



Integrated Report **2019**

AFRICAN BANK

Advancing lives through financial and related services.
'WE ARE YOU'



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44	07 HOW WE PERFORMED IN 2019 We measure our performance in accordance with the six capitals set out in the 2016 King IV™ Report on Corporate Governance. <ul style="list-style-type: none">• Our financial performance (Financial Capital) The pool of funds available to us to produce products, provide services and invest in technology, people and growth. We discuss our profitability, our financial service resources and risks, and give an overview of our credit business. See pg 44.• Our income generating infrastructure (Manufactured Capital) How we generate income through our infrastructure. We give an overview of our operational infrastructure, products, sales and service channels and collections capability. See pg 62.• Our intangible assets and knowledge (Intellectual Capital) The key differentiators that set us apart and ensure that we remain a competitive, sustainable and an investable proposition into the future. Here we discuss our approach to data, information technology, our culture and brand. See pg 72.• Creating value through our people (Human Capital) The employee value proposition, including recruitment, people engagement, recognition programmes, learning and development, transformation and employment equity. See pg 80.• Building meaningful relationships with our stakeholders (Social and Relationship Capital) How we actively advance the lives of our stakeholders. We discuss one of our strategic pillars, customer-centricity, how we engage with our stakeholders, corporate social investment, B-BBEE and responsible procurement and supplier development. See pg 90.• The sustainable use of our natural resources (Natural Capital) African Bank's commitment to sustainability and environmental consciousness, highlighting our performance in controlling carbon emissions, water consumption and waste management. See pg 102.
108	08 STATUTORY REPORTING <ul style="list-style-type: none">• Sustainability, Ethics and Transformation Committee. See pg 108.• Remuneration review. See pg 111.• Audit and Compliance Committee. See pg 120.
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OUR JOURNEY







01 ABOUT OUR REPORT

Board responsibility statement

The Board of African Bank Holdings acknowledges its responsibility for ensuring the integrity of its integrated reporting. We confirm that we have collectively reviewed the preparation and presentation of the report and its contents. We are of the view that this report has been created in accordance with The International <IR> Framework.

To the best of our knowledge and belief, African Bank's integrated reporting:

- Offers a balanced view of our strategy and how it relates to the organisation's ability to create value in the short, medium and long-term.
- Addresses all matters material to our stakeholders' decision making, by explaining how African Bank creates value over time and takes into consideration the organisation's impact on the environment in which it operates, and its stakeholders.
- Addresses our use of the six capitals, the outcome of our use of these capitals and how their availability has impacted our strategy and business model.

Chairman

Thabo Dloti

Independent Non-Executive Directors

Marjorie Ngwenya Flanagan

Mark Harris

Sydney Mhlarhi

Happy Ralinala

Louisa Stephens

Peter Temple

Frans Truter

Non-Executive Director

Brian Riley

Executive Directors

Basani Maluleke (Chief Executive Officer)

Gustav Raubenheimer (Chief Financial Officer)

Limited (including its 100% held subsidiaries African Bank Limited and African Insurance Group Limited) referred to as the Group or African Bank.

In this report we define:

- Short-term as one year
- Medium-term as one to three years
- Long-term as beyond three years

SCOPE AND BOUNDARY

REPORTING PERIOD

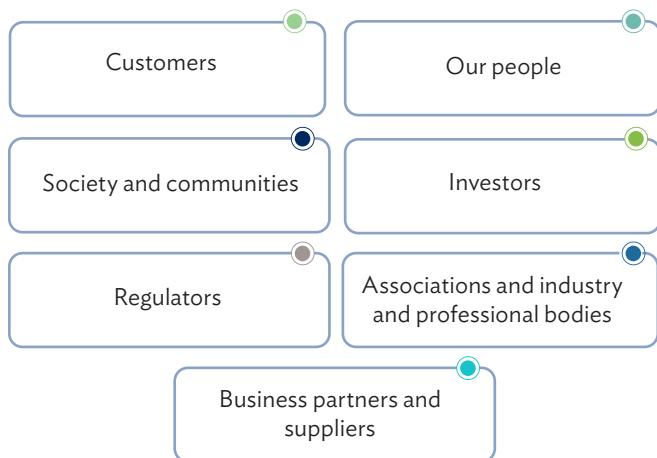
This report provides information relating to the performance of all the Group's operations. It covers the period 1 October 2018 to 30 September 2019.

REPORTING BOUNDARIES

The Group's 2019 Integrated Report covers both financial reporting and non-financial performance. This holistic approach takes into account the opportunities, risks and outcomes generated by our key stakeholders, both inside and outside the organisation, and the significant influence they each exert on our ability to create value.

A material change in the Group's operations, located only in South Africa, occurred as a result of the launch of transactional banking.

The report extends beyond financial reporting to include our strategy and business model, governance, opportunities, risk and outcomes impacting or associated with our key stakeholders, which all contribute towards creating an investable proposition for all stakeholders.



Internal and external factors that can substantially impact our business have been considered and, where material, their real and potential impacts are covered in this report.

Our approach

The 2019 Integrated Report for African Bank Holdings Limited has been compiled in accordance with the International Integrated Reporting <IR> Framework, released by the International Integrated Reporting Council (IIRC), as well as the International Financial Reporting Standards (IFRS), the Johannesburg Stock Exchange (JSE) Listings Requirements and the Companies Act, 71 of 2008.

African Bank is a proud member of the Integrated Reporting Committee of South Africa (IRC), which is the national body in South Africa.

This is the fourth integrated report of African Bank Holdings



OUR REPORTING SUITE

In addition to this report, we have published Annual Financial Statements (AFS) and additional information, which is available on our website www.africanbank.co.za.

Financial Information

- Annual Integrated Report
- ABH Financial Statements
- ABL Financial Statements
- Governance Report
- IFRS9 Transition Report
- Results Presentation

Regulatory Information

- King IV™ Report
- Basel Pillar III Report
- Capital Instruments

TARGET AUDIENCE

This report is intended to meet the information requirements of our key stakeholders, and potential future long-term investors. It was also created to shed light on the Group's various efforts to create value for our employees, customers, regulators and our communities.

ASSURANCE

The Annual Financial Statements, which comply with IFRS, were audited by Pricewaterhouse Coopers Inc. (PwC). Their unqualified report is included in our online Annual Financial Statements (www.africanbank.co.za) and is available at the Bank's registered office at 59-16th Road, Midrand, 1685.

Assurance on other parts of this report was largely derived from internal sources, including Internal Audit. It includes governance oversight, as well as management and internal controls, which form part of African Bank's combined assurance model.

FORWARD LOOKING STATEMENTS

Certain statements in this report constitute forward-looking statements.

Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance, objectives or achievements, of

African Bank, as well as the industry in which it operates, to be materially different from future results, performance, objectives or achievements expressed or implied by these forward-looking statements.

The performance of African Bank is subject to the effect of changes in the economic environment and prevailing market conditions.

ABOUT OUR COVER AND IMAGES IN THIS REPORT

All images used in this report are taken at African Bank and depict our incredible people who make up the fabric of African Bank.

FEEDBACK (WHO TO EMAIL)

We welcome your feedback on our Integrated Report. Please contact Investor.Relations@AfricanBank.co.za.

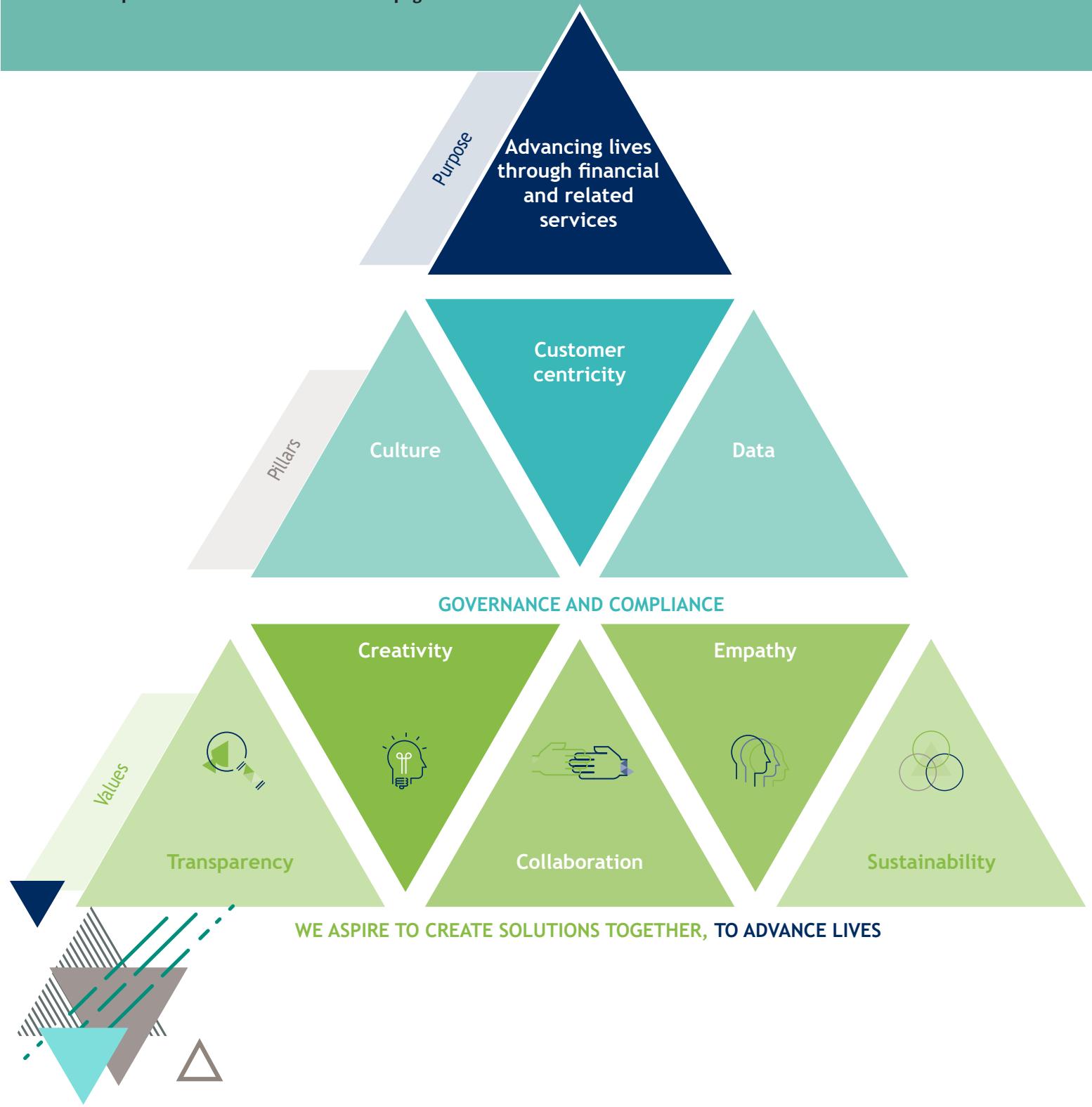




02 AFRICAN BANK AT A GLANCE

An overview of our strategy

African Bank's strategy is encapsulated in the following diagram, which highlights our purpose, our three supporting pillars (strategic enablers) and our five core values, all underpinned by governance and compliance. It also highlights our 2021 performance measures on the next page.



2021 PERFORMANCE MEASURES

RoE

>15%

GROW CUSTOMER BASE

>1.7million

PEOPLE ENGAGEMENT SURVEY

>50%

DIVERSIFY FUNDING (NON WHOLESALE)

>25%

CREDIT LOSS RATIO

<9%

CUSTOMER NPS

>40

CUSTOMER SATISFACTION SURVEY

>70%

DIVERSIFICATION OF REVENUE

Non-interest
R500 million

Purpose, values, strategy

OUR PURPOSE

ADVANCING LIVES THROUGH FINANCIAL AND RELATED SERVICES.

Our revised strategy and refreshed values ensure that African Bank is future-proofed in a world that is becoming increasingly more competitive and digitalised. This has been the first full year of application of the revised strategy.

Our purpose, encapsulated in the phrase ‘Advancing lives’ extends beyond generating profit. We strive to create tangible value for all our current and future stakeholders, within the context of creating a successful retail Bank.

With increased competition in the banking sector, customers have more choice. They will choose the organisation that best delivers what they want, which resonates with their own values and which helps them to reach their financial goals. And so, our purpose drives everything we do.

As part of the strategy revision process, we updated the following values to better align to the strategy:

‘**Creativity**’ from ‘**Innovation**’
 ‘**Sustainability**’ from ‘**Profit conscious**’
Our values inform how we execute our strategy.

African Bank offers a diversified range of products and services that compete on the basis of innovation, creating customer value and socially responsible banking.

We have made good progress on our strategic journey – our transition from a single-product business, operating through a single channel, to a diversified financial services business has seen us grow our business and attract new customers.

Building and maintaining a reputation of trustworthiness is a key element in our development of a successful business.

Culture, customer-centricity and data are the three pillars of our strategy. In today’s dynamic world, the companies that are the most customer-centric will win. We strive to understand our customers so that we speak to them in a way that is relevant and offer them products that are right for them aligned to this we are also focusing on data. Having the right information at the right time to make the right offers to our customers is a key enabler of customer-centricity. An inspiring and collaborative culture will ensure that we are successful in executing on our strategy.

WHAT MATTERS MOST – OUR STRATEGIC INITIATIVES

- Be a leader in customer satisfaction.
- Place the customer at the centre of everything we do.
- Use data to inform all the decisions we make.
- Surprise and delight our community of stakeholders with more than they expect of us.
- Continuous enhancement of our integrated multi-product and multi-channel customer experience.
- Optimise our balance sheet to improve our competitiveness.

Insights into our key pillars are shared in the following sections:

Culture – Our intangible assets and knowledge (pg 76).

Customer-centricity – Building meaningful relationships with our stakeholders (pg 90).

Data – Our intangible assets and knowledge (pg 72).



Our values



EMPATHY

By understanding another person's perspective through empathy, leadership and collaboration are enhanced.

We respect that we are all different

We are genuinely attentive and we attempt to put ourselves in other peoples' shoes

We seek to understand people. Should we differ in opinion we will respond to them with sensitivity and compassion

We are dedicated to making a difference to the lives of people living in underprivileged communities in South Africa



TRANSPARENCY

Transparency builds trust, and makes employees feel that they are working for a company with high ethical standards.

In all our interactions, we commit to open and honest communication, whether it be written or verbal

We are open to considering different viewpoints and we commit to expressing our own, respectfully

We commit to account for our activities and accept responsibility for them

We disclose the results of our activities and deliver on our promises

We say what we mean and we do what we say



CREATIVITY

Creativity helps us to look at situations in an innovative way, with a fresh perspective

We use creativity to find solutions that advance lives

We use data to develop creative and appropriate solutions

We take pride in collaborating to unlock value using our creativity



COLLABORATION

Collaboration is about placing the customer at the centre of all decision making.

We bring our unique talents together for the benefit of the team

We work together internally and externally to find the best solution

We place the customer at the centre of all decision-making; we encourage honest debates and we respect and commit to final decisions

We commit to align and harmonise our practices and actions and contribute positively towards the agreed goal



SUSTAINABILITY

Sustainable organisations create long-term shared value to advance lives. To be sustainable we need to be:

Profit conscious

Committed to transformation because we know that leveraging our diversity will enable greater innovation and growth

Ethical in everything we do including in the creation of our products and the delivery of our services

Committed to advancing the lives of our employees and the communities we serve



03 OUR OPERATING CONTEXT

External environment

After several years of low growth and a stubbornly high and increasing unemployment rate, the South African economic environment continues to deteriorate. South African Gross Domestic Product (GDP) growth expectations continue to be muted and below population growth rates. This is against a backdrop of slow political reform, following the heightened expectations after the change in the country's leadership in late 2017. The results of the general elections in May 2019 gave the ruling party a solid mandate to effect change, and subsequent cabinet appointments made were, and continue to be encouraging. The absence of clear and decisive policy reform remains a concern and must be addressed to regain investor confidence in South Africa.

Negative public sentiment towards corruption, maladministration and the wastage of public funds continues to run high. Several high profile corporate failures and scandals have also added to this negative sentiment. The lowered growth expectations are translated into low South African GDP growth expectations of 0.5% for 2019 and slightly higher expectations of 1.3% for 2020, and 1.7% for 2021, as noted in the Minister of Finance's Medium-Term Budget Policy Statement (MTBPS) on 31 October 2019. Inflation expectations remain relatively muted with headline inflation expectations of 4.2%, 5.1% and 4.7% for 2019, 2020 and 2021 respectively, published by the South African Reserve Bank. Increasing budget deficits resulting in increased Government borrowing requirements as published in the MTBPS are expected to put pressure on inflation in the medium to longer term.

The South African consumer remains under financial pressure against this economic backdrop. African Bank's customers are no exception. We have noted this in assessing the affordability of our customer base and have taken proactive steps to address this through reassessing our credit underwriting criteria and additional provisioning overlays.

The South African financial services industry continues to be well regulated, ranking among the best in the world. Market conduct regulation continues to be refined, balancing the interests of financial services, and particularly credit providers and financial consumers. Changes in debit order collections (the DebiCheck process) have, and will continue to impact the unsecured lending industry. The changes include stricter authentication requirements prior to allowing a credit provider to deduct an instalment from a customer's account. There are also changes affecting debt relief for customers earning less than R7 500, and with exposure to unsecured credit of less than R50 000.

While regulation is in the best interest of market participants, we are concerned about the potential impact of regulation driving consumers into the unregulated market, where credit exposure is not monitored by regulators and often leads to over-indebtedness of consumers. We support continuing positive and constructive engagement with regulators to ensure that regulation meets the requirements of the wider stakeholder group, including financial service providers and consumers, and the financial system at large.

It is against this background that African Bank's organic growth expectations for the lending business remain muted.

African Bank is on a journey to becoming a diversified retail bank by diversifying its product base, and now operates through both a traditional, but modernised, Branch Network, and Digital Channels. This is in a competitive landscape with several new entrants in the market, and several of the established players reviewing and updating their customer offerings. Customers are faced with several innovative and leading banking offerings, and banks will need to be creative and agile in attracting customers in this new age. We believe that the banks that will succeed are those that fully embrace the concept of customer-centricity in their business model, understand their customers and care about their needs.

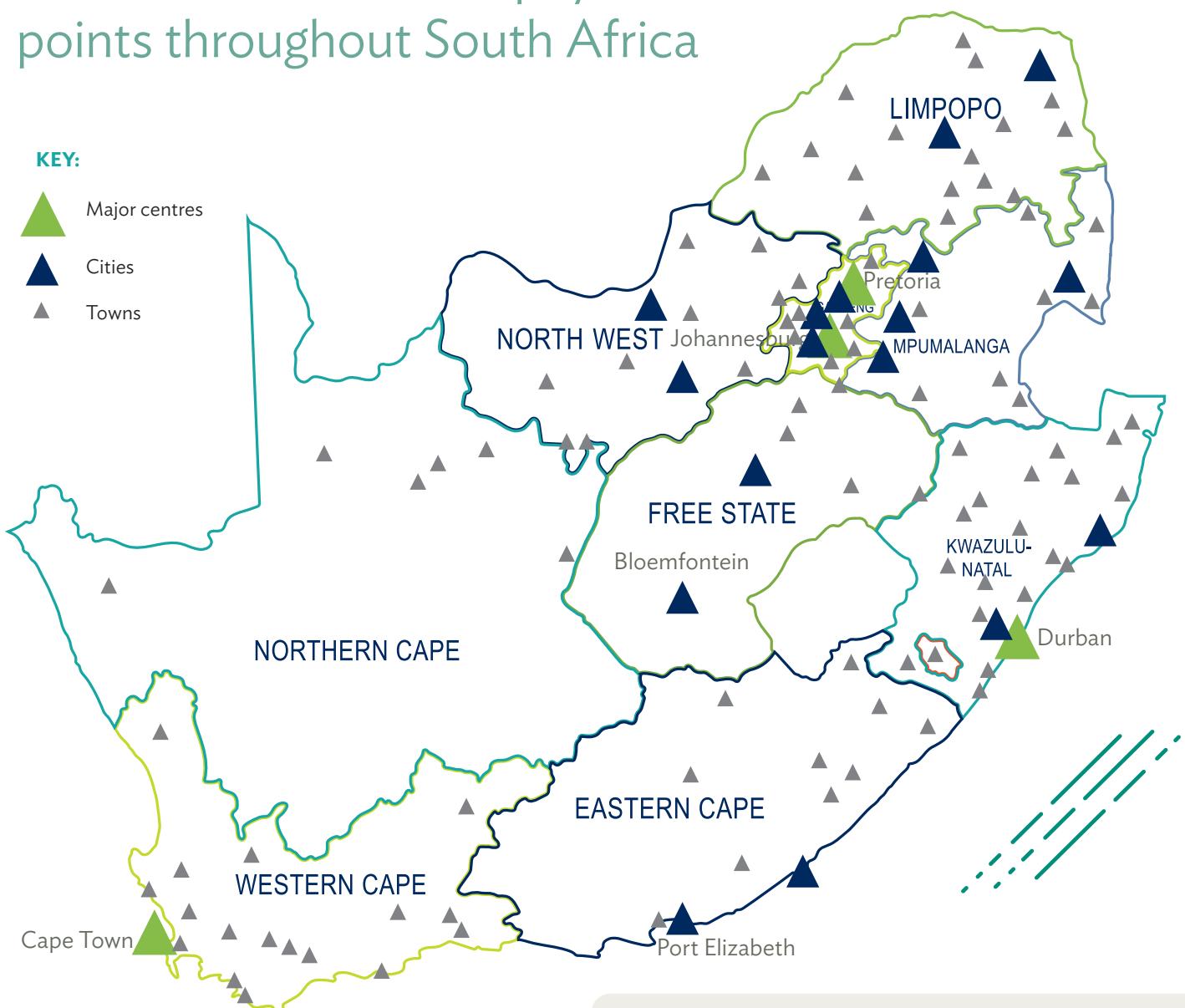
Technology and the advent of the 4th Industrial Revolution are changing the world we live in, and financial services in particular. It is through the appropriate use of technology that banks must deliver their customer value proposition, making it easy for the customer to interact with their bank, while giving them security from cybercrime.

We are aware of the challenging and dynamic country and business environments that we operate in and strive to advance the lives of our customers and employees against this backdrop. We know that to survive and be a winner in the financial services industry, we not only have to deliver product and service to the customer of today, but we also need to differentiate ourselves to become the most attractive bank in the market, competing for and taking market share from our competitors.

Branch Network – our physical access points throughout South Africa

KEY:

-  Major centres
-  Cities
-  Towns



BRANCH NETWORK SPLIT BY PROVINCE

PROVINCE	NUMBER OF BRANCHES	PERCENTAGE
Eastern Cape	29	7%
Free State	20	5%
Gauteng	136	35%
Kwazulu-Natal	59	15%
Limpopo	24	6%
Mpumalanga	40	10%
North West	25	6%
Northern Cape	10	3%
Western Cape	51	13%
Grand total	394	100%



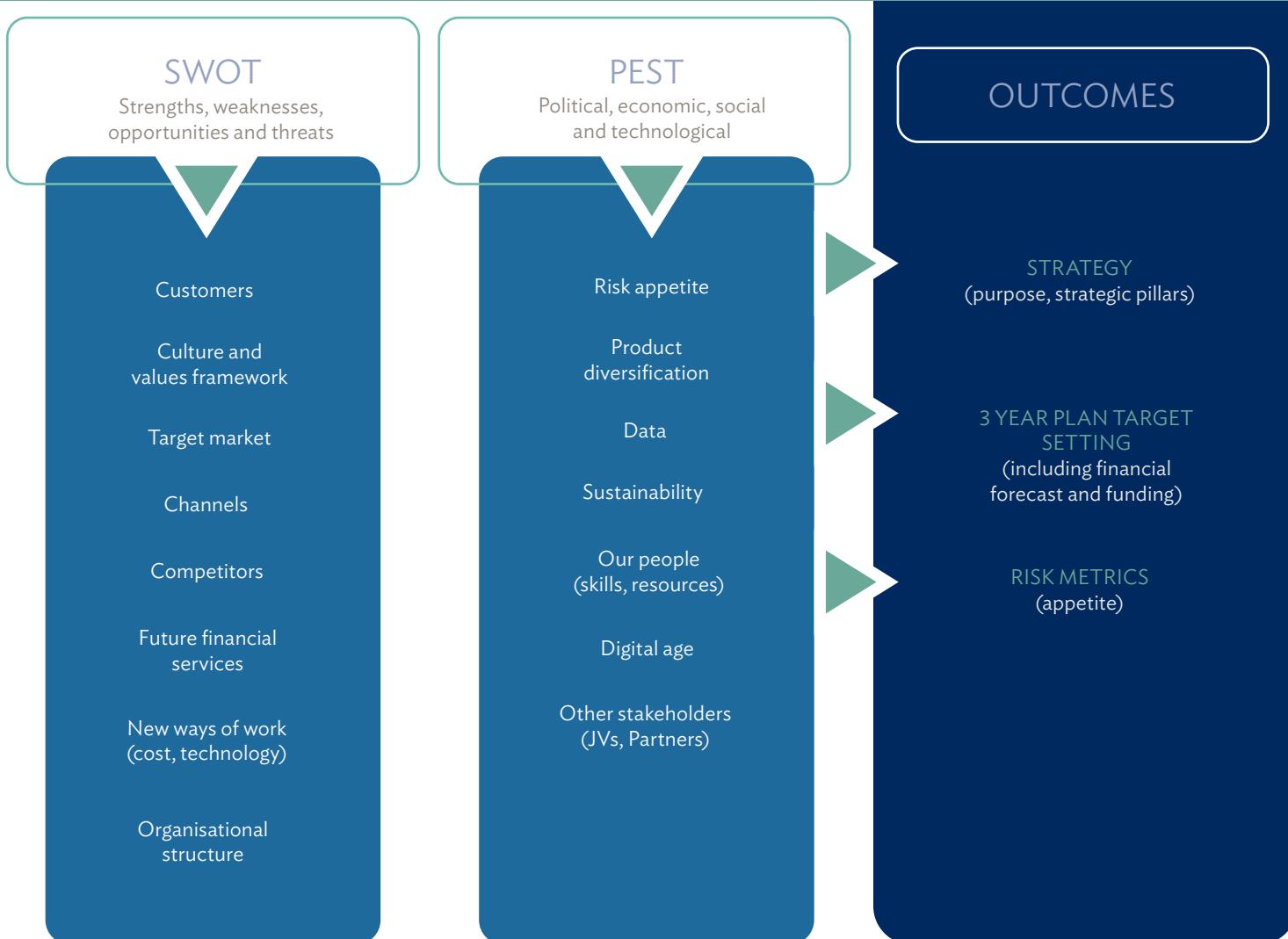
Material Matters

African Bank's material matters are those issues, opportunities and challenges, which could significantly affect our sustainability and our ability to meet the expectations of our stakeholders. Our material matters are informed by the expectations and concerns of our stakeholders, as well as the social, economic, governance and environmental conditions in which we operate.

MATERIALITY DETERMINATION PROCESS

African Bank's material matters are linked to our purpose and the strategy. The materiality determination process takes into account the environment in which we operate, considering industry, political, economic, social and technological developments. The scope of the process is shown below.

FACTORS CONSIDERED IN EVALUATING STRATEGIC POSITIONING



The material matters are comprehensively assessed, monitored and updated as appropriate by the Board and Executive Committee as part of the strategic management process.

THE MATERIAL MATTERS IDENTIFIED BY THE BANK AS PART OF THIS PROCESS ARE THE FOLLOWING:

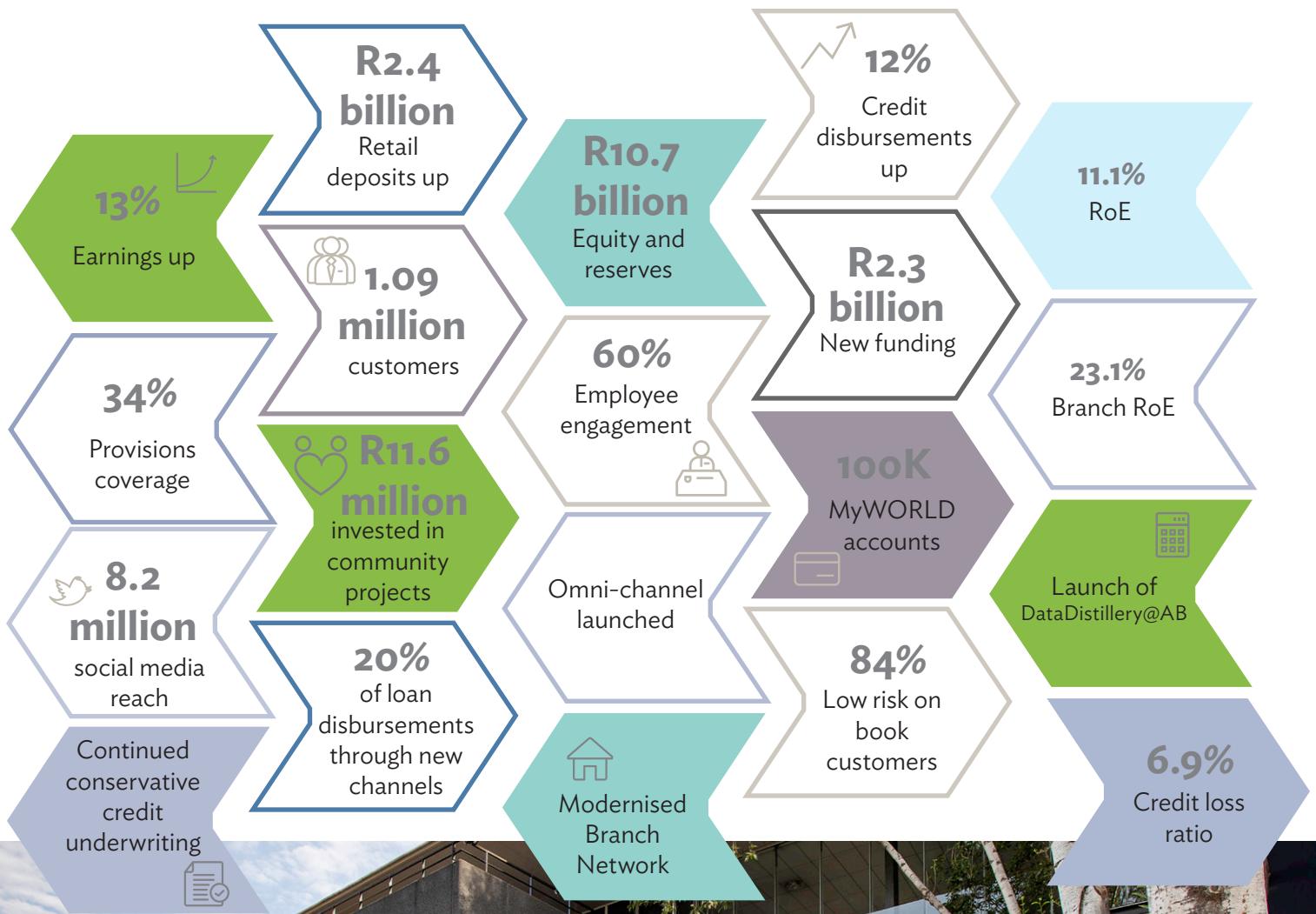
Product diversification	The old African Bank was a mono-line unsecured lender. This business model is deemed unsustainable in the current and future economic and competitive environment. Our long-term sustainability is dependent on becoming a successful diversified retail bank.
Macroeconomic environment	<p>While we believe we can adapt to a changing macroeconomic environment, it impacts our ability to grow the business over the short to medium-term.</p> <p>Adverse macroeconomic conditions place pressure on customer's cash flows and can lead to unemployment and/or a reduction of their ability to service existing debt. It is vital that we ensure that customers are provided with responsible and affordable access to credit, and other products that will advance their lives.</p>
Technology, data and innovation	<p>The 4th Industrial Revolution forms an ever-increasing part of our lives. Therefore it is imperative that we embrace new technologies and use data effectively.</p> <p>It is crucial that we play a leading role in the digital revolution. The risks associated with the 4th Industrial Revolution include financial risks and cyber-crime. These have increased significantly over the last few years. Cyber risks, including unauthorised access to data and customer information, are among the major risks highlighted by organisations. We continue to evaluate and manage this as part of our overall risk framework.</p>
Competition	<p>The South African retail banking market has traditionally been dominated by several large players. New challenger banks, including African Bank, are providing increasing competition to the established players.</p> <p>Fintech disruptors are revolutionising the consumer banking experience by partnering with financial institutions. While this is a global trend, it is likely to transform the South African banking landscape in the future.</p>
Access to wholesale funding	<p>The old African Bank was placed under curatorship as a result of a liquidity crisis.</p> <p>While the new African Bank was established with significant excess liquidity, our full re-entry into the traditional wholesale funding market remains challenging. This despite our success in de-risking the lending book, growing our earnings, establishing a sizeable Savings and Investment portfolio and the successful launch of the MyWORLD banking offering.</p>
People	<p>Our success and long term sustainability requires an engaged, energised and committed workforce. We have built a strong and inspiring culture supported by a comprehensive set of values, which we believe are fundamental to our long-term success.</p> <p>The changing financial landscape requires knowledgeable, flexible, dynamic and engaged people; therefore competition for the right resources is expected to increase over the short to medium-term.</p>



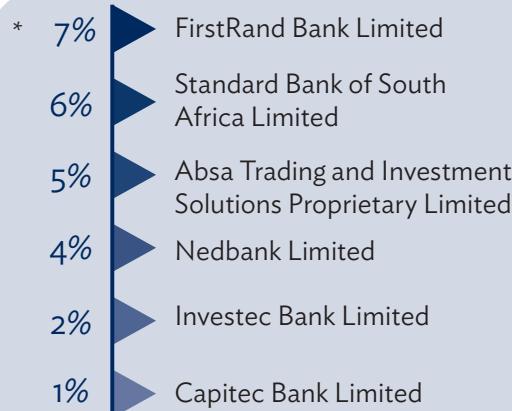
04 OUR BUSINESS

Highlights

The highlights of the African Bank Holdings Limited Annual Integrated Report 2019 are shown below. They reflect a strong financial performance in the year under review, and a proven capacity to meet our 2021 targets.



Ownership



SOUTH AFRICAN
RESERVE BANK (SARB)

GOVERNMENT
EMPLOYEES PENSION
FUND (GEPF)

BANKING
CONSORTIUM

25%

50%

25%

Equity of R10 billion

AFRICAN BANK HOLDINGS

100%

100%

AFRICAN BANK LIMITED

AFRICAN INSURANCE GROUP

Insurance operations

Our business model

CAPITAL INPUTS

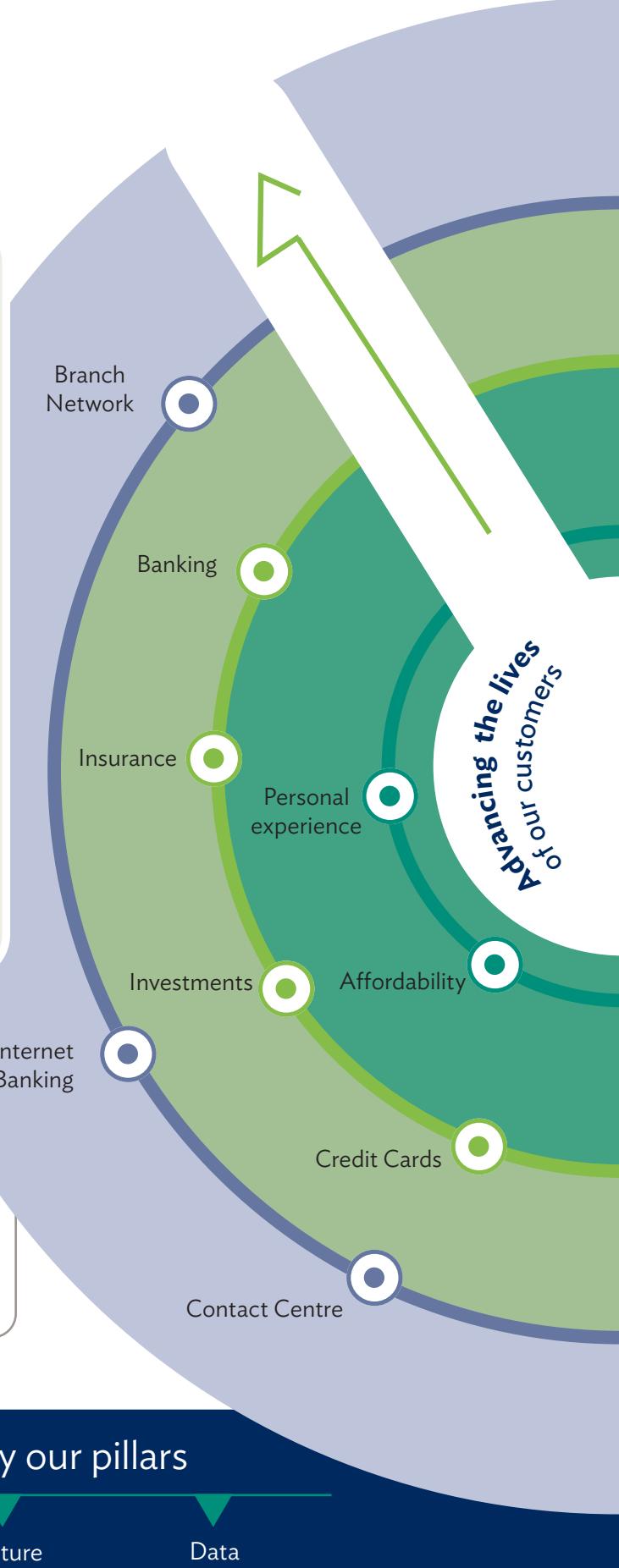
- **Financial Capital**
 - Equity of R10.1 billion.
 - Total cash balance R8.2 billion.
 - Operating expenditure R3.0 billion.
 - Total new Group funding of R2.3 billion.
- **Manufactured Capital**
 - 394 modernised branches.
 - 3 Contact Centres (Direct Sales, Customer Service and Collections).
 - Omni-channel capability launched.
 - Diversified product portfolio.
- **Intellectual Capital**
 - A deliberately shaped, customer-centric culture.
 - A strong Brand that resonates with consumers.
 - Substantial investment in our Enterprise Architecture.
 - DataDistillery@AB and DataDistillery@AB Incubator.
- **Human Capital**
 - 3 886 skilled, customer-centric people.
 - Experienced and ethical leadership team.
 - Highly engaged employees.
 - Significant investment in learning and development.
- **Social and Relationship Capital**
 - Increased investor confidence with R1.1 billion in retail deposits.
 - 100 000 MyWORLD accounts opened.
 - A focus on responsible procurement and supplier development.
- **Natural Capital**
 - Focus on sustainable use of our resources.

STRATEGIC FOCUS AREAS

- To be a leader in customer satisfaction
- Place the customer at the centre of everything we do
- Use data to inform all the decisions we make
- Surprise and delight our community of stakeholders with more than they expect of us
- Create an integrated and consistent multi-product and multi-channel customer experience
- Optimise our balance sheet to improve our competitiveness

RISKS

1. Credit risk
2. Strategic risk
3. Liquidity risk
4. Cyber-crime
5. Model risk
6. Information Technology risk
7. Human capital risk
8. Regulation/compliance risk
9. Operational/process risk
10. Macroeconomic risk



Supported by our pillars

Customer-centricity

Culture

Data

Underpinned by

Risk management

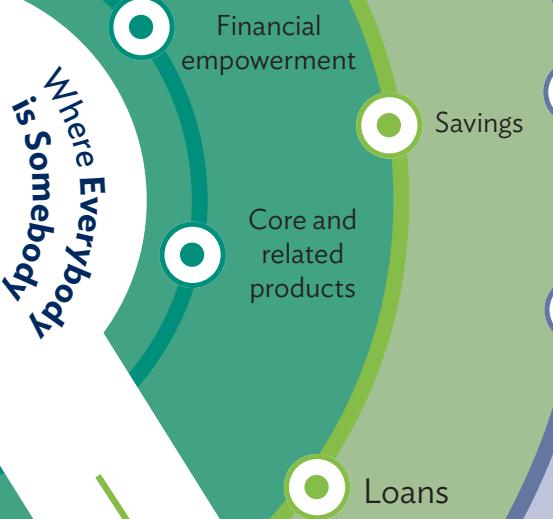
Governance

Technology

Omni-channel customer experience

Our offering

Our customer needs



African Bank App
Cellphone Banking

OUTPUTS

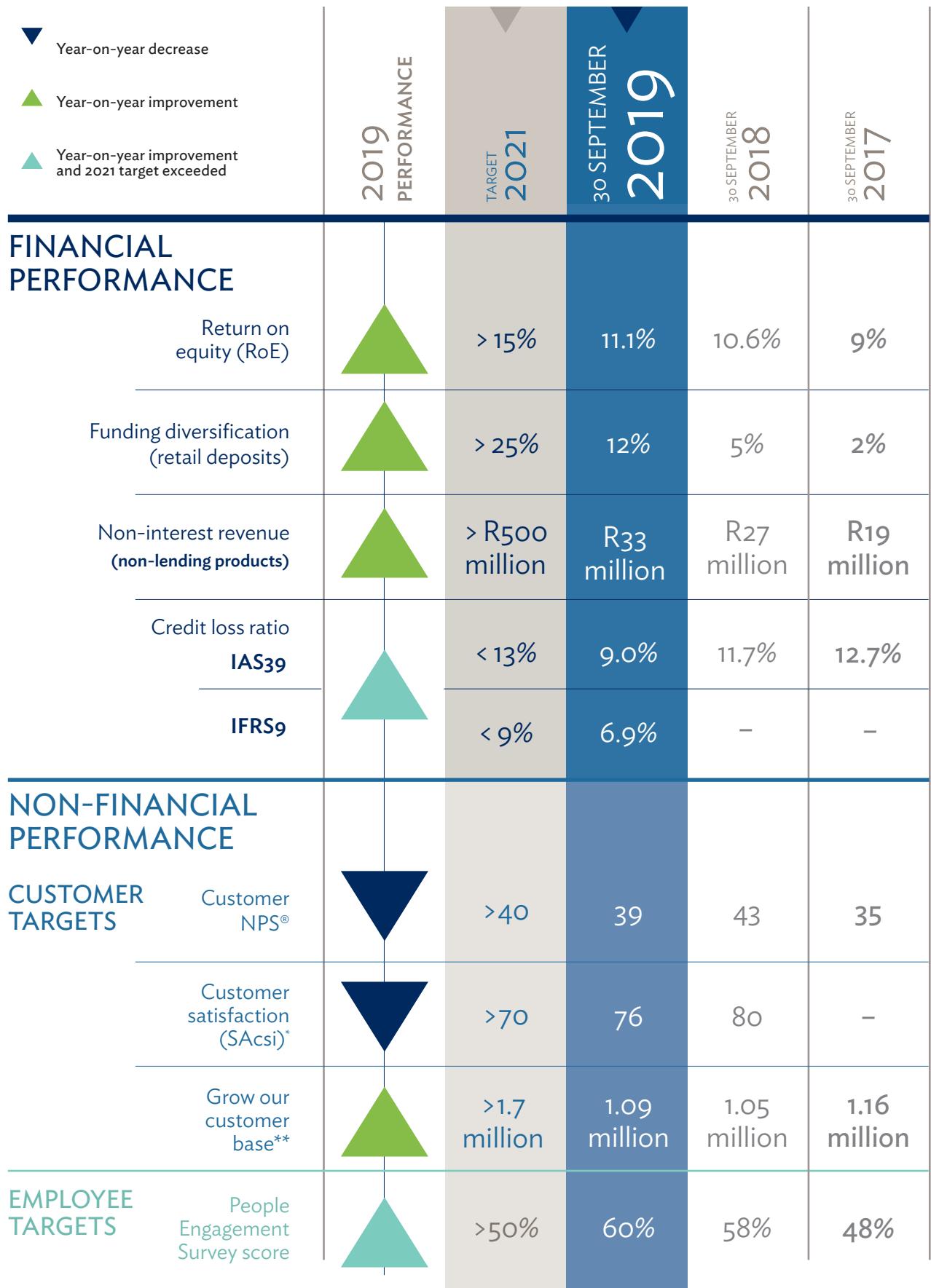
- Financial value for our shareholders and employees.
- Banking services at the lowest price and highest deposit interest rate for our customers.
- Meaningful assistance in our communities.
- Employer of choice with 60% of people fully engaged.
- African Bank is a sustainable and investable proposition.
- Governance and compliance giving peace of mind to our investors.
- A meaningful contribution to our environmental sustainability, aligned to the sustainable development goals.

OUTCOMES

Financial	<ul style="list-style-type: none"> • Earnings after tax R1 154 million, up 13%. • Improved credit loss ratio of 6.9%. • Highly solvent balance sheet with 38.0% CET1 Ratio. • Retail deposit funding of R2.4 billion. • R30 billion advances book provided for at 34%. • Positive cash generation offset by net repayment of liabilities. • Investment in new business initiatives. • Lower risk customers represent 84% of total customer base.
Investors	<ul style="list-style-type: none"> • Sustained investor confidence with retail customers investing R2.4 billion. • Over 26 000 Savings and Investments customers • 100 000 MyWORLD accounts opened.
Customers	<ul style="list-style-type: none"> • Disbursements of R10.8 billion. • 1.09 million customers. • Launched Omni-channel architecture. • Fully modernised Branch Network. • Social media reach of 8.2 million. • NPS score 39; CSAT score 76; Effort score 79.
Employees	<ul style="list-style-type: none"> • Paid R1 487 million in salaries and bonuses. • 60% of employees fully engaged. • 66% female staff.
Community	<ul style="list-style-type: none"> • CSI spend of R11.6 million. • A formal consumer financial education programme. • Compliance with regulatory requirements.



Performance against our strategic scorecard



*African Bank participated in the SAcsi for the first time in 2018 ** Target adjusted in light of delay in launch of MyWORLD.

Our stakeholders

The importance of understanding and managing our stakeholder relationships cannot be overstated. We understand that we operate in an ecosystem where all our stakeholders impact on our ability to create value in the short, medium and long-term.

Properly assessing these relationships is critical to African Bank. This allows us to understand the needs and interests of our stakeholders, and respond to each group through our decisions, actions and performance.

Developing and maintaining quality relationships with all our stakeholders is key to the sustainability of African Bank and is a focus in all our interactions.

Further information about our relationships with our stakeholders can be seen below.

STAKEHOLDER	THEIR NEEDS AND EXPECTATIONS	THE VALUE WE CREATE FOR THEM
Customers	<ul style="list-style-type: none"> Quality, relevant products that provide value. Convenience of access to our products and services through their channel of choice. Better than expected service. A risk-free environment in which to transact. Empowering information that leads to financial wellness. Transparency. Ethical and fair treatment. 	<ul style="list-style-type: none"> Clear and transparent communication empowering our customers with relevant information. We behave ethically and monitor governance and risk closely. Our Omni-channel capability makes it easy for our customers to interact with us using the channel of their choice. Our optimised Branch Network offers customers more convenience, with branches in locations that meet them where they are. Our 24 hour Customer Service Contact Centre consultants have been extensively upskilled and empowered to enhance our customers' experiences. A full suite of payment and rehabilitation options for customers. Competitive savings interest rates. Loan and credit card disbursements of R10.8 billion Our focus on Data ensures that we have the right information at the right time to give our customers what they need. Stable and secure IT systems.
Our people	<ul style="list-style-type: none"> Great employee experience. Career development opportunities. Learning and development opportunities. Fair remuneration and incentives. Job security. Strong leadership who instil trust. Assistance in achieving goals. Transformation. 	<ul style="list-style-type: none"> Creating a rewarding place to work by providing a holistic offering to our people that satisfies employee needs. An environment which is collaborative, productive and energetic. A focus on talent management to attract and retain the best people. Incentives that reward exceptional work. Significant learning opportunities. A diverse and transformed workplace, aligned with our Employment Equity goals. Leadership who inspire inclusion and who champion diversity. An environment where people are treated fairly. Remuneration payments of R1 487 million
Society and communities	<ul style="list-style-type: none"> Financial and non-financial support, thereby advancing their lives. Investment in their communities. Contributing towards education of South African children. Financial education. 	<ul style="list-style-type: none"> Opportunities to contribute towards the transformation of South Africa through facilitating the meaningful participation of previously disadvantaged individuals. Assisting the Department of Education to execute their vision of a better learning environment for children. Supporting the critical interventions of non-profit organisations, allowing them to improve education outcomes in South Africa. Long-lasting partnerships with communities to make a meaningful contribution in South Africa. Targeted and effective financial education for consumers.

STAKEHOLDER	THEIR NEEDS AND EXPECTATIONS	THE VALUE WE CREATE FOR THEM
Investors	<ul style="list-style-type: none"> A sustainable, investable proposition. A diversified business model. Appropriate risk-adjusted returns. A strong and robust balance sheet. Access to liquidity. Transparent information. A competent and effective leadership team. 	<ul style="list-style-type: none"> A return on their investment of R1 154 million. A comprehensive strategic planning process to drive the direction of African Bank in delivering on our purpose. Diversification of the business model to ensure a sustainable retail bank. Appropriate levels of provisioning, providing adequate levels of protection against expected and unexpected losses. Conservative levels of capital providing additional debtholder protection. High levels of liquidity, providing protection against liquidity stresses. An integrated and comprehensive risk management process to monitor, measure and manage the risks inherent in the business. Transparent, accurate and timely communication on the performance of African Bank through a variety of channels.
Regulators	<ul style="list-style-type: none"> Compliance with all legal and regulatory requirements. Effective governance. Financial and operational stability. A responsible taxpayer. 	<ul style="list-style-type: none"> Constructive and consistent engagement with all our regulators. Regulation and good governance resulting in the reduction of systemic risk, which in turn contributes to a sound and stable banking sector. We regularly report to the Prudential Authority on our compliance within the terms of our banking licence, the stability of our business and the effectiveness of our governance practices. We contribute to Government through our tax contributions and the taxes we collect on behalf of the South African Revenue Service (SARS).
Associations and industry and professional bodies	<ul style="list-style-type: none"> Good corporate citizenship. Conducive banking environment. 	<ul style="list-style-type: none"> Committed and engaged participation. Sharing and applying best practice.
Business partners and suppliers	<ul style="list-style-type: none"> Clear agreement on terms and adherence to agreements. Mutual benefit and profitability. Robust governance processes and ethical principles. Transformation by integrating B-BBEE compliant businesses. 	<ul style="list-style-type: none"> A constructive and mutually beneficial relationship. Seamless processes throughout the supplier value chain. An Outsourcing Policy, which has been approved by the Board, to improve risk governance. Financial inclusion, through integration of B-BBEE compliant business.



Our achievements and awards



Ombudsman for Banking Services Annual Bank Award of Excellence

Received for our commitment to fair customer treatment, as well as redress in dispute resolution, which contributes to customer protection and confidence in the financial system.



Debt Review Awards

Banks: Unsecured Credit Debt Review department award

The most improved credit provider debt review department

The Debt Review awards is an industry awards programme which is specific to the Debt Counselling and Debt Review Industry



Finnovex awards

Excellence in customer experience enhancement for Omni-channel

The Finnovex Awards recognise and appreciate excellence in the field of financial services.



Assegai Awards

Bronze Assegai Award: Category A: Direct Mail – Addressed and unaddressed campaigns

The Assegai Awards acknowledge those whose integrated marketing campaigns deliver exceptional results.



MTN App of the Year Awards

Finalist in the financial services category

Awarded to local talent and out-of-the-box thinkers that drive disruption and change.



Apex Awards

Finalist - #GrowForIt (Social media campaign)

Annual competition for publishers, editors, writers and designers who create print, web, electronic and social media.



South African Landscapers Institute Awards of Excellence

Award for Landscape and Turf Maintenance.

Promoting professionalism and quality in landscaping.





05 Our leadership



Leadership review

CHAIRMAN'S REVIEW

I welcomed the appointment as Chairman of African Bank, during the year under review, as an opportunity to lead the Board of a unique financial services provider. It has been an incredible challenge and privilege to be part of this exciting chapter in African Bank's transformation journey from a monoline unsecured lender to a diversified and digital retail bank.

It is fair to say that 2019 has been a challenging year. South Africa is faced with significant political, economic, environmental and social challenges. Although the government of President Cyril Ramaphosa seems to be engaging and dealing with most of these issues at a policy and governance level, the implementation of a workable solution with tangible outcomes acceptable to different sectors of society remains elusive. However, even in the midst of this negative outlook, there exist opportunities for resilient and agile businesses that can respond to these challenges by providing solutions that make a difference in people's lives.

African Bank's purpose of 'Advancing lives through financial and related services' is part of the solution. We believe that, despite the environmental challenges, we will be successful if we continue to build on our reputation of putting the interests of our customers at the centre of what we do, and better partner with our staff and other key stakeholders to innovate and grow the business. It is against this background that the transformation journey of the Bank is shaped and the Board of African Bank is playing a key role in directing the continued success of the Group.

MEETING OUR RESPONSIBILITIES AS A BOARD

During the year under review, we have had to reflect on, and respond to, the challenges facing our country and our customers. The deteriorating macro-economic outlook, and the resultant worrisome growth in the unemployment rate — now at an all-time high of 29.1% have had a direct impact on the business of the Group. It is therefore incumbent upon the Board to ensure that the Bank's business is conducted prudently, with the intention of building a successful and sustainable retail bank, that is an investable proposition.

The Board performs its responsibilities against the background of a well established governance framework and is cognisant of its accountability to all the Bank's stakeholders. As a Board, we have to ensure that the Group has an equally effective internal governance framework, resourced by appropriately skilled members who operate independently of management, where appropriate, to ensure that external stakeholders can continue to rely on them. We believe that the governance framework is fit for purpose and is implemented and adhered to, appropriately, at all levels. We believe in our core values and strive to ensure that they are lived and breathed throughout the organisation.

A DEFINITIVE YEAR OF PROGRESS

The Bank's transformation journey towards being a successful retail bank continues to gain momentum. The launch of the MyWORLD account on 21 May 2019, with over 100 000 accounts opened at financial year-end, and the significant growth trajectory of our retail investment book to well over R2 billion, which shows growing trust in our brand, are significant achievements. These accomplishments are particularly notable considering that African Bank operated as a monoline business a mere 3 years ago. The fact that the retail investments balance now represents 12% of total funding demonstrates meaningful progress towards a diversified funding base.

It is encouraging that the Bank's transformation journey is being achieved in an increasingly competitive landscape where new banks have launched and others are still expected to launch. In addition, existing banks are transforming their customer offering, becoming increasingly more digital and customer-centric than has been the case in the past. We believe that African Bank has the right strategy in place. We have carefully considered the allocation of our resources to ensure that the Bank has the right propositions and is positioned appropriately, so that it can be differentiated and successful in an increasingly crowded space.

I firmly believe that the continued progress made towards achieving our strategic targets, while increasing profits and maintaining a strong balance sheet, sends a clear message to stakeholders. This emerging reputation of delivery means that our customers' deposits are in safe hands and we have a compelling investment proposition for the broader investor community.

REGULATION

Prudential and market conduct regulation is an important part of our governance framework as a financial services provider. Prudential regulation of banks and other financial services providers has understandably increased since the global financial crisis, while market conduct regulation has intensified in South Africa over the last few years. We fully support responsible regulatory developments that

address the needs of South Africa's consumers and other participants. We believe that the Bank has been responsive in adapting to and implementing the regulatory changes.

The Bank has made good progress in implementing the latest regulatory changes around debt relief and DebiCheck, with minimal impact on the performance and outlook of the Bank despite the fact that these changes directly impact a large section of African Bank's market segment. We believe this bears testimony to the pre-emptive measures taken to eliminate potential risks that could have surfaced as result of the regulatory changes.

SHAREHOLDER SUPPORT

The Group's shareholders have, and continue to be, supportive of the Group. We are indeed fortunate to have such a strong and stable shareholder base while the Group has developed and continues to implement its strategy.

We continue to negotiate the shareholder agreement which will allow African Bank to normalise its capital markets activity to fund the Bank as it advances its strategy.

OUTLOOK

The years ahead are not expected to provide any significant tailwinds for African Bank. Competition in financial and related services will increase as new and innovative players vie for a share of the market. We do, however, firmly believe that we will continue to build on our past successes, leveraging the work done to date to continue to transform and grow African Bank. We believe credit risk is under control and continues to be well managed, both in respect of underwriting and managing the risk that is on the book. Capital and liquidity levels continue to be prudently managed. We continue to work on an attractive investor proposition to ensure that we have a suitable funding programme to propel our transformation and growth.

It is against this backdrop, and the increasing returns that have been achieved in the Bank's relatively short history, that we believe the Group is becoming an increasingly sound investable proposition.

IN CONCLUSION

I would like to thank my fellow Board members for the dedication they have shown in ensuring that the Bank achieves its objectives during the year. We are fortunate to have such a diverse, competent and experienced Board, who are fully committed and accountable to all the Group's stakeholders. We will also continue to broaden the experience of the Board in appointing new members, as deemed necessary. This will ensure that we have the requisite skills to oversee the implementation of the strategy and respond appropriately to regulatory and other environmental changes.

We would like to thank our CEO and her executive team for the significant progress made during the year under review. We firmly believe that they will continue to deliver on our strategy. We would also like to thank our key shareholders for their guidance and support. Our partnership sustains the progress in transforming the Bank into an established and diversified retail bank.

The Board strives to provide the Group with an effective ethical leadership, ensuring that it delivers on its promises and remains a responsible corporate citizen. This is our promise to all our stakeholders.



CEO REVIEW

The Bank has delivered a pleasing and improved set of results over the past year, despite a challenging economic environment. As noted on pg 20 of this report we continue to make progress on our strategic scorecard metrics. We are particularly pleased that customer numbers have begun to increase, primarily as a result of new transactional and Savings and investment customers.

2019 has been an auspicious year in the young life of African Bank. On 21 May 2019, we proudly launched our new transactional banking proposition, MyWORLD. MyWORLD was launched on our new Omni-channel, which is the platform on which new products will be made available to customers. It is also the front-end system that our consultants use to serve customers. The launch of MyWORLD on our Omni-channel is significant because it will accelerate the implementation of many of our strategic objectives, including:

- Diversification of our revenue streams.
- Broadening our customer base and increasing our customer numbers.
- Access to additional information about our customers to facilitate, among other things, the development of new value propositions that meet their needs, as well as the optimisation of credit and collections strategies.
- Attracting retail deposits.
- Growing our digital capabilities.

In the four months since its launch, we have opened 100 000 MyWORLD accounts. In addition, we have received transactional retail deposits of R67 million into those accounts. 50% of the customers who have opened MyWORLD accounts are customers that are new to the bank. We believe that the launch of MyWORLD will be a game changer for the Bank.

Omni-channel and MyWORLD had a two year incubation period. From inception, the design team planned to design a product that would be unique in the market and meet the unmet needs of consumers. Accordingly, the product was designed based on research and input gathered from consumers, which showed that people typically share their bank accounts. An example of this would be giving a family member your debit or credit card to make a purchase. Sharing an account in this way creates risk for the main account holder and is inconvenient. It was with this idea in mind that we created MyWORLD as the first account ‘made to share’.

POSITIONING THE BANK FOR SUCCESS

The Bank refreshed its business strategy in 2018 to position the Bank to take advantage of the opportunities created by increasing digitalisation and to future proof the Bank in the face of increasing competition. We selected three strategic pillars and the progress that we have made in each of those pillars is outlined below.

Customer centricity – Increasing competition in financial services gives customers more choice, which means customers can be more selective in choosing the bank that best meets their needs. We believe that our ability to retain and attract customers will, in large part, be dependent on our ability to understand their needs and to provide affordable, relevant products at the right time and through the relevant channel. We are operating in a world of hyper-personalisation, and we are investing in the right capabilities to drive our success.

In the year under review, we have continued to invest and develop our Direct Sales and Digital Channels. At the commencement of the new African Bank in 2016, 100% of our credit sales were originated and fulfilled through our Branch Network. Our Branch Network now accounts for 80% of our credit sales. The new sales channels are creating greater convenience for our customers as they allow our customers to bank 24/7, and through the channel of their choice.

MyWORLD is inherently customer-centric and allows meaningful personalisation. Furthermore, MyWORLD has been priced to be a low-fee product that delivers incomparable value to consumers. As is the case with our fixed deposit products, we also aim to pay the highest rate on savings and deposits made into MyWORLD accounts.

Our efforts in building our brand and serving our customers better were rewarded by the confidence shown in African Bank by our Savings and Investment customer base of over 26 000 customers who have trusted us with over R2.3 billion of their money, up from R1.1 billion a year ago.

Data – In today’s world, we win or lose on our ability to apply data science and leverage the knowledge and insights we gain to better understand our customers and our business. This involves the effective use of big data analytics, artificial intelligence, the Internet of Things and machine learning for improved decision making. It is imperative that we build a data-centric organisation as part of our DNA through people, processes and technology. Data literacy, change management awareness, learning and development and our DataDistillery@AB programme all support how we do this.

We currently use data science to better predict and optimise lending outcomes. We have also introduced voice analytics software that helps mine and analyse audio data, detecting emotion, tone and stress in a customer’s and consultant’s voice, as well as the reason

for the call and level of customer satisfaction. This information can be used to improve customer engagement and experience, leading to an increase in sales and collections.

We are particularly pleased with the establishment of our very own DataDistillery@AB incubation hub, which is an academy for training Data Scientists for the Bank. The initial team of 29 Data Scientists, who were enrolled in the DataDistillery@AB in January 2019, will join us in January 2020 to assist us in using data science to find solutions to problems that will unlock growth.

Culture – Culture is at the heart of any organisation and can make or break it. To borrow from Peter Drucker – “Culture eats strategy for breakfast...lunch and dinner!” Our people are extraordinary, as once again evidenced by our 2019 people engagement score of 60%, a further improvement on 2018 when we achieved a score of 58%. This tells us that 60% of African Bankers are highly committed, adding value to the organisation and prepared to go the extra mile. Our score compares very favourably against the SA benchmark of 38%.

Building an organisation that is digitally-fit, data-centric and customer-centric requires the deliberate design and inculcation of an appropriate culture. In the 2019 financial year, we focused on inculcating hyper-collaboration as an important component of our culture. Collaboration is a critical success factor for the Bank as we seek to create innovative solutions for customers and deliver these efficiently across all our distribution channels. We firmly believe in a collaborative way of working, as expressed in our motto 'DO Better Together', an initiative that was launched in 2019, and that continues to gain traction throughout the organisation.

MEETING OUR FUTURE COMMITMENTS

The business continues to operate with robust levels of capital and liquidity. Liquidity levels have been impacted positively through the increase in retail deposits, the retention of insurance profits within the Group and new treasury funding raised. We are gradually reintegrating into the debt capital markets. We also continue to work with our shareholders to execute a shareholder liquidity support facility to accelerate our reintegration into the debt capital markets, to fund the growth of the Bank.

LOOKING AHEAD

The successes achieved during 2019 were attained in a challenging macroeconomic environment. The South African consumer remains under financial pressure. Against this backdrop, we have chosen to be prudent and have kept our provisioning overlays in place, and reassessed our credit underwriting criteria. These changes are likely to curtail growth in our credit sales in the year ahead.

In addition to our credit sales, we will be investing in the sales of MyWORLD, our funeral product as well as our retail deposit products. We plan to launch new products to further diversify our offering and meet customer needs. We will also focus on the further development of our big data capabilities, which will enable us to optimise costs, improve our credit underwriting and collections and move us closer to becoming a leader in customer satisfaction.

In my second year as CEO of this dynamic organisation, I once again express my sincere appreciation to our executive team for the excellent work they have done to deliver against our strategic milestones for the year. I would also like to thank the Board for its continued support and guidance throughout this year. I particularly welcome the appointment of Thabo Dloti as the Chairman of the Board and look forward to working with him and the entire Board, as African Bank continues its journey of 'Advancing lives through financial and related services'.



The Board

Our leaders are dedicated to providing ethical and effective leadership to ensure that African Bank is a responsible corporate citizen that creates sustained value for its stakeholders.

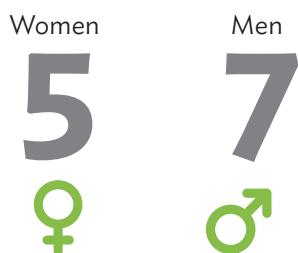
INDEPENDENT THINKING



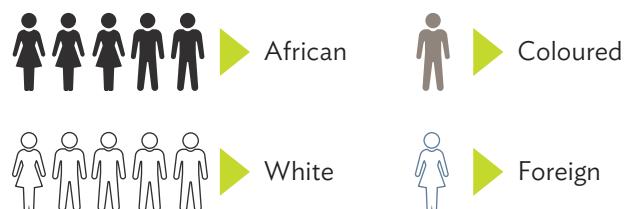
DIVERSITY OF AGE



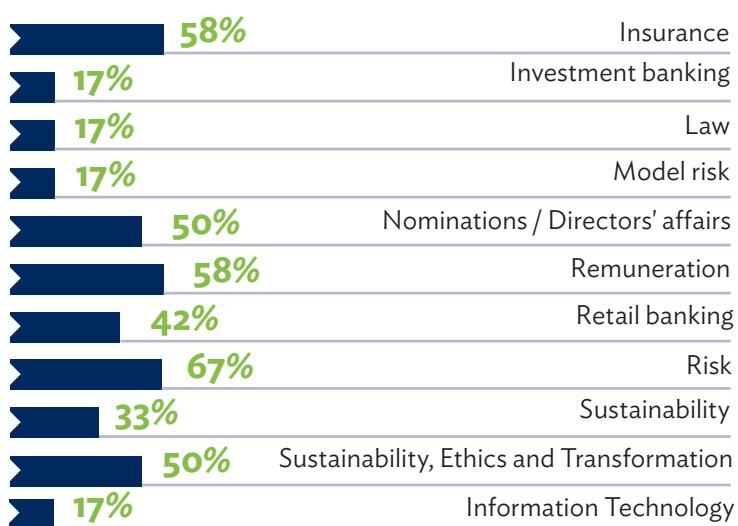
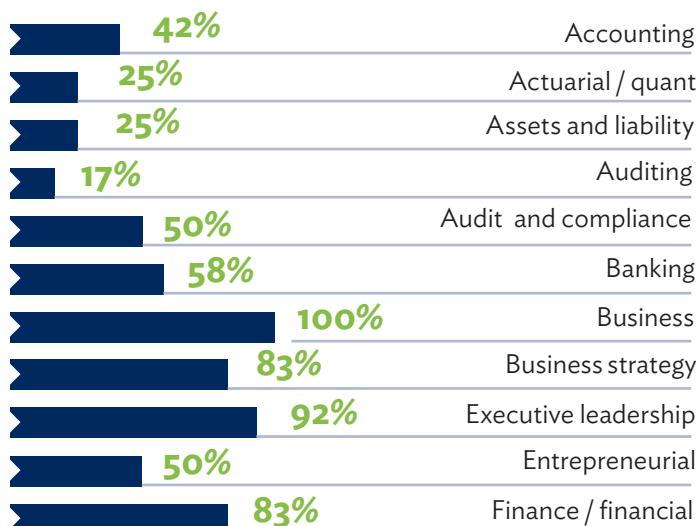
DIVERSITY OF GENDER



DIVERSITY OF RACE



SKILLS AND EXPERIENCE



**Thabo Dloti (50)**

Chairman and Independent Non-Executive Director

Appointed 7 March 2019

BBusSc (Actuarial), Advanced Management Programme (Harvard School of Business)

Skills and experience

Thabo is a seasoned financial services leader with a demonstrable track record of excellence in driving the implementation of growth and transformation strategies within blue-chip financial services companies in South Africa. He is co-founder of Sithega Holdings (Pty) Ltd, an investment holding company, and an experienced Non-Executive Director currently serving on the Boards of Alexander Forbes Group (Pty) Ltd and Rand Mutual Assurance (Pty) Ltd.

Marjorie Ngwenya Flanagan (40)

Independent Non-Executive Director

Appointed 16 September 2019

Fellow of Institute of Actuaries UK, Certificate in Company Direction (Institute of Directors, London), Sloan Master's degree in Leadership and Strategy from London Business School

Skills and experience

Marjorie is an actuary (FIA) with over 20 years of financial services experience. She has held various leadership roles in South Africa and abroad, including Director and Head of Life Insurance Consultancy at Mazars UK, Chief Strategist at Liberty Holdings Limited and Chief Risk Officer

at Old Mutual Africa Holdings Limited. She was the youngest and first overseas-based president of the Institute and Faculty of Actuaries (UK).

Mark Harris (60)

Independent Non-Executive Director

Appointed 29 August 2018

BSc (Wits)

Skills and experience

As Group Chief Executive Officer of the Kagiso Media Group, Mark steered the group through a digital transformation journey that created some of the largest digital businesses in South Africa. He was previously with IBM for over 34 years, in consulting, sales and marketing and technical management positions, both in South Africa and internationally. In his final two years at IBM, he was Vice President EMEA Business Development.

Sybille McCloghrie (63)

Independent Non-Executive Director

- Resigned effective 22 November 2019

Appointed 28 July 2015

BCom (Cum Laude), BCom (Hons) (Unisa), MBA (Heriot-Watt University Edinburgh), CAIB(SA)

Skills and experience

Sybille's leadership and technology experience includes serving as the Chief Executive Officer of Symelation Holdings (Pty) Ltd, a technology-based company with a specific focus on enterprise development. Her banking experience includes various executive roles in service management at FirstRand Bank, and

Fintech and business process outsourcing experience at corporates such as AECI, EDS and IBM.

Sydney Mhlarhi (46)

Independent Non-Executive Director

Appointed 2 July 2015

BCom, BAcc (Wits) CA(SA), Diploma in Financial Markets and Instruments (UJ)

Skills and experience

Sydney is a founder and Director of Tamela Holdings (Pty) Ltd, a financial services company with activities in corporate finance (including JSE sponsor), fund management and principal investments. Before founding Tamela, he was the Chief Investment Officer of Makalani Holdings, a mezzanine financer. He has over 20 years' experience in investment banking, having held various executive positions at Standard Corporate and Investment Bank from 1998 to 2004.

Happy Ralinala (48)

Independent Non-Executive Director

Appointed 23 May 2018

MBA (Bond)

Skills and experience

Happy has significant experience in the banking industry, having held various senior positions at Absa Bank, including leading and directing Business Banking South Africa, heading up public sector business banking, and holding the position of Regional Executive: Northern Region. Her final position at Absa was that of Managing Executive: Private and Wealth Banking Africa. Prior to her time at Absa, Happy served as Provincial Executive and

Brian Riley (62)
Non-Executive Director

Appointed 25 May 2018

AEP (Unisa), AMP (Harvard Business School)

Skills and experience

Brian has held various positions in the United Kingdom at Lloyds and Scottish Finance Group, the Provident Financial Group and Clerical Medical and General Life Assurance Society. He held various leadership positions at WesBank (a division of FirstRand Limited) before being appointed CEO in January 2007. He also served as a member of the FirstRand Strategic Executive Committee. Brian was the CEO designate of the old African Bank during curatorship, and became CEO of the restructured African Bank Group and 'Good Bank' in April 2016. After stepping down as CEO in March 2018, he was appointed a Non-Executive Director (not independent).

Louisa Stephens (43)
Independent Non-Executive Director

Appointed 2 July 2015

BBusSc (Finance) (UCT), BCom (Hons) (UJ), CA (SA), CD (SA)

Skills and experience

Louisa is currently an independent financial trader at Prime Select Holdings (pty) Ltd. She gained investment banking experience at Rand Merchant Bank. She was previously the Chief Investment Officer for Circle Capital Ventures (Pty) Ltd, General Manager Investments and Finance at Nozala Investments (Pty) Ltd and a fund manager at the National Empowerment Fund's Corporate Fund (uMnotho Fund).

Peter Temple (48)
Independent Non-Executive Director

Appointed 29 April 2016

BBusSc (Actuarial) (UCT), Fellow of Actuarial Society of South Africa (FASSA), Fellow of Institute of Actuaries (UK)

Skills and experience

Peter has been Regional Director of General Reinsurance Africa Ltd, a Berkshire Hathaway company, since

February 2009, having previously occupied a number of senior management positions in the company since joining in 1999. In his current position Peter is responsible for the life/health business for the United Kingdom, Ireland, Canada, the Caribbean and South Africa. He previously held various positions in Momentum EB (Pty) Ltd and the Southern Life Association Limited.

Frans Truter (64)
Independent Non-Executive Director

Appointed 7 August 2015

BCom (Hons), CA(SA), AMP (Oxford)

Skills and experience

Frans has over 30 years of financial services experience. He served the Momentum Group (now Momentum Metropolitan) as Chief Financial Officer and Director Strategic Investment. He was previously an Associate Director at Deloitte and a Senior Accountant at the South African Reserve Bank. He is currently involved in some private equity investments and serves as Non-Executive Director on the Momentum Metropolitan Board as well as the Boards of a number of other companies.

During her 12 years at the FirstRand Group, she gained experience in corporate finance and retail banking.

Gustav Raubenheimer (49)
Executive Director

Appointed 3 July 2015

BCom, BCom (Hons) (Pretoria), CA(SA)

Skills and experience

Before joining African Bank as Credit Executive in 2012, Gustav gained diverse banking, financial and analytical skills experience while serving as an articled clerk at Deloitte & Touche, and working at FirstRand Bank, FNB's Corporate Bank, Nedbank's Credit Lab and Absa's Retail and Commercial division.

As Credit Executive responsible for managing credit risk and provisions for bad debt and pricing at the old African Bank, he was instrumental in identifying the deteriorating performance of the Bank's loan book and alerting management to the situation that ultimately led to the Bank being placed in curatorship. Gustav was appointed Chief Financial Officer of the African Bank Group in July 2015.

EXECUTIVE DIRECTORS

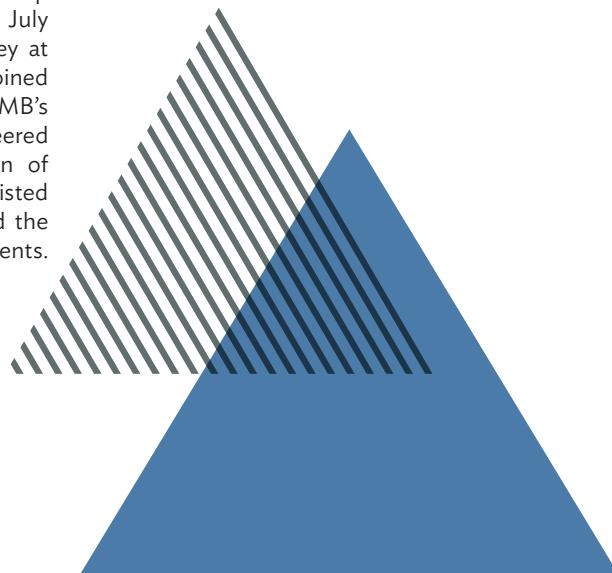
Basani Maluleke (42)
Executive Director

Appointed 1 April 2018

BCom, LLB (UCT), MBA (Kellogg)

Skills and experience

Basani assumed her role as Chief Executive Officer of African Bank in April 2018, after serving as an Independent Non-Executive Director from July 2015, and joining the Executive team as Group Executive: Head of Operations in July 2017. Having qualified as an attorney at Edward Nathan Sonnenbergs, she joined FirstRand Bank as a member of RMB's corporate finance team that pioneered the structuring and implementation of BEE ownership transactions for JSE-listed companies. She subsequently joined the FNB Division as Head of Private Clients.



DIRECTORSHIPS HELD BY AFRICAN BANK HOLDINGS BOARD MEMBERS AT 30 SEPTEMBER 2019

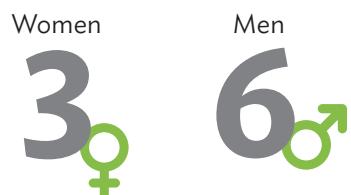
In compliance with the provisions of King IV™ Ethical Principle 7, Recommended Practice 30(h), the company Boards and professional positions held by each Director on the Company Boards are disclosed as follows:

Thabo Dloti	Sithega Holdings (Pty) Ltd and Group entities Alexander Forbes Holdings (Pty) Ltd Rand Mutual Assurance Limited and Group entities Prescient Holdings (Pty) Ltd and Group entities
Marjorie Ngwenya Flanagan	Elliott Ngwenya Limited (Incorporated in London and Wales) and Group entities The Rand Mutual Assurance Company and Group entities Bidvest Life Limited and Group entities
Sybille McCloghrie	Symelation Holdings (Pty) Ltd and Group entities The Content Factory (Pty) Ltd
Sydney Mhlarhi	Tamela Holdings (Pty) Ltd, and Group entities Assore Limited
Happy Ralinala	Nomalanga Travel and Tours (Pty) Ltd Thalala Trading and Investments (Pty) Ltd K2016335258 South Africa (Pty) Ltd t/a Ronauna Consulting Sandton Ladies Investments (Pty) Ltd Khula Credit Guarantee Ltd Small Enterprise Finance Agency Ltd
Brian Riley	Brian Riley Investments (Pty) Ltd MQ Finance (Pty) Ltd
Louisa Stephens	Prime Select Holdings (Pty) Ltd and Group entities Legae Property Solutions (Pty) Ltd and Group entities Central Plaza Investments 64 (Pty) Ltd MultiChoice Group Limited and Group entities Royal Bafokeng Platinum, The Institute of Directors in Southern Africa BAIC Automobile SA (Pty) Ltd
Peter Temple	General Reinsurance Africa Limited (Executive Director), GRF Services Limited Bowwood Road No 35 (Pty) Ltd
Frans Truter	Momentum Metropolitan Holdings Limited and another Group entity New Seasons Investment Fund (Pty) Ltd Hyphen Technology (Pty) Ltd
Mark Harris	Pepkor Limited
Basani Maluleke	Get me to Graduation (NPC)

Our Executive Committee



DIVERSITY OF GENDER



DIVERSITY OF RACE



African



White

Basani Maluleke (42)
Appointed 3 July 2017

Chief Executive Officer
BCom, LLB (UCT), MBA
(Kellogg)

Vere Millican (42)
Appointed 3 April 2013

Group Executive: Credit and Data Sciences
BSC (Hons) Banking and International Finance, NDip : Management

George Roussos (52)
Appointed 6 July 1998

Group Executive: Digital and Transactional Banking
CA(SA), B.Acc, BCom

Gustav Raubenheimer (49)
Appointed 1 October 2012

Chief Financial Officer
BCom, BCom (Hons) (Pretoria), CA(SA)

Lindiwe Miyambu (47)
Appointed 1 September 2010

Group Executive: Human Capital
B.Ed

Kena Setshogoe (44)
Appointed 1 November 2018

Group Executive: Customer Engagement
BCom Management Information Systems

Penny Futter (41)
Appointed 1 September 2018

Chief Information Officer
BSc Computer Science & IT

Serge Mosime (46)
Appointed 3 October 2017

Managing Executive: Direct Sales
BCom, National Diploma: Cost and Management Accounting

Piet Swanepoel (57)
Appointed 1 June 2014

Chief Risk Officer
BCom - Economics





06 MANAGING RISK FOR SUSTAINABILITY

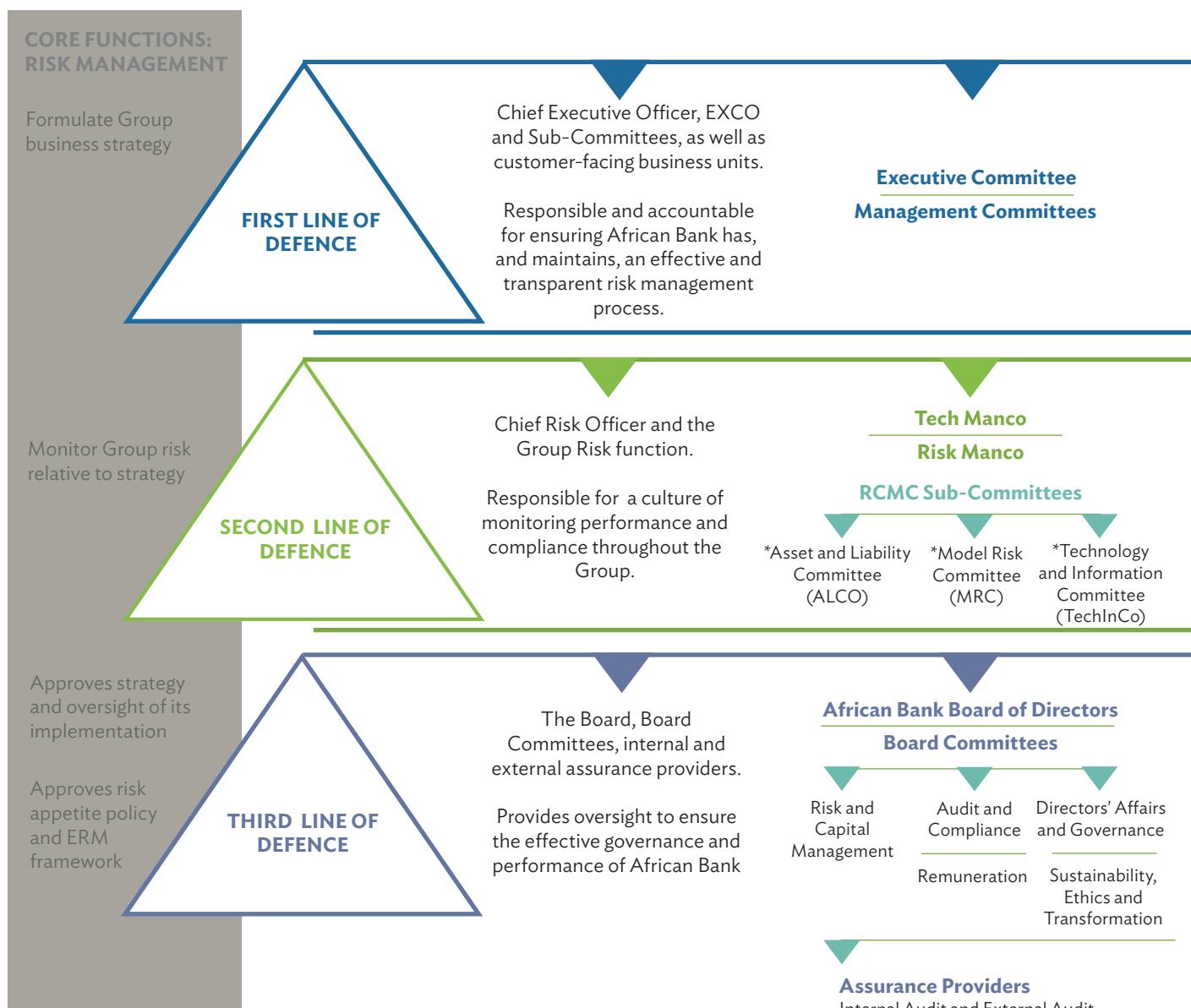
Establishing the link between strategy, the associated material matters and risks is an essential element of integrated thinking, which is key to the creation and protection of stakeholder value. Comprehensive risk management requires risk awareness by the Executive Committee and key individuals throughout the organisation. A clear understanding of our risk appetite and regulatory and compliance requirements, transparency and the embedding of risk management responsibilities, is essential.

Our risk management objective is to ensure the proactive identification, understanding and assessment of risks. It includes activities that result in identifying risks and opportunities which could positively or negatively impact our strategic objectives.

Understanding the link between strategy, risk and opportunities is core to our success.

Risk management is core to our business and is part of our strategic planning and financial forecasting process. Our operating model includes formal risk measurement and management. Effective risk management processes lead to improved internal governance of our risk management and measurement frameworks and policies, as described in the Governance section of this report on pg 40.

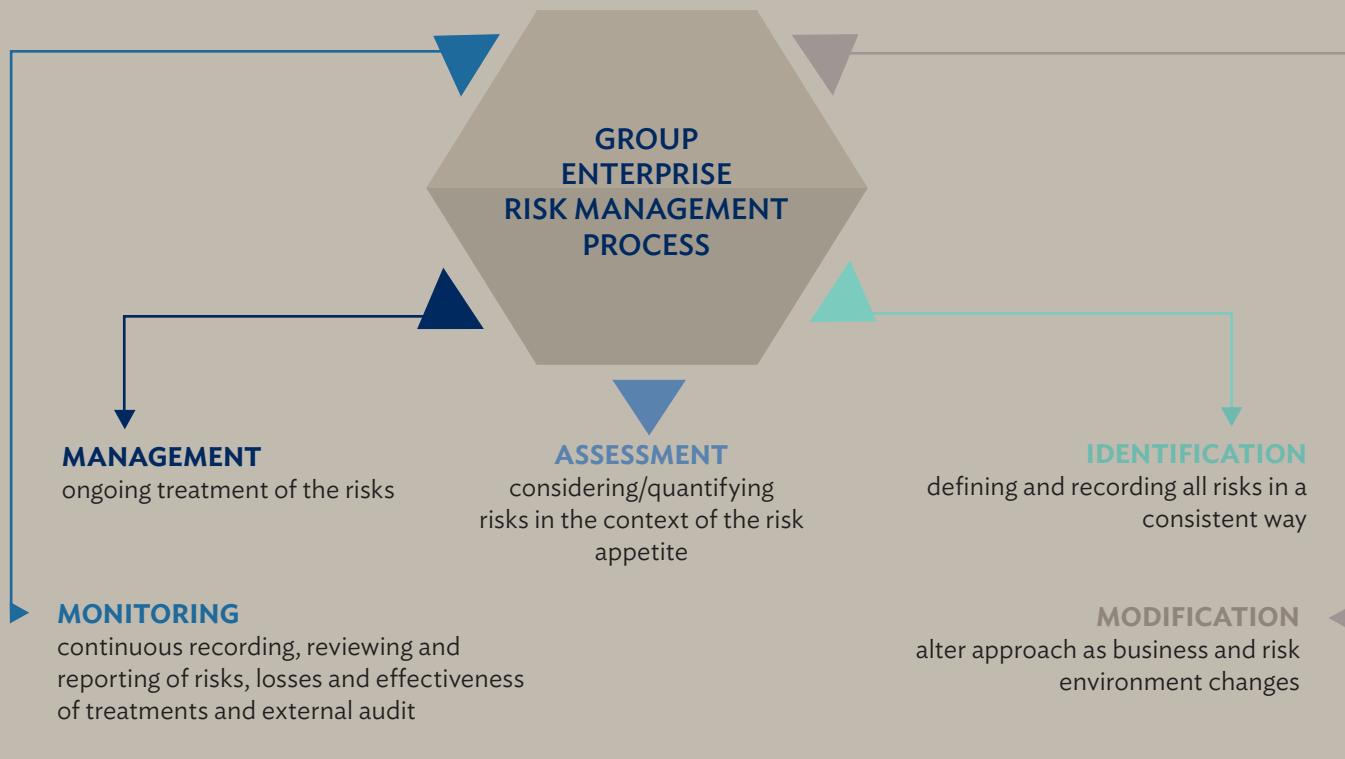
The Group applies the 'Three lines of defence' risk management model as shown below:



*Both second and third line performed

Our internal risk measurement and reporting system is integrated into our day-to-day risk management processes. The ongoing monitoring and management of each identified risk, by appropriately skilled individuals across all lines of defence, is integral to the control of the Group's risk profile.

The Group's Enterprise Risk Management (ERM) process takes into account the developing business environment and risk environment, and is refined as necessary. Changes to the ERM Framework and related policies are subject to approval by the Chief Risk Officer and the Risk Management Committee, as well as the Risk and Capital Management Committee and the Board, as appropriate.



RISK APPETITE

Our Enterprise Risk Management Framework (ERM) ensures that risks are managed taking into account our Board-approved risk appetite. We evaluate key exposures and measure, mitigate and monitor risks on an ongoing basis.

The Group's risk universe is summarised into five categories to facilitate reporting and fit for purpose design of controls, to ensure effective management and mitigation. This categorisation ensures that the risks and opportunities are aligned to our business strategy.

RISK CATEGORY	DESCRIPTION
Financial	Promote and maintain financial resilience.
Business sustainability	Delivery of strategic objectives and tactical interventions.
Operational	Effective activities and conduct, through product design, Information Technology systems and processes.
People	Attract, retain and develop the best talent in our market.
Legal and regulatory	The business and employees operate in accordance with the laws, regulations and codes which apply to all activities.

We identify our key risks through our embedded ERM Framework, which provides stakeholders with a robust assessment of the principal risks facing the Group. The risk appetite for each principal risk is reviewed and approved by the Board to enable informed risk-based decision making.

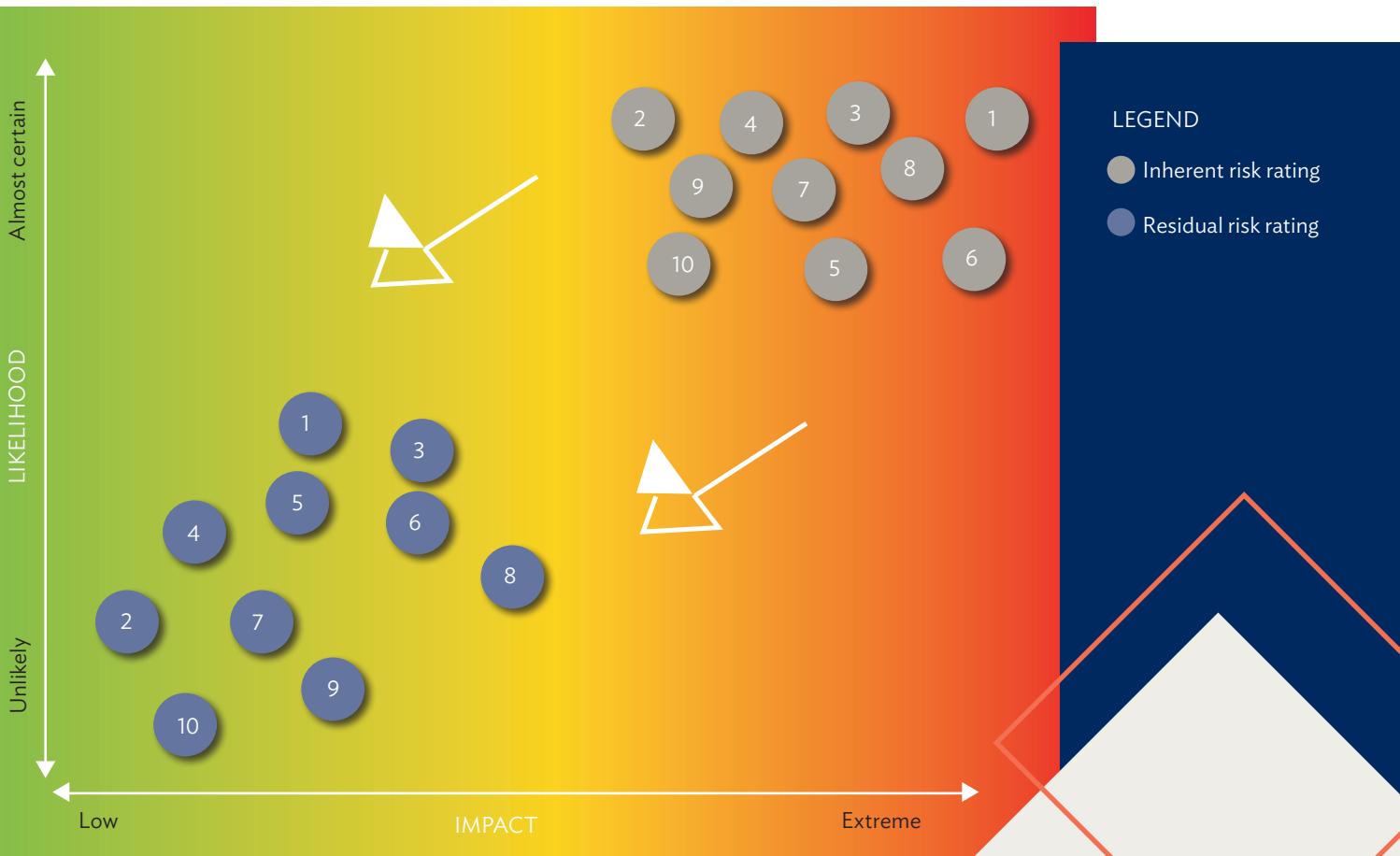
Risks are reflected according to the probability and impact of such risks to the Bank. The top 10 risks categorised are listed here.

RISK NAME		CATEGORY
1	Credit risk	Financial
2	Strategic risk	Business sustainability
3	Liquidity risk	Financial
4	Cyber-crime	Operational
5	Model risk	Operational
6	Information Technology risk	Operational
7	Human capital risk	People
8	Regulatory/compliance risk	Legal and regulatory/business sustainability
9	Operational/process risk	Operational
10	Macroeconomic risk	Business sustainability



OUR TOP 10 RISKS

The risk heat map sets out the top 10 principal risks. To ensure the accuracy and completeness of our risk universe, an annual assessment process is performed with both the Risk and Capital Management Committee (RCMC) and the Board. The risks are assessed according to their impact on a pre and post-mitigation basis, giving an inherent and a residual risk rating.



AN OVERVIEW OF THE TOP 10 RISKS AND MITIGATING ACTIONS IS SHOWN HERE.

TOP 10 RISKS		
	CREDIT RISK	MITIGATION
1	The risk of default on a loan that may arise from a borrower failing to make required payments. This risk could also lead to loss of interest revenue, disruption to cash flows, and increased collection costs.	All prediction models, underwriting and collections scorecards and affordability assessments are monitored by management on a daily, weekly and monthly basis and by the Model Risk Committee and the Risk and Capital Management Committee on a monthly and quarterly basis, respectively. Expected credit losses are well provided for, as evidenced by our backtesting. We remain strongly capitalised to cover unexpected losses and are well above our internal capital targets, as set through the ICAAP (Internal Capital Adequacy and Assessment Process) process.
2	STRATEGIC RISK	MITIGATION African Bank has a clearly defined purpose, supported by three pillars of Culture, Customer-centricity and Data, and a sound set of values. We have a comprehensive strategic planning and performance-monitoring process to ensure that we have a sustainable and achievable strategy, and that we deliver on that strategy.
3	LIQUIDITY RISK	MITIGATION African Bank implemented conservative liquidity and funding limits set by the Asset and Liability Committee (ALCO), and approved by the RCMC and the Board. The ALCO is chaired by a Non-Executive Director and has third party representation.
4	CYBER-CRIME	MITIGATION Varied preventive, detective, and corrective controls are implemented as part of the Information Security Programme. There is a specialised and dedicated security team that monitors and manages this risk, against the backdrop of an ever-changing and increasing threat of cyber-crime. Significant attention is placed on building knowledge within the Bank. We have ongoing cyber-crime training and learning modules to increase awareness.
5	MODEL RISK	MITIGATION An active Model Risk Committee (MRC), chaired by a Non-Executive Director and including third party representation, oversees the management, monitoring and assessment of model risk within the Group. The scope of the Model Risk Committee is across all models, with particular attention on credit risk models, which are typically subject to the highest degree of review given our business model.

TOP 10 RISKS

	INFORMATION TECHNOLOGY RISK	MITIGATION
6	<p>The risk of Information Technology disruptions from a disabling cyber-attack, or because of human error or failure of ageing hardware.</p> <p>The scalability of IT systems and platforms to facilitate the delivery of the Group's strategy, remains a risk.</p>	<p>Appropriate preventive, detective, and corrective controls have been implemented as part of the Information Security Programme. There is a specialised and dedicated security team that monitors and manages this risk, against the backdrop of an ever-changing and increasing threat of cyber-crime.</p> <p>During 2019 the Group established the Technology & Information sub-committee of the RCMC strengthening governance around Information Technology Risk.</p>
7	HUMAN CAPITAL RISK	MITIGATION
	<p>The Bank's ability to ensure an attractive employee value proposition, maintain a stable labour environment and high performance culture, are key to achieving growth objectives.</p>	<p>We have developed an employee value proposition to ensure that African Bank is an employer of choice, attracting and retaining top talent, ensuring that we have an able and energised workforce.</p>
8	REGULATORY AND COMPLIANCE RISK	MITIGATION
	<p>The Group must apply good governance practices including legal and compliance management, compliance or adherence to appropriate and relevant industry rules and internal control systems.</p>	<p>The Compliance team monitors compliance to all relevant legislation and reports to various Committees on a regular basis. Ongoing learning programmes and assessments are mandatory for all employees.</p>
9	PROCESS RISK	MITIGATION
	<p>Process risk is the potential for losses related to a business process. It is usually considered a type of operational risk as most processes are part of the day-to-day operations of a business.</p>	<p>Effective internal control processes and appropriate monitoring and management.</p> <p>Escalation processes are in place to ensure that any breakdowns are highlighted and remediated to prevent operational losses.</p>
10	MACROECONOMIC RISK	MITIGATION
	<p>The ability to sustainably grow and deliver value depends on key macroeconomic factors that drive and enable GDP growth and the successful delivery of economic inclusion and growth.</p>	<p>Macroeconomic influences are continuously considered as part of our strategic planning process, and more specifically in determining the credit risk appetite and levels of provisioning. This is also included in stress testing scenarios for the ICAAP and the Recovery Plan.</p>

Further information on credit, liquidity and capital risk is included throughout this report. See the 'Our financial performance' section of this report for appropriate quantification. See pg 44.

RISK AND OPPORTUNITY

Risk management also assesses opportunities, primarily as part of the strategic planning process. Opportunities to serve our customers better and deliver on the needs of all our stakeholders exist and are identified, assessed and executed as part of delivering our strategy.

REGULATORY CHANGES

Regulatory changes, including revised price caps for fees and insurance, have been in place for a number of years. Further developments include the implementation of DebiCheck, where a debit order will only be processed to a customer's account if the mandate has been confirmed electronically by the customer. DebiCheck is being implemented in a phased approach.

African Bank has been proactive in implementing DebiCheck and is well set for the final and full implementation during 2020. From 1 May 2020 all new loan agreements must be authenticated. All existing debit orders must be migrated to DebiCheck by 31 October 2020. Recovery tracking (being the ability to track the relevant debtor bank accounts for a number of days for available funds to collect missed debit order payments) will reduce to a maximum number of ten days (from a previous maximum number of 32 days).

The National Credit Amendment Act 7 of 2019 passed on 13 August 2019, provides for the restructuring of debt for heavily indebted consumers who earn a gross monthly income of R7 500 or less, have unsecured debt of up to R50 000 and who have been found to be heavily indebted by the National Credit Regulator (NCR). A consumer can become heavily indebted when their income decreases or their living expenses increase. If the consumer approaches the NCR, who will act as a debt counsellor, the NCR will present a debt relief solution to the National Consumer Tribunal, who will decide on the matter.

This is in line with solutions that are already available in the market for customers seeking debt relief. Currently, the customers being addressed by the Act have the option to approach a debt counsellor and apply for debt review, for which the appropriate level of provisioning is then raised.

African Bank has assessed the risk inherent in the changes brought about by these latest regulations and has from 2018 implemented appropriate provisioning in respect of its best assessment of the potential negative impact on collections. We have also adjusted our credit underwriting criteria, most recently in September 2019, applying stricter affordability criteria to the affected groups.

MANAGING OUR CAPITAL ADEQUACY TO PROTECT OUR DEPOSITORS

The risk that the Group will have insufficient capital reserves to meet materially adverse market conditions, beyond its provisions for expected losses, is called capital adequacy risk.

Our capital risk appetite has been determined to meet solvency requirements including appropriate capital buffers for stress events, for the protection of our depositors.

The purpose of capital risk management is to ensure that we maintain sufficient capital levels to:

- Safeguard our operations and stakeholders against risk, and to allow growth.
- Ensure adequate capital buffers above minimum requirements to ensure sustainability in both systemic and bank-specific stress events, as set out in the Group's risk appetite, taking into account any additional economic capital requirements.
- Meet minimum Basel III regulatory requirements and additional capital add-ons and floors, as specified by the SARB.
- Test our financial forecasts, derived from the strategic planning process and new business initiatives, against risk appetite and required capital levels.

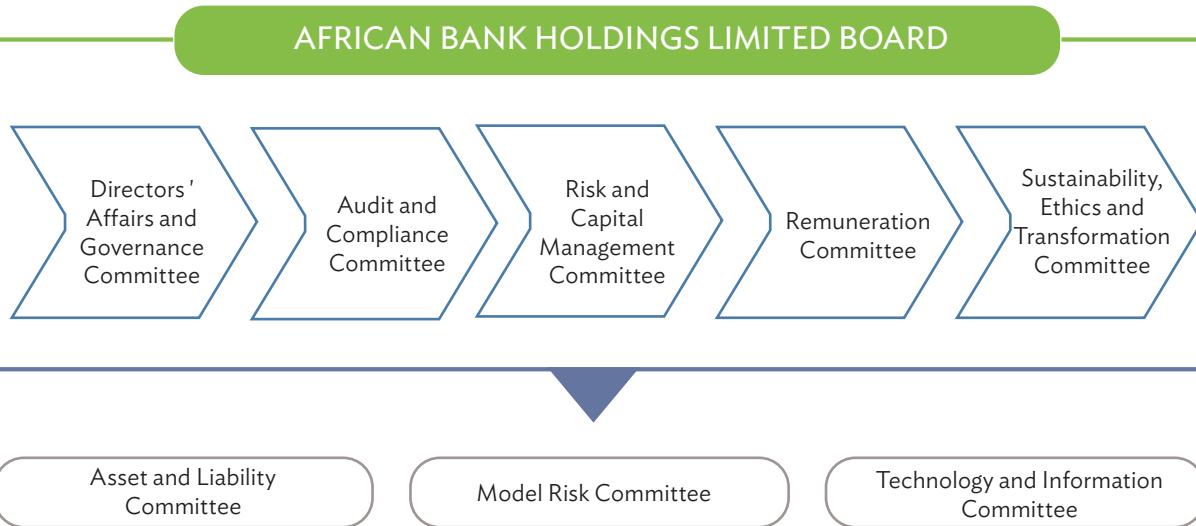
In setting capital adequacy risk appetite we target the greater of our regulatory and economic capital requirements, including a stress testing buffer, set annually as part of the Internal Capital Adequacy and Assessment Process (ICAAP).

This risk appetite is quantified as a Core Equity Tier1 (CET1) and total capital adequacy ratio for banking entities. An appropriate solvency level for the insurance operations is set by the statutory actuary.

Economic capital adequacy is defined as the Group or Bank's internal measurement of risk and related available financial resources (defined as ordinary share capital, equity reserves and preference shares less mandatory deductions) against approved minimum target levels. Internal or economic capital requirements are based on a confidence interval of 99.9% and a one-year time horizon. This process acknowledges that certain risks, which are not subject to regulatory capital requirements, exist in the organisation. It calculates capital requirements using appropriate methodologies and allocates capital to address those risks.

CORPORATE GOVERNANCE REVIEW

GROUP GOVERNANCE STRUCTURE



The Board is accountable to all its stakeholders for achieving the continued growth and sustainability of the Group without compromising social, environmental and other economic issues.

The Group's purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process. The Board is committed to ensuring that it responds to changes in the environment in which the Group operates, and that it maintains adequate and effective processes that are consistent with the nature, complexity and risk inherent in the Group's business activities.

GOVERNANCE APPROACH

Being the focal point and custodian of good and sound corporate governance, the Board provides effective leadership based on our ethical values of transparency, creativity, collaboration, empathy and sustainability, and the moral duties that find expression in the concept of Ubuntu. It ensures that the Group will, in all aspects, conduct itself and operate as a responsible corporate citizen based on the responsibilities imposed on it by relevant legislation, governance principles and the South African Constitution. It further recognises that sound corporate governance and ethical business practice is the foundation upon which the trust of all stakeholders is built.

The Group has adopted a governance framework which is reviewed at least annually and updated as required. The overall intention of the Group's Governance Framework is to record the establishment and maintenance of an adequate and effective corporate governance structure with the objective of achieving strategic and business objectives efficiently, ethically and equitably within acceptable risk parameters, while meeting governance obligations and, simultaneously, adhering to legislative requirements.



APPLICATION OF KING IV™ AND GOVERNANCE PRINCIPLES

In 2018, the Group commissioned an external expert to review its overall compliance with the ethical principles of King IV™ and a report was subsequently published on our website www.africanbank.co.za.

In 2019, a full analysis of our compliance with King IV™ revealed that we have applied the recommended practices, explained our arrangements in a separate report published on our website and made the related disclosures in this report. The full report on our application and disclosure of the King IV™ principles is available on our website.

THE ROLE OF THE BOARD

The Board is mandated in terms of its Board Charter, which includes details on the roles and responsibilities of the Board, its composition, governance of meetings and the conduct of its Directors.

The Board has established various Committees as described in the governance structure, to assist it in its duties. These Board Committees derive their authority from their respective Terms of Reference (TOR), which include details on purpose, composition and responsibilities. The Board Charter and Committees' Terms of Reference are reviewed annually to ensure that they remain in line with best corporate governance principles. These documents are available on request from the Group Company Secretary.

HOW THE BOARD ADDS VALUE

The Board adds value to the Group in the following ways:

- Assumes ultimate accountability for the performance and affairs of the Group.
- Considers and approves the long-term strategy and vision for the Group, as developed by the CEO and Executive Committee. The latest business strategy, approved

during 2018, was reaffirmed in April 2019.

- Oversees the implementation of the approved Group Governance Framework.
- Exercises ethical and effective leadership and judgement based on integrity, competency, transparency, fairness and accountability.
- Considers its social responsibilities without compromising the natural environment (Refer to pg 102 in 'The sustainable use of our natural resources').
- Reviews various matters such as major plans of action, governance policies, appropriate procurement and provisioning systems, Annual Financial Statements, budgets and business plans.
- Approves procedures to monitor and evaluate the implementation of the Group's values, purpose, strategies, policies, risk management, culture, compliance with laws, and its business and operational performance.
- Reviews and approves the Group's Annual Integrated Report, so that the report enables stakeholders to make informed assessments of the Group's performance and its short, medium and long-term prospects.
- Acts in the best interest of the Group and ensures that individual Directors adhere to legal standards of conduct, as set out in its Board Charter.

COMBINED ASSURANCE

To ensure that we have adequate assurance across the Group, and to prevent gaps or duplication in assurance efforts, we have adopted a combined assurance approach. The objective is to assure the Audit and Compliance Committee (AuditCom) that significant areas of risk within our Group are adequately addressed, and that suitable controls exist to mitigate these risks.

To facilitate this we employ an integrated planning and reporting process, which is achieved by aligning the activities of the separate assurance functions across our Group. To enable the necessary

communication and discussion, African Bank has a Combined Assurance Forum that meets quarterly.

The members of the Forum include our Chief Risk Officer, who chairs the Forum, our Chief Financial Officer, Chief Information Officer, senior business leaders and our external auditors and Internal Audit.

A revised Combined Assurance Framework was approved by the AuditCom in February 2019. This framework is key to ensuring that coordinated and relevant assurance efforts are directed to risks with the most potential impact. We also report to the AuditCom on our combined view of the coverage and assessment of the top four risk areas of strategic significance.

We use the 'Three lines of defence' model to depict how the combined assurance approach is executed for key threats, to achieve our objectives. See to pg 34.



COMBINED ASSURANCE MATRIX

	First line of defence	Second line of defence		Third line of defence	Governance structures reported to	Framework/standards used	Outcome	Frequency of assurance and/or reporting
Key threats associated with strategic objectives/ targets	Exco	Group Risk	Compliance/ AML/ Legal	Independent assurance providers				
Performance against strategic scorecard				PwC	Exco and Board	Board ³ Governance	Areas of enhancements with action plan being undertaken	Monthly Quarterly
				IA				
Reliable and accurate financial and other reporting				PwC	Exco and AuditCom SetCom and RCMC	IFRS ¹ JSE ²	Adequate coverage	Biannually
				IA				
Meeting financial targets				PwC	Exco, AuditCom and Board	Board ⁴	Adequate coverage	Monthly Quarterly
Ensuring efficiency of operations				IA				
Achieving customer targets				IA	Board, SetCom and Exco	Third party ⁶ measurement	Adequate coverage	Monthly Quarterly
People targets				IA				
				HC external providers				
Compliance with laws and governance				IA	Exco, SetCom and RemCom	Internal measurement ⁷	Adequate coverage	Monthly Quarterly
				PwC				
				Independent assurance providers				

Legend

- █ Exco providing assurance
- █ Group Risk
- █ Compliance/ AML/ Legal
- █ Internal Audit
- █ External Audit (PwC)
- █ Other external assurance providers

1 International Financial Reporting Standards
 2 JSE Listings Requirements
 3 Board-approved strategy
 4 Board-approved business plan and budgets
 5 Group and divisional performance, stability, monitoring targets and measures
 6 NPS® and SAcisi
 7 Performance assessments, engagement surveys, diversity targets



INTERNAL AUDIT (IA)

Our Internal Audit function, governed by our AuditCom and Board-approved Internal Audit Charter, is responsible for implementing our combined assurance approach. It reports at each AuditCom meeting on audits concluded during the previous period, and their outcomes. The resolution of any adverse findings arising from audits is the responsibility of the executive concerned.

The Remuneration Committee (RemCom), the membership of which currently includes the Chairman of the AuditCom and a member of the AuditCom, oversees the Head of Internal Audit's performance assessment and the remuneration packages of the Group's senior assurance providers, including the Head of Internal Audit.

The Head of Group Internal Audit is solely responsible for the function, scope of work and quality of delivery of the Group's internal audit. The functional reporting line is to the Chairman of the AuditCom, and the administrative reporting line is directly to the CEO. The Head of Group Internal Audit has unrestricted access to the Chairman of the Board and the Chairs of all Board Sub-Committees. We have aligned our IA structure to allow for portfolio-based reviews, focusing on identifying business processes that are of strategic importance to the company.

The activities of Internal Audit are designed to ensure quality, efficiency and agility in the delivery of assurance services and meeting the assurance expectations of our stakeholders.

A RISK-BASED INTERNAL AUDIT PLAN

The internal audit plan is approved annually by the AuditCom and its execution is tracked to completion by the Committee. The plan is also reviewed during the year to ensure it remains relevant. If changes are necessary, they are approved by the AuditCom.

THE PROGRESS INTERNAL AUDIT MADE WITH KEY FOCUS AREAS REQUESTED BY THE BOARD IN 2019

INITIATIVES	PROGRESS
Credit	Completed. In addition, continuous monitoring of aspects of credit models.
Treasury (including capital management)	Completed. Consistent and ongoing review of key aspects of the balance sheet and capital management.
Information technology	Completed. Ongoing review aligned to strategic focus on network security and the efficiency of operations within the new IT operating model.
Assurance on transactional banking, DebiCheck and RDARR	Proactive and real-time assurance on Omni-channel and transactional banking programme, with Internal Audit. Programme assurance was also provided on the DebiCheck and RDARR programmes.
Advanced and more predictive analytics	In progress. Currently embedding continuous audits in credit, collections, transactional banking, savings and investments and debtor's book. Rolling out to other streams where applicable.
Functional re-alignment with changes within the Group	Completed. Due to the speed at which the Bank is currently transforming, Internal Audit realigned its structure to ensure a more focused approach.

Internal audit was able to conduct its work free of any restrictions and is of the view that there were no material internal control weaknesses or deficiencies during the year under review, that would render the internal financial controls and financial systems ineffective in producing reliable information for the financial statements.

LOOKING AHEAD

Key initiatives Internal Audit will be undertaking in FY2020, include ensuring it can provide high quality, risk-based advisory and assurance services aligned to the Group's top strategic and operational objectives. These include:

- Focus on data and digital transformation, including the use of data analytics, continuous audit process, predictive analytics and interactive reporting.
- Emphasis to be placed on the customer-centricity element including customer engagement channels and various other touchpoints.



07 HOW WE PERFORMED IN 2019

Our financial performance and resources

Our financial capital consists of the pool of funds that is available to us to produce products, provide services and invest in technology, people and growth. It is obtained through financing, such as equity and debt and generated through our operations.

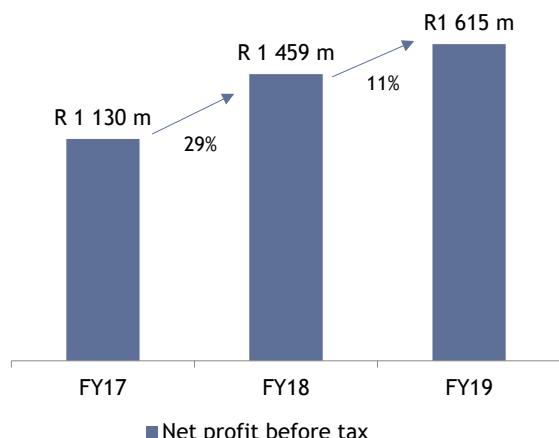
Our financial information in this report is analysed on an adjusted basis, to allow for better comparability between African Bank's financial information and that of other banks. On this basis, assets acquired on 4 April 2016 are reflected at the pre-acquisition value of the relevant gross advances, together with an increased impairment provision. The net book value of the relevant assets is not affected. Certain income statement revenue and expense items are adjusted as reflected under the consolidated statement of net income on pg 46.

We were able to achieve improvements in our financial results in comparison to the previous period. This was primarily due to improved results in the credit business, as a result of a lower impairment charge complimented by improvement in the insurance results, more favourable VAT treatment and a more efficient balance sheet. These positive impacts were partially offset by the cost increases including investment costs into new business lines and increased capacity, lower interest income and non-interest income on our advances book.

The Group's balance sheet remains liquid with high available cash resources of R5.6 billion. Customer balances are conservatively provided for with a coverage ratio of 34%. The Group continues to maintain high equity capital levels of R10.7 billion representing 54% of net advances of R19.8 billion and a CET1 level of 38.0%.

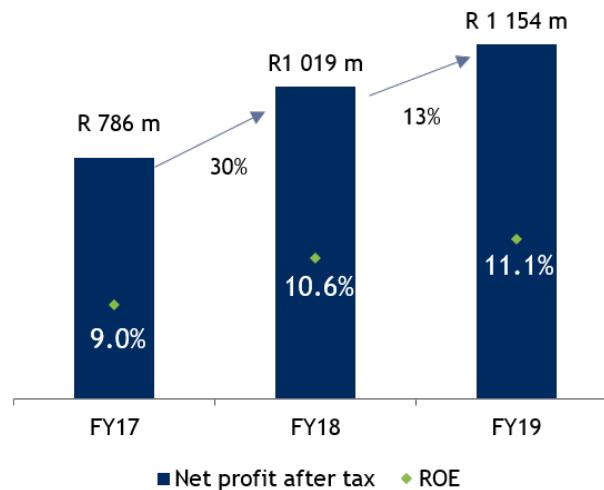
The Group reported a net profit after tax of R1 154 million for the year ended 30 September 2019 (2018: R1 019 million). We are pleased that we were able to achieve a year-on-year net profit after tax growth of 13%. A group RoE of 11.1% (2018: 10.6%) was achieved despite materially higher capital levels.

Net profit before tax



Group earnings before tax increased by 11% to R1 615 million (2018: R1 459 million).

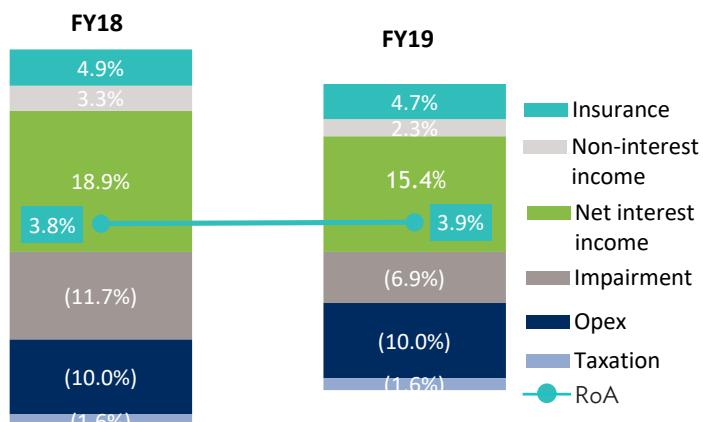
Net profit after tax graph



Net advances increased by 3% to R19 815 million from R19 178 million, or 8% when measured on a like-for-like basis using an opening balance of R18 316 million measured at 1 October 2018 after the implementation of IFRS9.

The changes in profitability can be seen in the return on average advances (RoA) analysis in the graph on this page. RoA increased from 3.8% to 3.9% year-on-year on an after-tax basis.

Return on average gross advances



The two most notable year-on-year changes were in the net interest income which reduced from 18.9% to 15.4% of average gross advances, and the credit loss ratio, which reduced from 11.7% to 6.9% of average gross advances.

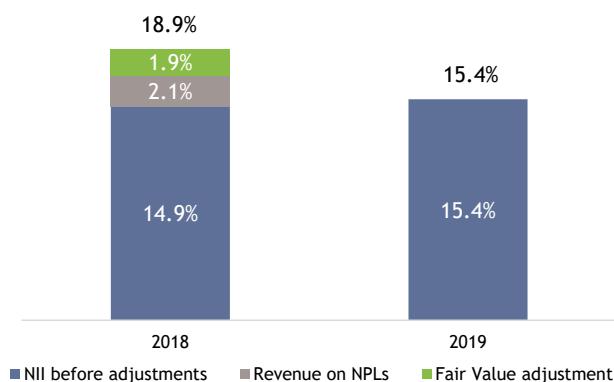
The reduction in **net interest income** was the result of two factors.

Interest on non-performing loans was previously credited to interest income and provided for if deemed not recoverable. This revenue added 2.1% to NII in 2018.

Fair value adjustments on the acquired book previously credited to interest, and now credited to the impairment charge, added 1.9% to NII in 2018.

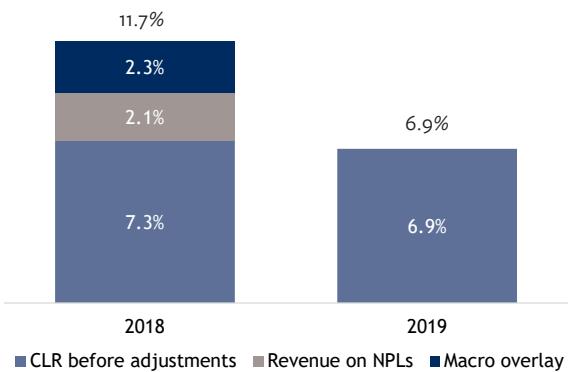
The impact of lower liabilities and lower surplus liquidity, as a result of maturities and the full impact of previous liability management exercises, increased net interest income by 0.5% of gross average advances in 2019.

Net interest income



The **credit loss ratio** reduced from 11.7% in 2018 to 6.9% in 2019. An economic overlay processed in FY 18 to cater for macroeconomic headwinds and regulatory adjustments for the potential impacts of DebiCheck and the Debt Relief Bill added 2.3% to the credit loss ratio for FY18. Under IFRS9 revenue is no longer raised on net advances classified Stage 3 and therefore no longer requires a provision against it. The IFRS9 revenue recognition has the impact of reducing both interest income and impairments, reducing the FY19 credit loss ratio by 2.1%. The continued effect of risk reduction in the book contributed another 0.4% to the reduction in year-on-year credit loss ratio, from 7.3% to 6.9%.

Credit loss ratio



The net risk adjusted return on return average advances (RoA), measured as the difference between net interest income and impairments, improved to 7.2% from 8.5%.

ROA percentage	FY18	FY19
Net interest income	18.9	15.4
Credit loss ratio	(11.7)	(6.9)
Risk adjusted return	7.2	8.5

Insurance yield decreased from 4.9% RoA to 4.7%, as a result of the increasing effect of the 2016 insurance price caps on the overall advances book, offset by reserve releases and lower claims being paid out.

A reduction in non-interest revenue (from 3.3% RoA to 2.3% RoA) is a result of the reducing collection fee from Residual Debt Services (RDS) and lower card transaction fees, all of which placed additional downward pressure on non-interest income (NIR).

Operating costs remained largely unchanged at a charge of 10.0% RoA, with the increase in costs being offset by the higher average gross advances.

Taxation remained unchanged at a charge of 1.6% RoA.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2019

IFRS requires that we recognise the business acquired from the old African Bank on 4 April 2016, including the advances book, at fair value at acquisition. We therefore reflect the advances book net of existing old African Bank credit risk impairment provisions, as at the date of acquisition, in our published financial statements. The acquired book's margin is shown on a yield-to-maturity basis in the net interest income line on the income statement, while any adjustments to the carrying value are included in the credit impairment charge.

In addition, the Group's interest in the Guardrisk cell is not consolidated. The insurance results are shown in the African Bank Holdings IFRS9 financials net of tax in the *Remeasurement of insurance contracts* and *Dividends received* lines of the income statement.

To enhance understanding we have included an adjusted income statement that treats the book acquired from RDS as if it was originated and not acquired i.e. it is not accounted for on a yield-to-maturity basis. In addition, in the adjusted results, the insurance income is shown on a before-tax basis. The commissions and binder fees paid by the cell captive to the Bank are reversed in the adjusted results as if the cell captive is consolidated. These adjustments increased the operating profit as reported under IFRS from R 1 275 million to R 1 615 million (2018 from R 1 187 million to R 1 459 million), largely as a result of grossing the insurance profit upwards for tax. The reported net profit after tax for the period is R 1 154 million (2018: R 1 019 million) in both the IFRS and Adjusted results.

Consolidated statement of comprehensive income For the year ended 30 September 2019

R million	2019		2018		Adjusted results difference	
	IFRS	Adjusted results	IFRS	Adjusted results	Rm	%
Interest income on advances	5 993	5 993	7 168	6 660	(667)	(10)
Non-interest income	815	658	1 199	913	(255)	(28)
TOTAL INCOME	6 808	6 651	8 367	7 574	(924)	(12)
Credit impairment charge	(2 016)	(2 016)	(3 608)	(3 153)	1 137	(36)
INTEREST AFTER IMPAIRMENT	4 792	4 635	4 759	4 421	213	5
Other interest income	187	187	482	482	(295)	(61)
Interest expense and similar charges	(1 653)	(1 653)	(2 057)	(2 057)	404	(20)
NET INTEREST INCOME	3 326	3 169	3 184	2 846	322	11
Operating expenditure	(2 966)	(2 966)	(2 616)	(2 616)	(350)	(13)
Indirect taxation	31	31	(65)	(65)	96	>(100)
Insurance income	143	1 376	(268)	1 310	66	5
Dividends received	736	0	968	-	-	-
MMI Share	5	5	(16)	(16)	21	>(100)
OPERATING PROFIT	1 275	1 615	1 187	1 459	155	11
Taxation	(121)	(461)	(168)	(441)	(20)	5
NET PROFIT AFTER TAXATION	1 154	1 154	1 019	1 019	134	13



TOTAL INCOME

Total income of R6 651 million (2018: R7 574 million) was down 12% compared to the previous year, primarily as a result of the features mentioned below. Interest income on advances includes origination and service fees on credit agreements as these are regarded as part of the effective interest rate:

- IFRS9 revenue recognition adjustments amounting to a reduction of R576 million.
- Origination fees and service fees amortised behaviorally as opposed to contractually leading to a reduction in revenue of R179 million.
- Collections fees from Residual Debt Services Limited (RDS) reducing by R150 million.
- Credit card fees reducing by R51 million.

CREDIT IMPAIRMENT CHARGE

The credit impairment charge of R2 016 million improved by R1 137 million compared to the charge of R3 153 million in the preceding year. When measured as a percentage of average gross advances, the charge reduced from 11.7% to 6.9% of average gross advances, as a result of the factors, noted on pg 45. The recoveries on the total written-off book for the period amounted to R787 million (2018: R818 million). Included in bad debt recoveries are book sales of R20 million (2018: R93 million).

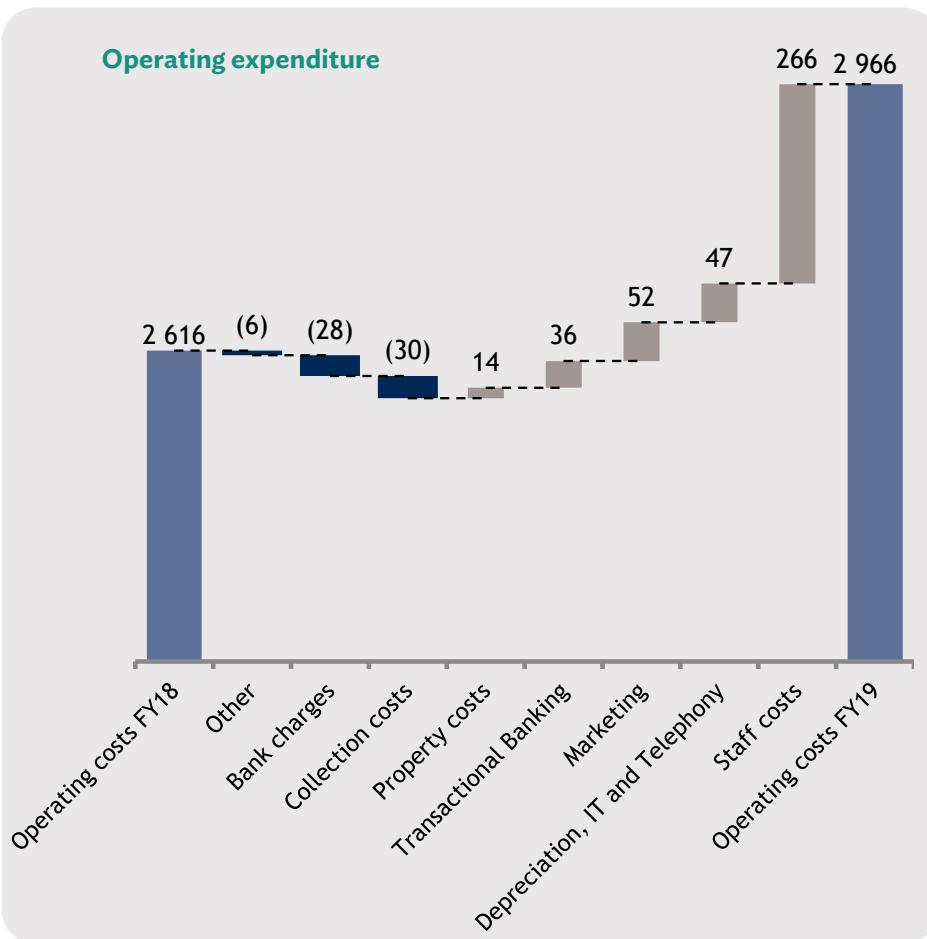
OTHER INTEREST INCOME AND INTEREST EXPENSE

Other interest income of R187 million (2018: R482 million) reduced by 61%, while interest expense and similar charges of R1 653 million (2018: R2 057 million) reduced by 20%, resulting in a reduction in the net interest charge of R109 million. This has been due to lower average cash and liability balances as the Group has reduced its surplus cash holdings by repaying contractually due liabilities, and a continued focus on liability management. Cash balances have largely been held in foreign currency, attracting a lower interest yield, as part of the economic hedge against the remaining foreign currency liabilities.

NET INSURANCE RESULT

Insurance income before tax and fees paid to African Bank Limited of R1 376 million (2018: R1 310 million) increased by 5%, as a result of lower claims and adjustments in respect of the incurred, but not yet reported (IBNR), reserved which reduced to R259 million (2018: R430 million). The claims ratio reduced from 32.5% in 2018 to 30% in 2019.

Operating expenditure



OPERATING EXPENDITURE

Operating expenditure reported at R2 966 million (2018: R2 616 million) increased by 13 % compared to the prior year. The increase in overall operating costs was primarily as a result of an increase in staff costs to support increased credit disbursements, additional recruitment for transactional banking and information technology, and additional marketing spend, particularly in respect of our new product offering, as we continue our strategic transformation journey.

The cost-to-income ratio, calculated by dividing total operating costs by total income including insurance after net interest expense, resulted in a ratio of 45% (2018: 36%). The revenue recognition adjustment necessitated by IFRS9 has contributed significantly to the sharp increase in the cost-to-income ratio, as the denominator (income) decreased. Excluding the impact of the revenue recognition adjustment, the ratio for FY19 would have been 42%.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

As at 30 September 2019

R million	Actuals FY19	Actuals FY18	% change
ASSETS			
Net advances	19 815	19 178	3%
Gross advances	29 993	27 478	9%
Provisions	(10 178)	(8 300)	23%
Minimum regulatory assets and security	1 118	1 110	1%
Cash reserves	5 647	8 245	(32%)
Other assets	2 301	2 135	8%
TOTAL ASSETS	28 881	30 668	(6%)
LIABILITIES AND EQUITY			
Senior liabilities	16 689	19 011	(12%)
Wholesale liabilities	13 479	17 148	(21%)
Retail deposits	2 391	1 111	115%
Other	819	752	9%
Capital	12 192	11 657	5%
Subordinated debt	1 533	1 530	0%
Equity and reserves	10 659	10 127	5%
TOTAL LIABILITIES AND CAPITALS	28 881	30 668	(6%)

CASH AND CASH EQUIVALENTS

African Bank continues to hold a high cash balance, reported at R5 647 million (2018: R8 245 million) at year-end, a decrease of 32% reported at the end of the prior year. This balance includes the excess regulatory deposits and sovereign debt securities held over and above the minimum requirements amounting to R607 million (2018: R1 020 million).

NET ADVANCES

Net advances reported at R19 815 million (2018: R19 178 million) have increased by 3% from the previous year, as a result of a 9% increase in gross advances from R27 478 million to R29 993 million as detailed under 'Advances overview' (pg 52). This is offset by higher provisioning, as provisioning cover increased from 30% to 34%. The increased provision coverage is as a result of additional provisioning required under IFRS9.

Additional provisioning continues to be held for deteriorating macroeconomic factors and regulatory developments which include the potential negative impacts of the National Credit Amendment Bill and DebiCheck. Further detail on provisioning methodology and levels is provided on pg 54.

TOTAL LIABILITIES

Senior wholesale liabilities of R16 689 million (2018: R19 011 million) have reduced by 12% as a result of repayment of contractual maturities, partially offset by new senior liabilities reused. The decrease in wholesale liabilities is offset by an increase in retail deposits of 115% as this balance has grown to R 2 391 million (2018: R1 111 million). Retail deposits include transactional deposits of R67 million. Further information in respect of liquidity and funding and the retail deposit portfolio can be found on pg 58.

CAPITAL

Total equity amounting to R10 659 million (2018: R10 127 million) increased by 5% or R532 million from the 2018 year-end. This is as a result of the retained profits for this financial year of R1 154 million, offset by the once-off take-on impact of IFRS9, which reduced equity by R622 million. No dividends were paid or declared during the year under review.

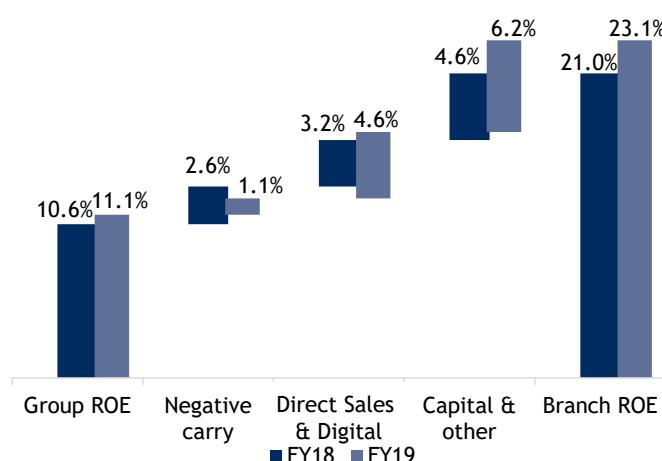
The increased total equity together with a reduction in the capital requirement resulted in an increased Group level Core Equity Tier1 (CET1) ratio of 38.0% (2018: 34.9%). Lower cash balances following the net repayment of funding liabilities, was the primary reason for the reduction in the capital requirement. Further information in respect of capital adequacy can be found on pg 59.

ANALYSIS OF ROE DRIVERS

The Branch Network continued to deliver a RoE above the Group target of 15%, reporting an RoE of 23.1% (2018: 21.0%). The income statement split by strategic focus areas on pg 48 provides more granularity regarding the profitability of the various business areas within the Group. The profitability of Direct Sales is expected to increase as the strategy gains traction, due to ongoing enhancements to systems and processes which aim to improve the customer experience and lower the cost per loan disbursed through the channel.

Transactional banking is accounted for in the Digital business unit and continues to reflect the charge of upfront expenses as the business is established.

The negative carry as a result of excess cash negatively impacted RoE by 1.1% (2018: 2.6%). Investments into the Direct Sales and Digital business units reduced RoE by 4.6% (2018: 3.2%), while surplus capital, over and above the target CET1 ratio of 27.0%, reduced RoE by 6.2% (2018: 4.6%).



OVERVIEW BY BUSINESS AREA

The Branch Network generated an operating profit of R2 249 million (2018: R2 040 million) and a net profit after tax of R1 553 million (2018: R1 400 million) resulting in an RoE of 23.1% (2018: 21.0%). The loss after taxation in Direct Sales of R70 million (2018: loss R28 million) has increased as the revenue growth on a larger book was exceeded by cost growth, as the business gears up to more sustainable levels. The loss after tax in the digital business of R237 million (2018: loss R187 million) increased due to additional expenditure as the business was being established, leading up to the public launch of MyWORLD on 21 May 2019.

INCOME STATEMENT BY STRATEGIC FOCUS AREA

for the financial results ended 30 September 2019

R million	Branch Network	Direct Sales	Digital	Corporate	FY19
Interest income on advances	5 713	280	-	-	5 993
Non-interest income	230	4	5	419	658
TOTAL INCOME	5 943	285	5	419	6 651
Credit impairment charge	(1 842)	(175)	-	-	(2 016)
INTEREST AFTER IMPAIRMENT	4 101	110	5	419	4 635
Net interest	(1 211)	(90)	-	(100)	(1 401)
NET INTEREST INCOME	2 890	20	5	319	3 234
Operating expenditure	(1 937)	(170)	(339)	(529)	(2 975)
Indirect taxation	2	2	4	2	10
Insurance income	1 294	52	-	-	1 346
OPERATING PROFIT	2 249	(96)	(330)	(208)	1 615
Taxation	(695)	26	93	116	(461)
NET PROFIT AFTER TAXATION	1 553	(70)	(237)	(92)	1 154
RETURN ON EQUITY (%)	23.1%				11.1%

INCOME STATEMENT BY STRATEGIC FOCUS AREA

for the financial results ended 30 September 2018

R million	Branch Network	Direct Sales	Digital	Corporate	FY19
Interest income on advances	6 077	138	-	-	6 215
Non-interest income	1 113	12	-	571	1 696
TOTAL INCOME	7 191	150	-	571	7 912
Credit impairment charge	(3 087)	(66)	-	-	(3 153)
INTEREST AFTER IMPAIRMENT	4 104	84	-	571	4 759
Net interest	(1 293)	(41)	-	(258)	(1 592)
NET INTEREST INCOME	2 810	43	-	313	3 166
Operating expenditure	(1 658)	(113)	(254)	(591)	(2 616)
Indirect taxation	(53)	(3)	(6)	(3)	(65)
Insurance income	940	34	-	-	974
OPERATING PROFIT	2 040	(39)	(260)	(281)	1 459
Taxation	(640)	11	73	115	(440)
NET PROFIT AFTER TAXATION	1 400	(28)	(187)	(165)	1 019
RETURN ON EQUITY (%)	21.0%				10.6%

CREDIT BUSINESS OVERVIEW

The continued attention on credit risk in a challenging macroeconomic environment has resulted in several instances of tightening in underwriting criteria. This fact, together with improvements in collections procedures and other arrears management processes, has had positive impacts on the results.

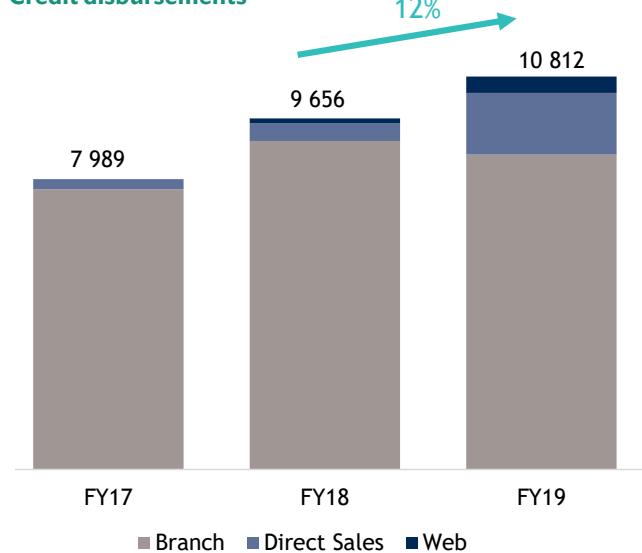
In this section, we provide an overview of our Credit business, including an analysis of the new business volumes, risk emergence and the credit quality of the customer retail advances.

IMPROVED NEW CREDIT VOLUMES

New loan and credit card business written for the year under review was R10 812 million (2018: R9 656 million). This represents an increase of 12% year-on-year, with the Direct Sales channel contributing R1 698 million (2018: R484 million), an increase of 251% on the comparative period. The new Web channel launched during 2018, contributed R451 million (2018: R136 million), an increase of 228% on the comparative period. Together Direct Sales and the Web channel contribute 20% of total sales.

New business disbursements through the Branch Network reduced by 4% to R8 663 million (2018: R9 037 million), as average loan sizes decreased.

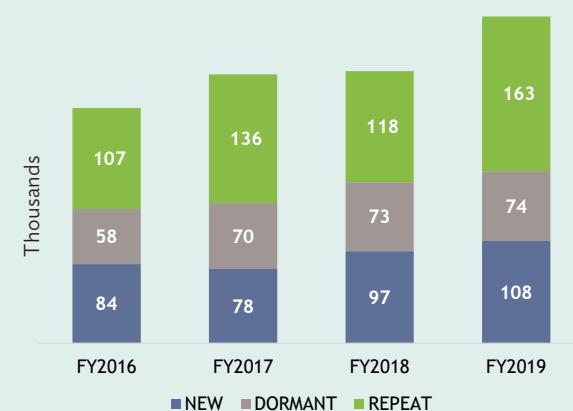
Credit disbursements



INCREASING BUSINESS VOLUMES

The graph (see right) shows the annual split of the Bank's retail lending customers since 2017, divided between 'New', 'Dormant', and 'Repeat' customers. New customers are defined as not previously having had a loan or a credit card with the Bank. Dormant customers have previously had an African Bank credit product, but do not have a loan or credit card with the Bank at the time of application for credit. Repeat customers have an existing loan or credit card with the Bank at the time of application.

Total loan disbursements



African Bank has shown an encouraging increase in new loan bookings across all customer groups, as our targeted marketing efforts and increased distribution capabilities have begun to yield positive results.

The increased effectiveness of the Web and Direct Sales channels has delivered significant volume uplifts and is expected to further yield positive new business volumes from customers who do not typically use our Branches.

Use of data and tighter credit underwriting

African Bank has grown its book against a backdrop of tighter credit underwriting, through a combination of factors including modernising the existing Branch Network, growth in the Direct Sales and Web channels, and effective marketing. Credit and market data intelligence has been refined to ensure that our offerings are made as widely and as cost effectively as possible.

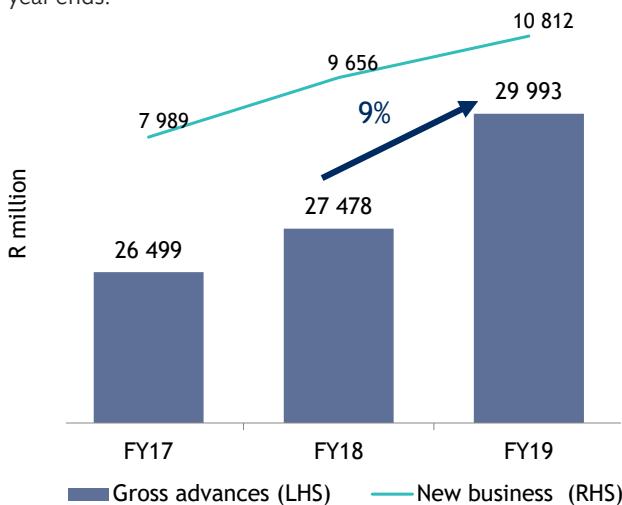
Application, offer and acceptance rates

	FY17	FY18	FY19
Application apps	1 189	1 142	1 423
Offers ('ooo)	556	517	670
Offer rate %	47%	45%	47%
Credit volume ('ooo)	306	287	345
Take up rate %	55%	56%	52%
Credit disbursements (Rm)	7 989	9 656	10 812

ADVANCES OVERVIEW

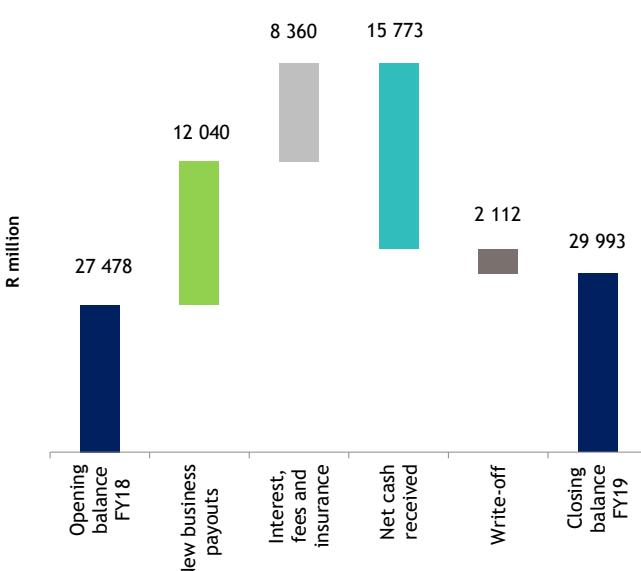
The gross advances book amounted to R29 993 million (2018: R27 478 million), representing an increase of 9%. This growth is primarily due to increased credit disbursements of 12% and later write-off under IFRS9.

The graph below shows the reported disbursements from 2017 to 2019 together with the gross advances balances at the respective year ends.



The impact of the various components driving the change in advances over this reporting period is shown in the gross advances waterfall graph. The new business pay-outs comprise net new loan disbursements, excluding any settlement and re-advance (SRA) amounts, as described under 'Disbursements used to settle existing debt' and credit card utilisation.

Gross advances waterfall



New business payouts (R12 040 million) differ from credit disbursements (R10 812 million) as the latter includes new credit cards issued and limit increases on existing credit cards, as opposed to credit card utilisation. Net cash received (R15 773 million) includes all personal loan and credit card repayments, but excludes amounts on new loans used to settle existing African Bank debt.

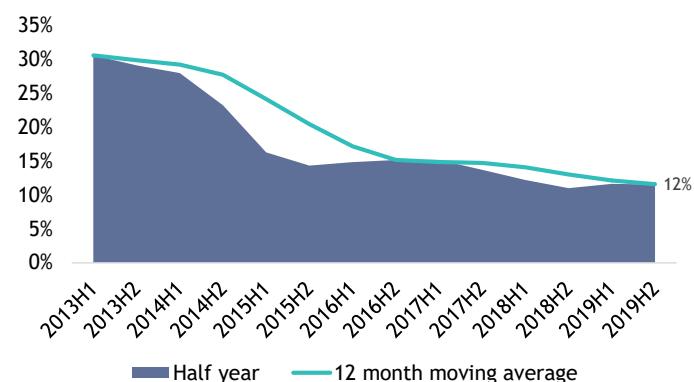
DISBURSEMENTS USED TO SETTLE EXISTING AFRICAN BANK DEBT

In certain limited instances, a portion of a new personal loan granted to a customer is used to settle an existing African Bank personal loan. This type of loan is typically referred to as a Settlement Readvance (SRA), as the original personal loan is settled and there is a readvance of the difference between the new gross personal loan approved and the amount settled on the original personal loan. This practice is relatively commonplace in the South African unsecured lending market. However, its use and application varies significantly between credit providers.

African Bank will only consider a customer for an SRA after the original loan has been on our book for six months or longer. This rule was put in place in the old African Bank in June 2014 and is the primary reason for the decrease in SRAs over the last four years.

SRAs are also only granted to African Bank's low risk customers, who are in good standing. We do not charge an origination fee on any part of the SRA personal loan. The Bank recognises the inherent risk that improper application of SRAs can disguise the true nature of the advanced book over time. We have implemented controls over SRAs to manage this risk. The implementation of these controls has therefore significantly reduced the proportion of SRAs from approximately 30% (H1 2013) to 12% of the total gross disbursements at present, when measured on a 12-month moving average basis, as shown in the graph below.

Percentage of debt used to settle existing debt by half year

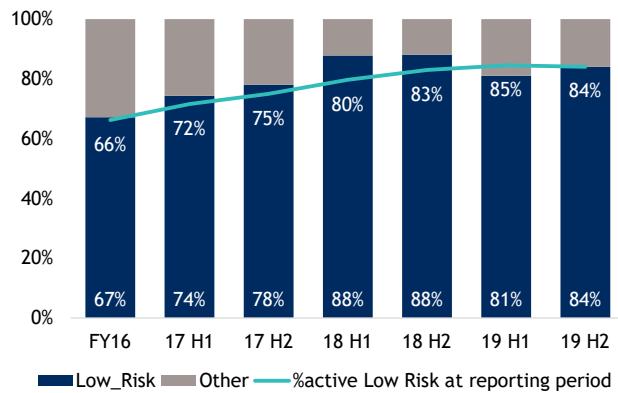


QUALITY OF NEW BUSINESS

The graph (see next page) shows the continued and better quality new business originated over time, as measured on a half-yearly basis. Lower risk new business written (best 5 out of 22 risk bands) continued to represent over 80% of new business.

A significant credit scorecard recalibration in October 2018 resulted in a proportion of customers who previously qualified as lower risk customers (i.e. top 5 risk bands) no longer qualifying as such. These customers still qualified for loans, albeit smaller and typically shorter loan terms, and therefore changed the mix of credit disbursements for the year under review. The overall proportion of the portfolio that represented lower risk customers increased from 83% of the portfolio as at 30 September 2018, to 84% as at 30 September 2019.

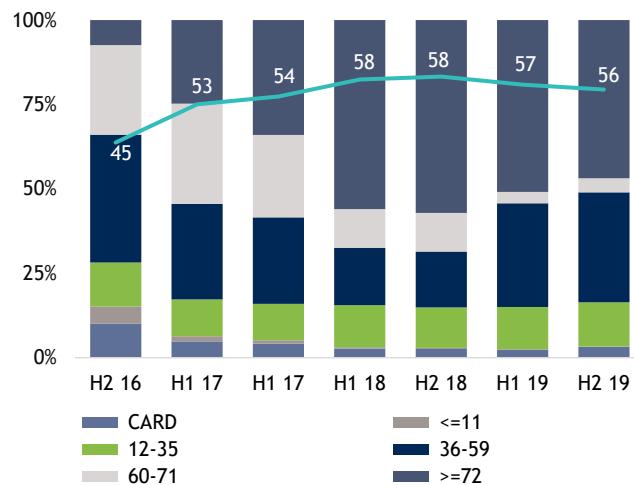
Riskband distribution at origination and reporting period



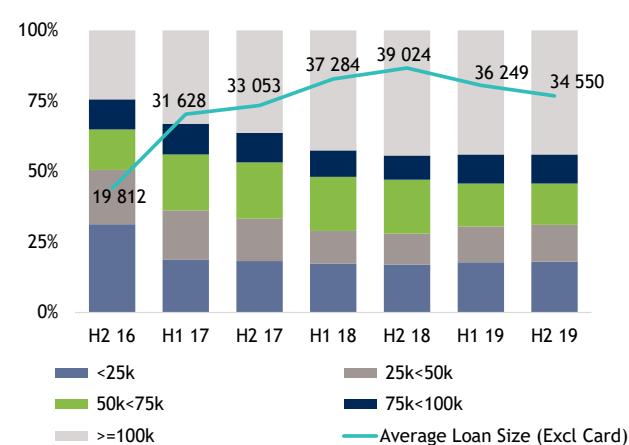
LOAN SIZE AND LOAN TERM

Lower risk customers typically qualify for better personal loan offers than higher risk customers. From 2016 to 2018, we saw a general shift towards larger and longer-term personal loans. The average loan term and size has now reduced marginally during the year under review. The average loan size and loan term is shown on a half-yearly basis in the two graphs below.

Loan term distribution in months (half year)



Loan size distribution in Rand (half year)



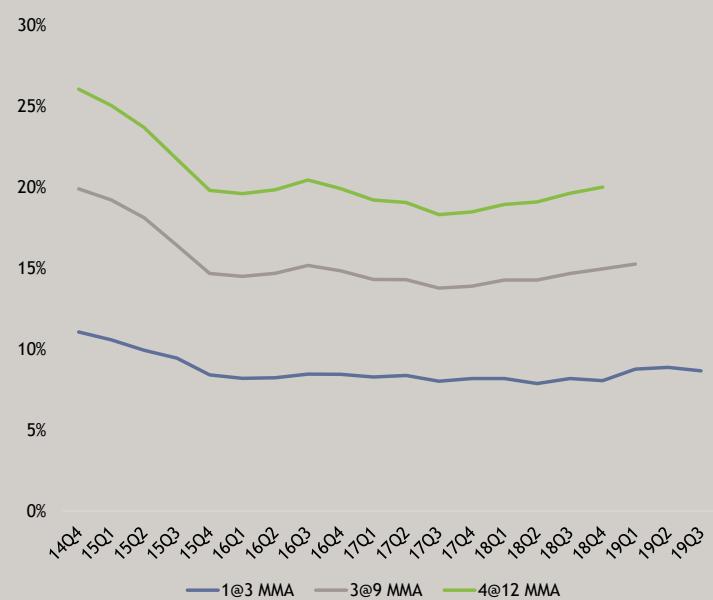
RISK EMERGENCE TRENDS

The Bank continues to monitor credit risk very closely once loans have been originated, across the entire maturity spectrum. Overall, early credit risk emergence is summarised in the analysis below. This graph compares the level of arrears of consecutive quarterly origination tranches at similar maturity or month-on-book. The tranches analysed comprise all those originated from Q4 2014 (July to September 2014), thereby reflecting, in essence, all the business written since the old African Bank went into curatorship on 10 August 2014.

In the graph below, three comparisons of the quarterly tranche of business originated are shown on a twelve-month moving average basis:

- The percentage of accounts with any missed instalments as at three months-on-book.
- The percentage of accounts with three or more missed instalments as at nine months-on-book.
- The percentage of accounts with any four or more missed instalments as at twelve months-on-book.

Credit risk – early risk

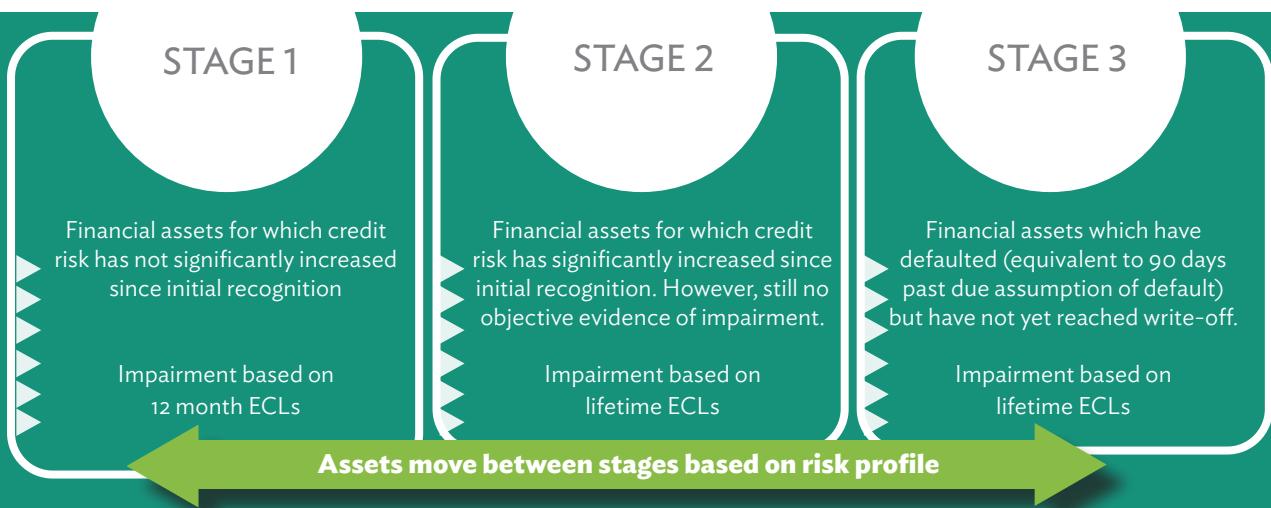


PROVISIONING AND IMPAIRMENTS

The Group's retail advances portfolio remains well provided at an overall coverage level of 33.7% (2018: 30.2%). The increased level of provisioning is largely attributable to the impact of IFRS9, which was implemented with effect from 1 October 2018.

IFRS9 creates three separate stages into which an asset lies for the purposes of the impairment calculation. The stage within which an asset lies will dictate the basis on which its Expected Credit Loss (ECL) is calculated.

The graphic below indicates the stages, the requirements for an asset to be included in the relevant stage and the calculation of ECL in each stage. Each stage is characterised by an increased level of provisioning representative of the increasing risk as the potential recoveries and credit quality deteriorates. Under IFRS9, there is a significantly higher level of upfront provisioning, than under the previous IAS39 methodology, resulting in significantly earlier provisioning, particularly for Stage 1 advances.



ADVANCES AND COVERAGE OVERVIEW BY STAGE

Set out in the table (see book split, right) is an overview of the total book by IFRS9 arrears bucket and the related coverage levels based on the previous IAS39 and current IFRS9 classification, as at the respective reporting dates, highlighting the changes in asset classification and increased coverage as a result of the change from IAS39 to IFRS9.

Stage 1 provisioning has increased noticeably from the equivalent to 6% (2018: 5%), primarily as a result of the increased loss emergence period under IFRS9 of 12 months compared to 3 months under IAS39. The decrease in Stage 1 advances compared to IAS39 CD0 advances is primarily because of a significant proportion of CD0 advances being transferred to Stage 2 under IFRS9, despite the fact that these customers are up to date with their instalments at reporting date.

Advances are transferred to Stage 2 when they are in arrears on other non-African Bank exposures and/or they have applied for some form of debt relief. These loans are then impaired based on the lifetime expected credit losses, which are higher than the impairment under Stage 1, but lower than a customer who has missed between one and three payments (or instalments), which also form part of Stage 2.

The transfer of these customers results in higher exposure for Stage 2 under IFRS9 when compared to IAS39, but an overall lower coverage level. These differences can be seen when comparing the 30 September 2018 IAS39 numbers with the 1 October 2018 IFRS9 numbers in the tables (see pg 55).

Book split

R million	30 September 2018 (IAS39)	1 October 2018 (IFRS9)	30 September 2019 (IFRS9)
Stage 1 (CD0)	14 681	8 289	10 078
Stage 2 (CD1 to 3)	3 387	9 778	9 264
Stage 3 (CD4+)	9 456	9 457	10 858
Deferred fees	(46)	(46)	(207)
TOTAL (pre-deferred admin fee)	27 478	27 478	29 993
Percentage Stage 3/CD4+	34	34	36
WRITTEN-OFF BOOK	12 279	12 279	12 720

Coverage

Percentage	30 September 2018 (IAS39)	1 October 2018 (IFRS9)	30 September 2019 (IFRS9)
Stage 1 (CD0)	5	6	6
Stage 2 (CD1 to 3)	41	25	27
Stage 3 (CD4+)	66	66	65
TOTAL	30	33	34

The written-off book at R12.7 billion has zero value attributed to it on the Bank's statement of financial position.

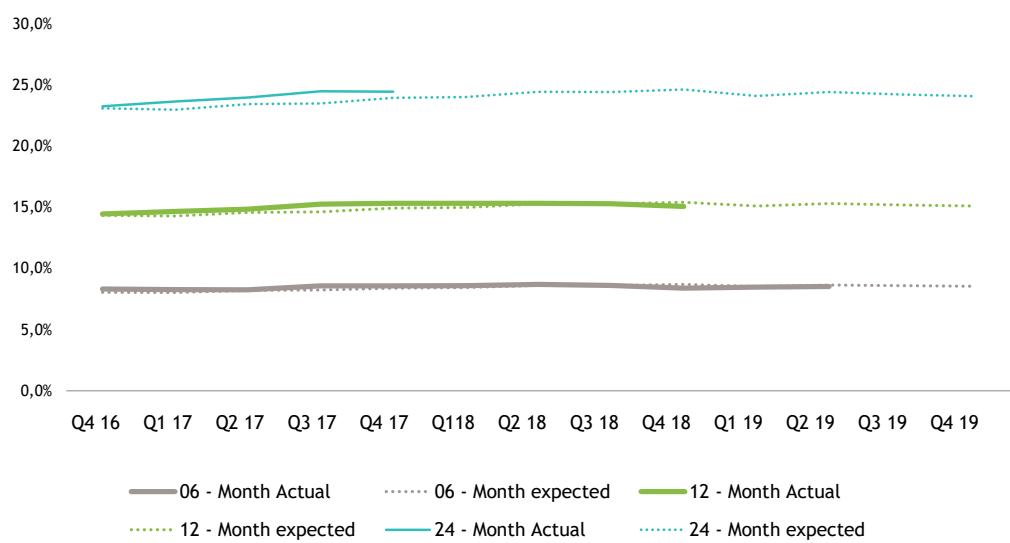
PROVISIONS BACKTESTING

Backtesting confirms that the level of provisioning is adequate.

The graph shows the actual versus expected recovery over an extended time period. The dotted lines represent the expected collections on a discounted basis after the stated months on book, while the solid lines represent the actual discounted collections. The numbers 6, 12 and 24 represent the monthly instalments due since the observation date. As can be seen from the graph, actual discounted receipts continue to track modelled discounted receipts, giving African Bank and our stakeholders comfort in the sufficiency and conservatism of our provisioning. Both these calculations are on a discounted basis, in line with IFRS9 compliant provisioning policy.

The backtesting results, over an extended period against provisioning, provide comfort in the adequacy of provisioning, especially during the adverse economic cycle experienced in recent years.

Actual vs expected recovery rates



Collection on later delinquencies

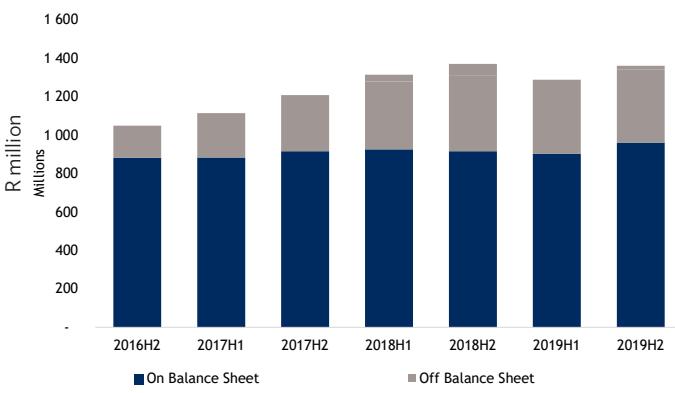
African Bank's write-off policy requires that all advances on which there have been no collections for a period of eight consecutive months, are written off. This period was increased from five months to eight months after the adoption of IFRS9, with effect from 1 October 2018.

The total of these amounts was R12.7 billion as at 30 September 2019. The balances reflected under the Stage 3 (CD4+) category in the previous analysis, under 'Advances coverage overview by stage', have all had receipts in the last eight months before the reporting date and therefore remain on balance sheet.

The proportion of Stage 3 (CD4+) balances has remained relatively constant and is a feature of African Bank's advances balances, representing approximately 35% of the gross advances balance. While the back-testing of the discounted collections against the levels of provisioning provides the requisite level of comfort against the inclusion of the Stage 3 (CD4+) balances on the balance sheet at the appropriate level of provisioning, it should also be noted that the actual collections against this delinquency bucket are significant.

The graph below shows the half-yearly collections on Stage 3 (CD4+) balances and all written-off balances over the last 3½ years since the commencement of business. The total collections over the year ended 2019 amounted to R2 628 million (2018: R2 591 million). R764 million (2018: R749 million) is reflected as bad debts recovered, decreasing the impairment charge. This amount includes proceeds of book sales of R20 million (2018: R93 million). R1 864 million (2018: R1 842 million) has been collected on the amount outstanding on the Stage 3 (CD4+) balances.

Significant Collections on Contractual Delinquency (CD4)



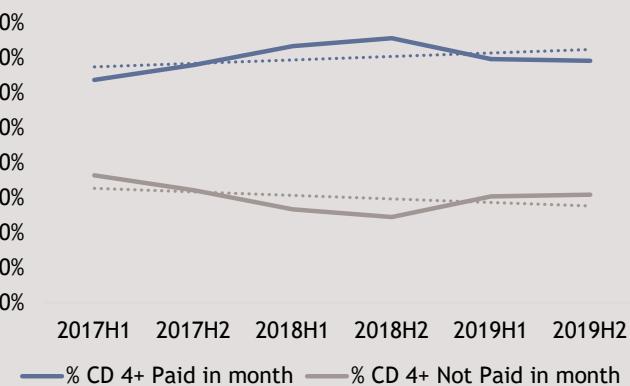
Increased efficiencies in collections have resulted in more Stage 3 (CD4+) and written-off customers paying, when observed over a longer time period. This is shown in the graph (see right) which measures the percentage of balance sheet Stage 3 (CD4+) customers by number that are paying, as per the blue lines, and those who are not, as per the grey lines.

The number of customers paying has increased steadily over the period H2 2018 to its current level, from 61% in Q3-16 to its current level of 69% for Q4-19. The decline since Q4-18 is primarily as a result of the adoption of IFRS9, which has resulted

in the later write-off of accounts based on a recency of payment at eight months (no payments received for eight consecutive months) as opposed to five.

This change in the write-off period, has resulted in a net lower quality of Stage 3 (CD4+) overall balances with lower numbers of customers paying across the defined portfolio, as shown in the decline in the percentage of paying customers in the graph below from FY19.

Percentage paying customers by quarter

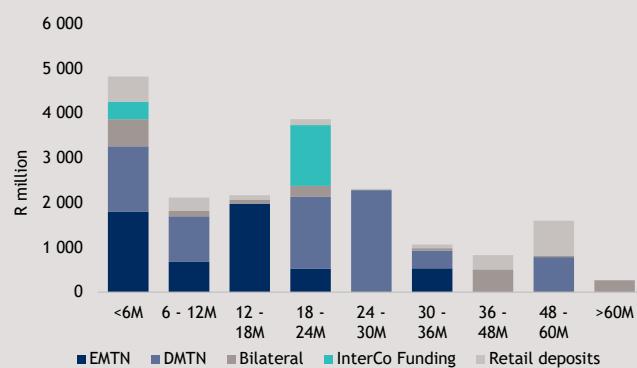


LIQUIDITY AND FUNDING

LIABILITY MATURITY PROFILE

The complete maturity profile of all funding liabilities at the African Bank Limited level, split into the major liability categories as at 30 September 2019, is shown in the graph below. There are no significant liabilities outside of African Bank.

Maturity profile of funding liabilities



Repayment of senior unsecured liabilities

When African Bank commenced business on 4 April 2016, restructured senior unsecured wholesale funding liabilities amounting to R37.8 billion were taken over from the old African Bank, renamed Residual Debt Services Limited (under curatorship) at that date.

These liabilities in effect represented 80% of the equivalent liabilities when the old African Bank was placed under curatorship on 10 August 2014. At 4 April 2016, a cash payment equivalent to 10% of the original 10 August 2014 liabilities and any accrued interest from the last interest settlement date on or before 10 August 2014 to 4 April 2016 was made.

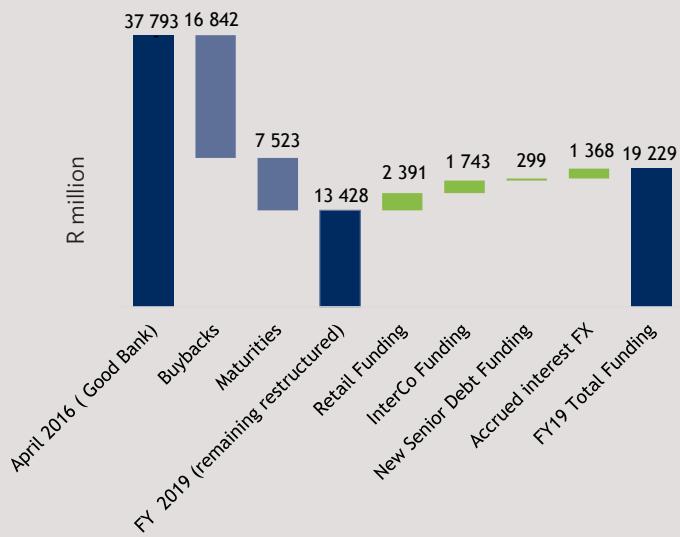
This interest payment was in respect of 90% of the liabilities as at 10 August 2014, as the remaining 10% of the principal as at 10 August 2014 and any accrued interest in respect of that amount, remained as a claim against Residual Debt Services Limited. The restructuring of these liabilities was approved by holders of affected instruments as part of the restructuring of the old African Bank prior to the implementation of that restructuring on 4 April 2016.

As at 30 September 2019, African Bank has settled R24.4 billion (or 65%) of the take-on balance of R37.8 billion, with R13.4 billion of the take-on balance remaining on balance sheet. The settlement included buybacks of R16.8 billion, as part of a comprehensive liability management programme to optimise the balance sheet.

Contractual maturities of R7.5 billion have been settled since 4 April 2018, the date upon which restructured liabilities began to mature.

Total liabilities of R19.2 billion as at 30 September 2019 comprise R12.0 billion old African Bank liabilities, R1.5 billion of Tier2 capital and R5.7 billion of new funding and accrued interest, as shown in the graph on the right.

Total funding liabilities



During 2019 R2.3 billion in new funding was raised. This comprises the following amounts:

- Retail deposits R1 280 million
- Wholesale deposits R 299 million
- Insurance dividends invested in the bank R736 million

SHAREHOLDER LIQUIDITY SUPPORT

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

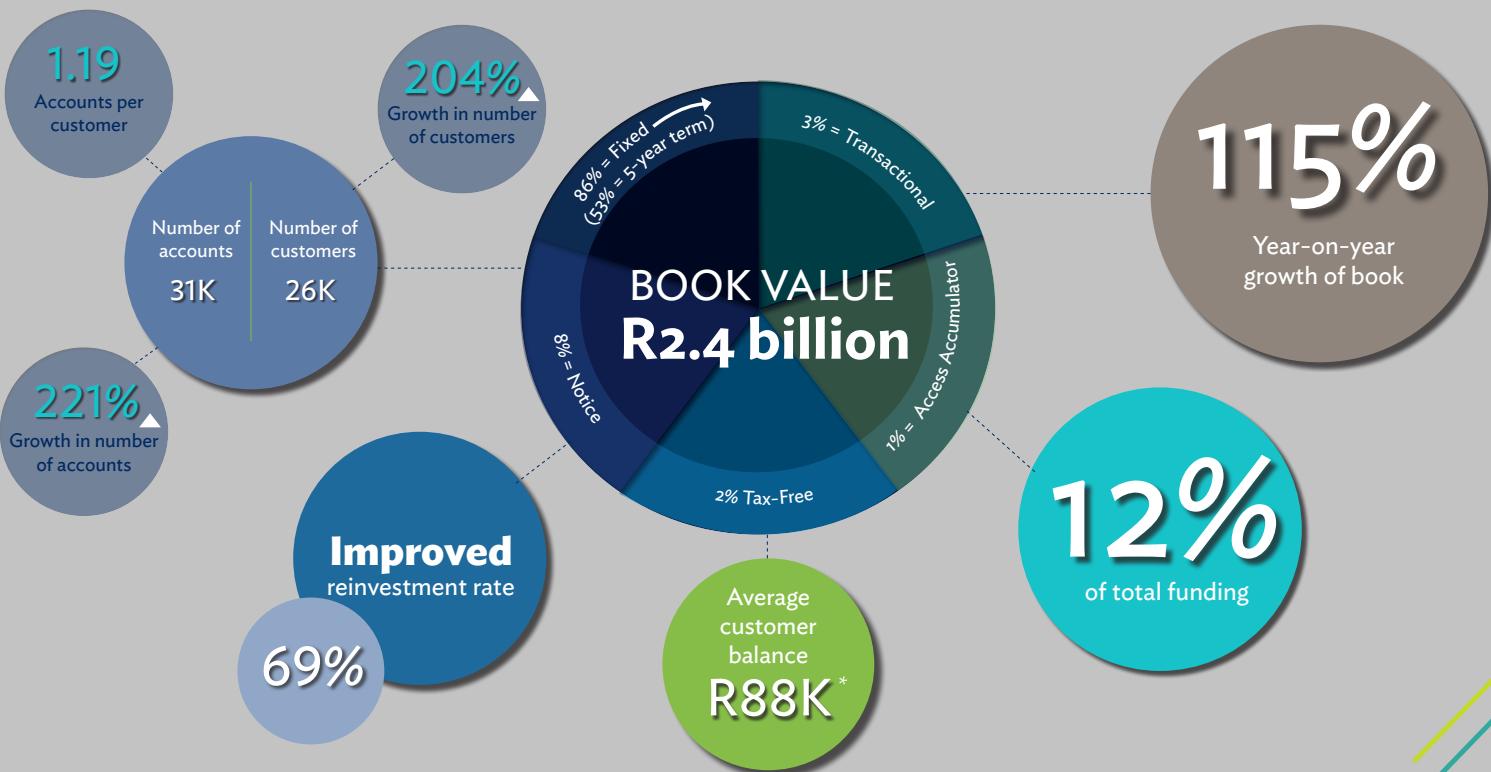


RETAIL SAVINGS BOOK

As part of African Bank's strategic objective to strengthen our balance sheet and improve our competitiveness, we are actively diversifying our funding base and targeting retail savings deposits of up to five years. Our strategy in diversifying our funding base and growing our retail savings deposit book is to provide market leading savings and investments rates to our customers, while decreasing the overall cost of funding, as the retail savings rates are typically lower than equivalent wholesale deposit rates.

While the retail savings deposit business is still relatively new to the Bank, we've achieved significant success in growing our retail savings deposit book to R2 391 million as at 30 September 2019 (2018 R1 111 million), an increase of 115%. The 2019 balance includes R67 million transactional account deposits. The number of retail savings depositors has increased to 26K, while the average deposit stands at R88K as at year end, both of which show a pleasing increase in trust in African Bank by retail depositors.

Retail deposits now represent 12% (2018: 5%) of our total funding. This is expected to continue to grow at a significant rate, allowing us to reach our non-wholesale funding target of 25% by 2021.



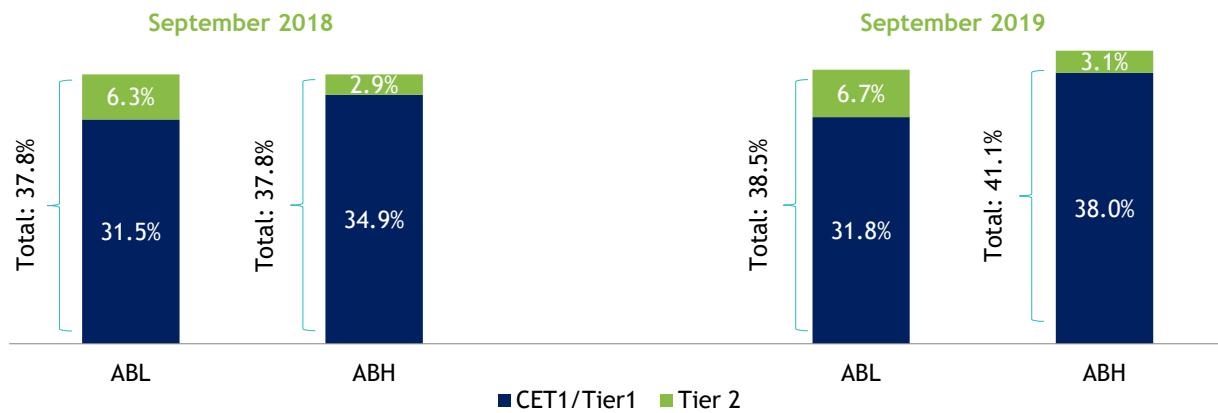
*Savings and Investment balance



CAPITAL AND SOLVENCY

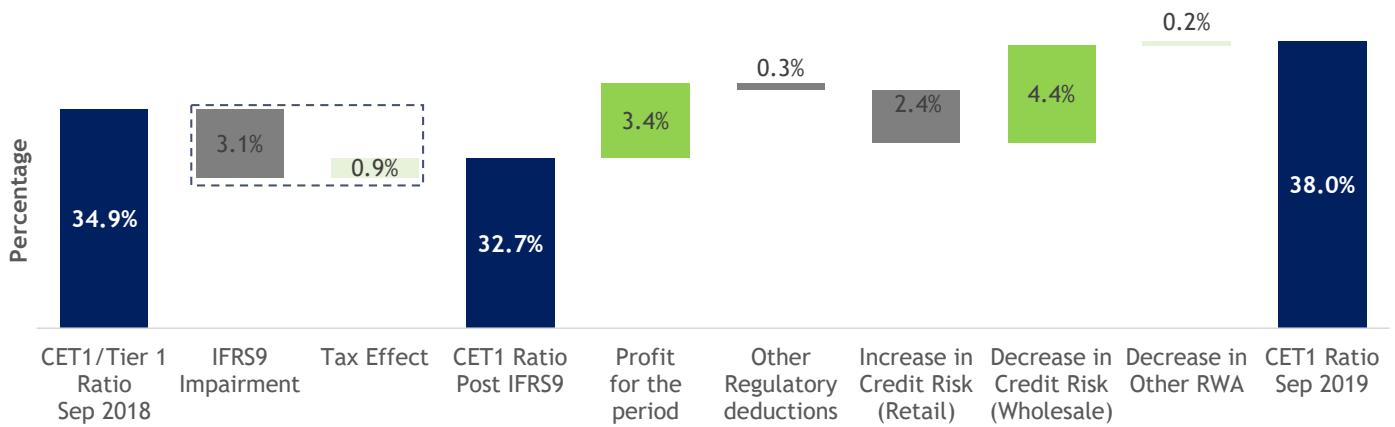
African Bank and the Group remain well capitalised, despite the negative impact on regulatory capital adequacy of IFRS9, which required a take-on adjustment that reduced total capital adequacy by 2.3% as at 1 October 2018. ABH reported a regulatory capital CET1 ratio of 31.8% and 38.0%, and a total ratio of 38.5% and 41.1%, at a Bank and Group level, respectively. The Bank and the Group therefore both remain well capitalised under IFRS9.

Regulatory capital adequacy



The Group generated net positive capital reserves, measured at a CET1 level, as capital generated exceeded capital requirements for business growth and for IFRS9 take-on, with no capital requirements for distributions to shareholders. This resulted in an increase in the Group's CET1 ratio from 34.9% to 38.0%.

Year-to-date movements in Group CET1



Further detail regarding regulatory capital adequacy for the Group and the impact of IFRS9 on capital adequacy, is included in the Basel Pillar III disclosures and the IFRS9 Transitional Report, which are both published together with this report at www.africanbank.co.za.

The Group has assessed the impact of IFRS 16 requiring the capitalisation of certain leases, currently classifies as operating leases. This reduces proforma CET1 capital adequacy 0.5% as at 1 October 2019.

CREDIT RATINGS

African Bank is rated by Standard & Poor's Rating Services (S&P). African Bank's long-term national scale rating is zaA-, while the short-term national scale rating is zaA-2. On 30 April 2019, Standard & Poor's global ratings affirmed the 'B+/B' global scale rating and the 'ZaA-/zaA-2' national scale rating for African Bank, with a stable outlook. S&P noted the following significant points as part of their ratings review:

- African Bank's profitability is improving gradually, supporting its very strong capitalisation.
- The Bank maintains sufficient liquidity buffers to cater for maturities beyond the next 12 months.
- The stable outlook on the global scale rating reflects S&P's opinion that the Bank's profitability will continue improving and it will maintain sufficient liquidity buffers to cater for maturities beyond the next 12 months.

The global scale rating also applies to the Bank's Euro Medium Term Note (EMTN) programme and all notes issued under the US\$6 billion EMTN programme, which are listed either on the London Stock Exchange (LSE) or the Swiss Securities Exchange (SIX). The ZAR25 billion Domestic Medium Term Note programme (DMTN) and all notes issued under that programme are not rated.

FOREIGN CURRENCY EXPOSURE

The Bank's foreign currency liabilities as at 30 September 2019, including accrued interest, comprise USD250 million and CHF114 million denominated unsecured senior bonds, issued under its EMTN programme, collectively referred to as EMTNs.

As at the reporting date, our EMTNs are economically hedged by a combination of short-term cross currency swaps, USD term cash deposits, and USD and CHF call deposits. This strategy resulted in an effective economic hedge and a small long net open position as at the reporting date, due to the deposits earning a lower rate than the rate paid on the liabilities.

This position has resulted in a reported foreign currency gain of R16 million for the year ended 30 September 2019 (2018: gain R6 million) as the ZAR weakened against USD and CHF during the reporting period. The net long spot open position at 30 September 2019 was USD6 million and CHF8 million respectively. The respective ZAR spot rates as at 30 September 2019 and 30 September 2018 are shown below.

ZAR spot rates	30 Sep 2018	30 Sep 2019
USD	14.15	15.17
CHF	14.51	15.21





Our income generating infrastructure

In accordance with The International <IR> Framework, this section of the report refers to Manufactured Capital.

It covers our operational infrastructure, Products, Sales and Service channels, Digital channels and our Collections function. This blended approach enables our ability to provide a personalised, efficient experience to advance the lives of our customers, ensuring our sustainability into the future.

Having evolved from a single-product, solely branch-based credit-focused organisation into one that is multi-product and multi-channel, we are well-equipped to take our place as a diversified retail bank. Additional initiatives, such as Workplace Banking, are showing the potential to attract new customers and boost our longer-term sustainability goals.

OPERATIONAL INFRASTRUCTURE

Our operational infrastructure contributes positively to the achievement of our strategic objectives, by providing us with the technological launchpad from which we can deploy our products and services through our customer touchpoints.

A key differentiator in meeting our strategic objectives is the virtualisation of our IT environment. We are continuously working on improving our customer experience through the

design, implementation and support of cutting-edge solutions. A key element is the use of Application Programming Interfaces (APIs), which set the foundation for open banking. This approach gives us the agility to respond to future opportunities faster, and with greater efficiency.

Our architecture also allows us to integrate into third party services to enhance the customer experience, as seen in our free credit score offering.

We have also strengthened our monitoring capabilities to ensure a predictable customer experience.

We are on a journey to regularly update and enhance our industry-leading Omni-channel, which has been launched across our Branch, Contact Centre and Digital channels.

Our Omni-channel offers a simple, convenient and easy-to-use customer experience.

An Omni-channel customer experience is made up of individual touchpoints, over a variety of channels that seamlessly connect.



This allows customers to pick up where they left off on one channel and continue the experience on another

LOOKING AHEAD

On the road to becoming a world-class digital bank, we are building relationships with innovative Fintech companies and third parties, and exploring the use of cutting-edge technology to concentrate the value we offer to our customers.



OUR PRODUCTS

Fulfilling our purpose is a key element at the forefront of consideration in our product design process. An emphasis on the interplay of products and considering their combined benefit, further improves our ability to deliver value.

Our product roadmap ensures that we support our business strategy in the short, medium and long-term by further diversifying our range of products, increasing our retail deposit book and increasing new customers and customer loyalty.

Our day-to-day banking product, MyWORLD was launched to the market on 21 May 2019. This shared banking solution is revolutionary in its design and its ability to offer exceptional value. As part of our diverse product portfolio, we continue to offer:

- Personal Loans
- Credit Cards
- Savings and Investments
- Insurance (Funeral and Credit Life)

As part of our digital journey, it was important to refresh our Tech products offering. We have updated our technology catalogue to meet the needs of our customers, introduced the monthly Hero deal featured and, in turn, have seen a great take-up from our customers.

Our Tech deals have grown by 24% and 63% in terms of volume and value, respectively, over the year under review.

INTRODUCING MyWORLD

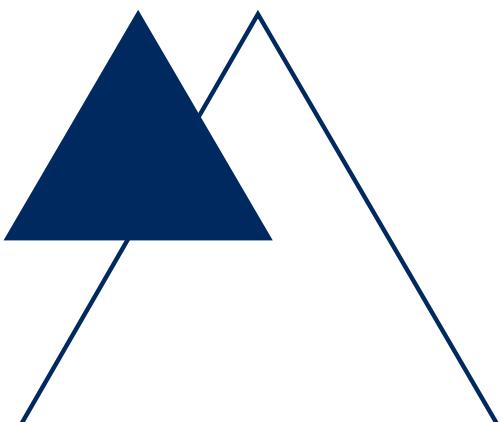
Since the launch of MyWORLD in May this year, we have achieved our FY2019 target of 100 000 accounts opened by the end of September 2019.

MyWORLD delivers a low cost family and community banking offering. We refer to this as ‘shared banking’. It was conceptualised based on comprehensive research into the financial lives of ordinary South Africans and has the following unique features:

- Six accounts with no monthly account fee – a Primary Account and the ability to open a combination of five Savings Pockets and Power Pockets.
- A personalised debit card linked to the primary account, for day-to-day banking.
- Primary Account Holders can give unbanked family members and friends a sense of financial freedom with their own bank account, tied to the Primary Account. The Power Pocket Users receive a personalised debit card, making these Pockets fully transactable.
- Pay-as-you-use banking fees.
- South Africa’s best interest rates on all six accounts, on any positive balance.
- Withdraw cash at any ATM across South Africa, at the same flat fee.

The total active accounts for FY2019 was 100 000. 40% of accounts are funded, with customers having deposited R67 million at year end.

We have processed 1.9 million transactions with a total value of R2 billion since the launch of MyWORLD, and 8% of customers have switched their salaries to their MyWORLD accounts.



MyWORLD bank account



SAVINGS AND INVESTMENTS – A SUCCESS STORY

Savings and Investments continue to grow, reaching R2.3 billion this year, an annual growth rate of 115%. We continue to offer SA's best interest rate, which is a brand promise we are proud of and deliver to all our customers, regardless of how much they invest. (pg 58)

LOOKING AHEAD

The key challenge in the year ahead is to ensure that our customers understand what we mean by 'shared banking' and how this enhances their banking experience

As part of our product diversification strategy, we are planning to launch a revamped Credit Card proposition and introduce an overdraft feature on MyWORLD, in 2020.

Sandton City Branch



OUR SALES AND SERVICE CHANNELS

African Bank has adopted a multi-channel strategy informed by our Customer Value Proposition to deliver sales and service through our Branch Network, Contact Centres and Digital channels.

BRANCH NETWORK

Over the last four years, we have optimised our Branch Network to offer our customers more convenience and improved access to our offerings. Our Branches play a vital role in our Omni-channel offering, where customers can enjoy a seamless experience through the combination of human interaction (face-to-face and voice) and technology. We currently have 394 Branches across South Africa. Refer to the 'Physical access points' image on pg 13.

During 2019 we continued the expansion and upgrading of our Branch Network during a time when the industry at large in South Africa was doing the opposite. Our Branches are well-liked by our customers and they form a key ingredient in our approach to customer-centricity and service.

We have seen an increase in the Return on Equity (RoE) in the Branch Network due largely to the commitment, persistence and initiative displayed by our Branch teams. They have identified and explored new markets, taking the opportunities available to engage with consumers, promote the Brand and develop new lead sources.

The Branch Network has contributed significantly towards the success of the MyWORLD transactional account with 87% of all accounts opened, originating from this channel.

372 graduates were appointed to assist with the additional expected influx of customers following the launch of MyWORLD in May 2019. An additional 100 consultants were appointed in high volume branches to assist customers in opening MyWORLD accounts, encouraging digital migration through promoting Internet Banking registration and the download of the African Bank App, as well as identifying cross-sell opportunities.

While utilisation of Digital Channels increased, so did the number of

people visiting our Branches. This encouraging development reflected the sentiment of our research which revealed that a large proportion of consumers still prefer human interaction when it comes to financial services.

The Sales4AdvancingLives project was introduced in April 2019. This is a long-term change management programme designed to build and sustain consistently excellent customer service behaviours among our people.

AND IMPROVEMENTS

We have been consistent in leveraging rich data through our Branch Investment Forum, to make informed decisions about our Branch footprint. We continue to review the locations of our Branches to ensure that we are in optimal positions to meet the needs of our customers.

Some key 2019 milestones in terms of our approach to optimising our Branch Network to better service our customers include the following:

1. 11 new Branches were opened (including our first flagship Branch in Sandton City).
2. 9 existing non-performing Branches were either closed or consolidated.
3. 15 Branches were relocated.
4. 22 branches were refurbished.
5. 99% of our Branches have been refreshed during the last five years and now reflect our new look and feel.
6. All our Branches have been equipped with a backup power supply to negate the uncertainty surrounding our country's power infrastructure.

Branch footprint trend

2016	2017	2018	2019
386	388	392	394

Our newest flagship Branch opened in September 2019 in the Banking Mall at Sandton City. This Branch sets the tone for our future, new-look Branches. The concept brings together our digital and physical channels to improve the overall experience and create a relaxed, interactive environment designed to save time and facilitate conversations and learning.

We aim to provide our customers with more value than they expect, through the introduction of a number of concept services that range from a Customer Service Host, Wi-Fi for customers to leverage in-Branch digital engagement, right through to self-service and assisted self-service functionalities.

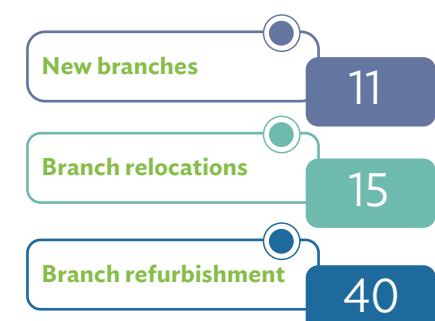
Opening in the heart of Sandton, a major commuter node for both formal and informal employees, the new Branch will attract customers from as far as Tshwane, Eldorado Park, Orange Farm, Soweto, Lenasia and even Kempton Park. The location of this Branch aligns with our decision to place our Branches at locations that enable us to conveniently meet our customers where they are.

LOOKING AHEAD

African Bank will continue to maintain a Branch footprint that addresses the needs of our customers. While we are excited by the opportunities that the rise of digital banking presents to us, our experience has shown that many of our customers prefer to interact with us through our Branch Network. With this in mind, we will continue to leverage technology as an important enabler for an enhanced customer experience within our Branches.

Digital media displays and a queue management system were implemented as a proof of concept into select Branches, in partnership with one of our technology solution providers. We plan to expand the project in 2020 to improve service quality, productivity and operational efficiencies. In addition to this, we will also explore the use of self service and assisted self-service terminals within our Branch Network.

The growth of MyWORLD and Savings and Investments customers will continue to be our main focus, along with the migration of customers to our Digital Channels. We have identified additional improvements to our Branch Network and the following activities are planned in 2020:



DIRECT SALES CONTACT CENTRE

In 2019, the Sales Contact Centre (which originates sales for the Branch Network) and the Direct Fulfilment Contact Centre combined to improve efficiencies, revenue and customer experience. This has been realised in the year-on-year improvement in customer growth and disbursements. Combining functions has helped us to better utilise our leads through streamlining technology and processes. The combined contact centres are now referred to as 'Direct Sales'.

We have seen significant growth in the contribution of Direct Sales to the Bank's overall performance. Our direct lending capability enables us to offer customers rapid fulfilment via voice and digital interaction.

CREATING VALUE

Our Omni-channel was designed to offer customers a consistent experience across multiple touch points. During 2019, we developed and expanded the ability to offer our Savings and Investment products within Direct Sales, with the objective of acquiring new customers and retaining existing ones.

Strategic partnerships contributed over 14% of the total Loan sales generated by the Direct Sales channel during the year under review. In this affiliate model, a captive audience, linked to external companies who are looking for loans, is channelled to Direct Sales via our partners' web and call-me-back channels. This alternative lead generating channel was developed in just over a year and is already contributing to our growth.

THE PEOPLE WHO ENABLE DIRECT SALES

Approximately 300 people are employed in the Direct Sales Contact Centre. We believe in continuous upskilling and use automated quality assurance and data models to obtain real time insights. These insights are used to identify gaps in service and product knowledge which, in turn, inform additional learning and development required. 22% of the Direct Sales team is made up of interns, who are given appropriate experience and banking skills over a 12 month period.

GAINING EFFICIENCIES

While significantly increasing our directly fulfilled lending business, we have streamlined and re-engineered internal processes to maximise cost efficiencies and to ensure that our consultants are empowered to offer an exceptional customer experience.

Continued efficiency gains are realised through the assistance of digital and technology partners. Our turnaround time to collect documents from customers has improved by 21% year-on-year, while achieving a 114% growth in transaction volumes. This is due to the automation of our process to follow up with customers. Overall customer experience metrics have improved as a result.

LOOKING AHEAD

Direct Sales is a cost effective channel, and therefore focus on rapid growth will remain a priority to reduce customer acquisition costs and over-reliance on the Branch Network.

For customers who prefer voice interaction, we are developing processes and systems that will allow us to offer our full product suite within Direct Sales, including Funeral Insurance, MyWORLD, technology product deals and other value-adds.

We are in the process of creating a specialised outbound contact centre, staffed by highly skilled and accredited consultants. The purpose of this new capability is to retain credit customers and increase Loan consolidations to counter early settlements.

Process reengineering to integrate Interactive Voice Response (IVR) for smart authentication is a key priority in 2020.

We will continue exploring alternative distribution channels through partnership models, designed to increase our reach.

EMBRACING THE 4TH INDUSTRIAL REVOLUTION WITH OUR DIGITAL CHANNELS

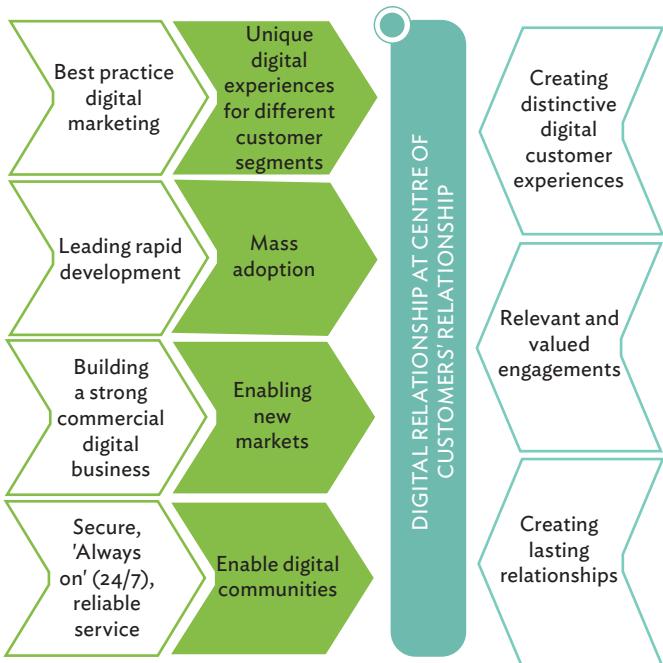
Consumers increasingly demand more. Digital channels provide the means for our customers to conveniently engage with us anytime, anywhere. Our vision is for all our customers to register with us online and engage regularly, using our digital channels for all their banking and related services.

African Bank provides the following traditional digital channels: USSD (cellphone banking), online (internet banking), mobi (mobile web) and App (Android and iOS). What sets us apart from competitors is our leading edge Omni-channel experience that allows customers to remotely register on our Digital Channels.

We have a clear strategy to migrate our customers to our Digital Channels. Providing free access to our Digital Channels i.e. zero data costs, a simple remote onboarding process and relevant, consistent engagement form part of the migration strategy. Delivery on this strategy enables the Bank to realise the associated cost efficiencies.

Significant effort and resources have been invested into change management and developing our people to facilitate digital migration.

THE VALUE CHAIN TO DELIVER ON OUR DIGITAL STRATEGY

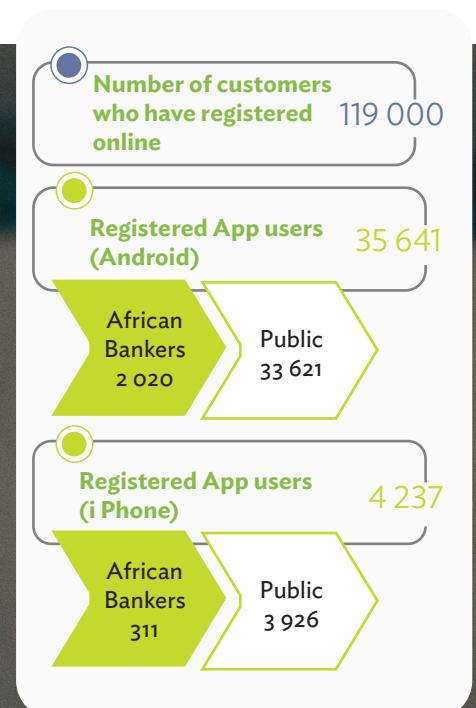


HIGHLIGHTS

- Delivered a completely digital account opening and servicing capability for MyWORLD and Savings and Investments products.
- Introduced an online lead generation capability, affiliate marketing capabilities, best practice search engine optimisation (SEO) and paid media strategies.
- Refined digital analytics and reporting capabilities.
- Implemented a completely digital e-statement delivery solution.
- Launched our ChatBot, known as Abby.
- Launched an online knowledge centre.
- Launched free credit reports, available via all our Omni-channel touch points.

LOOKING AHEAD

- Our transactional banking offering MyWORLD, is an important priority for African Bank's future. Therefore leading with digital will continue to play an important role in accelerating our customer acquisition and retention strategies.
- Continue to invest and refine the digital capability to remain relevant.
- Balance the pace of introduction of new capabilities while consolidating our Omni-channel migration.
- Skilled resources are scarce. We've identified partnerships who can assist us with the skills we need, to ensure that we meet our objectives and deliver the best possible service to our customers.





CUSTOMER SERVICE CONTACT CENTRE

We are committed to meeting and exceeding our customers' expectations. Our focus on delivering quality service heightens our ability to retain our customers.

High levels of engagement correlate with a person's ability to create a memorable customer experience. One of the initiatives we have developed to enhance motivation is an internal career path specific to this area. This roadmap plots a route from a core consultant to a Multi-skilled Consultant, to a FAIS-Accredited Consultant and potentially into the leadership structure, along with its associated learning and development milestones.

WHAT KEPT US BUSY THIS YEAR

- We received a total of 929 638 calls in the 2019 financial year, a 5% decrease from the previous year. This is in part due to the variety of self-service options introduced through our Digital Channels.
- First call resolution process enhancements were introduced in November 2018. Escalations to the Complaints Department have decreased by 70% as a result.
- We received 91 515 calls related to MyWORLD in the 2019 financial year. Service-related calls have increased 63% since the launch of MyWORLD to the market.
- The implementation of Omni-channel and the launch of our 24-hour Contact Centre offers customers the ability to engage with us at any time.
- The integration of Interactive Voice Response (IVR) allows for digital authentication and will improve our overall speed and efficiency.

LOOKING AHEAD

Continued refinement of our customer insights and feedback model will ensure consistent service improvements. In support of this, we plan to:

- Introduce the Voice of the Customer Index (VOCI). This is a tool that we designed to allow us to look into our customer interactions more intensively. Refer to pg 92 in 'Building meaningful relationships with our stakeholders.'

- Optimise our service recovery process. To regain customer affinity to the brand, negative feedback that is service related will trigger a callback that gives us the opportunity to mend the relationship.
- Introduce an Incident Management Process that caters specifically to MyWORLD queries.
- Introduce voice analytics across all the Contact Centres to:
 - Improve our customer experience.
 - Identify compliance and risk;
 - Identify opportunities where overall performance can be improved.
 - Assist with negotiation effectiveness.

WORKPLACE BANKING

The Workplace Banking model will enable us to position our full retail offering to customers within selected industries. It enables us to empower customers through education and encourage digital migration, while building deeper relationships with employers and their people.

Our strategy over the next two years is to rapidly increase our customer base. Workplace Banking, an additional customer acquisition channel, will help us achieve customer growth targets.

LOOKING AHEAD

In 2020, our focus will be on the formal sector leading with our MyWORLD and Savings and Investments products. Credit and Funeral Insurance will be offered as appropriate. We will select high and stable employment growth sectors to create primary banking relationships.

The informal sector will also be a key area of growth where we will focus on our Savings and Investments and MyWORLD products.

We plan to form strategic partnerships with key stakeholders in the public sector, corporates and unions as an entry point. We will do this by offering compelling value propositions to both employer and employees. Government employee business contributes more than 24% of our current sales and will

be a key area of focus to build sustainable growth and retention.

Our efforts will be focused on building leadership capacity, refining our value proposition, enhancing systems and processes, while building a strong pipeline of strategic partners.

OUR COLLECTIONS CAPABILITY

In the year under review, we succeeded in a tough economic environment by formulating creative solutions, which resulted in both good financial performance and customer satisfaction results.

Collections uses various methods and processes that support our Brand purpose and values, for the effective collection of instalments due, to minimise bad debt and write offs. Every effort is made to collect on all our customers' outstanding debt by offering them a full suite of payment and rehabilitation options. Our advantage is the experienced and motivated African Bankers in our team who maintain a focus on placing our customers at the centre of everything we do.

Our Collections ideology is to 'Collect with C.A.R.E' in terms of the Treating Customers Fairly (TCF) Principles:

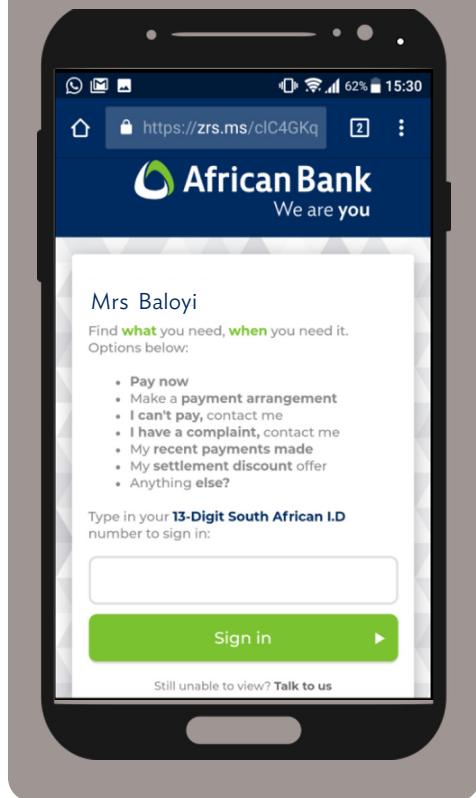
- Our COLLECTIONS numbers will look after themselves if:
- We give our customers the correct ADVICE
- We do what we can to REHABILITATE our customers
- And we show EMPATHY in all our interactions.

FOCUS AREAS AND ACHIEVEMENTS

The single biggest challenge identified for the Collections division is the DebiCheck process. This regulatory initiative will replace the current non-authenticated early debit order (NAEDO) system. We have made huge strides in preparation to meet the regulatory deadlines. Internal change management and ongoing learning and development are a priority, ensuring that our people are prepared and empowered. In addition, we have engaged our external debt collectors and assessed their DebiCheck readiness in terms of systems, strategy, workflow, reporting and training.

We are comfortable that the potential risks associated with DebiCheck will be mitigated by our processes.

A digital and interactive collections tool, offering our customers the opportunity to make an immediate payment without interacting with the Contact Centre, has been developed and successfully implemented. We have rolled out 124 point of sale (POS) devices across 27 tracer companies to drive more effective collections on a ‘then-and-there’ basis.



To improve structural efficiencies, our Alternative Collections team has implemented a new integrated workflow management system. This helps us to manage all debt counselling-related information, reducing turnaround time to an average of two days — substantially quicker than the required five to ten days.

BUA-LE-RONA (TALK TO US)

One of the biggest differentiators for Collections is our Bua-le-Rona initiative. The idea originated from a leadership team that was determined to put our purpose of advancing lives into action, particularly among customers who are under financial distress.

Bua-le-Rona customer service days are

hosted by African Bankers from our Contact Centre in collaboration with our Branch teams. They are designed to proactively support customers who have defaulted on their loans, providing them with the opportunity to talk to someone about their financial difficulties. We offer payment arrangement solutions and financial education on how they can get back on track. During this financial year we hosted seven Bua-le-Rona customer service days across Gauteng.

LOOKING AHEAD

Despite challenging conditions, the Collections business expects to meet its targets for the year ahead and is working on several initiatives to improve on performance indicators.

- Refining the DebiCheck process within our Collections environment will remain a top priority in 2020.
- The implementation of voice analytics in the Collections Contact Centre will provide data, which will be used to further improve our collections.
- An internal capability to obtain a promise to pay and/or payment, via SMS, interactive SMS, or email will be developed as part of our pre-Contact Centre non-voice strategy, to reduce the cost to collect.
- The development of a paperless solution within the Tracing environment will create greater efficiencies, providing cost effective and sustainable processes when dealing with our tracers and customers.
- Expanding our reach to customers in financial distress, via Bua-le-Rona, is another priority in 2020.



Our intangible assets and knowledge

In accordance with The International <IR> Framework, this section of the report refers to Intellectual Capital. This is what will set us apart and will take us into the future, ensuring that we remain competitive, sustainable and an investable proposition.

DATA AS A KEY DIFFERENTIATOR FOR AFRICAN BANK

A Board-approved data strategy guides African Bank's data-centric vision, a key pillar of our over-arching strategy. The strategy not only covers our defensive data governance, data management frameworks and regulatory (BCBS239) requirements, it also encompasses the analytical and data science capabilities required for a sustainable foundation, that is designed to place us at the forefront of banking in South Africa.

We have appointed a Chief Data Officer who is responsible for strengthening our team and obtaining commitment from senior leadership within African Bank. A mandated Executive Data Council ensures strategic intent and accountability for delivering on our data strategy.

Substantial investment in our Enterprise Architecture roadmap has been made to support data capabilities for the future, covering the traditional structured, but also unstructured data. African Bank has embraced the opportunities that the 4th Industrial Revolution presents to create value for our customers and our shareholders.

We have made significant progress in building a cutting-edge capability that enables us to execute on our Data Strategy. Our progress during 2019 includes:

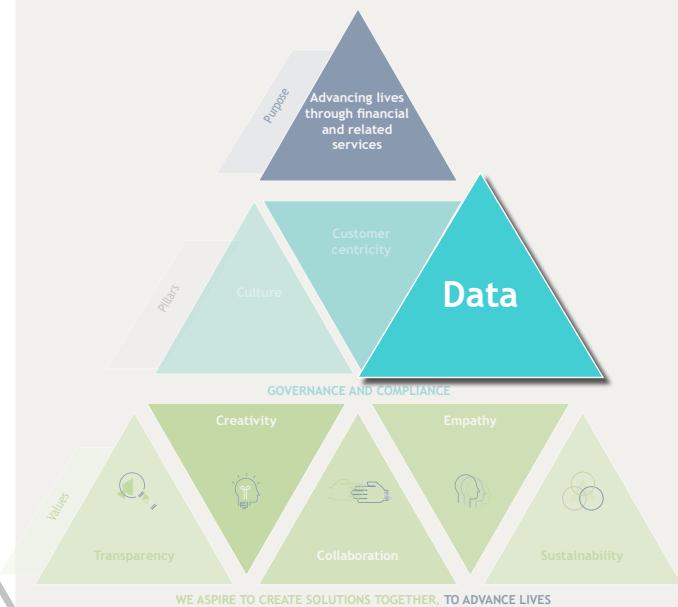
1. Achieving data science sponsorship and representation at Executive and Non-Executive level
2. Developing a people strategy to become an employer of choice for Data Scientists.
3. Creating innovative and modern physical environments to encourage Data Scientists' creativity, collaboration and innovation.
4. An agreed plan to build a team of approximately 60 Data Scientists of varying levels, with degrees (including Masters and PhD level degrees from top universities) in diverse disciplines such as commerce, economics, astrophysics, computer science, actuarial science, statistics, data science and artificial intelligence (AI), chemical engineering and mathematics.
5. Introducing a DataDistillery@AB graduate programme / incubation hub to further upskill aspiring Data Scientists with cutting-edge skillsets.
6. Embedding data across the organisation through programmes that have upskilled about 400 people in our leadership teams, covering topics such as predictive analytics, optimisation theory, big data utilisation, machine learning and AI.
7. Leveraging the technological capabilities of African Bank's local and international fintech partners.
8. Using unstructured data for decision-making across the Bank.
9. Embedding machine learning and financial optimisation across the business (including in our underwriting, pricing, Contact Centres, Collections, Direct Marketing, digital strategies, and customer acquisition and retention strategies).
10. Process automation across functions.

INTRODUCING THE DATADISTILLERY@AB AND THE INCUBATION HUB

the Data Distillery @ A B

The DataDistillery@AB is a data science and artificial intelligence (AI) hub that has been created to support our vision to be at the forefront of banking.

African Bank has partnered with both CapaCiTi and the Explore Data Science Academy to select recent graduates to join our DataDistillery@AB incubation hub. Almost 200 graduates from fields such as mathematics, physics and other sciences, engineering, commerce, accounting, economics, statistics and actuarial science went through a rigorous interview process for the 29 places available in this graduate programme.



In the last three months of the programme, our budding Data Scientists worked on actual African Bank data, solving real problems including:

- Measuring the sentiment of customer interactions through analysis of unstructured data such as voice data and social media data.
- Using machine learning and deep learning models to extract value from unstructured data — including both LVCSR (Large-Vocabulary Continuous Speech Recognition) and phonetics-based approaches.
- Building predictive systems to prevent cyber and network outages.
- Developing Optical Character Recognition (OCR) capabilities to use in process automation.



On completion of the 11-month programme, these graduates will join African Bank to work as (trainee) Data Scientists.

BECOMING THE EMPLOYER OF CHOICE

Our people and culture strategy aims to attract and retain the best talent across the data value chain. The principles and initiatives we use to achieve this include:

- Creating innovative and modern physical environments to encourage Data Scientist creativity, collaboration and innovation.
- Encouraging free thinking and building an idea meritocracy (an environment where the best idea wins).
- Continuous learning (encouraging a ‘way of thinking’ through research, continuous learning and publishing in journals).
- Agile thinking implementation.

- Getting things done through quicker decision making, enabling speed to implementation.
- A flatter organisational structure to enable fast-paced implementation.
- Actively engaging with key tertiary institutions to sponsor post-graduate research projects, with a vision to create innovation hubs at universities.
- Partnering with key players in the field of data.

BUILDING A DATA CULTURE

An overriding observation in the Sybase South Africa (SSA) Data Governance Maturity Assessment report 2019 relating to African Bank, was that there has been a definitive improvement in our data maturity. Most importantly, the report stated that there is clear evidence of executive support and involvement to drive data governance as a strategic priority.

In support of this statement, we have introduced clearly defined job profiles and career paths within the data value chain and have embedded a culture of ownership, appointing Data Stewards across the business. Guided by governance standards, their role is to monitor their data domains to ensure consistently high quality data. In addition, data is included in Committee Charters, Memorandums of Agreement, Service Level Agreements and Standard Operating Procedures.

Ongoing targeted internal communication campaigns not only create awareness, but help to instil the importance of data and how it contributes towards improved and informed decision-making across the business.

DATA SCIENCE HAS ADDED VALUE TO OUR BUSINESS BY:

- Improving customer service, which has resulted in increased customer conversions in our Digital Channels. An engagement engine was developed and implemented and is used to interact with customers digitally to help them through the Loan fulfilment process, making it possible for us to analyse Branch locations and profitability individually. It also provides models that enable managers to enhance the efficiency of our Branch Network, helping them to improve productivity, flag fraudulent behaviour, and determine which

Branches should be closed and where new Branches should be opened.

- Optimising collections placement strategies using advanced analytical and financial modelling to increase net-of-cost collections across internal Contact Centres, external debt collectors, tracers and attorney collections.
- Making better use of data sources to improve customer contactability.
- Implementing direct marketing models that ensure we target the right audience for credit and investments and maximise the value from our direct marketing spend.
- Enhancing customer profiling using machine-learning approaches.

Our data science capabilities have helped to improve the Bank’s stability and profitability. Our transactional banking product is already providing us with additional information about our customers, which will further improve our ability to manage risk and enhance our value proposition.

LOOKING AHEAD

With continued focus on delivering our data strategy, we intend to execute on at least five identified opportunity statements in 2020.

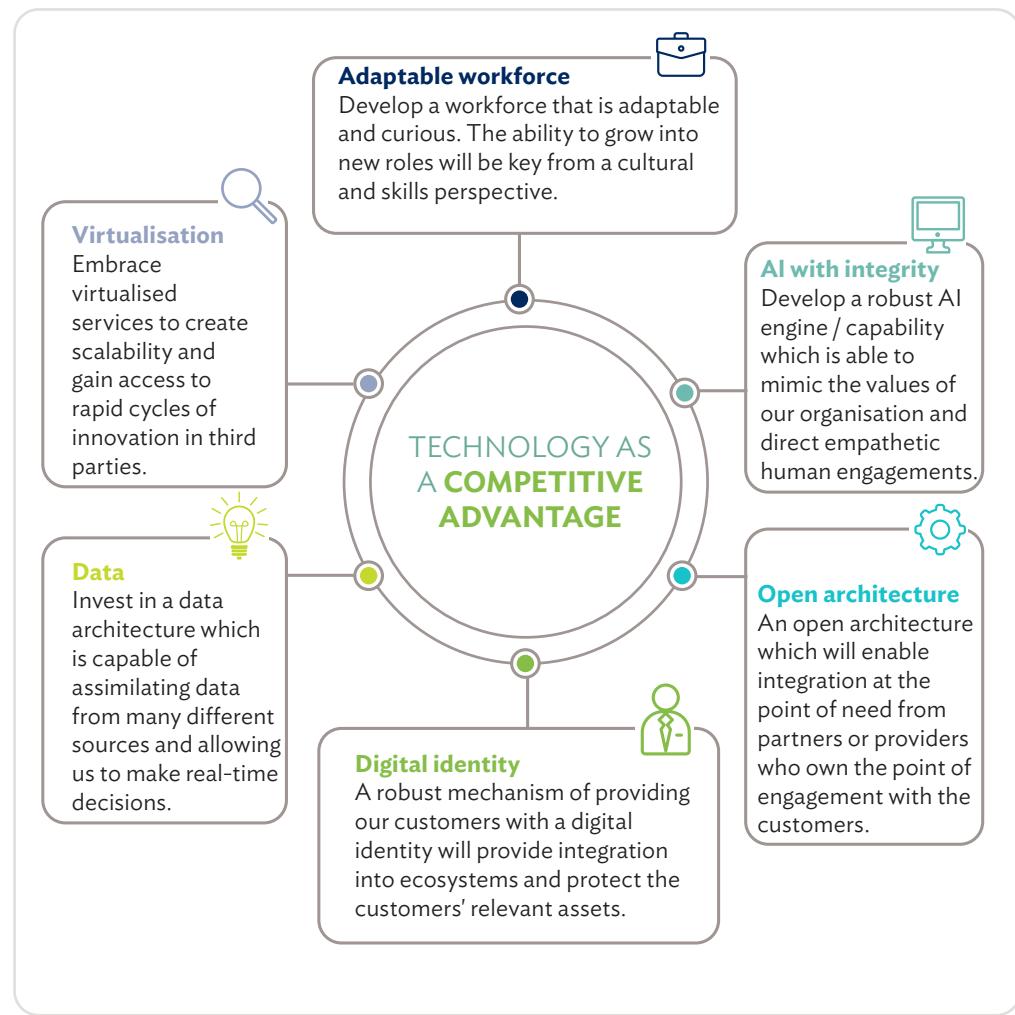
2020 will also see the commencement of a significant big data project within African Bank. Using employee data, the overriding objective is to determine optimal ways of work, and the relationship between employee engagement and financial health. The DataDistillery@AB incubation hub expects a further intake of Data Scientists in 2020 and the search for further Data Scientists and Data Engineers continues.

We are sourcing opportunities to sponsor tertiary education research projects in the fields of data, artificial intelligence and computer science. This will further leverage our vision to become an industry leader in the field of data science, which will contribute to our purpose, create more value for our customers and differentiate our Brand.

INFORMATION TECHNOLOGY FOR A SECURE ENVIRONMENT

Over the last two years, significant investment has been made to modernise our technology infrastructure and application landscape. Our objective is to remove traditional legacy components while leveraging new age technologies, which makes us more resilient and better prepared for future moves to Cloud Computing. More investment will be made to further embed agile ways of working, together with appropriate automation, to maximise our ability to deliver new features and functionality to our customers.

Another key focus area is cybersecurity. We are running a Security Investment programme, supporting our ongoing commitment to ensure that we are constantly adapting to a rapidly changing threat landscape. In 2020, we will continue to focus on the Security Programme, as well as automation, digitalisation and skills development.



EVALUATING THE SECURITY, FUNCTIONALITY AND EFFICIENCY OF BUSINESS PROCESSES AND SYSTEMS

Damaging cyber-attacks and streams of suspicious digital communications have made cyber security a top concern for the financial industry.

We have made a concerted effort to address cyber security gaps. Our Executive Committee has been instrumental in establishing a culture of transparency around cyber risk and has created programmes to continuously address challenges, in a coherent and structured manner.

Understanding our threat landscape and ensuring that it is communicated across the Bank, increases cyber security awareness. Educating our own people and our customers is a vital part of protection and we are committed to ongoing interventions to continuously build people's awareness of any potential threats.

To ensure continuous, consistent, accurate, and timely cyber risk reporting, the level of automation in data gathering and processing is an area we will be focusing on. Areas such as asset identification and compliance monitoring can be tackled in sequence. Automation will help to improve data quality, while advanced analytics and machine learning can find suspicious patterns in underlying data. Automated pattern hunting is particularly effective in verifying the quality of external data sources, either from partners in the value chain, or from specialised providers of risk-related data.

ENHANCING VALUE CREATION THROUGH OUR OMNI-CHANNEL

Our Omni-channel solution is a valuable asset, affording us the opportunity to give our customers an improved experience as they engage with us. An efficient customer experience demonstrates our understanding of the value of time to our customers.

The Omni-channel solution provides a consistent and continuous customer experience across all our channels. It gives us the ability to add new ways for customers to engage with us, as their needs evolve. The technology enables us to enhance our capability dynamically without compromising on the service we provide to our customers.



ENTERPRISE ARCHITECTURE

Enterprise Architecture (EA) has been identified as an important contributor to achieving our strategic goals.

A structured EA roadmap enables us to align organisational structures, processes and technology, resulting in cost effective, high quality and swift delivery of business services. EA is critical to create a clear view of current core capabilities and their relation to our business strategy, and to identify areas requiring investment to improve maturity and capabilities that are missing. The EA principles are the benchmark for all our business and Information Technology investments, guaranteeing that all our projects comply with the business and IT strategy.

EA will enhance business agility, giving us the following advantages:

- The ability to prepare early for disruptive change. Being able to adapt our strategy, products and processes quickly in response to external factors, enables us to provide a seamless customer experience. It also gives us the opportunity to effectively deal with the impact of internal factors (e.g. product suite, organisational structures and legacy applications).
- Mitigation of risk. The early identification of risk in different parts of the architecture allows us to mitigate risk by taking adequate measures.
- Efficient investment in our product suite. The clear picture of projects painted by our EA gives added support to our business strategy, reduces investment in non-strategic projects, lessens the duplication of effort and services and lowers the total cost of service ownership.
- Enabling innovation at enterprise level. Through our EA, we can learn what technologies are being used in different departments, allowing us to reuse technologies and share the knowledge with all departments to support innovation.
- Safeguarding our future. The EA helps us to future-proof our organisation by following guidelines, standards, architecture principles and by monitoring the right key performance indicators.

PROJECT DELIVERY

We are adopting new ways of working, moving away from the traditional waterfall workflow to an Agile project management approach. This Agile focus places a high value on individuals, collaboration and the ability to respond to change. Emphasis is placed on delivery, favouring high quality solutions and continuous improvement.

IT GOVERNANCE AND SERVICE STANDARDS

IT governance is a subset of corporate governance, focused on information and technology, its performance and risk management.

IT governance involves everyone, including our Board members, Executive Committee, employees, customers, communities, investors and regulators. We use an IT governance framework to identify, establish and link the mechanisms to oversee the use of information and related technology to create value and manage the risks associated with using information and technology.

Third-party relationships are a substantial source of enterprise risk. The increase in third-party partners, regulatory pressure and the complexity of cyber-related risks requires us to focus more attention on the potential risks presented by our suppliers, distributors, vendors, and other partners.

DISRUPTIVE TECHNOLOGIES THAT COULD AFFECT US

Building a digital Bank requires us to identify and understand trends in local and global sectors and develop a clear vision on the introduction of leading edge technologies into our environment. Given the rapid advancement of technology, it is not possible to experiment with or adopt all new technologies, but we are certainly keeping an eye on some of these innovative solutions.

Distributed Ledger Technology (DLT) remains an interesting proposition for us, with many different use cases within financial services. The application of this technology in developing cryptocurrencies is likely to have broad industry implications, while leveraging distributed ledgers as a mechanism for managing data, or even identity, is of particular interest to us.

Data is a valuable asset and our identities act as the keys to the safe, so there has to be an increased investment in protecting the integrity of our digital identities. We are also seeing that a single digital identity may be used across a full eco-system, and not just a single organisation, reducing the burden on customers.

Fintechs continue to play an important role in our industry by providing solutions which, when applied to business problems, either in isolation or in a collection of solutions, provide an opportunity for more traditional organisations to innovate more rapidly. We will continue to look for opportunities to collaborate, leveraging a technology architecture which has been designed with this end in mind.

As we move into the 4th Industrial Revolution, we are finding that the pace of change and advancement in technology is exponentially faster. A workforce that embraces a culture of continuous learning will provide the opportunity to constantly evolve and adapt. We encourage our people to learn about technology and digitalisation, regardless of their role within the organisation. This also equips us with a greater ability to innovate, which is an important element of our culture.



OUR CULTURE JOURNEY

Our culture sets us apart, giving us a competitive edge that ensures our sustainability.

African Bank is on a journey to create a better South Africa for everyone through our purpose, ‘Advancing lives through financial and related services’ and through our brand tagline ‘We are you’, which comes to life through the understanding that, as African Bankers, we resonate with all South Africans.

Our people want to know that the organisation has a purpose that they can believe in — one which makes their work meaningful, with values that are aligned to their own. In short, people want a culture fit. When our purpose is reflected in the things we do, our culture thrives.

Creating a healthy culture ensures that we attract and retain the right people and customers, and become an attractive proposition for business partners and investors who share our vision.

We know that if we do not deliberately shape our culture, it will shape itself. We understand the need to create a culture that our people want to be part of and which drives our purpose.

We are at our best when connected, excited and inspired to advance lives. During our LeaderSHIFT session held in July 2019, we introduced ‘DO Better Together’ — our internal initiative to intentionally build a culture that all African Bankers are proud to be part of. The power of ‘DO Better Together’ is in the philosophy that we get things done, with our customers as our guiding light, and with the inspiration of our strategy at the centre of our success.

On our ‘DO Better Together’ journey, we focus on culture. We define culture as what’s taught, what’s done, what’s passed on and what endures. It is how an African Banker feels walking through our doors in the morning. It is how we work together and how we treat our customers.

AFRICAN BANK CULTURE STATEMENT

We aspire to create solutions together, to advance lives.

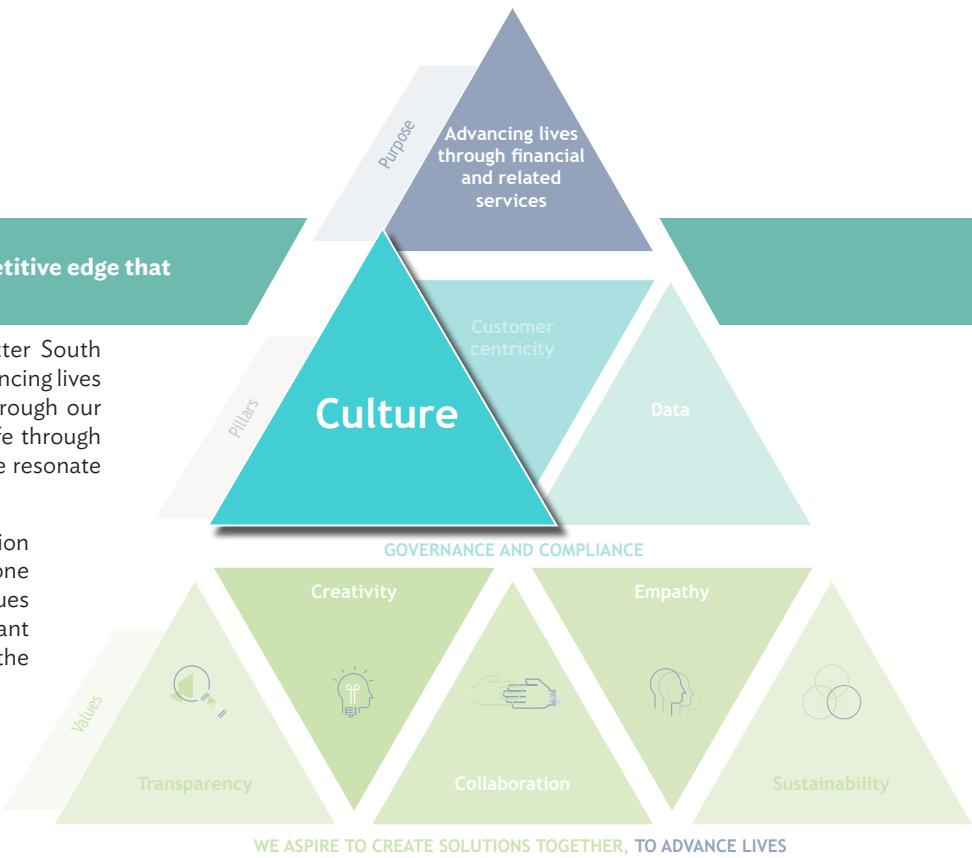
If we want to ‘DO Better Together’, we need to understand the elements that make up culture so that we can take actions to deliberately shape it.

Culture is not one thing, it is many things. It is how we take deliberate actions (DO) to harness the things that can seem intangible.

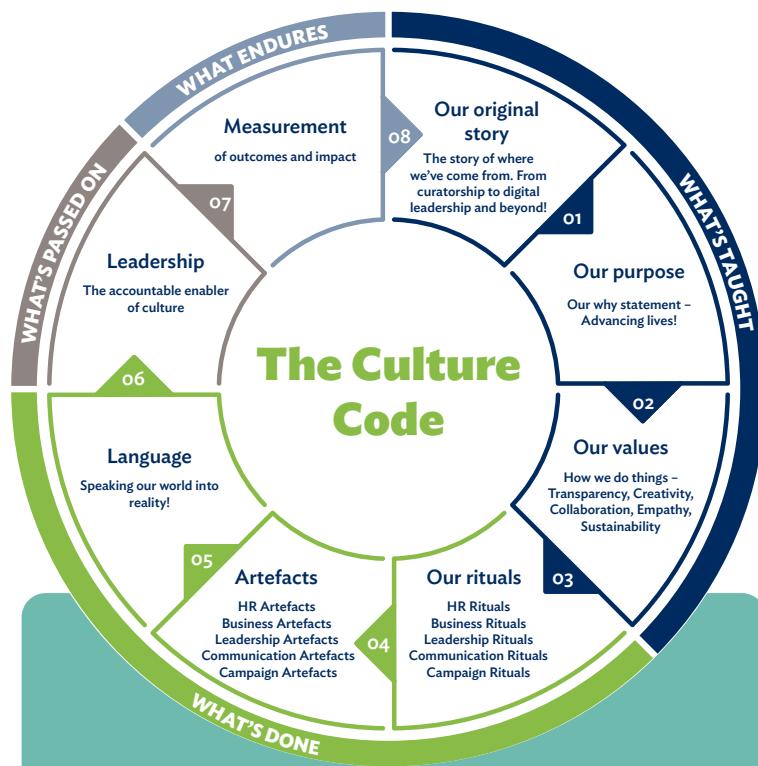
To ensure that we are creating a culture that we want to be a part of, and which drives our purpose, we introduced the Culture Code, which makes culture visible, workable and possible.

In essence, our culture is lived collectively by African Bankers every day, as they continuously strive to ‘DO Better Together’ through:

- Collaborative forums to solve problems and achieve results.
- Respect and appreciation of the personal value of individuals.
- Continuous learning, un-learning and re-learning in a dynamic environment.
- Conscious and intentional leadership, regardless of level.
- The placement of our people and the customer at the centre of everything we do.



THE CULTURE CODE



ACHIEVING AND MAINTAINING AN ETHICAL CULTURE

Since the adoption of our Code of Ethics and the increased visibility of Ethics Committee members in each business unit, we have seen an increased confidence in the Bank's policies and procedures. The Ethics Committee continues to be instrumental in monitoring the implementation of ethical conduct throughout the Bank.

There has been a consistent application of our policies and procedures, particularly in addressing misconduct and unethical behaviour, irrespective of the level of seniority of the individuals implicated. This has been enabled by our safe reporting mechanism (anonymous tip-off line), which gives employees and members of the public the confidence to blow the whistle without fear.

Our Code of Ethics and related policies are tools that underpin African Bank's culture. To ensure ownership and consistency, the Ethics Committee adopted an initiative called 'Ethics in Your Area'. This initiative encourages business units to run campaigns tailor-made for their various areas of influence, ensuring buy-in and collaboration.

These interventions are geared towards empowering all employees to respond to ethical dilemmas and make ethical decisions. As a result, there has been a notable decrease in the number of incidents related to unethical conduct, and an increase in employees consulting the Ethics Office on what is ethical and unethical.

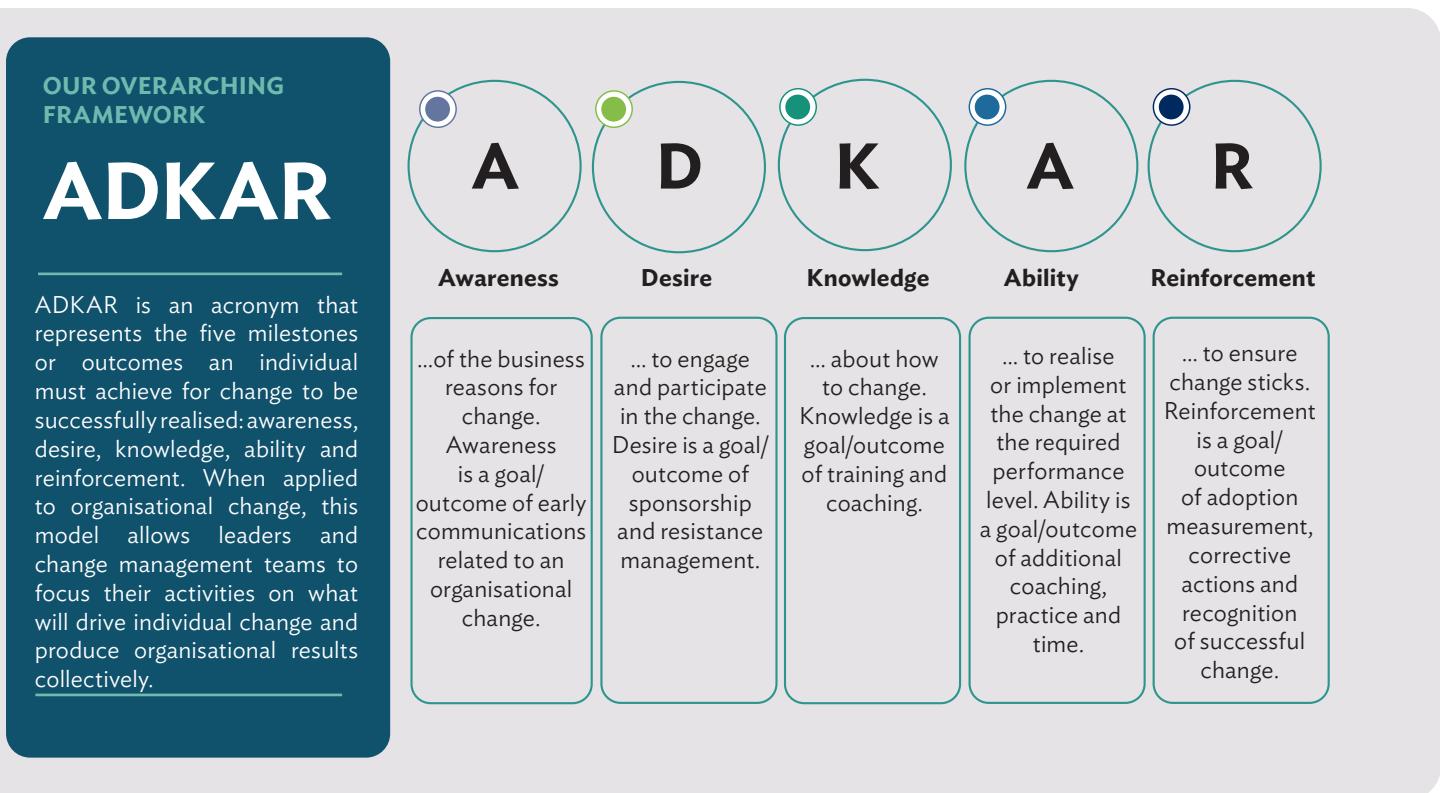
To ensure compliance with corporate governance requirements as set out in the King IV™ Report, the Ethics Office collaborated with the Compliance department to design a Compliance Risk Management Plan aligned to the Companies and Intellectual Property Commission (CIPC) guidelines. This will ensure that the proper controls are in place to address unethical conduct. In collaboration with the Financial Crimes Unit, we formulated and adopted the Anti-Bribery and Corruption policy, aligned to the principles of the Organisation for Economic Co-operation and Development (OECD) Convention.



MANAGING CHANGE AS WE TRANSFORM OUR BUSINESS

We are on an accelerated journey to become a leading digital bank that uses data to make decisions. This encompasses new technology and processes that impact our people significantly. We have implemented a formal change management framework to help our people through this journey.

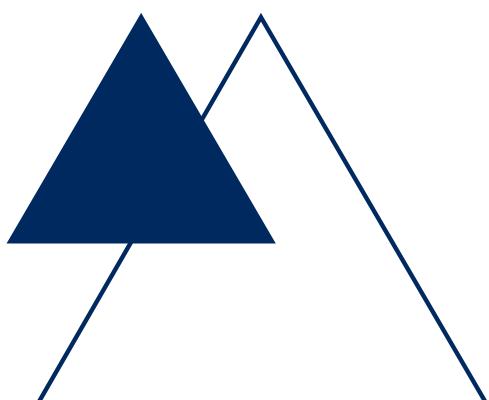
We apply the PROSCI™ process, tools and techniques to manage the people side of change to achieve the required business outcome. Prosci's ADKAR® model is a structured approach to individual change, based on a simple but powerful idea: successful organisational change depends on our ability to help individuals make changes successfully. Once individuals adopt the change, the positive impact is multiplied throughout the business.



OUR STRATEGIC PARTNERSHIPS AND HOW WE LEVERAGE THEIR EXPERTISE AND SPECIALIST SKILLS

In the spirit of continuous learning and improvement, we partner with experts to enhance our knowledge and expertise. In 2019, we partnered with The Performance Agency (TPA) to implement change management and culture methodologies, and sales and service ways of working.

We firmly believe that a significant skills transfer to African Bankers has taken place and further valuable intellectual capital has been introduced into our business.



THE EVOLUTION OF THE AFRICAN BANK BRAND

In 2015, extensive customer research informed our decision to retain the Brand, African Bank. The findings revealed that the Brand had sufficient strength and resonance with a large segment of our target audience. As a result of this decision, we developed a brand rehabilitation programme, as opposed to undertaking a rebranding exercise.

One of the first initiatives in our rehabilitation strategy was to articulate a new positioning statement and tagline. Our new positioning statement, ‘Humanity through Banking’, was born directly from customer feedback which revealed how they felt when engaging with African Bankers. The tagline, ‘We are you’, was developed through a shared understanding of who our customers are, their world, their needs and desires and the role we wanted to continue playing in the lives of our customers.

2017 saw the birth of the second main initiative in our Brand rehabilitation programme. Through our ‘Ask Around. Come Around’ campaign, we sought to rebuild trust among South Africans, reintroducing them to our range of Savings and Investment products and encouraging them to ask us questions and verify our answers independently. In 2019 we launched our Brand campaign ‘Everybody is Somebody’. This articulates what African Bank stands for. The statement ‘Everybody is Somebody’ gives voice to who we are and our purpose of ‘Advancing Lives through financial and related services’.

We know how important it is for people to feel like they matter. Therefore we are committed to treating everyone who walks through our doors like a very important person, regardless of their bank balance, social status, race or gender.

There is continued growing trust in the African Bank Brand, as demonstrated by the increase in our Savings and Investments portfolio and the success of MyWORLD to date.



Creating value through our people

In accordance with The International <IR> Framework, this section of the report refers to Human Capital.

We know that the right culture will lead to an engaged workforce, this in turn leads to an enhanced customer experience. Our commitment to creating an inclusive and hyper-collaborative culture is evident in the initiatives we have introduced, which we have shared in detail in the 'Our intangible assets and knowledge' our culture journey section on pg 76.

By creating an inspiring working environment, our people will remain engaged, resulting in our ability to retain talent and entrench a deeper belief in our purpose.

We have spent time understanding our people so that we can better address their needs. We have placed emphasis on the changes required to embrace millennials, who represent 75% of our staff complement.

Evaluating current skill sets against our organisational needs continues to be a priority, as are the agile change management processes required to empower our people.

Everything that we do for our people is aligned to our ethics and values. This philosophy filters through to our interactions with our customers and communities.

RECRUITMENT AND THE CANDIDATE EXPERIENCE

We are determined to attract the best talent possible to ensure that African Bank is sustainable into the future. A key element of this is to give prospective African Bankers an impactful experience during the recruitment process, whether they are successful in their application or not.

Recruitment is managed through an online platform. Both internal and external candidates can apply on the African Bank website. Applicants can monitor the progress of their applications and receive status updates throughout the process. Preference is given to our internal talent pool. We also encourage our employees to refer suitable candidates to us.

Once a candidate is successful, we stay in touch with them to keep them excited about the prospect of joining our organisation.

We make use of recruitment agencies from time to time and ensure that they are regularly briefed on changes in our organisation to enable them to more effectively source and brief potential candidates. The Careers Desk team meets with

each hiring manager to obtain a comprehensive role profile, which is communicated to our recruitment partners to ensure we interview the most suitable candidates.

LOOKING AHEAD

We are focused on constantly improving the way we do things. We conduct candidate experience surveys with our recruitment partners, hiring managers and candidates.

The results of these surveys give us insight into the effectiveness of our processes. Our aim is to identify any challenges and address these expediently to ensure that our recruitment experience is world-class. This assists us in achieving our goal of filling all vacant roles in less than 40 days.

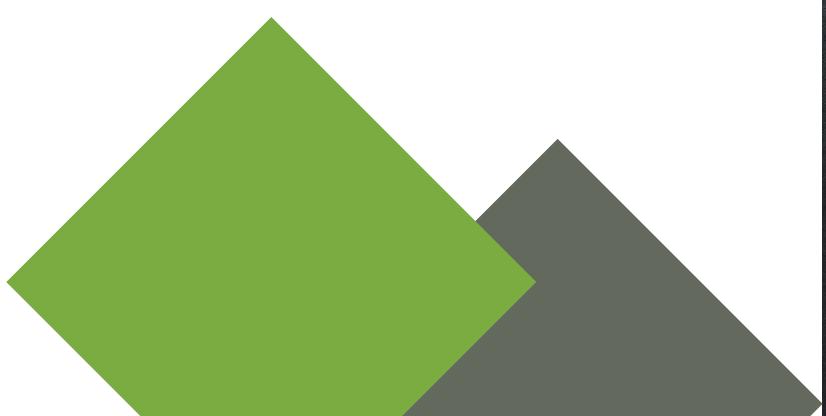
GAINING INSIGHT INTO OUR PEOPLE THROUGH IMPROVED EMPLOYEE EXPERIENCES

Advancing the lives of our people is the basis on which our Employee Value Proposition (EVP) has been created.

Our overarching objective is to create a rewarding place to work by providing a holistic offering to our people that spans a range of services intended to enhance the health, wellness and work-life balance of our people's lives.

This year we embarked on a long-term journey to better understand the needs of our people and enhance the African Bank employee experience journey. We aim to achieve the following:

- Continue promoting effective work-life balance initiatives and EVP offerings.
- Improve the holistic wellness of our people through our Wellness@Work careline, our professional advisory services (emotional, legal, financial and social), our in-house support and primary health care services.
- Gain a deeper insight into the real needs of our people and improve our ability to meet our people at the 'moments that truly matter'.





What we do for our people

Financial wellbeing programme - a country-wide financial wellness programme focused on budgeting, debt management as well as saving, investments and wealth management through our accredited partners.

Mobile Mondays - express smart device repair service at exceptional rates.

Wellness@Work careline - our professional advisory service (emotional, legal, financial and social), offering in-house support and primary healthcare services.



Xperian deals - African Bankers have the option to purchase refurbished hardware items such as computers and laptops, at a massively reduced cost.

Free 24 hour, 365 multilingual careline offered to African bankers and their dependents - offers support such as psycho-social counselling, life management services, workplace and career support, and a comprehensive on-line health and wellness library.

Convenience services:
Zuri Wellness (spa services), dry cleaning and laundry, nail bar, shoe repairs, shoe shine, car wash.



African Bank parent and baby support.

AB Good Food Market - African Bankers can buy fresh produce straight from the farm at below-cost prices, without having to leave the Bank's premises.



Home Ownership Programme - Rent2Buy home finance and home purchasing education services.

Medical scheme - national education roadshow to drive education to help our people maximise value and make use of our medical aid benefits.

Edu Tax Benefit supported by SARS - provides tax relief to qualifying African Bankers for tuition-related fees by means of reducing employee taxable income.

ICAS on-the-go - a smart app that makes accessing our Wellness@Work programme process quick and easy. We now have full access to the Employee Wellness programme at our fingertips.



Face to face counselling through the African Bank Employee Wellness Programme by ICAS.

AB Shuttle Services - short distance pick-up and drop-off services for employees at the African Bank Head Office.

Fitworks Gym facility at the African Bank Head Office.

AB housing programme.

Regional sports funding programme.



Emergency Support Service – in partnership with South African Trauma Training and Associates (SATTA) African Bankers and their families can call a dedicated emergency support helpline 24 hours a day.



Support from attorneys for African Bankers with new and existing child maintenance issues.



Early childhood development information sharing sessions.

Reading and study support to assist with reading comprehension and studying.

Monthly HOPE (Helping Our Peers Excel) sessions for African Bankers to interact with inspirational leaders and specialists.

Self-defence classes.

 'Get a life' course, a one day session offering practical life planning to assist in bringing all the different aspects of our lives into a single holistic life map.

Financial planning workshops.

Sustainable veggie garden project, educating African Bankers on managing a vegetable garden and how to grow a vegetable garden at home. The crops go to everyone who sustained the garden for the season.

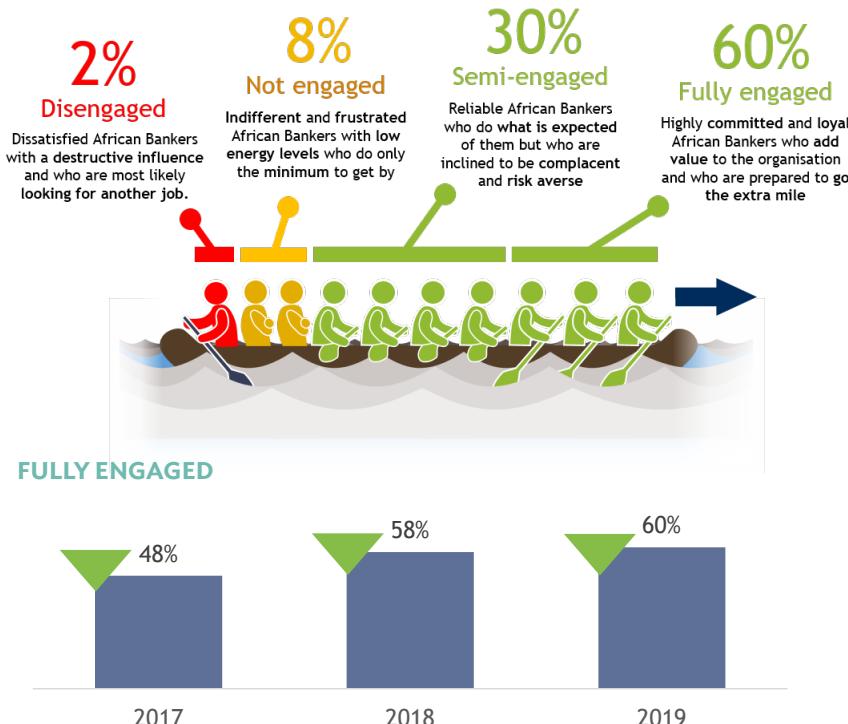


Primary health care services.

ASSESSING PEOPLE ENGAGEMENT

The African Bank People Engagement Survey is conducted annually in August. The results are shared openly with all our people, who are encouraged to discuss their scores and create detailed plans to further increase engagement.

We are very proud of our engagement score of 60%, which is significantly above industry standards and a further improvement on our 2018 score.



LOOKING AHEAD

We are compiling organisational, business unit and individual action plans to further entrench positive employee engagement, and address areas with lower scores. Action plans will be communicated in December 2019 and January 2020. Implementation will take place from February 2020.

RECOGNITION PROGRAMMES

The entire African Bank sales team participates in #DreamGoals, a recognition programme aimed at motivating our people to provide excellent service, which then improves the customer experience at every touchpoint.

Many initiatives have been implemented in the Collections division to celebrate exceptional contribution to business and customer experiences. There are daily, weekly, monthly, quarterly and annual rewards programmes.

The overall purpose of the annual, business-wide Shining Stars programme is to identify and recognise African Bankers who have shown exemplary dedication and commitment. Quarterly winners attend the Shining stars function where one Shining Star is selected to receive the CEO Award.

African Bankers who create innovative solutions which significantly add value and sustainability to African Bank are rewarded through our annual Innovation Challenge. The creators of the most innovative ideas win a share of over R1million.

Entries are submitted in three categories:

- Business innovations – implemented ideas that either generate income or save

costs.

- Efficiency innovations – implemented ideas that advance our way of work and enhance African Bank's customer-centric, data-driven business.
- Community engagement innovations – implemented ideas that focus on advancing lives, which empower our customers and communities in a sustainable and environmentally and socially responsible manner.

EMPOWERING OUR PEOPLE THROUGH LEARNING AND DEVELOPMENT

Our philosophy is to be a trusted partner in providing learning and development opportunities, as well as leadership and organisational development solutions, to equip our people to perform now and into the future.

Through collaboration with internal business partners, we have developed focused programmes to deliver on specific business needs. We have aligned learning and development to our digital strategy, digitising our technical and compliance learning modules.

Our behavioural and soft skills programmes have been expanded to include in-house leadership and coaching programmes. We have adopted an in-Branch training model to facilitate easily accessible learning.

To remain relevant and ensure that our people are prepared for the future landscape of banking, we are focused on creating a culture of continuous learning through:

- Enabling learning on digital platforms.
- Adapting new learning trends from the industry into our planning for future needs.
- Enhancing our current learning programmes and encouraging students to attain higher levels of education once they complete a level.
- Continuously exposing staff to new programmes and initiatives, e.g. Digital Banking and Information

- Technology programmes.
- Entrenching FAIS across our Branch Network through the introduction of the FAIS App, Continuous Professional Development (CPD) for key individuals to meet the amended FAIS Fit and Proper requirements, and training Branch Managers to take over the supervision of FAIS requirements, with oversight provided by the Bank's FAIS team.

LEARNERSHIP PROGRAMMES

We currently run nine learnership programmes across the Bank, in various regions.

We have taken the learnership qualifications, 'Wealth 5' and 'Management 5', and aligned them with our bursary process and digital strategy to create a fully customised, online solution.

We have also developed learnership programmes for our building services, security and housekeeping teams who have already completed matric, and wish to enhance their skills further. To offer these educational opportunities at no cost to the learners, we have negotiated and consulted with our current training providers, and sourced programmes that they provide to us as part of their own outreach initiatives.

LEARNING STATISTICS

- Seven learnership programmes were completed in 2019 benefitting 544 learners.
- Two skills programmes took place in 2019 with 115 learners participating.
- 199 e-learning modules were made available to African Bank employees.
- 2 288 users made use of e-learning on various programmes.
- 65 536 online courses were completed.
- We conducted 37 face-to-face programmes, with 4 380 learners attending.

Compliance learning completion statistics:

FAIS	TCF	AML Final	Anti-Fraud 2019	Credit Policy 2019
80%	90%	96%	88%	85%

DIGITAL LEARNING IN AFRICAN BANK

We have developed a digital and blended learning strategy to meet the learning requirements of our people, now and into the future. Our business context requires the dynamic business capability to learn, unlearn and relearn. We underpin our approach to learning in African Bank with an overarching strategy that sets clear intent and adoption measurements.

The digital segment of our learning strategy is currently underpinned by an online learning management system, SmartLAB, and various learning applications. SmartLAB is accessible through an App which allows African Bankers to gain mobile access to a variety of learning courses, anytime, anywhere.

ACCELERATING DIGITAL SKILLS AND A LEARNING CULTURE

- We have invested in the DataDistillery@AB, where 29 data science interns have undergone an 11 month training programme. Their expertise will be applied across African Bank through delivery on agreed opportunity statements. Employees at all levels of the Bank attended data-related training so that everyone in African Bank understands the possibilities inherent in this exciting capability. See pg 72 in 'Our intangible assets and knowledge'.
- We are enabling learning on digital platforms to make information more accessible to all African Bankers as part of our drive to adapt new learning trends into the fabric of our learning landscape.
- We have also introduced our new 'Digital Lab', which is a space dedicated to learning. African Bankers can book time to complete their digital learning without distraction, spend time with their learning partners to get learning support and assistance, conduct collaborative sessions to craft ideas, and solve problems together.

LOOKING AHEAD

- African Bankers are now able to access approximately 3 000 online courses on a variety of business topics through a massive, open and online course (MOOC) portal, Udemy for Business.
- We have implemented enhancements to our SmartLAB online learning platform to include Udemy integration.
- We are launching 'Wealth Management', 'Leadership soft Skills' and 'Financial Markets and Instruments' NQF6 programmes.
- We will also be launching Digital Banking, Artificial Intelligence and Cyber Security as skills programmes for African Bankers.
- We will introduce 'Information Technology NQF4', and five further Information Technology learnerships.
- 'Wealth Management 5' and 'Generic Management 5' learnerships are FAIS Fit and Proper qualifications which are now being developed into an online learnership, so that the entire Branch Network can access them with minimum effort or interruption.

MANAGING PERFORMANCE TO ENSURE WORLD CLASS SERVICE

To become a major role player within the dynamic, competitive and ever-changing banking industry, African Bank needs to provide a customer experience that is consistently world class.

To achieve this, we are focused on excellence in performance management, paying special attention to the following areas:

- Performance contracting and reviews conducted against the organisational objectives, translated into business unit and individual performance goals that drive positive behaviour.
- Ensuring that 25% of all senior management's performance contracts relate to elements of the Bank's scorecard. This ensures that all activities performed are aligned to our strategy.
- Regular performance engagement that drives a high performance culture. Formal reviews are conducted twice annually, with staff also participating in 360 degree reviews

which inform their final rating.

- Incentive schemes focusing on recognising and rewarding employees for their commitment and hard work. This encourages our people to work towards specific targets and assists in creating high productivity rates, boosting morale and employee retention.

TRANSFORMATION

We are committed to transformation as an economic imperative not only essential to the growth of the Bank, but also to the South African economy. We are determined to contribute towards the transformation of the South African economy by proactively enabling the meaningful participation of black people, women, rural communities and people living with disabilities, in the mainstream economy. We do this in a way that has a valuable impact on employment, income redistribution, structural readjustment and economic growth.

ENCOURAGING INCLUSIVENESS TO CHAMPION OUR VALUES AND PURPOSE

To truly live our purpose and drive improved organisational performance, it is imperative that we follow a robust diversity and inclusion empowerment philosophy, which demonstrates our commitment to social justice, equity and inclusion, and the building of a diverse, inclusive and engaged workforce.

We aim to create an organisation that is fair and just and respectful of individuals and their similarities and differences.

The Return on Investment (ROI) will be improved organisational performance through:

- Building strong and high-performing teams.
- Attracting and retaining diverse talent.
- Cultivating leaders who inspire inclusion and who champion diversity.
- Increasing engagement, motivation and productivity.
- Improving the quality of work-life integration.
- Enhancing the African Bank Brand as an employer of choice.
- Leveraging an extensive range of backgrounds and skills to enhance creativity, innovation and problem-solving.
- Sustaining an environment in which people are treated fairly.
- Minimising risk exposure and ensuring compliance with legal requirements.

OUR DIVERSITY AND INCLUSION FOCUS

Our Organisational Effectiveness (OE) unit defines the methodology required in the implementation of our Diversity and Inclusion Framework. OE is accountable for embedding this Framework across the entire Bank. In the last financial year, we successfully commenced with our Diversity and Inclusion workshops, attended by the Executive Committee, senior and middle management. The intention is to expand these workshops to include all employees in the Bank.

EMPOWERING OUR PEOPLE THROUGH SKILLS DEVELOPMENT

To remain competitive, a skilled workforce is a pre-cursor to our vision. We continuously enable our people and support them to develop the career-enhancing skills to meet the changing

demands and priorities of our business.

Our objective is to align our Learning and Development programmes with national strategies and priorities for economic growth and social development, to enrich the creation of decent work and sustainable livelihoods for employees and the society in general.

As a first step, we are focused on skills development programmes for previously disadvantaged groups, with the aim of long-term inclusion into the business through various programmes linked to categories B-D, according to the Learning Programme Matrix.

EMPLOYMENT EQUITY

African Bank is committed to:

- Creating a diverse and transformed workplace.
- Providing equal opportunities to all its employees, while giving special consideration to employees from designated groups.
- Removing all barriers to affirmative action and transformation.
- Implementing an Employment Equity Plan every three years, to ensure the achievement of our internal transformation objectives.

In consultation with our Employment Equity Committee (EEC), we have created a new three-year Employment Equity Plan for the Bank. The EEC, comprising representatives from our various business units, has been deeply committed to the EE process and, as a result, a Sub-Committee of the EEC that deals with recruitment and promotions was instituted to review any non-EE appointments into middle or senior management.

Employment equity is embedded into our culture and reflects our vision for a collaborative, productive and energetic workforce.

We are on the cusp of meeting our EE targets set for August 2020 and we are currently at 99.2% of our target for 2019. The responsibility for achieving our target at top management level lies with the CEO and the Board and is a focus area going into 2020.



EMPLOYMENT EQUITY AT AFRICAN BANK

EXECUTIVE COMMITTEE



EXECUTIVE COMMITTEE



SENIOR AND MIDDLE MANAGEMENT



SENIOR AND MIDDLE MANAGEMENT



SKILLED TECHNICAL, SEMI-SKILLED AND UNSKILLED EMPLOYEES



SKILLED TECHNICAL, SEMI-SKILLED AND UNSKILLED EMPLOYEES

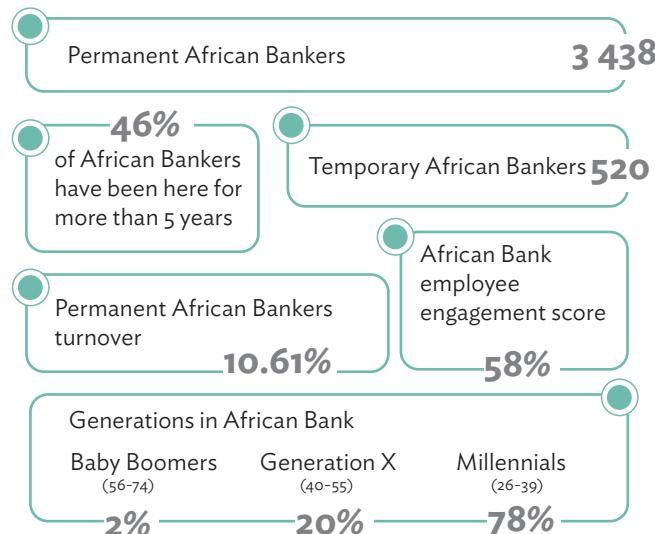


Our permanent staff numbers increased significantly in 2019 due to the absorption of 355 Branch Interns/ Learners

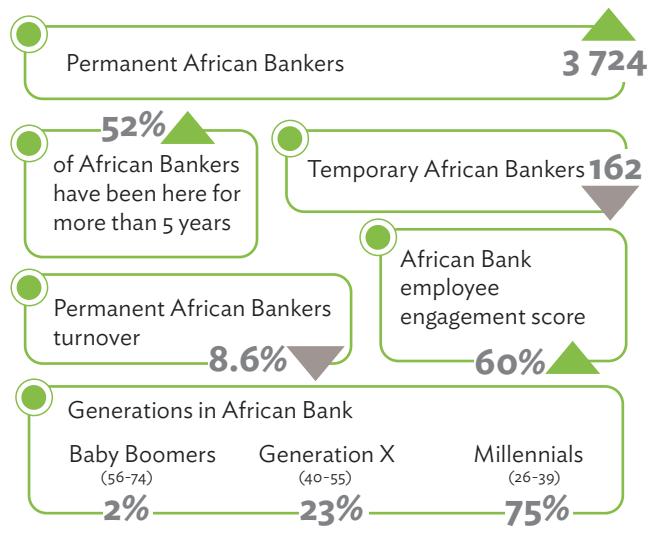
The three-year Employment Equity Plan for the period 2019–2021 has been approved and the numbers included in our B-BBEE five-year plan.

To achieve our targets, we need to ensure that all promotions and recruitment support the achievement of our EE targets and our B-BBEE goals.

2018



2019





LOOKING AHEAD

A Diversity and Inclusion Committee, with an appropriate degree of autonomy from the EEC (which deals with the quantitative aspects of transformation) is being implemented. The Committee will oversee the qualitative aspects of our transformation journey.

As part of our employment creation drive, we will consider absorbing a further 180 to 200 Branch Interns each year for the next two to three years, depending on business conditions.

LABOUR RELATIONS

We aim to promote and maintain a harmonious relationship between African Bank and our people. We promote and respect freedom of association and employee rights in terms of the Constitution and the current labour legislation of South Africa. We are committed to fair treatment and non-discriminatory work practices.

To foster these fair and equitable practices, all employee disputes and transgressions are resolved internally as far as reasonably possible, before external referral, while ensuring respect for human dignity and fair treatment.

THE YEAR IN REVIEW

Collective agreements were signed with Sasbo, our recognised trade union, in relation to the Disciplinary Code and the Grievance procedure and successful salary negotiations were conducted.

All managers attended Employee Relations training, which emphasised how to mitigate misconduct through an understanding of our policies and procedures. The training empowered all managers to make sound ethical decisions. As a result, there has been a decrease in unethical conduct and an increase in the number of employees consulting the Ethics Office with ethics-related queries.

Non-compliance, which is a disciplinary offence that may or may not lead to dismissal, has been consistently decreasing, indicating that employees are more conversant with our policies.

LOOKING AHEAD

We aim to continue the process of Employee Relations training to foster a greater understanding and acceptance of our values and employee expectations. We are creating an Employee Handbook to clarify any ambiguities regarding employee behaviour and further ensure adherence to our rules and policies.



Building meaningful relationships with our stakeholders

In accordance with The International <IR> Framework, this section of the report refers to Social and Relationship Capital. We actively advance the lives of our stakeholders through engagement and information sharing.

BUILDING SUSTAINABLE RELATIONSHIPS THROUGH CUSTOMER-CENTRICITY

To be customer-centric at African Bank means to put the needs of our customers at the heart of what we do and consistently support that philosophy through our people, our culture and the way we do business. Customer-centricity is one of the three pillars of our strategy - we firmly believe that this is a key differentiator.

We have identified four success factors, which we believe will bring this to fruition, being:

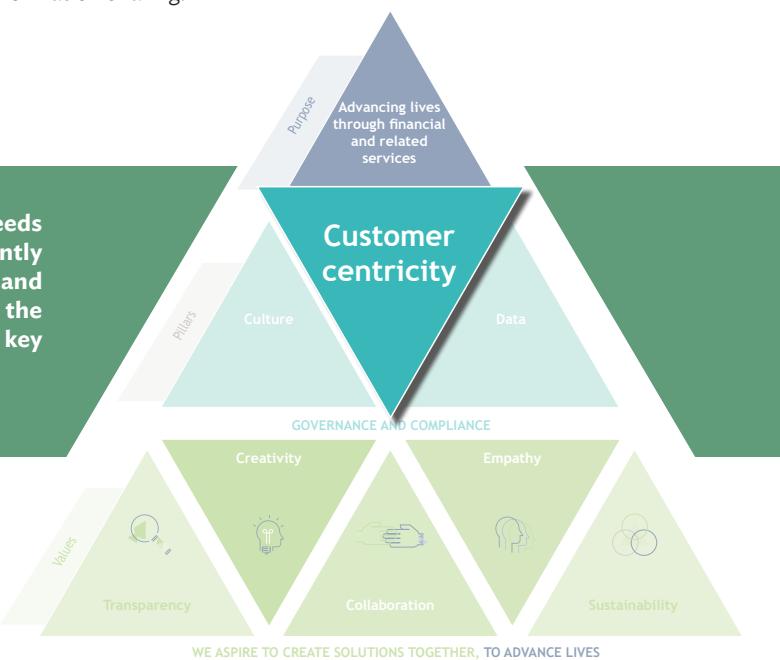
- Increased customer loyalty.
- Inclusion of our Customer Experience metric into all employee Key Result Areas (KRAs).
- Continued product evolution.
- Authentic customer engagement.

To entrench customer-centricity within our organisation, we have established a comprehensive and professional focus on our customers through our Customer Experience department, to better understand their needs and motivations. This is a dynamic process and we are cognisant of the fact that appealing to these needs and motivations requires regular revision and updating. The following key focus areas will allow us to respond effectively to market trends:

- Insights and analytics.
- Research and customer journey management.
- Innovation.
- Customer experience design.
- Sentiment and feedback.
- Customer profile segmentation.

These give us a more nuanced insight into our current customer experience, informing the development of customer journey maps and the identification of their pain points. This information gives us the ability to:

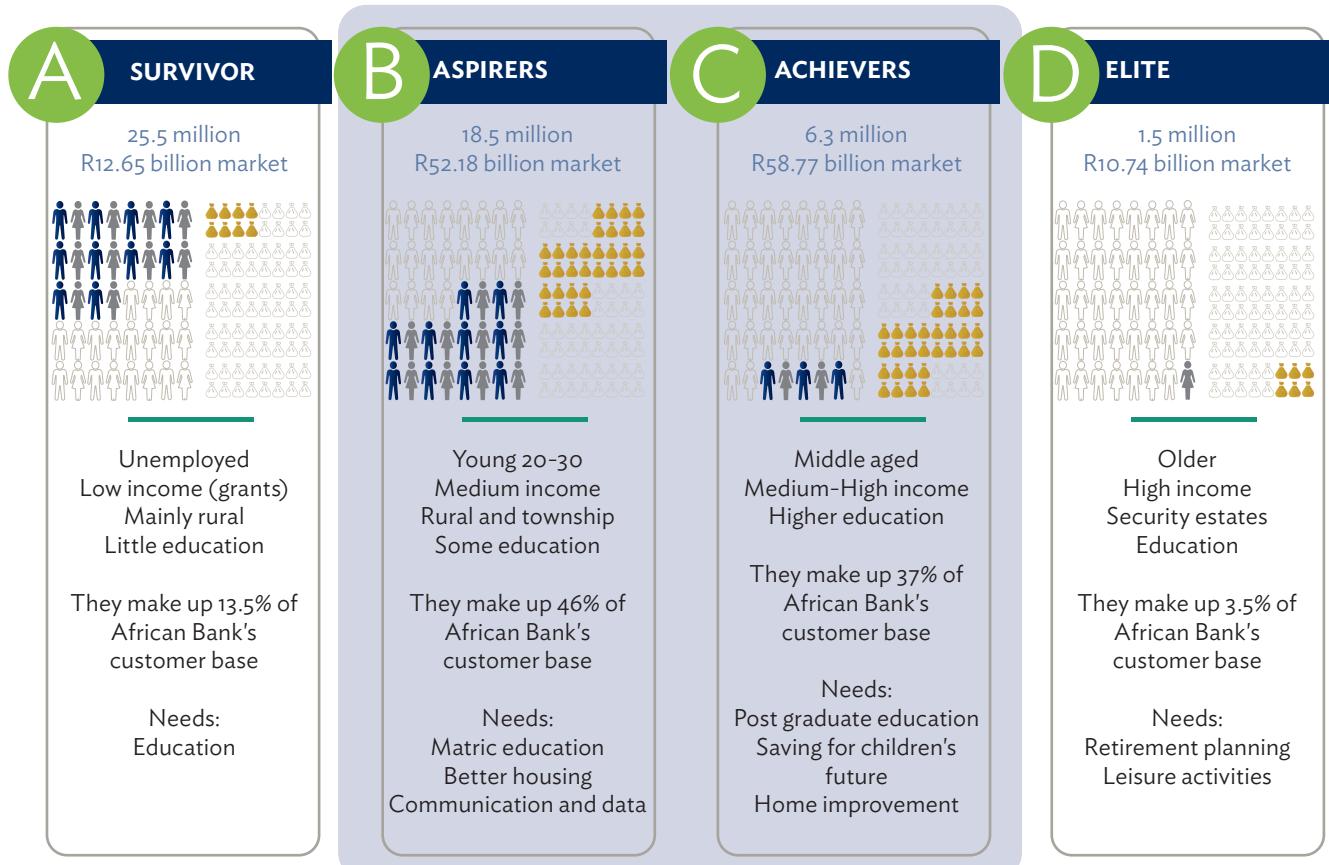
- Develop and strengthen customer relationships.
- Have the flexibility to evolve over time, based on our dedication to address customers' specific needs.
- Serve as the bedrock of a customer-centric service-orientated organisation.
- Become a leader in customer relationships.
- Create a seamless and consistent customer experience.



In 2018, we undertook a Service Safari which enabled our Executive Committee and top management teams to experience a customer's journey with the Bank. The Service Safari culminated in a workshop that called on the participants to unpack the issues they had experienced and identify pressing initiatives needed to improve our customer experience. These initiatives require an integrated approach, as they influence several business units, touching on issues such as our Customer Value Proposition, Customer Service Centre product upskilling and a searchable Standard Operating Procedure (SOP) platform for our consultants to easily and seamlessly access critical information, which supports a consistent approach to customer experience.

We also identified a need to create a complete view of our customers. This has allowed us to paint a clearer picture of who they are, based on their needs and lifestyles. The information gleaned has fueled adaptions to our marketing strategy in terms of advertisement placement and language selection, as well as development planning for our Branch Network.

THE AFRICAN BANK CUSTOMER



BUILDING CUSTOMER LOYALTY

One of the key measures of customer loyalty and satisfaction is the annual South African customer satisfaction index (Saci), which is compiled by the independent research firm Consulta. African Bank participated for the first time in 2017, placing third overall with a score of 81.

The results for 2018 showed us slipping one spot to fourth overall, with a score of 78.1. This prompted a deep dive into the reasons for this outcome. Our Branch Network and Contact Centre are leaders in their categories, however the increasing levels of expectation of customers resulted in additional focus being applied to our Digital and Loan-offering areas.

We have reviewed the performance of each customer touchpoint and have put plans in place that will allow us to manage the Net Promoter Score, Effort and Customer Satisfaction in each business area. We report monthly on these scores and make appropriate adjustments to ensure that we achieve our overall targets. Despite some challenges, we have performed well against our targets for 2019.

Net Promoter Score (NPS):
Target: 40 — **Achieved: 39**

Customer Satisfaction (CSAT):
Target: 70 — **Achieved: 76**

Effort (How easy or difficult it is for
customers to do business with us)
Target: 70 — **Achieved: 79**

LOOKING AHEAD

Subsequent to a Customer Maturity Review, we have identified the following key focus areas for 2020:

- Implement a new Servicing Model, new Service Standards and a new platform to ensure easy and seamless access to all our Standard Operating Procedures (SOPs).
- Create a 360 degree view of our customer.
- Roll out a Customer Empowerment Programme pilot to support financial wellness in our communities.
- Introduce a new measurement model and evolve our customer surveys.

Voice of the Customer Index (VOCI), a tool which allows us to review our customer interactions in more depth, will play an important role in shaping our future customer experience. VOCI will allow us to:

- Track the effectiveness of our customer satisfaction and loyalty improvement actions.
- Track customer satisfaction and loyalty as a more frequent indicator across business units, channels, product interactions and customer journey moments.
- Reshape business specific channels, products and customer journey-moments.

Our measurement metrics will allow for robust business evolution and will reflect in improved new customer numbers, customer retention and leading SAcsci ratings.

TREATING CUSTOMERS FAIRLY

Treating Customers Fairly (TCF) is an outcomes based, regulatory and supervisory approach designed to ensure that regulated financial institutions deliver specific, clearly set out fairness outcomes for financial customers. The new rules are aimed at addressing some of the weaknesses that have been identified in the banking sector, including concerns as to whether customers are treated 'fairly'.

We fully support this approach as it aligns with our customer experience objectives.

We continue to track compliance with the TCF requirements and implementation is 90% complete. We have strong governance processes focused on the implementation and monitoring of our TCF compliance, right up to Board level, through our Sustainability, Ethics and Transformation Committee (SETCom).

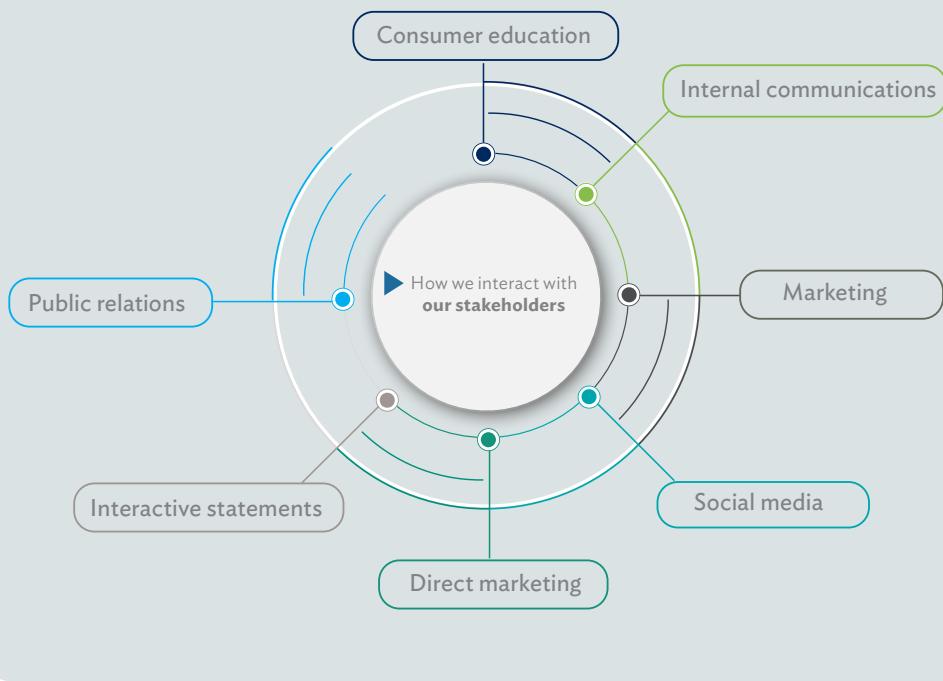
In 2019 we completed the following TCF related activities:

- Reconstitution of our TCF Council.
- Development of an annual TCF Conduct Improvement tool, addressing all practices across the Bank to ensure we remain compliant.
- Implementation of the TCF Metrics tool, the findings of which are detailed monthly in our Risk Manco reporting.

African Bank's TCF readiness status is green against our current internal measures. This means that we meet the TCF requirements across the Bank.



HOW WE ENGAGE WITH OUR STAKEHOLDERS

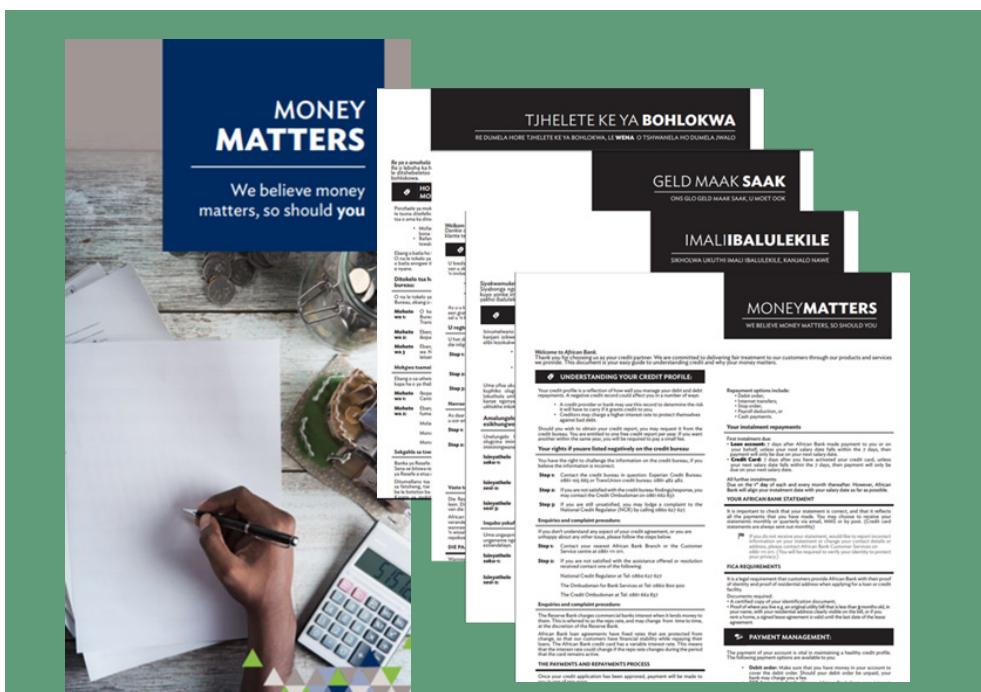


EMPOWERING SOUTH AFRICANS THROUGH CONSUMER FINANCIAL EDUCATION

Empowering communities to take control of their financial future through education and knowledge has always been a priority for African Bank.

Some of the consumer education initiatives conducted in 2019 are detailed below:

AWARENESS PROGRAMMES IN-BRANCH AND AT EVENTS USING THE MONEY MATTERS BROCHURE.



CONSUMER EDUCATION THROUGH SOCIAL MEDIA

We use insights from our engagements with consumers to create social media content that addresses financial pain points and offers guidance and solutions.

This content provides our consumers with the information they need to make well-informed financial decisions.

BUA-LE-RONA

Bua-le-Rona is a holistic approach used to engage with our customers who are in financial distress. The programme was designed to educate customers about financial services, help customers to make payments or payment arrangements and answer any questions they may have.

This initiative supports our objective of making customer-centricity a core differentiator in the collections process. (See page 71).

LOOKING AHEAD

Bua-le-Rona

We plan to broaden the reach of our Bua-le-Rona value proposition by hosting community service days.

We are exploring the use of technology such as WhatsApp and our ChatBot Abby as part of the collections consumer education programme.

Money fo' Sho!

In 2020 we will launch our consolidated consumer education programme called 'Money fo' Sho!'. This is a one day financial literacy training programme aimed at LSM 1-5 participants, who have traditionally been excluded from mainstream banking and insurance.

We have designed the programme to be largely free of written text and to be language-neutral.

Information is shared mostly through visual and dramatic methods and will teach participants about money management, different banking products and credit.

KEEPING OUR PEOPLE INFORMED AND ENGAGED THROUGH INTERNAL COMMUNICATION

Internal communication is defined as the way in which we share information and communicate with each other. Effective internal communication helps to ensure that we are working collaboratively towards a common goal. It develops a cohesive culture and empowers African Bankers to make the right decisions in line with our organisation's goals. It forms an important stream in our formal change management programmes and is designed to create greater efficiency and productivity, improved customer service and increased engagement.

A wave of millennials are now entering management positions and Generation Z is right behind them. Each successive generation demands more transparency, feedback and collaboration. We realise the importance of our internal communications strategy and consistently direct our focus inward – African Bankers are our most dedicated Brand champions.

A kaleidoscope of electronic branded Internal Communication channels helps African Bankers prioritise what they need to know. Apart from these electronic channels, our voice and face-to-face channels are embedded in our culture and are used to support critical change management projects.

In 2019, our focus was to track and measure all electronic communication and become more data-centric, to help us make informed decisions to improve our effectiveness. We introduced Everlytic, a software package designed to do this, giving us valuable insights into the habits of our readers.

Interest is the most important measure that we use to help us gauge the extent to which our audiences open the emails distributed to them. The industry average score for internal communications interest is 26.1%. In 2019, we achieved an average interest score of 42%. The interest score is translated into action, which is measured as part of the Bank's broader change management programmes.

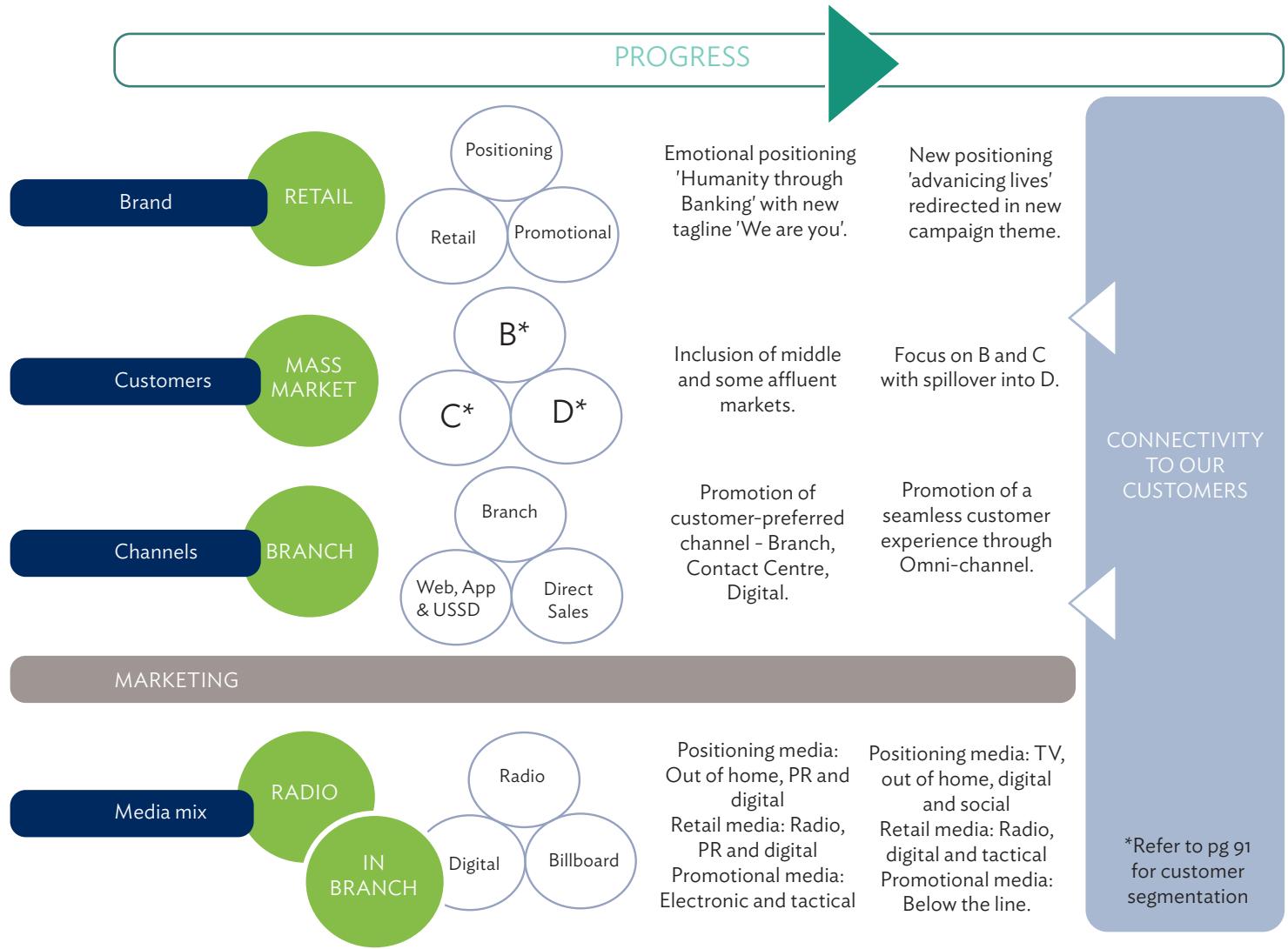
LOOKING AHEAD

Apart from continuing to use data to consistently improve the overall effectiveness of internal communications, we plan to implement an updated intranet which is more technologically advanced, interactive, engaging and well-structured. This will help to increase our internal customer experience when communicating messages and information.



CREATING AWARENESS THROUGH MARKETING

Our marketing objective is to create interest in our Brand and generate demand for our products. Our research and monitoring has shown that sustained and continued marketing activity, aligned with an appropriate customer value proposition, will deliver results. We target specific channels to appeal to different customer segments.



OUR BRAND CAMPAIGN **'Everybody is Somebody'**

This statement underscores our Brand campaign and was released in April 2019, one month before the launch of MyWORLD. The timing of the 'Everybody is Somebody' advert was significant, preceding the introduction of our digitally-enabled day-to-day banking offering, revolutionary in its innovative 'shared banking' concept.

Appealing to a broad audience, the Brand campaign set out to illuminate what it means when we, as African Bank, say 'We Are You'. We set out to share our belief that through a philosophy of 'humanity through banking', we can advance the lives of South Africans.

The campaign statement 'Everybody is Somebody', represents a significant milestone for us, harnessing our transition into a digital retail bank.

'Everybody is Somebody' speaks to the way we treat all our stakeholders. It reinforces the unique value proposition of MyWORLD which meets the financial requirements of ordinary South Africans. MyWORLD allows people to personalise their banking to suit their individual and unique needs. The shared banking concept of MyWORLD is a financial industry differentiator that gives the unbanked segments of our population the opportunity to access financial services designed to advance their lives. Through MyWORLD and our other offerings, we empower everybody to be somebody. And we treat them as such.

Campaigns and activities

To support the Brand positioning and create anticipation among the South African public in the lead-up to the MyWORLD launch, our Marketing team embarked on an intensive campaign to raise awareness and interest in the African Bank Brand.

We provided marketing support for the continued success of our existing Savings and Investment and Credit business, while creating an emotional connection to our Brand and purpose through our 'Everybody is Somebody' and MyWORLD television advertising.

MARKETING EFFECTIVENESS

The results of our Brand campaign and other marketing activities have been encouraging. Despite a relatively small budget, when compared to our competitors, our marketing activities have demonstrated a significant return on investment, boosting the positive profile of the Bank and attracting more customers.

LOOKING AHEAD

Combining Brand and product in our through-the-line campaigns has provided us the opportunity to integrate key messages. Given that this approach has been successful, we will continue this strategy in 2020.

We intend to extend the visibility and presence of our Savings and Investments offering and increase media spend to support the Brand campaign.

In addition we will:

- Continue with the communication of the MyWORLD offering, articulating the differentiators and positioning its features and benefits.
- Introduce a campaign that will highlight all the main African Bank offerings in one joint communication.
- Continue to work with appropriate partners to facilitate:
 - Selected media-owned initiatives that will give us on-the-ground access to audiences.
 - Relevant niche interest events that allow us to engage with specific audiences.
 - Increased reach and connectivity with targeted followers, through appropriate influencers.

ENGAGING OUR ONLINE COMMUNITY THROUGH SOCIAL MEDIA PLATFORMS

Social media enables us to engage with our online community. Our approach is to listen first, then respond when appropriate. We make sure that our content is compelling, useful, relevant and engaging. Authenticity, honesty and open dialogue are key.

Our main areas of focus in 2019 were to:

- Get to know our customers better.
- Grow our social media community.
- Create affinity through Brand association and awareness.
- Empower our audiences with financial education, sharing tools that assist them to make better financial decisions.
- Create awareness of our product offering and services.

Research shows that South African consumers expect more from financial brands. We heard them and launched our savings campaign #GrowForIt, in August 2018. The aim of the campaign was to promote a culture of saving by inspiring and educating our audience as well as rewarding positive savings behaviour.

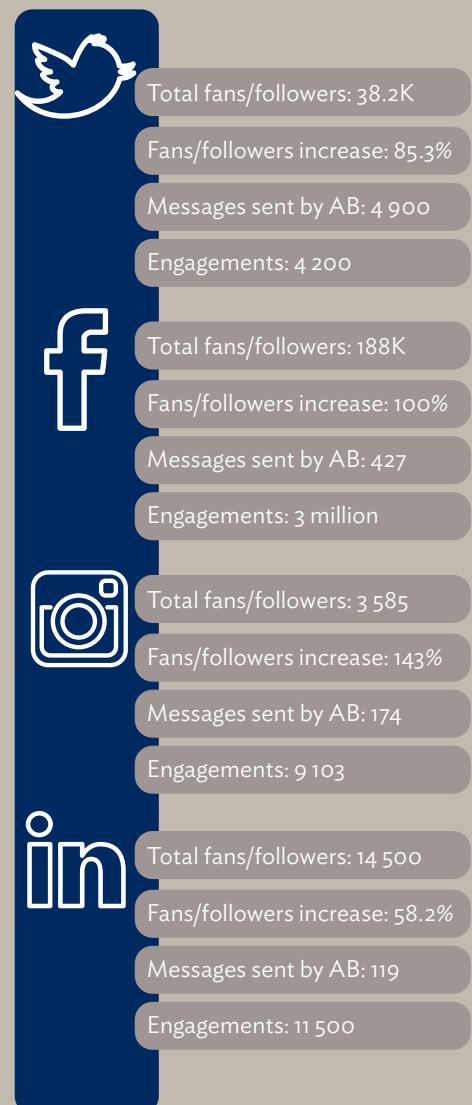
The campaign was successful, both in terms of social reach and engagement, achieving a positive sentiment of 75%.

LOOKING AHEAD

In 2020 we will continue to increase our Brand awareness and boost engagement by establishing deeper relationships with consumers, increasing our online community and driving traffic to our website.

We will also focus on the creation of unique content to attract a wider audience and in-depth educational content that aligns with our purpose.

Social media platform trend growth with reach and engagement - 1 October 2018 - 30 September 2019



DIRECT MARKETING

Direct marketing supports the business strategy through various targeted campaigns. These campaigns are targeted at existing customers as well as open market consumers and, through a test-and-learn approach, we aim to maximise our ROI.

African Bank targets customers and consumers through several channels, including scripted outbound telemarketing, SMS, email and traditional direct mail, to generate awareness and interest in African Bank's products.

Direct marketing is a cost effective, targeted marketing discipline supported by data, which makes it measurable. We can target our desired customers and consumers with campaigns tailored to specific populations.

LOOKING AHEAD

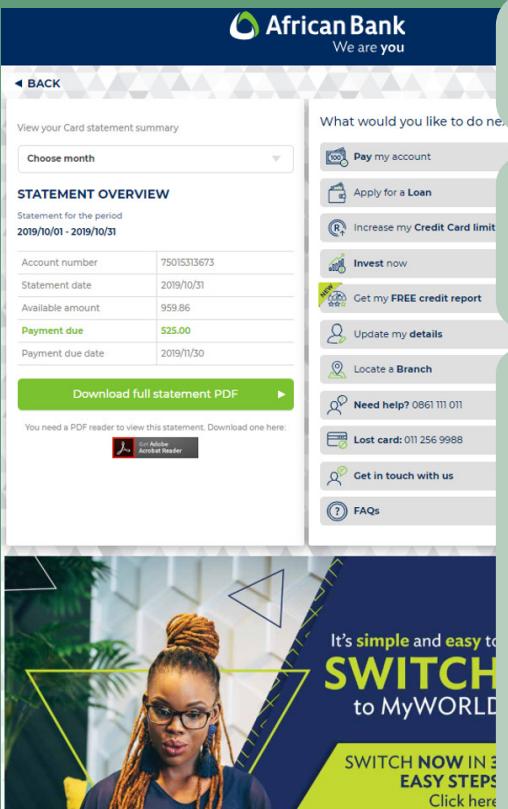
In 2020, we plan to enhance and expand our email marketing campaigns. We will begin targeted Direct Digital Marketing on Facebook, Google and YouTube and will also implement more robust and segmented campaigns.

INTERACTIVE STATEMENTS

We have updated the look, feel and functionality of our billing statements to create a unique digital offering that gives customers a single view of their African Bank products.

Our interactive statements will:

- Make it easier for us to interact with our customers.
- Introduce additional payment channels to our customers.
- Provide marketing and sales opportunities across the product range based on data received, which allows us to anticipate customer needs.
- Function as a channel to improve collections.
- Allow customers to apply for multiple African Bank products.
- Enable customers to update their personal information.



The screenshot shows the African Bank interactive statement portal. On the left, a 'STATEMENT OVERVIEW' section displays a card statement summary for the period 2019/10/01 - 2019/10/31. It includes fields for Account number (75015313673), Statement date (2019/10/31), Available amount (R959.86), Payment due (R25.00), and Payment due date (2019/11/30). Below this is a green button labeled 'Download full statement PDF'. To the right of the statement is a sidebar titled 'What would you like to do next?' with links for 'Pay my account', 'Apply for a Loan', 'Increase my Credit Card limit', 'Invest now', 'Get my FREE credit report', 'Update my details', 'Locate a Branch', 'Need help? 0861 111 011', 'Lost card: 011 256 9988', 'Get in touch with us', and 'FAQs'. At the bottom of the portal, there is a promotional banner for 'MyWORLD' with the text 'It's simple and easy to SWITCH to MyWORLD' and 'SWITCH NOW IN 3 EASY STEPS Click here'.

Through the 'Pay my account' button we have collected **R10.9 million** during the period November 2018 to September 2019.

Through the 'Apply for a Loan' button we have successfully disbursed **R151 million** totalling **3 372** new accounts during the period November 2018 to September 2019.

The marketing real estate has contributed to some significant insights:

- **1 477 million** interactions were captured during the period October 2018 to September 2019 on the email base.
- **66 724** unique clicks on various product application links
- **3 664** MyWORLD image interactions were recorded for the period June 2019 to September 2019.
- **5 213** visits to various social media pages from the statement portal.



PUBLIC RELATIONS

Our corporate and consumer public relations strategy in 2019 focused on building our reputation and gaining trust among our stakeholder groups, which include equity and debt investors, service providers, regulators and South African consumers. We achieve this through the implementation of an integrated communications strategy, which utilises a co-ordinated multiple platform approach to reach all relevant stakeholders.

Public relations plays an integral role in impacting people's perceptions, through the creation of relevant and credible content, as well as informing stakeholders of our financial and operational achievements, risks and future goals.

Our goal is to achieve a monthly combined positive and neutral media sentiment of above 75%. We achieved an average over the 12 months under review of 88%. This helps to create and maintain a positive brand image and forges strong relationships with our diverse stakeholder audience.

Our public relations objectives are aligned to our purpose as well as our values:

- Restore investor and institutional confidence and trust.
- Promote value to current and new customers.
- Empower consumers with financial information that is relevant and useful.
- Neutralise negative customer misperceptions.
- Appeal to higher income customers to expand our current customer base.
- Demonstrate social purpose to bring 'Advancing lives' to life.
- Attract and retain talent in the Bank.

We achieve our communications goals through the creation and distribution of authentic, consistent and factual content, supported by knowledgeable spokespeople.

In 2019 we worked to ensure that the content we created had a direct positive effect on improving Search Engine Optimisation (SEO).

LOOKING AHEAD

Our plan in 2020 is to build on the current communications strategy, continue to gain the trust of consumers, expand our media base to broaden our exposure and use data, in the form of surveys already conducted across the business, to highlight the challenges that our customers face. This will inform the content that we create and the conversations we have to address challenges directly, providing valuable information that has the potential to inspire action.





CORPORATE SOCIAL INVESTMENT

Our commitment to Corporate Social Investment (CSI) is underpinned by our values and culture. It is aimed at positively impacting the lives of historically disadvantaged groups. We foster an environment that encourages our people to participate in community development initiatives and that enhances our reputation as a socially responsible Bank. We ensure the effectiveness of our CSI projects through continuous monitoring and evaluation. African Bank has a long history of contributing positively to our communities, investing over R30 million over the last three years, in partnership with organisations that we believe are doing important work across South Africa.

An investment of R11.6 million in the last year has enabled us to reach thousands of historically disadvantaged students across the country. This is an increase of R300K from 2018, has enabled us to reach thousands of historically disadvantaged students across the country.

MAKING A DIFFERENCE THROUGH EDUCATION

Education is where we believe we can make a meaningful impact in the lives of South Africans. Our strategy focuses on key touchpoints in a learner's journey that will improve education outcomes and the chances of gainful employment in the future. Our funding is directed towards:

- Early childhood development (ECD) - training ECD owners and educators to provide quality education to children aged 3 – 6 years.
- English literacy - using technology to improve literacy and encourage a culture of reading.
- School support programmes - providing schools with resources (specifically computers and libraries) to aid in the development of learners.
- Sports development - promoting sporting codes in primary and high schools to foster values such as teamwork and tenacity.

- Career development – ensuring that more students get a university education, and providing support until graduation.

SPECIAL PROJECTS

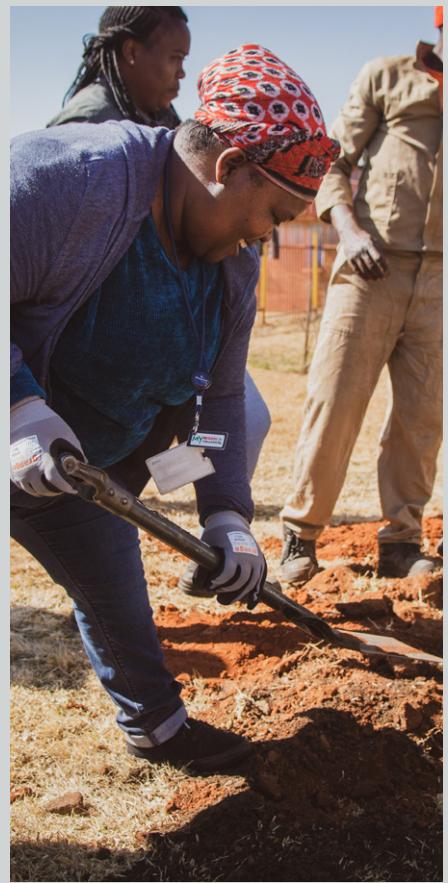
Smart Girls Rock

In 2016 African Bank embarked on a journey to make a meaningful difference in the lives of ten Grade 11 girls from schools in Tembisa.

For the last three years African Bank supported them by making every resource available to ensure their success.

All the girls passed matric, achieved Bachelors degree passes, and gained entry to university. They are currently in their second year at university, studying a wide range of disciplines from teaching to accounting and actuarial science. One of the students studying at the University of Pretoria was awarded the 'Golden Key Award', which recognises the top 15% of students at participating universities worldwide.

We have since expanded the programme to include 20 new learners from rural backgrounds.



African Bankers getting learners ready for the 4th Industrial Revolution

We have successfully brought technology to learners, preparing them for an ever-changing digital future. This includes access to computer labs designed to aid in the development of English literacy, funded and installed by African Bankers.

African Bankers giving back

Departments across African Bank have embarked on inspiring initiatives that advanced the lives of children. These included projects such as refurbishing the dorm room at the Ekurhuleni School for the Deaf, making bricks for the new home for abandoned babies at Door of Hope, raising over R50 000 for Johannesburg Child Welfare and donating much-needed resources to their centres across the city.

LOOKING AHEAD

Continuing our focus on education and improving education outcomes, we will channel our funding towards initiatives and organisations that champion the use of technology, and equip learners with the skills they need to thrive in the 4th Industrial Revolution.

B-BBEE SCORECARD

Our B-BBEE verification for the period ending September 2018 was completed in May 2019 and our B-BBEE Certificate issued. We are currently at a discounted broad based BEE status of Level 5.

In 2017 the Bank was at Level 4 with a black ownership of 11.21%, under the previous B-BBEE codes. In 2018 our black ownership increased to 22.14%. Only the ownership of the consortium of Banks was taken into account, since both the Public Investment Corporation (PIC) and the South African Reserve Bank (SARB) are seen as organs of state.

LOOKING AHEAD

- Ownership will remain stable.
- We aim to achieve or exceed our employment equity targets set for the 2019 – 2021 period, including those set for disabled employees.
- We will continue to invest the required value on socio-economic development (SED). However, we would like to distribute some of the SED funds to other elements of B-BBEE such as consumer education, skills development and some of the CSI initiatives in the communities in which we already work.
- We plan to enhance our offerings to exempted micro-enterprises (EMEs) and qualifying small enterprises (QSEs) through the Uphondo and Qhubeka initiatives to ensure that we obtain the 40% subminimum requirements.

Our aim is to achieve Level 2 certification by the end of 2022 and we are on track to achieve our 5-year B-BBEE plan.

RESPONSIBLE PROCUREMENT AND SUPPLIER DEVELOPMENT

Suppliers to African Bank play an integral role in our business. In line with our value of collaboration and with good governance in mind, our procurement and supplier management teams were centralised in 2019. In addition, as we continuously strive to improve our risk governance posture in line with the Prudential Authority ‘Flavour of the year’ for 2019, our Outsourcing Policy was approved by the Board.

This policy, and our other procurement policies, now form the basis of our sourcing and supplier relations activities and is underpinned by experienced employees, robust governance processes and ethical principles.

The objective of the B-BBEE codes is to advance economic transformation and promote the economic participation of black people. Enterprise and Supplier Development is not merely a combination of Enterprise Development and Preferential Procurement, but sets out to increase the promotion of black-owned and black women-owned businesses. The integration of B-BBEE compliant businesses is key to driving transformation.

Our enterprise and supplier development initiatives are directed towards the inclusion of black owned small businesses into the mainstream economy by purchasing their goods and/or services and adequately providing training, opportunities and financial support for their businesses to grow.

- R400 000 was invested in enterprise development in 2019.
- R1.5 million was invested in supplier development in 2019.

We engaged with Uphondo, a construction incubator, who identified people involved with branch refurbishment who did not have their own businesses. The goals of the Uphondo programme are to train, mentor, support and equip these people to start their own businesses through a five-year programme.

R1.5 million was invested into Qhubeka Growth Fund (RF) Proprietary Limited where our small and medium enterprise (SME) suppliers are able to access funding in the form of invoice financing. This will enable us to directly fund:

- Black-owned SMEs who supply goods or services directly to African Bank.
- Black-owned SMEs who indirectly supply goods or services to African Bank, through our strategic suppliers.

LOOKING AHEAD

In line with a set of focused 2020 priorities, including among others, additional enterprise and supplier development, sustainable procurement and cost optimisation, will remain an integral part of our strategic initiatives.

The sustainable use of natural resources

In accordance with The International <IR> Framework, this section of the report refers to Natural Capital.

Global environmental impacts, specifically climate change, have triggered an urgent and collaborative response from the global community. It is imperative that government and business collaborate to address environmental sustainability in their strategies and policy frameworks. The United Nations Sustainable Development Goals 2030, which inform the South African National Development Plan 2030, encourage the sustainable use of natural resources to support economic growth.



Stakeholder pressure for transparency around climate change and the need for businesses to reduce their environmental impacts, where possible, is continuously increasing. African Bank strives to play a critical role by adapting our strategic priorities to proactively address environmental risks.

Our objective is to integrate environmental sustainability into African Bank's value and supply chains. In addition, we are mindful that environmental aspects need to be considered in conjunction with other sustainability pillars — economic and social — to achieve a balance in all areas.

OUR APPROACH TO SUSTAINABILITY AND WHY IT IS IMPORTANT

Sustainability is one of our values and its inclusion demonstrates African Bank's commitment to embedding a culture of sustainability, and transforming the business to become environmentally conscious.

Our Environmental Sustainability Strategy, approved by the Board in 2018, has identified carbon emission reduction, natural resource conservation and environmental education and awareness as our material focus areas, due to the levels of significance these areas hold in the business value chain.

AFRICAN BANK ENVIRONMENTAL STRATEGY HAS THREE KEY FOCUS AREAS



reduction of our **carbon emissions**



managing our consumption of **natural resources**



enhancing our **environmental education and awareness**

Our Sustainability Committee has been recognised as the necessary implementation tool to drive environmental programmes, monitor and measure progress and evaluate areas for continuous improvement.

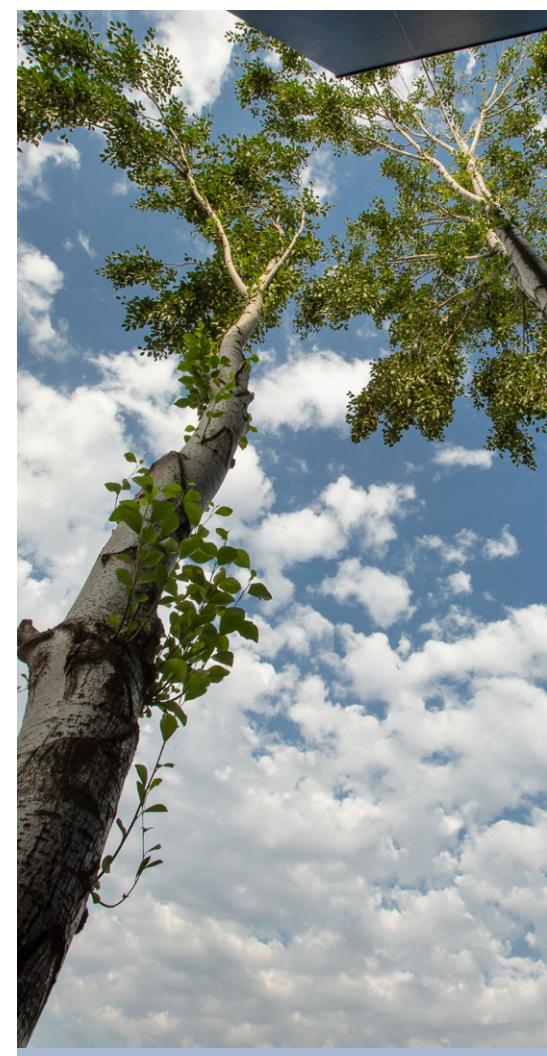
EDUCATION AND AWARENESS

Environmental sustainability education and awareness is a key enabler to ensure the implementation of sustainability initiatives. Awareness in the form of

our quarterly newsletter, 'Umhlaba Wethu', monthly environmental programmes and environmental Corporate Social Initiatives, forms part of our communication and change management approach. We aim to elevate environmental consciousness in African Bank, highlighting the importance of everyone's contribution towards protecting our environmental resources and combating climate change.

LOOKING FORWARD

- We plan to implement an approved change management and communication plan.
- Sustainability e-learning courses will begin, which will include the adoption of an employee sustainability pledge.
- Inclusion of environmental sustainability information into employee on-boarding.





MANAGING OUR CARBON EMISSIONS

We have successfully reduced our electricity consumption and total carbon emissions from the prior year, as shown here.

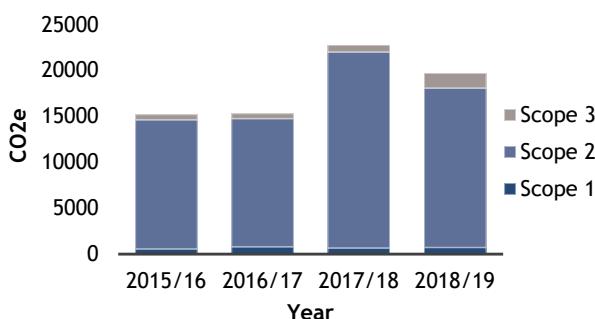
	ELECTRICITY		CARBON EMISSIONS		
	2018	2019	2018	2019	
Electricity Consumption	22 000MWh	17 900MWh	Total Emissions	22 791 tonnes CO ₂ e	19 706 tonnes CO ₂ e

ACTIONS TO LOWER OUR CARBON EMISSIONS

- The Environmental Sustainability Strategy and Policy, as well as the Sustainability Committee, guide our approach to addressing and managing carbon emissions. This ensures that the various initiatives implemented are effective and evaluated for continuous improvement.
- Closely monitoring billing to address how we measure and analyse current consumption trends, creating a baseline and setting reduction targets.
- Initiation of a gas generator project which aims to reduce our reliance on the national power grid and provide a back-up power source for our Branches.
- Gas powered generators will utilise Liquefied Petroleum Gas (LPG) which has low-carbon, and thus low-polluting properties, playing a significant role in reducing our Scope 2 emissions.

African Bank's carbon footprint performance trend over the last four years is shown here.

Annual carbon footprint



LOOKING FORWARD

Our efforts to more closely monitor the billing received in relation to our Branches in order to provide consistency and accurate data, is one of our focus areas for the year ahead, as the discrepancies in data impact on the overall result.

The data collection process will be streamlined to create an improved central reporting system.

A Green Building Guideline will be developed for Branch designs, to enable energy efficiency initiatives.

Development of a roadmap energy management plan with measurable, scientifically based reduction targets.

Renewable energy at the Midrand Campus

We have investigated the potential for renewable energy options at our Midrand Campus. As a result, a solar panel project has commenced and will be implemented in phases. The initial phase saw the installation of photovoltaic (PV) solar panels on our Jukskei building.

This is a pilot project that, if successful, will be expanded to the rest of the Midrand Campus buildings in the future.

WATER MANAGEMENT

We are placing considerable focus on lowering our water consumption at the Midrand campus and across our Branch Network.



WATER CONSUMPTION

	2018	2019
Water Consumption	821 681 kilolitres	1 051 227 kilolitres

ACTIONS TO LOWER OUR WATER CONSUMPTION:

- Increased effort to enhance the integrity of the data collection process to improve the monitoring and reporting on our water usage, both in Midrand and at our Branches.
- Change management and communication initiatives to raise awareness of the need to save water.
- Throttling water supply to taps to reduce flow.

LOOKING AHEAD

- Continuous monitoring of water consumption at the Midrand Campus and across our Branch Network to determine potential saving opportunities.
- Investigating the feasibility of rainwater harvesting and water efficient fixtures for our Branch green design.
- Installation of irrigation system moisture sensors in our Midrand gardens to ensure that irrigation does not switch on when the ground has enough moisture.
- Development of an e-learning module for African Bankers, sharing tips on how to save water.



WASTE MANAGEMENT

African Bank generates both general and hazardous waste. In 2018, waste management measures were introduced with the installation of recycling stations at the Midrand Campus. In 2019, we improved our waste management, as reflected in the table on the right.

We were able to recycle 54% of our waste in Midrand during the reporting period. Awareness about waste management forms part of our global change management initiatives, focused on improving awareness of waste management.



WASTE

	2018	2019
Waste Recycled	447 m ³	369 m ³
Emissions Saved	40 143 m ³ CO ₂ e	28 379 m ³ CO ₂ e
Trees Saved	288	201

HOW WE MANAGE OUR WASTE

Our approach to waste management is aligned to the Waste Hierarchy Principles



- Recycling stations have been introduced at the Midrand Campus.
- We are striving for a zero waste to landfill goal. To help us effectively manage this process, we have appointed a specialist service provider.
- As one of our key initiatives to reduce the amount of hazardous waste generated by IT, employees can purchase refurbished hardware items like laptops and hard drives from African Bank. This supports the principle of ‘Reusing’ and ensures that waste is assessed prior to disposal.

LOOKING FORWARD

A waste management policy, which will enforce and guide the management of the various waste streams, will be published internally. This will ensure that we adhere to the National Waste Management (NWM): Waste Act (No. 59 of 2008).

We also aim to:

- Reduce waste by 50% by 2022.
- Expand waste management to the Branch Network.
- Continuously improve the management of waste generated.

HOW WE REDUCE OUR IMPACT ON THE ENVIRONMENT



Recycling bins for separation of waste in the restaurants. Waste is separated on site and recycled and monitored.



Mincerators for food waste in the main kitchen and Contact Centre kitchen.



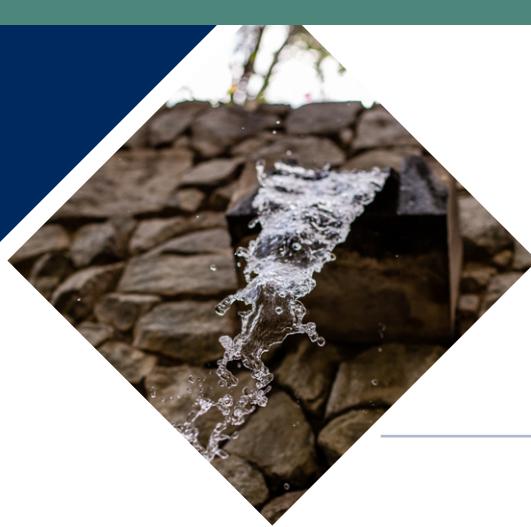
We encourage use of crockery and cutlery instead of disposable containers.



Food containers are made from sugar cane.



Water sensors for flood warning and automatic closure of valves to prevent significant loss of water and damage.



Same water for a few cars at car wash.



Non-plastic straws.



Recyclable coffee cups.



Eco-friendly pest control.

Light retrofitting to LED fixtures.



New solar plant for our Jukskei building.

Throttle water supply to the taps to reduce the amount of water flow.



Recyclable water cups.



Limited bottled water in meeting rooms.

BMS controlling of air conditioner and light times.

Water-wise irrigation control in place.

Biodiversity – garden is indigenous.



Eco-friendly toilet paper and cleaning materials used.





08 STATUTORY REPORTING

Sustainability, Ethics and Transformation Committee report

The purpose of the Sustainability, Ethics and Transformation Committee (SETCom) is to instil an ethos of sustainability in the Bank's ongoing operations and business decisions. Our primary objective is to assist the Board in performing its duties.

The SETCom ensures that there has been adequate formulation and implementation of policies and practices to foster the sustainable growth of the organisation. We oversee social and economic development, responsible corporate citizenship, environment health and public safety, consumer relationships, stakeholder management, labour and employment, among other responsibilities.

HIGHLIGHTS AND KEY FOCUS AREAS

TRANSFORMATION

The approved Transformation Plan (2018 – 2021), workforce reports, Employment Equity (EE) reports and labour-related matters are reviewed quarterly by the SETCom.

Transformation at top management level is still below target but progress is being made, largely as a result of the Board-approved succession plan which was implemented.

We are on track to achieve the targets set out in our current EE plan – year one of the three-year plan ended in August 2019. The retention issues at senior management level have improved, with attrition rates reducing significantly compared to the latter part of 2018. All EE activities are monitored by the EE Committee, which comprises 23 members from all the major business areas within the Bank.

In terms of skills development, as reported on in the prior year's report, we continue to focus on identifying talent and investing in our people for the benefit of our transactional banking and Omni-channel businesses. A large number of the previously temporary employees who assisted with transactional banking, have been permanently employed in the Branch Network.

GOVERNANCE AROUND ETHICS AND ETHICAL BEHAVIOUR

The Ethics Committee has been reconstituted, meets regularly and submits regular ethics reports to the SETCom.

Reports on whistle-blowing and an overview of the major procurement service providers are also reviewed by the Committee.

In view of the industry-wide increase in smishing incidents and potential reputational risks, various efforts were implemented to better protect our customers (and the Bank). These efforts included sending communications to create awareness, and ensuring the thoroughness of the Identification and Verification (ID&V) processes.

A process is underway to obtain annual declarations by employees affirming the Company's Code of Ethics.

SOCIAL AND ECONOMIC DEVELOPMENT

The SETCom received, as a refresher, an update on the ten principles set out in the United Nations Global Compact Principles and the Organisation for Economic Co-operation and Development (OECD) recommendations regarding corruption. The Committee was satisfied that the Group's adherence to the principles and corruption instruments is appropriate.

RESPONSIBLE CORPORATE CITIZENSHIP

The Group is tracking well against its Environmental Sustainability (ES) Plan. A new Sustainability Specialist was employed in May 2019, who is driving improved progress in terms of our ES Programme.

We are a relatively low emitter of carbon emissions and therefore are unlikely to meet the threshold above which carbon taxation is applied as set out in the new Carbon Tax Bill.

A security audit of the Midrand Campus was conducted and all the findings from the report were addressed.

CONSUMER RELATIONSHIPS:

Under the leadership of the Head: Customer Experience, various research activities were undertaken to obtain a complete view of our customers and their requirements, their journey and how we can improve their overall customer experience.

The Group continues to perform well based on the outcomes of the South African Customer Satisfaction Index (SACSI) survey, released in December 2018. We also scored well in terms of the Customer Satisfaction (CSAT) measurement, however unfortunately our Net Promoter Score (NPS) decreased compared to the prior reporting period (See pg 91).

GOVERNING STAKEHOLDER RELATIONSHIPS

A Stakeholder Engagement Policy was developed and approved. This policy maps the key stakeholders, the impact they have on the business, and the executives or groups of persons who are the sponsors for the individual relationships. Further detail on our relationships with our stakeholders can be found on pg 21,22 and pg 91.

STATUTORY AND REGULATORY REQUIREMENTS AROUND THE WORKFORCE

The Group Compliance team presented on the Companies and Intellectual Property Commission (CIPC) guidelines for developing a Corporate Compliance Programme (CCP), which entailed identifying and evaluating the possible corruption risks that employees could face and how to mitigate these. Management implemented the necessary controls in relation to the 12 compliance obligations in the CCP. An Anti-bribery and Corruption Policy was considered and approved by the Committee as part of this process.

The Committee ensures that there has been adequate formulation and implementation of policies and practices to foster the sustainable growth of the organisation. Various policies were revised or re-affirmed during the year, such as the Leave Policy, Gifts Policy and the Recruitment Policy.

LOOKING AHEAD

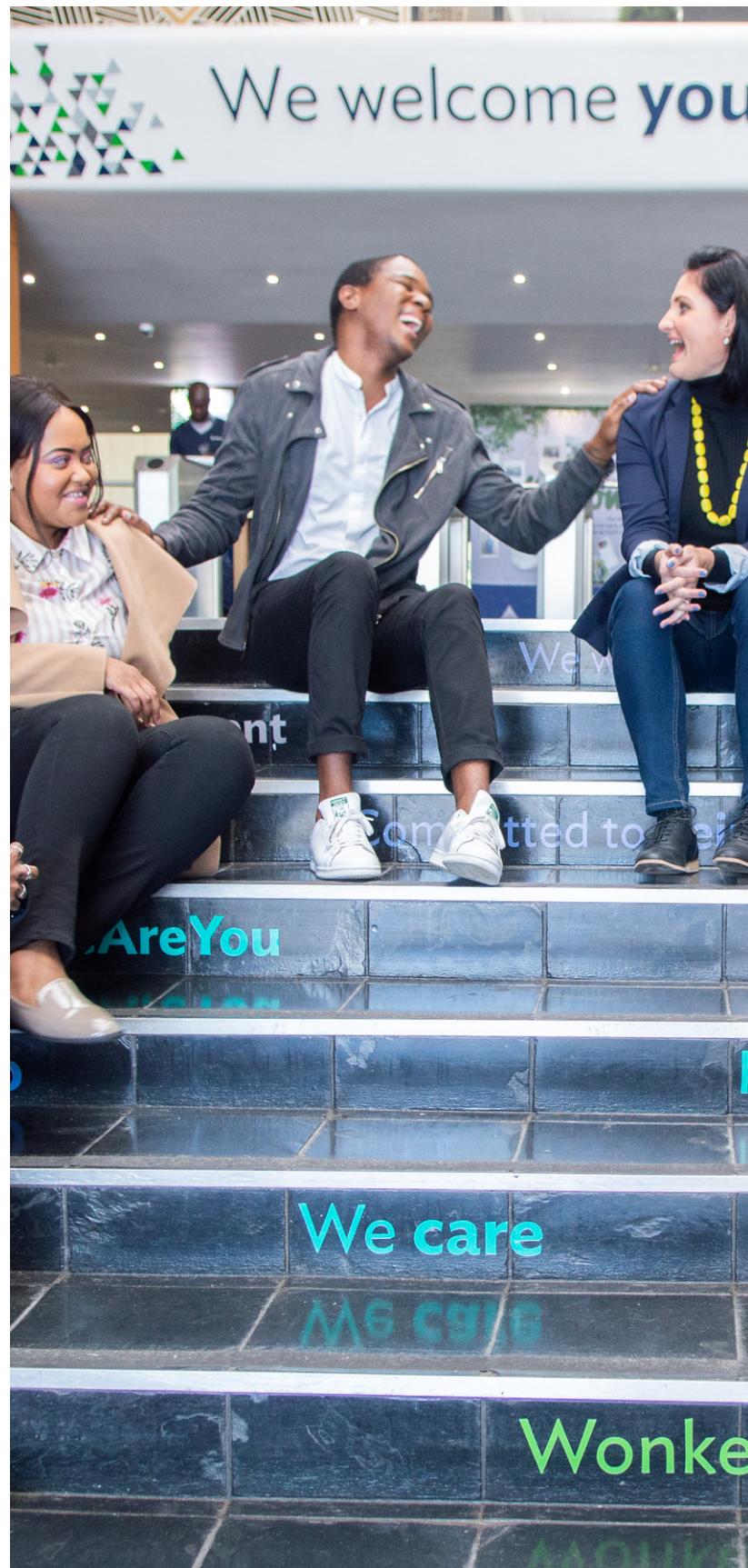
- Oversee progress on the management element of the B-BBEE scorecard and investigate alternate ways of improving the supplier development contributions, which resulted in us being discounted from a Level 4 rating in 2018.
- Develop a Sustainability Plan.
- Enrol voluntarily in the 2020 Carbon Disclosure Project and Global Reporting Initiatives.
- Encourage employees to declare their disabilities as part of the Group Disability Learnership Programme.
- Develop a comprehensive metric model to better track and understand customer-related issues and ratings.
- Evaluate the Group's delivery on the Sustainable Development Goals (SDGs).

ADHERENCE TO TERMS OF REFERENCE AND CONCLUSION

The Board members confirmed, in their annual Board and Committee assessments, that they were satisfied that the SETCom effectively fulfils its purpose. No particular recommendations for improvements were made.

The Committee has conducted its duties appropriately and has fulfilled its mandate as encapsulated in its Terms of Reference, which is reviewed annually and monitored through a Committee work plan. There has been no material non-compliance with legislation or non-adherence to codes of best practice in the areas under the mandate of this Committee.

The members of SETCom have evaluated all the recommended practices entrenched in the King IV™ Report on Corporate Governance 2009, as it pertains to the activities of this Committee, and is satisfied that the Bank applies and explains all practices, except as specifically excluded and appropriately explained. The Bank's application of the King IV™ ethical principles appears on our website under 'Corporate Information'.



Membership				Meetings held and attendance: 1 October 2018 – 30 September 2019			
Members*	Designation	Board Status	Date appointed to SETCom	02-11-18	05-02-19	07-05-19	01-08-19
Happy Ralinala	Chairman	Independent NED	Aug 2018	✓	✓	✓	✓
Sybille McCloghrie	Member	Independent NED	Feb 2016	✓	✓	✓	✓
Brian Riley	Member	NED	Sep 2018	✓	✓	✓	✓
*Majorie Ngwenya Flanagan was appointed to the SETcom from September 2019				3/3	3/3	3/3	3/3

In attendance

G Raubenheimer

B Maluleke

Lindiwe Miyambu (did not attend 5 February 2019 meeting)

*Happy Ralinala
Chairman - Sustainability, Ethics and Transformation Committee*



Remuneration report for year ended 30 September 2019

The Remuneration Report of African Bank is divided into the following three sections to align with the provisions of King IV™:

Part 1: The Background Statement

This provides context around African Bank's performance and how this influences remuneration decisions.

Part 2: The Remuneration Policy

This is a forward-looking section that provides an overview of our remuneration philosophy and design principles as well as the remuneration policy applicable for the year ahead.

Part 3: The Implementation Report

This is a backward-looking section that discloses the remuneration and performance outcomes of our employees and the remuneration paid to relevant executives, based on the current Remuneration Policy.

PART 1: BACKGROUND STATEMENT

OUR APPROACH TO REMUNERATION

If we are to create shareholder value, it is essential that our strategy, risks, performance and rewards are aligned.

FACTORS THAT INFLUENCED OUR REMUNERATION APPROACH

One of our key remuneration principles is to be market competitive, taking into account factors that influence remuneration, including linking rewards to the changing needs of the Bank, ensuring structured job evaluations, local market surveys for equivalent jobs, bargaining unit considerations, individual performance and affordability.

In support of our IT, Credit and Data Science business units and to ensure that we attract and retain the correct and scarce skills in these areas, remuneration paid to people in these positions would typically be above the median paid for people in similar remuneration bands. This is in line with our future focus reflected in the 2018 Annual Integrated Report, to review risk areas in terms of remuneration of key employees in leadership and specialist roles.

In addition, with a view to embedding the long-term incentive scheme and ensuring alignment of long-term incentives in all leadership positions, incentive allocations for certain key roles were refined and adjusted as determined by the Remuneration Committee (RemCom).

RESULTS OF THE ADVISORY VOTE ON OUR REMUNERATION POLICY AND IMPLEMENTATION REPORT

Resolutions pertaining to the advisory vote on our Remuneration Policy and its application were tabled to shareholders at the African Bank Holdings AGM on 22 February 2019. Through a non-binding advisory vote, the shareholders endorsed (1.1) the Bank's Group remuneration philosophy and the principles; (1.2) the Remuneration Framework and Policy (excluding the remuneration of the Non-Executive Directors and the members

of the Board Committees for their services as Directors and members of Committees); and (1.3) the implementation of the Group Remuneration Policy.

In the event that 25% or more of the voting rights exercised were against either the Remuneration Policy or Implementation Report or both, the Board would take steps, in good faith and with best reasonable effort, to do the following as a minimum:

- Implement an engagement process to ascertain the reasons for the dissenting votes.
- Appropriately address legitimate and reasonable objections and concerns raised by shareholders.
- Report on the manner and outcomes of engagements with shareholders regarding the above, as well as the nature of steps taken to address the legitimate and reasonable objections and concerns raised.

BENCHMARKING OF REMUNERATION

Our Human Capital and Executive Committee teams, in consultation with the RemCom, continue to ensure equitable remuneration across all roles. We believe that the suite of remuneration benefits offered to our people is competitive. Benchmarking is undertaken to determine reasonable increases for both staff and executives and to ensure consistency with the market and best practices.

We used the PwC Remchannel survey as a point of reference for determining and setting the increases for the year ahead. We also participate in the PE Corporate Services Executive survey, which is updated monthly.

ROLE OF THE REMCOM

The RemCom met eight times during the year under review. Three of these were special meetings scheduled to discuss the exits of two executives and other incidental matters. The attendance record is set out in the Corporate Governance Report on our website www.africanbank.co.za.

The RemCom operates independently from the Exco, provides oversight on behalf of the Board and makes recommendations on remuneration-related decisions to the Board. The RemCom is governed by its Terms of Reference, which is reviewed annually. In summary, the role and duties of the RemCom are to:

- Advise the Board in determining appropriate remuneration strategies.
- Ensure that the link between performance and reward (including long and short term incentives) is maintained.
- Oversee the development of remuneration instruments and policies.
- Devise and recommend a policy that results in fair, responsible and transparent remuneration for the CEO, CFO, other executives, employees and Non-Executive Directors.

- Ensure that the Remuneration Policy addresses bank-wide remuneration matters and fairly and responsibly rewards employees, taking into account the performance of the Bank and individual performance.
- Oversees the preparation and recommendation to the Board of the remuneration report in the Annual Integrated Report.
- Provides sufficient forward-looking information for stakeholders to pass a special resolution in terms of section 66(9) of the Companies Act 71 of 2008, as amended.

REMUNERATION GOVERNANCE

Invitees to RemCom meetings have no vote and are not present when issues affecting their own remuneration are discussed. In compliance with King IV™ our RemCom consists of only independent Non-Executive Directors. The RemCom Chairman reports to the Board following each RemCom meeting and attends the AGM to respond to questions from shareholders on the RemCom's areas of responsibility.

Key areas of focus and key decisions taken during the reporting period

- Approval of salary mandate for salary negotiations.
- Approval of salary increases and incentives awarded to executives and assurance providers.
- Review of the Remuneration Policy and various remuneration-related matters.

The future areas of focus

- Ongoing review and application (as deemed appropriate) of the recommended practices in King IV™.
- Approval of mandates for salary negotiations.
- Ensuring proper benchmarking and approval of salary increases and incentives awarded to executives and assurance providers.
- Review of the earnings of top talent, talent and key individuals.
- New KPIs for senior management and related mentoring.

PART 2: REMUNERATION POLICY

REMUNERATION PHILOSOPHY

Remuneration is not a stand-alone management process, it is integrated into other management processes that are aligned to achieving the Bank's strategic objectives. The strategic principles included in the Remuneration Policy are aligned to the broader Human Capital strategy which, in itself, supports the overall business strategy.

The targeted remuneration mix offered to top talent is deliberately weighted more heavily towards variable pay (short and long-term incentives) that is linked to the achievement of predetermined performance criteria.

The performance criteria are selected and aligned to our strategic objectives and the targets are set at levels that encourage high performance but avoid excessive risk-taking behaviour by executives. Financial rewards are complemented with non-financial rewards such as career development and

training opportunities.

The Remuneration Policy provides an integrated approach to remuneration management that effectively attracts, motivates, engages and retains the talent required to achieve the Bank's desired business results. It aims to uphold principles related to fair and responsible remuneration and to adopt policies and practices that create value for the Bank over the long-term.

KEY PRINCIPLES OF THE REMUNERATION PHILOSOPHY

- Performance forms an integral part of remuneration, which influences guaranteed packages and incentives.
- The overall level of remuneration is competitive and structured to achieve the optimum balance between guaranteed and variable remuneration, with a larger emphasis on variable remuneration.
- Balance employee interests with shareholder interests and discourage inappropriate risk taking.
- Play an integral part in supporting and achieving the Bank's business strategies.
- Designed to motivate and reinforce individual and team performance.
- Apply remuneration equitably, fairly and consistently in relation to job responsibility, the employment market and personal performance.
- Comply with the principle of 'Equal Pay/Remuneration for work of Equal Value' in the Employment Equity Act 55 of 1998, as amended and associated regulations.
- Integrate financial and non-financial rewards and benefits.
- Be sufficiently flexible to provide managers at all levels with the tools necessary to attract, retain and motivate the right people required to achieve the Bank's goals.
- Maintain transparency at a policy level, but respect the confidentiality of the remuneration of individuals.
- Empower management to manage the resources within their department, engaging directly in all remuneration negotiations that affect their teams. Management are required to make recommendations on competency and pay levels for individuals, subject to agreed guidelines.

REMUNERATION STRUCTURE AND DESIGN

The Remuneration Policy is linked to sustainable value creation and comprises both short and long-term incentives. The table below summarises the composition of total guaranteed packages and short-term incentives. This comprises both a cash and a deferred element.

TOTAL REMUNERATION			
Cost to company		STI	
Total Guaranteed Package (TGP)	Benefits (included in TGP)	Cash	Deferred

TOTAL GUARANTEED PACKAGE (FIXED)

- To attract and retain talent and key employees and support succession planning.
- Core element linked to market value of role, with increases linked to Bank and individual performance.
- Performance is reviewed bi-annually in March and September aligned to the Bank's financial year, and increases are based on Bank performance, CPI, affordability and market indicators.
- Increases are effective 1 October each year.
- Benchmarked against national and financial comparator companies.
- Linked to individual performance, value of the contribution to the business and achievement of team and organisational strategic objectives.

Flexible benefit programmes offer employees choices to meet their personal needs which include a defined contribution provident fund, death, disability and funeral cover and medical aid.

STI

- To encourage a high-performance culture that promotes the achievement of our strategic objectives while practicing appropriate risk taking in the year under review
- Payable in December of each year.
 - Key measures are based on net profit before tax, company performance and personal performance.

STIs are made in form of cash and deferred incentives:

	Cash	Deferred
Executives and upper senior management	50%	50%
Senior managers and professionally qualified and specialist skilled employees	67%	33%
Other managers	85%	15%
Other employees	100%	-

Cash awards in excess of amounts noted below are deferred as follows:

Paid on award	Cash deferred			
	December	Following year June	Following year December	Thereafter June
Executives and upper senior management	<R2 000 000	>R2 000 000 33.3%	>R2 000 000 33.3%	>R2 000 000 33.3%
Senior managers, professionally qualified and specialist skilled employees	<R1 000 000	>R1 000 000 50%	R1 000 000 50%	-
Other employees	<R750 000	>R750 000 50%	>R750 000 50%	-

All employees have the option of converting up to 50% of their short-term incentives to a deferred incentive, subject to the rules of the scheme.

The STI pool will not be released in the event of:

- Non-achievement by the Group of its strategic or financial objectives.
- Any major risk or other event which has a material impact on the financial performance of the Group will lead to either the total pool or a business unit pool being withheld.
- Employees forfeit any unpaid portion of an STI following voluntary resignation or any fault termination (e.g. dismissal), or suspension in terms of the Group Disciplinary Code, prior to payment.
- Where there has been proof of misconduct, the RemCom, at its discretion, may seek to recover any portion of STIs awarded for performance during the period of misconduct, even if it was settled.

The deferred portion of the variable pay is used as a tool to incentivise and retain key employees, by linking performance to achievement of longer term strategic objectives within the risk appetite and risk tolerance set by our Board.

- Settlements are based on a valuation of African Bank Holdings, calculated on the present value of future cash flows. An independent valuation is undertaken annually by the Bank's auditors and presented to the AuditCom, which, once approved, makes a recommendation on its adoption to the RemCom and the Board.
- Deferred amounts vest in equal one third tranches: paid at 12 months, 24 months and 36 months after award date.
- For all participants, other than the Executive Committee and upper senior management participants, settlement of the tranches is made on vesting, based on the valuation of African Bank Holdings at the immediate past financial year-end. These participants may retain the first and second tranches in the scheme, until the vesting of the third tranche, when they are obliged to accept the full settlement.
- For Executive Committee participants, the first and second tranches are retained until the vesting.
- The scheme's rules make provision for forfeiture and clawback of deferred incentives before payment or at payment.

LONG TERM INCENTIVES

Executives and key individuals may be offered long term incentives in addition to short-term incentives described above.

- Vesting and payout of long-term incentives will automatically be made after a three-year period, based on a Compounded Annual Growth Rate (CAGR), agreed upon over the three years, in net profit before tax and foreign exchange losses.
- The scheme's rules make provision for forfeiture before payment or at payment.

RECOGNITION PROGRAMMES

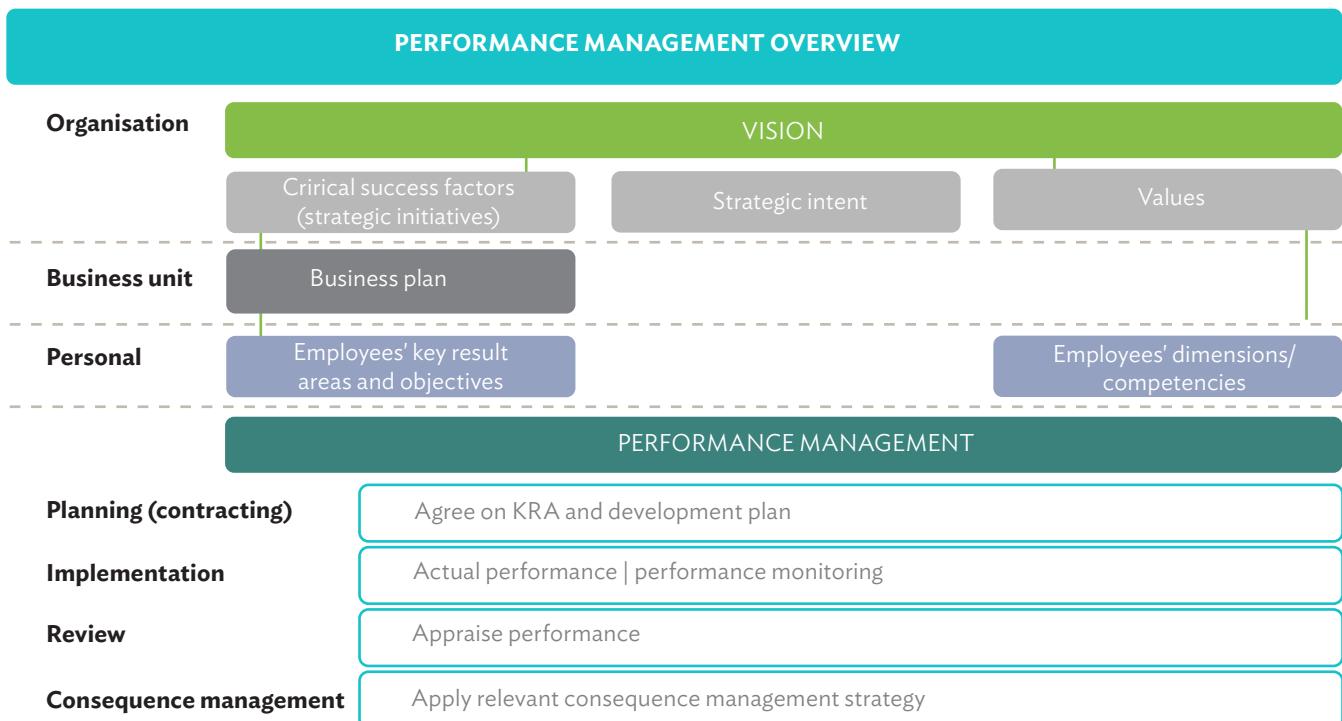
The Bank has formal recognition programmes that recognise employees for exceptional performance.

REVIEW OF THE REMUNERATION POLICY IN FY2020

The Bank asked PE Corporate Services to review the current Remuneration Policy and make recommendations, which will be considered at the first RemCom meeting in 2020, for implementation during FY2020.

PERFORMANCE MANAGEMENT REVIEW PROCESS

Our performance management process is aligned to the vision, strategy and business plan of the Group. The balance between Group and personal objectives depends on the seniority of the employee, with an appropriate higher proportion allocated for Group objectives the more senior the employee.



NON-EXECUTIVE DIRECTORS (NEDs)

Selection and Nomination of Directors

The Board has mandated the DAGCom with accountability for the identification, assessment, selection and nomination of Directors to serve on the Group Boards, including any succession planning requirements.

The election (and removal) of Directors is governed by the Companies Act, Banks Act, Memorandum of Incorporation (MOI) and governance best practices. The DAGCom approved a Policy on the selection and nomination of NEDs during February 2019. This policy also ensures compliance with Directive 4/2018 issued by the Prudential Authority (PA), on Promotion of Sound Corporate Governance, in particular in relation to the appointment of Directors and Executive Officers.

TERM OF APPOINTMENT AND RETIREMENT OF NEDs

The Board ensures that individuals appointed as NEDs on the Board have the necessary knowledge, skills and experience that may reasonably be expected of a person holding such office. In addition, on recommendation by the PA, Board incumbents of banks should preferably have extensive skills and experience in the retail banking environment.

Directors of the Group serve indefinitely or until resignation or removed in terms of section 71 of the Companies Act, if circumstances contemplated in section 69 and/or section 70 of the Companies Act arise, or if he/she is removed or becomes ineligible or disqualified. One-third of the Non-Executive Directors retire annually by rotation and, prior to recommending their re-election to the shareholders, the DAGCom and the Board consider the performance and availability of such Directors to serve. Newly appointed NEDs are subject to election by shareholders at the first AGM subsequent to their Board appointment and their CVs are included in the AGM notice to enable shareholders to make an informed decision.

A self-evaluation by Directors on their fit and proper status is conducted annually and the relevant declarations made. In terms of the current declarations made by Directors, no issues of concern were identified by the Board.

NON-EXECUTIVE DIRECTOR FEES

The fees for NEDs serving on the African Bank Boards are revised annually and submitted to the RemCom for review and recommendation to the respective Boards (including subsidiary Boards) for consideration. The recommended fee increase and/or revised fees are then tabled at the AGM for shareholder approval.

The fees approved by shareholders do not apply to Executive Directors whose terms and conditions of office, including remuneration, are governed by their respective contracts of employment.

NON-BINDING ADVISORY VOTE ON REMUNERATION POLICY

The Remuneration Policy as set out in Part 2 is subject to a non-binding advisory vote by shareholders at the AGM, to be scheduled early in 2020.

PART 3: IMPLEMENTATION REPORT

This part of the report shows how the Remuneration Policy was applied in the reporting period, and the resulting payments made to the relevant executives (i.e. backward-looking information). The RemCom confirms that all decisions in relation to executive remuneration were made in line with the Bank's Remuneration Policy and that there were no deviations from the policy in the reporting period.



Prescribed Officers - Remuneration

	Basic Salary R	Retirement, medical aid and other R	Allowances R	Other	Total 2019 R	Total 2018 R
Penny Futter Chief Information Officer	3 402 000	378 000	12 000	-	3 792 000	316 000
Vere Millican Group Executive: Credit and Data Sciences	2 990 272	332 252	81 885	-	3 404 409	3 171 230
Lindiwe Miyambu ¹ Group Executive: Human Capital	2 925 443	357 049	288 000	2 000 000	5 570 492	3 361 443
George Roussos Group Executive: Digital and Transactional Banking	3 596 626	411 980	123 196	-	4 131 802	4 099 431
Kena Setshegoe ² Group Executive: Customer Engagement	3 300 000	366 667	16 500	-	3 683 167	-
Piet Swanepoel Chief Risk Officer	3 096 699	422 277	9 500	-	3 528 476	3 304 200

¹ Advance on long-term incentive paid out in lieu of retention

² Joined 1 November 2018

Prescribed Officers - Incentive awards

	Short-term incentive award December 2017 R	Deferred incentive 2017 Paid December 2018 R	Total Incentive Award December 2018 R	Total Short Term incentive 2018 ¹ R	Deferred Incentive R
Vere Millican	1 818 984		4 000 453	2 000 226	2 000 226
Lindiwe Miyambu	2 009 971	3 324	4 377 344	2 188 672	2 188 672
George Roussos	2 319 200	106 400	4 305 787	2 152 893	2 152 893
Piet Swanepoel	1 980 973		4 204 187	2 102 093	2 102 093

¹ Incentives are awarded in November/December once the financial statements have been approved by the Board

Prescribed Officers - Short Term Incentive award settlements

	Short-term incentive				2017 Award Vests December 2019	2017 Award Vests December 2020	2018 Award Vests December 2019	2018 Award Vests December 2020	2018 Awards Vests December 2021
	Paid December 2018	2017 Deferral Paid June 2018	Deferred December 2018	2018 Deferral Paid June 2019					
Vere Millican	2 000 000	-	-	75	663 699	663 699	666 742	666 742	666 742
Lindiwe Miyambu	2 000 000	3 324	3 324	62 890	669 990	669 990	729 557	729 557	729 557
George Roussos	2 000 000	106 400	106 400	50 964	773 067	773 067	717 631	717 631	717 631
Piet Swanepoel	2 000 000			34 031	660 324	660 324	700 698	700 698	700 698

Prescribed Officers - Long Term Incentive Awards

	2018 Award R	Vests December 2021 R
Vere Millican	9 272 160	9 272 160
Lindiwe Miyambu	10 057 716	10 057 716
George Roussos	7 736 712	7 736 712
Piet Swanepoel	6 608 400	6 608 400

Executive Directors - Long Term Incentive Awards

	2018 Award R	Vests December 2021 R
Basani Maluleke	13 500 000	13 500 000
Gustav Raubenheimer	12 301 596	12 301 596

Executive Directors - Remuneration

	Basic Salary	Retirement, medical aid and other	Allowances	Total 2019	Total 2018
Basani Maluleke Chief Executive Officer	4 410 000	490 000	12 000	4 912 000	3 978 666
Gustav Raubenheimer Chief Financial Officer	3 981 000	495 000	31 000	4 507 000	4 102 032

Executive Directors - Incentive Awards

	Short-Term Incentive Award December 2017 R	Deferred incentive 2017 Paid December 2018 R	Total Incentive Award December 2018 R	Total Short Term Incentive 2018 R	Deferred Incentive R
Basani Maluleke	497 162	-	5 000 000	2 500 000	2 500 000
Gustav Raubenheimer	2 458 404	152 801	5 353 932	2 676 966	2 676 966

Prescribed Officers - Incentive award settlements

	Short-term incentive				2017 Award Vests December 2019	2017 Award Vests December 2020	2018 Award Vests December 2019	2018 Award Vests December 2020	2018 Awards Vests December 2021
	Paid December 2018	2017 Deferral paid June 2018	Deferred December 2018	2018 Deferral paid June 2019					
Basani Maluleke	2 000 000	-	-	166 666	165 720	165 720	833 333	833 333	833 333
Gustav Raubenheimer	2 000 000	152 801	152 801	225 655	819 468	819 468	892 322	892 322	892 322
Brian Riley	-	583 333	583 333	-	-	-	-	-	-



THE FOLLOWING FEES TO BE PAID TO NEDS FOR THE SERVICES THEY RENDER TO THE GROUP IN ACCORDANCE WITH THE REQUIREMENTS OF SECTION 66(9) OF THE COMPANIES ACT, 71 OF 2008 (AS AMENDED), WERE APPROVED BY SHAREHOLDERS AT OUR AGM.

		FY19 Group R	FY18 Group R
LL von Zeuner (ex-Chairman)	Resigned 31/07/18		1 152 585
T Dloti (Chairman)	Appointed 07/03/19	782 176	
MCN Flanagan	Appointed 16/09/19*		
MJ Harris	Appointed 29/08/18	497 862	
SL McCloghrie	Appointed 28/07/2015	701 393	852 526
SK Mhlarhi	Appointed 06/07/2016	659 756	545 753
IS Sehoole	Resigned 16/10/17		73 078
L Stephens	Appointed 02/07/2015 Co-ordinator of activities of Board: 01/08/18 - 06/03/19	1 085 802	1 012 918
H Ralinala	Appointed 23/05/18	864 237	135 092
B Riley	Appointed 25/05/18	1 671 073**	82 592
PJ Temple	Appointed 29/04/2016	889 665	518 010
FJC Truter	Appointed 07/08/2015	898 562	840 731
TOTAL		8 050 526	5 213 285

* Appointed 16 September 2019. No fees paid in FY2019

** Includes R1 166 667 STI payments made in December 2018 and June 2019

Fees for NED services are paid quarterly in arrears in December, March, June and September.

NON-BINDING ADVISORY VOTE ON IMPLEMENTATION REPORT

The Implementation Report as set out in Part 3 hereof will be subject to a non-binding advisory vote by shareholders at the AGM, to be scheduled in the former part of 2020.

*Happy Ralinala
Chairman - RemCom*

Audit and Compliance Committee report

The main purpose of the Audit and Compliance Committee (AuditCom) is to assist the Board in carrying out its duties relating to the safeguarding of assets, accounting systems and practices, the integrity of internal financial control processes and the preparation of accurate financial reporting and financial statements, in compliance with all legal and regulatory requirements and accounting standards.

MEMBERSHIP AND ATTENDANCE

The AuditCom consists of three Independent Non-Executive Directors. The Committee meets four times annually with additional meetings scheduled when required, or at the request of the Board or a Committee member, or as often as deemed necessary to achieve its objectives as set out in its Terms of Reference.

The names of the members and attendance at meetings are reflected below:

Name	14 Nov 2018	7 Feb 2019	10 May 2019	15 Aug 2019
Members				
FJC Truter (Chairman)	✓	✓	✓	✓
SK Mhlarhi	✓	✓	✓	✓
H Ralinala	✓	✓	✓	✓
In attendance				
S McCloghrie	✓	✓	✓	✓
G Raubenheimer	✓	✓	✓	✓
B Maluleke	✓	✓	✓	✓

The internal and external auditors attended all meetings of the AuditCom during the year under review. The Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, and the Heads of Internal Audit and Group Compliance attended all meetings by invitation. The Chairman of the Board is invited to all AuditCom meetings and attended the meeting in May 2019. The Chairman of the Technology and Information Committee attended the meeting in August 2019.

The Chairman of the AuditCom has resigned from the Boards of African Bank Holdings Limited and African Bank Limited with effect from 30 November 2019 and will accordingly resign as a member of the AuditCom with effect from this date. The Board approved the appointment of Louisa Stephens as a member of the AuditCom with effect from 1 October 2019 and the Chairman of the AuditCom with effect from 1 December 2019.

FUNCTIONS OF THE AUDIT COMMITTEE

The AuditCom annually reviews the adequacy of its Terms of Reference and responsibilities, with specific consideration to the lessons learned from past events.

The AuditCom approved its charter and confirms it discharged its duties as set out in the charter, which include:

- Evaluating and recommending for approval the appointment of PwC as external auditors for the financial period ended 30 September 2019, in accordance with all applicable legal requirements.
- Approving the external auditors' terms of engagement, the audit plan and budgeted audit fees payable.
- Reviewing the audit process and evaluating the effectiveness of the external audit.
- Obtaining assurance from the external auditors that their independence is not impaired.
- Approving proposed contracts with the external auditors for the provision of non-audit services.
- Considering the nature and extent of all non-audit services provided by the external auditors.
- Confirming that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act 26 of 2005.

With reference to the financial statements, the AuditCom:

- Confirmed the going concern principle as the basis of preparation of the Annual Financial Statements.
- Examined and reviewed the Annual Financial Statements prior to submission to and approval by the Board.
- Reviewed reports on the adequacy of the provisions for performing and non-performing loans and impairment of other assets.
- Ensured that the Annual Financial Statements fairly presented the financial position of the Group as at the end of the financial period, and considered the basis on which the Group was determined to be a going concern.
- Ensured that the Annual Financial Statements comply with IFRS in all material respects.
- Considered accounting treatments, significant unusual transactions and accounting judgements.
- Considered the appropriateness of the accounting policies adopted and any changes.
- Reviewed and discussed the external auditor's report.
- Noted that there were no material reports or complaints received concerning accounting practices, internal audit, internal controls, content of the Annual Financial Statements and related matters.

With reference to internal controls and Internal Audit, the AuditCom:

- Reviewed and approved the annual Internal Audit charter and audit plan and evaluated the independence, effectiveness and performance of the Internal Audit department and compliance with its charter.
- Considered reports of the internal and external auditors on the Bank's systems of internal control, including internal financial controls and maintenance of effective internal control systems.
- Reviewed significant issues raised by the internal audit processes and the adequacy of corrective action.

- Noted that there were no significant differences of opinion between internal audit and management.
- Assessed the adequacy of the performance of the Internal Audit department and its resources and implemented changes under a restructuring programme to ensure adequate performance.
- Over the course of the year, met with the Head of Internal Audit, the Group Compliance Officer, the Chief Risk Officer, management and the external auditors.
- Reviewed any significant legal and tax matters that could have a material impact on the financial statements.
- Considered the routine independent quality assurance review of audit execution, which confirmed that internal audit had generally conformed to the International Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing.

With reference to legal, regulatory and compliance requirements, the AuditCom:

- Reviewed, with management, matters identified that could have a material impact on the Group.
- Monitored compliance with the Companies Act, the Banks Act 94 of 1990, all other applicable legislation and governance codes, and reviewed reports from internal audit, external auditors and compliance.
- Reviewed and approved the annual compliance mandate and compliance plan.
- Reviewed the JSE report back on Proactive Monitoring of Financial Statements and the Group's Annual Compliance Certificate in respect of the listed debt securities.
- Noted that no complaints were received from the Group's Sustainability, Ethics and Transformation Committee.
- The Committee is satisfied that the Group has met the requirements contained in the King IV™ Report, which can be found in the 'Corporate Information' section of our website www.africanbank.co.za.

With reference to risk management and IT, the AuditCom:

- Considered and reviewed reports from management on IT risk management, including fraud and IT risks as they pertain to financial reporting and the going concern assessment.

In respect of the coordination of assurance activities, the Committee:

- Reviewed the plans and work outputs of the external and internal auditors as well as compliance, and concluded that these were adequate to address all significant financial risks facing the business.
- Considered the expertise, resources and experience of the Finance function and the senior members of management responsible for this function and concluded that these are appropriate.
- Considered the appropriateness of the experience and expertise of the CFO and concluded that these are appropriate.

What kept the AuditCom busy this year in addition to the above

- Implementation of IFRS9.
- Long-term and short-term liquidity of the Group.
- Transactional banking risk and control issues.

INDEPENDENCE OF EXTERNAL AUDITORS

The AuditCom is satisfied that the external auditors are independent of the Bank in accordance with section 94(8) of the Companies Act.

The AuditCom disclosed the Group's external audit services and the associated fees to the Prudential Authority, and presented evidence of the measures taken to ensure the independence of the auditors to the Independent Regulatory Board for Auditors. Assurance on independence was sought from and provided by the external auditors.

In the current reporting period, Ranesh Premlall Hariparsad, the previous designated audit partner, resigned from PwC. Costa Natsas was appointed with effect from 1 February 2019.

The AuditCom is satisfied with Mr. Natsas's experience and knowledge in terms of section 22 of the JSE Listing Requirements and his appointment was approved by the Prudential Authority.

STATEMENT ON INTERNAL FINANCIAL CONTROLS, ACCOUNTING PRACTICES AND GROUP ANNUAL FINANCIAL STATEMENTS

Based on the work of the Group's assurance providers, nothing has come to the attention of the Committee that indicates that the Group's system of internal financial controls and accounting practices, in all material respects, does not provide a basis for reliable Annual Financial Statements.

The AuditCom is satisfied that the Group Annual Financial Statements are compliant with the requirements of the Companies Act and International Financial Reporting Standards, and recommended them to the Board for approval.

This report was approved by the AuditCom and signed on its behalf by the Chairman of the Committee.

*Frans Truter
Chairman - Audit and Compliance Committee*



09 GLOSSARY OF TERMS

4th Industrial Revolution	The first three industrial revolutions that transformed our modern society were the invention of the steam engine, the age of science and mass production, and the rise of digital technology. Right now, digital technological advancement is reshaping our society once more.
ABH	African Bank Holdings Limited
ABL	African Bank Limited
AFS	Annual financial statements
AGM	Annual General Meeting
AI	Artificial intelligence: The theory and development of computer systems able to perform tasks normally requiring human intelligence, such as visual perception, speech recognition, decision-making, and translation between languages.
ALCO	Asset and Liability Committee
AML	Anti-money laundering
AuditCom	Audit and Compliance Committee
Big data	Extremely large data sets that may be analysed computationally to reveal patterns, trends, and associations, especially relating to human behaviour and interactions.
CD	Contractual delinquency
CET₁	Common Equity Tier 1
CFT	Combating financing of terrorism
CVP	Customer Value Proposition
Distributed ledger technology	A database that is consensually shared and synchronised across multiple sites, institutions or geographies. It allows transactions to have public ‘witnesses’, making a cyber attack more difficult.
DMTN	Domestic Medium Term Note
DoA	Delegation of Authority
EMTN	Euro Medium Term Note
ERM	Enterprise Risk Management
Exco	Executive committee
FAIS	Financial Advisory and Intermediary Services
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act, 2001
IBNR	Incurred but not reported
ICAAP	Internal Capital Adequacy and Assessment Process
IFRS	International Financial Reporting Standard
IIRC	International Integrated Reporting Council
Internet of Things	The interconnection via the internet of computing devices embedded in everyday objects, enabling them to send and receive data.

King IV™	King IV™ Report on Corporate Governance
LSM	Living Standards Measure
LTI	Long-term incentive
Machine learning	The scientific study of algorithms and statistical models that computer systems use to perform a specific task without using explicit instructions, relying on patterns and inference instead.
Manco	Management committee
MRC	Model Risk Committee
NAEDO	Non-Authenticated Early Debit Order payment system
NCR	National Credit Regulator
NED	Non-Executive Director
NIR	Non-interest income/revenue
NPBT	Net profit before tax
OECD	Organisation for Economic Co-operation and Development
PA	Prudential Authority
PIC	Public Investment Corporation
PoPI	Protection of Personal Information Act, 4 of 2013
PSI	Portfolio-specific impairment
RCMC	Risk and Capital Management Committee
Remcom	Remuneration Committee
RoA	Return on advances (calculated as average of month end advances)
RoE	Return on equity (calculated as average of month semi-annual equity)
SARB	South African Reserve Bank
SENS	Stock Exchange News Service
SETCom	Sustainability, Ethics and Transformation Committee
SI	Specific impairment
SMME	Small, medium and micro enterprise
SRA	Settlement and Readvance
STI	Short-term incentive
TCF	Treating Customers Fairly
The Banks Act	The Banking Sector is governed by The Banks Act, 1990, and Regulations thereto, to provide for the regulation and supervision of the business of public companies taking deposits from the public.
ToR	Terms of reference
UNGC	United Nations Global Compact
Unstructured data	Data that isn't organised in a pre-defined manner
VSPs	Voluntary severance payments



10 CORPORATE INFORMATION

Board of directors

Thabo Dloti (Chairman)
 Basani Maluleke (CEO)*
 Gustav Raubenheimer (CFO)*
 Brian Riley
 Marjorie Ngwenya Flanagan
 Mark Harris
 Sybille McCloghrie
 Sydney Mhlarhi
 Happy Ralinala
 Louisa Stephens
 Peter Temple
 Frans Truter

*Executive director

Company Secretary

Maliga Chetty
mchetty2@africanbank.co.za

African Bank Holdings Limited

(Incorporated in the Republic of South Africa)
 (Registered bank controlling company)
 (Registration number 2014/176855/06)

Registered office

59 16th Road
 Midrand
 1685

Share transfer secretaries

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 Telephone: +27 (0) 11 256 9000
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Investor relations and financial media contact details

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 Email: investor.relations@africanbank.co.za
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Website

www.africanbank.co.za

Complaints and fraud

African Bank ethics toll-free line:
0800 633 633
 African Bank ethics
 email address: africanbank@tip-offs.com
 African Bank Customer Service Contact Centre number: **0861 111 011**

To find out more about what we are doing



Twitter@AfricanBank



Facebook@AfricanBank



LinkedIn Afrcian Bank