27 November 2018

African Bank Group reports another set of strong results for year ended 30 September 2018

Financial headlines

- Operating profit for the year up 29% to R1 453 million, compared to R1 130 million for the period ended 30 September 2017
- RoE improved to 10.6% from 9.0%
- Savings and investments increased by 225% to R1 111 million (Sep 2017: R341 million)
- Cash balances of R8.2 billion
- Credit impairment ratio improved to 11.7% from 12.7%
- New credit disbursements increased by 21% to R9.6 billion
- Gross advances book up 4% to R27 478 million (2017: R26 513 million)
- Core Equity Tier 1 ratio of 31.5% for African Bank Limited (Group 34.9%)

Commenting on the results, Basani Maluleke, group CEO noted: “We are very proud to deliver another set of solid financial results, particularly in this challenging economic and competitive environment. I am also encouraged by the progress that we have made toward fulfilling our strategic objectives, most notably the delivery of our MyWORLD transactional banking product, which we will launch to the public during the first half of 2019. The imminent launch of MyWORLD, the increase of our retail deposits by over 200% and the 21% growth in new credit disbursements demonstrate the progress we have made in taking the Bank from recovery towards becoming a serious competitor in the banking industry”.

Consistently strong and improving financial results

The Group generated a 29% increase in net profit before tax and foreign exchange, reporting R1 453 million compared to R1 130 million for the year ended 30 September 2017. From a sales channel perspective, this result was primarily due to an increased contribution from the branch network and a steady contribution from insurance earnings, although the Direct Sales channel is gaining significant traction. A reduced credit impairment charge due to an improvement in credit quality as a result of regular and effective credit policy reviews was a significant factor in these results.

Due to the positive impact of judicious cost management, operating expenditure grew only marginally, despite continued investment into the MyWORLD transactional banking product and voluntary severance payments.

Increased new business and better credit risk

While African Bank is delivering on its strategy towards a more diversified business model, it continues to be a significant and responsible provider of unsecured credit to South African consumers. Over the past two years, the Bank has focussed on amending its distribution network through more effective use of Direct Sales and also through a targeted marketing campaign to attract lower risk customers. These efforts continue to show encouraging results. The Bank grew its new loan and credit card business by 21% to R9 656 million (2017: R7 989 million), with the Branch network contributing R9 037 million, Direct Sales channel R484 million and the new web channel contributing R136 million. The Direct Sales channel disbursements represented a year on year increase of 75%, while the web channel only commenced in 2018. The Bank reported that 88% of advances were distributed to its lower risk customer base. The larger loans over longer terms, for which these lower risk customers qualify, continue to show better risk emergence. Consequently, the Bank's impairment loss ratio improved to 11.7% from 12.7% for the year compared to the prior year.

Savings and Investments growth of 225%

African Bank's strategy to diversify its funding base and optimise its balance sheet to improve competitiveness has made significant progress, as the Savings and Investments portfolio grew by 225% to R1 111million from R341 million a year ago. This funding base now represents 5% of total funding liabilities.

The Savings and Investment deposit base has increased to 15 404 individual depositors with an 86% increase of average deposit to R72 059. The Bank strives to offer the best interest rates across South Africa and currently offers 10.75% nominal annual compounded annually on a 5 year fixed term product.

Capital and liquidity

Cash resources amounted to R8.2 billion at 30 September 2018 which provides more than sufficient liquidity to cover maturing liabilities of R5.9 billion for the next 12 months to September 2019. The Bank continues to generate positive operating cash flows, having generated R2.0 billion in 2018 to add to the positive cash flow of R2.3 billion in 2017. The group continues to hold significant levels of capital, with a CET1 ratio of 31.5% at the Bank level and 34.9% CET1 ratio at the Group level.

Preparing to launch our "shared banking" MyWORLD

Since April 2018, MyWORLD has been successfully activated by over 3 000 African Bankers. More recently, employees have been testing the African Bank App, which enables users to access all African Bank products, including savings and investments, personal loans, credit card and transactional banking in App or via the Web.

The biggest differentiator of MyWORLD, which will be ready to launch to customers in the first half of 2019, is its "shared banking" focus. African Bank is uniquely positioned with this aspect of the offering, which focuses on family and community.

MyWORLD will compete strongly in the digital space and will be operated across African Bank's Omni-channel digital infrastructure. South Africans' demand for convenience will be satisfied as they will be able to easily open an account and manage their finances anywhere, anytime, in person or remotely.

Maluleke added: "We will initially target our existing base of just over a million loyal customers, but have no doubt that the "shared banking model", our low fee structure and other great features will resonate with a much broader spectrum of South Africans”.

New executive appointments

To further support the attainment of its strategic objectives, the Bank has strengthened its executive team through the appointment of a new Chief Information Officer, Penny Futter, and a new Group Executive for Customer Engagement, Kena Setshegoe. Both Penny and Kena have deep technology expertise, which has become essential in the context of delivering on our digital strategy.

ENDS

Conference call today at 11.00am

Interested parties are invited to register for a conference call during which Basani Maluleke (CEO) and Gustav Raubenheimer (CFO) will take participants through the operational highlights, financial results and business prospects.

Details of the conference call are:

- Date: Tuesday, 27 November 2018
- Time: 11h00 SAST

Interested parties are requested to pre-register for this conference call at the following http://www.diamondpass.net/8278762 and follow the instructions provided. A recording of the results will be available on the Bank’s website after the presentation.

In order to view a short video presentation of these results and a business overview by Basani Maluleke, CEO of African Bank Holdings Limited please view https://www.africanbank.co.za/en/home/corporate-info-financial-reporting

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On behalf of CEO of African Bank, Basani Maluleke

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, ABSA Trading and Investments Solutions Proprietary Ltd, Capitec

Bank Limited, FirstRand Bank Limited, Investec Bank Limited, Nedbank Limited and The Standard Bank of South Africa 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.