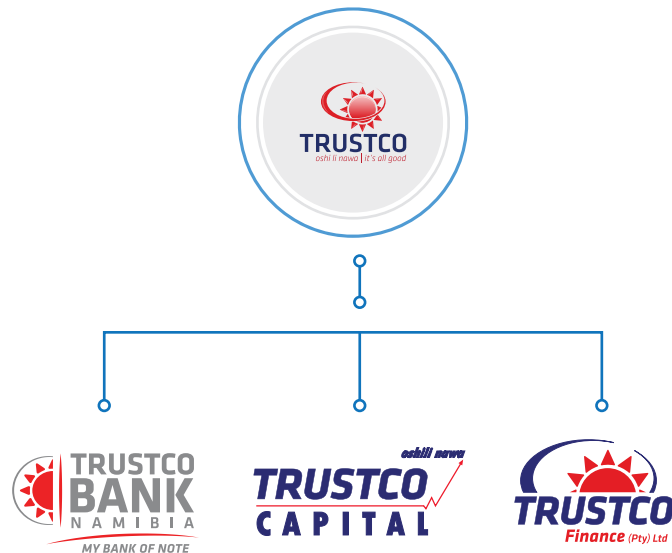




BANKING AND FINANCE



TRUSTCO BANK NAMIBIA LTD

OVERVIEW

Trustco Bank's mission, to provide state of the art banking services to all spectrums of the Namibian society, is tightly aligned with the vision of the group, which is to generate above average growth and to create wealth for its stakeholders while impacting positively on society and the planet. The bank continues to concentrate on inclusivity in the financial sector by being of service to the broader Namibian public and the previously unbanked.

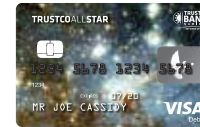
PRODUCTS

During the reporting period the product range and services offered by the bank has undergone a meticulous review, which resulted in the creation of several exciting new product offerings and services as well as customising existing products to ensure that these products are suitable and meet the expectations of the current existing client base as well as the target market.

Bank accounts

Trustco Bank offers an array of bank accounts for both the transactional and investment requirements of its clients.

Transactional accounts



Basic bank account

- ideal for the lower income group or previously unbanked



Sapphire account

- suitable for the middle income group



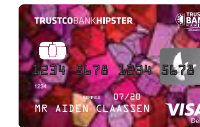
Emerald account

- aimed at the middle to higher income group



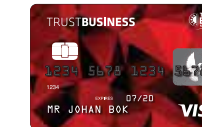
Diamond account

- targeted at the higher income group



Youth account

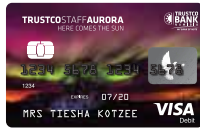
- introduced for the younger generation



Business account

- earmarked for businesses

Investment accounts



Group savings scheme

- a savings option to encourage employees of companies to save and invest on a monthly basis

SME account

- developed for the smaller entrepreneur

Savings

- developed for clients who want to save at any time and will have immediate access to their funds

Call deposit

- established for clients saving funds for an indefinite period, but require access to their funds on demand

Notice deposit

- introduced for clients saving their funds for a specific fixed period of time

Fixed deposit

- aimed at the clients who save funds for a longer period of time

Trustco Bank embarked on an extensive marketing campaign during the financial year to create awareness amongst the broader public for all its products and services. In addition to this campaign, the bank has also commenced with an investment column, which supplies investment advice to the broad readership of the *Informanté* newspaper and the Namibian populace in general. During the year under review the bank raised a combination of retail and wholesale deposits to the value of NAD 29.5 million. Trustco Bank has a net interest margin of 5%.

Loans

Trustco Bank offers the following borrowing opportunities to clients which include:

- small to medium enterprise (SME) loans through individual business loans
- SME loans in the form of group loans (known as Ehangano Lyokupungula nokugandja Omikuli (ELO) loans in the local vernacular) which are similar to a stokvel, where all members participating in the loan are jointly liable for repayment of the facility and contribute collectively to settle the loan repayments and
- mortgage loans offered as a traditional home loan, primarily financing properties located in the group owned Elisenheim development, or as commercial property loans to finance properties that are mainly located in the group owned Lafrenz industrial area.

The growth in the home and commercial property markets and the resultant opportunity to grow the mortgage loan book will unlock additional synergies in the rest of the group, such as the on selling of insurance. A key opportunity for the bank is the current shortfall of formal housing experienced in Namibia and the fact that the Elisenheim development is priced to offer affordable homes.

OUR RATES ARE ADJUSTED
WITH THE RECENT REPO RATE INCREASE.

If you're **over 55 years old**, you will earn preferential interest rates for deposits invested for 12 months or longer.



TRUSTCO BANK
NAMIBIA
MY BANK OF NOTE

A FIXED DEPOSIT
over 60 MONTHS
can earn from: **10.75%**

CALL & NOTICE DEPOSIT RATES LIMITED OFFER

N\$0 to N\$9 999	2,75%
N\$10k to N\$49 999	3,75%
N\$50k to N\$99 999	4,75%
N\$100k to N\$499 999	5,75%
N\$500k to N\$999 999	6,75%
>N\$1m	Negotiable

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Savings product campaign advertisement



RISK MANAGEMENT

The release of the King IV report has seen certain changes in the corporate world and Trustco Bank is no exception. The bank adheres to King IV and its associated principles. In line with the bank's corporate governance framework, the Bank of Namibia's (BON) regulations and the NamCode, the board remains ultimately responsible for ensuring that risks are adequately identified, mitigated and that the bank's strategy is properly enforced. The bank board comprises of a balanced number of executive and non-executive directors with the majority being independent non-executive directors. The bank is acutely aware of the various risks that may impact on its performance and has implemented the necessary procedures to identify the risks and institute mitigating controls. In addition, the bank is committed to nurturing an ongoing risk awareness culture within the bank.

THE ROAD AHEAD

The banking segment strategy remains focused on the road to financial inclusiveness and to incorporate mortgage lending aimed at especially the gap market, being housing for the lower and middle income group Namibians, where most of the mortgage lending by the ten licensed commercial banks in Namibia is targeted at the upper end of the market. This is in line with the government housing initiatives which are focused on the lower income group of the population. Clients in this category are primarily individuals with a joint income of less than NAD 35 000 per month with a potential maximum loan of NAD 1 million. For SME lending, the eligible sectors include trade, production, agriculture and services. Lending to small enterprises for the purpose of general financing will also be considered and will be primarily for expansion and working capital requirements.

SYSTEMS AND TECHNOLOGY

The bank has successfully implemented D+H's "Phoenix System International", a new core banking application which will assist the bank to ensure the delivery of high quality services and products to its clients. A key component of the strategy of the segment is to expand its retail capacity in order to attract a much broader base of deposits, especially call accounts (current accounts/transactional accounts), where traditional transactional capacity is the critical element.

Trustco Bank also received full authorisation from the regulator, BON, to participate in the clearing and settlement stream as a direct participant in Namibia.

Trustco Bank will continue to implement internet and cell phone banking services in the coming financial year. The bank will also be in a position to issue electronic cards for the first time, following negotiations with service providers. The strategy of the segment is to utilise internet and cell phone banking applications to broaden its service offering, rather than broaden its branch network, thereby leveraging technology to have a cost efficient, but sustainable route to the market while the scale of the bank steadily grows.

COMPETITOR ADVANTAGE

The bank has the advantage of converting many of the existing group customers by offering bank accounts and by cross selling to the insurance segment and Trustco Finance clients within the normal regulatory framework.

GROUP SYNERGIES

Significant synergies exist between Trustco Bank and other group subsidiaries and are briefly explained as follows:

Trustco Properties

The bank provide mortgage loans to the property buyers of Elisenheim, Ondangwa and Lafrenz as well as to clients who operate as developers or contractors. Another significant market is government employees where mortgage repayments are payroll deducted at source, providing additional security. The government provides subsidies to borrowers depending on a tiered job scale of the borrower in question, and guarantees 20% of the loan amount, which decreases the risk profile of the borrowers.

Trustco Life

Trustco Bank also benefits from synergies with the group's insurance segment by selling collateral indemnity to clients whilst offering the necessary and essential protection, thereby increasing the overall premium income. The bank can also potentially initiate the provision of home and fire insurance where fire insurance is compulsory to qualify for a loan.

Institute for Open Learning (IOL)

Trustco Bank will support its SME loan business through the distance education arm and VTC. The bank will provide loans to individuals who wish to start their own small businesses and must acquire additional technology to ensure smooth operations, such as computers, subject to the appropriate vocational training being done.

TRUSTCO CAPITAL (PTY) LTD

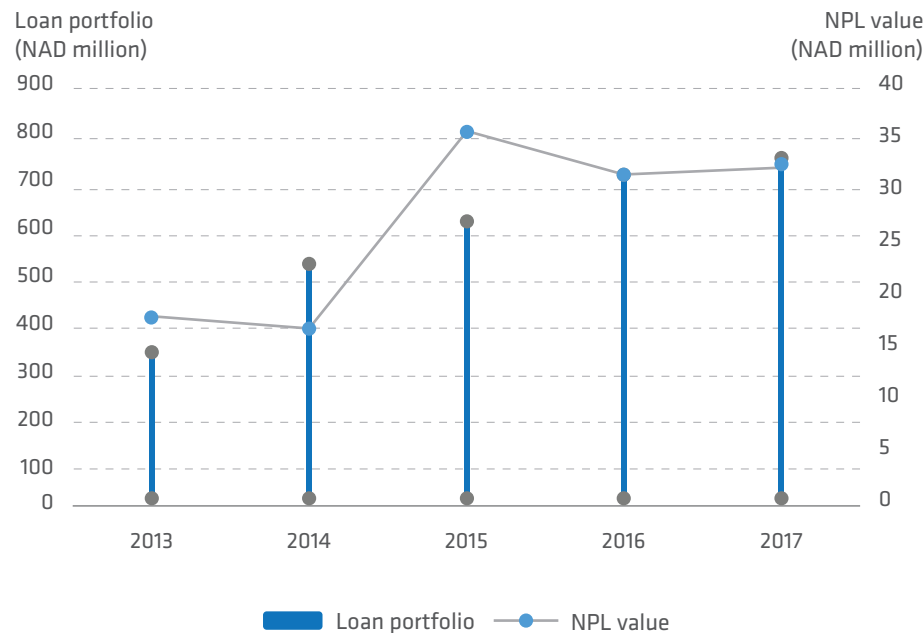
Trustco Capital provides long term finance in the form of property advances, mainly to clients who purchase property from the investments segment. During this reporting year Trustco Capital financed Elisenheim property sales amounting to NAD 618 million. In addition to the financing business, Trustco Capital also owns software intangibles which are licensed to other subsidiaries in the group.

TRUSTCO FINANCE

Trustco Finance was acquired in 2005 with an initial loan portfolio of NAD 5 million and has grown from strength to strength during the past 12 years to become the preferred student loan lender in Namibia. Trustco Finance boasts a total loan portfolio exceeding NAD 770 million with non-performing loans (NPL) at an average of less than five percent. The remarkably low bad debt ratio is attributed to a dedicated team of motivated employees who recover and rehabilitate delinquent accounts on a daily basis. Collection and legal processes are being performed in house, resulting in much quicker and more efficient collections.

Trustco Finance provides 100% financing on all courses offered by IOL, which include specially designed academic courses, the latest ICT products and courses, as well as various other short courses. It is essential for all individuals who wish to further their education, or simply want to upgrade their overall standard of living, but do not have the financial means to do so.

FIVE YEAR LOAN PORTFOLIO GROWTH STATISTICS



At present the capacity of the loan book is limited to the number of students in Namibia desirous of acquiring or improving their qualifications in the teaching, policing, business and information communication technology sectors. IOL is, however, exploring additional areas in which courses can be developed which will increase the capacity of the loan book. In the current reporting year, additional courses were developed in the vocational education and training area for bricklayers and plasterers. The loan management system has been designed and developed in house and can therefore be easily adapted and amended to cater for any changes that may be required due to different system needs, necessitated by new courses.

Trustco Finance is proving to be a force to be reckoned with in the broader Namibian finance industry. Management has strategised to increase the loan portfolio to over NAD 1 billion and to decrease the NPL percentage to 3% or less.

Trustco Finance is committed to ensure that the highest level of lending best practices are exercised and regularly reviewed. All internal processes and procedures are continuously improved to ensure compliance with all industry regulations. Trustco Finance also maintains compliance in accordance with changes effected in the micro lending industry, be it changes made by the regulatory body, NAMFISA, or any other legislative changes which may have implications should they be overlooked.

With the ever growing need for educational financing, Trustco Finance has continued to expand its regional footprint, opening two information centres during the financial year and envisions opening a further two in the coming financial year in conjunction with IOL and Trustco Insurance.

Trustco Finance is also in the process of developing a smartphone application which will make it easier for the 43 000 active account holders to communicate and interact with its customer service centre. By increasing the loan portfolio to NAD 1 billion, the overall client database will be increased to 60 000 individuals, specifically focusing on attracting more female borrowers in rural areas to further promote the education of this specific demographic.

These initiatives will assist the segment to increase revenue, take customer service to new heights, and ensure overall operational growth. This in turn will assist to discover new and innovative methods to streamline daily business operations and ensure the security and sustainability of stakeholder investments.

Trustco Finance (Pty) Ltd is the first micro lender in sub-Saharan Africa that has engaged MicroFinanza Rating, an international rating company, to conduct a Social Rating survey. Trustco Finance (Pty) Ltd is proud to announce that it received a B+ rating from the well-known international rating house during the recent Social Rating survey that was undertaken.