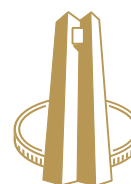


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SOUTH AFRICAN RESERVE BANK

1 June 2021`

South African Reserve Bank's review of its potential exit options for its 50% shareholding in African Bank Holdings Limited

1. Introduction

On 14 February 2020, the South African Reserve Bank (SARB) announced that it had published a request for proposal (RFP) to appoint a transaction advisor to assist with the sale of its 50% shareholding in African Bank Holdings Limited (ABHL) (the proposed transaction).

The SARB has subsequently appointed transaction advisers who are undergoing a process of evaluating various options for the disposal of the 50% stake, including a sale to a strategic investor or investors and an initial public offering (IPO) (although this will be highly dependent on prevailing market conditions at the time). A retail offer or broad-based ownership structure will be considered as part of the process.

2. African Bank Holdings Limited: background

African Bank Limited (ABL) was placed under curatorship in August 2014 by the Registrar of Banks and the Minister of Finance. The curatorship was a protection mechanism that provided the SARB with the legal means to create the necessary space to implement a resolution plan to ensure the future viability of ABL.

As a result of the curatorship, ABL's assets were split into two parts, namely:

- the good bank, ABL, which was recapitalised and established as a new legal entity and a wholly owned subsidiary of ABHL; and
- the bad book, which comprised a substantial portion of the non-performing and under-performing assets that were housed in a separate legal entity and was renamed Residual Debt Services Limited (RDS), which was placed and continued to operate under curatorship.

Since the SARB's acquisition, ABHL has made good progress towards achieving its strategic objectives, while increasing profits, building a strong balance sheet, and achieving a strong growth trajectory through aggressive customer acquisition initiatives.

3. Rationale for the sale

The SARB acquired 50% of the issued share capital of ABHL in 2016 as part of the restructuring of ABL. This equity shareholding, however, creates a potential conflict of interest due to the three functions fulfilled by the SARB in relation to ABHL and ABL, namely:

- a significant shareholder of ABHL;
- a regulator of ABL; and
- a lender of last resort.

The SARB is of the view that the appropriate time has come to review potential exit options and for ABHL to obtain a long-term sustainable shareholder or shareholders who are better aligned to the ABHL's strategy and growth aspirations.

4. Request for formal expressions of interest

To give effect to the divestment of its 50% stake in ABHL, the SARB has appointed Rothschild & Co; BofA Securities; and Moshe Capital to act as joint financial advisers in relation to the proposed transaction.

The SARB hereby extends an invitation to interested parties, both local and international, to submit their expression of interest (EOI). All prospective bidders or any consortium of bidders will need to satisfy the regulatory requirements of the SARB and the Prudential Authority, including those relating to the fit and proper standard for significant owners, safety and soundness, minimum capital requirements and broad-based black economic empowerment (B-BBEE) standards. Potential bidders will be assessed on these criteria in accordance with the documents provided in the footnoted links below.¹²³

Interested parties should respond via email to the SARB at EOI@resbank.co.za, and will receive a preliminary information pack and a process letter to assist with the preparation of a formal EOI. This should be submitted to the SARB by no later than 12:00 on 2 July 2021.

¹ <https://www.resbank.co.za/en/home/publications/prudential-authority/legislation>

² <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-financial/sector-regulation-joint-standards/2020/9970>

³ <https://www.fsca.co.za/Regulatory%20Frameworks/Pages/Standards.aspx>