African Bank Holdings Limited
CONSOLIDATED UNAUDITED

INTERIM FINANCIAL RESULTS

for the half-year ended
31 March 2022

African Bank
Audacity to **believe**

What you will hear today

The structure of our presentation

- Defining **themes for H1 22 results**
- Reflecting on our **macroeconomic context**
- Progressing our **‘Excelerate25’ growth strategy**
- Driving our **FY25 strategic growth targets**
- **Execution of our strategy on track**
- Unpacking our **financial and business performance** for H1 22
- **Looking ahead**

‘EXCELERATE25’ STRATEGY EXECUTION ON TRACK

Kennedy G Bungane
Group Chief Executive Officer

African Bank
Audacity to **believe**

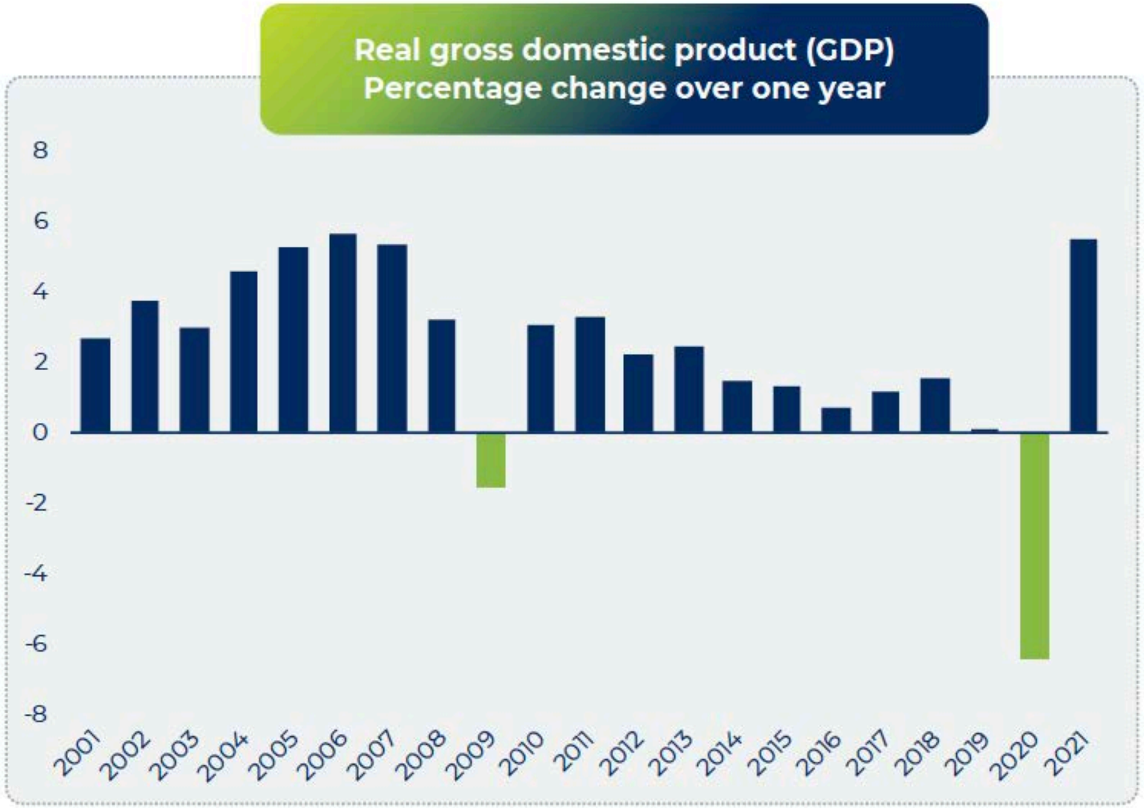
Defining themes for H1 22

Growing African Bank

- **'Excelerate25' strategy execution on track**
- **Successful sales transformation resulting in**:
  - Stepped increase in credit sales above R1bn per month
  - Improved MyWORLD transactional bank volumes and values
- **Reflecting on our macroeconomic context**
  - Improving SA economy post 4th wave
  - Emerging global food and transport inflationary risks
- **Strong and resilient balance sheet**
  - Surplus capital available for inorganic growth to expand our core
  - Surplus liquidity to back our customers and win war on talent

Reflecting on our macroeconomic context

Improving South Africa's outlook

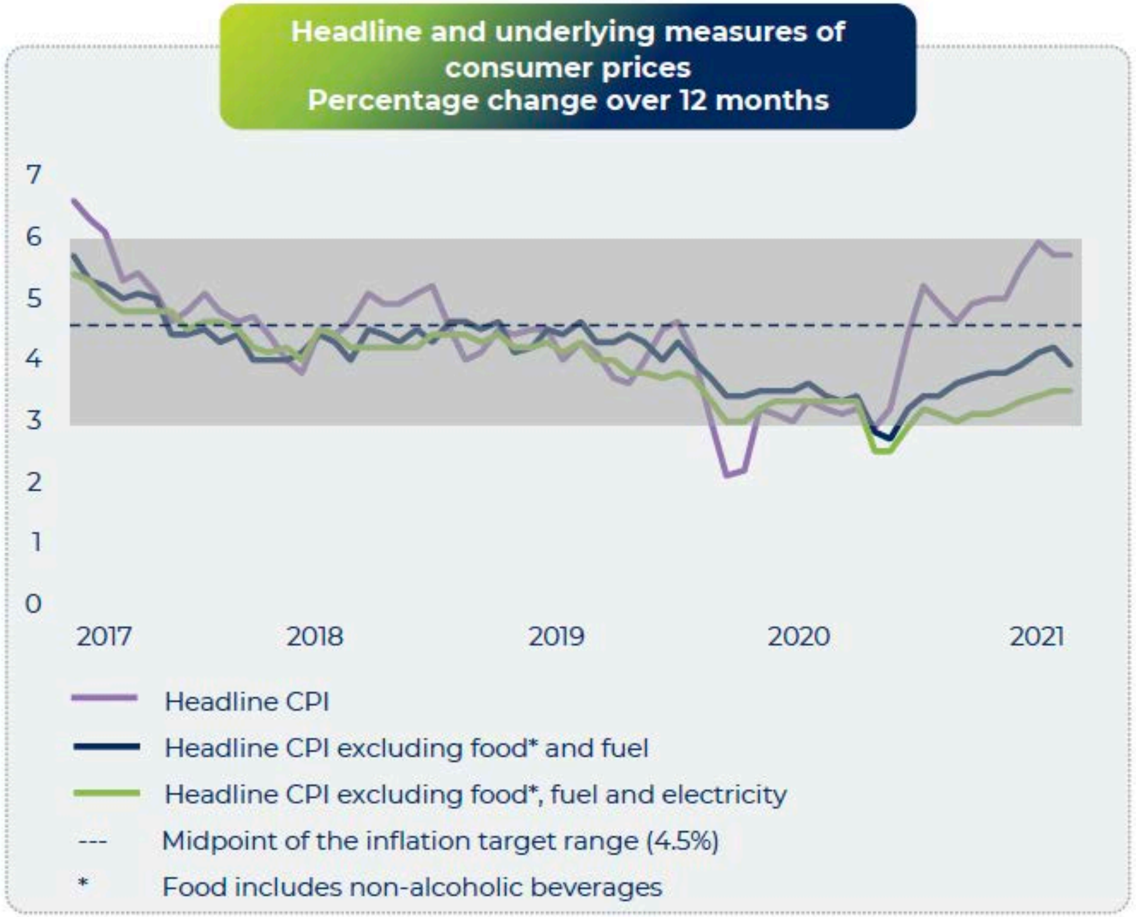


Source: Stats SA

- South Africa's GDP growth on the back of global recovery
- Covid-19-induced contraction of 6.4% in 2020, recovered to 4.9% in 2021
- Annual output in 2021 was still below that of 2017, and 1.8% lower than in 2019
- Increased economic activity experienced as South Africa's economy opens up
- State of disaster restrictions being abolished in April 2022 should further aid certain sector recovery

Reflecting on our macroeconomic context

Inflation represents emerging risk



Source: Stats SA

- Inflation steadily rising from lows of 2020, but within upper limit of inflation target band
- Main drivers of the increase relate to food and fuel, followed by electricity increases
  - Transport inflation rose to 14.3% year-on-year in February 2022, driven by fuel inflation of 29.4%
  - Fuel inflation is expected to breach 30% - as the oil price remains above US$100 per barrel
  - Food prices continue to be negatively impacted by the conflict between Russia and the Ukraine

Progressing our ‘Excelerate25’ growth strategy

Four key areas of evolution

1. Re-imagined our vision
2. Incorporated a common mission
3. Unpacked our business banking offering
4. Added the ‘excellence’ value

Progressing our 'Excelerate25' growth strategy

Restating our vision and mission

OUR PURPOSE Why do we exist?	Advancing lives through financial and related services	Advancing lives through financial and related services
OUR VISION What will the world look like when we have completed our mission?	To create a scalable, sustainable bank with diversified business, that will become a listable entity	An African Bank, for the people, by the people, serving the people
OUR MISSION How will we act on our purpose?	…………	We are building a customer-centric, digital and data-enabled business that will be scalable, diversified and sustainable with a compelling listing proposition

- **Our purpose** remains the same and describes **why** we exist

- **Our mission**, describing **how** we will act on our purpose
- The importance of returning the bank to the people of South Africa is now cemented in **our new vision**
- **Our mission** has been redefined to highlight the importance of the customer and data

Progressing our 'Excelerate25' growth strategy

Growing our business through our strategic themes

The strategic themes we envisaged in FY21 have evolved and in H1 22 we started implementing key initiatives within each theme

Expand the core

1 **Alliances' ecosystems**
Updating our product range and customer reach through partnering with fintechs, non-bank financial institutions (NBFIs) and telcos

Strengthen the core

2 **Digitisation**
Building on existing digital and analytics capabilities to improve end-to-end customer journeys and drive growth

3 **IT systems**
Enhancing the technology platform and cyber security practices, while improving the speed of delivery

4 **Sales transformation**
Delivering a front-line sales programme to increase cross-sell and drive growth

5 **Distribution**
Optimising the branch footprint through additional distribution opportunities

Expand the core

6 **Business offering**
Developing a fully-fledged middle-of-the-pyramid business banking solution that is digital at its core and an ecosystem driver, platform business with beyond-banking services

1
- We are exploring various **partnerships to put in place synergistic relationships**
- We are currently focussing on the **expansion of our value-added services' product range**

2
- We have moved towards an integrated **digitisation approach**

3
- Now that the 'core' business strategies have been developed, we are **re-aligning our IT systems strategy** to the business's needs

4 5
- We **delivered a frontline sales programme** and are **optimising our distribution points** to improve: customer acquisitions, customer activations, cross-selling opportunities and customer retention

6
- Our initial business banking strategy was about **developing a digital offering for the SMMEs' market beyond unsecured lending**
- We expanded our strategy to that of a **fully-fledged middle-of-the-pyramid business banking offering**

Progressing our ‘Excelerate25’ growth strategy

Added the ‘excellence’ value

- Our **digital ways of work** and **sustainability levers** remain unaltered and clear plans and targets are in place to achieve these

- Our **values** describe what we believe in – and given the importance of ‘**excellence**’ in how we work and serve and support our customers and other stakeholders, we have added this 6th key value as an ongoing reminder

Driving our FY25 strategic growth targets

Sustainability lever #1

CUSTOMER SATISFACTION

Our customer satisfaction lever reminds us that for African Bank to be sustainable and future-fit, **our customers will always remain at the centre of all that we do**. This lever measures customer satisfaction through both external, independent surveys and through the growth of our customer base.

DESCRIPTION	FY21 BASELINE PERFORMANCE METRIC	PERFORMANCE TARGET FOR FY25	H1 22 PERFORMANCE
SA-csi* results	2nd overall	1st overall	1st overall
Number of retail customers	1.29m	3.5m	1.42m
Net promoter score	65	>50	61
Number of SMME customers**	0	100 000	0
Percentage retail deposits	61%	70%	69%

* SA-csi - South Africa consumer satisfaction index
** SMME - small, medium and micro enterprises

Driving our FY25 strategic growth targets

Sustainability lever #2

SOCIAL RESPONSIBILITY

Our social responsibility lever revolves around our **African Bankers and communities**. It ensures that our people **develop and thrive within the company** and continue to drive the various corporate social initiatives within the communities we live and work in. This lever measures our staff engagement, contributions and the time devoted to our community outreach programmes.

DESCRIPTION	FY21 BASELINE PERFORMANCE METRIC	PERFORMANCE TARGET FOR FY25	H1 22 PERFORMANCE
Ranking on Top Employer in South Africa list	Certified but not yet ranked	Top 10 overall	To be assessed in FY23
Ranking on the 'ForGood' platform	Being reviewed	Number 1	To be assessed in FY23
Hours undertaken on corporate social initiatives	1808 hours for FY21 to be multiplied by 4	20 000 hours over a 4-year period	305 hours for H1 22

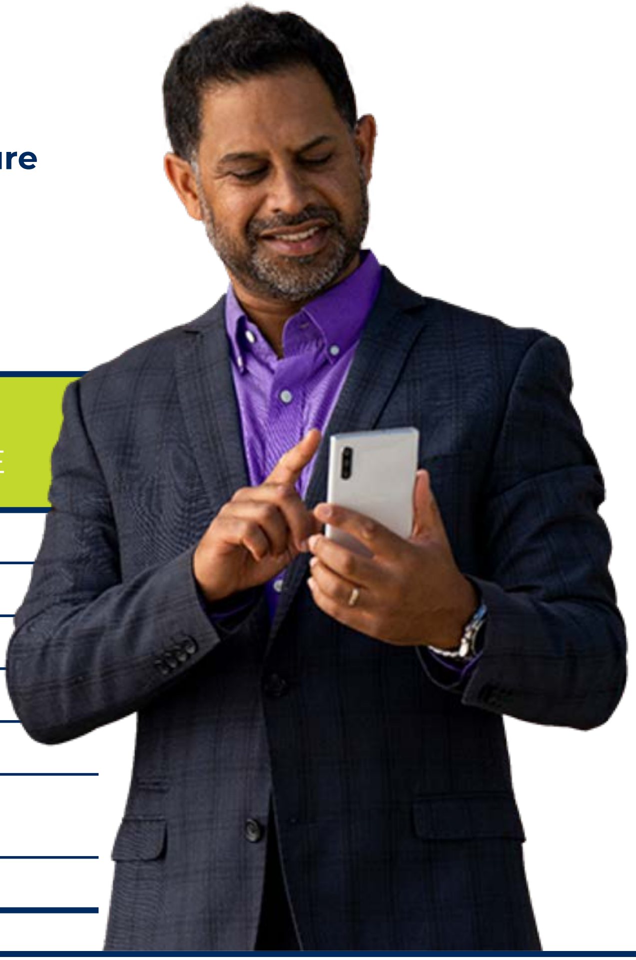
Driving our FY25 strategic growth targets

Sustainability lever #3

FINANCIAL RESILIENCE

Our financial resilience lever **enables us to continue to create value not only for the organisation but for our funders, shareholders, broader stakeholder base and future shareholders**. This lever measures our financial performance and, through solid and consistent results, allows us to succinctly describe **what a compelling public listing proposition ought to look like…**

DESCRIPTION	FY21 BASELINE PERFORMANCE METRIC	PERFORMANCE TARGET FOR FY25	H1 22 PERFORMANCE
Net profit	R534m	+ R2.5 bn	R372m
Return on equity	4%	RSA 10Y+ 3-6%	6.6%
Net advances	R16.46bn	+ R30 bn	R19.63 bn
Credit loss ratio	4.90%	12%	4.60%
Cost to income ratio	58.70%	<40%	55%
Non-interest income / total expenses	42.5%	80%	29.4%
CET1 ratio	42.50%	30%	44.9%



Driving our FY25 strategic growth targets

Sustainability lever #4

INCLUSIVITY

Our inclusivity lever talks to our **partnerships, preferential procurement, enterprise and supplier development objectives and transformation goals**. This lever promotes inclusive growth and development within our organisation and for the benefit of South Africa. It measures the achievement of our transformation imperatives and the focussed investment in enterprise and supplier development.

DESCRIPTION	FY21 BASELINE PERFORMANCE METRIC	PERFORMANCE TARGET FOR FY25	H1 22 PERFORMANCE
Net profit after tax invested in enterprise and supplier development	0.4%	2%	Programme finalised, implementation in progress
Procurement spend directed to black-owned enterprises	39%	50%	40%
B-BBEE level status	Level 4	Level 1	Level 1

Driving our FY25 strategic growth targets

Sustainability lever #5

ENVIRONMENTAL PROTECTION

Our environmental protection lever promotes greater awareness regarding the role we have to play in **protecting the environment we live in for ourselves and future generations**. This lever requires us to do our part in mitigating the impacts of climate change both directly through waste and carbon emissions management and, in the medium term, indirectly through new product and service offerings linked to the green economy.

DESCRIPTION	FY21 BASELINE PERFORMANCE METRIC	PERFORMANCE TARGET FOR FY25	H1 22 PERFORMANCE
Waste recycled versus waste produced	Assessment being undertaken to confirm the group as opposed to the head office percentages	50%	To be assessed at year-end
Reduction in carbon emissions		30%	

Execution of strategy on track

Driving growth in the half-year

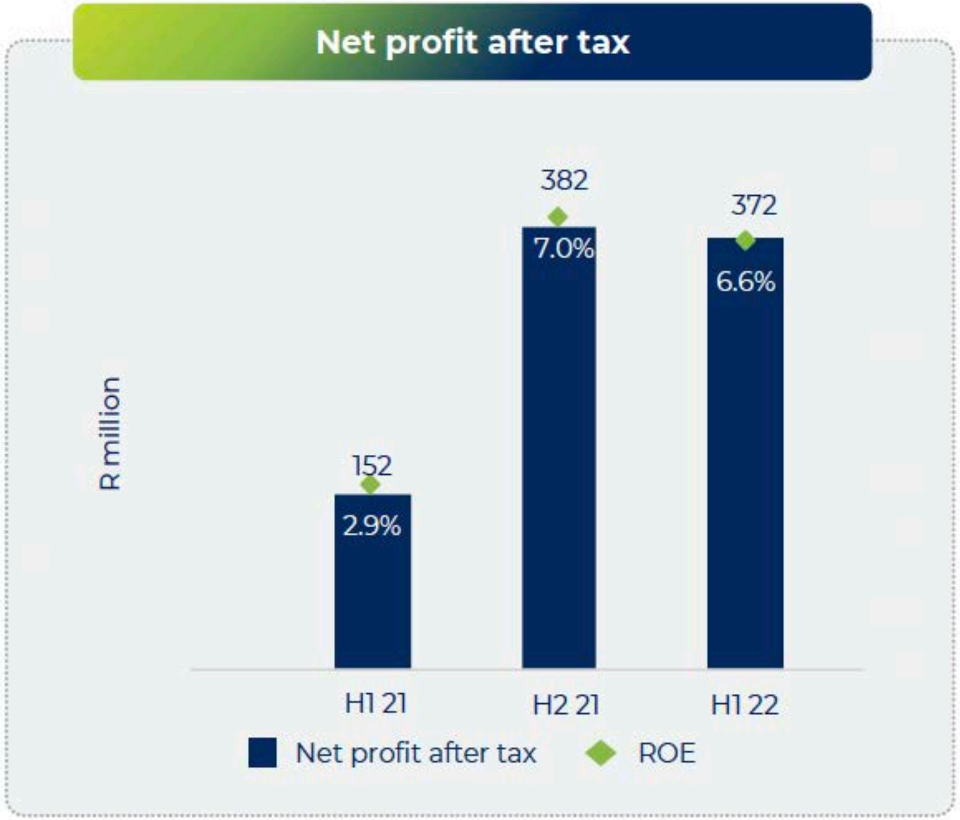
- **Returning to our audacious heritage** evidenced by our ‘Excelerate25’ strategy and brand repositioning
- **Secured #1 retail bank overall position** in latest customer satisfaction index (SA-csi) ranking
- **Almost doubling our credit disbursements** in H1 22; positive trend extending through to April and May 2022
- Steadily **growing our MyWORLD transactional accounts**
- **Attracting additional experience and diversity** at Board and executive management level
- **Successful public auctions of wholesale funding**, entrenching market confidence
- **Advancing our first corporate loan** to a strategic partner
- **Progressing the diversification of our business through M&A**
- **Achieved BEE Level 1 contributor status** well ahead of plan

OUR HALF-YEAR FINANCIAL PERFORMANCE

Gustav Raubenheimer
Group Chief Financial Officer

Operating profit

H1 22 profitability grows by 145% year-on-year



Positive contributions

- Interest income on advances increase by 4% due to growing advances book
- Funding costs continue to improve by 14% as mix changes to 69% retail funded
- Impairment charge lower at 4.6% (H1 21: 6.1%) of average advances
- Opex costs stable while business activity increases
- Indirect tax charge normalised

Negative contributions

- Insurance profits decrease by 53% as more benefits are paid to the Bank

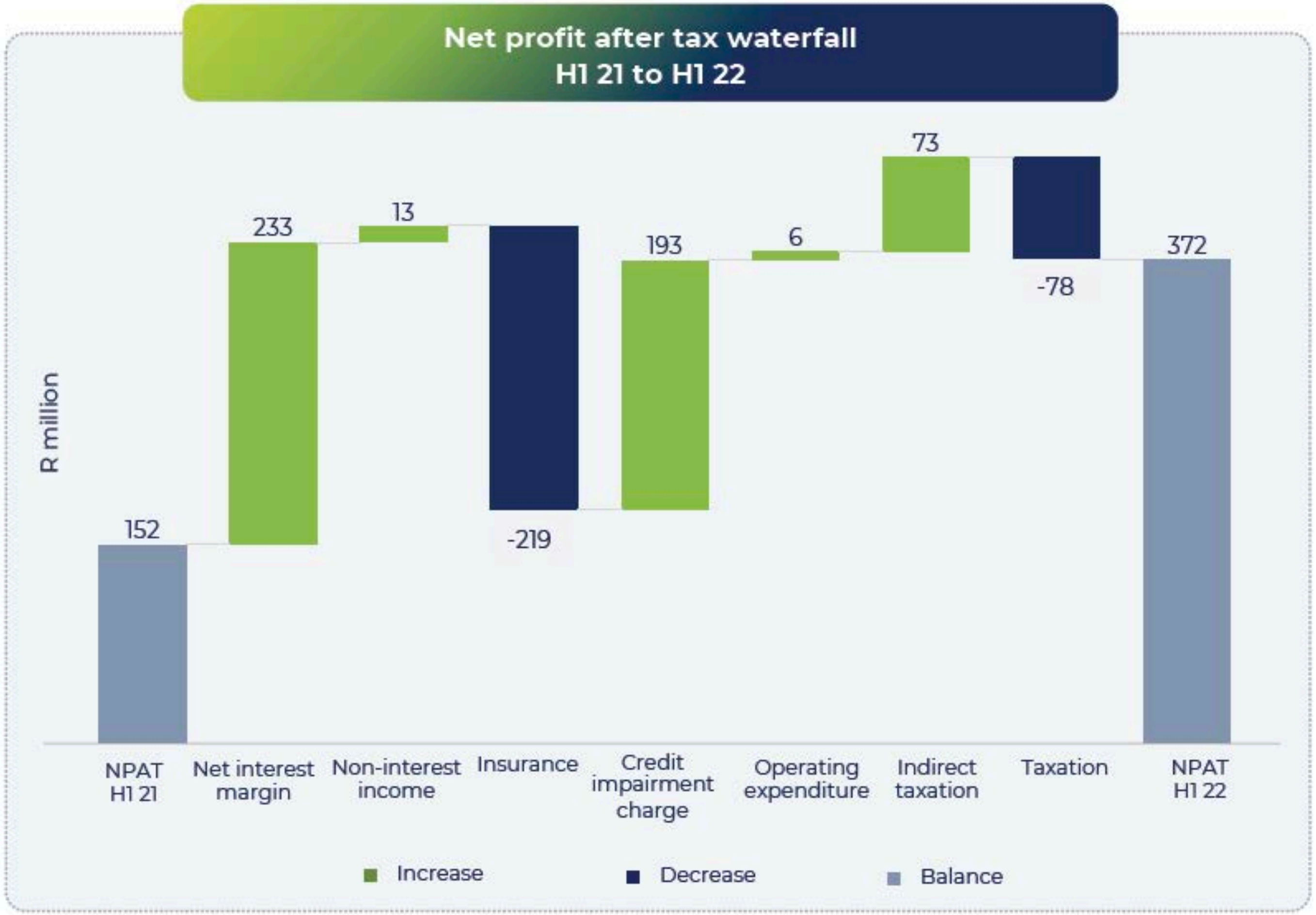
Gross advances

Retail and corporate gross advances growing

Delivering on our 'Excelerate25' growth strategy

Net profit after tax composition

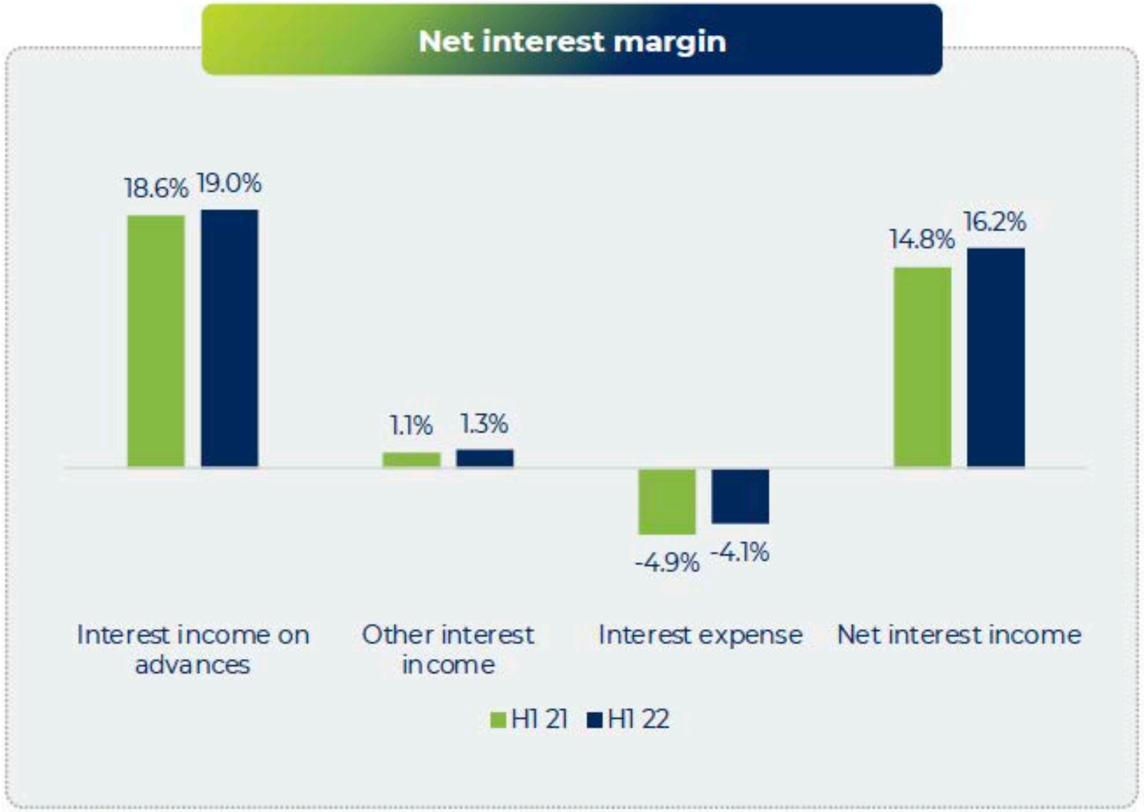
A significant improvement



- Higher interest income from growing advances book
- Low credit impairment charge as insurance claims received and models rebased
- Modest increase in non-interest income
- Operational costs well contained
- VAT apportionment ruling charge in prior year not repeated

Net interest margin as % of average gross advances

Net interest margin increases

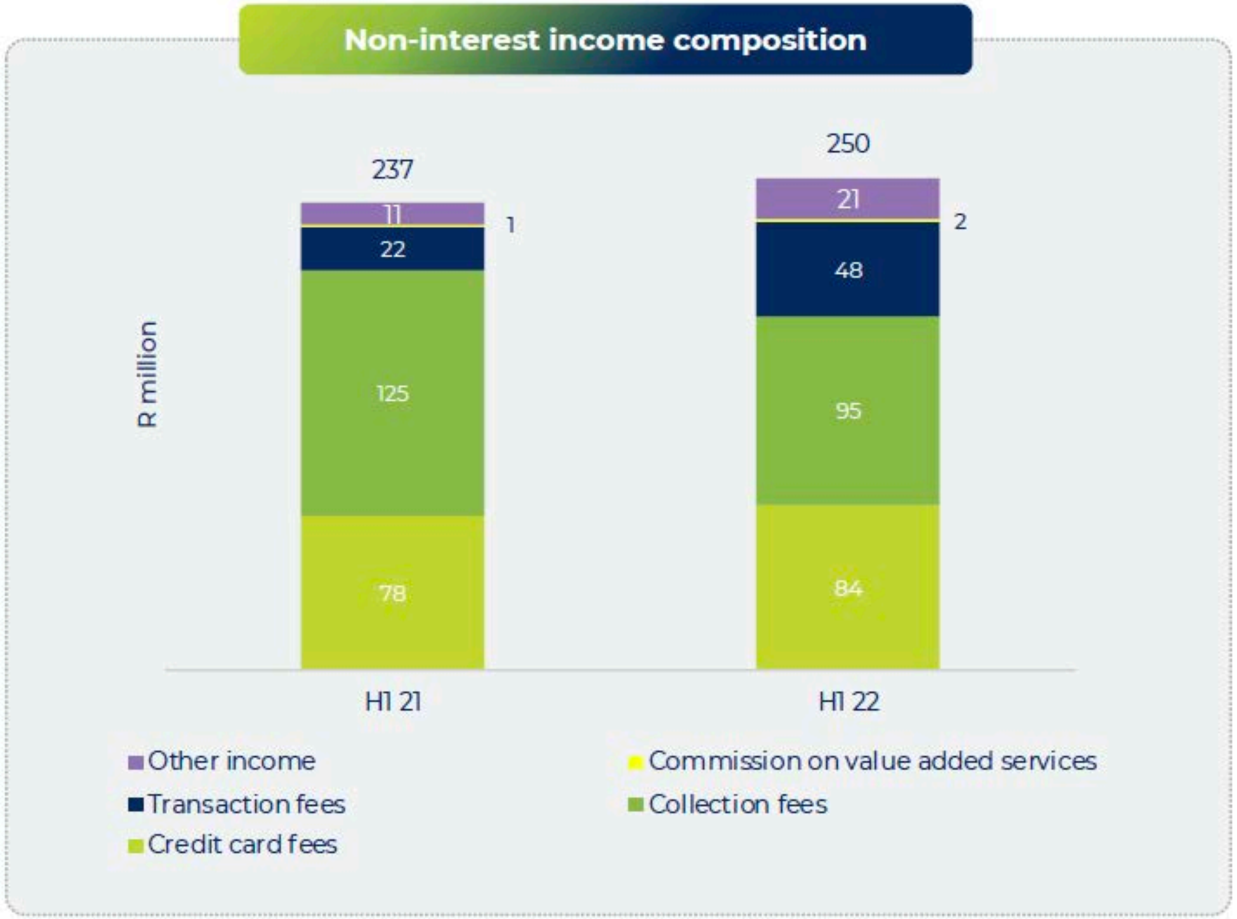


Net interest margin grows due to:

- Higher interest income on advances
  - Increasing book leads to smaller NPL proportion – less interest derecognised (+1.5%)
  - Offset by lower blended yield earned from reduction in base rates (-1.1%), and lower yielding corporate book
- Cash balances invested in higher yielding government bonds improve return to 5.2% (H1 21: 4.0%)
- Cost of funding down to 7.3% per annum (H1 21: 8.0%) as expensive wholesale funding matures

Non-interest income revenue

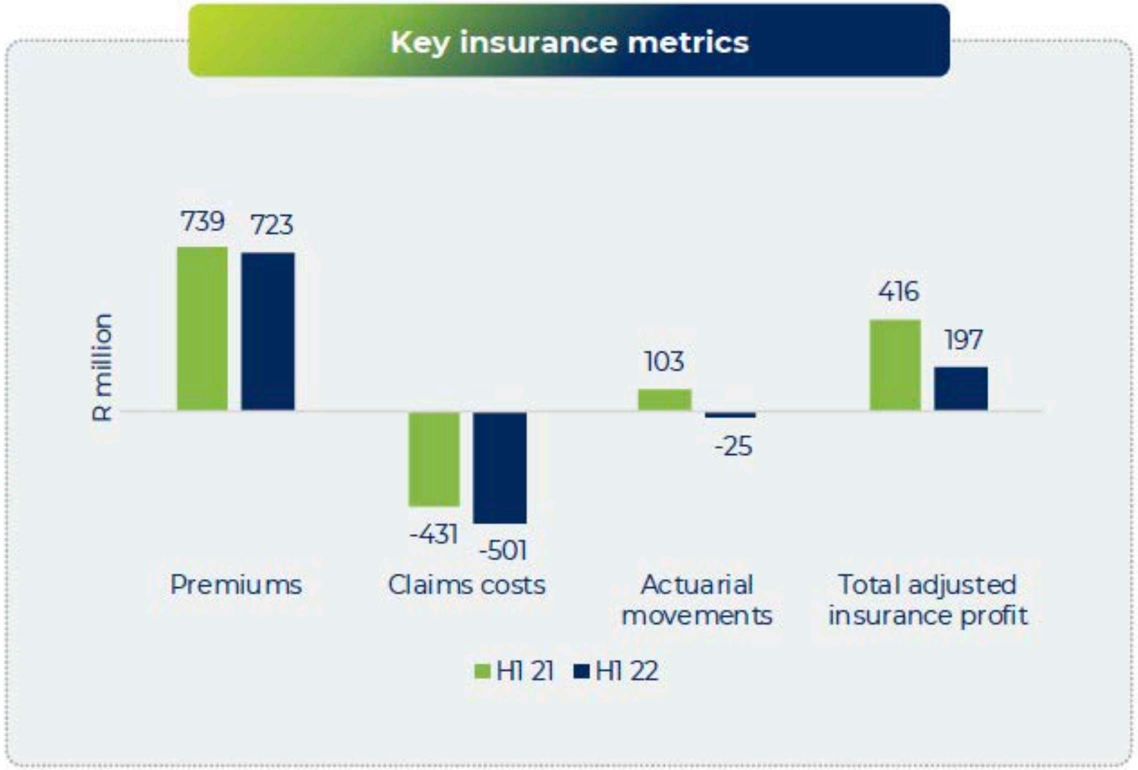
Non-interest revenue up by 5%



- Increased credit card fees as usage and active cards increased (+8%)
- Collections fees reduced as RDS's run-down book shrinks
- Transactional fees increase as funded MyWORLD accounts grow to 512 000 (76% increase)
- Slight increase on commission on value-added services to R2m
- Other income includes early maturities on retail savings

Insurance profits reduce

Insurance benefit payments reduce credit impairment charge



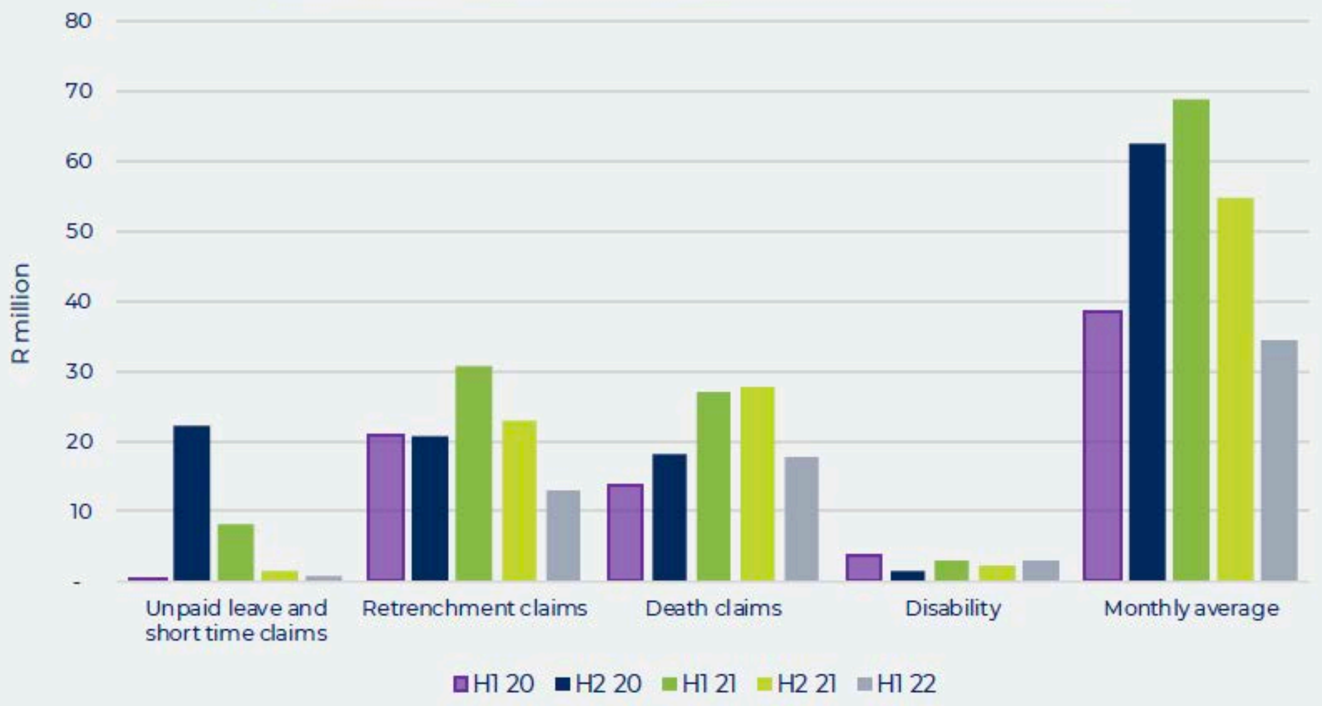
Insurance profits before tax decreased by 53%:

- Lower premium income in line with smaller average retail advances book (down 1.5%)
- Claims up due to R281m in additional insurance benefit payments
- Additional actuarial reserve created for ongoing changed benefit pay-outs versus H1 21 release for pandemic claims

Covid-19 pandemic impact on insurance

Total insurance claims steadily declining

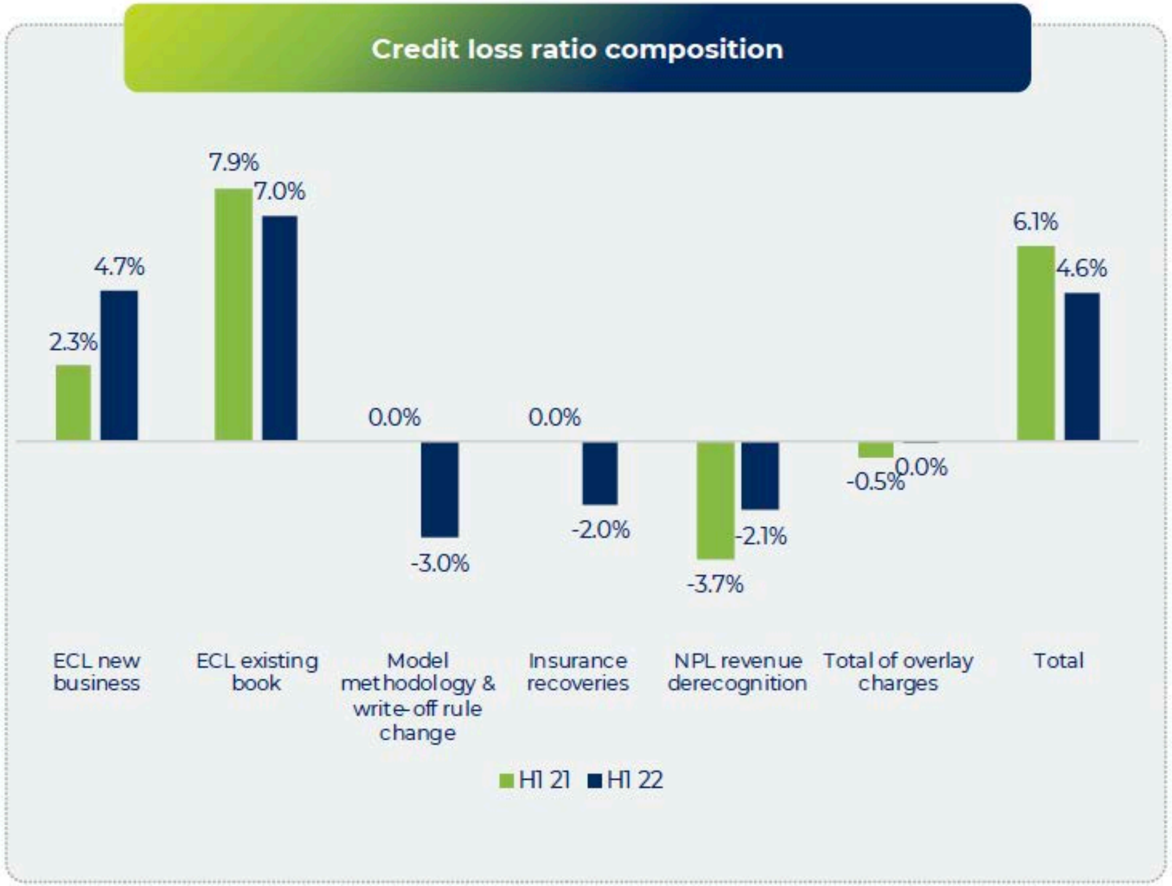
Credit insurance claims – monthly average per half-year (excluding insurance benefit payments)



- Unpaid leave/short time claims and retrenchment claims continue to decline
- Death claims peaked in H2 21 now declining as Omicron strain less severe
- Disability claims negligible
- Total claims of R39m per month pre-Covid-19, R69m in H1 21, now declined to R34m
- Table excludes insurance benefit claims of R88m in H2 21 and R281m in H1 22

Credit loss charge reduces by 23%

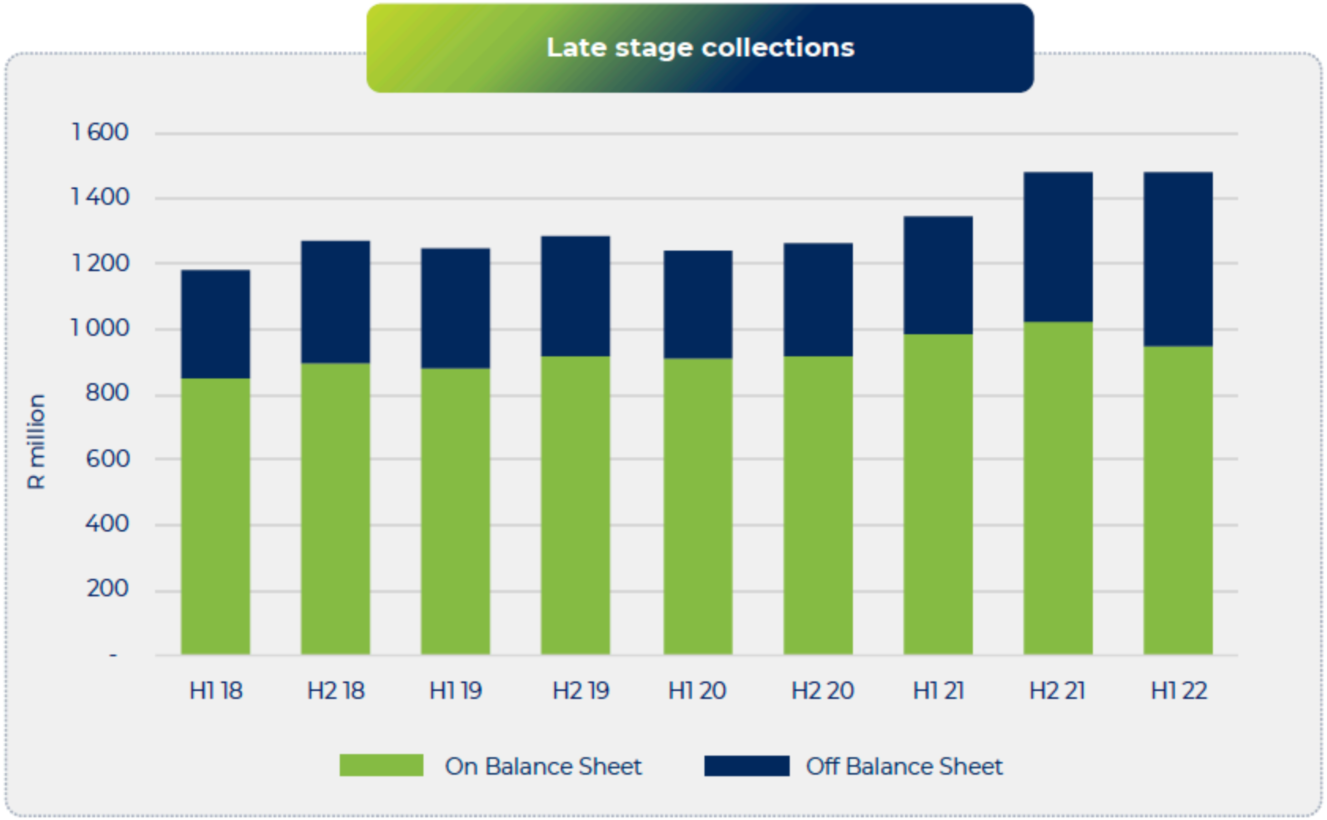
Improved credit loss ratio of 4.6% (H1 21: 6.1%)



- Credit charge on new business up following strong disbursements
- Existing book charge slightly lower as this element of the book shrinks
- Release of charge as model and write-off changes effected
- Enhanced insurance benefits reduce charge
- NPLs as a % of average advances reducing with less interest derecognised
- Total overlay charges static notwithstanding composition changes

Collections on stage 3 and written-off book

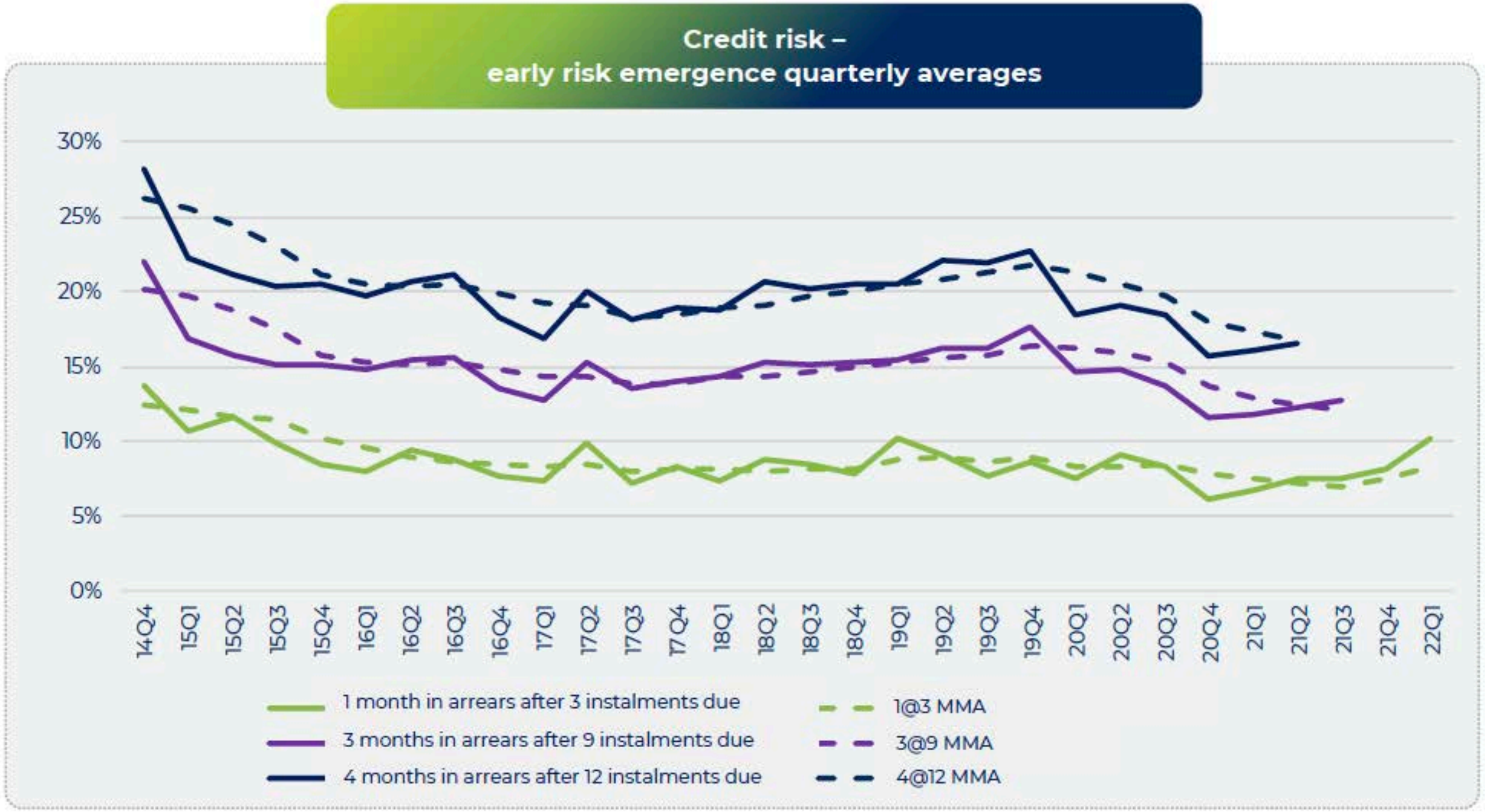
Continued high payments in late-stage collections



- Total collections in H1 22: R1 481m (H1 21: R1 344m)
  - On-balance sheet R950m (H1 21: R984m)
  - Off-balance sheet bad debts recoveries R530m (H1 21: R360m)
- R281m in improved insurance benefits included:
  - On-balance sheet R106m
  - Off-balance sheet R175m

Risk emergence trends

Normalising of credit criteria evident in risk emergence trends



- FY20 tightened underwriting
- FY21 and H1 22 normalisation of credit underwriting
- Risk emergence trends are being closely monitored

Operating expenditure

Operating costs flat notwithstanding increased activity

Operating costs well contained:

- Staff costs down as H1 21's S189A costs not repeated, but partly offset by new appointments
- Card costs increased as more MyWORLD transactional accounts opened
- Rental costs increased as new distribution kiosks and mobile units added, with municipal costs rising
- Marketing costs up as rebranding and corporate identity roll-out takes place
- Communication costs down due to VOIP roll-out
- Bank charges down due to shorter DebiCheck tracking period

Abridged statement of financial position

Excess liquidity being deployed into new business written

Consolidated statement of financial position

R MILLION	H1 22	H1 21	% CHANGE
ASSETS			
Net Advances	19 628	16 698	18%
Gross advances	30 000	27 115	11%
Provisions	(10 117)	(10 324)	(2%)
Deferred fee liabilities	(255)	(93)	174%
Minimum regulatory assets and securities	1 183	1 149	3%
Cash Reserves	4 812	7 984	(40%)
Other assets	2 630	2 831	(7%)
TOTAL ASSETS	**28 253**	**28 662**	**(1%)**
LIABILITIES AND EQUITY			
Senior liabilities	16 730	16 369	2%
Wholesale liabilities	4 931	6 850	(28%)
Retail deposits	10 957	8 622	27%
Other	842	898	(6%)
Capital	11 523	12 293	(6%)
Subordinated debt	0	1 523	(100%)
Equity and reserves	11 523	10 769	7%
TOTAL LIABILITIES AND CAPITAL	**28 253**	**28 662**	**(1%)**

- Gross advances 11% up:
  - Retail loans disbursed doubles
  - Corporate loan of R1.5bn advanced to strategic partner
- Group remains highly liquid
- Wholesale funding maturing and replaced by retail deposits
- Subordinated Tier 2 debt matured in April 2021 and not replaced
- Capital growing as profits increase

Credit quality – book split and credit coverage

Analysis of retail book separate from new corporate loan

Book split and coverage

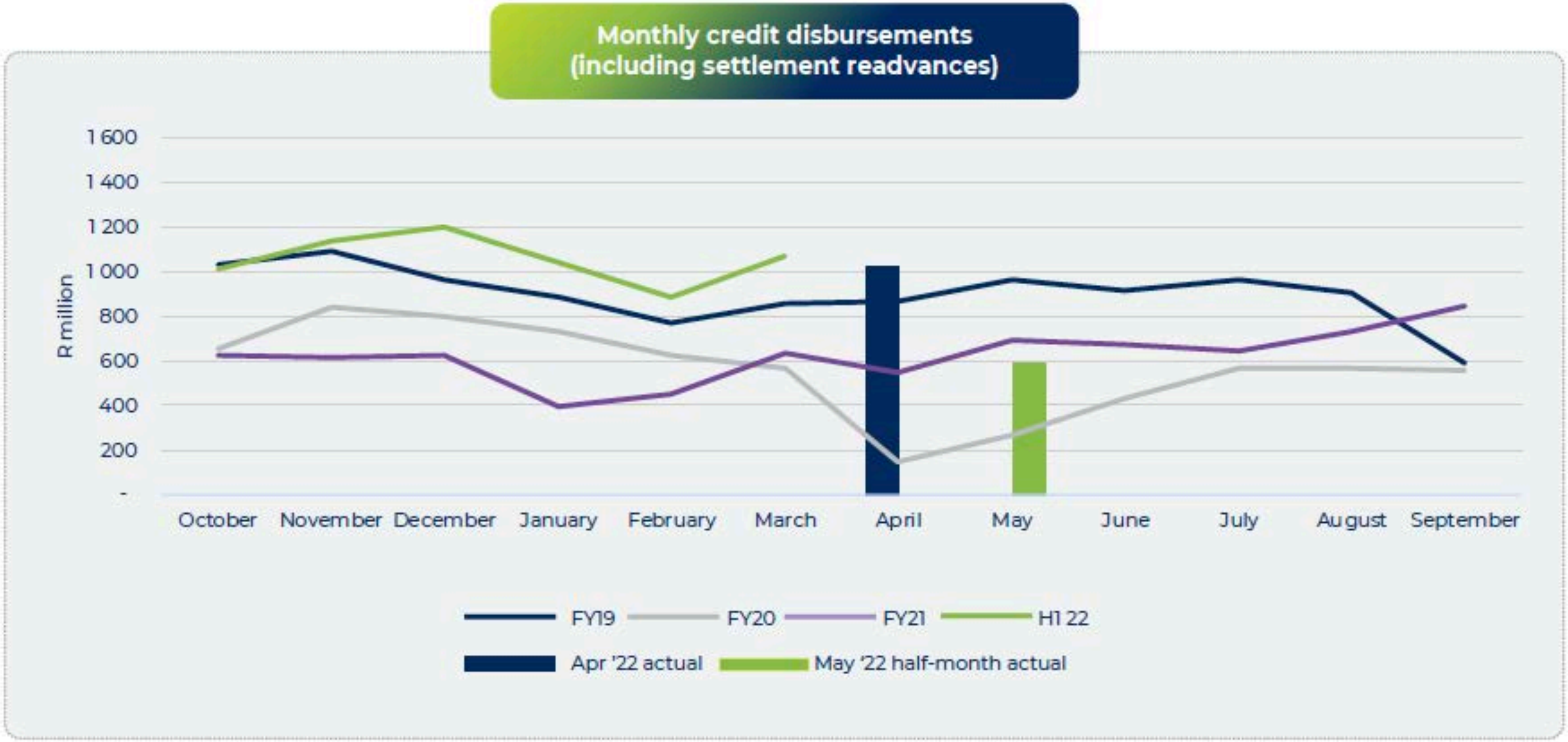
BOOK SPLIT	RETAIL ADVANCES	RETAIL ADVANCES	RETAIL ADVANCES	CORPORATE ADVANCES	TOTAL ADVANCES
R MILLION	31 MARCH 2021	30 SEPTEMBER 2021	31 MARCH 2022		
Stage 1	8 494	8 676	10 905	1 534	12 438
Stage 2	6 971	6 592	6 035	-	6 035
Stage 1 SICR	3 749	3 671	2 835	-	2 835
Stage 2	3 222	2 920	3 200	-	3 200
Stage 3	11 650	11 458	11 528	-	11 528
TOTAL	**27 115**	**26 725**	**28 467**	**1 534**	**30 000**
Percentage Stage 3	43.0%	42.9%	40.5%	-	38.4%
WRITTEN-OFF BOOK	16 398	17 416	17 523	-	17 523

COVERAGE PERCENTAGE	31 MARCH 2021	30 SEPTEMBER 2021	31 MARCH 2022		
Stage 1	5.9%	6.3%	6.6%	2.4%	6.1%
Stage 2	30.1%	29.5%	27.4%	-	27.4%
Stage 3	66.3%	65.7%	66.9%	-	66.9%
TOTAL	**38.1%**	**37.5%**	**35.4%**	**2.4%**	**33.7%**

- Retail advances increase by 5% following sales initiatives and normalising of credit underwriting
- Inaugural secured corporate loan improves advances growth to 11%
- Retail NPL percentage reducing as stage 3 balances stabilise as book grows
- Nil value assigned to gross written-off book
- Written-off policy modified from 8 to 12 months of no payments
- Curing rules in line with industry practice to be implemented in H2 22

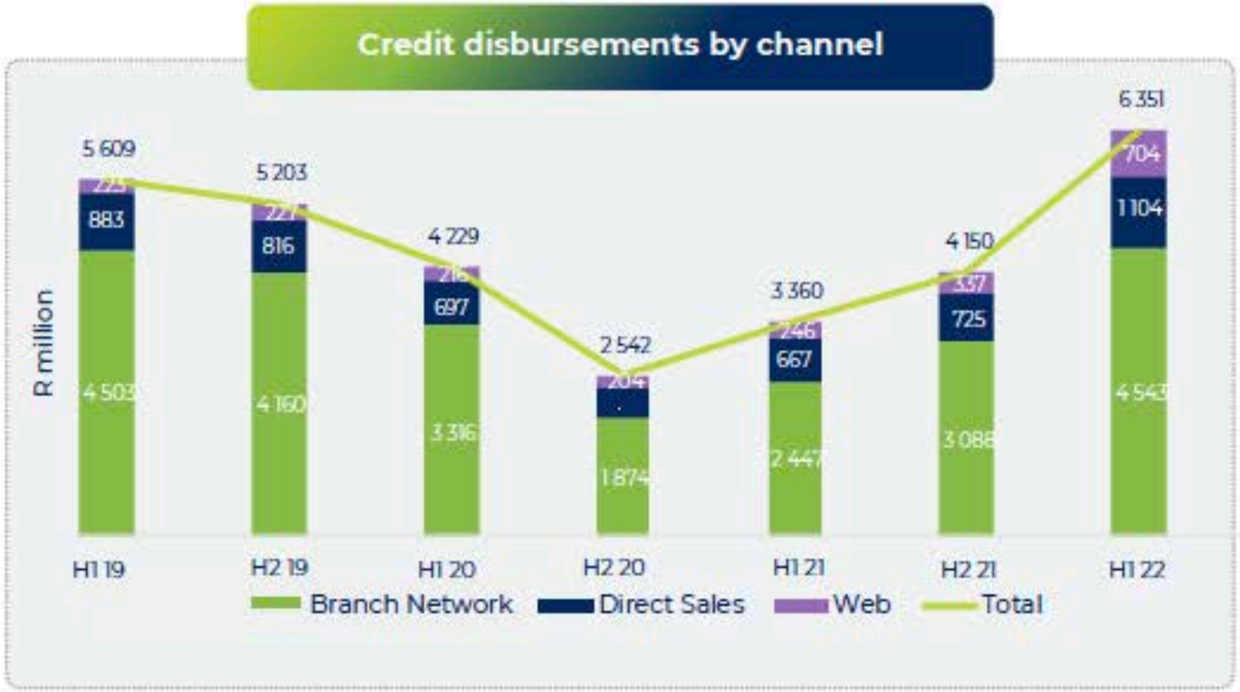
Retail disbursements

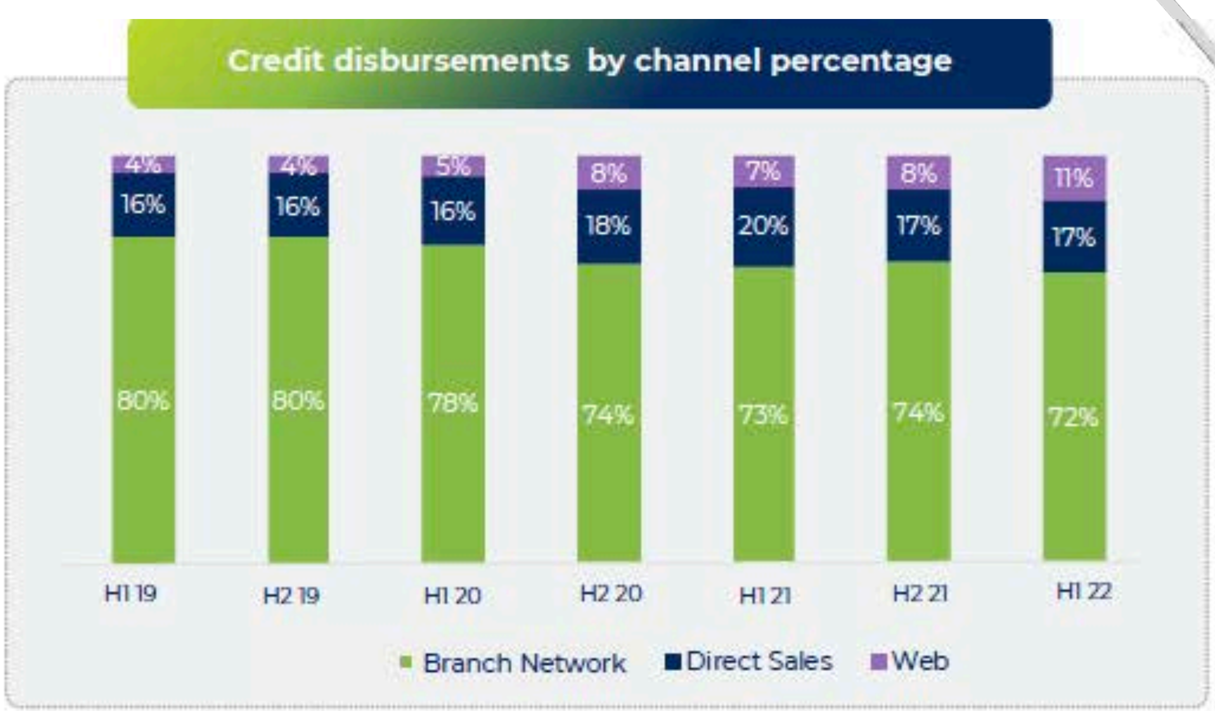
Outperforming FY19 pre-Covid-19 levels



Credit disbursements by channel

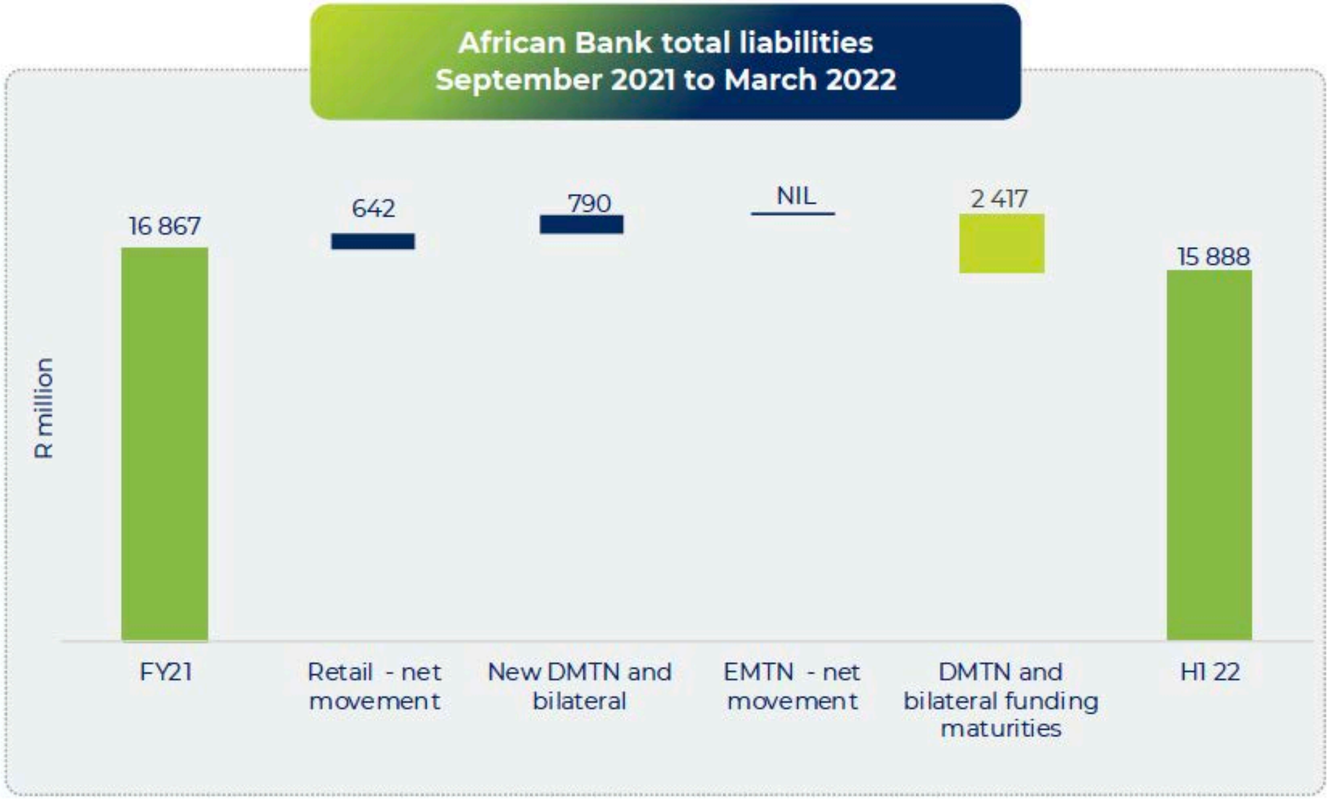
Retail disbursements exceed pre-Covid-19 levels





Funding liabilities movement

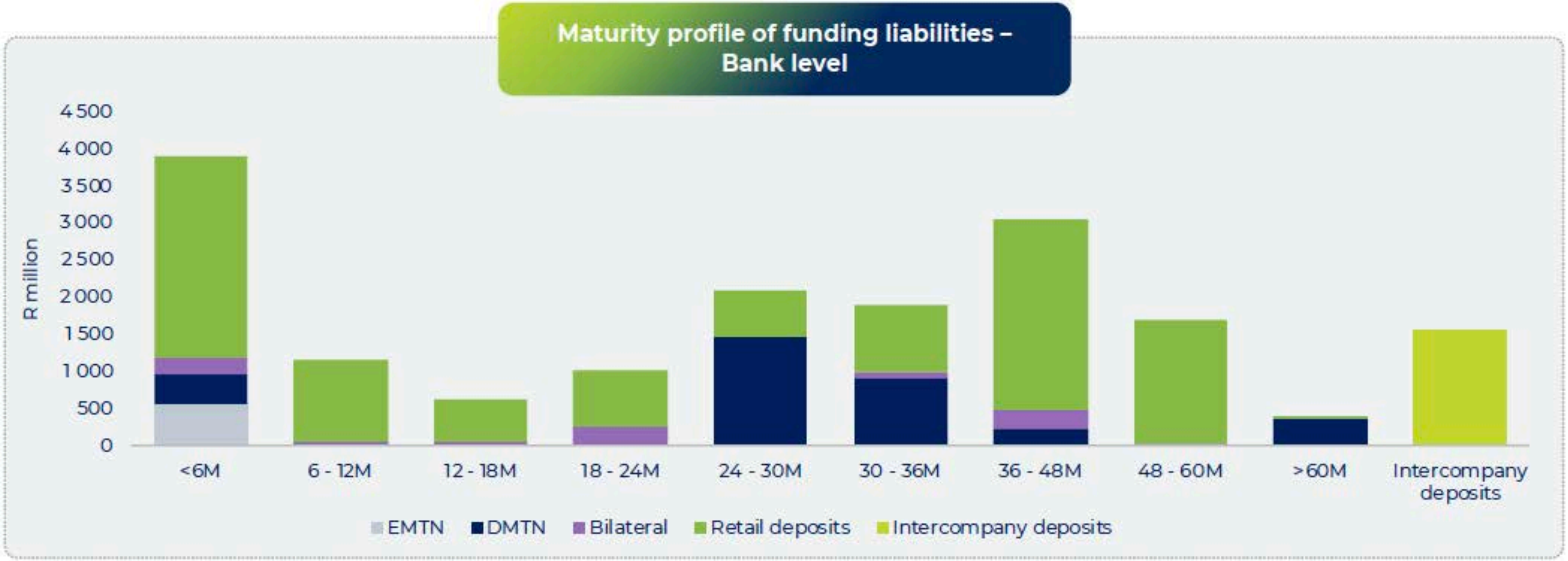
Maturing expensive wholesale funding partly refinances



- Net retail inflows slowing as maturities increase with deposits at R11bn
- Successful public auction of 3 and 5 year DMTN bonds (R230m and R370m)
- Shareholder support arrangement not required for latest issuance

Maturity profile of funding liabilities

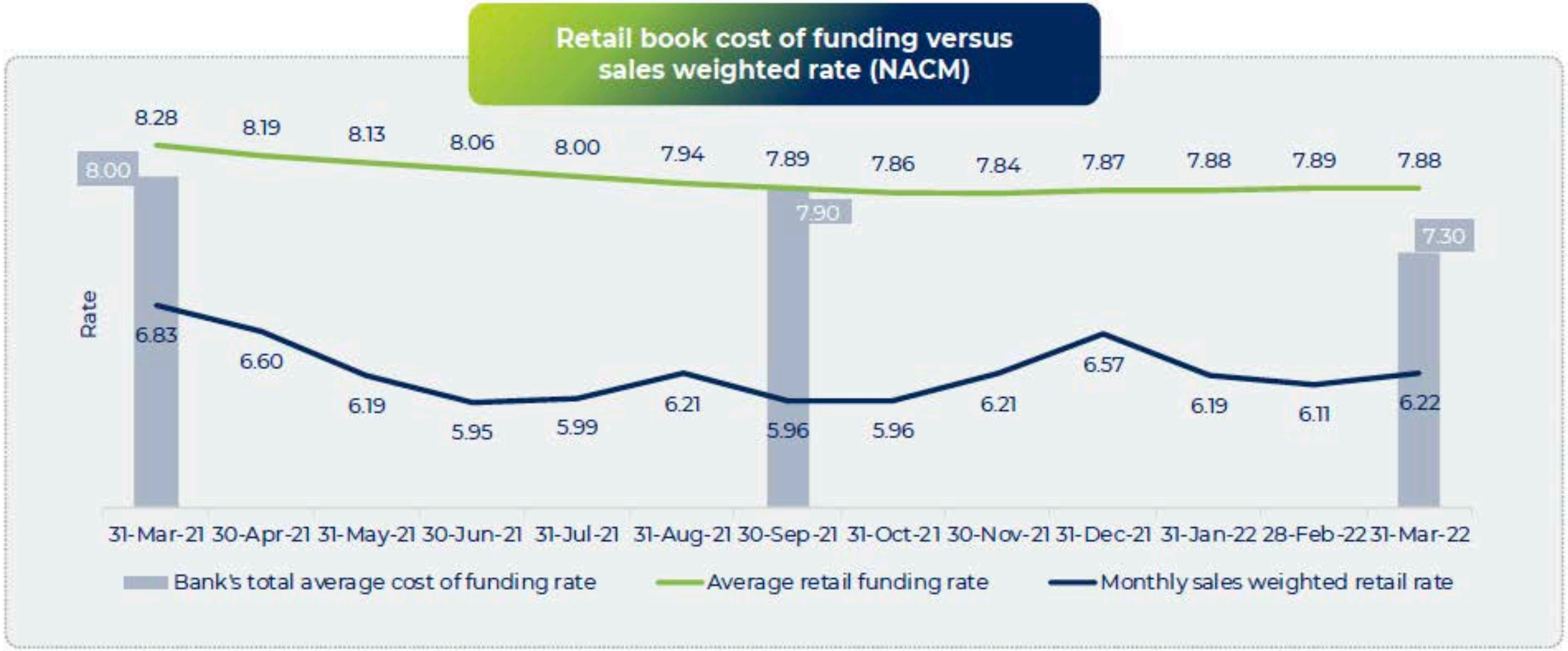
Funding diversification continues; 69% retail funded



- Funding maturities of R5.1bn in the next twelve months sufficiently covered by R4.8bn of cash reserves
- 63% of retail savings deposits are longer term in nature
- Last EMTN bond of R568m matured on 22 April 2022

Retail deposit book

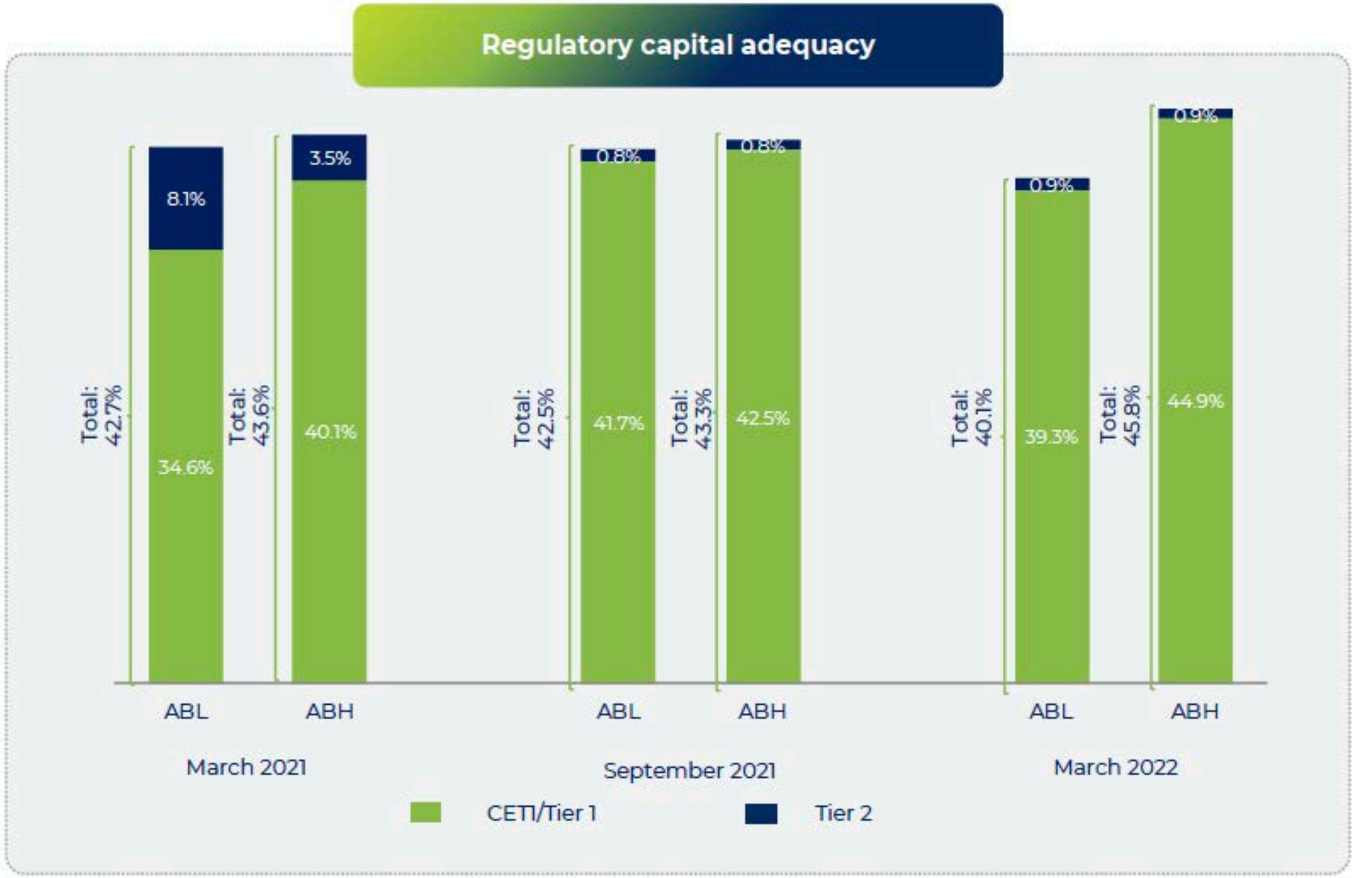
Cost of funding continues to improve



- Weighted average cost of retail deposits reduced
- Monthly weighted rate levelling off and slowly increasing as base rates increase
- Overall Group's cost of funding continues to decline

Strong capital levels maintained

Regulatory capital levels well above internal and regulatory minimums



- Group total capital adequacy increases as profits are generated
- Bank's CET1 ratio increased dramatically:
  - H2 21 injection of capital from Group to replace matured Tier 2 bond
  - Offset by increasing risk weighted assets as retail and corporate advances increase
- Excess capital earmarked for growing advances and progressing M&A activities

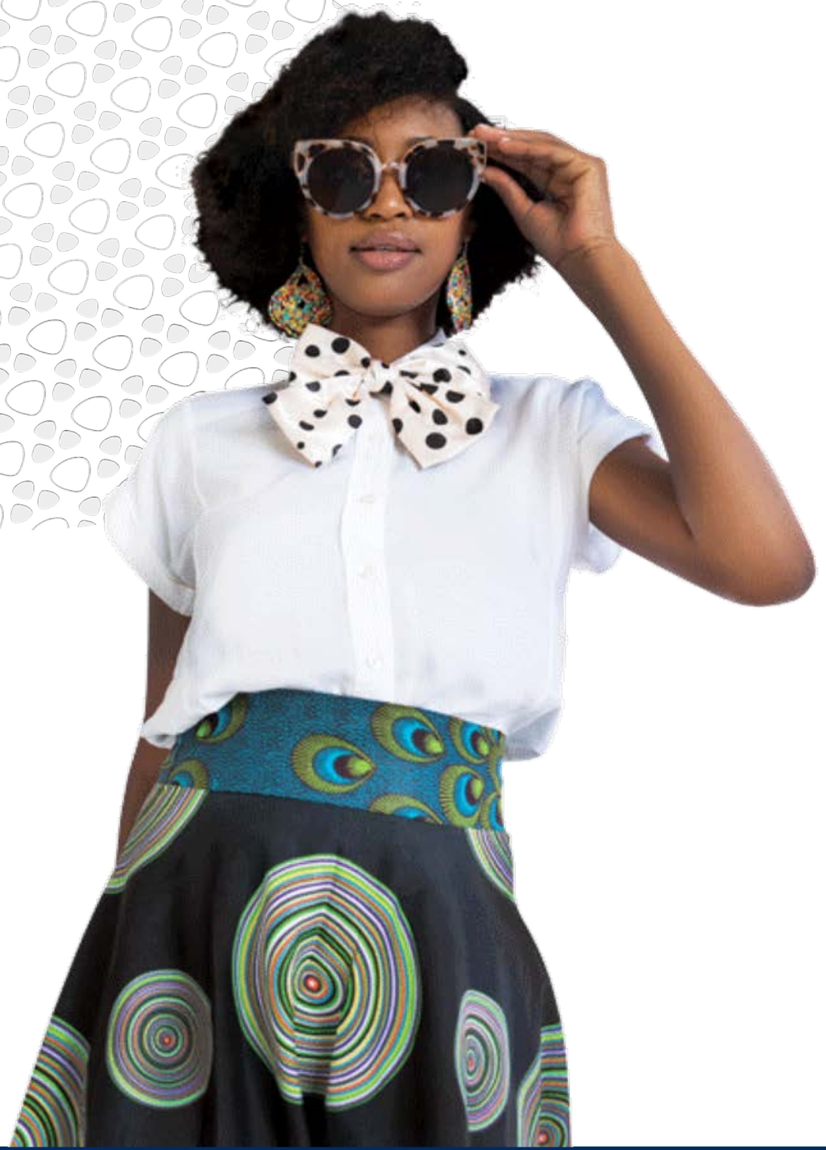
Financial overview

In summary

- **Group profitability steadily increasing** year-on-year
- **Retail disbursements outperforming** FY19 pre-Covid-19 levels
- **Credit risk** continues to be **well-managed**
- **Operational costs well-contained** despite increased activity
- **Liquidity levels remain robust**, with access to diversified funding sources
- **MyWORLD transactional card issuances** and usage steadily **increasing**
- **Strong balance sheet** aiding the execution of our 'Excelerate25' strategy

Working towards our mission

We are building a customer-centric, digital and data-enabled business that will be scalable, diversified and sustainable with a compelling listing proposition



LOOKING AHEAD

Kennedy G Bungane
Group Chief Executive Officer

Looking ahead

Leveraging our unique value proposition

Our differentiators are anchored in our heritage and our strengths, and will enable us to deliver on our 'Excelerate25' strategy and to create value for our growing customer base

UNIQUE STORY	UNIQUE SOLUTIONS	UNIQUE POSITIONING	UNIQUE EXPERIENCE
The African Bank way	**Solutions-driven**	**Audacity to believe**	**Digital Omni**
Our African Bankers and the communities we work and live in believe in our heritage of audacity and the direction we are taking, sharing our unique mindset	We actively identify and develop unique solutions (as opposed to products only) for our broadening customer base	Our solutions are being tailored for individuals, households and communities who are youthful in their approach and attitude and who are looking to make their vision a reality	Our solutions are underpinned by a our digital-first Omni-Channel platform that will ensure a seamless customer journey regardless of the channel

REINFORCING OUR VISION

An African Bank, for the people, by the people, serving the people

ANY QUESTIONS

THANK YOU

An **African Bank**, for the people,
by the people, serving the people