



TRUSTCO GROUP HOLDINGS LIMITED

Incorporated in the Republic of Namibia

(Registration number 2003/058)

Registered as an external company in South Africa

(External registration number 2009/002634/10)

NSX share code: TUC

JSE share code: TTO

ISIN Number: NA000AORF067

("Trustco" or "the Company")

LOAN AGREEMENT WITH A RELATED PARTY AND RENEWAL OF CAUTIONARY ANNOUNCEMENT

Trustco shareholders ("**Shareholders**") are referred to the cautionary announcement which was published on SENS on 28 September 2018, advising Shareholders that discussions with several parties have progressed to such a level that the board is of the opinion that if it's successfully concluded, may have a material effect on the price of the Company's securities, and that shareholders dealing in the equities of the Company should therefore exercise caution.

Shareholders are advised that one of the transactions referred to is a capital raise transaction through a proposed loan agreement with the majority shareholder of the Company.

1. Loan with a Related Party

Shareholders are advised that Dr Quinton van Rooyen, together with his investment vehicle (being Next Investments (Pty) Ltd) - collectively hereinafter referred to as "**the Family**", has entered into a loan agreement with Trustco, the material terms being:

- The Family will provide a loan of up to a maximum amount of NAD 1 billion (the "**Capital Amount**") to the Company.
- The loan is repayable on 31 March 2024 (the "**Due Date**").



- The loan shall be an interest only loan with the Capital Amount repayable as a bullet payment, in cash on the Due Date, unless the Family exercise their option to have the sum of the Capital Amount settled in TTO shares (the **“Conversion Option”**).

- The Family will dispose of a portion of its Trustco Group Holdings Limited securities (**“TTO shares”**) to investors that will include, but not be limited to institutions, individuals, corporates and existing shareholders to fund the Capital Amount;
 - The current issued share capital of Trustco is 974 265 619 and the Family currently owns 535 854 120 (Five Hundred and Thirty Five Million Eight Hundred and Fifty Four Thousand One Hundred and Twenty) TTO shares representing 55% of the issued TTO shares.

 - Shareholders are referred to the SENS announcements published on 4 and 21 September 2018 in terms whereof it was reported that the Huso transaction had closed. The Company and the Family are confident that the earn out in terms of the Huso transaction will be achieved, and subsequently the Family will own 1 164 643 120 (One Billion One Hundred and Sixty Four Million Six Hundred and Forty Three Thousand One Hundred and Twenty) TTO shares representing 72.65% of the issued TTO shares.

 - After the proposed sale of a relatively small portion of the Family’s equity, the Family will maintain its significant controlling interest in the Group, while the Group’s share float will be increased, thereby increasing the number of shares that may be freely traded, which generally benefits all shareholders.

 - The proposed sale will not lead to a change of control in Trustco. The Family will still have the vast majority of its net worth in TTO shares.

 - Each and any sale of any tranche of the Family’s securities will be announced on SENS.

- The loan will be provided to Trustco as an unsecured subordinated shareholders loan.



- Interest on the Capital Amount will be calculated monthly in arrears at the prime interest rate of Namibia as published from time to time by the Bank of Namibia;
 - Currently the prime interest rate of Namibia is published at 10.50%. The average cost of capital for the group is currently approximately 14%;
 - A portion of the current funding lines of Trustco is USD denominated whilst this loan would be advanced and repayable in NAD and is therefore not be subject to currency volatility.
 - Interest will be paid monthly.
 - The actual loan amount may be for a lesser amount depending on the growth capital requirements of the Company as determined by the independent non-executive board members of the Company, at any time before 30 June 2019.
- 7.3. During the term of the Loan, the Family, in its sole discretion, have the right and may elect to postpone or write-off any portion of the Capital Amount. The Family would give 30 (thirty) days' notice to the Trustco board of the Family's decision to postpone or write-off the Capital Amount or any portion thereof which was on lend to the 's subsidiaries or operating segments. The Company would be obligated to align the Capital Amount accordingly to reflect the Family's decision in the Borrower's subsidiaries or operating segments.
- Alternatively, the Family, in its discretion may elect to exercise the Conversion Option and receive the Capital Amount not as a single payment in cash on the Due Date, but rather by way of conversion of the Capital Amount into TTO shares, in part or in full, at a conversion price per TTO share which shall be determined based on the periods during which the Conversion Option is exercised as set out below;
 - Between 1 January 2020 – 31 March 2020 at a rate of NAD 21.49 per share to a maximum number of 46 533 271 TTO shares;



- Between 1 January 2021 – 31 March 2021 at a rate of NAD 31.91 per share to a maximum number of 31 338 138 TTO shares;
- Between 1 January 2022 – 31 March 2022 at a rate of NAD 42.72 per share to a maximum number of 23 408 239 TTO shares;
- Between 1 January 2023 – 31 March 2023 at a rate of NAD 57.93 per share to a maximum number of 17 262 213 TTO shares ;
- Between 1 January 2024 – 31 March 2024 at a rate of NAD 74.79 per share to a maximum number of 13 370 771 TTO shares.

- The highest closing price of TTO shares since listing was NAD 13.49 per share.

- The independent non-executive directors of the Borrower may during the abovementioned periods elect to make an early repayment of the Capital Amount, in full or in part, by giving 30 (thirty) days' notice to the Lender of its intention;
 - The Borrower shall not be penalised for any early payments made to the Lender in terms of the Capital Amount, prior to the Due Date.
 - The Lender may, upon receipt of the notice, to make an early repayment exercise its discretion and elect to receive capital repayments, in part or in full, by way of a conversion or cash for the outstanding Capital Amount or a portion thereof into TTO shares on the rate per share as set out above.

- This loan is provided to the Company in addition to:
 - the interest bearing shareholders loan at prime rate as a result of the closing of the Huso transaction in the amount of NAD 296 million in the Resources Segment (Huso Amendment Circular, issued to Shareholders on 11 May 2017, page 42);



- the management and surety fees for the financial year ending 31 March 2018 had been written off, totalling NAD 61.5 million (AFS 2017/2018 page 43 as published on www.tgh.na);
- indemnification in the amount of USD 25 million for the Meya project for a period of 4 years as from 31 January 2017 (SENS announcement dated 23 August 2016);
- surety pledged for the benefit of the Company to the value of NAD 1.972 billion (AFS 2017/2018 page 53 as published on www.tgh.na); and
- assets pledged for the benefit of the Company in the amount of NAD1.4 billion (AFS 2017/2018 page 53 as published on www.tgh.na)

2. Use of funds

- The Capital Amount is earmarked to be deployed for growth throughout the Trustco group of companies, but primarily in the Resources Segment:
 - Shareholders are referred to the SENS announcement dated 9 August 2018 where it was reported by SRK Consulting (Canada) Inc. in their interim technical report for the Meya Project, that the exploration results to date indicates that both the hurdle components have been achieved, being a resource of at least 3 million carats or at least USD 1 billion valued at international diamond market prices.
 - With the geo-economic potential having been verified, Meya is in the process of evaluating various options to increase the overall mine configuration and achieve an optimal mine plan. This includes plant optimisation and acquiring additional mining fleet as well as securing a 25 year mining license in due course. The intention is to increase production first to 165,000 carats per annum and subsequently to 300,000 carats per annum.
- The Banking and Finance Segment will also benefit from the loan by:



- financing growth of the Trustco Finance student loan book to the stated target of NAD 1 billion in the next 18 months (Integrated Annual Report 2017/2018 page 112, available at www.tgh.na); and
- further capitalising Trustco Bank to provide mortgage bonds in the Namibian property market, SME loans, personal loans and commercial loans. Trustco Bank's ability to fund mortgage loans to buyers of the Group's properties is a material competitive advantage. (Shareholders are referred to the SENS announcement regarding the update in the Insurance Segment in re: Namibian Land Conference dated 8 October 2018)
- The Insurance Segment (and its investments) will be capitalised to take advantage of attractive opportunities in the current market conditions.
- A portion of the loan will be applied towards the current debt restructuring of the Group. The Company is in the process of negotiating a formal capital standstill up to 15 June 2019 with the International Lenders Group. During the agreed capital standstill a formal debt restructuring agreement will be completed and finalised.

3. Rationale for the Loan

- Namibia, where the bulk of Trustco's operations are located, experienced nine consecutive quarters of negative economic growth. This transaction will bolster growth capital for Trustco, Namibia and the other countries in which it operates.
- The investment in the Resources Segment acts as a natural currency hedge, as this generates USD revenue.
- The sale of a portion of the Family's equity and entering into a subsequent loan agreement with the Family will not have the immediate effect of further dilution for existing shareholders in Trustco.



- The sale of a portion of the Family's equity will improve liquidity and the free float of TTO shares in the market.

4. Circular to Shareholders

- Dr Quinton van Rooyen is a related party as contemplated in paragraph 10.1 of the JSE Listings Requirements ("Listings Requirements") as a director of Trustco and is also entitled together with Next Investments (Pty) Ltd to exercise 10% or more of the votes able to be cast at a Trustco general meeting. The Family is the majority shareholder in Trustco.
- The settlement mechanism of the loan by way of the potential issuance of TTO shares to the Family should the Conversion Option be exercised, is considered to be a specific issue of shares for cash as per 5.51 of the Listings Requirements ("**Specific Issue**").
- Consequently, in terms of the Listings Requirements, the Specific Issue requires the approval of Shareholders at a general meeting.
- The Family and its associates will be excluded from voting at the above general meeting.
- A circular containing full details of the Specific Issue as well as a notice to convene a general meeting of Shareholders in order to consider and, if deemed fit, to pass with or without modification, the resolutions necessary to approve and implement the Specific Issue, will be made available to Shareholders in due course.

5. Renewal of cautionary announcement

- The loan by the Family is one of a number of transactions currently being negotiated by Trustco and as such Shareholders are advised to exercise caution when dealing in the Company's securities until a further announcement is made.
- It is envisaged that the process of obtaining all Regulatory and Shareholders approval, as well as providing the required Capital Amount will be concluded by 30 June 2019.



- The Company's board approved the terms of this transaction on 5 October 2018.
- Shareholders would be kept abreast of the progress made in this regard *via* SENS.

6. Conclusion

- The loan provides Trustco the mechanism to access growth capital for key opportunities that the Group is pursuing, without affecting debt covenant ratios or diluting Shareholders on unfavourable terms.
- The growth opportunities in Trustco are significant and the Company is of the view that these opportunities have the capacity to materially increase the earnings and cash flow of Trustco.

Windhoek, Namibia

8 October 2018

Amanda Bruyns

Company Secretary: Trustco Group Holdings Limited

JSE Sponsor

Vunani Corporate Finance

NSX Sponsor

Simonis Storm Securities Proprietary Limited