

**Audited Financial Results
for the year ended 30 September 2017**

Residual Debt Services Limited (under curatorship)



**Including:
Results FY 2017
Operational update FY 2017**

22 November 2017

These financial results are for Residual Debt Services Limited (RDS), which was placed into curatorship on 10 August 2014, and was still in curatorship at this reporting date (22 November 2017) 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.

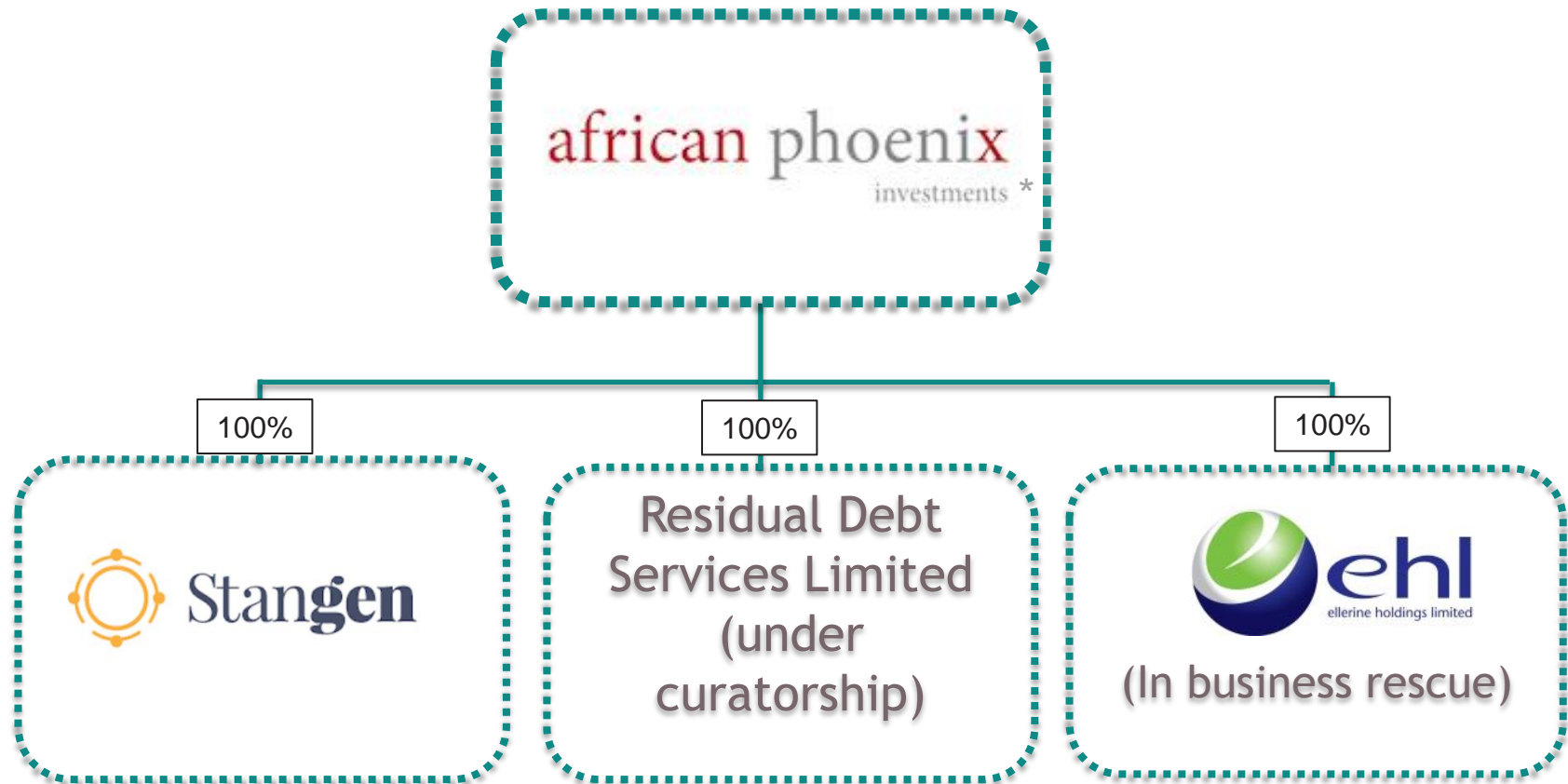
The RDS balance sheet therefore consists of the remaining assets, together with the remaining liabilities, which have become known as ‘the stub instruments’. The results reflect the first full year set for the 2017 financial year.

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

Presentation contents

1. Group overview
2. Financial Statement analysis
3. Operational update
4. Concluding remarks

1. Group overview



- African Phoenix was previously named African Bank Investments Limited (“ABIL”)
- The lifting of the suspension in trading in African Phoenix Investments shares on 1 February 2017 is not related to the reporting by RDS

2. Financial Statement analysis

Summary statement of financial position

30 September 2017

Residual Debt Services Limited
(under curatorship)

Assets	2017	2016	Liabilities/Equity	2017	2016
Cash (1)	3 675	697	Other liabilities	220	159
Net advances	1 034	2 911	Stub instruments	9 720	8 701
Gross advances (2)	3 765	7 047	Senior unsecured	5 380	4 859
Provisions	(2 731)	(4 136)	Subordinated unsecured	4 340	3 842
Other assets	29	791	Total liabilities	9 940	8 860
			Equity	(5 202)	(4 461)
Total on balance sheet	4 738	4 399	Total on balance sheet	4 738	4 399
Fair value adjustments	1 669	2 332			
Net advances	269	1 032	Excess of fair value over net advances values		
Written off book (3)	1 400	1 300	Fair value of written off book		
Fair value of balance sheet	6 407	6 731			

Notes

- 1) Increased cash now fully funds Indemnity reserve
- 2) Gross value of the written off book R15.2 billion (2016 R21.7 billion)
- 3) The fair value of the advances book includes a fair value of the written off book R1 400 million (2016: R1 300 million)

2. Financial Statement analysis

Condensed income statement

- six monthly comparison

R million	H1 2017	H2 2017	FY 2017	H2 2016*	
Interest income on advances	136	68	204	226	Decreasing book size
Non-interest income	33	40	73	107	
Income from operations	169	108	277	333	
Credit impairment reversal	225	389	614	657	Increasing recoveries
Income from operations	394	497	891	990	
Other interest income	70	128	198	37	Increasing cash
Interest expense and similar charges	(501)	(523)	(1 024)	(540)	
Operating costs	(390)	(398)	(788)	(408)	Stable
Other losses	-	-	-	(5)	
Indirect taxation: VAT	(23)	(28)	(51)	(32)	
(Loss)/Profit from operations	(450)	(324)	(774)	42	
Capital items	-	5	5	2 970	
(Loss)/Profit before taxation	(450)	(319)	(769)	3 012	
Direct taxation: current and deferred	-	28	28	-	
(Loss)/Profit for the year	(450)	(291)	(741)	3 012	

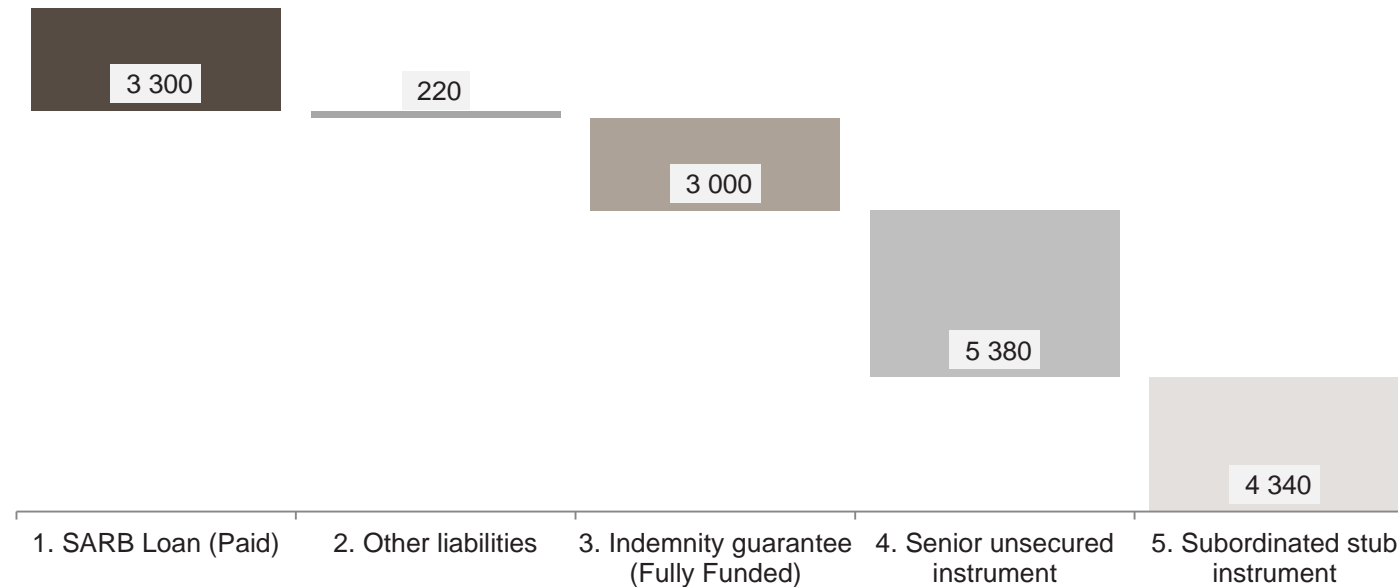
*Represents period from 4 April - 30 September 2016

2. Financial Statement analysis

Claims waterfall on RDS

30 September 2017

Claims on RDS (R Million)



In order of decreasing seniority

1. SARB loan - R3 300 million (fully repaid by September 2016)
2. Other liabilities incl. trade creditors - R220 million at 30 September 2017
3. Indemnity guarantee - R3 000 million (Fully funded at 30 September 2017)
4. Senior unsecured stub instrument - R5 380 million at 30 September 2017
5. Subordinated stub instrument - R4 340 million at 30 September 2017
6. Shareholders - no value at present

2. Financial Statement analysis

Statement of financial position as at 30 September 2017

Fair value of stub liabilities

Residual Debt Services Limited
(under curatorship)

Rm	Claim on indemnity reserve	
	Base (R3 billion)	No claim (R Nil)
Senior stub instruments	2 820	5 308
Subordinated stub instruments	Nil	Nil

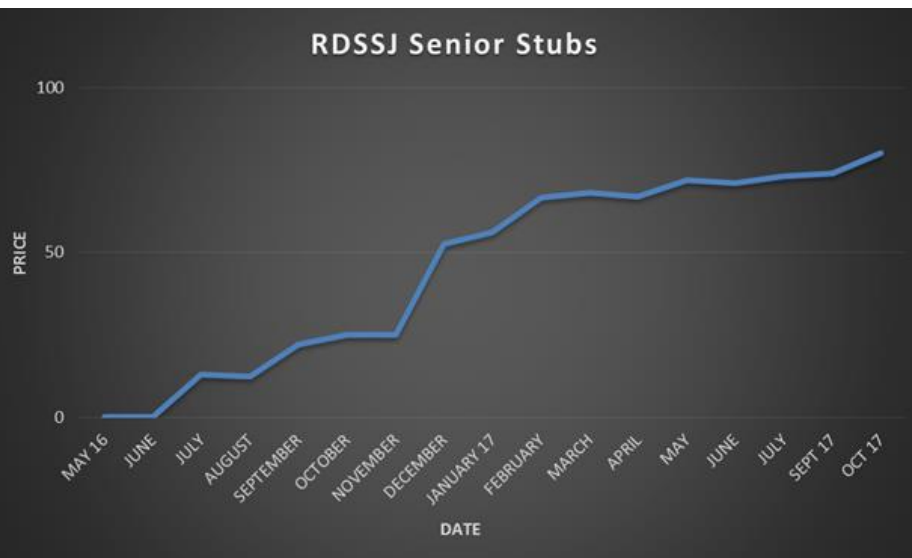
- The fair value is assessed as a discounted cash flow of forecast future receipts and payments for 60 months from the advances book
- Cash flows from advances book for 60 months
- All cash flows discounted at WACC of 14%, except for R3.5bn cash float and indemnity reserve in “No claim” scenario, which amounts are discounted at the 7 year risk free rate of 7.5% from 4 April 2024
- The ‘Base’ forecast (with a fair value of R2 820 million of senior stub instruments) assumes that the indemnity will be called in full (R3 billion) spread evenly over a three year period in six equal tranches starting from March 2018
- The ‘No claim forecast’ (with a fair value of R5 308 million of senior stub instruments) assumes that the indemnity will not be called at all
- Any surplus arising after covering the indemnity is released to creditors every six months thereafter based on their ranking as per previous slide

Further detail regarding assumptions is given in the Notes to the Annual Financial Statements

2. Financial Statement analysis

Pricing analysis of senior stub liabilities

Market price RDS Senior stubs*



*Source : RMB Global markets

Rm	Claim on indemnity reserve	
	Base (R3 billion)	No claim (R Nil)
Stub instruments		
Senior	2 820	5 308
Subordinated	Nil	Nil
Fair value/original principal value (%)		
<i>Senior (30 September 2017)</i>	71%	134%
<i>Subordinated</i>	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/book value (%)		
<i>Senior (30 September 2017)</i>	52%	99%
<i>Subordinated</i>	0%	0%
Book Value of Stub Instruments		
Senior	5 380	5 380
Subordinated	4 340	4 340

2. Financial Statement analysis

Advances overview

30 September 2017

Net advances	Gross advances 30 Sep 2017	Gross advances 30 Sep 2016
Gross advances	3 787	7 011
Deferred administration fees	(22)	36
Gross advances after deferred administration fees	3 765	7 047
Impairment provision	(2 731)	(4 136)
	1 034	2 911

- 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% (R2 731 million/3 765 million), increased from 2016: 59% as result of the paydown by lower risk customers

2. Financial Statement analysis SARB related matters

SARB loan

- RDS received a SARB loan of R3.3 billion, enabling appropriate asset transfer to give effect to the Transaction on 4 April 2016
- Loan interest and principal ranked senior to any stub instruments
- Loan settled in full by 30 September 2016

SARB indemnity guarantee

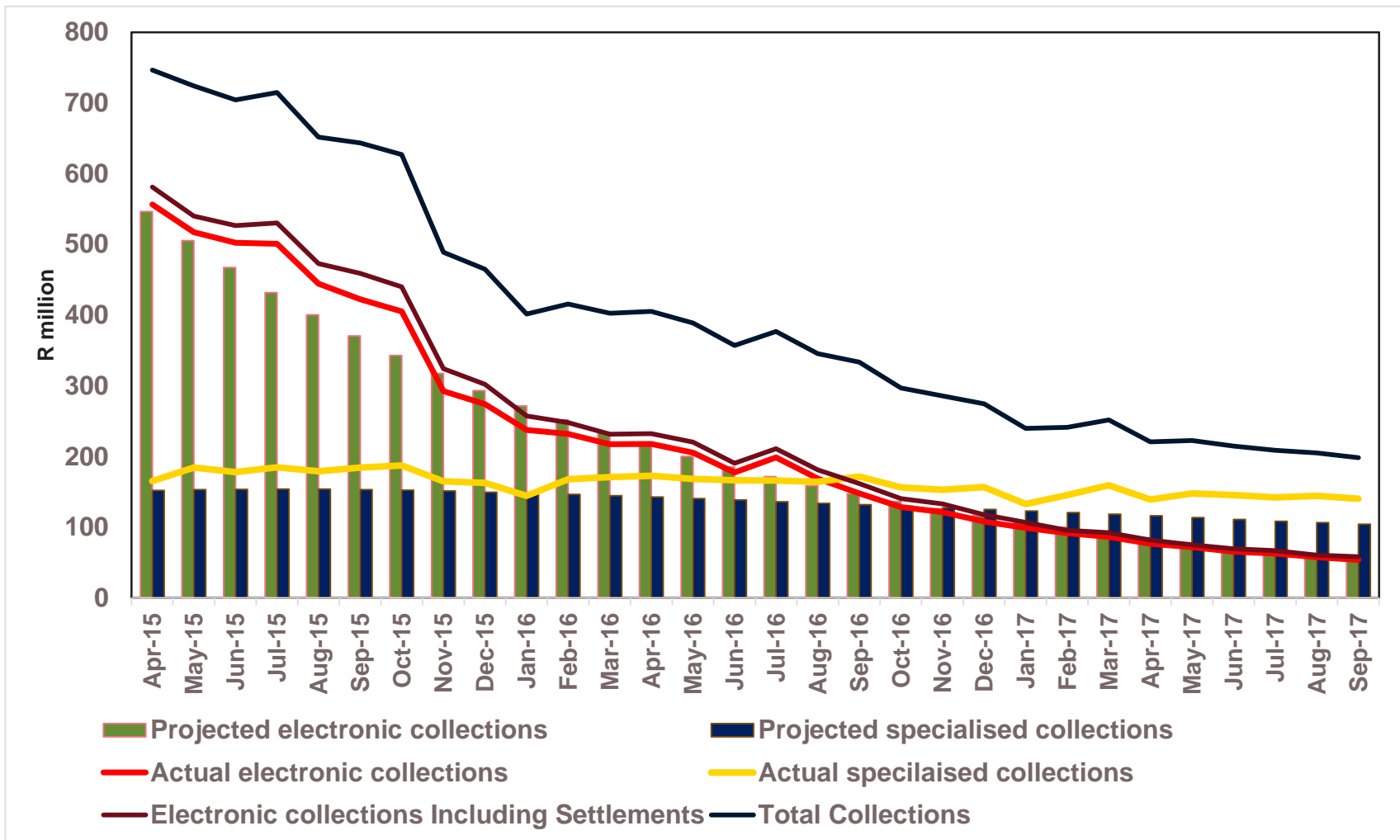
- RDS has provided a R3 billion indemnity to the new African Bank
 - In respect of assets transferred to African Bank
 - Expires on 8th anniversary of restructuring transaction (4 April 2024)
- As at 30 September 2017 indemnity guarantee reserve was fully funded to the amount of R3.0 billion, in addition to an additional operational float of R500 million

3. Operational issues

- **NCR investigation into the reckless lending allegations levelled against Residual Debt Services Limited**
 - RDS cooperating fully with the NCR's ongoing investigation
 - No liability has arisen (or been provided for) at date of reporting
 - Any liability arising would rank alongside senior stub claims
- **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 raised

3. Operational update Collections

Monthly collections – projected vs. actual (R million)



- Collections performing slightly above forecast

4. Concluding remarks

- Successful twelve month period
 - 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 is now fully funded
- Anticipated payment of approximately R500 million during January 2018 to senior stub holders
- Next six monthly report in respect of 1 October 2017 to 31 March 2018 and interim financial statements in respect of the six months ended 31 March 2018 expected to be published in May 2018

Documentation published at www.residualdebt services.co.za

- Results presentation for the year ended 30 September 2017
- Statement by Mr T Winterboer, curator of Residual Debt Services Limited
- Media release on results for year ended 30 September 2017
- Audited annual financial statements for the year ended 30 September 2017

Questions?

