FINAL

27 May 2021

African Bank Group returns to profitability for reported interim results ending 31 March 2021

- Net profit after tax for the Group of R152 million (H1 2020: Net loss after tax R158 million);
- Insurance profit of R251 million (H1 2020: R146 million);
- Credit impairment charge: R850 million (H1 2020: R1 909 million);
- Net customer advances balances: R16 698 million (H1 2020: R18 995 million);
- Return on equity 2.9% (H1 2020: negative 3.0%);
- Gross loan advances decreased by 8% to R27 115 million (H1: 2020 R29 550 million)
- Non -performing loan ratio 43.0% (H1 2020: 37.2%);
- Credit loss ratio improved to 6.1% (H1 2020: 12.9%);
- Retail deposits increased to R8.6 billion compared to R3.8 billion at the same point last year;
- Robust balance sheet with a strong liquidity profile and high available cash resources, including surplus statutory assets increased to R8 billion (H1 2020: R5.4 billion); and
- High equity capital levels of R10.8 billion, resulting in a total group capital adequacy ratio of 43.6% (H1 2020: 40.1%).

CFO Gustav Raubenheimer commented on actions taken over the past six months, *"Given the uncertainty surrounding the Covid-19 pandemic and the macro economic challenges of the past months, we have focused on managing the factors within our control to return to profitability in the short term, while proactively seeking out opportunities to allow us to grow and excel in the longer term."*

Group returns to profitability

The African Bank Group reported a profit of R152 million for the six months ending 31 March 2021 compared to a reported loss of R158 million for the same period last year, mainly as a result of upfront provisioning raised a year ago being sufficient to account for the increased risk of default brought about by the Covid-19 pandemic. This improved result for the Group was also bolstered by a 51% increase in profits in the insurance entity. The Group's return on equity was a resultant 2.9% (H1 2020: negative 3.0%).

Disbursements of personal loans continued to be subdued for the six month period due to an ailing economy and the continued conservative approach of the Bank to granting credit. H1 2020 disbursements of R4 229 million dropped materially to R2 541 million in H2 2020 but have recovered somewhat to R3 360 million in H1 2021. The loan book net revenue including insurance income declined to R2 662 million compared to R3 027 million a year ago. On a positive note, the conservative approach to granting credit, strong collections and not having to raise further Covid-19 general provisions, resulted in the Group's credit loss ratio improvement to 6.1% from 12.9% in H1 2020. In the current reporting period, the incremental Covid-19 provision was kept constant in the Bank at R130 million. In addition, an amount of R30 million remains provided for in the insurance entity for future Covid-19 related charges.

Customer balances remained conservatively provided for with the coverage ratio being 38.1% (H1 2020: 35.2%).

Operating achievements

The safety and wellbeing of staff, customers and partners remained a priority in the branches, at the head office and for those continuing to work at home. Work-from-home and Covid-19 related costs increased operating costs by R24 million.

Some R75 million was paid out after the section 189A rightsizing process was concluded during the period. This was partially offset by a new-hire freeze. The 14% reduction in staff enabled the team to right size core functions and strip out unnecessary costs. The team will assess other large cost items on an ongoing basis.

Cost containment measures were implemented over the last 18 months across the Group, in response to the deteriorating economic environment as well as in an effort to limit the negative impact of the global pandemic. Direct measures included limiting domestic and international travel and freezing non-critical, vacant positions. Notwithstanding these measures, operating costs increased by 12%, resulting from the reintroduction of the staff incentive scheme and impacted by the once-off rightsizing costs. These specifically included the voluntary severance packages and early retirement packages taken by 429 African Bank staff. The remaining staff complement totals 3 277 (H1 2020: 3 821).

The emphasis remains on acquiring low-risk customers utilising the MyWORLD transactional platform. The team improved the contact centre through the introduction of voice analytics and data science techniques to optimise engagement with customers and ensure resilience to changing market conditions. SA-csi awarded African Bank the Best Contact Centre and Branch Network in their annual SA banks survey.

The growth in the transaction banking MyWORLD accounts continues to gain traction, with 558 000 accounts opened to date.

Retail deposits continue to grow

The Group continues to strengthen the balance sheet and actively diversifying its funding base through increasing its retail savings. The Bank has successfully grown the retail deposit book, including deposits from MyWORLD transactional accounts, by 126% to R8 622 million (H1 2020: R3 819 million). The number of retail and saving accounts grew by 53% to 73 000, with the average deposit increased to R132 000 from R90 000. Retail deposits now represent 51% of the Group's total funding base.

Raubenheimer noted, *"The increase in the quantum of investment, number of accounts, and the fact that about 60% of retail deposits are made into the 5 -fixed term product, demonstrates the continued trust shown towards the African Bank brand by our* *customers. Our retail book now represents 51% of our total funding."*

Strong capital and solvency

Despite a challenging operating environment and a contracting economy as a result of the devastating impact of Covid-19 during 2020, the Group's balance sheet remains highly liquid with available cash resources increasing 48% to R8.0 billion (H1 2020: R5.4 billion). The Group's high equity levels of R10.8 billion (H1 2020:R10.5 billion), represents 64% of net advances of R16.7 billion, and a Group CET1 level of 40.1%.

Geared for growth

The Group's growth execution plans include the evaluation of at least one synergistic acquisition of a like-minded business, which will supplement the current product offering and expand the customer base. In parallel the team will continue grow the current advances book organically.

Raubenheimer commented, "*While we are pleased to have returned to profitability, it is evident that more work still needs to be done this financial year. Our business model has demonstrated resilience during a time of crisis and will form the bedrock that will reap further benefits through the implementation of our growth initiatives into the foreseeable future."*

Change of leadership

Kennedy Bungane was appointed as the new CEO of the Group on 14 April 2021. His appointment follows Basani Maluleke's resignation at the end of January this year. Kennedy is a highly experienced banking executive who will bring impetus to the strategic initiatives and expansion endeavours in the coming years.

Kennedy notes, "*Our strategic direction is clear. African Bank is here to serve the largely underserved and marginalised groups in our society. To ensure that we can provide fit for purpose, swift and low-cost retail banking solutions and products. Given the volatile and strained macroeconomic backdrop, we will continue to manage the factors in our control while proactively seeking out organic and acquisitive growth opportunities."*

ENDS

Presentation and conference call today at 10am

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

Details of the conference call are:

Date: Thursday 27 May 2021

Time: 10h00 SAST

Interested parties are requested to pre-register for this webcast at https://thornleysevents.eventsair.com/african-bank-consolidated-unaudited-financial-results/registration/Site/Register and follow the instructions provided. A recording of the results presentation will be available on the Bank's website after the presentation.

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On behalf of the African Bank Group

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.

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 succeed.