

AFB (GHANA) PLC ABRIDGED UNAUDITED RESULTS FOR HALF YEAR ENDED 30 JUNE 2018

Published in compliance with the requirements of the Listing Rules of the Ghana Stock Exchange (GSE).
Financial results presented in compliance with International Financial Reporting Standards (IFRS).



- Investment Grade rating of MTN programme reaffirmed
- Net Interest income increased by 69%

Statement of comprehensive income for the 6 months ended 30 June 2018

| | 6 months ended 30 June 2018 (GHS '000) | 6 months ended 30 June 2017 (GHS '000) |
|--|---|---|
| Income | | |
| Interest income | 49 769 | 29 164 |
| Interest expense | (15 243) | (8 791) |
| Net interest income | 34 526 | 20 373 |
| Net impairment allowance | (13 235) | (1 935) |
| Income from lending activities | 21 291 | 18 438 |
| Other income | 8 903 | 3 670 |
| Operating income | 30 194 | 22 108 |
| Total operating expenses | (21 962) | (14 514) |
| Selling and collection costs | (9 352) | (4 192) |
| Administration and other expenses | (12 610) | (10 322) |
| Profit from operations before taxation | 8 232 | 7 594 |
| Income tax expense | (1 876) | (2 807) |
| Profit for the period | 6 356 | 4 787 |
| Other comprehensive income | - | - |
| Total comprehensive profit for the period | 6 356 | 4 787 |

Statement of financial position as at 30 June 2018

| | 30 June 2018 (GHS '000) | 30 June 2017 (GHS '000) |
|-------------------------------------|----------------------------|----------------------------|
| Assets | | |
| Cash and bank balances | 57 463 | 10 312 |
| Loans to affiliated entities | - | 300 |
| Other receivables | 6 322 | 2 572 |
| Loan book receivable | 251 291 | 110 073 |
| Deferred tax | 1 502 | 415 |
| Property, plant and equipment | 3 834 | 3 769 |
| Total assets | 320 412 | 127 441 |
| Equity and liabilities | | |
| Issued capital | 30 546 | 30 546 |
| Retained income | 1 770 | (3 110) |
| Share based payment reserve | 97 | 51 |
| Statutory reserves | 12 435 | 7 551 |
| Total equity | 44 848 | 35 038 |
| Trade and other payables | 40 716 | 3 829 |
| Tax payable | 6 568 | 4 336 |
| Borrowings | 195 803 | 84 238 |
| Deposits from Customers | 32 477 | - |
| Total liabilities | 275 564 | 92 403 |
| Total equity and liabilities | 320 412 | 127 441 |

Statement of cash flows for the 6 months ended 30 June 2018

| | 6 months ended 30 June 2018 (GHS '000) | 6 months ended 30 June 2017 (GHS '000) |
|---|---|---|
| Net cash utilised in operating activities | (54 346) | (1 997) |
| Net cash utilised in investing activities | (136) | (314) |
| Net cash generated from financing activities | 106 235 | 2 144 |
| Net increase / (decrease) in cash and cash equivalents | 51 753 | (167) |
| Cash and cash equivalents at beginning of the year | 5 710 | 10 479 |
| Cash and cash equivalents at end of the period | 57 463 | 10 312 |

- Net loan book increases by 128%
- Bank of Ghana approval of extension in MTN Bond programme

Principal Activity

The company is licensed to operate as a Savings and Loans company under the Banks and Specialized Deposit Taking Institutions Act 2016 (Act 930).

Rebranding and change to a Savings and Loans company

The company has received approval from the Bank of Ghana (BOG) to convert from a Finance House to a Savings and Loans Company and to change its name from AFB (Ghana) PLC to Letshego Ghana Savings and Loans Limited. The rebranding of all customer touchpoints will take place during the current year.

Review of the performance of the company

AFB's strong growth continued during the first half of 2018 achieving an increase of 69% in net interest income and a 128% growth in the net Loan Book, over the comparative first half of 2017. During the current period, the Company implemented the IFRS15 accounting standard, which had a direct impact on the recognition of initiation fees income and commission paid to sales agents. This has resulted in a GHS 3.8m deferral in profit before tax compared to the comparative period. AFB has been successful in attracting GHS 32m of Deposits from its customers, which is expected to further reduce the cost of funding.

At the end of 2017, the Company launched a new mobile loan product called "Qwikloans" in collaboration with MTN Ghana and at the end of June 2018 has disbursed over 2.6m loans to 633 000 new customers. The mobile loan portfolio comprises GHS 66m (26%) of the Net Loan Book and has increased the impairment charge by GHS 8.6m in the current period.

Implementation of the new credit impairment methodology required by IFRS9 is well advanced and will be completed before financial year end.

The Ghana Revenue Authority has given approval for the carry forward of the company's foreign exchange losses of GHS 11.3m (tax effect of GHS 2.8m), which will be included in future results and have not been accounted for in these June results.

In April 2018 the BOG and the Securities and Exchange Commission approved the increase in the Medium Term Notes (MTN) programme from GHS 100m to GHS 300m. During May and June 2018, the long term credit ratings of the Company and its MTN programme were each maintained as BB+(GH) and BBB+(GH) respectively, with the outlook accorded by Global Credit Rating Co as positive and stable respectively. The average bond duration is 5 years and exceeds the average duration of the loan book term. MTN interest payments of GHS 8.8m were paid to investors during the period. There were no MTN capital maturities during this period while new MTN bonds of GHS 95m were issued. The coverage covenant ratio as at 30 June 2018 was 161% (Dec 2017: 166%).

During the year, the company launched two new loan products:

- Edu solution: This product provides loans to privately owned schools and educational institutions in Ghana.
- Motorbike Loans: This product will support households to acquire motor bikes as a means of transport to improve their livelihoods.

These initiatives are expected to attract additional customers and consequently deliver further profitability to the company during the current financial period.

Arnold Parker
Managing Director

30 July 2018

Ibrahim Obosu
Financial Director

30 July 2018