

IOL

African Bank on road to recovery

Companies / 30 November 2016, 07:35am
Sandile Mchunu

Picture: Supplied

Johannesburg - African Bank yesterday reported a R1.7 billion loss, after goodwill impairment of R1.95bn, for the year to end September.

However, some aspects of the results were encouraging, as it reported an operating profit before tax for the period of R335 million and R269m after tax, with gross customer advances balances of R27.6bn. In addition the bank has a strong liquidity with cash balances totalling R12.9bn.

Chief executive Brian Riley said: "It is a privilege - and no small achievement - to deliver the first set of results for African Bank and the wider African Bank Holdings group within the brief period of trading following the curatorship and restructuring of the old African Bank.

"We believe our first six months of existence evidences significant improvement in all aspects of the business, while setting a good foundation for the transparent reporting and business transformation that will be essential to our success."

African Bank started to operate again in April after being in limbo for almost two years "and therefore the results reflected in these accounts were generated in the last six months of the financial year", the group said.

Riley added: "The foundation for success is being set. What we have achieved so far in a short period of time gives me confidence that we will deliver on our strategy to the benefit of all our stakeholders."

African Bank has 1.25 million customers on its books and an extensive branch network of 386 branches, with 150 000 loan applications per month.

Samantha Pauwels, a portfolio manager at Cannon Asset Managers, said the loss after tax was understandable because it was due to a large goodwill impairment of R1.9bn.

"The bank achieved an operating profit in the six months of R335m, better than forecast. Therefore on a normalised basis, the bank was profitable for the period. There is, however, a number of challenges the bank needs to address in order to remain profitable and ensure that they remain liquid, particularly in 2020 when their debt matures," said Pauwels.

She said one of the challenges facing the bank was South Africa's low gross domestic product growth and volatile economic environment. However, its diversity and turnaround strategy could keep it relevant in the market, she said.

"There is a comprehensive turnaround strategy in place, from upgrading IT and systems to improving the quality of the book. The bank has also diversified its product range, with the hope to grow retail savings and investments," she said.

"Overall, the bank remains in a tough space within the challenging local environment: High customer indebtedness, new regulations by the National Credit Act on insurance and the political uncertainty, all of which will have a negative impact on future growth. The outlook by the bank remains cautious," said Pauwels.