

URDSTS2: Payment Distribution Notification – Residual Debt Services Limited subordinated stub instruments

17 July 2024

Residual Debt Services Limited

(Under Curatorship)

(formerly known as African Bank Limited (under Curatorship), incorporated with limited liability in the Republic of South Africa under Registration Number 1975/002526/06)

(the Company)

ISIN: ZAU000014532

Introduction and background:

The Company was placed under curatorship, in terms of Section 69 of the South African Banks Act 94 of 1990 (the Banks Act), on 10 August 2014.

The first Curator, T Winterboer, issued an Offering Information Memorandum (OIM) to affected parties detailing the intended restructure of the Company on 4 February 2016. On 4 April 2016, the restructure of the Company took place through, inter alia, the creation of a new bank (African Bank Limited) registered under the Banks Act, and the transfer of the core assets and business of the Company to African Bank Limited.

As part of the restructure of the Company, its material liabilities were exchanged for (i) new debt instruments in African Bank Limited; and (ii) transferable and non-transferable senior stub instruments and sub-ordinated stub instruments in the Company that entitle the holders thereof to payments from the Company under certain circumstances (the Exchange Offer).

Before any payments could be made by the Company to senior stub holders it had to discharge, in full, certain obligations to the South African Reserve Bank and accumulate a R3 billion indemnity reserve fund. These obligations / undertakings have been fulfilled.

The current Curator (Craig Du Plessis, who was appointed on 1 April 2018) has continued to make six monthly payment distributions, and two extraordinary distributions to stub instrument holders. The first extraordinary payment of R2 700 million took place in December 2022 following the partial reduction of the indemnity and indemnity reserve fund from R3 000 million to R500 million and operating float from R500 million to R300 million, with the second extraordinary payment of R600 million taking place in April 2024 following the expiry of the indemnity and indemnity reserve fund on 4 April 2024 and a further partial reduction of the operating float from R300 million to R200 million. The transferable and non-transferable senior stub instruments were fully repaid on 6 December 2022, allowing for the subordinate stub holders to receive payments thereafter which have totalled R1 363.7 million to date.

In line with the Curator's announced intention to continue to make 6-monthly distributions of the surplus funds collected by the Company to the holders of the subordinated stub instruments in accordance with the terms of such instruments, the current Curator Craig Du Plessis will be making a sixth payment of R100 million to the subordinated stub instrument holders as detailed below.

Payment distribution amount to the subordinated stub instrument holders:

The table below illustrates the subordinated stub instrument's original nominal value and resultant payment distribution percentage, expressed as a percentage of the original nominal value. This sixth payment distribution will be applied to interest outstanding.

Subordinated stub instrument:	Subordinated stub (ZAU000014532)
Original nominal as at 04 April 2016	R3 620 892 415.19
Payment distribution percentage (Payment amount relative to the total original nominal value, rounded down to the nearest 10 th decimal)	2.7617501028%
Or expressed in cents per R1 of stub instrument	2.7617501028 cents
Payment distribution amount	R100 000 000.00

As a result of the platform on which the subordinated stub instruments are managed at the South African Central Securities Depository (CSD), only the beneficial holders' proportional share of the original nominal value is reflected in the register. Consequently, the payment distribution has been expressed as a percentage of this nominal value and will be paid via existing CSD processes.

This sixth subordinated instrument payment distribution consists entirely of interest as detailed in the table below.

Subordinated stub instrument:	Subordinated stub (ZAU000014532)
Nominal as at 04 April 2016	R3 620 892 415.19
Carrying value as at 31 July 2024	R7 704 752 937.98
Payment distribution amount	R100 000 000.00
Interest component	R100 000 000.00
Return of capital component	Nil

Withholding tax:

Interest paid by the CSD to subordinated stub instrument holders that are not tax residents of the Republic of South Africa (Foreign Stub Holders) may be subject to South African withholding tax on interest imposed at a rate of 15% (fifteen percent), subject to certain exemptions contained in the Income Tax Act No. 58 of 1962 and any relief available in terms of the applicable agreement for the prevention of double taxation. To the extent that any Foreign Stub Holders intend to rely on the aforementioned exemptions/relief, they must furnish the CSD Participant with the prescribed declaration and undertaking before the payment distribution date of 31 July 2024.

In Summary:

Total payment distributions to stub instrument holders amounts to R8.55 billion which comprises R7.086 billion to senior stub instruments holders and R1 463.7 million to subordinate stub instrument holders as detailed in the table below:

Payment distributions:	Senior transferable stub (ZAU000014557)	Senior non - transferable stub (ZAU000014540)	Subordinated stub (ZAU000014532)
1 st payment distribution on 29 January 2018	R499 833 162	R166 838	
2 nd payment distribution on 30 July 2018	R649 783 111	R216 889	
3 rd payment distribution on 30 January 2019	R649 783 111	R216 889	
4 th payment distribution on 31 July 2019	R599 799 795	R200 205	
5 th payment distribution on 29 January 2020	R499 833 162	R166 838	
6 th payment distribution on 29 July 2020	R399 866 530	R133 470	
7 th payment distribution on 27 January 2021	R399 866 530	R133 470	
8 th payment distribution on 28 July 2021	R349 883 214	R116 786	
9 th payment distribution on 26 January 2022	R299 899 897	R100 103	
10 th payment distribution on 27 July 2022	R249 916 581	R83 419	
11 th /1 st payment distribution on 6 December 2022	R2 485 437 854	R829 606	R213 732 540
2 nd payment distribution on 31 January 2023			R200 000 000
3 rd payment distribution on 31 July 2023			R200 000 000
4 th payment distribution on 31 January 2024			R150 000 000
5 th payment distribution on 24 April 2024			R600 000 000
6 th payment distribution on 31 July 2024			R100 000 000
Total payment distributions (per instrument)	R7 083 902 949	R2 364 511	R1 463 732 540
Total payment distributions (senior / subordinated stub instruments)	R7 086 267 460		R1 463 732 540
Total payment distributions	R8 550 000 000		

Salient dates:

Declaration and finalisation date: Wednesday, 17 July 2024

Record date: Wednesday, 24 July 2024

Payment distribution date: Wednesday, 31 July 2024

Ends.