



A pedestrian passes an African Bank branch in Johannesburg. The bank has partnered with Sanlam to offer insurance products. PHOTO: BLOOMBERG

African Bank unveils strategy going forward

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AFRICAN Bank has partnered with insurance firm Sanlam to offer a broad range of insurance product in order to regain its market share.

The bank said it planned to introduce a comprehensive funeral policy, a stokvel product as well as a transactional banking platform. With an equity base of R10 billion and a cash position of roughly R24bn, the bank said it wanted to target the lower to middle living standards measure customer base.

It said it would not need to raise cash for several years.

Brian Riley, the chief executive of African Bank said: "We intend to provide more value than what is expected by consumers, which will assist us to attract a higher-income and lower-risk customer base in addition to recovering some of the better quality customers we lost during curatorship."

Riley said consumers would be able to deposit their salaries and daily retail banking transactions through African Bank. "We intend to make the offering a compelling alternative when we launch it in 2017", said Riley.

African Bank returns to the market during a period of volatility with Barclays saying it would sell its 62 percent stake in Barclays Africa and insurance company Old Mutual indicating that it was reducing its shareholding in Nedbank.

The bank also returns to a market dominated by Capitec Bank, which was rated as the best bank in the world by UK-based banking advisory group, Lafferty Group, this week.

Riley said the joint venture with Sanlam would test the viability of offering a broader range of insurance products and services within its network adding that the insurer would bring an established brand while its representatives would provide financial advice and a range of financial solutions.

African Bank is planning to relaunch next week after it was put under curatorship and business rescue following its collapse due to unsecured loans two years ago. The bank, which has more than 1 million existing customers, said it would continue to offer loans to consumers, but with a strict lending criteria.

It said it had improved financial risk management systems and implemented a "prudent impairments methodology" to focus on creating "predictability of credit outcomes through appropriate credit risk criteria".

Riley said the bank would keep its name, but change its slogan to "We are You" as this was central to its future strategies, including a return on equity of 20 percent.

When questioned on how the bank would draw investors with such a low return-on-equity target, Riley said the answer lay in the volumes of the customers they expected to attract through a more personal approach.

"It will be a challenging road ahead, but we believe that our ambition to become a successful retail bank will be supported by good governance and a set of values including transparency, empathy, innovation, collaboration and being profit conscious," said Riley.