

AFRICAN BANK LIMITED

(Incorporated in the Republic of South Africa)
(Registered Bank)
(Registration No. 2014/176899/06)
LEI: 2549008X8SL1B1J86F98
Company code: ABKI
(the “Bank” or “African Bank”)

AFRICAN BANK HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration No.: 2014/176855/06)
Company code: ABLI
LEI: 254900UUEMIK0XL5A056
(“ABHL” or the “Group”)

RELEASE OF THE AUDITED ANNUAL FINANCIAL RESULTS FOR THE CONSOLIDATED AFRICAN BANK HOLDINGS LIMITED GROUP, AND RELATED AFRICAN BANK LIMITED INFORMATION FOR THE YEAR ENDED 30 SEPTEMBER 2023

African Bank Holdings Limited (“ABHL” or “African Bank Group”) is pleased to announce that the ABHL Group and its subsidiary company, African Bank Limited (“ABL” or “Bank”), released their audited annual financial statements for the year ended 30 September 2023 (“FY23”) (“Group consolidated results”, and “Bank results” respectively) today. The prior year comparative annual financial statements are for the year ended 30 September 2022 (“FY22”). The more comprehensive ABH Group consolidated results are addressed first, followed by the Bank’s stand-alone results.

ABHL Group consolidated results - building a diversified bank for growth while trading in a tough economic environment.

It has been two audacious years since the African Bank Group launched its “Excelerate25” strategy and much progress has been achieved in this short period. The key focus has been the building of a more fully-fledged bank with both consumer and business banking divisions by growing a diversified client base and product offerings that results in more diversified revenue streams and funding base.

The strategy of scaling up the business, and thus ensuring the Group’s sustainability, is evidenced by the two acquisitions we onboarded in this current reporting period. The acquisition of both Grindrod Bank and the Ubank assets and liabilities have not only spurred on our growth aspirations but have allowed us to diversify our business and de-risk our exposure to unsecured lending, while maintaining a well-capitalised balance sheet that supports the scalability and sustainability of the Group’s operations.

The Grindrod Bank acquisition is in line with our founding fathers’ vision that has enabled us to enter the business banking arena, and so provide banking services to underserved SMME’s and

entrepreneurs which creates further opportunities to grow our client base, but most importantly, fulfilling our customers' needs.

The Group's retail Consumer Banking division has also been bolstered with the successful acquisition of Ubank's assets and liabilities. The Ubank operations have been successfully integrated into the Consumer Banking operations, and we have turned this loss-making operation into one that contributes positively to the Group's profitability. The Consumer Banking division continues to expand their suite of products and service offerings with the launch of a secured home loan product and financing tech deals, including offering handset subscriptions offered by mobile companies. We continue to grow new retail customers, attracted by our competitive savings and investment rates, insurance products, affordable banking fees, the unique transactional banking opportunities afforded by our MyWORLD account, and our high level of customer service.

The African Bank Group is now a diversified entity, with a larger and stronger balance sheet consisting of:

- Net advances book growing by 41% to R32.0 billion (FY22: R22.6 billion), with secured business banking loans making up more than a third of our loans to customers and providing the planned diversification,
- A funding base that has further diversified with business and retail deposits, now making up 87% (FY22: 76%) of total funding of R34.6 billion (FY22: R16.6 billion),
- Sufficient liquidity with cash reserves totalling R9.9 billion (FY22: R2.8 billion), and
- A strong capital position that funded the two acquisitions, whilst maintaining an optimal capital adequacy post the acquisitions of 30.0% (FY22: 43.4%), exceeding regulatory and internal minimums.

This enlarged balance sheet has resulted in the following positive operational performances:

- Interest income earned on the advances book growing by 30% to R7.3 billion (FY22: R5.7 billion), with a net interest margin of 11.0% (FY22: 14.0%),
- Diversification benefits have resulted in the cost of funding reducing from 7.9% in FY22 to 7.3%, notwithstanding the 200 basis point increase in the repo rate over the same period,
- Non-interest income has grown by 144% to R1.6 billion (FY22: R0.7 billion) as more customers transact on their MyWORLD and Credit Card account, and acquire value added services from the Group,
- Insurance profits from cell captive arrangements have increased by 92% to R670 million (FY22: R349 million) mainly on the back of claims normalise,
- Business Banking contributing R682 million in total net revenue for the 11 months from the effective date of acquisition (1st November 2022),
- Total net revenue before impairments grew by 40% to R8.1 billion (FY22: R5.8 billion), and
- Operating expenditure increases with a cost to income ratio of 58.7% (FY22: 56.3%) as the Group is in an investment phase whilst integrating the new businesses.

The African Bank Group's diversification and scaling of the business is evident in the 4.0 million customers (FY22: 1.5 million) serviced on all Group platforms, up 158% from a year ago. The Consumer Banking division services 1.9 million customers who have credit products, transactional

bank accounts, savings products, funeral and credit life products. A further 2.1 million customers access products provided through our alliance partner networks consisting of Shoprite Checkers, Lesaka and MTN's Momo. The Business Banking division is already serving 19 thousand business customers across investments and secured loans.

Part of African Bank's mission is to build a digital and data enabled business. Over 1 million customers make use of our MyWORLD transactional bank account with its shared banking features, which increased by 44% year-on-year. Transactional volumes have increased to 53.4 million transactions (FY22: 35.0 million), representing R58.6 billion in value.

Notwithstanding the Group's positive operational performance highlighted above, the current financial year's results were negatively impacted as the Consumer Banking customer came under severe economic pressure, brought about by the rapid rise in food prices, transport inflation and the loadshedding energy crisis. This resulted in the Consumer Banking division's credit impairment charge rising considerably, culminating in an increase in the Group credit loss ratio to 8.0% (FY22: 4.9%). The full year credit loss ratio is however a considerable improvement from the 11.1% reported in the first half year to March 2023, brought about by a more select credit policy, and improved collections effectiveness.

Overall, the Group reported a net profit after tax of R505 million (FY22: R736 million profit) for the financial year ended 30 September 2023.

Looking towards the future, we remain focused to drive sustainable growth while diversifying our business further and ensuring we build on our strong Group balance sheet and liquidity. Our focus is on growing our business banking footprint, consumer transactional and insurance revenues by cultivating strong relationships with our customers and expanding our reach into new markets. The recently announced binding offer to acquire the capital equipment and commercial property finance advances books and operations from Sasfin speaks to fulfilling this strategy. The Group is confident in our ability to maintain our position as a trusted banking partner for our customers.

African Bank results

The African Bank's consolidated Annual Financial Statements represent the financial position and financial results of African Bank, its 100% directly held subsidiary (Grindrod Financial Holdings Limited) and its 100% indirectly held subsidiaries.

Similar to the Group's results above, the Bank has performed well, with improvements in its net interest income and non-interest revenue. However, the credit impairment charge for the year has more than doubled relative to that of the prior year because of the tough economic climate negatively affecting customers affordability. Selective disbursements were granted late in FY22 and in FY23 resulting following tightened credit criteria, and together with the encouraging collections improvements, have resulted in the second half of the FY23 charge being significantly lower than the first half.

This mainly contributed to the Bank consolidated entity in FY23 making a net loss after tax of R173 million (FY22: R341 million profit). See the results publication material below for more detail.

Results publication material

The following published documents are accessible on African Bank's website at www.africanbank.co.za under the "Investors/Financial Reporting" section:

1. African Bank Holdings Limited audited group consolidated annual financial statements for the year ended 30 September 2023;
2. African Bank Holdings Limited group investor presentation;
3. African Bank Holdings Limited group integrated report for the year ended 30 September 2023;
4. African Bank Holdings Limited group environmental, social and governance report for the year ended 30 September 2023;
5. African Bank Limited consolidated audited annual financial statements for the year ended 30 September 2023; and
6. African Bank Limited and African Bank Holdings Limited Basel Pillar III Disclosure documents as at 30 September 2023.
7. Grindrod Bank Limited's audited annual financial statements for the year ended 30 September 2023 can be accessed at the following link: <https://www.grindrodbank.co.za/Library>

The external auditors have issued unqualified audit reports on both the Bank and the Group's annual financial statements, which include no modifications.

The governance report is incorporated into the Environmental, Social and Governance report, and includes the various King IV disclosures, which can be accessed at www.africanbank.co.za under the "Investors/Corporate information/Environmental, Social and Governance report" section.

Webcast details, presentation material and playback facility

Interested parties are invited to register for a webcast during which Kennedy Bungane, ABH Group CEO, and several executives, will take participants through the ABHL consolidated annual year end results. Details of the webcast are:

Date	Tuesday, 21 November 2023
Time	10h00 SAST/CAT
Web pre-registration	Interested parties are requested to pre-register for this webcast https://msteams.link/U6GQ and follow the instructions provided.

A recording of the webcast will be available on the Bank's website at www.africanbank.co.za under "Investors/Financial Reporting".

21 November 2023

Debt sponsor

RAND MERCHANT BANK (a division of FirstRand Bank Limited)