

ANNEXURE "D"**AFRICAN BANK - CHRONOLOGY**

<u>Date</u>	<u>Event</u>	<u>Reference</u>
6/1/75	The African Bank of South Africa submits an application for provisional registration as a general bank to the Registrar	SARB(1)para 1
9/9/95	African Bank placed under curatorship. Curator finds that the bank's collapse was due to poor management, lack of controls, poor liquidity management, and extremely bad credit risk management, coupled with inside abuse and fraud	SARB(1)para 2
1998	Theta Investment Group ("Theta") acquired African Bank licence from the regulator. Theta merged African Bank with King Finance Corporation, Unity Financial Corporation, Unity Financial Services, and Alternate Finance	SARB(1)1

1999	Theta changed its name to African Bank Investments Limited (Abil)	SARB(1)1
2002	African Bank Limited acquired the Saambou Personal Loan Book	SARB(1)1
4/6/04	The management of Abil announces that it is currently investigating the issue of a new tranche of senior unsecured bonds under the existing medium term note programme of African Bank	SARB(1)2
7/7/04	African Bank launches a R1 billion corporate bond with a coupon of 11,75% that will mature on 12/7/07	SARB(1)3
16/5/05	Abil announces a BEE programme : trust will acquire an initial 7% shareholding in Abil valued at ±R600 million	SARB(1)4
22/8/05	African Bank raises R500 million in long-term, debt funding through the private placement of a new bond	SARB(1)10
9/9/05	Abil acquires the remaining 50% of Teba Credit (Pty) Ltd from Teba Bank Limited	SARB(1)11

- Teba Credit was a JV established in 2000 between Abil and Teba Bank to provide unsecured loans to employees in the mining community

7/8/06 African Bank issues R750 million senior unsecured bonds SARB(1)12

22/2/07 Meeting of Group Risk Committee AB(4)77

- NEDs (including Tugendhaft), executives (including Kirkinis) and Deloitte
- Tami Sokutu had assumed the role of Group Risk Officer
- Bank well prepared for the implementation of the NCA
- Debit order vintages were within expected ranges; all processes and systems had been reviewed to assume that they were "foolproof" on reckless lending
- Management expected to meet all sales targets for the year

23/2/07	Meeting of Group Remcom	AB(3)116
28/2/07	Meeting of the board of Abil	AB(23)342
18/4/07	Meeting of Group Remcom <ul style="list-style-type: none">- Eyomhlaba to enter a subscription agreement with Mogase	AB(3)118
2/5/07	Meeting of Group Risk Committee <ul style="list-style-type: none">- Provisioning models were appropriate and within materiality levels- the bank would be fully compliant with the NCA by 1/6/07	AB(4)81
2/5/07	Group Audit Committee meeting <ul style="list-style-type: none">- Committee satisfied with the adequacy of provisions and the application of IAS39 and the results of the model- Deloitte fees for FY2006: ±R6,2 million, FY2007 ±R4,8 million	AB(6)98

9/5/07	<p data-bbox="391 291 774 324">Meeting of the board of Abil</p> <ul style="list-style-type: none"> <li data-bbox="438 369 1141 616">- Sub-committee appointed to determine the pref share dividend and the interim ordinary dividend rate for the 6 months ended 31/3/07, within the parameters determined by the board <li data-bbox="438 660 1141 828">- Resolved that the bank declared dividend of ±R287 million which is due and payable to Abil on 1/6/07 	AB(23)346
11/5/07	<p data-bbox="391 929 965 963">Meeting of the dividend committee of Abil</p> <ul style="list-style-type: none"> <li data-bbox="438 1008 1141 1120">- Resolved that Abil pay a dividend of 430c per preference share and 95c per ordinary share 	AB(23)351
1/6/07	NCA comes into effect	
20/7/07	<p data-bbox="391 1355 1141 1388">“Feedback on research into opportunities for growth”</p> <p data-bbox="391 1433 1141 1545">by Woollam and de Ridder presented to Abil board on 20/7/07</p>	E(7)105
20/7/07	<p data-bbox="391 1646 901 1680">Strategy meeting of the board of Abil</p> <ul style="list-style-type: none"> <li data-bbox="438 1724 1141 1901">- Discussion around the potential acquisition of one of existing credit retailers as part of the growth strategy eg EHL or JD Group 	AB(23)352.1

27/7/07	Email Woollam to Kirkinis – comments on running the Exco	AB(51)1
2/8/07	Meeting of Group Risk Committee	AB(4)85
2/8/07	Group Audit Committee meeting	AB(6)103
6/8/07	Corinne to Leon Kirkinis: <ul style="list-style-type: none"> - Due diligence - Project Leapfrog: teamleaders; Brief eg: examine the capabilities, capacities and strengths and weaknesses of each of the areas 	AB(51)2
8/8/07	Abil makes application to Registrar for the acquisition of EHL	SARB(2)18
13/8/07	Project Leapfrog: presentation to Abil board at the meeting on 13/8/07 <ul style="list-style-type: none"> - Step 2 : Due diligence ±2 weeks 	E(1)43 Woollam
13/8/07	Special meeting of the board	AB(23)353

- The board unanimously supported the proposed acquisition of EHL
- Based on the various valuation models presented to the board, the proposed purchase consideration for the transaction was R85 per Ellerines ordinary share which translated into R9,85 billion
- The intention was to settle the purchase consideration by way of an issue of new Abil ordinary shares

20/8/07	Abil and EHL SENS announcement re proposed acquisition by Abil of EHL	SARB(47)1, SARB(1)13
21/8/07	de Ridder to Fourie ao re Due Diligence terms of reference	AB(52)50
24/8/07	Nalliah to Findt (KPMG) <ul style="list-style-type: none"> - We did not value Abil - We merely valued Ellerines 	AB(52)54
24/8/07	JP Morgan : “Abil: ability to unlock value”	AB(53)1,7

- "Management believes that the retail and financial operations within the enlarged group can be self-sufficient with no cross-subsidisation
- Management's preliminary view of the Ellerines book is that the underlying quality is good and within Abil's acceptable risk tolerance levels
- Due diligence process should provide further insight into the quality of the book

30/8/07	Emails: Schachat/ Squires:	AB(51)4
	<ul style="list-style-type: none"> - Tony (Fourie) is an outstanding young man 	
31/8/07	de Ridder to Fourie ao re Ellerines due diligence: terms of reference	AB(52)50
Sept 2007	High Level Due Diligence Report on the proposed Acquisition of EHL by Abil	E(6.1)270
	<ul style="list-style-type: none"> - Included in the Abil due diligence team were Nalliah, Chemel, and Fourie - Recommended that Abil proceeds with a firm offer 	

- General impression was one of a reasonably well governed, managed and controlled retail and credit operation with very experienced and solid operational managers in charge of the key areas
- The retail business operates effectively and is managed in a disciplined manner. No material risks in relation to the scope of the due diligence were identified
- Out of 1298 branches ± 40 do not generate a trading profit
- The credit business is in reasonably good shape but significantly lags African Bank in terms of underwriting capabilities

5/9/07 Abil and EHL SENS announcement of a firm intention AB(47)40
to make an offer for shares of EHL

11/9/07 Meeting of Group Remcom AB(3)120

- Salary increase of 8,5%
- On the assumption that the group makes pre-tax EVA of $\pm R1,14$ billion, an EVA pool of R220

million for the purposes of incentive bonuses
will be created

14-15/9/07	Email correspondence re shares in EHL	AB(51)5
18/9/07	Emails Sinclair/Woollam re EHL Capex expenditure of R12 million for FY2008	AB(51)7
19/9/07	<p>Meeting of the Abil board</p> <ul style="list-style-type: none"> - Group budget for the 12 months to 30/9/08 eg: <ul style="list-style-type: none"> (i) Pricing would continue to be adjusted downward in line with the strategy of reducing the cost of credit to grow volume and the book (ii) Sales budgeted to grow by about 16% and the focus would be on quality, rather than quantity – orientated sales approach (iii) With the implementation of the NCA there has been a shift in the composition of income resulting in an increase in non-interest income and a decrease in 	AB(23)355

interest income

- Ellerines transaction:
 - (i) Due diligence was led by Johan de Ridder
 - (ii) KPMG who had conducted the due diligence exercise and the fair and reasonable exercise on the bank on behalf of Ellerines had found the deal to be fair and reasonable

21/9/07	Circular to Abil shareholders re acquisition of Ellerines	E(6)168
2-3/10/07	Emails Woollam/McCarthy on State Street and voting for acquisition	AB(51)8,11
23/10/07	Registrar approves Abil's application to acquire EHL	SARB(2)202
5/11/07	afs of EHL for FY2012 <ul style="list-style-type: none"> - Profit of R1 billion - Revenue increased by 9% to R8,3 billion 	AB(47.1)118
6/11/07	Meeting of Group Remcom	AB(3)122

- Remuneration of Executives and Executive Directors including the CEO (Kirkinis) and Executive Deputy Chairman (Schachat)
- Kirkinis annually objectively assesses the individual executives on various criteria
- Although no formal ERAs are in place, Kirkinis has an informal discussion with each of the executive directors and executives based on those criteria
- Remuneration of Kirkinis and Schachat : recommended that the board approve an annual performance bonus of R3,5 million in recognition of their individual performance and the performance of the company in FY2007
- Incentive schemes: total incentive and LTIP allocation equals to R163 million
- NEDs to receive a 8,5% increase

6/11/07

Meeting of Group Risk Committee

AB(4)88

- Committee satisfied with the level of provisions of R1,892 million
- 3 issues identified

- (i) lengthened average repayment term:
this requires a reliable early warning system
 - (ii) affordability calculations;
 - (iii) credit card
- Sales volumes and the value of loans have increased substantially
 - In June 2007 number of steps implemented to deal with the NCA conversion
 - The rejection rate of 27% is regarded as high and is reflective of the strict affordability criteria applied

7/11/07

Group Audit Committee meeting

AB(6)107

- Fraud experience at 0,06% of sales was low compared to the industry norm of 5%
- Deloitte: would be issuing unqualified audit opinions on the Abil Group, including Stangen and African Bank
- Management had agreed to the need for an IBNR provision
- Ellerines transaction: Nalliah and Deloitte would be working on the resolution of the

potential accounting issues and the alignment of accounting policies between Ellerines and the bank

8/11/07	Meeting of the Abil board	AB(23)358
	<ul style="list-style-type: none"> - Ellerines transaction sees as an opportunity for this business - For FY2008 the focus will be on further driving down the cost of credit, making credit more convenient for your clients, development and growth of credit to scale, improved client service, and the strategic integration of Ellerines - Remuneration of Kirkinis: R2 184 000 and an incentive bonus of R3,5 million; - Schachat: R2 million and incentive bonus of R3 million 	
Undated ±2008	EHL: Plan 2008	AB(51)16
	<ul style="list-style-type: none"> - Profitability target: target earnings growth of at least 5% on last year 	
7/1/08	Acquisition date of Ellerines	SARB(1)19

10/1/08	Morgan Stanley Research	AB(51)207
	<ul style="list-style-type: none">- Abil: overlooked growth potential	
22/1/08	“African Bank buys and delists Ellerines”	Media(1)1
	<ul style="list-style-type: none">- Price: R9,85 billion- David Woollam quoted- African Bank to offer cheaper credit- Boost its own client base	
29/1/08	Squires email to Schachat re general overview of costs, brands, etc at EHL	AB(51)12
31/1/08	Meeting of the board of Abil	AB(23)370
	<ul style="list-style-type: none">- Kirkinis updated the board on the Ellerines merger, eg:<ul style="list-style-type: none">(i) Management control took place on 14/1/08; effective date was 1/1/08(ii) Major changes in accounting policy are expected; they are material, and will affect the take on balance sheet of Ellerines	

(iii) Final purchase price is R31,01 per Abil share

- Kirkinis will stand down as MD of the bank but remain CEO of the group and Woollam will take over as MD of the bank

7/2/08 “African Bank: new loans up 46%” Media(1)3

- First quarter sales of new loans climbed 46% after it cut the cost of borrowing for lower-risk customers
- Value of loan to customers : R12,3 billion

10/2/08 “Abil takes due care unpacking Ellerines” Media(1)4

- Timing of Ellerines purchase not ideal
- Abil will maintain its ultra-conservative provisioning practices
- Abil's new loans leapt 46% year on year to R2,6 billion by end December [2007] and overall advances climbed by 13% to R12,3 billion
- Abil is shortening the average term of its new loans to R31 months
- Sales of goods at Ellerines were a feeble 3%

higher

14/2/08	African Bank issues R1 billion senior unsecured bonds	SARB(1)18
20/2/08	<p>Meeting of Group Risk Committee</p> <ul style="list-style-type: none"> - new chairman of committee (Adams replaces Steffens) - Ellerines acquisition discussed eg one of the high level risks was 'failure to extract value from the acquisition' - Approval rates had reduced over the past few months - ±80% of the high risk customers were rejected - Number of issues had been raised in Ellerines regarding invalidated income, this was a concern as it raised the question of possible 'reckless lending' 	AB(4)91
20/2/08	<p>Group Audit Committee</p> <ul style="list-style-type: none"> - Nalliah: 3 major accounting policy differences between the bank and Ellerines: <ul style="list-style-type: none"> (i) insurance income recognition 	AB(6)113

- (ii) recognition of income on Admin and Service fees
- (iii) debtors provisioning will be brought in line with Abil policy
- Abil management accounts: eg
 - (i) capital adequacy of the group reduced from 28,4% to 22,3% at 31 December largely as a result of the December 2007 dividend paid
- Deloitte's fees R5,9 million

29/2/08

"African Bank: Risky marriage"

Media(1)6

- Not inconsiderable risk that African Bank's takeover of Ellerines could go belly-up
- African Bank formed in 1998
- African Bank has 600 branches and 1.5 million customers
- 70% of Ellerines profits come from financial services
- Ellerines has 1 200 stores
- Ellerines loans are between R3 000 to R4 000; African Bank's loans are more than R10 000
- In 2007 African Bank wrote off R822 million in

bad debt; trading update this month showed

bad debt climbed toward 9.5%

- Kirkinis acknowledges that re-scheduling is a dangerous practice
- At least R2 billion in surplus capital from Ellerines
- African Bank has 50 risk bands; consumers are scored according to odds of default and given a repayment rate that means they are not subsidizing the riskier customers

29/2/08	<p>“A trip to the furniture shop”</p> <ul style="list-style-type: none"> - Price of a couch at Ellerines was R11 469 - If bought on credit it would cost R19 223 - Extras (fees, insurance etc) amount to R4 774,06 	Media(1)10
29/2/08	<p>“Banking on a risky marriage”</p> <ul style="list-style-type: none"> - Refers to purchase of Ellerines - [see p34 of Financial Mail (“FM”)] 	Media(1)11
29/2/08	<p>“Firm struggle credentials”</p> <ul style="list-style-type: none"> - History of African Bank from 1964; previously 	Media(1)12

placed under curatorship

- Kirkinis first involved with African Bank in about 1998?

29/2/08

“New owners promise morals”

Media(1)13

- 2004 report for National Treasury showed that 18 million of SA's poor pay more than 360% interest a year on unregistered microloans
- Kirkinis says he is an “accidental businessman” and activist with strong views on calling corporations to account. “We spend a lot of time debating the morality of what we do”
- Borrowers are paying back R149,20 for each R100 loan
- African Bank will lend R1 000 over a three-month period and the consumer will repay R1 260, a maximum annual interest rate of 150%
- African Bank's average loan size grew 17% to R5522 in 2007, with the average term of the loan climbing from 21 months to 29 months

3/3/08

Meeting of the board of Abil

AB(23)376

- Ellerines presentation: eg:
 - (i) Is over branded, over stored and over structured
 - (ii) Cost structure is high
 - (iii) Market share of the group has declined
 - (iv) Productivity ratios are worse than its competitors
 - (v) Debtors' costs have increased significantly over the past year and the forecast looks poor
 - (vi) Sales and margins are under pressure and below budget
 - (vii) Trading profit is below budget
 - (viii) Head office costs are high
 - (ix) There are leadership and skills challenges within the business
- Ellerines insurance: Woollam summarises the concerns, eg
 - (i) The accounting methods used to bring income into account post NCA is legally flawed and requires correction back to June 2007
 - (ii) This was raised as an issue at the time

of the due diligence

- (iii) The amount is ±R900 million for the period September to December 2007 and ±R200 million for the period June to August 2007
- (iv) R900 million will be accounted for as an adjustment to the purchase price in the books of Abil

5/3/08	<p>Bank Exco meeting</p> <ul style="list-style-type: none"> - Woollam the m.d. - The bank is performing well; way ahead of budget on sales; business is growing the balance sheet quickly 	AB(7)1.1
27/3/08	<p>Bank Exco meeting</p> <ul style="list-style-type: none"> - Roussos is intuitively uncomfortable that collections, with the risk rate that we have taken on the book, is in line with what the vintages are showing 	AB(7)1.11
8/4/08	Meeting of the Abil board	AB(23)381

- Remuneration increased of Fourie (CEO of Ellerines) and Woollam (MD of bank) to R3 350 000 each and Sokutu to R2,8 million per annum

25/4/08	Bank Exco meeting	AB(7)1
	<ul style="list-style-type: none"> - Woollam a member 	
7/5/08	SENS: Acquisition of EHL	SARB(1)19
	<ul style="list-style-type: none"> - Ellerines' last published financial statements were for the 12-month period ended 31/8/07, NAV: ±R5,2 billion - Abil has raised a provision of R339 million for unearned insurance premiums - Provision for deferred admin fees of R109 million - The purchase price was R9 139 billion 	Sens(1)19
8/5/08	"Ellerines' debts weigh on African Bank"	Media(1)17
	<ul style="list-style-type: none"> - African Bank slashed the net asset value ("NAV") of Ellerines by R450 million after impairments for bad loans worsened - Kirkinis said a further R340 million had been 	

set aside in provisions for doubtful debts at

Ellerines

- Ellerines NAV reduced to R4,6 billion in January, R450 million lower than at end of August 2007

16/5/08

“Accounting smokescreen : Bank paid R450 million more than they thought they did for Ellerines”

Media(1)18

- Kirkinis admitted that African Bank paid R450 million “more than we thought we did”
- African Bank released, “adjusted” numbers for Ellerines wiping off R1,4 billion of income the retailer said it had already earned
- The restatement was said to “align Ellerines with African Bank’s accounting policies”
- Dave Woollam: “within African Bank, the revenue earned from the deal is recognized evenly over the life of the loan”. But Ellerines put in place a “reinsurance” deal that allowed it to recognize revenue from “insurance” contracts immediately, rather than when payments were made
- Nick Krige, an analyst for Blue Bay Funds:

Ellerines says the NAV is R5,4 billion and it now turns out to be R4,7 billion

- Upfronting wasn't the only problem African Bank found: Ellerines continued to sell furniture to people who couldn't afford to buy after the National Credit Act ("NCA") came into effect
- Analysts believe that the African Bank share price is likely to climb at least 30% in the next year

18/5/08 "Furniture trade left rocking" Media(1)20

- JD Group, Ellerines and Lewis Group are struggling to generate sales as customers are wary of committing themselves, while the collection of outstanding monthly payments is deteriorating
- Ellerines planning to close a number of brands and stores

20/5/08 Meeting of Group Risk Committee AB(4)97

- The provisions of the Bank were adequate and required no adjustments
- Tami Sokutu: high level risks in the group

included

- (i) the increase in interest rates, basic food prices and fuel costs, is putting pressure on the customers' ability to service their debt as well as the potential to borrow;
- (ii) increase in the average length of term was considered a risk unless it was carefully managed;
- (iii) liquidity risk;
- (iv) various identified problems at Ellerines;
- (v) Chemel tabled the group credit report in relation to the bank:
 - (a) difficulty was being experienced given the trade-off between rating the right amount of risk and the proportion of high approval levels of new business;
 - (b) high risk categories have had more focus and the approval rates have declined (1 in 4 loans are approved);
 - (c) affordability calculations particularly in the lower risk

groups, have been revised

upwards etc;

- In regard to Ellerines it was noted that the business was "under pressure"

20/5/08 Group Audit Committee meeting AB(6)120

- Jordan will take over as audit partner
- Risk committee comfortable with provisions for the bank
- Pinnock (Deloitte) commented on Ellerines' accounting records
- Bank: declares a dividend to Abil of R395 million on 29/11/07; issued a bond for R1 billion on 18/2/08
- EHL:
 - (i) no items of significance to report on
 - (ii) trading results are down on expectations due to a poor sales performance and a significant increase in bad debt
- Voogt (Internal Auditor): no items of significance to report

22/5/08 Meeting of the Abil board AB(23)384

23/5/08	<p>Meeting of the Abil dividend committee</p> <ul style="list-style-type: none"> - Pay dividend of 525c per preference share and 105c per ordinary share 	AB(23)388
23/5/08	<p>“Who’s bad debts?”</p> <ul style="list-style-type: none"> - Could it be that African Bank needed to acquire Ellerines in order to begin to place its large undisclosed bad debts by being rescheduled and frozen? 	Media(1)21
25/5/08	<p>“Abil sets clear targets for new stable mate Ellerines”</p> <ul style="list-style-type: none"> - Abil has brought Ellerines into line with its own more transparent and conservative practices - Ellerines used to charge interest on price and insurance premiums - Kirkinis: “you can’t be in the credit business and take income upfront” - Abil raises funds for its short-term loans in the long term debt markets 	Media(1)22
27/5/08	<p>“Abil’s second BEE deal on cards”</p> <ul style="list-style-type: none"> - Abil’s second BEE deal will begin between 	Media(1)24

June and July

27/5/08	“Abil’s grand plans for Ellerines”	Media(1)25
	<ul style="list-style-type: none"> - Abil wants to double the sales of furniture and appliances at Ellerines - Abil wants to double its unsecured lending business - Clever risk selection is African Bank’s hallmark - Abil has tightened its lending criteria since the NCA was introduced in 2007 	
27/5/08	“Abil first-half profit boosted by Ellerines”	Media(1)26
	<ul style="list-style-type: none"> - Abil celebrated a 42% jump in first-half profit, boosted by the acquisition of Ellerines-headline earnings rose to R805 million compared to R567 million a year earlier - Interim dividend declared - Company share price fell to R24,76 	
June 2008	Group Internal Audit: Provisions Review (Voogt)	AB(52)12
	<ul style="list-style-type: none"> - Based on the audit tests performed internal audit is able to conclude that the provision calculation is accurate and consistent with the 	

Credit Risk Accounting Policy and IAS39

3/6/08	Bank Exco meeting - George reported that in May 2008 there was a 62½% collection rate	AB(7)7
25/6/08	Meeting of Group Remcom	AB(3)125
26/6/08	Bank Exco meeting - George: of 1300 branch loan confirmations, 25% of the customers did not exist or were non-contactable., costing the bank significantly	AB(7)20
13/7/08	“Abil should give Ellerines a badly needed kick-start” - By cutting costs Abil has grown its market	Media(1)27
15/7/08	Group Audit Committee meeting - Budget fee for Deloitte for 2008: R12,2 million	AB(6)127
30/7/08	Meeting of the Abil board	AB(23)391
31/7/08	Bank Exco meeting - Collections have sent 7000 sms's	AB(7)26

1/8/08	SENS: Launch of second BEE programme by Abil	SARB(1)21 Sens(1)92
5/8/08	SENS: Moody's affirms African Bank local credit ratings	SARB(1)24 Sens(1)96
6/8/08	"Leading retailer up for grabs" - African Bank due to launch its BEE public offering today - Offer valued at R600 million about 7% of Abil	Media(1)29
6/8/08	"One for the staff: Ellerine employees to get high discount in share scheme"	Media(1)31
19/8/08	"Ellerines feels the heat, Abil defies slump" - Abil's trading update reveals a company operating at two speeds - Abil dramatically tightened up its lending criteria to compensate for the lower quality of credit Ellerines had put on its books before Abil bought it	Media(1)32
20/8/08	Bilateral meeting : Deloitte/BSD	SARB(1)25

22/8/08	<p>“More an insurance game”: If there are to be insurance payments, are they commensurate with the risks?”</p> <ul style="list-style-type: none"> - African Bank presented Deloitte, Ellerrines auditor, with a legal opinion, saying reinsurance was a sham - African bank’s third quarter: loans rocketed 40% while Ellerrines sales fell 4,1% - Ellerrines plans to shut 25% of its 1200 stores; 1000 staff have already left; 3000 out of 18000 jobs to be shed - Ellerrines is increasingly looking like a “bad debt grenade” 	Media(1)33
10/9/08	Group Audit Committee meeting	AB(6)132
10/9/08	Meeting of the Group Risk Committee	AB(4)104
	<ul style="list-style-type: none"> - Sokutu summarized the high level risks, most of them dealing with Ellerrines; but in regard to the bank it was said that the funding profile needed to be aligned with the bank's strategic objectives to grow the book to R50 billion by 	

2010

- Woollam tabled the group credit report: overall, despite an increase in the bad debt levels, the debtors book was in good shape; there were ±60 000 pending section 58 applications [to obtain default judgments]

12/9/08	<p>“Cutting prices for the future: a change in business practices could plunge the [furniture] industry into crisis”</p> <ul style="list-style-type: none"> - After Abil took over Ellerines in March they soon realized they had bought a bruised peach: <ul style="list-style-type: none"> - Ellerines had dicey accounting; - Scary number of bad debts - Ellerines now intends to slash prices both on interest rates and add-ons like insurance - Nedcor Securities analyst Syd Vianello says Abil is taking an unwarranted gamble with its investors' cash 	Media(1)36
17/9/08	Abil issues R1,25 billion 5-year bonds	SARB(1)34 Sens(1)112

17/9/08	Meeting between SARB and the board of Abil	SARB(1)35
19/9/08	Meeting of the Abil board	AB(23)396
19/9/08	Letter SARB to board of Abil	SARB(1)35
	<ul style="list-style-type: none"> - According to para 10.7.1 of the SARB statement, BSD emphasized the importance of an appropriate operational risk management framework across Abil's operations, with particular focus on the ability to quantify operational risk. Mr Kirkinis stated that a detailed action plan was in place to address all identified potential risks relating to Ellerines. Included in the action plan were steps to be taken to deal with credit underwriting, collections and the whole integration process 	
19/9/08	Trilateral discussions with the audit committee of Abil (ie SARB, Deloitte & audit committee)	SARB(1)39
19/9/08	Abil board charter	AB() p 35 of
	<ul style="list-style-type: none"> - Board : 5 executive directors; 8 NEDS, 7 of 	Schachat

whom are independent directors

30/9/08	<p>Abil's Annual Report for FY2008::</p> <ul style="list-style-type: none"> - Goodwill relating to EHL: R5,3 billion, attributable to various store brands @ 1436, 1466-7 	AB(11)1251
3/10/08	<p>Bank Exco meeting</p> <ul style="list-style-type: none"> - Muller Strauss joins the Exco - George: there is increased indebtedness 	AB(7)32
6/10/08	<p>Letter SARB to Deloitte re bilateral meeting on 6/8/08:</p> <ul style="list-style-type: none"> - Although indications were that the bank was managing its credit risk effectively, it was involved in a high-risk lending area. Also the integration of Ellerines further impacted the credit risk profile of Abil. Credit risk need to be monitored for any unexpected trends (para 1.6.1) - BSD advised that it was not comfortable with the current level of Abil's operational risk 	SARB(1)25

capital. The unknown operational risk(s) introduced by Ellerines acquisition and the integration were contributing to the uncertainty in this regard

10/10/08	<p>“Dodging bullets: Banks targeting the poor have outperformed the larger competitors- but will they be a safe bet as the economy slows?”</p> <ul style="list-style-type: none"> - African Bank will feel pain when food and fuel prices rise - New NCA allows lenders to collect up to 46% in interest on loans - Value of loans granted by African Bank increased by a “dizzying” rate of 47% - Abil has to compensate for lower margins by showing steep growth - Provided African Bank can get cash to fund new loans and can keep a lid on bad debts, the demand for credit from the 13 million unbanked customers could provide juicier rewards for investors 	Media(1)39
29/10/08	Prudential meeting	SARB(1)41

3/11/08	SARB letter to audit committee re meeting on 19/9/08	SARB(1)39
11/11/08	Bank Exco meeting <ul style="list-style-type: none">- A dramatic drop in loan sizes	AB(7)38
19/11/08	Meeting of the Group Risk Committee <ul style="list-style-type: none">- Current macro-economic conditions and possible impact on Abil:<ul style="list-style-type: none">(i) the impact of the worsening financial economic outlook, especially inflation and tightening of credit lending; has had an impact on bad debts, which is likely to have an impact on the pricing of the loan products;(ii) due to the optimal capital structure of the bank, it is in an advantageous position to ensure sustained growth during a downturn in the economy;(iii) management was aware of all these potential impacts on the business and ensured that the risks were managed and corrective action was taken	AB(4)111

timeously where required

- Adequacy of provisions: the provisions were adequate
- High level risks: due to the economic downturn, bad debts and affordability levels needed to be watched carefully
- Group credit: credit granting criteria had become adjusted in order to reduce the number of loans granted with effect from October 2008

19/11/08	Group Audit Committee meeting	AB(6)139
	<ul style="list-style-type: none"> - Deloitte: comfortable with provisions and impairments - Bank: profit of R1,033 million 	
21/11/08	Meeting of the Abil board	AB(23)401
	<ul style="list-style-type: none"> - Ellerines financials for 2008: financial results disappointing; retail generated a loss of R223 million; merchandise sales down by 13% compared to prior year; gross advances down; bad debts levels remain high 	

- Remuneration and incentives for all staff; executive directors and NEDs eg chairman to be paid R1 175 000; board member R170 000 and if an ordinary member of a board committee, an additional R60 000

25/11/08 “Abil cracks down on credit” Media(1)42,43,44

- Loan applications approved for “low price brands” dive from 76% to just over half

25/11/08 “Abil upbeat as earnings surge: CE Kirkinis spells out difficulties with Ellerine takeover but believes it will pay off “ Media(1)45

- African Bank posted a 14% rise in headline earnings to R1,5 billion
- Economy is slowing
- Sales rose 36% and advances 45%; return on equity shrank from plus minus 60% to 19,5%
- Ellerines results were disappointing says Kirkinis. In 2-3 years the acquisition would pay off
- In the next 4 years, the Bank intended:
 - To double its advances portfolio by

continuing to bring credit pricing down;

- Optimising weighted average cost of capital and operating costs;
- Growing its active client base

9/12/08	Meeting of the Abil board	AB(23)409
10/12/08	Letter SARB to CEO of Abil (Kirkinis) re Prudential meeting on 29/10/08	SARB(1)41
	<ul style="list-style-type: none"> - BSD raised concern about the structure and effectiveness of the existing compliance function. Areas that required specific attention and that could be improved upon in terms of the compliance function included: <ul style="list-style-type: none"> (i) the independence and stature of the compliance officer; (ii) the quality of compliance reports submitted to the audit committee; (iii) the establishment of dual reporting lines in terms of the compliance champions to the heads of business units and the compliance officer; (iv) an assessment of the level of 	

compliance with the requirements of

Bank Regulation 49

- Response required by 30 April 2009

13/1/09	SENS: African Bank raises R350 million capital from the IFC:	SARB(1)44 Sens(1)169
	<ul style="list-style-type: none"> - The bank provides its clients, who are largely in the low-middle-income market with unsecured credit, in excess of 50% of which is applied towards incremental housing and education relation purposes 	
13/1/09	SENS: Further allocation of Abil's second BEE programme, Masonge Investment Holdings Ltd	SARB(1)45 Sens(1)173
	<ul style="list-style-type: none"> - Masonge now owns 13,9 million Abil shares equal to 1,7% of the total issued ordinary Abil shares 	
20/1/09	SENS: Further allocation of Abil's second BEE programme, Masonge Investments Holdings Ltd	SARB(1)45 Sens(1)173
	<ul style="list-style-type: none"> - Masonge now owns 13,9 million Abil shares equal to 1,7% of the total issued ordinary Abil shares 	

4/2/09	Asset and liability management prudential meeting: SARB/the bank	SARB(1)46
6/2/09	Bank Exco meeting - Priorities for 2009: the market environment remains challenging and the financial markets very fragile. The bank needs to be very cautious not to take unnecessary risks and preserve liquidity	AB(7)42
18/2/09	Meeting of Group Risk & Capital Management Committee - Liquidity: was the greatest risk in the group - Credit: affordability calculations were reviewed on a regular basis taking into account the change in credit and inflationary environment	AB(4)118
23/2/09	Meeting of the Abil board	AB(23)412
23/2/09	Internal audit prudential meeting	SARB(1)48
12/3/09	Group Audit Committee meeting	AB(6)147

- Nalliah: one (of three) items which may affect interim results: additional R200 million has been raised in the “at acquisition fair value provision” for bad debts [at Ellerines]
- Deloitte will review the additional R200 million provision

20/3/09	Bank Exco meeting	AB(7)47
	<ul style="list-style-type: none"> - Woollam expressed gratitude to the Exco for the contribution in delivering an excellent set of results YTD despite the tough economic conditions 	
6/4/09	Deputy Registrar to Kirkinis (Abil)	AB(20)281
	<ul style="list-style-type: none"> - Make disclosure in terms of regulation 43 which came into effect on 1/1/08 	
7/4/09	Letter SARB to Woollam, MD, African Bank re meeting on 4/2/09	SARB(1)46
20/4/09	Letter SARB to Kirkinis, CEO, Abil re meeting on 23/2/09	SARB(1)48

- Meeting with Voogt and Dlamini
- Voogt said that the head of Internal Audit reported functionally to the Audit Committee and administratively to the Group Risk officer

18/5/09 Meeting of Group Risk and Capital Management AB(4)126
Committee

- CRA (Credit Risk Accounting) policy discussed in detail. The policy deals with eg provisions and write-offs
- The value of the book of Ellerines had been increased from R403 million to R653 million
- No issues were highlighted for the bank re credit risk and collections
- Fraud: the loss that was incurred on the bank's accounts (Standard Bank) over the weekend of 9 April 2009 came to ±R62 million

18/5/09 Group Audit Committee meeting AB(6)153

22/5/09 Bank Exco meeting AB(7)53

- Woollam said the bank had had a good six months with 15% growth in profit

26/5/09	<p>“Abil to counter poor results with conservative lending”</p> <ul style="list-style-type: none"> - Ellerines performance was worse than expected - New loans grew by 11% - Bad debts improved to 10,4% of loans - Tami Sokutu quoted “When we opened Ellerines books, we found they were worse than we thought” - Ellerines cut staff from 17 000 to 14 000 	Media(1)46
26/5/09	<p>“Tale of two stories” for Abil and Ellerines interim results from African Bank Investments show its retailer subsidiary finds trading tough”</p> <ul style="list-style-type: none"> - Abil continues to report double digit earnings growth amid a financial storm that has seen bigger banks earnings decline - Abil’s earnings increased 16% to R937 million - Ellerines sales fell 20,5% to R2,3 billion 	Media(1)47
29/5/09	<p>“Farming the books: As bad debts rocket and profit falls, banks are using dubious tactics to protect</p>	Media(1)50

themselves”

- Magistrate found against African Bank for granting reckless credit

29/5/09 “African Bank/ Ellerines: Time to take stock” Media(1)54

- After an 18-month trial of nasty discoveries Kirkinis says he would still have done the deal with Ellerines but paid a lot less
- Ellerines had produced three shoddy sets of financials [before the deal]
- Sales at Ellerines slumped 21%; but at African Bank new loans grew by 11%
- Abil share price fell by 3,6%
- African Bank paid R4 billion for goodwill
- Abil’s due diligence wasn’t up to scratch: “Kirkinis: we did our own due diligence”
- African Bank’s total loans keep soaring, growing in the past six months by 40% to R15,6 billion

23/6/09 Trilateral meeting SARB(1)51

25/6/09 Meeting of Group Remcom AB(3)132

- Impact of SASBO [the banking trade union] on the determination of remuneration paid to bank staff: the bank will no longer be able unilaterally to determine the percentage increase of any salary increases

13/7/09	SENS: African Bank issues R1 billion Tier 2 capital bonds of R520 million and R480 million	SARB(1)57 Sens(1)250
17/7/09	Letter SARB to Gibbon, chairman, audit committee, Abil, cc'd to Kirkinis, Woollam and Jordan	SARB(1)51
5/8/09	Bilateral meeting	SARB(1)58
7/8/09	<p>“Rate cuts gave little help – Abil”</p> <ul style="list-style-type: none"> - Abil's new loans for the quarter to June fell 10% to R2,1 billion - Lower economic activity, rising unemployment and a further deterioration in consumer spending - African Bank's gross advances rose 5% to R19,5 billion in the quarter - Non-performing loans had risen 	Media(1)56,57

25/8/09	<p>“SA a leading force in financial world for banking the ‘unbanked’ ”</p> <ul style="list-style-type: none"> - Abil is the world’s six largest microlender - Abil has ±3 million active microloans (between R500 and R3 000) 	Media(1)58
1/9/09	<p>SENS: African Bank announces that it has raised R100 million loan from Proparco (French)</p>	<p>SARB(1)61 Sens(1)261</p>
2/9/09	<p>Letter SARB to Jordan, Deloitte, re bilateral meeting on 5/8/09</p> <ul style="list-style-type: none"> - BSD reiterated that in terms of s63 of the Banks Act the requirement that the external auditors shall, in writing, inform the Registrar of any matter relating to the affairs of a bank that may endanger the bank’s ability to continue as a going concern or may be contrary to the principles of sound management (including risk management) or amounts to inadequate maintenance of internal controls 	SARB(1)58
3/9/09	<p>Meeting of the Group Risk & Capital Management</p>	AB(4)132

Committee

- Credit risk at the bank: the maximum offering will be increased from R3 000 to R5 000 over an extended term of 72 months for best risk clients
- The incoming populations [?] from June 2008 to December 2008 were of a higher risk than anticipated

3/9/09	Meeting of Group Audit Committee	AB(6)158
	<ul style="list-style-type: none"> - the capital position of the bank is very healthy 	
17/9/09	Meeting of the Abil and bank board	AB(23)419
30/9/09	Meeting of Group Remcom	AB(3)137
	<ul style="list-style-type: none"> - A guaranteed minimum of 8,5% increase for 3 rated performances; below 3 – no increase 	
26/10/09	Bank Exco meeting	AB(7)58
	<ul style="list-style-type: none"> - Woollam does not attend 	
27/10/09	“Ellerine restructuring offers new opportunities for	Media(1)59

group: CEO says change came at time when consumer spending was falling”

- Consumer spending was stifled by high interest rates and rising food prices and worsened when the economy sank into its first recession in 17 years
- Ellerines closed at least 160 stores and moved its financial services to African Bank

5/11/09 “German loan to African Bank” Media(1)61

- Woollam: African Bank secured a R150 million subordinated loan from DEG

13/11/09 Meeting of Group Remcom AB(3)140

- Proposed incentive scheme for the bank; economic profit of bank was R1 billion
- The committee recommended the following remuneration for executives:

<u>Executive</u>	<u>Annual package Oct 2010</u>	<u>Total incentive 2009</u>	<u>Total</u>
Fourie	3 517 500	3 500 000	±R7m
Nalliah	2 121 357	2 700 000	±R4,8m
Sokutu	2 940 000	2 450 000	±R5,4m
Woollam	3 250 000	3 500 000	±R6,8m
Total	11 828 857	12 150 000	

- The committee recommended the following remuneration for the CEO and Deputy Chairman

Kirkinis	2 184 000	1 500 000	±R3,7m
Schachat	2 000 000	1 200 000	±R3,2m

16/11/09

Group Audit Committee meeting

AB(6)165

- Draft results eg
 - (i) headline earnings are R1,810 billion
 - (ii) economic loss of R95 million is made up of the bank profit of R1070 billion and the EHL loss of R410 million plus economic loss on the goodwill component of equity of R755 million

16/11/09

Meeting of the Group Risk & Capital Management Committee

AB(4)140

- Tami: the bank loses about 20 000 customers

a month

- Collection rates have increased
- Provisions are adequate

17/11/09	Bank Exco meeting	AB(7)61
19/11/09	Meeting of the Abil and bank board	AB(23)423
	<ul style="list-style-type: none"> - Results for FY2009 presented - The bank to pay dividend of R250 million to Abil - Increases for executives granted 	
22/11/09	<p>“Furniture retailers steel for more hard times: Bad debts written off increased more than 20% to more than R1 billion”</p>	Media(1)62
	<ul style="list-style-type: none"> - African bank released a trading update: Ellerines expected to report a 20% to 25% decrease in sales relative to the first 9 months of 2008 	
23/11/09	<p>Angela (Alexander Forbes) to Marsh (African Bank)</p> <ul style="list-style-type: none"> - Concern that in a press article in the May Business Report concerning Abil there was a 	AB(52)66

reference by Kirkinis relating to the Ellerines

due diligence

- Kirkinis' statement could be construed as acceptance of liability

24/11/09 "Profit down 11% at African Bank" Media(1)64

- Abil's annual profit fell 11%
- The charge for doubtful and bad debts rose 35% to R2,51 billion
- Number of new advances rose 16% to 377 000
- African Bank's gross advances rose 31% to R21 billion in the year under review on a 21% rise in the number of loans
- African Bank's headline earnings fell 6% to R1,52 billion; while Ellerines earnings fell 23% to R285 million
- Woollam to step aside, but remain at the Bank, and Kirkinis to become CEO of Abil and African Bank

27/11/09 "Not out of the woods yet" Media(1)66

- African Bank's system of scoring customers'

credit-worthiness was introduced in Ellerines'

613 branded stores this year

- By September 2010 Ellerines will be a cash retailer, with credit and other financial service products provided to all customer by African Bank

3/12/09	Bank Exco meeting	AB(7)64
14/1/10	Bank Exco meeting	AB(7)67
1/2/10	Bank Exco meeting <ul style="list-style-type: none"> - Capitec, Old Mutual & Nedbank our main competitors - Kirkinis: an invitee 	AB(7)70
5/2/10	Meeting of Group Remcom	AB(3)145
10/2/10	Group Exco meeting <ul style="list-style-type: none"> - Jordan: <i>in duplum</i> accounting impact had been addressed in the audit strategy document for the year ending 30/9/2010 - Ellerines bad debts are R15 million above 	AB(6)173

budget

11/2/10	“Abil relaxes credit crunch”	Media(1)68
	<ul style="list-style-type: none"> - Sales of new loans fell 12% to R2,6 billion in the financial first quarter to December 2009 - Non-performing loans increased 	
11/2/10	“African Bank eases its lending criteria”	Media(1)69
	<ul style="list-style-type: none"> - The average term of the loans increased to 39 months, compared with the 33-month average for full year 2009 - Gross advances increased 4% over the quarter to R21,9 billion 	
16/2/10	Meeting of the Abil and bank board	AB(23)442
16/2/10	Meeting of the Group Risk & Capital Management Committee	AB(4)144
	<ul style="list-style-type: none"> - Credit at the bank: the average term of the loan is being reduced - Woollam: the current focus of the bank is to broaden its customer base 	

- Investec Asset Managers remain the largest single funder representing 19,1% of total funding: the concentration of funding has raised concerns at Moody's

18/2/10	Bank Exco meeting - Kirkinis an invitee	AB(7)74
2/3/10	Bank Exco meeting	AB(7)79
12/3/10	SENS: African Bank issues R1,75 billion five year unsecured bonds	SARB(1)62 Sens(1)261
18/3/10	Bank Exco meeting	AB(7)82
26/3/10	Bank Exco meeting	AB(7)85
26/3/10	Letter SARB to Kirkinis, CEO of Abil re meeting to be held on 26/4/10 with H Nagar	SARB(1)63
12/4/10	Agenda for meeting between Group Compliance Officer & BSD, his duties are to include Ellerines & African Bank	SARB(1)65

15/4/10	Bank Exco meeting	AB(7)88
26/4/10	SARB meeting with Abil's Group Compliance Officer	SARB(1)63
4/5/10	<p>"Pitfalls of a growing appetite for credit: As loan numbers rise, regulators are on guard for reckless loans"</p> <ul style="list-style-type: none"> - NCA put a break on lending when it came into force in July 2007 - Reserve Bank figures show that the monthly value of new mortgages averaged: <ul style="list-style-type: none"> - R41 billion in 2007 - R23 billion in 2008 - R9,9 billion in 2009 	Media(1)70
5/5/10	Meeting of Group Remcom	AB(3)150
14/5/10	<p>Meeting of the Group Risk & Capital Management Committee</p> <ul style="list-style-type: none"> - Kirkinis: the biggest challenge faced by the bank was the amount of repeat customers versus new customers 	AB(4)149

- The level of provision for the bank is adequate

14/5/10	Group Exco meeting	AB(6)180
	<ul style="list-style-type: none"> - LTIP hedge discussed - Provisions against advances at 31/3/10: approved - Capital adequacy ratio as at 31/3/2010 was 24,6%, which was in excess of the board limit of 21,7% and the regulatory minimum of 20,7% 	
17/5/10	Strategy meeting of the Abil and bank board	AB(23)447
20/5/10	Meeting of the Abil and bank board	AB(23)452
2/6/10	Bank Exco meeting	AB(7)91
	<ul style="list-style-type: none"> - Kirkinis an invitee - Leon presented the strategy of the Exco 	
10/6/10	Bank Exco meeting	AB(7)93
	<ul style="list-style-type: none"> - Kirkinis an invitee 	
10/6/10 &	Bank Exco meeting	AB(7)96

15/6/10	- Kirkinis an invitee	
30/6/10	<p>Meeting of the Group Exco</p> <ul style="list-style-type: none"> - Focus to be on longer term issues - EHL update : financial services 85% of the amount is made up of insurance income - Provisions: <i>in duplum</i> : what is correct interpretation? 	AB(43)1
6/7/10	<p>SENS: African Bank has listed a \$1 billion medium term note programme on the London Stock Exchange</p> <ul style="list-style-type: none"> - The bank also maintains a R15 billion domestic medium term note programme listed on the JSE; the bank has since 2001 issued 18 distinct bonds totaling R16,8 billion 	<p>SARB(1)66</p> <p>Sens(1)368</p>
22/7/10	Bank Exco meeting	AB(7)101
26/7/10	<p>SENS: Offer by Hlumisa to black ordinary shareholders and Abil black employees and directors</p> <ul style="list-style-type: none"> - Share at R5,40 - A total of R69,6 million was raised 	<p>SARB(1)67</p> <p>Sens(1)371</p>

29/7/10	Meeting of the Group Exco	AB(43)6
	<ul style="list-style-type: none"> - Migration of financial services from EHL to the bank is to be completed by September 2010 - Kirkinis: challenges relate mainly to sales : targets on track until July 2010 - The bank will buy the net book value of the book from EHL; the benefit for EHL is for the bank to buy the book at a net book value <i>without the goodwill</i> 	
10/8/10	Bank Exco meeting	AB(7)104
	<ul style="list-style-type: none"> - Lindiwe Miyambu the new HC executive - Kirkinis attends [as CEO of bank?] 	
12/8/10	SARB meeting with board of directors of Abil	SARB(1)68
12/8/10	Trilateral discussions	SARB(1)68
12/8/10	Meeting of the Abil and bank board	AB(23)461
	<ul style="list-style-type: none"> - Resolved that the bank acquired the advance book, the credit right and the goodwill from 	"GS17"

Ellerine Furnishers (Pty) Ltd for ±R7 billion (R4 billion of which is for goodwill)

18/8/10	Abil letter to Deputy Registrar re final proposed steps to achieve compliance with s50 of the Banks Act following the acquisition of EHL	SARB(2)333
30/8/10	Bilateral meeting	SARB(1)76
13/9/10	SENS: Abil announced that African Bank will acquire Ellerine Furnishers (Pty) Ltd financial services business for ±R7,3 billion of which R4 billion is goodwill	SARB(1)80 Sens(2)385
14/9/10	<p>“Ellerine deal ‘won’t affect balance sheet’ ”</p> <ul style="list-style-type: none"> - Completing integration of the financial services business of Ellerines into African Bank will have no impact on the Abil group consolidated earnings - African Bank will acquire Ellerines’ financial services business for ±R7,3 billion including goodwill of R4 billion 	Media(1)72

14/9/10	Meeting of the Group Exco	AB(43)10
	<ul style="list-style-type: none"> - Bank budget: <ul style="list-style-type: none"> (i) Sales at R1,8 billion (ii) RoE: <ul style="list-style-type: none"> FY11 – 25% FY12 – 30% FY13 – 40% 	
15/9/10	Bank Exco meeting	AB(7)108
16/9/10	Meeting of the Group Risk & Capital Management Committee	AB(4)155
	<ul style="list-style-type: none"> - The separation of the roles of Kirkinis as MD of the bank and CEO of the Group is being addressed - The “payment break” was implemented in March 2010 and sold until the end of May 2010 - A R100 000 loan product is being offered to the top 2% of customers 	
16/9/10	Group Exco meeting	AB(6)188
	<ul style="list-style-type: none"> - Goodwill R4 billion transferred from Ellerine 	

Furnishers (Pty) Ltd to the bank

- Impairments: one of the major issues is the *in duplum* principle and the discount rate applicable to these loans

20/9/10	Letter SARB to Mogase, chairman of board of directors, re meeting with board on 12/8/10	SARB(1)68
22/9/10	Meeting of Group Remcom <ul style="list-style-type: none"> - Fourie: the remuneration structures were an area of concern; in the past salaries were average, but supplemented by bonuses and shares (LTIPs) but with a reduction in economic profit and a slowdown in the growth of the share price, current packages may not be competitive for our top people 	AB(3)150
27/9/10	Letter SARB to Gibbon, chairman of Abil audit committee, re trilateral discussions on 12/8/10	SARB(1)68
28/9/10	SENS: African Bank to issue R1 billion of 4-year bonds	SARB(1)82 Sens(2)395

6/10/10	Prudential meeting	SARB(1)83
14/10/10	Meeting of the Group Exco	AB(43)13
	<ul style="list-style-type: none"> - Profit for Abil for the period R1760 billion - Lindiwe tasked to review the LTIP and bonus structure 	
23/10/10	Letter Registrar to Abil	SARB(1)214
	<ul style="list-style-type: none"> - This office has decided to reduce Abil's and the bank's individual capital requirement (ICR) from 15% to 11% "after careful consideration of the unique circumstances prevailing at Abil." 	
25/10/10	SARB letter to Kirkinis (Abil)	SARB(1)83
	<ul style="list-style-type: none"> - Woollam resigning from board - Roussos the medium-term successor to Kirkinis - Dlamini resigned as internal auditor: Voogt to oversee in interim 	
1/11/10	Meeting of the Group Risk & Capital Management	AB(4)162

Committee

- Role of MD of the bank and CEO of the group discussed
- High level risks
 - (i) Growing the book to R75 billion
- Collections: greater focus on loans in CD2 and CD3 status and collection targets have been introduced in the score cards of branch staff: target for branch staff is R250million

2/11/10

Bank Exco meeting

AB(7)111

- Leon welcomed all present [as CEO of the bank?]
- JH reported that the bank disbursed 155 000 deals in October 2010: he is aiming for R1,4 billion in November 2010 and R1,6 billion in December 2010
- Payment break will be extended to end February 2011
- Some consultants are writing 50% more loans: the incentive pool has remained the same

9/11/10

Meeting of Group Remcom

AB(3)161

- EHL and the bank share a common Remco philosophy, but different KRAs will exist for the two businesses
- All jobs at the bank have been evaluated on the Patterson grading system
- Bank incentive pool is R143,3 million
- Abil Exco will not receive incentives or LTIPs
- Only incentives in 2010 to be paid to De Ridder (R1,5 million) and Kahanovitz (R1,5 million)

11/11/10

Group Exco meeting

AB(6)196

- Impairments: eg
 - (i) credit impairment model for the bank has been assessed for reasonability and compliance with IAS39 and found to be adequate
 - (ii) management's estimations are higher in the current year in respect of the projection of future cash flows in the NPL books across the group
- *In duplum* accounting: Deloitte differ with management's view on the discount rates used

on loans that are *in duplum* status ie that an *in duplum* loan in terms of IFRS should not be

discounted at its original effective interest rate

- Ellerines debtors transfer following the sale of the debtors' book and effectively, the financial services of Ellerines to Abil, R4 billion of the goodwill attributed to the acquisition has been transferred to the bank
- Audit fee. R13,2 million

15/11/10	Sinclair (Ellerines) to Strauss	AB(52)78
	<ul style="list-style-type: none"> - Invoice addressed to Ellerrine Furnishers by NCR for Credit Provider Licence - Understanding that this cost would be shared between the bank and EHL 	
17/11/10	Meeting of the Abil and bank board	AB(23)469
	<ul style="list-style-type: none"> - The bank to pay dividend of R400 million to Abil 	
26/11/10	"Abil's wall chest"	Media(1)73
	<ul style="list-style-type: none"> - Abil raised maxim loans from R50 000 to 	

R100 000

- To make the business profitable it must make high provisions: R2,7 billion, equivalent to 22% of operating income, is set aside for bad and doubtful debts
- Abil has been criticized repeatedly for the purchase of Ellerines Holdings

29/11/10	Letter SARB to Jordan, Deloitte, re bilateral meeting on 30/8/10	SARB(1)76
29/11/10	Bank Exco meeting <ul style="list-style-type: none"> - Leon: the bank is extremely sales volume sensitive - “0% interest and fees product” will be launched on 7/1/11 	AB(7)115
5/12/10	Meeting of the Group Exco <ul style="list-style-type: none"> - Strategies are required to: <ul style="list-style-type: none"> (i) sweat the assets (ii) maximise credit sales (iii) optimise collections - Abil based incentive scheme for the “top 100” 	AB(43)16

executives needs to be investigated

13/1/11	Kirkinis: Group Exco Effectiveness	AB(51)19
18/1/11	<p>Meeting of the Group Exco</p> <ul style="list-style-type: none"> - R17 billion in funding is targeted for the year - It was suggested that Sokutu proactively engages the DTI with regard to the <i>in duplum</i> analysis - Chemel to develop an incentive scheme for the bank in consultation with Lindiwe Miyambu 	AB(43)21
21/1/11	<p>“Cracking the code: The big banks have a rude awakening from Capitec and other rising second-tier players. The cost bases of the insurgency are low. Can the giants win the fight for low-income clients?”</p> <ul style="list-style-type: none"> - Unbanked ±18 million - African Banks average loans are R7 000 - Standard Bank ended its JV with African Bank in 2006 	Media(1)74
21/1/11	“Bright and early: Capitec is still leading the charge in	Media(1)78

the mass market but is aware of competitors closing in.”

- African Bank's primary source of income is unsecured personal loans
- African Bank's growth has slowed down since it bought Ellerines
- African Bank's loan size is three times that of Capitec's and the average term is 33 months

21/1/11

“African Bank: Sugar daddy shells out”

Media(1)81

- African Bank offers loans at 0% interest, such as a payment break until March
- Average personal loan is R7110 on an average term of 33 months
- In 2010 financial year earnings were R1,89 billion on advances of R24,2 billion and new sales of R6 billion
- Kirkinis has resisted pressure to become more of a bank by taking deposits
- African Bank has 2,3 million customers
- The bank's regulator [presumably the Registrar of Banks] increased African Bank's capital requirement from 18% to 25%, possibly

indicating it sees some risk in the group's model

- Out of R16 billion in loans advance, nearly 50% were non-performing
- Kirkinis building a huge holiday home in the Pringle Bay area

27/1/11	Bank Exco meeting	AB(7)120
	<ul style="list-style-type: none"> - Leon congratulated the team on a great set of results for this period - Sales: JH reported that the bank is up R2 billion on the previous year's first quarter 	
28/1/11	"Abil aims to advance more credit"	Media(1)83
	<ul style="list-style-type: none"> - The article quotes Mutle Mogase, Abil's chairman, apparently from the annual report - Chris Steward of Investec Asset Management is quoted as saying that African Bank is a "tremendous story...I am tempted to put a price (of its stock) at R40..." 	
30/1/11	"Abil makes another plan"	Media(1)85
	<ul style="list-style-type: none"> - Kirkinis said at AGM that the company aimed 	

to triple the number of its customers, mainly through converting Ellerines' customers into African Bank clients; in the past six months the Bank had already doubled its client

10/2/11	Miyaumbu to Kirkinis re Building Group Effectiveness	AB(51)22
10/2/11	<p data-bbox="392 786 1091 831">"Unusual promotion pays off well for African Bank"</p> <ul style="list-style-type: none"> <li data-bbox="440 864 1099 965">- African Bank gave customers a debt holiday from October to end of December <li data-bbox="440 999 1018 1099">- 32 branches opened in quarter ending December 2010 <li data-bbox="440 1133 892 1178">- 121 kiosks in Ellerines stores <li data-bbox="440 1211 1027 1256">- Sales of R90 million in December 2010 <li data-bbox="440 1290 1139 1391">- Target of sales of R9 billion by Ellerines in next four years <li data-bbox="440 1424 1123 1525">- African Bank has 400 branches, annual credit sales of ±11 billion <li data-bbox="440 1559 1139 1760">- Kirkinis: from a risk perspective, African Bank's bad debts are well down from where they were particularly in the first quarter of 2009 	Media(1)86
14/2/11	Meeting of the Group Exco	AB(43)21

15/2/11	Meeting of the Group Risk & Capital Management Committee	AB(4)168
	<ul style="list-style-type: none">- New client numbers have doubled from 20 000 to ±47 000 in December 2010, primarily due to the payment break product and zero interest products and the effective marketing and advertising of these products- The write-off period is moving from 15 months to 16 months, will be amended to 17 months	
15/2/11	Group Exco meeting	AB(6)204
	<ul style="list-style-type: none">- <i>In duplum</i> accounting discussion are still on-going and once finalised will be adopted as a change in the method of raising and accounting for interest, fees and insurance on accounts that are <i>in duplum</i> status	
24/2/11	Meeting of the Abil and bank board	AB(24)479
	<ul style="list-style-type: none">- Gibbon and Tugendhaft retire- The bank's profits more than double for the equivalent period last year	

- EHL on track to deliver a profit of between R700 million and R800 million for the year
- The bank will not engage in transactional banking as the bank's objective is to provide low cost credit

28/2/11	Bank Exco meeting	AB(7)126
	<ul style="list-style-type: none"> - Charles wanted to know what provision has been made for <i>in duplum</i>. Muller assured Exco that sufficient provision had been made - Gavin: we are hitting funding limits with many of the long-term funding partners 	
3/3/11	Trilateral discussions	SARB(1)85
8/3/11	SENS: African Bank issues R1 billion 4-year bond	Sens(2)451 SARB(1)87
22/3/11	Meeting of Group Remcom	AB(3)166
	<ul style="list-style-type: none"> - Following remuneration was approved at the Abil board meeting on 17/11/11 	

<u>Executive</u>	<u>Annual package</u> <u>Oct 2011</u>	<u>Total incentive</u> <u>2011</u>	<u>Total</u>

Committee

17/5/11	Group Audit Committee meeting	AB(6)210
19/5/11	Meeting of the Abil and bank board	AB(24)489
	<ul style="list-style-type: none"> - The bank pays Abil a dividend of R150 million - Group Audit Committee report: <ul style="list-style-type: none"> (i) <i>In duplum</i> ruling: the committee had received an assurance from the CFO that the <i>in duplum</i> ruling had been accounted for in the results (ii) Fees for Deloitte: R15,6 million (iii) Capital buffer: SARB not happy with the capital buffer (30%, according to Nalliah) 	
24/5/11	“African Bank lends an ear to struggling debtors	“Media(1)89
	<ul style="list-style-type: none"> - Announced impressive first-half earnings to end of March - Abil posted a 20% increase in headline earnings to R1,1 billion in the six months to March, bulk of which came from the Bank whose earnings increased 24% to R1,03 billion 	

- The bank opened 122 kiosks and 12 in-store branches at Ellerines stores, generating R572 million in additional credit sales

25/5/11	SENS: African Bank advises its noteholders that it has restated the programme memorandum of its R15 billion domestic medium term notes	SARB(1)88
27/5/11	<p>“African Bank: Not exactly rapture”</p> <ul style="list-style-type: none"> - Share price fell from R39 to R29 and later recovered to R33 - The loan amounts rose by 27% to R9807 and the average term from 40 to 44 months - Bank added 347 000 new customers for the six months; gross profit margin dropped from 44,9% to 43,9%; return on equity 17,5% compared to 53% “a few years ago” 	Media(1)90
30/5/11	Bank Exco meeting	AB(7)135
8/6/11	<p>“Winner revealed all the risks and opportunities: Society impressed with African Bank’s detailed analysis and the high level of disclosure for different</p>	Media(1)91

sectors of its client base”

- Abil took the major honours at this year’s Investment Analysts Society of Southern Africa annual awards
- Steven Kahanovitz, executive corporate finance for Abil, quoted for example “we have a widely diversified shareholder base that includes a large foreign shareholder contingent (45%).”

15/6/11	SENS: African Bank has issued a \$300 million 5-year bond	SARB(1)90 Sens(2)501
24/6/11	<p>“Abil BEE schemes “a resounding success””</p> <ul style="list-style-type: none"> - Tami Sokutu quoted : value of BEE shares had increased more than 5 times - 2 BEE schemes created in 2005 and 2008 	Media(1)93
24/6/11	<p>“Alternative to JSE”</p> <ul style="list-style-type: none"> - At the request of African Bank, Singular Systems has developed an online trading platform to allow black investors to trade their 	Media(1)94

BEE shares

- African Bank has listed R1,5 billion worth of BEE shares for its 2 BEE schemes

30/6/11	Bank Exco meeting	AB(7)141
	<ul style="list-style-type: none"> - Muller presented the financial results to end May - Gavin, JH and the team were congratulated for their incredible contributions which allowed the bank to reach the total sales for FY2010 [?] on 4/6/11 	
1/7/11	Group Remcom meeting	AB(3)170
9/7/11	<p>“Client coughs up on loan: initial R8 000 ended up R20 000 later”</p> <ul style="list-style-type: none"> - An East London woman who took an R8 000 loan from African Bank and paid more than R26 000 still owed R17 546,91 	Media(1)95
15/7/11	<p>SENS: JP Morgan’s holding in Abil has increased to 7,91%</p>	<p>SARB(1)91</p> <p>Sens(2)513</p>

22/7/11	<p>“African Bank: Not afraid of bad debts”</p> <ul style="list-style-type: none">- Non-performing loans of R9,65 billion recorded in the first half of 2011 are up 4,6% from the first half of 2010- The group implemented a new strategy where non-performing loans are written off only after 17 months, whereas previously it was 13 months- Ellerines profit rose 30% in the half-year to R144 million- Share price falling from R40 earlier this year to R35	Media(1)96
29/7/11	<p>Bank Exco meeting</p> <ul style="list-style-type: none">- Leon congratulated the bank Exco on the great results so far (to end June)- The bank has to date chased sales and asset growth and kept tough on costs- The bank needs to consider a new strategy as Leon believes we have come to the end of this journey	AB(7)145

12/8/11	“African Bank Investment : Still willing and able”	Media(1)98
	<ul style="list-style-type: none"> - Abil still showing spectacular credit growth - Past 9 months: total lending increased by 53% to R15,5 billion; loan applications grew by 34%; loans repayable over 45 months rather than 42 months; and average loan R9994 - FD, Steven Kahanovitz, quoted. 	
17/8/11	SARB meeting with board of Abil	SARB(1)92
23/8/11	<p>Letter SARB to Mogasi, chairman of Abil board, re meeting on 17/8/11</p> <ul style="list-style-type: none"> - BSD expressed its concern re high level of impaired advances, equaling 35,73% of total loans and advances as at June 2011. Impaired advances had increased by 44,14% from R10,9 billion in June 2010 to R15,8 billion in June 2011. The ratio of specific impairments to impaired advances had decreased from 41,91% in June 2010 to 39,20% in June 2011 - As a result the BSD will meet with the management of African Bank on 25/10/11 to discuss its credit risk management framework 	SARB(1)92

30/8/11	Bank Exco meeting	AB(7)149
	<ul style="list-style-type: none">- Given our decision to support the lower growth scenario, we're moving from sales at all costs to quality of sales. This means a step change for us and that the future will be different- JH: our branch people are under serious pressure from fraud syndicates; branch people being threatened if loans not approved	
13/9/11	Bilateral meeting	SARB(1)95
15/9/11	Bank Exco meeting	AB(7)152
	<ul style="list-style-type: none">- There were 5 projects agreed to by the Abil Exco, one of which was the integration of EHL front end infrastructure into the bank, which includes 1000 people- It is assumed that over the next 3 years the bad debt will come down because of efficiencies within collections etc	
23/9/11	Meeting of the Group Risk & Capital Management Committee	AB(4)181

- Competition continues to be robust
- A number of initiatives are being launched to attract new customers; there has been an improvement in the number of new customers

23/9/11 Group Audit Committee meeting AB(6)216

- Nalliah: *in duplum* ruling: the bank's bottom line will be affected. The expectation is that this will lower results by R25 million – R80 million
- Bank's sales exceeded budget by 7% (\pm R1 billion); PLs accounted for 38% and NPLs were at 12% of the increase in advances

27/9/11 Meeting of the Abil and bank board AB(24)496

- Nalliah: results for year ended 30/6/11:
 - (i) Abil's basic earnings forecast is \pm R2,3 billion;
 - (ii) Economic profit R395 million

30/9/11 Bank Exco meeting AB(7)156

- Muller presented the budget which was approved by the board on 27/9/11: budget for

12 months to 30/9/12 is R2 878 million [?]

4/10/11	Group Remcom meeting	AB(3)175
5/10/11	Prudential meeting	SARB(1)97
5/10/11	Compliance meeting	SARB(1)99
7/10/11	Letter SARB to Jordan, Deloitte re bilateral meeting on 13/9/11	SARB(1)95
27/10/11	Bank Exco meeting <ul style="list-style-type: none"> - Our underlying philosophy is that we focus on taking risk on many employed people. We are now taking bigger risks on many people. Being a mono-lined business we are able to respond very quickly to what we see as emergency risk and we are able to do this on a day-to-day basis - The role of Exco is to manage all risks in the business - Muller presented the annual results. George raised a concern that bad debt is not a true 	AB(7)159

reflection as the past 12 months has seen bad
debt is still coming

27/10/11 Letter SARB to Kirkinis (Abil) re prudential meeting on 5/10/11 SARB(1)97

- Kirkinis informed meeting that the vision of Abil had been redefined to include credit-led, risk-based financial services, namely insurance (funeral cover) and savings products

27/10/11 Letter SARB to Kirkinis (Abil) re compliance meeting on 5/10/11 with Nagar SARB(1)99

3/11/11 Group Remcom meeting AB(3)179

- Proposed increases of fees for NEDs ranged from 12,5% to 35%: Committee fees would be increased by 7%
- *In duplum*: still a debate on the interpretation
- Economic profit R1,4 billion: bonuses are calculated on that figure
- Executive remuneration: 6% increase except for Roussos (15%) and de Ridder (10%)

<u>Executive</u>	<u>Annual package</u>	<u>Total incentive</u>	<u>Total</u>
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	<u>Oct 2011</u>	<u>2011</u>	
Kirkinis	2 184 000	0	±R2,2m
Schachat	2 000 000	0	±R2m
Chemel	3 206 500	6 201 250	±R9,4m
Nalliah	3 439 700	5 678 750	±R9m
Kahanovitz	2 957 400	6 277 500	±R9m
Fourie	4 430 217	4 597 395	±R9m
Roussos	3 008 400	6 06 9120	±R9m
Sokutu	3 500 958	3 307 790	±R6,8m
De Ridder	1 925 000	1 750 000	±R3,7m
	22 468 175	33 876 805	

The total incentive was made up of incentive bonuses
and special LTIP allocations

7/11/11	SENS: JSE has granted African Bank a listing of ABL CO5 Notes - Total notes in issue R12,3 billion	SARB(1)102 Sens(2)538
9/11/11	Group Exco meeting	AB(43)39
15/11/11	Meeting of the Group Risk & Capital Management Committee - Jordan (Deloitte): two years before he had reported that in his view the company's provision for <i>in duplum</i> was technically incorrect in terms of accounting standards but this was not an understatement of the impairments	AB(4)187

- The bank: the target is to get the branches to collect R100 million in 2012

15/11/11 Group Audit Committee meeting AB(6)224

- Review of adequacy of provisions: *in duplum* had 2 notable impacts on the business:
 - (i) an increase in the write-offs at a gross loan level and at an NPL level
 - (ii) the discount rate where *in duplum* loans are discounted to 0% (with a 6% overall impact on the discount rate)
- Bank : sales of R17 billion were up 53% from 2010 37% increase in gross advances; NPL cover ratio of 60,5%
- Dividend of R250 million paid by bank to Abil
- Dividend proposal for EHL “agreed dividend policy of 1 x cover”

17/11/11 Meeting of the Abil and bank board AB(24)501

- Financial results for the year ended 30/9/11 eg:
 - (i) Profit up 22%; headline earnings up 24%

- (ii) Economic profit R494 million
 - (iii) Bank's ROE was at 22,9% after taking the R4 billion of goodwill into account
 - (iv) Insurance contributed 54% of the group profits and credit 55%; of concern was that credit had decreased to 36%
 - (v) Headline earnings for the bank were R2,5 billion
 - (vi) Maximum loan size was R180 000
- Deloitte gave a clean audit, but highlighted the following, eg:
- (i) There was a need to be cautious around the issue of provisioning; they suggested a move towards a model that was less subjective around provisions
 - (ii) *In duplum* in arrears – Deloitte not comfortable with discounting the outstanding loans to 0%
 - (iii) Stangen showed massive profits
 - (iv) The committee was concerned about the *in duplum* rule especially after the SCA ruling in March 2011; management had corrected the problem on the loans

but not on credit cards; Deloitte first
raised the issue in September 2010

22/11/11 “Abil keeps dividend flat to fund growth” Media(1)99

- Abil's report to end September
- Dividend the same at 185 cents
- Gross advances went up 38% to R39,9 billion up from R29 billion in 2010; total income was up 25% at R12 billion; Abil's performance marred by soaring operating costs; 612 000 new clients, a growth of 26% over the past year

25/11/11 “African Bank : New model tested” Media(1)100

- Investors are losing patience with the lack of growth in shareholder value; they also fear a possible capital crunch and a spike in bad debt
- Average loan size is now R10 007 compared to R8 224 in 2010; average term has increased to 45 months from between 12 and 24 months a decade ago
- Some shareholders say :
 - Bad debt is rising too high in a financial

- period where lending has increased by 50% and total advances, including non-performing loans, by 38%;
- Charges for bad and doubtful advances are growing at 33% while income is climbing by only 25%
 - Former finance head David Woollam says the group could experience a capital shortfall of R1 billion if higher growth targets are met next year
 - Non-performing loans grew by 21% or R1,9 billion to R10,9 billion
 - The rise is part of a policy to keep non-performing loans on the books for longer: 17 months, previously 13 months
 - African Bank gets 45 000 new customers a month compared to Capitec's 100 000

1/12/11

Board Exco meeting

AB(7)164

- Leon gave feedback on results presentations on 21 and 22/11/11. Although furniture sales have been reduced since we bought EHL, it is

- understood by some investors that there are other significant benefits. Share price is stable
- Muller: up to end October 2011 sales were up; collections slightly down by R200 million; good performance, except for costs

13/1/12

“African Bank/Investec not in the fast lane”

Media(1)102

- Abil's prospects depend on improved global economic conditions and a reduction of local consumer debt in 2012
- Abil's share price at end 2011 was R34,50, 12,7% lower than the year before
- Investors still regard Abil, once the darling of the banking sector. with considerable scepticism
- The strong growth in lending has fueled fears that Abil may be heading for a debt trap
- Non-performing loans, including unsecured credit cards, spiked to 21,4% to R11 billion for the year to September
- Abil increased its funding by 40% to R33,8 billion during 2011 by wholesale bonds and preference shares

24/1/12	Bank Exco meeting	AB(7)170
	<ul style="list-style-type: none">- 17 members of Exco- Q1 trading statement going out on Monday indicating that we are flat- Chemel: sales are very important- Need to work harder to attract low and medium risk customers	
31/1/12	Bank Exco meeting	AB(7)175
	<ul style="list-style-type: none">- Voogt will identify and prioritise the highest risks in the business and focus on these this year- Credit excellence : Our accepted rates are dropping month after month and we have to track this- The bank has funding challenges in the next 3 months	
1/2/12	Group Exco meeting	AB(43)43
	<ul style="list-style-type: none">- Group financials for the 3 months ended 31/12/12:<ul style="list-style-type: none">(i) headline earnings were R681 million	

compared to R527 million during the same period in 2010;

- (ii) economic profit was almost 3 times the economic profit for the same period in 2010

7/2/12	Group Remcom meeting	AB(3)184
7/2/12	<p>“Abil to raise further capital a demand grows”</p> <ul style="list-style-type: none"> - Abil said yesterday it would raise additional capital to shore up its balance sheet and meet an expected growth in business this year - Abil reported a 12% growth in gross advances in the quarter to December - Abil said it would raise capital through the issue of preference shares - Abil’s gross advances increased during the quarter to R44,6 billion with the Bank’s advances rising 11% to R36,8 billion 	Media(1)104
8/2/12	<p>“Abil toasts success of restructuring Ellerines”</p> <ul style="list-style-type: none"> - Ellerines is now a key revenue contributor. 	Media(1)106

The results show a steady improvement in

Ellerines' performance

- Abil's gross advances grew 12% to R44,6 billion in the quarter to December
- In December Abil had 350 000 customers in branches; R3 billion rand's worth of sales
- Abil's medium term 4-year target is to achieve a compound annual growth rate in advances of 15%, with return on equity rising from 18,4% last year to 20% this year, and thereafter 30%
- Afrifocus banking analyst Johan Scholtz warns against uncontrolled credit growth as consumers remain highly indebted

14/2/12	Meeting of the Group Risk & Capital Management Committee	AB(4)193
	<ul style="list-style-type: none"> - The target of not sourcing over 50% of the funding from the top five funders had been breached a few times 	
14/2/12	Group Audit Committee meeting	AB(6)233
	<ul style="list-style-type: none"> - The committee congratulated the [bank] management for the good set of results 	

unsecured bonds Sens(2)587

23/2/12 Meeting of the Abil and bank board AB(24)524

- Emoluments paid to NEDS eg chairman
R1 475 000; NEDs R214 000 plus R99 603 for
board committee meetings

25/2/12 Bank Exco meeting AB(7)180

- Bibi: there is significant focus on CD4s, CD5s,
and EHL Loans. Another incentive has been
put in place to reward CD provisioning targets
- Muller: 6 weeks to make some changes to
Collections outcomes in order to achieve a
modest growth for the first half over last year's
first half
- We need to achieve a 10% reduction on the
current migration of PLs to NPLs and to
increase the flow of NPLs to PLs by a similar
percentage
- Leon: "...our business is fantastic. Achieving a
RoE of 23%, as Gustav pointed out, is still one
of the most successful business outcomes in
South Africa"

27/2/12	<p>“Abil postpones further tranche of pref shares”</p> <ul style="list-style-type: none"> - Abil announces on Monday that it had decided to postpone issuing a further tranche of pref shares as part of a general capital management programme 	Media(1)108
27/2/12	<p>SENS: African Bank issues \$50 million of senior unsecured bonds</p>	<p>SARB(1)104 Sens(2)593</p>
27/2/12	<p>Woollam to Kirkinis:</p> <ul style="list-style-type: none"> - No place on Exco: September 2011 - LTIPs 	AB(51)25
27/2/12	<p>Kirkinis to Wollam</p> <ul style="list-style-type: none"> - Could not justify paying them out 	AB(51)27
28/2/12	<p>“Abil issues USD 50m of senior unsecured bonds”</p>	Media(1)109
29/2/12	<p>Bank Exco Meeting</p> <ul style="list-style-type: none"> - Leon: giving the same customers larger and larger loans is unsustainable 	AB(7)186

- Hanri Nel: January – collections R709 million
an insurance R88 million
- Muller:
 - (i) we are going to be ±R1,3 billion behind
our target;
 - (ii) in 4 months we have delivered R833
million profit versus R597 million in the
corresponding time last year

29/2/12	<p>“New environment for banking after fall out”</p> <ul style="list-style-type: none"> - The banks are back - The combined market capitalisations of Capitec and African Bank are larger than the local operations of Investec 	Media(1)110
2/3/12	<p>Kirkinis to Woollam</p> <ul style="list-style-type: none"> - LTIP policy reviewed - Payment of just over R1 million 	AB(51)28
3/3/12	<p>Woollam to Kirkinis</p> <ul style="list-style-type: none"> - Pay directly to Nkosi’s Haven 	AB(51)28

5/3/12	SENS: Moody's has updated its credit opinion of African Bank & maintains rating	SARB(1)105 Sens(2)598
5/3/12	Group Exco meeting <ul style="list-style-type: none"> <li data-bbox="440 584 1114 692">- Headline earnings were R27 million ahead of budget <li data-bbox="440 725 1139 833">- The bank had a higher income from operations at R223 million <li data-bbox="440 866 1114 974">- Kirkinis: 20% of the customers made up 80% of the profits 	AB(43)53
15/3/12	Internal audit prudential meeting	SARB(1)106
15/3/12	Compliance meeting	SARB(1)108
25/3/12	Bank Exco meeting <ul style="list-style-type: none"> <li data-bbox="440 1469 1121 1854">- Leon: Although we are in for a tough year, we have built a robust business to withstand a tough period. The transition from a sales focused strategy was never going to be an easy one; and that the pressures on provisions, as well as external pressure is 	AB(7)192

adding to our frustrations

26/3/12	Bank Exco meeting	AB(7)197
	<ul style="list-style-type: none"> - Leon has instructed Muller to identify populations of non-performing loans & write off - Muller: 2012 financial year is positive 	
29/3/12	Trilateral discussions	SARB(1)110
2/4/12	Meeting of ALCO	AB(13)1
	<ul style="list-style-type: none"> - Group opened the month with a cash balance of R1,8 billion - Rowe: cash test resulted in a negative position of R1,2 billion at the end of a 3 month period: ALCO comfortable with cash & liquidity position: bond tap of \$50 million - Preference share issue raised R426 million - Nalliah: the interest charge on the loans from the bank to Ellerines needed to be reviewed and amended 	
4/4/12	Group Exco Meeting	AB(43)64

- Headline earnings were R108,3 billion, R38 billion ahead of budget
- Economic profit was R195 million, with actual at R272 million

13/4/12	Letter SARB to Kirkinis (Abil) re meeting on 15/3/12	SARB(1)106
	<ul style="list-style-type: none"> - Moutlane: Group Head Internal Auditor - She was not yet fully fulfilling her role as Group Internal Auditor as to Ellerines 	
23/4/12	Letter SARB to Kirkinis (Abil)	SARB(1)102
	<ul style="list-style-type: none"> - Meeting with Nagar 	
25/4/12	Bank Exco meeting	AB(7)203
	<ul style="list-style-type: none"> - Muller presented the financials to end March 2010: <ul style="list-style-type: none"> (i) sales of R13,05 billion (ii) R49 billion gross advances (iii) operating costs remain the big concern (iv) R1,26 billion of headline earnings 	
25/4/12	SARB letter to Sithole, chairman of audit committee of	SARB(1)110

Abil re meeting on 29/3/12

26/4/12	Meeting of ALCO	AB(13)5
	<ul style="list-style-type: none"> - If the “cash on hand” dropped below R2 billion or R1 billion various steps had to be taken - Smaller working group should look at cashflows relating to the Ellerines Group - Cash balance at end of March 2012 was R4 billion - Capital sub-committee : the bank and the Group had sufficient capital 	
26/4/12	SENS: Eyomhlaba has increased its shares in Abil to 5,03%	SARB(1)112 Sens(2)623
10/5/12	<p>Meeting of the Group Risk & Capital Management Committee</p> <ul style="list-style-type: none"> - <i>In duplum</i> issue: Nalliah confirmed that in terms of historical loans, customers who have been overcharged will have their accounts credited and they will be refunded should the <i>in duplum</i> adjustment result in their accounts 	AB(4)201

- going into credit
- Chemel: growth in unsecured lending is occurring predominantly at the level of people earning R15 000 and more – which is not where the bank had historically been dominant
 - The bank had made presentations to the DG (Director General) of the DTI on two occasions in order to convey that the bank was scrutinizing the growth in the unsecured credit market to ensure that it was comfortable, as the industry was the bank's core business
 - Kirkinis: although the size of the market had grown, it was however riskier and therefore greater prudence was necessary. On the other hand, there was still opportunities in the bank's traditional customer base as they remained modest in their use of credit
 - Sokutu: a full forensic audit was being conducted on the bank by the NCR, focusing on reckless lending and affordability, as a result of 10 complaints received by the NCR from customers and debt counsellors

10/5/12

Group Audit Committee meeting

AB(6)241

- Review of adequacy of provisions: eg
 - (i) Current policy was to write off loans if no cash has been received for 17 consecutive months. However, an effort would be made to normalise the NPL levels by accelerating the write-off period by utilising the collections scorecard to identify loans which have a very low probability of recovery/collection
 - (ii) *in duplum*: was still being resolved which had an estimated impact of ±R20 million to R25 million and the timeline anticipated, was to have it resolved before the end of this financial year
 - (iii) provisions adequate at ±R7,8 billion
- Group management accounts: overall the results were very positive
- The bank should increase its facility to Ellerines from R600 million to R900 million

- | | | |
|---------|---|-----------|
| 11/5/12 | Meeting of the Group Exco | AB(43)33 |
| | <ul style="list-style-type: none">- Group financials presented by Nalliah : eg<ul style="list-style-type: none">(i) headline earnings were R108,3 billion, R38 million ahead of budget;(ii) economic profit was R195 million | |
| 17/5/12 | Meeting of the Abil and bank board | AB(24)537 |
| | <ul style="list-style-type: none">- Credit bureau reported that there were 67 million credit active accounts of which 75% were in good standing- The bulk of the bank's market was at an average income level of R7 000- In December 300 000 applications were received of which 70% were approved for a loan- The bank's results presentation eg:<ul style="list-style-type: none">(i) 320 000 new customers in the past 6 months;(ii) Total income increased to R7,7 billion; headline earnings went up 22%; economic profit went up 47%; and the return on equity by 23%(iii) Employees increased from 4400 to 5500 | |

- (iv) Policy for bad debt write-off had been increased from 13 to 17 months of no cash

21/5/12 “Abil acts to protect against unsecured lending” Media(1)112

- Abil took preventative action by making its underwriting criteria and affordability tests more stringent to ensure that it reduces its potential exposure to customers displaying under appetite for credit
- Kirkinis said:
 - Wherever there is a rapid expansion of credit markets, heightened caution is required;
 - There are signs of increased stress in certain sectors of the market
- NCR is conducting a number of enquiries
- SARB commissioned a study into unsecured lending to understand the current market conditions in the banking sector
[We must ask SARB for this study]

22/5/12 “Abil continues to make strides with strategy” Media(1)114

- Abil continues to make strides in its strategic objectives eg boosted headline earnings by 25%
- Ellerines store network generated R4 billion of credit disbursements for the 6 months ended 31 March 2012, 68% more than the R2,4 billion in the first half of the 2011 financial year
- Substantial increase in operating expenses at the bank

29/5/12

“Abil to pilot insurance product for growth”

Media(1)121

- Abil is piloting an insurance-related product and transactional banking for its clients, according to Tami Sakutu
- Abil launched a stand-alone funeral product in March
- Latest NCR data showed unsecured credits share of capital was R21,95 billion for the quarter to end March, an increase of 31% on the previous corresponding quarter
- Abil said it had generated a vehicle finance loan book of R94 million across 52 dealerships for the year ended March

4/6/12	Bank Exco meeting	AB(7)208
5/6/12	Meeting of ALCO <ul style="list-style-type: none">- African Bank meeting with the big 4 banks to re-negotiate the committed facilities that expire May 2012- The Group had a cash balance of R4,7 billion at end of April 2012- The board had increased the Ellerines facility from R600 million to R900 million- African Bank needs to increase its capital to support continuing growth of the business- Bank had sufficient capital	AB(13)10
6/6/12	Group Exco meeting <ul style="list-style-type: none">- 26% growth in profit- Economic profit was R435 million- Nalliah was concerned about the bad debt charge because April 2012 collections were lower than those in January 2012	AB(43)70

26/6/12	Meeting of ALCO	AB(13)15
	<ul style="list-style-type: none">- Cash balance for Group at end of May was R4 billion- Bank had sufficient capital	
27/6/12	Bank Exco meeting	AB(7)213
	<ul style="list-style-type: none">- Leon: “the business is profitable”- Nithia presented the financials<ul style="list-style-type: none">(i) Sales R1 billion behind budget(ii) R51,2 billion gross advances(iii) R1,7 billion of headline earnings- Chemel: ‘Offer a loan to give our customers a second chance is live (7400 customers to date)- Leon: ‘...we have incredible strengths as a team’	
July 2012	Excerpts of conversations with bank Exco	AB(51)30
11/7/12	Group Remcom meeting	AB(3)188
	<ul style="list-style-type: none">- Kirkinis reported that at the last AGM a number of shareholders voted against the remuneration policy; a survey of largest shareholders	

highlighted a concern re Fourie (Ellerines) and Schachat

12/7/12	Group Exco meeting	AB(43)76
	<ul style="list-style-type: none">- Raubenheimer to start on 1/10/12 as head of credit- Headline earnings up 25% on last year- Bad debt charge is 10,8% higher by R236 million- Economic profit was R509 million against the budget of R459 million	
20/7/12	Ruhling to Roussos ao	AB(52)94
	<ul style="list-style-type: none">- Update on Deloitte's requirements- They raised these very prominent areas of concern<ul style="list-style-type: none">(i) Back tests ML and NPL(ii) ML book: they are not comfortable with it at all(iii) They want to audit our impairment models; which models do we give the auditors?	

23/7/12	“African Bank issues R1,26 billion Swiss Bond”	Media(1)116
23/7/12	SENS: African Bank has issued a 3-year bond of Swiss Francs 150 million (R1,263 billion)	SARB(1)113
24/7/12	Kirkinis re bank Exco feedback sessions <ul style="list-style-type: none">- Our challenges are: new customers and dormant customers; settlements and consolidation; customer retention; employment equity and internal advancement, and African Bank’s positioning	AB(51)33
25/7/12	Meeting of ALCO <ul style="list-style-type: none">- Report back on the big 4 banks’ attitudes to African Bank’s loan facilities- There is increasing concern from funders as Ellerines lost ±R40 million in June 2012 and increased its borrowing from the bank- June 2012 cash position closed at R3,3 billion- The bank needs to keep diversifying their funding base	AB(13)20

- Bank had sufficient capital

31/7/12	Special Bank Exco meeting	AB(7)221
	<ul style="list-style-type: none"> - Leon: objective of the special meeting is “to puzzle the challenges the business is facing” - George: even if we are true to our business model, ie we take more risk, the concern is that the bank does not manage risk as comprehensively as it should; profits are coming from higher earners: 60% of our business is in 60 month term - 90% of customers earning less than R20 000 [a month?] - The definition of winning is growing the customer base 	
1/8/12	SARB meeting with board of Abil	SARB(1)114
2/8/12	Group Exco meeting	AB(43)80
6/8/12	SENS: Trading update for the 3 rd quarter ended 30 June 2012	SARB(1)116

- The bank's credit disbursements for the 9 months ended June 2012 were R19,5 billion, a 26% increase relative to the previous comparable period
- The average term increased from 45 months to 47 months
- Gross advances grew by 27% to R50,5 billion on the back of higher sales and extended term
- Ellerines recorded merchandise sales of R3,7 billion

17/8/12

SARB letter to Mogase, chairman of board of Abil

SARB(1)114

- It was reiterated that unsecured lending was the main component of Abil's business and that Abil aimed to be the dominant provider of risk-based financial services to the mass market. The portfolio composition of Abil was skewed towards the low-to-medium risk customer groups. Significant growth has been experienced in the Collections Department in the last year and its infrastructure had increased to a 1000-seat call centre

21/8/12	Special Bank Exco meeting	AB(7)228
23/8/12	Bilateral meeting	SARB(1)118
3/9/12	SARB letter to Jordan (Deloitte) re meeting of 23/8/12 <ul style="list-style-type: none">- BSD reiterated at the board meeting held on 1/8/12 that the bank's level of growth and the competitiveness in the unsecured market will demand vigilance in the credit granting and credit risk management process of the bank	SARB(1)118
4/9/12	Special Bank Exco meeting <ul style="list-style-type: none">- Muller presented the results to end July 2012:<ul style="list-style-type: none">(i) Sales are lagging the budget by R1,8 billion(ii) R53,6 billion gross advances, up on budget, but lack of collections driven(iii) R2,18 billion of headline earnings (5% lower than budget but 17% or R321 million higher than prior period	AB(7)234
6/9/12	Group Exco meeting <ul style="list-style-type: none">- Forecast for FY2012:	AB(43)84

- (i) Headline earnings for the bank R2,725 billion
- Target headline earnings growth of 19,7% (R2,8 billion) for the group, allowing for a R120 million increase in provisions
- Budget for FY2013:
 - (i) sales of loans budgeted for R25,1 billion (17% growth)
 - (ii) bad debt charge increasing to 11% of average advances
 - (iii) headline earnings of R2,76 billion; 29% growth
- Kirkinis: Group incentive scheme that will be presented at the next Remcom Meeting should include 2 additional objectives, a ROA and growth in customer numbers

7/9/12

“African Bank loan bubble warnings”

Media(1)117

- African Bank may be an early victim of the huge growth of the unsecured lending market: shares of Abil drop from R34 to R32
- Executive director, Tami Sakutu, says the

share price is being hammered because
investors have a short-term view on lending;
there could be a repeat of the Unifer and
Saambou loan debacle of 2001 if the risk is not
managed properly

- African Bank, under Kirkinis, has adopted a strategy of increasing lending amounts and payback terms but the returns are lower

11/9/12	Group Remcom meeting	AB(3)192
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- Salary increase at the bank of 7,06% proposed

14/9/12	Meeting of ALCO	AB(13)29
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- The bank should have R1,5 billion committed facilities by 1/12/12
- August 2012 cash position : R3,75 billion
- Average cost of funding for 2013 forecast to be 9%

18/9/12	Meeting of the Group Risk & Capital Management Committee	AB(4)212
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- Roussos:Abil: the *in duplum* adjustment to

historical loans should be addressed by

November 2012

- There was an increase of customers presenting fraudulent pay slips and/or bank statements
- Deloitte: the initial review of July impairment provisions balances for PLs, NPLs and the ML book, revealed a R450 million shortfall in the ML book. After further work between Deloitte and the bank, the shortfall was reduced to between R200 to R270 million
- Since Deloitte's review, R1,9 billion was written off from the ML book and provisions were increased by R120 million in August
- Nalliah: the bank was comfortable with the level of provisions

19/9/12

Group Audit Committee meeting

AB(6)251

- Card *in duplum* issue: new credit cards and new loans are compliant with the provisions of the *in duplum* rule and an adjustment of between R20 and R30 million will be applied to affected customer accounts by November 2012

in respect of credit cards previously issued

which have reached *in duplum* status

- Group financials
 - (i) sales at R21,3 billion; below the budget of R23,5 billion : Kirkinis – due to market conditions
 - (ii) offer rates at historic lows as a result of the riskier credit environment
- Bank: eg
 - (i) increase in NPLs by 31% is a reflection of the quality of loans written in prior years
- Loans to Group companies: as at 30/6/12: R427,7 million had been advanced to Ellerin Furnishes [by the bank]
- Interim report by Deloitte for FY2012 eg
 - (i) Deloitte's under provision of ±R340 million; Nalliah: provisions have since been increased by R120 million
 - (ii) reduction of R340 million was due to discretionary adjustments that bank management made
 - (iii) ML book is overvalued by R450 million,

according to Deloitte

- (iv) in August, R1,9 billion was written off from the ML book, bringing the bank's valuation to levels close to Deloitte's

21/9/12	<p>“Lending market forming a bubble”</p> <ul style="list-style-type: none"> - Capitec, Standard Bank and the NCR CEO, Nomsa Motshegare, deny there is a bubble - African Bank says there is, citing the 49,4% growth in unsecured credit to R1208 billion up to the first quarter of this year - 23% of African Bank's loans are between R50 000 and R100 000 and only 9% are smaller than R5 000 	Media(1)119
21/9/12	<p>Special budget Bank Exco meeting</p> <ul style="list-style-type: none"> - Risks were discussed “in depth” 	AB(7)238
26/9/12	<p>Meeting of ALCO</p> <ul style="list-style-type: none"> - Bank should have R1,75 billion in short term liquidity facilities - Bank had sufficient capital 	AB(13)33

27/9/12	Meeting of the Abil and bank board	AB(24)557
	<ul style="list-style-type: none"> - Budget for the bank for FY2013 approved, eg: <ul style="list-style-type: none"> (i) Headline earnings R3,33 billion (ii) Yield will increase from 33,8% to 34,3% (iii) Bad debt charge of 11,6% includes a R600 million extra provision (iv) Growth in headline earnings of 12% 	
October 2012	NCR: it is investigating a number of lenders, including African Bank, for possible reckless lending, focusing on the Dundee branch	SARB(1) para 14.12.1
1/10/12	Prudential meeting	SARB(1)120
5/10/12	<p>SENS: Moody's revised African Bank's outlook on senior debt from negative to stable</p> <ul style="list-style-type: none"> - The agency commented that the affirmed standalone credit strength reflects the bank's valuable niche franchise as SA's largest specialized unsecured credit provider and its good loss absorption capacity underpinned by 	SARB(1)122

strong profitability and a solid capitalisation
cushion

16/10/12-	Borner to Nalliah ao	AB(53)21
12/11/12	- On Abil share price	
24/10/12	Compliance meeting	SARB(1)123
24/10/12	Internal audit prudential meeting	SARB(1)125
24/10/12	Darby to Roussos ao	AB(53)17
	- Meeting with Deloitte	
	- Deloitte's hold the view that we are R250 million under-provided	
29/10/12	Meeting of ALCO	AB(13)33
30/10/12	SARB letter to Kirkinis (Abil)	SARB(1)120
	- Kirkinis told the BSD that	
	(i) the bank had recently noticed a risk emergence in terms of the deterioration of the asset quality of the unsecured	

loans and credit cards granted

- (ii) had therefore put risk mitigation in place, in particular through decreasing loans granted to customers employed by the government;
- (iii) certain risk cutbacks and pricing adjustments had been made due to the risks emanating from increased competition and the prevailing economic environment

31/10/12	SENS: Voluntary trading statement	SARB(1)127
	<ul style="list-style-type: none"> - Headline earnings and earnings are expected to increase by between 17% and 19% relative to the R2339 billion reported for the 2011 financial year - Headline earnings per share and earnings per share are expected to increase by between 17% and 19% relative to the 291cents per share reported for the 2011 financial year - Ellerines experienced sluggish sales - Risks remain well controlled - Pleasing to note that the combination of 	Sens(2)765

regulatory scrutiny and heightened awareness by key players in the market have begun to curb excess supply of credit and that a showdown of credit extension is evident in most recent bureau information

- Abil's own underwriting interventions during the year have been successful in achieving the group's targeted risk adjusted returns and in further limiting its exposure in emerging risk in the market

31/10/12	Bank Exco meeting	AB(7)240
1/11/12	Borner to Kirkinis ao - Year-end dividend planning	AB(52)100
6/11/12	Woollam to Kirkinis - Like to meet for an hour: lot of commonality	AB(51)35
7/11/12	Group Remcom meeting - 5% increase proposed for NEDs - Kirkinis took the committee through the	AB(3)195

outcome of his performance evaluation of the
Abil Exco members and the incentive
proposals

8/11/12 Meeting of the Group Risk & Capital Management Committee AB(4)220

- The NCRs investigation into the bank's reckless lending was done by Gobodo Forensics. The investigation revealed nothing of significance. They analysed $\pm 2,5$ million loans. Gobodo identified a system error relating to affordability which affected 699 loans, of which about 80% related to a Dundee Branch. Kirkinis and Sokutu met with the head of the NCR on the issue
- *In duplum*: Roussos said a policy had been finalized for the bank book
- Adequacy of provisions for the bank:
 - (i) In assessing the level of impairment provisions management have taken into account the collections risk as a result of the current uncertain economic

environment. The risk is mitigated by the positive impact on cash flows due to some new initiatives in collections

- (ii) Deloitte were comfortable with the level of provisions
- (iii) Nalliah: Deloitte wanted to see the level of provisioning increase by R100 million, but management believed R9 billion was adequate. The committee supported management

12/11/12

Group Audit Committee meeting

AB(6)256

- Abil achieved headline earnings of R2,7 billion; 16% growth on the prior year; economic profit was R755 million compared to the prior year's R494 million
- Bank:
 - (i) generated sales of R26 billion for the year which translated to a 32% growth in advances to R46 billion
 - (ii) bad debt charge of 10,8% for the year was R447 million higher than budget – this was a function of lower collections

- on the NPL portfolio and a lower than budgeted increase in the ML valuations
 - (iii) headline earnings of R2,58 billion
- NCR had initiated 3 investigations; system error which affected 699 loans, bulk at the Dundee branch; the business had identified the system error prior to the NCR review
- Quality of earnings : eg
 - (i) sustainable earnings of the bank increased by 32% from the prior year
 - (ii) the extraordinary write-off of R1,6 billion had a net negative impact on headline earnings of R180 million
 - (iii) consideration should be given to exiting EHL within the next 12 months

15/11/12

Meeting of the Abil and bank board

AB(24)562

- The bank's financials eg:
 - (i) Headline earnings grew by 18% to R2,754 billion
 - (ii) Economic profit was R755 million
 - (iii) ROE of 20%
 - (iv) Stangen contributed 50% to group

earnings, the bank 44% and EHL 6%

- Abil results and presentation: Kirkinis said the business had become a robust and resilient business that stood strong despite having faced a challenging year
- Group Audit Committee: eg
 - (i) Deloitte had issued an unqualified audit opinion but had raised concerns, eg a lack of conservatism in the credit impairment model and that provisions were understated by about R150 million to R250 million
 - (ii) EHL was not profitable as a standalone business

19/11/12 "Abil HEPS [headline earnings per share] up 18% to 342,5c" Media(1)123

- Headline earnings increase by 18% to R2,8 billion
- The bank's target market was customers earning R15 000 or less per month
- Advance book of R53 billion
- The group expects advances to grow at an

average compound rate of $\pm 15\%$ and is targeting a return on equity of 23% for the 2013 financial year

- The group is comfortable that risk remains well managed

21/11/12 “Abil to work at retaining banking customer base” Media(1)125

- African Bank contributed R2,5 billion to Abil’s R2,7 billion headline earnings and has 2,6 million active customers
- The bank now accepting fixed retail deposits at highly competitive rates and has been running a vehicle asset finance pilot and has close to R1 billion of vehicles financed

23/11/12 Letter SARB to Kirkinis (Abil) re compliance meeting SARB(1)123

- s103(5) of the NCA (*in-duplum* rule) : Nagar stated that Abil was compliant as far as the loan book was concerned, but that the historical credit card and business remained non-compliant
- BSD noted that the non-performing loan book would be recalculated in accordance with the

in-duplum rule. Nagar confirmed that the necessary adjustments would be made by Abil: the anticipated implementation date was November 2012

23/11/12	Letter SARB to Kirkinis (Abil)	SARB(1)125
	- Voogt seems to be back at Internal Audit	
27/11/12	Meeting of ALCO	AB(13)41
	- October 2012 cash balance R3,6 billion	
	- The bank achieved R2 billion in funding in October 2012	
	- Projected funding cost for 2012/2013 is now 8,9%	
	- Bank had sufficient capital	
29/11/12	"African Bank scoops top award"	Media(1)127
	- African Bank named South African bank of the year by The Banker Magazine, which is owned by the Financial Times. The awards were held in London	

29/11/12	Bank Exco meeting	AB(7)244
	<ul style="list-style-type: none">- Muller presented the results to end October- The aim is to increase the customer base, even if loan sizes are smaller	
4/12/12	Group Exco meeting	AB(43)94
	<ul style="list-style-type: none">- NCR investigation: R38 million written off on the Dundee matter	
10/12/12	Group Exco meeting	AB(43)90
	<ul style="list-style-type: none">- Forecast for FY2012: eg<ul style="list-style-type: none">(i) headline earnings are 19% higher at R2,789 billion(ii) economic profit of R783 million compared to the budget of R886 million(iii) ROE for the group will be 20,2%- Budget for FY2013 eg<ul style="list-style-type: none">(i) 18% increase in sales of loans compared to the forecast R2,612 billion for FY2012(ii) gross advances increasing by 24% to R67,1 billion	

18/12/12	<p>SENS: Abil to issue capitalization shares in lieu of a cash dividend</p> <ul style="list-style-type: none"> - Shareholders received 110 cents per share resulting in a gross cash dividend of ±R692 million, which was paid out of the profits of the company 	<p>SARB(1)128 Sens(2)813</p>
29/1/13	<p>Group Exco meeting</p> <ul style="list-style-type: none"> - FY2013 forecast: eg <ul style="list-style-type: none"> (i) bank's sales reduced to R23 billion (ii) profit for the group reduced by R250 million and bank budget has been haircut from R3,3 billion to ±R3 billion (excluding <i>in duplum</i>) 	AB(43)98
30/1/13	<p>SENS: Trading update for the first quarter ended 31/12/12</p> <ul style="list-style-type: none"> - Credit disbursements were R7,43 billion (Q1 2012: R7,45 billion) - Gross advances increased by 8% to R57,3 billion in September 2012 	<p>SARB(1)129 Sens(2)823</p>

4/2/13	<p>SENS: Voluntary disclosure:</p> <ul style="list-style-type: none"> - Nalliah buys 30 000 Eyomhlaba shares for ±R467 000 	<p>SARB(1)</p> <p>Sens(2)841</p>
7/2/13	<p>Meeting of the Group Risk & Capital Management Committee</p> <ul style="list-style-type: none"> - A major short term priority for the bank was to stem the migration of PLs to NPLs and to reduce the bad debt rate. Deliberate strategies have been implemented - Kirkinis: the level of provisions would be increased through the year - Credit risk: the performance of the portfolio of loans disbursed in the last quarter of 2012 was worse than the loans discussed in the first quarter of 2011 	AB(4)226
7/2/13	<p>Group Audit Committee meeting</p> <ul style="list-style-type: none"> - Group financials : headline earnings for Q1 were R79 million behind budget due mainly to a R203 million reduction in sales; the bad debt charge was R212 million higher than budget as a result of lower collections on the NPL 	AB(6)263

portfolio

- The bank:
 - (i) disbursements R1,06 billion lower than budget mainly due to tougher market conditions and a management decision to reduce sales in order to de-risk the business given the increase in the supply of credit in the market
 - (ii) 7% increase in NPLs was higher than expected and management are taking corrective action to stem the migration from PLs to NPLs as well as to increase the flow from NPLs to PLs
 - (iii) to improve NPL coverage, provisions are being increased by an additional R20 million per month
- Compliance: the *in duplum* issue relating to the credit card back book will be resolved by the end of February 2013

7/2/13

In February 2013 the bank planned to raise \$350 million in long-term funding on the London market.

SARB(1)para15.2,
15.4

On 7/2/13 the NCR allegedly leaked its “risky lending” finding re the Dundee branch and subsequently made the information public. The bank then withdrew from raising the \$350 million capital. The NCR then referred its findings to the NCT

8/2/13	<p>“African Bank Limited: Probe by the National Credit Regulator”</p> <ul style="list-style-type: none"> <li data-bbox="440 869 1102 1048">- NCR has referred a matter to the National Consumer Tribunal and has proposed that a fine of R300 million be imposed <li data-bbox="440 1081 1142 1473">- One of African Bank’s investigative teams discovered that the loan origination system had been fraudulently breached at the Dundee branch. It affected 397 customers and loans to the capital value of R15,5 million. The employees involved were dismissed for fraud 	<p>Media(1)128 SARB(3)156</p>
8/2/13	<p>“Abil’s shares fall 6% on NCR’s fine recommendation”</p> <ul style="list-style-type: none"> <li data-bbox="440 1653 1118 1899">- On Friday Abil’s shares dropped as much as 6% to R28,76 following the statement that the NCR had recommended that Abil be fined R300 million for alleged fraudulent activities. 	<p>Media(1)131,133</p>

At 2.05 pm the share price was R29,67

13/2/13

Meeting of Abil and bank board

AB(24)567

- Kirkinis provided an update on the NCR's finding on reckless lending and the proposed fine of R300 million
 - (i) Pricing on the bank's bonds increased by ± 60 points (and had since recovered by 25 basis points) and the Abil share price declined by 6%
 - (ii) The 3 employees implicated in the Dundee matter had been dismissed etc
 - (iii) A formal objection will be sent to the Minister of Finance, the Minister of DTI, the SARB and the NCR regarding the inappropriate conduct of the NCR in handling the matter and the consequent reputational and financial damage incurred by Abil
- FY2013 forecasts, eg:
 - (i) The initial budgeted headline earnings for the group of R3,368 billion is forecast to decline to $\pm R3$ billion

- (ii) Major priority is to stem the migration from PLs to NPLs and increase the rollback from NPLs to PLs

15/2/13	<p>“African Bank shareholders are stuck in a zone”</p> <ul style="list-style-type: none"> - African Bank shareholders have lost $\pm 20\%$ - PIC biggest shareholder with 12,2%. Foreigners own 40% - Investec Asset Management own 9,8% but dropped to 4,3% in 2012 - Concern about the bank’s bad debt has been raised by the analyst team at SBG Securities : “been bearish for a long time proven by fallen margins, rising funding costs and elevated credit risk given the term extensions of loans.” 	Media(1)135
15/2/13	<p>“From reckless to responsible?”</p> <ul style="list-style-type: none"> - In 2000 the government cracked down on extensive Personal loan deductions from the payslips of State employees. It nearly bankrupted African Bank at the time. - Between 2004-2007 the industry went through a boom 	Media(1)138

- In 2007 the NCA was introduced
- African Bank now grants bigger loans with longer payback terms
- Because it was expected that interest income would be lower under the NCA, African Bank saw a takeover of Ellerines to boost credit volumes
- Tami Sakutu quoted
- At the end of December the average loan at African Bank was R9444 from R12650 a year earlier and the loan term had been reduced to 46 months from 48 months
- At a meeting on 24 October 2012 the NCR indicated her unhappiness about the credit life income that African Bank was earning on loans
- African Bank sells credit life insurance products through its wholly owned subsidiary, StanGen. In the most recent financial year this amounted to a whopping R2,5 billion in revenue, according to Deutsche Bank's market research department

1/3/13	<p>Group Exco meeting</p> <ul style="list-style-type: none"> - Group earnings forecast for the 2013 interim eg <ul style="list-style-type: none"> (i) headline earnings for the bank R1265 million (ii) Kirkinis: provisions for the full year will increase by R360 million 	AB(43)106
5/3/13	<p>“Moody’s downgrades African Bank’s credit ratings”</p> <ul style="list-style-type: none"> - Abil announced on Monday that Moody’s Investors Services has downgraded the financial services global senior debt and deposit ratings by one notch - Moody’s had done so because of: <ul style="list-style-type: none"> - the risks associated with the continued challenging operational conditions in South Africa’s unsecured lending market; and - African Bank’s concentrated wholesale funding profile 	<p>Media(1)142</p> <p>SARB(1)135</p> <p>Sens(2)851</p>

8/3/13	Abil (Nalliah) to BSD (Petros)	SARB(3)
	- No adverse reaction to Moody's downgrading	
14/3/13	SARB letter to Sithole, chairman Abil audit committee re trilateral discussions on 21/2/13	SARB(1)131
	- External auditors advised that there were two outstanding items from the September 2012 financial year-end audit:	
	(i) Compliance with and reporting in terms of the NCA re credit cards not flagged <i>as in duplum</i>	
	(ii) Requirements in terms of s45 of the Companies Act in respect of EHL	
15/3/13	Affidavit (draft) Roussos in NCR application to NCT	AB(52)35
25/3/13	SENS: African Bank raises R2 billion from domestic bond issue	SARB(1)136 Sens(2)851
2/4/13	Raubenheimer to Dear Impairment Stakeholders	AB(53)46
	- The net NPL migrations are expected to be at least R830 million per month for the next six months: by end of year R1,218 billion	

- Impact of the bad news is to increase the predicted gap from R1,218 billion to R1,529 billion

4/4/13

Meeting of ALCO

AB(13)46

- For every 1% reduction in EHL turnover, a R3,5 to R4 million decline in available cash per month arises
- EHL expected to have significant liquidity constraints from September 2013
- In late March 2013 the bank board approved an increase in the bank facility to EHL from R900 million to R1,3 billion
- Bank had a cash balance of R3,1 billion (including cash collateral) or R1,870 billion (after excluding cash collateral)
- Kirkinis: the forecast collections appeared to be overly optimistic
- The Group and bank had sufficient capital

5/4/13

PWC: Valuation of Post Write-off Recoveries for bank PWC(1)15

- The purpose of the engagement of PWC was

to estimate the fair value of the written off book
(defined as the present value of future
recoveries that are expected on the bank's
current written off book as at 31/1/13)

- Value of R1 billion and R1,2 billion to be within
a range we consider as reasonable for the
purpose of the valuation of recoveries on the
bank's written-off books as at 31/1/13 (p21)

12/4/13

Group Exco meeting

AB(43)101

- Provisions eg
 - (i) overall the provisions gap is R820
million
 - (ii) the provisions model indicates that
coverage for Company 5 should be at
74,8% but is only at 62,8%; coverage for
Company 1 should be at 62,4% but it is
only at 59,2%
 - (iii) notwithstanding the extra R600 million
provision budgeted for FY2013, the gap
continued to increase due to the decline
in collections from October 2012 to
February 2013, the provisions models

being recalibrated and the increase in migrations from PLs to NPLs

- (iv) reasons for the increased risk emergence are:
 - (a) the discontinuation of settlement re-advances in the market that masked a lot of risk
 - (b) the bank stopping SRAs and term extender products
 - (c) the increase in fraud
 - (d) suboptimal collections process
 - (e) risk in bank underwriting models
 - (f) systems issues exacerbated by fraud issues
 - (g) with the increase in competition and the increase in the supply of credit, the level of predictability of the bank underwriting models has diminished
- (v) agreed to reconvene on 16/4/13 to discuss increase in provisions

- Roussos: there was a R489 million shortfall in impairment provisions
- Provisions could be increased by R350 million for the first half of FY2013
- The additional R350 million provisions will increase NPL coverage from 59,1% to 60,3% and result in headline earnings for the bank declining by 20,5%
- Nalliah: SARB and the board would have to be informed of the significant decline in earnings

17/4/13

BSD meeting with Abil's external auditors, Deloitte

SARB(1)148

- Review of new credit impairment models
- Jordan said this had been a long standing matter
- Management of bank said a fix will be made in 2013, and that Nalliah would be driving the process
- Deloitte needed to see an independent validation, starting off with internal audit
- Deloitte do the impairment review each year
- BSD: impairments were critical for that type of

business

- | | | |
|---------|--|-----------|
| 24/4/13 | Borner to Kirkinis ao | AB(52)105 |
| | <ul style="list-style-type: none">- Follow up to capital and dividend planning- Scenarios eg zero profit for EHL 2013 and 2014- Looking at Stangen as the dividend payer | |
| 23/4/13 | Bank Exco meeting | AB(7)247 |
| | <ul style="list-style-type: none">- Leon: “we are in the middle of a difficult year”<ul style="list-style-type: none">(i) As a team we need to work on a reduction of NPLs and the rolling back of NPLs to PLs – this will enable us to get back on track(ii) We have to place more focus on profitability in the bank- The bank’s risk appetite has to be defined: Gustav’s team is working on a risk mandate | |
| 29/4/13 | Group Exco meeting | AB(43)104 |
| | <ul style="list-style-type: none">- Interim results eg <u>Abil</u>: | |

- (i) headline earnings declined by 26% to R1015 million etc

Bank:

- (i) total income yield declined from 34,6% to 32,8%

Capital:

- (i) SARB concerned about the capital level within the bank being too close to the regulatory minimum

±2/5/13	<p>According to the BSD, the extremely negative reaction to Abil's trading update (on 2/5/13) resulted: in a significant decline in Abil's share price; in attracting new funding; and Abil said that existing funding was being retired by funders upon maturity. Kirkinis said Abil and the bank would need ±R3 billion to continue with operations</p>	SARB(1)para15.10
2/5/13	<p>SENS: trading statement of Abil and African Bank</p> <ul style="list-style-type: none"> - Both headline earnings and earnings for the 6 months to 31/3/13 are expected to decline by between 25% and 28% relative to the R1370 million reported for the 6 months to 31/3/12 	<p>Sens(2)859</p> <p>SARB(1)para15.10</p>

- Headline earnings per share and earnings per share are expected to decrease by between 25% and 28% relative to the comparable 170,4c per share
- Headline earnings for the bank declined by between 19% and 22%

6/5/13 Meeting of ALCO AB(13)52

- March month end cash position closed at R4,5 billion
- Monthly funding maturities:
 - December : R1,1 billion
 - June : R1,6 billion
 - March & September : R1,4 billion
 - All other months : R2,1 billion

6/5/13 "Fall in African Bank's profit sounds alarm for unsecured lending" Media(1)143

- Does African Bank shock profit warning last Thursday mean the unsecured lending party is over? Its microlending book faced higher than expected write-offs, and its furniture finance

business has had to provide for more debt

defaults. Ellerines is just breaking even

- Profits will be sliced by 28%; 17% drop in share price
- In it returns to SARB between December and February, its lending book grew 2,5% but the credit impairments line grew 3,8%

7/5/13	<p>“Abil sheds more value as bad-debt worries mount”</p> <ul style="list-style-type: none"> - Abil's market capitalization fell about R5 billion as the market stressed over the scale of soured debt held by the Bank - Share price settled at R22,74 	Media(1)145
8/5/13	<p>Emails re urgent approval of proposal by Abil Exco on impact of the decline in the share price on LTIP</p>	AB(51)45-47
8/5/13	<p>SENS: additional information relating to the trading statement issued on 2 May 2013</p> <ul style="list-style-type: none"> - Announcement on 2/5/13 has created the demand for additional information - Abil indicated in its third quarter trading update in August 2012 that the significant increase in 	Sens(3)867

unsecured lending during 2012 introduced risk into certain segments of our customer base.

Abil's response was to forego volume growth for a reduction in risk through:

- (i) Lower offer rates;
- (ii) Smaller loan sizes;
- (iii) Increased pricing

- The current increase in bad debts and claims predominantly relates to the sales in the first half of 2012

- The bank showed positive advances growth and maintained good control over operating and funding costs, but these improvements were negated by:

- (i) The income yield decline;
- (ii) The charge for credit losses has increased;
- (iii) Insurance claims and related provisions increased

9/5/13

Minutes of the Group Risk & Capital Management
Committee

AB(4)230

- Raubenheimer presented the impairment

provisions as at 31 March 2013, eg:

- (i) An increase in NPLs from $\pm 2,2\%$ to $2,4\%$ was driven by an increase in the migration from PLs to NPLs
 - (ii) In the last 6 months NPLs grew by 13% whereas advances grew by 11%
 - (iii) NPLs as a percentage of gross advances increased to $29,2\%$ (from $28,6\%$ in 2012) while coverage remained static at 60%
 - (iv) Back testing confirmed that the book was over valued
- The committee approved the level of provisions as presented by management

9/5/13	<p>“Abil rebounds as CEO moves to calm market”</p> <ul style="list-style-type: none"> - Kirkinis took the unusual step of holding a conference call with more than 200 participants in a bid to reassure the market about the soundness of the Bank 	Media(1)147
9/5/13	<p>SENS: Genesis has increased its holding in Abil to $5,07\%$</p>	Sens(3)876

9/5/13	Group Audit Committee meeting	AB(6)268
15/5/13	Meeting of Abil and bank board	AB(24)572
	<ul style="list-style-type: none">- Raubenheimer on customer quality: eg<ul style="list-style-type: none">(i) Consumers remain under pressure(ii) Between 9% and 30% of customer base has a debt-to-net income ratio of greater than 90%(iii) 55% of the client base has a default reported on the credit bureau(iv) NPLs increased to 29,2% from 28,6% as at December 2012(v) The biggest impact on impairments is the increase in average loan size(vi) A large population exists of customers in the NPL book who are not meeting the 90% instalment- Bank results: eg<ul style="list-style-type: none">(i) Advances have grown by 25% to R58,5 billion(ii) Average term [of loan] is 49 months;(iii) Total funding of R53,7 billion	

- Abil results: eg
 - (i) Headline earnings for the 6 months are R1,015 billion
 - (ii) Consumer demand has slowed down due to pressure on disposable income, high level of indebtedness, and consumer confidence impaired
 - (iii) Supply of credit from the bank has slowed down due to a variety of actions by Abil to reduce risk, resulting in offer rates continuing to decline as a result

16/5/13

Comparison between Abil and Capitec

SARB(3)21

- This appears to be a BSD document
- (1) Quality of capital: African Bank
 - (i) total capital adequacy ratio (CAR) was 27,7% for March 2013 and therefore above the 24,5% regulatory minimum requirement
 - (ii) BSD has continuously been engaging with the bank regarding the quality and low level of qualifying capital and providing BSD with a plausible capital

plan

Capitec Bank:

- (i) BSD has no concerns with regard to the quantity and quality of Capitec's capital

(2) Comparison and risk profile of funding:

African Bank:

- (i) As at 31/3/12 total value of bonds in issue was R22,2 billion
- (ii) The bank's total deposits for March 2013 stood at R49,12 billion (90,79% from corporate customers)
- (iii) The bank is highly dependant on wholesale funding which could pose potential concerns in terms of concentration risk

Capitec Bank

- (i) 77% of total funding is derived from savings and fixed and notice deposits
- (ii) Capitec has more reliance on funds from retail customers as opposed to corporates and banks which differentiates capital from its peers. This reduces the concentration risk

experienced as funding is derived from various small clients as opposed to a few large corporates

(3) Profitability

African Bank

- (i) In March 2012 the bank reported YTD profit of R709 million. In March 2013 Abil reported a YTD profit of R504,9 million. The YTD losses increased from R2,4 billion in March 2012 to R3,4 billion in March 2013
- (ii) Declining profitability inhibits the bank's ability to improve capital-adequacy through profit retention. The credit losses significantly impacted the bank's profitability

Capitec Bank

- (i) Capitec's profit after tax grew by 57% to R1,5 billion for the 2013 financial year. Return on equity was maintained at 27% and R2,2 billion in ordinary share capital was raised in November 2012.

(4) Credit risk

African Bank

- (i) Level of impaired advances to loans and advances ratio as at March 2013 was 29,39% (March 2012 : 28,08%), while the coverage of specific impairments (coverage ratio) stands at a mere 49,36%. Despite the high balance sheet growth rate, the ratio of impaired advances to total advances increased further from 28,08% in march 2012m to 29,39% in March 2013
- (ii) See description of how the bank manages credit at pp 37-40
- (iii) Summary: the bank's book is totally unsecured and its only protection is provisions and the coverage ratio appears to be low

Capitec Bank

- (i) Level of impaired advances to loans and advances ratio as at March 2013 was 5% (March 2012 : 4%), while the coverage of specific impairment stands at 53,52%. Despite the high balance

sheet growth rate of 63%, the ratio of impaired advances to total advances increased further from 4% in March 2012 to 5% in March 2013

- (ii) Capitec's management of credit risk is very efficient due to its accelerated provisioning and write off policy. Capitec raises a provision on the first payment default, ie at 30 days

20/5/13	<p>SENS: Abil : unaudited interim results and interim cash dividend declaration for the 6 months ended 31/3/13</p> <ul style="list-style-type: none"> - Headline earnings declined by 26% to R1015 million - Challenges : subdued economic outlook; slowing consumer demand; tough collecting environment; regulatory uncertainty; growing the customer base, etc - Headline earnings of the bank declined by 20% to R1001 million and economic profit by 72% to R129 million - NCR has proposed that the National Consumer 	<p>Sens(3)878 SARB(1)para15.11 SARB(1)137</p>
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Tribunal impose a fine of R300 million for reckless trading

- Abil decreased its dividend from 85 cents to 25 cents
- Credit impairment charge of R2,385 billion (Abil) and R2,375 billion (the bank):
(Sens(3)895)

±20/5/13	According to the BSD, as a consequence of discussions with the BSD and Deloitte and its own risk assessments, Abil raised the level of its provisions, which resulted in:	SARB(1)para15.11
	<ul style="list-style-type: none"> (i) lower than expected profits; (ii) Abil decreasing its interim dividend from 85 cents to 25 cents per share, which further impacted the share price 	
21/5/13	Email from Mogase to Nalliah attaching a Morgan Stanley commentary	AB(52)110
	<ul style="list-style-type: none"> - Ellerines is a mess - Share price is down 4% this month - Massive drop in share price is not justified by fundamentals 	

- Meeting with Governor, Deputy Governors, Registrar ao to discuss the developments within Abil 15.13 SARB(3)519
- Option to engage the market conduct regulator (NCR)
- PIC to increase shareholding in Abil

29/5/13	BSD gave PIC approval to increase its shareholding in Abil to more than 15%	SARB(1)para15.14
31/5/13	Email correspondence re guarantee: Abil BEE deal between Nalliah, Black and RMB	AB(52)128
June 2013	<p>Abil: Analysis of banking unit results by Woollam eg:</p> <ul style="list-style-type: none"> (i) Gross advances have grown by an average 34% pa over the last 8 years whilst headline earnings have grown by 8% (ii) Advances growth primary from loan size and term (iii) Customer numbers have grown by 12% pa (iv) Loan volumes have grown by only 6% (v) Business needs to focus on alternative non-interest revenue streams; (vi) ML book seems to be valued too high 	AB(51)56

- 2/6/13 Jones to Black and Nalliah AB(52)126
- Comments on document re preference share holders
- 3/6/13 Project Phoenix SARB(3)67
- Kirkinis said:
 - (i) They got worried last year when credit extension was rising fast and signalled this to the market publicly and to the BSD;
 - (ii) Abil began to see a lot of consolidation loan products from their competitors, and this had negative spill-overs to their collections, with competitors cancelling debit orders at times;
 - (iii) earlier this year Abil was on a road show for a \$300 million bond issue, which was oversubscribed;
 - (iv) when they were about to price the bond, the NCR made the announcement re R300 million

- (v) Abil thought the announcement was price sensitive and so decided not to go ahead with the bond issue at the time; they then raised R2 billion in the local market;
- (vi) February 2013 saw an improvement in collections; nevertheless in April 2013 Abil decided to increase provisioning and also cut the dividend in order to preserve capital; all those things were viewed negatively by the market when the financials were released in May 2013: that was the beginning of the slide in the share price;
- (vii) there is very little appetite to fund Abil further in the year from the existing funders;
- (viii) depositors are not keen to roll-over their deposits and they have recently experienced withdrawals at a rate of ±R400 million a week

15,163%

5/6/13	FSB informs Abil of an investigation into s82 of the Securities Services Act 36 of 2004 relating to a possible contravention ("insider trading")	SARB(3)721
6/6/13	<p>Meeting of ALCO</p> <ul style="list-style-type: none"> - Abil recapitalized the Ellerines group by injecting R500 million as at the end of May 2013 - Ellerines' sales levels down 11,5% relative to the prior year - April cash position R4,7 billion - Bank board had reduced the Ellerines facility from R1,3 billion to R800 million 	AB(13)56
6/6/13	<p>FSB letter to Abil</p> <ul style="list-style-type: none"> - Provide information re Abil announcement on 2 May 2013 	SARB(3)74
7/6/13	<p>Bank Exco meeting</p> <ul style="list-style-type: none"> - Leon: 	AB(7)252

- (i) we were caught in a “perfect storm”
 - (ii) although we did warn that bad debts would be higher, it came as a shock and a surprise to the market
 - (iii) confident that the share price will recover and the company will prosper
- Gavin: deposits have dried up
 - Muller: all shocked at knock of price
 - Leon: he offered his resignation to the board, but they do not want him to resign
 - Profit 28% lower than budget

7/6/13 African Bank: Group Trading in securities Policy and Insider Trading Policy SARB(4)67

- Approved by the Abil board on 7/6/13

12/6/13 Woollam to Kirkinis: AB(51)48

- Banking unit performance
- Attaches a spreadsheet with following comments:
 - (i) growth has been the dominant driver in

- the business and this has been at the expense of both yield and credit quality;
- (ii) the advances growth has come primarily from loan size to an expansion;
 - (iii) Tier I capital has grown by a compounded 17%, half that of the advances growth, and this has put the gearing levels too high;
 - (iv) tangible ROAs have fallen from 15% in 2005 to 3,2% in 2012;
 - (v) two key ratios that highlight the problem are:
 - (a) credit losses to total revenues;
 - (b) ROA to credit losses;
 - (vi) the business has maintained its singular focus on unsecured lending and has not been able to diversify its revenue sufficiently to complement the reducing margins from lending

18/6/13

SENS: Kirkinis elected to receive $\pm 14,5$ capitalisation shares for every 1000 shares in Abil

Sens(3)929

19/6/13	Credit risk prudential meeting	SARB(1)170
20/6/13	SENS: African Bank issues R1 billion of senior unsecured bonds	Sens(3)933 SARB(1)173
20/6/13	<p>“Abil gets thumbs-up from bond market”</p> <ul style="list-style-type: none"> - An R1 billion 3- year bond was issued on Thursday - The money will go for general funding purposes - The bank’s share price has fallen 56% over the past 12 months, now R16,15 	Media(1)149,151
20/6/13	Abil (Nalliah) to FSB giving timeline	SARB(3)86
20/6/13	Abil (Nalliah) to BSD (Petros) re revised capital forecast	SARB(3)89
21/6/13	SENS: Coronation has increased its shares in Abil to 5,65%	Sens(3)936 SARB(1)174
21/6/13	Project Phoenix	SARB(3)130

- Old Mutual was worried about the sustainability of Phoenix going forward

25/6/13 Email Jones to Nalliah and Kirkinis AB(51)64

- “Summary of Singapore”
- There’s an absolute sense of fear and panic at the moment
- We will have to find a way to survive until we can get access to the markets offshore

29/6/13 Project Phoenix SARB(3)135

- Abil (of the bank) adequately capitalized
- It was agreed that one had to make a distinction between intervening to solve a temporary liquidity problem and intervening to deal with an insolvent situation
- The bank should be advised to reduce asset growth to an adequate or sustainable level of growth, which the BSD has already nudged the bank to start doing
- It is estimated that the bank has about 4,8 million clients, with retail depositors at about R19 million

- An important first step is to deal with the uncertainty of the NCR Tribunal date
- “We also need to understand the sustainability of the business model and specifically whether the institutions are making adequate provisions aligned with the growth they are experiencing. For example, their approach to changing provisioning at once seems they were not done appropriately.”

30/6/13	Sithole’s resignation letter	E(3)384
Undated ±30/6/13	Kirkinis reply to Sithole’s letter of 30/6/13	E(3)392.1
4/7/13	Meeting of ALCO <ul style="list-style-type: none"> - Bank’s cash position in May: R4,26 billion or R1,9 billion after excluding cash collateral - May roll rates were 64% - The local market for funding was difficult and could not necessarily be relied upon at this stage 	AB(13)60

3/7/13	Jones to Nalliah cc eg Kirkinis:	AB(51)65
	<ul style="list-style-type: none"> - Meeting with banks re liquidity facilities - Standard Bank really want to get rid of the Ellerine facility 	
4/7/13	<p>SENS: Moody's affirms African Bank's credit ratings outlook changed to negative from stable</p>	<p>Sens(3)944 Media(1)153</p>
5/7/13	<p>"Abil's stock rises despite bad news as it reduces risk"</p> <ul style="list-style-type: none"> - Earlier this year Abil wrote down R445 million of bad loans and cut its first-half dividends by 71% to 25c per share. Abil's share price plunged 50% this year - NCR has recommended a R300 million fine - PIC increased its holding from 10% to 15% and Coronation Asset Management increased its holding to 5,65% last week 	Media(1)154,156
5/7/13	Project Phoenix	SARB(1)para15.18
	<ul style="list-style-type: none"> - Kirkinis gave an update on the progress made in its implementation of its liquidity and capital 	

plans

6/7/13	FSB notices to Kirkinis and Nalliah to appear on 26/7/13 to be interrogated	SARB(3)77
8/7/13	<p>Letter SARB (L Kganyago) to Minister of Finance: update on Abil and African Bank liquidity position and possible options</p> <ul style="list-style-type: none"> - Gives the background (including NCR leaking information on 7/2/13; the results on 2/5/13 etc; delay in finalizing the NCT hearing etc - Proposes course of action - Since the release of the trading update on 2/5/13 the share price has declined by 44% 	SARB(3)140
9/7/13	<p>Letter Registrar to NCT</p> <ul style="list-style-type: none"> - Pre-hearing postponed from 6/6/13 to 9/7/12: it is imperative that this process should not suffer any further delays “in view of financial stability concerns.” 	SARB(3)144
10/7/13	Smit to Kirkinis: herewith Impairments Presentation	AB(51)284

16/7/13 Registrar to Deputy Governor (Kganyago): Summary SARB(3)145

of events surrounding Abil and the bank

- Uncertainty re NCR fine
- Kirkinis says the bank discovered the sophisticated fraud (in Dundee) in November 2011 and has been in touch with the NCR since then
- The NCR's potential fine is having a drag effect on investor and funder confidence, which has accordingly resulted in an increase in Abil's bond yields on roll-over
- On 5/3/13 Moody's downgraded Abil's global and local credit ratings, which negatively affected its local-and foreign-issued debt
- Prior to the SENS announcement on 2/5/13, the level of provisions had on a few occasions been discussed with Abil and Deloitte. As a result of those discussions and its own risk assessments, Abil raised the level of its provisions
- The increased provisions resulted largely in the lower-than-expected profits

17/7/13	Memo by Roux SC and Mundell SC to TWB re meeting before NCT <ul style="list-style-type: none">- NCR investigation: chronology of events (<u>p200</u>)	AB(51)197
17/7/13	SENS: African Bank issues an R600 million senior unsecured inflation linked bond	Sens(3)947 SARB(1)176
23/7/13	Board Exco meeting <ul style="list-style-type: none">- Our collections have improved month on month, however our inflows into NPLs is still too high; there are people who never intended to repay us; 25% of the business we write goes bad, which translates to 10% overall- <i>In duplum</i> adjustment on credit cards from a TCF perspective is unacceptable as it is around 17 pages- Gustav: if an existing bank customer misses a payment, they cannot receive further credit from us- George: collections did not have a great month in June; he does not anticipate a great July	AB(7)258

- The risk in low risk customers has increased

25/7/13 Meeting of ALCO AB(13)65

- Bank's cash position in June R4,3 billion or R1,2 billion after excluding collateral
- Roll over rates at 55%

29/7/13 Raubenheimer email to Kirkinis (cc Roussos, Nalliah and Strauss): Friday's impairment meeting AB(51)67

- In terms of the discount rate for *in duplum* accounts, Nalliah confirmed that this is not a defensible practice; Strauss said the problem was quantified as to R1 billion;
- Impairment charge on the PL portfolio: R20 million a month has been raised;
- Big banks use a PD LGD approach for all accounts that have missed one payment, ie CD1 and later
- Express my concern around the following issues that are problematic in the Abil provisioning methodology and are not being given the right level of focus and attention:

- (i) Discounting *in duplum* accounts at zero;
 - (ii) Calculating an IBNR reserve for all accounts up to CD3;
 - (iii) Ignoring fees paid to EDC in calculating cashflow;
 - (iv) Ignoring insurance premiums paid over to Stangen in calculating cashflows on NPLs
- I would be more comfortable if:
- (i) It is acknowledged that Abil is under-provided
 - (ii) This under-provision is quantified;
 - (iii) A plan is made to address the situation;
 - (iv) The acknowledgement, the quantification and the plan are communicated to external audit, the Risk Committee and the SARB

31/7/13

Nalliah to Petros cc Kirkinis: "Liquidity and related issues"

AB(51)69

- The following are the major issues facing

Abil/African Bank: eg

- (i) After the release of the interim results market sentiment towards Abil and the unsecured lending industry has changed for the worse;
- (ii) Our drop in market capitalization from about R24 billion to R12 billion has posed challenges to some funders;
- (iii) The drop in roll overs of maturities has resulted in a cut in sales of new loans to customers: there is a risk that too deep cuts for prolonged periods may damage the franchise permanently

31/7/13

Special Bank Exco meeting

AB(7)264

- Board has decided to dispose of EHL
- Form a debt collections company, not owned by the bank, where we will take out the NPLs into another business
- EHL: will go from breakeven to a loss of R100 000 to R200 000 year
- We are looking at raising R1,5 billion

- 1/8/13 Registrar to Deputy Governor (Kganyago): Summary of events surrounding Abil and the bank SARB(3)152
- See [p158](#) for graph of share price
- 1/8/13 Meeting: Abil (members of the board and management), BSD & Deloitte SARB(3)168,294
SARB(1)177
- Petros (BSD) said:
 - (i) The bank's funding structure was different from the peer group in that 72% of funding consisted of long-term bonds and promissory notes, whereas the peer group had only 1% of long-term bonds
 - (ii) Increasing trend in credit losses due to increase in migration of loans from the performing to the non-performing category together with a reduction in the amount of rehabilitated non-performing loans;
 - (iii) Lower profitability compared to 2012. The bank reported a YTD profit before tax of R610,4 million in May 2013, versus R942,9 million in May 2012,

mainly owing to the increase in credit losses

- Abil said there were some difficult times for the bank, which related to the following:
 - (i) NCR proposed fine;
 - (ii) disappointing results:
 - (a) headline earnings declined by 26%
 - (b) return on equity declined by 14%
 - (c) ordinary dividends per share declined by 71%
 - (iii) 50% decline in Abil's share price
 - (iv) Collections performance had deteriorated from December 2012
- BSD raised its concern regarding the increase in percentage of impaired advances to gross loans

1/8/13

Slide presentation by Abil to BSD

SARB(3)175

- Abil has experienced a very difficult year, but remains profitable and sustainable
- Important to maintain perspective:
 - (i) Abil remains profitable :R1015 headline earnings for 2013 HY

- (ii) Abil's balance sheet has been strengthened further – increased dividend cover
- (iii) raised long-term(3-5 years) funding of R4,9 billion during the 2013 financial year;
- (iv) PIC, Genesis & Coronation increased their stakes in Abil
- (v) Leadership remains stable and committed

2/8/13

SARB letter to Kirkinis (Abil) re meeting on 19/6/13

SARB(1)170

- Provisions for bad debt were governed by the incurred loss methodology as follows:
 - (i) all non-performing loans (substandard to loss) were provided for;
 - (ii) provisions on the performing loans portfolio were in the form of an incurred-but-not-reported component
 - (iii) lifetime expected losses (similar in nature to loss given default) were used to determine the level of provisions and performed back-testing on 2011 data.

External settlements from competitors had overstated their collection rates during the second and third quarters of 2012

- The decline in the collections performance during December 2012 was largely due to debit order disputes and customers switching their accounts
- Abil's non-performing loans to average gross advances had increased from 28,6% in September 2012 to 29,2% in March 2013
- Abil's write-offs had increased from R1,8 billion during the first half 2012 to R3,5 billion during the first half of 2013 due to the introduction of the collections score record

5/8/13

SENS: Abil : trading update for the third quarter end
30 June 2013

Sens(3)954

SARB(3)203

- Operational performance:
 - (i) Environment remains challenging both credit and furniture retail;
 - (ii) 19% growth in advances to R60,3 billion;

- (iii) Reduced credit disbursements of the bank of R17,7 billion (10% lower year-on-year);
- (iv) Increase in NPLs as percentage of advances to 30.2% from 29,2%
- (v) Continued favourable access to funding markets;
- (vi) Good progress on implementation of risk reduction measures
- (vii) Abil announces a R4 billion rights issue

5/8/13	<p>“Abil to raise R4 billion in rights issue”, underwritten by Goldman Sachs</p>	<p>Media(1)158 SARB(1)182</p>
5/8/13	<p>SENS: Abil announces up to R4 billion capital raised via an underwritten rights issue (to be fully underwritten by Goldman Sacks International)</p>	<p>Sens(3)968 SARB(3)361</p>
6/8/13	<p>“Deterioration at Ellerines forces Abil’s hand”</p> <ul style="list-style-type: none"> - Abil to put Ellerines on the block - Abil’s share price dived 60% over the past 12 months - Growing bad debt put African Bank’s profits 	<p>Media(1)159</p>

- under renewed pressure
- Ellerines barely profitable
- Eric Ellerine did not intend to sell cheaply and Ellerines embarked on a lending spree saddling African Bank with a renewed bout of bad debts
- Kirkinis : “it was a lesson in humility for us
- A huge new distribution warehouse was built near Boksburg

11/8/13

“African Bank plays down its about-face on selling Ellerines”

Media(1)161

- African Bank is playing down the sale of troubled Ellerines which it bought only 5 years ago for R9,1 billion
- The Bank’s financial head, Nithia Nalliah, confirmed to Business Times that there is no sale agreement yet
- This year the Bank’s share price fell 53,4% from R32,20 to R15, while its non-performing loans spiked to 30,2% of its total advances
- Almost since the day it was bought, Ellerines has been an albatross for the bank

- In April Kirkinis denied that Ellerines was on the block. This week, however, he said the bank would like to accelerate” the disposal
- In a conference call this week Kirkinis described Ellerines as a “premier retailer” : “We think it is a very, very valuable asset.”
- Alwyn van der Merwe of Sanlam Private Investments said the book value of Ellerines had come down from R3,7 billion to R2,1 billion since Abil bought it
- Ellerines’ dismal performance was one of the reasons why African Bank is the worst performer on the stock market this year
- Van der Merwe said management was not brutally honest in telling the markets the scope of the problems at the bank regarding loan growth and Ellerines

16/8/13

SENS: Abil gives notice of a general meeting to be held on 16/9/13 to consider the proposal to raise further equity share capital of up to R4 billion by way of a rights issue

Sens(3)975

SARB(3)213

16/8/13	<p>“African Bank Limited – New instrument listing – ABLCO9 and ABLC10”</p> <ul style="list-style-type: none"> - Raised R500 million 	Media(1)163
22/8/13	<p>Bilateral meeting: BSD/Deloitte</p> <ul style="list-style-type: none"> - Jordan raised a number of concerns concerning Abil, including: <ul style="list-style-type: none"> (i) uncertainty regarding what the bank’s regulatory capital will be; (ii) disclosures in the afs: according to IFRS if the external auditors were aware that the minimum standards had been breached, the bank was required to disclose that in the afs. Deloitte were concerned that will make if they breached the minimum requirements (iii) material misstatements in relation to revenue recognition risks of brand in revenue recognition; Deloitte advised that the accounting standards support longer write-off periods (iv) impairments: a graph of Abil which shows a 3 to4% decline in cash 	<p>SARB(1)183</p> <p>SARB(3)215</p> <p>SARB(3)223</p>

- (v) valuation and impairment of goodwill: at the bank R4 billion) and Ellerines (R1,3 billion)
- (vi) NCR fine of R300 million
- Jordan raised concerns regarding Ellerines eg going concern risk
- Deloitte the appointment of Raubenheimer was positive to the group and he was adding value especially in the impairments space
- Deloitte: internal controls (ie fraud and origination of credit) and anti-money laundering were a concern

23/8/13

Special Board Exco meeting

AB(7)269

- Managing the balance between sales and liquidity has been and continues to be a very important aspect of our business
- Leon: we simply did not see the signs early enough and we need to be more astute, use data, and exercise judgment

23/8/13

"Abil upbeat over unsecured lending amid challenges" Media(1)164

- Tami Sakutu, executive director and chief risk

officer, spoke at an African Unsecured Lending Summit in Kempton Park

- Abil was committed to unsecured lending but was cutting down on the loans it issued

28/8/13	Meeting of ALCO	AB(13)68
	<ul style="list-style-type: none"> - Ellerines: 15% drop in sales - Although liquidity was currently being very tightly managed, the bank was experiencing more of a moderate stress scenario than an extreme stress scenario; bank would end month with R850 million: ALCO comfortable that the bank would be cash positive for the 3 month period ending October 2013 	
28/8/13	Registrar to Deputy Governor (Kganyago): Summary of events surrounding Abil and the bank	SARB(3)277
28/8/13	Raubenheimer to Kirkinis and Nalliah	AB(52)134
	<ul style="list-style-type: none"> - My view is that we will end FY2013 with a shortfall in the GL compared to the IAS39 model of R1,029 billion on NPLs and R121 	

- million on NLS
- Auditors will be comfortable that the gap exists on ML, provided tht the gap is closed off by the time that they have to sign the afs
 - We have no choice but to increase impairments in the balance sheet to the level required by the model on the NPL book; failure to do so constitutes a misstatement of the Abil financial statements
 - My views are informed by, eg,
 - (i) the models are aggressive insofar as they discount *in duplum* accounts at zero;
 - (ii) all indications are that the consumer is under more financial pressure and high indebtedness which will reduce future recovery;
 - (iii) Abil's coverage of 60% on NPLs is low compared to the market (Absa 65% Standard Bank 70%; FNB 85%) whereas our collection methodologies are similar and our risk appetite is much

higher;

- Year-end gap of R747 million
- All participants agree discounting *in duplum* accounts to zero is not defensible
- I am predicting write offs to amount to R7,1 billion during FY2014, ie R0,7 billion more than previously forecast; this increases the impairment charge for 2014 from R8 billion to R8,4 billion
- Reduced my estimation of the NPL gap from R1029 billion to R831 million

Undated ±30/8/13	Abil summary update	SARB(3)296
	<ul style="list-style-type: none"> - The bank reported a year to date profit before tax of R421,13 million in August 2013, versus R1,5 billion in August 2012: due to credit losses that increased from R4,7 billion in August 2012 to R7,3 billion in August 2013 	
30/8/13	SARB letter to Mogase, chairman of Abil board	SARB(1)177
	<ul style="list-style-type: none"> - There had been a severe drop in Abil's share price and a concomitant change in attitude 	SARB(3)294

towards Abil

- This had resulted in a change in depositor behavior causing the bank to experience difficulties in attracting new deposits and in rolling maturing deposits, with resultant negative consequences on its liquidity position
- The board had formed a sub-committee that met regularly to consider ways of raising capital and solving Abil's liquidity issues. The sub-committee was looking at Abil's write-off policy, and had discussed the matter with Abil's rating agency
- Abil was concerned about fraud as people were obtaining loans fraudulently and were not paying them back

30/8/13	NCT hearing took place. Postponed to 2 October 2013	SARB(1)15.29 SARB(3)364
Undated ±3/9/13	Correspondence : NCR, Kirkinis and SARB re " <i>in duplum</i> " rule in s103(5) of the NCA contravention by the bank	SARB(3)315-333

3/9/13	Group Remcom meeting	AB(3)201
	<ul style="list-style-type: none">- 11% of staff in the lower quartile; 13% earn within the region between the 25th and 50th percentile; 76% of staff earning at the 50th percentile or higher- Bank: aggregate salary increase of 7,5%	
4/9/13	Meeting of the Group Risk & Capital Management Committee	AB(4)235
	<ul style="list-style-type: none">- Kirkinis: significant work was underway to de-risk the business and restore profitability, mainly to new business written. However, this resulted in the business becoming dependent on a smaller customer base- Although customer affordability was under pressure, a significant number of loan applications were still being received in branches- Competitors were pulling back from unsecured lending; the economy was not performing well; business confidence was low, customer affordability was low; and competitors were	

scaling back on risky business

4/9/13

Quarterly Abil results presentation and SENS
announcement

SARB(3)334

- Consumer environment:
 - (i) elevated levels of indebtedness
 - (ii) disposable incomes eroded by fuel etc
 - (iii) consumer confidence impacted
 - (iv) industry-wide slowdown in granting of credit
 - (v) short term woes should not detract from long term growth view of the ??? market of South Africa
- Group has taken further significant steps to strengthen the business
- Loan sizes and loan terms reduced
- Emerging improvements in credit quality bode well for 2014-2015
- Abil able to raise R4 billion in equity
- Advances growth of 19% to R60,3 billion
- The bank eg collections remain tough but are stabilising: “marginally” higher impairment charge, lower sales and share incentive

scheme hedge costs are likely to result in lower
H2 profits than H1

4/9/13	Group Audit Committee meeting	AB(6)272
	<ul style="list-style-type: none"> - Nalliah: funders may raise concerns about the bank's continued funding of Ellerines Furnishers - Deloitte: interim report for FY2013 eg NPL impairment models will be addressed 	
10/9/13	Letter: Governor to Minister of Finance : update on the liquidity of Abil and the bank	SARB(3)375
	<ul style="list-style-type: none"> - Report back on NCT proceedings; delays - The bank is currently solvent, adequately capitalized with a capital-adequacy ratio of 27,7% and a recorded profit of R505 million for the 6 months ended 31/3/13 - Important that the uncertainty relating to NCR charges against the bank be resolved without delays: propose that an urgent meeting between the Minister of Finance, the Minister of DTI and me be convened as soon as 	

possible

11/9/13	Borner to Nalliah and Kirkinis	AB(51)72
	<ul style="list-style-type: none"> - I am extremely concerned both from an equity and debt investor proposition; this plan does not present a viable investment proposition for a shareholder or ultimately a debt holder 	
12/9/13	SA's Chelsea Flower Show team leader "sacked for being drunk on the job"	Media(1)165.1
15/9/13	Roussos to Raubenheimer	AB(51)75
	<ul style="list-style-type: none"> - Can I have a recon of all the adjustments reconciling the gap 	
15/9/13	Raubenheimer to Roussos	AB(51)75
	<ul style="list-style-type: none"> - Projected gap is 1,129, although we expect the gap to be 1081 - Our problem is in fact much bigger after taking into account <i>in duplum</i>, IBNR and post default advances into account 	

- | | | |
|---------|---------------------------------|----------|
| 15/9/13 | Roussos to Kirkinis and Nalliah | AB(51)75 |
|---------|---------------------------------|----------|
- I am not convinced that we are going to get this through the auditors, even with some “ICCs”
-
- | | | |
|---------|--------------------------------|-----------|
| 16/9/13 | Meeting of Abil and bank board | AB(24)578 |
|---------|--------------------------------|-----------|
- A number of options on the disposal of EHL are being considered
 - Budgets eg:
 - (i) To a large extent the emergence of higher than anticipated NPLs and a higher risk charge have been the cause of poor performance
 - (ii) Nalliah: if the current level of performance persisted until the release of the 2014 interim results, there could be significant reputational risk for the group
 - Approval of the Abil budget eg:
 - (i) The group experienced a difficult year mainly as a result of:
 - (a) a higher bad debt charge;
 - (b) yield on advances decreasing due to

the suspension of income and lower
fee income from SRA's (settlement
re-advances) and consolidation
loans

- (ii) Forecast of an economic loss of R674 million
- (iii) Forecasted headline earnings for the bank R1710 million, 47% below budget and 34% lower than the previous year
- Roussos presented the NPLs eg:
 - (i) The high level of NPLs is as a result of poor collections that commenced 9 months ago
 - (ii) As at 30/8/13 NPLs were at 32% of advances
 - (iii) Collections is the key to improving NPL performance
- Impairments: eg
 - (i) Total impairments variants as at 30/9/13 is R445 million

16/9/13

SENS: report on proceedings at the general meeting
of Abil: all the resolutions passed, eg increase of

Sens(3)980

issued share capital

17/9/13	<p>SENS: Abil: changes to the board of directors and board committees</p> <ul style="list-style-type: none"> - Morris Mthombeni appointed as independent NED of Abil and African Bank - Samuel Sithole, an executive director of Abil and the bank, has resigned; - Tami Sakutu, an executive director of Abil and Group Risk Officer, has been granted an extended period of leave due to health reasons; Pieter Marais to become Chief Risk Officer 	Sens(3)983
17/9/13	<p>Abil raised R900 million in the local market to be able to fund the maturing bonds, in total, R1 065 billion that were due for repayment on 19/9/13</p>	SARB(1)para 15.33
18/9/13	<p>SENS: Abil and African Bank: trading results to 31 August 2013</p> <ul style="list-style-type: none"> - The board [?] believes it is prudent to update investors on key developments and decisions affecting the 2013 financial results as well as 	<p>Sens(3)987</p> <p>SARB(1) para 15.11.1.3</p> <p>SARB(1)187</p> <p>SARB(3)383</p>

the expectations in respect of 2014

- In the light of the market conditions the board has implemented further prudent and definitive actions both at Ellerines and the bank which provide a solid underpin for a recovery in to the latter part of 2014 and beyond
- Outlook: Abil 2013 full year group headline earnings are expected to be lower than 2012 by between 58% and 63% excluding the impact of the increasing ratio and the LTIP charge
- The full year bank's:
 - (i) Headline earnings are expected to be lower than 2012 by between 47% and 53%
 - (ii) Normalized headline earnings are expected to be lower than 2012 by between 20% and 30%

20/9/13	SENS: African Bank issues a R300 million of senior unsecured inflation bonds	Sens(3)993 SARB(1)188
26/9/13	NCR's proposed affordability assessment guidelines	SARB(3)385

etc to combat over-indebtedness

27/9/13 BSD to the Governor: summary of events surrounding SARB(3)398

Abil and the bank

- Refers inter alia to NCR delays; actions taken by Abil and the bank; actions taken by SARB; meeting held on 20/9/13 between Governor and other officials of SARB and the Minister of Finance
- Minister requested SARB to do a number of things

Undated Abil's Annual Result Presentation for the year ended SARB(3)407
±30/9/13 30/9/13 [not the final presentation]

- Return on equity of 2,9% (2012: 24,3%)
- Headline earnings declined by 88% to R365 million (2012: R3 billion)
- HEPS declined by 88% to 45,1 cents (2012: 378,2 cents)
- The bank's gross advances grew by 11% to R59 billion (2012: R53 billion)
- Economic loss of R1,5 billion (2012 economic profit of R1,2 billion_

Undated ±30/9/13	Deloitte report to African Bank management for the year ended 30/9/12 - See significant matters list: p247	SARB(3)243
1/10/13	SENS: African Bank issues R1,155 billion Swiss senior unsecured bonds	Sens(3)996 SARB(1)189
2/10/13	SARB (National Payment System Department) to African Bank - On settlement cycle 2 October three single settlement instructions were submitted to SAMOS without ensuring your bank had sufficient funds or collateral reserve in order to settle the instruction	SARB(3)444
3/10/13	Settlement Agreement NCR/African Bank: - Loss suffered by the bank was R13 740 400,60 (para 2.6) - The bank agrees to pay R20 million (para 5)	SARB(4)33
3/10/13	FSB (Executive Officer) to NCR (Motshegane) re draft additional amendments to the Credit Providers' Code	SARB(3)445

of Combat Over-indebtedness

- Raise serious concerns with both the contents of the Code and the process the NCR has followed to date

3/10/13	SENS": Settlement of probe by NCR:	Sens(3)999
	<ul style="list-style-type: none"> - African Bank has agreed to pay a settlement amount of R20 million" 	SARB(1)para 15.11.1.2, para 15.19 SARB(3)447
4/10/13	Meeting of ALCO	AB(13)72
	<ul style="list-style-type: none"> - Ellerines' cash flow forecasts based on a 5% increase in sales off the FY13 sales values. Should the sales decrease further, relative to FY13 by a further 15%, Ellerines would breach its facilities in February 2014 - Banking facilities: eg Nedbank R500 million expiring on 30/4/14; ABSA facilities expire on 15/11/13; progress re Standard Bank facility has stalled - Group cash balance at end of August: R940 million excluding collateral, and R782 million 	

on 30/9/13

4/10/13	<p>“Abil’s stock gains after settlement reduced to R20m”</p> <ul style="list-style-type: none"> - Shares in Abil gained 5.43% to R19,40 yesterday after it announced that the “reckless lending” fine it is required to pay is R20 million, far lower than the R300 million originally called for by the NCR 	Media(1)166
7/10/13	<p>African Bank (Jones) reply to SARB letter of 2/10/13</p> <ul style="list-style-type: none"> - On 2/10/13 the bank mistakenly duplicated a withdrawal instruction of ±R260 million and ±R230 million (in total ±R981 million) - We are implementing new controls 	SARB(3)448
10/10/13	<p>SENS: JP Morgan holds 5,02% of Abil shares</p>	<p>Sens(3)1002</p> <p>SARB(1)191</p>
11/10/13	<p>Letter Abil (Kirkinis) to Registrar</p> <ul style="list-style-type: none"> - Have decided to raise the total additional provision by ±R700 million pretax (the bank ±R550 million and Stangen ±R150 million) 	SARB(3)477

- This will negatively impact capital adequacy and may result in a temporary breach of the minimum capital adequacy requirement

14/10/13

Meeting between Abil CEO (Kirkinis) and BSD

SARB(3)480,485

- Van Deventer said he was providing feedback to the Governors re Abil. Their main concerns were:
 - (i) impairment issues;
 - (ii) they wanted a detailed liquidity plan;
 - (iii) they wanted a detailed capital plan, especially in view of breach of capital requirements
- Kirkinis updates:
 - (i) on track for rights issue;
 - (ii) Deloitte wanted another R700 million in provisions
 - (iii) on liquidity: if sales targets were cut, the more liquidity the bank would have but would impact negatively on profits
 - (iv) a loss of R250 million is expected in Ellerines but is expected to break even next year

- (v) Abil had written off R7 billion more this year than last year
 - (vi) Deloitte had raised four issues, one of which related to *in duplum* discounting, which portfolio had grown to about R1 billion
- See management structure at [p495](#)

Undated	Special report (probably by the BSD) requested by	SARB(3)449
±14/10/13	the Governors during a meeting held on 11/10/13	SARB(1)192

- Conclusions on liquidity
 - (i) Abil should consider reducing the level of sales to 75%, but this will affect future profitability;
 - (ii) If the IFC and Goldman Sachs grant facilities to Abil its current liquidity situation will improve significantly
 - (iii) BSD should speak to Absa and Standard Bank re facilities
- Impairments
 - (i) In a recent SENS announcement Abil stated that the impairment provision against NPLs was expected to increase

by between 2,5% to 3,5% of the NPLs:

the after tax headline earnings impact of this increase is expected to range between R350 million and R500 million

- (ii) Kirkinis stated at a meeting with BSD on 14/10/13 that for every 1% increase in the NPLs, it would result in a R200 million impact on headline earnings before tax. Therefore to increase the coverage ratio from 60% to 63% additional impairments (provisions) of R700 million (before tax) needed to be raised. This level of impairments is considered to be adequate

- (iii) But Deloitte do not agree with this level of provisioning and want to increase the impairment by a further R700 million.

Reasons:

- (a) modelling of future cash flows of loans
- (b) valuation of the written off book (memorandum ledger)
- (c) IBNR ledger

(d) Abil's valuation of loans that are "in duplum"

- Should the R4 billion rights offer be successfully concluded, BSD believes that Abil will remain a profitable bank

15/10/13	African Bank (Roussos) to SARB (Pretorius)	SARB(3)557,571
	<ul style="list-style-type: none"> - Detailed comment on NCRs proposals re affordability guidelines 	
17/10/13	Registrar to Kirkinis (Abil)	SARB(3)579
	<ul style="list-style-type: none"> - Rely to letter of 11/10/13 - BSD accedes to Abil's request to temporarily remove the operational risk capital floor requirement 	
18/10/13	Abil and the bank: Special board meeting	AB(24)584
	<ul style="list-style-type: none"> - Update on recent developments within the business primarily relating to provisions for impaired loans. Following all extensive review by Abil and Deloitte of the loan impairments provisions methodology, it was concluded that an additional R1,7 billion of provisions was 	

required largely due to an *in duplum*

adjustment

- The total amount is R2,2 billion of which ±R800 million relates to the written off portfolio and R1,4 billion to the non-performing portfolio
- Pinnock & Jordan (Deloitte) explained the adjustment is necessary in terms of IFRS standard IAS39

22/10/13

Abil (Kirkinis) to Registrar

SARB(3)580

- Low finalized impact of year end provision entries with a particular focus on *in duplum* loans
- Abil decided to raise additional provisions
- Total additional provision amounts to ±R2375 million: R2175 million in the bank, and R200 million in Stangen
- Will negatively impact capital adequacy
- We request a lowering to 11,5% from the current level of 15%

23/10/13

Registrar to Kirkinis (Abil)

SARB(3)583

- Refer to meeting on 18/10/13

- Agree to reduce ICR from, 15% to 11%

25/10/13	Group Remcom meeting	AB(3)203
25/10/13	SENS: Abil to raise new equity on some of R5,5 billion through a rights offer	Sens(3)1022
25/10/13	SENS: Trading update for the financial year ended 30/9/13 for Abil and African Bank :	Sens(3)1004
	<ul style="list-style-type: none"> - Key features include: <ul style="list-style-type: none"> (i) Core operating business stable; (ii) Risk reduction measures and focus on collections are beginning to improve asset quality; (iii) No material change in the risk profile for the advance book; (iv) Adopting a more conservative write-off policy (v) Goodwill impairment of R4,6 million - Abil has decided to implement certain non-cash flow measures which will affect the financial results for the full financial year, such as: 	SARB(1)216 SARB(4)55

- (i) A change in the loan impairment provisioning methodology;
 - (ii) An increase in IBNR reserves for credit risk;
 - (iii) A change in the write-off policy of impaired loans
 - (iv) A change to Abil's IBNR accounting policy for credit life insurance
 - (v) An exceptional non-cash charge for impairment of goodwill
- Headline earnings and headline earnings per share are expected to decrease by $\pm 87\%$ and 90%
 - Basic earnings and basic earnings per share are expected to decrease by $\pm 240\%$ to 243% and 239% to 242% respectively
 - Increased rights offer to R5,5 billion, underwritten by Goldman Sachs

25/10/13

Goldman Sachs letter to Abil

SARB(3)587

- Standby commitment letter to be amended:
Rights Issue Amount shall be R5,5 billion

25/10/13	Goldman Sachs (Colin Coleman) letter to Registrar re R5,5 billion	SARB(3)591
28/10/13	Email King (Norton Rose Fulbright) to van Deventer (BSD) <ul style="list-style-type: none">- Method of transferring shares when the Abil shares are temporarily transferred to the securities account of Goldman Sachs	SARB(3)595
29/10/13	Meeting of the Group Risk & Capital Management Committee <ul style="list-style-type: none">- Core competencies:<ul style="list-style-type: none">(i) In the past the bank's core competency has been credit underwriting; however this no longer appears to be the case(ii) Previously, the business was sales driven, but there has been a change to rather focus on the quality of returns; with the increase in competition in the unsecured credit industry, the business lacked an understanding of the level of risk being introduced into the industry and lost control risk [?]	AB(4)239

- (iii) There has been poor detection of early warning signs
 - (iv) Bad faith loans – an indicator for fraudulent activity – has reduced from an average of R65 million to R25 million a month
- Liquidity risk:
- (i) A decline in funding roll rates was seen following the release of the interim results and the subsequent fall in the Abil share price; roll rates have since improved to levels of around 80%
 - (ii) Investec, who is the bank's largest funder, seems to be maintaining a stable funding strategy
 - (iii) It is estimated that a negative cash balance of around R250 million will be reached by mid-November 2013; in the event that roll rates decrease to around 45% a negative cash balance of R422 million is estimated;
 - (iv) The final lever would be to pull back on sales to reduce liquidity pressures

- Collections:
 - (i) Significant improvement on collections of new business due to improved risk profiling
 - (ii) Customer affordability is still under pressure;
 - (iii) Adams: it is important to distinguish between poor collections caused by writing poor quality business and as a result of changing circumstances of customers and the economy
 - (iv) Organizational mindset has changed from driving sales to driving value and areas where value has been created and destroyed have been identified
- Impairment provisions:
 - (i) there has been an increase in bad debts;
 - (ii) R3 billion has been written off and the percentage of NPLs decreased from 32,7% to 28,6%
 - (iii) The practice was to discount loans that reached *in duplum* at 0% which has

been changed to the original effective interest rate; the change resulted in an R2 billion charge;

- (iv) A total of R7 billion of NPLs are expected to be written off in the next financial year;
- (v) Raubenheimer said, in an answer to a question whether the bank had adequate impairment provisions, that an additional R500 million would be preferable

29/10/13	Email Neethling to King	SARB(3)593
	<ul style="list-style-type: none"> - We appreciate that Goldman Sachs may for a moment in time own more than 34,9% of the shares in Abil 	
29/10/13	Group Audit Committee meeting	AB(53)78
	<ul style="list-style-type: none"> - EHL: headline loss was R284 million - Ellerine Furnishers incurred a loss before tax of R1,1 billion - The capital injection into Ellerines at FY2013 was R1,4 billion of which R500 million was 	

invoiced by Abil

31/10/13	Credit impairment Review IBNR Sequence of Events - Appears to have been prepared by Abil, possibly Nalliah, the FD	SARB(4)48
31/10/13	Special Board Exco meeting - Underwriting agreement signed with Goldman Sachs; IFC participating in the rights issue - Financially, we will be on a much stronger footing going into 2014 - People [at the bank] are panicking - Charles raised the long term proposition question of our business - Muller: we are down 27% in terms of transactions and therefore we cannot have our costs going up - We need to steer the loan volumes upwards: ±7000 applications a day; we need to get the absolute volumes up by about 1400 per day	AB(7)273
1/11/13	SENS: Abil: reviewed financial results for the 11	Sens(3)1041

months ended 31/8/13

- Headline earnings and headline earnings per share decreased by 88% to R320 million (2012: R2763 million restated) and 39,6c (2012: 343,7c)
- The bank's headline earnings reduced to R551 million (2012: R2642 million restated)
- Ellerines generated a headline loss of R226 million (2012: profit of R200 million restated)

1/11/13	SENS: finalisation announcement in respect of rights offer	Sens(3)1074 SARB(3)598
4/11/13	Meeting of ALCO	AB(13)77
	<ul style="list-style-type: none"> - Ellerines sales decreased by 20% relative to October 2012; if this trend continues Ellerines will require an increase in facilities in February 2014 - Group cash balance: R2.161 billion - ALCO concluded that the bank is in a moderate stress scenario and hence were comfortable with the actions required should liquidity become further stressed 	

4/11/13

“African Bank announces rights offer”

Media(1)169

- The net proceeds of the rights offer of R5,22 billion, after deducting transaction costs of R262 million, are expected to save the group from what could have been an inevitable bankruptcy
- Abil's shares were flat at R17 after being R14,20 in July
- According to Abil the group experienced a loss of R4,6 billion in the 11 months to end – August; earnings per share fell 89% to 39,6c, while income from, operations rose 16% to R22,1 billion
- Headline earnings loss at retail, reflecting the troubled Ellerines, amounts to R226 million after a profit of R200 million a year earlier. Abil has announced that Ellerines will be sold
- It is rumoured that Kirkinis offered to resign but the board asked him to stay on
- The impairment write off to the end of August amounted to R8,2 billion, 87% higher than in

the corresponding period last year

- Abil management expressed confidence on Friday that the group had now finally turned the corner

11/11/13 SENS: Abil: reviewed financial results for the year Sens(3)1092

ended 30/9/13 and cash dividend declaration

- Return on equity of 2,9% (2012: 24,3%)
- Headline earnings declined by 88% to R365 million (2012: R3 billion)
- The bank's gross advances grew by 11% to R59 billion (2012: R53 billion)
- Economic loss of R1,5 billion (2012: economic profit of R1,2 billion)
- Exceptional on-cash items which negatively affected the 2013 results were:
 - (i) A change in the loan impairment provisioning methodology;
 - (ii) A change in accounting policy to account for the IBNR on balance sheet;
 - (iii) The write-off of goodwill;
 - (iv) Changes to the write-off policy;
 - (v) A charge for the LTIF; and

- (vi) An increase in the credit IBNR portfolio provision
- The bank's headline earnings reduced by 77% to R654 million (2012: R2,9 billion) and generated an economic loss of R879 million (2012: economic profit of R1,4 billion)
- Ellerines generated a headline earnings loss of R284 million (2012: profit of R249 million)
- Dividend for the year of 30c
- Sam Sithole resigned as NED of Abil and bank from 13/9/13 and board appointed Morris Mthombeni as NED of Abil and bank and Group Audit Committee
- Looking ahead (p1099)

11/11/13 SENS: Liberty has increased its holding in Abil to R5,046% Sens(3)1125

11/11/13 "Abil HEPS down 88% to R45,1c" Media(1)171

- The group's results were negatively affected by:
 - (i) Tough trading conditions;
 - (ii) Exceptional non-cash items, including:

- (a) A change in the loan impairment provisioning methodology;
 - (b) A change in accounting policy to account for the insurance incurred but not reported (IBNR) claims on the balance sheet;
 - (c) The write-off of goodwill;
 - (d) Changes to the write-off policy;
 - (e) A change of the long term share incentive programme ("LTIP")
 - (f) An increase in the credit IBNR portfolio provision
- Abil said financial year 2013 was a particularly tough year for the group:
- (i) Economic conditions in South Africa continued to be challenging, characterized by:
 - (a) Lower consumer confidence;
 - (b) Pressure on disposable incomes
 - (c) Higher levels of indebtedness;
 - (d) Labour market unrest in certain industries
 - (ii) These conditions led to:

- (a) Lower demand for credit products
and durable merchandise;
 - (b) Lower collections;
 - (c) Concomitantly increasing arrears;
the latter also the result of a portfolio
of lower quality loans originated
during 2012 prior to the
implementation of substantial risk-
reduction measures
- The bank's gross advances grew by 11% to
R59 billion
 - The bank reported an economic loss of R1,5
billion after a profit of R1,2 billion a year ago
 - A final ordinary dividend per share of 5c per
share was declared compared with 110c in
2012
 - "The events of the past year have proven that
we did not act boldly enough at the time, and
as a consequence have had to come out with a
number of negative announcements which has
led to a perceived loss of credibility...Abils'
response to address the challenges is
beginning to produce the desired results and

should provide a solid underpin for a recovery into the latter part of financial year 2014 and beyond barring significant additional economic headwinds” said Abil

- African Bank’s origins date back 20 years ago to the formation of Theta Securities in 1993. Theta became Abil in 1999. The group was founded by Kirkinis and Gordon Schachat. When Unifer and Saambou collapsed more than 10 years ago, Abil bought Saambou’s R2,8 billion personal loans book

15/11/13	Abil/SARB Investor Feedback	SARB(3)617
19/11/13	Internal audit meeting	SARB(1)222
19/11/13	Compliance meeting	SARB(1)220
20/11/13	SENS: Kirkinis sold ±3,2million Abil shares for ±R44,4 million at ±R13,6 per share	Sens(3)1130
22/11/13	SENS: Kirkinis sold ±808 000 Abil shares for ±R11 million at ±R13,6 per share	Sens(3)1133

22/11/13	SENS: JP Morgan decreased its holding in Abil from 5,01% to 3,756%	Sens(3)1140
24/11/13	Woollam to Kirkinis <ul style="list-style-type: none">- Like to meet with your briefly- Hoping to meet with Gordhan and Davies re need for urgent action to avoid a growing crisis of over-indebtedness and unscrupulous behaviour in the credit industry- Bringing stability and sustainability back to consumer credit industry in South Africa	AB(51)83
25/11/13	Bank Exco meeting <ul style="list-style-type: none">- Feedback on investor meetings: meetings were difficult; they were complimentary about the fact that the bank adopted a humble approach in terms of admitting that we made mistakes- Muller presented the 2013 results:<ul style="list-style-type: none">(i) we are ±R188 million below the sales target in November and R40 million below the sales target in October	AB(7)277

- The most material number in our results is bad debt

25/11/13	SENS: Kirkinis will use proceeds of sale of shares towards the exercise of all his allocated rights in Abil's right offer	Sens(3)1142
	<ul style="list-style-type: none"> - Bought [?] ±22 000 shares at ±R12,7 for ±R2,8 million 	
26/11/13	SENS: Coronation has increased its holding in Abil from 9,37% to 10,04%	Sens(3)1145
28/11/13	<p>Group Remcom meeting</p> <ul style="list-style-type: none"> - Abil: new LTIP programme to be introduced - Nalliah: ±300 employees had LTIPs and the valuation of the scheme had declined from R228 million to negative R57 million due to the significant drop in the Abil share price, with the R57 million being a cost to Abil 	AB(3)205
28/11/13	<p>SENS: Kirkinis bought [?]</p> <ul style="list-style-type: none"> - ±2,5 million Abil shares at ±R12,3 per share for 	Sens(3)1147

±R30,1 million

- ±14 million rights at R8 per share for ±R112,4 million. He now owns 22 271 015 or 1,48% of the increased shares of Abil

29/11/13	Wollam to Kirkinis	AB(51)10
	<ul style="list-style-type: none"> - Link to Smart Campaign re responsible unethical lending practices 	
29/11/13	SENS: Kirkinis bought 141 409 Abil shares at R12,38 per share for R1 750 643,42	Sens(3)1150
3/12/13	Meeting of ALCO	AB(13)82
	<ul style="list-style-type: none"> - Ellerines: <ul style="list-style-type: none"> (i) Sales for October: 30% down (ii) Sales for November: 21% down (iii) Should the trends continue, Ellerines would breach the African Bank facility by 8/1/14 (iv) Nalliah: resolution would be put to the bank board on 7/12/13 motivating an increase in the facility 	

- (v) Group cash balance excluding collateral at 31/10/13 was R2,1 billion

3/12/13	SENS: Sanlam Investment has increased its holding in Abil to 5,05%	Sens(3)1153 SARB(1)224
6/12/13	Successful conclusion of rights issue - Strengthened Abil's balance sheet, adding 10% to group capital adequacy and providing R5,2 billion of new liquidity to the group	SARB(1)para15.49
7/12/13	Teleconference meeting of the board of Abil and the bank on Saturday - Nalliah: major risks to achieving the FY2014 budget: eg (i) Bank sales below budget and bad debt charge being higher giving rise to a total adjustment of R200 million (ii) Bad debt charge has been increased by R1,2 billion: the increase has reduced headline earnings for the bank from ±R2,5 billion in the previous budget to	AB(24)586

±R1,8 billion in the revised budget

- (iii) The current environment is challenging, rates are behind budget and bad debt levels remain high

9/12/13	<p>SENS: Abil board announces that the rights offer has been oversubscribed by 64,11%; raised ±R5,5 billion by way of rights offer of 685 281 693 shares</p>	Sens(3)1159
10/12/13	<p>“Rights issue ‘sign of confidence in Abil’ ”</p> <ul style="list-style-type: none"> - Abil paid Goldman Sachs ±R192 million to underwrite a R5,48 billion rights issue, which was over-subscribed by about 64% - Markus Borner, Abil’s executive for balance sheet management, said: “We believe that the confidence in the company has been restored. We are now moving forward from here.” - The Hlumisa and Eyomhlaba BEE deals mature in 2015. The last annual report says the combined holding of the two was 9,2% at end-March 2013 with a combined debt of ±R500 million 	Media(1)175

12/12/13	<p>“BEE stakes in Abil diluted in rights issue”</p> <ul style="list-style-type: none">- Combined stake now 5,1% after the black shareholders did not follow the bulk of their rights in a recent R5,4 billion rights issue- Full participation would have taken the BEE partners’ debt to ±R1 billion- BEE partners have reduced their debt from R510 million to R177 million- Abil raised its offer of 84 rights-offer shares for every 100 held at R8 each, reached a subscription level of 98,2%- Tami Sakutu quoted	Media(1)177
13/12/13	<p>SARB letter to Kirkinis (Abil)</p> <ul style="list-style-type: none">- Voogt, Group Head of Internal Audit- Internal audit explained that one of the biggest issues that Abil was facing was a vast amount of service accounts for which the passwords were not maintained and consequently might result in unauthorized access and changes to service accounts- Internal audit had recommended that all these service accounts should be investigated	SARB(1)222

- BSD said dormant and shelf companies should be deregistered

13/12/13 SARB letter to Kirkinis (Abil) re compliance meeting on 19/11/13 SARB(1)220

- Senior staff being transferred internally
- BSD emphasized the importance of the compliance function

17/12/13 SENS: IFC becomes an equity investor in Abil by buying 22,5 million shares, holding 1,5% Sens(3)1169

17/12/13 "IFC takes 1,5% stake in Abil" Media(1)179

- IFC now holds 22,5 million ordinary shares in Abil
- IFC made a R350 million Tier-2 capital investment in Abil in 2009

31/12/13 "Falling shares hit Abil bosses and staff hard" Media(1)180

- Abil's annual report released
- Kirkinis earned R2,18 million, the same as in the previous year
- Ellerines' CEO Toni Fourie's remuneration was

R4,43 million compared to R8,5 million the previous year

- Tami Sakutu 's remuneration was cut from R7,14 million to R3,5 million
- Group FD Nithia Nalliah received R3,4 million, down from R8,67 million
- Abil has announced plans to sell Ellerines. In 2013 Abil took a R4,6 billion impairment in goodwill on Ellerines.

31/12/13	SENS: Abil advises its shareholders that its afs contain no modifications to the revised results published on SENS on 11/11/13	Sens(3)1172
Undated ±14/1/14	<p>Abil's summary update [BSD document]</p> <ul style="list-style-type: none"> - Abil reported a year to date loss before tax of R252,7 million in November 2013, versus a profit of R20,9 million in November 2012: attributed to credit losses which increased from R1,1 billion in November 2012 to R1,7 billion in November 2013 - Rights issue: injection of ±R5,2 billion at the Abil level 	SARB(3)621,625

African Bank and CEO of EHL, resigned with effect from 6/2/14

- Tami Sakutu, executive director of Abil and the bank, has been on an extended leave of absence since September 2013 due to health reasons, retires as an executive director with effect from 6 February 2014

22/1/14	SENS: Coronation has increased its holding in the ordinary shares of Abil from 19,94% to 20.19%	Sens(3)1181 SARB(1)226
24/1/14	Bank Exco meeting <ul style="list-style-type: none"> - Muller presented the results to end December 2013 	AB(7)281
24/1/14	Abil and the bank: The Way Forward <ul style="list-style-type: none"> - CV of Symmonds <u>p19</u> eg previously CEO of Mercantile Lisbon Bank Holdings - Relationship between Abil and NCR - BSD action plans, eg to request Abil to hold additional liquid assets; Abil to furnish a weekly cash flow structure; Abil to provide action plan on how to become profitable again; Abil to 	SARB(4)1,18

further shorten their write-off policy etc

28/1/14	SENS: PIC has increased its holding in the ordinary shares of Abil from 14,982% to 15,377%	Sens(3)1183 SARB(1)227
29/1/14	Registrar to Kirkinis (Abil) - Refer to my letter of 23/10/13 - ICR is increased to 15%	SARB(4)536
29/1/14	Abil to FSB - Settlement with NCR - Trading update 25/10/13	SARB(4)24
31/1/14	Group Remcom meeting	AB(3)207
5/2/14	SENS: Abil trading update for the first quarter ended 31 December 2013 - The bank: (i) loan term and loan size increased on a year to year basis reflecting the move to lower risk customers; (ii) while collections remain challenging the stabilizing trend over the last few	Sens(3)1187

- months remains intact;
- (iii) the impact of the business written pre-June 2013 (the month in which the group implemented drastic new tighter credit granting measures) continues to negatively impact NPL (non-performing loans) formation;
- (iv) there will be a significant reduction in profitability for the first half of FY 2014;
- (v) we anticipate a recovery on profitability in the second half of FY 2014
- Ellerines:
 - (i) 21% decline in merchandise sale;
 - (ii) credit sale as a percentage of total sales decreases to 57% from 67%;
 - (iii) Abil focused on improving profitability
- Kirkinis: "The group has emerged in a stronger position from an extremely challenging year and has entered a new chapter in its history"

6/2/14

SENS: Report on proceedings at Abil's AGM on that date

Sens(3)1198

- Resolutions relating to the new LTIP were not

passed

6/2/14	Meeting between BSD, Kirkinis and Nalliah	SARB(1)228
	<ul style="list-style-type: none"> - The roll rates were depressed but would stabilize - BSD cautioned Abil to be conservative with its write-offs by taking the knock on a monthly rather than yearly basis. Abil said it would rather take the knock for the first half until March 2014 and then have a second half that would be free of strain - Abil expected that the bulk of the NPL's would be out of the system by 31 March 2014 - Abil said that the thing that hurt their profitability the most was the low business volumes, which were down as a result of their stricter credit underwriting criteria - The average interest that Abil charged was 21%, which was lower than the limit of 30% 	
7/2/14	Meeting of the Group Risk & Capital Management Committee	AB(4)244
	<ul style="list-style-type: none"> - Learning from FY2013: Adams requested 	

views on where management and the committee could have been more effective in performing their duties to avert the circumstances of FY13. He observed that often individuals views were quashed by the team dynamic, going forward is important to listen to opposing views

- Chemel: initiatives were underway to drive sales
- Kirkinis: local funders had deliberately been reducing their exposure to the bank with Investec, the bank's largest funder, indicating their intention to reduce their exposure by R900 million
- Impairment: Nalliah advised that Deloitte had been requested to audit impairment provisions for February 2014

7/2/14

Group Audit Committee meeting

AB(6)278

- Group headline earnings for Q1 of FY2014 were R129 million (84%) below budget and R489 million (95%) below the previous year's restated comparative

- Ellerines suffered a loss of R25 million
- Credit impairment charge was R2 590 million
- The bank generated a loss of R322 million and Stangen a profit of R453 million
- Sales in the bank at R5,6 billion were 25% lower than the R7,5 billion in the prior period and have significantly impacted revenue
- NPLs grew by 11%; PLs by 2%
- Facility from bank to EHL now R1,2 billion
- Voogt: the loan *in duplum* issue has been resolved

10/2/14- 24/2/14	Correspondence between Rundle (Standard Bank) and Jones re R150 million suretyship to be given by Abil	AB(51)114-118
10/2/14	Woollam to Kirkinis ao - I have updated my model and forecast for 2014	AB(51)98
10/2/14	SENS: Abil announces appointment of Mano Moodley as CEO of EHL and Alan Schlesinger as non-	Sens(3)1201

executive chairman of EHL with effect from 1 March
2014

10/2/14 Talwar to Kirkinis: AB(51)93

- Herewith notes for our discussion

10/2/14 Raubenheimer to Kirkinis AB(51)94

- Decisions are made by 3 people: Excocs are ineffective;
- Board is useless:
 - (i) They have no balls;
 - (ii) Don't understand retail credit at all;
 - (iii) No skills in retail;
 - (iv) No skills in marketing;
 - (v) No banking skills;
 - (vi) Ask the same questions meeting after meeting
- We can't compete in the Low Risk space (where bank plays) because we insist on subsidising High Risk
- We don't have mandate to take decisions; Chemel has a veto right over every decision;
- Three biggest challenges Abil faces:

- (i) EHL to contribute value;
 - (ii) Regulatory challenges;
 - (iii) We have no strategy
- Three people make all the decisions
 - A culture of accountability needs to be created
 - New initiatives need to be managed proactively
 - There is an attitude that accounting can be manipulated: emergency write-off; shadow gap accounting; to ML or not to ML

12/2/14	SENS: African Bank has secured a Swiss bond of R2,170 billion	Sens(3)1206 SARB(1)232
13/2/14	Jones to Kirkinis and Nalliah	AB(51)104
	<ul style="list-style-type: none"> - heading for a serious liquidity crisis; not imminent but very real; - Option of warning the board during your meeting today that funding is “difficult” at the moment 	
13/2/14	Meeting of the Abil and bank board	AB(24)589

- (i) Nalliah: eg
- (ii) The group's headline earnings forecasted for the 6 months will be R119 million, which is 80% below the restated results for FY2013
- (iii) Headline earnings for the bank at R359 million are expected to be 41% lower than the comparative period
- (iv) The provisions gap based on the variants between the model and the general ledger at the end of September 2013 was R925 million
- (v) Disposal of EHL: serious interest from Shoprite Checkers

14/2/14

Jones to Nalliah cc Kirkinis

AB(51)105

- Visited some of major funders eg
- Investec Asset Management were very concerned: eg
 - (i) Results worse than expected;
 - (ii) Frustrated that we did not provide for more future NPL emergence during the

2013 year;

- (iii) They want to trim their money market exposure to us by additional R600 million over the next 4 to 5 years
 - (iv) Concerned about continued deterioration of EHL and the impact of the funding requirement from EHL on the bank
- Coronation: do not see any upside in investing in Abil debt: the risk of default is too high
 - Momentum: concerned regarding EHL and additional losses then impacting the funding requirement from the bank

16/2/14	Borner to Kirkinis: Abil strategic agenda comments	AB(51)108
	<ul style="list-style-type: none"> - We are still overestimating our recovery timing - I was given the assurance that provisioning was fine after the adjustments of 2013; I get a very different view when reading the auditors' presentation 	

17/2/14	Kirkinis to many employees	AB(51)111
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- Meeting tomorrow for our first leadership plug-in of 2014
- We need to restructure the executive team
- We need to find ways to lift the spirits and energy of the people we lead
- My hope is that I find a leadership team that shows up out of purpose and commitment
- Our people need to be led by a committed leadership team that is united in our purpose
- Neutrality is not an option

17/2/14

Jones to Kirkinis

AB(51)110

- I cannot be committed to a business that is not prepared to change the contents, method and process of the things we have done in the past that have led us to this low point in the history of this business
- If the key pockets of our leadership cannot see the ugly warts of what we (they) have done in the past and commit to doing it differently in the future then how can I be expected to unite with them in commitment to the business?

17/2/14	GEC update: Abil and the bank (slide show presentation)	SARB(4)92
20/2/14	Trilateral meeting: Deloitte presentation: Final report to Audit Committee: (h) Audit finding: <u>Impairments</u> eg (i) The bank experienced a significant deterioration in credit quality during FY 2013, particularly early in the year. (ii) In addition, the following impairment modelling matters were identified and addressed: (a) correcting the discount rate applied to defaulted advances that reached the <i>in duplum</i> threshold by processing a R2,2 billion adjustment; (b) revising and updating inputs used in the IBNR calculation, resulting in a significant increase in impairment held for performing loans (c) addressing the gap between impairment models and the financial	SARB(4)99

records that are due to management
discretion factors

- (i) Previous collection strategies have had limited success and the collection initiatives are still in their infancy
- (j) This is an area of significant judgment affecting the group's financial results: we advise the Audit Committee to establish firmer guidance on the extent of use of management discretionary factors pertaining to future cash uplifts
- (k) There is room for improvement in the governance processes around the credit impairment and modelling processes
- (l) Recommend that the board and management consider our suggested changes to improve these governance practices detailed further in the report
- (m) We expect the Audit Committee, and

subsequently the board, to formally sign off on the nature and extent of cash uplifts embodied in the credit impairment models, as was the case in FY2013

(n) Though reasonable and adequate overall, the impairment provision remains on the less prudent side of our assessment of critical judgments, although there has been notable and encouraging improvement from 2012

20/2/14	Trilateral meeting: Abil presentation (o) Internal audit agenda <u>p133</u>	SARB(4)132
20/2/14	Trilateral meeting: Internal [BSD] notes	SARB(4)181
20/2/14	Jones to Nalliah ao - I regret to inform you that total cash levels have once again dipped below the minimum cash threshold of R2 billion - We project that the cash position will be restored over the course of the next week	AB(51)113

- Funders are very jittery

21/2/14 Bank Exco meeting AB(7)286

- Leon: this is the last Exco in its present format
- Leon requested that each Exco member submit a one-page documenting “what went wrong” from their own perspective. Why did we extend too much inappropriate credit that has given rise to the NPL problem? The key to our new future is to establish what went wrong
- Gavin: There needs to be a very clear understanding of what went wrong
- Muller: The concern is that our sales are even lower than last year

21/2/14 BSD: Abil and the bank: possible action plans going forward SARB(4)185

- Balance sheet:
 - (i) The bank’s balance sheet grew by 9,22% (R5,9 billion) during the 12-month period ending November 2013
 - (ii) Growth due mainly to the unsecured

term loans that increased by R2,5 billion

- Credit risk:

- (i) The bank's total gross loans increased year-on-year by 13,11%
- (ii) Impaired advances increased by 5,97% from R18,6 billion in Dec 2012 to R19,7 billion in Dec 2013

- Profitability

- (i) The bank made a profit before tax of R80,9 million in Dec 2012 compared to a loss before tax of R192,7 million in Dec 2013
- (ii) The bank reported a year to date loss before tax of R446,4 million in Dec 2013 versus a profit of R101,9 million in Dec 2012: the decrease in profit can be attributed to the fact that credit losses increased from R1,8 billion in Dec 2012 to R2.6 billion in Dec 2013

25/2/14	BSD: Abil and the bank: possible action plans going forward	SARB(4)213
3/3/14	Internal audit meeting	SARB(1)237
3/3/14	Compliance meeting	SARB(1)239
7/3/14	Deloitte letter to BSD	SARB(1)241
	- Scope of the work performed on behalf of the BSD	SARB(4)247
	- Advances: Reviewing the affordability calculations and robustness of credit-scoring models by following (5) procedures; performing branch visits to assess the automated and manual controls, including access controls and the interface from the front-end system to the loan management system, which are part of the loan origination process	
	- Assessing the nature and extent of fraudulent loans by reviewing the trend analysis of the loans reported on a year-on-year basis and assessing the impact on non-performing loans	
	- Appendix 'A' contains the 'Areas covered' and	

the 'Findings'

12/3/14	Internal BSD memo signed by Noble (Manager) and Pretorius (analyst)	SARB(4)83
	<ul style="list-style-type: none"> - The risk rating (4), allocated to the bank was due to the bank's concentrated wholesale funding profile and the negative pressure on its asset quality and profitability profile - The challenging operating conditions in SAs unsecured lending market, amid subdued economic growth and labour unrest in certain sectors will continue to weigh on the bank's asset quality and profitability margins - BSD is concerned in terms of the bank's business model as well as the impact of the slowdown in credit granting could have on the bank 	
12/3/14	SARB letter to Symmonds, acting chairman, Group Audit Committee re meeting on 20/2/14	SARB(1)234 SARB(4)257
	<ul style="list-style-type: none"> - Deloitte explained that the following impairment modelling matters had been identified and 	

addressed:

- (i) correcting the discount rate applied to defaulted advances that had reached the *in duplum* threshold;
 - (ii) revising and updating inputs used in the IBNR calculation;
 - (iii) addressing the gap between impairment models and the financial records that had been caused by management discretion factors
- Deloitte said there was room for improvement in the governance processes around the credit impairment and modelling processes
 - Forecast that Ellerines would incur a trading loss before taxation in 2014 of R389 million

12/3/14

SARB: Phoenix report (29 pages)

SARB(4)260

- African Bank is regarded as systemic to the South African banking system, mainly on the basis of:
 - (i) its extensive client base (over 3 million customers);

- (ii) the negative impact on the socio-economic environment, should it fail; and
 - (iii) the effect on foreign investor confidence as part of its funding it sourced offshore
- The bank accounts for 35% of the total personal loans of R152 billion
 - The bank employs 5771 people

13/3/14	Meeting between BSD and African Bank	SARB(1)251
	<ul style="list-style-type: none"> - The bank's assets increased year on year by 7,72% from R65,6 billion in January 2013 to R70,6 billion in January 2014 - The bank reported a loss to date before tax of R540,6 million in January 2014, versus a profit of R198,7 million in January 2013 - The roll rates decreased from 66,59% in November 2013 to 38,23% in February 2014 - Impaired advances as a percentage of total loans on balance sheet remained high for the period under review - Based on the low roll rates it would appear as 	SARB(4)290

if the investors/market confidence in the bank is currently at an extremely low level which poses a huge risk on the future viability of the bank, which might call for more drastic actions from the bank to avoid a total collapse of the bank

15/3/14	Project Phoenix meeting	SARB(1)257 para
	<ul style="list-style-type: none"> - African Bank has 5771 employees, 513 branches, 3 150 985 customers, and 50 depositors 	<p>16.12</p> <p>SARB(4)293</p>
	<ul style="list-style-type: none"> - Deloitte looking into calculations and revisions of impairments 	
	<ul style="list-style-type: none"> - The bank needs to issue bonds in April (R1,5 billion) and June (R3,5 billion) and these placements are dependent on the bank's interim results 	
	<ul style="list-style-type: none"> - BSD: bank likely to run short of liquidity in April/May 2014 if no rolling over of a replacement bond 	
	<ul style="list-style-type: none"> - Rollover rates steadily declining to 38%, improving to 60% during March 2014 	

- Bank running at a loss
- Successful raising of capital has not restored market confidence in the bank
- Bondholders etc look after third party funds: possible contagion to pension funds?
- The bank is making a loss and the balance sheet has still not improved, but the business is solvent

17/3/14

Roussos to Kirkinis: response to strategic tactical

AB(51)120

initiative :

- Collections: should be our focus for the rest of 2014
- Accountability: very weak area in my view
- Recommend: you put in place individual performance contracts for each of the Exco members
- Only two members of the previous Abil Exco have been willing to take some responsibility for some of the decisions that were taken
- Time allocated at Exco meetings for things we are comfortable with and then decisions taken

after the Exco with a smaller group of people

17/3/14	Marais to Roussos	AB(51)119
	<ul style="list-style-type: none">- The 2014 objectives are not new: what will change now?- I have too much muscle memory	
20/3/14	Jones to Nalliah cc Kirkinis and Borner	AB(51)123
	<ul style="list-style-type: none">- We really should not be taking a bond to the market- Frustration: we are required to wait for an outcome of the decision around provisioning- I simply cannot believe that we applying best practice here	
20/3/14	Project Phoenix: meeting between the Governor and the board and CEO	SARB(1)263 SARB(4)313
	<ul style="list-style-type: none">- Kirkinis said:<ul style="list-style-type: none">(i) the rights issue was successful, but it did not result in the stabilization of liquidity in the business;	

- (ii) June/July 2013 were the low points for the bank in terms of liquidity; impairments also rose: these were the key reasons behind the loss making situation;
- (iii) Investec is the single largest investor, but they will reduce their exposure by ±R900 million by May 2014;
- (iv) one of the issues has been a generally negative outlook and nervousness in the domestic markets;
- (v) it had also not helped that the financial results of the major retailers have revealed poor performance in terms of their debtors books;
- (vi) the bank raised R2,1 billion and R350 million in bond funding in the Swiss market;
- (vii) the interim financial results on 19 May 2014 could be potentially disappointing
- (viii) the auditors had required R1,5 billion for provisions but the bank had increased it to R2,2 billion: the Registrar said that it

was Deloitte who had recommended R2,2 billion, “but could leave with R1,5 billion.”

(a) It was reported that the bank’s 5 months forecast for the end of the past financial year was for NPLs of R4,4 billion, whereas the actual figure was R4,8 billion, which resulted in extra provisions of another R250 million

24/3/14	Abil concluded an additional facility with Goldman Sachs with a market-to-market value of R800 million	SARB(1)para16.14 SARB(4)322
Undated ±24/3/14	BSD: Abil summary update: February 2014 results	SARB(4)232
28/3/14	The in-house call deposits increased by R1 billion as a result of Stangen withdrawing R1 billion of its funding from the bank. The R1 billion was then paid to Abil as a dividend, Abil used the cash proceeds to repay R500 million of its loan from the bank and the remaining R500 million was used to capitalise the	SARB(1)para16.15

bank

28/3/14

SARB: Phoenix Report

SARB(4)325

- BSD forms a Distress Management Team (DMT)
- The reason for the crisis:
 - (i) Headline earnings (profits) of Abil were negatively affected by the tough operating environment during the 2013 financial year, and were further affected by once-off non-cash items, including:
 - (a) change to the loan impairment provisioning methodology resulting in an increase in impairments raised;
 - (b) change in policy to account for insurance IBNR;
 - (c) increased credit IBNR;
 - (d) changes to the write off policy for the CTIP hedge;
 - (e) write off of goodwill relating to EHL;
 - (ii) An ongoing negative market perception of the unsecured lending industry;

- (iii) Abil's share price has significantly declined since 2 May 2013
- (b) DMTs assessment of the risks involved included:
 - (i) Abil funds itself predominantly in the wholesale market: the funding structure exposes Abil to large withdrawals and bond roll-over risk in adverse circumstances;
 - (ii) Liquidity risk is therefore Abil's biggest risk as it is entirely dependent on maturities being rolled over or replaced by new funding;
 - (iii) The deposit roll rates were as follows:

November 2013	66,59%
December 2013	23,83%
January 2014	55,93%
February 2014	38,23%
 - (iv) Abil's share price declined
 - (v) Abil's business model is based on channeling the savings and investments placed primarily with assets managers into providing unsecured loans for its

customers. The sustainability of this mono-line business model seems to be an essential problem

1/4/14	Meeting of ALCO	AB(13)85
	<ul style="list-style-type: none"> - Ellerines: at the current forecast sales, being 10% down for the full financial year, it is projected that in August 2014 Ellerines will breach the current African Bank facility of R1,2 billion - Group cash balance: R4,1 billion - Roll rate in February 42% 	
2/4/14	Letter SARB to Kirkinis (Abil)	SARB(1)237
	<ul style="list-style-type: none"> - Voogt expressed concerns regarding long-standing audit findings relating to IT 	
3/4/14	African Bank (Chemel) to NCR	SARB(4)350
	<ul style="list-style-type: none"> - As previously reported (13/4/13) a material adjustment was made in April 2013 with regard to <i>in duplum</i> calculations on credit cards. The corrections affected 163 860 customers; the 	

- sum of fees and charges that were processed and reversed totaled R620 738 027
- After the SCA ruling on 28/3/11 whereby clarity was provided on how to interpret s103(5) a major system change was implemented during August 2011 whereby all accounts that defaulted since inception of the NCA were corrected. All accounts were recalculated and any amount overcharged was reversed. In the event where accounts were already settled or closed, the overcharged amount was refunded to the customer
 - As an omission, the bank continued to apply the previous *in duplum* interpretation to all new accounts created since July 2011. This resulted in some customers being overcharged. The omission was detected during July 2013 whereby the bank embarked on another project to also recalculate all affected accounts created since July 2011
 - The correction was applied to both categories of accounts during November 2013. A total of 314 686 accounts were affected with the

following outcome:

- interest, fees and insurance to the value of R404 million was credited to customer's accounts;
- a total of 2674 accounts had credit balances to the value of R1 318 million as a result of the account being settled or closed before correction. These amounts were refunded to the customers

Undated ±4/4/14	BSD [?]: Abil and African Bank: Report for the period 24 March 2014 to Friday 4 April 2014	SARB(4)353
7/4/14	Nalliah (FD Abil) email to van Deventer (BSD) - Update of cash position is forecast to remain strong until September 2014	SARB(4)381
7/4/14	Abil informed the BSD that, having made the decision not to go to the market for R1,5 billion DMTN bond in early April 2014, they are comfortable with their cash position	SARB(1)para16.18

22/4/14	Chemel to Kirkinis: issues for us to deal with	AB(51)124
	<ul style="list-style-type: none">- The business remains extremely fragile- Our results are particularly sensitive to accounting issues- Outside of provisions, I am particularly worried about the impact of sustained negative performance from EHL on the profitability of the group- I am not persuaded that we fully understand the extent of the drain that EHL is and will be on the economics of Abil and also on the bank	
24/4/14	Internal BSD email (Maree, Acting Deputy Head) to Bostander and Van Wyk	SARB(4)383
	<ul style="list-style-type: none">- Nalliah phoned to discuss aspect of the new IFRS9 standard on expected loss impairments	
25/4/14	Kirkinis: business update	AB(51)140
	<ul style="list-style-type: none">- Immediate 2014 priorities- Priorities through to 2017- “Exciting times lie ahead and I am confident of a bright and shiny future for all of us”	

25/4/14	<p>Kirkinis: prioritization of strategic and tactical initiatives</p> <ul style="list-style-type: none">- Strategic priorities- Structural implications	AB(51)126
25/4/14	<p>SENS: African Bank and Edcon Limited have signed a term sheet which will form the basis for negotiations to establish the bank as a secondary credit provider</p>	Sens(3)1211 SARB(1)375
29/4/14	<p>Meeting: SARB, Abil & Deloitte</p>	SARB(4)385
29/4/14	<p>SARB letter to Kirkinis re compliance meeting on 3/3/14</p> <ul style="list-style-type: none">- BSD emphasized that the lack of adequate compliance resources remained problematic and highlighted the importance of Ms Budow's monitoring role as Group Head of Compliance- She said it was difficult to attract good candidates due to the low cost-cutting initiatives that had been undertaken	SARB(1)239

29/4/14	Discussions between the Registrar ao, Deloitte, and Kirkinis and Naliah re interim reporting	SARB(1)254,269
	<ul style="list-style-type: none"> - The sale of the NPL book to the IFC was discussed. The book is being discounted at 34%. which values the book at ±R8,3 billion - Discussions were underway with Goldman Sachs as an underwriter - The transaction is due to be announced on 19/5/14 - Abil wanted to raise R2,5 billion for the IBNR reserve - Pinnock (Deloitte) advised that at least R1 billion of the R2,5 billion should be raised as a specific provision - Kirkinis said a loss of R3,8 billion was expected 	
29/4/14	A newspaper article highlighted that the JSE might probe trading in Abil shares which rose 11,3%	SARB(1)para16.21
Undated ±29/4/14	BSD: Abil summary update March 2014 results <ul style="list-style-type: none"> - On 29/4/14 Abil advised that it wished to raise ±R2,5 billion in respect of an IBNR reserve 	SARB(4)239

- Abil plans to issue new notes to the value of R3,5 billion through its DMTN and EMTN notes programmes in June 2014
- On 24/3/14 Abil concluded an additional facility with Goldman Sacks with a market-to-market value of R800 million
- Raising of impairments range from R800 million to R940 million on a monthly basis
- The bank continues to record credit losses, despite the significant write-offs in respect of NPLs as at September 2013

30/4/14- 31/5/2014	African Bank: statement of financial position	AB(51)193
30/4/14	Email from JSE to RMB to Abil to BSD - JSE highlights a few important points eg the JSE's main concern is ensuring that we have a fully informed market etc	SARB(4)390
30/4/14	Abil letter to Registrar to reorganize the shareholding of Stangen	SARB(1)272 E(10.6)1209

- All or 49% of the shares in Stangen to be acquired by the bank
- BSD subsequently refused permission
[SARB(1)para16.17.5]

±May 14 African Bank 12 months cash forecast to April 2015 SARB(4)488

2/5/14 Phoenix report SARB(4)399

- Proposed process to be followed by the BSD to assess and address the weaknesses in Abil etc

Undated BSD report for the period 25/4/14 to 2/5/14 SARB(4)425

±2/5/14

- Share price decreased by 15,50% in the week from R12,45 to R10,52
- R502,6 million deposit funds matured, 90,45% rolled over
- Roll rates :

March 2014 62,46%
April 2014 54,15%

2/5/14 SENS: Abil trading statement and related information Sens(3)1213

- For the six months ended 31/3/14 Abil expects SARB(1)380

a headline loss of between R3,1 billion and R3,3 billion SARB(4)394

- African Bank is expected to show a headline loss of between R1,9 billion and R2 billion due to:

- (i) an increase in specific provisions of \pm R600 million driven by the following factors
 - (a) NPL emergence on business written pre-July 2013 being higher than anticipated levels;
 - (b) the total NPL was \pm R6 billion, which was R600 million more than the level anticipated;
 - (c) an increase in specific provision coverage on NPLs of over 1% from 30/9/13 to 31/3/14 due to seasonal factors
- (ii) A decision to significantly increase the general provision for credit impairment relating to PLs by \pm 2,5 billion

- Ellerines: headline loss is expected to be

between R1,2 billion and R1,3 billion for the six months to March 2014

- No dividend will be declared in 2014

±2/5/14	Unaudited interim results of Abil for the 6 months ended 31/3/14	SARB(4)555,619
4/5/14	Abil Capital and liquidity plan	SARB(4)453
4/5/14	Board's: Alternative strategic plan	SARB(4)481
4/5/14	Abil: capital and liquidity plan <ul style="list-style-type: none"> - Liquidity: The bank is able to continue with sufficient liquidity until December 2014 unless the roll rate goes to zero or all new funding stops - Capital: The capital levels at both Abil and the bank are forecast to be below the regulatory levels, which are also impacted negatively by the R2,5 billion additional impairment - Background: Abil and the bank have produced disappointing financial results at interim March 	SARB(1)382

2013, final in September 2013 and interim March 2014. “The sole reason for these disappointing financial results is the credit impairment losses and provisions way exceeding expectation. The financial results have resulted in Abil and the bank facing challenges with capital levels whilst the bank also faces challenges with regard to liquidity.”

- The five major funders were said to be Taquanta Asset Managers, Investec Asset Managers, Stanlib Asset Managers, Allan Gray Asset Managers, and ABSA Asset Managers

5/5/14	SENS: Abil will not declare dividend on preference shares	Sens(3)1222
5//5/14	<p>Group Remcom meeting</p> <ul style="list-style-type: none"> - Kirkinis: the proposed new share incentive scheme and the conversion of the existing LTIP to the new proposed share incentive scheme was not passed at the AGM 	AB(3)209

6/5/14	Meeting of ALCO	AB(13)90
	<ul style="list-style-type: none">- Kirkinis & Nalliah had signed the guarantee given by Abil to Standard Bank re Ellerines- The roll rate was 61%- Group cash balance at end of March was R5,3 billion	
6/5/14	Meeting between Registrar, BSD and Deloitte	SARB(1)409
	<ul style="list-style-type: none">- Deloitte:<ul style="list-style-type: none">(i) were comfortable with the level of provisions (impairments) for NPLs;(ii) felt that. in regard to PLs, the level of provisioning is still less prudent compared to other banks;(iii) discussed with management the raising of additional provisions of R2,3 billion; management decided to raise provisions of R2,5 billion as IBNR reserve on the performing book;(iv) said at least R1 billion should be accounted for as a special provision; however Abil disclosed the full amount	

as a general provision in the trading statement of 2 May 2014;

- (v) funders are angry but not “spooked”, scared off

8/5/14 Meeting of the Group Risk & Capital Management Committee AB(4)248

- Deloitte presented their review of provisions for February 2014
- Raubenheimer presented the impairment provisions as at 31/3/2014, such as:
 - (i) Loans written in 2013 indicate a better risk profile than loans written in 2012;
 - (ii) Roll rates are deteriorating, thereby contributing to persistent NPL migration
 - (iii) Maximum loan terms has been reduced from 84 months to 60 months;
 - (iv) While gross advances have grown by 4%, NPLs as a percentage of gross advances have grown by 13%
- Nalliah: total provisions (IBNR plus specification provisions) as a percentage of

total gross advances (excluding the write-off book) were at 18,2% as at 30/9/13 and were currently at 20,5%

- Roussos: the main reason recorded for customers defaulting related to customer affordability

8/5/14	Outflow of funds: ±R3 billion	SARB(1)para16.2
8/5/14	<p>BSD memo to Governor</p> <ul style="list-style-type: none"> - Abil and the bank's disappointing results as at March 2013, September 2013 and March 2014 were "due mainly to credit impairment losses that have far exceeded the bank's expectations" 	SARB(4)496
8/5/14	BSD slide presentation: Abil and the bank : Possible action plans going forward	SARB(4)503
8/5/14	<p>Group Audit Committee meeting</p> <ul style="list-style-type: none"> - Bank : disappointing results for the 6 months, with the major impact <u>being the credit</u> 	AB(6)284

impairment charge

- Audit fees : R16,5 million

9/5/14	Kirkinis: "Hi Guys"	AB(51)143
	<ul style="list-style-type: none"> - This morning we gathered so that I could explain the position of the bank - Collections must be our primary focus. No sale is good unless we can collect on it - We call on all of you to show resilience and courage in seeing us through these challenging times" 	
12/5/14	Resolution of EHL	AB(51)223
	<ul style="list-style-type: none"> - EHL may provide financial assistance to Ellerine Furnishers up to R1,4 billion 	
14/5/14	Abil letter to Registrar	SARB(1)414
	<ul style="list-style-type: none"> - On 31/3/14 Abil and the bank decided to increase the credit impairment provision in the bank by R2,5 billion as at 31/3/14 - The financial performance for Abil and the bank for the 6 months ended 31/3/14 has been 	SARB(4)531

extremely disappointing, made worse by the performance of Ellerines, which together with the increase in the credit impairment provision of R2,5 billion has resulted in the capital adequacy ratios been reduced at both Abil and the bank

- Request a temporary lowering of the minimum Pillar 2b add on for Abil and the bank to 10,5% from the current level of 15%

14/5/14	African Bank (Marais) letter to Bostander (BSD)	SARB(4)550
	<ul style="list-style-type: none"> - Refer to letter of 29/4/14 - Ms Budow's requests for staff have not been declined - But it is difficult to attract staff 	
15/5/14	SARB letter to Kirkinis (Abil)	SARB(1)430
	<ul style="list-style-type: none"> - After careful consideration of the unique circumstances prevailing at Abil, condonation is granted, on certain conditions: 	SARB(4)553
16/5/14	BSD approves the appointment of M Moodley as CEO	SARB(1)376,377

of EHL and AM Schlesinger as NED of EHL

16/5/14	<p>Goldman Sachs (Willem Baars) to Kirkinis and Nalliah: it is very important to speak to your top five SA shareholders today ahead of the Monday announcement</p> <ul style="list-style-type: none"> - Script 	AB(51)129
19/5/14	<p>SENS: Abil unaudited interim results for the 6 months ended 31 March 2014</p> <ul style="list-style-type: none"> - Headline loss of R3,1 billion - HEPS loss of 240,7 cents - Basic loss of R4,4 billion etc 	<p>SARB(1)432 Sens(3)1224</p>
19/5/14	<p>Memo by BSD to Governor</p> <ul style="list-style-type: none"> - Explains why BSD agreed to reduce rate from 15% to 10% 	SARB(4)628
20/5/14	<p>Special resolution by Abil the sole shareholder of the bank</p> <ul style="list-style-type: none"> - Financial assistance to the bank's related or interrelated companies approved 	AB(51)187

considered, which should affect sales by
between 15% to 20%

30/5/14	<p>A note from Leon: Moody's SENS Announcement</p> <ul style="list-style-type: none"> - Moody's has downgraded the rating of our debt by one notch - This is the direct, and expected, result of the decision we took to make the R2,5 billion general provision 	AB(51)139
30/5/14	<p>SENS: Moody's downgrades African Bank's local and global credit ratings</p>	<p>Sens(3)1255 SARB(1)433</p>
30/5/14	<p>Raubenheimer to Nalliah ao</p> <ul style="list-style-type: none"> - We are now dealing with a full blown crisis - Propose some drastic action 	AB(51)131
30/5/14	<p>Marais to Raubenheimer ao</p> <ul style="list-style-type: none"> - Another point for discussion is staff retrenchment 	AB(51)131

30/5/14	Raubenheimer to Kirkinis ao	AB(51)133
	<ul style="list-style-type: none">- Exco bonuses	
1/6/14	Miyaumu to Raubenheimer ao	AB(51)133
	<ul style="list-style-type: none">- Agree with Raubenheimer	
1/6/14	Miyaumbu to Marais ao	AB(51)131
	<ul style="list-style-type: none">- Need to debate these issues- Avoid the "R" word	
2/6/14	Kirkinis to Jo-anne Milla	AB(51)134
	<ul style="list-style-type: none">- Have included a high level Q & A- "We are confident that the steps we have taken will protect us. Already we are seeing an improvement in our cash position. We are collecting R1 billion more than we are paying away."- Abil's banking unit is expected to show a headline loss of between R1,9 to R2 billion as a result of taking a decision to increase provisions by R3,1 billion- Ellerines is expected to report a loss of R1,2-	

R1,3 billion

- Bought Ellerines “to improve accessibility throughout South Africa by making use of the Ellerines branch network”

2/6/14

“Abil seeks to reassure Swiss after downgrade”

Media(1)182

- Kirkinis will visit Switzerland in the next two weeks to reassure investors after Moody's downgraded its local and global credit ratings
- African Bank has issued 4 Swiss bonds of about R4 billion since 2010 in addition to the 29 local bond issues of R25 billion in total
- Moody's said Abil's asset quality deteriorated markedly:
 - (i) Non-performing loans in March increased to 31,7% of gross loans from 28,2% in September;
 - (ii) Provisioning was proved to be inadequate at 15,5% of average gross loans at end-September; the bank has now increased that level to 26,3%

- | | | |
|--------|--|--------------|
| 6/6/14 | "Abil slides on a rattled investor sell-off" | "Media(1)184 |
| | <ul style="list-style-type: none">- Investors dumped the share in anticipation of further pressure on the group's funding structure- The share price fell more than 8% to R7,18: it reached a high of R40 in 2012 and has lost 53% in the past 12 months- Kirkinis bought 14 million shares in November last year and doubled his interest in the group to ±4% | |
| 6/6/14 | "Abil hopes" | Media(1)185 |
| | <ul style="list-style-type: none">- Last week Abil said it expected a headline loss of between R3,1 billion to R3,3 billion for the 6 months to March- At January's AGM shareholders demanded to know why they were not warned of impending problems at the previous year's meeting- The trading update warned that R6 billion in loans written before July last year had turned bad at a higher rate than expected: R600 million; Ellerines continued with losses, with | |

Abil writing off residual goodwill of R831 million and trademarks no longer to be used of R600 million

6/6/14	<p>“African Bank continues to go from bad to worse”</p> <ul style="list-style-type: none">- Since Abil gave a trading update about R4 billion of shareholder value has been lost- Abil's management is unpredictable- No dividend declared for the interim period: bad news for the BEE partners- Abil said on Friday that it was fast-tracking the sale of Ellerines	Media(1)186
6/6/14	<p>“How Capitec, Finbond, pulled away from African Bank”</p> <ul style="list-style-type: none">- Abil has been on a bad wicket for the past year- By comparison Capitec has been looking increasingly strong over the past year: it was the third best performing share on the JSE last month- Patrice Rasson, head of equities at Sanlam Investment Management, a major shareholder	Media(1)188

in Abil, said that the statement on SENS that Abil would have to increase its provisions for non-performing loans by about 2,5billion, after non-performing loans ballooned to R6 billion in the first of the year, was R600 million more than forecast

- Capitec, by contrast, has been looking increasingly solid.
- Imara SP Reid said in its latest monthly stocks and strategy report [We must get this] that the provisioning model at Capitec remains conservative
- 7% is provided when granting a new loan and when a single payment is missed, the entire balance is classified as arrears and 46% provided;
 - (i) At the end of the second and third month the provision is increased to 74% and 88% respectively;
 - (ii) After the third payment is missed, the loan is written off
- Abil has been doing the exact opposite: writing

too many loans when it needs to cut back on unsecured loans issued, and not reducing the size of its loans

- According to the trading statement Ellerines is expected to lose between R1,2 billion and R1,3 billion in headline earnings for the interim period
- Capitec is also moving away from Abil operationally, becoming less of a micro-lender and more of a mainstream bank

6/6/14	SARB letter to Kirkinis (Abil)	SARB(1)434
	<ul style="list-style-type: none"> - Registrar requests Abil to dispose of EHL 	
9-10/6/14	Email exchange between Jones and Howie (Investec)	AB(51)147-150
	<ul style="list-style-type: none"> - I have counted on you rolling the bulk of your maturities - If not, that will very definitely get us into liquidity trouble soon 	
10/6/14	Stanlib to Mogase	AB(51)145
	<ul style="list-style-type: none"> - Stanlib has direct exposure to the bank in the 	

form of fixed income instruments (R4,7 billion)

and equity (± R1 billion)

- Urgent steps are needed to address the deterioration in the company's financial position and wealth destruction to shareholders
- This entails, but is not limited to, adjusting the business model back toward more manageable loan sizes (Rand value) of shorter duration; at commensurately higher yield to cover for expected bad debts, and to deliver an appropriate return on capital
- Our strong advice is that the two new appointments be credible appointments with the requisite skills and experience in banking, particularly in the risk function

10/6/14	SENS: Sanlam Investment has increased its holding in Abil in the ordinary shares of Abil from 4,86% to 5,08%	Sens(3)1258 SARB(1)435
11/6/14	SENS: African Bank Investments Limited – disclosure of significant holding of Abil ordinary shares”	Media(1)190, Sens(3)1262

- PIC today notified Abil that it has increased its shares in Abil from 14,815% to 15,052%

17/6/14 African Bank/Kirkinis to Registrar: update on disposal of EHL AB(51)219

- Discussions have been held with JD Group, Shoprite Holdings and Lewis Group
- Negotiations with Steinhoff (holding company of JD Group) : price R1 with Abil clawing back its loan (±R900 million) over 3 to 5 years
- Negotiations with Steinhoff could resume if Abil continues to partly fund the R1,5 to R2 billion working capital requirement

19/6/14 PWC: Project Phoenix: Options and Analysis PWC(1)135

±20/6/14 Abil: solvency and liquidity AB(51)192

- NAV of Abil is R15 billion
- Abil has a loan facility with the bank for R950 million
- R447 million utilised
- Assets exceed liabilities

- Abil able to pay its debts

20/6/14 Resolution to be passed by the board of the bank by teleconference AB(51)188,195

- Increase the limit on the maximum financial assistance to Abil to R950 million:
 - (i) Loan interest free
 - (ii) Loan to be unsecured
- EHL facility not to exceed R1,4 billion

24-25/6/14 Abil Due Diligence (Goldman Sachs/JP Morgan) AB(51)152

- Strategic agenda for Abil for 2014-2017- the new Abil ([p162](#))
- Comments: France Saunders ([p168](#))

26/6/14 Meeting of ALCO AB(13)99

- Ellerines: funding pressure on 30/6/14 – will exceed its facility of R1,4 billion
- Abil guarantees had been provided to Standard Bank and FNB re banking facilities of Ellerines Furnishers
- Group cash balance at beginning of May was

R5,2 billion and at end of May ±R1,9 billion

- 22% roll rate anticipated in June; and in May significantly down due to the release of the profit warning and subsequent poor interim results

27/6/14	BSD approves the appointment of PC Swanepoel as the Chief Risk Officer of Abil and the bank	SARB(1)379
29/6/14	<p>“FSB probes African Bank trades”</p> <ul style="list-style-type: none"> - FSB flagged suspect share trades in Abil: a massive 11% spike in its share on 23 April as the stock climb from R10,96 to R12,20, the single biggest gain since March 2002 - 48 hours later the Bank revealed that it was “in talks” with Edcon to offer loans to its clients 	Media(1)192
30/6/14	PWC: Project Phoenix: Draft discussion document: Phase 2	PWC(1)160
30/6/14	<p>Abil letter to Registrar</p> <ul style="list-style-type: none"> - Not been able to comply with your first 	SARB(1)437

condition re delivery of written proof of agreement

- Request relax requirement that directors and management can't sell shares until capital-adequacy has been restored. Kirkinis in particular needs to dispose of shares
- Request you relax both conditions

1/7/14	BSD replied writing granting first request but not the second	SARB(1)para16.33, 16.35
1/7/14	<p>PWC Advisory Services letter to board of Abil</p> <ul style="list-style-type: none"> - Abil has had a number of recent financial shocks arising from losses in the credit books of the bank, and ongoing operational losses in the furniture retail business - This has resulted in capital adequacy and liquidity concerns for Abil - PWC Advisory Services requested by Abil to assess and review options available to Abil 	SARB(1)439
4/7/14	SENS: Momentum Asset Management has increased	Sens(3)1264

its holding in Abil from 4.96% to 5,5%

7/7/14	<p>SENS: African Bank Limited- cautionary announcement</p> <ul style="list-style-type: none"> - Re sale of EHL 	<p>Media(1)197, Sens(3)1266 SARB(1)464</p>
7/7/14	<p>“Abil surges 25% on hopes of Ellerines sale”</p> <ul style="list-style-type: none"> - Shares of Abil leapt more than 25% on Monday after it said it was negotiating to sell Ellerines - JD Group tried to buy Ellerines in 2010 but failed after the Competition Commission blocked the deal - At 12h04 African Bank had surged 23,33% to R8.30 	Media(1)194,196
8/7/14	<p>“ Abil soars on word of Ellerines sale”</p> <ul style="list-style-type: none"> - Shares in Abil soared as investors bought in the hope that Abil would be able to get rid of Ellerines - At the end of trade yesterday the share price was up 17,4% at R7,50 - Some analysts speculated that Ellerines could 	Media(1)199

be sold for about R1 billion

10/7/14	Budow (Group Compliance Officer) to Roussos ao - Met with the NCR yesterday - Correspondence with NCR (p171)	AB(51)170
10/7/14	PWC: Project Eagle	PWC(1)193.2
11/7/14	PWC: Project Eagle: EMU [Ellerines] options and illustrative financial outcome	PWC(1)193.6
11/7/14	Abil letter to Registrar - Request a further extension to 6 August 2014 for the ability to continue with the reduced individual capital requirement	SARB(1)465
15/7/14	Registrar to Kirkinis (Abil) - Extension granted	SARB(1)468
15/7/14	Black (PTA) to Kirkinis and Nalliah - Advice on proposed sale agreement	AB(51)174

18/7/14	<p>Jones to Kirkinis</p> <ul style="list-style-type: none"> - Most preferable investment for us right now would be a private placement on the local desk in ZAR 	AB(51)177
17/7/14	<p>Letter by JD Wiese on behalf of Bon View Trading 164 (Pty) Ltd to Registrar</p> <ul style="list-style-type: none"> - Negotiating to buy EHL for R1 - NAV of EHL R3 billion 	SARB(1)470
21/7/14-	<p>Emails between Thordsen and Kirkinis: Project Trent</p> <ul style="list-style-type: none"> - There are considerable head winds for a successful conclusion of a sale of EHL to the C Wiese consortium - PWC seems to be exploring the Business Rescue option - If we write off R3 billion of capital on the sale of EHL it reduces the tangible NAV of Abil by ±200c 	AB(51)178-9
22/7/14		

24/7/14	Daily cash report	AB(51)180
	<ul style="list-style-type: none"> - Jones to Kirkinis ao - The cash balance is significantly below R1 billion - Risk committee to be informed 	
24/7/14	Project Eagle: A route map - discussion with SARB	PWC(1)193.21
25/7/14	<p>Email Schlesinger (NED Chairman of EHL) to Kirkinis:</p> <p>EHL risk management:</p> <ul style="list-style-type: none"> - Your confidence that the sale transaction, currently under negotiation, will be signed very soon, is very encouraging 	AB(51)185
27/7/14	Project Eagle: Status Update	PWC(1)193.31
1/8/14	Abil to Registrar	SARB(1)473
	<ul style="list-style-type: none"> - Request access to R1 billion of our regulatory cash reserves 	
2/8/14	ENS to EHL re s45 assistance to Ellerine Holdings	AB(51)237
	<ul style="list-style-type: none"> - Instructions are that: 	

- (i) EHL borrowed funds from the bank
which in turn on-lent to Ellerine
Furnishers
 - (ii) EHL drew down R900 million of the
facility and a further R500 million is held
as a deposit with the bank;
 - (iii) The limit of R1,4 billion has thus been
reached
- Sets out provisions of s45 and s4 of
Companies Act

2/8/14	Nalliah to Schlesinger	AB(51)184
	<ul style="list-style-type: none"> - The continued additional funding of Ellerine Furnishers by the bank or Abil will be considered by the board on 4/8/14 	
6/8/14	SENS: Abil and African Bank operational update for quarter ended 30/6/14	Sens(3)1268 SARB(1)474
	<ul style="list-style-type: none"> - Kirkinis resigns; Nithia Nalliah becomes acting CEO of Abil and MD of the bank: he has been with Abil since 2006 as the CFO; Abil needs R8,5 billion to increase Tier 1 capital. 	

Impairment provision of R3 billion
(Sens(3)1278) for moving CD4 to CD0

6/8/14	<p>“ Abil shares reach record low as CEO Leon Kirkinis resigns”</p> <ul style="list-style-type: none">- Shares fell 62,21% to R2,60 after Kirkinis announced his resignation- In a quarterly update for the third quarter to end June, Abil announced it expected a basic loss of at least R7,6 billion and a headline loss of at least R6,4 billion for the full year compared with the basic loss of R4,199 billion and headline earnings of R365 million in the previous year- The group said it needed to raise at least R8,5 billion to remain solvent- The market is likely to ask for answers after Kirkinis assured the market only a few months ago that Abil had turned the corner;- He said he had no intention of resigning; he said African Bank would try to sell Ellerines – a turn-about as he had previously denied that he	Media(1)201
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intended to sell Ellerines

- Nithia Nalliah is acting CEO
- Pieter Swanepoel had replaced Piet Marais as chief risk officer

6/8/14	Abil (Nalliah) letter to Registrar	SARB(1)478
	<ul style="list-style-type: none"> - Negotiations to dispose of Abil proceeding at a slow pace - Request extension to comply with first condition re delivering proof of agreements 	
7/8/14	SENS: African Bank Limited – notice of application for business rescue of Ellerines Furnitures (Pty) Ltd and cautionary update”	Media(1)203, Sens(3)1282 SARB(1)481
	<ul style="list-style-type: none"> - The board of Ellerines Furnitures (Pty) Ltd advised Abil that it has commenced with voluntary business rescue proceedings as provided for by s129 of the Companies Act 	
7/8/14	“Investors continue to sell Abil shares on big loss announcement”	Media(1)205
	<ul style="list-style-type: none"> - At 2,24pm Abil was down 57,7% to R2,92 	

- In November last year the rights issue of R5,5 billion at an average share price of R12 was implemented. In September 2013 Kirkinis owned 16,7 million shares, ie 2.1% of total shareholder value. SENS data showed that he sold 3,2 million shares at between R12,65 and R13,57 valued at R42,8 million between 20 and 22 November 2013
- It was known that Kirkinis ran a tight ship, expecting unwavering loyalty from top management

7/8/14

SARB to Abil

SARB(1)479

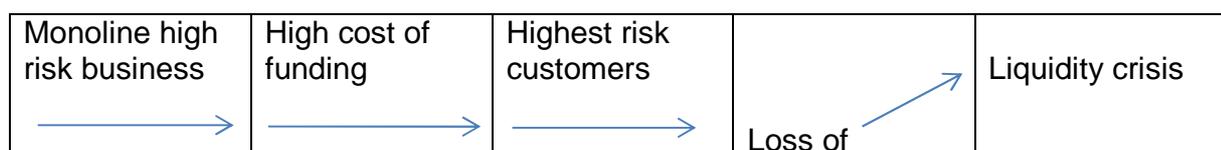
- BSD has no objection to utilizing cash reserve balance of R1,20 billion until no later than 31/8/14 on certain conditions

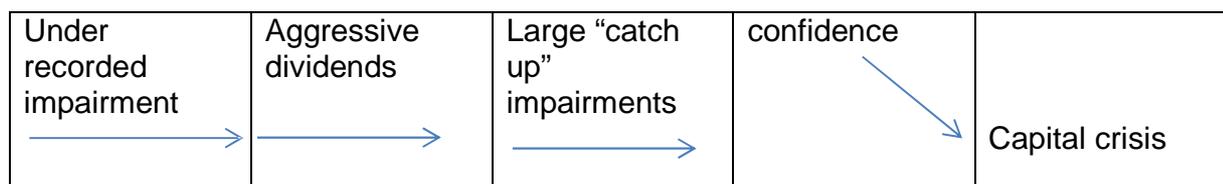
8/8/14

African Bank: Options for rescue

PWC(1)193.51

- "Background to the current crisis" (p193.53)
- See table below





- 8/8/14
- “PIC gives Abil a week to come up with a plan” Media(1)207
 - Abil's price fell to 28c yesterday before recovering to 50c
 - PIC, second largest investor with 12%, met Abil yesterday
 - Coronation, the main investor in Abil with a 22% stake, said it was surprised at the update (on Wednesday when it said it needed to raise R8,5 billion as it expected to make losses of “at least” R6,4 billion for the 2014 financial year.
- 10/8/14
- “Leon’s plunge from half a billion to just R6,8m” Media(1)209
- Kirkinis, a 54 year old accountant and former merchant banker, who was at African Bank for 23 years, had a personal investment in March 2013 in the bank of more than R500 million when the price was R30, but when the price fell to 31c on Friday, his investment was worth R6,8 million, a 98% knock

10/8/14	Remarks by Governor re African Bank	SARB(1)482
	<ul style="list-style-type: none">- In May 2013 the bank had a capital adequacy ratio of 32%, which is above the minimum requirement- The measures taken by bank as a result of the engagement with SARB included:<ul style="list-style-type: none">(i) a higher level of provisioning for non-performing loans;(ii) a review of their provisioning policy; and(iii) a rights issue that raised R5,5 billion in December 2013;(iv) management was asked to dispose of Ellerines- For the 6-month period to March 2014 Abil posted a headline loss of R3,1 billion. However, they assured the market that the book written after June 2013 was significantly better and forecast that they would return to profitability in the second half of the year. But Abil's trading statement for the third quarter released on 6/8/14 was markedly worse than	Media(1)217

that the market expected, with an estimated headline loss for the full year to September 2014 financial year of R6,4 billion

- Ellerines has been a significant drain on Abil, requiring funding support of ±R70 million a month

11/8/14	“Abil must be rescued : here’s how”	Media(1)211
11/8/14	“Abil BEE”	Media(1)215
11/8/14	SENS: African Bank Limited – suspension of all Abil and African Bank securities on the JSE”	Media(1)216, Sens(3)1284 SARB(1)492
11/8/14	“Embattled African Bank gets bailed out”	Media(1)223
12/8/14	“Shares firm as exposure to Abil revealed as lower than expected”	Media(2)1
	- Coronation has an equity interest of 22% in the bank	
	- Trade in the bank’s shares was suspended	

- after its share price plunged 90% by Friday's close after it said on Thursday it needed more than R8 billion in fresh capital to keep going
- Funders have invested capital of R51 billion in the group

13/8/14	SENS: Coronation has decreased its holding in the ordinary shares of Abil from 19,62% to 8,28%	Sens(3)1295
13/8/14	SENS: Moody's has downgraded African Bank's ratings	Sens(3)1296 SARB(1)495
13/8/14	SENS: Allen Gray has increased its shareholding in Abil to 6,881%	Sens(3)1299
14/8/14	<p>"Abil's 'good bank' set to raise R10 bn with listing"</p> <ul style="list-style-type: none"> - The bank split into a good bank with a R26 billion loan book and a bad bank whose R17 billion loan book SARB bought for R7 billion 	Media(2)3
14/8/14	<p>"African Bank in Curatorship: sharing the pain"</p> <ul style="list-style-type: none"> - On 6/8/14 Abil announced 	Media(2)5

- (i) trading update far worse than expected
 - (ii) the resignation of Kirkinis
 - (iii) an expected loss of at least R6,4 billion for FY2014
 - (iv) it would need to raise “at least” another R8,5 billion
- Abil had shown signs of floundering for the past 18 months
 - “The slow motion train wreck that was African Bank finally left the tracks last week”
 - The bank has been criticised, since its inception, for having a limited set of products and income streams

14/8/14

SENS: From 10/8/14:

Sens(3)1301

- Retail depositors will receive payment of interest and principal at contractual due date;
 - Trade creditors will be settled as usual;
 - Debt instrument holders will not receive interest or principal for the duration of the curatorship
- SARB(1)496

15/8/14	African Bank curatorship update to SARB: 11/8/14 to 15/8/14	PWC(1)194
17/8/14	“African Bank: what investors can learn”	Media(2)9
17/8/14	“Abil board beguiled by CEO’s toxic charm”: “Loose cannon Abil CEO Leon Kirkinis wielded the power and could talk himself out of trouble, writes Chris Barron.” <ul style="list-style-type: none">- The bank’s provisioning methodology was less conservative than that of the other banks in the unsecured lending space- Its definition of what constituted a NPL was not as conservative as the other banks. It took far longer to write them off- Purchase of Ellerines in 2008 for R9 billion was strategically unsound and raised doubts about the quality of management’s strategic thinking in other areas- The bank had a R60 billion lending book, supported by R10 billion equity- Verster: “African Bank had a toxic lending book”- Verster: what happened at the bank was that	Media(2)11

the CEO became too big for the board; the balance of power sits with the CEO and the board feels it cannot really challenge him

- Capitec had also experienced higher bad debt ratios because of social unrest, strikes and the fact that far more players began crowding into the unsecured lending space

17/8/14	<p>“The long and short of Abil’s fall”- “The African Bank debacle highlights fundamental flaws in our corporate ownership model, writes Alan Crotty”</p>	Media(2)14
17/8/14	<p>“ ‘Fxxx the poor’ is the message from a top executive at African Bank”</p> <ul style="list-style-type: none"> - Sokutu made more than R50 million in share options and earned another R35 million in salary and bonuses - Fired last year for being drunk at the Chelsea Flower Show - Owns 4 houses and 6 motor cars - Bank remained what it was because he was not CEO 	Media(2)15.1

- In response to the plight of “ thousands of borrowers”. Sokutu said : “ Fxxx them” , “Fxxx them”.

18/8/14	<p>“On The Money: Accountants at Abil lack Kirkinis’ exuberance.”: Stuart Theobald. “The fuel that kept Abil moving was CEO Leon Kirkinis’ energy and exuberance, a culture that will seem very strange to the accountants now in charge”</p> <ul style="list-style-type: none"> - Kirkinis had a guilty pleasure : a helicopter he took out for a regular spin - When the news became bad, Kirkinis would rally the troops 	
19/8/14	<p>African Bank (under curatorship) for week ended 15 August 2014</p>	PWC(1)210
19/8/14	<p>Curator (African Bank) to Registrar</p> <ul style="list-style-type: none"> - Request your consent to utilization of R1,5 billion etc 	SARB(1)497
20/8/14	SARB to Curator	SARB(1)499

- No objection to access to R1,5 billion

20/8/14	Curator to Registrar with curatorship plan	SARB(1)501
21/8/14	“How aggressive lending led to Abil’s downfall”	Media(2)18
22/8/14	SENS: Application of business rescue of EHL	Sens(3)1304
		SARB(1)504
22/8/14	The Economist : “Payday mayday”	Media(2)56
	<ul style="list-style-type: none"> - According to the credit regulator [NCR] the 20 million South Africans who are “credit active” owe R144 trillion between them. That works out to 71416 rand per person, on average, around the same as SA’s GDP 	
23/8/14	“Bank : bail or buy?”	Media(2)20
	<ul style="list-style-type: none"> - Capitec has a fundamentally different model: it has a strong functional banking element outside of unsecured lending, an established liability franchise with strong depositor funding rather than from the wholesale market like 	

African Bank was, and its provisioning methodology is substantially more conservative. Importantly, the quality of Capitec's loans was far better than African Bank's, which waited too long to write off bad debt

24/8/14

"Abil's perfect storm stokes up Moody's jitters" by
Kokkie Kooyman

Media(2)22

- There were several structural problems at African Bank which contributed to this dismal spectacle
 - (i) the bank's policy of recognising loans as "bad" when people stopped paying, as well as deciding how much to set aside as a provision for these loans, was just not conservative enough
 - (ii) the decision to buy Ellerines was disastrous and led to large losses and a stretched management team
 - (iii) right at the death, the fact that the bank had large shareholders who would not provide it

with extra cash when it needed capital
accelerated the collapse

24/8/14	“R4,6 bn in African Bank moved to ‘side pocket”	Media(2)24
24/8/14	<p>“Consumers to blame for credit mess, says NCR”</p> <ul style="list-style-type: none"> - In light of the bank’s collapse under an unsustainable weight of reckless lending, the question is whether the NCR should have investigated all the bank’s branches and recommended the suspension of the lot if found guilty - NCR had investigated 26 branches 	Media(2)25
24/8/14	“Credit watchdog [NCR] let off the hook in Parliament	Media(2)28
25/8/14	“NCR defends action taken over African Bank woes”	Media(2)30
25/8/14	“Readers’ Forum : Greedy African Bank chief is to blame for failure”	Media(2)31
27/8/14	African Bank (under curatorship) for week ended	PWC(1)221

22/8/14

2/9/14	SENS: SARB investigation into African Bank	Sens(3)1307 SARB(1)505
3/9/14	“African Bank’s top brass may be charged”	Media(2)33
3/9/14	African Bank (under curatorship) for week ended 3/9/14	PWC(1)230
4/9/14	“Abil’s Kirkinis beach house on sale for R60 m”	Media(2)35
4/9/14	“African Bank : NCRs interventions raise more questions than answers-Dean Macpherson”	Media(2)36,37
4/9/14	“Capitec to prove that it’s no African Bank - Quotes SARB about Capitec’s conservative approach to risk and prudent provisioning practices - Capitec: provides a 7% upfront provisioning on every loan that is taken out; this increases to 40% after one month, 70% after two months; 80% after 3 months, after which time it is	Media(2)39

written off

4/9/14	“Capitec rises most in more than three years”	Media(2)41
5/9/14	“African Bank : The rot stops here” <ul style="list-style-type: none">- Management had given assurances about its provisions for bad debts- The bank's management had made it “absolutely clear” to stakeholders that there had been complete disclosure and that full provisions had been made- Nearly 50% of credit-active consumers are credit-impaired, meaning that they are at least 3 months in arrears	Media(2)42
7/9/14	“Probe to scrutinize directors at helm of African Bank” <ul style="list-style-type: none">- Every time they reported results for the past 2 years, it completely and absolutely invalidated its guidance from 6 months prior. It made it clear that it was either spin or lack of knowledge of real-time events in the bank and in the industry	Media(2)47

- Sokutu : said they saw trouble coming almost 2 years ago

7/9/14 “The Last Word : Can Deloitte weasel out of this one?” Media(2)49

- African Bank had set aside far too little to cover bad debts, which meant its largest asset – its loan book – was overstated
- Deloitte was paid R16 million last year
- If Deloitte was truly oblivious to African Bank’s strains, was it really worth the R16 million it was paid last year?

8/9/14 “On The Money : Myburgh inquiry can buy time for worried Reserve Bank” Media(2)51

10/9/14 “Creditworthiness : The warning signs flashed in 2008” Media(2)53

- Unsecured loans have grown from R41 billion in 2007 when the NCA was signed into law to R172 billion in March 2014, a 26% annual compound rate

10/9/14	African Bank (under curatorship) for week ended 5/9/14	PWC(1)245
12/9/14	“African Bank gets ready for license bid”	Media(2)58
12/9/14	“Tough times for low-income lenders”	Media(2)59
14/9/14	“Bitter turnaround medicine for Ellerines	Media(2)62
14/9/14	“African Bank failed everyone”	Media(2)63
14/9/14	“New ‘African Bank’ to list by February”	Media(2)64
14/9/14	“African Bank’s ‘fxxx the poor’ man says sorry”	Media(2)66
14/9/14	“Abil fall out” <ul style="list-style-type: none">- JD Group’s ‘debtor costs’ shot up from R914 million last year to R3,3 billion in the financial year to the end of June	Media(2)68
15/9/14	“Abil side pocket hides side effects	Media(2)70

15/9/14	“Abil’s curator prepares for JSE listing next year”	Media(2)65
16/9/14	<p data-bbox="391 504 1069 616">“South African banks must restore trust following African Bank failure”</p> <ul style="list-style-type: none"> <li data-bbox="438 649 1125 974">- According to an expose in Die Burger, African Bank has been guilty of over 200 transgressions of the NCA, including reckless lending, and abuses related to the <i>in duplum</i> rule – over the past few years 	Media(2)61
16/9/14	<p data-bbox="391 1097 1069 1142">“Cash repayments part of African Bank collapse”</p> <ul style="list-style-type: none"> <li data-bbox="438 1176 1125 1288">- NCR found the bank guilty of reckless lending at 25 of its branches countrywide” 	Media(2)71
17/9/14	African Bank (under curatorship) for week ended 12/9/14	PWC(1)261
17/9/14	“Side-pocketing sidles on to centre stage”	Media(2)72
19/9/14	“Tightened lending regulations to impact S.Africa’s consumers”	Media(2)74

21/9/14	“Bad news for Abil’s BEE shareholders”	Media(2)73
23/9/14	African Bank (under curatorship) for week ended 23/9/14	PWC(1)271
26/9/14	Sharenet: “ Abil: update on the restructuring of African Bank”	Media(2)84
28/9/14	“Hard-pressed Bridge opts for business rescue: African Bank fall has hit rival microlender Bridge Corporate” <ul style="list-style-type: none"> - In the wake of African Bank’s dramatic collapse, a second notable unsecured lender has sounded the alarm and looks to be in trouble: Bridge Corporate - One Bridge customer borrowed less than R5 847, repaid R26 479, but still owes R10 442 	Media(2)82
1/10/14	“PIC to wait for probe results before acting” <ul style="list-style-type: none"> - Finance Minister said in reply to a question by the DA that the PIC will wait the results of the 	Media(2)86

SARB investigation into African Bank before
the deciding whether to take action against the
management and/or board

1/10/14	“Abil: OBK hoop sy hulp help GEPF-geld red”	Media(2)87
1/10/14	“State fund manager to pump in R5bn to rescue Abil”	Media(2)88
3/10/14	“African Bank just the start of loan deluge”	Media(2)90
3/10/14	“Abil: PIC’s bad investment”	Media(2)91
10/10/14	Woollam to Kirkinis and others - I have updated my model and forecast for FY2014	AB(51)98