



SBN Holdings Limited

FY22 Initial Impression

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Standard Bank Namibia Holdings Ltd

FY22 Initial Impression

Target Price (c) 630

Current Price (c) 845

Year End 30 December	FY20	FY21	FY22	FY23E	FY24E	Recommendation	SELL
Net Interest Income (N\$ m)	1,174	1,237	1,445	1,518	1,568	NSX Code	SNO
Non-Interest Income (N\$ m)	1,193	1,209	1,283	1,341	1,388	Market Cap (N\$ m)	4,414.9
Profit after Tax (N\$ m)	421	371	624	654	657	Shares in Issue (m)	522
HEPS (c)	81	71	119	125	126	Free Float (%)	15.0
DPS (c)	35	31	66	69	69	52-Week High (c)	845
DY (%)	4.4	7.0	7.8	9.0	10.7	52-Week Low (c)	399
P/E (x)	9.9	6.3	7.1	6.7	6.7	Expected Total Return (%)	-17.3
P/B (x)	1.0	0.5	0.9	0.9	0.8		

Source: Standard Bank Namibia Holdings Limited, IJG Securities

FY22 Initial Impression

Standard Bank Namibia Holdings Ltd (SNO) released results for the year ended 31 December 2023 (FY23). Profit after tax grew by 70.5% y/y from a downward restated N\$366.2 million in FY21 to N\$624.3 million in FY22. ROE improved from 8.6% in FY21 to 13.7% in FY22. Earnings and headline earnings per share rose by 70.7% y/y from 70cps to 119cps. A final dividend of 46cps was declared, bringing the total dividends for the financial year to 66cps (FY21: 31cps).

(N\$ '000)	FY21 (Restated)	FY22	Δ %
Interest Income	1 965 259	2 406 153	22.4%
Interest Expense	(735 947)	(961 351)	(30.6%)
Net Interest Income	1 229 312	1 444 802	17.5%
Non-Interest Income	1 208 806	1 283 086	6.1%
Total Income	2 438 118	2 727 888	11.9%
Credit Impairment Charges	(288 751)	(161 213)	44.2%
Net Income before Operating Expenses	2 149 367	2 566 675	19.4%
Operating Expenses	(1 586 804)	(1 678 675)	(5.8%)
Net Income before Taxation	562 563	888 000	57.8%
Taxation (Direct and Indirect)	(196 352)	(263 720)	(34.3%)
Profit after Taxation	366 211	624 280	70.5%

Source: SNO

Net Interest Income: As the graph below shows, the profit growth was mainly driven by an increase in net interest income of 17.5% y/y to N\$1.44 billion, aided by the endowment effect following 300bps worth of rate hikes by the Bank of Namibia. Interest income grew by 22.4% y/y or N\$440.9 million to N\$2.41 billion. The growth was also attributed to “focused growth” in loans and advances in the group’s Corporate and Investment Banking division. Interest expense rose by 30.6% y/y or N\$225.4 million to N\$961.4 million following the new bond issuance and the strategy to attract more term and notice deposits.

SNO Share Price vs Target Price (c)

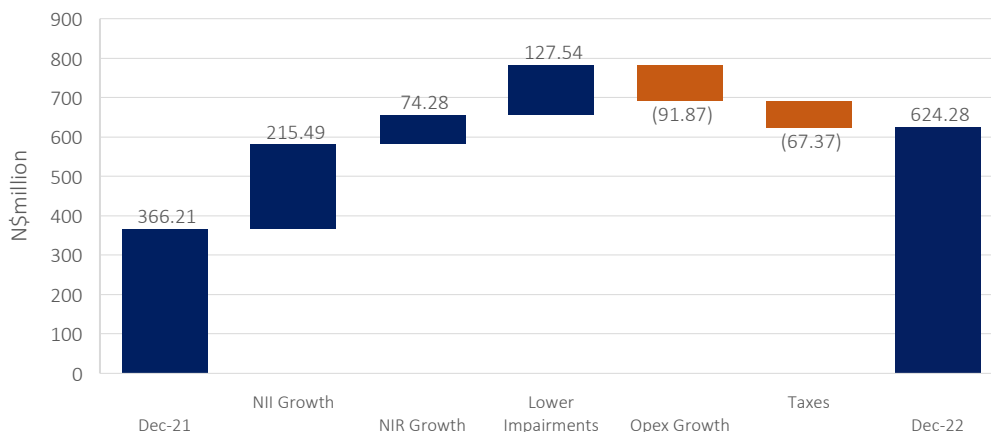


Dividends

SNO declared a final dividend of 46 cents per share.

- Last Day to Trade: 05 May 2023
- Ex-Dividend Date: 08 May 2023
- Record Date: 12 May 2023
- Payment Date: 26 May 2023

SNO Profit after Tax Growth Breakdown



Source: SNO, IJG Securities



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

Assets and Advances: Total assets grew by 1.0% y/y to N\$35.7 billion at FY22 but represents a decline of 1.5% from 1H22. Financial investments declined by 2.5% to N\$4.92 billion since 1H22, bringing the year-on-year decline to 13.2%. The contraction was driven by a 30.6% y/y decline in mutual funds and unit-linked investments and a 5.7% y/y decrease in government bond and treasury bill holdings. Gross loans and advances to customers fell by 0.4% y/y to N\$23.0 billion, versus normalised PSCE growth of 3.9% y/y over the same period. All loans and advances categories bar corporate lending recorded contractions on a year-on-year basis. Corporate lending grew by 51.8% y/y to N\$5.06 billion on the back of “increased client activity”. Mortgage loans fell by 7.5% y/y to N\$11.8 billion while vehicle and asset finance fell by 8.9% y/y to N\$2.89 billion.

Impairments: Credit impairment charges decreased by N\$127.5 million or 44.2% y/y to N\$161.2 million, with the group’s credit loss ratio coming in at 0.60% (FY21: 1.09%). Management attributed the decline to SNO’s ongoing implementation of the group’s 2021 NPL reduction strategy which is starting to pay off. Management adds that this will remain a focus area for the group going forward.

Non-Interest Revenue: SNO recorded NIR growth of 6.1% y/y to N\$1.28 billion. Fee and commission revenue rose by 4.5% y/y to N\$1.21 billion on the back of strong card-based commission- and electronic banking fee growth. Fee and commission expenses rose by 15.3% y/y to N\$301.3 million, resulting in net fee and commission revenue of N\$912.6 million, a 1.4% y/y increase. Trading revenue grew by 31.8% y/y to N\$150.2 million while ‘other’ revenue grew by 37.1% y/y to N\$145.9 million, which management attributes to growth in bancassurance revenue and property-related revenue following the acquisition of the Spearmint property portfolio.

Operating Expenses: Operating costs increased by 5.8% y/y to N\$1.68 billion, well below inflation of 6.9% over the same period. According to management, the increase was driven by employees returning to the office, and the finalisation of service level agreements with the Standard Bank Group for intergroup service management costs. Staff costs, which make up 48% of operating expenses, fell by 3.1% y/y to N\$812.6 million after voluntary separation packages were offered to qualifying employees in 2021. IT expenses rose by 22.9% y/y to N\$276.7 million and professional fees increased by 32.1% y/y to N\$181.2 million. SNO’s cost-to-income ratio improved to 61.5% (FY21: 65.1%), slightly above management’s 60% target.

Funding: Deposits from customers fell by N\$858.5 million or 3.2% y/y to N\$25.9 billion, while deposits from banks declined by N\$43.9 million or 3.0% y/y to N\$1.43 billion. Apart from call deposits which rose by N\$648.1 million to N\$9.94 billion, and term deposits which grew by N\$36.5 million to N\$3.02 billion, all other deposit categories recorded lower balances. The largest contractions were recorded in cash management deposits which fell by 31.8% y/y or N\$622.5 million to N\$1.33 billion and current account deposits which declined by 6.2% y/y or N\$508.5 million to N\$7.71 billion. Debt securities increased by 28.9% y/y to N\$2.53 billion following the issuance of the N\$400 million worth of green bonds across two notes. SNO remains well capitalised with a capital adequacy ratio of 17.7% (FY21: 14.7%).

Restatements: During the year SNO implemented a client contribution report tool for accrued interest to improve the process of reconciling interest accrued balances between the group’s client management system and the balance sheet accounts. An analysis of all transactional data for accrued interest income and expense and interest in suspense for the period 2012-2021 resulted in “unsubstantiated accrued interest income of N\$30.5 million, interest in suspense to the value of N\$8 million, accrued interest expense to the value of N\$14.0 million and credit impairments to the value of N\$23 million” restated for the periods ending FY20. FY21 saw net interest income being adjusted down N\$7.4 million and direct taxes being adjusted down N\$2.4 million, resulting in restated profit after tax for the year being N\$5.0 million lower than previously reported.

Property Portfolio Transactions: The FY22 results provide additional detail on the properties of Spearmint Investments (Pty) Ltd which SNO acquired during the year as part of a debt settlement transaction. The assets of the property investment entities are accounted for as properties in possession. As a result, the properties in possession line item in SNO’s balance sheet grew from N\$24.9 million to N\$491.2 million. The list of holdings includes, amongst others, 16 property investment holdings at Tenbergen, and 17 property investment holdings at Monte Piana in Windhoek.

0.0001	0.0005	4.85%
1.302	0.0003	13.04%
1.3011	0.0001	50.00%
1.3024	0.0003	14.29%
1.3031	0.0005	12.50%

Our Take

SNO delivered a strong set of results aided by the endowment effect and lower credit impairment charges. Using a panel of standard valuation techniques, a cost of equity of 16.9% and a long-term sustainable return on equity of 14.0%, we derive a **target price of N\$630**. Coupled with expected dividends of 69cps in FY23, we derive a potential total return of -17.3%. Based on this, we view the current share price as overvalued and downgrade our recommendation on SNO to **SELL**.

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