

Interim results

for the six months ended
31 March 2010



Introduction

Tough trading conditions but improving operational performance

External environment

- Subdued economic conditions and lower consumer spending
- Unemployment claims lower, but remaining high
- Competitive trading conditions
- Tentative signs of gradual recovery

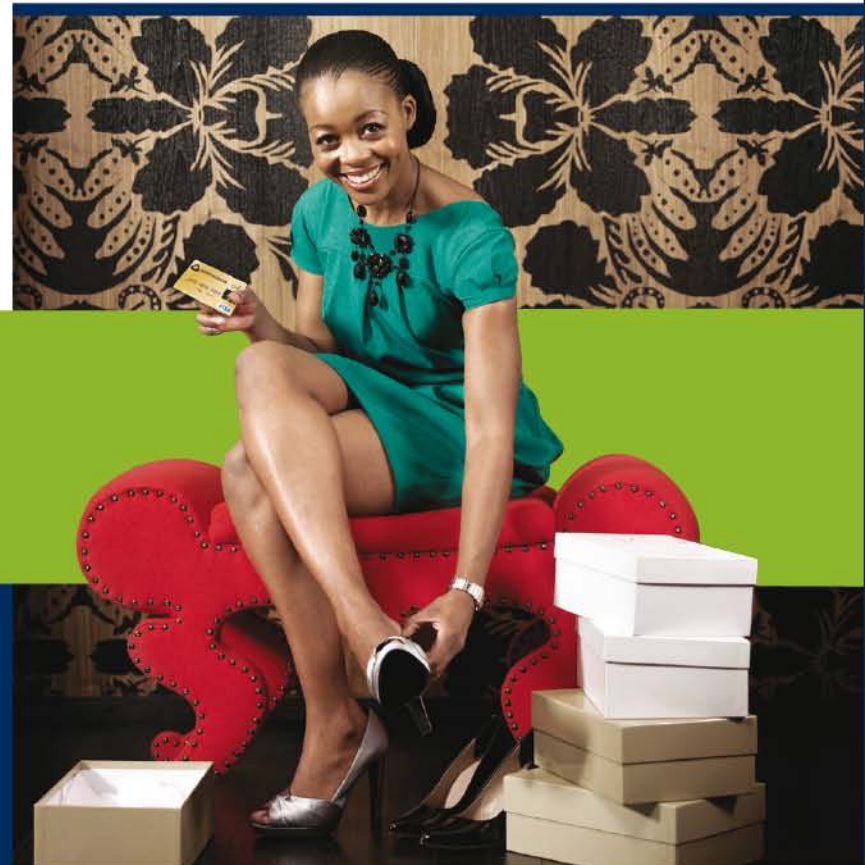
Operations

- A slow start to the first half, but performance beginning to turn
- Substantial improvement in funding base, funding costs and maturity profile
- Positive effect of African Bank credit model in Ellerines stores
- Ellerines Retail restructuring starting to deliver results
- Credit risk performance substantially improved

Financial features

- Headline earnings of R914m and HEPS of 113.7 cents, down 2%
- African Bank contributed R713 million and Ellerines R201 million
- RoE and economic profit continue to be diluted by investment in Ellerines
- Ordinary DPS maintained at 85 cents, dividend cover steady at 1,3 times

	% ch	6 months to 31 March 2010			6 months to 31 March 2009
		ABIL	African Bank	Ellerines	ABIL
Headline earnings (Rm)	(2%)	914	713	201	937
HEPS (cents)	(2%)	113,7			116,6
Weighted # of shares (m)		803,7			803,7
Return on equity (%)		15,3	44,2	10,1	15,8
Economic profit / (loss) (Rm)		(41)	455	(119)	(11)
Dividends per share (cents)		85			85



Financial overview

R million	% ch	6 months to 31 Mar 2010	6 months to 31 Mar 2009
Headline earnings	(5%)	713	747
Economic profit	(15%)	455	537
Return on equity (%)		44,2	56,8
Income from operations	11%	3 808	3 431
Gross advances	19%	21 977	18 528
Funding (incl. subordinated bonds)	52%	22 525	14 853
Capital adequacy (per Basel II) (%)		24,6	26,7

Financial overview



Growth in income offset by higher charges

- Income from operations increased by 11%
 - 18% increase in net advances
 - 310 basis point decline in income yields
- Charge for bad debts increased by 25%, resulting in a 6% increase in risk adjusted income.
- Operating expenses increased by 10%, with staff costs up by a similar amount.
- Net funding costs increased by 24%
 - 52% increase in the funding base
 - Average funding rates declined from 11.4% to 10.5%
- Net result is a 7% decline in income before tax, and a 5% decline in headline earnings

Return on equity

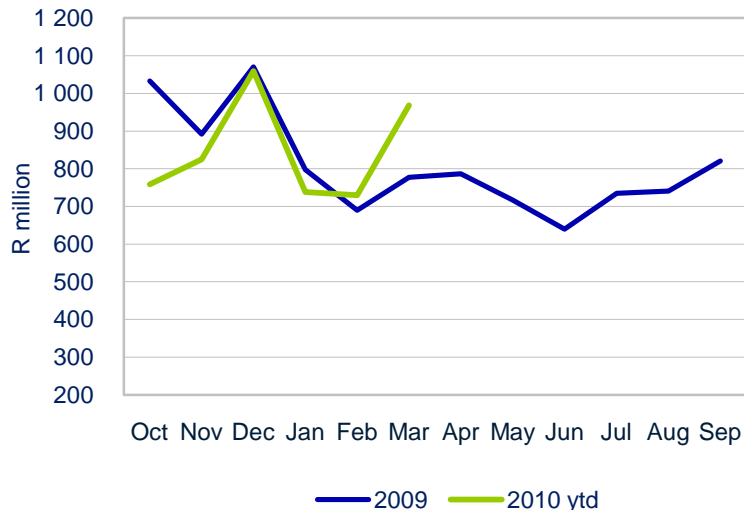
%	6 months to 31 Mar 2010	6 months to 31 Mar 2009
Total income yield	36,0%	39,1%
Charge for credit losses	(10,7%)	(10,4%)
Operating expenses	(7,0%)	(7,7%)
Net finance costs (incl pref div)	(8,2%)	(8,1%)
Taxation & other	(3,4%)	(4,4%)
Total charges	(29,3%)	(30,6%)
Return on advances	6,7%	8,5%
Advances/assets	85,7%	97,9%
Return on assets	5,8%	8,3%
	<i>Multiply</i>	<i>Multiply</i>
Gearing (x)	7,7	6,8
	<i>Equals</i>	<i>Equals</i>
Return on equity	44,2%	56,8%

Sales

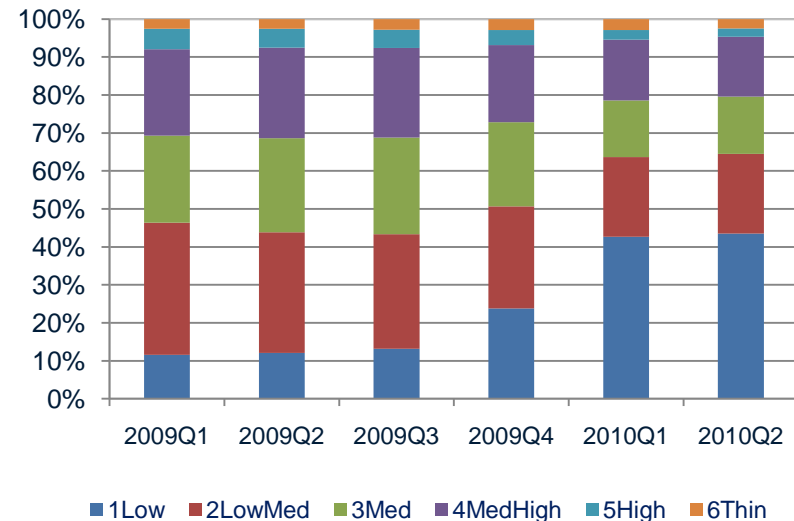
Conservative underwriting led to flat sales

- A substantial shift to lower risk client segments
- Improved segmentation models and higher offer rates impacted positively from Q2
- Emphasis on growth and focus on enlarged customer base
- Re-energised sales teams, new products and improved risk appetite starting to lift sales

Sales of new loans



Debit Order Capital Risk Distribution

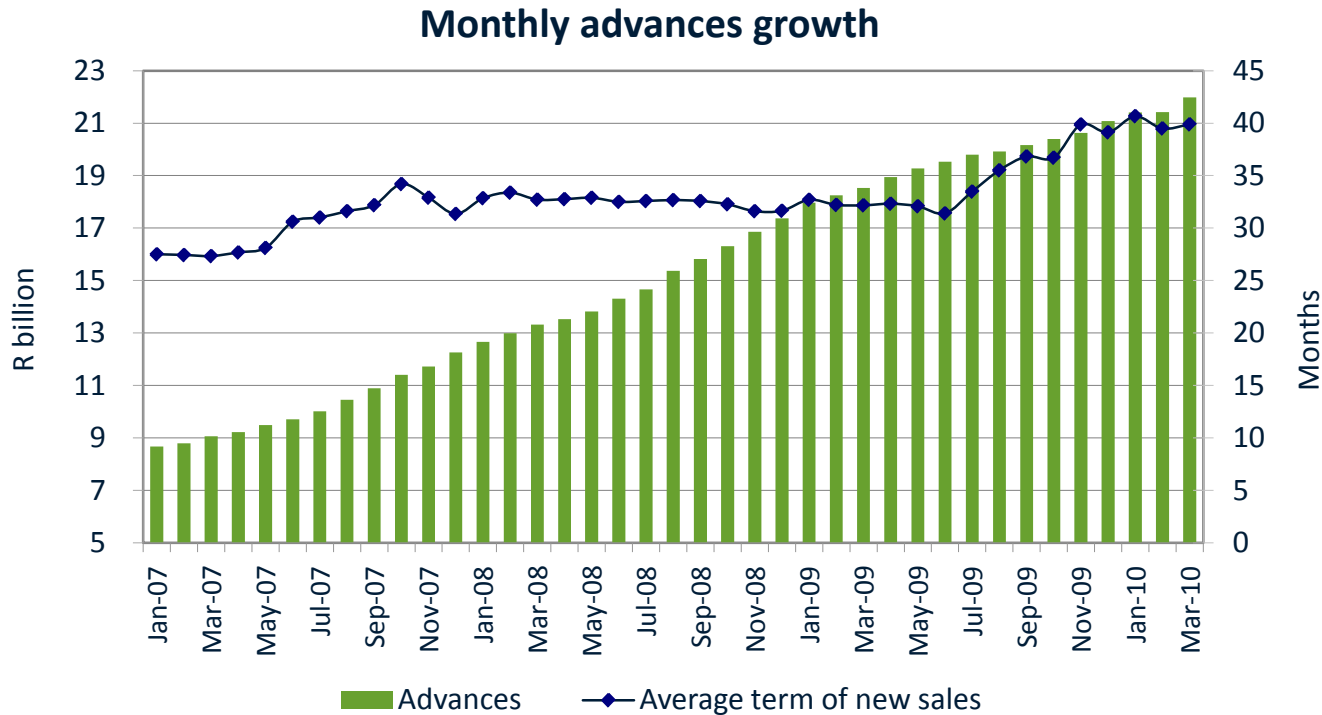


Advances



Gross advances increased by 19% to R22 billion

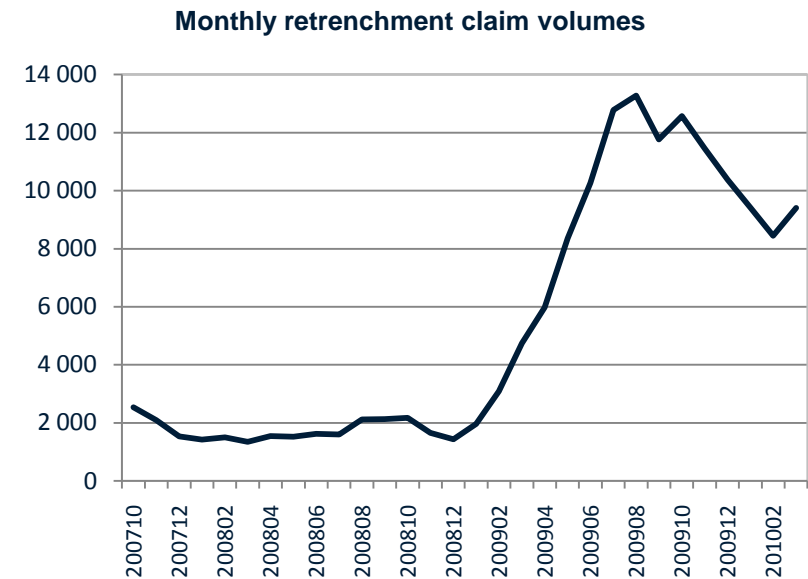
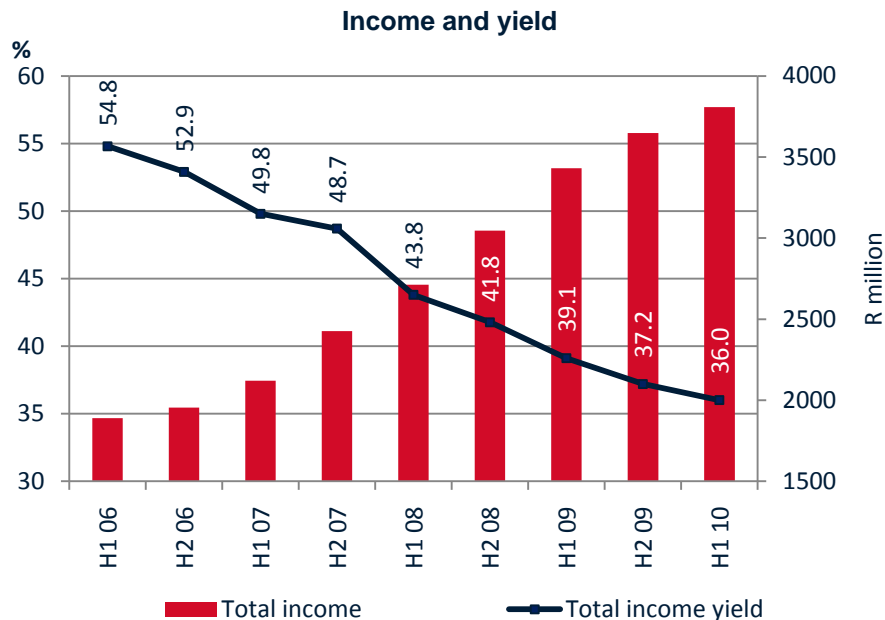
- Mix effect of 7% higher number of loans and 11% increase in average loan balance
- Number of customers up 10% to 1,9 million
- Increase in average term based on new segmentation models and focus on low risk segments
- Credit card portfolio grew 51% to R2,3 billion



Yield analysis

Income yield of 36,0%, relative to 39,1% in H1 2009

- Proportionally higher NPL's (33,6% vs. 26,9%) resulted in increased interest suspension and *in duplum* impact
- Sales mix favoured lower risk, lower priced loans
- Claims on insurance policies remained higher than historical levels

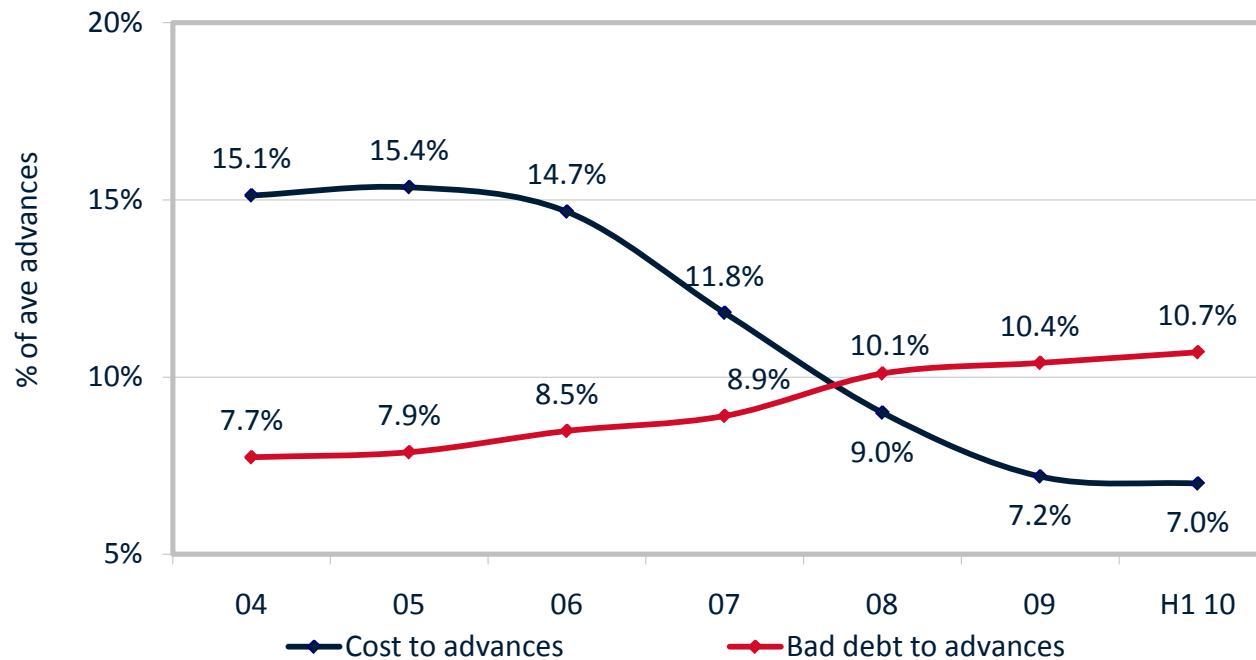


Operating costs

Overall cost base increased by 10%, cost to advances declined to 7%

- Staff costs increased by 10%, given salary increases and medical aid subsidies
- Bank charges declined by 2%, despite growth in advances
- Card transaction costs increased by 25% after 51% growth in credit card advances book

Bad debts vs. operating costs



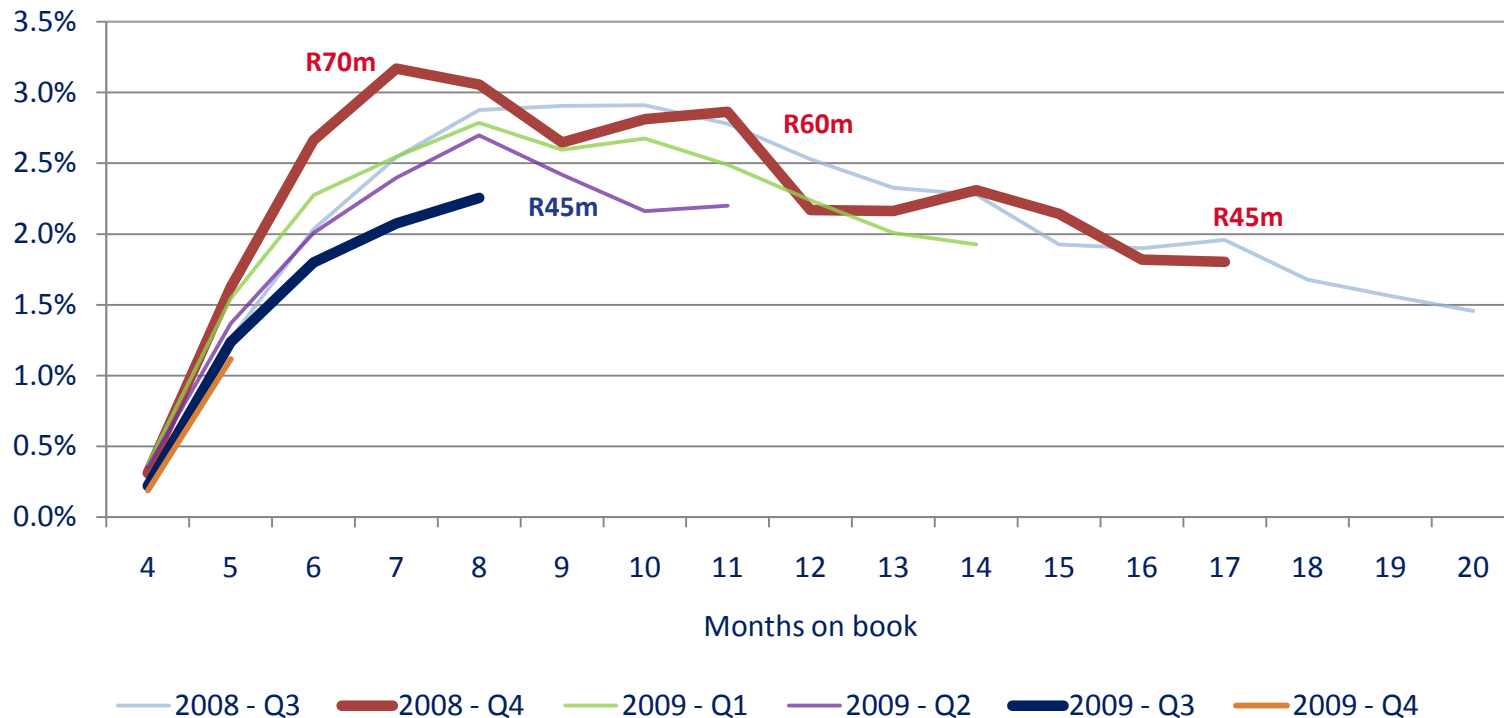
Multitude of initiatives being implemented to reduce costs

Asset quality

Higher sales in 2008 still a major contributor to new NPLs

- Risk mix and new risk segmentation improved vintages
- Recent vintages act as leading indicator while bad debt charge impacted by older vintages

Dent curves - Total portfolio
(% of qtrly sales moving to NPL status, overlaid with actual NPL formation)



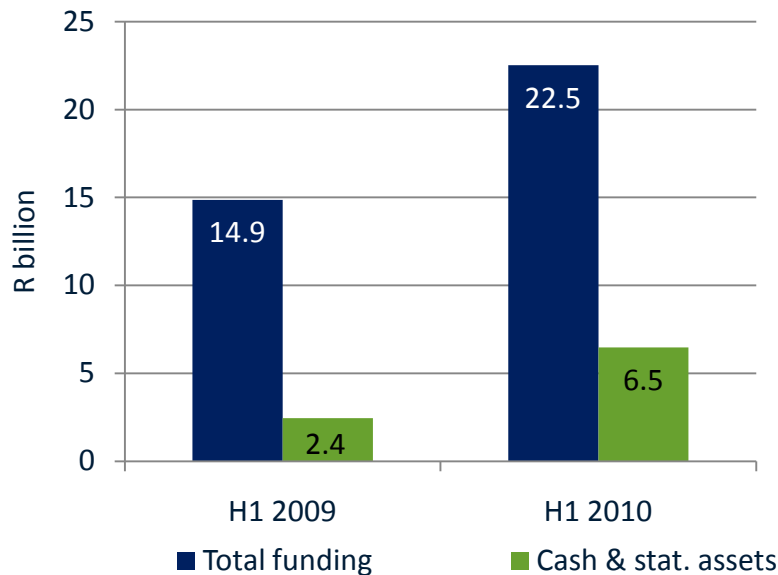
Funding and liquidity



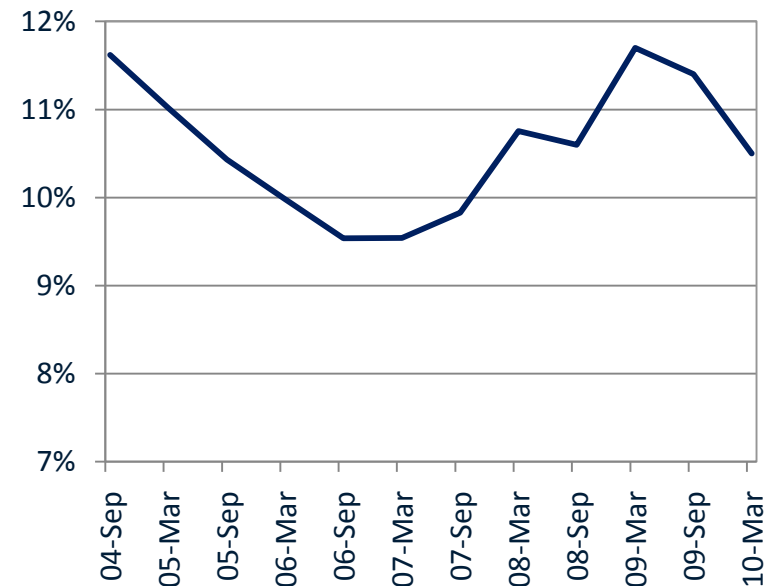
Healthy funding and liquidity position

- Total bank funding liabilities increased by 52% to R22,5bn
- Funding rate reduced from 11,7% to 10,5%, despite lengthened maturity profile
- Total bank cash reserves increased to R6,5 billion to:
 - Fund growth in advances book
 - Prepare for transfer of the Ellerines book

Funding and liquidity



Cost of funding



2010 targets

- Advances growth to benefit from customer growth, product innovation and sales strategies
- Relatively stable income yields
- Improvement in asset quality and collections
- Lower growth in operating expenses and lower absolute funding rates
- More efficient use of cash resources

Objective	Actual 6 months to 31 Mar 2010	Original target for 2010	Revised target for 2010
Advances growth	19%	25%	20% - 25%
Decline in yield on advances	3,1%	2%	3,0% - 3,5%
Cost to advances	7,0%	6%	6,0% - 6,5%
Bad debt to advances	10,7%	10%	10,5% - 11,0%
Average funding cost	10,5%	11%	10,0% - 10,5%

The targets above are ABIL's internal objectives and are not forecasts for the financial year. Actual results may differ from these objectives.



Financial overview

Turnaround in Ellerines has begun

- Improved sales performance, with like-for-like sales up 6,5%
- Yield declined from 50,0% to 39,4% as a result of price reductions, interest suspension and *in duplum* impact
- Bad debt charge declined by 24%
- Retail business benefitted from sharp decline in operating expenses

R million	6 months to 31 Mar 2010	6 months to 31 Mar 2009
Headline earnings	201	190
Retail	132	(31)
Financial services	69	221
Economic loss	(119)	(170)
Return on equity (excluding goodwill) (%)	10,1	8,4

Return on sales

Retail division generated earnings of R132 million for the 6 months

- Sales increased by 2% (l-f-l sales increased by 6,5%)
- Greater operational efficiency reduced Retail operating expenses by R184 million

	6 months to 31 Mar 2010	6 months to 31 Mar 2009
	%	%
Sales/sales	100	100
Cost of sales/sales	(56,8)	(56,3)
Gross margin	43,2	43,7
Non-interest income/sales	6,6	7,2
Operating cost / sales	(43,0)	(51,8)
Operating margin	6,9	(0,9)
Financing costs/sales	(0,6)	(1,0)
Taxation/sales	(0,7)	0,5
Return on sales (RoS)	5,6	(1,3)

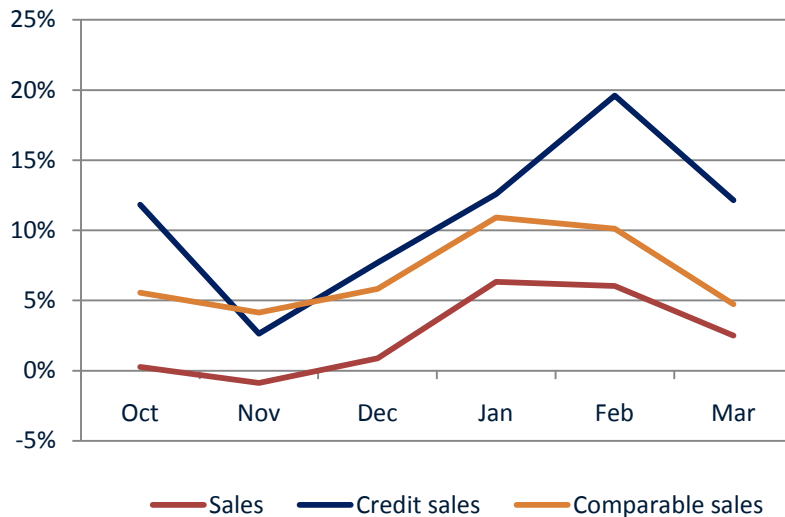
Retail sales



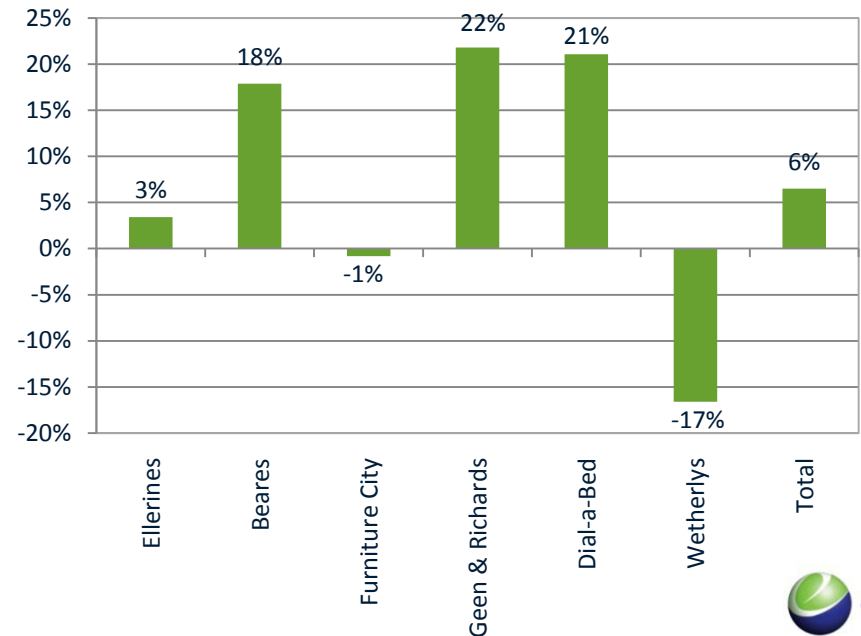
Substantial benefits from new merchandise and African Bank credit platform

- Cash sales declined by 8%, credit sales increased by 10%
- Differentiated and innovative product ranges received wider approval
- Benefit from cheaper credit, higher approval rates and larger credit limits

Year-on-year sales variance



Comparable sales growth



Gross margin and operating costs

- Gross margins of 43,2% on back of improved merchandise mix
- Operating costs declined by 10%
 - Lower collections costs, bank charges, IT and telecommunication costs, consulting fees
 - Lower staff complement and benefits of brand consolidation and new marketing strategies
 - Property expenses lower despite annual escalations

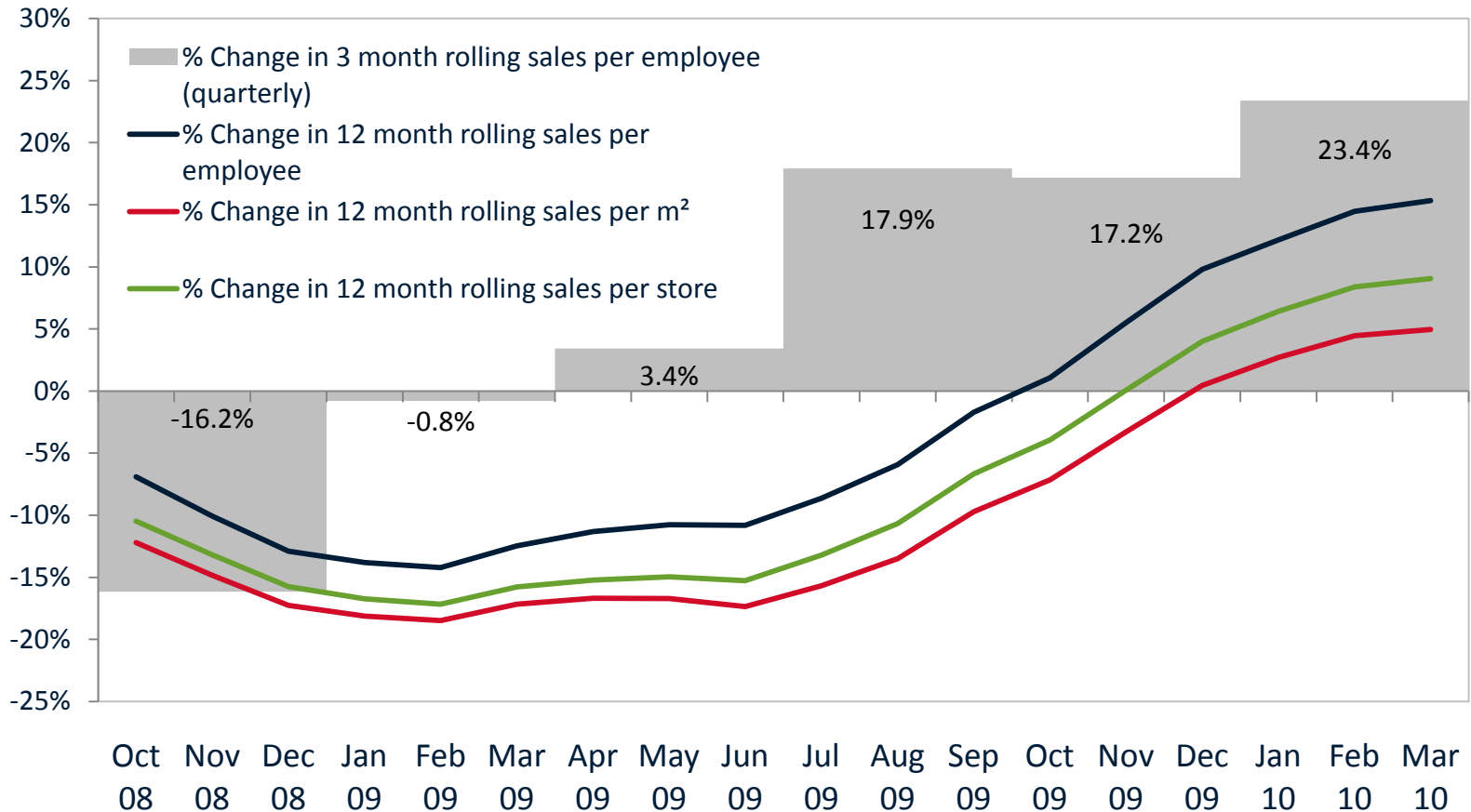
Operating costs - Retail and Financial services (R million)	% ch	6 months to 31 Mar 2010	6 months to 31 Mar 2009
Staff costs	(4)	710	736
Administration expenses	(34)	228	348
Property and lease expenses	(1)	305	309
Delivery and logistics costs	(9)	94	103
Depreciation and amortisation of intangibles	9	98	90
Advertising and marketing costs	(21)	72	91
Total	(10)	1 507	1 677

- Further cost savings to be generated by restructuring of logistics and African Bank interface

Store productivity

 **Efficiency improvements continued in the retail business**

Productivity variances



Return on equity

Decline in ROA

Reduction in total charges not sufficient to offset lower income yields, as interest suspension and price reductions fed through.

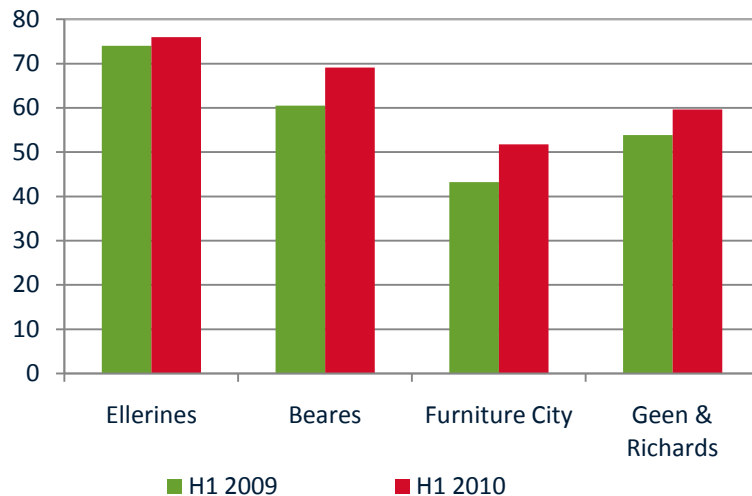
%	6 months to 31 Mar 2010	6 months to 31 Mar 2009
Total income yield	39,4%	50,0%
Charge for credit losses	(12,7%)	(16,5%)
Operating expenses	(18,7%)	(18,1%)
Net financing costs	(3,6%)	(2,4%)
Taxation	(1,8%)	(4,9%)
Total charges	(36,8%)	(41,8%)
Return on advances	2,6%	8,2%
Advances/ assets	111,3%	127,6%
Return on assets	2,9%	10,5%
	<i>Multiply</i>	<i>Multiply</i>
Gearing (times)	1,9	1,4
	<i>Equals</i>	<i>Equals</i>
Return on equity	5,5%	14,4%

Sales of new loans

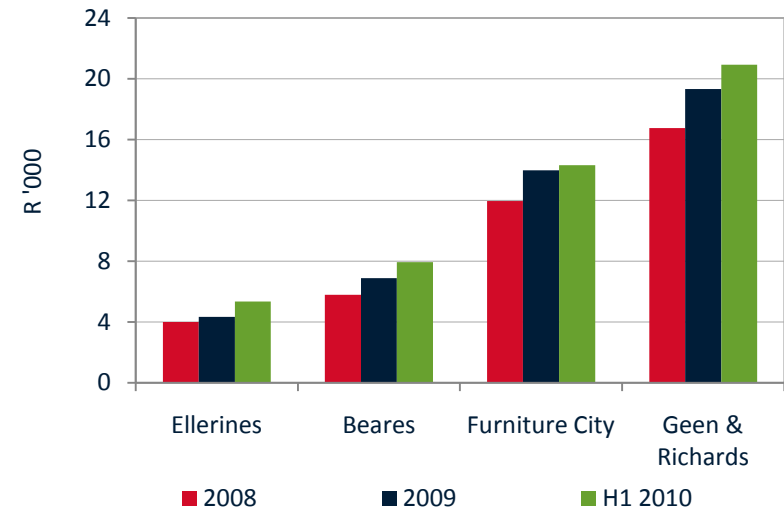
Approval rates and credit sales mix considerably improved across all brands

- New credit deals of R1,4bn advanced, up 10%
- Average loan size grew by 28% to R6 951
- Average term increased to 28 months

Credit sales mix %

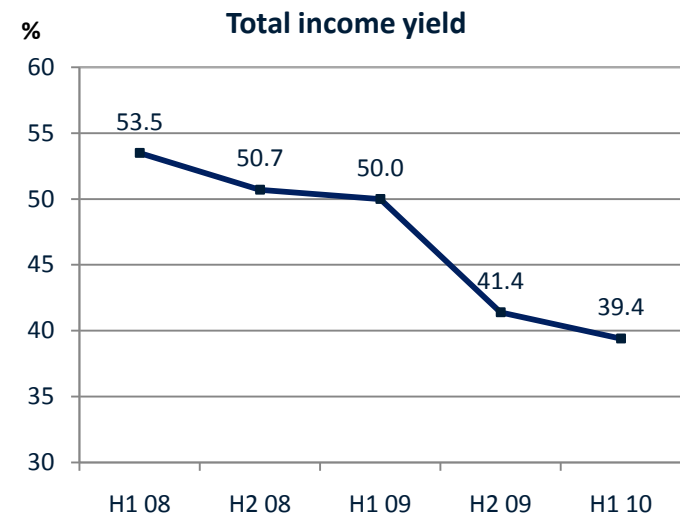
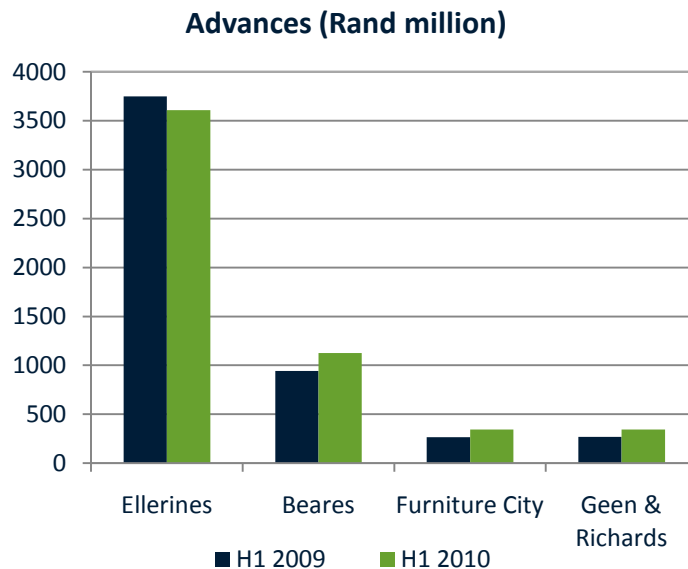


Average size of credit deals advanced



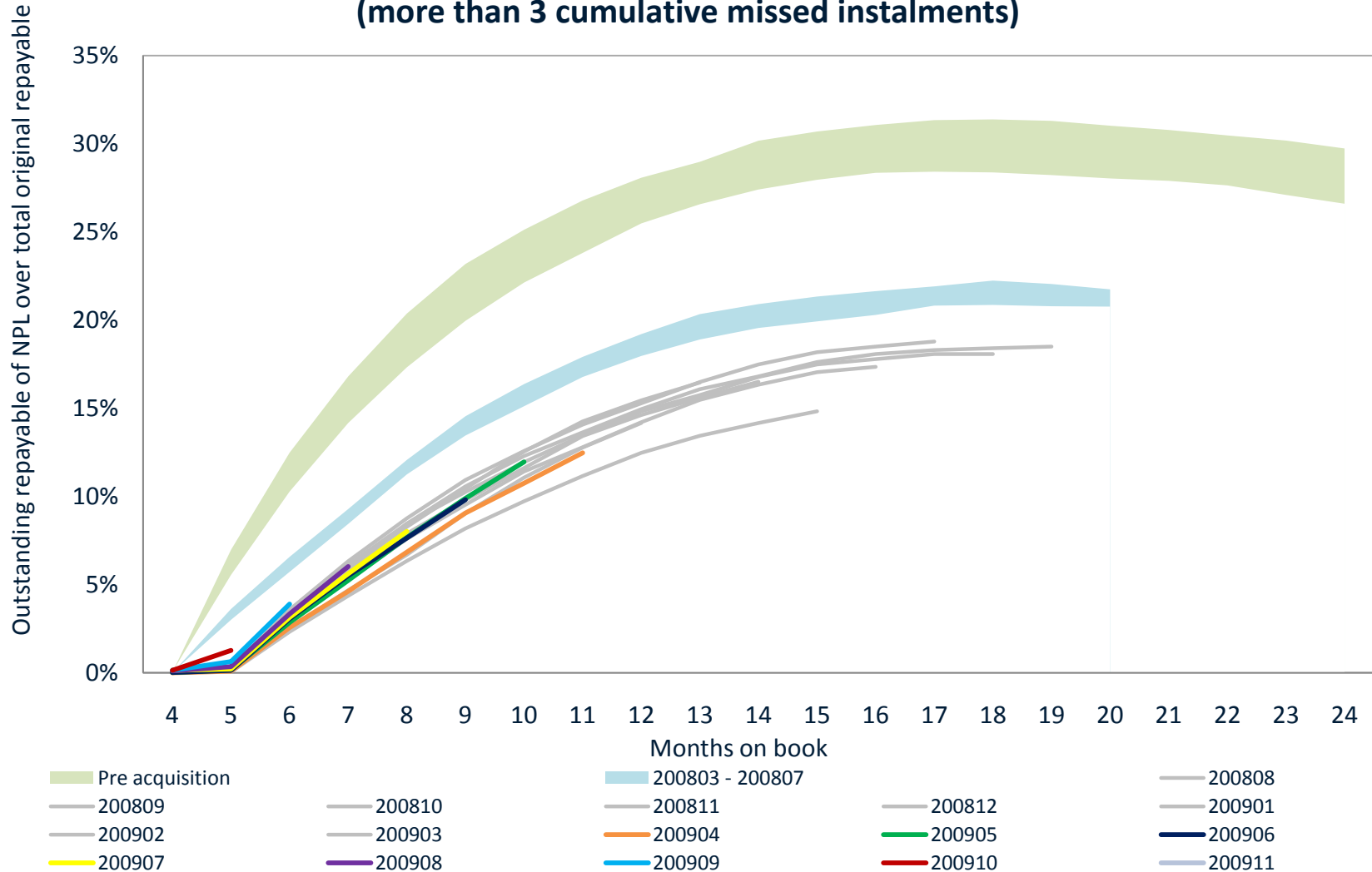
Advances and yield

- Gross advances increased by 6% to R5,5 billion
- Yield decreased
 - Pre acquisition legacy impact of
 - Increased proportion of advances on which interest is suspended
 - Increased proportion of advances on which *in duplum* applies
 - Price reductions in 2009



Asset quality

**Vintage graph - Ellerines
(more than 3 cumulative missed instalments)**



Medium term targets

Continuing improvement in financial performance expected in 2010, based on:

- Modest improvement in sales performance
- Margin delivery, further reduction in costs, stabilising yield
- Benefits from completion of integration project

Objective	6 months to 31 Mar 2010	Original targets Medium term	Revised targets 2014
Retail			
Sales	R2,3 bn (6 mths)	R9 bn – R10 bn pa	R8 bn – R9 bn pa
Credit sales to total sales	59%	70%	70%
Operating cost to sales	43%	30% - 35%	35% - 40%
Return on sales	5,6%	> 10%	> 10%
Stock turn	3,0x	5,0x	5,0x
Financial services			
Yield	39,4%	< 40%	< 40%
Cost to average advances	18,7%	7,5%	7,5%
Bad debts to average advances	12,7%	11,0%	11,0%



Looking ahead



A progressively more integrated agenda

Ellerines Financial Services integration

- Migration to African Bank credit on track, majority of stores converted, with positive impact on sales and risk
- Integration to be completed by September 2010
- Existing Ellerines book to be converted in phases before financial year-end

Revitalising Retail

- Brand consolidation and store and head count optimisation yielding planned efficiency improvements
- Implementation of supply chain strategy according to plan
- Good progress on new merchandising strategies
- Substantial strengthening of retail skills

Growing the customer base

- Multitude of new credit products piloted/launched in both African Bank and Ellerines
- Credit card offering to Ellerines customer base imminent
- Focus now on maximising opportunities from acquisition
- Reinvigorated emphasis on removing internal impediments to growth in African Bank

Looking ahead

Trading environment expected to remain subdued.

Key priorities for the remainder of the year:

- African Bank:
 - Renewed emphasis on growth
 - Focus on our people and customers
 - Evolving culture to drive growth
- Ellerines:
 - Financial services integration
 - Logistics project
 - Wetherlys' performance
 - Supply chain