

**Unaudited Interim Financial Results
for the six months ended 31 March 2024**

Residual Debt Services Limited (under curatorship)



**Including:
Interim Results H1 2024
Operational update H1 2024**

26 June 2024

These results are for Residual Debt Services Limited (“RDS”), which was placed into curatorship on 10 August 2014, is still in curatorship at this presentation date (26 June 2024) and will remain in 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.

The RDS balance sheet therefore consists of the remaining assets, and the remaining liabilities which are known as ‘the stub instruments’.

This presentation and the Unaudited Interim Financial Statements can be accessed at www.residualdebtservices.co.za.

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1. Unaudited Condensed Interim Financial Statements

Summary statement of financial position

Residual Debt Services Limited
(under curatorship)

R millions

Assets	Mar 24	Sep 23	Liabilities/Equity	Mar 24	Sep 23
Cash and financial instruments (1)	921	901	Other liabilities	73	44
Other assets	6	9	Stub instruments	7 971	7 606
Net advances	61	75	Senior unsecured	0	0
Gross advances (2)	253	311	Subordinated unsecured	7 971	7 606
Impairment provisions	(192)	(236)			
Total on balance sheet	988	985	Total liabilities	8 044	7 650
			Equity	(7 056)	(6 665)
Fair value adjustments	516	565	Total on balance sheet	988	985
Net advances	24	30	Excess of fair value over net advances values		
Written off book (3)	492	535	Fair value of written off book		
Fair value of balance sheet	1 504	1 550			

Notes

- 1) Cash comprises the indemnity reserve of R500 million, operating float of R300 million and surplus cash held in current accounts and money market funds
- 2) Gross value of the written off book amounts to R4.82 billion (FY2023: R5.21 billion)
- 3) The fair value adjustment of R516 million (FY2023: R565 million) includes an estimated fair value of the written off book of R492 million (FY2023: R535 million). Fair value of Net Advances is R577 million (FY2023: R640 million)

1. Unaudited Condensed Interim Financial Results

Condensed Income Statement

Residual Debt Services Limited
(under curatorship)

R millions	H1 2024	H1 2023	H2 2023	FY 2023	H1 2022	H2 2022	FY 2022
Interest income on advances	-	1	(1)	-	-	-	-
Credit impairment reversal (1)	147	188	168	356	267	229	496
Risk adjusted income from operations	147	189	167	356	267	229	496
Interest income on cash (2)	41	71	42	113	81	102	183
Interest expense and similar charges	(515)	(465)	(488)	(953)	(388)	(437)	(825)
Operating costs (3)	(57)	(71)	(64)	(135)	(99)	(87)	(186)
Indirect taxation: VAT	(7)	(5)	(9)	(14)	(7)	(6)	(13)
Loss for the period	(391)	(281)	(352)	(633)	(146)	(199)	(345)

Notes

- 1) Credit impairment reversal from recoveries on written off and provided amounts reduced
- 2) Reduced cash balances continued to generate interest income. Yields earned have stabilised as benchmark rates have plateaued
- 3) Reducing collections (as the book continues to run down) resulting in lower collections fees paid

1. Unaudited Condensed Interim Financial Statements

Net Advances Overview

Residual Debt Services Limited
(under curatorship)

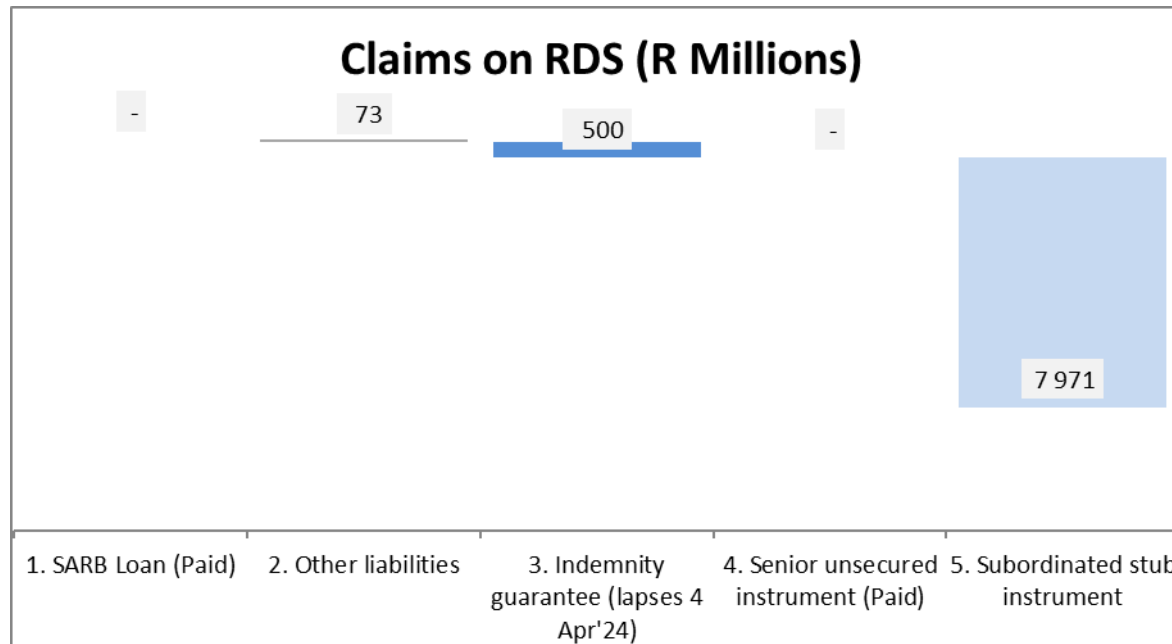
R millions

	Mar 24	Sep 23
Gross advances	253	311
Impairment provisions	(192)	(236)
Net advances	61	75
Provision coverage	76%	76%

- Reduction in gross advances as a result of book paying down and write offs
- Overall provision coverage of 76% for the period ended March 2024 (R192 million/R253 million) is in line with FY2023 due to the aging of the book and collections models being conservatively recalibrated
- Fair value of advances: R577 million (H1 2024) versus R640 million (FY2023)

1. Unaudited Condensed Interim Financial Statements

Claims Waterfall



In order of decreasing seniority

1. SARB loan - R3.3 billion (fully repaid in Sep 2016)
2. Other liabilities incl. payables and accruals of R73 million at 31 March 2024
3. Indemnity guarantee - R500 million (lapsed on 4 April 2024 and repaid on 24 April 2024 together with R100 million as operating float was reduced to R200 million)
4. Senior unsecured stub instrument - fully repaid on 6 December 2022
5. Subordinated stub instrument - R7.971 billion at 31 March 2024
6. Shareholders of RDS - no value at present

1. Unaudited Condensed Interim Financial Statements

Fair value of stub instruments

R millions	Claim against indemnity reserve	
Stub instruments fair value	Full claim (R500 million)	No claim
Subordinated stub instrument	N/A	1 238

- The fair value is assessed as a discounted cash flow of forecast future receipts and payments for 60 months from the advances book
- In December 2022 in the indemnity reserve reduced from R3 billion to R500 million and the operating float reduced from R500 million to R300 million
- R2.7 billion was paid to stub holders on 6 December 2022 (c. R2.486 billion to senior stub holders as full and final settlement, and c. R214 million to subordinated stub holders)
- A second, third and fourth payment totalling R550 million to subordinated stub holders was made in January 2023, July 2023 and January 2024
- All cash flows are discounted at a WACC of 14% NACM, except for the remaining indemnity reserve balance (at a 1 month risk free rate of 8.28% NACQ)
- The “Full claim” scenario is no longer applicable as there was no claim on the indemnity reserve through to the expiry date of 4 April 2024
- The “No claim” scenario assumes that the indemnity reserve has not been called, which is in fact what transpired
- The additional judgemental cash outflow of R130 million (FY2023: R200 million) has been incorporated for potential future closure and associated costs

1. Unaudited Condensed Interim Financial Statements

Fair value of stub instruments (continued)

- The payment of R600 million on 24 April 2024 relates to the repayment of the indemnity reserve of R500 million and the R100 million resulting from the reduction of the operating float from R300 million to R200 million
- Any surplus cash that accumulates over the R200 million operating float is released to subordinated stub instrument holders every six months in January and July of each year
- An amount of R7.85 billion has been paid to stub instrument holders to 31 March 2024. An extraordinary payment of R600 million to subordinated stub instrument holders was made on 24 April 2024 which results in total payments to stub instrument holders of R8.45 billion
- Further details regarding assumptions are provided in the Notes to the Unaudited Condensed Interim Financial Statements for the six months ended 31 March 2024

1. Unaudited Condensed Interim Financial Statements

Fair values and sensitivities overview (continued)

Fair value sensitivities: “No claim” against the indemnity reserve

R millions	31 March 2024			30 September 2023		
	Fair value @ 13.0% NACM	Fair value @ 14.0% NACM	Fair value @ 15.0% NACM	Fair value @ 13.0% NACM	Fair value @ 14.0% NACM	Fair value @ 15.0% NACM
Subordinated unsecured	1 249	1 238	1 226	1 220	1 207	1 194
Contractual carrying values of stub instruments						
Subordinated unsecured	7 971			7 606		

Note: “Claim” scenario has not been disclosed as this is not a valid scenario as the indemnity reserve lapsed on 4 April 2024 without a claim brought against it

1. Unaudited Condensed Interim Financial Statements

Fair value analysis of stub instruments

R millions	No claim on indemnity reserve
Stub instruments fair value	
Subordinated (31 March 2024)	1 238
Fair value/principal value (%)	
<i>Subordinated</i>	<i>34,2%</i>
Principal value of stub instrument	
Subordinated (4 April 2016)	3 621
Fair value/carrying value (%)	
Subordinated (31 March 2024)	15,5%
Carrying value of stub Instrument	
Subordinated (31 March 2024)	7 971

1. Unaudited Condensed Interim Financial Statements

Fair values - Closure costs sensitivity

- Final closure costs increased and decreased by R50 million based on a 14% WACC:

R millions

Stub instruments fair value

Subordinated	No claim on indemnity reserve	Change
Fair value - IFS (R130m)	1 238	
R50m reduction in costs	1 276	38
R50m increase in costs	1 199	(39)



- **SARB indemnity**

- RDS originally provided a R3 billion indemnity to African Bank
 - In respect of assets transferred to African Bank
 - Expired on 8th anniversary of restructuring transaction (4 April 2024)
- RDS and ABL entered into an agreement on or about 21 November 2022 whereby the indemnity and indemnity reserve was reduced from R3 billion to R500 million. Furthermore, RDS reduced the operational float from R500 million to R300 million, resulting in surplus cash of R2.7 billion that was paid out to stub holders on 6 December 2022
- The reduced indemnity expired on 4 April 2024 (post the half year reporting period) and as there were no claims, this R500 million together with R100 million (reduction in the operational float from R300 million to R200 million) was paid to subordinated stub instrument holders on 24 April 2024

1. Unaudited Condensed Interim Financial Statements

Other matters (continued)

- **SARS - taxation**
 - RDS has open tax matters with SARS primarily related to deductibility of impairment provisions in prior years
 - Due to current uncertainty in this matter, no deferred tax asset or liability has been raised and the matter has advanced to an appeal stage at the courts
- **GEMS contingent liability**
 - Resultant from a 2004 court order (prescription period of 30 years)
 - Remaining contingent liability of R20 million
- **Legal proceedings**
 - RDS has a dispute with Company Unique Finance (Pty) Ltd ("CUF") in relation to a transaction concluded in 2004 between RDS (Old African Bank Limited) and CUF ("the parties") whereby the ring-fenced business was transferred to CUF

1. Unaudited Condensed Interim Financial Statements

Other matters (continued)

- **Legal proceedings (continued)**

- 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
- An arbitration hearing took place in September 2020, with the arbitrator granting an award predominantly in favour of CUF. RDS appealed the arbitration award and in December 2020 the appeal was awarded in the favour of RDS and ruled that the entirety of the mortgage loan and asset-based lending business (referred to as the ring-fenced business) was sold to CUF in October 2004
- 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
- As some of these mortgage bonds and properties in possession remain registered in RDS' name, RDS also sought an award directing that CUF take transfer, at its cost (which would include settling amounts due to local municipal authorities or third parties), of all properties and securities that formed part of the ring-fenced business that are still registered in the name of RDS

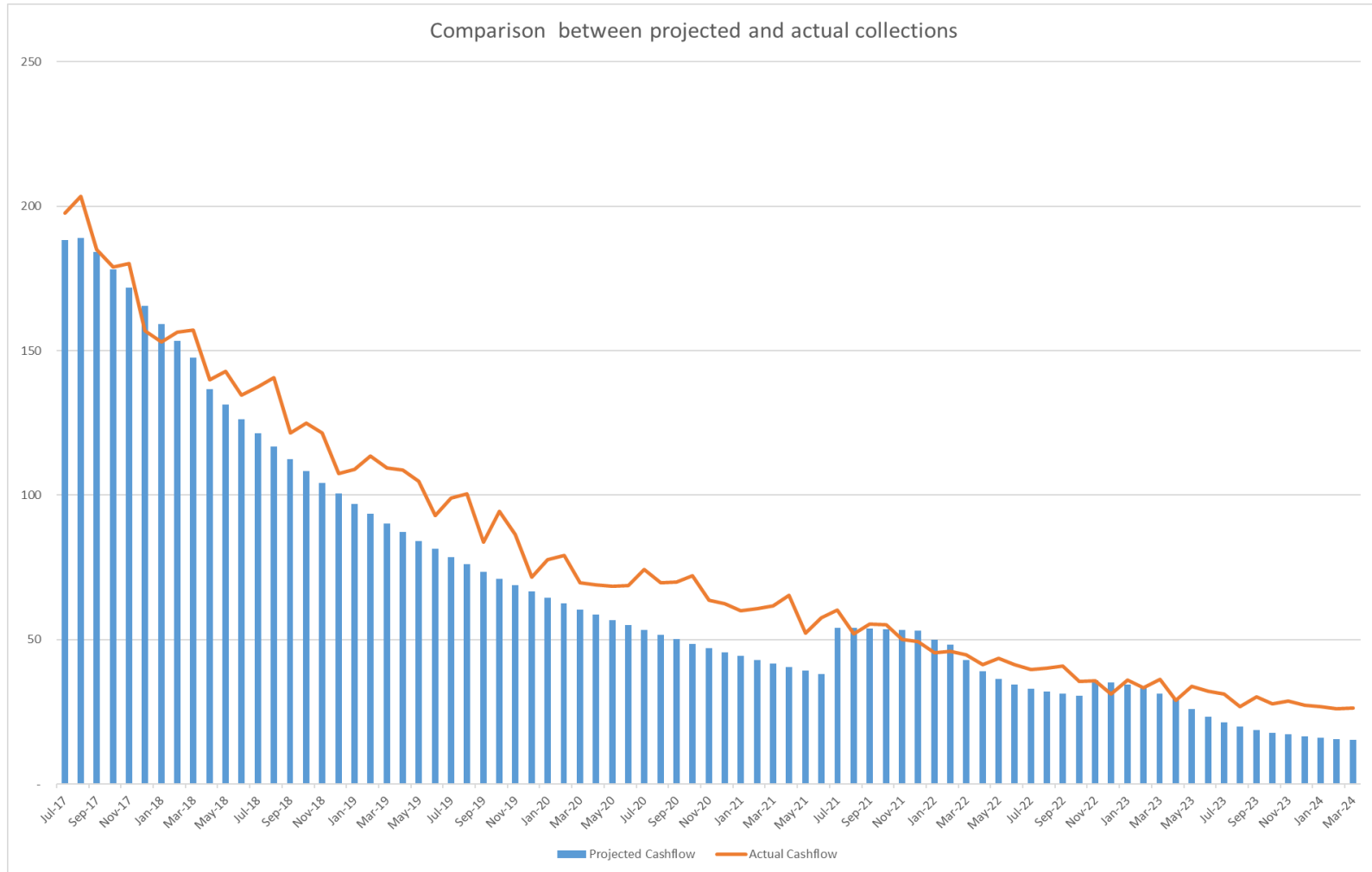
1. Unaudited Condensed Interim Financial Statements

Other matters (continued)



- **Legal proceedings (continued)**
 - RDS subsequently lodged a high court application seeking an order directing the Chief Registrar of Deeds to cause the title deeds of the relevant immovable properties to be endorsed in the respective Deeds Registries to reflect that the right, title and interest of RDS in the mortgage bonds and properties possession were transferred to CUF in October 2004 in terms of section 54 of the Banks Act 94 of 1990. CUF opposed this application, and the matter was heard in the Gauteng High court on 19 and 20 April 2022
 - Judgement in favour of RDS was awarded in December 2022, and on 16 February 2023 RDS received CUF's Notice of Appeal to the Supreme Court of Appeal
 - The application for leave to appeal was heard on 20 September 2023 and judgement was received on 26 January 2024 that CUF's application to leave to appeal had been granted. The appeal hearing has been set down for hearing on 3 December 2025. The legal process therefore remains ongoing
 - 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

2. Operational Update



Split Electronic vs Specialised	H1 2019	H2 2019	H1 2020	H2 2020	H1 2021	H2 2021	H1 2022	H2 2022	H1 2023	H2 2023	H1 2024
Specialised	87%	91%	93%	96%	96%	97%	98%	98%	98%	99%	99%
Electronic	13%	9%	7%	4%	4%	3%	2%	2%	2%	1%	1%

3. Conclusion

- Another successful reporting period for RDS, with continued focus on late stage collections as electronic collections decrease
- Collection of the book continues to run smoothly, albeit with reduced expectations for future collections as the book is in “run down”
- As the indemnity reserve expired on 4 April 2024 without a claim against it, this facilitated the extraordinary payment of the R500 million reserve and R100 million relating to the reduction in the operating float from R300 million to R200 million. A total payment of R600 million was made to subordinate stub instrument holders on 24 April 2024
- The senior stub instrument holders (c. R7.086 billion) were fully repaid in December 2022 and the subordinate stub instrument holders have received payments totalling c. R1.364 billion to date (which includes the 24 April payment of R600 million), bringing the total payment to stub holders to R8.450 billion to date
- A sixth payment of between R100 million to R150 million to subordinated stub instrument holders is anticipated to be made in July 2024
- It is expected that the annual financial statements for the year ended 30 September 2024, and further operational and creditors updates will be provided in December 2024

Contact details and information

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Funders

The email box (curator@residualdebtervices.co.za) has been discontinued due to lack of activity

Financial information

Information for the six months ended 31 March 2024

Published at www.residualdebtervices.co.za

- Interim results presentation for the six months ended 31 March 2024
- Interim Financial Statements for six months ended 31 March 2024
- Financial media release on the unaudited interim results for the six months ended 31 March 2024

Questions?

