

African Bank under curatorship

African Bank has been placed under curatorship but it will continue to operate and be open for business, says the Reserve Bank.



Reserve Bank Governor, Gill Marcus has promised African Bank R7bn in support for the current financial crisis it faces with bad debts amounting to about R17bn. Image: Reserve Bank

"The first important measure has been the conclusion reached by the Registrar of Banks and the decision by the Minister of Finance to place African Bank under curatorship with effect from Monday (11 August)," Reserve Bank Governor Gill Marcus said.

This comes as African Bank announced that its Chief Executive and Founder, Leon Kirkinis, has resigned and that in the six-month period to March, African Bank Investment Limited (Abil) posted a headline loss of R3.1bn.

At the time, Abil assured the market that the new debts written after June last year were significantly better and forecast that they would return to profitability in the second half of the year. Abil's trading statement for the third quarter, released on 6 June, was worse than what the market expected.

The Abil board announced its decision to sell Ellerine (its wholly owned subsidiary) as Ellerine Furnishers has been a significant drain on Abil requiring funding support of a minimum R70m a month.

"The problems that have beset African Bank are, in our view, largely specific to their current business model, which does not include a diversified set of products and income streams, nor does it offer transactional banking services.

"This has made African Bank and the Abil Group uniquely vulnerable to a changing and challenging business environment. It is against this backdrop that the decision has been taken to introduce a range of support measures for African Bank," said Marcus.

Bank not opposed to curatorship

Finance Minister Nhlanhla Nene has appointed Tom Winterboer as the curator. Winterboer is the Financial Services Industry Leader for Africa and a member of the global financial services leadership team at PricewaterhouseCoopers (PwC).

He will be assisted by a team of experts, including Peter Spratt and David Gard of PwC London.

The curatorship is a protection procedure that gives the Reserve Bank the legal means to create the necessary time to implement a business rescue plan.

The curatorship and resolution process will:

- Ensure that the regulator allows African Bank's operations to continue effectively and efficiently;
- Identify performing loans and assets to be maintained;
- Involve the purchase by the Reserve Bank of a substantial portion of the non- and under-performing assets and other high-risk loans from African Bank in order to separate them from the bank as a first step towards resolving its financial challenges.



Tom Winterboer of PwC has been appointed as the Curator for African Bank and will be tasked with getting the firm back onto a solid financial footing. Image: [Holland Brokers](#)

Abil will receive a R10bn capital injection from a range of banks including Capitec Bank and Investec Bank Limited, which have formed a consortium to underwrite the R10bn capital required.

The Reserve Bank said it would pay R7bn of African Bank's bad loan book. The bad book comprises a substantial portion of the non- and under-performing assets. The bad debts currently has a book value net of specific impairments of R17bn.

"I want to emphasise that African Bank continues to operate during the curatorship and that Winterboer will make decisions regarding the continued granting of loans and sound banking activities," said Marcus.

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