

Successful Acquisitions and Expanded Customer Base Drive African Bank's Accelerated Growth Trajectory

African Bank Group's interim financial results for the six months ended 31 March 2023 demonstrate noteworthy progress in the Group's ongoing strategic aspiration for diversification, growth and scale.

Operating income has increased by almost 50% and its expanded customer base has increased by 193% in 12 months.

During the first half of 2023, African Bank achieved notable milestones in its growth & diversification journey, marked by the successful acquisitions of Grindrod Bank and the assets and liabilities of Ubank.

These strategic moves have propelled the Bank's accelerated growth trajectory and expanded its footprint in consumer banking and entry into the business banking sector.

By entering the business banking space and bolstering its retail consumer banking division, African Bank has positioned itself to serve a broader customer base and support the ambitions of entrepreneurs.

The integration of Grindrod Bank and Ubank into the Group is nearing completion, and the newly merged and integrated entity is emerging as a diversified banking business with a significantly larger and stronger balance sheet.

Key highlights of the Group's consolidated results for H1 23 include:

- Net advances book of R32.4 billion (H1 22: R19.6 billion)
- Diversified funding base of R33.9 billion (H1 22: R15.9 billion) with a lower overall cost of funding

- Robust liquidity and cash reserves of R8.6 billion (H1 22: R4.8 billion)
- Strong capital position with a total capital adequacy of 29.4% (H1 22: 45.8%), surpassing regulatory and internal minimums

These enhancements have contributed to the Group's performance, as evidenced by the following key elements:

- Growing interest revenue to R3 914 million (H1 22: R2 716 million) with a net interest margin ratio of 11.7% (H1 22: 14.1%)
- Reduction in cost of funding to 7.4% due to a more diversified deposit product and customer mix
- Operating income before credit impairments increased by 47% to R3 995 million (H1 22: R2 722 million)
- Accelerated insurance profits from insurance captive arrangements, reaching R339 million (H1 22: R91 million)
- Effective operating cost containment, resulting in a marginally higher cost-to-income ratio of 58.0% (H1 22: 55.7%), and these including once off integration costs
- Improvement in non-interest income to R668 million (H1 22: R320 million)
- Execution of the Excelerate25 strategy, focusing on building a customer-centric, data and digitally enabled diversified and sustainable business

As a result of the organic and inorganic growth in this reporting period, the strong increase in operating income was offset by a deterioration in the credit quality reporting an increase in impairment of 240%. This has impacted the six month's performance resulting in a net loss after tax of R44million.

The Group's transformation is demonstrated by its expanded customer base, which has grown to 4.2 million active customers across banking platforms, representing a 193% increase from a year ago.

The Group's customer-centric, digital focus has driven an 80% increase in the usage of MyWorld transactional accounts, with 26.1 million transactions processed in the six-month period, amounting to a value of transactions processed of R29.7 billion.

African Bank CEO Kennedy Bungane says: “The current economic climate has presented challenges to household disposable income and extensive pressure on customer affordability and this has brought about a sharp increase in consumer credit impairments. This has resulted in a net loss after tax of R44 million for the Group in H1 23. That said, the Group remains well capitalized and with solid liquidity surpluses to support our franchise and customers through these difficult times. Furthermore we are cautiously optimistic about still meeting our financial year profit targets when reporting full-year results on 30 September 2023. We will continue to focus on driving the performance of our consumer banking lending portfolio, enhancing credit lending criteria, whilst fasttracking the balance of our risk weighted assets by growing our secured asset book in consumer and business banking.”

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