

**Audited Condensed Financial Results
for the year ended 30 September 2018**

Residual Debt Services Limited (under curatorship)



**Including:
Results FY 2018
Operational update FY 2018**

10 December 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 presentation date (10 December 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’.

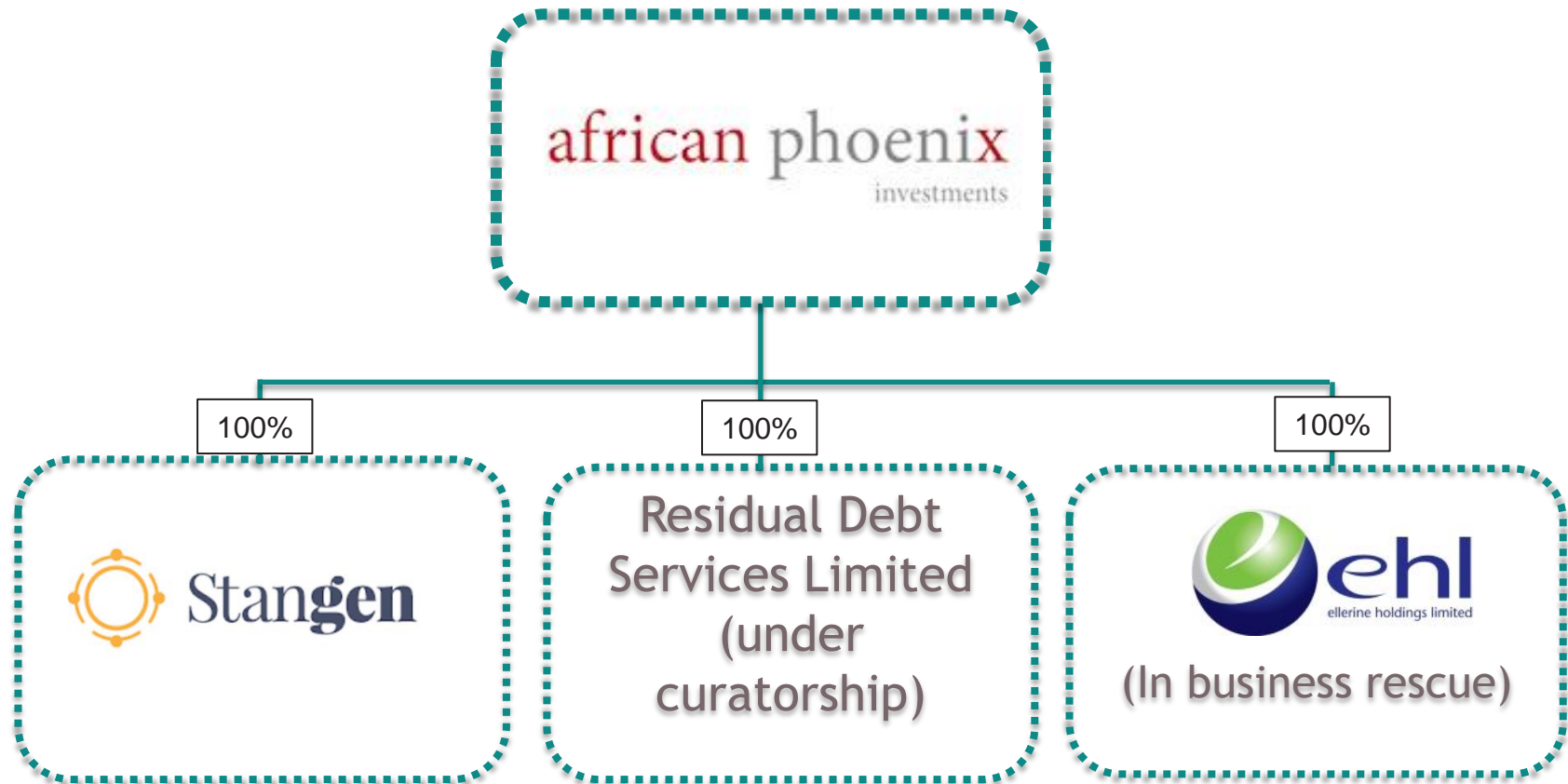
Craig Du Plessis was appointed curator with effect from 1 April 2018, replacing Tom Winterboer.

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

Presentation contents

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1. Group overview



- African Phoenix Investments Limited (APIL) was previously named African Bank Investments Limited (ABIL)
- APIL's 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	Sep 18	Sep 17	Liabilities/Equity	Sep 18	Sep 17
Cash (1)	4 070	3 675	Other liabilities	189	220
Net advances	528	1 034	Stub instruments	9 629	9 720
Gross advances (2)	1 979	3 765	Senior unsecured	4 743	5 380
Provisions	(1 451)	(2 731)	Subordinated unsecured	4 886	4 340
Other assets	22	29	Total liabilities	9 818	9 940
			Equity	(5 198)	(5 202)
Total on balance sheet	4 620	4 738	Total on balance sheet	4 620	4 738
Fair value adjustments	1 327	1 669			
Net advances	227	269	Excess of fair value over net advances values		
Written off book (3)	1 100	1 400	Fair value of written off book		
Fair value of balance sheet	5 947	6 407			

Notes

- 1) Cash comprises the indemnity reserve of R3 billion, operating float of R500 million and surplus cash
- 2) Gross value of the written off book amounts to R12.2 billion (2017 R15.2 billion)
- 3) The fair value of the advances book of R1.855 billion (2017: R2.703 billion) includes an estimated fair value of the written off book of R1.1 billion (2017: R1.4 billion)

2. Financial Statement analysis

Condensed income statement

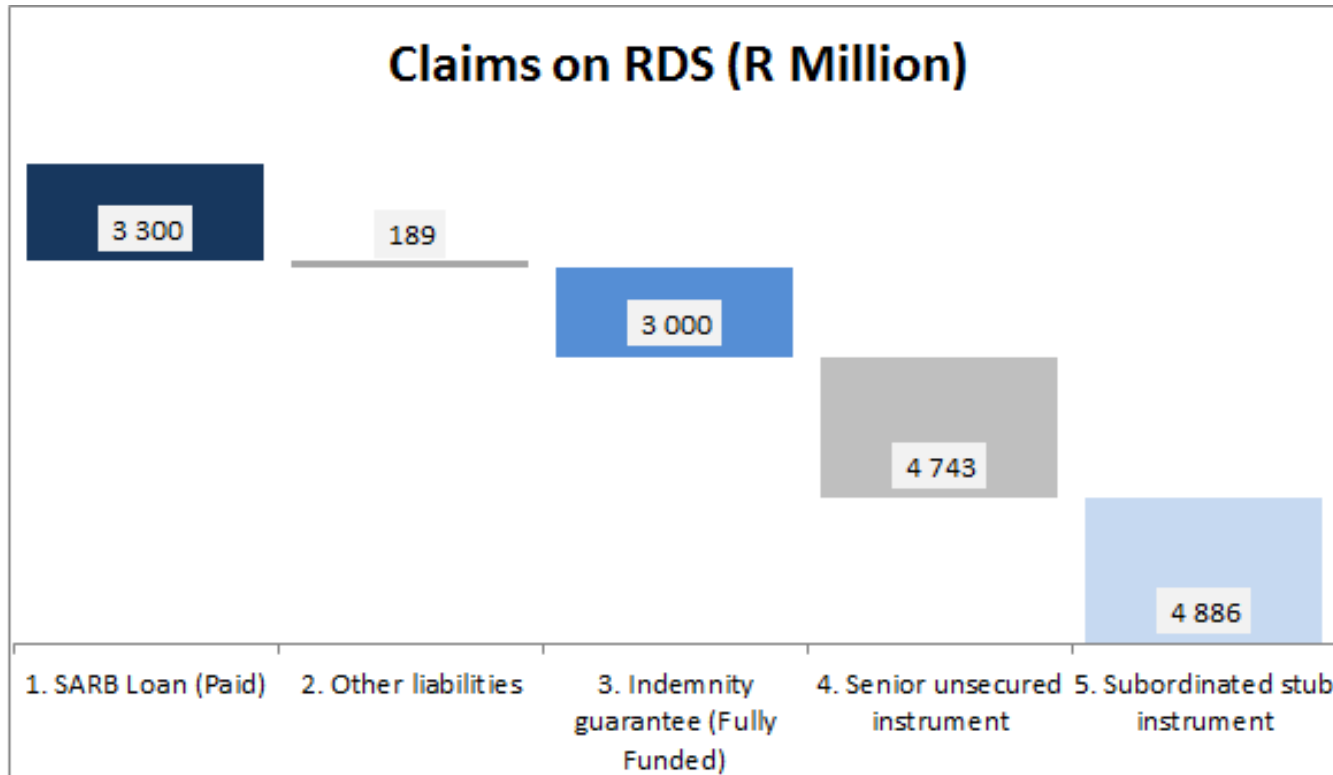
Rmillion	H1 2018	H2 2018	FY 2018	H1 2017	H2 2017	FY 2017
Interest income on advances (1)	38	49	87	136	68	204
Credit impairment reversal (2)	604	589	1 193	225	389	614
Risk adjusted income from operations	642	638	1 280	361	457	818
Interest income on cash (3)	152	156	308	70	128	198
Other income	6	9	15	33	40	73
Interest expense and similar charges	(530)	(529)	(1 059)	(501)	(523)	(1 024)
Operating costs (4)	(311)	(273)	(584)	(390)	(398)	(788)
Indirect taxation: VAT	(35)	(22)	(57)	(23)	(28)	(51)
Loss from operations	(76)	(21)	(97)	(450)	(324)	(774)
Capital items (5)	49	50	99	-	5	5
Profit/(Loss) before taxation	(27)	29	2	(450)	(319)	(769)
Direct taxation: current and deferred	-	2	2	-	28	28
Profit/(Loss) for the period	(27)	31	4	(450)	(291)	(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
- 4) Reducing collections resulting in lower collections fees paid
- 5) Distributions received from Ellerine Holdings Limited (FY2018)

2. Financial Statement analysis

Claims waterfall



In order of decreasing seniority

1. SARB loan - R3.3 billion (fully repaid in Sep 2016)
2. Other liabilities incl. payables and accruals of R176 million at 30 Sep 2018
3. Indemnity guarantee - R3 billion (Fully funded at 30 Sep 2018)
4. Senior unsecured stub instrument - R4.743 billion at 30 Sep 2018
5. Subordinated stub instrument - R4.886 billion at 30 Sep 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 unsecured stub instrument	2 472	4 823
Subordinated stub instrument	Nil	98

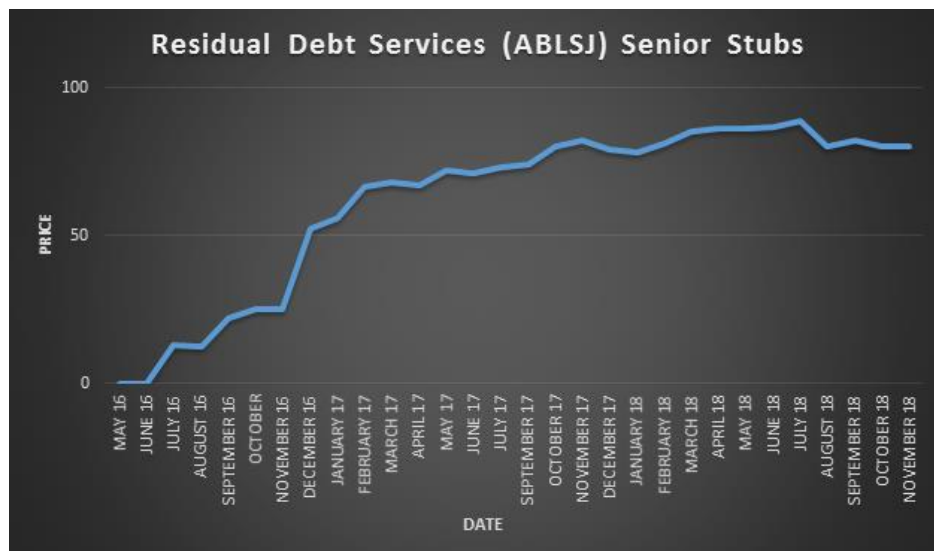
- The fair value is assessed as a discounted cash flow of forecast future receipts and payments for 60 months from the advances book
- All cash flows discounted at WACC of 14% NACM, except for R3.5bn cash float and indemnity reserve in “No claim” scenario, which amounts are discounted at the 5.5 year risk free rate of 8.116 % NACQ
- The “Base” forecast (with a senior unsecured stub instrument fair value of R2 472 million) assumes that the indemnity reserve will be called in full (R3 billion) and spread evenly over a three year period
 - R500 million operating float is repaid to holders of the senior unsecured stub instrument at the end of the 60 month period
- The “No claim” forecast (with a senior unsecured stub instrument fair value of R4 823 million) assumes that the indemnity reserve will not be called at all
 - R3.5 billion is assumed to be paid to the holders of senior unsecured stub instrument at the end of indemnity period (being April 2024)
- Any surplus arising after covering the indemnity reserve and operating float of R500 million is released to creditors every six months thereafter based on their ranking as detailed on the previous slide
- An amount of R1.15 billion has been paid to senior unsecured stub instrument holders to date

Further detail regarding assumptions is given in the Notes to the RDS Creditors Statement

2. Financial Statement analysis

Pricing analysis of stub instruments

Market price of RDS senior unsecured stub*



*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 (30 Sep 2018)	2 472	4 823
Subordinated (30 Sep 2018)	Nil	98
Fair value/original principal value (%)		
<i>Senior</i>	62.2%	121.4%
<i>Subordinated</i>	0.0%	2.7%
Original principal value of stub instrument		
Senior (10 August 2014)	3 974	3 974
Subordinated (4 April 2016)	3 621	3 621
Fair value/carrying book value (%)		
<i>Senior (30 Sep 2018)</i>	52.1%	101.7%
<i>Subordinated (30 Sep 2018)</i>	0.0%	2.0%
Carrying Value of stub Instrument		
Senior (30 Sep 2018)	4 743	4 743
Subordinated (30 Sep 2018)	4 886	4 886

2. Financial Statement analysis

Advances overview

Net advances	Gross advances 30 Sep 2018	Gross advances 30 Sep 2017
Gross advances	1 986	3 787
Deferred administration fees	(7)	(22)
Gross advances after deferred administration fees	1 979	3 765
Impairment provisions	(1 451)	(2 731)
	528	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% (R1.451 billion/R1.979 billion) in line with Sep 2017: 73%

2. Financial Statement analysis

SARB and NCR matters

- **SARB indemnity guarantee**
 - RDS 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 30 September 2018 the indemnity guarantee reserve remains fully funded to the amount of R3 billion and there have been no claims
- **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

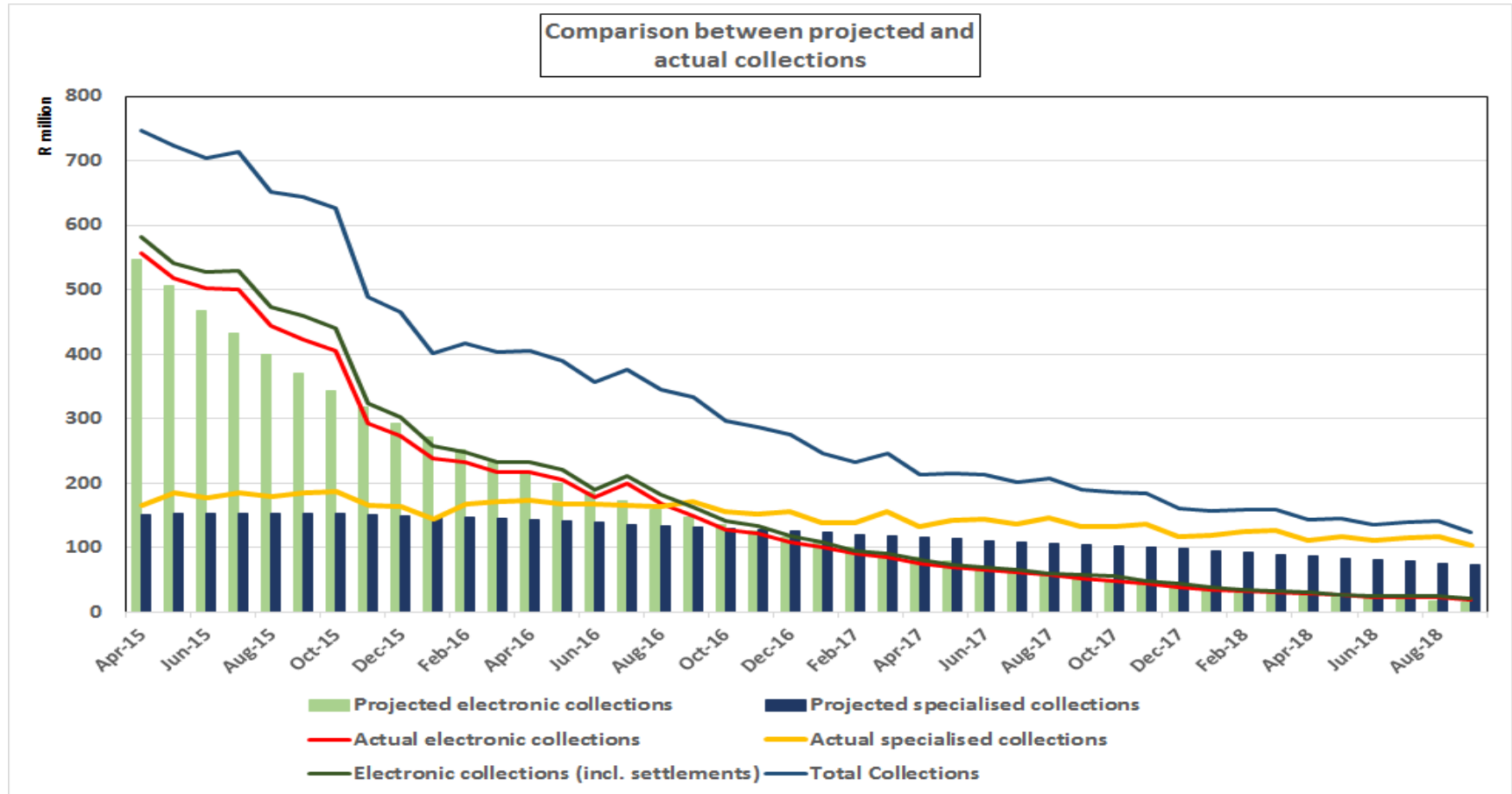
2. Financial Statement analysis

SARS matters

- **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

- Another successful year for RDS, with a continued increasing focus on late stage collections as electronic collections decrease
- Collection of book continues to run smoothly, albeit with reduced expectations for future collections as the book is in “run down”
- Indemnity fund of R3 billion and operating float of R500 million remains fully funded, with no claims against RDS under the indemnity
- Payment of approximately R650 million to senior unsecured stub instrument holders anticipated in Jan 2019, will bring total payments to approximately R1.8 billion
- Expected that the interim financial statements for the six months ended 31 March 2019 and further operational and creditors updates will be provided in May 2019
- Applicable documentation published at www.residualdebtservices.co.za

Financial media

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Financial information

Information for the year ended 30 September 2018

Published at www.residualdebtservices.co.za

- Results presentation for the year ended 30 September 2018
- Statement by the Curator Mr C Du Plessis, curator of Residual Debt Services Limited
- Financial media release on the results for the year ended 30 September 2018
- Annual Financial Statements for the year ended 30 September 2018

Questions?

