

AFRICAN BANK LIMITED

(Incorporated in the Republic of South Africa)

(Registered Bank)

(Registration No. 2014/176899/06)

Company code: ABKI

(“African Bank” or the “Bank”)

SHAREHOLDER SUPPORT AND ASSISTANCE, TOTALLING R8 BILLION

African Bank commenced operations in April 2016, subsequent to the successful restructuring of the legacy African Bank (renamed Residual Debt Services Limited (under curatorship)), (the “Restructuring”). As part of the Restructuring, the existing liabilities were restructured and extended for an effective period of 3 years and 8 months, and transferred together with certain better-quality customer loans, related assets and other liabilities to African Bank.

African Bank was recapitalised with new equity of R10 billion from African Bank Holdings Limited (“ABHL”), its immediate 100% holding company, resulting in a strong capital and liquidity position. The shareholders of ABHL contributed to the R10 billion in the ratio of their respective shareholdings:

- South African Reserve Bank (“SARB”) (50.00%);
- Government Employees Pension Fund (25.00%);
- FirstRand Bank Limited (6.55%);
- The Standard Bank of South Africa Limited (5.95%);
- Absa Bank Limited (4.95%);
- Nedbank Limited (4.10%);
- Investec Bank Limited (2.45%); and
- Capitec Bank Limited (1.00%) (collectively, the “Shareholders”).

The board of directors of African Bank (the “Board”) recognise that to build a robust and sustainable long-term operating model, African Bank needs to re-establish itself as a reliable and accepted counterparty in the domestic wholesale funding market. This will allow the Bank to continue focusing on the delivery of its long term intention to diversify its funding base by increasing retail deposits.

In order to facilitate African Bank’s successful re-entry into the domestic wholesale funding market, the Board is pleased to announce that the Bank has entered into shareholder support and assistance arrangements with the Shareholders (the “Support Arrangements”).

In terms of the Support Arrangements, the Shareholders have undertaken to provide certain support facilities to African Bank over a period of three years and four months, commencing 1 December 2020 and concluding on 31 March 2024 (the “Support Period”), in proportion to their shareholdings, up to a maximum cumulative amount of R8 billion over the Support Period.

During the Support Period and subject to the specific requirements hereunder, the Bank will be entitled, but not obliged, to call for support and assistance from the Shareholders in respect of issuances of listed



ZAR denominated fixed-rate or floating-rate unsecured Senior Notes with a maximum term of 3 years (“Corporate Bonds”) whenever the Bank elects to formally access the wholesale funding markets during the Support Period provided that the aggregate support available from Shareholders will not exceed ZAR2 billion in the period from 1 December 2020 to 31 March 2021 and ZAR2 billion in each of the three 12-month periods thereafter, commencing 1 April 2021 to 31 March 2024.

In respect of any supported issuance of Corporate Bonds by the Bank, any shortfall will be taken up by the Shareholders, other than the SARB, subscribing for Corporate Bonds alongside the rest of the market investors, in their shareholding proportions, with the SARB providing assistance to the Bank through a collateralised loan to the Bank.

The loans advanced to the Bank by SARB will be secured by a cession in security to the SARB of a portion of the Bank’s customer loan portfolio, with an initial cover ratio, based on the net asset value of customer loans, of 111%. In accordance with banking regulations, the Bank will deduct from its regulatory capital the value of the security granted to SARB, and the impact thereof will depend on the aggregate amount of the SARB loans from time to time.

The Support Arrangements provide African Bank with a significant underpin to meeting its conservative liquidity risk appetite while settling its contractual wholesale liabilities maturing over the period and ultimately facilitating African Bank’s re-entry, on a stand-alone basis, into the South African wholesale funding market.

7 September 2020

Debt Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)