

6 December 2022

Residual Debt Services Limited (“RDS”) provides a full recovery and excellent returns to senior unsecured creditors

- **Receiving almost double the nominal amount over six years**

Post results highlights

- Senior unsecured stub instrument holders fully settled today, earning their full nominal amount plus interest of JIBAR + 300 basis points, totaling R7.1 billion
- Senior unsecured stub instrument holders receive around R2.486 billion today
- And first part payment to subordinated stub instrument holders of around R214 million

Results Highlights:

- Net advances decreased to R110 million for the year ended 30 September 2022 compared to R184 million for 30 September 2021
- Anticipated second payment of between R200 million and R250 million to holders of the subordinated stub instruments to be made at the end of January 2023;

The Curator, Craig Du Plessis noted: *“RDS has reached a significant milestone and is pleased to settle the senior unsecured stub instruments in full today. The R7.1 billion settlement consists of the nominal amount of R3.6 billion plus interest of some R3.5 billion. In effect these creditors have almost doubled their investment over six years.*

Given the successful negotiations between RDS and African Bank, the Indemnity Reserve has been reduced from R3 billion to R500 million. Furthermore, we have reduced the operational float from R500 million to R300 million which has resulted in R2.7 billion being available to fully settle the senior unsecured stub instruments and R214 million being available to make a first part payment to the subordinated stub instrument holders.

The collection of the book continues to run smoothly, albeit with reduced expectations for future collections as the book continues to be in “run down”.

It is anticipated that a second payment of between R200 million and R250 million will be made to the subordinated stub instrument holders in January 2023.”

Financial results

Net advances decreased to R110 million for the year ended 30 September 2022 compared to R184 million for 30 September 2021 due to the book paying down and write offs. Collection of the book continues to run smoothly, albeit with reduced expectations for future collections as the book is in “run-down”. Overall provision coverage increased to 76% from 71% 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.

Residual Debt Services Limited (under curatorship) - Registration Number 1975/002526/06
Tel: 011 256 9000 **Address:** 59 16th Road, Midrand, South Africa **Postal:** Private Bag X170, Halfway House, 1685, South Africa

Company Secretary: M Chetty

NCR Registration number: NCRCP5. Residual Debt Services Limited (under curatorship) is an Authorised Financial Services and Credit Provider. RDC91017/16

Operating costs reduced to R186 million from R254 million in 2021 as a result of lower collections fees paid to African Bank as the book continues to run down.

Second payment to subordinated stub instrument holders

It is anticipated that a second part payment of between approximately R200 million and R250 million will be made to the subordinated stub instrument holders at the end of January 2023.

Valuation of subordinated stub instrument

Given that the senior unsecured stub instrument holders have today been fully settled, the valuation of the instrument is no longer relevant.

Any surplus arising after covering the reduced indemnity reserve and operating flow will be released to subordinated stub instrument holders every six months in January and July of each year.

The contractual carrying value of the subordinated instrument holders increased to R7.3 billion from R6.7 billion in 2021 due to the accrual of interest.

Du Plessis noted, *“Collections on the RDS loan book have been higher than expected during the curatorship of RDS. We are therefore pleased that the subordinated stub instrument holders have and will continue to benefit from our collection efforts going forward”*.

Post results activities and future outlook

On or about 21 November 2022, RDS and African Bank entered into an agreement whereby the 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 will be paid out to stub instrument holders today in accordance with the distribution waterfall. Around R2.486 billion is payable to the senior unsecured stub instrument holders and around R214 million to the subordinated stub instrument holders.

Du Plessis concluded, *“This notable achievement is testament to the ongoing collaboration between ourselves and the collection activities of African Bank since the restructuring was successfully concluded in 2016. I am pleased that we were able to fully repay and almost double the senior unsecured stub instrument holders’ investment over six years”*.

ENDS

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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 www.diamondpass.net/2524096 and follow the instructions provided. 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. 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.