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 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 unaudited interim financial statements for the six months ended 31 March 2022 ("results" and "ABH consolidated results", respectively) today. The Bank's stand-alone results are briefly addressed first, followed by the more comprehensive ABH consolidated results.

African Bank results

African Bank's profits for the current six-month reporting period ended 31 March 2022 ("H1 22" or "current reporting period") showed significant improvement compared to that of a year ago. The Bank reported a net profit after tax of R257 million for H1 22, having experienced a loss in the comparable six-month period ended 31 March 2021 ("H1 21") of R135 million.

Key aspects of the African Bank results for H1 22, in comparison to H1 21, include the following:

- Profit after tax: R257 million (H1 21: R135 million loss);
- Credit impairment charge: R658 million (H1 21: R850 million);
- Net customer advances balances: R19 628 million (H1 21: R16 698 million);
- Cash deposits and financial investments, including surplus liquid assets: R4 807 million (H1 21: R5 533 million);
- Retail customer deposits, including transactional banking balances: R10 957 million (H1 21: R8 622 million); and
- Total capital adequacy ratio: 40.1% (H1 21: 42.7%).

ABH consolidated results

The Group's net profit after tax has improved significantly by 145%, from R152 million in H1 21, to R372 million in H1 22.

Key aspects of the ABH consolidated results for H1 22, in comparison to H1 21, include the following:

- Net profit after tax: R372 million (H1 21: R152 million);
- Credit impairment charge: R658 million (H1 21: R850 million);

- Net customer advances balances: R19 628 million (H1 21: R16 698 million);
- Cash deposits and financial investments, including surplus liquid assets: R4 812 million (H1 21: R7 984 million);
- Retail customer deposits, including transactional banking balances: R10 957 million (H1 21: R8 622 million);
- Insurance profit after taxation for the year: R91 million (H1 21: R251 million); and
- Total Group capital adequacy ratio: 45.8% (H1 21: 43.6%).

As the South African economy continues to recover, the ABH Group saw a marked improvement in its 2021 financial year ("FY21") financial performance compared to the 2020 financial year ("FY20"). Aided by a robust 'Excelerate25' strategy, significant improvement continued into the current reporting period, largely due to:

- Strong retail loan disbursements and an inaugural corporate loan issuance;
- Growing advances book positively impacting net interest margins;
- Well-contained credit impairments as credit criteria are normalised;
- Improved benefits from insurance arrangements reducing profits from insurance entities which resulted in a release of impairments in the Bank;
- Continued improvement in our funding mix and associated cost of funding;
- An improvement in non-interest income as more transactional banking MyWORLD accounts are opened and usage increases; and
- Operating cost containment evident notwithstanding the increased activity.

The tightening of the Group's credit granting criteria in FY20 led to a substantial reduction of disbursements following the outbreak of the coronavirus pandemic. As lock down levels were subsequently relaxed, the Group gradually started to normalise its credit-granting criteria in FY21, which continued into this current reporting period. Together with the initiatives taken in the sales transformation and distribution strategic theme of Excelerate25, retail loan disbursements increasing by 89% year-on-year from R3 360 million in H1 21 to R6 351 million in the current reporting period.

This increase in retail disbursements has arrested the decline in the gross advances balance, and together with the inaugural issuance of a corporate loan to a strategic business partner, the gross advances balance grew by 11% in H1 22 Consequently, net interest margin increased by 11% from R2 078 million in H1 21 to R2 311 million in H1 22 as interest income on advances grew, aided by a reducing cost of funding.

The credit impairment charge reduced by 23% in H1 22, benefiting from the insurance claim payments received as benefits were enhanced, and the later write-off of non-performing loans. This was partly offset by additional upfront impairment charges raised on the new disbursements and the slight deterioration in the collections performance experienced in the current reporting period. The various provision overlays remained static in total, notwithstanding substantial composition changes in this current reporting period. The credit loss ratio of average advances thus improved to 4.6% (H1 21: 6.1%), while customer balances remain conservatively provided for, with a coverage ratio of 33.7% (H1 21: 38.1%).

The Group's insurance profits before tax decreased by 53% as insurance benefit changes were made in the current reporting period, leading to additional claim payments of R281 million to the Bank, which contributed to the reduced impairment charge mentioned above.

The Group continues to diversify its funding base by targeting retail savings deposits, which grew to R10 957 million as at 31 March 2022 (H1 21: R8 622 million); an increase of 27%. Included in this are R1 038 million (H1 21: R662 million) deposits from transactional MyWORLD accounts; an increase of 57%. Retail deposits now represent 69% (H1 21: 51%) of the Group's total funding, helping to reduce the Group's cost of funding.

The MyWORLD transactional banking offering plays an important element in the Group's new strategy. The number of accounts opened totalled 967 000 (H1 21: 558 000), of which 512 000 (H1 21: 290 000) are funded accounts, a growth of 76%.

Operating costs have been well contained in the current reporting period at R1 517 million (H1 21: R1 523 million), notwithstanding the increased operating activity.

The Group's balance sheet remains highly liquid, with strong available cash resources of R4.8 billion (H1 21: R8.0 billion). Equity capital of R11.5 billion (H1 21: R10.8 billion) continues to grow; resulting in a Group total capital level of 45.8% (H1 21: 43.6%).

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

In the African Bank results and ABH consolidated results for the year ended 30 September 2021, African Bank and ABH disclosed certain prior year restatements that were made to the FY20 comparative statement of total comprehensive income ("SCI"), the statement of financial position ("SFP") and statement of cash flows. These restatements were only finalised at the FY21 year-end and consequently, this resulted in changes needing to be made to the H1 21 comparatives that were affected by the restatements. In addition, there has been a further set of restatements in this current reporting period's statement of cash flows in the Bank's results and the ABH consolidated results. These restatements are detailed below.

Reallocation of non-interest income and operating costs:

- The Group earns non-interest income for value added services it provides to customers. In the prior year, the Group recognised this arrangement as if it was the principal rather than as an agent. Therefore, in the prior year, the non-interest income and operating expenses line items were grossed up by R25 million to reflect sales made and the cost of these sales. In the current year the Group has reduced the non-interest income and operating expenses line items by R25 million and now only shows the net commission income earned of R1 million from this arrangement in non-interest value added services. This reclassification has not impacted the net loss in the SCI.

Retail investments incorrectly classified as other long-term funding:

- In the prior period, retail investments with a 24-month term were incorrectly classified as other long-term funding even though customers can withdraw the investment on demand which therefore classify as short-term in nature. R245 million has been reclassified from other long-term funding to short-term funding in the prior year SFP. This had no impact on net assets.

The statement of cash flows:

- The Group had previously presented the net movement in gross advances with additional information disclosing cash received from customers and advances disbursed to customers as separate line items on the face of the statement of cash flows. However, in the previous financial year ended 30 September 2021, management presented the net movement in gross advances as a single line item only.

- Management previously disclosed a separate line item on the face of the statement of cash flows called "cash received from lending activities" which included both the interest received from customers, as well as non-interest income received from customers. However, in the previous financial year ended 30 September 2021, management disclosed interest received from customers as a line item in the "cash generated from operations" note called "income received from lending activities", and non-interest income as a line item on the face of the statement of cash flows called "income earned from non-lending activities".

- These changes were not made to correct errors, but rather as management were of the view that it would better reflect information that is used for decision making by investors and stakeholders and is more aligned to the requirements of IFRS.

- In the current financial year however, 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. Refer to note 18.1.3 in African Bank's interim 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 unaudited group consolidated interim financial statements for the six-months ended 31 March 2022;
2. African Bank Holdings Limited group investor presentation and interim commentary booklet;

3. African Bank Limited unaudited interim financial statements for the six-months ended 31 March 2022; and
4. African Bank Limited and African Bank Holdings Limited Basel Pillar III Disclosure documents as at 31 March 2022.

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 interim results. Details of the webcast are:

Date	Tuesday, 24 May 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".

24 May 2022

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