



African Bank ready to rise from the ashes

Trade in debt will be unrestricted from tomorrow

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AFRICAN Bank curator Tom Winterboer will officially hand over the reins to CEO-designate Brian Riley tomorrow, ending nearly two years of nurturing the bank back to health after former Reserve Bank governor Gill Marcus placed it into his care following its collapse under a mountain of debt.

The old African Bank's undoing was its single business line — personal loans — which it later tried to change by introducing investment products such as fixed deposits.

Tomorrow, the new bank, carved out of what remains of the African Bank Investments Limited group — complete with a new holding company, company registration number, National Credit Regulator number, and banking licence — will continue to offer personal loans, with funeral insurance and stokvel products, and new credit card facilities planned for later this year.

It has already broken ties with insurer Standard General Insurance Company to partner with MMI subsidiary Guardrisk after a failed bid to buy Stangen from Abil, which is under business rescue.

But Winterboer's work is not done. He will still collect soured loans which were not placed in the good bank. The "bad" loan book will have a separate listing on the JSE, trading as Residual Debt Services.

"It is the actual old company entity and will have the old registration number and utilise the existing National Credit



COMPETE: Brian Riley

Regulator registration number," said Winterboer. "That entity will continue to collect on the residual loan assets that remain in that entity."

The "good bank" will trade as African Bank Limited. Investors in its debt will be able to trade unrestricted from tomorrow, after Winterboer redeems and cancels debt swapped as part of an exchange offer.

The new debt will also be listed on the Swiss stock exchange and the London Stock Exchange, said Winterboer. "In addition to the instruments the creditors receive in Good Bank, they also hold a stub instrument in Residual Debt Services, representing that element of their claims not settled under the exchange offer. The stub instruments are not listed, but are capable of being traded."

African Bank's partnership with Guardrisk has seen about 85 000 new credit life policies written since January.

Older customers, numbering 1.5 million, continue to be

served by Stangen.

Next year, it will launch a transactional banking offering, going head to head with Capitec. But Riley, a former WesBank executive, said last month that making comparisons between the new bank and Capitec would be "incorrect".

"I don't look at other banks' metrics," he said. "I only look at the loan books."

His bank met its R8-billion sales target for its 2015 financial year to September, bringing gross loans and advances to R44.8-billion, compared with Capitec's R40.9-billion for the financial year to February.

Capitec had 7.3 million active clients at the end of its financial year, with 3.3 million using it as their primary bank.

The lender has joined a partnership with home loan provider South African Home Loans, which CEO Gerrie Fourie said was going well.

"It is a defensive strategy," he said. "It was what our clients wanted."

The bank was working on other opportunities targeted at individuals, which he was unable to discuss.

He did not see African Bank's impending transactional bank offering as a threat.

"We take all competitors seriously, though," he said.

Riley said his bank was aware what made people unhappy, and aimed to compete on that basis. This may push transactional banking costs, which has seen customers flock to Capitec, even lower.

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