

MEDIA RELEASE

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PIC Executive Head resigns, forensic investigator to be appointed on VBS Bank investment

PRETORIA - The Public Investment Corporation (PIC) this morning informed its Board of Directors that the Executive Head for Legal Counsel, Governance and Compliance, Mr Ernest Nesane, has resigned. His resignation takes immediate effect and has duly been accepted by the PIC.

Mr Nesane testified before the forensic investigation into VBS Mutual Bank earlier this week. Following his evidence, the PIC was made aware of serious allegations of impropriety against Mr Nesane, who served as one of two PIC-delegated Directors on the Board of VBS Bank, until the bank was placed under curatorship by the regulator – the South African Reserve Bank - in March this year.

The other PIC-delegated Director on the VBS Board, Mr Paul Magula, was dismissed from the PIC earlier this year. Magula was the Executive Head: Risk Management for the PIC. As company directors and PIC executives, both Nesane and Magula were entrusted with duty of care to ensure that the institution and its business practices apply the highest standards of ethics and good corporate governance.

The PIC instituted a disciplinary enquiry against Mr Magula in relation to the performance of his duties. He was subjected to a disciplinary hearing, which was presided over by an independent Senior Counsel and, after being found guilty on all charges proffered against him, Magula was summarily dismissed for poor performance.

The PIC is concerned about the developments that have come to light since the commencement of the VBS enquiry and more so that two of its former employees have been implicated of impropriety in their personal capacity.

The PIC is concerned about the evidence that has been put before VBS enquiry to date, which points to impropriety on the side of these two former PIC executives and has resolved to appoint a forensic investigation to probe all transactions in relation to its investment in VBS Mutual Bank. The PIC is a shareholder in VBS, holding approximately 25% of the company's equity.

The scope of the investigation, including its terms of reference and the timelines will be made known once the forensic investigator has been appointed. The findings of the PIC's forensic investigation into VBS will be presented to the PIC Board.

The Government Employees Pension Fund (GEPF) inherited its shareholding in VBS from Government Pension Fund of Venda, after the discontinuation and amalgamation of the latter into GEPF in terms of the

Government Employees Pension Law of 1996. Further investment in VBS bank was made in 2002 as part of the PIC's Isibaya Fund portfolio, which focuses on unlisted investments. The investment was approved after a thorough investment evaluation process and due diligence process by the investment management team.

The PIC has noted media references in an affidavit by the VBS curator last week that an unnamed PIC executive allegedly received a R5 million bribe to facilitate payment of R350 million towards VBS. According to the PIC's investment records a revolving credit facility amounting to R350 million for VBS was approved in 2015 by the Priority Sector, Small and Medium Enterprise Fund Investment Panel, a sub-committee of the PIC's Investment Committee).

This was almost two years before the alleged bribe, cited in the curator's affidavit, would have been paid to an unnamed PIC executive. The PIC fully cooperates with the SARB, the curator, and the forensic investigation instituted by the curator, into VBS. The PIC supports any appropriate action against those responsible for the demise of VBS and those involved in any corrupt practices, including the demand for, the payment of, or accepting of bribes. The PIC expect of its employees to act with integrity and in an ethical manner

Should there be any proof that a PIC employee has received such a bribe, the PIC will immediately institute the appropriate disciplinary proceedings and report the matter to law enforcement authorities.

The PIC hopes that the forensic investigation will assist in determining if any, or to what extent, PIC officials were involved in the demise of VBS bank. The PIC will not tolerate any form of wrongdoing amongst its employees and related parties, which could potentially undermine the PIC's objective and legal mandate of generating positive returns for its clients.

The PIC reiterates its commitment to work closely with the appointed curator, Sizwe NtsalubaGobodo, and all other stakeholders, and supports every effort by the SARB to restore VBS to a position where it can trade again on a commercial basis in terms of its banking license.

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