



High energy reaping rewards

Operational update – quarter one of 2011

Introduction

Momentum in last 6 months of 2010 accelerated into 2011

External environment

- Moderately improving economic conditions
- Stronger retail sales over the festive period
- Unemployment claims have stabilised but remain high
- Intensely competitive trading conditions
- Low inflation, low interest rates and above inflation salary increases improving consumer affordability
- Debt mediation rules finalised – deployment expected by February 2011

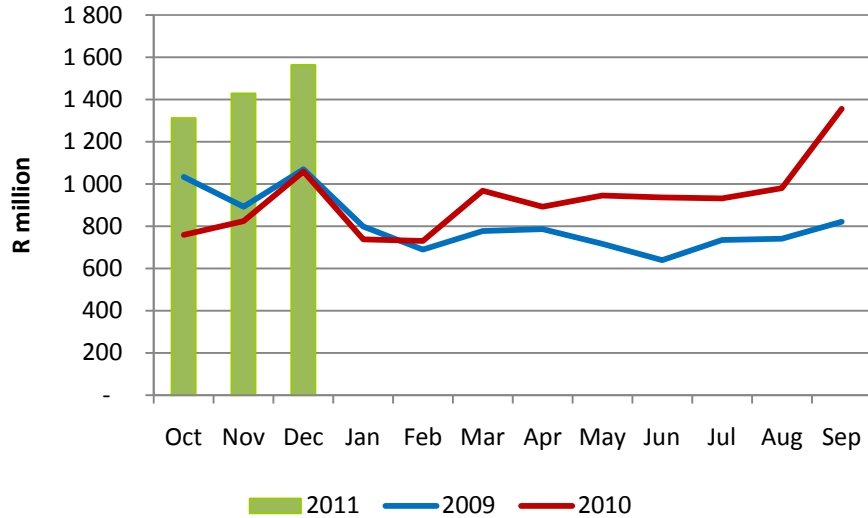
ABIL initiatives

Substantial reinvigoration of business and focus on people bearing fruit

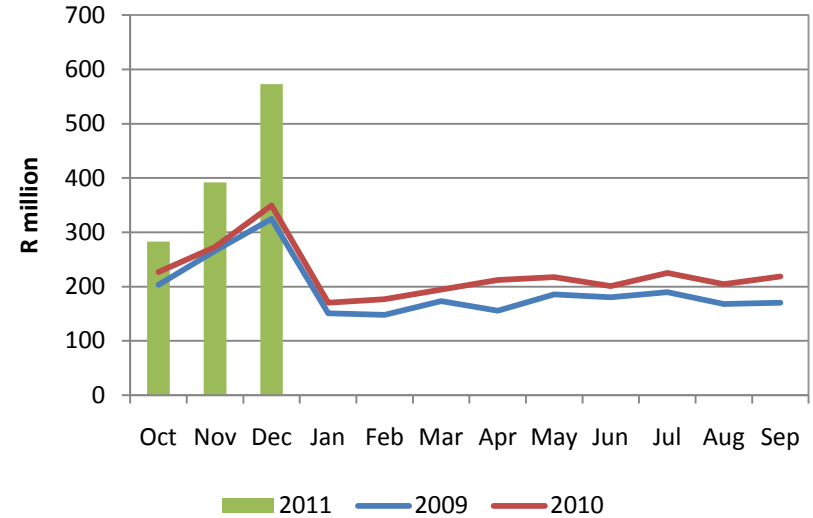
- Strong quarter for both businesses
- New products for the 'festive' and 'back-to-school' seasons well received
- EHL brands experienced some impact of change over to African Bank systems in September 2010
- Substantial growth in the number of new clients
- High growth in credit card continued
- African Bank footprint expanding rapidly through a presence in EHL stores
- Ezi*cash (top-up credit products) and Ezi*Loans (credit only initiatives) in EHL stores proving successful
- New retail categories and private label expansion in EHL
- Group operating cost slightly ahead of budget given higher sales
- Asset quality continued to improve
- Yields relatively stable

Credit sales of R5,5 billion (up 59% y-on-y)

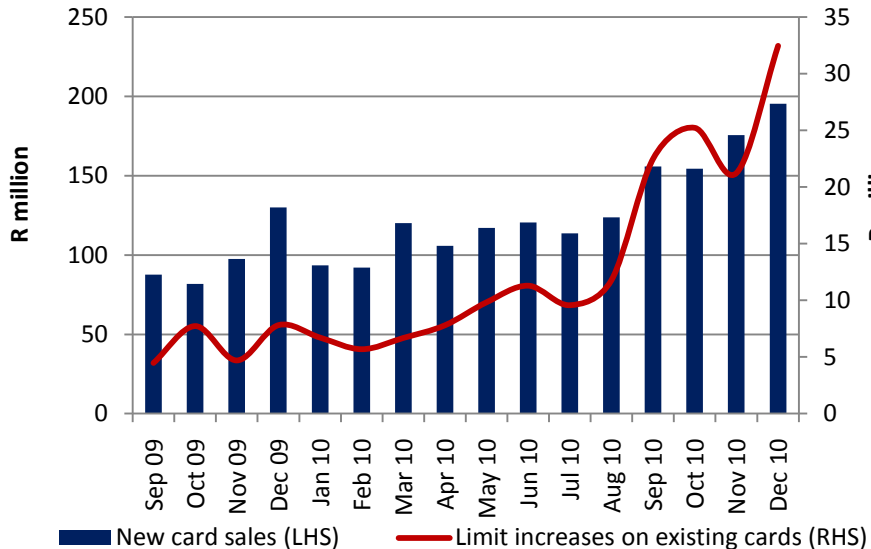
African Bank credit sales up 63%



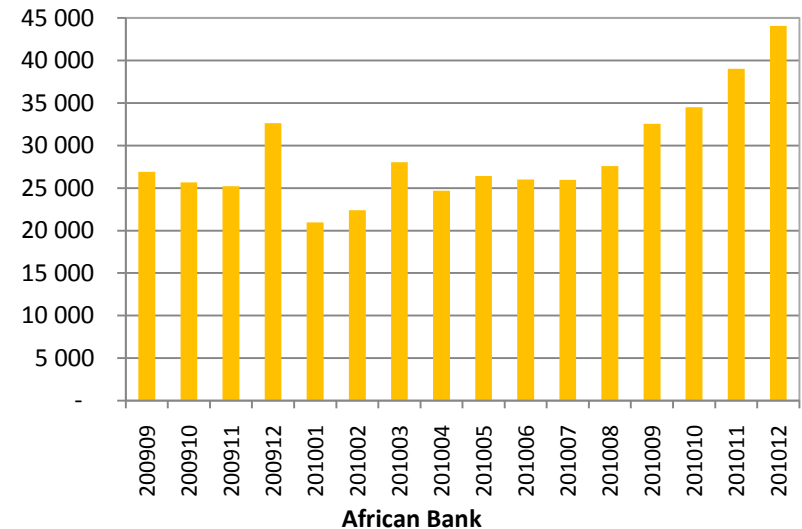
EHL credit sales up 29%



Card sales grew 87%

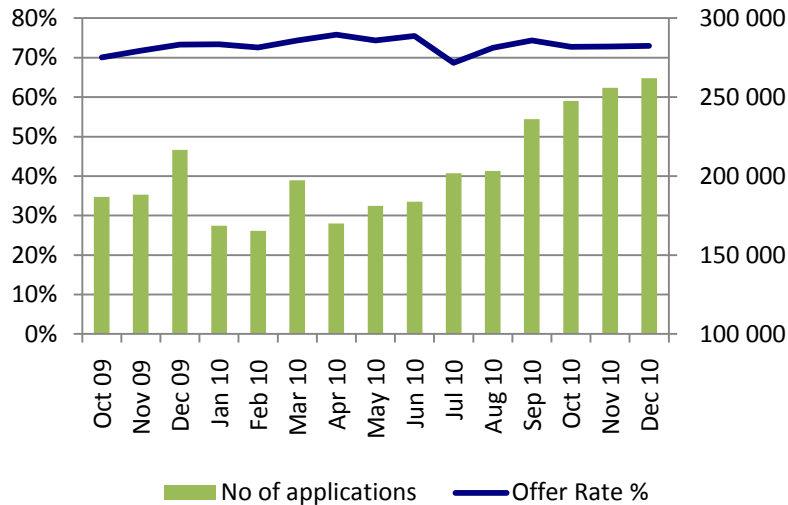


New client base up 41%

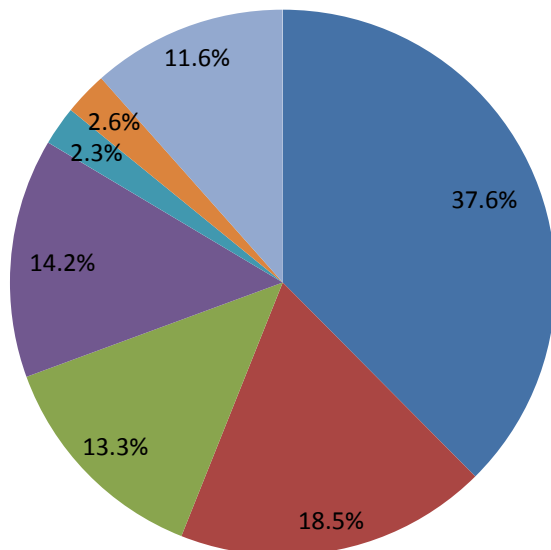


Risk mix positive

Loan applications – African Bank

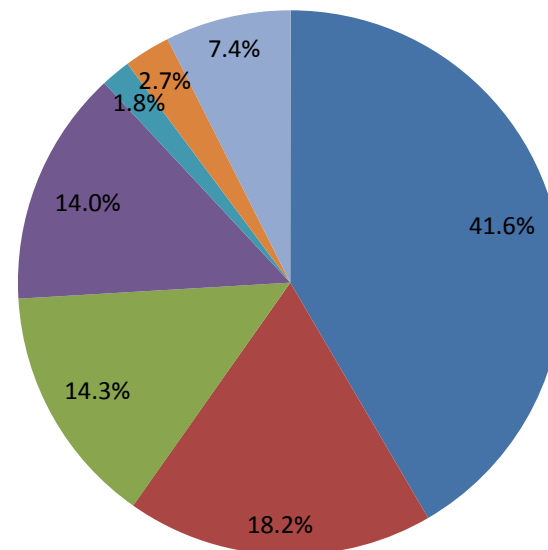


- Loan offer rates have remained steady
- The move in the mix to low risk was largely a function of the 'Payment break' campaign
- Low/Med customers have increased from 69% of portfolio to 74%



Sales risk mix Dec 2009

- 1Low
- 2LowMed
- 3Med
- 4MedHigh
- 5High
- 6Thin
- 7Other



Sales risk mix Dec 2010

- 1Low
- 2LowMed
- 3Med
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Product innovation paying off

- **Insights gained from staff and customer roadshows and the retail business, are driving product development**
- **PAYMENT BREAK**
 - Offered from October to December 2010 – R1 billion in sales (19% of credit sales)
 - Aimed at lower risk and new clients – sales volumes skewed towards lower risk as a result
 - 1st instalments due in January 2011
 - Similar product in EHL and an African Bank April/May 2010 promotion have performed satisfactorily
- **INTEREST BUSTER**
 - Designed to capitalise on short term lending opportunities and attract new and long-dormant clients
 - Product available for limited time and specific book size – currently +/- 15% of sales by number of loans, 9% by value
 - 0% interest, no service fees, R10 000 maximum loan size, 12-month product
 - Standard initiation fee and compulsory credit life
 - R2 500 potential saving for customers
- **MOBILE SERVICE (balance enquiries, airtime, lost cards) - 50 000 active users**

Product innovation paying off

- EZI*CASH (top-up credit) and EZI*LOANS (credit only) in EHL proving successful – R112 million for the quarter
- Category expansion in EHL through new imported furniture ranges and computers
- TEK private label – further development into appliances as well
- Club membership reached 570 000 members – new club magazines & benefits positively received
- Credit facilities pilot launched in Wetherlys in December 2010

Distribution network expanding rapidly

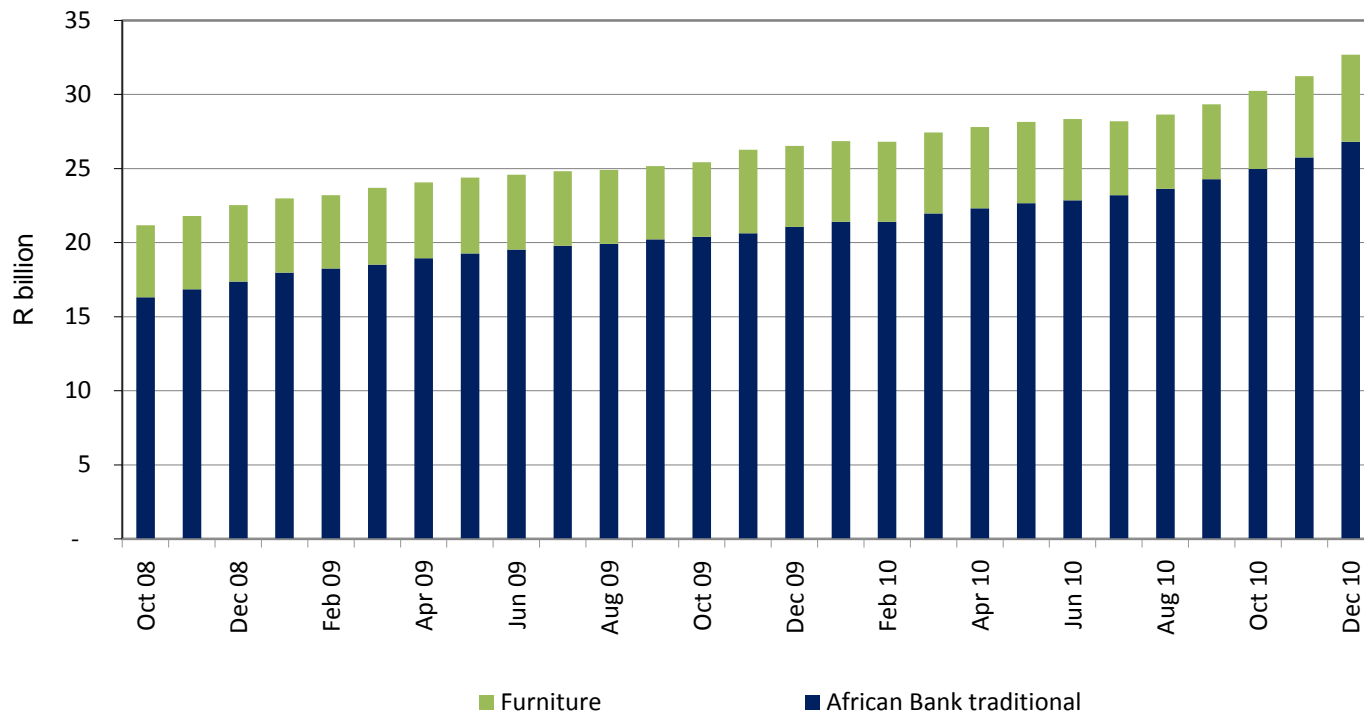
- 32 new African Bank branches opened to date in 2011, including 10 sales centres
- 30 new EHL stores opened for the quarter and 41 more secured for 2011, with a strong focus on improving trading densities
- 121 (55 in Qtr1 2011) African Bank kiosks opened in EHL stores - R90 million of additional sales for the quarter
- 10 African Bank 'carve-out' branches in EHL – R73 million of sales
- 5 African Bank promotional vehicles deployed
- Expectation for 100 more kiosks and 100 'carve-out' branches this year



Advances growth tracking sales

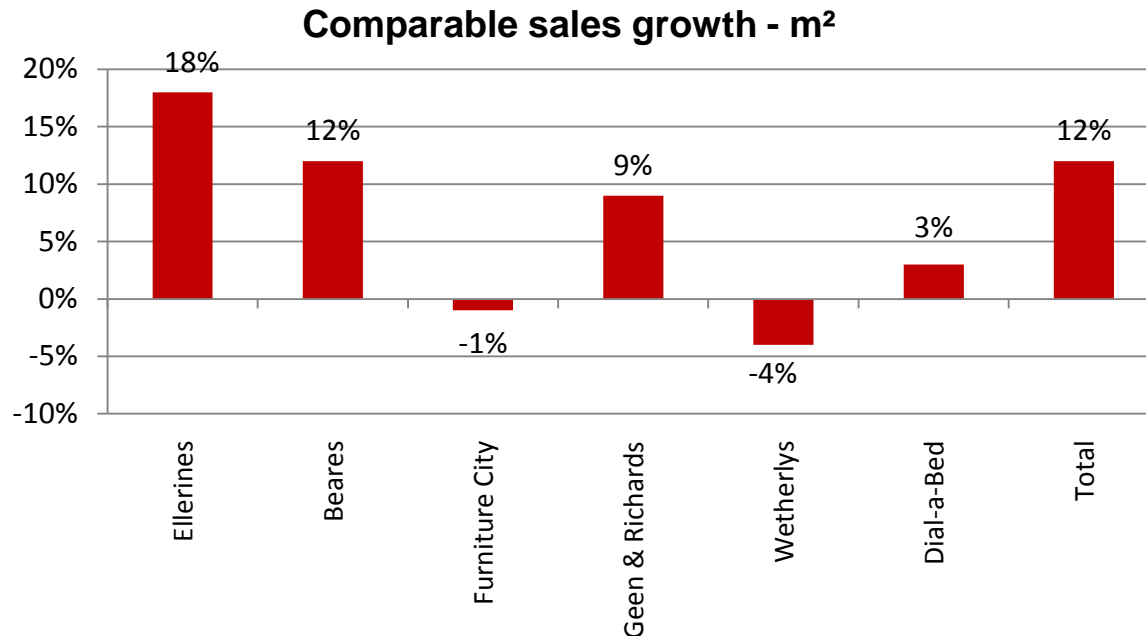
- African Bank traditional advances increased by 10% for the quarter to R26,8 billion
- Furniture credit advances increased by 17% to R5,9 billion
- First quarter is traditionally the highest growth quarter
- Advances growth on track to reach the 2011 objective

Monthly advances growth



EHL – retail performance

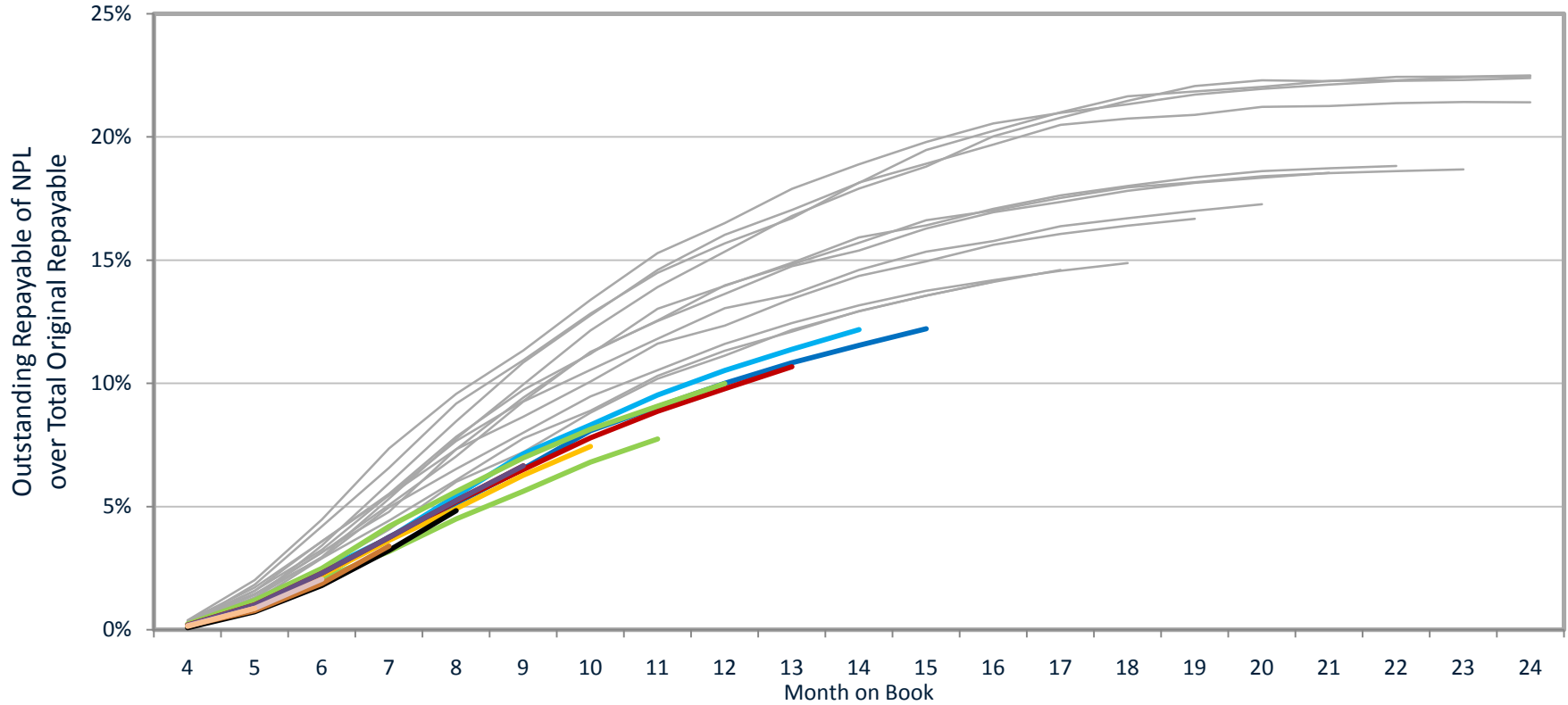
- Merchandise sales up 8% to R1,5 billion, 12% on a like-for-like m²
- Focus on trading densities paying off - m² down but number of stores up
- Ellerines (48% of EHL sales) performed well
- Fire at Furniture City's biggest store
- Wetherlys continued to battle with legacy location strategy and slow recovery in upper LSMs
- Gross margins increased relative to same period in 2010 and stock turn improved
- Merchandise sales credit mix increased from 60% (Sep 10) to 66% (Dec 10)
- Productivity ratios continued to improve further



African Bank vintages continue to fall from peaks of 2008

VINTAGE GRAPH - African Bank

More than three missed instalments

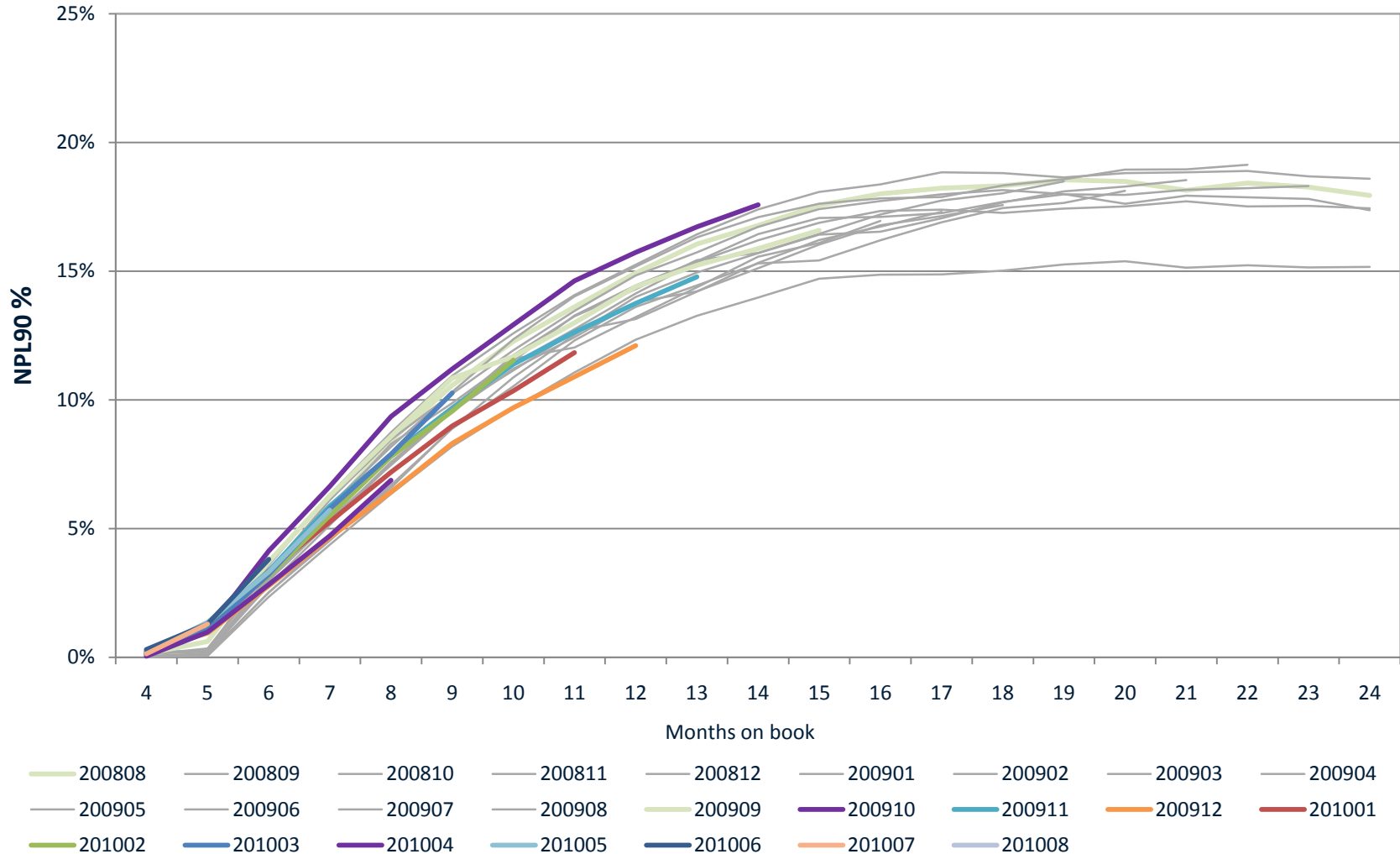


Sep-08 Oct-08 Nov-08 Dec-08 Jan-09 Feb-09 Mar-09 Apr-09
May-09 Jun-09 Jul-09 Aug-09 Sep-09 Oct-09 Nov-09 Dec-09
Jan-10 Feb-10 Mar-10 Apr-10 May-10 Jun-10 Jul-10 Aug-10

Furniture credit vintages at the lower end of target range

VINTAGE GRAPH - EHL

More than three missed instalments



Looking ahead

The main strategic initiatives for ABIL in 2011 remain as follows:

- Integrate and optimise the African Bank operations
- Transform the value proposition and delivery model of the Bank to service a broader market
- Grow the client base of the Bank and convert EHL customers into African Bank customers as well
- Build EHL into a premier cash retailer
- Expand ABIL's presence in the retail footprint in South Africa.

ABIL group objectives	Actual 2010	Target 2011	Medium term target (rolling 4 years)
Advances growth	20%	> 25%	> 15% CAGR
Merchandise sales	R4,5 bn	> 8,5%	R8 bn – R9 bn p.a.
Return on equity	15,6%	> 18%	> 30%



Our people journey has only just started!