

NOT FOR RELEASE OR DISTRIBUTION**Final Press release for Residual Debt Services Limited****24 May 2018****Residual Debt Services Limited (“RDS”) releases its unaudited condensed interim financial statements for the 6 months ended 31 March 2018****Results Highlights**

- Anticipated further payment of approximately R500 million to holders of the senior stub instrument to be made in July 2018
- Cash on hand of R3 994 million (30 September 2017: R3 675 million)
- Assets (primarily advances and cash) of R4 715 million (30 September 2017: R4 738 million) and liabilities of R9 944 million (30 September 2017: R9 940 million)
- R3 billion indemnity reserve remains fully funded

Curator Craig Du Plessis noted: *“RDS had another successful six months of advance book collections as we continue increasing our focus on late stage collections. We are pleased that RDS should be in a position to make a further payment of approximately R500 million during July 2018 to holders of the senior stub instrument, which will result in total payments approximating R1 billion to such holders”.*

Financial results

RDS reported a loss from operations of R76 million compared to a loss of R324 million for the six months period ended 30 September 2017. Gross advances reduced to R2 584 million on 31 March 2018 from R3 765 million as at 30 September 2017 as a result of the book paying down. Actual collections were slightly ahead of expectation and consequently also contributed to the decrease in the advances book.

Assets as at 31 March 2018 were R4 715 million and liabilities amounted to R9 944 million, resulting in negative equity of R5 229 million. Cash on hand amounted to R3 994 million and includes the indemnity reserve fund of R3 billion and operating float of R500 million.

C Du Plessis was appointed as curator of Residual Debt Services Limited (the “Company”) on 1 April 2018 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 Du Plessis acts in the aforesaid capacity.

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

Tel: 011 256 9000 **Address:** 59 16th Road, Midrand, South Africa **Postal:** Private Bag X170, Halfway House, 1685, South Africa

Company Secretary: BW Unser

NCR Registration number: NCRCP5. Residual Debt Services Limited (under curatorship) is an Authorised Financial Services and Credit Provider. RDC91017/16

Full funding of the indemnity reserve fund and payments to holders of the senior stub instrument

The indemnity reserve fund has been fully funded since 1 September 2017. As a result, RDS was in a position to make a first payment of R500 million to holders of the senior stub instrument in January 2018. This represents 12.59% of the principal value of the senior stub instrument of R3.97 billion as at 10 August 2014 when RDS was placed into curatorship. The holders of the senior stub instrument also received a payment of R2.7 million to partly compensate them for legal fees incurred.

It is anticipated that a further payment of approximately R500 million will be made to holders of the senior stub instrument in July 2018, which will result in total payments of approximately R1 billion.

Claims against the indemnity

To date, the curator has not received notice of any identified claim against the indemnity provided to African Bank Limited.

Should there be no notice of claims received at the date of expiry of the indemnity on 4 April 2024, the indemnity reserve balance will become available to make payments to the holders of the stub instruments in accordance with the agreed cash flow waterfall (firstly to the holders of the senior stub instrument and thereafter to holders of the subordinated stub instrument).

Fair value of stub instruments

The fair values of the stub instruments have been based on two scenarios. Under the first scenario, it is assumed that there is a full claim against the indemnity reserve of R3 billion, while under the second scenario it is assumed that there is no claim against the indemnity reserve of R3 billion.

Both scenarios include the assumptions that the expected cash flows derived from the remaining advances are for a 60 month period. It is also assumed that the operating float of R500 million will be paid to the holders of the senior stub instrument at the end of the 60 month period under scenario one, and at the end of the indemnity period (being 4 April 2024) under scenario two.

All future cash flows were discounted at a modified weighted average cost of capital ("WACC") of 14.0% NACM. In the second scenario, the R3 billion indemnity reserve and R500 million operating float are discounted at the 6 year risk free rate of 7.32% NACQ.

The fair value of the senior stub instrument under scenario one (full claim against the indemnity reserve of R3 billion) is R2 606 million. The fair value of the senior stub instrument under scenario two (no claim against the indemnity reserve of R3 billion) is R5 159 million.

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Fair value summary and possible distributions

A substantial recovery for holders of the senior stub instrument is expected, albeit that the timing of payments and quantum will be reliant on future performance of collections and the extent of any claims against the indemnity reserve.

No payment to holders of the subordinated stub instrument is expected.

No distributions to the shareholder of RDS (being African Phoenix Investments Limited - previously known as African Bank Investments Limited) are expected.

National Credit Regulator ("NCR") and legal proceedings

In February 2018, the NCR concluded its investigation into certain activities of the RDS (allegations of reckless lending) prior to curatorship.

An independent audit firm appointed by the NCR found that 2.61% of credit agreements (19 285 credit agreements of a total population of 738 483 credit agreements) were identified as having negative affordability in respect of their interpretation of the National Credit Act. These credit agreements were granted prior to the issuance of the affordability assessment regulations which came into effect in 2015.

The outstanding balances in respect of these credit agreements have been consequently written off by RDS. The 19 285 credit agreements that were affected resulted a financial write off of R730 million and a simultaneous release of the impairments provision amounting to R663 million. The overall impact was a R67 million loss for the Company. All credit bureaus have been requested to amend the records of the individuals concerned. The effect of the write offs means that RDS will not collect on them.

There are currently no material ongoing legal proceedings.

South African Revenue Service ("SARS")

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

ENDS

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On behalf of Craig Du Plessis, Curator of Residual Debt Services Limited

Conference call

A conference call is being held today at 12h00 SAST. Interested parties are requested to pre-register for this conference call at <https://goo.gl/v8DSUX> and follow the instructions provided. The call is being recorded and will be available

C Du Plessis was appointed as curator of Residual Debt Services Limited (the "Company") on 1 April 2018 by the Minister of Finance of the Republic of South Africa and pursuant to the Board of Directors' resolution, Craig Du Plessis is acting as the Curator of the Company. The Curator is acting in the capacity of the Curator of the Company and acts in the aforesaid capacity.

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via the company website (www.residualdebtsservices.co.za) from
25 May 2018.

RESIDUAL DEBT SERVICES LIMITED

(under curatorship)

Notes to editors

RDS was placed under curatorship on 10 August 2014, when it was named African Bank Limited. RDS was still under curatorship at this reporting date, and will remain under curatorship for the foreseeable future. The business was successfully restructured on 4 April 2016 by means of a transfer of an identified portion of the assets and restructured liabilities; together with a fresh capital injection of R10 billion by the new shareholders into the new banking entity renamed African Bank Limited on that date. The assets and liabilities transferred on 4 April 2016 are referred to as “available for sale” in the comparative numbers for the year ended 30 September 2015.

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