

## MARKET NOTICE

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Number: A2066  
Date: 12 August 2014

### SUBJECT: VALUATION OF ABL DEBT INSTRUMENTS LISTED ON THE JSE

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Further to the Market Notices Y1394 of 08 August 2014<sup>1</sup> and Y1396 and F7147 of 11 August 2014<sup>2</sup> in respect of the valuation of debt securities issued by African Bank Limited (“ABL”) under the JSE Debt Listing Requirements (“DLR”), the JSE wishes to update market participants based on feedback on these notices and particularly of the impact of the proposed approach in the notices of 11 August 2014.

Two concerns have been raised;

1. The suspension of the ABL debt securities and the lack of detailed information on exactly how the restructuring of ABL will play out make the assessment of the fair value of these instruments very difficult. The signal in the South African Reserve Bank (“SARB”) press release that “senior debt instruments and wholesale deposits (excluding subordinated debt holders) will be transferred at 90% of face value following the restructuring (the absolute interest rate will be based on the revised face value)” indicates that a 10% impairment of the value of senior debt at this time may be prudent. However until there is full legal certainty on the restructuring and the impact of this on both senior and subordinated bondholders, it is impossible to know what the final impairment is for all bondholders.
2. The market notice of 11 August 2014 proposes an approach to adjust the valuation of senior debt instruments to reflect the 10% impairment through adjusting the price of the bond. Through market feedback it is apparent that many investors and participants have already instituted processes to reflect this impairment, through various mechanisms and that the proposed approach will result in doubling the impairment. In other instances the proposed approach still results in manual processes to reflect the impairment of accrued interest.

<sup>1</sup> <https://www.jse.co.za/content/JSEMarketNoticeItems/Y1394.pdf>

<sup>2</sup> <https://www.jse.co.za/content/JSEMarketNoticeItems/NoteF7147.pdf>

3. The ABL **Subordinated** debt falls within the statement in the SARB press release as: “all other liabilities will remain in African Bank” and does not form part of the new “good bank”. As such, both due to its subordinated nature and it remaining within ABL would imply that the impairment for these securities should be above that of the senior debt.

**Therefore after careful consideration the JSE will be reverting to the position as per the market notice as of 08 August 2014. In summary, all valuations will continue to use the agreed framework. As there are no new trades in these instruments and there is no public pricing, the valuations will adjust over time to reflect;**

1. **Changes to the yields of companion bonds (fixed rate and CPI-linked bonds)**
2. **Changes due to changes in the swap yield curve (floating rate notes)**
3. **Changes due to time**
4. **The valuations will NOT TAKE INTO ACCOUNT ANY CHANGES DUE TO THE CREDITWORTHINESS OF ABL**

**In order to assist investors and market participants better understand the quality of the current valuations disseminated by the JSE the values as of 11 August are provided below, together with the length of time that has transpired since the last update to the valuation as a result of a trade in the instrument or based on firm prices quoted on execution venues, for example the IDB screens.**

**\*\*\*\* IMPORTANT \*\*\*\***

**Investors and market participants are expected to exercise their own discretion in respect of the impact of the current market circumstances and the proposed restructuring of African Bank on;**

1. **The value of the senior debt instruments**
2. **The value of the subordinated debt instruments**
3. **How these impairments should be operationalised in the systems and processes of the participant or its service providers**

Bond Code	Pricing Class Code	Issue Date	Maturity Date	Nominal in Issue	Waterfall	Clean Price	All-In Price	Last Change	Last Change Days
ABL11A	V	29/09/10	29/09/14	525.0	SENIOR, UNSECURED	100.14630	103.73808	07/08/14	1
ABL11B	FRN	29/09/10	29/09/14	380.0	SENIOR, UNSECURED	100.09076	101.11713	29/09/10	1413
ABL12B	FRN	08/03/11	08/03/15	1,000.0	SENIOR, UNSECURED	100.21182	101.69456	08/03/11	1253
ABL10A	V	15/03/10	15/03/15	450.0	SENIOR, UNSECURED	101.90473	106.69377	07/08/14	1
ABL10B	FRN	15/03/10	15/03/15	500.0	SENIOR, UNSECURED	100.34846	101.77065	15/03/10	1611
ABLI03	CPI	15/03/10	15/03/15	750.0	SENIOR, UNSECURED	128.48104	131.17808	31/07/14	12
ABL18	FRN	25/09/13	25/09/15	510.0	SENIOR, UNSECURED	99.82367	101.00970	25/09/13	321
ABL14	FRN	09/10/12	09/10/15	709.0	SENIOR, UNSECURED	99.86702	100.63880	09/10/12	672
ABL16	FRN	25/03/13	25/03/16	800.0	SENIOR, UNSECURED	99.98177	101.04999	25/03/13	505
ABL17	FRN	21/06/13	21/06/16	1,000.0	SENIOR, UNSECURED	99.98322	101.20244	21/06/13	417
ABLS2A	V	13/07/09	13/07/16	520.0	SUBORDINATE, UNSECURED	107.31588	108.67478	07/08/14	1
ABLS2B	FRN	13/07/09	13/07/16	480.0	SUBORDINATE, UNSECURED	99.96918	100.99965	29/07/09	1840
ABL13	FRN	11/10/11	11/10/16	278.0	SENIOR, UNSECURED	99.97362	100.74984	11/10/11	1036
ABLI04	CPI	11/10/11	11/10/16	652.0	SENIOR, UNSECURED	117.28255	118.89787	21/07/14	22
ABL15	FRN	09/10/12	09/10/17	191.0	SENIOR, UNSECURED	99.97504	100.80995	09/10/12	672
ABLI05	CPI	18/02/13	18/02/18	2,000.0	SENIOR, UNSECURED	103.32819	103.28974	21/07/14	22
ABLS3	FRN	31/03/11	31/03/18	515.0	SUBORDINATE, UNSECURED	99.97782	101.18912	31/03/11	1230
ABL19	FRN	25/09/13	25/09/18	490.0	SENIOR, UNSECURED	99.97906	101.32262	25/09/13	321
ABLS4	FRN	29/03/12	29/03/19	300.0	SUBORDINATE, UNSECURED	99.97873	101.25168	29/03/12	866
ABLI06	CPI	19/07/13	19/07/20	600.0	SENIOR, UNSECURED	105.26619	105.70190	03/08/14	9
ABLS5	FRN	29/06/12	29/06/24	825.0	SUBORDINATE, UNSECURED	99.97802	101.31138	29/06/12	774
ABLS11	CPI	29/06/12	29/06/24	133.0	SUBORDINATE, UNSECURED	111.74612	112.38707	21/07/14	22

\*Please note that the date in the last change column could be as a result of a change in yield of the underlying companion bond, or due to a change in CPI levels. As such it does not necessary indicate a change in the credit spreads.

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