GCR GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

Trustco Group Holdings Limited

Namibia Financial Institution Analysis **August 2017**

Rating class	Rating scale	Rating	Rating outlook	Expiry date
Long-term	National	BBB+$_{(NA)}$	Stable	August 2018
Short-term	National	A2$_{(NA)}$		

Financial data:

(USDm comparative)

	31/03/16	31/03/17
NAD*/USD (avg.)	13.77	14.07
NAD*/USD (close)	14.83	13.41
Total assets	270.7	384.5
Total capital	147.6	185.9
Borrowings	75.7	124.5
Net advances	79.8	135.6
Liquid assets	6.7	3.4
Total income⁺	94.7	104.6
Profit after tax	30.5	37.7
Market cap.^	ZAR3.09bn/USD238m	
Market share	n.a.	

* Namibian Dollar, which is pegged to the South African Rand (ZAR) at 1:1.
⁺ Before cost of sales.
^ Relates to Trustco's Johannesburg Stock Exchange listing. Valuation on 24 July 2017 (ZAR/USD 12.98).

Rating history:

Initial rating (July 2012)
Long-term: BBB-$_{(NA)}$
Short-term: A3$_{(NA)}$
Rating outlook: Stable

Last rating (July 2016)
Long-term: BBB+$_{(NA)}$
Short-term: A2$_{(NA)}$
Rating outlook: Stable

Related methodologies/research:

Global Criteria for Rating Banks and Other Financial Institutions, updated March 2017

Trustco rating reports (2012-16)

GCR contacts:

Primary Analyst
Kurt Boere
Senior Credit Analyst
boere@globalratings.net

Committee Chairperson
Omega Collocott
Sector Head: Financial Institution Ratings
omegac@globalratings.net

Analyst location: Johannesburg, ZA
Tel: +27 11 784 – 1771
Website: http://globalratings.net

Summary rating rationale

- The ratings of Trustco Group Holdings Limited ("Trustco", "the group") reflect its entrenched financial services position (in education finance and mass-market insurance), and value-adding property investments in Namibia. Furthermore, the ratings consider Trustco's very strong capitalisation, increasing operational scale, improved organisational efficiency, and long-term earnings diversification plans (which include securing and developing opportunities in the diamond sector), against a challenging domestic environment (characterised by weaker economic and property price growth rates).
- While Trustco's capitalisation ratio remained relatively stable at 48.3% in FY17 (FY16: 54.5%), rising leverage during the year reflects the increased use of debt to fund interest-bearing asset growth. Strong earnings retention (FY17: NAD497m), supportive dividend policies, and diversified funding partners, including development finance institutions ("DFIs"), support the group's increased debt capacity. In FY17, net new debt funding of NAD548m was primarily applied towards growth in net advances. Total assets grew 28.5% to NAD5,156m at FY17, driven by advances (up 54%), investment property (up 24%), intangibles (up 1.2x) and fixed assets (up 33%).
- The student loan book, which comprised 40.4% of gross advances at FY17, had an impairment ratio of 5.5% (FY16: 4.4%). Impairments are fully provided for. At FY17, student advances overdue by more than three instalments decreased significantly to NAD36.5m (FY16: NAD291.8m). Property advances grew 2.5x to over NAD1bn, comprising 57.5% of gross advances at FY17, and had an impairment ratio below 1%.
- Driven by property sales of NAD770m, the group's net income grew by 26.3% to NAD530m in FY17 despite lower education finance and insurance premium revenues. Return on assets and equity were stable at 11.6% and 22.6% in FY17 (FY16: 11.7% and 22.5%) respectively. Significant synergies that exist between Trustco's operating segments, and its strategy of enhancing sustainability and diversification of earnings, while prioritising stakeholder needs, support the group's earnings prospects.

Factors that could trigger a rating action may include

Positive change: Increased earnings diversification and operational efficiency, stability in segmental revenue streams, and the maintenance of conservatism in capitalisation/leverage metrics.

Negative change: The ratings will be impacted by negative trends in asset quality, earnings, and/or leverage (beyond sustainable levels), combined with adverse macroeconomic developments in key markets, or failure to develop new businesses appropriately.

GLOBAL CREDIT RATING CO.

Organisational profile

Business overview[1]

Incorporated in Namibia, Trustco has a primary Johannesburg Stock Exchange ("JSE") listing and a secondary listing on the Namibian Stock Exchange ("NSX"). The group has traditionally operated in Namibia and selected emerging markets, with a key focus on the financial services and property sectors. In order to diversify its revenues and earn foreign currency, the group recently invested in two start-up diamond mining ventures, and a diamond processing plant. Whilst the group's vision is not restricted to a single commodity within its newly-established resources sector, the primary focus at this point is to develop a diamond business from 'mine to market'.

The group has four operating segments, each containing various subsegments, as well as a shared services division, which are described in Table 1.

Table 1: Operating segments and description*

Insurance	Namibia Mass-market insurance offering (legal, medical, dread disease, income protection, funeral and life cover, amongst others), through Trustco Life and Trustco Insurance. South Africa Long and short term insurance products through registered financial services providers.
Investments	Property development Identification, purchase, servicing and sale of land for residential, commercial or industrial development (in Namibia) through Trustco Property Holdings. Education Distance-learning courses offered via the Institute for Open Learning ("IOL"). Other Air charter and media services.
Banking and Finance	Banking Trustco Bank is intended to support the deposit-taking and lending activities of the group. Activities are still in a nascent stage. Finance Student loans to finance courses provided by IOL, through Trustco Finance. Mortgage loans to finance the sale of properties, and provide developer finance and residential mortgages (Trustco Capital/Trustco Bank).
Resources	Primary focus currently is to develop a diamond business across the complete diamond value chain.
Shared services	Information technology, human resources, marketing, fleet management, group legal, finance and treasury, as well as risk/compliance and internal audit services are centrally managed and relevant costs allocated to business subsegments.

* Refer to pages 7 and 8 of this report for additional information on the products, operations and strategic initiatives within the group's operating segments, as well as key risk and performance aspects.
Source: Trustco.

Recent developments: Traditional Trustco operations

Over the past few years, Trustco's strategy has not only been on growth through corporate acquisitions, but also by creating synergetic relationships with the other established segments in the group. Trustco Bank, Trustco Insurance, and Trustco Life assist property clients with mortgage financing and underwriting credit and life insurance products.

In FY17, Trustco Construction Services ("TCS"), formerly known as Watermeyer Mining and Construction, transformed from an independent third party contractor to an integrated and fully operational part of the property division (which now also services land, spearheaded by TCS which specialise in installation of services).

The group's media services division acquired a commercial radio station and production studio (with a fully integrated marketing and media department) in FY17. Along with Trustco's newspaper publication and fully-fledged television department, these services provide strategic support to operating segments within the group, and enhance brand development.

Trustco Resources

Trustco recently acquired Huso Investments ("Huso")[2], subject to regulatory approval, from Dr Quinton van Rooyen ("Dr van Rooyen"), Trustco's founder/controlling shareholder, and purchased a 51% interest in Meya mining (Mauritius)[3] ("Meya"), a company that holds a four year exclusive diamond exploration licence in Sierra Leone.

In November 2016, Meya commenced a resource evaluation program with the aim of verifying the intrinsic geo-economic potential of the exploration licence area[4]. The evaluation programme is scheduled into several phases (ie, exploration, conceptual study, pre-feasiblity, feasibility and then mine development). Processing of bulk samples began in July 2017. Based on management's knowledge and understanding of the geo-economic potential[5], Trustco is confident that Meya will start producing diamonds during FY18. Looking further ahead, Morse has identified a well-established jewellery outlet in Namibia, which it plans to acquire, with the aim to design, brand and market its diamonds and jewellery directly to customers in local and international markets.

[1] For a detailed history of the group, refer to previous rating reports.

[2] Huso is the holding company of Northern Namibia Development Company, a diamond mining and exploration entity, and Morse Investments ("Morse"), a licensed diamond processing and polishing factory both in Namibia.

[3] The remaining 49% interest in Meya is held by a wholly-owned Sierra Leone company, Germinate Sierra Leone Limited, the original licence holder.

[4] The licence area is directly adjacent to the Koidu mine, a high value high grade kimberlite deposit that produced more than 2 million carats over the past 15 years, from a licence area of 4.6km^2. Four of the sixteen kimberlite bodies that had been recorded within the licence are extensions from those found in Koidu's licence. This suggests that the geo-economic potential of these ore bodies would be similar to that of Koidu.

[5] Apart from the Sierra Leonean partner, Meya's management team has all been involved with the development of the Koidu mine, from the initial greenfield phase to full production, over a period of more than ten years spanning from 2002 to 2013. Two members of the senior management team have been based in the country since 1995.

Ownership structure

Dr van Rooyen, who is also the group's managing director, holds the majority (50.8%) share in Trustco. The distribution of shares is split between individuals (56.3%), corporates (43.3%) and trusts (0.4%), of which 55.2% are Namibian and 44.8% are non-Namibian. There were no significant shareholder changes since GCR's last review, and management is unaware of intended changes to the shareholding/ control structure over the short/medium term.

Table 2: Shareholding composition at 31 March 2017	%
Dr van Rooyen (founding director)	50.8
US Mutual Fund holdings (combined, various custodians)	25.5
IFC/World Bank (through Citibank NA)	3.4
South African asset management holdings (combined)	5.6
Other investors (all <2% holdings)	14.7
Held by public investors	47.5
Held by associates, directors and employees	52.5

Source: Trustco.

Governance structure

Trustco acts in accordance with King IV principles, where the application thereof is in the best interest of the group. Where it is not, Trustco's board of directors ("board") applies alternative principles or practices in line with the overarching governance principles of fairness, accountability, responsibility and transparency. In compliance with the requirements of the King IV report, the board, on the recommendation of the Audit and Risk Committee ("ARC"), appointed a Chief Audit Executive. The internal audit function (performed in-house in the past) is co-sourced with PricewaterhouseCoopers for Trustco Bank and Ernst & Young for the remainder of the group. This change will enhance independence and contribute to keeping current with best practice. The internal auditors are invitees to the ARC meetings and report to the ARC.

Table 3: Corporate governance summary at 31 March 2017	
Number of directors	7
Independent non-executives	4 (including the chairman)
Executives	3
Frequency of board meetings	Quarterly. 3/1 ordinary/extraordinary meetings were held in FY17.
Board committees	ARC; Remuneration and Nomination Committee. All members are independent non-executive directors.
External auditor, rotation policy	BDO. Appointed annually, with a 5 year partner rotation.

Source: Trustco.

The group's varied operational jurisdictions/financial services attract regulation from several oversight bodies, including the JSE and NSX. Namibian non-bank financial services (microfinance and insurance) are regulated by the Namibian Financial Institutions Supervisory Authority ("Namfisa"). Trustco Bank is regulated by the Bank of Namibia ("BoN"). In South Africa, the Financial Services Board is Trustco's primary operational regulator.

Control structure

Trustco's group structure is designed to balance the requirements of effective executive management/ strategic execution and its owner-managed status, with the governance and oversight requirements of its listed status. Note that the managing director/CEO, who heads the executive committee ("EXCO") and is significantly involved in business leadership, is also the group's majority shareholder. The board (supported by its sub-committees and compliance) interfaces with EXCO, which executes strategy and functionally oversees the business' operations. EXCO receives input from the business segment heads.

The group has illustrated its ability to act decisively in the face of market opportunities (in particular to purchase land or businesses and enter new industries/ territories), to integrate acquisitions into the existing corporate framework, and identify synergies between core businesses. In addition, the group's development considers multiple stakeholder requirements. For example, the financial inclusion-focused education/ student loan business has attracted funding from several DFIs, while small business loans and mass-market insurance are aligned with the Namibian government's development agenda.

Human resources and staffing

During the period under review, Mr Ryan McDougall, financial director of Trustco, resigned on 31 December 2016, and was replaced by Ms Marizanne van Niekerk, who subsequently resigned on 5 April 2017. The group reappointed Mr Floors Abrahams, who was group financial director from 2006 to 2013, as financial director of Trustco on 6 April 2017.

Apart from the aforementioned, Trustco's owner-managed business has shown stable management over the review period, with extensive experience in their respective insurance, investment and finance fields, supporting high levels of management competence/flexibility. Moreover, Mr Jan Joubert, appointed as head of resources at Trustco in March 2015, is a global mining industry business strategist and operations leader. Mr Joubert has over 20 years' experience in diverse business enterprises on the African continent, with a strong focus in the diamond mining industry.

Trustco's staff complement increased to 721 at FY17 from 672 at FY16. Management and staff (across all levels) have average industry experience exceeding 16 years, and the average Trustco experience of management exceeds five years.

Risk management and compliance structures

Trustco's enterprise risk management framework sets out the processes in place for risk identification, assessment/measurement, monitoring and review, and reporting. The risk management duties of executive management, the compliance function and ARC, are clearly defined. Risk management embodies all categories of risk faced by the group and contemplates the board's responsibility for the system of internal controls, as well as independent control standard review and monitoring by internal audit (which is independent and reports to ARC). Compliance with relevant laws, regulations, and regulatory bodies to which Trustco businesses report, is constantly monitored and reported upon to the board and ARC. The group's regulatory risk is increasing, as a result of the broadening role of regulators in line with global trends, as well as Trustco's expansion into additional regulated activities (such as diamond mining).

Reporting structure and access to information

The group's accounts are prepared in accordance with International Financial Reporting Standards and the annual/interim financial reports are sufficiently detailed, transparent and timely. BDO issued an unqualified audit opinion on the group's FY17 financial statements. Investor communications covering corporate developments, performance, risk, and other relevant matters are disseminated through the group's integrated annual report, conference calls, website and circulars, as well as stock exchanges' news services.

Operating environment

Trustco's target markets for its student/small business loans and insurance products are typically low to middle income customers. As such, consumer confidence, employment rates, and indebtedness levels, as well as competitive considerations, impact potential business growth. The prospects of the group's significant investment in Namibian property/development (and its property-backed lending business), are also significantly linked to Namibia's economic vitality, as well as to property price trends in selected regions. A brief discussion of the key external factors affecting the group's main areas of operation follows.

Macroeconomic environment (Namibia)[6]

Over the past decade, Namibia's economy has experienced robust growth and economic progress, supported by strong policy frameworks and expansionary domestic policies, which has contributed to macroeconomic stability and rising living standards. However, growth slowed significantly in 2016 amid contractions in the diamond mining and construction sectors, and the knock-on effect of the political and economic turmoil in South Africa (a key trade partner of Namibia). The domestic economy is projected to grow by 2.1% and 3.8% during 2017 and 2018 respectively, a considerable improvement from the 0.2% recorded in 2016 (2015: 5.7%). A projected return to positive growth in the agriculture and diamond mining sectors, as well as better growth in the electricity and water sectors, are expected to drive the recovery in overall GDP growth during 2017. While the outlook remains positive, downside risks to domestic growth include a muted recovery in the country's trading partners, slow recovery in international commodity prices, undue appreciation of the NAD and uncertainty about weather conditions beyond 2017.

Property market overview (Namibia)[7]

The Namibian property market showed signs of stabilisation in 2016, as growth aligned more with headline inflation rather than historic trends. House prices are expected to continue correcting as the economy gradually recovers from fiscal consolidation, rising interest rates, high inflation and rising unemployment. Higher loan to value requirements for secondary properties put in place by the BoN, and the evidenced pressures of the current interest rate environment, will further reduce activity in the property market. Therefore, property price inflation (across most of the country) is expected to reduce to 4-5% by the end of 2017, well below the highs of previous years.

Macroeconomic environment (South Africa)

Although the group's operations are predominately based in Namibia, Trustco's businesses are indirectly exposed to the vagaries of the South African economy given the strong ties between the countries. As such, Monetary Policy decision making by the BoN is closely linked to events in South Africa. Consequently, a brief overview of South Africa's macroeconomic environment follows.

While South Africa narrowly avoided a recession in 2016, the economy remains fragile, with weak growth exposing widening structural fissures and further polarising the socio-political discourse. At just 0.3%, growth in GDP fell below significantly revised expectations of 0.5% (2015: 1.3%). The year 2016 was the weakest since the last recession, following two years of low growth. Specific shocks, like the platinum belt strike and acute electricity shortages, sharp contraction in oil prices and the ripple effects of a faltering global economy are just a few among other constraints that have seen economic gains experienced since recovery from the 2007/08 global financial crisis dissipate.

South Africa's sovereign rating was recently down-graded to non-investment grade. This action is expected to result in an increase in the cost of debt financing (local and international) and the country's debt service burden.

The South African Reserve Bank forecasts GDP growth of 0.5% for 2017 and 1.2% for 2018. Firmer developed market GDP growth expectations and fundamentals which are supportive of higher commodity prices may provide impetus to the domestic market, but cautious business confidence,

[6] Source: BoN Economic Outlook (July 2017); IMF Country Report, Namibia (December 2016).

[7] Source: FNB Housing Index, Q4 2016.

together with negative sentiment linked to persistent political and social imbalances continue to weigh on South Africa's economic growth prospects.

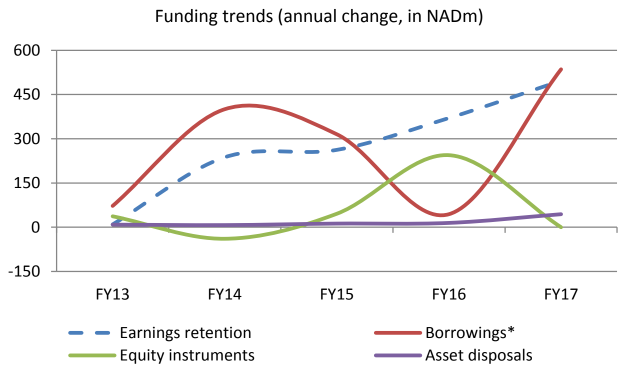
Financial profile

Likelihood of support

The group has access to shareholder support, mainly in the form of a dividend policy/reinvestment ethos, which considers the expansion objectives and capital requirements of the business.

Funding structure

During FY17, the group raised NAD548m of debt funding (earmarked for the advancement of educational and mortgage loans) from a variety of European DFIs, including the European Investment Bank, Helios Credit Partners, ResponsAbility, DEG, and Proparco, amongst others. As a result, the group's total borrowings increased from NAD1.1bn to NAD1.7bn at FY17, and alongside reinvested returns from business operations totalling NAD496.9m, support the group's expansion initiatives (including the capitalisation of the resources segment), whilst providing a buffer against potential limitations to the access of additional debt funding in the immediate future, given waning investor sentiment.



* Interest-bearing, excluding the effects of overdrafts and a vendor acquisition loan, of which the balance (NAD14.5m) was repaid in FY17 (FY16: NAD70.9m).

At FY17, the group's funding structure (excluding equity) largely comprised long-term DFI loans. Trustco's provision of secured funding and a product offering which supports financial inclusion are aligned with selected DFI mandates/agendas.

Table 4: Funding base (excl. equity) by type	FY16		FY17	
	NADm	%	NADm	%
Overdraft	17.2	1.5	12.6	0.8
Borrowings*	1,104.7	94.7	1,657.5	99.1
Term loans	*484.9*	*41.6*	*1,186.0*	*70.9*
Listed bonds†	*285.6*	*24.5*	*159.1*	*9.5*
*Asset backed finance^*	*217.4*	*18.6*	*221.9*	*13.3*
Mortgage bonds	*116.8*	*10.0*	*90.5*	*5.4*
Vendor acquisition loan	14.5	1.2	-	-
Related party loans	30.4	2.6	2.7	0.1
Total	**1,166.8**	**100.0**	**1 672.8**	**100.0**

* Non-current portion (>12 months) comprised 73.2% (FY16: 74.1%).
† NAD800m (FY16: NAD700m) of NAD1bn JSE approved domestic medium term note programme has yet to be issued.
^ Secured over aircraft with a carrying amount of NAD217.7m (FY16: NAD217.2m), and further backed by cession of shares by Dr van Rooyen.
Source: Trustco.

Capital adequacy and leverage

Retained earnings continued to make a healthy contribution to financing business growth in FY17, and also provided a base against which additional debt could be raised. Given the owner-managed nature of the business, Trustco has typically used dividend policy/growth as tools to retain capital at comfortable levels. The group seeks to maintain a strong capital base so as to promote investor, creditor and market confidence, and sustain future business development.

The group's level of capitalisation remained strong at FY17, with a capital/assets ratio of 48.3% (FY16: 54.5%). GCR notes, however, that non-financial services (mainly property and startup) assets have different cash flow, risk and acceptable leverage profiles from lending operations, and as such group capitalisation would be expected to exceed that of a pure financial services provider.

Table 5: Capitalisation	FY16 NADm	FY17 NADm
Total reported capital	**2,101.8**	**2,444.6**
Paid up common shares	*223.9*	*223.9*
Eligible reserves	*1,877.9*	*2,220.7*
Add: Net capital instruments	72.3	32.9
Total primary capital	**2,174.1**	**2,477.5**
Add: Net capital instruments	15.0	15.0
Total available capital	**2,189.1**	**2,492.5**
Total balance sheet assets	**4,014.0**	**5,156.4**
Selected ratios (%):		
Total capital : Total assets†	54.5	48.3
Annual dividend pay-out rate	11.8	6.2
Total debt : Total capital	51.3	67.0
Net debt : Total capital	46.7	65.2

† Minimum level of 25% required under DFI/IFC funding agreements.
Source: Trustco.

Following the increase in debt funding levels in FY17, the group's relative leverage rose, with total and net debt to capital ratios increasing to 67.0% and 65.2% at FY17 (FY16: 51.3% and 46.7%) respectively. Total debt/EBITDA also rose in FY17 from 1.8x (FY16) to 2.1x, while gross interest cover marginally fell from 4.4x (FY16) to 4.3x in FY17.

Trustco's board recommended that no dividend be declared for FY17, instead reinvesting the group's earnings to capitalise the banking and finance segment, and invest in the resource segment. In FY18, however, Trustco plans to reduce equity levels through aggressive share buybacks to optimise its capital structure. As such, while GCR currently anticipates capital levels to moderate slightly, and leverage to rise as Trustco expands its operations, capitalisation levels are expected to remain robust and leverage within covenant levels. At FY17, Trustco was in compliance with statutory requirements/covenants (for the group and regulated subsidiaries).

Substantially all of the group's assets are encumbered. Investment properties, inventories and the student loan book have all been pledged in favour of secured loans. The controlling shareholder had also pledged shares and given sureties to the value of NAD812.4m at FY17.

In July 2017, Trustco entered into a NAD250m convertible loan agreement with Riskowitz Value Fund LP of NAD250m. The loan will be converted into Trustco ordinary shares, subject to the obtaining of all requisite regulatory approvals, and will be utilised to deleverage Trustco. The resources segment and the banking and finance segment, where the most future growth is foreseen, will specifically be capitalised.

Operational profile

The carrying value of property, plant and equipment ("PPE") increased from NAD459.3m at FY16 to NAD609.4m at FY17, mainly due to exploration assets purchased for the development of the diamond mine and processing plant in Sierra Leone. Intangible assets grew to NAD467.6m (FY16: NAD209.8m) after the acquisition of Meya, which resulted in the recognition of goodwill amounting to NAD206m. As a consequence, fixed and intangible assets accounted for a higher 20.9% of Trustco's balance sheet at FY17, while net advances plus investment property (including real estate inventories) as a proportion of the group's assets remained relatively stable at around 60%. Looking ahead, the mix of the balance sheet will continue to demonstrate an increased reliance on PPE with specific growth occurring in mining plant and yellow equipment used to operate the mine.

Table 6: Asset breakdown	FY16		FY17	
	NADm	%	NADm	%
Cash and equivalents	99.8	2.5	46.0	0.9
Net advances*	1,184.1	29.5	1,818.8	35.3
Investment property†	1,136.4	28.3	1,338.5	25.9
Fixed and intangible assets	669.2	16.7	1,077.0	20.9
Receivables^	765.9	19.1	762.2	14.8
Other assets	158.6	3.9	113.9	2.2
Total B/S assets	**4,014.0**	**100.0**	**5,156.4**	**100.0**

* Includes mortgages, student loans, SME loans and other advances.
† Includes NAD339.3m (FY16: NAD327.7m) of residential property stock purchased in the Elisenheim transaction.
^ Comprises property sales receivables amounting to NAD644.6m (FY16: NAD690.8m), including erven sold by the group which are having bulk services installed or being in the process of transferred to purchasers.
Source: Trustco.

The section which follows provides commentary on the group's key risks, as well as segmental balance sheet and profit considerations.

Risk focus

Based on a continuous risk assessment process undertaken by Trustco, market (in particular property price) risk, credit risk, liquidity risk, reputational risk and operational risk are considered to be the most significant risks to which the group is exposed.

Credit risk

Credit exposure remained stable at 50.9% of total assets at FY17, despite 53.6% growth in net advances. Loan book growth was primarily driven by an increase in property advances from NAD421m (FY16) to around NAD1.1bn (FY17). As a result, property finance comprised a materially higher 57.5% (FY16: 35.6%) of total advances at FY17, with the balance being student loans of 40.4% (FY16: 61%), and group lending/SME loans of 2.1% (FY16: 3.4%). New loans advanced in FY17 amounted to NAD942m with the impairment ratio increasing to 4% (FY16: 3%). The quality of individual credit books (where significant) is discussed in the segmental reviews which follow.

Table 7: Credit risk exposure	FY16		FY17	
	NADm	%	NADm	%
Loans and placements	**1,283.9**	**32.0**	**1,864.8**	**36.2**
Net customer loans	*1,184.1*	*29.5*	*1,818.8*	*35.3*
Bank loans/deposits	*99.8*	*2.5*	*46.0*	*0.9*
Other receivables	**765.9**	**19.1**	**762.2**	**14.8**
Property sales	*690.8*	*17.2*	*644.6*	*12.5*
Trade and other	*75.2*	*1.9*	*117.7*	*2.3*
Total B/S assets*	**4,014.0**	**51.1**	**5,156.4**	**50.9**

* Total exposure to credit risk benched against total reported assets.
Source: Trustco.

Liquidity risk

The group maintains a conservative liquidity profile. Business units manage cashflows on a standalone basis (to instil discipline) with excess cash being managed within a shared treasury function. The group maintains a 4-5 month planned expenditure liquidity balance in order to ensure that liabilities can be settled as they become due, and also had undrawn facilities of NAD391m at FY17 (FY16: NAD217m).

Net liquid assets fell from 2.5% to 0.9% of balance sheet assets at FY17. Based on contractual maturities, the group's financial assets and liabilities yielded a net positive cumulative liquidity profile in all disclosed maturity buckets, in no small part due to the high proportion of long term DFI funding in the liability base. GCR notes, however, that the portfolio of investment property would be difficult to liquidate in a short time, resulting in some residual risk.

Operational segment focus

The reportable segments of the group (ie, Insurance, Investments, Banking and Finance, and Resources, described below) form a basis on which management formulates key operating decisions, allocates resources and assesses performance. Insurance includes the Namibian short and long term insurance businesses, as well as the South African operations (which have been wound down to a break-even level). Given the relative insignificance of the South African insurance business, the results of the insurance segment are aggregated into one geographical segment. The banking and finance segment includes Trustco Bank, and the student and mortgage loan businesses, while Investments is divided into property, education and others. The resources segment is currently in a nascent stage, but is likely to become a significant revenue driver over the short/medium term. A central services segment provides support functions to the group, but its assets, liabilities and profits are fully allocated to operating subsegments.

Table 8: Segmental asset and earnings mix*	FY16		FY17	
	NADm	%	NADm	%
Insurance	325.7	8.1	210.4	4.1
Investments	2,180.7	54.3	2,554.6	49.5
Banking and Finance	1,507.6	37.6	1,908.9	37.0
Resources	-	-	482.5	9.4
Total B/S assets	**4,014.0**	**100.0**	**5,156.4**	**100.0**
Insurance	45.0	10.7	40.4	7.6
Investments	317.4	75.6	440.1	83.0
Banking and Finance	57.4	13.7	60.6	11.4
Resources	-	-	(11.1)	(2.0)
Net profit after tax	**419.8**	**100.0**	**530.0**	**100.0**

* After adjustments for inter-segment allocations.
Source: Trustco.

Given the disparate activities, size, revenue/profit drivers and performance of the group's business segments, a segment-level analysis follows.

Insurance
This segment includes the group's insurance business in Namibia and emerging markets (mainly South Africa). Trustco Insurance, the short-term insurer of the insurance segment, is a leading provider of legal insurance to customers in Namibia, with added benefits which are underwritten by Trustco Life, the long-term insurance company of the segment, and include funeral benefits, dread disease cover, health insurance and income protection cover. The Namibian insurance offering, which accounts for 96.8% of the group's total insurance revenue, is aimed at middle to low income earners, and is distributed through Trustco's branch network and mobile units.

Product category	Description, legal entity
Namibia	
Short-term insurance	Legal, medical and salary protection cover (through Trustco Insurance). All short-term policies include a free funeral benefit, underwritten by Trustco Life.
Long-term insurance (underwritten by Trustco Life)	Funeral cover Against the cost of a funeral. Single and Family options are available. Yambu Life Term life policy with health risk-linked premium. Trustco 4 Life Plus Whole life cover. KMC Covers the cost of medical consultations and acute medicine. Credit Life Protection Cover against death, disability and retrenchment on student loans granted. Benefits include dread disease, hospital and income protector cover.
South Africa	
Short-term insurance	Yambu Legal Legal cover.
Long-term insurance	Yambu Domestic Care Life, disability and accident benefits to domestic workers. Yambu Business Care Life, disability and accident benefits to employees.

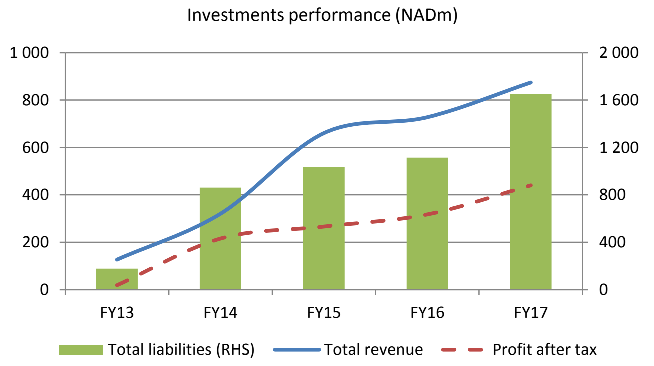
The insurance segment's assets reduced to NAD210m (FY17) from NAD326m (FY16), and its net profit after tax decreased to NAD40m (FY16: NAD45m), following a restructuring of its subsegments.

Investments
This segment combines reporting of Trustco's non-financial services businesses (including air, media and construction services), with its property and education businesses. The focus of this segment remains on the property portfolio given the acute shortage of serviced land in the country, and mismatch between the supply of developed land and latent demand. Trustco's long-term strategy in the property development business has been to purchase undeveloped land in/around Windhoek and other key nodes. The group divides the land into development phases, and sells serviced land when market demand supports sales. Salient features of the group's properties/strategies are set out below.

Property	Strategy and salient details
Elisenheim (Residential/commercial)	Current strategy: Investment property and serviced land sales. 558 hectares (investment property) and 628 hectares (residential development). 54.4 hectares (587 erven) were sold in FY17 for NAD836.4m before discounting. Revenue recognised was NAD585.2m.
Lafrenz (Office, retail, industrial)	Current strategy: Investment property and serviced land sales. Extension 2 and 3 has been sold with bulk servicing in progress. Remaining investment property available is 173 hectares.
Ondangwa (Residential/business/light industrial)	Current strategy: Property development. 42 hectares. A portion is being developed as residential units for sale by Trustco.
Herboths (Residential/commercial/ industrial)	Current strategy: Investment property. 2,766 hectares.

The group disposed of 54.4 hectares during FY17 and realised property debtors of NAD71.9m. Given Trustco's significant land holdings and measured 'development for sale' approach, the property unit's prospects for high-margin returns over a sustained period are good, even in an environment of stagnant property price growth.

The education subsegment, through IOL, provides distance learning courses and materials to 22,190 active students, through Trustco's six Namibian regional offices, three local information centres, and one mobile office. IOL provides accredited educational and vocational courses, including to the teaching profession and police force.



Investments contributed a segment profit of NAD440m (equivalent to 83% of the group's total earnings) in FY17, mainly arising from direct sales of property of NAD770m (FY16: NAD621m).

Banking and Finance

This segment includes student and property finance[8], and the activities of Trustco Bank. Student loans are used to finance education courses offered by IOL (the Education business within the investments segment). These loans are classed as microloans (<NAD50,000, term <60 months), and are offered through Trustco Finance, which is Namfisa-regulated and primarily DFI-funded. Gross student advances decreased by 1.4% to NAD745.1m at FY17 due to a stabilisation in market uptake for educational courses resulting in a decreased number of applications received in FY17. In addition, the group implemented more stringent credit vetting criteria to mitigate credit risk in the student loans portfolio given the challenging economic environment. The impairment ratio increased to 5.5% (FY16: 4.4%), with all impaired loans fully provided for. Past due but not impaired student loans comprised 6.1% of gross loans at FY17, compared to 58.2% at FY16, significantly reducing credit risk. The portfolio is granular and diversified, and 80% of loan repayments (69% government, 11% private enterprise) are made by payroll deduction.

Property advances grew by 2.5x to NAD1,046m at FY17, comprising 57.5% (FY16: 35.6%) of total advances, following a NAD618m commercial finance facility provided to a property developer, which is repayable on transfer of the developed property to third parties with the final repayment date in August 2021. At FY17, NAD359m (FY16: NAD319m) of property loans were structured as commercial finance and repayable in three instalments over 24 months.

Trustco Bank continues to make headway towards becoming a fully-fledged local commercial bank through providing traditional banking products (including mortgage loans, commercial property finance, SME loans and savings and deposit accounts), as well as technology based products and services. Trustco Bank implemented a new core banking system in FY17, which will assist the bank in the delivery of services and products (including internet and mobile banking) to its clients. Trustco Bank posted a NAD15.1m loss in FY17 (FY16: NAD10m loss). The bank's loan portfolio, which moderated to NAD35.6m (FY16: NAD38.6m) comprises mortgage and property loans. Trustco's ability to provide mortgage finance to end-purchasers of its property developments creates synergies between the various business segments. Trustco Bank also offers opportunities to raise cheaper deposit funding, and expand its loan product offering within the group's broader financial inclusion mandate.

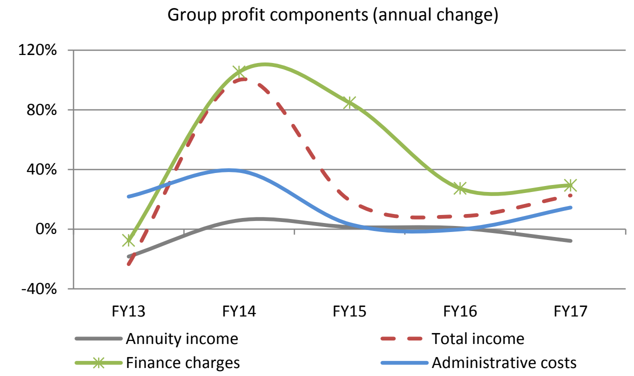
Resources

The finalisation of the Huso transaction is crucial to the ultimate profitability of this segment. The board is confident that the mining licence should be issued by the Namibian Ministry of Mines in early 2018. With positive drilling results at the Meya mine, it is expected that this segment will generate significant earnings for the group in future. However, foreign operations remain exposed to execution, regulatory and political risks. The focus of the resources segment over the medium term remains on the diamond sector. In this regard, the resource segment's principal business objective is to maximise value across the diamond pipeline/value chain. A large part of value creation will be realised via the diamond cutting and polishing factory that forms part of the Huso transaction.

Financial performance

A five year financial synopsis, which forms the basis of the financial performance analysis, is shown on page 9, supplemented by the commentary (covering the group's consolidated results) below.

The group posted a profit before tax of NAD581m in FY17, an increase of NAD132m or 29%. Revenue from property sales constituted 62% of total revenue, which increased by 8.4% to NAD1,247m.



Trustco's funding costs increased by 29.3% to NAD173.7m, reflecting the growth in borrowings. Annuity income decreased by 7.9% in FY17 due to lower insurance premiums and education/tuition fees. Investment income continued its positive momentum mainly from investment property capital gains and currency exchange gains. Overall, the group achieved stable, relatively high equity and asset returns of 22.6% (FY16: 22.5%) and 11.6% (FY16: 11.7%) in FY17 respectively.

[8] Purchasers of land sold by the group are able to apply for a loan to finance the purchase price.

Trustco Group Holdings Limited

(Namibian Dollars in millions except as noted)

Year end: 31 March	2013	2014	2015	2016	2017
Income Statement					
Insurance premium revenue	150.7	225.1	180.7	192.8	153.7
Broker commissions and fees	174.6	24.9	0.0	0.0	0.0
Microfinance income (interest and fees)	56.3	100.7	119.2	142.6	160.2
Education (tuition fees and related income)	85.3	144.6	136.1	155.5	80.1
Investment income	3.8	3.1	6.4	3.7	0.4
Other income	39.4	41.8	105.4	56.6	113.2
Total annuity type income	**510.1**	**540.2**	**547.8**	**551.2**	**507.7**
Realised fair value gains	101.1	306.3	502.1	620.9	770.0
Unrealised fair value gains	26.3	120.4	103.3	131.3	194.5
Total income before cost of sales	**637.5**	**966.9**	**1 153.2**	**1 303.5**	**1 472.2**
Cost of sales	(240.2)	(172.0)	(204.6)	(272.8)	(208.9)
Total income after cost of sales	**397.3**	**794.9**	**948.6**	**1 030.6**	**1 263.3**
Administrative expenses	(246.9)	(343.5)	(354.9)	(354.2)	(405.4)
Depreciation and amortisation	(47.3)	(39.0)	(49.2)	(46.4)	(54.5)
Insurance benefits and claims	(26.7)	(33.1)	(36.3)	(38.0)	(32.5)
Transfer to policyholder liabilities	(5.9)	(21.9)	(6.3)	(7.9)	(15.8)
Change in unearned premium provision	1.0	-	-	-	-
Finance charges	(27.8)	(57.1)	(105.5)	(134.3)	(173.7)
Profit before tax	**43.7**	**300.3**	**396.4**	**449.9**	**581.5**
Taxation charge	(4.3)	(47.6)	(93.2)	(30.1)	(51.5)
Profit after tax	**39.4**	**252.7**	**303.2**	**419.8**	**530.0**
Dividends paid	(29.9)	(15.4)	(40.8)	(49.4)	(33.1)
Retained earnings	**9.5**	**237.3**	**262.4**	**370.4**	**496.9**
Cash Flow Statement					
Cash generated by operations	96.9	343.1	448.1	507.4	651.3
Working capital (increase)/decrease	(76.3)	(159.6)	(276.9)	(65.0)	(219.3)
Net loans advanced	(87.4)	(278.4)	(98.3)	(375.6)	(642.6)
Proceeds from funding for Educational advances	-	240.0	220.0	76.3	308.8
Net interest/dividends received	3.8	3.1	6.4	3.7	0.4
Finance costs	(27.8)	(57.1)	(105.5)	(134.3)	(170.5)
Taxation paid	(13.6)	(16.1)	(25.0)	(7.8)	(0.9)
Net cash flow from operations	**(104.4)**	**75.0**	**168.8**	**4.7**	**(72.6)**
Dividends paid - Ordinary shares	(29.9)	(15.4)	(40.8)	(49.4)	(33.1)
Net cash retained	**(134.3)**	**59.6**	**128.0**	**(44.7)**	**(105.7)**
Acquisitions/Additions to assets	(36.9)	(28.6)	(20.3)	(155.3)	(96.1)
Proceeds on sale of assets/investments	8.7	7.2	12.3	14.6	44.1
Net investment (cost)/proceeds	**(28.2)**	**(21.4)**	**(8.0)**	**(140.7)**	**(52.0)**
Other net investment proceeds	5.9	0.0	(0.5)	0.0	0.0
Shares issued/(redeemed)	37.0	(39.2)	45.7	244.4	0.0
Net cash available/(consumed)	**(119.6)**	**(1.0)**	**165.2**	**59.0**	**(157.7)**
Borrowings raised/(repaid)	76.7	86.3	(193.1)	(80.1)	108.5
Net increase/(decrease) in cash and cash equivalents	**(42.9)**	**85.3**	**(27.9)**	**(21.1)**	**(49.2)**
Balance Sheet					
Ordinary share capital	968.1	1 224.4	1 550.2	2 189.1	2 492.4
Minority interest	0.0	0.0	0.0	0.0	<0.1
Total shareholders' interest	**968.1**	**1 224.4**	**1 550.2**	**2 189.1**	**2 492.5**
Total interest-bearing debt	330.1	730.4	1 060.6	1 121.9	1 670.1
Policyholders liability under insurance contracts	16.6	38.5	44.8	52.8	68.6
Income tax liabilities	62.3	216.3	312.4	339.4	336.7
Accounts payable	129.2	32.1	78.9	215.8	477.5
Other liabilities	26.6	232.8	112.2	95.0	111.1
Total liabilities & equity	**1 532.9**	**2 474.5**	**3 159.1**	**4 014.0**	**5 156.4**
Fixed assets	179.3	203.1	269.3	459.3	609.4
Intangible assets	232.6	212.4	197.6	209.8	467.6
Advances	360.7	700.0	807.0	1 184.1	1 818.8
Investment property	344.2	537.3	708.8	816.2	1 010.8
Receivables	271.2	230.8	574.4	765.9	762.2
Cash and cash equivalents	46.9	131.6	118.7	99.8	46.0
Other assets	98.0	459.3	483.3	478.8	441.5
Total assets	**1 532.9**	**2 474.5**	**3 159.1**	**4 014.0**	**5 156.4**
Ratios					
EBITDA (NADm)	118.8	396.4	551.1	630.6	809.6
Cash flow:					
Operating cash flow : Interest bearing debt (%)	(31.6)	10.3	15.9	0.4	(4.3)
Profitability:					
Annuity income growth (%)	(18.4)	5.9	1.4	0.6	(7.9)
Total income growth (%)	(24.1)	51.7	19.3	13.0	12.9
EBITDA : revenues (%)	18.6	41.0	47.8	48.4	55.0
Operating profit margin (%)	6.9	31.1	34.4	34.5	39.5
EBITDA : average total assets (%)	7.8	19.8	19.6	17.6	17.7
Cost to income (%)	62.1	43.2	37.4	34.4	32.1
Effective tax rate (%)	9.8	15.9	23.5	6.7	8.9
Return on equity (%)	4.2	23.1	21.9	22.5	22.6
Return on assets (%)	2.6	12.6	10.8	11.7	11.6
Coverage:					
Dividend cover	1.3	16.4	7.4	8.5	16.0
Gross interest cover (x)	2.6	6.3	4.8	4.4	4.3
Net interest cover (x)	2.4	6.2	4.7	4.3	4.3
Liquidity:					
Current ratio (:1)	2.0	1.4	3.6	2.8	1.4
Capitalisation:					
Equity : total assets (%)	63.2	49.5	49.1	54.5	48.3
Retention rate (%)	24.1	93.9	86.5	88.2	93.8
Leverage:					
Total debt : equity (%)	34.1	59.7	68.4	51.3	67.0
Net debt : equity (%)	29.3	48.9	60.8	46.7	65.2
Total debt : EBITDA (%)	277.9	184.3	192.5	177.9	206.3
Net debt : EBITDA (%)	238.4	151.1	170.9	162.1	200.6
Loan to value					
Total debt : properties (%)	95.9	135.9	149.6	137.5	165.2
Net debt : properties (%)	82.3	111.4	132.9	125.2	160.7
Total debt : properties & student advances (%)	46.8	59.0	70.0	56.1	59.0
Net debt : properties & student advances (%)	40.2	48.4	62.1	51.1	57.4

GLOSSARY OF TERMS/ACRONYMS USED IN THIS DOCUMENT AS PER GCR'S FINANCIAL INSTITUTIONS GLOSSARY

Asset	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Asset Quality	Refers primarily to the credit quality of a bank's earning assets, the bulk of which comprises its loan portfolio, but will also include its investment portfolio as well as off balance sheet items. Quality in this context means the degree to which the loans that the bank has extended are performing (ie, being paid back in accordance with their terms) and the likelihood that they will continue to perform.
Balance Sheet	Also known as a Statement of Financial Position. A statement of a company's assets and liabilities provided for the benefit of shareholders and regulators. It gives a snapshot at a specific point in time of the assets the company holds and how they have been financed.
Bond	A long term debt instrument issued by either: a company, institution or the government to raise funds.
Budget	Financial plan that serves as an estimate of future cost, revenues or both.
Capital	The sum of money that is invested to generate proceeds.
Capital Adequacy	A measure of the adequacy of an entity's capital resources in relation to its current liabilities and also in relation to the risks associated with its assets. An appropriate level of capital adequacy ensures that the entity has sufficient capital to support its activities and that its net worth is sufficient to absorb adverse changes in the value of its assets without becoming insolvent.
Capital Base	The issued capital of a company, plus reserves and retained profits.
Cash	Funds that can be readily spent or used to meet current obligations.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Corporate Governance	Refers to the mechanisms, processes and relations by which corporations are controlled and directed, and is used to ensure the effectiveness, accountability and transparency of an entity to its stakeholders.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Credit Rating Agency	An entity that provides credit rating services.
Credit Risk	The possibility that a bond issuer or any other borrowers (including debtors/creditors) will default and fail to pay the principal and/or interest when due.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Debt Financing	Raising capital by selling debt instruments such as bonds, bills or notes.
Diversification	Spreading risk by constructing a portfolio that contains different investments, whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Dividend	The portion of a company's after-tax earnings that is distributed to shareholders.
Enterprise Risk Management	ERM refers to an integrated or holistic approach to managing risk across an organisation, using clearly articulated frameworks and processes controlled from board level.
Equity	Equity (or shareholders' funds) is the holding or stake that shareholders have in a company. Equity capital is raised by the issue of new shares or by retaining profit.
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding.
Financial Institution	An entity that focuses on dealing with financial transactions, such as investments, loans and deposits.
Financial Statements	Presentation of financial data including balance sheets, income statements and statements of cash flow, or any supporting statement that is intended to communicate an entity's financial position at a point in time.
Fixed Assets	Assets of a company that will be used or held for longer than a year. They include tangible assets, such as land and equipment, stake in subsidiaries and other investments, as well as intangible assets such as goodwill, information technology or a company's logo and brand.
Forecast	A calculation or estimate of future financial events.
Goodwill	Arises upon the sale/acquisition of a business and is defined as an established entity's reputation, which may be regarded as a quantifiable asset and calculated as the price paid for a company over and above the net value of its assets. Negative goodwill refers to a situation when the price paid for a company is lower than the value of its assets.
Impairment	Reduction in the value of an asset because the asset is no longer expected to generate the same benefits, as determined by the company through periodic assessments.
Intangible Assets	The non-physical assets of a company such as trademarks, patents, copyright, information systems and goodwill.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Interest Rate	The charge or the return on an asset or debt expressed as a percentage of the price or size of the asset or debt. It is usually expressed on an annual basis.
International Financial Reporting Standards	IFRS is designed as a common global language for business affairs so that company accounts are understandable and comparable across international boundaries.

International Scale Rating LC	International local currency (International LC) ratings measure the likelihood of repayment in the currency of the jurisdiction in which the issuer is domiciled. Therefore, the rating does not take into account the possibility that it will not be able to convert local currency into foreign currency or make transfers between sovereign jurisdictions.
Investment Grade	Credit ratings equal to or higher than ‘BBB-’.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liabilities	All financial claims, debts or potential losses incurred by an individual or an organisation.
Liquid Assets	Assets, generally of a short term, that can be converted into cash.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Liquidity Risk	The risk that a company may not be able to meet its financial obligations or other operational cash requirements due to an inability to timeously realise cash from its assets. Regarding securities, the risk that a financial instrument cannot be traded at its market price due to the size, structure or efficiency of the market.
Long-Term	Not current; ordinarily more than one year.
Long-Term Rating	Reflects an issuer’s ability to meet its financial obligations over the following three to five year period, including interest payments and debt redemptions. This encompasses an evaluation of the organisation’s current financial position, as well as how the position may change in the future with regard to meeting longer term financial obligations.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Monetary Policy	Measures taken by the central bank to influence the quantity of money or the rate of interest with a view to achieving stable prices, full employment and economic growth.
Mortgage Loan	A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan.
Net Profit	Trading/operating profits after deducting the expenses detailed in the profit and loss account (including taxes).
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. This includes legal risk, but excludes strategic risk and reputational risk.
Performing Loan	A loan is said to be performing if the borrower is paying the interest on it on a timely basis.
Pledge	An asset or right delivered as security for the payment of a debt or fulfilment of a promise, and subject to forfeiture on failure to pay or fulfil the promise.
Political Risk	The risk associated with investing and operating in a country where political changes may have a negative impact on earnings or returns.
Primary Capital	Primary capital consists of issued ordinary share capital, hybrid debt capital, perpetual preference share capital, retained earnings and reserves. This amount is then reduced by the portion of capital that is allocated to trading activities and other regulatory deductions.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Provision	The amount set aside or deducted from operating income to cover expected or identified loan losses.
Rating Outlook	Indicates the potential direction of a rated entity’s rating over the medium term, typically one to two years. An outlook may be defined as: 'Stable' (nothing to suggest that the rating will change), 'Positive' (the rating symbol may be raised), 'Negative' (the rating symbol may be lowered) or 'Evolving' (the rating symbol may be raised or lowered).
Receivables	Any outstanding debts, current or not, due to be paid to a company in cash.
Reputational Risk	The risk of impairment of an entity’s image in the community or the long-term trust placed in it by its shareholders as a result of a variety of factors, such as performance, strategy execution, the ability to create shareholder value, or an activity, action or stance taken by the entity.
Retained Earnings	Earnings not paid out as dividends by a company. Retained earnings are typically reinvested back into the business and are an important component of shareholders' equity.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Risk Management	Process of identifying and monitoring business risks in a manner that offers a risk/return relationship that is acceptable to an entity's operating philosophy.
Security	An asset deposited or pledged as a guarantee of the fulfilment of an undertaking or the repayment of a loan, to be forfeited in case of default.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.
Short-Term	Current; ordinarily less than one year.
Short-Term Rating	An opinion of an issuer’s ability to meet all financial obligations over the upcoming 12 month period, including interest payments and debt redemptions.
Stock Exchange	A market with a trading-floor or a screen-based system where members buy and sell securities.
Under Review	Failure to carry out a full review of a rated entity within the designated timeframe, either through lack of information or delays in finalisation, i.e. review is ongoing.
Yield	Percentage return on an investment or security, usually calculated at an annual rate.

For a detailed glossary of terms please click here

SALIENT FEATURES OF ACCORDED RATINGS

GCR affirms that a.) no part of the rating was influenced by any other business activities of the credit rating agency; b.) the rating was based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such rating was an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

Trustco Group Holdings Limited participated in the rating process via management meetings, teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The credit ratings have been disclosed to Trustco Group Holdings Limited with no contestation of the ratings.

The information received from Trustco Group Holdings Limited and other reliable third parties to accord the credit ratings included:

- Audited financial results of the group to 31 March 2017;
- Four years of comparative numbers;
- Budgeted financial statements for Trustco Group Holdings Limited;
- Latest internal and/or external reports to management;
- A breakdown of facilities available and related counterparties; and
- Corporate governance and enterprise risk framework.

The ratings above were solicited by, or on behalf of, the rated client, and therefore, GCR has been compensated for the provision of the ratings.