

## **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 UNAUDITED INTERIM FINANCIAL RESULTS FOR AFRICAN BANK LIMITED, AND RELATED GROUP INFORMATION FOR THE SIX MONTHS ENDED 31 MARCH 2023**

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 2023 (“H1 23”) (“results” and “ABH consolidated results”, respectively) today. The prior year comparative interim financial statements are for the six months ended 31 March 2022 (“H1 22”). The more comprehensive ABH Group consolidated results are addressed first, followed by the Bank’s consolidated results.

#### **ABH Group consolidated results - a changed and diversified banking Group**

Eighteen months ago, the ABH Group adopted our audacious Excelerate25 strategy with the aim of pivoting from a purely unsecured lending business to a fully-fledged consumer and business banking business. The H1 23 interim results, at the halfway mark of this strategic journey, reveal that we have made great strides in delivering on our Excelerate25 strategy, and is a markedly different banking Group to the one we were a year ago.

In the past 6 months, African Bank has acquired both Grindrod Bank and the assets and liabilities of Ubank in a landmark development that provides further impetus to the Group’s accelerated growth trajectory. The Grindrod Bank acquisition enables the Bank to stride confidently into the business banking space. It’s an area that, we believe, holds huge potential, particularly in the under-served SMME market. Our entry into the business banking space heralds the return to our original mandate, which was to support the ambitions of entrepreneurs. It is an ideal which underlines our commitment to making a tangible difference in the lives of our people, especially now as our country grapples with issues of high unemployment, loadshedding, and economic stagnation.

Our retail Consumer Banking division has also been bolstered with the successful acquisition of Ubank’s assets and liabilities. The Ubank operations have been integrated into the Consumer Banking operations and has already turned from a loss-making operation to breaking even.

With the integration of Grindrod Bank and UBank into the Group nearing completion, these transformational acquisitions will now form the foundation from which the new enlarged Group is poised to springboard its growth aspirations and further diversify its customer offerings and customer base. The previous three cultures have now been merged, with all staff having been successfully integrated.

The newly merged and integrated Group is now a changed and diversified banking business, with a significantly larger and stronger balance sheet consisting of:

- A net advances book of R32.4 billion (H1 22: R19.6 billion),
- A more diversified funding base totalling R33.9 billion (H1 22: R15.9 billion), with a lower overall cost of funding,
- Robust liquidity and cash reserves totalling R8.6 billion (H1 22: R4.8 billion), and
- A strong optimised capital position following the diversification benefits from the acquisitions, with total capital adequacy of 29.4% (H1 22: 45.8%), exceeding regulatory and internal minimums.

As a result of the enlarged consumer and business banking operations, the Group delivered positively on the following key elements:

- Growing interest revenue earned to R3 914 million (H1 22: R2 716 million), with a net interest margin ratio of 11.7% (H1 22: 14.1%),
- Cost of funding reduced from 7.7% to 7.4%, benefiting from a more diversified deposit product and customer mix,
- Operating income before credit impairments growing by 47% to R3 995 million (H1 22: R2 722 million),
- Accelerated insurance profits from insurance captive arrangements, increasing by 273% to R339 million (H1 22: R91 million),
- Effective operating cost containment despite the higher inflationary environment and once off integration costs, resulting in a marginally higher cost to income ratio of 58.0% (H1 22: 55.7%),
- An improvement in non-interest income of 109% to R668 million (H1 22: R320 million), and
- Our Excelerate25 strategy, which envisages building a customer-centric, digital and data enabled business that is scalable, diversified, and sustainable, with a compelling listing proposition.

The ABH Group has changed and evolved from an unsecured loan granting business into a bank that has diversified and now services 4.2 million customers on all Group platforms, up 193% from 1.4 million customers a year ago. Of these 4.2 million customers, 115 thousand are investing in our attractive savings products (up 52% from a year ago), 1.2 million are using the functional and user friendly MyWORLD transactional banking accounts (up 101% from a year ago), 2.2 million access products provided through our alliance partner networks consisting of Shoprite Checkers, Lesaka and MTN's Momo (new to the Group), 1.2 million have taken out loans and credit cards to improve their lives (up 5% from a year ago), 95 thousand have acquired funeral policies (up 2% from a year ago), while 20 thousand business customer transact with the Group (new to the Group) across investments and secured loans. Our customer-centric, digital focus has enabled an 80% increase in the usage of our transactional accounts, with 26.1 million transactions (H1 22: 14.5 million) having been processed in the 6-month period, representing a 52% increase in transactional value to R29.7 billion (H1 22: R19.6 billion).

The current reporting period's results were negatively impacted as the Consumer Banking customer came under severe economic pressure, brought about by the rapid rise in food prices,

transport inflation and the loadshedding energy crisis. This resulted in the Consumer Banking division's credit impairment charge rising considerably, culminating in a rise in the Group credit loss ratio to 11.1% (H1 22: 4.8%). This contributed to the Group reporting a net loss after tax of R44 million (H1 22: R372 million profit) for H1 23.

The Group anticipates returning to profitability when we report our full year results to 30 September 2023 ("FY23"). The second half of FY23 ("H2 23") will continue with a laser focus on the Consumer Banking's lending portfolio to ensure that the performance of this book improves during H2 23 following enhancements in our credit lending criteria that takes cognisance of the tough operating environment. In the Business Banking segment, the key focus is on loan book and transactional base growth. Growing the transactional base will be achieved by conversion of new customers to primary customers, increasing MyWORLD, card usage and growth in the business banking transactional offering. Furthermore, ensuring the successful integration of both acquisitions is key, which includes unlocking of the UBank customer base through the launch of our Zwakala campaign and the development of product combinations to improve cross-sell.

As the Group looks towards the future, we remain focused on driving sustainable growth, cultivating strong relationships with our clients, and expanding our reach into new markets. We are confident in our ability to maintain our position as a trusted banking partner for our customers.

## **African Bank results**

The African Bank's consolidated Interim Financial Statements represent the financial position and financial results of African Bank Limited, its 100% directly held subsidiary (Grindrod Financial Holdings Limited) and its 100% indirectly held subsidiaries.

African Bank has also successfully integrated the assets and liabilities of Ubank into its operations, with effect from 1 November 2022. Aside from this inorganic growth, the Bank has also grown organically, matching the disbursements of the comparable period last year. The intentional tighten of credit criteria has resulted in loans and advances being disbursed on a conservative basis, significantly lower than that of the second half of FY22.

Over this reporting period, African Bank has performed well, with improvements in its net interest margin and non-interest revenue. However, its credit impairment charge has spiked as a result of the tough economic climate which continues to negatively affect certain customers' affordability and ability to meet their loan payment obligations.

The African Bank consolidated entity made a net loss after tax of R390 million for the reporting period. See the results publication material below for more detail.

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

In the African Bank results and ABH consolidated interim results for the six months ended 31 March 2022, the deposits with the SARB were previously included in *regulatory deposits and sovereign*

*debt securities* in the statement of financial position (“SFP”). This has now been reclassified to *cash and cash equivalents* in the SFP.

### Results publication material

The following published documents are accessible on African Bank’s website at [www.africanbank.co.za](http://www.africanbank.co.za) under the “Investors/Financial Reporting” section:

1. African Bank Holdings Limited unaudited group consolidated interim financial statements for the six-months ended 31 March 2023;
2. African Bank Holdings Limited group investor presentation and interim commentary booklet;
3. African Bank Limited unaudited consolidated interim financial statements for the six-months ended 31 March 2023; and
4. African Bank Limited and African Bank Holdings Limited Basel Pillar III Disclosure documents as at 31 March 2023.

### Webcast details, presentation material and playback facility

Interested parties are invited to register for a webcast during which Kennedy Bungane, ABH Group CEO, and several executives, will take participants through the ABH consolidated interim results. Details of the webcast are:

Date	Wednesday, 7 June 2023
Time	10h00 SAST/CAT
Web pre-registration	Interested parties are requested to pre-register for this webcast <a href="#">Click here</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”.

7 June 2023

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