

**Unaudited Interim Financial Results
for the six months ended 31 March 2016**

Residual Debt Services Limited (under curatorship)
previously named **African Bank Limited** (under curatorship)



Including:
Results H12016
Operational Update H12016

30 June 2016

Contents: Unaudited Interim Financial Results for the six months ended 31 March 2016

These financial results are for African Bank Limited, which was placed under curatorship on 10 August 2014 and was still under curatorship at this reporting date. This business was successfully restructured on 4 April 2016 (four calendar days after the reporting period) by means of a transfer of the associated assets and liabilities (reflected as “held for sale” in this set of accounts) and restructured liabilities, together with a additional capital injection of R10 billion into the new entity renamed African Bank Limited on that date.

The name of this reporting entity was changed to Residual Debt Services Limited (“RDSL”) on 4 April 2016. These results therefore represent the concluding set of financial results for African Bank Limited, as a whole under curatorship, before restructuring. RDSL retained title to the remaining assets and liabilities on 4 April 2016.

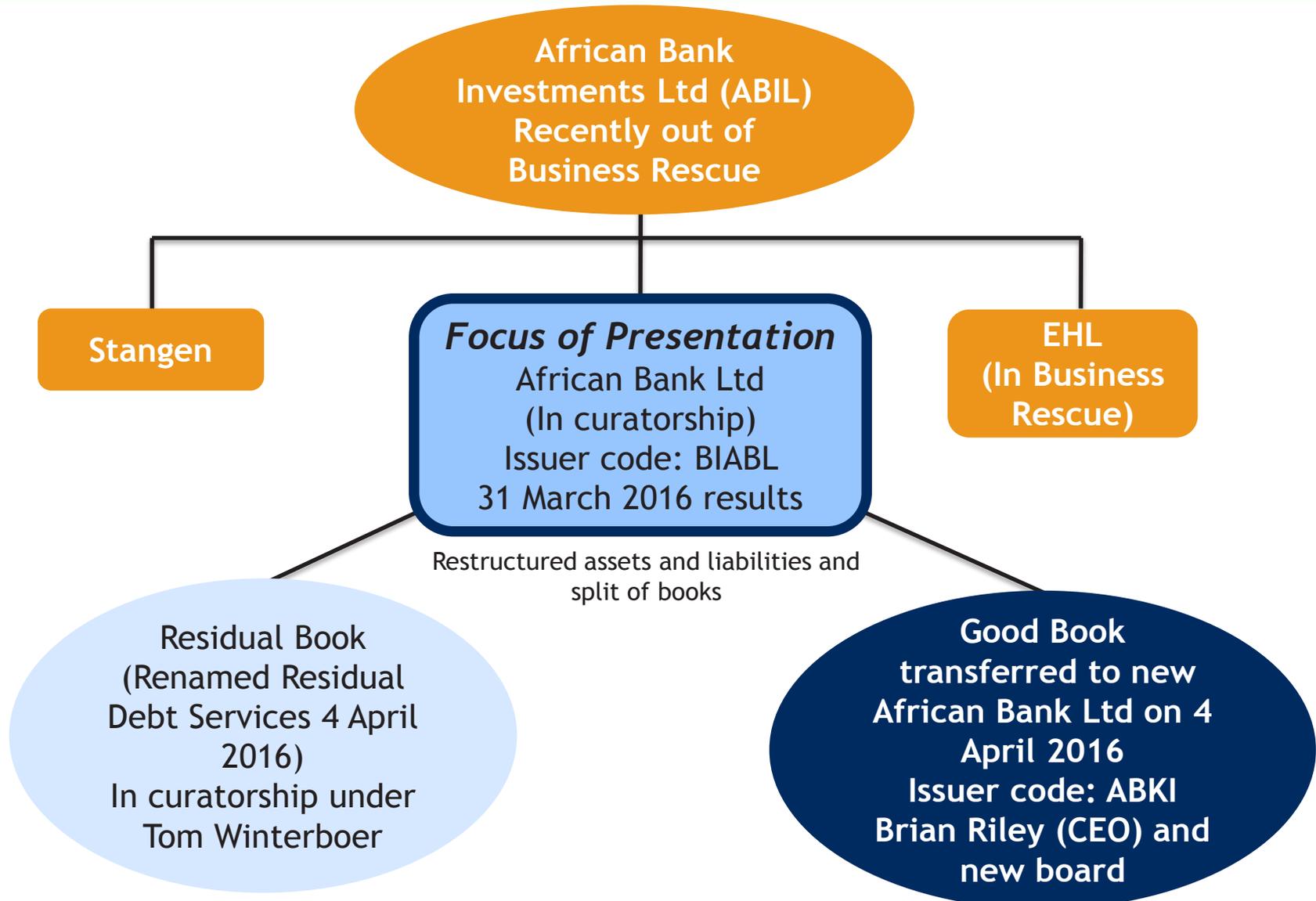
The presentation and results can be accessed under <https://www.africanbank.co.za/about-us/investors>

Presentation contents

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1. Group overview

Residual Debt Services Limited
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2. Financial Statement Analysis

Unaudited Interim Financial Results to 31 March 2016 Variance to published forecasts

Description	Actual (Rm)	Forecast (Rm)	Difference (Rm)	Explanation of material variances to forecast in Offer Information Memorandum published 4 February 2016
Interest income on advances	3 362	3 566	(204)	Larger than forecast debt counselling book resulted in lower income recognition, reflected as higher impairments in the forecast.
Credit impairment charge	(1 482)	(2 198)	716	Refer point above, and impairment modelling is based on longer term expectations and does not necessarily reflect shorter term fluctuations.
Interest expense and other gains and losses	(2 797)	(3 220)	423	Favourable impact from stronger ZAR compared to forecast. This resulted in lower interest calculated on lower ZAR equivalent debt. This variance also includes the impact of translation of assets and liabilities impacted by currency movements.
Operating cost	(1 368)	(1 601)	233	Forecast restructuring costs were incurred after the reporting date.
Capital items	341	127	214	Additional receipts on previously written off inter group balances (EHL & ABIL).
Loss for the period	(646)	(2 091)	1 445	Overall performance better than forecast.

It is the Curator's view that variances between forecasts and actual financial results to 31 March 2016 do not change the conclusions reached on the resolution and restructuring of African Bank and the implementation thereof effective 4 April 2016.

Unaudited Interim Financial Results to 31 March 2016

Statement of Financial Position

Residual Debt Services Limited
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CONDENSED STATEMENT OF FINANCIAL POSITION as at 31 March 2016	% change	Rm Unaudited March 2016	Rm Audited September 2015
Assets			
Short-term deposits and cash	(2)	6 158	6 294
Assets classified as held for sale	12	42 072	37 436
Derivatives and other assets	> 100	5 601	-
Net advances	(41)	4 023	6 767
Amounts owing by holding company and fellow subsidiaries	(100)	-	182
Total assets	14	57 854	50 679
Liabilities and equity			
Short-term funding	22	26 016	21 326
Liabilities associated with assets classified as held for sale	19	5 303	4 453
Other liabilities	34	135	101
Bonds and other long-term funding	8	28 528	26 524
Subordinated bonds, debentures and loans	2	4 652	4 569
Loans from affiliated companies	30	698	535
Total liabilities	14	65 332	57 508
Ordinary share capital	-	121	121
Ordinary share premium	-	14 283	14 283
Reserves	3	(21 882)	(21 233)
Total equity (capital and reserves)	10	(7 478)	(6 829)
Total liabilities and equity	14	57 854	50 679

Unaudited Interim Financial Results to 31 March 2016

Assets held for sale - transferred to new African Bank on 4 April 2016

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ASSETS CLASSIFIED AS HELD FOR SALE

31-Mar-16	Rm	Comments
Cash and cash equivalents	11 376	Cash holdings
Statutory assets	3 780	Entire portfolio
Derivatives and other assets	5 455	Primarily Fair value derivative asset
Net advances	21 011	Good Book net of provisions
Property and equipment	392	Land & Buildings
Intangible assets	58	Capitalised IT costs
Assets classified as held for sale	42 072	
Short-term funding	(4 772)	Derivative margin collateral liabilities
Derivatives and other liabilities	(531)	Derivative valuation and trade creditors
Liabilities associated with assets classified as held for sale	(5 303)	
Disposal group held for sale	36 769	

The settlement for the purchase of the net assets acquired by new African Bank Limited (R36.8 billion above) is effectively through the issue of debt by new African Bank Limited as part of the restructure.

Unaudited Interim Financial Results to 31 March 2016

Condensed Income Statement

Residual Debt Services Limited
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CONDENSED STATEMENT OF COMPREHENSIVE INCOME for the six months ended 31 March 2016

R million	% change	Rm Unaudited 6 months to March 2016	Rm Reviewed 6 months to March 2015	Comments
Interest income on advances	(32)	3 362	4 918	Reduced book
Non-interest income	(37)	822	1 298	
Income from operations	(33)	4 184	6 216	
Credit impairment charge	73	(1 482)	(5 422)	Lower write offs (R2.7 bn); reduced book and better quality book (R1.2bn)
Risk-adjusted income from operations	>100	2 702	794	
Other interest income	>100	520	166	Higher cash balances
Interest expense	15	(2 625)	(2 282)	Higher liabilities (accrued interest)
Operating costs	1	(1 368)	(1 380)	
Other gains and losses	>100	(172)	(52)	ZAR depreciation
Indirect taxation: VAT	(33)	(44)	(33)	
Loss from operations	65	(987)	(2 787)	
Capital items	>100	341		ABIL & EHL recoveries
Loss before taxation	77	(646)	(2 787)	
Direct taxation: current and deferred		-		
Loss for the period	77	(646)	(2 787)	
Other comprehensive income		-	-	
Total comprehensive loss for the period	77	(646)	(2 787)	

Continued Conservative Levels of Loan Provisioning

Slightly decreased coverage as a result of better risk distribution within categories

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Advances impairment coverage ratios (%)

	Split of Book		Whole Bank		
	Held for sale Book Coverage	Remaining Bank Coverage	Change H1 2016 vs FY 2015	H1 2016	FY 2015
IBNR (as a % of advances CD = 0)	5.0	4.8	(0.4)	5.0	5.4
Portfolio specific (as a % of past due advances CD > 0 to 3)	36.2	35.4	(2.5)	36.1	38.6
Specific (as a % of specifically impaired loans CD > 4)	69.8	75.8	(1.1)	72.6	73.7
Total provisions (as a % of gross advances)	30.4	63.2	(0.5)	39.4	39.9

Whole Bank 2015 → 2016H1 - per major category

- IBNR 5.4% → 5.0%
- Portfolio Specific Impairment 38.6 % → 36.1%
- Specific Provision 73.7% → 72.6%

Both the held for sale and remaining book remain well provided for at these levels.

Notes

- Incurred but not reported (“IBNR”) provisions held against loans and cards that have not missed any or part of any instalments
- Portfolio specific provisions are held against loans and cards that have missed at least part of an instalment up to 3 cumulative instalments
- Specific provisions are held against loans and cards that have missed more than 3 cumulative instalments

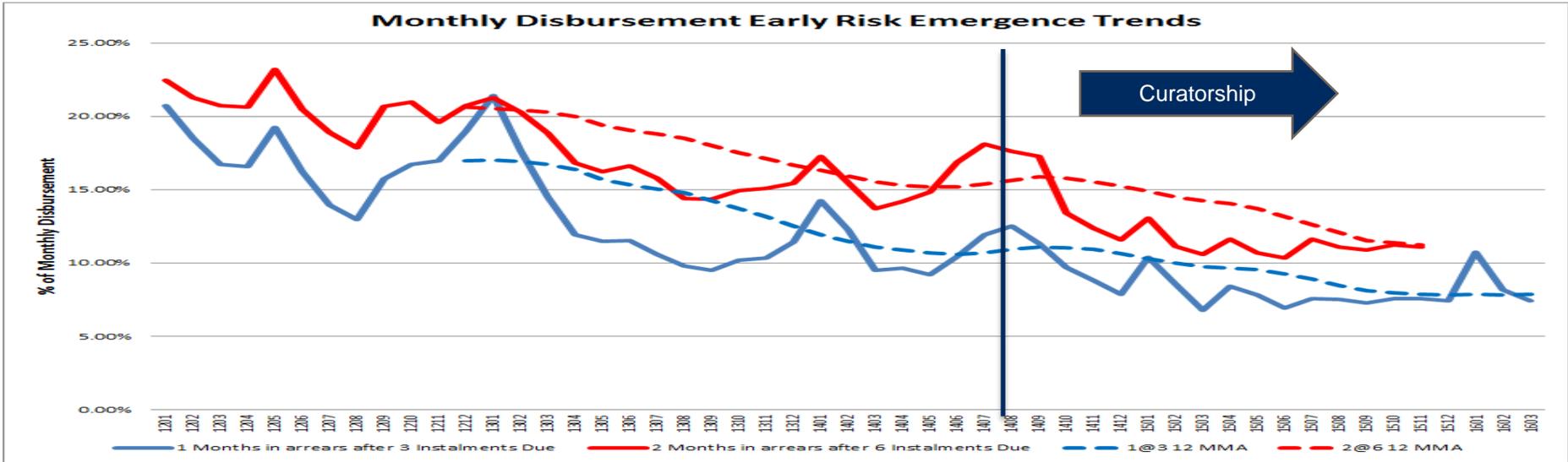


3. Operational Update

- Business continues to show stable and better early arrears
- Disbursements of R4 579 million increased by 23 % vs. H1 2015 of R3 723 million
- Collections stable in a tougher economic environment averaging R1 829 million per month
- Investigation into the reckless lending allegations levelled against Residual Debt Services Limited
 - Well established policies and procedures to deal with reckless lending allegations
 - Specific complaints of reckless lending are reviewed via normal channels and loans written off where required
 - No significant findings from independent review performed
 - Cooperating fully with the NCR's investigation

Early risk emergence

Early arrears continue to stabilise at lower levels



Risk on the portfolio continues to trend better.

All post curatorship business written from 10 August 2014 is for account of new African Bank

Numbers are restated on a contractual arrears basis, where partial arrears are rounded up (e.g. CD 0.1 rounded to 1)

- Blue lines represent monthly statistics for the month in which the first instalment is due and 12 month moving averages for business that has missed at least part of an instalment of the first three instalments due
- Red lines represent monthly statistics for the month in which the first instalment is due and 12 month moving averages for business that has missed more than one instalment (rounded up to two) of the first six instalments due
- January 2016 spike is seasonal in respect of December 2015 business, with subsequent business reverting to normalised levels.

New African Bank arrears will be presented on this basis, including information in respect of longer periods, from the September 2016 reporting cycle.

Disbursements at higher levels year on year

Total H1 2016 R4 579 m up 23 % on H1 2015 R3 723 m)

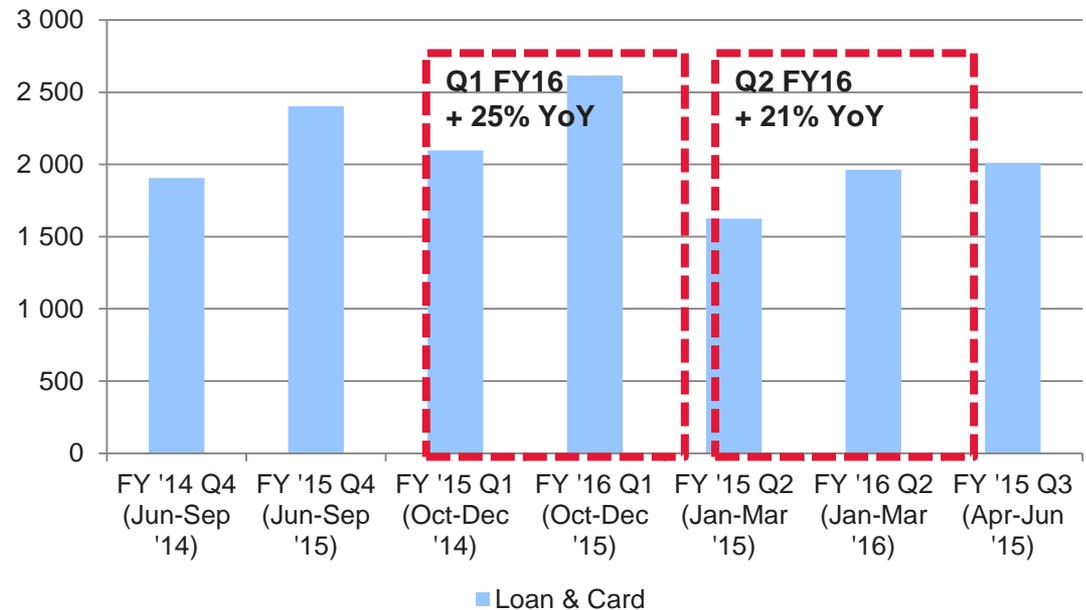
Driven by a combination of positive factors

- More effective advertising and marketing
- Confident and motivated workforce
- Better internal processes
- Low base

Offset by

- Macro economic pressures
 - Lower GDP
 - Inflation (food/transport)
 - Retrenchments
 - Lower credit appetite
- Further refinement of credit underwriting in August 2015 driven by macro considerations

Quarterly Disbursements
Rmillion



Collections stabilised at lower levels in a tougher economic environment

Driven by a combination of factors

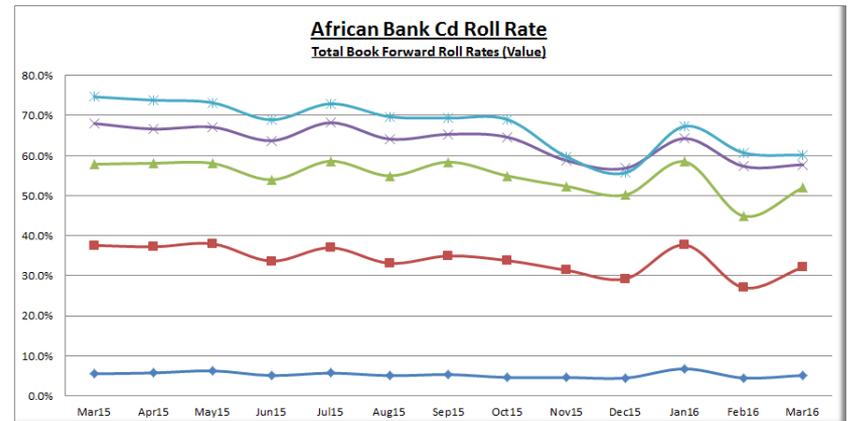
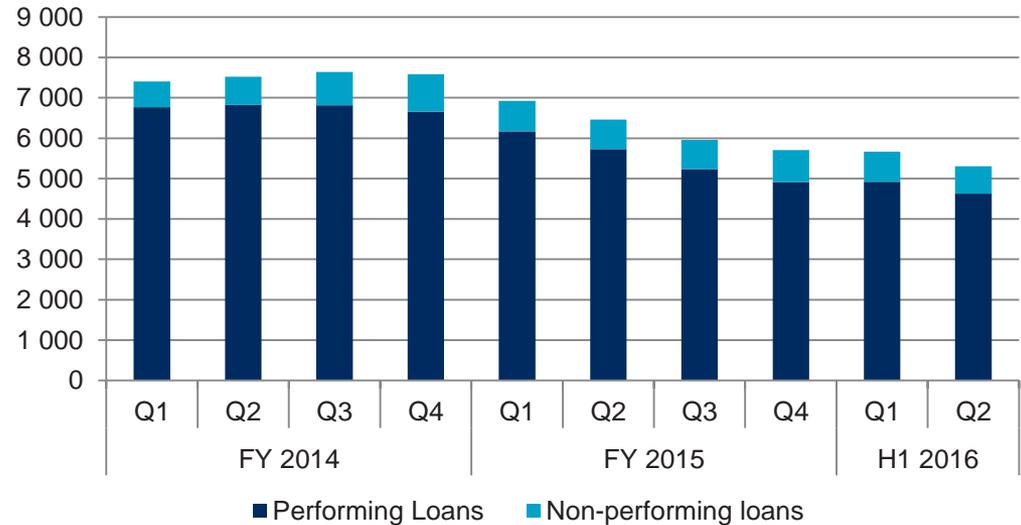
Good Bank collections in line with forecast:

- Portfolio paying down
- Early stage collections (CD1 - CD4) improving month on month
- Forward migrations are improving

Residual Debt Services Limited

- Collections above forecast, reducing on a monthly basis as expected
- Ellerine collections declining

Total Collections - quarterly
(R million)



4. Concluding Remarks

- **Whole African Bank Limited** balance sheet as disclosed split into Residual Debt Services Limited and New African Bank on 4 April 2016
- **(New) African Bank Limited**
 - A new legal entity with a new banking licence (under the Banks Act) and credit provider licence (under the National Credit Act)
 - Commenced operations on 4 April 2016 by acquiring the assets held for sale and the restructured liabilities under the terms of the creditor approved restructuring process, subsequently approved by the Minister of Finance
 - Board and Executive Committee in place
 - Will report semi-annually commencing in respect of the period 4 April to 30 September 2016

• **Residual Debt Services Limited**

- This reporting entity was renamed Residual Debt Services Limited on 4 April 2016 upon the ***successful conclusion of the Restructuring Transaction***, transferring the held for sale balance sheet to new African Bank
- As at 30 June 2016
 - Repaid R1.8 billion of SARB loan of R3.3 billion, remaining balance R1.5 billion
 - ABIL loan receivable - recovered R90 million during period and R 107 million after 31 March 2016 in full and final settlement
 - Ellerines loan receivable - recovered R251 million during the period and R209 million after 31 March 2016
- Will report semi-annually, with supplementary reporting as required in terms of the approved Exchange Offer



Questions?