Trading update for the first quarter ended 31 December 2009

AFRICAN BANK INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registered bank controlling company)
(Registration number 1946/021193/06)
(Ordinary share code: ABL) (ISIN: ZAE000030060)
(Preference share code: ABLP) (ISIN: ZAE000065215)
("ABIL" or "the group")

TRADING UPDATE FOR THE FIRST QUARTER ENDED 31 DECEMBER 2009

ABIL issues quarterly updates in order to provide investors with timely insights into strategic and operational performance trends. These updates cover certain key metrics but are not in themselves indicators of the group's profitability.

The quarter ended 31 December 2009 continued to be characterised by a conservative underwriting appetite and muted trading conditions, given the challenging consumer environment. Indications are that market conditions have stabilised however, with job losses in particular appearing to have peaked.

African Bank
The Bank's continued cautious approach to credit underwriting resulted in sales of new loans declining by 12% to R2.6 billion (Q1 2009: R3.0 billion). The sales mix shifted further towards lower risk clients and market segments. As a result, average loan sizes for the quarter increased 11% over the equivalent period in 2009 to R7 600 and the average term of these loans increased to 39 months, compared to the average 33 months for FY2009.

Over the recent past the business has been steadily steering away from its higher risk customers. Whilst this has been positive from a risk perspective, over the longer term it is important to remain relevant to all customer segments. Given the fact the conditions have now started to stabilise, African Bank has begun to cautiously relax its underwriting criteria towards these customers. This change in mix will start to become evident during the course of the year in respect of average loan sizes, term, number of customers and yield.

Gross advances grew by 4% over the quarter to R21.9 billion, which translates into an annualised 17% on a year-to-date basis, somewhat behind the targeted 25% growth for the full year. Although the growth in advances has been adversely affected by the lower sales of new loans, it was positively impacted by higher levels of settlement re-advance products and revolving credit card utilisations, both of which are excluded from the current definition of sales. While advances growth is currently tracking below expectation, targets will only be reviewed at the interim stage as the trading pattern becomes more predictable.

Asset quality has improved over the last quarter, as evidenced by the most recent vintage curves which are approximately 2% below the peaks experienced in FY2009. NPLs increased in line with expectations and NPL coverage remained steady. The bad debt charge, which largely reflects the emergence of risk 8 to 12 months after loans are written, peaked at the end of FY2009, and the lower vintages combined with the lower sales volumes in 2009, are expected to result in the bad debt charge moderating over the remainder of the year.

Total income yields continue to fall slightly ahead of targets, and this has been a function of continued high insurance claims (albeit falling from their peaks in 2009), higher levels of suspended interest on NPLs and the continued shift to lower risk loans. The impact of the insurance claims and suspended interest is expected to reduce over the remainder of the year given the more recent vintages.

Operating expenses continued to be well controlled. In light of the current environment, initiatives to extract cost efficiencies from the integration of the African Bank and Ellerines financial services business are being fast tracked, and various other initiatives to extract further cost reductions through improved processes are being implemented.

African Bank's funding and liquidity position remain sound. New funding raised of R1.8 billion and an 85% rollover of maturing loans exceeded expectations during the quarter, resulting in cash reserves as at 31 December 2009 of R5.0 billion (Sept 2009: R4.6 billion). Continued low interest rates and a steady compression of credit spreads on new funding raised, has resulted in the average cost of funding falling in line with expectation.

Ellerines
Merchandise sales for the quarter ended 31 December 2009 were R1 401 million (Q1 2009: R1 382 million), up 1.4% over the previous comparable period, whilst like-for-like sales grew by 5.3%. The improvement in sales was widespread across the brands, with notable performances by Geen and Richards (+22%), Dial-a-Bed (+22%) and Beares (+20%). The credit sales mix improved across all brands and retail gross profit margins were slightly firmer during the quarter.

Costs continued to decline on the back of the initiatives implemented since acquisition as well as new distribution and marketing strategies being rolled out.

Gross advances grew by 9% to R5 629 million over the quarter, due to higher approval rates and credit limits available to customers as a result of new scoring models. Credit sales of R424 million (50% of the total credit sales) were processed during the quarter, through the recently implemented African Bank front end underwriting system, and this will increase over the remainder of the year as the rollout of the new system is completed. The tighter underwriting criteria implemented since acquisition, together with a greater focus on collections management continued to benefit asset quality, with the vintage curves for business written over the past year showing substantial improvement. Yields remain under pressure as a result of interest suspension on the non-performing book, emanating largely from sales in July to December 2007, the impact of which has now peaked.

The quarter was characterised by far more stability in the operating environment given the extent of the changes that have taken place over the last two years. This together with a better understanding of the key business levers, including the effect of better priced credit, has enabled us to establish a platform on which to build critical mass for the benefit of customers over the medium to long term. The integration of the financial services activities of Ellerines into African Bank is key in that regard and this should be completed by 30 September 2010.

Outlook
Whilst the outlook for the economy and operating environment remains subdued for the remainder of the year, this has only served to strengthen our resolve to build a stronger business franchise focused on delivering great value to clients.

On behalf of the board
Midrand
10 February 2010

This announcement, together with a short presentation, is available on the African Bank Investments Limited website at http://www.abil.co.za.

ABIL will hold a conference call on Wednesday, 10 February 2010 for interested parties. The conference call will take the form of a short overview of the quarter, followed by questions. (No RSVP required). A slide presentation covering the overview will be available for download prior to the call on www.abil.co.za

Time 16:00 (SA time)

LIVE CALL	PLAYBACK (available for 48 hours)
South Africa & Other Toll 011 535 3600	South Africa & Other 011 305 2030 Code 2134#
USA Toll-free 1800 860 2442	USA 1 412 317 0088
UK Toll-free 0800 917 7042	UK 0808 234 6771

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