African Bank
We are you

Results Presentation

For the financial year ended
30 September 2018

27 November 2018

African Bank Holdings Limited
www.AfricanBank.co.za

CONTENTS

CEO REVIEW

BECOMING A DIGITAL BANK

- Preparation for customer launch of MyWORLD account
  - Successful release of MyWORLD to over 3000 African Bankers
  - Recruitment and training of sales teams to support MyWORLD
- Launch of African Bank’s Omni-channel platform
- Development and launch of banking App to African Bankers
- Traction on digital sales on all products

MyWORLD

Features

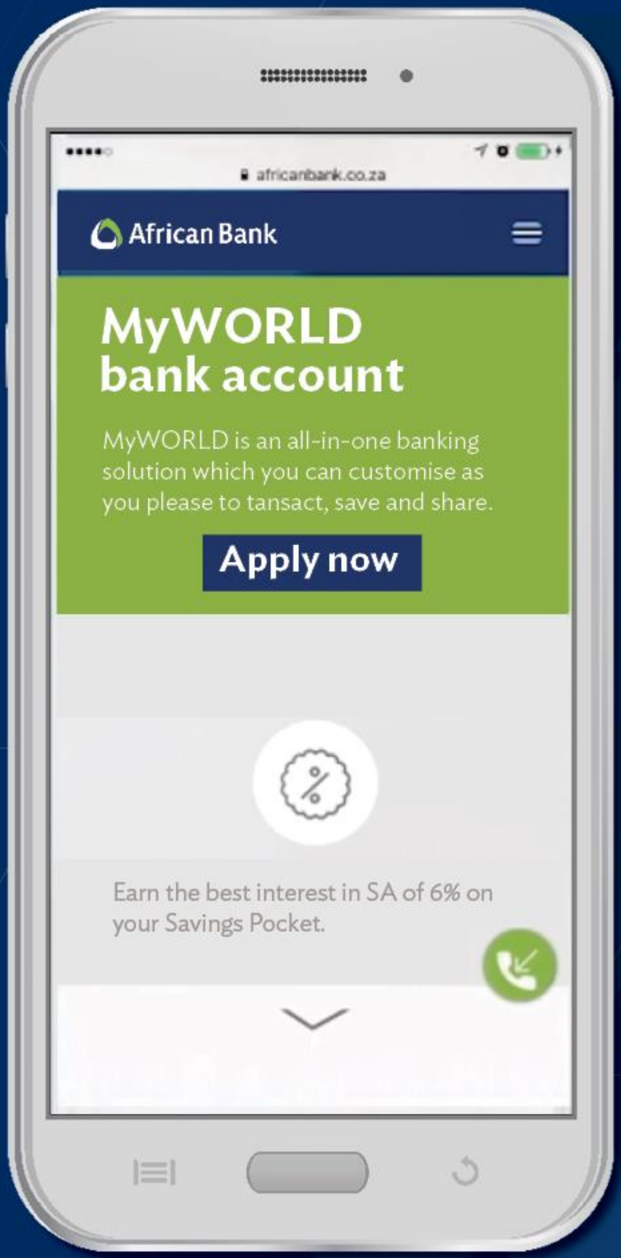
Pockets

Lowest bank fees

Best savings rates

Fully digital account opening process

Omni-channel



Benefits

Shared banking

Saves you money

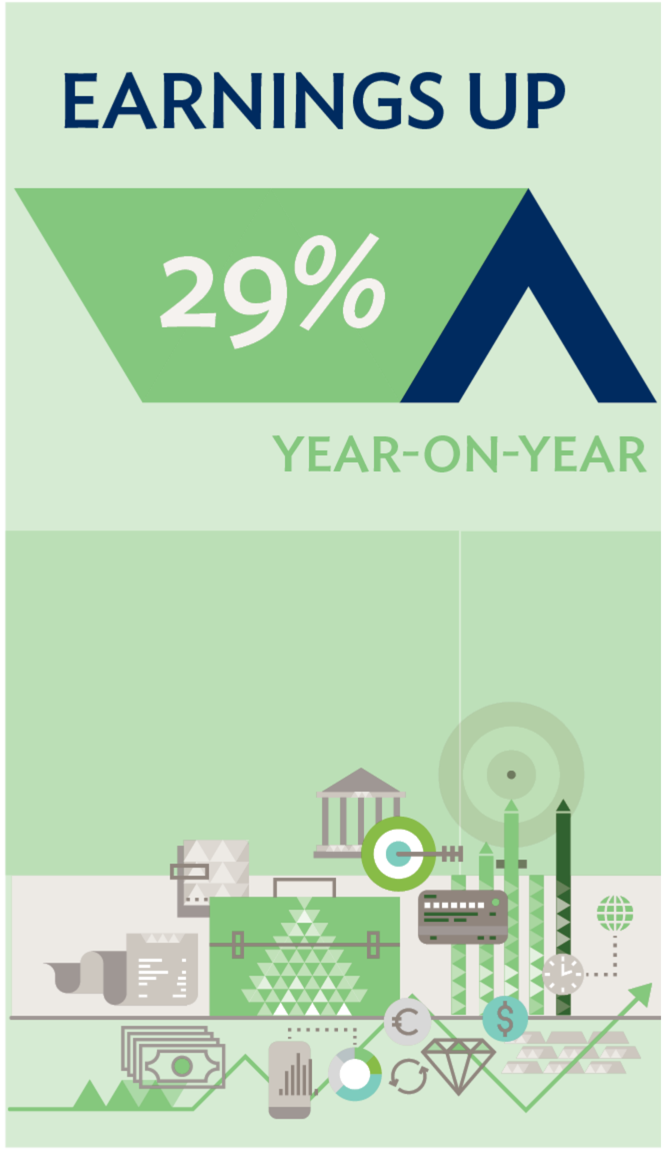
Grow your money faster

Saves you time

Pick up where you left off on any channel

STRONG FINANCIAL PERFORMANCE

- Earnings before tax and foreign exchange up 29%
- Credit loss ratio improved to 11.7% from 12.7%
- Well-managed operational costs – flat year-on-year
- Credit disbursements up 21%
- 34% of loans to new customers
- Savings and Investments up over 200% to R1.1 billion
- Direct Sales channel credit disbursements up 75%



STRATEGY SCORECARD

	2018 PERFORMANCE	TARGET 2021	30 SEPTEMBER 2018	30 SEPTEMBER 2017	30 SEPTEMBER 2016
OUR FINANCIAL PERFORMANCE					
Return on equity (RoE)	▲	>15%	10.6%	9.0%	6.7%
Funding diversification (retail deposits)	▲	> 25%	5%	2%	< 1%
Non-interest revenue	▲	>R500 million	R27 million	R19 million	< R1 million
Credit loss ratio	▲	<13%	11.7%	12.7%	13.2%
NON-FINANCIAL PERFORMANCE					
CUSTOMER TARGETS: Customer NPS®	▲	>40	43	35	15
Customer satisfaction (SAcsi)	▲	>70	80	-	-
Grow our customer base	▼	>2.5 million	1.05 million	1.16 million	1.25 million
EMPLOYEE TARGETS: People engagement survey score	▲	>50%	58%	48%	43%

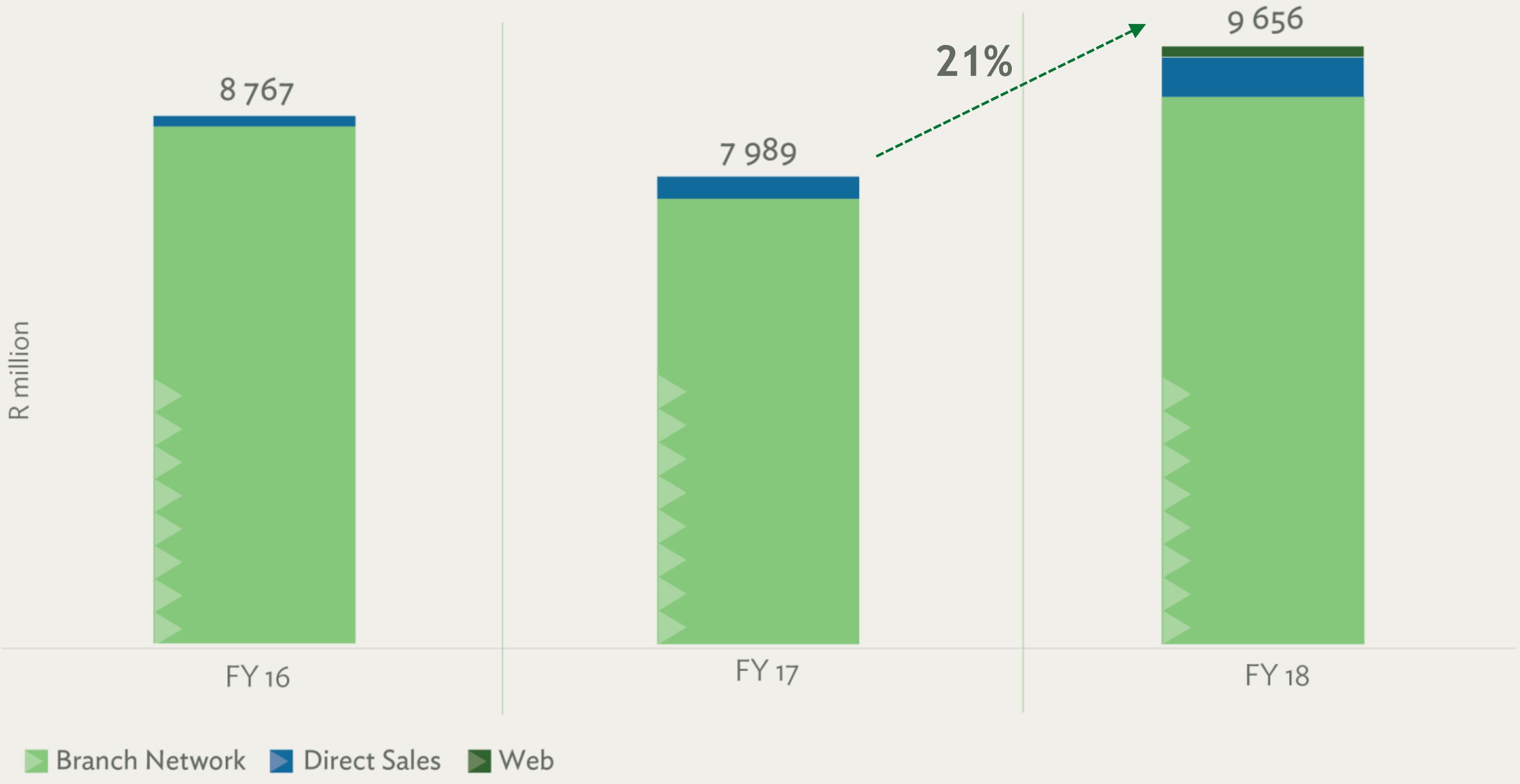
RoE

10.6%

2017 - 9.0%

- Where the Bank has already exceeded its 2021 targets we have given ourselves new stretch targets
- ▲ Year-on-year improvement
- ▲ Year-on-year improvement and 2021 target exceeded
- ▼ Year-on-year decrease and below target

CREDIT DISBURSEMENTS



- Increase in new net disbursements of 21%
- Branch new business up 17% to R9 billion
- New web channel contributed R136 million

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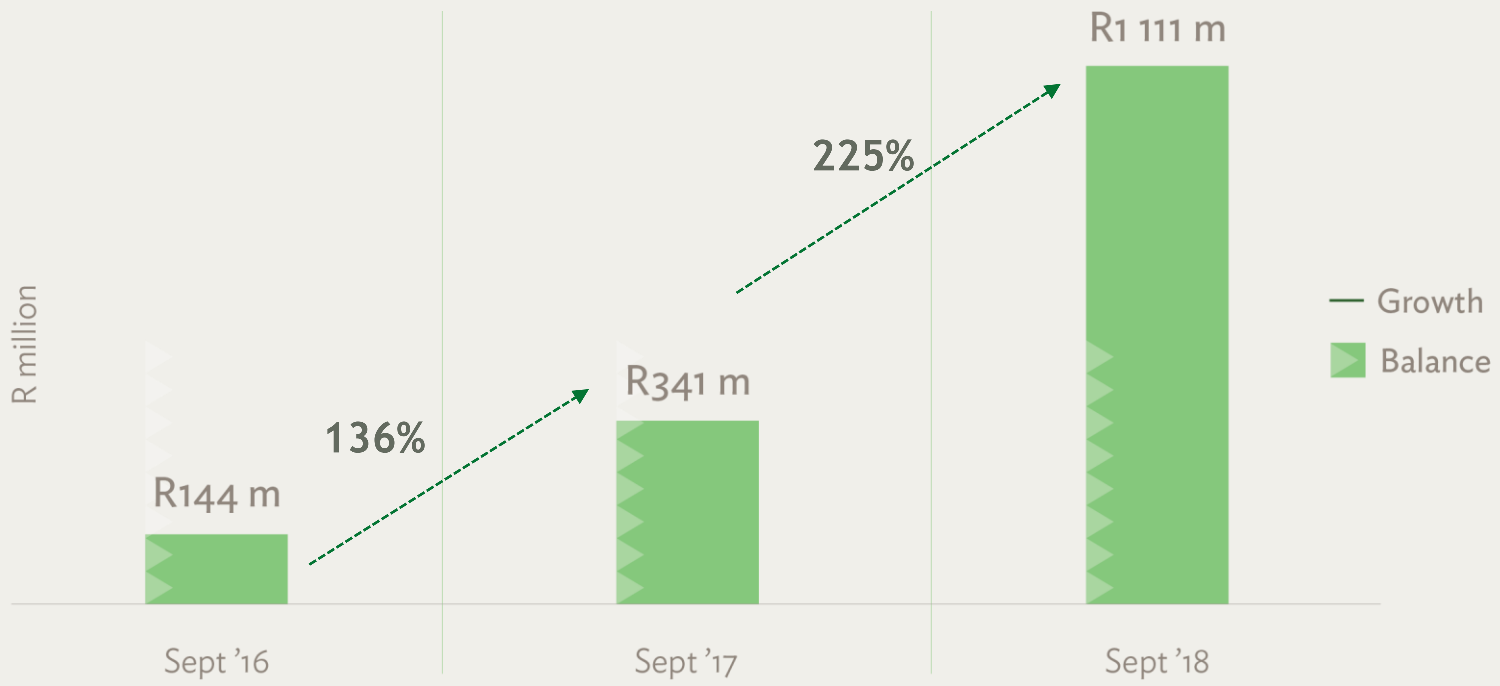
DIRECT SALES

75%

R484 MILLION

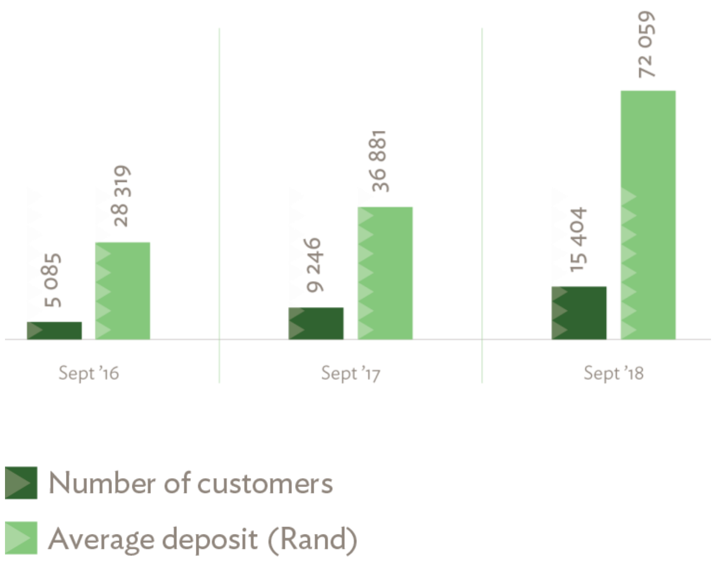
EXCELLENT SAVINGS AND INVESTMENT GROWTH



- Predominantly longer-dated deposits
- Lower average cost of funding than wholesale funding
- Market leading investment rates
    - 10.75% NACA* on a 60 month fixed term deposit

*Nominal Annual Compounded Annually

GROWTH IN CUSTOMER NUMBERS AND AVERAGE DEPOSITS



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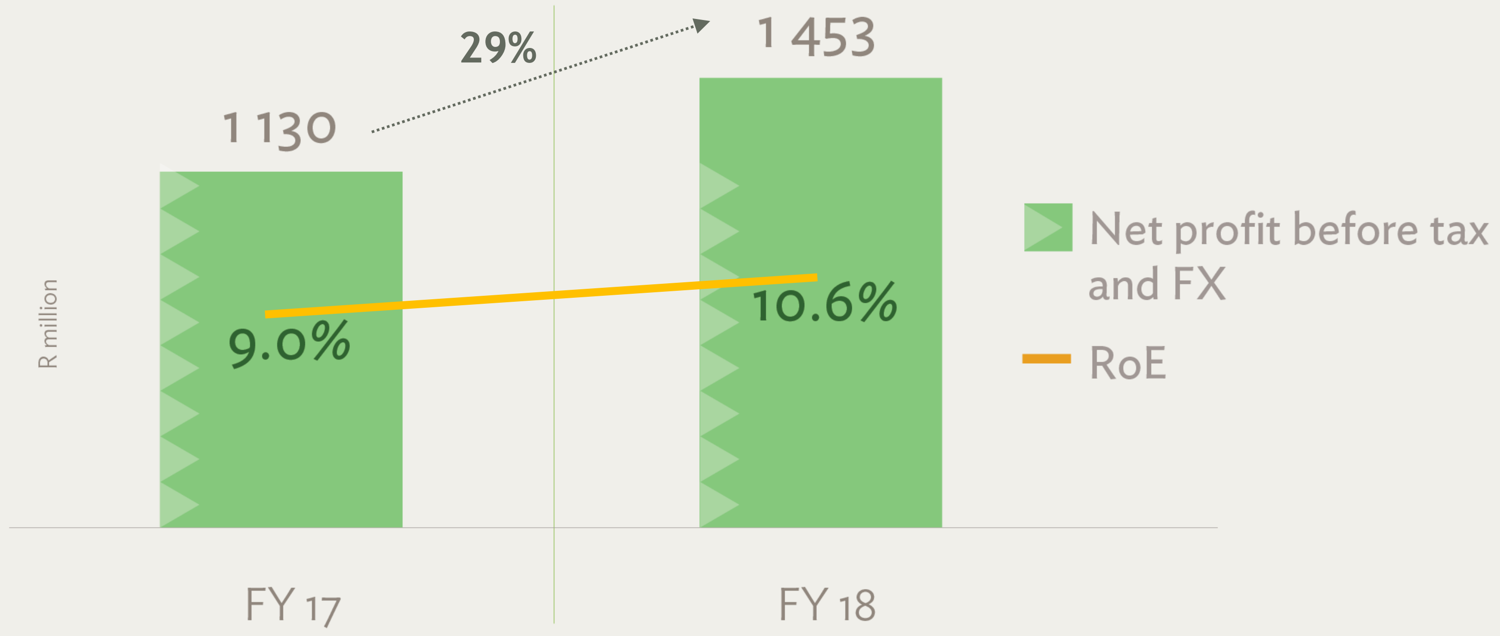
CFO REVIEW

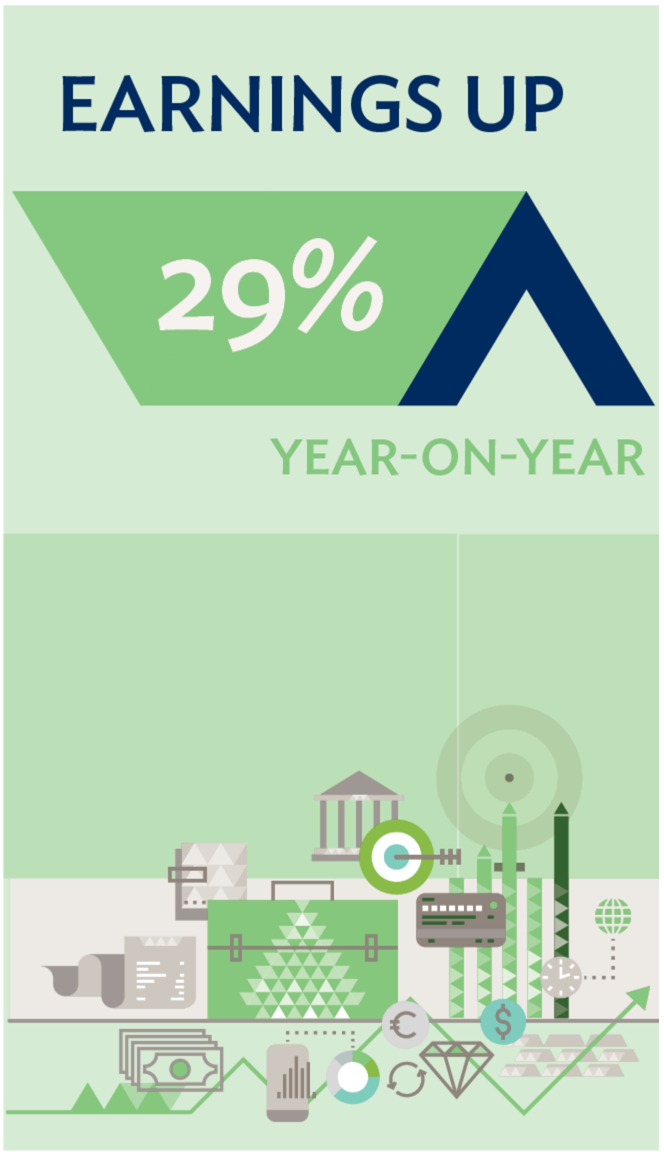
FINANCIAL RESULTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

- Operating profit increased to R1 453 million (after tax R1 019 million)
- Return on Equity 10.6% (Branch Network 21%)
- Decreased credit risk impairment and lower net interest expense
- Continued operating cost and efficiency focus
- Strong capital and liquidity
  - Core Equity Tier 1 ratio 31.5% (Group 34.9%)
  - Cash balances R8.2 billion*

*Including surplus statutory assets

INCREASED OPERATING PROFIT





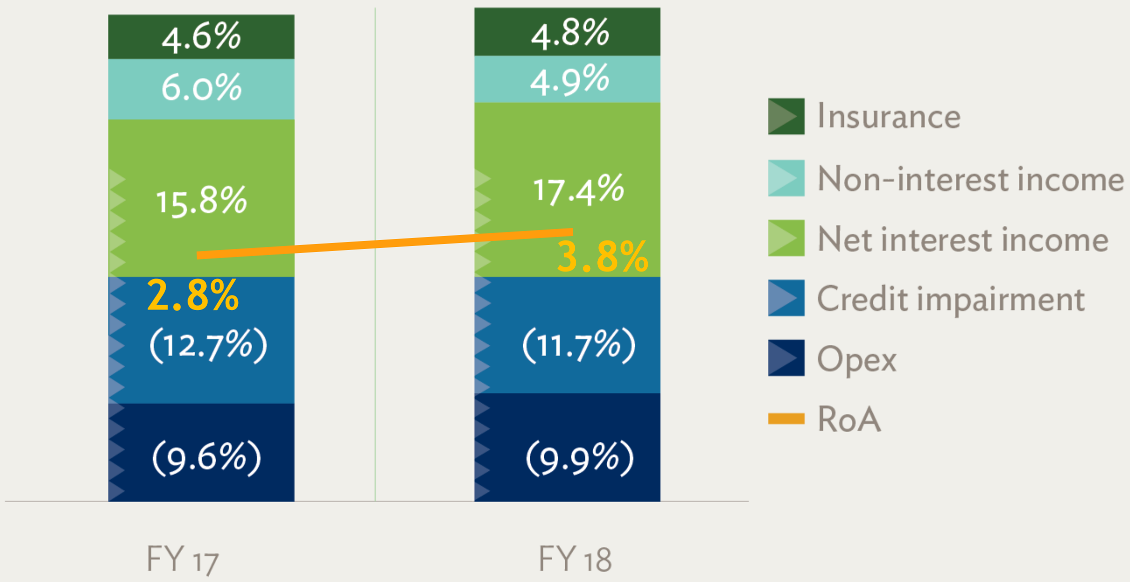
Positive contribution

- Improved credit risk
- Lower net interest cost
- Higher insurance profits

Negative impacts

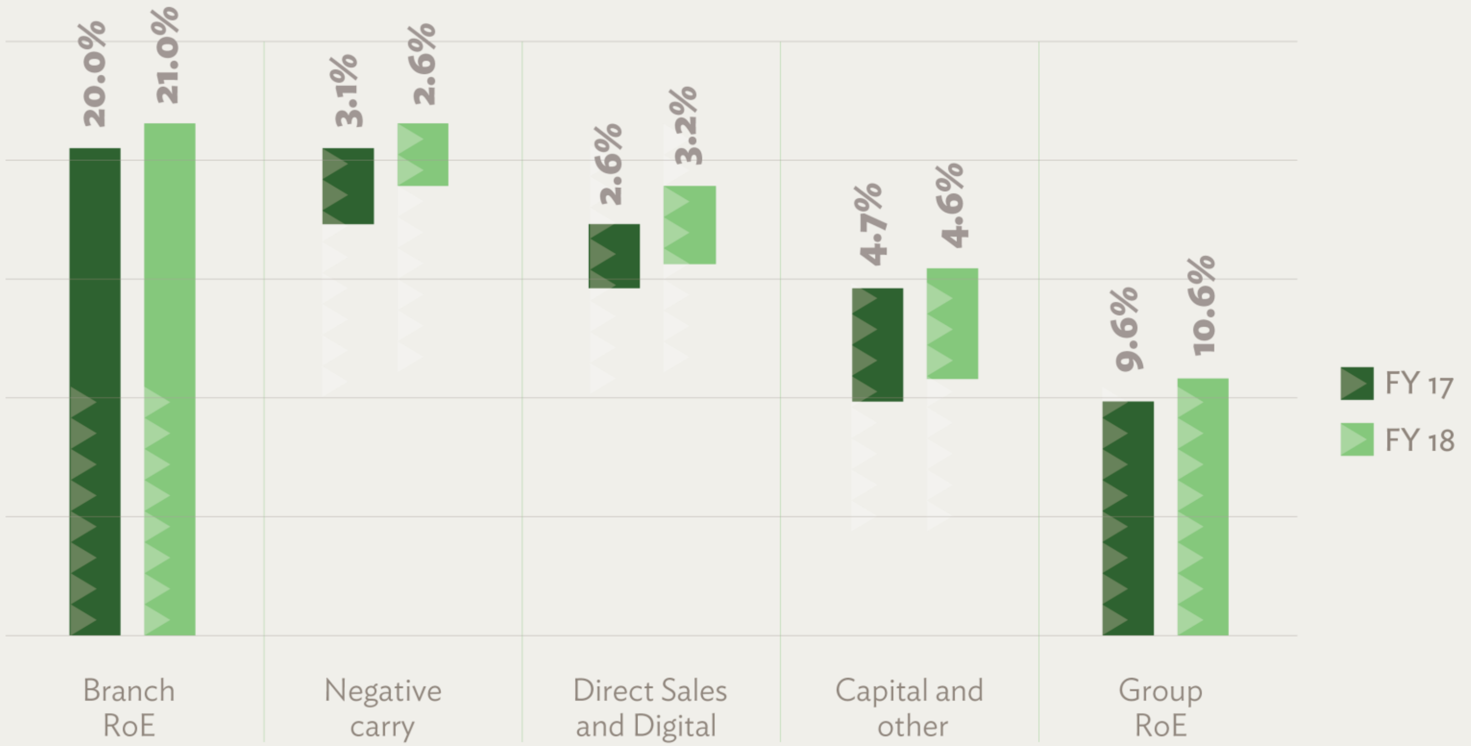
- Lower non-interest revenue
- RoE diluted by higher equity
- MMI partnership terminated

RETURNS ON AVERAGE GROSS ADVANCES

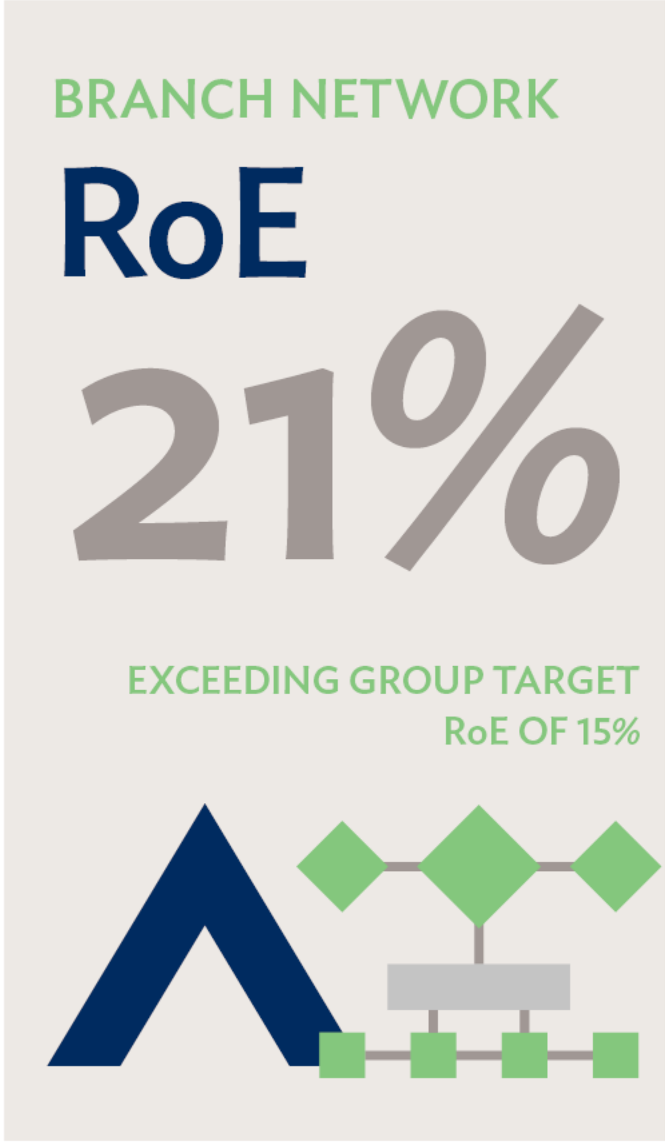


- Increasing net interest income – impact of debt buybacks decreasing negative carry
- Decreasing impairment charge reflective of lower risk, improved recoveries and lower write-offs
- Decreasing non-interest income due to larger loans to lower risk customers
- Flat operating costs, despite increase in spend on digital transformation (R140 million vs R79 million in 2017)

GROUP RoE ANALYSIS



- Emerging business and balance sheet overhang dilutes Group RoE
  - Reduced drag from negative carry
  - Increased dilution from additional investment in new business lines
  - Dilution from excess capital



ABRIDGED STATEMENT OF FINANCIAL POSITION

Rmillion	30 September 2018	30 September 2017
ASSETS		
Net advances	19 178	18 743
Minimum regulatory assets	1 110	1 436
Cash reserves	8 246	10 152
Other assets	2 134	2 623
	30 668	32 954
LIABILITIES/EQUITY		
Short term liabilities	5 732	4 931
Long term liabilities	14 809	18 915
Equity and reserves	10 127	9 108
	30 668	32 954

- Marginal increase in net advances, provided for at 30.2%
- Cash reserves R8 246 million*

*Including surplus statutory assets

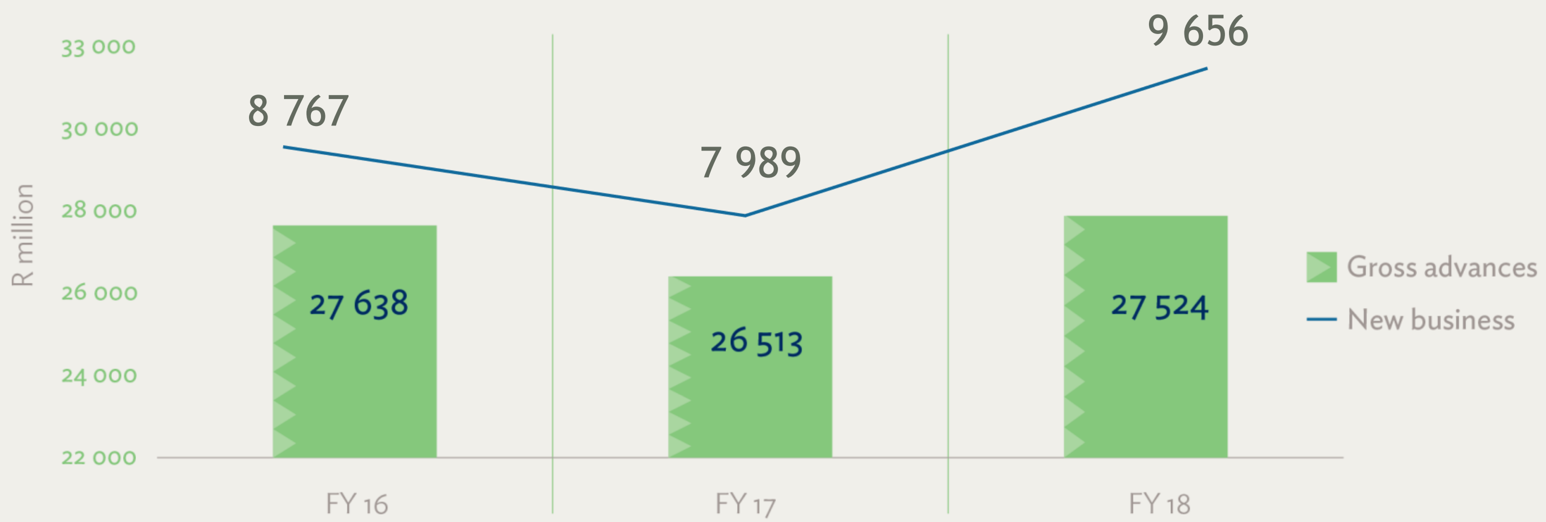
EQUITY AND RESERVES

R10.1 billion

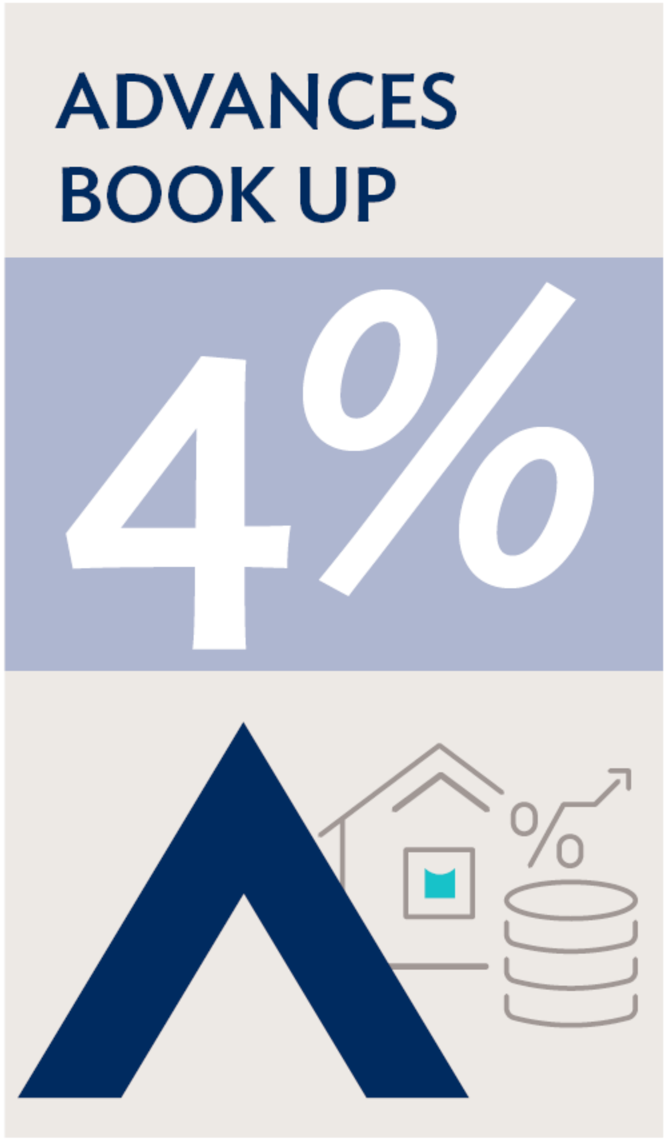
ABOVE ORIGINAL RECAPITALISATION

RETAIL ADVANCES OVERVIEW

Advances book and new business up 4% and 21% respectively

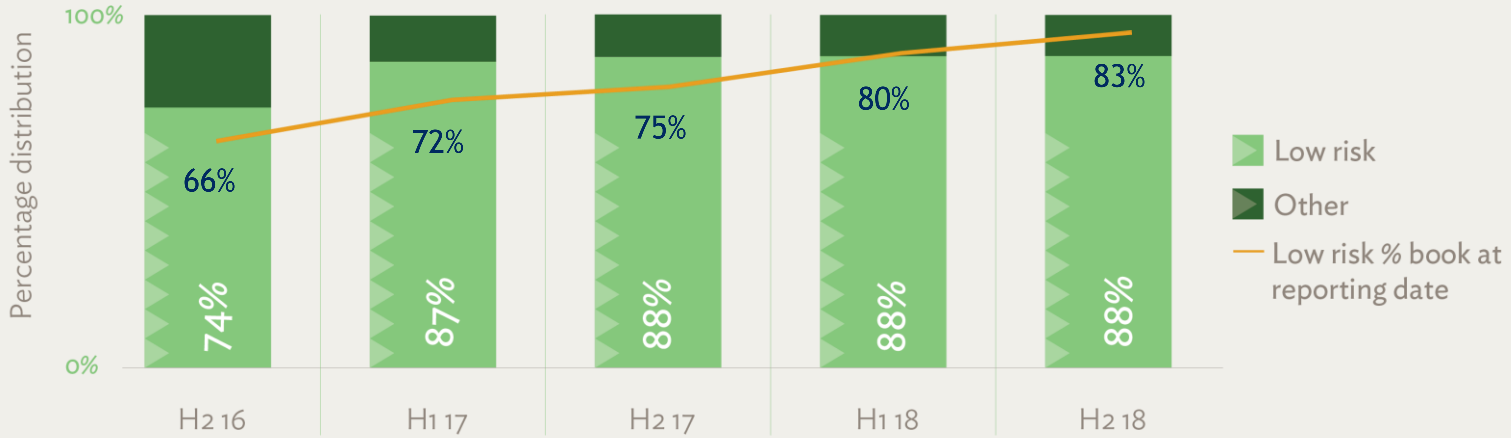


- Increased new business contributing to advances growth
- FY 2017 reduced by shortening recency criteria for write-off from 6 to 5 months



CONSISTENT FOCUS ON LOWER RISK CUSTOMERS

Risk band distribution at origination



- 88% of disbursements to low risk customers (best 5 of 22 risk bands)
- Larger, longer term loan sizes with better risk emergence
- Percentage disbursements used to settle existing African Bank debt at 12%

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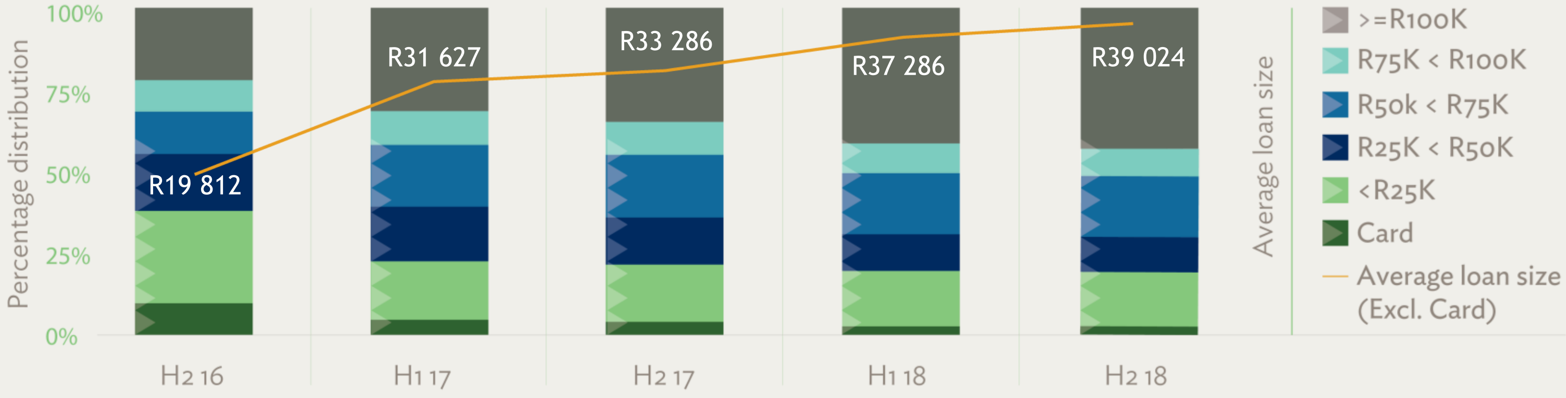
LOW RISK ON BOOK

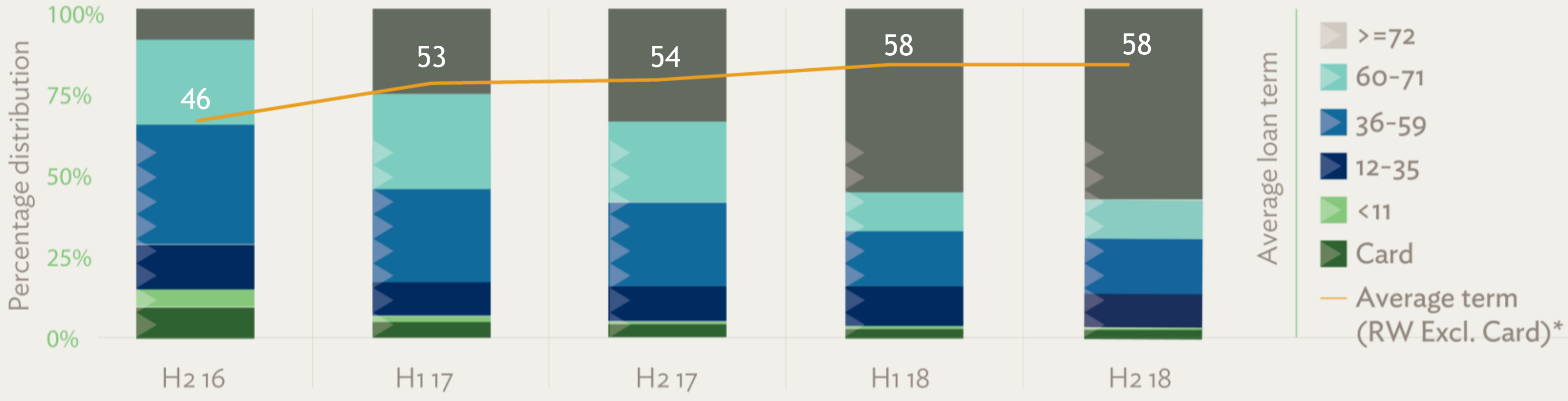
83%

TERM AND LOAN SIZE DISTRIBUTION

Loan size disbursements



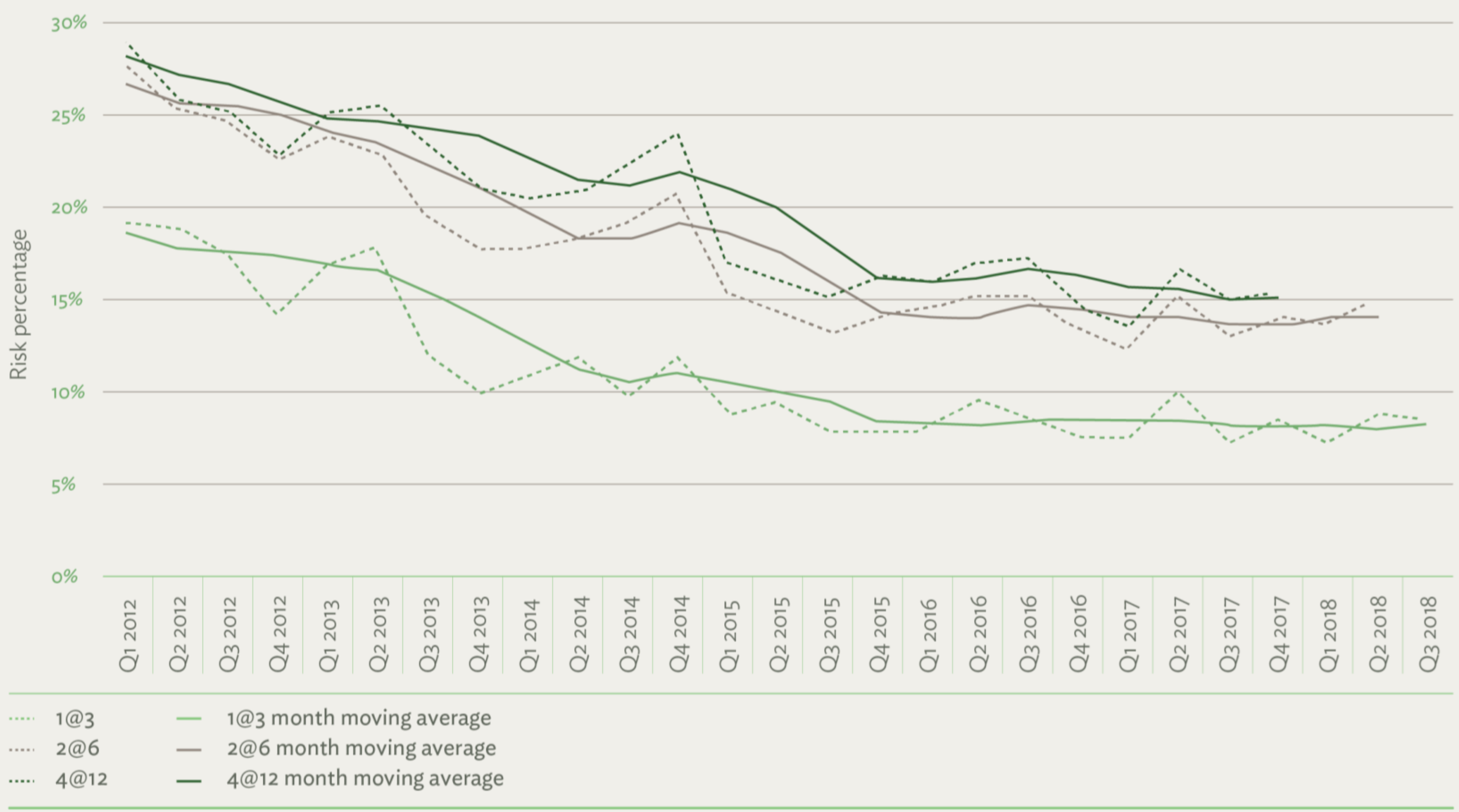
Loan term distribution



*RW = Rand weighted

- Reduced appetite for short term loans
- Increased maximum loan size
- Increasing exposure to lower risk customers qualifying for larger loans

CREDIT QUALITY – EARLY RISK



The lines represent the minimum number of missed instalments at the number of months-on-book e.g. 1@3 is the percentage of disbursements that have missed at least one instalment after 3 months-on-book

CREDIT QUALITY – COVERAGE AND BOOK SPLIT

Book split and size by contractual delinquency (CD)

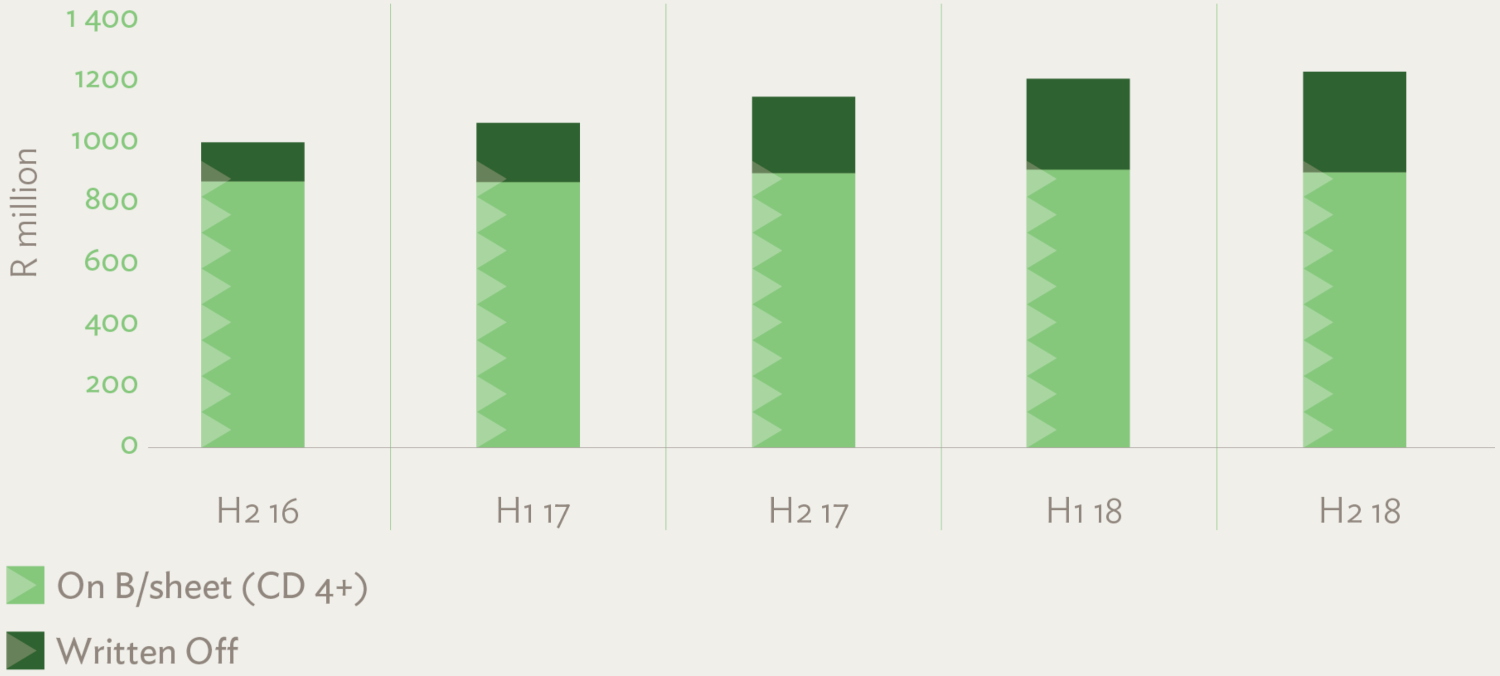
	H1 2017	H2 2017	H1 2018	H2 2018
CD 0 %	52	53	53	53
CD 1-3 %	14	13	13	13
CD 4+ %	34	34	34	34
Total (Rm)	28 135	26 513	26 922	27 478
Written-off book (Rm)	12 271	13 384	13 314	12 279

Coverage by contractual delinquency (CD) bucket

	H1 2017	H2 2017	H1 2018	H2 2018
CD 0 %	5	5	6	5
CD 1-3 %	35	36	40	40
CD 4+ %	67	65	63	66
Total %	30.0	29.3	29.4	30.2

- Prudent provisioning (30.2%)
- No value assigned to gross written off book (R12.3 billion)
- No restructuring of loans in arrears
- Additional provisioning for challenging macro and regulatory developments

R2.6 BILLION COLLECTIONS ON CONTRACTUAL DELINQUENCY 4+ BOOK



- On-balance sheet R1.8 billion
- Off-balance sheet bad debt recoveries R0.8 billion
- Increasing payments by customers in late stage arrears

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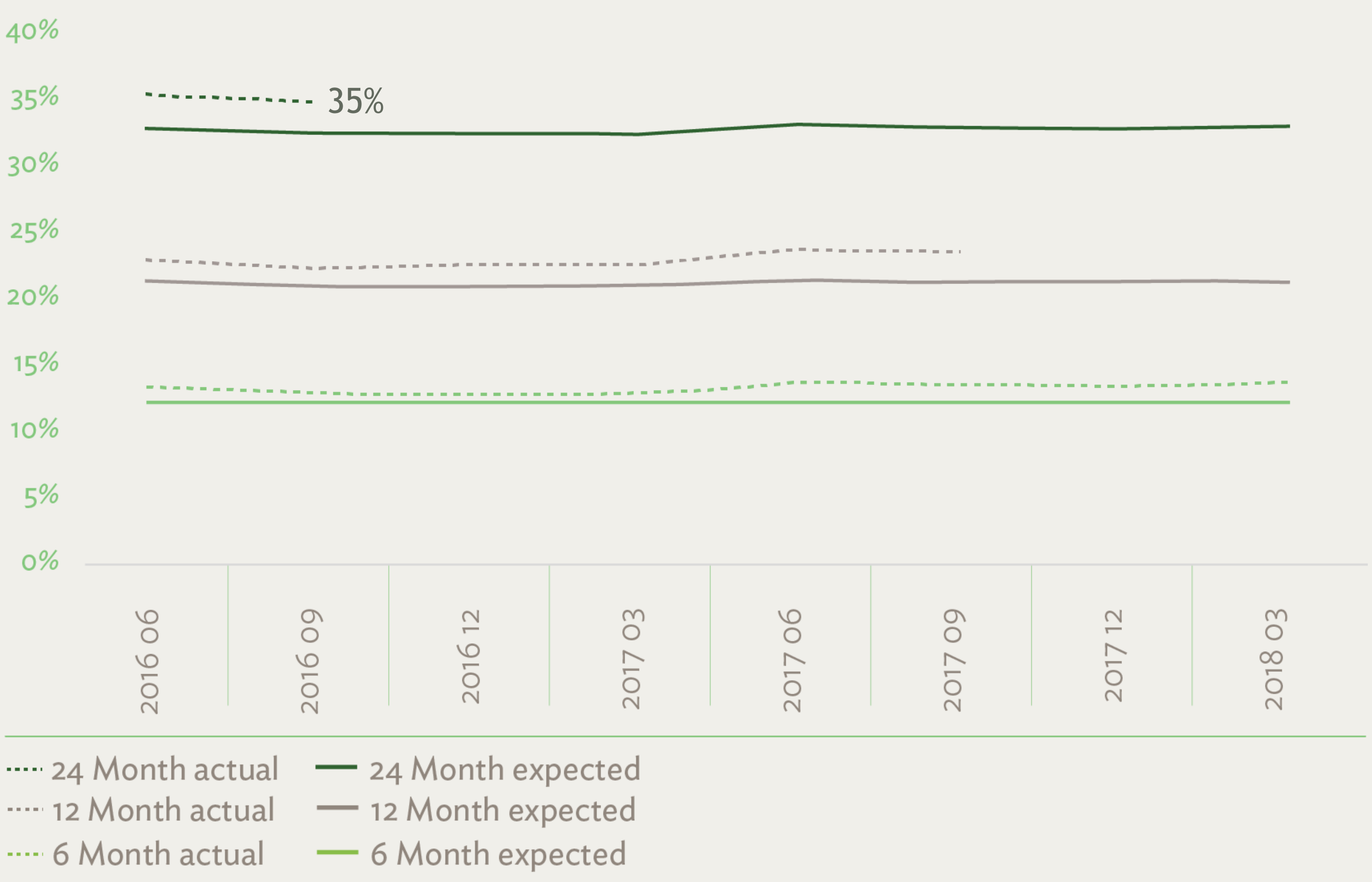
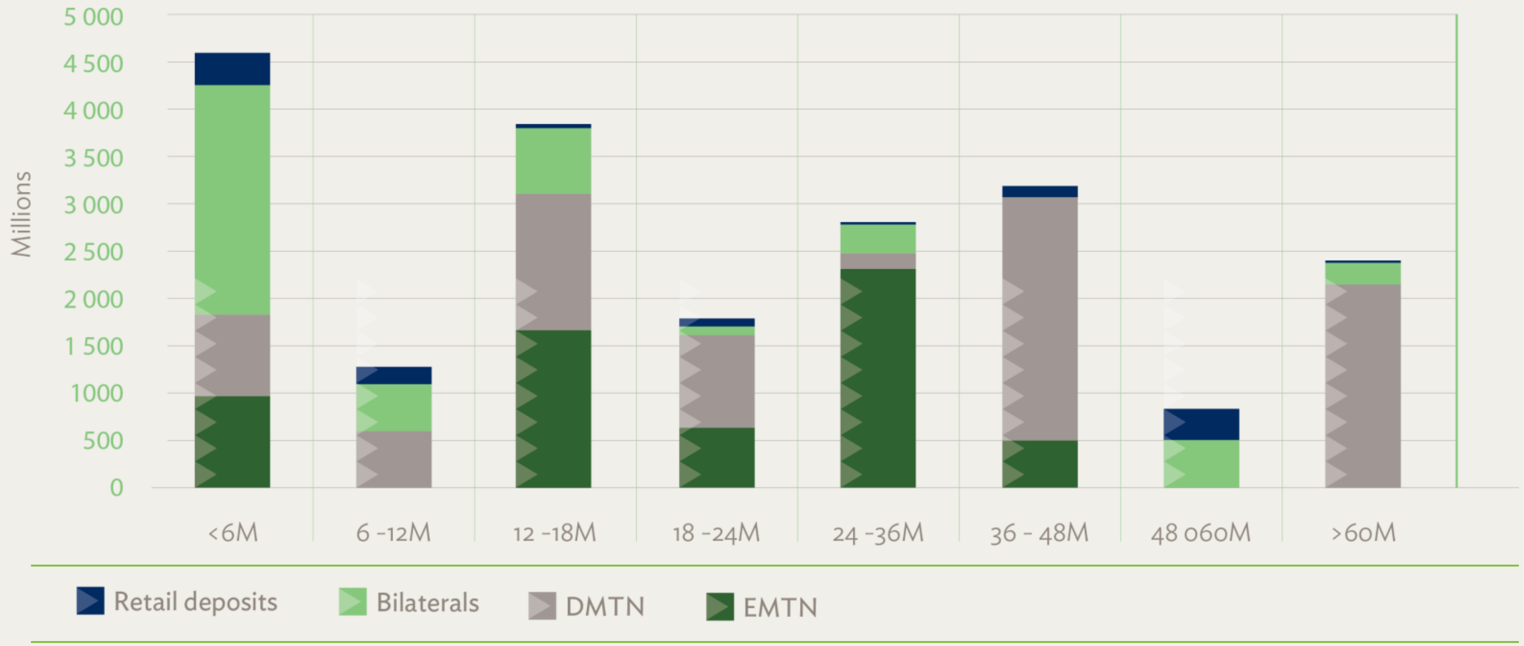
PROVISIONING – COLLECTIONS VERSUS MODEL



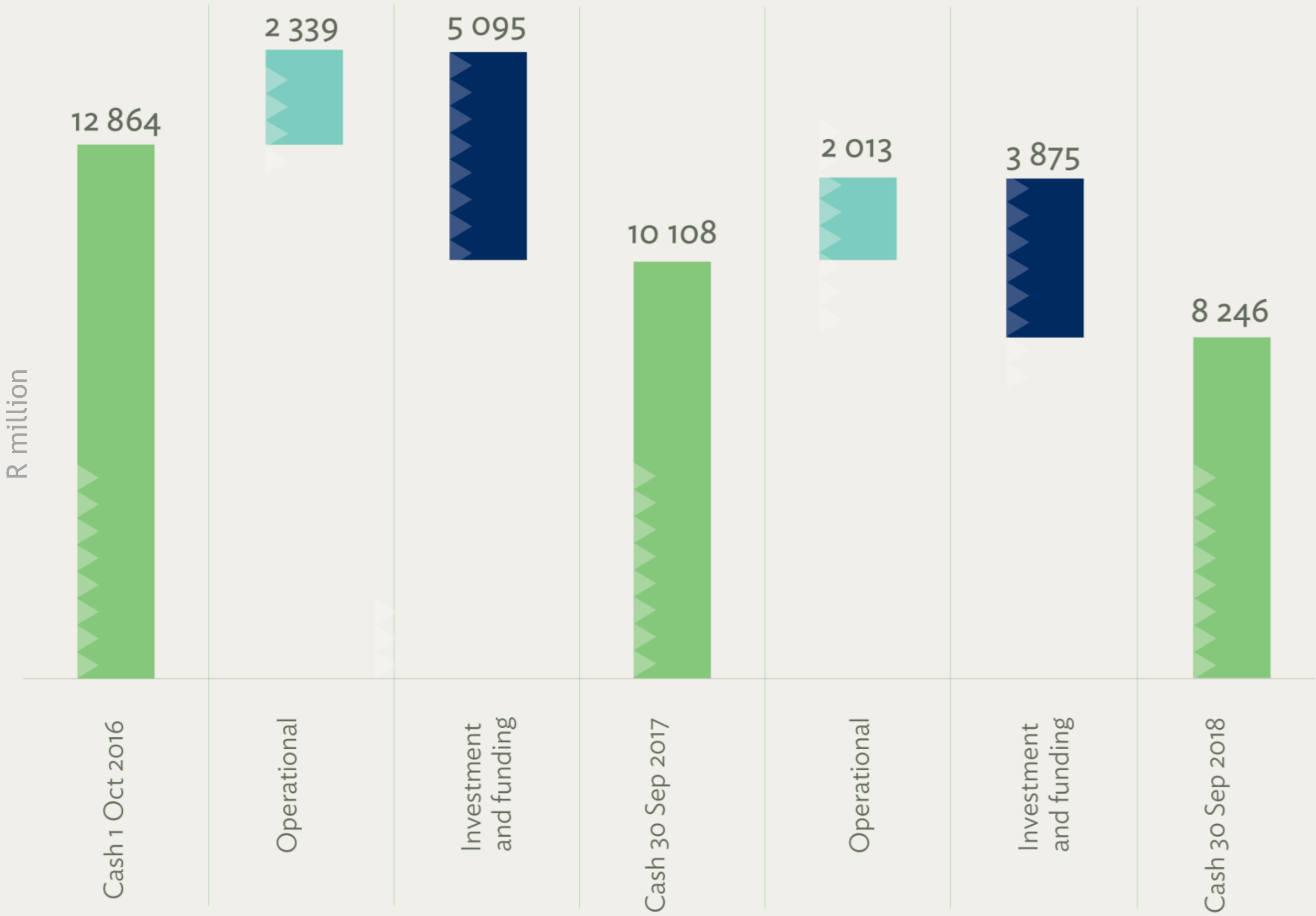
- Conservative provisioning
- Actual performance consistently exceeds model expectations

MATURITY PROFILE OF FUNDING LIABILITIES

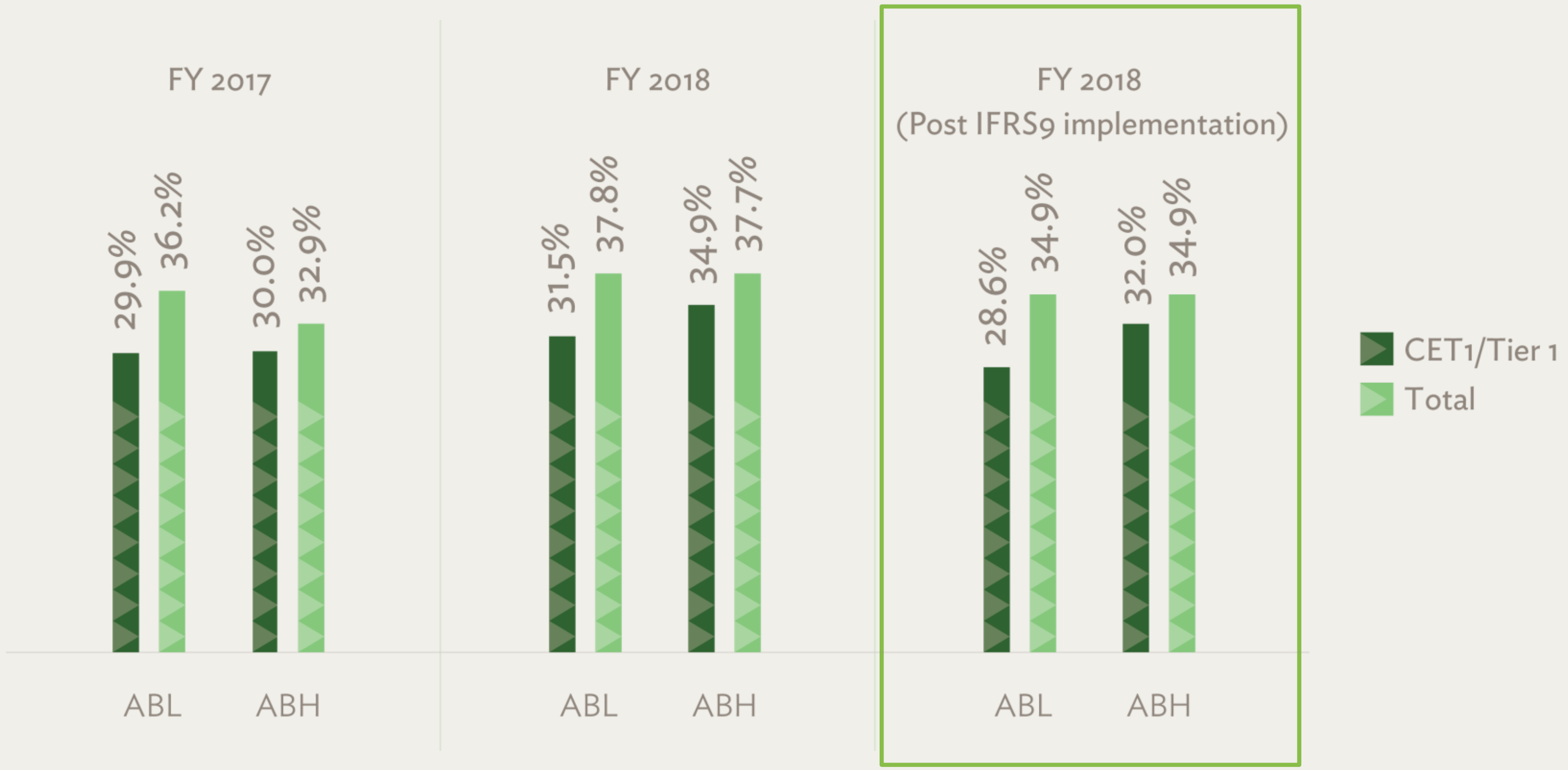


- Repayment of restructured debt maturities commenced April 2018, repaid R2.2 billion
- Buybacks of bilateral deposits of R2 billion (April 18 to June 2019 maturities)
- Shareholder-backed liquidity support arrangement close to finalisation
- Standard & Poor's adjusted national scale rating to zaA– after recalibration of SA ratings

CONSISTENT POSITIVE CASH FLOW



SOLID CAPITAL LEVELS



- Retained profits and no distributions contributed to increased capital levels
- Capital adequacy further enhanced through lower cash balances
- Impact of IFRS9 is R0.8 billion after tax

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IFRS9 IMPACT

ABL CET 1 ∨2.9%

28.6%

COMFORTABLY ABOVE 27% INTERNAL TARGET

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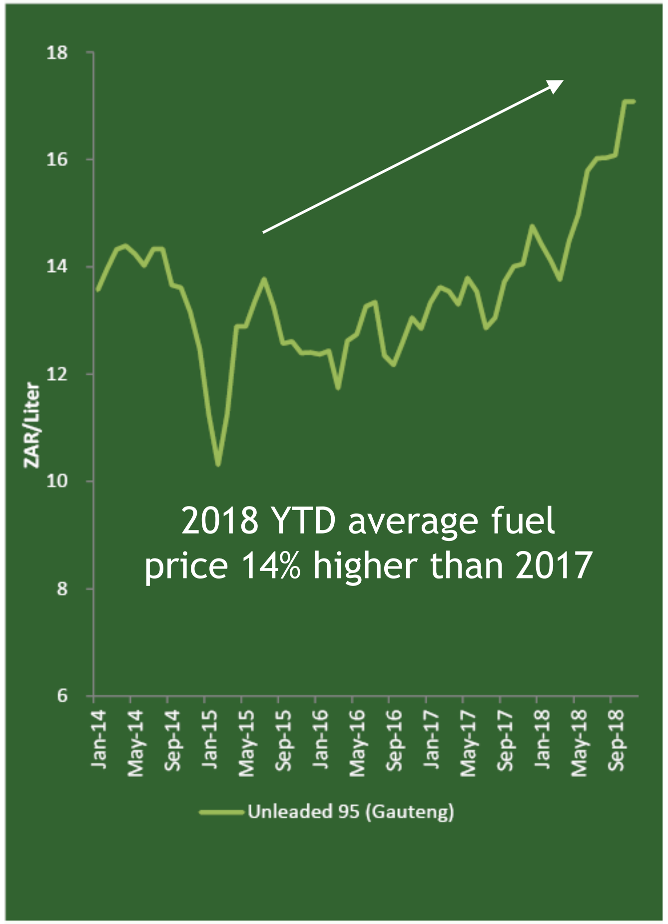
OUTLOOK

CHALLENGING AND DYNAMIC ECONOMIC CLIMATE

- SA Inc. needs to recover from 10 years of poor growth
- African Bank customers are disproportionately affected by rising transport and food prices
- African Bank is committed to advancing the lives of ordinary South Africans
- 2019 and 2020 will be challenging years, especially for the lending business

PETROL PRICE



EVOLUTION OF STRATEGY

We aspire to create solutions together, to advance lives

AN EMERGING DIGITAL COMPETITOR

- Commitment to ‘advancing lives’ is particularly relevant in the current socio-economic context
- Excited about possibilities as a result of diversifying our product range
- Remain confident in our ability to meet 2021 strategic objectives
- Our employee engagement score of 58% far exceeds South African benchmark of 37%
- A demonstrated capacity to deliver results

EMPLOYEE ENGAGEMENT

58%

SIGNIFICANTLY ABOVE
SA BENCHMARK 37%

CONTACT DETAILS AND INFORMATION

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Investor relations website

Information in respect of year ended 30 September 2018

- African Bank Holdings Limited
  Integrated Report and Results Presentation
- African Bank Holdings Limited and African Bank Limited
  Audited Annual Financial Statements
- African Bank Holdings Limited and African Bank Limited
  Basel III Pillar 3 Report
- Results summary
  Watch Basani Maluleke, our CEO and Gustav Raubenheimer, our CFO