1 December 2017

African Bank Group reports sound results for maiden full year period ended 30 September 2017

Group financial headlines

- Operating profit for the 12 month period R1 130 million compared to R379 million for the six month period April to September 2016
- Full year ROE improved to 9.0% from 6.7%
- Credit loss ratio improved to 11.7% from 13.2%
- Operating profit R629 million for April to September 2017 up 66% compared to R379 million for H2 2016
- New business disbursements reduced by 9% to R8.0 billion
- Retail deposits increased by 148% to R357 million (Sep 2016: R144 million)
- Operating costs flat at R2 459 million on a business as usual basis
- Available cash balances of R10.1 billion
- Core Equity Tier 1 ratio of 29.9% for the Bank, significantly above the internal target of 27%

Significant business developments over past year

- Branch Network
  - right-sized cost base
  - many branches refreshed
  - Completion of all branches by May 2018
- Credit Direct,which provides lending products through direct contact with customers - progressing well, new business volumes increased by 142 % off a small base
- Digital - core transactional banking system fully operational, on track for mid-2018 launch
- Omni-channel platform on track to deliver concurrently
- Corporate - further reduction in negative carry, strong capital adequacy ratio
- MMI partnership commenced - with insurance operations launched in July 2017, and lending in October 2017

The Group reported an increase in operating profit before tax to R1 130 million, from R379 million reported for the six month period April 2016 to 30 September 2016. The increase was mainly due to improved net interest income and insurance earnings as well as a lower impairment charge recorded on the advances book. Higher once-off operating costs on new business ventures and lower profits on bond buy backs reduced the increase in operating profit.

Total new disbursements decreased 9% to R7 989 million as a result of the more conservative risk appetite of the Bank. Over 80% of new disbursements were written to lower risk customers and the larger, longer term loans that are typical of this risk grouping continue to show better risk emergence. The Group has maintained a prudent and robust provisioning policy across its retail lending portfolio, with a well provided-for loan book and a conservative overall coverage ratio of 29.3%. Successful collections operations, particularly in the late-stage area have led to improved arrears balances which, continue to track above modelled cash flows.

The Group is gaining traction on retail deposits and grew the deposit baseby 148% to R357 million, albeit off a low base.

The introduction of a transactional banking offering to customers, due to be launched in mid-2018 and the ongoing MMI partnership is expected to

- increase the company's embedded value,
- increase its customer base, and
- diversify its funding base, reducing the cost of funding over time.

Management further reduced the negative carry (interest paid on funding less interest earned on bank deposits) through further bond buybacks of South African listed bonds and bilateral deposits maturing before September 2019, amounting to R4.1 billion during the course of the financial year.

Commenting on the results, Brian Riley, group CEO noted: *"I am very pleased with the progress we have made in many areas across African Bank, which have directly contributed to the good set of results for the 2017 financial year. Although we come off a relatively low base, the significant increase in profitability is a result which should satisfy all stakeholders, particularly as it includes planned investment and voluntary severance costs. In particular, the core loans business has been fixed with the branch network producing a much improved ROE of 20%.*

The online and contact centre channels have been improved and are gaining traction. The MMI partnership has commenced and, whilst still in its infancy, has the potential to create significant embedded value for the Bank. We intend to grow the balance sheet following the previous period of consolidation during which we established our conservative risk appetite, an approach we intend to maintain.

Good progress has been made towards launching both transactional banking and our customer centric omni-channel platforms. These flexible platforms will enable customers to select their preferred platform through which to engage with the Bank".

The outlook for the Group, particularly related to its core loans business, remains challenging against the backdrop of a struggling economy, indebted consumers and political instability adding higher risk. Regulation is increasingly complex, adding to a higher cost of compliance. On an industry level, the market is becoming more competitive with increased margin erosion evident everywhere in all but the best companies.

Riley concluded:"*Whilst this is my last set of results as the CEO, I look forward to my new role as a non-executive director after March 2018. I am confident that I leave the organisation in capable hands. There is a fine team of executives, supported by a highly committed staff base whom are duly skilled to deliver upon the mission to build a successful retail bank".*

ENDS

Conference call today at 11.00am

Interested parties are invited to register for a conference call during which Brian Riley CEO, Gustav Raubenheimer, CFO, and Basani Maluleke, Head of Operations will take participants through the results. Details of the conference call are

- Date: Friday, 1 December 2017
- Time: 11h00 SAST
- Interested parties are requested to pre- register for this conference call at the following url: https:goo.gl/2cFnUS and follow the instructions provided

A playback recording will be available on (+27) 11 305 2030, playback code 10008688#

Louise Brugman 083 504 1186; louise@vestor.co.za

On behalf of CEO of African Bank, Brian Riley

Notes to editors

About African Bank

African Bank is a 100% subsidiary of African Bank Holdings Limited ("ABH" or "ABH group"). ABH is an unlisted registered bank controlling company under the Banks Act, Act 94 of 1990. The shares in ABH are privately held by the South African Reserve Bank, the Government Employees Pension Fund, Barclays Africa Group Limited, Nedbank Limited, FirstRand Bank Limited, Investec Bank Limited, The Standard Bank of South Africa Limited and Capitec Bank Limited.

The ABH group has material insurance operations that are housed in African Insurance Group Limited, a separate 100% held subsidiary of ABH which in turn holds a cell captive investment in Guardrisk Limited ("cell captive"). The cell captive investment, owned 100% by African Insurance Group Limited, is not consolidated by the ABH group according to International Financial Reporting Standards ("IFRS"), although the financial performance of this entity is dealt with in the unaudited consolidated financial statements, by means of a re-measurement of the investment in insurance contracts.