

FINAL press release for Residual Debt Services Limited

**5 December 2023**

**Residual Debt Services Limited (“RDS”) continues to repay Subordinated stub instrument holders**

**Results highlights**

- An amount of R7.7 billion has been paid to stub instrument holders to date, which includes the extraordinary payment of R2.7 billion on 6 December 2022
- Senior unsecured stub instruments were as a result fully settled on 6 December 2022
- Anticipated fourth payment to subordinated stub instrument holders of between R150 million and R200 million to be made during January 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 an amount of R7.7 billion being paid to stub instrument holders to date.

The SARB indemnity of R500 million expires on 4 April 2024 being the 8<sup>th</sup> anniversary of the restructuring of African Bank. Subordinated stub instrument holders will receive the amount remaining during April 2024 after any claims to the extent applicable have been paid to African Bank. To date there have not been any claims”.

**Financial results**

Net advances decreased to R75 million for the year ended 30 September 2023 compared to R110 million for 30 September 2022 due to the book paying down and write offs.

Cash and financial instruments of R901 million (30 September 2022: R3.7 billion) 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 R633 million for the year ended 30 September 2023 compared to a loss of R345 million for the year ended 30 September 2022. Operating costs reduced to R135 million from R186 million for the year ended 30 September 2022 primarily as a result of lower collection fees paid to African Bank given the “run-down” nature of the book.

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 2022 at 76% due to the aging of the book and collections models being conservatively recalibrated.

*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.*

**Payments to creditors**

A second payment of R200 million and third payment of R200 million to subordinated stub holders was made in January 2023 and July 2023 respectively.

It is anticipated that a fourth payment of between R150 million and R200 million will be made to holders of the subordinated stub instrument holders during January 2024.

Subordinated stub instrument holders will receive a fifth payment (equal to the amount remaining after any claims to the extent applicable have been paid to African Bank) during April 2024 upon expiry of the indemnity that was provided to African Bank.

**Valuation of subordinated stub instruments**

Senior unsecured stub instruments were fully repaid on 6 December 2022.

The contractual carrying value of the subordinated unsecured instruments increased slightly to R7.606 billion as at 30 September 2023 whilst the fair value is R723 million under a "Full claim" against the indemnity reserve scenario and R1.207 billion under a "No claim" against the indemnity reserve scenario.

**Legal proceedings**

RDS has a dispute and is in arbitration 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.

RDS previously lodged a high court application which was opposed by CUF and the matter was heard in the Gauteng High court on 19 April 2022 and 20 April 2022. In December 2022 the arbitration appeal award was made an order of court, and on 16 February 2023 RDS received CUF's Notice of Appeal to the Supreme Court of Appeal. The matter was heard on 20 September 2023 and judgment has been reserved. The legal process therefore remains on-going.

**SARB Indemnity Reserve**

RDS and African Bank 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.

As at 30 September 2023, the indemnity reserve remains fully funded to the amount of R500 million and there have been no claims.

The indemnity expires on 4 April 2024 and any amount remaining after any claims will be paid to Subordinated stub instrument holders during April 2024.

ENDS

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

### **Conference call**

A conference call is being held today at 3pm SAST. Interested parties are requested to pre-register for this conference call at <https://www.diamondpass.net/9616857> and follow the instructions provided. The call is being recorded and will be available via the website ([www.residualdebtservices.co.za](http://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. 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 purpose of RDS during curatorship is to collect the outstanding advances retained by the company, build the required indemnity cash reserves as required by the South African Reserve Bank, and where excess cash is collected, 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.