

## **AFRICAN BANK LIMITED**

(Incorporated in the Republic of South Africa)

(Registered Bank)

(Registration No. 2014/176899/06)

Company code: ABKI

("the Bank" or "African Bank")

### **RELEASE OF THE AUDITED FINANCIAL RESULTS FOR AFRICAN BANK LIMITED AND RELATED GROUP INFORMATION FOR THE YEAR ENDED 30 SEPTEMBER 2019**

African Bank is pleased to announce the release of the audited annual financial statements for the year ended 30 September 2019 ("results").

These results represent the fourth set of annual financial results reported by the Bank and its holding company African Bank Holdings Limited ("ABH" or "ABH Group"), which also released its audited consolidated annual financial statements for the year ended 30 September 2019 ("ABH consolidated results") today.

In the year under review, African Bank has continued to be a responsible provider of unsecured credit to South African consumers. Credit risk continues to be well within the Bank's risk appetite, while new credit disbursements have increased against a backdrop of stricter credit underwriting criteria. The Bank has also continued to invest in new capabilities to diversify its business as well as to take advantage of new technologies that will enable the Bank to become a formidable competitor in the banking sector. This investment in new capabilities combined with regulatory changes has resulted in a decline in operating profit for the Bank.

The ABH Group changed the basis of calculating the fees paid by its cell captive investment in Guardrisk Life Limited ("cell captive investment") during the prior year. This resulted in fees earned by the Bank from the cell captive investment during the current financial year being R183 million (before tax) less than the previous financial year. This change, which was necessitated by a change in regulation, had a corresponding negative effect on the Bank's earnings for the year ended 30 September 2019, but did not affect the ABH Group earnings, since the insurance operation paid a correspondingly lower fee to the Bank.

The Bank launched its transactional banking proposition, MyWORLD, on 21 May 2019, which signals a new phase in the Bank's growth. An increasing number of retail deposit customers continue to show trust in the Bank, as evidenced by the significant increase in savings and investments deposits. The ABH Group continues to maintain robust capital levels and surplus liquidity.

Key aspects of the African Bank results, in comparison to the previous audited year's audited results, include the following:

- Operating profit before tax: R309 million (2018: R485 million)
- Profit after tax: R217 million (2018: R303 million)
- Net customer advances balances: R19 815 million (2018: R18 178 million)
- Cash deposits, including surplus liquid assets: R5 647 million (2018: R8 246 million)

- Retail customer deposits: R2 391 million (2018: R1 111 million)
- Core Equity Tier 1 capital adequacy ratio: 31.8% (2018: 31.5%)

The audit report on the results was unqualified and there were no restatements to the previously published 2018 results.

### **ABH Group information**

African Bank is a 100% subsidiary of ABH. 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 Group Limited, Capitec Bank Limited, FirstRand Bank Limited, Investec Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited.

ABH has material insurance operations which are housed in African Insurance Group Limited (“AIG”), a wholly-owned subsidiary of ABH, which in turn holds a cell captive investment in Guardrisk Life Limited. The financial performance of the cell captive investment, 100% owned by AIG is not consolidated by ABH Group in accordance with International Financial Reporting Standards (“IFRS”). The financial performance of AIG is dealt with in the audited consolidated annual financial statements of ABH Group by means of a re-measurement of the investment in insurance contracts and the dividend received from such cell captive.

Key aspects of the ABH consolidated results, in comparison previous year’s audited consolidated results, include the following:

- Profit after tax for the year: R1 154 million (2018: R1 018 million)
- Core Equity Tier 1 capital adequacy ratio: 38.0% (2018: 34.9%)

Profit after tax for the year increased by 13%, which is a pleasing result in light of the difficult economic back-drop and the investment the Bank has been making in its future capabilities.

### **Shareholder-backed liquidity support arrangement**

The Bank continues to work closely with the ABH Group shareholders in respect of a planned shareholder-backed liquidity support arrangement.

### **Results publication material**

The following published results in respect of the year ended 30 September 2019 will be accessible on African Bank’s website at [www.africanbank.co.za](http://www.africanbank.co.za) under the “Investors/Financial Reporting” section as well as available at the Bank’s registered office, 59-16<sup>th</sup> Road, Midrand:

1. African Bank Holdings Limited Annual Integrated Report;
2. African Bank Holdings Limited Investor presentation;
3. African Bank Holdings Limited Audited Group Consolidated Annual Financial Statements; and
4. African Bank Limited Audited Annual Financial Statements.

### **Changes to the Board of Directors**



Sybille McCloghrie, who was appointed to the ABH Group and Bank Boards on 28 July 2015, resigned from these boards with effect from 22 November 2019. She simultaneously resigned as a member of the Remuneration Committee, Sustainability, Ethics and Transformation Committee and the Technology and Information sub-Committee.

Frans Truter, who was appointed to the ABH Group and Bank Boards on 7 August 2015, resigned from these Boards with effect from 30 November 2019. He also simultaneously resigned as a member of the Remuneration Committee and Directors' Affairs and Governance Committee, and as Chairman of the Audit Committee.

The Board Committees have been reconstituted, taking into account the above resignations and further details appear in the Corporate Governance section of the ABH Group's Annual Integrated Report which was published on 26 November 2019 on the Bank's website at [www.africanbank.co.za](http://www.africanbank.co.za) under the "Investors/Financial Reporting".

The Board would like to express their thanks to Ms McCloghrie and Mr Truter for their dedicated service to the Group during their tenure on the Board.

#### Conference call details, presentation material and playback facility

Interested parties are invited to register for a conference call during which Basani Maluleke, ABH Group CEO and Gustav Raubenheimer, ABH Group CFO, will take participants through the results. Details of the conference call are:

Date	Tuesday, 26 November 2019
Time	10h00 SAST/CAT
Web pre-registration	Interested parties are requested to pre-register for this conference call at <a href="http://www.diamondpass.net/1659871">http://www.diamondpass.net/1659871</a> and follow the instructions provided.

A transcript of the conference call will be available on the Bank's website at [www.africanbank.co.za](http://www.africanbank.co.za) under "Investors/Financial Reporting".

26 November 2019

#### Debt Sponsor

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