Reviewed results for the twelve months ended 30 September 2010 and cash dividend declarations

African Bank Investments Limited
(Registration Number 1946/021193/06)
(Incorporated in the Republic of South Africa)
(Registered bank controlling company)
Ordinary Share Code: ABL ISIN: ZAE000030060
Preference Share Code: ABLP ISIN: ZAE000065215
("ABIL" or "the group")

REVIEWED RESULTS FOR THE TWELVE MONTHS ENDED 30 SEPTEMBER 2010 AND CASH DIVIDEND DECLARATIONS

FEATURES

- ABIL reported a return on equity of 15,6% for the twelve months to 30 September 2010.(2009: 15,2%).

- The group generated headline earnings of R1 890 million (2009: R1 810 million) and headline earnings per share 235,2 cents (2009: 225,2 cents), an increase of 4% respectively.

- A final ordinary dividend per share of 100 cents (2009: 100 cents) was declared, bringing the dividend for the year to 185 cents (2009: 185 cents).

- African Bank headline earnings declined marginally to R1 505 million (2009: R1 525 million), with higher profits in the second half of the year not sufficient to offset the lower growth in the first half.

- EHL headline earnings increased by 35% to R385 million (2009: R285 million), benefiting from firmer sales and margins, a lower bad debt charge and a further decline in operating expenses.

- The integration of Ellerines financial services into African Bank was completed in September 2010.

OVERVIEW

The first six months of this financial year was characterised by generally subdued economic conditions and lower consumer spending resulting from sizable retrenchments across a variety of industries. These conditions necessitated a continuation of the lower risk appetite that the group maintained during the 2009 financial year and the group reported muted growth in sales and profitability at the interim stage. These factors were further exacerbated by a complex restructuring at EHL. While trading conditions remained tough in the second half, greater risk segmentation and a significant reinvigoration of the business had a positive impact on sales and advances growth for the remainder of the year.

CONSOLIDATED RESULTS

Group headline earnings increased by 4% to R1 890 million, as did headline earnings per share to 235,2 cents. Average ordinary shareholders' equity grew to R12,1 billion, with the group return on equity improving marginally from 15,2% to 15,6%.

Headline earnings for the African Bank business unit were R1 505 million. Income from operations grew by 8%, with a 20% increase in advances partially offset by a 360 basis points decline in total income yield. Total charges against income reduced by 220 basis points, driven by improvements in the bad debt charge, operating expenses and funding cost as a percentage of advances. The return on assets declined from 7,7% to 5,7% which, together with increased gearing of 7,8 times, produced a return on equity of 44,8%.

EHL reported headline earnings of R385 million. The retail division achieved a turnaround in profitability on the back of sales growth, stronger margins and efficiency gains. Good credit sales growth was offset by write offs, resulting in flat advances. This, combined with a decline in income yields and a higher cost allocation, generated lower earnings for the financial services division. EHL generated a return on equity of 9,6% for the period (excluding goodwill).

CAPITAL AND FUNDING

Total funding increased to R23,9 billion by September 2010, up 30% from R18,4 billion in the prior year, primarily to support the growth in the advances book. Cash holdings have been particularly significant during the year under review, not only in response to the muted global liquidity environment, but also to ensure sufficient capacity to deal with the implications of the integration of the Ellerines financial services business into the Bank.

The group continued to explore and execute a number of new initiatives in order to expand the universe of its funding sources. To this end, African Bank initiated a range of new funding relationships during the year under review.

As at 30 September 2010, the group's internal capital model indicated an optimal level of regulatory capital for the ABIL group of R7,1 billion, of 26,3% of assets at risk. Against this ABIL's higher total capital base of R8,7 billion (after impairments for goodwill and trademarks) will enable the group to maintain its growth momentum.

The financial services business of EHL was transferred to African Bank in September 2010. The transaction was an important milestone in the realisation of the group's strategic objectives for the EHL acquisition. Through the transaction, ABIL also subscribed for further ordinary shares in African Bank resulting in R1,4 billion of unimpaired new capital for the Bank.

VALUE TO CUSTOMERS

This year was the start of a journey to reinvigorate the organisation and to get closer to our staff and our customers. During the year, the group embarked on a series of nationwide roadshows to all employees and large groups of customers. The feedback received in these roadshows exceeded all expectations and has provided a wealth of information, innovation and energy to the organisation. Various initiatives emanating from the roadshows have already been implemented. A `payment break' product was introduced and loan sizes were increased from a maximum R50 000 to R100 000 to better accommodate customers with a need for housing or vehicle finance. The Bank is piloting the roll out of its own branded network of ATMs, with the first ATM installed in September 2010. New products are being tested and will be brought to the market during the 2011 financial year.

Greater flexibility was introduced in EHL with no deposit and deferred instalment campaigns. In addition, price reductions and a new credit proposition have given EHL the ability to launch "lowest instalment product" campaigns. This has been particularly successful in bringing in new customers and has also stimulated sales of merchandise. New customers represent 50% of Ellerines' through the door population.

The group has also been piloting African Bank kiosks and branches in EHL stores and the initial results in terms of attracting new customers have been positive, with little cannibalisation of the existing base. Kiosks are being rolled out to a wider network of stores.

In the retail division, substantial work was done on the implementation of the new integrated supply chain. Merchandising ranges were rationalised, renewed and focused around identified customer segments as part of the merchandising strategy to drive product leadership. The business focused on delivering differentiated, lowest price credit offerings for each brand. These initiatives have started to bear fruit as is evidenced in the increase in sales and the turnaround in profitability of the retail business unit.

Further measures were implemented this year to safeguard the group's customers against financial distress

- we improved the assessment of customers' affordability, established a financial rehabilitation centre to assist over-indebted customers, worked closely with interested parties to find a sustainable solution for the debt mediation process and developed a credit health check to warn customers who are moving towards an over-indebted position. The group piloted various mobile initiatives to keep customers informed of the status of their financial obligations and launched three "Imali Matters" money advice offices as part of a year-long pilot in customer protection, in joint venture with the DTI, Finmark Trust and the Credit Ombudsman.

We cleansed the credit records of more than 400 000 and rehabilitated 78 000 customers. ABIL extended its credit insurance policies to also cover customers during periods of short time and compulsory unpaid leave - situations that can create severe financial distress. The group continues to explore ways of improving its insurance product as a value enhancement tool for customers.

CHANGES TO THE BOARD
Dave Woollam, who has been on a leave of absence for much of this year, has requested that upon his return to the group, he change his role from that of a full time executive, to one that would allow him to act as an advisor to ABIL. His reasons for this are based on a personal lifestyle choice, which we respect. Accordingly, Dave Woollam, will resign from the boards of both ABIL and African Bank with effect from 31 December 2010 and will rejoin ABIL in his new capacity in the new year. Dave will work closely with Leon Kirkinis and the other ABIL executives, and we believe will continue to bring his considerable insight and knowledge of the business to bear on various strategic opportunities and challenges.

LOOKING AHEAD
Whilst economic conditions are expected to remain challenging, we do expect some improvement during the next financial year as lower inflation and interest rates start to stimulate consumer spending.

For African Bank, the recent lift in sales bodes well for the 2011 financial year. The Bank is targeting an acceleration in its sales and advances growth, a moderate decline in yield, a more efficient application of cash resources and steady asset quality. The card division will concentrate on promoting credit cards to the EHL customer base, increasing call centre sales and improving the value proposition for existing customers. The Bank is targeting modest growth in operating costs for the next financial year.

The Bank's focus areas for 2011 will include becoming more people centered with regard to our staff, increasing the number of new customers, building on the recent sales momentum, controlling cost growth, reducing the average cost of funds, enhancing the branch collection capabilities and branch empowerment programme, focusing on the rehabilitation of customers in financial distress and improving client service levels and streamlining customer processes.

EHL's priorities for the retail part of the business for the next year will remain on margin delivery, stock, working capital and cash management, supply chain optimisation and sales growth, while African Bank as the credit provider, will concentrate on providing EHL with differentiated lowest price credit and innovative value added products to the EHL customer base. The merchandising focus for 2011 will be on product innovation to drive higher margin opportunities, on developing strategic supplier relationships, growing the imported component of the business in order to ensure differentiation and enhance margins, and on bringing a number of new opportunities to fruition.

REVIEW REPORT
The accompanying financial information of the group has been reviewed by the group's auditors, Deloitte & Touche. The review was conducted in accordance with ISRE 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity". An unmodified report has been issued. The full review report is available for inspection at the Company's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the group's auditors.

GROUP ACCOUNTING POLICIES AND BASIS OF PREPARATION
These condensed group consolidated financial statements have been prepared in compliance with International Accounting Standard (IAS) 34 `Interim Financial Reporting', AC500 Standards as issued by the Accounting Practices Board, the requirements of the South African Companies Act (Act 61 of 1973) as amended and the Listing Requirements of the JSE Limited.

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

- IFRIC 17 - Distribution of Non-cash Assets to Owners
- IFRS 2 (amended) - Vesting Conditions and Cancellations
- IFRS 7 - Financial Instruments: Disclosures
- IFRS 8 - Operating Segments
- IAS 1 (revised) - Presentation of Financial Statements
- IAS 23 - Borrowing Costs

- 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 2009 annual financial statements except for changes in disclosure of financial instruments, primary statements and operating segments.

DIVIDENDS AND DIVIDEND COVER

ABIL has declared a final dividend of 100 cents per ordinary share, bringing the total dividend for the year to 185 cents per ordinary share. The ordinary dividend cover was 1,3 times, which represented a payout ratio of 79% of headline earnings per share. The group has indicated that it will move to a dividend cover of a minimum of 1,5 times in the next financial year to support its growth targets.

The group has also declared a final preference share dividend of 336 cents per share.

CASH DIVIDEND DECLARATIONS

	Ordinary shares	Preference shares
Share code	ABL	ABLP
ISIN	ZAE000030060	ZAE000065215
Dividend number	20	12
Dividends per share (cash dividends)	100 cents	336 cents
Declaration date	Monday, 22 November 2010	Monday, 22 November 2010
Last date to trade cum-dividend	Thursday,9 December 2010	Thursday, 9 December 2010
Shares commence trading ex-dividend	Friday, 10 December 2010	Friday, 10 December 2010
Record date	Friday, 17 December 2010	Friday, 17 December 2010
Dividend payment date	Monday, 20 December 2010	Monday, 20 December 2010

Share certificates may not be dematerialised or rematerialised between Friday, 10 December 2010 and Friday, 17 December 2010, both days inclusive.

On behalf of the board
Mutle Mogase, Chairman
Gordon Schachat, Executive deputy chairman
Leon Kirkinis, Chief executive officer

Midrand
22 November 2010

Board of directors
MC Mogase (Chairman), G Schachat (Deputy Chairman)*, L Kirkinis (CEO)*, N Adams, A Fourie*, DB Gibbon, N Nalliah*, MEK Nkeli, S Sithole, TM Sokutu*, RJ Symmonds, A Tugendhaft, DF Woollam*
*Executive

Group Secretary
Y Mistry

ABIL Group income statement
for the 12 months ended 30 September 2010

		ABIL Consolidated	
		Reviewed	Audited
R million	% change	30 Sept 2010	30 Sep 2009
Gross margin on retail business	10	1 974	1 791
Interest income on advances	9	5 950	5 437
Net assurance income	(23)	1 600	2 081
Non-interest income	11	2 491	2 251
Income from operations	4	12 015	11 560
Charge for bad and doubtful advances	7	(2 693)	(2 511)
Risk-adjusted income from operations	3	9 322	9 049
Other interest and investment income	6	390	367

Interest expense	18	(2 383)	(2 025)
Operating costs	(2)	(4 481)	(4 576)
Indirect taxation: VAT	11	(20)	(18)
Profit from operations	1	2 828	2 797
Capital items	> 100	34	(7)
Profit before taxation	3	2 862	2 790
Direct taxation: STC	(8)	(147)	(159)
Direct taxation: Normal	(0)	(773)	(776)
Profit for the year	5	1 942	1 855
Reconciliation of headline earnings and per share statistics			
Profit for the year (basic earnings)	5	1 942	1 855
Preference shareholders	(31)	(36)	(52)
Basic earnings attributable to ordinary shareholders	6	1 906	1 803
Adjustments for non-headline items:			
Capital items	< 100	(19)	7
Tax thereon	-	3	0
Headline earnings	4	1 890	1 810
Number of shares in issue (net of treasury) million		803.7	803.7
Weighted number of shares in issue million		803.7	803.7
Fully diluted number of shares in issue million		803.8	803.8
Basic earnings per share cents	6	237.2	224.3
Fully diluted basic earnings per share cents	6	237.1	224.3
Headline earnings per share cents	4	235.2	225.2
Fully diluted headline earnings per share cents	4	235.1	225.1

Total ordinary dividends per share for the	year cents	-
Total preference dividends per share for	the year cents	(18)

Group statement of comprehensive income
for the 12 months ended 30 September 2010

ABIL Consolidated

	% change	Reviewed 30 Sep 2010	Audited 30 Sep 2009
R million			
Profit for the year	5	1 942	1 855
Other comprehensive income after tax			
Exchange differences on translating foreign operations	(56)	(11)	(25)
Movement in cash flow hedge reserve	> 100	(195)	(18)
IFRS 2 reserve transactions (employee incentives)	(27)	8	11
Shares purchased into the ABIL Employee Share Trust less shares issued to employees (cost)	-	1	0
ABIL Share Trust shares less dividends received	(50)	1	2
Other comprehensive income for the year, net of tax	> 100	(196)	(30)
Total comprehensive income for the year	(4)	1 746	1 825

Group segmental analysis
for the 12 months ended 30 September 2010

	Segment revenue		Intersegment income	
R million	Reviewed 30 Sept 2010	Audited 30 Sept 2009	Reviewed 30 Sept 2010	Audited 30 Sept 2009
	R'000	R'000	R'000	R'000
Banking unit	8 075	7 407	87	21
EHL Retail	4 804	4 513	0	0
EHL Financial Services	2 141	2 451	15	18
Consolidation adjustments	(102)	(39)	0	0

Consolidated	14 918	14 332	102	39

	Segment profit after taxation	
	Reviewed	Audited
R million	30 Sept 2010	30 Sept 2009
	R'000	R'000
Banking unit	1 541	1 577
EHL Retail	140	(192)
EHL Financial Services	261	470
Consolidation adjustments	0	0
Consolidated	1 942	1 855

ABIL group statement of financial position
as at 30 September 2010

		ABIL Consolidated	
		Reviewed	Audited
	% change	30 Sept 2010	30 Sep 2009
R million			
Assets			
Short-term deposits and cash	(4)	3 410	3 553
Statutory assets - bank and insurance	37	1 806	1 323
Inventories	(1)	851	859
Other assets	(10)	321	357
Taxation	>100	97	20
Net advances	24	25 360	20 486
Deferred tax asset	(18)	409	501
Assets held for sale	(97)	5	181
Policy holders' investments	0	15	15
Property and equipment	6	622	586
Intangible assets	(8)	834	906
Goodwill	0	5 472	5 472
Total assets	14	39 202	34 259
Liabilities and equity			
Short-term funding	(67)	1 038	3 108
Other liabilities	28	1 743	1 363
Taxation	(57)	33	77
Deferred tax liability	48	392	265
Liabilities held for sale	(100)	0	25
Life fund reserve	(7)	14	15
Bonds and other long-term funding	42	20 877	14 705
Subordinated bonds	9	2 226	2 044
Total liabilities	22	26 323	21 602
Ordinary shareholders' equity	2	12 396	12 174
Preference shareholders' equity	0	483	483
Total equity (capital and reserves)	2	12 879	12 657
Total liabilities and equity	14	39 202	34 259
Net asset value per share	2	1 543	1 515

ABIL Group statement of changes in equity
for the 12 months ended 30 September 2010

			Ordinary shares
	Share capital and premium	Distributable reserves	Share-based payment reserve
R million			
Balance at 30 September 2008 (audited)	9 151	2 201	586
Dividends paid	0	(1 528)	0
Transfer to insurance contingency reserve	0	(42)	0
Total comprehensive income for the year	0	1 805	11
Balance at 30 September 2009 (audited)	9 151	2 436	597
Dividends paid	0	(1 488)	0
Transfer to share-based payment reserve	0	(208)	208
Transfer from insurance contingency reserve	0	25	0
Total comprehensive income			

for the year	0	1 907	8
Balance at 30 September 2010 (reviewed)	9 151	2 672	813

R million	Other	Preference share capital and premium	Total
Balance at 30 September 2008 (audited)	(9)	483	12 412
Dividends paid	0	(52)	(1 580)
Transfer to insurance contingency reserve	42	0	0
Total comprehensive income for the year	(43)	52	1 825
Balance at 30 September 2009 (audited)	(10)	483	12 657
Dividends paid	0	(36)	(1 524)
Transfer to share-based payment reserve	0	0	0
Transfer from insurance contingency reserve	(25)	0	0
Total comprehensive income for the year	(205)	36	1 746
Balance at 30 September 2010 (reviewed)	(240)	483	12 879

Notes

		Reviewed 30 Sept 2010	Audited 30 Sept 2009
1. Treasury shares			
Treasury shares at cost	R million	12	13
Number of shares held	million	0.5	0.5
Average cost per share	Rand	25.14	26.96

2. Number of ordinary shares at 30 September 2010	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	(477 415)	(479 722)	(479 722)
Dilution as a result of outstanding options	0	0	82 501
	803 697 785	803 695 478	803 777 979

ABIL Group statement of cash flows
for the 12 months ended 30 September 2010

R million	Reviewed 30 Sept 2010	Audited 30 Sep 2009
Cash generated from operations	5 698	6 026
Cash received from lending and insurance activities and cash reserves	15 662	14 756
Recoveries on advances previously written off	103	172
Cash paid to funders, staff, suppliers and insurance beneficiaries	(10 067)	(8 902)
Increase in gross advances	(7 658)	(6 918)
Decrease in working capital	205	(62)
Increase in inventories	8	(89)
Increase in other assets	(103)	(40)
Decrease in other liabilities	300	67
Indirect and direct taxation paid	(794)	(1 192)
Cash inflow from equity accounted incentive transactions	2	1
Cash outflow from operating activities	(2 547)	(2 145)
Cash outflow from investing activities	(493)	(399)
Acquisition of property and equipment (to maintain operations)	(277)	(289)
Acquisition of joint venture book	(19)	0
Disposal of property and equipment	240	18
Disposal of option	15	0
Other investing activities	(452)	(128)
Cash inflow from financing activities	2 760	3 068
Cash inflow from funding activities	4 284	4 648
Preference shareholders' payments and transactions	(36)	(52)
Ordinary shareholders' payments and transactions	(1 488)	(1 528)
Increase in cash and cash equivalents	(280)	524
Cash and cash equivalents at the beginning of the year	3 996	3 472
Cash and cash equivalents at the end of the year	3 716	3 996
Made up as follows:		
Short-term deposits and cash	3 410	3 553

Statutory cash reserves - insurance	306	443
	3 716	3 996

For more detailed information on ABIL's results, please refer to the investor zone on our website, at www.abil.co.za

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