

## Press release for Residual Debt Services Ltd

22 November 2017

### Curator of Residual Debt Services Ltd anticipates first payout of approximately R500 million to senior creditors

#### Results Highlights

- Total cash increased to R3 675 million (2016: R697 million)
- Gross value of residual loan book reduced to R3.7 billion from R7.0 billion as the loan book is in "run down"
- Credit impairment recovery of R614 million (2016: R657 million)
- R3 billion indemnity fund fully funded and currently held in deposit across major SA Banks and Money Managers
- Results reflect the first full year set for the 2017 financial year.

RDS delivered a successful twelve month period with an anticipated first payout of approximately R500 million to senior creditors in January 2018. RDS reported an increase of total cash reserves to R3 675 million from R697 million reported for September 2016, as a result of continued good collections on the existing book. The increased cash position constitutes R500 million in the cash float and R3 000 million for the indemnity reserve fund, plus surplus cash of R175 million. RDS remains in curatorship, as the loan book is in "run down".

The gross on-balance sheet RDS loan book reduced to R3.7 billion compared to R7.0 billion as at 30 September 2016, as result of the book being collected on. Total assets at 30 September 2017 increased to R4 738 million from R4 399 million and liabilities grew to R9 940 million from R8 860 million, resulting in negative equity of R 5 202 million.

The curator's team continues to collect the receivables on the Residual Loan Book that remained in and was not transferred to the new African Bank. Late stage collections efforts have yielded results ahead of forecast, while electronic collections performed in line with forecasts, albeit with reduced expectations for future collections, as the book pays down.

Curator of RDS, Tom Winterboer noted: *"We have had a successful year in that we have fully settled all our obligations with the SARB and National treasury after we fully funded the R3 billion indemnity fund, by year end."*

*Our cash reserves place us in a position to commence an anticipated initial payment to the senior unsecured creditors of approximately R500 million in January 2018".*

Further payments to senior creditors are anticipated on a six monthly basis from on-going collections on the RDS loan book.

T Winterboer was appointed as curator of Residual Debt Services Limited (the "Company") (previously African Bank Limited (under curatorship)) on 10 August 2014 by the Minister of Finance of the Republic of South Africa and pursuant to the Banks Act No. 94 of 1990 (as amended) to manage the affairs of the Company subject to the supervision of the Registrar. Please note, Mr Winterboer acts in the aforesaid capacity.

**Residual Debt Services Limited** (under curatorship) - Registration Number 1975/002526/06

**Tel:** 011 256 9000 **Address:** 59 16<sup>th</sup> Road, Midrand, South Africa **Postal:** Private Bag X170, Midrand, 1685, South Africa

**Company Secretary:** BW Unser

NCR Registration number: NCRP5. Residual Debt Services Limited (under curatorship) is an Authorised Financial Services and Credit Provider.

## **SARB Indemnity guarantee**

As part of the restructuring transaction, RDS provided a R3 billion indemnity guarantee to the new African Bank, akin to a warrantee in respect of any losses that may be incurred by the new Bank in connection with the assets transferred from RDS.

As at 30 September 2017 the indemnity guarantee reserve was fully funded to the amount of R3.0 billion, in addition to an additional operational float of R 500 million.

The new African Bank has the indemnity fund available for permissible claims against RDS up until 4 April 2024 after which the indemnity is due to expire.

## **Claims against the indemnity guarantee**

The curator has not received any claims against the indemnity by African Bank to date.

Should there be no notice of claims received at the date of expiry of the indemnity guarantee on 4 April 2024, the indemnity reserve fund balance will become available to provide further payments to senior stub instrument holders and, if these have been satisfied in full, to sub-ordinated stub instrument holders.

## **Projected fair valuation of senior stub instruments**

RDS has forecast the projected fair value of the stub instruments based on two scenarios. The first scenario is where the R3 billion indemnity is called in full and the second scenario is where the indemnity is not called upon at all. Both scenarios include the expected cash flows from RDS's advances book for a 60 month future period, as at 30 September 2017.

These future cash flows were discounted at an assessed weighted average cost of capital ("WACC") of 14.0%. The forecast value of senior stub instruments on the basis of a full claim on the R3 billion indemnity is R2 820million. The 'no claim forecast' with a fair value of R5 308 million assumes that the indemnity will not be called at all.

## **Possible distributions to other stakeholders**

No payment to sub-ordinated stub holders is expected.

No dividend distribution is forecast to African Phoenix Investments Limited, the 100 percent shareholder of RDS.

## **National Credit Regulator ("NCR")**

RDS is co-operating fully with the NCR's ongoing investigation into certain activities of RDS prior to curatorship, in respect of potential reckless lending. No liability has arisen or been provided for.

Should any liability arise from the NCR investigation, such a claim would rank alongside senior stub claims.

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## **South African Revenue Service ("SARS")**

RDS has open tax matters with SARS which primarily relate to the deductibility of historical impairments provisions. Due to the uncertainty relating to this matter, no deferred tax asset or liability has been raised in the financial statements.

## **ENDS**

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On behalf of Tom Winterboer, Curator of Residual Debt Services Ltd

## **Conference call**

A conference call is being held today at 14h00 CAT. Interested parties are requested to pre-register for this conference call at <https://goo.gl/n3F34V> and follow the instructions provided. The call is being recorded and will be available via the company website [www.residualdebt services.co.za](http://www.residualdebt services.co.za) on 23 November 2017.

## **Notes to editors**

### **About RDS**

RDS does not advance further loans and its sole purpose is to collect the receivables on the Residual Book. These collections were used to repay the SARB transaction loan and to fund the SARB Indemnity Facility. Additional cash received from collections will be distributed to other creditors of RDS in such amounts as the Curator deems fit and in accordance with their ranking.

RDS was placed into curatorship on 10 August 2014, is currently still in curatorship and will remain under curatorship for the foreseeable future.

The old African Bank Limited was successfully restructured in terms of the "Restructuring Transaction" on 4 April 2016 by means of a transfer of certain assets and restructured liabilities into a new entity with the same name.

The RDS balance sheet therefore consists of the remaining assets, together with the remaining liabilities, which have become known as "the stub instruments".

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