

AFRICAN BANK GROUP RECORDS HALF BILLION RAND PROFIT IN FIRST EVER REPORT AS RETAIL AND BUSINESS BANK

SUCCESSFUL STRATEGIC DIVERSIFICATION SEES CUSTOMER NUMBERS LEAP TO FOUR MILLION

The African Bank Group has reported a solid financial performance for the year ending 30 September 2023, marked by significant milestones in its diversification strategy. The group achieved a net profit after tax of R505 million, showcasing its robust financial health.

These Annual Financial Results hold special significance for African Bank as it is the first time the bank has released its financial results as a fully-fledged retail and business bank. Founded by entrepreneurs as a solution to the obstacles hindering black economic growth, African Bank was always intended to serve both retail and business customers.

These results reflect the recapturing of that original mandate and the resilience not only of the organisation, but of its vision of a bank for the people, by the people, serving the people. It is a dream that has refused to die, despite the challenges that have threatened to derail it since the founding of African Bank in 1975.

The reclamation of this rich heritage, the inspiration behind its Excelerate25 strategy, has empowered African Bank's accelerated growth trajectory. It has created a strong platform from which African Bank can fulfill its purpose of advancing lives and become the trusted financial partner to underserved SMMEs, business owners, and the growing customer base it serves.

Kennedy G Bungane, African Bank Group CEO, expressed his satisfaction with the group's achievements, saying: "This year's financial results reflect our strong and

audacious commitment to strategic growth and diversification driven by our Excelerate25 strategy. Audacity has always been an African Bank trait. It takes audacity to defy the odds, which is what we have achieved with the evolution of African Bank from a mono-line credit lender to a fully-fledged retail and business bank. Our net profit is a testament to our resilience and sustainability, and our dedication to realizing the enduring vision of our founders."

One of the key highlights of this year's performance is the exceptional 41% growth in the net advances book, which has reached R32-billion. This growth is underpinned by the secured business banking loans, which now make up over a third of the total loans to customers.

The bank has also successfully diversified its funding base. Retail and business deposits have become a major part of the bank's funding, now accounting for 87% of the total R35-billion.

African Bank Group CFO, Anbann Chetti says: "Our diversified funding base is a critical component of our strategy, ensuring a stable and sustainable financial foundation for the bank."

He says another notable achievement is the bank's strong liquidity and capital position, with cash reserves of R10-billion. This solid position has enabled the bank to undertake two significant acquisitions while maintaining a capital adequacy of 30%.

The operational performance of the African Bank Group has been equally impressive. The interest income from the advances book grew by 28% to more than R7-billion, with a net interest margin of 11%. Despite an increase in the repo rate, the bank managed to reduce its cost of funding to 7.3%.

Additionally, non-interest income surged by 144% to R1.6 billion, driven by an increased customer bases and their transactions. Insurance profits also rose significantly by 92% to R670 million. The Business Banking division contributed a substantial R682 million in total net revenue in just 11 months. In total, group net revenue before impairments grew by 39% to R8-billion.

The Group's customer base has expanded significantly, now serving four million customers, a 158% increase from the previous year. Over one million customers are utilising the MyWORLD transactional account. The year also brought challenges, particularly for the Consumer Banking division's customers, who faced hurdles due to rising food prices, transport inflation, and the energy crisis. These factors contributed to an increased credit impairment charge.

Bungane says the group has been focused on granting selective loan disbursements because of tightening lending criteria and have made substantial improvements in the collection process. The Group remains focused on driving sustainable growth, diversifying its business, and expanding its business banking, consumer transactional, and insurance revenues.

Bungane remains optimistic about the future, stating: "While we faced some economic pressures this year, our overall performance and growth trajectory position us strongly for the future. We are committed to continuing our path of strategic diversification and growth."

Chetti says African Bank now has a solid foundation for positively scaling the business, building on the client base utilising the branch network with innovative digital solutions which effectively "become a branch in your pocket."

Looking ahead, Bungane says African Bank remains focused on driving sustainable growth while diversifying its business further and ensuring that the strong group balance sheet and liquidity is built upon.

“We will work hard at growing our business banking footprint, achieving scalability by cultivating strong relationships with our customers and expanding our reach into new markets.

“We are privileged to be able to follow in the footsteps of our founders by partnering with SMMEs and the communities we serve. Our vision demands that we be more than simply a bank. We are a movement manifesting itself as African Bank and we are determined to play a role in uplifting our people and fostering greater financial inclusion for those still relegated to the sidelines of the economic playing field.”

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