

ANNUAL FINANCIAL INFORMATION FOR THE YEAR 2020

Statement of Profit or Loss and Other Comprehensive Income

Figures in Namibia Dollar ('000)	Note(s)	2020	2019
Assets			
Interest and similar income		5 932	7 851
Interest expense and similar charges		(2 290)	(2 105)
Net interest income before impairment of advances		3 642	5 746
Credit impairment charges	1	(1 547)	(41)
Net Interest income after impairment		2 095	5 705
Other income		4 008	339
Fee and commission income		321	198
Operating expenses		(37 537)	(27 795)
Loss before taxation		(31 113)	(21 552)
Taxation	2	-	-
Loss for the year		(31 113)	(21 552)
Other comprehensive income		-	-
Total comprehensive loss for the year		(31 113)	(21 552)

Statement of Financial Position

Figures in Namibia Dollar ('000)	Note(s)	2020	2019
Assets			
Cash and cash equivalents		20 017	26 049
Accounts receivables		5 426	10 334
Advances	3	40 602	50 593
Property plant and equipment		2 951	982
Intangible assets		42 926	45 709
Total Assets		111 922	133 667
Current Liabilities			
Deposits		34 334	32 545
Trade and other payables		18 937	14 287
Borrowings		8 511	8 082
Lease liabilities		2 629	-
		64 411	54 915
Equity			
Share capital		200 000	200 000
Reserves		20 471	20 471
Accumulated loss	4	(172 961)	(141 719)
		47 511	78 753
Total Equity and Liabilities		111 922	133 667

Statement of Cash Flows

Figures in Namibia Dollar ('000)	2020	2019
Cash flows from operating activities		
Cash used in operations	(3 192)	(7 155)
Net decrease/(increase) in loans and advances	8 444	(2 880)
Net increase in deposits	1 789	17 734
Net cash generated from operating activities	7 040	7 698
Cash flows from investing activities		
Purchase of property plant and equipment	(253)	(3)
Sale of property plant and equipment	-	62
Purchase of other intangible assets	(11 688)	(14 417)
Net cash utilised by investing activities	(11 941)	(14 358)
Cash flows from financing activities		
Borrowings repaid	-	(679)
Repayment of lease liabilities	(1 132)	-
Net cash utilised by financing activities	(1 132)	(679)
Net decrease in cash and cash equivalents	(6 032)	(7 339)
Cash at the beginning of the year	26 049	33 388
Total cash and cash equivalents at end of the year	20 017	26 049

Statement and Availability

Trustco Bank Namibia prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) and the Namibian Companies Act. The principal accounting policies are consistent in all material aspects with those applied as at 31 March 2019 except for the adoption of IFRS 16 at 1 April 2019.

The annual financial statements were qualified on the basis that the core banking system stated in the statement of financial position was measured at the capitalized historical development costs of NS42,925,903.

While an impairment test was carried out in line with IAS 36 – Impairment of Assets, there were limitations experienced due to lack of history to develop reliable estimates of future cash flows. This was also compounded by the fact that there are no similar systems on the open market to determine the fair value less selling costs of the intangible.

Consequently, due to the fact that the recoverable amount of the intangible asset could not be reliably determined, the auditors could not determine whether any adjustments might have been found necessary in respect of the company's intangible assets if the recoverable amount had been reliably determined.

This unaudited announcement is only a summary of the audited annual financial statements, the full version of the results are available on the group's website or at our registered office and head office.

Registered office: Trustco House, 2 Keller street, Windhoek, Namibia Head office: Trustco Bank Namibia c/o Feld & Lossen Street, Windhoek, Namibia. The audited annual financial statements are available at the company's registered and head office for inspection, at no charge, during working hours.

Overview of the 2020 financial results

Directors' report

The directors have the pleasure of presenting the annual results for the year ended 31 March 2020.

Nature of business

Trustco Bank Namibia Limited provides innovative banking products, which promote economic development and cater for the banking needs of individuals in growing sectors of the Namibian

economy. The bank operates primarily in the retail banking and micro-finance sectors servicing individuals, families and entrepreneurs. There has been no material changes to the nature of the company's business from the prior year. Trustco Bank Namibia has representation in Oshakati and Windhoek, with its head office situated at c/o Lossen & Feld Street, Windhoek.

Going concern

At 31 March 2020, the company had accumulated losses of NS172,960,581 (2019: NS141,718,629), current financial year loss was NS31,113,368 (2019: NS21,552,214). Due to the losses, the auditors raised a material uncertainty issue on going concern in the audit report. To remain a going concern the controlling company has committed to a capital injection of NS100 million over a three-year period. The first tranche was received in February 2021.

Financial results

The COVID-19 pandemic could be the most serious challenge to financial institutions in nearly a century. The human and business impact of the COVID-19 pandemic continues to unfold globally. The rapid pace at which the pandemic is spreading and the global actions taken to curtail it are having an unprecedented impact on the way we live and do business.

COVID-19 has generated significant instability and high volatility in global capital markets. While the full impact is yet to be determined, it is expected that the adverse impact is likely to continue from the virus' knock-on effects. Bank of Namibia's practice of aggressively cutting interest rates even further from previous historic lows has put additional pressure on banks' interest margins.

As a result of higher average advances over the past two years net interest income decreased to NS 3,6m. The Bank's cost of funding increased to 5.3% in 2020 (2019: 5.2%). The Net Interest Margin decreased to 61% in 2020 (2019: 73%). The primary source of funding for the Bank remains its capital base, and growing its funding base remains a priority for the coming years. The Bank implemented its core banking system during the 2017 financial year by using an external service provider. As a result of poor service delivery from the vendor, management commenced with establishing its own core banking system during 2020.

Previous objectives set, which would have increased revenue, could not be realised as a result of delays encountered in joining the national payment system ("NPS").

The Enhanced EFT ("PSD-7") regulatory project which has been initiated by the Bank of Namibia ("BoN") to address the inefficiencies in the current NPS has taken longer than anticipated due to numerous industry delays. Trustco Bank Namibia however has completed all the required

development and is now compliant in all payment streams.

There is uncertainty about the duration of the COVID-19 outbreak and the likely economic recovery path. Given these uncertainties, the company developed a business impact assessment, which requires ongoing review, including financial forecasts, to ensure our COVID-19 response plan remains up to date and focused on areas expected to be most impacted by the pandemic. In the midst of these challenges, the company continues to focus on the execution of its strategy and key priorities for 2021.

Trustco Bank is poised to capitalise on the strong synergies within the Trustco group of companies and once the property market improves mortgage lending is also expected to improve with lending at Elisenheim Lifestyle Estate and the Lafrenz Industrial development.

The COVID-19 outbreak has marked a turning point in the global economy, ushering uncertainty into a year that had been expected to mark the beginning of Namibia's long awaited journey towards economic recovery. This unique circumstance has exacerbated the prolonged slump of the Namibian economy. The impact of COVID-19 on our operating and business activities is evident in our financial results.

It also requires continued vigilance in regards to credit extensions to ensure quality origination in loans and advances. Following the completion of our process redesigns and core banking migration, the focus in 2021 will be to accelerate the digital transformation of our business and the digitisation and automation of our delivery models and processes.

Riaan Bruyns
Deputy Chief Executive Officer

Winton John Geysler
Director

Auditors
BDO Namibia

Company secretary
Komada Holdings (Pty) Ltd

Windhoek
17 August 2021

Note 1 - Reconciliation of provision for impairment of loans and advances

	NAD '000	NAD '000	NAD '000	Total
	Stage 1	Stage 2	Stage 3	
Opening balance at 1 April 2019	569	30	-	599
Transfer (to) from stage 1	(28)	4	23	-
Transfer (to) from stage 2	24	(25)	1	-
Transfer (to) from stage 3	-	-	-	-
Subsequent changes in ECL	(119)	(5)	1 671	1 547
Closing balance at 31 March 2020	447	4	1 695	2 146

Note 2 - Taxation

No provision has been made for tax, as the company has no taxable income. The estimated tax loss available for set off against future taxable income is NS195 683 672 (2019: NS 175 679 680).

	For the year ended 31 March 2020 NAD '000	For the year ended 31 March 2019 NAD '000
Note 3 - Advances		
Gross advances opening balance	51 192	48 312
New advances	2 552	19 954
Interest charged	(5 385)	(6 065)
Advances repaid	(5 611)	(11 009)
Gross advances closing balance	42 748	51 192
Impairment	(2 146)	(599)
Net advances	40 602	50 593

Note 4 - Accumulated loss 31 March 2020

Opening balance as previously reported	(141 719)
IFRS 16 transitional adjustment	(129)
Balance 1 April 2019 as restated	(141 848)
Loss for the year	(31 113)
Balance 31 March 2020	(172 961)

Note 5 - Capital adequacy

	31 March 2020	31 March 2019
Capital adequacy for the year ended 31 March 2020		
Total Risk Weighted Capital Ratio (minimum 15%)	50%	70%
Tier 1 risk based capital (minimum 7%)	48%	68%
Tier 1 leverage ratio (minimum 6%)	42%	57%
Net-Total Tier 1 Capital	47 511	78 753
Total Qualifying Capital	49 657	79 352
Aggregate Risk-Weighted Assets	99 444	114 881