LETSHEGO HOLDINGS (NAMIBIA) LTD
FY17 Results Review
July 2018

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Letshego Holdings (Namibia) Ltd

FY17 Results Review

Target Price (c)	***479***
Current Price (c)	400

Year End 30 June	2015	2016	2017	F2018	F2019
Net interest income (N$ million)	286	331	471	502	544
Non-interest income (N$ million)	196	230	207	218	232
Profit after tax (N$ million)	272	330	385	423	439
HEPS (c)	54	66	71.7	78.6	81.6
DPS (c)			19.2	21.1	21.9
DY (%)	-	-	4.8	5.3	5.4
P/E	7.0	5.8	5.2	5.3	5.6
P/B	1.6	1.3	1.1	1.1	1.0

Recommendation	BUY
NSX Code	LHN
Market Cap (N$m)	1,990
Shares in Issue (m)	500
Free float (%)	22
52 week high	405
52 week low	380
Expected Total Return (%)	19.7%

Source: LHN, IJG

FY17 Results
Letshego Holdings (Namibia) Ltd (LHN) released results for the full year ended 31 December 2017 (FY17). Basic earnings per share increased by 16.8% from 66cps to 77cps, and headline earnings per share increased by 8.7% to 71.7cps. Revenue and advances both grew by 14% y/y, while profit after tax increased by 16.8% y/y. Contrary to expectations a dividend was declared for FY17, amounting to 19.2cps.

Total revenue for FY17 was 0.6% less than anticipated in the IPO Prospectus (prospectus) last year. However, by most other measures the income statement performance surpassed the prospectus expectations for FY17. Net interest income after impairments beat expectations by 18.3%, operating profit before tax was 8.2% above expectations and profit for the year came in 13.8% above expectations.

LHN's FY17 results compare well to FY16. Interest income increased by 25.2%, while net interest income after impairments increased by 42.2%. Profit before tax, increased by 16.8%, in line with basic earnings per share. Advances increased by 14.4% (N$305.5m) in FY17 to N$2.42bn, and due to improvement in the quality of loans and advances and high recovery rates for impairments, an impairment release of N$9.6m was recognised. Advances growth was well above that of private sector credit extension in 2017.

Operating expenses increased by 21.3%. The cost to income ratio increased from 23% in FY16 to 24% in FY17. Some of the costs associated with the listing of LHN are once off costs while some of the operating cost increases are likely to continue to grow as LHN moves into the formal banking space (salaries and wages, and rental, etc).

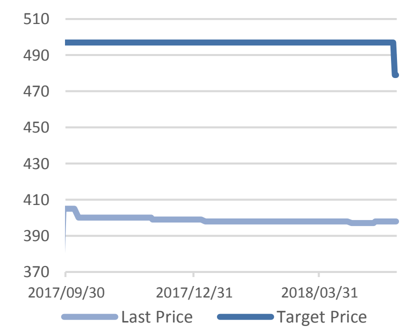
Deposits due to customers are included in funding sources for the first time, contributing N$90.2m. These consist almost exclusively of term deposits in FY17. The first current accounts have also been opened during the year but are insignificant at present. An unsecured loan of N$63.6m, bearing interest at prime less 0.3%, was extended to LHN from First National Bank. In addition to these funding sources intercompany payables due to Letshego Holdings Limited increased by N$107.7m.

LHN reported a total capital adequacy ratio of 68.8% in FY17, down from 71.8% in FY16. This is a positive development as the business is overcapitalised at present. Retained earnings make up the bulk of tier 1 capital.

Non-performing loans decreased from 4.4% in FY16 to 3.9% in FY17. Recoveries in FY17 surpassed amounts written off, and due to strong recoveries over the last two periods an impairment charge release of N$9.5m was recognised. This indicates an improvement in the quality of the advances book according to management.

Valuation
We make use of a justified price to book multiple to value this company. We establish a cost of equity of 17.1% which consists of a risk-free rate of 10.3% (based on the IJG Generic 10-year bond yield), an equity risk premium of 5.0% and an unsystematic risk premium of 2.0%. Based on this cost of equity, a conservative long-term growth rate for the company of 8.0% and a long term sustainable Return on Equity of 20.0%, we believe a Price to Book multiple of 1.30x can be justified. Given the expected book value per share of 369c in FY18, we derive a target price of N$c479 per share or an expected return of 19.7%. As a result of the apparent discount to fair value, **we maintain our BUY recommendation**.

LHN Share Price vs Target Price (c)

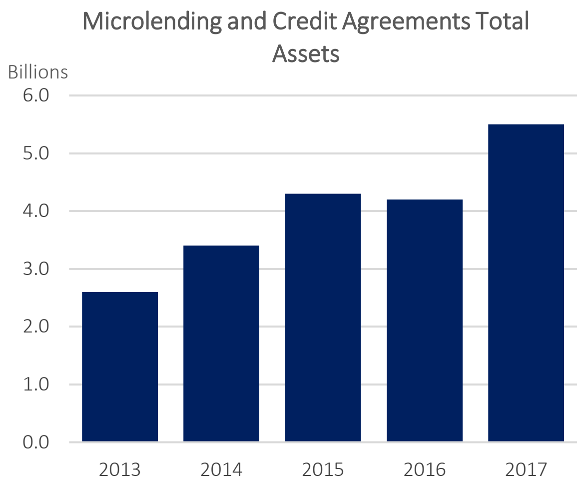


Dividends
Notice is hereby given that a dividend of 19.2 cents per ordinary share was declared for the period ended 31 December 2017.

- Last day to trade: 6 April 2018
- Payment date (on or about): 30 April 2018

Microfinance Macro

In its April 2018 Financial Stability Report, Bank of Namibia (BoN) and the Namibia Financial Institutions Supervisory Authority (NAMFISA) reported that the total assets of the Microlending and Credit Agreements sector increased by N$1.3 billion, or 31.0%, to N$5.5 billion during 2017 despite the domestic economic recessionary conditions.



Source: *NAMFISA, IJG*

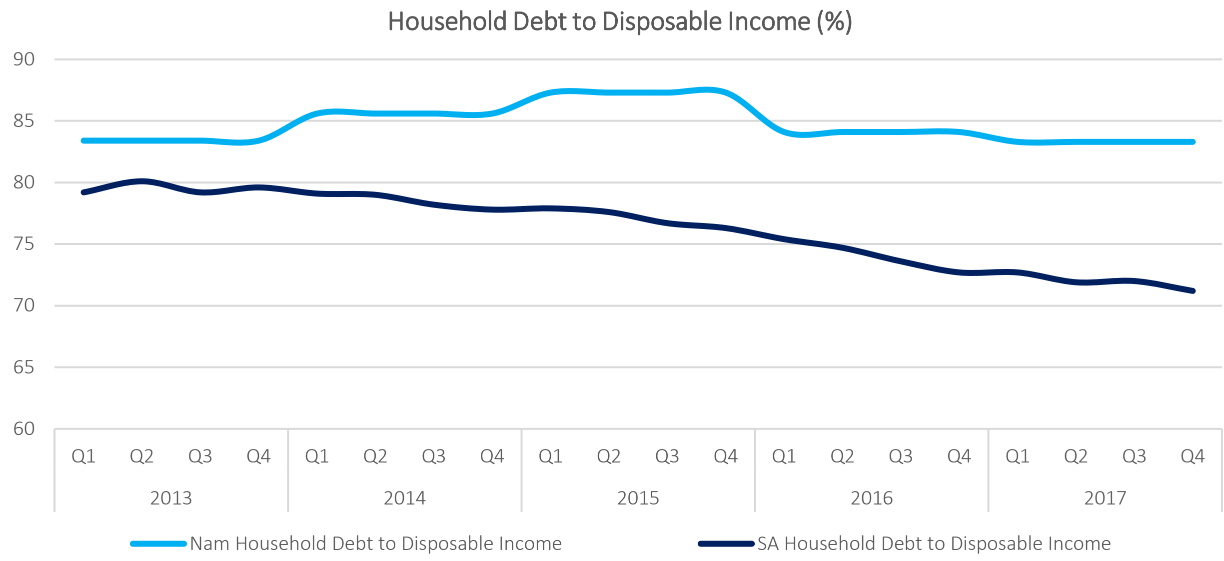
This growth is quite profound when taking into account that the amount of credit extended to the private sector was down 36.4% to N$4.4 billion for 2017, with individuals taking up N$3.3 billion of the total share of credit. Except for poor domestic economic conditions, the slower growth in private sector credit extension was reinforced by the introduction of the maximum loan-to-value (LTV) ratios for non-primary residential mortgages and the amendments to the Credit Agreement Act which added further downward pressure to demand.

The growth was also reflected in the total number of household borrowers, which grew by 1.4% q/q and 19.0% y/y. Quarterly growth was mostly driven by term-loan household borrowers while the annual growth was driven by both term and payday loan household borrowers. The number of term-loan household borrowers stood at 244,661 compared to 61,483 for payday-household borrowers at the end of the third quarter of 2017.

Bank of Namibia has recently stated that it intends to implement new regulations that will essentially see the central bank establishing a debt-service-to-income threshold that limits individuals from going beyond a certain amount of debt given their monthly income. According to the bank, consumers' disposable income grew by 7.8% y/y in 2017, while household debt rose by 6.7% y/y.

The ratio of household indebtedness-to-disposable income moderated slightly during 2017, in line with the slow growth in mortgage extension and a 3.9% contraction in instalment credit. Household debt to disposable income moderated from 84.1% in 2016 to 83.3% in 2017, mainly due to the moderation in mortgage lending to households.

Namibia's household debt to disposable income ratio was higher than that of South Africa in 2017, which stood at 71.2% during the same period.



Source: *NAMFISA, IJG*

Company Background and Structure

Letshego Holdings Namibia (LHN) was incorporated on 24 February 2016 as a financial sector investment holding company to hold the controlling interest in two subsidiaries, namely: Letshego Bank Namibia (LBN) and Letshego Micro Financial Services Namibia (LMFSN). LHN is majority owned by Letshego Holdings Limited (LHL), incorporated in the Republic of Botswana. LHN was listed on the Namibian Stock Exchange on 27 September 2017.

The company was incorporated in Namibia on 16 October 1997 and was originally called Edu-Loan. It was acquired by LHL in 2008 and was rebranded to Letshego Financial Services Namibia in 2009. The Bank of Namibia granted the institution a banking licence in 2016 and it was converted to a public company to comply with the requirements of the Banking Institutions Act. Its name was then changed to Letshego Holdings (Namibia) Limited.

LBN and LMFSN have a network of 16 customer access points (of which 2 are branches) across Namibia, offering the provision of short to medium-term unsecured consumer loans to salaried employees of the public and private sectors. Instalments are deducted at source to minimise credit risk. With the attainment of a banking licence and new ownership structure, LBN transferred 52% of its loan book to LMFSN, which will enable LBN to focus on providing retail banking solutions, while LMFSN will continue with microlending activities.

The retail banking products and services will include a range of simple and affordable transactional and savings solutions and services that predominantly target the lower to middle income segments of the working population.

The company's offering consists of four main product lines:

- LetsPay: Transactional payment and remittance accounts.
- LetsBorrow: Loans up to the value of N$50,000, over loan tenures ranging from 6 months to a maximum of 5 years.
- LetsSave: Call and term saving deposits ranging from 1 month to 12 months.
- LetsLive: Loyalty program to encourage diligent repayment with benefits which vest as cash rebates.

According to management, the company had started rolling out its banking business, with the launch of LetsGo, on a trial basis to targeted Namibian customers. Management further added that as the company continues to invest in digital access channels the LetsGo solution will become increasingly accessible to the broader Namibian market. The company has been cautious with the rollout of their banking service thus far to ensure smooth implementation and to ensure technical functionality remains stable as the number of transactions taking place increases.

As at financial year-end, the ownership structure of LHN was as follows:
- Letshego Holdings Limited (LHL) 78.46%
- Kumwe Investment Holdings Limited 12%
- Public (retail investors) and corporate entities 9.54%

Post year-end, Letshego Holdings Limited's (the majority shareholder in LHN) shareholding changed to Letshego Mauritius, following regulatory approval.

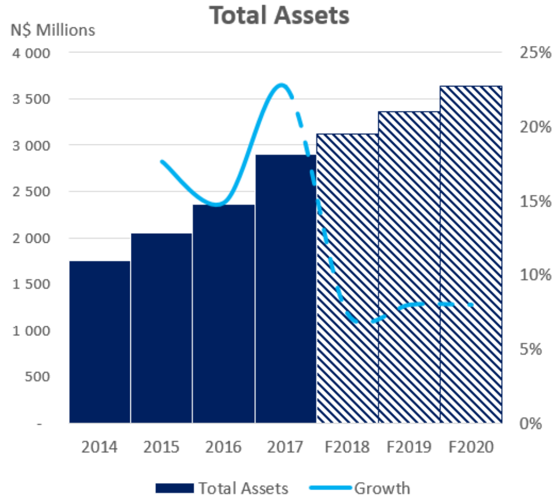
Bank of Namibia have made LBN's banking licence contingent on a minimum of 45% local ownership of equity before July 2020. We are still uncertain how precisely the change of shareholding will take place to comply with these regulations, although ample time remains. The rollout of the firm's banking operations is taking priority which may enable future changes to the equity structure.

Deduction at Source

In its annual report, management stated that the deduction at source model remains the company's core business. The model plays a vital role in ensuring a stable stream of revenue and limiting credit risk of the company's lending activities. Management does see a reduction in the company's reliance on the deduction at source income stream as the banking solutions are implemented.

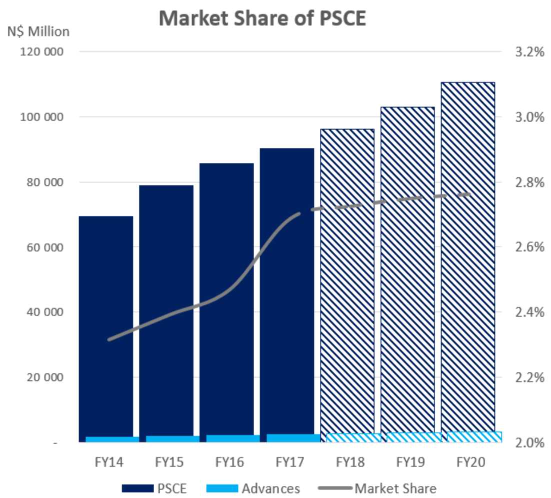
As stated in our initiation report in 2017, Letshego has managed to renew the Deduction at Source codes for a further five years ending in 2022.

Asset Base
Growth



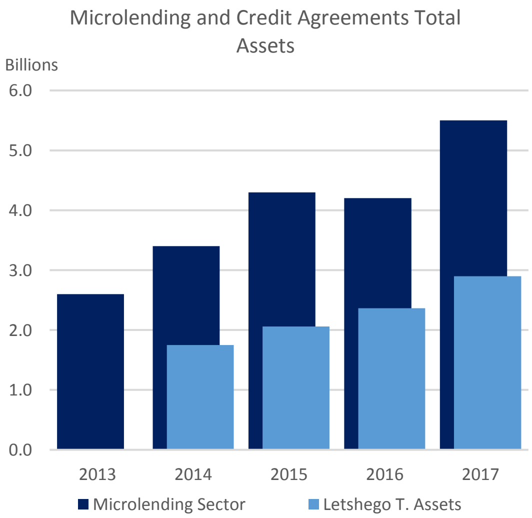
Letshego's total assets grew by an impressive 22.7% during FY17, to N$2.9 billion. This is still small in comparison to the rest of the commercial banking sector, but is an increase of N$536.4 million compared to the company's FY16 figures. This growth was mainly driven by increases in customer advances, which make up 83.6% of the total assets.

Cash and cash equivalents increased by N$164.1 million to N$323.7 million. Other receivables, which consists primarily of income receivable from the cell captive arrangement with Hollard Insurance, doubled to N$125.9 million in FY17.



Property and equipment increased by N$602,648 to N$11.1 million, due to the purchase of additional computer equipment. The aim of this expansion is to develop and improve the IT infrastructure of the company to handle the additional banking operations and transactions.

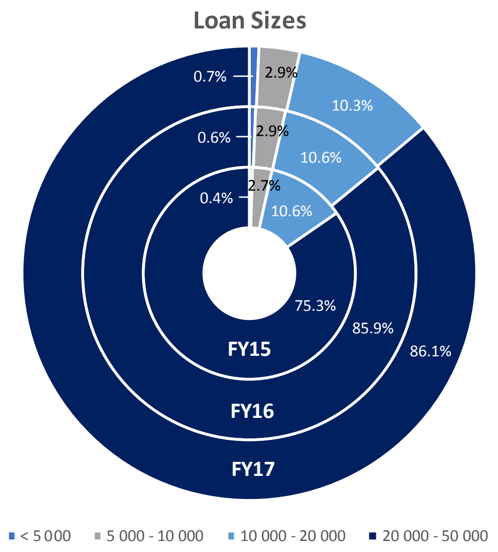
Letshego had a very small market share of private sector credit extension in 2017, with advances to customers amounting to 2.7% of total credit extended. This is due to the company almost exclusively offering loans to public sector employees, and being very selective when offering credit to the private sector individuals.



However, when compared to the rest of the Microlending sector, Letshego's total assets make up 52.7% of the sector's total assets according the latest NAMFISA Quarterly report (Q3 2017).

Source: *NAMFISA, IJG*

Advances Breakdown

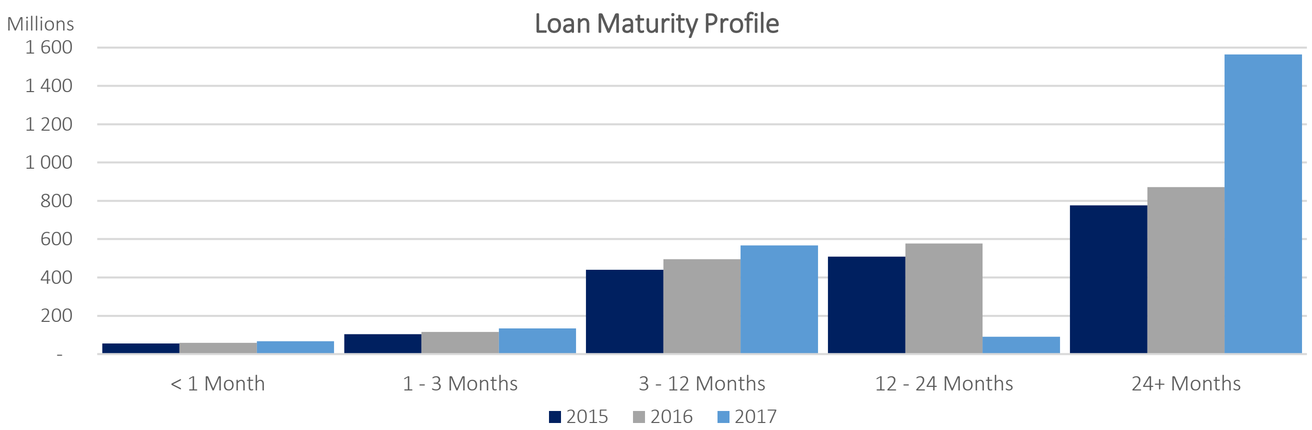


Letshego's advances portfolio increased by 14.4% to N$2.4 billion during FY17, distributed among 52,000 customers. This portfolio consists entirely of short-term unsecured loans not larger than N$50,000. Letshego's growth in advances was well above that of private sector credit extension, which has slowed steadily over the last two years. The N$20,000 to N$50,000 bracket remains the largest, both regarding number of loans and carrying amount, and makes up 86.1% of total advances in terms of value at nearly N$2.1 billion. The company states that 79% of loans are used for productive purposes, compared to 69% in 2016. The company defines productive purposes as the use of loans for affordable housing, education, micro and small entrepreneurs (MSE) and agricultural businesses.

Management believes that the high growth rate in advances is sustainable for at least the foreseeable future (which is murky at best in the current economic climate). The advances book is heavily concentrated in public sector employees, and the company is focused on maintaining the current government employee client base. Letshego currently serves approximately 45% (52,000) of total public sector employees. It is this analyst's view that only a certain percentage of public sector employees will make use of a loan from Letshego, as not all employees qualify for a loan, and employees whose salaries fall in higher income brackets typically do not take out loans of this nature.

It is interesting to note that loans with maturities between 12 and 24 months have decreased by N$486.5 million, while loans with maturities of 24 months or more have increased by N$692.2 million, during FY17. Management notes that this was caused by borrowers who restructured their loans by extending duration, which leads to lower monthly payments.

Due to the size of the shift, and the fact that the loan book is heavily concentrated in public sector employees, we believe that the restructuring is likely done to manage the loan with the client to avoid going into arrears. Management, however, noted that the restructuring of loans was client driven, and not Letshego approaching the clients. This is reflective of the challenging local economic conditions and increase in unemployment, which is placing pressure on disposable incomes, and may yet result in a significant increase in non-performing loans.

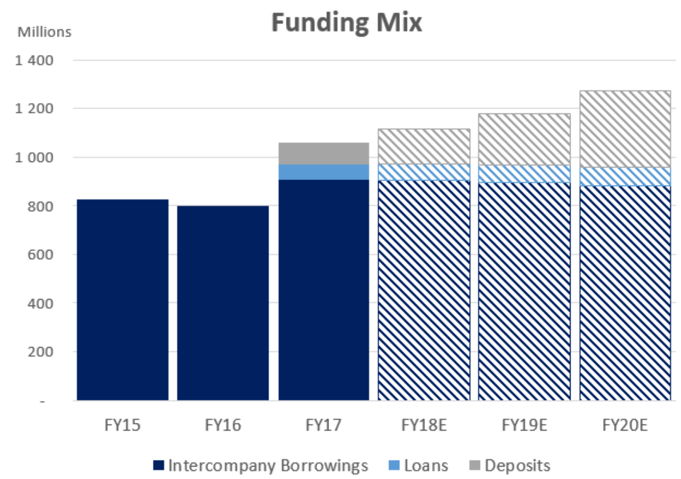


	2015	2016	2017
Number of Borrowers	47 000	51 000	52 000

Letshego has managed to increase its total number of borrowers to 52,000. This increase of 1,000 borrowers indicates slower growth than the 4,000 increase in total borrowers reported in 2016, which is due to the saturated market share of loanable public servants. This confirms that most of the growth in advances over the period is due to current clients taking out larger loans or maxing out their facility when restructuring their loans.

Management mentioned that the entire loan book of LMFSN is currently pledged as security for the LHL Medium Term Note Programmes on the Johannesburg Stock Exchange (JSE) and group borrowings from commercial banks in Botswana (not BSE listed debt as noted in the financials). Management has indicated that it is looking to release a part of the book, and mentioned that the size of the loan book was about 25% of that of the current book at the time that it was pledged. LHL currently has around R1.3 billion worth of debt trading on the JSE and 300m Botswana Pula worth of debt trading on the BSE. The notes to the financial statements specified that N$2.085 billion worth of the advances portfolio is pledged at present.

Funding



LHN is still predominantly funded by intercompany borrowings. Intercompany payables due to LHL increased by N$107.7 million during the year, and currently stands at N$907.1 million. This consists of a loan from LHL and a relatively small loan from Erf 8585 (Pty) Ltd. The loan from LHL currently amounts to N$904.7 million. It is unsecured, and interest is calculated monthly in arrears at a variable rate of prime plus 2%. The loan is repayable in variable monthly instalments and matures on 30 November 2024. The intercompany loan with Erf 8585 (Pty) Ltd is also unsecured and currently does not bear interest. No fixed repayment terms are in place.

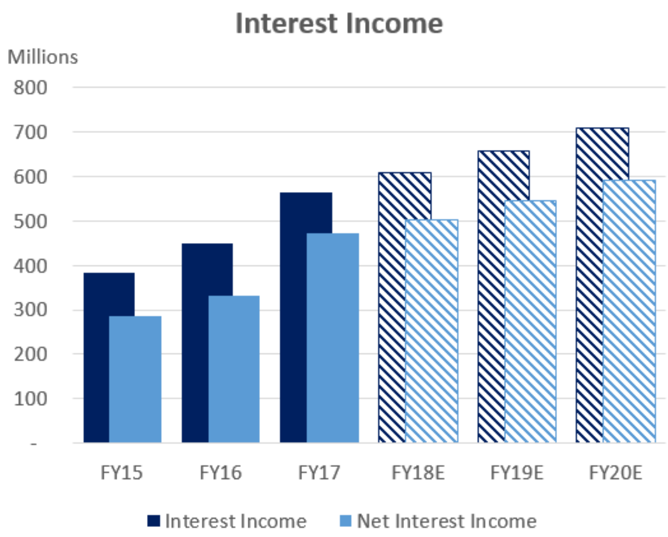
Deposits due to customers are included in funding sources for the first time, contributing N$90.2 million. This consists almost exclusively of term deposits in 2017. The first current accounts have also been opened during the year but at N$24,525 are insignificant at present. With the roll out of the company's banking solution, LetsGo, we expect deposits to increase at a steady rate over the coming years.

The company currently offers customers 7% interest on deposits up to N$5,000 and 3.5% on larger deposits which, in our view, is competitive when compared to the rest of the banking industry and should be an attractive choice for low income earners.

The funding mix also includes a new unsecured loan of N$63.6 million extended to LHN from First National Bank and matures on 31 January 2019. The loan bears interest at prime less 0.3% and is repayable in quarterly instalments. The debt covenant requirement attached to the loan is that the bad debt ratio does not exceed 10% and the cash collection ratio exceeds 85%. There is no further information on the current bad debts and cash collection ratios in the financials.

According to management, LHN is in full control of where they source their funding from, and is not under pressure from LHL to source financing from them. It would currently be cheaper for LHN to make use of local wholesale funding than group funding. However, as noted above, LHN still made substantial use of additional funding from the parent company during 2017.

Interest Income and Expenses



The growth in advances has seen interest income from lending activities increase by 25.2% y/y to N$563.4 million, while net interest income after impairments increased by 42.2% to N$471.3 million.

LBN lending rates are currently capped at 1.6x the Prime Interest Rate, whilst LMFSN maximum lending rate is capped at 2x the Prime Interest Rate as per the Usury Act.

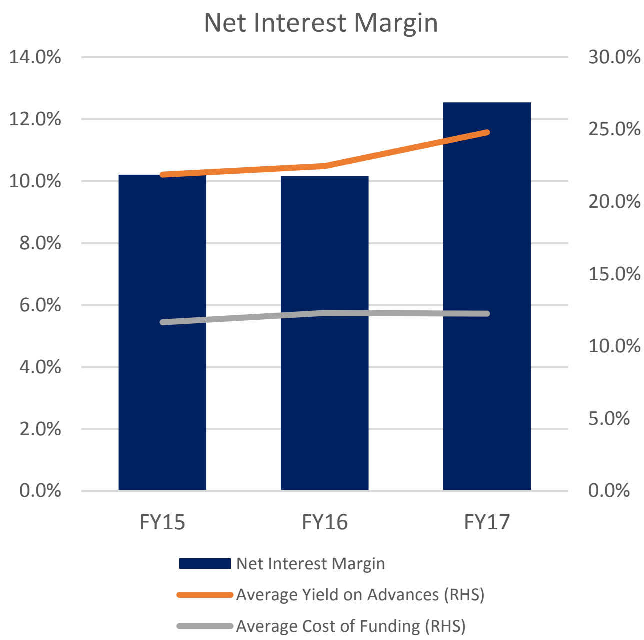
The average interest rate charged on loans amounted to 24.8% in 2017 or 2.4x average prime. The difference between the average interest rate charged and the maximum lending rates is due to collection and other fees included in interest income.

Interest expense for the year consisted entirely of interest paid for related party loans. Interest expense increased by 14.1% to N$114.0 million from N$99.9 million in 2016. Interest expense is expected to increase as new sources are added to the funding mix.

Management do not expect the Bank of Namibia to deviate from the South African Reserve Bank's Monetary Policy decisions regarding interest rate changes and expect interest rates to remain flat for the rest of the year (at the time we engaged them in May).

Net Interest Margin

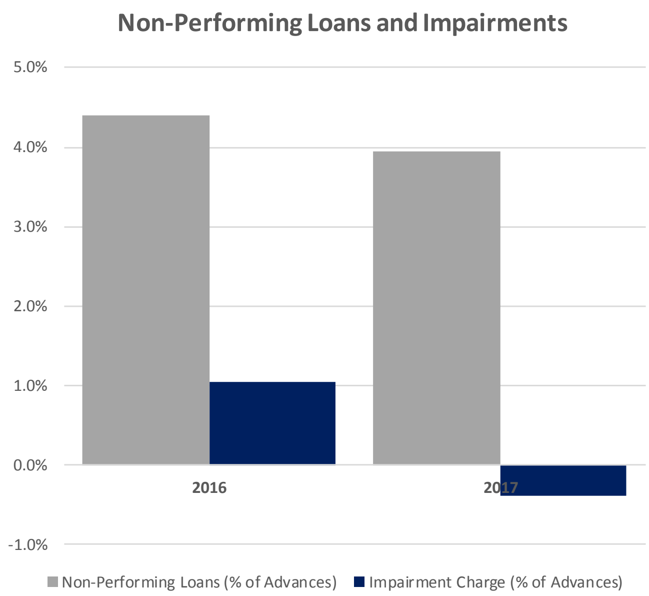
Letshego's net interest margin increased from 10.2% to 12.5% in 2017. This is much higher than the other commercial banks due to the higher interest rates that are charged on unsecured loans.



Most the growth in the net interest margin was due to an increase in the average interest charged on advances to customers, which increased by roughly 2.3 percentage points to 24.8% during 2017. The average cost of funding decreased slightly from 12.31% to 12.26%, largely due to cheaper funding from customer deposits and the August repo rate cut. A larger decrease in the average cost of funding would have been expected had LHN made less use of LHL funding.

As mentioned in our initiation report, funding costs are expected to decrease over time as new, lower cost sources are added to the funding mix. The FNB loan and customer deposits are the start of this.

Non-Performing Loans and Impairments



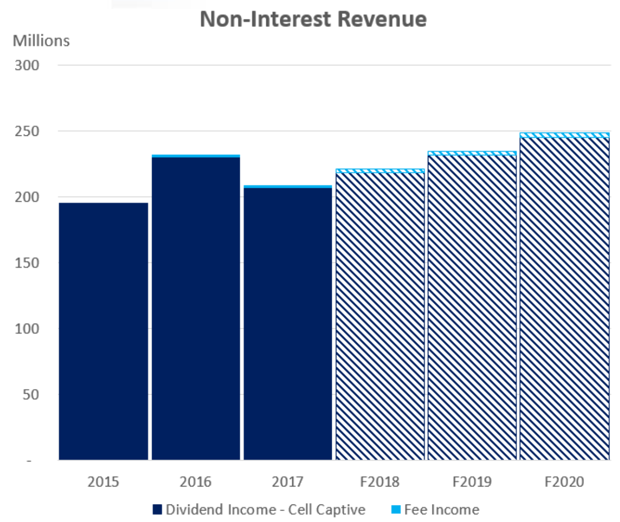
The group recorded a credit impairment release of N$9.6 million in FY17, which management indicated is due to high collection and recovery rates.

Letshego has been quite conservative with extending loans to private sector clients thus far. Letshego operates on a deduction at source model and thus implementation in the private sector involves connecting with, and doing due diligence on, private companies. Management noted that it will focus on larger companies with a proven track record, as the work required to analyse a company takes more or less the same amount of time irrespective of its size.

At present, about 2% of the company's loan book consists of private sector clients, with management indicating that the company aims to increase this to 30% over time.

Non-performing loans for the period increased by N$2.3 million but decreased by 0.5% as a percentage of advances to 3.9%. This is well in excess of NPLs of the rest of the commercial banking sector, but is expected from an unsecured lender. Some default protection is provided by the cell captive arrangement with Hollard, subject to qualifying credit loss events.

Non-Interest Revenue



Non-interest revenue amounted to N$208.8 million in 2017, a decrease of N$23.4 million from the N$232.2 million non-interest income recorded in 2016. Non-interest revenue consisted almost entirely of dividend income from the cell captive arrangement with Hollard Insurance.

LHN holds 110 "Class A" shares, of par value N$0.01 each, representing an 85% holding, in Hollard Life Namibia Limited, a cell captive which provides insurance cover for qualifying credit loss events on the entity's customer advances portfolio. Hollard currently administers two cell captives on behalf of LMFSN and LHN, one for long term and one for short-term insurance. The customer (the long-term policy holder) and Letshego (the short-term policy holder) pays premiums to the cell captives and claims are paid to the respective policyholders. All claims that emerge are paid out from the cell's assets, and any profit remaining after the insurer's fees and taxes are deducted are paid to the corporate entity. Twice a year, dividends are declared from Hollard back to LHN / LMFSN based on available reserves in the respective captives.

The company included fees and commission earned from services to LBN customers in the financial statements for the first time, but at N$3,715 this is currently still insignificant. These fees are expected to increase over the coming years as the company transitions into the transactional banking space.

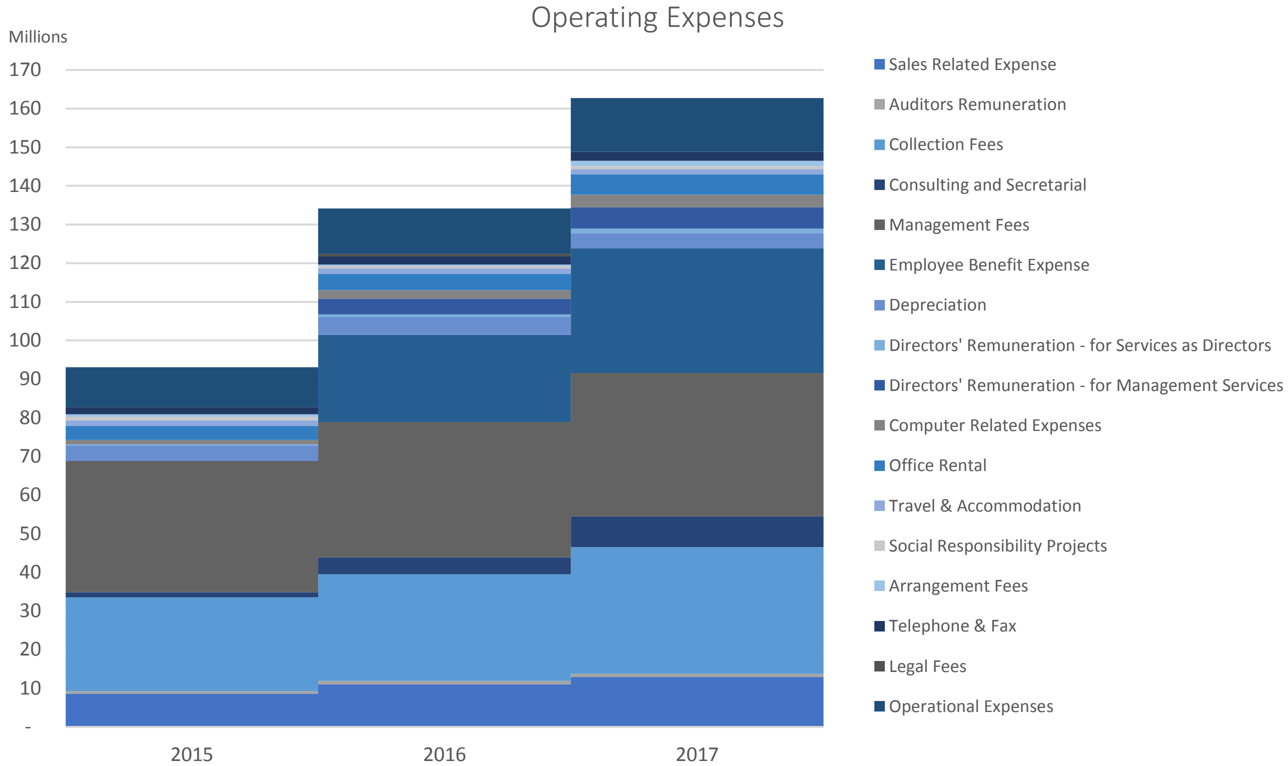
Operating Expenses

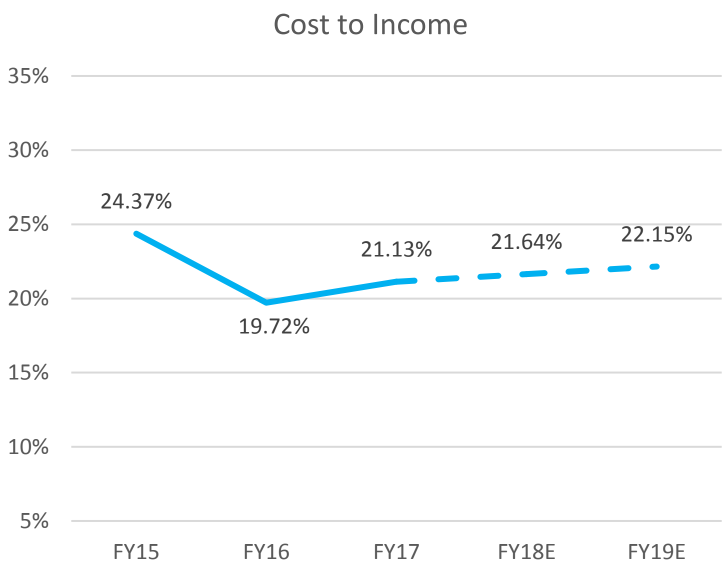
Operating expenses increased in 2017 by 21.3% to N$162.7 million. Management fees make up the largest share of operating expenses for Letshego at N$37.1 million. Management indicates that the intention is to benchmark the management fee payable to the parent company to the rest of the commercial banks. While it is currently not determined on a fixed percentage, the aim is to keep the fee below 10% of profit before tax.

The credit impairment release for 2017 has been stripped out of operating expenses in our analysis due to it being recorded separately in the statement of comprehensive income.

The company's number of full-time employees increased to 98 in 2017, from 86 employees in 2016. Employee benefits increased by 42.1% from N$26.6 million in 2016 to N$37.9 million in 2017. Most of this hike stems from increases in salaries and incentive bonuses which grew by 29.4% and 71.6% respectively.

Operating expenses, especially employee benefit expenses and computer related expenses, are expected to increase over the next few years as the company expands and employs more full-time workers.

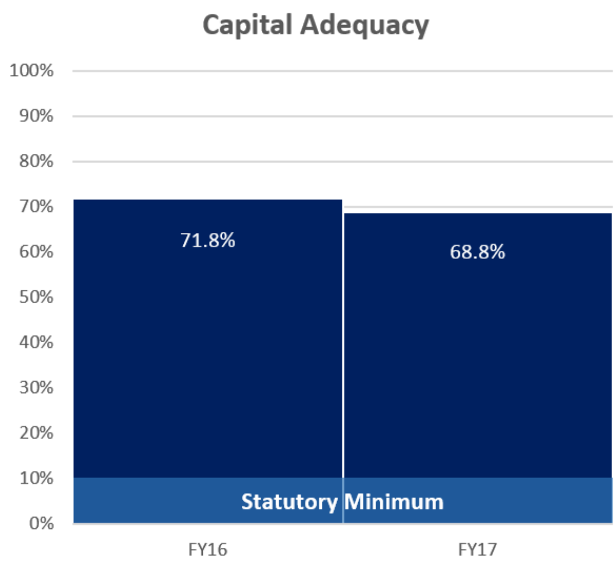




The cost-to-income ratio saw an increase to 21.1% in 2017 from 19.7% (IJG's calculations) in 2016 on account of initiatives associated with the banking implementation. This is despite the recovery of bad debts in FY17 and an impairment in the previous year.

Management expects that the cost-to-income ratio will increase going forward as the company's banking operations are rolled out, but that it will remain within their threshold (not given). Namibian listed commercial banks, as a reference, typically have a cost-to-income ratio of over 50%. Letshego, however, does not have the legacy infrastructure of these entities, and may thus be able to keep this ratio lower. Management further stated that there is generally a lag before returns are seen from investments made.

Capital Adequacy



LHN is required to keep its capital adequacy ratios higher than the regulatory minimum, in line with BoN BID 5, since the Bank has been operational for less than 3 years. Management has indicated that the company is already compliant with IFRS 9 and do not expect any major shocks regarding the implementation of this standard.

The capital adequacy ratio of Letshego has decreased by 3.0 percentage points to 68.8% in 2017, but still remains significantly higher than the banking regulation requirement of 10% and the Bank of Namibia specified minimum capital amount of N$567 million, which the company has to adhere to due to the abovementioned reasons.

The prospectus states that the ratio is higher than the Banking regulation, "due to the historic accumulated Tier 1 capital that were utilised for building the business". The company expects the ratio to decrease over the next few years due to expected dividend declarations. Management indicated that the dividend pay-out ratio target of 25% of profit after tax as set out in the IPO Prospectus is maintainable and that there might even be an increase going forward.

The company continues to have a very low gearing ratio and has an abundance of equity capital and as such should remain well capitalised for the foreseeable future. The Bank of Namibia regulatory requirements for banks operating in Namibia are as follows (LBN differs due to being operational for less than three years):

INDICATORS	LBN LIMITS	REGULATORY REQUIREMENTS
Capital Adequacy Ratio	Minimum 15%	Minimum 10%
Tier 1 Capital Ratio	Minimum 9%	Minimum 7%
Leverage Ratio	8%	6%

Source: *Letshego IPO Prospectus*

Outlook

With the high number of public sector employees already signed up for a loan at Letshego, coupled with potential regulatory changes, such as a debt-service-to-income ratio limit, we do not expect the current high growth rate of advances to be sustained in the long-term. We expect the growth in advances to be primarily driven by the further extension of loans to the private sector.

We are optimistic about the rollout of the group's commercial banking operations, where the company should have a competitive advantage due to low transactional fees and relatively high interest rates offered on deposits. The fact that the group already has a client base of 52,000 individuals, and growing, is another factor that differentiates Letshego's efforts in the banking space from prior attempts by companies such as EBank. At present Namibians are still very dependent on branches but as more and more individuals transition to electronic banking channels it does present opportunities for institutions such as Letshego which have a low cost base and less legacy infrastructure to maintain. This may give Letshego enough room to break into the highly competitive banking market.

Some risk does lie in the fact that the loan book has been pledged as security for the LHL Medium Term Note Programmes on the JSE and group borrowing from commercial banks in Botswana. This is something that LHN is actively looking at addressing.

LHN is a highly profitable company at present with much room to grow assets due to the high capital base. We do expect the net interest margin to contract somewhat going forward and the cost-to-income ratio to increase but asset growth should accommodate much normalisation in these rates without dampening profitability much.

Valuation

As with the other financial institutions we make use of a justified price-to-book multiple to value this company. We establish a cost of equity of 17.1%, consisting of a risk-free rate of 10.3% (based on the IJG Generic 10-year bond yield), an equity risk premium of 5.0% and an unsystematic risk premium of 2.0%. Based on this cost of equity, a conservative long-term growth rate for the company of 8.0%, and a long-term sustainable Return on Equity of 20.0%, we believe a Price-to-Book multiple of 1.30x can be justified. Given an expected book value per share of N$c369 in FY18, we derive a target price of N$c479 per share or an expected return of 19.7%. As a result of the apparent discount to fair value, we maintain our **BUY** recommendation.

Sensitivity to our assumptions is presented below:

Price-to-Book Multiple		LT Sustainable ROE				
		19.0%	19.5%	20.0%	20.5%	21.0%
Long-Term Growth Rate	7.0%	1.17	1.22	1.27	1.32	1.37
	7.5%	1.18	1.23	1.28	1.33	1.38
	8.0%	1.19	1.24	**1.30**	1.35	1.41
	8.5%	1.20	1.26	1.31	1.37	1.43
	9.0%	1.21	1.27	1.33	1.39	1.45

Target Price		LT Sustainable ROE				
		19.0%	19.5%	20.0%	20.5%	21.0%
Long-Term Growth Rate	7.0%	4.32	4.50	4.68	4.86	5.04
	7.5%	4.35	4.54	4.73	4.92	5.11
	8.0%	4.39	4.59	**4.79**	4.99	5.19
	8.5%	4.43	4.64	4.85	5.06	5.27
	9.0%	4.47	4.70	4.92	5.14	5.37

Expected Return		LT Sustainable ROE				
		19.0%	19.5%	20.0%	20.5%	21.0%
Long-Term Growth Rate	7.0%	8.0%	15.5%	17.0%	21.5%	26.0%
	7.5%	8.8%	13.5%	18.3%	23.0%	27.7%
	8.0%	9.7%	14.7%	**19.7%**	24.6%	29.6%
	8.5%	10.7%	16.0%	21.2%	26.5%	31.8%
	9.0%	11.8%	17.4%	23.0%	28.6%	34.2%

Summary of Income Statement

	2015	2016	2017	2018E	2019E	2020E
Total Income	**577 645**	**685 703**	**784 585**	842 805	906 032	974 080
Interest Income from Lending Activities	382 067	450 025	563 375	608 445	657 120	709 690
Credit Impairment Release / (Charge)	(200)	(22 083)	9 553	(6 087)	(13 027)	(20 522)
Interest After Impairment	**381 867**	**427 942**	**572 928**	**602 358**	**644 094**	**689 168**
Other Interest Income		3 465	12 376	13 366	14 435	15 590
Interest Expense	(96 172)	(99 943)	(114 038)	(114 038)	(114 038)	(114 038)
Net Interest Income after Impairment	**285 696**	**331 464**	**471 266**	**501 686**	**544 491**	**590 720**
Fee Income		1 943	2 229	2 556	2 932	3 363
Other Operating Income	195 578	230 269	206 606	218 437	231 544	245 436
Employee Benefits		(26 638)	(37 858)	(41 643)	(45 808)	(50 389)
Other Operating Expenses	(113 243)	(107 485)	(124 827)	(132 316)	(140 255)	(148 671)
Operating Profit before Taxation	**368 031**	**429 554**	**517 416**	**548 720**	**592 904**	**640 461**
Taxation	(95 960)	(99 602)	(132 159)	(126 206)	(154 155)	(166 520)
Profit for the Year	**272 071**	**329 952**	**385 256**	**422 515**	**438 749**	**473 941**
Other Comprehensive Income, Net of Tax	-	-	-	-	-	-
Total Comprehensive Income for the Period	**272 071**	**329 952**	**385 256**	**422 515**	**438 749**	**473 941**
Shares in Issue ('000)	500 000	500 000	500 000	500 000	500 000	500 000
Basic Earnings per Share (cents)	54.41	65.99	77.05	84.50	87.75	94.79
Headline Earnings per Share (cents)		65.99	71.70	78.59	81.61	88.15

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