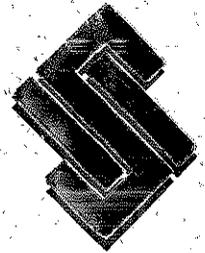


Bank of Namibia

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Office of the Governor

2 July 2010

Attention: News Editor

REF: 9/6/2

FOR IMMEDIATE RELEASE:

PRESS RELEASE

THE BANK OF NAMIBIA DECISION REGARDING THE INTENTION OF ABSA GROUP TO ACQUIRE SHARES IN CAPRICORN INVESTMENT HOLDINGS (GROUP HOLDING COMPANY OF BANK WINDHOEK)

1. On 15 February 2008, ABSA Group Limited South Africa applied for a banking license to establish a greenfield banking institution in Namibia. The Bank of Namibia granted a provisional banking license of six months on 15 April 2008. Subsequently, ABSA requested for extension of the provisional approval until April 2009, to which the Bank of Namibia gave its consent. Prior to the expiry of the second provisional period, ABSA approached the Bank of Namibia to communicate its decision not to proceed with the provisional banking license. Shortly thereafter, on 27 February 2009, ABSA lodged a fresh application to the Bank of Namibia for the establishment of a Representative Office in Namibia. Based on this application by ABSA, the Bank of Namibia on 31 March 2009 granted authorization for ABSA to establish a Representative Office.
2. On 19 February 2010, ABSA Group Limited and Capricorn Investment Holdings Limited announced that they have reached a non-binding agreement to allow ABSA Group to pursue an acquisition of the majority shareholding in Capricorn Investment Holdings, subject to certain conditions, including a due diligence

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investigation and various regulatory approvals. In March 2010, the Bank of Namibia received all the required information relating to the proposed transaction from the parties involved, followed by a formal application by ABSA Group seeking approval to acquire at least 70% shareholding in Capricorn Investment Holdings Limited. At present, Capricorn Investment Holdings owns and controls 72.1% majority interest in Bank Windhoek Holdings Limited, which, in turn wholly owns Bank Windhoek Limited.

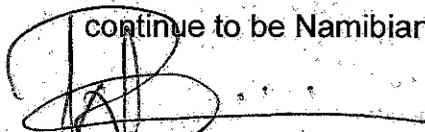
3. The Banking Institutions Act, 1998 (Act No.2 of 1998) requires that prior written approval must be obtained from the Bank of Namibia, when any person wishes to acquire direct or indirect control over a banking institution. At the same time, the Bank of Namibia must be satisfied with the merits of the proposed transaction. The Bank of Namibia has to be satisfied that any transaction of this nature will not:

- Hamper the national economic interests of the country;
- Lead to financial instability in the system;
- Lead to undue concentration and systemic risk;
- Be contrary to the interest of the banking institution concerned, i.e. current status and future sustainability considerations; and
- Be contrary to the interest of depositors by ensuring the continued confidence in the banking system.

4. On various occasions, the Bank of Namibia has accorded both ABSA Group and Capricorn Investment Holdings the opportunity to make representations about their intentions and has taken all relevant factors into consideration in its assessment. The Bank of Namibia considers the ABSA Group as a credible and leading financial institution that has a good track record regionally and internationally. Equally, the Bank believes the shareholders of CIH are people of good repute who have made a significant contribution to the development of Namibia. However, the Bank of Namibia is concerned that should the transaction be approved all domestic banks will be majority foreign owned, which is not in line with the national development objectives, as articulated in Vision 2030 and NDP3. Secondly, this could further expose the Namibian banking industry to a

single country risk, a situation that is not desirable. Such dominance of foreign shareholding over the Namibian banking industry from the current 65 percent to close to 80 percent renders the domestic banking system more susceptible to cross-border shocks through the risk of contagion.

5. In addition, the proposed transaction is expected to place the only wholly owned local banking institution into the hands of foreign shareholders. This will have some regressive effects on the economic development aspirations of the country, which aims at increasing participation of Namibian ownership in banking institutions and the financial system as a whole. The Bank views the potential drawbacks from the proposed acquisition to outweigh the benefits thereof. Although the transaction could bring short term benefits to the Namibian economy, it is not viewed to be in the best interest of the Namibian economy in the long term.
6. Therefore, the Board of the Bank of Namibia has resolved **to decline the acquisition** of the controlling interest in Capricorn Investment Holdings by ABSA Group. Accordingly, the Bank has advised the majority shareholders in Capricorn Investment Holdings to take initiatives to allow interested fit and proper Namibian investors to take-up majority shares in CIH in order for Bank Windhoek to continue to be Namibian owned.


Ipumbu Shiimi
GOVERNOR



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