

# Trading update for the third quarter ended 30 June 2010

## AFRICAN BANK INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registered Bank controlling company)

(Registration number 1946/021193/06)

(Ordinary share code: ABL) (ISIN: ZAE000030060)

(Preference share code: ABLP) (ISIN: ZAE000065215)

("ABIL" or the "group")

## TRADING UPDATE FOR THE THIRD QUARTER ENDED 30 JUNE 2010

ABIL issues quarterly updates in order to provide investors with timely insights into strategic and operational performance trends. These updates cover certain key metrics but are not in themselves indicators of the group's profitability.

The quarter ended 30 June 2010 was characterised by comparatively stable trading conditions, with a stronger sales trend evident and a relatively unchanged overall risk profile. The group expects a steady performance in the last quarter of the year, which is traditionally a muted trading period.

### African Bank

Sales for the quarter ended June 2010 increased by 29%, resulting in sales growth of 6% for the nine months ended June 2010. While some of the better sales performance relates to general buoyancy in the market in the lead up to the World Cup, it is clear that the reinvigoration of the front-end, combined with product enhancements has also contributed.

Relative to March 2010, average loan size increased by 9% to R8 569 and term by 5% to 43 months. The number of loans showed positive growth relative to the previous quarter, but remained lower than last year. The Bank achieved a steady increase in the number of new customers it attracts, notably within the credit card portfolio.

Gross advances increased by 13% to R22,9 billion on a year-to-date basis, or 17% annualised. The impact of the stronger sales growth on the loan book was diluted to an extent by higher write-offs and a lower level of loan rehabilitations. In addition, the timing of the acceleration in sales, coming during the latter part of the current financial year, suggests that the benefit will only be realised more fully in the 2011 financial year.

Insurance claims remained fairly elevated, but off previous peaks. This affected overall income yields which continued to decline, but benefited the bad debt charge. The impact of suspended interest and in duplum on yields has however started to moderate. The sales mix continued to be skewed towards lower risk clients.

Growth in operating costs was constant relative to the interim period, and the Bank remains on track to achieve its efficiency target for the financial year.

Asset quality remained stable. Non-performing loans (NPLs) as percentage of advances reduced modestly, while NPL coverage remained steady relative to the interim stage.

### Ellerines

The quarter was characterised by strong merchandise sales growth in the run-up to the World Cup. Sales for quarter ended June 2010 of R1,1 billion increased by 13% year-on-year, while sales for the nine months were R3,4 billion (Q3 2009: R3,2 billion), an increase of 5% over the prior comparable period, or 9% on a like-for-like basis.

On a brand basis, Ellerines built on the positive sales momentum previously reported, with comparable sales growth of 7% for the nine months ended June 2010. The rate of sales growth at Beares, Geen & Richards and Dial-a-bed was largely in line with that reported at the interim stage, while Furniture City achieved a small turnaround. Wetherly continued to underperform. The credit sales mix was steady at 59%.

Gross margins firmed over the period, while operating costs declined further as the various integration initiatives continued to bear fruit. All productivity measurements continued to improve on the back of the increased sales. Stock turn remained steady.

Gross advances grew by 11% in the nine months ended June 2010, or 15% annualised to R5,5 billion. Approval rates and average deal size continued to increase on the African Bank credit origination platform. A total of R1,2 billion of loans has now been written on this platform.

The financial services yield remained substantially lower than the previous financial year as a result of price reductions and the effect of interest suspension and in duplum, with the latter impact gradually starting to diminish.

The quality of the advances book improved further, as evidenced by a lower bad debt charge, lower write-offs and declining NPLs. The business experienced some collection disruptions during the World Cup, but these were not material enough to offset the gains made in previous months.

The integration of Ellerines Financial Services into African Bank is progressing well and remains on track for completion by year-end.

On behalf of the board

Midrand

4 August 2010

**This announcement, together with a short presentation, is available on the African Bank Investments Limited website at <http://www.abil.co.za>.**

ABIL will hold a conference call on Wednesday, 4 August 2010 for interested parties. The conference call will take the form of a short overview of the quarter, followed by questions. A slide presentation covering the overview will be available for download prior to the call on [www.abil.co.za](http://www.abil.co.za)

<b>Time</b>	16:00 (SA time)
<b>LIVE CALL</b>	<b>PLAYBACK</b> (available for 48 hours)
<b>South Africa &amp; Other</b> Toll 011 535 3600	<b>South Africa &amp; Other</b> 011 305 2030 Code 2134#
<b>USA</b> Toll-free 1800 860 2442	<b>USA</b> 1 412 317 0088
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