Emerging African Markets > Equity Research

13 February 2014

FNB Namibia Holdings

1H14 Initial Impression

Target Price (c)	2010
Current Price (c)	2211

Year End 30 June	2011A	2012A	2013A	F2014
Net interest income (N$m)	852	932	985	1,126
Non-interest income (N$m)	605	740	868	935
Profit/ (Loss) (N$m)	539	772	606	682
HEPS (c)	191.6	203.1	229.6	259.8
P/E (x)	13.3	11.5	10.9	9.7
DPS (c)	247.0*	262.0*	100.0	106.0
DY (%)	3.0	11.2	11.8	4.2
ROE (%) - normalised	22.4	24.7	25.9	27.6

Recommendation	HOLD
NSX Code	FNB
Market Cap (N$m)	5,917
Shares in Issue (m)	267.6
Free float (%)	40
52 week high (c)	2250
52 week low (c)	1668
Expected Total Return (%)	8.5

Source: FNB, IJG

**Includes a special dividend of 170c in FY11 and of 180c in FY12*

1H14 Initial Impression

FNB Namibia released its results for first half of the year ended 31 December 2013. The firm posted reasonable results, with profits up 20% when compared to the first half results of last year, and declared an interim dividend of 55c, up from the dividend of 46c at this time last year. As such, headline earnings per share also increased by 20% y/y to 145.7cps.

Net interest income (after impairments) grew by 10.5%, to N$548m, while non-interest income expanded by a sizable 22.9 percent, to N$531m. The growth in interest income comes despite the historically low interest rate environment in Namibia, due to sustained low interest rates eliminating base effects, and encouraging the uptake of credit by corporates and households. On the other hand, the increase in non-interest income was driven by increased volumes and values of transactions, leading to greater income from fees and commissions. Additionally, in the past year FNB has added 25 ATMs to its network and opened two new branches, no doubt contributing to the aforementioned transaction volume increases.

Operating expenses increased from N$460m to N524m, a y/y increase of 13.9%. Nevertheless, the operating expenses as a percent of income from operations has fallen from 48.4% to 47.4% over the year, resulting in an increase in net income from operations from N$491m to N$582m, or by 18.5%.

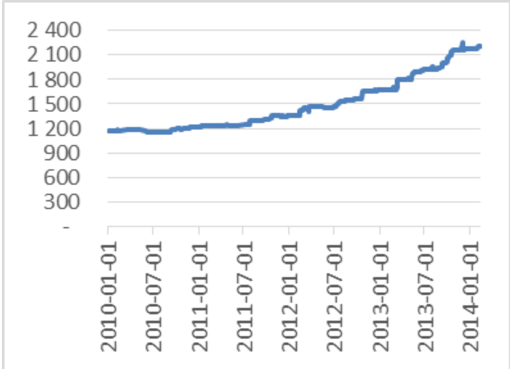
After tax profits saw strong growth of 19.7% y/y, resulting in a 20.1% increase in earnings per share, which now stand at 145.7c, compared to 121.3c last year.

Advances grew by a whopping 20.4 percent y/y, representing an increase of N$3.2 billion. At the same time, overall loans and advances from all depository institutions in Namibia expanded by 15.0 percent, suggesting that FNB Namibia increased their market share over the period. Indeed, over the period in question, net advances by FNB Namibia represented 42.4 percent of total advances extended.

The overall credit quality of FNB Namibia advances remains sound, with the ratio of non-performing loans to average gross advances improving over the year to 0.96%, from 1.04%. However, going forward, an interest rate hiking cycle is expected to commence in 2014, and thus the inflection point for non-performing loans is likely to have been reached. Thus, on one hand increasing interest rates will improve interest income, while on the other, impairments may increase, particularly should the aforementioned cycle be sharp.

We are currently reviewing our FNB Namibia pricing model; and as such have left forecasts unchanged, for the time being. 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

IJG Securities (Pty) Ltd.
Member of the NSX

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

Sales and Research
Romé Mostert
Tel: +264 (61) 383 520
rome@ijg.net

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

Rowland Brown
Tel:+264 (61) 383 513
rowland@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

Executive Director
James Hill
Tel: +264 (61) 383 500
james@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

TEAM NAMIBIA