1H15 Results
Trustco (TUC) released results for the first half of FY15 ended 30 September 2014. The interim results reflect a strong operational performance with profit for the period up 97.8% y/y. Basic EPS and HEPS rose 115.1% y/y to 18.48c and 18.35c, respectively. The board declared an interim dividend of 2.75cps, after no interim dividends were declared in 1H13.

Operational and Segmental Highlights
Trustco previously operated under four segments, Insurance, Education, Finance and Properties, however, after acquiring Fides Bank, the company split into two divisions, namely Banking, which include capital loans and student loans; and Insurance.

Banking
After the acquisition of Fides the banking operations now run a portfolio of lending assets and deposits across five branches in Namibia. Trustco managed to increase revenue for the banking division by 30.3% to N$62.1m in 1H15, while net profit after tax is up 73.4% to N$34.0m. Gross advances grew by 46% from the comparative interim period of 2013, predominantly due to the increased demand for student loans, but also coupled with an increase in secured lending.

Insurance
Total insurance revenue increased 41.6% to N$393.7m and net profit was up a substantial 108.3% to N$94.6m. This division benefited from substantial gains in its investment portfolio. N$15.4m of fair value gains was augmented with realised gains of N$258.0m.

Investment portfolio
Net profit after tax from the investment portfolio increased 456.4% to N$86.0m which was to a large extent on account of the fair value gains as mentioned earlier. Then net profit after tax from the investment portfolio made up more than 90% of total insurance revenue.

Namibia Insurance
The local insurance division delivered disappointing results as management decided not to increase insurance premiums for FY15 to remain competitive in the Namibian market. Net profit from the local insurance operations decreased 26.5% to N$48.2m from N$65.6m in 1H14.

Africa
Performance from the rest of the African operations remained a drag on revenue growth. The African leg of the insurance division delivered inferior results, with revenue down 63.5% to N$9.2m, and the loss after tax increasing further to N$39.6m. The decline in insurance premiums is predominantly due to the termination of the legacy business in South Africa which operated a high premiums receivables base, but very low margins in FY14.

Valuation
We are currently reviewing our Trustco valuation model and will update our forecasts and target price accordingly.
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