A focus on our people

Reviewed annual results

for the twelve months ended 30 September 2010

African Bank INVESTMENTS LIMITED

Introduction

Tough 1st half, strong momentum in recent 6 months

External environment

- Subdued economic conditions, lower consumer spending
- Unemployment remaining high
- Intensely competitive trading conditions
- Low inflation, low interest rates and above inflation salary increases bode well for 2011

Operations

- Substantial reinvigoration of business and focus on people initiated
- Strong funding base, wider funding relationships and lower funding costs
- Improving asset quality
- African Bank footprint growing rapidly through kiosks in EHL stores
- Differentiated merchandising and innovative credit packaging at EHL beginning to deliver results
- Strong cost control evident
- EHL financial services integration completed

African Bank INVESTMENTS LIMITED

Financial features

- Headline earnings of R1 890 m and HEPS of 235,2 cents, up 4%
- African Bank contributed R1 505 m (2009: R1 525 m) and EHL R385 m (2009: R285 m)
- RoE and economic profit continue to be diluted by investment in Ellerines
- Total ordinary DPS of 185 cents, dividend cover at 1,3 times

	12 months to 30 September 2010				12 months to 30 Sept 2009
	% ch	ABIL	African Bank	EHL	ABIL
Headline earnings (Rm)	4%	**1 890**	1 505	385	1 810
HEPS (cents)	4%	**235,2**			225,2
Weighted # of shares (m)	-	**803,7**			803,7
Return on equity (%)		**15,6**	44,8	9,6	15,2
Economic profit / (loss) (Rm)	> 100	**78**	1 001	(216)*	(95)
Ordinary DPS (cents)	-	**185**			185

* Pre goodwill

Capital

- African Bank received R1,4 billion capital injection via the Ellerines financial services transaction
- Additional R300 million in capital expected from same transaction in H1 2011
- African Bank capital adequacy at 28,9% on 30 September 2010
- SARB to increase African Bank's and ABIL's minimum regulatory capital to 24,5% from April 2011

	ABIL		African Bank	
%	**2010**	2009	**2010**	2009
Internal model				
Optimal capital	**26,3**	26,9	**24,6**	24,7
Actual capital	**32,2**	37,6	**28,0**	28,3
Basel II capital				
Minimum regulatory capital	**19,5**	19,5	**19,5**	19,5
Actual qualifying capital	**32,2**	37,9	**28,9**	30,1

African Bank INVESTMENTS LIMITED

African Bank business unit
(excluding Ellerines financial services)

Financial features

Headline earnings	Gross advances
R 1 505m (1%)	**R 24 283m** (20%)
2009: R1 525m	2009: R20 224m

Economic profit	Income from operations
R 1 001m (6%)	**R 7 640m** (8%)
2009: R1 070m	2009: R7 079m

Return on assets	Funding
5,7%	**R 23 992m** (30%)
2009: 7,7%	2009: R18 438m

Return on equity	Yield
44,8%	**34,5%**
2009: 53,6%	2009: 38,1%

Overview

- Sales growth accelerated from negative growth at interims to 15% growth for the year
- Advances growth was steady throughout the year
- Sales mix shift to lower risk, interest suspension and higher unemployment claims impacted yield
- The funding base increased by 30%, while funding rates improved by 100bps
- Modest operating cost growth reduced the cost to advances ratio to 6,4%
- Bad debt ratio benefited from lower risk and higher insurance claims

Accelerating momentum evident

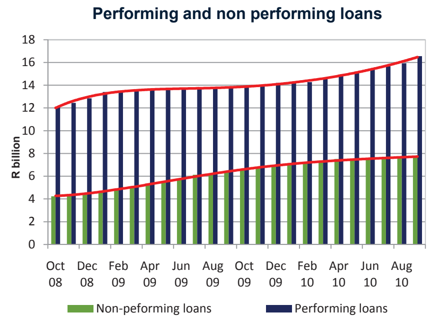
		% change 2009 to 2010	6 months to 31 Mar 2010	6 months to 30 Sep 2010	% change H1 to H2
Headline earnings	R million	(1%)	713	792	11%
Economic profit	R million	(6%)	455	546	20%
Sales	R million	15%	5 078	6 044	19%
Advances	R million	20%	21 977	24 283	20%*

* annualised

African Bank

Asset quality and income generating capacity improved

	H1 2010 % growth on H1 2009	Total 2010 % growth on 2009
Performing loans	8	20
Non performing loans	48	21
Total advances	19	20



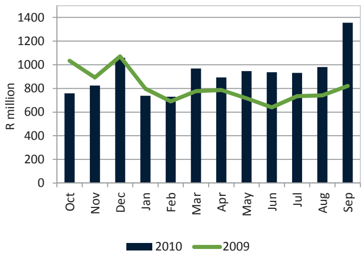
- Growth in non performing loans has declined substantially in the second half of the year on the back of improved credit quality and write offs
- The resultant reduction in suspension of revenue should have a positive impact on income yields

Return on equity

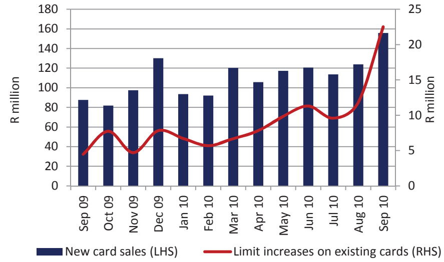
%	2010	2009
Total income yield	**34,5%**	38,1%
Charge for credit losses	**(9,9%)**	(10,4%)
Operating expenses	**(6,4%)**	(7,2%)
Net finance costs (incl pref div)	**(8,0%)**	(8,3%)
Taxation & other	**(3,3%)**	(4,1%)
Total charges	**(27,7%)**	(29,9%)
Return on advances	**6,8%**	8,2%
Advances/assets	**84,6%**	93,8%
Return on assets	**5,7%**	7,7%
	Multiply	*Multiply*
Gearing (times)	**7,8**	7,0
	Equals	*Equals*
Return on equity	**44,8%**	53,6%

Strong lift in sales

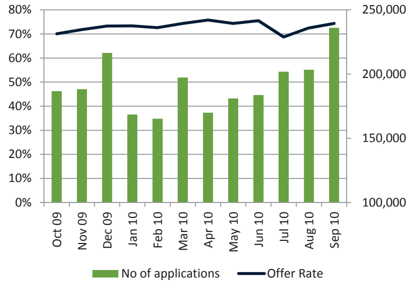
Monthly sales



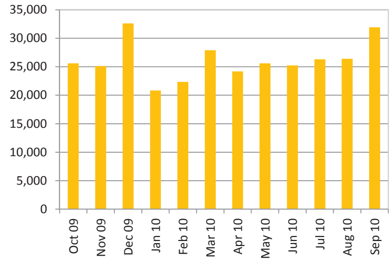
Card sales and limit increases



Loan applications

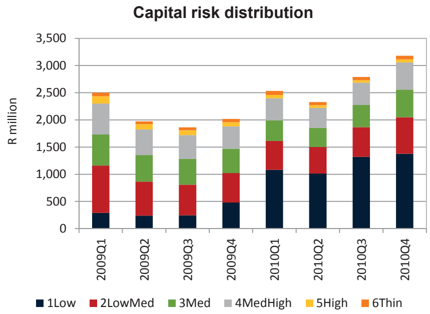


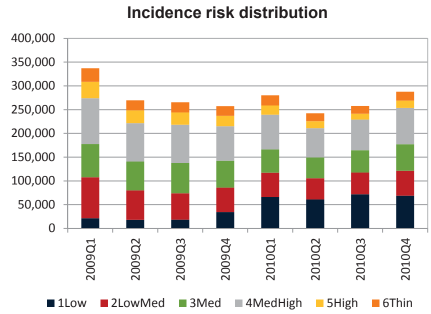
New clients



New sales skewed towards lower risk

- Larger loan sizes to lower risk customers continued to skew the capital disbursed towards lower risk groups
- The Bank has started to increase its exposure to higher risk groups



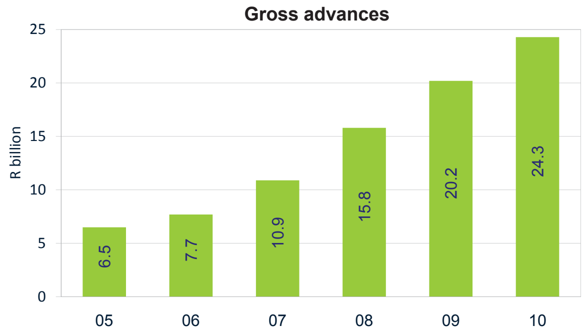


African Bank

Advances growth increasing

Gross advances increased by 20% to R24 billion

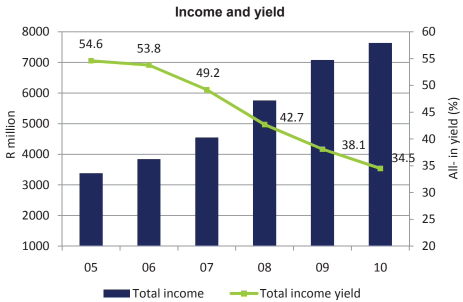
- Mix effect of 3% higher number of loans and 16% increase in average loan balance
- Increases in average term and loan size continued
- Credit card portfolio grew by 56% to R2,9 billion and 500 000 cards

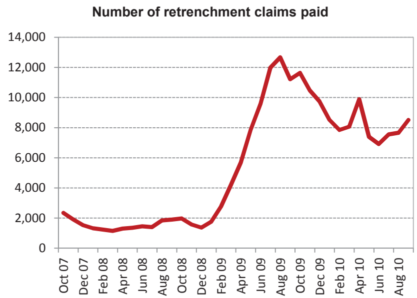


Yield decline moderates

Income yield of 34,5%, relative to 38,1% in 2009

- Proportionally higher NPLs during the year resulted in increased interest suspension and *in duplum* impact
- Changes to claims procedures and generally higher unemployment claims reduced insurance income, but benefited the bad debt charge
- Sales mix continued to favour low risk, lower yielding loans



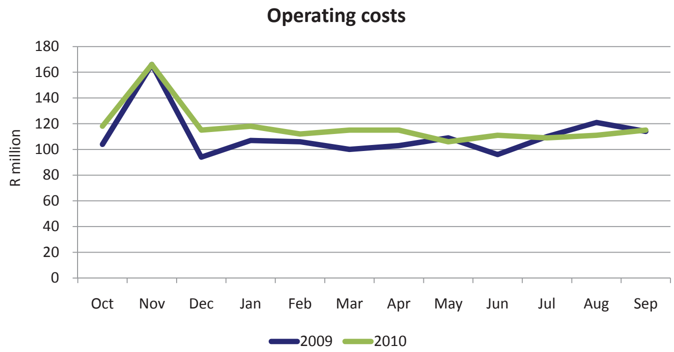


African Bank

Operating costs well contained

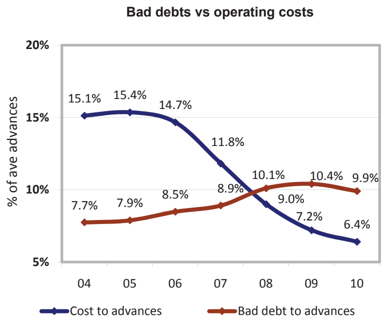
Overall cost base increased by 6%, cost to advances declined to 6,4%

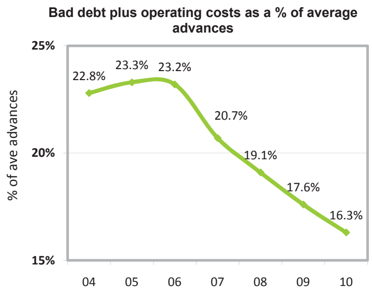
- Staff costs increased by 11%, given salary increases and medical aid subsidies
- Special project reduced bank charges by 2%, despite growth in advances
- Card transaction costs increased by 36% after 56% growth in credit card advances book



Lower charges provide flexibility

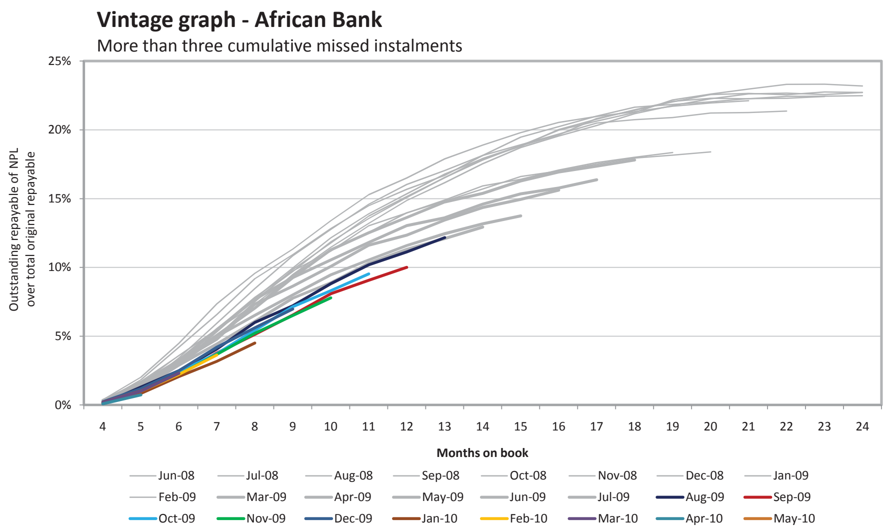
The improvement in the bad debt plus operating cost ratio enables the group to take more risk on a wider group of customers and/or to bring down prices, resulting in a significant competitive advantage.





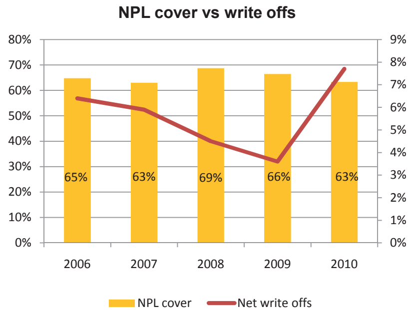
African Bank

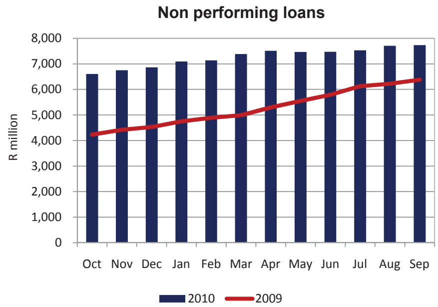
Vintages tracking below previous years



Asset quality – focus on lower risk paying off

- Bad debt charge reduced to 9,9% (2009: 10,4%)
- NPLs as percentage of advances remained flat relative to 2009
- Improved quality and recent high write offs reduced cover
- Valuation of written off book increased from 13,7c to 18,5c, following a R2,2 billion write down of loan balances
- Write off policy to be amended to reduce off balance sheet exposure over time

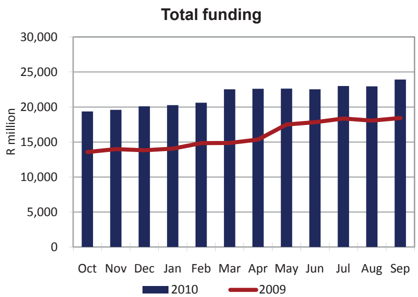


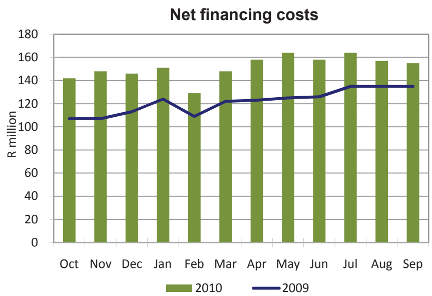


African Bank

Healthy funding and liquidity position

- Total funding liabilities increased by 30% to R23,9bn
- Funding rate reduced from 11,4% to 10,4%, despite lengthened maturity profile
- 93% of new funding raised had maturity of > 12 months
- Total bank cash reserves of R4,9 billion
- Funder base diversified further
- EMTN programme listed in London





African Bank

2011 outlook

Focus areas

- Becoming more people centered with regard to our staff
- Increasing the number of new customers
- Building on the recent sales momentum
- Keeping operating cost growth modest
- Reducing the average cost of funds
- Enhancing the branch collection capabilities and branch empowerment programme
- Focusing on the rehabilitation of customers in financial distress
- Improving client service levels and streamlining customer processes.

African Bank

EHL business unit
(including Ellerines financial services)

Financial features

Headline earnings	Sales
R 385m 2009: R285m (up 35%)	**R 4 487m** Comparable sales up 9% (up 7%)

Headline earnings

R 385m

2009: R285m

35%

Sales

R 4 487m

Comparable sales up 9%

7%

Economic loss

R 216m

2009: R410m

Gross margins

44,0%

2009: 42,7%

Return on sales - retail

2,8%

2009: (4,4%)

Gross advances

R 5 051m

2009: R4 954m

2%

Return on equity

9,6%

2009: 6,6%

Yield

41,0%

2009: 47,0%

ehl

Overview

- Accelerating sales growth (12% growth in H2 vs 2% in H1)
- Stronger gross margin, driven by improvements in buying, marketing and the supply chain
- Retail business benefited from sharp decline in operating expenses
- Strong growth in advances was offset by large write offs
- Yield declined from 47,0% to 41,0%, but trend has started to reverse in H2
- Bad debt charge declined by 15%

R million	**2010**	2009
Headline earnings	**385**	285
Retail	**124**	(185)
Financial services	**261**	470
Economic loss	**(216)**	(410)
Return on equity (excluding goodwill)	**9,6%**	6,6%

Improved return on sales

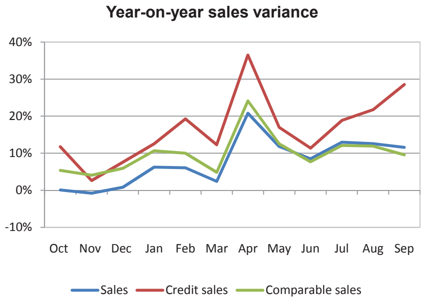
- Sales increased by 7% (comparable sales increased by 9%)
- Gross margin strengthened
- Greater operational efficiency reduced operating expenses by R237 million in retail division

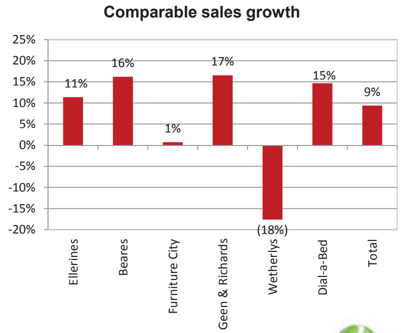
	2010 %	2009 %
Sales/sales	**100**	100
Cost of sales/sales	**(56,0)**	(57,3)
Gross margin	**44,0**	42,7
Non-interest income/sales	**6,6**	7,1
Operating cost / sales	**(46,3)**	(55,1)
Operating margin	**4,3**	(5,4)
Financing costs/sales	**(0,7)**	(0,8)
Taxation/sales	**(0,8)**	1,8
Return on sales (RoS)	**2,8**	(4,4)

ehl

Sales benefited from innovative merchandise and credit

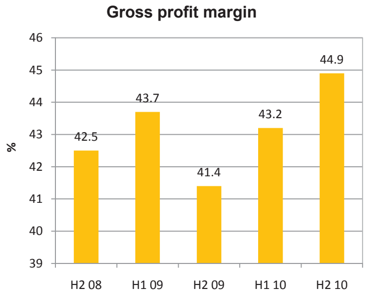
- Credit sales increased by 15%, while cash sales declined by 3%
- New merchandise, private label products and packaged solutions received favourably
- African Bank credit platform offered cheaper credit, higher approval rates, longer terms and larger credit limits

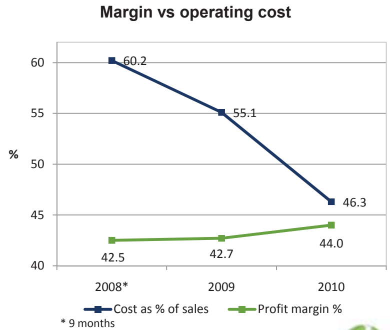




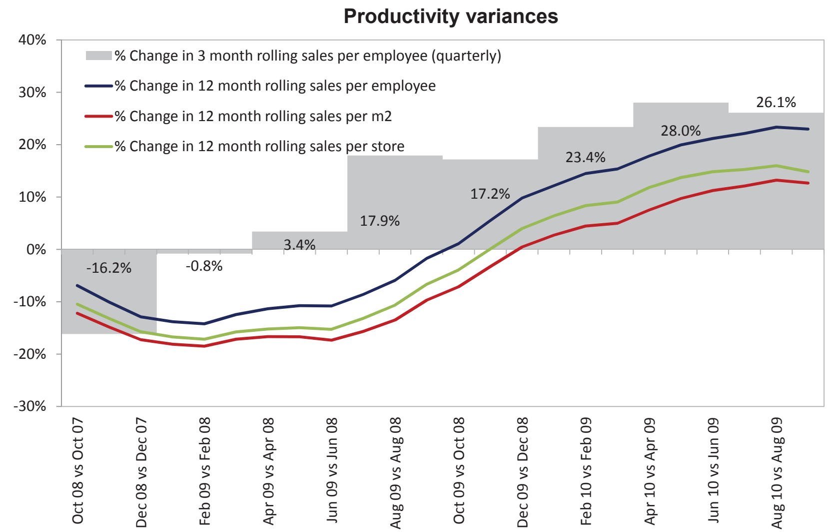
Gross margin and operating cost ratios positive

- Gross margin improving steadily
- Operating costs declined further
  - Lower collections costs, bank charges, IT, telecommunication costs and consulting fees
  - Lower staff complement and continued savings from brand consolidation and new marketing strategies
  - Success in property lease escalation negotiations and continued optimisation of the footprint
  - Supply chain project initiated - starting to deliver savings



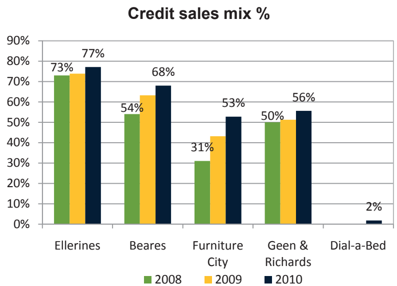


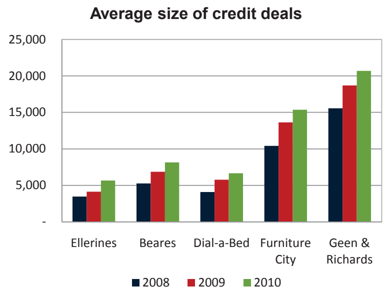
Internal productivity continues to improve



All credit extension dials positive

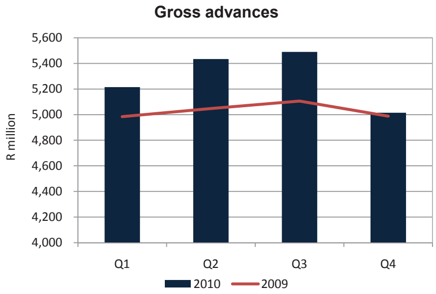
- New credit deals of R2,7 billion, up 15%
- Overall credit mix increased from 55% to 60%
- Average loan size grew by 31% to R7 110, as packaged solutions increased deal sizes
- Average term increased to 32 months
- African Bank credit platform improved credit approvals from 66% to 72%

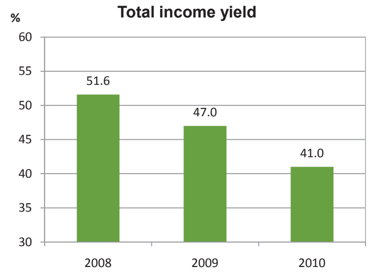




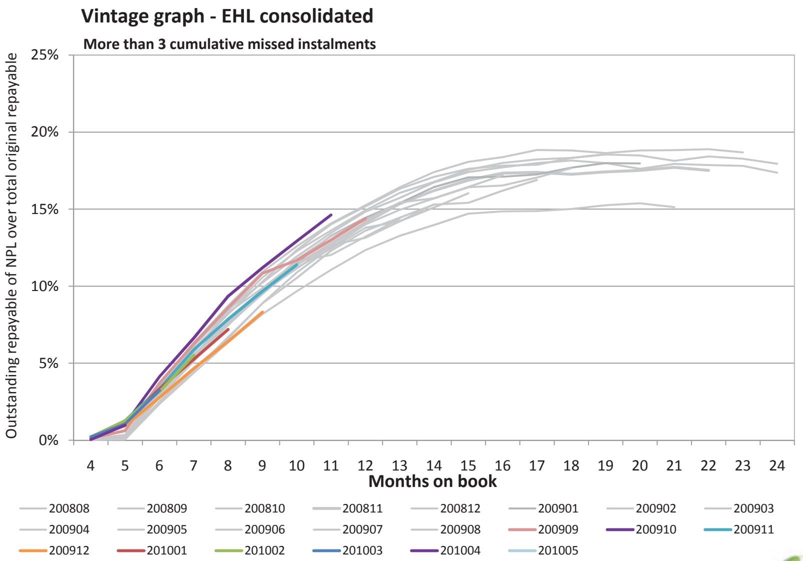
Advances and yield

- Gross advances were relatively flat at R5 051 million
  - Growth of 30% offset by R1 401 million write off, mostly in the Ellerines brand
  - Performing loans grew by 19%, NPLs down by 27%
- Yield decreased from 47% to 41% on the back of 2009 price reductions and revenue suspension
  - Interest suspension and *in duplum* effect have started to reverse





Asset quality



2011 outlook

EHL's priorities for the retail business:

- margin delivery,
- stock, working capital and cash management,
- supply chain optimisation and
- sales growth.

As credit provider, African Bank will:

- concentrate on providing EHL with differentiated lowest price credit and
- provide innovative value added products to the EHL customer base.

African Bank
INVESTMENTS LIMITED

Looking ahead

The main strategic initiatives for ABIL in 2011 are broadly as follows:

- Integrate and optimise the African Bank operations
- Simultaneously 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 2009	Actual 2010	Target 2011	Medium term target (rolling 4 years)
Advances growth	31%	20%	> 25%	> 15% CAGR
Merchandise sales	R4,2 bn	R4,5 bn	> 8,5%	R8 bn – R9 bn p.a.
Return on equity	15,2%	15,6%	> 18%	> 30%

African Bank INVESTMENTS LIMITED

Our people journey has only just started!