

African Bank press release

African Bank receives shareholder support for future entry into the domestic wholesale funding market

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.

The board is therefore pleased to announce that it has successfully entered into shareholder support and assistance arrangements (the “Support Arrangements”) with all of its shareholders. The Support Arrangements will facilitate African Bank’s formal re-entry into the South African wholesale funding market.

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

Chief Financial Officer, Gustav Raubenheimer noted, “The Bank does not immediately require any additional wholesale funding or increased liquidity and we do not anticipate a requirement to enter the domestic wholesale funding market in 2020 for any listed issuance, despite the Covid-19 pandemic. However, these support arrangements should provide further comfort and confidence to South African funders for future funding requirements. The Bank will continue to focus on diversifying its funding sources, across its retail deposit book. The retail deposit products continue to be attractive to savers searching for the best interest rates in the domestic market. The retail book has grown significantly over the last few years totalling approximately R4.8 billion as at the end of June 2020.”

During the Support Period and subject to specific requirements, the Bank will be entitled, but not obliged, to call for financial support, at market related funding rates, from the Shareholders, should there be a shortfall in respect of issuances of listed Rand 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. The specific requirements provide that the aggregate support available from Shareholders will not exceed R2 billion in the period from 1 December 2020 to 31 March 2021 and R2 billion in each of three 12-month periods thereafter commencing 1 April 2021 up to 31 March 2024.

Raubenheimer explains, “These support agreements will now enable the Bank to formally re-enter the South African wholesale funding market at market related rates.”

From a balance sheet perspective Raubenheimer says that the shareholder support, if required, will enable the Bank to appropriately manage its funding base, manage liquidity risk effectively as well as manage the balance sheet more effectively.

Raubenheimer concluded, “The Bank has made good progress over the past years, providing a diversified set of financial services and products, operating through a single channel and diversifying its funding base.



A key element of the success of this business has been our focus to build and maintain a reputation of trustworthiness and transparency.

We believe that the Support Arrangements provide African Bank a further significant bolster 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.

We thank our shareholders for their continued support”.

ENDS

Louise Brugman, 0835041186

For and on behalf of Gustav Raubenheimer CFO of African Bank Holdings Ltd

Notes to editors

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, its immediate 100% holding company, resulting in a strong capital and liquidity position. The shareholders of African Bank Holdings Limited contributed the R10 billion in the ratio of their respective shareholdings:

- South African Reserve Bank (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”).

African Banks debt programme is held at the Bank level, not at the Group level.

