

African Bank press release

8 September 2017

African Bank offers to repurchase up to R3,2 billion of domestic bonds

African Bank has this morning offered to buy back up to R3,2 billion of its ZAR denominated bonds issued under its JSE-listed Domestic Medium Term Note (DMTN) programme. The rationale is to save on interest costs that the Bank needs to pay on the bonds held, thus improving the financial result for future years, while structuring the Bank's balance sheet more effectively from a capital and liquidity perspective.

Since July 2016 the Bank has bought back over half of its US Dollar and Swiss Franc debt issued under its Euro Medium Term Note (EMTN) programme listed on the London stock exchange as well as a portion of unlisted bilateral ZAR deposits. Together, these buy backs amounted to a ZAR equivalent of R11,7 billion during the 2016 financial year and R664 million up to 31 March 2017.

The Bank's offer to domestic bond holders is focussed on the shorter-dated DMTN bonds which, is intended to preserve longer term liquidity, while structuring the balance sheet more effectively from a capital and liquidity perspective. This ongoing liability management exercise has resulted in significant interest cost savings to date, as a result of the reduction in the negative carry, which is the difference between the interest earned on cash and the interest paid on liabilities.

The offered price on the DMTN tender offer is at a slight premium to the par value of the originally issued bonds, which is reflective of the Bank's intention to reduce the negative carry associated with the cash on its balance sheet.

Commenting on the repurchase offer Gavin Jones, Group Treasurer of African Bank stated: "We believe that the offer provides a good balance between offering existing bondholders an opportunity to monetise their holdings at a decent return and providing the Bank an opportunity to further right size its balance sheet, which will further enhance the future returns."

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On behalf of Group Treasurer of African Bank, Gavin Jones

