

Final

24 June 2020

African Bank stays on course

African Bank Holdings Limited achieved the following for the financial interim results ended 31 March 2020, despite the challenging global and national operating environment:

- Robust balance sheet with a strong liquidity profile and high available cash resources, including surplus statutory assets of R5.4 billion
- High equity capital levels of R10.5 billion, resulting in a Group total capital adequacy ratio of 40.1%
- 158% year-on-year increase in the retail deposit book to R3.8 billion (H1 2019: R1.5 billion)
- 10% increase in total customers to 1.2 million over the past 6 months

Subdued business operations before processing Covid-19 related adjustments due to macroeconomic stresses; results negatively impacted by additional Covid-19 specific charges.

- Covid-19 negatively impacted results by R853 million (additional impairment charge of R550 million and Insurance entity charge of R303 million)
- Post-Covid-19 adjustment, net loss after tax of R111 million (Pre-Covid-19 adjustment, net profit after tax, decreased 6% to R503 million from prior year comparative of R533 million profit)
- Gross loan advances increased by 3% to R30 093 million (H1 2019: R29 349 million)
- Group's total income increased to R3.5 billion (up 5%)
- Post-Covid-19 RoE - 2.1% (Pre-Covid-19 adjustment RoE positive 9.2%)
- Post-Covid-19 credit loss ratio of 12.5% (Pre-Covid-19 adjustment 8.8%)

After a strong 2019 financial performance, African Bank's 2020 interim results were adversely impacted by a worsening South African economic outlook and the national lock down that began in March 2020 to contain the spread of Covid-19 across South Africa.

Due to the estimated impact of the Covid-19 pandemic, the Group factored two Covid-19 specific provisions into its half-year 2020 financial results. These adjustments include an additional bank-specific impairment charge of R550 million and Insurance entity's additional provision charge of R303 million for the estimated impact of the economic consequences of the pandemic on customer cash flows. To aid a like for like comparison with the prior reporting period, 6 months ended 31 March 2019, the financial performance is presented on a 'pre-Covid-19 adjustment' and a 'post-Covid-19 adjustment' basis.



Financial performance

The Group reported muted results, given the challenging socioeconomic environment and the impact of the Covid-19 pandemic. On a pre-Covid-19 adjustment basis, net profit after tax decreased 6% to R503 million. The pandemic specific charges totaling R853 million, negatively impacted the Group profits after tax by R614 million.

On a post-Covid-19 adjustment basis, the Group reported a net loss after tax of R111 million for the six months ended 31 March 2020, compared to a profit of R533 million for the six months ended 31 March 2019. As a result, the Group's RoE was a negative 2.1% (H1 2019: positive 10.9%).

Additional conservative credit-granting measures implemented

Due to the macroeconomic environment, the Bank implemented further conservative credit-granting measures in September 2019. The Group's advances have remained steady, increasing marginally by 3% to R30 093 million for the six months ending March 2020, compared to R29 349 million for first half of 2019. The Group's total income increased 5% to R3 499 million (compared to R3 342 million for the 2019 half-year). Management continues to focus on the disbursement of loans to low risk customers and above 85% of disbursements were made to this low risk category.

Given the tough operating environment, customer credit balances are conservatively provided for with a coverage ratio of 36.4% on a post-Covid-19 adjustment basis, and 34.7% on pre-Covid-19 adjustment (H1 2019: 34.5%).

The Covid-19 pandemic is expected to increase defaults on loans as well as negatively impact collections, hence further additional conservative credit granting measures were implemented in April 2020.

Diverse portfolio of products attractive to customers

The Bank recorded strong growth in retail savings and investment deposits over the six months, as the Bank continues to offer South Africans the best interest rate, which is currently 12.33% at expiry on a 5-year fixed rate deposit. Retail savings and investment deposits increased by 158% to R3.8 billion, year-on-year, with this source of funding representing 20% of the Groups' total liabilities portfolio, improving the Group's funding diversification, up from 8% as at 31 March 2019. Of the R3.8 billion in investments, over 50% were invested into the long-term 5-year fixed deposit product.



MyWORLD has continued to see a steady take-up with 258 000 new accounts being opened since its launch in May 2019, 57% of which are new customers to the Bank.

High customer satisfaction levels reported

In March 2020, the South African Customer Satisfaction Index rated African Bank the best bank for customer service in South Africa. The rating is further evidenced by an increase of 10% over the past 6 months in the number of customers measured across all products to a total of 1.2 million.

The Bank continued to up skill its employees through increased digital learning and through the establishment of the Data Science Internship Programme initiated to build and bolster internal data science capabilities for the Bank.

African Bank remains a strong investment proposition

The Group's balance sheet remains robust with high available cash resources of R5.4 billion. Notwithstanding the post-Covid-19 adjustment, management continued to maintain a strong liquidity profile with high Group equity capital levels of R10.5 billion (H1 2019: R10.0 billion) and a Group total capital adequacy ratio of 40.1%.

Maluleke added, "Our strong balance sheet and liquidity profile continues to provide our stakeholders with a solid investment proposition."

Post Covid-19 business trends

There was a 79% and 51% reduction in new loan applications in April and May 2020 respectively, due to the national lockdown, although the digital platforms are seeing increased activity. Non-performing loans have seen a slight upward trend during April and May, to 39.8%. Collections have reduced 25% in April and May as a result of short-time implemented by employers, the macroeconomic stresses experienced by the Bank's customers and customers taking up the payment break offers. The Bank's retail savings and investment deposits witnessed a surge in May inflows, possibly as a result of a segment of the customer base holding back on discretionary spending and in preparation for further leaner times.

Looking ahead, Maluleke noted: "The biggest unknown factor in assessing our outlook will be the impact of Covid-19."

The Group will remain adaptable and resilient to effectively manage the factors in our control. We will continue to ensure a safe environment for our people and our customers, engage in robust short-term and longer term scenario-planning exercises, manage liquidity,



review and update conservative credit-granting criteria, drive prudent liability management and carefully manage costs and discretionary spending”.

ENDS

Presentation and conference call today at 10am.

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: Wednesday 24 June 2020
- Time: 10h00 SAST

Interested parties are requested to pre-register for this webcast at the following [live webcast](#) link and follow the instructions provided. A recording of the results presentation will be available on the Bank’s website after the presentation.

Contact:

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



African Bank offers a diversified range of products and services that compete on the basis of innovation, creating customer value and socially responsible banking.

Building and maintaining a reputation of trustworthiness is a key element in our development of a successful business.

Culture, customer-centricity and data are the three pillars of our strategy. In today's dynamic world, the companies who are the most customer-centric will win. We strive to understand our customers so that we speak to them in a way that is relevant and offer them products that are right for them. Here, our focus on data will play a big role. Having the right information at the right time to make the right offers to our customers is a key enabler of customer-centricity.

