

# FirstRand Namibia Limited FY22 Initial Impression September 2022



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## FirstRand Namibia Ltd

## FY22 Initial Impression

Target Price (c)*	2861
Current Price (c)	3021

Year End 30 June	FY20	FY21	FY22A	FY22E	FY23E	Recommendation*	HOLD
Net Interest Income (N\$ m)	2,013	1,877	2,203	2,029	2,139	NSX Code	FNB
Non-Interest Income (N\$ m)	1,905	1,954	1,981	1,997	2,041	Market Cap (N\$ m)	8,084
Profit after Tax (N\$ m)	833	1,032	1,273	1,132	1,187	Shares in Issue (m)	268
HEPS (c)	332	391	484.8	419	439	Free Float (%)	24.0
DPS (c)	154	212	472.8	280	231	52-Week High (c)	3050
DY (%)	6.7	7.3	15.7	9.5	7.8	52-Week Low (c)	2800
P/E (x)	7.3	7.4	6.2	7.0	6.7	Expected Total Return*	2.4%
P/B (x)	1.2	1.4	1.3	1.3	1.2		

Source: FirstRand Namibia Limited, IJG Securities

## FY22 Initial Impression

FirstRand Namibia Ltd (FNB) released its results for the year ended 30 Jun 2022 (FY22). The group recorded an impressive 23.3% y/y increase in profit after tax to N\$1.27 billion, while headline earnings per share increased by 23.9% y/y to 484.8cps. FNB's ROE improved from 19.4% in FY21 to 21.4% in FY22, while ROA came in at 2.7% (FY21: 2.3%). A final dividend of 319.84cps (+171.1% y/y) was declared for the period.

(N\$ million)	FY21	FY22	Δ %
Interest and Similar Income	3,031.0	3,325.6	9.7%
Interest Expense and Similar Charges	(1,153.8)	(1,123.1)	-2.7%
<b>NII before Impairment of Advances</b>	<b>1,877.3</b>	<b>2,202.6</b>	<b>17.3%</b>
Impairment and Fair Value of Credit of Advances	(238.3)	(95.4)	-60.0%
<b>NII after Impairment of Advances</b>	<b>1,639.1</b>	<b>2,107.2</b>	<b>28.6%</b>
Net Insurance Premium Income	133.8	129.6	-3.2%
Net Claims and Benefits Paid	(71.2)	(70.6)	-0.8%
Non-Interest Income	1,954.1	1,981.0	1.4%
<b>Income from Operations</b>	<b>3,655.8</b>	<b>4,147.1</b>	<b>13.4%</b>
Operating Expenses	(2,126.0)	(2,238.3)	5.3%
<b>Income before Tax</b>	<b>1,529.8</b>	<b>1,908.8</b>	<b>24.8%</b>
Indirect Tax	(38.1)	(41.4)	8.6%
<b>Profit before Tax</b>	<b>1,491.8</b>	<b>1,867.5</b>	<b>25.2%</b>
Income Tax Expense	(459.5)	(594.6)	29.4%
<b>Profit for the Year</b>	<b>1,032.2</b>	<b>1,272.8</b>	<b>23.3%</b>

Source: FirstRand Namibia

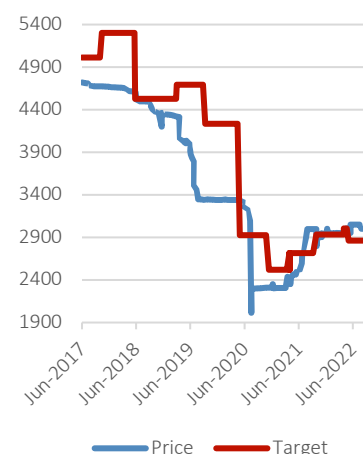
Total assets grew by 20.7% y/y to N\$52.4 billion, driven mainly by a N\$6.28 billion or 212.1% y/y increase in balances due from banks and other financial institutions. The results release mentions that FNB Namibia entered into a series of collateralised repo/reverse trades with FirstRand Bank in South Africa. The total value of the transaction amounted to N\$7.0 billion. Gross advances posted robust growth of 5.6% y/y to N\$33.3 billion, ahead of normalised PSCE growth of 2.8% y/y over the same period. The increase was largely driven by a 9.5% y/y increase in term loans and a 5.0% y/y increase in home loans. Overdrafts and cash managed accounts grew by 3.6% y/y. Management notes that low consumer confidence, lacklustre vehicle sales, and a lengthening replacement cycle resulted in muted advances growth at WesBank of 3.5% y/y.

Lower impairment charges drove some of the increase in profits, decreasing by N\$142.9 million or 60.0% y/y to N\$95.4 million or 0.25% of gross advances (FY21: 0.75%). Non-performing loans increased by N\$143 million and currently makes up 5.4% of gross advances (FY21: 5.2%).

Growth in the advances book, coupled with a rising repo rate, resulted interest income growing by 9.7% y/y or N\$294.6 million to N\$3.33 billion. Interest expense fell by 2.7% y/y or N\$30.7 million to N\$1.23 billion. Management points out that this was due to the low repo rate being in effect for three quarters of the reporting period. As a result, net interest income (NII) grew by 17.3% y/y to N\$2.20 billion. The company notes in the results release that they are expecting to gain an additional N\$160 million in NII for each 100bps increase over a 12-month period.

FNB recorded moderate non-interest revenue growth of 1.4% y/y or N\$26.9 million to N\$1.98 billion. Net fee and commission income rose by 2.9% to N\$1.79 billion, which management points out was

## FNB Share Price vs Target Price (c)



## Dividends

FNB declared a final dividend of 319.84 cents per share.

- Last Day to Trade: 30 September 2022
- Ex-Dividend Date: 03 October 2022
- Record Date: 07 October 2022
- Payment Date: 21 October 2022



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

largely impacted by fees waived due to the PSD 5 and 10 introduced in 2H21. The insurance segment contributed N\$59.0 million to earnings as premium income fell by 3.2% y/y while claims were down 0.8% y/y.

Similar to the other listed banks, FNB saw reasonably strong deposit growth of 4.1% y/y to N\$37.1 billion, driven mainly by an 8.8% y/y increase in current account deposits and 24.7% y/y increase in NCDs.

Operating expenses increased by 5.3% y/y to N\$2.24 billion, coming in below inflation of 6.0% y/y over the same period. Management points out that annual salary increases 3.4%, with a 2.4% decrease in staff complement across the group mainly through natural attrition and voluntary separation packages offered to staff, which were accepted by 55 employees. Senior management and board members received increases of 3% and 3.5% on average, respectively. Computer expenses grew by 31.7% y/y to N\$429.3 million. FNB's cost-to-income ratio improved from 54.6% in FY21 to 52.8% in FY22.

Overall, FNB's results are impressive, given that the economic environment remained challenging, and came in ahead of our forecasts for the most part. Our target price and recommendation will be revised with our full review of the FY22 results, as will the forecasts in the table at the top of the page.

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