



South African Reserve Bank

EMBARGOED AGAINST DELIVERY

Remarks by the Governor of the South African Reserve Bank, Lesetja Kganyago

Press Conference March 11th, 2018: VBS Mutual Bank

Members of the media,
Ladies and Gentlemen,

Thank you all for being here today.

We have called today's press conference in connection with VBS Mutual Bank, hereafter referred to as VBS.

VBS is registered with the South African Reserve Bank as a mutual bank. It was established in 1982 and initially operated as the Venda Building Society in the former Venda Homeland. VBS was granted a permanent mutual bank license on 11 October 2000. The legislative requirements of mutual banks are different from the regulatory framework for the supervision of commercial banks.

VBS has several branches, predominantly in the Limpopo province, with a head office and a corporate office located in Makhado and Johannesburg respectively.

VBS experienced increasing liquidity challenges over the last 18 months. These problems emanated from a failure of the board of directors and executive management to manage the mutual bank's rapid growth and its funding and liquidity position. This resulted in VBS being placed under increased regulatory scrutiny.

The liquidity challenges emanated from the maturity of a large concentration of deposits from municipalities, and was exacerbated by the termination of other sizeable deposits and the inability to source sufficient funding timeously. It was highly risky for VBS to take sizeable municipal deposits that were short-term and lend them out long term. The liquidity challenges faced by VBS resulted in difficulty to settle its obligations in the National Payments System on several occasions.

Against the backdrop of the severe liquidity crisis which prevails at VBS, the Minister of Finance, upon recommendation by the Registrar of Banks, has decided to place VBS Mutual Bank under curatorship with effect from 17:00, Sunday 11 March 2018.

The office of the Registrar of Banks is tasked, amongst other things, with the promotion of the safety of depositors' funds placed with banks. This function is essential in ensuring that depositors retain confidence and trust in the South African banking system.

The SARB wishes to confirm that retail deposits at VBS amounting to R50 000 per depositor are guaranteed. Other depositors are hereby also informed that the curator will act in the best interest of all creditors.

VBS will remain open for business. The curator will ensure that all loans due are collected as part of the normal collections processes, but also importantly, that lending and transactional banking services continue.

The SARB is of the view that the appointment of a curator is in the best interest of the public and VBS' depositors. Furthermore, curatorship presents the most suitable and most effective mechanism to facilitate the orderly management of the bank.

Through curatorship, the SARB is given the legal means to create the necessary mechanisms to implement a resolution plan which will seek to ensure the sustainability of VBS. With the appointment of the curator, the current board and management are relieved of their powers and these are vested in the curator.

In this regard, SizweNtsalubaGobodo Advisory Services (Proprietary) Limited has been appointed, in terms of section 81 of the Mutual Banks Act 124 of 1993 read with section 69 of the Banks Act 94 of 1990, as the curator to VBS Mutual Bank. SizweNtsalubaGobodo Advisory Services (Proprietary) Limited will at all relevant times be represented by Mr Anoosh Rooplal.

Mr Rooplal is a partner and the head of the Financial Services Group of SizweNtsalubaGobodo Advisory Services. His CV will be provided to you as part of the press pack.

The SARB wishes to assure the public that the South African banking system remains safe, sound and adequately capitalised.

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media@resbank.co.za