



FIRSTRAND NAMIBIA LTD

1H20 Initial Impression

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FirstRand Namibia Ltd

1H20 Initial Impression

Target Price (c)* 4231
Current Price (c) 3339

Year End 30 June	2018	2019	F2020	F2021	F2022	Recommendation*	BUY
Net interest income (N\$m)	1,821	2,012	2,173	2,289	2,464	NSX Code	FNB
Non-interest income (N\$m)	1,796	1,820	1,939	2,082	2,246	Market Cap (N\$m)	8,935
Profit (N\$m)	1,061	1,086	1,134	1,181	1,267	Shares in Issue (m)	519
HEPS (c)	398	410	428	445	477	Free float (%)	26.4
DPS (c)	204	208	217	226	253	P/B (x)	1.7
DY (%)	4.6	5.9	6.5	6.7	7.6	52 week high	4326
P/E (x)	11.2	8.5	7.8	7.5	7.0	52 week low	3330
P/B (x)	2.3	1.7	1.6	1.6	1.5	Expected Total Return (%)*	

Source: FirstRand Namibia, IJG

* Target price unchanged pending review

1H20 Initial Impression

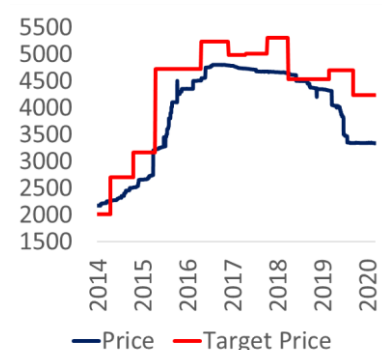
FirstRand Namibia released their interim results for the period ended 31 December 2019 which were much better than expected. Profit after tax increased by 12.9% y/y while headline earnings per share were up 13.3% y/y to 236.1cps. Interim dividends will increase by 14.3% to 104 cps. The results were a combination of good growth in the advances books funded by growth in retail deposits and well contained operating expenditure. This resulted in the return on equity increasing to 24.6% from 22.4% in 1H19.

N\$'000	1H20	1H19	% Change
Net interest income before impairments	1,054,750	1,001,147	5.4%
Impairment and fair value of credit advances	-118,019	-117,190	0.7%
Net interest income after impairments	936,731	883,957	6.0%
Non-interest income	1,004,727	935,149	7.4%
Net insurance premium income	65,687	78,892	-16.7%
Net claims and benefits paid	-35,312	-43,475	-18.8%
Income from operations	1,971,833	1,854,523	6.3%
Operating expenses	-1,063,415	-1,020,094	4.2%
Net income from operations	908,418	834,429	8.9%
Share of profit from associates after tax	1,854	1,366	35.7%
Income before tax	910,272	835,795	8.9%
Indirect tax	-20,226	-23,480	-13.9%
Profit before tax	890,046	812,315	9.6%
Direct tax	-266,299	-259,622	2.6%
Profit for the period	623,747	552,693	12.9%

Total assets grew by 4.0% y/y or N\$ 1.69 billion to N\$43.84 billion, which was funded by decent growth in deposits. Deposits increased by 9.8% y/y or N\$3.20 billion. Most of this increase was used to fund growth in advances which increased by 8.3% y/y, which was above private sector credit extension growth of 6.9% for the same period.

Growth in advances was driven mainly by strong growth in corporate loans from RMB, which accounted for N\$1.1 billion of the increase. From the retail side, growth was driven mainly the extension of low-value mortgages, ranging from N\$500,000 to N\$1.5 million as well as increases in unsecured lending to the premium and consumer segments. Vehicle finance was able to maintain their advances book, despite a contraction in Namibian vehicle sales. About N\$709 million of the increases in deposits was used to purchase investment securities.

FNB Share Price vs Target Price



Dividends

Dividend (interim): 104c/share

Declaration date: 12 February 2020

Last day to trade: 27 March 2020

Ex-date: 30 March 2020

Record date: 3 April 2020

Payment date: 17 April 2019



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

Interest and similar income grew by 6.8% y/y while interest expense grew by 8.4% y/y, which meant net interest income before impairments grew by 5.4% y/y to N\$1.06 billion. Impairments were nearly flat, increasing by only 0.7% y/y and represented 0.37% of total advances for the half-year, slightly lower than the 0.40% recorded in 1H19. As a result, net interest income after impairment of advances increased by 6.0% y/y.

Non-interest revenue was also slightly above expectations, growing by 7.4% y/y to N\$1.00 billion. This was largely due to fee and commission income growth of 10.8%, supported by strong volumes across FNB's digital and electronic channels and ongoing customer growth in the premium and commercial segments. Migration to self-service platforms is a continuing trend as in-branch volumes declined by 19% y/y while online and cellphone volumes increased by 17% y/y. The insurance business still shows signs of struggle as both premium income and benefits paid recorded double-digit contractions.

Operating expenses were well contained, growing by only 4.2% y/y, to N\$1.06 billion. However, it should be noted that the financial statements were not restated for IFRS 16, and operating expenses are not directly comparable to the previous period. Staff costs grew by 4.7% y/y to N\$582.5 million and makeup 55% of operating expenses. Other operating expenses grew by 7.0% y/y to N\$386.5 million.

In summary, the results were better than expected given the current economic climate. The good results emanate mainly from stronger than expected growth in advances which exceeded the growth in PSCE. Furthermore, the cost of funding remains well managed and operating expenses were well contained.

Although the growth outlook remains muted the company has proved resilient in the current trying economic climate. At current levels, the stock price remains attractive. We maintain our **BUY** recommendation on FirstRand pending management consultations and the release of our full report in which our target price and forecasts will be revised.



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