

26 November 2019

African Bank Group reports third successive year of increasing profits

Financial headlines

- Net profit after tax for the year up 13% to R 1.15 billion (FY 2018: R1.02 billion)
- ROE improved to 11.1% from 10.6%
- Retail deposits increased by 115% to R2.4 billion (FY 2018: R1.1 billion)
- Credit loss ratio improved to 6.9% from 11.7%
- New credit disbursements increased by 12% to R 10.8 billion (FY 2018: R9.6 billion)
- Gross advances book up 9% to R30.0 billion (FY 2018: R27.5 billion)
- Improved Core Equity Tier 1 ratio of 31.8% for African Bank Limited (Group 38%)

“The Group delivered a pleasing set of results, reporting a third successive year of increasing profits,” said African Bank CEO, Basani Maluleke.

“We have made good progress in achieving our strategic objectives. One of the Bank’s most important strategic objectives is the diversification of its product offering. We proudly launched our transactional product, MyWORLD, on our new Omni-channel in May this year. MyWORLD will significantly accelerate our efforts to diversify our revenue streams and broaden our customer base, while aiding our efforts to better understand our customers, attract additional retail deposits and grow our digital capabilities.

“We have continued to invest in and develop our Direct Sales and Digital channels. At the commencement of the new African Bank in 2016, 100% of our credit sales were originated and fulfilled through our branch network. Our branch network now accounts for 80% of our credit sales. The new sales channels are creating greater convenience for our customers as they allow our customers to bank 24/7 and through the channel of their choice. These new channels also demonstrate traction with the implementation of our digital strategy.”

Improved financial results

The Group reported a 13% increase in net profit after tax, reporting R1 154 million compared to R 1 018 million for the year ended 30 September 2018. This was largely due to improvements in the origination of our loan book and the collection of outstanding balances. An improvement in the insurance results and a more efficient balance sheet also had a positive effect.

Operating expenditure increased 13% to R2 966 million. The expenditure supported increased credit disbursements, additional recruitment for transactional banking and information technology, and additional marketing spend, particularly in respect of our new product offering and our retail deposits, as we continue our strategic transformation journey.



Prudent credit risk

African Bank continues to be a responsible provider of unsecured credit, providing South African consumers access to personal loans and credit cards. The South African consumer, however, remains under financial pressure against a muted economic backdrop. We have therefore reassessed the affordability of our customers and taken proactive steps to manage our credit risk through additional provisioning overlays and a reassessment of our credit underwriting criteria.

Despite this, the gross advances book has grown by 9% to R30 billion. We have maintained a significantly increased overall coverage level of 34% (FY 2018: 30%) as a result of the increased provisions under IFRS9. The overall proportion of the portfolio that represented lower risk customers improved to 84% of new business, as at 30 September 2019, from 83% as at 30 September 2018.

New loan and credit card business, written for the year under review, was R10 812 million (FY 2018: R9 656 million). This represents an increase of 12% year-on-year, with the Direct Sales channel contributing R1 698 million (2018: R484 million), and the new web channel contributing R451 million. Together, Direct Sales and the Web channel contribute 20% of sales, compared to 6% in 2018.

Retail deposits up to R2.4 billion

African Bank's strategy to diversify its funding base and optimise its balance sheet to improve competitiveness has progressed significantly. The provision of market leading Savings and Investments rates and the launch of MyWORLD has resulted in portfolio growth of 115% to R2.4 billion, from R1.1 billion a year ago. This funding base now represents 12% of total funding liabilities. This is expected to continue to grow, allowing us to reach our non-wholesale funding target of 25% by 2021.

The number of retail Savings and Investments depositors has increased to 26 000 from 15 000, while the average deposit has increased to R88 000 from R72 000 over the same period. These figures both show increasing trust by retail customers in the sustainability of the Bank.

Launch of MyWORLD significant to accelerate strategic objectives

African Bank's transactional banking product, MyWORLD was launched to customers on 21 May 2019. MyWORLD has been designed to be inherently customer-centric, it allows personalisation of the account to meet individual preferences and MyWORLD has a zero monthly fee. The Bank also offers the highest rate on savings and deposits made in MyWORLD accounts. Since May, 100 000 new accounts have been opened and 50% of account holders are new to Bank customers.



Robust capital and liquidity

The business continues to operate with robust levels of capital and liquidity. Liquidity levels have been impacted positively through the increase in retail deposits, which represent 12% of the funding base. We are gradually reintegrating into the debt capital markets. We also continue to work with our shareholders to execute a shareholder liquidity support to accelerate our reintegration into the debt capital markets, to fund the growth of the Bank.

Commenting on the outlook of the Group, Maluleke noted, “The successes during 2019 were achieved in a challenging macroeconomic environment. The South African consumer remains under financial pressure and we remain prudent in our credit underwriting.

“In the year ahead, in addition to our credit sales, we will invest in the sales of MyWORLD, our funeral product, as well as our retail deposit products. We also plan to launch new products to further diversify our offering and meet customer needs. We will also focus on the further development of our big data capabilities, which will enable us to optimise costs, improve our credit underwriting and collections and move us closer to becoming a leader in customer satisfaction”.

ENDS

Conference call today at 10 am

Interested parties are invited to register for a conference call during which Basani Maluleke (CEO) and Gustav Raubenheimer (CFO) will take participants through the operational highlights, financial results and business prospects.

Details of the conference call are:

- Date: Tuesday, 26 November 2019
- Time: 10h00 SAST

Interested parties are requested to pre-register for this conference call at the following

<http://www.diamondpass.net/1659871>

and follow the instructions provided. A recording of the results will be available on the Bank’s website after the presentation.

Contact:

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On behalf of CEO of African Bank, Basani Maluleke

Notes to editors



About African Bank

African Bank is a 100% subsidiary of African Bank Holdings Limited (“ABH” or “ABH group”). ABH is an unlisted registered bank controlling company under the Banks Act, Act 94 of 1990. The shares in ABH are privately held by the South African Reserve Bank, the Government Employees Pension Fund, ABSA Trading and Investments Solutions Proprietary Ltd, Capitec Bank Limited, FirstRand Bank Limited, Investec Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited.

The ABH group has material insurance operations that are housed in African Insurance Group Limited, a separate 100% held subsidiary of ABH which, in turn, holds a cell captive investment in Guardrisk Limited (“cell captive”). The cell captive investment, owned 100% by African Insurance Group Limited, is not consolidated by the ABH group according to International Financial Reporting Standards (IFRS), although the financial performance of this entity is dealt with in the unaudited consolidated financial statements, by means of a re-measurement of the investment in insurance contracts.

African Bank offers a diversified range of products and services that compete on the basis of innovation, creating customer value and socially responsible banking.

Building and maintaining a reputation of trustworthiness is a key element in our development of a successful business.

Culture, customer-centricity and data are the three pillars of our strategy. In today’s dynamic world, the companies who are the most customer-centric will win. We strive to understand our customers so that we speak to them in a way that is relevant and offer them products that are right for them. Here, our focus on data will play a big role. Having the right information at the right time to make the right offers to our customers is a key enabler of customer-centricity.

