

**Press release for Residual Debt Services Ltd****8 June 2017****Residual Debt Services Ltd releases unaudited financial statements for the six months ended 31 March 2017****Results Highlights**

- Loss from operations of R450 million (30 Sep 2016: profit of R42 million)
- Impairment recovery of R225 million (2016: R657 million)
- Total cash of R2 684 million, which constitutes cash float of R500 million and Indemnity reserve fund of R2 184 million (2016: R697 million)
- R3 billion indemnity fund projected to be fully funded by December 2017

**Financial results**

RDS reported a loss from operations of R450 million compared to a profit of R42 million for the period 4 April 2016 to 30 September 2016. Loan advances reduced to R 5 billion compared to R7 billion for 30 September 2016 as result of book paying down. Consequently, cash inflow from operating activities reduced to R1.3 billion from R2 billion.

Assets at 30 March 2017 were R4 487 million and liabilities amounted to R9 398 million, resulting in negative equity of R4 911 million. RDS has cash on hand of R2 684 million which constitutes R500 million in the cash float and R2 184 million for the indemnity reserve fund.

**SARB loan**

RDS repaid the SARB transaction loan of R3.3 billion in full to the South African Reserve Bank ("SARB") on 1 September 2016. This loan and its associated accrued interest is ranked senior to any stub instruments.

**SARB Indemnity guarantee**

As part of the restructuring transaction, RDS provided a R3 billion indemnity to the new African Bank in respect of any losses that may be incurred in connection with the assets transferred. This indemnity is due to expire on 4 April 2024, being the eighth anniversary of the restructuring transaction.

As at 31 May 2017, the indemnity reserve amounted to R2 2 billion, in addition to providing for an additional RDS operational float of R500 million. RDS anticipates that this indemnity fund will be fully funded by December 2017.

*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.

### **Claims against the indemnity**

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 on 4 April 2024, the reserve balance will become available to provide further payments against senior stub claimants and, if these have been satisfied in full, subordinated stub instruments.

### **Asset recoveries (Collections on loan book)**

The curator's focus is on collections against the loan book that was not transferred to the new African Bank. The curator has focussed on late stage collections which have performed ahead of expectations. Overall, collections are running smoothly and slightly above forecast, albeit with reduced expectations for future collections, as the book pays down.

### **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 31 March 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 a full claim on the R3 billion indemnity is R2 341million. The 'no claim forecast' with a fair value of R4 730 million assumes that the indemnity will not be called at all.

### **Fair value summary and possible distributions**

No dividend distribution to the shareholders of RDS, being African Bank Investments Limited (recently renamed African Phoenix Investments Limited), is forecast.

No payment to sub-ordinated stub holders is expected.

A partial settlement against the senior stub holders is anticipated, albeit that the timing and quantum of payments will be reliant on future collections on the loan book and the extent of any claims by African Bank against the RDS indemnity. Any payment against any claim will first apply against interest accrued and only thereafter against capital.

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

## **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/4Z09IM> and follow the instructions provided. The call is being recorded and will be available via the company website [www.residualdebtservices.co.za](http://www.residualdebtservices.co.za) from Friday 9 June 2017

## **Notes to editors**

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 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 six months ended 31 March 2016. The RDS balance sheet therefore consists of the remaining assets, together with the remaining liabilities, which have become known as 'the stub instruments'. The half year results reflect the results for the restructured and remaining business for the first six months of the 2017 financial year.