

Unaudited Condensed Financial Results
for the six months ended 31 March 2018

Residual Debt Services Limited (under curatorship)



Including:
Results H1 2018
Operational update H1 2018

24 May 2018

These financial results are for Residual Debt Services Limited (RDS), which was placed into curatorship on 10 August 2014, is still in curatorship at this reporting date (24 May 2018) 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 RDS balance sheet therefore consists of the remaining assets, together with the remaining liabilities, which have become known as ‘the stub instruments’.

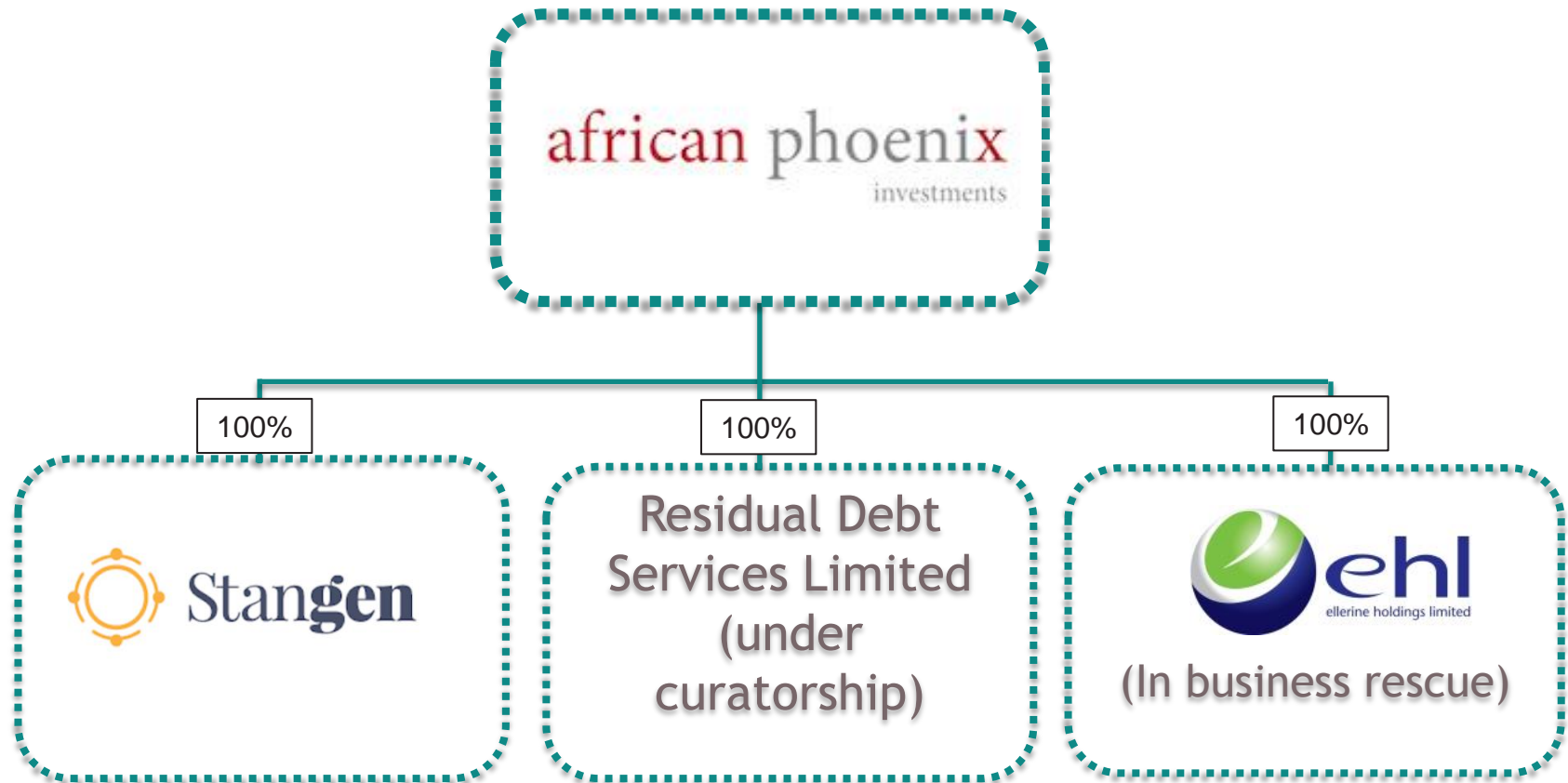
Craig Du Plessis appointed curator with effect from 1 April 2018, replacing Tom Winterboer.

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

Presentation contents

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1. Group overview



- African Phoenix was previously named African Bank Investments Limited (ABIL)
- African Phoenix Investments Limited (APIL) ordinary and preference shares are listed on the Johannesburg Stock Exchange (AXL/AXLP)

2. Financial Statement analysis

Summary statement of financial position

R million

Assets	Mar 18	Sep 17	Liabilities/Equity	Mar 18	Sep 17
Cash (1)	3 994	3 675	Other liabilities	194	220
Net advances	698	1 034	Stub instruments	9 750	9 720
Gross advances (2)	2 584	3 765	Senior unsecured	5 144	5 380
Provisions	(1 886)	(2 731)	Subordinated unsecured	4 606	4 340
Other assets	23	29	Total liabilities	9 944	9 940
Total on balance sheet	4 715	4 738	Equity	(5 229)	(5 202)
Fair value adjustments	1 464	1 669	Total on balance sheet	4 715	4 738
Net advances	254	269	Excess of fair value over net advances values		
Written off book (3)	1 210	1 400	Fair value of written off book		
Fair value of balance sheet	6 179	6 407			

Notes

- 1) Cash fully funds Indemnity reserve and operating float of R500 million
- 2) Gross value of the written off book amounts to R13.4 billion (2017 R15.2 billion)
- 3) The fair value of the advances book of R 2 162 million (2017: R2 703 million) includes estimated fair value of the written off book of R1 210 million (2017: R1 400 million)

2. Financial Statement analysis

Condensed income statement

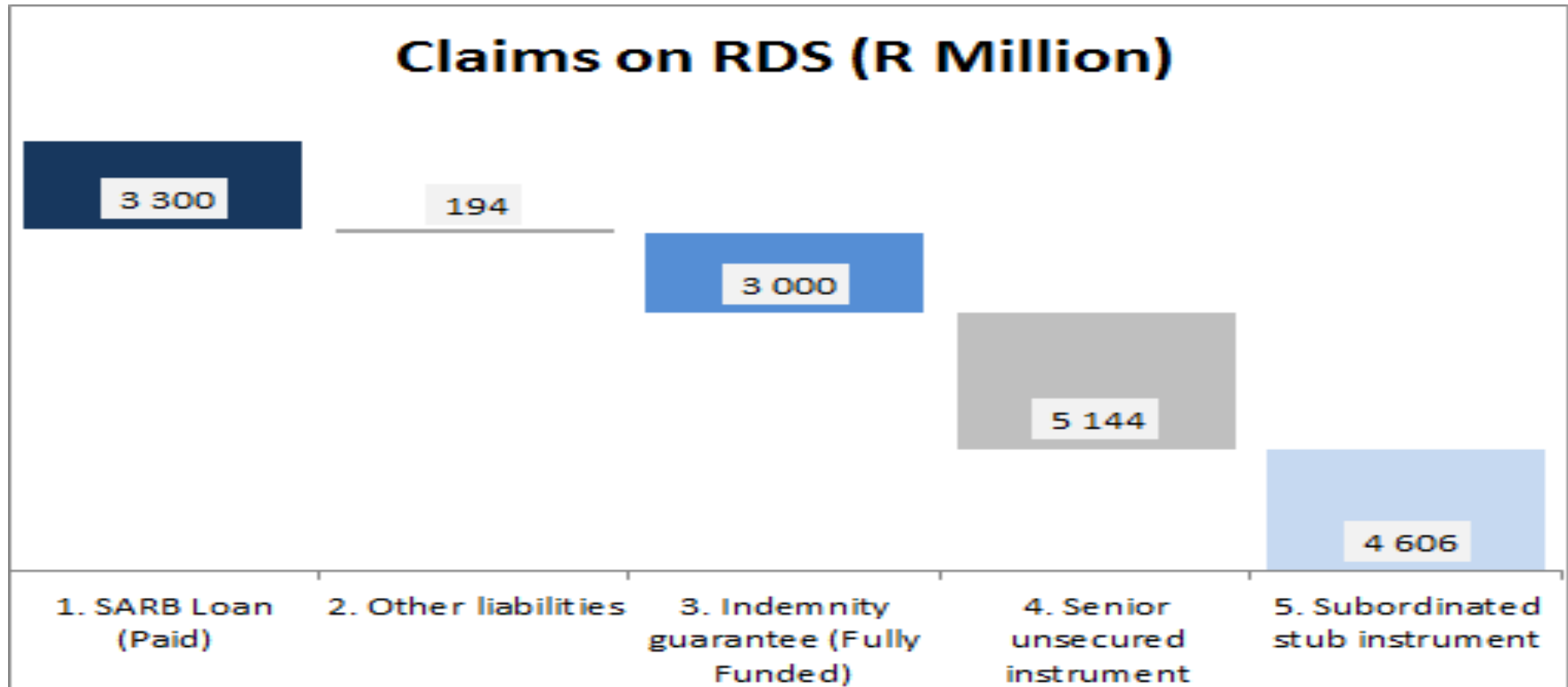
Rmillion	H1 2018	H2 2017	H1 2017	FY 2017
Interest income on advances (1)	38	68	136	204
Credit impairment reversal (2)	604	389	225	614
Risk adjusted income from operations	642	457	361	818
Interest income on cash (3)	152	128	70	198
Other income	6	40	33	73
Interest expense	(530)	(523)	(501)	(1 024)
Operating costs (4)	(311)	(398)	(390)	(788)
Indirect taxation: VAT	(35)	(28)	(23)	(51)
Loss from operations	(76)	(324)	(450)	(774)
Capital items	49	5	-	5
Loss before taxation	(27)	(319)	(450)	(769)
Direct taxation: current and deferred	-	28	-	28
Loss for the period	(27)	(291)	(450)	(741)

Notes

- 1) Lower interest income on advances as a result of decreasing book size
- 2) Increasing credit impairment reversal from higher recoveries on written off and provided amounts
- 3) Increasing cash balances resulting in higher interest income on cash
- 4) Reducing collections result in lower collections fees paid

2. Financial Statement analysis

Claims waterfall on RDS



In order of decreasing seniority

1. SARB loan - R3 300 million (fully repaid by Sep 2016)
2. Other liabilities incl. trade creditors - R194 million at 31 Mar 2018
3. Indemnity guarantee - R3 000 million (Fully funded at 31 Mar 2018)
4. Senior unsecured stub instrument - R5 144 million at 31 Mar 2018
5. Subordinated stub instrument - R4 606 million at 31 Mar 2018
6. Shareholders - no value at present

2. Financial Statement analysis

Fair value of stub instruments

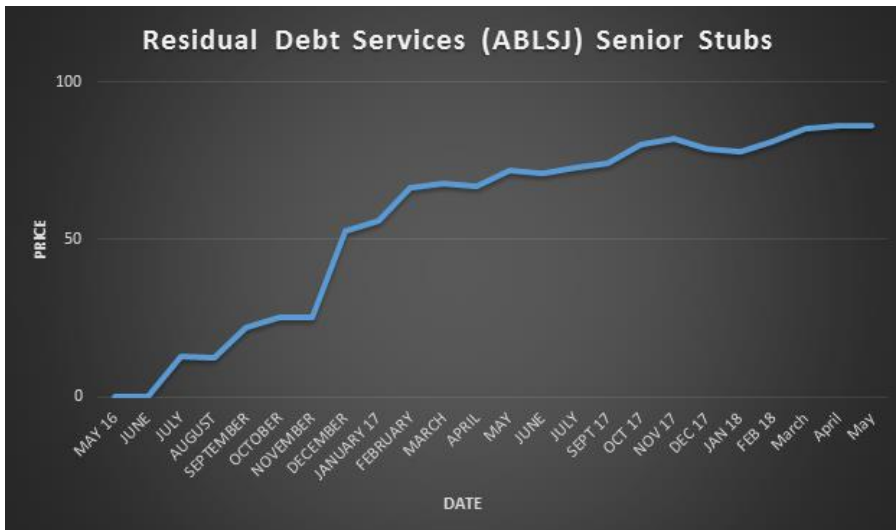
Rm	Claim against indemnity reserve	
	Base (R3 billion)	No claim
Senior stub instruments	2 606	5 159
Subordinated stub instruments	Nil	Nil

- The fair value is assessed as a discounted cash flow of forecast future receipts and payments for 60 months from the advances book
- All cash flows discounted at WACC of 14% NACM, except for R3.5bn cash float and indemnity reserve in “No claim” scenario, which amounts are discounted at the 6 year risk free rate of 7.3% NACQ
- The ‘Base’ forecast (with a fair value of R2 606 million of senior stub instruments) assumes that the indemnity will be called in full (R3 billion) spread evenly over a three year period
 - R500 million operating float is repaid to holders of the senior stub instrument at the end of the 60 month period
- The ‘No claim forecast’ (with a fair value of R5 159 million of senior stub instruments) assumes that the indemnity will not be called at all
 - R3.5 billion is assumed to be paid to the holders of senior stub instruments at the end of indemnity period (April 2024)
- Any surplus arising after covering the indemnity and operating float of R500 million is released to creditors every six months thereafter based on their ranking as per previous slide

2. Financial Statement analysis

Pricing analysis of senior stub liabilities

Market price RDS Senior stubs*



*Source : RMB Global markets
Price expressed as a % of original principal value

R million	Claim on indemnity reserve	
Stub instruments fair value	Base (R3 billion)	No claim
Senior (31 March 2018)	2 606	5 159
Subordinated (31 March 2018)	Nil	Nil
Fair value/original principal value (%)		
Senior	65.6%	129.8%
Subordinated	0.0%	0.0%
Original principal value of stub instruments		
Senior (10 August 2014)	3 974	3 974
Subordinated (4 April 2016)	3 621	3 621
Fair value/carrying book value (%)		
Senior	50.7%	100.3%
Subordinated (31 March 2018)	0.0%	0.0%
Carrying Value of Stub Instruments		
Senior (31 March 2018)	5 144	5 144
Subordinated (31 March 2018)	4 606	4 606

2. Financial Statement analysis

Advances overview

Net advances	Gross advances 31 Mar 2018	Gross advances 30 Sep 2017
Gross advances	2 619	3 787
Deferred administration fees	(35)	(22)
Gross advances after deferred administration fees	2 584	3 765
Impairment provision	(1 886)	(2 731)
	698	1 034

- 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 73% (R1 886 million/R2 584 million) in line with Sep 2017: 73%

SARB indemnity guarantee

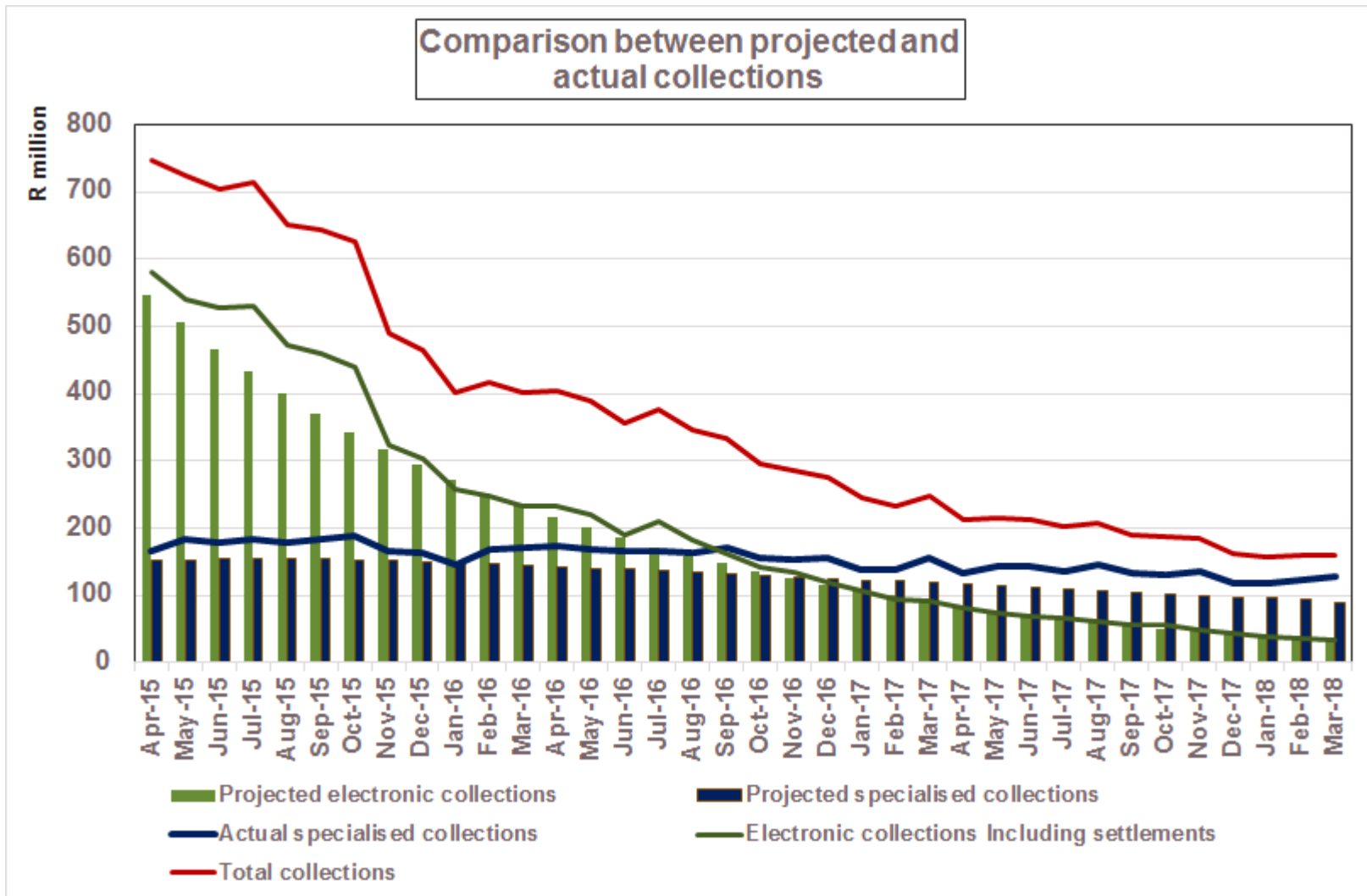
- RDS has provided a R3 billion indemnity to African Bank
 - In respect of assets transferred to African Bank
 - Expires on 8th anniversary of restructuring transaction (April 2024)
- As at 31 March 2018 the indemnity guarantee reserve was fully funded to the amount of R3.0 billion

3. Operational update

NCR and SARS

- **NCR investigation into the affordability assessment investigations against Residual Debt Services Limited**
 - NCR concluded its review in February 2018
 - 2.61% credit agreements identified with negative affordability
 - Resulting in a R67 million loss for the Company
- **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

3. Operational update Collections



- Collections performed slightly above forecast

4. Concluding remarks

- Successful six month period, with a continued increasing focus on late stage collections as electronic collections decrease
- Continuing collections of RDS running smoothly, albeit with reduced expectations for future collections, as book is in “run down”
- Indemnity fund of R 3.0 billion and an operating float of R500 million is fully funded
- Anticipated payment of approximately R500 million during Jul 2018 to senior stub holders, will result in total payment of approximately R1 billion
- Expected that the audited annual financial statements for the year ended 30 September 2018 and a further update will be provided in November 2018
- Applicable documentation published at www.residualdebtservices.co.za

Contact details and information

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Financial information

Information in respect of 6 months ended 31 March 2018

Published at www.residualdebtservices.co.za

- Results presentation for the six months ended 31 March 2018
- Statement by the Curator Mr C Du Plessis, curator of Residual Debt Services Limited
- Financial media release on results for the six months ended 31 March 2018
- Interim Financial statements for the six months ended 31 March 2018

Questions?

