



**Trustco Group Holdings Limited**  
**Interim Results for the six months ending 30 September 2014**  
**Investor Conference call**  
**Monday, 17 November 2014**

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Good day ladies and gentleman, welcome to the Trustco Group Holdings Limited half year results conference hosted by BPI Capital, all participants in this conference will have the opportunity to ask questions after the presentation. If you should need assistance during the conference please signal by pressing star and then zero, please note that this conference will be recorded and I would now like to turn the conference over to Mr Harry Waldemar Brown.

**Harry Waldemar Brown:**

Thank you everyone for joining us today, we have been allowed to have Trustco with us today, herewith represented by Ryan McDougall, the Group Financial Director of the Company and Mike Pitsokos who is the Head of Business Development for Trustco, the pretext of the call is first off the results for the six months ending September 2014 that is the latest date given by the company, the opportunity is for us to hear from Ryan and Mike their thoughts on those numbers and then to clear the space for some Q &A. So what we will do Ryan, if you could kindly agree to give us 10 minutes by walking us through the first half of the numbers and talking about the operations the company find itself and any interesting trends and development he wants to highlight. So Ryan and Mike thank you for joining us, Ryan why don't you take it away.

**Ryan McDougall:**

Hi and welcome everyone, as Harry said I have with me Mike Pitsokos, head of business development and investor relations.

I think the best place to kick off is the review of exactly what Trustco has been up to for the last six months, I know the interim results tend to be quite brief and I thought it is a good opportunity to elaborate on the business opportunities that we have been involved in, in the last six months. So to kick off in Namibia, which is our core market, Namibia has now been segmented into Banking, Insurance and Investments and part of that is to align our way fitting in with other financial services, which makes us a bit more comparable and also allow us to benchmark against other similar firms locally, Internationally and on the JSE. The Banking division includes Trustco Finance which is our student loan book and also includes the bank itself Trustco Bank Namibia formerly Fides Bank, Fides Bank is really the nice story for the last six months, Fides bank was official acquired by Trustco of 1<sup>st</sup> of September 2014 it came with 7 branches, there were some cost cutting measures that was put in



place whereby some branches were closed down and some employees were retrenched as a result of that, but going forward we do think that the bank will present us with a unique opportunity to:

1. lower the cost of funding in the Group
2. to open up the financial inclusion module that we have been successful in the past for our insurance business into the banking space and looking at some of those clients at the lower end of the spectrum as well as looking at banking products that we can offer to them. All in all a very good strategy for the Group and we are quite excited about it.

Most of the branches are based in the north and it came along with quite few experienced staff in both international and local banking, we are excited about the prospects of the bank, the bank is at a breakeven accounting profit and that has a small loan book of about N\$40 million at the moment, we are looking to grow that into the bank, we will be slightly more prudent when recapitalising the bank towards the 2016 financial year and begin bedding down the operations in the bank. The strategy going forward in the 2016 fiscal year is focusing on growing the student loan book further as well as looking to diversify that asset pool in the bank.

The insurance market in Namibia has seen a bit of a slow down on the roll-out of products and whilst consumer sentiment continues to be weak, especially in our South African market, there has been some growth in our market but, rather slower than expected. The insurance products can be sold on a back of loans and banking products. We have seen that there is some resistance to price increases, so Trustco took the decision, I think I have mentioned that in the financial results, that we won't be looking at putting prices up any further, we will be looking at introducing slightly cheaper options for some of the core traditional micro insurance products that we have in order to continue servicing those clients.

We have about 120 000 insured members on our books right now, which means that we are by number of insured the largest insurer in Namibia. The rest of the operations which are all housed under the investment portfolio and part of the reason that we gave a new name to that portfolio that of our view that it actually contains a lot of our properties which were purchased at one price and sold at a different price rather than a traditional property unit trust where you generate returns from rentals - quite a lot of the group's businesses fall under that segment, it's effectively an Operational Investment portfolio where we look to inject some management as well as capital into new businesses; and when the time is right and the business is mature, we will then incorporate it into the rest of the businesses or adopt a new strategy, new products and new facilities or alternatively going forward sell that whole business.

Everything that doesn't form part of our true core operations, which is banking and insurance effectively falls under the investment portfolio - then we regularly look at and figure out whether we want to continue with that business or look for a disposal opportunity.



So the whole thinking has been that in the Group and we continue to report in that basis and hopefully after two or three rounds of financials that are reported on that basis are start being comparable, we are looking at producing more stable results, due to stability of our earnings. That is something that we as a business tends to focus on and to ensure that there is a growth path and that there is a level of predictability, although at Trustco we do like to be unpredictable!

In the current financial year the funding pipelines have been slightly affected by the South African market and particularly Sub-Saharan Africa, for example, the downgrade in the ratings in the banking industry, the retraction on credit due to the African Bank Ltd environment as well as the general over indebtedness of the citizens in Southern Africa, but we continue to succeed in this market and continue to raise funds from our international investments and found that our international investors from Europe have been very supportive of our operations and as of yet we haven't felt true pinch as a result of that the aforementioned factors.

On the other bright side we have now completed our pilot in Brazil, we are also engaging with other counter-parties in Latin and South America in order to look at other opportunities there, the next pilot that we will be launching in South America will be on the 5<sup>th</sup> of March 2015, we launch simultaneously in Brazil where other two competitors are also launching pilot projects in Brazil at the same time - so we eagerly await what result come out of that and the opportunities we will have there.

There has been no slowdown in our growth plans for expansion into the rest of Africa and there continue to be very good opportunities both in the Sub-Saharan continent but also opportunities in West Africa, some of those opportunities have been delayed by resistance surrounding the Ebola virus in West Africa but hopefully and once that settles down we may find some true opportunities there as well.

That's really it from a business point of view , as I said going forward we really have a lot of opportunities , we have a lot of property to bleed into the market in Namibia, there is also a huge growth path in the bank and we think that with the current dynamic we can increase the number of products. We can tap the mobile banking route and looking at competitors across the border like Botswana and Angola and see what product share we can do with them as we have a banking license and are free to trade in certain environments with them.

It's a really exciting landscape for Trustco at the moment and I do think that the next 18 months will be telling in terms of our core operations and where we will be going in the future.

#### **Insurance.**

We have a little bit of incomparability to 2013 as of September since previously we included the South African legacy business which is a very high premium generating business but also have a very low net margin and if you look at the premium increase year on year this is not a comparable figure I do think the next half year which is the full year result will then show a smaller effect than that of the 1st half.



South Africa continues to grow revenue at a slower rate than expected, but we have well over 10 000 clients and that book are continues to grow sales with about 20% premiums per month As a result we introduced a new product in South Africa which is called ScorroMore, which is a free life product that is linked to cell phone spend. We have issued well over 1000 SIM cards on that product now and we anticipate that revenue on that product will be include in the financials to a certain meaningful extend in the March yearend numbers, right now I can't give you an indication of how much that's going to be but it's been successful and quite popular on the back of mostly Cell C clients in South Africa; we have already seen that its really catchy in the market and the product concept has been around for a sometime in Namibia - which I call the testing market. In South Africa there still shows good growth opportunities in the right segments as these entry level products are slightly more successful than our mid-tier products, which are our core traditional micro insurance products. We are very excited about that and you can watch the space as we are doing a few things to streamline and be a bit more effective in sales. We put a lot of pressure on the management team on that side to perform, I think if you can't perform in Africa's biggest or soon to be the second biggest economy, I find that to expand into Africa is off the table. We continue to place a lot of focus and management time on South Africa and we think that it will succeed very shortly.

## **Banking**

In the banking book as I have said we are looking to expand the products and introduce some mobile banking platforms, the mobile banking platform is relatively new in Namibia and there are a lot of opportunities is the market at the same time a lot of competitors, we do think being 23 years in the Namibia market and using a lot of cell phone and mobile technology we should have a slight lead on that, so again I will say watch that space.

Transactional banking as we know is something that is becoming smaller and smaller, so growth of the asset on the banking side will be something that we will be focusing on as well, growing meaningfully the student loan book and the mortgage loan book, with personal loans and small business loans as well, something that Fides bank did well before we acquired, just to a much smaller extent.

Student advances continue to have a huge appetite and huge take up the way that we raise the student loans over the summer month, so the student loan book should anticipate growth over the next couple months that's really how we have seen in the past, in the 2011, 2010 and 2009 yearend you always saw that the was a bit of chunkiness when it came to the student loan book, that because most people are re-registering for courses. Our semesters run from January to November, so your larger uptake in students tends to be in those months as well, there should be a good update coming from our December numbers in terms of the number of students and number of registrations and hopefully continue that trend throughout January to March until the yearend.

Provision for bad debts remains low, there was a question that came from one investor, saying that it looks like it has dropped drastically, and yes I think on a combined basis it looks like it has come down but that's just about realigning the portfolio's and writing off old bad debts. The student loans



continue to perform well, the student loan book was at about 4.2% bad debts and that number continues to remain stable

There have been some change in the alignment of our financial results we took out the interest paid so those of looking to identify the margin and compare the banking can do so in the notes.

Another note in terms of the income statement is that we have split up revenue a bit further than normal so revenue includes insurance premium revenue and a banking interest item and then thirdly other income, which people traditionally know as our sales number which includes education courses, sales, sales of properties, sales of charged revenue and newspapers., As I have said before we take much more an **Operational Investment** type of approach where if we do have a opportunity to enter into a new market or new segment that's not in terms of our core banking and insurance - we are more likely to class this into the investment operation.

### **Treasury share**

There are still some treasury shares sitting on the balance sheet, a little bit of a depressor in terms of our debt-equity ratio, but there are certainly some very good opportunities with the treasury shares. To reacquire the shares at 0.91cents from Rencap which was 10% of our total shareholding and sits now as treasury shares in the Group and with that portfolio more than tripling It presents a really good opportunity to employ the shares that if we find the right from investment to grow earnings and to take some value out of that, this means that if we identify a good target for investment, there certainly are a few options on the table in terms of looking at growth via acquisitions, something that we haven't been afraid of in the past. As you have noted that we bought two larger properties portfolios as well as the bank in the last 12 months and those have been relatively successful, so I think in terms of acquisition in our stated strategy that we have mentioned in the IR, acquisitions are certainly on the plate for us as we certainly won't shy away from anything , especially having a larger holding of our own shares to deploy into something favourable I think we would certainly look at something that will be earnings accretive.

### **Dividends**

Lastly dividends, we continue to pay steady dividends as our dividend cover ratio has always been between 4 and 5 times cover on headline earnings, there is no intention either from myself or the board that we will ever look to reduce that and we will continue to pay on stable earnings and we will continue at growing that dividend if we can. It's certainly something that most of the shareholders base appreciate and being Quinton who is the largest shareholder is one, so there is certainly no reason why that should be taken off the table at the moment.

All and all and very interesting and a very busy last six months and I will say that the vibe around the office is very good people are really excited about the prospects and the things that are going on and a lot of management had a refocus in terms of what they need to do and align themselves with some



of the industries and some of the guys have core experience in the industries where they have been employed and where they need to be. We continue to look to hire qualified candidates in those industries and grow the market. Having someone like Mike Pitsokos on the dedicated investor relations side certainly helps to stabilize the share price and get the word out there for people to know exactly what Trustco is doing. We obviously value investor's feedback and shareholders feedback so that we want as much as possible for us to be transparent in the market.

**Harry that's it from me.**

**Harry Waldemar Brown:**

We are now going to start with the Q&A

**Question:**

How exactly is the asset book going to look like for Trustco Bank Namibia Limited, in the mortgage space clearly there are more established banks operating in that space and as you are the last person to join the market and are you going to end up with borrowers who can't get loans from the large operators. What is the target market for your mortgage book is it the customers from the real estate primarily and tell us who you intend to penetrate the market which is already well served by some big operators?

**Answer:**

Thanks Harry, that is a very good question, it's actually a very good insight as to what is happening now in Namibia.

So just a background as to the banking environment now in Namibia, in Namibia there are four major banks each of these banks have a total asset portfolio of somewhere between 15 and 30 billion rand and of their portfolio somewhere between 5 and 10 billion rand each is related to mortgage loans so imagine their mortgage loan portfolio somewhere between 20 and 40 billion in Namibia alone.

The market for properties available to be sold in the future really needs to increase and this is how the demand for these properties in the future is pushing the price up. Middle to high-end properties generally drive the massive price increase - as you might have read in the papers, Windhoek is the second fastest price appreciation in the whole world after Dubai and that is really a function of the market demand at the moment. The huge demand is further exacerbated by lack of supply, Trustco plans to solve that by having a huge amount of properties that we need to put into the market. It's really a matter of how fast we can do that.

If I just put that at the back of a matchbook we have got something of about 4000 hectares of property, 4000 hectares of property is something of about 20 000 homes, 20 000 homes at 2 000 000 rand a home is worth about a 40 billion Rand mortgage loan book that can go into the market; and of that Trustco by owning the land and having first bit of the buyer, will have a unique opportunity to grow a really quality asset and a quality loan book. I certainly don't think that we have appetite for



that size of mortgage loan book but we do think that it will grow significantly faster than those big competitors.

We are focusing on the fact that the bank can't just be a mortgage bank, we are also looking at other opportunities having said that a lot of the growth will also be slowing down as we will be balancing that portfolio, but our properties as I have said this presents a unique opportunity as we get the first bite of the cherry to anyone that is looking to get up mortgage on one of our new land and as you now the market is increasingly favourable to the land, Elisenheim phase 3 was sold out in a matter of days and that was close to 300 units and those properties are not cheap, so it's really middle income buyers, people with jobs and people who tend to be more credit worthy.

**Question:**

How big do you think your mortgage book will be in 2 years' time?

**Answer:**

Well if we took all the properties that we have on the table than that mortgage book will be well over a billion, we won't take all of it, we do have the first look at the client and taking that cream of the crop, that we manage our credit risk appropriately, so a 3<sup>rd</sup> of that which is 350 million and I think that's very reasonable in terms of the next 2 and a half years, that's properly only about 20 to 25% of the property that we will actually sell in that time anyway.

**Question:**

And in terms of the more orthodox commercial book, what is your strategy the, how does one go about building market share in the bank in Namibia?

**Answer:**

We do have the unique opportunity in that we have the property, but also the student loan book. Some of the other unsecured lenders in Namibia have got loan books of around 2 billion at the moment, we anticipate that a lot of those people might be looking at a more traditional banking product and a more traditional student loan book as well so the appetite for secured lending is rather large in Namibia. I must avoid using the word unsecured in describing our lending because often when loan goes to SME's there will be partnerships with the business owners, and the loans which are specifically student loans in Trustco don't see that as core unsecured cash lending at all as the secure element is obviously looking at the business and partnering with the business or looking at growing that educational products in Namibia as well.

We will certainly be looking at growing that portfolio a lot we have got a target that we anticipate will be over a billion in student loans with in the next 18 months that is the target we have set for our business. The bank needs to contribute meaningfully so the bank needs to grow significantly as well. The bank is currently little over 150 million in terms of capital and that can obviously grow in a fivefold so perhaps the bank and the student loan book should be on par in 24 months' time and the growth thereafter is really funding permitting.



**Question:**

If one looks at the next 6 months of 12 months where those one see the most excitement or opportunity and on the same thing where those one see South Africa making a breakeven or making a profit?

**Answer?**

So, the most exciting things I guess is unknown as at Trustco. What we don't know today might be something that we will be really excited about tomorrow. In our insurance expansion there is again a lot of new interest in the new model and what we can do in emerging markets. If we manage to break into 2 or 3 of those deals in the market, I think that would be exciting. Will it generate a lot of revenue and income? No I don't think so, those sorts of markets tend to take a while before they sink into grow but, South Africa is really the one that we are looking forward to. As I have mentioned earlier we have done a lot of reorganisation in terms of the branches and streamlining some of the operations whilst introducing a few new products. We are really excited about where South Africa is growing it looks like it kicked into a new gear with this product, there is still a huge appetite for micro insurance in South Africa and we think that we can tap that into some innovative models in the future.

Breakeven, I think we are still on target as I have mentioned 3 on 4 months ago, that we have a 18 month path and I can tell you that we are still within that 18 month path, which we will hit month by month breakeven or sooner than that, perhaps on in this financial year but, certainly in the next financial year and we will start looking to recoup group contributions to the segment.

**Question:**

Can I just ask that, in terms of the rest of Africa where it shows a 39 million lost, is bulk of that South Africa?

**Answer?**

About 85% of that number is South Africa and the rest is in terms of expansion and product development.

**Question:**

So for the full 12 months we should still see a loss but, obviously a reduce one.

**Answer:**

Yes, we will still see a loss

**Question:**





The pilot in Brazil is the follow-up to that because you did a pilot in Shoprite and nothing really has come forward from that one. Is the potential in Brazil?

**Answer?**

Getting back to Shoprite, Shoprite in Namibia is now been running for 18 months, it is not a pilot it is a fully operational model, there is about 150 000 Shoprite clients that regularly check in on our system and we have got about 20 to 30% claims ratio on that product as it goes forward. Shoprite have indicated that they are very excited about the product they think it is much more than a new emerging market product than a traditional South African product, so they are looking at opportunities with that for the rest of Africa and we will see what we can do with them as well.

In Brazil this is a slightly different product that was linked to airtime spend and it was launched in the middle of the world cup and in the middle of a slight downturn of the. So, we were really expecting really dismal results, and when the results came out, it looks like, what we managed to do was protect their revenue base. It's something that is quite interesting, so at the same time there were some lessons that we've learned from that. So, the operator there has asked us to revisit and remodel the pilot and give us another 3 months to demonstrate some growth and revenue if we can. And as I said, that kicks off in March next year, so three months of that, and then we really looking to expand, because the local partner that we have in Brazil is present in, I think 9 other countries in South America. So, we managed to sink our teeth into that, and I think that could be a really, really exciting break for Trustco and it's a lot of key-resources focused in on that, to try and get that off the ground, so that could really kick it off. I mean, Brazil itself has got 70 million total subscribers as we speak now, so it's a huge opportunity.

**Question:**

So, the last question, your cash-flow, if I look at your cash-flow, the six months, it's down substantially. Is there any particular reason or concerns there, on the cash-flow side of the business?

**Answer:**

Our business is one where you can turn the switch back on- it can be cash positive immediately. It will obviously shrink your loan-book and have an impact on the future. The pipeline for new cash deals means that we can leverage off that and we can grow revenues a bit faster but there certainly no current issues with operations environment when it comes to cash. And another thing is that, whilst it tends to be chunky and vital, the property sales generate quite a lot of nice regular cash flow once properties get transferred and sold off. And as we have seen, we had a bit of a slowdown since 18 months ago with the delay to get Lafrenz approval which is still as at today not been received.

**Question:**

So for the next six months do you expect more chunky cash flows from the property side?



**Answer:**

The next round of property transfers is actually due in the middle of next year, so from June thereafter then we should generate a lot of excess cash and the nice thing about that is that we can start looking at reducing some of our more expensive debt exposure and try and streamline the balance sheet and perhaps replace some of the debts with cheaper debts and then deposit funding and things like that too. So, it will certainly be a more re-organization as the cash flows from those deals of Elisenheim start coming through, as I said, the middle of next year.

**Question:**

If we review the Insurance Investment, how much of the cash, do you think you can realize from the accounts foreseeable in the segment 2015 year end and how much of the property sales are residing in that accounts foreseeable?

**Answer:**

Off of the top of my head, about 250 to 300 of that is still existing property which should be received. Some of that will come in and then transferred immediately to the mortgage Loan Book, but if we didn't do any transfers to the mortgage Loan book, then bulk of that 250 million would be received, somewhere in the middle of next calendar year, sort of June/July, because the residential sales would slightly differ from the corporate sales once the residential gets transferred the money becomes payable that tends to become more chunky but most of that receivable will be due and payable in the middle of next year.

**Question:**

What is the breakdown between Elisenheim and the corporate sales?

**Answer?**

Right now 95% of our sales tend to come from residential, which is Elisenheim. There are obviously corporate sales within Elisenheim but, there is a much smaller portion of about 5/10% of the revenue.

Lafrenz, we haven't made any sales on phase 2 of Lafrenz, phase 2 and phase 3 of Lafrenz are available for sale we are awaiting approval from our water board in terms of our bulk servicing module, so if we start selling off the Lafrenz land, we should be a lot more commercial and industrial land, the interesting thing about that is that industrial and commercial land are currently selling off at N\$2500 square meter and residential land is selling for N\$1500 square meter so there is an incredibly large demand for industrial and commercial land in Namibia but, then again a huge shortage, the prime market of that is sitting in Lafrenz with approvals pending and we have guys wanting to start building there too. To go back to your question, in the mist of that its mostly retail, within the next six months once the approval comes through, you will see more 50/50 retail versus commercial.



**Question:**

On your last call you said you expected approvals to come through around about July 2014 for phase 2, in which case phase 2 sales would begin and what is the timeline now?

**Answer:**

It's expected any day now, if we don't get the approval now towards the end of this month, we unfortunately have to wait for January, as there is no town board meeting in December. The town board and the water board are meeting in terms of the water supply in that area and as you know Namibia has a scarcity of water and that is something that they have to pay attention to and the is also a bit of public debate allowed in terms of that. Our view has always been that it is a matter of time but, it has taken a lot longer than expected, as I have said in the last call we should have received it in July, but what I can say is that it is imminent we are expecting to receive it any day now.

**Question:**

Can you give us a breakdown on the N\$341 million number from the income statement?

**Answer:**

It comprises of property sales, educational course sales, and fee income from banking products, student loan products, advertising revenue sales from Informanté and charter revenue sales. As well as included in that is any royalties that we are paid for the rest of the African products, the lion's share of that in the current period will be property sales.

**Question:**

In the future will you be breaking that out in the yearend numbers for the 12 months?

**Answer:**

I think we will be looking at exactly how the segmentation lies at the end of the year, we will certainly go by the increased focus on our property , so we will more than likely breakout property from that number but in terms of breaking out the rest of the numbers it is unlikely, that would probability lumped together, your media and tourism segment as well as your actual student education will most likely also be lumped together, but more than likely we will give some details around the property just because it quite an exciting module and it tends to grow more rapidly. As you saw the price of Elisenheim phase 2 versus phase 3 that went from N\$1250 to N\$1500 square meter- a huge market price growth.

**Question:**



There is a 95 million on outflows from of the financing actives, how much of this was the repayments of loans?

**Answer:**

It was N\$46 million that went to loans for the first six months.

**Question:**

What are you planning with the 75 million shares that are sitting in treasury?

**Answer:**

As I have said its quite a nice one in terms of investment that we recoup the shares at 0.91 cents and now they are at 2.95 cents, so it's a huge price increase in that and it also creates a really good opportunity. 75 million shares at 2.95, it's about a R200 million asset that we are currently sitting on at the moment that we can bleed into the market if we find the right opportunity. It will be something that will grow earnings, headline earnings and earnings per share - so most likely an acquisition.

**Question:**

What percentage of the properties sold was financed through Trustco Bank?

**Answer:**

Currently we are financing less than 10% of our properties, so around about 9.5/10% of properties are taking up loans at the bank, but remember is just on the land there is physically not a house that is sold on that, it's really people choosing to finance the land acquisition.

**Question:**

Is that the trend of the market or is that another product that is available to the customers.

**Answer:**

What happened in the past is that we sold off the vacant erven and then put the servicing in and only then once banks received proper plots and plan sales from the developer did the developers receive their financing. We will likely start approaching retail customers to buy at an earlier stage and link developer finance with retail finance., So, yes by all means we will start looking at mortgaging an end product and I think that's going to start early next year.

**Question:**



The mortgage book what level is the company comfortable with given the yield and that the mortgage book is lower than the other books?

**Answer:**

The yield on the mortgage loan book is quite high. Remember that we finance the acquisition of the property via debt and that the whole property and blended cost of funding for your actual inventory which is your land comes out of a very low rate, I think it's something like 2/3% each mortgage loan that you create is funded at a very low rate so that margin spread on our loan book is actual one of the most profitable ones. What level are we comfortable with? Going back to what I said to Harry there is a huge opportunity if we just finance the land than we have got about 350 million, if we look at financing the end user that asset book could exceed 2 billion in the next 24 months.

**Question:**

How has property prices been trending in the last several months? I don't think that there is any revaluation gain at least for six months. Maybe residential versus commercial and industrial?

**Answer:**

It's a very interesting point because we have spoken to a lot of people in the market as to what the properties hold and what the opportunities are. There is a big squeeze in the market in terms of land supply. One of the reasons is that the government chooses to supply land in terms of developmental housing in town and smaller mass housing and focus on the middle income areas, like Elisenheim, Herbothsblick and Lafrenz go to private., Having said that there is a small portion of land that the government did make available the land in the southern part of town which are plots and those went on auction and they were sold up to N\$2000 a square. We can just consider our residential property of N\$1500 per square and then a month and a half later the government then sold N\$2000 a square. Our view on the trend is that it goes one-way and its sky-high, people would obviously start talking about bubbles and price concerns. In Namibia we are experiencing crowning chronic shortage of housing supply and the apparent shortage of serviced land and that is exactly what pushes the price up. There is desperation amongst buyers and while we anticipate that Herbothsblick and Elisenheim may alleviate the price pressures in the future- that future is almost 10 years away.

**Question:**

That land sold by the government is that comparable to Elisenheim?

**Answer:**

Yes is very much similar to the plots which is 500/600 square meters and just sort of on the outskirts of town and its very comparable if I would say, It's an area called Academia.

**Question:**



Have there been any recent transactions and commercial developments that can be comparable to Lafrenz?

**Answer**

No not really, there is a restriction with what you can do with industrial property in Windhoek on what you can do. You can only do heavy industrial in Lafrenz and as there is not really any other place in Windhoek that you can do heavy industry except in Lafrenz and what that means is that any industry that has any oil or other chemical by-products or any sort of chemicals that contaminate the low-lying water table needs to move into that Lafrenz area. But because of the slowness of approvals from the City of Windhoek, there is certainly a demand building up there. We have a list of people interest in buying there, and once the approval comes through the dam wall will break. We really have no idea of what the price will be on an auction type sale but we do anticipate that it's going to be over N\$2000 a square meter as well.

**Question:**

And then, what percentage of the phase 2 do you have, the kind of the waiting list for, kind of like, what percentage of that total, as you already have coming through, just roughly?

**Answer:**

Sorry. I did not actually enquire of the property department, but they have said you have "a list", but what percentage it is, I'm not sure.

**Question:**

Ok. And then just one last question from me, just on the insurance side. The Loan Book was quite up a bit, but obviously insurance I think was down, maybe by 20% roughly? So I was just wondering how, because obviously a lot of Insurance is a credit Insurance, so the loan book was up quite a bit and you know, what would be the overall insurance in Namibia to be down quite a bit in revenue?

**Answer:**

Yeah, we've seen a little bit of a decay in terms of the price, so the base would have been static in terms of our core model, but as you said, there's a lot less guys looking to provide credit insurance and a lot of the guys looking to take slighter smaller loans to generate smaller premiums as well. So, impact of that loan book, in terms of student loan book, which is specifically the one that has a high demand for credit insurance, has shrunk, whereas the mortgage loan books, there's a demand for that.

**Question:**



Hey Ryan, thanks very much for your time and the call today, and for answers all the questions. I just have a couple for you. The first is on the available debt facilities of the 455 million. Can you just describe the resources of those facilities and the cost of which they come?

**Answer:**

The costs of those facilities tend to be on market terms to corporates, so somewhere in the region of Namibian prime, which is 9,75 up to, I think our most expensive new debt is 3month JIBAR plus five, which come to about between 9% and 12% cost on that debt. The additional funding would come from banks. The two new loans have come from local banks and about half of the future pipeline it is coming from an international bank based in Germany.

**Question:**

Okay. And you mentioned, later on you have a proof of facilities 200 million at prime rate + 1. Is that the interim debt note?

**Answer:**

That's correct.

**Question:**

Ok. And that's inclusive of the 455?

**Answer:**

Those 2 are inclusive of each other, yeah, so the 300 million was specifically relating to one of the segments. And the 455 as well.

**Question:**

Right. Okay. And you also mentioned the gross revenue in the investment division was 258 million. Is that all property sales?

**Answer:**

No, some of that has been cost sales as well as tourism revenue.

**Question:**

Okay. So, what is the number in terms of sales for Elisenheim for the six month period?

**Answer:**

It's about 80% of that number.



**Question:**

Thank you. Alright. And in terms of the education part of the business, you know, as you mentioned the second half tends to be a much bigger component in terms of sales and profitability. Did the education business make a profit for the first 6 months of was it kind of breakeven similar in terms of last year?

**Answer:**

So, the education business, the way that we look at the education business now is that we look at ensuring that the product kit for new students is all in composing. We have included up to an Honors Degree now for teaching, we have included police courses. We've included a police degree. There is continuous debate as to whether or not we should introduce a nursing course, which will be very practical and very expensive. And as we've seen, the profitability, specifically the sales, the margin we were able to make on that sales, has reduced, but commensurably the number of students applying for loans increase. So, instead of us seeing a large growth in profit on year and year in education segment, which is IOL, what we've see is more of those profits are starting to shift to the student loan book and it should have taken up longer dated loans as well. Is it profitable? Yes, it continues to be profitable. I haven't disclose this, part of the reason is that, we at Group EXCO level have decided not to review at that level of detail, I can certainly look into that and give a more detail in the next quarterly update.

**Question:**

In 18 months what kind of ROA do you see in the banking segment?

**Answer:**

It all depends on the funding pipeline.

Thank you everyone for taking paper in the conference.