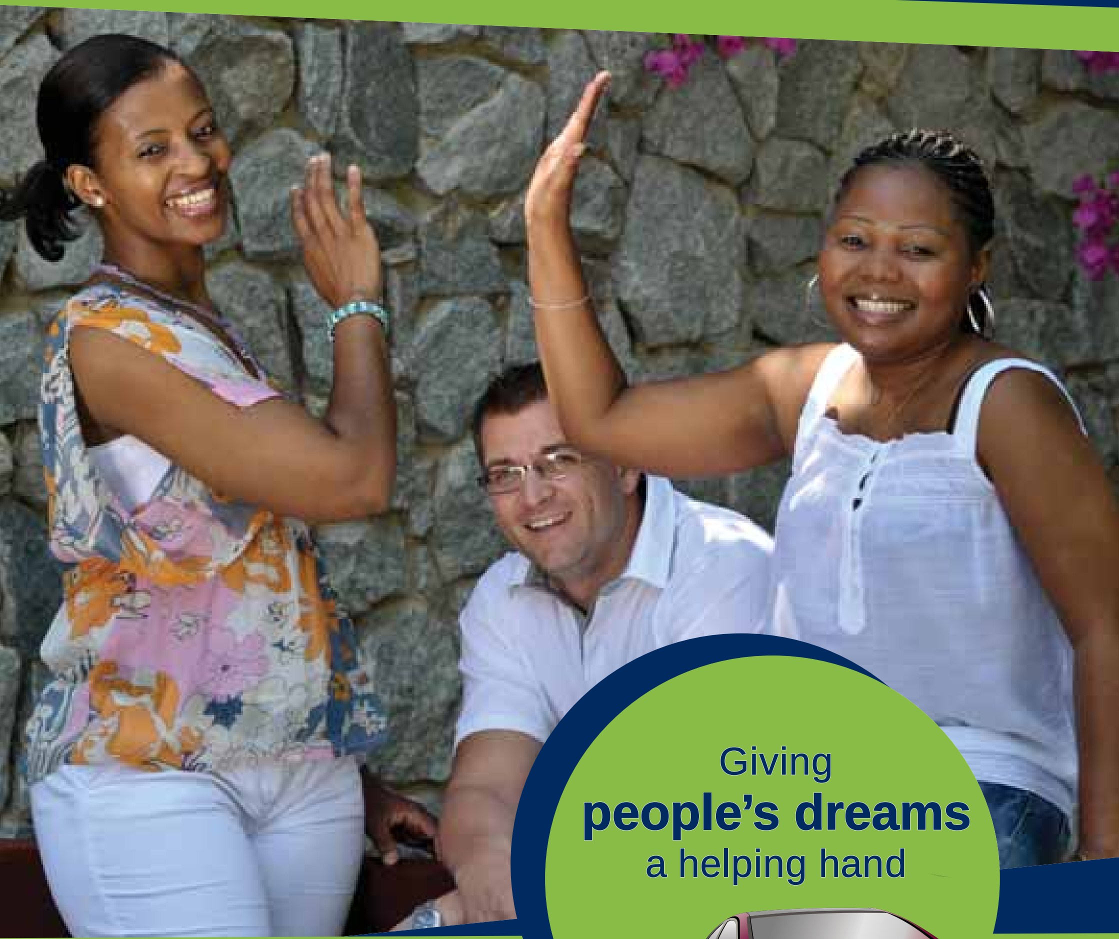
African Bank
INVESTMENTS LIMITED

Annual results



Giving
people's dreams
a helping hand

for the year ended 30 September 2011

Visit our website at www.abil.co.za

Contents

Annual results for the year ended 30 September 2011

Two subsidiaries of ABIL, African Bank Limited and Ellerine Furnishers (Pty) Limited, are authorised financial services and registered credit providers.

Group profile

ABIL is a publicly-owned management holding company listed on the JSE Limited with wholly-owned subsidiaries within the South African unsecured credit environment. We operate through two primary businesses, African Bank and EHL as well as insurance subsidiaries The Standard General Insurance Company (Stangen) and Relyant Insurance Company (Relyant).

Key highlights

R40 billion
Advances book

2,6 million
Credit customers

African Bank

African Bank offers competitively priced long and short term loans, as well as credit card products to a predominantly formally employed and banked market.

Stangen provides credit life policies for the loan and credit card products offered by African Bank.

4 978
Employees

643
Outlets

ehl
ellerine holdings limited

EHL is a furniture and appliances retailer which provides affordable products and offers credit facilities through African Bank for the purchase of its goods. It operates in the formally employed banked market, the informally employed market as well as higher lifestyle markets than those traditionally targeted by African Bank.

Relyant offers discretionary product insurance on merchandise purchased from the EHL group.

ELLERINES | BEARES | FurnitureCity
Geen & Richards | Wetherlys | Dial-a-Bed

R4,7 billion
of furniture sales

10 303
Employees

1 059
Retail stores

African Bank Investments Limited

Financial statistics

for the year ended 30 September 2011

		% change	Reviewed 2011	Audited 2010
Key shareholder statistics				
Headline earnings	R million	24	**2 339**	1 890
Headline earnings per share	cents	24	**291,0**	235,2
Fully diluted headline earnings per share	cents	24	**291,0**	235,1
Number of ordinary shares in issue (net of treasury shares)	million		**803,7**	803,7
Weighted number of ordinary shares in issue	million		**803,7**	803,7
Fully diluted number of ordinary shares in issue	million		**803,8**	803,8
Number of preference shares in issue	million	61	**8,0**	5,0
Average ordinary shareholders' equity	R million	5	**12 722**	12 083
Return on equity	%		**18,4**	15,6
Economic profit	R million	>100	**494**	78
Net asset value per ordinary share	cents	7	**1 648**	1 542
Tangible net asset value per ordinary share	cents	15	**873**	758
Cash generated from operations	R million	36	**7 746**	5 698
Regulatory capital per Basel II				
Risk weighted exposure	R million		**32 255**	25 848
Total qualifying regulatory capital	%		**26,4**	27,5
Total qualifying capital (including unappropriated profits)	%		**30,9**	32,2
Tier 1 capital	%		**23,2**	24,7
Tier 2 capital	%		**7,7**	7,5
Dividends per ordinary share				
Interim – paid	cents	0	**85**	85
Final – declared	cents	0	**100**	100
Total ordinary dividends	cents	0	**185**	185
Dividend cover	times		**1,6**	1,3
Payout ratio	%		**63,6**	78,7
Dividends per preference share				
Interim – paid	cents	(13)	**310**	355
Final – declared	cents	(8)	**310**	336
Total preference dividends	cents	(10)	**620**	691
Segmental contribution to headline earnings				Pro forma
Banking unit	R million	24	**2 302**	1 863
Retail unit	R million	46	**190**	130
STC and other group adjustments	R million	49	**(153)**	(103)
		24	**2 339**	1 890

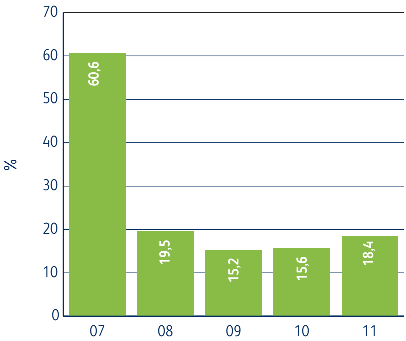
African Bank Investments Limited

Results at a glance

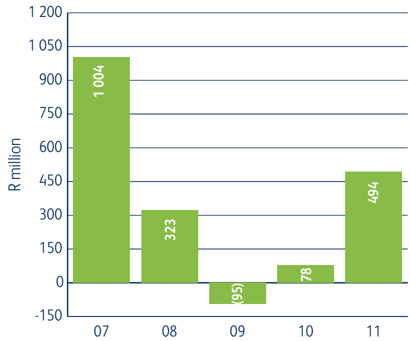
Features

- ABIL achieved a return on equity of 18,4% for the year to 30 September 2011 (2010: 15,6%) and an economic profit, after charging for its cost of equity, of R494 million (2010: R78 million).
- Headline earnings increased by 24% to R2 339 million (2010: R1 890 million) as did headline earnings per share to 291,0 cents (2010: 235,1 cents).
- A final ordinary dividend per share of 100 cents (2010: 100 cents) was declared, bringing the total dividend for the year to 185 cents per share (2010: 185 cents). A final preference dividend per share of 310 cents was declared (2010: 336 cents) resulting in a full-year preference dividend of 620 cents per share (2010: 691 cents).
- The Banking business unit grew headline earnings by 24% to R2 302 million (Pro forma 2010: R1 863 million), benefitting from substantial sales and advances growth, a slower reduction in yield than in recent years, and steady asset quality. Return on equity improved from 19,7% in 2010 to 22,9%.
- The Retail business unit's headline earnings were R190 million (Pro forma 2010: R130 million), supported by modest increase in sales, firm margins and operating leverage from more efficient operations. EHL generated a return on equity of 6,9% (2010: 4,8%).

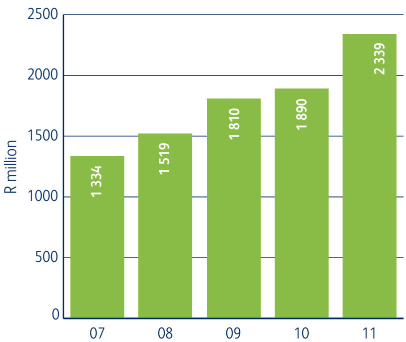
Return on equity



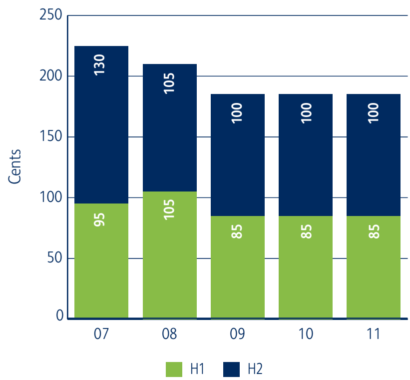
Economic profit/loss



Headline earnings



Ordinary dividends per share



Note: ABIL acquired Ellerine Holdings Limited in 2008

African Bank Investments Limited

Overview

Financial results

The group's financial performance in the year ended 30 September 2011 was driven by a variety of new credit and retail product offerings and increased access through a range of new channels. High levels of commitment, energy and innovation from our staff culminated in robust growth despite a modest trading environment. The performance was augmented by the value creation between African Bank and EHL, specifically through the substantial increase in African Bank's footprint.

Group headline earnings increased by 24% to R2 339 million as did headline earnings per share to 291,0 cents. Average ordinary shareholder's equity grew to R12,7 billion with the group return on equity improving from 15,6% to 18,4%.

While ABIL group results are not affected, the results for the individual business units are not directly comparable with that of 2010 as the profits of Ellerines Financial Services were previously included in the Ellerines business unit and have been incorporated into the Banking unit for the first time this year. Comparatives have been adjusted on a pro forma basis, throughout the reporting to facilitate trend analysis.

Strategic initiatives

ABIL's strategic vision is premised on strong growth over the medium term that ultimately translates into better value for customers. That vision will only become a reality through the continued commitment, energy and passion of our people and their engagement and development is therefore central to the execution of this vision.

The group's key strategic areas for the 2011 year have been to:

- Integrate and optimise the African Bank operations
- Transform the value proposition and delivery model of the Bank
- Grow the client base of the Bank and convert EHL customers to also become African Bank customers
- Build EHL into a premier retailer
- Expand ABIL's presence into wherever credit is required in South Africa.

The group has over the past year identified a host of aspects to focus on as the foundation for our growth aspirations. These include our people strategies, more refined customer segmentation, the role of technology into the future, a more scalable operating model, the key financial drivers and their interrelationships, capital and funding, and a redefined customer value proposition. Each of these aspects has been evaluated for scalability and potential for innovation and a variety of initiatives are in the process of being implemented across the organisation to realise these opportunities.

With an eye on retaining the group's predominant credit focus, building on the current scope of the business and recognising the evolution of our customers' needs and expectations, a revised more competitive customer value proposition was introduced in the business during 2011. The revised, proposition not only extended both the target market and the product scope of the business, but also included a deepening of the credit relationship with our customers over the long term. A new front end that encapsulates many of the aspects of the revised proposition has recently been rolled out in pilot mode and will be fully implemented post the peak trading period.

African Bank Investments Limited

Overview *continued*

African Bank's people journey built on the momentum gained in the previous year, with the rollout of a values programme, intensive engagement through a multitude of different channels and a strong focus on people issues. The implementation of the revised customer value proposition culminated in the launch of several new products, extended trading hours, improved access through the physical infrastructure as well as web and mobile channels. Loan sizes were also increased to accommodate larger purchases.

The acceleration of value creation from the African Bank/EHL relationship has been a key strategic focus area. This imperative involves the optimisation of credit volumes and revenues from the EHL network. The key components of the drive are products such as Ezi*Cash (cash top-up) and Ezi*Loan (credit only) and access through African Bank kiosks and carve-out branches within EHL stores. In the current year, the group generated R1,7 billion in loan sales (excluding furniture credit) through distribution that did not exist for the Bank twelve months ago. The current performance suggests further opportunity of a substantial size over the next two years.

New customer acquisition has also been a key focus for the group. ABIL added 612 000 new clients during the year, a 26% increase on 2010. The Interest Buster, credit card and consolidation loan products were particularly effective in attracting new customers to the group. The rollout of kiosks and carve-outs in the EHL footprint also increased the Bank's presence in new geographic areas.

EHL continued its efforts of upgrading and re-engineering processes across the organisation to ultimately offer better-quality product ranges and services to customers. The rollout of the first distribution centre has already manifested in improved availability of product ranges and quicker turnaround times for customers. The division also did substantial work on the development of new and exclusive products and ranges and the formulation of key strategic relationships that will provide EHL with more differentiated product offerings and guaranteed supply going forward.

Competition in the unsecured lending arena has intensified over the past two years. Industry data suggests that the substantial growth in the market over the past year did not stem predominantly from more credit being extended to the same group of (potentially over-extended) customers. Loans in the middle- to higher-income bands and debt consolidation have been significant areas of growth, while the expansion in the number of new customers in the transactional banking environment has led to an influx of newly banked customers who now also have access to credit as a result of becoming 'banked'. The recent much stricter underwriting environment for secured credit has also meant that many more customers, who may not have been part of this market segment before, now seek to fulfil their needs through unsecured credit.

Experience has shown that whenever there is a rapid acceleration of credit supply in our market, inevitably customers will become overextended. At present there is ample evidence that customer payment profiles appear slightly stronger than they have been over the past two years, yet there are pockets of declining payment profiles and increasing debt burdens. However, underwriting is inherently skewed towards history, and therefore it is critical to apply sound judgment. Accordingly, during 2011 an additional business rule limiting the size of total debt servicing as a percentage of income was introduced and further enhancements to this, and other related business rules, will be considered as trends emerge.

African Bank Investments Limited

Overview *continued*

ABIL constantly recalibrates its score cards to take cognisance of emerging risk. In terms of its growth segments, it adjusts its criteria for niche opportunities in a deliberate and calculated way, rather than through a general relaxation of its credit criteria. We will be pursuing growth in the next year with a specific focus on quality of extended credit and a controlled mix of sales, rather than volumes, and will not hesitate to pull back our sales should the environment necessitate it.

We believe that a passionate and motivated workforce can generate a momentum in the business that surpasses a difficult trading environment and intense competition. By allowing our people to understand and contribute to our vision, and step up to new challenges, we are building an organisation that will remain at the forefront of innovation and value creation for all our stakeholders.

The main strategic initiatives for 2012 will broadly be as follows:
- Continuing to transform our culture to a people-orientated organisation
- Enhancing our value proposition for customers
- Optimising the value from the African Bank/EHL relationship
- Focus on business optimisation

Economic profit

The Banking business unit increased its economic profit from R442 million to R847 million, a rise of 92%. The Retail business unit incurred a R211 million economic loss which was an improvement of 23% on the R273 million loss in 2010. These results combined with a R153 million charge for STC and other adjustments, generated a net economic profit of R494 million relative to R78 million for 2010 for the ABIL group.

for the year ended 30 September 2011	Average ordinary share-holders' equity Rm	Return on equity %	Cost of equity %	Headline earnings Rm	Charge for the cost of equity Rm	Economic profit/(loss) Rm
Banking unit	**10 034**	**22,9**	**14,5**	**2 302**	**(1 455)**	**847**
Banking unit – based on its own equity	**6 034**	**38,2**	**14,5**	**2 302**	**(875)**	**1 427**
Goodwill	**4 000**	**n/a**	**14,5**	**0**	**(580)**	**(580)**
Retail unit	**2 764**	**6,9**	**14,5**	**190**	**(401)**	**(211)**
Retail unit – based on its own equity	**2 047**	**9,3**	**14,5**	**190**	**(297)**	**(107)**
Goodwill arising on acquisition – equity component	**717**	**n/a**	**14,5**	**0**	**(104)**	**(104)**
STC and other consolidation adjustments	**(76)**		**14,5**	**(153)**	**11**	**(142)**
Consolidated ABIL group	**12 722**	**18,4**	**14,5**	**2 339**	**(1 845)**	**494**
for the year ended 30 September 2010						
Banking unit	9 473	19,7	15,0	1 863	(1 421)	442
Banking unit – based on its own equity	5 473	34,0	15,0	1 863	(821)	1 042
Goodwill	4 000	n/a	15,0	0	(600)	(600)
Retail unit	2 684	4,8	15,0	130	(403)	(273)
Retail unit – based on its own equity	1 967	6,6	15,0	130	(295)	(165)
Goodwill arising on acquisition – equity component	717	n/a	15,0	0	(108)	(108)
STC and other consolidation adjustments	(74)		15,0	(103)	11	(92)
Consolidated ABIL group	12 083	15,6	15,0	1 890	(1 812)	78

The cost of equity used to calculate economic profit is reviewed annually to take cognisance of changes in funding rates and risk premiums and was adjusted down from 15,0% to 14,5% in September 2011. The reduction in the cost of equity contributed R64 million to the overall improvement in economic profit.

Capital management and dividends

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.

ABIL capital adequacy %	2011	2010
Total qualifying regulatory capital	**26,4**	27,5
Total qualifying capital including unappropriated profits	**30,9**	32,2

The group sets dividend cover on a twelve month rolling basis. At the end of the previous financial year, ABIL indicated it would be increasing its dividend cover to a minimum of 1,5 times in the 2011 financial year. Consistent with this guidance ABIL has declared a final dividend of 100 cents per ordinary share resulting in a total ordinary dividend for the year of 185 cents per share. The payout ratio was 64% and the ordinary dividend cover was 1,6 times.

The group has also declared a final preference dividend of 310 cents per share bringing the total preference dividend for the year to 620 cents per share.

In order to support the targeted growth in advances, the group expects the dividend cover to rise to between 1,8 and 2,0 times in the 2012 financial year. However as the anticipated improvement in RoE gathers momentum over the short to medium term, the group will re-evaluate its dividend cover, in order to ensure an optimal balance between a competitive customer proposition and a sustainable business model.

Changes to the board

ABIL continually strives to improve its corporate governance processes and as part of this objective, implemented an approved term limit policy in respect of its non-executive directors. 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 the period under review 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 30 September 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 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 African Bank Investments Limited 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 Koolen was also appointed to the board of Ellerine Holdings Limited from the same date.

The changes to the board have necessitated changes to the membership of the sub-committees of the board, details of which are as follows:

Previous constitution	New constitution
Group audit committee	
David Gibbon (Chairman)	Sam Sithole (Chairman)
Nic Adams	Nic Adams
Johnny Symmonds	Johnny Symmonds
Sam Sithole	

Group risk and capital management committee

Nic Adams (Chairman)	Nic Adams (Chairman)
Sam Sithole	Johnny Symmonds
Johnny Symmonds	Mojanku Gumbi
Oshy Tugendhaft	Jack Koolen

Group remuneration and transformation committee

Mpho Nkeli (Chairperson)	Ntombi Langa-Royds (Chairperson)
Mutle Mogase	Mutle Mogase
Oshy Tugendhaft	Mojanku Gumbi

Directors' affairs committee

Oshy Tugendhaft (Chairman)	Mutle Mogase (Chairman)
David Gibbon	Sam Sithole
Nic Adams	Nic Adams
Mutle Mogase	Mojanku Gumbi
Mpho Nkeli	Ntombi Langa-Royds

Yashmita Mistry resigned as company secretary to ABIL with effect from 31 March 2011. Mdu Luthuli was appointed as company secretary from 11 July 2011.

Looking ahead

While it is expected that the subdued economic environment will continue into 2012, the group is confident of its prospects for the next financial year. The Bank should continue to benefit from the substantially greater distribution base that was achieved this year and the number of new products and initiatives in development. The EHL group similarly has a number of innovations and product enhancements that are expected to impact positively on growth. Above all, we believe that our continued focus on the development of our people will accelerate the energy and the momentum that manifested this year.

The table below sets out ABIL's 2012 and medium term financial objectives:

ABIL financial objectives

Objective	Target 2011	Actual 2011	Target 2012	Medium term target (rolling 4 years)
Merchandise sales	> 8,5%	5%	> 5%	> 8% CAGR
Advances growth	> 25%	38%	> 25%	> 15% CAGR
Return on Equity	> 18%	18,4%	> 20%	> 30%

On behalf of the board

Mutle Mogase
Chairman

Gordon Schachat
Executive deputy chairman

Leon Kirkinis
Chief executive officer

21 November 2011

African Bank Investments Limited

Group income statement

for the year ended 30 September 2011

R million	% change	Reviewed 2011	Restated 2010
Gross margin on retail business	6	**2 083**	1 974
Interest income on advances	23	**7 308**	5 950
Assurance income	28	**2 962**	2 309
Non-interest income	18	**2 930**	2 491
Income from operations	20	**15 283**	12 724
Charge for bad and doubtful advances	34	**(3 596)**	(2 693)
Claims paid	(2)	**(612)**	(626)
Risk-adjusted income from operations	18	**11 075**	9 405
Product insurance claims	(18)	**(68)**	(83)
Other interest and investment income	(13)	**339**	390
Interest expense	20	**(2 850)**	(2 383)
Operating costs	10	**(4 931)**	(4 481)
Indirect taxation: VAT	>100	**(67)**	(20)
Profit from operations	24	**3 498**	2 828
Capital items	(97)	**1**	34
Profit before taxation	22	**3 499**	2 862
Direct taxation: STC	3	**(151)**	(147)
Direct taxation: Normal	26	**(977)**	(773)
Profit for the year	22	**2 371**	1 942

Reconciliation of headline earnings and per share statistics

	% change	Reviewed 2011	Audited 2010
Profit for the year (basic earnings)	22	**2 371**	1 942
Preference shareholders	(11)	**(32)**	(36)
Basic earnings attributable to ordinary shareholders	23	**2 339**	1 906
Adjustments for non-headline items:			
Capital items	(100)	**0**	(19)
Tax thereon	(100)	**0**	3
Headline earnings	24	**2 339**	1 890
Number of shares in issue (net of treasury)		**803,7**	803,7
Weighted number of shares in issue		**803,7**	803,7
Fully diluted number of shares in issue		**803,8**	803,8
Basic earnings per share	23	**291,0**	237,2
Fully diluted basic earnings per share	23	**291,0**	237,1
Headline earnings per share	24	**291,0**	235,2
Fully diluted headline earnings per share	24	**291,0**	235,1

African Bank Investments Limited

Group statement of comprehensive income

for the year ended 30 September 2011

R million	% change	Reviewed 2011	Audited 2010
Profit for the year	22	**2 371**	1 942
Other comprehensive income			
Exchange differences on translating foreign operations	>(100)	**5**	(11)
Movement in cash flow hedge reserve	(99)	**(2)**	(195)
IFRS 2 reserve transactions (employee incentives)	>(100)	**(6)**	8
Shares purchased into the ABIL Employee Share Trust less shares issued to employees (cost)	(100)	**0**	1
ABIL Share Trust shares less dividends received	(100)	**0**	1
Other comprehensive income for the year, net of tax	>100	**(3)**	(196)
Total comprehensive income for the year	36	**2 368**	1 746

Group segmental analysis

for the year ended 30 September 2011

	Segment income from operations		Intersegment income from operations		Segment profit after taxation	
R million	Reviewed 2011	Restated 2010	Reviewed 2011	Restated 2010	Reviewed 2011	Restated 2010
Banking unit	**12 354**	9 911	**0**	0	**2 334**	1 899
Retail unit	**3 051**	2 896	**122**	83	**190**	146
Consolidation adjustments	**(122)**	(83)	**0**	0	**(153)**	(103)
Group	**15 283**	12 724	**122**	83	**2 371**	1 942

African Bank Investments Limited

Group statement of financial position

as at 30 September 2011

R million	% change	Reviewed 2011	Audited 2010
Assets			
Short-term deposits and cash	(6)	**3 198**	3 410
Statutory assets – bank and insurance	54	**2 775**	1 806
Inventories	4	**885**	851
Other assets	>100	**872**	321
Taxation	(87)	**13**	97
Net advances	38	**35 099**	25 360
Deferred tax asset	14	**465**	409
Assets held for sale	(100)	**0**	5
Policyholders' investments	(93)	**1**	15
Property and equipment	37	**852**	622
Intangible assets	(9)	**761**	834
Goodwill	0	**5 472**	5 472
Total assets	29	**50 393**	39 202
Liabilities and equity			
Short-term funding	61	**1 666**	1 038
Other liabilities	15	**2 013**	1 743
Taxation	>100	**72**	33
Deferred tax liability	(42)	**229**	392
Life fund reserve	(93)	**1**	14
Bonds and other long-term funding	42	**29 672**	20 877
Subordinated bonds	25	**2 775**	2 226
Total liabilities	38	**36 428**	26 323
Ordinary shareholders' equity	7	**13 246**	12 396
Preference shareholders' equity	49	**719**	483
Total equity (capital and reserves)	8	**13 965**	12 879
Total liabilities and equity	29	**50 393**	39 202

African Bank Investments Limited

Group statement of changes in equity

for the year ended 30 September 2011

R million	Ordinary shares: Share capital and premium	Ordinary shares: Retained earnings	Ordinary shares: Share-based payment reserve	Ordinary shares: Other	Preference share capital and premium	Total
Balance at 30 September 2009 (audited)	9 151	2 436	597	(10)	483	12 657
Dividends paid	0	(1 488)	0	0	(36)	(1 524)
Transfer to share-based payment reserve	0	(208)	208	0	0	0
Transfer from insurance contingency reserve	0	25	0	(25)	0	0
Total comprehensive income for the year	0	1 907	8	(205)	36	1 746
Balance at 30 September 2010 (audited)	**9 151**	**2 672**	**813**	**(240)**	**483**	**12 879**
Dividends paid	**0**	**(1 488)**	**0**	**0**	**(32)**	**(1 520)**
Issue of preference shares	**0**	**0**	**0**	**0**	**236**	**236**
Loss incurred on group employees acquiring ABIL Share Trust shares less dividends received	**0**	**1**	**0**	**0**	**0**	**1**
Shares purchased into the ABIL Employee Share Trust less shares issued to employees (cost)	**0**	**0**	**0**	**1**	**0**	**1**
Transfer from share-based payment reserve	**0**	**726**	**(726)**	**0**	**0**	**0**
Transfer from insurance contingency reserve	**0**	**13**	**0**	**(13)**	**0**	**0**
Total comprehensive income for the year	**0**	**2 339**	**(6)**	**3**	**32**	**2 368**
Balance at 30 September 2011 (reviewed)	**9 151**	**4 263**	**81**	**(249)**	**719**	**13 965**

Notes

1. Treasury shares		**Reviewed 30 Sept 2011**	Audited 30 Sept 2010
Treasury shares at cost	R million	**11**	12
Number of shares held	million	**0,5**	0,5
Average cost per share	Rand	**23,24**	25,14

2. Number of ordinary shares at 30 September 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)**	**(474 686)**	**(474 686)**
Dilution as a result of outstanding options	**0**	**0**	**65 838**
	803 701 785	**803 700 514**	**803 766 352**

African Bank Investments Limited

Group statement of cash flows

for the year ended 30 September 2011

R million	Reviewed 2011	Audited 2010
Cash generated from operations	**7 746**	5 698
Cash received from lending and insurance activities and cash reserves	**18 329**	15 662
Recoveries on advances previously written off	**213**	103
Cash paid to funders, staff, suppliers and insurance beneficiaries	**(10 796)**	(10 067)
Increase in gross advances	**(13 605)**	(7 658)
(Increase)/decrease in working capital	**(398)**	205
Increase in inventories	**(34)**	(103)
(Increase)/decrease in other assets	**(577)**	8
Increase in other liabilities	**213**	300
Indirect and direct taxation paid	**(1 288)**	(794)
Cash inflow from equity accounted incentive transactions	**2**	2
Cash outflow from operating activities	**(7 543)**	(2 547)
Cash outflow from investing activities	**(1 252)**	(493)
Acquisition of property and equipment (to maintain operations)	**(483)**	(277)
Acquisition of joint venture advances book	**0**	(19)
Disposal of property and equipment	**80**	240
Disposal of investment	**1**	0
Disposal of option	**0**	15
Other investing activities	**(850)**	(452)
Cash inflow from financing activities	**8 688**	2 760
Cash inflow from funding activities	**9 972**	4 284
Issue of preference shares	**236**	0
Preference shareholders' payments and transactions	**(32)**	(36)
Ordinary shareholders' payments and transactions	**(1 488)**	(1 488)
Decrease in cash and cash equivalents	**(107)**	(280)
Cash and cash equivalents at the beginning of the year	**3 716**	3 996
Cash and cash equivalents at the end of the year	**3 609**	3 716
Made up as follows:		
Short-term deposits and cash	**3 198**	3 410
Statutory cash reserves – insurance	**411**	306
	3 609	3 716

African Bank Investments Limited

Notes to the business unit information

Ellerines Financial Services was acquired by African Bank in September 2010. Following the transaction, it was considered appropriate to prepare a set of pro forma results for the two business units for the 2010 financial year in order to provide meaningful comparisons to the current financial year. Readers should note the pro forma definition and the changes to the value share model between the two business units to contextualise the financial results.

Pro forma definition

Prior year comparatives have been adjusted for the following:

- Earnings from the foreign debtors book that was not sold to African Bank were previously included in Ellerines Financial Services and are now included in the Retail business unit;
- Product insurance earnings were previously included in Ellerines Financial Services and are now included in the Retail business unit;
- As detailed below, the value share methodology has changed and the comparable amounts have been calculated on a consistent basis;
- In the current year, the group has elected to pay STC at a group level rather than at a company level which was the previous practice. In order to reflect comparable results on a similar basis, the STC charge previously reflected at a business unit level is now reflected at an ABIL level; and
- Non-trading items have been transferred to ABIL group to facilitate comparison of operational performance.

For convenience 'as published' prior period results have been disclosed in the financial statements of the business units.

Value share between the Banking and Retail business units

The development of an optimal value share model between the Retail and Banking units continues in an effort to ensure that it drives the correct behaviour and that efforts and risk are equitably compensated. In the value share model used in prior years, the Retail business carried all the operating costs, but received a commission of 8% of credit merchandise sales and a cost recovery of 25,8% from Financial Services. The total amount was included as a recovery against expenses.

The current value share model is fundamentally different following the change in the structure of the Retail business unit and Financial Services division and is largely based on:

- Credit products sold by the Retail business unit on behalf of the Banking business unit;
- The reallocation of the product insurance from Financial Services to Retail; and
- The reallocation of foreign operations from Financial Services to Retail.

The value share is now accounted for in the results as:

- Income, where the amount is based on a percentage of sales volume, and
- An expense recovery, where the original costs are included in total operating costs in the Retail business unit on behalf of the Banking business unit.

African Bank Investments Limited

Notes to the business unit information *continued*

Value share

R million	2011	Pro forma 2010
Income	**122**	83
Cost recovery	**440**	419
Total value share	**562**	502

It is envisaged that the value share model will be reviewed on an annual basis and revised to best match ABIL's strategic focus.

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African Bank
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Banking business unit

Financial statistics

for the year ended 30 September 2011

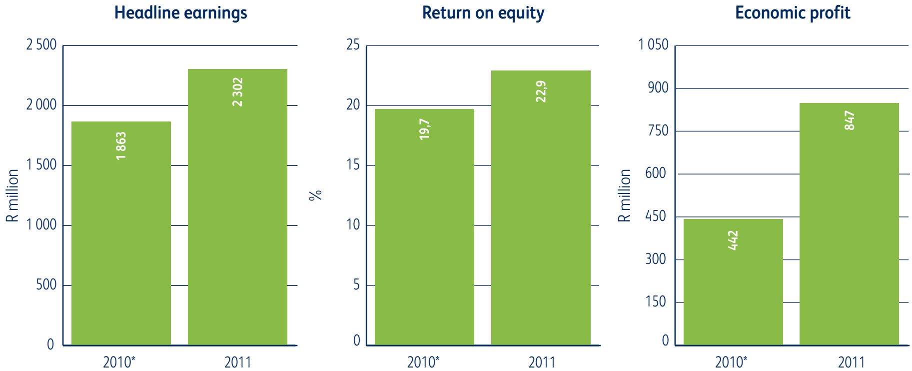
		% change	2011	Pro forma 2010
Key shareholder statistics				
Headline earnings	R million	24	**2 302**	1 863
Economic profit	R million	92	**847**	442
Performance ratios				
Total income yield on average advances	%		**35,4**	37,2
Bad debt expense to average advances	%		**10,1**	9,9
Claims paid to average advances	%		**1,8**	2,3
Cost to average advances	%		**6,9**	7,7
Return on assets	%		**5,5**	5,4*
Return on equity	%		**22,9**	19,7*
Asset and credit quality statistics				
Gross advances	R million	38	**39 912**	29 024
Performing books	R million	45	**28 938**	19 985
Non-performing loans (NPLs)	R million	21	**10 974**	9 039
Average gross advances	R million	31	**34 914**	26 674
Written off book (at NRV)	R million	13	**1 928**	1 700
Total impairment provisions (including credit life reserves)	R million	20	**6 643**	5 555
NPLs to gross advances	%		**27,5**	31,1
Total impairment provisions and credit life reserves to gross advances	%		**16,6**	19,1
Total impairment provisions and credit life reserves to NPLs (NPL coverage)	%		**60,5**	61,5
Gross bad debt write-offs to average gross advances	%		**10,4**	17,5
Bad debts rehabilitated to average gross advances	%		**(2,9)**	(7,1)
Net bad debt write-offs to average gross advances			**7,5**	10,4
Funding and cost of funds				
Funding (including subordinated bonds)	R million	40	**33 843**	24 097
Average cost of funds	%		**9,4**	10,4
Cash and statutory assets	R million	17	**5 812**	4 979
Capital ratios				
African Bank Limited capital adequacy	%		**30,4**	28,9
Tier 1	%		**21,7**	20,4
Tier 2	%		**8,7**	8,5
Operational statistics				
Disbursements	R million	50	**21 257**	14 170
Number of customers	000	11	**2 569**	2 315
Distribution points		39	**643**	462
Number of employees		27	**4 978**	3 935

** Calculated after adjusting the pro forma RoA/RoE model, as disclosed on page 26, with the R4 billion goodwill acquired on transfer of EHL Financial Services*

Comparatives in blue have been adjusted to include Ellerines Financial Services on a pro forma basis

Banking business unit

Results at a glance



**Pro forma combined results for African Bank and Ellerines Financial Services*

Financial performance

The Banking business unit generated headline earnings of R2 302 million for the year to 30 September 2011, an increase of 24% on the R1 863 million produced on a pro forma basis in 2010. The Banking business unit generated a return on equity of 22,9% (Pro forma 2010: 19,7%) and an economic profit of R847 million for the period (Pro forma 2010: R442 million).

A variety of new products and a greatly extended distribution network generated strong growth in credit sales for the Banking unit. Combined sales for African Bank and EHL increased by 50% for the year to R21,3 billion (Pro forma 2010: R14,2 billion). All credit segments showed a solid performance with African Bank loan sales growing by 46% to R14,1 billion, credit card sales growing by 94% to R2,8 billion and total disbursements at EHL increasing by 40% to R4,3 billion.

The strong sales growth translated into an increase in gross advances of 38% to R39,9 billion (Pro forma 2010: R29,0 billion). African Bank loan advances increased by 30% to R27,8 billion, credit card advances grew by 78% to R5,2 billion and advances originated in EHL grew by 46% to R6,9 billion.

The combined yield for the period was 35,4% against a pro forma yield for 2010 of 37,2%. Income from operations increased by 25% to R12,4 billion (Pro forma 2010: R9,9 billion) on the back of the growth in advances and the more gradual reduction in yield.

Asset quality was steady. Non-performing loans (NPLs) as a percentage of advances declined from 31% to 28% on the back of the faster growth in performing loans. NPL coverage remained steady at 61% (2010: 62%). The bad debt charge as a percentage of the advances book increased marginally from 9,9% in 2010 to 10,1% while insurance claims reduced from 2,3% of advances in 2010 to 1,8%.

The funding base increased by 40% to R33,8 billion to support asset growth. The average funding rate improved from 10,4% to 9,4% notwithstanding the substantial increase in funding during the year.

Operating costs increased by 17% to R2,4 billion on the back of the strong increase in sales and general levels of activity within the group. Operating costs to average advances improved from a pro forma 7,7% to 6,9%.

Banking business unit

Results at a glance *continued*

The above drivers combined to produce profit before taxation of R3,2 billion, 24% higher than the R2,6 billion achieved in 2010. The R912 million normal taxation charge for the year approximates the statutory corporate tax rate of 28%.

The Banking business unit generated a return on assets of 5,5%, which geared 4,1 times, translated into a return on equity of 22,9% (Pro forma 2010: 19,7%).

Operational highlights

The Banking unit made substantial progress on a variety of fronts over the past year, most notably in terms of product and service offerings to customers, and efforts to make African Bank an exciting place to work.

The most significant development related to increasing accessibility for our customers. The African Bank branch infrastructure increased by 39% in twelve months through new branches and the rollout of kiosks and carve-outs in the EHL distribution network. Total outlets increased from 462 at the start of the financial year to 643 sites by the end of September 2011 with an additional 100 sites already rolled out and ready to be staffed since September 2011. Branch formats were upgraded to be more attractive to our served market segment, and vehicles serving as mobile branches were rolled out.

A variety of direct channels were implemented or upgraded in the past year. Disbursements through our call centre increased by 104% year-on-year, internet sales increased by 125% and card re-advances increased by 79%, improving convenience for customers and reducing the cost to the group of servicing customers. The group also launched an 'Inseconds' sms service in May 2011 to provide customers with an indicative offer over the phone and some useful conveniences such as airtime, SMS balances and statements. Sales from new channels exceeded R3,1 billion in 2011.

A new customer interface was rolled out in a pilot phase. The new system will significantly increase the speed with which offers are made and loans disbursed. This system is expected to be rolled out to all outlets after the peak trading period.

A variety of new products were launched during the year including Payment Break, Interest Buster (both products a first for the banking industry in South Africa) and Consolidation loans. Sales from these new products exceeded R3,2 billion this year. Card products were extended to higher-risk groups through our Blue credit card, and were also piloted in the EHL customer base. The Credit Life assurance product introduced risk-based premiums for the first time and application has been made to the Financial Services Board to further improve customer benefits. Maximum loan sizes were increased to R180 000 to assist customers with larger outlays such as home improvements and vehicle finance and a specialist unsecured vehicle finance pilot product was launched.

The Banking unit further increased its focus on customer service. The Bank involved almost 4 000 retail operations staff in roadshows to cement the importance of customer service and communicate every person's responsibility in delivering exceptional service to customers. A series of focus groups and one-on-one sessions with defaulting customers was also conducted to gain insights into the nature of their financial difficulties and to design products or interventions to assist in their financial rehabilitation.

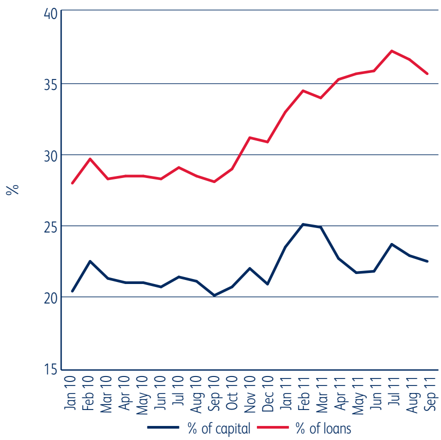
We spend a substantial amount of time engaging with our employees. We conducted more than 40 roadshows to interact with our people and reiterate our value systems. A Financial Care product was also launched for our employees to help resolve debt problems. The Bank extended its training programmes and won an award for its learnerships and other initiatives. We also increased medical aid subsidies and made progress in the development of an employee value proposition. The Bank conducted its first employee satisfaction survey this year which indicated substantially higher commitment levels from our people than global norms, but also highlighted areas where the organisation could improve.

African Bank diversified its funding base further during the year through an inaugural issue of commercial paper, a debut listed bond issued under the EMTN programme and new subordinated debt.

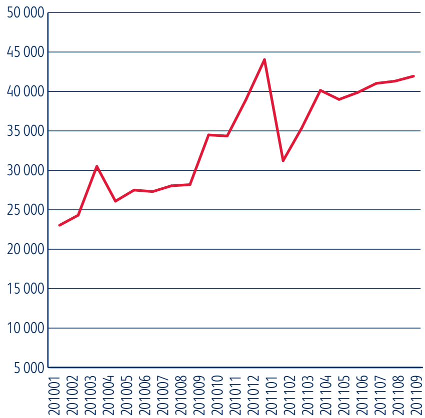
The rapid growth in the business has required the upscaling of processes, procedures and most of all, staff levels, across the business. Given this level of activity it is encouraging that, despite the collections area's monthly collection now exceeding R2 billion a month, it still achieved a reduced charge for bad and doubtful debt for African Bank.

The focus on new customers has resulted in a growing momentum in the number of new customers within African Bank from just over 20 000 customers a month at the beginning of 2010 to almost 45 000 a month most recently. For the twelve months to September 2011, the Bank interacted with 376 000 new customers, 44% more than the previous year, while total credit customers (including EHL), increased by 26% to 612 000.

New applications as percentage of sales



Number of African Bank loans to new customers



The uncertainty surrounding the interpretation of section 103(5) of the National Credit Act (Act 34 of 2005), (colloquially referred to as the "*in duplum*" rule) has finally been settled by the Supreme Court of Appeal during the year. The ruling has not had a noticeable effect on African Bank's profitability, primarily because of its policy to suspend interest after seven months of non-payment, generally before the in duplum rule becomes effective.

Banking business unit

Results at a glance *continued*

Outlook

The Banking business unit will continue to benefit from the lift in sales over the past year and the income that will accrue from the higher asset base. Since the majority of the new outlets were opened towards the end of the 2011 financial year, the business unit should also see a lift in sales from the operation of these outlets for a full year in 2012. The Bank has a number of additional products and initiatives that are in pilot phase and are timed to be implemented over the next twelve months. The rollout of further kiosks and carve-outs, albeit at a more modest pace, is also expected to boost sales.

African Bank continuously monitors the market for evidence of changing credit behaviour and emerging risk and is cautious about the early evidence of some distressed customers. The Bank has adjusted its affordability limits and recalibrated its score cards to take cognisance of the emerging risk and will continue to do so as the environment changes. The Banking unit will be pursuing growth in the next year with a specific focus on the quality of credit extended and a controlled mix of sales.

The main initiatives for 2012 will be:

- Continuing our focus on our people and culture
- Further aligning and integrating the EHL credit infrastructure into the Bank
- Implementing the new customer interface across the entire infrastructure
- Broadening the sources of debt funding and optimising the gearing and capital structures
- Refining customer management processes with a specific emphasis on rehabilitation initiatives
- Enhancing our customer value proposition including the rollout of new products and further product enhancements
- Focusing on operational excellence in terms of customer service, efficiencies and processes.

Banking business unit

Income statement

for the year ended 30 September 2011

R million	% change	2011	Pro forma 2010	As published 2010
Interest income on advances	23	**7 198**	5 867	4 877
Assurance income	37	**2 532**	1 849	1 569
Non-interest income	20	**2 624**	2 195	1 765
Income from operations	25	**12 354**	9 911	8 211
Charge for bad and doubtful advances	33	**(3 527)**	(2 645)	(2 200)
Claims paid	(0)	**(612)**	(614)	(571)
Risk-adjusted income from operations	23	**8 215**	6 652	5 440
Other interest income	(31)	**319**	459	435
Interest expense	16	**(2 826)**	(2 432)	(2 182)
Operating costs	17	**(2 397)**	(2 055)	(1 411)
Indirect taxation: VAT	>100	**(67)**	(20)	(20)
Profit from operations	25	**3 244**	2 604	2 262
Capital items	(93)	**1**	15	15
Profit before taxation	24	**3 245**	2 619	2 277
Direct taxation: STC		**1**	0	(96)
Direct taxation: SA normal	27	**(912)**	(720)	(640)
Profit for the year	23	**2 334**	1 899	1 541

Reconciliation of headline earnings

R million	% change	2011	Pro forma 2010	As published 2010
Profit for the year (basic earnings)	23	**2 334**	1 899	1 541
Preference dividends	(11)	**(32)**	(36)	(36)
Basic earnings attributable to ordinary shareholders	24	**2 302**	1 863	1 505
Adjusted for non-headline items		**0**	0	0
Headline earnings	24	**2 302**	1 863	1 505

Comparatives in blue have been adjusted to include Ellerines Financial Services on a pro forma basis
Comparatives in black are unadjusted, as published previously

Banking business unit

Statement of financial position

as at 30 September 2011

R million	% change	2011	Pro forma 2010	As published 2010
Assets				
Short term deposits and cash	(0)	**3 288**	3 297	3 327
Statutory assets – bank and insurance	50	**2 524**	1 682	1 618
Other assets	>100	**669**	120	120
Other assets – EHL	(70)	**126**	426	2 990
Taxation	(100)	**0**	85	85
Net advances	40	**35 047**	25 099	20 632
Deferred tax asset	(49)	**125**	247	1
Policyholders' investments	(93)	**1**	15	15
Property and equipment	63	**511**	313	313
Goodwill	–	**4 000**	0	0
Total assets	48	**46 291**	31 284	29 101
Liabilities and equity				
Short term funding	>100	**1 175**	583	413
Short term funding – EHL	(46)	**221**	411	411
Other liabilities	(7)	**817**	877	877
Other liabilities – EHL	–	**60**	0	0
Taxation	>100	**55**	(13)	4
Deferred tax liability	(100)	**0**	141	141
Life fund reserve	(93)	**1**	14	14
Bonds and other long-term funding	42	**29 672**	20 877	20 872
Subordinated bonds	25	**2 775**	2 226	2 226
Total liabilities	38	**34 776**	25 116	24 958
Ordinary shareholders' equity	90	**10 796**	5 685	3 660
Preference shareholders' equity	49	**719**	483	483
Total equity (capital and reserves)	87	**11 515**	6 168	4 143
Total liabilities and equity	48	**46 291**	31 284	29 101

Comparatives in blue have been adjusted to include Ellerines Financial Services on a pro forma basis

Comparatives in black are unadjusted, as published previously

Banking business unit

Return on assets and return on equity model

R million	2011	Pro forma 2010
Interest income on advances	**7 198**	5 867
Assurance income	**2 532**	1 849
Non-interest income	**2 624**	2 195
Total income	**12 354**	9 911
Charge for credit losses	**(3 527)**	(2 645)
Claims paid	**(612)**	(614)
Operating expenses	**(2 397)**	(2 055)
Net financing costs (including preference dividends)	**(2 539)**	(2 009)
Taxation (including STC and indirect taxation)	**(978)**	(740)
Capital and non-headline items	**1**	15
Total charges against income	**(10 052)**	(8 048)
Headline earnings	**2 302**	1 863
Average gross advances (excl w/o book)	**34 914**	26 674
Average total assets	**41 482**	30 629
Average ordinary shareholders' equity	**10 034**	5 473

Comparatives in blue have been adjusted to include Ellerines Financial Services on a pro forma basis

** After adjusting for the R4 billion goodwill acquired in the Banking unit, the return on equity for 2010 would have been 19,7%.*

	2011			Pro forma 2010		
Interest/Advances	**20,6%**			22,0%		
Assurance/Advances	**7,3%**			6,9%		
Other income/Advances	**7,5%**			8,2%		
Total income yield	***equals***	**35,4%**		*equals*	37,2%	
Bad debts/Advances	**(10,1%)**			(9,9%)		
Claims paid/Advances	**(1,8%)**			(2,3%)		
Opex/Advances	**(6,9%)**			(7,7%)		
Financing costs/Advances	**(7,3%)**			(7,5%)		
Taxation/Advances	**(2,8%)**			(2,8%)		
Other/Advances	**0,0%**			0,1%		
Total charges/Advances	***equals***	**(28,8%)**		*equals*	(30,2%)	
			equals			*equals*
Return on advances			**6,6%**			7,0%
			multiply			*multiply*
Advances/Total assets			**84,2%**			87,1%
			equals			*equals*
Return on assets (RoA)			**5,5%**			6,1%
			multiply			*multiply*
Gearing			**4,1**			5,6
			equals			*equals*
Return on equity (RoE)			**22,9%**			34,0%*

Banking business unit

Sales and advances

Sales and advances

Sales of new loans and credit cards grew by 50% to R21,3 billion in the twelve months to September 2011. African Bank grew loan sales by 46% to R14,1 billion. This was achieved through an 18% increase in the volume of new loans granted and a 22% higher average loan size. Average loan term increased from 42 to 45 months. Credit sales generated from EHL increased by 40% to R4,3 billion. Credit card disbursements increased by 94% while the number of cards sold increased by 72% to 299 000.

Disbursements of new loans and credit cards

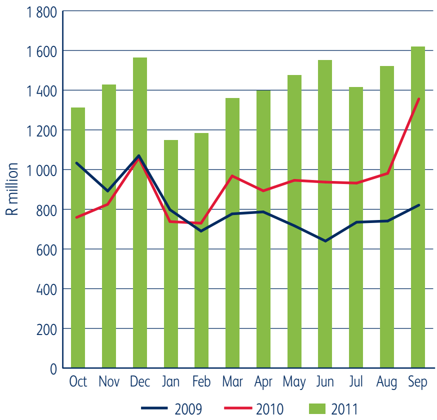
		% change	2011	Pro forma 2010
Disbursements	R million	50	**21 257**	14 170
African Bank*	R milllion	46	**14 142**	9 655
EHL credit sales	R milllion	40	**4 277**	3 048
Credit cards	R milllion	94	**2 838**	1 467
Number of loans and cards sold	000	21	**2 131**	1 767
African Bank loans*	000	18	**1 387**	1 178
EHL loans	000	7	**445**	415
Credit cards	000	72	**299**	174
Offer rates	%		**74**	78
Number of new clients	000	26	**612**	485
African Bank*	000	44	**376**	261
EHL	000	3	**218**	212
African Bank and EHL	000	64	**18**	11

** Kiosks and carve-out customers are included in African Bank statistics*

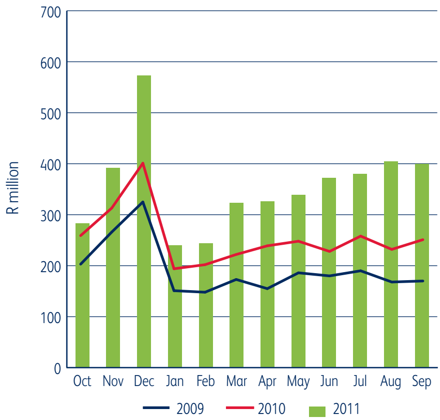
			African Bank	
For the year to 30 September		% change	2011	2010
Average loan size	Rand	22	**10 071**	8 224
Average term	Months	7	**45**	42
Average instalment	Rand	15	**688**	597
Average card limit	Rand	29	**7 063**	5 459

Comparatives in blue have been adjusted to include Ellerines Financial Services on a pro forma basis

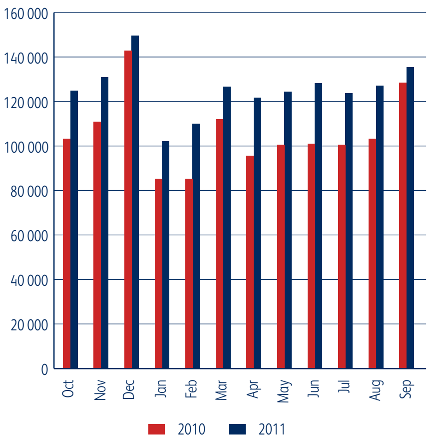
African Bank loan and card disbursements



EHL credit disbursements

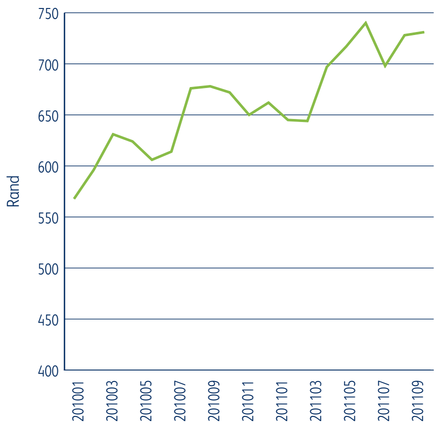


Number of loans issued



The number of loans issued continued to show a steady increase.

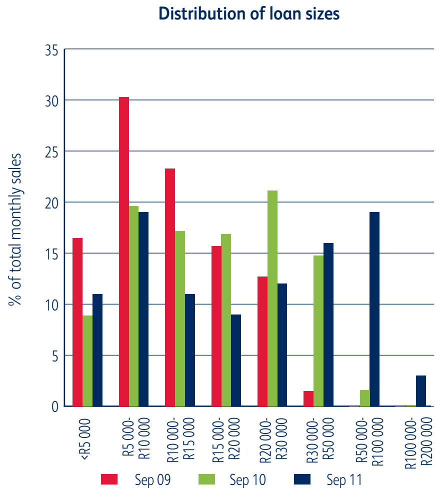
Monthly instalment



The average instalment increased from R597 per month in 2010 to R688. The increase was mainly as a result of the increase in new customer numbers who have generally tended to be higher-income earners. Consolidation loans have also impacted instalment sizes as the settlement of customers' other debt typically improves affordability.

Banking business unit

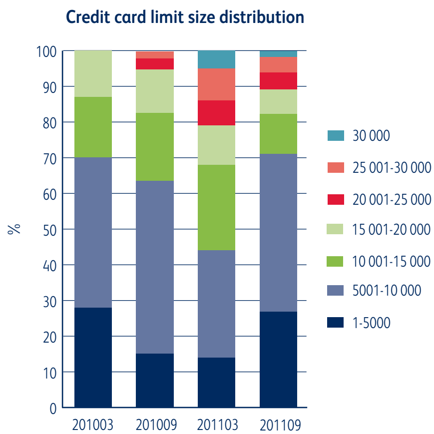
Sales and advances *continued*

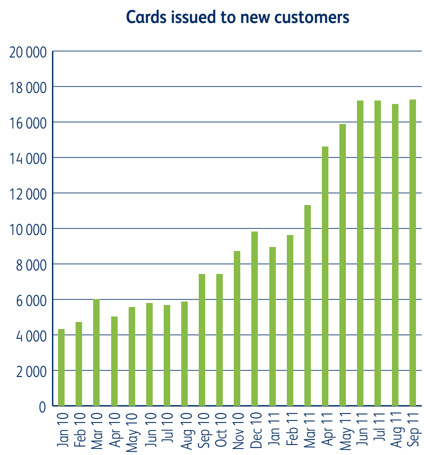


Offer rates have declined towards the end of the year as the risk mix changed towards higher-risk customers. The lowest risk groups generally achieve the highest offer rates whereas a higher proportion of the high-risk group are declined for affordability reasons, amongst others.

The increase in the number of loans sold below R5 000 was mainly as a result of the Interest Buster product.

The Bank also increased its maximum loan size and term to R180 000 and 84 months respectively in March 2011.





African Bank rebalanced its credit card offering to increase requirements for gold cards, while at the same time improving the offer for each card category. As a result, it has issued more blue and silver cards with smaller limits over the past six months.

The African Bank credit card has been successful in attracting new customers. The credit card is being piloted in a limited number of Ellerines stores and will be rolled out further, when appropriate.

Advances

		% change	2011	Pro forma 2010
Gross advances	R million	38	**39 912**	29 024
Traditional African Bank advances	R million	30	**27 779**	21 347
EHL furniture credit advances	R million	46	**6 917**	4 741
Credit card advances	R million	78	**5 216**	2 936
Average gross advances	R million	31	**34 914**	26 674
Written-off book	R million	13	**1 928**	1 700
Number of loans – African Bank	000	11	**2 481**	2 245
Number of loans – EHL	000	1	**1 003**	995[1]
Number of cards in issue	000	44	**729**	506
Number of customers*	000	13	**2 538**	2 250

* *The definitions for new and existing clients have been aligned between African Bank and EHL, the data combined and duplicates removed. Comparatives have been restated to take cognisance of the changes.*

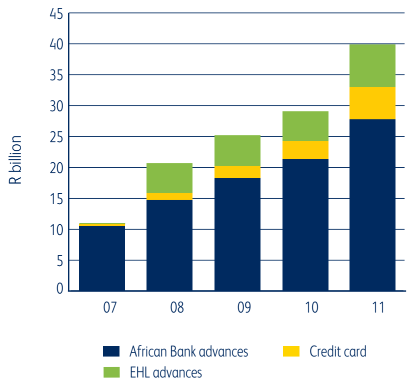
[1] *Restated pro forma*

Comparatives in blue have been adjusted to include Ellerines Financial Services on a pro forma basis

Gross advances grew by 38% to R39,9 billion during 2011. African Bank grew its loan advances by 30% to R27,8 billion and its credit card advances by 78% to R5,2 billion. Furniture credit and cash advances in the retailer increased by 46% to R6,9 billion.

The total number of customers on African Bank's books increased by 13% during the year to 2,5 million.

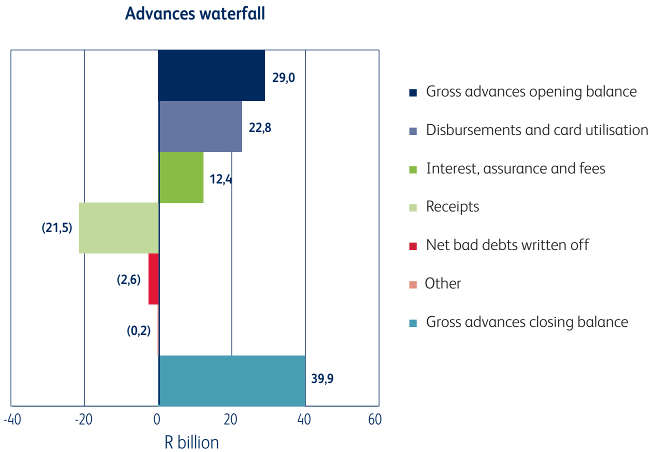
Total advances



Banking business unit

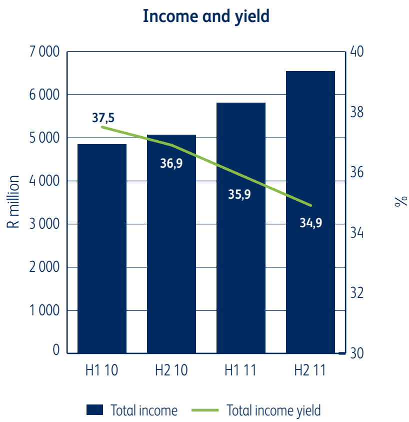
Advances analysis

The graph below depicts the high-level movements in the advances book over the past twelve months.



Yield analysis

Claims paid (which have historically been treated as part of net assurance income and consequently a reduction in the overall yield) were excluded from income from operations and disclosed as a separate line item in the income statement for the first time in 2011. This disclosure not only better reflects the overall yield of the business over time, but also presents a more appropriate view of the impact of claims paid on the charge for bad and doubtful advances.



The combined total income yield in 2011 was 35,4% against the 37,2% reported in 2010. The yield was the outcome of the following factors:

- The higher proportion of interest-bearing performing loans in the portfolio mix and resultant lower suspension of interest had a positive effect on total yield.
- The weight of larger loans to low-risk customers at a lower yield continued to skew the yield towards the lower end.
- From March 2011 the insurance pricing was recalibrated to differentiate the insurance rates based on insurance risk. Given the high correlation between insurance and credit risk generally, higher credit-risk customers now pay higher premiums than lower credit- risk customers.

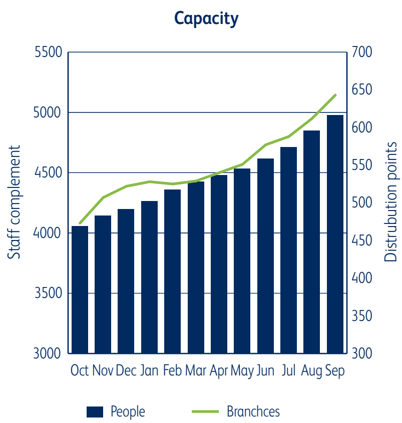
As a general trend, total yield is expected to continue to decline modestly over time. The yield will, however, depend on the aggregate outcome of the group's risk appetite and the mix of business written.

Operating costs

Operating costs were R2 397 million for the twelve months relative to R2 055 million for the comparative period, an increase of 17%. The growth in costs was substantially volume driven with the bulk of the increase from three sources:

- Staff costs: The Bank granted an average 8,5% salary increase in October 2010 and added more than 1 000 additional staff for the call centre, kiosks and carve-outs during the year. Staff incentives also increased substantially on the back of the sales growth.
- Bank charges: Bank charges increased by 30% to R223 million, these charges being directly related to the 38% growth in the advances book.
- Card transaction costs: Card transactions costs grew by 84% on the back of the 78% growth in credit card advances. These costs are recovered from customers.

Operating costs as a percentage of average gross advances improved from 7,7% to 6,9% given the larger advances book.



Banking business unit

Operating costs

R million	% change	2011	Pro forma 2010
Staff costs	18	**909**	769
Bank charges	30	**223**	172
Operating lease on property	11	**112**	101
Telephone, fax and other communication costs	6	**93**	88
Depreciation on property and equipment	15	**83**	72
Information technology costs	19	**43**	36
Printing, stationery and courier costs	66	**68**	41
Advertising and marketing costs	52	**41**	27
Other expenses	(11)	**180**	202
Sub total	16	**1 752**	1 508
Card transaction costs *	84	**83**	45
African Bank expenses	18	**1 835**	1 553
Value share with EHL	12	**562**	502
Total operating costs	17	**2 397**	2 055

** Card transaction costs are recovered from customers*

Comparatives in blue have been adjusted to include Ellerines Financial Services on a pro forma basis

Please refer to page 15 of this booklet for a discussion of the value share with EHL.

Asset quality

Charge for bad debt

The charge for bad and doubtful advances at R3 527 million (Pro forma 2010: R2 645 million) was 33% higher than the comparative period on the back of a 38% increase in the gross advances book. The charge as a percentage of average advances increased marginally from 9,9% to 10,1%.

Assurance claims paid has now been separated from income from operations. Claims were stable relative to last year and, as a percentage of advances, reduced from 2,3% in 2010 to 1,8%.

Bad debts rehabilitated decreased from 7% of average gross advances in 2010 to 3% for the period (predominantly brought about by the extension in the write-off criteria from 13 to 17 months of no payment).

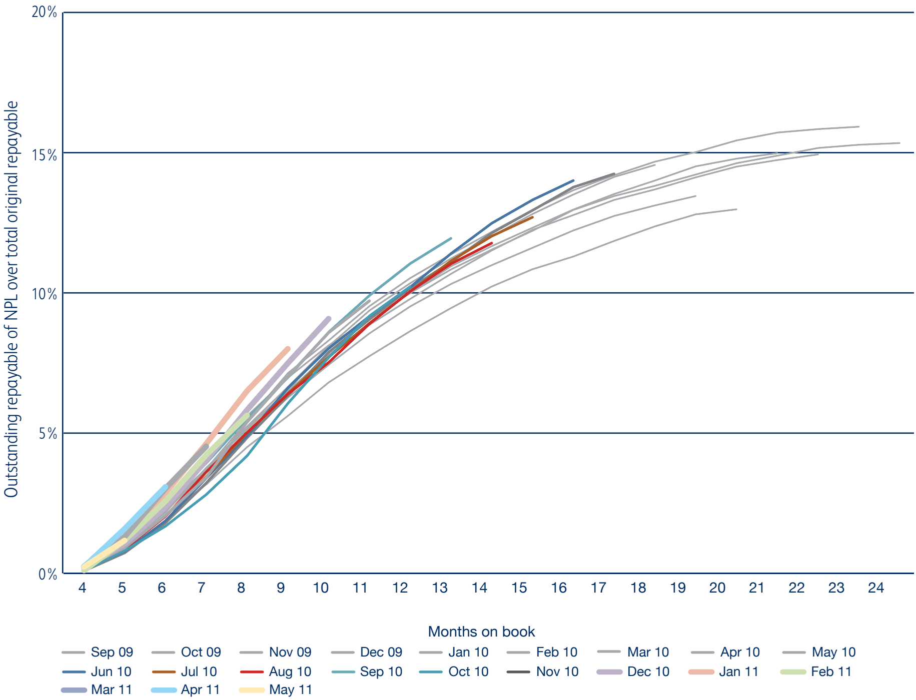
Vintages

In order to gain a meaningful understanding of the effectiveness of the underwriting models, the group focuses on analysing credit vintage curves, which segment the emergence of risk in discrete underwriting periods, as a better and more immediate measure of the risk in the portfolio than the aggregate NPLs and bad debt charge. A vintage curve tracks each month's new loans as a unique portfolio and plots the cumulative proportion of the portfolio that migrates into an NPL status, being loans with more than three cumulative instalments in arrears.

It is important to note that recent vintages have a fairly minor impact on the current bad debt charge. The latter is substantially more influenced by business written in previous periods. However, the performance of the latest vintages serves as a leading indicator of the risk emergence and NPL formation over the short to medium term.

The graph below shows the vintages written on the African Bank debit order loan portfolio (being the most representative and largest advances portfolio) since May 2010, overlaid onto the historic range of vintages dating back to September 2009. As is evident from the graph, older loan vintages reflect stable positions with more recent vintages trending at the upper end due to the controlled expansion of selected risk segments. These vintages remain well within expected trends.

Vintage graph - African Bank – More than three cumulative missed instalments



Banking business unit

Asset quality *continued*

Non-performing loans

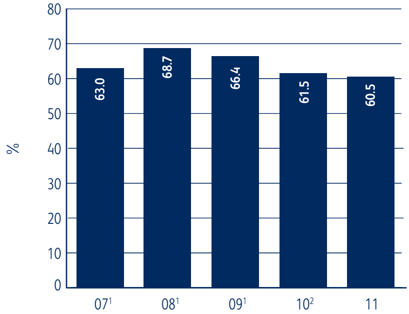
Non-performing loans (NPLs) increased by R1,9 billion or 21% during the period while performing loans grew by R9,0 billion or 45%. In line with the group's intention communicated in the September 2010 results, the accounting write-off policy has been extended from 13 months to 17 months of no payment. The extension had the effect of maintaining NPLs at a level that was approximately R500 million higher than it would have been if these loans had been written off based on the previous write-off criteria.

Given the higher growth in performing loans, NPLs as a percentage of gross advances reduced from 31% to 28%. The NPL coverage ratio remained steady at 61% (2010: 62%).

The Bank wrote off a net R2,6 billion in non-performing loans during this period (Pro forma 2010: R2,8 billion).

The valuation attributed to the written-off book grew by R228 million in 2011, relative to the R701 million increase in 2010, mainly as a result of a reduction in the rate of rehabilitations. During the year the Bank zero-balanced R2,9 billion of advances from the written-off book. This had the effect of increasing the valuation of the remaining written-off book from 16,8 to 18,1 cents in the rand.

NPL coverage



[1] African Bank only
[2] Pro Forma combined advances

Banking business unit

Asset quality analysis

as at 30 September 2011

R million	% change	2011	Pro forma 2010
Breakdown of gross advances			
Performing loans	45	**28 938**	19 985
Non-performing loans (NPLs)	21	**10 974**	9 039
Gross advances	38	**39 912**	29 024
Gross advances		**39 912**	29 024
Written-off book	13	**1 928**	1 700
Deferred administration fees	>100	**(150)**	(70)
Gross advances including the written-off book	36	**41 690**	30 654
Impairment provisions and credit life reserves			
Impairment provisions	20	**6 643**	5 537
Balance at the beginning of the period		**5 528**	5 547
Impairment provisions raised		**3 729**	2 744
Net bad debts written off		**(2 634)**	(2 771)
Acquisitions of impairment provisions		**20**	17
Credit life reserves		**0**	18
Total impairment provisions and credit life reserves	20	**6 643**	5 555

R million	% change	2011	Pro forma 2010
Income statement charges			
Charge for bad and doubtful advances	33	**3 527**	2 645
Impairment provisions raised		**3 729**	2 744
Bad debts recovered		**(202)**	(102)
Loss on repossessions		**0**	3
Ratios			
NPLs as a % of gross advances		**27,5**	31,1
Impairment provisions as a % of NPLs		**60,5**	61,3
Credit life reserves as a % of NPLs		**0,0**	0,2
Total impairment provisions and credit life reserves as a % of NPLs (NPL coverage)		**60,5**	61,5
Total impairment provisions and credit life reserves as a % of gross advances		**16,6**	19,1
Income statement charge for bad debts as a % of average gross advances		**10,1**	9,9
Gross bad debts written off as a % of average gross advances		**10,4**	17,5
Bad debts rehabilitated as a % of average gross advances		**(2,9)**	(7,1)
Net bad debts written off as a % of average gross advances		**7,5**	10,4

Comparatives in blue have been adjusted to include Ellerines Financial Services on a pro forma basis.

Banking business unit

Liquidity and funding

Funding composition

(based on term at origination)

R million	% change	2011	Pro forma 2010
Short term funding (< 12 months)	40	**1 396**	994
Demand deposits	(24)	**340**	450
Fixed and notice deposits	83	**686**	374
NCDs		**370**	–
Other short term funding	(100)	**–**	170
Long term funding (> 12 months)	40	**32 447**	23 103
Listed senior bonds	42	**12 209**	8 583
Other long term loans	42	**17 463**	12 294
Subordinated bonds	25	**2 775**	2 226
Total funding	40	**33 843**	24 097
Average cost of funding (%)	(9)	**9,4**	10,4
Total cash reserves	17	**5 812**	4 979

Comparatives in blue have been adjusted to include Ellerines Financial Services on a pro forma basis

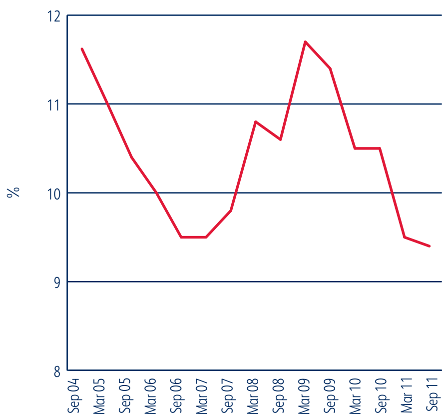
During the year, African Bank successfully raised R9,7 billion in net new funding thereby increasing total funding from R24,1 billion to R33,8 billion. The Bank issued long term bonds under the DMTN programme totalling R1,5 billion, raised R515 million in subordinated debt and issued inaugural Commercial paper with a six-month term of R1,2 billion. In addition it raised its debut listed bond under its EMTN programme of US$300 million and issued a further R243 million in ABIL preference shares in July 2011. At the same time, it managed to bring down the average cost of funding from 10,4% in 2010 to 9,4% in 2011 despite the volume of additional funding raised.

Through the EMTN bond issue, the Bank acquired 90 new investors diversifying the funding base further.

Moody's maintained its investment grade ratings with a stable outlook

The Bank had free cash, excluding statutory cash holdings, of R3,1 billion at 30 September 2011.

Cost of funding

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Retail business unit

Financial statistics

for the year ended 30 September 2011

		% change	2011	Pro forma 2010
Key shareholder statistics				
Headline earnings	R million	46	**190**	130
Economic loss	R million	(23)	**(211)**	(273)
Return on equity	%		**6,9**	4,8
Gross operating costs to sales	%		**65,7**	66,2
Retail performance statistics				
Merchandise sales	R million	5	**4 710**	4 487
Merchandise cash sales	R million	(7)	**1 682**	1 817
Merchandise credit sales	R million	13	**3 028**	2 670
Non furniture credit sales	R million		**1 729**	–
Credit merchandise sales as % of total sales	%		**64,3**	59,5
Comparable merchandise sales growth*	%		**7,2**	12,6
Gross profit margin	%		**44,2**	44,0
Operating margin	%		**5,5**	4,5
Return on sales	%		**4,0**	2,9
Stock turn*	times		**3,1**	3,1
Number of stores		3	**1 059**	1 028
South Africa		3	**981**	952
Foreign		3	**78**	76
Retail trading area	m^2	(1)	**702 799**	709 399
Number of employees		(14)	**10 303**	11 992
Merchandise sales/store*	R 000	2	**4 446**	4 364
Merchandise sales/m^2*	Rand	7	**6 662**	6 217
Total credit disbursements/m^2*	Rand	78	**7 516**	4 223
Merchandise sales/employee*	R 000	22	**457**	374

** 12 month rolling average*

Comparatives in blue have been adjusted to exclude Ellerines Financial Services on a pro forma basis

Retail business unit

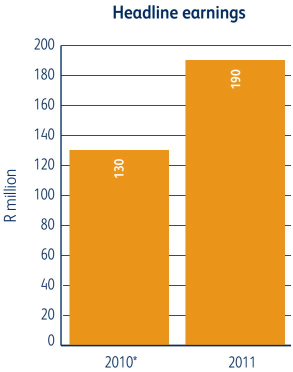
Performance against financial objectives

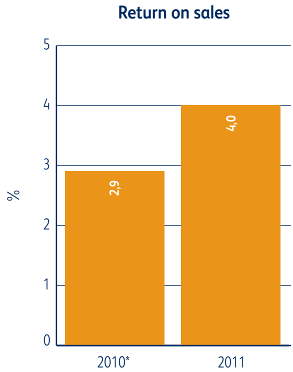
Objective	Pro forma 2010	**Actual 2011**	2014 target
Sales	R4,5bn	**R4,7bn**	R6bn – R7bn
Non furniture credit sales	–	**R1,7bn**	R8bn
Credit merchandise sales to total sales	59,5%	**64,3%**	70,0%
Stock turn	3,1 times	**3,1 times**	5,0 times
Return on sales	2,9%	**4,0%**	8% – 10%

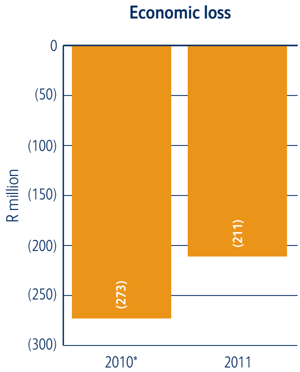
The operating costs to sales ratio has been removed as an objective as the value share agreement in place at any time will have an impact on this ratio.

Retail business unit

Results at a glance







**Pro forma results excluding Ellerines Financial Services.*

Financial performance

The furniture retail market continued to experience tough and volatile conditions, particularly in the middle- to upper-income segments as well as an extended period of negative furniture inflation. Household balance sheets experienced increased pressure as a result of the rise in fuel, electricity and food prices, leading to weakened demand for durable goods. These conditions have culminated in heightened competition for customers during the past year and pricing pressure in some categories of merchandise, especially appliances.

Good progress was made in key aspects of the strategy, most notably in improvements in profitability, in the value extraction from the EHL distribution network, logistics and distribution, product leadership and on credit sales performance. Holding margins firm and taking costs out created operating leverage notwithstanding the muted sales growth, culminating in headline earnings increasing by 46% to R190 million for the year to 30 September 2011 (Pro forma 2010: R130 million). Return on sales was 4,0%, relative to 2,9% in the comparable period, and return on equity was 6,9% (2010: 4,8%). The economic loss incurred after including a charge for goodwill improved to R211 million (2010: R273 million).

Merchandise sales grew by 5% to R4,7 billion (2010: R4,5 billion), while comparable sales per square metre increased by 7% relative to last year. The best performers were Ellerines, increasing by 14% (18% comparable) and Beares, increasing by 5% (6% comparable). Wetherlys has started showing positive growth with comparable sales up 4%, despite producing a negative 5% growth on the previous year on a non-comparable basis. Geen & Richards down 1% (down 7% comparable) and Dial-a-Bed, which was flat on last year (down 10% comparable) did not perform well. Furniture City down 15% (down 14% comparable) performed poorly. Multiple changes to the systems in Dial-a-Bed, Furniture City and Geen & Richards impacted their performance.

Gross margin increased from 44,0% in 2010 to 44,2% for the current year, despite the challenging trading environment. The improvement was driven mainly by enhanced logistics, improved buying and better promotions campaign management.

Total operating costs before value share recoveries increased by 4% to R3 096 million. Cost control remained a strong focus, with further savings achieved across all areas of the business, notwithstanding certain upfront costs in terms of changes to the logistics and distribution network. This included accelerating the voluntary retrenchment of staff impacted by these changes.

Store efficiencies continued to improve, with sales per square metre increasing by 7% and sales per employee growing by 22%. The furniture credit sales mix increased from 60% to 64% of total sales and credit merchandise sales grew 13% to R3,0 billion (2010: R2,7 billion). Significantly, the store infrastructure provided the opportunity for the additional R1,7 billion in non-furniture related credit sales.

Looking ahead

Trading conditions are expected to remain muted. The recent decline in the value of the Rand has not caused immediate pressure, but more sustained weakness could cause an increase in durable goods inflation and hence consumer pressure and reduced margins and will require caution in respect of the management of imports.

Despite the cost pressures on consumers, growth in consumption is expected to remain low but positive, with some relief from a low interest rate environment as well as the continued higher wage and salary settlements. The ongoing development of the footprint, further category development in bedding, lounge, cellular phones and electrical ranges, and the expansion of the group's insurance offering, are expected to provide impetus to growth in the year ahead.

The agenda for next year will focus on:

- Further development in respect of new stores
- Reviewing and development of store formats
- Product category development
- Continuing with business optimisation and cost reduction initiatives with a particular focus on:
  - foreign stores
  - organisational architecture and design at a brand and head office level
  - refining the African Bank/EHL operating model
  - footprint optimisation to continue the reduction of excess space
- Continuing with the logistics and distribution centre rollout
- Accelerating the African Bank/EHL value creation initiative through the expansion of African Bank carve-outs and kiosks in EHL outlets and the rollout of credit cards to EHL customers
- Continuing to mobilise and energise our people.

Retail business unit

Income statement

for the year ended 30 September 2011

R million	% change	2011	Pro forma 2010	As published 2010
Sale of merchandise	5	**4 710**	4 487	4 487
Cost of sales	5	**(2 627)**	(2 513)	(2 513)
Gross margin	6	**2 083**	1 974	1 974
Interest income on advances	33	**110**	83	1 073
Assurance income	(7)	**430**	460	740
Non-interest income	13	**428**	379	726
Income from operations	5	**3 051**	2 896	4 513
Charge for bad and doubtful advances	44	**(69)**	(48)	(493)
Life insurance claims	(100)	**0**	(12)	(55)
Risk-adjusted income from operations	5	**2 982**	2 836	3 965
Product insurance claims	(18)	**(68)**	(83)	(83)
Other interest and investment income	39	**46**	33	57
Interest expense	(9)	**(48)**	(53)	(303)
Operating costs	4	**(2 656)**	(2 553)	(3 070)
Profit from operations	42	**256**	180	566
Capital items	(100)	**0**	19	19
Profit before taxation	29	**256**	199	585
Direct taxation: STC	0	**0**	0	(51)
Direct taxation: Normal	25	**(66)**	(53)	(133)
Profit for the period	30	**190**	146	401

Reconciliation of headline earnings

R million	% change	2011	Pro forma 2010	As published 2010
Profit for the period (basic earnings)	30	**190**	146	401
Adjusted for non-headline items:				
Capital items	(100)	**0**	(19)	(19)
Tax thereon	(100)	**0**	3	3
Headline earnings	46	**190**	130	385

Comparatives in blue have been adjusted to exclude Ellerines Financial Services on a pro forma basis
Published comparatives are unadjusted, as published previously

Retail business unit

Statement of financial position

as at 30 September 2011

R million	% change	2011	Pro forma 2010	As published 2010
Assets				
Short term deposits and cash	(25)	**62**	83	83
Statutory assets – insurance	102	**251**	124	188
Intragroup deposits – African Bank	(46)	**221**	411	411
Inventories	4	**885**	851	851
Other assets	(43)	**256**	449	449
Assets held for sale	(100)	**–**	5	5
Taxation	8	**13**	12	12
Net advances	20	**312**	261	4 728
Deferred tax asset	>100	**339**	162	408
Property and equipment	11	**343**	309	309
Intangible assets	(9)	**761**	834	834
Goodwill	0	**755**	755	755
Total assets	(1)	**4 198**	4 256	9 033
Liabilities and equity				
Short term funding	22	**491**	404	625
Intragroup loan – African Bank	(70)	**126**	426	2 990
Trade and sundry creditors	17	**780**	668	668
Provisions and other liabilities	59	**669**	420	420
Taxation	(63)	**17**	46	29
Deferred tax liability	(9)	**229**	251	251
Long term funding		**–**	–	5
Total liabilities	4	**2 312**	2 215	4 988
Ordinary shareholder's equity	(8)	**1 886**	2 041	4 045
Total equity (capital and reserves)	(8)	**1 886**	2 041	4 045
Total liabilities and equity	(1)	**4 198**	4 256	9 033

Comparatives in blue have been adjusted to exclude Ellerines Financial Services on a pro forma basis
Published comparatives are unadjusted, as published previously

Retail business unit

Return on sales

In the Retail business unit, sale of merchandise is the primary activity that drives economic value. The model below reflects the performance ratios of the business unit using sales as the denominator.

R million	2011	Pro forma 2010
Sale of merchandise	**4 710**	4 487
Cost of sales	**(2 627)**	(2 513)
Gross margin	**2 083**	1 974
Interest income on advances	**110**	83
Assurance income	**430**	460
Non-interest income	**306**	296
Charge for bad and doubtful advances	**(69)**	(48)
Claims paid	**(68)**	(95)
Value share	**562**	502
Operating costs before value share	**(3 096)**	(2 972)
Trading/operating profit	**258**	200
Net finance cost	**(2)**	(20)
Taxation	**(66)**	(50)
Headline earnings	**190**	130
Capital items (after tax)	**–**	16
Net profit	**190**	146

Comparatives in blue have been adjusted to exclude Ellerines Financial Services on a pro forma basis

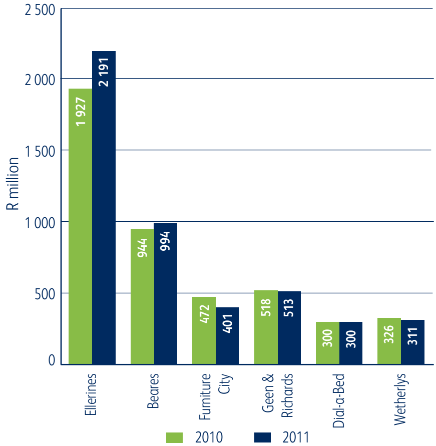
	2011		Pro forma 2010	
Sales/Sales	**100,0%**		100,0%	
Cost of sales/Sales	**(55,8%)**		(56,0%)	
Gross margin	***equals***	**44,2%**	*equals*	44,0%
Interest income on advances/Sales	**2,3%**		1,8%	
Assurance income/Sales	**9,1%**		10,3%	
Non-interest income/Sales	**6,5%**		6,6%	
Charge for bad and doubtful advances/Sales	**(1,5%)**		(1,1%)	
Claims paid/Sales	**(1,4%)**		(2,1%)	
Value share/Sales	**11,9%**		11,2%	
Operating costs/Sales	**(65,7%)**		(66,2%)	
Trading/Operating margin	***equals***	**5,5%**	*equals*	4,5%
Net financing costs/Sales	**0,0%**		(0,4%)	
Taxation/Sales	**(1,4%)**		(1,1%)	
Net return on sales	***equals***	**4,0%**	*equals*	2,9%

Retail business unit

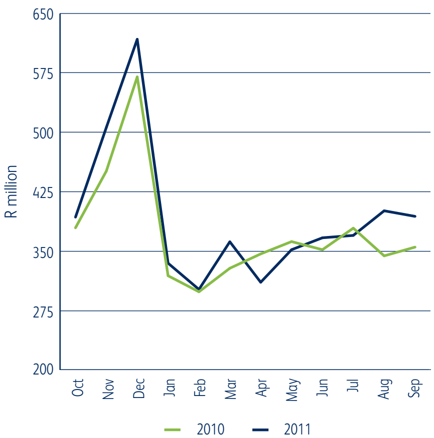
Sale of merchandise

Merchandise sales of R4 710 million were 5% above last year. Comparable sales per square metre increased by 7%. Cash sales reduced by 7%, while credit merchandise sales increased by 13%. Credit merchandise sales as a percentage of total sales at 64%, were well up on the previous year (2010: 60%).

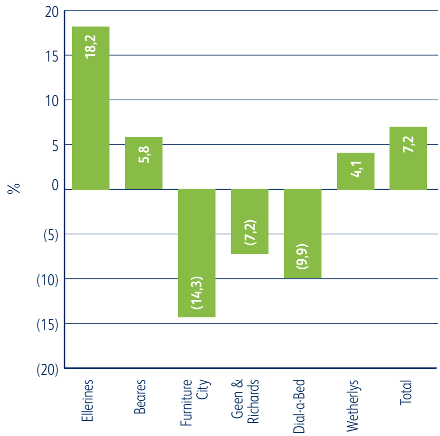
Merchandise sales by brand



Sale of merchandise



Comparable sales growth (m²)



Retail business unit

Value creation in EHL

One of ABIL group's most important strategic initiatives for 2011 has been the acceleration of value creation from EHL. The Retail business unit has performed well in terms of this objective with a total of 111 kiosks and 129 carve-outs rolled out in the year to September 2011 and growth in credit originated through EHL stores exceeding 74% year-on-year to R5,3 billion. The growth was achieved through increased credit merchandise sales, additional credit products and the extension of the credit distribution points.

Credit disbursements

R million	% change	2011	2010
Furniture on credit∞	18%	**3 586**	3 048
Ezi*Cash		**419**	
Ezi*Loans		**272**	
EHL credit	40%	**4 277**	3 048
Credit cards#		**1**	
Kiosk loans#		**413**	
Carve-out loans#		**624**	
Total credit disbursements from EHL	74%	**5 315**	3 048

∞ *Consists of credit sales of merchandise and all add-ons, net of upfront payments.*

Loans and credit cards within the kiosks and carve-outs are captured as African Bank credit sales.

The number of kiosks and carve-outs rolled out increased substantially in the last quarter of the year, in anticipation of the peak trading period from October to December. The pace of rollout of further kiosks and carve-outs is expected to be more modest in 2012 to embed all systems, processes and staff before continuing on a rapid growth path. It is a challenge to resource these new sites with staff that are proficient in our products, processes and systems.

The rollout of this additional distribution channel remains a substantial opportunity which the group will continue to benefit from over the medium term. In addition to driving revenue while optimising footprint, the kiosks and carve-outs continue to attract new customers for African Bank and in turn provide opportunities for cross-selling and marketing.

Gross margin

The gross margin of R2,1 billion was 6% or R109 million higher than in 2010, made up of R98 million from higher sales volumes and R11 million from the change in the gross margin percentage. Gross margin for the year was 44,2% relative to the 44,0% achieved in 2010, as a result of a higher contribution by the Ellerines brand to the sales mix and improved differentiation of products, which allowed for higher margins.

Ellerines and Geen & Richards experienced improvements in their gross margins, while Wetherlys margin declined due to aggressive sale activity. The rest of the brands managed to maintain margins despite competitive market conditions.

Operating costs

Total operating costs before value share recoveries increased by 4% to R3 096 million.

Property and lease expenses increased by 13% during the year on the back of annual rental increases, above inflationary rates, taxes and electricity increases, new store openings and the new distribution centre having a significant impact on costs. Some duplicate costs are being incurred during the transition phase between existing storerooms and the Boksburg distribution centre. The cost increase was further impacted by the straight lining of leases in particular the new Boksburg distribution centre.

The total number of staff reduced further from 11 992 in 2010 to 10 303. Voluntary retrenchment costs for employees affected by the logistics project and annual increases caused an 8% increase in overall staff costs despite the 14% reduction in the staff complement.

Total operating costs before value share as a percentage of sales reduced from 66,2% to 65,7% and costs as a percentage of sales after deducting value share improved from from 56,9% to 56,4%.

Operating costs per major category

R million	% change	2011	Pro forma 2010
Staff costs	8	**1 499**	1 393
Administration expenses	(10)	**405**	448
Property and lease expenses	13	**698**	616
Delivery and logistics costs	3	**196**	191
Depreciation and amortisation of intangibles	(14)	**163**	190
Advertising and marketing costs	1	**135**	134
Operating costs before value share	4	**3 096**	2 972
Value share*	5	**(440)**	(419)
Total operating costs	4	**2 656**	2 553

** Note that a portion of the value share is reflected under "Non-interest income" on the income statement*

Comparatives in blue have been adjusted to exclude Ellerines Financial Services on a pro forma basis

Remaining financial services activities

Gross advances in the 78 non-South African furniture stores increased by 13% to R350 million (2010: R310 million). These advances will not be transferred to African Bank due to regulatory constraints and will therefore continue to be reported under the Retail business unit. The final tranche of the South African loan book was converted to African Bank during June 2011 at a gross value of R107 million.

Non-performing loans constituted 17% (2010: 21%) of the advances book with total impairment provisions of R45 million representing a coverage of 74% (2010: 83%) of non-performing loans. The charge for bad and doubtful advances was 17,3% of average advances (2010: 15,0%).

Stock

The quantum of stock in the group remains a challenge. EHL implemented a variety of measures including an enhanced merchandise planning and forecasting system and several new stock management and analytical tools for the buyers and planners. These measures together with the rollout of the first distribution centre over the past year will lower overall inventories and the cost of logistics going forward while raising service levels.

Stock turn at 3,1 times was in line with the level achieved last year, predominantly because the group has had to carry extra stock through the transition to the new distribution strategy. It is expected that the distribution centres and new systems and processes will improve inventory levels during 2012.

Working capital

Cash of R518 million was generated by operating activities for the year before net capital expenditure outflows of R127 million resulting in a cash conversion ratio of 2.0 based on operating profit of R256 million. Total interest-bearing borrowings at the end of September 2011 were R610 million, substantially lower than last year's reported R3 620 million, due to the sale of the advances book.

Gearing, measured by dividing total interest bearing debt by total equity was 32,3% at year end, slightly higher than managements internal guideline of 30%, however is still within acceptable levels. It is anticipated that with ongoing cash management focus, gearing will return to levels below management guidelines.

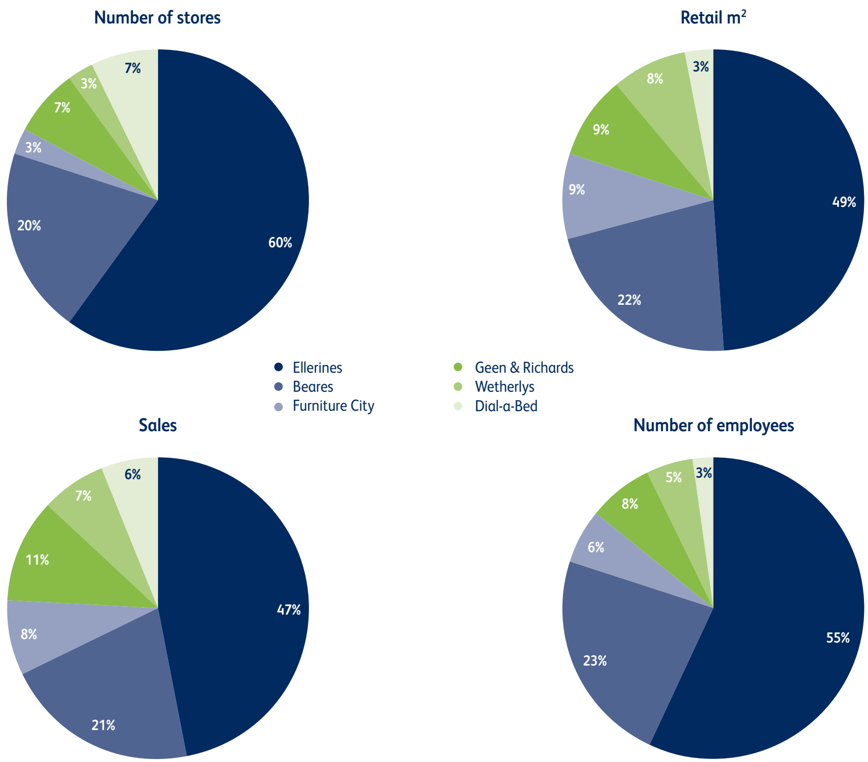
Retail business unit

Brand performance

Brand analysis

		Ellerines	Beares	Furniture City	Geen & Richards	Dial-a-Bed	Wetherlys	Total
Number of stores		627	217	36	78	69	32	1 059
Number of new stores opened		22	25	3	8	13	3	74
Number of stores closed		31	4	1	3	2	2	43
% change in number of stores	%	(1)	11	6	7	19	3	3
Retail trading area	m^2	351 754	152 354	62 681	61 121	19 836	55 056	702 799
% change in m^2	%	(4)	7	(6)	10	5	(8)	(1)
Merchandise sales	R million	2 191	994	401	513	300	311	4 710
Merchandise sales growth	%	14	5	(15)	(1)	–	(5)	5
Merchandise sales/m^2 growth	%	18	6	(14)	(7)	(10)	4	7
Credit merchandise sales mix	%	83	69	55	53	7	–	64
Number of employees[1]		4 990	2 101	592	718	269	467	9 137

[1] *Total excludes 1 166 staff employed at central departments*



Retail business unit

Brand performance

Ellerines

Ellerines reported sales growth of 14% for the year or 18% on a comparable basis. The brand undertook a culture change and renewal programme amongst its staff during the year, which has had a significant impact on the business. The programme and the consequent re-energising of the business facilitated personal ownership of the brand's strategies, which in turn contributed to the positive results.

Category and product ranges have been validated on successful sales trends and customer requirements, with new ranges being tested before rolling out to all stores. New stores, store revamps and the rollout of a dedicated electrical store-within-store during the year also positively impacted on volumes.

The introduction of Ezi*Cash and Ezi*Loans has been well executed by store staff and positively accepted by customers. This contributed to the brand increasing credit sales to 83,5% of total sales.

Beares

Beares grew sales by 5% or 6% on a comparable basis. Fourteen Ellerines stores (in towns where the brand had multiple sites) have been converted into Beares stores where the latter did not have a presence.

After the merging of Beares and Lubners, there has been a period of consolidation where Lubners stores have been rebranded to Beares and unprofitable stores closed. Now that the consolidation is over, the brand has increased its stores by a net 21.

Sales performance was enhanced by a renewed focus on dominant categories of furniture and lounge, spike campaigns at the beginning and end of the month, low-interest campaigns and new products being sourced internationally.

Furniture City

Furniture City was significantly impacted by system changes and this was exacerbated by the implementation of a new retail customer interface. Sales reduced by 15%, or 14% on a comparable basis, most of which occurred during the change process.

A recovery in sales after all the system changes was evident in the last quarter of the financial year. This was due to renewed focus as well as service, energy and product improvements. The brand offered package deals which have proved to be highly successful and more intense operational customer focus, merchandise availability and credit training workshops at stores also had a positive impact.

The recent appointment of a new managing executive brought new ideas and experience to Furniture City. This, together with improved merchandise offerings should result in a turnaround in the coming financial year. The brand has already seen improved performance in August and September 2011.

A new merchandise category 'Home Office' has been introduced which will be launched during November 2011.

Geen & Richards

Geen & Richards total sales and comparable sales were 1% and 7% lower than the prior year respectively. The brand was also impacted by the system changes and the implementation of a new retail interface, aggravated by a fall in demand in the upper end of the furniture market. However, there were signs of an improvement in the market towards the end of the financial year with trading margins increasing compared to the previous year.

Eight new stores were opened in 2011 and three unprofitable stores closed thereby increasing the number of stores to 78.

The brand obtained exclusive rights to the international Chateau d'Ax product range for Southern Africa and opened a Chateau d'Ax store in Gauteng in the second half of the year, which has increased the appeal of Geen & Richards to a wider contemporary client base. Initial trading results have been positive.

Geen & Richards was voted top furniture retailer in the 2011 Times Sowetan Retail awards.

Dial-a-Bed

Dial-a-Bed sales were flat for the year and declined by 10% on a comparable basis. The brand too, was affected by system integrations and conversions and a market segment that was extremely tough. Substantial discounting has become prevalent in the sector which is impacting on margins.

Dial-a-Bed introduced stores within Furniture City, which increased the bedding sales in those stores and have the added benefits of maximising the advertising spend between the two brands, optimising Furniture City store space and being able to roll out these store-within-stores quickly and cost effectively. The location strategy of new stores has also increased credit sales as it moved into new geographic locations targeting a broader market. Goods sold on credit increased from 2% in 2010 to 7% in 2011 and significant opportunity exists to grow credit sales further.

Wetherlys

Trading conditions for 2011 were tough as the high-end consumer market continued to withhold spend on durables. Sales for the year declined by 5% but, for the first time, increased by 4% on a comparable basis as a result of the closure of two of the underperforming stores.

Wetherlys has responded by changing its top management and focusing on addressing operational challenges at all levels. The introduction of new ranges has led to a marked improvement in store presentation in the latter part of the year. The last quarter of the financial year showed clear signs of a turnaround with positive sales growth in each of July, August and September. The brand also continued to improve its efficiencies, with operating cost reductions of 4% in comparison to 2010.

The focus in 2012 will be on maintaining positive growth, ensuring that stores are optimally located, reducing costs further and finding a balance between quality, product innovation and optimal stock holding.

Operational initiatives

Supply Chain

The implementation of the supply chain strategy of an integrated, centralised logistics model started this year with the first facility in Boksburg commencing operations in March 2011. As we moved from pilot to ramp up, the logistics teams had to go through a steep learning curve with initial trading disruptions and reduced service delivery to customers for a period of 6-8 weeks. This facility is now fully operational with all these issues resolved. The rollout will continue after the peak trading period, ultimately catering for 400 stores in the EHL network plus a further 200 catered for by the revamped regional distribution centre which reopens at the end of January 2012. The new distribution centres offer the benefits of better service, improved in-stock levels and therefore less lost sales, better turnaround for supplier deliveries, lower costs and ultimately better stockturns. Service levels have already improved from 56% – 62%, to 86% – 90% and customer deliveries are taking place within the targeted 48 hours.

Further distribution centres in Durban, Port Elizabeth and Cape Town will complete the network. These are currently under construction and are expected to be fully rolled out by December 2012 with the exception of Durban which will be rolled out in 2013.

Our fleet and logistics and distribution headcount continues to reduce as we roll out the new distribution centres. Excess space from multiple storerooms will be resolved over time as leases expire.

Retail business unit

Operational initiatives

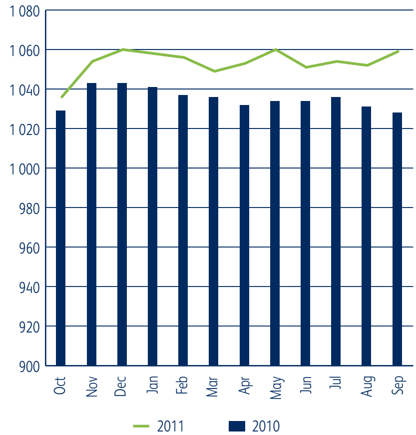
Store network and footprint optimisation

EHL reduced retail trading space from 709 399m² to 702 799m², notwithstanding opening a net 31 additional stores during the past year. This was achieved by reducing space in oversized stores and reducing excess space, as well as innovative solutions such as rolling out Dial-a-Bed stores into Furniture City, ultimately resulting in an improvement in sales densities. The introduction of kiosks and carve-outs also had a positive effect on space utilisation.

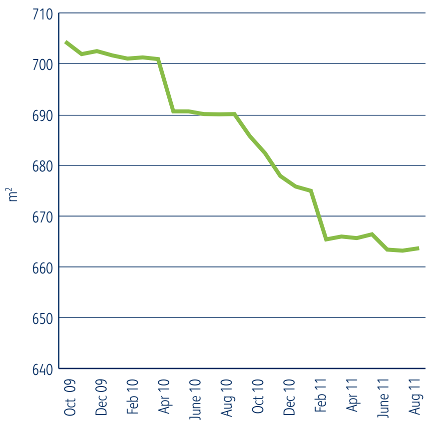
The quest to find the optimal match of stores to brands in the portfolio also led to the conversion of Ellerines stores to Beares stores, where more than one Ellerines store existed in a town.

The impact of the store size reductions on sales efficiencies has been positive. Annual sales per m² increased by 7%, from R6 217 to R6 662 excluding the kiosks and carve-out sales. Total credit disbursements per m² increased by 78% from R4 223 to R7 516.

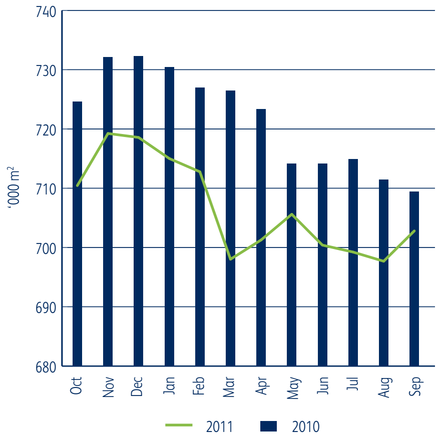
Number of stores



Average store size



Retail square metres



Retail business unit

Operational initiatives

Merchandising and product development

The merchandising division was re-engineered and revitalised this year with extensive training undertaken across buying and planning functions, the implementation of new management tools, the upgrading of the planning system and re-engineered business processes across buying and planning. The objective of these changes was to ultimately allow the business to offer better quality product ranges whilst reducing stockholding and enhancing margins through improved supply chain efficiencies. It has also had the immediate benefit of improved availability of product ranges and bulk buying opportunities for standardised products.

The division also did substantial work on the development of new and exclusive products and ranges and the formulation of key strategic relationships that will provide more differentiated product offerings hence better margins and continuity of supply. The group assists and supports a number of smaller suppliers to ensure quality enhancements, continuity of supply and improved differentiation. The expansion of the private label brand, TEK, is a good example of this initiative. Strategic relationships have been formed with a number of international suppliers, which has culminated in the introduction of new formats, categories and ranges such as the imported Italian range, Chateau d'Ax in Geen & Richards.

Marketing

The group has started benefiting from synergies in advertising spend across EHL brands and African Bank. Besides the normal advertising by brands, the group produced catalogues which covered all brands and African Bank credit products. The joint promotions have had a positive impact on merchandise sales and provide a cost-effective medium to engage with customers.

Mobilising and energising our workforce

Mobilising culture change initiatives were implemented across the business during 2011, most notably the Beyonders initiative in Ellerines. We also placed emphasis on training and development and on the high potential and top talent categories of our people. The business conducted a culture audit which reflected an energised and committed workforce.

Credit products and ABIL value creation

EHL made good progress in its strategic objective of providing an affordable and differentiated credit proposition. A differentiated risk assessment and pricing strategy, coupled with low relative price and longer terms, have allowed the business unit to grow its credit mix and share of credit furniture sales.

EHL also implemented numerous innovations which added to its proposition, including:

- 0% interest products,
- deferred payment options,
- product bundles,
- product and cash bundles and
- a Credit Price Beat challenge (a market first).

Our rollout of Ezi*Cash, Ezi*Loans, kiosks and carve-outs also added to the range of credit options available to our customers.


Interest
Buster
0%
INTEREST
Apply for an
Interest Buster Loan from
R1 500 - R10 000
Available for
3,6,9 & 12 months
To apply, *sms ZERO TO 49494 or visit www.inseconds.co.za
inseconds
African Bank
Valid for a limited period. Loans up to R10 000 between 3 - 12 months. Service,
initiation and insurance fees apply. One loan per client.
*Terms, conditions and affordability rules apply. SMS @ R1.50. African Bank has the right to terminate the offer without notice of such termination.
NCR Reg No. NCRCP5. Reg No. 1975/002526/06. An Authorised Financial Services and Registered Credit Provider.
African Bank
Credit that works for you

Annexures

Basis of preparation

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

These condensed group consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and AC 500 Standards as issued by the Accounting Practices Board and the information required by International Accounting Standard (IAS) 34 ‘Interim Financial Reporting’, the South African Companies Act (Act 71 of 2008) and the Listing Requirements of the JSE Limited.

The group has adopted the following new and amended 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 to the Banking and Retail business units only.

Review opinion

These results which cover the African Bank Investments Limited group statement of financial position, group income statement, group statement of comprehensive income, group statement of changes in equity and group statement of cash flows have been reviewed by Deloitte & Touche and their unmodified 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 company’s auditors.

African Bank Limited

Statement of financial position

as at 30 September 2011

R million	% change	2011	Audited 2010
Assets			
Short-term deposits and cash	(6)	**3 122**	3 314
Statutory assets – bank and insurance	58	**2 364**	1 498
Other assets	>100	**676**	96
Other assets – EHL	5	**122**	116
Taxation	(100)	**0**	74
Net advances	40	**35 047**	24 959
Deferred tax asset		**124**	0
Property and equipment	55	**546**	353
Goodwill	0	**4 000**	4 000
Intercompany loans	(4)	**24**	25
Total assets	34	**46 025**	34 435
Liabilities and equity			
Intercompany loans	(34)	**303**	459
Short-term funding	>100	**1 175**	414
Short-term funding – EHL	(46)	**221**	411
Other liabilities	3	**1 092**	1 058
Other liabilities – EHL		**60**	0
Taxation		**68**	0
Deferred tax liability	(100)	**0**	15
Bonds and other long-term funding	42	**29 672**	20 872
Subordinated bonds	25	**2 775**	2 226
Total liabilities	39	**35 366**	25 455
Ordinary shareholders' equity	19	**10 659**	8 980
Total equity (capital and reserves)	19	**10 659**	8 980
Total liabilities and equity	34	**46 025**	34 435

Annexures

Shareholders' information

Dividend declaration

	Ordinary shares	Preference shares
Share code	ABL	ABLP
ISIN	ZAE000030060	ZAE000065215
Dividend number	22	14
Dividends per share (cash dividends)	100 cents	310 cents
Declaration date	Monday, 21 November 2011	Monday, 21 November 2011
Last date to trade cum-dividend	Thursday, 8 December 2011	Thursday, 8 December 2011
Shares commence trading ex-dividend	Friday, 9 December 2011	Friday, 9 December 2011
Record date	Thursday, 15 December 2011	Thursday, 15 December 2011
Dividend payment date	Monday, 19 December 2011	Monday, 19 December 2011

Share certificates may not be dematerialised or rematerialised between Friday, 9 December 2011 and Thursday, 15 December 2011, both days inclusive.

Shareholders' diary

Event	Date
Annual General Meeting	7 February 2012
First-quarter trading update	6 February 2012
Interim results	21 May 2012
Third-quarter trading update	6 August 2012
Financial year-end	30 September
Annual results presentation	19 November 2012

Listings information

Listings exchange	JSE Limited	
Sector	General financial	
Sub-sector	Consumer finance	
Share codes		**ISIN**
Ordinary shares	JSE: ABL	ZAE000030060
	Reuters: ABLJ.J	
	Bloomberg: ABL SJ Equity	
Preference shares	JSE: ABLP	ZAE000065215
	Reuters: ABLPp.J	
Bond codes		**ISIN**
JSE	ABL6	ZAG000040460
	ABL7	ZAG000049867
	ABL8A	ZAG000059387
	ABL8B	ZAG000059395
	ABL9	ZAG000065228
	ABL10A	ZAG000065053
	ABL10B	ZAG000065061
	ABL11A	ZAG000080946
	ABL11B	ZAG000080938
	ABL12B	ZAG000084500
	ABL13	ZAG000089863
	ABLI 01 (inflation linked)	ZAG000052606
	ABLI 02 (inflation linked)	ZAG000067364
	ABLI 03 (inflation linked)	ZAG000076068
	ABLI 04 (inflation linked)	ZAG000080953
	ABLS1 (subordinated)	ZAG000042888
	ABLS2A (subordinated)	ZAG000069493
	ABLS2B (subordinated)	ZAG000069501
	ABLS3 (subordinated)	ZAG000085119
	ABLC04 (commercial paper)	ZAG000087511
LSE	ABL SJ 06 15/06/2016	XS0638008051
ADR programme	Level 1	
ADR symbol	AFRVY	
Conversion ratio	One ADR is equivalent to five ordinary shares	

Annexures

Shareholders' information

Credit rating

Rating	African Bank Global Ratings (Moody's) 2011	2010	2009	2008	2007
Outlook	**Stable**	Stable	Stable	Stable	N/A
Global Long Term	**Baa2**	Baa2	Baa2	Baa2	N/A
Global Short Term	**P-2**	P-2	P-2	P-2	N/A
National Long Term	**A1.za**	A1.za	A1.za	A1.za	A1.za
National Short Term	**Prime-1.za**	Prime-1.za	Prime-1.za	Prime-1.za	Prime-1.za

JSE statistics

		Year to 30 September 2011	2010	2009	2008	2007	2006
Traded price (per share)							
Close	cents	**3 300**	3 585	2 950	2 520	3 131	2 210
High	cents	**4 046**	3 728	3 174	3 718	3 510	3 430
Low	cents	**3 181**	2 768	1 940	2 196	2 110	1 910
Market capitalisation	R million	**26 538**	28 830	23 723	20 265	15 590	11 004
Value of shares traded	R million	**29 044**	27 452	24 507	26 027	15 945	14 632
Value traded as % of market capitalisation	%	**109**	95	103	128	102	133
Volume of shares traded	millions	**811**	868	936	930	541	556
Volume traded as % of number in issue	%	**101**	108	116	116	109	112
Price/Earnings ratio	times	**12.8**	16.1	15.0	8.8	13.2	10.1
Dividend yield	%	**5.6**	5.2	6.4	9.3	6.9	6.8
Earnings yield	%	**7.8**	6.2	6.7	11.3	7.6	9.9
Price-to-book ratio	times	**2,0**	2.3	1.9	1.7	6.3	5.0
Average number of shares in issue	millions	**804**	804	804	718	497	497
Shares issued/(repurchased)	millions				306.3#		(0.5)*
Number of shareholders		**18 316**	12 550	11 019	13 766	11 114	9 772*

 # ABIL acquired the Ellerines group in January 2008. The consideration was settled by means of a fresh issue of 294,7 million shares. Another 11,6 million shares were issued in terms of the Ellerines BEE programme

** ABIL made an odd-lot offer to shareholders with fewer than 100 shares in March 2006 which resulted in the reduction in the number of shareholders*

Top fund managers holding/managing ABIL shares

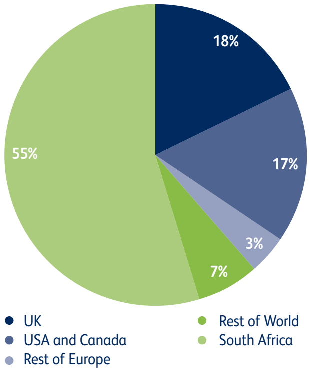
Manager	Holding	%
Government Employees Pension Fund (PIC)	99 526 321	12,4
JP Morgan Asset Management	81 599 198	10,2
FIL Limited/FMR LLC	41 632 087	5,2
Directors' holdings*	40 306 764	5,0
Eyomhlaba Investment Holdings	40 083 465	5,0
Investec Asset Management	38 878 909	4,8
STANLIB Asset Management	36 016 629	4,5
BlackRock Inc	31 316 714	3,9
Sanlam Investment Management	31 256 091	3,9
Government Singapore Investment Corp	26 138 071	3,3
Mondrian Investment Partners	21 383 080	2,7
Hlumisa Investment Holdings	19 978 908	2,5
The Vanguard Group Inc	18 358 799	2,3
RMB Securities	15 721 804	2,0
Investec Securities (Pty) Limited	13 334 924	1,7
Coronation Fund Managers	12 482 790	1,6
Abax Investements	11 981 411	1,5
Wood C	10 074 533	1,3
Old Mutual Asset Managers	9 753 504	1,2
Dimensional Fund Advisors	9 363 041	1,2

** Directors' holdings includes shares held indirectly through ABIL's BEE programmes.*

Top beneficial holders

Beneficial owner	Holding	%
Government Employees Pension Fund (PIC)	115 939 288	14,4
ABIL's BEE programmes*	60 062 373	7,5
Liberty Life Association of Africa	23 571 738	2,9
Government Singapore Investment Corporation	20 924 343	2,6
Leon Kirkinis	16 500 000	2,1
RMB Securities (Pty) Ltd	15 721 804	2,0
Fidelity Funds SICAV	15 164 923	1,9
Ishares MSCI Emerging Markets Index Fund	13 599 230	1,7
Vanguard Emerging Markets Stock Fund	12 074 289	1,5
Gordon Schachat	12 000 000	1,5
***ABIL's BEE programmes**		
Eyomhlaba Investment Holdings	40 083 465	5,0
Hlumisa Investment Holdings	19 978 908	2,5

Shareholder by geography



Corporate information

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

**Zimbabwean*

Company Secretary: MM Luthuli

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)

Share transfer secretaries

Link Market Services South Africa (Pty) Ltd
13th Floor, Rennie House
19 Ameshoff Street, Braamfontein
PO Box 4844, Johannesburg, 2000.
Telephone +27 11 630 0800
Telefax: +27 86 674 4381

Registered office

59 16th Road
Midrand, South Africa, 1685
Private Bag X170, Midrand, South Africa, 1685

Investor relations and shareholder details

Lydia du Plessis
Telephone: +27 11 564 6991
Email: investor.relations@africanbank.co.za

Leeanne Goliath
Telephone: +27 11 564 7068
Email: investor.relations@africanbank.co.za

Complaints and fraud

Fraud:

African Bank ethics toll-free line: 0800 20 20 18
African Bank ethics e-mail address: abfraudethics@africanbank.co.za
African Bank ethics telefax: +27 11 207 3811
EHL ethics toll-free line (South Africa and Namibia) 0800 118 444
EHL ethics toll-free line (Botswana) 0800 600 828
EHL ethics toll-free line (Swaziland, Zambia and Lesotho) +27 11 678 0822
EHL ethics e-mail address: alertline@emps.co.za

Complaints:

Call Centre number 0861 111 011

Company's websites

www.abil.co.za
www.africanbank.co.za
www.ellerines.co.za
www.beares.co.za
www.geenrichards.co.za
www.furniturecity.co.za
www.wetherlys.co.za
www.dialabed.co.za

Electronic communications

Shareholders may elect to receive communications (annual reports, interim reports and other company communications) electronically provided that they have internet access and a valid e-mail address. To obtain more information, and to register for this service, shareholders should log on to www.abil.co.za. To register, shareholders will need their shareholder reference number which is set out on their share certificate or monthly share statement. If you have any questions about this service, please contact ABIL's investor relations department.

Disclaimer

Certain statements made in this document are forward-looking. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, the forward-looking statements. Words such as expect, anticipate, estimate, target, predict, believe and other similar expressions, and future or conditional verbs such as will, should, would and could are intended to identify such forward-looking statements. Readers should not rely solely on the forward-looking statements. These statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements.

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INVESTMENTS LIMITED

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