IJG Securities (Pty) Ltd.
Member of the NSX

FNB NAMIBIA HOLDINGS

FY15 Initial Impression

SEPTEMBER 2015

FNB Namibia Holdings

FY15 Results Review

Year End 30 June	2013A	2014A	2015A	F2016
Net interest income (N$m)	985	1,138	1,453	1,478
Non-interest income (N$m)	869	1,087	1260	1,463
Profit (N$m)	608	785	999	1,103
HEPS (c)	229	295	378	419
DPS (c)	100	109	183	151
DY (%)	2.4	2.7	4.5	3.7
P/E (x)	17.9	13.9	10.9	9.8
P/BV (x)	4.7	3.9	3.2	2.6

Source: FNB, IJG

Target Price (c)	4090
Current Price (c)	4100
Recommendation	**BUY**
NSX Code	FNB
Market Cap (N$m)	10,971
Shares in Issue (m)	267.6
Free float (%)	40
52 week high (c)	4100
52 week low (c)	2452

FY15 Initial Impression

FNB Namibia released its results for the financial year ended 30 June 2015. The firm once again posted phenomenal results, with profit for the year up 27.3% to just under N$1 billion, 3.6% above our already aggressive expectation of N$964 million. Headline earnings per share climbed 28.0%, 3.2% ahead of expectations, to 377.6cps. Return on average equity rose to 32.2% from 30.9% in FY14, while return on average assets was 3.6%, up from 3.2% in FY14. On account of these strong results, FNB Namibia announced a final dividend of 112cps. This reflects a notable increase in the dividend payout ratio, which is now at 48.5%, up from 36.9% in FY14, reflecting the strong balance sheet position of the bank. This puts the company on a highly attractive dividend yield of 4.5%, a price-earnings ratio of 10.9x and a price to book of 3.2x

Net interest income (after impairments) grew by 27.7% on an annual basis, to N$1,453m, while non-interest income expanded by 15.9%, to N$1,260m. The growth in net interest income was driven by two factors, firstly, growth in loans and advances, which expanded by 14.2% over the year; and secondly, an improvement in the net interest margin, up from 4.4% in FY14 to 4.9% in FY15. This improvement comes about due to relatively more rapid increases in interest rates in Namibia vis-à-vis south Africa, as (some) deposits are priced off South African interest rates, while loans tend to be priced off Namibian rates.

Non-interest income growth was driven by a number of factors, however is primarily ascribable to a notable increase in electronic transactions, which according to the company, grew 17% over the year. Moreover, the company notes that "traditional activities now contribute only 10% of total volumes". From a combined transactional volume perspective, transactions increased 15%, due to a 10% increase in customer numbers and an 8% increase in active accounts.

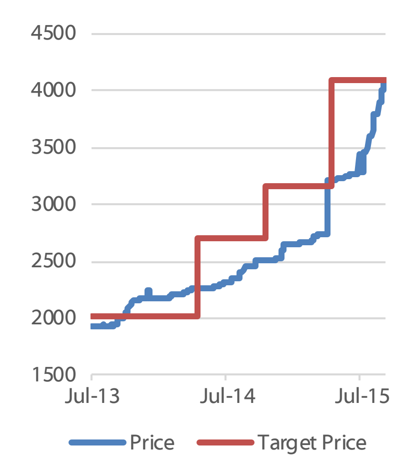
The bank's operating costs increased by 14.3%, to N$1.2 billion, however due to significantly stronger growth in income, the bank's cost to income ratio improved to 43.9%, from 46.9% in FY14. The main cost increases were driven by staff costs, which climbed 16.7%, due to wage increases and a larger staff complement. Operating costs also reflect continued investment in infrastructure, with new branches added at the Grove Mall and in Kuisebmund, while the Okahandja and Maerua Mall branches were relocated. In addition, 46 additional ATMs were installed though the year.

Despite a 170% increase in impairment losses, the ratio of these losses to total advances remains minute, at just 0.22%. Total impairment losses totaled N$49.9m in FY15, from N$18.4m in FY14. As mentioned, however, this is negligible when compared to total advances of N$22.8 billion. The ratio of non-performing loans to gross advances improved to 0.74%, from 0.80% in FY15. This represents an increase in non-performing loans of 4.8%, to N$171 million, from N$164 million in FY14, well below the increase in advances over the period. Thus, the asset quality of the bank remains excellent, as attested to by these highly favorable ratios, despite increasing interest rates.

The bank remains well capitalised with a total capital adequacy of 16.9%, above the regulatory requirement of 10%. Moreover, tier 1 capital currently stands at 14.1% vis-à-vis the regulatory requirement of 7%.

Overall, the FNB Namibia 1H15 results are impressive, and exceed our forecasts for the company. We are currently reviewing our FNB Namibia pricing model. We will release a more in depth note pending detailed analysis of the figures reported and discussions with management.

Share Price (c)



Analyst

Rowland Brown
+264 61 383 513
rowland@ijg.net

Dividends

- A final dividend for the year ended 30 June 2015 of 112 cents per ordinary share was declared on 7 August 2015.
- The last day to trade shares on a cum dividend basis will be on 18 September 2015
- The first day to trade ex-dividend will be 21 September 2015.
- The record date will be 25 September 2015
- The payment date will be 7 October 2015.

Managing Director
Romé Mostert
Tel: +264 (61) 383 520
rome@ijg.net

Sales and Research
Rowland Brown
Tel: +264 (61) 383513
rowland@ijg.net

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

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

Money Market & Administration
Leon Maloney
Tel:+264 (61) 383 521
leon@ijg.net

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

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

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

IJG Direct
Naïke Burger
Tel: +264 (61) 383 515
naike@ijg.net

Equity & Fixed Income Dealing
Nigel Mubita
Tel: +264 (61) 383 514
nigel@ijg.net

Stuart Main
Tel: +264 (61) 383 512
stuart@ijg.net