African Bank Holdings Limited
CONSOLIDATED AUDITED

# ANNUAL FINANCIAL RESULTS

*for the FULL-YEAR*
***September 2023***

African Bank
Audacity to **believe**


# THE STRUCTURE OF OUR PRESENTATION

## PART A

- Reflecting on our **Journey**
- **Excelerate25** Strategy
- Consumer **Banking**
- Business **Banking**

## PART B

- **Financial** Analysis

## PART C

- **Looking** Ahead

# PART A. Our Heritage and Journey

KENNEDY G BUNGANE
Group Chief Executive Officer
African Bank Holdings Limited

## Audacity to Believe.

The belief in realizing goals and dreams, is at the core of the African Bank story.

# **REFLECTING** ON OUR JOURNEY

## OUR 'EXCELERATE25' STRATEGY IS ANCHORED TO OUR HERITAGE

**1964**
NAFCOC inaugural conference

**1975**
Founders envision a bank for the people, by the people and African Bank opens its doors

**1995**
African Bank goes into curatorship

**1999**
African Bank acquisition of Stangen

**2002**
African Bank acquires the Saambou personal loan book

**2008**
African Bank acquires the Ellerines Group

**2014**
African Bank goes into curatorship and begins its stabilisation strategy

**2016**
The new African Bank opens its doors

**2021**
African Bank embarks on a new strategy **Excelerate25** to reclaim its heritage and build a customer-centric, data-enabled business that will be scalable, diversified and sustainable with a compelling listing proposition

**2022**
African Bank acquires Grindrod Bank and the assets and liabilities of Ubank

**2023**
Integration underway and Excelerate25 Step up initiatives set to drive growth

We are a bank born of necessity. We banked the people of South Africa when no one else would ...

We are resilient. We conquered even with all the challenges we faced and grew ...

We re-established the Bank and started by rebuilding trust ...

We have the audacity to believe we can go beyond the moon ... To bring to life a vision that is bigger than us all ...

| EMERGE | ENDURE | EVOLVE | 'EXCELERATE25' |
|---|---|---|---|

**We are at the halfway mark of our Excelerate25 Strategy... a good time to reflect and Step Up**

# STRATEGY ON A PAGE

## Our Purpose
Advancing lives through financial and related services

## Our Mission
To build a customer centric, data and digitally enabled **diversified** business that is **scalable** and **sustainable** with a compelling listing proposition

## Our Vision
FOR THE PEOPLE. BY THE PEOPLE. SERVING THE PEOPLE

### Expand the core
**Alliances Banking**

Updating our product range and customer reach

### Strengthen the core

**Digitisation**
- Digital Transformation Strategy focuses on integrating new technologies leveraging real-time analytics and AI
- Digital Inclusivity - driving access, channels of choice protected by digital ID.

**Sales transformation**
- Sales transformation is required to boost digital product growth and is primarily driven by increasing customer traffic and engagement, cross-selling and conversion and enhanced pricing approaches

**IT Systems**
- Strengthening The Core requires a Stable, Secure and Reliable foundation, a concerted effort to transition our legacy removing current and future risks.
- Redistributing cost allocations to modern infrastructure
- Building speed and agility through cloud adoption

**Distribution**
- Optimising ABHL distribution strategy requires balancing physical and digital points of presence to gain maximum access to ABHL target customers

### Expand the core
**Business Banking**

Building a fully fledged middle of the pyramid business banking offering

## Digital ways of work
4A Embed new ways of working across the organization

4B Build the relevant capabilities, skill sets and partnerships

## Driven by our sustainability levers
Customer satisfaction | Social responsibility | Financial resilience | Inclusivity | Environmental protection

## Our values
SUSTAINABILITY | CREATIVITY | TRANSPARENCY | COLLABORATION | EMPATHY | EXCELLENCE

# Strong bolstered leadership structure

## Group Level (Exco) Structure

**Kennedy G Bungane**
Group CEO

Assurance Providers

**Trisha Singh**
Group Company Secretary

**Jazz Tjabadi**
Group Chief Internal Auditor

**Lindelwa Choma**
Chief Compliance Officer

**Zweli Manyathi**
CEO Business Banking

**Sibongiseni Ngundze**
CEO Consumer Banking

**Anbann Chetti**
Group CFO

**Darryl Adriaanzen**
Group COO

**Unathi Mtya**
Group Chief Information and Digital Officer

**Gcobisa Ntshona**
Group Chief People Officer

**Sbusiso Kumalo**
Group CMO

**Piet Swanepoel**
Group CRO

**Edna Montse**
Group Chief Transformation and Sustainability Officer

**David Polkinghorne**
Group Executive Business Banking Business Development

**Nolwazi Nzama**
Deputy CRO

# General Operating Environment

FY 23 has exhibited tougher operating environment for longer than anticipated, eliciting responses in the form of improved controls, updated resilience plans, and the implementation of broad reaching Agile practices, to protect the customer franchise.

## Challenges over the last financial year

- Interest rates remain high despite recent improvements following 10 consecutive rate hikes
- This has contributed to concerns around SA's fiscus and the impact interest rates are having on household debt servicing capabilities
- Loadshedding frequency and duration has increased in FY 23 to exceed all previous years
- Cyber security events have led to notable disruptions in both the private and public sectors.
- Deteriorating consumer macro economics that will begin to impact corporates as roll-on effects begin to effect further down the value chain.

## Actions taken in response

- Enhancements of the AB credit scorecard have driven down impairment rates to the lowest ever experienced in the Bank and comparable to first-tier banks.
- Implementation of several collection focused initiatives as well as loan term solutions including choose-your-break options, to assist customers
- Substantively improve the risk and control environment across all aspects including people, processes and systems
- Upgrades to the Bank's on-site power supply provisions creating robustness up to stage 8 loadshedding
- Implementation of Agile practices across all aspects of programme and project universe as well as crisis response, driven from the office of the CEO across all business units

# De-risking through diversification

The group has **driven the diversification agenda over the past financial year** both in-line with the Excelerate25 strategic goals and in response to market conditions. The diversified portfolios in Consumer, Business and Alliance banking, are the fruitful ground upon which the growth aspirations of the bank will be achieved.

In support of this, **progress has been made in the platform capability** through recent acquisitions in the group. A further drive to build out and focus on the secured lending and transactional products position the growth agenda. The **resultant de-risking of the balance sheet positions the bank favourably for both sustainability and scalability**. Further to this, focus areas within the Consumer and Business banking are:

**Business Banking:**

- Enhancing the transactional franchise by adding more features/functionalities in our business transactional account and deploying a digital engagement layer to enable new age internet banking and mobile banking
- Deploying a digital lending business
- Expanding our solutions to include capital equipment finance
- Further bolstering of the commercial property finance portfolio

**Consumer Banking:**

- Driving transactional growth through the MyWORLD account
- Utilising rewards-based incentives and other initiatives such partner-based ecosystem banking with strategic partners
- Promoting cross-sell through improved Customer Value Management (CVM)
- Evolving our Product Solution set beyond lending solutions

# Diversifying bank, primed for growth while operating in tough operating climate

**FINANCIAL PERFORMANCE**

| | | | |
|---|---|---|---|
| Net interest income ↑ 21% | Net interest margin 11.0% FY 22: 14.0% | Credit loss ratio 8.0% FY 22: 4.9% | ROE 4.3% FY 22: 6.4% |
| Non interest revenue (incl insurance) ↑ 126% | Cost-to-income ratio 58.7% FY 22: 56.3% | Coverage ratio 26.8% FY 22: 29.6% | Capital adequacy ratio 30.0% FY 22: 43.4% |
| Operating income ↑ 40% | Operating expenses ↑ 46% | Credit impairment charge ↑ 127% | |

Net profit after tax of R505 million decreased 31% against FY 22

**A diversifying balance sheet:**

- Combined Consumer and Business Banking net advances book of R32.0 billion (FY22: R22.6 billion)
- Diversified funding base totaling R34.6 billion (FY22: R16.6 billion)

**Bolstering revenue generation:**

- Growing net interest income from larger advances book
- Improvement in non-interest revenue (including insurance) of 126% to R2.3 billion (FY22: R1.0 billion)

- **Credit impairments increase due to customer and economic strain, however significant improvement recorded in H2 23**
- **Investing in the future with cost to income ratio of 58.7%**
- **Remaining well capitalized at 30.0% and with significant liquidity surpluses of R9.9 billion**

# Consumer Banking review

Sibongiseni Ngundze
**CEO Consumer Banking**

# Consumer Banking

Consumer Banking is leveraging African Bank's core capabilities to build a scalable, diversified, data and digitally enabled business that has at its core – delivering contextually relevant solutions that advance the lives of our customers

## Transactional Growth Over FY 23

- There has been a **44% growth in funded MyWORLD accounts**
  - Increased from 712k to just over 1m accounts
  - Recent trends on **MyWORLD and Primary customer growth will support organic growth**
- There has been a **52% Transaction volumes growth** over the year
  - Increased to 53.4m transactions in FY 23
- Usage is mostly attributed to Point of Sale (POS) and ATM transactions with Value Added Services (VAS) increasing substantially
- Total **unique customers are 1,9m** (excluding Alliance Banking customers)
- With a **cross sell ratio**: 1,41
- The bank has **recently reviewed** its pricing on **transactional** and **credit card products** which is now more in line with competitors

# Consumer Banking

## Diversification and our Lending Portfolio

- The Consumer Banking NIR is **underpinned by core client franchise, away from RDS**
- The build out of secured lending products, expansion of product lines such as the *Enhanced funeral* and *Rewards* programs create support around the unsecured lending portfolio
    - This includes the recent Home loans MVP0 launch
- Simultaneously the optimization of our credit models have bolstered the continued drive to remain a leading player in unsecured lending, despite tough macro economics

## Digital Transformation

- The Bank's digital agenda remains strong through the execution of digital transformation programme to futureproof the Bank

## Integration of Ubank

# Business Banking Review

Zweli Manyathi
**CEO Business Banking**



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# Business Banking

We are building a fully-fledged middle of the pyramid business banking offering that is digital at its core, an ecosystem driver and a platform business offering beyond banking services

## Building A Transactional Business Franchise

We have made good progress in building the transactional franchise as can be seen below:

- Our MVP0 of business transactional account and internet banking are in production
- We are already onboarding a limited number of existing and new customers (friends of the programme)

## Grindrod Bank Acquisition Delivering Value

- We have retained and grown our depositor base
- We have grown our advances
- Our credit losses remain benign in this challenging environment
- We have improved profitability

## Integration

- We have integrated Grindrod Bank and will be divisionalising it into African Bank
- Our Section 54 has been submitted to the Prudential Authority
- The Bank is ready to execute as soon as we receive approval
- We continue to engage with our customer on the pending approval of Grindrod Bank's divisionalisation into African Bank
- We continue to serve our customers during this transitional period

# Business Banking

## Scaling Up Our Lending Business

Over and above our organic interventions which have contributed to the advances growth we recently announced our intention to acquire two divisions from Sasfin:

- Capital Equipment Finance (CEF) strengthens our asset-based finance and enriches our offering and enables us to meet an existing demand from our existing and new customers
- Commercial Property Finance (CPF) helps to scale up our existing commercial portfolio which was the gift of the Grindrod Bank acquisition
- We look to finalise the two transactions and load them onto our balance sheet in February 2024 (this is subject to regulatory approvals)
- Both these transactions bring with them new African Bankers who are experts in CEF and CPF and will further strengthen our bench

We are at an advanced stage of building our digital lending business:

- This will provide access to funding of up to R5m per customer
- We expect to go to market second half of FY 24

# PART B. Financial ANALYSIS

ANBANN CHETTI
**Group Chief Financial Officer**

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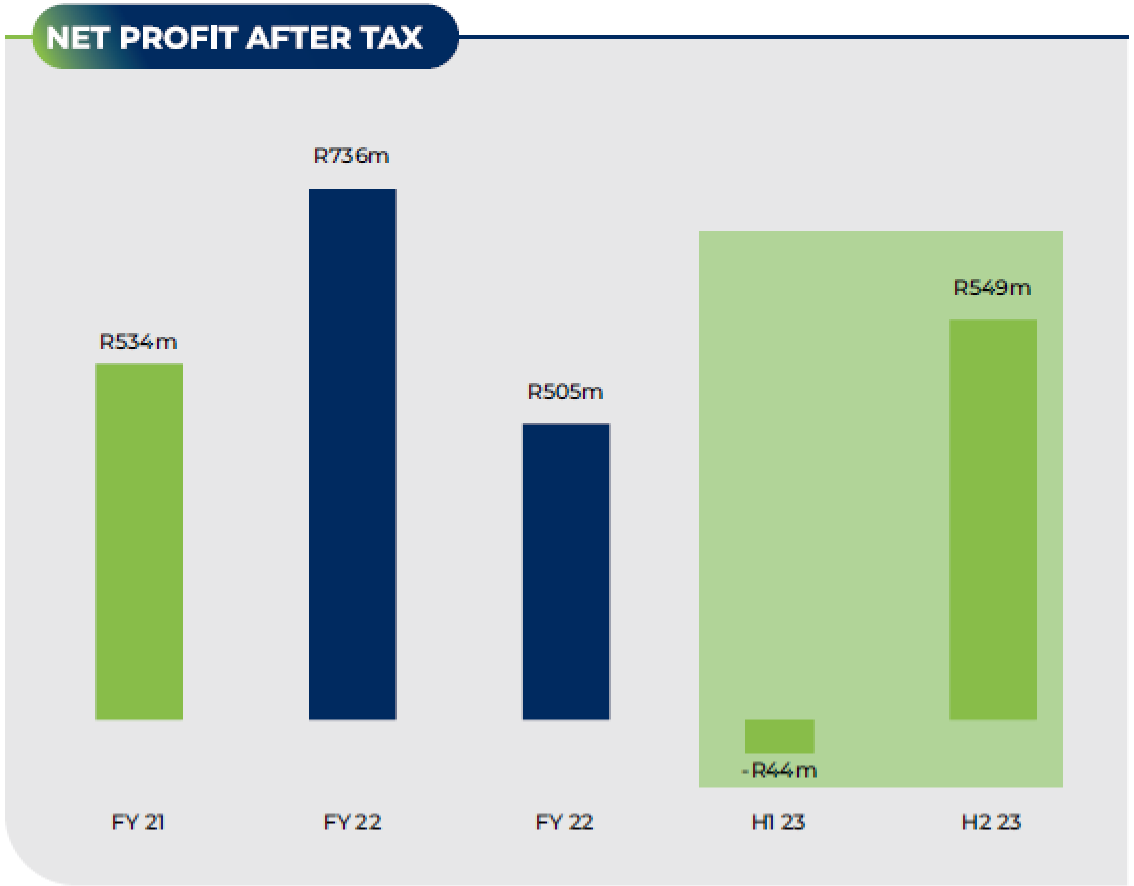
# A diversified and growing customer franchise

## ACTIVE CUSTOMERS ON OUR PLATFORMS

| | Consumer Bank | Business Bank | Alliance Banking | Total Group |
|---|---|---|---|---|
| FY 23 | 1 899 369 | 19 487 | 2 058 707 | **3 977 563** |
| FY 22 | 1 541 261 | 1 | - | **1 541 262** |
| FY 21 | 1 290 553 | - | - | **1 290 553** |
| % change FY 22 vrs FY 23 | 23% | >100% | >100% | **158%** |

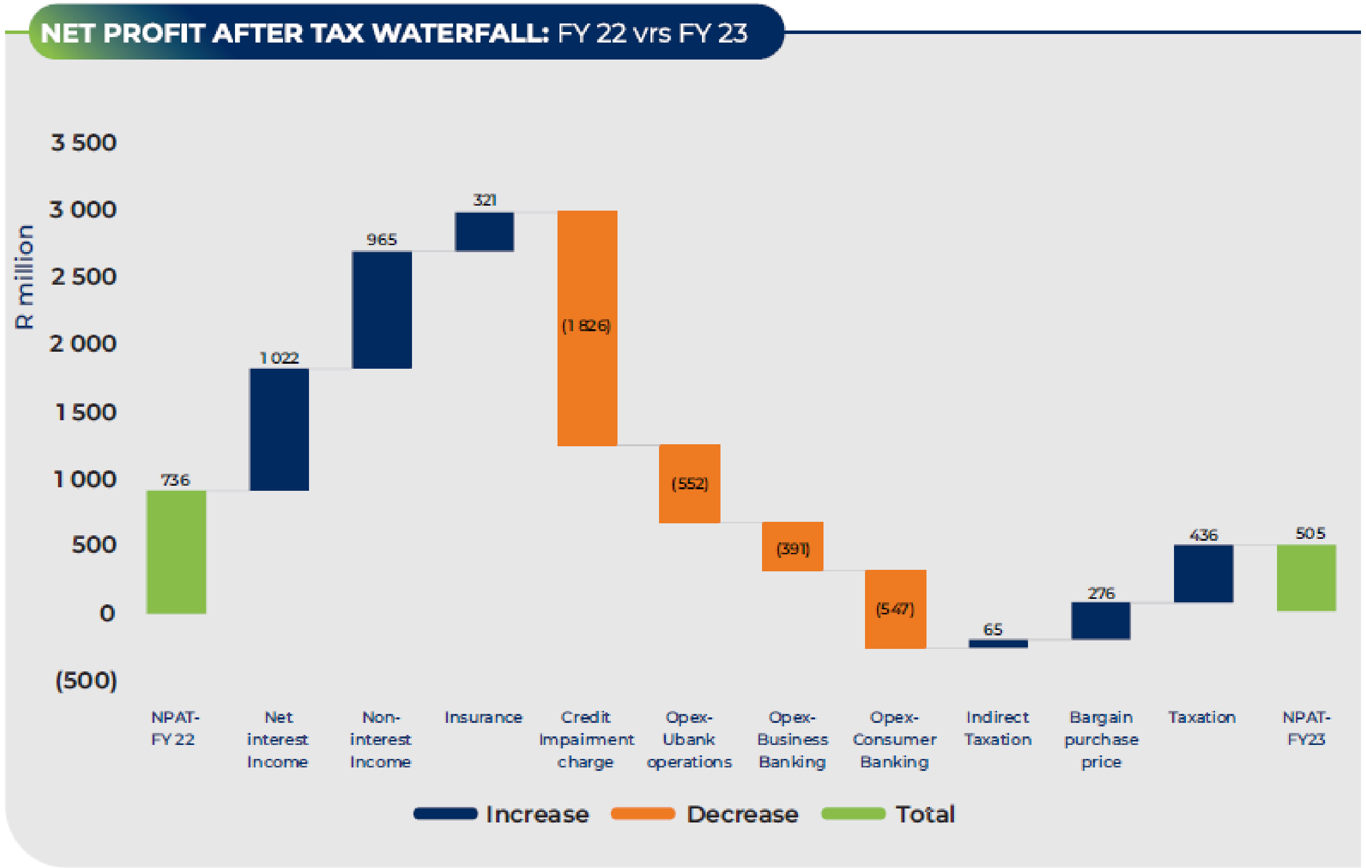
- Excelerate25 strategy in action with Grindrod Bank and Ubank assets and liabilities acquisitions effective 1 November'22
- A diversified business - not only an unsecured lender; growing into a fully fledged consumer and business bank
- Steady Consumer Banking customer growth: as MyWORLD transactional account take-up continues with over 1 million customers, in addition to traditional credit product advances and insurance policies.
- Business Banking includes mainly secured loans and investment accounts with corporate customers
- Alliance Banking partner customer franchise includes Lesaka, Shoprite Checkers and MTN Momo client offerings.

# Profitability returns in second half



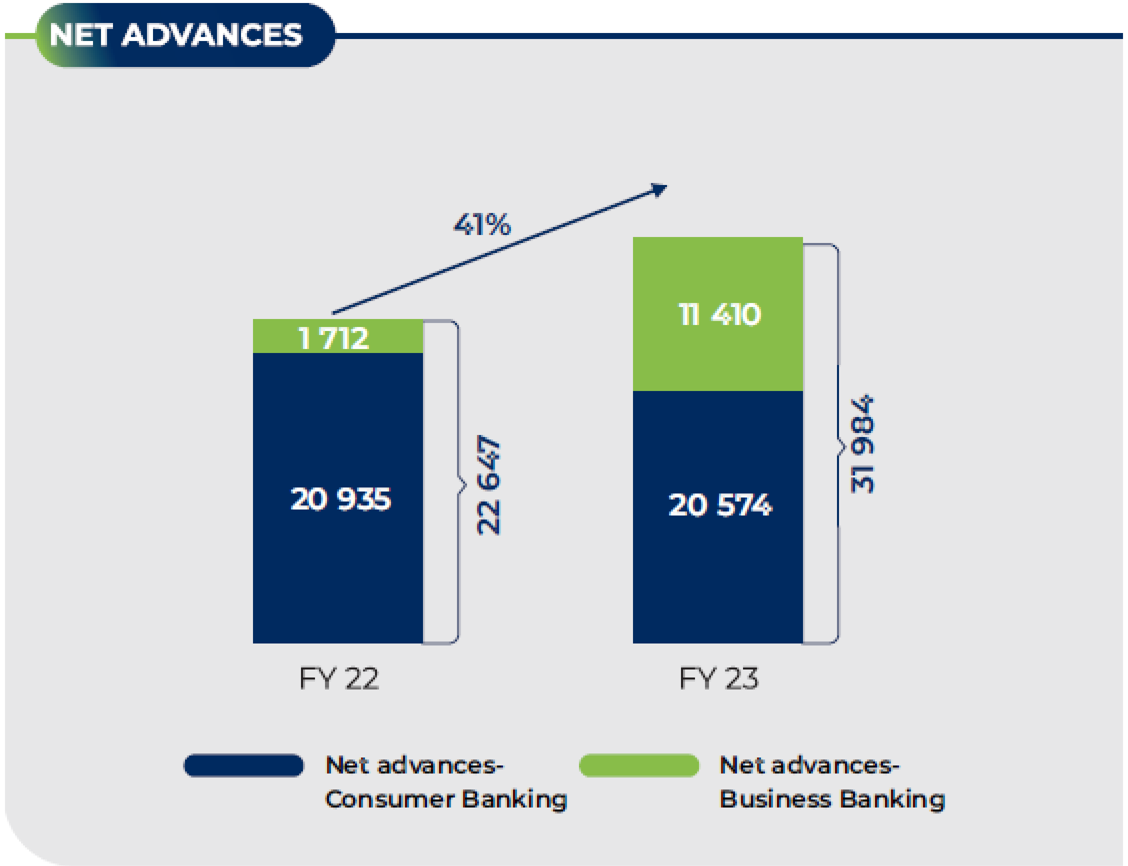

- Improved H2 23 profitability of R549 million relative to the loss of R44 million experienced in H1 23
- Group profits for the year totaling R505 million, down 31% from that of the prior year
- Year end results include 11 months of Grindrod Bank and Ubank's financial performance (effective date 1 November 2022)

# Profit composition – strong revenue growth continues with profits impacted by credit charges




- Higher interest income from growing Consumer and Business Banking advances books
- Strong growth in non-interest income as MyWORLD and card usage improves, bolstered by Business Banking fees and revaluations
- Increased impairment charges due to weak economy negatively impacting Consumer Banking customers
- Operating expenses reset with Business Banking and Ubank costs introduced, with Consumer Banking costs including R132 million once off integration costs and R148 million invested in the future
- Grindrod Bank acquisition resulted in a gain adding to the profits
- Tax credit due to tax losses in the Bank resulting from higher impairments in the year

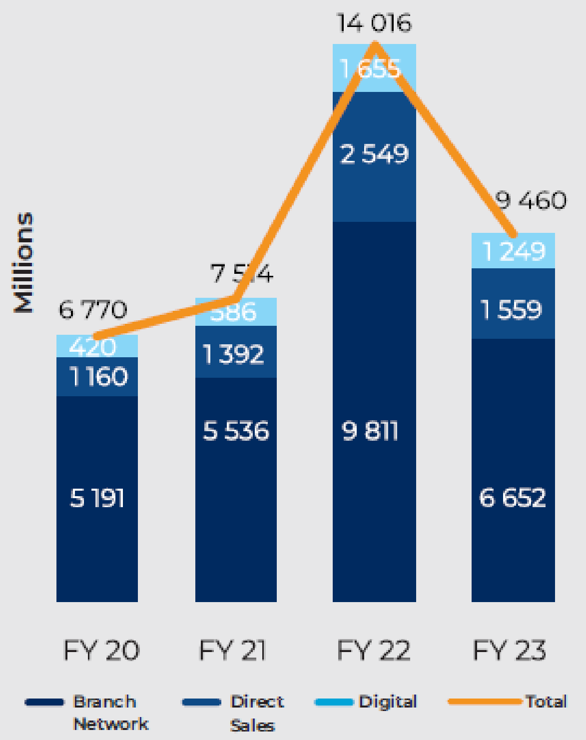
# Acquisitive advances growth in line with Excelerate25 strategy



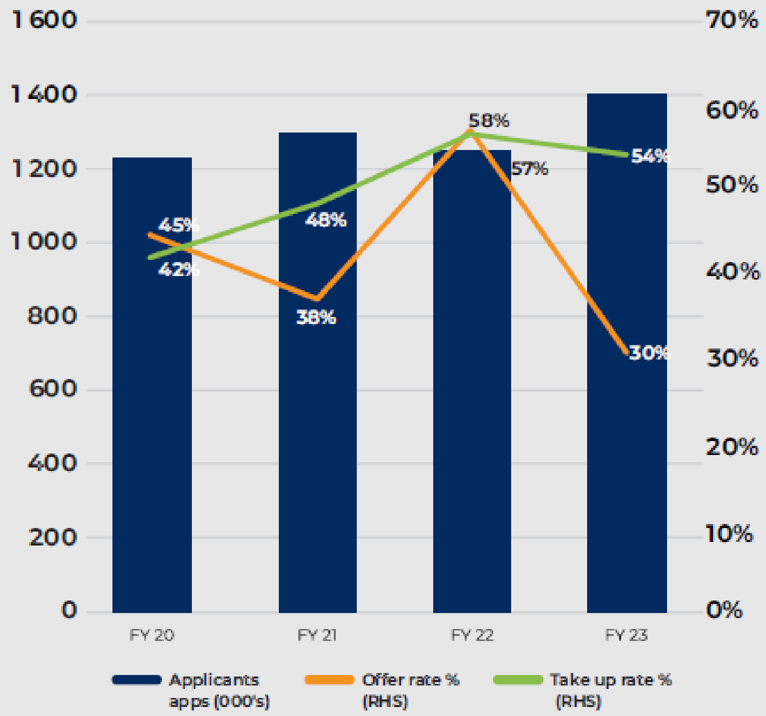

- Net advances growth of 41% year-on-year
- Business Banking advances growth bolstered by Grindrod Bank acquisition – mainly secured loan portfolio
- Consumer Banking includes Ubank advances acquired, with slight reduction in total due to selective lending
- Diversification continues with Business Banking net advances (including FVTPL) making up 36% of total advances

# Consumer Banking - selective loan disbursements in tough economy

## CREDIT DISBURSEMENTS BY CHANNEL



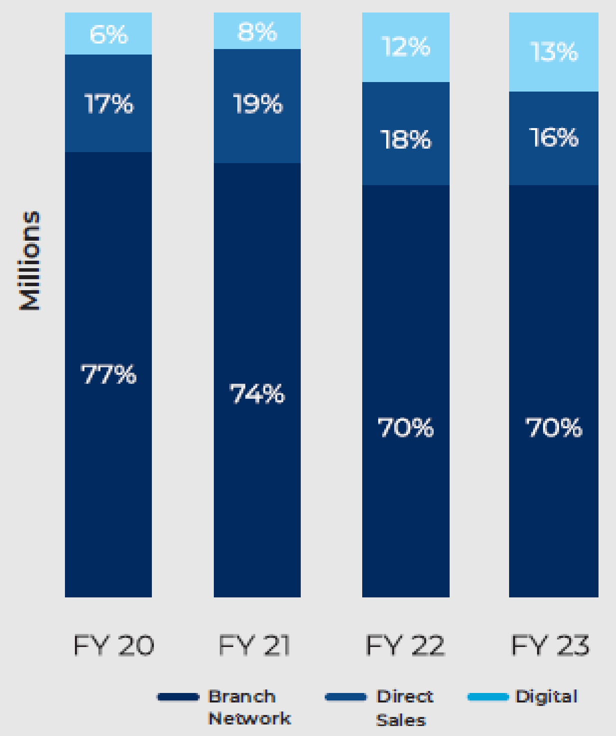

## CUSTOMER LOAN APPLICATIONS - CONSUMER BANKING




- FY 23 credit loan disbursements reduced by 33% as tighter credit granting criteria implemented
- While applications increased, offers reduced to 30% due to tighter credit criteria, resulting in 54% taking up rate

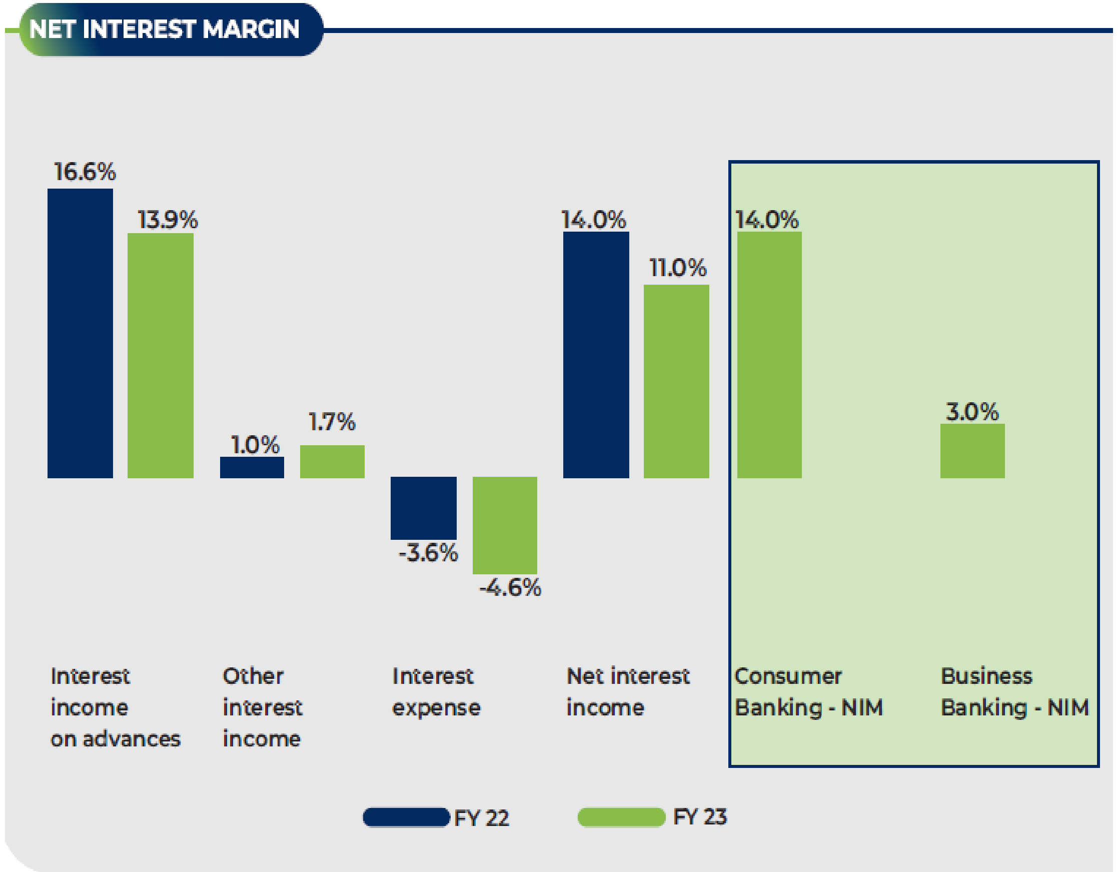
# Consumer Banking - multiple platforms on which to grow the African Bank franchise

## CREDIT DISBURSEMENTS BY PERCENTAGE

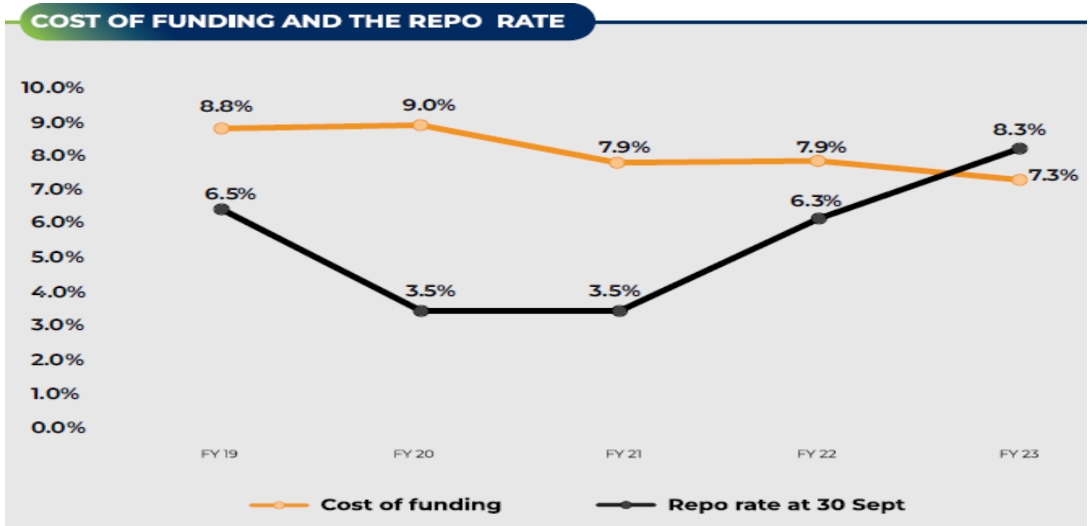



- 4 million customers serviced by the Group, with 451 physical points of presence primed for growth in consumer and business banking
- Digital web and direct disbursements steady with branches playing an important role at 70%
- Customer franchise on a strong banking platform, with the ability to create scale and growth

# Group's NIM remains solid following Business Banking introduction

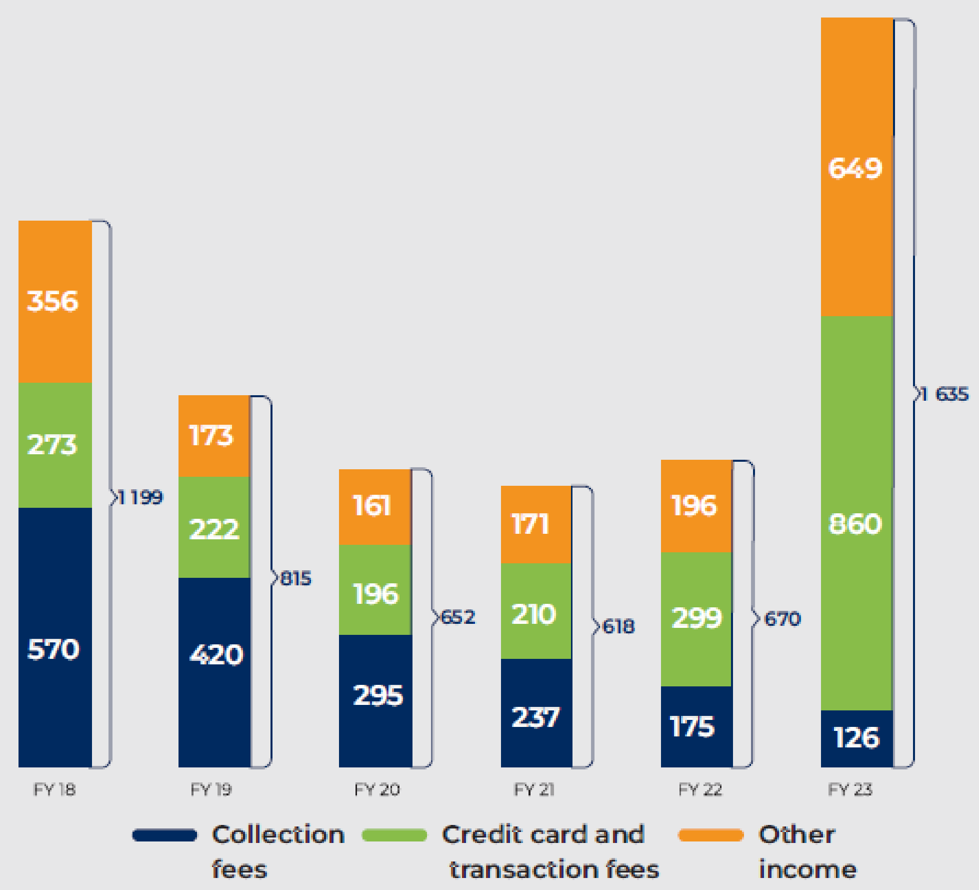



- Group's overall NIM reduces from 14.0% to 11.0% as strategy of de-risking the financial position by inclusion of Business Banking yielding lower margins on its secured assets
- Acquisitions introduced higher funding levels, increased the interest expense as a % of average interest earning banking assets to 4.6% from 3.6%
- In a tough economic environment with 475bpt interest rate cycle hike, the Group's diversified funding helps drive cost of funding charge down to 7.3% of average funding, notwithstanding 200 bpt increase in repo rate over the last year



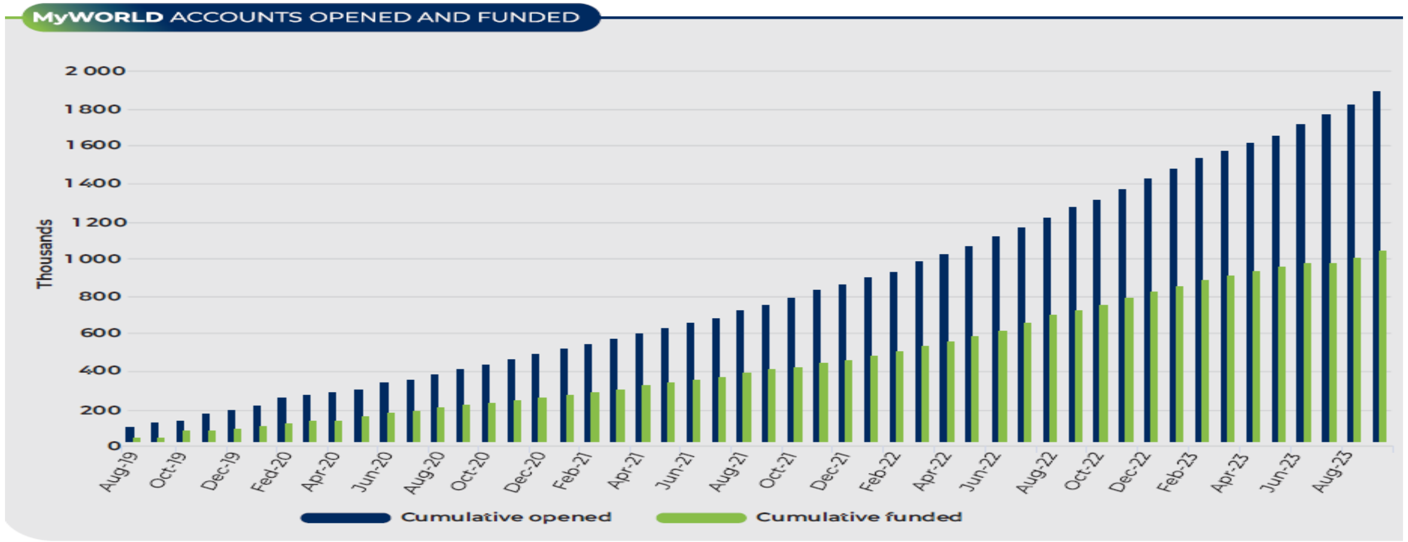
# Non-interest revenue – diversifying away from collections fees to other revenue streams

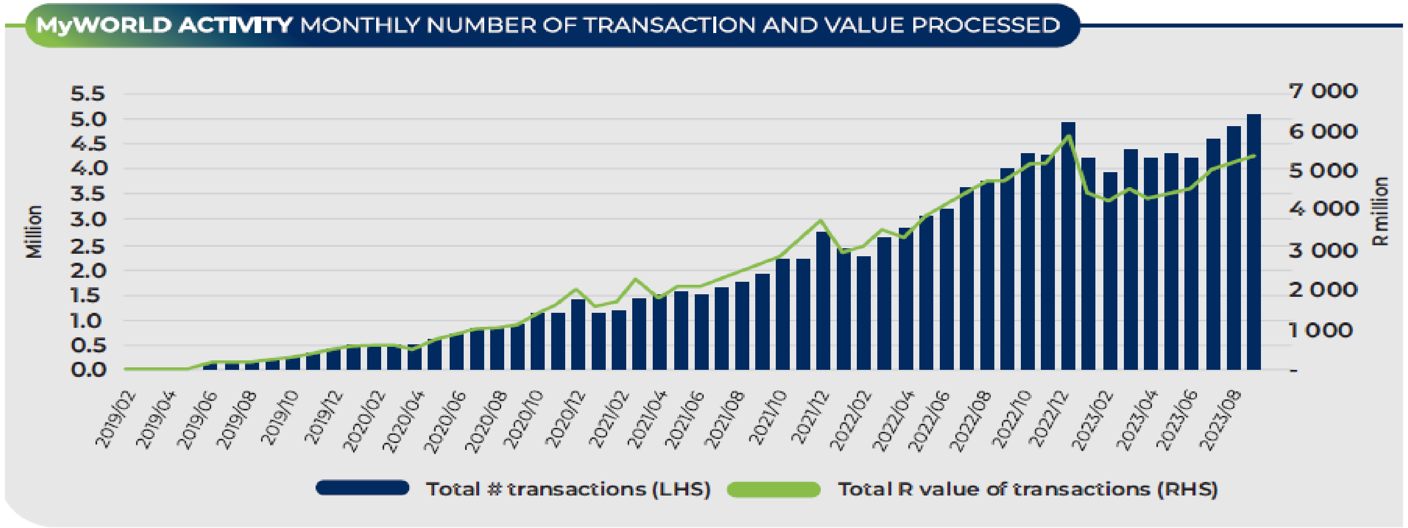
## NON-INTEREST REVENUE EVOLUTION




- Group NIR (excluding insurance) increased by 144%, and per the Excelerate25 strategy, has evolved away from collection fees on the RDS book (as this book runs down), to:
  - Credit card and transactional fees as usage increases and MyWORLD funded accounts grew by 44% y-o-y to 1.0 million
  - Other income comprising:
    - Commissions earned on other value-added services related to prepaid vouchers for airtime, data and utilities
    - Binder and outsourcing arrangement fees earned through the captive cell for premiums collected and new business generated
    - Unclaimed deposits realized to income following unsuccessful attempts to contact customers, and
    - Fair value gains derived from the Business Banking fair value advances portfolio

# MyWORLD transactional banking surpasses 1 million funded customer mark

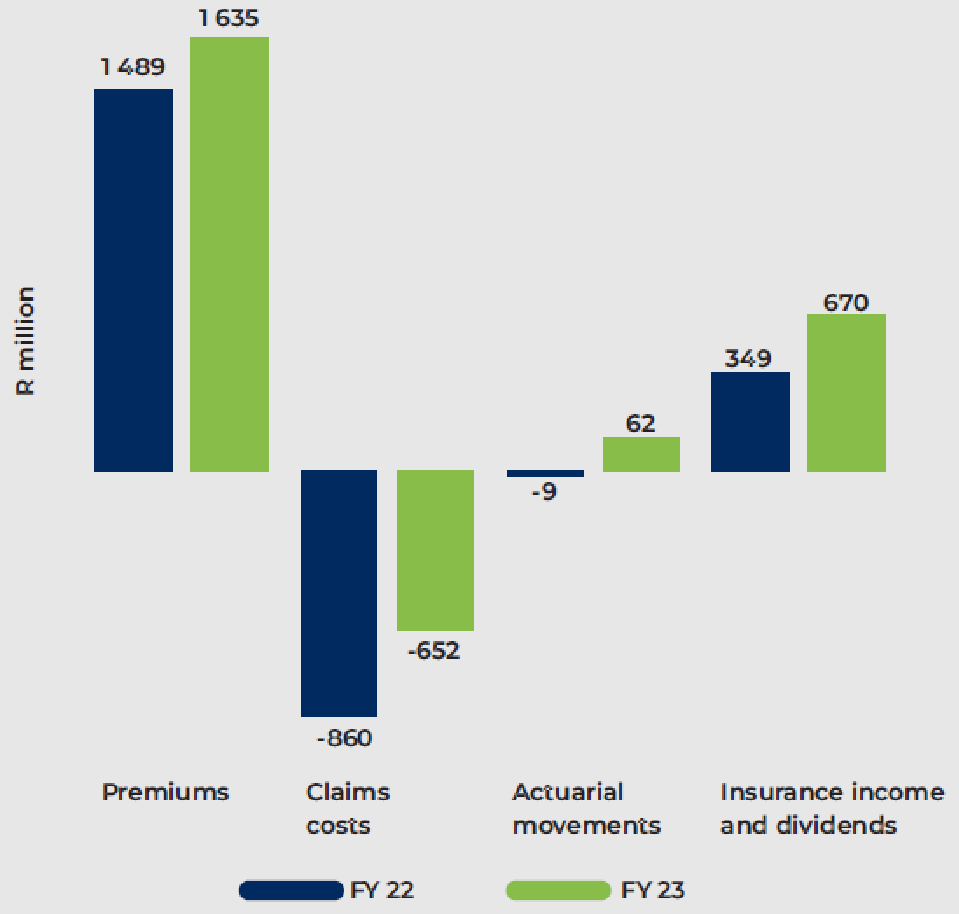



- Growing customer franchise, attracted to unique account features
- Resulting in strong funded account growth of 44% to 1.0 million
- Growth in usage continues with 52% increase to 53.4 million transactions processed (FY 22: 35.0 million), totaling R58.6 billion in value (FY 22: R45.0 billion)
- Increase in volume on MyWORLD transactional account activity due to launch of Audacious Rewards

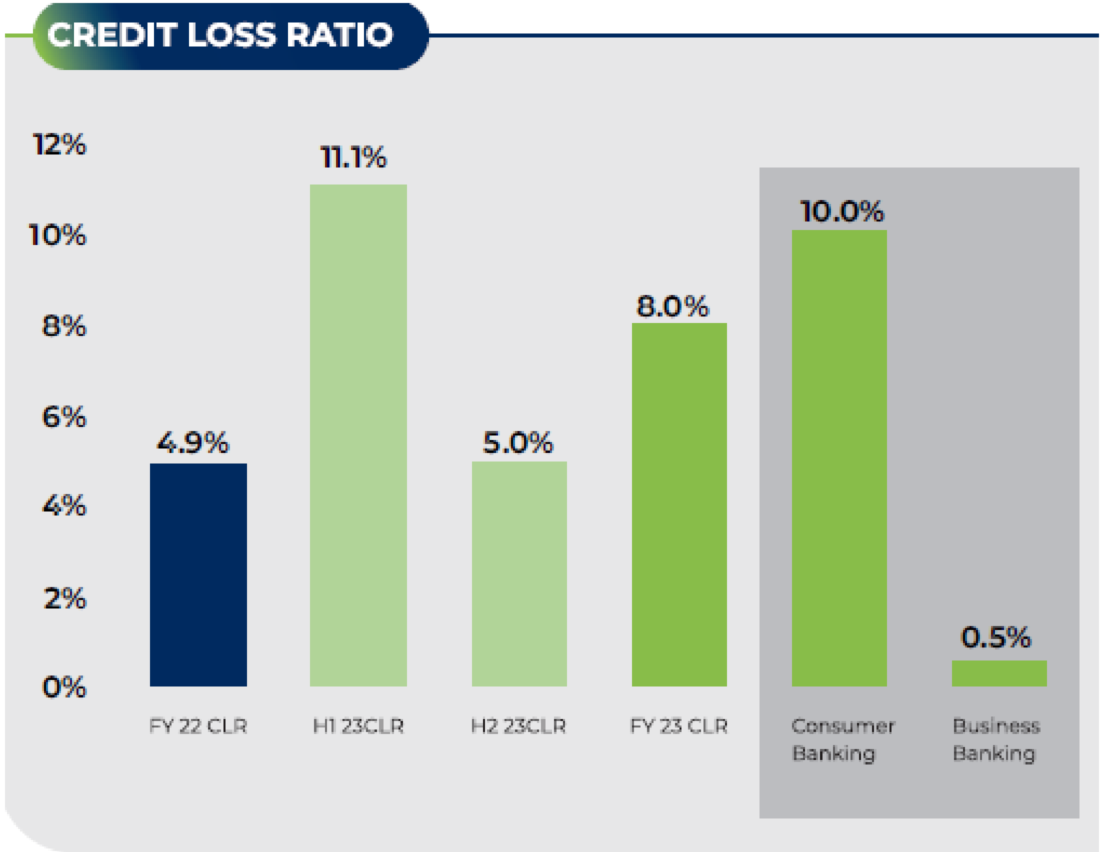
# Insurance operations continue to deliver solid profit

KEY INSURANCE METRICS




- Profits from insurance up 92% to R670 million (after tax)
- Premiums increase on growing advances book while claims normalized post Covid-19 pandemic period
- Franchise servicing 735 thousand credit life and in-excess of 100 thousand funeral cover customers

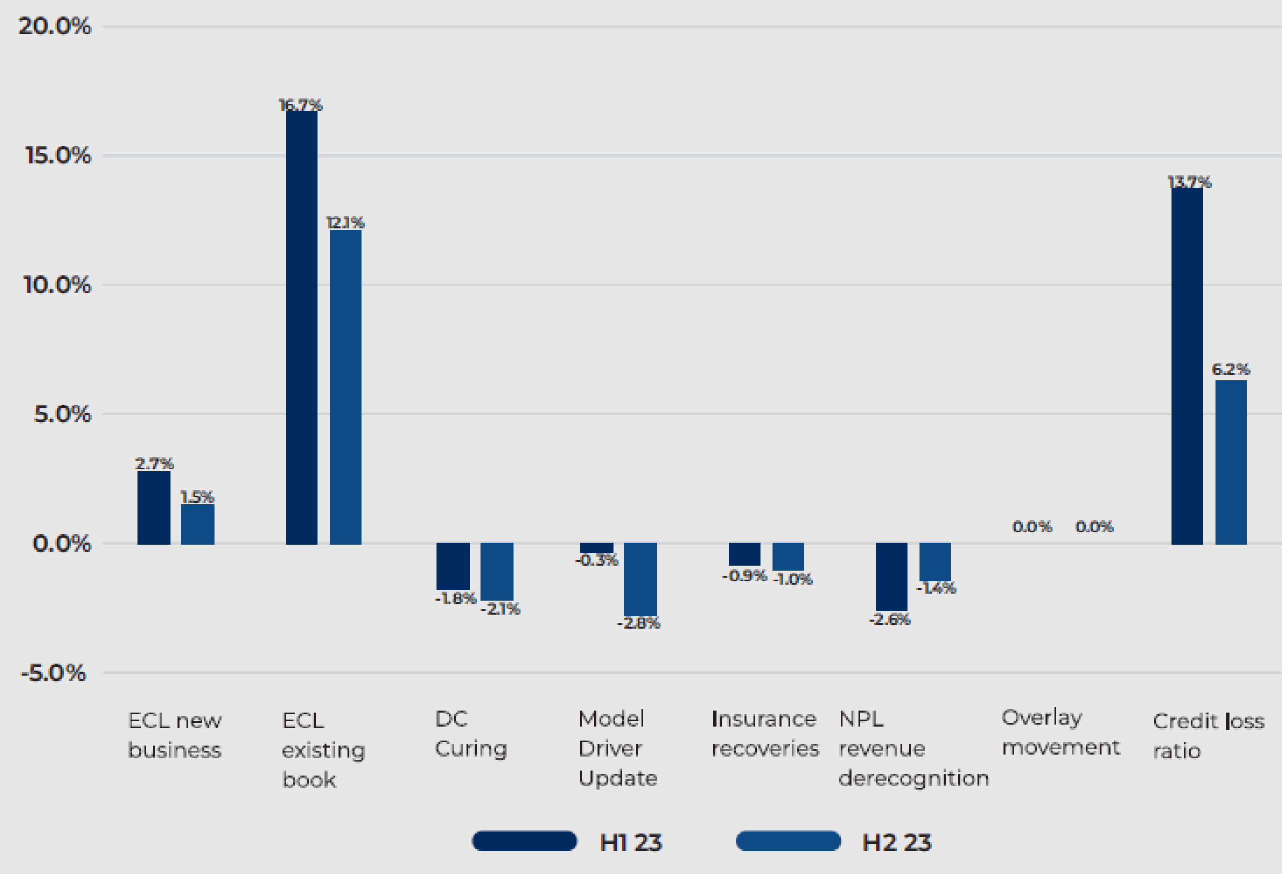
# Diversification of asset base helping to reduce Group's overall credit loss ratio




- Tough operating environment resulted in credit losses ratio increasing from 4.9% to 8.0% with significant H2 23 improvements
- Diversification benefits with Business Banking division's risk asset class evident, as it had a CLR of 50bpts.
- High inflation of food and transportation resulting in considerable economic stress on consumers.

# Consumer banking credit loss charge improved in second half year following improved credit granting pre-selection and collections effectiveness

CONSUMER BANKING'S CREDIT LOSS RATIO COMPOSITION H1 23 AND H2 23




- Following the heightened Consumer Banking's CLR for the half year at 13.7%, the second half year's charge reduced to 6.2%, brought about by tightened credit criteria and collections improvements
- The bulk of the charges relate to the existing book's expected credit loss charge, stemming mainly from the business written in 2022

# Credit quality – diversified book and its provisions coverage

**BOOK SPLIT** AMORTISED COST ADVANCES

| Book split | 30 September 2022 | | | 30 September 2023 | | |
|---|---|---|---|---|---|---|
| R million | Consumer Banking advances | Business Banking advances | Total advances | Consumer Banking advances | Business Banking advances | Total advances |
| Gross advances | 31 808 | 1 760 | 33 568 | 31 726 | 9 720 | 41 446 |
| Deferred fees | -282 | - | -282 | -223 | -97 | -320 |
| Gross advances (net of deferred fees) | 31 526 | 1 760 | 33 286 | 31 503 | 9 623 | 41 126 |
| Stage 1 | 15 192 | 1 760 | 16 952 | 13 700 | 7 922 | 21 622 |
| Stage 2 | 4 529 | - | 4 529 | 4 497 | 215 | 4 712 |
| Stage 3 | 10 211 | - | 10 211 | 12 194 | 360 | 12 554 |
| POCI | 1 594 | - | 1 594 | 1 112 | 1 126 | 2 238 |
| **Total** | **31 526** | **1 760** | **33 286** | **31 503** | **9 623** | **41 126** |
| NPL ratio - Percentage Stage 3 (and POCI) | 37.4% | 0.0% | 35.5% | 42.2% | 15.4% | 36.0% |

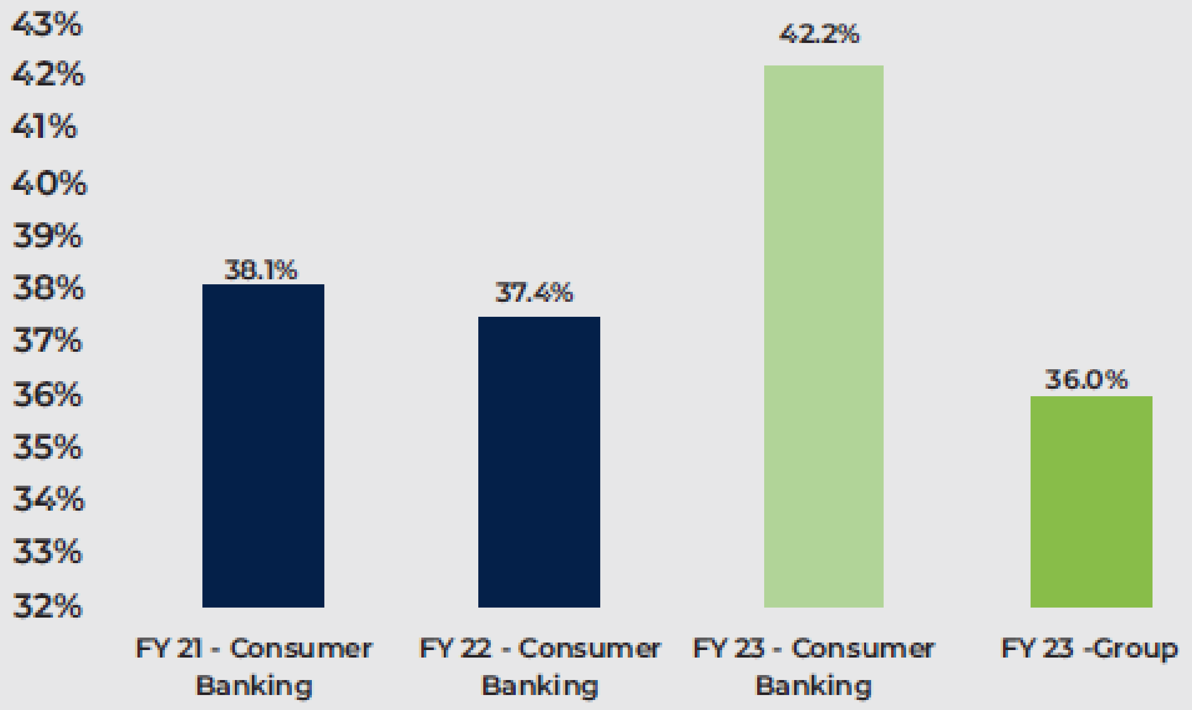
| Coverage | 30 September 2022 | | | 30 September 2023 | | |
|---|---|---|---|---|---|---|
| Percentage | | | | | | |
| Stage 1 | 7.9% | 2.7% | 7.3% | 8.2% | 0.6% | 5.4% |
| Stage 2 | 22.9% | - | 22.9% | 15.7% | - | 14.9% |
| Stage 3 | 72.0% | - | 72.0% | 68.7% | - | 66.8% |
| POCI | 63.2% | - | 63,2% | 64.3% | 5.1% | 34.5% |
| **Total** | **33.6%** | **2.7%** | **32.0%** | **34.7%** | **1.0%** | **26.8%** |

POCI: purchased advances that are credit impaired at date of acquisition

- Diversified asset base with the inclusion of Business Banking advances
- Consumer Banking coverage increases to 34.7% in tough economy, up from 33.6% in FY22
- Increased NPL levels (including POCI) at 42.2% observed in Consumer Banking with adequate coverage at 68.4%
- Acquired secured Business Banking advances performing well, with adequate security and measured at FV at acquisition

# Non-performing loans rise due to tough economic environment

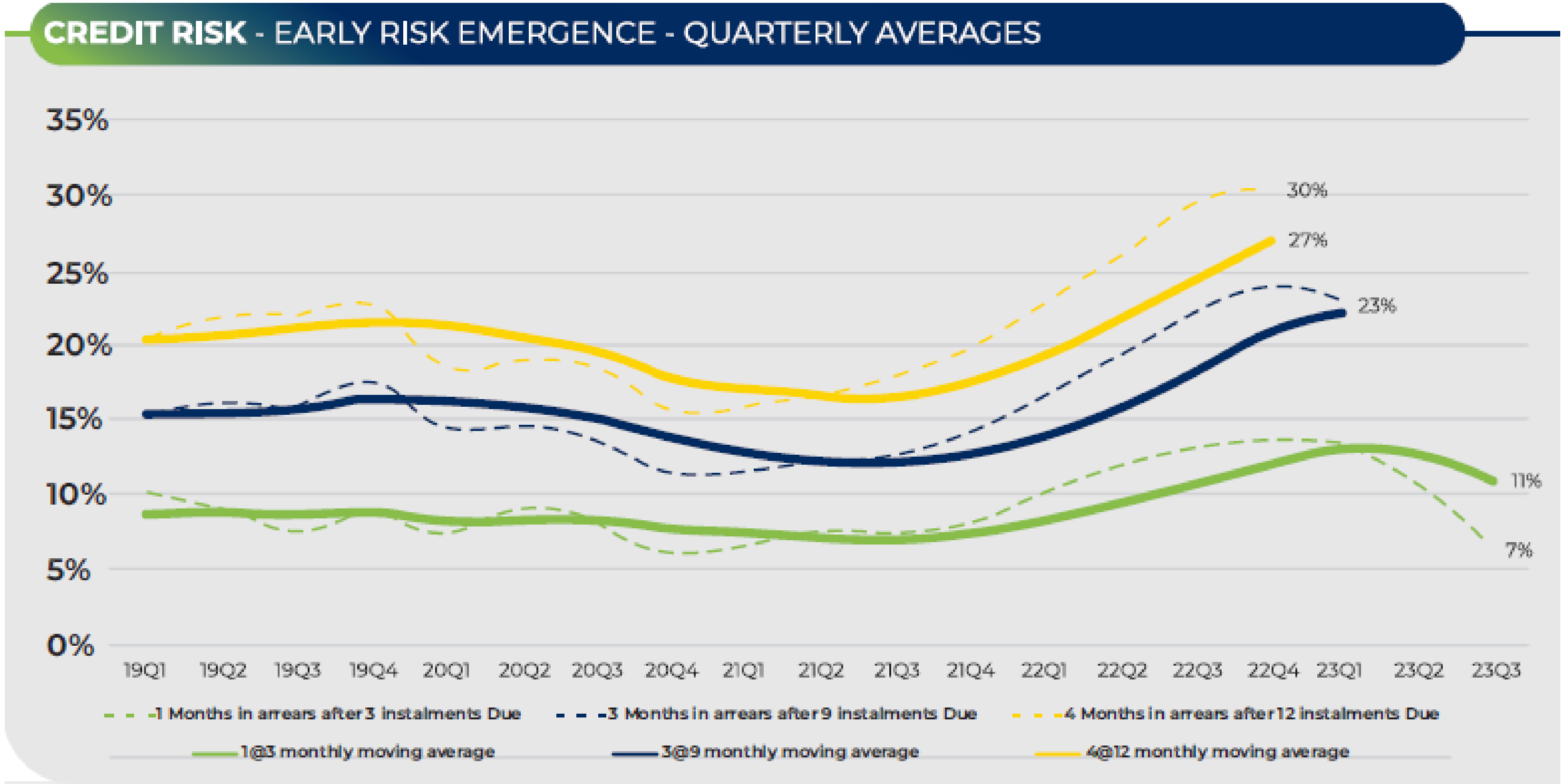
## NPL ratios




NPLs have risen in FY23 due to the tough economic environment:

- Selective disbursements in Consumer Banking resulted in shrinking advances book, with NPLs comprising a bigger % of the total book
- Refocused collections processes and workstreams implemented and starting to bear fruit
- Rehabilitation of distressed customers with enhanced treatment solutions, in line with the market
- Continue with several initiatives to regularize the treatment of stage 3 customers, to align with market practices

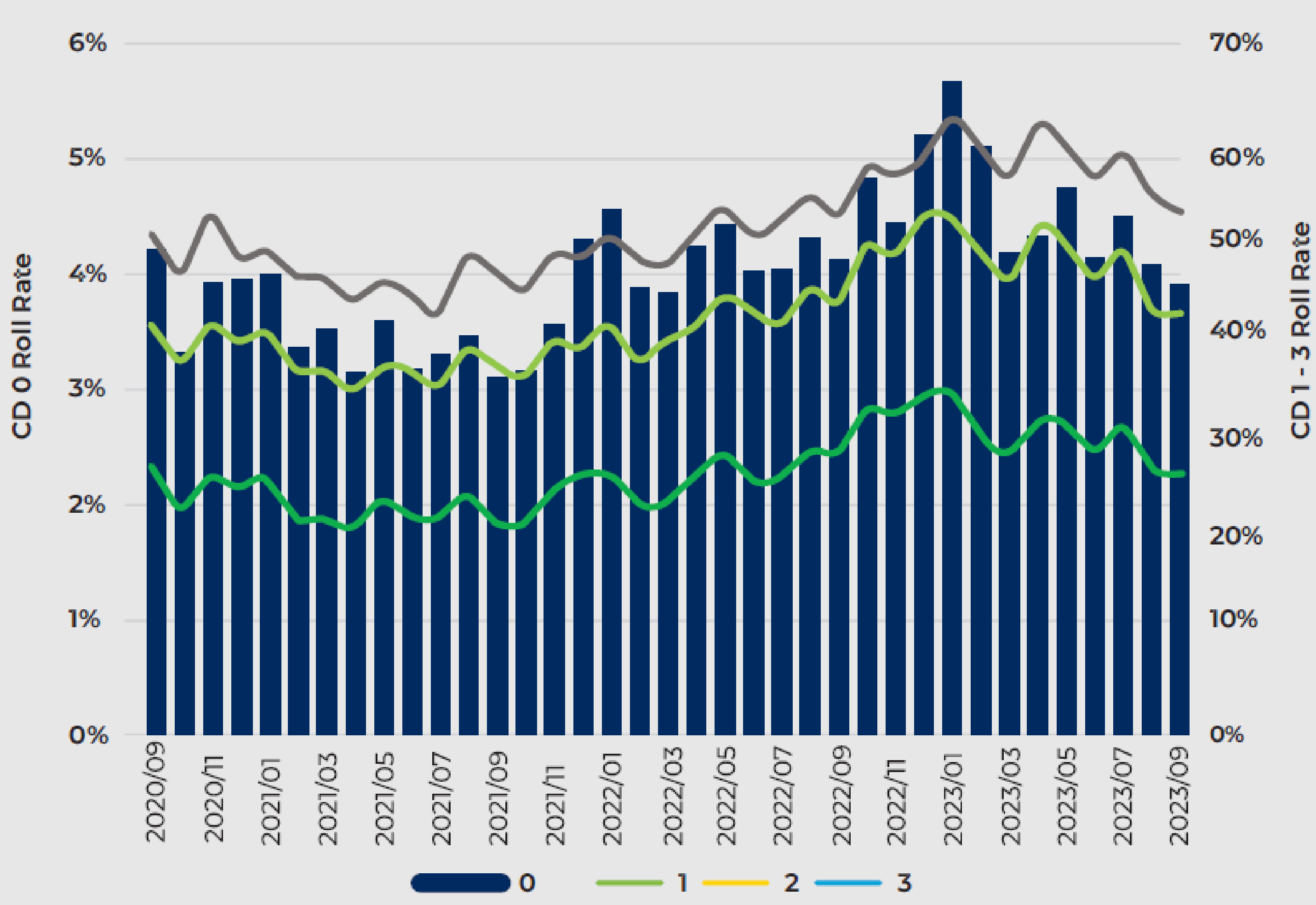
# Consumer Banking risk emergence trends showing definite signs of abating




- FY21 and H1 22 normalization of credit underwriting post Covid-19 pandemic tightening
- As credit risk started re-emerging, underwriting was tightened in August'22, and continued into FY 23 as risk deteriorated due to inflationary concerns and affordability pressures intensified
- Uptick in risk appears to have peaked with pull back in risk observed in 1 month in arrears after 3 months on book (green line) and 3 months in arrears after 9 month on book (blue line).
- 1 month in arrears after 3 months now at historical lows

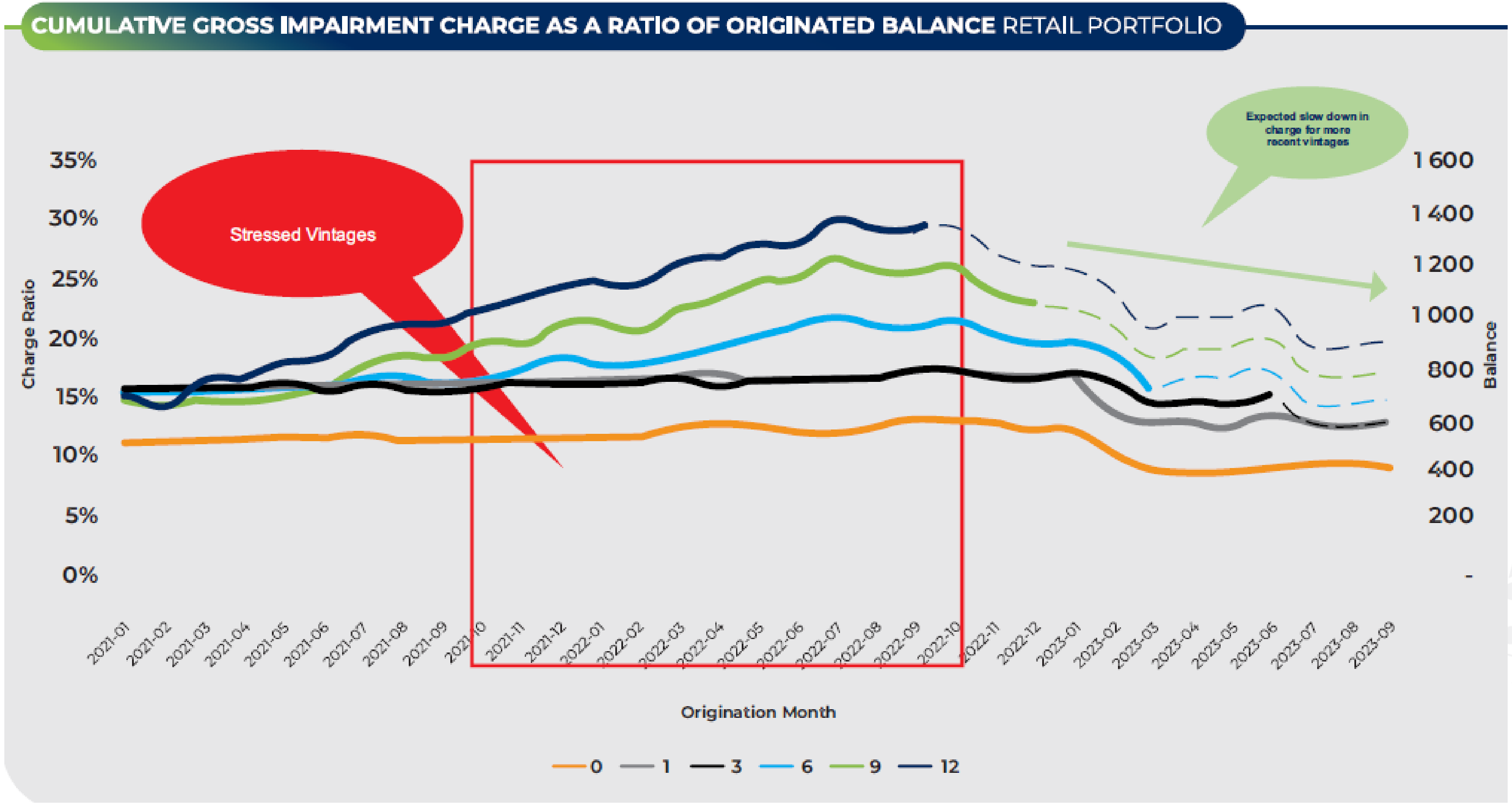
# Consumer Banking collections roll-forward improving since Jan'23 highs

**FORWARD BALANCE WEIGHTED ROLL RATE** BY PREVIOUS CONTRACTUAL DELINQUENCY




- Collections improvements due to intensive focus:
  - Risk based segmentation of portfolio to allow for intensified analysis, management and solutions development
  - Affordability prioritization in models
  - Resilience strategies introduced with enhanced treatment strategies
  - Operational optimizations regarding resource development and process alignment

# Recent disbursements post credit tightening show lower expectations of credit impairments




- The **Stressed Vintages** show a higher-than-normal expected credit loss growth driven primarily by an adverse macro-economic environment characterized by rising consumer price inflation rates, and an increase in the repo-rate
- The growth in expected credit losses for the stressed vintages has slowed down, **which had a positive impact on the expected credit losses in the H2 23**
- Following the risk break-out of the stressed vintages, significant credit policy changes were implemented towards the end of FY22 and into FY23
- The loans originated post the credit policy changes indicates that the risk is within risk appetite levels.

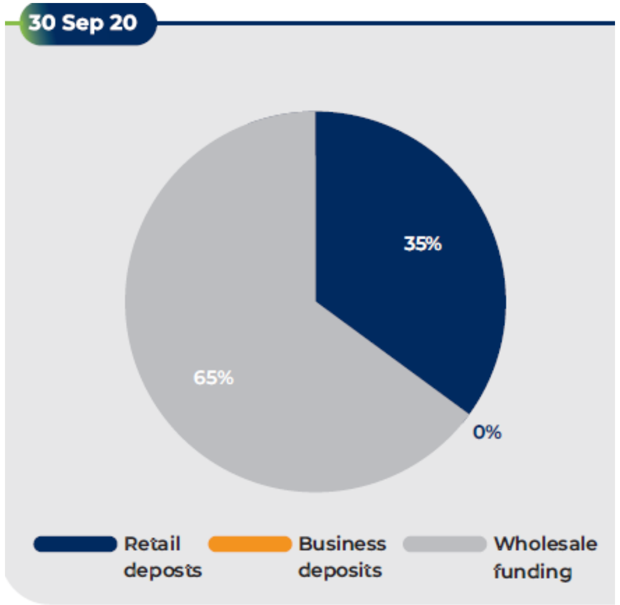
# A sustainable and de-risking financial position

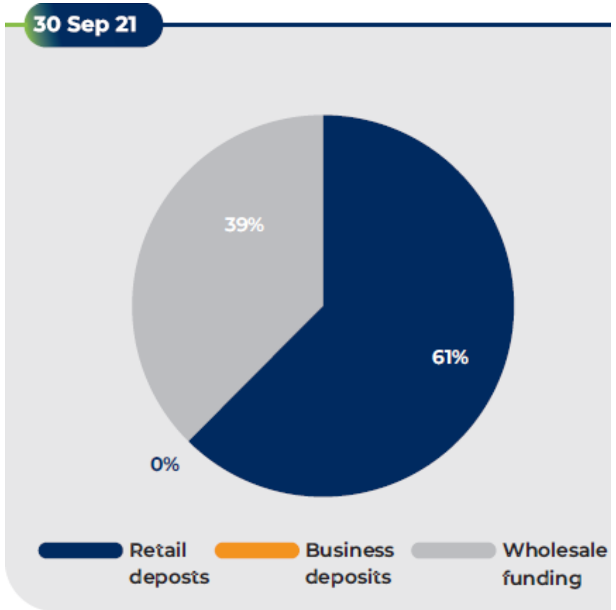
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

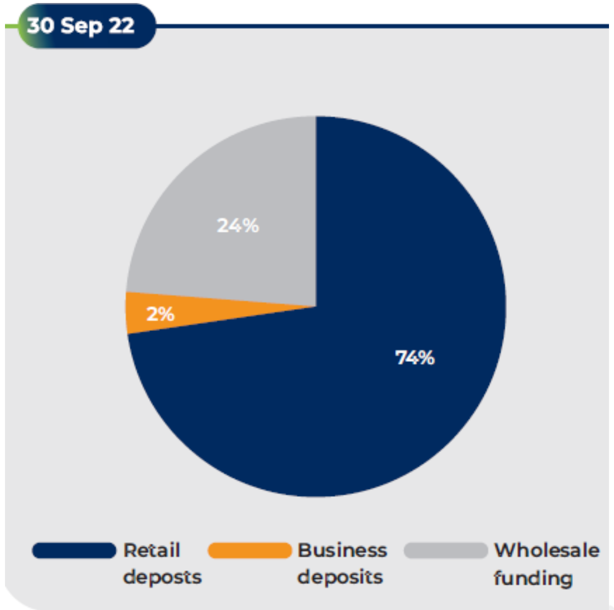
| R million | FY 23 | FY 22 | % Change |
|---|---|---|---|
| **ASSETS** | | | |
| Net Advances | 31 984 | 22 647 | 41% |
| Gross advances (measured at amortised cost) | 41 446 | 33 568 | 23% |
| Provisions | (11 029) | (10 639) | 4% |
| Deferred fee liabilities | (320) | (282) | 13% |
| Advances measured at FVTPL | 1 888 | 0 | >100% |
| Minimum regulatory assets and securities | 2 657 | 1 359 | 96% |
| Cash and short term negotiable instruments | 9 924 | 2 789 | 256% |
| Goodwill | 115 | 0 | >100% |
| Other assets | 3 519 | 2 595 | 36% |
| **TOTAL ASSETS** | **48 199** | **29 390** | **64%** |
| **LIABILITIES AND EQUITY** | | | |
| Senior liabilities | 35 907 | 17 503 | 105% |
| Retail deposits | 18 000 | 12 310 | 46% |
| Business deposits | 12 292 | 403 | 2952% |
| Wholesale liabilities | 4 330 | 3 891 | 11% |
| Other | 1 286 | 899 | 43% |
| Capital: equity and reserves | 12 292 | 11 887 | 3% |
| **TOTAL LIABILITIES AND CAPITAL** | **48 199** | **29 390** | **64%** |

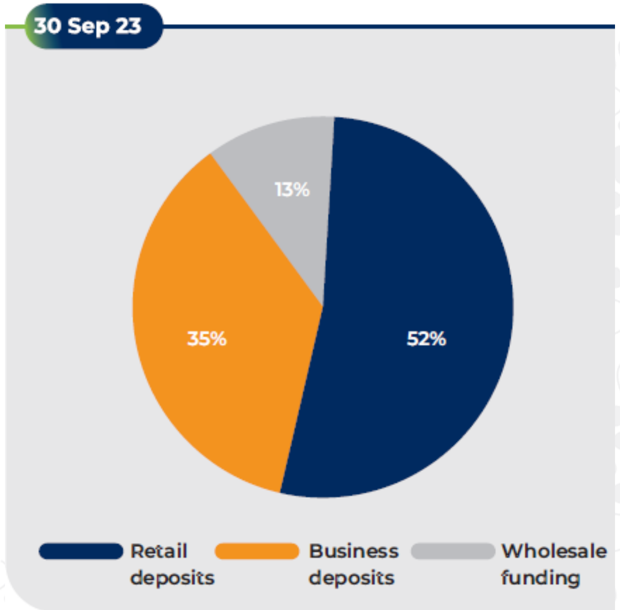
- Acquisitions of Grindrod Bank and Ubank's assets and liabilities helped further diversify the Group:
  - Business Banking secured advances (measured at amortised cost & FVTPL)
  - Significant liquidity introduced
  - Shorter dated retail deposits and business deposits at lower cost
- Goodwill arising from Ubank's A&L acquisition – with Ubank operations returning to profitability
- Robust capital levels still maintained following the acquisitions

# **Funding** liabilities diversified further with **acquisitions**



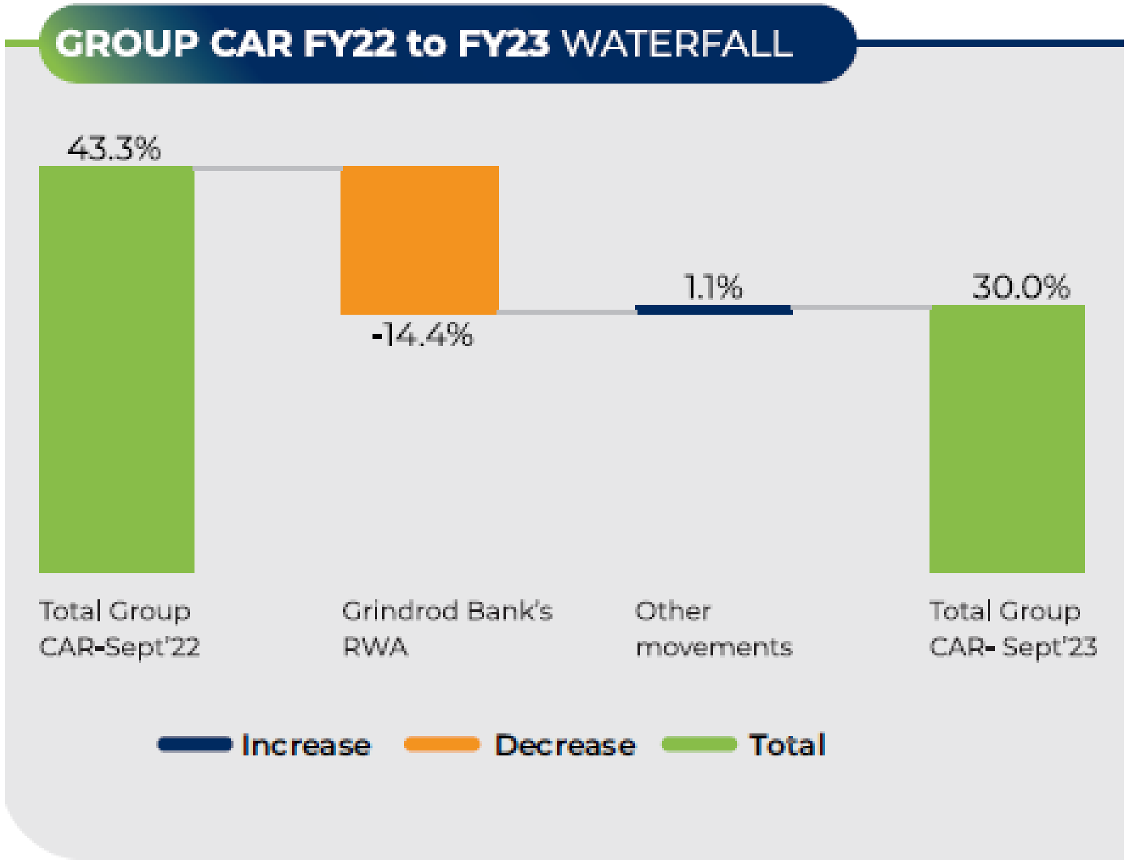




- Group's total funding base now more diversified, increasing by 109% as acquisitions in line with the Excelerate25 strategy are implemented
- Extensive retail and business franchise contributes 87% of all funding (FY 22: 76%), up from 35% three years ago (FY20)
- Cost of funding down to 7.3% per annum (FY 22: 7.9%) as lower cost shorter dated funding added by acquisitions, notwithstanding 200 bpt increase in repo interest rates over the last year
- Strong liquidity ratios with LCR at 467% (FY 22: 582%) and NSFR at 145% (FY 22: 144%) well above regulatory minimums of 100%

# Solid optimised capital base following acquisitions




- The strong capital base of 43.3% in FY22 enabled the strategic acquisitions of Grindrod Bank and the A&L of Ubank
- Strategic acquisitions required no additional capital to be raised, but utlised existing surpluses and liquidity
- Grindrod risk weighted assets consumed 14.4% of the capital base
- Total CAR of 30.0% remains above internal and regulatory minimums

# PART C. Looking FORWARD

## Excelerate25

**Advancing** lives through financial and related services

African Bank
Audacity to **believe**

# Strategy Evolution

## 2021


**Key Action Items**

### “Co-creation”

- **Contracting with Board, Major Shareholders and Colleagues on Excelerate25 strategy**
- **Exco Changes**
- **Drive turnaround to profitability**

**Narrative/comments**

Through **extensive co-creation with the Board, colleagues, major shareholders and stakeholders**, the Bank commits to building a customer centric, digital and data enabled, sustainable and scalable Bank, with a compelling listing proposition.

## 2022


**Key Action Items**

### “Entrenching”

- **Creating traction on strategy execution**
- **Acquisition of Grindrod Bank Limited**
- **Acquisition of Ubank**

**Narrative/comments**

A focused, consistent drive in entrenching activities that **Strengthen the Core**, in Sales Transformation and Distribution alongside the launch of multiple programmes across IT and Digitisation, and the evolution of the **Expand the Core** domain through the focus on fast tracking the development of a Business Banking capability and strengthen Alliances portfolio

## 2023


**Key Action Items**

### “Integration”

Integration
Integration
**Integration**

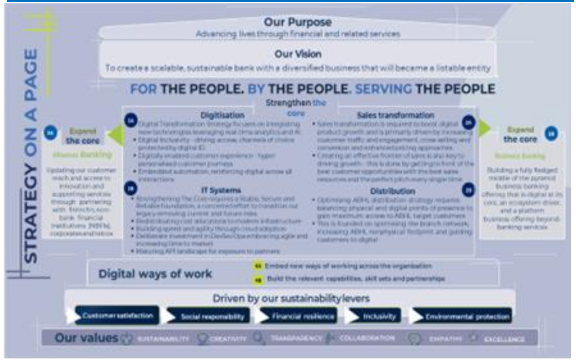
**Excelerate25**
Laser-focused on the execution of the strategy

**IPO**
Preparing the organisation for the future

**Narrative/comments**

- **Integrate**
  - Ubank
  - GBL
- **Target Operating Model**
  - Leadership & Culture Journey
- **Step-Up Excelerate25:**
  - Agile ways of work to address the Impairment and operational risk losses
  - Focus on transactional services and secured lending

## 2024




**Key Action Items**

### “Listing Ready”

- The focus of this Strategy cycle is to drive the business towards progressively meeting the **key financial ratios for a compelling listing proposition**

**Narrative/comments**

- **Step-UP Excelerate25**
  - Continue work on end-to-end risk and control management improvements
  - Continue work on transactional services and secured lending in CB & BB
- **Pre-IPO preparation**
  - Development of Staff Scheme
  - Development of a Management Scheme
  - Sourcing of Strategically Aligned Partners (SAPs)
  - Execution of the Pre-IPO roadmap.

# 2025 Strategic Targets: Financial Resilience and Customer Satisfaction levers

| Indicator | Original E25 Targets (2021) | Updated E25 Targets (2025) | FY 23 Actuals | Tracking towards Excelerate25 |
|---|---|---|---|---|
| Non-interest income to total expenses | 80% | 80% | 49% | |
| Cost to income | <40% | <55% | 59% | |
| Credit loss | <12% | <7% | 8.0% | |
| Net advances | +R30bn | +R65bn | R32bn | |
| Return on equity | RSA 10Y +3% to 6% | 15% | 4.3% | |
| Net profit after tax (NPAT) | +R2.5bn | +R2.5bn | R505m | |
| CET1 ratio | 30% | 30%+ | 29.1% | |
| Active customers on platform | 3.5m | 5.5m | 4.0m | |
| SA-csi | 1st overall | 1st overall | Discontinued | |
| SMME customers | 100 000 | 100 000 | Launching soon | |
| Net promoter score | >50 | >50 | 60 | |
| Customer and business deposits | 70% | 80% | 87% | |

Key: On track Focus Needed Off track

# 2025 Strategic Targets: Social Responsibility, Inclusivity and Environmental levers

| Indicator | Original E25 Targets (2021) | Updated E25 Targets (2025) | FY 23 Actuals | Tracking towards Excelerate25 |
|---|---|---|---|---|
| Top Employer Ranking | Top 5 overall | Top 5 overall | Certified | |
| For Good Platform | Number 1 ranking | Number 1 ranking | Number 2 ranking | |
| CSI Hours | 20 000 over 4 years | 20 000 over 4 years | 16 000 hrs total & 8653 hrs in FY 23 | |
| Procurement spend to BEE enterprises | 50% | 50% | 51% | |
| NPAT invested in enterprise & supplier development | 2% | 2% | 3.82% | |
| B-BBEE level status | Level 1 | Level 1 | Level 1 | |
| Waste recycled versus waste produced | 50% | 50% | 39% | |
| Reduction in carbon emissions | 30% | 30% | Targets measurable in FY24 | |

Key: On track Focus Needed Off track

# **Conclusion:** Continued focus on the **Excelerate25** strategy **moving forward**

While headwinds in the South African economy created sustained pressure on unsecured lending over the past year, the Group has made significant progresses in developing a robust, risk managed, fully fledged Consumer and Business Banking group.

## Key actions undertaken

**Group:**
- Significant maturation of the control environment and extensive updates to the risk management practices of the group
- Substantial progress in integration of newly acquired entities
- Continued progress in culture and leadership programme embedment

**Business Banking:**
- Expanding Business Banking secured leading portfolio (capital equipment and commercial property)
- Creation of a Business Transactional Account (BTA)
- Development of a Trader Market platform and digital lending capability

**Consumer Banking:**
- Driving transactional growth – MyWORLD fees
- Utilising Rewards based incentives and partner-based ecosystem banking with strategic partners
- Selective Credit origination
- Adding secured lending through new products such as Home loans and Tech Deals
- Expanding unsecured lending through short-term loans
- Strengthening Collections effectiveness
- Investing in and strengthening our lines of defence

**Alliance Banking:**
- Establishment further partnerships
- Strengthen existing relationships
- Focus on larger robust partners

**Insurance:**
- Rolling out larger products suites such as *Enhanced Funeral product* and other offerings targeted in the full rollout of the Insurance division.

## Looking forward

**Further de-risking the balance sheet:**
- Credit Loss Ratio (CLR) reducing
- Leading indicators of reducing NPLs (targeted to drop further)
- Net-Interest Income (NII) growth
- Increase in Non-Interest Revenue (NIR)
- Positive effect on funding mix and cost of funding
- NIR/Total expenses ratio improvement
- Execution of the Pre-IPO journey

# Thank you

Succeeding in tough conditions is a hallmark of tenacious teams, whether in the rugby world cup, or financial services. We at African Bank remain **Audaciously** committed to serving our mandate as a **Bank for the People, by the People, Serving the people**.

African Bank
Audacity to **believe**

# THANK YOU

An **African Bank**, for the people, by the people, serving the people.