FNB NAMIBIA HOLDINGS

FY17 Results Review

OCTOBER 2017

FNB Namibia Holdings	Target Price (c)	5302
FY17 Results Review	Current Price (c)	4675

Year End 30 June	2016	2017	F2018	F2019	F2020
Net interest income (N$m)	1,654	1,765	1,914	2,172	2,499
Non-interest income (N$m)	1,507	1,554	1,705	1,953	2,219
Profit (N$m)	1,218	1,113	1,201	1,407	1,690
HEPS (c)	460	419	453	531	638
DPS (c)	213	204	217	253	306
DY (%)	4.5	4.3	4.6	5.4	6.6
P/E (x)	10.3	11.2	10.3	8.8	7.3
P/BV (x)	3.1	2.7	2.4	2.1	2.1

Recommendation	BUY
NSX Code	FNB
Market Cap (N$m)	12,510
Shares in Issue (m)	267.6
Free float (%)	24
52 week high (c)	4800
52 week low (c)	4669
Expected total return	18.1%

Source: FNB, IJG, Bloomberg

FNB Namibia released its results for year ending 30 June 2017. The results were reflective of the recessionary economic conditions prevalent in Namibia and slowing private sector credit extension. The company's profit after tax decreased by 8.6% to N$1,113 million, while headline earnings per share decreased by 8.9% to 419 cps. Normalised earnings before tax, which adjusts for non-operational items and the impact of the acquisitions of EBank and Pointbreak, increased by 3.8% to N$1,768 million. A purchase price of N$328.4 million for EBank and Pointbreak was revealed.

Advances grew by 9.6% to N$28.26 billion from N$25.78 billion in FY16. This was driven largely by a 32.9% increase in overdraft accounts which grew to N$3.50 billion from N$2.63 billion in FY16 as well as a 6.5% increase in home loans, which grew to N$12.58 billion from N$11.82 billion in FY16.

Interest income grew by 14.5% to N$3.29 billion, while interest expense grew by 25.1% to N$1.52 billion. As a result, the net interest margin contracted by 17 basis points from 7.11% to 6.94%. Over the year, the average rate of interest on loans (excluding interbank lending) was 12.16%, while the average funding costs was 5.22%. Deposits grew by 9.7% and the higher cost of funding was mainly due to a change in funding mix. The tough economic environment had a minimal effect on impairment losses, which increased to N$59.3 million or 0.22% of advances, up from 0.20% in FY16. However, non-performing loans have increased sharply, from 0.97% to 1.4% of total advances.

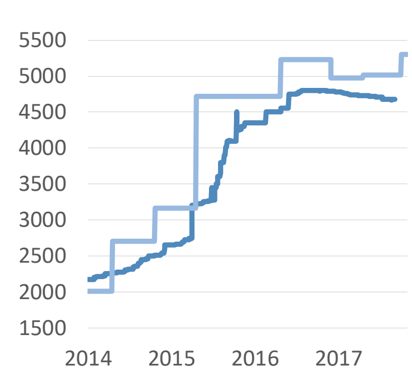
Total operating income was split 47.7% to 52.3% between non-interest income and net-interest income (after impairments). Non-interest revenue grew by 3.1% to N$1.55 billion from N$1.51 billion n FY16. The relatively slow growth figure being attributed to the high base set by forex trading activities. The number of active accounts increased by 4.0% to 908,349, while net fee and commission income grew by 12.4% as the adoption of electronic channels continues to gain momentum.

Operating expenses grew by 17.3% driven largely by increased staff costs, which increased by 21.1% and now make up 54.2% of total operating expenses. The increased staff cost was mainly as a result of expansion of the risk and compliance divisions as well as an increase in temporary staff working on regulatory projects. Additionally, depreciation increased by 20.2% while IT costs increased by 30.7%. The company's cost to income ratio has increased to 48.9% from 43.7% in FY16.

FNB remains well capitalized with a total capital adequacy of 17.2% (tier 1 capital of 14.7%), down from 17.8 % in FY16, and well above the regulatory requirement of 10%.

For the purpose of valuing the company, we established a cost of equity, of 14.6%, which consist of a risk-free rate of 10.0%, and an equity risk premium of 4.6%. Based on this cost of equity, a highly conservative long-term growth rate for the company of 9.0%, and a long term sustainable Return on Equity of 24.0%, we believe a Price to Book multiple of 2.68x can be justified. Given expected book value per share of 1,979 cps in FY18, we derive a target price of **N$c5302**. Coupled with an expected dividend of 217 cps, we expect a total return of 18.1%. for this counter over the next 12 months. Given the decline in the share which peaked in August 2016, we believe that there is some value in the share again and thus **upgrade our recommendation to BUY.**

Share Price (c)



Dividends

Dividend (final): 113c/share

Declaration date: 15 August 2017

Ex-date: 18 September 2017

Record date: 22 September 2017

Payment date: 5 October 2017

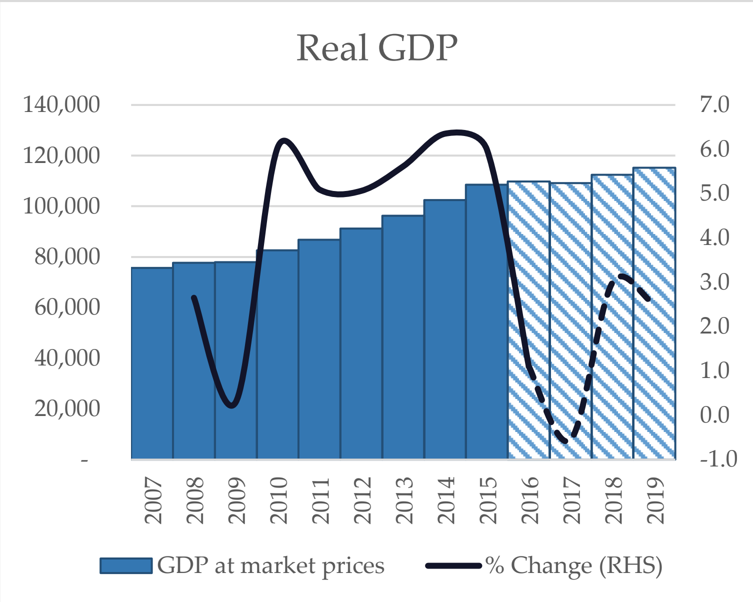
Analyst

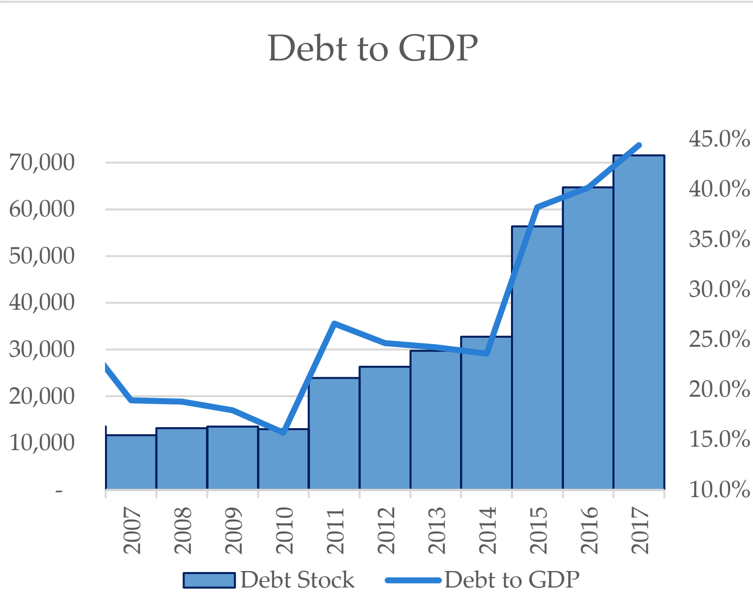
Dylan van Wyk
+264 383 521
dylan@ijg.net

Macro Backdrop

Growth Environment

The 2016/17 financial year was a particularly difficult year for the Namibian Economy. After many years of expansionary fiscal and monetary policy, the Namibian economy currently finds itself in a recession with limited policy tools available with which to kick-start growth.





Final National Accounts data shows real GDP growth figures for 2016 significantly depressed at 1.1% from 6.0% in 2015, while second quarter GDP indicates that both quarters of 2017 have declined by 1.7% on an annualised basis

The slowdown in growth stems from a slowdown in foreign direct investment and completion of construction on various mining projects, coupled with a slump in commodity prices and slowdown in government revenue growth. The construction sector was hardest hit by slowing government spending, posting a real contraction of 26.5% y/y in 2016.

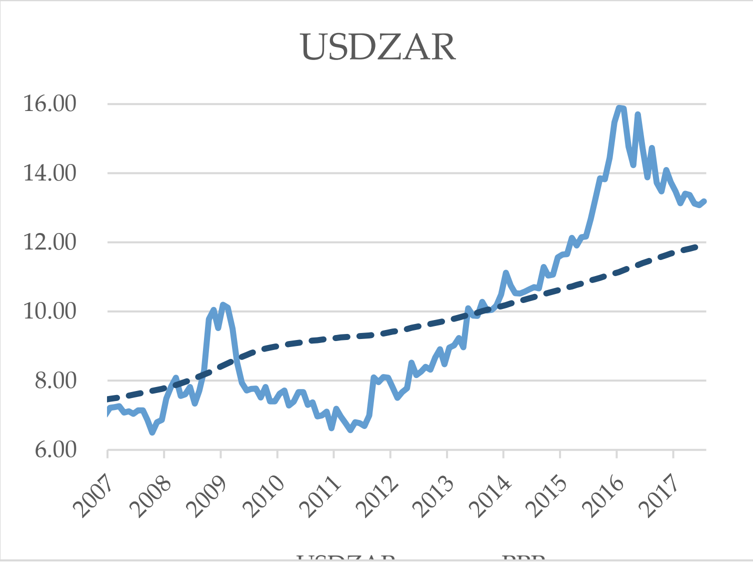
Elevated levels of government expenditure coupled with the slowdown in government revenue led to a large increase in public debt during 2015 and 2016, as growing budget deficits had to be financed. As a result, Debt to GDP rose from 23.6% in 2014 to its current level of around 44.4%. The rapid accumulation of government debt caused a crowing out effect where government securities drained liquidity for the market and caused funding costs for the banks to rise dramatically.

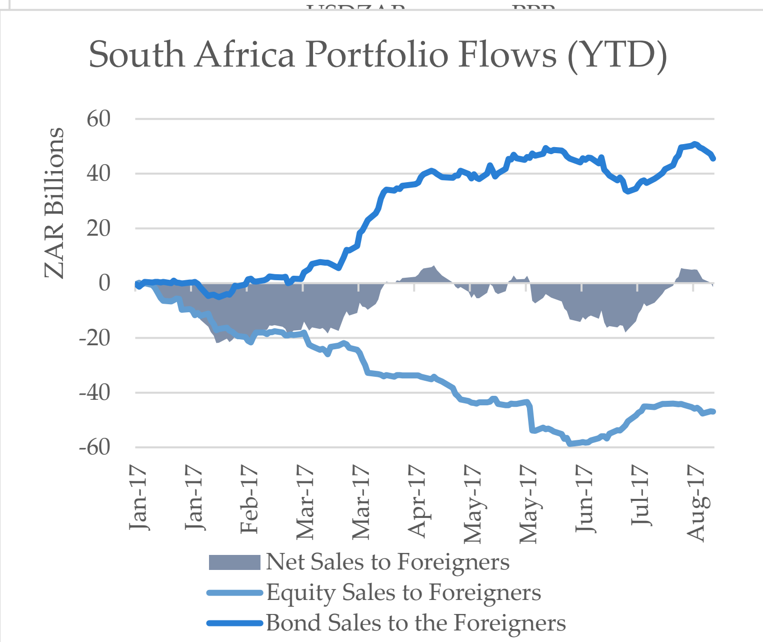
Although fiscal consolidation efforts have been implemented since the midterm budget review in October 2016, high debt to GDP levels as well as delayed or non-payment of private sector invoices were contributing factors to a Moody's downgrade of Namibia's foreign currency denominated debt to sub-investment grade. Although the downgrade had little immediate impact, this will increase our borrowing costs for foreign denominated debt in the future.

Luckily the region has showed some signs of improved growth prospects. After two consecutive quarters of decline, the South African economy lifted out of recession in the second quarter of 2017. Positive contributions to higher economic activity was experienced across most industries. Agriculture, finance and mining lifted South African GDP by 2.5% in the second quarter on an annualised basis. Agriculture continued to show strong recovery from South Africa's recent drought, increasing production by 33.6% driven mostly by maize and wheat production.

Namibia is also expected to recover from the current economic slowdown, but this is likely to take some time. Pro-cyclical fiscal policy, which contributed to the overheating of the economy, may now result in the economy remaining in a low growth environment for an extended period. Balancing structural reforms while undertaking fiscal consolidation will be challenging, but very necessary.

Exchange Rate

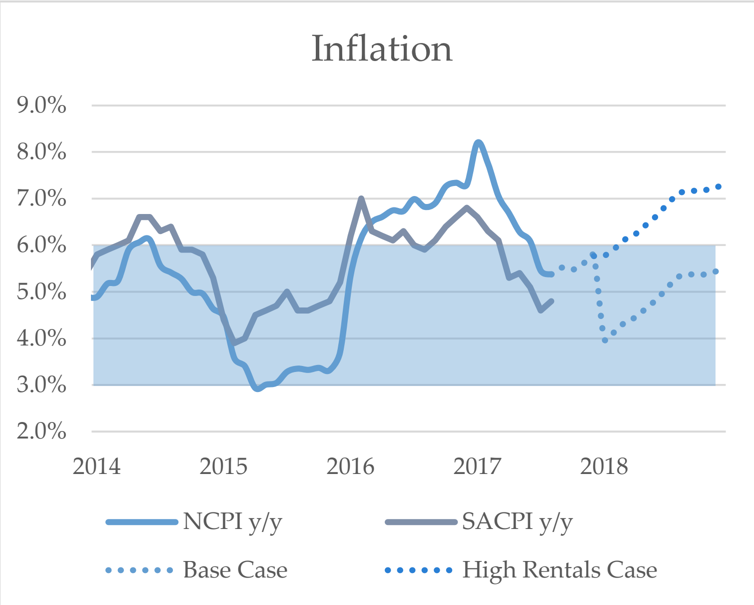




The rand has been steadily appreciating against the USD following the rapid depreciation witnessed in 2015. The currency also strengthened on a trade weighted basis by 23.9% since the start of 2016. However, the rand is still relatively far away from its purchasing power parity (PPP) value, which we estimate at around ZAR 11.90/USD.

Despite previous concerns, the risk of a local currency downgrade in South Africa, which would result in the country falling out of global bond indices, has not had any negative effect on sales of bonds to foreigners. Instead, foreign portfolio investment into bonds has been quite strong as carry traders have become enticed by higher yields, balancing out equity outflows to bring net portfolio flows close to nil. This likely provided some support for the rand.

Inflation

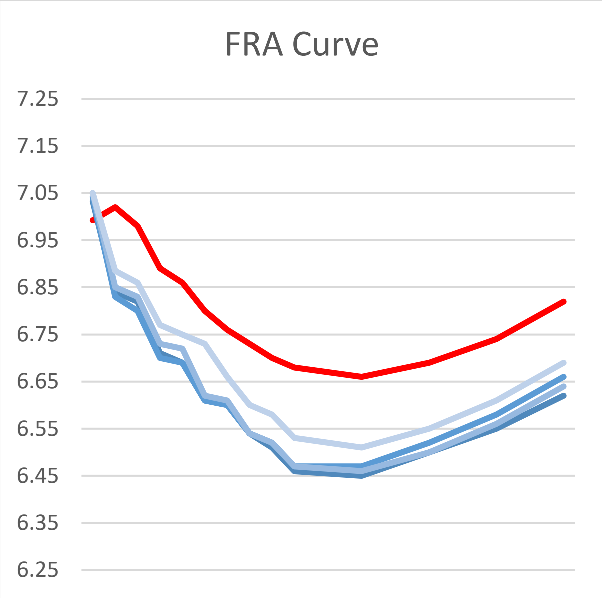


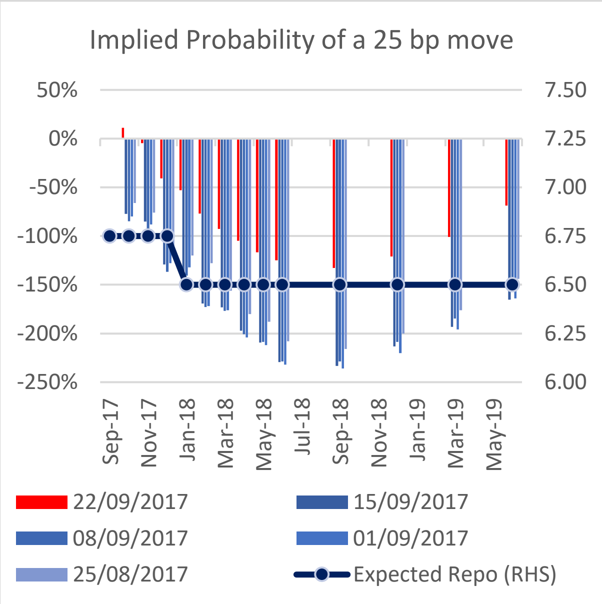
The Namibian inflation rate has returned to the 3-6% target range, as the most recent readings have surprised to the downside. Namibian inflation remained above 6% for the first half of the year, and has dropped to 5.4% in August.

South African inflation displayed a similar trend, and stood at 4.8% at the end of August. Inflation moderated more rapidly than expected due to quickly decelerating food price inflation as the effects of the drought in the Southern African region ceased. The South African reserve bank expects SACPI to average around 4.8% over the next twelve months.

Our NCPI inflation forecast is heavily dependent on rental payments for dwelling sub-category, which makes up 23.3% of the overall inflation basket. If rental increases revert to their mean, as implied by our autoregressive model, then inflation should average around 4.9% in 2018. However, if rentals display the same 9.8% increase seen in January 2017, this will underpin a much high level of in 2018, averaging around 6.7% for the 2018 calendar year.

Interest Rates





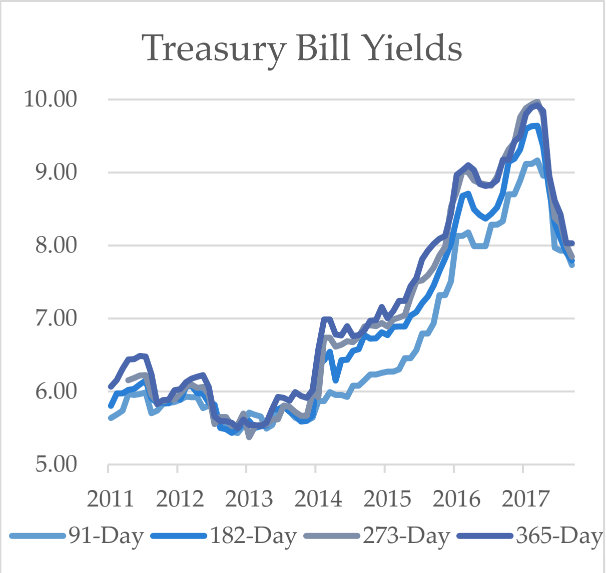
Interest rate expectations have changed substantially over the last six months. After the downgrade of the South African foreign denominated currency debt rating expectations were pointing to increases in the South African repo rate.

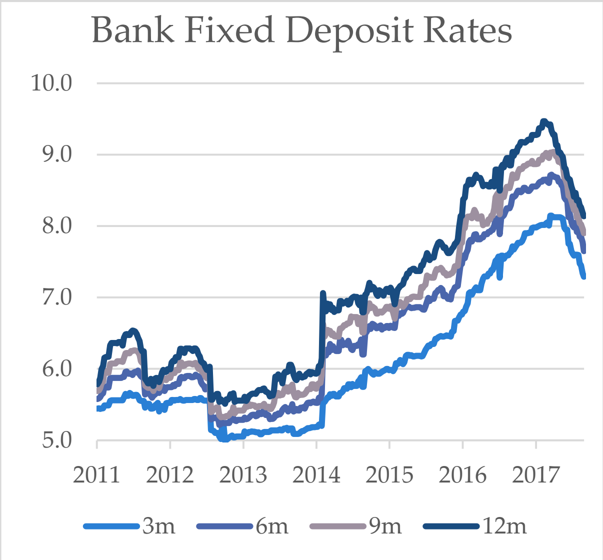
However, following a decline in GDP growth expectations and a rapid deceleration in inflation, the July South African Reserve Bank (SARB) monetary policy committee (MPC) meeting saw an unexpected 25 basis point cut in the South African repo rate. Additionally, the September MPC meeting also delivered a surprise, as the anticipated 25 basis point interest rate cut did not materialise, and the central bank elected to hold the repo rate at 6.75%.

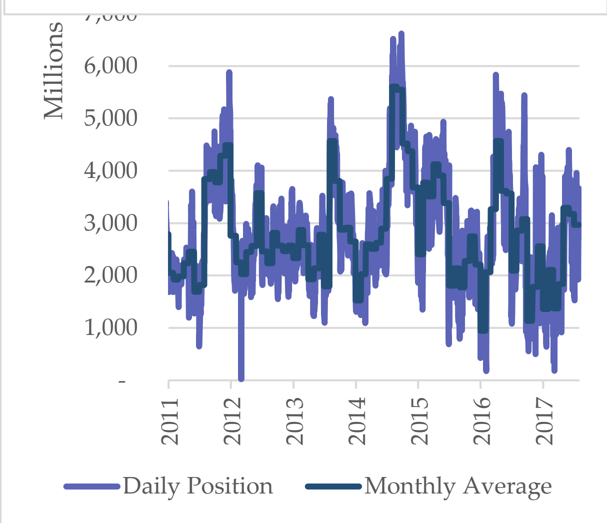
The latest FRA curve continues to point to a rate cutting cycle in South Africa, although only one 25 basis point move is expected in 2018. The bank of Namibia is likely to follow the SARB quite closely, as it has in the past.

The risk to this base case scenario is that the political environment in South Africa leads to further credit ratings downgrades. Should South Africa lose its local currency investment grade rating, large fund flows out of South African bonds could take place. This will lead to currency depreciation and an uptick in inflation as a result. In our downgrade scenario, the SARB may be forced to defend the currency by raising interest rates by at least 50 basis points.

Funding Costs







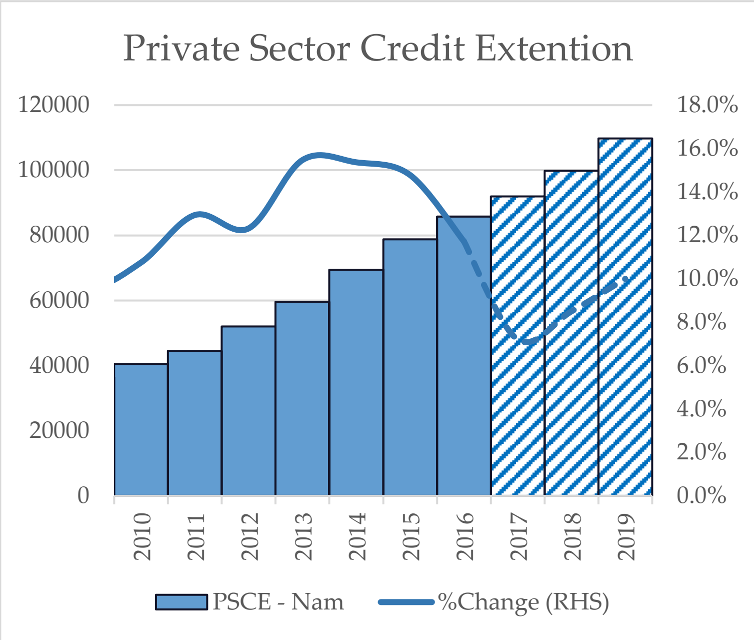
Funding costs were a major thorn in commercial banks' side in the last financial year. Following the rapid accumulation of government debt to finance large budget deficits, treasury bill yields increased to compensate for the increased credit risk as well as the decreased demand.

The large issuances in the short-term government securities combined drained liquidity from the market and directly competed with the banks' institutional funding. As a result, deposit rates increased dramatically, squeezing banks' net interest margins.

However, since April 2017 rates have been falling steadily. Liquidity conditions improved considerably as government found alternative sources of funding, which included a bridge loan from the African development bank to the tune of N$10 billion over the next two budget years.

Funding costs are expected to decrease slightly further from current levels as it seems demand has returned for government treasury auctions and bank deposit rates have also not found their floor.

Credit Demand and Supply



Private sector credit extension has continued to slow over the last six months, largely due to the abovementioned factors of low liquidity, high funding costs and slower economic growth.

PSCE growth declined to 6.8% in July driven largely by a slowdown in corporate credit which increased by only 5.0% y/y in July, while credit extended to individuals grew by 8.4%.

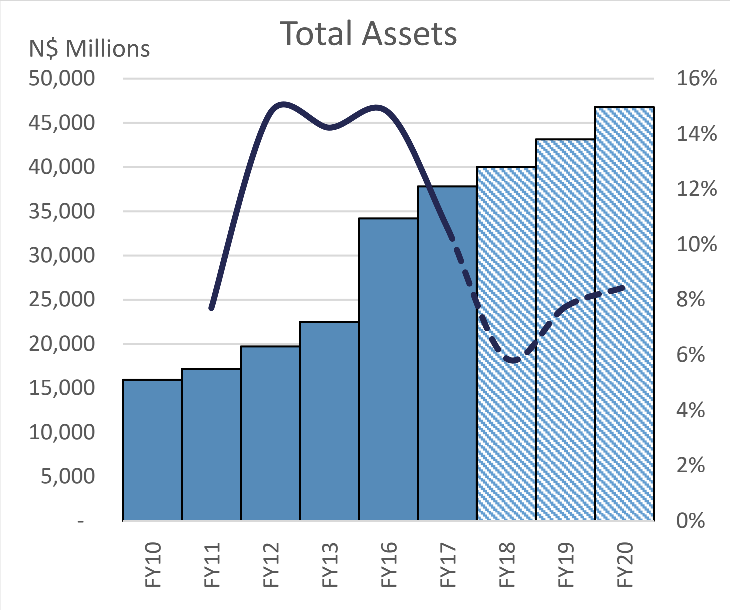
Instalment credit was the hardest hit by the economic slowdown. This was likely a combination of the direct effect of lower government spending as well as lower disposable income and lower demand for capital goods. Vehicle sales, the main contributor to instalment finance, have slowed by 24.4% on a twelve-month cumulative basis.

Mortgage loans have also slowed considerably, growing at 8.3% y/y in July 2017 compared to 11.1% in July of 2016. However, overdraft loans, which grew by 17.7% y/y in July has been the one category which has displayed strong growth, which may be indicative of the stretched financial position of many individuals and corporates at the moment.

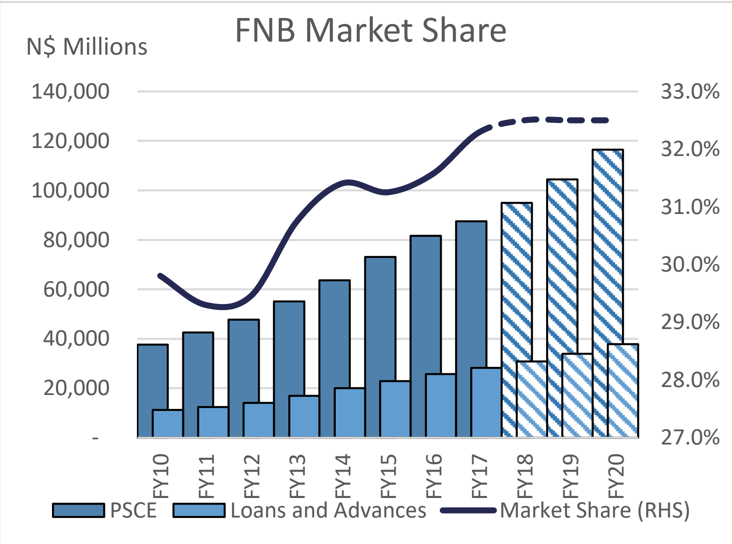
Seeing as liquidity has improved somewhat, demand for credit will remain an obstacle for credit growth going forward. Credit extension will be tied to recovering economic growth and improving disposable incomes, which will likely not pick up rapidly in the short term. We expect this demand to pick up slowly over the next three years. We expect private sector credit extension to decline to 7.2% in the current financial year before ticking back up to 10.0% in 2019.

Asset base

Asset growth



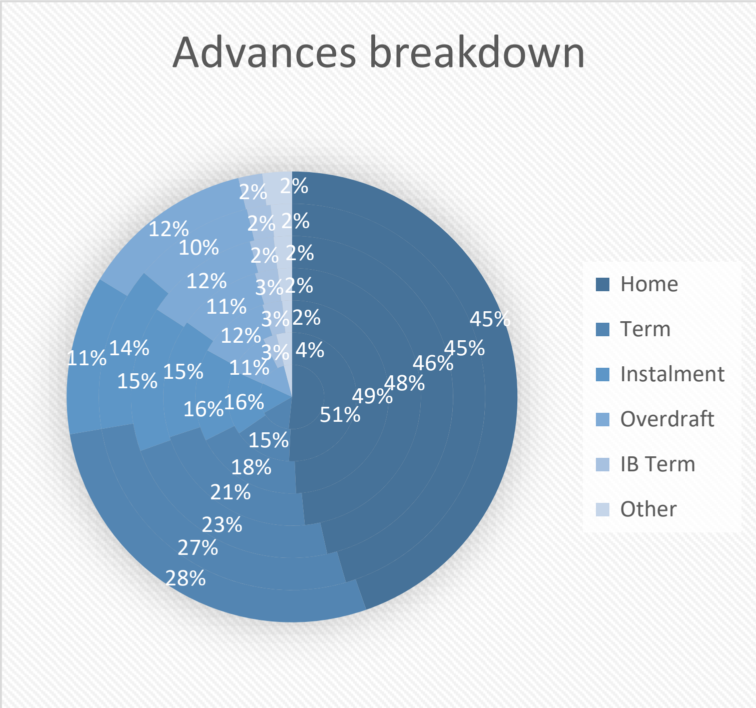
FNB's total assets grew by 10.6% in FY17, to bring the total balance sheet to N$37.81 billion. This was quite a feat as assets totalled N$34.19 billion at the end of FY16 and stood at N$34.67 by 1H17. Advances grew by 9.6% to N$28.26 billion in FY17 while advances to banks and other financial institutions increased by 50.5% to N$2.67 billion. The overall growth is well ahead of the 8.0% growth in private sector credit extension recorded over the same period.



FNB has maintained a healthy market share which has been above the 30% level over the last four years. Management have indicated that they set their targets on maximizing return on assets and return on equity, rather than aggressively pursuing market share, whether from an advances or deposit perspective. However, during the last financial year, market share grew from 31.6% of the market at the end of FY16 to 32.5% currently.

We expect FNB to maintain their market share around current levels. We have seen new entrants into the banking space over the past few years, while still small in nature, these entities are likely to be competing for market share, both from a funding and advances perspective. Although we do not foresee any of the new entrants claiming major market share in the next three years, they will likely restrict strong growth for major commercial banks.

Advances breakdown



Growth in advances in the last financial year was driven largely by overdrafts and term loans which grew by 32.9% y/y and 11.8% y/y respectively. Term loans now make up 28% or N$7.80 billion of total advances while overdraft loans now make up 12% or N$3.50 billion of total advances.

Growth in home loans was sluggish compared to previous years, growing by 6.5% to N$12.58 billion. This was also below the 8.7% y/y growth in individual mortgages recorded in Bank of Namibia's money and banking statistics.

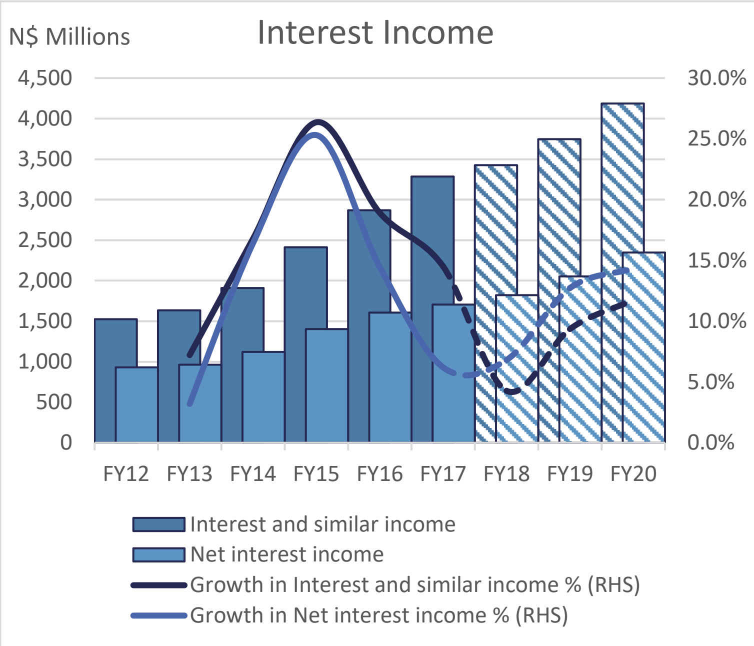
The loan book is remains heavily weighted toward home loans, which make up 45% of advances. However, this figure has been steadily declining over the last few years, as term loans have grown to represent a larger proportion of the book.

Instalment loans have declined by 2.3% y/y to N$3.21 billion. This is due to the slowdown in vehicle sales, with new vehicle sales decreasing by 24.3% on a cumulative basis compared to the previous financial year. Additionally, the amendments to the Credit Agreement Act had a significant effect on consumer spending, as fewer people are eligible for vehicle financing.

Going forward we expect demand to pick up in the mortgage and instalment lending space. However, given the current economic climate, there is a risk of this demand remaining low for an extended period. Management have indicated that they have started to see some green shoots in the vehicle market, specifically coastal vehicle sales. However, thus far evidence of a recovery remains purely anecdotal, with little reprieve seen in the Namibian vehicle sales numbers. The housing market is also expected to pick up, especially the lower and middle-income segments, where prices have become more agreeable to the average buyer. The upper end of the market is expected to remain slow, as sales in this segment has seen very little activity in the last year.

Net Interest Income

Interest Income

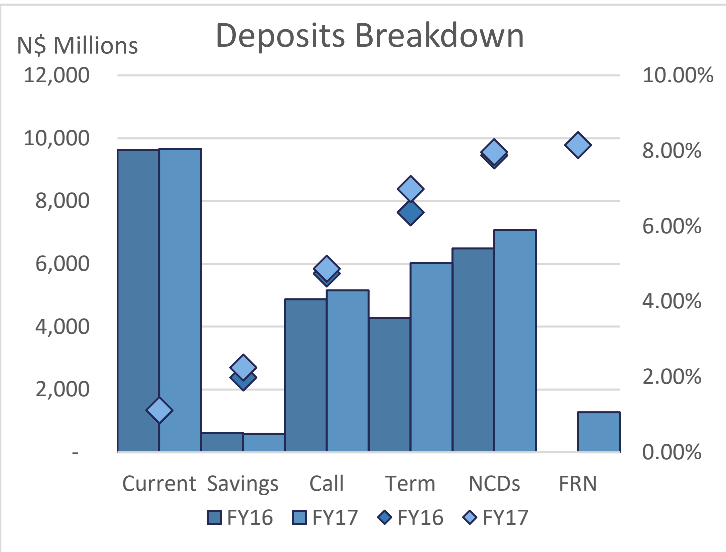


Interest income grew quite strongly, increasing by 14.5% to N$3.29 billion in FY17, well above our expectations, driven by reasonable advances growth coupled with slightly higher interest rates.

The average interest rate charged on loans increased from 11.8% to 12.2%, as the average prime rate prime rate increased to 10.75% in FY17 from 10.42% in FY16. Net interest income increased by only 6.2% due to the spike in funding costs experienced over the last year.

FNB Namibia has experienced remarkable growth in interest income over the last five years. This was initially driven by declining interest rates and a rapid expansion of private sector credit in the country coupled with strong growth in FNB's market share. However, this growth is expected to remain slow due to subdued, although recovering, private sector credit extension growth and less opportunity to expand market share. We expect interest income to grow by 6.8% in FY18, accelerate to 12.7% in FY19 as credit extension regains momentum.

Funding mix and interest expense

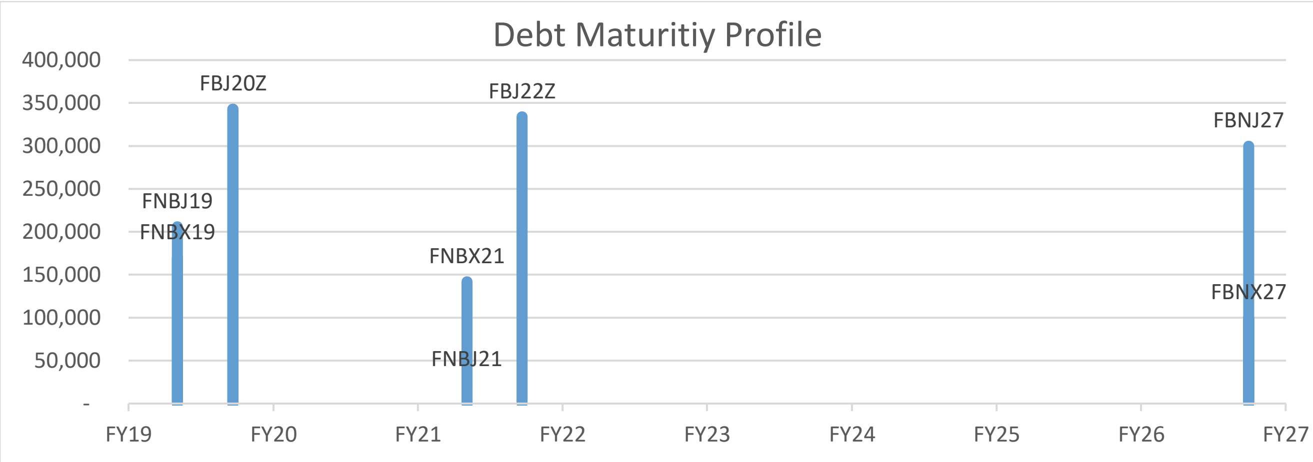


Growth in deposits as well as funding costs were severely impacted by reduced liquidity in the market due to increased government issuance, specifically in the shorter dated treasury bills.

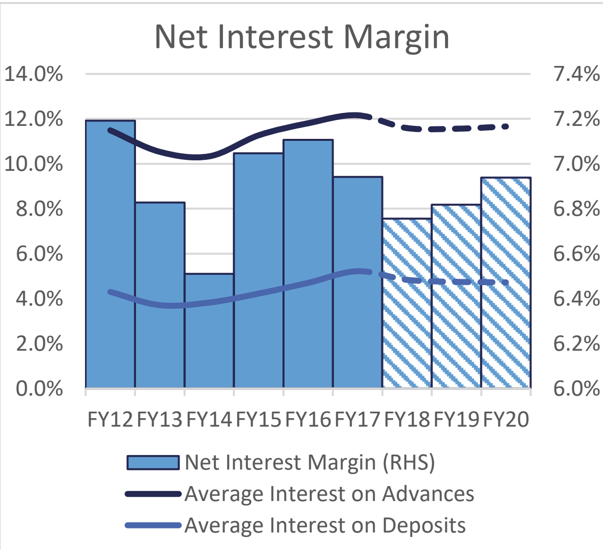
The usual sources of inexpensive funding, namely current, call and savings accounts, have remained relatively flat year on year and had to be substituted with more expensive sources of funding such as negotiable certificates of deposits, term deposits and floating rate notes.

Average current accounts grew by 0.3%, average savings accounts declined by 2.6% and average call accounts were 6.0% higher. Term deposits made up the bulk of the funding shortfall as new term deposit products were launched to attract retail depositors. This campaign was highly successful as average term funding increased by 40.8%. Additionally, NCD funding grew by 9.0%. Finally, the fixed and floating rate notes category, which we estimate to be yielding 3-month Jibar + 115BP on a 12-month deposit, is the most expensive form of financing, and increased to N$1.27 billion.

FNB Namibia traditionally funded much of its loans from conventional deposits, carrying very little debt securities on its balance sheet. However, in November 2016 the bank issued N$540 million worth of debt securities, followed by a second round of issuance in March, where N$677 million worth of rand denominated medium term notes were issued. This debt is to be used for funding and to manage their currently liquidity challenges. Furthermore, FNB called their FNBX22 and FNBJ22 medium term notes and replaced them with the FBNX27 and FBNJ27 (sic) bonds of similar nominal values and which are also callable in five years' time.



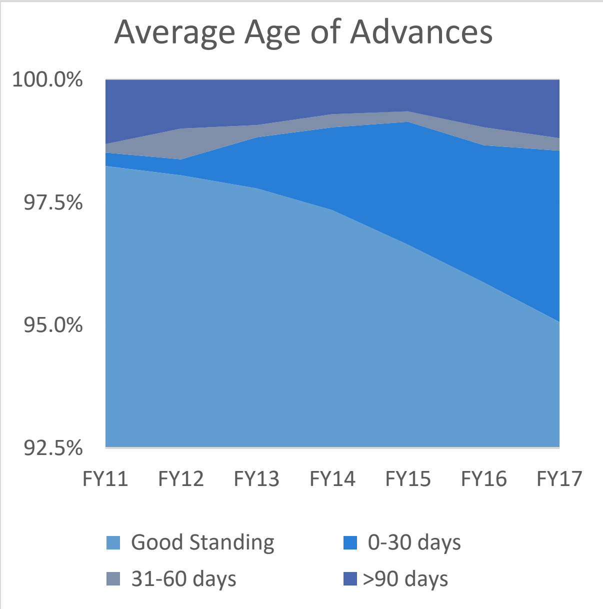
As a result of the shift to more expense alternatives during the periods of low liquidity, the interest rate on average total deposits has increased from 4.54% to 5.05%. Funding costs remain a risk as most indicators point to government cash balances remaining stretched. Management have indicated that they are using the current opportunity to make sure that they are adequately funded should the current liquidity position deteriorate.

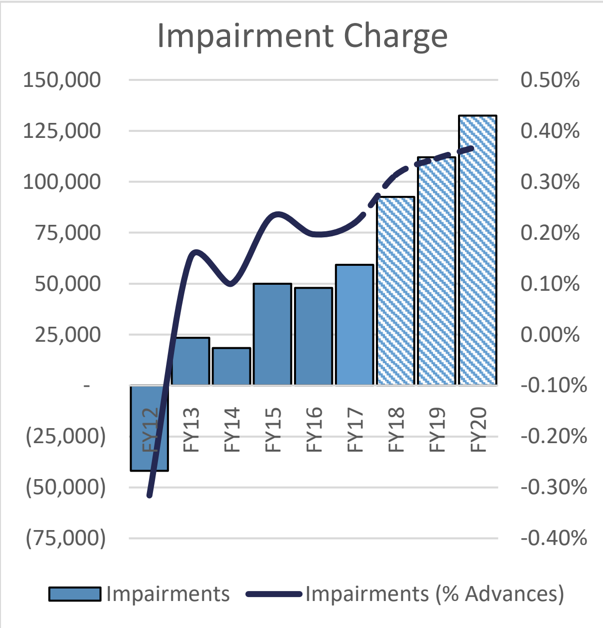


Interest Margin

Due to the factors mentioned above, namely the interest cost growing at a faster pace than interest income, the net interest margin contracted from 7.11% to 6.94%. We expect the margin to improve over the next three years as funding costs have returned to normalised levels and the Namibian repo rate, and consequently the prime interest rate, are not expected to fall much.

Impairments





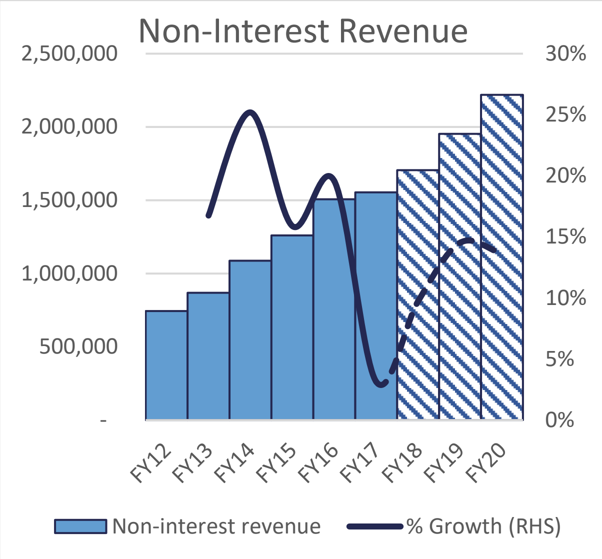
The increase in the average age of advances is likely a sign of a more stretched consumer. The amount of loans which are not in good standing has increased steadily from 1.8% of advances in FY11 to 4.9% in FY17. The largest portion of these loans are one instalment or 0 -30 days behind. FNB only considers loans older than 30 days non- performing and these loans amount to 1.4% of the total book or N$339 million.

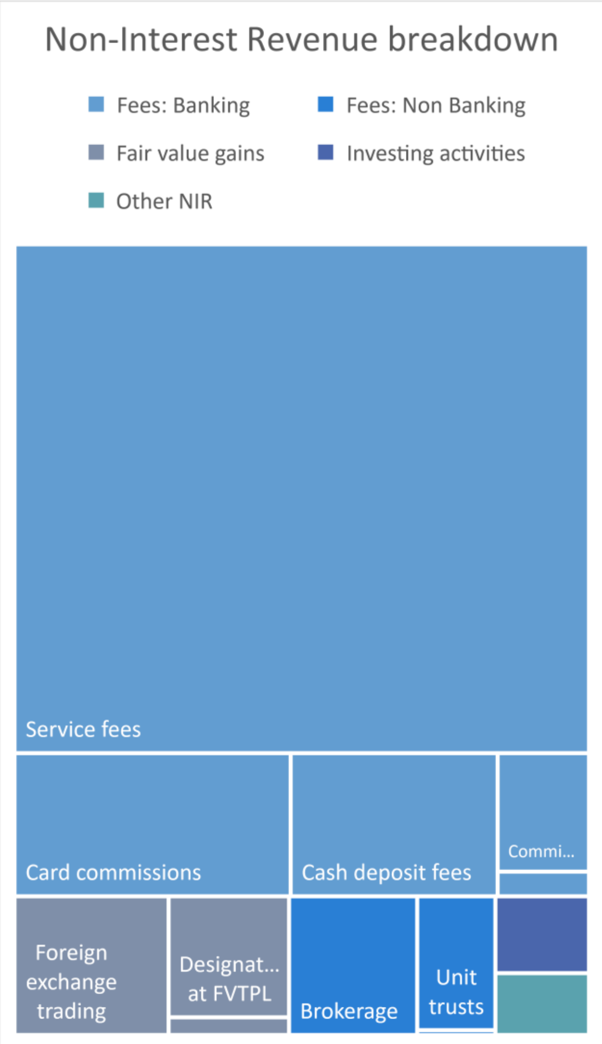
Based on the new IFRS 9 regulation, loans which have had a significant increase in credit risk would have to be provided for based on lifetime expected losses, which would mean that there will likely be a one-time increase in impairments in the FY18 financial year.

The FY17 annual report indicates that the effect “will be significant”. However, management indicated that they have yet to complete an impact assessment of the implementation of IFRS 9, but they do not expect the impact to be severe.

Based on surveys by Deloitte total impairments are expected to rise between 30% and 40% on average for African banks. Based on this estimate that FNB’s impairment charge could be between N$66 million and N$88 million higher next year due to the effect of the new accounting standard. However, since a large proportion of non-performing loans are already specifically impaired, we expect the initial impact to be much more subdued and have pencilled in a N$33.4 increase in impairment charges. We do, however, expect impairments charges to continue rising steadily as the loan book continues to grow and the lagged effect of the economic slowdown starts to have an impact.

Non-interest income





Growth in non-interest revenue dropped sharply due to the base effect of profits on property sales (sale of the Talas building) as well as profits of foreign exchange trading, mainly from Kwanza trading activities. Net fee and commission income increased by 12.4% while other sources of non-interest income declined by 32.5%, leading to a net increase of just 3.3%.

Revenue from bank charges, the main source of non-interest revenue, breached the N$1.0 billion mark in FY17 after growing by 12.3%. The number of active accounts increased by 4% to 908,349.

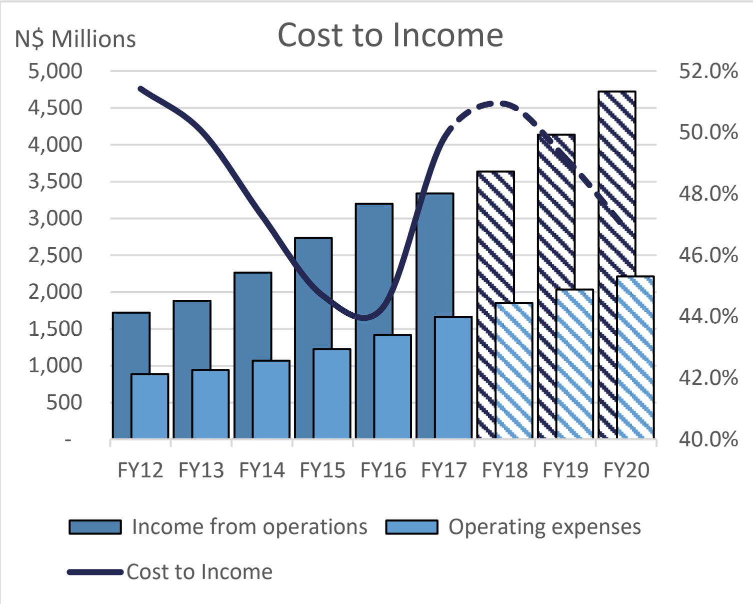
Other sources of transactional non-interest revenue remain under pressure. Cheque transactions are to be phased out in the current calendar year, while cash deposit fees have remained flat year on year. However, the costs associated with cash transactions such as cash handling, storage, insurance and transport have continued to increase without a related revenue increase.

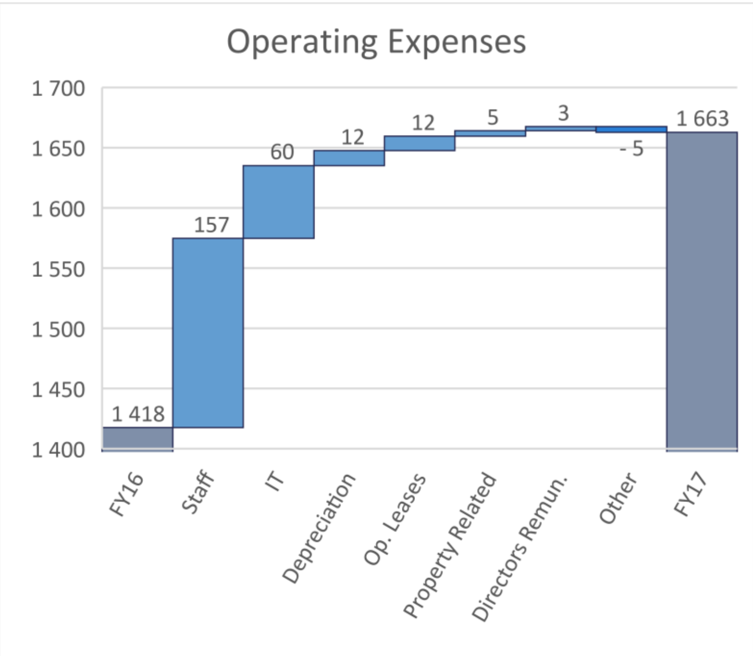
Furthermore, the acquisition of Pointbreak and eBank have been concluded at a transaction price of N$328.4 million. Since then eBank has announced that it will be closing all of its transactional accounts, while management have indicated that all liabilities on the eBank book have been transferred to FNB.

The core banking system of eBank will be shut down on 15 November and only the FNB core system will be used going forward, as per the directive of Bank of Namibia. FNB will thus have an available for sale asset in the form of the T1 banking system, however it is uncertain if there are readily available buyers in the market for such a system.

Unit trust revenue should pick up as the new Ashburton Investments offering starts making their way to market. This will tie in well with the current FNB wealth offering as this will offer clients a much broader choice of investment options.

Operating expenses





Operating expenses were a large contributing factor to the 8.6% decrease in profit after tax as expenses increased by 17.3% to N$1.66 billion in FY17.

The bulk of the increase could be attributed to higher staff and IT costs, as highlighted in our 1H17 report. Some of the increased staff cost were due to temporary staff cost and as such will be a once off.

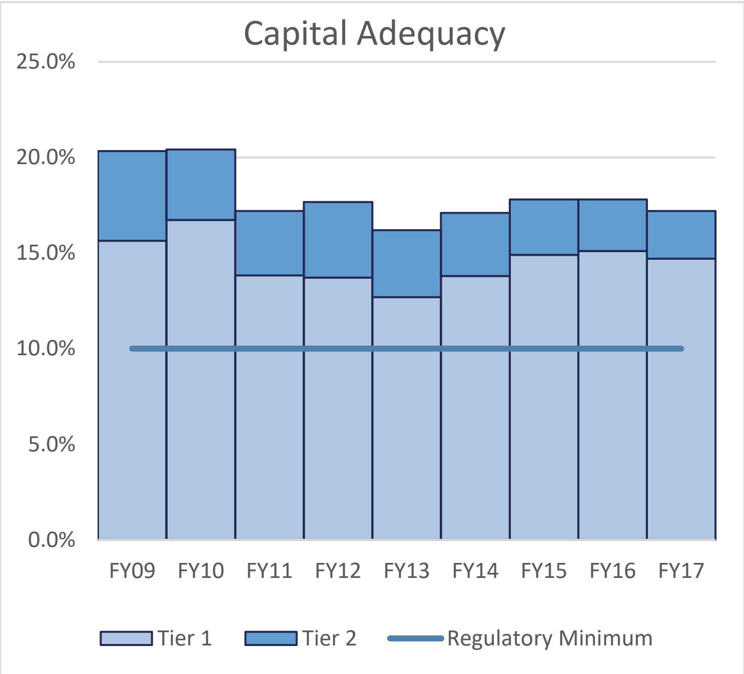
Staff costs remain the single largest expenditure item, making up 54.2% of total expenses in FY17, while computer and processing related costs account for 15.5% of expenditure in FY17.

According to management, increased emphasis has been put on migrating clients to electronic channels in an attempt to increase efficiencies and reduce unnecessary costs.

The digitalisation drive aims to reduce the number of employees and floor space of branches which are no longer necessary due to the self-help options put in place by electronic channels. This process is making good progress. However, the reduction in fixed costs has been slower than the migration to self-service channels, as the process of downsizing branches or moving peripheral office space into the larger centres is arduous and lengthy and as a result, revenues have fallen without compensating cost savings.

Costs are expected to continue growing in the short term to improve efficiencies, build capacity and reduce costs in the long run. As a result, we expect operating expenses to keep increasing at a compounded rate of 10.0% per annum over the next three years.

Capital Adequacy



The bank remains well capitalized. Tier1 equity capital is more than sufficient to satisfy the regulatory minimum of 10%.

Management indicated that there has been some pressure from stakeholders to increase dividend payments, due to the over capitalization. However, the company will continue with their policy of 2.0x dividend cover.

Furthermore, management sees little to no risk of regulatory changes, namely IFRS 9 and Basel 3, resulting in inadequate capital reserves.

Outlook

The outlook for FNB is highly dependent on the on the outlook of the Namibian economy as a whole. The IJG house view is that economic growth and private sector credit extension are to improve slowly over the three-year forecast horizon, although not to the growth levels witnessed before the economic slowdown began.

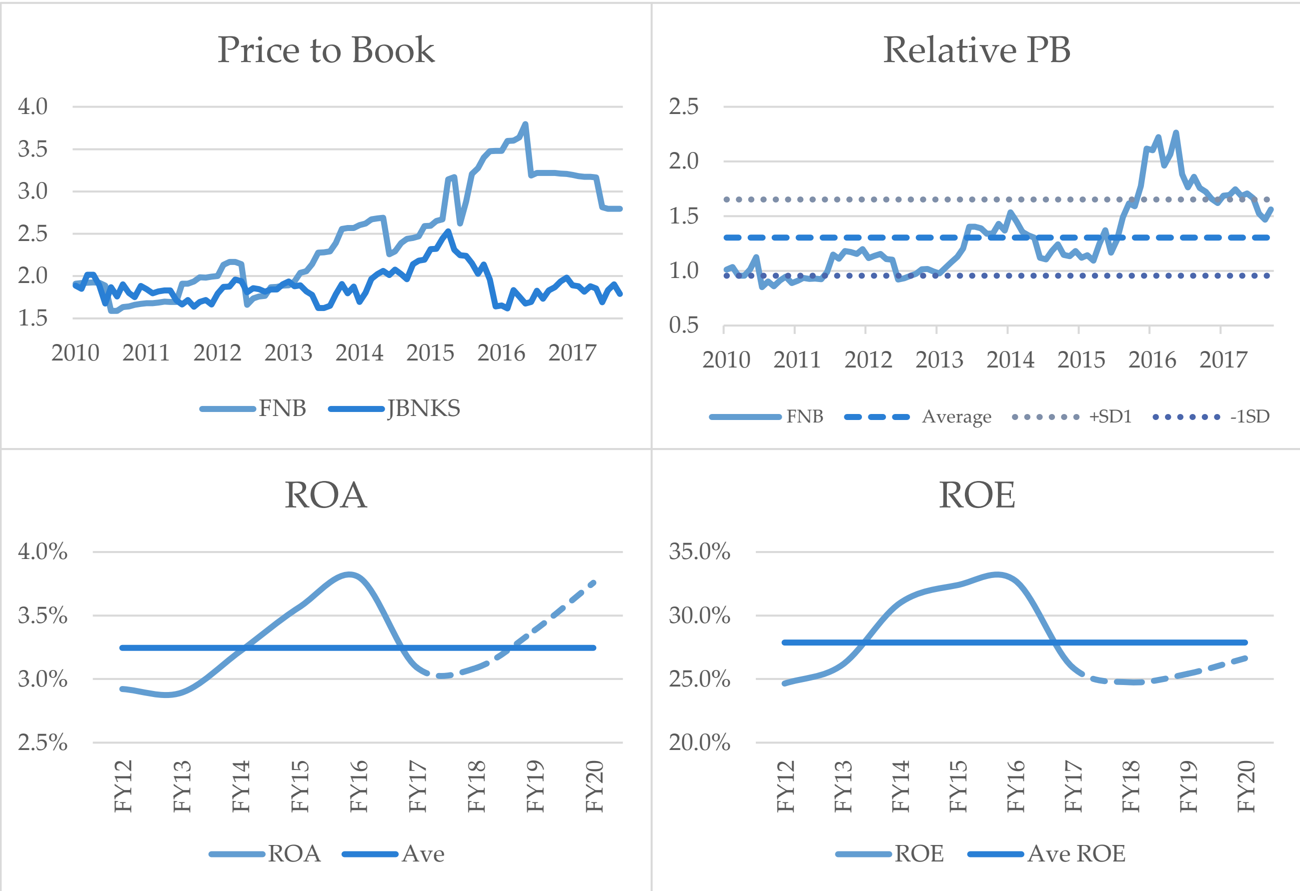
This is a view FNB Management share, although they remain cognisant of the risk that the recessionary environment might be prolonged. Management is also weary of the current liquidity environment, which may reverse should government budget deficits disappoint. FNB management have indicated that they have made good use of the current liquidity to make sure they are adequately funded, should deposit rates spike again in the short term.

Management's prudent and return oriented approach has served them very well, especially in the current difficult economic climate. This is evident in the superior return on equity they have been able to deliver in these challenging circumstances.

Valuation and recommendation

Valuation

For the purpose of valuing the company, we establish a **cost of equity, of 14.6%,** which consist of a risk-free rate of 10.0% (based on the Namibian 10-year government bond), and an equity risk premium of 4.6%. Based on this cost of equity, a highly conservative **long-term growth rate for the company of 9.0%,** and a **long term sustainable Return on Equity of 24.0%** we believe a **Price to Book multiple of 2.68x can be justified** on this share. Given **expected book value per share of 1,979 cps in FY18**, we derive **a target price of N$c5302per share**. Coupled with an **expected dividend of 217 cps**, we expect a **total return of 18.1%**.



Relative to South African banks, FNB Namibia's price to book multiple is quite high. It is currently just below one standard deviation higher than the average relative multiple when compared to the South African banking index. However, the multiple has come down strongly since its peak in 2016. The company remains very profitable despite the recessionary environment and the superior return on assets and resultant return on equity does, in our opinion, justify a higher multiple. FNB posted returns on assets of between 2.8% and 3.6% over the past five years, and returns on equity of between 25.8% and 32.2% over the same period, which drives our view that a long term sustainable ROE of 24% can be maintained.

Valuation Sensitivity

Target Price		ROE						
		22.5%	23.0%	23.5%	24.0%	24.5%	25.0%	25.5%
Growth	7.5%	4,182	4,321	4,461	4,600	4,740	4,879	5,018
	8.0%	4,349	4,499	4,649	4,799	4,949	5,099	5,249
	8.5%	4,543	4,705	4,868	5,030	5,192	5,354	5,517
	9.0%	4,772	4,949	5,125	**5,302**	5,479	5,656	5,832
	9.5%	5,046	5,240	5,434	5,628	5,822	6,016	6,210
	10.0%	5,379	5,594	5,809	6,024	6,240	6,455	6,670
	10.5%	5,794	6,035	6,276	6,518	6,759	7,001	7,242

Expected Return		ROE						
		22.5%	23.0%	23.5%	24.0%	24.5%	25.0%	25.5%
Growth	7.5%	-5.9%	-2.9%	0.1%	3.0%	6.0%	9.0%	12.0%
	8.0%	-2.3%	0.9%	4.1%	7.3%	10.5%	13.7%	16.9%
	8.5%	1.8%	5.3%	8.8%	12.2%	15.7%	19.2%	22.6%
	9.0%	6.7%	10.5%	14.3%	**18.1%**	21.8%	25.6%	29.4%
	9.5%	12.6%	16.7%	20.9%	25.0%	29.2%	33.3%	37.5%
	10.0%	19.7%	24.3%	28.9%	33.5%	38.1%	42.7%	47.3%
	10.5%	28.6%	33.7%	38.9%	44.1%	49.2%	54.4%	59.5%

Price to Book		ROE						
		22.5%	23.0%	23.5%	24.0%	24.5%	25.0%	25.5%
Growth	7.5%	2.11	2.18	2.25	2.32	2.39	2.46	2.54
	8.0%	2.20	2.27	2.35	2.42	2.50	2.58	2.65
	8.5%	2.30	2.38	2.46	2.54	2.62	2.70	2.79
	9.0%	2.41	2.50	2.59	**2.68**	2.77	2.86	2.95
	9.5%	2.55	2.65	2.75	2.84	2.94	3.04	3.14
	10.0%	2.72	2.83	2.93	3.04	3.15	3.26	3.37
	10.5%	2.93	3.05	3.17	3.29	3.41	3.54	3.66

Proforma Financial Statements

Income Statement

Year End June (N$ 000)	FY16	FY17	FY18	FY19	FY20
Interest and similar income	2,869,473	3,285,633	3,426,220	3,746,787	4,186,694
Interest expense and similar charges	(1,215,842)	(1,521,032)	(1,512,074)	(1,574,615)	(1,687,502)
Net interest income before impairment of advances	1,653,631	1,764,601	1,914,147	2,172,171	2,499,192
% Growth	13.8%	6.7%	8.5%	13.5%	15.1%
Impairment of advances	(47,852)	(59,251)	(92,583)	(112,025)	(132,478)
Net interest income after impairment of advances	1,605,779	1,705,350	1,821,564	2,060,147	2,366,715
Non-interest revenue	1,506,656	1,553,954	1,705,264	1,952,880	2,219,222
Net insurance premium income	189,253	182,902	219,043	261,412	311,975
Net claims and benefits paid	(102,777)	(103,678)	(109,522)	(130,706)	(155,987)
Income from operations	3,198,911	3,338,528	3,636,350	4,143,732	4,741,924
% Growth	17.0%	4.4%	8.9%	14.0%	14.4%
Operating expenses	(1,417,647)	(1,663,061)	(1,852,031)	(2,033,717)	(2,211,653)
Net income from operations	1,781,264	1,675,467	1,784,319	2,110,015	2,530,271
Share of profit from associate after tax	1,328	2,515	2,515	2,515	2,515
Income before tax	1,782,592	1,677,982	1,786,834	2,112,530	2,532,786
Indirect tax	(31,974)	(40,767)	(45,659)	(51,138)	(57,275)
Profit before tax	1,750,618	1,637,215	1,741,175	2,061,392	2,475,512
Direct tax	(532,985)	(523,984)	(539,764)	(654,492)	(785,975)
Profit for the period	1,217,633	1,113,231	1,201,411	1,406,900	1,689,537
% Growth	21.9%	-8.6%	7.9%	17.1%	20.1%

Balance Sheet

N$ 000	FY16	FY17	FY18	FY19	FY20
Cash and cash equivalents	2,119,861	1,466,113	1,460,400	1,682,125	1,536,212
Due from banks and other financial institutions	1,772,267	2,667,981	2,008,426	2,149,558	2,275,322
Derivative financial instruments	209,497	95,221	154,454	153,057	134,244
Advances	25,776,087	28,258,413	30,860,849	33,946,934	37,850,832
Investment securities	3,236,883	3,866,395	4,059,976	3,631,619	3,313,372
Accounts receivable	136,592	197,444	173,217	169,084	179,915
Investments in associate	5,054	36,025	36,025	36,025	36,025
Property and equipment	924,997	953,290	1,029,553	1,111,917	1,200,871
Intangible assets	104	232,665	232,665	232,665	232,665
Deferred income tax asset	2,868	34,634	13,800	17,101	21,845
Reinsurance assets	598	99	296	331	242
Tax asset	695	1,226	862	928	1,005
Total assets	**34,185,503**	**37,809,506**	**40,030,522**	**43,131,344**	**46,782,549**
Deposits	27,793,798	30,488,360	32,012,778	34,253,672	36,993,966
Due to banks and other financial institutions	800,973	1,192,537	1,276,015	1,378,096	1,378,096
Derivative financial instruments	209,497	95,221	154,454	153,057	134,244
Short trading positions	36,927	39,330	39,330	39,330	39,330
Creditors and accruals	396,958	452,815	427,185	425,653	435,217
Tax liability	54,920	56,233	53,642	54,932	54,936
Employee liabilities	191,350	211,340	211,340	211,340	211,340
Deferred income tax liability	190,209	257,240	257,240	257,240	257,240
Policyholders liabilities under insurance contracts	67,778	52,642	57,906	63,697	70,067
Finance lease obligation	-	-	-	-	-
Tier two liabilities	392,654	402,830	402,830	402,830	402,830
Other Debt Securities	-	-	-	-	-
Total liabilities	**30,145,022**	**33,268,889**	**34,863,215**	**37,227,158**	**40,000,711**
Capital and reserves attributable to ordinary equity h	3,989,699	4,478,919	5,096,209	5,822,035	6,686,522
Non-controlling interests	50,782	61,698	71,098	82,152	95,316
Total equity	**4,040,481**	**4,540,617**	**5,167,307**	**5,904,186**	**6,781,838**
Total equity and liabilities	**34,185,503**	**37,809,506**	**40,030,522**	**43,131,344**	**46,782,549**

TEAM NAMIBIA MEMBER

IJG Holdings

Group Chairman
Mathews Hamutenya
Tel: +264 (61) 256 699
mathews@millennium-invest.com

Group Managing Director
Mark Späth
Tel: +264 (61) 383 510
mark@ijg.net

Group Financial Manager
Helena Shikongo
Tel: +264 (61) 383 528
helena@ijg.net

IJG Securities

Managing Director
Lyndon Sauls
Tel: +264 (61) 383 514
lyndon@ijg.net

Equity & Fixed Income Dealing
Leon Maloney
Tel: +264 (61) 383 512
leon@ijg.net

Sales and Research
Eric van Zyl
Tel: +264 (61) 383 530
eric@ijg.net

Sales and Research
Dylan van Wyk
Tel: +264 (61) 383 521
dylan@ijg.net

Settlements & Administration
Annetjie Diergaardt
Tel: +264 (61) 383 515
anne@ijg.net

Sales and Research
Cecil Goliath
Tel: +264 (61) 383 529
cecil@ijg.net

IJG Wealth Management

Managing Director
René Olivier
Tel: +264 (61) 383 522
rene@ijg.net

Portfolio Manager
Jan-Hendrik Conradie
Tel: +264 (61) 383 523
janhendrik@ijg.net

Money Market & Administration
Tashiya Shekutamba
Tel: +264 (61) 383 511
tashiya@ijg.net

Money Market & Administration
Salmi Shikongo
Tel: +264 (61) 383 513
salmi@ijg.net

IJG Capital

Managing Director
Herbert Maier
Tel: +264 (61) 383 522
herbert@ijg.net

Portfolio Manager
Jakob de Klerk
Tel: +264 (61) 383 517
jakob@ijg.net

Business Analyst
Mirko Maier
Tel: +264 (61) 383 500
mirko@ijg.net

Business Analyst
Ilona Shikongo
Tel: +264 61 383 532
Ilona@ijg.net

IJG Advisory

Director
Jolyon Irwin
Tel: +264 (61) 383 500
jolyon@ijg.net

Business Analyst
Jason Hailonga
Tel: +264 (61) 383 529
jason@ijg.net