SOUTH AFRICAN RESERVE BANK

Notice of the recommendation by the South African Reserve Bank to the Minister of Finance to place Ditsobotla Primary Savings and Credit Co-operative Bank Limited in resolution

On **1 August 2025**, having regard for the opinion of the South African Reserve Bank (SARB) and acting on its recommendation as per section 166J(1) of the Financial Sector Regulation Act 9 of 2017 (FSR Act), the Minister of Finance made a determination under section 166J(2) to place Ditsobotla Primary Savings and Credit Co-operative Bank Limited (DCB) in resolution. This step was deemed necessary following DCB's failure to meet its obligations and to protect the interests of depositors through an orderly resolution process. DCB is classified as a designated institution under section 29A of the FSR Act and the SARB is assigned the role of the Resolution Authority with corresponding powers.

Key reasons for placing DCB in resolution

- **DCB is under severe financial stress, largely due to unpaid loan repayments from its members.** As at the end of May 2025, DCB is owed R3 421 million.

- **DCB has struggled to pay its external auditors and staff as well as cover its operational expenses.** A June 2025 on-site inspection by the Prudential Authority found that DCB failed to disclose all operational expenses, including office rent and underwriter fees for members' funeral plans, both of which were outstanding since October 2024. These unpaid obligations are **strong evidence of DCB's commercial insolvency**. Despite attempts to cover audit fees using investment funds, the bank's overall financial pressure remains severe.

- **All profitability ratios for DCB are negative.** In May 2025, the bank reported a loss of R429 000, a significant increase from the R124 000 loss recorded in May 2024. This is primarily due to **493.16% increase in delinquent loans**, which grew from R117 000 in May 2024 to R695 000 in May 2025, noting that the actual number of delinquent loans may be significantly understated. In addition, DCB's liquidity ratio stood at just **4.88%** in May 2025, well below the regulatory requirement of 10%, a requirement the bank has failed to meet for the past six consecutive months.

- **Continued net losses are eroding equity and the high cost-to-income ratio points to inadequate management of income and expenses.** In addition, credit management is weak and the credit policy is not always followed. For example, loans have sometimes been approved for longer periods than allowed and affordability assessments have not always been conducted.

- **DCB has been unable to attract qualified members to serve on its various committees and manage the bank's daily operations.** The Board of Directors and Audit Committee operate on a voluntary, unpaid basis and do not provide adequate oversight.

- **DCB's assets and liabilities are in a poor state.** DCB's assets comprise mainly of investment of R386 000, loans of R3 856 million and accounts receivable of R4 058 million. Total liabilities include deposits of R7 663 million. Of this, regular savings deposits of R5 528 million are repayable on demand and DCB is currently unable to repay these deposits if requested.

The SARB is currently in the process of verifying the accuracy of DCB's reported financial information.

Administrative process undertaken by SARB

The SARB determined that compliance with subsections (1) and (2) of section 166(Z) of the FSR Act, which involves giving notice and inviting representations before taking action, would likely affect or defeat the purpose of placing DCB in resolution. The main purpose of resolution of a non-systemic bank like DCB is to protect the interest of depositors. Advanced notice of the SARB's intended actions could create an unfair advantage for some members to withdraw their funds before the bank is placed in resolution, potentially causing a run on the bank.

Therefore, the SARB's recommendation to the Minister of Finance to proceed with placing DCB in resolution without notice and inviting representations as required in terms of section 166(Z)(1) and (2) of the FSR Act was based on:

- DCB's inability to meet its obligations;
- the need for an orderly resolution to protect depositors;
- the risk that advanced notice could cause panic and result in a run on the bank;
- the danger of increased uncertainty in the market, which would likely undermine the resolution process; and
- the need for resolution to proceed in a timely and orderly manner to safeguard all depositors.

Any concerned individuals may submit their representations to the SARB by emailing dcb.queries@resbank.co.za within one month of the publication of this notice.

The SARB will review all submissions and will publish a further notice indicating any actions, if any, it intends to take in this matter.