

R534m in profit for African Bank Group

The African Bank Group's return on equity for the year ended 30 September 2021 was a resultant positive 4.9% (FY 2020: negative 0.3%), with the Group, which includes its insurance and banking subsidiaries, reporting a net profit after tax of R534m for year ended 30 September 2021 compared to a reported loss of R27m for the same period last year.



Source: supplied. African Bank Eastgate branch

The return to profitability for the Group for the year was largely attributable to upfront higher credit impairments raised a year ago being sufficient to account for the increased risk of default, strong collections and increased profits in the insurance entity.

Commenting on the performance of the business, CEO, Kennedy Bungane notes: “The financial year has been a story of two halves at African Bank, with the first six months being about business resilience as we emerged from harsh effects of the first three waves of Covid –19.

“The second half of the financial year was about transitioning the business to our new 2025 Excelerate strategy, while instituting necessary risk aversion measures ahead of a 4th wave of Covid-19, which is now unfolding.”

2025 strategy poised for growth

During the year under review, the board signed off on a new 2025 strategy for the Group such that the business remains a sustainable and investible market proposition.

The heart of the strategy articulates a two-pronged approach which is to expand the core growth initiatives such as providing a digital offering to small, medium and micro enterprises, to grow the customer base and diversify the product offering while strengthening digital interventions and capabilities.

The new strategy is developed on the foundation of five sustainability levers, which is to permeate across all business and functional activities and have measurable targets to be achieved by the end of FY25. They include customer satisfaction, social responsibility, financial resilience, inclusivity and environmental promotion.

“As the vaccine rollout continues to progress in South Africa and around the world, and despite subsequent waves of the pandemic, and indeed last weeks’ news on the new Omicron variant of Covid, we are confident that opportunities will exist for African Bank and for our customers.

“During this period of uncertainty, it has become clear to us that our strategy and operating model must remain adaptive and nimble, particularly in relation to the needs of our customer base, our product and service offering and our capacity to manage future disruption risks to our people, processes and services.

“These ongoing adaptations will assist to cement a future-fit organisation,” says Bungane.

Result highlights

- Net profit after tax for the Group of R534m (FY 2020: Net loss after tax R27,m)
- Credit impairment charge: R1,341m (FY 2020: R3,408m).
- Return on equity 4.9% (FY 2020: negative 0.3%).
- Gross loan advances decreased by 6% to R26,725m (FY 2020: R28,328m)
- Net customer advances balances decreased by 4% to R16,462m (FY 2020: R17,636m)
- Conservatively provided for at a coverage level of 37.5% (FY 2020: 37.4%)
- Stabilised non-performing loan ratio at 42.9% (FY 2020: 41.0%)
- Credit loss ratio improved to 4.9% (FY 2020: 11.7%)
- Retail deposits in investments and transactional banking increased 73% to R10.3bn compared to R5.9bn at the same time last year.
- Retail deposits represent 61% of total funding of the Bank (FY 2020: 35%).
- Cost of funding improved to 7.9% (FY 20: 9.1%).
- Equity capital levels increased to of R11.2bn.
- African Bank Group well capitalised. Regulatory ratio for the Group 43.3% (FY 2020: 39.1%).

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