



19March 2018

Dear Customer

We would like to update you on the activities at VBS Mutual Bank over the past week. We hope that this document will give you a greater understanding of why the Bank was placed under curatorship, what that means and importantly how this affects you personally.

1. Why was VBS Mutual Bank placed under curatorship?

Curatorship is considered when a Bank is in financial distress. VBS Mutual Bank accepted short term deposits from municipalities, which the Bank used to make long term loans to other customers, which is a very risky practice for a Bank. Furthermore, according to the Municipal Finance Management Act, municipalities are not allowed to place their deposits with Mutual Banks. National Treasury has in the past alerted the Municipalities to this fact.

When depositors attempted to withdraw their short term loans, the Bank was unable to pay them. On 16 February 2018, the bank was unable to honour a payment obligation and the National Payment System was alerted. The National Payment System is one of the pillars of financial stability of the South African economic system. The South Reserve Bank (SARB) oversees the safety and soundness of the national payment system.

The SARB has been engaging with shareholders, management and the board of VBS Mutual Bank to develop a rescue plan. The proposed response to steer the Bank back towards a sustainable liquidity situation was to place the Bank under curatorship. This decision was approved by the Minister of Finance, Mr. Nhlanhla Nene, who placed the bank into curatorship on 11 March 2018.

2. What is curatorship?

Curatorship is a legal process which is governed by the Banks Act and the Mutual Banks Act. It enables the SARB to relieve the board and the executive management of the Bank and appoint a curator, who in effect takes control of the Bank. Financial Advisory firm, SizweNtsalubaGobodo Incorporated (SNG) www.sng.za.com has been appointed as the curators with Mr. Anoosh Rooplal representing the firm in the capacity of Curator. Mr. Rooplal, has 18 years of experience in assisting banks.

Curatorship is meant as an aid to restore the Bank, and is a mechanism to protect the banking sector and its retail depositors. It gives the Curator the necessary means to stabilise the bank, to investigate the affairs of the bank and then implement a possible long term sustainable resolution for the bank, taking the interests of the all stakeholders into account. Mr. Rooplal is to comply with any direction of the SARB and is to report directly to the SARB.

The benefit of curatorship is that VBS Mutual Bank stays open for business and has a real chance to be rehabilitated.

3. Is there an alternative to curatorship?

The alternative to curatorship is liquidation which involves winding down the operations of a bank. Curatorship is primarily aimed at rehabilitating the operation. Liquidation is all about closing it down. A bank can re-emerge from curatorship, but not from liquidation.

4. Was curatorship the right answer for VBS Mutual Bank?

Yes. VBS Mutual Bank is an example of putting the Bank's interests first by placing it under curatorship and not closing the Bank down through liquidation. If the Bank was not placed in curatorship, it would have had to be liquidated and forced to shut its operations. This would have meant job losses as well as losses for the retail depositors. Curatorship enables the Bank to continue to operate, even though there are restrictions with withdrawals.

5. Can I access my money if I have deposits with the bank?

Yes, you can, but only up to R1000 per day per depositor. National Treasury has further guaranteed retail deposits amounting to R50 000 in total per depositor. This is in the event that curatorship does not succeed.

6. Why is there a limit for retail depositors?

The limit was put in place as a precautionary temporary measure to allow the curator to assess the current liquidity situation of the Bank. It also gives all customers an equal opportunity to access the funds available at the bank rather than a few customers having access to the majority of the available funds.

7. Why can't I make an electronic transfer?

The internet banking facilities for retail depositors have been temporarily disabled to protect your deposits and safe guard against large withdrawals that would deplete the cash reserves of the Bank. This measure was implemented to stabilise the cash flows and to allow the curator to perform a proper analysis of the Bank's cash flow. You will be able to access up to R1000 per day across the following platforms:

- In branch electronic funds transfers
- Point of sales transactions
- Withdrawals at an ATM
- Withdrawals over the counter at a branch
- Inter-account transfers
- In branch Transfers to other bank accounts (non VBS Mutual Bank accounts)

8. Can I access my money if I belong to a burial society?

Burial societies are allowed to withdraw up to R7000 per burial. Burial societies are encouraged to contact the branch managers a day in advance of requiring their funds as supporting documentation will need to be provided to the Bank.

9. Can I access my money if I belong to a stokvel?

The limit of R1000 applies per account per day applies. The limit is not per member of the club or stokvel but rather for the single account that exists in the name of the stokvel or club.

10. I run a small business and I need to pay salaries and other payments out of my transactional account-how do I do this in light of the current limit on payments/withdrawals?

Customers who have direct debits coming off of their Classic Transactor and Professional Classic accounts will be processed as per usual arrangements. Any other payments will be limited according to the transaction limits issued.

If you would like a letter from the curator to indicate to suppliers/creditors that the current payments are delayed as a consequence of the bank's current situation, kindly contact the Curator's office via email at curatorvbs@sng.za.com

11. What about my loan account?

If you have a loan account with VBS Mutual Bank, your contract with VBS Mutual Bank is still enforceable and you must please still continue to pay your monthly instalments as per your agreed contracts to ensure that you do not default on your loan account. No new advances, financing arrangements or home loans will be granted until further notice. Guarantees relating to financing arrangements that were in progress have been placed on hold.

12. What else has the curator done to stabilise the bank?

All Municipal deposits have been effectively frozen and no further withdrawals of these monies are allowed. No interest will be paid out on these deposits.

13. Will there be any staff retrenchments?

There is currently no intention to retrench staff. Should there be a need to do so based on operational requirements in the future, then staff will be timeously consulted on this matter with the relevant Labour Relations Act.

We apologise sincerely for the inconvenience that the implementation of these measures has had on you and your families. Unfortunately these are necessary measures to afford the Curator the opportunity to assess the current liquidity situation of the bank and give him and his team the possibility to restore the bank.

These measures, although temporary, will continue until we further advise. We undertake to update you on the progress made by the Curator. Updates on the status of the measures will be sent out to you via the VBS Mutual Bank website and SMS technology.

We ask you continue to support us in our endeavours to stabilize the Bank and indeed find a resolution for a long term sustainable plan.

The curatorship does in no way mean that depositors should feel threatened or anxious about their investments. It is in fact the very status of curatorship that is protecting the depositor's funds.

We hope that this information sheet has answered some of your questions. Should you have further queries, please send us an email to curatorvbs@sng.za.com

With regards

The Curatorship team