

Final press release for Residual Debt Services Limited

26 June 2024

Residual Debt Services Limited (“RDS”) continues to pay Subordinated stub instrument holders after full repayment of Senior unsecured stub instruments holders on 6 December 2022

Results highlights

- An amount of R7.85 billion has been paid to senior and subordinated stub instrument holders to date, which excludes the extraordinary payment of R600 million made on 24 April 2024 as a result of the expiry of the indemnity of R500 million and reduction in the operating float from R300 million to R200 million
- Senior unsecured stub instruments were fully settled on 6 December 2022
- Total payment of R8.450 billion paid to all stub creditors to date
- Anticipated sixth payment to subordinated stub instrument holders of between R100 million and R150 million to be made during July 2024

The Curator, Craig Du Plessis commented, “Our ongoing successful collaboration with African Bank to collect on the RDS loan book has further resulted in a total amount of R7.85 billion being paid to subordinated stub instrument holders to the end of 31 March 2024.

Post the six months reporting period ended 31 March 2024 and on 24 April 2024, we were pleased to have made an extraordinary payment of R600 million to subordinated stub instrument holders as a result of the expiration of the R500 million indemnity on 4 April 2024, and a reduction of the operating float from R300 million to R200 million.”

Financial results

Net advances decreased to R61 million for the six months ended 31 March 2024 compared to R75 million at 30 September 2023 due to the book paying down and write offs.

Cash and financial instruments of R921 million (30 September 2023: R901 million) comprises the indemnity reserve of R500 million, operating float of R300 million and surplus cash held in current accounts and money market funds.

RDS reported a loss of R391 million for the six months ended 31 March 2024 compared to a loss of R281 million for the six months ended 31 March 2023. Operating costs reduced to R57 million from R71 million for the six months ended 31 March 2023 primarily as a result of reducing collections as the book continues to run down, which results in lower collections fees paid.

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.

Collection of the book continues to run smoothly, albeit with reduced expectations for future collections as the book remains in “run-down”. Overall provision coverage remained in line with FY 2023 at 76% due to the aging of the book and collections models being conservatively recalibrated.

Payments to creditors and expiration of SARB indemnity reserve

Senior unsecured stub instruments were fully repaid on 6 December 2022 totaling some R7.086 billion.

The subordinate stub instrument holders have received payments totalling some R1.364 billion to date (inclusive of the 24 April payment of R600 million), bringing the total payment to all creditors to R8.450 billion.

As the SARB indemnity expired on 4 April 2024 (post the half year reporting period) without a claim against it and the operating float was reduced from R300 million to R200 million, an extraordinary payment of the R600 million was made to subordinate stub instrument holders on 24 April 2024.

Any surplus cash that accumulates over the R200 million operating float will be released to subordinated stub instrument holders every six months in January and July of each year.

It is anticipated that a sixth payment of between R100 million and R150 million will be made to holders of the subordinated stub instrument holders during July 2024.

Valuation of subordinated stub instruments

The fair value and contractual carrying value of the subordinated unsecured stub instruments amounts to R1.238 billion and R7.971 billion respectively as at 31 March 2024.

The full claim scenario is no longer applicable as there was no claim on the indemnity that expired of 4 April 2024.

The “No claim” scenario assumes that the indemnity reserve has not been called, which is in fact what transpired.

Legal proceedings

RDS is in a dispute with Company Unique Finance (Pty) Ltd (“CUF”). The matter is in relation to a transaction concluded in 2004 between RDS (Old African Bank Limited) and CUF whereby the ring-fenced business was transferred to CUF.

The ring-fenced business included loan claims against borrowers which were secured by mortgage bonds, and properties taken into possession pursuant to defaults on those loans.

RDS' position is that the entire mortgage loan and asset-based lending business was disposed of and that all the related security which remain registered in RDS' name should have been transferred into the name of CUF.

The legal matter remains unresolved, with the latest judgement being received on 26 January 2024 that CUF's application to leave to appeal has been granted. The appeal hearing has been set down for hearing on 3 December 2025.

To the extent that a liability arises, such would rank *pari passu* with senior unsecured creditors.

There are currently no other material ongoing legal proceedings.

ENDS

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

Conference call

A MS TEAMS call is being held today at 3pm SAST. Interested parties are requested to send a note to Louise Brugman to request an invite into their calendars with further details to link into the call. The call is being recorded and will be available via the website (www.residualdebtservices.co.za).

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 old African Bank Limited ("ABL") 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. (African Bank Limited is the operating bank, while the old African Bank Investments Limited ('ABIL') was the holding company).

The RDS balance sheet consists of the remaining assets, and the remaining liabilities of African Bank Limited which are known as 'the stub instruments'.

RDS shares are held by Weonit Projects (Proprietary) Limited ("Weonit"). Weonit acquired the shares of RDS from African Phoenix Investments Limited (the new registered name for African Bank Investments Limited ("ABIL")) on 31 December 2019. The change of shareholding has no impact on RDS or its creditors.

The current purpose of RDS during curatorship is to collect the outstanding advances retained by the company, to make payment to stub note holders. Due to the nature of the curatorship being in a "run down" basis, the financial statements are not presented on a going concern basis.