

**Audited Financial Results
for the year ended 30 September 2016**

Residual Debt Services Limited (under curatorship)



**Including:
Results FY 2016
Operational update FY 2016**

16 February 2017

These financial results are for Residual Debt Services Limited (RDS), which was placed into curatorship on 10 August 2014, when it was still named African Bank Limited. RDS remains in curatorship at this reporting date (16 February 2017) and will remain under curatorship for the foreseeable future. The old African Bank Limited was successfully restructured on 4 April 2016 by means of a transfer of certain assets and restructured liabilities into a new entity with the same name.

The assets and liabilities transferred to the new African Bank Limited on 4 April 2016 are referred to as ‘available for sale’ in the comparative numbers for the year ended 30 September 2015.

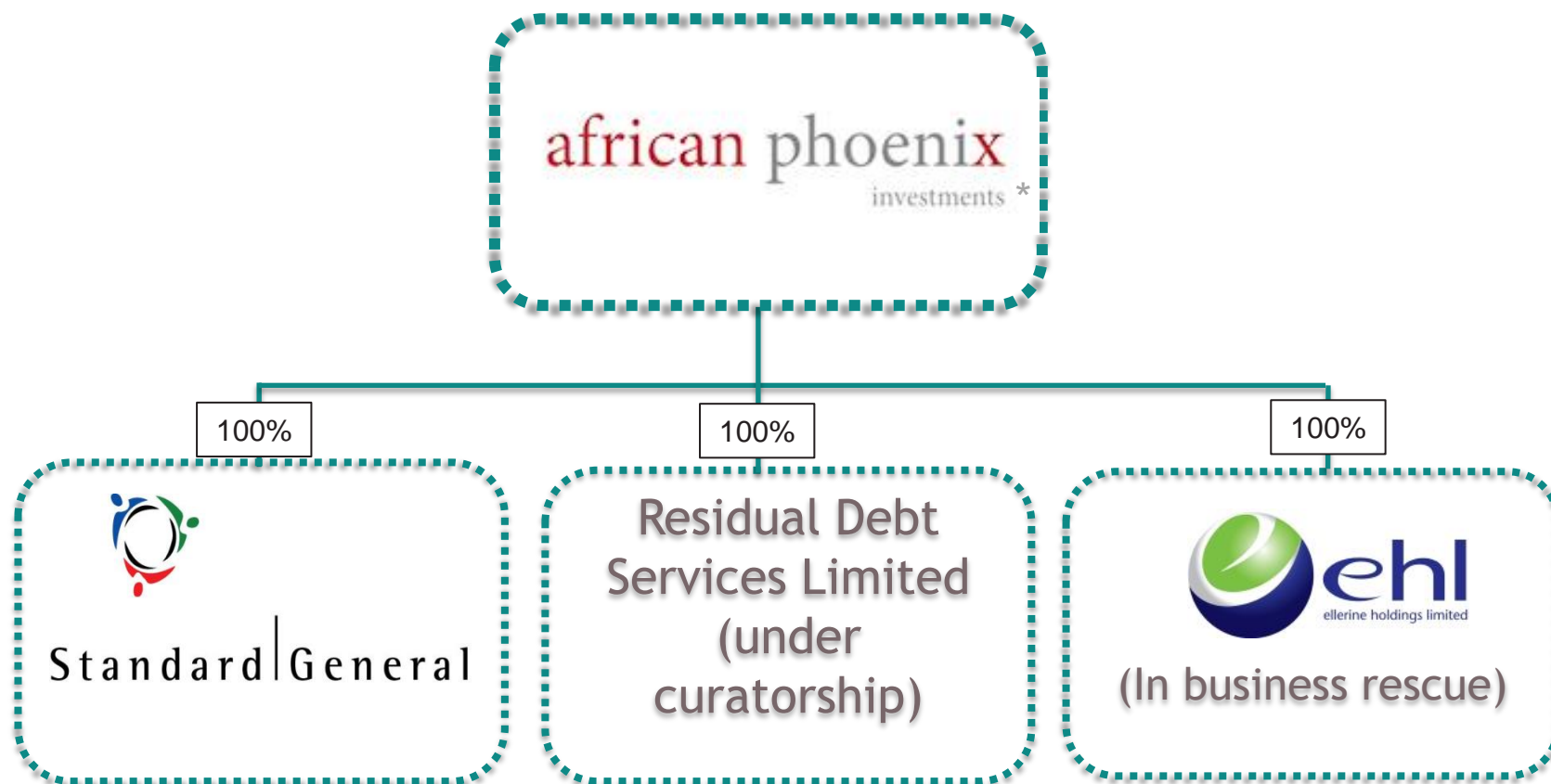
The RDS balance sheet therefore consists of the remaining assets, together with the remaining liabilities, which have become known as ‘the stub instruments’. The full year results reflect the results for the restructured and remaining business for the first six months and the remaining business for the last six months of the financial year.

The presentation and results can be accessed at www.residualdebtservices.co.za.

Presentation contents

1. Group overview
2. Financial Statement analysis
3. Operational update
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1. Group overview



- * African Phoenix was previously named African Bank Investments Limited
- The lifting of the suspension in trading in African Phoenix Investments shares on 1 February 2017 is not related to the reporting by RDS
- Investments in RDS and EHL have been impaired in full by African Phoenix Investments

2. Financial Statement analysis

Audited Annual Financial Results to 30 September 2016
Results highlights

Residual Debt Services Limited
(under curatorship)

Income statement

- A loss from operations of R945 million (2015 a loss of R6 882 million)
 - H1 2016 loss R987 million/H2 2016 profit R42 million
- A profit for the year of R2 366 million (2015 a loss of R7 212 million)
 - H1 2016 loss R646 million/H2 2016 profit R3 012 million
- Profit Includes once off capital items totalling R3 311 million
 - Profit R657 million on recovery on previously fully impaired ABIL and EHL loan accounts
 - Profit R2 654 million on sale of business to new African Bank
 - Profit represents difference between fair value and carrying values of assets and liabilities transferred

Balance sheet

- As at 30 September 2016 RDS had assets of R4 399 million and liabilities of R8 860 million, resulting in negative equity of R4 461 million

2. Financial Statement analysis

Condensed income statement

- including half yearly comparison

R million	H1 2016	H2 2016*	Full Year	Comment on H2 2016
Interest income on advances	3362	219	3581	Reduced RDS book
Non-interest income	822	114	936	
Income from operations	4184	333	4517	Driven by recoveries
Credit impairment (charge)/recovery	(1482)	657	(825)	
Income from operations	2702	990	3692	Interest on cash
Other interest income	520	37	557	
Interest expense and similar charges	(2625)	(540)	(3165)	Interest on stubs
Operating costs	(1368)	(408)	(1776)	
Other losses	(172)	(5)	(177)	Recovery on EHL and ABIL loans (R657m) and profit on disposal on restructure (fair value > book value R2 654m)
Indirect taxation: VAT	(44)	(32)	(76)	
Loss from operations	(987)	42	(945)	
Capital items	341	2970	3311	
Profit/(Loss) before taxation	(646)	3012	2366	
Direct taxation: current and deferred	-	-	-	
Profit/(Loss) for the year	(646)	3012	2366	

*H2 2016 after 4 April 2016, excluding capital items, represents a run down book being collected

2. Financial Statement analysis

Summary statement of financial position

30 September 2016

Asset description	R m	Liabilities/Equity	Rm
Cash	697	Other liabilities	159
Net advances(1)	2 911	Senior unsecured stub (3)	4 859
Other assets (2)	791	Subordinated unsecured stub (3)	3 842
		Total liabilities	8 860
		Equity	(4 461)
Total	4 399	Total	4 399

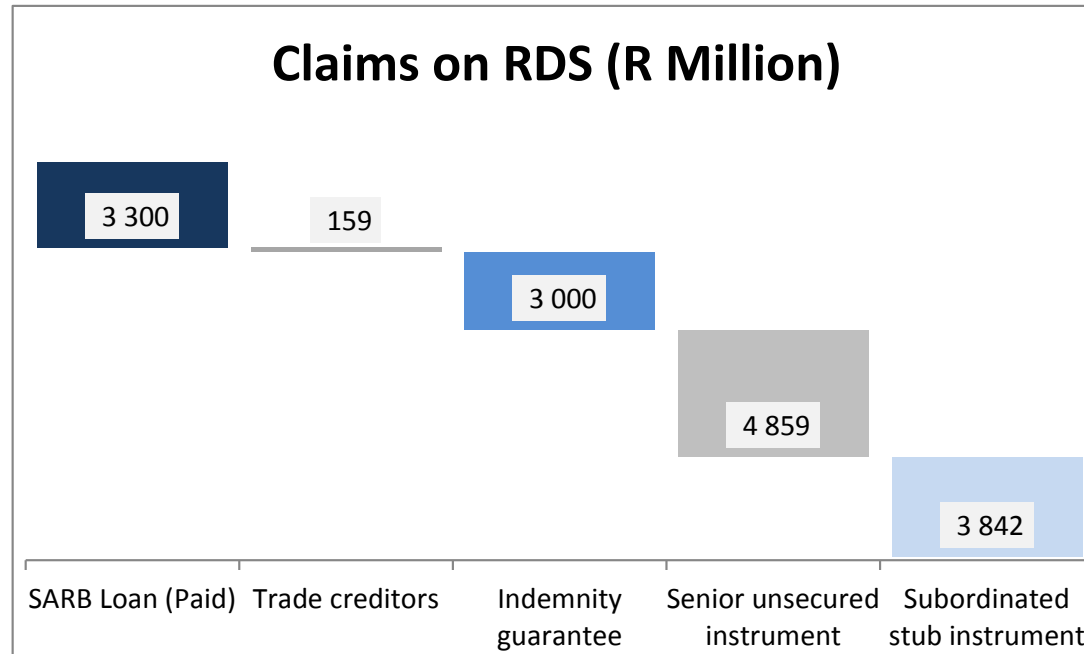
Notes

- (1) Represents net book value of advances on book (excluding gross value of written off book R21.7 billion)
- (2) Represents amount receivable and paid by the new African Bank subsequent to the year end, in respect on sale of assets at fair value
- (3) Represents gross value of stub liabilities including accrued interest

2. Financial Statement analysis

Ranking of claims on RDS

30 September 2016



In order of decreasing seniority

1. SARB loan - R3 300 million (fully repaid by September 2016)
2. Trade creditors/other liabilities - R159 million at 30 September 2016
3. Indemnity guarantee - R3 000 million (expected to be fully funded by December 2017)
4. Senior unsecured instrument - R4 859 million at 30 September 2016
5. Subordinated stub instrument - R3 842 million at 30 September 2016
6. Shareholders no value at present

2. Financial Statement analysis

Statement of financial position as at 30 September 2016

Fair value of stub liabilities

Rm	Claim on indemnity reserve	
	Base (R3 billion)	No claim (R Nil)
Senior stub instruments	2 725	4 376
Subordinated stub instruments	Nil	Nil

- The fair value is assessed as a discounted cash flow of forecast future receipts and payments, discounted at a WACC of 14.0%
- It includes the expected cash flows from RDS's advances book for a 60 month future period
- The 'Base' forecast (with a fair value of R2 725 million of senior stub instruments) assumes that the indemnity will be called in full (R3 billion) spread evenly over a three year period in six equal tranches starting from March 2017
- The alternative 'No claim forecast' (with a fair value of R4 376 million of senior stub instruments) assumes that the indemnity will not be called at all
- Any surplus arising after covering the indemnity is released to creditors every six months thereafter based on their ranking as per previous slide

2. Financial Statement analysis

Advances overview

Audited Financial Results to 30 September 2016

Residual Debt Services Limited
(under curatorship)

	Gross advances 2016	Gross advances 2015	Assets classified as held for sale 2015	Total 2015
Net advances				
Gross advances	7 011	15 767	29 030	44 797
Deferred administration fees	36	53	(37)	16
Gross advances after deferred administration fees	7 047	15 820	28 993	44 813
Impairment provision	(4 136)	(9 053)	(8 848)	(17 901)
	2 911	6 767	20 145	26 912

- Reduction in gross advances accelerated by net write off of R6 314 million
- Collections slightly ahead of expectations (refer slide 11 Collections) contributed to book decrease
- Overall provision coverage of 58.7% (R4 136 million/R7 047 million)
- Recoveries on advances previously written off amounted to R766 million

2. Financial Statement analysis SARB related matters

SARB loan

- RDS received a SARB loan of R3,3 billion, enabling appropriate asset transfer to give effect to the Transaction on 4 April 2016
- Loan interest and principal ranked senior to any stub instruments
- Loan settled in full by 30 September 2016, representing a key initial success of the curatorship post the Transaction

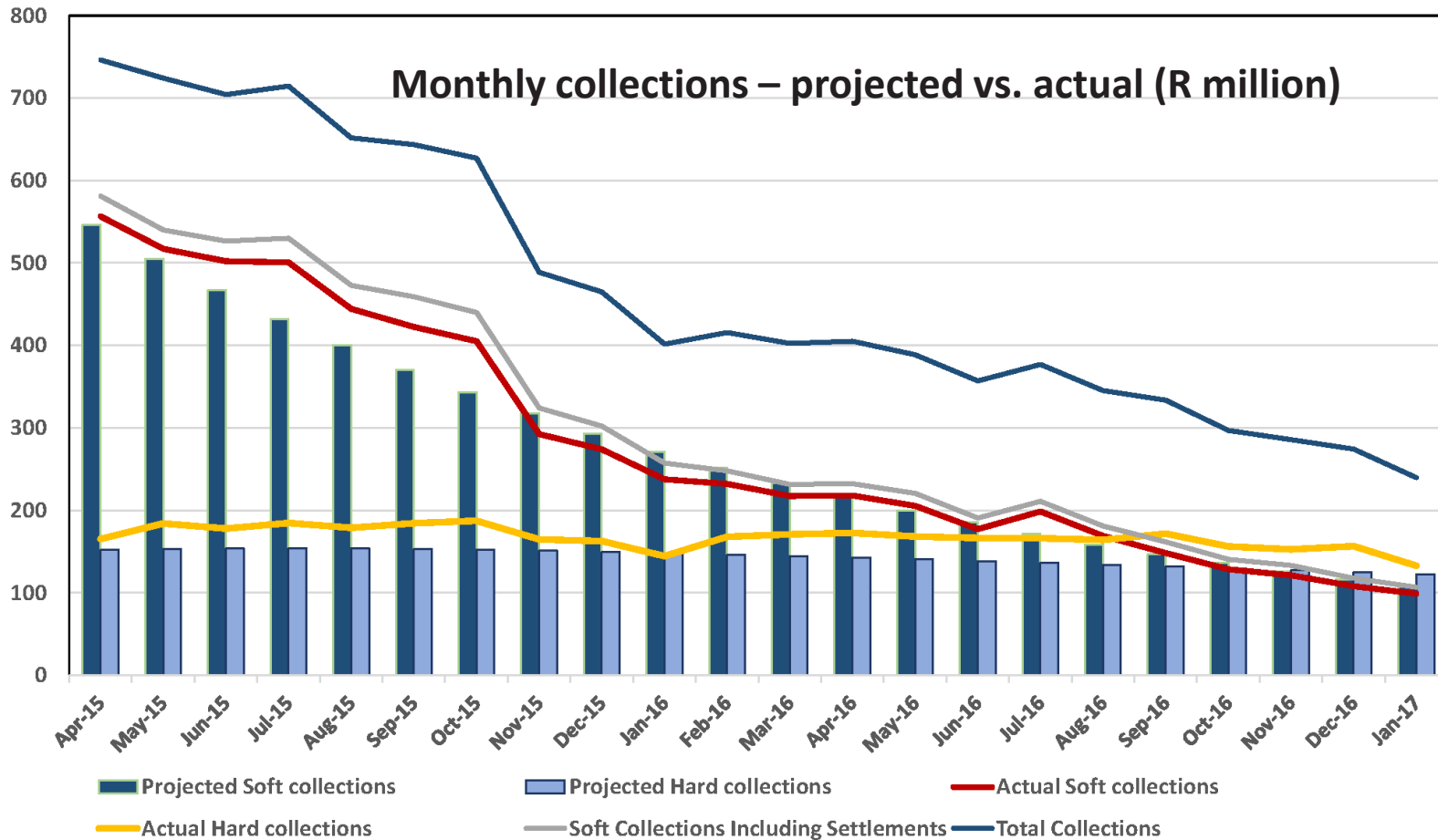
SARB indemnity guarantee

- RDS has provided a R3 billion indemnity to the new African Bank
 - In respect of assets transferred to African Bank
 - Expires on 8th anniversary of restructuring transaction (4 April 2024)
 - SARB provides a matching supporting guarantee to the extent that RDS does not have the cash available for any approved claim under the indemnity
- As at 31 January 2017 indemnity guarantee reserve amounted to R1,7 billion, in addition to an additional operational float of R 500 million
 - Current projections indicate that the indemnity reserve should be fully funded by December 2017

3. Operational issues

- **NCR investigation into the reckless lending allegations levelled against Residual Debt Services Limited**
 - Cooperating fully with the NCR's ongoing investigation
 - No liability has arisen (or been provided for) at date of reporting
 - Other than the possible NCR outcome, no current legal proceedings
 - Any liability arising would rank alongside senior stub claims
- **SARS - Deferred tax asset**
 - RDS has open tax matters with SARS primarily related to deductibility of impairment provisions
 - Due to current uncertainty in this matter and the future profitability no deferred tax asset raised

3. Operational update Collections



- Collections performing slightly above forecast

4. Concluding remarks

- Successful restructuring of African Bank completed
- Continuing collections of RDS running smoothly
- SARB loan fully repaid
- Indemnity fund expected to be fully funded by December 2017
- Next six monthly report in respect of October 2016 to March 2017 expected to be published in June 2017

Documentation published at www.residualdebtservices.co.za

- Results presentation for the year ended 30 September 2016
- Statement by Mr T Winterboer, curator of Residual Debt Services Limited
- Media release on results for the year ended 30 September 2016
- Audited annual financial statements for the year ended 30 September 2016

Questions?

