

FirstRand Namibia Limited
1H22 Initial Impression
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FirstRand Namibia Ltd

1H22 Initial Impression

Target Price (c)* ***2932***

Current Price (c) 2950

Year End 30 June	FY19A	FY20A	FY21A	FY21E	FY22E
Net Interest Income (N$ million)	2,012	2,013	1,877	1,894	2,107
Non-Interest Income (N$ million)	1,820	1,905	1,954	2,019	2,140
Profit after Tax (N$ million)	1,086	833	1,032	905	1,123
HEPS (c)	410	332	391	342	424
DPS (c)	208	154	212	173	215
DY (%)	9.0	6.7	7.1	7.5	9.3
P/E	5.6	7.3	6.9	6.7	5.4
P/B	1.1	1.2	1.4	1.1	1.0

Recommendation	BUY
NSX Code	FNB
Market Cap (N$ m)	8,022
Shares in Issue (m)	268
Free Float (%)	24.0
52-Week High	3051
52-Week Low	2307
Expected Total Return (%)	5.3%

Source: FirstRand Namibia, IJG Securities

1H22 Initial Impression

FirstRand Namibia Ltd (FNB) released interim results for the period ended 31 December 2021 (1H22). Profit after tax rose by 9.7% y/y to N$619.6 million. Headline earnings increased by 11.0% y/y to 236.3 cps. FNB once again posted an impressive ROE of 21.9% (1H21: 21.5%). An interim dividend of 153 cps (1H21: 94 cps) was declared for the period.

(N$ million)	1H21	1H22	Δ%
Interest and Similar Income	1,548.8	1,527.7	-1.4%
Interest Expense and Similar Charges	(641.3)	(476.9)	-25.6%
NII before Impairment of Advances	**907.6**	**1,050.8**	**15.8%**
Impairment and Fair Value of Credit of Advances	(150.6)	(102.2)	-31.6%
NII after Impairment of Advances	**756.9**	**947.9**	**25.2%**
Net Insurance Premium Income	68.2	65.2	-3.9%
Net Claims and Benefits Paid	(31.3)	(31.3)	9.6%
Non-Interest Income	1,039.0	998.4	-3.9%
Income from Operations	**1,832.8**	**1,977.5**	**7.9%**
Operating Expenses	(1,014.4)	(1,061.8)	-4.7%
Income before Tax	**818.5**	**915.8**	**11.9%**
Indirect Tax	(17.7)	(21.9)	23.4%
Profit before Tax	**800.8**	**893.9**	**11.6%**
Income Tax Expense	(235.8)	(274.3)	16.3%
Profit for the Year	**564.9**	**619.6**	**9.7%**

Source: FirstRand Namibia

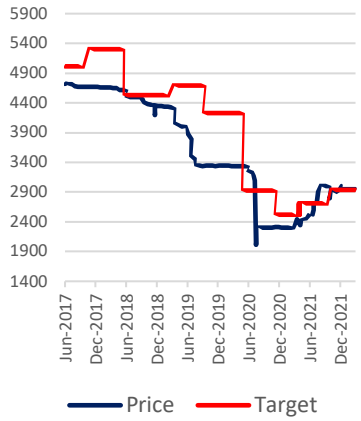
Net interest income increased by 15.8% y/y or N$143.3 million to N$1.05 billion, primarily due to a 25.6% y/y decline in interest expense, which management attributes to an improved liability mix and active balance sheet management. Interest and similar income declined 1.4% y/y to N$1.53 billion. Interest earned on advances grew by 2.3%, attributable to demand for home loans, instalment sales and term loans.

Total assets contracted by 3.1% y/y to N$43.4 billion, driven mainly by a 15.9% y/y decline in investment securities. Gross advances posted a marginal contraction of 0.6% y/y to N$32.5 billion, compared to PSCE growth of 1.0% over the same period. Management notes in the results release that advances growth remained muted across most portfolios due to lower credit demand across the economy, but that there were some products and industries which posted growth. Impairments fell by 31.6% y/y to N$103.0 million as a somewhat improving macroeconomic environment and better-than-expected collection rates resulted in impairment dropping below pre-pandemic levels. Non-performing loans made up 5.5% of total advances (1H21: 5.1%).

Deposits declined by 3.5% y/y or N$1.28 billion to N$35.2 billion, which drove some of the decline in interest expense. NCDs fell by N$220.5 million, while call deposits increased by N$906.7 million, and savings accounts rose by N$133.1 million.

Non-interest revenue fell by 3.9% or N$40.5 million to N$998.4 million. Management warned with the release of the FY21 results that the implementation of PSD 5 and PSD 10 would have a negative impact on the group's non-interest revenue, which has now materialised. The company believes that an estimated N$87 million of revenue has been lost since the implementation of PSD 5 and PSD 10, but notes that an increase in transaction volumes and a 1.8% increase in the customer base partially alleviated the effect. The insurance segment contributed N$31.2 million to earnings as premium income fell by 3.9% y/y while claims were up by 9.6% y/y.

FNB Share Price vs Target Price (c)



Dividends

An interim dividend of 153 cents per share has been declared.

- Last Day to Trade: 01 April 2022
- Ex-Dividend Date: 04 April 2022
- Record Date: 08 April 2022
- Payment Date: 22 April 2022

Operating expenses rose by 4.7% y/y to N$1.06 billion, roughly in line with inflation of 4.5% over the same period. Staff costs were well contained at N$591.0 million, with a 3.0% decline through natural attrition reversing the effect of 3.4% salary increases. Lease charges fell by 13.0% following the group's continued effort to reduce branch sizes. FNB's cost-to-income ratio remained steady at 51.0% in 1H22.

Overall, FirstRand's results are robust and were in line with our expectations. We continue to believe that the group will be well-positioned to take advantage of the expected rise in interest rates during the year. Pending further analysis of the 1H22 results and management discussions, we maintain our **BUY** recommendation on FNB. Our target price and recommendation will be revised with our full review of the 1H22 results, as will the forecasts in the table at the top of the page.



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