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AFRICAN BANK ANNUAL FINANCIAL RESULTS 2019

Conference call transcript

Basani Maluleke

Good morning and welcome to our results announcement. Welcome. It is so nice to see new faces here today. A special welcome to our Board members, to our Chairman [inaudible – audio breaking up]. A warm welcome to the funders and prospective funders who are here. I hope you will all find it [unclear] today. And then, of course, to the media: we appreciate your support and the nice things that you say, so please remember those words as you write your articles later. And then, of course, to my colleagues. As is always the case we will start off today by me giving you an update, followed by Gustav giving you a financial overview, and then I will close off with the outlook.

So, starting at the top, when we thought about our strategy, the main driver behind it was to figure out what the customer of tomorrow looks like and what we do as an organisation to make sure that we are addressing the needs of the customer of the future. And what was clear to us [break in audio]. More importantly, [break in audio]. We know that a lot of customers don't use smartphones [break in audio]. So we have noticed that as data cost has come down, more people will go online. The more people go online, we also know that they will have the ability to [break in audio]. And the experience levels and the retention levels start to change.

What we wanted to do as African Bank was to say, look, if we are competing from a customer experience with the Googles and the Facebooks of the world, what do we need to do? And we realised that to be able to be competitive in that world, we will need to think carefully about investing in [unclear], because we know that [unclear] is a core driver of customer-centricity and, of course, of customer-centricity itself.

And we know that by so doing, it will enable us to better understand what our customers want. We know, in the future, the Holy Grail is to be able to know within two seconds what a customer will want and to offer it to them before they have even thought of it. And the best way to achieve that is by having enough information about your customers and having the infrastructure available to be able to make that a reality. And we know that by so doing, we will be able to have higher customer acquisition and retention which will drive profitability, [break in audio] is a huge focus for management, for the Board to build a much more sustainable organisation.

So, to remind you of what our strategy is, I'm going to start with the top part of that triangle. Over the last year, we have adopted a purpose of 'Advancing lives'. And for most of us, we know that corporates are under more and more pressure at the moment to be much more relevant to the communities and all the stakeholders that they serve, as opposed to having a very narrow focus on shareholders and other stakeholders that are much more interested in whether the company generates a profit. Corporates need to understand their communities and be able to deliver something that is unique and that speaks to the customers and demonstrates that corporates actually care about their customers.

We really think adopting that purpose is fitting with where we need to go and where companies as a whole need to go, but also I think it resonates with the core of who we are. African Bank is known for its motto of 'humanity through banking', and 'we are you', and I think all of those things resonate and are very well put together in the idea of advancing lives.

I think you guys would have seen in the last presentation, that we spoke about the fact that we have the three pillars of our strategy. And I will take you through the progress we have made on those three pillars in the subsequent slides. And then last, but not least, I will also take you through how we have performed against the performance measures on the right side of your screen.

So starting with customer-centricity, I have already mentioned that ultimately this is the Holy Grail, being able to deliver to customers what they want, when they want, how they want it and at a price point that they can afford. We spent a lot of time over the course of this year really focussing on laying down a foundation to better understand our customers.

So where do we get this information? What information do we need? How do we interpret that information and how do we use it meaningfully to understand our customers and to give them what they want? And I think we've started to see some nice progress in the sense that some of the feedback from our customers speaks to the fact that they are really enjoying our new digital channels, our new phone [?] channels. And they are also starting to enjoy all the things that we're doing around customer empowerment.

We know, for example, if you look at the very last [unclear] here, the customers are obviously under enormous financial pressure. And I think part of our role as an organisation that advances lives is figuring out how we start to educate our customers and empower them with the right knowledge and information to enable them to make better decisions, as well as being empathetic and enabling them to service their debt. So that's on customer-centricity.

On culture, I think for many banks what we struggle with is that we traditionally have operated on a command and control culture. And that makes sense because banks have to deal with compliance. The mountain of regulation just keeps growing, and we know that if we don't comply, your very license to trade could be at risk. So command and control makes sense. Make sure that people do what they're supposed to do, follow various scripts and get the result.

However, as we become more digitalised and as customers' expectations start to change, we need all our staff across the various parts of our organisation to be compliant, but also to be much more creative, to be much more agile, to understand and empathise with our customers, to filter information to different parts of the organisation to enable us to start creating customer propositions that are relevant and that will make sure that we become a more sustainable organisation.

As a result, we as an Exco team have decided on the culture that we believe this organisation ought to have. And we did a lot of work over the course of this last year to start embedding that culture. Last year, you will recall I spoke in glowing terms about the fact that, in that year, we had achieved a very high employee engagement score of 58%. And what that means is simply that our employees understand our strategy, they have bought into our values, and that they are more than willing to go the extra mile to help us achieve our strategy. In this last financial year, that score has gone up by two points to 60%. And to give you a sense, it compares against a benchmark in South Africa of 38%. Our employees are 20% more willing to do what is required to deliver on our strategy than what is the average in South Africa, and we are very proud of that.

And then last, but not least, on data. During the course of this year, we have focussed again on laying the foundation to enable us to leverage data. So, for example, we focussed on making sure that we have a Board approved data strategy. We have partnered with an external organisation to start growing our own Data Scientists who will be joining us next year.

We have also done a lot of work into understanding how to attract the right Data Scientists into the organisation and what they should be doing. And in addition to all of that, we've also been looking at how to build a greater capability in the existing business. So, for example, we have [unclear] analytics software to help us to better understand what it is that the good consultants are doing in our organisation to sell or to collect data, and how we take what they are doing and spread it across the rest of the consultants to ensure that we have much greater efficiency and create much better customer experiences. So we are exploring and adopting a very experiential approach to data and we think it is going to result in a lot of growth for the organisation in the year ahead.

So looking now at what that all means, if we look at our strategy scorecard – and this will be very familiar to you guys here in the room – you will recall that we put an equal weighting on both our financial performance as well as our non-financial performance metrics. And I think you can see that the things we are doing are creating value. Albeit some of the things we are doing are new and we have yet to see the value coming out of those, we do believe the things we have historically been doing are clearly demonstrating that they are the right things.

The first thing is on our ROE. You will recall the target we set for 2021 is 15%. And you can see a very nice, steady improvement in our ROE to get to that 15%. You will recall our funding diversification. There is diversity specifically to our retail funding products. Many of you will know that we are offering the best interest rates in the market, and that strategy is paying off really well for us. We have been able to more than double our retail deposits in the last year to R2.4 billion, and by so doing we have increased our funding diversification to 12%. So that means 12% of our funding is in retail deposits, which I think is a fantastic achievement for the organisation given where we were a year ago. And I think it demonstrates that the 25% is imminently achievable.

On our non-interest revenue, that R500 million absolutely seems intimidating and overwhelming. But some of you might remember that metric was R300 million last year. We decided to change it because we have a lot of confidence that our MyWORLD product will be very successful, and we expect that the fee income emanating from that product will enable us to reach the R500 million.

And then, on our credit loss ratio, undoubtedly for a lot of investors and for a lot of stakeholders the health of the organisation is measured by the credit loss ratio and the improvements that we demonstrate to the credit loss ratio, because that is an indicator of the health of our Loan book. As you can see on the credit loss ratio, we have given you the two different metrics.

You will know that we adopted IFRS9 during the course of this year for the first time. So we have given you the two metrics so you can see what the credit loss ratio would have been pre-IFRS9 as well as in an IFRS9 world. And you can see that the improvement in that ratio has continued. So IFRS9 has given us a bit of a lift because of a change in the accounting treatment, but certainly the trend is definitely in the right direction and we are very proud of the work that has been done to achieve that. Much of that is in the development of our scorecard, so our credit teams can delight you later with the changes they have made to our scorecard. But it is also around the operations that we have adopted, making sure that we continue to improve on our collections and ensuring that we're getting the right customers on our book. So we really are very proud of the performance of our Loan book and, as a result, the improvement in our credit loss ratio.

And then, looking at the non-financial metrics, the decline in the NPS is disappointing particularly given the fact that it is a core part of our overall strategy. It is disappointing, but it is understandable in our view given that a lot of that decline is due to the launch of our Digital Channel. Over the course of the last year, we started to release this into our customer base and we've had to learn a lot of lessons. So, like with anything new that you do, there were some teething problems. We are learning a lot. We are making the changes that our customers require for us to be able to deliver a better customer experience. And we expect to be able to report a better ratio in the next financial year. This also has had an impact on our customer satisfaction because the two are connected. However, you will see that our customer satisfaction remains comfortably above the target that we have set for ourselves for 2021.

And then last, but not least, our customer numbers. This is a question I get asked repeatedly by analysts, as well as by media, and rightly so. Our customer numbers you will recall had been declining for the first two years coming out of curatorship, and they had been declining because we had adopted a more conservative risk appetite, which meant we could not lend to the same customers that we used to be able to lend to. However, what we are proud of is the fact that this has started to turn around. So we are starting to see an increase in our customer numbers and we expect this to accelerate with the launch of MyWORLD. However, we have decided to change our target for 2021 for our customer numbers. And we made the change because the initial target had been set in 2016, and 2016 was a different time. I'm sure many of you will agree that we live in a very different South Africa from where we were in 2016. I think the fact that our GDP growth is pedestrian at best, the political uncertainty, the increasing levels of competition, all of those things together have made us reconsider what is a much more realistic target. We believe as a Board that the 1.7 million is much more realistic than the 2.5 million target that we had for 2021 previously.

And last, but not least, is the fact that we have the most engaged workforce and I think the best people that the country has to offer. So this is our strategy scorecard and we believe that we are performing really well against it and are proud of what the business has done in the last year. To give you a bit of a highlight of where we are in terms of our financials, I've spoken about the R2.4 billion. A fantastic achievement and I think the teams have done really well to mobilise the organisation to access those deposits. Our credit disbursements are up by 12%. And this is against the backdrop of an improving credit loss ratio, so we continue to be a prudent provider of unsecured credit. Our earnings after tax have increased by 13%. We are really thrilled with this number. Given where the economy is and how hard it is to get growth, we think the business has done really well.

Our operational cost growth is quite a bit higher than last year, and the reason for that predominately is that we are investing in the capabilities that we need to tie up today to sustain the growth of the organisation in the future. So much of that would go into the data strategy, into employing more people to assist us to grow, our customer strategy as well as making sure we drive the kind of culture we want to have in the organisation. And also a good component of that has also been around making sure that our IT strategy is able to support our business strategy. We have opened 100 000 MyWORLD accounts and we are really thrilled about that, particularly given how late we launched. We launched later than we had expected, and I think we are pleased with the uptake we are seeing. More importantly, half of those customers are new to bank customers. So we are starting to appeal to a customer base that otherwise may not have dealt with the organisation. I think that is a very good thing to remember. And we have also now launched our Omni-channel.

The purpose of this slide here is again to demonstrate the strategy and what we are trying to do. You will remember, coming out of curatorship, the organisation operated only out of the Branch Network. So only the Branch Network would originate Loans and fulfil on those Loans. So, last year, 6% of our credit was originated in our Direct Sales and our Digital Channels. This year that number has gone up to 20%. And we think that's a fantastic achievement. It really is a testament to the work that has been done to make sure that our Direct Sales channels become much more effective at actually originating as well as executing on those sales. And I think a lot of operational improvements have driven that, and also the changes that have been made to our Digital Channels to ensure that those channels are able to attract people and to more seamlessly get them through the process to originate and close sales. So we are really thrilled with how this has worked. It speaks well of the diversification strategy that we are trying to execute, and I think it bodes well for the organisation as we digitalise more and more.

I've told you that our retail deposits are amazing. We don't want you to forget that. Our retail deposits are amazing. But also the customer numbers in our retail deposits have grown by 204%. Obviously, this is off a very low base and it translated to having 26 000 customers in our retail deposits. But the point we are getting at is we are getting more customers who are looking at African Bank as an investable proposition. And this is also demonstrated by the fact that the average balance in our fixed deposit products has gone up to R88 000 from R72 000. So we have more customers giving us more of their money, which I think also demonstrates the fact that the organisation is rebuilding trust and is having success in building the brand.

We wanted to give you a taste of how we launched the MyWORLD product in May of this year. It truly was a spectacular event and I think it was fitting because we believe that our product is a spectacular product. I will let George speak to the product if people have questions about it later. But I think, the point is it really has been made to be a unique value proposition in the market. It will continue to offer customers the highest interest rate for deposits that sit in their current accounts. And also, very importantly for us, we have opened over 100 000 accounts at this point, but also we have processed 1.9 million transactions.

And for those people who have to build something for the first time, when you are growing your baby, you don't know how it is going to perform. And you have all these hopes and wishes that — may it not fall, may it be potty trained at some point and not embarrass you in public. I think for us, the fact that we have been able to process these transactions with very minimal technical issues demonstrates the work the IT team did in conjunction with the product team to ensure that we build a product in a platform that is sustainable and delivers value to our customers. And we have also processed R2 billion of transactions through those accounts. So I think this demonstrates that the account works really well. It has good appeal and we have a lot of hope for it in the years ahead.

And with that, I will hand over to Gustav.

Gustav Raubenheimer

Thank you Basani. So, most of these numbers Basani has mentioned to you before. Our operating profit increased by 11% to R1.6 billion, after tax almost R1.2 billion. Return on equity for the Group is 11.1%. We have normalised for our balance sheet and our investments, and if you do that you can see that our core business has ROE of 23%. There is a slide on that later. The coverage that we have on our book has increased under IFRS9. The credit loss ratio is at 6.9% as Basani mentioned before.

We are continuing to invest in our new business lines and that did increase our operating costs. And we have a lot of capital. So we are very well capitalised and we also have still R5.6 billion of cash sitting on the balance sheet.

This just looks at those numbers in a picture format. So we are very pleased that we have had another year that we've grown the profits in. This is before tax, now sitting at R1.6 billion, and after tax now sitting at R1.1 billion. And you can also see the 11.1% ROE, which two years ago was 9%.

Now, the credit risk Basani has alluded to. That is one of the positive contributors. VAT optimisation, we worked very hard with SARS to come up with an apportionment ratio that is appropriate for our business, and that yielded some positive results. And then higher insurance profits in the Guardrisk cell. That is partly because of lower claims and also because the calculation of the IBNR has been refined.

Some of the not such good news is lower interest income. So there is a very technical reason for that, and I will explain that to you later. You will remember that we earn collections commissions from RDS, which is the old Bank. That book is running down, so as the book runs down we will be collecting less commission from that book. Credit Card fees are also lower, and that is because we were very uncomfortable with the returns that we were earning on Credit Cards and we therefore tightened the risk appetite about two years ago. And operating cost we have alluded to before.

This is the slide that deals with the normalisation of ROE. So we still have a very ineffective balance sheet. We still have a lot more cash on our balance sheet than what a normal bank would sit with – the R5.6 billion – and that results in negative carry. Also we have a lot of capital, as I alluded to before. So our internal process suggests that we need to hold 27% and we have 38%. And then we continue to invest in Direct Sales, which is our face-to-face channels, as well as Digital which includes MyWORLD. So those two products are still a drag on the income statement and if we can get them to break even, that would increase our ROE by 4.6% for the current year.

So, looking at the advances growth, this year we had sales of R10.8 billion versus R9.7 billion the year before and R8 billion the year before in 2017. And that is helpful to increase the book from R27.5 billion to almost R30 billion as at the end of this year. That represents a 9% growth.

But just be aware that not all of that is because of sales. Some of that is because of the IFRS9 changes in accounting methodology. And we did allude to that at half year as well, but as a result of IFRS9 we had to move our write-off definition out, and that meant that we are hanging on to some of the non-performing loans for longer. So 5% therefore is growth as a result of sales. Nonetheless, the disbursement is up 12% in an economic environment which is not necessarily helping us.

This is what I have always referred to as the income statement in a picture format. So what we do here is we express all of these lines as percentages of average gross advances. The net is obviously return on gross advances, which you can see has increased marginally from 3.8% to 3.9%. Firstly, going from the top down, so last year we had 4.9% of insurance margin, this year 4.7%. And that is largely because the book is repricing, so the new regulatory caps introduced 18 months ago in terms of what we can charge for credit life insurance, and that has led to a decrease. It has decreased as a percentage of average gross advances, even though the Rand value has increased. Non-interest revenue I discussed before. This is where the collection fee that we collect from RDS is hurting us, as well as the Credit Card fees.

And then net interest income is a little bit technical, but there are two adjustments or things that happened to us last year which didn't happen in this year. So firstly, we had a positive fair value adjustment on the acquired book that went through interest. And that represented 1.9% of advances. And then, secondly, the revenue recognition has changed between IFRS9 and IAS39. So under IFRS9, you can only recognise revenue on the non-performing Loan book on the net advances, whereas under IAS39 you would have recognised revenue on the gross advances and then provided for a large chunk of that revenue.

So this impact therefore has an impact on the credit loss ratios as well. So importantly, that once we normalise for these two things, the fair value adjustment and the revenue recognition under IFRS9, you had an increase here in the net interest income. And that is as a result of us utilising our cash to repay maturing liabilities, and therefore we have less of a negative drag as I explained in one of the previous slides.

In terms of the credit loss ratio, obviously a very significant improvement from 11.7% to 6.9%. Again there is the 2.1% on revenue recognition. So we do not have to provide for the interest on the non-performing Loans as we used to in the past. And then, secondly, last year we decided to increase our impairments with a macro overlay, predominantly because we remain concerned about the impact of DebiCheck and the new NCA Amendment Bill. Now, bear in mind this is an income statement picture so this does not mean that we have released the incremental impairment. It just means that we did not have to raise it again this financial year. So we can see, even after normalising for these two items, our credit loss ratio has improved from 7.3% to 6.9%.

Why is that happening? I have refrained from showing you vintage analysis in the spaghetti format which you may have heard me allude to before. But I think this is telling quite a compelling story. Now, just to illustrate some of the data capabilities that we have, our credit team have gone back all the way to 2012 and recalculated what our IFRS9 charges would have been had we had IFRS9 all the way in 2012.

And what these lines represent are the impairments as a percentage of the original amount advanced over time. So you can see that under IFRS9 impairments are very much front loaded. So as soon as you put the account on the books you actually take a 10% hit. And that grows to 20% in the second month because some of the accounts have missed an instalment and others would deteriorate and they would move from stage one into stage two. And then you can see how the cumulative impairments peak around about month 30. Thereafter actually the cumulative impairments reduce, which means that we get both [unclear] recoveries on accounts that we had written off.

So I think it's interesting to see the shape in this graph. But the other thing that you would see is there are two populations here, the older population and the younger population. And you can see that the younger population, the accounts that we have booked post curatorship, have got a markedly different and better behaviour than the old accounts.

So the spaghetti graphs have got one big drawback. You can't really see the recent trends because all of the graphs are lumped together. And that is why we also show you the famous lasagne graph. On the lasagne graph, what we do is we show you the different tranches on the X axis and on the Y axis we show you impairments at the same month on book. So again you can see here the 10%. This is what we charge, or what we have to provide, for accounts as soon as we put them on the book. And this is the zero month line. And then you can see, two months on book, there is around 20% which we have to provide for once the accounts are on the books for two months.

Again, you can see there is a big step change here, and that was more or less when curatorship happened. The curator did do a good job, but also our credit guys did a very good job. They introduced a new scorecard at that point, and that scorecard has really delivered good results for us going forward, particularly in reducing the credit risk.

You can also see here how the cumulative impairments start to reverse after month 30. We have had further developments in terms of the underwriting scorecards. Although you don't see a continuing reduction here, the power of the enhancement of those scorecards were used to enhance our sales, and you would have seen the sales increases in some of the previous graphs. So we are therefore saying the younger vintages provide us with stable risk and that slowly we are working ourselves out of this older book, and therefore we continue to see an improvement in the normalised credit loss ratio.

So, the credit loss ratio has reduced not because we have been releasing impairments. It is not because we have become less conservative in the way that we provide for the book. And that is evident in looking at the coverages that we show you here. So, last year under IAS39 we provided for 30% of the book. And this year under IFRS9 we have provided for 34%, so we are more conservative this year than we were last year. You can see recalculated at 30 September impairments on IFRS9 even our 33% that we started off under IFRS9 has increased slightly to 34%.

The non-performing Loans though have increased. And again you should not be surprised by that because I have explained earlier that, under IFRS9, we hang onto accounts longer and we are forced to write them off later. We can only write them off when there is no more significant recoveries on the account.

Also very important is that we have R12.7 billion of accounts that had been written off in the past that we are still collecting on. And that R12.7 billion of accounts is not reflected at all on our balance sheet, so they are valued at zero. Again conservative impairments as is reflected in the high coverage ratio as well as the R12.7 billion that we are still collecting on even though they are not reflected on the balance sheet.

How much cash are we actually collecting on those accounts? We collected in the last year R787 million on that R12.7 billion that had previously been written off. So you can see that they have got a lot of cash still coming from those accounts. You can also see the cash dark blue bar, which is the amount that we have collected on accounts that are sitting in non-performing. So in non-performing, we collected R1.8 billion during the last year. I am showing you this slide because we often get the question why we don't just write-off our non-performing loans. Well, those non-performing loans are actually generating a lot of cash and we would be misstating our balance sheet if we were to write them off.

This is trying to give you a view into what is coming down the line. And what we reflect here is the percentage of accounts that have been booked, new advances in these semi-annual tranches, and what our scorecards say about them. So our scorecards say that 84% of the accounts that we have booked in the last six months are reflected as low-risk per our underwriting scorecard.

You can see that there was a reduction in that percentage between H2 2018 and H1 2019. And that was because we recalibrated the scorecard at the end of H2 2018. So we looked at the early risk emergence and we saw that some of the accounts that we had classified as low-risk previously we should now classify as medium risk, and some of the mediums as high.

So this is a reflection of how often we actually monitor the early risk and what we do when we see something that is unexpected. You can also see that as a percentage of the accounts on file, we've got 84% of those accounts still reflected as low risk according to the latest calibration of our scorecard. So the calibrations of the scorecard have an impact on the offers that we give to the client. And we can see it has had a marginal impact on the average loan size that we offer to clients. But you can see that it had quite a marked impact on the loan sizes. The loan sizes peaked at R39 024 in H2 2018. It is now sitting at R34 550. So we have achieved good sales growth despite us being more conservative and more careful as to who we lend to.

This is just our balance sheet. So we have discussed earlier the 9% growth in gross advances. Impairments have grown by 22% and this is thanks to IFRS9 which has given us a 3% growth in net advances. The rest of our assets are in cash, being the regulatory deposits and the actual cash. The other assets — the biggest asset there is the deferred tax. The deferred tax asset has also increased as a result of IFRS9, which allows us to claim more under Section 11J for bad debts. That is what has gone through the income statement. Some of that charge had gone through retained earnings. And you can see then, on the liabilities side, our liabilities have come down as we've utilised our cash, which has dropped by 32% to pay down maturing liabilities. And you can see our capital has actually continued to grow and increase. It is interesting to note that if you deduct our capital from our net advances, which is really where the risk lies, you are only exposed to about R8 billion, which is a very strong investment case.

This is a Bank slide, not a Group slide. We just wanted to give you a sense of what has happened in funding. So we started off in 2016 with R38 billion of debt and we've actually managed to repay R24.4 billion in the three and a half years that we've been busy. So there is R13.4 billion of that original debt still outstanding.

However, we have made good strides in actually raising new funding, and most of that in the last year. Retail funding we have explained to you before. And then you can see that of the R2.4 billion, we got R1.3 billion in last year. Intercompany funding is really dividends that get declared by the Guardrisk cell into the holding company, and the holding company then invests it back in the Bank.

So R1.7 billion sitting now on the Bank's balance sheet of which R700 million happened in the last year. And then I know this is a small number, R299 million, but this is wholesale funding that we've raised in the last three months. So we can slowly see that our brand is recovering in the retail space - people are willing to put their cash with us - but also in the wholesale space.

And then this is the slide that I think our funders are quite familiar with. This looks at our maturing liabilities. Again this is from the Bank's perspective as opposed to the Group's perspective. I remind you that we have R5.6 billion of cash which more than covers the first six months. And bear in mind there is intercompany funding in here, as well in the light blue bars. And we have showed you before in the previous slide that we have raised R2.3 billion in the last year. We are more than confident that we can cover maturing liabilities.

We remind you of our investment grade, zaA-.

Also very frustratingly I can't give you any more feedback on the shareholder liquidity facility. We are working hard on it and we are making good progress, we really are, but it is not at the point where we can make any concrete announcements as far as that is concerned. I know this is the fourth time that I have been saying this to you, but all of what I said is true. We are making good progress and we really hope that we will be able to make an announcement soon.

Looking at the capital adequacy again, from a Bank perspective we are 31.8% of CET1 and from a Group perspective 38%. These are now as a percentage of risk weighted assets. And a total capital adequacy including the subordinated debt of 41.1% for the Group. And the block at the bottom is just a reminder of what IFRS9 has done to us.

So we increased our impairments by R863 million of which the after tax impact was R632 million, which had a negative impact on capital between last year and this year. Despite that, our capital has grown, obviously as a result of profits that we've made during the year.

Thank you. That's my story. I will now hand back to Basani.

Basani Maluleke

So I hope you are convinced that our results are awesome. The reality is we all live in South Africa as I said earlier and know that the outlook is anything, but rosy right now. The GDP growth rate has continued to be below population growth rate. We know all our issues around the political reforms that aren't happening as quickly as we would like. And we know the consumer remains under significant financial pressure. And all of that makes for a very difficult operating environment. And even in the context of all of that we have in the last year been able to continue to generate profit, continue to build on the strategy of the organisation. And I think all of that puts us in a very good position to go into next year. Looking particularly at next year we obviously expect the challenging economic environment to prevail.

That notwithstanding, we will definitely continue to invest in entrenching MyWORLD with South African consumers. We will continue to offer the best interest rates on retail deposits. And we will continue to make sure that we drive more products into the market to diversify our revenue, to diversify our customer base, and by so doing to continue to build on the sustainability of African Bank.

As I said previously, we as a Board and as a management team continue to invest in the ideology of making sure that whatever we do we do in the best interests of our customers, and I think we will continue to demonstrate that in the year ahead. And that's our story. [Plays video].

The intention of showing you that was to demonstrate more tangibly what the MyWORLD account is capable of and why we are so excited about it. And that really was the very last thing. So if there are any questions…

James Starke

Thank you. James Starke from SBG Securities. Just a question on slide 23, and maybe for Gustav. On the R12.7 billion of gross written-off book, there are a few related questions here. Is that the fair value or the gross value? And also can you comment on how that will be impacted by DebiCheck and the NCA caps on that portion? Thank you.

Gustav Raubenheimer

So that's gross. So you will see in our financials, we do show the fair value for the entire book, which includes the written off book. Look, as I said we do remain concerned about the NCA Amendment Bill, as well as the DebiCheck. The issue lies in getting customers that are delinquent to authorise a new debit order on their accounts. So, it will have an impact. It is very hard to say at this point exactly what the impact is. As I have alluded to, we have tried to provide for what we think the possible impact is going to be on our book last year.

Gareth Vorster

Hi, Gareth from BusinessTech. You might have shared this number a little earlier, but what are your retail customers at the moment? I see a figure of 1.7 million by 2021. Can you just give some colour on that? And the expectations of MyWORLD. It looks like you've had a pretty good start with 100 000 signed up. What are your expectations for that going forward as well? Thanks.

Basani Maluleke

Was your first question how many retail customers?

Gareth Vorster

How many retail customers do you currently have?

Basani Maluleke

So the bulk of that 1 million is our Loan customers. So the retail customers are sitting at about 100 000 at the end of September. And a few customers, in the tens of thousands, are insurance, funeral insurance customers. And then lastly the 26 000 customers on our Savings and Investments. So the bulk of that is still sitting in our credit portfolio. And your second question was about what our expectations are for MyWORLD and getting to the 1.7 million. And that's why we have George, who will now tell you all about that.

George Roussos

We spent the last nine months essentially bedding down the platform. And the Branch Network has played a very important role in growing our customer base. Our aspirations for 2020 are a good 200% growth at least on the numbers that you see. We are adding in excess of 25 000 accounts a month as we speak. So we will definitely show a good upward form for 2020. And obviously we are also looking to add additional products or services to the proposition as well to make it attractive as well.

Basani Maluleke

George is our Group Executive for Transactional Banking and Digital. Are there any questions on the line?

Operator

There are no questions on the lines.

Basani Maluleke

I think we are done. If there are no more questions, I then declare this closed. Please join us for refreshments outside. Thank you.

END OF TRANSCRIPT