African Bank
INVESTMENTS LIMITED

Integrated report 2011

Giving
people's dreams
a helping hand

for the year ended 30 September 2011

Scope and boundary of the integrated report

Our integrated report is published annually and presents an overview of ABIL's activities, practices and progress for the twelve-month period. The current report provides financial and non-financial information for the period from October 2010 through September 2011.

This report should be read in conjunction with the following supporting reports available on our website on www.abil.co.za:

- Sustainability report
- Governance report
- Risk report
- Remuneration report
- Annual financial statements

The 2011 integrated report covers relevant aspects of all the South African operations of the ABIL group, which includes the businesses of African Bank, the EHL group of brands and the insurance companies Stangen and Relyant Insurance Company. The foreign operations in the EHL group are not material in the context of the ABIL group.

African Bank Limited acquired Ellerines Financial Services (excluding the advances generated from stores outside of South Africa) in September 2010. This is the first set of annual results where the combined financial services of African Bank and EHL is reported upon in the Banking business unit. While ABIL group results are not affected, the results for the individual business units are not directly comparable with those published in 2010, as the profits of Ellerines Financial Services were previously included in the Ellerines (Retail) business unit and have been incorporated into the Banking unit in this set of results. Comparatives have been adjusted on a pro forma basis to facilitate trend analysis.

The Banking business unit ('African Bank' or 'the Bank') consists of African Bank (including Ellerines Financial Services) as well as Stangen, African Bank's insurance arm. The activities of these businesses are closely related and, as a result, the outcome of their business activities is measured as one entity.

The Retail business unit (or 'EHL') consists of furniture retail, financial services of foreign stores and the product insurance activities of Relyant Insurance Company.

Assurance

The reporting principles that have been applied in this report were guided by IFRS, the *King Report on Corporate Governance for South Africa 2009* (King III) requirements, the Global Reporting Initiative's sustainability reporting guidelines and the Framework for Integrated Reporting and the Integrated Report.

The ABIL board and its subcommittees have reviewed the report and have satisfied themselves of the materiality, accuracy and balance of disclosures in this report. Internal audit has been involved in the verification of reporting aspects such as King III compliance and our sustainability report. In addition, external assurance was sought for different aspects of our reporting from a variety of sources. These include:

- independent auditors Deloitte & Touche for our annual financial statements and related financial information;
- Empowerdex for our Broad-Based Black Economic Empowerment scorecard verification; and
- SustainabilityServices.co.za for alignment with AccountAbility's AA1000 AS guidelines.

External consultants were also utilised in the compilation of our first Carbon Disclosure report.

For more information, please contact
Marilyn Budow at +27 11 256 9743, or greenabil@africanbank.co.za regarding sustainability-related queries, or
Lydia du Plessis at +27 11 564 6991 or investor.relations@africanbank.co.za. for investor queries.

Usability features

This icon signifies that related information is available elsewhere in the report

This icon signifies that related information is available online at: **www.abil.co.za**

Contents

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

Group profile

ABIL's purpose is to impact people's lives positively through the provision of credit led, risk-based financial services. We help our customers to affordably meet their needs, achieve their dreams and manage the unanticipated financial events that occur through life.

Our aim is to be...

the **DOMINANT** *provider of* **RISK-BASED FINANCIAL SERVICES** *to the* **MASS MARKET**

Dominance

Dominance is defined as the largest advances base, client base and distribution presence in our target market

Risk based

Services will include credit, credit led insurance and credit led savings products to bridge cash flow mismatches

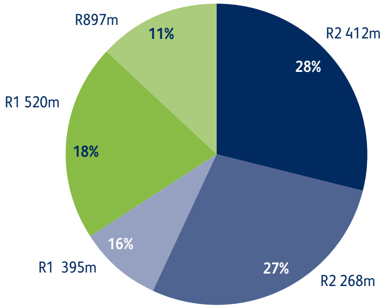
Mass Market

Target market defined as

LSM 2 – 8,

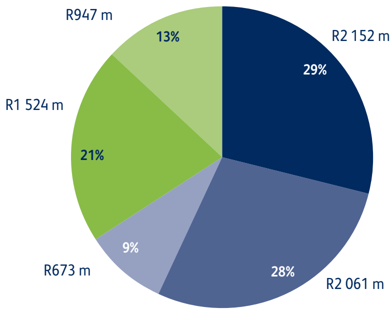
formally employed, informally employed and self employed individuals

R8,5 billion of value added by ABIL in 2011



- R2 412 million to employees as salaries and commissions
- R2 268 million to suppliers of various services
- R1 395 million to government as taxation
- R1 520 million to shareholders as dividends
- R897 million retained for growth

R7,4 billion of value added by ABIL in 2010



- R2 152 million to employees as salaries and commissions
- R2 061 million to suppliers of various services
- R673 million to government as taxation
- R1 524 million to shareholders as dividends
- R947 million retained for growth

Operating structure

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 to customers who utilise 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 voluntary product insurance on merchandise purchased from the EHL group.

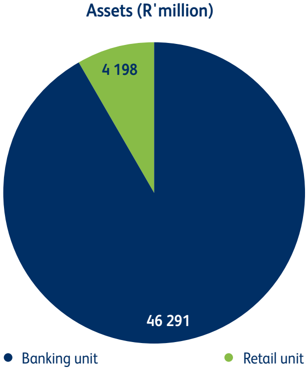
ELLERINES · BEARES · FurnitureCity · Geen & Richards · Wetherlys · Dial-a-Bed

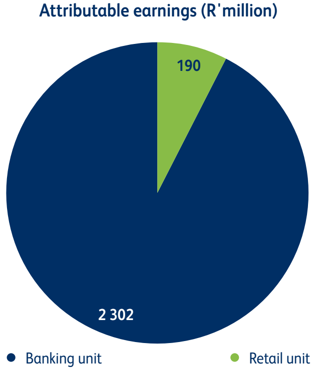
R4,7 billion
of furniture sales

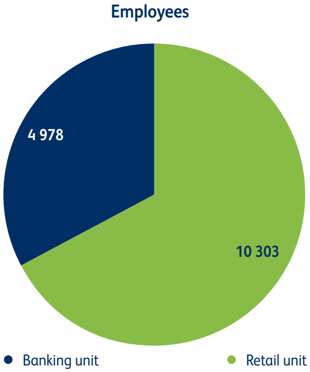
10 303
employees

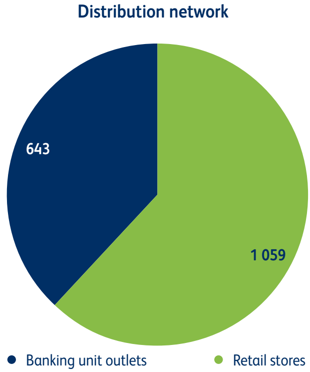
1 059
retail stores

Segmental contribution









'In 2008 I was knocked down by a car and I was seriously injured. I had to pay many medical bills that were not covered by medical aid as I was admitted to two different hospitals. African Bank not only gave me a loan but also empowered me by explaining the procedures of paying my loan without experiencing difficulties. I can now put food on the table and can pay my bills. African Bank has helped me live a better life."

LR Khojane

Our values

These are the basic beliefs and convictions that govern our behaviour and the manner in which we relate to and interact with others, including our customers.

We pledge to live by these values

Courage

We must be prepared to do extraordinary things with conviction and a big heart and be willing to make difficult decisions and express our views as and when required. As a pioneering organisation, we will grow our business into new areas and open markets where none existed before.

Stewardship

We acknowledge that we have been entrusted by shareholders with key assets for which we will have to give account and that we should pass them on to the next generation in a better state than we received them. Individuals should take accountability for outcomes.

Humility

Being humble about achievements, respectful of competitors and worthy of followership. It means we do not promote ourselves nor use "I" to talk about our success or achievements.

Passion

This means being wholly committed to what we do and expending ourselves fully in pursuit of our vision.

Empathy

This means understanding our customers and responding to them with sensitivity and compassion. Doing all that we can to meet the needs of all good-faith customers.

To do so we first and foremost need to deal with our own people with openness, empathy and understanding in order to better support them in the fulfilment of their needs and their roles.

Team orientation

This means recognising that we can only succeed if the team succeeds and therefore to always work for the good of the team. It means that no individual is bigger than the team and the team is the unit of analysis.

Our history

1993	Formation of Theta Securities
1994	Formation of an investment trust with Hollard Holdings
1995	Transmuted listing of Baobab Solid Growth Limited
1997	Baobab acquires controlling interest in Altfin, King and Unity. Name changed to Theta Group Limited
1998	Acquisition of African Bank Limited The Boland book acquired for R1,7 billion
1999	Theta Group Limited name changed to African Bank Investments Limited Acquisition of Stangen
2001	ABIL offers its first retail debit order product Government payroll deductions closed to all credit providers
2002	Demise of Unifer and Saambou. ABIL acquires the R2,8 billion Saambou personal loans book
2003	ABIL achieves investment grade credit rating

2005	Eyomhlaba, ABIL's first R600 million black equity ownership programme, announced	African Bank launches its price/volume elasticity strategy, with the introduction of its first set of price reductions
2006	African Bank launches its first credit card	
2007		African Bank doubles its risk segmentation bands to 50 to provide customers with maximum customisation of their credit offer
2008	ABIL acquires the EHL group for R9,1 billion. Credit card portfolio reaches R1 billion	ABIL launches its second BEE programme, Hlumisa
2009	African Bank credit models rolled out into 613 Ellerines branches	EHL restructures, rebrands and reduces its cost structure
2010	Ellerines financial services integrated into African Bank	R1,4 billion capital injection for African Bank. Credit card portfolio reaches R3 billion
2011	African Bank lists US$300 million maiden bond on the London Stock Exchange	111 African Bank kiosks and 129 carve-outs rolled out in EHL stores during 2011

Key differentiators

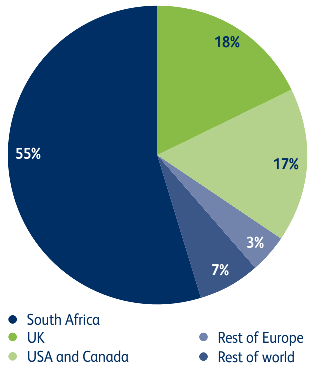
Quality of our people	• A transparent and open culture • The courage to face up to shortcomings and address them • Committed, passionate, experienced and skilled staff
Dominant market position	• Exposed to highest growth end of credit market • The largest provider of consumer finance • Scale and technical expertise • A substantial distribution network across African Bank and EHL
Focus on core competence of unsecured lending	• Credit risk assumed and all other risks mitigated • Business model is kept free of unnecessary complexity • Innovation through continuous analysis of data • Pricing based on individual customer risk profile
Strong risk management and collections capability	• Proprietary, multi-dimensional credit scoring and underwriting models • Strong governance and risk management • Refined collections scorecards, substantial call centre, large, experienced collections team
Retail model with direct customer interaction and fast turnaround	• Scoring system allows rapid credit offer and transfer to customer's bank account • Centralised credit underwriting allows swift adjustment for changes in the environment • Innovative credit products to banking and retail customers
Low cost operating model	• Consistent reduction in cost to assets for past six years • Interplay between risk, cost efficiency and WACC • Relationship between cost efficiency and incremental risk a key value driver for customers • Substantial progress in reducing cost base in EHL
High cash generation, high returns, high dividend yield	• Highly cash generative business • RoE focused • Excess capital managed down to minimum, while maintaining high capital adequacy ratio and modest gearing • Low volatility business model
A conservative capital, funding and liquidity management strategy	• A positive liquidity gap maintained at all times • Duration of liabilities targeted to be higher than the duration of assets • 80% of funding portfolio sourced with maturity of greater than 12 months

Shareholders' snapshot

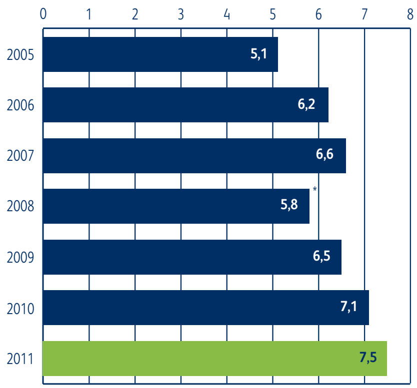
Top fund managers holding/managing ABIL shares

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

Shareholders by geography

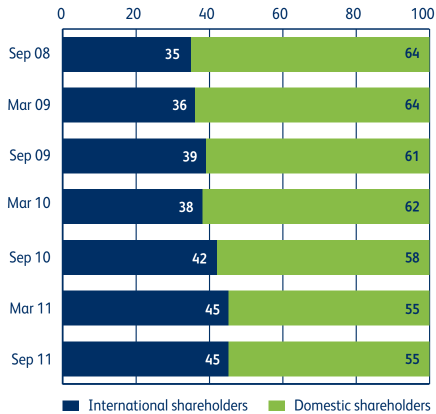


Empowerment shareholding (%)



*Ellerine Holdings Limited was acquired in 2008

ABIL shareholders' profile (%)



Shareholder spread	Shares	%
1 – 999	3 110 442	0,4
1 000 – 9 999	23 461 374	2,9
10 000 – 99 999	34 606 728	4,3
100 000 – more	742 996 656	92,4

Shareholder split	Shares	%
Non-public	41 840 785	5,2
Share trust	473 415	0,1
Directors	40 306 764	5,0
Development trust	1 060 606	0,1
Public	762 334 415	94,8

For more shareholders' information, refer to pages 84 to 89 of this report.

Our strategic framework

Our material issues

M1	Staying true to our business model
M2	Growing our people through providing opportunities and skills development
M3	Positively impacting customers' lives through the provision of credit
M4	Maintaining a solid foundation in terms of funding and capital
M5	Contributing to the sustainable growth and transformation of our country
M6	Delivering value through sustainable and responsible processes
M7	Environmental awareness and responsibilities

Strategic themes

S1 – **Growing our people**

S2 – **Delivering value to our customers**

S3 – **Maintaining a foundation of financial strength**

S4 – **Achieving operational excellence**

S5 – **Expanding our accountability horizons**

"I pledge to make the dreams of African Bank clients true, I promise to go the extra mile, to have more empathy and listen attentively to my customers needs. I also promise not to look at the figure but the financial need of my customer".

Brigette Bathgate – ABIL employee

High level risks

R1	Economic environment
R2	Competitive landscape
R3	Our people
R4	Growing our customer base
R5	Scalability of the business
R6	Credit risk
R7	Capital, liquidity and funding risk
R8	Logistics
R9	Information technology risk
R10	Regulation
R11	Impact on society

2011 highlights

- Momentum created by our people
- Intense engagement with customers and staff
- Credit disbursements increased by 50%
- 612 000 new customers gained
- New credit products generated R3,2 billion in disbursements
- African Bank network increased by 39% through EHL stores
- New direct channels generated R3,1 billion in sales
- First distribution centre for EHL network rolled out
- Carbon footprint measured for the first time
- EMTN programme listed and debut US$300 million international bond issued
- Financial care centres implemented for our people
- Exciting new furniture ranges and products launched

Key performance indicators

		2011	2010
Shareholder ratios			
Headline earnings	R million	**2 339**	1 890
Headline earnings per share	cents	**291,0**	235,2
Number of ordinary shares in issue (net of treasury shares)	million	**803,7**	803,7
Economic profit/(loss)	R million	**494**	78
Net asset value per ordinary share	cents	**1 648**	1 542
Return on assets	%	**4,8**	5,1
Return on equity	%	**18,4**	15,6
Ordinary dividends paid	cents	**185**	185
Ordinary dividend cover	times	**1,6**	1,3
Payout ratio	%	**63,6**	78,7
Efficiency ratios			
Cost to income (Banking unit)	%	**19,4**	23,0
Cost to average advances (Banking unit)	%	**6,9**	8,8
Merchandise sales per employee (EHL)	R 000	**457**	374
Merchandise sales per m² (EHL)	Rands	**6 662**	6 217
Assets and credit quality ratios			
Gross advances	R million	**40 002**	29 334
NPLs to gross advances	%	**27,6**	31,0
NPL coverage	%	**60,6**	61,6
Bad debt write-offs to average gross advances	%	**7,7**	10,4
Capital ratios			
ABIL group capital adequacy	%	**30,9**	32,2
African Bank capital adequacy	%	**30,4**	28,9
Funding			
Total funding	R million	**33,8**	24,1
Average cost of funds	%	**9,5**	10,5

		2011	2010
Customers			
Number of customers	000	**2 569**	2 315
Number of new customers	000	**612**	485
Offer rate	%	**74**	78
Distribution points			
– African Bank		**643**	462
– EHL		**1 059**	1 028
Employees			
Full-time employees		**15 281**	15 927
Net full-time employment creation		**(646)**	(1 003)
Employee turnover – voluntary			
African Bank	%	**13,2**	9,5
EHL	%	**20,4**	21,0
Employee turnover – involuntary			
African Bank	%	**5,1**	5,4
EHL	%	**13,5**	8,4
Total payroll and benefits	R million	**2,4**	2,2
Minimum wage			
African Bank	Rands	**5 500**	4 650
EHL	Rands	**3 000**	3 000
% unionised employees			
African Bank	%	**52**	54
EHL	%	**35**	36
Training expenditure	R million	**19,0**	16,9
African Bank	R million	**9,7**	13,6
EHL	R million	**9,3**	3,3
Society			
Corporate social investment expenditure	R million	**8,5**	10,8
Environmental			
Carbon footprint	Metric tons	**98 783**	n/a

Stakeholders' engagement

Our philosophy

ABIL recognises that all companies operate in a context where social, political, economic, environmental, legal and regulatory factors can directly or indirectly impact on how business is conducted. It is therefore important that we develop and maintain relationships with a range of stakeholders to inform the business, manage expectations and reputational risks and to continuously improve the alignment between the group and its key stakeholders. The stakeholder groups below have been identified on the basis of the extent to which they are affected by the operations and decisions of the group, as well as their ability to influence the performance or strategic direction of the group.

Stakeholder	What we stand for	Engagement channels	Frequency
Our people	We promise a safe and challenging work environment, above average remuneration and benefits, ample opportunity to develop and grow and a community of like-minded people who want to make a difference.	Comms Cafe (a bi-weekly electronic newsletter)	Bi-weekly
		Screen savers and electronic pop-ups	Ongoing
		Specialist e-mails such as leon@africanbank.co.za and tellyusuf@africanbank.co.za	Ongoing
		ABmag, our internal magazine	Quarterly
		Intranet – the Junction	Ongoing
		Brain Wave – our innovation channel	Ongoing
		Staff events	Ongoing
		Staff and customer roadshows	43 in 2011
		Satisfaction surveys	Annually
Our customers	We promise affordable, responsible and hassle free credit. We will develop products to meet customers' every credit need. We will empower customers to make good credit calls and work with them if they find themselves in financial difficulty. We will listen! Where we offer retail products, we will provide affordable quality products that satisfy our customers' lifestyle aspirations at the most affordable credit pricing.	Staff and customer roadshows	43 In 2011
		Focus groups	Specific projects
		Customer advocacy office	Ongoing
		Branch and store network	Ongoing
		Call centres	Ongoing
		SMS campaigns	Ongoing
		Websites for each brand	Ongoing
		Inseconds mobi site	Ongoing

Stakeholders' issues	Link to material issue	Further detail and ABIL's response
Training Career plans Incentives Making a difference	M2. Growing our people M5. Contributing to the sustainable growth and transformation of our country	Letter to stakeholders page 28 Strategic review, page 39 – 41 Web-based sustainability report Web-based remuneration report
Access Pricing Additional products such as vehicle and housing finance and insurance.	M3. Positively impacting customers' lives M5. Contributing to the sustainable growth and transformation of our country M6. Delivering value through sustainable and responsible processes	Letter to stakeholders page 28 Strategic review, page 41-45 Web-based sustainability report

Stakeholders’ engagement *continued*

Stakeholder	What we stand for	Engagement channels	Frequency
Our capital providers	We undertake to continue to build the group into a sustainable, high return credit provider of scale which uses capital efficiently and conducts business responsibly. We will provide balanced and transparent disclosure and keep investors informed about the affairs and the prospects of the company.	Local and international roadshows Results presentations Investment conferences Meetings Investor days Conference calls E-mail notifications Telephone Webcasts	> 5 in 2011 4 per annum 2 – 5 per annum >170 in 2011 2 in 2011 4 per annum Ongoing Ongoing 2 per annum
Suppliers	We undertake to show good faith in our dealings, settle our obligations promptly, maintain solid relations and provide a reliable channel to markets.	Meetings Supplier conferences	Ongoing Annually
Regulators	We commit to conducting our business practices in a way that is fully compliant with the laws and regulations that apply to us. We pledge co-operation and active participation in forums that will make our industry a more sustainable one.	Meetings Submissions Industry-level engagements	Quarterly Monthly and ongoing
Communities	We pledge to be a socially responsible and humane corporate citizen that ploughs back in our communities, and that will continue to make progress to minimise the negative impact we have on the environment we operate in.	Meetings CSI projects	Ongoing Ongoing

*“African Bank helped me repay all my debts, I couldn’t pay for my children’s schooling. I was helped without being humiliated. Many times when you are in debt people don’t treat you with respect, they make you feel you deserve it. Becoming a customer at African Bank has restored my dignity and my financial status. I have been with this bank for a long time and I have been able to pay for my children’s college education and I am driving a new car! **Thank you African Bank!**”*

Christine Ndlovu

Stakeholders' issues	Link to material issue	Further detail and ABIL's response
Possible credit bubble Intensifying competition Capital adequacy Returns Wholesale funding model	M4. Maintaining a solid foundation M6. Sustainable and responsible processes	Letter to stakeholders page 28 Strategic review page 45 Financial review page 52 Web-based risk report
Payments Support	M5. Contributing to the sustainable growth and transformation of our country M6. Sustainable and responsible processes	Letter to stakeholders page 26 Web-based sustainability report
Growth and customer indebtedness *In duplum* rule Insurance pricing FAIS	M4. Maintaining a solid foundation M6. Sustainable and responsible processes	Letter to stakeholders page 28 Strategic review, page 36, 37 Web-based risk report
Financial support Corporate responsibility	M5. Contributing to the sustainable growth and transformation of our country M7. Environmental awareness	Letter to stakeholders page 24, 26 Web-based sustainability report

"I am truly grateful to African Bank. When other financial institutions ask for a million things, and also find million reasons not to give credit, African Bank is always there to help, I am at home here! I have tombstones unveiling for my late husband and his grandmother on the 25th September. African Bank has made it possible for me to have this special ceremony. My experience at African Bank has been excellent. Khiosi helped me even after the bank had closed, she waited for me to fetch documents from home and showed me compassion. Thank you for making me feel I matter."

Sehume Rakhadli

9 year statistics

		2011	2010	2009	2008	2007
Key shareholder ratios						
Profit for the year	R million	2 371	1 942	1 855	1 560	1 375
Basic earnings attributable to ordinary shareholders	R million	2 339	1 906	1 803	1 511	1 334
Basic earnings per share	cents	291,0	237,2	224,3	210,5	268,4
Headline earnings	R million	2 339	1 890	1 810	1 519	1 334
Headline earnings per share	cents	291,0	235,2	225,2	211,6	268,4
Number of ordinary shares in issue (net of treasury shares)	million	803,7	803,7	803,7	803,7	497,2
Weighted average number of ordinary shares in issue	million	803,7	803,7	803,7	717,9	497,1
Fully diluted number of ordinary shares in issue	million	803,8	803,8	803,8	718	497,4
Number of preference shares in issue	million	8	5	5	5	5
Economic profit/(loss)	R million	494	78	(95)	323	1 004
Net asset value per ordinary share	cents	1 648	1 542	1 515	1 484	499,2
Return on assets	%	4,8	5,1	5,7	8,1	13,5
Return on equity	%	18,4	15,6	15,2	19,5	60,6
Dividends per share						
Total ordinary dividends	cents	185	185	185	210	225
Special dividends paid	cents	–	–	–	–	–
Total ordinary and special dividends	cents	185	185	185	210	225
Dividend cover	times	1,6	1,3	1,2	1,2	1,2
Payout ratio	%	63,6	78,7	82,2	99,2	83,8
Total preference share dividends	cents	620	691	842	1 076	890
Financial Services performance ratios*						
Total income yield on average advances	%	35,4	38,3	41,7	46,1	50,07
Bad debt expense to average advances	%	10,1	9,9	10,6	10,54	8,9
Cost to income	%	19,4	23,0	22,7	23,2	23,6
Cost to average advances	%	6,9	8,8	9,6	10,70	11,8
Assets and credit quality ratios						
Gross advances	R million	40 002	29 334	25 178	20 938	10 890
Total non-performing loans (NPLs)	R million	11 035	9 103	8 250	6 239	3 004
Total impairment provisions	R million	6 688	5 608	5 661	4 376	1 892
NPLs to gross advances	%	27,6	31,0	32,8	29,8	27,6
Total impairment provisions to gross advances	%	16,7	19,1	22,5	20,9	17,4
NPL coverage	%	60,6	61,6	68,6	70,1	63,0
Bad debt write-offs to average gross advances	%	7,7	10,4	7,6	6,40	5,9
Capital ratios (Basel II capital)						
ABIL group capital adequacy	%	30,9	32,2	37,9	31	32,8
African Bank capital adequacy	%	30,4	28,9	30,1	25,5	28,4
Cost of funds						
Average cost of funds	%	9,5	10,5	11,7	10,99	9,7

***2011 – Excludes foreign financial services**

2006	2005	2004	2003	Definition
1 176	943	756	660	Profit attributable to ordinary and preference shareholders
1 140	935	756	660	Profit for the period – preference dividends paid in the period
229,5	198,7	160,3	136,2	Profit attributable to ordinary shareholders/weighted number of ordinary shares in issue
1 109	948	762,0	680	Basic earnings attributable to ordinary shareholders – goodwill impairments – capital profits or losses of non-recurring nature
223,3	201,5	161,6	140,4	Headline earnings/weighted average number of ordinary shares in issue
496,9	495,1	472,3	474,2	Number of ordinary shares issued – shares held by the group classified as treasury shares
496,7	470,6	471,6	484,4	Ordinary shares in issue + [(new ordinary shares issued – ordinary shares cancelled – treasury shares) x (number of days in issue/365)]
497,2	472,4	489,4	n/a	Weighted number of ordinary shares in issue + dilution for outstanding options
5	n/a	n/a	n/a	Number of preference shares issued/ordinary dividends per share for the period
808	602	397	n/a	Headline earnings – (estimated cost of equity % x average ordinary shareholders’ equity)
444,1	428,6	559,1	588,1	Ordinary shareholders’ equity/number of ordinary shares in issue (net of treasury shares)
14,2	13	11,6	10,6	Headline earnings/average total assets
55,3	39,7	31,3	25,9	Headline earnings/average shareholders’ equity
200	122	92	56	Total ordinary dividends declared relating to the financial year
–	100	53	100	Excess capital returned to shareholders in the form of special dividends declared relating to the financial year.
200	222	145	156	Total ordinary and special dividends declared relating to the financial year
1,1	1,6	1,7	2,4	Headline earnings per share (adjusted for BEE charge)/ordinary dividends per share for the period
89,6	110,2	89,7	111,1	Total ordinary and special dividends per share/headline earnings per share
753	530	n/a	n/a	Total preference share dividends declared relating to the financial year
54,75	55,83	50,35	43,80	(Interest income + gross assurance income + non-interest income)/average gross advances
8,5	7,9	7,7	6,7	Charge for credit losses/average gross advances
26,8	27,5	30,0	35,5	Operating expenses/(interest income + gross assurance income + non-interest income)
14,7	15,4	15,1	15,5	Operating expenses/average gross advances
7 727	6 454	6 129	6 314	Total outstanding advances at the end of the period excluding the partially written off book
2 213	1 642	2 246	2 625	Outstanding balance of loans that have more than three cumulative instalments in arrears excluding partially written off book
1 435	1 117	1 657	1 961	Balance of all impairment provisions (including insurance reserves) raised against advances
28,6	25,4	36,6	41,6	Non-performing loans/gross advances
18,6	17,3	27,0	31,1	Total impairment provisions/gross advances
64,8	68,0	73,8	74,7	Total impairment provisions/NPLs
6,4	19,7	13,5	13,1	Net bad debts written off/average gross advances
35,5	36,2	40,4	44,5	Group qualifying capital/group assets at risk
31,9	32,9	34,7	40,8	(Tier 1 capital + Tier 2 capital)/risk-weighted assets as per Banks Act requirements
9,9	12,2	12,7	14,5	Interest expense/average interest-bearing liabilities

ABIL board of directors

Mutle Constantine Mogase (47)
Position
Independent non-executive chairman
Qualifications
BComm (UCT); Executive Development Programme and Graduate Diploma in Corporate Governance
Date appointed
12/03/2007

Directorships:

Non-executive chairman of African Bank Investments Limited and African Bank Limited.

Advisory board of Air Liquide; Non-executive director of Kwikspace (Pty) Limited; ECI Africa Consulting (Pty) Limited; JP Morgan Advisory Board.

Executive chairman of Vantage Capital Group; and executive director of Vantage Capital Investments (Pty) Limited.

Mutle has been an independent non-executive director of African Bank Investments Limited and African Bank Limited since 2007 and currently serves as the non-executive chairman of African Bank Investments Limited and African Bank Limited. He is currently the executive chairman of Vantage Capital Group.

Nicholas Adams (52)
Position
Independent non-executive director
Qualifications
B Comm (Hons), CTA (UCT), ACMA
Date appointed
01/02/2008

Directorships:

Non-executive director of African Bank Investments Limited; African Bank Limited; MKP Holdings (Pty) Limited; Garden of Development Company (Pty) Limited; Swanvest (Pty) Limited; Findlay's Properties No. 5 (Pty) Limited; and Uplands College (Pty) Limited.

Executive director of TukTuk Investments (Pty) Limited and Walter H. Adams (Kimberley) Limited.

Nic is a chartered accountant by training and spent six years as a partner at Deloitte in the Consulting division. He is currently a private equity investor investing own funds in a variety of unlisted investments, mostly venture or development capital in the IT, training and tourism/wildlife industries.

Antonio Fourie (51)
Position
Executive director
Qualifications
BComm
Date appointed
21/10/2003

Directorships:

Executive director of African Bank Investments Limited and African Bank Limited.

Chief executive officer of Ellerine Holdings Limited.

Toni has had extensive previous experience in retail operations and has been instrumental in repositioning African Bank's distribution footprint, branding and customer service propositions and is currently the chief executive of Ellerine Holdings Limited.

Mojankunyane Florence Gumbi (52)
Position
Independent non-executive director
Qualifications
BProc, LLB, Certificate in Trial Advocacy from the University of Texas in Austin, USA
Date appointed
01/03/2011

Directorships:

Non-executive director of African Bank Investments Limited and African Bank Limited;

Executive director of Mojanku Gumbi Advisory Services (Pty) Limited.

Advocate Gumbi has dedicated most of her legal career to public interest law. From 2009 to date she has been an advocate and a consultant. From 1994 to 2008 she was a special advisor to then deputy president and president Thabo Mbeki. In this role, Advocate Gumbi was one of the lead negotiators for South Africa in the World Trade Organisation negotiations. She has also served as President Mbeki's personal representative on the G8 and in the Progressive Governance group and participated in the activities of the World Economic Forum, both in the southern African region and in Davos. She continues to be an active participant in this forum. In addition, she has advised President Mbeki on domestic policy matters working to ensure a global presence for South African companies and assisted many South African companies in their expansion globally.

Leonidas Kirkinis (52)
Position
Chief executive officer – ABIL
Qualifications
BComm, BAcc
Date appointed
01/07/1997

Directorships:

Executive director of African Bank Investments Limited and African Bank Limited.

Executive chairman of Ellerine Holdings Limited.

Leon, currently CEO of ABIL and MD of African Bank Limited, founded African Bank Investments Limited (previously Theta Group Limited) in partnership with Gordon Schachat. He guided the company through the various mergers, acquisitions and the operational establishment of the present day African Bank Investments Limited.

Jacobus Dorotheus Maria Gerardus Koolen (51)
Position
Independent non-executive director
Qualifications
BComm (Hogere Economische School in Groningen, Netherlands), MBA (Wits)
Date appointed
15/03/2011

Directorships:

Non-executive director of ABIL, Ellerine Holdings Limited and African Bank Limited.

Executive director of Reflact Advisory Services (Pty) Limited.

Jack is an independent advisor. In addition, he has lectured part time at the Gordon Institute of Business Studies since 2001 in the areas of strategy, competitiveness and choice, integrating insights from competitive strategy, logic systems and behavioural economics.

He has held non-executive board positions in the private sector (Edcon: 2001-2007) and in NGOs (CityYear since inception until 2008; CIDA University Advisory Board from inception until 2007), and was a member of the SA Health Ministerial Advisory Committee on Financial Reform (2009). He has worked as an independent advisor since September 2008, closely associated with the Monitor Group in the Middle East, and regularly advises the South African government on a variety of issues. He has recently worked on issues of healthcare and education reform, crime reduction strategies, nutrition policy, and economic growth strategies. He has advised the Presidency (Monitoring and Evaluation) and the Gauteng Province on economic growth challenges, as well as worked with several private sector clients (mining, healthcare, retail, banking as well as the chairman of Eskom) in South Africa, in addition to serving clients based in Switzerland, the UK and Saudi Arabia.

ABIL board of directors *continued*

Nithiananthan Nalliah (52) Position *Executive director* Qualifications *BCompt (Hons)(Unisa), P Grad Dip Tax Law (RAU), ACMA, CA(SA)* Date appointed *05/05/2009*	Directorships: Executive director of African Bank Investments Limited; and group companies; Stazione Properties Limited; Highly Commended Investments 801 (Proprietary) Limited; and Magnolia Ridge Properties 272 (Proprietary) Limited. Non-executive director of Eyomhlaba Investment Holdings Limited and Hlumisa Investment Holdings Limited.	Nithia, a CA(SA), is currently the group financial director and an executive director of ABIL and African Bank. He joined ABIL as chief financial officer in October 2006.
Nomalizo Beryl Langa-Royds (49) Position *Independent non-executive director* Qualifications *BA; LLB* Date appointed *15/03/2011*	Directorships: Non-executive director of African Bank Limited; African Bank Investments Limited; Pretoria Portland Cement Limited; and Respiratory Care Africa Limited; Mpact Limited. Executive director of Greenleaf Centre for Servant Leadership (SA), Faranani Investments (Pty) Limited and executive member of Nthake Consultants CC.	Ntombi has 25 years' experience in the human resources environment. She started a wholly owned black female corporation, Nthake Consultants CC, in 1999, specialising in HR management and allied services. Ntombi has also worked as group human resources director at Independent Newspapers Limited, as chief executive human resources for the SABC and group human resources director for Nampak Limited. Currently Ntombi also serves on the audit committee of the Presidency and Department of Performance, Monitoring and Evaluation (DPME).
Gordon Schachat (59) Position *Executive deputy chairman* Date appointed *01/07/1995*	Directorships: Executive deputy chairman of African Bank Investments Limited, African Bank Limited and Ellerine Holdings Limited.	Gordon was one of the original founders and architects of the ABIL group in partnership with Leon Kirkinis, the current CEO. His business career spans nine years with the Schachat housing group, thereafter 13 years in the field of private equity and investment banking which in partnership with the Hollard Group in 1995, culminated in the listing of the Boabab Investment Trust, the forerunner of the current ABIL group.

Samuel Sithole (38)*

Position

Independent non-executive director

Qualifications

BAcc (Hons) (University of Zimbabwe), Chartered Accountant registered with the Institute of Chartered Accountants in Zimbabwe (ICAZ), England & Wales (ICAEW) and South Africa (SAICA), and Advanced Diploma in Banking from the University of Johannesburg

Date appointed

21/05/2009

Directorships:

Non-executive director of African Bank Investments Limited and African Bank Limited.

Executive director of Brait South Africa Limited and its related subsidiary companies; Valucorp 154 CC; Proline Trading 102 (Pty) Limited; and Celebration Church Johannesburg CC.

* *Zimbabwean with permanent SA residence status*

Currently the group financial director of Brait South Africa Limited. Sam, a chartered accountant by training, had been at Deloitte since 1996 with experience at both their Harare and London offices.

Thamsanqa Mthunzi Sokutu (48)

Position

Executive director

Qualifications

BSc (Hons), MSc

Date appointed

19/05/2003

Directorships:

Executive director of African Bank Investments Limited; African Bank Limited; and Ellerine Holdings Limited.

Non-executive director and chairman of South African National Biodiversity Institute and chairman of Mosake Communications and Eyomhlaba Investment Holdings Limited.

Tami is the executive director responsible for ABIL's group risk functions covering both the African Bank and EHL businesses. Before taking over responsibility for group risk, Tami was managing director of African Bank: Retail Business.

Robert John Symmonds (52)

Position

Independent non-executive director

Qualifications

BComm (Hons) (UCT), CA (SA) Strategic Banking Programme (IMD – Lausanne), Executive Development Programme (GIMT)

Date appointed

21/05/2009

Directorships:

Non-executive director of African Bank Investments Limited; African Bank Limited; Leppard and Associates; Umlimi Underwriting; Financial Management International; Heavy Commercial Vehicles; Professional Indemnity Mutual Solutions; Consort Technical Underwriters; Pinnafrica Limited; Cast Arena Trade and Invest 87 (Pty) Limited; The Standard General Insurance Company Limited; Relyant Life Assurance Company Limited; Relyant Insurance Company Limited; and Customer Protection Insurance Company Limited.

Managing Director of Lombard Insurance Company Limited; Lombard Life; Lombard Insurance Limited; Lombard Trade Finance; Lombard Guarantee Services (Pty) Limited – registered in Botswana; and Lombard Consolidated (Pty) Limited.

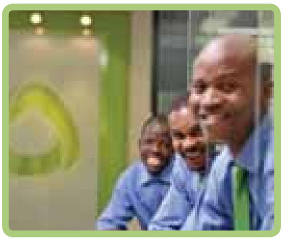
Currently the managing director of the Lombard Insurance Company Limited. He is responsible for the overall implementation of strategies developed in conjunction with the board.

Johnny's experience includes being chief executive officer of Mercantile Lisbon Bank Holdings where, amongst other things, he had the responsibility for the overall implementation of strategies developed in conjunction with the board, the operational management, risk management, resourcing, human resources, reporting to the market, relationships with regulators and managing the Bank through a difficult time within the small banking sector and some significant challenges for the Bank itself.

Letter to stakeholders

In this letter

- Introduction
- Integrated reporting
- Material issues
- Changes to the board
- Transformation
- Social impact
- Appreciation
- Outlook



Introduction

ABIL's vision is to make a positive difference to people's lives. What drives us is the creation of access to credit for those who have been excluded from that access before. We believe in people's natural desire to prosper and their inherent integrity to repay what they owe. Our purpose is to provide the means to improve their lives and to continuously strive to increase value for our customers. We are convinced this is worth doing.

During the last 12 months there has been a substantial step up in performance in our businesses. Reinvigorated people across the group have focused on serving our customers with renewed enthusiasm. A range of new products and related services has proven that when we present attractive and unique offers, and we are excited about what we have to sell, we not only appeal directly to those to whom the offers apply, but also make our business relevant to both new and existing customers who use our other products.

The group's financial performance in the year ended 30 September 2011 was primarily driven by a variety of new product offerings and increased access through a range of new channels. The performance was further augmented by the value creation between African Bank and EHL, through the substantial increase in our credit-related footprint.

Loan disbursements increased by 50% for the year and new customers grew to 612 000. 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%.

We believe that a passionate and motivated workforce can generate a momentum in the business that surpasses a difficult trading environment and intense competition. During 2011, the high levels of commitment, energy and innovation from our staff culminated in robust growth despite continued headwinds.

Related information can be found in the Financial review on pages 49 – 67

Integrated reporting and sustainable practices

ABIL has over a number of years undertaken initiatives to build our sustainability and mitigate negative impacts that we may have on our employees, customers, communities and the environment. These initiatives, while adding value, have thus far not been integrated into a holistic strategy. In the beginning of the 2011 financial year, the group initiated a concept of balanced scorecards on a departmental level and these have now matured to a level where they can be consolidated into

Izincwadi zababambiqhaza

Matseno

Ponelopele ya African Bank Investments Limited (ABIL) ke go dira phapano ye e kgahlišago maphelong a batho. Se se re hlohleletšago ke go thuša batho bao ba bego ba sa dumelelwe go hwetša sekoloto nakong ya pele gore ba be le maswanedi a go hwetša sekoloto. Re thekga kganyogo ya batho ka tlhago go atlega le go botega ga bona ga makgonthe go lefa seo ba se kolotago. Nepo ya rena ke go abelana ka tsela ya go kaonafatša maphelo a bona le go phegelela go oketša boleng go badirelwa ba rena. Re dumela gore go bohlokwa go dira se.

Mo dikgweding tše lesomepedi tše di fetilego go bile le kaonafalo ye e bonalago kudu ka moo dikgwebo tša rena di šomilego ka gona. Batho bao ba tsošološitšwego go akaretša setlamo ka bophara ba beile šedi mo kabong ya ditirelo go badirelwa ka mafolofolo a a mpshafaditšwego. Mehuta ya ditšweletšwa le ditirelo tše mpsha tše di amanago le tšona di hlatsetše gore ge re fana ka ditirelo tše di nago le maatlakgogedi le tša moswananoši, ebile re na le tlhohleletšo mabapi le seo re swanetšego go se rekiša, ga re ipiletše fela thwii go bao ba holegago ka ditirelo, eupša re dira le gore kgwebo ya rena e be ye bohlokwa go badirelwa ba baswa gammogo le bao ba lego gona ba ba šomišago ditšweletšwa tše dingwe.

Kaonafatšo ya matlotlo a setlamo ngwageng wo o fedilego ka 30 Setemere 2011 e hlohleleditšwe gagologolo ke go abja ga mehuta ye e fapanego ya ditšweletšwa tše mpsha le phihlelelo ye e okeditšwego ka ditsela tše mpsha tše fapanego. Kaonafatšo ye e okeditšwe gape ka go hlangwa ga boleng magareng ga African Bank le EHL, gagologolo ka tlhatlogo ye kgolo go tshepedišo ya rena ye e amanago le kabo ya dikoloto.

Dithekišo di hlatlogile ka 50% mo ngwageng le badirelwa ba baswa ba oketšega go fihla go 612 000. Dipoelo tša setlamo tše e bilego tabakgolo di hlatlogile ka 24% go fihla go dimilione tše R2 339, go swana le dipoelo tše e bilego tabakgolo go ya ka šere go ya go disente tše 291,0. Tekatekano ya bengdišere ba ka mehla ya magareng e hlatlogile go fihla go dibilione tše R12,7, gomme poelo ya setlamo go tekatekano e kaonafetše go tloga go 15,6% go fihla go 18,4%.

Re dumela gore bašomi bao ba nago le phišego le tlhohleletšo ba ka tšweletša kgolo ka lebelo ka kgwebong ye e fetago seemo sa tša kgwebišago se boima le phegišano ye maatla. Ngwageng wa 2011, maemo a godimo a boitlamo, mafolofolo le boitlhagišetšo go tšwa go bašomi ba rena di phethile ka kgolo ye maatla go sa kgathalege go tekateka go go tšwelago pele ga ekonomi.

Tshedimošo ya maleba e ka hwetšwa ka go Tekolo ya matlotlo letlakaleng la 49 – 67

Ka mo lengwalong le

business unit level and company-wide scorecards. They have also created a baseline for setting future targets and these will be communicated to stakeholders as they become available.

One of the initiatives in this journey has been a formalisation of our environmental agenda. Dedicated environmental staff have been appointed and a strategy for environmental impact reduction developed. For the first time we participated in the Carbon Disclosure Project, reporting on our emissions for the period ended September 2010, thus giving ourselves a baseline understanding of where our major emissions emanate from, which areas to focus on and the appropriate targets to set.

We have taken our first steps in this Integrated reporting journey. We look forward to reporting tangible progress in the next financial year.

Material Issues

In order to align our processes more closely with King III and the requirements of our stakeholders, we have broadened our strategic agenda to achieve a more integrated view of economic, social, environmental and governance considerations in our various business operations. Obtaining widespread agreement on the issues that are material to our continuing prosperity and our stakeholders is part of that journey.

The selected material issues are listed below:

- Staying true to our business model;
- Growing our people;
- Positively impacting customers' lives through the provision of credit;
- Maintaining a solid foundation in terms of funding and capital;
- Contributing to the sustainable growth and transformation of our country;
- Delivering value through sustainable and responsible processes, designed to ensure the continued prosperity of the business and its stakeholders over the long term; and
- Environmental awareness and responsibilities.

These issues and related topics are discussed throughout this report and are also specifically addressed in the strategic review.

Related information can be found in the Strategic review on page 36 – 48 and the material issues table on pages 32 – 35.

We understand that the very existence of our business is dependent on our ability to continue to deliver value not only to our customers, but to all stakeholders, and that sustainable growth can only be achieved by paying greater attention to the world in which we operate. We continue to strive to deliver this value in a meaningful and responsible way.

Changes to the ABIL board

As part of its objective to continually improve its corporate governance processes, ABIL has a 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 10 years and other non-executive directors to a maximum of eight years in total. During 2011 two of ABIL's non-executive directors, David Braidwood Gibbon and Ashley Tugendhaft reached their term limit and retired from the boards of both ABIL and African Bank Limited with effect from 31 March 2011. Mpho Nkeli also resigned from the boards of ABIL and African Bank Limited with effect from 25 January 2011 due to other commitments. Dave Woollam, an executive director, resigned from the boards of ABIL and African Bank Limited with effect from 31 December 2010.

Izincwadi zababambiqhaza *tšwetšwapele*

Go bega ga mohlakanelwa le ditlwaetšo tša tšwetšopele ya ekonomi ye e matlafetšego

ABIL mo mengwageng ye mmalwa e thomišitše ka maitekelo a go aga ekonomi ye e matlafetšego le go fokotša ditlamorago tše di sa kgahlišego tše re ka bago le tšona go bašomi ba rena, badirelwa, ditšhaba le tikologo. Maitekelo a, le ge a oketša boleng, go fihla gabjale ga se a akaretšwa ka go leanokakaretšo la setlamo. Mo mathomong a ngwaga wa ditšhelete wa 2011, setlamo se thomišitše ka lereo la papetšo ya dintlha-tlhopho mo makaleng gomme tše gabjale di hlatlošeditšwe go kgato yeo di ka tiišeletšwago ka go legato la yuniti ya kgwebo le dintlha-tlhopho tša khamphani ka bophara. Gape di theile motheo go bea dinepo tša mengwaga ya ditšhelete ya 2012 le 2013, gomme tše di tla tsebišwa bakgathatema ge di e ba gona.

Ye nngwe ya maitekelo mo leetong le e bile go sepetšwa semmušo ga lenanethero la rena la tikologo. Go thwetšwe bašomi ba tša tikologo bao ba ikgafilego gwa ba gwa hlangwa le leanotshepetšo la phokotšo ya kamego go tikologo. Lekga la mathomo, re kgathile tema ka go Protšeke ya Kutollo ya Khapone [Carbon Disclosure Project], ra bega ka ga ditšhilafatšo tša rena tša lefaufau tša paka ye e fedilego ka Setemere 2010, ye e re thušitšego go ba le kwešišo ya motheo wa moo ditšhilafatšo tše kgolo di tšwago gona, le gore ke mafelo afe ao a swanetšego go bewa šedi le magato a maleba ao a tla tšewago.

Re tšere magato a rena a mathomo mo leetong le la Go bega ga mohlakanelwa. Re letile go bega ka kgatelopele ye e bonalago ngwageng wa ditšhelete wo o latelago.

Dintlha tše bohlokwa

Gore go beakantšwe ditshepedišo tša rena go nyalelana kudu le King III gammogo le dinyakwa tša bakgathatema ba rena, re katološitše lenanethero la rena le beakantšwego ka tshwanelo go fihlelela seemo se tlemanego kudu sa dikeleletšo tša ekonomi, leago, tikologo le taolo ka moo dikgwebo tša rena tša go fapafapana di šomago ka gona. Go hwetša tumelelano ye e akaretšago go dintlha tše di lego bohlokwa go katlego ya rena ye e tšwelago pele le bakgathatema ba rena ke karolo ya leeto le.

Dintlha tše bohlokwa tše di kgethilwego di tšweletšwa lenaneong ka fase:

- Go botegela mmotlolo wa rena wa tša kgwebo
- Go oketša palo ya batho ba rena
- Go ba le kamego ye e kgahlišago maphelong a badirelwa ba rena ka tsela ya kabo ya sekoloto
- Go boloka motheo wo o tiilego go ya ka thušo ya ditšhelete le matlotlo
- Go ba le seabe go kgolo ye e matlafetšego le kaonafatšo ya naga ya rena
- Go fana ka boleng ka tsela ya ditshepedišo tše matlafetšego le tša maikarabelo, tše di hlametšwego go netefatša katlego ye e tšwelago pele ya kgwebo le bakgathatema ba yona mo nakong ya paka ye telele.
- Temogo ya tikologo le maikarabelo.

Dintlha tše le dihlogo tše di sepelelanago le tšona di ahlaahlwa ka pegong ye ka botlalo le go fiwa šedi ye kgolo ka go tekolo ya leano.

Tshedimošo ya maleba e ka hwetšwa ka go Tekolo ye e beakantšwego mo letlakaleng la 36 – 48 gomme mananeo a dintlha tše bohlokwa a hwetšwa matlakaleng a 32 go fihla go 35.

Re kwešiša gore go ba gona ga kgwebo ya rena go ithekgile godimo ga bokgoni bja rena bja go tšwela pele go fana ka boleng e sego go badirelwa ba rena fela, eupša go bakgathatema ka moka, le gore kgolo ye e matlafetšego e ka fihlelelwa fela ka go bea šedi ye kgolo go lefase leo re šomelago go lona. Re tšwela pele go phegelela go fana ka boleng bjo ka tsela ye e kwešišagalago le ya maikarabelo.

Diphetogo go boto ya ABIL

ABIL e tšwela pele go phegelela go kaonafatša ditshepedišo tša yona tša taolo ye tlemanego le gona bjalo ka karolo ya nepo ye, e na le pholisi ya go laetša paka ya boleloko bja balaodi ba yona bao e sego balaodiphethiši. Go ya ka pholisi, nako ya go swara maemo a bodulasetulo e beetšwe tekano ye e sa fetego mengwaga ye lesome mola maloko a mangwe ao e sego balaodiphethiši e le tekano ya mengwaga ye seswai ka kakaretšo.

Letter to stakeholders *continued*

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

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

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.

For more information on our oversight structures and activities, refer to our web-based governance report on http://africanbank.investoreports.com/africanbank_ar_2011/governance/

Transformation

African Bank and EHL have been scored under the dti's Codes of Good Practice (the Codes) Generic Scorecard for the first time. In previous years African Bank was scored under the Financial Sector Charter which is currently undergoing a process to be aligned to the Codes. Both African Bank and EHL were scored under the dti's Codes as level 6 contributors in 2010, mainly as a result of the Bank previously being exempted from certain scoring elements because of the nature of its business. There will be a strong focus to improve this level in 2012.

ABIL implemented two black economic empowerment programmes, Eyomhlaba (launched in 2005) and Hlumisa (launched in 2008). The empowerment programmes target a broad base of black shareholders, with the majority of the black employees of the group participating. During this financial year the two empowerment companies acquired an additional 2,5 million ABIL shares, bringing their effective shareholding to 7,5% at 30 September 2011. The two companies paid R10 million to shareholders as ordinary dividends during the year.

ABIL believes that small businesses play a vital role in creating jobs and wealth in the economy. It is for this reason that the Bank supports small and empowerment companies through its procurement and B-BBEE policy and systems, that focus on black-owned and black women-owned Emerging Micro Enterprises (EME) and Qualifying Small Enterprises (QSE). ABIL regards these strategic initiatives as key business imperatives and has also set the development of SMME finance as a strategic priority for 2012.

Corporate Social Investment (CSI) has a vital role to play in South Africa in bringing about meaningful transformation to the benefit of all that live in it. The social needs facing our country are substantial and it is a moral duty for government and business to make a difference in the lives of many. ABIL has contributed to a number of projects to uplift largely black communities in Gauteng, the Eastern Cape, KwaZulu-Natal, Mpumalanga and in other provinces. ABIL continues to seek out CSI opportunities to enhance the lives of South African citizens and communities.

A lowlight of the current year was that there had not been enough appointments of employment equity candidates to significantly step up our employee transformation process. A variety of measures has been put

Izincwadi zababambiqhaza *tšwetšwapele*

Ngwageng wa 2011 maloko a mabedi a ABIL ao e sego balaodiphethiši, David Braidwood Gibbon le Ashley “Oshy” Tugendhaft, ba fihleletše nako yeo e bego e beilwe le go rola mošomo go diboto tša ABIL le African Bank Limited ka bobedi go tloga ka 31 Matšhe 2011. Mpho Nkeli le yena o rotše modiro go diboto tša African Bank Investments Limited le African Bank Limited go tloga ka 25 Janaware 2011 ka lebaka la go swarega ka mabaka a mangwe. Dave Woollam o rotše modiro go diboto tša ABIL le African Bank Limited go tloga ka 31 Disemere 2010.

Diboto tša ABIL le African Bank Limited di tšweletša ditebogo tša tšona go Mpho, David, Dave le Ashley ka seabe seo ba bilego le sona go katlego ya setlamo nakong ya ge e be e le maloko.

Boto e tsebišitše go thwalwa ga maloko a mararo ao e sego balaodiphethiši nakong ya ge go dirwa dipego. Ramolao Mojankunyane Gumbi o thwetšwe bjalo ka leloko leo e sego molaodiphethiši le le ikemego go diboto tša African Bank Investments Limited le African Bank Limited go tloga ka 1 Matšhe 2011. Ntombi Langa-Royds le Jack Koolen ba thwetšwe bjalo ka maloko ao e sego balaodiphethiši ao a ikemego go diboto tša go swana go tloga ka 15 Matšhe 2011. Jack o thwetšwe gape go boto ya Ellerine Holdings Limited go tloga ka letšatšikgwedi lona leo.

Yashmita Mistry o rotše modiro bjalo ka mongwaledi wa khamphani ya ABIL go tloga ka 31 Matšhe 2011. Mdu Luthuli o thwetšwe bjalo ka mongwaledi wa khamphani go tloga ka 11 Julae 2011.

Go hwetša tshedimošo ka botlalo ka ga dibopego tša rena tša bohlapetši le mešomo, lebelela go pego ya taolo ye e lego wepesaeteng mo go http://africanbank.investoreports.com/africanbank_ar_2011/governance/

Dikaonafatšo

African Bank le EHL di hlophilwe ka fase ga dintlha-tlhopho ka kakaretšo tša Melawana ya Tshepedišo ye Botse (Melawana) ya Kgoro ya Dikgwebo le Diintasteri (dti) lekga la mathomo. Mo mengwageng ye e fetilego African Bank e be e hlophilwe ka fase ga Tšhatha ya Lekala la Matlotlo [Financial Sector Charter] (FSC) yeo gabjale e itemogelago tshepedišo ya go sepelelana le Melawana. African Bank le EHL ka bobedi di be di hlophilwe ka fase ga Melawana ya dti bjalo ka baabaditirelo ba legoro la 6 ka 2010, gagologolo ka lebaka la ge Panka e be e sa akaretšwe go dintlha-tlhopho tše dingwe ka lebaka la mohuta wa yona wa kgwebo. Šedi ye kgolo e tla bewa go kaonafatšo ya legoro le ka 2012.

ABIL e phethagaditše mananeo a mabedi a matlafatšo ya ekonomi ya bathobaso, la Eyomhlaba (le le hlomilwego ka 2005) le la Hlumisa (le le hlomilwego ka 2008). Mananeo a matlafatšo a nepile go mothopo ka kakaretšo wa bengdišere ba bathobaso, moo bontši bja bakgathatema e lego bašomi ba bathobaso ba setlamo. Mo ngwageng wo wa ditšhelete, dikhamphani tše pedi tša matlafatšo di hweditše dimilione tše 2.5 tša tlaleletšo tša dišere tša ABIL, gomme tša hlola gore go be le 7,5% ya bongdišere ka 30 Setemere 2011. Go tlaleletša, dikhamphani tše pedi di lefile dimilione tše R10 go bengdišere bjalo ka dikarolo tša tlwaelo mo ngwageng.

ABIL e dumela gore dikgwebo tše nnyane di kgatha tema ye bohlokwa go tlholo ya mešomo le lehumo go ekonomi. Lebaka le ke lona le dirago gore panka e thekge dikhamphani tše nnyane le tša matlafatšo ka tsela ya dipholisi le dipeakanyo tša yona tša kgwebišetšano le B-BBEE, tše di nepilego go Dikgwebo tše Nnyane tše di Tšwelelago [Emerging Micro Enterprises] (EME) le Dikgwebo tše Nnyane tše di nago le Maswanedi [Qualifying Small Enterprises] (QSE) tše di laolwago ke bathobaso le basadi ba bathobaso. ABIL e lemoga maitekelo a a beakantšwego gabotse bjalo ka a bohlokwa go kgwebo le gona e beile tlhabollo ya thušo ya ditšhelete go SMME bjalo ka pholisi ye bohlokwa go 2012.

Peeletšo ya tša Leago ye Tlemanego [Corporate Social Investment] (CSI) e kgatha tema ye bohlokwa mo Afrika Borwa ka go tliša diphetogo tše di kwešišagalago go batho ka moka bao ba dulago ka nageng. Dinyakwa tša leago tšeo naga ya gaborena e lebaganego le tšona di bohlokwa le gona ke maikarabelo a mmušo le kgwebo go dira phapano maphelong a ba bantši. ABIL e bile le seabe go diprotšeke tše mmalwa go kaonafatša seemo in place to improve this performance, including changes to our recruitment practices, talent management and development initiatives and succession planning interventions, amongst others.

For more information on our supplier, transformation and CSI initiatives, refer to our sustainability report on http://africanbank.investoreports.com/africanbank_ar_2011/sustainability/

Social impact

ABIL is cognisant of its positive social impact in helping to improve people's lives. At the same time, while access to credit is an enabler that provides customers with opportunities to build and invest in their future, too much credit is disruptive and could lead to financial difficulty. One of the key initiatives for the next financial year will be the implementation of a more comprehensive rehabilitation strategy for customers in financial distress. The strategy will cover various aspects ranging from broadened insurance cover to protect customers against a wider range of insurable events, to emergency products, expanded use of our distressed scorecards to warn customers who become too indebted, debt restructuring products and debt counselling and finally, giving so called 'bad luck' customers another chance. Through this initiative we aim to reduce those aspects of credit provision which negatively impact on people's lives, and live up to our promise of being a 'good faith' friend.

Appreciation

Our board members have done a remarkable job in providing new vigour and insight into our governance processes and we thank them for their efforts and commitment. Our people have provided us with a record year in all aspects and it is their energy and dedication that gives us the courage to pursue the new financial year with a spring in our step. We would also like to acknowledge the constructive input and co-operation from our trade unions, who support our people and help make ABIL a great place to work.

The stability of the South African banking and financial system is testament to the foresight and dedication of our regulators and we acknowledge and appreciate their efforts. Finally, we would like to thank our customers for their support over the past year and reinforce our commitment to continue to provide you with products that offer real value.

Outlook

Competition in the unsecured lending arena has intensified over the past two years and accordingly, this part of the credit market has grown significantly. Experience has shown that whenever there is a rapid acceleration of credit supply in our market, customers will inevitably 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 that there are pockets of declining payment profile and increasing debt burdens. However, underwriting is inherently skewed towards history and it is therefore critical to apply sound judgement. Accordingly, during 2011 additional business rules limiting the size of total debt servicing cost as a percentage of income were introduced and further enhancements to these and other business rules will be considered as trends emerge.

ABIL constantly recalibrates its scorecards to take cognisance of emerging risk. In terms of its growth segments, it adjusts its criteria for new opportunities in a deliberate and calculated way, rather than through a general relaxation of 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 credit disbursements should the environment necessitate such action.

sa ditšhaba tša bathobaso go la Gauteng, Kapa Bohlabela, KwaZulu Natal, Mpumalanga le ka diprofenseng tše dingwe. ABIL e tšwela pele go nyaka dibaka tša Peeletšo ya tša Leago ye Tlemanego go kaonafatša maphelo a badudi le ditšhaba tša Afrika Borwa.

Tiragalo ya ngwaga wo e bile ya gore ga se gwa ba le go thwalwa go go lekanetšego ga bakgopedi ba mošomo go lebeletšwe tekatekano mošomong go tiišetša dikaonafatšo tša bašomi ba rena ka tsela ye e kgotsofatšago. Magato a go fapafapana a beilwe go kaonafatša phethagatšo ye, go akaretšwa diphetogo go mekgwa ya rena ya thwalo ya bašomi, taolo ya bokgoni le maitekelo a tlhabollo le go tsena ka bogare go lenaneo la tlhatlošo ya bašomi, magareng ga tše dingwe.

Go hwetša tshedimošo ka botlalo ka baabaditirelo ba rena, dikaonafatšo le maitekelo a Peeletšo ya tša Leago ye Tlemanego, e ya go pego ya rena ka ga ekonomi ye e matlafetšego mo go http://africanbank.investoreports.com/africanbank_ar_2011/sustainability/

Kamego go tša leago

ABIL e lemoga ka kamego ya yona ye e kgahlišago go tša leago ka go thuša go kaonafatša maphelo a batho. Le ge go ba le maswanedi a go hwetša sekoloto e le tsela ye e abelago badirelwa ka dibaka tša go aga le go beeletša go bokamoso bja bona, sekoloto se se ntši kudu se hlola matshwenyego le gona se ka go bakela mathata a ditšhelete. Ye nngwe ya maitekelo a bohlokwa a ngwaga wa ditšhelete wo o latelago e tla ba go phethagatšwa ga leano la tsošološo le le kwešišegago kudu go badirelwa bao ba nago le mathata a ditšhelete. Leano le tla akaretša dintlha tša go fapafapana go tloga go ba le inšorense ya kakaretšo go šireletša badirelwa kgahlanong le mehuta ya go fapafapana ya ditiragalo tše di swanetšego go šireletšwa, go fihla go inšorense ya mabaka a tšhoganetšo, tšhomišo ye e katološitšwego ga dintlha-tlhopho tša temogo ya mathata go lemoša badirelwa bao ba imelwago ke dikoloto kudu, ditšweletšwa tša peakanyoleswa ya dikoloto le go fana ka maele mabapi le dikoloto, le go abela bao ba bitšwago badirelwa ba 'go hloka mahlatse' ka sebaka se sengwe. Ka maitekelo a re ikemišeditše go fokotša dintlha tša kabo ya dikoloto tšeo di amago maphelo a batho gampe, le go fihlelela tshepišo ya go ba mogwera 'wa potego'.

Ditebogo

Maloko a rena a boto a dirile mošomo wo o makatšago wa go abelana ka mafolofolo le temogo ye mpsha go ditshepedišo tša rena tša taolo gomme re ba leboga ka maitapišo le maitlamo a bona. Batho ba rena ba re abetše ka pego ya ngwaga go dintlha ka moka gomme ke ka lebaka la mafolofolo le boikgafo bja bona tše di re fago tlhohleletšo go tšwetša pele ngwaga o moswa wa ditšhelete ka go gatela pele le go feta. Gape re rata go leboga go kgatha tema le tšhomišano ye botse go tšwa go mekgatlo ya rena ya bašomi, ye e thekgago batho ba rena le go thuša ABIL go ba lefelo le legolo la mošomo.

Go tielela ga dipanka tša Afrika Borwa le peakanyo ya matlotlo ke bopaki go ponelopele le boikgafo bja balaodi ba rena, ka gona re amogela le go leboga maitapišo a bona. Sa mafelelo, re tla rata go leboga badirelwa ba rena ka thekgo ya bona mo ngwageng wo o fetilego le go tiišetša boitlamo bja rena go tšwelapele go go abela ditšweletšwa tše di go fago boleng bja makgonthe.

Pogelo

Phegišano ka lekaleng la kadimo ye e sa bolokegago e matlafetše mo mengwageng ye mebedi ye e fetilego, le gona karolo ye ya mmaraka wa dikoloto e gotše ka tsela ye e makatšago. Maitemogelo a laeditše gore nako efe le efe ge go na le potlakišo ya kabo ya dikoloto mo mmarakeng wa rena, badirelwa ba ka se efoge go adima go fetiša tekanyo. Gabjale go na le bohlatse bjo bontši bja gore diprofaele tša tefo ka badirelwa di bonala di le maatla gannyane go feta ka moo di bego di le ka gona mo mengwageng ye mebedi ye e fetilego, le ge go na le dikarolwana tša profaele ya tefo ye e fokotšegago le go imelwa ke dikoloto go go oketšegago. Le ge go le bjalo, thekgo e tloga e sekametše go histori gomme ka go realo go bohlokwa go diriša kgetho ye e kwagalago. Ka gona, mo ngwageng wa 2011 melao ya kgwebo ya tlaleletšo ye e fokotšago bogolo bja tefo ya sekoloto ka botlalo bjalo ka phesente ya letseno e hlagišitšwe le dikaonafatšo tše dingwe go melao ye le melao ye mengwe ya kgwebo di tla lebelelwa bjalo ka ge ditlhabollo di tšwelela.

Letter to stakeholders *continued*

While it is expected that the subdued economic environment will continue in 2012, the group is confident about 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.

Ultimately, achieving the financial targets presented below rests on the shoulders of our people and their ability to provide market leading products and service to our customers. We expect to make further progress towards our medium term objectives in the coming year.

ABIL financial objectives

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

On behalf of the board

Mutle Mogase
Chairman

Gordon Schachat
Executive deputy chairman

Leon Kirkinis
Chief executive officer

Izincwadi zababambiqhaza *tšwetšwapele*

ABIL e balela kgafetšakgafetša dintlha-tlhopho tša yona go ela tlhoko kotsi ye e tšwelelago. Go ya ka dikarolo tša kgolo ya yona, e beakanyetša ditsela tša yona go dikgoba tše mpsha ka tsela ya ka boomo le ye e beakantšwego ka tshwanelo, e sego ka tsela ya go nyefiša ka kakaretšo ga ditsela tša kabo ya sekoloto. Re tla be re šetše morago kgolo mo ngwageng wo o latelago ka go bea šedi ya go ikgetha go boleng bja sekoloto se katološitšwego le motswako wo o laolwago wa dithekišo, e sego bontši, le gona re ka se dikadike go gogela morago dithekišo tša rena ge seemo se ka nyaka seo.

Mola go letetšwe gore seemo sa ekonomi ye e lego ka fase ga kgatelelo se tla tšwela pele ka 2012, setlamo se na le boitshepo mabapi le dikholofelo tša yona tša ngwaga wa ditšhelete wo o latelago. Panka e swanetše go tšwela pele go holega go tšwa go mothopo wa phatlalatšo wo mogolo kudu wo o fihleletšwego ngwaga wo le palo ya ditšweletšwa tše mpsha le maitekelo go tlhabollo. Setlamo sa EHL le sona se na le palo ya maitlhagišetšo le dikaonafatšo tša ditšweletšwa tše di letetšwego go ba le seabe se kgahlišago go kgolo. Go feta tše ka moka, re dumela gore nepo ya rena ye e tšwelago pele go tlhabollo ya batho ba rena e tla potlakiša mafolofolo le kgolo ka lebelo tše di bonagetšego ngwaga wo.

Mafelelong, go fihlelela dinepo tša matlotlo go go laetšwago ka fase go theilwe godimo ga batho ba rena le bokgoni bja bona bja go abelana ka ditšweletšwa le ditirelo tše di lebišwago mmarakeng go badirelwa ba rena. Re letetše go dira kgatelopele ye nngwe go dinepo tša paka ya magareng mo ngwageng wo o latelago.

Maikemišetšo	Tša makgonthe ka 2011	Tše di nepilwego ka 2012	Nepo ya paka ya magareng (Mengwaga ye 4 ye e latelago)
Dithekišo tša dithoto	5%	> 5%	> 8% CAGR
Kgolo ya dikadimišo	38%	> 25%	>15% CAGR
Poelo go Tekatekano	18,4%	> 20%	>30%

Legatong la boto

Mutle Mogase
Modulasetulo

Gordon Schachat
Motlatšamodulasetulo-phethiši

Leon Kirkinis
Mohlankediphethiši

Material issues

Our material issues were identified on the basis that:

- It is likely to have an impact on the future prosperity of the group or our stakeholders;
- It is regarded as material given the size, longevity and severity of the impact, positive or negative, and its ability to significantly influence decision-making; and
- It should form part of the ongoing dialogue between ourselves and parties with a vested interest in ABIL's continued existence.

Material issue	Sub-issues
M1. Staying true to our business model	• High risk/return • Low cost, high volume, predominantly centralised model • Saying yes as often as possible • Customer segmentation • Customer reach
M2. Growing our people through providing opportunities and skills development	• Engagement with staff • Employee satisfaction • Training and development • Recruitment • Transformation • Welfare • Remuneration • Employee value proposition
M3. Positively impacting customers' lives through the provision of credit	• Customer engagement • Products • Service improvement • Customer satisfaction • Distribution • Responsible lending
M4. Maintaining a solid foundation in terms of funding and capital	• Engagement with shareholders and funders • Capital model • Funding strategy • Credit ratings

The selection of issues was informed by inputs from a broad spectrum of stakeholders including, amongst others, our people, our customers, capital providers, regulators and suppliers, and was finalised through engagement with the executive management and board of ABIL and our subsidiaries. It also took into account relevant regulation, our key competencies, key risks that the group is exposed to, and above all, the vision, mission and values of the organisation.

Strategic issue covered	Risks covered	Page reference
S1. Growing our people S2. Delivering value to our customers S3. Maintaining a foundation of financial strength S4. Achieving operational excellence S5. Expanding our accountability horizons	R1. Economic environment R2. Competitive landscape R4. Growing our customer base R5. Scalability R6. Credit risk	Page 37 – 39 Page 41 – 45 Web-based risk report
S1. Growing our people S4. Achieving operational excellence S5. Expanding our accountability horizons	R2. Competitive landscape R3. Our people R10. Regulation	Page 28 Page 39 – 41 Web-based sustainability report
S2. Delivering value to our customers S4. Achieving operational excellence	R1. Economic environment R2. Competitive landscape R4. Growing our customer base R5. Scalability R6. Credit risk R8. Logistics	Page 28 Page 41 – 45 Web-based sustainability report Web-based risk report
S3. Maintaining a foundation of financial strength	R1. Economic environment R5. Scalability R7. Capital, liquidity and funding R10. Regulation	Page 45 – 47 Web-based risk report

Material issues *continued*

Material issue	Sub-issues
M5. Contributing to the sustainable growth and transformation of our country	• Growing our people • Improving the lives of customers • Housing • Preferential procurement • Employment equity • B-BBEE • Community upliftment
M6. Delivering value through sustainable and responsible processes, designed to ensure the continued prosperity of the business and its stakeholders over the long term	• Engagement with regulators • Risk management • Governance • Code of ethics and values • Compliance • Long term budgeting • Role and responsibilities of branches
M7. Environmental awareness and responsibilities	• Carbon disclosure • Environmental initiatives

"I wanna stop being the employee of the bank and start being the owner. I wanna acknowledge that every cent lost by my business is money lost from me and every unhappy client reflects bad on my business. I want to make this business a success."

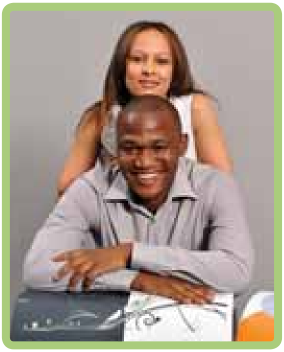
Freddie Kotsokwane – ABIL employee

Strategic issue covered	Risks covered	Page reference
S1. Growing our people S2. Delivering value to our customers S4. Achieving operational excellence S5. Expanding our accountability horizons	R1. Economic environment R3. Our people R4. Growing our customer base R5. Scalability R6. Credit risk R11. Society	Page 26 – 29 Web-based: Risk report Governance report Sustainability report
S3. Maintaining a foundation of financial strength S4. Achieving operational excellence S5. Expanding our accountability horizons	R1. Economic environment R5. Scalability R6. Credit risk R7. Capital, liquidity and funding risk R9. IT risk R10. Regulation	Pge 36, 47 Web-based: Risk report Governance report
S5. Expanding our accountability horizons	R1. Economic environment R2. Competitive landscape R3. Our people R4. Growing our customer base R8. Logistics R10. Regulation R11. Impact on society	Page 24 Web-based: Sustainability report

Strategic review

In this section

- Introduction
- Context
- Business environment
- Size of the market
- Market growth and competition
- Strategic themes
- Integrated strategy scorecard



"My personal pledge is that I will have more passion for the job that I do and as a collector, I come across different people with different problems that lead them to be in arrears, I will put myself in their shoes, win them over, show them that I want to help them regain a good credit record in that way customers will want to continue doing business with the Bank and invite more customers to join and buy our products"

Phumelele Sibiya – ABIL employee

Introduction

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.

Context of the ABIL strategy formulation process

The ABIL strategy is anchored in strategic conversation at ABIL board level, and cascaded through the organisation via multiple governance levels including the ABIL group, African Bank and EHL executive committees and related divisions and teams. The ABIL board determines themes for the ABIL strategy conversation with the past year being characterised by technology, human capital, clients, scalability and growth.

We have a clear governance structure around the delivery of strategy, consisting of board oversight, an executive director championing strategy, an ABIL group strategist, and a strategy team for analysis and strategic programmes. The board is tasked with the review and approval of strategy and the ABIL group executive committee responsible for the formulation and implementation of the ABIL strategy, while the divisional executive committees are responsible for their respective strategies.

The business environment

The economy has been in a slow and fragile recovery phase since the recession in 2009, with an estimated 2,9% growth in GDP and growth expected to reach 3,2% in 2011 and stabilising at 4% from 2013 onwards. A longer than expected slump in consumer demand resulted in a sharp drop in inflation, from a CPI of 7,1% in 2009 to 4,2% in 2010. CPI is expected to average 4,3% in 2011. While the rand has been volatile, it does not have a material impact on the organisation except for imports at the retailer which are reasonably small. Sound hedging strategies alleviate the potential impact of the volatile currency.

Most observers agree that job creation is the single most important lever to unlock the latent potential in the economy, yet job creation statistics have been disappointing. The government's growth plan is anchored in job creation and to the extent that they become more successful, it would increase employment and consumer spending in the economy – the latter being a key dependency in our business. ABIL has a role to play in this regard.

ABIL is regulated by the SA Reserve Bank (Registrar of Banks and NPSD/PASA), the Financial Services Board, Financial Intelligence Centre, the JSE Limited and the National Credit Regulator. The group maintains interaction with regulators through frequent regulatory contact and submissions and through involvement in industry level engagements on pertinent legislative and regulatory issues. The regulatory environment has, at any point, a variety of reviews and potential changes ongoing and the current reviews are discussed in more detail in the regulatory risk section of the risk report.

ABIL manages its regulatory environment in a proactive and anticipatory manner. It actively participates in forums to debate proposed and required changes in regulatory requirements and ensures that it adapts its business model to new requirements well in advance of anticipated changes. The group is committed to conducting its business practices in a way that is fully compliant with both the intent and the letter of the full spectrum of laws and regulations that apply to us.

Please refer to the regulatory risk section on our web-based risk report at http://africanbank.investoreports.com/africanbank_ar_2011/risk/

Size of the credit market

At September 2011	Total loans	Consumer credit
Total SA economy	R2,5 trillion	R1,2 trillion
Residential mortgages	R846 billion (34% of total loans)	R846 billion (70% of consumer credit)
Unsecured credit	R113 billion (4% of total loans)	R113 billion (9% of consumer credit)

For industry statistics and related information, visit the National Credit Regulator website at www.ncr.org.za or The SA Reserve Bank website at www.resbank.co.za/RegulationAndSupervision/BankSupervision/Banking%20sector%20data/Pages/Banks-BA900-Returns.aspx

Source: National Credit Regulator

The latest data shows that total banking loans and advances in the South African economy amounts to R2,5 trillion of which the consumer credit market is R1,2 trillion. Residential mortgages constitute 34% of the total loans and advances and 70% of consumer credit. The unsecured credit market segment that we target is only 4% of total domestic credit and 9% of consumer credit. It grew by close to 31% over the past year, yet remains a market in its infancy.

Market growth and competition

The implementation of the National Credit Act has fundamentally influenced the environment in which ABIL operates. Customers are relying more than ever on unsecured credit to finance their needs and to live the life they want.

The unsecured credit market has grown 31% over the past year and competition has intensified at the same time. We are reasonably comfortable that the growth in this market does not stem predominantly from more credit being extended to the same group of (potentially over-extended) customers. Unsecured credit is no longer an industry of small value, short term loans to moderate income customers. Loan sizes have increased, terms have become much longer and the strongest loan growth has been in the middle to higher income bands, traditionally the domain of the major commercial banks. NCR statistics reveal that the percentage of total unsecured credit granted to people earning more than R15 000 per month has increased from 18% in late 2007 to 35% in the first quarter of this year.

One of the most fundamental factors for the growth, though, is that large groups of moderate to middle income customers have historically been under-geared as they simply did not have access to credit above the limits prescribed under the Usury Act (previously R10 000). Post the implementation of the National Credit Act, customers have been able to obtain sizeable loans to satisfy some of their larger financial needs. The recent much stricter underwriting environment for mortgages and vehicle finance (secured credit) has also meant that many more customers, who may not have been part of this market segment before, now seek to fulfil these needs through unsecured credit.

The strong growth in the number of new customers in the transactional banking arena has led to a further influx of newly banked customers who now also have access to credit as a result of becoming ‘banked’.

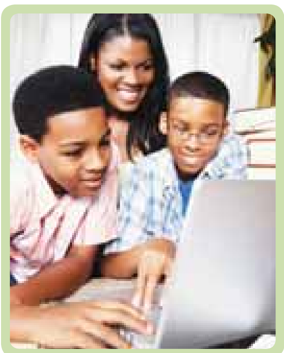
With the increase in total unsecured credit outstanding, it is apparent that the credit appetite of South Africans is on the increase. This presents exciting opportunities for organic growth within our business, albeit that these opportunities have to be explored with the necessary caution and cognisance of competitive activity in the target market.

We are uniquely positioned to serve the emerging needs of the mass market of South Africa, which constitutes the majority of credit granted in these categories and are therefore focused on capturing the rise in credit demand through leveraging of our core capabilities responsibly.

Strategic themes

ABIL’s stated mission is to translate scale and critical mass into greater customer value. Accordingly, the group’s business model focuses on some key drivers:

- A lowest cost philosophy;
- A pervasive distribution capacity geared to high volumes;
- Achieving a balance between cost, volume elasticity and risk; and
- Seeking and developing new growth opportunities.



“In the past two years, life as I’ve know it has been a roller coaster ride of emotional turbulence with the sudden deaths of my mother, nephew, adopted daughter and my poor comrades. African Bank is like my extended family, and has done all it could to rescue my loved ones by providing them a dignified burial and enabling me to enroll my other child with UNISA. My family depends on African Bank like the very air that we breathe. When our family experiences tough times, we do not even feel humiliated and or embarrassed to call Mr Patrick Mulaudzi who is forever accommodating and always has time to listen. Thank you African Bank I have peace of mind because of your help.”

Maria Makhubela (36)

Within the context of further building to scale, maintaining lowest cost and ensuring that we deliver on our vision of making a difference in people's lives, ABIL has chosen five strategic themes to pursue over the medium term. These are:

S1
Growing our people

S2
Delivering value to our customers

S3
Maintaining a foundation of financial strength

S4
Achieving operational excellence

S5
Expanding our accountability horizons

The first four of these themes have been part of the group's strategic agenda for the past two years and progress has been made in many aspects. All these initiatives are however part of a journey and much remains to be done. The final theme is one of formalising and providing direction to a range of initiatives in the organisation that focuses on improving our accountability to society as a whole.

S1. Growing our people

ABIL is of the firm view that our long term prosperity is strongly dependent on looking after our people, who will look after our customers, who will, in turn, look after our profitability. We have proven over the past year how a strongly motivated workforce can generate a momentum in the business despite a difficult and competitive trading environment. By allowing our people to understand and contribute to our vision and be developed to step up to the new challenges, we are building an organisation that will remain at the forefront of innovation and value creation for all our stakeholders.

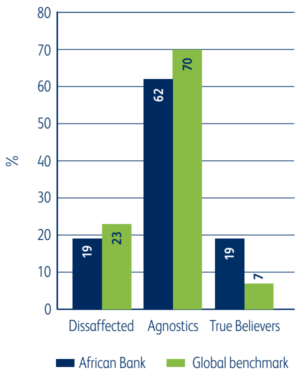
We believe that the key to the sustainability of our business lies in the evolution of our culture. Our people roadshows revealed what immense potential lies within the human spirit. The key rests with the leadership of this organisation and how much of that potential we can unlock by focusing on people issues. We are working quite deliberately on this agenda.

African Bank undertook another 43 roadshows to its people and customers during the year, to interact, reiterate its value systems, share ideas and receive feedback regarding product and service needs. Many of the new products and services that were offered in the business this year were as a result of feedback from our people and customers.

Employee satisfaction surveys

The group undertook employee satisfaction studies in 2011. The studies were based on the response of 3 049 African Bank employees and 5 262 EHL employees.

African Bank vs Global benchmarks



Since this was the first time a study in this particular format was conducted in African Bank, responses were benchmarked externally against survey responses from more than 175 000 employees in 127 organisations across 36 countries. The study measured our peoples' rational and emotional commitment, their discretionary effort and intent to stay.

African Bank generally performed better than the global average, with 19% of our employees being truly engaged as compared to the 7% global benchmark. Employees displayed exceptionally high levels of emotional and rational commitment (90-95th percentile relative to the benchmark). One area of concern for the group is the low score in the "Intent to stay"– category for young employees, especially in the call centre-type of environments. Whilst this is a general trend in these types of employment sectors, African Bank is implementing a distinct career path strategy for this category to improve employee satisfaction levels and reduce its staff turnover.

For key human resource data and related information refer to our Sustainability report on http://africanbank.investoreports.com/africanbank_ar_2011/sustainability/

EHL did a similar survey, which found that:

- The employees in the organisation would go the extra mile to assist each other and the organisation;
- There was a sense amongst management that they didn't see growth, development or support being displayed by their junior managers. In the case of general staff the same was noted, however to a lesser degree;
- Overall staff were not looking to change jobs and the majority of people were positively engaged, with some improvement required in two of the brands.

EHL has launched a variety of initiatives to ensure that areas of concern are addressed, including the establishment of focus groups, an interactive intranet portal in Beares, and regular roadshows across the brands. The retail business unit also extended its people mobilisation programme through a 'Beyonder' model, aimed at embedding passion and high energy, implementing a deliberate creativity campaign and developing scorecards to measure ongoing progress. The culture change programme was first rolled out in Ellerines during 2011 and has increased ownership and commitment at all levels in the brand. Its scope will be broadened across the organisation going forward.

The group recently launched Financial Care Centres for employees to help assist debt problems. We also extended our training programmes and won awards for our Learnerships and other initiatives.

The Bank launched a programme, 'In your shoes', with the aim of creating a common understanding of the interdependence between divisions by experiencing each other's day-to-day activities and challenges. There was a strong focus between branches and head office and branches and the call centre. The participants were exposed to competitor activity, real time situations such as queries, systems, the full sales application process, and support from head office call centres – essentially all the processes and aspects that occur daily in a branch – to gain an understanding of each other's challenges. Based on the positive response from staff, the programme will be expanded to cover more areas in the organisation in the coming year.

Increasing people's commitment also requires changes to the ways we engage and lead to more accurately reflect their interests. A variety of electronic and social media is being introduced into the organisation, to streamline and simplify basic HR processes and add more fun to our interactions. African Bank also launched an innovation channel, Brainwave, as part of this initiative.

Retention initiatives have been broadened over the past year with the identification of key seats, successors to key seats, top talent and high potential across both businesses. Personal development plans have been implemented for all concerned and further talent development through mentoring, international training and job shadowing instituted, amongst others. ABIL also launched a corporate university which will offer in excess of 65 programmes covering management skills and creative leadership, specialist consumer credit and retail courses.

The group constantly re-evaluates its reward structures and recognition methods to align these with market practices and our people's needs and expectations. In this regard, African Bank increased minimum salaries, increased performance bonuses, adjusted medical aid subsidies and improved staff bursaries during the year. EHL also concluded a two-year wage agreement with related trade unions.

African Bank made progress in the development of an employee value proposition that defines our promise to our people in terms of making a difference to their lives. We made a commitment to focus on internal appointments for vacancies and more than 30% of management vacancies in the past year were filled by internal advancement. The challenge is to accelerate this process during the coming year. The Bank also launched the values (refer page 3) programme through staff roadshows, a staff pledge programme and an incentive programme,"You've been spotted", that focuses on living the values of the Bank, amongst others. The values were also brought to life through art by 'Youngsters in conflict with the law' and were well supported by all.

S2. Delivering value to our customers

Our obsession with customer value manifests in the what, why and how we do everything. Historically, ABIL's customer proposition was to provide '*affordable, accessible, and responsible credit for employed and banked consumers*'. This proposition was particularly focused on giving customers value by offering larger loans at lower overall yields and, on its own, was not sufficient to meet the objectives and values of the business which aspires to be on the frontier of creating value for its customers. Increased competition, the acquisition of EHL which broadened the target market to lower and higher target markets than before, and the growing number of customers with an impaired credit record on the NLR who need a rehabilitation friend, have also prompted the group to review its purpose and value proposition.

Strategic review *continued*

While the Bank retains a competitive edge in the assessment and management of credit risk and affordability, most of the other current elements of our proposition can potentially be copied and thereby become commoditised. With an eye to retaining our 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 proposition was introduced into 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 and acting in their interests in the good times as well as when they experience hardship. This revised proposition sets out to offer our customers *'best deal, comprehensive and enduring solutions to meet their planned and unplanned credit needs by always being there in both good and hard times'.*

This proposition is customer rather than loan focused, and is intended to keep customers active in the credit market rather than being sales-focused at a single point in time. It emphasises rehabilitation and protecting customers' credit records from unpredictable insurable events provided that customers act in good faith. Customer needs will be served physically by extending our distribution network to as many convenient locations as is feasible but also virtually by embracing direct channels. According to this proposition insurance would be extended but would be credit led.

Of course, these words hide a myriad of changes in capability, structure, systems and regulatory regimes, amongst others, that the organisation must deliver to give effect to the promise. However, while profound in its implications for extending the scope and scale of the Bank, this proposition is essentially incremental and keeps within our current purpose of offering credit to higher risk customers, albeit with some extension into insurance.

Moving beyond our previous promise is encapsulated in the diagram below:

The Bank has made extensive headway in a number of the themes and related business imperatives over the past year:

- 'Always there'

  The most significant progress was made in increasing accessibility for our customers. The African Bank branch active infrastructure increased by 39% in 12 months, through new branches and the opening of kiosks and carve-outs in the EHL distribution network. Total points of representation 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 completed, ready to be staffed. Branch formats were upgraded to be more attractive to our served market segment and vehicles serving as mobile branches were introduced. Trading hours have been extended to add extra convenience and the group has also started trading on Sundays and public holidays.

  A variety of direct channels were implemented or upgraded in the past year. Disbursements through our call centres increased 77% year-on-year, internet sales increased 125% and card re-advances increased 79%, improving convenience for customers and reducing the cost to the group of servicing customers. The group also launched an 'Inseconds' – sms/text message service in May 2011, to provide customers with an indicative offer on their mobile phone and some useful conveniences, such as airtime and sms balances and statements. Sales from new channels exceeded R3,1 billion in 2011.

- 'Best better deal'

  Our offer rates remain the highest in the market – we still say yes to customers more often than any other credit provider and our aspiration is to say yes to 100% of customers, on condition that they make changes to their financial behaviour as may be required.

  A new front-end system was rolled out in pilot phase. The new system will significantly increase the speed with which offers are made and loans paid out. The front-end is expected to be rolled out to all points of distribution after the festive trading period.

  Pricing inversion was also implemented to provide better deals at the higher risk end of our customer spectrum.

- 'Products that work for you'

  The group launched a variety of new products 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 also piloted in the EHL customer base. 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.

  Risk-based credit insurance was launched during the year and application was made to the Financial Services Board to extend insurance cover into areas of additional risk for customers, such as loss of income by a spouse which has a direct impact on the household's ability to repay the loan.

- 'Your good faith friend' and 'We are the only one'

  A series of focus groups and one-on-one sessions with defaulting customers was conducted during the year to gain insights into the nature of their financial difficulties and to design products or interventions to assist. A Financial Care product was introduced for our staff first and will be rolled out for customers during 2012.

Strategic review *continued*

In 2011, our Consumer Advocate's team continued their exceptional service to customers and won the Bank Ombudsman award for customer service and excellence in complaints handling for the fifth year in a row.

Call centre processes were re-engineered during the year to provide less scripting and more real conversations with customers. Metrics such as average handling time have disappeared and the focus is on training and development of call centre staff to operate successfully in this new environment. Score cards were also introduced to warn of deteriorating credit behaviour by customers and pre-emptive conversations are held with customers in this situation to offer assistance.

Also refer to page 28 in the letter to stakeholders for further initiatives in this regard.

The value proposition for furniture retail customers was also significantly enhanced over the past year:

- Products

  Substantial work was done on the development of new exclusive products and ranges and the formulation of key strategic relationships that provide more differentiated product offerings 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, 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, Chateaux d'Ax which has increased the appeal of Geen & Richards to a wider contemporary client base.

  Furniture City has also introduced a new merchandise category, 'Home Office', and Ellerines a dedicated electrical store-within-store which positively impacted on volumes. At Wetherlys, the introduction of improved and fresh ranges has led to a marked improvement in store presentation.

- Distribution

  The Retail business unit opened a net 31 additional stores during the past year. It also reconfigured multiple stores between brands and created stores-within-stores to improve range and access for customers. At Dial-a-Bed the location strategy of new stores also increased credit sales as it moved into new geographic locations.

- Service levels

  The merchandising division was re-engineered and revitalised this year. The objective of the implementation of new systems and process 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.

  A significant development over the past year was the rollout of the first of four major distribution centres across the country. The new distribution centres offer the benefits of better service, improved in-stock levels and therefore fewer lost sales, better turnaround for deliveries, lower costs and ultimately better stock turns.

- Credit products

  EHL made good progress in its objective of providing an affordable and differentiated credit proposition. It implemented numerous innovations which added to its customer proposition, including 0% interest products, deferred payment options, product bundles, product and cash bundles and a credit Price Beat challenge (a market first).

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

S3. Maintaining a foundation of financial strength

- Capital

  ABIL aims to achieve the optimal balance between acceptable returns to shareholders and appropriate levels of capital adequacy to achieve our growth objectives. To this end the group focuses on optimising the existing balance sheet to strengthen our capital base, develop new and alternative funding strategies, expand our funding sources, and aim to achieve a balance between a strong dividend flow and retaining earnings to support growth.

  ABIL maintained its conservative approach to capital management during the period which continued to ensure stable credit ratings for the Bank, a steady flow of available funding and a further reduction in the cost of funding. The group continued to sustain healthy capital ratios in 2011, (refer page 52) despite the strong balance sheet growth. During the year it issued R515 million in subordinated debt, R243 million of preference shares and generated organic earnings which were supported by an ongoing optimisation programme for risk weighted assets and qualifying capital. 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 2012. The cover will be re-evaluated as the anticipated improvement in RoE gathers momentum.

- Funding

  The group ensures that it maintains conservative liquidity buffers to meet maturing liabilities and other operational demands for cash at all times and raises sufficient funding to achieve its growth ambitions over the short to medium term.

  African Bank successfully increased its funding to R33,8 billion to fund the asset growth during the year. The Bank issued long term bonds under the DMTN programme totalling R1,5 billion, issued inaugural Commercial paper with a six-month term of R1,2 billion and issued its debut listed bond under its EMTN programme of US$300 million. At the same time, it managed to bring the average cost of funding down from 10,4% in 2010 to 9,4% in 2011, despite the volume of additional funding raised. Through the EMTN bond, the Bank also acquired an additional 90 debt investors, further diversifying the funding base.

  Moody's maintained its investment grade ratings with a stable outlook, which is an important driver that supports the group's fund raising activities.

  The group will continue to broaden its group of funders, sources of funding and the funding products it offers in the new year, with the launch of a pilot to secure retail deposits through remote channels, amongst others.

For further information refer to the financial section in this report on page 52 and the web-based risk report at http://africanbank.investoreports.com/africanbank_ar_2011/risk/

S4. Achieving operational excellence

- Scalability

  It is vital that we have the appropriate capability and capacity in our infrastructure and resources to increase the scale of the business. 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.

- Driving cost efficiencies

  ABIL's strength has always been our ability to drive operational performance by leveraging our scale and competencies towards achieving a balance between lowest cost, volume elasticity and risk. To this end, we will continue to drive costs down and accelerate value creation and extraction from EHL. Now that the integration of the Ellerines Financial Services into African Bank has been bedded down, there will also be a renewed focus to drive efficiencies in all aspects of the financial services business.

- Extracting efficiencies from the Retail operations

  Except for some added nuances, the fundamental strategy of EHL has not changed in four years and substantial progress has been made in addressing each of the components of value creation. During this time, no area, function, structure, system, process or operating model has remained unchanged. The most significant initiatives during the year were:

  - The integration of Ellerines Financial Services into African Bank;
  - All retail front-end systems were converted into a single system;
  - A new merchandise management system was implemented;
  - A new supply chain and new merchandise processes were implemented;
  - A new logistics model has been rolled out from this year; and
  - A substantial amount of costs were taken out through consolidation, organisational redesign and structural change.

- Value creation from the African Bank/EHL relationship

  A key area of strategic progress has been the acceleration of value creation from the African Bank/EHL relationship. This imperative involves the maximisation of credit volumes and revenues from the EHL network on behalf of African Bank. 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. A total of 111 kiosks and 129 carve-outs were rolled out in the year to September 2011 and growth in credit originated through EHL stores exceeded 74% year-on-year. The growth was achieved through increased credit merchandise sales, additional credit products and the extension of the credit distribution points. In essence, the group generated R1,7 billion in credit disbursements through an avenue that did not exist 12 months ago.

  The number of kiosks and carve-outs were ramped up 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 thoroughly embed all systems, processes and staff before continuing on our growth path. It is a challenge to rapidly resource these new sites with staff that are proficient in our products, processes and systems.

The rollout of this additional distribution remains a substantial opportunity from which the group will continue to benefit over the medium term. In addition to driving revenue at low cost while optimising footprint, these kiosks continue to attract substantial new customers into EHL stores, which provides opportunities for cross selling and marketing.

The development of an optimal value 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. As the realities of the new business model take shape, the value share model will be reviewed and revised to best match ABIL's strategic focus at a point in time.

S5. Expanding our accountability horizons

The group is committed to continue and intensify its efforts in a variety of aspects for increasing and improving our role in society. These include transformation, preferential procurement, reducing our environmental impact, strengthening our sustainability structures and corporate social responsibility. As discussed in the letter to stakeholders, while some progress was made this year, it remains a journey with much left to do.

For further information refer to the letter to stakeholders on pages 22 – 29 and the web-based sustainability report at http://africanbank.investoreports.com/africanbank_ar_2011/sustainability/

The ABIL integrated strategy scorecard

We have developed an integrated strategy model to anchor our strategy execution and measure our progress in serving our stakeholders. We use a conceptual model to guide our thinking, and are now working on linking all our performance scorecards with this conceptual model and targets.

In putting our integrated strategy model to work, we have developed a performance management system which aligns our vision, values, operating model and objectives. The ABIL strategic dashboard monitors our performance in the areas of financial, human capital, customers, environment, community, regulators, African Bank operations and EHL operations.

This ABIL strategic dashboard has been cascaded into two separate scorecards: one for African Bank and one for EHL. These strategic dashboards are populated on a monthly basis, presented and discussed at the executive committees, with appropriate action steps taken as and when required.

We expect to share some of the results of these scorecards with stakeholders in the next financial year,

"I am truly grateful to African Bank. When other financial institutions ask for a million things, and also find a million reasons not to give credit, African Bank is always there to help. I am at home here! I have tombstones unveiling for my late husband and his grandmother on 25 September.

African Bank has made it possible for me to have this special ceremony.

My experience at African Bank has been excellent. Khosi helped me even after the bank had closed, she waited for me to fetch documents from home and showed me compassion.

Thank you for making me feel like I matter."

Sehume Rakhadli

Financial review

How ABIL generates revenue

ABIL generates revenue from sale of merchandise, interest income, assurance income and non-interest income.

Sale of merchandise is sale of furniture and appliances on cash or credit. The risk faced by the group in terms of this activity is the over-reliance on suppliers to supply the goods and selling of merchandise before it becomes obsolete. This risk is mitigated by the fact that the group does not rely on a small group of suppliers and actively manages stock turnover to minimise obsolescence.

Interest income is earned mainly on funds advanced to individual customers for unsecured personal loans, credit cards and credit to purchase furniture and appliances. The interest rates charged to customers are dependent on a risk rating of the customer which represents the credit risk. The risk relating to this is that the customer may not repay all or a portion of the funds advanced. Thus the group assesses the affordability of repayment and risk profile of customers carefully. Arrear accounts are actively managed as soon as they are in default.

The group finances the advances by raising funding through unsecured listed bonds, promissory notes, fixed deposits and other short term money market deposits. Interest is paid on these funding instruments on a fixed or floating rate basis. The group acquires interest rate risk through the issue of floating rate debt as well as currency risk through foreign currency dominated funding. All significant interest rate risk is hedged by the group through interest rate swaps, except to the extent that the group has a natural hedge through its credit card lending portfolio which is at variable interest rates. All foreign currency risk is hedged through currency swaps.

The group also faces liquidity risk in that deposits placed on call with African Bank could be withdrawn at any point without notice. This risk is managed through ensuring that it restricts its short term funding to a maximum of 20 percent of total funding and further maintaining both a positive maturity profile at all times as well as minimum cash levels.

The group also earns interest income on cash reserves placed on deposit with other banks in South Africa. This gives rise to counterparty risk in respect of these banks. To minimise this risk, the group limits exposure to any one financial institution and also invests its cash reserves in the banks with the highest credit ratings within South Africa and major banks in foreign countries in which the group's furniture retail and insurance businesses operate.

Assurance income consists of premiums received by the group to insure various risks including death, disability, retrenchment, employer imposed reduction in working hours, loss and damage to goods. There

In this section

This is a condensed version of the financial review. For more detailed information please refer to our web-based annual financial statements at http://africanbank.investoreports.com/africanbank_ar_2011/financials/

Financial review *continued*

is a risk that the actual claims will exceed the expected claims and premium income received. The risks are managed through product development and underwriting processes, including the actuarial assessment of the level of premiums on a regular basis.

The non-interest income earned is mainly from loan origination and service fees, credit card fees and delivery charges. Loan origination and service fees are earned from granting personal loans and credit to purchase furniture. Credit card fees are generated through monthly fees on banking transactions by individual customers at ATMs and point of sale devices. Delivery charges are earned on transporting goods sold to the customer's required location. Origination, service and credit card fees are subject to the same credit risk as interest income on funds advanced.

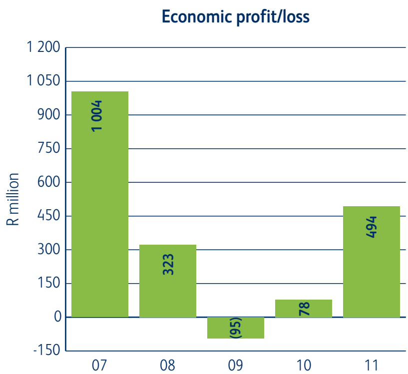
Financial results

The group's financial performance in the year ended 30 September 2011 was driven by a variety of new products and channels as well as high levels of commitment, energy and innovation from our staff, which culminated in robust growth despite a modest trading environment. The performance was augmented by the substantial increase in African Bank's footprint through the EHL network.

While ABIL group results are not affected, the results for the individual business units are not directly comparable with those 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.

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), benefiting 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 grew by 46% to 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%).



Note: ABIL acquired Ellerine Holdings Limited in 2008

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 a reduction 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 shareholders' 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.

African Bank Investments Limited

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.

African Bank Investments Limited

Condensed group income statement

for the year ended 30 September 2011

R million	% change	2011	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

R million	% change	2011	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) (million)		**803,7**	803,7
Weighted number of shares in issue (million)		**803,7**	803,7
Fully diluted number of shares in issue (million)		**803,8**	803,8
Basic earnings per share (cents)	23	**291,0**	237,2
Fully diluted basic earnings per share (cents)	23	**291,0**	237,1
Headline earnings per share (cents)	24	**291,0**	235,2
Fully diluted headline earnings per share (cents)	24	**291,0**	235,1

African Bank Investments Limited

Condensed group statement of comprehensive income

for the year ended 30 September 2011

R million	% change	2011	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	2011	2010	2011	2010	2011	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

Condensed group statement of financial position

as at 30 September 2011

R million	% change	2011	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

Condensed 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		(1 488)			(36)	(1 524)
Transfer to share-based payment reserve		(208)	208			
Transfer from insurance contingency reserve		25		(25)		
Total comprehensive income for the year		1 907	8	(205)	36	1 746
Balance at 30 September 2010 (audited)	**9 151**	**2 672**	**813**	**(240)**	**483**	**12 879**
Dividends paid		**(1 488)**			**(32)**	**(1 520)**
Issue of preference shares					**236**	**236**
Loss incurred on group employees acquiring ABIL Share Trust shares less dividends received		**1**				**1**
Shares purchased into the ABIL Employee Share Trust less shares issued to employees (cost)				**1**		**1**
Transfer from share-based payment reserve		**726**	**(726)**			
Transfer from insurance contingency reserve		**13**		**(13)**		
Total comprehensive income for the year		**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		**30 Sept 2011**	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			**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	2011	2010
Cash generated from operations	**7 746**	5 698
Cash received from lending, sale of merchandise and insurance activities and cash reserves	**18 329**	15 662
Recoveries on advances previously written off	**213**	103
Cash paid to funders, employees, 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

Company statement of financial position

as at 30 September 2011

R million	2011	2010
Assets		
Short term deposits and cash	**21**	28
Deferred tax asset	**1**	1
Investment in subsidiaries	**11 814**	10 947
Total assets	**11 836**	10 976
Liabilities and equity		
Other liabilities	**29**	26
Total liabilities	**29**	26
Ordinary share capital	**20**	20
Ordinary share premium	**9 131**	9 131
Reserves	**1 937**	1 316
Ordinary shareholders' equity	**11 088**	10 467
Preference shareholders' equity	**719**	483
Total equity (capital and reserves)	**11 807**	10 950
Total liabilities and equity	**11 836**	10 976

African Bank Investments Limited

Company income statement

for the year ended 30 September 2011

R million	2011	2010
Non-interest income	**2 301**	6 909
Total income	**2 301**	6 909
Operating costs	**(8)**	(5 412)
Profit before taxation	**2 293**	1 497
Direct taxation: STC	**(152)**	–
Direct taxation: SA normal	**–**	–
Profit for the year	**2 141**	1 497
Basic earnings (profit for the year) attributable to:	**2 141**	1 497
Preference shareholders	**32**	36
Ordinary shareholders	**2 109**	1 461

Company statement of comprehensive income

for the year ended 30 September 2011

R million	2011	2010
Profit for the year	**2 141**	1 497
Other comprehensive income	**–**	–
Total comprehensive income	**2 141**	1 497

African Bank Investments Limited

Company statement of changes in equity

for the year ended 30 September 2011

R million	Ordinary share capital and premium	Retained earnings	Share-based payment reserve	Preference share capital and premium	Total
Balance at 30 September 2009	9 151	617	726	483	10 977
Dividends paid	–	(1 488)	–	(36)	(1 524)
Total comprehensive income for the year	–	1 461	–	36	1 497
Balance at 30 September 2010	**9 151**	**590**	**726**	**483**	**10 950**
Issue of preference shares	**–**	**–**	**–**	**236**	**236**
Dividends paid	**–**	**(1 488)**	**–**	**(32)**	**(1 520)**
Transfer from share-based payments reserve to retained earnings	**–**	**726**	**(726)**	**–**	**–**
Total comprehensive income for the year	**–**	**2 109**	**–**	**32**	**2 141**
Balance at 30 September 2011	**9 151**	**1 937**	**–**	**719**	**11 807**

African Bank Investments Limited

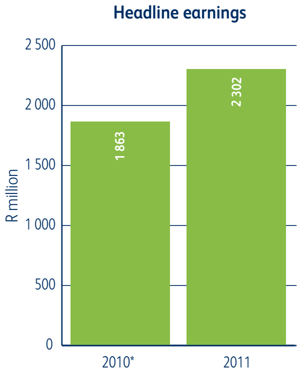
Company statement of cash flows

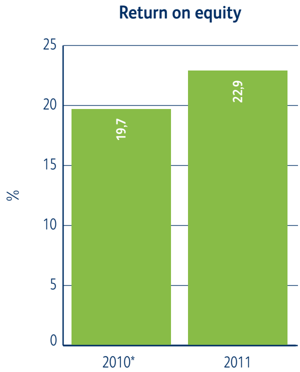
for the year ended 30 September 2011

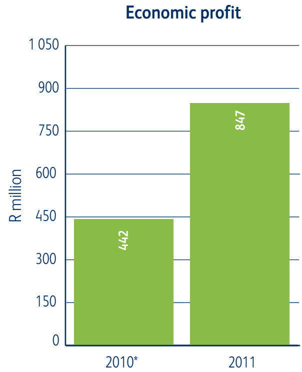
R million	2011	2010
Cash generated from operating activities	**2 293**	6 900
Decrease in working capital	**3**	28
Decrease in other assets	**–**	26
Increase in other liabilities	**3**	2
Direct taxation paid	**(152)**	–
Cash flow from operating activities	**2 144**	6 928
Cash outflow from investing activities	**(867)**	(5 403)
Increase in investment in African Bank Limited	**(867)**	(5 403)
Cash outflow from financing activities	**(1 284)**	(1 498)
Decrease in loans to subsidiaries	**–**	26
Issue of preference shares	**236**	–
Dividends paid to preference shareholders	**(32)**	(36)
Dividends paid to ordinary shareholders	**(1 488)**	(1 488)
(Decrease)/increase in cash and cash equivalents	**(7)**	27
Cash and cash equivalents at the beginning of the year	**28**	1
Cash and cash equivalents at the end of the year	**21**	28

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%).

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 expected to be implemented over the next 12 months. The further rollout of 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

Financial statistics

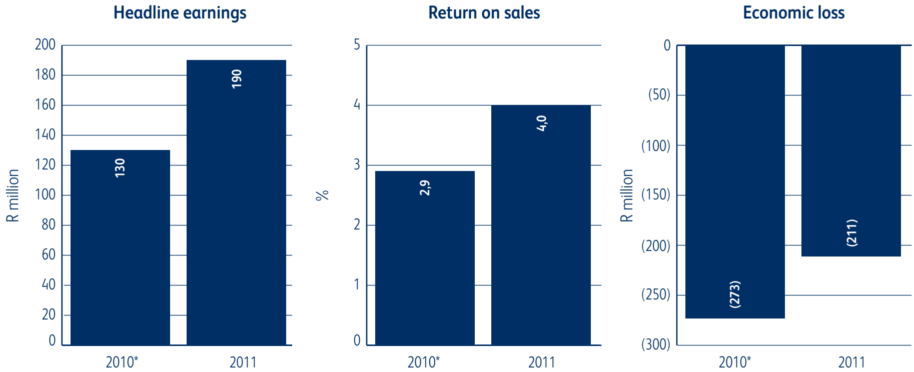
for the year ended 30 September 2011

		% 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
Net bad debt write-offs to average gross advances			**7,5**	10,4
Gross bad debt write-offs to average gross advances	%		**10,4**	17,5
Bad debts rehabilitated to average gross advances	%		**(2,9)**	(7,1)
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

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

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 furniture.

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 reduced 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.

Retail business unit

Results at a glance *continued*

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 for African Bank.

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.

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	m²	(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/m²*	Rand	7	**6 662**	6 217
Total credit disbursements/m²*	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

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

Corporate governance

This is a condensed version of the corporate governance report. For more detailed information please refer to our web-based corporate governance report at: **http://africanbank.investoreports.com/africanbank_ar_2011/governance/**

Introduction

The board of directors and senior management are committed to the highest standards of corporate governance and strive to the highest moral and ethical business standards, as well as sound and transparent business practices.

African Bank Investments Limited embraces the principles of good corporate governance in order to ensure that an ethical foundation exists which promotes, inter alia:

- **Responsibility** – by assuming responsibility for the actions of the company and being willing to take corrective actions to keep the company on a strategic path, that is ethical and sustainable;
- **Accountability** – by being able to justify its actions and decisions to shareholders and other stakeholders;
- **Fairness** – by giving fair consideration to the legitimate interests and expectations of all stakeholders of the company and;
- **Transparency** – by disclosing information in a manner that enables stakeholders to make an informed analysis of the company's performance and sustainability.

King III

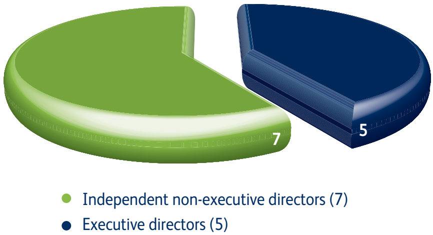
The board is committed to complying, in all material respects, with the principles contained in the King Code of Governance for South Africa, 2009 (King III), as well as to the additional requirements for good corporate governance stipulated in the JSE's Socially Responsible Investment Index (SRI). We have performed a thorough review of the implications of King III and, where appropriate, the corporate governance structure has been amended to comply with the new Code which became effective on 1 March 2011.

Internal audit has reviewed compliance with King III. The group complies with all aspects of the code except in the following two instances:

1. Our non-executive fees are fixed. The fixed fee basis works more efficiently for the group because we have a performance appraisal system to deal with non-attendance.
2. Board and committee evaluations. The group has conducted these evaluations for a number of years. The performance evaluation was not carried out in the current year as a result of the significant number of changes to the boards and sub committees. It will be performed again in the first half of calendar 2012.

Composition of the board

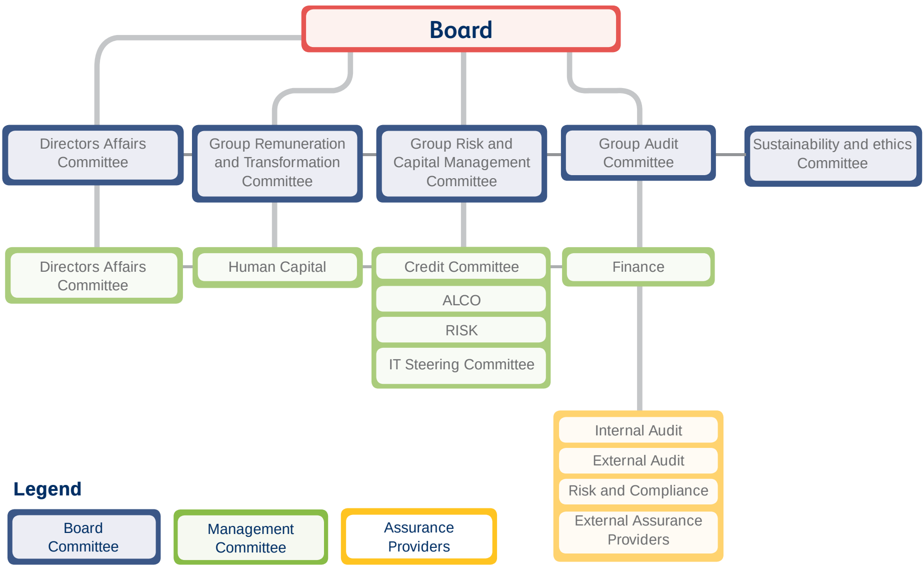
The composition of the ABIL board is illustrated below:



The appointment to the board is formal and transparent, and a matter for the board as a whole. All directors are appointed for specific terms and re-appointment is not automatic. The board takes decision on a majority basis and therefore no one person has unfettered powers of decision-making.

Board committees

The board has set five permanent committees from amongst its members and has defined specific roles and responsibilities for them. The committees provide the board with oversight and report on their work at each board meeting. The roles, responsibilities, duties and objectives of the committees are set out in the respective committee Charters. The complete Charters are available on the group's website at www.abil.co.za or from the Group Secretariat on request. The committees receive management support and are provided with assurance as illustrated below:



Board meetings and attendance

The board of directors of ABIL met seven times during the year and details of the directors' attendance at the board meetings are reflected in the table below:

Members	November 2010	February 2011	April 2011	May 2011	Special Board August 2011	September 2011	ABIL Strategy August 2011
Non-executive directors							
Mutle Mogase	✔	✔	✔	✔	✔	✔	✔
Nic Adams	✔	✔	✔	✔	✔	✔	✔
Sam Sithole	✔	✗	✔	✔	✔	✔	✔
Johnny Symmonds	✔	✔	✔	✔	✔	✔	✔
Jack Koolen	Appointed on 15/03/11		✔	✔	✗	✔	✔
Ntombi Langa-Royds	Appointed on 15/03/11		✔	✔	✗	✔	✗
Mojanku Gumbi	Appointed on 01/03/11		✔	✔	✗	✔	✔
Oshy Tugendhaft	✔	✔	Resigned on 31/03/11				
David Gibbon	✔	✔	Resigned on 31/03/11				
Mpho Nkeli	✔	Resigned on 25/01/11					
Executive directors							
Gordon Schachat	✔	✔	✔	✔	✔	✔	✗
Leon Kirkinis	✔	✔	✔	✔	✔	✔	✔
Tami Sokutu	✔	✔	✗	✗	✔	✔	✔
Toni Fourie	✔	✔	✔	✔	✔	✔	✔
Nithia Nalliah	✔	✔	✔	✔	✔	✔	✔
Dave Woollam	✔	Resigned on 31/12/10					

Remuneration report

This is a condensed version of the remuneration report. For more detailed information please refer to our web-based remuneration report at:
http://africanbank.investoreports.com/africanbank_ar_2011/remuneration/
and to the remuneration policy in the Notice to the AGM on page 111 of this report.

Introduction

This report seeks to provide stakeholders with insight into and an understanding of the remuneration philosophy and policies that are adopted and applied across the group. Remuneration comprises normal monthly salary, company contributions to retirement funds, bonuses and incentives paid to employees and executive directors and fees paid to non-executive directors.

Human capital is the most important asset required in carrying out the group's business in a differentiated way. The attraction and retention of appropriate skills is an area that requires continuous focus at the highest level of the organisation. In this regard, remuneration is one of the key drivers of aligning behaviour of human capital to the strategic intent of the group.

Remuneration is determined and structured to compensate, attract and retain appropriately skilled staff whilst being aligned to the interests of the stakeholders.

Remuneration governance

The board has a sub-committee, the group remuneration and transformation committee (Remco), which comprises three independent non-executive directors, tasked with assisting the board in formulating and monitoring the implementation of the group's transformation and remuneration policies. The group's policies are applicable to all the subsidiaries including the foreign subsidiaries in Ellerines.

The group utilises the services of independent consulting companies that specialise in remuneration and compensation, to assist with benchmarking of staff and directors' remuneration.

Remuneration philosophy

The group is acutely aware of its dependency on appropriately qualified, trained and experienced personnel to achieve its goals. The rapid evolution of technology and increasing competition gives customers more choice with regard to their preferred service provider and the manner in which they choose to acquire goods and services, the consequence of which is that there is no room for mediocre service organisations to survive in the long term. Furthermore, the demand, both locally and internationally, for scarce skills is ever-increasing, which is exacerbated locally by increased competition in the unsecured credit arena.

As a result, the group's remuneration philosophy needs to ensure that it:-

- Retains, develops and continues to attract people with the required skills necessary to enable the business to meets its current and future demands;
- Develops a collaborative and single focused spirit amongst different business units that is directed towards attaining the group's objectives and strategy rather than just individual or departmental success;
- Clearly differentiates and rewards performance excellence whilst discouraging and dealing with mediocrity;
- Achieves the appropriate balance between short and long term rewards;
- Enables the payment of rewards and incentives out of a portion of the shareholder value created during any given period; and
- Creates a sustainable leadership structure with the succession pool necessary for continuity, growth and one that in future becomes more representative of the demographic of South Africa.

In order to ensure their independence, all employees in the risk and financial control departments are remunerated in a manner that is independent of the businesses they oversee. The remuneration of these employees is dependent on the accomplishment of objectives of their functions and is structured to attract and retain qualified and experienced employees. This is to safeguard the integrity of the risk and financial control oversight on the reported results.

The group continues to strive for sustainable long term growth and to this end a greater portion of management and executive remuneration is put "at risk" against the delivery of key long term objectives and is linked to the performance of the group over a period of the next four to five years rather than being dependent on a single year's results or performance. ABIL's original entrepreneurial style of business, which is still manifest in the organisation, results in the promotion of individual accountability at all levels, recognition and encouraging initiative and innovation, whilst retaining a single business focus approach.

The group's remuneration philosophy has been developed around these core principles.

Remuneration policies and structures

The remuneration process and structure is reviewed annually in July for Ellerines' employees, October for African Bank's employees and November for the senior management and executives. There were no significant changes to the remuneration process during the reviews in the current financial year.

Our people (excluding executives) whose performance met job requirements were granted increases of between 5% and 7,5% per annum on total cost to company whilst a further discretionary increase of 1,25% was granted to those whose performance exceeded expectation. The increase on cost to company for the ABIL executives was 6% per annum. In addition, the medical aid subsidy was increased by R150,00 per month for all staff whose annual cost to company is less the R375 000.00.

There were no material remuneration adjustments during the current and previous years that may have been necessitated by weak performance metrics of individuals.

Remuneration components

The group determines remuneration along the following significant components:

Basic remuneration and employee benefits

The basic remuneration comprises fixed monthly salaries for all permanent employees and sales commissions paid to Ellerines sales staff and incentives paid to African Bank sales and collection staff. Permanent employees are compensated according to market-related benchmarks, which are assessed on an ongoing basis with some employees on a cost to company (CTC) basis whilst others are on cash packages, with certain statutory contributions to retirement funds and group life and healthcare schemes being made by the company.

Sign-on bonuses

Sign-on bonuses are paid to attract specialised skills and to compensate employees for loss of benefits from previous employers. The amounts paid as a sign-on bonus is at the discretion of the respective member of the group executive committee and carries minimum service periods depending on the quantum of the sign-on bonus.

Severance payments

Severance payments are made to employees on early termination of contracts or employment either through retrenchment or mutual termination. This does not apply to executive directors or members of the group executive committee as there are no fixed term service contracts or guaranteed period of employment.

Guaranteed bonuses

Guaranteed bonuses are paid to employees whose contracts contain a clause covering a guaranteed annual bonus equal to a month's salary. This does not apply to executive directors or members of the group executive committee as their bonuses are dependent on individual and group performance.

Short and long term incentives

Incentive payments are compensations paid to our people whose performances are at or above expectation having regard to their basic remuneration, and for their contribution towards the creation of sustainable shareholder value. The incentive structures are designed to encourage and reward superior performance at all levels of the organisation, but are more focused at the management and executive level.

The basic premise for the determination of incentives is that there must be creation of shareholder value in any given year or else there will be no incentives paid. All incentives paid by the group are funded out of a pool derived from the economic profit of the group, but evaluated at business unit level.

1. Short term incentive payments

   In aggregate approximately 70% of the incentive pool is used to pay short term incentives including:
   - Sales incentives paid to branch staff on a monthly and quarterly basis for achieving or exceeding sales and new client targets;
   - Collections incentives paid on a monthly and quarterly basis for achieving or exceeding cash receipting targets;
   - Annual profit share paid to non-managerial staff which is a fixed portion of the pool with a maximum amount paid per employee, differentiated based on an individual's level of performance; and
   - Annual discretionary bonuses for executive directors, executives, management and support services staff.

The sales commissions paid to the Ellerines sales staff do not form part of the incentive pool because sales commissions are an integral part of remuneration for sales staff in the retail industry, as the commission is based directly on each sale concluded by the staff member.

Senior management earn a proportionately higher amount of their incentives through the long term incentive plan than through the annual bonus with approximately 60% in long term incentives. For members of the group executive committee typically 70% of incentives are awarded as long term incentives.

2. Long term incentives

   Thirty percent of the pool is used to fund a long term incentive plan, designed to encourage and reward superior long term shareholder value creation.

Actual payments by component

ABIL group	2011 Number of employees	2011 Amount	2010 Number of employees	2010 Amount
Fixed remuneration		**R1 798 million**		R1 638 million
Variable payments		**R590 million**		R463 million
Guaranteed bonuses	**10 008**	**R46 million**	10 677	R47 million
Sign-on bonuses	**25**	**R7 million**	18	R9 million
Severance payments	**838**	**R28 million**	370	R17 million

Risk management report

This is a condensed version of risk report. For more detailed information refer to our web-based risk report at: http://africanbank.investoreports.com/africanbank_ar_2011/risk/

The ABIL risk management philosophy and culture

The management of risk is a fundamental element of the group's strategic business execution although in recent times local and international events have increased the expectations for the management of risk in the group. The group risk management approach is an approved enterprise-wide risk management methodology and philosophy to ensure adequate and effective risk management. In addition, the methodology also provides regulatory principles that, together with the risk management approach, will continue to ensure optimum return on shareholders' equity through the application of the following core principles:

- Clear assignment of responsibilities and accountabilities;
- Common enterprise-wide risk management framework and process;
- The identification of uncertain future events that may influence the achievement of business plans and strategic objectives; and
- The integration of risk management activities within the company and across its value chains.

Sustainable high-quality shareholder returns can only be derived by accepting a certain measure of risk. In light of the understanding of risk management by the group, the board has strategically accepted a higher risk appetite for credit risk than most other credit lenders. This increased risk appetite is informed by a stable, effective and efficient risk management philosophy and framework within the group. ABIL views risks as an inherent part of running a successful business, i.e. risks are not only mitigated but are also analysed and investigated for potential opportunities. This approach provides the direct correlation and linkage between risk management and maximising shareholder value.

The group applies a logical and systematic methodology to identify, analyse, assess, mitigate and monitor all known risks. The critical success factor is the alignment of the key fundamentals of governance, business objectives, stakeholders, ethics, policies, standards, strategies and compliance.

The risk management process is continuous, with well-defined and entrenched procedures that support improved decision-making by contributing a greater insight into risks and their potential impact. One of the objectives of the risk management philosophy is to ensure that mitigating strategies are geared to deliver reliable and timely risk management information.

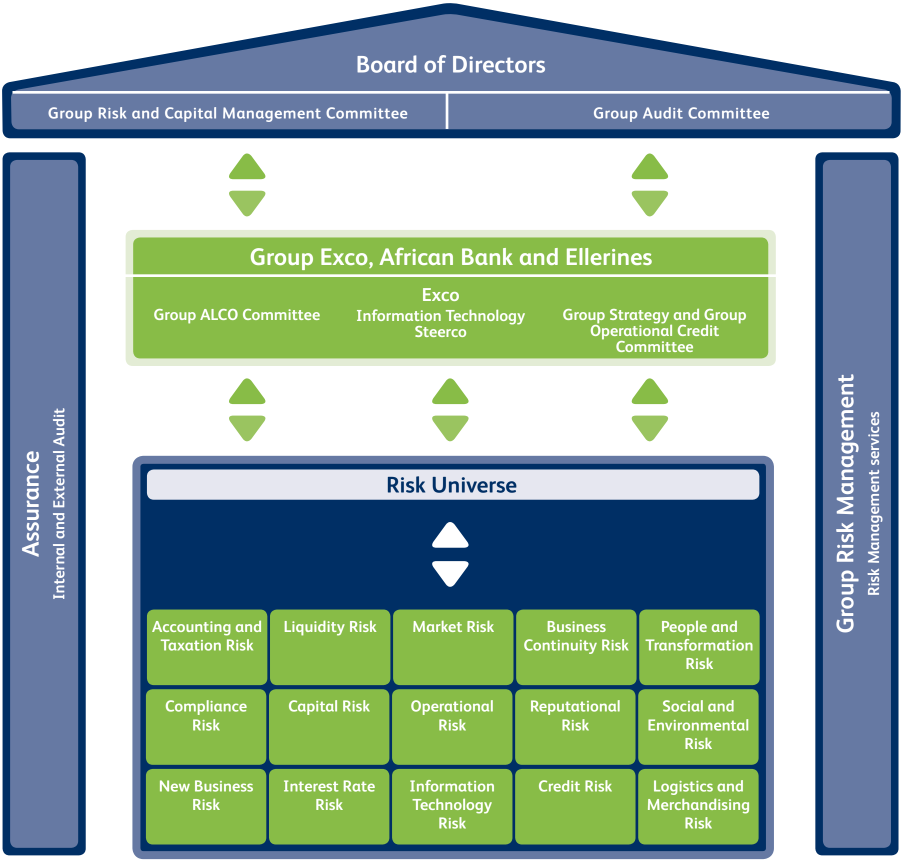
ABIL's approach to risk accepts and embraces risk management as a core competency that allows the business to optimise risk taking through objectivity and transparency that will ensure effective and efficient risk pricing and optimised returns within a chosen risk appetite.

ABIL's embedded risk management philosophy has positioned the group to be resilient through the economic cycles, while its strong enterprise risk management culture has contributed significantly to the success of this business as a whole.

Risk universe and supporting structures

All risks facing the greater ABIL group are reviewed on an annual basis and the major groups of risks (before and after the application of mitigating controls) are set out and described in the group's web-based risk report. Management of the two business units and the ABIL board are satisfied that these risks are being adequately managed to ensure the desired outcome is achieved. The diagram below depicts the risk universe faced by the group as well as the appropriate level of role and responsibility associated to the specific risk.

ABIL's risk universe



Risk management mechanisms

ABIL believes that risk management is fundamental to effective corporate governance and the development and maintenance of a sustainable business. ABIL's risk methodology and philosophy allows the various business units to ensure business success with a measured balance between risk and reward.

The group operates in a structured manner with defined processes and procedures enabling risk assessment within a controlled environment. Accordingly, an assessment of key risks is performed with weightings on impact and probability assigned. Existing controls are assessed and, if necessary, adjusted. Thereafter reports are generated at regular intervals to enable monitoring of risk levels.

ABIL's objective with risk management is to ensure a proactive identification, understanding and assessment of risks, including activities undertaken that yield risks which could impact on business objectives. This is executed through various risk management and governance mechanisms and risk management oversight bodies. These include:

- Independent board committees (audit, risk and capital management, remuneration, director's affairs and social and ethics committees);
- Risk management function co-operation in all key operations throughout the group;
- Assurance from internal audit on the control environment;
- Fraud risk management through an independent forensic department;
- An operational risk department operating as business partners to all business units to facilitate, co-ordinate and monitor effective risk management;
- Compliance department; and
- Group legal advisors.

ABIL firmly utilises and applies a holistic and integrated risk management approach. Included in the risk management mechanisms is the principle of 'levels of defence'. Business units, group risk management services together with internal and external audit participate in the holistic approach to risk management.

Three levels of defence as applied throughout the group

High level risks

Risk
R1. Economic environment The group's growth and profitability is inextricably linked to the prosperity of the South African economy and its participants. Inflation and unemployment are two key indicators of increasing vulnerability in our targeted market segments.
R2. Competitive landscape More providers of unsecured lending are entering the market and attempting to erode the market share of ABIL. In light of this as well as increased pressure on household spend, this is a strategic risk that has been identified as well as actively managed by the group to prevent the eroding of market share and also to ensure sustainable growth.
R3. Our people The long term success of any organisation is predominantly dependent on the quality and retention of staff and their commitment and passion for the business. The failure to retain skilled employees or to keep them motivated may lead to increased costs and deteriorating performance. The considerable increase in competition recently, as well as the substantial growth in our business has made recruitment, retention and employee satisfaction top priority in ABIL.
R4. Growing our customer base ABIL's strategy is to continually improve our customer value proposition by translating scale and critical mass into greater value. To achieve and maintain the scale, we have to continue to broaden our customer base in our chosen market segment.
R5. Scalability of the business The group has audacious goals for the growth of the business over the short to medium term, and it is critical that all aspects of the business grow at the same pace to ensure the success of the business model.

Mitigation	Further detail
ABIL constantly tracks leading indicators in the economic environment that might suggest symptoms of economic or financial distress in those segments of the market that it targets and adjusts its underwriting and affordability criteria accordingly.	• Strategic review – page 36 • Credit risk section of the web-based risk report
ABIL has introduced various initiatives including: • Active future target market segmentation; • A substantial branch expansion programme; • A range of new and innovative products; and • A new front-end that will vastly improve service to customers.	• Strategic review – page 37 – 38
A number of strategies are implemented to mitigate this risk, including an appropriate suite of reward and benefit structures for existing employees and ongoing refinement of an attractive employee value proposition. ABIL spends a significant amount of time and energy in active engagement with our people.	• Strategic review – page 39 – 41 • Employee section in the web-based sustainability report.
Innovative new credit and retail products and a substantial increase in the African Bank footprint through EHL stores have been instrumental in the significant growth in new customers in the past year.	• Strategic review – page 41 – 45 • Customer section in the web-based sustainability report
A very detailed project was undertaken this year to review all aspects of the business in terms of structure and scalability, amongst others.	• Strategic review – page 46

Risk
R6. Credit risk Key to the success of the business is the effective management of the group's credit exposures. The ongoing development of the group's underwriting models is dependent on the effective monitoring of credit risk metrics and trends, as these inform the continual changes necessary to calibrate the models correctly and to incorporate the effect of new risks as they emerge.
R7. Capital, liquidity and funding risk ABIL has to maintain adequate capital levels to safeguard its operations and stakeholders against risk and to allow it to grow. ABIL is exposed to liquidity risk arising from the need to finance its ongoing operations and growth. If the group is unable to obtain sufficient funding due to capital market conditions, the group may not be able to raise sufficient funds to achieve expected growth, fund acquisitions or meet the group's ongoing financing needs.
R8. Logistics One of the key contributors to achieving competitive advantage in EHL is the provision of a low-cost system that can meet customer needs in terms of merchandise availability across the network and deliver customers' orders within promised lead times.
R9. Information technology risk Uninterrupted and efficient availability of information technology services has become indispensable and forms an integral part of the daily operations and strategy execution of the group.

Mitigation	Further detail
This monitoring takes place at two levels – operational and tactical. The operational monitoring takes place online each day to ensure that the processing of applications is efficient and no processing discrepancies are left unattended. For purposes of the tactical level of monitoring each business unit compiles an extensive monthly operations credit pack which is reviewed by the operational credit committee. This information then forms the basis of a monthly strategic credit committee review and decision process which, in turn, reports its findings to the group risk committee on a quarterly basis.	• Credit risk section in the web-based risk report
The group has an experienced Treasury team who are responsible for managing the funding requirements of the group and managing liquidity risk. It operates within a framework of strict risk mitigation parameters approved by the board. The group also has a specialised capital management team within its Treasury and capital requirements are constantly monitored on an immediate and three-year view to ensure that the business is adequately capitalised to achieve its objectives.	• Capital, liquidity and funding management section in the web-based risk report
EHL is in the process of implementing a major new supply chain project that encompasses all logistics aspects in terms of cost, inventory availability and customer expectations. The scope of the implementation project entails the delivery of the physical infrastructure to create a single logistics platform for all EHL stores including the information systems to deliver warehouse management and transportation planning. Progress on this project is managed through a steering committee with dedicated resources managing the key deliverable of this project.	• Strategic review – page 44 • Web-based sustainability report
A regular assessment is undertaken to ensure alignment between the strategy and long term business needs of the group and the ability of the information technology capacity to provide a cost-effective execution thereof. System capacity is regularly assessed and upgraded. Required people skills are also assessed. During the year the group has made considerable investments in its IT environment to increase redundancy, availability and to have the right resources to provide business with expected levels of service.	• Web-based risk report (information technology section)

Risk
R10. Regulation Non-compliance with existing regulation and lack of awareness of developments in the regulatory environment may have a severe impact on the reputation and viability of the organisation.
R11. Impact on society Failure of the group to continually consider its impact on society and its responsibility as a corporate citizen may lead to reputational risk and missed opportunities for the organisation to contribute to the growth of the nation.

Mitigation	Further detail
ABIL accepts and adopts a rigorous approach to all its regulatory responsibilities to ensure that we have the necessary thoroughness around our approach and implementation. Compliance risks are managed through internal policies and processes, which include risk management, legal, compliance and other technical requirements relevant to the business. ABIL has ongoing engagement with the relevant authorities to try and understand ahead of time what the possible specific interventions could be and to prepare for readiness in order to minimise the effect of additional and amended laws and regulations.	• Regulatory risk section in the web-based risk report
ABIL's vision is to have a positive impact on our society. The group continuously evaluates its impact across all dimensions and uses its size, influence and financial strength to be a positive force in the development of our country.	• Letter to stakeholders page 22 – 29 • Strategic review page 47 • Material issues page 34 – 35

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

Shareholders' information *continued*

Credit rating

	African Bank Global Ratings (Moody's)				
Rating	**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*

Shareholders' profile

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 Investments	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) Limited	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

Analysis of ordinary shareholders

Range	Number of holders	% of total share-holders	Number of shares	% of total issued share capital
1 – 999	7 934	43,3	3 110 442	0,4
1 000 – 9 999	8 627	47,1	23 461 374	2,9
10 000 – 99 999	1 307	7,1	34 606 728	4,3
100 000 – more	448	2,4	742 996 656	92,4
Total	**18 316**	**100,0**	**804 175 200**	**100,0**
Shareholder spread				
Non-public	11	0,1	41 840 785	5,2
Directors	9	0,0	40 306 764	5,0
Development trust	1	0,0	1 060 606	0,1
Share trust	1	0,0	473 415	0,1
Public	18 305	99,9	762 334 415	94,8
Total	**18 316**	**100,0**	**804 175 200**	**100,0**
Distribution of shareholders				
Individuals	14 297	78,1	46 739 563	5,8
Banks	92	0,5	147 258 164	18,3
Pension/provident funds	211	1,2	143 431 652	17,8
Growth funds/unit trusts	550	3,0	274 134 599	34,1
Investment companies	36	0,2	65 130 185	8,1
Nominees and trusts	2 442	13,3	55 196 748	6,9
Limited companies	57	0,3	3 380 717	0,4
Insurance companies	25	0,1	43 477 061	5,4
Private companies	314	1,7	21 707 982	2,7
Medical aid schemes	19	0,1	1 128 986	0,1
Other corporate bodies	92	0,5	1 201 999	0,1
ABIL employee share trust	1	0,0	473 415	0,1
Close corporations	180	1,0	914 129	0,1
Total	**18 316**	**100,0**	**804 175 200**	**100,0**

Analysis of preference shareholders

Range	Number of holders	% of total share-holders	Number of shares	% of total issued share capital
1 – 999	592	39,7	264 245	3,3
1 000 – 9 999	787	52,8	2 034 018	25,3
10 000 – 99 999	96	6,4	2 070 351	25,7
100 000 – more	16	1,1	3 673 637	45,7
Total	**1 491**	**100,0**	**8 042 251**	**100,0**
Shareholder spread				
Non-public	0	0,0	0	0,0
Public	1 491	100,0	8 042 251	100,0
Total	**1 491**	**100,0**	**8 042 251**	**100,0**
Distribution of shareholders				
Individuals	1 063	71,3	2 466 960	30,7
Growth funds/unit trusts	34	2,3	2 297 918	28,6
Nominees and trusts	294	19,7	944 411	11,7
Insurance companies	4	0,3	909 059	11,3
Limited companies	1	0,1	2 720	0,0
Close corporations	18	1,2	473 674	5,9
Private companies	52	3,5	772 627	9,6
Other corporate bodies	25	1,7	174 882	2,2
Total	**1 491**	**100,0**	**8 042 251**	**100,0**
Top beneficial shareholders				
Liberty Life Association of Africa Limited			526 567	6,5
SBSA ITF Met Inc Plus Preference Fund			376 000	4,7
Winburn Investments cc			366 765	4,6
Coronation Unit Trust Market Plus Fund			250 783	3,1
Coronation Balanced Defensive Fund – CIS			249 021	3,1
Umbhaba Estates Pty Limited			248 740	3,1
Hollard Insurance Company Limited			246 000	3,1
SBSA ITF Grindrod Diver Preference Shares			233 545	2,9
Coronation Unit Trusts Strategic Income Fund			220 689	2,7
Coronation Preference Share Fund CIS			195 826	2,4

Independent Third Party Assurance Statement

To the board and stakeholders of African Bank Investments Limited (ABIL)

SustainabilityServices.co.za (SS) was commissioned by ABIL to provide independent third party assurance (ITPA) over the sustainability content within their 2011 Sustainable Development Report (the 'SD Report', covering the period 1 October 2010 to 30 September 2011). The assurance team comprised primarily Michael H Rea, our principal Sustainability Assurance Practitioner, with 12 years' experience in environmental and social performance measurement, including sustainability reporting and assurance.

AccountAbility AA1000S (revised, 2008)

To the best of our ability and significant experience in sustainability report assurance, this engagement has been managed in accordance with AccountAbility's AA1000AS (2008) assurance standard, where the format of the engagement was structured to meet the AA1000AS Type I (Moderate) requirements.

Independence

SS has not been responsible for the preparation of any part of this SD Report, nor has SS undertaken any commissions for ABIL that would conflict with our independence. Responsibility for producing this report was the responsibility of ABIL. Thus SS is, and remains, an independent assurer over the content and processes pertaining to this SDC Report.

Assurance objectives

The objectives of the assurance process were to provide ABIL's stakeholders an independent 'moderate level assurance' opinion on whether:

- The sustainability content within the SD Report adheres to the AA1000AS (2008) principles of Inclusivity, Materiality and Responsiveness; and
- The sustainability content within this SD Report meets the Global Reporting Initiative (GRI) G3 guidelines Application Level B reporting requirements.

Assurance approach and limitations

The process used in arriving at this assurance statement is based on AccountAbility's AA1000AS (2008) guidance, the GRI's G3 Application Level requirements, as well as other best practices in sustainability reporting assurance. Our approach to assurance included the following:

- A review of sustainability measurement and reporting procedures at ABIL's head offices to determine the context and content of sustainability management by the company;
- A review of the information collation and reporting procedures undertaken by ABIL to define the content of the SD Report by looking at the materiality of issues included in the report, stakeholder engagement responses to issues identified, determination of sustainability context and coverage of material issues;
- Reviews of drafts of the report for any significant errors and/or anomalies; and
- A confirmation that the requisite number of GRI G3 indicators had been covered in the report.

The process was limited to the content and assertions made within this SD Report for the period under review, and did not extend to a comprehensive analysis of the accuracy, reliability, completeness and/or consistency of the data presented by ABIL. Rather, sustainability data presented within the SD Report was subjected to a series of reasonability tests during proof editing. The process was further limited to reviewing policies and procedures for ethics, governance and stakeholder engagements, and did not extend to the physical engagement of any stakeholders to arrive at our assurance opinion.

SustainabilityServices.co.za

Findings

Based on our review of the report, as well as the processes employed to collect and collate information reported herein, it is our assertion that:

- ABIL adequately adheres to the Accountability AA1000APS principles of *Inclusivity, Materiality* and *Responsiveness*, although room for improvement exists with respect to stakeholder engagement.
- The report adequately meets the GRI G3's requirements for Application Level B. However, it was found that the reporting of performance against a few of the GRI G3 indicators continues to require either data quality improvements, or further details in disclosure.
- Improvements can be made with respect to the collection, collation and reporting of data for key sustainability performance indicators, noting that broad aspirational statements are useful in defining where ABIL might be headed, but performance data is much more useful in expressing where ABIL has been making progress towards strategic intents.

Conclusions and recommendations

Based on the information reviewed via desk research and management interviews, SustainabilityServices.co.za is confident that this report provides a comprehensive and balanced account of ABIL's environmental, safety and social performance for the period under review. The information presented is based on a systematic process and we are satisfied that the reported performance data accurately represents ABIL's current ability to manage and/or report on its environmental, safety and social performance, while meeting the AA1000AS (2008) principles of *Inclusivity, Materiality* and *Responsiveness*. Moreover, and although the quality or quantity of data of some GRI G3 indicators can be improved, this report appears to meet the GRI G3's requirements for Application Level B (B+ with this assurance engagement).

However, the following recommendations have been identified:

- With respect to adherence to AccountAbility's AA1000APS principle of *Inclusivity*, ABIL should continue to ensure that stakeholder engagement progresses towards the active inclusion of all significant stakeholders, and that a regular review of stakeholders tests for completeness and relevance.
- With respect to adherence to AccountAbility's AA1000APS principle of *Responsiveness*, ABIL should continue to ensure that feedback to stakeholders on sustainability matters occurs in line with King III's recommendations for 'Integrated Reporting', such that all presentations of results – including interim results – include a reasonable discourse regarding ABIL's most material sustainability issues.
- Having successfully addressed the requirements of GRI G3 Application Level B in this report, it is our recommendation that ABIL continue to ensure that its sustainability reporting processes meet no less than the GRI's G3 Application Level B reporting requirements in subsequent reporting periods.

For more information about the assurance process employed to assess the Corporate Responsibility section within ABIL's 2011 SD Report, email michael@csap.co.za.

SustainabilityServices.co.za
15 December 2011
Johannesburg

Notice of annual general meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action to take, please consult your CSDP, broker, banker or other advisor.

Action required

If you have disposed of all your shares in ABIL, this circular should be handed to the purchaser of such shares or to the CSDP, broker, banker or other agent through whom the disposal was effected.

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

Notice is hereby given that the 65th annual general meeting of the shareholders of ABIL (the AGM) for the year ended 30 September 2011 will be held at **11h00 on Tuesday, 7 February 2012.**

To ensure that the registration procedures are completed by 11h00, please register for the AGM from 10h00. Please note that section 63(1) of the Companies Act 71 of 2008, as amended (the 2008 Companies Act), requires that meeting participants (including proxies) must provide reasonably satisfactory identification before being entitled to attend or participate in the meeting. Forms of identification include valid identity documents, drivers licences and passports.

The venue for the AGM will be the registered office of the company, situated at 59 16th Road, Halfway House, Midrand.

The company intends to make provision for shareholders of the company to participate in the AGM by **electronic communication**. Please see the details for this set out in paragraph 19.2 below.

The purpose of the AGM is:

A. To present to the shareholders the annual financial statements (which statements include the directors' report and the audit committee report) for the year ended 30 September 2011, a copy of which was sent to the shareholders with this notice;
B. To consider all and any matters of the company as may lawfully be dealt with at the meeting;
C. To consider and, if deemed fit, to pass with or without modification, the ordinary and special resolutions of shareholders set out hereunder in the manner required by the 2008 Companies Act.

The board of directors of the Company has determined that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the AGM was 15 December 2011 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the AGM is Friday, 27 January 2012. Only shareholders who are registered in the register of shareholders of the Company on Friday, 27 January 2012 will be entitled to participate in and vote at the AGM. Accordingly, the last day to trade in order to be eligible to participate in and vote at the meeting is Friday, 20 January 2012.

Explanatory note

On 1 May 2011, being the date that the 2008 Companies Act came into effect, the Memorandum of Association and Articles of Association of the company automatically converted into the company's Memorandum of Incorporation (MOI). For consistency of reference in this notice of AGM, the term "MOI" or "Memorandum of Incorporation" is used throughout to refer to the company's Memorandum of Incorporation (which previously comprised the company's Memorandum of Association and its Articles of Association, as aforesaid).

All references in this notice of AGM (including all of the ordinary and special resolutions contained herein) to the company's MOI refer to provisions of that portion of the company's MOI that was previously called the company's Articles of Association.

1. Ordinary resolution 1 – Election of Adv MF Gumbi

RESOLVED THAT Advocate Mojankunyane Florence (Mojanku) Gumbi, who was appointed to the board on 1 March 2011, offers herself for election, be elected as a director of the company with immediate effect.

Percentage of voting rights required to pass this resolution: 50% plus 1 vote of the voting rights exercised.

2. Ordinary resolution 2 – Election of NB Langa-Royds

RESOLVED THAT Nomalizo Beryl (Ntombi) Langa-Royds, who was appointed to the board on 15 March 2011, offers herself for election, be elected as a director of the company with immediate effect.

Percentage of voting rights required to pass this resolution: 50% plus 1 vote of the voting rights exercised.

3. Ordinary resolution 3 – Election of JDMG Koolen

RESOLVED THAT Jacobus Dorotheus Maria Gerardus (Jack) Koolen, who was appointed to the board on 15 March 2011, offers himself for election, be elected as a director of the company with immediate effect.

Percentage of voting rights required to pass this resolution: 50% plus 1 vote of the voting rights exercised.

Motivation for ordinary resolutions 1, 2 and 3

In terms of the 2008 Companies Act and the company's MOI, directors who are appointed by the board (as opposed to being elected by the shareholders) serve as directors of the company on a temporary basis until elected by the shareholders.

Each of Advocate Mojankunyane Florence Gumbi, Nomalizo Beryl Langa-Royds and Jacobus Dorotheus Maria Gerardus Koolen were appointed by the board during March 2011. These directors are eligible for election and have made themselves available for election by the shareholders. The board recommends their election.

4. Ordinary resolution 4 – Re-election of RJ Symmonds

RESOLVED THAT Robert John (Johnny) Symmonds who retires in accordance with the company's MOI and being eligible, offers himself for re-election, be re-elected as director of the company with immediate effect.

Percentage of voting rights required to pass this resolution: 50% plus 1 vote of the voting rights exercised.

Motivation for ordinary resolution 4

In terms of the Memorandum of Incorporation of the company, one-third of the directors are required to retire at each annual general meeting. There are 12 directors of ABIL and so four directors in total need to resign, and in this regard directors who are obliged to retire because they are new appointments are taken into consideration. Accordingly, one further director is required to retire, and such director must be selected from those remaining directors who have served longest in time since their last election or re-election. Applying these requirements, Robert John Symmonds is required to retire as a director and he is entitled and has offered himself for re-election. The board recommends to shareholders the re-election of Robert John Symmonds.

The profiles of the directors standing for election or re-election as outlined in ordinary resolutions numbered 1 to 4 above appear at the end of this notice.

5. Ordinary resolution 5 – reappointment of the auditors

RESOLVED THAT Deloitte & Touche be reappointed as auditors of the company (and as at the date of this notice of AGM, Deloitte & Touche has determined that Mgcinisihlalo Jordan be the designated auditor to continue to perform the functions of auditor of the company, Mr Jordan having been first so appointed in 2009).

Percentage of voting rights required to pass this resolution: 50% plus 1 vote of the voting rights exercised.

Motivation for ordinary resolution 5

Deloitte & Touche has indicated its willingness to continue in office and ordinary resolution 5 proposes the reappointment of that firm as the company's auditor until the conclusion of the next annual general meeting.

At an ABIL audit committee meeting held on 17 November 2011, the committee considered the independence of the auditor Deloitte & Touche, in accordance with section 94(8) of the 2008 Companies Act. The ABIL audit committee also considered whether Deloitte & Touche is independent as prescribed by the Independent Regulatory Board for Auditors established by the Auditing Profession Act and was satisfied that Deloitte & Touche was independent. The audit committee nominates Deloitte & Touche for reappointment as registered auditor of the company.

Furthermore, the ABIL audit committee has, in terms of paragraph 3.86 of the JSE Listings Requirements, considered and satisfied itself that Deloitte & Touche, the reporting accountant and individual auditor are accredited to appear on the JSE List of Accredited Auditors, in compliance with section 22 of the JSE Listings Requirements.

6. Ordinary resolution 6 – non-binding advisory vote on the remuneration policy

RESOLVED THAT, as contemplated in King III which requires that the remuneration policy of the company be tabled to shareholders for a non-binding advisory vote, the shareholders approve the remuneration policy of the company (excluding the remuneration of the non-executive directors) as annexed to this notice.

Percentage of voting rights required to pass this resolution: as this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights to adopt this resolution as a non-binding advisory vote is 50% plus 1 vote of the voting rights exercised.

Motivation for ordinary resolution 6

In terms of the King III recommendations, every year, the company's remuneration policy should be tabled for a non-binding advisory vote at the annual general meeting. The essence of this vote is to enable the shareholders to express their views on the remuneration policies adopted by the company.

Accordingly, the shareholders are requested to endorse the company's remuneration policy.

7. Special resolution 1 – remuneration of non-executive directors

RESOLVED THAT the remuneration payable to non-executive directors for their services as directors for the financial year ending 30 September 2012 (the 2012 financial year) will be as indicated in the table below as adjusted thereafter to take account of inflation (subject to a maximum increase of 5% per annum), which adjustment shall only be applicable until a change to the non-executive directors' remuneration is approved at a subsequent shareholders' meeting:

Emoluments payable to non-executive directors

Rands	**2011 financial year**	2012 financial year	Increase percentage
Chairman's fees inclusive of board and all committee fees	**1 376 865**	1 475 000	7%
Non-executive directors	**199 206**	214 000	7%
Chairman of the audit committee	**199 206**	214 000	7%
Audit committee members	**99 603**	107 000	7%
Chairman of the risk and capital management committee	**199 206**	214 000	7%
Risk and capital management committee members	**99 603**	107 000	7%
Chairman of the remuneration and transformation committee	**140 616**	150 000	7%
Remuneration and transformation committee members	**70 308**	75 000	7%
Chairman of the directors' affairs committee	**140 616**	150 000	7%
Directors' affairs committee members	**70 308**	75 000	7%
Chairman of the social and ethics committee	**new**	150 000	N/A
Social and ethics committee member	**new**	75 000	N/A

Percentage of voting rights required to pass this resolution: 75% of the voting rights exercised.

Motivation for special resolution 1

In terms of sections 66(8) and (9) of the 2008 Companies Act, remuneration may only be paid to directors for their service as directors in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in a company's MOI. ABIL's MOI does not prohibit the payment of such remuneration. The remuneration sought to be approved is to be paid to the non-executive directors, as they are not remunerated as employees of the company, as in the case of the executive directors. ABIL performs a benchmark exercise every three to four years to determine if the non-executive directors' remuneration is in line with market having regard to the size, complexity, time demanded, skills, experience and qualifications of its non-executive directors. This exercise was performed in late 2011 and it was found that the non-executive directors fees are currently in line with the market. The annual increase has been set at 7% which is marginally above that of the executive directors and inflation.

8. Special resolution 2 – amendment of article 8 – meetings of members

RESOLVED THAT article 8 of the company's MOI shall be amended by the insertion of the following article 8.4:

"8.4 Where in terms of the JSE Listings Requirements any general meeting of the company or of the holders of any class of shares is required to be held to decide or determine any matter, such meeting may not be held by means of written resolution notwithstanding the provisions of section 60 of the Companies Act".

Percentage of voting rights required to pass this resolution: 75% of the voting rights exercised.

Motivation for special resolution 2

Section 60 of the 2008 Companies Act contemplates that a resolution that could be voted on at a shareholders' meeting may instead be voted on in writing by shareholders entitled to exercise voting rights in relation to such resolution.

In terms of the JSE Listings Requirements, this is not permitted in respect of matters where the JSE Listings Requirements prescribe that a matter is to be decided or determined by any general meeting of the company or of the holders of any class of shares and the JSE has requested the company to include a provision to this effect in its MOI.

9. Special resolution 3 – amendment of article 9 – electronic participation at meetings of members

RESOLVED THAT article 9 of the company's MOI be amended by the insertion of the following article 9.10:

"9.10 If so required by the Statutes, shareholders shall be entitled to participate by electronic communication in shareholders meetings (using a methodology selected by the directors), provided that any technological or other failure (including any error or omission by the company or its service providers) relating to such electronic participation, which affects any one or more shareholders' ability to participate electronically in all or part of any meeting, shall not invalidate any of the proceedings at such meeting."

Percentage of voting rights required to pass this resolution: 75% of the voting rights exercised.

Motivation for special resolution 3

The 2008 Companies Act provides that every shareholders' meeting of a public company must be reasonably accessible in the Republic of South Africa for electronic participation by shareholders. The amendment to article 9 recognises this requirement and ensures that a technological failure or accidental omission hindering electronic participation will not invalidate the meeting concerned.

10. Special resolution 4 – amendment of article 27 – accounts and records

RESOLVED THAT the entire article 27 of the company's MOI be and is hereby replaced by the following article 27:

"27. ACCOUNTS AND RECORDS

27.1 Not less than 15 business days before the date of any annual general meeting, a summarised form of the financial statements to be presented at such meeting and directions for obtaining a copy of the complete annual financial statements for the preceding financial year shall be sent to every shareholder, subject to and in accordance with the provisions of the Statutes (including but not limited to the Companies Act), the JSE Listings Requirements and all other applicable law. In addition, the requisite number of copies as may be required by law shall be sent to the Registrar of Banks, the JSE and any other regulatory body, all of which shall be done in accordance with the provisions of applicable law.

27.2 Nothing in article 27 shall detract from the right, if any, under the Statutes of any person who holds a beneficial interest in securities issued by the company to receive notice of the publication of any annual financial statements and, on demand, receive a copy thereof, in each case subject to the provisions of the Statutes.

27.3 If so required by the Statutes, the JSE Listings Requirements or any other applicable law, and in the manner and within the time periods required thereby, the company shall distribute interim reports to its shareholders, after the expiration of the first period of 6 (six) months of each financial year of the company.

27.4 Nothing contained in this article 27 shall impose a duty on the directors to send copies of such documents to any person whose address is not known to the company, or where any shares are jointly held, to more than one of the joint holders of such shares.

27.5 Shareholders' rights of inspection of the company's records shall be as set out in the Statutes. The directors shall from time to time determine to what extent and at what times and places and under what conditions such records of the company, or any of them, shall be open to the inspection of the shareholders. No shareholder (not being a director) shall have the right of inspecting any account or book or document of the company, except as conferred by Statute or authorised by the directors."

Percentage of voting rights required to pass this resolution: 75% of the voting rights exercised.

Motivation for special resolution 4

The reason for the passing of this special resolution is to enable the company to provide shareholders with a copy of summarised financial statements and directions for obtaining complete annual financial statements for the preceding financial year in accordance with the 2008 Companies Act. The effect of this will be to allow the company, for example, to direct shareholders to an internet website to obtain a copy of the complete annual financial statements for the preceding financial year. Shareholders will however, be entitled to request the company to send them a copy of the complete annual financial statements. Article 27 also ensures alignment between the MOI, the Statutes and the JSE Listings Requirements. Further, article 27.5 allows the directors to regulate the reasonable periods and conditions of access to those records of the company which the shareholders have a right to inspect.

11. Special resolution 5 – amendment of article 8.3 and 29 – notices

RESOLVED THAT article 8.3 and the entire existing article 29 of the company's MOI be and are hereby replaced by the following new articles 8.3 and 29 respectively:

"8.3 Subject to the provisions of the Statutes relating to meetings, the company must deliver notice of each shareholders meeting at least 15 business days before the meeting is to begin.".

"29. MANNER OF PROVIDING NOTICES

29.1 Notwithstanding anything to the contrary in these Articles, any notice to be given by the company shall be given in accordance with the provisions of the Companies Act, the JSE Listings Requirements and any applicable law, and generally the company can give any notice or document (including a share certificate) to a shareholder:

(a) personally; or

(b) by posting it to, or leaving it at, the shareholder's registered address; or

(c) as agreed in writing by the shareholder concerned; or

(d) where appropriate, by sending or supplying it by electronic medium to an address notified by the relevant shareholders to the company for that purpose; or

(e) where appropriate, by making it available on a website and notifying the shareholder of its availability in accordance with this article; or

(f) in any other manner permitted in terms of or contemplated under the Companies Act.

29.2 Any shareholder may notify the company in writing of an address (either a registered address or an address to receive information by electronic medium or both such addresses) and if he has not named any such address, he shall be deemed to have waived his right to be served with notice.

29.3 All notices may, with respect to any registered shares to which persons are jointly entitled, be given to whichever of such persons is recognised by the company as having any title to such shares in terms of article 4.4, as the case may be, and notice so given shall be sufficient notice to all the holders of such shares.

29.4 Every person who by operation of law, transfer or other means whatsoever becomes entitled to any share shall be bound by every notice in respect of such share which previously to his name and address being entered on the register shall have been given to the person from whom he derives his title to such share.

29.5 Any notice or document sent to any shareholder in pursuance of these presents shall, notwithstanding that such shareholder be then deceased, and whether or not the company has notice of his death, be deemed to have been duly served in respect of any registered shares, whether held solely or jointly with other persons by such shareholders, until some other person be registered in his stead as the holder or joint holder thereof, and such service shall, for all purposes of these presents, be deemed a sufficient service of such notice or document on his heirs, executors or administrators, and all persons (if any) jointly interested with him in any such shares.

29.6 Every notice calling any general meeting of the company shall comply with the provisions of the Statutes".

Percentage of voting rights required to pass this resolution: 75% of the voting rights exercised.

12. Special resolution 6 – amendment of article 41 – use of electronic media

RESOLVED THAT the entire article 41 of the company's MOI be and is hereby replaced by the following article 41:

"41. USE OF ELECTRONIC MEDIA AND ELECTRONIC COMMUNICATION

41.1 Whenever the memorandum of incorporation of the company or the applicable legislation requires:

41.1.1 information to be in writing, that requirement is met by a data message if the information contained therein is accessible in a manner usable for subsequent reference or, as otherwise stipulated by the applicable legislation (including, but not limited to, the Electronic Communications and Transactions Act 25 of 2002, as amended or substituted from time to time) (the Electronic Communications and Transactions Act);

41.1.2 information to be presented or retained in its original form, that requirement is met by a data message if it complies with the applicable provisions of the Electronic Communications and Transactions Act, from time to time;

41.1.3 a signature of a shareholder or other person or a document to be signed by or on behalf of the company, that requirement shall be met in relation to a data message if there is compliance with the applicable provisions of the Electronic Communications and Transactions Act, from time to time;

41.1.4 that certain documents, records or information be retained, that requirement is met by retaining data messages in compliance with the applicable provisions of the Electronic Communications and Transactions Act, from time to time.

41.2 The shareholders, directors and the company agree that in any legal proceedings, nothing in the application of the rules of evidence shall apply so as to deny the admissibility of a data message in evidence:

41.2.1 on the sole grounds that it is a data message; or

41.2.2 if it is the best evidence that the person adducing it could reasonably be expected to obtain, on the grounds that it is not in its original form.

41.3 Information in the form of a data message shall be given due evidential weight. In assessing the evidential weight of a data message, regard shall be had to the reliability of the manner in which the data message was generated, stored or communicated, to the reliability of the manner in which the integrity of the information was maintained, to the manner in which its originator was identified, and to any other relevant factor.

41.4 Nothing in this memorandum of incorporation shall be interpreted as prohibiting the company from establishing an electronic proxy system. Insofar as the memorandum of incorporation or the applicable legislation requires proxies to be submitted or otherwise filed with the company, such requirement shall be met if, in the sole opinion of the board of directors of the company, the electronic proxy system established is capable of satisfying the requirements of this article 41".

Percentage of voting rights required to pass this resolution: 75% of the voting rights exercised.

Motivation for special resolutions 5 and 6

Prior to the enactment of the 2008 Companies Act, the JSE set specific requirements regarding the communication by listed companies with their shareholders through the means of electronic delivery and prescribed that certain requirements relating to electronic delivery must be included in the listed company's memorandum of incorporation. The JSE Listings Requirements no longer stipulates the requirements for electronic communications as these are dealt with adequately in the 2008 Companies Act.

The reason for special resolutions 5 and 6 is to:

- enable the company to provide notices to shareholders and others by means of electronic medium in accordance with the 2008 Companies Act and any applicable law; and
- remove from the MOI those provisions regarding electronic communication which are no longer of application.

While the company was always allowed, subject to applicable law, to provide notices and documents to its shareholders by various methods, including delivery by electronic medium, the amended articles 29 and 41 are aligned with the requirements of the 2008 Companies Act, the Electronic Communications and Transactions Act, 25 of 2002 and the JSE Listings Requirements.

The amendment to article 8.3 in special resolution 5 brings the notice provisions contained in the MOI in line with the 2008 Companies Act.

13. Special resolution 7 – correction of technical matters in the MOI

RESOLVED THAT the following amendments be made to the MOI:

13.1 Any reference in the MOI to the *"JSE Securities Exchange, South Africa" or "the Johannesburg Stock Exchange"*, be amended to be a reference to *"the JSE Limited"* or *"the JSE"* as best suits the context and any reference to the *"JSE Limited"* or *"the JSE"* shall include *"the successor in title thereto"*;

13.2 The definition of *"the Companies Act" shall "mean Act 71 of 2008, as amended or any act which replaces it";*

13.3 In paragraph 7.12D, the text marked below with a strike through line be deleted and the underlined text added to such paragraph:

"the written approval by the Registrar of Banks shall first be obtained to any proposed alteration ~~(in terms of Section 44, 55, 56 or 62, 75, 83 and 84 of the Companies Act)~~ of the name of the company or the Memorandum of <u>Incorporation</u> ~~Association or Articles of Association~~ of the company prior to ~~the registration thereof by the Registrar of Companies~~ <u>any filing thereof as may be required in terms of the Companies Act</u>. Any application for the Registrar of Banks' approval shall be lodged with the Registrar of Banks before the proposed special resolution is laid before a general meeting of the company.";

13.4 In article 10.1, the reference to *"Section 195(1) of the Companies Act"* shall be amended to a reference to *"Section 195(1) of the Companies Act No. 61 of 1973"*, in order to ensure that voting rights associated with the securities held by the shareholders remain unamended;

13.5 In article 10.8, the reference to *"Section 189 of the Companies Act"* shall be amended to a reference to *"Section 58 of the Companies Act";*

13.6 In article 23.4, the reference to *"Section 90 of the Companies Act"* shall be amended to a reference to *"Section 46 of the Companies Act"*;

13.7 Article 36, which previously referred to section 90 and section 85 of the 1973 Companies Act, is corrected so that it refers to the applicable sections of the 2008 Companies Act so that after such amendment such article reads as follows:

"Subject to section 46 of the Companies Act, as amended, the company is authorised to make payments and other distributions to its shareholders.

Without limiting the generality of the foregoing, the company is entitled to apply its share premium account for the payment of the premium over the par value of the shares so acquired in terms of article 35 and section 48 of the Companies Act".

Percentage of voting rights required to pass this resolution: 75% of the voting rights exercised.

Motivation for special resolution 7

The company's MOI refers to sections of the repealed 1973 Companies Act, some of which sections have been replaced by new sections in the 2008 Companies Act and some of which have been repealed and not replaced at all. In certain instances, it remains correct to refer to the 1973 Companies Act, in order to keep existing rights of shareholders unamended (such as in paragraph 13.4 above). The amendments requested above are of a technical nature and are to assist the company and its shareholders in understanding its MOI in the context of the current legislation.

The amended MOI, drawn on the assumption that the amendments referred to in this notice of AGM are passed in the form presented, is available for inspection by the shareholders of the company at the company's principal place of business.

14. Special resolution 8 – lodging of consolidated MOI with CIPC

RESOLVED THAT a consolidated version of the memorandum of incorporation, incorporating all amendments that have been made thereto since such document was last consolidated in 1995 (including each of the amendments referred to in this notice of AGM relating to the amendment of the MOI, to the extent that they are passed) be adopted by the company and filed with the Companies and Intellectual Property Commission as a consolidated revision of the MOI applying to the company.

Percentage of voting rights required to pass this resolution: 75% of the voting rights exercised.

Motivation for special resolution 8

In light of the numerous changes to the MOI, the directors believe that it is appropriate to compile and register a consolidated version of the MOI. The effect of this resolution, if passed, will be that all of the articles forming part of the MOI which apply to the company will be consolidated into one document and lodged with the Companies and Intellectual Property Commission.

Should any shareholder wish to obtain a copy of the consolidated version of the MOI, they will be available on the ABIL website at www.abil.co.za, once they have been filed with the Companies and Intellectual Property Commission. Any shareholder who requires a copy of the consolidated MOI may request same from the company secretary of ABIL, once they have been so filed.

Should any shareholder who wishes to obtain the version of the MOI, consolidated to reflect all previous changes to the MOI other than those referred to in this notice, may request same from the company secretary of ABIL.

15. Special resolution 9 – general authority to provide financial assistance to related or inter-related companies and corporations

RESOLVED THAT, to the extent required by the 2008 Companies Act, the board of directors of the company may, subject to compliance with the requirements of the 2008 Companies Act, the company's MOI and the JSE Listings Requirements, authorise the company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to any of its subsidiaries and/or any other company or corporation that is related or inter-related to the company, for any purpose or in connection with any matter, including any general repurchase of ABIL shares by ABIL or any subsidiary of the company. Such authority shall not extend to permitting the company to provide any such financial assistance for the purposes of or in connection with any other subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company unless it relates to any general repurchase of ABIL shares by ABIL or any subsidiary of ABIL or the shareholders have provided the company with the necessary authority to do so by virtue of a separate authorising resolution.

Percentage of voting rights required to pass this resolution: 75% of the voting rights exercised.

Motivation for special resolution 9

Prior to the 2008 Companies Act becoming effective, ABIL, acting through its board, was entitled without shareholder permission, to make inter-company loans, grant financial assistance to group companies and further was entitled to provide financial assistance, should the directors deem it appropriate, in connection with the acquisition of shares and debentures of its subsidiaries.

However, sections 44 and 45 of the 2008 Companies Act limit this ability. These sections provide, amongst others, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approves such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that:

- immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

ABIL would like the ability to provide financial assistance to its related or inter-related companies, if necessary, and also to provide such financial assistance, in accordance with section 45 of the 2008 Companies Act in connection with any general repurchase of ABIL shares by a subsidiary of ABIL in terms of the permission sought in special resolution 11 below. In order, amongst other things, to ensure that ABIL subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from ABIL to the extent necessary to enable them to carry on their business activities, it is necessary to obtain the approval of shareholders as set out in the special resolution above.

16. Special resolution 10 – specific authority to provide financial assistance to BEE companies

RESOLVED THAT, to the extent required by section 44 of the 2008 Companies Act, the board of directors of the company may, subject to compliance with the requirements of the 2008 Companies Act, authorise the company to provide direct or indirect financial assistance to either or both of Eyomhlaba Investment Holdings Limited (Eyomhlaba) and Hlumisa Investment Holdings Limited ("Hlumisa"), being the companies through which ABIL's first and second black economic empowerment programmes are operated. Any such financial assistance will be on terms no less favourable to the ABIL group than the following terms:

16.1 the borrower will be either or both of Eyomhlaba and Hlumisa;

16.2 the lender of the funding will be ABIL and/or any of its wholly owned subsidiaries;

16.3 the funding will be in the form of a loan and/or preference share funding;

16.4 the maximum repayment period for any such funding will be five years;

16.5 the maximum amount of any funding will be R500 million in the case of Eyomhlaba and R250 million in the case of Hlumisa;

16.6 the minimum funding return (albeit interest or dividend) of any such financial assistance, in the case of a floating rate instrument, will be the prime overdraft rate of the lender's main bankers applicable at the date of issue (which rate is, at the date of issue of this notice, currently 9%) per annum (nominal annual compounded semi-annually) and, in the case of a fixed rate instrument, will be determined with reference to a relevant risk-free benchmark of equivalent duration to the funding instrument concerned plus a margin above such relevant risk-free benchmark calculated, at the inception of such funding arrangement, to provide at least the equivalent of the minimum funding return referred to above;

16.7 there may not be security received in respect of the funding although the borrower will be obliged to maintain an asset to debt cover ratio of at least two (calculated as if the funding had been raised and utilised for the purposes intended being the purchase of ABIL shares or rights to ABIL shares and/or to redeem or settle any other third party funding obligation);

16.8 the rights of the lender may be subordinated to other external funders of the borrower; and

16.9 any funding return not paid by the borrower to the lender timeously will accumulate for later payment or for payment on redemption.

Percentage of voting rights required to pass this resolution: 75% of the voting rights exercised.

Motivation for special resolution 10

Eyomhlaba and Hlumisa were established in 2005 and 2008 respectively as special purpose vehicles with the main object of acquiring and continuing to acquire ABIL ordinary shares. It is through those companies that broad-based ownership of a significant number of ABIL ordinary shares by black persons is intended to be achieved. Currently, Eyomhlaba and Hlumisa jointly own 7,5% of the ordinary shares of ABIL. ABIL would like the ability to provide financial assistance to either or both of Eyomhlaba and Hlumisa should ABIL believe that this will assist ABIL towards achieving its black economic empowerment objectives through such funding. For this reason, it is necessary to obtain the approval of shareholders as set out in the special resolution above.

17. Special resolution 11 – general repurchases

RESOLVED THAT, as a general approval, the acquisition by the company, and/or any subsidiaries of the company, from time to time, of the issued securities of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, be and is hereby authorised, but subject to the MOI of the company, the provisions of the 2008 Companies Act and the JSE Listings Requirements, when applicable, and provided that:-

17.1 the acquisitions by the company and its subsidiaries of securities in the capital of the company may not, in the aggregate, exceed in any one financial year, 3% of the company's issued share capital of the class of the repurchased securities;

17.2 the aggregate percentage of issued securities in the company which the company's subsidiaries may hold as treasury stock, at any time, shall not exceed 10% of the company's issued share capital for each class of securities at the relevant times and no voting rights attached to those securities may be exercised while those securities are held by such subsidiaries;

17.3 **Additional requirements imposed by the JSE Listings Requirements**

It is recorded that the company or its subsidiaries may only make a general acquisition of securities of the company if the following JSE Listings Requirements are met:

17.3.1 the repurchase of securities being effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);

17.3.2 the approval by the shareholders in terms of this special resolution shall be valid only until the next annual general meeting of the company or 15 months from the date of the AGM at which this special resolution is passed, whichever period is shorter;

17.3.3 repurchases may not be made at a price greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected or, if the company's securities have not traded in such 5 business day period, the JSE should be consulted for a ruling;

17.3.4 at any point in time, the company may only appoint one agent to effect any repurchases on its behalf;

17.3.5 a resolution by the board of directors of the company that they authorise the repurchase, that the company pass the solvency and liquidity test contemplated in the 2008 Companies Act and that since that test was done there has been no material change to the financial position of the ABIL Group;

17.3.6 any such general repurchases are subject to exchange control regulations and approvals at that point in time;

17.3.7 the company and/or its subsidiaries may not repurchase any securities in terms of this authority during a prohibited period, as defined in the JSE Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and

17.3.8 when the company, together with its subsidiaries, has cumulatively repurchased 3% of the initial number of the relevant class of securities an announcement will be made.

Percentage of voting rights required to pass this resolution: 75% of the voting rights exercised.

Motivation for special resolution 11 and statement required in terms of paragraph 11.26 of the JSE Listings Requirements

Pursuant to and in terms of the JSE Listings Requirements, the board of directors of the company hereby state that:

- At the date of this notice, the board of directors of the company has no definite intention of repurchasing shares, other than in relation to hedging the group's exposure to the ABIL share price under its long term incentive programme. It is proposed and the directors believe it to be in the best interests of the company that shareholders pass special resolution 11 which will give the directors the authority to repurchase a maximum of 3% of the company's issued share capital in any one financial year.
- In determining the method by which the company would repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the company will only make repurchases if, at the time of the repurchase, they are of the opinion that:
  a) the company and the group will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the 12 month period following the date of such repurchase;
  b) the consolidated assets of the company and the group, fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the company and the group for the 12 month period following the date of the repurchase;

c) the issued share capital and reserves of the company and the group will, after the repurchase, be adequate for the ordinary business purposes of the company and the group for the 12 month period after the date of the repurchase; and

d) the working capital available to the company and the group will, after the repurchase, be adequate for the ordinary business purposes of the company and the group for the 12 month period following the date of the repurchase.

- Since the method of acquisition and the number of securities to be acquired are still to be determined by the board of directors in the future, the board of directors shall only exercise the authority hereby granted to it if, within the board's discretion, circumstances should merit such exercise and provided that, on the date of the acquisition of the securities and taking into account the effect thereof, the company will be able to comply with the requirements of a) to d) above.
- In addition to the above requirements, any resolution by the board of directors authorising any such repurchase must include a statement that the company passed the solvency and liquidity test contemplated in the 2008 Companies Act and that since the test was done there have been no material changes to the financial position of the group.
- Finally, the directors shall not make any payment in whatever form to acquire shares unless it is satisfied the relevant requirements of section 48 of the 2008 Companies Act have been fulfilled.
- For the purposes of considering special resolution 11 and in compliance with the JSE Listings Requirements, the general information required in Rule 11.26 of the JSE Listings Requirements has been included in an annexure headed "Paragraph 11.26 Information" at the end of this notice.

18. Ordinary resolution 7 – directors' authority to implement special and ordinary resolutions

RESOLVED as an ordinary resolution that each and every director of the company be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this meeting.

Percentage of voting rights required to pass this resolution: 50% plus 1 vote of the voting rights exercised.

Motivation for ordinary resolution 7

This resolution is to provide the directors with the necessary authority to do all things necessary to act under or implement the decisions and resolutions passed at this meeting.

19. General information

19.1 Voting and proxies

A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, participate in and vote at the meeting in the place of the shareholder.

The attached form of proxy is only to be completed by those shareholders who:

- hold shares in certificated form; or
- are recorded on the sub-register in dematerialised electronic form with "own name" registration.

All other beneficial owners who have dematerialised their ordinary shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the AGM, must instruct their CSDP or broker to provide them with the Letter of Representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These shareholders must not use a form of proxy.

It is requested that the Company receives completed forms of proxy by no later than 11h00 on Friday, 3 February 2012 at the office of the Company's transfer secretaries, Link Market Services SA Proprietary Limited. The address of Link Market Services SA Proprietary Limited is:

13th Floor
Rennie House
19 Ameshoff Street
Braamfontein

PO Box 4844
Johannesburg
2000

Any forms of proxy not lodged by this time must be handed to the chairman of the annual general meeting immediately prior to the annual general meeting.

Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend, speak and vote in person at the AGM should the shareholder decide to do so. A summary of the shareholder's rights in respect of proxy appointments as contained in section 58 of the 2008 Companies Act are set out on the proxy form.

19.2 Electronic participation in the AGM

Please note that the company intends to make provision for shareholders of the company, or their proxies, to participate in the AGM by way of electronic communication. In this regard, shareholders or their duly appointed proxy(ies) who wish to participate at the AGM via electronic communication (Participants) must apply to the company's transfer secretaries (whose address is set out in paragraph 19.1 above and on the application form) using the application form attached hereto. The application form must be received by the company's transfer secretaries by no later than 17h00 on 30 January 2012.

Participants are advised that they will not be able to vote during the meeting. Such Participants, should they wish to have their vote counted at the meeting, must act in accordance with the general instructions contained in paragraph 19.1 above regarding voting and proxies.

Shareholders must take note of the following:

- A limited number of telecommunication lines will be available;
- Each Participant will be contacted prior to the commencement of the meeting via email and/or SMS/text message utilising the details provided by the Participant in the application form attached hereto. Participants will be provided with a code and relevant telephone number to allow them to dial in;
- The cost of the electronic communication facilities will be for the account of the company, although the cost of the shareholder's phone call will be for his/her own expense;

19.3 Directions for obtaining a copy of financial statements

A copy of the audited financial statements of the company are sent to shareholders with this notice. Such financial statements or a copy thereof can be found on ABIL's website (www.abil.co.za) or a copy thereof can be requested in writing from Link Market Services SA Proprietary Limited (whose address is set out in paragraph 19.1 above).

By order of the board

African Bank Investments Limited

Michael Mduduzi Luthuli

Company Secretary

15 December 2011

Registered office

59 16th Road
Midrand
1685

Private Bag X170
Midrand
1685

Directors' curricula vitae

Advocate Mojankunyane Florence (Mojanku) Gumbi	Independent non-executive director
Date appointed	1 March 2011
Business address	59 16th Road, Midrand, 1685
Qualifications	BProc, LLB, Certificate in Trial Advocacy from the University of Texas in Austin, USA
Nationality	South African
Directorships	Non-executive director of ABIL and African Bank Limited; Executive director of Mojanku Gumbi Advisory Services Proprietary Limited.

Profile

Advocate Gumbi has dedicated most of her legal career to public interest law. From 2009 to date she has been an advocate and a consultant. From 1994 to 2008 she was a special advisor to then deputy president and president Thabo Mbeki. In this role, Advocate Gumbi was one of the lead negotiators for South Africa in the World Trade Organisation negotiations. She has also served as President Mbeki's personal representative on the G8 and in the Progressive Governance group and participated in the activities of the World Economic Forum, both in the southern Africa region and in Davos. She continues to be an active participant in this forum. In addition, she has advised President Mbeki on domestic policy matters working to ensure a global presence for South African companies and assisted many South African companies in their expansion globally.

Nomalizo Beryl (Ntombi) Langa-Royds	Independent non-executive director
Date appointed	15 March 2011
Business address	59 16th Road, Midrand, 1685
Qualifications	BA, LLB
Nationality	South African
Directorships	Non-executive director of ABIL; African Bank Limited; Pretoria Portland Cement Limited; Respiratory Care Africa Limited, Mpact Limited. Executive director of Greanleaf Centre for Servant Leadership (SA), Faranani Investments Proprietary Limited and executive member of Nthake Consultants CC.

Profile

Ntombi has 25 years' experience in the human resources environment. She started a wholly owned black female corporation, Nthake Consultants CC, in 1999, specialising in HR management and allied services.

Ntombi has worked as Group Human Resources director at Independent Newspapers Limited, as Chief Executive: Human Resources for the SABC and as Group Human Resources director for Nampak Limited. Currently, Ntombi also serves on the audit committee of the Presidency and Department of Performance, Monitoring and Evaluation (DPME).

Jacobus Dorotheus Maria Gerardus (Jack) Koolen	Independent non-executive director
Date appointed	15 March 2011
Business address	59 16th Road, Midrand, 1685
Qualifications	BComm (Hogere Economische School in Groningen, Netherlands); MBA (Wits)
Nationality	Dutch citizen resident in South Africa since 1983
Directorships	Non-executive director of ABIL, African Bank Limited and Ellerine Holdings Limited; executive director of Reflact Advisory Services Proprietary Limited.

Profile

Jack is an independent advisor. In addition, he has lectured part-time at the Gordon Institute of Business Studies since 2001, in the areas of strategy, competitiveness and choice, integrating insights from competitive strategy, logic systems and behavioural economics.

He has held non-executive board positions in the private sector (Edcon: 2001-2007) and in NGOs (CityYear since inception until 2008; CIDA University Advisory Board from inception until 2007), and was a member of the SA Health Ministerial Advisory Committee on Financial Reform (2009). He has worked as an independent advisor since September 2008, closely associated with the Monitor Group in the Middle East, and regularly advises the South African government on a variety of issues. He has recently worked on issues of healthcare and education reform, crime reduction strategies, nutrition policy, and economic growth strategies. He has advised the Presidency (Monitoring and Evaluation), and the Gauteng Province on economic growth challenges, as well as working with several private sector clients (mining, healthcare, retail, banking, as well as the chairman of Eskom) in South Africa, in addition to serving clients based in Switzerland, the UK and Saudi Arabia.

Directors' curricula vitae *continued*

Robert (John) Johnny Symmonds	Independent non-executive director
Date appointed	21 May 2009
Business address	59 16th Road, Midrand, 1685
Qualifications	BComm (Hons) (UCT); CA (SA) Strategic Banking Programme (IMD – Lausanne); Executive Development Programme (GIMT)
Nationality	South African
Directorships	Non-executive director of ABIL; African Bank Limited; Leppard and associates; Umlimi Underwriting; Financial Management International; Heavy Commercial Vehicles; Professional Indemnity Mutual Solutions; Consort Technical Underwriters; Pinnafrica Limited; Cast Arena Trade and Invest 87 Proprietary Limited; The Standard General Insurance Company Limited; Relyant Life Assurance Company Limited; Relyant Insurance Company Limited; and Customer Protection Insurance Company Limited. Managing Director of Lombard Insurance Company Limited; Lombard Life; Lombard Insurance Limited; Lombard Trade Finance; Lombard Guarantee Services Proprietary Limited – registered in Botswana and Lombard Consolidated Proprietary Limited.

Profile

Currently the managing director of the Lombard Insurance Company Limited. He is responsible for the overall implementation of strategies developed in conjunction with the board.

Johnny's experience includes being chief executive officer of Mercantile Lisbon Bank Holdings where amongst other things he had the responsibility for the overall implementation of strategies developed in conjunction with the board, the operational management, risk management, resourcing, human resources, reporting to the market, relationships with regulators and managing the bank through a difficult time within the small banking sector and some significant challenges for the bank itself.

Remuneration policy of African Bank Investments Limited

Introduction

The ABIL group conducts businesses that engage in the supply of credit, financial services and goods and related services to satisfy people's personal needs, and it is indisputable that human capital is the most important asset required in carrying out this objective in a differentiated way. As a dominant and significant player in the unsecured credit market and major retailer of furniture and appliances, the attraction and retention of appropriate skills is an area that requires continuous focus at the highest level of the organisation. In this regard, remuneration is one of the key drivers of aligning behaviour of human capital to the strategic intent of the group. The importance of having a remuneration philosophy that is balanced so as to achieve long term sustainable organisational objectives rather than being driven by short term profit and executive gains has been amplified by the global financial crisis, especially in the financial sector internationally.

Remuneration governance

The board has a sub-committee, the group remuneration and transformation committee (Remco), which comprises three independent non-executive directors. This committee is tasked with assisting the board in formulating and monitoring the implementation of the group's transformation and remuneration policies. The transformation aspect of Remco's responsibilities is dealt with in detail in the governance section of the annual report. Remco has the following responsibilities, amongst others, with regard to remuneration:

- Reviewing and approving the overall incentive pools for each financial year, in accordance with the group's approved incentive policy and schemes, taking into account the changing competitive landscape and in the context of the group's strategic intent;
- Determining and recommending to the board of directors for approval, the salary packages and incentive allocations for executive directors and members of the group executive committee and the allocation between short term and long term incentives; and
- Reviewing and recommending to the board of directors for approval, the remuneration of non-executive directors based on recommendations from the executive directors.

Remuneration philosophy and policies

The group continues to strive for sustainable long term growth and to this end a greater portion of management and executive remuneration is put "at risk" against the delivery of key long term objectives and is linked to the performance of the group over a period of years rather than being dependent or unduly weighted on a single year's results or performance. No share options or shares are issued to employees or directors. There are three components to remuneration which is determined along the following basis:

Basic remuneration and employee benefits

The basic remuneration comprises fixed salaries for all permanent employees and variable incentives paid to collections and sales staff. Permanent employees are compensated according to market-related benchmarks, which are assessed on an ongoing basis with some employees on a total cost to company package basis whilst others are on cash packages, with certain statutory contributions to pension, provident, group life and healthcare schemes being made. All non-managerial staff in the Ellerine Holdings Limited group (EHL) are entitled to an annual bonus equivalent to a month's salary.

Short term incentive payments

Approximately 65% of the total incentive pool is paid by way of short term incentives based on annual performance of individual staff members, management and executive directors. These incentives encompass the variable pay paid to African Bank sales staff based on sales targets, collections staff based on collections target achievement and other performance targets and annual performance bonuses to all support services staff, management and executive directors. Sales commission paid to EHL staff currently does not form part of the incentive pool because sales commissions are an integral part of remuneration for sales staff in the furniture retail industry as it is determined with direct reference to the actual sales concluded by the individual sales staff.

The short term bonus will be a smaller component of total incentives for senior management, executives and executive directors and is not expected to exceed 40% of the total incentive payment to this group. There are no future service conditions attached to the payment of short term incentives.

Long term incentive plans (LTIP)

The LTIP is a cash-settled, share appreciation scheme, modelled on the performance of ABIL shares, which is awarded to employees generally at management level and higher. Qualifying participants are awarded a certain value of LTIPs each year, with the instrument structured as follows:

- The total LTIP award, plus an additional gearing of between 100% and 200% of the award amount (2010: 100%) achieved through a notional loan, is synthetically "invested" into ABIL shares, i.e. assuming an award of R50 000 LTIPs, it would result in between R100 000 and R150 000 being notionally invested in ABIL shares. The gearing varies from 100% for staff, 150% for senior management and 200% for executives and executive directors.
- The entry price is set at the ABIL volume-weighted average price (VWAP) for the calendar month of issue of the LTIPs, being September of each year. The settlement value is determined with reference to the VWAP for the month of vesting.
- Interest is accrued on the notional loan on a semi-annual basis and the dividends paid on the synthetic ABIL shares (grossed up at the corporate tax rate) are applied to reduce the loan balance. The interest rate charged on the notional loan is market-related.
- The value of the LTIP from time to time, is the market value of the synthetic ABIL shares, less the remaining balance on the notional loan after accruing interest and notional dividends.
- The LTIP vests over five years (2010: four years) on the following ratio 15:20:20:20:25 (2010: 25% each year). Employees will be given the ability as from this year to roll-over a tranche into the following year or years, which must be done prior to each vesting period. Any LTIP rolled over will be subject to the same forfeiture rules in the event the employee resigns or is dismissed prior to the new vesting date.
- The LTIP is paid out at market value, based on the ABIL VWAP for the calendar month of maturity. Should the individual resign or be dismissed, the unvested LTIPs will be forfeited and cancelled.
- Each year a new LTIP will be created which will run parallel to existing LTIPs resulting in a maximum of five separate LTIPs running concurrently.

A greater portion of the incentives for the executives are granted through LTIPs so as to ensure that their performance is balanced more towards a longer term sustainable performance of the group linked to the execution of the strategy as approved by the board. Performance is also assessed departmentally using scorecards that assess performance against predetermined criteria.

Award criteria

The quantum of all short and long term incentives actually awarded to each individual is determined having regard to the individual's own performance against pre-agreed key responsibility areas (KRAs) which are set and agreed early during each financial year between the individual and their manager. Performance assessments are conducted immediately after the end of the financial year which then determines the performance rating of the individual. No incentives are paid to employees or executives where the performance rating reflects below an agreed expected level for the role employed. An element of the incentive is also dependent on the business unit/department's performance and the company's and group's performance as a whole so as to encourage teamwork.

Non-executive directors' fees

Non-executive directors' fees are benchmarked against the market every three to four years having regard to the nature of the business, complexity, skills needed, qualifications, experience, time demanded from the individual, etc. Annual increases outside of this adjustment are generally at or slightly higher than that granted to the executive directors of ABIL. No bonuses or incentives are paid or awarded to the non-executive directors.

Conclusion

The board, through Remco, applies the above policies having regard to the markets in which the group operates and improving them where necessary to achieve the group's objectives.

Annexure to the notice of AGM – Paragraph 11.26 information

(i) Directors and management of ABIL and its major subsidiaries

Board of directors of ABIL and African Bank

Non-executive: MC Mogase (Chairman), N Adams, Advocate MF Gumbi, JDMG Koolen, NB Langa-Royds, S Sithole*, RJ Symmonds

Executive: G Schachat (Deputy Chairman), L Kirkinis (CEO), A Fourie, N Nalliah, TM Sokutu

**Zimbabwean*

Board of directors of the Standard General Insurance Company Limited

Non-Executive: DB Gibbon (Chairman), RJ Symmonds

Executive: N Nalliah, J de Ridder

(ii) Major shareholders of ABIL

The major ABIL shareholders as at 30 September 2011 based on 804 175 200 ordinary shares in issue and 8 042 251 preference shares in issue, are:

Shareholders holding ordinary shares

Top fund managers	**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*		
*(including shares held indirectly through ABIL's BEE programmes)**	40 306 764	5,0
Eyomhlaba Investment Holdings	40 083 465	5,0
Top beneficial shareholders		
Government Employees Pension Fund (PIC)	115 939 288	14,4
ABIL's BEE programmes*	60 062 373	7,5
Eyomhlaba Investment Holdings Limited	40 083 465	5,0
Hlumisa Investment Holdings Limited	19 978 908	2,5

Shareholders holding existing preference shares

Top beneficial shareholders		
Liberty Life Association of Africa Limited	526 567	6,5

(iii) Material change

Post-balance sheet events

The directors of ABIL are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the ABIL group and ABIL company annual financial statements, which significantly affects the financial position at 30 September 2011 or the results of its operations or cash flows for the year then ended.

(iv) Directors' interests in securities

Interest of directors of the company directly and indirectly in the shares of ABIL

	Sep 2011			Sep 2010		
Name	Direct	Indirect	Total	Direct	Indirect	Total
CURRENT DIRECTORS						
Ordinary shares						
Executive directors						
Gordon Schachat (executive deputy chairman)	**3 000 000**	**9 000 000**	**12 000 000**	3 000 000	9 000 000	12 000 000
Leon Kirkinis (chief executive officer)	**3 000 000**	**13 500 000**	**16 500 000**	3 000 000	13 500 000	16 500 000
Toni Fourie	**0**	**296 291**	**296 291**	0	276 691	276 691
Nithia Nalliah	**0**	**2 091 647**	**2 091 647**	0	2 023 457	2 023 457
Tami Sokutu	**0**	**4 904 786**	**4 904 786**	0	4 713 287	4 713 287
Subtotal	**6 000 000**	**29 792 724**	**35 792 724**	6 000 000	29 513 435	35 513 435
Non-executive directors						
Mutle Mogase (non-executive chairman)	**0**	**2 611 897**	**2 611 897**	0	2 502 218	2 502 218
Nic Adams	**2 000**	**1 265 783**	**1 267 783**	2 000	1 265 783	1 267 783
Sam Sithole	**0**	**632 360**	**632 360**	0	588 642	588 642
Johnny Symmonds	**2 000**	**0**	**2 000**	2 000	0	2 000
Subtotal	**4 000**	**4 510 040**	**4 514 040**	4 000	4 356 643	4 360 643
Total	**6 004 000**	**34 302 764**	**40 306 764**	6 004 000	33 870 078	39 874 078
PAST DIRECTORS						
Ordinary shares						
Dave Gibbon	**0**	**5 500**	**5 500**	0	0	0
Mpho Nkeli	**0**	**154 366**	**154 366**	0	146 279	146 279
Oshy Tugendhaft		**10 000**	**10 000**	0	10 000	10 000
Dave Woollam	**1 175 000**	**0**	**1 175 000**	1 275 000	0	1 275 000
Subtotal	**1 175 000**	**169 866**	**1 344 866**	1 275 000	156 279	1 431 279
Total ordinary shares	**7 179 000**	**34 472 630**	**41 651 630**	7 279 000	34 026 357	41 305 357
Preference shares						
Dave Woollam	**10 000**	**0**	**10 000**	10 000	0	10 000
Total preference shares	**10 000**	**0**	**10 000**	10 000	0	10 000

There has been no change in the interests of the current directors of ABIL between 30 September 2011 and the last practicable date for preparing information for inclusion in the notice of AGM, being 9 December 2011.

(v) Share capital of ABIL

Ordinary shares

The authorised share capital comprises 1 000 000 000 shares of 2,5 cents each.
The issued ordinary share capital comprises 804 175 200 shares of 2,5 cents each.

Preference shares

The authorised preference share capital comprises 20 000 000 shares of 1 cent each.
The issued preference share capital comprises 8 042 251 shares of 1 cent each.

(vi) Litigation

The directors of ABIL are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the ABIL group's financial position.

(vii) Responsibility statement

The directors of ABIL, whose names are given in paragraph (i) above, collectively and individually accept full responsibility for the accuracy of the information contained herein and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the information referred to herein contains all information required by law and the Listings Requirements of the JSE.

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Application form: electronic participation

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

To be returned to the transfer secretaries, Link Market Services SA Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein (PO Box 4844, Johannesburg, 2000) or via electronic mail to corpactfax@linkmarketservices.co.za or via facsimile to fax number 086 674 3330 as soon as possible and no later than 17h00 on Monday, 30 January 2012.

Full name of shareholder;

If corporate – registration number of shareholder:

If corporate – name of individual authorised to represent the corporate:

Identity number of individual shareholder or individual representative of a corporate:

Email address:

Cell phone number:

Telephone number (including dialling code from SA):

Name of CSDP or broker (if shares are in dematerialised form):

Contact number of CSDP/broker:

Number of share certificate (if applicable):

Documents to be attached to this application form:

- Proxies of shareholders may participate in the AGM via electronic communication provided that completed proxy forms have been lodged in accordance with the instructions contained in the notice of AGM and such completed proxy form is also attached to this application form.
- Documentary evidence establishing the authority of a person who is to participate in the AGM on behalf of a shareholder in a representative or other legal capacity (such as a power of attorney or other written authority) must be attached to this application form.
- CSDPs or brokers registered in the company's sub-register participating on instructions from beneficial owners of shares registered in the company's sub-register are requested that they identify the beneficial owner in the sub-register on whose behalf they are participating and attach a copy of the instructions from such owner to this application form.
- Holders of dematerialised shares wishing to participate in the AGM must inform their CSDP or broker of such intention and request their CSDP or broker to issue them with the necessary authorisation to attend, which authorisation must be attached to this application form.
- A copy of the identity document of the individual shareholder or individual representative or proxy of a shareholder must be attached to this application form.

Application form: electronic participation *continued*

Terms and conditions for participation:

- The cost of dialling in using a telecommunication line is for the expense of the Participant, but the cost of establishing the telephone conferencing facility will be a cost of the company.
- The Participant indemnifies the company against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the AGM or any interruption in the ability of the shareholder or Participant to participate in the AGM by electronic communication whether or not the problem is caused by any act or omission on the part of the shareholder or anyone else, including the company.
- Shareholders who wish to participate in the AGM by dialling in must note that they will not be able to vote during the AGM. Such shareholders, should they wish to have their vote counted at the AGM, must act in accordance with the general instructions contained in the notice of AGM by:
  - completing and lodging the form of proxy; or
  - contacting their CSDP.
- The application form will only be considered if the application form has been completed in full and signed by the shareholder/proxy, although the company shall be entitled, at its sole and absolute discretion, to accept any incomplete forms.

Signed at ______________________ on ______________________ 2012

Signature ____

Assisted by (where applicable) ______________________________

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Form of proxy

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

I/We (name in BLOCK LETTERS)

of (address in BLOCK LETTERS)

Telephone Work ( ) Telephone Home ( )

hereby appoint (see note 2 overleaf):

1. or failing him/her

2. or failing him/her,

3. the chairman of the annual general meeting of shareholders,

as my/our proxy to act for me/us at the annual general meeting and at each adjournment or postponement thereof in respect of all, or, if not all, the following lesser number, of the ordinary shares and/or the preference shares registered in my/our name (see notes 3 and 4 overleaf):

My/our proxy (if I am/we are an ordinary shareholder) is instructed to vote for and/or against the following resolutions, with or without modification, and/or abstain from voting in respect of the above number of ABIL shares as follows:

	For	Against	Abstain
Ordinary resolution 1 – The election of Adv MF Gumbi as a director			
Ordinary resolution 2 – The election of NB Langa-Royds as a director			
Ordinary resolution 3 – The election of JDMG Koolen as a director			
Ordinary resolution 4 – The re-election of RJ Symmonds as a director			
Ordinary resolution 5 – The reappointment of auditors			
Ordinary resolution 6 – Advisory vote on remuneration policy			
Special resolution 1 – Remuneration payable to non-executive directors			
Special resolution 2 – Amendment of article 8 – meetings of members			
Special resolution 3 – Amendment of article 9 – electronic participation			
Special resolution 4 – Amendment of article 27 – accounts and records			
Special resolution 5 – Amendment of articles 8.3 and 29 – notices			
Special resolution 6 – Amendment of article 41 – use of electronic media			
Special resolution 7 – Correction of technical matters in the MOI			
Special resolution 8 – Lodging of consolidated version of MOI			
Special resolution 9 – Financial assistance to related companies			
Special resolution 10 – Financial assistance to BEE companies			
Special resolution 11 – General repurchases			
Ordinary resolution 7 – Directors' authority to implement special and ordinary resolutions			

(Tick whichever is applicable. If no directions are given, the proxy will be entitled to vote or to abstain from voting, as that proxy deems fit.)

Signed at on 2012

Signature

Assisted by (where applicable)

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder/s of ABIL) to attend, participate in and, where such shareholder is an ordinary shareholder, vote in place of that shareholder at the annual general meeting of shareholders.

PLEASE READ THE NOTES OVERLEAF.

Notes to form of proxy

Instructions on who may use this proxy form:

- This proxy form is for use:
  - in respect of the annual general meeting of the Company to be held on 7 February 2012 at African Bank Limited, 59 16th Road, Midrand; and
  - only by ABIL shareholders holding certificated shares and shareholders who have dematerialised their shares and who have elected “own-name” registration.
- ABIL shareholders who have already dematerialised their shares through a Central Securities Depository Participant (“CSDP”) or broker must not complete this form of proxy and must provide their CSDP or broker with their voting instructions, except for shareholders who have elected own-name registration in the sub-register through a CSDP or broker, which shareholders must complete this form of proxy and lodge it with their CSDP or broker in terms of the custody agreement entered into between them and their CSDP or broker. Holders of dematerialised shares wishing to attend the annual general meeting must inform their CSDP or broker of such intention and request their CSDP or broker to issue them with the necessary authorisation to attend.

Notes:

1. **While preference shareholders are entitled to attend and speak at the annual general meeting, either in person or represented by proxy, preference shareholders shall not be entitled to vote, either in person or by proxy, at the annual general meeting. Accordingly any aspect of this proxy form regarding voting on any other resolution does not apply to the preference shareholders. If any preference shareholder completes any part of the voting instructions below, those instructions will not apply and will be disregarded.**
2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder’s choice in the space/s provided, with or without deleting “the chairman of the annual general meeting of shareholders”, but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder who wishes to appoint more than one proxy must complete a separate form of proxy for each proxy such shareholder wishes to appoint. Any shareholder who requires further copies of the forms of proxy should contact Link Market Services SA Proprietary Limited. Where more than one proxy is appointed by a shareholder, each such proxy must be appointed only in respect of a specified number of all of the shares held by such shareholder in the Company and the aggregate of all such specified number of shares in respect of which proxies are appointed by such shareholder must not exceed the aggregate number of shares held by such shareholder. Where such aggregate number of shares is exceeded, any of the proxy forms causing such result may be excluded at the annual general meeting.
4. An ordinary shareholder’s voting instructions to the proxy must be indicated by the insertion of the relevant number of shares in respect of which such proxy is appointed in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all of the ordinary shareholder’s votes exercisable thereat, but subject to the following. An ordinary shareholder is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast by the shareholder or his/her proxy/ies and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity (such as power of attorney or other written authority) must be attached to this form of proxy unless previously recorded by the Company Secretary or waived by the Chairperson of the annual general meeting if he is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or brokers registered in the company’s subregister voting on instructions from beneficial owners of shares registered in the company’s subregister are requested that they identify the beneficial owner in the subregister on whose behalf they are voting and return a copy of the instruction from such owner to the transfer secretaries, Link Market Services SA Proprietary Limited, together with this form of proxy.
6. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but any such alteration or correction will only be validly made if it is accepted by the Chairperson.
7. The Chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or submitted other than in accordance with these instructions and notes, provided that the chairperson is satisfied as to the manner in which a shareholder wishes to vote.
8. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the company.
9. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.
10. Forms of proxy must be lodged with, or posted to the offices of, the Company’s transfer secretaries, Link Market Services SA Proprietary Limited, to be received by no later than 11h00 on Friday, 3 February 2012.

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Summary of shareholders rights in respect of proxy appointments as contained in section 58 of the 2008 Companies Act

- The shareholder may appoint an individual as a proxy, including an individual who is not a shareholder of the company, to participate in and speak and vote at the shareholders' meeting on behalf of the shareholder.
- The shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- The proxy form must be dated and signed by the shareholder appointing the proxy.
- An appointed proxy may delegate his/her authority to act on the shareholder's behalf to another person, subject to any restrictions set out in the proxy form.
- The proxy form must be delivered to the transfer secretaries of the company, namely Link Market Services SA Proprietary Limited, before the proxy exercises any of the shareholder's rights at the shareholders meeting.
- Irrespective of the form of instrument used to appoint a proxy:
  - the appointment of the proxy is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
  - the appointment is revocable unless the proxy appointment expressly states otherwise;
  - if the appointment of the proxy is revocable, a shareholder may revoke the proxy appointment by (1) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (2) delivering a copy of the revocation instrument to the proxy and to the company.
- The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of:
  - the date stated in the revocation instrument, if any; or
  - the date on which the revocation instrument was delivered to the company and the proxy as aforesaid.
- If the instrument appointing a proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the 2008 Companies Act or the company's MOI to be delivered by the company to the shareholder must be delivered by the company to:
  - the shareholder; or
  - the proxy or proxies (if the shareholder has in writing directed the company to do so and has paid any reasonable fees charged by the company for doing so.
- A proxy is entitled to exercise, or abstain from exercising, any voting rights of the shareholder without direction, except to the extent that the instrument appointing the proxy, provides otherwise.
- The appointment of the proxy utilising the proxy form attached to the AGM notice remains valid only until the end of the AGM or any adjournment or postponement thereof.

Contact details of Link Market Services SA Proprietary Limited – the company's transfer secretaries

13th Floor
Rennie House
19 Ameshoff Street
Braamfontein

PO Box 4844
Johannesburg
2000

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Corporate information

Board of directors

Non-executive

MC Mogase (Chairman), N Adams, Advocate MF Gumbi, JDMG Koolen, NB 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) Limited
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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African Bank
INVESTMENTS LIMITED

www.abil.co.za