



STANLIB African Bank Update

28 May 2015

Dear STANLIB Client,

A number of developments have recently taken place with regards to African Bank. STANLIB has played a leading role in working with the South African Reserve Bank and African Bank's curator to help get our clients closer to a resolution.

Today (28 May 2015), African Bank's curator gave some more information on how he plans to deal with senior and junior (subordinated debt) fixed interest investments issued by African Bank. As we have said previously, certain STANLIB funds had invested in some of these instruments.

When African Bank was placed under curatorship, the South African Reserve Bank announced that senior fixed interest investment holders would take a 10% "haircut". So for instance, if your fund had R100 invested in a senior fixed interest instrument, it was written down to R90 and transferred into a "side pocket" or retention fund.

At the same time, the South African Reserve Bank announced that junior fixed interest investments would have no value. In this case, the R100 invested was written down to no value and transferred into the side pocket. As communicated previously, STANLIB's funds had limited exposure to these junior fixed interest instruments and STANLIB money market funds had no exposure.

The good news

Today's announcement confirms that senior fixed interest investors are on track to get 90% of their investment back in due course.

There was also good news for those funds invested in junior fixed interest instruments, as they could potentially get back some of their original investment, instead of no value as previously announced.

While it is good news, we must caution that there are still a number of steps that need to be taken before this process is fully resolved.

What happens now to your retention fund?

STANLIB continues to hold the senior and junior fixed interest instruments in your retention fund as these instruments still cannot be traded. The curator has not given a clear timeline on when the instruments will become tradable.

As soon as we have clarity from the curator on any interest payments, we will start to accrue interest. This should increase the value of your side pocket.

Progress being made

The Banks Act Amendment Bill has been passed by Parliament and the president must now sign it into law. This is an important step in getting closer to the creation of a new “good” bank out of the old African Bank.

Other developments at African Bank include the appointment of a new CEO, Brian Riley. He brings a wealth of experience to the bank as he was previously Wesbank CEO.

Banking veteran and former Absa deputy CEO Louis von Zeuner was appointed as chairman of African Bank earlier in the year.

These appointments are reassuring as it puts two experienced and reputable bankers in charge of running the good bank.

What next?

STANLIB believes that the process of setting up the “good bank” is on track as originally planned by the South African Reserve Bank. We have to wait for further information on when investments held in retention funds will be available to you. As soon as we know more about this, we will let you know.

We assure you that we remain committed to your investment with STANLIB. Should you have any further questions or require additional information, please contact your financial adviser or refer to the STANLIB website, www.stanlib.com.

Regards,

Herman van Velze
Head of STANLIB Investments

Henk Viljoen
Head of Fixed Interest Franchise