

— FNB Namibia

Non-deal roadshow
December 2019



FNB
First National Bank

how can we help you? —

Agenda

- Economic update
- Financial update – June 2019
- Capital management
- Funding and liquidity

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Difficult macroeconomic backdrop

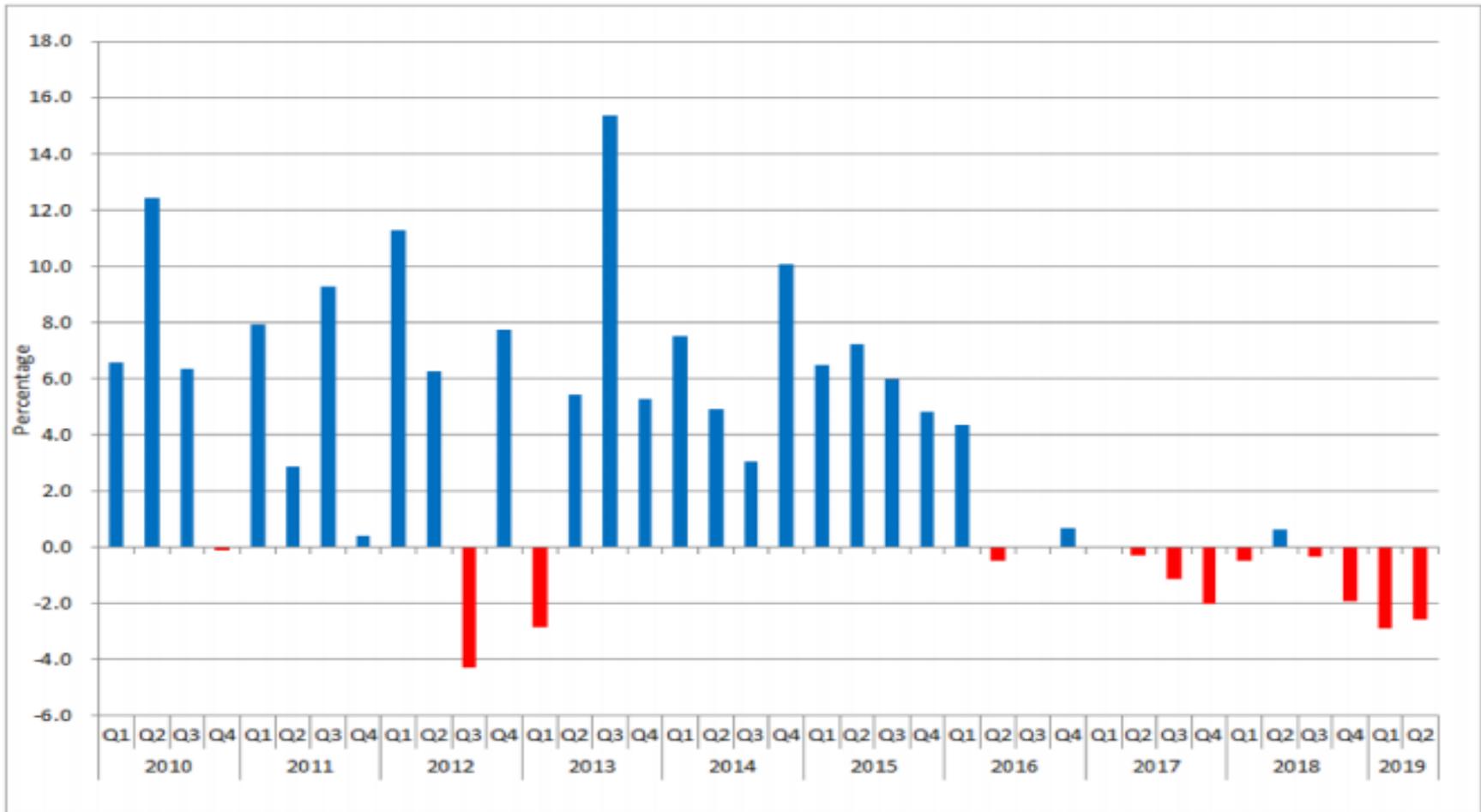
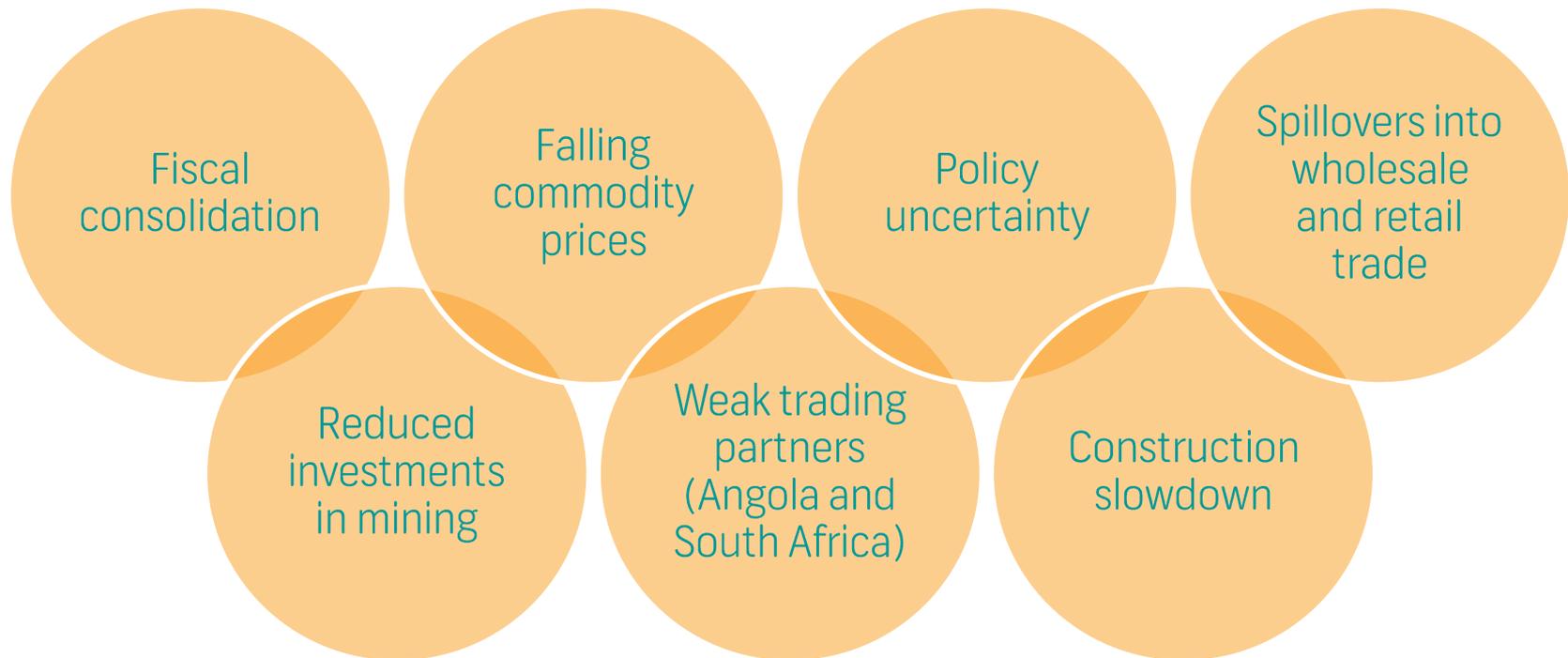


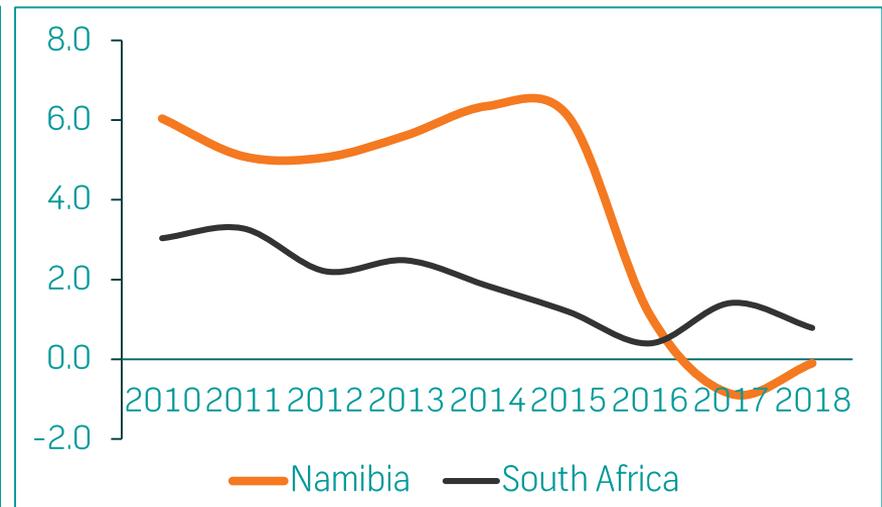
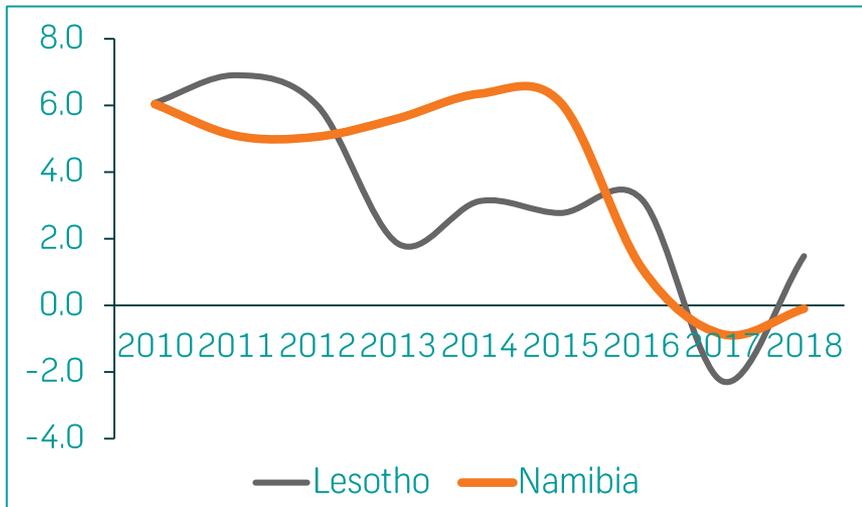
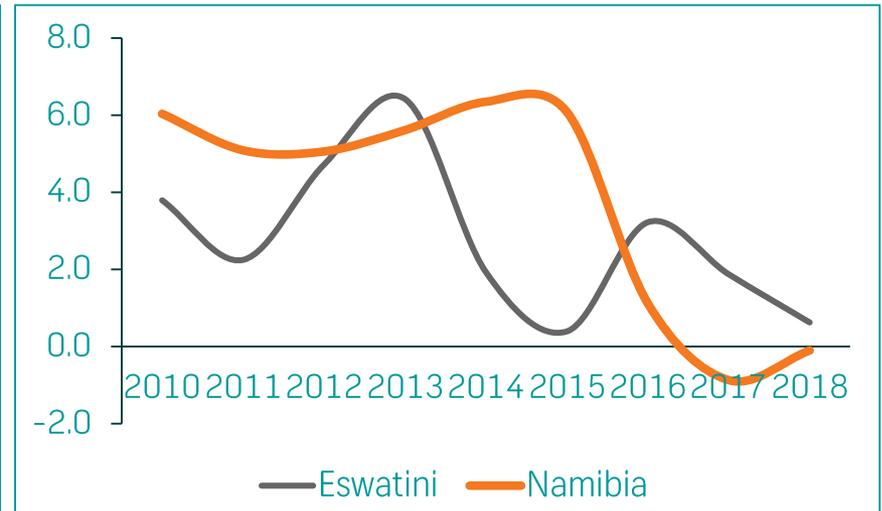
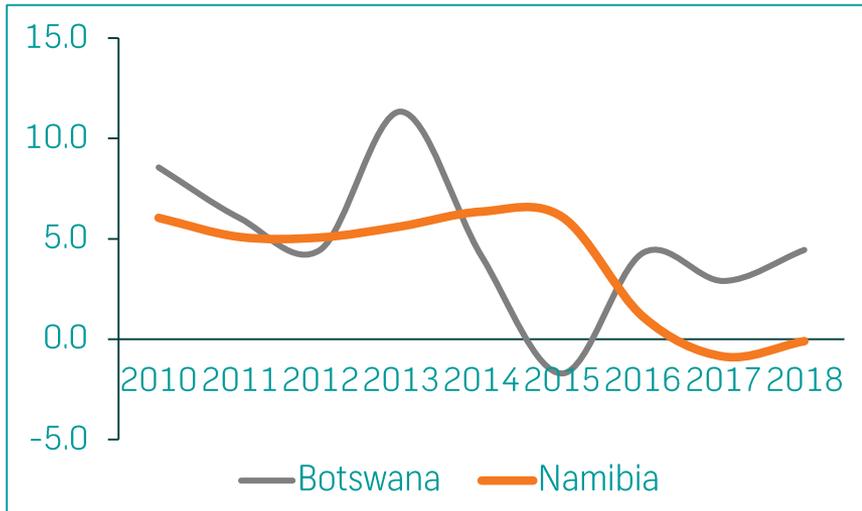
Figure 1: GDP growth rate

Source: Namibia Statistics Agency.

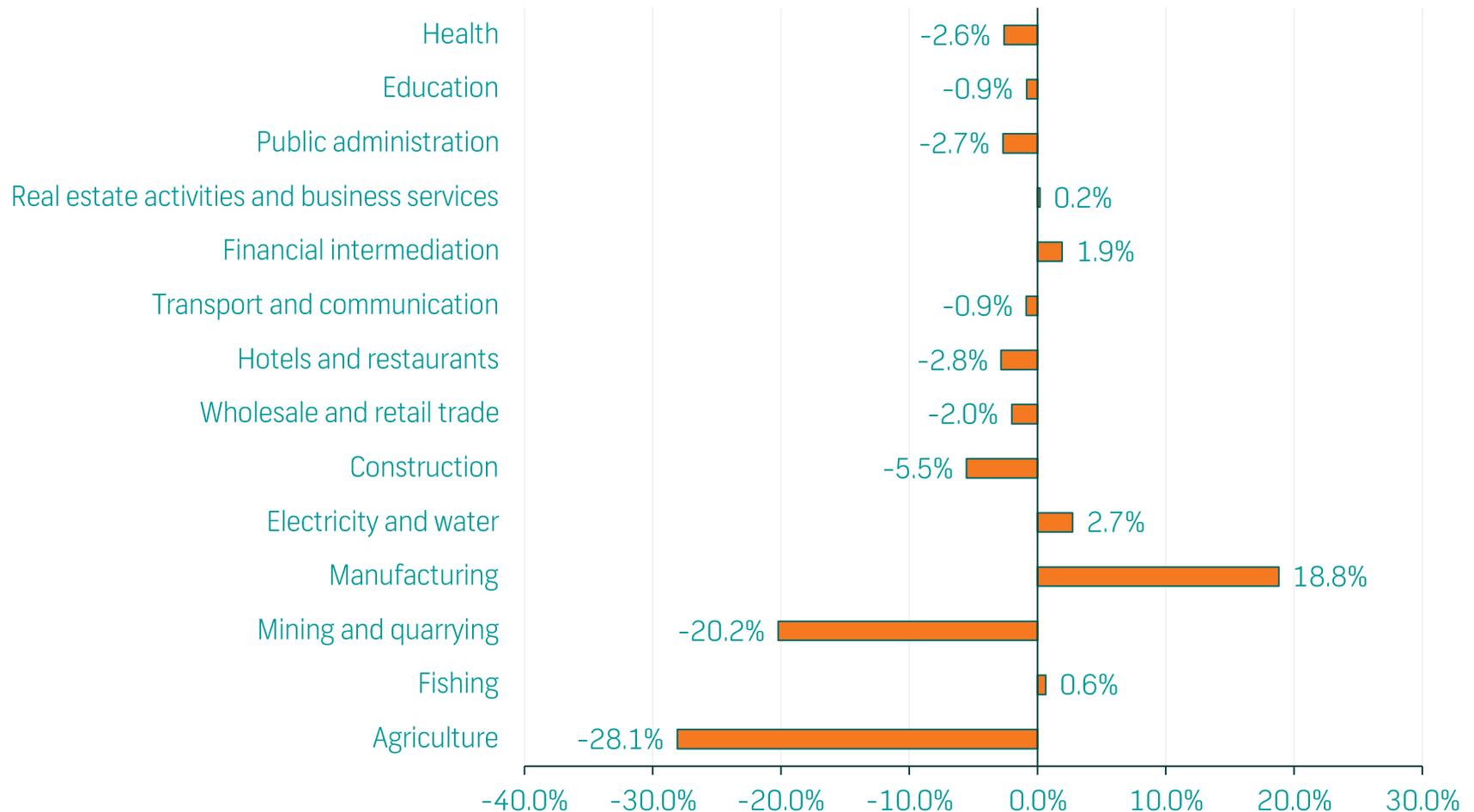
Key issues



Annual GDP growth in context

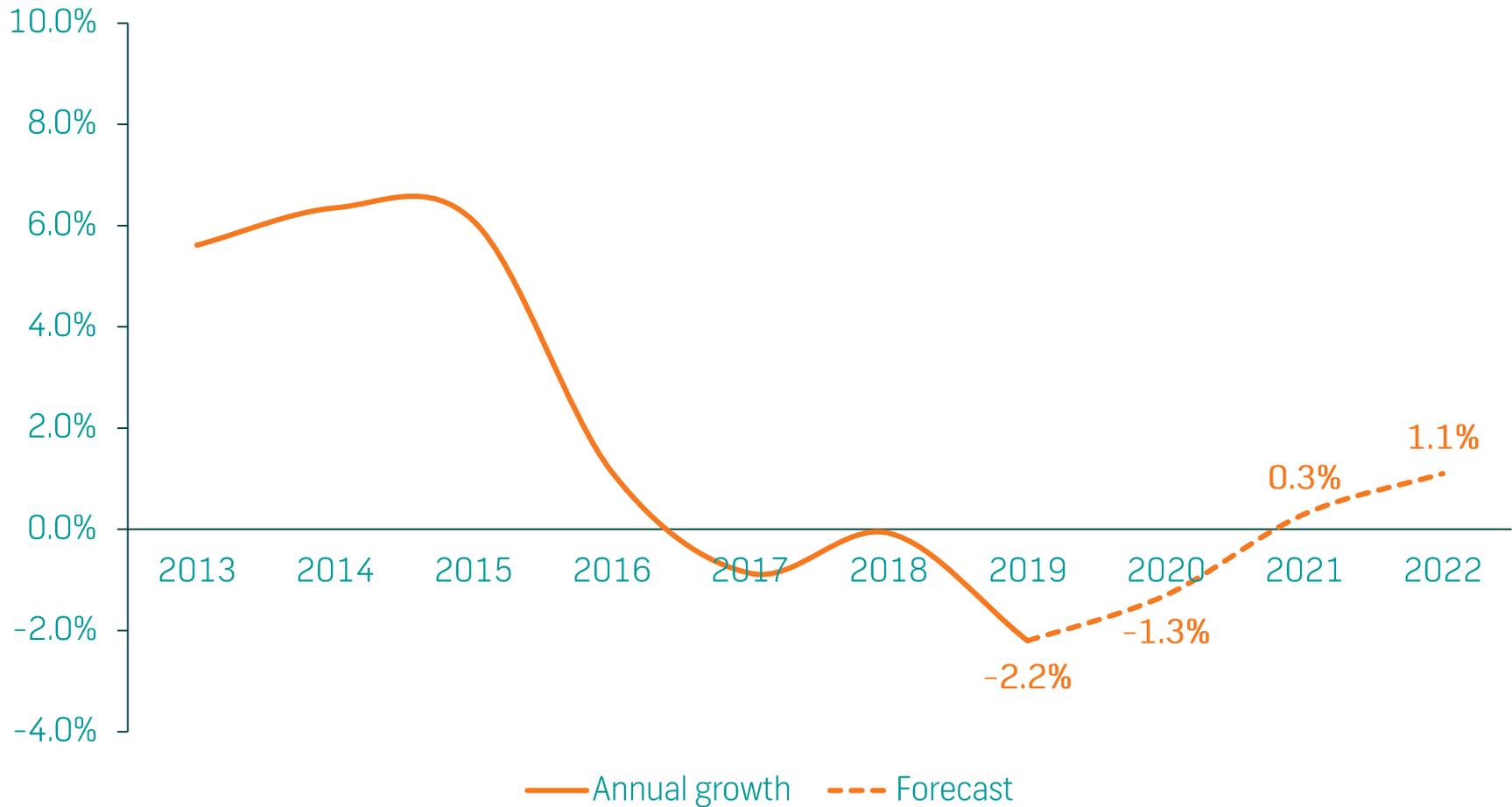


Sector overview



Source: Namibia Statistics Agency.

FNBN's GDP growth forecast



Source: Namibia Statistics Agency, FNB.

Potential sources of growth

- Capital projects in the utilities space
 - NamPower N\$4.7 billion 5-year renewable energy strategy

	Cost N\$ million	Commercial operation date	Location
Omburu PV project (20MW)	500	2020	Omaruru
Otjikoto biomass power project (40MW)	1 900	2023	Tsumeb
Luderitz wind power project (40MW)	1 100	2022	Luderitz
Firm power project (Anixas II) (50MW)	1 200	2022	Walvis Bay
Total	4 700		

- Modified single buyer model implemented on 1 September 2019
 - Water supply projects up to N\$3 billion over next 5 years approved by cabinet
- Resilient beverage manufacturing
- Normal to above-normal rainfall to aid recovery in the agriculture sector

Agenda

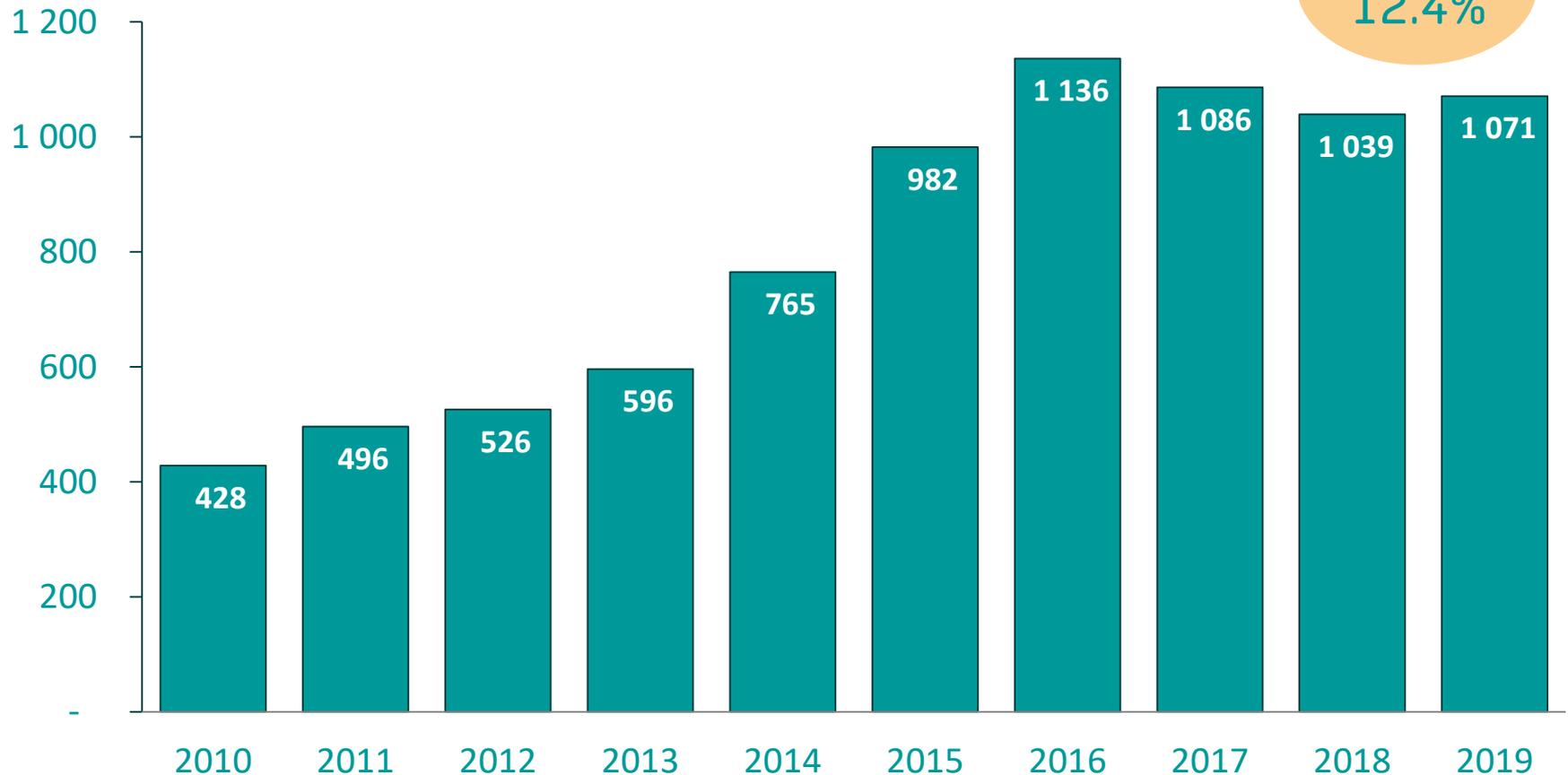
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Simplified group structure

General public		FirstRand EMA Holdings (Pty) Ltd				GIPF	
26.8%		58.4%				14.8%	
 FIRSTRAND NAMIBIA							
Banking		Investments Management		Other Activities		Insurance	
100%	First National Bank of Namibia Ltd	100%	Ashburton Fund Managers Namibia (Pty) Ltd	100%	FNB Fiduciary Namibia (Pty) Ltd	51%	OUTsurance Insurance Company of Namibia Limited
100%	Swabou Investments (Pty) Ltd	100%	Ashburton Unit Trust Management Company Limited	100%	FNB Nominees (Namibia) (Pty) Ltd		
25%	Namclear (Pty) Ltd	100%	Pointbreak Equity (Pty) Ltd	100%	FNB Insurance Brokers (Namibia) (Pty) Ltd		
		100%	Pointbreak Investment Management (Pty) Ltd	100%	Talas Properties (Windhoek) (Pty) Ltd		
		100%	Pointbreak Property Unit Trust Management Company Limited	100%	Pointbreak Trust and Estates (Pty) Ltd		
		100%	Pointbreak Unit Trust Management Company Limited	100%	FNB Easy Loans (previously FNB Consumer Limited)		
		100%	Pointbreak Wealth Management (Pty) Ltd				

The group continues to deliver premium returns and real growth in earnings

Headline earnings
N\$ million



Performance highlights

	June 19 IFRS 9	June 18 IAS 39	% Δ
Headline earnings (N\$ million)	1 060.0	1 027.9	▲ 3.1%
Net income after cost of capital* (N\$ million)	344	376	
Net advances (N\$ million)	30 413	28 644	▲ 6.2%
Deposits (N\$ million)	36 401	32 559	▲ 11.8%
ROE (%)	21.5	22.9	
Total capital adequacy (CAR) (%)	19.4	18.7	
ROA (%)	2.6	2.7	
Credit loss ratio (%)	0.72	0.45	
Cost to income (%)	51.2	52.2	

* NIACC.

Summarised income statement

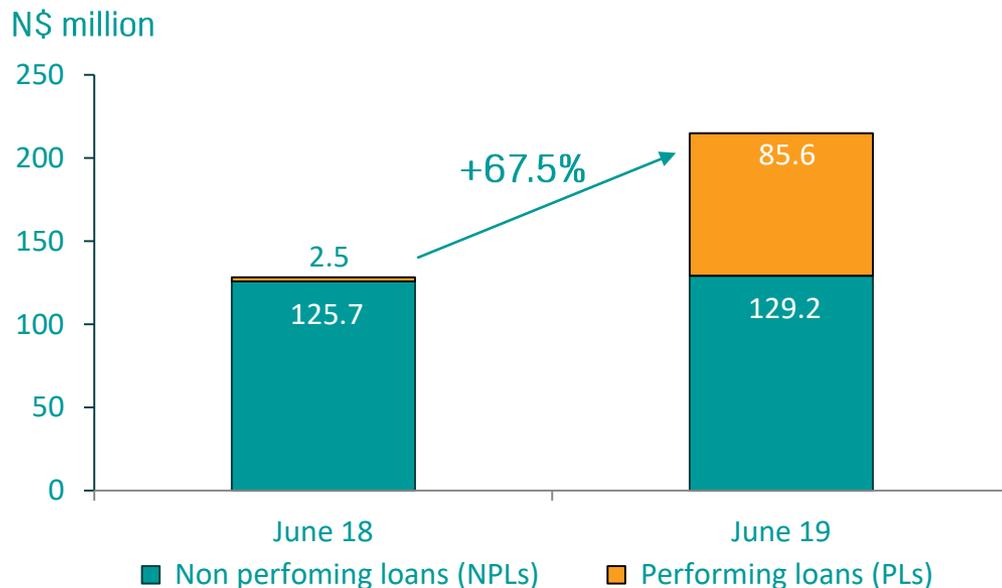
N\$ million	June 19 IFRS 9	June 18 IAS 39	% Δ
Net interest income before impairments	2 009.4	1 818.3	10.5
Impairments of advances	(214.8)	(128.3)	67.5
Net interest income after impairments	1 794.6	1 690.0	6.2
Non-interest revenue	1 665.4	1 647.3	1.1
Operating expenses	(1 880.7)	(1 809.7)	3.9
Income before indirect tax	1 579.3	1 527.7	2.2
Indirect tax	(45.5)	(45.1)	-
Profit before tax	1 533.8	1 482.5	3.5
Taxation	(473.8)	460.3	2.9
Profit for the year	1 060.0	1 022.2	3.7
FirstRand Namibia earnings	1 060.0	1 022.2	3.7
Headline earnings	1 060.0	1 027.9	3.1

ECL model applications in difficult macros

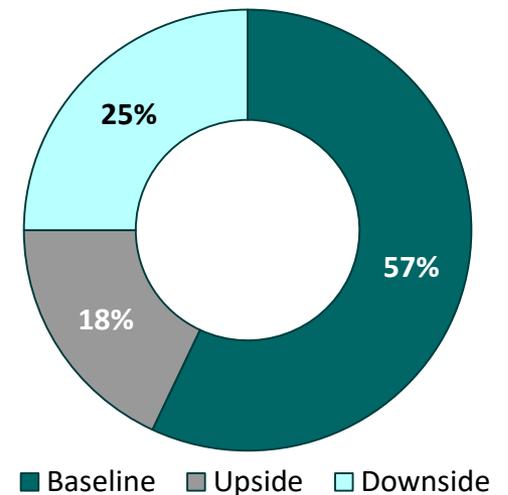
N\$ million	June 19 IFRS 9	June 18 IAS 39
Total impairment charge	214.8	128.3
Credit loss ratio (%)	0.72	0.45
Portfolio coverage charge (%)	0.29	0.01
Specific coverage charge (%)	0.43	0.44

Bank NPLs: 2.73%

Industry NPLs : 3.8% (March 19)

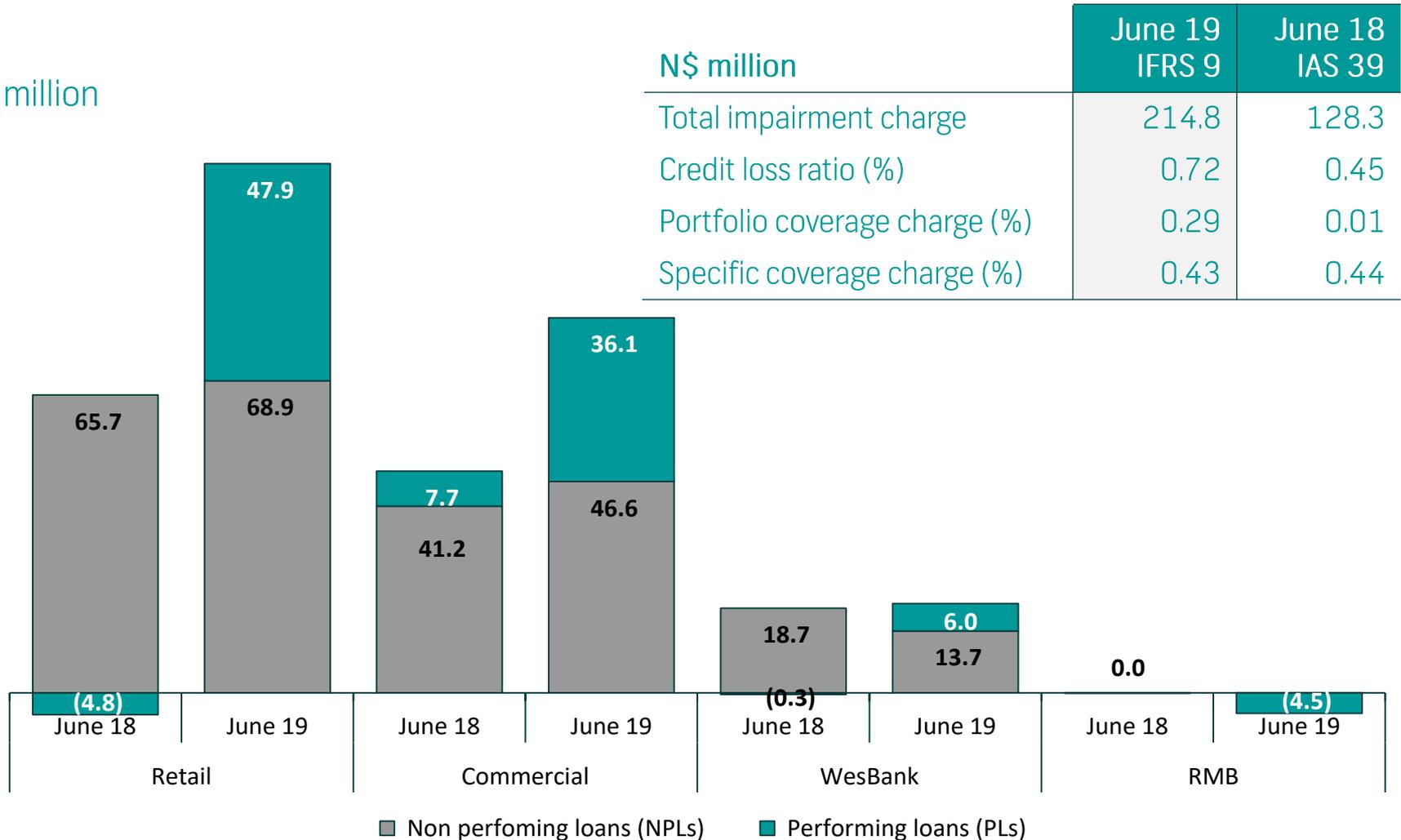


Macroeconomic scenarios



ECL model applications – IFRS 9 vs IAS 39

N\$ million

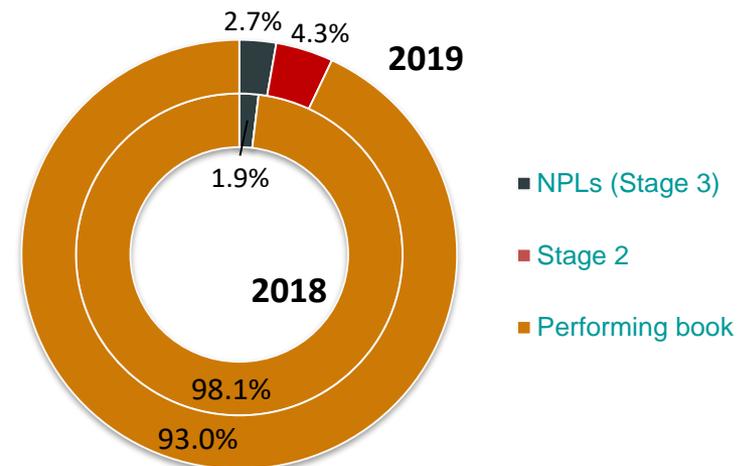
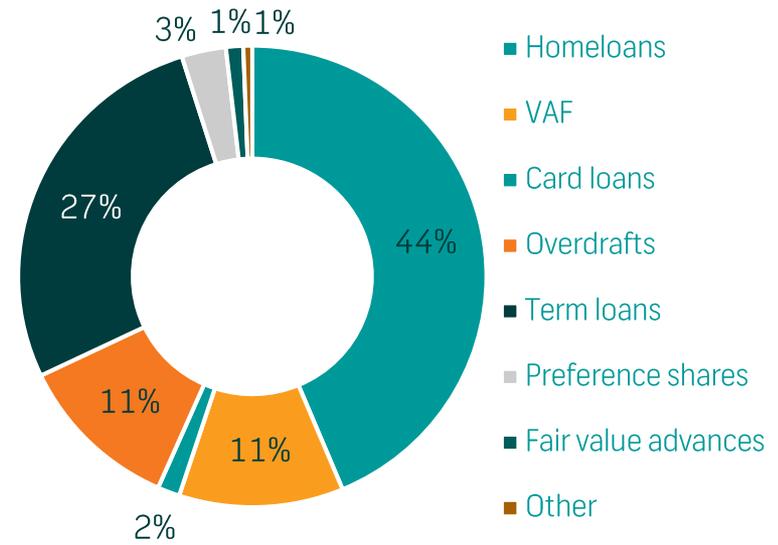


N\$ million

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Good advances growth across segments and ROE preservation

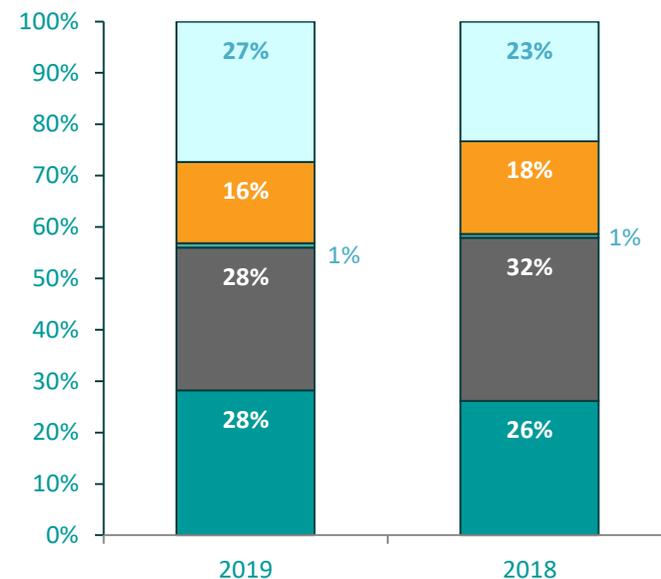
N\$ million	June 19 IFRS 9	% Δ
Homeloans	13 549.1	3.0
VAF	3 521.6	(3.2)
Card loans	474.9	18.2
Overdrafts	3 514.6	4.5
Term and FV loans	8 802.3	8.2
Preference shares	949.0	
Other	306.6	
Gross advances	31 117.8	7.3%



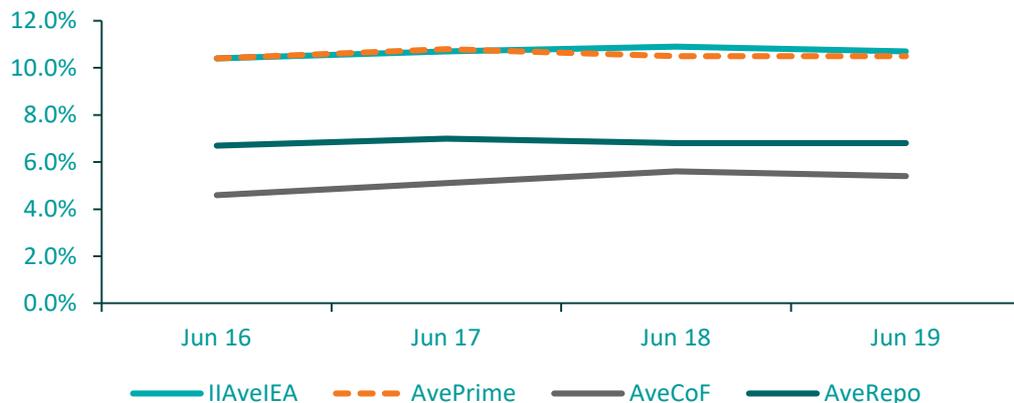
- PSCE: ▲ 7.8% (June 19)
- New vehicle sales : ▼ 13.1% (June 19)
- Industry NPLs : 3.8% (March 19)
- Invested in ORM team

Strong growth in deposit franchises

N\$ million	June 19 IFRS 9	June 18 IAS 39	% Δ
Term deposits	10 123.6	8 251.1	22.7
Current	10 021.0	10 036.1	(0.2)
Savings	292.7	230.8	26.9
Call	5 737.1	5 787.3	0.1
Deposit franchises	26 174.4	24 305.3	7.7
Institutional	10 227.0	8 253.7	23.9
Total	36 401.4	32 559.1	11.8



Understanding NII



- Term savings
- Current
- Savings
- Call
- Institutional funding

- Flat prime rate
- SARB rate hike November 2018
- Cost of funding maintained new normal

Bank summing up

Revenue growth ▲ 6%

- Deposit growth ▲11.8%
- Advances growth ▲6.2%
- Net fee and commission ▲4.5%

Impairments ▲ 67.5%

- IFRS 9 structural impact on provisions
- Macroeconomic environment impact on NPLs

Opex growth ▲ 3.9%

- Normalised 7.2% (PY intangible impairments)
- Continued investment in systems, platforms and growth initiatives
- NAMPAY
- Recalibration of branch network SQM down 9.5%

FirstRand Namibia dividend ▲ 125%

- CAR 19.9% (PY 19.1%)
- Final dividend 117 cents (cover of 2)
- Special dividend 250 cents
- Total dividend 458 cents

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Capital management

- Capitalised at the higher of regulatory and economic capital
- Economic risk backed by most loss absorbing form of capital (CET1)
- Capital managed on a forward-looking basis
- Basel III transition from September 2019, fully phased in by 2022
 - Minimum requirement increases from 10.0% to 12.5%, including capital conservation buffer
 - No changes to risk weighted assets
 - Introduction of PONV and changes to future Tier 2 issuances
- Dividend policy
 - Ordinary dividend cover approximate 2x
 - Cyclical excess return in special dividend (2019)

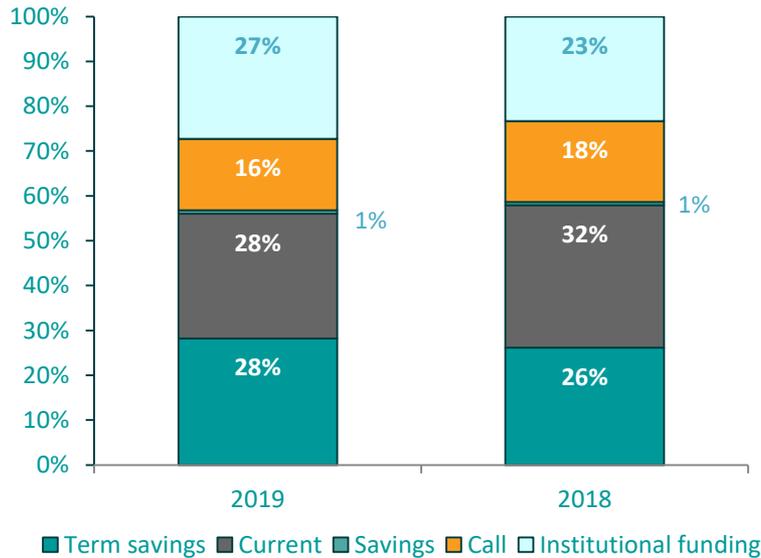
Capital position at 30 June 2019

	Target	June 2019 As published	June 2019 Adjusted for dividends
CET1/Tier 1		5 089	4 118
Tier 1		717	717
Total qualifying capital		5 806	4 835
Risk weighted assets		29 946	29 946
CET1/Tier1	>11.5%	17.0%	13.8%
Tier 2		2.4%	2.4%
Total	>14.0%	19.4%	16.2%

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Funding structure and outlook



Cost of funding

	Jun 19	Jun 18
- FNB	5.3%	5.4%
- Bank WhK	6.6%	6.1%

	Dec 18	Dec 17
- StdBank	4.9%	4.4%
- NedBank	6.2%	6.3%

General update

- Insto contribution increase; stable due to market fundamentals
- Pre-funding for large commitments
- Intervention products in 2017 (Retail and Business)

Outlook

- Continuous initiatives on franchise deposits
- Large corporate deals to different solutions

Regulation

- Current = BID6(a)
 - 10% + 1% LAR
 - Mismatch bucket limits
- Outlook = Basel III (QIS due Dec/Jan)
- LCR incorporated as Board limit; June 2019 = 144%

Senior notes

N\$ million	NSX	JSE	
Oct 16 issues			
- FNBJ19	206		Matured and repaid
- FNBX19	170		Matured and repaid
- FNBJ21	22		JIBAR + 200 (5yr)
- FNBX21	142		Fixed 10.50%
March 17 issues			
- FBJ20Z		343	JIBAR +185 (Plan to repay)
- FBJ22Z		334	JIBAR+215

Outlook: raise professional funding in local market through NCDs

Ratings

- GCR rating being replaced with Moody's
- Moody's rating to be issued after 6 December 2019
 - Preliminary indication: capped by Sovereign
- GCR issued unsolicited ratings in October 2019

Notes



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