

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”)

RELEASE OF THE AUDITED ANNUAL FINANCIAL RESULTS FOR AFRICAN BANK LIMITED, AND RELATED GROUP INFORMATION FOR THE YEAR ENDED 30 SEPTEMBER 2022

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 audited annual financial statements for the year ended 30 September 2022 (“results” and “ABH consolidated results”, respectively) today. The more comprehensive ABH Group consolidated results are addressed first, followed by the Bank’s stand-alone results.

ABH Group consolidated results

The Group’s net profit after tax for the current year ended 30 September 2022 (“FY 22” or “current reporting period”) has improved significantly by 38%, to R736 million, from R534 million for the comparable prior year ended 30 September 2021 (“FY 21”).

Key aspects of the ABH consolidated results for FY 22, in comparison to FY 21, include the following:

- Net profit after tax up 38% to R736 million (FY 21: R534 million);
- Credit impairment charge up 7% to R1 436 million (FY 21: R1 341 million);
- Net customer advances balances up 38% to R22 647 million (FY 21: R16 462 million);
- Cash deposits and financial investments, including surplus liquid assets down 69% to R2 789 million (FY 21: R9 019 million);
- Retail savings and investment customer deposits, increased by 15% to R10 840 million (FY 21: R9 401 million);
- Transactional banking MyWORLD balances increased by 54% to R1 405 million (FY 21: R914 million);
- Insurance profit after taxation down 26% to R366 million (FY 21: R496 million); and
- Total Group capital adequacy ratio: 43.4% (FY 21: 43.3%).

The ABH Group has significantly grown its business by taking huge strides forward in delivering on its ‘Excelerate25’ strategy, launched towards the end of FY 21. The strengthened position is largely due to:

- strong retail loan disbursements exceeding pre-Covid-19 levels;
- the inaugural issuance of the first corporate loan adding to the Group’s product diversification;

- growing interest revenue earned on a larger advance book;
- stable credit impairments, as credit criteria returned to normal levels;
- aligning of credit provisioning policies with industry practices;
- accelerated insurance payments from insurance captive;
- effective operating cost containment, notwithstanding increased business activity;
- a diversified funding mix; and
- an improvement in non-interest income, as more credit cards and transactional banking MyWORLD accounts were opened and usage increased.

The Group tightened its credit criteria in 2020, due to the impact of the coronavirus pandemic lockdowns. These credit-granting criteria were once again relaxed in FY 21. The normalising of the credit criteria continued into the first half of our 2022 financial year and contributed to the Group's retail loan disbursements increasing by 87%, year-on-year, from R7 514 million in FY 21 to R14 016 million in the current financial year. In addition, the focussed actions taken to grow disbursements within the sales transformation and sales distribution strategic themes of our 'Excelerate25' strategy also contributed to a stellar financial performance.

The strong retail disbursements growth, together with the inaugural issuance of a corporate loan to a strategic business partner, has successfully addressed the declining gross advances trend of prior years. The gross advances balance has grown by 26% year-on-year. This has had a positive effect on interest income, and, together with a reduction in the cost of funding, resulted in the net interest margin increasing by 19% year-on-year, from R4 002 million to R4 771 million.

Notwithstanding the significant growth in the advances balance, the credit impairment charge increased by only 7% year-on-year. The deterioration in collections, partly due to the industry implementation of DebiCheck in October 2021, and the strong disbursements growth in the current reporting period requiring upfront IFRS charges to be recognised have increased the credit loss charge. This increase has been offset by additional insurance benefit payments received from the insurance entity, which together with the change in the write-off policy, and curing of qualifying debt counselling loans, have decreased the charge. As a result, the credit loss ratio of average advances improved slightly to 4.8% (FY 21: 4.9%), while customer balances remain conservatively provided for, with a coverage ratio of 31.7% (FY 21: 37.5%). The coverage ratio is down from the prior year, owing to the inclusion of the new performing corporate loan and the recalibration of various models, following changes to the insurance benefits, write-off policy and curing rules.

Operating costs have been well-contained in the current reporting period, with a 6% increase compared to the prior year, and is mainly attributable to greater operating activity during the current reporting period.

Notwithstanding the increased disbursements reported in FY 22, and the maturing of expensive wholesale debt liabilities, the Group's balance sheet remains liquid, with adequate cash resources of R2.8 billion (FY 21: R9.0 billion). Equity capital of R11.9 billion (FY21: R11.2 billion) continues to grow; representing Group total capital levels of 43.4% (FY 21: 43.3%). The Group's balance sheet and liquidity position will be further strengthened in FY 23, as a result of the Grindrod Bank acquisition and the acquisition of the assets and liabilities of Ubank.

African Bank results

African Bank's profits for FY 22 continued to show significant improvement compared to that of a year ago. The Bank reported a net profit after tax of R341 million for FY 22, well ahead of net profit after tax reported for FY 21 of R2 million.

Key aspects of the African Bank results for FY 22, in comparison to FY 21, include the following:

- Profit after tax: R341 million (FY 21: R2 million);
- Credit impairment charge: R1 436 million (FY 21: R1 341 million);
- Net customer advances balances: R22 647 million (FY 21: R16 462 million);
- Cash deposits and financial investments, including surplus liquid assets: R2 623 million (FY 21: R7 556 million);
- Retail savings and investment customer deposits: R10 840 million (FY 21: R9 401 million);
- Transactional banking MyWORLD balances: R1 405 million (FY 21: R914 million); and
- Total capital adequacy ratio: 44.0% (FY 21: 42.5%).

Restatement of the prior period comparative numbers in the African Bank results and ABH consolidated results

In the current financial year, management redesigned the cash from operating activities section of the Statement of Cash Flows, which was prepared using the indirect approach and included additional detail generally disclosed in the direct approach. The revised design removes any additional disclosure not required in the indirect approach. Management is of the view that the revised design provides information that is more easily understandable and is aligned to industry practice.

As part of the redesign:

- Income earned from lending activities and other adjustments, previously disclosed as a line item in the "cash generated from operations" note called "income received from lending activities" has now been included in the "interest received" line item on the face of the Statement of Cash Flows;
- Income earned from non-lending activities, previously disclosed as a separate line item on the face of the Statement of Cash Flows, is now no longer separately disclosed, because as required by the indirect method, it is already included in Profit/(loss) before tax in the "cash generated from operations" note; and
- Certain items that were disclosed in the cash generated from operations note are now disclosed on the face of the Statement of Cash Flows.

Refer to note 37.1.1 in African Bank's annual financial statements 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 2022;
2. African Bank Holdings Limited group investor presentation;
3. African Bank Holdings Limited group integrated report for the year ended 30 September 2022;
4. African Bank Holdings Limited group environmental, social and governance report for the year ended 30 September 2022;
5. African Bank Limited audited annual financial statements for the year ended 30 September 2022; and
6. African Bank Limited and African Bank Holdings Limited Basel Pillar III Disclosure documents as at 30 September 2022.

The external auditors have issued unqualified audit reports on both the Bank and Group 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 Gustav Raubenheimer, ABH Group CFO, will take participants through the ABH consolidated annual results. Details of the webcast are:

Date	Tuesday, 29 November 2022
Time	10h00 SAST/CAT
Web pre-registration	Interested parties are requested to pre-register for this webcast Click here 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”.

29 November 2022

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