



# FirstRand Namibia Limited FY21 Initial Impression September 2021



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## FirstRand Namibia Ltd

## FY21 Initial Impression

Target Price (c)\* 2715

Current Price (c) 2998

Year End 30 June	FY19A	FY20A	FY21A	FY21E	FY22E	Recommendation	HOLD
Net Interest Income (N\$ million)	2,012	2,013	1,877	1,894	2,107	NSX Code	FNB
Non-Interest Income (N\$ million)	1,820	1,905	1,954	2,019	2,140	Market Cap (N\$ m)	8,022
Profit after Tax (N\$ million)	1,086	833	1,032	905	1,123	Shares in Issue (m)	268
HEPS (c)	410	332	391	342	424	Free Float (%)	24.0
DPS (c)	208	154	212	173	215	52-Week High	3051
DY (%)	9.0	6.7	7.1	7.5	9.3	52-Week Low	2300
P/E	5.6	7.3	6.9	6.7	5.4	Expected Total Return (%)	-5.5%
P/B	1.1	1.2	1.4	1.1	1.0		

Source: FirstRand Namibia, IJG Securities

## FY21 Initial Impression

FirstRand Namibia Ltd (FNB) released results for the year ended 30 June 2021 (FY21). Despite operating conditions remaining challenging over the period, the group recorded a 23.9% y/y increase in profit after tax to N\$1.03 billion, while headline earning per share increased by 17.8% y/y to 391.2cps. FNB posted an impressive ROE of 19.4% (FY20: 16.0%) and a ROA of 2.3% (FY20: 1.9%). A final dividend of 118cps (+136% y/y) was declared for the period.

(N\$ million)	FY20	FY21	Δ %
Interest and Similar Income	3,858.1	3,031.0	-21.4%
Interest Expense and Similar Charges	(1,844.6)	(1,153.8)	-37.5%
<b>NII before Impairment of Advances</b>	<b>2,013.4</b>	<b>1,877.2</b>	<b>-6.8%</b>
Impairment and Fair Value of Credit of Advances	(559.7)	(238.2)	-57.4%
<b>NII after Impairment of Advances</b>	<b>1,453.8</b>	<b>1,639.0</b>	<b>12.7%</b>
Net Insurance Premium Income	161.1	133.8	2.6%
Net Claims and Benefits Paid	(77.5)	(71.2)	-16.9%
Non-Interest Income	1,905.0	1,954.1	-8.1%
<b>Income from Operations</b>	<b>3,442.4</b>	<b>3,655.8</b>	<b>6.2%</b>
Operating Expenses	(2,173.7)	(2,126.0)	-2.2%
<b>Operating Profit</b>	<b>1,268.7</b>	<b>1,529.8</b>	<b>20.6%</b>
Share of (Losses)/Profit of Associates after Tax	(14.2)	-	-100%
<b>Income before Tax</b>	<b>1,254.5</b>	<b>1,529.8</b>	<b>22.0%</b>
Indirect Tax	(44.7)	(38.1)	-14.9%
<b>Profit before Tax</b>	<b>1,209.7</b>	<b>1,491.7</b>	<b>23.3%</b>
Income Tax Expense	(376.4)	(459.5)	22.1%
<b>Profit for the Year</b>	<b>833.4</b>	<b>1,032.2</b>	<b>23.9%</b>

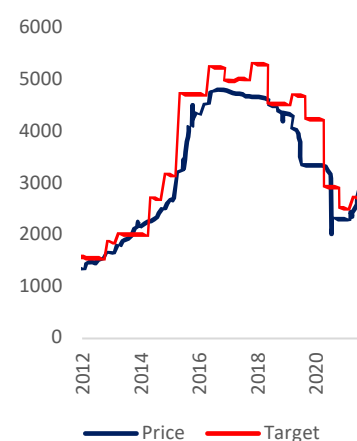
Source: FirstRand Namibia

Total assets contracted by 5.3% y/y to N\$43.4 billion, driven mainly by a 33.4% y/y decline in intrabank advances and a 15.8% y/y decrease in investment securities. Gross advances posted moderate growth of 1.08% y/y to N\$30.2 billion, compared to PSCE growth of 2.55% over the same period, possibly indicating FNB following a more prudent approach than the rest of the industry. The increase is mainly attributable to property finance which posted growth of 5.3% y/y to N\$14.9 billion. Overdrafts and cash managed accounts declined by 5.5% y/y to N\$3.14 billion, while instalment sales agreements fell by 2.3% to N\$2.94 billion.

Deposits declined by 7.2% y/y or N\$2.76 billion to N\$35.7 billion, effectively reversing the large increase seen last year, and is again in line with the FY19 figure. NCDs fell by N\$2.99 billion, while call deposits increased by N\$1.87 billion and savings accounts by N\$50.2 million.

The slow increase in advances, coupled with the various repo rate cuts last year, resulted in net interest income decreasing by 6.8% y/y or N\$136.2 million to N\$1.88 billion, with interest income contracting by N\$827.0 million (or 21.4% y/y) and interest expenses dropping by N\$827.0 million (or 37.5% y/y). Non-interest revenue rose by 2.6% y/y or to N\$1.95 billion, driven mainly by a N\$69.3 million increase in bank charges. The insurance segment contributed N\$62.7 million to earnings as premium income fell by 16.9% y/y while claims were down 8.1% y/y.

## FNB Share Price vs Target Price (c)



## Dividends

A final dividend of 118 cents per share has been declared.

- Last Day to Trade: 23 September 2021
- Ex-Dividend Date: 27 September 2021
- Record Date: 01 October 2021
- Payment Date: 15 October 2021



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

Significantly lower impairment charges were the biggest driving factor of the increase in profits, decreasing by 57.4% y/y to N\$238.3 million or 0.75% of gross advances (FY20: 1.79%), coming in lower than our expectation of an impairment charge of 1.0% for the year. Non-performing loans increased by N\$276 million and currently makes up 5.2% of gross advances (FY20: 4.4%).

Operating expenses fell by 2.2% y/y to N\$2.13 billion. Staff costs were once again well contained, increasing by 3.4% y/y, only slightly quicker than inflation. Most of the savings came from the other operating costs line, which decreased by 7.9% y/y to N\$872.4 million, primarily due to a once-off goodwill impairment on Pointbreak last year. Even so, normalising for this sees operating costs more or less in line with last year. FNB's cost-to-income ratio increased to 54.6% from 52.6% in FY20, due to the decline in interest income.

Given that the economic climate remained difficult, FirstRand posted another set of impressive results and seem to be well positioned should economic conditions improve. As the results were roughly in line with our expectations, coupled with the sharp increase in FNB's share price since the start of the year, we downgrade our recommendation on FNB to a **HOLD**, pending further analysis of the FY21 results and management discussions. Our target price and recommendation will be revised with our full report on the FY21 results, as will the forecasts in the table at the top of the previous page.



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