BANK WINDHOEK LIMITED

(Incorporated with limited liability under Registration Number 79/081 in the Republic of Namibia)

INFORMATION STATEMENT

IN RESPECT OF THE

ZAR5,000,000,000/NAD5,000,000,000 NOTE PROGRAMME

Bank Windhoek Limited (the **Issuer**) intends to issue notes from time to time (the **Notes**) under the ZAR5,000,000,000/NAD5,000,000,000 Note Programme (the **Programme**) on the basis set out in the Amended and Restated Programme Memorandum dated 30 April 2019, as amended and restated from time to time (the **Programme Memorandum**). The Notes may be issued on a continuing basis and be placed by one or more of the Dealers specified in the section headed "*Summary of Programme*" under the Programme Memorandum and any additional Dealer appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an ongoing basis.

The specific aggregate nominal amount, the status, maturity, interest rate, or interest rate formula and dates of payment of interest, purchase price to be paid to the Issuer, any terms for redemption or other special terms, currency or currencies, form and denomination of Notes, information as to financial exchange listings and the names of the dealers, underwriters or agents in connection with the sale of Notes being offered at a particular time will be set forth or referred to in the terms and conditions contained in the Programme Memorandum (the **Terms and Conditions**), read together with the pricing supplement applicable to any Notes (the **Applicable Pricing Supplement** and this information statement (this **Information Statement**).

Availability of Information

This Information Statement is also available on the Issuer's website http://www.bankwindhoek.com.na**. Other information on the Issuer's website is not intended to be incorporated by reference into this Information Statement**

Recipients of this Information Statement should retain it for future reference. It is intended that the Programme Memorandum read together with the Applicable Pricing Supplement in connection with the issuance of Notes, will refer to this Information Statement for a description of the Issuer, its financial condition and results of operations (if any) and investor considerations/risk factors, until an updated information statement is issued.

Information Statement dated 30 April 2019.

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GENERAL

Capitalised terms used in this section headed "General" shall bear the same meanings as defined in the Terms and Conditions in the Programme Memorandum, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted from Information Statement which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made, and that this Information Statement contains all information required by law and the Debt Listings Requirements of the JSE. The Issuer accepts full responsibility for the accuracy of the information contained in this Information Statement.

In addition, the Issuer, having made all reasonable inquiries, confirms that this Information Statement contains or incorporates all information which is material in relation to the issuing and the offering of the Notes, that all information contained or incorporated in this Information Statement is true and accurate in all material respects and that the opinions and the intentions expressed in this Information Statement are honestly held and that there are no other facts, the omission of which, would make this Information Statement or any of such information or expression of any such opinions or intentions misleading in any material respect.

The Arranger(s), Dealer(s) and the professional advisors have not separately verified the information contained in this Information Statement. Accordingly, no representation, warranty or undertaking, expressed or implied is made and no responsibility is accepted by the Arranger(s), Dealer(s) or any of the professional advisors as to the accuracy or completeness of the information contained in this Information Statement or any other information provided by the Issuer. None of the Arranger(s), Dealer(s) nor any of the professional advisors accepts any liability in relation to the information contained in this Information Statement or any other information provided by the Issuer in connection with the Notes. The statements made in this paragraph are without prejudice to the responsibilities of the Issuer.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Information Statement or any other information supplied in connection with the issue and sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger(s), the Dealer(s) or the professional advisors. Neither the delivery of this Information Statement nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof, or that any other financial statement or other information supplied in connection with the Information Statement is correct at any time subsequent to the date indicated in the document containing the same.

Neither this Information Statement nor any other information supplied in connection with the Notes constitutes the rendering of financial or investment advice by or on behalf of the Issuer, the Arranger(s), the Dealer(s) or any professional advisor.

This Information Statement and any other information supplied in connection with the Notes is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuer, the Arranger(s), the Dealer(s) or any professional advisor, that any recipient of this Information Statement should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Each potential investor should consult its own advisors to make its investment decision and to determine whether it is legally permitted to purchase the Notes under Applicable Laws and regulations.

Neither this Information Statement nor any other information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of the Issuer, the Arranger(s), the Dealer(s) or the professional advisors to any person to subscribe for or to purchase any Notes.

This Information Statement does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the Issuer, the Arranger(s), Dealer(s), nor any professional advisor, represents that this Information Statement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available there under, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger(s), the Dealer(s) or the professional advisors which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Information Statement nor any advertisement nor other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any Applicable Laws and regulations. The Arranger(s) or the Dealer(s) has represented that all offers and sales by them will be made on the same terms and in compliance with this prohibition.

The distribution of this Information Statement and the offer for the subscription or sale of Notes may be restricted by law in certain jurisdictions. Currently, the Notes are only available for subscription by South African residents. Persons into whose possession this Information Statement or any Notes come must inform themselves about, and observe, any such restrictions. In particular there are restrictions on the distribution of this Information Statement and the offer for the subscription or sale of Notes in the United States of America, the European Economic Area, the United Kingdom and South Africa.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold in the United States of America or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). The Notes will be offered and sold only in offshore transactions outside the United States of America in accordance with Regulation S and, subject to certain exceptions, may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of, US Persons.

Information and opinions presented in the Information Statement were obtained or derived from public sources that the Arranger(s), the Dealer(s) or the professional advisors believe are reliable but make no representations as to the accuracy or completeness thereof. Any opinions, forecasts or estimates (if any) herein constitute a judgment as at the date of this Information Statement. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. Past performance should not be taken as an indication or guarantee of future performance and no representation or warranty, express or implied is made regarding future performance. The price, value of and income from any of the securities or financial instruments mentioned in this Information Statement (if any) can fall as well as rise. Any opinions expressed in this Information Statement are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of the Arranger(s), the Dealer(s) or the professional advisors as a result of using different assumptions and criteria. Furthermore, the Arranger(s) or the Dealer(s) (and their respective directors, employees, representatives and agents) or any professional advisors accept no liability for any direct or indirect loss or damage incurred arising from the use of the material presented in this Information Statement, except as provided for by law.

All trademarks, service marks and logos used in this Information Statement are trademarks or service marks or registered trademarks or service marks of the Issuer. This Information Statement may not be reproduced without the prior written consent of the Issuer, the Arranger(s) or Dealer(s). It may not be considered as advice, a recommendation or an offer to enter into or conclude any transactions.

Copies of this Information Statement are available by request from the registered offices of the Issuer.

BUSINESS DESCRIPTION OF BANK WINDHOEK LIMITED

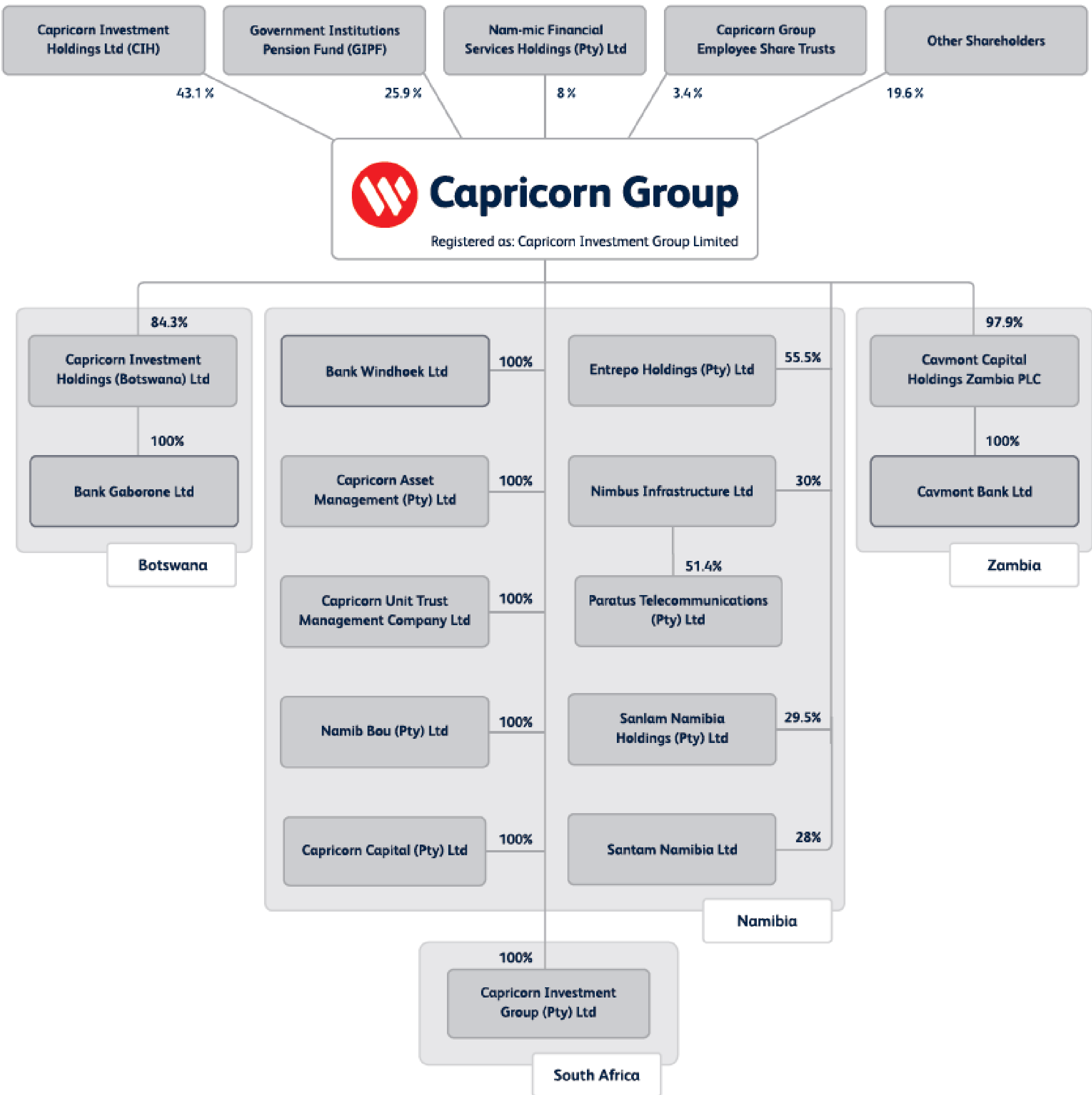
Capitalised terms used in this section headed "Business Description of [Name of Issuer]" shall bear the same meanings as defined in the Terms and Conditions in the Programme Memorandum, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Capitalised terms used in this section headed "Description of Bank Windhoek Limited" shall bear the same meanings as those used in the Terms and Conditions, except to the extent that they are separately defined in this section or are clearly inappropriate from the context.

1. **INTRODUCTION**

1.1. The Issuer, a wholly-owned subsidiary of Capricorn Investment Group Limited (Capricorn Group) (previously Bank Windhoek Holdings Limited (BWH)). Capricorn Group is an investment holding company with interests in various companies in the financial banking, insurance, asset management, and microfinance sector industries of Namibia, Botswana and Zambia.

1.2. As at the Programme Date, Capricorn Group's group structure can be diagrammatically depicted as follows:



1.3. The Issuer is the flagship subsidiary of Capricorn Group. At 30 June 2018 the Issuer contributed 86% to Capricorn Group’s net profit after tax and 81% to the net asset value of Capricorn Group.

1.4. The Issuer has established itself as one of the leaders in the financial services industry in Namibia with total assets of NAD37.2billion as at 30 June 2018 and a national retail branch network of 55 branches and agencies, as well as specialist branches for Emerging Small and Medium Enterprises, which includes Small and Medium Enterprises (ESME) Finance, Vehicle & Asset Finance, Property Finance and Microfinance. The Issuer also has a Corporate and Executive Banking Division with offices in Windhoek, Oshakati and Walvis Bay and offers foreign exchange services through its own branches

1.5. The Issuer further has 120 ATMs and in addition, a total of 233 the Issuer’s Cash Express ATMs installed at merchants across Namibia in partnership with ATM Solutions Namibia.

2. **BACKGROUND AND HISTORY**

2.1. The Issuer was established in 1982, when a group of local businessmen acquired the operations of Volkskas Bank in Namibia. The objective was to establish a bank controlled and managed in Namibia with a uniquely Namibian ethos and local insight.

2.2. Since 1982, the Issuer has stayed true to its vision of providing banking services for all Namibians and its business philosophy of building long-lasting relationships with its stakeholders. The Issuer’s existence has always been characterised by a strong commitment to understanding the individual banking needs of all Namibians and by fulfilling its role as a partner in the development, economic growth and prosperity of Namibia.

2.3. Highlights of the Issuer over the past 30 years:

1982 The Issuer acquired the business of Volkskas Bank in Namibia.

1990 The Issuer amalgamated with the local branches of Trust Bank and Boland Bank in an effort to rationalise their banking services in Namibia.

1996 The Issuer merged with Namib Building Society.

2000 The Issuer became the first bank in Namibia to establish a dedicated SME branch to provide financing for emerging small and medium enterprises.

2001 Recognising its role as a responsible corporate citizen, the Issuer established its Social Investment Fund. The focus areas of support were (and still are) education and job creation.

Apr 2001 The Issuer successfully converted to its new client centric banking system and became the first bank in Namibia to localise its systems, which included internet banking.

2003 The Issuer’s holding company was one of the forerunners in broad based economic empowerment, with an empowerment transaction which saw Nam-mic Financial Services Holdings (Pty) Limited (**Nam-mic**) acquiring a 7.1% stake in BWH. This transaction demonstrated the Group’s commitment towards socioeconomic transformation and economic empowerment. Over time, Nam-mic’s shareholding increased to 10.5%.

2003 The Issuer was awarded a grant from the Financial Deepening Challenge Fund, sponsored by the British Government’s Department for International Development (DFID). This enabled the Issuer to fast track its expansion into unbanked communities.

2003 The transformation of the Issuer brand with the unveiling of the new modernised corporate identity and slogan ‘Together we do better’.

Nov 2006 Capricorn Investment Holdings Limited (**CIH**) and others acquired Absa’s entire shareholding in BWH, making the Issuer a 100% Namibian owned and controlled bank.

2006	The Issuer was the first bank in Namibia to introduce Cell Phone Banking to the Namibian market.
2006	The Issuer and ATM Solutions Namibia signed an agreement and the first Bank Windhoek Cash Express ATM was installed.
2007	The Issuer successfully completed the rollout of its community banking programme with ten community branches in Noordoewer, Outapi, Eenhana, Opuwo, Aranos, Aminuis, Ongwediva, Okakarara, Oshakati-North and Nkurenkuru.
2009	The international EMEA Finance Magazine recognised the Issuer as the best bank in Namibia, an accolade the Issuer has retained for four consecutive years.
2009	With the implementation of the Namswitch project, the Issuer started its card acquiring business with the rollout of Bank Windhoek Point-of-Sale devices. This Point-of-Sale network has since been expanded to more than 1,280 devices.
Sep 2010	The Issuer became the second-largest bank in Namibia in terms of assets.
Jun 2012	The Issuer became the largest bank in Namibia based on loans and advances.
Jun 2013	BWH successfully listed on the Namibian Stock Exchange on 20 June 2013. With the listing of BWH, the group created an investment opportunity for Namibians and in the process further broadened Namibian ownership in BWH and aided the development of the Namibian capital market. The key highlights of the listing process was that 5,771 applications to the value of N$1.34bn were received and the listing was 3,5 times oversubscribed.
Jun 16	Then on Thursday, 22 September 2016, another profound milestone was reached when a new era, marked with the official renaming of the Bank Windhoek Holdings Group to Capricorn Investment Group Limited and its new brand values and brand proposition, was entered. This sparked the refreshing and rebranding of Capricorn Investment Holdings (CIH), who holds 41% of the shares in Capricorn Group.
Jun 17	During the year under review, Capricorn Investment Holdings Ltd (CIH) sold a 15.5% interest in Capricorn Group to the GIPF (Government Institutions Pension Fund), which resulted in CIH's shareholding in Capricorn Group declining from 56% to 40.5%. Following the transaction, CIH is no longer the holding company of Capricorn Group.

3. SUBSIDIARIES

The Issuer has the following subsidiaries:

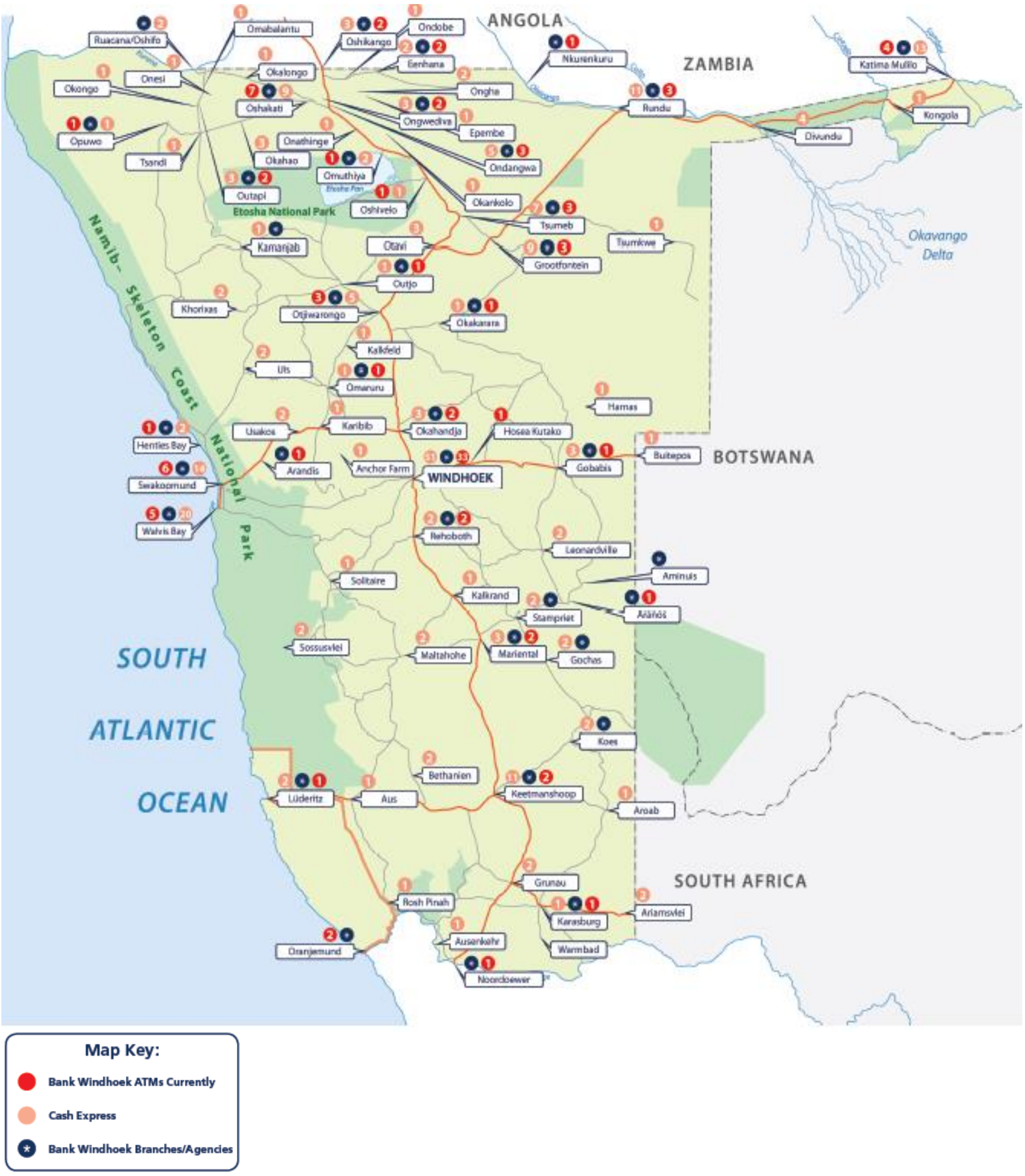
3.1. BW Finance (Pty) Limited (BW Finance) is the vehicle through which the Issuer does its micro lending business in partnership with Nam-mic. The partnership was established in 2002.

3.2. Bank Windhoek Properties (Pty) Limited (Bank Windhoek Properties) owns the Bank Windhoek main building situated at 262 Independence Avenue, Windhoek. The net carrying value of the building as at 30 June 2018 is N$16.0 million Bank Windhoek Nominees (Pty) Limited (Bank Windhoek Nominees) is a nominee company, acting as agent for third party principals to facilitate banking and investment transactions.

4. REVIEW OF OPERATIONS AND DESCRIPTION OF BUSINESS

4.1. Distribution Network

As set out in the graphical illustration below, the Issuer has an extended distribution network covering the entire country of Namibia.



4.2. **Products and Services**

The Issuer offers a wide range of financial services and products and is continuously looking for opportunities to expand and improve its product and services offering.

4.2.1. *Personal Banking*

Personal banking products include various saving and transaction accounts for clients from all age and income groups. The products offered include the Solo account for clients of 18 years and younger, the EasySave account which caters for the lower income group and the SeniorSave account for clients of 55 years and older. Some of these products can be used in conjunction with other products of the Issuer such as a cheque account, cell phone banking, internet banking, investments and loans.

4.2.2. *Cheque Accounts*

The Issuer offers a range of cheque accounts to private and business clients. From standard cheque accounts that satisfy the transactional needs of individual or business clients to various exclusive cheque accounts that offer clients guaranteed cheques and other premium client services.

4.2.3. *Agricultural Packages*

The Issuer is committed to offering its banking services to farming communities and as a result has created an agricultural product range to address the specific needs of its farming clients.

4.2.4. *Savings and Investments*

The Issuer offers a wide range of saving products, from call deposits to fixed and notice deposits. The products are offered to individual, business and corporate clients. Negotiable certificates of deposit and bonds are also issued by the bank.

4.2.5. *Loan Products*

The Issuer has a wide range of loan products to cater for the needs of clients, from unsecured to secured loan options including but not limited to personal loans to individuals on structured terms, overdraft facilities, student loans, home loans, building loans, vehicle and asset finance, micro loans and commercial loans.

4.2.6. *Financial Advice and Planning*

The Issuer offers financial advice relating to clients' finances for retirement. This includes advice on life insurance, short-term insurance, wills and trusts.

Through the Capricorn Group's bancassurance strategy, insurance products, both short-term and life insurance are offered to the customer base of the Capricorn Group. The strategy is implemented jointly by the Issuer, Welwitschia Nammic Insurance Brokers (**WNIB**) and BW Financial Advisors (Pty) Limited (**BWFA**). Santam Namibia and Sanlam Namibia (including Namlife) serve as the preferred product providers in terms of the bancassurance strategy.

4.2.7. *Electronic Banking Channels*

The issuer offers the following electronic channels to their clients:

- Internet Banking for clients to conduct their banking in the privacy of their own home, office or wherever they have access to the Internet;
- Bureau and Batch Statement Services to business clients who wish to sync their statements, and payments or collections directly from or to their accounting systems;
- CellPhone Banking to transfer funds and do banking using a mobile phone, anytime and anywhere within Namibia, where clients have access to MTC network;
- AlertMe, a card notification service that sends SMS messages to alert customers on transactions made with their Bank Windhoek debit cards;
- Point of Sale, being the Issuer's point of sale devices bring convenience and comfort to businesses by allowing for payment of purchases made with a credit or debit card;
- Bank Windhoek App, which is a mobile phone application compatible to run on a wide selection of Android and Apple (iOS) smart mobile devices;
- EasyWallet, the convenient new addition to the Issuer's Full Access CellPhone Banking customer. It is the fast, reliable and secure way to send money to any 081 number, 24 hours a day, from anywhere; and
- GoPay, which allows clients a cashless and convenient way to pay for fuel, using their mobile phones.

4.2.8. *International Banking Services*

The Issuer's international banking services enable clients to send and receive funds internationally in all major currencies. Clients are offered a wide range of border trade and logistics management products to manage cross-border physical and financial supply chains better. A range of products to protect the interests of buyers and sellers is available and both importers and exporters are assisted to ensure optimal solutions for the needs of clients. Foreign currency accounts that function on the same basis as an ordinary call deposit account are offered in some of the major currencies.

Through its international treasury solutions, the Issuer offers a wide range of solutions to corporate and business clients. Investment products, buying and selling of foreign currency and hedging strategies to limit exchange rate risk are some of the services offered.

Foreign exchange services are offered through the retail branch network.

4.2.9. *ESME Finance*

The Issuer assists existing and prospective business owners to obtain finance that will enable them to start up or develop their businesses. Financing options available to ESMEs include residential building loans, vehicle and asset finance and commercial loans.

4.2.10. *Corporate and Institutional Banking*

Corporate banking advisors manage the banking business and relationship with corporate and Institutional clients of the Issuer. This division also provides customer-centred services and solutions to government, parastatals, international organisations, multinationals and Namibian corporates.

4.2.11. *Private Wealth*

A Wealth Management initiative was launched to offer a unique service to the high net worth individuals within Namibia, by taking all our expertise, knowledge and experience from the Issuer and Capricorn Asset Management to create a boutique wealth and investment management experience for high net worth individuals.

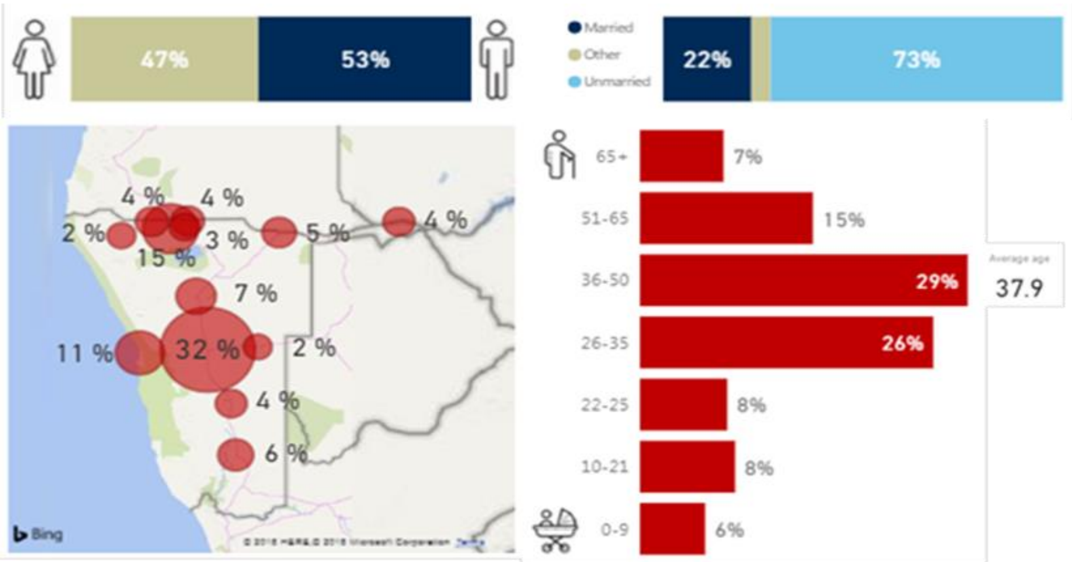
4.2.12. *Women's Banking*

The issuer introduced a unique financial solution for women, an initiative geared towards assisting businesswomen with offerings and a solution to equip them with a comprehensive range of personal and business tools, while rewarding them with well-deserved benefits and empowering each businesswomen to address the unique challenges they face.

4.3. **Client Profile and Demographics**

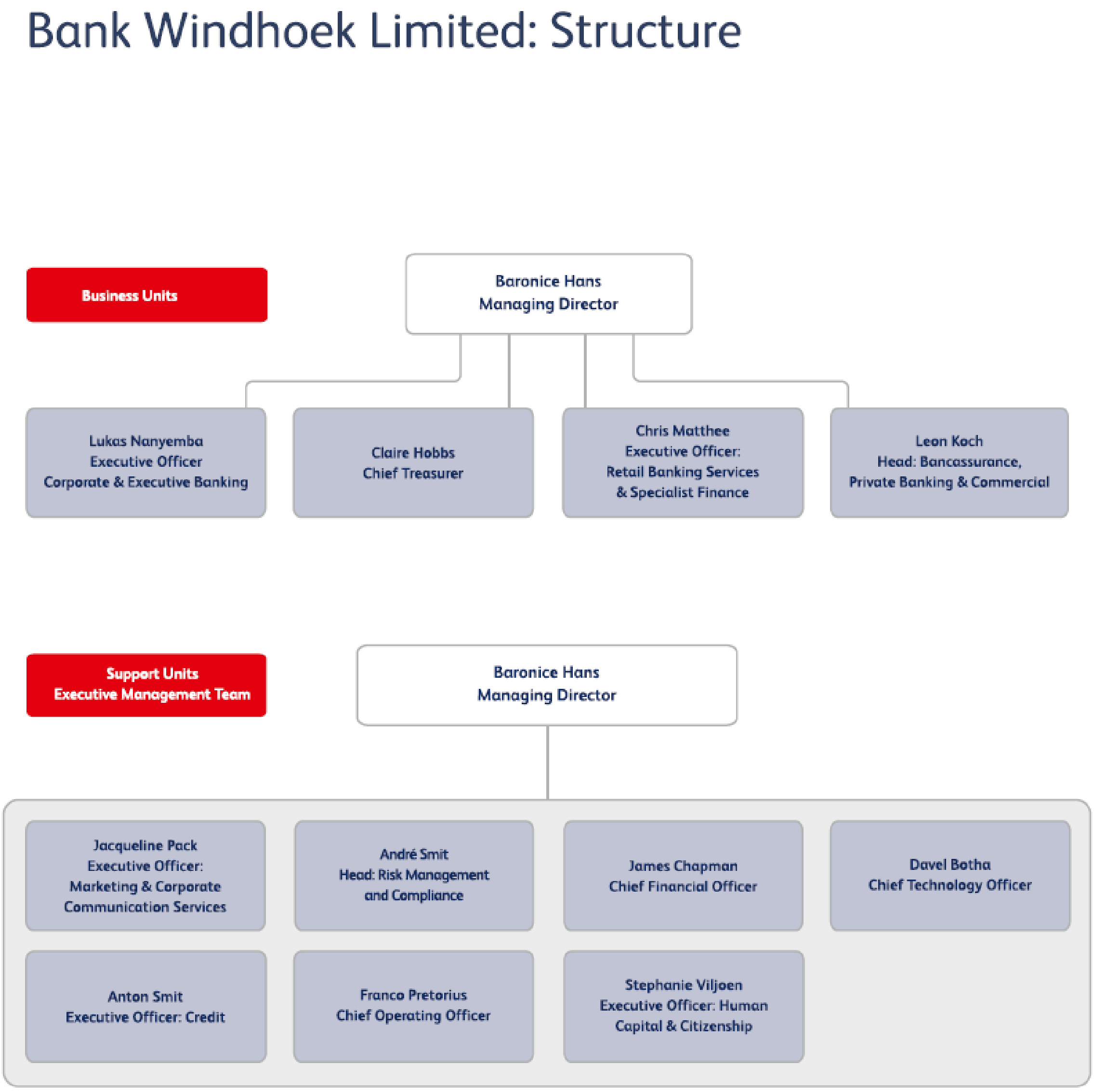
4.3.1. *The* Issuer's client base includes international and multinational companies, state owned enterprises, leading Namibian companies, large municipalities, high net worth individuals, ESMEs and private individuals, including students and scholars.

4.3.2. *Below* is the demographic profile of the Issuer's clients as at December 2017:



5. **MANAGEMENT STRATEGY**

5.1. **Organogram and structure as at the Programme Date:**



5.2. **Staff Complement and Training**

5.2.1. The Issuer has a stable and committed workforce and continues its efforts to attract the best talent available. The Issuer currently employs more than 1,500 staff members of whom only 16 are non-Namibian employees.

5.2.2. The continuous development of its employees' knowledge, skills and abilities forms a vital part of the Issuer's overall business strategy to meet the challenge of growing the business and servicing its clients. The Accelerated Training Programme has put on hold and in light of this, we are in the process of revising the leadership development offering as well as programmes for development within the organization. All employees are given the opportunity to participate in the Issuer's various training and development programmes, which include operational training, skills training and assistance to obtain qualifications through the Institute of Bankers. The Issuer, through its Bursary Scheme, assists Namibian students studying at institutions of higher learning as well as students learning at other vocational and academic institutions.

5.2.3. The Issuer's Learning and Development Centre is an educational facility established for the training and educational requirements of its employees and the employees of Capricorn Group and all its subsidiaries.

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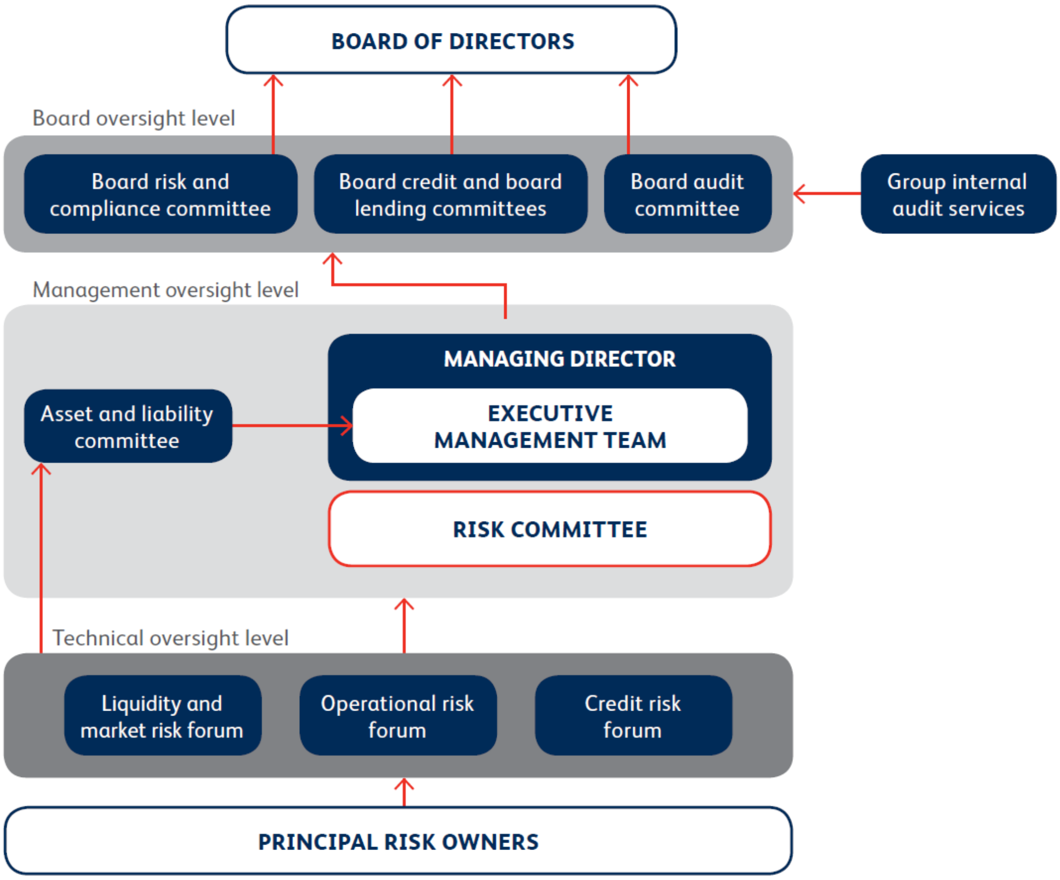
6. **RISK MANAGEMENT**

6.1. **Risk management governance**

6.1.1. The board of directors of the Issuer is ultimately accountable for any financial loss or reduction in shareholders' value, and therefore has a duty to make the necessary enquiries to ensure that the requisite systems, practices and culture are in place to manage all risks to which the Issuer is exposed. This risk management/control responsibility in respect of the Issuer has primarily been delegated to the Board Risk and Compliance Committee (**BRC**) and Board Audit Committee (**BAC**), board committees established by the board of directors of the Issuer, which committees report back to the board of directors. The BRC and BAC are governed by formal, written terms of references and the board of directors of the Issuer is satisfied that the BRC and BAC has complied with all responsibilities under their mandates. The BRC and BAC places substantial reliance on the risk management structure as set out below:



The BRC and BAC, whose chairmen are independent non-executive directors of the Issuer, were established to ensure the Issuer's compliance with the requirements of the Banking Institutions Act and, more specifically, to oversee sound risk management, accounting, internal audit, management assurance, internal control, compliance, forensics and ethics structures. The external auditors have unrestricted access to these committees, which ensures that its independence is in no way impaired.

6.1.2. During recent years and with the implementation of BASEL requirements by the Bank of Namibia, risk management within the Issuer has become a focal point. To assist the BRC in monitoring exposures to risks in the day-to-day operations, a risk committee comprising members of the executive management team of the Issuer meets on a monthly basis. The primary responsibility of this team is to evaluate the risk management model employed by the Issuer, determine the overall risk profile of the Issuer and to provide recommendations to manage identified, unidentified and potential risks.

6.1.3. The risk management function, including operational risk analysis and financial risk analysis (i.e. market risk, liquidity risk and credit risk), provides independent risk oversight. The compliance function also reports to this unit and has a primary function of setting bank-wide standards for achieving compliance with the relevant laws, regulations and supervisory requirements, as well as industry and international best practice. The risk management function is headed by the Head: Risk Management and Compliance, who is a member of the executive management team of the Issuer. The Head: Risk Management and Compliance, who has unrestricted access to the chairman of the BRC and BAC, reports directly to the managing director of the Issuer. The risk management function is responsible for establishing and driving the implementation of the risk management framework (i.e. the Group Risk Internal Control and Assurance Framework), which includes policies, procedures, standards, methodology and processes.

6.2. **Risk Management Framework**

6.2.1. The Issuer has set in place a risk management framework to receive information on the effectiveness of measures to identify and address significant internal risks arising from the operations of the Issuer, as well as external risks arising from the external environment in which the Issuer operates, including the design and operating effectiveness of internal control to mitigate the identified risks.

6.2.2. The risk management approach of the Issuer is to ensure that all risks that may have a significant or potential negative impact on the Issuer are identified and managed. The risk management policies, approved by the BRC, define the major risks, called principle risks, that the Issuer is exposed to, as well as how the identified risks should be assessed, monitored, controlled/mitigated and reported. The framework also establishes and quantifies the risk appetites for each category of principal risk the Issuer is exposed to.

6.2.3. In order for the Issuer to determine the extent to which potential events have an impact on the achievement of its objectives, a risk assessment process is followed. Within this process, risks identified are subject to the assessment of the likelihood of occurrence, the magnitude of impact and its risk rating. Each risk is required to have a risk response, representing the Issuer's response to mitigate or accept the risk.

6.2.4. As operational risk events continuously evolve arising from external market changes and other environmental factors, as well as from new products, activities and/or systems, the ongoing review of the operational risk management framework is a crucial link in the risk management process.

6.3. Internal Control

6.3.1. The Issuer maintains systems of internal control over financial reporting and over the safeguarding of assets against unauthorised acquisition, use or disposition. These are designed to provide reasonable assurance to the Issuer and each subsidiary of the Issuer's management and board of directors regarding the preparation of reliable published financial statements and the safeguarding of the Issuer's assets. An approved Business Continuity Plan is in place, which is tested annually. The entities over which the Issuer does not have control, and which are not included in the Business Continuity Plan, are not significant to the operations of the Issuer. The directors will however seek assurance that significant risks pertaining to these entities are managed and that any system of internal control is operating effectively.

6.3.2. The systems include a documented organisational structure and division of authority and responsibility, established policies and procedures that drive the governance and control environment and which are communicated throughout the Issuer's business, and the proper training and development of its people.

6.3.3. The group internal audit function is an independent objective assurance and consulting function created to add value and improve an organisations operations. It helps the Issuer to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

6.4. External Auditor

The external audit policy, as approved by the Board Audit Committee (BAC), ensures that the independence of the external auditors is in no way impaired and consequently also governs non-audit services performed by the external auditor. The BAC approves the external auditor's terms of engagement, agrees to the scope of work and the annual audit plan.

7. BOARD OF DIRECTORS

7.1. Directors:

As at the Programme Date, the following individuals serve as directors on the board of directors of the Issuer:

Johan Swanepoel (Chairman)

Jacobus Brandt

Baronice Hans (Managing Director)

Marthinus Johannes Prinsloo

Brian Black

Gida Nakazibwe-Sekandi

Frans du Toit

Gerhard Fourie

7.2. **Executive Management Team of the Issuer:**

The executive management team of the Issuer consists of the following members as at the Programme Date:

a) **Jacqueline Pack** (40), Bachelor of Commence, UNISA
Executive Officer: Marketing and Corporate Communication Services

b) **Lucas Nanyemba** (45), B.Tech Marketing, MBA
Executive Officer: Corporate & Institutional Banking

c) **Anton Smit** (58), BCom CAIB
Executive Officer: Credit

d) **Christiaan Beyers Matthee** (53), BComm (Hons)
Executive Officer: Retail Banking Services

e) **André Smit** (46), BCompt (Hons), C.A. (S.A.), C.A. (Nam)
Risk Management Department- Head of Non-Financial Risk and Compliance

f) **Jacobus Willem Francois Pretorius** (47), MBA
Chief Operating Officer

g) **Claire Hobbs** (54), BComm CAIBSA
Chief Treasurer

h) **James Chapman** (33), B.Acc, PDA
Chief Financial Officer

i) **Stephanie Viljoen** (42)*, Master of Arts in Industrial Psychology
Executive Officer: Human Capital & Citizenship

j) **Leon Koch** (46), SMDP, MDP, PMP
Head: Private Banking & Commercial

k) **Kobus Hough** (42) Degree in Information Technology
Head IT Architecture

* These executive management team members are currently employed by Capricorn Group and assigned to the Issuer.

8. CORPORATE GOVERNANCE AND REGULATORY FRAMEWORK

8.1. The Group (including the Issuer) and its directors are committed to the principles of effective corporate governance, the application of the highest ethical standards in the conduct of its business and affairs and the principles of employment equity throughout its operations.

8.2. The board of directors has appointed the following committees as at the Programme Date:

8.2.1. Group Board Sustainability and Ethics Committee;

8.2.2. Board, Risk and Compliance Committee;

8.2.3. Board Audit Committee;

8.2.4. Board Credit Committee;

8.2.5. Board Lending Committee;

8.2.6. Group Board Human Resources Committee;

8.2.7. Group Board Nominations Committee;

8.2.8. Group Board Remuneration Committee;

8.2.9. Group Talent Investment Board;

8.2.10. Board Investment Committee;

8.2.11. Board Executive Committee; and

8.2.12. Group Board IT Committee.

8.3. The Group's approach to good corporate governance

8.3.1. The Capricorn Group is committed to the principles of corporate governance which is characterised by discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. By subscribing to these principles, the Group believes all stakeholders' interests are promoted, including the creation of long-term shareholder value.

8.3.2. The board and its committees are responsible for establishing effective leadership, ethical practices and ensuring the appropriate application of governance practices and principles contained in the NamCode, the Corporate Governance Code for Namibia. The board believes that, based on the structures, policies and practices established, the Group substantially applies the principles contained in the NamCode. The board monitors the group's application of relevant corporate governance principles.

8.4. The Board of Directors of the Issuer

8.4.1. The board plays a pivotal role in the Issuer's corporate governance system. An overriding principle in regard to the board's deliberations and approach to corporate governance will be that of intellectual honesty.

8.4.2. The board, as constituted by the Namibian Companies Act, is governed by the board charter. The purpose of this board charter is to regulate how business is to be conducted by the board in accordance with the principles of good corporate governance. The board charter sets out the specific responsibilities to be discharged by the board members collectively and the individual roles expected from them.

8.5. Role of the board of the Issuer

8.5.1. An important role of the board is to define the purpose of the group (which is its strategic intent and objectives as a business enterprise) and its values, which constitute its organisational behaviour and the norms to achieve its purpose. Both the purpose and the values are considered to be clear, concise and achievable. The group's strategy is considered, agreed and evaluated annually, prior to the approval of the annual budget. Implementation is monitored at the board and executive meetings quarterly. The board also ensures that procedures and practices are in place that protect the group's assets and reputation. Further responsibilities of the board include the establishment, review and monitoring of strategic objectives, approval of major acquisitions, disposals and capital expenditure and overseeing the group's systems of internal control, governance and risk management.

8.5.2. A schedule of matters reserved for the board's decision details key aspects of the group's affairs that the board does not delegate, including the approval of business plans and budgets, material expenditure and alterations to share capital. The board annually approves the meeting programme. There are at least four board meetings per year. The board as a whole remains responsible for the operations of the group, but to assist in discharging its responsibilities, it delegates certain functions to committees established by the board.

8.6. Board Appointments

Procedures for appointments to the board are formal and transparent. Members of the board are recommended by the Group board nominations and remuneration committee which is chaired by an independent non-executive director of the Issuer, and the majority of members are non-executive. Casual vacancies will only hold office until the next annual general meeting at which time they will retire and become available for election. Executive directors will be engaged on employment contracts, subject to short-term notice periods, unless longer periods are approved by the board.

8.7. Board Risk and Compliance Committee

8.7.1. The BRC, whose chairman is an independent non-executive director, was established to oversee sound risk management, accounting, internal audit, management assurance, internal control, compliance, forensics and ethics structures, and to liaise with the external auditors. Both the internal and external auditors have unrestricted access to this committee, which ensures that their independence is in no way impaired. The BRC is governed by formal, written terms of reference.

8.7.2. During recent years and with the implementation of BASEL requirements by the Bank of Namibia, risk management by the Issuer has become a focal point. To assist the BRC in monitoring exposures to risks in the day-to-day operations, a risk committee comprising of members of the executive management team and senior management, was established at the Issuer level. The primary responsibility of this team is to evaluate the risk management model employed by the Issuer and to provide recommendations to manage identified, unidentified and potential risks.

8.8. **Company Secretary**

Hellmut von Ludwiger (50), BCom (Hons), C.A. (Nam), FCIS joined the Issuer as Chief Financial Officer in January 2003 and was appointed Group Company Secretary in February 2004. He is located at the following address 6th Floor, Capricorn Group Building, Kasino Street, Windhoek, Namibia.

8.9. **Group Board Human Resources Committee**

The purpose of the Group board human resources committee is to ensure that the Group is appropriately staffed in terms of skills levels and ethnic diversity to meet the challenges of the future. Programmes related to this are ratified by the committee. In addition, the committee ensures that management and staff is remunerated appropriately and that the remuneration scales, including incentive and share schemes, and conditions of employment of Group companies, are market related.

8.10. **Group Board Nominations Committee and Group Board Remuneration Committee**

The Group board nominations and remuneration committees are responsible for the evaluation of new board appointees in the Group and ensure that board members remain competent to fulfil their duties. The committee furthermore considers and recommends to the boards of Group companies appropriate remuneration for non-executive and executive directors as well as executive management. The Group board remuneration committee is chaired by an independent non-executive director.

8.11. **Board Credit and Board Lending committees**

The board credit and board lending committees of the Issuer play a very important role in the monitoring, granting and management of credit, especially with regard to large exposures.

8.12. **Internal control**

8.12.1. The group internal audit function is an independent objective assurance and consulting function created to add value and improve an organisation's operations. It helps the Issuer to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

8.12.2. The Issuer maintains systems of internal control over financial reporting and over the safeguarding of assets against unauthorised acquisition, use or disposition. These are designed to provide reasonable assurance to the Issuer and board of directors regarding the preparation of reliable published financial statements and the safeguarding of the Issuer's assets. An approved business continuity plan is in place which is tested annually.

8.12.3. The systems include a documented organisational structure and division of authority and responsibility, established policies and procedures that drive the governance and control environment and which are communicated, and the proper training and development of its people.

8.12.4. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable, and not absolute, assurance with respect to financial statement preparation and the safeguarding of assets.

8.13. **External auditor**

The external audit policy, as approved by the BAC, ensures that the independence of the external auditors is in no way impaired and consequently also governs non-audit services performed by the external auditor. The BAC approves the external auditor’s terms of engagement, agrees to the scope of work and the annual audit plan.

8.14. **Code of ethics and conduct**

As part of its corporate governance practice and to encourage an environment where loyalty, integrity and trust prevail, all directors and employees are required to abide by the group’s code of ethics.

The code includes the ethics programme. The ethical standards of the company have been maintained throughout the year. Any contraventions of the code of ethics and conduct are acted upon in accordance with clearly communicated principles. The results of the ethics assessment undertaken during the year were incorporated into the ethics risk and control framework.

Dealing in shares is governed by a policy that sets out practices including approval requirements, disclosure principles and closed period rules.

8.15. **Environment Responsibilities**

8.15.1. The Issuer is committed to creating and maintaining a congenial, safe and healthy working environment for its employees while contributing to a healthy environment for the wider community, especially for communities located near its operations.

8.15.2. The Issuer’s business units are committed to the responsible care of the natural environment in all areas in which they operate. The diversified and decentralised nature of the Issuer’s operations creates a special challenge as it is difficult to identify the full extent of environmental risks. As a responsible corporate citizen, the Issuer is determined to address this challenge.

8.15.3. Board Sustainability and Ethics Committee

(a) There was increased sustainability focus following the establishment of a group board sustainability and ethics committee in 2016, to provide an independent and objective body to assist the board in ensuring that Capricorn Group remains a good corporate citizen through the implementation of sustainability and ethics strategy and reporting framework.Key sustainability challenges that Capricorn Group may potentially face in future include climate change, poverty, health issues and resource shortages i.e. water, energy and food. In addressing these global and local issues we intend to use all our business lines, including banking, investment and asset management and microfinance, as well as property finance to address the key sustainability challenges.

(b) Our sustainability strategy is based on addressing sustainability in a holistic way, including environmental, social and economic issues. Our approach incorporates these steps:


1
Benchmarking
2
Materiality assessment
3
Maturity assessment
4
Strategy development
5
Implementation and measurement
6
Reporting and disclosure
Sustainability steps

INVESTOR CONSIDERATIONS/RISK FACTORS

Capitalised terms used in this section headed "Investor Considerations/Risk Factors" shall bear the same meanings as used in the Terms and Conditions in the Programme Memorandum, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Issuer believes that the factors outlined below may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. The value of the Notes could decline due to any of these risks, and investors may lose some or all of their investment.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information available to it at the Programme Date, or which it may not be able to anticipate at the Programme Date. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Prospective investors should also read the detailed information set out elsewhere in this Programme Memorandum to reach their own views prior to making any investment decision.

References below to the "*Terms and Conditions*", in relation to Notes, shall mean the "*Terms and Conditions of the Notes*" set out under the section of this Programme Memorandum headed "*Terms and Conditions of the Notes*".

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

Risks Relating to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of investment in the Notes in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Programme Memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

There may not be an active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. There is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the Applicable Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the government of South Africa, Namibia or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all Outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the Applicable Pricing Supplement specifies that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Because uncertificated SA Notes are held in the CSD, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

SA Notes issued under the Programme which are listed on the Interest Rate Market of the JSE or such other or additional Financial Exchange(s) and/or held in the CSD may, subject to Applicable Laws and the Applicable Procedures, be issued in uncertificated form. Unlisted SA Notes may also be held in the CSD in uncertificated form. SA Notes held in the CSD will be issued, cleared and settled in accordance with the Applicable Procedures through the electronic settlement system of the CSD. Except in the limited circumstances described in the Terms and Conditions, investors will not be entitled to receive Individual Certificates. The CSD will maintain records of the Beneficial Interests in SA Notes in respect of SA Notes, issued in uncertificated form, which are held in the CSD (whether such Notes are listed or unlisted). Investors will be able to trade their Beneficial Interests only through the CSD and in accordance with the Applicable Procedures.

Payments of principal and/or interest in respect of uncertificated SA Notes will be made to the CSD or the Relevant Participants and the Issuer will discharge its payment obligations under the SA Notes by making payments to or to the order of the CSD or the Relevant Participants for distribution to their account holders. A holder of a Beneficial Interest in uncertificated SA Notes, whether listed or unlisted, must rely on the procedures of the CSD to receive payments under the relevant Notes. Each investor shown in the records of the CSD or the Relevant Participants, as the case may be, shall look solely to the CSD or the Relevant Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of such uncertificated SA Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, such Beneficial Interests.

Holders of Beneficial Interests in uncertificated SA Notes will not have a direct right to vote in respect of the relevant SA Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the CSD to appoint appropriate proxies.

Recourse to the JSE Debt Guarantee Fund Trust

The holders of SA Notes that are not listed on the Interest Rate Market of the JSE will have no recourse against the JSE Debt Guarantee Fund Trust. Claims against the JSE Debt Guarantee Fund Trust may only be made in respect of the trading of SA Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the JSE Debt Guarantee Fund Trust. Unlisted SA Notes are not regulated by the JSE.

Credit Rating

Tranches of Notes issued under the Programme, the Issuer and/or the Programme, as the case may be, may be rated or unrated. A Rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning Rating Agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

Risks related to the structure of the particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to re-invest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index-Linked and Dual Currency Notes

The Issuer may issue Notes the terms of which provide for interest or principal payable in respect of such Notes to be determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**) or with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- no interest may be payable on such Notes;
- payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the Nominal Amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Variable Rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate may at any time be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes where denominations involve integral multiples: Individual Certificates

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive an Individual Certificate in respect of such holding and would need to purchase a Nominal Amount of Notes such that its holding amounts to a minimum Specified Denomination.

If Individual Certificates are issued, holders should be aware that Individual Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Credit-Linked Notes

<u>Credit Events – Credit Exposure to Reference Entity/ies</u>

Credit-Linked Notes are credit derivative instruments which reference one or more Reference Obligation(s) of one or more Reference Entity/ies, as indicated in the Applicable Pricing Supplement. The amount payable under a Tranche of Credit-Linked Notes may be dependent in part upon whether or not a Credit Event has occurred. A Credit Event may be related to various credit-related events occurring in respect of one or more Reference Obligation/s of one or more Reference Entity/ies, as specified in the Applicable Pricing Supplement.

If none of the Credit Events applicable to a Tranche of Credit-Linked Notes (specified in the Applicable Pricing Supplement) occur on or prior to the Maturity Date, the interest on the Credit-Linked Notes will be paid over the life of the Credit-Linked Notes in accordance with the applicable provisions of Condition 8 (*Interest*) (where the Credit-Linked Notes are interest-bearing Notes), and the Tranche of Credit-Linked Notes will (unless previously redeemed or purchased and cancelled), be redeemed on the Maturity Date, at the Final Redemption Amount, in terms of Condition 10.7.

Following the occurrence of a Credit Event applicable to a Tranche of Credit-Linked Notes and satisfaction of all of the Conditions to Settlement, the Issuer's obligation to redeem that Tranche of Credit-Linked Notes, on the Maturity Date, at the Final Redemption Amount, will cease and will be replaced by an obligation to redeem that Tranche of Credit-Linked Notes with the applicable Settlement Method specified in the Applicable Pricing Supplement.

The Cash Settlement Amount or the Auction Settlement Amount or the Market Value of the Deliverable Obligations (or any similar or related amount) may be less than the Principal Amount of a Tranche of Credit-Linked Notes or zero. Accordingly, Noteholders may be exposed to the credit of the Reference Entity/ies to the full extent of their investment in Credit-Linked Notes.

<u>Reliance on creditworthiness of the Issuer and the Reference Entity/ies</u>

The Noteholders of Credit-Linked Notes are, in effect, taking on the credit risk of the Reference Entity/ies and the credit risk of the Issuer through their investment in the Credit-Linked Notes.

Consequently, Noteholders of Credit-Linked Notes are relying not only on the creditworthiness of the Issuer but also on the creditworthiness of the Reference Entity/ies.

Exchange Control Regulations

Any Listed Deliverable Obligations due to a non-resident Noteholder of Credit-Linked Notes may be delivered to such non-resident Noteholder, and any distributions under such Deliverable Obligations and any proceeds due to such non-resident Noteholder on the sale at market value of such Deliverable Obligations may be remitted from the Common Monetary Area. The delivery of any other Deliverable Obligations to a non-resident Noteholder may require the prior approval of the Exchange Control Authorities in terms of the Exchange Control Regulations (see the section headed "*Exchange Control*").

The issue of a Tranche of Credit-Linked Notes (or any other Tranche of Notes) which references one or more foreign Reference Entity/ies and/or foreign Reference Obligation/s and/or other foreign asset/s requires the prior written approval of the Exchange Control Authorities in terms of the Exchange Control Regulations (see the section headed "*Exchange Control*").

Conflict of interest

The Issuer is also acting as Calculation Agent (unless the Issuer elects to appoint another entity as Calculation Agent, as contemplated in the Terms and Conditions), and will be responsible for determining whether a Credit Event has occurred, calculating the payments to be made in respect of a Tranche of Credit-Linked Notes, and determining the dates of such payments in accordance with the Terms and Conditions. The Issuer may also deal in Credit-Linked Notes.

The Issuer may have business or other relationships with any Reference Entity and may hold debt obligations (whether or not constituting Reference Obligations) of, or otherwise have credit exposure to, any Reference Entity. Nothing contained in this Programme Memorandum must be construed as restricting or imposing any liability, duty or restriction on the Issuer, the Group and or any of the officers or directors of the Issuer or the Group, in respect of dealing with, or otherwise extending credit to or advising any Reference Entity. Performance of the Terms and Conditions will be determined without regard to any credit exposure or actual loss the Issuer, or any other person, may have incurred with respect to any Reference Entity.

Modification and waivers and substitution

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

The SA Notes and NAM Notes are governed by, and will be construed in accordance with the laws of Namibia in effect as at the Programme Date. No assurance can be given as to the impact of any possible judicial decision or change to the laws of South Africa and the laws of Namibia or administrative practice in either such jurisdiction after the Programme Date.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Foreign Exchange Movements

The Issuer maintains its accounts, and reports its results, in NAD. Namibian dollars have been pegged as a fixed exchange rate to South African Rand since 1993. However, there can be no assurance that Namibian dollars will not be de-pegged in the future or that the existing peg will not be adjusted.

Capital adequacy requirements

General

The Issuer is subject to the capital adequacy requirements set out in the Capital Regulations, which provide for a minimum target ratio of capital to risk-adjusted assets, which could limit its operations. Capital adequacy is measured in terms of the Banking Institutions Act and determinations made by the Governor from time to time in terms of section 71(3) of the Namibian Banking Institutions Act, under which the Issuer must maintain a minimum level of capital based on risk-adjusted assets and off-balance-sheet exposures. Until 31 December 2009, the Issuer was subject to regulatory capital adequacy requirements under Basel I, which changed to Basel II on 1 January 2010.

At the Issuer, capital adequacy is measured via two risk based ratios: Tier 1 capital and total risk based capital. Total capital is a function of core capital and non-core capital, encompassing non-redeemable non-cumulative preference shares and hybrid capital. Risk weighted assets are measured in terms of Basel II under the standardised approach (see “Basel II” below). The Banking Institutions Act requires the Issuer to maintain a minimum level of capital based on the Issuer’s risk weighted assets. These minimum requirements are a Tier 1 capital adequacy ratio of 7.5% as at the Programme Date and a total risk-based capital ratio of 10%.

Any failure by the Issuer to maintain its capital adequacy ratios may result in sanctions against the Issuer which may in turn impact on its ability to fulfil its obligations under the Notes. In addition, it is difficult for the Issuer to predict the precise effects of the changes that may result from the implementation of Basel II on the Issuer’s calculations of capital, the impact of these revisions on other aspects of its operations or the impact on the pricing of the Notes.

Basel II

The Basel II Framework (**Basel II**) was introduced by the Basel Committee on Banking Supervision (**BCBS**) in June 2004 to replace the 1988 Capital Accord (**Basel I**). Following the decision to implement Basel II by 2010, the Banking Supervision Department of the Bank of Namibia (**BoN**), together with the commercial banks in Namibia, formed a Basel II project implementation team.

Under Basel II banks are permitted to choose between two methodologies for calculating their respective capital requirements. One alternative is to measure credit, operational and market risks in a standardised manner, supported by external credit assessments. The other alternative, which is subject to the explicit approval of the relevant central bank regulator, is to allow banks to use their respective internal ratings systems. The BoN has elected to implement the standardised approach.

Basel III proposals

The Basel III proposals, which have been agreed by the Governors of the relevant central banks and the Heads of the BCBS, and endorsed by the G20 leaders at their November 2010 Seoul summit, are to be adopted in the domestic regulatory framework.

BoN issued their revised Basel III implementation timelines on 27 October 2017. BoN plans to phase-in the Basel III capital adequacy framework in Namibia over a 5 year period with an effective date of 2021, which represents a two year time lag behind the recommended date envisaged by the BCBS. The first Namibian Basel III determination, the Determination on the Measurement and Calculation of Capital Charges for Credit Risk, Operational Risk and Market Risk for Domestic Systemically Important Banks (BID-5A), became effective on 1 September 2018. Please note that BID-5A has not established all additional capital buffer requirements and no changes have been made to the risk weighting of assets. The industry is awaiting the new/revised determination on liquidity to determine BoN’s requirements with regards to the liquidity coverage ratio and net stable funding ratio.

The Basel III capital determination is being implemented in Namibia with effect from 1 September 2018. Banking institutions have to comply with the regulatory limits and minima as prescribed under Basel III capital regulations on an ongoing basis. To ensure a smooth transition to Basel III, appropriate transitional arrangements have been provided for meeting the minimum Basel III capital ratios and full regulatory adjustments to the components of capital etc. Consequently, Basel III capital regulations would be fully implemented as on 1 September 2018. In view of the gradual phase-in of regulatory adjustments to the Common Equity component of Tier 1 capital under Basel III, certain specific prescriptions of Basel II capital adequacy framework (e.g. rules relating to deductions from regulatory capital, risk weighting of investments in other financial entities, etc.) will also continue to apply until 1 September 2022 on the remainder of regulatory adjustments not treated in terms of

Basel III rules.

Risks Relating to the Issuer's Business

Risks related to the macroeconomic, regulatory and market environments in Namibia

Recent volatility in the international capital markets and the global economy could have an adverse effect on the Namibian economy as a whole and the Issuer's business, financial condition and results of operations

- The financial services industry generally prospers in conditions of economic growth, stable geopolitical conditions, capital markets that are transparent, liquid and buoyant and which feature positive investor sentiment. The Issuer is affected by general economic and financial market conditions in Namibia, which can cause its financial condition and results of operations to fluctuate in the short-term as well as on a long-term basis.
- In recent years there has been significant volatility in the financial markets around the world. Volatility in global financial markets since 2008 and its after-effects on the global economy have led to generally more difficult earning conditions for the financial sector and resulted in the failures of a number of financial institutions around the globe and unprecedented action by governmental authorities, regulators and central banks internationally.
- According to the BoN**,** Namibia's real GDP growth is projected to improve from -0.8 percent in 2017 to 0.6 percent and 1.9 percent in 2018 and 2019, respectively. Risks to domestic growth include a modest recovery in the country's trading partners, slow recovery in international commodity prices particularly for uranium, undue exchange rate volatility and uncertainty about weather conditions. Moreover, the uncertainty regarding property rights in South Africa may weigh on the country's economic prospects. Despite the Namibian dollar peg to the South African Rand, the BoN maintains its repurchase rate of 6.75% to foster economic growth.
- A significant decline in the economic growth of any of Namibia's major trading partners, such as the European Union, could have an adverse impact on Namibia's balance of trade and could adversely affect Namibia's economic growth. The European Union is Namibia's largest export market. A decline in demand for imports from the European Union in particular could have an adverse effect on Namibian exports and its economic growth. Further, continued turbulence in the global economy could impact Namibia's economy, leading to reduced per capita income and consumer spending.
- Further, although Namibian banks have largely been shielded from direct exposure to the global and economic financial crisis, the uncertainty of Namibian and global growth prospects, together with potential changes to the global regulatory environment for banks, may impact the international interbank and capital markets and result in reduced liquidity and an increase in the cost of funding for banks. While the Issuer has put in place a comprehensive and robust liquidity risk management framework, reduced liquidity will inevitably restrict growth in assets and result in pressure on the achievement of forecasted results.

The Issuer is exposed to the political and economic conditions in Namibia

- Namibia is generally considered to be a developing economy. Investors in developing economies such as Namibia should be aware that these markets are subject to greater risk than more developed markets. These risks include potential economic instability as well as legal, political and social risks.
- The high unemployment rate in Namibia remains one of the biggest challenges to economic growth and causes a threat to social and political stability in the country, despite comprehensive social protection measures set in place by government.

The Issuer's business, financial condition and results of operations could be adversely affected by volatility in interest rates and foreign currency

- The Issuer earns interest on loans and other assets and pays interest to its depositors and other creditors. Net interest income (after impairment charges on loans and advances) represented 60.40% of the Issuer's income from operations for the 2018 financial year (2017: 63.83%). The Issuer's net interest margin, which is the difference between the yield on its interest-bearing assets and the cost of its interest-bearing liabilities, varies according to prevailing interest rates and is a significant factor in determining the profitability of the Issuer. Net interest margins tend to get compressed in a low interest rate environment. Reductions in interest rates or compression of the interest rate spread will inevitably result in a decrease in interest margins and consequently a lower than anticipated amount of net interest income generated by the Issuer. Conversely, a rising or high interest rate environment may cause financial stress to customers and higher defaults on the repayment of debt, increasing the Issuer's bad debt losses. Higher interest rates could also reduce affordability of credit for certain clients, thereby potentially reducing the Issuer's ability to grow its advances book.

- Furthermore, the Issuer is subject to foreign currency fluctuations and such fluctuations may have an effect on the Issuer's business, financial position and results. The risk may lead to losses in on and off-balance sheet transactions of the Issuer. The Issuer has, however, implemented systems and controls to mitigate currency risk, including the strict enforcement of limits on the level of exposure to foreign currencies for both overnight and intra-day positions, which are monitored continuously.

The Issuer operates in a highly regulated environment and any change in enforcement or the implementation of existing regulations, as well as proposed or future regulations, could have an adverse effect on its business, financial condition and results of operations

- The Issuer conducts its business subject to ongoing regulation and associated regulatory risks, and Namibian regulatory agencies have broad control over many aspects of the Issuer's business.
- The Issuer could also be adversely affected by future changes in legal, regulatory and compliance requirements. In particular, any change in regulation of the Issuer to increase the requirements for capital adequacy or liquidity, or a material change in accounting standards, could have an adverse effect on the Issuer's businesses.
- The Issuer is subject to the capital adequacy requirements set out in the Banking Institutions Act and related regulations, which provide for a minimum target ratio of capital to risk-adjusted assets. Increases in these requirements could result in a slowdown of growth for the Issuer.
- Following the global economic and financial crisis, the regulation and supervision of the global financial system have been and continue to be priorities for governments and supranational organisations. Specifically, the BCBS issued revised minimum global standards for banks in December 2010, revised in July 2011 – the Basel III proposals, which among other matters, places enhanced emphasis on the consistency and quality of capital and on curtailing liquidity risk.
- The Issuer is unable to predict what regulatory changes may be imposed in the future or to estimate, with accuracy, the impact that any currently proposed regulatory changes may have on its business, the products and services it offers and the values of its assets. There have been continuous regulatory changes, both in the Namibian regulatory environment and the international regulatory environment, with specific focus on anti-money laundering; data security standards as laid down by the card associations; and capital requirements as laid down by the BCBS. The Issuer maintains a proactive approach to regulation and takes an uncompromising stance to ensure compliance with regulatory requirements.

Increased competition in the lending market could have an adverse effect on the Issuer's business, financial condition and results of operations

- The Issuer faces competition from the other Namibian commercial banks. In addition, there are non-bank credit providers that compete in the lending market. These organisations operating in the same market as the Issuer and compete to a large extent for the same clients as the Issuer.
- An increase in competition may reduce the Issuer's market share. Any increase in the cost of client acquisition and retention; a reduced deposit activity; reduced lending; increased pressures on the pricing of loans and deposits; and any greater pressure on the Issuer to recruit and retain high calibre staff, could have an adverse effect on the Issuer's business, financial condition and results of operations.

Risks related to the Issuer's operations and business strategy

The Issuer relies on client deposits to fund a substantial portion of its assets and any loss of reputation or client confidence could result in unexpectedly high levels of client deposit withdrawals

- Growth in the Issuer's lending activities (consistent with applicable regulatory requirements) will depend, in part, on the availability of client deposits on appropriate terms. The Issuer will continue to rely on client deposits to fund loans and advances. Increased competition for client deposits will increase the cost of deposits, thereby negatively impacting on the Issuer's net interest margins and profit.

Future expected growth in loan advances may not be in line with historical growth rates, which could restrict the Issuer's ability to meet its financial targets

- The Issuer's ability to increase lending to clients that meet its credit quality standards in line with historical growth rates may be limited by competitive factors, economic conditions which limit the pool of credit-worthy borrowers and barriers experienced by customers to change banks.

Net impairment charges may increase as a result of economic deterioration

- Weakness in Namibia's economy may have an adverse effect on the credit quality of the Issuer's loan portfolio and cause loan impairment charges and loan losses to increase, which in turn could have an adverse effect on the Issuer's business and results of operations.

The Issuer's business model and strategy expose it to credit and related risks

- The Issuer's business is subject to inherent risks regarding borrower credit quality and the recoverability of loans. Changes in the credit quality of the Issuer's borrowers or arising from systemic risk in the financial systems could reduce the value of the Issuer's assets and result in increased charges for bad debts and impaired loans. In addition, market turmoil, economic recession and increasing unemployment, coupled with declining consumer spending, could adversely affect the liquidity, business or financial conditions of the Issuer's clients, which in turn could further increase the Issuer's non-performing loans. Also, if the Issuer's borrowers default and fail to pay their loans, recourse to borrower assets to satisfy outstanding loan amounts is a timeous and demanding process.
- The Issuer's growth may place demands and strains on its systems, internal controls and employees. Management of growth requires, among other things:
  - the continued development of financial and management controls, including credit quality management and IT systems;
  - the implementation of additional or updated internal controls, including financial and other reporting procedures;
  - effective coordination among management, customer care and finance teams;
  - personnel training and the hiring of new personnel; and
  - continued access to financing.
- Further, the growth in the Issuer's business has also required increased investments in management and controls relating to credit risk, capital and funding to provide for further growth.
- If the Issuer is unable to successfully implement its growth strategy and integrate new personnel or systems, or otherwise fails to successfully manage its expected growth, it could adversely affect the Issuer's business operations.

The Issuer's success depends upon its ability to recruit and retain executive management and other key employees

- The Issuer's future operating results depend to a large extent on the continued contributions of senior management. The Issuer does have appropriate succession planning in place, but with the scarcity of top level skills, the simultaneous loss of some of the top management skills may pose a risk.

- In addition, the Issuer depends largely on its ability to attract, train, retain and motivate highly skilled executive management and employees. There is, however, significant competition for employees with the level of experience and qualifications that the Issuer depends upon.
- In order to recruit qualified and experienced employees and to minimise the possibility of their departure to other companies, the Issuer provides compensation packages that it believes are consistent with the standards of the labour markets in which the Issuer operates, and as a result may encounter higher operational costs.

Operational risks could have an adverse effect on the Issuer's business, financial condition and results of operations

- The Issuer is exposed to operational risks in the form of possible losses resulting from inappropriate or inadequate internal procedures, human or system errors, failures or insufficient performance by third-party partners and service providers or external events. Operational risks include legal risks and are often associated with one-off events, such as the failure to observe business or working procedures, defects or breakdowns of the technical infrastructure, criminal acts, fire and storm damage and litigation. The failure to manage these risks could have an adverse effect on the Issuer's business, financial condition and results of operations.

The Issuer relies on the performance, reliability and integrity of key information technology systems and the maintenance of certain key regulatory provisions

- The Issuer's banking platform is enabled and supported by an IT system that was designed for the Issuer's client-focused business model, and which is a core element of the Issuer's credit management process. IT platforms are however vulnerable to a number of problems, such as computer virus infections, malicious hacking, physical damage to vital IT centres and software or hardware malfunctions. Any incidents of malicious hacking of confidential client data could result in additional costs and losses to the Issuer and damage to its reputation. Any failure in the Issuer's IT platform, a general failure of electronic financial systems in Namibia or greater-than-expected IT costs could significantly affect the Issuer's operations and the quality of client service and could have an adverse effect on its business, financial condition and results of operations.

Catastrophic events, terrorist attacks, hostilities and pandemics could have an adverse effect on the Issuer's business, financial condition and results of operations

- Catastrophic events, terrorist attacks, acts of war or hostilities, pandemic diseases and other similar unpredictable events, and responses to those events or acts, may create economic and political uncertainties which could have a negative impact on the economic conditions in Namibia and, more specifically, could interrupt the Issuer's business and result in substantial losses. Such events or acts and losses resulting therefrom are difficult to predict and may relate to property, financial assets or key employees. If the Issuer's business continuity plans do not fully address such events or cannot be implemented under the circumstances, such losses may increase. Unforeseen events can also lead to additional operating costs, such as higher insurance premiums and the implementation of back-up systems. Insurance coverage for certain unforeseeable risks may also be unavailable and thus increase the Issuer's risks. If the Issuer fails to effectively manage these risks, such failure could have an adverse effect on the Issuer's business, financial condition and results of operations.

Credit risk

- The Issuer takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Issuer's portfolio, could result in losses that are different from those provided for at the reporting date. Credit risk, together with large exposures, are monitored by various governance forums and committees, including the Board Credit and Board Lending Committee.
- In addition to credit risk through a loan, the Issuer is exposed to counterparty credit risk, which is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Unlike credit exposures to a loan, exposures to counterparty credit could result in a positive or negative impact to the financial performance of the Issuer, depending on the underlying market factors. Such risk is associated primarily with derivative

transactions.

Market risk

- The Issuer takes on exposure to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. It is the Issuer's policy not to enter into long-term, unhedged fixed interest rate contracts for loans and advances. Interest rate structures of deposits reflect the interest rate view and strategy of the Asset and Liability Committee (**ALCO**) and maturity structures of term deposits are in line with the ALCO policy. Interest rate structures are discussed on a monthly basis by the interest rate subcommittee and external market resources are used to recommend interest rate views to ALCO. The Market Risk Framework sets out the governance, controls, policies, guidance and procedures for market risk management within the company

Market risk measurement techniques

- The Issuer employs several measurement techniques to assess potential exposures to market change. Sensitivity analysis is applied to measure the impact of changes in interest rates. This measure is of importance in assessing the exposure of the Issuer's trading portfolio and the effect of such changes on the interest margin.
- Other measurement techniques include comprehensive analysis of maturities, both from the advance and funding perspective.

Foreign exchange risk

- The Issuer takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

Interest rate risk

- Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Issuer takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly.

Price risk

- The Issuer is exposed to equity securities price risk because of investments held by the Issuer and classified either as available-for-sale or fair value through profit or loss. These securities are listed on the London Stock Exchange and NYSE.
- The Issuer generally does not undertake equity exposure. The current exposures partly arose due to the realisation of securities upon the winding up of an impaired loan. The remainder and major part of the equity holdings was established through the conversion of a membership holding in VISA to shareholding when VISA was converted to a company.

Liquidity risk

- Liquidity risk is the risk that the Issuer is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.
- Liquidity risk is inherent in the Issuer’s business endeavours and represents the ability of the Issuer to fund increases in assets and meet its financial obligations in a timely manner as they come due without incurring excessive costs, while complying with all statutory and regulatory requirements. The Liquidity Risk Framework and Contingency Funding Plan sets out the minimum liquidity risk management requirements for the Issuer. Under the policy, the Issuer is required to manage current and future liquidity positions in a prudent manner. This policy formalises the liquidity risk management process of the Issuer, the goal of which is to:
    - maintain liquidity risk at a manageable level through assessment and monitoring;

- assess and advise against any permanent or temporary adverse changes to the liquidity position of the Issuer;
- set and monitor limits for funding mix, investment products and client exposures;
- monitor all applicable financial and statutory ratios; and
- identify those liquidity triggers that may entail the activation of the Contingency Funding Plan to deal with any liquidity crises, as is required in terms of the BoN Determination on Minimum Liquid Assets (BID6).

- The policy sets out rules to effectively control liquidity risk within the risk-return parameters dictated by the board of directors' risk appetite.

- The policy aims to protect depositors, creditors, shareholders and other stakeholders of the Issuer by establishing rules and directions for identifying and managing the resolution of possible serious liquidity problems.

- Asset liquidity risk represents the availability of sufficient assets in liquid form to meet pressing obligations. In situations where liquid assets on hand could be utilised to earn a higher return instead of paying current obligations, the opportunity cost also plays a role (i.e. potential higher return less the cost of obtaining replacement liquidity). Liquidity management must attempt to match the most appropriate available liquidity to the most appropriate maturing liabilities.

- Funding liquidity risk relates to an enterprise's capability to generate funding at short notice at reasonable expense to meet pressing liquidity requirements.

- The Issuer's liquidity management process is outlined in the liquidity policy which includes, inter alia, the Issuer's funding strategy. Procedures, as set out in this policy, include the:
  - daily monitoring of liquid assets;
  - proactive identification of liquidity requirements and maturing assets;
  - liquid asset minimum limit;
  - proactive identification of short, medium and long-term liquidity requirements; and
  - relationship management with other financial institutions.

- In general the Issuer does not engage in complex activities or structures and therefore it is considered unnecessary to employ sophisticated and expensive models when determining liquidity needs under various scenarios. A basic but thorough forward looking analysis is conducted in the day-to-day, as well as monthly analysis of liquidity positions, needs and risks. Limits and rules stipulated in the Liquidity Risk Framework and Contingency Funding Plan and by ALCO forms the basis for daily quotes on deposits to ensure optimal mix and concentrations are maintained.

- The Issuer must at all times hold an adequate liquid asset surplus which:
  - includes a buffer portion;
  - is additional to credit lines;
  - is adequate to cater for unexpected outflows; and
  - is simultaneously limiting the effect this surplus has on interest margins.

SIGNED at _________________ on this _______ day of ______________________________ 2019.

For and on behalf of

BANK WINDHOEK LIMITED

______________________________	______________________________
Name:	Name:
Capacity: Director	Capacity: Director
Who warrants his/her authority hereto	Who warrants his/her authority hereto

ISSUER AND DEALER
Bank Windhoek Limited
(Registration Number: 79/081)
Treasury Department
7th Floor
262 Independence Avenue
Windhoek
Namibia
PO Box 15
Windhoek
Namibia
Contact: Ms C Hobbs
Contact Number: +264 61 299 1640

ARRANGER AND DEALER
Investec Bank Limited
(Registration Number: 1969/004762/06)
100 Grayston Drive
Sandown
Sandton, 2146
PO Box 785700
Sandton, 2146
South Africa
Contact: Mr L Dirker/Head of Debt Capital Markets
Contact Number: +27 11 286 7799

TRANSFER AGENT IN RESPECT OF SA NOTES
Bank Windhoek Limited
(Registration Number: 79/081)
Treasury Department
7th Floor
262 Independence Avenue
Windhoek
Namibia
PO Box 15
Windhoek
Namibia
Contact: Ms C Hobbs
Contact Number: +264 61 299 1640

TRANSFER AGENT IN RESPECT OF NAM NOTES
Bank Windhoek Limited
(Registration Number: 79/081)
Treasury Department
7th Floor
262 Independence Avenue
Windhoek
Namibia
PO Box 15
Windhoek
Namibia
Contact: Ms C Hobbs
Contact Number: +264 61 299 1640

PAYING AGENT AND SETTLEMENT AGENT
Nedbank Investor Services,
a division of Nedbank Limited
(Registration Number: 1951/000009/06)
Nedbank Investor Services
2nd Floor Nedbank Lakeview Campus
16 Constantia Boulevard
Constantia Kloof
Roodepoort 1709
South Africa
Contact: Ms A Frankland
Contact Number: +27 11 534 6553

CALCULATION AGENT
Bank Windhoek Limited
(Registration Number: 79/081)
Treasury Department
7th Floor
262 Independence Avenue
Windhoek
Namibia
PO Box 15
Windhoek
Namibia
Contact: Ms C Hobbs
Contact Number: +264 61 299 1640

JSE DEBT SPONSOR
PSG Capital Proprietary Limited
(Registration Number: 2006/015817/07)
1st Floor
Ou Kollege
Building 35 Kerk Street
Stellenbosch, 7600
P O Box 7403
Stellenbosch,
7599
South Africa
Contact: Sponsor
Contact Number: +27 21 888 4314

NSX SPONSOR
PSG Wealth Management (Namibia) (Proprietary) Limited
(Registration Number: 98/528)
First Floor
PSG Building
5 Conradie Street
Windhoek
PO Box 196
Windhoek
Namibia
Contact: Sponsor
Contact Number: +264 61 378 900

LEGAL ADVISERS TO THE ISSUER, ARRANGER AND DEALER AS TO SOUTH AFRICAN LAW
Bowman Gilfillan Incorporated
(Registration Number: 1998/021409/21)
165 West Street
Sandown
Sandton, 2196
South Africa
PO Box 785812
Sandton, 2146
Contact: Mr C van Heerden
Contact Number: +27 11 669 9354

AUDITORS TO THE ISSUER
PricewaterhouseCoopers
Registered Accountants and Auditors
(Practice Number: 9406)
344 Independence Avenue
Windhoek
Namibia
PO Box 1571
Windhoek
Namibia
Contact: Audit Partner
Contact Number: +264 61 284 1018