We are **you**

African Bank

AFRICAN BANK HOLDINGS LIMITED

Integrated Report

2016

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NAVIGATION ICONS

PAGE REFERENCE

WEBSITE

ANNUAL FINANCIAL STATEMENTS

MILESTONES

FINANCIAL

Net advances
R20bn

Operating profit before tax
R335m

Total provision coverage
27,1%

BALANCE SHEET

Well capitalised
CET1 31,5%

Highly liquid
R12,9bn

RISK

Risk structures strengthened

Approved risk appetite cognisant of the current economic environment

LIABILITY MANAGEMENT

Bought back ZAR equivalent
R11,7bn

Saved negative interest margin
R2,3bn to 2022

CUSTOMER

Customers on book
1,25m

New customer value proposition established

Further direct channels to market

First Net Promoter Score® (NPS®)*
15

PEOPLE

Attrition rate reduced, people complement stable

Key financial and risk skills base strengthened

Positive first engagement survey
43% fully engaged

'We are you' is African Bank's tag line, which in conjunction with our 'Humanity through banking' proposition shows the empathetic customer value proposition. 'We are you' shows that African Bank and its people identify with the Bank's targeted customer base.

* *The Net Promoter Score® (NPS®) is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others. It is used as a proxy for gauging the customer's overall satisfaction with a company's product or service and the customer's loyalty to the brand.*

ABOUT THIS REPORT

ABOUT THIS INTEGRATED REPORT

This is the first integrated report (the integrated report or the report) of the newly constituted African Bank Holdings Limited Group incorporating our wholly owned subsidiaries African Bank Limited and African Insurance Group Limited.

To guide the reader in interpreting those entities to which we make reference, we advise as follows:

ABH

African Bank Holdings Limited (Reg 2014/176855/06), the holding company of African Bank Limited (100%) and African Insurance Group Limited (100%), and the subject of this report.

It is also referred to as:

- the ABH Group or the Group; and
- ABH and its wholly owned subsidiaries.

AFRICAN BANK OR THE BANK

African Bank Limited (Reg 2014/176899/06), the wholly owned subsidiary of ABH, which, effective from 4 April 2016, trades as African Bank.

INSURECO

African Insurance Group Limited (Reg 2014/177424/06), the wholly owned subsidiary of ABH, which holds the ABH Group's insurance interests, including that in Guardrisk Life Limited, to facilitate its cell captive operation.

ABIL

African Bank Investments Limited, the holding company of old African Bank prior to it being placed in curatorship. It is now known as African Phoenix Investments Limited, and is the holding company of Residual Debt Services Limited (RDS).

OLD AFRICAN BANK

African Bank Limited (Reg 1975/002526/06), which was placed in curatorship on 10 August 2014, and now trades as Residual Debt Services Limited (RDS).

It is also referred to as:

- old Bank; and
- African Bank uc

REPORTING PHILOSOPHY

As part of a robust governance mandate, we adopted integrated reporting to provide insight into our primary material matters, business model, Strategy, performance and outlook, including the governance and risk management structures in place in the Group. Our integrated reporting approach is in line with our commitment to transparency and engagement. It constitutes part of the process we are following to re-build the African Bank brand, credibility and trust with our stakeholders. Our reporting philosophy is to provide a complete and balanced view of the business in clear language and metrics.

SCOPE AND BOUNDARY AND FRAMEWORKS

This report covers the financial period 4 April 2016 to 30 September 2016, unless otherwise specified. It includes the performance of all Group operations, as included in the financial reporting boundaries, as determined by the International Financial Reporting Standards (IFRS). Beyond the financial reporting boundary, internal and external factors that substantially influence our business have been considered. Where material, their real and potential impacts are covered in this report.

ABOUT THIS INTEGRATED REPORT continued

The Guardrisk cell captive, owned 100% by InsureCo, is not consolidated by the Group in terms of accounting standards, although the pro forma financial position and performance of this entity is dealt with in the CFO's report.

The Group has no economic interest in, nor financial obligations to, ABIL or its wholly owned subsidiary RDS, other than collection fees earned in the management and collection of the residual loan book held by RDS. The Group's restructuring process is described on page 7.

As this is the first trading financial period of the Group, there are no financial statement comparatives. However, in certain instances, comparative information relating to the ABIL Group era, for example, has been provided in analyses to provide context and perspective on the Group's current operating results.

The report focuses on matters which are material to the ABH Group within the boundary discussed earlier. The Group defines the materiality of matters for reporting purposes as "a matter is material if it substantively affects the organisation's ability to create and sustain value". For more information on the Group's determination process for material matters, refer to pages 15.

This integrated report was prepared according to the International Integrated Reporting Council's (IIRC) International Integrated Reporting <IR> Framework and the reporting principles of the King Report on Governance for South Africa 2009 (King III).

REPORTING SUITE

In addition to this report, the following supplementary information is available on www.africanbank.co.za

- Group consolidated annual financial statements
- Annual financial statements of African Bank Limited
- Investor presentation

The annual financial statements cover a full 12-month period. ABH and the Bank commenced operations on 4 April 2016 and the financial statements contain the result of six months of operations.

ASSURANCE

The Group consolidated financial statement extracts on page 56 to page 59 are extracted from audited information, but are not themselves audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available on www.africanbank.co.za or at 59 16th Road, Midrand, 1685, the Company's registered office.

Assurance for other parts of this report was largely derived from internal sources, including governance oversight and management and internal controls. These form part of African Bank's combined assurance model. In developing our integrated reporting processes, we have sought external guidance for applying the principles and practices of integrated reporting as well as the principles and recommendations of King III.

We continuously develop our combined assurance model, which includes the assurance process over our external reporting (see page 74 to 77).

FEEDBACK

We are committed to continuously improving our reporting. We welcome comments and suggestions from our stakeholders on our integrated report to assist in ensuring that we provide them with relevant and useful information.

Please send your feedback to Markus Borner – investor relations, email: investor.relations@africanbank.co.za or telephone: 011 564 7495.

FORWARD-LOOKING STATEMENTS

This document contains certain statements that are "forward-looking" with respect to certain of the Group's plans, goals and expectations relating to its future performance, results, strategies and objectives. Words such as, but not limited to, "may", "could", "will", "expect", "intend", "estimate", "anticipate", "aim", "outlook", "believe", "plan", "seek", "predict" or similar expressions typically identify forward-looking statements. These forward-looking statements are not statements of fact or guarantees of future performance, results, strategies and objectives, and by their nature, involve risk and uncertainty because they relate to future events and circumstances which are difficult to predict and are beyond the Group's control, including but not limited to, domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities (including changes related to capital and solvency requirements), the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of changes in domestic and global legislation and regulations in the jurisdictions in which the Group and its affiliates operate. The Group's actual future performance, results, strategies and objectives may differ materially from the plans, goals and expectations expressed or implied in the forward-looking statements. The Group makes no representations or warranty whatsoever, express or implied, that these forward-looking statements will be achieved and undue reliance should not be placed on such statements. The Group undertakes no obligation to update the historical information or forward-looking statements in this document and does not assume any responsibility for any loss or damage arising as a result of the reliance by any party hereon.

BOARD APPROVAL

The Board and its subcommittees acknowledge their responsibility for overseeing the integrity and completeness of this integrated report. The Board confirms that it has collectively reviewed the contents of the integrated report and applied its collective mind to the preparation and presentation of this report.

Furthermore, it believes that it has appropriately considered the accuracy and completeness of the material matters as well as the reliability of all data and information presented herein. The Board believes that it has sufficiently considered and materially presented these according to the International Integrated Reporting Council's <IR> Framework.

The Board approved the integrated report on 23 November 2016.

LL von Zeuner **Chairman**	B Riley **Chief Executive Officer**	G Raubenheimer **Chief Financial Officer**

OVERVIEW AND BUSINESS MODEL

OVERVIEW AND BUSINESS MODEL

BACKGROUND TO OLD BANK'S CURATORSHIP

The events leading to the old Bank being placed under curatorship are detailed in the information memorandum available on www.africanbank.co.za

Restructuring | Strategy development

ABIL AND OLD AFRICAN BANK

(Established in 1998 following amalgamation)

- Formed following amalgamation of microlenders
- The foremost unsecured lending bank in South Africa, providing financial opportunities to large segments of society
- Acquired Ellerine Holdings Limited in 2008
- Provided employment for a workforce of 5 500 people
- Well-known with a good brand and reputation
- Non-performing loans and declining collections from loan book
- Loss of confidence by funding providers
- Liquidity and solvency deterioration led to curatorship of old Bank and business rescue of ABIL and Ellerine
- Better business carved out of African Bank uc to transfer to African Bank
- Work through loan book to split into good bank and residual book

ABH GROUP AND AFRICAN BANK

(4 April 2016)

- New legal entity registered as a wholly owned subsidiary of ABH
- African Bank brand retained in new entity
- Governance and risk management structures and policies enhanced
- Credit policies and practices revised
- Conservative provisioning policies adopted
- Recapitalisation with R10 billion fresh capital
- Liabilities restructured and extended
- People and infrastructure retained
- Customer base maintained
- Transparent reporting and stakeholder engagement

TRANSFORMATION

African Bank has commenced a journey of transformation to become a sustainable investable financial institution that:

- Competes through innovation and agility
- Well capitalised strong balance sheet
- Very liquid – no funding maturities before April 2018
- Places the customer at the centre of all its activities
- Creates products containing more value than expected
- Offers multiple and intuitive channels to market

'Humanity through banking'

OVERVIEW AND BUSINESS MODEL continued

Old African Bank (1998 – 2014)

The old African Bank came into being in 1998 when Theta Securities and three smaller lending institutions amalgamated and acquired a banking licence. The old Bank was placed under curatorship under the Banks Act by the Minister of Finance on 10 August 2014.

Old African Bank was the first bank in South Africa to design a lending product aimed at lower income groups. These groups previously had little or no access to mainstream banking.

Until 2008, old Bank business model worked successfully and was based on a lending model of granting loans against funds raised in capital markets rather than deposit taking.

Old African Bank was South Africa's foremost unsecured lending bank and employed more than 5 500 people over 300 branches across South Africa. The African Bank brand was entrenched as a champion of the underserviced, its lending products creating educational, housing and lower income aspirational opportunities for previously marginalised members of South African society.

African Bank (4 April 2016 and onward)

The leadership of African Bank has two distinct and overlapping mandates. The first is to fulfil the requirements of the "base case" as laid out in the offer information memorandum and offer documents to debt holders in the old Bank.

The base case requires African Bank to develop and implement a strategy that will enable it to continue as an unsecured lender, applying greatly improved underwriting criteria, and ultimately repaying the new debt instruments as they become due, commencing in April 2018.

The second mandate is to seek out the most viable path for a longer-term sustainable future that does not depend solely on a single unsecured lending product offering. The ABH Group that will emerge over the next three years will offer a diversified range of products and services that will compete on the basis of socially responsible banking.

The transition from the present single-product business to a diversified financial services business will require a major digital transformation, internally and in its channels to market. The Bank's people will require significant upskilling to ensure that its service offering becomes visible and desirable to potential customers in its target market.

This revised business model will have to generate a successful business that will ultimately attract potential shareholders from South Africa or further afield. To build and maintain a fresh reputation, African Bank's communications with shareholders, stakeholders and potential funders and investors will be transparent and proactive.

Please refer to page 18 to 21 for more detailed information on our stakeholders.

ABH GROUP OWNERSHIP STRUCTURE

The support package facilitated by the SARB resulted in the shareholders of African Bank subscribing R10 billion capital to refinance the Bank.

CONSORTIUM

Banking Consortium	South African Reserve Bank (SARB)	Government Employees Pension Fund (GEPF) (represented by the PIC)
25%	50%	25%

EQUITY OF R10 BILLION

AFRICAN BANK HOLDINGS AND FUNDING STRUCTURE

African Bank and African Insurance Group are wholly owned subsidiaries of ABH.

African Insurance Group is the holder of the L124 class of shares in Guardrisk, which facilitates its cell captive insurance arrangement for the ABH Group.

AFRICAN BANK HOLDINGS LIMITED

African Bank Limited

Debt structure

39%	Bilateral corporate funding
40%	Domestic medium term notes (DMTN)
21%	Euro medium term notes (EMTN)

African Insurance Group

Guardrisk cell captive

BANKING CONSORTIUM

FirstRand Bank Limited	7%
The Standard Bank of South Africa Limited	6%
Barclays Africa Group Limited	5%
Nedbank Limited	4%
Investec Bank Limited	2%
Capitec Bank Limited	1%

OVERVIEW AND BUSINESS MODEL continued

RESOURCES CAPABILITIES ANALYSIS

ABH Group and the Bank re-evaluated its business model while under curatorship.

Our resulting business model is designed to sustain ABH Group and the Bank, while also preparing the organisation for a longer-term future as a successful retail bank including a transactional banking service.

In terms of the <IR> Framework used for this report, we must continue to recognise and plan for the relative strengths and weaknesses of the resources we deploy through the African Bank business model to create value for shareholders and other stakeholders.

Each resource is assessed for availability, quality and affordability. The Bank's Strategy must take into account the trade-offs and synergies that will occur as these resources flow through the business model to re-emerge as outputs and outcomes.

Financial resources

ABH Group and the Bank are well capitalised following the subscription by its shareholders of R10 billion capital. The successful offer to the funding creditors of African Bank uc resulted in R37,2 billion senior and R1,5 billion subordinated debt being issued to these same creditors by African Bank in exchange for their debt in African Bank uc.

During the base case scenario as described in the OIM covering the period to 30 September 2018, the Bank is likely to continue to hold substantial excess cash resulting in a performance drag. The Bank has, to date, completed a successful liability management exercise (2016: R11,7 billion) to reduce debt and expensive cash holdings, taking account of its conservative liquidity risk appetite.

The ABH Group will build an investment case track record to attract investors and access competitively priced funding for maturing debt for long-term business sustainability.

Performance report back: CFO report.

on page 46

Infrastructural resources

The operational assets of the African Bank uc were acquired by African Bank on 4 April 2016. These include the buildings, IT infrastructure and network of branches across South Africa.

This infrastructure is being evaluated against the Bank's envisaged future requirements. The acquired IT systems and processes are dated and actions have been initiated and are ongoing, to address the shortcomings.

In addition, we are laying the foundation for transforming African Bank through enhanced IT capabilities such as automated processes, improved experiences on mobile devices and integrated systems.

Performance report back: Process and technology.

on page 87

Intellectual resources

The African Bank brand is rooted within its current target customer markets. However, the brand is tarnished in the investor community. The Bank will need to reposition its brand proposition to appeal to potential investors and to its target market for future strategic initiatives, particularly into the transactional banking environment.

However, African Bank has retained a competitive 21% share in personal loans in its current target markets, which will underpin further internal transformation and the Bank's future repositioning.

We were pleased to have retained most of our people and their institutional knowledge in specialised financial areas. The Bank will continue developing their skills through proprietary and best practice internal and external training modules.

Performance report back: Governance and compliance, people and renumeration.

on page 61 and 81

Social and relationship resources

The Group has grasped the importance of establishing open relationships with its stakeholders in a manner that supports a proactive and two-way flow of communications.

Transparent stakeholder relations will build the trust through which the Group can attract the customer and investor support needed to evolve into a fully transactional bank.

Performance report back: Stakeholder engagement.

on page 20

Human resources

Most of the original African Bank uc people were retained throughout the curatorship process, but some losses were experienced. However, based on open communication and information sharing, people retention has improved. The Bank has instituted comprehensive and motivational induction and improved training programmes.

As the Group and the Bank's business model is re-evaluated, we will introduce appropriate training to prepare people for an innovative and technology-based future, underpinned by excellent direct customer service.

Performance report back: People.

on page 81

Environmental resources

African Bank's physical footprint is relatively small, although its branches do occupy space in shopping malls and office precincts around the country. As a result, our direct greenhouse gas (GHG) emissions are low. Nevertheless, African Bank has implemented environment friendly and energy saving measures in the physical spaces that we occupy and control.

OVERVIEW OF OUR BUSINESS MODEL

The Group's operations are driven by our business model and conducted through four distinct, yet integrated, activity sets. These are underpinned by operational processes that involve customers, people and outsource partners. The Bank's other stakeholders are indirectly involved to a greater or lesser degree. These four activity sets include:

- Products
- Channels
- Customer value propositions
- Partnerships

While significant progress has been made in defining and developing the Group's revised Strategy and operating model, the operating model continues to be work in progress. Our envisaged blueprint is the operational and logistical methodology of how we intend to implement our business model. By using these mechanisms, we focus on the end result of what we wish to achieve, which is the successful implementation of our Strategy with its outputs and outcomes.

The Group is developing new products, customer experiences and commercial partnerships. These will be underpinned by an upskilled workforce and a rebuilt IT platform.

Information on our products, service offering and the channels which we will use to penetrate our target market are all indicated in our business model on page 12 and 13.

Customer value propositions

As part of our planned regeneration into a broader transactional bank, we are positioning ourselves to attract a wider range of customers, including higher earners, while enhancing our offerings to the customer base we already have.

African Bank has a Customer Committee that works on improving the customer experience. This will be measured through the respected NPS®.

Customer value propositions already in place include the:

- Loan origination system upgrade
- Free airtime
- Extra value loan
- Branch tablet self-service solution, which is presently in a pilot phase
- Paperless applications.

Partnerships

The Guardrisk transaction

Guardrisk has been appointed to underwrite the ABH Group's insurance products. The arrangement enables InsureCo to insure African Bank risk exposures through a cell captive structure.

Ongoing developments

Intuitive customer and people interfaces through technology

With the time, space and mandate to innovate, African Bank has adopted a zero base approach to the re-imagining of its digital platforms to create innovative and fresh customer experiences. A technology roadmap that will address the customer experience by enabling seamless access to new transactional and insurance services, while also reducing risk, has been established.

Transactional banking

African Bank is preparing for a gradual and prudent roll-out of products aimed at providing a boutique transactional banking platform for a broader customer base that includes the approximately 1,25 million customers that presently use our products.

This roll-out is being planned to address our current 'base case' requirements and keeping in mind the fast digital transformation that is sweeping through financial services and other sectors.

OVERVIEW AND BUSINESS MODEL continued

OUR BUSINESS MODEL

OPERATING ENVIRONMENT

Political | Social | Economic | Technology | Regulatory

See material matters

See page 15

INPUTS

Resources

Financial resources
- R10 billion equity base with conservative liquidity and solvency levels established
- Restructured capital and debt structure
- Limited retail banking deposit base

Infrastructural resources
- 386 branches
- Existing IT systems and infrastructure enhancement
- Digitalisation imperative

Intellectual resources
- Brand and reputation in market
- Specialised unsecured lending expertise

Social and relationship resources
- Relationship with key stakeholders
- Focus on trust and accountability
- Social economic mandate

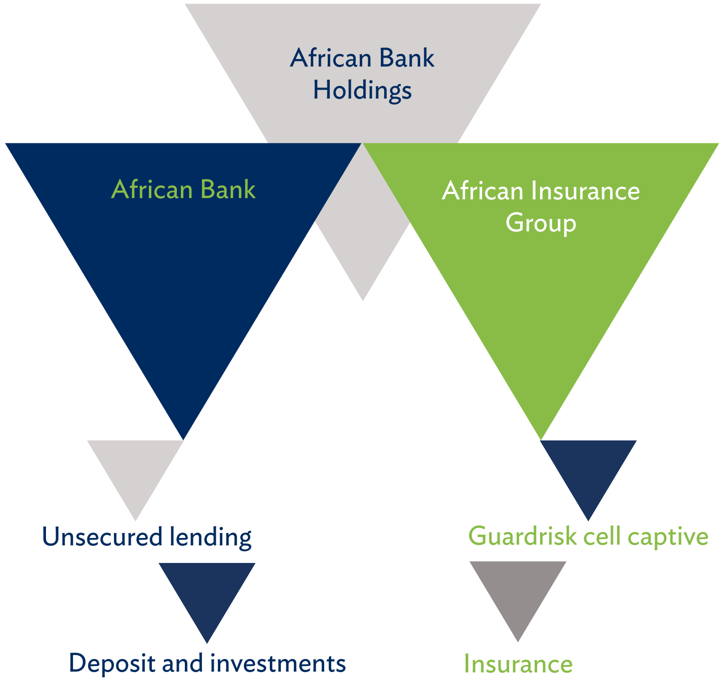
Human resources
- 4 075 people complement
- Training, development and culture alignment

Environmental resources
- Environmental impact management

See resources capabilities analysis

on page 10

CORE BUSINESS ACTIVITIES AND PROCESSES



Digital/Transactional services

Business partners

Management of residual book

AFRICAN BANK SUPPORT PROCESSES

Finance	Marketing	Operations
Risk	Process and Technology	Human Capital
Credit		Assurance

See the overview of our business model

on page 11

MATERIAL MATTERS

Social and customer trends
Technology and process
Access to capital

Regulatory and cost of compliance
SA Inc and global economy

Brand and reputation
SA banking sector
Transformation

People
Cybercrime and fraud
Environmental

See material matters See page 24

STRATEGIC OBJECTIVES

Position as 'Humanity through banking' – 'We are you'
Offer more value than is expected

Diversify product offering to become a retail bank
Widen customer base
Broaden channels

Partner where it makes sense
Strengthen the balance sheet to improve competitiveness

See Strategy See page 29

STRATEGIC PILLARS

Governance and compliance
People
Process and technology

OUTPUTS

Products

Credit
- Personal loan
- Consolidation loan
- Prime loan
- Value-added loan
- Credit cards

Investments
- Fixed deposits
- Notice deposits
- Access accumulator
- Tax-free investment

Insurance
- Credit life
- Funeral cover
- Personal accident

Services

Transactional banking

Channels to market

Credit Direct
Branch Network
Digital

Customers

See the overview of our business model See page 11

- Consumers of South Africa
- Wider variety of products and channels to penetrate higher income bands

OUTCOMES

Our Values

TRANSPARENCY
COLLABORATION
PROFIT CONSCIOUS
INNOVATION
EMPATHY

See our Values in action See page 32

MISSION

Our Mission is to be a successful Retail Bank, offering a wide range of products and services to the consumers of South Africa. We seek to provide value – more than consumers expect of us. We promise to live our Purpose 'Humanity through banking' in all that we do and we are confident that we can, because 'We are you'.

MATERIAL MATTERS

MATERIAL MATTERS

A critical success factor is the ability to identify, assess and respond to risks and opportunities in a proactive and systematic manner at strategic and business process levels. As such, we have developed processes that continuously monitor our risk and opportunity landscape to anticipate or identify developments that may have an impact on our business.

MATERIALITY DEFINITION

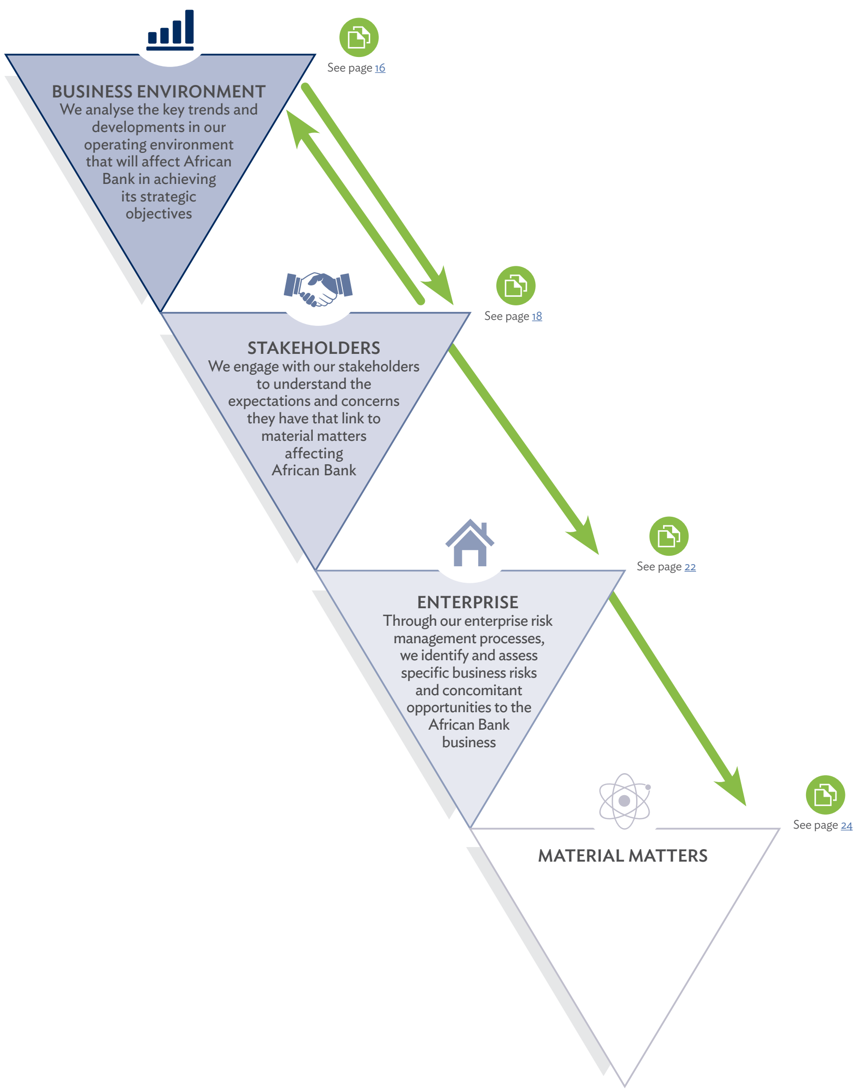
We have defined material matters in line with the <IR> Framework as follows:

"A matter is material if it substantively affects the organisation's ability to create and sustain value."

Material matters reflect our key risks and opportunities and are determined from a diverse range of factors. We have prioritised the material matters that are most relevant to our ability to create and sustain value for the long-term viability of the business. Our reporting focuses on identified material matters and how we have strategically responded to these matters. The combined assurance model seeks to ensure that all risks and opportunities are managed at appropriate levels within the risk appetites set by the Board.

DETERMINATION PROCESS

Our approach to determining material matters continually evaluates an ever-changing operating environment. Certain trends will become established and require a long-term perspective. In monitoring African Bank's risk and opportunity landscape, we take a wide view of the local and global operating environment, closely engage with our stakeholders to understand their perspectives, while analysing specific emerging risks and opportunities within the African Bank enterprise perspective.



Through these lenses, we seek to identify the most relevant risks and opportunities. Our assessment process considers the likelihood, volatility and ultimate impacts of how these could affect African Bank's ability to achieve strategic objectives in creating and sustaining value. We seek to strategically respond to identified material matters, as well as those emerging through our combined assurance approach.

MATERIAL MATTERS continued

BUSINESS ENVIRONMENT

BUSINESS ENVIRONMENT

All businesses in South Africa operate within the reality of a stagnant economy offering minimal gross domestic product (GDP) growth. Forward planning is hampered by exceptional volatility in currencies, bond yields, credit spreads and commodities against a background of increasing and volatile political risk. For African Bank, growth in sales of our loan products is being slowed by debt pressure on consumers.

The future outlook depends on a number of factors, the most prominent of which are the success of a government, business and labour alliance cooperating on ways and means to stimulate the economy; whether South Africa goes through further rating downgrade; and whether the drought breaks before the planting season.

Challenging South African and global economic environment

Global economic trends have been difficult to predict, particularly since the international banking crisis of 2008, with the result that numerous hedge and other funds have registered severe losses or have shut down.

The US economy has strengthened to the point that the US federal reserve is hinting at interest rate hikes, while China has seemingly worked through its 2015 economic challenges and is returning to higher GDP growth. Japan undertook several innovative measures to escape from its decades-long “stagflation” trap, but the jury is still out on whether these are working.

The European Union (EU) continues at zero growth levels while its technocrats try to encourage stability in the Greek, Italian, Portuguese and Spanish economies. The UK’s planned departure from the EU was unexpected and its consequences are yet to be understood and felt, although the Pound Sterling fell sharply against the major global currencies.

While the global market is a dynamic and multi-dimensional construct that had and will continue to impact South Africa, and in particular its financial system, the overarching impact continues to be challenging and is expected to remain so over the immediate future, providing continuing challenges for the economy and financial and industrial players.

The South African economy

Our local economy has subsided into the undesirable reality of ‘stagflation’, in which minimal GDP growth is aggravated by relatively high inflation. Although most economists predict GDP growth of close to zero, the newly released Q2 figures reflect a surprising 3,3% growth, based primarily on a rebound in manufacturing and mining. It is yet too early to predict whether this trend can continue.

A major factor determining South Africa’s immediate economic future is the threat of downgrades to sub-investment grade by international rating agencies. Credit ratings downgrades will potentially bring a host of negative outcomes, particularly to the value of the rand on international currency markets and local inflation.

Ratings downgrades – or not – will likely result from the politicking that is gripping South Africa’s attention at this time. It is not clear how the current political situation will play out.

On the positive side, there is a view that South Africa’s inflation may have already peaked at between 6% and 7%, given that oil prices remain low and the rand does not fall too sharply against major currencies. Another factor is the labour wage negotiation season that commenced in July. We do anticipate that wage increases will be restrained, due to the current state of the economy, which would be a favourable outcome for inflation.

The current drought has impacted South Africa’s agricultural output and balance of payments. Food inflation from scarcer and more expensive local crops were a major driver of rising inflation in early 2016, while South Africa – usually an exporter of maize – had to import significant tonnages of maize from the USA at a time of rand weakness. This trend will have an impact on the CPI and our customers.

What are the consequences for consumers and African Bank customers?

In South Africa, all but the wealthy and upper middle class are experiencing growing financial pressure from inflation and household debt. Average disposable incomes rose less than 1% in the past year. Above-inflation rises in electricity, water and food costs add to the consumer and business burden.

South Africa is an unequal society in terms of wealth distribution and millions of South Africans in the lower income bands are struggling to maintain their living standards.

These consumers presently comprise the bulk of African Bank's customers. We have adjusted our risk appetite and lending criteria to align with consumer affordability and the stricter credit regulations recently promulgated. Our macro-economic forecasting, product criteria and risk appetite are regularly subjected to scenario testing.

The challenges will guide us in developing the strategies and business model that will grow African Bank into the future.

MATERIAL MATTERS continued

STAKEHOLDERS

Proactive and transparent stakeholder engagement is fundamental to African Bank building its reputation, preserving its social and relationship capital and moving it further to achieving its goal of sustainable business.

Overview of our engagements with stakeholders to date

The Board and management of African Bank interact with our various stakeholder groups. Their feedback is evaluated and informs our decision-making.

Regulatory

The SARB is our primary regulator and the curatorship process served as a platform for engagement. We continued to engage proactively with our prudential and market conduct regulators including the SARB, the FSB and the NCR, particularly with regard to the application of new regulations.

Investors

The SARB, the PIC and the consortium banks provided strategic shareholder support in setting up the base case strategy of the newly constituted group. Through transparent reporting, we seek to keep the shareholder group informed of our published objectives.

Board of Directors

The Board is appropriately constituted of directors with the necessary experience and skills to oversee effective governance of the Group and ensure its long-term sustainability.

Customers

The Bank retained most of our traditional better-performing customer base and sacrificed some market share during curatorship. Our unfolding Strategy places our customers as the focal point of Group efforts; therefore, we are working to enrich the African Bank customer experience through technology and a wider range of products and services within an ethos of bringing more value to our customers.

People

African Bank's people showed exceptional loyalty in keeping the branches and corporate activities running smoothly during curatorship. We embarked on a skills development and retraining drive to prepare for our future diversified product and service base. Continuous and interactive internal communications, including the intranet and targeted employee communications, should ensure that this programme unfolds smoothly and to schedule.

Communities

African Bank's widespread network of 386 branches across South Africa and increasing digital communication channels put us into direct contact with numerous local communities where our customers reside or work. As such, we have a responsibility to understand the needs of the communities we serve. This requires an informed and listening approach through our branches, call centres and corporate social investment (CSI) initiatives. Information on some of our community projects can be found in the section Putting 'we are you' into community action on page 92.

Suppliers and business partners

We seek out reputable and best practice vendors and partners for our product, channel and service offerings, with a focus on engaging B-BBEE accredited suppliers.

Media

African Bank attracts considerable attention from the public media. The Bank communicates using traditional and social media. We believe that our customers, investors and the broader public should be kept informed of our activities. We are also proactive in addressing pertinent issues related to our business, raised in the media.

Industry associations and professional bodies

These organisations are the primary resource for sharing industry knowledge and engaging with financial sector trends, and provide forums that enable the sharing of information, which also enables the mitigation of risk facing the greater financial services industry.

We are committed to developing a continuous and effective process of stakeholder engagement throughout the business including mechanisms to quickly and effectively respond to the legitimate and material needs and expectations of our stakeholders, using the appropriate channel. We are in the process of establishing a stakeholder engagement framework and related processes that focuses on profiling of key stakeholder groups, developing appropriate methods of engagement and ability to respond to expectations and needs of stakeholders in a balanced manner that ultimately leads to our value creation mandate.

Key communications stakeholders including the CEO, CFO, Treasurer, marketing and internal communications teams meet formally to discuss stakeholder communications.

The table on page 20 and 21 sets out an overview of our primary stakeholder profiles, our methods of engagement and key concerns and expectations raised with a link-through to our related material matters.

MATERIAL MATTERS continued

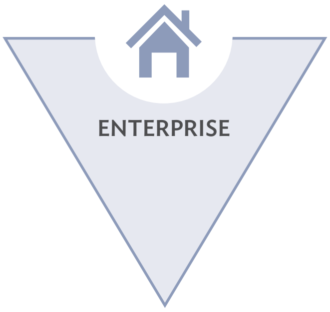
STAKEHOLDER ENGAGEMENT

The purpose of the table is to demonstrate stakeholder responsiveness through the correlation between key concerns and expectations of stakeholders and our assessment of material matters and later in the report how we show we have responded strategically to such matters.

STAKEHOLDER GROUP	PROFILE	NATURE OF ENGAGEMENT
Regulators	• SARB • FSB • NCR • dti • National Treasury • JSE	• Curatorship process served as platform for intensive engagement • Intensive and supportive engagement with regulators • SARB's dual role as a regulator and shareholder
Equity investors	• SARB • GEPF, PIC • FirstRand Bank Limited • The Standard Bank of South Africa Limited • Barclays Africa Group Limited • Nedbank Limited • Investec Bank Limited • Capitec Bank Limited • Future equity investors • Equity analysts	• Circular provides mandate • Informed through Stock Exchange News Services announcements, results announcements and annual general meetings
Board of directors	• Independent Board of directors with industry-specific skills sets and experience	• Focal point of stakeholder engagement with African Bank stakeholders
Debt investors/financiers	• Bilateral corporate debtors • DMTN • EMTN • Debt analysts	• Loan agreements/instrument terms and covenants • Circular terms • To communicate to potential and existing investors
Customers	• Existing customers • Future customers (educate, provide value, provide alternative connective appeal)	• One-on-one customer interactions within their community/place of living • Customer education via brochures and website
Our people	• Transformation • Skills requirement	• Senior executives presented the Bank's Strategy to our people • Employee intranet and engagement programmes
Communities	• Communities surrounding branches • Future customers	• Interactions are coordinated and planned events • Relevance of product offerings • Consumer education via brochures and website
Supplier and business partners	• Currently signed on is Edcon and HiFi Corporation • Business partners include Guardrisk, Doves • Potential JV partners • IT • Landlords • Outsourced activities	• Contracts • Service level agreements
Media (including social media) and public	• Social media (Twitter, Facebook) • Newspapers • Public perception	• Press releases • SENS • Social media interaction
Associations and industry, and professional bodies	• BASA • BANKSETA • Ombudsman for Banking Services • SABRIC	• Participation in activities and workshops

CONCERNS/EXPECTATIONS	LINK TO MATERIAL MATTERS
• Compliance • Effective governance • Stability • SARB's dual role as Regulator and shareholder	• Access to capital • Regulatory and cost of compliance • SA Inc. and global economy • SA banking sector
• Sound balance sheet • Predictable and stable profitability record • Deliver on stated strategic objectives • Appropriate provisioning for risk emergence • New strategy development • Competitor sensitivity • Exit strategy	• Access to capital • SA banking sector • Regulatory and cost of compliance • SA Inc. and global economy • Transformation
• New strategy • Reputational turnaround • Compliance and risk management	• Transformation • Brand and reputation • Regulatory and cost of compliance
• Sound balance sheet • Predictable and stable profitability record • Deliver on stated strategic objectives • Appropriate provisioning for risk emergence	• Access to capital • Regulatory and cost of compliance • Transformation
• Fair terms • Humanity through banking • Ease of doing business • Trust and reputation • Transactional, branch, technology, capability • Pricing to future customers • Exceptional customer service	• Social and customer trends • Brand and reputation • Access to capital • Technology and process
• Job security • Career development • Training and development suited to new business model aspirations • Fair remuneration and incentives	• People • Transformation
• Easy access to loans • Humanity through banking • Fair repayment terms • Accessible banking	• Social and customer trends • Brand and reputation • Access to capital • Technology and process
• Business continuity • Mutual benefit and profitability	• Technology and process
• Reputational rebuild • Social positioning	• Brand and reputation • Social and customer trends
• Inclusive economy • Good corporate citizenship from banks • Conducive banking environment	• Regulatory and cost of compliance • SA Inc. and global economy • SA banking sector • Social and customer trends

MATERIAL MATTERS continued



ENTERPRISE RISK MANAGEMENT

Risk is pervasive in all business activities. The Group continuously reviews risk management processes to ensure these remain relevant for identifying, measuring and managing business risks and opportunities.

The curator and incoming leadership team took a zero based approach to establishing risk appetites for the various business units and designing an overall risk management framework.

A seasoned banker and appropriately qualified Chief Risk Officer has been appointed and a Board Risk and Capital Management Committee was established. The Group's risk appetite policies and risk parameters were approved by the Board in May 2016, and have been rolled out into all of the Group's operations.

The Risk and Capital Management Committee assists the Board in ensuring that appropriate risk management processes and controls are integrated into African Bank's daily activities. Ultimately, all risks and opportunities facing the organisation are being managed through the risk appetite policy that is aligned with business Strategy.

THE PROCESS OF EMBEDDING RISK APPETITE

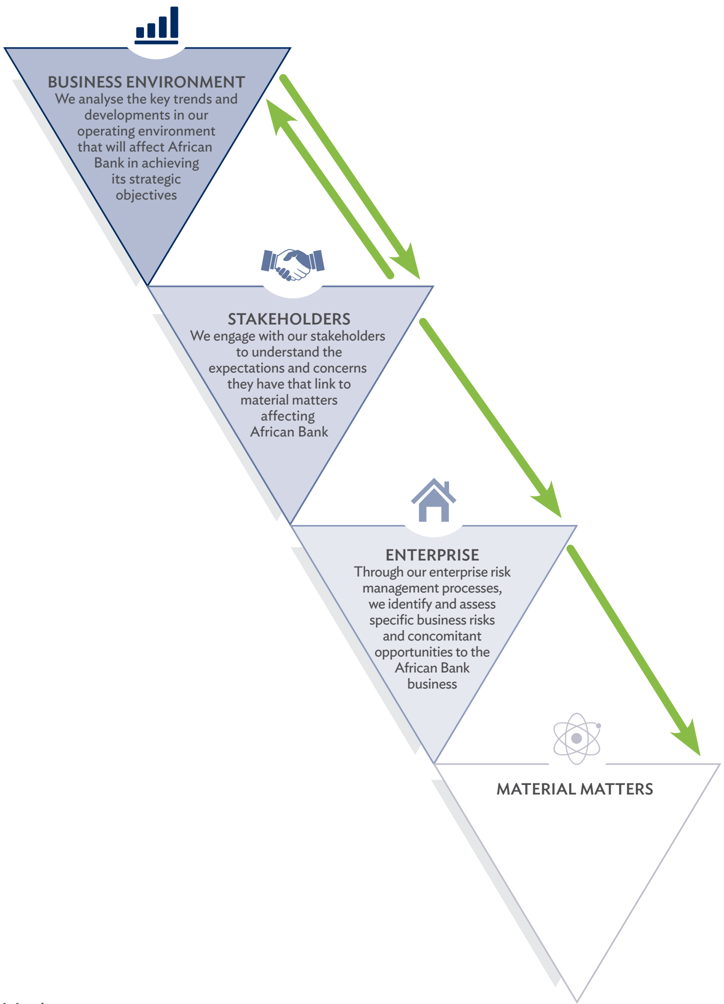
Our approach to risk management is outlined in the following process:

High level risk matrix

The Group maintains, regularly updates and ranks risks in a risk register. High-end risk categories are linked to the material matters identified in this report and are shown below:

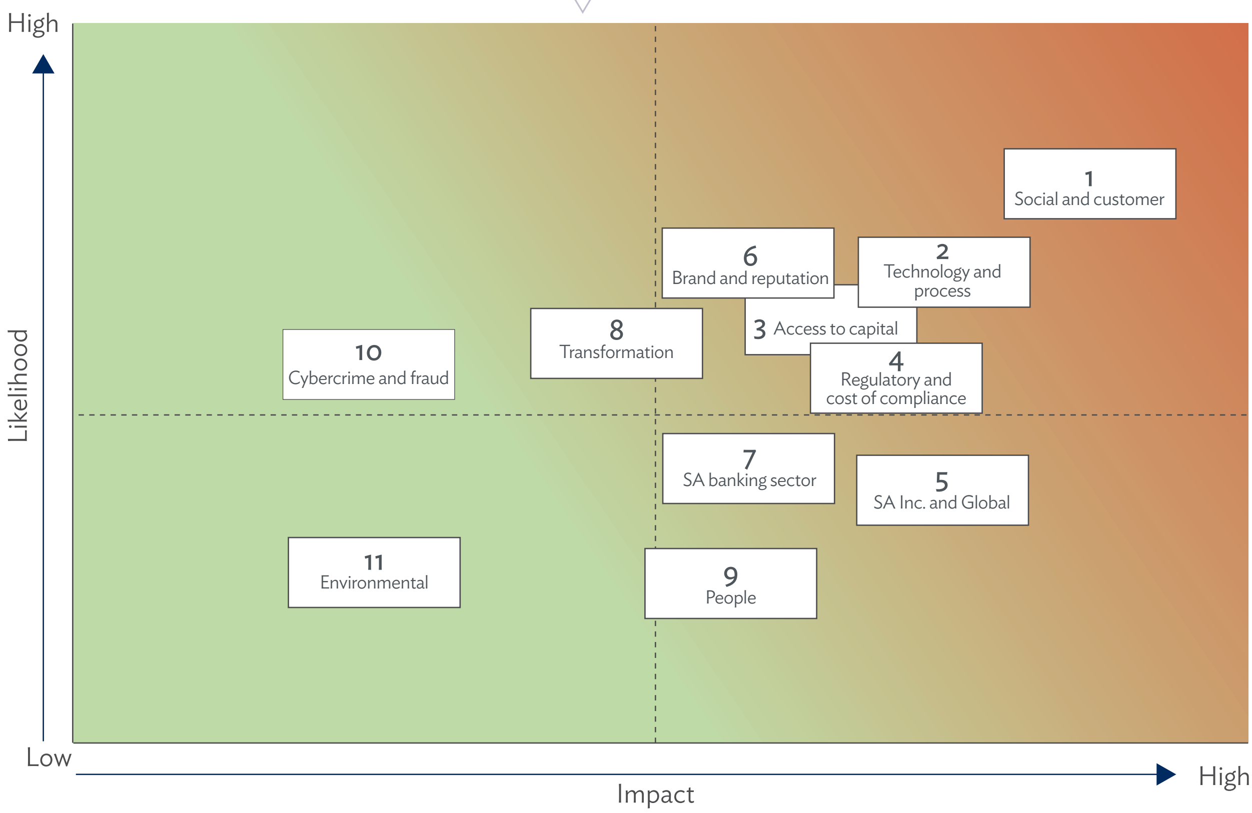
Risk	Material matter
Reputational risk • Failure to meet customer and investor/stakeholder expectations	• Brand and reputation • SA banking sector
Market risk • Foreign currency exposures • Valuation of derivatives	• SA Inc. and global economy • Access to capital • Regulatory and cost of compliance
Credit risk • Ability to predict and manage credit risk	• SA Inc. and global economy • Regulatory and cost of compliance • Technology and process
Liquidity risk • Inability of the Bank to meet financial obligations	• Access to capital • SA Inc. and global economy
Interest rate • Interest rate movements	• SA Inc. and global economy • Access to capital
Operational risk • Payment process vulnerabilities • Model risk • Cybercrime • Fraudulent and suspicious transactions • Business continuity planning (including disaster recovery)	• Technology and process • People • Cybercrime and fraud • Brand and reputation • Regulatory and cost of compliance
Compliance risks • Banks Act • Companies Act • FICA • NCA • FAIS Act	• SA banking sector • Regulatory and cost of compliance
Strategic risks • Diversified income streams (including product) • Human capital • Authenticated collections	• Social and customer trends • SA banking sector • People • Transformation • Technology and process
Legal risks • Litigations and Commission for Conciliation, Mediation and Arbitration (CCMA) cases	• Regulatory and cost of compliance
Information Technology • Outdated platforms • Information security • System outages • IT skills shortage	• Technology and process • Social and customer trends • Cybercrime and fraud

MATERIAL MATTERS continued



HEAT MAP (RESULTANT MATERIAL MATTERS)

Matters determined from the operating environment, stakeholder engagement and enterprise risk management were assessed based on their likelihood and the potential impact they will have on the value creation process of African Bank. These matters were prioritised by the executive management team in terms of their likelihood and potential impact.
These matters were plotted on the heat map and supplemented with supporting context as to their relevance to the Bank.



MATERIAL MATTERS HEAT MAP CONTEXT

Ranking	Description
1	**Social and customer trends** Africa's middle class is growing quickly and adopting mobile technology as the primary form of commercial interaction. They are eager followers or setters of trends. The continent is urbanising rapidly and the aspirational new city dwellers value education. This growing middle class across the continent is young, ambitious and set to transform the continent. Our products and channels to market need to appeal to the evolving dynamics and trends of our target market.
2	**Technology and process** Computing hardware has become affordable and reliable to the extent that it is no longer a major IT factor. In the African Bank context, we are planning a new IT approach intended to enable the Group to provide critical digital services. Tomorrow's customers will migrate to those financial institutions offering the best products linked to the most intuitive interfaces.
3	**Access to capital** Banks require access to various forms of capital to remain viable. Due to African Bank's history, we must build a post-curatorship track record that persuades investors that African Bank is a viable investment proposition. While the current macro environment remains so volatile, African Bank will reduce debt and perform against targets to meet or exceed 'base case' requirements.
4	**Regulatory and cost of compliance** African Bank supports tighter regulation of the micro-lending sector due to past reckless practices, which harmed customers and lenders. A steady flow of incoming South African regulation will impact costs and ultimately the Bank's customers.
5	**SA Inc. and global economy** The global economy remains volatile and fragile, though there are signs that the US, Chinese and EU economies are improving. Nevertheless, in South Africa, political conflict can change the economic picture quickly. The short and medium-term direction of SA Inc. is even less certain. It is difficult to envisage the South African economy improving significantly above the 0,4% GDP growth forecast for this year. Under an alternative scenario, it could slip into recession, should rating agencies decide on further downgrades. The serious drought, if prolonged, will impact agricultural output and ultimately food prices negatively.
6	**Brand and reputation** African Bank is repositioning around the 'Humanity through banking' and 'We are you' concepts, which should be reflected in all banking processes. We believe that the African Bank corporate identity and logo remains respected in our traditional LSM market and employed customers, as they remained served throughout the period of curatorship. The African Bank identity needs to gain traction in the higher LSM bands and with the investor community.

MATERIAL MATTERS continued

Ranking	Description
7	**SA banking sector** African Bank's medium-term strategy is about working towards a sustainable position in South Africa's financial sector. For decades, the sector was dominated by the big four banks and Investec, though Capitec has become and continues to be, a significant member of South Africa's financial sector. Banking is also being disrupted by technological changes, giving rise to 'fintech' niche players that target money transfers and specific financial needs. As a result, banks are re-examining their technological platforms to a varying degree. They are also beginning to compete outside of their traditional markets, with the large banks being competitive in the unsecured lending space. Access to technology lowers the barriers to entry to the banking industry.
8	**Transformation** In this context, transformation is about the renewal and repositioning of African Bank. As discussed, African Bank is working through an unprecedented turnaround that will result in the Bank being a new entity that is expected to bear little resemblance to its past. Although all indicators to date point to the Strategy being successful, there is a risk that it may fail due to factors within or outside of African Bank's control. In South Africa, transformation has a meaning related to the social and political transformation of society. African Bank's employment profile accurately reflects South Africa's demographics, but is not yet transformed sufficiently at the upper levels of management.
9	**People** African Bank's people continued providing excellent customer service during uncertain circumstances prior to and during curatorship. People, process and technology, and governance and compliance are the three pillars that underpin African Bank's current Strategy. As the Bank prepares for a future based on multiple products and channels, we need to introduce the additional skill sets required to support the Strategy.
10	**Cybercrime and fraud** Identity theft and credit card fraud are prevalent in South Africa and is combated through technological means such as biometrics. To this point African Bank has implemented biometric controls and thorough validations to mitigate against fraud risk. Cybercrime has been identified as a global top 10 threat, and in particular to the financial services industry. Our IT and risk departments are focused on cybercrime and fraud.
11	**Environmental** African Bank does not have a significant direct environmental impact as our branches are situated in shopping malls and properties owned by other parties. Where we do own properties, such as the Midrand head office, our emissions are managed for minimum impact.

LINKING OUR MATERIAL MATTERS TO OUR STRATEGY

We recognise that our most material matters, comprising risks and opportunities, require a co-ordinated and multi-pronged strategic response by the Group. It is not adequate to merely provide mitigating controls or responses in isolation. Rather, we need to recognise that material matters require intensive co-ordinated strategic focus by the business to ensure that we achieve our strategic objectives in the environment in which we operate.

To achieve this, we have demonstrated in the table below the extent to which our strategic initiatives respond to the identified material matters. Later in the report we set out the performance and outlook against such strategic objectives and initiatives.

	Strategic objectives							Strategic pillars		
Material matters	Humanity through banking	Offer more value	Diversify product offering	Widen customer base	Broaden channels	Partnering	Strengthen balance sheet competitiveness	Governance and compliance	People	Process and technology
Social and customer trends	✓	✓	✓	✓	✓	✓			✓	✓
Technology and process			✓	✓	✓	✓			✓	✓
Access to capital			✓				✓	✓		
Regulatory and cost of compliance							✓	✓		✓
SA Inc. and global economy	✓	✓		✓			✓			
Brand and reputation	✓	✓	✓				✓	✓	✓	✓
SA banking sector	✓	✓	✓	✓	✓	✓		✓		✓
Transformation	✓			✓					✓	
People	✓	✓				✓			✓	✓
Cybercrime and fraud			✓		✓			✓	✓	✓
Environmental					✓					✓

See Strategy on page 28 and CEO report on page 40

STRATEGY

STRATEGY

STRATEGY DEVELOPMENT

The ABH Group Strategy is designed to support the Mission to be a successful Transactional Bank, offering a range of products and services to the consumers of South Africa. This required a revision of the existing Strategy of delivering monoline unsecured lending products through a Branch Network, a business that is unsustainable in the longer term.

With this in mind, the Group has revised its Strategy to diversify its business while seeking to provide more value than our customers expect of us. The embodiment of the Strategy into a diversified business has resulted in the segmentation of the ABH business into the Branch Network providing the traditional African Bank loan and related products, Credit Direct providing products through a virtual channel network, and Transactional Banking all supported by the Corporate Centre. The components of the Strategy, underpinned by the three pillars of process and technology, people and governance and compliance, and as described in this section, are designed to deliver products and services to the consumers of South Africa, deliver the successful African Bank and a sustainable return to stakeholders.

To measure the successful execution of the Strategy, the Board has set the following high level initial targets and key metrics to be achieved during the next five years. These metrics will be refined over time as the Bank develops the solutions to deliver the overall Strategy.

OUR VALUES

- TRANSPARENCY
- INNOVATION
- COLLABORATION
- EMPATHY
- PROFIT CONSCIOUS

OUR CULTURE

MISSION

To be a successful retail bank which offers a wide range of products and services to the consumers of South Africa. We seek to provide value – more than consumers expect of us. We promise to live our Purpose, 'Humanity through banking' in all that we do, and we are confident that we can, because... we are you.

OUR STRATEGY

- Position as 'Humanity through banking'; 'We are you'
- Offer more value than expected
- Diversify product offering to become a retail bank
- Widen customer base
- Broaden channels to market
- Partner where it makes sense
- Strengthen balance sheet to improve competitiveness

OUR PILLARS

Governance and compliance	People	Process and technology

OUR CUSTOMERS

PERFORMANCE

RETURN ON EQUITY	PEOPLE ENGAGEMENT SURVEY	CUSTOMER NPS®	CUSTOMER SATISFACTION SURVEY
> 15%	> 35%	> 40	> 80%

GROW CUSTOMER BASE	DIVERSIFICATION OF REVENUE	DIVERSIFY FUNDING (RETAIL DEPOSITS)	CREDIT LOSS RATIO
1,2 million to > 2,5 million	Non-interest > R300 million	> 25%	< 13%

STRATEGY continued

OUR STRATEGY IN ACTION

Implementing a comprehensive strategy is under way throughout African Bank, under the direction of executive and senior management. It is being put into practical action through various initiatives and pillars laid out below.

Strategy is implemented against set targets and measured through a series of lead and lag KPIs that are ultimately aligned with the performance aspirations of the Group. The performance of each person responsible for aspects of strategy is recorded on their individual scorecards which influence the variable part of their remuneration.

The leadership reports and performance sections that follow will unpack and elaborate on the strategic projects and processes including implementation progress and related performance measures and outlook.

Our Strategy	Activities
Position as 'Humanity through banking'	• Implementation of the NPS® and customer experience index • Marketing and advertising campaigns • Product development • CSI projects initiated by people and funded by African Bank • Re-writing of all scripts in the contact centre • Customer Service Committee chaired by the CEO • Sales and collection incentive programme
Offer more value than expected	• Extra value loans • Credit Direct • Funeral product benefits • Full balance settlement on credit life policies • Market leading retail deposits
Diversify product offering	• Rate for risk lending • Grow retail deposits • Partner to create extra value and innovative products • Transactional banking product
Widen the customer base	• Increase channels/distribution footprint • Improve product offering (credit/insurance/investments/transactional) • Improve marketing and build brand • Develop 'rate for risk' products
Broaden channels	• Digital channel being developed • Outsourcing arrangements • Partnership agreements • Credit Direct
Partner where it makes sense	• Extra value loans • Develop partnership/s for IT platforms • Cell captive for non core-product
Strengthen balance sheet	• ICAAP in place • Liability management programme • Cost reduction programme • Cell captive reinsurance structure concluded and implemented • Build retail deposit base • Capital allocation model • Cost of financing allocation • Transfer pricing

Our pillars	Activities
Governance and compliance	• Implement revised risk management framework • Data governance project to align with BCBS regulation number 239 • Conduct risk self-assessment • Enhance and implement the cyber risk plan • Strengthening Board committees and subcommittees • IT strategy plan developed
People	• People engagement survey achievements • Review of competencies of sales people, in anticipation of transactional banking • Leadership Masterclass development • Talent mapping for the organisation • Proposed Phantom Share Scheme • Improving employee value proposition (EVP) • Upskilling programme • Employee equity targets countrywide
Process and technology	• Implement IT strategy – Create a simplified low cost operating platform – Use existing assets to grow business – Introduce IT partners – Grow IT capabilities • Roll-out of the paperless project

STRATEGY continued

OUR VALUES IN ACTION

To modernise and energise the business, African Bank needed a fresh Vision and Mission. The Mission is activated through a value set that enables Strategy to roll in out in an evolving culture that is conducive to the creation of a successful bank.

We have defined how our Values work in practice and have linked the performance of these to metrics as laid out in the following table. To complete the integration of our Values into our business model, we also link these across to our strategic objectives.

Values	What is the value?	Value in action	Metrics	Strategic objective and pillars
Transparency	• Commit to open and honest communication • Open to considering different viewpoints respectfully • Commit to account for activities and accept responsibility for them • Disclose results of activities and deliver on promises • We say what we mean and we do what we say	• Publication of our first integrated report • Engagement and leadership sessions held periodically • Ongoing, relevant, detailed communications via African Bank internal channels • Clear communication on whistle-blowing • Code of Ethics policy launched and committee formed (CEO Chairman) • Improved compliance culture across the business • Clear, conservative impairments methodology • TCF being embedded in all customer interaction	• Number of engagement and leadership sessions held • Employee engagement index • Customer satisfaction index • NPS®	• Position as 'Humanity through banking' • People engagement • Governance and compliance

Values	What is the value?	Value in action	Metrics	Strategic objective and pillars
Innovation	• Strive to think and to do things differently • Commit to turning great ideas into reality • Reward and recognise individuals and teams who change our business for the better	• R1 million innovation challenge launched • Extra value loan launched • Best in class funeral insurance plan launched • Transactional Banking • Introduced profitability models by channel • Internal leadership development project • Paperless project • TCF being embedded in all customer interaction	• New products and services • Revenue diversification and growth • Cost saving	• Diversify product offering • Offer more value than expected • Broaden channels • Process and technology • People

STRATEGY continued

Values	What is the value?	Value in action	Metrics	Strategic objective and pillars
Collaboration	• Bring unique talents together • Work together internally and externally to find best solutions • Customer placed at the centre of all decision-making • Commit to align and harmonise our practices and actions and contribute positively towards the agreed goal	• Internal project to prepare for African Bank completed • Outsourcing projects developed • Insurance cell captive through Guardrisk completed • Business change forum established • Cross-divisional project management approach • Numerous partnerships established • Transactional banking	• Partnerships • People engagement • Project timelines met and delivered	• Partner where it makes sense • People
Empathy	• Respect that we are all different • Genuinely attentive and attempt to put ourselves in other peoples' shoes • We seek to understand people • Dedicated to making a difference to underprivileged communities in South Africa	• 'We are you' positioning – internal and external • High awareness of African Bank's CSI programmes • Good involvement from various departments with CSI initiatives • Community Champion Awards – 19 projects awarded • #WeBelieveinSA national campaign launching soon • Rewriting of contact centre scripts • Comprehensive induction training programme	• Customer satisfaction index • NPS® • People engagement	• Position as 'Humanity through banking' • People and renumeration

Values	What is the value?	Value in action	Metrics	Strategic objective and pillars
Profit conscious	• Seek to balance the return to our shareholders with value to our customers • Efficient and cost-effective to the benefit of the customer and business • Everybody is a revenue generator, and a cost centre	• The credit culture has changed – we only sell if it is profitable and compliant • Introduced profitability models by channel • Implementation of Hunter fraud prevention system • Cost reduction programme ongoing • Conservative provisioning introduced • Predictive risk monitoring much improved • Segmentation of channels introduced • Liability management exercise	• Return on equity • Cost savings • Revenue growth margin • Balance sheet size	• Offer more value than expected • Process and technology • Strengthen balance sheet competitiveness

LEADERSHIP REPORTS

LEADERSHIP REPORTS

Louis von Zeuner

African Bank has successfully achieved its objectives in its first six months of operation, on which we will measure ourselves going forward.

CHAIRMAN'S REPORT

It gives me great pleasure to present this, the first Chairman's Report of African Bank Holdings Limited.

In August 2014, the old African Bank was placed under curatorship by the Minister of Finance, and Tom Winterboer, then a Senior Partner at PricewaterhouseCoopers Inc., was appointed as Curator.

The old Bank's failure followed a series of unforeseen material provisions being created against the loan book. These impairments had a significant adverse effect on the Bank's capital and caused a shortage of liquidity, which was exacerbated by loss of confidence amongst creditors, resulting in an inability to refinance the Bank.

The old Bank played a unique role in the South African banking sector and its failure presented not only the potential for systemic risk to the SA banking environment, but also risk to the Bank's customer base and its people complement, then around 5 500.

The Curator and his team moved quickly to determine whether the Bank, or a portion of it, could be restructured to ensure a sustainable future.

This resulted in a strategy, the base case, being developed for the Bank and approved by the SARB, which facilitated a rescue package and a new shareholding structure for a new banking group, the holding company of which is African Bank Holdings Limited, with subsidiaries African Bank Limited (now a registered bank) and African Insurance Group Limited (the vehicle that holds the Group's insurance interest, enabling its cell captive arrangement).

Board and governance structures

I joined the Board of African Bank, with new CEO, Brian Riley in June 2015.

Seasoned directors and young professional people with appropriate skills were identified and invited to join the Board. We now have a dynamic mix of experienced and young directors who are able to bring banking, accounting, legal, actuarial, information technology, insurance and business competencies, to the Board table for our deliberations.

These skills are complemented by specialist independent consultants who sit on our subcommittees, which require technical skills (the Technical Credit and Model Validation and Asset and Liability Committees).

LEADERSHIP REPORTS continued

Fortunately, the events leading up to the curatorship had been analysed, well documented, and included in the report in terms of the Banks Act conducted by Adv John Myburgh SC, on behalf of the Registrar of Banks. In addition, we had access to all relevant documentation of the old Bank, including Board packs and risk registers. These documents were reviewed and provided insight and guidance on our governance needs going forward.

In October 2015, the curator commenced holding meetings of the Bank under curatorship, which our new directors attended.

Our new Board had a unique opportunity to familiarise itself with the business that it would become accountable for when African Bank commenced business in April 2016.

The assets and liabilities that would ultimately be acquired by African Bank were reported on in notional format, enabling directors to gain early insight into the performance of the business when it was acquired on 4 April 2016 by African Bank.

The collections performance of the non-performing assets of the old Bank that would remain under curatorship in Residual Debt Services and which African Bank is currently collecting under a service level agreement, were also reported on.

The governance structure for African Bank was established at that stage and the Board committees commenced meeting in December 2015, basing their work on the reports of the curator, prior to them being submitted to the Board.

The new Board attended its induction meeting in July 2015. The directors who assumed office in 2016 have recently attended individual induction programmes.

Those directors in office in April 2016 also attended the GIBS Banking Board Leadership Programme. Other Board training sessions included directors' duties, the Myburgh report findings, Internal Capital Adequacy Assessment Process, Cyber Security, new accounting protocol, IFRS 9, the Group's Recovery Plan and Anti Money Laundering.

Having focused on orientation with the business, prior to the establishment of African Bank, and on equipping our directors for their role as directors of a banking group, we are confident that we have a robust Board in place, that is sufficiently skilled to ensure that the interests of our stakeholders are preserved.

The Executive Team

When the old Bank went into curatorship, the skills diversity and the experience of the existing executive team was assessed.

Following that process, supported by the observations documented in the Myburgh report, and after regulatory approval from the SARB, most of the old Bank's executive team was retained. They have been supplemented by experienced professionals where gaps were identified.

The Board has gained comfort that the team under Brian Riley's leadership have been able to harness their combined competencies to effectively stabilise the Bank and create the focus necessary to ensure the successful implementation of our plans.

Establishment of African Bank

The Board has overseen the Group's most significant achievements in the past year, including the establishment and capitalisation of the African Bank Holdings Group, the transfer of assets from the old bank to African Bank, the liability management exercise and the establishment of the cell captive structure.

Strategy development

One of the conditions placed on the Group by the Registrar of Banks for the grant of a banking licence was that we take steps to diversify our business model within two years of commencement of our banking operations.

The Board recently approved a strategic plan for the Group, which I am pleased to advise includes a plan for the introduction of a transactional banking offering, in addition to new channels to market and new products, all of which will be launched early in the new year.

We understand the challenges presented to the banking industry, but are confident that our Strategy will present African Bank with the opportunity to position itself uniquely in the financial services sector, enabling us to deliver products and services that are accessible, compelling and offer value to the South African public.

Risk management mandate

The Board is mindful of the shortcomings that led to the old African Bank's failure.

While directors for African Bank were being sought, the senior executive team was also complemented with skills that were essential to enhance the Group's risk management competence. These included credit, information technology and actuarial skills.

A complete overhaul of the old Bank's risk management framework was undertaken during curatorship and the framework adopted by the Board for African Bank. This new risk management structure removed many of the inherent vulnerabilities of the previous framework and in so doing, the associated business risks were mitigated, as the new credit principles were implemented.

The Risk and Capital Management Committee has reviewed, and the Board approved, the critical risk policies, including the Enterprise Risk Management Framework, the Risk Appetite Policy, the Credit Risk and Risk Appetites, the ICAAP, the Group Recovery Plan, and various compliance policies.

Transparency, trust and reputation

The majority of the old Bank's customers were not affected by the institution's curatorship as day-to-day operations continued. The African Bank identity continues to resonate with its current customer base, which is why the name and logo were retained.

However, the investor community was negatively impacted. As a consequence, we are having to rebuild trust with investors and the broader financial community. We will seek to achieve this by ensuring transparent and ongoing engagement.

This integrated report is volunteered and not a regulatory requirement. It is our first element in re-establishing trust. We have articulated African Bank's Strategy and Values and we actively report on what we are doing to achieve our objectives. We will continue that theme in subsequent integrated reports, so that African Bank's performance to its brand promise is disclosed and can be tracked by stakeholders.

This report reflects that African Bank has successfully achieved milestones in its first six months of operation, on which we will measure ourselves going forward. We are confident that this performance is the solid foundation on which we can build.

Outlook

The state of today's volatile world and its macro economy is well documented. Most South African consumers are burdened by high levels of debt, and the lack of economic opportunity. Stagnant job growth and negative consumer confidence will continue to inhibit the Bank's ability to grow its asset book.

Furthermore, we are currently operating within a low-growth economy. A ratings downgrade and possible capital flight from South Africa may cause significant economic disruption. All of these factors have led us to our conservative approach to credit risk, which could negatively impact the Group's growth.

I am concerned about the potential impact of a number of new financial sector regulations that has recently been implemented, or are close to being ratified, by government and international banking regulators. The pipeline of financial regulation entering the banking sector is challenging to absorb and manage. The increased complexity and need to amend product and process will add to bottom-line costs and may impact financial institutions' ability to deliver banking services economically to the South African public.

However, we support government's intention to protect consumers from predatory financial practices and to bring greater transparency and certainty to the banking and credit sectors.

I take this opportunity to thank Tom Winterboer for seeing the old Bank successfully through curatorship and for his contribution to the establishment of African Bank.

Further, I would thank the Board for diligently assuming accountability for the African Bank Group, our stakeholders for their support and our people who remained resilient during the difficult times and who are now adding value to our Bank.

Finally, we are grateful to Brian Riley for taking on the African Bank challenge and leading our executive team, ultimately preserving the interests of our customers and our people, and for achieving the milestones we have reached in our short history.

Louis von Zeuner
Chairman

LEADERSHIP REPORTS continued

Brian Riley

The foundation for success is being set. What we have achieved in a short period of time gives me confidence that we will deliver on our Strategy to the benefit of all our stakeholders.

CEO'S REPORT

It is a privilege – and no small achievement – to deliver the first integrated report for African Bank Holdings Limited within the brief period of trading following the curatorship and restructuring of the old African Bank. We believe our six months of existence evidences significant improvement in all aspects of the business, while setting a good foundation for the transparent reporting and business transformation that will be essential to our success.

Before delving into the Strategy and the reporting detail, let me start by paying tribute to those stakeholders who contributed to the survival and re-emergence of African Bank. Our shareholders are the SARB, the Public Investment Corporation through the Government Employees Pension Fund and a consortium of six banks: Barclays Africa, Capitec, FirstRand Bank, Investec, Nedbank and Standard Bank. We are grateful for their capital injection of R10 billion and for the foresight of the SARB in putting the old African Bank into curatorship, thereby avoiding the systemic risk associated with a bank failure. It also prevented the loss of a bank that operated in an underserviced section of the population and the preservation of jobs, many of which support extended families. To involve the private and public sector in such an inclusive way is innovative and bears testament to the strength and quality of the SARB and the banking institutions in our country.

While the various funding stakeholders of the old bank would not have been enamoured by the circumstances leading to the deterioration in its financial performance and ultimately curatorship, their commitment to the new 'deal' cannot be underestimated. Their favourable vote on the various funding exchange offers, based on the conditions contained in the offer information memorandum (OIM), triggered the successful establishment and return to business of African Bank on 4 April 2016.

I would also like to thank the curator, Tom Winterboer and the 'deal team' from PwC for their skilled handling of the transaction resulting in the establishment of African Bank, under difficult and complicated circumstances.

Finally, and most importantly, this business would not be reporting at all without the knowledge and commitment of some of the key executives from the old Bank and our people who remained through the most difficult of times. They believed that we could re-enter the market with a business model that would be successful and sustainable.

Formulation of the Strategy

The establishment of a new Board and an executive team was critical to the success of the business. While the curator had initiated several operational and accounting improvements, he also persuaded our Chairman, Louis von Zeuner, a seasoned banker, to join the business and establish the Board and governance structures. Soon thereafter, in June 2015, I joined and we commenced the work of creating the new Strategy.

What was clear was that change was required. The monoline lending business of the past would not be sustainable into the future. Therefore, it was not surprising that we were informed by the Registrar of Banks that the conditions for approval of the banking licence included a requirement to diversify the business model. Lending legislation was about to change, which would reduce the profitability of high risk business.

Insurance legislation changes are imminent, which will again reduce new business volumes when introduced. The main challenge was always going to centre on keeping the current lending business intact and profitable, while investing in other revenue-generating initiatives and funding sources.

We held our first strategy session in May 2015. Following extremely robust debates with executives and Board members, we settled firmly on an approach that everybody was committed to. By that stage we had a stable executive team and six non-executive directors. The two directors appointed more recently were subsequently taken through the Strategy and support it fully.

What made this process particularly difficult was that we knew we had to envisage a completely new culture. The Mission, Purpose, Values, Strategy and success factors all had to either be changed, or created. In a new business this is easier, but less so in an existing business with a functioning infrastructure. However, we were working with a business model that had failed in a public and dramatic fashion, so the decision-makers were more open to change.

Establishing our Mission, Purpose and Values

The challenge of turning African Bank around brings with it the rare opportunity to re-imagine a financial institution built on a Mission, Purpose and a set of Values that seeks to bring a greater degree of 'humanity' to our banking relationship with South Africa's dynamic and diverse society. Our workforce, IT platforms and channels must align with this principle, so that African Bank customers experience the 'We are you' ethos through appropriate products and servicing at every touchpoint. This has to be achieved while still producing an acceptable level of return to shareholders.

LEADERSHIP REPORTS continued

What we arrived at is the following:

OUR VALUES

- TRANSPARENCY
- INNOVATION
- COLLABORATION
- EMPATHY
- PROFIT CONSCIOUS

OUR CULTURE

MISSION

To be a successful retail bank which offers a wide range of products and services to the consumers of South Africa. We seek to provide value – more than consumers expect of us. We promise to live our Purpose, 'Humanity through banking' in all that we do, and we are confident that we can, because... we are you.

OUR STRATEGY

- Position as 'Humanity through banking'; 'We are you'
- Offer more value than expected
- Diversify product offering to become a retail bank
- Widen customer base
- Broaden channels to market
- Partner where it makes sense
- Strengthen balance sheet to improve competitiveness

OUR PILLARS

Governance and compliance	People	Process and technology

PERFORMANCE

RETURN ON EQUITY	PEOPLE ENGAGEMENT SURVEY	CUSTOMER NPS®	CUSTOMER SATISFACTION SURVEY
> 15%	> 35%	> 40	> 80%

GROW CUSTOMER BASE	DIVERSIFICATION OF REVENUE	DIVERSIFY FUNDING (RETAIL DEPOSITS)	CREDIT LOSS RATIO
1,2 million to > 2,5 million	Non-interest > R300 million	> 25%	< 13%

OUR CUSTOMERS

These are unpacked in more detail on page 32 of the report.

Executing the Strategy

In addition to the encouraging financial results, it has been rewarding to see the Group galvanise its activities towards the agreed Strategy.

Apart from the significant improvements we have made regarding governance and compliance, as mentioned in the Chairman's report, refinements and new processes were introduced that touched every business unit in the Group. In addition, new initiatives, such as lending to higher income customers, the transactional banking project and partnering opportunities are all under way and at various stages of development, and will add long-term value to the business.

We have split the enterprise into revenue-generating businesses and in future financial reporting, the reader will be able to assess the individual performance of these businesses. Given that management has to fix, diversify, invest and grow business concurrently, we felt it would serve the Group better to segment and analyse performance according to the channels through which we source our business. The model is shown below.

Executive Committee

Business units	Credit Direct	Branch Network	Digital	Corporate
Support functions	Finance	Risk	Credit	Process and Technology
	Marketing	Operations	Human Capital	Assurance

To date, the Branch Network generated virtually all of the Bank's turnover and absorbed the full costs of the Bank. As we begin to diversify into direct lending for higher income earning customers and incur costs for the transactional banking project, it makes sense to separate the cost of investment in new initiatives from the cost of running the old business. It also ensures that we price ourselves correctly for the business sourced from the various channels.

Whilst no segmentation exists in this set of financials, we have already commenced management reporting in this manner for the forthcoming financial year. The two new businesses, Credit Direct and Digital, are in their infancy at present but direct cost and apportionment models as well as fixed transfer pricing are being applied to the businesses as they draw upon more of the Group's resources.

We responded to the changes in pricing regulations and the deteriorating wealth of many South African consumers by adjusting credit policy, retaining the prudency commenced during curatorship. This proved challenging to new business generators. While falling short of the targets set within the OIM, we still managed to book new business of R4,188 billion for the six-month period, excluding re-advances.

Another critical building block is IT delivery. This proved to be the most challenging area to reform. An acute under-investment in skills, platforms and processes was evident before we acquired the assets of the old bank. We have spent considerable time and resources on assessing our requirements, setting a roadmap to improve the 'old', while at the same time ensuring improvements to mitigate IT risk and accommodate the new initiatives. We have made several large investments to date and approved the IT strategy document. Improvements are already evident. The systems are now stable and we have an aligned view of the future, supported by our Board. Key to delivery is the knowledge that we cannot do everything alone and, in line with our Strategy, will partner on IT where it makes business sense.

LEADERSHIP REPORTS continued

Creating the great customer experience

A 2016 KPMG survey on banking in Africa reveals that customers are not particularly loyal to their current banks and will migrate if they perceive that they will receive better customer service elsewhere. They ranked customer service as the top reason for leaving a bank, whereas three years ago the relevant bank's financial stability was considered more important.

In line with our 'Humanity through banking' positioning, African Bank will be heavily focused on the customer experience to ensure that it is a marketplace differentiator.

It is for this reason that I have positioned myself as the overall customer experience champion in the business, chairing a Customer Experience Committee and receiving regular, action-generating input on the customer experience index (NPS®). Inculcating a customer experience ethic in African Bank will be one of my key focus areas for the new financial year.

The quality and commitment of our people

A primary contributor enabling the revival of African Bank was the overwhelming loyalty of the majority of our people who continued serving customers and performing their roles during curatorship, when there was no certainty that the Bank would remain in business. There was the inevitable surge of resignations in the early days after the start of curatorship, but in recent months the attrition rate has improved to a more palatable 17,1% (from 25,4% a year ago), and continues to drop.

All incoming people undergo a thorough induction into the 'Humanity through banking' ethos and we are presently updating all our training material. Exceptional banking skills are scarce; therefore, to retain people, we are implementing amended reward and recognition programmes. For those in the upper management ranks, a phantom share scheme was approved for implementation in the forthcoming financial year.

We are continuing to assess our team value proposition in the light of African Bank's evolution into a multiproduct transactional bank.

Without happy and engaged people it is extremely difficult to visualise a successful strategy. We were delighted with the results of our recent engagement survey, in which 72% of our people participated, and which reflected 43% of our workforce as fully engaged. This is higher than the national average.

Outlook

The African Bank brand

Throughout the difficulties of the curatorship period, our traditional customers, by and large, remained loyal to African Bank. This loyalty and brand association in our core market formed the basis for our decision to retain the name and logo of African Bank.

However, we are aware of the damage wrought to the brand as a consequence of the Bank's curatorship, in the eyes of the investor community and a desired higher-income target market. These potential customers may be more difficult to attract to the transactional bank offering, notwithstanding that it will be uniquely structured.

We are aware that we need to regain the trust of these stakeholders, and we can only do so by building a track record through the delivery of solid financial results, transparent reporting, and by providing consumer value. As our journey unfolds, African Bank's interactions will continually evolve into a more cost-efficient and compelling experience for customers. Our loan business should continue gaining traction through a wider spread of product, aimed at all consumers where we can achieve appropriate returns.

Challenging times

Our single biggest uncertainty for next year is the South African macro environment, with the SARB predicting only 0,4% GDP growth for 2016. South African economics and politics are volatile and the country's immediate economic future will be influenced by whether or not international investment rating agencies downgrade South Africa Inc.'s investment ratings.

However, this is less of a concern to African Bank. Regardless of whether or not there is growth in the country, we are not a mature business and as such, can only grow by ensuring that our product offerings are aligned to the requirements of our customers, are market competitive and distributed through channels appropriate to our target market.

The Chairman discussed regulatory issues in his report, yet I must reiterate that the growing complexity of regulation being introduced to the banking sector is costly and in some instances may hamper innovation. Certainly, the new credit and insurance regulations will make the higher risk offers unprofitable. Nevertheless we welcome regulations that level the playing field for all banks, but remain concerned that higher risk customers may well be driven to unregulated service providers to meet their requirements.

Loans and banking businesses are becoming ever more competitive

Although the old bank was a large player in the South African unsecured personal lending market, the country's large retail banks made significant inroads into this area of business during the old Bank's curatorship. Other financial institutions have also commenced their preparations to enter the transactional banking environment. For African Bank to enter the market successfully against this backdrop, innovation, our product offering, and a single-minded approach to delivery and customer service, will be the competitive advantage we will need to create growth.

In closing

We have a book of the better assets acquired from the old bank. The opening balance sheet of the business is highly unusual and yet does buy us sufficient time to establish African Bank and provide sufficient evidence that our Strategy has gained traction and is workable, by the time we need re-funding. We are under no illusions that by then, we will need to convince investors that the mistakes of the previous business are a thing of the past, and that African Bank is a profitable and investable business.

I believe we have developed the right Strategy and have in place the right people to execute it. The foundation for success is being set. What we have achieved in a short period of time gives me confidence that we will deliver on our Strategy to the benefit of all our stakeholders.

Brian Riley
Chief Executive Officer

LEADERSHIP REPORTS continued

Gustav Raubenheimer

The Bank delivered better financial results than originally forecast in the OIM. An operating profit of R335 million was achieved against an OIM forecast of an operating loss of R280 million.

CFO'S REPORT

- Bank and insurance entities are profitable before impairment of goodwill.
- Results better than forecast.
- Credit risk under control despite macro-economic pressures.
- Well capitalised balance sheet.

Results are better than forecast in the OIM with both the Bank and insurance entities profitable.

African Bank's first six months of trading as an independent group took place against a backdrop of an economic environment with numerous headwinds, including low growth, protests, political issues and a volatile currency. Despite these challenges, the Bank delivered better financial results than originally forecast in the OIM. An operating profit of R335 million was achieved against an OIM forecast of an operating loss of R280 million.

Readers should note that comparisons in this report are made against the OIM due to the absence of directly comparative historic data. Comparisons in future reports will be made against this historic data for the Group and African Bank, and not the OIM. While it serves some purpose to compare to the OIM for this maiden set of results, it will become increasingly less relevant as the Strategy of the Bank (not taken into account in the OIM) begins to assume greater relevance.

The OIM forecast of a R2 billion loss after tax included a projected impairment of R1,7 billion (actual R1,9 billion) in goodwill and R0,2 billion (actual R0) of irrecoverable VAT on assets acquired.

As outlined in the OIM, the difference between the fair value of assets acquired and liabilities assumed gave rise to the goodwill amount. The goodwill was fully impaired at acquisition date after application of IFRS valuation principles.

The OIM forecast also provided for irrecoverable VAT on the assets bought from Residual Debt Services (RDS, formerly known as African Bank Limited) of R215 million. This amount was not incurred, following a ruling from SARS. This amount was provided for in the agreement with RDS. Per this agreement goodwill increased due to this liability not realising.

The operating profit of R335 million includes a profit before tax of R251 million made on the liability management exercise, of which a ZAR equivalent of R11,7 billion worth of liabilities were repurchased. This liability management exercise is expected to save approximately R2,3 billion in negative carry by the time these instruments mature, thus partially eliminating drag on Bank profitability, while maintaining a conservative liquidity risk appetite.

The Group's insurance operation, held in African General Insurance Limited, made a R33 million profit after tax that was not included in the OIM forecast, as this document dealt exclusively with the projected performance of African Bank Limited.

Operating expenditure was in line with the OIM forecast. The management team identified annualised savings of approximately R250 million that are partially reflected in the current period result.

NORMALISED EARNINGS COMPARED TO OIM FORECAST

	ABH Actual six months ended 30 September 2016 (Rm)	OIM forecast for six months ended 30 September 2016 (Rm)
Loss for the year	(1 678)	(1 990)
Tax	(66)	22
Loss before taxation	(1 612)	(2 012)
Reversal of goodwill impairment	1 947	1 732
Operating profit/(loss)	335	(280)
Gain due to liability management	(251)	–
Normalised profit/(loss) before tax	84	(280)
African Bank	51	(280)
African Insurance Group	33	

LEADERSHIP REPORTS continued

IFRS requires that the acquired business, including the acquired advances book, must be reflected at fair value. The advances book is reflected net of existing old African Bank credit risk impairment provisions, on date of acquisition.

Therefore, the acquired book's margin is shown on a yield to maturity basis in the net interest income line on the income statement, and will continue to be shown as such in future financial statements to the extent the acquired advances remain on book. This requirement makes African Bank's income statement performance difficult to compare with those of other banks. To enhance the reader's understanding, the following table reflects the income statement as published, with an adjusted income statement as if the acquired book was originated and not acquired – that is, not accounted for on a yield-to-maturity basis.

ADJUSTED OPERATING RESULTS EXCLUDING FAIR VALUE ADJUSTMENTS TO ACQUIRED BOOK

	Actual published IFRS results for the six months ended 30 September 2016 (Rm)	Adjusted results for the six months ended 30 September 2016 (Rm)	OIM forecast for the six months ended 30 September 2016 (Rm)
Interest income on advances	2 065	3 254	3 569
Non-interest income on advances		744	765
Fair value unwind on acquired book		10	(24)
Total income on advances	2 065	4 008	4 310
Credit impairment charge	(362)	(1 893)	(2 294)
Interest after impairment	1 703	2 115	2 016
Other interest income	642	642	573
Interest expense and similar charges	(1 809)	(1 809)	(1 791)
Net interest income	536	948	798
Other non-interest income	782	370	339
Operating Expenditure	(1 223)	(1 223)	(1 148)
Indirect tax	(44)	(44)	(269)
Gain due to liability management	251	251	
Remeasurement of insurance asset	33	33	
Operating profit/loss	335	335	(280)

Interest income was negatively affected by a higher than anticipated flow of defaulting customers into debt counseling, resulting in lower than anticipated interest income being recognised on this portion of the book. A positive impact is expected on future impairment charges as a result of the increased flow into debt counseling. Interest margins are expected to be negatively impacted in future reporting periods by the National Credit Regulator's (NCR) pricing regulations, which came into effect on 6 May 2016.

A cost-to-income-from-advances ratio of 30%, based on the adjusted income statement, was achieved for the six months under review. We continue to review our branch infrastructure utilising an Embedded Value model to evaluate the contribution of each branch. African Bank had 386 branches as at 30 September 2016, down from 390 as at 4 April 2016. Our total number of permanent people decreased slightly from 4 102 as at 4 April 2016 to 4 075 as at 30 September 2016.

Credit risk under control, despite macro-economic pressures

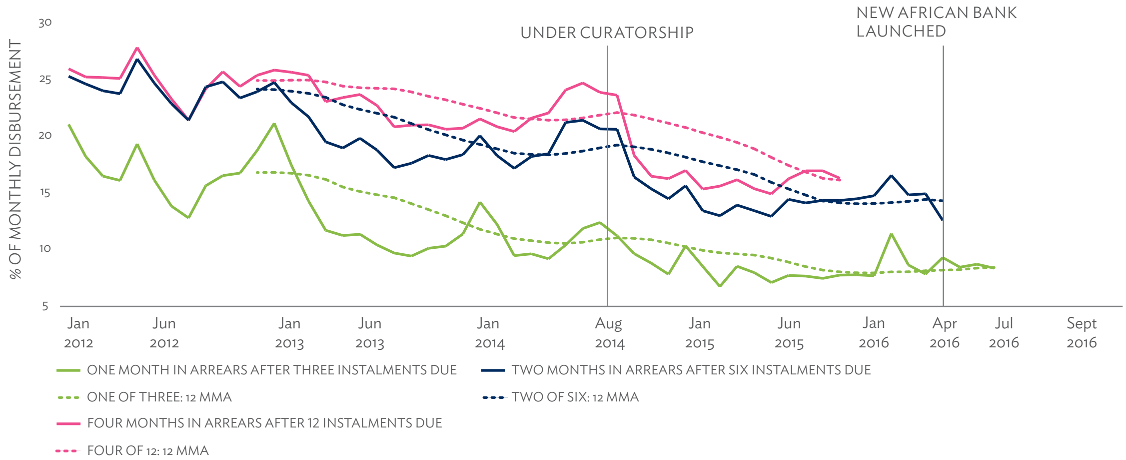
At an annualised 13,2%, the credit loss ratio is better than anticipated in the OIM (15%). This performance is due to a combination of continuous review of our underwriting criteria and better than anticipated collections, despite the worsening economic climate. Improved collections also positively impacted other non-interest income relating to cost recoveries from RDS, from which the Bank receives a commission on monies collected on behalf of the curator.

Recent arrears analysis shows clearly that the average South African consumer continues to be under severe economic pressure and is expected to remain so for the medium term.

Customer advances arrears analysis

The graph below compares the level of arrears, calculated on a value basis, of consecutive monthly disbursements by measuring the proportions of the business in arrears, as described. Three comparisons are shown by way of solid lines – the percentage of accounts with any missed instalments as at three months on book, the percentage of accounts with two or more missed instalments as at six months on book and the percentage of accounts with three or more instalments as at 12 months on book. The corresponding 12-month moving averages (12 MMA) are shown for each data set as dotted lines, so as to show the long-term trend. The African Bank advances portfolio comprises the better quality advances of the old Bank as at 10 August 2014, together with all business written since that date. Prior periods relate to the total advances book of the old Bank.

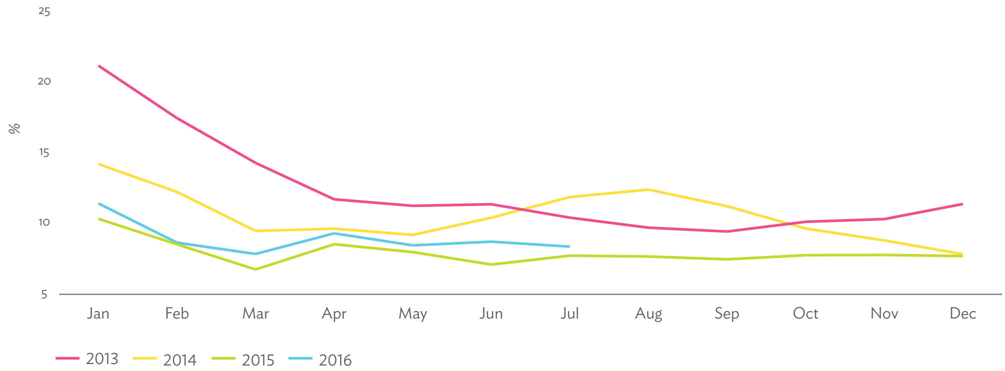
MONTHLY DISBURSEMENT EARLY RISK EMERGENCE TRENDS



LEADERSHIP REPORTS continued

An improving trend is apparent from the level of arrears reducing over time as measured for all the data points. For further perspective, we included the graph below, which compares the early arrears performance of accounts originated on a monthly basis per calendar year for one instalment missed after three months on book.

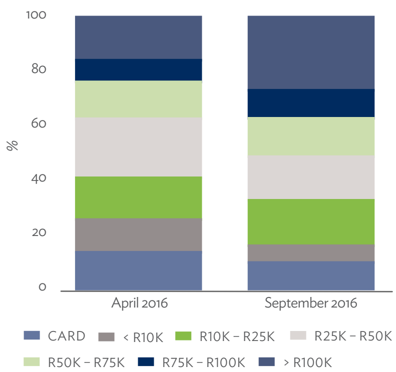
EARLY RISK INDICATOR (ONE INSTALMENT MISSED AFTER THREE MONTHS)



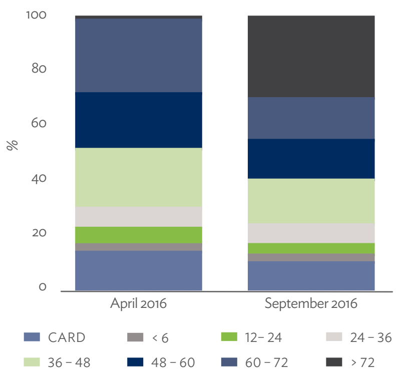
This graph compares the proportion of accounts that had missed an instalment at three months on book for the January 2013 to July 2016 origination tranches. While there is an improving trend year on year, a significant improvement is apparent as of 2015 when compared to 2014. Accounts originated in 2016 continue to perform in line with those originated in 2015, albeit at a slightly worse level, influenced by the continuing negative macro-economic factors, described earlier.

In light of recent trends, further underwriting restrictions were implemented during September 2016, thereby reducing approval rates from 65% to 56%. Our new criteria are designed to reduce credit risk by no longer allowing short-term loans (six months and fewer) being granted to customers who only qualified for such products. The result is an increase in average loan size disbursed from R18 854 in April 2016 to R24 793 in September 2016, and an increase in the average term from 26,3 months to 31 months. By increasing exposure to low-risk customers, the credit risk of new tranches of business is expected to decline substantially.

LOAN SIZE DISTRIBUTION



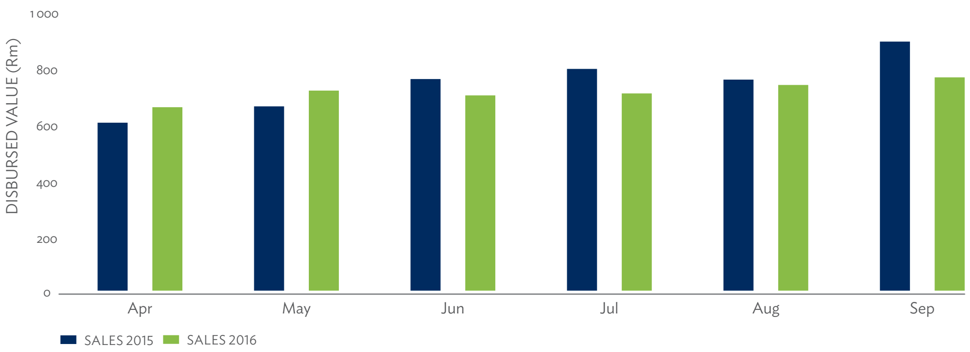
TERM DISTRIBUTION



Disbursements market share increased year-on-year

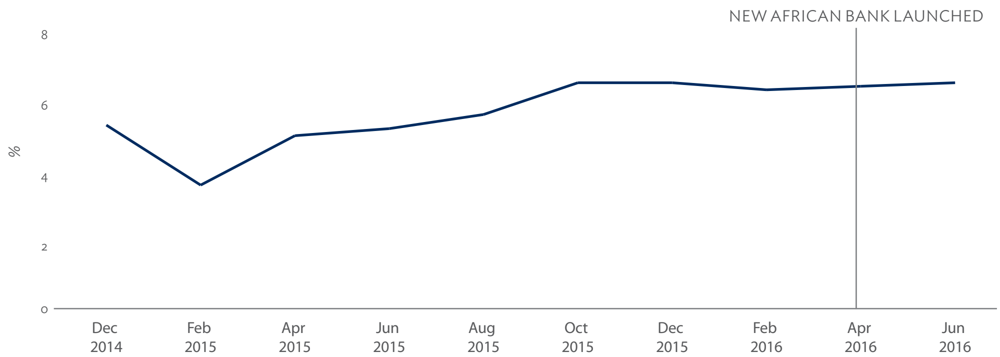
The rand value of disbursements for the six months to 30 September 2016 (R4 188 million) declined by 4%, when measured against the previous six months to 30 September 2016 (R4 368 million). The following schematic compares the period to 30 September 2015 and 2016 disbursements per month, where the impact of the new regulations is noticeable from months subsequent to May 2016, as shown in the green bars.

AFRICAN BANK DISBURSEMENTS



African Bank increased market share in disbursements from 3,5% in February 2015 to 6,4% in June 2016, in the face of increasing economic pressure on consumers and the market impact of the NCR's pricing regulations.

MARKET SHARE – DISBURSEMENTS*



* *% calculated based on Experian credit bureau data.*

LEADERSHIP REPORTS continued

Our financial position

- Advances balance remains static and conservatively provided for.
- The earliest capital markets debt matures from April 2018.
- The successful completion of the liability management exercise has made a positive contribution to the bottom line and will continue to do so over the next few years.
- Maturities up to September 2019 can be covered without raising additional funding, off the current level of new business flows.
- Core Equity Tier 1 (CET1) levels reached 31,5% as at 30 September 2016.

The book acquired from the curator of Residual Debt Services Ltd (previously known as African Bank, under curatorship) was taken onto the balance sheet at fair value. To facilitate the reader's understanding, the explanations below treat the acquired book as if it was acknowledged at amortised cost. Please refer to note 5 of the audited annual consolidated financial statements for further explanation.

Advances remain static and conservatively provided for

Gross advances of R27,6 billion reduced from the take-on book in April 2016 of R29,2 billion. Disbursements for the six months, of R4,2 billion, remained constrained under the new NCR regulations, revised credit policies and a competitive market. Collections were ahead of expectation, resulting in a marginal decrease in impairment provisions from R 7,9 billion at take-on date to R7,5 billion.

A robust and prudent provisioning and impairment policy was instituted in accordance with best practice and IFRS requirements. Some of the main features of the policy that are rigorously applied include:

- The written-off book has no value attributed to it.
- Loans are written off if no payment has been received for six months.
- Loans with contractual arrears within six months are impaired progressively, based on expected cash flows.
- The restructuring of loans does not affect the arrears classification.
- Arrears calculations are rounded up. This implies that a customer that has missed one cent will be in arrears.

The arrears profile and extent of impairment of the gross loan book was as follows:

	30 September 2016	4 April 2016
Impairments analysis	% Impairment cover	
Per missed instalments		
0	4,9 %	5,3 %
1 – 3	31,8 %	36,2 %
> = 4	63,7 %	69,3 %
Split		
Loan	28,3 %	33,0 %
Card	23,2 %	22,4 %
Total	27,1 %	30,4 %
NPLs >= 4 missed instalments	% of portfolio	
	31,5 %	33,5 %

Impairment coverage reduced since 1 April 2016. This is attributable to a write-off definition change and the introduction of the conservative arrears definition on the card portfolio. During curatorship, loans that had not made any payment in the previous six months were fully provided for. As at September, 2016, such loans are actually written off. Advances were only written off once no payments had been received in 10 months by old African Bank. The coverage on accounts that had missed more than three instalments would have been 64.8% as at 4 April, if this write-off policy change were implemented during curatorship.

The more conservative arrears calculation which rounds up resulted in an increase in card arrears from 42% to 56% and an increase in overall coverage on the card portfolio from 22% to 24%. Coverage within arrears categories decreased due to better-performing accounts now being classified as arrears.

The new accounting standard, IFRS 9, which sets out a revised impairment recognition framework, will need to be applied from the 2019 financial year. IFRS 9 modelling is well advanced and is currently undergoing parallel testing and back testing. African Bank expects to be able to absorb the expected regulatory capital impact of IFRS 9, based on its current balance sheet structure.

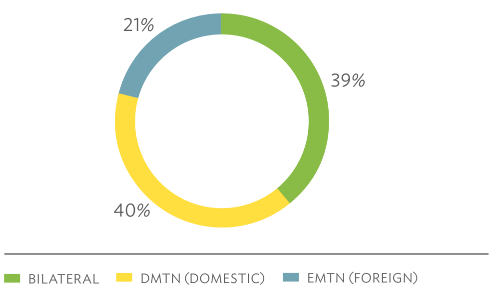
Strong liquidity, with the earliest maturing debt payable in April 2018

African Bank undertook a liability management exercise, buying back liabilities with a ZAR equivalent of R11,7 billion. This was done to save negative interest margin amounting to approximately R2,3 billion over the maturity term of the liabilities book to 2022. These liabilities were predominantly EMTNs (foreign bonds), which are considered expensive due to the cost of hedging against foreign currency exchange rate movements. Post this liability management exercise, 21% of African Bank's funding relates to foreign bonds. These bonds are largely hedged as at 30 September 2016, through a combination of foreign currency swaps and physical foreign currency cash balances.

LEADERSHIP REPORTS continued

African Bank funding – instrument type

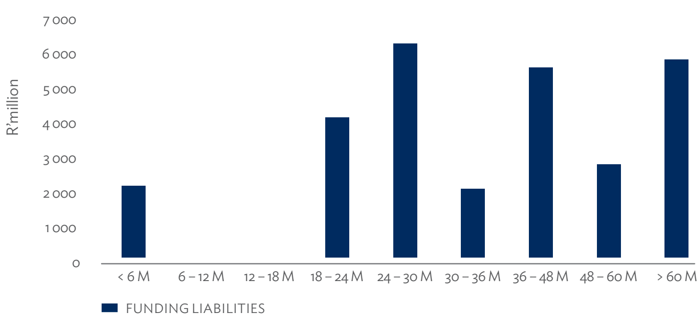
FUNDING SPLIT PER CATEGORY (%)



African Bank has a positive asset liability mismatch profile. In other words, assets mature before liabilities, resulting in a positive liquidity gap. Furthermore, interest rate increases announced by the SARB will also positively impact on African Bank's income statement as there are more floating advances than liabilities.

African Bank's capital markets liability profile is shown in the graph below. The Bank has R6 billion of liabilities maturing during the year ending 30 September 2018 (including R2 billion of maturing collateral liabilities), and another R8 billion in the year ending 30 September 2019. The R2 billion maturity in the first bucket in the graph below represents collateral liabilities in respect of margin calls on collateralised hedge instruments, predominantly in respect of the remaining foreign currency liabilities.

MATURITY PROFILE OF FUNDING LIABILITIES



Maturities up to 2019 can be covered without any additional funding

Current cash on hand as at 30 September 2016 amounts to approximately R14 billion. This cash balance, with stable collections, will enable African Bank to cover all maturities until September 2019, even if none of the maturities roll over, without exceeding the Board defined liquidity risk appetite. Nonetheless, liquidity in 2020 and beyond will remain a significant challenge unless the Group builds a favorable track record and reputation that will enable us to roll over existing debt or raise new debt at favourable rates. The Bank would ideally seek to roll over at least 50% of liabilities from April 2018, to prevent liquidity issues in 2020 and beyond.

While still in its infancy, it is pleasing that retail savings and investments continue to attract new customers. At year-end, the Group had grown investment customers to 4 100 with a book value of R144 million. We hope to grow this book significantly in the years ahead.

CET1 exceeded 30%

CET1 capital adequacy for African Bank Limited was 31,5%.

Total capital adequacy for the Bank was 38,3%.

The insurance business

African Bank has a cell captive agreement with Guardrisk Limited (African Insurance Group Cell Captive), whereby insurance products sold by the Group are underwritten within a cell captive arrangement. In accordance with IFRS, the insurance cell captive is not consolidated, as African Insurance Group is contractually obliged to invest additional capital in the cell to adhere to the applicable insurance capital adequacy requirements. Therefore, African Insurance Group is deemed to act as a re-insurer for Guardrisk on the cell captive exposure. Accordingly, African Insurance Group recognises the investment in the cell captive as an investment in insurance products and any surplus capital profits in the cell captive in excess of minimum capital adequacy requirements accrues to African Insurance Group.

African Bank earned R215 million of commissions and fees for writing and managing insurance contracts including binder fees. The investment in Guardrisk amounted to R314 million at year end.

All new card business since 16 January 2016 has been insured by Guardrisk from a credit life insurance perspective. Guardrisk bought the economic rights and obligations from Stangen in connection with loans and card policies for customers written by RDS Limited.

African Bank commenced its own funeral policy business on 3 August 2016, and sold 10 000 policies by 30 September 2016. This product is recognised as one of the best in the business due to its innovative features.

The cell captive made a profit of R33 million after tax for the period, off a claims ratio of 35%.

Total assets of the cell captive amounted to R797 million at year end with an incurred but not reported (IBNR) reserve of R440 million, which represents close to three months of premiums. This IBNR reserve was created during the current reporting period by reserving through the income statement, suppressing the profitability of this entity.

Outlook

The Group is well capitalised and highly liquid as was intended by the restructuring. Investment in developing the IT infrastructure and new ventures, such as transactional banking, will be carefully managed using the Group risk, return and capital allocation guidelines. The Group will continue to operate within its set risk tolerance levels and prudent impairment provisioning practices.

The National Credit Act is likely to impose a cap on credit life insurance premiums, which will affect the Group's margin on new lending. It could, therefore, have a negative impact on future growth and we anticipate that this will generally apply across the market.

We remain cautious about the outlook of the South African economy, especially in the light of the pending risk of a credit rating downgrade. Political and policy uncertainty in the context of the lack of economic growth prospects pose the risk of extended recessionary conditions. Volatility of the rand exchange rate remains the order of the day, although it is positive to note an easing of inflation rates towards year-end. Our customers are expected to remain under pressure in the short and medium term and we are going to have to be innovative to provide value-added products to a select profile of customers that meet our risk and return tolerance criteria.

Gustav Raubenheimer
Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENT EXTRACTS

The consolidated financial statement extracts are extracted from audited information, but are not themselves audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available on www.africanbank.co.za or at 59 16th Road, Midrand, 1685, for inspection at the Company's registered office.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2016

	Group
R'million	2016
Assets	
Cash and cash equivalents	12 864
Statutory assets	1 237
Derivatives	2 230
Net advances	20 111
Accounts receivable and other assets	232
Investment in insurance contracts	314
Property and equipment	553
Intangible assets	49
Deferred tax asset	121
Total assets	37 711
Liabilities and equity	
Short-term funding	2 159
Derivatives	4
Creditors and accruals	1 286
Bonds and other long-term funding	24 313
Current tax liability	99
Subordinated bonds, debentures and loans	1 528
Total liabilities	29 389
Ordinary share capital	5
Ordinary share premium	9 995
Reserves and accumulated losses	(1 678)
Total equity (capital and reserves)	8 322
Total liabilities and equity	37 711

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE LOSS

for the year ended 30 September 2016

R'million	Group 2016
Interest income on advances	2 065
Credit impairment charge	(362)
Interest after impairment	1 703
Other interest income	642
Interest expense and similar charges	(1 809)
Net interest income	536
Non-interest income	782
Remeasurement of insurance contracts	33
Operating costs	(1 223)
Gains on debt buyback	251
Indirect taxation: VAT	(44)
Operating profit	335
Goodwill impairment	(1 947)
Loss before taxation	(1 612)
Taxation	(66)
Loss for the year	(1 678)
Attributable to:	
– Owners of African Bank Holdings Limited	(1 678)
Total comprehensive loss for the year*	(1 678)

* *The Group had no other comprehensive income for the period*

CONSOLIDATED FINANCIAL STATEMENT EXTRACTS continued

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2016

	Group			
R'million	Ordinary share capital	Ordinary share premium	Accumulated (loss)	Total
Balance at 30 September 2015	–	–	–	–
Total comprehensive loss for the year	–	–	(1 678)	(1 678)
Ordinary shares issued	5	9 995	–	10 000
Balance at 30 September 2016	5	9 995	(1 678)	8 322

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2016

R'million	Group 2016
Cash flows from operating activities	
Cash generated from operations	2 658
Cash received from lending activities and cash reserves	4 421
Recoveries on advances previously written off	194
Cash paid to customers, suppliers of funding, people and agents	(1 957)
Increase in gross advances	(391)
Decrease in statutory assets	2 559
Increase in customer deposits	28
Indirect and direct taxation paid	(132)
Net cash inflow from operating activities	4 722
Cash inflow from investing activities	
Acquisition of a business under a business combination	10 065
Acquisition of property and equipment (to maintain operations)	(107)
Acquisition of intangible assets (to maintain operations)	(2)
Investment in insurance arrangement	(281)
Net cash inflow from investing activities	9 675
Cash flows from financing activities	
Long-term funding redeemed	(9 394)
Net short-term funding redeemed	(1 771)
Share capital issued for cash	10 000
Net cash outflow from funding activities	(1 165)
Increase in cash and cash equivalents	13 232
Cash and cash equivalents at the beginning of the year	–
Effect of exchange rate changes on cash and cash equivalents	(368)
Cash and cash equivalents at the end of the year	12 864

GOVERNANCE AND COMPLIANCE

GOVERNANCE AND COMPLIANCE

EXECUTIVE SUMMARY

Governance ethos

The ABH Group's prime corporate governance objective is to ensure that adequate and effective processes, which are consistent with the nature, complexity and risks inherent in the Group's business activities and that respond to changes in the environment and conditions, are in place and maintained.

Introduction

The Board has recognised that sound corporate governance and ethical business practice is the foundation upon which the trust of all stakeholders is built and the principles are espoused in its approved governance framework (the framework). The framework is a policy of the Group and applies to all of the businesses within the Group.

The framework takes cognisance of the requirements of the King Code of Governance Principles for South Africa 2009 (King III), the Companies Act, No 71 of 2008 (as amended) (Companies Act), the Banks Act, No 94 of 1990 (as amended) (Banks Act) and other relevant legislation and/or regulation and best practice as determined by the Board from time to time. The Board conducts its affairs in terms of the Company's Memorandum of Incorporation and its charter.

The Board is ultimately responsible for providing strategic direction leading to ensuring sustainable Group business and the effective processes of:

- Corporate governance
- Ethical behaviour within the Group business activities with all stakeholders
- Compliance
- Internal controls
- Risk management
- The ongoing assessment of capital requirements and the maintenance of adequate capital

Chairperson

The Chairperson is an independent non-executive director.

An annual performance assessment of the Chairperson is undertaken in November (commencing November 2016) when the Board also considers the election of a chairperson for the forthcoming year, commencing 1 January 2017.

Chief Executive Officer

The Chief Executive Officer (CEO) is appointed by the Board on contract. His contract is for an indefinite period, which may be terminated by the Group or the CEO by mutual agreement, with a minimum notice period of three months.

A Board-approved delegation of authority is in place, which together with the duties and authorities, which form part of the Board charter, delineate the CEO's authority.

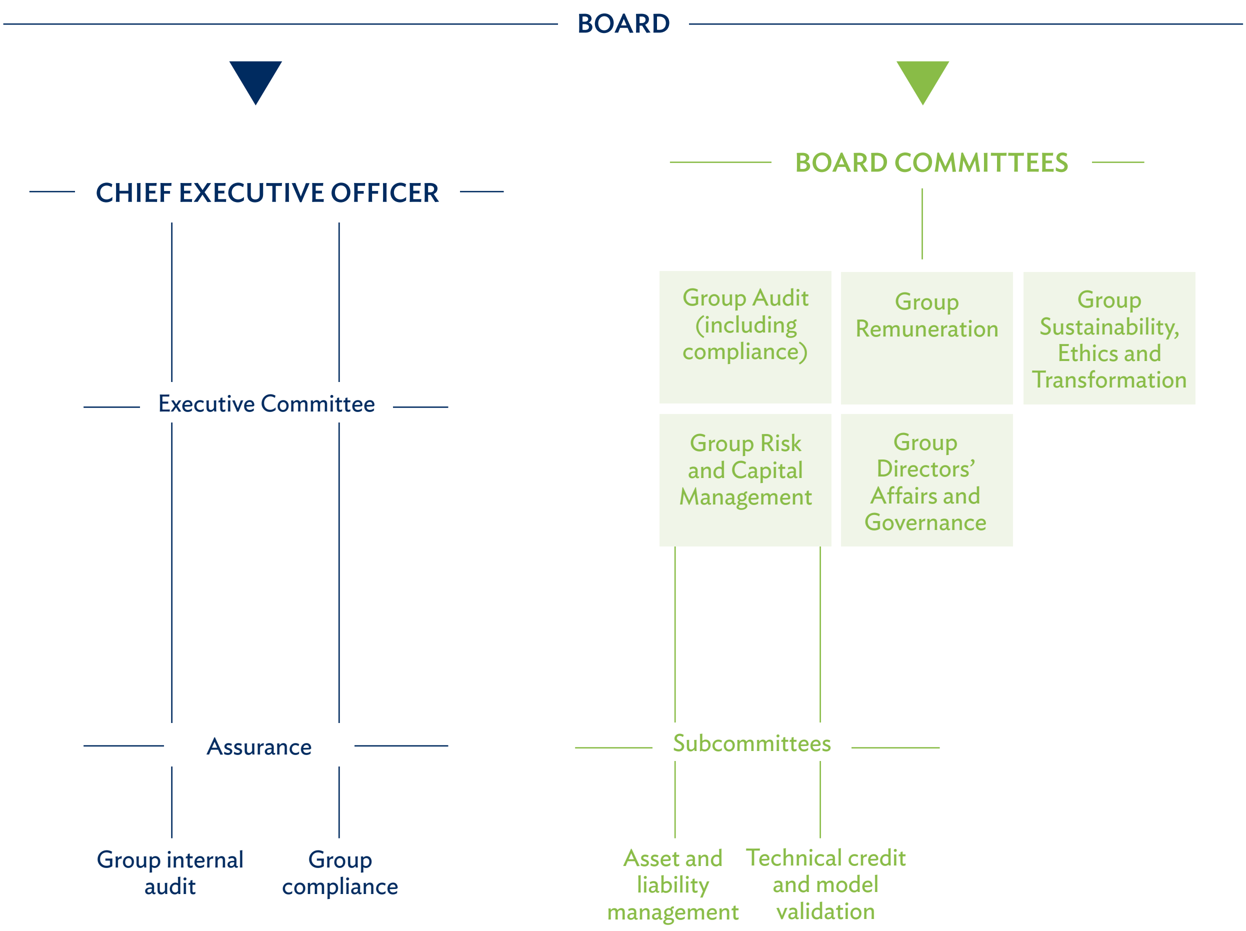
The CEO's key performance metrics for the forthcoming financial year, which are aligned to the key performance objectives of the Group, are approved by the Board annually and his performance thereto assessed at the conclusion of the year.

GOVERNANCE AND COMPLIANCE continued

Governance structure

The Board has established committees of appropriately skilled directors, who assist it to fulfill its strategic objectives by providing the oversight necessary to ensure successful implementation within determined governance, regulatory and risk parameters.

Organisational structure



THE BOARD AND COMMITTEES

The Board and its committees attended meetings of old African Bank, while under curatorship, by invitation of the curator.

In his report, the Chairman has articulated the reasons for this and the benefits to the Group business and its governance processes.

The tables that follow indicate those meetings attended by invitation under the heading African Bank uc.

Meeting attendance

	Attendees African Bank uc			Members ABH				
Name	10 December 2015	18 January 2016	25 February 2016	22 April 2016	27 May 2016	23 August 2016	24 August 2016	21 September 2016
LL von Zeuner (Chairperson)	✓	✓	✓	✓	✓	✓	✓	✓
B Maluleke	✓	✓	✓	✓	✓	✓	✓	✓
SL McCloghrie	✓	✓	✓	✓	✓	✓	✓	✓
SK Mhlarhi*						✓	✓	✓
G Raubenheimer	✓	✓	✓	✓	✓	✓	Apology	✓
B Riley	✓	✓	✓	✓	✓	✓	✓	✓
IS Sehoole	✓	✓	✓	✓	✓	✓	✓	✓
L Stephens	✓	✓	✓	✓	✓	✓	✓	✓
PJ Temple**					✓	✓	✓	Apology
FJ C Truter	✓	✓	✓	✓	✓	✓	✓	✓

* *Appointed July 2016.*
** *Appointed April 2016.*

The ABH Board and its committees exercise oversight over the Group.

Boards of its subsidiaries, African Bank and InsureCo, are constituted with authority over those entities.

The ABH Board committees exercise oversight of Group activities on behalf of the ABH Board, the African Bank Board and the InsureCo Board.

Significant milestones achieved by the Board to date

- Establishment of the African Bank Holdings Group
- Establishment of Group governance structure and authorities
- Approved the Group Strategy and a budget to 2019
- Oversight of the transfer of the credit business from old Bank to African Bank
- Establishment of the EMTN and DMTN programmes in the Bank and the transfer of the liability book from old Bank
- Establishment of the Group's insurance capacity via a cell captive arrangement
- Approved key business policies
  - Internal Capital Adequacy Assessment Process (ICAAP)
  - Recovery plan
  - Risk appetite framework
  - Group risk appetite

GOVERNANCE AND COMPLIANCE continued

Initiatives for the year ahead

- Oversee the implementation and further development of the strategic plan;
- Further embed the governance processes;
- Act on matters identified as shortcomings in the governance process, in the Board assessment process;
- Embed the ICAAP process to ensure effective capital allocation;
- Ensure ongoing focus on the internal and external drivers influencing the Group's risk profile;
- Enhancement of the Group IT strategy to take cognisance of anticipated further strategic initiatives;
- Implementation of the King IV Report on Corporate Governance for South Africa 2016 (King IV) and alignment of the Group's business practices thereto.

DIRECTORS' AFFAIRS AND GOVERNANCE (DAG) COMMITTEE

The DAG Committee objective is to assist the Board in discharging its responsibilities in terms of section 64B and Regulation 39 of the Banks Act, the provisions of the Companies Act, and to comply with the provisions of King III or other codes of corporate practice and conduct adopted by the Board from time to time. The Committee assists the Board to review and evaluate the adequacy, effectiveness and appropriateness of the Group's corporate governance structures, develop and maintain Board continuity and succession, key executive succession and ensure that the process of effective corporate governance is adequately monitored. The DAG Committee acts as the Nominations Committee.

Meeting attendance

	Attendees African Bank uc		Members ABH
Name	10 December 2015	25 February 2016	27 May 2016
LL von Zeuner (Chairperson)	✓	✓	✓
B Maluleke	✓	✓	✓
IS Sehoole	✓	✓	✓
L Stephens	✓	✓	✓
FJ C Truter	✓	✓	✓
By invitation			
B Riley	✓	✓	

Significant milestones achieved by the DAG Committee to date

- Approved the Group governance structure and authorities
- Selected, for nomination to the Board, new directors, taking cognisance of the skills demographic required for the Board and its committees
- Ensured that the Board committees were adequately resourced with appropriate skills
- Oversaw the induction of new directors and ongoing training of the Board
- Approved the KRAs and the remuneration packages of the CEO and Chief Financial Officer (CFO)

Initiatives for the year ahead

- Ensure the optimum performance of the Group governance structure, including the review of the effectiveness of the Board committees
- Development of the director effectiveness assessment process and a Board succession plan
- Approve the key executive succession plans
- Implementation of King IV and the alignment of the Group's business practices thereto

AUDIT AND COMPLIANCE COMMITTEE (AUDITCOM)

The AUDITCOM is constituted in terms of section 94(7) of the Companies Act and pursuant to Section 64 of the Banks Act and King III. The AUDITCOM oversees the financial reporting and internal control processes and compliance for the ABH Group. In terms of its charter, it reviews the significant findings of the external and internal auditors and Group compliance office and monitors the progress reports for corrective actions required to rectify reported control shortcomings.

The Committee has oversight over compliance and the anti-money laundering governance and processes.

Meeting attendance

	Attendees African Bank uc		Members ABH	
Name	7 December 2015	11 February 2016	17 May 2016	2 August 2016
FJC Truter (Chairperson)	✓	✓	✓	✓
IS Sehoole	✓	✓	✓	✓
L Stephens	✓	✓	✓	✓
In attendance				
B Riley	✓	✓	✓	✓
G Raubenheimer	✓	✓	✓	✓
By invitation				
LL von Zeuner				✓

Significant milestones achieved by the AUDITCOM to date

- Oversaw:
  - The financial considerations arising from the transfer of business from old Bank and accounting policies applied thereto
  - The development of the plans for the combined assurance process
  - The adoption of integrated reporting principles
- Approved its annual work plan
- Oversaw the appointment of a new head of internal audit
- Oversaw the review of the internal audit fit for purpose project
- Approved:
  - The internal audit charter
  - The internal audit plan
  - The policy for non-audit services
- Approved:
  - The external audit plan
- Commenced the planning for the introduction of IFRS 9
- Identified the Group compliance universe and established the governance and reporting process in relation thereto
- Approved the Group anti-money laundering policies

Initiatives for the year ahead

- Alignment of the internal management reporting to external reporting
- Embed the combined assurance process
- Refine and adopt plans for the adoption of the new accounting standards IFRS 4, 9, 15 and 16
- Encourage effective communication between internal and external auditors

GOVERNANCE AND COMPLIANCE continued

RISK AND CAPITAL MANAGEMENT COMMITTEE (RCMC)

The RCMC is constituted pursuant to the terms of section 64A of the Banks Act. The Committee and its subcommittees oversee the ICAAP for the ABH Group. It approves risk management policies and exposure limits with recommendation to the Board for acceptance, and monitors the effectiveness of the risk management processes.

The RCMC reports its assessment of the effectiveness of the risk management and capital adequacy processes to the Audit Committee and to the Board at intervals and in a format agreed with the Board.

The technical committees, the Asset and Liability Committee, chaired by Ms L Stephens and the Credit and Market Validation Committee, chaired by Mr P Temple, have been constituted as subcommittees of the RCMC. Both committees also have amongst their members independent specialist professionals.

Meeting attendance

	Attendees African Bank uc		Members ABH		
Name	7 December 2015	11 February 2016	17 May 2016	2 August 2016	19 September 2016
IS Sehoole (Chairperson)	✓	✓	✓	✓	✓
SL McCloghrie	✓	✓	✓	✓	✓
PJ Temple					
In attendance					
B Riley	✓	✓	✓	✓	✓
G Raubenheimer	✓	✓	✓	✓	✓
By invitation					
B Maluleke *			✓	✓	✓
FJC Truter **			✓	✓	✓

* *Chair, Remuneration Committee*
** *Chair, AUDITCOM*

Significant milestones achieved by the RCMC to date

- Approved its annual work plan
- Assisted the Board in establishing the governance processes to ensure the maintenance of effective risk management and capital management in the Group, which included:
  - The identification of internal risk categories
  - The development and implementation of risk mitigants
  - The development of the risk appetite framework and reporting on the performance thereto
- Oversaw the establishment of and approved the mandate for:
  - ALCO
  - Technical Credit and Model Validation Committee and approved the membership of the committees which includes technical experts
- Oversaw the establishment of and approved for recommendation to the Board:
  - ICAAP
  - Recovery plan
  - Enterprise risk management framework
  - Risk appetite framework
  - Credit risk appetite
- Undertook comprehensive independent review of IT risk and IT governance
- Oversaw for recommendation to the Board, IT governance structure and policies
- Oversaw the establishment of:
  - Model validation governance
  - Risk and financial model inventory

Initiatives for the year ahead

- Continued ongoing focus on the internal and external drivers of risk, identification of new or enhanced risk and mitigation thereof
- Review of the impact on the Group's risk profile of new strategic and business initiatives
- Ongoing consideration of the Group's agreed risk appetite framework, taking cognisance of the changes in its business and operating environment
- The effective implementation of the ICAAP
- Consequences of the impact of new business initiatives on capital adequacy

THE REMUNERATION COMMITTEE (REMCO)

The REMCO determines remuneration policy and practice for implementation in the Group. It approves the remuneration packages of the prescribed officers and reviews those recommended for the executive directors (which are approved by the Board).

It provides independent oversight of the remuneration packages recommended for our key assurance people.

The REMCO makes recommendations to the Board on the quantum of annual incentive pools and the hurdles attached thereto to enable vesting, and the fees of non-executive directors. (The Board in turn submits the proposal on non-executive directors' fees to shareholders for approval.)

Meeting attendance

	Attendees African Bank uc	Members ABH	
Name	20 October 2015	22 April 2016	14 July 2016
B Maluleke (Chairperson)	✓	✓	✓
SL McCloghrie	✓	✓	✓
FJC Truter	✓	✓	✓
In attendance			
B Riley	✓	✓	✓
G Raubenheimer	✓		✓

Significant milestones achieved by the REMCO to date

- Approved its annual work plan
- Reviewed the Group's remuneration policies and processes
- Reviewed the Group's remuneration strategy in relation to peer group practices
- Reviewed remuneration policies and practices and initiatives to ensure equity
- Reviewed people benefit structures
- Oversaw the establishment of the new short-term incentive scheme for recommendation to the Board
- Set the performance hurdles for recommendation to the Board for the short-term incentive scheme
- Oversaw the establishment of the new long-term phantom scheme for recommendation to the Board
- Received a report from the RCMC, prior to approving the payment of short-term incentives
- Reviewed and approved the remuneration packages of the prescribed officers
- Reviewed the performance of the CEO and CFO and recommended remuneration packages (including incentives) to the Board
- Reviewed, jointly with the Sustainability, Ethics and Transformation Committee (SETCO), the succession plans for the prescribed officer posts
- Reviewed, for recommendation to the Board and ultimately the shareholders, fees proposed for the non-executive directors for the year ahead

GOVERNANCE AND COMPLIANCE continued

Initiatives for the year ahead

- Ongoing review of remuneration policies and practices to ensure appropriate alignment to the market
- Review of the employee value proposition and initiatives in relation thereto
- Ensure alignment of remuneration governance to King IV

SUSTAINABILITY, ETHICS AND TRANSFORMATION COMMITTEE (SETCO)

The SETCO ensures that there has been adequate formulation and implementation of policies and practices to foster the sustainable growth of the Group. It oversees the implementation and performance to Board determined transformation policies. It oversees sustainability and economic development, good corporate citizenship, the environment health and public safety, consumer relationships, labour and employment amongst other responsibilities.

Meeting attendance

	Attendees African Bank uc	Members ABH	
Name	12 February 2016	6 May 2016	15 September 2016
L Stephens (Chairperson)	✓	✓	✓
B Maluleke	✓	✓	✓
SL McCloghrie	✓	✓	✓
In attendance			
B Riley	✓	✓	✓
G Raubenheimer	✓	✓	✓

Significant milestones achieved by the SETCO to date

- Approved it annual work plan
- Oversaw the establishment and approved the mandates of
  - The Ethics Committee
  - Customer Services Committee
- Received whistle-blowing reports
- Reviewed the employment equity plans and received reports on performance thereto at all of the meetings
- Received the report and empowerment rating from rating agency – the Bank is rated a Level 5 contributor
- Approved the Broad-Based Black Economic Empowerment (B-BBEE) tactical plan
- Oversaw the development and approved relevant policies
- Reviewed, jointly with the REMCO, the succession plans for the executive director and prescribed officer posts for recommendation to the Board.

Initiatives for the year ahead

- Monitoring performance to the employment equity plan and to the B-BBEE tactical plan
- Overseeing the development of an effective environmental management plan and the metrics to enable reporting thereon

KING CODE OF CORPORATE GOVERNANCE PRINCIPLES FOR SOUTH AFRICA 2009 (KING III)

The Board endorses the objectives and principles of King III. It has satisfied itself that it has complied with the material aspects of King III.

KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA 2016 (KING IV)

At the time of writing, the date of the launch of Kind IV had not yet been determined and while the Board anticipates its adoption, it has not yet formally adopted it. It supports the objectives and concepts as articulated in the draft report and will commence planning for the implementation of King IV during the 2017 financial year.

BOARD OF DIRECTORS

ABH Group has a unitary Board of 10 members. All are independent.

Louis Leon von Zeuner (55) (Chairman)

Independent non-executive director
BCom (Economics)
Appointed June 2015

Mr Louis von Zeuner completed 32 years' service at Absa, during which time he acted in various key executive roles and served as deputy group chief executive officer from 2009 until his retirement on 31 December 2012.

He has extensive business experience, including experience in audit, risk and capital matters, particularly in the financial sector.

Brian Riley (59) (CEO)

Executive director
Advanced Executive Programme (UNISA), AMP (Harvard)
Appointed June 2015

Mr Brian Riley joined WesBank, a division of FirstRand Bank Limited, in 1988 and retired in 2013 as its Chief Executive Officer and a member of the strategic executive committee of FirstRand, which was responsible for the formulation and execution of the FirstRand strategy. As CEO of WesBank, he oversaw a successful growth period.

Prior to WesBank, Brian undertook various roles in the UK, including positions held at Lloyds and Scottish Finance Group, the Provident Financial Group and Clerical Medical and General Life Assurance Society.

He was appointed Group Chief Executive Officer in June 2015.

Gustav Raubenheimer (46) (CFO)

Executive director
BCom, BCom (Hons), CA(SA)
Appointed July 2015

Mr Gustav Raubenheimer began his career at Deloitte & Touche, spending periods at FNB's corporate bank, Nedbank's credit lab as well as ABSA's retail and commercial division.

He joined the old African Bank in 2012 as the credit executive where he was responsible for managing credit risk, provisions for bad debt as well as pricing. On joining the old Bank, he was instrumental in identifying and alerting management to the deteriorating performance of the loan book which ultimately led to the old Bank being placed in curatorship. As a seasoned banker and chartered accountant, he contributes banking, financial and analytical skills.

He was appointed Group Chief Financial Officer in July 2015.

GOVERNANCE AND COMPLIANCE continued

Basani Maluleke (39)

Independent non-executive director
BCom, LLB, MBA (Kellogg)
Appointed July 2015

Ms Basani Maluleke is a director of Transcend Capital, a corporate finance firm specialising in B-BBEE ownership. She has over 10 years of financial services experience in the areas of corporate finance, banking and private equity. She is the founder of Get me to Graduation, a non-profit organisation that provides funding to tertiary students for subsistence needs. She is also a trustee of the Click Foundation, which provides online learning tools to under-resourced schools.

Basani is an admitted attorney of the High Court. She is also a fellow of the African Leadership Initiative and the Aspen Global Leadership Network.

Sybille Liane McCloghrie (59)

Independent non-executive director
BCom Cum Laude, BCom (Hons) (Unisa), MBA (Heriot-Watt University Edinburgh)
Associate Diploma of the Institute of Bankers in South Africa
Appointed July 2015

Ms Sybille McCloghrie has been the Chief Executive Officer of Symelation Holdings (Proprietary) Limited, a technology-based company serving, amongst others, financial institutions as well as providing accessible business solutions to small, medium, and micro sized enterprises, with specific focus on enterprise development.

Prior to this, she was responsible for the commercialisation and international expansion of Tilos (Proprietary) Limited, operating in software product development and consultancy.

From 1989 to 2001, she worked in various executive roles in service delivery and business development at FirstRand Bank, AECI Information Services (Proprietary) Limited, Electronic Data Systems and IBM Global Services.

Sydney Knox Mhlarhi (43)

Independent non-executive director
CA(SA)
Appointed July 2016

Mr Sydney Mhlarhi is a founding member and director of Tamela Holdings (Proprietary) Limited, a black-owned investment holding and advisory company, which commenced business in 2008.

Prior to founding Tamela, Mr Mhlarhi was a founder member and chief investment officer of Makalani Holdings Limited, a mezzanine financer which listed on the JSE in 2005.

Mr Mhlarhi held various corporate roles in the Standard Corporate and Investment Bank from 1998 – 2004, after completing his accountancy articles at Ernst & Young in 1997.

Ignatius Simon Sehoole (56)

Independent non-executive director
BCom, BCompt (Hons), CA(SA)
Appointed July 2015

Mr Ignatius Sehoole qualified as a chartered accountant in 1991. Since 2013, Mr Sehoole's occupation has been to serve as a non-executive director on the boards of various companies, several of which directorships he has held for a number of years. He was group executive of business risk management at MTN Group Limited from 2010 to 2013.

Prior to that, he was the deputy Chief Executive Officer of PricewaterhouseCoopers Southern Africa. From 2000 to 2009, he was the executive president of the South African Institute of Chartered Accountants.

Louisa Stephens (40)

Independent non-executive director
BCom (Hons), B.BusSc (Finance), CA(SA)
Appointed July 2015

Ms Louisa Stephens holds a BCom (Honours) degree from the University of Johannesburg and a B.BusSc degree from the University of Cape Town.

Ms Stephens qualified as a chartered accountant in 2003, having served her articles at KPMG. She worked as a transactor and credit analyst in structured finance at Rand Merchant Bank. She has occupied various key positions at the National Empowerment Fund, Circle Capital Ventures, Sasol Group Finance and Nozala Investments.

Peter John Temple (44)

Independent non-executive director
B.BusSc (Actuarial)
Fellow of Actuarial Society of South Africa (FASSA)
Fellow of Institute of Actuaries (UK)
Appointed April 2016

Mr Peter Temple holds a B.BusSc (Actuarial) from the University of Cape Town, is a fellow of the Institute of Actuaries and is the immediate past president of the Actuarial Society of South Africa. He brings a wealth of business acumen and professional experience to the Board and its risk governance structures.

Frans Johannes Christiaan Truter (61)

Independent non-executive director
BComm (Hons), CA(SA), AMP (Oxford)
Appointed August 2015

Mr Frans Truter served as the Chief Financial Officer of Momentum Group Limited from 1988 to 2004. Thereafter, he served as the director of strategic investments for Momentum Group.

He has been an independent and non-executive director of MMI Holdings Limited since 2010 and serves on various other boards.

GOVERNANCE AND COMPLIANCE continued

Non-executive directors' remuneration

Non-executive directors

Non-executive directors receive fees for services on the Group Boards and Board committees. They do not participate in any incentive scheme.

Non-executive directors' remuneration for the period ended 30 September 2016 was:

Rand Non-executive directors	2016 Group
LL von Zeuner (Chairman) (as Chairman of the Board and for all other services rendered to the Company)	400 000
B Maluleke	262 500
SL McCloghrie	200 000
SK Mhlarhi	62 500
IS Sehoole	262 500
L Stephens	250 000
PJ Temple	125 000
FJC Truter	287 500
Total	1 850 000

COMPANY SECRETARY

The ABH Group Company Secretary assist the Board as a whole and directors individually with guidance as how to their responsibilities should be properly discharged in the best interests of the Group and its stakeholders. The Company Secretary facilitates the induction and training from new directors and on going Board training.

Mr Bruce William Unser was appointed Group Company Secretary in October 2015.

The Board is satisfied that the Company Secretary is competent ,suitable qualified, and experienced, and has the requisite skills, knowledge and experience to discharge his duties effectively.

EXECUTIVE TEAM (EXCO)

The EXCO supports the CEO who has executive accountability, to ensure appropriate control and guidance over the various businesses of the Group, and ultimately to achieve the strategic and operational objectives determined by the Board. The CEO delegates accountability to achieve this to members of the EXCO, who are divisional heads.

The EXCO acts as a medium of communication and coordination between business units and their management structures.

Brian Riley (59)

Chief Executive Officer
Advanced Executive Programme (UNISA), AMP (Harvard)

Appointed June 2015

Gustav Raubenheimer (46)

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

Appointed July 2015

Gavin Charles Jones (52)

Group Executive: liability and balance sheet management, treasury
BA LLB (UCT), H Dip Tax (Wits)

Appointed March 2016

Alfred Mothetsi Ramosedi (47)

Group Executive: sales and marketing
BCom (Wits), CIMA (FCMA),
MBA (Wits)
Executive Development Programme (GIBS)
Advance Diploma in Banking (University of Johannesburg)

Appointed November 2015

Vere Halley Millican (39)

Group Executive: credit
NDip in Management
BSC (Hons) in Banking and International Finance
CASS University (London)

Appointed October 2015

George Roussos (49)

Group Executive: core operations
BCom (Wits), BAcc (Wits), CA(SA)

Appointed March 2016

Lindiwe Cleopatra Miyambu (44)

Group Executive: Human Capital
B.Ed (National University of Lesotho)
Certificate in Labour Relations
Post Graduate Diploma in Labour Relations

Appointed November 2015

Petrus Cornelius Swanepoel (54)

Chief Risk Officer
BCom (Marketing Management) (Pretoria)
AMP (Oxford)
Negotiation Dynamics Programme (Singapore)

Appointed July 2015

Mellony Linda Ramalho (43)

Executive Head: Insurance
Industrial Psychology (UNISA)
IMM Marketing Management
MAP Certificate (Wits)
MBA (Educor Milpark)

Appointed May 2016

Hendrik Bernardus Venter (45)

Chief Information Officer
BCom (Law) (North West)
BCom (Hons) Economics, International Finance (cum laude) (North West)
Global Executive Development Programme (GIBS)
AMP (INSEAD, France)
Post Graduate Diploma (Information Sciences and Knowledge Management) (cum laude) (Stellenbosch)

Appointed September 2015

GOVERNANCE AND COMPLIANCE continued

ASSURANCE

Internal audit

The Head of Internal Audit, Mr N Govender, CA(SA), was appointed on 1 February 2016, and is appropriately qualified for the position. He reports functionally to the Chairperson of the AUDITCOM, and has unfettered access to the Board Chairperson and the Chairpersons of all of the Board committees. His administrative reporting line is direct to the CEO.

His performance assessment as the Head of Internal Audit is overseen by the AUDITCOM. His remuneration package is reviewed independently by the REMCO, together with those of the other senior Group assurance providers.

The internal audit function conducts its activities in accordance with internal audit standards.

In 2016, a comprehensive review of the internal audit function was undertaken to evaluate its fit for purpose. The outcome of this is a defined audit strategy and implementation plan to deliver assurance and advisory services to all stakeholders and to be a trusted advisor to management. The activities of internal audit are aligned to the Group Strategy, core Values, stakeholder assurance expectation and designed to ensure greater quality, efficiency and agility in the delivery of assurance services.

Internal audit is governed by an internal audit charter from which it derives its mandate and which has been approved by the AUDITCOM and Board. A risk-based internal audit plan for the financial year ahead was approved by the AUDITCOM and progress is tracked to completion.

The plan is approved annually and is reviewed on a regular basis to ensure that it remains relevant given changes in business and operating environments of African Bank. All changes to the plan are approved by the AUDITCOM.

A report by internal audit is made at each AUDITCOM meeting, which includes a review of audits concluded in the previous quarter and the outcomes, including management comment. The resolution of adverse findings is the responsibility of the executive; they are tracked by internal audit and reported to the AUDITCOM until satisfactory conclusion.

Combined assurance

Vision and Purpose

The objective of the combined assurance approach (incorporating the three lines of defense) is to satisfy the AUDITCOM that significant risk areas within the Group have been adequately addressed and suitable controls exist to mitigate these risks.

The approach adopted is one of an integration planning and reporting process and co-ordination through alignment of the activities of separate functions.

The Group has established a combined assurance forum that is a communication and discussion forum for internal and external assurance providers. The forum meets on a quarterly basis.

The members of the forum are:

- Chief Risk Officer (Chairperson)
- Chief Financial Officer
- Chief Information Officer
- Heads of Group:
  - Enterprise Risk
  - Operational Risk
  - Legal
  - Internal Audit; and
- Group Compliance Officer
- The Group's auditor

The Bank has developed a combined assurance matrix that incorporates the Group top risk, strategic/transformation programme, sustainability and any other matters considered of significance to the AUDITCOM. The matrix details assurance coverage and risk assessment. This is presented and reviewed bi-annually by the AUDITCOM.

Milestones achieved to date

- Establishment of a combined assurance forum
- Mapping:
  - Reporting (current reporting taking place by the lines of defence)
  - Coverage (current coverage by assurance providers)
- Consistency and alignment in risk rating that will lead to integrated combined assurance reporting. Common risk language used by assurance providers.

Initiatives for the year ahead:

- Fully embed the combined assurance model and processes
- Embed business assurance councils
- Evolution and advancement on the reporting of combined assurance matrix
- Combined assurance deep dive on specific risk emanating from business transformation activities and emerging risk as requested by the AUDITCOM.

GOVERNANCE AND COMPLIANCE continued

Internal audit

Role in combined assurance

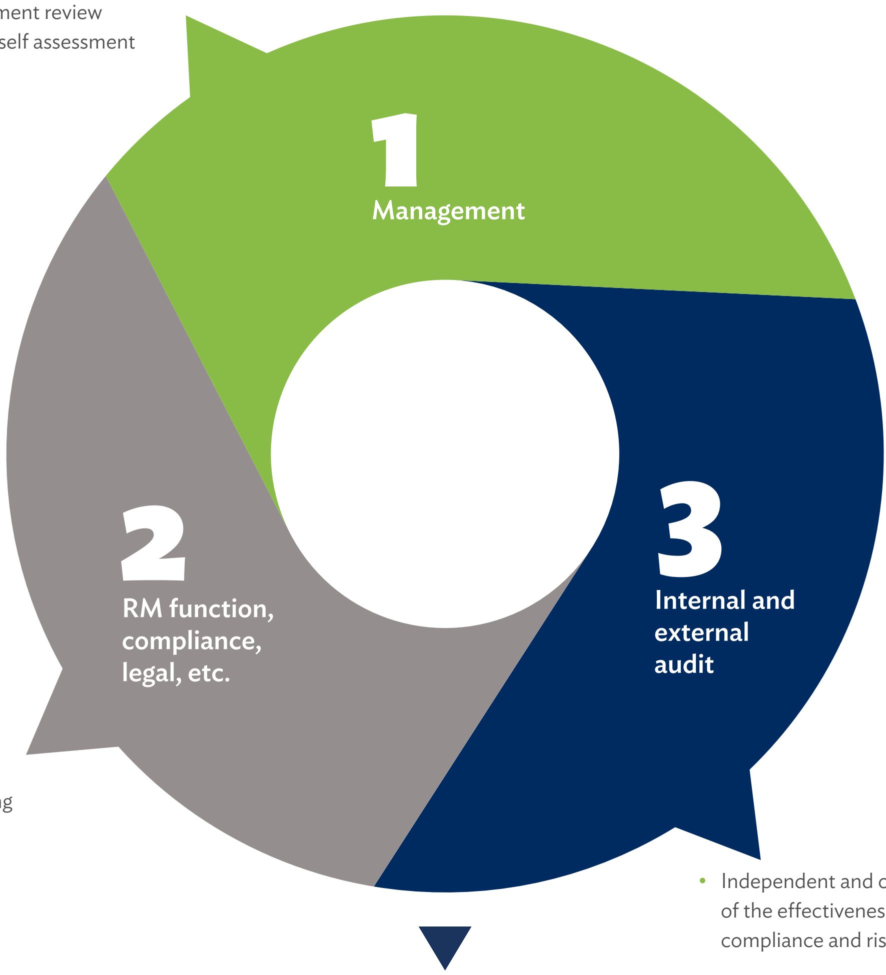
Internal audit is a representative of the combined assurance forum and presents to the AUDITCOM on matters dealing with combined assurance. It is the primary lead driving the implementation of the combined assurance approach within the Group. It co-ordinates its work with other assurance providers, including the external auditors to provide the AUDITCOM with comfort on the design and effectiveness of controls environment in the three lines of defence.

THREE LINES OF DEFENCE

Maturity of function will determine the level and extent of reliance placed

Currently in place:
- Established Executive Risk Committee attended by all internal stakeholders
- ALCO, Technical Credit and Model Validation and IT steering committees
- AUDITCOM
- RCMC
- Monthly reporting on Overdues

- Ownership of risk and executive review
- Policies and procedures (including critical controls)
- Management review
- Periodic self assessment



- Risk oversight and monitoring

- Independent and objective assurance of the effectiveness of the controls compliance and risk management

Executive Committee

Board and Board committees

Unlimited and unrestricted access to all information and reports issued by the three lines of defence

Plan and outputs for year

During the period under review, internal audit has conducted audit work against all critical business units in African Bank. Internal audit confirms that no limitations were placed on the performance of audit activities and the communication of audit results. For the deficiencies highlighted, management has implemented and/or will, implement action to resolve matters identified. Internal audit will, on a continuous basis, monitor and report on these actions taken.

The year under review has seen closer alignment of the audit strategy to the Group Strategy and imperative. Some of the significant outputs include:

- Improved and revised stakeholder engagement and communication
- Centralising the function
- More robust remediation and tracking of deficiencies that allows management to proactively monitor remediation and thus improve the control environment
- Improve collaboration through the introduction of combined assurance

Focus areas for the Group going forward

The internal audit objective for the year ahead is to ensure that it contributes to an improved control environment and provides the relevant assurance required by stakeholders.

This will be achieved through:

- Putting in place measures to ensure that it can align to the transformational imperatives of the Group
- Implementation of programme and proactive assurance
- Roll-out control self-assessment and continuous auditing
- Execution of the audit strategy aligned to Group risk and imperatives
- Resource augmentation and skills transfer

COMPLIANCE

The Board has a zero-tolerance risk appetite for risks that arise from non-compliance.

Group Compliance

The Board is committed to the principle that at all times there is compliance with the letter and spirit of the law, regulation, supervisory requirements, policies and relevant codes. Compliance is not viewed as an activity in isolation, as it is aligned with the Group's overall strategic objectives.

An independent compliance office (compliance office), to ensure that these Board principles are satisfied and pursuant to the requirements of the Banks Act, has been established.

The Group compliance officer is Mr SM Patel, a holder of the CPrac (SA) (by the Compliance Institute of Southern Africa) and BComm. Mr Patel is appropriately qualified for this role.

He is accountable to the Board and to the AUDITCOM and has unfettered access to the Board Chairperson, the AUDITCOM Chairperson and the chairpersons of any of the Board committees. His administrative reporting line is direct to the CEO.

Compliance in the South African financial services industry is an expansive function. The key reason for establishing a compliance function is to mitigate regulatory risk and the potential for attendant regulatory fines and possible reputational risk. To achieve this, controls, procedures and ongoing training, ultimately aimed at establishing a compliance ethos in the Group, have been implemented.

The AUDITCOM ensures that the Group's compliance universe has been documented. It prioritises legislation and regulation on a risk-based approach, to ensure that the efforts of the compliance office are prioritised for the high-risk areas.

The AUDITCOM receives a report at all of its meetings from the Group compliance officer. Should any matter of non-compliance or of significant compliance risk arise, it is reported to the Board by the AUDITCOM, which also manages the remedial action to resolution.

GOVERNANCE AND COMPLIANCE continued

During the year ahead, the compliance officer will continue to focus on promoting and strengthening the Group compliance culture.

During the year:

- The Group compliance manual was approved by the Board
- The compliance universe was confirmed by the AUDITCOM
- The compliance reporting structure was confirmed by the AUDITCOM
- The compliance assurance reporting process, which requires reporting from business unit level up to the compliance office, was introduced

In the forthcoming year, the compliance office will specifically seek to enhance:

- The existing compliance training and awareness programmes and, where necessary, implement such programmes
- The identification and management processes around compliance risk
- The relationship with regulators identified as Group stakeholders

Anti-money laundering

The Group has established an anti-money laundering office (the AML office) in terms of the Financial Intelligence Centre Act, 2001 (as amended) (the Act).

The AML office is led by Adv L Muravha as head of anti-money laundering. Adv Muravha is appropriately qualified for the role. He reports to the Chief Risk Officer and has unfettered access to the Board Chairperson and chairpersons of the Board committees.

The AUDITCOM receives reports from the AML office at all of its meetings.

The AML office assist the Group to comply with the provisions of the FIC Act and is responsible for submission of all required reports to the Financial Intelligence Centre (FIC), which has an obligation to combat money laundering activities and the financing of terrorism and related activities.

During the year, the Group acquired and implemented an AML/CFT system to enable compliance with customer risk assessment and reporting obligations. The AML/CFT system was independently tested by a third party agency to ensure that the same meets international best standards.

The Group successfully migrated to the new Go-AML reporting platform which was implemented by the FIC in April 2016.

The Board was trained on anti-money laundering and the AML requirements and approved all of the critical AML policies, including the core AML policy and risk framework.

In the forthcoming year, the AML office will ensure the:

- Implementation of a single know your customer (KYC) module across all front-end systems
- Integration and/or establishment of systems and processes to ensure compliance as new services and/or product offerings are introduced by the Group
- Enhancement of existing anti-money laundering competence within the Group and introduce an annual e-learning and assessment process for all Group people
- Enhancement of ongoing monitoring of anti-money laundering compliance by business units

ETHICS

The Board has established the foundation to ensure an ethical underpin to all of its activities and interaction with all of its stakeholders. The SETCO acts at the custodian of ethics for the Board.

GOVERNANCE OF ETHICS

Code of Ethics

The Group Code of Ethics has been approved by the Board. A copy can be obtained from the Company's registered office (see inside front cover) or from investor.relations@africanbank.co.za.

Ethics Office

A Group Ethics Office, headed by a suitably qualified ethics officer, has been established.

Executive Ethics Committee

The Group executive Ethics Committee has been established, chaired by the CEO, which meets monthly to consider all ethics matters as they impact the Group's stakeholders.

Whistle Blowing

A whistle blowing line, administered by an independent third party, which enables all stakeholders to report matters of concern on an anonymous basis, has been established.

Reports are received on an ongoing basis from the administrator of the whistle blowing line, and are provided to the relevant Group Business Units for consideration and action. The status of matters reported, are reported back to the Ethics office which manages them to resolution, reporting to the executive Ethics Committee.

Reports on whistle blowing are made at SETCO meetings and include the nature of the matters reported, business unit impacted, resolution, pervasive (if any) unethical behaviour in terms of the nature of matters and/or business unit affected.

Other Ethics Governance Structures

A Customer Service Committee has been established, chaired by the CEO, which considers *inter alia*:

- Customer service levels
- Treating customers fairly
- Plain English documentation
- Protection of personal information
- Advertising and marketing

PEOPLE AND REMUNERATION

PEOPLE AND REMUNERATION

Ensuring that our people are engaged to execute our Strategy

RIGHT PEOPLE

A change management programme to guide our people through the uncertainties of curatorship and transformation was established during curatorship. This programme was initially aimed at building our peoples' resilience and positivity towards the future so that their contribution to the bank while in curatorship and thereafter, was maintained. As mentioned elsewhere in this report, these initiatives resulted in stabilising our people base and ultimately, an engaged workforce.

Our workforce statistics are:

Total number of permanent people	4 075
Total number of temporary people (contractors, seasonal, casual, temporary)	249
Percentage of people who are deemed HDSA	89,7%
Percentage of people who are women	66,3%
Percentage of people who are permanent	94,2%
Percentage of people who belong to a trade union	53,3%
Employee turnover (i.e. number of persons who departed relative to the total number of people at year-end)	18,2%

Employee engagement surveys

Prior to the old bank being placed under curatorship, an employee survey showed that only 23% of our people were fully engaged, compared to a financial services sector average of around 30%. As African Bank, we set ourselves the challenge of raising the engagement level to 35% or more. The August 2016 survey found that 43% of our people are fully engaged, with a 75% participation rate. This result indicates that African Bank has a well-motivated and productive workforce, which is a key driver to create and sustain value for the organisation.

'Humanity through banking' and 'We are you'

As African Bank repositions itself in terms of its 'We are you' ethos and 'Humanity through banking' Values, initiatives have been implemented to encourage our people to embrace our evolving culture.

Preparing our people for the long-term African Bank

It is also necessary to ensure that we have the appropriate skills in the workforce to support the Bank's future, diversified service offering. We are conducting an organisational skills audit to assess African Bank's current skills set. This audit considers three aspects: qualifications, experience and specialised skills.

The qualifications audit is complete and the experience and specialised skills audit is currently under way. The entire audit is expected to be complete by March 2017.

Executive succession

The Board has commenced its oversight of an executive succession plan. We have highlighted the Bank's succession requirements and as the process matures we will develop the initiatives necessary to address the plan at senior levels.

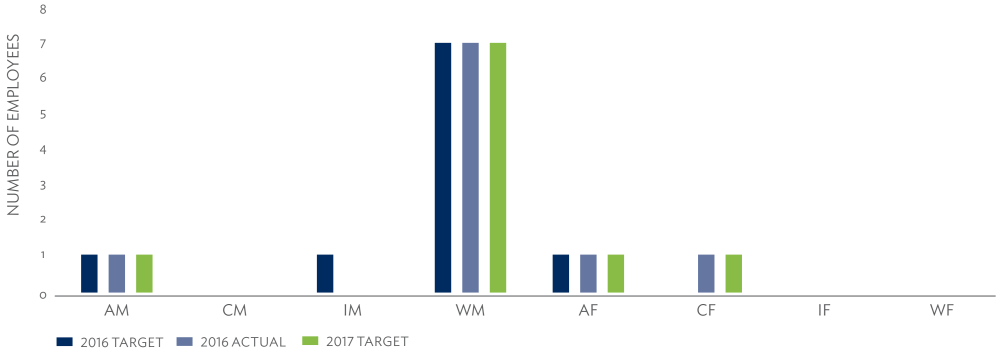
PEOPLE AND REMUNERATION continued

Employment equity

The Department of Labour approved the old bank's employment equity plan. This plan remained in place and workforce diversity was managed during curatorship in terms of that plan. African Bank Holdings adopted the plan in its entirety for the remaining period, until 31 August 2018.

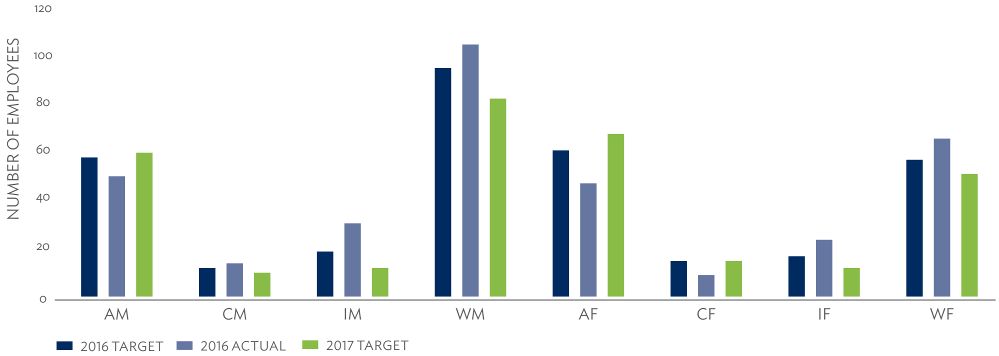
Our people diversity in all of the Group's structures is reflected in the following graphics:

TOP MANAGEMENT



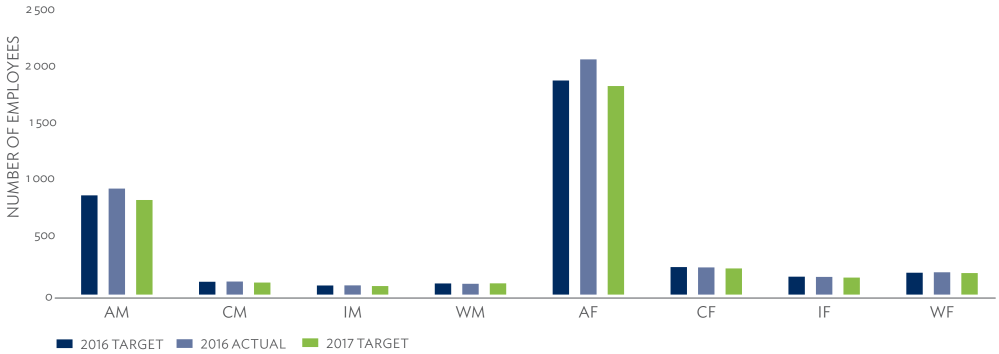
AM = African Male, CM = Coloured Male, IM = Indian Male, WM = White Male, AF = African Female, CF = Coloured Female, IF = Indian Female, WF = White Female

SENIOR AND MIDDLE MANAGEMENT



AM = African Male, CM = Coloured Male, IM = Indian Male, WM = White Male, AF = African Female, CF = Coloured Female, IF = Indian Female, WF = White Female

OTHER (SKILLED TECHNICAL, SEMI-SKILLED, UNSKILLED)



AM = African Male, CM = Coloured Male, IM = Indian Male, WM = White Male, AF = African Female, CF = Coloured Female, IF = Indian Female, WF = White Female

Principles for achieving the employment equity targets for 2017 are:

- All Senior Management appointments subject to individual being 'African' (Male or Female)
- Any opportunity at Middle Management level must be filled by an African Female or Coloured Female
- All appointments or promotions, if not from a designated group, must be signed off by the CEO and Group Human Capital Executive
- Any opportunity at Junior Management level must be filled by a Coloured Male, African Female or Coloured Female
- Opportunities at other levels must be filled so that the resultant resource pool is representative of the required demographic
- Business Partners to proactively determine, at the start of the recruitment process, which race and gender is required in order to achieve the set targets
- Employment Equity Committee to be more involved in the recruitment process

Performance management

The performance of all our people is managed using a consistent approach across all employment levels.

The CEO's performance contract is aligned to the strategic and performance objectives of the Group.

The EXCO members contract to ensure that their key performance areas align to the CEO's contract and also take cognisance of their business unit KRAs.

Performance contracts are entered into at the commencement of each financial year, with a milestone assessment being undertaken at mid-year, and the final assessment at financial year end.

Performance scores are considered when applying our peoples' annual salary increases and for the award of short and long-term incentives.

Training and development

African Bank's development plans take cognisance of the Bank's skills and development needs identified in the normal course of business and via the performance management programme. The skills audit currently in process will also yield information on training requirements.

We recognise the need to upskill our leadership group (some of whom have been identified in the succession planning process) and have commenced investing in a Leadership Masterclass Programme, in which the senior executives of the Bank would share their expertise in specific skills, including finance, budgeting, credit and management.

Senior management has access to one-on-one executive coaching, whilst a leadership and development programme has been developed for middle and lower management levels.

Our training and development activities, during the 12 months to 30 September:

Number of people trained	
Spend on training	R15,4m
Average spend per employee	R3 782
Internal training interventions	31 729
External training interventions	2 108

To assist our people in furthering their education, African Bank provides bursaries for approved study, in line with the Bank's talent management process.

Proactive steps are taken to encourage participation in the various wellness events and activities, to target prevalent health issues.

Employee on-boarding

All of our new people, regardless of their job levels, undergo an on-boarding exercise. This induction into the business is led by the CEO, who takes the inductees through the Bank's Values, Strategy and brand positioning. These entrants are introduced to the Bank's executive team, with each executive outlining their personal focus areas and functions. This CEO-led on-boarding process demonstrates visible leadership toward the new entrants and inspires them to understand and buy in to the Values and Strategy of the organisation from the outset.

INCENTIVISATION

Remuneration policy objective

The Group remuneration policy aims to uphold principles that result in fair and responsible remuneration and remuneration policies and practices that create long-term value for our people, the Group and its stakeholders.

Incentivised remuneration structure

Our people receive a guaranteed package, which is benchmarked to market rates for the role that they perform.

Most of our people earn a guaranteed package and monthly or quarterly performance bonuses.

Eligible team members participate in our yearly short and long-term incentive schemes.

PEOPLE AND REMUNERATION continued

Employee benefits

The Bank has a comprehensive suite of employee benefits in place, which are available to all of our people.

Incentives

It was essential to retain talented individuals during curatorship and the initial period of operation of African Bank.

In 2015, the curator established an incentive scheme designed to retain key people required to guide the old Bank successfully through curatorship.

The scheme paid in two tranches: one third in April 2016, and two-thirds in November 2016 after the year-end results were finalised.

A bonus pool of R84 million accrued in respect of this incentive.

At the end of March 2016, sale performance lagged budget and the EXCO and certain sales and marketing people were penalised in their April bonus award. Sales performance continued to lag budget and at year-end penalties were again levied. The total award from this pool for the year to November 2016 against the accrual of R84 million was R80,9 million.

A new scheme was implemented to cover the 2016 year. The short-term incentive scheme rewards participants in the scheme, based on the achievement of their personal KRAs; plus an element that is based on the achievement of four key business performance indicators, illustrated in the table below.

The business performance elements create a pool, based on three levels of performance all weighted equally.

At year end, the impairments and NPBT>2H budget were the only indicators achieved. An amount of R41,25 million of a potential maximum award pool of R110 million has thus accrued and will be awarded at end November 2016.

A superior performance rating by participants in this scheme, based on KRA performance, must be achieved to qualify for an award in terms of this scheme. A portion of the award is deferred and will be paid, subject to certain conditions, in November 2017.

Year-end business performance

KPI	Weight	Budget	Level 1	Level 2	Level 3	YTD September 2016	YTD variance to target
Sales	25%	9 400	10 340 +10%	10 810 +15%	11 280 +20 %	- 6,7%	R1,6b YTD worse than L1 target
Impairments	25%	4 764	4 288 -10%	4 049 -15%	3 811 -20%	- 11,6%	R75m YTD better than L1 target
Operating costs	25%	2 370	2 252 -5%	2 192 -7%	2 133 -10%	-2,0%	R72m YTD worse than L1 target
NPBT > 2H16 budget	25%		100	200	300		R10m YTD better than L3 target
Potential bonus pool			55m	82m	110m		
Incentive award accrual			13,75m		27,5m		

PRESCRIBED OFFICERS' EMOLUMENTS

4 April 2016 - 30 September 2016

Name	Title	Basic salary	Retirement, medical contributions and other	Retention bonus	Short-term incentive	Totals
G Jones	Group Executive: Liability and Balance Sheet Management	1 260 340	184 879	–	881 821	2 327 040
VH Millican	Group Executive: Credit	1 182 313	139 500	1 000 000	805 602	3 127 415
LC Miyambu	Group Executive: Human Capital	1 306 453	146 412	–	890 188	2 343 053
ML Ramalho	Group Executive: Insurance	799 063	95 550	–	650 000	1 544 613
AM Ramosedi	Group Executive: Sales and Marketing	1 211 707	215 783	–	736 539	2 164 029
G Roussos	Group Executive: Core Operations	1 377 495	174 938	–	1 027 141	2 579 574
PC Swanepoel	Chief Risk Officer	1 224 413	170 627	–	853 416	2 248 456
HB Venter	Chief Information Officer	1 116 063	212 751	–	805 602	2 134 416

EXECUTIVE DIRECTORS' EMOLUMENTS

4 April 2016 – 30 September 2016

Name	Title	Basic salary	Retirement, medical contributions and other	Short-term incentive	Totals
B Riley	Chief Executive Officer	1 935 002	–	*	1 935 002
G Raubenheimer	Chief Financial Officer	1 587 441	198 060	1 093 906	2 879 407

* *Mr Riley's short-term incentive for the financial year will be determined by the Board in November 2016.*

PROCESS AND TECHNOLOGY

PROCESS AND TECHNOLOGY

African Bank required a rethink of how technology could accelerate and enable its business strategies.

In moving to a strategy heavily focused on the customer experience, we are adopting key principles to embrace an omni channel, digital and social bank in creating value for our customers. This will enable choice, personalisation and security of our customer value propositions.

African Bank's historic under-investment in IT has changed significantly since 2015, and key investments up to R700 million have already been agreed or envisioned until 2020 to modernise and transform African Bank's IT people, processes and technologies.

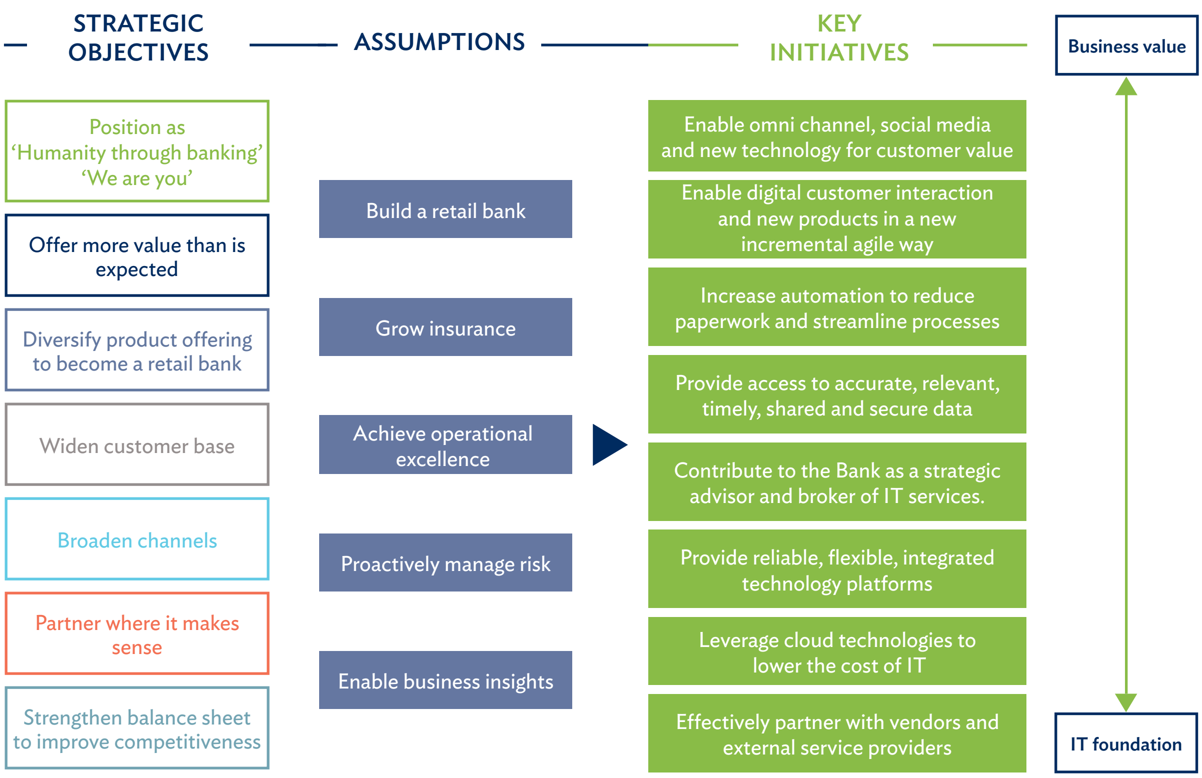
The African Bank @2020 IT approach straddles four key pillars: technology simplification, maximising value from existing IT assets, leveraging key partnerships and investing in core capabilities.

The Transactional Banking projects is a key enabler to create and mature IT capabilities for the broader African Bank. This programme will create agile operating models that allow for predictive, disruptive and distinctive customer value delivery leveraging process and technology.

Therefore, it is key to maintain momentum on the Technology Investment Programme. The leadership team is confident that the @2020 IT approach will enable business growth, enterprise transformation and technology modernisation.

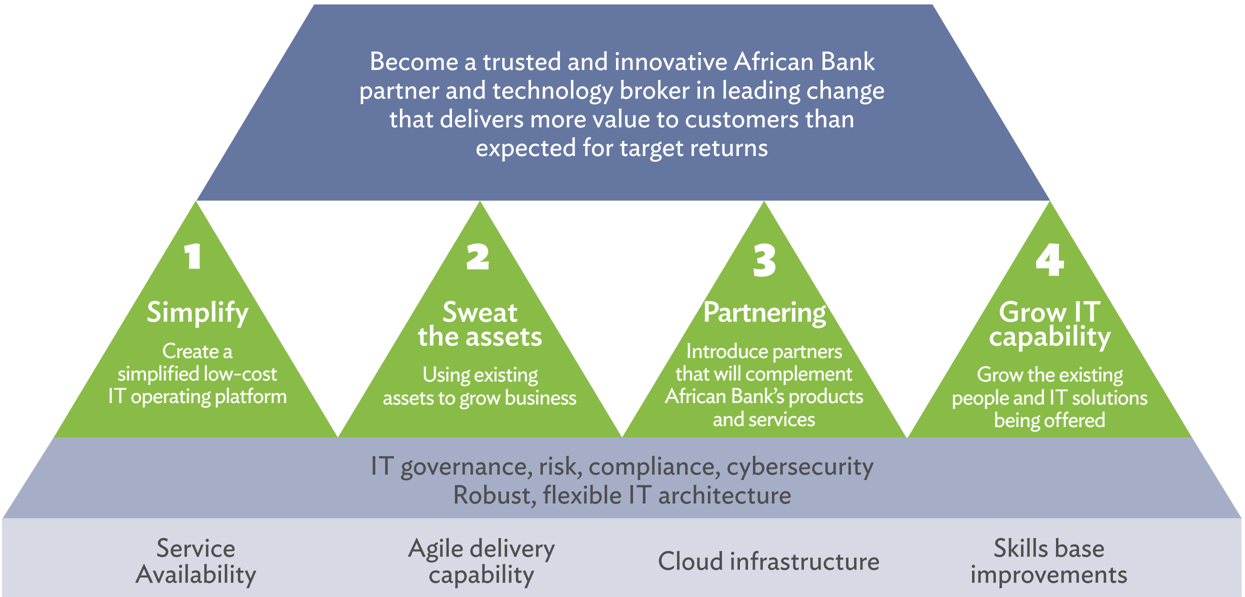
THE CONTEXT FOR AFRICAN BANK'S FOCUS ON PROCESS AND TECHNOLOGY

The new @2020 IT approach positions African Bank as an innovative market player and pioneer in creating value for customers. The approach articulates clear linkages between the Bank's strategic objectives and what the focus of IT should be to help us grow in our chosen market as indicated in the infographic.



PROCESS AND TECHNOLOGY continued

A four-pillar approach



Pillar 1 – Simplify

Over time, African Bank created a complex IT system for a bank offering essentially a single product suite (loans). Working with the other business units, the IT department is identifying where we can rationalise, standardise and simplify products and processes which will lead to system simplification. This will enable IT to re-architect a low cost operating platform that allows simplicity and flexibility to offer loans, insurance, cards, payments and other value-added services.

Pillar 2 – Sweat (leverage) the assets

Having taken over all of old African Bank's IT infrastructure, African Bank is evaluating how best to deploy this inventory for efficiency and longevity. The IT department is working to minimise costs by extracting effective usage from what we have. Where possible, we will fully utilise all existing system capabilities and not replace or upgrade equipment if IT partners already have the capacity, or until we have sufficient justification to do so.

Pillar 3 – Bringing in partners

The most optimal route for companies to digitally transform is by partnering with appropriate technology partners that understand and transform their business strategies. Technology is moving too fast to attempt to develop and maintain all processes, functions and services in-house. As African Bank is starting afresh, we will partner with vendors offering industry-leading emerging technologies, customer experiences and products, should it prove economically viable to do so.

Pillar 4 – Grow IT capability

Enhancing and growing the IT platform is a step-by-step process. It involves purchasing identified equipment; installing or linking to software solutions; training people in new IT processes and bank products; and establishing partnerships with selected vendors.

The African Bank IT investment strategy is guided by key principles:

- Investments will follow the revenue profile of the organisation. African Bank IT Programmes focus on agility and flexibility to deliver a viable product with the ability to change direction, slow down or even stop projects as required.
- Portfolio-based prioritisation allows a targeted spend according to clear investment categories which enable the new business strategies.
- Agile technology and delivery choices enable IT investment flexibility.
- We support principles such as buying in managed services that create IT assets.
- Flexible delivery models which support outcome-based measurements and sharing risks and successes with our IT partners to create value.

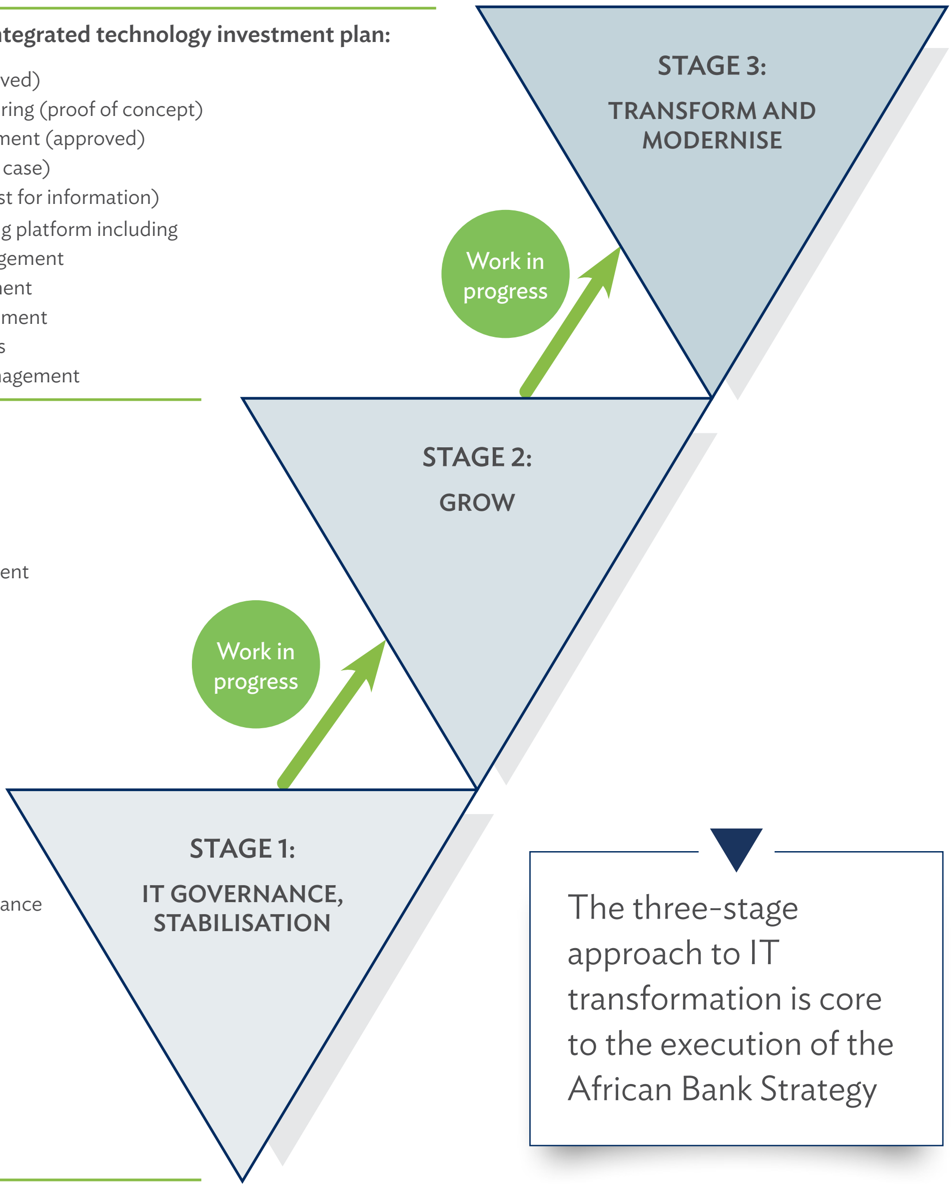
Implementing our IT approach in three stages

New IT approach with an integrated technology investment plan:

- Core network upgrade (approved)
- Enterprise application monitoring (proof of concept)
- Information security management (approved)
- Agile infrastructure (business case)
- Digital transformation (request for information)
- Strategic low cost core banking platform including
  - Data and integration management
  - Business process management
  - Enterprise content management
  - Integrated retail capabilities
  - Customer relationship management

- Accelerated innovation
- Improved project selection (demand management)
- Improved project execution
- Technology partnerships
- Technology service management
- Skills development

- IT risk management
- IT security
- IT governance
- Systems stability and performance
- Leadership and people plan



The three-stage approach to IT transformation is core to the execution of the African Bank Strategy

PROCESS AND TECHNOLOGY continued

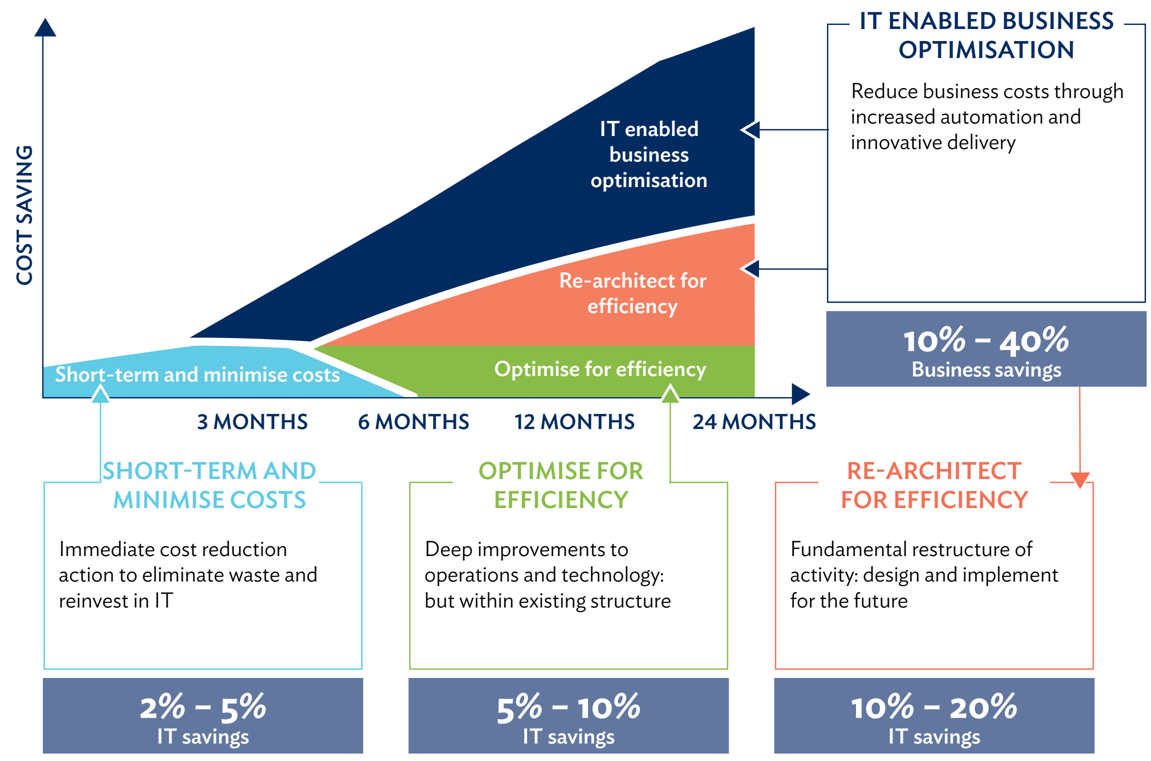
African Bank completed the first stage of its technology modernisation journey by creating a strong framework for risk management, governance and compliance. This enabled material improvements in IT systems performance and stability.

In the second stage, African Bank will optimise how current technology assets are used and roll out new internal and customer-facing processes which are achievable on the current IT platform. This will enable African Bank to achieve its 'base case' objectives while we prepare for the reinvention of the entire business through IT transformation.

The third stage is where preparation for African Bank's fundamental transformation is brought into play. African Bank is transforming into a customer-centric, digitally enabled and socially impactful banking institution. We will offer products and services through intuitive customer experiences aimed at a broad range of customers.

All aspects of the Bank's IT transformation are scheduled to reach the finish line by 2020. For this to be impactful, the @2020 IT approach encourages the acceleration of action plans on value creation and cost reduction to drive improved customer experiences though advanced automation, deep improvements to operations and technology and leveraging emerging technologies to deliver innovation to our customers.

AFRICAN BANK CREATES VALUE THROUGH PROCESS AND TECHNOLOGY BY REDUCING COSTS AND ENABLING BUSINESS EFFICIENCY THROUGH ADVANCED AUTOMATION



PUTTING 'WE ARE YOU' INTO COMMUNITY ACTION

PUTTING 'WE ARE YOU' INTO COMMUNITY ACTION

African Bank's CSI is managed through a trust established for this purpose.

We have chosen to direct our CSI efforts to educating South Africans at all basic education levels - from pre-primary to high school. We have also identified the need to assist teachers to acquire specific skills for the classroom and the sports field. At junior school level, African Bank supports English reading and writing to prepare students for their high school and tertiary education journeys. At high school level, the Bank supports learners in mathematics and entrepreneurship orientated subjects.

The Trust is also mandated to assist learners with sport programmes and organised activities over holiday periods. These provide opportunities to introduce life skills to learners.


African Bank

PUTTING 'WE ARE YOU' INTO COMMUNITY ACTION continued

Approach

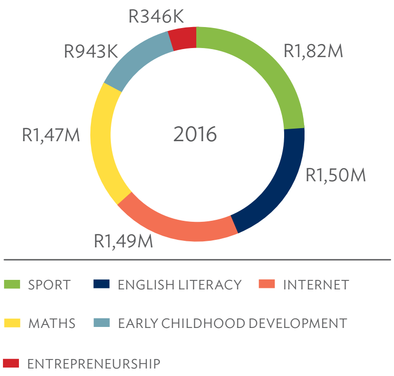
The Group's approach to corporate social investment (CSI) is based on the following key philosophies, which are prioritised as such:

- All projects are focused on the most disadvantaged regions. Projects are selected based on research into economic data and poverty levels.
- Areas with minimal or absent CSI activities.
- Communities near African Bank branches, which offers branch personnel the opportunity to serve their communities outside of their normal interaction at a business level.

Governance is vital and, therefore, the following governance checks and balances are in place:

- The SETCO has oversight of the Group's CSI activities, approves plans and mandates, and receives regular reports from the Trust. The Trustees manage the CSI initiatives on an ongoing basis.
- Regional CSI committees approve and monitor projects.
- Auditors approve the Trust mandates and report on financial and administrative processes.

AFRICAN BANK PROJECTS AND EXPENDITURE IN 2016



African Bank invested R7,57 million in CSI for the year ending 30 September 2016. Projects were undertaken near African Bank branches across five provinces and benefited 147 600 people.

Early childhood development (ECD) projects

During 2016, approximately 1 200 children under the age of five benefited from the Group's ECD intervention programmes. These programmes have grown steadily over the past five years, with 298 crèche and day-care staff trained as SAQA-accredited ECD practitioners. African Bank provides teaching aids, business skills and ongoing support from ECD specialists.

The impact of these programmes is measured by how participating children have developed. They are assessed at the beginning and end of each year. Identified "at risk" children are assisted through home visits, individual attention and the facilitation of teaching skills to their parents. No children in this group were regarded as 'at risk' in 2016.

ECD programmes are under way in Gauteng, Limpopo, the Eastern Cape and the Western Cape.

PUTTING 'WE ARE YOU' INTO COMMUNITY ACTION continued

English literacy

Training programmes to assist learners from Grades 3 to 9 in English literacy are vital for students transitioning to English as their primary medium of instruction. The enormous dropout rate in South Africa's basic education system begins during this language adjustment stage.

These programmes supply teaching aides and technology to teachers and engage learners through the introduction of technology-driven games. Each project holds poetry and speech competitions supported by African Bank people. In this past year, the English literacy programmes delivered impressive results, with learners improving by up to 40% in reading and comprehension.

	Sophakama		Lungisa		Thembalabanthu	
	Grade 8	Grade 9	Grade 8	Grade 9	Grade 8	Grade 9
Learners assessed	33	41	163	169	25	24
March pre-assessment	11,25 %	14,63 %	14,42 %	17,69 %	15,52 %	11,67 %
Sep post-assessment (same)	40,48 %	28,44 %	27,77 %	31,18 %	26,08 %	24,92 %
Sep post-assessment (grade level)	30,07 %	19,59 %	21,05 %	20,57 %	19,78 %	16,34 %
Highest individual mark	69 %	56 %	64 %	84 %	51 %	53 %
Biggest individual improvement	48 %	46 %	46 %	67 %	43 %	16 %

Mathematics

The Bank's Maths programme provides after-school tuition to learners from Grades 7 to 11. Attendance is incentivised and prizes awarded for improved and superior performances. Learners are equipped with scientific calculators from Grade 9 onwards.

This programme is aimed at delivering a 20% improvement in Maths for all learners and for at least 50% of the students to enter maths core rather than maths literacy. Almost all participants comfortably achieved their targets, with many improving their grades by 40%.

In 2016, African Bank supported maths programmes in the Eastern and Western Cape, Gauteng and KwaZulu-Natal.

Internet connectivity and computer literacy

African Bank funds the installation of computers and local area networks in 60 schools every year. It presently also supports the maintenance of computer networks in 240 South African schools.

Teachers at these schools are trained to access online teaching aides and streamline administrative tasks. Although a small percentage of teachers demonstrate basic computer skills at the outset, many have no prior exposure to computers. All participating teachers are trained to a level of basic computer literacy within a year and intermediate literacy within two years.

The project's success is measured by assessing computer literacy levels at the outset of each year, and again at year-end. Approximately 95% of school teachers within the project reached self-supporting computer literacy levels.

These programmes were implemented in Gauteng, Eastern Cape and KwaZulu-Natal.

Entrepreneurship

This exciting and innovative programme for Grade 7 to 9 learners in Gauteng exposes recipients to basic entrepreneurship and business skills. Learners are divided into teams tasked with running micro businesses that grow and supply vegetables from school gardens, or performing computer hardware repairs. Each team member is allocated a functional business role and exposed to financial management, production, accounting, reporting and leadership. Project facilitators assist with problem solving and logistics, while many of our people provide active support to teams near their branches.

Success is measured through assessing the skills acquired by each team and the profit generated. Generous incentives are awarded to the most successful teams.

PUTTING 'WE ARE YOU' INTO COMMUNITY ACTION continued

African Bank sports programmes

These programmes are aimed at primary school learners and secondary school learners whose schools lack sporting facilities. Boys and girls participate in KwaZulu-Natal and Western Cape leagues that have over 10 000 players.

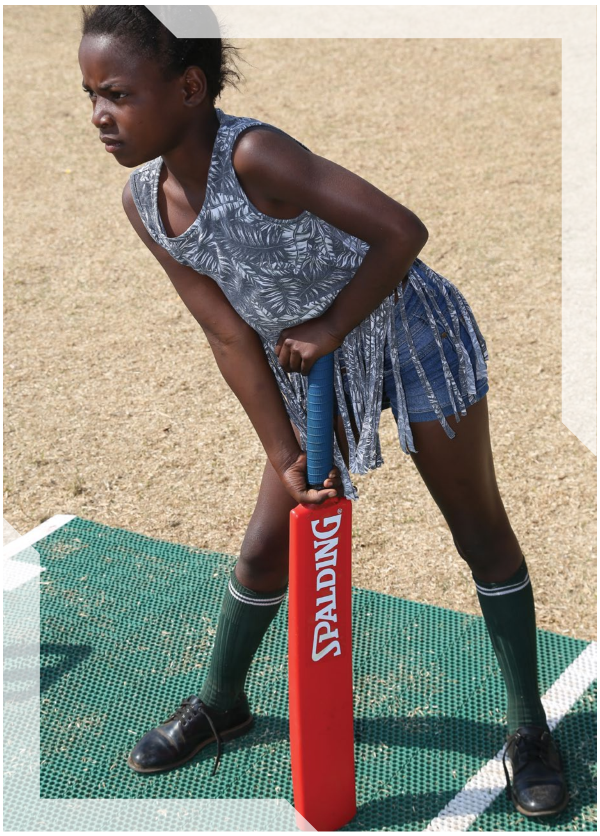
A gifted player is invited to the Durban Metro league and nominated to an Amazulu club satellite training academy. Selected players are also invited to attend trials for the Glenwood High School sports academy.

African Bank football teams regularly play against private schools and are developing healthy camaraderie with these teams.

An active netball programme has been established in the Eastern Cape, with 44 teachers having been trained as netball coaches and classes offered at 18 primary schools. An established netball league is in place.

The girls develop confidence by playing matches against private schools and attending netball tours. African Bank teams have won against the prestigious Collegiate Girls Primary School netball teams for two consecutive years. An invitation to attend their derby day has also been extended to our teams. Strong relationships with competitor schools have developed, with ongoing support in the form of kit and donations.

The Bank's people from the collections division are driving a junior cricket development project in Gauteng. With the support of the Gauteng Cricket Board, over 100 learners from three primary schools have been introduced to cricket playing basics.



PEOPLE PARTICIPATION

The involvement of our people is integral to CSI initiatives. Our people run the provincial CSI committees which oversee and provide governance for all projects.

These CSI committees decide the appropriateness of projects in terms of African Bank's CSI philosophy, review the performance of each project and assess which to support. This proactive approach motivates people to actively participate in their community-based projects.

Each member of the Bank's executive team has committed to individually supporting a CSI project and over 250 people from the Midrand office participate in various CSI activities in Tembisa and Ivory Park.

Community Champion Awards

The Bank has launched the community champion awards to encourage its people to nominate projects they will support and promote in their personal capacities. Community champions have to recruit colleagues from the Bank to participate in their projects and establish the metrics against which the success of the project is judged. Nineteen projects with a total value of R611 073 were identified and executed across the country in 2016. As a result, the lives of an additional 5 586 beneficiaries were touched through the hands-on participation of the Bank's people. This approach will continue in the new year.

OUTLOOK FOR 2017

African Bank has provided a budget of R8,2 million for the 2017 financial year, which will enable the Trust to continue supporting the Bank's existing programmes. Over time the Bank will expand successful projects into regions where its CSI initiatives are not currently active.

GLOSSARY

ABH	African Bank Holdings Limited
ABIL	African Bank Investments Limited
AGM	Annual General Meeting
ALCO	Asset and Liability Management Committee
AUDITCOM	Audit Committee
B-BBEE	Broad-Based Black Economic Empowerment
Banks Act	Banks Act, No 94 of 1990 (as amended)
BANKSETA	Banking Sectorial Education and Training Authority
BASA	Banking Association of South Africa
BCBS	Basel Committee on Banking Supervision
BU	Business unit
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Companies Act	Companies Act , No 71 of 2008 (as amended)
CPI	Consumer Price Index
CRO	Chief Risk Officer
CSI	Corporate Social Investment
DAG Committee	Directors' Affairs and Governance Committee
DMTN	Domestic Medium Term Note
dti	Department of Trade and Industry
EMTN	Euro Medium Term Note
EU	European Union
EVP	Employee value proposition
EXCO	Executive Committee
FAIS	Financial Advisory and Intermediary Services Act 2002 (as amended)
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act, No 38 of 2001 (as amended)
FSB	Financial Services Board
GDP	Gross domestic product

GEPF	Government Employees Pension Fund
Guardrisk	Guardrisk Life Limited
HDSA	Historically Disadvantaged South Africans
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
<IR> Framework	Integrated Reporting Framework
IT	Information Technology
JSE	Johannesburg Stock Exchange
King III	King Report on Corporate Governance for South Africa 2009
KPA	Key performance area
KRI	Key risk indicator
KYC	Know Your Customer
LSM	Living Standards Measure
MMA	Month moving averages
NCA	National Credit Act, No (34 of 2005) (as amended)
NCR	National Credit Regulator
NPS®	Net Promoter Score
OIM	Offer information memorandum
PIC	Public Investment Corporation
PwC	PricewaterhouseCoopers Inc.
RA	Risk Appetite
RCMC	Risk and Capital Management Committee
RDS	Residual Debt Services Limited
REMCO	Remuneration Committee
SABRIC	South African Banking Risk Information Centre
SARB	South African Reserve Bank
SENS	Stock Exchange News Services
SETCO	Sustainability, Ethics and Transformation Committee
the Group	African Bank Holdings Group

CORPORATE INFORMATION

Board of Directors

LL von Zeuner (Chairman), B Riley (CEO)*, G Raubenheimer (CFO)*, B Maluleke, SL McCloghrie, SK Mhlarhi, IS Sehoole, L Stephens, PJ Temple, FJC Truter

* *Executive*

Company Secretary

BW Unser

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(Registered bank controlling company)
(Registration number 2014/176855/06)

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Forward-looking statement

This document contains certain statements that are "forward-looking" with respect to certain of the Group's plans, goals and expectations relating to its future performance, results, strategies and objectives. Words such as, but not limited to, "may", "could", "will", "expect", "intend", "estimate", "anticipate", "aim", "outlook", "believe", "plan", "seek", "predict" or similar expressions typically identify forward-looking statements. These forward-looking statements are not statements of fact or guarantees of future performance, results, strategies and objectives, and by their nature, involve risk and uncertainty because they relate to future events and circumstances which are difficult to predict and are beyond the Group's control, including but not limited to, domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities (including changes related to capital and solvency requirements), the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of changes in domestic and global legislation and regulations in the jurisdictions in which the Group and its affiliates operate. The Group's actual future performance, results, strategies and objectives may differ materially from the plans, goals and expectations expressed or implied in the forward-looking statements. The Group makes no representations or warranty whatsoever, express or implied, that these forward-looking statements will be achieved and undue reliance should not be placed on such statements. The Group undertakes no obligation to update the historical information or forward-looking statements in this document and does not assume any responsibility for any loss or damage arising as a result of the reliance by any party hereon.

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