

Date: 28 September 2022

Attention: News Editor

Ref: 9/6/2

FOR IMMEDIATE RELEASE

BANK OF NAMIBIA TO APPLY TO THE HIGH COURT FOR THE LIQUIDATION OF TRUSTCO BANK NAMIBIA

1. It has come to the attention of the Bank of Namibia (BON) that Trustco Group Holdings Ltd (TGH) has issued a media release claiming, amongst other things, that the Bank of Namibia denied an offer by (TGH) to capitalise Trustco Bank Namibia Ltd (TBN) by an amount of N\$1.0 billion. Further reference is made to a High Court application launched by TGH and TBN to review and set aside regulatory action taken by BON in respect of TBN's non-compliance with certain provisions of the Banking Institutions Act, 1998 (Act No. 2 of 1998) as amended (the Act) and to bring a constitutional challenge to certain provisions of the applicable regulatory legislation.
2. Trustco Bank Namibia has been operating in the Namibian market since December 2016, when they were granted a commercial banking license by BON after acquiring Fides Bank.
3. BON prefers not to litigate through the media or social media but considers it necessary to provide the context to the allegations made in TGH's media release and further provide stakeholders with an update on the Bank's decisions that have led to these developments.
4. As the regulator of banking institutions in Namibia, BON has engaged TBN over the past two years in an attempt to ensure regulatory compliance and, ultimately, the financial sustainability of TBN. Measures recommended by the Bank of Namibia to TBN include, amongst others, recapitalisation of TBN, which was not done in full as expected. More recently, however, TBN furnished BON with financial projections and a business plan which it claimed would secure a sustainable turnaround of TBN. Contrary to what is claimed, BON did not decline any offer of capitalisation of TBN by TGH but in response, gave a detailed analysis of the proposed business plan and the reasons why BON regarded the plan as inadequate.

5. Following extensive engagements between the Bank and TBH, the BON's Board of Directors, at its meeting on 5 September 2022, had no other option than to resolve to apply to the High Court for the winding up of TBN in accordance with Section 58 (4) of the Act. The Bank informed TBN of its decision to pursue legal action on 16 September 2022, before TBN's launching of the review application. The primary goal of the legal action by BON is to preserve the trust and confidence in the financial sector, and more particularly that of Namibian banks.
6. The liquidation application as such is the culmination of a series of regulatory engagements and interventions that have failed to restore TBN's governance and viability to acceptable regulatory levels since 2020. Some of the shortcomings identified over this period and not satisfactorily resolved by TBN and its shareholders include severe flaws in the bank's risk management practices and systems, its failure to maintain liquidity ratios within the prescribed ratios, and a failure to comply with agreed-upon directives to re-capitalise the institution.
7. BON's Board of Directors is of the view that TBN is commercially insolvent at this time. As mentioned before, TBN continues to operate without an approved viable business plan and sufficient capital to carry out the plan, which is vital for the viability and sustainability of the business and is expected of all industry players. Therefore, the primary purpose of the winding up application is thus to protect TBN's depositors and creditors and to ensure that non-compliance with the applicable laws does not pose any further risks.
8. BON herewith emphasises that Namibia's banking sector remains healthy and stable. The sector continues to benefit from regulation and enhancements, such as the Namibia Deposit Guarantee Authority (NDGA), which provides a safety net for small depositors in the form of insurance. With NDGA in place now, the financial obligations of small depositors are expected to be honoured in the shortest possible time. BON remains committed to fostering banking system stability in Namibia and will continue to exercise its supervisory mandate in a fair manner.
9. Stakeholders, customers, or anyone with questions can contact BON during office hours, Monday to Friday, 08H30 -16H30 pm, by telephone at +264-61-2835114, Director: Strategic Communications and International Relations, or by email address: info@bon.com.na

Issued by:



Mr. Johannes !Gawaxab

Governor