FirstRand Namibia

FY26 Initial Impression

Key Focus Points

- **Profit after tax rose 12.2% YoY to N$2.15bn and headline earnings per share 12.3% to 802.5cps, on a return on equity of 28.5%.**
- Net interest income grew 9.4% to N$3.67bn as a 98bps decline in the cost of funds more than offset a 49bps contraction in the asset yield.
- The impairment charge fell 52.8% to N$248.8m and the NPL ratio improved 140bps to 3.8%, below the 4.2% industry average, although the 0.6% credit loss ratio sits at the bottom of management's 0.5% to 1.0% through-the-cycle range.
- RMB contributed 86.1% of gross advances growth, lifting its share of the book to 25.0%, while investment securities rose to 21.0% of total assets from 16.8%.
- Operating expenses grew 11.5% against revenue growth of 6.5%, lifting the cost-to-income ratio 230bps to 48.5%.
- A final dividend of 446.57cps takes the total for the year to 668.34cps, up 40.3%, at cover of 1.2x, below the board's revised 1.3x to 1.8x range.
- We maintain a **BUY recommendation**, with a one-year target price of 6,040cps, implying 8.5% upside from the current share price of 5,567cps.

FY26 Initial Impression

FirstRand Namibia Ltd ("FNB" or "the Group") yet again released a set of robust year-end results for the financial year ended 30 June 2026. Profit after tax rose by 12.2% YoY from N$1.91bn to N$2.15bn on the back of lower interest expenses and a significant reduction in its impairment charges. FNB reported a sound ROE of 28.5%, enabling the Group to continue expanding and easily absorb greater costs in the face of a competitive financial landscape. Headline earnings per share similarly rose by 12.3% YoY to 802.5cps (FY25: 714.5cps). FNB declared a final dividend of 446.57cps (FY25: 284.02cps), bringing the total dividend to 668.34cps (FY25: 476.34cps).

Share data

NSX Code	Current Price (c)	Market Cap (N$m)	Shares in Issue (m)	Free Float (%)	52-Week High (c)	52-Week Low (c)
FNB	5,567	14,897	268	64.0	5,567	5,155

Source: FirstRand Namibia; IJG Securities

Key financial indicators

Half Year 31 December	FY24	1H25	FY25	1H26	FY26
Net Interest Income (N$m)	3,082	1,655	3,355	1,841	3,671
Non-Interest Revenue (N$m)	2,442	1,339	2,702	1,405	2,778
Profit after Tax (N$m)	1,704	926	1,912	1,068	2,146
HEPS (c)	641.2	345.7	714.5	399.3	802.5
DPS (c)	353.7	192.3	476.3	221.8	668.3
DY (%)	7.6	8.3	9.2	8.1	12.0
P/E (x)	7.3	6.7	7.3	6.8	6.9
P/B (x)	**2.0**	**1.9**	**1.9**	**2.0**	**1.9**

Source: FirstRand Namibia; IJG Securities

Summary income statement

(N$ million)	FY25	FY26	Δ%
Interest and Similar Income	5,856.0	5,692.6	-2.8%
Interest Expense and Similar Charges	(2,500.8)	(2,021.8)	-19.2%
NII before Impairment of Advances	**3,355.2**	**3,670.8**	**9.4%**
Impairment and Fair Value of Credit on Advances	(527.4)	(248.8)	-52.8%
NII after Impairment of Advances	2,827.7	3,422.0	21.0%
Non-Interest Revenue	2,702.0	2,777.9	2.8%
Insurance Service Result before Reinsurance	(12.8)	(19.6)	53.6%
Net Income/(Expense) from Reinsurance Held	(3.3)	3.9	216.8%
Income from Operations	**5,513.7**	**6,184.1**	**12.2%**
Operating Expenses	(2,799.3)	(3,121.2)	11.5%
Net Income from Operations	**2,714.3**	**3,062.9**	**12.8%**
Share of Profit from Associate after Tax	18.4	8.4	-54.3%
Income before Indirect Tax	2,732.8	3,071.3	12.4%
Indirect Tax	(61.9)	(61.4)	-0.9%
Profit before Tax	2,670.8	3,009.9	12.7%
Income Tax Expense	(758.8)	(863.8)	13.8%
Profit for the Period	**1,912.0**	**2,146.1**	**12.2%**

Source: FirstRand Namibia; IJG Securities

Net Interest Income

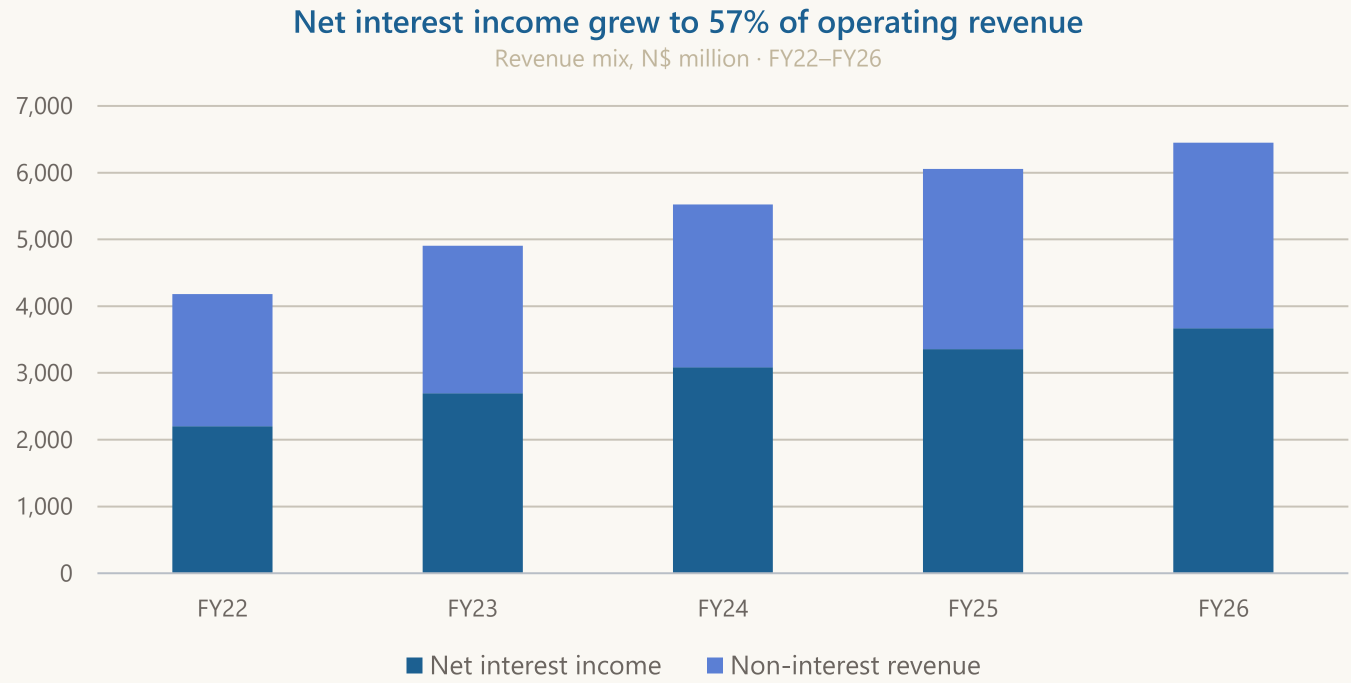
Coming out of a lower interest rate cycle, FNB reported robust net interest income growth of 9.4% YoY to N$3.67bn, supported by lower interest expenses. Interest income declined by 2.8% YoY to N$5.70bn, as the asset yield contracted by 49bps to 9.9%. However, this was more than offset by a 98bps decline in the cost of funds to 4.1%, resulting in interest expense falling by 19.2% YoY to N$2.02bn. The resulting improvement in funding costs supported a 50bps expansion in the net interest margin, from 5.9% in FY25 to 6.4% in FY26. This is particularly commendable given the Bank of Namibia's directive to narrow the differential between the repo and prime lending rates. We note, however, that the improvement in funding costs was concentrated in the unwind of interbank funding and the repricing of negotiable certificates of deposit rather than in franchise deposit mix, and we therefore do not expect a repeat of this scale of margin expansion in FY2027.

Non-Interest Revenue

Non-interest revenue increased by 2.8% YoY to N$2.78bn, or 6.0% YoY when adjusting for non-recurring items in the prior-year base. Growth in fee and commission income was led by card commissions, which increased by 25.1% YoY to N$544.5m, while non-banking fees rose by 16.9% YoY. Notably, card revenue accelerated despite the elimination of local card swipe fees which took effect from 1 July 2025, as the Group continues to capture interchange income from the resulting transaction volumes. The pricing reset was instead most evident in bank charges, which account for 67.5% of fee income and grew by only 2.3% YoY, as lower Cash@Till, CashPlus, transfer and debit order fees offset higher transaction volumes.

Growth in non-interest revenue was constrained by the rising cost of servicing these volumes, as fee and commission expenses increased by 23.2% YoY, an almost three-fold acceleration in comparison to fee income. This was driven by higher transaction processing fees, which grew by 20.0% YoY, cash sorting, handling and transportation costs (+61.9%

YoY) and higher loyalty programme costs (+18.1% YoY). Encouragingly, the composition of non-interest revenue improved, with service income increasing to 85.7% of total non-interest revenue from 83.9%, while more volatile fair value income declined to 10.2% from 11.5%. With the pricing reset now fully reflected in the FY2026 base, fee income growth in FY2027 should more closely reflect underlying transaction volume growth.



Operating Expenses

Operating expenses increased by 11.5% YoY to N$3.12bn, driven by the Group's continued investment in digital transformation and human capital. Staff costs, representing more than half of the Group's operating expenses, rose by 10.8% YoY to N$1.78bn on a 5.3% increase in headcount to 2,486 and a 5.3% increase in cost per employee. Computer costs rose 19.0% YoY to N$658.3m, or 21.1% of total operating expenses, of which N$645.1m represents a related-party charge from FirstRand SA group companies for information technology, platform and support services. The pace of technology investment is therefore largely determined at group level and allocated to Namibia. The higher spend translated into a deterioration in the Group's cost-to-income ratio of 230bps, from 46.2% in FY25 to 48.5% in FY26, which nonetheless compares favourably with the industry average of 53.8%. We expect operating expense growth to remain elevated at approximately 9.0% to 10.0% in FY2027, with higher anticipated inflation weighing on wage growth and technology-related spend continuing.

Assets and Advances

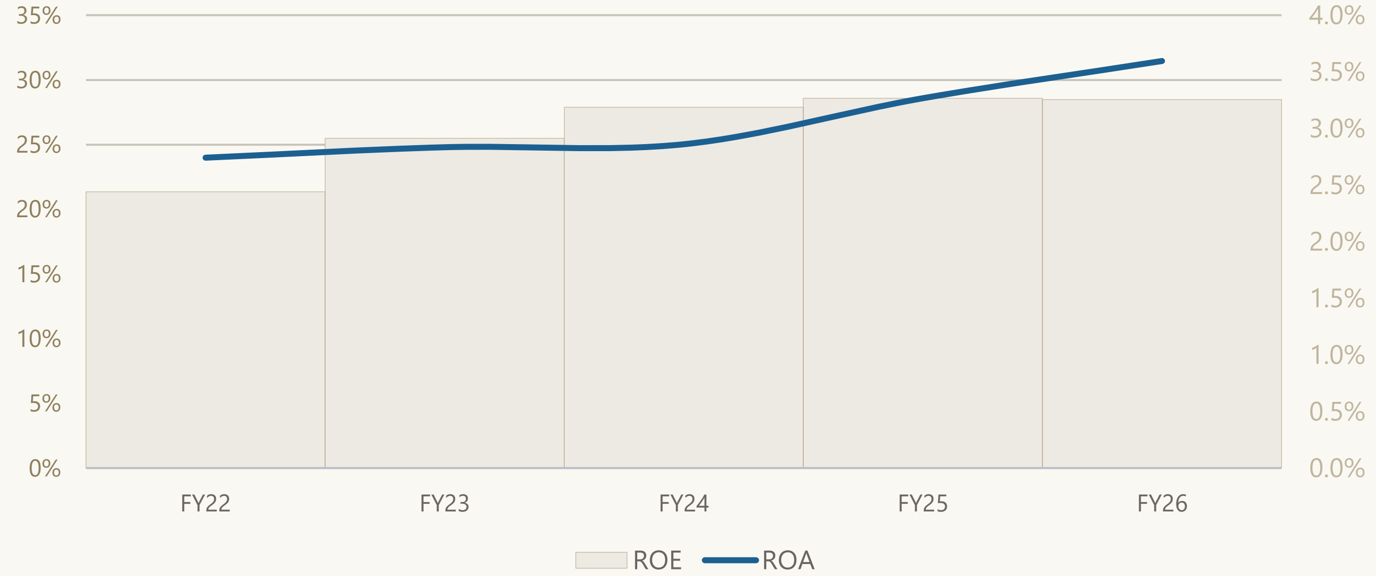
FNB achieved growth in net advances of 9.2% YoY, rising from N$39.22bn to N$42.81bn, supported by organic customer base expansion and a 16.4% reduction in the balance sheet impairment provision from N$1.60bn to N$1.34bn. Growth in gross advances stood at 8.2% YoY, or N$3.33bn, of which the RMB segment accounted for N$2.87bn, or 86.1%, rising by 35.0% YoY. Growth was therefore concentrated rather than diversified as RMB now represents 25.0% of gross advances, up from 20.0%, while FNB commercial contracted by 6.2% YoY. RMB's growth was observed in term loans and select deals concluded during the year, which lifts average credit quality but reduces portfolio granularity and increases tail risk.

Also noteworthy is the composition of FNB's total assets, with investment securities increasing their proportion of total assets from 16.8% to 21.0%, explicitly underpinned by increased holdings of higher-yielding treasury bills. The balance sheet has thus become less risky by regulatory measure and more concentrated in the Namibian sovereign in substance.

WesBank, FNB's vehicle asset finance business, also supported growth, rising by 12.0% YoY. This growth is also evident in Namibia's PSCE data, which recorded exceptionally strong double-digit growth in instalment and leasing finance extended to both corporates and individuals. We expect mortgage lending to remain subdued amid rising long-term bond yields, and anticipate demand for instalment and leasing finance, namely vehicle finance, to remain robust.

ROA reached a five-year high of 3.6%; ROE held at 28.5%

Return on equity, % | Return on assets, %

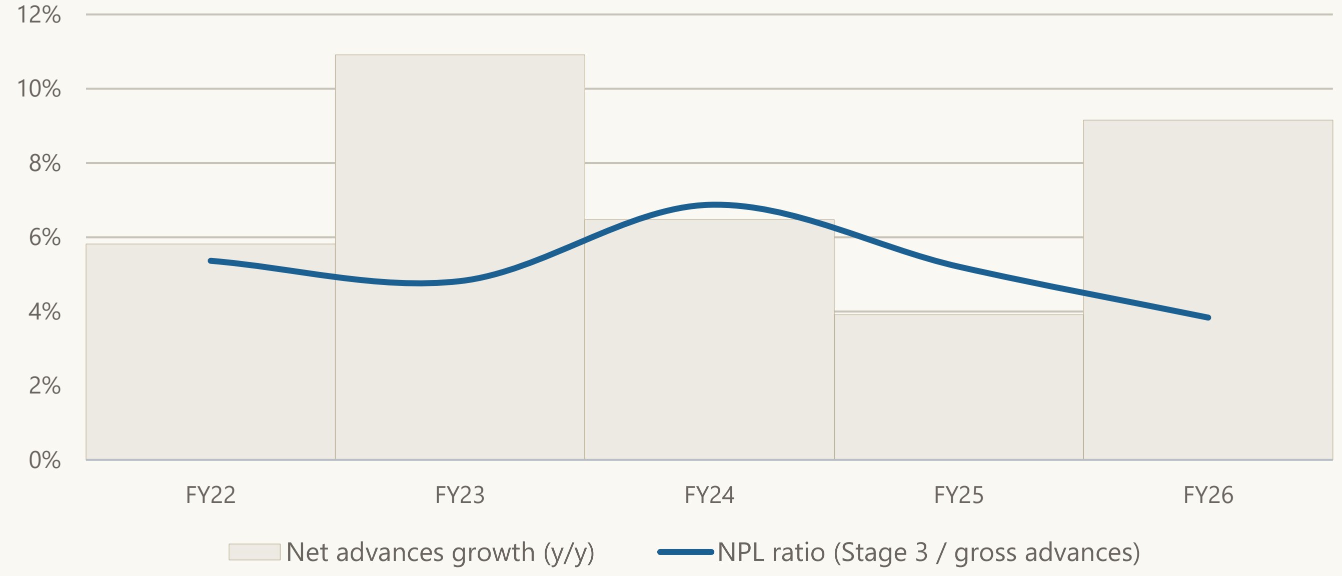


Asset Quality

Asset quality improved materially in FY2026, with the non-performing loan ratio declining by 140bps from 5.2% in FY25 to 3.8% in FY26, well below the industry average of 4.2%, and management indicating that the improvement was broad-based across lending categories. Encouragingly, specific coverage rose to 49.8% from 48.6%, highlighting FNB's improved ability to absorb losses on identified bad loans. The credit loss ratio improved on the back of a reduction in impairment charges, declining from 1.3% in FY25 to 0.6% in FY26, with management specifically emphasising that this figure sits at the bottom of its stated through-the-cycle range of 0.5% to 1.0%. We therefore do not expect this measure to improve materially from here, and note that total coverage was released from 3.9% to 3.0% over the year, leaving limited further cushion. These improvements nonetheless reflect management's ongoing effort towards managing credit risk.

Advances growth hit 9.2% as the NPL ratio fell to 3.8%

Net advances growth and NPL ratio, % · FY22–FY26

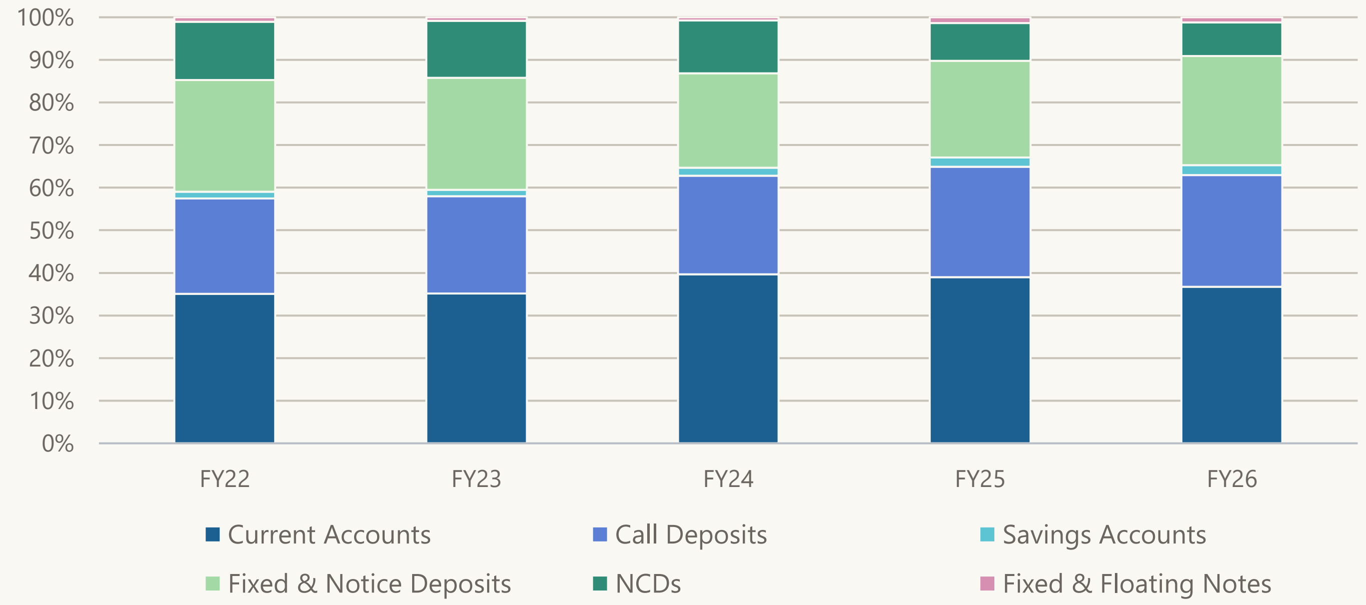


Deposits

Growth in deposits accelerated during FY26 and outpaced growth in loans and advances, increasing by 14.3% YoY from N$45.60bn in FY25 to N$52.13bn in FY26. Fixed and notice deposits recorded the strongest growth, rising by 28.7% YoY to N$13.32bn, followed by savings accounts (+19.9% YoY) and call deposits (+16.0% YoY). The shift in deposit mix is notable, with fixed and notice deposits increasing their share of total deposits from 22.7% in FY25 to 25.6% in FY26, while the weighting of current accounts declined from 39.0% in FY25 to 36.7% in FY26. Management attributes the growth in fixed and notice deposits to RMB, and we read the shift as corporate and institutional cash capturing the 468bps differential between current accounts and fixed deposits rather than as household saving. As the Group's cheapest funding has lost share to more expensive term money, we regard the mix shift as a headwind to funding costs in FY2027.

Current and call accounts now fund 63% of deposits

Deposit mix, % of total deposits · FY22–FY26



Capital Adequacy

With a capital adequacy ratio of 21.7% (FY25: 20.3%) against the regulatory requirement of 12.5%, FNB benefits from an extremely strong capital base, which provides sufficient buffers against adverse movements and capacity to support its growth strategy and investments. The improvement was driven by the numerator, with total regulatory capital increasing by more than total risk-weighted assets. Risk-weighted assets increased by 1.8% YoY from N$39.53bn to N$40.24bn while total regulatory capital increased by 8.7% YoY from N$8.04bn to N$8.74bn. Notably, the increase was driven by a 10.0% YoY rise in total tier 1 capital, indicating that FNB has more high-quality capital available.

We would highlight that the reported ratio overstates the durable position. Deducting the 446.57cps final dividend declared after the reporting date, worth approximately N$1.19bn, takes the ratio to 18.7%, against 18.4% on the same basis in FY25, so on a post-distribution measure capital was broadly flat YoY. Management revised the Group's long-term dividend cover range to 1.3x to 1.8x and approved a cover of 1.2x for the current financial year. We expect the capital adequacy ratio to decline as a result of the lower level of earnings retention, as this downward revision in dividend cover will place downward pressure on capital accumulation.

Dividends

FNB declared a final dividend of 446.57cps, bringing the total dividend for the year to 668.34cps, an increase of 40.3% YoY and equivalent to dividend cover of 1.2x.

Dividend timetable

Event	Date
Last Day to Trade	25 September 2026
Ex-Dividend Date	28 September 2026
Record Date	02 October 2026
Payment Date	**15 October 2026**

Source: FirstRand Namibia; IJG Securities

Our Take

FNB delivered another strong set of results. Despite operating in a lower interest rate environment for much of the year, the Group recorded robust earnings growth and a significant reduction in impairment charges. The cost-to-income ratio increased by 230bps but remains comfortably below the 50% benchmark and well ahead of the industry. The net interest margin expanded a further 50bps and the Group's ROE of 28.5% remains well above its cost of equity, positioning it to capitalise on future market opportunities. Growth in advances to customers of 9.2% comfortably outpaced private sector credit extension of 4.5%.

Several risks remain. The quality of the FY2026 result is more cyclical than the headline suggests: the reduction in the impairment charge accounted for the majority of pre-tax profit growth at a credit loss ratio management place at the bottom of the cycle, while the entire margin expansion came from funding costs that we do not expect to fall again. Further easing could result in customers preferring to lock in rates through relatively expensive funding sources such as notice and fixed deposits or NCDs, increasing interest expense, and we anticipate another 25bps rate hike in October.

In addition, slower growth in mortgage lending presents a risk, as home loans remain the largest single contributor to the Group's interest income and their income contribution declined 4.8% YoY. Lastly, weaker overall economic growth could dampen credit demand, as households and businesses become more reluctant to take on additional borrowing.

We maintain a **BUY recommendation**, with a one-year target price of 6,040cps, implying 8.5% upside from the current share price of 5,567cps.

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