

**African Bank Limited  
(under curatorship)  
(Renamed “Residual Debt Services Limited” (under  
curatorship) effective 4 April 2016)**

**Unaudited Interim Financial Statements**

**31 March 2016**

**These financial statements were prepared under the supervision of the  
Chief Financial Officer, G Raubenheimer CA (SA)**

**Registration number: 1975/002526/06**

**NCR Registration number NCRCP5  
An Authorised Financial Services and Registered Credit Provider**

**T Winterboer was appointed as Curator of African Bank Limited (the "Bank") 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  
Bank subject to the supervision of the Registrar of Banks.**

**AFRICAN BANK LIMITED (under curatorship)**  
**INTERIM FINANCIAL STATEMENTS**  
**1975/002526/06**

<b>Contents</b>	<b>Page</b>
Condensed statement of financial position	3
Condensed statement of comprehensive income	4
Condensed statement of changes in equity	5
Condensed statement of cash flows	6
 <b>Annexures to the condensed interim financial statements</b>	
Notes to the condensed interim financial statements	7

These interim financial statements were approved by:

**T Winterboer**  
Curator

Midrand  
29 June 2016

**AFRICAN BANK LIMITED (under curatorship)**  
**INTERIM FINANCIAL STATEMENTS**  
**1975/002526/06**

**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**as at 31 March 2016**

<b>R million</b>	<b>% change</b>	<b>Unaudited March 2016</b>	<b>Audited September 2015</b>
<b>Assets</b>			
Short-term deposits and cash	(2)	<b>6 158</b>	6 294
Assets classified as held for sale	12	<b>42 072</b>	37 436
Other assets	100	<b>5 601</b>	-
Net advances	(41)	<b>4 023</b>	6 767
Loans to affiliated companies	(100)	-	182
<b>Total assets</b>	<b>14</b>	<b>57 854</b>	<b>50 679</b>
<b>Liabilities and equity</b>			
Short-term funding	22	<b>26 016</b>	21 326
Liabilities associated with assets classified as held for sale	19	<b>5 303</b>	4 453
Other liabilities	34	<b>135</b>	101
Bonds and other long-term funding	8	<b>28 528</b>	26 524
Subordinated bonds and loans	2	<b>4 652</b>	4 569
Loans from affiliated companies	30	<b>698</b>	535
<b>Total liabilities</b>	<b>14</b>	<b>65 332</b>	<b>57 508</b>
Ordinary share capital	-	<b>121</b>	121
Ordinary share premium	-	<b>14 283</b>	14 283
Reserves and accumulated losses	3	<b>(21 882)</b>	(21 233)
<b>Total equity (capital and reserves)</b>	<b>10</b>	<b>(7 478)</b>	<b>(6 829)</b>
<b>Total liabilities and equity</b>	<b>14</b>	<b>57 854</b>	<b>50 679</b>

**AFRICAN BANK LIMITED (under curatorship)**  
**INTERIM FINANCIAL STATEMENTS**  
**1975/002526/06**

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**for the six months ended 31 March 2016**

<b>R million</b>	<b>% change</b>	<b>Unaudited 6 months to March 2016</b>	<b>Reviewed 6 months to March 2015</b>
Interest income on advances	(32)	<b>3 362</b>	4 918
Non-interest income	(37)	<b>822</b>	1 298
<b>Income from operations</b>	(33)	<b>4 184</b>	6 216
Credit impairment charge	(73)	<b>(1 482)</b>	(5 422)
<b>Risk-adjusted income from operations</b>	>100	<b>2 702</b>	794
Other interest income	>100	<b>520</b>	166
Interest expense	15	<b>(2 625)</b>	(2 282)
Operating costs	(1)	<b>(1 368)</b>	(1 380)
Other losses	>100	<b>(172)</b>	(52)
Indirect taxation: VAT	33	<b>(44)</b>	(33)
<b>Loss from operations</b>	65	<b>(987)</b>	(2 787)
Capital items	>100	<b>341</b>	-
<b>Loss before taxation</b>	77	<b>(646)</b>	(2 787)
Direct taxation: current and deferred		-	-
<b>Loss for the period</b>	77	<b>(646)</b>	(2 787)
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>	77	<b>(646)</b>	(2 787)

**AFRICAN BANK LIMITED (under curatorship)**  
**INTERIM FINANCIAL STATEMENTS**  
**1975/002526/06**

**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**for the six months ended 31 March 2016**

<b>R million</b>	<b>Ordinary share capital</b>	<b>Ordinary share premium</b>	<b>Accumula ted losses</b>	<b>Available- for- sale reserve</b>	<b>Total</b>
<b>Balance at 30 September 2014 (audited)</b>	<b>121</b>	<b>14 283</b>	<b>(14 019)</b>	<b>-</b>	<b>385</b>
Total comprehensive loss for the period	-	-	(2 787)	-	(2 787)
<b>Balance at 31 March 2015 (reviewed)</b>	<b>121</b>	<b>14 283</b>	<b>(16 806)</b>	<b>-</b>	<b>(2 402)</b>
Total comprehensive loss for the period	-	-	(4 425)	(2)	(4 427)
<b>Balance at 30 September 2015 (audited)</b>	<b>121</b>	<b>14 283</b>	<b>(21 231)</b>	<b>(2)</b>	<b>(6 829)</b>
Total comprehensive loss for the period	-	-	(646)	(3)	(649)
<b>Balance at 31 March 2016 (unaudited)</b>	<b>121</b>	<b>14 283</b>	<b>(21 877)</b>	<b>(5)</b>	<b>(7 478)</b>

**AFRICAN BANK LIMITED (under curatorship)**  
**INTERIM FINANCIAL STATEMENTS**  
**1975/002526/06**

**CONDENSED STATEMENT OF CASH FLOWS**  
**for the six months ended 31 March 2016**

<b>R million</b>	<b>Unaudited 6 months to March 2016</b>	<b>Reviewed 6 months to March 2015</b>
Cash generated from operations	<b>3 550</b>	4 499
Cash received from lending activities and cash reserves	<b>4 709</b>	6 271
Recoveries on advances previously written off	<b>369</b>	214
Cash paid to clients, suppliers of funding, employees and agents	<b>(1 528)</b>	(1 986)
(Decrease)/Increase in gross advances	<b>(39)</b>	319
Decrease/(Increase) in statutory assets	<b>82</b>	(582)
Increase/(Decrease) in customer deposits	<b>12</b>	(17)
Indirect and direct taxation paid	<b>(44)</b>	(33)
<b>Cash inflow from operating activities</b>	<b>3 561</b>	4 186
Cash inflow/(outflow) from investing activities	<b>161</b>	(74)
Acquisition of property and equipment (to maintain operations)	<b>(11)</b>	(73)
Acquisition of intangible assets (to maintain operations)	<b>(5)</b>	(14)
Net movement in other investing activities	<b>177</b>	13
Cash (outflow)/inflow from financing activities	<b>(714)</b>	747
Cash (outflow)/inflow from funding activities	<b>(714)</b>	747
Ordinary shareholders' payments and transactions	<b>-</b>	-
<b>Increase in cash and cash equivalents</b>	<b>3 008</b>	4 859
<b>Cash and cash equivalents classified as held for sale</b>	<b>(11 376)</b>	-
<b>Cash and cash equivalents at the beginning of the period</b>	<b>14 526</b>	3 582
<b>Cash and cash equivalents at the end of the period</b>	<b>6 158</b>	8 441

**AFRICAN BANK LIMITED (under curatorship)**  
**INTERIM FINANCIAL STATEMENTS**  
**1975/002526/06**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

**General information**

African Bank Limited (in curatorship) (“African Bank” or “the Bank”) is a public company incorporated in the Republic of South Africa. The parent company, African Bank Investments Limited (in business rescue) (a company listed on the JSE), controlled the Bank until 10 August 2014, the date at which the curatorship of the Bank commenced. Thereafter the management of the Bank vested in the Curator subject to the supervision of the Registrar of Banks. The Bank’s main business is providing unsecured personal loans.

**Basis of preparation**

The condensed interim financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, IAS 34 Interim Financial Reporting, the South African Institute of Chartered Accountants (SAICA), Financial Reporting Guides as issued by the Accounting Practices Committee (APC) and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa (Act 71 of 2008).

The Bank’s financial statements continue to be prepared on a "break-up" basis on the presumption that the restructuring proposal, as described in the 2015 annual financial statements, is implemented and the Bank is split into a Good Bank and a Residual Bank. The risks and uncertainties that existed in terms of the completion of the restructuring proposals have changed materially between the publication of the 2015 annual results and these interim financial statements. All the approvals which were required in terms of the restructuring proposal were obtained and the restructuring was finalized on 4 April 2016. Due to the impending restructuring, the Bank as a legal entity is no longer regarded as a going concern.

In circumstances where the going concern basis of accounting is not considered appropriate, IFRS does not prescribe the basis of accounting under which financial statements should be prepared. The Bank complies with IFRS, and accordingly the accounting policies and their application are consistent with those used for the 2015 annual financial statements.

Similar to the 2015 annual financial statements, the interim financial statements have been prepared on a “break-up basis”. The assumptions used in measuring the Bank’s non-financial assets and liabilities have been reconsidered in light of the proposed break-up of the Bank into a Good Bank and a Residual Bank. As IAS 39 *Financial Instruments: Recognition and Measurement* prescribes the measurement of the Bank’s financial assets and financial liabilities, the application of the “break-up basis” has not impacted the recognition and measurement of the Bank’s financial assets and financial liabilities. Consequently, the effect on the statement of financial position and statement of comprehensive income of ceasing to prepare the financial statements on a going concern basis has been negligible.

**Accounting policies**

These condensed interim financial statements should be read in conjunction with the 2015 annual financial statements, which were prepared in accordance with IFRS. The Bank has adopted the following standards and interpretations during the financial period, which did not have a material impact on the reported results:

- IFRS 7 – Financial Instruments: Disclosures
- IFRS 10 – Consolidated Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures

**Estimates**

In the application of the Bank’s accounting policies management are required to make judgements, estimates and assumptions about income, expenses and the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates, judgements and assumptions.

**AFRICAN BANK LIMITED (under curatorship)**  
**INTERIM FINANCIAL STATEMENTS**  
**1975/002526/06**

In preparing these condensed interim financial statements, the significant judgements made by the Curator in applying the Bank's accounting policies and key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 30 September 2015.

**Assets classified as held for sale and liabilities associated with them**

The assets and liabilities that are subject to the restructuring proposal to establish the new Good Bank have been reclassified as a disposal group held for sale as of 9 September 2015, the publication date of the Information Memorandum. Management have exercised a level of judgement on this matter and, on the balance of facts presented, it was determined that the criteria in IFRS 5 Non-current assets held for sale and discontinued operations ("IFRS5") have been satisfied in that:

- the disposal group was available for immediate sale in its present condition; and
- the transaction is highly probable.

The Bank determined that the fair value (less costs to sell) of the disposal group was higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognised on the date of reclassification of the assets and liabilities as held for sale, nor as at 31 March 2016.

**The major classes of assets and liabilities of the disposal group at the reporting date are as follows:**

<b>Rmillion</b>	<b>March 2016</b>	September 2015
Short-term deposits and cash	<b>11 376</b>	8 232
Statutory assets	<b>3 780</b>	3 905
Derivatives and other assets	<b>5 455</b>	4 644
Net advances	<b>21 011</b>	20 145
Property and equipment	<b>392</b>	436
Intangible assets	<b>58</b>	74
<b>Assets classified as held for sale</b>	<b>42 072</b>	37 436
Short-term funding	<b>(4 772)</b>	(4 025)
Derivatives and other liabilities	<b>(531)</b>	(344)
Bonds and other long-term funding	<b>-</b>	(84)
<b>Liabilities associated with assets classified as held for sale</b>	<b>(5 303)</b>	(4 453)
<b>Disposal group held for sale</b>	<b>36 769</b>	32 983

**Net advances**

The impairment provisions for gross advances are classified into three categories i.e. specific impairment, portfolio specific impairment and incurred but not reported (IBNR) provisions. The specific impairment provision of R13 837 million (September 2015: R14 867 million) is in respect of the non-performing loan book. The portfolio specific impairment provision of R1 548 million (September 2015: R1 989 million) and the IBNR provision of R894 million (September 2015: R1 045 million) is in respect of the performing loan book.



**AFRICAN BANK LIMITED (under curatorship)**  
**INTERIM FINANCIAL STATEMENTS**  
**1975/002526/06**

Rmillion	Advances	Assets classified as held for sale	Total March 2016
Financial assets that are neither past due nor specifically impaired	1 606	16 412	18 018
Financial assets that are past due subject to collective impairment	711	3 579	4 290
Financial assets specifically impaired	8 989	10 066	19 055
<b>Total credit exposure</b>	<b>11 306</b>	<b>30 057</b>	<b>41 363</b>
Total impairments	(7 140)	(9 139)	(16 279)
Incurred but not reported (IBNR)	(77)	(817)	(894)
Portfolio specific impairment	(252)	(1 296)	(1 548)
Specific impairment	(6 811)	(7 026)	(13 837)
Deferred administration fees	(143)	93	(50)
<b>Net advances</b>	<b>4 023</b>	<b>21 011</b>	<b>25 034</b>

Rmillion	Advances	Assets classified as held for sale	Total September 2015
Financial assets that are neither past due nor specifically impaired	3 386	16 082	19 468
Financial assets that are past due subject to collective impairment	1 537	3 618	5 155
Financial assets specifically impaired	10 844	9 330	20 174
Partially written off advances	-	-	-
Total credit exposure	15 767	29 030	44 797
Total impairments	(9 053)	(8 848)	(17 901)
Incurred but not reported (IBNR)	(185)	(860)	(1 045)
Portfolio specific impairment	(613)	(1 376)	(1 989)
Specific impairment	(8 255)	(6 612)	(14 867)
Deferred administration fees	53	(37)	16
<b>Net advances</b>	<b>6 767</b>	<b>20 145</b>	<b>26 912</b>

**Events after the reporting period**

On 4 April 2016 the company K2014176899 (South Africa) Limited (the restructured new African Bank Limited) has commenced business after the final execution of the restructuring transaction of the Bank. The Bank has formally changed its name to “Residual Debt Services Limited” (which remains under curatorship) and the new bank has likewise changed its name from K2014176899 (South Africa) Limited to “African Bank Limited” and will trade under that name going forward.

The details of the restructuring transaction can be found in the Offer Information Memorandum published on 4 February 2016 as well as in the SENS announcements available on [www.africanbank.co.za](http://www.africanbank.co.za).

There were no other material matters or circumstances arising since the reporting period end, not otherwise dealt with in these condensed interim financial statements, which significantly affects the financial position as at 31 March 2016 or the results of its operations or cash flows for the six months then ended.

**Fair value disclosures**

**Valuation models**

The fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

The Bank measures fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

**AFRICAN BANK LIMITED (under curatorship)**  
**INTERIM FINANCIAL STATEMENTS**  
**1975/002526/06**

- Level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, credit spreads and other factors used in estimating discounting rates, foreign currency exchange rates, bond and equity prices, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter derivatives such as swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Bank uses its own valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include advances and certain loans and securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and selection of appropriate discount rate.

Fair value estimates obtained from models reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty where appropriate.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions and experiences. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair values, and management judgement is required to select the most appropriate point in the range.

### **Valuation framework**

The Bank has an established control framework with respect to the measurement of fair values. This framework includes formalised policies and the approval and review process.

When third party information is used to measure fair value the following procedures are performed in order to ensure that valuations meet the requirements of IFRS:

- verifying that the third party is approved for use in pricing the relevant type of financial instrument; and
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions.

Prior to curatorship significant valuation issues were reported to the Audit Committee and post-curatorship to the Curator.

**AFRICAN BANK LIMITED (under curatorship)**  
**INTERIM FINANCIAL STATEMENTS**  
**1975/002526/06**

**Fair value measurements recognised in the statement of financial position**

The following table provides an analysis of financial instruments that are measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All financial instruments measured at fair value constitute part of the assets held for sale at the reporting date.

<b>Rmillion</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 March 2016 (unaudited)</b>				
<b>Financial assets</b>				
Statutory assets	1 633	2 147	-	3 780
Derivative instruments	-	5 219	-	5 219
<b>Total</b>	-	<b>7 366</b>	-	<b>8 999</b>
<b>Financial liabilities</b>				
Derivative instruments	-	18	-	18
<b>Total</b>	-	<b>18</b>	-	<b>18</b>

<b>Rmillion</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30 September 2015 (audited)</b>				
<b>Financial assets</b>				
Statutory assets	3 103	802	-	3 905
Derivative instruments	-	4 515	-	4 515
<b>Total</b>	-	<b>5 317</b>	-	<b>8 420</b>
<b>Financial liabilities</b>				
Derivative instruments	-	39	-	39
<b>Total</b>	-	<b>39</b>	-	<b>39</b>

There were no transfers between levels of the fair value hierarchy.

**Valuation techniques, significant unobservable inputs and sensitivity of level 2 financial instruments measured at fair value**

The table below indicates the valuation techniques and main assumptions used in the determination of the fair value of the level 2 assets and liabilities for which fair value is measured:

<b>31 March 2016 (unaudited)</b>	<b>Valuation basis / techniques</b>	<b>Main assumptions</b>	<b>Variance in fair value measurement</b>	<b>Effect on profit / (loss) (after tax) Rm</b>
<b>Assets</b>				
Statutory assets	Discounted cash flows	Discount rates	100 bps	3
Cross-currency swaps	Discounted cash flow	Discount rates	10% in spot rate	1 301
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	23
<b>Liabilities</b>				
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	9

**AFRICAN BANK LIMITED (under curatorship)**  
**INTERIM FINANCIAL STATEMENTS**  
**1975/002526/06**

<b>30 September 2015 (audited)</b>	<b>Valuation basis / techniques</b>	<b>Main assumptions</b>	<b>Variance in fair value measurement</b>	<b>Effect on profit / (loss) (after tax) Rm</b>
<b>Assets</b>				
Statutory assets	Discounted cash flows	Discount rates	100 bps	(25)
Cross-currency swaps	Discounted cash flow	Discount rates	10% in spot rate	1 251
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	(61)
<b>Liabilities</b>				
Interest rate swaps	Discounted cash flow	Discount and risk free rates	100 bps	23

**Other matters**

During this interim period the Bank has recognised an additional impairment loss on the loans to affiliated companies to the total value of R4 million. During the same period the Bank has received a liquidation dividend from African Bank Investments Limited and Ellerine Holdings Limited to the total value of R345 million.

The amounts described in the paragraph above are disclosed as capital items in the statement of comprehensive income.

There were no debt or equity securities issued or repurchased during the interim period.