

Unaudited Financial Results
for the six months ended 31 March 2017

Residual Debt Services Limited (under curatorship)



Including:
Results H1 2017
Operational update H1 2017

8 June 2017

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Unaudited Financial Results for the six months ended
31 March 2017

Residual Debt Services Limited
(under curatorship)

These financial results are for Residual Debt Services Limited (RDS), which was placed into curatorship on 10 August 2014, when it was still named African Bank Limited. RDS remains in curatorship at this reporting date (8 June 2017) and will remain under curatorship for the foreseeable future. The old African Bank Limited 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 assets and liabilities transferred to the new African Bank Limited on 4 April 2016 are referred to as ‘available for sale’ in the comparative numbers for the six months ended 31 March 2016

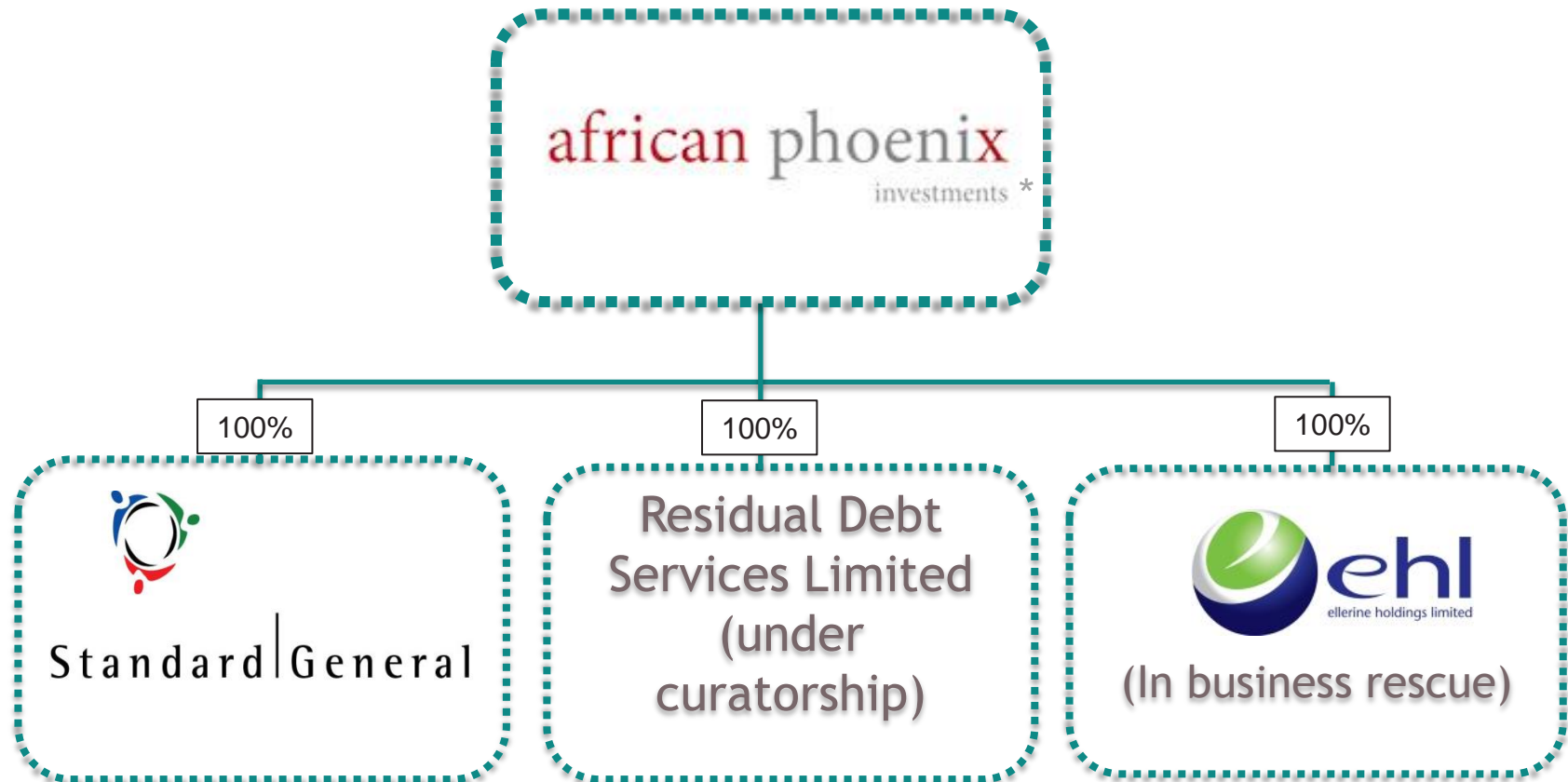
The RDS balance sheet therefore consists of the remaining assets, together with the remaining liabilities, which have become known as ‘the stub instruments’. The half year results reflect the results for the restructured and remaining business for the first six months of the 2017 financial year.

The presentation and results can be accessed at www.residualdebt services.co.za.

Presentation contents

1. Group overview
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3. Operational update
4. Concluding remarks

1. Group overview



- * African Phoenix was previously named African Bank Investments Limited
- The lifting of the suspension in trading in African Phoenix Investments shares on 1 February 2017 is not related to the reporting by RDS

2. Financial Statement analysis

Unaudited Interim Financial Results to 31 March 2017
Results highlights

Residual Debt Services Limited
(under curatorship)

Income /cash flow (comparison to H2 2016 : Apr - Sep 2016)

- Cash inflow from operating activities R1 297 million (2016 : R2 085 million)
- A loss from operations of R450 million (2016 : profit of R42 million)
- Impairment recovery of R225 million (2016 : R657 million)

Balance sheet

- RDS had assets of R 4 487 million (2016 : R4 399 million) and liabilities of R9 398 million (2016 R8 860 million) , resulting in negative equity of R4 911 million (2016 : R4 461 million)
- Cash on hand R2 684 million (2016 R697 million)
 - Cash float R500 million
 - Indemnity reserve fund R2 184 million

2. Financial Statement analysis

Condensed income statement

- including half yearly comparison H1 2017 to H2 2016

R million	H1 2017	H2 2016*	Diff	Comment
Interest income on advances	151	219	(68)	Reduced book
Non-interest income	18	114	(96)	
Income from operations	169	333	(164)	
Credit impairment recovery	225	657	(432)	Driven by recoveries
Income from operations	394	990	(596)	
Other interest income	70	37	33	Interest on higher cash
Interest expense and similar charges	(501)	(540)	39	SARB loan repaid 2016
Operating costs	(390)	(408)	18	
Other losses	-	(5)	5	
Indirect taxation: VAT	(23)	(32)	9	
(Loss)/Profit from operations	(450)	42	(492)	Recovery on EHL and ABIL loans (R316m) and profit on disposal on restructure (fair value > book value R2 654m) in 2016
Capital items	-	2 970	2 970	
(Loss)/Profit before taxation	(450)	3 012	(3 462)	
Direct taxation: current and deferred	-	-	-	
(Loss)/Profit for the year	(450)	3 012	(3 462)	

*Represents period from 4 April - 30 September 2016

2. Financial Statement analysis

Summary statement of financial position

31 March 2017

Asset	R m	Liabilities/Equity	Rm
Cash	2 684	Other liabilities	201
Net advances(1)	1 769	Senior unsecured stub (2)	5 112
Other assets	34	Subordinated unsecured stub (2)	4 085
		Total liabilities	9 398
		Equity	(4 911)
Total	4 487	Total	4 487

Notes

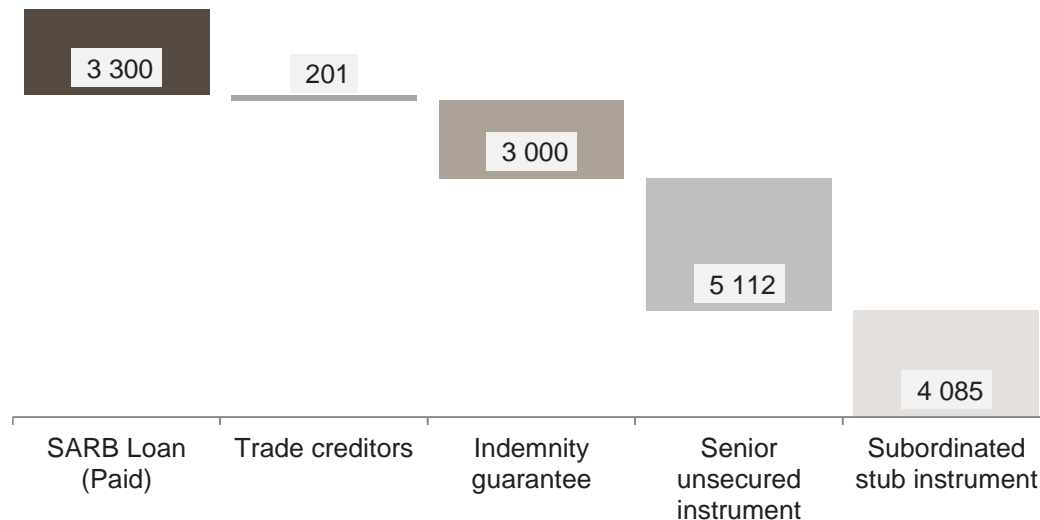
- (1) Represents net book value of advances on book (excluding gross value of written off book R18.8 billion)
- (2) Represents gross value of stub liabilities including accrued contractual interest calculated at
- Senior unsecured stub (3 month JIBAR + 3.00%)
 - Subordinated unsecured stub (3 month JIBAR plus + 5.00%)

2. Financial Statement analysis

Claims waterfall on RDS

31 March 2017

Claims on RDS (R Million)



In order of decreasing seniority

1. SARB loan - R3 300 million (fully repaid by September 2016)
2. Trade creditors/other liabilities - R201 million at 31 March 2017
3. Indemnity guarantee - R3 000 million (expected to be fully funded by December 2017)
4. Senior unsecured stub instrument - R5 112 million at 31 March 2017
5. Subordinated stub instrument - R4 085 million at 31 March 2017
6. Shareholders - no value at present

2. Financial Statement analysis

Statement of financial position as at 31 March 2017

Fair value of stub liabilities

Rm	Claim on indemnity reserve	
	Base (R3 billion)	No claim (R Nil)
Senior stub instruments	2 341	4 730
Subordinated stub instruments	Nil	Nil

- The fair value is assessed as a discounted cash flow of forecast future receipts and payments for 60 months from the advances book
- Cash flows from advances book for 60 months
- All cash flows discounted at WACC of 14%, except for R3.5bn cash float and indemnity reserve in “No claim” scenario, which amounts are discounted at the 7 year risk free rate of 8.0% from March 2024
- The ‘Base’ forecast (with a fair value of R2 341 million of senior stub instruments) assumes that the indemnity will be called in full (R3 billion) spread evenly over a three year period in six equal tranches starting from September 2017
- The ‘No claim forecast’ (with a fair value of R4 730 million of senior stub instruments) assumes that the indemnity will not be called at all
- Any surplus arising after covering the indemnity is released to creditors every six months thereafter based on their ranking as per previous slide

2. Financial Statement analysis

Advances overview

31 March 2017

Net advances	Gross advances 31 March 2017	Gross advances 30 Sep 2016
Gross advances	5 068	7 011
Deferred administration fees	-	36
Gross advances after deferred administration fees	5 068	7 047
Impairment provision	(3 299)	(4 136)
	1 769	2 911

- Reduction in gross advances as a result of book paying down
- Actual collections slightly ahead of expectations contributed to book decrease
- Overall provision coverage of 65% (R3 299 million/R5 068 million), increased from 2016 : 59%
- Net credit impairment recovery R225 million (2016 : R657 million)

2. Financial Statement analysis SARB related matters

SARB loan

- RDS received a SARB loan of R3.3 billion, enabling appropriate asset transfer to give effect to the Transaction on 4 April 2016
- Loan interest and principal ranked senior to any stub instruments
- Loan settled in full by 30 September 2016

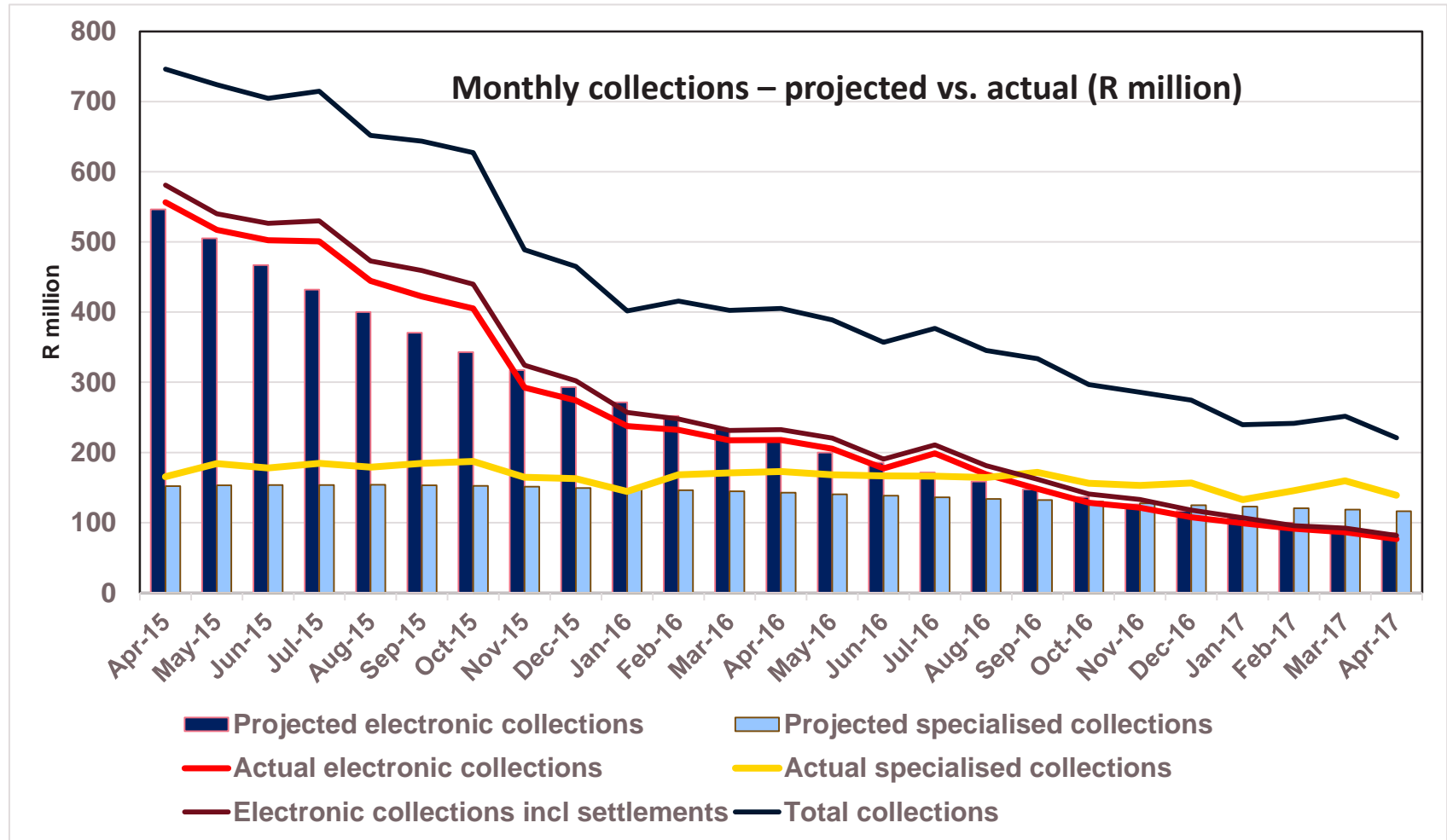
SARB indemnity guarantee

- RDS has provided a R3 billion indemnity to the new African Bank
 - In respect of assets transferred to African Bank
 - Expires on 8th anniversary of restructuring transaction (4 April 2024)
 - SARB provides a matching supporting guarantee to the extent that RDS does not have the cash available for any approved claim under the indemnity
- As at 31 May 2017 indemnity guarantee reserve amounted to R2.5 billion, in addition to an additional operational float of R 500 million
 - Current projections indicate that the indemnity reserve should be fully funded by December 2017.

3. Operational issues

- **NCR investigation into the reckless lending allegations levelled against Residual Debt Services Limited**
 - Cooperating fully with the NCR's ongoing investigation
 - No liability has arisen (or been provided for) at date of reporting
 - Any liability arising would rank alongside senior stub claims
- **SARS - taxation**
 - RDS has open tax matters with SARS primarily related to deductibility of impairment provisions
 - Due to current uncertainty in this matter no deferred tax asset or liability raised

3. Operational update Collections



- Collections performing slightly above forecast

4. Concluding remarks

- Successful six month period
 - Increasing focus on late stage collections as electronic collections decrease
- Continuing collections of RDS running smoothly, albeit with reduced expectations for future collections
- Indemnity fund expected to be fully funded by December 2017
- Next six monthly report in respect of April to September 2017 and AFS in respect of the year ended 30 September 2017 expected to be published in December 2017

Documentation published at www.residualdebtservices.co.za

- Results presentation for the six months ended 31 March 2017
- Statement by Mr T Winterboer, curator of Residual Debt Services Limited
- Media release on results for the six months ended 31 March 2017
- Unaudited interim financial statements for the six months ended 31 March 2017

Questions?

