

## **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 UNAUDITED INTERIM FINANCIAL RESULTS FOR AFRICAN BANK LIMITED AND RELATED GROUP INFORMATION FOR THE SIX MONTHS ENDED 31 MARCH 2020**

African Bank is pleased to announce that the Bank and its holding company, African Bank Holdings Limited (“ABH” or “ABH Group” or the “Group”), released their unaudited interim financial statements for the six months ended 31 March 2020 (“results” and “ABH consolidated results”, respectively) today.

African Bank’s results for the six-month period has been impacted materially by the worsening macroeconomic conditions, which have been intensified by the global Covid-19 pandemic. The health and humanitarian crisis caused by the pandemic has exacerbated the negative impact of a fragile economy on all South Africans.

For the six months ended 31 March 2020, African Bank reported a net loss after tax of R311 million, compared to a R69 million profit reported at our 2019 half-year. A significant Covid-19 specific provision, amounting to R550 million, was processed in this reporting period, increasing the credit impairment charge. The Covid-19 specific provision is a best estimate calculated on the information, such as collection data, available to the end of May 2020. Excluding the Covid-19 specific adjustment, the Bank recorded a net profit after tax of R85 million on a pre-Covid-19 adjustment basis.

The Bank’s transactional banking proposition, MyWORLD, which was launched on 21 May 2019, continues to grow steadily, with over 258 000 accounts opened in the past 10 months. We are also extremely pleased with the increasing number of retail deposit customers who continue to show trust in the Bank, as evidenced by the significant increase in savings and investments deposits of 158% on a year-on-year basis to R3.8 billion. These deposits have continued to grow notwithstanding the Covid-19 lockdown. The Bank continues to maintain robust capital levels and surplus liquidity.

Key aspects of the African Bank results, in comparison to the unaudited interim results for the six months ended 31 March 2019, include the following:

- Loss after tax: R311 million (H1 2019: R69 million profit). On a pre-Covid-19 adjustment basis, profit after tax amounted to R85 million
- Net customer advances balances: R18 995 million (H1 2019: R19 182 million);
- Cash deposits, including surplus liquid assets: R5 393 million (2019: R5 990 million);
- Retail customer deposits, including transactional banking balances: R3 836 million (H1 2019: R1 489 million); and
- Total capital adequacy ratio: 36.6% (H1 2019: 36.6%).

## 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 Trading and Investment Solutions (Proprietary) 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.

In addition to the Bank’s Covid-19 specific provision amounting to R550 million, the insurance entity increased its Incurred But Not Reported (“IBNR”) provision to account for future expected claims related to the Covid-19 pandemic, by R303 million. The total pre-tax impact of these two Covid-19 specific adjustments amounts to R853 million, negatively impacting the ABH Group after tax profits by R614 million.

On a pre-Covid-19 adjustment basis, after removing the pandemic-specific charges totalling R614 million, the net profit after tax, year-on-year, decreased by 6% to R503 million.

On a post-Covid-19 adjustment basis the ABH Group reported a net loss after tax of R111 million for the six months ended 31 March 2020 (H1 2019: R533 million profit). As a consequence, the Group’s return on equity (“RoE”) was a negative 2.1% (H1 2019: positive 10.9%).

Key aspects of the ABH consolidated results, in comparison to the unaudited consolidated interim results for the six months ended 31 March 2019, include the following:

- Loss after tax for the year: R111 million (H1 2019: profit R533 million). On a pre-Covid-19 adjustment basis, profit after tax amounted to R503 million;
- Insurance profit for the year: R146 million (H1 2019: R441 million); and
- Total capital adequacy ratio: 40.1% (H1 2019: 37.3%).

## Restatement of the prior year comparative numbers

In both the results and the ABH consolidated results, there has been a restatement of certain numbers on the prior periods comparative statement of total comprehensive income for the six months ended 31 March 2019. Changes in expected credit losses on purchased credit impaired financial assets (such as the advances book acquired from Residual Debt Services Limited), where such favourable changes exceed the loss allowance estimated at initial recognition, were included in interest income on advances instead of credit impairment charge. This classification adjustment had no impact on the reported profit for period. Further detail is included in the respective interim financial statements.

## 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 six months ended 31 March 2020 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 at the Bank's registered office, 59-16<sup>th</sup> Road, Midrand:

1. African Bank Holdings Limited unaudited group consolidated condensed interim financial statements for the six months ended 31 March 2020;
2. African Bank Holdings Limited investor presentation and interim results booklet;
3. African Bank Limited unaudited condensed interim financial statements for the six months ended 31 March 2020; and
4. African Bank Limited and African Bank Holdings Limited Basel Pillar III Disclosure documents as at 31 March 2020.

## Webcast details, presentation material and playback facility

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

Date	Wednesday, 24 June 2020
Time	10h00 SAST/CAT
Web pre-registration	Interested parties are requested to pre-register for this webcast at <a href="#">live webcast</a> and follow the instructions provided.

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

24 June 2020

## Debt Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)