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ABL/ABLP – African Bank Investments Limited – Unaudited interim results and

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ABL/ABLP – African Bank Investments Limited – Unaudited interim results and cash dividend declaration for the six months ended 31 March 2011

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')

UNAUDITED INTERIM RESULTS AND CASH DIVIDEND DECLARATION FOR THE SIX MONTHS ENDED 31 MARCH 2011

Features

– ABIL reported a return on equity of 17,5% for the six months to 31 March 2011 (H1 2010: 15,3%) and an economic profit, after charging for its cost of equity, of R155 million.

– Headline earnings increased by 20% to R1 095 million (H1 2010: R914 million), as did headline earnings per share to 136,3 cents (H1 2010: 113,7 cents).

– An interim ordinary dividend per share of 85 cents (H1 2010: 85 cents) and an interim preference share dividend per share of 310 cents were declared (H1 2010: 355 cents).

– Cash generated from operations increased by 29%.

– The Banking business unit grew headline earnings by 24% to R1 033 million (Pro forma H1 2010: R836 million), benefiting from substantial sales and advances growth, a slower reduction in yield than in recent years and improving asset quality.

– The Retail business unit`s headline earnings were R144 million (Pro forma H1 2010: R111 million), up 30%, supported by firmer sales, margins and more efficient operations.

Overview of the results

Financial results

Strong operational performance in the six months ended 31 March 2011 was driven by several new credit and retail product offerings, a substantial increase in the African Bank footprint through kiosks and branches within EHL stores, as well as high levels of commitment from our people.

The trading environment during this period was characterised by moderately improving economic conditions, a modest growth in employment, unemployment claims remaining high but stabilising and intense competition in both the credit and retail segments.

Group headline earnings increased by 20% to R1 095 million, as did headline earnings per share to 136,3 cents. Average ordinary shareholder`s equity grew to R12,5 billion, with the group return on equity improving from 15,3% to 17,5%.

While ABIL group results are not affected, the results for the individual business units are not directly comparable with that of the previously reported first half of 2010, as the results of Ellerines Financial Services were previously included in the Ellerines business unit and are now incorporated into the Banking business unit for the first time in this set of results.

The Banking business unit generated headline earnings of R1 033 million and an economic profit of R312 million. The return on assets of 5,4%, combined with gearing of 4,0 times, produced a return on equity of 21,5%. Returns in this business have been affected by the R4 billion of goodwill acquired in the Ellerines Financial Services transaction in September 2010.

The Retail business unit reported headline earnings of R144 million. It generated a return on sales of 5,7%, a return on equity of 9,9% and decreased its economic loss to R75 million.

Group consolidation adjustments amounted to R82 million, mainly STC which is now carried at a group level and which were not allocated to the business units.

Strategic initiatives

The group has, in recent months, refined its strategic vision and identified certain initiatives that are central to delivering on the vision: a more refined customer segmentation; the role of emerging technologies; the future operating model; the targeted financial model; capital and funding structures to support the envisaged growth; a redefined customer value proposition; and accelerated people strategies. The vision is premised on strong growth over the medium term, that must ultimately translate into better value for customers.

One of the areas of strategic progress has been the acceleration of value creation from EHL. This imperative involves the maximisation of credit volumes and total revenues from the EHL network. The current performance suggests an opportunity for a substantial size credit business over the next two years from the EHL channel. The turnover from furniture and appliances is also targeted to increase as the rollout of the centralised distribution centres gains momentum, as this will increase stock availability and consequently, stock turn.

We have opened 122 kiosks and 12 carve-out branches to date, which generated R572 million of additional non furniture credit sales. The objective is to substantially increase the number of carve-outs and kiosks over the next two years. Significantly, the incremental costs related to this business are low given that the infrastructure and staff are already in place in EHL.

As a result of the work done on the strategic vision, there are a multitude of new products and channels being investigated, developed, piloted and implemented. In addition, our people have to understand and contribute to the vision. People development is essential in order to enable us to step up to the new challenges. To this end, the group has again undertaken 21 roadshows with our people and customers during this period, to share ideas and receive feedback regarding their product and service needs. Many of the new products and services that have recently been rolled out in the business were as a result of feedback from our people and customers.

The Bank has also started to conduct focus groups among defaulting borrowers to gain a better understanding of why defaults occur and the type of products that could assist ‘bad luck’ customers.

The outcome of the current and medium-term initiatives will be a bold and exciting vision which will result in tangible improvements in our society.

Economic profit

The Banking business unit`s economic profit was R312 million while the Retail business unit incurred a R75 million economic loss. These, combined with an R82 million charge for STC and other adjustments, resulted in the ABIL group generating a net economic profit of R155 million, relative to a loss of R41 million for the six months to March 2010.

Funding and capital management

ABIL maintained its conservative approach to capital management during this period, which continued to ensure stable credit ratings for the Bank, a steady flow of available funding and a further reduction in the cost of funding.

The Banking Supervision Division of the SA Reserve Bank revised African Bank`s (and ABIL`s) regulatory minimum capital upwards to 24,5% from 1 April 2011. The group was already comfortably above this level at the end of the previous financial year. African Bank received a further R281 million of capital from the Ellerines Financial Services transaction. In addition, ABIL subscribed for another share in African Bank for a total consideration of R350 million, and the Bank issued R515 million of subordinated debt, qualifying as tier 2 capital. This is in addition to the transfer of R5 684 million of capital from EHL to the Bank, following the transfer of the Ellerines Financial Services business into the Bank in September 2010. The group also secured permission from its shareholders to issue additional preference shares at an appropriate time.

As at 31 March 2011, African Bank had a regulatory capital adequacy ratio of 30,7% and ABIL of 33,0%, which will enable the group to maintain its growth momentum.

Dividends and dividend cover

ABIL has declared an interim dividend of 85 cents per ordinary share. The ordinary dividend cover was 1,6 times, which is consistent with the guidance provided at the end of the previous financial year that the group would be increasing its dividend cover to a minimum of 1,5 times.

The group has also declared an interim preference share dividend of 310 cents per share.

Changes to the board

ABIL continually strives to improve its corporate governance processes and has, as part of this objective, implemented an approved term limit policy in respect of its non-executive directors a few years ago. In terms of the policy, the chairman`s service tenure is limited to a maximum of ten years and other non-executive directors to a maximum of eight years in total.

During this period two of ABIL`s non-executive directors, David Braidwood Gibbon and Ashley 'Oshy' Tugendhaft reached their term limit and retired from the boards of both ABIL and African Bank Limited with effect from 31 March 2011. Mpho Nkeli also resigned from the boards of African Bank Investments Limited and African Bank Limited with effect from 25 January 2011 due to other commitments.

The boards of ABIL and African Bank Limited express their sincere appreciation to Mpho, David and Oshy for the contribution that they have made to the success of the group over the period of their tenure.

The board announced the appointment of three non-executive directors during the reporting period. Advocate Mojankunyane Gumbi was appointed as an independent non-executive director to the boards of ABIL and African Bank Limited with effect from 1 March 2011. Ntombi Langa-Royds and Jack Koolen were appointed as independent non-executive directors to the same boards from 15 March 2011. Jack was also appointed to the EHL board from the same date.

Yashmita Mistry resigned as company secretary to ABIL with effect from 31 March 2011.

Looking ahead

It is expected that the subdued external trading environment will continue for the rest of the financial year. Innovation and renewed energy have resulted in strong levels of activity in the first half of the year and these are expected to continue into the second half. Given the current impetus in the business, our financial objectives for 2011 therefore remain unchanged.

Basis of preparation

The preparation of these group interim consolidated financial statements was supervised by the Chief Financial Officer, Nithia Nalliah CA(SA).

These condensed group interim consolidated financial statements have been prepared in compliance with International Accounting Standard (IAS) 34 `Interim Financial Reporting`, the requirements of the South African Companies Act (Act 71 of 2008) as amended and the Listing Requirements of the JSE Limited.

The group has adopted the following standards and interpretations during the financial year:

– IFRIC 19 – Extinguishing of Financial Liabilities with Equity Instruments

– IFRS 2 – Group Cash-settled Share-based Payment Transactions

– IAS 32 (amended) – Financial Instruments Puttable at Fair Value and Classification of Rights Issues.

The accounting policies and their application are:

– In compliance with International Financial Reporting Standards and interpretations issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board; and

– Consistent with those used for the group`s 2010 annual financial statements except for changes in disclosure of the operating segments.

Restatement of comparative balances

The following changes for reclassification of claims and composition of operating segments have resulted in restatements of comparative balances in compliance with IFRS:

– Claims paid on life and product insurance have been reclassified out of net assurance income and are separately disclosed on the face of the income statement. This is merely a reclassification with no impact on the financial results of ABIL.

– Following the purchase of Ellerines Financial Services by African Bank Limited, the composition of the group`s operating segments has changed from Banking, Ellerines Retail and Ellerines Financial Services units to the Banking and Retail units only.

On behalf of the board

Mutle Mogase	Gordon Schachat	Leon Kirkinis
Chairman	Executive deputy chairman	Chief executive officer

Group income statement

for the 6 months ended 31 March 2011

		Unaudited	Unaudited	Audited
		6 months	6 months	12 months to
		to	to	
		31 March	31 March	30 September
R million	%	2011	2010	2010

	change			
Gross margin on retail business	9	1 105	1 014	1 974
Interest income on advances	17	3 440	2 932	5 950
Assurance income	28	1 410	1 098	2 309
Non-interest income	17	1 434	1 227	2 491
Income from operations	18	7 389	6 271	12 724
Charge for bad and doubtful advances	17	(1 725)	(1 473)	(2 693)
Claims paid	38	(304)	(220)	(626)
Risk-adjusted income from operations	17	5 360	4 578	9 405
Product insurance claims	58	(38)	(24)	(83)
Other interest and investment income	(14)	161	188	390
Interest expense	16	(1 328)	(1 142)	(2 383)
Operating costs	9	(2 450)	(2 251)	(4 481)
Indirect taxation: VAT	>100	(42)	(12)	(20)
Profit from operations	24	1 663	1 337	2 828
Capital items	(100)	0	34	34
Profit before taxation	21	1 663	1 371	2 862
Direct taxation: STC	4	(81)	(78)	(147)
Direct taxation: Normal	36	(470)	(345)	(773)
Profit for the period	17	1 112	948	1 942
Reconciliation of headline earnings and per share				

statistics				
Profit for the period (basic earnings)	17	1 112	948	1 942
Preference shareholders	(6)	(17)	(18)	(36)
Basic earnings attributable to ordinary shareholders	18	1 095	930	1 906
Adjustments for non-headline items:				
Capital items	(100)	0	(19)	(19)
Tax thereon	(100)	0	3	3
Headline earnings	20	1 095	914	1 890
Number of shares in issue (net of treasury)		803,7	803,7	803,7
Weighted number of shares in issue		803,7	803,7	803,7
Fully diluted number of shares in issue		803,8	803,8	803,8
Basic earnings per share	18	136,3	115,7	237,2
Fully diluted basic earnings per share	18	136,3	115,7	237,1
Headline earnings per share	20	136,3	113,7	235,2
Fully diluted headline earnings per share	20	136,3	113,7	235,1

Group statement of comprehensive income

for the 6 months ended 31 March 2011

	Unaudited	Unaudited	Audited
	6 months to	6 months to	12 months to

		31 March	31 March	30 September
R million	% change	2011	2010	2010
Profit for the period	17	1 112	948	1 942
Other comprehensive income				
Exchange differences on translating foreign operations	(83)	(1)	(6)	(11)
Movement in cash flow hedge reserve	(>100)	153	(87)	(195)
IFRS 2 reserve transactions (employee incentives)	(31)	9	13	8
Shares purchased into the ABIL Employee Share Trust less shares issued to employees (cost)	(100)	0	1	1
ABIL Share Trust shares less dividends received		0	0	1
Other comprehensive income for the period, net of tax	(>100)	161	(79)	(196)
Total comprehensive income for the period	47	1 273	869	1 746

Group statement of financial position

as at 31 March 2011

		Unaudited	Unaudited	Audited
		31 March	31 March	30 September
R million	% change	2011	2010	2010
Assets				
Short-term deposits and cash	(8)	4 689	5 112	3 410
Statutory assets – bank and insurance	60	2 574	1 604	1 806

Inventories	5	816	777	851
Other assets	(11)	432	486	321
Taxation	(6)	15	16	97
Net advances	34	30 262	22 599	25 360
Deferred tax asset	(50)	256	514	409
Assets held for sale	(100)	0	5	5
Policyholders` investments	(50)	8	16	15
Property and equipment	22	716	588	622
Intangible assets	(8)	797	870	834
Goodwill	0	5 472	5 472	5 472
Total assets	21	46 037	38 059	39 202
Liabilities and equity				
Short-term funding	5	2 850	2 716	1 038
Other liabilities	8	1 650	1 531	1 743
Taxation	(41)	57	97	33
Deferred tax liability	21	255	211	392
Life fund reserve	(47)	8	15	14
Bonds and other long-term funding	35	25 128	18 575	20 877
Subordinated bonds	25	2 757	2 210	2 226
Total liabilities	29	32 705	25 355	26 323
Ordinary shareholders` equity	5	12 849	12 221	12 396
Preference shareholders` equity	0	483	483	483
Total equity (capital and reserves)	5	13 332	12 704	12 879
Total liabilities and equity	21	46 037	38 059	39 202

Group statement of cash flows

for the 6 months ended 31 March 2011

	Unaudited	Unaudited	Audited
	6 months to	6 months to	12 months to
	31 March	31 March	30 September

R million	2011	2010	2010
Cash generated from operations	3 968	3 079	5 698
Cash received from lending and insurance activities and cash reserves	8 882	7 811	15 662
Recoveries on advances previously written off	83	58	103
Cash paid to funders, staff, suppliers and insurance beneficiaries	(4 997)	(4 790)	(10 067)
Increase in gross advances	(6 780)	(3 626)	(7 658)
Decrease in working capital	(208)	(342)	205
Decrease/(increase) in inventories	35	82	(103)
(Increase)/decrease in other assets	(111)	(297)	8
(Decrease)/increase in other liabilities	(132)	(127)	300
Indirect and direct taxation paid	(534)	(449)	(794)
Cash inflow/(outflow) from equity accounted incentive transactions	1	(2)	2
Cash outflow from operating activities	(3 553)	(1 340)	(2 547)
Cash outflow from investing activities	(800)	(178)	(493)
Acquisition of property and equipment (to maintain operations)	(192)	(106)	(277)
Acquisition of joint venture advances book	0	0	(19)
Disposal of property and equipment	12	196	240
Disposal of option	0	0	15
Other investing activities	(620)	(268)	(452)
Cash inflow from financing	5 773	2 923	2 760

activities			
Cash inflow from funding activities	6 594	3 745	4 284
Preference shareholders` payments and transactions	(17)	(18)	(36)
Ordinary shareholders` payments and transactions	(804)	(804)	(1 488)
Increase/(decrease) in cash and cash equivalents	1 420	1 405	(280)
Cash and cash equivalents at the beginning of the period	3 716	3 996	3 996
Cash and cash equivalents at the end of the period	5 136	5 401	3 716
Made up as follows:			
Short-term deposits and cash	4 689	5 112	3 410
Statutory cash reserves – insurance	447	289	306
	5 136	5 401	3 716

Group segmental analysis

for the 6 months ended 31 March 2011

Segment income from operations

	Unaudited		
	6 months to 31 March	6 months to 31 March	12 months to 30 September
R million	2011	2010	2010
Banking unit	5 811	4 843	9 911
Retail unit	1 652	1 471	2 861
Consolidation adjustments	(74)	(43)	(83)
Group	7 389	6 271	12 689

Intersegment income from operations

	Unaudited		
	6 months to 31 March	6 months to 31 March	12 months to 30 September
R million	2011	2010	2010
Banking unit	0	0	0

Retail unit	74	43	83
Consolidation adjustments	0	0	0
Group	74	43	83

Segment profit after taxation

Unaudited

	6 months to 31 March	6 months to 31 March	12 months to 30 September
R million	2011	2010	2010
Banking unit	1 050	854	1 899
Retail unit	144	127	146
Consolidation adjustments	(82)	(33)	(103)
Group	1 112	948	1 942

Group statement of changes in equity

for the 6 months ended 31 March 2011

	Ordinary shares			
	Share capital and premium	Distributable reserves	Share-based payment reserve	Other
R million				
Balance at 30 September 2009	9 151	2 436	597	(10)
Dividends paid	0	(804)	0	0
Total comprehensive income for the period	0	930	13	(92)
Balance at 31 March 2010 (unaudited)	9 151	2 562	610	(102)
Dividends paid	0	(684)	0	0
Transfer to share-based payment reserve	0	(208)	208	0
Transfer from insurance contingency reserve	0	25	0	(25)
Shares purchased into the ABIL Employee Share Trust less shares issued to employees	0	0	0	1

(cost)				
Total comprehensive income for the period	0	977	(5)	(114)
Balance at 30 September 2010 (audited)	9 151	2 672	813	(240)
Dividends paid	0	(804)	0	0
Shares purchased into the ABIL Employee Share Trust less shares issued to employees (cost)	0	0	0	1
Transfer from insurance contingency reserve	0	8	0	(8)
Total comprehensive income for the period	0	1 095	9	152
Balance at 31 March 2011 (unaudited)	9 151	2 971	822	(95)

R million	Preference share capital and premium	Total
Balance at 30 September 2009	483	12 657
Dividends paid	(18)	(822)
Total comprehensive income for the period	18	869
Balance at 31 March 2010 (unaudited)	483	12 704
Dividends paid	(18)	(702)
Transfer to share-based payment reserve	0	0
Transfer from insurance contingency reserve	0	0
Shares purchased into	0	1

the ABIL Employee Share Trust less shares issued to employees (cost)		
Total comprehensive income for the period	18	876
Balance at 30 September 2010 (audited)	483	12 879
Dividends paid	(17)	(821)
Shares purchased into the ABIL Employee Share Trust less shares issued to employees (cost)	0	1
Transfer from insurance contingency reserve	0	0
Total comprehensive income for the period	17	1 273
Balance at 31 March 2011 (unaudited)	483	13 332

Notes

		31 March	31 March	30 September
1. Treasury shares		2011	2010	2010
Treasury shares at cost	R million	11	13	12
Number of shares held	million	0,5	0,5	0,5
Average cost per share	Rand	23,24	27,23	25,14

2. Number of ordinary shares at 31 March 2011	Total	Weighted	Diluted
Number of shares in issue at the beginning of the year	804 175 200	804 175 200	804 175 200
Treasury shares on hand	(473 415)	(475 964)	(475 964)
Dilution as a result of outstanding options	0	0	92 725
	803 701 785	803 699 236	803 791 961

Dividend declaration

	Ordinary shares	Preference shares
Share code	ABL	ABLP
ISIN	ZAE000030060	ZAE000065215
Dividend number	21	13
Dividends per share (cash dividends)	85 cents	310 cents
Declaration date	Monday, 23 May 2011	Monday, 23 May 2011
Last date to trade cum-dividend	Thursday, 09 June 2011	Thursday, 09 June 2011
Shares commence trading ex-dividend	Friday, 10 June 2011	Friday, 10 June 2011
Record date	Friday, 17 June 2011	Friday, 17 June 2011
Dividend payment date	Monday, 20 June 2011	Monday, 20 June 2011

Share certificates may not be dematerialised or rematerialised between Friday, 10 June 2011 and Friday, 17 June 2011, both days inclusive.

Share transfer secretaries

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Board of directors

Non-executive:

MC Mogase (Chairman)

N Adams

Advocate MF Gumbi

J Koolen

N Langa-Royds

S Sithole

RJ Symmonds

Executive:

G Schachat (Deputy Chairman)

L Kirkinis (CEO)

A Fourie

N Nalliah

TM Sokutu

Company Secretary

Vacant

Registered office

59 16th Road, Midrand, 1685

For a more detailed discussion of ABIL`s results, please refer to our website at http://www.abil.co.za

Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)

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