the increase is due to a reduction in the valuations of collateral and the "delayed effectiveness of [SNO's] recovery strategy on a few names". The bank's non-performing loans increased from 7.8% in FY20 to 8.2% in FY21. The company notes in the results release that by the end of October, all Covid-19 relief measures had expired and 86% of clients who received relief returned to normal repayment arrangements.

SNO posted strong deposit growth (particularly in the second half of the year) of 10.4% y/y to N\$26.7 billion. The growth was mostly driven by current account deposits which grew by 24.9% y/y to N\$8.2 billion and term deposits which grew by N\$924.9 million to N\$2.98 billion. The relatively more expensive NCDs fell by 9.7% y/y to N\$3.6 billion.

SNO Share Price vs Target Price (c)



Dividends

A final dividend of 15 cents per share has been declared.

- Last Day to Trade: 6 May 2022
- Ex-Dividend Date: 9 May 2022
- Record Date: 13 May 2022
- Payment Date: 27 May 2022





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

Non-interest revenue rose by 1.4% to N\$1.21 billion with net fee and commission revenue and trading revenue increasing by 6.0% y/y and 14.4% y/y. Management attributes the increases to an uptick in economic activity towards the end of the year, similar to what the other banks reported. Other gains and losses reduced by 36.3% y/y “due [to] the low interest rate environment”.

Operating expenses rose by 5.9% y/y, compared to inflation of 4.5% over the same period. Management however notes that voluntary separation packages were offered to qualifying staff and normalising for this would see staff costs only increasing by 1.9% y/y. IT cost increased by 19.2% y/y. Management notes that the implementations of the SA Group’s change in operating model has driven the increase in other operating expenses. The bank remains well capitalised with a capital adequacy ratio of 15.0% (FY20: 14.7%).

Overall, the results are somewhat disappointing and came in below our forecasts for the most part. Pending further analysis of the FY21 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 FY21 results, as will the table at the top of the page.

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