

## **URDSTS2: Payment Distribution Notification – Residual Debt Services Limited subordinated stub instruments**

17 January 2024

Residual Debt Services Limited

(Under Curatorship)

(formerly known as African Bank Limited (under Curatorship), incorporated with limited liability in the Republic of South Africa under Registration Number 1975/002526/06)

(the Company)

ISIN: ZAU000014532

### **Introduction and background:**

The Company was placed under curatorship, in terms of Section 69 of the South African Banks Act 94 of 1990 (the Banks Act), on 10 August 2014.

The first Curator, T Winterboer, issued an Offering Information Memorandum (OIM) to affected parties detailing the intended restructure of the Company on 4 February 2016. On 4 April 2016, the restructure of the Company took place through, inter alia, the creation of a new bank (African Bank Limited) registered under the Banks Act, and the transfer of the core assets and business of the Company to African Bank Limited.

As part of the restructure of the Company, its material liabilities were exchanged for (i) new debt instruments in African Bank Limited; and (ii) transferable and non-transferable senior stub instruments and sub-ordinated stub instruments in the Company that entitle the holders thereof to payments from the Company under certain circumstances (the Exchange Offer).

Before any payments could be made by the Company to senior stub holders it had to discharge, in full, certain obligations to the South African Reserve Bank and accumulate a R3 billion indemnity reserve fund. These obligations / undertakings have been fulfilled.

The current Curator (Craig Du Plessis, who was appointed on 1 April 2018) made an extraordinary payment distribution totalling R2.7 billion on 06 December 2022. This payment distribution completely redeemed the transferable and non-transferable senior stub instruments' interest owing and capital outstanding amounting to R2,486,267,459.66 as at 6 December 2022. In addition, the subordinate stub holders also received their first part payment distribution amounting to R213,732,540.34 (which was applied to the interest outstanding) as the senior stub instrument holders had been fully repaid.

The extraordinary payment distribution mentioned above was as a result of the Company and African Bank Limited entering into an agreement on or about 21 November 2022, whereby the indemnity reserve was reduced from R3 billion to R500 million. In addition, the Curator reduced the operational float from R500 million to R300 million which resulted in the Company having R2.7 billion excess cash available for distribution to stub instrument holders in accordance with the distribution waterfall.

In line with the Curator's announced intention to continue to make 6-monthly distributions of the surplus funds collected by the Company to the holders of the subordinated stub instruments in accordance with the terms of such instruments, the current Curator Craig Du Plessis made a second

and third payment of R200 million each to the subordinated stub instrument holders in January 2023 and July 2023 respectively. A fourth payment of R150 million will be made to the subordinated stub instrument holders as detailed below.

**Payment distribution amount to the subordinated stub instrument holders:**

The table below illustrates the subordinated stub instrument’s original nominal value and resultant payment distribution percentage, expressed as a percentage of the original nominal value. This fourth payment distribution will be applied to interest outstanding.

<b>Subordinated stub instrument:</b>	<b>Subordinated stub (ZAU000014532)</b>
Original nominal as at 04 April 2016	R3 620 892 415.19
Payment distribution percentage (Payment amount relative to the total original nominal value, rounded down to the nearest 10 <sup>th</sup> decimal)	4.1426251542%
Or expressed in cents per R1 of stub instrument	4.1426251542 cents
Payment distribution amount	R150 000 000.00

As a result of the platform on which the subordinated stub instruments are managed at the South African Central Securities Depository (CSD), only the beneficial holders’ proportional share of the original nominal value is reflected in the register. Consequently, the payment distribution has been expressed as a percentage of this nominal value and will be paid via existing CSD processes.

This fourth subordinated instrument payment distribution consists entirely of interest as detailed in the table below.

<b>Subordinated stub instrument:</b>	<b>Subordinated stub (ZAU000014532)</b>
Nominal as at 04 April 2016	R3 620 892 415.19
Carrying value as at 31 January 2024	R7 948 061 676.51
Payment distribution amount	R150 000 000.00
Interest component	R150 000 000.00
Return of capital component	Nil

**Withholding tax:**

Interest paid by the CSD to subordinated stub instrument holders that are not tax residents of the Republic of South Africa (Foreign Stub Holders) may be subject to South African withholding tax on interest imposed at a rate of 15% (fifteen percent), subject to certain exemptions contained in the Income Tax Act No. 58 of 1962 and any relief available in terms of the applicable agreement for the prevention of double taxation. To the extent that any Foreign Stub Holders intend to rely on the

forementioned exemptions/relief, they must furnish the CSD Participant with the prescribed declaration and undertaking before the payment distribution date of 31 January 2024.

**In Summary:**

Total payment distributions to stub instrument holders amounts to R7.85 billion which comprises R7.086 billion to senior stub instruments holders and R763.7 million to subordinated stub instrument holders as detailed in the table below:

<b>Payment distributions:</b>	<b>Senior transferable stub (ZAU000014557)</b>	<b>Senior non - transferable stub (ZAU000014540)</b>	<b>Subordinated stub (ZAU000014532)</b>
1 <sup>st</sup> payment distribution on 29 January 2018	R499 833 162	R166 838	
2 <sup>nd</sup> payment distribution on 30 July 2018	R649 783 111	R216 889	
3 <sup>rd</sup> payment distribution on 30 January 2019	R649 783 111	R216 889	
4 <sup>th</sup> payment distribution on 31 July 2019	R599 799 795	R200 205	
5 <sup>th</sup> payment distribution on 29 January 2020	R499 833 162	R166 838	
6 <sup>th</sup> payment distribution on 29 July 2020	R399 866 530	R133 470	
7 <sup>th</sup> payment distribution on 27 January 2021	R399 866 530	R133 470	
8 <sup>th</sup> payment distribution on 28 July 2021	R349 883 214	R116 786	
9 <sup>th</sup> payment distribution on 26 January 2022	R299 899 897	R100 103	
10 <sup>th</sup> payment distribution on 27 July 2022	R249 916 581	R83 419	
11 <sup>th</sup> /1 <sup>st</sup> payment distribution on 6 December 2022	R2 485 437 854	R829 606	R213 732 540
2 <sup>nd</sup> payment distribution on 31 January 2023			R200 000 000
3 <sup>rd</sup> payment distribution on 31 July 2023			R200 000 000
4 <sup>th</sup> payment distribution on 31 January 2024			R150 000 000
<b>Total payment distributions (per instrument)</b>	<b>R7 083 902 949</b>	<b>R2 364 511</b>	<b>R763 732 540</b>
<b>Total payment distributions (senior / subordinated stub instruments)</b>	<b>R7 086 267 460</b>		<b>R763 732 540</b>
<b>Total payment distributions</b>	<b>R7 850 000 000</b>		

**Salient dates:**

Declaration and finalisation date: Wednesday, 17 January 2024

Record date: Wednesday, 24 January 2024

Payment distribution date: Wednesday, 31 January 2024

**Ends.**