



SOUTH AFRICAN RESERVE BANK

17 May 2022

Questions and answers relating to Ubank Limited

1. What is the mandate of the Prudential Authority?

The Prudential Authority (PA) regulates financial institutions (banks and insurers) and market infrastructures to promote and enhance their safety and soundness; and to protect financial customers against the risk that those financial institutions may fail to meet their obligations and support financial stability.

The PA plays this role to protect consumers of financial products and services, and to support the SARB's mandate of achieving and maintaining financial stability.

2. What triggers a curatorship?

Curatorship is triggered at a point where the PA is of the opinion that a bank cannot continue to operate either through financial information available to the PA that indicates such or due to governance concerns to protect depositors, and to ensure an orderly resolution of the bank.

The PA will make a recommendation to the Minister of Finance. The Minister of Finance may, if he or she deems it appropriate in the public interest, notify the Chief Executive Officer or the Chairperson of the Board of Directors of that bank in writing, and appoint a curator to the bank.

3. What is the role of the curator?

Section 69 of the Banks Act 94 of 1990 refers.

On appointment of a curator:

- a) the management of the bank concerned shall vest in the curator, subject to the supervision of the PA, that any other person vested with the management of the affairs of that bank shall be divested thereof; and
- b) the curator shall recover and take possession of all the assets of the bank.

Additional info (Banks Act)

The curator shall:

- a) *subject to the supervision of the PA, conduct the management of the affairs of that bank in such a manner as the PA may deem to best promote the interests of the creditors of the*

bank concerned and of the banking sector as a whole and the rights of employees in accordance with relevant labour legislation;

b) comply with any direction of the PA;

c) keep such accounting records and prepare annual financial statements (AFS), interim reports and provisional AFS as the bank or its directors would have been obliged to keep or prepare if the bank had not been placed under curatorship;

d) convene the AGM and any other meeting of members of the bank provided for by the Companies Act and, in that regard, comply with all the requirements with which the directors of the bank would in terms of the Companies Act have been obliged to comply if the bank had not been placed under curatorship; and

e) have the power to bring or defend in the name and on behalf of the bank any action or other legal proceedings of a civil nature and, subject to the provisions of any law relating to criminal proceedings, any criminal proceedings.

The curator may:

- i. dispose of any of the bank's assets;
- ii. transfer any of its liabilities; or
- iii. dispose of any of its assets and transfer any of its liabilities,
- iv. in the ordinary course of the bank's business.

Except in the circumstances contemplated above, the curator may not, notwithstanding the provisions of section 112 of the Companies Act:

(i) dispose of any of the bank's assets;

(ii) transfer any of its liabilities; or

(iii) dispose of any of its assets and transfer any of its liabilities, otherwise than in accordance with the provisions of section 54.

In seeking consent for a disposal of assets or transfer of liabilities or such disposal and transfer, the curator shall report to the Minister or the PA, as the case may be, on the expected effect on the bank's creditors and whether:

(i) the creditors are treated in an equitable manner; and

(ii) a reasonable probability exists that a creditor will not incur greater losses, as at the date of the proposed disposal, transfer or disposal and transfer, than would have been incurred if the bank had been wound up under section 68 of this Act on the date of the proposed disposal, transfer or disposal and transfer.

4. What are the requirements for capital and liquidity in the Banks Act?

Capital

A bank is required to manage its affairs to maintain a prescribed minimum sum of share capital and unimpaired reserve funds. The capital is comprised of additional layers of capital, which are prescribed in regulations. These layers are based on the risk that a

bank faces due to their business model and risks encountered. This is determined through various assessments that the bank supervisors perform as well as the capital adequacy assessment that the bank itself performs.

The prescribed amount of such funds may not fall below the greater of R250 million and a prescribed minimum percentage of the sum of amounts relating to the different categories of assets and other risk exposures (i.e. credit risk, counterparty credit risk, market risk and operational risk). Each bank has a specific prescribed capital adequacy requirement based on the risk profile of the bank.

The liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) should each not be less than 100%.

Furthermore, banks are required to hold Level 1 high-quality liquid assets to a value not less than the sum of amounts calculated as percentages not exceeding 20% of different categories of its liabilities.

5. What is the importance of capital requirements in a bank?

Capital is a key ingredient for safe and sound banks because banks take on risks and may suffer losses if the risks materialise. To stay safe and protect depositors, banks have to be able to absorb such losses and keep going in good times and bad. Capital acts as a buffer against unexpected losses. The capital adequacy ratio (CAR) measures a bank's capital requirement in relation to its risk-weighted assets.

6. What is the history behind Ubank?

Ubank is a well-established deposit-taking financial services provider that has grown over the years.

Ubank has a strong presence and customer accessibility, mainly in selected mining and rural communities in South Africa.

Ubank has a rich history of providing basic financial services to mine workers and their families for more than 40 years. In 1975, Teba Cash Financial Services was formed to provide mine workers with basic financial services. These included facilitating the remittance of funds to families and dependants in the rural and labour sending areas using a linked account facility.

In the early 1990s, the Godsell Motlatsi Commission was formed, which led to the transition from a savings fund to a commercial bank. In June 2000, Ubank (then Teba Bank) was granted a banking licence, although its ownership remained in the form of a Trust managed/administered by trustees who are elected by the National Union of Mineworkers (NUM) and the South African Chamber of Mines (now known as Mineral Council South Africa (MCSA)). The beneficiaries of the Trust are the bank's customers.

On 1 October 2010, the name of the bank was changed from Teba Bank to Ubank and was launched to the public.

Group shareholding

Ubank is a public company incorporated in accordance with the Companies Act 71 of 2008 and registered as a bank under the Banks Act.

The Bank is 100% owned by Ubank Group Limited, which is in turn 100% owned by Teba Fund Trust (Teba). The Trust is administered by two trustees, the NUM and MCSA.

7. What products and services does Ubank offer?

Ubank provides basic financial services and products to its customer base in four basic categories: transactions, credit, savings and insurance.

Loans and advances

- Homeloans
- MAKOYA Retail Loans
- UBPL Retail Loans
- Staff loans Retail Loans
- Uloans
- Facility Loans – LNDR/Macrom/IMS
- Uloans to small- and medium-sized enterprises (SMME)
- Uloans SMME Purchase Orders
- Debt consolidation loans

Deposits

- Current accounts
- Savings accounts (individuals and groups)
- MTN Mobile Money
- Fixed deposits
- Term deposits

Insurance

Credit Life Assurance and Funeral Plan underwritten by Hollard Life.

8. Who banks with Ubank?

Ubank's target market includes:

- retail clients, including staff;
- small- and medium-sized enterprises;

- corporates; and
- community groups;

Ubank has a strong presence and customer accessibility, mainly in selected mining and rural communities in South Africa. Furthermore, Ubank operated through Teba agencies based in Lesotho, Eswatini and Botswana.

9. Why was Ubank placed under curatorship?

Ubank is unable to timely raise the additional shareholder funding (capital) needed to restore its regulatory capital adequacy requirements. Ubank is also not in a position to provide a satisfactory action plan and strategy that can be implemented and executed in a short period of time to address the capital adequacy requirements. The only option available is through the sale of the shares of Ubank to a potential investor which will recapitalise the bank.

In our most recent engagement with the Board and the Trustees, it was clear that there is a misalignment between the two parties regarding the potential investors.

Ubank has been unable to meet its minimum capital adequacy ratio (CAR) of 22.5% for more than a year and has reflected a significant weakening trend over the period. This is extremely concerning as the CAR has reached a level of approximately 3.3% at the end of April 2022.

The Board of Directors of Ubank also indicated its intention to resign.

10. Who is Ubank's curator?

KPMG Services Proprietary Limited (KPMG), with director Mr Zola Beseti to be the responsible person for the curator team of KPMG. With the appointment of the curator, the Board and management of Ubank Limited were relieved of their powers and these are now vested with the curator.

11. Are the depositors' funds safe and why?

All depositors' funds remain safe at Ubank. Ubank is highly liquid and therefore in our assessment there are no immediate concerns for the depositors. The first task of the curator would be to do an assessment, and if needed the SARB will engage the National Treasury to provide a government guarantee. In terms of government policy, all retail depositors are guaranteed up to a certain maximum.

12. Can customers withdraw their entire balance when they come to Ubank?

Yes, customers' deposits are safe. While in the process of assessing and stabilising the affairs of the bank, in order to protect the liquidity of the bank, the curator may place some temporary restrictions on fund withdrawals

13. Can I close my account at Ubank and go to another bank of my choice?

Yes. It is within the rights of customers to close their accounts and go to another bank; however, as we have stated earlier, customers' deposits are safe and there is therefore no need for customers to close their accounts with Ubank.

While in the process of assessing and stabilising the affairs of the bank, in order to protect the liquidity of the bank, the curator may place some temporary restrictions on account closures.

14. What happens to customers who have loans with Ubank?

These accounts will remain with Ubank and customers are still obliged to pay the monthly instalments in full.

15. What is the total value of all retail depositors' claims?

Approximately R4.8 billion.

16. How many customer accounts does Ubank have?

There are approximately 4.7 million accounts

17. Which Ubank branches will remain open?

The curator will be assessing this in the coming days.