



AFRICAN BANK HOLDINGS CONSOLIDATED UNAUDITED FINANCIAL RESULTS PRESENTATION

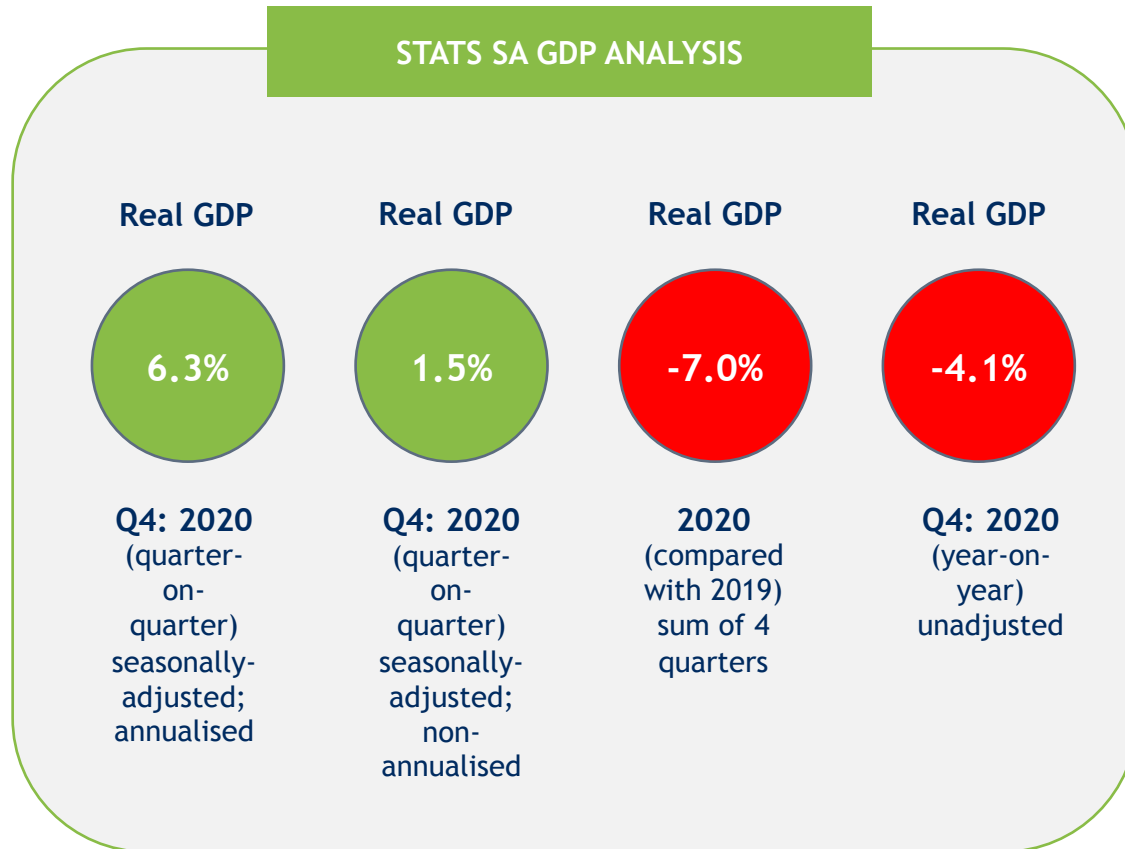
for the half-year ended 31 March 2021



SETTING THE SCENE

Remaining resilient and adaptable

Despite ongoing challenges



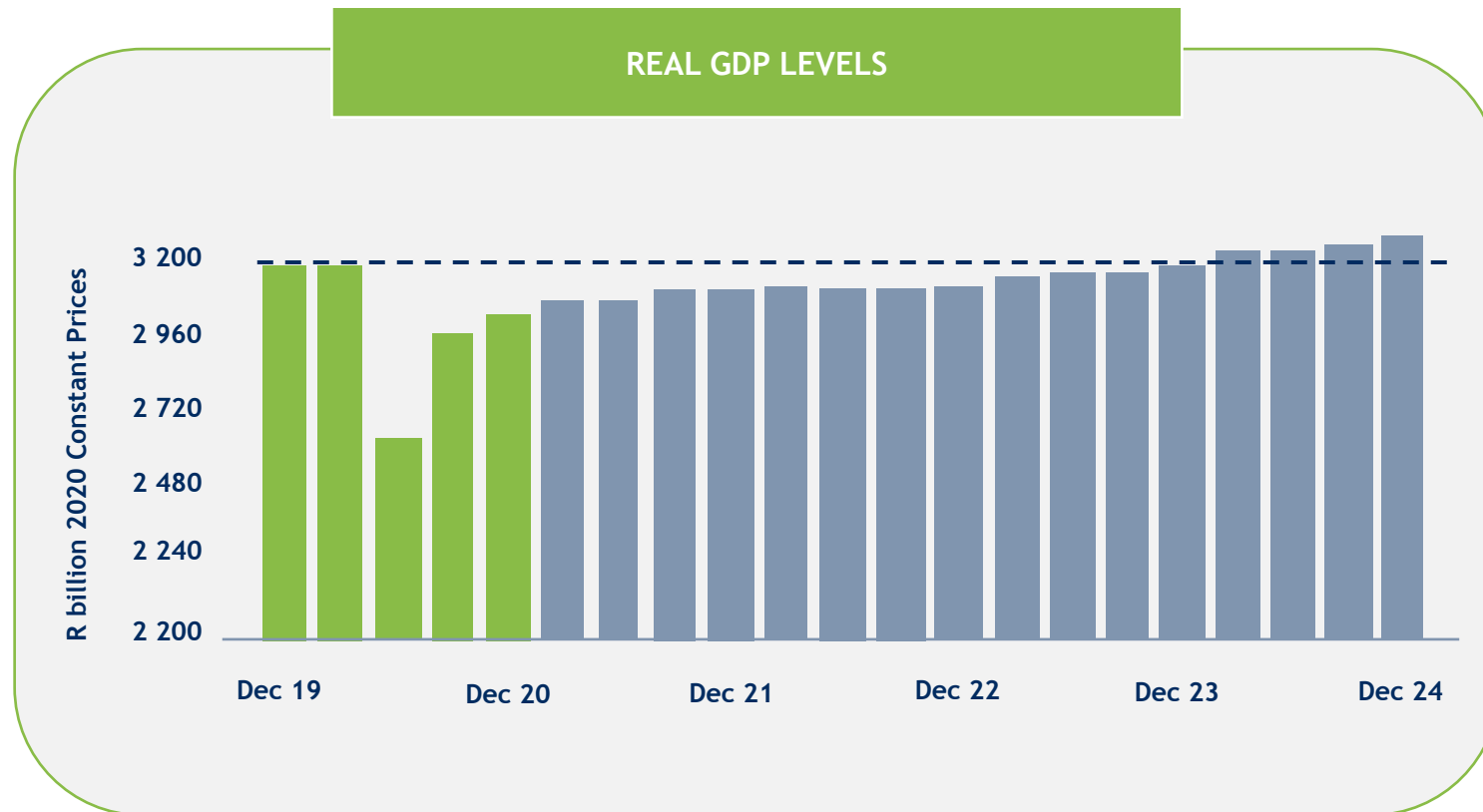
The SA economy contracted by 7.0% in 2020; the largest annual decrease in GDP since WWII

- Positive growth recorded in the 3rd and 4th quarters was not enough to offset the devastating impact of Covid-19 in the second quarter when lockdown restrictions were at their most stringent
- Economic activity for the entire year decreased by 7,0% in 2020 compared with 2019
- Household final consumption expenditure decreased by 5,4%
- The main negative contributors to growth of -5,4% in HFCE were expenditure on transport (-10,6%), clothing and footwear (-21,0%), restaurants and hotels (-41,8%), and alcoholic beverages, tobacco and narcotics (-16,9%)

SOURCE: Stats SA, March 2021

Remaining resilient and adaptable

Despite anticipated slow recovery



SOURCE: Stats SA and RMB Global Markets, March 2021

18 quarters to reach Q4 19 real GDP levels

- While GDP increased in the last two quarters of 2020, the recovery is expected to be slow with the economy only reaching 2019 Q4 levels during 2024
- SARB noted the possibility of a ‘K-shape’ recovery, where some industries recover much slower than others
- Subsequent Covid-19 waves could further slow economic recovery

The African Bank Group expects subdued growth in the short to medium term



FINANCIAL AND BUSINESS PERFORMANCE

Underlying context of our H1 21 results

Shaped by Covid-19 provisions and restatements of H1 20 comparatives

Covid-19 provisions proved adequate

- **H1 2020**
 - Credit impairment of R550 million processed in the Bank
 - Insurance IBNR increase of R303 million
- **H2 2020**
 - Significant releases of provisions; reflected in actual ageing and credit risk model experience
 - Released R417 million credit impairments in Bank; R133 million remaining
 - Released R87 million insurance IBNR, as claims materialised; R216 million remaining
- **H1 2021**
 - No material change in Covid-19 provisions; R130 million remains in the Bank
 - Insurance entity releases H2 20 provisions; but R30 million insurance IBNR remains



Restatement impacts

Two items restated in the H1 2020 comparative results; adding R66 million charge to income before tax

- EIR restatement of service fees - R31 million
- Property and equipment assets written off - R35 million

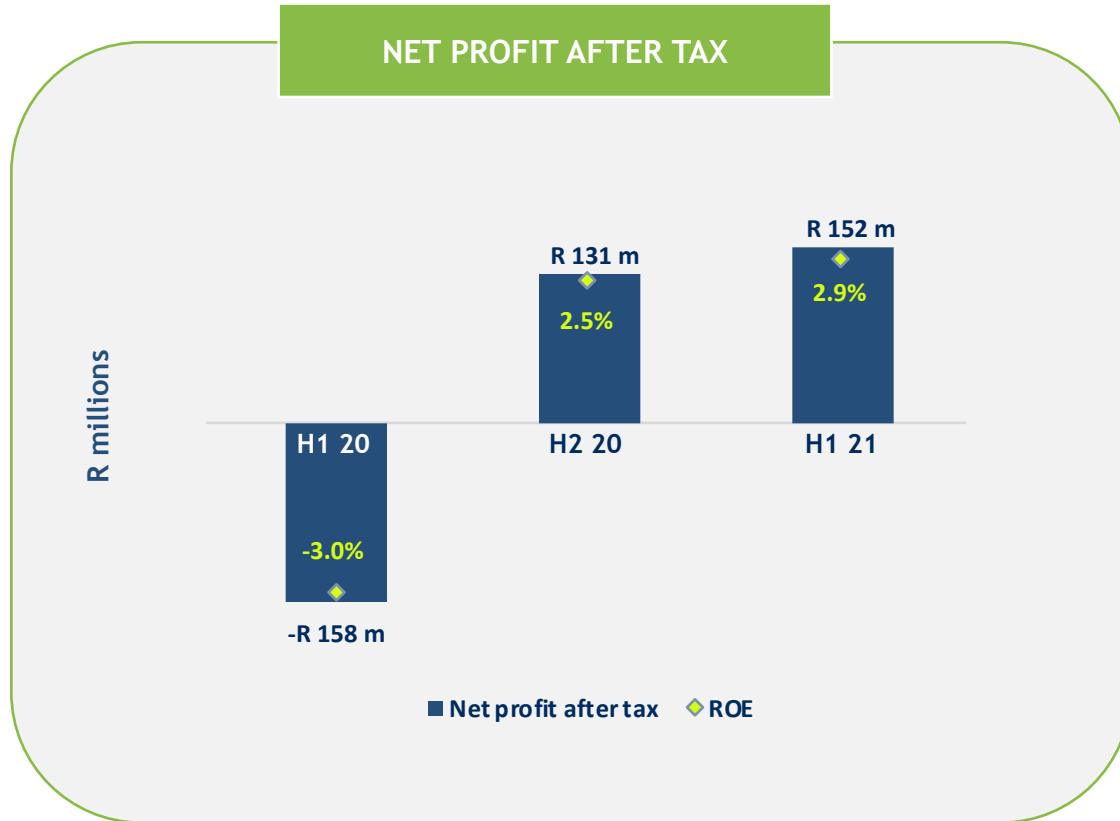
Three additional items restated with no P&L effect

- Modification loss arising from the rescheduling of debt-reduction of gross advances and impairments provision by R543 million
- Collections' costs were shown as operating expenses of R53 million instead of as part of the impairment charge
- Interest income on certain written off advances - R28 million



Operating profit

H1 20 losses due to upfront provisioning; H2 20 profitable as lower risk emerges; increased H1 21 profitability continues



H1 21 NPAT improved by 196%

Positive contribution

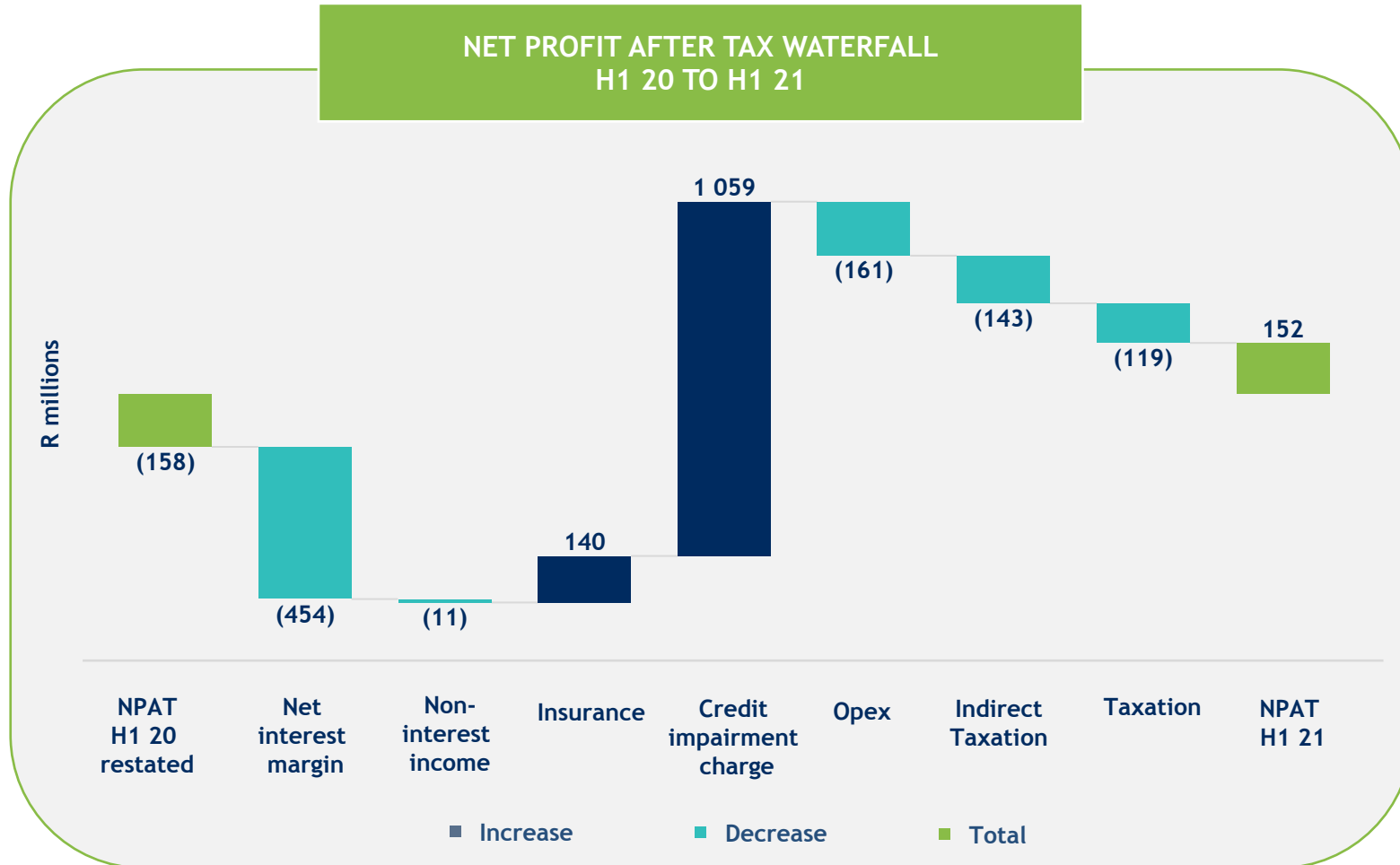
- Substantially lower impairment charge at 6.1% (H1 20: 12.9%) of average advances
- Insurance income increases by 51%
- Reduced net interest expense

Negative impacts

- Interest income reduced by 18%
- Operating costs 12% higher
- Additional VAT apportionment charge of R140 million

Net profit after tax composition

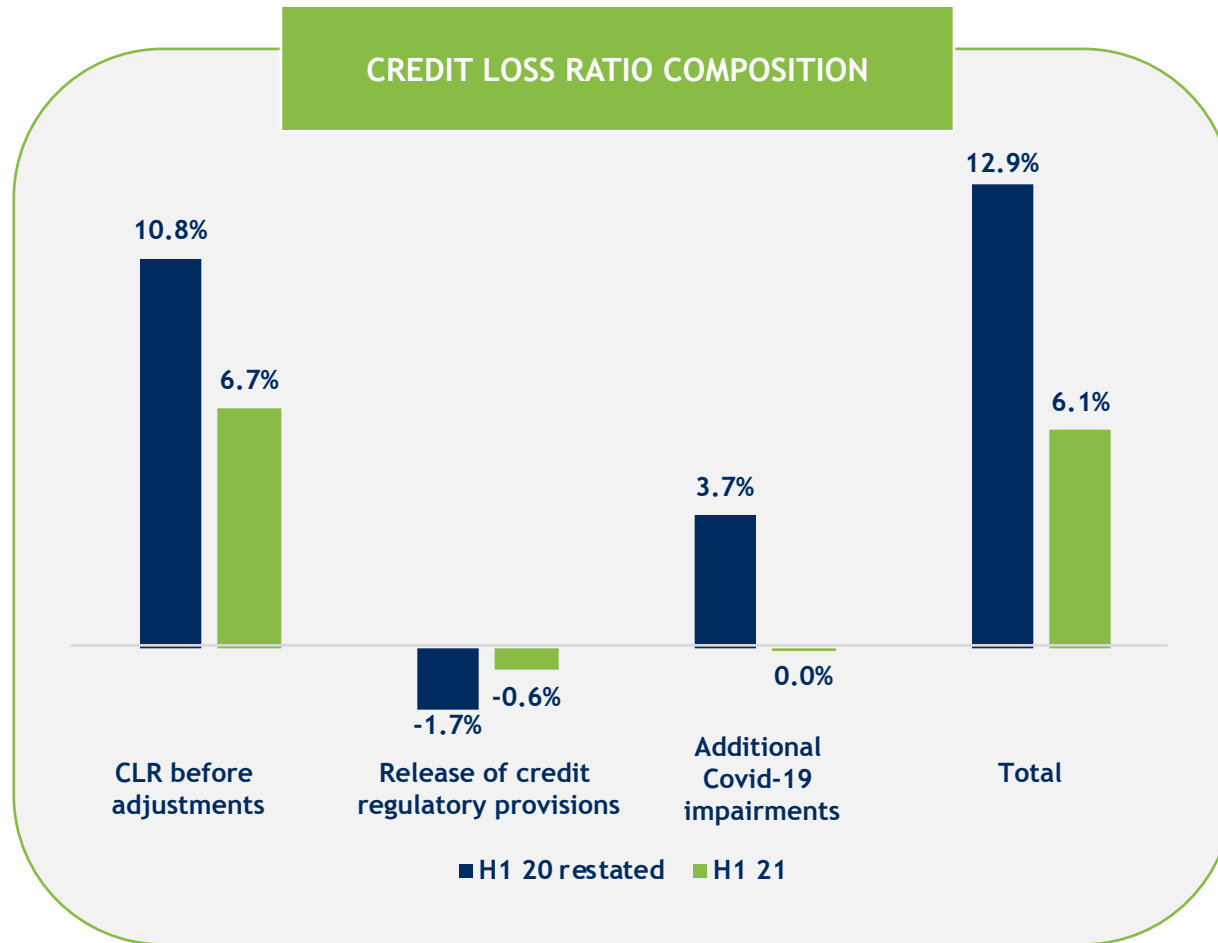
Credit impairment charges reduced and higher insurance profits generated; somewhat offset by lower interest income as advances book shrinks and higher operational costs and VAT charge



**RETURN TO
PROFITABILITY
IN H1 21**

Credit loss ratio reduces by 55%

Improves as credit underwriting tightened; Covid-19 charge raised in H1 20 proved sufficient



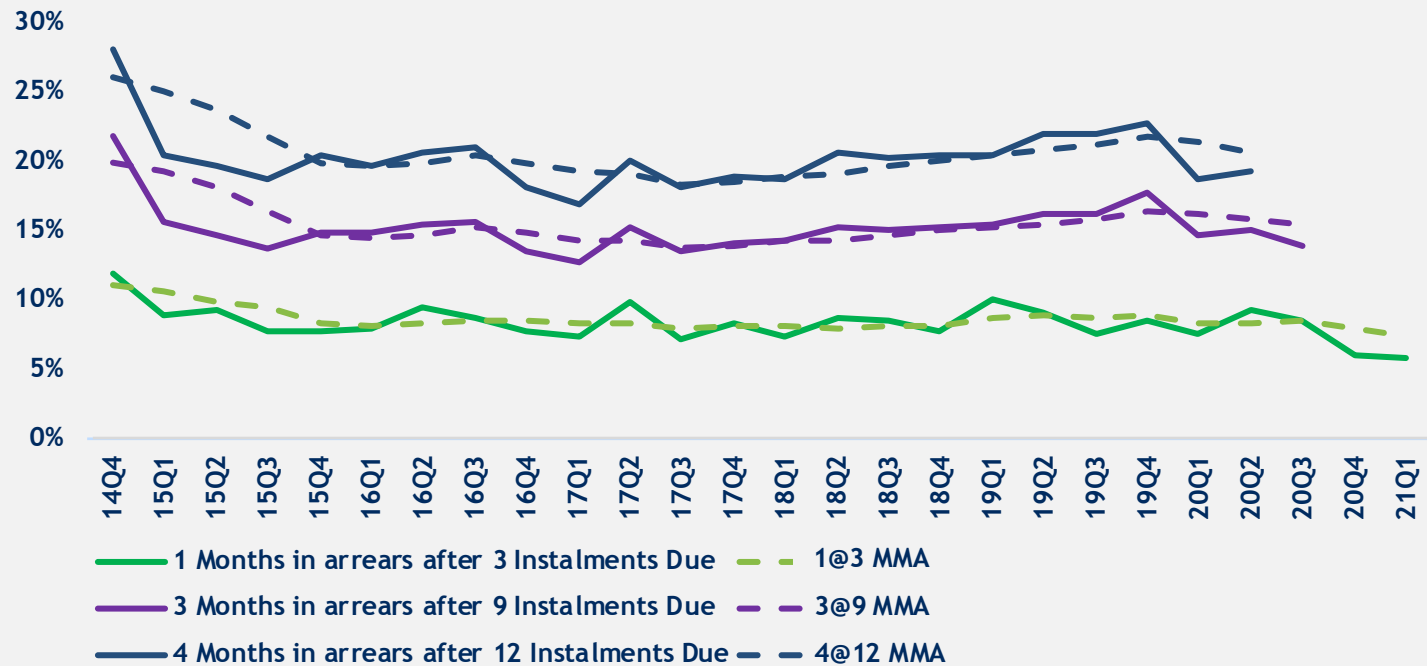
CLR decreased to 6.1%

- H1 21 base charge of 6.7% low due to:
 - Latest vintages performing much better with tighter credit
 - Improved collections
 - Overall book getting older; resulting in lower upfront credit charges as new advances remain muted
 - NPL advances forming larger proportion of book, leading to interest derecognised and commensurate release of charge (1.2% charge reduction)
- Covid-19-specific provisions raised in H1 20 of R550 million; partially reversed in H2 20; maintained at R130 million in H1 21
- Smaller favourable adjustment due to Debi-Check and Credit Amendment Bill, as affected population reduces

Risk emergence trends

Vintage strain now reversing as tighter underwriting takes effect

CREDIT RISK - EARLY RISK EMERGENCE
QUARTERLY AVERAGES

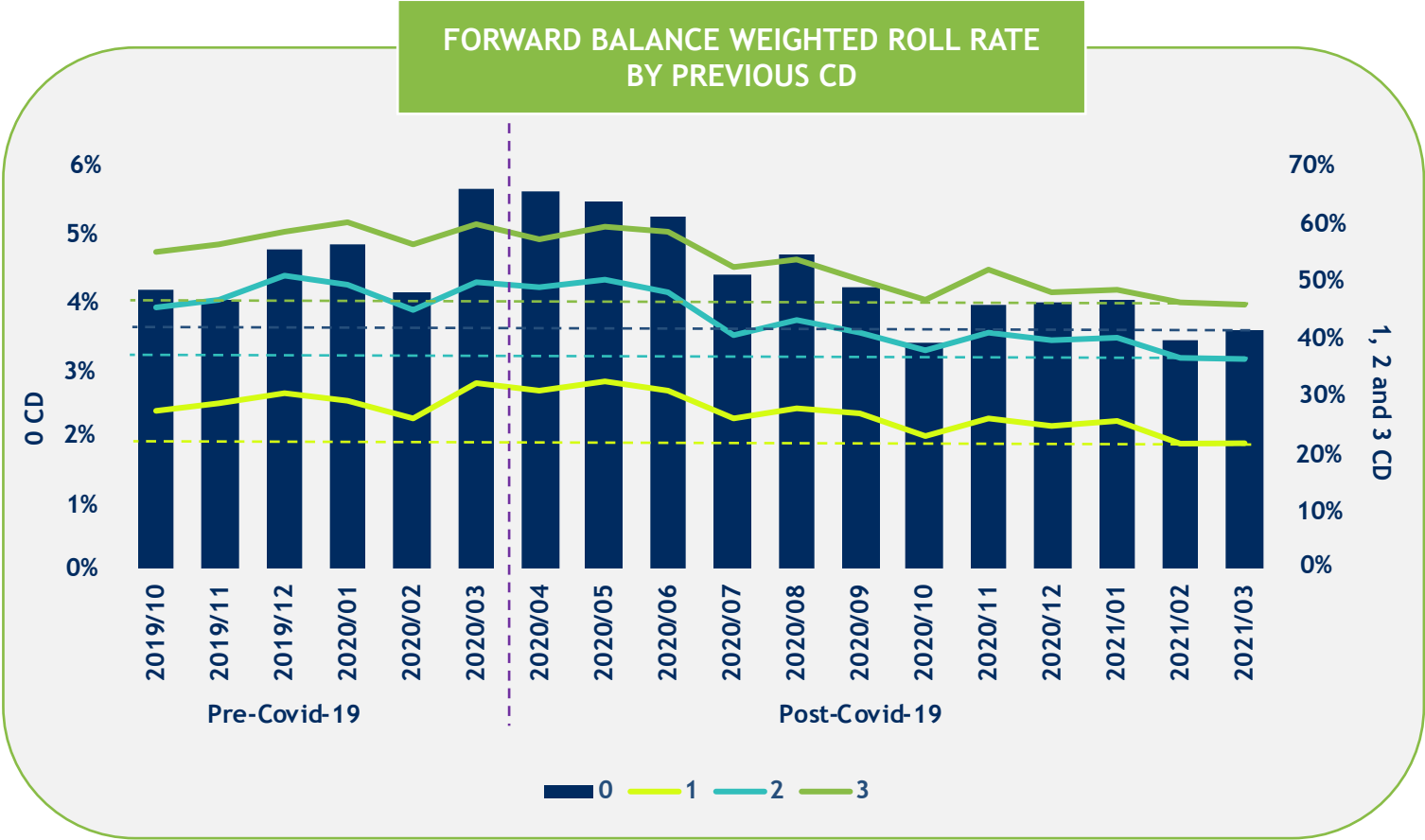


**POSITIVE
TRENDS
IN LATEST DATA SETS
CONTINUE**

- 20Q1 affordability tightened
- 20Q2 underwriting by employer
- 20Q4 scorecard recalibrations
- 21Q2 affordability relaxed

Improving roll rates of advances

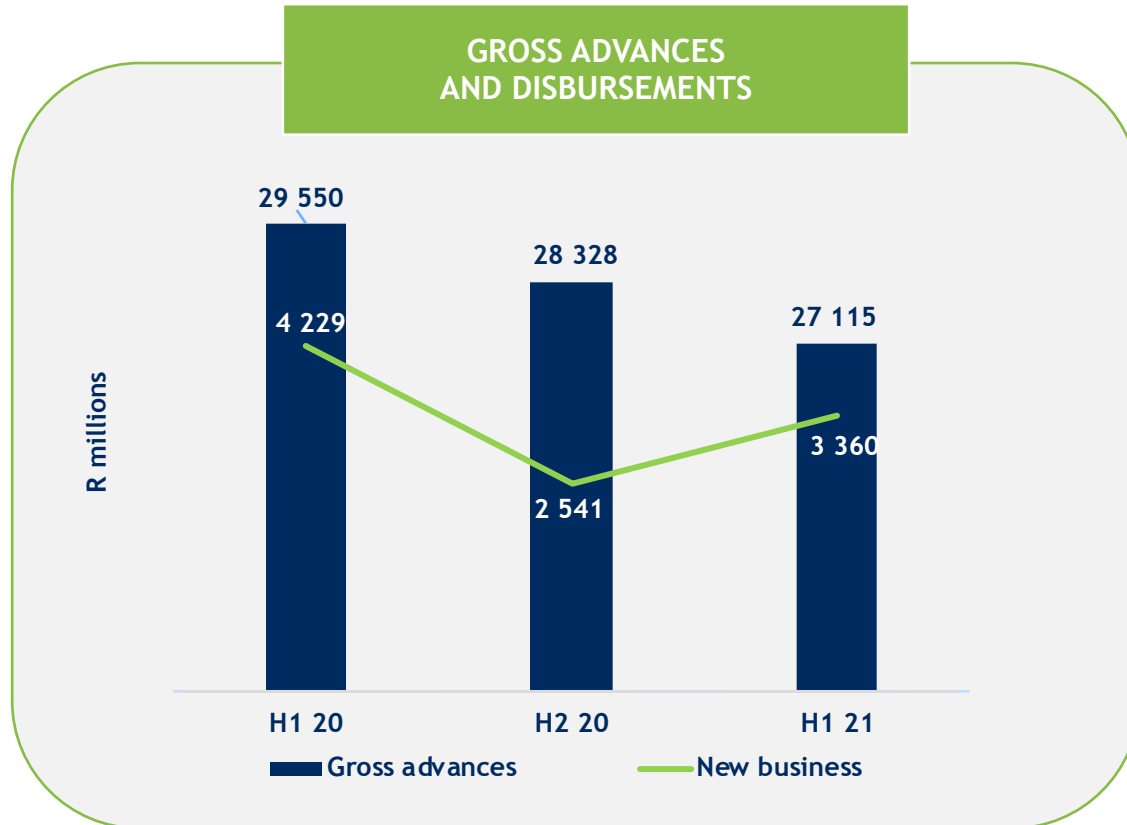
Declining roll rate trends post-Covid-19 indicate improving collections and lower credit loss ratio



CURRENT ROLL RATES LOWER THAN PRE-COVID-19 LEVELS

Retail advances

Gross advances continues to decline; conservative disbursements remain, but improvement from lows of H2 20

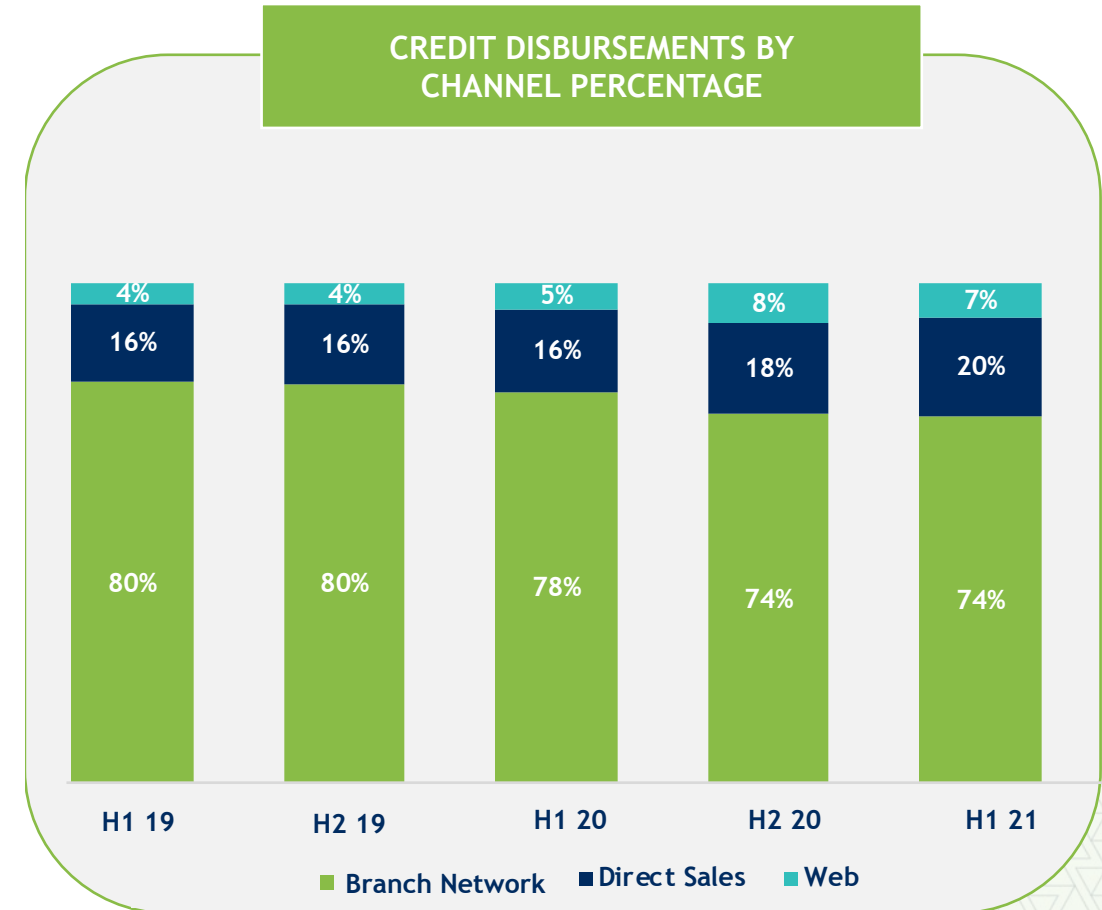
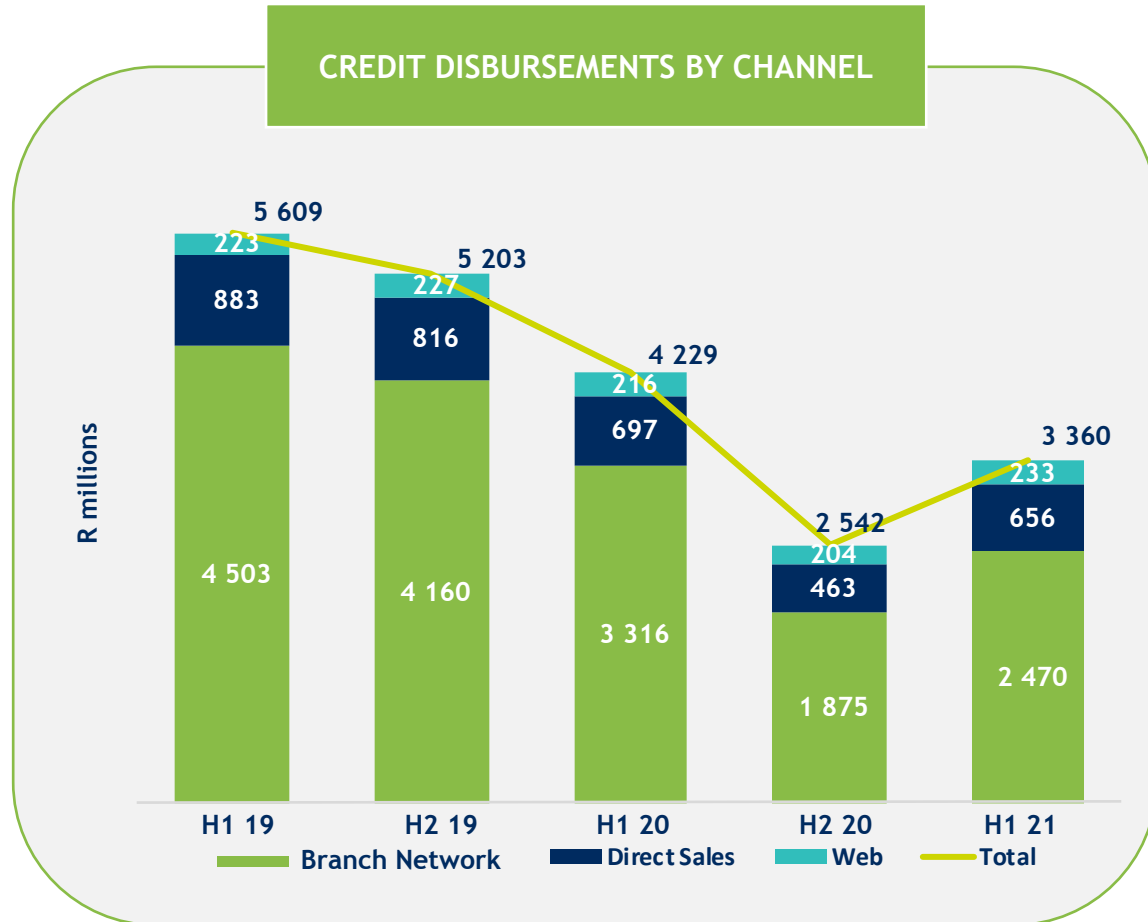


ADVANCES BOOK
DECLINE
8%
YEAR-ON-YEAR

- **Advances book** declined year-on-year (8% lower than H1 20)
- **Conservative disbursements** 21% lower than H1 20, but improved by 32% off H2 20 lows

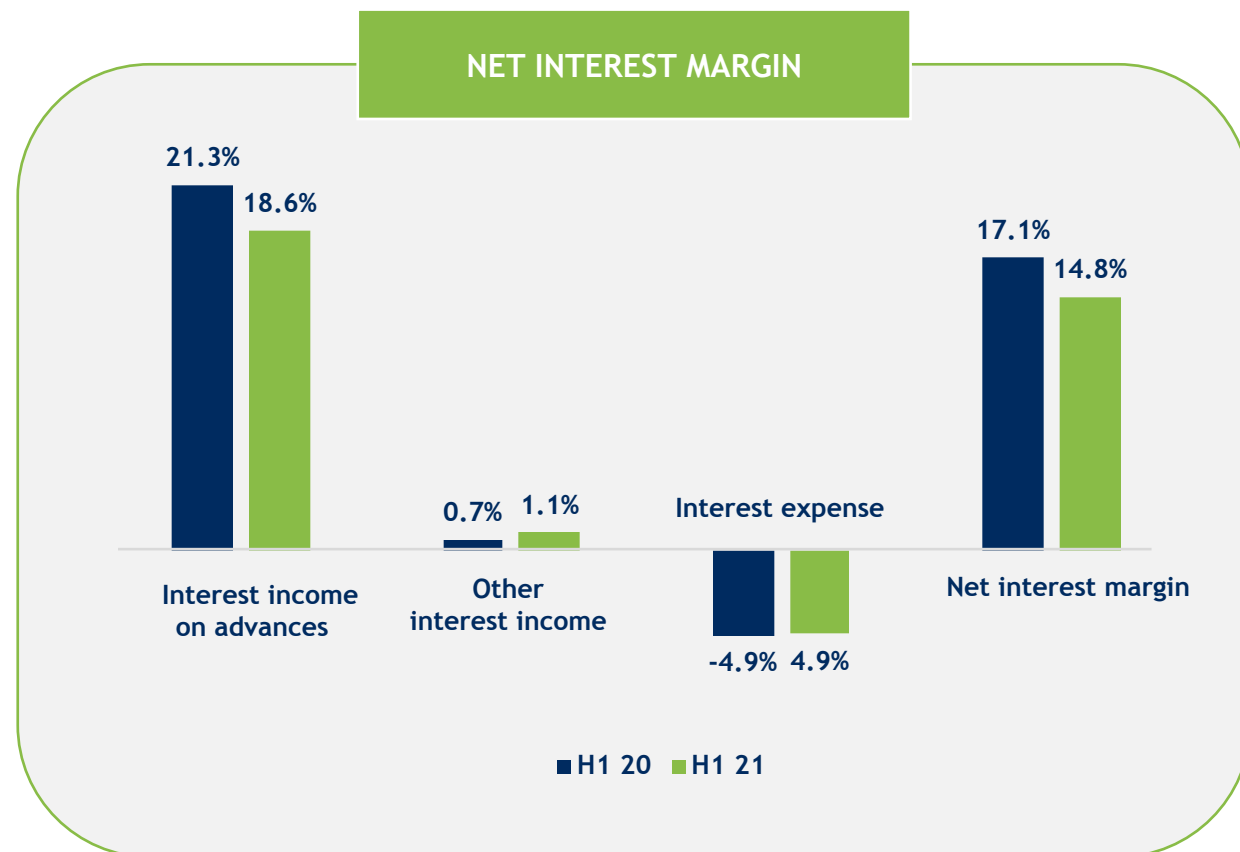
Credit disbursements by channel

Web and direct sales channels growing during Covid-19 lockdowns; web exceeding pre-Covid-19 levels; direct sales close to pre-pandemic levels



Net interest margin as % of average gross advances

Net interest margin reduces

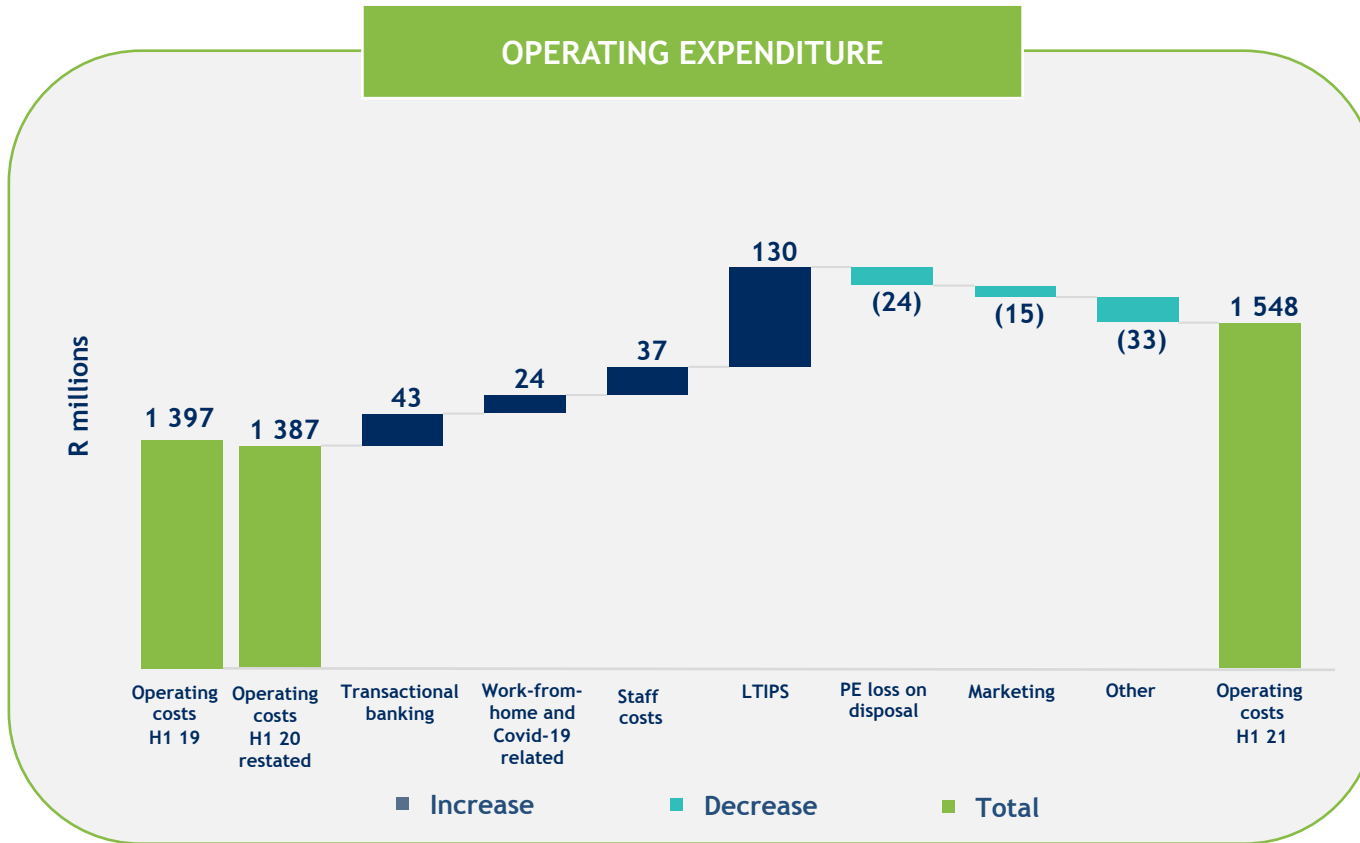


Net interest margin declines due to:

- **Lower interest income** given:
 - Reducing advances book
 - Lower rates charged on new disbursements and credit card book as repo rate falls
 - Greater proportion of book in NPL category, with less interest recognised on net NPL balances
- **Offset by higher surplus cash balances** (up R2.6 billion); generating greater interest income
- **Funding liabilities remained constant** while cost of funding reduced by 7%; expressed as % of declining average gross advances book of 8%

Operating expenditure and indirect taxes

Operational efficiencies offset by severance packages, incentives and work-from-home costs



Operating costs increased by 12%

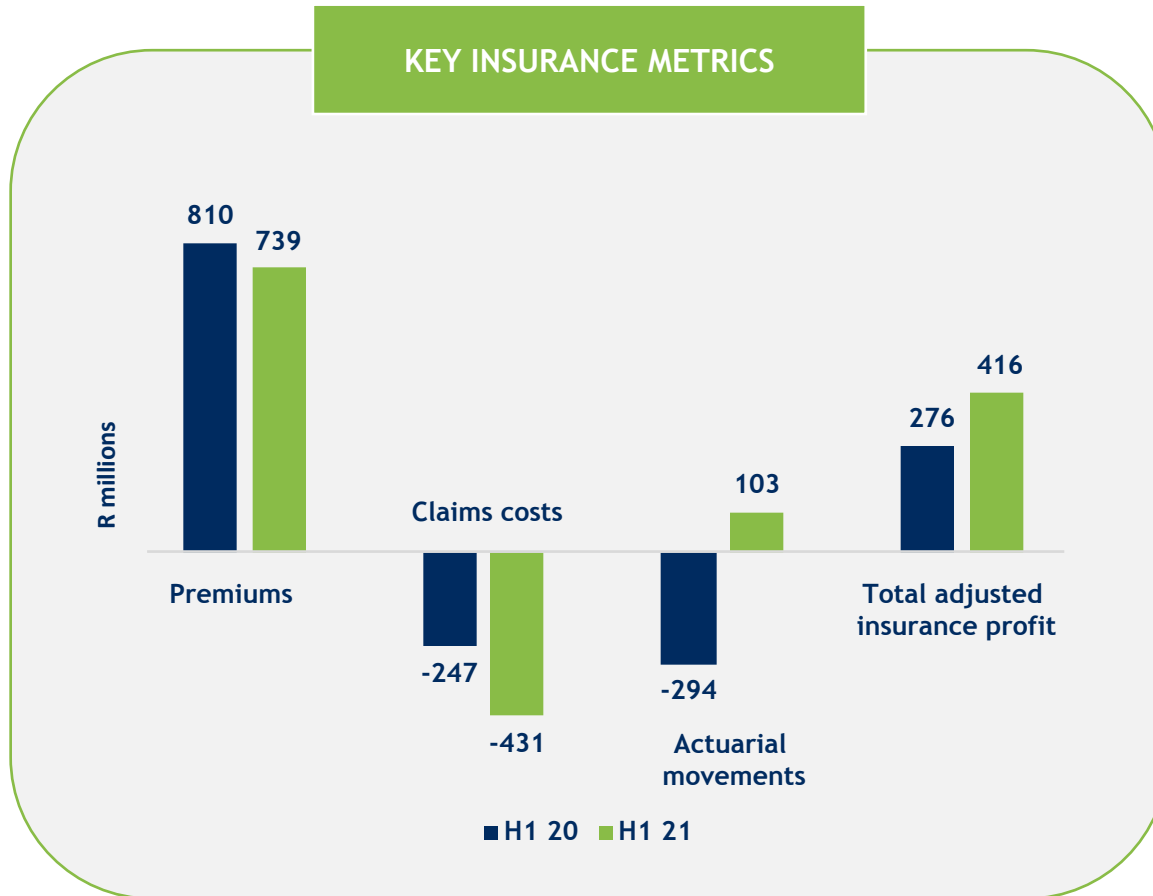
- Severance packages of R75 million; offset partially by new-hire freeze
- Staff incentives of R85 million reinstated versus release of R45 million in H1 20
- Cost-savings from reduced marketing
- Work-from-home and Covid-19-related data costs incurred of R24 million
- Transactional banking increased costs; offset by increase in other revenue earned
- Losses on write-off of assets in H1 20 not repeated

VAT apportionment provision of R140 million (H1 20: R3 million release)

- Existing ruling expired and new ruling applied for
- Provision based on industry average
- Decision expected by September 2021

Insurance returns improving

Covid-19 claims offset by actuarial provisions' releases



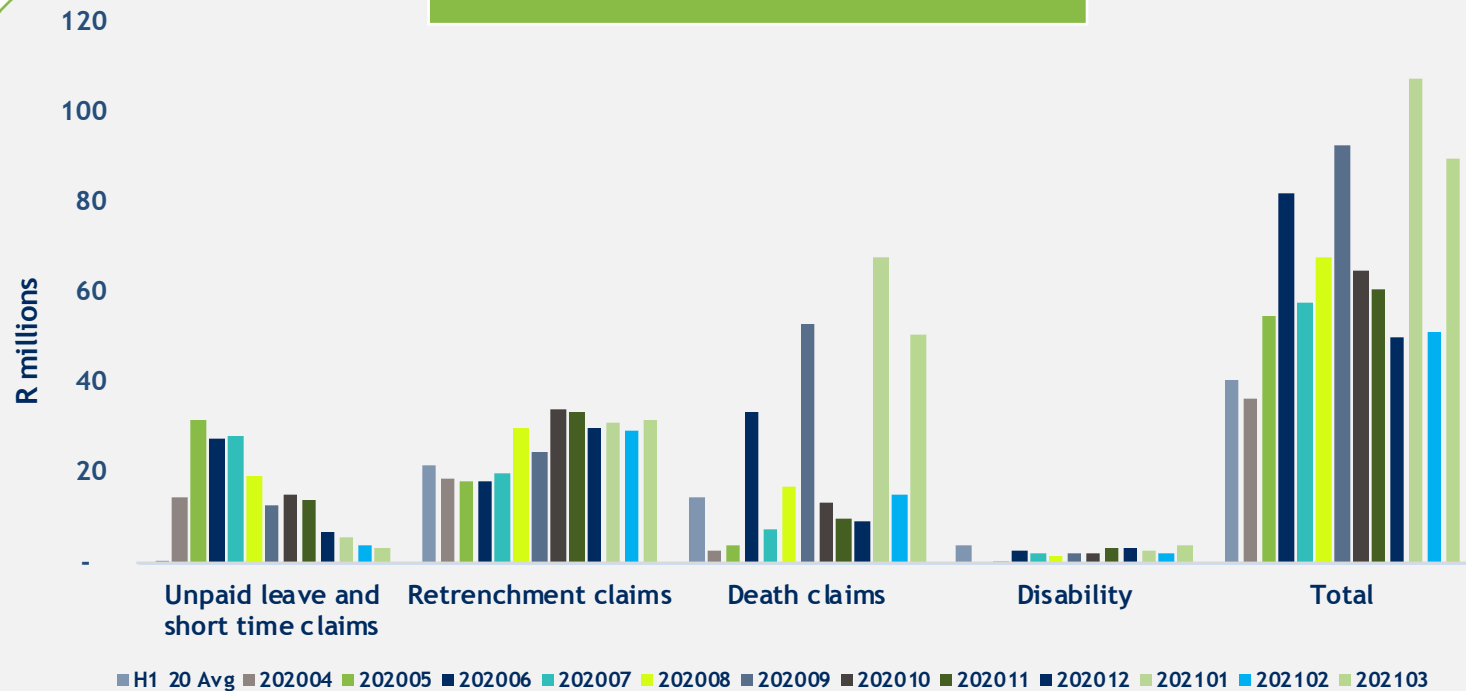
Insurance income before tax increased by 51% to R416 million (H1 20: R276 million)

- Premium income reduced by 8% in line with advances book reduction
- Covid-19-related claims up by 75% to R431 million (H1 20: R247 million pre-Covid-19)
- Actuarial reserves released of R103 million as claims materialise (H1 20: R294 million additional provision raised in anticipation of Covid-19 effect)

Covid-19 pandemic impacts on insurance

April 2020 through to March 2021

CREDIT INSURANCE CLAIMS



Insurance claims

- Decreasing unpaid leave and short-time claims following initial surge in claims
- Retrenchment claims steadily climbed but have now plateaued as the economy's decline is arrested
- Death claims volatile; claims spikes due to Home Affairs data runs (latest in March 2021)
- Total claims increased from H1 20 average of R41 million to R71 million in H1 21

Credit quality - book split and credit coverage

Provisioning stabilised as macroeconomic and Covid-19-related defaults manifest

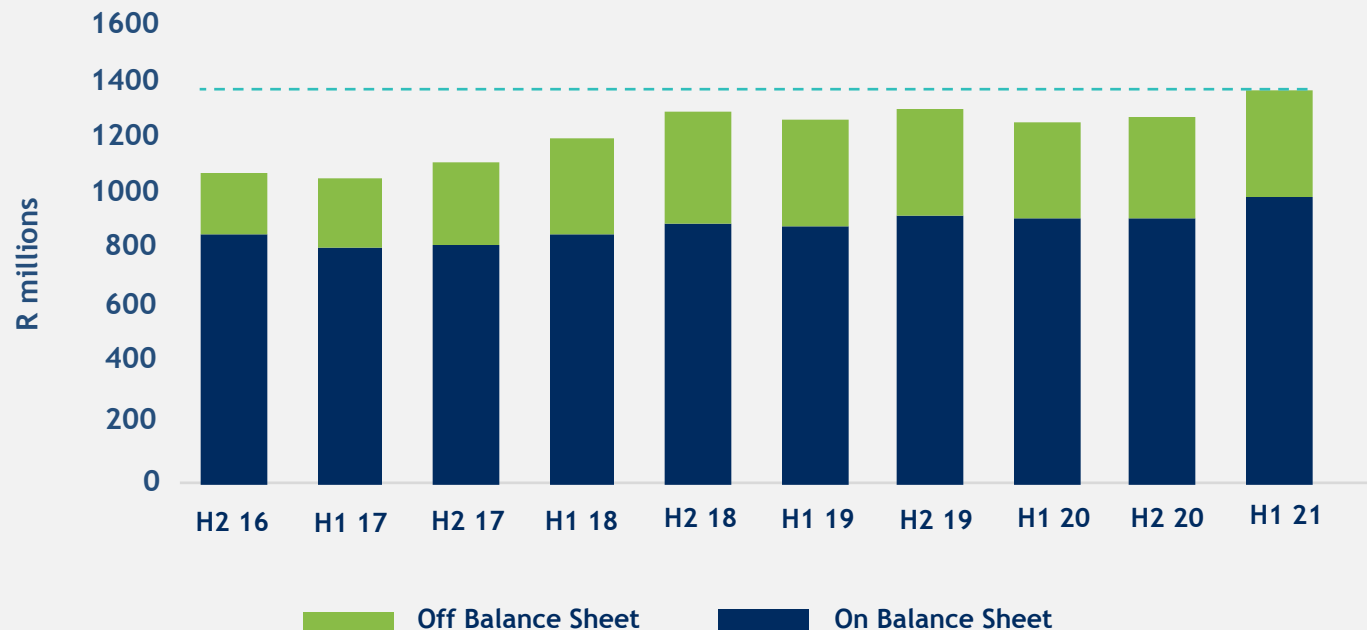
Book Split			
R millions	Restated 31 March 2020	30 Sept 2020	31 March 2021
Stage 1	8 384	8 532	8 494
Stage 2	10 162	8 187	6 971
Stage 1 SICR	6 317	4 409	3 749
Stage 2	3 845	3 778	3 222
Stage 3	11 004	11 609	11 650
TOTAL	29 550	28 328	27 115
Percentage Stage 3	37.2%	41.0%	43.0%
WRITTEN-OFF BOOK	13 935	15 185	16 398
Coverage			
Percentage	31 March 2020	30 Sept 2020	31 March 2021
Stage 1	5.2%	5.1%	5.9%
Stage 2	25.8%	29.9%	30.1%
Stage 3	66.7%	66.4%	66.3%
TOTAL	35.2%	37.4%	38.1%

- **Advances reduced by 8% year-on-year**, non-performing loans up to 43.0%
- **Stage 1 SICR stress factor** removed, resulting in reallocation to Stage 1; increasing both Stage 1 and Stage 2 coverage
- **Conservative provisioning resulted in overall coverage at 38.1%**
- Nil value assigned to **gross written-off book** (R16.4 billion)
- **Conservative NPL practices** relative to market:
 - CD rounding up - 3.01 instalments in NPL
 - No debt restructuring - including debt review clients
 - Conservative settlement readvances of 11% of disbursements

Collections on stage 3 and written-off book

Consistently high payments by customers in late-stage collections continues

LATE STAGE COLLECTIONS

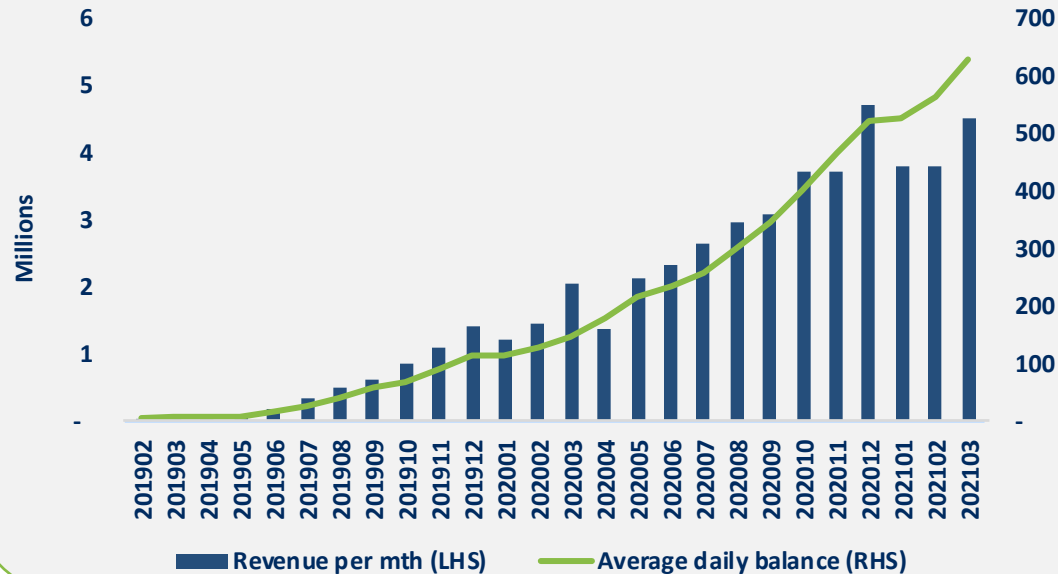


- **Total collections in H1 21:** R1 344 million (H1 20: R1 238 million)
 - On balance sheet R984 million (H1 20: R910 million)
 - Off balance sheet bad debt recoveries R360 million (H1 20: R328 million)

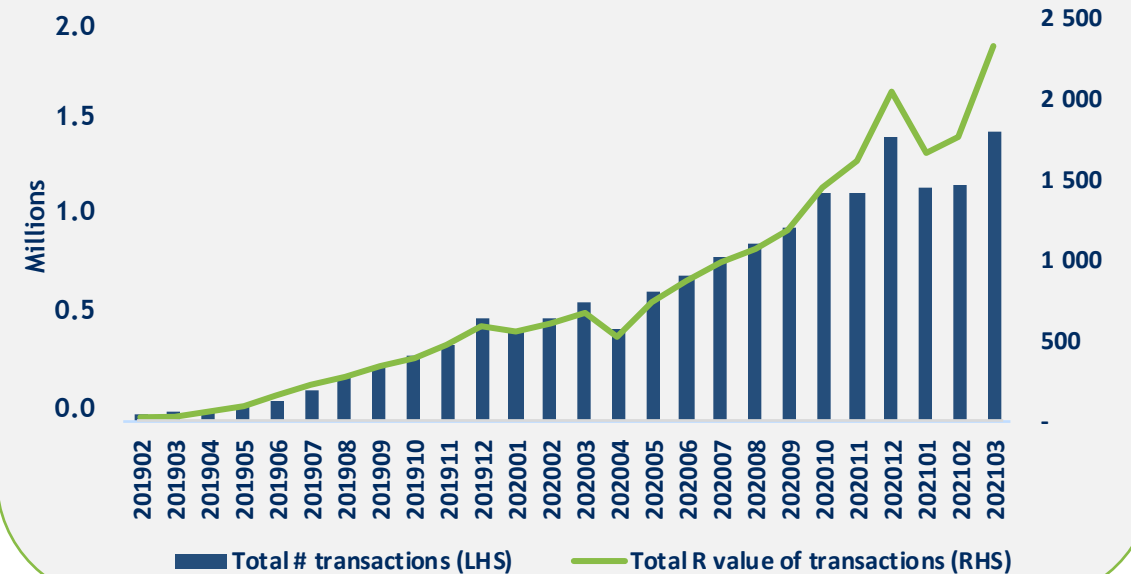
MyWORLD transactional banking

Steady growth since launch in May 2019

**MyWORLD
AVERAGE DAILY BALANCE INVESTED AND
MONTHLY REVENUE EARNED
(EXCL SALES OF VALUE-ADDED SERVICES)**



**MyWORLD ACTIVITY
MONTHLY NO. OF TRANSACTIONS
AND VALUE PROCESSED**



- **558 000 accounts originally opened**, 393 000 remain open, with 290 000 funded and transacting
- **Transactional balances in accounts total R662 million** (H1 20; R166 million); 299% growth
- **8.5 million transactions processed** in last 6 months; representing R11 billion in transactional value



Abridged statement of financial position

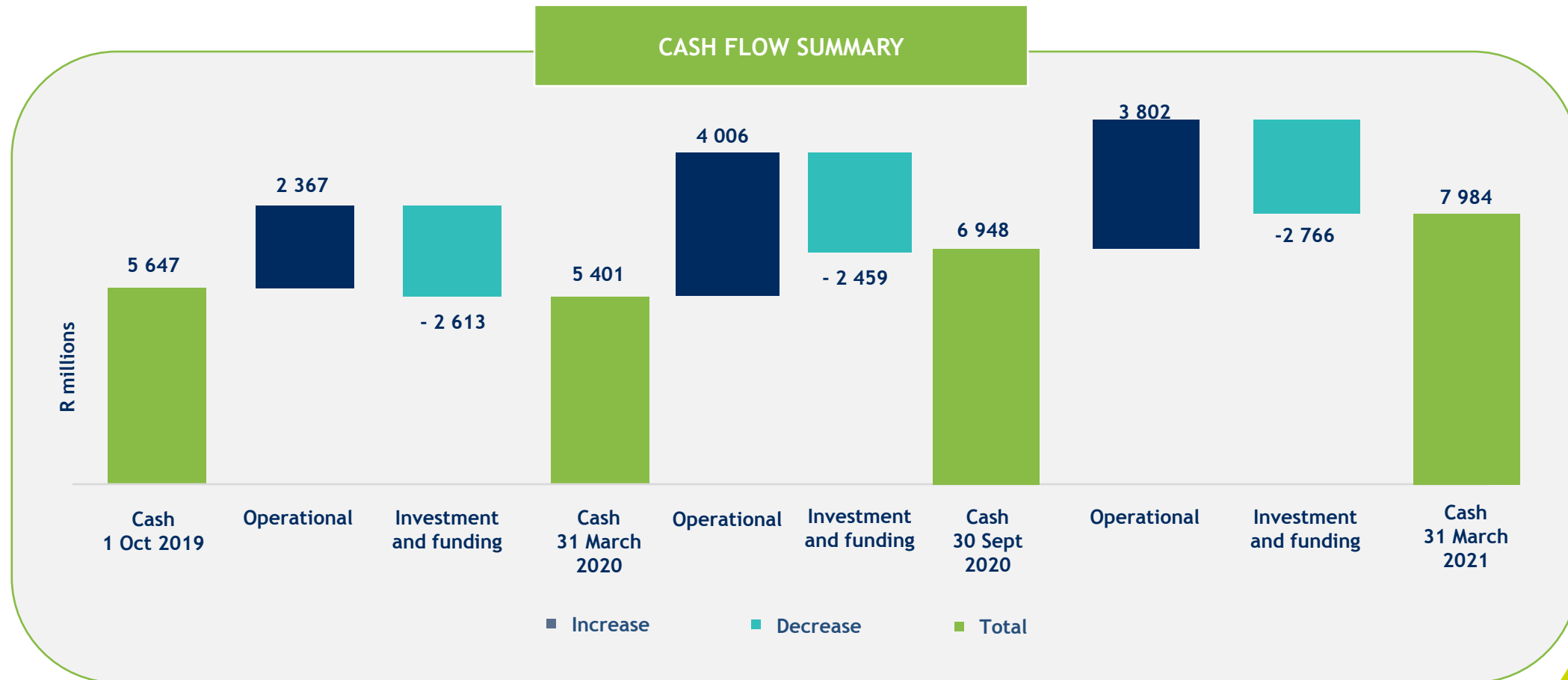
Increasing liquidity and solid capital levels

R millions	Restated H1 20	H1 21	% Change
ASSETS			
Net Advances	18 995	16 698	(12%)
Gross advances	29 550	27 115	(8%)
Provisions	(10 555)	(10 417)	(1%)
Minimum regulatory assets and securities	1 127	1 149	2%
Cash reserves	5 401	7 984	48%
Other assets	2 980	2 831	(5%)
TOTAL ASSETS	28 503	28 662	1%
LIABILITIES AND EQUITY			
Senior liabilities	16 485	16 369	(1%)
Wholesale liabilities	11 337	6 851	(40%)
Retail deposits	3 819	8 622	126%
Other	1 329	896	(33%)
Capital	12 018	12 293	2%
Subordinated debt	1 532	1 523	(1%)
Equity and reserves	10 486	10 769	3%
TOTAL LIABILITIES AND CAPITAL	28 503	28 662	1%

- **Gross advances** 8% lower; provided for at 38.1% (H1 20: 35.2%)
- High **cash reserves** at R8.0 billion (including core income financial instruments and surplus statutory assets) (H1 20: R5.4 billion)
- **Wholesale funding maturing**; increasing retail saving and investment deposits of 126%
- **Other liabilities** reduced as leases renegotiated over the year; IFRS16 lease liability at R243 million (H1 20: R736 million)

Cash reserves steadily building up

High cash balance with strong new inflows from retail investments; robust collections exceeding subdued disbursements

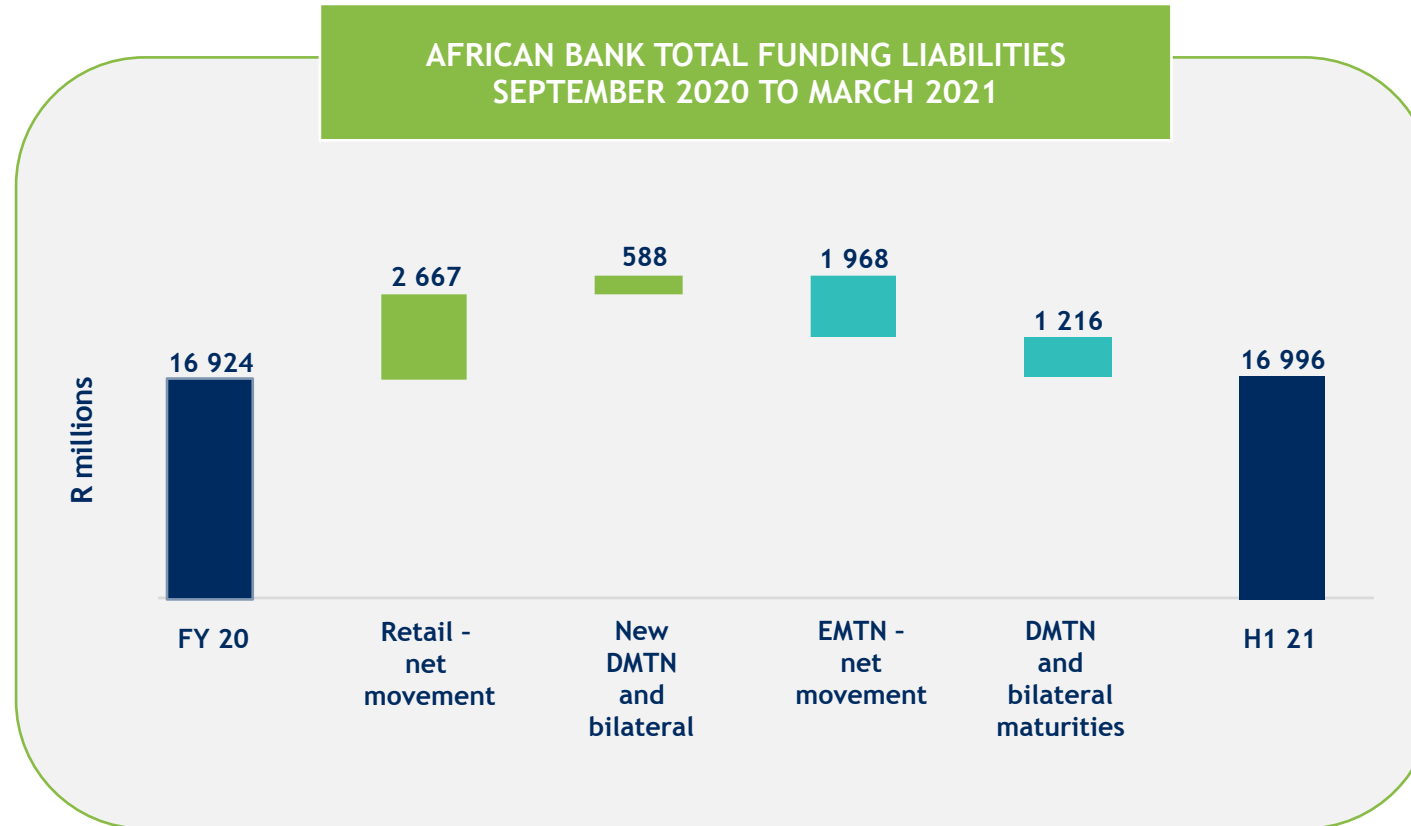


- **Cash positive operational inflows** (collections greater than disbursements and strong retail savings inflows) consistently greater than maturing wholesale funding obligations



Funding liabilities movement

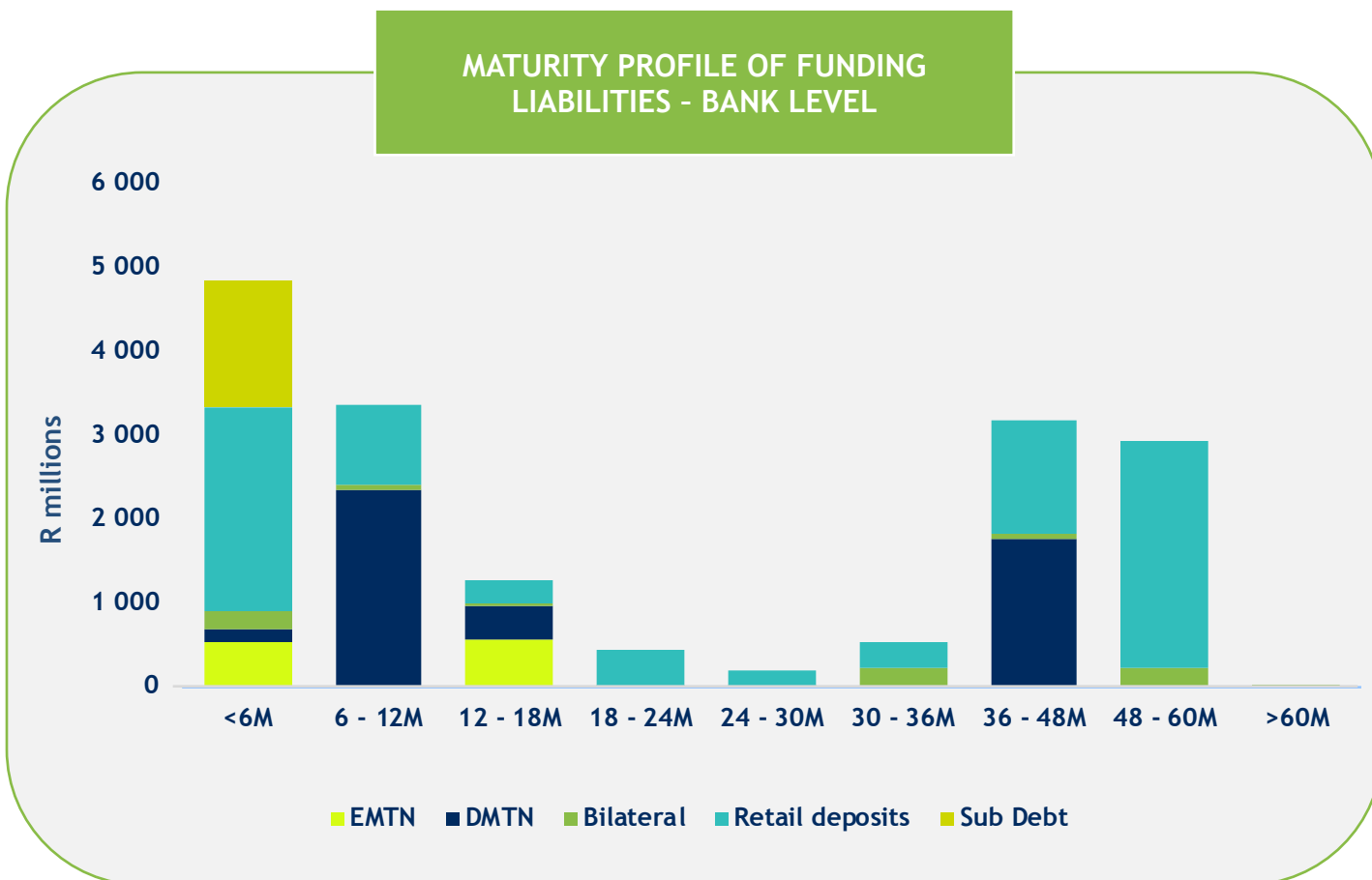
Strong new inflows from retail investments with maturing wholesale funding not being refinanced



- **Net retail funding inflows** of R2.7 billion replacing the more expensive maturing wholesale funding
- **First public auction** of 3 year DMTN bond of R282 million in March 2021 successful - not calling on shareholder support arrangement; subsequent R220 million tap in April 2021, brings total bond to R502 million

Maturity profile of funding liabilities

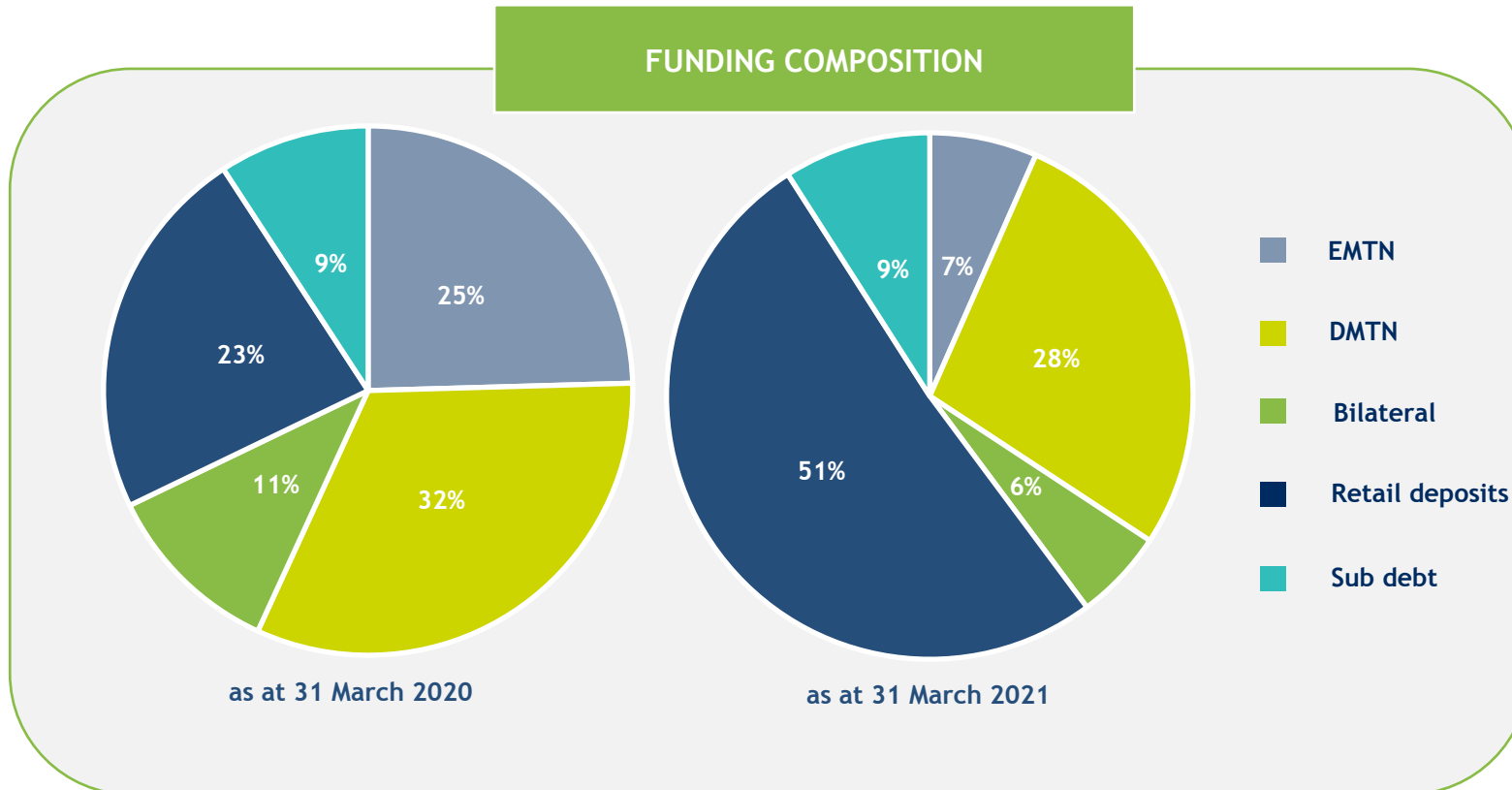
Diversified funding continues to improve; aided by strong longer-term retail savings deposits



- **Cash resources** total R8.0 billion, ensuring **liquidity buffers** are maintained
- **Shareholder-backed liquidity facility** of R2 billion for each period 1 April to 31 March 2022, and March 2023, ending 31 March 2024, unutilised to date
- **Retail savings deposits** longer term in nature (60% in 60-month fixed deposit), with a re-investment roll-over rate of greater than 47%
- **Sub debt maturity profile** of R1.485 billion included in < 6 months as early redeemed on 30 April 2021

Funding liability mix

Strong retail funding improving diversification; majority of funding now retail deposits



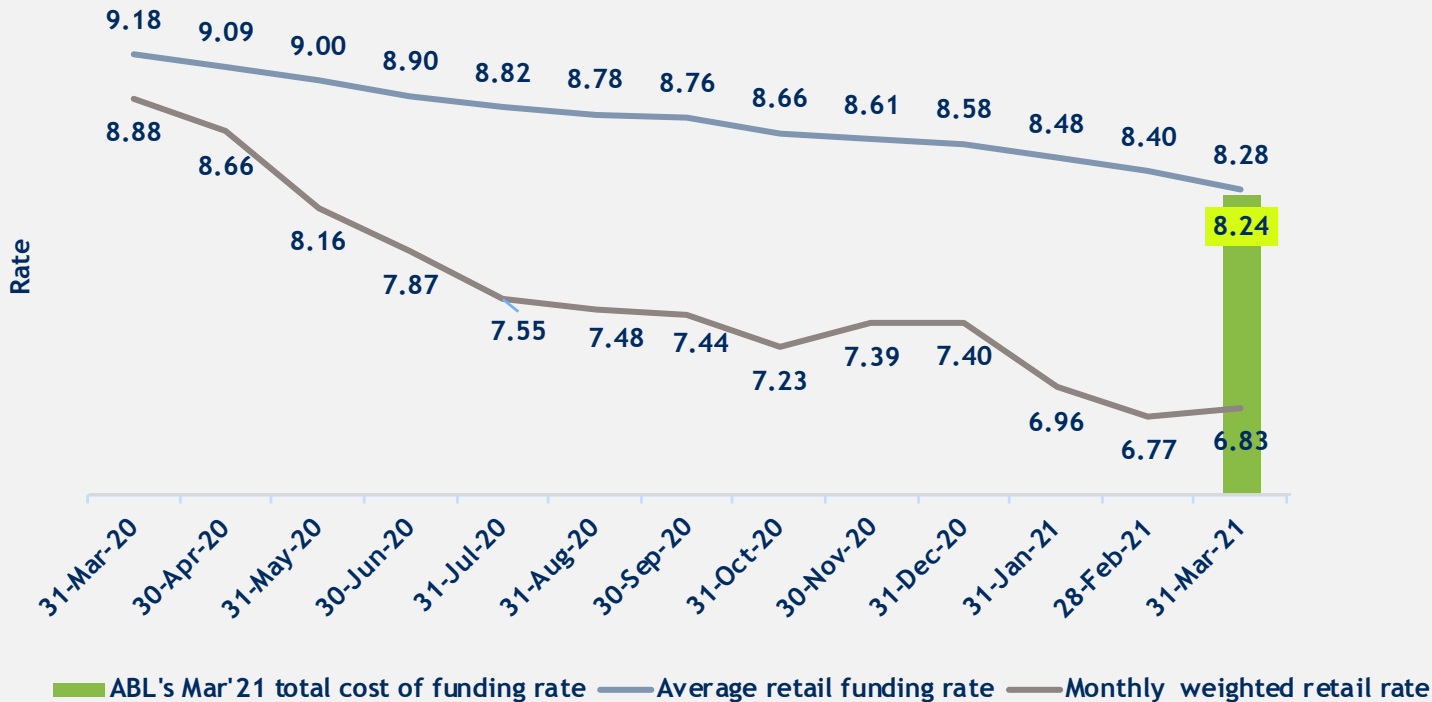
Diversified funding composition improving

- Strong retail savings deposits growth - 51% (H1 20: 23%) of total funding
- EMTN funding at 7% (H1 20: 25%), as expensive bonds mature and not refinanced
- DMTN bond funding reducing as maturities occur; offset slightly by new issuance totalling R282 million - 28% (H1 20: 32%)
- Balance sheet liability management with more funding options available

Cost of funding reducing

With retail funding comprising 51% of total funding base

RETAIL BOOK
COST OF FUNDING VERSUS SALES WEIGHTED RATE
- NACM

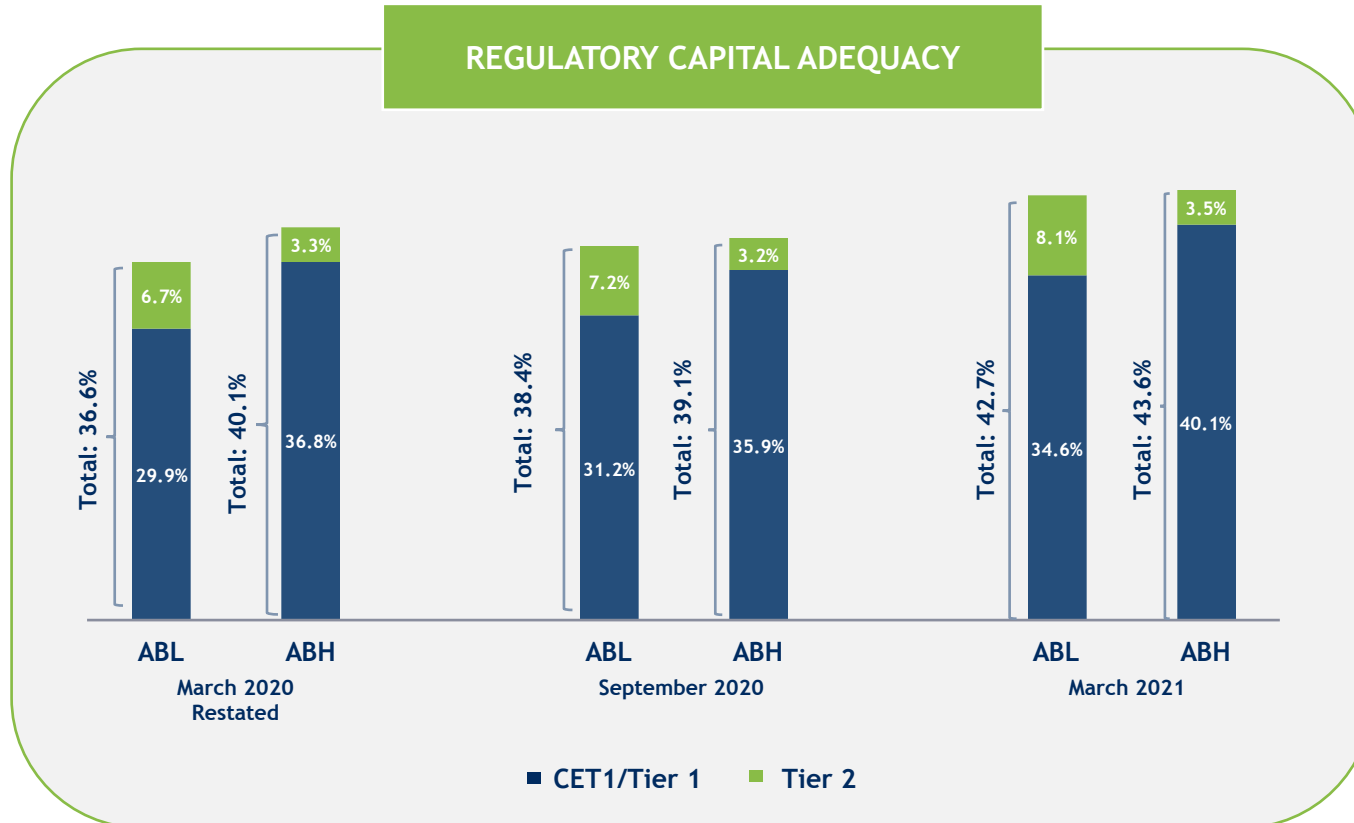


Cost of funding improving

- Weighted average cost of retail savings deposits reduced from 9.2% nacm in H1 20 to 8.28% nacm in H1 21
- March 2021’s retail rate averaging 6.83% nacm; below 2023 COF target of < prime
- Group cost of funding also reducing as expensive EMTN debt matures and retail deposits increase

Solid capital levels

Regulatory capital adequacy; strong capital levels maintained



- **Group total capital adequacy** increased to 43.6% (H1 20: 40.1%) as advances book reduces, and profits are generated
- **Bank's CET1 capital ratio** at 34.6% (H1 20: 29.9%); well above internal and regulatory minimums
- **Post H1 21: Tier 2 bond early redeemed** on 30 April 2021; Bank's Tier 2 has been replaced with CET1



Half-year performance

financial metrics

FINANCIAL	6 months to 31 March 2020*	6 months to 31 March 2021*
Return on equity	-3.0%	2.9%
Cost of funding	8.8%	8.0%
Non-interest revenue	R116m	R122m
Credit loss ratio	12.9%	6.1%
Cost to income ratio	45.0%	56.0%

*Rates are 6 months annualised



Half-year performance

non-financial metrics

NON-FINANCIAL	6 months to 31 March 2020	6 months to 31 March 2021
Customer NPS metric	43	63
Customer satisfaction	75	87
Grow our customer base #	1.21m	1.24m
People engagement score	60%	52% (FY20)

Recapping our H1 21 financial performance

Return to profitability in trying times

Key take-outs

- **Credit impairment ratio declined** by R1 059 million: CLR of 6.1% (H1 20: 12.9%); due to tighter credit, improved collections and overall book getting older
- **Interest expense reduced** by 7%; funding mix change and reduced cost of funding
- **Insurance income increased** by 51% to R416 million
- **Interest income on advances reduced** by R558 million; due to reducing advances book, lower yields earned as repo reduces and greater proportion of NPLs
- **Non-interest income slightly down** by R11 million
- **Operating expenditure increased** by 12% or R161 million; mostly once-off costs and incentives
- **Indirect taxation** relating to VAT apportionment provision of R140 million





LOOKING AHEAD

Remaining a strong investment proposition

Despite a challenging external environment

- **Demonstrating our resilience and adaptability** in returning to profitability
- Key focus areas for the remainder of FY21 include:
 - ensuring the ongoing **safety and wellbeing of our people, customers and partners**
 - acquiring more **low-risk customers** via the MyWORLD transactional banking offering
 - **upskilling our people** so they have the relevant skills in leadership, digital, data sciences and change management; ensuring increased capabilities to take our business to the next level of performance
 - promoting **sound credit-risk management practices**
 - adjusting our models in **response to changes in the external environment and market trends**
 - **leveraging our balance sheet** to acquire businesses to diversify our offering and build scale by **concluding a synergistic acquisition**
 - **reviewing our strategy**



**CEMENTING AFRICAN
BANK AS A SIGNIFICANT
COMPETITOR WITHIN THE
SA FINANCIAL SERVICES
LANDSCAPE**



QUESTIONS



THANK YOU

 **African Bank**
We are you