



# AB Finco 1 (RF) Limited Management Report

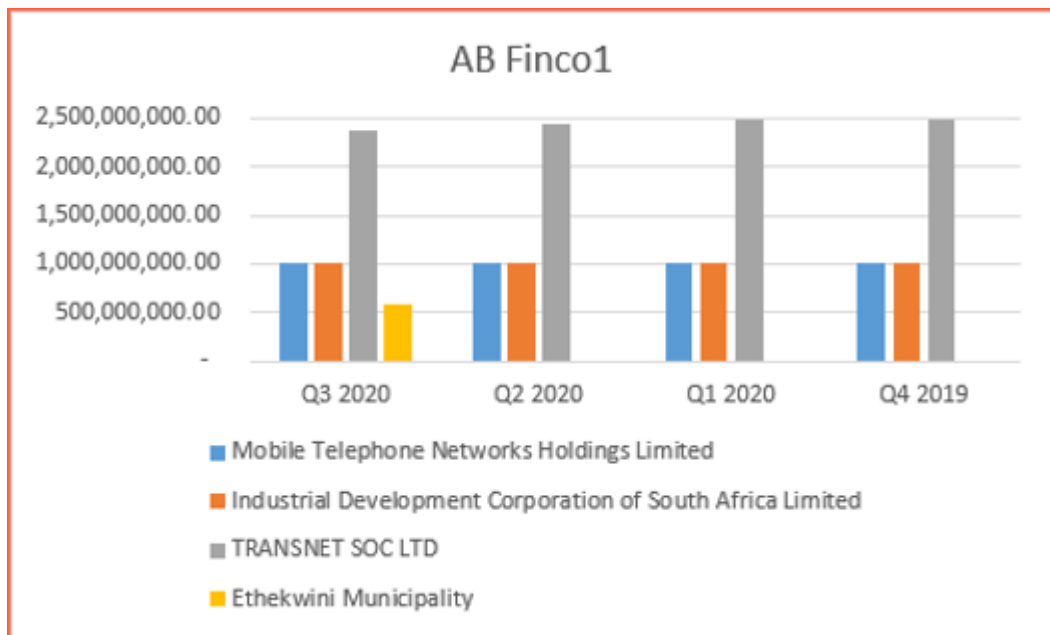
September 2020

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# Executive Summary

- AB Finco 1 is a serialised Issuance Programme. This allows the entity to issue multiple series of Notes under separate series in one legal entity. Each series is backed by a single borrower loan.
- The entity previously operated under the name of Commissioner Street1, but was renamed during Q4 2019 to AB Finco 1.
- During Dec 2019 3 assets were acquired from Absa Bank Limited.
- During Aug 2020 the eThekweni Municipality Loan was acquired from Absa Bank Limited.
- AB Finco 1 has a total asset value of R4.95bn as at Sep 2020.
- The assets consists of repacked Absa CIB loans extended to the following;
  - Transnet – R2.37bn (Amortising with final maturity 12 Feb 2030)
  - IDC – R1bn (Bullet with maturity of 14 Sept 2026)
  - MTN – R1bn (Bullet with maturity of 18 July 2024)
  - eThekweni – R580m (Amortising with maturity of 30 June 2026)



# September 2020 Financial Performance

No YoY slides are provided, as the assets in Commissioner street 1, which were in prior year, have zero correlation to the current assets.

	July 20(R'000)	Aug 20(R'000)	Sep 20(R'000)
<b>Income Statement</b>			
Interest Income	24,868.47	24,601.71	22,322.32
Interest Expense	(22,987.42)	(21,965.50)	(19,715.78)
<b>Net Interest income</b>	<b>1,881.05</b>	<b>2,636.21</b>	<b>2,606.53</b>
Operational Expense	62.37	(255.68)	(108.68)
Impairment	(217.06)	(317.41)	(207.34)
<b>Profit before tax</b>	<b>1,726.37</b>	<b>2,063.12</b>	<b>2,290.51</b>
Income tax expense	(483.38)	(577.67)	(676.81)
<b>Profit after tax</b>	<b>1,242.98</b>	<b>1,485.45</b>	<b>1,613.70</b>
<b>YTD</b>	<b>8,393.15</b>	<b>9,878.60</b>	<b>11,492.30</b>
	Jul 20(R'000)	Aug 20(R'000)	Sep 20(R'000)
<b>Balance Sheet</b>			
<b>Loans and advances</b>	<b>4,408,660.76</b>	<b>5,015,949.10</b>	<b>4,928,974.01</b>
Loans	4,414,184.01	5,021,789.77	4,935,022.02
Impairments	(5,523.25)	(5,840.67)	(6,048.01)
Deferred tax	1,159.88	1,219.41	1,270.08
Cash and cash equivalents	10,360.27	10,357.75	16,662.94
<b>Total Assets</b>	<b>4,420,180.91</b>	<b>5,027,526.27</b>	<b>4,946,907.04</b>
Debt Securities in issue	(4,410,132.96)	(5,015,102.51)	(4,932,142.57)
Sundry creditors	(252.70)	(505.85)	(505.37)
Current tax provisions	(691.92)	(1,329.13)	(2,056.60)
<b>Total Liabilities</b>	<b>(4,411,077.58)</b>	<b>(5,016,937.49)</b>	<b>(4,934,704.55)</b>
Capital and retained earnings	(9,103.33)	(10,588.78)	(12,202.48)
<b>Total equity and liability</b>	<b>(4,420,180.91)</b>	<b>(5,027,526.27)</b>	<b>(4,946,907.04)</b>

## Net interest income (NII)

NII comprises of Interest earned on loans and advances to customers offset by funding cost paid on notes issued to Absa. The increase in August NII is largely attributed to the new eThekwini Municipality Loan issue.

## Operating expenditure

Operating expenses for Q3 are as follows; Bank charges R5k, Admin fees R96k, Audit fees R39k, Directors fees R45k, Rating agency fees R100k, JSE fees R12k, Strate fees R4k and Custody fees is R2k.

## Impairments

Impairments are driven by the credit health of the underlying exposures as well as macro economic assumptions applied in the impairment model. The increase in Q3 impairment expenses are from the increase in the provisions held against IDC R231k, MTN R325k and eThekwini R216k. The DG ratings of IDC dropped from a DG 7 at the beginning of the year to the current DG 10. The DG rating of MTN deteriorated within the quarter under review from 6 to 7.

## Loans and Investment Securities and Debt securities in issue

The August increase is due to the eThekwini Municipality Loan which was acquired from Absa Bank Limited for R580m. In September R56m was repaid towards the Transnet Loan, this is also mirrored on the debt securities which decreased by the same amount.

## Sundry Creditors

Sundry creditors consist of Admin fees R96k, Audit fees R135k, Rating agency fees R231k and JSE fees R27k. See Appendix A for details.

## Retained income

Retained income increased significantly during the quarter driven by the net profit earned on the R5bn asset base.

## Cash and cash equivalents

Cash and cash equivalents have significantly increased in September due to the quarter-end receipt of accrued interest due on Transnet loans, offset by payments on the debt securities in issue supporting that loan.

# Priority of Payments – ABF001

AbFinco IDC			
Series Type: ABF001			
Priorities of Payments for payment date 14 Sep 2020			
Item no.	Description	14-Sep-20	15-Jun-20
<b>1.1</b>	<b>Available Cash</b>	<b>18,198,840</b>	<b>23,333,897</b>
	<i>Interest received on Acquired Assets</i>	<b>15,188,274</b>	<b>21,954,795</b>
	Interest received	15,188,274	21,954,795
	Capital received	-	-
	<b>Bank and cash balances</b>	<b>3,010,566</b>	<b>1,379,102</b>
	Transaction account	3,010,566	1,379,102
	Call Account - capital		
	Call Account - interest		
	Available funds in Transaction Account	18,198,840	23,333,897
<b>1.1.1</b>	<b>South African Revenue Services</b>	<b>- 709,248</b>	<b>-</b>
	Income Tax	435,965	- 464,055
	Income tax - payment only due for provisional tax	- 1,145,212	464,055
	<b>Balance available</b>	<b>17,489,592</b>	<b>23,333,897</b>
<b>1.1.2</b>	<b>Security SPV, Owner Trust &amp; Third Party expenses</b>	<b>-</b>	<b>-</b>
1.1.2.1	Security SPV and Security SPV Owner Trustee	-	-
1.1.2.2	Owner Trustee fees	-	-
	<b>Balance available</b>	<b>17,489,592</b>	<b>23,333,897</b>

<b>1.1.3</b>	<b>Third party expenses:</b>	<b>- 44,325</b>	<b>- 29,705</b>
	Fees , costs and expenses incurred	- 44,325	- 29,705
	<b>Balance available</b>	<b>17,445,267</b>	<b>23,304,192</b>
<b>1.1.4</b>	<b>Administrator fees</b>	<b>- 19,207</b>	<b>- 12,805</b>
	Absa Admin Fee	- 19,207	- 12,805
		-	-
	<b>Balance available</b>	<b>17,426,060</b>	<b>23,291,388</b>
<b>1.1.5</b>	<b>Interest Distribution Amount</b>	<b>- 13,567,726</b>	<b>- 20,280,822</b>
	Interest Distribution Amount	- 13,567,726	- 20,280,822
	Capital Distribution Amount	-	-
	<b>Balance available</b>	<b>3,858,334</b>	<b>3,010,566</b>
<b>1.1.6</b>	<b>Outstanding payments</b>	<b>-</b>	<b>-</b>
	Fees , costs and expenses incurred		
	<b>Balance available</b>	<b>3,858,334</b>	<b>3,010,566</b>
<b>1.1.7</b>	<b>Transfer to Permitted Investments</b>	<b>3,858,334</b>	<b>3,010,566</b>

# Priority of Payments – ABF003

AbFinco MTN			
Series Type: ABF003			
Priorities of Payments for payment date 19 October 2020			
Item no.	Description	19-Oct-20	20-Jul-20
<b>1.1</b>	<b>Available Cash</b>	<b>16,375,208</b>	<b>18,269,737</b>
	<i>Interest received on Acquired Assets</i>	<b>15,083,562</b>	<b>17,078,082</b>
	Interest received	15,083,562	17,078,082
	Capital received	-	-
	<b>Bank and cash balances</b>	<b>1,291,646</b>	<b>1,191,655</b>
	Transaction account	1,291,646	1,191,655
	Call Account - capital		
	Call Account - interest		
	Available funds in Transaction Account	16,375,208	18,269,737
<b>1.1.1</b>	<b>South African Revenue Services</b>	-	<b>709,248</b>
	Income Tax	226,082	226,381
	Income tax - payment only due for provisional tax	- 226,082	- 935,628
	<b>Balance available</b>	<b>16,375,208</b>	<b>17,560,489</b>
<b>1.1.2</b>	<b>Security SPV, Owner Trust &amp; Third Party expenses</b>	-	-
1.1.2.1	Security SPV and Security SPV Owner Trustee	-	-
1.1.2.2	Owner Trustee fees	-	-
	<b>Balance available</b>	<b>16,375,208</b>	<b>17,560,489</b>

<b>1.1.3</b>	<b>Third party expenses:</b>	-	<b>42,824</b>	-	<b>44,156</b>
	Fees , costs and expenses incurred	-	42,824	-	44,156
	<b>Balance available</b>		<b>16,332,384</b>		<b>17,516,333</b>
<b>1.1.4</b>	<b>Administrator fees</b>	-	<b>22,046</b>	-	<b>19,207</b>
	Absa Admin Fee	-	22,046	-	19,207
	<b>Balance available</b>		<b>16,310,338</b>		<b>17,497,126</b>
<b>1.1.5</b>	<b>Interest Distribution Amount</b>	-	14,210,959	-	16,205,479
	Interest Distribution Amount	-	14,210,959	-	16,205,479
	Capital Distribution Amount		-		-
	<b>Balance available</b>		<b>2,099,379</b>		<b>1,291,646</b>
<b>1.1.6</b>	<b>Outstanding payments</b>		-		-
	Fees , costs and expenses incurred				
	<b>Balance available</b>		<b>2,099,379</b>		<b>1,291,646</b>
<b>1.1.7</b>	<b>Transfer to Permitted Investments</b>		<b>2,099,379</b>		<b>1,291,646</b>

# Priority of Payments – ABF007

AbFinco Transnet			
Series Type: ABF007			
Priorities of Payments for payment date 01 Sep 2020			
Item no.	Description	01-Sep-20	01-Jun-20
<b>1.1</b>	<b>Available Cash</b>	<b>106,914,271</b>	<b>117,963,881</b>
	<i>Interest received on Acquired Assets</i>	<b>98,501,558</b>	<b>114,300,549</b>
	Interest received	41,897,784	57,696,775
	Capital received	56,603,774	56,603,774
	<b>Bank and cash balances</b>	<b>8,412,713</b>	<b>3,663,332</b>
	Transaction account	8,412,713	3,663,332
	Call Account - capital		
	Call Account - interest		
	Available funds in Transaction Account	106,914,271	117,963,881
<b>1.1.1</b>	<b>South African Revenue Services</b>	<b>- 1,726,283</b>	<b>-</b>
	Income Tax	1,297,914	1,329,597
	Income tax - payment only due for provisional tax	- 3,024,196	- 1,329,597
	<b>Balance available</b>	<b>105,187,988</b>	<b>117,963,881</b>
<b>1.1.2</b>	<b>Security SPV, Owner Trust &amp; Third Party expenses</b>	<b>-</b>	<b>-</b>
1.1.2.1	Security SPV and Security SPV Owner Trustee	-	-
1.1.2.2	Owner Trustee fees	-	-
	<b>Balance available</b>	<b>105,187,988</b>	<b>117,963,881</b>

<b>1.1.3</b>	<b>Third-party expenses:</b>	<b>- 109,974</b>	<b>- 73,316</b>
	Fees , costs and expenses incurred	- 109,974	- 73,316
	<b>Balance available</b>	<b>105,078,014</b>	<b>117,890,565</b>
<b>1.1.4</b>	<b>Administrator fees</b>	<b>- 47,836</b>	<b>- 31,891</b>
	Absa Admin Fee	- 47,836	- 31,891
	<b>Balance available</b>	<b>105,030,178</b>	<b>117,858,674</b>
<b>1.1.5</b>	<b>Interest Distribution Amount</b>	<b>- 93,707,761</b>	<b>- 109,445,961</b>
	Interest Distribution Amount	- 37,103,988	- 52,842,188
	Capital Distribution Amount	- 56,603,774	- 56,603,774
	<b>Balance available</b>	<b>11,322,417</b>	<b>8,412,713</b>
<b>1.1.6</b>	<b>Outstanding payments</b>	<b>-</b>	<b>-</b>
	Fees , costs and expenses incurred		
	<b>Balance available</b>	<b>11,322,417</b>	<b>8,412,713</b>
<b>1.1.7</b>	<b>Transfer to Permitted Investments</b>	<b>11,322,417</b>	<b>8,412,713</b>

## Appendix – A (Accruals)

<b>Accruals</b>	
Admin fees	95,833.33
Audit fees	135,444.94
Directors fees	-
Rating agency	231,643.70
Custody fees	8,550.00
JSE fees	27,100.73
Strate fees	6,801.38
	<b>505,374.07</b>



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