in side

WHO WE ARE

African Bank Investments Limited (ABIL) is a publicly listed bank-controlling company. ABIL provides unsecured credit products to South Africa's domestic middle market.

ABIL'S PURPOSE IS TO PROVIDE OUR CLIENTS WITH UNSECURED CREDIT THAT IS:

PROGRESS IN 2006

Affordable	Convenient	Responsible
Average 5% drop in prices August 2005 (see page 12)	40 new African Bank branches opened in 2006	Instalment sizes and loan terms reduced for higher risk clients
70% of clients benefited from the lower prices during 2006	African Bank credit card launched	Client debt burden monitored on a quarterly basis through extensive sampling
Another 11% drop in prices on average in October 2006 (see page 13)	110 branches upgraded to make them more attractive to clients	Affordability rules changed to reduce maximum exposure
Change from the upfront raising of administration fees and insurance premiums to monthly charges, substantially reduced the outstanding amount on which clients pay interest	Loan applications made available on African Bank website during the year, providing electronic convenience to 12 000 clients in the first few months	Financial literacy pilot launched with Financial Services Board
Larger term loans for lower risk clients resulted in significantly improved affordability	Improved processes reduced the time from loan application to disbursement from 25,4 hours on average to 18,6 hours with 16% of loans being paid out within 30 minutes	Debt mediation services being implemented
Tight cost control over the past five years has enabled ABIL to pass the scale benefits on to clients, in terms of price reductions.	Mobile sales agents assist clients at their home or place of work	Financial education launched – targeted at new entrants to credit market

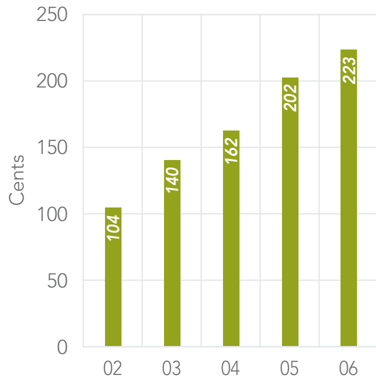
PERFORMANCE AT A GLANCE

Financial performance

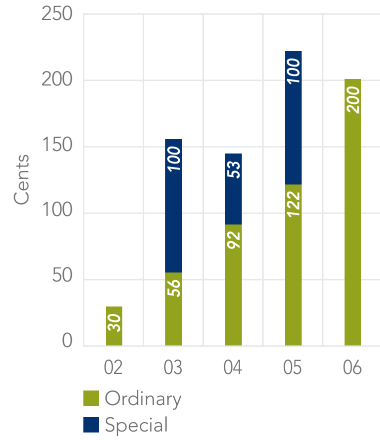
Key drivers of the results

- Strong demand for credit and positive response to new pricing models.
- Credit vintages within targeted range.
- NPLs increase on the back of book growth and low write-offs.
- Flat operating costs and lower funding costs.
- Improved gearing lifts RoE.

Headline earnings per share up 11%



Ordinary dividends of 200 cents per share

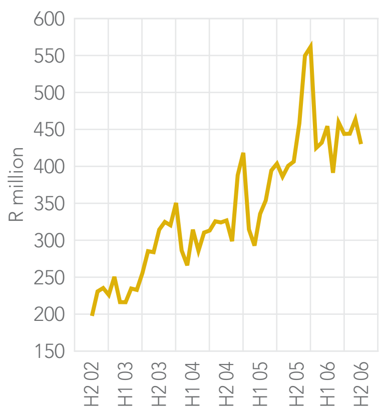


Operational performance

Sales

Sales for the 12 months to 30 September 2006 increased 26% to R5,5 billion (2005: R4,4 billion).

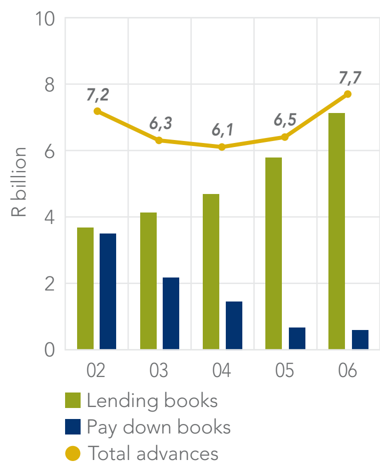
Monthly sales



Please refer to the note of the change in definition of sales on page 23.

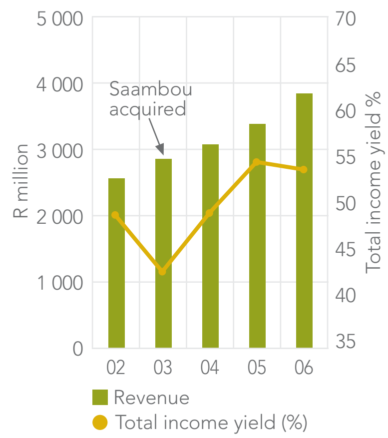
Advances

Gross advances increased by 20% over the past year from R6,5 billion to R7,7 billion.



Yield analysis

Total income yield at 53,8% has started to decline from the 54,6% achieved in the 12 months to September 2005.



Financial objectives for 2006

Objective	Target for 2006	Actual for 2006
Sales growth	18% – 22%	26% (measured by disbursements) 14% (measured by principal debt)
Lending book growth	18% – 22%	24%
Ordinary dividend cover	1,25 – 1,5 times	1,15 times
Cost to advances	16%	14,7%
Bad debt to interest income	20%	20,4%

FINANCIAL RESULTS IN INTERNATIONAL CURRENCIES

CONDENSED CURRENCY ADJUSTED GROUP INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER

Million	Rand 2006	Rand 2005	US dollar 2006	US dollar 2005	GB pound 2006	GB pound 2005	Euro 2006	Euro 2005
Revenue								
Interest income on advances	2 974	2 752	453	441	251	239	367	348
Net assurance income	424	357	65	57	36	31	52	45
Non-interest income	446	274	68	44	38	24	55	35
Total revenue	3 844	3 383	586	542	325	294	474	428
Charge for bad and doubtful advances	(606)	(488)	(92)	(78)	(51)	(42)	(75)	(62)
Risk-adjusted revenue	3 238	2 895	494	464	274	252	399	366
Other interest income	113	156	17	25	10	14	14	20
Interest expense	(465)	(492)	(71)	(79)	(39)	(43)	(57)	(62)
Operating costs	(1 048)	(951)	(160)	(152)	(88)	(83)	(129)	(120)
Indirect taxation: VAT and RSC	(46)	(50)	(7)	(8)	(4)	(4)	(6)	(6)
Net income from operations	1 792	1 558	273	250	153	136	221	198
Profit on sale of CVF and other capital items	37	0	6	0	3	0	5	0
Share of associate company's income	0	1	0	0	0	0	0	0
Net income before taxation	1 829	1 559	279	250	156	136	226	198
Direct taxation: STC and SA normal	(653)	(616)	(99)	(99)	(55)	(54)	(81)	(78)
Net income after taxation	1 176	943	180	151	101	82	145	120
Minority interest	0	0	0	0	0	0	0	0
Attributable earnings	1 176	943	180	151	101	82	145	120
Per share statistics								
Attributable earnings per share (cents)	229,5	198,7	35,2	31,9	19,7	17,2	28,4	25,3
Headline earnings per share (cents)	223,3	201,5	34,2	32,3	19,3	17,4	27,6	25,7
Weighted number of shares in issue (million)	497	471	497	471	497	471	497	471
Rate used for currency conversion								
Average rate	1,00	1,00	6,57	6,24	11,86	11,51	8,11	7,91

CONDENSED CURRENCY ADJUSTED GROUP BALANCE SHEET

AS AT 30 SEPTEMBER

Million	Rand 2006	Rand 2005	US dollar 2006	US dollar 2005	GB pound 2006	GB pound 2005	Euro 2006	Euro 2005
Assets								
Net advances	6 064	5 282	783	834	418	472	616	690
Gross advances	7 727	6 454	997	1 019	533	577	785	843
Deferred administration fees	(228)	(55)	(29)	(9)	(16)	(5)	(23)	(7)
Impairment provisions	(1 435)	(1 117)	(185)	(176)	(99)	(100)	(146)	(146)
Statutory assets, short-term deposits and cash	1 724	1 664	223	263	119	148	175	217
Other assets	375	363	49	58	26	33	39	47
Total assets	8 163	7 309	1 055	1 155	563	653	830	954
Liabilities and equity								
Subordinated debentures	202	197	26	31	14	18	21	26
Bonds and other long-term funding	3 579	3 256	462	514	247	291	364	425
Short-term money market funding	1 085	633	140	100	75	57	110	83
Other liabilities	607	608	78	96	42	54	61	79
Total liabilities	5 473	4 694	706	741	378	420	556	613
Ordinary shareholders' equity	2 207	2 122	287	336	152	189	225	277
Preference shareholders' equity	483	483	62	76	33	43	49	63
Minority shareholders' interest	0	10	0	2	0	1	0	1
Total equity (capital and reserves)	2 690	2 615	349	414	185	233	274	341
Total liabilities and equity	8 163	7 309	1 055	1 155	563	653	830	954
Rate used for currency conversion								
Year-end rate	1,00	1,00	7,74	6,33	14,51	11,20	9,84	7,66

HISTORY OF FINANCIAL RESULTS

CONDENSED GROUP INCOME STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER

R million	Seven-year compound growth (%)	IFRS compliant		SA GAAP compliant (prior to IFRS adoption)				
		2006	2005	2004	2003	2002	2001	2000
Revenue								
Interest income on advances	9	**2 974**	2 752	2 490	2 296	2 005	1 732	1 779
Net assurance income	3	**424**	357	291	247	260	226	347
Non-interest income	10	**446**	274	294	323	300	234	252
Total revenue	8	**3 844**	3 383	3 074	2 866	2 565	2 192	2 378
Charge for bad and doubtful advances	13	**(606)**	(488)	(484)	(445)	(553)	(6)	(289)
Risk-adjusted revenue	8	**3 238**	2 895	2 591	2 421	2 012	2 186	2 088
Other interest income	7	**113**	156	118	143	83	123	74
Interest expense	1	**(465)**	(492)	(453)	(464)	(389)	(331)	(441)
Operating costs	9	**(1 048)**	(951)	(946)	(1 036)	(938)	(844)	(634)
Indirect taxation: VAT and RSC	7	**(46)**	(50)	(69)	(52)	(29)	(31)	(30)
Net income from operations	9	**1 792**	1 558	1 241	1 012	738	1 102	1 057
Profit on sale of CVF and other capital items	n/a	**37**	0	0	0	0	0	0
Share of associate companies' income	(100)	**0**	1	1	2	7	4	16
Net income before taxation	9	**1 829**	1 559	1 242	1 014	745	1 105	1 073
Direct taxation: STC and SA normal	13	**(653)**	(616)	(486)	(347)	(237)	(343)	(314)
Net income after taxation	8	**1 176**	943	755	667	508	763	760
Minority interest	(100)	**0**	0	1	(7)	(9)	(13)	(36)
Attributable earnings	8	**1 176**	943	756	660	499	750	723
Per share statistics								
Attributable earnings per share (cents)	11	**229,5**	198,7	160,3	136,2	102,0	127,9	122,8
Headline earnings per share (cents)	11	**223,3**	201,5	161,6	140,4	104,4	128,4	121,9
Weighted number of shares in issue (million)		**497**	471	472	484	489	586	589

CONDENSED GROUP BALANCE SHEETS
AS AT 30 SEPTEMBER

R million	Seven-year compound growth (%)	IFRS compliant		SA GAAP compliant (prior to IFRS adoption)				
		2006	2005	2004	2003	2002	2001	2000
Assets								
Net advances	7	**6 064**	5 282	4 472	4 400	4 900	4 220	3 980
Gross advances	9	**7 727**	6 454	6 129	6 314	7 167	4 669	4 633
Deferred administration fees	n/a	**(228)**	(55)	0	0	0	0	0
Impairment provisions	14	**(1 435)**	(1 117)	(1 657)	(1 914)	(2 266)	(448)	(653)
Statutory assets, short-term deposits and cash	3	**1 724**	1 664	2 434	1 628	1 257	600	1 484
Other assets	3	**375**	363	429	450	866	531	309
Total assets	6	**8 163**	7 309	7 335	6 478	7 024	5 351	5 772
Liabilities and equity								
Subordinated debentures	(14)	**202**	197	193	190	187	183	506
Bonds and other long-term funding	19	**3 579**	3 256	3 524	2 251	2 269	930	1 282
Short-term money market funding	9	**1 085**	633	544	884	690	1 306	643
Other liabilities	3	**607**	608	433	359	1 388	821	721
Total liabilities	10	**5 473**	4 694	4 694	3 685	4 534	3 240	3 152
Ordinary shareholders' equity	(2)	**2 207**	2 122	2 641	2 789	2 434	2 052	2 556
Preference shareholders' equity	n/a	**483**	483	0	0	0	0	0
Minority shareholders' interest	(100)	**0**	10	0	5	56	59	65
Total equity (capital and reserves)	0	**2 690**	2 615	2 641	2 793	2 490	2 111	2 621
Total liabilities and equity	6	**8 163**	7 309	7 335	6 478	7 024	5 351	5 772

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 30 SEPTEMBER

		2006	2005	2004	2003	2002	2001
Key shareholder ratios							
Attributable earnings	R million	**1 176**	943	756	660	499	750
Attributable earnings per share	cents	**229,5**	198,7	160,3	136,2	102,0	127,9
Headline earnings	R million	**1 145**	956	762	680	511	753
Headline earnings per share	cents	**223,3**	201,5	161,6	140,4	104,4	128,4
Number of ordinary shares in issue	million	**496,9**	495,1	472,3	474,2	489,6	504,2
Weighted number of ordinary shares in issue	million	**496,7**	470,6	471,6	484,4	488,9	586,5
Fully diluted number of ordinary shares in issue	million	**497,2**	472,4	489,4	n/a	n/a	n/a
Number of preference shares in issue	million	**5,0**	5,0	n/a	n/a	n/a	n/a
Economic profit	R million	**808**	602	397	n/a	n/a	n/a
Net asset value per share	cents	**444,1**	428,6	559,1	588,1	497,1	407,0
Dividends per share							
Total ordinary dividends	cents	**200**	122	92	56	30	25
Special dividends paid	cents	**0**	100	53	100	0	0
Total ordinary and special dividends	cents	**200**	222	145	156	30	25
Dividend cover	times	**1,15**	1,64	1,74	2,43	3,40	5,12
Total preference share dividends	cents	**361**	535	n/a	n/a	n/a	n/a
Performance ratios (per RoE model)							
Total income yield on average advances	%	**53,8**	54,6	49,2	43,0	48,2	48,2
Bad debt expense to average advances	%	**8,5**	7,9	7,7	6,7	10,4	0,1
Cost to income	%	**27,3**	28,1	30,8	36,2	36,6	38,5
Cost to average advances	%	**14,7**	15,4	15,1	15,5	17,6	18,5
Return on assets	%	**14,2**	13,0	11,6	10,6	8,9	13,9
Return on equity	%	**55,3**	39,7	31,3	25,9	23,2	31,6
Asset and credit quality ratios							
Gross advances	R million	**7 727**	6 454	6 129	6 314	7 166	4 669
Total non-performing loans (NPLs)	R million	**2 213**	1 642	2 246	2 625	2 990	970
Total impairment provisions	R million	**1 435**	1 117	1 657	1 961	2 376	577
NPLs to gross advances	%	**28,6**	25,4	36,6	41,6	41,7	20,8
Total impairment provisions as a % of gross advances	%	**18,6**	17,3	27,0	31,1	33,2	12,4
NPL coverage	%	**64,8**	68,0	73,8	74,7	79,5	59,5
Bad debt write-offs to average gross advances	%	**6,4**	19,7	13,5	13,1	12,2	6,1
Capital ratios							
ABIL group capital adequacy	%	**35,5**	36,2	40,4	44,5	38,1	39,5
African Bank capital adequacy	%	**31,9**	32,9	34,7	40,8	34,0	33,1
Cost of funds							
Average funding cost	%	**9,9**	12,2	12,7	14,5	13,5	13,3

Net income attributable to ordinary and preference shareholders

Net income attributable to ordinary shareholders ÷ weighted number of ordinary shares in issue

Attributable earnings – goodwill impairments – capital profits or losses of a non-recurring nature

Headline earnings attributable to ordinary shareholders ÷ weighted number of ordinary shares in issue

Number of ordinary shares issued – shares held by the group classified as treasury shares

Ordinary shares in issue + (new ordinary shares issued – ordinary shares cancelled – treasury shares) x (number of days in issue ÷ 365)

Weighted number of ordinary shares in issue + dilution from outstanding options

Number of preference shares issued

Headline earnings – preference share dividend – (estimated cost of equity % x average ordinary shareholders' equity)

Ordinary shareholders' equity ÷ number of ordinary shares in issue (net of treasury shares)

Total ordinary dividends declared during the financial year

Excess capital returned to shareholders ÷ number of shares in issue

Total ordinary and special dividends declared during the financial year

Ordinary dividends per share ÷ attributable earnings per ordinary share

Total preference share dividends declared during the financial year

(Interest income + net assurance income + non-interest income) ÷ average gross advances

Charge for credit losses ÷ average gross advances

Operating expenses ÷ (interest income + net assurance income + non-interest income)

Operating expenses ÷ average gross advances

(Headline earnings – preference dividends) ÷ average total assets

(Headline earnings – preference dividends) ÷ average shareholders' equity

Total outstanding advances at financial year-end

Outstanding balance on loans that have more than three cumulative instalments in arrears

All impairment provisions (including insurance reserves) raised against advances

Non-performing loans ÷ gross advances

Total impairment provisions ÷ gross advances

Total impairment provisions ÷ NPLs

Bad debts written off ÷ gross advances

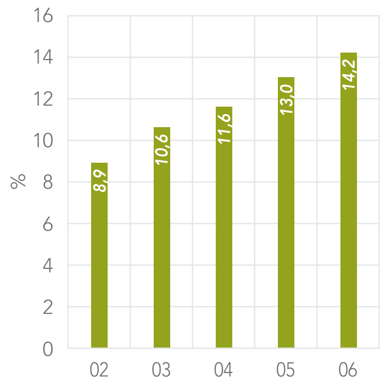
Group qualifying capital ÷ group risk-weighted assets

(Tier 1 capital + Tier 2 capital) ÷ risk-weighted assets as per Banks Act requirements

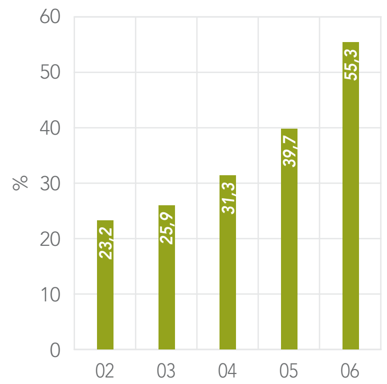
Interest expense ÷ average interest-bearing liabilities

Financial performance

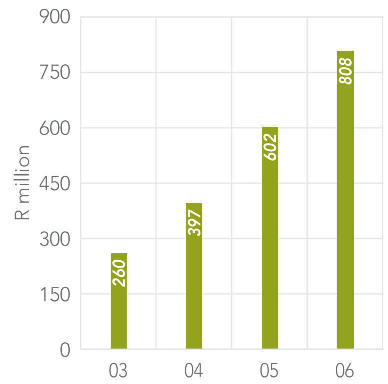
Return on assets of 14,2%



Return on equity of 55,3%



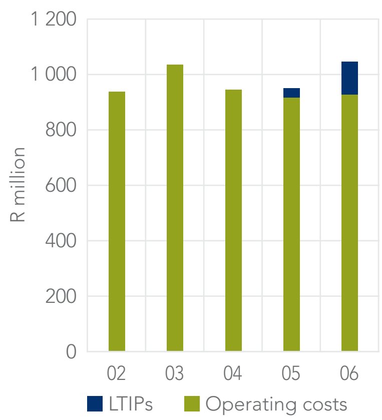
Economic profit up 34%



Operational performance

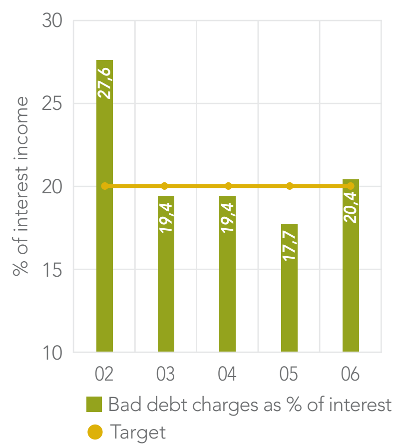
Operating costs

Operating costs increased by R97 million to R1 048 million (2005: R951 million). The increase included a R119 million charge for IFRS 2 (2005: R34 million), relating to the group's share incentive schemes.



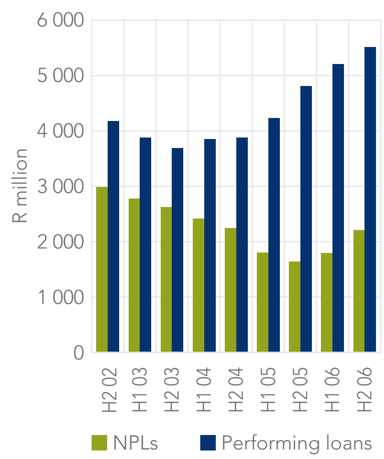
Bad debt charges

The charge for bad and doubtful advances was R606 million (2005: R488 million), or 8,5% of average advances (2005: 7,9%) and 20,4% of interest income (2005: 17,7%).



NPLs vs performing loans

NPLs increased by R571 million to R2 213 million as at 30 September 2006.



Medium-term financial objectives

Objective	Medium-term target	Current period actual
Economic profit growth	Consumer price inflation (CPI) + 15%	34%
RoE	>30%	55,3%
RoA	>10%	14,2%
Capital adequacy optimised	Minimise surplus capital as per capital model	R55 million of surplus capital retained

2005 numbers have been restated to be IFRS compliant.

OUR HISTORY

Prior to 1998, African Bank operated for 24 years as a small commercial bank with its roots in, and concentrating on, the historically disadvantaged market. Following its acquisition by the JSE-listed Theta Group in 1998, African Bank was merged with King Finance Corporation (King), Unity Financial Services (Unity) and Alternative Finance (Altfin), three loan finance companies owned by the Theta Group.

Non-core assets and business activities of the former African Bank were disposed of, and only the business activities relevant to the core business were retained to form the new African Bank. African Bank's original retail deposit taking and transaction banking activities were phased out.

In December 1999, Theta Group Limited changed its name to African Bank Investments Limited. In August 2002, African Bank acquired the R2,8 billion Saambou personal loan book and the integration of this book into African Bank and the restructuring of competitive businesses spawned in its incubator (Nisela Growth, subsequently renamed Theta Investments) commenced in September 2002.

For the past four years, the group has focused primarily on optimising its business model, enhancing its service offering to its clients, re-establishing appropriate growth patterns and providing its funders and shareholders with satisfactory returns.

HIGHLIGHTS

1994 • Formation of investment trust with Hollard Holdings.	**2001** • Debit order products launched. • R1,1 billion share buyback undertaken. • Formation of the African Bank Foundation. • R1 billion of ABL1 bonds issued under R3,5 billion domestic medium-term note (DMTN) programme.
1995 • Baobab Solid Growth Limited formed through a transmuted listing into Broadacres Investments Limited and listing transferred to investment trust sector.	**2002** • Acquisition of the R2,8 billion Saambou personal loan book. • R425 million International Finance Corporation facility approved.
1996 • Financial services entered through the acquisitions of minority stakes in Theta Securities and King.	**2003** • Credit rating upgraded to A1 (short term) and A– (long term). • R124 million share buyback undertaken. • R1 billion of ABL2 bonds issued. • Special dividend of 100 cents per share declared.
1997 • Acquired controlling interest in Altfin, King and Unity. • Divested of information technology interests through the listing of Mustek Group. • Directed the group's focus to financial services. • Acquisition of balance of shares in Theta Securities. • Name changed to reflect financial services focus from Baobab Solid Growth to Theta Group Limited.	**2004** • Theta Investments' businesses largely divisionalised into African Bank. • Credit rating upgraded to A1 (short term) and A (long term). • R1 billion of ABL3 bonds issued. • Special dividend of 53 cents per share declared.
1998 • Acquisition of 100% of African Bank Limited, enabling Theta Group Limited to become a bank controlling company. • Acquisition of the minorities of Altfin, King and Unity, to form the core of African Bank Limited. • Acquisition of the Boland book for R1,7 billion.	**2005** • Eyomhlaba, our R600 million black equity ownership programme announced. • Credit Indemnity integrated into African Bank. • R1 billion of ABL1 bonds repaid. • R800 million of ABL4 bonds issued. • Special dividends of 100 cents per share declared. • Balance of Teba Credit joint venture purchased. • Commercial Vehicle Finance division sold. • R500 million, non-redeemable, non-cumulative, non-participating preference shares issued.
1999 • Divisionalisation of Altfin, King and Unity into African Bank to form one operating unit. • Name changed from Theta Group Limited to African Bank Investments Limited (ABIL), enabling the transition to a brand-driven company, aligned to its market and the African Bank brand. • Acquisition of The Standard General Insurance Company Limited (Stangen) and reversal of captive cells into Stangen.	**2006** • First tranche of significant price reductions introduced. • African Bank Miners Credit integrated into African Bank. • R1 billion of ABL2 bonds repaid. • Domestic medium-term note (DMTN) programme increased to R5 billion. • R750 million of ABL5 bonds issued. • African Bank credit card launched.
2000 • Acquisition of minorities of Nisela Growth to form the core of the Theta Investments group of companies.	

the year under review

The group stands on the verge of an exciting new chapter in the evolution of the credit market in South Africa.

letter to stakeholders

INTRODUCTION

The 2006 financial year was one in which ABIL took significant strides towards achieving the group's long-term strategic goals set in 2005, whilst at the same time maintaining a track record of delivering on its short and medium-term financial objectives, albeit in an environment that has been conducive to credit.

A REFLECTION ON ABIL'S JOURNEY

As this financial year closes, the group stands on the verge of an exciting new chapter in the evolution of the credit market in South Africa. However, before we look to what the future holds, we would like to reflect on the journey that has brought ABIL to its current position as a leader in the development of the unsecured credit market.

The ABIL group has had its roots in the pioneering and development of the unsecured credit market within South Africa. In the early 1990s, this was a market in which the vast majority of South Africans had little or no access to credit from the formal financial services sector.

During its early years, the group focused on unlocking access to credit, by developing models and products that allowed the risks and dynamics of the market to emerge. As with all pioneering industries and technologies, the initial models were disparate, lacked critical mass, and needed to be priced high for the uncertainty of the risks still to emerge. As the business model started to show promise new entrants emerged, and accordingly during the late 1990s, the unsecured credit market grew exponentially. Unfortunately, these early years were not without failure and turbulence. A number of the early entrants failed from 2000 to 2002, as they did not understand the risks within this market environment – Saambou and Unifer, being the larger of these.

Since 2002, the market in which ABIL operates has grown steadily and has enjoyed a period of sustained buoyancy. South African consumers, especially those within the formally employed, middle to lower income groups, have enjoyed the fruits of a growing economy and the early benefits of the transformation process taking place within our economy. The ABIL group has gained from this tailwind, and this, together with a number of strategic initiatives have ensured that the group has met all of its financial objectives, and delivered a steady growth in shareholder value over the last four years.

During the same period, the government embarked on a process to address the regulatory regime governing the credit market and the imbalances that had embedded themselves as a result of the disparate nature of the existing laws.

At the heart of these debates was the attempt to find the right balance between:

- Promoting a regime that would unlock greater access to credit to South African consumers whilst on the other hand, protecting those same consumers from being exploited by credit providers and/or suffering financial damage as a result of taking on more credit than they could reasonably afford. In particular, mechanisms have been put in place to ensure high levels of transparency and disclosure as well as to sanction credit providers who are found to be reckless in their lending practices.
- Protecting the rights of credit providers against clients who default on their debt obligations and on the other hand, addressing the negative impact on society resulting from a large number of defaulting clients who are effectively closed out of the credit system. In particular, mechanisms are being developed to try and promote the voluntary rehabilitation of clients in financial difficulty, rather than merely resorting to the legal system and blacklisting clients on credit bureaus.

ABIL is appreciative of the extensive process of consultation undertaken by the Department of Trade and Industry and government, and the fact that it has been able to play an active role in this regard.

incwadi eya kwabanezabelo

ISINGENISO

Unyaka wezezimali ka-2006 bekungunyaka lapho i-ABIL ithathe amagxathu ekuzuzeni izinhloso kwezamasu zesikhathi eside zeqembu ezenziwa ngo-2005, kanti ngaso leso sikhathi esifanayo baphinde bagcina ukuphumelela kwabo ekuzuzeni izinhloso kwezezimali zesikhathi esifushane nezesikhathi esiphakathi, nokho kuleso simo ebesivumela ukwenziwa kwezikweledu.

UKUBHEKA UHAMBO OSELUHANJWE YI-ABIL

Njengoba unyaka wezezimali uphela, iqembu seliseduze nesiqephu esisha esijabulisayo sokuthuthuka kwezimakethe zokubolekiswa kwezimali eNingizimu Afrika. Nokho ngaphambi kokuba sibheke ukuthi ikusasa liphetheni, sizothanda ukubheka emuva ohambeni oselwenze i-ABIL ibe kule ndawo ekuyo okwamanje njengomholi ekuthuthukeni kwezimakethe zokubolekiswa kwezimali ezingenazibambiso.

Iqembu le-ABIL ligxilise izimpande zalo kakhulu ekusungulweni nasekuthuthukisweni kwezimakethe zokubolekiswa kwezimali ezingenazibambiso eNingizimu Afrika, ekuqaleni kweminyaka yawo-1990, kwakukhona eyodwa lapho iningi labantu baseNingizimu Afrika babenokufinyelela okuncane noma babengenakho nhlobo ukuthola isikweledu esigabeni sabahlinzeki bezimali abasemthethweni.

Eminyakeni yalo yokuqala, iqembu beligxile kakhulu ekuvuleleni abantu ukuba bakwazi ukubolekwa izimali, ngokuthuthukisa amamodeli nemikhiqizo okwavumela izingozi kanye namandla okubakhona kwemakethe. Njengazo zonke izimboni nobuchwepheshe okusungulwayo, amamodeli okuqala ayehlukile, kunamanye engaqhathaniseki, engasimeme, edinga ukuba abe nenani eliphezulu ngenxa yobungozi ebebungaziwa obebusazovela. Ngesikhathi imodeli yebhizinisi iqala ukwethembisa kwaba nabangenayo abavelayo abasha, ngokunjalo ekupheleni kweminyaka yawo-1990, izimakethe zokubolekiswa kwezimali engenazibambiso yakhula ngokushesha okukhulu. Ngebhadi, le minyaka yokuqala yayinakho okwakuphazamisa kuthi ingelula. Inani labangena kuqala alizange liphumelele kusukela onyakeni ka-2000 kuya 2002, njengoba babengazange babuqonde ubungozi kulolu hlobo lwemakethe – i-Saambou ne-Unifer, obekuyizo ezinkulu kunezinye.

Kusukela onyakeni ka-2002, imakethe i-ABIL esebenza kuyo, ikhule ngokuqina yazuza yaphinde ngesikhathi ivuka ima isimama. Abathengi baseNingizimu Afrika, ikakhulukazi labo abaqashiwe, abemiholo ephakathi kuya phansi, bazizuzile izithelo zokukhula kwezomnotho kanye nokuzuza kwaphambilini kwezinguquko phakathi emnothweni wethu. Iqembu le-ABIL lizuzile ngobuvunguzela komoya ngalapho beliphokophelele ngakhona, futhi lokhu, kuhlangene nenani lamathuba kwezamasu kuqinisekise ukuthi iqembu lihlangabezane nezinhloso zalo kwezezimali, libuye lakuhlangabeza ukukhula ngokuqina emalini yabaninimasheya eminyakeni emine edlule.

Ngesikhathi esifanayo, uhulumeni wethula uhlelo lokulawula kwezimakethe zokubolekisa ngemali kanye nokungalingani okubekhona ngenxa yesimo esehlukile semithetho ekhona.

Obekuyikonakona ngale zizinkulumompikiswano bekungukuzama ukuthola ukulingana phakathi:

- Ukuthuthukisa uhlelo lapho abathengi baseNingizimu Afrika bazokwazi ukufinyelela ukubolekwa kwezimali kuthi ngakolunye uhlangothi, luvikela bona labo bathengi ekuxhashazweni ngababolekisa ngemali nokulimala/noma ukulimala kwezezimali ngenxa yokuthatha isikweledu esikhulu ongeke ukwazi ukusikhokha. Mayelana nalokho, sekunamasu okuqinisekisa amazinga aphezulu okubeka izinto obala nokudalula kanye nokujezisa ababolekisa ngemali abatholwa benobudedengu ekubolekiseni kwabo ngezimali.
- Ukuvikela amalungelo ababolekisa ngezimali kumakhasimende asehluleka ukunamathela ezibophezelweni zesikweledu kanti ngakolunye uhlangothi, kube kulungiswa imiphumela engemihle emphakathini elethwa inani elikhulu lamakhasimende

THE 2006 FINANCIAL YEAR

The regulatory review of the credit market culminated in the promulgation of the National Credit Act (NCA) in May 2006, with most of the substantive provisions due for implementation in July 2007. While there are challenges to be met in implementing the NCA, ABIL is satisfied with the outcome, and believes that the NCA will facilitate the extension of the credit market, better checks and balances and greater competition – all of which are favourable to the consumer.

The current financial year also marked an increase in the competitive nature of the credit market. The introduction of the NCA creates regulatory certainty, which together with the potential of attractive returns to be generated from this market, have been fuelling this competitive entry. Over the long-term, this is positive, as it gives the consumer more choice and will grow the overall size of the market.

In the short term, however, this rapid growth is of some concern, as there are some early signs of the credit cycle turning for the worse, as higher risk clients, who are more vulnerable to increasing credit supply, take on more debt. Just as equity bull markets rise and then correct on undiscerning late entrants, ABIL is confident that credit supply dynamics will rebalance over the next 18 months to acceptable levels, as the NCA takes effect.

ABIL'S FUTURE STRATEGIC FOCUS

Five years ago, ABIL utilised a set of specific strategies to successfully pioneer and grow the unsecured credit market. Today, the business must adapt to a new set of strategies to sustain its leadership role in this market and to take it to a new level of maturity.

As the risks become better understood and the market reaches critical mass, the risk discovery pricing, which characterised the early phases, must be driven down. To do this, without impairing the generation of acceptable returns and diverting from our core competence, the business must respond with a:

- low cost model, in which the benefits of scale for both operating costs and the cost of capital are passed onto clients through driving prices lower. The price-volume elasticity benefit of reducing prices will continue to generate further economies of scale, which in turn will be fed into further price reductions and will contribute to a sustainable growth in the overall credit market;
- unique client value proposition, in which the group obtains a better understanding of its clients' needs and behaviours, in order to deliver higher levels of service and a range of products that matches their needs. Coupled to this, is the need for the group to grow its active client base, which over the last few years has remained fairly static; and
- enhanced risk segmentation in order to ensure that the cross-subsidisation inherent in any underwriting model is minimised through differentiated products and pricing.

The above principles form the heart of the group's strategy, formulated during 2005, and reiterated during the current year, and which sets the course for the group's journey for the next five years. Overall, the strategy (which is dealt with in more detail on pages 12 to 18) involves the group driving down prices and growing volumes in those models that have reached critical mass, whilst at the same time opening frontiers for new risk models, in order to continue to grow and develop the credit market.

The challenge is to remain focused on our core competence of underwriting unsecured credit, and through economies of scale, to drive down the cost of credit to the majority of our present and future clients in a meaningful way and thereby empower millions of South Africans through greater choice.

PROGRESS ON BLACK ECONOMIC EMPOWERMENT

In May 2005, we announced our black equity ownership programme, Eyomhlaba, that was designed to place ABIL ordinary share capital in the hands of a broad base of historically disadvantaged South Africans and to increase the initial holding to over 15% over 10 years, of which at least 10% must be unencumbered.

The initial capital raising and a subsequent rights-offer were conducted during 2006, through which R87 million in capital was raised from the subscribing shareholders. Eyomhlaba currently has 6 641 shareholders consisting of staff, clients, ABIL shareholders and the general public. As at 30 September 2006, Eyomhlaba held 31 million ABIL shares, being 6,2% of the group, and representing a significant store of wealth for the benefit of the programme's shareholders.

In terms of employment equity, the group is making steady progress towards its targets, especially in the areas of senior and middle management representation. The group believes, however, that it still has a long way to go and is not satisfied with the pace of transformation to date, and accordingly this will be an area of significant focus during 2007.

PROGRESS ON SUSTAINABILITY

Whilst ABIL continues to integrate sustainability more effectively into its activities, the group recognises that there is much yet to be done. This involves moving beyond the identification and measurement stage, to asehluleka ukukhokhela izikweledu zawo akhishwayo ohlelweni lokuthenga ngesikweledu. Empeleni, kusungulwa amasu okuzama ukukhuthazela amakhasimende asezinkingeni kwezezimali ukuthi akwazi ukuzibuyisela esimweni ngokwawo, ngaphandle kokuthi kuthathwe izinyathelo zomthetho kanye nokufakwa kwamagama amakhasimende ezincwadini ezimnyama zokwazisa ngezezikweledu.

I-ABIL iyakubonga ukuthi kwaboniswana nayo kakhulu ngalokhu ngumnyango wezoHwebo nezeziMboni kanye nohulumeni, kanye nokuthi yakwazi ukubamba iqhaza elikhulu kulokhu.

UNYAKA WEZIMALI KA-2006

Abalawuli ababuyekeza imakethe yezokubolekiswa kwezimali sebefinyelele ezingeni eliphezulu ekwenzeni isimemezelo somthetho obizwa nge-National Credit Act ngoMeyi ka-2006, onemibandela ezimele ezizoqala ukusebenza ngo-Julayi ka-2007. Nakuba kunezinselelo okuzohlangatshezwana nazo ekusebenzeni kwale-Act, i-ABIL yenelisekile ngumphumela, futhi ikholelwa ngukuthi i-Act izokwenza ukuthi imakethe yokubolekisa ngezimali ikhule kakhulu, kube nokuhlola nokusimamisa okungcono kanye nokuncintisana okukhulu – konke okungokulungele ikhasimende.

Lo nyaka wezimali esikuwo uphinde wabonisa ukukhula esimweni sokuncintisana kwezimakethe ezibolekisa ngezimali. Ukusungulwa kwe-National Credit Act kudala ukuqinisekisa kokulawula, okuhambisana nokuveza inzuzo ehehayo ezokwenziwa yile makethe, ibibhebhezelisa ukungena kokuncintisana. Esikhathini eside, lokhu kuzoqinisekisa njengoba kunika umthengi ukuzikhethela okukhulu kuthi kuzokwenza ukuthi imakethe ikhule nxazonke.

Esikhathini esifushane, nokho, lokhu kukhula ngesivinini kubuye kukhathaze, njengoba kunezimpawu ezibonisa uhla lwezinguquko kwezezikweledu luya lungabi luhle, njengoba amakhasimende asebungozini obukhulu, abasengozini enkulu yokulimazeka ngokukhuphula izikweledu, ngokwenza ezinye izikweledu. Njengoba isheya ezimakethe zamanani akhuphukayo likhuphuka bese kulunga ukungabonisisi kwabangene kamuva, i-ABIL iyathemba ukuthi amandla okunikwa kwezikweledu azosimama aphinde abe semazingeni amukelekile esikhathini esingangezinyanga eziyi-18 esizayo njengoba i-National Credit Act izobe isisebenza.

UKUGXILA KWEZAMASU OKUZAYO KWE-ABIL

Eminyakeni emihlanu edlule, i-ABIL yadinga isethi yamasu ukuze ikwazi ukusungula nokukhulisa izimakethe zokwebolekisa ngezimali ezingenazibambiso. Namhlanje ibhizinisi kumele ukuba isebenze ngamasu amasha ukuze isimamise ubuholi bayo kule makethe iphinde iyithathe iyibeke ezingeni elisha lokukhula.

Njengoba ubungozi sebuqondwa kangcono nemakethe ifinyelela kokufunekayo ukuyiqhubekisela phambili; ukuthola ukubekwa kwamanani obungozi, okuchaze izimo zangaphambilini, kumele kuncishiswe. Ukwenza lokhu, ngaphandle kokuphazamiseka kokulethwa kwenzuzo eyamukelekile nangaphandle kokuphazamiseka kokuncintisana okubalulekile, ibhizinisi kumele lesabele ngalokhu okulandelayo:

- Ngemodeli yenani eliphansi, lapho isikali senzuzo yakho kokubili okungamanani okusebenza namanani emali edluliselwa kumakhasimende ngamanani aphansi. Inzuzo ye-price-volume elasticity yokwehlisa amanani izoqhubeka ngokuletha isikhala sokunye okulondoloziwe, ngakolunye uhlangothi izofakwa ukuba yenze okunye ukwehla kwamanani futhi izoba yingxenye yokukhula okusimeme yezimakethe zokwebolekisa ngezimali ngokulingene,
- Ngesiphakamiso esihlukile sokwaziswa kwamakhasimende, lapho iqembu lithola ukuqonda okungcono ngezidingo nangokuziphatha kwamakhasimende, ukuze bahlinzeke ngomsebenzi osemazingeni aphezulu kanye nezinhlobo zemikhiqizo ezihambisana nezidingo zawo. Ukwengeza kulokhu, iqembu lidinga ukwandisa amakhasimende alo, okungazange kubonakale ukukhula kwawo eminyakeni embalwa eyedlule.
- Ngokwenziwa ngcono izingxenye zobungozi ukuze kuqinisekiswe umkhuba wokuxhaswa ngenzuzo yenye inkampani noma kuyiphi imodeli yokukhokha imali enqunyiwe lapho kudaleka umonakalo kincishiswe ngokuhlukanisa imikhiqizo kanye nokubekwa kwamanani.

Le migomo eshiwo ngenhla iyingxenye ebalulukile kwezamasu eqembu, eyenziwa ngonyaka ka-2005, yaphinde yaphindwa kulo nyaka, okuyiyona iqembu ezoyilandela ohambeni lwayo lweminyaka emihlanu ezayo. Kukho konke, isu (elichazwe kabanzi emakhasini 12 no 18) ifaka izindlela zeqembu zokwehliswa amanani nokukhula okukhulu kwamamodeli afinyelele ekunqubekeni, ekubeni ngaso leso sikhathi evulela amamodeli obungozi obusha, ukuze iqhubeke nokukhula kanye nokuthuthukisa izimakethe ezibolekisa ngezimali.

Inselelo ekhona manje wukugxila ekuncintisaneni okubalulekile bokukhokha uma kudaleka umonakalo esikweledini esingenasibambiso, nangesikali sokunye okulondoloziwe, ukwehlisa inani lesikweledu leningi lamakhasimende amanje nasazoba amakhasimende ethu ngendlela ezwakalayo ngaleyo ndlela izigidigidi having an embedded process that forms part of the DNA of the organisation and which is effective and measurable. In particular, this is focused at societal issues that do not come naturally to the business, such as combating over-indebtedness and addressing corporate social responsibility and investment. A dedicated sustainability manager and team strive to continuously identify and address areas where progress is lagging. Our approach, progress and challenges are detailed in this report on pages 32 to 67.

CHANGES TO THE BOARD

ABIL announced on 16 February 2006 that the following directors had resigned from the board: Bhekisisa Shongwe, Steven Levitt, Jacob Kekane, Angus Herselman, Johan de Ridder and Dawn Marole. Their resignations were as a result of non-executive directors reaching term limits and a restructuring of the board to optimal size. The changes took effect from the annual general meeting on 25 April 2006. ABIL wishes to again thank all these directors for their time, effort and dedication in support of the group during their tenure.

APPRECIATION

The market environment in which ABIL is active is competitive and dynamic. This poses significant challenges as we position the business for sustainable long-term growth. Our management and staff have again shown their mettle during 2006 and on behalf of the board, we thank every one of you for your dedication and hard work.

We greatly value the counsel and contribution of the members of our board and the strong relationships we are building with the regulatory authorities.

The trust and continued support of our many clients is the foundation of our business. We will continue to show our commitment by meeting your financial needs with innovative products, excellent service and competitive pricing.

Ashley Mabogoane   Gordon Schachat   Leon Kirkinis zabahlali baseNingizimu Afrika basizakale ngokuba nokukhetha kokuningi.

INQUBEKELA PHAMBILI OHLELWENI LWE-BLACK ECONOMIC EMPOWERMENT

NgoMeyi 2005, samemezela uhlelo lwethu lokuba nezabelo, i-Eyomhlaba, olwenziwa ngenhloso yokuthi iningi labahlali baseNingizimu Afrika ababencishwe amathuba phambilini babe nenani lamasheya avamile e-ABIL kanye nokukhuphula inani lezinkampani esezikhona enamasheya kuzo ngamaphesenti ayi-15% esikhathini esingangeminyaka eyishumi, okungenani amaphesenti ayi-10% kumele kube ezingasindwa yizikweledu.

Kwaqongelelwa imali kuqala kwase kuqongelelwa imali ngokuthengiswa kwamasheya amasha ngonyaka ka-2006, okwenza ukuba kuqongelelwe imali engama-R87 wezigidi eyakhokhwa ngabaninimasheya. I-Eyomhlaba okwamanje inabaninimasheya ayizi-6 641 okungabasebenzi benkampani, amakhasimende, abaninimasheya e-ABIL kanye nomphakathi. Ngomhlaka-30 kuSeptemba 2006, i-Eyomhlaba ibinamasheya e-ABIL ezingama-31 wezigidi, obekungu-6,2% weqembu, futhi imele umnotho omkhulu oqongelelwe ngenzuzo yohlelo lwabaninimasheya.

Ngokuya ngohlelo lokulinganisa ekuqashweni, iqembu lenza inqubekela phambili eqinile ekufinyeleleni ezinhlosweni zalo, ikakhulukazi kumelweni okusezikhundleni zokuphatha okuphezulu nokuphakathi. Iqembu, nokho, likholelwa ekutheni lisanendlela ende elisazoyihamba kanti alikeneliseki ngezinguquko esezenziwe kufikela manje, futhi nakanjalo lokhu kuzogxilwa kakhulu kukho ngonyaka ka-2007.

INQUBEKELA PHAMBILI EKUSIMAMENI

Ngesikhathi i-ABIL iqhubeka nokudidiyela ndawonye ukusimama emisebenzini yayo ngempumelelo, iqembu liyabona ukuthi kusekuningi okumele kwenziwe. Lokhu kubandakanya ukweqa izinga lokubonakala nokulinganisa, kufike lapho linenqubo egxilile eyinxenye ye-DNA yenhlangano esebenzayo nengalinganiswa.

Kakhulukazi, lokhu kubhekiswe odabeni lomphakathi olungazifikeli ebhizinisini, njengokuvikela isikweledu esikhulu kakhulu nokwethula ukusebenza nokutshalwa kwezimali emphakathini kwenkampani. Imenenja neqembu abanokuzinikela okunokusimama bazama ngokuqhubekayo ukuthola kanye nokulungisa lapho kusalela khona emuva. Izindlela, inqubo nezinselelo zethu kubekiwe kulombiko emakhasini 32 kuya ku 67.

IZINGUQUKO ZEBHODI

I-ABIL yakhipha isimemezelo ngomhla zingu-16 kuFebhuwari 2006 ukuthi laba baqondisi abalandelayo sebeshiye phansi: okungoBhekisisa Shongwe, uSteven Levitt, uJacob Kekane, uAngus Herselman, uJohan de Ridder noDawn Marole. Ukushiya kwabo kube ngenxa yokuphela kwesikhathi sabo esibekiwe sabangama-non-executive directors nokuhlelwa kabusha kwebhodi ekulenzeni libe ngubukhulu obulungele leso sikhathi. Izinguquko zaqala ukusebenza emhlanganweni wonyaka wangomhla zingu-25 ku-Apreli 2006. I-ABIL ifisa ukubabonga futhi bonke laba baqondisi ngesikhathi sabo, nemizamo yabo kanye nokuzinikela ekusizeni iqembu ngesikhathi abebesebenzela ngaso iqembu.

UKUBONGA

Isimo sezimakethe i-ABIL esebenza kuso sinamandla nokuncintisana. Lokhu kwenza ukuba kube khona izinselelo njengoba senza ibhizinisi ukuba libe ngelikhula ngokusimama esikhathini eside. Abalawuli nabasebenzi bakhombise isibindi sabo ngo-2006 egameni lebhodi, siyanibonga nonke ngokuzinikela nokusebenza kanzima.

Siyakwazisa ukwelulekwa neminikelo kwamalungu ebhodi kanye nobudlelwane obuqinile esibakhayo nabasemagunyeni kwezokulawula.

Ukuthembeka nosizo lwamakhasimende ethu amaningi kuyisisekelo sebhizinisi yethu. Sizoqhubeka nokubonisa ukuzibophezela kwethu ngokuhlangabezana nezidingo zenu kwezezimali ngemikhiqizo, emisha, ngomsebenzi oncomekayo kanye namanani aphansi angaqhathaniswa nawabanye.

U-Ashley Mabogoane | U-Gordon Schachat | U-Leon Kirkinis

strategic review

The company's strategies are significantly informed by the opportunities and risks it identifies in the market. These opportunities and risks arise as a result of changes to the environment, to the regulatory framework within which the industry operates and to the behaviour of clients and competitors. In this review we outline the main features of our strategy and test it against the opportunities and risks that are emerging within ABIL's target market.

Focus continues to be the uncompromising foundation of our approach. ABIL remains committed to concentrate its energy and intellectual resources on providing unsecured credit to a growing middle-income market in South Africa.

Market research tells us that our customers believe that we are accessible, with high credibility, good service and quick access to credit. Our biggest negatives are high prices, lack of rewards for performance, and inflexibility with regard to payment if they experience a financial crisis. Our main response to address the negative findings has, over the past two years, been to start to differentiate our clients on a far more discrete basis and to maintain a hold on our costs while pushing our volumes up and driving our pricing down. At a macro level, this will remain our major drive for 2007 and beyond, and the discussion that follows serves to elaborate on the details of this strategy. At the same time the opening up of new areas of risk discovery will gain increasing importance over the next year and executive capacity, in particular, has been freed up to explore these areas.

OPPORTUNITY

Positioning ABIL as a supplier of low cost credit is strengthening its competitive position significantly.

RISK

The historical high yields of the business make us vulnerable to price competition.

It remains an integral element of ABIL's mission to bring down the cost of credit to its clients. ABIL demonstrated this commitment with the implementation of its first customer centric product offer in September 2005, which aligned the interest rate and repayment term of the customer specific products to the risk inherent in each customer risk segment serviced by ABIL. The reduction in cross-subsidisation between high risk and low risk clients enabled ABIL to bring prices down by an average 5%, benefiting some 70% of its clients.

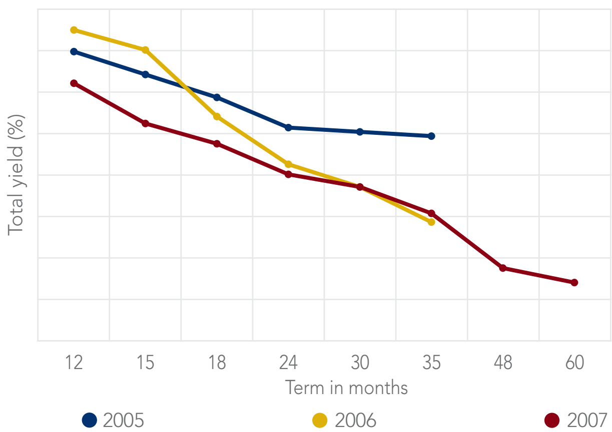
The price reduction strategy has had a positive impact on sales growth during 2006, which prompted the group to further enhance the client differentiation strategies. The credit scoring system was adapted to increase the number of risk groups from 8 to 24 and the number of pricing points from 8 to 15, providing more discrete differentiation in the measurement and pricing of customer risk. This system utilises personal risk, behavioural risk and operational risk to allocate customers into this expanded number of risk bands, allowing for further refining of the product offering into a new range that was introduced from October 2006.

The key features of the new product range are:

- Further reductions in pricing across the board of approximately 10% per annum;
- The ability to make a commitment to customers that their pricing will improve as they improve their credit behaviour both to ABIL and to other lenders in the market;
- The introduction of a competitively priced, three-month R1 000 standby loan facility, available to all existing customers who are current with their repayments;
- An extension of term and loan size on debit order loans for our lowest risk customers up to R20 000, to be repaid over a maximum of 60 months; and
- Tailored scoring and products to customers new to formal lending in South Africa and who do not have any credit bureau records, together with directed consumer education for these customers.

As a result of the pricing changes and based on the sales in October 2006, the total cost of credit for over 60% of customers has fallen by at least 11%, with the cost of credit for our lowest risk groups, comprising 15% of customers, now being set below the usury rate for our 48 and 60-month loans.

Changes to ABIL pricing models



OPPORTUNITY

The removal of the R10 000 usury limit creates the space to provide clients with loan sizes that match their financial profile and fulfil their financial requirements.

RISK

The regulatory environment will accelerate the entrance of new competitors.

THE REGULATORY ENVIRONMENT

The National Credit Act (NCA) seeks to converge the three different credit markets that exist currently, these being:

- the usury act compliant market for loans above R10 000 and loan terms greater than 36 months;
- the usury act exempt market for loans below R10 000 and with loan terms shorter than 36 months; and
- the retail credit market which is governed by the Credit Agreements Act.

ABIL expects the NCA to have a significant impact on the credit market over the longer term:

- It will break down the barriers between these different markets, which will create opportunities for products that span across the silos that had developed under the previous dispensation.
- The introduction of interest rate caps will remove some of the reputational barriers for large listed entities to enter the high-risk, high-priced end of the market.
- New pricing disclosure requirements will allow customers to compare prices better and this will increase price competition.
- Several of the smaller competitors may find themselves unable to operate profitably under the interest rate caps, which naturally favour scale players.

The competitive environment is becoming more dynamic than before with the big banks in particular, starting to make their intentions about mass market lending clear. The banks and other players, including retailers already active in the mass-market lending segment, have over the past year been increasing their exposure to this end of the market.

The group has been repositioning itself for the past two years to take cognisance of the impact of the NCA and is well advanced with the implementation of the requirements of the Act. As mentioned above, it has also started experimenting with compliant loans in preparation for the removal of the R10 000 limit in June 2007 and has had a positive response from clients to the new product offer.

OPPORTUNITY AND RISK

Is the size of the market sufficient to provide space for the increase in competitors in our target market, and is there ample opportunity for the growth that ABIL is targeting?

MARKET SIZING

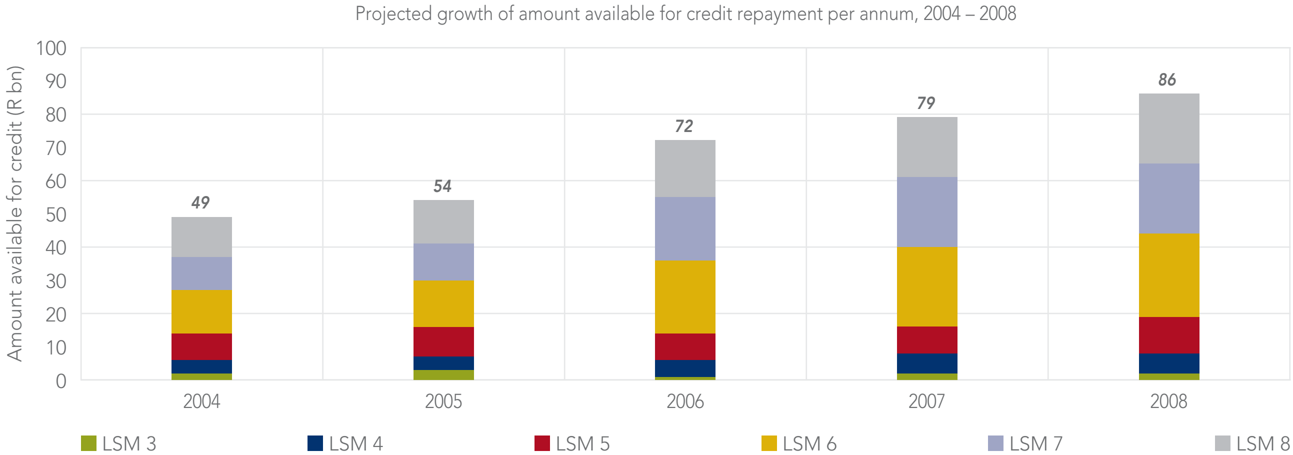
Credit instalments are demands on the consumers' disposable income. From a market-sizing perspective, it therefore makes sense to follow a "share-of-wallet available for repayment of credit" approach, ie the rand value available for the repayment of credit, in estimating the size of the potential market.

We continue to update and refine our internal supply and demand-side methodologies regarding the sizing of the market. We define our market as living standard measurements (LSM) 3 – 8, formally employed and banked. The two key drivers of the current market size and projected growth are number of adults and average personal income.

Using a number of sources, we estimate the market to consist of approximately 4,4 million banked and employed LSM 3 – 8 individuals of 16 years and older. ABIL's credit policy dictates that clients should be at least 21 years old, which means that our actual market is less than 4,4 million potential clients. Excluding home loans, but including credit cards, instalment credit, store credit, overdrafts, personal and microloans, we estimate the market size to be about R72 billion, implying that ABIL currently has a market share of about 10%.

Our projections show that the market will continue to grow, especially in the core segments of LSM 6 – 8, and we estimate that the market should be approximately R86 billion by 2008, providing ample opportunity for ABIL to achieve its growth targets.

Market size growth



Source: AMPS, 2005; ABIL demand side model

OPPORTUNITY

Risk segmentation allows the group to calibrate its product offering to target the client segments on a far more accurate basis.

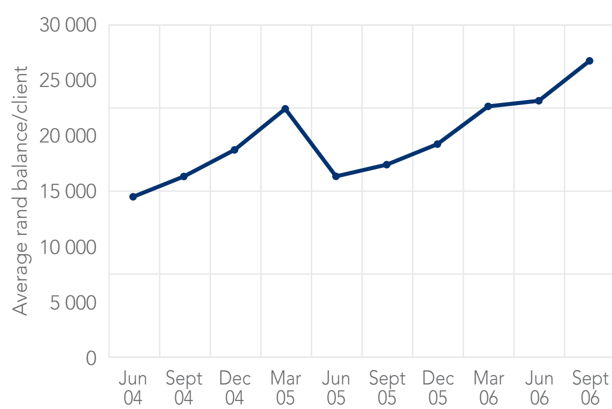
RISK

Increasing interest rates and inflation may have knock-on effects on clients' affordability, while the increasing supply of credit by newer competitors may precipitate a credit cycle change.

Signals that point to the beginning of a change in the credit cycle have begun emerging over the past year. This is caused by a combination of moderately rising interest and inflation rates and increasingly competitive credit supply dynamics. As competitors and new entrants increase their exposure to this market segment, average credit balances particularly to higher risk clients have been rising.

ABIL tracks two populations of clients over time, to determine the level of additional credit that clients take on after they have taken a loan from the group. The first population dates back to December 2003 and consists of 17 000 clients. The second population dates from March 2006 and consists of 15 000 clients. We draw quarterly snapshots from the credit bureaus for these clients, which provide us with the ability to track the credit obligations for these groups over time.

Client average debt burden – ABIL tracking population



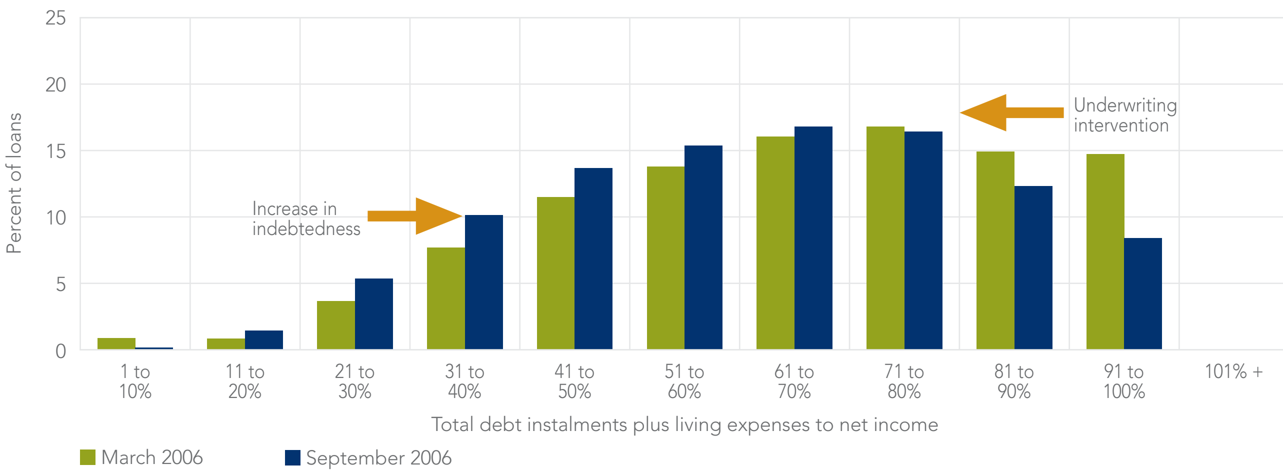
It is in both the client's and ABIL's best interest to ensure that clients take on prudent levels of debt. The group takes extensive steps to ensure the affordability of our loans. Our affordability assessments rely on data about consumer debt obligations from the credit bureaus and self-reported living expense information from the client. ABIL has been raising its affordability criteria for the past year. It first introduced the dual conditions of:

1. Debt servicing cost to net income after living expenses of no more than 100%; and
2. Debt servicing cost to gross income of no more than 60%;

in 2006, and has recently pulled back further on the first condition by reducing the rule to no more than 90%. The group has further tightened its credit criteria for higher risk clients and decreased the loan size and terms for this segment of the market.

As a result of African Bank's policies, the indebtedness profile of the clients we take on our books has been improving even though the affordability levels of clients have been decreasing due to increased credit supply, as indicated by the graph below.

African Bank – monthly distribution of approved loans



ABIL's risk segmentation process not only allows the group to offer a better value proposition to its clients, it also allows the group to calibrate its risk appetite more finely in the face of a changing credit cycle. As the group identifies certain risk groups that may be vulnerable to taking up higher levels of credit, and accordingly tightens its underwriting criteria, it is also able to target new products and pricing to lower risk groups who are not affected. This ensures that while the competitive landscape is changing, the group's growth strategy remains intact.

OPPORTUNITY

An efficient business provides the opportunity to pass the cost savings on to clients in the form of lower prices which grows the market and makes ABIL more competitive.

RISK

In order to maintain targeted RoEs with falling yields we have to:

- Improve cost efficiency
- Improve capital gearing
- Reduce funding cost
- Target and manage risk proactively

IMPROVE COST EFFICIENCY

Improving cost efficiencies remains high on ABIL's agenda. Our success in cost containment over the past five years is premised on three distinct strategies:

- centralising back-office support functions;
- optimising the distribution footprint; and
- optimising business processes.

Centralising back-office support functions

The strategy of the group is to pursue operational excellence supported by a single shared services platform, and to service clients through one integrated distribution network. In execution of this strategy, Credit Indemnity was integrated into African Bank during 2005, while African Bank Miners Credit was integrated into African Bank in 2006. Benefits flowing from this integration include operating cost savings but as importantly, new opportunities which have opened up for talented employees across the group.

Distribution footprint optimisation

In 2004, we conducted research into the economic flows of clients as per different catchment areas in the market. Utilising insights from this study, we have developed a distribution footprint optimisation strategy to serve clients more effectively. Over the past 12 months, another 27 African Bank and Credit Indemnity outlets were successfully merged while 37 outlets were closed. A total of 36 branches were upgraded and 40 new branches were opened. The total number of new branches opened during the past 24 months totals 62, and these branches have generated sales of R303 million over the period. We have also seen the "multiplier effect" from new branches starting to emerge and we are confident that this trend will continue.

We have recently updated the branch market sizing and locations guidelines study. A high level synopsis of the findings reveals the following:

- African Bank market share in the South African metro areas is between 16% and 17%.
- Significant progress has been made in the rationalisation of the branch network in areas that had brand duplication and excess square meterage.
- A number of new outlets have been developed in the metro areas, increasing from 104 in 2003 (both African Bank and Credit Indemnity) to 129, with several more in the pipeline.
- The market for personal loans continues to be primarily based in central business districts (as opposed to being residentially based). We expect the market to remain concentrated in these areas in the foreseeable future.

Going forward, the distribution strategy is being refocused from one that has concentrated on upgrading, integrating and relocating branches to optimise the distribution network and extract efficiencies. The next step will be to grow the network – the group believes the best form of marketing and branding is a high touch, pervasive distribution footprint. Clearly, this needs to be critically examined in the context of keeping costs flat.

Optimising business processes

To continue to scale the business to size while keeping costs flat, remains a challenge. It requires a continuous and fundamental review of the business from end to end. Technologies need to be automated and proactive intelligence built into core processes so as to eliminate inefficiencies.

ABIL's investment in the Six Sigma process methodology has yielded some tangible results. The group has so far completed 15 business optimisation projects that covered a range of business processes from client queries to loan applications to sales channel optimisation. ABIL maintains metrics that quantify business process efficiencies and cycle times; which are tracked from the start of the implementation of the different Six Sigma projects and has realised approximately R40 million in directly attributable cost savings, as it identifies and eliminates unproductive costs.

The group has a sound pool of trained Six Sigma professionals whose challenge is to continue to identify and eradicate the inefficiencies in the businesses.

ABIL's systems need to be constantly evaluated in light of existing needs as well as strategic direction. Systems architecture needs to be able to support a real-time customer centric approach and the type of products the group is developing for the future, while at the same time remaining simple and inexpensive.

IMPROVING CAPITAL GEARING AND REDUCING FUNDING COST

The mix between capital and funding is important in optimising the weighted average cost of equity, which is a key component in the pricing of our loans. A careful balance is required between ensuring that the business remains protected from financial shocks by maintaining adequate capital, and the recognition that equity is the most expensive form of funding. The business has been carefully and cautiously increasing gearing towards a four to five times ratio, to achieve what it believes is the optimal balance.

The group has over the past three years managed to bring its funding cost down through a combination of lower interest rates and improved risk perceptions and credit ratings. Average funding cost reduced from 14,5% in 2003 to 9,9% in 2006. As the group maintains a funding profile that is mainly long-term and fixed-rate, recent interest rate increases will not have a significant effect on funding cost over the short to medium term.

TARGETING AND MANAGING RISK MORE PROACTIVELY

ABIL is entering its second year of utilising its risk-based pricing models to test the relationship between price, volume and risk inherent in our business model. We believe that we can responsibly grow credit extension by implementing appropriate changes in pricing and measuring the rate at which incremental volume and cost benefits exceed incremental risk increases.

The fundamental prerequisite to this pioneering is that we are able to accurately predict and rapidly measure the risk flowing from a particular pricing strategy. ABIL regards its risk appetite based on credit competence and strong data as a key competitive differentiator.

OPPORTUNITY

The deeper understanding of clients' needs and preferences is a prerequisite to growing our base. The extensive market research being undertaken assists in adapting our business practices, service levels and product offerings to cater for these needs.

RISK

To scale the business up, we have to grow our volumes through a combination of increased loan sizes and increased volumes of clients. We have thus far not grown our overall client base significantly.

Increasing volumes of clients need to be achieved through a combination of improved client retention and attracting new clients by entering segments of the market where we have not competed before. Client retention strategies will focus on new products and service improvements drawing on the substantial amount of market research undertaken by the group in our target segments. Our strategy for increasing the client base is based on a three-pronged approach:

- New products and sales initiatives;
- Becoming more client centric; and
- A new approach to defaulting clients.

NEW PRODUCTS AND SALES INITIATIVES

We need to expand the product range and target market that we deal with. We have started to explore an emerging competence in credit card lending and are beginning to learn how to engage in credit in excess of R10 000. To assist in making informed choices about potential opportunities we measure each opportunity based on three criteria:

- Scale;
- Proximity to our competence; and
- Complexity and therefore requirement for dedicated focus.

ABIL has always believed that there is little point in pursuing something that is complex, does not have the necessary potential for scale, and is not quite aligned with our existing competencies.

In terms of current initiatives, the following are being explored:

1. Increasing average loan sizes to our existing clients beyond the R10 000 usury act exemption limit;
2. Getting a larger share of loans from the cash-lending market;
3. Building a larger credit card portfolio; and
4. Gaining a normative market share from other credit competitors.

Beyond these projects that can rapidly deliver results over the short to medium term, we are also dedicating executive resources to exploring longer-term new risk discovery projects.

CLIENT CENTRICITY

Client centricity is an important strategy for us in enhancing our competitive capability. Building a comprehensive picture of our customers has started this year. During 2006, we commissioned new market research to fill the gaps in our understanding of clients, which are described in the Stakeholder Review on page 53. We currently have a good insight into our clients on a demographic, psychographic and risk basis; we are also learning more about the key drivers of their decision-making processes and behaviours. These insights are assisting us in marrying our credit segmentation with behavioural segmentation; our objective being to assist us in more effectively serving very distinct groups of clients. We do, however, need far more impetus here and in particular we need to undertake the following:

- Create a customer focused database;
- Track our customer economics better;
- Examine new client acquisition, customer dormancy and delinquency;
- Analyse competitor activity relating to our customers; and
- Develop channels to regularly communicate with our customers directly.

Based on market research conducted in previous years, ABIL has implemented a number of service improvement initiatives, including speeding up loan processing times, especially with regard to repeat performing clients. To assess the effectiveness of these service improvement plans, we undertook a tracker study in November 2005 to gauge whether we have improved our delivery to clients as measured in the first benchmark study of September 2004. Clients' overall satisfaction with African Bank's service delivery increased from 88% in 2004 to 92% in 2005. The key would be to continue to prioritise areas of further improvement around clients' preferences and priorities as indicated by the research.

MANAGEMENT OF DEFAULTING CLIENTS

The group has been quite successful in attracting new clients, but the biggest loss of clients occurs through delinquency. As mentioned in the introduction, clients sometimes perceive us as unapproachable and unsympathetic when it comes to arrears and default. We need to develop mechanisms to rehabilitate clients back to financial health after a financial crisis.

Research suggests that clients demand more flexibility from us with regard to repayment, especially when they are under pressure. It implies that a one-size-fits-all approach to these clients is not appropriate and that a risk-based approach needs to be developed. ABIL believes that this is an area where better and more extensive use of scoring can be brought to bear.

OPPORTUNITY

Additional training and new challenges help our staff grow, open up new opportunities for advancement and increase job satisfaction levels. Additional focus on retention will benchmark our employee benefits against the industry and provide insight into areas where there is room for improvement.

RISK

Scaling the business up and introducing more sophisticated financial products, will lead to inadequate people skills, while increased competition will inevitably lead to a requirement to focus on retention strategies.

PEOPLE STRATEGIES

Converting from a loans sales business to a more customer-focused business cannot be achieved without a change in mindset throughout the organisation. Dealing with more complex products over the medium term will also place an additional burden on staff and therefore thinking honestly about our skills becomes imperative. Effective training, effective succession planning and retention of key staff gain extra weight given the change in the competitive landscape.

A series of initiatives such as talent management, retention strategies, and management development are being undertaken. These and other initiatives are more fully described in the employee report on page 62.

STRATEGY 2007

The strategic focus for the coming financial year will largely be a continuation of the imperatives identified in 2004 with more ambitious targets being set for each of our deliverables. Our ability to adapt, anticipate and respond appropriately will determine the effectiveness with which we navigate the opportunities and threats in an increasingly complex competitive and regulated environment. The imperatives for 2007 are to:

- Further refine the segmentation of product terms and pricing according to risk groups, thereby reducing the cross-subsidisation between low-risk and high-risk clients;
- Systematically drive down the cost of credit by passing on the benefits of improved operating cost, capital and funding efficiencies to clients. The price-volume elasticity benefit of reducing prices will continue to generate further economies of scale and cost efficiencies, which in turn will facilitate more price reductions;
- Expand our presence in the market by increasing the client base, through improved distribution, client service offering and innovative products;
- Deepen our understanding of client dynamics. We have been researching the causes of client dormancy, amongst others, and are amending our products and processes to address clients' concerns and preferences;
- Retain the tight focus on a core competence of unsecured personal lending, while, at the same time stepping up initiatives to innovate new products and channels within this area to expand the market; and
- Finalise the remaining aspects with regard to the implementation of the National Credit Act.

Much effort is being invested in meeting the opportunities and challenges by way of management time, financial resources, technology and a continuous process of rigorous strategic debate. By focusing on the needs of clients and more effectively managing this valuable asset, we can entrench our long-term competitive and sustainable positioning in our chosen market. We remain committed to improving access to affordable, convenient and responsible credit while maintaining superior returns.

financial review

Financial results

Continued strong demand for credit and a better than anticipated response from clients to the group's new product and pricing models, created a positive market environment for ABIL for the financial year to 30 September 2006.

ABIL increased headline earnings by 20% to R1 145 million (2005: R956 million), while headline earnings per share increased by a lesser 11% to 223,3 cents per share (2005: 201,5 cents), as a result of the dilution effect of the group's BEE programme and a reduction in the treasury shares held.

Ordinary dividends per share of 200 cents have been declared, relative to the 122 cents for 2005. Return on assets was 14,2% (2005: 13,0%) and return on equity 55,3% (2005: 39,7%), benefiting from increased capital gearing from 3,1 to 3,9 times. Economic profit, an important performance measure for the group, increased by 34% to R808 million.

Key drivers of the results for the 12 months were:

- Buoyant demand for credit, together with the group's new product and pricing models resulted in better than expected sales and advances growth;
- Credit vintages in line with expectations and within risk appetite;
- Operating costs excluding abnormal charges under IFRS 2, maintained at 2005 levels, resulting in further improvement in efficiency ratios;
- Improved ratings and refinancing of debt at lower interest rates leading to lower funding costs; and
- Improved RoAs and increased gearing translating into higher RoEs.

Looking ahead

ABIL is confident that it will achieve its stated financial objectives for the 2007 financial year, but more importantly, will continue to use the high return on equity currently being achieved to strengthen the competitive position and growth prospects of the group for subsequent financial periods through further risk discovery and price reductions on its products.

Financial objectives for 2007

Objective	Actual for 2006	Target for 2007
Sales growth, measured by disbursements	26%	20% – 25%
Total advances growth	20%	18% – 22%
Decline in total yield on advances	1%	2% – 4%
Cost to advances	14,7%	<12,5%
Bad debt expense to advances	8,5%	8,5% – 9,5%
Ordinary dividend cover	1,15 times	1,0 – 1,5 times

Medium-term financial objectives

Objective	Medium-term target
Economic profit growth	Consumer price inflation (CPI) + 15%
RoE	>30%
RoA	>10%
Capital adequacy optimised	Minimise surplus capital as per capital model

RETURN ON ASSETS AND RETURN ON EQUITY MODEL

R million	Notes	Year ended 30 September 2006	Year ended 30 September 2005	Year ended 30 September 2004
Interest income on advances		**2 974**	2 752	2 490
Net assurance income		**424**	357	291
Non-interest income		**446**	274	294
Total income		**3 844**	3 383	3 075
Charge for credit losses		**(606)**	(488)	(484)
Operating expenses		**(1 048)**	(951)	(946)
Net financing costs (including preference dividends)	1	**(388)**	(344)	(335)
Taxation (including STC and indirect taxation)		**(699)**	(666)	(555)
Other (associates, minorities, non-headline)		**6**	14	7
Total charges against income		**(2 735)**	(2 435)	(2 313)
Headline earnings attributable to ordinary shareholders	1	**1 109**	948	762
Average gross advances	2	**7 145**	6 192	6 254
Average total assets		**7 830**	7 296	6 542
Average ordinary shareholders' equity	A	**2 004**	2 386	2 431
Economic profit calculation				
Estimated cost of equity (%)	B	**15,0**	14,5	15,0
Adjusted headline earnings (see above)		**1 109**	948	762
Cost of equity charge (A x B x n/12)		**(301)**	(346)	(365)
Economic profit		**808**	602	397
% growth		**34,2**	51,6	

	Year ended 30 September 2006	Year ended 30 September 2005	Year ended 30 September 2004
Interest/Advances	41,6%	44,4%	39,8%
Assurance/Advances	5,9%	5,8%	4,7%
Other income/Advances	6,2%	4,4%	4,7%
Total income yield	53,8%	54,6%	49,2%
Bad debts/Advances	(8,5%)	(7,9%)	(7,7%)
Opex/Advances	(14,7%)	(15,4%)	(15,1%)
Financing costs/Advances	(5,4%)	(5,6%)	(5,4%)
Taxation/Advances	(9,8%)	(10,8%)	(8,9%)
Other/Advances	0,1%	0,2%	0,1%
Total charges/Advances	(38,3%)	(39,3%)	(37,0%)
Return on advances	15,5%	15,3%	12,2%
Advances/Total assets	91,3%	84,9%	95,6%
Return on assets (RoA)	14,2%	13,0%	11,6%
	multiply	multiply	multiply
Gearing	3,9	3,1	2,7
	equals	equals	equals
Return on equity (RoE)	55,3%	39,7%	31,3%

	Year ended 30 September 2006	Year ended 30 September 2005	Year ended 30 September 2004
Bad debts/ Interest income	20,4%	17,7%	19,4%
Bad debts/ Total income	15,8%	14,4%	15,7%
Cost/Income	27,3%	28,1%	30,8%

Notes

1. *Headline earnings, as reported, are reduced by the dividends on the preference shares to reflect the net earnings attributable to ordinary shareholders. The preference dividends are included in net financing costs.*
2. *Non-interest-bearing advances and deferred administration fees are no longer deducted from gross advances. Comparatives have been restated to allow meaningful comparisons.*

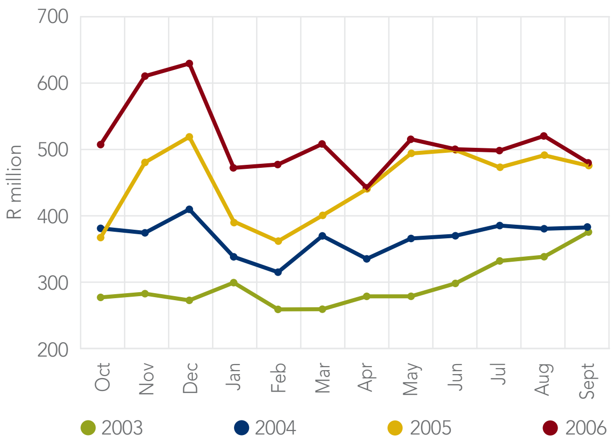
STATEMENT OF AVERAGE BALANCES

R million	Year to 30 September 2006 Closing balance	Average balance	Income/ Expense	Rate %
Gross advances	7 727	7 145	3 844	53,8
Interest-earning cash and other assets	1 602	1 684	113	6,7
Total interest-earning assets	9 329	8 829		
Non-interest-bearing Reserve Bank deposit	122	111		
Deferred administration fees	(228)	(187)		
Impairment provisions	(1 425)	(1 218)		
Insurance reserves	(10)	(62)		
Other assets	375	357		
Total assets	8 163	7 830		
Total interest-bearing liabilities	4 866	4 676	465	9,9
Life fund reserves	103	94		
Other liabilities	504	572		
Total liabilities	5 473	5 342		
Ordinary shareholders' equity	2 207	2 004		
Preference shareholders' equity	483	483		
Minority shareholders' interest	0	1		
Total liabilities and equity	8 163	7 830		

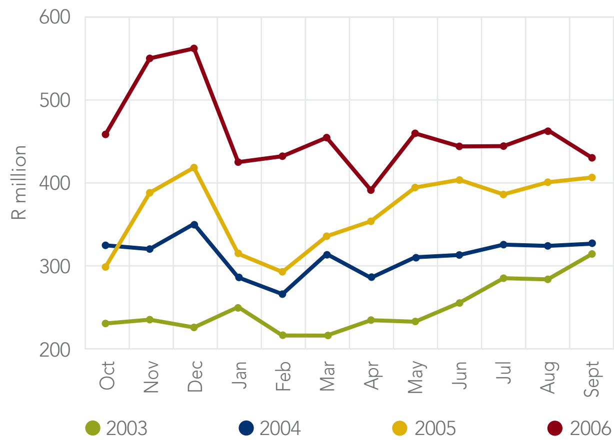
R million	Year to 30 September 2005 Closing balance	Average balance	Income/ Expense	Rate %
Gross advances	6 454	6 192	3 383	54,6
Interest-earning cash and other assets	1 576	2 045	156	7,6
Total interest-earning assets	8 030	8 237		
Non-interest-bearing Reserve Bank deposit	88	87		
Deferred administration fees	(55)	(33)		
Impairment provisions	(979)	(1 201)		
Insurance reserves	(138)	(132)		
Other assets	363	338		
Total assets	7 309	7 296		
Total interest-bearing liabilities	4 086	4 020	492	12,2
Life fund reserves	95	87		
Other liabilities	513	515		
Deferred tax	0	5		
Total liabilities	4 694	4 627		
Ordinary shareholders' equity	2 122	2 386		
Preference shareholders' equity	483	282		
Minority shareholders' interest	10	1		
Total liabilities and equity	7 309	7 296		

SALES

Graph 1: Sales (original principal debt)



Graph 2: Sales (disbursements)



In the past, ABIL has published sales in the form of original principal debt (OPD), ie combining the disbursed loan amount with the administration fees and insurance premiums charged upfront, to show the total initial loan amount.

Towards the end of 2005, ABIL changed the loan pricing model to one in which administration fees were split into an origination fee charged upfront and a service fee charged monthly. In addition, credit life insurance premiums were also changed to being charged monthly.

The changes result in a lower OPD in relation to the actual loan disbursed, while at the same time generating a more smoothed revenue stream. Previously, the upfront fees and credit life insurance would have resulted in the OPD being 1,3 times the loan disbursement value. The same loan now, would only have an origination fee charged upfront, resulting in the OPD being only 1,1 times the value of the loan disbursed. As discussed under the yield analysis, it is expected that this ratio will continue to change in the face of increasing competition and regulation.

The group has therefore changed the definition of sales from original principal debt, to the loan amount disbursed, which will not be influenced by changes in the structure of the group's charges. Graph 1 above indicates sales activity as disclosed previously, while graph 2 depicts sales activity in the form that it will be disclosed in future.

SALES (continued)

Sales analysis in terms of disbursements – new sales definition

	% change yoy	Sales value (R million)									
		2006					2005				
		Total	Q406	Q306	Q206	Q106	Total	Q405	Q305	Q205	Q105
African Bank											
– retail products	33	4 229	1 039	987	991	1 212	3 180	896	858	661	764
– payroll products	(19)	155	42	36	37	40	191	48	47	45	51
– credit card	n/a	89	28	28	33	0	0	0	0	0	0
Miners Credit	18	662	160	166	148	187	559	127	127	134	170
Standard Bank JV	10	316	68	77	79	92	286	76	78	60	72
CVF	(65)	61	0	0	22	39	176	45	41	42	47
Total	26	5 512	1 337	1 294	1 311	1 570	4 392	1 193	1 151	943	1 105

		Number of loans (000)									
African Bank											
– retail products	(16)	791	195	184	188	224	939	234	250	206	249
– payroll products	(20)	18	4	4	5	5	23	6	6	5	6
– credit card	n/a	20	8	5	6	0	0	0	0	0	0
Miners Credit	(13)	247	55	60	58	74	282	61	63	71	88
Standard Bank JV	4	81	18	20	20	23	78	20	22	16	20
CVF	(68)	0	0	0	0	0	1	0	0	0	0
Total	(12)	1 158	280	274	278	326	1 323	321	340	299	364

		Average loan size (Rand)									
African Bank											
– retail products	58	5 344	5 328	5 354	5 271	5 411	3 387	3 829	3 437	3 209	3 071
– payroll products	2	8 554	9 370	9 020	7 478	8 522	8 400	8 518	8 376	8 556	8 185
– credit card	n/a	4 462	3 482	5 145	5 125	0	0	0	0	0	0
Miners Credit	36	2 682	2 938	2 762	2 554	2 527	1 978	2 096	2 025	1 896	1 930
Standard Bank JV	6	3 892	3 812	3 844	3 952	3 941	3 668	3 794	3 609	3 691	3 589
CVF	10	167 953	0	0	168 271	167 770	153 009	159 042	155 094	150 097	148 412
Total	43	4 761	4 777	4 723	4 723	4 810	3 319	3 719	3 388	3 155	3 038

Sales analysis in terms of original principal debt – previous sales definition

		Sales value (R million)									
African Bank											
– retail products	16	4 609	1 137	1 081	1 079	1 312	3 970	1 088	1 086	826	969
– payroll products	(26)	177	47	40	43	47	240	59	57	57	67
– credit card	n/a	89	28	28	33	0	0	0	0	0	0
Miners Credit	28	817	198	210	178	231	639	149	147	153	189
Standard Bank JV	11	406	87	99	102	118	365	97	100	75	93
CVF	(65)	61	0	0	22	39	176	45	41	42	47
Total	14	6 159	1 498	1 457	1 457	1 747	5 390	1 439	1 432	1 153	1 366

Sales, as measured by disbursements, increased 26% to R5,5 billion (2005: R4,4 billion) for the twelve months to 30 September 2006.

The African Bank retail products achieved the strongest growth in sales of 33% from R3,2 billion to R4,2 billion. This was primarily achieved through a combination of increased distribution and various direct marketing sales strategies, as well as the increased volume effect of the price differentiation and reductions implemented in August 2005. The new pricing strategy has had a twofold effect:

1. The decrease in pricing has resulted in an increased average loan size (up 43% from R3 319 to R4 761) as decreased instalments have allowed customers to borrow more within their affordability criteria.
2. The average term of loans has increased from 18 to 23 months, slightly shorter than the 25 months at the interim stage as a result of the risk reduction measures the group took during the year. The corollary to this is that the number of loans sold has fallen 12%, as clients take up larger loans with longer terms, less often.

It is expected that this trend will continue in 2007 on the back of the further price reductions implemented in October 2006 and as the group starts lending amounts greater than R10 000 to the lowest risk clients.

During September 2006, the African Bank Miners Credit loan book was converted onto the main African Bank retail product platform. This will allow for further cost efficiencies and open up a broader product offering to clients in the mining sector.

Credit card sales, measured by the value of credit limits granted, have been shown separately. The group had issued 20 000 cards with credit limits of R89 million by 30 September 2006, translating into a loan book of R73 million.

ABIL's credit card is aimed at introducing clients who don't have credit cards, to this product for the first time and as such, credit limits are modest. African Bank is the only retail bank in South Africa to implement instant-issue credit cards in its branch network. This means that a client applying for a credit card in the branch will, if successful, walk out of the branch with a credit card that is fully activated.

With the pilot phase now complete and the card product refined for our market, the group began a full rollout of the card through most of its branches in October 2006, and is targeting to have approximately 140 000 cards in issue by the end of 2007, with an advances book of some R500 million.

In October 2006, the group introduced loans greater than R10 000 and for terms longer than 36 months under its retail debit order products for the first time ie Usury compliant loans. For certain clients in the lowest risk segments, loans up to R20 000 repayable over up to 60 months are being offered. These products are all priced below the usury rate, and in the case of the R20 000, 60-month loan, the total cost of credit is priced well below the usury rate.

In the first month of the rollout of this product, approximately 15% of retail debit order loans by value, have been for compliant loans. The group will carefully monitor the credit quality of these products, and is confident that this move, ahead of the 1 July 2007 implementation of the National Credit Act, is important to offer better value to clients into the future.

ADVANCES

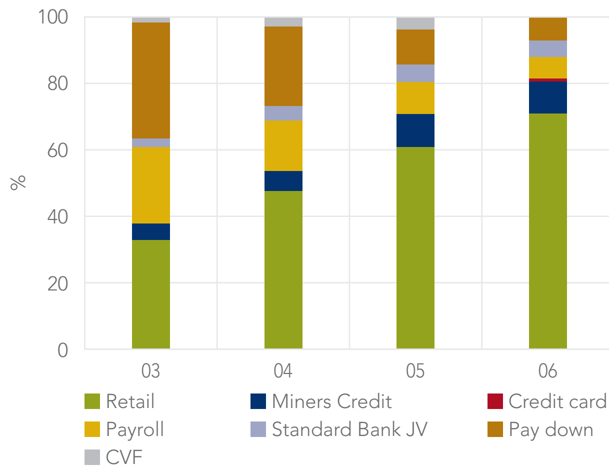
R million	30 Sept 2006	% growth	30 Sept 2005	% growth	30 Sept 2004
Lending books	7 172	24	5 793	24	4 685
African Bank – retail products	5 474	39	3 926	35	2 912
– payroll products	494	(20)	614	(34)	934
– credit card	73	n/a	0	n/a	0
Miners Credit	748	15	651	72	379
Standard Bank JV	383	10	348	27	273
CVF	0	(100)	254	36	187
Pay down books	555	(16)	661	(54)	1 444
Persal	181	(8)	197	(35)	302
Saambou PLB	368	(18)	450	(52)	931
Other	6	(57)	14	(>100)	211
Gross advances	7 727	20	6 454	5	6 129

Gross advances increased by 20% over the past year to R7,7 billion.

Boosted by strong sales, the lending books grew by 24%, despite the sale of CVF during the year. The lending books at R7 172 million now comprise 93% of the total gross advances.

The pay down books fell by 16%, at a slower pace than in 2005. This is due to lower levels of write-offs in these portfolios as the loans remaining on the balance sheet are largely performing with good cash flows.

Advances mix

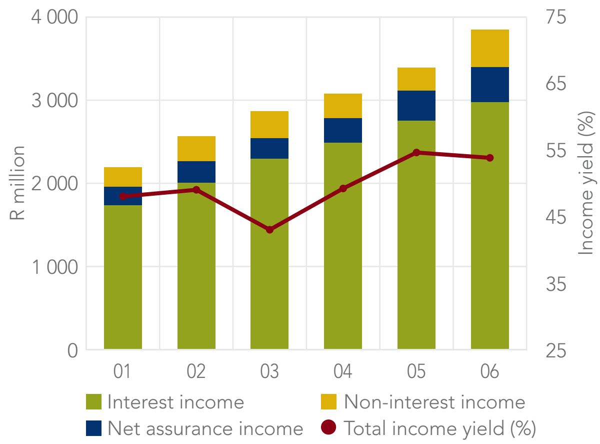


ADVANCES ANALYSIS

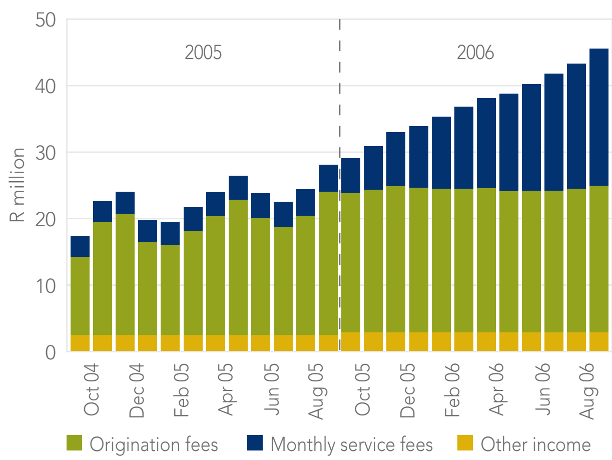
	Growth in number of loans	Growth in average balance	30 September 2006 Number of active loans	30 September 2006 Average balance	30 September 2005 Number of active loans	30 September 2005 Average balance
	%	%	000	Rand	000	Rand
Lending books	6	16	1 417	5 062	1 331	4 352
African Bank – retail products	12	24	1 006	5 442	898	4 371
– payroll products	(28)	12	69	7 157	96	6 400
– credit card	n/a	n/a	19	3 802	n/a	n/a
Miners Credit	(9)	26	205	3 642	225	2 897
Standard Bank JV	7	3	117	3 269	109	3 183
CVF	n/a	n/a	n/a	n/a	3	89 092
Pay down books	(23)	9	59	9 363	77	8 572
Total	5	14	1 476	5 235	1 408	4 583

YIELD ANALYSIS

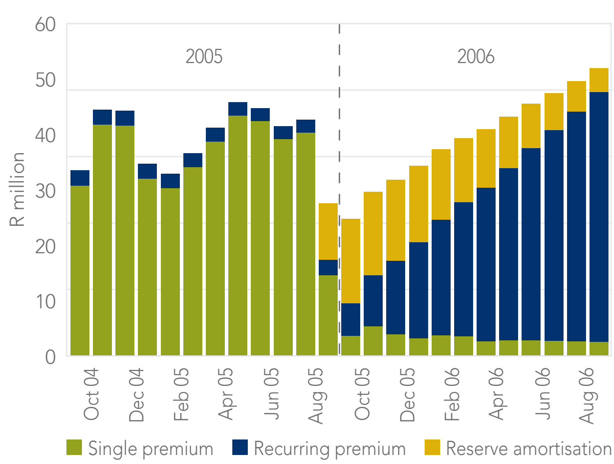
Graph 1: Income growth



Graph 2: Non-interest income



Graph 3: Net assurance income



The three individual components of income, being interest, net assurance income and non-interest income (administration fees) will continuously be recalibrated to take account of internal cost structures, as well as changes in the regulatory or competitive environment. It is therefore more relevant to concentrate on trends in the total yield, rather than the underlying components.

Total income grew by 14%, boosted by a 15% growth in average advances but offset by the decline in the total income yield from the 54,6% in 2005 to 53,8%. The 2002 to 2004 trend of a declining rate of growth in total income, due to declining gross advances as pay down books reduced, has now firmly reversed.

The repricing in August 2005 resulted in an average decline in the overall yields of approximately 5%. However, this has a delayed impact on the results, as it was only applied to new loans granted, and it will take two to three years for the portfolio to fully absorb this. In addition, the steady shift in the mix of loans away from low-yielding pay down books and the sale of CVF, have lifted the overall yield on the portfolio.

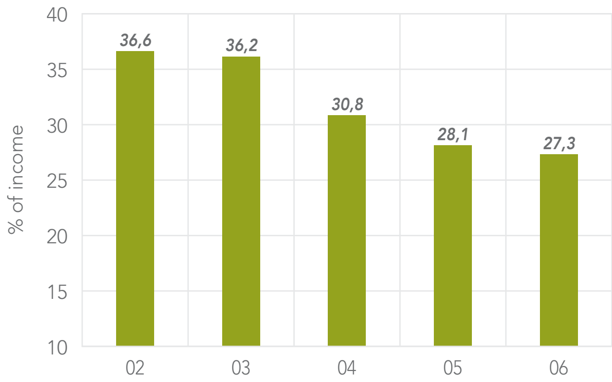
The mix of the components of income shifted during the year as a result of the changes made to the products and pricing models:

- The interest yield declined from 44,4% in 2005 to 41,6%.
- Net assurance income grew by 19% to R424 million (2005: R357 million). Premium income declined initially as the switch to monthly premiums was implemented for new loans from September 2005. During the year the premium income has been growing as the base of new loans expands, and in addition the actuarial credit life reserves, which are primarily held against single upfront premiums on existing loans, have amortised from R138 million to R10 million. The effect of the changeover has now normalised and, going forward, the premium income will grow in line with advances growth. (Refer graph 3).
- Non-interest income grew by 63% to R446 million (2005: R274 million). This is made up primarily of origination fees capitalised upfront but recognised to income over the life of the loan, and monthly service fees. The monthly service fees were introduced on new loans granted from September 2005, and therefore the base of loans on which service fees are charged has been steadily increasing during the year. This trend will continue over the next year, and thereafter, both the monthly service fees and amortising origination fees will grow in line with the advances book (refer graph 2). Under the new pricing models the aggregate of the origination fee and monthly service fees has increased, with an offsetting reduction in the interest rates charged.

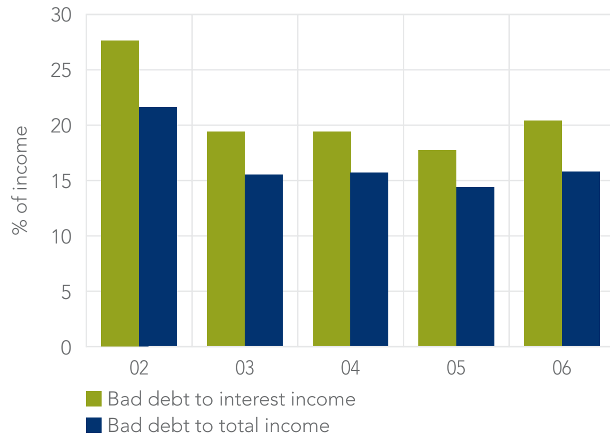
ABIL expects that the total yield on the portfolio will fall by a further 2% to 4% over the next 12 months as the new pricing feeds through.

BAD DEBT CHARGE AND OPERATING COSTS

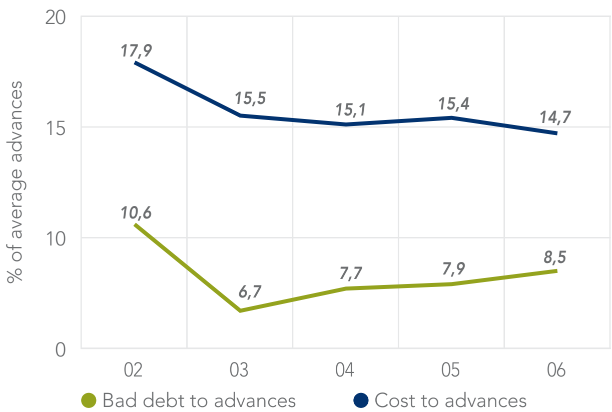
Graph 1: Operating cost to income ratio



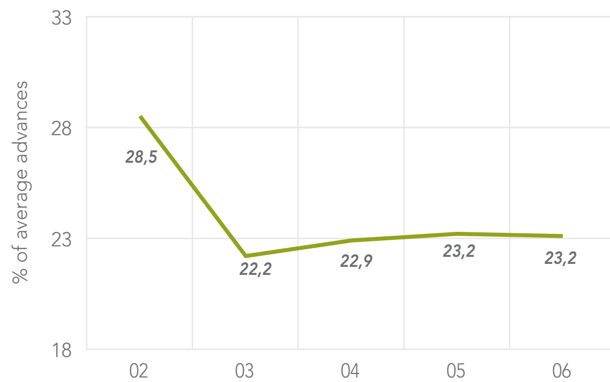
Graph 2: Bad debt ratios



Graph 3: Bad debt vs operating cost



Graph 4: Bad debt plus operating cost to advances



Optimising bad debt vs operating cost

The group has been emphasising the importance of the relationship between cost efficiency and risk appetite as it tests the price volume elasticity effect of loans in this market.

As prices are decreased, loan volumes (and therefore advances portfolios) are growing, both due to the increased affordability of individual loans as well as the fact that as loans become cheaper, the whole market grows.

The key for the group is to manage this process such that the gains made in cost efficiency, are not given up by increasing bad debts as loan sizes and terms increase.

The graphs above set out this relationship, and while the effects of the repricing have not yet fully filtered through to the results, the trend is quite clear.

The group expects that the cost to advances ratio will converge to the bad debt to advances ratio over the next few years, with both being targeted to below 10%. The benefits of this will be passed on to clients in the form of further price reductions.

For the 2007 financial year the group is targeting a cost to advances ratio and bad debt to advances ratio of 12,5% and 8,5% to 9,5% respectively.

Charge for bad debt

The charge for bad and doubtful advances was R606 million (2005: R488 million), or 8,5% of advances (2005: 7,9%). The bad debt charge as a percentage of total income increased to 15,8% (2005: 14,4%) in line with the group's strategy of taking more risk by growing sales volumes.

While the increased volume of NPLs feeding through from higher sales has resulted in higher provisions being raised compared to 2005, this was mitigated by an increase in the cash recoveries from loans previously written-off, from R139 million in 2005 to R219 million for 2006. The reason for this is a number of specific strategies that have been implemented by collections in dealing with these old delinquent loans and successfully securing payments, often a long time after the loan defaulted. The bad debt recovery trend, which is now well established and a key success factor of the group, is expected to continue at similar levels over the next few years, as this focus on the written-off loans continues to yield collections success.

Net write-offs of bad debts reduced significantly during the current year to R455 million (2005: R1 219 million), due to the following:

- The group adjusted its bad debt write-off policy, after it became apparent that the write-offs in 2005 were too aggressive, resulting in high levels of subsequent cash recoveries.
- During the current year, the group rehabilitated onto the balance sheet R279 million (2005: R83 million) of loans that were previously written off, and in line with the group's accounting policy, these loans are treated as negative bad debts written off ie reversing the original bad debt write-off. The policy regarding rehabilitation of written-off loans, requires such loans to be performing well with a regular payment profile, before they qualify for reinstatement onto the balance sheet, together with appropriate impairment provisions. It is expected that the value of loans being rehabilitated, which is currently running at approximately R20 million per month will continue into the future, albeit at a gradually declining rate.

For the year ahead, the group expects that while the vintages will settle at current levels, the higher base of sales will generate concomitant higher NPLs, offset by expected continuing success in collecting and rehabilitating delinquent clients. Accordingly the group expects the bad debt to advances ratio to be between 8,5% and 9,5%.

ABIL has previously shown the ratio of the bad debt expense to interest income, with a target of 20%. In order to better illustrate the relationship between bad debts and costs, this ratio has been changed to bad debt expense to total income, as the component parts of the income are being continuously recalibrated. As a result, the 20% target adjusts to approximately 16% of total income and will gradually trend up, as yields fall.

Operating costs

During the current period, operating costs increased by R97 million or 10% to R1 048 million (2005: R951 million). The increase included a R119 million (2005: R34 million) charge for IFRS 2: Share-based payments, relating to the group's discontinued option scheme and new long-term incentive programme.

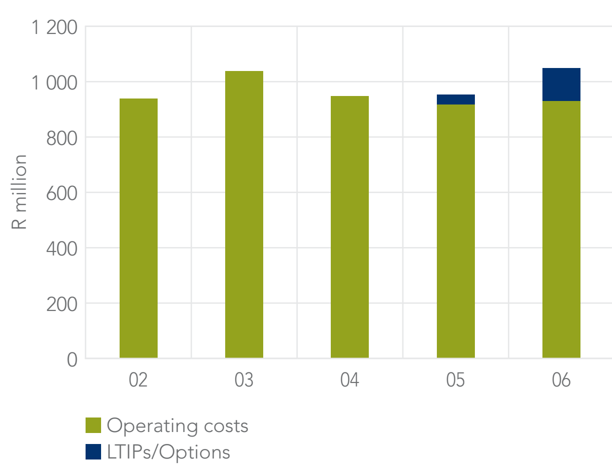
Excluding the IFRS charge, the normal operating costs were R929 million, up 1% on the R917 million for 2005.

The cost to income ratio decreased to 27,3% (2005: 28,1%) and the cost to advances ratio to 14,7% (2005: 15,4%).

The group's push to achieve cost efficiency as a key driver to competitive positioning has been a dual-pronged approach:

- Maintaining operating costs flat in nominal terms over the last five years. This has been achieved through a series of business integrations, continuous process simplification and focus.

Operating costs



BAD DEBT CHARGE AND OPERATING COSTS (continued)

- Increasing the volume of business throughput utilising the largely fixed and constant cost base.

This has resulted in the average cost per loan falling substantially over the last five years.

The IFRS 2 charge of R119 million is made up of a charge for the discontinued option scheme (converted mainly into a cash-settled alternative – interim LTIP) and the new LTIP scheme, which is a cash-settled share appreciation scheme based on the ABIL share price. Up until July 2006, the market risk exposure to the group from the ABIL share price remained unhedged. This resulted in significant volatility in the income statement charge, especially during the first half of the current financial year, where the charge spiked to R88 million for six months. Since then the share price has declined, and the charge for the second half of the current year fell to R31 million.

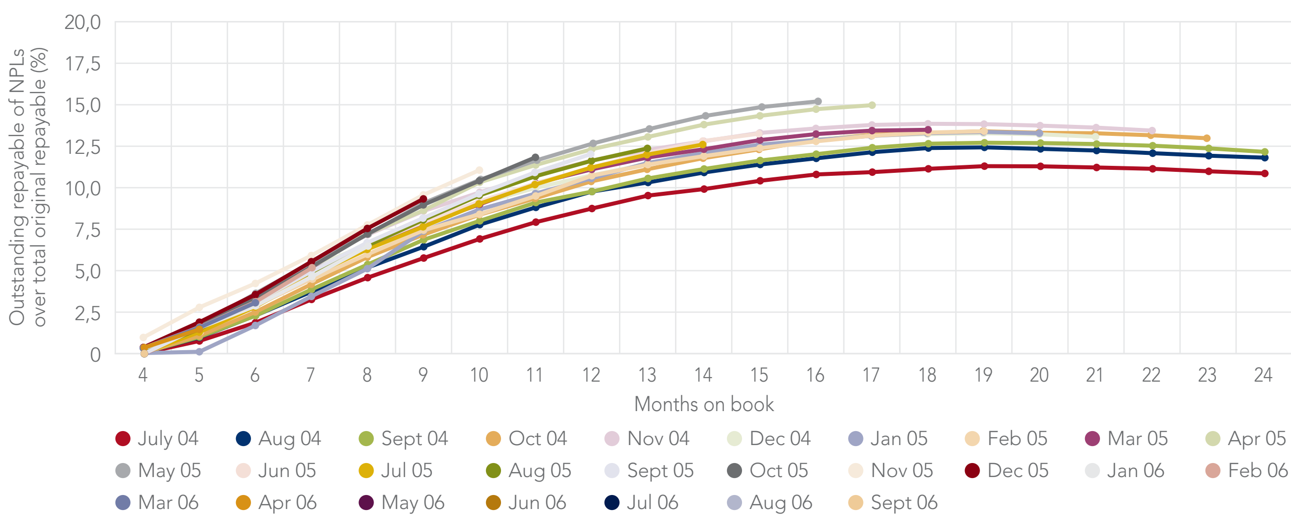
The group decided to hedge the effect of this market risk, and accordingly, entered into a series of derivative transactions, in the form of total return equity swaps. The hedge was executed based on an average ABIL share price of R26,36, and completed during July 2006. The group will maintain a policy of fully hedging this exposure into the future.

On a hedged basis, the IFRS 2 charge for 2007 for the long-term incentive programme is expected to fall to a normalised level of approximately R65 million. Thereafter the charge will be a function of the annual LTIP allocations, amortised to the income statement over the vesting period of the LTIPs.

Overall, operating expenses are expected to remain flat in 2007, as the reduction in IFRS charges will largely be offset by the rollout costs of the card product.

ASSET QUALITY

Vintage graph – African Bank
(More than three instalments missed)



Vintages

The group tracks vintages as a better and more immediate measure of portfolio risk than non-performing loans. Vintage curves track each month's new loans as a discrete portfolio and plot the cumulative proportion of each portfolio that migrates into various levels of default status as measured by the contractual number of missed instalments.

Vintages reflect a combination of the risk environment and underwriting actions taken by the group to counter changes in the environment. The group is satisfied that the credit tightening actions implemented during the year, have been successful in keeping the vintages within the risk it has targeted.

The increases in the vintage curve reflect the group's stated strategy of taking more risk. Vintages have increased by approximately 2% to 3% over the past twelve months, on the back of a 26% increase in sales. The marginal increase in risk as a result of the higher vintages is more than offset by the higher levels of income generated by these sales and the improved cost absorption.

ASSET QUALITY ANALYSIS

R million	% change	30 Sept 2006	30 Sept 2005	30 Sept 2004
Gross advances				
Performing	15	**5 514**	4 812	3 883
Non-performing	35	**2 213**	1 642	2 246
Gross advances	20	**7 727**	6 454	6 129
Gross advances net of deferred administration fees				
Gross advances		**7 727**	6 454	6 129
Deferred administration fees		**(228)**	(55)	0
Gross advances net of deferred administration fees	17	**7 499**	6 399	6 129
Impairment provisions and insurance reserves				
Impairment provisions	46	**1 425**	979	1 545
Balance at the beginning of the year		**979**	1 545	1 823
Impairment provisions raised		**825**	627	568
Adjustment for the transition to IFRS (IAS 39)		**82**	0	0
Bad debts written off (against impairment provisions)		**(455)**	(1 219)	(845)
(Disposals)/acquisitions of impairment provisions		**(6)**	26	(1)
Stangen credit life reserves	(93)	**10**	138	112
Total impairment provisions and insurance reserves	28	**1 435**	1 117	1 657
		Year ended 30 Sept 2006	Year ended 30 Sept 2005	Year ended 30 Sept 2004
Income statement charges				
Charge for bad and doubtful advances		**606**	488	484
Impairment provisions raised		**825**	627	568
Recoveries from bad debts written off		**(219)**	(139)	(84)
Ratios				
NPLs as a % of gross advances		**28,6**	25,4	36,6
Impairment provision coverage of NPLs				
Impairment provisions		**64,4**	59,6	68,8
Stangen credit life reserves		**0,5**	8,4	5,0
Total impairment provision coverage		**64,8**	68,0	73,8
Total impairment provisions and insurance reserves as a % of gross advances		**18,6**	17,3	27,0
Income statement charge for bad debts as a % of average gross advances		**8,5**	7,9	7,7
Bad debt write-offs as a % of average gross advances		**6,4**	19,7	13,5

Non-performing loans and impairment provisions

NPLs increased by R571 million from a five-year low of R1 642 million as at 30 September 2005 to R2 213 million by 30 September 2006. The increase was the result of a combination of the following factors:

- Significantly higher sales volumes over the past year which have begun to feed through into NPLs;
- Higher vintages on the back of an increase in the group's risk appetite; and
- Substantially lower write-offs in the current financial year, which at 6,4% of average advances, have decreased from the 19,7% in the 12 months to September 2005.

It is expected that NPLs will rise moderately over the next few years in line with the group's growth and risk appetite, but will remain within the groups targeted range of 25% to 30% of advances over the longer term.

Impairment provision models and NPL coverage considerations have remained consistent with the previous year except for the following:

- Impairment provisions were increased by R82 million (or 5% of NPLs) as at 1 October 2005, due to the implementation of IFRS (IAS 39), as detailed in appendix A. This resulted in impairment provision coverage increasing to 64,4% of NPLs (2005: 59,6%).
- The reduction of credit life reserves from 8,4% to 0,5% of NPLs, was caused by the release of actuarial reserves as the group switched to monthly premiums.

The net result of the above two factors, is that total NPL coverage came down from 68,0% in September 2005 to 64,8% in September 2006.

stakeholder review

CONTENTS

SCOPE OF THE REPORT

ABIL's stakeholder review is presented annually as part of our annual report and provides an overview of the company's policies, practices and performance relating to its economic, social and environmental activities for the financial year ending 30 September. This year's report builds on the progress and commitments articulated in our 2005 report, and covers all of the group's operations. Since the review is presented as part of the annual report, certain aspects relevant to a sustainability review, such as the corporate profile, strategy, governance and risk, that is covered elsewhere in the annual report, have not been duplicated in this section.

The report has drawn on the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), the GRI Financial Services Sector Supplement on Social Performance, as well as the criteria of the Social Responsible Investment (SRI) Index of the JSE Limited. These criteria have been used for guidance only, with this report focusing on issues that are specifically material to our business.

Due to the relatively limited emphasis in this report on the provision of quantitative data, the services of an independent verification agency have not been used for this report. It has however been verified by our internal auditors. The information related to the Financial Services Charter and black economic empowerment is reviewed annually by Empowerdex, an independent economic empowerment rating agency, and the group has received an "A" Empowerdex FSC BEE Rating and a "BB" Empowerdex BEE rating in 2006 for its initiatives in this regard.

The target audience for this report are all stakeholders that have an interest in the activities of the group, with particular emphasis on our shareholders, clients, employees and regulators.

While the 2006 Stakeholder Review has been integrated within ABIL's Annual Report, it may also be downloaded as a separate comprehensive report from our website at www.africanbank.co.za. Previous stakeholder reports, together with further details on our relevant policies and programmes are also available from our website, or may be provided by contacting:

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Group sustainability officer
African Bank Investments Limited
Tel: +27 11 256 9243
Fax: +27 11 207 3833
Email: Zmvelase@africanbank.co.za

We trust that the information contained in this report will be useful to the reader. As part of our ongoing engagement with stakeholders, we would appreciate feedback on our sustainability initiatives and reporting. For ease of use, we have included a feedback form at the end of this review.

OVERVIEW

This is our fifth annual sustainability performance review, and in it we provide an overview of our sustainability initiatives over the last year, we report on our consultation with major stakeholder groups and how their feedback has been incorporated into our business and we clarify our initiatives to continue to build a sustainable group.

As a responsible provider of credit to the predominantly previously disadvantaged sector of South African society, ABIL's business is rooted in a social cause. For most South Africans, access to credit brings the opportunity for economic upliftment and improvement of quality of life. The future of our business is closely tied to the sustainable development of these communities and the country's success depends largely on the existence of a climate of social and economic prosperity.

ABIL's purpose is therefore to provide our clients with unsecured credit that is affordable, responsible and convenient.

We do this by unlocking access to credit through risk innovation, growing successful initiatives to market dominance and driving down the cost of credit.

Sustainable development for ABIL remains grounded in certain principles. It is about promoting personal responsibility and sound practices in all our dealings. It is about providing a safe and rewarding working environment and promoting cultural diversity and equity in the workplace. It is about providing access to credit to our clients. And it is about proactively minimising any adverse environmental impacts. Most of all, it is about being responsive to the expectations of our various stakeholders, identifying and responding to their concerns and interests.

As such, a highlight of this year must be the extensive feedback that we have received from a variety of stakeholders, notably our clients, through our various research projects. This feedback has been used to review our products, our business practices and our brand positioning, to align these closer to stakeholder expectations. The most prominent action taken this year has been the initiation of a series of price reductions to our products for our clients. Our intention is to drive this more forcefully over the course of the next few years. At the same time, we have to increase the pace at which we open up new initiatives to explore risk, such that we are able to offer better value to existing clients or access to new clients. One successful example of this is the establishment of a credit card offering to our clients, the vast majority of whom (53%) have never had such a facility available to them. But there is more to do. Other highlights and setbacks are outlined on page 35.

Sustainable development ultimately means balancing the delivery on our promises to shareholders in terms of wealth creation, with appropriate action to ensure that this business will continue to exist and prosper over the long term. The challenge is to not view these two objectives as mutually exclusive, but to steer the business in a manner that will achieve both. That implies making responsible choices based on informed assessments of the impact of our decisions on all our stakeholders. A prime example of this is the reduction of prices to our clients which, while potentially diluting shareholding returns, has increased our franchise and should continue to expand our business.

The group has made significant progress in moving towards its sustainability goals but we will continue to strive to close more gaps and address more of our shortcomings in 2007.

Leon Kirkinis

Performance indicators

	2006	2005	2004	2003
Economic performance indicators				
Impact on customers				
Number of loans (000s)	**1 476**	1 408	1 368	1 451
Sales measured in loan amounts disbursed annually (Rm)	**5 512**	4 392	4 418	3 538
Impact on suppliers (Rm)				
Total paid to suppliers	**347**	367	372	439
Major sources of supplies:				
Computer equipment and software	**28**	19	13	58
Leasehold improvements	**15**	0	4	3
Operating lease premiums: leasehold fixed property	**62**	67	42	57
Consultants and other professional fees	**11**	12	16	16
Impact on employees				
Total payroll and benefits (Rm)	**424**	384	382	401
IFRS 2 – Incentive scheme benefits (Rm)	**119**	34	0	0
Commissions to mobile sales force (Rm)	**115**	113	123	122
Minimum wage (R)	**4 000**	3 180	3 000	n/a
Minimum annual bonus (R)	**5 000**	4 000	n/a	n/a
Impact on providers of capital (Rm)				
Total interest paid to funders	**465**	492	453	464
Total dividends to ordinary shareholders	**897**	1 107	788	206
Total dividends to preference shareholders	**36**	8	–	–
Reserves	**2 195**	2 110	2 629	2 776
Impact on public sector (Rm)				
Total taxes paid	**699**	666	555	399
SA normal	**535**	476	386	314
Value added tax (VAT)	**46**	50	69	52
Secondary tax on companies (STC)	**118**	140	100	33
Impact on community (Rm)				
Social responsibility expenditure	**5,4**	5,7	5,9	6,2
Environmental performance indicators				
Water consumption (Midrand) (kℓ)	**26 425**	14 010*	n/a	n/a
Electrical energy consumption (Midrand) (kWh)	**5 869 382**	5 339 975	n/a	n/a
Social performance indicators				
Full-time employees	**2 727**	2 845	2 672	2 911
Commission-based agents	**2 142**	1 953	2 644	n/a
Net full-time employment creation	**(118)**	173	(239)	n/a
Employee turnover (%)	**12**	12	11	n/a
% unionised employees	**33**	28	15	25
Training expenditure (Rm)	**12,5**	7,5	8,4	n/a
Political grants (R000)	**0**	118	2 000	0

** Based on estimates.*

MAKING ABIL MORE SUSTAINABLE

A STEP FORWARD

Considerably cheaper products have been made available to the majority of our clients.
Substantial research was conducted to understand clients' changing financial needs and aspirations.
A new suite of products to cater for clients' requirements for short-term emergency credit as well as long-term credit and credit cards were rolled out in all the branches.
The National Credit Act was promulgated and implementation within ABIL is well under way.
Our branch network is continuously being reinvigorated to provide access in the right locales.
Operating costs have been kept flat, providing more opportunity to reduce prices for clients.
Eyomhlaba, ABIL's BEE programme was successfully established and real value has been created for its beneficiaries.
Progress was made on employment equity at middle and senior management levels.
Minimum wages of R4 000 per month and a minimum annual bonus of R5 000 created a substantial underpin for our employees.
The term of major funding instruments have been lengthened from three to five years and funding costs have been reduced.
Collections has been particularly successful in securing payments from clients long after initial default.
Risk segmentation has been further improved and scorecards refined, enhancing predictive capabilities.
Affordability requirements have been tightened, reducing the risk of over-indebtedness for clients.
Term and loan size for higher risk clients have been curtailed, safeguarding the group and its clients in a changing credit environment.
The rights of consumers have been institutionalised by the establishment of an independent internal consumer advocate's office.
ABIL has taken the lead in conceptualising and implementing initiatives to establish an industry-wide debt mediation programme.
Implementation of voluntary debt rehabilitation programmes within the company has started.
Targeted financial education for clients new to formal lending was rolled out.
Earnings quality has been enhanced by the changes in the revenue recognition of administration fees and insurance premiums from upfront to monthly.

CONTINUING CHALLENGES

Growth in clients is not as robust as required.
The rolling out of financial literacy programmes for CSI has been slower than expected.
A management information system for environmental and other non-operational sustainability measurements is still lacking.
Integrating sustainability fully into all business processes is progressing slowly.
Finding systemic ways to rehabilitate defaulting clients has been slow.
Setbacks in employment equity at junior management levels have been disappointing.

SUSTAINABILITY STRUCTURE

Sustainability initiatives in the ABIL group are directed by the ABIL board through oversight by the group risk committee. The group risk committee has been specifically mandated by the board to oversee corporate social responsibility and integrated sustainability within ABIL and receives feedback on progress at each meeting of the committee.

Operational responsibility for sustainability efforts lies with an executive director, assisted by the general manager responsible for corporate affairs and a group sustainability officer.

BOARD OF DIRECTORS

RISK COMMITTEE
Consists of executive and non-executive directors

EXECUTIVE DIRECTOR
Tami Sokutu

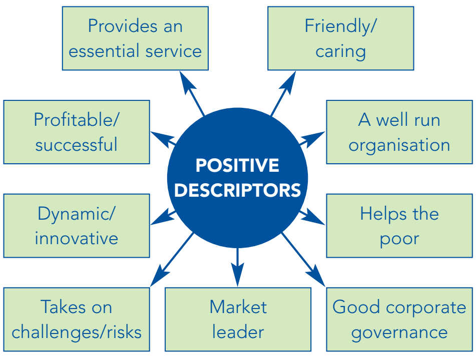
GM: CORPORATE AFFAIRS
Sarita Martin

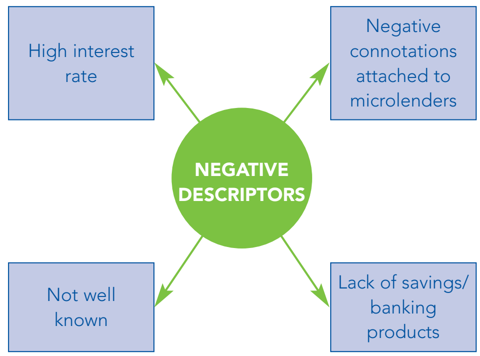
GROUP SUSTAINABILITY OFFICER
Zanele Mvelase

STAKEHOLDER PERCEPTION STUDIES

ABIL recently conducted a perception study amongst its stakeholders with regards to the group's social profile and social responsibility priorities. The group interviewed its board, staff members, investors and analysts, media, community representatives, government and social responsibility interest groups. The survey was done to gauge awareness and perceptions of the group and its social investments and, at the same time, determine stakeholder needs and expectations. There was a fairly high awareness of ABIL amongst interviewees, but less so for its CSI initiatives. The consensus view was that the most productive areas for ABIL to focus on in relation to its CSI expenditure, would be financial literacy and debt management education, numeracy at school level and entrepreneurial skills development.

ABIL's "personality" was described as follows:





The group also participates in bi-annual perception surveys amongst investors and the media, and while the group performs well in terms of its transparency, disclosure and communication, it rates poorly in terms of awareness of its CSI programmes.

The feedback from the research is being used to guide the board in relation to CSI expenditure and the positioning of the group, amongst others.

JSE SRI INDEX

The JSE SRI Index identifies the criteria that companies must meet in order to show that they have integrated triple-bottom line practices across their activities. ABIL has been included in the index for the past three consecutive years and is classified as a low impact organisation as a result of the nature of the business operations.

On the core criteria requirements, ABIL scored as follows:

Corporate governance	8/9
Environment	7/8
Economy	6/6
Society	10/10

DOW JONES SUSTAINABILITY WORLD INDEX

The Dow Jones Sustainability World Index was launched in 1999 to track the financial performance of the leading sustainability-driven companies world-wide, in an effort to provide reliable and objective benchmarks for asset managers to manage sustainability portfolios. ABIL was included in the index for the first time in 2006.

On the core criteria requirements, ABIL scored as follows:

	ABIL %	Average score %	Best score %
Economic dimension	44	44	70
Environmental dimension	22	25	61
Social dimension	42	29	63

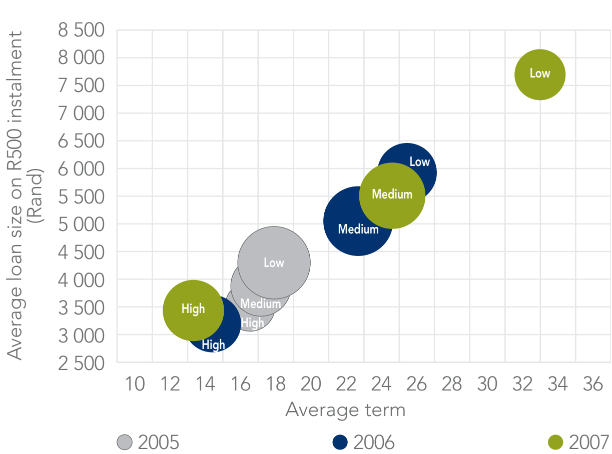
OUR COMMITMENT TO GROWING SOUTH AFRICA

Creating value by making our products more affordable and accessible

As a pioneer in the provision of credit to a market segment that was shunned for many years, ABIL spent the first phase of its life cycle in a risk discovery mode. For a business to remain sustainable in an environment where risk is unknown, it has to safeguard itself by pricing high, thus creating a sufficient margin for error while the risk emerges. Once the risk profile has established itself, competitors emerge and the business enters a second phase of evolution in which prices need to be driven down so as to remain the market leader. This has the complementary effect of growing the market. The most effective competitive weapon that ABIL has, is to make its products as accessible and affordable as possible. Our activities in this regard are detailed in the Strategic Review on page 12.

The graph below depicts how our offering to clients improved from 2005 to now. Through a combination of price reductions and risk differentiation, ABIL has been able to increase its value to clients substantially over the past two years. The graph depicts the size and term of loan that would be available to a client for a R500 per month instalment, given the client's particular risk profile. A high risk client will, under the latest pricing and product adjustments, receive a similar sized loan to what he would have received in 2005, while his loan term has been curtailed to reduce risk. A low risk client, on the other hand, will have benefited from the price reductions and risk expansion strategies over the past two years. In 2005, the client would have received a R4 000 loan over 18 months for a R500 instalment. Through a combination of lower pricing and extension of term, the same client will now receive an R8 000 loan over 33 months for the same R500 instalment, substantially increasing his/her utility.

Average loan size, term and customer volume concentration by high, medium and low risk profiles

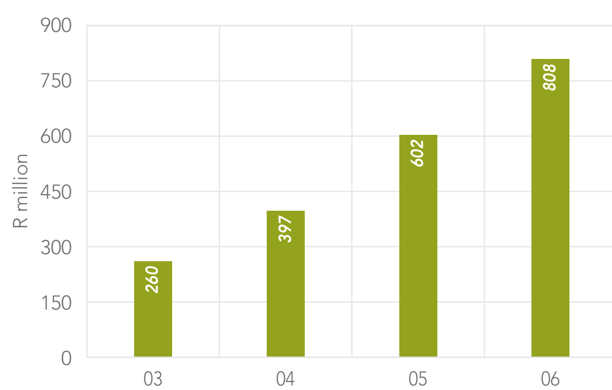


Creating economic value for our society

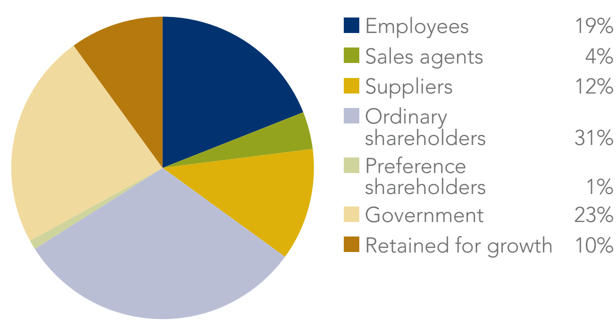
ABIL uses growth in economic profit as a primary measure of performance, including the determination of the group's short-term and long-term incentive pools. Economic profit is calculated by ABIL in a simplified formula: Headline earnings – cost of equity. The "growth in economic profit"-measure reflects the efficiency of earnings by combining the growth in reported earnings, with changes in the equity of the business. ABIL estimates that its cost of equity for the 2006 financial year was 15% and hence the economic profit for the year was R808 million, a growth of 34% against the R602 million for 2005.

The group generated R2,9 billion in net income during 2006, from which major stakeholders benefited in varying proportions as indicated in the table below. Shareholders were the main beneficiaries, followed by government (through taxes) and employees.

Economic profit up 34%



Value added beneficiaries



VALUE ADDED STATEMENT

R million	2006	2005	2004	2003	2002
Value added					
Total revenue	**3 844**	3 383	3 074	2 866	2 565
Charge for bad and doubtful advances	**(606)**	(488)	(484)	(445)	(553)
Risk adjusted revenue	**3 238**	2 895	2 590	2 421	2 012
Other interest income	**113**	156	118	143	83
Interest expense	**(465)**	(492)	(453)	(464)	(389)
Profit on sale of CVF and other capital items	**37**	0	0	0	0
Share of associate company's income	**0**	1	1	2	7
Total value added	**2 923**	2 560	2 256	2 102	1 713
Value allocated					
Employees	**543**	418	382	401	327
Agents for sales commission	**115**	113	123	122	118
Suppliers of various services	**347**	367	372	439	435
Provide ordinary shareholders with cash dividends	**897**	1 107	788	206	132
Provide preference shareholders with cash dividends	**36**	8	0	0	0
Government (direct taxes, STC, VAT and RSC)	**716**	676	531	389	262
Retention for growth	**269**	(129)	60	545	439
Depreciation	**43**	53	69	74	58
Deferred taxation	**(17)**	(10)	24	10	5
Outside shareholder interest	**0**	0	(1)	7	9
Attributable income (net of dividends paid)	**243**	(172)	(32)	454	367
Total value allocated	**2 923**	2 560	2 256	2 102	1 713

Creating value through empowerment

As a signatory to both the Financial Sector Charter (FSC) and the Financial Summit Agreement, ABIL has committed itself to meaningful empowerment of the previously disadvantaged. The principal of empowerment underlies a broad range of initiatives meant to redress the imbalances in our society. These include:

- Transformation of the workforce;
- Skills development;
- Access to finance and financial education;
- Equity ownership and control;
- Enterprise development and procurement; and
- Corporate social investment

ABIL has set about making a difference in each of these dimensions and our progress in this regard is discussed alongside.

Transformation of the workforce

HIGHLIGHTS

- Black people at executive level increased from 25% to 30%
- Black people at senior management level improved from 12,5% to 17,2%
- Black people at middle management level improved from 27,1% to 33,3%
- FSC targets for women exceeded in senior and middle management levels
- R12,5 million spent on skills development

LOWLIGHTS

- Black people at junior management level decreased from 34,1% to 30,3%

ABIL is an equal opportunity employer and through its various policies and procedures ensures that there is no discrimination in any form against any person. The group has developed and implemented an employment equity policy and plan for the business some years ago; however, due to several restructuring and rationalisation processes within the past two years, the plans are being revised after consultation with all stakeholders.

The following table sets out the FSC targets for 2014 and our progress towards these targets. It is important to note that our own targets are higher than the FSC targets.

				ABIL performance			
				2006		2005	
Core component	Charter 2008 targets %	Points	ABIL 2008 targets %	**%**	**Points**	%	Points
Employment equity		15			**13,2**		12,5
Senior management Black people as % of senior management	20 – 25	4	40	**17,2**	**3,4**	12,5	2,5
Black women as % of senior management	4	1	14	**6,3**	**1,0**	4,2	1,0
Middle management Black people as % of middle management	30	4	40	**33,3**	**4,0**	27,1	3,6
Black women as % of middle management	10	1	10	**17,5**	**1,0**	12,4	1,0
Junior management Black people as % of junior management	40 – 50	4	40	**30,3**	**3,0**	34,1	3,4
Black women as % of junior management	15	1	15	**11,8**	**0,8**	14,6	1,0
Skills development		5			**3,3**		3,2
Skills spend % of payroll spent per year on black skills	1,5	3		**3,5**	**3,0**	1,5	3,0
Learnerships Learnership as % of total staff	4,5	2		**0,6**	**0,3**	0,4	0,2
Total		20			**16,5**		15,7

During 2006, further employment equity initiatives have been introduced to attain our employment equity targets and achieve diversity in the workplace. One such initiative is the Cadetship Programme, which is designed to specifically identify potential, innovative "go-getters" throughout the business for development as future management at junior and middle management level. An internal selection process, which includes both psychometric and potential testing, is followed. The three year programme is facilitated by African Bank and the University of South Africa's School of Business Leadership.

The Management Development Programme is another initiative, where the aim is to develop our existing and future managers' broad and general management skills. The Management Development Programme is facilitated by the Graduate Institute of Business Studies (GIBS), at the University of Pretoria.

Employment equity forums and diversity workshops have been introduced in some of the large business units. These diversity and cultural workshops are designed to equip staff and management with the appropriate tools to deal with transformation in the workplace and are intended to help the participants to appreciate the concept of diversity. An external provider facilitates these workshops which consist of 2,5 days training with group and individual tasks. The feedback to date has been exceptionally positive.

Cultural days are regularly held at the central offices where a specific cultural group is given the opportunity to introduce the rest of the staff to their food, dress, cultural activities and music. A lot of fun is had by all.

Skills development

The training and development strategy is informed by the business strategy, and gives employees opportunities to increase their functional/technical and management skills. As a result of an increased demand for facilitator-led training and capacity constraints by line management to provide training through an e-learning platform, the strategy on training delivery had to be reviewed during 2006. A decentralised training structure was implemented, which included the appointment of 13 regional trainers to support the sales cluster of the business and 6 dedicated trainers for the rest of the business at group level.

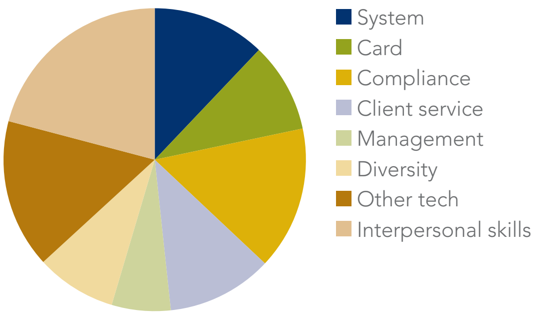
The Management Development Programme was implemented in the beginning of 2005 to support the business strategy and 333 managers have been enrolled in the "Managing for 3D"-programme (being the strategy of doubling the size of the present business) while 18 senior managers are participating in the "Leading for 3D"-programme. The programmes involve the completion of business assignments with alignment to the National Qualifications framework.

The formal learnership programmes that started 24 months ago, aimed at combining theory and hands-on experience in the workplace, have been completed, with 106 learners completing the NQF 4 programme and 716 learners completing the NQF 3 programme. The learnerships will not continue, but will be replaced by job-specific training to support business deliverables. Job profiles completed during the year under review will be used in conjunction with a recent formal skills audit, to form the basis of all future training interventions. Alignment to NQF unit standards will however form a critical part of all training programmes.

A total number of 5 677 training interventions for permanent employees and 1 175 attendances for mobile sales agents have been recorded in 2006.

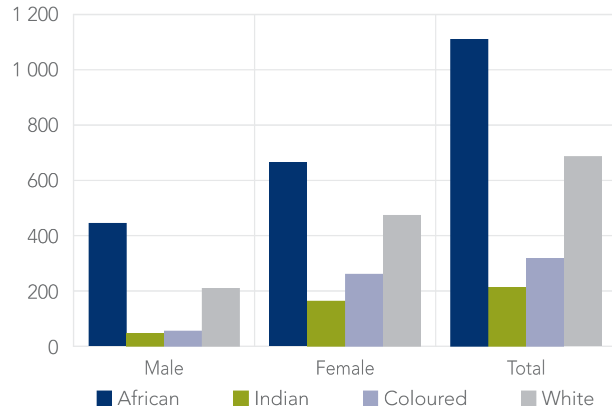
Training interventions breakdown
(1 October 2005 to 30 September 2006)

Training topics



Training race and gender breakdown
(1 October 2005 – 30 September 2006)

Training interventions



Access to finance and financial education

ABIL views access to incremental housing finance as of vital importance in improving housing conditions for millions of South Africans. Based on an independent survey conducted by Khanya Research, for the 2006 financial year approximately R1,4 billion (2005: R1,6 billion) of new ABIL loans is estimated to have been applied towards incremental housing construction and general home improvement. This is well in excess of the group's obligation for originating home loans as calculated by the Financial Sector Charter Council, based on ABIL's share of designated investments as at 31 December 2003.

ABIL's efforts on financial education are discussed on page 45.

Equity ownership and control

HIGHLIGHTS

- Direct black ownership now at 6,2%
- Black directors at board level is 38% (2005 – 42%)
- Black women at board level is 15% (2005 – 16%)
- Black people in executive management is 30% (2005 – 25%)
- Black women in executive management is 10% (2005 – 12,5%)

Control

The drop in the percentage of black people at board level is as a result of a restructuring to reduce the size of the board. Three executive directors (including one black woman executive) and three non-executive directors (including two black directors) resigned.

The drop in percentage of black women at executive management level is due to the inclusion of two additional male executives.

Equity ownership

During the year, the equity ownership component of ABIL's BEE charter gained significant momentum through its black economic empowerment vehicle – Eyomhlaba.

The principal underlying the BEE programme was to create a long-term mechanism whereby black shareholders could own 15% of ABIL of which at least 10% was to be unencumbered by 2014. Eyomhlaba was created in February 2005 and became an active company in September 2005 when it acquired approximately 20 million shares at 2,5 cents per share in African Bank Investments Limited. Given that these shares were valued at R20,50 at that time, ABIL shareholders transferred at the outset of the programme, R413 million in value to Eyomhlaba shareholders.

Eyomhlaba raised R150 million of additional funding in the form of redeemable preference shares in September 2005. This funding has a six-year term, requiring it to be repaid by 2011. The conservative gearing was designed to protect the sustainability of the entity.

Potential shareholders were invited to participate in the initial public offer which closed in January 2006. R58 million was successfully raised from this public offer, with 23,8 million Eyomhlaba ordinary shares being issued out of a total of 43,3 million authorised ordinary shares.

In August 2006 existing black Eyomhlaba shareholders were offered a further opportunity to acquire more Eyomhlaba ordinary shares at an approximate discount of 85% to the underlying net asset value.

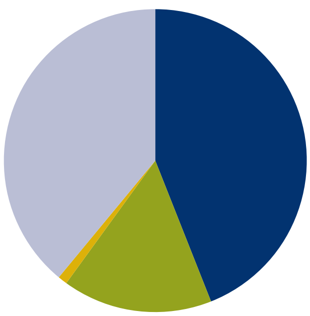
The intention was to issue a further 12,5 million Eyomhlaba ordinary shares and raise R26 million. This offer, which closed on 8 September 2006, was heavily oversubscribed. A third of the existing shareholders participated in this offer.

As at the end of September 2006, Eyomhlaba had invested in 31 million ABIL shares, being a 6,2% direct shareholding in ABIL.

Altogether 6 641 shareholders own shares in Eyomhlaba, across different shareholder categories, as follows:

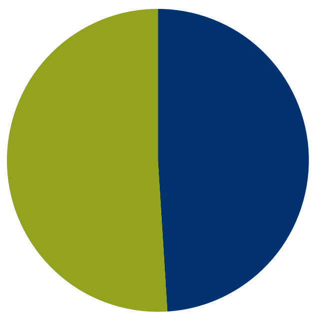
Participant category	Number of Eyomhlaba shares issued (millions)	Number of individual participants per category
Employees	16,6	2 715
ABIL shareholders	6,1	472
ABIL customers	0,3	376
General public	14,7	3 078

Composition of Eyomhlaba shareholders



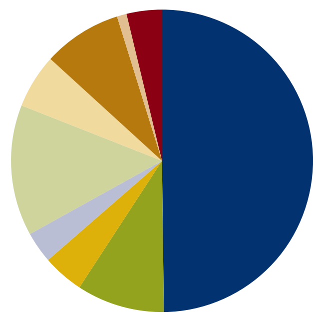
ABIL employees	44%
ABIL shareholders	16%
ABIL customers	1%
General public	39%

Gender split of Eyomhlaba shareholders



Male	49%
Female	51%

Geographic split of Eyomhlaba shareholders



Gauteng	51%
Mpumalanga	9%
Limpopo	4%
North West	3%
KwaZulu-Natal	14%
Eastern Cape	6%
Western Cape	8%
Northern Cape	1%
Free State	4%

Procurement and enterprise development

For the 2006 financial year, discretionary expenditure amounted to R129 million. Weighted BEE spend has not been quantified due to a change in the measurement and verification methodology used by the bank. A new procurement management system has been installed that is intended to:

- assist ABIL to develop a strategic verifiable supplier base;
- enhance the current information systems in the group;
- support reporting and decision-making; and
- assist ABIL in escalating the procurement of goods and services from black-owned companies.

The first set of results from this system will be for the period 1 January 2006 to 31 December 2006 and will be published in the formal FSC report to be submitted in March 2007.

WWW.ABTRACERS.CO.ZA – AN AFRICAN BANK INITIATIVE
African Bank operates an internal legal collections department as a parallel strategy to the bank's other collections initiatives. To support the legal collections department, the bank requires an integrated network of tracing agents with a direct relationship with the bank. A web-based application (ABTrace) has been developed over the past year which provides the functionality for appointed accredited tracers to now reserve matters that they wish to work on directly on the system. This application provides the opportunity to recruit contractors in areas where we have not been represented, thereby increasing our geographical reach.

The group endeavours to utilise previously disadvantaged entrepreneurs and had engaged nine such entrepreneurs prior to installing ABTrace, but the logistics of handling substantial numbers of cases across the country always favoured the utilisation of larger companies. Since the implementation of ABTrace in April 2006, the logistics have become much easier, facilitating the appointment of an additional 21 tracing companies in the period to 30 September 2006, which are classified as black-owned.

Corporate social investment

In the 2006 financial year, ABIL spent R5,4 million on social responsibility projects. It also created the ABIL Development Trust and transferred 1,06 million ABIL shares to the trust during the year. The trust will complement ABIL's CSI programmes and its main areas of focus will be determined by a board of trustees to be formed in conjunction with the board. More details regarding the projects ABIL is involved in is discussed on page 45 under "Benefiting our communities".

The Financial Services Charter and our progress

The Financial Services Charter (FSC) has set specific targets, which came into effect on 1 January 2004 and will last for 10 years. Formal reporting to the FSC Charter Council is undertaken annually in March, based on status as at 31 December as the FSC requires information to be reported for the applicable calendar year and not financial year. Below is ABIL's summarised scorecard for financial year ended September 2006.

Charter category	Maximum points	Scorecard: Applicable to ABIL 2006	Score 2006	Applicable to ABIL 2005	Score 2005
Human resources development	20	**20**	**16,5**	20	15,7
Employment equity	15	**15**	**13,2**	15	12,5
Skills development	5	**5**	**3,3**	5	3,2
Access to financial services	18	**6**	**4,0**	10	4,0
First order products	8	**–**	**–**	–	–
Origination products	8	**4**	**4,0**	8	4,0
Consumer education	2	**2**	**–**	2	–
Empowerment financing	22	**22**	**22,0**	22	22,0
Targeted investments	17	**17**	**17,0**	17	17,0
BEE transaction financing	5	**5**	**5,0**	5	5,0
Ownership and control	22	**22**	**17,0**	22	14,2
Ownership	14	**14**	**9,0**	14	6,2
Control	8	**8**	**8,0**	8	8,0
Corporate and social investment	3	**3**	**3,0**	3	3,0
Total excluding procurement	85	**73**	**62,5**	77	58,9
Procurement and enterprise development	15	**15**	**n/a***	15	7,8
Total including procurement	100	**88**	**n/a***	92	66,7
Total score (%)					72,5
Empowerdex rating					"A"

** Please refer to discussion regarding the new procurement management system on previous page.*

Empowerdex rating

Empowerdex rating is an independent opinion of ABIL's BEE status and achievement of its FSC targets by Empowerdex (Proprietary) Limited, a BEE ratings agency. The rating is based on the verification, validation and analysis performed by Empowerdex during May 2006 and November 2006. The overall rating of an entity is expressed in the form of symbol ranging from AAA (premium BEE contributor) to FF (unsatisfactory BEE contributor). The components of the BEE status are illustrated in more detail alongside:

AAA	85 – 100	Good broad-based empowerment contributors
AA	75 – 85	
A	65 – 75	
BBB	55 – 65	Fair broad-based empowerment contributors
BB	50 – 55	
B	45 – 50	
C	35 – 45	Unsatisfactory broad-based empowerment contributors
D	25 – 35	
E	15 – 25	
FF	0 – 15	

ABIL is satisfied with its achievements to date and its "A" rating. The largest gaps on ABIL's scorecard are in the ownership and procurement and enterprise development categories. ABIL has implemented interventions to close these gaps as detailed on pages 42 and 43.

Benefiting our communities

Financial Education Pilot Programme

ABIL piloted an initiative to educate and sensitise consumers to manage their finances responsibly during 2006. The approach was to organise and conduct workshops with groups at their respective locations, and an agreement was reached with the Financial Services Board to utilise their researched and tested materials.

In the pilot project, 11 workshops were held for 200 participants ranging from educators, small business owners, security personnel, office cleaners, youth, Abet learners and savings groups. These groups are located in Ivory Park, Soweto, Johannesburg city centre, Randburg and Weilers Farm.

The pilot project has indicated that African Bank is not in a position to run such a financial literacy programme on a standalone basis due to resource and logistical problems. A decision was therefore taken to partner with a reputable non-government organisation with experience in debt management and financial literacy.

African Bank has contracted with You & Your Money to fund three projects related to debt advice and counselling. These are:

- You & Your Money will project-manage the setting up of a debt advice centre in Atlantis with the overall objective being to provide debt counselling and related assistance to consumers in this area who are in need. ABIL will fund the cost of the project management as well as the infrastructural costs of implementation.
- The group will fund the development of a 60-hour interactive training manual on debt counselling directed at those individuals who are currently working in advice offices but who may not have exposure to debt counselling and related work and who may not have legal training.
- ABIL will also fund the salary of the to-be-appointed general director of You & Your Money, whose task it will be to manage the strategic growth of the organisation, and who will provide leadership in debt advice, advocacy, training and marketing activities.

In the past financial year African Bank sponsored the production of 70 000 consumer self-help booklets developed by the South African National Consumer Union, which were distributed free of charge to organisations who provide a free service to consumers in need and other interested parties. It also distributed 100 000 consumer rights pamphlets to consumers, promoting Consumer Rights Day and which contained details of the various ombuds offices where consumers can go without charge, for assistance with their consumer complaints.

The group will during 2007 implement a service which seeks to offer debt advice to those clients who, based on our affordability assessment, are at risk of overexposing themselves.

Women's Development Business and ABIL partnership

ABIL has a strategic partnership with Women's Development Business Micro Finance to promote rural entrepreneurship among women. Participants and beneficiaries are recruited in this programme with the aim of training them in a variety of retail activities such as arts and crafts, building supplies, poultry, catering and agriculture.

Enterprise development facilitators train, facilitate loans to, and mentor members to ensure the smooth running of their small business. Our support has enabled WDB to increase its staff and financial capacity, enabling them to reach out to more villages to recruit and mobilise new members. During the year 1 120 clients were trained and 32 entrepreneurs received loans. African Bank's contribution was R1 800 000.

Adoption of the school in Ebony Park

ABIL has adopted Tsosoloso Ya Africa Secondary School based in Ebony Park, Midrand. The school was established in 2004 in response to parents' concerns about their children travelling long distances to other schools. The Department of Education responded to this challenge by housing 1 200 learners in temporary structure classrooms.

Presently, the school accommodates 1 916 learners with 63 educators. Over and above this, the school houses another high school on a platoon system due to shortage of schools in the area. There is no indication as to when the school would be housed in a proper structure. The school expressed an urgent need for a security fence due to ongoing break-ins resulting in valuable equipment being stolen. ABIL donated R247 000 towards the installation of the security fence.

Thuthuka Bursary Fund

Through this programme ABIL is sponsoring 10 students at an annual cost of R25 000 per student for a period of three years. The bursary incumbents are at tertiary level pursuing the BComm degrees. This forms part of the group's initiative to look at ways to close the education gap in the black community. The bursaries cover tuition fees, books and lodging and is expected to provide a potential talent pool of qualified professionals equipped to enter the financial services sector.

Innovation Town

Innovation Town aims to create a home for innovation in South Africa, emphasising the need for business people and youth to jointly problem-solve and become innovative.

African Bank is the iSouth Africa category sponsor for the iHero Awards (an awards platform within the Innovation Town project). The objective of the iSouth Africa category is to celebrate everyday people innovators who are improving the lives of others through innovative social enlistment and growth within communities. ABIL has donated R500 000 for the 2007 project.

Non-financial activities and beneficiaries

We from time to time receive unused items from different departments and branches to donate to needy organisations as part of our CSI activity. This year donations to the value of R300 000 of furniture, carpets, clothes and stationery were made to various schools, old age homes, crèches and welfare societies.

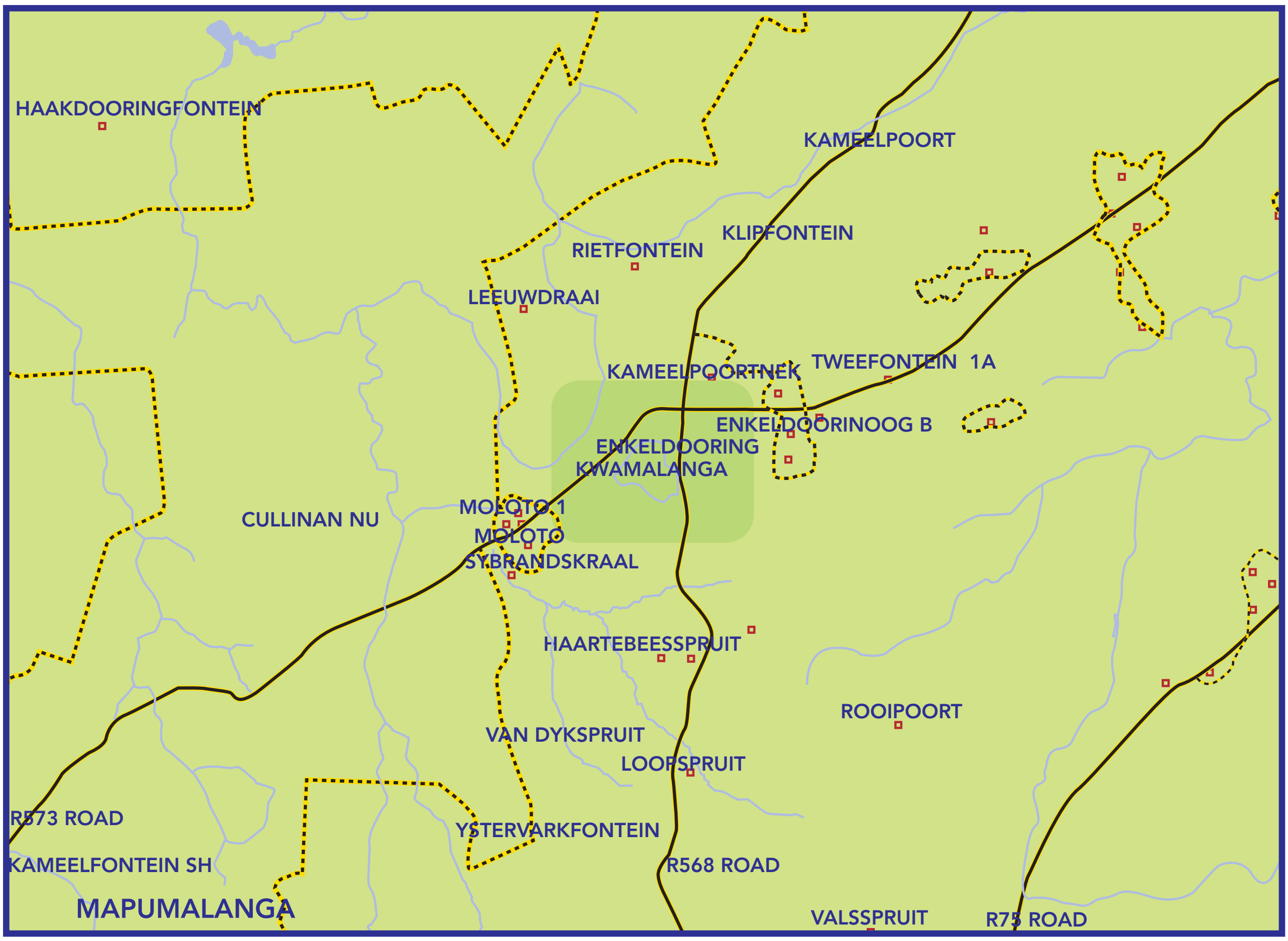
KwaMhlanga upliftment project

Our largest CSI-project focuses all its efforts on a single community and has structured its activities in a way that will ensure maximum benefit over the long term.

KwaMhlanga is a semi-rural area with a high prevalence of Aids orphans and child-headed households. Children heading households range in age between 10 and 19 years old and most are still at school. These orphans have been traumatised by the suffering and death of their parents and have had to shoulder the burden of caring for younger siblings and dying parents, without any access to medication, food or income. In many cases there is no "extended family" to share the responsibility of raising the orphaned children leaving few options for these young providers to survive.

The standard of education in these areas leaves a lot to be desired, and school leavers find themselves to be unemployable, largely as a result of low English literacy and a lack of marketable skills. The vicious circle of abject poverty and social decay is hence perpetuated, offering no opportunity of escape for those trapped in it.

Map of KwaMhlanga area



The following projects are being undertaken in the area in partnership with the African Network Evangelism Task (Afnet) and The Language Company:

Afnet/Mukhanyo Community Development Centre

This project, which will utilise the bulk of the available funding, consists of five smaller projects, being:

- The Tweefontein place of safety and day care centre – the structure of the place of safety was completed during the past year and the building of the day care centre started. African Bank staff have been involved in the painting of the centre. The place of safety will house abandoned and abused children and mimic a family home setup.
- The Thembalethu Village day care centre is used as a day care centre for some 80 orphans and abused children under the age of 10 years. The facility was opened in July 2006. African Bank staff

will also assist in the development of the surrounding property, assistance with homework, computer skills, general maintenance of the property and support for the caregivers.

- The Mandela Village centre – a donated farm is being developed into an entrepreneurship centre where school leavers and unemployed adults are being trained in skills such as brick manufacture, welding, building and carpentry. It will also include a central distribution centre to stock maize meal for the children and a hydroponic greenhouse to grow vegetables.
- The Mandela Village volunteers' accommodation is a project to create lodgings for volunteer workers. The current building on the farm is being renovated by the newly trained construction workers from the Mandela Village centre, creating job opportunities for the duration of the project.
- Caregivers support – Caregivers are community members who have the heart to help abandoned or orphaned children, with food and other family support even though they do not necessarily have a lot to give. Each caregiver family has been donated an Eco-cycle garden to grow vegetables in. Eco-cycle gardens are small-scale gardens which are very economical because they save water, energy and time.

African Bank English literacy project

The standard of education at the schools in the KwaMhlanga area sometimes falls short of desired levels, especially in the field of English literacy, where educators are often expected to teach English when they are ill-equipped to do so. The result of this unfortunate set of circumstances is that school leavers are barely English literate, which makes it impossible for them to obtain employment.

In partnership with The Language Company, African Bank has implemented English literacy programmes in 10 schools in the KwaMhlanga area, starting off with training the educators and supplying handbooks to the learners. To date some 3 500 children in grades 3 to 7 have benefited from the initial phase of this programme, which is projected to be a five-year programme.

The African Bank first employment project

A bleak future awaits school leavers in the KwaMhlanga community, with very little opportunity to obtain any marketable skills. Most of these school leavers are so desperately poor that they cannot afford to pay for transport to the cities to seek employment, or afford clothes good enough to wear when seeking work.

African Bank, with the assistance of its partners, has embarked on a project where some 15 school leavers were identified for call centre training at the Collections division at our central office in Midrand.

The project started off with English literacy training by The Language Company before the candidates were absorbed in the existing call centre training programmes. For a period of 12 months these candidates are being trained and exposed to a call centre environment while earning a living wage.
At the end of the period, every attempt will be made to accommodate these trained call centre agents at African Bank or to place the agents that cannot be accommodated with other business partners that manage call centres. Some of the candidates have already found permanent employment outside of African Bank with good references from their supervisors.

ABIL employees are closely involved in all stages of these various projects, whether it is building, painting, car washing to raise funds, or assistance with homework, computer skills, general maintenance of the property and support of care-givers. Over the past year some 130 employees involved themselves with some aspect of the projects.

ABIL IS BUILDING HOUSES

ABIL and Habitat for Humanity partnered on a project to build 24 houses in ten days. The first phase benefited 12 home owners in Protea South, Soweto, and the second phase 12 home owners in Mamelodi, Pretoria.

Habitat for Humanity projects are participative and community-based, and enable communities, churches, companies and other volunteers to come together to build houses for the needy. Volunteers ranging from home owners, African Bank employees and community groups worked alongside the soon-to-be home owner for the duration of the project – a concept that truly captures the essence of 'Ubuntu'.

Access to finance however remains a major challenge to low cost housing development. It is estimated that more than 70% of South Africans are unable to access housing finance. In an attempt to alleviate this problem, African Bank has joined forces with Habitat for Humanity in this endeavour. An amount of R1,4 million was committed to build the initial 24 houses.

DEVELOPING ATHLETES FROM GRASSROOTS LEVEL

African Bank held a coaching clinic for athletes at Gelvandale in Port Elizabeth for some 71 athletes, while the Western Cape's region sponsored a number of track and field events in the Bellville area during the year.

AFRICAN BANK SPONSORED TSHWANE CLEAN-UP

African Bank was proud to sponsor an initiative to clean up the city of Tshwane this year. Organised by the Tower of Grace Leadership Church, the local youth and members of the church collected garbage and generally cleaned up the city. They were entertained with a concert at Esselen Park afterwards.

ABIL has been a member of the National Business Initiative (NBI) since 2002.

The National Business Initiative (NBI) is an independent, voluntary business coalition of leading South African companies. In addition to the individual contributions of companies, the NBI through its members makes a collective business contribution to sustainable growth and development in South Africa.

The NBI, with its member companies, has made a difference in key areas such as Business Against Crime, The Business Trust and the Colleges Collaboration Fund. One of ABIL's directors, Tami Sokutu serves as a board member of the NBI.

STAKEHOLDER ENGAGEMENT

ABIL engages with its stakeholders to identify concerns and opportunities and find common ground for more sustainable solutions, in the belief that earning the trust of stakeholders is essential for our long-term business success.

During 2006, we have continued to build on our relationships with employees, clients, investors and funders, as well as with government and regulatory authorities. Over the last few years the group has increased its legitimacy among these stakeholder groups, as evidenced by the improvement in our ratings in bi-annual perceptions studies that we participate in, and direct feedback from these groups.

The group regards the following stakeholders groups as primary to its efforts to understand its long-term impact on society.

Stakeholder groups

Clients

ABIL actively works to increase its understanding of its clients' needs, through research, personal interaction, measuring and monitoring and feedback. This year, the group again conducted detailed research in its target market at a grassroots level in order to gain a better understanding of clients' perceptions and expectations, and to assess the group's performance against these.

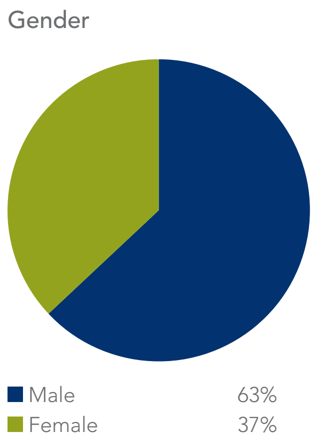
African Bank this year had an annual consumer rights celebration with a twist. Instead of the usual motivational speeches on client service, staff heard first hand from disgruntled clients on how their rights had been violated and how they experienced our service!

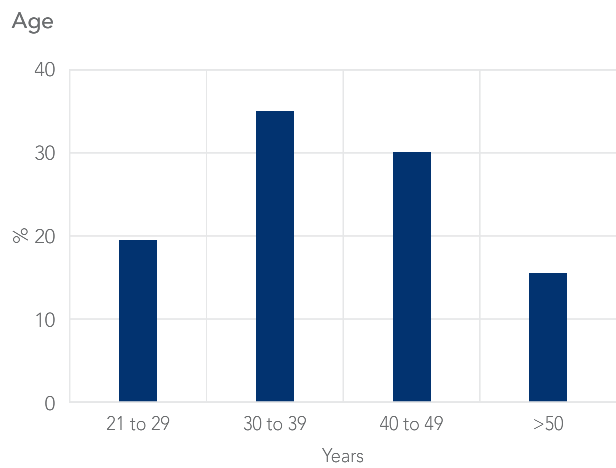
Client Fikile Hashe telling her story.

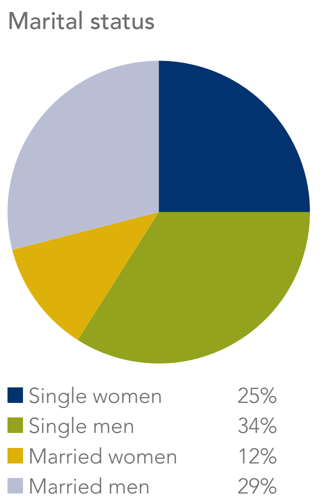
Memberships

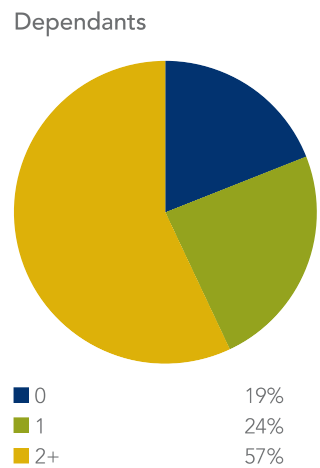
Banking Association
National Business Initiative
Payments Association of South Africa (PASA)
Visa International Service Association
Association of Bank Card Issuers
National Credit Regulator
Credit Information Ombudsman
Ombudsman for Banking Services
Insurance Ombudsman
Associate member of South African National Consumer Union
Institute of Marketing Management
Direct Marketing Association

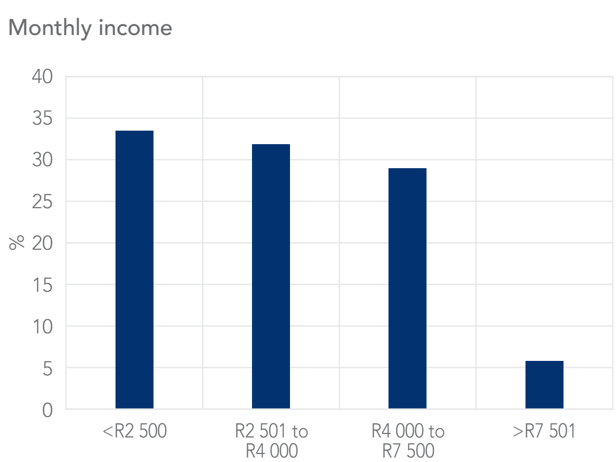
CLIENT PROFILE

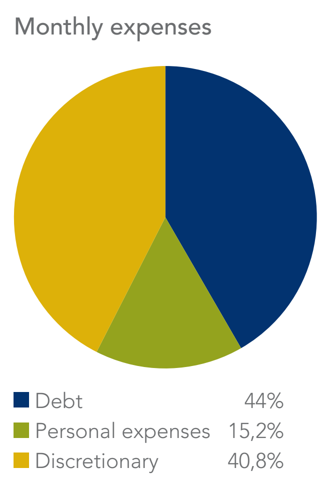












CUSTOMER PROFILING AND SEGMENTATION STUDY

This study was conducted this year to obtain a clearer understanding of current and potential client needs, behaviour and choices surrounding unsecured credit. Some of the key learnings from this study were the following:

- Spontaneous awareness amongst respondents of African Bank as a source for loans was higher than that of cash lenders, furniture retailers, clothing retailers, mashonisas, family and friends, and employers.
- African Bank is positioned between the big four banks and the cash lenders. Clients view African Bank as having high credibility and meeting their expectations on most delivery features (quick access to credit, pleasant offices, good client care, etc). Some negative perceptions about high interest rates persist.
- Potential clients view African Bank as easily accessible, trusted and legal, with pleasant offices and providing longer-term loans, but on the downside, were not positive about interest rates and client care.
- According to clients, the weaknesses of most competitors, including African Bank, are pricing issues, process issues and selectiveness in respect of client acquisition. African Bank is seen to be more expensive than the general banks, but better able to deliver loans.
- African Bank clients value some of the internal strategies being deployed – specifically on quick and hassle-free access to credit.

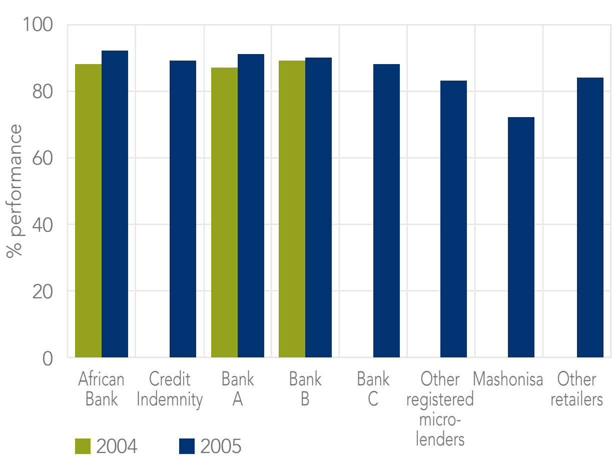
CLIENT SERVICE TRACKER STUDY

Objective

The key objectives of this research conducted in November 2005 were twofold: (a) to provide data about the impact and success over the past year of the African Bank strategy of differentiating through superior client service, and (b) to monitor competitive activity and service in the mass-market lending sector.

We are pleased that clients believe that African Bank's service delivery has improved from 2004 to 2005. Their overall satisfaction increased from 88% to 92%.

Overall satisfaction with service



Key insights from the study

When African Bank clients evaluate mass-market lenders, the three most important considerations are:

- Speed of getting money
- Interest rates
- Good service

Clients select African Bank as their service provider mainly for the following reasons:

- Can get money quickly
- Enough time to pay back the loan
- The loan does not cost a lot every month
- Hassle-free process
- Have borrowed from us before

Potential clients do not select African Bank for the following reasons:

- Interest rates are perceived to be too high
- Don't know much about African Bank
- Never thought of going to African Bank

Borrow wisely or not at all

Our customer Mr Ngwenya earns R[illegible] per month (after tax and other salary deductions).

In January 2005 Ngwenya bought a bedroom suite on credit. He agreed to pay for it in [illegible] monthly instalments of R[illegible] a month.

In April 2005 he received an offer in the post – he could get a card from a store and buy goods at this store on credit, provided he made a minimum payment each month, depending on how much credit he took on the card.

During the first few months he was paying R[illegible] per month on this account. In June 2005 he received another offer – this time for a personal loan. Again he accepted the offer and was granted a loan of R[illegible], to be repaid in 24 monthly instalments of R[illegible] a month. He used the money to buy a new hi-fi, TV set and a video machine.

Then in August 2005 there was a death in the family and Ngwenya really needed money to cover the funeral and related expenses and he had not saved any part of his salary for a rainy day. So again he went out and applied for a loan.

When the company asked him what his personal expenses were each month, he told them that his total expenses were R[illegible] per month. So again he got a loan, this time for R[illegible] to be repaid in [illegible] monthly instalments of R[illegible] per month.

His total payments to creditors had now increased to R2 [illegible] a month, leaving him with R1 [illegible] cash for the month after his debts are paid.

What could he do? He began to default on his loans. Instead of contacting his creditors to negotiate payments, or instead of paying lesser instalments, Ngwenya missed payment on the one loan, then the next month he did not make payment on the other loan. Soon he was receiving letters telling him that if he did not pay the full balance owing, the case would be taken to court.

WHAT WENT WRONG?

- The first rule for managing your money, is to make sure that when you have enough, you save something for the future.
- The second rule is to borrow wisely and carefully – don't buy goods on credit or take loans unless you need to and can afford the instalments.

Also do not take a loan or goods on credit for the maximum amount that you can get – this could land you in trouble later when you really need more money.

- Be disciplined with your money and do not be tempted by offers and adverts
- Be careful of store cards and credit cards – you are spending money on the card that you do not have.

If you are not disciplined in using a card, rather do not have one, or keep it hidden away until you really need it.

- Before you sign for credit, always make a list of all your other expenses and hand this list to the credit provider so that they can properly work out if you can afford the new loan repayments.
- If you have trouble paying the full instalment, always contact the creditor and arrange to pay a smaller amount.

Never skip payments, and always try to make up missed payments. If you don't do this, you will find that the extra interest will put pressure on your finances.

■ *If you have a consumer issue that you would like Marilyn Barlow to discuss, send your letter to: African Bank Consumer Advocate, Private Bag X170, Halfway House, Midrand 1685 or fax to (011) 207 [illegible] or e-mail to: [illegible]@africanbank.co.za*

Marilyn Barlow, African Bank Ombudsman, urges you to be disciplined with your money. Picture: Courtesy of African Bank.

CITY VISION (Soweto East)
Thursday, [illegible] October 2005, p. [illegible]

AFRICAN BANK
YOUR CREDIT BANK

CONSUMER ADVOCATE'S OFFICE

ABIL established an internal consumer advocate's office in 2004 to protect the rights of consumers who are clients of ABIL. It has as its mission to promote and protect the rights of consumers, and in particular those who are clients of ABIL through:

- Proactively identifying areas of transformation needed in ABIL and influencing actions
- Reactively providing redress to consumers who are unhappy with the service of the group
- Initiating measurement tools and acting as an independent monitor of service delivery at ABIL
- Promoting Consumer Rights eg through consumer education initiatives, liaising with consumer-related bodies and aligning to the CSI programme of ABIL.

The ABIL consumer advocate's office has its own mandate to review any decision made by the group, where the client is unhappy with the outcome or with the service that they receive from ABIL. It bases its decisions not only on whether the group acted lawfully, but also, in line with the code of banking practice, its decisions are based on whether the group acted fairly in any given situation. In many cases one client's concerns may affect many clients – the cause of the error or hardship to the client is due not to an individual error, but to a weakness in systems, processes or policies. The consumer advocate's office is mandated to identify and investigate these systemic issues, to report on them and to liaise with the relevant department to ensure that systems, processes and policies are amended where necessary. A quarterly systemic issue report is forwarded to the executive team as well as to the board bi-annually.

The consumer advocate's office is thus independent of the operations of ABIL and provides an additional service to the group's clients in need.

The office receives client complaints from various sources including:

- the Ombudsman for Banking Services, the National Credit Regulator (previously the MFRC), the Credit Information and Insurance Ombuds, the media and other not-for-profit bodies;
- staff in branches and in departments in Midrand, where the staff or clients themselves feel that the decision taken by the Bank is incorrect; and
- from clients who have heard about the office and call the office directly.

Clients who are not given a resolution that they believe is fair, are referred to the Ombudsman for Banking Services where this external Ombud will make an independent ruling to which the group has undertaken to be bound.

The consumer advocate's office has been working with the South African National Consumer Union by funding the development of consumer rights booklets. It also maintains a bi-monthly column in a community newspaper, which guides consumers in dealing with different types of consumer issues. Consumers who read the column also contact the office for assistance.

In an effort to extend our knowledge of the causes of over-indebtedness and assist a wider group of people, the ABIL consumer advocate's office also works with various not-for-profit debt counselling organisations in finding solutions for over-indebtedness.

During the course of this year, the mandate of this office was expanded to include a proactive view of group policies and practices that do not live up to the business purpose and customer promise that we have set for ourselves.

Clients and other interested parties can reach the consumer advocate's office at 011 256 9284.

Combating fraud and unethical behaviour at ABIL

Ethical principles and conduct are clearly established as fundamentals of ABIL's business conduct policy. ABIL is committed to promoting sound corporate governance practices throughout its operations and is confident that appropriate and effective policies and procedures are in place to target and minimise such unethical behaviour.

The group has a widely publicised and consistently enforced policy of 'Zero Tolerance' for fraud and unethical behaviour. Disciplinary procedures, and where appropriate, criminal and civil charges are instituted for theft, fraud, corruption or any other dishonest behaviour perpetrated against the group. ABIL is also committed to listing the names of dishonest employees in the Register of Employees Dismissed database (REDs) maintained by the Banking Association of South Africa.

Fraud awareness training is provided at business unit, regional and branch level through various media to raise employee vigilance against crime. ABIL has various channels, including a 24 hours a day, seven days a week dedicated hotline to facilitate the reporting of suspected fraud and malpractice in the workplace. In addition, the crime prevention award scheme in place continues to reward employees for going beyond the call of duty in detecting and reporting suspicious acts and transgressions, and reinforces the culture of awareness around fraudulent activities at the bank.

Various channels are available to employees and clients alike for disclosing malpractice in the workplace, including:

- A toll-free number: 0800 202018 where callers can remain anonymous
- A fraud ethics email address: abfraudethics@africanbank.co.za
- A dedicated fraud telefax line: +27 11 207 3811

Shareholders

Shareholders provide the capital with which ABIL finances its growth. In return, they expect an attractive return and an influence on decision-making in the company. ABIL has a diverse shareholder base with some 9 800 private and institutional shareholders. Foreign investors currently hold approximately 45% of the total issued share capital. Directors and management hold 5,9% of the shares. (Please refer to the shareholder information section on page 181 of this annual report for more information).

Odd-lot offer

The group previously had some 34 000 shareholders of which more than 25 000 held fewer than 100 shares, mostly acquired through processes other that specific investment in ABIL. To reduce the substantial and ongoing administration costs associated with having a large number of shareholders holding fewer than 100 shares, ABIL made an odd-lot offer to such shareholders in February 2006, which gave them the opportunity to:

1. increase their holding to 100 shares at R29,28 per share;
2. sell their holding at R30,75 per share (being a 5% premium over the five-day weighted average price to 23 February 2006); or
3. retain their holdings.

As a result of the odd-lot offer, the number of shareholders reduced by 25 090 to 9 134, and 462 066 shares were cancelled.

Black empowerment shareholders

As discussed elsewhere in the annual report, ABIL gained 6 641 Eyomhlaba shareholders during the year. Given this specific stakeholder base, the chairman's statement, as well as the notice of general meeting and proxy forms will continue to be translated into a different African language each year. The group also utilises plain language education and awareness booklets in an easy to read format, education sessions at the general meetings and regional road shows at venues across the country, to make shareholding concepts more accessible.

ABIL strives to maintain a diversified shareholder base by introducing the company to as wide an investor audience as possible, and to provide regular, comprehensive and balanced updates on company performance and the operating environment. ABIL's communication with shareholders and the financial community has been recognised by external commentators, as evidenced by the various reporting awards that we have received in the past from organisations such as Ernst & Young, the Investor Relations magazine, the Investment Analysts Society of Southern Africa and ACCA.

The group relies on a variety of channels of communication to ensure that shareholders have easy access to up-to-date information in all areas of interest.

Shareholders' concerns

ABIL maintains an investor relations programme which ensures regular contact between management and investors to understand and address concerns as they develop. During the year more than 160 meetings were held with existing and prospective investors to update them on our strategy and financial results. Areas of general interest or concern are addressed through investor days or published announcements and are elaborated upon on our website. For example, ABIL held a workshop for investors and media when the regulations for the National Credit Act were released earlier this year, to discuss the implications of the Act and the expected impact on the group and our market segment.

Other concerns such as growth in the face of increasing competition or changes in the credit environment are addressed in our strategic review, quarterly trading statements and meetings with investors.

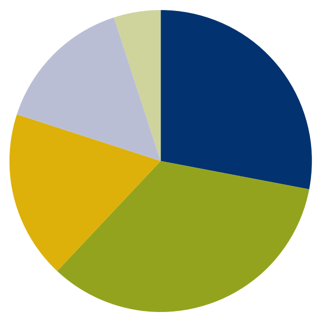
Funders

The group's business model places particular emphasis on utilising long-term fixed-rate funding to support its asset base. Funding is mainly sourced in the wholesale market from domestic corporate investors. The primary funding vehicle is the R5 billion Domestic Medium-term Note Programme, through which ABIL has issued R4,55 billion of bonds thus far and has repaid R2 billion. It currently has three bonds outstanding, a R1 billion, three-year ABL3 bond, an R800 million, five-year ABL4 bond and a R750 million, five-year ABL5 bond.

Funding stability is paramount to the group's long-term sustainability. The group is therefore committed to continuous and transparent communication regarding the group's risks and prospects to this stakeholder group. ABIL maintains a database of existing and potential funders and they receive all our published information and are also invited to investor briefings. The group undertakes annual roadshows to meet with funders when it issues new bonds.

A diversified funding composition is maintained

African Bank Limited
as at 30 September 2006



Equity	28%
DMTN programme	34%
Treasury deposits – LT	18%
Treasury deposits – ST	15%
Other liabilities	5%

Credit Rating

Moody's Investors Service has assigned national scale issuer ratings to ABIL of A2.za/Prime-1.za for long and short term, respectively.

Funders' concerns	Our response
Liquidity	The group maintains a duration of its liabilities of more than twice the duration of its assets. It further holds cash equal to three months of maturing liabilities and stress tests its liquidity position continuously.
Capital adequacy	The group maintains a high capital adequacy. It has an internal economic capital model which is published and discussed with funders regularly.
Funding composition	ABIL maintains a diversified spread of funding in terms of sources of funding, maturities and types of funding instruments.
Credit ratings	ABIL maintains regular independent reviews of its credit risk through an international credit ratings agency.

Government and regulators

Core elements of the National Credit Act

1. Consumer credit policy
- Non-discrimination
- Market conduct
- Privacy and credit data utilisation/access
- Reckless lending
- Improved competitive pricing

2. Credit agreements
- Prohibited and prescribed provisions
- Pricing limitations
- Disclosure standards/requirements

3. Debt enforcement regulation
- Permissible charges, cost recovery and penalties
- Due process
- Prohibited conduct

4. Statutory debt mediation
- Debt counselling
- Consent orders

5. Levelling of payments playing field
- Consequential change to NPS Act on preferential payments processing by banks
- Prohibition on preferential contract with consumers

Over the past year, the group has continued its interaction with government and parliament. These stakeholders are considered to be important to the group as they are either involved directly in developing legislation or indirectly by influencing policy positions in the development of legislation.

The Department of Trade and Industry (dti) remains the most important department in government regulating the provision of credit. For this financial year, the emphasis in interaction with government was on providing input into the National Credit Act regulations. There continues to be a good relationship between the group, the banking industry and the dti. Consequently, the final regulations by and large reflect a position that is accommodating of the input by the banks.

The new National Credit Regulator, which replaces the Micro Finance Regulatory Council has been set up. The group has proactively sought to continue with the positive relationship it had with the MFRC. Interactions with the new regulator have taken place, to ensure that in preparing for the implementation of the National Credit Act, we do so in close cooperation with the regulator.

The group has also initiated discussions with the office of the Deputy President with a view to working together in supporting some of the objectives of ASGISA (Accelerated Shared Growth Initiative South Africa). Micro finance has been identified as one of the pillars of ASGISA. The group will use its experience to assist in this where possible. The objective of this interaction is to help in identifying obstacles in increasing access to microloans, particularly to SMMEs, in South Africa. This will eventually lead to informing a strategy to increase access to finance. This programme is undertaken in conjunction with Small Enterprise Development Agency (SEDA), an agency of the dti.

The group's interaction with Parliament is aimed at ensuring an ongoing relationship and understanding of the industry. The focus of the interaction with Parliament post the promulgation of the National Credit Act is to expose the portfolio committee on Trade and Industry to banking, particularly in the market segment serviced by ABIL.

Regulators' concerns	Our response
• National Credit Act	• Frequent interaction and regular reporting
• Compliance	• Strong governance
• Financial strength	• Conservative liability management
• Black economic empowerment	• Eyomhlaba and progress on employment equity

Civil societies

The market segment that African Bank serves consists of a significant number of clients that are members of unions. Although African Bank has no official agreement/affiliation with any trade union in South Africa, interaction has always been maintained as part of our relationship management programmes with corporates and government departments. The National Credit Act also requires interaction with both corporates and their representative trade unions, especially when service at a specific corporate office is provided to the employees of such a corporate.

Trade unions' concerns	Our response
General • Over-indebtedness of their members • Solutions to prevent over-indebtedness • General service levels and competitive pricing of loan products	• Financial literacy programme • Affordability tests • Client service initiatives • Price reductions
Company specific • Employment benefits for our mobile agents • SASBO representation at ABIL	• The group continuously reviews different structures in an effort to accommodate mobile agents' aspirations • A cordial relationship and regular contact is maintained with unions

EMPLOYEE REPORT

The competitive environment in which we operate demands organisational capabilities that enable us to better serve our customers and differentiate us from our competitors.

At the core of our organisational capabilities are our people's competencies. Our people are the ones who man core processes, deploy appropriate technologies to deliver the required competitive advantage, delight customers and create a sustainable business.

Within this competitive environment, our prime customers and talented staff are being targeted for recruitment. Legislative changes are also placing tremendous pressures on our people to continuously improve core processes and effect changes for compliance. All these changes lead to a demanding culture. Consequently, people who can cope with both continuous improvements and change, thrive at ABIL. Talent management competency has become key to everyone managing people in the business.

Employee profile

At 30 September 2006, ABIL had 2 727 full-time employees and 2 142 contracted mobile sales agents. Total employee levels declined by 4% from 2 845 to 2 727, mainly as a result of fewer new recruitments.

Resignations were stable and the group had fewer retrenchments as the integration and restructuring of the different businesses, over the past three years, were substantially concluded during 2006. High turnover at entry level is a concern, however the root causes have been identified and are being addressed. We have reviewed the retention level of compensation by increasing our minimum compensation twice in the past three years. Our recruitment processes are being enhanced through the introduction of appropriate assessment tools for the best fit. Competency profiles will also assist in matching candidates' competencies with those required by the job in future.

Permanent staff complement

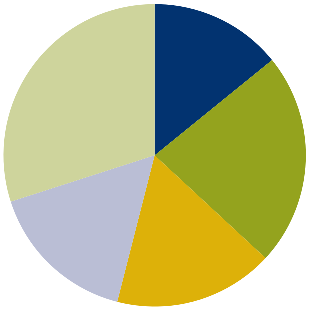
Staff turnover analysis

	2006	2005	2004
Total full-time complement	**2 727**	2 845	2 672
New recruitments	**425**	758	457
Resignations	**346**	317	320
Retrenchments	**77**	163	248
Dismissals (misconduct)	**74**	28	75
Deaths (not work-related)	**15**	3	10
Other*	**31**	123	94

** Abscondments, emigrations etc*

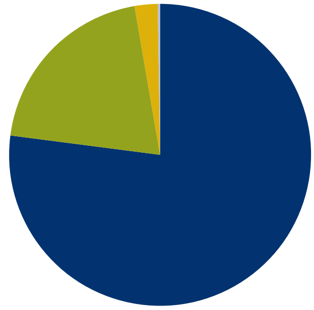
EMPLOYEE PROFILE

Employees by region



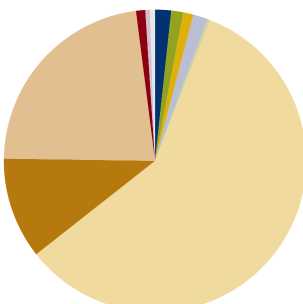
Central support	14%
Cenral collections	23%
Eastern region	17%
Western region	16%
Inland region	30%

Tenure with company



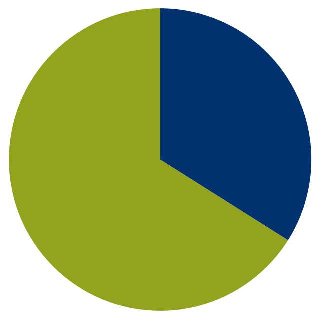
0 to 5 years	77%
6 to 10 years	20%
11 to 15 years	2%
15 years plus	<1%

Work function



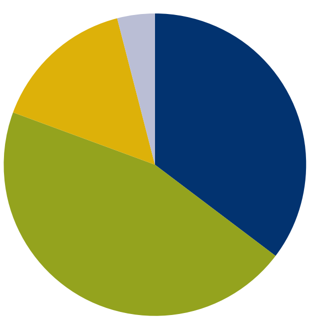
Group central	1,7%	ABMC	10,8%
Group risk	1,3%	Collections and IT	22,7%
Innovation	1,1%	Credit	1,0%
Human Resources	1,5%	Strategic	0,5%
Stangen	0,3%	Disabled	0,6%
Sales	58,5%		

Gender



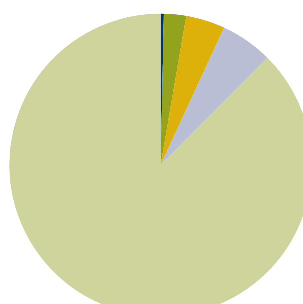
Male	34%
Female	66%

Age



Under 30	35%
30 to 39	45%
40 to 49	15%
Over 50	5%

Organisation level



Executives	0,3%	Junior management	5,6%
Senior management	2,4%	Non-management	87,5%
Middle management	4,2%		

Feedback on HR priorities for 2006

The following themes were set in 2005 and will continue to form the cornerstone of our activities:

- Talent and employment equity;
- Communications for transformation;
- Optimised performance management;
- People's information, HR matrix and benchmarking;
- Leadership for growth; and
- Creating a compelling place to work.

Progress during 2006

THEME I

Develop and implement a talent management framework that achieves employment equity targets

A talent management framework has been developed and approved. HR has developed implementation plans which are to be rolled out in the 2007 financial year. A review of the employment equity targets will be undertaken and obstacles to achievement of aspired targets will be dealt with. ABIL views employment equity as a business imperative in order to ensure long-term sustainability of the business.

THEME II

Communication

We recognise that transformation and change management cannot be implemented without a coherent communication plan. As a result we have appointed a communication officer within the HR team. This appointment will ensure that all initiatives are properly communicated for maximum impact. A feedback and measurement tool will form an integral part of the plan. The HR communication plan and strategy has been developed.

THEME III

Optimise performance management

Currently all our employees are assessed for performance at least once a year. The performance management process is, however, not standardised throughout the business to enable fair comparison of performance and common competencies across the levels in various businesses. Since the integration of Credit Indemnity and African Bank Miners Credit during the past year, it is imperative for HR to consolidate and enhance all the performance management systems into a strategic measurement tool.

We have commenced with the creation of job profiles for all positions to determine the competencies required for our business processes and their KRAs. Our current performance framework will be enhanced to assess the competencies that are needed.

THEME IV

Management information, HR matrix and benchmarking

No work has been done under this theme in 2006, however plans are being developed to enhance people MIS. Various discussions are being held with the business divisions to determine what type of information they would want to receive from HR. A benchmarking framework to measure both people processes as well as the effectiveness of the HR division will be developed in the coming year.

THEME V

Leadership for growth

A junior management development programme for all managers that oversee customer-facing staff was developed with full collaboration with business. The programme is unit standard aligned, and credits towards an NQF generic management qualification will be awarded to successful candidates. All branch managers are participating in the programme at present. Feedback on their progress indicates that there is a marked improvement in skills, based on the results attained to date. 337 managers were enrolled for the programme in 2006. The programme has also highlighted the need to grade our managers based on their competencies. The job-profiling project will form the basis for this process.

THEME VI

Creating a great place to work

Creating an environment that people can unleash their potential is the greatest task and focus of HR. All the HR processes dealing with the employment life cycle have to be continuously reviewed and improved to engage our people. Salaries, benefits and recruitment practices are assessed to see if they match people's aspirations and that there is internal parity. In this regard, the minimum wage for the company was increased from R3 180 per month to R4 000 per month. In addition, all staff qualified for a minimum annual bonus of R5 000.

Our EAP programme was also replaced by an Employee Wellbeing programme. ABIL has a dualistic approach to employee wellbeing, with some aspects being handled internally and others being outsourced to a professional supplier. This approach has worked exceptionally well over the year. The group's internal programme has focused on employee wellbeing workshops and awareness campaigns, while the external provider, the Careways Group, has dealt with various psychological and clinical counselling interventions by assisting employees with matters ranging from substance abuse to the treatment of anxiety and depression. To date more than 140 employees have benefited from the external portion of the programme, and Careways is in the process of tracking its progress in the workplace. The employee wellbeing programme will also be introducing financial wellbeing training sessions in order to equip employees with basic financial management tools. More campaigns are being planned to enlighten employees about their psychological and mental wellbeing.

Significant progress has been made in the implementation of HR technology. Our employee self-service system is fully utilised by all full-time employees. In 2006 we rolled out self-service processes for payslips, leave, manager reports, HR news and organisation structures. In 2007 the modules to be introduced cover performance management, E-learning, E-recruitment, job profiles, an equity module and an IR module.

HR strategic priorities for 2007

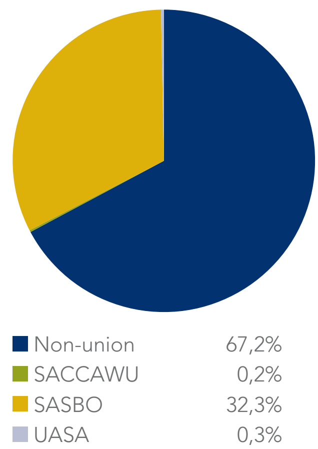
The business strategic goals have not changed. Whilst respective business units will continue to take the lead in pursuing these goals, HR will place emphasis on continuing with engaging employees and partnering with line managers through the six themes identified in 2005. HR will ensure capability to delivery by creating a competent HR practice and improving the infrastructure for good people management practices.

Labour Relations and organised labour

Through its labour relations policy, procedures and codes of good practice, ABIL aims to promote and maintain a fair and equitable working relationship between itself, its employees and its many independent contractors. The group promotes employee rights in terms of the Constitution and various pieces of employment legislation. This includes, inter alia, not employing any person under the age of 18 years, or using forced labour of any kind. To achieve the objectives of its policy of fair and non-discriminatory work practices, ABIL has appointed a team of in-house labour relations practitioners. Their main objective is to strike a balance between the goals of business and people performance, in preventing any attempts of abuse of labour should this occur. In relation to disputes, it first endeavours to resolve these internally before any form of referral to an external tribunal occurs. Although ABIL has no recognition agreement with any trade union, there have been instances where unions have represented employees in disputes with the group. The group has never had any industrial action.

The group recognises its employees' rights to associate freely as determined by the South African Constitution and Labour Legislation. Regardless of the lack of collective agreement, the bank maintains a healthy work relationship with the banking union, SASBO, which currently represents about 32% of the employees within the group. The group also maintains relationships with SACCAWU and BIFAWU.

Union membership



The Department of Labour recently announced a requirement for listed companies to publish their employment equity statistics submitted to the department in its annual report. The table below represents ABIL's submission for the period 1 September 2005 to 31 August 2006.

Occupational levels	Male			Female				White male	Foreign nationals		
	A	C	I	A	C	I	W	W	Male	Female	**Total**
Top management	1	0	1	1	0	0	0	7	0	0	10
Senior management	4	0	3	2	0	2	7	44	1	1	64
Professionally qualified and experienced specialists and mid-management	11	1	6	10	2	8	21	55	0	0	114
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	18	4	6	7	5	6	60	46	0	0	152
Semi-skilled and discretionary decision-making	548	68	42	1 035	200	146	288	60	0	0	2 387
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0	0	0
Total permanent	582	73	58	1 055	207	162	376	212	1	1	2 727
Non-permanent employees	32	6	7	116	27	27	24	18	0	0	257
Grand total	614	79	65	1 171	234	189	400	230	1	1	2 984

ENVIRONMENTAL PERFORMANCE

At ABIL we are cognisant of the importance of the physical environment and the fact that our existence is dependent entirely on its vital and conserved state. For this reason, we have put measures in place to ensure that we reduce and, where possible, negate the impact that our business operations might have on the environment.

Biodiversity – African Bank's main offices in Midrand are situated in an area that was once rich with natural grasslands, which have since been depleted by the fast-growing developments in the area. African Bank has established a number of initiatives to redress issues such as water quality and natural habitat. Some of these initiatives included landscaping the ground with indigenous trees so as to minimise water usage for watering the gardens, irrigating the gardens with water from a borehole and also raising awareness of the importance of water amongst our employees through the use of signage in our offices.

Energy usage – An automatic lighting system has been installed at our main offices to conserve energy. Lighting automatically shuts down between 20:00 and 05:00 in the morning. The same applies to the chiller plants for the air-conditioning.

Resource efficiency – employees are encouraged to minimise the usage of paper and where paper is used, printing on both sides of the page is promoted. A small company setup at our premises assists with sorting out office waste, separating paper, bottles and others for recycling purposes. Confidential documents are shredded on site by an external company and sent for recycling. Used furniture is donated to communities and needy non-profit organisations.

HEALTH AND SAFETY

The group recognises the importance of complying with the Organisational Health and Safety (OHS) Act and as such has established a group OHS management steering committee. The committee has chosen an external provider that was tasked to audit the group buildings, offices and branches, and determine areas of risks and non-compliance. Phase two of the process entailed embarking on the establishment of various regional OHS committees that would ensure health and safety compliance, training interventions, conducting of emergency/fire drills and the provisions of fire wardens and first aiders. Phases one and two have been completed at the Midrand Support Centre with similar interventions planned for the Regional and provincial operations.

During the period under review, nine employees were injured on duty. The injuries were mainly caused by slipping and fortunately no injury was of a serious nature.

HIV/Aids

ABIL recognises the seriousness of HIV/Aids and the concomitant direct impact it has on the workplace, and the social and economic life of our employees and clients. This makes it imperative for ABIL to prepare for the impact of the epidemic on its business and employees. ABIL is committed to addressing HIV/Aids in a positive, supportive and non-discriminatory manner, with the informed support and co-operation of all employees.

During 2004 the group undertook an actuarial impact assessment of its employee and client demographics. The results of this independent research have provided useful insight into the current and future adverse consequences of the disease on the organisation. The HIV/Aids prevalence study conducted amongst employees indicated that between 8% and 9,5% of staff may be affected. Based on this outcome, the group has developed a two-pronged strategy to deal with the disease, consisting of activities to:

- prevent HIV/Aids in ABIL; and
- tackle the needs of those who are infected and affected by it.

The strategy entails HIV/Aids awareness initiatives, and continuous counselling and support. An inhouse practice with a qualified employee wellbeing practitioner and staff from the external service provider, The Careways Group, consisting of an HIV counsellor, social workers and psychologists, are responsible for giving continuous support to employees who are infected and affected by HIV/Aids. Raising awareness is an ongoing process in ABIL and is planned around the national health calendar. Awareness campaigns, such as STI and condom week, Anti-Tobacco Day and Tuberculosis Day during 2006, have all been linked to HIV/Aids awareness campaigns.

The Employee Wellbeing programme is a prepaid service by ABIL for all employees and their registered dependants. The programme is a professional, confidential, voluntary counselling and referral service providing preventative and therapeutic solutions to HIV-positive employees.

On World Aids Day last year, African Bank staff at the Midrand Support Centre were greeted by the sound of drum beats as they walked into work. This was part of an awareness campaign to help staff find out about their HIV status. They were also treated to theatre play depicting people living with HIV/Aids and the emotions people tend to go through before they actually go for an HIV test. The play was well attended and some staff were shocked to learn some of the difficulties people with HIV/Aids deal with on a regular basis. One of the major issues that was stressed in the play was that everyone knows someone who has the virus.

GRI INDEX

The following table provides a summary of African Bank Investments Limited's reporting against the criteria of the Global Reporting Initiative's Sustainability Reporting Guidelines (www.globalreporting.org):

GRI element		Page	Report section/ additional comment
Vision and strategy			
1.1	Sustainable development vision and strategy	33	Overview
1.2	CEO statement	33	Overview
Profile			
2.1 – 2.8	General organisational details	1, 4	Mission, history
2.9	List of stakeholders	51 – 60	Stakeholder engagement
2.10 – 2.16	Details on nature and scope of the report	32	Scope of the report
2.17 – 2.22	Profile of the report – including implementation of GRI principles and external assurance	32	Scope of the report
Governance structure and management systems			
3.1 – 3.8	Structure and governance	36, 69 – 103	Governance and risk
3.9 – 3.12	Stakeholder engagement issues	51 – 60	Stakeholder engagement
3.13 – 3.20	Overarching policies and management systems	14 – 15, 93 – 103	Credit policies, risk report
Economic performance indicators			
EC 1 – 2	Clients: Net sales and markets	13, 14, 23 – 25	Market size, sales
EC 3 – 4	Suppliers: Costs of purchased goods/Payment of contracts in accordance with terms	43, 44, 38	Procurement and enterprise development Value added statement
EC 5	Employees: Total payroll and benefits	60 – 63 38	Employee report Value added statement
EC 6 – 7	Providers of capital: Distributions to providers of capital. Changes in retaining earnings	38 34	Value added statement Performance indicators
EC 8 – 9	Public sector: Taxes and subsidies	38	Value added statement
EC 10	Community donations	45 – 50	Benefiting our communities
Environmental performance indicators			
EN 1 – 2, EN 6 – 7	Material use Biodiversity	64, 65	Environmental performance
EN 3 – 4	Energy use	34	Performance indicators
EN 5	Total water use	34	Performance indicators
EN 8 – 15	Emissions and environmental impacts	n/a	
EN 16	Incidents and fines	65	Health and safety
Social performance indicators			
Labour practices and decent work			
LA 1 – 2	Workforce breakdown and employment creation	60	Employee report
LA 3 – 4	Labour relations	63	Labour relations
LA 5 – 8	Health and safety issues	65	Health and safety
LA 9	Training and education	39 – 41	Transformation, skills development
LA 10 – 11	Equal opportunity policies and programmes	39 – 40	Transformation
Human rights			
HR 1 – 7	Strategy and management, freedom of association, child labour, compulsory labour	63	Labour relations
Society			
SO 1 – 3	Policies to manage impacts on communities, to address bribery and corruption, and on political contributions	56 95, 96	Combating fraud Forensics, code of ethics
Product responsibility			
PR 1 – 3	Policies for preservation of client health and safety in using products	1 14, 15 55	Responsible credit Debt obligations Consumer advocate

FEEDBACK FORM

AFRICAN BANK INVESTMENTS LIMITED

2006 Stakeholder Review – Feedback Form

Fax: 086 609 3745

Your opinion matters. Please share your views with us.

Please identify which stakeholder group you belong to:

Employee ☐ Shareholder ☐ Client ☐ Supplier ☐ Community ☐ NGO ☐ Public authority ☐

Other ______________________________

Does the Stakeholder Review address the issues that are of greatest interest to you?

Comprehensively ☐ Partially ☐ Not at all ☐

Please identify any additional issues that you would like to see included in future reports:

____

____

____

____

How do you rate the ABIL's 2006 Stakeholder Review in terms of:

	Excellent	Good	Fair	Poor
1) Content and scope	☐	☐	☐	☐
2) Design and layout	☐	☐	☐	☐

Do you have any additional comments on the report – or on ABIL's performance in general?

____

____

____

____

☐ *Please tick here if we may include your comments in any future reports*

Your name and address (optional):

____

____

____

____

Would you like to be consulted when we prepare our next Stakeholder Review? Yes ☐ No ☐

Approximately how much time did you spend reading the report?

Less than 10 minutes ☐ 10 – 30 minutes ☐ 30 – 60 minutes ☐ Cover-to-cover ☐

For further information please contact:

Zanele Mvelase (group sustainability officer) or the investor relations department

Tel: +27 11 256 9243 Email: ZMvelase@AfricanBank.co.za

BOARD OF DIRECTORS | CORPORATE GOVERNANCE | REMUNERATION REPORT | RISK MANAGEMENT

ACCOUNTABILITY

accountability

ABIL is committed to business integrity, transparency and professionalism in all its activities to ensure that all the entities within the group are managed ethically and responsibly to enhance the value of its business for the benefit of all stakeholders.

MEMBERS OF THE ABIL BOARD

Ashley Sefako Mabogoane (48)
Independent non-executive chairman

Date appointed: 01/12/1999

Qualifications: Diploma in Business Management (EE)

Directorships: Ashley Mabogoane is the chief executive officer of New Seasons Investments (Proprietary) Limited. He is the former CEO of FABCOS Investments Holdings (Proprietary) Limited and was responsible for driving the commercialisation of the FABCOS Group and its transformation from being donor driven organisation to a fully fledged commercially driven investment holding company.

He serves as non-executive chairman of African Bank Limited and also chairman of Fidelity Springbok Security Services.

He is a director of the following companies: Eyomhlaba Investment Holdings Limited, New Seasons Investments Holdings Limited, New Seasons Auto Holdings, New Seasons ICT, New Seasons Strategic Investments (Proprietary) Limited, Roadgrass Investments (Proprietary) Limited, Pono Investments (Proprietary) Limited, Rand Merchant Bank Structured Insurance (RMB SI), Owl Bridge Investments, Timespan Investments and Triffic Investments.

Gordon Schachat (54)
Executive deputy chairman

Date appointed: 01/07/1995

Directorships: Executive director of African Bank Limited

Leonidas Kirkinis (47)
Chief executive officer

Date appointed: 01/07/1997

Qualifications: BComm, BAcc, CA(SA)

Directorships: Managing director of African Bank Limited

Antonio Fourie (46)
Executive director

Date appointed: 21/10/2003

Qualifications: BComm

Directorships: Executive director of African Bank Limited

David Braidwood Gibbon (64)
Independent non-executive director

Date appointed: 01/06/2003

Qualifications: CA(SA)

Directorships: Non-executive director of African Bank Limited and other group subsidiary companies; The Spar Group Limited, Steinway Trustees (Proprietary) Limited

Bahle Dawn Goba (44)
Independent non-executive director

Date appointed: 06/06/2003

Qualifications: BSc Business Administration, MBA

Directorships: Non-executive director of African Bank Limited, Nokusa Consulting and Nokusa Packaging, Rorisang Basadi Investment Holdings, Multimatics (Proprietary) Limited

Ramani Naidoo (44)
Independent non-executive director

Date appointed: 19/05/2003

Qualifications: BA, LLB, Certificate in Mergers and Acquisitions

Directorships: Non-executive director of African Bank Limited, Allied Technologies Limited, The Wine People Group Limited

Thamsanqa Mthunzi Sokutu (43)
Executive director

Date appointed: 19/05/2003

Qualifications: BSc (Honours), MSc

Directorships: Executive director of African Bank Limited and other group subsidiary companies; non-executive chairman of Masake (Proprietary) Limited; non-executive director of Eyomhlaba Investment Holdings Limited; LaFarge SA; National Business Initiative, Banking Association

Brian Paxton Furbank Steele (63)
Independent non-executive director

Date appointed: 19/05/2003

Qualifications: BComm, CA(SA), MBA

Directorships: Non-executive director of African Bank Limited; Aveng Limited

Günter Zeno Steffens (69)
Independent non-executive director

Date appointed: 19/05/2003

Qualifications: Banking Exams

Directorships: Non-executive director of African Bank Limited and other group subsidiary companies; non-executive deputy chairman of Ridge Mining plc; non-executive director of Omega Investment Research and non-executive director of Connection Group Holdings (Proprietary) Limited
Nationality: German

Daniel Filipe Gabriel Tembe (54)
Independent non-executive director

Date appointed: 01/01/2000

Qualifications: MSc Financial Economics

Directorships: Non-executive director of African Bank Limited; non-executive chairman of Mozambique Investment Company; non-executive chairman of Cornastone Mozambique; executive chairman of Institute for Management of State Holdings; member of the Fiscal Council of Seguradora Internacional de Moçambique (insurance company).
Nationality: Mozambique

Ashley (Oshy) Tugendhaft (58)
Non-executive director

Date appointed: 01/04/2003

Qualifications: BA, LLB

Directorships: Non-executive director of African Bank Limited; Imperial Holdings Limited; Pinnacle Technology Holdings Limited

David Farring Woollam (43)
Executive director

Date appointed: 01/11/2002

Qualifications: CA(SA)

Directorships: Executive director of African Bank Limited and other group subsidiary companies

PROGRESS DURING THE YEAR UNDER REVIEW

- A restructuring of the size of the board and the implementation of a term limit policy for non-executive directors
- Improvements in the quality of management information submitted to the board
- Improved effectiveness of the subcommittees and their ability to focus on their delegated areas of responsibility
- Performance appraisals and feedback sessions on individual director performance
- An assessment of the training needs of individual directors, and the scheduling of in-house and external training sessions to meet these needs
- Greater involvement by the non-executive members of the board in the development of the strategic plans with a special off-site strategy session attended by the entire board and certain other executives

GENERAL CORPORATE GOVERNANCE PHILOSOPHY

A consultative document issued by the Bank for International Settlements entitled "Enhancing corporate governance for banking organisations" (2005) suggests that corporate governance for banking organisations is arguably of greater importance than for other companies, given the crucial financial intermediation role of banks in the economy, the need to safeguard depositors' funds and their high degree of sensitivity to potential difficulties arising from ineffective corporate governance.

The board of directors of ABIL has always maintained that corporate governance is far more than a "check-the-box" list of minimum board and management policies and duties. It therefore continues to strive to live by the philosophy as espoused by The Business Roundtable, USA and, quoted in King II ". . . the substance of good corporate governance is more important than its form; adoption of a set of rules or principles or of any particular practice or policy is not a substitute for, and does not itself assure, good corporate governance".

It is accepted that good corporate governance also helps ABIL define operational objectives, promotes execution and implementation of decisions, and creates the foundation for future growth and sustainability. The board continuously strives to find the correct balance for its business between encouraging entrepreneurial flair and accountability and providing strategic leadership through the maintenance of strong governance.

There is no "one-size-fits-all" approach to corporate governance and the board is of the opinion that an appropriate corporate governance framework should conform to the size of the company, its complexity, its structure and the risks affecting it, providing a structure through which objectives are set and monitored. Through such a vibrant and responsive system, the CEO, the management team and the board of directors can interact effectively and respond quickly to changing circumstances within a framework of solid corporate values, to provide enduring value to the shareholders who invest in ABIL whilst maintaining a balance between shareholder needs and the needs of other stakeholders.

The board accepts that it is ultimately accountable and responsible for the performance and affairs of the company and that the CEO and the executive directors are responsible for the management of the day-to-day affairs of the company. Whilst there is a formal delegation of authority from the board to management and committees of directors, this is not intended in any way to mitigate or dissipate the discharge by the board and individual directors of their responsibilities.

The ABIL board determines, *inter alia,* the direction of ABIL by setting the long-term strategic objectives, shaping the values by which the organisation is managed, determining risk parameters, approving budgets and monitoring the executives on the implementation thereof. The monitoring of management performance is effected via regular formal and informal communication by the CEO, executives, and internal and external audit reports.

The board embraces the principles of good corporate governance as espoused in the guidelines of the King Report on Corporate Governance for South Africa 2002 (King II), the provisions of the Banks Act, 1990, the

JSE Limited (JSE) Listings Requirements and the Companies Act, 1963. It is committed to business integrity, transparency and professionalism in all its activities to ensure that all the entities within the group are managed ethically and responsibly to enhance the value of its business for the benefit of all stakeholders. It should be noted, however, that ABIL is in non-compliance with the King II recommendation that the chairman of the remuneration committee should be an independent non-executive director. With the restructure in the composition of the board committees in February 2006, the board appointed Oshy Tugendhaft, a non-executive director, to the role of chairman of the group transformation and remuneration committee. This decision was based on his continued valuable contribution to the ABIL board, his vast experience as a chairman of other companies' remuneration committees and the belief that his legal background made him an ideal chairman of the group transformation and remuneration committee. Through his legal practice, he is one of the legal advisors to the group, and does therefore not qualify as an independent non-executive director.

The board is satisfied that its decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times and relies on the internal and external auditors, the group audit committee and the group risk committee to raise any issues of financial concern.

CONTINUOUS IMPROVEMENT REGARDING THE IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE PRACTICES

ABIL is constantly striving to develop and improve corporate governance structures and practices to ensure continued compliance with the recommendations of King II and other good corporate governance practices.

Below is a progress update on areas of focus as stated in the 2005 annual report:

Area of focus for 2006	Progress against objective
Focus on strategic issues at a board level during the year under review	There is a continuous focus to refine and improve the agenda and quantity and quality of management reporting to the board and the board receives a strategy update report from the CEO at each board meeting. This is done with the intention of keeping the board apprised of progress with the implementation of the approved strategy. In addition, a special strategic off-site board meeting was held to debate strategic options and assist in the development of the strategy. All directors are encouraged to contact management in advance of board meetings should they require clarity on issues contained in the meeting packs.
Focus on corporate social responsibility and integrated sustainability matters at a board level	The group risk committee has been specifically mandated by the board to oversee corporate social responsibility and integrated sustainability within ABIL. The board is of the opinion that whilst there has been some progress in this regard, there needs to be an increased focus and commitment during the coming year.

ANNUAL BOARD ASSESSMENTS

As has become practice at ABIL, the board conducted the following assessments during the year in order to improve the performance of the board, individual directors and the achievement of corporate governance objectives:

- In terms of regulation 38(5) of the Banks Act, the board of directors assessed and documented whether the process of corporate governance implemented has successfully achieved the objectives as determined by the board;
- A peer evaluation completed by all directors ranking their fellow directors on contribution to the board in terms of certain listed criteria;
- An overall board effectiveness evaluation was completed by all directors; and
- Performance assessments of the chairman of the board, the CEO and the company secretary were completed by all directors.

The chairman of the board, the CEO and the chairman of the directors' affairs committee continued the feedback process started at the end of 2005 and spent considerable time with each individual director to give them feedback on their individual performance at board and committee levels and how to improve their performance. Directors have indicated that this was an extremely beneficial process in raising the bar of what is deemed to be good governance practices within ABIL, which will enhance the performance and effectiveness of the board as a whole and of the directors individually. The Registrar of Banks has in both the 2004 and 2005 Bank Supervision annual reports highlighted the need for directors in general, and non-executive directors in particular, to receive adequate training to enable them to fulfil their duties. The evaluation results and the subsequent feedback process have assisted in the development of a training programme for directors to address identified areas of development. This process will be refined and further developed during the coming year.

COMPLIANCE WITH THE JSE LISTINGS REQUIREMENTS

The board is confident that ABIL complies with all the provisions of the JSE Listings Requirements.

THE BOARD AND ITS FUNCTIONING

Board structure

ABIL has a unitary board structure, which forms the focal point of the system of corporate governance of the organisation and consists of executive and non-executive directors who share the responsibility for both the direction and control of the company. The board has spent considerable time reviewing the size and composition of the board and is of the opinion that the composition of the board is compliant with good corporate governance practices and that there is the value of executive knowledge within the board alongside the value of non-executive director knowledge and experience.

ABIL strives to maintain an appropriate ratio of executive to non-executive directors given the nature, size, complexity and risk of the business. The guiding principle is that there should always be a majority of independent non-executive directors on the board. During the year under review, the term limit policy for non-executive directors as approved by the board in 2005, was implemented. This resulted in a decrease in the size of the board, whilst still maintaining the appropriate level of knowledge, skill and expertise. In April 2006, three non-executive directors, namely Jacob Kekane, Steven Levitt and Bheki Shongwe retired in terms of the policy as their term of six years from date of appointment had been served. To maintain the balance between executive and non-executive directors, three executive directors, Dawn Marole, Johan de Ridder and Angus Herselman simultaneously resigned. The board extended the term of one non-executive director, Daniel Tembe, in terms of the policy for up to a further two years. The policy can be accessed at www.africanbank.co.za and the process is discussed below.

A subcommittee consisting of the chairman of the board, chairman of the directors' affairs committee, the executive deputy chairman and the CEO was tasked with identifying the principles in terms of which the optimum board composition should be guided and to make a recommendation to the directors' affairs committee on how the board should be constituted taking into account:

- That the board had accepted in 2005 the need to review the size and composition of the board;
- The recommendation of the Myburgh Report, 2003 on the review of corporate governance in the five largest banks in South Africa;
- That the board should contain a balance of skills, experience and diversity;
- That there should be a sufficient number of independent non-executive directors to enable the board committees to be properly constituted in terms of the Banks Act and the dictates of good corporate governance; and
- The provisions of the term limit policy for non-executive directors as approved by the board of directors in November 2005.

The result was that the board approved, on the recommendation of the directors' affairs committee, that the size of the board be reduced from 19 directors to 13 directors.

The roles of the chairman and CEO are segregated and an independent non-executive director acts as chairman. The board is of the opinion that there is an appropriate balance between executive and non-executive directors on the board with all non-executive directors, except one, being independent directors. The composition of the board is reflective of the demographic and gender diversity of South Africa and this enhances its ability to remain effective.

Group governance structure

The board has approved the following structure to assist it in discharging its duties. This ensures that key areas are addressed in more depth than may be possible in a full board meeting. Decisions about committee membership are made by the full board, based on recommendations from the directors' affairs committee that has responsibility for corporate governance issues, and the chairmen of the committees are appointed by the board. The duties and responsibilities of each committee are detailed in the relevant board approved committee charters which can be accessed at www.africanbank.co.za.

Only non-executives directors are members of the various board committees with certain executives and other members of management invited to attend the meetings. All non-executive directors are members of at least one committee.

Non-executive directors are also invited to attend and do participate in management committee meetings such as ALCO and credit committee.

The committees regularly report to the board through written reports supplemented by verbal feedback on their proceedings and deliberations, and also bring to the board for consideration those matters and decisions which the committees judge to be of special significance.

The group governance structure as approved by the board can be depicted as follows:

BOARD OF DIRECTORS

Group audit committee	Group risk committee	Directors' affairs committee (incorporating nominations committee)	Group transformation and remuneration committee	BEE committee Note 1
Dave Gibbon (Chairman)	*Günter Steffens (Chairman)*	*Ramani Naidoo (Chairman)*	*Oshy Tugendhaft (Chairman)*	*Brian Steele (Chairman)*
• Internal audit • External audit • Compliance • Financial statements • Regulatory relationships	• Credit risk • ALCO risk • Operational risk • Legal risk • Technology risk • Tax risk • Sustainability	• Governance structure and practices • Regulation 38(5) • Ethics and reputation • Composition of board and appointment of new directors • Annual board performance assessment	• Executive and non-executive remuneration • Transformation and employment equity • HIV/Aids • Human resource policies • Group incentive structures • Financial Sector Charter	• Financial Sector Charter • Implementation of Eyomhlaba BEE programme

Notes:

1) After the implementation of the Eyomhlaba programme, this committee was disbanded on 9 November 2006 and its activities incorporated into the group transformation and remuneration committee.

2) The charters for each of the above committees are available on the group website on www.africanbank.co.za.

From the chairman of the group risk committee

Dear stakeholder

As chairman of the group risk committee, I am pleased to present this report on our activities during the year under review.

The committee only has non-executive directors as members of the committee, namely Brian Steele, Ramani Naidoo and Oshy Tugendhaft with myself as chairman. Both Brian and I serve on the group audit committee and it is a requirement of the Banks Act that at least one member serve on both the group audit and group risk committees so as to be the link between the committees.

The committee has a wide array of skills including banking, risk management, finance, legal and corporate governance. In addition, the chief executive officer, group risk officer and financial director are attendees at meetings, with other members of management attending by invitation to deal with specific issues from time to time. In addition, representatives of Deloitte & Touche, our external auditors, also attend the meetings.

The board has delegated the monitoring of the quality, integrity and reliability of the risk management processes covering the ABIL group of companies to this committee. Its main purpose is to oversee and interrogate the process of identifying the group's key risk areas, regular monitoring of key performance indicators that measure these risks and to address with management and follow up areas where these performance indicators fall outside acceptable parameters. The committee also:

- *Sets out the nature, role, responsibility and authority of the risk management function within the group and outlines the scope of this specific function;*
- *Reviews and assesses the integrity of the risk control systems to ensure that the risk policies and strategies are effectively managed;*
- *Reviews the adequacy of impairment provisions on advances, and recommends these for approval to the audit committee;*
- *Provides an independent and objective oversight and reviews the information presented by management taking into account reports from the group audit committee to the board on financial, operational and strategic risk issues; and*
- *Reviews the decisions of the credit and ALCO management committees and assists the board in determining the maximum mandate levels for these committees. Although we are not permanent members of these committees, we have a standing invitation to attend and regularly take up this invitation in order to gain a better understanding of the business and the risks it faces.*

As with other committees, the charter of the committee has been approved by the board and sets out the terms of reference mandate under which the committee operates. A full copy of the charter can be found at www.africanbank.co.za.

During the year under review the committee met four times. Key items on the agenda included:

- *Changes to be brought about by the National Credit Act*
- *Adequacy of provisions*
- *Credit risk and collections*
- *Information technology risk*
- *Liquidity and funding*
- *Business continuity and disaster recovery planning*

Attendance at meetings was very good as indicated below:

Total number of meetings: Four

Member	***Attendance***
Günter Steffens	*4/4*
Brian Steele	*4/4*
Oshy Tugendhaft	*4/4*
Ramani Naidoo	*4/4*

Günter Steffens

Skills and experience of the board

The board comprises persons with diverse experience including banking and business and is of the opinion that having directors with relevant business and industry experience is beneficial to the board as a whole as directors with such background can provide a useful perspective on significant risks and competitive advantages and an understanding of the challenges facing the business. The board monitors the mix of skills and experience of directors in order to assess whether the board has the necessary tools to perform its oversight function effectively. However, the board will continue to review the skills, knowledge, gender and race diversity at a board level going forward in order to ensure that it is appropriate and effective and takes into account succession plans for non-executive and executive directors.

Selection, appointment and rotation of directors

Although there have been no new director appointments during the year under review the approved process is that the directors' affairs committee acts as a nominations committee should the need arise and considers all director appointments. The charter of the directors' affairs committee makes provision for formal procedures for assisting the board with director selection and appointment of directors. Should the committee be satisfied that the appointment would add value to the board as a whole, the committee then recommends the appointment for consideration to the full board subject to:

- Approval by the South African Reserve Bank;
- Approval by other regulatory authorities; and
- "Fit and proper" tests in terms of the Banks Act and the JSE Listings Requirements.

This is regarded as a formal and transparent procedure. All director appointments are subject to confirmation by shareholders at the next annual general meeting.

All directors are appointed for specific terms and reappointment is not automatic. A third of directors retire by rotation annually, and if eligible, their names are submitted for re-election to the annual general meeting.

Composition of the board

The current ABIL and African Bank board includes five executive directors and eight non-executive directors, namely:

Ashley Mabogoane *(Chairman)*	Independent non-executive
Gordon Schachat *(Deputy chairman)*	Executive
Leon Kirkinis *(CEO)*	Executive
Toni Fourie	Executive
Tami Sokutu	Executive
David Woollam	Executive
Dave Gibbon	Independent non-executive
Bahle Goba	Independent non-executive
Ramani Naidoo	Independent non-executive
Brain Steele	Independent non-executive
Günter Steffens *(German)*	Independent non-executive
Daniel Tembe *(Mozambican)*	Independent non-executive
Oshy Tugendhaft	Non-executive (Reason: TWB Attorneys are legal advisors to ABIL)

The board as a whole has considered the classification of directors as independent non-executive, non-executive and executive. This classification is reviewed on an annual basis or more frequently if necessary.

TERMS OF EMPLOYMENT OF DIRECTORS

Executive directors are employees and have standard terms and conditions of employment and do not receive any special remuneration or other benefits for their additional duties as executive directors. None of the executive directors have extended employment contracts or special termination benefits, and there are no restraints of trade in place. The board, on the recommendation of the group transformation and remuneration committee, determines the remuneration of executive directors and other senior executive management.

None of the non-executive directors have any employment contracts with ABIL. The board has approved a remuneration policy for non-executive directors (which can be accessed at www.africanbank.co.za), in which a basic board retainer fee is paid to each director plus additional fees for each of the various subcommittees the director is involved with. Fees are not dependent on individual attendance at meetings, but rather are based on the scope of responsibilities and expected involvement of each director in discharging their duties.

Full details of directors' remuneration are set out on pages 89 to 92.

From the chairman of the group audit committee

Dear stakeholder

As chairman of the group audit committee, I am pleased to present this report on our activities during the year under review.

The members of the committee are all independent non-executive directors, namely Brian Steele, Günter Steffens and Daniel Tembe with myself as chairman. Both Brian and Günter serve on the group risk committee and this enhances the level of interaction between the board subcommittees. The composition of the committee was changed during the year with the resignation of Bheki Shongwe and Steven Levitt and I would like to thank them for their contribution to the committee.

I believe that the committee is well composed of directors with skills in finance, auditing, accounting, banking and risk management.

The main purpose of the committee is to assist the board in discharging its duties relating to the safeguarding of assets, accounting systems and practices, internal control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards for the ABIL group of companies, which includes African Bank Limited, Theta Investments (Proprietary) Limited and The Standard General Insurance Company Limited. It also provides a forum for discussing internal control issues and for developing relevant recommendations for consideration by the board.

The charter of the committee has been approved by the board and sets out the terms of reference under which the committee operates. A full copy of the charter can be found at www.africanbank.co.za.

During the year under review the committee met four times. Key items on the agenda included:

- *The review of the interim and annual financial statements and relevant reports to shareholders*
- *Review of the external audit plan and reports and approval of the final external audit fee*
- *A regular review to ensure that the independence of the external auditors is not impaired by non-audit services provided to the group, based on the following principles:*
  - *a) As a general policy that the services of Deloitte & Touche are not to be used in areas they will be required to audit*
  - *b) If services are used for non-audit purposes, an assessment will be made if their independent status is compromised and the guidance of the group audit committee is to be sought*
  - *c) The chief financial officer is authorised by the audit committee to use the services of Deloitte & Touche on the proviso that a list of non-audit services performed be tabled at each group audit committee meeting*
- *Approval of the internal audit charter and plan for the year, together with an ongoing monitoring of major unresolved issues emanating from internal audit reviews*
- *Review of the status of internal controls in the company*
- *Review of the level of compliance with the applicable statutory, supervisory and regulatory requirements and in particular with the provisions of the Banks Act, Long-term Insurance Act and JSE Listings Requirements*

The committee relies in particular on the external audit, internal audit and compliance functions to provide the necessary assurance on the status of internal controls and the level of compliance. It is for this reason that the committee conducts annual performance appraisals of these functions with input from directors and management and is satisfied with the performance in each area.

It should also be noted that the chief executive officer, financial director, group risk officer, head of internal audit and compliance officer, together with representatives of Deloitte & Touche, our external auditors, are attendees at our committee meetings.

Attendance at meetings was very good as indicated below:

Total number of meetings: Four

Member	Attendance	Date of change
Dave Gibbon	4/4	
Brian Steele	4/4	
Günter Steffens	1/2	Appointed 16 February 2006
Daniel Tembe	2/2	Appointed 16 February 2006
Steven Levitt	2/2	Resigned 16 February 2006
Bheki Shongwe	1/2	Resigned 16 February 2006

Dave Gibbon

INDUCTION AND TRAINING

It is acknowledged that in order for the board to function effectively it is important to ensure that the resources for developing and refreshing the knowledge and skills of non-executive directors are provided. To this end all non-executive directors have an open invitation to visit the operations of the group, meet with management and attend management meetings such as the ALCO and credit committees. The objective of this is to ensure that the non-executive directors in particular are able to obtain as full a picture of the operations of the group as possible in order to make informed decisions and hence enhance the effectiveness of the board.

There is a formal procedure for the induction and training of directors to ensure that directors are aware of their statutory duties, obligations and potential liabilities. The induction course includes an overview of the ABIL business, the organisational structure and issues relevant to the business and environment in which ABIL competes and has been designed to equip new directors to participate in the activities of the board.

The company secretary also met with individual non-executive directors during the year with the intention of formulating a training plan that will be implemented during 2007. In the interim, however, the following training interventions were effected:

- An operations tour to certain African Bank branches
- A presentation on the key aspects of the JSE Listings Requirements by ABIL's corporate sponsors
- Some non-executive directors attended a seminar on corporate governance and financial risk for banks and financial institution directors
- Presentations at board committee meetings on specific matters such as credit risk and the impact of the Auditing Professions Act
- A roundtable discussion with external economists to better understand the macro-environment within which ABIL operates

BOARD CHARTER

ABIL's board charter confirms the board's responsibilities for various issues. The key principles embodied by the charter are:

- The role of the board and management
- Board composition and conduct of directors
- Board governance
- The reserved and delegated powers of the board
- Director selection, appointment, induction and training
- Duties of directors
- Risk management, compliance and internal controls

The board charter is available on our website at www.africanbank.co.za.

INFORMATION REQUIREMENTS OF DIRECTORS AND BOARD PROCESSES

It is regarded as critical that directors have sufficient information to enable them to make informed decisions and therefore the board continuously reviews the information requirements of directors to enable them to effectively fulfil their duties and responsibilities. Directors are timeously informed of matters that will be discussed at board meetings and provided with information relating thereto. A procedure further allows for directors to suggest additional items for discussion at meetings and to call for additional information or a briefing on any topic prior to the meeting.

LEVELS OF MATERIALITY

The board has quantitatively and qualitatively defined levels of materiality for the group. This is reviewed on an annual basis or more frequently if necessary.

DELEGATION OF AUTHORITIES

The board has approved and disseminated both internally and externally the delegation of certain authorities to the board subcommittees, where applicable, and to management.

BOARD MEETINGS

At a minimum, board meetings are held quarterly and the board is of the opinion that this is sufficient. A special off-site board meeting to specifically discuss strategy is also held during the year. The board is constantly reviewing the amount of time spent on corporate performance, strategic issues and the content and quality of non-financial information. Overall attendance at board meetings for the year was 90%.

The annual general meeting (AGM) was held on 25 April 2006 and was well attended by directors and in particular the chairmen of all board committees were in attendance to answer any questions from shareholders.

	ABIL	African Bank	AGM	Stangen
Number of meetings	**5**	**4**	**1**	**2**
Non-executive				
Ashley Mabogoane	4/5	3/4	1/1	
Dave Gibbon	5/5	4/4	1/1	2/2
Günter Steffens	4/5	3/4	1/1	2/2
Ramani Naidoo	5/5	4/4	1/1	
Brian Steele	5/5	4/4	0/1	
Oshy Tugendhaft	4/5	3/4	1/1	
Bahle Goba	4/5	3/4	1/1	
Daniel Tembe	5/5	4/4	0/1	
Ian Kirk	n/a	n/a	n/a	2/2
Executive				
Gordon Schachat	4/5	4/4	1/1	
Leon Kirkinis	5/5	4/4	1/1	
David Woollam	5/5	4/4	1/1	2/2
Toni Fourie	5/5	4/4	1/1	
Tami Sokutu	5/5	4/4	1/1	
Past directors (note 1)				
Angus Herselman	1/2	1/2	0/1	
Bheki Shongwe	1/2	1/2	0/1	
Jacob Kekane	2/2	2/2	0/1	
Steven Levitt	2/2	2/2	0/1	
Dawn Marole	1/2	1/2	0/1	
Johan de Ridder	2/2	2/2	0/1	

Note

1. *Due to a restructuring of the board these directors resigned on 25 April 2006.*

INTERACTION WITH MANAGEMENT

The board regards as critical that a strong relationship between non-executive directors and management should be fostered and that there should be a culture of openness, trust and mutual respect in order for a board to be effective.

Whilst the ABIL board has a high level of regular interaction with the executive management, thereby enabling the directors to infuse their considerable experience, professional knowledge and knowledge of the target market into its strategic direction, there is an ongoing drive to increase the level of interaction and exposure of key staff to the board.

There is a policy of open communication between the board and management and this ensures that the board is fully informed of major matters concerning ABIL and its business.

DEALING IN ABIL SECURITIES

The company adheres to a policy of prohibiting dealings in securities within closed periods for all directors, staff and associates. The policies around dealing in ABIL securities, improper use of inside information and holding of shares by directors are formally established by the board and are implemented by the company secretary. All directors and staff are timeously informed of closed periods. Securities as per the definition of the JSE Listings Requirements include stocks, shares, debentures, warrants and options. The closed period conditions are strictly adhered to in terms of investor meetings and contacts.

COMPANY SECRETARIAT

All directors have access to the services of the company secretary, Sarita Martin, who is responsible for ensuring that board procedures are followed and plays an active role in the facilitation of the induction of new directors and the improvement and monitoring of corporate governance processes. All directors are entitled to seek independent professional legal advice with respect to any affairs of ABIL at the group's expense.

The board conducts an annual assessment of the performance of the company secretary. The appointment, removal and appraisal of the performance of the company secretary is a matter for consideration by the board of directors.

COMMUNICATION

ABIL subscribes to the principle of transparent, timeous, balanced, relevant and understandable communication, focused on substance not form, with all relevant parties.

Communication covers both financial and non-financial aspects of the business to assist in creating an informed stakeholder population. Detailed reports of the various aspects influencing the business, both directly and indirectly, are communicated to stakeholders.

ABIL undertakes this responsibility to ensure that stakeholders are comprehensively informed so as to understand why they should continue to invest in a company which, they believe, will enjoy sustained success.

CODE OF BANKING PRACTICE AND FINANCIAL SECTOR CHARTER

As a member of the Banking Association of South Africa, African Bank is committed to maintaining the standards of fairness set out in the code of banking practice and the provisions of the Financial Sector Charter.

MICRO FINANCE REGULATORY COUNCIL (MFRC) AND NATIONAL CREDIT REGULATOR (NCR)

African Bank and its various divisions are members of the MFRC, which *inter alia*, allows them to write loans under the Exemption Notice to the Usury Act, 1968. Being a member requires that their lending practices be audited by the external auditors of African Bank to ensure that they adhere to the rules of the MFRC.

African Bank has received provisional registration, on application, from the NCR and is compliant with all the provisions of the National Credit Act currently in force.

African Bank is committed to a continuous process of liaising with the MFRC and its successor the NCR, to benefit from its guidance in the implementation of its requirements during the transitory phase of the industry from an unregulated to a regulated environment.

From the chairman of the directors' affairs committee

Dear stakeholder

As chairman of the directors' affairs committee, I am pleased to present this report on our activities during the year under review.

The directors' affairs committee (the committee) was established in terms of the Banks Act, 1990 as amended, which stipulates certain functions of the committee. As per the Banks Act and ABIL's governance principles only non-executive directors are members of the committee.

During the year under review the committee focused on the following:

1. *Review of the board size and composition. The board of directors consisted of 19 members at the time of the publication of the 2005 annual report. The board of directors accepted in 2005 the need to review the size and composition of the board taking into consideration the recommendations of the corporate governance review reports issued by the Bank Supervision Department of the South African Reserve Bank in 2003 and 2005 as well as best practice corporate governance principles that:*
   - *The board should contain a balance of skills, experience and diversity*
   - *There should be a sufficient number of independent non-executive directors to enable the board committees to be properly constituted in terms of the Banks Act and the dictates of good corporate governance*

   In addition the board accepted the committee's recommendation on the process to implement the provisions of the term limit policy for non-executive directors approved in November 2005.

   The result was that three non-executive directors retired in terms of the term limit policy and in order to maintain a majority of independent non-executive directors, three executive directors resigned from the board. At present there are 13 directors on the board: seven independent non-executive directors, one non-executive director and five executive directors.

2. *The composition of board committees. Following the 2005 evaluation of the board and the effectiveness of the board committees, the committee resolved to recommend to the board that the composition of the transformation and remuneration committee and the group audit committee be changed to include members with additional skills and expertise. The board endorsed this recommendation and the new committee structure became effective in February 2006. The reconstituted committees have had the desired effect and the revitalised committee structure is functioning effectively to assist the board in discharging its corporate governance obligations.*

3. *Performance evaluations of the board as a whole, the committees of the board and the individual directors. The process that began in 2005 continued into this financial year with the chairman of the board, the CEO and myself meeting with each director individually to discuss the performance rating and where applicable, provide guidance on how to improve individual and collective performance. In addition performance evaluations have again been conducted on the following bases:*
   - *An assessment by individual directors of the overall effectiveness of the board*
   - *A peer evaluation completed by all directors ranking their fellow directors on certain listed criteria*
   - *Performance assessments by all directors of the chairman of the board, the CEO and the company secretary*

4. *Regulation 38(5) assessment. As is practice the annual assessment in terms of the Banks Act was conducted to assess and document whether the process of corporate governance implemented had successfully achieved the objectives determined by the board. Following approval of the questionnaire by the committee, the questionnaire was circulated to all directors. The results were collated by the company secretary and were considered at a meeting of the committee.*

5. *Succession planning for members of the board. In order to ensure continuity and the least amount of disruption at a board level when directors resign or retire in terms of the term limit policy, the committee has begun looking at a succession planning framework for directors, including executive and non-executive directors.*

The members of the committee are all non-executive directors and include Ashley Mabogoane (chairman of the board) and the chairmen of the various board committees namely, Oshy Tugendhaft (group transformation and remuneration committee), Dave Gibbon (group audit committee) and Günter Steffens (group risk committee) with myself as chairman. The committee deemed it appropriate that Gordon Schachat (executive deputy chairman) and Leon Kirkinis (chief executive officer) are permanent invitees at meetings of the committee unless there are matters on the agenda where there would be a conflict.

The board of directors recognises that, as the focal point of the corporate governance system, it is ultimately accountable and responsible for ensuring that an adequate and effective process of corporate governance, which is consistent with the nature, complexity and risk inherent in the ABIL group of companies, is established and maintained. The main purpose of the committee is therefore to assist the board of directors in discharging its duties relating to this process taking into account the specific responsibilities of the committee as set out in the Banks Act, 1990 as amended.

As with other committees, the charter of the committee has been approved by the board and sets out the terms of reference mandate under which the committee operates. A full copy of the charter can be found at www.africanbank.co.za.

During the year under review the committee met twice

Total number of meetings: Two

Member	***Attendance***
Ramani Naidoo	*2/2*
Dave Gibbon	*2/2*
Ashley Mabogoane	*2/2*
Günter Steffens	*2/2*
Oshy Tugendhaft	*2/2*

Ramani Naidoo

From the chairman of the group transformation and remuneration committee

Dear stakeholder

As chairman of the group transformation and remuneration committee, I am pleased to present this report on our activities during the year under review.

There has been increased global focus on the remuneration of directors and executives and an additional focus in South Africa on transformation. The committee has during the past year adapted its strategy to reflect a greater focus on and commitment to transformation issues. In addition, the board approved a change to the composition of the committee in February 2006 resulting in my appointment as chairman of the committee and the appointment of Ramani Naidoo as a member of the committee, while Ashley Mabogoane and Bahle Goba remained members of the committee. We are all non-executive directors, with Ramani, Ashley and Bahle being independent non-executive directors. I believe the committee now has a balanced composition of individuals with the appropriate level of legal, governance, human resource, transformation and change management skills and knowledge.

The focus during the year has been:

- *Improving the performance and effectiveness of the committee through the development and implementation of a work plan for the year to maintain focus on certain key areas.*
- *Overseeing and monitoring the implementation of a new groupwide human resource strategy.*
- *Approving and monitoring the allocation of the economic profit-based incentive pools for employees.*
- *Monitoring progress towards achieving the group's employment equity targets and ensuring that management is giving sufficient focus to this strategic issue.*
- *Recommendations to the board on executive director and senior executive management remuneration*
- *Amendments to the committee charter.*
- *The development of a remuneration policy for non-executive directors.*

The role of the group transformation and remuneration committee (the committee), having regard to the law and the highest standards of governance, is to support and advise the board of directors of ABIL by ensuring that the group adheres to a clearly defined strategy and set of related policies in order to:

- *Attract and retain the appropriate level of talent into the organisation*
- *Ensure that employees of the company are appropriately and equitably compensated for their services to the company and motivated to perform to the best of their abilities in the interests of all stakeholders*
- *Ensure the organisation maintains an adequate succession and talent development plan*
- *Ensure that the group makes a meaningful contribution to the transformation of South Africa, by achieving its targeted levels of employment equity and ensuring that this is achieved in substance beyond the legal form.*

As with other committees, the charter of the committee has been approved by the board and sets out the terms of reference mandate under which the committee operates. A full copy of the charter can be found at www.africanbank.co.za.

Due to changes in the composition of the committee, the committee met three times during the year. In future, the committee will meet at least four times a year, and more often if required.

The Remuneration report on pages 85 to 92 sets out details of the group's remuneration philosophy, how the incentive pools were derived and full disclosure of directors' remuneration.

Total number of meetings: Three

Member	Attendance	Date of change
Oshy Tugendhaft	2/2	Appointed 16 February 2006
Ashley Mabogoane	2/3	
Bahle Goba	2/3	
Ramani Naidoo	2/2	Appointed 16 February 2006
Daniel Tembe	1/1	Resigned 16 February 2006
Jacob Kekane	1/1	Resigned 16 February 2006

Oshy Tugendhaft

INTRODUCTION

The purpose of this report is to provide stakeholders with an understanding of the remuneration philosophy and policies that are applied to employees across the ABIL group. In addition detailed disclosure is given in relation to the sizing and structure of the group's total incentive pool, as well as an analysis of the remuneration paid to executive and non-executive directors.

REMUNERATION PHILOSOPHY

The ABIL group, being a service organisation, recognises that its people are critical to the provision of credit to its customers in a professional and dedicated manner to ensure that its clients have a consistently high client service experience in their interactions with the group.

In order to sustain this on a consistent basis, the organisation has to ensure that it continuously:

- Attracts and retains the right people with the appropriate skills
- Develops a high performance culture that is results orientated and focused
- Designs its remuneration and reward policies such that:
  - They recognise individual and team contribution to the delivery of the group's strategy and achievement of its objectives. Whilst the foundations of the remuneration philosophy remain grounded in certain key principles, the application thereof is tailored to ensure that remuneration structures are continuously aligned to the group's strategy, as it evolves.
  - They differentiate rewards clearly for excellence, tangible delivery and a high performance orientation.
  - They retain and develop the best talent in the organisation, in order to entrench a sustainable leadership structure and deep succession pool.
  - Rewards and incentives must be funded out of a portion of the shareholder value created for any given period.

Put simply:

Appropriate reward and recognition policies drive the behaviour that delivers results.

The ABIL group has its roots in an entrepreneurial style of business, and whilst the group has developed into a large organisation, ABIL has retained elements of this style in its human capital culture, which promote individual accountability, recognise initiative and innovation, and encourage a significant portion of remuneration to be put "at risk" against delivery of objectives.

It is against this backdrop that the group has developed its remuneration philosophy.

REMUNERATION GOVERNANCE

The group transformation and remuneration committee (Remco), a subcommittee of the board, has been delegated certain responsibilities and powers through a documented charter. These include, *inter alia*, the following:

- Monitoring the group's human resources policies, practices and procedures to ensure they are in line with the changing human resource landscape and aligned to the strategy of the group.
- Approving the group's overall remuneration philosophy, including basic pay structures, incentive schemes, and performance measurement systems and criteria.
- Reviewing and approving the overall incentive pools for each financial year, in accordance with the group's approved incentive policy and schemes.
- Determining and recommending to the board of directors for approval, the basic packages and incentive allocations for executive directors and members of the group executive committee.
- Reviewing and recommending to the board of directors for approval, the remuneration of non-executive directors.
- Ensuring that there is adequate succession planning for senior executives.
- Overseeing the development and implementation of racial transformation and employment equity policies as a business imperative.
- Ensuring that there is an adequate focus being given to addressing the potential impact of HIV/Aids.

The full charter of the Remco is available on the group website under corporate governance.

Details of the Remco, its members and activities are set out in the letter to stakeholders from the Remco chairman on the previous page.

REMUNERATION POLICIES AND STRUCTURES

The group divides its remuneration into two components.

Basic remuneration

The basic remuneration in the group comprises the fixed guaranteed salaries for all permanent employees, and the sales commissions paid to mobile sales agents. Permanent employees are paid according to market related benchmarks, and on a total cost-to-company (TCC) basis. This TCC includes certain statutory contributions to pension, life and healthcare schemes.

Incentive payments

These comprise all additional payments to employees for performing above expectation and contributing towards the creation of shareholder value. There has been an increased proportion of total remuneration paid through incentives, premised on the need for the group to sustain superior performance, and the recognition that this is primarily achieved through the collective efforts of its employees. Incentive structures are designed to reward superior performance at all levels of the organisation.

During the 2005 financial year, the Remco approved the introduction of a new integrated incentive structure, covering both short-term cash incentives and a new long-term incentive plan. The main principles of the structure are:

- All incentives paid by the group would be funded out of a pool derived from the economic profit of the group. For this purpose economic profit is defined as the headline earnings of the company for any given year, less dividends paid on the preference shares and less a charge for the cost of equity for ordinary shareholder funds. The charge for the cost of equity is based on the average ordinary shareholder funds multiplied by a market consensus derived cost of equity. Put simply, unless there is real shareholder value creation in any year, there will be no incentives paid by the group.
- The overall incentive pool, on an after tax basis to the company, will be limited to a maximum of 22,5% of the economic profit of the group for that year. The actual percentage will be determined annually at the discretion of Remco, who may for example decrease the percentage if they feel favourable market conditions contributed to the group's performance.
- Approximately 60% of this incentive pool will be 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 bonus divided equally and paid to all non-managerial staff;
  - Annual discretionary bonuses for executive directors, management and support services staff; and
- The remaining 40% of the pool used to fund a long-term incentive plan, designed to reward superior long-term value creation.

Senior management will earn a proportionally higher amount through the long-term plan versus the annual bonus.

The long-term incentive plan (LTIP)

The group previously made use of a share option scheme for long-term incentives. In 2005, the group ceased issuing options under the existing scheme and introduced the new (LTIP) scheme described below.

The LTIP is a cash-settled, share appreciation scheme, modelled on the performance of the ABIL shares. Individuals who qualify, are awarded a certain value of LTIPs each year, unitised into R10 units and the instrument is structured as follows:

- Each LTIP unit, plus an additional 50% gearing achieved through a notional loan, is synthetically "invested" into ABIL shares, ie R15 is "invested" into ABIL shares. The entry price is set at the ABIL volume-weighted average price (VWAP) for the calendar month of issue of the LTIPs being 30 September of each year.
- Interest is accrued on the R5 notional loan on a semi-annual basis and the dividends paid on the synthetic ABIL shares (grossed up at the corporate tax rate) 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, will be the market value of the synthetic ABIL shares, less the remaining balance on the notional loan after accruing interest.
- The LTIP vests annually, and is paid out at market value, based on the ABIL VWAP for the calendar month of maturity, in four equal tranches. Should the individual resign or be dismissed, his unvested LTIPs will be forfeited and cancelled.
- Each year a new LTIP will be created which will run parallel to existing LTIPs.

EXPOSURE TO EXISTING LONG-TERM INCENTIVE SCHEMES

The ABIL Employee share option scheme

Following the introduction of the new LTIP during 2005, it was resolved that as from 5 August 2005, no new share options would be issued and that the existing option scheme would wind down on a planned basis. This involved offering staff the choice to:

- take up their options with certain vesting criteria,
- convert them into an alternative cash-settled instrument or
- retain the existing options.

The majority of the options were converted or taken up and a small number of options remained outstanding.

Share options

The following table sets out details of the remaining share options under the scheme for the year ended 30 September 2006. The outstanding exposure is fully covered by treasury shares.

	Number of shares (Millions)
Balance as at 30 September 2005	3,1
Options taken up, lapsed and forfeited during the year	(2,5)
Balance as at 30 September 2006	0,6
Vested	0,3
Unvested	0,3
Total	0,6

The strike price of the options exercised during the year range between R3,27 to R9,68. The weighted average market price of the ABIL share at the time of the exercise of the options was R25,39. The average strike price of the unexercised options is R7,37.

The net after tax loss arising from transactions within the option scheme was R14 million for the year ended 30 September 2006, and has been taken directly to the statement of changes in equity (consistent with the treatment in prior years) and in accordance with IFRS.

Converted option instruments

As at 11 August 2005, 18,3 million options were converted into an alternative cash-settled instrument (converted options). The conversion was designed to put individuals into a largely neutral position. As at 30 September 2005, the total liability for these converted options was R273,2 million. In accordance with the provisions of IFRS 2, this liability must be accrued evenly over the vesting period of the instrument. The table below sets out the movements in the converted options for the current year, as well as the proportion of the total liability that has been accrued to date and the balance to be accrued into the future.

The group's exposure to this liability is fully hedged. As a result the future charge to the income statement in respect of the remaining instruments is fixed at approximately R23 million, the majority of which will be incurred in 2007.

	Number of shares (Millions)	**Liability accrued as at Sept 2006 (IFRS 2) R million**	Liability to be accrued in future periods R million	Total liability R million
Balance as at 30 September 2005	18,3	**177**	96	273
Accrued during the year		**67**	(67)	0
Cash settlement during the year	(7,5)	**(137)**	0	(137)
Adjustment of liability to fair value		**43**	6	49
Balance as at 30 September 2006	10,8	**150**	35	185
Maturity analysis				
30/09/2006	2,3			
30/09/2007	5,6			
30/09/2008	2,2			
30/09/2009	0,6			
	10,8			

The LTIPs issued in 2005

Following the approval granted by Remco, R42,4 million of LTIP05s were issued as at 30 September 2005, which together with the related gearing on the scheme, was equivalent to 3,0 million ABIL shares or 0,6% of the shares in issue. Since then, R2,9 million of these LTIPs have been settled or have lapsed, leaving R39,5 million of LTIPs outstanding as at 30 September 2006. The full market value of these as at 30 September 2006, was R48,4 million, of which R23,6 million was accrued under IFRS 2. As with the converted options, the group has hedged the exposure under this scheme, and accordingly the future charge to the income statement will be fixed at these values.

Maturity date	Initial value of grant R million	**Market value at Sept 2006 R million**	% accrued (including lapse assumptions)	**Accrued liability as at Sept 2006 R million**
30/09/2006	9,9	**12,1**	100	**12,1**
30/09/2007	9,9	**12,1**	47	**5,6**
30/09/2008	9,9	**12,1**	29	**3,5**
30/09/2009	9,9	**12,1**	20	**2,4**
	39,5	**48,4**		**23,6**

2006 INCENTIVE POOL ALLOCATIONS

The Remco approved during November 2006, a total group incentive pool of R182 million for the 2006 financial year, which on an after tax cost of R129 million, equalled 15,9% of the economic profit for the year of R808 million. This was allocated as follows:

R million	**2006**	2005
Headline earnings attributable to ordinary shareholders	**1 109**	948
Estimated cost of equity (%)	**15,0**	14,5
Charge for cost of equity	**(301)**	(346)
Economic profit for the year	**808**	602
Allocations		
Variable pay incentives – paid during the year	**23**	32
Profit share for non-managerial staff	**13**	10
One-off cost of raising minimum salary levels	**7**	0
Annual performance bonuses	**59**	50
Long-term incentive plan (LTIP)	**64**	42
Reserve for new recruits, promotions and retention	**16**	8
	182	142
After tax cost of incentive pool	**129**	101
% of economic profit (%)	**15,9**	16,8

The variable pay incentives include all performance-based cash incentives (excluding sales commissions payable to the mobile sales agents) paid during the year on a monthly or quarterly basis. These are primarily for non-managerial sales and collection staff who, in addition to their basic salary, receive incentives for achieving and exceeding internal targets. The R23 million, relating to variable pay incentives, has been fully absorbed into the 2006 financial results.

The profit share for non-managerial staff is a fixed portion of the pool, which is divided equally amongst the qualifying staff. In October 2006, the group raised the minimum salary levels for staff within the group, and the one-off cost of this was deducted from the pool.

The annual cash bonuses of R59 million will be paid in November 2006, and will be accounted for as an expense in the 2007 financial year. This treatment is in accordance with IFRS, and consistent with the prior years, as these bonuses are only determined and approved after the year-end.

The LTIP allocations amounting to R64 million, or a synthetic investment in 4,1 million ABIL shares will be made to employees in November 2006, and will be accrued for as an expense, in accordance with IFRS 2, in the 2007 financial year and beyond.

HEDGING OF EXPOSURE FROM ABIL SHARE PRICE MOVEMENTS

As set out above, the ultimate liability in terms of the LTIP is directly impacted by the ABIL share price at predefined dates. During June 2006 a decision was taken to hedge the exposure under the LTIP (and remaining converted options) with regard to the ABIL share price movement to avoid volatility in the group's earnings due to movements in the ABIL share price. A total return equity swap (TRES) was entered into during July 2006 with a third party in terms of which the liability of the group will be calculated effectively on a fixed share price of R26,36 per ABIL share. The financial effects of the hedge entered into is that any increase in the ABIL share price above the hedge price will result in the group receiving the gain from the third party in terms of the TRES whilst any decrease in the ABIL share price will result in the group paying the third party the difference between the hedge price and market price. These differences are determined on specific dates in terms of the hedge to match the group's liability in terms of the LTIP.

EXECUTIVE DIRECTORS' REMUNERATION

The executive directors' remuneration is determined in the same manner as all employees, and within the framework and philosophy as set out above. No executive directors have any special service contracts, and are all employed under the general terms and conditions of employment deployed within the group.

The components of executive directors' remuneration was as follows:

1. Basic remuneration, benefits and bonuses paid to executive directors for the year ended 30 September 2006

All amounts in R000	Date appointed to the board	Cash package	Retirement and medical contri-butions	Total cost to company package	Annual cash bonus (note 1)	Total
Gordon Schachat (Executive deputy chairman)	01/07/1995	1 922	79	2 001	2 500	4 501
Leon Kirkinis (Chief executive officer)	01/07/1997	2 098	87	2 185	3 000	5 185
Johan de Ridder	22/04/2002	1 042	73	1 116[2]	n/a	1 116
Toni Fourie	21/10/2003	1 892	228	2 120	2 000	4 120
Angus Herselman	06/06/2003	972	143	1 115[2]	n/a	1 115
Dawn Marole	17/03/2004	946	104	1 050[2]	n/a	1 050
Tami Sokutu	19/05/2003	1 721	135	1 856	1 400	3 256
David Woollam (Financial director)	01/11/2002	2 000	130	2 129	1 600	3 729
Total		12 592	979	13 572	10 500	24 072

Notes

1. *These performance incentives relate to the financial year ended 30 September 2006 and were approved by the board (based on Remco's recommendation) on 9 November 2006 and paid at the end of November 2006. This will be expensed in full, in terms of IFRS, in the 2007 financial year.*
2. *These directors resigned from the board on 25 April 2006.*

1. Basic remuneration, benefits and bonuses paid to executive directors (continued)
for the year ended 30 September 2005

All amounts in R000	Date appointed to the board	Cash package	Retirement and medical contri-butions	Total cost to company package	Annual cash bonus (note 1)	Total
Gordon Schachat (Executive deputy chairman)	01/07/1995	1 698	70	1 768	1 956	3 724
Leon Kirkinis (Chief executive officer)	01/07/1997	2 028	52	2 080	2 500	4 580
Johan de Ridder	22/04/2002	1 724	96	1 820	1 250	3 070
Toni Fourie	21/10/2003	1 508	192	1 700	1 650	3 350
Angus Herselman	06/06/2003	1 595	225	1 820	1 600	3 420
Dawn Marole	17/03/2004	1 533	167	1 700	800	2 500
Tami Sokutu	19/05/2003	1 665	103	1 768	1 300	3 068
David Woollam (Financial director)	01/11/2002	1 903	125	2 028	1 500	3 528
Total		13 654	1 030	14 684	12 556	27 240

Note

1. *These performance incentives relate to the financial year ended 30 September 2005 and were approved by the board (after Remco approval) on 10 November 2005 and paid at the end of November 2005. This has been expensed in full, in terms of IFRS, in the 2006 financial year.*

2. Share options
None of the directors had any options outstanding under the existing share option scheme for any part of the current financial year.

3. Converted options
The following table sets out the details of converted options held by executive directors as at 30 September 2006, and movements during the current year.

			Number of ABIL shares (000's)		
Name	Issue date	Strike price R	Balance as at 30 Nov 2005	Vested and paid out during the year	**Balance as at 30 Sept 2006**
Toni Fourie	September 2003	4,82	680	(340)	**340**
	June 2004	10,38	300	(100)	**200**
			980	(440)	**540**
Tami Sokutu	August 2002	4,07	400	(400)	**–**
	September 2003	4,82	1 200	(600)	**600**
			1 600	(1 000)	**600**
David Woollam	November 2002	3,97	1 000	(500)	**500**
	September 2003	4,82	400	(200)	**200**
			1 400	(700)	**700**

Note

Johan de Ridder, Angus Herselman and Dawn Marole all resigned on 25 April 2006, and did not have any movements in their converted options up until that date.

4. LTIP scheme

The allocations to executive directors for the year ended 30 September 2006, together with movements in their LTIP portfolios are reflected in the table below.

for the year ended 30 September 2006

All amounts in R000	Value as at 1 Oct 2005	2006 LTIP award (note 1)	Change in value of LTIPs	LTIPs vested and paid out	LTIPs forfeited	Value as at 30 Sept 2006
Gordon Schachat (Executive deputy chairman)	–	–	–	–	–	–
Leon Kirkinis (Chief executive officer)	–	–	–	–	–	–
Toni Fourie	2 500	4 000	561	–	–	7 061
Tami Sokutu	1 300	2 000	291	–	–	3 591
David Woollam (Financial director)	2 450	3 000	549	–	–	5 999
Total	6 250	9 000	1 401	–	–	16 651

for the year ended 30 September 2005

All amounts in R000	Value as at 1 Oct 2004	2005 LTIP award	Change in value of LTIPs	LTIPs vested and paid out	LTIPs forfeited	Value as at 30 Sept 2005
Gordon Schachat (Executive deputy chairman)	–	–	–	–	–	–
Leon Kirkinis (Chief executive officer)	–	–	–	–	–	–
Johan de Ridder (note 2)	–	1 950	–	–	–	1 950
Toni Fourie	–	2 500	–	–	–	2 500
Angus Herselman (note 2)	–	2 200	–	–	–	2 200
Dawn Marole (note 2)	–	900	–	–	–	900
Tami Sokutu	–	1 300	–	–	–	1 300
David Woollam (Financial director)	–	2 450	–	–	–	2 450
Total	–	11 300	–	–	–	11 300

Notes

1. *The LTIP 2006 awards relate to performance for the year ended 30 September 2006, and were approved by the board (based on Remco's recommendations) on 9 November 2006.*
2. *These directors resigned on 25 April 2006, and there were no movements in their LTIPs from 30 September 2005 to the date of their resignation.*

NON-EXECUTIVE DIRECTORS' REMUNERATION

The non-executive directors are paid fees based on a fixed retainer for their responsibilities and duties on the African Bank Investments Limited and African Bank Limited boards as well as additional fees for participation in the various subcommittees of the boards. The fees paid to the non-executive directors are as follows:

All amounts in R000	Date appointed to the board	Fees for services as directors 2006	2005
Ashley Mabogoane (Non-executive chairman)	01/12/1999	**822**	538
Dave Gibbon	01/06/2003	**240**	163
Bahle Goba	06/06/2003	**170**	144
Jacob Kekane	14/02/2000	**83**[1]	144
Steven Levitt	14/02/2000	**85**[1]	144
Ramani Naidoo	19/05/2003	**268**	174
Bheki Shongwe	14/02/2000	**100**[1]	159
Brian Steele	19/05/2003	**255**	195
Günter Steffens	19/05/2003	**250**	163
Daniel Tembe	01/01/2000	**215**	178
Oshy Tugendhaft	01/04/2003	**265**	159
Total		**2 752**	2 156

Note

1. *These non-executive directors resigned from the board on 25 April 2006.*

The non-executive directors do not participate in any of the group's bonus, share option, or LTIP schemes, and they do not receive any other benefits other than cash fees as set out above.

RISK MANAGEMENT

RISK MANAGEMENT PHILOSOPHY

To build a business is to take risk – being too risk averse will limit the scope of the entity to grow and develop, whilst ignoring the risks will threaten the sustainability of the entity.

The above statement is never more true than in the case of a bank, given that the value proposition of a bank is to offer a series of largely intangible products and services that are characterised primarily by the underwriting of certain types of risk, enhanced by the level of convenience and customer service that is associated with that product or service.

The key, however, is to understand which types of risk enhance the value proposition of the bank and which types are incidental and/or potentially value destroying to the organisation. The first category needs to be embraced, understood, managed, exploited and most importantly, measured carefully against the rewards earned from taking such risks. The second category must be mitigated or avoided in a cost-effective manner.

The ability to generate shareholder value is a function of how efficiently the following is implemented:

Price = cost of capital +

risks assumed

+ intellectual property +

value-added service.

A bank may generate returns using different proportions of the above factors, but the pricing of its products and services must be in balance with the above equation in order for it to remain sustainable in the long term. Typically most large commercial banks are characterised by taking a diverse portfolio of financial risks, such as credit, market, forex, interest rate and liquidity risk in order to generate a blended return and then take high levels of gearing risk in order to generate acceptable returns on equity.

The ABIL group has an unconventional profile, in that its chosen model is to focus primarily on underwriting credit risk, optimising liquidity and capital risk and to mitigate or avoid most of the other types of risk described above.

While the group's approach to risk may appear to be singular, ie mainly credit risk, its approach to risk management is not to minimise risk but rather to optimise acceptable risk for maximum and sustainable value creation. This is achieved through a systematic process of risk identification on an enterprise wide basis, a detailed analysis and thorough understanding thereof, mitigation or avoidance of incidental or unwanted risks and to proactively exploit the remainder of the risks for competitive advantage within predetermined risk tolerance levels.

RISK GOVERNANCE STRUCTURE

The board accepts its responsibility for managing the bank's appetite for risk and its approach to risk management is a dualistic one:

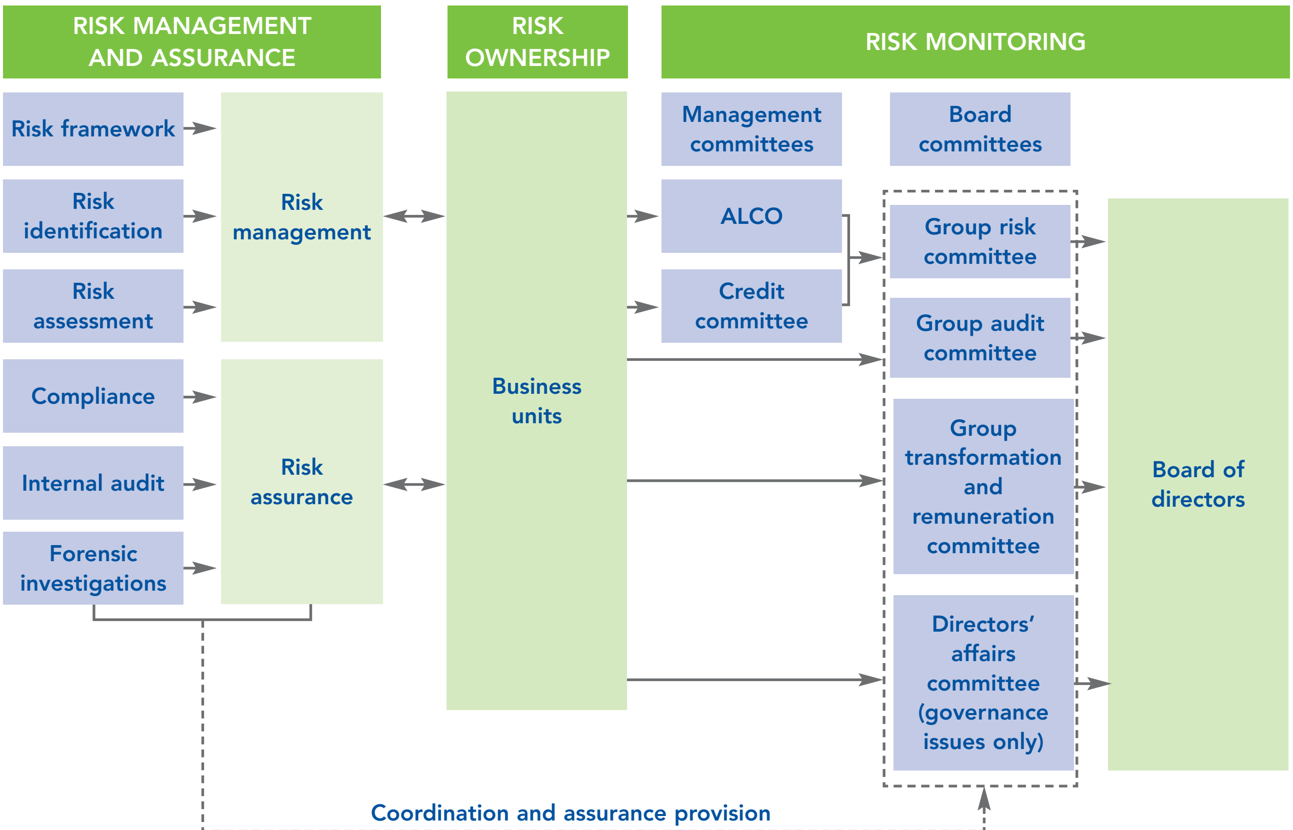
- A risk management culture is embedded throughout the organisation, with management taking frontline responsibility for identifying, understanding and managing risk in pursuit of its strategy and aligning these with the overall business risk policy and approved risk tolerance levels.
- An oversight function, through segregated board subcommittees who deal with the various categories of risk, set risk tolerance levels and monitor the effectiveness of the risk management control systems and processes.

There is a clear segregation of duties between the two levels, with the latter consisting of non-executive directors only. A key feature of the improvements that have been achieved over the last few years has been to increase the cooperation and flow of information between the various subcommittees and management functions in order to increase awareness and transparency to achieving greater effectiveness by leveraging of the knowledge pool and insight of the directors.

An independent group risk division acts as the glue that binds the process and ensures that as a collective there is complete coverage of risks, with clear accountability and adequate segregation of duties as well as providing guidance, coordination and assurance.

The following risk governance structure is designed to provide adequate oversight, taking into account the functions, size and diversification of the activities and processes of the group.

Risk management process



RISK CULTURE, APPETITE AND TOLERANCE

The board has adopted a "risk acceptance culture" which views risk as an inherent part of running a successful business, ie risks are not only mitigated but are also investigated for potential opportunities which could provide a direct linkage between risk management and maximising shareholder value. A tolerance zone is created which allows risk taking within certain parameters and is supported by the establishment and maintenance of cost-effective controls.

Risk appetite is defined as the level or quantum of risk that is acceptable to the group in pursuit of its objectives and is dependent on the extent to which it seeks and tolerates risk as described by predetermined performance indicators, operational parameters and process controls.

Risk tolerance or absorption capacity is the amount the organisation is capable of losing before its sustainability is endangered or reputation is irreparably damaged. It is largely a function of the bank's capital, reserves and profitability in relation to the business strategy, cost-effective risk mitigation controls and effective risk transfer strategies.

The group risk function

The group risk division is there to ensure that an enterprise risk management framework is established and maintained. This is effected via:

- The establishment of risk policies which reflect risk principles, risk appetite and risk tolerance;
- The creation of risk identification and management processes;
- The monitoring and support of risk management practices; and
- Comprehensive reporting to the Exco, board sub-committees and board of directors.

Group risk consists of the following departments:

- Internal audit
- Forensic

- Compliance
- Legal
- Company secretarial and governance
- Operational risk and Basel II

INTERNAL AUDIT

Internal audit operates in terms of an internal audit charter approved by the audit committee, which was recently updated to accommodate the envisaged and expanded governance role required by Basel II. The internal audit function reports directly to the audit committee and its staff have full and unrestricted access to the chief executive officer, chairman of the audit committee, and whenever needed, the chairman of the board.

All significant operations, business activities and support functions are subject to internal audit review. The audit plan is determined annually, based on the relative degree of the inherent risks identified from the ongoing enterprise-wide risk assessments.

Internal audit's responsibility is aimed at providing quality audit services to assist members of the executive and senior management in the effective discharge of their duties and responsibilities. To this end, audits are planned and executed in such a manner as to provide management and the board with an independent assessment and appraisal of the adequacy and effectiveness of the overall internal control profile to, inter alia:

- Minimise potential unacceptable risks and losses;
- Recognise opportunities for improvement;
- Identify strengths and weaknesses in current processes and procedures; and
- Evaluate the effectiveness of business practices.

The audit committee performs an annual assessment on the effectiveness of the internal audit function.

COMPLIANCE

Compliance risk is the risk of non-compliance with laws, regulations and codes of conduct applicable to the group's business activities and functions.

The compliance department's primary role is to assist management in identifying, monitoring and effectively control the compliance risk they face not only with the letter, but also with the spirit thereof. The compliance function forms part of the overall risk framework.

The group compliance officer operates under an authority delegated by the board in terms of a board approved compliance policy and has unrestricted access to the chief executive officer, the chairman of the group audit committee and the chairman of the board.

The compliance function also draws on the expertise and capacity of other functions in the bank, for example, the internal legal function for the analysis and interpretation of new statutory requirements. Business unit compliance champions form the entry point into business areas whereby they are notified of the various statutory requirements, and relying on their expert knowledge of the business unit, ensuring that appropriate controls are designed, introduced and maintained. Adherence to controls is tested by either internal audit or the central compliance function as specified in the risk management plans. Reliance is also placed on system controls, where appropriate, to minimise potential human interpretation and possible breaches.

Regular updates or reports are submitted to the audit committee, board and the South African Reserve Bank on all compliance related matters. There were no material issues of non-compliance that had to be reported during the year under review.

Key challenges for the year under review continued to be issues relating to the implementation and expansion of the requirements relating to the Financial Intelligence Centre Act (FICA), an analysis of the impact of the revised credit granting legislation (National Credit Act) and proposed consumer protection legislation (Consumer Protection Bill).

The audit committee performs an annual evaluation on the effectiveness of the compliance function.

FORENSIC INVESTIGATIONS

Fraud is an inherent business risk of any bank. The group endeavours to combat acts of transgression and unethical behaviour through the implementation of dynamic and sound fraud prevention practices. A core team investigates all fraud related matters on a centralised basis and all matters are recorded on a fraud case management system for analysis, follow-up and reporting. Any control breakdowns are analysed and reported immediately for corrective action and where necessary improvement of controls. As with internal audit, forensic services are consulted to identify potential risks before implementation of new initiatives or processes.

The board supports a zero tolerance policy on fraud and all instances involving a reportable offence are managed consistently and in a uniform manner.

Staff at all levels are responsible and accountable for exercising due diligence and control to prevent, detect, and report acts or suspicion of acts of a reportable nature, as defined in the bank's fraud policy. An internal hotline is available for staff and the public to report matters on a confidential basis.

CODE OF ETHICS

The code of ethics commits staff and management to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders. Staff at all levels participated in the drafting of a code of ethics, which reflects its diversity and unique culture. Staff are expected to observe their ethical obligation in such a way as to carry on business through fair commercial competitive practices and to observe the group's values in their interaction with others and specifically with clients.

THE BASEL CAPITAL ACCORD (BASEL II)

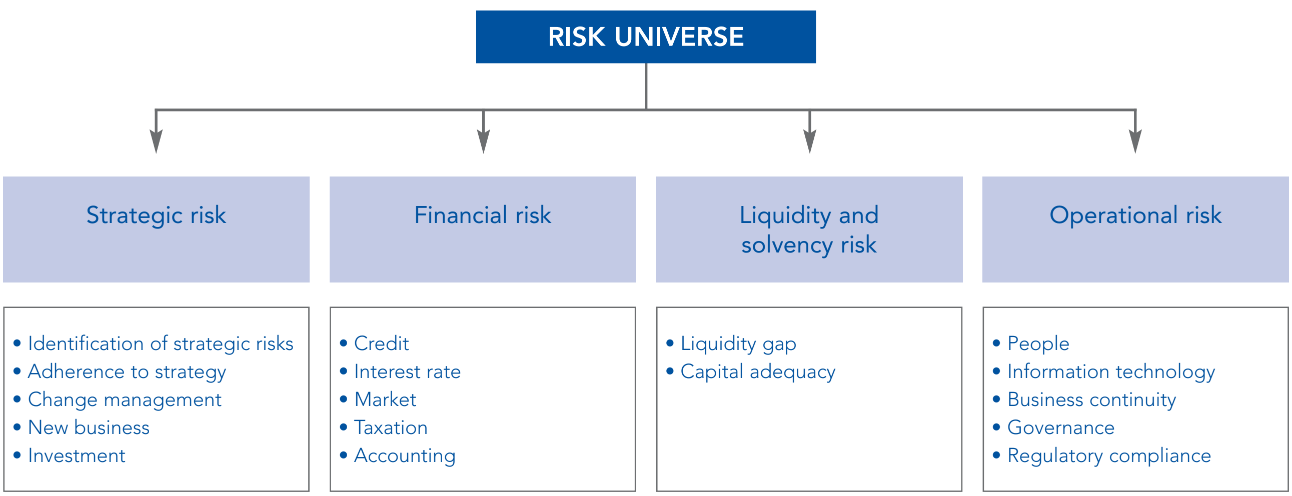
The bank views Basel II as an opportunity to enhance and improve its risk management practices. After due consideration of the complexities involved with the advanced approaches which may be more relevant to conventional banks and a cost benefit analysis, the board has decided to target the standardised approaches for both credit and operational risk.

The South African Reserve Bank has announced that the implementation date of the new framework in South Africa will be 1 January 2008. The bank is participating in the various industry forums dealing with the implementation of Basel II and is confident that it will meet the timeframes as set by the local regulator to be Basel II compliant by the said date.

MAJOR RISK TYPES AND CATEGORIES

All risks 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 below. Management and the board are satisfied that these risks are being adequately managed to ensure the desired outcome is achieved.

The major risks are categorised as follows:



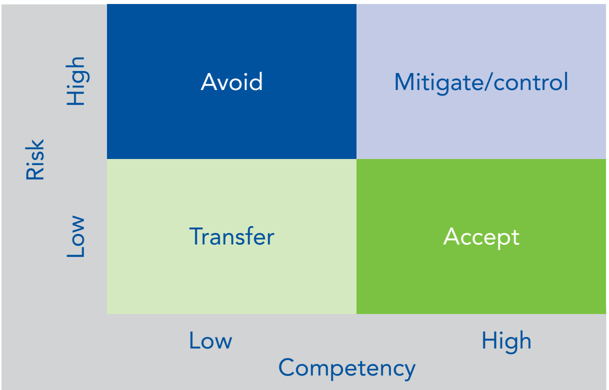
1. Strategic risks

The strategy of any organisation is inextricably linked to risk. The group's assessment of the risks it faces informs some of the choices that it makes when setting its strategy and any changes to the existing strategy expose the business to new risks. The ABIL group recognises this dynamic relationship, and accordingly approaches its strategic evaluation process with a thorough understanding of the risk landscape both present and future.

There is a real risk that an overemphasis on governance or risk management could lead to an avoidance of risk taking at the expense of the organisation not implementing sound strategies to meet its required performance targets to ensure long-term sustainability. Similarly, the process of change that evolves out of the strategic process exposes new risks and the success of the implementation of that strategy depends largely on the understanding of those risks and appropriate responses to manage the risks effectively. Just as an inappropriate strategy will lead to business failure, a successful strategy implemented incorrectly will also lead to business failure.

In addition to a formal annual review of the risk universe, the business environment is dynamically and continuously reviewed to identify emerging risks to either take preventative action or exploit certain risks and convert them into potential opportunities for competitive advantage.

The following matrix is applied to decide on an appropriate response to a risk to determine whether the risk adds value to the underlying business and/or the level of risk and internal competency to manage or control the risk. Risks are accepted, avoided, mitigated, controlled or transferred (see matrix below).



A clear framework for strategy determination and execution that is supported by an annual strategic calendar has been institutionalised during the past year. At each board meeting sufficient time is dedicated to review and discuss the progress towards the board's approved strategy. In addition, the board meets once a year for a full day offsite meeting to debate and agree the strategic direction of the group.

A dedicated multidisciplinary team within the bank also deals with innovation and strategic analysis. While it is acknowledged that innovation is a key ingredient of sustainability, there is clear recognition that if the new or different direction requires that the bank deviate from its core competencies, the necessary skills are acquired before new initiatives are embarked upon, while at the same time leveraging on its existing infrastructure. Piloting new ventures before rollout to scale are embarked upon, to facilitate learning and amendment of processes where required, is an integral part of the risk management plan for new ventures or initiatives.

Refer to pages 12 to 18 for a more detailed discussion of the group's strategy and the risks identified and addressed in the context thereof.

2. Financial risks

Given the group's strategy and core competence in the underwriting of unsecured credit, the group primarily focuses on and has leveraged its appetite for credit risk, while simultaneously mitigating other financial risks, such as interest rate, market and tax risk in which the group does not have a core competence, to a level which is acceptable to the group.

Credit risk

The group's primary focus is the underwriting of unsecured loans, and accordingly, credit risk features as the dominant financial risk within the group. Given that the majority of the group's returns are derived from taking credit risk, ABIL's approach to credit risk has been to leverage its competence in this area such that it becomes a key competitive advantage within the market in which ABIL operates.

Credit leniency leads to under-priced loans and potential client overindebtedness while the application of credit criteria that are too strict results in an inefficient underwriting model and constraints on growth. In order to optimise this balance, the group has made significant investments into both people and systems within the discipline of credit risk management. Key to this process is data, and the group has many years of data, at an individual client level (for over two million clients) and at portfolio level. This data has enabled the group to develop multi-dimensional credit scoring models that have resulted in continuously refined client risk band segmentation in order to ensure that products (loan sizes and terms) and related pricing are differentiated between clients that have different risk profiles.

This enables the bank to retain its clients in the face of increased competition and achieve the required returns on each discrete group of customers. Credit performance is continuously re-evaluated during the portfolio's lifecycle (using vintage reports) and adjusted as new external factors are anticipated or become known.

Clients overall indebtedness is continually monitored in conjunction with expected changes in the macro economic environment and credit supply strategies from competitors and other credit providers. There are certain signals that have begun emerging over the past year which point to the beginning of a change in the credit cycle. This has been caused by a combination of increasingly competitive credit supply side dynamics and moderately rising inflation and interest rates. As competitors and new entrants increase their exposure to this market segment, average debt, particularly to higher risk clients, has been rising.

The group has responded to this trend by tightening credit criteria to its higher risk client segments, by raising its affordability limits and decreasing loan sizes and terms.

The management credit committee and the board's group risk committee closely monitor these risks.

Interest rate risk

The group has a policy of maintaining a neutral view to interest rate risk. Accordingly, funding is largely raised at fixed rates to match the fixed rate loans and advances the group makes. The ALCO and group risk committee also monitor interest rate risk per pre-agreed limits, targets and benchmarks. The following table sets out the group exposure to a 1% change in interest rates, which equates to R15 million or 0,5% of the interest income for the year ended 30 September 2006.

R million	<1 month	1 – 3 months	4 – 12 months	>12 months	Non-interest sensitive items	Total
Total assets	1 475	1 150	1 288	3 877	373	8 163
Total liabilities and equity	312	477	1 880	2 166	3 328	8 163
Net interest rate exposure	1 163	673	(592)	1 711	(2 955)	0

Market risk

The group maintains a policy of avoiding any other market risks such as currency, equity or commodity risk. The only such market risk that the group is exposed to, relates to the group's long-term incentive schemes, which are exposed to changes in the ABIL share price. The group took a decision in June 2006 to hedge this exposure, and accordingly entered into a series of total return equity swaps, the result of which is that the group is now fully hedged against this market risk.

Tax risk

Tax risks ordinarily arise when certain transactions are structured in order to optimise the tax benefits of such a transaction. The group has taken the conscious decision not to enter into any transactions which may be structured on a tax aggressive basis or that may be dependent on tax base. Appropriately qualified and experienced internal and external tax resources are used extensively to review business practices to ensure proper compliance with tax legislation.

3. Liquidity and solvency risks

A key feature of banks is the appropriate gearing of the balance sheet between equity and debt, and the management of the liquidity mismatch between assets and liabilities.

Liquidity risk

Liquidity risk is the risk that the maturity profile of the assets and liabilities is such that the bank is unable at some point in the future to meet its maturing liabilities with available cash resources. Typically, most large commercial banks operate a negative liquidity mismatch, ie its liabilities have a maturity profile which is shorter than its asset profile, and then rely on rolling over maturing funding in order to remain liquid. A loss of confidence in the bank or the banking sector could result in a withdrawal of deposits and funding such that the bank cannot meet its obligations despite being adequately solvent and profitable.

The ABIL group has a policy of minimising such liquidity risk, and accordingly its funding strategy is based on the following:

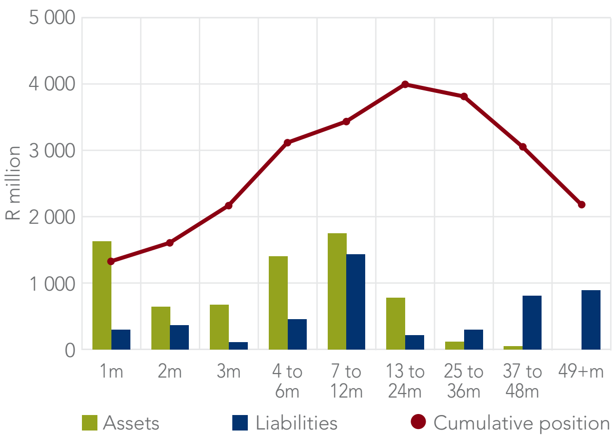
- Funding is obtained exclusively from the wholesale markets and the group does not offer any retail deposit facilities to the general public.
- The group operates a regular bond issuance programme under a DMTN programme. Over the last five years, the group has issued a total of R4,55 billion of bonds under this programme, with maturities ranging from three years to five years.
- The group maintains a positive liquidity gap at all times and ensures that the ratio of the average maturity of its liabilities to the average maturity of its assets is at least two times.
- Concentrations of funding are managed to ensure that there is no excessive reliance on funding from any single source.
- Cash reserves are maintained to cover at least three months maturing liabilities.

The bank's liquidity risk is monitored by the ALCO that meets monthly to monitor pre-agreed limits, targets and benchmarks, with further oversight by the group risk committee which meets quarterly.

Capital management

ABIL operates in an environment that requires higher levels than the minimum 10% of capital to risk-weighted assets, as set by the Banks Act. Capital is required to ensure that there is a sufficient risk cushion to protect the balance sheet from shocks as well as to provide an adequate level of credit enhancement for the raising of debt at competitive rates.

Capital maturity as at 30 September 2006



ABIL has developed an economic capital allocation methodology that is applied to its different asset classes to obtain an optimal level of capital to be maintained. A brief description of the main classification is set out below:

- Non-performing loans – due to the increased provisioning required by IAS 39, the group no longer considers it appropriate to maintain a 100% capital cushion against the net residual value of these loans. The high discount rate used in calculating impairment provisions results in NPLs effectively earning the running yield on the book as they unwind. Accordingly the level of capital has been set at 2,5 times that of the performing loans (ie 58,3% for the current period) and the group will continue to reassess this ratio from time to time.
- Performing loans – the group maintains capital equivalent to 2,75 times the average annual expected credit losses on these loans. The group has communicated that it intends to reduce this factor towards 2,5 times over the medium term, which remains well above the two times generally used in securitisation models.
- Cash reserves – these are primarily invested with A1 banks and a capital ratio of 2% is maintained.
- Policyholder assets – these assets are matched exactly against the policyholder liabilities to which they relate, ie the liabilities carry the full economic risk of the assets and hence no capital is required for these assets.
- Other assets – capital of 20% is maintained.

In addition, the group has made certain reductions to the regulatory qualifying capital for the following items:

- Tier 2 capital adjustments relate to SARB general debt provisions already included in the residual NPL calculation;
- Dividends (ordinary and preference shares) plus related STC, declared in the results, but not yet accounted for in the balance sheet in terms of IFRS.

The capital adequacy in terms of the Banks Act for ABIL, as at 30 September 2006 was 35,5% (2005: 36,2%).

Capital adequacy
As at 30 September 2006

	African Bank		ABIL group	
R million	**30 Sept 2006**	30 Sept 2005	**30 Sept 2006**	30 Sept 2005
Total assets and commitments				
On-balance sheet assets	**8 594**	7 334	**8 163**	7 262
Off-balance sheet assets and commitments	**196**	213	**242**	207
	8 790	7 547	**8 405**	7 469
Risk-weighted assets	**7 145**	6 238	**7 630**	7 380
Total capital				
Tier 1	**2 242**	1 987	**2 675**	2 602
Tier 2	**34**	66	**34**	66
Total	**2 276**	2 053	**2 709**	2 668
Capital adequacy				
Tier 1 (%)	**31,4**	31,9		
Tier 2 (%)	**0,5**	1,1		
Total (%)	**31,9**	32,9	**35,5**	36,2

Note

1. The 30 September 2005 comparatives were adjusted for the impact of the convention to IFRS.

In terms of the internal economic capital model, the optimal capital as at 30 September 2006 is R1 925 million (2005: R2 103 million) or a capital adequacy of 25,2% (2005: 28,5%). Against the Tier 1 capital of R2 675 million, this leaves surplus capital of R750 million before distribution of dividends.

The group has declared a final dividend of 120 cents per share, and together with the preference share dividends declared and related STC on these dividends, this reduces the surplus capital retained for the future to R55 million.

The dividend cover target for 2006 was 1,25 to 1,5 times. The total dividend declared and paid for 2006 of 200 cents, represents a dividend cover of 1,15 times.

Given that the group has been generating high returns and keeping dividend cover at the lower end of the range previously given, the group has revised its dividend cover forecast to 1,0 to 1,5 times.

Capital allocation model
As at 30 September 2006

	Balance sheet				Optimal capital		
R million	Ongoing businesses	Pay down books	Total balance sheet	% capital required	Ongoing businesses	Pay down books	Total balance sheet
Non-performing loans	1 826	387	2 213				
Less: Impairment provisions	(1 257)	(178)	(1 435)				
Net book value	569	209	778	58,3	332	122	454
Performing loans (net of deferred administration fees)	5 118	168	5 286	23,3	1 194	39	1 233
Cash reserves	1 724	0	1 724	2,0	34	0	34
Policyholders' investments	87	0	87	0,0	0	0	0
Other assets	288	0	288	20,0	58	0	58
Total on-balance sheet assets	7 786	377	8 163				
Off-balance sheet assets and commitments	242	0	242	20,0	48	0	48
Total assets	8 028	377	8 405				
Liability for converted options not yet recognised (after tax)					20		20
Insurance company CAR					78		78
Optimal capital					1 764	161	1 925

	Group risk-weighted assets
Group risk-weighted assets (per DI returns)	7 630

	% of risk-weighted assets	Capital
Regulatory Tier 1 qualifying capital as at 30 September 2006	35,1	2 675
Optimal capital as at 30 September 2006	(25,2)	(1 925)
Surplus capital as at 30 September 2006	9,8	750
Distributed as follows:		
Preference dividends declared but not yet paid (including STC)	(0,3)	(23)
Ordinary dividends declared but not yet paid (including STC)	(8,8)	(672)
Surplus retained	0,7	55

4. Operational risks

The board has recently reviewed and approved the operational risk framework for appropriateness and to ensure compliance with Basel II requirements in advance of the implementation date of 1 January 2008.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition includes legal risk but excludes strategic and reputational risk.

The group has adopted the following principles in managing operational risk:

- Operational risk is a significant risk category that is to be managed within acceptable levels on a cost-effective basis (cost of risk does not exceed the reward).
- A sound operational risk governance culture has to be fostered in all business units covering identification, managing and reporting of operational risks.
- Policies, standards, procedures and systems will be continuously developed to maintain and enhance the management of operational risk.
- Business units (line management) accept accountability for the identification, management, measurement and reporting of operational risk. Central operational risk management is responsible for policy, providing guidance in terms of best practice, ensuring consistent implementation in the group, developing risk profiles and reporting of material exposures or trends to the board and regulatory authorities.

Line functions are the primary identifiers and monitors of risk. The internal audit, forensic and compliance functions all play a role in providing the necessary assurance that stated controls and additional controls are maintained and/or implemented. Continuous monitoring also assists with raising the awareness of operational risk management.

To ensure the group remains alert to emerging risks and to assist with raising the awareness of operational risks at all levels of the organisation, quarterly reports are prepared to alert the risk committee on newly identified or potential risks. This ensures that risk management remains alive and dynamic throughout the group.

People

The long-term success of any organisation is largely dependent on the quality of the staff that is recruited and the retention of its good performers.

The bank has made progress during the year under review with its talent management strategy to support the business objectives in a sustainable manner. Key positions are covered by a pool of talented people which is in part supported with an incentive scheme that is tailored to the various levels and type of work performed by staff. Incentives are influenced by the individual's performance that is measured in terms of a balanced scorecard approach and underperformers are regularly apprised of their areas for improvement and if unsuccessful are requested to leave the bank's employ. The finalisation of the integration of the various divisions, systems and processes required additional effort. However, the benefits of standardised processes and procedures will reduce the cost and effort of training, provide clearer career path opportunities and more targeted allocation of resources for the development and upskilling of our staff.

Attaining the internal employment equity targets set by the bank continues to receive high priority. It is only when a sufficient number of senior staff members have racially transformed that the bank will be able to improve its understanding and needs of our clients.

In addition, the continuous building of a winning culture will receive renewed attention during the forthcoming year and the monitoring of progress with regard to its people strategies will remain a major priority.

Information technology

The application of inappropriate technology solutions in any business could lead to major inefficient business processes, the inability to pursue business opportunities, being slow to market and various other deficiencies such as cost overruns.

An 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 bank. A regular assessment is undertaken to ensure alignment between the strategy and long-term business needs of the bank and the ability of the information technology capacity to provide a cost-effective execution thereof.

The finalisation of the integration of the major divisions during the past year created the opportunity to rationalise the various IT platforms in the business. A simultaneous review of the architecture and software requirements for the major business lines has been undertaken to ensure sustainable support and alignment of the future business direction and strategy. Capacity of its systems is regularly assessed and upgraded where necessary to take advantage of scale efficiencies and cost reductions. Required people skills are regularly assessed to ensure the bank stays abreast of developments and to ensure that optimum efficiency standards are maintained. Potential expansion of the business into new products and exploration of new delivery channels will require extensive review of the existing systems and platforms.

Assessments on the various risks associated with information technology and management of the confidentiality, integrity and availability of information is submitted to the group risk committee on a quarterly basis.

Business continuity

Business continuity and disaster recovery plans to deal with potential crises and unusual circumstances in a timely and effective manner, are reviewed and tested on a regular basis to ensure that critical processes and operations can be resumed within acceptable timeframes. The disaster recovery plan has been expanded to also deal with disasters of a longer-term impact eg HIV/Aids or incapacitation due to avian flu.

Appropriate insurance cover exists to provide effective cover against business continuity disasters.

Governance and regulatory risk

Currently, the greatest component of the bank's new lending is being written under an exemption of the usury act ie the interest rate of its loans is not governed by the maximum rate as determined by the minister from time to time. This enables the bank to price adequately for risk and to recover its funding cost and the cost of administering small shorter-term loans.

The government has significantly overhauled the legislative environment pertaining to the granting of credit. The impact on all credit grantors, including the bank, is significant. Some of the more important matters are:

- Maximum price caps which may be charged for loans;
- The introduction of reckless lending rules which require amongst others extensive consultation with the client and interrogation of databases to prevent over-indebtedness;
- New procedures to deal with defaulted clients that may delay the time it takes the bank to recover its debt;
- Certain consequential amendments to the National Payment System Act which eliminates any preference that one credit grantor may have in deducting instalments over other credit grantors;
- Some restrictions in the direct soliciting of sales at the residence or place of work of the prospective client; and
- Restrictions on the premiums that may be charged and insurance cover that may be granted to borrowers.

The bank has spent considerable time and effort in analysing the changes required to comply with the NCA and its regulations. The potential risks to the bank can be broadly categorised as follows:

- The margins of the bank may be adversely affected due to the maximum "all in return" under the NCA not allowing the bank to recover its costs (administration and funding), charge an acceptable margin for bad debt and to maintain its stated RoE.

- The success rate of instalment collections may deteriorate to such an extent that it adversely affects its ability to grant credit and/or results in significantly higher bad debt levels.
- Misinterpretation of the NCA and/or bad implementation may affect the business.

Our response to these potential risks are as follows:

- Margins of the bank

The population of loans that cannot be written at an acceptable margin under the published price caps amounts to approximately 6% by value. This population is being reduced to an acceptable level by lowering the overall cost structure of the business and improving credit underwriting and pricing criteria. Furthermore, the ability of writing loans in excess of R10 000 will also assist in exploiting new business opportunities that should adequately compensate for a potential loss of business and margin written under the existing legislation.

The group aims to have the final adjustments of the new pricing structures implemented by March 2007 to ensure a smooth transition when the new price caps take effect by 1 June 2007.

- Instalment collections

The bank actively participated in the process of designing the new collection platforms to give effect to the requirements of the legislation. This was done to ensure a proper understanding of the new environment and its potential impact on new business written and to ensure that it caters for the needs of the industry. The performance of the platforms will continue to be closely monitored to make adjustments to internal and external processes where necessary and to adjust pricing if required.

- Misinterpretation of the NCA

The bank has created a multidisciplinary project team to oversee the successful and timeous implementation of the Act. All business units have scrutinised the Act and its regulations to determine potential impact and extensive internal and external legal consultation is being sought on a continuous basis. The bank also participates in the various industry discussion groups that have been created to deal with the implementation and interpretation of the legislation.

annual financial statements

FINANCIAL DEFINITIONS

Adjusted headline earnings
Reported headline earnings reduced by dividends paid to preference shareholders.

All-in tax rate (%)
The all-in tax rate is the income statement taxation charge (ie both indirect and direct taxation) expressed as a percentage of net income before any taxation.

Attributable earnings per share (cents)
Attributable earnings per share is calculated by dividing attributable earnings to ordinary shareholders by the weighted number of shares in issue during the year.

Average gross advances
These comprise the monthly average gross advances for the period.

Capital adequacy ratio (%)
The capital adequacy of banks is measured in terms of the Banks Act (Act number 94 of 1990, as amended) requirements. The ratio is calculated by dividing the sum of tier 1 and tier 2 capital by the risk-weighted assets. The minimum South African total capital adequacy ratio for banks is 10% of risk-weighted assets.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, deposits held on call with banks, investments in money market instruments and cash reserves held by the insurance company, net of bank overdrafts.

Cost-to-advances ratio (%)
The cost-to-advances ratio is calculated by expressing the operating expenses as a percentage of average gross advances.

Cost-to-income ratio (%)
The cost-to-income ratio is calculated by expressing the operating expenses as a percentage of total income (total income is also referred to as revenue).

Dividend cover (times)
Dividend cover is calculated by dividing attributable earnings per share by ordinary dividends per share.

Economic profit
Reported headline earnings less a charge for the cost of capital, based on average shareholder funds multiplied by the estimated average cost of equity for ABIL.

Effective tax rate (%)
The effective tax rate is the direct taxation charge per the income statement expressed as a percentage of net income before taxation, after taking into account the share of associate company's income.

Fully diluted attributable earnings per share (cents)
Fully diluted attributable earnings per share is calculated by dividing attributable earnings to ordinary shareholders by the fully diluted number of shares in issue during the year.

Fully diluted headline earnings per share (cents)
Fully diluted headline earnings per share is calculated by dividing headline earnings by the fully diluted number of shares in issue during the year.

Fully diluted number of shares in issue
The fully diluted number of shares in issue is the weighted number of shares in issue adjusted for the impact of outstanding options under the ABIL Employee Share Participation Scheme as defined in IAS 33.

Headline earnings
Earnings attributable to ordinary shareholders excluding goodwill impairments and capital profits and losses.

Headline earnings per share (cents)
Headline earnings per share is calculated by dividing headline earnings attributable to ordinary shareholders by the weighted number of shares in issue during the year.

Lending books
The lending books comprise the advances of the ongoing businesses of the group and on which new lending is taking place.

Net asset value per share (cents)
Net asset value per share is calculated as ordinary shareholders' equity divided by the number of ordinary shares in issue (net of treasury shares) at year-end.

Non-performing loans (NPLs)
Non-performing loans are defined as loans that have more than three cumulative instalments in arrears.

NPL coverage (%)
NPL coverage is calculated as the total impairment provisions (including ceded credit life reserves) divided by non-performing loans.

Operating margin (%)
Operating margin is calculated by expressing the net income before tax as a percentage of average gross advances.

Pay down books
The pay down books comprise the books on which no new lending is taking place and includes the Saambou personal loan book, the Persal book and the advances of the discontinued businesses.

Principal debt
Principal debt is the initial loan disbursed plus capitalised administration fees and credit life premiums, but excludes any future interest or settlement charge.

Return on assets (RoA) (%)
Return on assets is calculated by expressing adjusted headline earnings as a percentage of monthly average total assets.

Return on equity (RoE) (%)
Return on equity is calculated by expressing adjusted headline earnings as a percentage of monthly average shareholders' equity.

Risk-adjusted yield (%)
The risk-adjusted yield is calculated by expressing total revenue less the charge for bad and doubtful advances as a percentage of average gross advances.

Risk-weighted assets
Risk-weighted assets are determined by applying risk weights to balance sheet assets and off-balance sheet assets and commitments according to the relative credit risk of the counterparty. The risk weighting for each balance sheet asset and off-balance sheet asset is defined by the regulations to the Banks Act (Act number 94 of 1990, as amended).

Sales
Sales constitute the aggregate of the rand amount disbursed in a period. In the case of credit card products, sales represent the aggregate value of credit limits granted during a period.

Statutory assets – bank and insurance
Statutory assets – bank and insurance comprises South African Reserve Bank cash and prudential liquid assets requirements together with insurance prudential cash reserves as required by the Financial Services Board.

Total expected recoverable
The number of contractual instalments on a loan multiplied by the total monthly instalment, including insurance and service fees.

Weighted number of shares in issue
The weighted number of shares in issue is calculated as the number of ordinary shares in issue at the beginning of the year, increased by shares issued during the year, reduced by shares cancelled or bought back during the year, further reduced by treasury shares as a result of share transactions in the ABIL Employee Share Trust, weighted on a time basis for the period which they have participated in the income of the group.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the integrity of the financial statements and related information included in this annual report.

For the board to discharge its responsibilities, management has developed, and continues to maintain, a system of internal financial control. The board has ultimate responsibility for this system of internal control and reviews the effectiveness of its operation, primarily through the group audit committee and other risk-monitoring committees and functions.

The internal controls include risk-based systems of accounting and administrative control designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the group's written policies and procedures. These controls are implemented by trained, skilled staff with clearly defined lines of accountability and an appropriate segregation of duties. The controls are monitored by management and include a comprehensive reporting system operating within strict deadlines and an appropriate control framework. As part of the system of internal financial control the group internal audit function conducts operational, financial and specific audits and coordinates audit coverage with the external auditors.

The external auditors are responsible for expressing an opinion on the fair presentation of the financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and incorporate responsible disclosures in line with the accounting philosophy of the group. The annual financial statements are based on appropriate accounting policies, that are consistently applied except for changes made as a result of the adoption of IFRS and are supported by reasonable and prudent judgements and estimates. The directors believe that the group will be a going concern in the year ahead. For this reason they continue to adopt the going-concern basis in preparing the group annual financial statements.

The board embraces the principles of good corporate governance as espoused in the guidelines of the King Report on Corporate Governance for South Africa 2002 (King II).

These financial statements, set out on pages 111 to 179, and pages 85 to 92 have been approved by the board of directors and are signed on its behalf by:

AS Mabogoane
Chairman

L Kirkinis
Chief executive officer

Midrand
7 December 2006

A signed copy of the annual financial statements is available for inspection at our registered office.

CERTIFICATE FROM THE COMPANY SECRETARY

In terms of section 268G (d) of the Companies Act, (Act number 61 of 1973, as amended), I certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies for the financial year ended 30 September 2006 all such returns as are required of a public company in terms of the Companies Act, and that all such returns are true, correct and up to date.

S Martin
Company secretary

Midrand
7 December 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AFRICAN BANK INVESTMENTS LIMITED

We have audited the group annual financial statements and company annual financial statements of African Bank Investments Limited set out on pages 111 to 179 and the remuneration report on pages 85 to 92 for the year ended 30 September 2006. These annual financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group as at 30 September 2006 and the results of their operations and cash flow information for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

Per Geoff Pinnock
Partner

7 December 2006

Deloitte & Touche
Building 8, Deloitte Place
The Woodlands, Woodmead Drive
Sandton

The directors have pleasure in presenting their report to shareholders, together with the audited annual financial statements for the year ended 30 September 2006.

Nature of the business

ABIL is a publicly quoted bank-controlling company listed on the JSE Limited. The group operates only within the Republic of South Africa. The main focus of the group is to underwrite unsecured credit risk through the provision of personal loans to the formally employed emerging market. ABIL was founded on the development of this market, and has to date built a business of critical mass with a broad distribution base predicated on reliable credit scoring models and efficient collection methods. ABIL has the following principal subsidiaries:

- African Bank Limited is registered as a bank under the Banks Act (Act number 94 of 1990, as amended), and is the main operating company carrying on business of providing unsecured personal loans within South Africa.
- The Standard General Insurance Company Limited is registered as a life insurance company under the Long-term Insurance Act (Act number 52 of 1998, as amended), and provides credit life products to clients of African Bank Limited.
- Theta Investments (Proprietary) Limited has been ABIL's private equity operation and new business incubator. The subsidiaries under this company have been divisionalised into African Bank Limited. The dormant subsidiaries under this company are in the process of being wound up and liquidated.

Share capital

Ordinary shares

The authorised share capital remains unchanged at 1 000 000 000 shares of 2,5 cents each. At 30 September 2006, the issued ordinary share capital totalled 497 911 307 (2005: 498 367 686) shares of 2,5 cents each representing R12,5 million (2005: R12,5 million). During the year, the company undertook an odd-lot offer to reduce the number of shareholders who were holding less than 100 shares. The odd-lot shareholders were given the right to either top up their shareholding to 100 shares or dispose of their shares to the company. A total of 5 687 shares were issued and a total of 462 066 shares were repurchased in terms of the odd-lot offer. The completion of this odd-lot exercise resulted in a net reduction of 456 379 ordinary shares in issue.

Preference shares

There were no changes to the preference share capital during the year. At 30 September 2006, the authorised and issued preference share capital totalled 5 000 000 (2005: 5 000 000) shares of R0,01 each representing R50 000 (2005: R50 000).

Holding company

ABIL does not have a holding company.

ABIL shares held by subsidiary companies

As at 30 September 2006, the ABIL Employee Share Trust held 989 215 ABIL shares (2005: 1 992 608), and Theta Investments (Proprietary) Limited did not hold any ABIL shares (2005: 1 296 736).

Subsidiaries

The interest of the company (ABIL) in the aggregate net income and losses after taxation (before intergroup dividends) of subsidiaries is:

R million	2006	Restated 2005
Net income	**1 224**	1 024
Losses	**(35)**	(3)
ABIL interest in the net income and losses of subsidiaries	**1 189**	1 021
ABIL consolidation impact	**(13)**	(78)
ABIL company profit	**902**	728
Group transactions relating to ABIL (eliminated)	**(915)**	(806)
Group attributable earnings	**1 176**	943

Borrowing powers

The group obtains its funding primarily through the Domestic Medium Term Note Programme (DMTN) by the issue of Corporate Bonds. The total approved by the board of directors in terms of the DMTN programme is R5 billion (2005: R3,5 billion). The capital outstanding to third parties in terms of the DMTN programme at 30 September 2006 is R2 408 billion. Full details of the borrowings are shown in note 12 to the annual financial statements on page 134.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the financial or trading position of the company and its subsidiaries since the interim reporting period and the date of this notice.

Post-balance sheet events

There have been no material post-balance sheet events since the group's financial year-end of 30 September 2006, other than the dividends declared.

Major capital expenditures

The group made total additions to its fixed assets of R47 million (2005: R33 million) during the past financial year, with R28 million (2005: R19 million) being spent on computer equipment and software.

Regulatory approval

As at the date of this directors' report, there is no outstanding regulatory approval.

Dividends to ordinary shareholders

On 10 November 2006, the board of directors declared a final dividend for the 2006 financial year of 120 cents per ordinary share.

	2006 cents	2005 cents
Ordinary dividends	**200**	122
Interim, paid on 19 June 2006 to shareholders registered on 15 June 2006	**80**	52
Final, payable on 18 December 2006 to shareholders registered on 15 December 2006	**120**	70
Special dividends	**0**	100
Total	**200**	222

Dividends to preference shareholders

On 10 November 2006, the board of directors declared a preference dividend of 392 cents per preference share.

	2006 cents	2005 cents
Preference dividends		
Paid on 12 June 2006 to shareholders registered on 9 June 2006	**361**	169
Payable on 11 December 2006 to shareholders registered on 8 December 2006	**392**	361
Total	**753**	530

Directorate

The directorate is listed on pages 70 and 71.

There were no appointments during the year and the following directors resigned effective 25 April 2006 having reached their term limits and due to a restructuring of the board to optimal size.

Resignations

Johan de Ridder	(Executive)
Angus Herselman	(Executive)
Dawn Marole	(Executive)
Jacob Kekane	(Independent non-executive)
Steven Levitt	(Independent non-executive)
Bheki Shongwe	(Independent non-executive)

Rotation of directors

In terms of Article 13 of the company's articles of association one third of the directors shall retire at each annual general meeting on a rotational basis as determined in this article. Retiring directors are eligible for re-election.

The following directors, who are due to retire at the next annual general meeting, are available for re-election:

Leon Kirkinis	(Executive: Chief executive officer)
Ashley Mabogoane	(Independent non-executive: Chairman)
Ramani Naidoo	(Independent non-executive)
Brian Steele	(Independent non-executive)
Günter Steffens	(Independent non-executive)

Secretary

The group company secretary is Sarita Martin.

Directors' and company secretary's interest in shares

The directors and company secretary's interests in the ordinary issued share capital of the company, held directly and indirectly, is set out in the table below. All the shares are held beneficially. The directors and company secretary did not have any interest in the preference issued share capital of the company.

Shares owned at 30 September

Name	Date appointed to the board	Note	2006 Direct	2006 Indirect	2006 Total	2005 Direct	2005 Indirect	2005 Total
Executive directors								
Gordon Schachat								
(Executive deputy chairman)	1 July 1995		3 000 000	9 000 000	12 000 000	3 000 000	10 040 000	13 040 000
Leon Kirkinis								
(Chief executive officer)	1 July 1997		3 000 000	12 788 365	15 788 365	3 000 000	12 788 365	15 788 365
Toni Fourie	21 October 2003		0	0	0	0	0	0
Tami Sokutu	19 May 2003	4	0	3 334 643	3 334 643	0	0	0
Dave Woollam								
(Financial director)	1 November 2002		1 440 000	0	1 440 000	1 365 000	0	1 365 000
Subtotal			7 440 000	25 123 008	32 563 008	7 365 000	22 828 365	30 193 365
Non-executive directors								
Ashley Mabogoane								
(Non-executive chairman)	1 December 1999	5	4 000	821 606	825 606	4 000	0	4 000
Dave Gibbon	1 June 2003		0	0	0	0	0	0
Bahle Goba	6 June 2003		0	0	0	0	0	0
Ramani Naidoo	19 May 2003	6	0	82 161	82 161	0	0	0
Brian Steele	19 May 2003		0	0	0	0	0	0
Günter Steffens	19 May 2003		0	0	0	0	0	0
Daniel Tembe	1 January 2000	7	2 000	82 161	84 161	2 000	0	2 000
Oshy Tugendhaft	1 April 2003		0	10 000	10 000	10 000	0	10 000
Subtotal			6 000	995 928	1 001 928	16 000	0	16 000
Past directors		1						
Johan de Ridder	22 April 2002	2	0	800 000	800 000	0	800 000	800 000
Angus Herselman	6 June 2003	2	0	0	0	0	0	0
Dawn Marole	17 March 2003	2, 8	0	1 326 893	1 326 893	0	0	0
Jacob Kekane	14 February 2000	3, 9	2 000	188 969	190 969	2 000	0	2 000
Steven Levitt	14 February 2000	3	0	0	0	0	4 000	4 000
Bheki Shongwe	14 February 2000	3, 10	7 000	188 969	195 969	2 000	10 000	12 000
Subtotal			9 000	2 504 831	2 513 831	4 000	814 000	818 000
Company secretary								
Sarita Martin		11	0	61 620	61 620	0	0	0
Subtotal			0	61 620	61 620	0	0	0
Total			7 455 000	28 685 387	36 140 387	7 385 000	23 642 365	31 027 365

Note 1: These directors resigned effective 25 April 2006.
Note 2: Executive directors.
Note 3: Non-executive directors.
Note 4: Tami Sokutu has a 10,78% interest in Eyomhlaba Investment Holdings Limited.
Note 5: Ashley Mabogoane has a 2,65% interest in Eyomhlaba Investment Holdings Limited.
Note 6: Ramani Naidoo has a 0,27% interest in Eyomhlaba Investment Holdings Limited.
Note 7: Daniel Tembe has a 0,27% interest in Eyomhlaba Investment Holdings Limited.
Note 8: Dawn Marole has a 4,29% interest in Eyomhlaba Investment Holdings Limited.
Note 9: Jacob Kekane has a 0,61% interest in Eyomhlaba Investment Holdings Limited.
Note 10: Bheki Shongwe has a 0,61% interest in Eyomhlaba Investment Holdings Limited.
Note 11: Sarita Martin has a 0,20% interest in Eyomhlaba Investment Holdings Limited.
Comment: Eyomhlaba Investment Holdings Limited owns 30 947 287 ordinary shares in ABIL which is 6,21% of ABIL's issued share capital.

Remuneration and employee share participation schemes

Full details regarding directors' remuneration and the group's long-term incentive schemes are disclosed in the remuneration report on pages 85 to 92.

Interest of directors and officers

During the financial year no contracts were entered into in which directors and officers of the company had an interest and which significantly affected the business of the group. The directors had no interest in any third party or company responsible for managing any of the business activities of the group.

The sale of the Commercial Vehicle Finance division was made to a company, whose shareholders include two previous directors of a major subsidiary in the ABIL group, namely Jonathan Jawno and Michael Mendelowitz. Accordingly the group obtained a fair and reasonable opinion from Deloitte Corporate Finance, as required in terms of the JSE rules, and this opinion was submitted to the JSE and the details included in the sale announcement on SENS on 9 September 2005. The necessary regulatory approval was obtained with the sale being effective on 1 March 2006.

Special resolutions

African Bank Investments Limited passed the following special resolution at the annual general meeting held on 25 April 2006:

- To grant the directors the general authority to buy back a maximum of 3% of the company's issued shares.

Litigation statement

In terms of section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on pages 70 and 71 of the annual report of which this notice forms part, 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 group's financial position.

Acquisitions and disposals

Acquisitions

A subsidiary of the group acquired the remaining 50% interest in Mathomo Financial Services (Proprietary) Limited on 1 November 2005 at a cost of R6 million. Mathomo Financial Services (Proprietary) Limited subsequently changed its name to M Financial Services (Proprietary) Limited. There were no other acquisitions during the current financial year.

Disposals

ABIL, through its wholly-owned subsidiary, African Bank Limited, has disposed of the business of its Commercial Vehicle Finance division as a going concern to SA Taxi Finance (Proprietary) Limited. The necessary regulatory approval was obtained and the sale was effected on 1 March 2006. African Bank Limited has a pre-emptive right and an option to repurchase the business of SA Taxi Finance (Proprietary) Limited under certain circumstances over a six-year period at a market related price to be determined at such time.

The joint venture with The Standard Bank of South Africa Limited is under notice of termination. Further details are disclosed in appendix G to the annual report on page 179.

Insurance and directors' indemnity

The group protects itself against banker's comprehensive crime and professional indemnity by maintaining a comprehensive insurance programme. As permitted by the company's articles of association, the company has granted indemnities to the directors, in relation to certain losses and liabilities which they may incur in the course of acting as directors of the company or of one or more of its subsidiaries. The company secretary has also been granted indemnities covering her role as company secretary of the company and of one or more of the company's subsidiaries. The board believes that it is in the best interest of the group to attract and retain the services of the most able and experienced directors and officers by offering competitive terms of engagement, including the granting of indemnities on terms consistent with legislation and best practice.

Auditors

Deloitte & Touche has expressed its willingness to continue in office and resolutions proposing its reappointment and authorising the board to set its remuneration will be submitted to the forthcoming annual general meeting.

Other information

In accordance with the Companies Act number 61 of 1973 and the JSE listing rules, the directors are required to bring certain additional information to the attention of shareholders in the directors' report. Where this information is described elsewhere in this report, a cross reference appears in the table below:

Item	Location in this annual report
Business review and risk factors	Letter to stakeholders (pages 6 to 10) Strategic review (pages 12 to 18) Financial review (pages 19 to 31)
Employee matters and key performance indicators	Stakeholder review (pages 32 to 67)
Names of directors	Board of directors' section (pages 70 and 71)
Directors' interests in shares and/or options	Remuneration report (pages 85 to 92)
Statement of directors' responsibilities	Page 109
King II compliance statement	Corporate governance report (pages 72 to 84) Remuneration report (pages 85 to 92)

GROUP BALANCE SHEET

AS AT 30 SEPTEMBER 2006

R million	Notes	Group 2006	Group IFRS restated 2005
Assets			
Property and equipment	2	**116**	112
Investment in associate	3	**0**	11
Policyholders' investments		**87**	63
Deferred tax asset	5	**153**	93
Net advances	6	**6 064**	5 282
Gross advances	6	**7 727**	6 454
Deferred administration fees	6	**(228)**	(55)
Impairment provisions	6	**(1 435)**	(1 117)
Other assets	7	**12**	63
Taxation		**7**	21
Statutory assets – bank and insurance	8	**472**	517
Short-term deposits and cash	9	**1 252**	1 147
Total assets		**8 163**	7 309
Liabilities and equity			
Life fund reserve	10	**103**	95
Subordinated debentures	11	**202**	197
Bonds and other long-term funding	12	**3 579**	3 256
Short-term money market funding	13	**1 085**	633
Other liabilities	14	**395**	426
Taxation		**109**	87
Total liabilities		**5 473**	4 694
Share capital	15	**12**	12
Reserves	16	**2 195**	2 110
Ordinary shareholders' equity		**2 207**	2 122
Preference shareholders' equity	17	**483**	483
Minority shareholders' interest		**0**	10
Total equity (capital and reserves)		**2 690**	2 615
Total liabilities and equity		**8 163**	7 309

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2006

R million	Notes	Group 2006	Group IFRS restated 2005
Revenue			
Interest income on advances	18	**2 974**	2 752
Net assurance income	19	**424**	357
Non-interest income	20	**446**	274
Total revenue		**3 844**	3 383
Charge for bad and doubtful advances	21	**(606)**	(488)
Risk-adjusted revenue		**3 238**	2 895
Other interest income	18	**113**	156
Interest expense	22	**(465)**	(492)
Operating costs	23	**(1 048)**	(951)
Indirect taxation: VAT and RSC	24	**(46)**	(50)
Net income from operations		**1 792**	1 558
Profit on sale of CVF and other capital items	25	**37**	0
Share of associate company's income	3	**0**	1
Net income before taxation		**1 829**	1 559
Direct taxation: STC	24	**(118)**	(140)
Direct taxation: SA normal	24	**(535)**	(476)
Attributable earnings	26	**1 176**	943
Attributable earnings to:		**1 176**	943
Preference shareholders		**36**	8
Ordinary shareholders		**1 140**	935
Per share statistics			
Attributable earnings per share (cents)	26	**229,5**	198,7
Fully diluted attributable earnings per share (cents)	26	**229,3**	197,9
Number of shares in issue (net of treasury shares) (million)	27	**496,9**	495,1
Weighted number of shares in issue (million)	27	**496,7**	470,6
Fully diluted number of shares in issue (million)	27	**497,2**	472,4
Dividends per ordinary share (cents)	28		
Interim – paid		**80**	52
Final – declared		**120**	70
Total ordinary dividends		**200**	122
Special – paid		**0**	70
Special – declared		**0**	30
Total ordinary and special dividends		**200**	222

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2006

		Group					
R million	Notes	Ordinary share capital	Distri-butable reserves	IFRS 2 reserve (distri-butable)	Treasury shares	Preference share capital and premium	Total
Balance at 30 September 2004 (IFRS restated)		11	2 670	14	(55)	0	2 640
Issue of shares	15, 17	1	0	0	0	500	501
Share issue expenses	17	0	0	0	0	(17)	(17)
Dividends paid	28	0	(1 107)	0	0	(8)	(1 115)
Shares purchased into the ABIL Employee Share Trust less shares issued to employees (cost)	29	0	0	0	13	0	13
Loss incurred on group employees acquiring ABIL Share Trust shares less dividends received	29	0	(248)	0	0	0	(248)
Treasury shares acquired by subsidiary less dividends received		0	2	0	(23)	0	(21)
Attributable earnings		0	935	0	0	8	943
IFRS 2 adjustments (employee share options)		0	0	(91)	0	0	(91)
Balance at 30 September 2005 (IFRS restated)		**12**	**2 252**	**(77)**	**(65)**	**483**	**2 605**
IFRS (IAS 18) adjustment to current year opening distributable reserves (administration fees)		**0**	**(64)**	**0**	**0**	**0**	**(64)**
IFRS (IAS 39) adjustment to current year opening distributable reserves (impairments)		**0**	**(58)**	**0**	**0**	**0**	**(58)**
Cancellation of shares as a result of odd-lot offer	15	**0**	**(14)**	**0**	**0**	**0**	**(14)**
Dividends paid	28	**0**	**(897)**	**0**	**0**	**(36)**	**(933)**
Shares purchased into the ABIL Employee Share Trust less shares issued to employees (cost)	29	**0**	**0**	**0**	**41**	**0**	**41**
Loss incurred on group employees acquiring ABIL Share Trust shares less dividends received	29	**0**	**(14)**	**0**	**0**	**0**	**(14)**
IFRS 2 reserve transactions (employee share options)		**0**	**0**	**(49)**	**0**	**0**	**(49)**
Attributable earnings		**0**	**1 140**	**0**	**0**	**36**	**1 176**
Balance at 30 September 2006		**12**	**2 345**	**(126)**	**(24)**	**483**	**2 690**

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2006

R million	Notes	Group 2006	Group IFRS restated 2005
Cash generated from operations	30	**2 733**	2 382
Increase in gross advances	31	**(1 987)**	(1 367)
(Increase)/decrease in working capital	32	**(108)**	274
Indirect and direct taxation paid	33	**(638)**	(738)
Ordinary shareholders' payments and transactions	34	**(897)**	(1 127)
Preference shareholders' payments and transactions	35	**(36)**	475
Cash outflow from equity accounted incentive transactions *	36	**(1)**	(297)
Cash inflow/(outflow) from investing activities	37	**127**	(208)
Cash inflow/(outflow) from financing activities	38	**780**	(175)
Decrease in cash and cash equivalents		**(27)**	(781)
Cash and cash equivalents at the beginning of the year		**1 390**	2 171
Cash and cash equivalents at the end of the year	39	**1 363**	1 390

** Previously disclosed gross of tax as "Cash outflow as a result of ABIL Employee Share Trust transactions".*

1. Principal accounting policies

The principal accounting policies applied in the presentation of the annual financial statements are set out below and have been applied consistently by all the group entities.

1.1 Underlying assumptions

The group annual financial statements are prepared as a going concern using accrual accounting. The historical cost basis is followed, except for certain financial assets and liabilities that are measured on a fair value basis, in terms of IAS 39 – Financial Instruments: recognition and measurement. Under accrual accounting the effects of transactions and other events are recognised when they occur and are recorded in the accounting records of the periods to which they relate. The going-concern basis assumes that the group is a going concern and will continue in operation for the foreseeable future.

1.2 Basis of presentation

The group consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, and the requirements of the South African Companies Act. These are the group's first consolidated annual financial statements prepared in accordance with IFRS. In prior years the group prepared its consolidated financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP).

The accounting policies of the group are consistent with those adopted in the previous year, except for changes made as a result of the adoption of IFRS. The group has restated its opening balances at 1 October 2004 except where the group elected to apply certain IFRS with effect from 1 October 2005, as allowed under the transitional arrangements as set out in IFRS 1.

A short explanation of how the transition to IFRS has been effected, and the primary changes as a result thereof, is provided in 1.3 below, with a more detailed explanation provided in appendix A on pages 164 to 172.

1.3 Transition to IFRS

In order to achieve a smooth and consistent adoption of IFRS by companies, IFRS 1 sets out the requirements for transition to IFRS. This statement requires a full retrospective restatement of the impact of the change to IFRS back to the transition date balance sheet, and also allows certain exemptions and elections during the transition period. The standard sets out disclosure requirements for the effects of the changes to IFRS.

As the group publishes comparative information for one year in its financial statements, the date for transition to IFRS is 1 October 2004, which represents the start of the earliest period of comparative information presented.

The group has made certain elections to avoid making changes to the prior year reported results, unless such changes would materially affect the comparison with the current year's performance and make such comparisons more meaningful. In most cases, the changes under IFRS result in a once-off adjustment (not taken through the income statement) and the year-on-year income statement remains fairly constant.

Primarily the elections allow a company to choose in certain cases whether to apply changes retrospectively or prospectively.

Retrospective application means that the new IFRS must be applied back to the transition date balance sheet ie 1 October 2004, and the income statements restated for all periods since that date.

Prospective application means that the IFRS is applied in the current year of adoption ie from 1 October 2005, and that an adjustment for the effect of the changes on 1 October 2005 is reflected as an entry in the statement of changes in equity on that date. Thereafter the income statement reflects the impact of the new standard.

Under IFRS 1 the group has made the following elections with regard to the application of IFRS during the transition period:

- IFRS 2 – Share-based payment (retrospective adoption)

  The group has elected not to apply the provisions of IFRS 2 to share-based awards, relating to employee incentive schemes, granted on or before 7 November 2002 or to awards granted after that date but which had vested prior to 1 January 2005. The economic cost of these options primarily relates to periods prior to stated comparatives and therefore has little relevance to the current periods under review. With regard to the BEE programme, which entailed the issue of ABIL shares in September 2005, at par value, ABIL has elected not to account for this transaction under IFRS 2, as the implementation date of a new interpretation, IFRIC 8 – Scope of IFRS 2, which scopes such transactions into IFRS 2, is only effective for financial periods beginning on or after 1 May 2006.

- IFRS 3 – Business combinations
  The group has elected not to retrospectively apply the requirements of IFRS 3 for business combinations that occurred prior to 1 October 2004, and hence the carrying value of goodwill at 30 September 2004 remains unchanged.
- IFRS 4 – Insurance contracts (prospective adoption)
  This standard has been adopted prospectively from 1 October 2005, with no restatement of 2005 comparative numbers. The impact of the change was not material.
- IAS 16 – Property, plant and equipment
  The group has elected not to use the fair value of owner-occupied property as the deemed cost as at 1 October 2004. Thus the group will continue to use the original cost of these assets, and to depreciate the assets in accordance with IAS 16. The impact of this election was immaterial to the group's results.
- IAS 18 – Revenue (prospective adoption)
  The group has elected to apply the provisions of IAS 18 with regard to the deferred recognition of administration fees prospectively from 1 October 2005. This is consistent with the prospective application of IAS 39 below. The impact of the change to IAS 18 has been made by way of an adjustment to opening reserves on 1 October 2005.
- IAS 32 – Financial instruments: presentation and IAS 39 – Financial instruments: recognition and measurement (prospective adoption)
  The group has elected to apply the effects of both IAS 32 and IAS 39 prospectively from 1 October 2005, with no restatement of comparative numbers for the 2005 financial year. The impact of the change to IAS 39 has been made by way of an adjustment to opening reserves on 1 October 2005.

1.3.1 Primary differences in the accounting policies as a result of the transition from SA GAAP to IFRS:

SA GAAP	IFRS
Impairment for credit losses **AC 133 – Financial instruments: recognition and measurement** Impairment for credit losses on loans and advances was based on an expected loss model. In addition, expected future cash flows were discounted using the original effective interest rate less the credit spread priced into the contract.	**IAS 39 – Financial instruments: recognition and measurement** Impairment for credit losses on loans and advances is now based on an incurred loss model. Thus loans and advances that do not display objective evidence of impairment, even though there is a future likelihood of this occurring, are not considered impaired. In addition, the estimated future cash flows for loans and advances considered to be impaired are discounted using the original effective interest rate inherent in the loan, without an adjustment for the credit spread.
Income recognition for administration fees **AC 111 – Revenue** Origination fees charged on loans granted, were recognised upfront only to the extent that they recovered the direct costs of loan origination, with the balance of the origination fees being amortised over the contractual life of the loan on a straight-line basis.	**IAS 18 – Revenue** Origination fees are considered to be an integral part of the loan agreement and accordingly are amortised to the income statement over the term of the contract, using the effective interest rate method. The effect of this is to convert the origination fee for accounting purposes into an additional interest charge, which equates to the net present value of the origination fee charged.
Share-based payments **No specific GAAP statement** Share-based payments in the form of share options issued to employees under the previous long-term incentive schemes were accounted for as equity transactions within the statement of changes in equity.	**IFRS 2 – Share-based payment** Share-based payments in the form of equity-settled instruments, result in a charge to the income statement, recognised over the expected vesting period and based on the fair value of the instrument measured at the grant date. In the case of a cash-settled instrument, the charge to the income statement is the same as above, except that the change in the fair value of the instrument at each reporting date is also recognised in the income statement.

1.4 Use of estimates, judgements and assumptions

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets and liabilities and disclosure of contingent assets and liabilities.

Estimates and judgements made predominantly relate to impairment provisions for loans and advances (note 6), and residual values, useful lives and depreciation methods for property and equipment (note 2). Other judgements made relate to classifying financial assets and liabilities into their relevant categories.

A change in accounting estimate is defined as an adjustment to the carrying value of an asset, liability or the amount of the periodic consumption of an asset that results from new information or new developments. Changes in accounting estimates are recognised in the income statement during the period in which the change is made.

1.5 Comparative figures

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year and for changes relating to the implementation of IFRS. A detailed explanation of the impact of all such changes has been provided in appendix A – Transition to IFRS.

1.6 Assets and liabilities

An asset is a resource controlled by the group as a result of past events and from which future economic benefits are expected to flow to the group.

A liability is a present obligation of the group arising from past events, the settlement of which is expected to result in an outflow from the group's resources embodying economic benefits.

1.6.1 Recognition of assets and liabilities

Assets are only recognised if they meet the definition of an asset, it is probable that future economic benefits will flow to the group and the asset has a cost or value that can be measured reliably.

Liabilities are only recognised if they meet the definition of a liability, it is probable that an outflow of resources embodying economic benefits will result from the settlement of the obligation and the amount at which the settlement will take place can be measured reliably.

1.6.2 Derecognition of assets and liabilities

Assets are derecognised when the contractual right to receive cash flows has been transferred or has expired, or when substantially all the risks and rewards of ownership have passed, on disposal or when no future economic benefits are expected from their use.

Liabilities are derecognised when the relevant obligation has either been discharged or cancelled or has expired.

1.7 Consolidation

1.7.1 Basis of consolidation

The group consolidated annual financial statements incorporate the annual financial statements of the company, its subsidiaries and the ABIL Employee Share Trust. For this purpose, subsidiaries are companies over which the group, either directly or indirectly, has the power to govern the financial and operating policies so as to obtain the benefits from their activities.

The operating results of the subsidiaries are included from the effective dates control is acquired and up to the effective dates of disposal. Intercompany transactions and balances are eliminated on consolidation.

Premiums or discounts arising on the acquisition of subsidiaries are treated in terms of the group's accounting policy for goodwill.

Eyomhlaba Investment Holdings Limited and the ABIL Development Trust, both special purpose vehicles created to facilitate ABIL's black empowerment programme, are not consolidated into the ABIL group, due to the fact that ABIL has no control over the entities, nor does it have an interest in the economic risks and rewards associated with the entities.

In the holding company financial statements, investment in subsidiaries and associates are accounted for at cost. The carrying amounts of these investments are reviewed annually and written down for impairment where considered necessary.

1.7.2 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. The carrying amount of goodwill is reviewed annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, and written down for permanent impairment where it is considered necessary.

Negative goodwill, which represents the excess of the group's interest in the fair value of the identifiable assets and liabilities acquired over the cost of acquisition, is recognised immediately in profit or loss.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.7.3 Joint ventures

A joint venture is a contractual agreement between the group and another party to undertake an economic activity, which is subject to agreed sharing of control, in which the group has a long-term interest. Refer to appendix G on page 179 for details of the group's joint venture.

Investments in joint ventures are accounted for on the proportional consolidation method, whereby the group's proportionate share in assets, liabilities, revenue, expenses and cash flows of the joint venture are combined on a line-by-line basis with similar items in the consolidated financial statements.

The proportional share of intragroup transactions and balances is eliminated. The results of the joint ventures are included from the effective date of acquisition and up to the effective date of disposal.

1.7.4 Associates

Associates are those enterprises in which the group holds an equity interest and over which it has the ability to exercise significant influence and which are neither subsidiaries nor joint ventures. Refer to appendix D on page 176 for details of the group's previous investment in associate.

Investments in associated companies are accounted for in the group financial statements using the equity method, for the duration that significant influence is exercised by the group.

Equity accounted income, which is included in the respective carrying values of the investments and in the consolidated income statement, represents the group's proportionate share of the associates' attributable income after accounting for dividends paid by those associates.

Provision is made when there has been an impairment in the carrying value of an interest in an associate. Where the equity method results in the group's proportion of an associate's losses being greater than or equal to the carrying value of the associate, the associate is carried at nil or at a nominal amount. Additional losses are only recognised to the extent that the group has incurred obligations or made payments on behalf of the associate to satisfy the associate's obligations.

1.7.5 Treasury shares

Ordinary shares in African Bank Investments Limited held by any subsidiary or the ABIL Employee Share Trust are classified as treasury shares in the statement of changes in equity. Shares repurchased by the issuing company are cancelled.

Treasury shares are treated as a deduction from the issued and weighted number of shares in issue and the cost price of the shares is presented as a deduction from equity.

Dividends received on treasury shares are eliminated on consolidation.

1.7.6 Segmental reporting

A segment is a distinguishable component of the group engaged in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments. The group's only segmentation is based on the group's internal reporting format to management.

The group operates within a single market segment, namely the underwriting and provision of unsecured credit. Individual business units operating within this segment have been further segmented to highlight the key performance drivers of the business units.

Geographical segments are not disclosed, as the group has no operations outside South Africa.

1.8 Property and equipment

Property and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

Owner-occupied property, furniture, computer equipment and software, office equipment and motor vehicles are stated at cost less accumulated depreciation and impairments.

The group does not hold any investment properties.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives. Useful lives and residual values are assessed on an annual basis. Useful lives are as follows:

Furniture	Six years
Computer equipment and software	Three years
Office equipment	Three years
Motor vehicles	Four years
Leasehold improvements	Over the shorter of the lease term or its useful life
Buildings (owner-occupied)	Useful life (limited to 50 years)
Land is not depreciated	

The carrying amounts of property and equipment are written down to their estimated recoverable amounts, where the estimated recoverable amount is lower than the carrying value. Repairs and maintenance are charged to the income statement when the expenditure is incurred.

1.9 Financial instruments

A financial instrument is defined as a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Financial instruments are recognised when the group becomes a party to the contractual provisions of the instrument.

Financial instruments, as reflected on the balance sheet, include all financial assets and financial liabilities but exclude investments in subsidiaries (consolidated out), associated companies and joint ventures, employee benefit plans, property and equipment, deferred taxation, taxation payable, intangible assets, and goodwill.

1.9.1 Investments

Investments are recognised on a trade-date basis and are initially measured at cost, including transaction costs.

At subsequent reporting dates, debt securities that the group has the express intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held-for-trade or available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

1.9.2 Loans and advances and related impairment provisions

1.9.2.1 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention to trade the receivable. In the case of the ABIL group, all loans and advances are in the form of personal unsecured loans that are either paid back in fixed equal instalments or are revolving credit facilities.

Advances are accounted for at amortised cost using the effective interest rate method. Origination fees that are capitalised to the loan upfront are amortised to the income statement over the contractual life of the loan using the effective interest rate method.

Advances, which are deemed uncollectible, are written off against the impairment provision for non-performing loans. Loans previously written off which subsequently become performing are re-incorporated in the advances portfolio. Cash collected on loans previously written off, but which do not qualify for rehabilitation back onto the balance sheet, is recognised in the income statement as bad debts recovered when the cash is received.

Loans and advances are disclosed net of deferred administration fees, impairment provisions and credit life insurance reserves.

1.9.2.2 Impairment provisions

The group reviews the carrying amounts of its loans and advances to determine whether there is any indication that those advances have become impaired using objective evidence at a loan level. Where it is not possible to estimate the recoverable amount of an individual advance, the group estimates the recoverable amount on a portfolio basis for a group of similar financial assets.

The recoverable amount is the sum of the estimated future cash flows, discounted to their present value using a discount rate that reflects the portfolio of advances' original effective interest rate. Estimated future cash flows includes cash flows on written off loans that are deemed likely to rehabilitate in the foreseeable future. In circumstances where the original effective interest rate has been varied contractually, the current effective interest rate is used to discount the sum of the estimated future cash flows.

If the recoverable amount of the advance is estimated to be less than the carrying amount, the carrying amount of the advance is reduced to its recoverable amount by raising an impairment provision, which is recognised as an expense in the income statement.

Where the impairment loss subsequently reverses, the carrying amount of the advance is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the advance in prior years. A reversal of an impairment loss is immediately recognised in the income statement.

Credit life insurance reserves are the actuarial reserves held by the group's insurance company on policies ceded to African Bank Limited by customers as security and which provide additional provision coverage.

The impairment provisions raised during the year, less recoveries of advances previously written off, are charged to the income statement.

1.9.3 Derivative financial instruments and hedge accounting

The group uses derivative financial instruments only for the purpose of hedging its exposures to known market risks that will affect the current or future profit and loss of the group, and as a policy will not enter into derivatives for speculative reasons. In this regard, the only derivative financial instruments the group has entered into have been to hedge the market risk associated with the group's equity-based long-term incentive schemes.

In terms of hedge accounting, the derivatives entered into have been in connection with cash flow hedges, which hedge exposure to future variability in cash flows relating to a recognised asset or liability, or a highly probable forecast transaction, and which were designated as such when entered into. As a result the instruments are recorded initially in the balance sheet at cost, and remeasured to fair value at subsequent reporting dates.

The group recognises changes in the fair value of any cash flow hedges that are designated as such, and prove to be highly effective, directly in equity. Any ineffective portion of a cash flow hedge is recognised in the income statement for the period.

When the hedged item (in ABIL's case the accrual of the LTIP liability) is recognised, the matched portion of the gain or loss on the hedge, previously taken directly to equity, is released to the income statement. When a hedging instrument is terminated, but the hedged transaction is still expected to occur, the cumulative gains or losses recognised in equity remain in equity and are recognised as above. If the hedged transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are immediately recognised in the income statement.

1.9.4 Offsetting

Financial assets and liabilities are offset and the net amount reported on the balance sheet where, and only where, there is a legally enforceable right to set off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.10 Cash

1.10.1 Short-term deposits and cash

Short-term deposits and cash comprises fixed and notice deposits as well as call and current accounts.

For purposes of the balance sheet, South African Reserve Bank cash requirements and prudential liquid assets, together with insurance prudential cash reserves required by the Financial Services Board, are not disclosed as short-term deposits and cash but rather as "statutory assets – bank and insurance".

1.10.2 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise short-term deposits and cash, net of bank overdrafts, and cash reserves held by the insurance company.

1.11 Life fund reserve

The group's statutory actuary, in accordance with the provisions of the Long-term Insurance Act, 1998, computes the group's insurance liabilities under in-force policies annually at the balance sheet date. Claims incurred prior to the end of the financial year, but not reported until after that date, are brought into account in the valuation of the actuarial liabilities.

The life fund equals the amount of the actuarial valuation of the liability to parties outside the group according to the assurance policies and contracts in force at that date.

Linked endowment products are investment-related products where the risk and reward of the underlying investment portfolio accrues directly to the policyholder. Such products, which provide for returns based on the change in value of the underlying instruments, are initially recorded at cost. Valuations are adjusted for the effects of changes in foreign exchange rates. Actuarial liabilities of the linked endowment products are stated at the same value as the underlying supporting investments. There is thus no risk to the group on these products, however, the amounts do not qualify for offsetting and are therefore shown at their respective gross values.

1.11.1 Policyholder liabilities

The insurance liabilities consist of third party policyholders' liabilities as well as group policyholders' liabilities. Group policyholders' liabilities (which are in the form of credit life reserves) are the actuarial reserves held by the group's insurance company on policies ceded to African Bank Limited as security for loans granted. Such reserves are included in impairment provisions and provide additional provision coverage.

1.12 Provisions

Provisions represent liabilities of uncertain timing or amount.

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

1.12.1 Provision for leave pay

Employee benefits in the form of annual leave entitlements are provided for when they accrue to employees with reference to services rendered up to the balance sheet date.

1.13 Equity

Equity is the residual interest in the assets of the group after deducting all liabilities of the group.

All transactions relating to the acquisition and sale of shares in the company are accounted for in equity.

Ordinary and preference share capital are separately disclosed on the balance sheet and statement of changes in equity.

1.13.1 Share capital

Share capital issued by the company is recorded as the proceeds received less the external costs directly attributable to the transaction.

1.13.2 Dividends

Dividends are recognised in the period in which they are declared. Dividends declared after balance sheet date are disclosed in the dividends note.

1.14 Revenue recognition

Revenue comprises interest income, assurance income and non-interest income.

1.14.1 Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and the interest rate applicable. Interest accrued but not yet received is included in the assessment for impairment provisions. In certain instances where a loan is in arrears for greater than six months, an assessment is made regarding the recoverability of the loan and if necessary the accrual of interest is stopped.

1.14.2 Assurance income

Assurance income consists of premiums received after taking into account any transfers to or from the actuarial life fund and after taking into account any benefits paid to policyholders. Premiums are accounted for when they become due and payable. Premium income is disclosed net of reinsurance premiums. The only reinsurance premiums the group pays are in connection with the Standard Bank joint venture, where the reinsurance premiums are the instrument used to share the underwriting risk in terms of the joint venture.

1.14.3 Non-interest income

Non-interest income consists primarily of administration fees on loans and advances, as well as any other sundry income the group earns. Administration fees charged comprise two components:

- Origination fees on loans granted

  These fees are capitalised into the loan upfront and are primarily based on the cost of granting the loan to the individual. In accordance with IAS 18 – Revenue, these origination fees are considered an integral part of the loan agreement, and accordingly are amortised to the income statement over the contractual life of the loan using the effective interest rate method, with the unamortised portion of the fees recorded in a provision for deferred administration fees. The group does not defer any related operating costs, as these are all internal costs and not directly attributable to individual transactions and as such are primarily absorbed infrastructure costs. The portion of the deferred fees released during each reporting period is disclosed under non-interest income on the face of the income statement, and reflected separately in the notes to the annual financial statements to disclose the amount, which is effectively interest income in terms of IAS 18.

- Monthly servicing fees

  These are fees charged monthly for the cost of maintaining and administering loans granted to clients. These fees are taken directly to the income statement when charged.

1.15 Taxation

1.15.1 Indirect taxation

Indirect taxes in the form of non-claimable value-added tax (VAT) and regional services council levies (RSC) are grouped as indirect taxation in the income statement.

1.15.2 Direct taxation

Direct taxation in the income statement consists of income tax inclusive of capital gains tax (currently payable, prior year adjustments and deferred) as well as secondary tax on companies (STC) (currently payable and deferred).

STC on dividends, net of STC credits earned, is expensed through the income statement in the period in which the dividend paid is accounted for.

1.15.2.1 Current taxation

Current taxation is the expected taxation payable based on the taxable income, inclusive of capital gains, for the year, using taxation rates enacted or substantially enacted at the balance sheet date, and any adjustment to taxation payable in respect of previous years.

Current tax is charged or credited in the income statement, except to the extent that it relates to items charged or credited directly to the statement of changes in equity, in which case the tax is also dealt with in equity.

STC that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividend.

1.15.2.2 Deferred taxation

Deferred taxation is provided on temporary differences using the balance sheet liability method. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation base. The amount of deferred taxation provided is based on taxation rates enacted or substantially enacted at the balance sheet date.

Deferred tax is charged or credited in the income statement, except to the extent that it relates to items charged or credited directly to the statement of changes in equity, in which case the deferred tax is also dealt with in equity.

The effect on deferred taxation of any changes in taxation rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

1.16 Share-based payments

The only share-based payment transactions that were carried out related to the group's long-term incentive scheme for employees and the issue of new ordinary shares pursuant to the creation of the group's black economic empowerment programme – Eyomhlaba.

1.16.1 Share-based payments under the group's long-term incentive programme (LTIP) for employees

The group previously issued options on the ABIL listed ordinary shares as part of its long-term incentive programme for employees. In 2005, the issuance of share options was ceased and existing options were either converted to a cash-settled alternative or remained in force.

The group has introduced a new cash-settled share appreciation scheme, to replace the share option scheme, in which employees receive units based on an initial value of ABIL listed shares, and receive on the maturity date the market value of the units based primarily on the ABIL share price.

Both these instruments qualify as share-based payments under IFRS 2 – Share-based payment.

Both the share options and share appreciation rights instruments have a predetermined vesting profile, which results in a lapsing of the instrument if the employee resigns or is dismissed before the vesting date. In accordance with IFRS 2, where the equity instruments do not vest until the employee has completed a specified period of service, it is assumed that the services rendered by the employee, as consideration for those equity instruments, will be received in the future during the vesting period.

In the case of the share options (equity-settled), the grant date fair value of the share option is amortised to the income statement over the vesting period of the instrument. In the case of the share appreciation rights scheme, the fair value of the instrument, from period to period, is amortised to the income statement over the vesting period of the instrument.

1.16.2 Measurement of fair value of equity instruments granted

The equity instruments granted by the group are measured at fair value at measurement date using standard option pricing or share appreciation rights valuation models. The valuation technique is consistent with generally accepted valuation methodologies for pricing financial instruments and incorporates all factors and assumptions that knowledgeable and willing market participants would consider in setting the price of the equity instruments.

1.16.3 Conversion of equity-settled to a cash-settled instrument

Certain equity-settled instruments (share options) were converted into cash-settled instruments during the 2005 financial year. The group recognises as a minimum, a charge for the services received, measured at the grant date fair value of the equity instrument, unless the converted equity instruments do not vest due to a failure to meet a vesting condition.

The conversion (modification) was done at the fair value of the equity-settled instrument on the modification date. Since the converted instrument is now a cash-settled instrument, any change in the fair value of the cash-settled instrument since the conversion date is taken through the income statement over the remaining vesting period of the instrument.

1.16.4 ABIL BEE share ownership programme

During 2005, the ABIL group established Eyomhlaba, ABIL's BEE share ownership programme. While the establishment of the programme involved the issue of new ABIL ordinary shares with no vesting criteria, the group was of the opinion that the transaction fell outside the scope of IFRS 2. Subsequently, IFRIC has issued an interpretation, IFRIC 8 – Scope of IFRS 2, which scopes such transactions into IFRS 2, but is only effective for financial periods beginning on or after 1 May 2006. Accordingly the group has elected not to apply the provisions of IFRIC 8 to these financial statements, and therefore no charge for the shares issued under the BEE programme has been taken to the comparative income statement. The effects of the transaction had IFRIC 8 been early adopted has been set out in appendix A on page 167.

1.17 Borrowing costs

Borrowing costs directly attributable to the acquisition of qualifying assets are capitalised as part of the costs of those assets and continues up to the date where the assets are substantially ready for their intended use. Qualifying assets are those that necessarily take a substantial period of time to prepare for their intended use. Details of borrowing costs capitalised (if any) are disclosed in the notes to the annual financial statements by asset category.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

1.18 Leased assets

Leases are classified as finance leases or operating leases at the inception of the lease.

The group is not party to any finance leases.

Leased assets are classified as operating leases where the lessor effectively retains the risks and rewards of ownership. Obligations incurred under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease and disclosed under operating expenses.

1.19 Retirement benefits

Defined contribution plans have been established for eligible employees of the group, with the assets held in separate trustee administered funds.

Contributions in respect of defined-contribution plans are recognised as an expense in profit or loss as incurred.

1.20 Contingent liabilities and commitments

1.20.1 Contingent liabilities

Obligations are classified as contingent liabilities where they are dependent on uncertain future events or the amount of the obligation cannot be measured with sufficient reliability.

1.20.2 Commitments

Items are classified as commitments where the group commits itself to future transactions or the acquisition of assets.

R million	Group Cost 2006	Accumulated depreciation 2006	Carrying value 2006	IFRS restated cost 2005	IFRS restated accumulated depreciation 2005	IFRS restated carrying value 2005
2. Property and equipment						
Furniture	41	(31)	10	41	(25)	16
Computer equipment and software	226	(187)	39	217	(182)	35
Office equipment	34	(32)	2	34	(28)	6
Motor vehicles	6	(3)	3	4	(2)	2
Leasehold improvements	52	(39)	13	37	(34)	3
Land and buildings (owner-occupied)	61	(12)	49	60	(10)	50
Total	420	(304)	116	393	(281)	112

The carrying amounts of property and equipment at 30 September 2006 for the group are reconciled as follows:

R million	Group IFRS restated carrying value at beginning of year	Additions	Depreciation	Disposals and write-offs	Carrying value at end of year
Furniture	16	1	(7)	0	10
Computer equipment and software	35	28	(24)	0	39
Office equipment	6	0	(4)	0	2
Motor vehicles	2	2	(1)	0	3
Leasehold improvements	3	15	(5)	0	13
Land and buildings (owner-occupied)	50	1	(2)	0	49
Total	112	47	(43)	0	116

On 20 September 2006 the group made an offer of R9 million to purchase a property for future expansion. The stand, which is adjacent to the group's Midrand head office, measures 19 280 square meters. There were no other authorised capital commitments as at 30 September 2006.

The board has delegated an authority to management to incur capital expenditure up to R15 million per contract, and any amounts in excess of this are approved by the board on a case by case basis.

R million	Group 2006	Group IFRS restated 2005
2.1 Land and buildings (owner-occupied) comprise:		
Erf 136, Randjespark Extension 62, situated at 59 16th Road, Midrand, measuring 35 259 square metres, acquired in October 1999.	**61**	60
Cost	**36**	36
Additions at cost	**25**	24
Accumulated depreciation to date	**(12)**	(10)
Total land and buildings	**49**	50

The group has elected not to use the fair value of owner-occupied property as the deemed cost as at 1 October 2004 (the transition date) and accordingly will continue to use the original cost of the asset and to depreciate it in accordance with IAS 16 – Property, plant and equipment.

The land and buildings have been pledged as security (refer note 12.4).

R million	Group 2006	Group IFRS restated 2005
3. Investment in associate		
Movement for the year		
Carrying value at the beginning of the year	**11**	10
Impairment of investment	**(6)**	0
Share of attributable income	**0**	1
Acquisition of remaining 50% (refer note 37)	**6**	0
Associate becoming a wholly-owned subsidiary	**(11)**	0
Carrying value at the end of the year	**0**	11
Investment in associate comprises the following:		
Cost	**0**	6
Share in distributable reserves (net of dividends received)	**0**	5
Carrying value at the end of the year	**0**	11

During October 2005, after testing the 50% held in the associate for impairment and recognising an impairment loss of R6 million in accordance with IAS 36 – Impairment of assets, the group acquired the remaining 50% of the associate (Mathomo Financial Services (Proprietary) Limited) for a consideration of R6 million. With effect from 1 November 2005 (the effective date of the transaction), the group consolidated the results of the entity.

See appendix D for additional information relating to the associate.

R million	Group 2006	Group IFRS restated 2005
4. Goodwill		
Carrying value		
At the beginning of the year	**0**	14
Impairment (added back for headline earnings)	**0**	(14)
At the end of the year	**0**	0

In accordance with IFRS 3 – Business combinations, the goodwill was tested for impairment during September 2005 and found to be fully impaired.

R million	Group 2006	Group IFRS restated 2005
5. Deferred tax asset		
Deferred administration fees	**66**	16
Incentive schemes	**68**	47
Portfolio provision for credit losses	**9**	8
Estimated tax losses	**0**	1
Capital gains tax losses	**1**	0
Secondary tax on companies	**0**	8
Other provisions	**9**	13
	153	93
Deferred tax reconciliation		
Balance at the beginning of the year	**93**	24
Movement through income statement (refer note 24)	**17**	17
Movement through statement of changes in equity	**43**	52
Balance at the end of the year	**153**	93
6. Net advances		
Gross advances	**7 727**	6 454
Deferred administration fees	**(228)**	(55)
Impairment provisions	**(1 435)**	(1 117)
Net advances	**6 064**	5 282
Analysis of gross advances by book		
Lending books	**7 172**	5 793
African Bank – Retail debit order	**5 474**	3 926
African Bank – Payroll	**494**	614
African Bank – Credit card	**73**	0
Miners Credit	**748**	651
Standard Bank JV	**383**	348
Commercial Vehicle Finance	**0**	254
Pay down books	**555**	661
Persal	**181**	197
Saambou PLB	**368**	450
Gilt Edged Management Services	**6**	14
Total gross advances	**7 727**	6 454
Analysis of gross advances by type		
Retail/debit order	**5 930**	4 274
Payroll	**1 429**	1 476
Saambou PLB	**368**	450
SMME	**0**	254
Total gross advances	**7 727**	6 454

R million	Group 2006	Group IFRS restated 2005
6. Net advances (continued)		
Impairment provisions and reserves		
Balance of impairment provisions at the end of the year	**1 425**	979
Balance of impairment provisions at the beginning of the year	**979**	1 545
Impairment provisions raised (refer note 21)	**825**	627
Increase in impairment provisions as a result of the transition to IFRS (IAS 39)	**82**	0
Bad debts written off against the impairment provisions	**(455)**	(1 219)
(Disposal)/acquisition of impairment provisions	**(6)**	26
Credit life reserves (refer note 10)	**10**	138
Total impairment provisions and reserves	**1 435**	1 117

Impairment provisions were increased by R82 million as at 1 October 2005 due to the first time adoption of IFRS (IAS 39 – Financial instruments: recognition and measurement). Impairment provisions are based on an incurred loss model. Estimated future cash flows for loans and advances considered to be impaired are discounted using the effective interest rate inherent in the loan, without an adjustment for the credit spread.

During the year, the group rehabilitated onto the balance sheet R279 million (2005: R83 million) of loans previously written off. These rehabilitated loans are treated as negative bad debts written off. The policy regarding rehabilitation of written off loans requires such loans to be performing well, with a regular payment profile, before they qualify for reinstatement onto the balance sheet, together with appropriate impairment provisions.

R million	2006	2005
7. Other assets		
Sundry receivables	**12**	63
	12	63
8. Statutory assets – bank and insurance		
Listed bonds: Government of the Republic of South Africa	**239**	186
Cash deposits with the SA Reserve Bank	**122**	88
Insurance prudential cash reserves – bank and cash	**111**	243
	472	517

The market value of the listed bonds is equal to the carrying value stated above.

R million	2006	2005
9. Short-term deposits and cash		
Fixed and notice deposits	**179**	158
Call and current accounts	**1 073**	989
	1 252	1 147

R million	Group 2006	Group IFRS restated 2005
10. Life fund reserve		
Movements in the fund during the year:		
Balance at the beginning of the year	**233**	191
Transfer (to)/from the income statement (refer note 19)	**(120)**	42
Balance at the end of the year	**113**	233
The balance at the end of the year comprises the following:		
Third party policyholders' liability per balance sheet	**103**	95
Group policyholders' liability – netted against advances (refer note 6)	**10**	138
	113	233
The life fund at 30 September 2006 equals the amount of the statutory actuarial valuation of the liability to parties outside the group according to the assurance policies and contracts in force at that date. The statutory basis of valuation of the life fund has been conducted in accordance with applicable Actuarial Society of South Africa Professional Guidance Notes.		
11. Subordinated debentures		
Face value	**200**	200
Discount	**(1)**	(6)
Interest capitalised	**3**	3
Subordinated debentures	**202**	197
Subordinated debentures with a face value of R200 million are redeemable on 30 November 2006. Interest is calculated quarterly at a coupon rate of 14,75%.		
12. Bonds and other long-term funding		
12.1 Unsecured redeemable debentures	**0**	19
12.2 Unsecured listed bonds	**2 438**	2 398
12.3 Unsecured long-term loans	**1 097**	789
12.4 Secured long-term loans	**44**	50
Total long-term loans and bonds	**3 579**	3 256
R931 million of unsecured listed ABL3 bonds (face value R909 million) and R420 million unsecured long-term promissory notes is payable within the next 12 months.		
12.1 Unsecured redeemable debentures		
Redeemable debentures		
– Institutional investors	**0**	19
Total	**0**	19

The above debentures have a fixed coupon rate of 18%. Interest is calculated and payable semi-annually. The total face value of R18 million was redeemed through a single capital repayment on 15 December 2005.

R million	Group Face value 2006	Interest capitalised 2006	Unamortised discount 2006	Net liability 2006	IFRS restated net liability 2005
12.2 Unsecured listed bonds					
ABL3, ABL4 and ABL5 bonds issued on the South African Bond Exchange	**2 459**	**40**	**(10)**	**2 489**	2 399
Discount amortised	**0**	**0**	**0**	**0**	(1)
Less: Held by group subsidiary	**(51)**	**0**	**0**	**(51)**	0
Total	**2 408**	**40**	**(10)**	**2 438**	2 398
ABL2 bonds with a face value of R873,5 million were redeemed on 18 September 2006. Interest was calculated and payable semi-annually at a coupon rate of 11,75%.	**0**	**0**	**0**	**0**	876
ABL3 bonds with an original face value of R1 billion, now R909 million as a result of buy back, are redeemable on 12 July 2007. Interest is calculated and payable semi-annually at a coupon rate of 11,75%.	**909**	**24**	**(2)**	**931**	1 023
ABL4 bonds with an original face value of R500 million, now R800 million as a result of further issues, are redeemable on 31 August 2010. Interest is calculated and payable semi-annually at a coupon rate of 9,00%.	**800**	**6**	**(6)**	**800**	499
ABL5 bonds with a face value of R750 million, issued in August 2006, are redeemable on 11 August 2011. Interest is calculated and payable semi-annually at a coupon rate of 9,70%.	**750**	**10**	**(2)**	**758**	0
Less: Held by group subsidiary	**(51)**	**0**	**0**	**(51)**	0
Total	**2 408**	**40**	**(10)**	**2 438**	2 398

ABL3 bonds to the value of R931 million are payable within the next 12 months.

R million	Group Face value 2006	Interest capitalised 2006	Unamortised discount 2006	Net liability 2006	IFRS restated net liability 2005
12.3 Unsecured long-term loans					
Promissory notes – long-term	873	18	0	891	778
Fixed deposits – long-term	203	3	0	206	11
Total	1 076	21	0	1 097	789

The promissory notes consist of zero coupon, quarterly coupon and semi-annual coupons, with the rates varying from 8,2% to 15% NACS. These notes have various maturities, ranging from 10 November 2006 to 25 January 2011. Promissory notes to the value of R420 million are payable within the next 12 months.

The fixed deposits – long-term consists of zero coupons, monthly coupons, quarterly coupons and semi-annual coupons, with rates varying from 7,39% to 11,60% NACS. These fixed deposits have various maturities, ranging from 7 July 2008 to 1 October 2011.

R million	Group 2006	IFRS restated 2005
12.4 Secured long-term loans		
Loan secured over land and buildings (refer note 2.1), repayable in six monthly instalments, the last being 30 September 2009. The interest rate is an effective 16,45% per annum.	14	16
Loan secured over land and buildings (refer note 2.1), repayable in six monthly instalments, the last instalment being payable on 31 March 2010. The loan carries interest at an effective interest rate of 17,39% per annum.	30	34
Total	44	50
13. Short-term money market funding		
Demand deposits	21	23
Fixed and notice deposits	416	191
Negotiable certificates of deposit	648	405
Savings deposits	0	14
	1 085	633
14. Other liabilities		
Advances with credit balances	65	52
Liabilities to employees as a result of incentive transactions	22	18
Liability for cash-settled converted options (refer note 43)	150	177
Liability for cash-settled LTIPs (refer note 43)	24	0
Teba Credit (Proprietary) Limited deferred purchase price	12	14
Shareholders for odd-lot offer	13	0
Shareholders for dividends	6	5
Sundry creditors and accruals	103	160
	395	426

	Group 2006 Number of shares	Group 2006 R million	Group 2005 Number of shares	Group 2005 IFRS restated R million
15. Ordinary share capital				
Authorised				
Ordinary shares of 2,5 cents each	**1 000 000 000**	**25**	1 000 000 000	25
Issued				
Ordinary shares of 2,5 cents each	**497 911 307**	**12**	498 367 686	12
During February 2006, ABIL made an odd-lot offer to ordinary shareholders who individually held a total of less than 100 ABIL ordinary shares at 24 March 2006. The odd-lot offer entitled the specific shareholders to either sell their odd-lot holding at R30,75 per share, increase their odd-lot holding by paying R29,28 per share or keep their odd-lot holding. The result was that 5 687 shares were sold to shareholders electing to increase their holding and 462 066 shares were bought back and cancelled by ABIL.		**0**		0
On 12 September 2005, ABIL issued 20 151 515 and 1 060 606 ordinary shares to Eyomhlaba Investment Holdings Limited and the ABIL Development Trust respectively, at their par value of 2,5 cents per share. The transaction was pursuant to the group's BEE programme.		**0**		1

The directors have no authority to issue any of the unissued share capital. The directors have the authority to contract African Bank Investments Limited or any subsidiary to acquire shares not exceeding 3% of the issued share capital.

R million	Group 2006	Group 2005
16. Reserves		
Reserves comprise the following:		
Distributable reserves	**2 345**	2 252
IFRS 2 reserve (distributable)	**(126)**	(77)
Treasury shares held by the ABIL Employee Share Trust	**(24)**	(42)
Treasury shares held by subsidiary	**0**	(23)
Total reserves	**2 195**	2 110

	Group			
	2006		2005	
	Number of shares	**R million**	Number of shares	IFRS restated R million
17. Preference shareholders' equity				
Authorised				
Preference shares of 1 cent each	**5 000 000**	**0**	5 000 000	0
Issued				
Preference shares of 1 cent each	**5 000 000**	**0**	5 000 000	0
Preference shares at par value of 1 cent each		**0**		0
Preference share premium		**483**		500
Share issue expenses		**0**		(17)
		483		483

Five million non-redeemable, non-cumulative, non-participating preference shares with a par value of R0,01 each were issued on 23 March 2005. The shares were issued at a premium of R99,99 per share and share issue expenses of R17 million were set-off against the preference share premium. ABIL will not declare an ordinary dividend unless a preference dividend has been declared. Preference dividends will be calculated at 69% of the daily average prime rate which prevailed in respect of the period for which the dividend is calculated.

R million	Group **2006**	Group IFRS restated 2005
18. Interest income		
Interest income on advances	**2 974**	2 752
Interest received on cash reserves	**113**	156
	3 087	2 908
19. Net assurance income		
Premiums received	**429**	524
Less: Reinsurance premiums paid net of claims experience refund	**(57)**	(51)
Net premiums received	**372**	473
Less: Benefits paid to policyholders	**(68)**	(74)
Assurance income before transfer	**304**	399
Transferred from/(to) life fund (refer note 10)	**120**	(42)
	424	357

As a result of the transition from single upfront premiums to monthly recurring premiums in August 2005, premiums received declined in the current year but this was compensated for by the amortisation of the life fund relating to single premium business.

The reinsurance premiums relate to the portion of the premiums received via the Standard Bank JV and paid to Charter Life under the terms of the JV agreement.

R million	Group 2006	Group IFRS restated 2005
20. Non-interest income		
Loan origination fees	**258**	205
Collection charges and service fees	**147**	42
Credit card fees	**6**	0
Other	**35**	27
	446	274
In accordance with IAS 18 – Revenue, loan origination fees are considered an integral part of the loan agreement, and accordingly are amortised to the income statement over the contractual life of the loan using the effective interest rate method, with the unamortised portion of the fees recorded as deferred administration fees.		
21. Charge for bad and doubtful advances		
Increase in impairment provisions (refer note 6)	**825**	627
Less: Bad debts recovered	**(219)**	(139)
	606	488
22. Interest expense		
Subordinated debentures	**34**	33
Unsecured redeemable debentures	**0**	3
Unsecured listed bonds	**287**	277
Unsecured long-term loans	**84**	113
Secured long-term loans	**8**	9
Demand deposits	**1**	3
Fixed and notice deposits	**29**	14
Negotiable certificates of deposit	**37**	26
Promissory notes – short-term	**0**	3
Other	**(15)**	11
	465	492

R million	Group 2006	Group IFRS restated 2005
23. Operating costs		
Auditors' remuneration		
Audit fees – current year	**6**	6
Fees for other services	**1**	3
Depreciation on property and equipment	**43**	53
Property and equipment written off	**0**	1
Profit on sale of property and equipment	**0**	(1)
Goodwill impaired	**0**	14
Direct selling costs/commissions	**115**	113
Professional fees		
Legal fees	**2**	2
Consultants and other professional fees	**11**	12
Charge for share-based payments to staff (IFRS 2)	**119**	34
Staff costs		
Basic remuneration	**347**	328
Bonuses and incentives	**50**	29
Directors' remuneration:		
Paid by subsidiaries to non-executive directors		
Fees	**3**	2
Paid by subsidiaries to executive directors		
Salaries	**14**	15
Bonuses	**13**	12
Operating lease premiums		
Leasehold fixed property	**62**	67
Computers and other equipment	**11**	4
Impairment of investment in associate	**6**	0
Other expenses	**245**	257
	1 048	951
24. Indirect taxation and direct taxation		
Indirect taxation charge per the income statement	**46**	50
Direct taxation charge per the income statement: STC	**118**	140
Direct taxation charge per the income statement: SA normal	**535**	476
Total taxation charge per the income statement	**699**	666

	%	%
All-in tax rate (calculated as the total taxation charge per the income statement expressed as a percentage of net income before any indirect and direct taxation)	**37,3**	41,4

R million		
24.1 Indirect taxation		
Value-added tax (VAT)	**47**	44
Regional services council levies (RSC)	**(1)**	6
Indirect taxation charge per the income statement	**46**	50

R million	Group 2006	IFRS restated 2005
24. Indirect taxation and direct taxation (continued)		
24.2 Direct taxation		
Secondary tax on companies (STC)		
Current year	**118**	147
Deferred	**0**	(7)
SA normal tax		
Current year	**550**	491
Prior years' under/(over) provision	**2**	(5)
Deferred tax		
Current year	**(18)**	(17)
Prior years' over/(under) provision of deferred tax asset	**1**	7
Direct taxation charge per the income statement	**653**	616
24.3 Tax rate reconciliation		
Net income before taxation	**1 829**	1 559
Less: Share of associate company's attributable income	**0**	(1)
Amount used as the denominator in the tax rate reconciliation	**1 829**	1 558
	%	%
Total taxation charge for the year as a percentage of the above	**38,2**	42,7
Indirect taxation: Value-added tax	**(2,6)**	(2,8)
Indirect taxation: Regional services council levies	**0,1**	(0,4)
Effective rate of taxation	**35,7**	39,5
Secondary tax on companies	**(6,5)**	(9,0)
Capital gains tax impact	**0,4**	0,0
Deferred tax adjustment as a result of the reduction in statutory tax rate	**0,0**	(0,5)
Capital items	**(0,2)**	(0,7)
Disallowable expenses	**(0,2)**	(0,6)
Other (including prior year tax adjustments)	**(0,2)**	0,3
Standard rate of South African taxation	**29,0**	29,0

Tax losses carried forward from 2005 (R3,2 million) has been utilised against taxable earnings of the current year.

R million	Group 2006	Group IFRS restated 2005
25. Profit on sale of CVF and other capital items		
Profit on sale of Commercial Vehicle Finance (CVF) (refer note 37.2)	**45**	0
Other capital items	**(8)**	0
Amount per the income statement	**37**	0
Capital gains tax on profit from the sale of CVF	**(7)**	0
Capital gains tax on other capital items	**1**	0
	31	0
The above items have been added back for the purposes of calculating headline earnings.		
26. Reconciliation between attributable earnings and headline earnings and per share statistics		
Reconciliation between attributable earnings and headline earnings		
Attributable earnings	**1 176**	943
Adjusted for:		
Goodwill impaired (refer note 4)	**0**	14
Profit on sale of CVF and other capital items	**(37)**	(1)
Capital gains tax thereon	**6**	0
Headline earnings	**1 145**	956
Per share statistics		
Attributable earnings to:	**1 176**	943
Preference shareholders	**36**	8
Ordinary shareholders	**1 140**	935
Headline earnings attributable to:	**1 145**	956
Preference shareholders	**36**	8
Ordinary shareholders	**1 109**	948
Attributable earnings per share (cents)	**229,5**	198,7
Headline earnings per share (cents)	**223,3**	201,5
Fully diluted attributable earnings per share (cents)	**229,3**	197,9
Fully diluted headline earnings per share (cents)	**223,1**	200,7

Million	Group 2006 Total number of shares in issue	2006 Weighted number of shares in issue	2006 Fully diluted number of shares in issue	2005 Total number of shares in issue	2005 Weighted number of shares in issue	2005 Fully diluted number of shares in issue
27. Number of shares						
Number of shares in issue	**498,4**	**498,4**	**498,4**	477,2	477,2	477,2
Shares issued during the course of the year	**0,0**	**0,0**	**0,0**	21,2	1,1	1,1
Share transaction as a result of odd-lot offer	**(0,5)**	**(0,2)**	**(0,2)**	0,0	0,0	0,0
Treasury shares on hand	**(1,0)**	**(1,4)**	**(1,4)**	(3,3)	(7,7)	(7,7)
Dilution as a result of outstanding options	**0,0**	**0,0**	**0,5**	0,0	0,0	1,8
	496,9	**496,7**	**497,2**	495,1	470,6	472,4

R million	Group 2006	2005
28. Ordinary and preference dividends		
28.1 Ordinary dividends		
Final dividend number 10 of 70 cents per ordinary share (2005: 57 cents)	**349**	272
Special dividend number 4 of 30 cents per ordinary share (2005: 53 cents)	**150**	253
Interim dividend number 11 of 80 cents per ordinary share (2005: 52 cents)	**398**	248
No special dividend declared (2005: 70 cents)	**0**	334
Total ordinary and special dividends paid during the year	**897**	1 107
Interim dividend number 11 of 80 cents per ordinary share (2005: 52 cents)	**398**	248
No special dividend declared (2005: 70 cents)	**0**	334
Final dividend number 12 of 120 cents per ordinary share (2005: 70 cents)	**597**	349
No special dividend declared (2005: 30 cents)	**0**	150
Total ordinary and special dividends relating to income for the year	**995**	1 081
Final dividend number 12 of 120 cents per ordinary share was approved by the board on 10 November 2006. No provision has been made for these dividends and their related STC in the financial statements for the year ended 30 September 2006.		
28.2 Preference dividends		
Final preference dividend number 2 of 361 cents per preference share (2005: nil as preference shares only issued on 23 March 2005)	**18**	0
Interim preference dividend number 3 of 361 cents per preference share (2005: 169 cents)	**18**	8
Total preference dividends paid during the year	**36**	8
Interim preference dividend number 3 of 361 cents per preference share (2005: 169 cents)	**18**	8
Final preference dividend number 4 of 392 cents per preference share (2005: 361 cents)	**20**	18
Total preference dividends relating to the year	**38**	26

Preference dividend number 4 of 392 cents per preference share was approved by the board on 10 November 2006. No provision has been made for these dividends and their related STC in the financial statements for the year ended 30 September 2006.

	Group			
	2006		2005	
	Number of shares (million)	**R million**	Number of shares (million)	IFRS restated R million
29. ABIL Employee Share Trust transactions				
Treasury shares (1 296 736) disposed of by subsidiary to the ABIL Employee Share Trust	**n/a**	**23**	n/a	0
Shares purchased into the ABIL Employee Share Trust (includes the 1 296 736 shares purchased from subsidiary at market value)	**(1,3)**	**(31)**	(23,6)	(443)
Shares issued to employees out of the ABIL Employee Share Trust	**2,3**	**49**	26,5	456
Shares purchased into the ABIL Employee Share Trust less shares issued to employees (cost)	**1,0**	**41**	2,9	13
Shares issued to employees out of the ABIL Employee Share Trust on a FIFO basis	**(2,3)**	**(49)**	(26,5)	(456)
Average cost to employees to acquire these shares	**2,3**	**15**	26,5	139
ABIL dividends received in the ABIL Employee Share Trust	**n/a**	**2**	n/a	7
Capital gains that arose on the purchase of shares held in subsidiary	**n/a**	**8**	n/a	0
Tax effect of the loss incurred on group employees acquiring ABIL share trust shares	**n/a**	**10**	n/a	62
Loss incurred on group employees acquiring ABIL Employee Share Trust shares	**n/a**	**(14)**	n/a	(248)

R million	Group 2006	Group IFRS restated 2005
30. Cash generated from operations		
Net income from operations	**1 792**	1 558
Adjustments for:		
Indirect taxation: VAT and RSC	**46**	50
Increase in deferred administration fees	**82**	55
Increase in impairment provisions	**697**	653
Depreciation on property and equipment	**43**	53
Goodwill impaired	**0**	14
Profit on disposal of property and equipment	**0**	(1)
Property and equipment written off	**0**	1
Impairment of investment in associate	**6**	0
Normal option charges accounted for in equity	**2**	22
Conversion option charges accounted for in equity	**10**	13
Mark to market adjustment of option liability	**23**	(1)
Incentive accruals	**24**	(51)
Transfer from life fund in respect of third party policies	**8**	16
	2 733	2 382
31. Increase in gross advances		
Opening balance of gross advances	**6 454**	6 129
Less: Closing balance of gross advances	**(7 727)**	(6 454)
Movement in gross advances	**(1 273)**	(325)
Less: Bad debts written off (refer note 6)	**(455)**	(1 219)
Add: Advances acquired (refer note 37.1)	**0**	177
Less: Advances disposed of (refer note 37.2)	**(259)**	0
	(1 987)	(1 367)
32. (Increase)/decrease in working capital		
Decrease in other assets	**44**	157
(Decrease)/increase in other liabilities	**(152)**	117
	(108)	274

	Group	
R million	2006	IFRS restated 2005
33. Indirect and direct taxation paid		
Increase/(decrease) in tax liability	**22**	(96)
Decrease/(increase) in prepaid tax	**14**	(15)
Tax liability acquired	**0**	(6)
Indirect and direct taxation charged to the income statement	**(699)**	(666)
Deferred tax portion of amount charged to the income statement	**(17)**	(17)
Taxation accounted for in equity as a result of the IAS 39 opening distributable reserves adjustment	**24**	0
Taxation effect of incentive related entries accounted for in equity	**11**	62
Amount moved between normal tax and deferred tax after the sale of CVF	**7**	0
	(638)	(738)
34. Ordinary shareholders' payments and transactions		
Share capital issued by the company	**0**	1
Dividends paid	**(897)**	(1 107)
Shares repurchased by subsidiary company	**0**	(21)
	(897)	(1 127)
35. Preference shareholders' payments and transactions		
Share capital issued by the company	**0**	500
Share issue costs related to the above	**0**	(17)
Dividends paid	**(36)**	(8)
	(36)	475
36. Equity accounted incentive transactions		
Cash inflow as a result of shares purchased into the ABIL Employee Share Trust net of shares issued to employees	**18**	13
Cash outflow as a result of losses incurred on group employees acquiring ABIL Employee Share Trust shares	**(24)**	(310)
Cash outflow as a result of hedge transaction	**(18)**	0
Treasury shares disposed of by subsidiary bought by the ABIL Employee Share Trust	**23**	0
	(1)	(297)

R million	Group 2006	Group IFRS restated 2005
37. Investing activities		
Acquisition of property and equipment (to maintain operations)	**(47)**	(33)
Disposal of property and equipment	**0**	8
Additional holdings in subsidiaries acquired (refer note 37.1)	**0**	(154)
Disposal of CVF division (refer note 37.2)	**291**	0
Associate becoming a subsidiary (refer note 3)	**(6)**	0
Increase in statutory assets (excluding insurance statutory cash reserves)	**(87)**	(15)
Increase in policyholders' funds	**(24)**	(14)
	127	(208)
37.1 Additional holdings in subsidiaries acquired		
Net asset value of additional shares acquired	**0**	180
Gross advances	**0**	177
Other	**0**	3
Cost of additional shares in subsidiaries	**0**	180
Less: Deferred purchase price	**0**	(14)
Less: Cash acquired	**0**	(12)
Net cash outflow on acquisition	**0**	154
37.2 Disposal of CVF division		
Net asset value of assets disposed of	**248**	0
Gross advances	**259**	0
Impairment provisions	**(6)**	0
Other	**(5)**	0
Less: Cash disposed of	**(2)**	0
Profit on disposal (refer note 25)	**45**	0
Consideration received	**291**	0
38. Financing activities		
Increase/(decrease) in bonds and other long-term funding	**323**	(268)
Bonds issued	**1 050**	500
Bonds redeemed	**(965)**	(765)
Other movements in long-term funding	**238**	(3)
Increase in short-term money market funding	**452**	89
Increase in subordinated debentures	**5**	4
	780	(175)
39. Cash and cash equivalents		
Short-term deposits and cash	**1 252**	1 147
Statutory cash reserves – insurance (refer note 8)	**111**	243
	1 363	1 390

40. Financial risk

40.1 Interest rate risk

The subsidiaries are exposed to interest rate risk associated with the effects of fluctuations in the prevailing levels of market rates on their financial positions and cash flows. The table below summarises the subsidiaries' exposure to interest rate risk through grouping assets and liabilities into repricing categories, determined to be the earlier of the contractual repricing date or maturity.

R million	Up to one month	One to three months	Four to twelve months	Beyond twelve months	Non-interest sensitive items	Total
30 September 2006						
Assets						
Property and equipment	0	0	0	0	116	116
Policyholders' investments	0	0	0	0	87	87
Deferred tax asset	0	0	0	0	153	153
Net advances	374	612	1 247	3 831	0	6 064
Other assets and taxation	1	0	1	0	17	19
Statutory assets – bank and insurance	122	304	0	46	0	472
Short-term deposits and cash	978	234	40	0	0	1 252
Total assets	1 475	1 150	1 288	3 877	373	8 163
Liabilities and equity						
Life fund reserve	0	0	0	0	103	103
Subordinated debentures	0	202	0	0	0	202
Bonds and other long-term funding	1	188	1 180	2 166	44	3 579
Short-term money market funding	300	86	699	0	0	1 085
Other liabilities and taxation	11	1	1	0	491	504
Shareholders' equity	0	0	0	0	2 690	2 690
Total liabilities and equity	312	477	1 880	2 166	3 328	8 163
On-balance sheet interest sensitivity	1 163	673	(592)	1 711	(2 955)	0

Assuming the financial assets and liabilities on hand at 30 September 2006 were to remain on hand until maturity or settlement without any action by the subsidiaries to alter the resulting interest rate risk exposure, an immediate and sustained 1% parallel decline in the yield curve could result in the net interest income of the group for the next twelve months declining by R15 million.

40. Financial risk (continued)
40.1 Interest rate risk (continued)

R million	Up to one month	One to three months	Four to twelve months	Beyond twelve months	Non-interest sensitive items	Total
30 September 2005 (IFRS restated)						
Assets						
Property and equipment	0	0	0	0	112	112
Investment in associate	0	0	0	0	11	11
Policyholders' investments	0	0	0	0	63	63
Deferred tax asset	0	0	0	0	93	93
Net advances	350	716	1 640	2 576	0	5 282
Other assets and taxation	0	0	0	0	84	84
Statutory assets – bank and insurance	144	373	0	0	0	517
Short-term deposits and cash	522	625	0	0	0	1 147
Total assets	1 016	1 714	1 640	2 576	363	7 309
Liabilities and equity						
Life fund reserve	0	0	0	0	95	95
Subordinated debentures	0	3	0	194	0	197
Bonds and other long-term funding	3	27	1 138	2 038	50	3 256
Short-term money market funding	145	45	443	0	0	633
Other liabilities and taxation	3	6	4	9	491	513
Shareholders' equity and minority interests	0	0	0	0	2 615	2 615
Total liabilities and equity	151	81	1 585	2 241	3 251	7 309
On-balance sheet interest sensitivity	865	1 633	55	335	(2 888)	0

R million	Up to one month	One to three months	Four to twelve months	Beyond twelve months	Total
40. Financial risk (continued)					
40.2 Liquidity risk					
Assets and liabilities maturities as at 30 September 2006					
Assets					
Property and equipment	0	0	0	116	116
Policyholders' investments	0	0	0	87	87
Deferred tax asset	0	0	0	153	153
Net advances	375	615	1 253	3 821	6 064
Other assets and taxation	5	13	0	1	19
Statutory assets – bank and insurance	122	304	0	46	472
Short-term deposits and cash	978	234	40	0	1 252
Total assets	1 480	1 166	1 293	4 224	8 163
Liabilities and equity					
Life fund reserve	0	0	0	103	103
Subordinated debentures	0	202	0	0	202
Bonds and other long-term funding	1	188	1 189	2 201	3 579
Short-term money market funding	300	86	699	0	1 085
Other liabilities and taxation	428	5	46	25	504
Shareholders' equity and minority interests	0	0	0	2 690	2 690
Total liabilities and equity	729	481	1 934	5 019	8 163
Net liquidity gap	751	685	(641)	(795)	0
Assets and liabilities maturities as at 30 September 2005 (IFRS restated)					
Assets					
Property and equipment	0	0	0	112	112
Investment in associate	0	0	0	11	11
Policyholders' investments	0	0	0	63	63
Deferred tax asset	0	0	7	86	93
Net advances	350	716	1 640	2 576	5 282
Other assets and taxation	47	26	0	11	84
Statutory assets – bank and insurance	144	373	0	0	517
Short-term deposits and cash	522	625	0	0	1 147
Total assets	1 063	1 740	1 647	2 859	7 309
Liabilities and equity					
Life fund reserve	0	0	0	95	95
Subordinated debentures	0	3	0	194	197
Bonds and other long-term funding	3	27	1 144	2 082	3 256
Short-term money market funding	145	45	443	0	633
Other liabilities and taxation	243	35	184	51	513
Shareholders' equity and minority interests	0	0	0	2 615	2 615
Total liabilities and equity	391	110	1 771	5 037	7 309
Net liquidity gap	672	1 630	(124)	(2 178)	0

The table above analyses the group's assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

40. Financial risk (continued)

40.2 Liquidity risk (continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the liquidity in the group. It is unusual for bank and bank-controlling companies ever to be completely matched since the business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the group and its exposure to changes in interest rates.

40.3 Facility unutilised

African Bank Limited does not have any unutilised credit facilities.

40.4 Credit risk

All loans granted by the group are granted in the Republic of South Africa.

Exposure to credit losses is managed through granting loans to individuals where repayment of loans is made through debit order deductions, payroll deductions or similar techniques, as well as through the evaluation of the financial stability of the employer, the affordability levels of clients and timeous arrears management.

40.5 Currency risk

The group has no foreign currency positions.

40.6 Capital adequacy risk (banking)

Capital adequacy risk is the risk that the bank will not have sufficient reserves to meet adverse variations in collections as compared with that which has already been assumed within the impairment provisions.

Capital adequacy is measured by expressing capital as a percentage of risk-weighted assets. The Banks Act (Act number 94 of 1990, as amended), specifies the minimum capital holding required in relation to risk-weighted assets.

The bank's capital adequacy ratio at 30 September 2006 was 31,9% (2005: 32,9%) compared to the regulatory requirement of 10,0% (2005: 10,0%).

40.7 Life assurance risk

Insurance risk

Insurance risk is the risk under any one insurance contract that the insured event occurs. By the very nature of an insurance contract, this risk is random and unpredictable. The majority of insurance claims are paid to African Bank Limited as a cessionary.

Legal risk

Legal risk is the risk that the group will be exposed to contractual obligations which have not been provided for. During the development stage of any new product the legal services of the group monitor the drafting of the contract document to ensure that the rights and obligations of all parties are clearly defined.

Capital adequacy risk

Capital adequacy risk is the risk that there are insufficient reserves to provide for adverse variations in actual claims experience as compared with that which has been assumed in the financial soundness valuation. The capital adequacy requirement (CAR) ratio is 4,6 times (2005: 2,7 times), well in excess of the minimum regulatory requirement of 1.

41. Contingent liabilities at year-end

African Bank Limited has deposits with The Standard Bank of South Africa Limited (SBSA) for electronic funds transfer (EFT) and electricity guarantees totalling R16,7 million (2005: R6,5 million). African Bank Limited also has property guarantees of R1,2 million and a FNB encashment facility of R12 million (2005: R1,3 million and R12 million respectively).

An indemnity of R1 million was issued to SBSA on 29 June 2006 to cover guarantee made on behalf of African Bank Limited to VISA in respect of credit card transactions.

African Bank Limited issued a surety to Investec Bank Limited in favour of Credit Save (Proprietary) Limited, a subsidiary of the group, to the amount of R20 million (2005: R20 million).

The insurance company has not provided for certain outstanding level life claims amounting to R110 million (2005: R85 million) as the beneficiaries could not be traced. The probability of these claims being subsequently made is, from prior experience, extremely low, and hence no provision is carried in the financial statements. Should any claims be made they will be taken as losses in the period in which the claim is made. The contingent liability will also reduce as the outstanding claims prescribe.

African Contractor Finance Corporation division has guaranteed loans totalling R4,4 million (2005: R6,3 million) to contractors for prospective government construction contracts.

The group has a contingent exposure to legal claims of R3 million (2005: R3 million).

	Group	
R million	2006	IFRS restated 2005
42. Operating lease commitments		
Payable within one year	**37**	40
Property	**36**	33
Equipment	**1**	7
Payable between one and five years	**46**	38
Property	**44**	35
Equipment	**2**	3
Payable thereafter	**0**	0
Total operating lease commitments	**83**	78

43. Long-term incentive plan (LTIP) commitments

The R150 million liability for the converted option instrument and the R24 million liability for the LTIPs issued in 2005 has been included in other liabilities (refer note 14). Refer to the remuneration report on pages 85 to 92 for a full analysis of the converted option instrument and the LTIP scheme.

44. Retirement and post-retirement benefits

Subsidiary companies, on behalf of employees, contribute to separate pension and provident funds. These funds are governed by the Pension Funds Act, 1956, and are in the nature of defined contribution plans where the retirement benefits are determined with reference to contributions to the fund. A body of eight trustees manages these funds with four being member elected and four being employer elected. Separate administrators are contracted to run the fund on a day to day basis. An independent consultant has also been appointed to the fund to oversee the operations and provide professional advice to the trustees.

The group has no obligation to provide medical aid benefits or post-retirement benefits to employees or pensioners.

45. Related party information

Relationship between holding company and subsidiaries

African Bank Investments Limited holds 100% of (inter alia) African Bank Limited, Theta Investments (Proprietary) Limited and The Standard General Insurance Company Limited (Stangen). Details of investment in subsidiaries/controlled entities are disclosed in appendix C on page 174. The group also has a 40% interest in a joint venture (SBSA JV) with the Standard Bank of South Africa Limited. Other than for the SBSA JV, all group subsidiaries were 100% held at 30 September 2006.

Related party transactions

African Bank Limited has entered into financial services transactions with its subsidiaries and fellow subsidiaries.

Transactions between African Bank Limited and Stangen as well as between African Bank Limited and the SBSA JV were in the ordinary course of business on market-related terms and conditions similar to those arranged with third parties.

In the case of Stangen these transactions involve mainly commission paid to African Bank Limited on premiums collected by African Bank Limited on behalf of Stangen to the value of R3 million (2005: R26 million). Stangen also owns ABL4 and ABL5 bonds to the value of R19 million and R32 million respectively (2005: Rnil) (refer note 12.2) and has a call deposit yielding 7,95% (2005: 6,85%) with African Bank Limited to the value of R12 million (2005: R103 million).

In the case of the SBSA JV these transactions involve mainly the recovery of selling and operating costs to the value of R80 million (2005: R64 million). African Bank Limited also funded the SBSA JV (in its funding ratio of 53%) to the value of R291 million (2005: R244 million). African Bank Limited earns 13% per annum on this funding and it is repayable on demand from the SBSA JV (after steering committee approval).

Loans owing to and by African Bank Limited to other group entities are listed below. All these loans have been eliminated on consolidation.

R million	**2006**	2005
Loans owing to African Bank Limited by holding company and fellow subsidiaries:		
African Bank Investments Limited	**41**	1
Gilt Edged Management Services (Proprietary) Limited	**23**	23
ABIL Employee Share Trust	**0**	1
Theta Investments (Proprietary) Limited	**0**	304
	64	329
These loans do not attract interest and have no specific repayment terms.		
Loans owing by African Bank Limited to fellow subsidiaries:		
Theta Investments (Proprietary) Limited	**53**	0
ABIL Employee Share Trust	**24**	0
Creditsave (Proprietary) Limited	**5**	6
African Contractor Finance Corporation (Proprietary) Limited	**3**	3
Gilt Edged Management Services (Proprietary) Limited	**63**	63
	148	72

These loans do not attract interest and have no specific repayment terms.

Director-related transactions

There were no material transactions with directors other than interests in share capital and share options and emoluments as disclosed in the directors' report, note 23, and the remuneration report on pages 85 to 92 respectively.

46. Standards issued but not yet effective

At the date of authorisation of these annual financial statements, the following relevant new standards and interpretations were in issue but not yet effective for the group:

IFRS	Title	Effective date
IFRIC 8	Scope of IFRS 2 – Share-based payment with regard to accounting for black economic empowerment (BEE) transactions	1 May 2006
IFRS 7	Financial instruments: disclosures	1 January 2007
IFRS 8	Operating segments	1 January 2009

At the date of authorisation of these annual financial statements, the following relevant amendments to existing standards were in issue but not yet effective for the group:

Amendments	Effective date
ED on proposed amendments to IFRS 2 – Share-based payment	1 January 2007
Amendment to IAS 1 – Presentation of financial statements with regard to capital disclosures	1 January 2007
Amendment to IAS 39 – Financial instruments: recognition and measurement with regard to the fair value option	1 January 2006

COMPANY BALANCE SHEET
AS AT 30 SEPTEMBER 2006

R million	Notes	Company 2006	Company IFRS restated 2005
Assets			
Investment in subsidiaries	2	**1 774**	1 814
Deferred tax asset		**1**	0
Other assets	3	**0**	8
Taxation		**1**	1
Short-term deposits and cash	4	**14**	3
Total assets		**1 790**	1 826
Liabilities and equity			
Other liabilities	5	**23**	14
Total liabilities		**23**	14
Share capital	6	**12**	12
Reserves	7	**1 272**	1 317
Ordinary shareholders' equity		**1 284**	1 329
Preference shareholders' equity	8	**483**	483
Total equity (capital and reserves)		**1 767**	1 812
Total liabilities and equity		**1 790**	1 826

COMPANY INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2006

R million	Notes	Company 2006	Company IFRS restated 2005
Revenue			
Non-interest income	9	**915**	934
Total revenue		**915**	934
Other interest income	10	**1**	1
Interest expense	11	**0**	(1)
Operating costs	12	**(9)**	(133)
Indirect taxation: VAT and RSC	13	**4**	(2)
Net income from operations		**911**	799
Other capital items		**(8)**	0
Net income before taxation		**903**	799
Direct taxation: STC	13	**(2)**	(71)
Direct taxation: SA normal	13	**1**	0
Attributable earnings	14	**902**	728
Attributable earnings to:		**902**	728
Preference shareholders		**36**	8
Ordinary shareholders		**866**	720

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2006

		Company			
R million	Notes	Ordinary share capital	Distri-butable reserves	Preference share capital and premium	Total
Balance at 30 September 2004 (IFRS restated)		11	1 704	0	1 715
Issue of shares	6, 8	1	0	500	501
Share issue expenses	8	0	0	(17)	(17)
Dividends paid	15	0	(1 107)	(8)	(1 115)
Attributable earnings		0	720	8	728
Balance at 30 September 2005 (IFRS restated)		**12**	**1 317**	**483**	**1 812**
Issue of shares	6, 8	**0**	**0**	**0**	**0**
Share issue expenses	8	**0**	**0**	**0**	**0**
Cancellation of shares as a result of odd-lot offer	6	**0**	**(14)**	**0**	**(14)**
Dividends paid	15	**0**	**(897)**	**(36)**	**(933)**
Attributable earnings		**0**	**866**	**36**	**902**
Balance at 30 September 2006		**12**	**1 272**	**483**	**1 767**

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2006

		Company	
R million	Notes	**2006**	IFRS restated 2005
Cash generated from operations	16	**907**	929
(Increase)/decrease in working capital	17	**(5)**	3
Indirect and direct taxation recovered/(paid)	18	**2**	(73)
Ordinary shareholders' payments and transactions	19	**(897)**	(1 106)
Preference shareholders' payments and transactions	20	**(36)**	475
Cash inflow/(outflow) from investing activities	21	**40**	(226)
Increase in cash and cash equivalents		**11**	2
Cash and cash equivalents at the beginning of the year		**3**	1
Cash and cash equivalents at the end of the year	22	**14**	3

1. Accounting policies

The annual financial statements of African Bank Investments Limited are prepared according to the same principles used in preparing the consolidated annual financial statements of the ABIL group. For detailed accounting policies please refer to pages 120 to 129 of this report.

R million	Company 2006	Company IFRS restated 2005
2. Investment in subsidiaries		
Unlisted		
Shares at cost less impairments	**1 812**	1 812
Indebtedness to the company	**3**	3
	1 815	1 815
Indebtedness by the company	**(41)**	(1)
	1 774	1 814
The R3 million (2005: R3 million) indebtedness to the company by Goodbye Property (Proprietary) Limited has been subordinated in favour of other creditors.		
The R41 million (2005: R1 million) indebtedness by the company to African Bank Limited is interest free and has no fixed repayment term.		
See appendices B and C for information relating to subsidiaries.		
3. Other assets		
Sundry receivables	**0**	8
	0	8
4. Short-term deposits and cash		
Call and current accounts	**14**	3
	14	3
5. Other liabilities		
Sundry creditors and accruals	**4**	9
Shareholders for odd-lot offer	**13**	0
Shareholders for dividends	**6**	5
	23	14

	Company			
	2006		2005	
	Number of shares	R million	Number of shares	IFRS restated R million
6. Ordinary share capital				
Authorised				
Ordinary shares of 2,5 cents each	**1 000 000 000**	**25**	1 000 000 000	25
Issued				
Ordinary shares of 2,5 cents each	**497 911 307**	**12**	498 367 686	12
During February 2006, ABIL made an odd-lot offer to ordinary shareholders who individually held a total of less than 100 ABIL ordinary shares at 24 March 2006. The odd-lot offer entitled the specific shareholders to either sell their odd-lot holding at R30,75 per share, increase their odd-lot holding by paying R29,28 per share or keep their odd-lot holding. The result was that 5 687 shares were sold to shareholders electing to increase their holding and 462 066 shares were bought back and cancelled by ABIL.		**0**		0
On 12 September 2005, ABIL issued 20 151 515 and 1 060 606 ordinary shares to Eyomhlaba Investment Holdings Limited and the ABIL Development Trust respectively, at their par value of 2,5 cents per share. The transaction was pursuant to the group's BEE programme.		**0**		1

The directors have no authority to issue any of the unissued share capital. The directors have the authority to contract African Bank Investments Limited or any subsidiary to acquire shares not exceeding 3% of the issued share capital.

	Company	
R million	**2006**	IFRS restated 2005
7. Reserves		
Reserves comprise the following:		
Distributable reserves	**1 272**	1 317
Total reserves	**1 272**	1 317

AFRICAN BANK

	Company			
	2006		2005	
	Number of shares	R million	Number of shares	IFRS restated R million
8. Preference shareholders' equity				
Authorised				
Preference shares of 1 cent each	5 000 000	0	5 000 000	0
Issued				
Preference shares of 1 cent each	5 000 000	0	5 000 000	0
Preference shares at par value of 1 cent each		0		0
Preference share premium		483		500
Share issue expenses		0		(17)
		483		483

Five million non-redeemable, non-cumulative, non-participating preference shares with a par value of R0,01 each were issued on 23 March 2005. The shares were issued at a premium of R99,99 per share and share issue expenses of R17 million were set-off against the preference share premium. ABIL will not declare an ordinary dividend unless a preference dividend has been declared. Preference dividends will be calculated at 69% of the daily average prime rate which prevailed in respect of the period for which the dividend is calculated.

	Company	
R million	2006	IFRS restated 2005
9. Non-interest income		
Dividends received	915	934
	915	934
10. Other interest income		
Interest received bank account	1	0
Interest received from group companies	0	1
	1	1
11. Interest expense		
Loans	0	1
	0	1
12. Operating costs		
Auditors' remuneration		
Audit fees – current year	1	1
Impairment of investments	0	200
Provision for guarantee of intergroup loans reversed	0	(72)
Other expenses	8	4
	9	133

R million	Company 2006	Company IFRS restated 2005
13. Indirect taxation and direct taxation		
Indirect taxation charge per the income statement	**(4)**	2
Direct taxation charge per the income statement: STC	**2**	71
Direct taxation charge per the income statement: SA normal	**(1)**	0
Total taxation charge per the income statement	**(3)**	73
13.1 Indirect taxation		
Regional services council levies (RSC)	**(4)**	2
Indirect taxation charge per the income statement	**(4)**	2
13.2 Direct taxation		
Secondary tax on companies (STC)		
Current year	**2**	71
SA normal tax		
Current year	**0**	0
Deferred tax		
Current year	**(1)**	0
Direct taxation charge per the income statement	**1**	71
	%	%
13.3 Tax rate reconciliation		
Total taxation charge for the year as a percentage of net income before taxation	**(0,3)**	9,1
Indirect taxation: Regional services council levies	**0,4**	(0,2)
Effective rate of taxation	**0,1**	8,9
Secondary tax on companies	**(0,2)**	(8,9)
Capital gains tax	**0,1**	0,0
Dividend income	**29,4**	33,9
Capital items	**(0,4)**	(4,7)
Disallowable expenses	**(0,0)**	(0,2)
Standard rate of South African taxation	**29,0**	29,0

R million	Company 2006	Company IFRS restated 2005
14. Reconciliation between attributable earnings and headline earnings		
Attributable earnings	**902**	728
Adjusted for:		
Other capital items	**8**	0
Capital gains tax thereon	**(1)**	0
Headline earnings	**909**	728

R million	Company 2006	Company IFRS restated 2005
15. Ordinary and preference dividends		
15.1 Ordinary dividends		
Final dividend number 10 of 70 cents per ordinary share (2005: 57 cents)	**349**	272
Special dividend number 4 of 30 cents per ordinary share (2005: 53 cents)	**150**	253
Interim dividend number 11 of 80 cents per ordinary share (2005: 52 cents)	**398**	248
No special dividend declared (2005: 70 cents)	**0**	334
Total ordinary and special dividends paid during the year	**897**	1 107
Interim dividend number 11 of 80 cents per ordinary share (2005: 52 cents)	**398**	248
No special dividend declared (2005: 70 cents)	**0**	334
Final dividend number 12 of 120 cents per ordinary share (2005: 70 cents)	**597**	349
No special dividend declared (2005: 30 cents)	**0**	150
Total ordinary and special dividends relating to income for the year	**995**	1 081
Final dividend number 12 of 120 cents per ordinary share was approved by the board on 10 November 2006. No provision has been made for these dividends and their related STC in the financial statements for the year ended 30 September 2006.		
15.2 Preference dividends		
Final preference dividend number 2 of 361 cents per preference share (2005: nil as preference shares only issued on 23 March 2005)	**18**	0
Interim preference dividend number 3 of 361 cents per preference share (2005: 169 cents)	**18**	8
Total preference dividends paid during the year	**36**	8
Interim preference dividend number 3 of 361 cents per preference share (2005: 169 cents)	**18**	8
Final preference dividend number 4 of 392 cents per preference share (2005: 361 cents)	**20**	18
Total preference dividends relating to the year	**38**	26
Preference dividend number 4 of 392 cents per preference share was approved by the board on 10 November 2006. No provision has been made for these dividends and their related STC in the financial statements for the year ended 30 September 2006.		

R million	Company 2006	Company IFRS restated 2005
16. Cash generated from operations		
Net income from operations	**911**	799
Adjustments for:		
Indirect taxation	**(4)**	2
Impairment of investment in share trust	**0**	200
Reversal of intergroup guarantee	**0**	(72)
	907	929
17. (Increase)/decrease in working capital		
(Decrease)/increase in other liabilities	**(5)**	3
	(5)	3
18. Indirect and direct taxation recovered/(paid)		
Indirect and direct taxation charged to the income statement	**2**	(73)
	2	(73)
19. Ordinary shareholders' payments and transactions		
Share capital issued by the company	**0**	1
Dividends paid	**(897)**	(1 107)
	(897)	(1 106)
20. Preference shareholders' payments and transactions		
Share capital issued by the company	**0**	500
Share issue costs related to the above	**0**	(17)
Dividends paid	**(36)**	(8)
	(36)	475
21. Investing activities		
Recapitalisation of the ABIL Employee Share Trust	**0**	(200)
Increase/(decrease) in loans from subsidiaries	**40**	(26)
	40	(226)
22. Cash and cash equivalents		
Short-term deposits and cash	**14**	3
	14	3

23. Facility unutilised

African Bank Investments Limited does not have any unutilised credit facilities.

24. Contingent liabilities at year-end

African Bank Investments Limited did not have any contingent liabilities at year-end.

25. Related party information

African Bank Investments Limited holds 100% of (inter alia) African Bank Limited, Theta Investments (Proprietary) Limited and The Standard General Insurance Company Limited. Details of investment in subsidiaries/controlled entities are disclosed in appendix C on page 174. For details on loans to/from the company, refer note 2.

Director-related transactions

There were no material transactions with directors other than interests in the share capital of the company and share options, which are disclosed in the directors' report and the remuneration report.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Executive summary

African Bank Investments Limited (ABIL) made the transition to International Financial Reporting Standards (IFRS) for the financial year ending 30 September 2006. In order to facilitate a more meaningful understanding and comparison of the current year's results, the group has set out in this document the choices it has made with regard to the adoption of IFRS and the impact of the changes in the income statement for 2005 as well as the previously reported balance sheet and statements of changes in equity.

In order to achieve a smooth and consistent adoption of IFRS by companies, IFRS 1 sets out the requirements for transition to IFRS. The general principle of IFRS 1 requires full retrospective application of the IFRS applicable at 30 September 2006, to the opening balance sheet at 1 October 2004, unless various elections under IFRS 1 are selected. Certain elections allow the applicable IFRS to be applied *retrospectively*, ie restated back to 1 October 2004, or *prospectively*, ie implemented from the start of the current year (1 October 2005) with an adjustment to opening reserves.

The group has worked through all the changes from SA GAAP to IFRS, and overall, the impact of the changes on ABIL is not material. There are broadly three areas of IFRS that impact the income statement and balance sheet of the group.

- IFRS 2 – Share-based payment. The group has adopted IFRS 2 for options, converted options and new long-term incentive plans (LTIPs), *retrospectively*. This results in a charge for the granting of options, matched to the service life and the creation of a liability for the converted options and new LTIPs.
- IAS 18 – Revenue. Administration fees charged on the origination of loans are required to be deferred and amortised over the life of the loan. This statement was applied *prospectively*, and accordingly the deferred revenue reserve was increased by R91 million on 1 October 2005 with a debit to opening reserves.
- IAS 39 – Financial instruments (including impairment provisions). The discount rate used for assessing the present value of expected cash flows has to be increased to the original effective rate with no adjustment for credit spreads. This statement was applied *prospectively*, and this resulted in an R82 million increase in impairment provisions as at 1 October 2005.

With regard to the BEE programme, which entailed the issue of ABIL shares in September 2005, at par value, ABIL has elected not to account for this transaction under IFRS 2 as the implementation date of a new interpretation, IFRIC 8 – Scope of IFRS 2, which scopes such transactions into IFRS 2, is only effective for financial periods beginning on or after 1 May 2006.

Overall the impact of the changes was an increase in the net attributable income for the 12 months to 30 September 2005 of R2 million. In addition the impact of the retrospective adjustments decreased net asset value (NAV) by R89 million on 30 September 2005 from R2 211 million to R2 122 million and the prospective adjustments resulted in a further decrease in NAV on 1 October 2005 of R122 million to R2 000 million.

The net impact of the IFRS changes is primarily a more conservative accounting treatment for the recognition of income and setting of impairment provisions, as well as reflecting the economic cost of equity incentive schemes in the income statement, in the period to which they relate.

None of the changes impact on the underlying cash flows, nor do they change the economic drivers of the business. In addition these changes will not have a material effect on the targeted capital of the group, nor its stated dividend policy.

Introduction

For the year ended 30 September 2005 ABIL prepared its financial statements under South African Statements of Generally Accepted Accounting Practice (SA GAAP). In accordance with the JSE Limited Listings Requirements, ABIL is required to prepare its consolidated financial statements in accordance with IFRS for the year ending 30 September 2006.

Basis for preparation

The change in reporting to IFRS has been a particularly complex process with many interpretive opinions having to be sought as issues emerge. The following financial information has been prepared based on the IFRS applicable for the year ended 30 September 2006. However it is also likely that this process may still evolve for some time.

Transition to IFRS

In order to achieve a smooth and consistent adoption of IFRS by companies, IFRS 1 sets out the requirements for transition to IFRS. This statement requires a full retrospective restatement of the impact of the change to IFRS back to the transition date balance sheet, and also allows certain exemptions and elections during the transition period. The standard also sets out disclosure requirements for the effects of the changes to IFRS.

As the group publishes comparative information for one year in its financial statements, the date for transition to IFRS is 1 October 2004, which represents the start of the earliest period of comparative information presented.

The group has made certain elections to avoid making changes to the prior year reported results, unless such changes would materially affect the comparison with the current year's performance and make such comparisons more meaningful. In most cases, the changes under IFRS result in a once-off adjustment (not taken through the income statement) and the year on year income statement remains fairly constant.

Primarily the elections allow a company to choose in certain cases whether to apply changes *retrospectively* or *prospectively*.

Retrospective application means that the new IFRS must be applied back to the transition date balance sheet ie 1 October 2004, and the income statements restated for all periods since that date.

Prospective application means that the IFRS is applied in the current year of adoption ie from 1 October 2005, and that an adjustment for the effect of the changes on 1 October 2005 is reflected as an entry in the statement of changes in equity on that date. Thereafter the income statement reflects the impact of the new standard.

Under IFRS 1 the group has made the following elections with regard to the application of IFRS during the transition period:

- **IFRS 2 – Share-based payment (retrospective adoption)**

  The group has elected not to apply the provisions of IFRS 2 to share-based awards relating to employee incentive schemes, granted on or before 7 November 2002, or to awards granted after that date, but which had vested prior to 1 January 2005. The economic cost of these options primarily relates to periods prior to stated comparatives and therefore has little relevance to the current periods under review.

  With regard to the BEE programme, which entailed the issue of ABIL shares in September 2005, at par value, ABIL has elected not to account for this transaction under IFRS 2, as the implementation date of a new interpretation, IFRIC 8 – Scope of IFRS 2, which scopes such transactions into IFRS 2, is only effective for financial periods beginning on or after 1 May 2006.

- **IFRS 3 – Business combinations**

  The group has elected not to retrospectively apply the requirements of IFRS 3 for business combinations that occurred prior to 1 October 2004, and hence the carrying value of goodwill at 30 September 2004 remains unchanged.

- **IFRS 4 – Insurance contracts (prospective adoption)**

  This standard will be adopted prospectively from 1 October 2005, with no restatement of 2005 comparative numbers. The impact of the change was not material.

- **IAS 16 – Property, plant and equipment**

  The group has elected not to use the fair value of owner-occupied property as the deemed cost as at 1 October 2004. Thus the group will continue to use the original cost of these assets, and to depreciate the assets in accordance with IAS 16. The impact of this change was immaterial to the group's results.

- **IAS 18 – Revenue (prospective adoption)**

  The group has elected to apply the provisions of IAS 18 with regard to the deferred recognition of administration fees prospectively from 1 October 2005. This is consistent with the prospective application of IAS 39 below. The impact of the change to IAS 18 has been made by way of an adjustment to opening reserves on 1 October 2005.

- **IAS 32 – Financial instruments: presentation and IAS 39 – Financial instruments: recognition and measurement (prospective adoption)**

  The group has elected to apply the effects of both IAS 32 and IAS 39 prospectively from 1 October 2005, with no restatement of comparative numbers for the 2005 financial year. The impact of the change to IAS 39 has been made by way of an adjustment to opening reserves on 1 October 2005.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Impact of the adoption of IFRS

The impact of the material changes from SA GAAP to IFRS is discussed in the notes below, which also forms the basis for the reconciliation of the restated income statement, balance sheet and statements of changes in equity, set out in the attached appendices. Since the changes to IFRS do not have any underlying cash flow implications the reported cash flow statements do not change.

Note 1: IFRS 2 – Share-based payment

Incentive schemes

The group had an employee share option scheme, which has been discontinued and is currently being run down, and a new cash-settled long-term incentive plan (LTIP), which is based on the ABIL share price. Both these schemes fall within the scope of IFRS 2.

Under SA GAAP, the initial granting of options under the option scheme resulted in no recorded transactions, whilst when the options were exercised and shares delivered, a loss was incurred and recorded as a movement in the statement of changes in equity. In addition, the options converted in August 2005 to a cash-settled alternative, were accounted for under SA GAAP as a proportional accrual of the liability, resulting in a charge of R51 million being taken in the income statement for the 2005 financial year. As the conversion is dealt with differently under IFRS 2 (refer below), this accrual has been reversed in the restated income statement for 2005, together with the related tax relief.

Normal options

Under IFRS 2, the initial grant of options is valued on the grant date, and the cost thereof is amortised through the income statement over the vesting period, with a corresponding credit to an equity reserve (IFRS reserve). This is done retrospectively, for all options granted after 7 November 2002 and which had not vested or lapsed before 1 January 2005. As a result, a charge of R14 million has been taken for periods prior to 1 October 2004 and a charge of R35 million has been taken through the 2005 income statement resulting in a total IFRS reserve of R49 million. There is no taxation impact from the above entries.

Converted options

The options converted to a cash-settled instrument in August 2005, qualified in terms of IFRS 2 as a modification of the original options to which they related. In terms of the standard, the value of the original options at grant date must continue to be taken through the income statement over the vesting period, and in addition any subsequent changes in the fair value of the liability measured at the conversion date must be expensed through the income statement over the remaining vesting period.

The market value of the liability as at the conversion date is raised proportionately based on the extent to which the vesting period has been completed, with a corresponding debit to the IFRS reserve in equity. All subsequent changes in the valuation of the liability are then taken through the income statement. The conversion date liability and changes in the mark to market of that liability are accrued over the vesting period of the instrument. Accordingly on 11 August 2005, R178 million (65% of the total conversion date liability of R275 million, being the average portion of the vesting period that has been completed for each instrument) has been accrued in other liabilities, and after related tax deductions, R126 million has been debited to the IFRS reserve. There has been a R1 million decrease in the valuation of the liability between the conversion date and 30 September 2005. The remainder of the conversion date liability, being R97 million (R275 million less R178 million) will be accrued over the remaining service period, with a corresponding debit to the IFRS reserve. Changes in the valuation of the accrued liability will be taken through the income statement in each reporting period.

New LTIPs

The new LTIP, being a cash-settled, equity instrument, is accrued (with a charge to the income statement) over the vesting period of the instrument. At each financial reporting date, the accrued liability is revalued based on current market prices, and the change in value taken through the income statement. Since the new LTIP was only introduced in October 2005, there is no impact from these instruments in the restated comparatives.

Refer below for a detailed analysis of the impact of IFRS 2 on these instruments.

BEE programme

In August 2005, ABIL issued 20,1 million shares at par value to Eyomhlaba Investment Holdings Limited, a special purpose vehicle set up for the ABIL BEE share ownership programme. The programme was structured to reflect a single cost to shareholders in the form of a dilution to earnings and dividends through a larger number of shares in issue.

The group is of the opinion that this transaction does not fall within the scope of IFRS 2 and it has accordingly been accounted for in terms of IAS 39 and IAS 32. IFRIC 8, an interpretation recently issued, modifies the scope of IFRS 2 to include such transactions, however the implementation date of this statement is for periods beginning on or after 1 May 2006 ie ABIL's 2007 financial year.

Were the group to have early adopted the interpretation note in relation to the standard, there would have been a BEE expense recorded in the comparative income statement to the value of R435 million being the market value of the shares on the effective date of the transaction less the consideration received, with a corresponding credit to an IFRS reserve in equity. The net result is no change in recorded net asset value.

Note 2: IAS 18 – Revenue

Previously, administration fees charged to customers for the origination of loans were partially recognised upfront and the remainder amortised on a straight line over the life of the loan.

In accordance with IAS 18, such fees must be fully amortised over the contractual life of the loan using the effective interest rate method. The statement also suggests that direct origination costs may be deferred and amortised using the effective rate method. Given that ABIL's origination costs are all internal and primarily absorbed costs, the group does not consider it appropriate to defer such costs, and accordingly, expenses them when they are incurred.

The impact of the change is to create an income stream on administration fees and interest income that reflects a constant yield over the contractual life of the loans. The change to this accounting policy has been applied prospectively from 1 October 2005 and as a result the provision for deferred administration fees has been increased by R91 million from R55 million to R146 million. The additional R91 million provision is debited to retained income on 1 October 2005, after deducting related tax relief. The impact on the 2005 net income, were the changes to have been applied retrospectively, was approximately R22 million.

Note 3: IAS 39 – Financial instruments: recognition and measurement

The only material change from this statement for the ABIL group relates to the credit impairment for loan advances. Previously, under AC 133, the impairment provision was based on an expected loss basis, and cash flows from NPLs were discounted using the original effective interest rate less the credit spread priced into the loans on origination.

IAS 39 requires impairment provisions to be based on an incurred loss basis, and thus the only impairment provisions that may be created, are in relation to loans that display an impaired status on an objective assessment basis. In addition, the effective rate method requires that no adjustment may be made for a credit spread to the discount rate used to assess the present value of future expected cash flows on impaired loans.

The group elected to apply the changes to impairment provisions prospectively, and accordingly has made an adjustment to increase the impairment provisions by R82 million as at 1 October 2005, with the debit being recorded as a movement in the current year statement of changes in equity, after related tax deductions. The effect, had we implemented this change as at 1 October 2004, would not have had a material impact on the 2005 financial results.

Note 4: Other IFRS statements

There are a number of other IFRS and IAS statements, which contain changes from previous SA GAAP. None of these changes are material to the ABIL group and accordingly have not been separately disclosed in this report. The impact of these changes will be implemented and disclosed during the current reporting period.

Conclusion

The net impact of the IFRS changes is primarily a more conservative accounting treatment for the recognition of income and creation of impairment provisions, as well as reflecting the economic cost of equity incentive schemes in the income statement, in the period to which they relate.

The increased provisions will result in a once-off increase in coverage ratios of approximately 5%, however the annual bad debt charge thereafter will remain largely consistent with previous trends. Similarly, the deferred income recognition provision results in a once-off deferral of revenue into the future, however the revenue line will also remain largely consistent with previous revenue trends.

None of the changes impacts on the underlying cash flows, nor do they change the economic drivers of the business. In addition these changes will not have a material effect on the targeted capital of the group, nor its stated dividend policy.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

It is important to note however that there has been a net decrease of R211 million in the reported net asset value of the group, with a concomitant increase in an unearned annuity income stream into the future.

Detailed analysis of the impact of IFRS 2 – Share-based payment

This appendix sets out in more detail the impact of the introduction of IFRS 2 in relation to the group's equity-based incentive schemes.

The group previously used the ABIL share option scheme as the primary vehicle for long-term incentives to management and staff. The group issued normal share options to staff at strike prices based on the prevailing ABIL share price, vesting in 20% tranches over a period of one to five years.

This scheme was discontinued in August 2005 and replaced with a cash-settled long-term incentive plan (LTIP). The new LTIP is based on the synthetic investment into ABIL shares from a participation pool derived from the economic profit for a period, geared 1,5 times with a notional loan. The value of the synthetic investment is paid out in equal tranches over four years, to beneficiaries of the LTIP. In addition, to facilitate the wind down of the option scheme, the group converted the existing options into a cash-settled option conversion instrument.

Thus there are currently three elements to the charge for equity-settled instruments, which over time will reduce to a single charge from the new LTIP structure.

1. Normal options

Under IFRS, a charge for options granted must be amortised through a charge in the income statement, based on the valuation of the options on the grant date and spread over the expected life of the options, with a corresponding credit to an IFRS reserve in equity. The charge through the income statement thus remains constant, even if the resulting losses on the exercise of the options differ from the initial valuation. Such differences continue to be booked directly to equity.

The qualifying options, including options that were converted into cash-settled instruments as discussed below, were valued using a modified Black Scholes valuation model for each option granted and the aggregate value of these was R69 million. The amortisation profile based on the expected life of the options is as follows, and these amounts form the basis of the charge for options granted.

	R million
Pre 1 October 2004	14
2005	35
2006	13
2007	6
2008	2
	69

2. Options converted into cash-settled option conversion instruments

As referred to above, the conversion of the options into a cash-settled instrument was accounted for under SA GAAP as a proportional accrual of the liability. Consequently, an accrual of R51 million was raised through the income statement for the 2005 financial year, and this has been reversed as part of the IFRS restatement.

Under IFRS 2, these instruments qualify as a modification of the original option grant. Accordingly the value of the options at grant date (per paragraph 1 above), continues to be taken through the income statement. In addition, the fair value of the options at the conversion date forms the basis for the creation of the initial liability. The movements in this initial liability subsequent to the conversion date are taken through the income statement.

The entries required for the converted instruments are in two parts:

a) The creation of the initial liability based on the conversion date valuation. The valuation of the options converted on 11 August 2005 was R275 million. This liability is accrued over the expected life (ie vesting period) of the underlying instruments. As at the conversion date the instruments had on average completed 64,7% of their vesting period and thus a liability of R178 million was created. The balance of the liability is accrued over the remaining life of the instruments according to the following table:

	For the period R million	Cumulative R million
As at conversion date	178	178
2006	64	242
2007	27	269
2008	6	275
	275	275

The above entries have no income statement impact, as the debit entry (after adjusting for the taxation effect) is taken directly to the IFRS reserve in the period the liability is accrued.

b) The revaluation of the accrued liability to market values. At the end of each reporting period, the accrued liability is adjusted to the fair value of the instrument using prevailing market prices. The change in the value of the liability from period to period is then taken through the income statement. It must be noted that only the change in the accrued liability to date is taken and not the change in the entire value of the liability ie at 30 September 2005 only the R178 million portion of the R275 million liability is adjusted to fair value, and as at 30 September 2006, the R242 million (R178 million + R64 million) liability will be adjusted to fair value.

As at 30 September 2005 the fair value of the accrued liability was R177 million, resulting in a net release of R1 million through the income statement. Since that date the ABIL share price has risen, and it is therefore expected that there will be a charge through subsequent income statements.

3. New LTIPs granted

The new LTIP structure was implemented from 1 October 2005, and hence there is no restatement impact from these instruments. According to the vesting profile of the LTIP, the pool is accrued (and a charge taken through the income statement) according to the following profile:

Year 1	52%
Year 2	27%
Year 3	15%
Year 4	6%
	100%

At each reporting date, the portion of the pool that has been accrued is adjusted to fair value, and the change in the liability is taken through the income statement.

RECONCILIATION OF CHANGE IN GROUP ATTRIBUTABLE EARNINGS

FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2005

R million	Attributable earnings
As previously reported	941
Adjustments for:	
Reversal of 2005 LTIP accrual – SA GAAP	36
Charge for options – IFRS 2	(35)
Charge for cash-settled equity incentive instrument – IFRS 2	1
As reported under IFRS	943

Note: The above adjustments are shown on an after tax basis.

GROUP STATEMENT OF CHANGES IN EQUITY

PREPARED IN ACCORDANCE WITH IFRS

	Ordinary shares				
R million	Share capital	Distributable reserves	IFRS 2 reserve (distributable)	Treasury shares	Total
Balance at 1 October 2004 as previously reported	11	2 684	0	(55)	2 640
Charge for options – IFRS 2		(14)	14		0
Balance at 1 October 2004 as reported under IFRS	11	2 670	14	(55)	2 640
Balance at 30 September 2005 as previously reported	12	2 264	0	(65)	2 211
Reversal of 2005 LTIP accrual – SA GAAP		36			36
Charge for options – IFRS 2		(49)	49		0
Charge for cash-settled equity instruments – IFRS 2		1	(126)		(125)
Balance at 30 September 2005 as reported under IFRS	12	2 252	(77)	(65)	2 122
Prospective adjustments – 1 October 2005					
Revenue recognition – IAS 18		(64)			(64)
Credit impairments – IAS 39		(58)			(58)
Balance at 1 October 2005 as reported under IFRS	12	2 130	(77)	(65)	2 000

RESTATED GROUP INCOME STATEMENT

PREPARED IN ACCORDANCE WITH IFRS

R million	As previously reported	Reversal of 2005 accrual for cash-settled instrument (SA GAAP)	Normal options (IFRS 2)	Cash-settled instruments (IFRS 2)	Restated for the 12 months to 30 Sept 2005
	For the 12 months ended 30 September 2005				
Revenue					
Interest income on advances	2 752				2 752
Net assurance income	357				357
Non-interest income	274				274
Total revenue	**3 383**				**3 383**
Charge for bad and doubtful advances	(488)				(488)
Risk-adjusted revenue	**2 895**				**2 895**
Other interest income	156				156
Interest expense	(492)				(492)
Operating costs	(968)	51	(35)	1	(951)
Indirect taxation: VAT and RSC	(50)				(50)
Net income from operations	**1 541**	**51**	**(35)**	**1**	**1 558**
Share of associate company's income	1				1
Net income before taxation	**1 542**	**51**	**(35)**	**1**	**1 559**
Direct taxation: STC	(140)				(140)
Direct taxation: SA normal	(461)	(15)			(476)
Net income after taxation	**941**	**36**	**(35)**	**1**	**943**
Minority interest	0				0
Attributable earnings	**941**	**36**	**(35)**	**1**	**943**
Reconciliation of headline earnings					
Attributable earnings	**941**	**36**	**(35)**	**1**	**943**
Adjusted for:					
Goodwill impaired	14				14
Other capital items	(1)				(1)
Headline earnings	**954**	**36**	**(35)**	**1**	**956**
Per share statistics					
Number of shares in issue (net of treasury) (mil)	495	495	495	495	495
Weighted number of shares in issue (mil)	471	471	471	471	471
Attributable earnings per share (cents)	**198,3**	**7,7**	**(7,4)**	**0,2**	**198,7**
Headline earnings per share (cents)	**201,0**	**7,7**	**(7,4)**	**0,2**	**201,5**

RESTATED GROUP BALANCE SHEET

PREPARED IN ACCORDANCE WITH IFRS

	IFRS retrospective changes				IFRS prospective changes		
R million	As previously reported 30 Sept 2005	Reversal of 2005 accrual for cash-settled instrument (GAAP)	Cash-settled instruments (IFRS 2)	Restated as at 30 Sept 2005	Revenue recognition (administration fees) (IAS 18)	Credit impairments (IAS 39)	Restated as at 1 Oct 2005
Assets							
Property and equipment	112			112			112
Investment in associate	11			11			11
Policyholders' investments	63			63			63
Deferred tax asset	46	(5)	52	93	27		120
Net advances	5 282			5 282	(91)	(82)	5 109
Gross advances	6 454			6 454			6 454
Provision for deferred administration fees	(55)			(55)	(91)		(146)
Impairment provisions	(1 117)			(1 117)		(82)	(1 199)
Other assets	63			63			63
Taxation	21			21			21
Statutory assets – bank and insurance	517			517			517
Short-term deposits and cash	1 147			1 147			1 147
Total assets	**7 262**	**(5)**	**52**	**7 309**	**(64)**	**(82)**	**7 163**
Liabilities and equity							
Life fund reserve	95			95			95
Subordinated debentures	197			197			197
Bonds and other long-term funding	3 256			3 256			3 256
Short-term money market funding	633			633			633
Other liabilities	300	(51)	177	426			426
Taxation	77	10		87		(24)	63
Bank overdraft	0			0			0
Total liabilities	**4 558**	**(41)**	**177**	**4 694**		**(24)**	**4 670**
Ordinary share capital	12			12			12
Reserves	2 199	36	(125)	2 110	(64)	(58)	1 988
Ordinary shareholders' equity	2 211	36	(125)	2 122	(64)	(58)	2 000
Preference shareholders' equity	483			483			483
Minority shareholders' interest	10			10			10
Total equity (capital and reserves)	**2 704**	**36**	**(125)**	**2 615**	**(64)**	**(58)**	**2 493**
Total liabilities and equity	**7 262**	**(5)**	**52**	**7 309**	**(64)**	**(82)**	**7 163**
Net asset value per share	**446,6**			**428,6**			**404,0**

GROUP STRUCTURE AND PROFILE

AS AT 30 SEPTEMBER 2006

AFRICAN BANK INVESTMENTS LIMITED

- **African Bank Limited** – **Credit banking** – 100%
  - **Divisions**
    - African Bank
    - Credit Indemnity
    - Commercial Vehicle Finance▼
    - African Bank Miners Credit
    - Group Collections
  - Standard Bank JV – 40%
  - Alternative Finance*▲ – 100%
  - King Finance*▲ – 100%
  - Liberal Holdings Shareblock*▲ – 100%
  - Unity Financial Services*▲ – 100%
  - Teba Credit*▲ – 100%
- **The Standard General Insurance Company Limited** – **Assurance** – 100%
- Credit Save[1] – 100%
- Credit Indemnity Property▲[1] – 100%
- Goodbye Property▲[1] – 100%
- BTU Trading and Underwriting▲ – 100%
- BSG Management Co.▲ – 100%
- Garganey Investments▲ – 100%
- ABIL Employee Share Trust◆
- **Theta Investments (Proprietary) Limited** – **Investments** – 100%
  - African Contractor Finance[2] – 100%
  - Gilt Edged Management Services[2] – 100%
  - Miners Credit Guarantee and extended group* – 100%
  - Credit Indemnity*▲ – 100%
  - A1 Taxi House*▲ – 100%
  - A1 Taxi Finance*▲ – 100%
  - Union Micro Loans▲ – 100%
  - Theta Capital▲ – 100%
  - Assure Direct▲ – 100%
  - Credit Direct▲ – 100%
  - Soletrade Seven t/a Quatro[2] – 100%

▲ *Dormant (in the process of being liquidated)*
* *Has been divisionalised into African Bank Limited*
◆ *Trust*
1 *Property companies*
2 *Being wound down*
▼ *Disposed of 1 March 2006*

INVESTMENT IN SUBSIDIARIES/CONTROLLED ENTITIES

	Type of business	Issued share capital 2006 Rm	Issued share capital 2005 Rm	Effective percentage held 2006 %	Effective percentage held 2005 %	Investment (at cost and impairments) 2006 Rm	Investment (at cost and impairments) 2005 Rm	Loans 2006 Rm	Loans 2005 Rm
Held by African Bank Investments Limited:									
African Bank Limited	Credit bank	**121**	121	**100**	100	**1 539**	1 539	**(41)**	(1)
Theta Investments (Pty) Limited	Financial services	**0**	0	**100**	100	**64**	64	**0**	0
Goodbye Property (Pty) Limited	Dormant	**0**	0	**100**	100	**0**	0	**3**	3
BSG Management Company (Pty) Limited	Dormant	**0**	0	**100**	100	**0**	0	**0**	0
BTU Trading and Underwriting (Pty) Limited	Dormant	**0**	0	**100**	100	**0**	0	**0**	0
Credit Indemnity Property (Pty) Limited	Dormant	**0**	0	**100**	100	**0**	0	**0**	0
Standard General Insurance Company Limited – cost	Assurance	**5**	5	**100**	100	**539**	539	**0**	0
Standard General Insurance Company Limited – impairment						**(338)**	(338)		
Credit Save (Pty) Limited	Property	**0**	0	**100**	100	**8**	8	**0**	0
Garganey Investments Holdings (Pty) Limited	Dormant	**0**	0	**100**	100	**0**	0	**0**	0
ABIL Employee Share Trust – cost	Share trust	**0**	0	**100**	100	**200**	200	**0**	0
ABIL Employee Share Trust – impairment						**(200)**	(200)		
						1 812	1 812	**(38)**	2

	Type of business	Issued share capital 2006 Rm	Issued share capital 2005 Rm	Effective percentage held 2006 %	Effective percentage held 2005 %	Investment (at cost and impairments) 2006 Rm	Investment (at cost and impairments) 2005 Rm
Held by African Bank Limited and Theta Investments (Pty) Limited:							
Alternative Finance Limited – cost	Dormant	**27**	27	**100**	100	**345**	345
Alternative Finance Limited – impairment						**(190)**	(190)
King Finance Corporation Limited – cost	Dormant	**1**	1	**100**	100	**206**	206
King Finance Corporation Limited – impairment						**(146)**	(146)
Unity Financial Services Limited – cost	Dormant	**0**	0	**100**	100	**69**	69
Unity Financial Services Limited – impairment						**(42)**	(42)
Liberal Holdings Shareblock (Pty) Limited	Dormant	**0**	0	**100**	100	**0**	0
African Contractors Finance Corporation (Pty) Limited	Dormant	**0**	0	**100**	100	**15**	15
African Contractors Finance Corporation (Pty) Limited – impairment						**(13)**	(13)
Union Micro Loans (Pty) Limited	Dormant	**0**	0	**100**	100	**6**	6
Union Micro Loans (Pty) Limited – impairment						**(1)**	(1)
Gilt Edged Management Services (Pty) Limited	Dormant	**0**	0	**100**	100	**16**	16
Credit Indemnity (Pty) Limited	Dormant	**0**	0	**100**	100	**39**	39
Credit Indemnity (Pty) Limited – impairment						**(39)**	(39)
Credit Direct (Pty) Limited	Dormant	**0**	0	**100**	100	**1**	1
Credit Direct (Pty) Limited – impairment						**(1)**	(1)
Miners Credit Guarantee (Pty) Limited	Financial services	**0**	0	**100**	100	**50**	50
Teba Credit (Pty) Limited	Financial services	**20**	20	**100**	100	**419**	419
Teba Credit (Pty) Limited – impairment						**(86)**	0
Soletrade Seven (Pty) Limited trading as Quatro	Dormant	**0**	0	**100**	100	**0**	0
A1 Taxi House (Pty) Limited	Dormant	**0**	0	**100**	100	**0**	0
A1 Taxi Finance (Pty) Limited – cost	Dormant	**0**	0	**100**	100	**1**	1
A1 Taxi Finance (Pty) Limited – impairment						**(1)**	(1)
Theta Capital (Pty) Limited	Dormant	**0**	0	**100**	100	**0**	0
Assure Direct (Pty) Limited	Dormant	**0**	0	**100**	100	**0**	0

All subsidiaries are incorporated in the Republic of South Africa.

INVESTMENT IN ASSOCIATE

	Percentage holding		Group
	2006 %	2005 %	2005 R million
Mathomo Financial Services (Proprietary) Limited (an associate of Miners Credit Guarantee (Proprietary) Limited)	**100,0**	50,0	
Principal activity: Financial services			
During October 2005, after testing the 50% held in the associate for impairment and recognising an impairment loss of R6 million in accordance with IAS 36 – Impairment of assets, the group acquired the remaining 50% of the associate (Mathomo Financial Services (Proprietary) Limited) for a consideration of R6 million. With effect from 1 November 2005 (the effective date of the transaction), the group consolidated the results of the entity. During July 2006 the company changed its name to M Financial Services (Proprietary) Limited.			
Ordinary shares at cost			6
Share of attributable income			5
Total			11

Aggregate financial information in respect of associate company

R million	2005
Balance sheet	
Assets	
Net current assets	13
	13
Liabilities and equity	
Other liabilities	1
Share capital and reserves	12
	13
Income statement	
Revenue	7
Net income before taxation	3
Taxation	(1)
Attributable income	2
Group's share of associate company's income	1

BUSINESS UNIT PROFITABILITY ANALYSIS

	Average gross advances	Total revenue		Bad debt charge		Operating expenditure		Headline earnings
	R million	R million	% of advances	R million	% of advances	R million	% of advances	R million
12 months ended 30 September 2006 Continuing businesses	7 135	3 845	53,9	617	8,6	916	12,8	1 350
African Bank	5 955	3 184	53,5	454	7,6	790	13,3	1 125
Miners Credit	685	403	58,8	106	15,5	65	9,5	147
Standard Bank JV	387	223	57,6	57	14,7	57	14,7	59
CVF	108	35	32,4	0	0,0	4	3,7	19
Discontinued	10	(2)		(11)		1		3
Group and consol		1		0		12		(2)
IFRS 2 charge						119		(88)
STC								(118)
Total	7 145	3 844	53,8	606	8,5	1 048	14,7	1 145
12 months ended 30 September 2005 Continuing businesses	6 112	3 411	55,8	491	8,0	893	14,6	1 148
African Bank	5 124	2 818	55,0	393	7,7	750	14,6	935
Miners Credit	459	322	70,2	70	15,3	86	18,7	107
Standard Bank JV	300	197	65,7	27	9,0	48	16,0	71
CVF	229	74	32,3	1	0,4	9	3,9	35
Discontinued	80	(28)		(3)		9		(25)
Group and consol		0		0		15		7
IFRS 2 charge						34		(34)
STC								(140)
Total	6 192	3 383	54,6	488	7,9	951	15,4	956

BUSINESS UNIT ADVANCES AND IMPAIRMENT PROVISIONS ANALYSIS

	Gross advances	Non-performing (NPLs)		Total impairment provisions	NPL coverage
	R million	R million	% of gross advances	% of gross advances	%
30 September 2006					
Lending books	**7 172**	**1 826**	**25,5**	**17,5**	**68,8**
African Bank – retail products	**5 474**	**1 394**	**25,5**	**18,0**	**70,9**
– payroll products	**494**	**179**	**36,2**	**18,0**	**49,7**
– credit card	**73**	**3**	**4,1**	**2,7**	**66,7**
Miners Credit	**748**	**191**	**25,5**	**17,9**	**70,2**
Standard Bank JV	**383**	**59**	**15,4**	**11,5**	**74,6**
Pay down books	**555**	**387**	**69,7**	**32,1**	**46,0**
Total	**7 727**	**2 213**	**28,6**	**18,6**	**64,8**
30 September 2005					
Lending books	5 793	1 191	20,6	14,7	71,3
African Bank – retail products	3 926	816	20,8	14,4	69,5
– payroll products	614	199	32,4	21,7	66,8
Miners Credit	651	130	20,0	15,2	76,2
Standard Bank JV	348	45	12,9	8,9	68,9
CVF	254	1	0,4	7,5	>100,0
Pay down books	661	451	68,2	40,5	59,4
Total	6 454	1 642	25,4	17,3	68,0

INTEREST IN JOINT VENTURE

The group has a 40% interest in a joint venture, entered into with The Standard Bank of South Africa Limited (SBSA), which provides products and services in the credit banking industry. SBSA has served African Bank Limited notice that it will terminate the joint venture partnership. The joint venture will continue to operate and serve its clients and will terminate with effect from 1 June 2007, whereafter the joint venture loan book will run down over time, with the partners sharing costs and revenues in existing ratios. ABIL does not expect that the winding down of the joint venture will negatively affect the attainment of its stated short and medium term objectives.

The following represents the group's share of the assets, liabilities, revenue and expenses of the joint venture and are included in the consolidated balance sheet and income statement:

R million	2006	IFRS restated 2005
Interest-bearing assets	**414**	375
Non-interest-bearing assets	**4**	0
Interest-bearing borrowings	**291**	244
Provisions for liabilities and charges	**73**	59
Profit before taxation	**47**	69
Taxation	**(13)**	(20)
Profit after taxation	**34**	49
Profit distribution	**(44)**	(25)
Proportionate interest in joint venture commitments	**0**	0

DIVIDEND DECLARATION | SHAREHOLDERS' DIARY | LISTINGS INFORMATION | JSE STATISTICS | SHAREHOLDERS' PROFILE

shareholder information

DIVIDEND DECLARATION

Preference dividend declaration

On 10 November 2006, the board of directors proposed and approved dividend number 4 of 392 cents per preference share.

The dividend was calculated using the following parameters:

Average prime interest rate for the period	11,4%
Coupon rate as percentage of prime	69%
Number of days	182

Salient dates for dividend payments

Last day to trade cum dividend	Friday, 1 December 2006
Shares commence trading ex dividend	Monday, 4 December 2006
Record date	Friday, 8 December 2006
Dividend payment date	Monday, 11 December 2006

Share certificates may not be dematerialised or rematerialised between Monday, 4 December 2006 and Friday, 8 December 2006, both days inclusive.

Final ordinary dividend declaration

On 10 November 2006, the board of directors proposed and approved final dividend number 12 of 120 cents per ordinary share.

Salient dates for dividend payments

Last day to trade cum dividend	Friday, 8 December 2006
Shares commence trading ex dividend	Monday, 11 December 2006
Record date	Friday, 15 December 2006
Dividend payment date	Monday, 18 December 2006

Share certificates may not be dematerialised or rematerialised between Monday, 11 December 2006 and Friday, 15 December 2006, both days inclusive.

SHAREHOLDERS' DIARY

Financial year-end	30 September
Interim results announced	14 May 2007
Annual results announced	19 November 2007
Dividend payment dates	
Interim ordinary dividend	June 2007
Final ordinary dividend	December 2007
Preference dividends – First six months	June 2007
– Second six months	December 2007
Annual general meeting	1 March 2007

LISTINGS INFORMATION

Stock exchange codes

Listings exchange	JSE
Sector	Financials
Subsector	Consumer finance
Share codes	
Ordinary shares	JSE: ABL Reuters: ABLJ.J Bloomberg: ABL SJ Equity
Preference shares	JSE ABLP Reuters ABLPp.J
ISIN codes	
Ordinary shares	ZAE000030060
Preference shares	ZAE000065215
Bond codes	ABL3 ABL4 ABL5
ADR programme	Level 1
ADR symbol	AFRVY
Conversion ratio	One ADR is equivalent to five ordinary shares

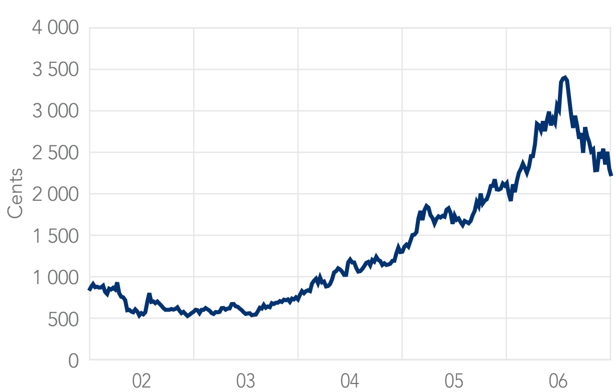
JSE STATISTICS

JSE statistics
As at 30 September

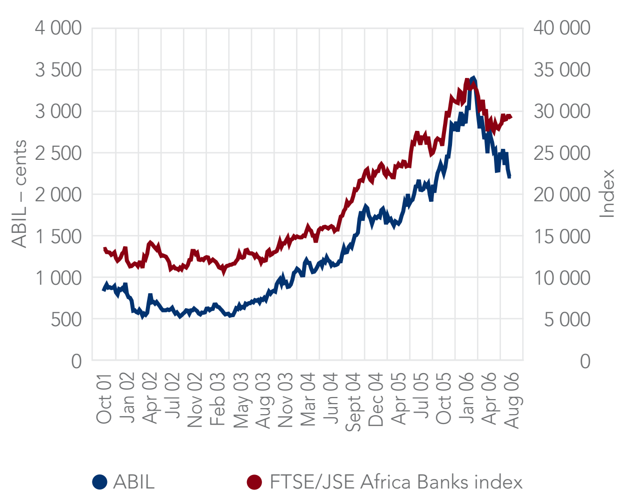
	2006	2005	2004	2003	2002	2001	2000
Traded price (cents per share)							
Close	**2 210**	2 125	1 299	725	525	779	650
High	**3 430**	2 305	1 380	770	950	965	1 620
Low	**1 910**	1 299	721	520	480	460	565
Market capitalisation (Rm)	**11 004**	10 590	6 198	3 604	2 610	4 006	4 048
Value of shares traded (Rm)	**14 632**	6 943	5 371	2 804	3 109	4 275	4 544
Value traded as % of market capitalisation	**133**	66	87	78	119	107	112
Volume of shares traded (millions)	**556**	396	528	455	449	543	398
Volume traded as % of number in issue	**112**	80	112	94	92	93	67
PE ratio	**10,1**	12,2	9,3	6,5	4,1	6,3	5,8
Dividend yield	**6,8**	5,1	5,1	5,9	5,1	1,3	n/a
Earnings yield	**9,9**	8,2	10,7	15,5	24,2	15,9	17,4
Period-end market price/NAV	**5,0**	4,8	2,3	1,2	1,1	1,9	1,6
Shares in issue net of treasury shares (millions)	**497**	495	471	474	490	504	623
Average number of shares in issue (millions)	**497**	471	472	484	489	586	589
Shares issued/(repurchased) (millions)	**(0,5)***	21		(20)		(108)	
Number of shareholders	**9 772***	34 301	33 706	32 351	32 703	29 851	32 357

** 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.*

Five-year share price performance



ABIL share price performance relative to bank's index



SHAREHOLDERS' PROFILE

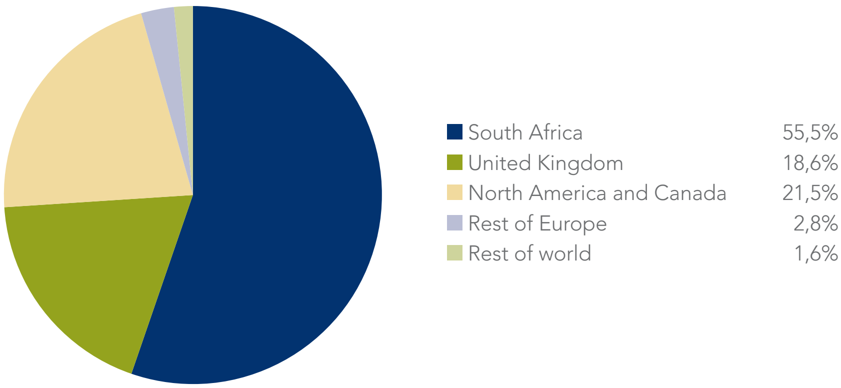
Top fund managers holding/managing ABIL ordinary shares at 30 September 2006

Manager	Origin	Holding	%
Investec Asset Management	ZA	86 232 993	17,4
Fidelity Management and Research Company	US/UK	46 294 379	9,3
Mondrian Investment Partners	US/UK	32 442 487	6,5
Eyomhlaba Investment Holdings	ZA	30 947 287	6,2
Executive directors	ZA	29 228 365	5,9
JP Morgan Asset Management	UK	25 299 225	5,1
Scottish Widows Investment Partnership	SC	19 402 834	3,9
RMB Securities (Proprietary) Limited	ZA	15 122 614	3,0
Public Investment Corporation	ZA	11 971 120	2,4
Morgan Stanley Investment Management Limited	UK	11 898 984	2,4
Wood C	ZA	10 074 533	2,0
Barclays Global Investors	US	9 958 331	2,0

Top beneficial holders of ABIL ordinary shares at 30 September 2006

Beneficial owner	Origin	Holding	%
Fidelity Growth and Income Unit Trust	UK	17 989 228	3,6
Leon Kirkinis	ZA	15 788 365	3,2
JPM Investment Funds	LU	12 448 724	2,5
Gordon Schachat	ZA	12 000 000	2,4
Public Investment Corporation	ZA	11 971 120	2,4
Wood C	ZA	10 074 533	2,0

Fund managers managing/holding ABIL ordinary shares by geography



ANALYSIS OF ORDINARY SHAREHOLDERS

	Number of shareholders	% of holders	Number of shares	% of issued share capital
Analysis of ordinary shares				
Range				
1 – 999	4 745	48,56	1 550 465	0,3
1 000 – 9 999	3 986	40,79	10 673 789	2,1
10 000 – 99 999	723	7,40	19 390 960	3,9
100 000 and more	318	3,25	466 296 093	93,7
Totals	**9 772**	**100,00**	**497 911 307**	**100,0**
Distribution of shareholders				
Category				
Individuals	8 090	82,79	19 679 530	4,0
Limited companies	41	0,42	24 187 378	4,9
Banks	121	1,24	169 939 486	34,1
Nominee companies and trusts	533	5,45	28 603 471	5,7
Pension/provident funds	411	4,21	102 719 500	20,6
Insurance companies	18	0,18	7 568 391	1,5
Growth funds/unit trusts	291	2,98	78 300 373	15,7
Private companies	111	1,14	6 111 399	1,2
Close corporations	10	0,10	105 000	0,0
Staff share trust	1	0,01	989 570	0,2
Other corporate bodies	86	0,90	1 500 600	0,3
Investment companies	48	0,49	56 900 109	11,4
Medical aid schemes	9	0,09	1 306 500	0,3
Totals	**9 772**	**100,00**	**497 911 307**	**100,0**
Shareholder spread				
Public	9 763	99,91	435 669 479	87,5
Non-public	9		62 241 828	12,5
Non-executive directors	3	0,03	16 000	0,0
Executive directors	3	0,03	29 228 365	5,9
Development trust	1	0,01	1 060 606	0,2
Share trust	1	0,01	989 570	0,2
Holding 10%+	1	0,01	30 947 287	6,2
Totals	**9 772**	**100,00**	**497 911 307**	**100,0**

ANALYSIS OF PREFERENCE SHAREHOLDERS

	Number of shareholders	% of holders	Number of shares	% of issued share capital
Analysis of preference shares				
Range				
1 – 999	542	39,53	218 632	4,37
1 000 – 9 999	756	55,14	1 762 389	35,25
10 000 – 99 999	66	4,82	1 773 782	35,48
100 000 and more	7	0,51	1 245 197	24,90
Totals	**1 371**	**100,00**	**5 000 000**	**100,00**
Major holders				
(5% or more of the preference shares in issue)				
Beneficial holder				
Hollard Insurance Company Limited			384 200	7,68
Gensec Special Products Banks			299 997	6,00
Distribution of shareholders				
Category				
Individuals	770	56,16	200 406	4,01
Limited companies	11	0,80	100 932	2,02
Banks	7	0,51	34 997	0,70
Nominee companies and trusts	161	11,74	1 050 160	21,00
Pension/provident funds	46	3,36	374 628	7,49
Insurance companies	5	0,36	406 700	8,13
Growth funds/unit trusts	256	18,67	1 832 887	36,66
Private companies	38	2,77	79 000	1,59
Close corporations	28	2,04	58 190	1,16
Other corporate bodies	6	0,44	12 000	0,24
Investment companies	43	3,15	850 100	17,00
Totals	**1 371**	**100,00**	**5 000 000**	**100,00**
Shareholder spread				
Public	1 371	100,00	5 000 000	100,00
Non-public	nil	nil	nil	nil
Totals	**1 371**	**100,00**	**5 000 000**	**100,00**

Dear Shareholder

On behalf of the board of directors of African Bank Investments Limited (ABIL), I have great pleasure in inviting you to attend the sixtieth annual general meeting (AGM) to be held on 1 March 2007, at 10:00 at African Bank Limited, 59 16th Road, Midrand, South Africa. Attached to this letter is the formal notice of the AGM but I would like to explain some of the matters to be dealt with.

Firstly, shareholders will be asked to receive and consider the annual financial statements for the year ended 30 September 2006. Next, shareholders will be asked to consider and, if deemed fit, to approve resolutions in respect of the following matters:

Re-election and reappointment of directors (ordinary resolution 1)
Five directors retire by rotation at the AGM in accordance with the company's articles of association and all five, Ashley Sefako Mabogoane, Leonidas Kirkinis, Brian Paxton Furbank Steele, Günter Zeno Steffens and Ramani Naidoo offer themselves for re-election. I invite you to review the curricula vitarum for these directors that appears at the end of the attached notice.

The board has no hesitation in recommending the reappointment of these directors as all directors proposed for re-election have individually and collectively made valuable contributions to the company and continue to demonstrate their commitment to the company. As is good corporate governance practice, the resolutions regarding the resignation and reappointment of each of these directors will be moved as separate and standalone resolutions.

Auditors (ordinary resolution 2)
This resolution will be proposed to reappoint Deloitte & Touche as auditors of the company and authorise the directors to determine the remuneration of the auditors.

Authority to purchase own shares (special resolution 1)
Shareholders will be asked to grant the directors of the company the general authority to contract the company and/or any of its subsidiaries to acquire shares in the company subject to the conditions set out in the resolution. This authority will only be valid until the next AGM or 15 months from the date of the AGM (whichever period is the shorter). The directors have no current intention that the company should make such purchases of shares other than to hedge the group's exposure to the ABIL share price under its long-term incentive programme. This authority would give them the flexibility to be able to act quickly and in the best interests of the company should circumstances arise in which they consider the purchase to be desirable. There will obviously be compliance with the necessary statutory and regulatory requirements. Please read the detailed explanation given on page 193 for more information.

Authority to change the articles of association to allow for the use of electronic media (special resolution 2)
ABIL would like to give its shareholders the ability to submit their proxy forms electronically and also to receive ABIL circulars, reports and notices electronically. Not only will it speed up the delivery of such documents for shareholders, but it will also be substantially more cost-effective for the company. Shareholders will only receive their documents in electronic format if they have provided the company with written permission to do so. Shareholders are asked to grant their permission to change the articles of association of the company to accommodate electronic delivery.

Attendance at the AGM
The directors and I hope that you will be able to join us at the AGM and encourage your active participation at the meeting. Should you be unable to attend it would be appreciated if you would complete the proxy form attached to the notice to the AGM and return it to Link Market Services who are the company's transfer secretaries not later than 48 hours before the time of the AGM.

Recommendation
The directors and I consider that all the resolutions to be proposed at the AGM are in the best interests of the company and therefore unanimously recommend that you vote in favour of the resolutions.

I hope that you find the above explanations useful. Should you wish to comment on any shareholder communications or the business of the company in general please feel free to write to me or any of the other directors.

Thank you for your continued support and we look forward to seeing you at our AGM.

Yours sincerely

Ashley Mabogoane
Chairman

Sawubona Mnikazimasheya

Egameni lebhodi labaqondisi be-African Bank Investments Limited (i-ABIL), ngiyathokoza ukukumemela umhlangano wonyaka wamashumi ayisithupha (i-AGM) ozoba ngomhlaka 1 kuMashi 2007, ngo-10:00 emagcekeni ase-African Bank Limited, 59 16th Road, Midrand, South Africa. Okunanyathiselwe kule ncwadi isaziso esisemthethweni se-AGM kodwa ngizothanda ukuchaza ezinye zezinto okuzodingidwa ngazo.

Okokuqala abanikazimasheya bazocelwa ukuthola izitatimende zezimali zonyaka zokuphela kwalo nyaka-mali ophele ngomhlaka-30 kuSeptemba 2006 bazicwaninge. Okulandelayo abanikazimasheya bazocelwa ukucwaninga, babuye bacabange, ngokubeka imibono yabo mayelana neziphakamiso kulokhu okulandelayo:

Ukukhethwa nokumiswa kabusha kwabaqondisi (isiphakamiso esivamile sokuqala (1))
Abaqondisi abahlanu bayaye bashiye ngokudedelana emhlanganweni we-AGM ngokuhambisana nezimiso zenkampani ezaziwa ngele-articles of association bonke laba abahlanu, abango-Ashley Sefako Mabogoane, uLeonidas Kirkinis, uBrian Paxton Furbank Steele, uGünter Zeno Steffens noRamani Naidoo bayazinikezela ukuba baphinde bakhethwe. Nginimemela ukuba nibheke ama-CV alaba baqondisi ananyathiselwe ekugcineni kwale saziso.

Ibhodi alikungabazi ukuncoma ukuthi laba baqondisi baphinde bakhethwe futhi njengoba yilowo nalowo mqondisi ofake isiphakamiso sokuba aphinde akhethwe futhi ube negalelo elikhulu eyedwa nasekusebenzisaneni kwabo babe wusizo olukhulu enkampanini futhi baqhubekile nokutshengisa ukuzibophezela kwabo enkampanini.
Njengokulawulwa okuyikho kwenkampani, iziphakamiso ezimayelana nokushiya kanye nokumiswa kwalowo nalowo walaba baqondisi zizofakwa njengeziphakamiso eziseceleni ezizimele.

Abacwaningimabhuku (isiphakamiso esivamile sesibili (2))
Kulesi siphakamiso kuzophakanyiswa ukuthi kuphindwe kuqokwe abakwa-Deloitte & Touche njengabacwaningimabhuku benkampani abazophinde banike abaqondisi igunya lokunquma imiholo yabacwaningimabhuku.

Igunya lokuthenga amasheya kuyo (isiphakamiso esiyisipesheli sokuqala (1))
Abaninimasheya bazocelwa ukuba banike abaqondisi benkampani igunya elivamile lokusayinela isivumelwano sokuthi inkampani noma izinkampani abanamasheya kuzo zithole amasheya enkampanini ngokuya ngemibandela ebekiwe esiphakamisweni. Leli gunya lizoba semthethweni kuze kufike usuku lomhlangano wonyaka (i-AGM) ozayo noma kuze kuphele izinyanga eziyi-15 ukusuka ngosuku umhlangano wonyaka i-AGM owabanjwa ngalo (noma yisiphi isikhathi esifushane). Abaqondisi abahlose ukuthi inkampani isingathenga amasheya okwamanje ngaphandle kokunciphisa ubungozi beqembu ekubhekaneni nenani lesheya le-ABIL ngaphansi kohlelo lwayo lwesikhathi eside lokuthengisa amasheya ayo alinganiselwe ngenani elithile. Leli gunya lizokwenza bakwazi ukuthatha isinyathelo masinyane nesilungele inkampani uma becabanga ukuthi kunesidingo sokuthenga. Kuzomele bahambisane nokudingekayo emithethweni emisiwe. Ngicela ufunde eminye imininingwane ngalokhu esekhasini le-202.

Igunya lokuguqula kokumisiwe kwi-articles of association lokuvumela ukusetshenziswa kwe-elekthronikhi (isiphakamiso esiyisipesheli sesibili (2))
I-ABIL izothanda ukunika abaninimasheya abo amandla okuthumela amafomu abo amele amavoti (ama-proxy form) nge-elekthronikhi kanye nokuthola amasekhula, imibiko, kanye nezaziso ezivela kwa-ABIL nge-elekthronikhi. Le ndlela ayizukwenza ukuba abaninimasheya bathole amabhukwana ngokushesha kuphela, kodwa izobuye ibe yindlela yokonga kakhulu enkampanini. Abaninimasheya bazothola amabhukwana abo nge-elekthronikhi kuphela uma bethumele imvume ebhaliwe enkampanini yokuthi bayakuvuma lokho. Abaninimasheya bayacelwa ukunikezela ngemvume yokuguqula izimiso zenkampani ezaziwa nge-the articles of association yokuthi kusetshenziswe i-elekthronikhi.

Ukuthanyelwa komhlangano wonyaka
Thina nabaqondisi siyethemba ukuthi nizokwazi ukuzohlanganyela nathi emhlanganweni wonyaka futhi sikhuthaza ukuthi nize nemibono yenu emhlanganweni ningafike nithule nje. Uma ungeke ukwazi ukuethamela umhlangano singajabula uma ungagcwalisa ifomu yakho emele ukuvota enanyathiselwe esazisweni se-AGM bese uyithumela kwa-Link Market Services okungomabhalane benkampani abenza imisebenzi yokudlulisela esikhathini esingeqile emahoreni angama-48 ngaphambi kwesikhathi se-AGM.

Izincomo
Mina nabaqondisi sicabanga ukuthi zonke iziphakamiso ezizofakwa emhlanganweni we-AGM ngezizosiza inkampani ngakho-ke sincoma ukuthi nivote ngazwi linye ukuvumelana neziphakamiso.

Ngiyethemba ukuthi lokhu osekuchaziwe ngenhla uzokuthola kuwusizo. Uma ungafisa ukuphawula nanoma yini emayelana nabanikazimasheya noma ngebhizinisi jikelele lenkampani ngicela ungenqeni ukungibhalela noma-ke ukubhalela omunye wabaqondisi.

Ngiyabonga ngokusixhasa kwenu sesiyohlangana kwi-AGM yethu.

Yimina ozithobayo

U-Ashley Mabogoane
Ongusihlalo

NOTICE OF ANNUAL GENERAL MEETING

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 sixtieth annual general meeting of the shareholders of the company will be held on 1 March 2007, at 10:00 at African Bank Limited, 59 16th Road, Midrand, for the following business:

1. To receive and consider the annual financial statements for the year ended 30 September 2006.

2. To consider all and any matters of the company which, in terms of the company's articles of association, do not constitute special business of the company.

3. To consider and, if deemed fit, to pass with or without modification, the following ordinary and special resolutions:

4. **Ordinary resolution 1**

4.1 **RESOLVED THAT** the resolutions regarding the resignation and appointment of each of the directors referred to in paragraphs 4.2 to 4.6 are moved as separate and stand-alone resolutions in respect of each such director. The *curricula vitarum* for these directors appear at the end of this notice.

4.2 **RESOLVED THAT**
Ashley Sefako Mabogoane who retires in accordance with the company's articles of association and being eligible, offers himself for re-election, be re-elected as director of the company with immediate effect.

4.3 **RESOLVED THAT**
Leonidas Kirkinis who retires in accordance with the company's articles of association and being eligible, offers himself for re-election, be re-elected as director of the company with immediate effect.

4.4 **RESOLVED THAT**
Brian Paxton Furbank Steele who retires in accordance with the company's articles of association and being eligible, offers himself for re-election, be re-elected as director of the company with immediate effect.

4.5 **RESOLVED THAT**
Günter Zeno Steffens who retires in accordance with the company's articles of association and being eligible, offers himself for re-election, be re-elected as director of the company with immediate effect.

4.6 **RESOLVED THAT**
Ramani Naidoo who retires in accordance with the company's articles of association and being eligible, offers herself for re-election, be re-elected as director of the company with immediate effect.

5. **Ordinary resolution 2**
RESOLVED THAT Deloitte & Touche be reappointed as auditors of the company and the directors be authorised to determine the remuneration of the auditors.

6. **Special resolution 1**
RESOLVED THAT the directors shall have the power to contract the company to acquire its own shares (of whatever class) or contract any subsidiary of the company to acquire shares in the company (of whatever class), collectively referred to as "repurchases", in terms of Article 35 of the company's articles of association, when the directors consider it appropriate in the circumstances, subject to the following:

6.1 this authority shall be valid until only the next annual general meeting of the company or 15 months from the date of the annual general meeting at which this special resolution is passed, whichever period is shorter;

6.2 the repurchase of shares being effected through the main order book operated by the trading system of the JSE Limited ("the JSE") and being done without any prior understanding or arrangement between the company and the counterparty;

6.3 the aggregate percentage of issued shares in the company which the company together with any of its subsidiaries may acquire during any one financial year under this general authority shall not exceed 3% of the company's issued share capital;

6.4 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;

6.5 subject always to the limitation set out in 6.3 above, the aggregate percentage of issued shares 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 shares;

6.6 repurchases must not be made at a price more than 10% above the weighted average of the market price for the shares in question for the five business days immediately preceding the date on which the transaction is effected or, if the company's shares have not traded in such five business day period, the period applicable shall be the period stipulated by the JSE;

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

6.8 such repurchases may only be effected if, thereafter, the company still complies with the shareholder spread requirements of the JSE;

6.9 no repurchase may take place during prohibited periods stipulated by the JSE Listings Requirements; and

6.10 any acquisition shall be subject to:

6.10.1 the Companies Act, Act 61 of 1973, as amended ("the Companies Act");

6.10.2 the JSE Listings Requirements and any other applicable stock exchange rules, as may be amended from time to time; and

6.10.3 any other relevant authority whose approval is required by law.

7. **Reason for and effect of special resolution 1 and statement required in terms of paragraph 11.26 of the JSE Listings Requirements**

7.1 The reason for special resolution 1 is to grant the directors of the company the general authority to contract the company and/or any of its subsidiaries to acquire shares in the company, should the directors consider it appropriate in the circumstances.

7.2 The effect of special resolution 1 is that the directors will be granted the general authority to contract the company and/or any of its subsidiaries to acquire shares in the company, should the directors consider it appropriate in the circumstances and should the company comply with the relevant statutes and authority applicable thereto.

7.3 At the date of this notice, the board of directors have 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 1 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.

7.4 The directors shall **not** make any payment in whatever form to acquire any shares issued by the company if, after the directors have considered the effects of any repurchases, there are reasonable grounds for believing that:

7.4.1 the company and the group are or will, at any time during the period of 12 months after the date of this notice, be unable in the ordinary course of business to repay their debts as they become due;

7.4.2 the assets of the company and the group, fairly valued according to International Financial Reporting Standards and in accordance with the accounting policies used in the latest audited annual financial statements of the company and the group, will, at any time during the period of 12 months after the date of this notice, be less than their liabilities;

7.4.3 the ordinary share capital and reserves of the company and the group will not be adequate for ordinary business purposes for a period of 12 months after the date of this notice; and

7.4.4 the working capital of the company and the group will not be adequate for ordinary business purposes for a period of 12 months after the date of this notice.

7.5 Since the method of acquisition and the number of shares 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 shares and taking into account the effect thereof, the company will be able to comply with the requirements of 7.4.1 to 7.4.4 above.

7.6 For the purposes of considering special resolution 1 and in compliance with Rule 11.26 of the JSE Listings Requirements, the information listed below has been included in the 2006 annual report of the company which has been circulated to shareholders, at the pages of such report indicated below:

7.6.1 directors and management (page 70);

7.6.2 major shareholders (page 185);

7.6.3 material changes (page 111);

7.6.4 directors' interests in securities (page 113);

7.6.5 share capital of the Company (page 111); and

7.6.6 litigation statement (page 114).

7.7 The directors whose names appear on pages 70 and 71 of the annual report, collectively and individually accept full responsibility for the accuracy of the information contained in this special resolution 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 in this special resolution 1 contains all information required by law and the JSE Listings Requirements.

8. **Special resolution 2**

RESOLVED THAT the articles of association of the company be amended by the insertion of the following new Article 41:

*"41. **USE OF ELECTRONIC MEDIA***

41.1 Interpretation

41.1.1 Notwithstanding any contrary provisions in the memorandum and the articles, this Article 41 shall apply, subject to and to the extent permitted by the applicable legislation.

41.1.2 In this Article 41, the following terms shall have the following meanings:

41.1.2.1 "applicable legislation" means the Statutes (including the Electronic Communications and Transactions Act, number 25 of 2002, as amended or replaced from time to time) and the Listing Requirements of the JSE Limited;

41.1.2.2 "data message" includes information generated, displayed, sent, received or stored by digital, electronic, optical or similar means including, but not limited to, electronic mail, hypertext mark-up language (HTML) or similar text displayed via a web browser, electronic data interchange (EDI), but limited to those forms of data messages permitted by the applicable legislation, from time to time;

41.1.2.3 "electronic media" means media such as facsimiles, CD-ROM, electronic mail, bulletin boards, internet websites and computer networks (whether through local networks or commercial online services) but limited to those forms of electronic media permitted by the applicable legislation, from time to time;

41.1.2.4 "electronic proxy" means a proxy received by the company via the proxy system;

41.1.2.5 "electronically" means delivery by or through an electronic medium;

41.1.2.6 "hyperlink" means a reference in one data message providing a link from that message to another data message on an information system or point therein, or to another place in the same data message;

41.1.2.7 "information system" means a system for generating, displaying, sending, receiving, storing or otherwise processing data messages and includes the internet and the world-wide web;

41.1.2.8 "the Memorandum" means the Memorandum of Association of the company;

41.1.2.9 "proxy system" means an information technology based system providing for members to appoint a proxy and/or deliver an electronic proxy to the company via an information system;

41.1.2.10 "shareholder information" includes but is not limited to notices (including but not limited to notices required in terms of these articles and/or the applicable legislation), proxy forms, circulars required in terms of the JSE Listings Requirements, abridged and full annual financial statements, group reports, quarterly and interim reports, dividend notices and any other document which is determined by the board of directors of the company to be shareholder information;

41.1.2.11 "third party system" means an information system, wholly or partly managed by a party other than the company; and

41.1.2.12 "website" means any location on an information system running a world-wide web or similar protocol server process, containing a home page or web page.

41.1.3 The company may send or display shareholder information by data message and/or facilitate electronic proxies by itself or may utilise a third party system to do one or more or all of the aforegoing. The provisions of this

Article 41 shall apply equally, irrespective of whether the company performs these services itself or utilises a third party system, provided that members shall be subject to such additional terms and conditions, if any, as provided for by the third party providing these services.

41.1.4 *Wherever this Article 41 deals with matters requiring the approval of the board of directors of the company, such approval, unless otherwise stated, shall be capable of being given in whichever manner the board deems fit and it shall be competent for the board of directors to give such approval retrospectively.*

41.2 *Electronic communication of shareholder information*

41.2.1 *Subject in all events to the provisions of Article 41.2.2, the company may send or deliver shareholder information to its members electronically and whenever these articles deal with notification of shareholder information by the company to its members, it shall be sufficient for the company to give that notification electronically without the requirement to effect service or delivery by any other means.*

41.2.2 *The provisions of this Article 41.2 shall only apply to such members who have consented in writing (in such format as is required by the applicable legislation) to such electronic communications. Notwithstanding the aforegoing, a member may, on notification to the company by registered mail:*

41.2.2.1 *withdraw his consent to electronic notification of shareholder information and require paper-based notification in accordance with the provisions of the memorandum and these articles; or*

41.2.2.2 *request paper-based delivery of shareholder information over and above electronic notification of such shareholder information, provided that in such instance, such electronic notification shall nevertheless be the only notification to be considered for purposes of compliance with the memorandum and these articles.*

41.2.3 *Unless clearly inconsistent with the provisions of this Article 41, reference elsewhere in these articles to notification by "mail" or "post" or any words of similar effect shall, subject at all times to the provisions of Article 41, likewise apply to communication of shareholder information electronically.*

41.2.4 *Shareholder information sent by data message shall be deemed to constitute a valid notice irrespective of whether the information forming the subject matter of the notice is:*

41.2.4.1 *contained as texts in the body of the data message; or*

41.2.4.2 *provided as an attachment to the data message as a separate document, in any file format generally used, including portable document format (.pdf); or*

41.2.4.3 *made available for direct or indirect access or download, as the case may be, by a hyperlink in the data message; or*

41.2.4.4 *made available on a website for direct or indirect access or download, as the case may be, on a website, the address of which is provided in the data message; or*

41.2.4.5 *a combination of the above,*

provided that, at all times, there is compliance in this regard with the applicable legislation.

41.2.5 *Shareholder information sent as a data message to any member shall be deemed to have been served on such member on the day such data message was sent by or on behalf of the company (irrespective of whether such data message contained the entire shareholder information or was merely an alert as contemplated in the Listings Requirements of the JSE) and in proving such service it shall be sufficient to prove that such data message was sent to the appropriate address as evidenced by the relevant message logs of the company or its agent. A member shall not be entitled to dispute service under any circumstances after expiration of six months from the official issue date of the relevant shareholder information or 14 days after a meeting for which any such shareholder information had been issued, whichever occurs first.*

41.2.6 *A data message sent by a member to the company shall not be deemed to have been received by the company or its third party agent unless actually received by the company or its third party agent at an address/es or site/s stipulated by or on behalf of the company from time to time for such receipt purposes.*

41.2.7 *Members acknowledge and accept that electronic communication of shareholder information may lead to certain costs on their part, including telephone dial-up costs and cost of printing.*

41.3 *Electronic proxies*

41.3.1 *Electronic proxies from members shall only be permitted if approved by the board of directors of the company on such terms and conditions and via a proxy system approved by the board. The board shall, at all times, in its sole discretion, have the right to withdraw any such approval or amend or replace or repeal any such terms and conditions without furnishing reasons.*

41.3.2 *A proxy issued and/or completed and/or submitted via a proxy system shall for all intents and purposes be treated on the same basis as a paper-based proxy issued and/or completed and/or submitted otherwise than in electronic form.*

41.3.3 *Insofar as the memorandum or these articles or the applicable legislation require proxies to be submitted to or otherwise filed with the company, such requirements shall be met if, in the sole opinion of the board of directors of the company, the proxy system is capable of satisfying the requirements of Article 41.7.*

41.4 ***Signature***

Whenever the memorandum or these articles or the applicable legislation requires a signature of a member or other person or to be signed by or on behalf of the company, that requirement shall be met in relation to a data message or electronic proxy if:

41.4.1 *a method is used to identify that person (including such member or representative of the company, as the case may be) and to indicate that person's approval of the information contained in the data message (including electronic proxy); and*

41.4.2 *that method is, in the sole and absolute discretion of the board of directors of the company, as reliable as is appropriate for the purpose for which the data message was generated or communicated, in light of all the relevant circumstances.*

41.5 ***Writing***

Whenever the memorandum or these articles or the applicable legislation requires 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.

41.6 ***Original***

41.6.1 *Whenever the memorandum or these articles or the applicable legislation requires information to be presented or retained in its original form, that requirement is met by a data message if:*

41.6.1.1 *there exists a reasonable assurance as to the integrity of the information from the time when it was first generated in its final form, as a data message or otherwise; and*

41.6.1.2 *where it is required that information be presented, that information is capable of being displayed or produced to the person to whom it is to be presented.*

41.6.2 *For the purposes of Article 41.6.1.1:*

41.6.2.1 *the criteria for assessing integrity shall be whether the information has remained complete and unaltered, apart from the addition of any endorsement and any immaterial change which arises in the normal course of communication, storage and/or display; and*

41.6.2.2 *the standard of reliability required shall be assessed in the light of the purpose for which the information was generated and in the light of all the relevant circumstances.*

41.7 ***Record retention***

41.7.1 *Whenever the memorandum or these articles or the applicable legislation requires that certain documents, records or information be retained, that requirement is met by retaining data messages, provided that the following conditions are satisfied:*

41.7.1.1 *the information contained therein is accessible so as to be usable for subsequent reference; and*

41.7.1.2 *the data message is retained in the format in which it was generated, sent or received, or in a format which can be demonstrated to represent accurately the information generated, sent or received; and*

41.7.1.3 *such information, if any, is retained in such manner as enables the identification of the origin and destination of a data message and the date and time when it was sent or received.*

41.7.2 *A person may satisfy the requirement referred to in Article 41.7.1 by using the services of any other person, provided that all the conditions set forth in Article 41.7.1 are met.*

41.8 ***Evidence***

41.8.1 *The members 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:*

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

41.8.1.2 *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.*

41.8.2 *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.*

9. Reason for and effect of special resolution 2

9.1 The reason for special resolution 2 is to amend the articles of association of the company to enable the company to deliver notices, financial results and other company communications to shareholders electronically and to establish the framework for the submission by shareholders of electronic proxies.

9.2 The effect of special resolution 2 will be to amend the articles of association accordingly.

10. Voting and proxies

All shareholders of the company are entitled to attend and speak at the annual general meeting. All holders of ordinary shares will be entitled to vote at the annual general meeting or any adjournment thereof. Any person present and entitled to vote on a show of hands as a shareholder or as a proxy or as a representative of a body corporate shall, on a show of hands, have only one vote, irrespective of the number of shares he holds or represents. A shareholder entitled to attend and speak at a meeting is entitled to appoint one or more proxies to attend and speak at such meeting in such shareholder's stead. A shareholder entitled to attend, speak and vote at a meeting is entitled to appoint one or more proxies to attend, speak and vote or abstain from voting in such shareholder's stead.

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.

A proxy need not be a shareholder. A form of proxy is attached for completion by any certificated or "own-name" registered dematerialised shareholder who is unable to attend in person. Should any shareholder require further copies of the forms of proxy, please contact Link Market Services SA (Proprietary) Limited. Forms of proxy must be completed and must be lodged with, or posted to the offices of, the Company's transfer secretaries, Link Market Services SA (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000), to be received not less than 48 hours before the time of the annual general meeting (excluding Saturdays, Sundays and South African public holidays). A certificated or "own-name" registered dematerialised shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should he/she subsequently decide to do so.

Holders of dematerialised shares, other than "own-name" registered dematerialised shareholders, must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the annual general meeting and obtain the necessary authorisation from their CSDP or broker to attend the annual general meeting or, alternatively, provide their CSDP or broker with their voting instructions should they not be able to attend the annual general meeting in person.

By order of the board

African Bank Investments Limited
Sarita Martin
Company secretary

Registered office
59 16th Road
Midrand
1685

Private Bag X170
Midrand
1685

DIRECTORS CURRICULA VITARUM

Ashley Sefako Mabogoane (48)
Independent non-executive chairman

Appointed: 01/12/1999

Diploma in Business Management (EE)

Ashley Mabogoane is the chief executive officer of New Seasons Investments (Proprietary) Limited. He is the former CEO of FABCOS Investments Holdings (Proprietary) Limited and was responsible for driving the commercialisation of the FABCOS Group and its transformation from being donor driven organisation to a fully fledged commercially driven investment holding company.

He serves as non-executive chairman of African Bank Limited and also chairman of Fidelity Springbok Security Services.

He is a director of the following companies:
Eyomhlaba Investment Holdings Limited, New Seasons Investments Holdings Limited, New Seasons Auto Holdings, New Seasons ICT, New Seasons Strategic Investments (Proprietary) Limited, Roadgrass Investments (Proprietary) Limited, Pono Investments (Proprietary) Limited, Rand Merchant Bank Structured Insurance (RMB SI), Owl Bridge Investments, Timespan Investments and Triffic Investments.

Leonidas Kirkinis (47)
Executive director
BComm, BAcc, CA(SA)

Appointed 1/07/1997

Managing director of African Bank Limited.

Leon Kirkinis is currently CEO of ABIL and managing director of African Bank.

Brian Paxton Furbank Steele (63)
Independent non-executive director
BComm, CA(SA), MBA

Appointed 19/05/2003

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

Brian Steele retired as chief group financial director of Barloworld during 2002. He is a member of the group audit and group risk committees of ABIL.

Günter Zeno Steffens (69)
Independent non-executive director
Banking Exams

Appointed 19/05/2003

Non-executive director of African Bank Limited and other group subsidiary companies; non-executive deputy chairman of Ridge Mining PLC; non-executive director of Omega Investment Research and non-executive director of Connection Group Holdings (Proprietary) Limited.

Günter Steffens retired as group representative of Dresdner Bank AG and currently chairs the group risk committee and serves as a member of both the group audit and director affairs committees of ABIL.

Ramani Naidoo (44)
Independent non-executive director
BA, LLB, Certificate in Mergers and Acquisitions

Appointed 19/05/2003

Non-executive director of African Bank Limited, Allied Technologies Limited, and The Wine People Group Limited.

Ramani Naidoo is currently company secretary of the SABC and is author of the book: "Corporate Governance: An essential guide for South African companies".

She is chairman of the directors affairs committee and serves as a member of both the group risk and group transformation and remuneration committees of ABIL.

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")

Instructions

For use in respect of the 2006 annual general meeting of the company to be held on 1 March 2007 at African Bank Limited, 59 16th Road, Midrand at 10:00 ("the annual general meeting").

For use only by ABIL shareholders holding certificated shares and shareholders who have dematerialised their shares and who have elected "own-name" registration.

Please note that, 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 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.

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.

I/We ____

(BLOCK LETTERS please)

of ____

(address)

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 note 3 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 Re-election of the following directors: 4.2 Ashley Sefako Mabogoane			
4.3 Leonidas Kirkinis			
4.4 Brian Paxton Furbank Steele			
4.5 Günter Zeno Steffens			
4.6 Ramani Naidoo			
Ordinary resolution 2 – The reappointment of auditors			
Special resolution 1 – General authority for share repurchases			
Special resolution 2 – Change of articles to provide for the framework for electronic communication with and electronic proxies from shareholders			

(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 ____________________ 2007

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 and speak (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 on the reverse side hereof.

NOTES TO THE PROXY

1. **Holders of non-redeemable, non-cumulative, non-participating preference shares shall not be entitled to vote, either in person or by proxy, at the annual general meeting.**

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 seems 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. Forms of proxy must be lodged with, or posted to the offices of, the company's transfer secretaries, Link Market Services SA (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000), to be received not less than 48 hours before the time of the annual general meeting (excluding Saturdays, Sundays and South African public holidays).

6. The completion and lodging of this form of proxy by shareholders holding certificated shares and shareholders who have dematerialised their shares and who have elected "own-name" registration will not preclude such shareholders from attending the annual general meeting of shareholders and speaking and (in the case of ordinary shareholders) voting in person thereat to the exclusion of any proxy appointed in terms thereof. Shareholders who have dematerialised their shares and who wish to attend the annual general meeting must instruct their CSDP or broker to issue them with the necessary authority to attend.

7. 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.

8. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

9. Any person present and entitled to vote on a show of hands as an ordinary shareholder or as a proxy or as a representative of a body corporate shall, on a show of hands, have only one vote, irrespective of the number of shares he holds or represents.

10. On a poll, every ABIL ordinary shareholder (present in person or represented by proxy) shall have one vote for every ABIL share held by such shareholder.

11. An ordinary or special resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll is demanded by the chairman of the annual general meeting or any person entitled to vote at the annual general meeting.

12. If a poll is demanded, an ordinary or special resolution put to the vote shall be decided on a poll.

ISAZISO SOMHLANGANO WONYAKA

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")

Niyaziswa ngomhlangano wesithupha wonyaka wabanikazimasheya beNkampani ozoba ngomhlaka 1 kuMashi 2007, ngehora le-10:00 emagcekeni akwa-African Bank Limited, 59 16th Road, Midrand, mayelana nodaba olulandelayo:

1. Ukuthola nokucubungula izitatimende zonyaka zezimali zalo nyaka wemali ophele ngomhlaka 30 kuSepthemba 2006.

2. Ukucubungula konke ngeNkampani, ngokuya ngemibandela yezimiso zeNkampani, ezingeyona ingxenye yebhizinisi eliyisipesheli leNkampani.

3. Ukucubungula, nxa kubonakala kudingeka, ukuvumelana nalezi ziphakamiso ezilandelayo ezivamile neziyisipesheli kwenziwe ushintsho kuzo noma lungenziwanga:

4. **Isiphakamiso esivamile sokuqala (1)**

4.1 **KUPHAKANYISWE UKUTHI** iziphakamiso ezimayelana nokushiya kanye nokumiswa kwalowo nalowo mqondisi okuqondiswe kubo ezindimeni ezisukela ku-4.2 kuya endimeni ka-4.6 zifakwe njengeziphakamiso eziseceleni ezizimele mayelana nalowo mqondisi ngamunye. Ama-curricula vitarum alaba baqondisi avela ekugcineni kwalesi saziso.

4.2 **KUPHAKANYISWE UKUTHI**
U-Ashley Sefako Mabogoane oshiya phansi ngokuya ngezimiso zeNkampani nokulungele, ofake isicelo sokuthi abuye akhethwe khona manje, njengomqondisi weNkampani.

4.3 **KUPHAKANYISWE UKUTHI**
U-Leonidas Kirkinis oshiya phansi ngokuya ngezimiso zeNkampani nokulungele, ofake isicelo sokuthi abuye akhethwe khona manje, njengomqondisi weNkampani.

4.4 **KUPHAKANYISWE UKUTHI**
U-Brian Paxton Furbank Steele oshiya phansi ngokuya ngezimiso zeNkampani nokulungele, ofake isicelo sokuthi abuye akhethwe khona manje, njengomqondisi weNkampani.

4.5 **KUPHAKANYISWE UKUTHI**
U-Günter Zeno Steffens oshiya phansi ngokuya ngezimiso zeNkampani nokulungele, ofake isicelo sokuthi abuye akhethwe khona manje, njengomqondisi weNkampani.

4.6 **KUPHAKANYISWE UKUTHI**
U-Ramani Naidoo oshiya phansi ngokuya ngezimiso zeNkampani nokulungele, ofake isicelo sokuthi abuye akhethwe khona manje, njengomqondisi weNkampani.

5. **Isiphakamiso esivamile sesibili (2)**
KUPHAKANYISWE UKUTHI abakwa-Deloitte & Touche baphinde baqokwe njengabacwaningimabhuku beNkampani banike abaqondisi igunya lokunquma ngemiholo yabacwaningimabhuku.

6. **Isiphakaniso esiyisipesheli sokuqala (1)**
KUPHAKANYISWE UKUTHI abaqondisi bazonikwa amandla okusayinela isivumelane seNkampani sokuthi ikwazi ukuthenga amasheya ayo (anoma yiliphi izinga) noma ukusayinela isivumelwane sanoma yiziphi izinkampani iNkampani enamasheya kuzo ukuthola amasheya ayo (anoma yiliphi izinga), okuthiwa "ngama-repurchases", ngokuhambisana nesimiso i-Article 35 ezimisweni zeNkampani, uma abaqondisi bebona ukuthi kunesidingo salokho, ezimweni ezilandelayo:

6.1 leli gunya lizoba semthethweni kuze kufike usuku lomhlangano weNkampani olandelayo wonyaka noma izinyanga eziyi-15 ukusukela ngosuku lomhlangano wonyaka lapho lesi siphakamiso esiyisipesheli sadluliswa khona, okuyoba noma yisiphi isikhathi esifushane phakathi kwalezi.

6.2 ukuphinda kuthengwe amasheya okuyokwenziwa ngokulandela ibhuku elikhulu lama-oda elihanjiswa ngohlelo lwenkampani i-JSE Limited ("i-the JSE") futhi eyenziwa ngaphandle kokuqondisisa okungaphambili noma ngokuhleleka phakathi kweNkampani kanye nezinkampani ezingozakwabo;

6.3 isamba samaphesenti samasheya esewonke akhishwe yiNkampani asengatholwa yiNkampani kanye nezinkampani enamasheya kuzo ngonyaka owodwa wezimali ngaphansi kwegunya elivamile akumele sidlule amaphesenti ama-3% emali yamasheya ekhishiwe;

6.4 uma iNkampani, kanye nezinkampani enamasheya kuzo, isiphinde yathenga amasheya angamaphesenti angu-3% kuyo enani lakuqala lamabhukwana awubufakazi lokutshalwa kwezimali (lama-securities) lezinga elifanele kuzomenyezelwa;

6.5 ngokuya ngaso sonke isikhathi ngokulinganiselwa okubekiwe endimeni engaphezulu ye-6.3, isamba samaphesenti amasheya akhishwe yiNkampani okungukuthi izinkampani enamasheya kuzo ingaba naso njenge-treasury stock, noma ngasiphi isikhathi, akumelanga sidlule amaphesenti ayi-10% yamasheya akhishwe yiNkampani kulelo nakulelo zinga;

6.6 ukuphinda kuthengwe amasheya (ama-repurchase) akumelanga kwenziwe enanini elidlula amaphesenti ayi-10% ngaphezu kwesamba esivumelekile senani kwezezimakethe lalawo masheya ezinsukwini eziyi-5 phakathi kweviki ngaphambi nje kosuku lokuwathenga, noma uma amasheya eNkampani kungazange kuhebelwane ngawo kuleso sikhathi sezinsuku eziyi-5 phakathi kweviki, isikhathi esiyiso sekuzoba yileso esibekwe yi-JSE;

6.7 noma yingasiphi isikhathi, iNkampani kumele iqoke i-ejenti eyodwa ezokwenza ama-repurchase egameni leNkampani;

6.8 lama-repurchase angenziwa kuphela uma, ngemuva kwalokho, iNkampani isahambisana nokusatshalaliswa kwabaninimasheya okudingwa yi-JSE;

6.9 akukho ukuthenga okuyokwenzeka ngalezo zikhathi ezikunqabelayo lokho njengoba kubekiwe ohlwini lezidingo i--JSE Listings Requirements; futhi

6.10 konke ukutholwa kwamasheya kuzohambisana nalokhu okulandelayo:

6.10.1 imithetho yeNkampani i-Companies Act, Act 61 of 1973, njengoba ichitshiyelwe (“i-Companies Act”);

6.10.2 uhla lwezidingo i-JSE Listings Requirements kanye neminye imithetho yokuthengwa nokuthengiswa kwamasheya, engachitshiyelwa ngezinye izikhathi;kanye

6.10.3 nanoma yiliphi igunya elihambisana nomthetho.

7. Isizathu nomphumela wesiphakamiso esiyisipesheli sokuqala (1) kanye nesitatimende esidingekayo mayelana nendima ye-11.26 ohlwini lokudingekayo olubizwa nge-JSE Listings Requirements

7.1 Isizathu sesiphakamiso oluyisipesheli sokuqala (1) siwukunika abaqondisi beNkampani igunya elivamile lokusayinela iNkampani isivumelwane kanye nezinkampani noma izinkampani enamasheya kuzo ukuthola amasheya eNkampanini, uma abaqondisi bekubona kufanele lokho ngaphansi kwezimo ezifanele.

7.2 Umphumela wesiphakamiso esiyisipesheli sokuqala (1) uwukuthi abaqondisi bazonikwa igunya elivamile lokusayinela isivumelwane iNkampani nezinkampani noma izinkampani ezinamasheya kuzo ukuthola amasheya eNkampani, uma abaqondisi bekubona kufanele ngaphansi kwezimo ezifanele kanye nokuthi iNkampani isuke ihambisana nemithetho ebekiwe kanye negunya eliqondene nalokho.

7.3 Ngosuku lwesaziso, ibhodi labaqondisi alinayo inhloso ethile yokuthengwa futhi kwamasheya, ngaphandle kweyokunciphisa ubungozi bokulahlekelwa kwalabo ababhekene nenani lamasheya e-ABIL elingaphansi kohlelo lokukhuthaza lwesikhathi eside. Kufakwe isiphakamiso kanti nabaqondisi babona kuyinto okuyilungele kakhulu iNkampani ukuthi abaninimasheya basidlulise lesi phakamiso esiyisipesheli sokuqala (1) esizonika abaqondisi igunya lokuthengwa futhi okungadluli okubekiwe okumaphesenti ama-3% emali yamasheya ekhishwe yiNkampani kunoma yimuphi unyaka wezezimali.

7.4 Abaqondisi **akumele** benze noma yiyiphi inkokhelo yanoma yiluphi uhlobo ukuthola noma yimaphi amasheya akhishwe yiNkampani uma, emva kokuba abaqondisi sebeyicwaningisisile imiphumela yanoma yikuphi ukuthengwa futhi, bekholelwa ukuthi kunesidingo sokuthi:

7.4.1 iNkampani nethimba abakwazi noma angeke bakwazi ekuqhubekeni kwebhizinisi ukukhokhela izikweledu zayo ngesikhathi sokukhokha esikhathini esingangezinyanga eziyi-12 emva kosuku lwalesi saziso;

7.4.2 impahla yeNkampani nethimba, inenani elikahle ngokuya ngamazinga asetshenziswa amazwe ngamazwe abizwa i-International Financial Reporting Standards nangokuya ngenqubomigomo yokugcinwa nokuqinisekiswa kwama-akhawunti esetshenziswa ezitatimendeni zezezimali zonyaka zakamuva ezicwaningiwe zeNkampani nethimba, noma nini esikhathini esingangezinyanga eziyi-12 emva kosuku lwesaziso, izoba ngaphansi kokukweledwayo;

7.4.3 imali yamasheya avamile nalokho okulondoloziwe kweNkampani nethimba kungeke kwanele ezinhlosweni ezivamile zebhizinisi esikhathini esingangezinyanga eziyi-12 emva kosuku lwalesi saziso; kanye

7.4.4 nemali yokusebenza yeNkampani nethimba ayizukwenela ezinhlosweni ezivamile zebhizinisi esikhathini sezinyanga eziyi-12 emva kwalesi saziso.

7.5 Njengoba indlela yokuthola kanye nenani lamasheya angatholwa kuseyibhodi labaqondisi elizonquma ngakho esikhathini esizayo, ibhodi labaqondisi lizosebenzisa kuphela igunya elinikwe lona uma, libona ukuthi kufanele ukuba lenze njalo, isimo sokwenza njalo kumele kube yiso esihamba phambili, ngosuku lokuthola amasheya futhi kumele kubhekwe nemiphumela yalokho, iNkampani izokwazi ukumelana nokudingekayo endimeni yesi-7.4.1 kuya kweyesi-7.4.4 phezulu.

7.6 Ngenhloso yokucwaningisisa isiphakamiso esiyisipesheli sokuqala (1) nokuhambisana nomthetho i-Rule 11.26 osohlwini lokudingekayo olubizwa nge-JSE Listings Requirements, imininingwane osohlwini ngaphansi ifakiwe embikweni wonyaka weNkampani wonyaka ka-2006 osujikeleze abaninimasheya, emakhasini awo lo mbiko aboniswe ngezansi:

7.6.1 abaqondisi nezokulawulwa (ikhasi 70);

7.6.2 abaninimasheya abakhulu (ikhasi 185);

7.6.3 inguquko yezinto (ikhasi 111);

7.6.4 isabelo sabaqondisi kuma-securities (ikhasi 113);

7.6.5 imali yamasheya eNkampani (ikhasi 111); kanye

7.6.6 isitatimende sokubanga (ikhasi 114).

7.7 Labo baqondisi amagama abo avela emakhasini 70 nasemakhasini 71 wombiko wonyaka, bebonke nangamunye bazibophezela ngokugcwele ekuthini imininingwane equkethwe kulesi siphakamiso esiyisipesheli iyiqiniso futhi bayakuqinisekisa ukuthi ekwazini kanye nokukholelwa kwabo, awekho amaphuzu ashiyiwe obekungenza isitatimende kube ngesingesiso noma kube ngesiphambukisayo, lonke uphando oludingekayo selwenziwe mayelana nokuqinisekisa lawa maphuzu kanti imininingwane okuqondiswe kuyo kulesi siphakamiso esiyisipesheli sokuqala (1) iqukethe yonke imininingwane efunwa ngumthetho kanye nohlu lwezidingo i-JSE Listings Requirements.

8. Isiphakamiso esiyisipesheli sesibili (2)

KUPHAKANYISWE UKUTHI izimiso zeNkampani ezaziwa ngokuthi i-Articles of Association zingachitshiyelwa ngokufaka i-Article 41elandelayo:

*"41. **UKUSETSHENZISWA KWE-ELEKTHRONIKHI***

41.1 Ukuhunyushwa

41.1.1 Ngaphandle kokuphikisa okunye okubekiwe ku-Memorandum naku-Articles, le-Article 41 izofakwa, ngokuhambisana noma ngendlela evunyelwe wumthetho ofanele.

41.1.2 Kule Article 41, la magama alandelayo azoba nalezi zingcazelo ezilandelayo:

41.1.2.1 "umthetho ofanele" uqondise emithethweni okuthiwa yi-Statutes (okufaka phakathi imithetho eyaziwa ngokuthi yi – Electronic Communications and Transactions Act, No. 25 of 2002, njengoba uchitshiyelwe ngezikhathi ezehlukene) nohla okudingekayo i-Listing Requirements of the JSE Limited;

41.1.2.2 "umyalezo ngekhompuyutha" kufaka phakathi imininingwane eyenziwe, yaboniswa, yathunyelwa, yatholwa noma yagcinwa ngedijithali, elekthronokhi, opthikhali noma ngendlela efanayo efaka phakathi, kodwa engalinganiselwe, iposi nge-elekthronokhi, i-hypertext mark-up language (HTML) noma umbhalo ofanayo ohamba nge-web browser, nge-electronic data interchange (EDI), kodwa okungalinganiselwe kulezo zinhlobo zemilayezo ngekhompuyutha evunyelwe umthetho ofanele,ngaleso sikhathi;

41.1.2.3 "imithombo nge-elethronikhi" kusho imithombo efana namafekisi, ama-CD-ROM, iposi nge-elethronikhi, amabhodi ezindaba, ama-websites e-inthanethi kanye nama-network ekhompuyutha (kungaba ngama-local network noma ngemisebenzi yezezimakethe ngekhompuyutha)kodwa engalinganiselwe kulezo zinhlobo zemithombo ye-elekthronikhi ezivunyelwe yimithetho efanele, ngalezo zikhathi;

41.1.2.4 "i-proxy nge-elekthronikhi" lisho i-proxy elitholwe yiNkampani ngohlelo lwe-proxy;

41.1.2.5 "nge-elekthronikhi" kusho ukuthumela ngomthombo we-elethronikhi;

41.1.2.6 *"i-hyperlink" isho umlayezo owodwa ngekhopmuyutha oletha ukuxhumana ukusuka kulowo mlayezo kuya komunye umlayezo ngekhompuyutha ohlelweni lwemininingwane noma kwenye indawo ekulowo mlayezo ngekhompuyutha;*

41.1.2.7 *"uhlelo lwemininingwane" lusho uhlelo lokwenza, lokubukisa, lokuthumela, lokuthola, lokugcina noma-ke lokwenziwa kwemilayezo ngekhompuyutha okufaka phakathi ne-world wide web;*

41.1.2.8 *"i-Memorandum" isho i-Memorandum of Association yeNkampani;*

41.1.2.9 *"uhlelo lwe-proxy" lusho uhlelo lwe-information technology olunika amalungu ithuba kokuqoka i-proxy nokuthumela noma nokuthumela i-proxy nge-elekthronikhi eNkampanini ngohlelo lwemininingwane;*

41.1.2.10 *"imininingwane yabaninimasheya" ifaka phakathi kodwa okungalinganiselwe ezazisweni (okufaka phakathi kodwa okungalinganiselwe ezazisweni ezidingekayo ngokuya ngala ma-Articles nemithetho efanele noma nemithetho efanele), amafomu e-proxy,izincwadi ezijikelezayo ezidingekayo ngokuya ngohlu lwezidingo i-JSE Listings Requirements, izitatimende zezezimali ezifingqiwe nezigcwele, imibiko yethimba, imibiko yekota neyesikhashana, izaziso ngemihlomulo kanye namanye amadokhumenti anqunywa yibhodi labaqondisi beNkampani ukuba abe yimininingwane yabaninimasheya;*

41.1.2.11 *"uhlelo lwe-third party" lusho uhlelo lwemininingwane, engalawulwa yiNkampani kodwa ngabanye ngokuphelele noma ingxenye;*

41.1.2.12 *"i-website" isho noma yiyiphi indawo lapho kutholakala khona uhlelo lwemininingwane lwe-world wide web noma indlela yokuphakelwa okufanayo, okuqukethe i-home page noma i-web page.*

41.1.3 *INkampani ingathumela noma ibukise imininingwane yabaninimasheya ngomlayezo obhalwe kukhompuyutha (we-data) The Company may send or display shareholder information by data message uphinde noma wenze ama-proxy nge-elekthronikhi ngokwayo noma isebsnzise uhlelo lwe-third party ukwenza okukodwa noma okungaphezulu kwalokho osekubaliwe. Okushiwo kile-Article 41 kuzosebenza ngokulingana, noma ngabe iNkampani yenza le misebenzi ngokwayo noma isebenzisa uhlelo lwe-third party, uma amalungu ezovumelana nemibandela engeziwe, uma ikhona, njengoba ibekwe yi-third party eyenza le misebenzi.*

41.1.4 *Ngaso sonke le-Article 41 yenza lokho okumele kuvunywe abaqondisi beiNkampani kuqala, le mvume, ngaphandle kokuth ibekwe ngokunye, izokwazi ukuthi ibekwe noma ngayiphi indlela ibhodi eliyibona ifanele futhi izoba namandla alingeneyo ukuthi ibhodi labaqondisi linikezele le mvume ngokucwaninga isimo esidlulile.*

41.2 *Ukuxhumana nge-elethronikhi ngemininingwane yabaninimasheya*

41.2.1 *Ukufaka konke okwenziwayo ngaphansi kokushiwo ku-Article 41.2.2, iNkampani ingathumela ibuye ithole imininingwane yabaninimasheya kumalungu ayo nge-elekthronikhi nangaso sonke isikhathi lama Articles ibhekana nesaziso ngemininingwane yabaninimasheya esenziwe yiNkampani esithunyelwa kumalungu ayo, kuzobe kwenele ukuthi iNkampani ithumele leso saziso nge-elekthronikhi ngaphandle kwesidingo sokusebenzisa enye indlela.*

41.2.2 *Okushiwo kule-Article 41.2 kuzosetshenziswa kuphela kulawo malungu akuvumele ngokubhala phansi (ngesimo esidingwa ngumthetho ofanele) ukuxhumana nge-elekthronikhi. Phezu kwalokho osekushiwo ngenhla, ilungu lingathumela isaziso eNkampanini ngeposi elirejistiwe,:*

41.2.2.1 *lingayihoxisa imvume yalo ngokwaziswa imininingwane yabaninimasheya nge-elekthronikhi lifune ukwaziswa ngendlela youkubhalwa ephepheni okuhambisana nokushiwo ku-Memorandum nakuwo lama-Articles; noma*

41.2.2.2 *noma lingacela ukwaziswa ngemininingwane yabaninimasheya ngokubhalwa ephepheni uma ngabe ukwaziswa ngale ngemininingwane yabaninimasheya nge-elethronikhi akusiyo kuphela indlela yokwazisa engasetshenziswa ngokuhambisana nokushiwo ku-Memorandum naku lama-Articles.*

41.2.3 *Ngaphandle kokuthi kubekwe ngemigomo ephikisanayo ngokucacile nokushiwoyo kule Article 41, kuyobhekwa kwenye indawo kulama-Articles ekwazisweni "ngemeyil" i noma "ngeposi" noma yiliphi igama elingathinta okufanayo, ngaso sonke isikhathi ngaphansi kokushiwo ku-Article 41, kuzosetshenziselwa ukuxhumana nge-elethronikhi ngemininingwane yabaninimasheya.*

41.2.4 *Imininingwane yabaninimasheya ethunyelwe ngomlayezo obhalwe kukhompuyutha kuzomele uthathwe njengesaziso esisemthethweni noma ngabe imininingwane yesaziso:*

41.2.4.1 *iqukethwe njengokubhaliwe endikimbeni yomlayezo obhalwe kwikhompuyuthacontained; noma*

41.2.4.2 unanyathiselwe emlayezweni obhalwe kukhompuyutha njengedokhumenti ezimele, esebenzise noma yiyiphi ifayili evamiswe ukusetshenziswa, okufaka phakathi isimo sedokhumenti ephathekayo (i-.pdf);noma

41.2.4.3 eyenziwe ukuthi itholakale ngokufinyeleleka okuqonde ngqo noma okungaqondile ngqo noma ngokwenza i-download, ngokunokwenzeka, nge-hyperlink emlayezweni obhalwe ngekhompuyutha;noma

41.2.4.4 etholakala ngokufinyeleleka okuqonde ngqo noma okungaqondile ngqo ku-website noma ngokwenza i-download, ngokunokwenzeka, enedilesi elinikeziwe emyalezweni obhalwe kukhompuyutha; noma

41.2.4.5 inhlanganisela yokungaphezulu,
Uma lokho, ngaso sonke isikhathi, kuhambisana nemithetho efanele.

41.2.5 imininingwane yabaninimasheya ethunyelwe ngomlayezo obhalwe kukhompuyutha kunoma yiliphi ilunga uzothathwa njengonikezwe lelo lunga ngalolo suku lowo mlayezo othunyelwe ngalo yiNkampani noma egameni leNkampani (ngaphandle kokubheka ukuthi lomlayezo obhalwe ngekhompuyutha uqukethe yonke imininingwane yabaninimasheya noma bekungukuqaphelisa njengoba kubekiwe ohlwini lwezidingo i-Listing Requirements of the JSE) kanye nasekunikeni ngobufakazi kuzobe kwanele ukunika ubufakazi bokuthi lo mlayezo obhalwe kukhompuyutha uthunyelwe edilesini elilungile efakazelwa ngama-log eNkampani noma e-ejenti yayo alowo mlayezo. Ilunga angeke libe nelungelo lokuphikisana nalomsebenzi ngaphansi kwanoma yisiphi isimo emva kokuphela kwezinyanga eziyisi-6 kusukela ngosuku lokukhishwa okusemthethweni kwaleyo mininingwane yabaninimasheya noma emva kwezinsuku eziyi-14 kubanjwe umhlangano lapho le mininingwane yakhishwa, noma yikuphi okwenzeka kuqala.

41.2.6 umlayezo obhalwe ngekhompuyutha othunyelwe ilungu eNkampanini ngeke uthathwe njengotholiwe yiNkampani noma yi-ejenti ye-third party yayo ngaphandle kokuthi utholwe yiNkampani noma yi-ejenti ye-third party yayo kudilesi noma kumadilesi noma ku-site noma kuma-site aphawulwe yiNkampani noma egameni leNkampani ngezinye izikhathi ngenhloso yokuthola imilayezo.

41.2.7 Amalungu ayakuvuma futhi ayakwemukela ukuthi ukuxhumana nge-elekthronikhi mayelana nemininingwane yabaninimasheya kubaholela kwezinye izindleko, okufaka phakathi izindleko zezingcingo nezindleko zokuprinta.

41.3 Amaproxy E-elekthronikhi

41.3.1 Ama-proxy e-elekthronikhi aphuma kumalungu azovunywa kuphela uma evunyelwe ibhodi labaqonsisi beNkampani ngale mibandela ebekiwe kanye nokudlula ohlelweni lwe-proxy kuzovunyelwa yibhodi. Ibhodi, ngaso sonke isikhathi, lizosebenzisa ukubona kwalo,linelungelo ukuhoxisa imvume noma isichibiyelo noma okufakwe esikhundleni sokunye noma ukuchithwa kwanoma yiyiphi yale mibandela ngaphandle kokunika izizathu.

41.3.2 I-proxy elikhishwe noma neligcwaliswe noma nelithunyelwe ngohlelo lwe-proxy lizophathwa ngokuqonda nangezinhloso ngendlela efanayo ne-proxy elibhalwe ephepheni elikhishwe noma nelithunyelwe ngezinye izindlela ngaphandle kwaleyo yesimo se-elekthronikhi.

41.3.3 Okwamanje njengoba ukuthunyelwa kwama-proxy noma ukufayilwa kwawo neNkampan kubekiwe ku-Memorandum noma kula ma-Articles noma emithethweni efanele, lezi zidingo kuzohlatshabezwana nazo uma, ngokuya ngombono webhodi labaqondisi beNkampani, uhlelo lwe-proxy luyakwazi ukwanelisa izidingo ze-Article 41.7.

41.4 Ukusayinda

Nganoma yisiphi isikhathi uma i-Memorandum noma la ma-Articles noma imithetho efanele idinga ukuba ilungu lisayinde noma kusayine omunye umuntu noma ukusayinelwa komunye umuntu noma ukusayinelwa yiNkampani noam egameni leNkampani, leso sidingo kumelwe kuzohlangatshezwana naso mayelana nomlayezo obhalwe kukhompuyutha noma mayelana ne-proxy le-elekthronikhi uma:

41.4.1 uma indlela esetshenzisiwe ikwazi ukubonisa lowo muntu (okufaka phakathi lelo lungu noma omele iNkampani, noma yikuphi okungenzeka) nokubonisa imvume yalowo muntu yemininingwane equkethwe kumlayezo obhalwe kukhompuyutha (okufaka phakathi i-proxy le-elekthronikhi); kanye nokuthi

41.4.2 leyo ndlela, ngokubona kwebhodi labaqondisi beNkampani kuphela hayi omunye umuntu, injengeqotho neyayifanele leyo nhloso yomlayezo obhalwe kukhompuyutha yokwenziwa nokuxhumana, ekukhangeleni zonke izimo ezifanele.

41.5 ***Okubhaliwe***

Ngaso sonke isikhathi uma i-Memorandum noma la ma-Articles noma imithetho efanele idinga imininingwane ukuba ibhalwe, leso sidingo siyahlangatshezwa ngumlayezi obhalwe kukhompuyutha uma imininingwane equkethwe lapho ifinyeleleka ngendlela enokusetshenziswa njengokuzobuywe kusetshenziswe.

41.6 ***Okusesimweni sakuqala***

41.6.1 Ngaso sonke isikhathi uma i-Memorandum noma la ma-Articles noma imithetho efanele idinga imininingwane ukuba yethulwe noma igcinwe ngesimo sayo sakuqala, leso sidingo umlayezo obhalwe ngekhompuyutha uzohlangabezana naso uma:

41.6.1.1 kukhona isiqiniseko esamukelekayo sokuthi kwaba nobuqotho emininingwane ngesikhathi yenziwa isimo sayo sokugcina, njengomlayezo obhalwe kukhompuyutha noma ngokunye;

41.6.1.2 nalapho kudingeka ukuthi leyo mininingwane yethulwe, leyo mininingwane iyakwazi ukuboniswa noma ikhishelwe umuntu othulelwa yona.

41.6.2 Ngenhloso ye-Article 41.6.1.1:

41.6.2.1 indlela yokuhlola ubuqotho kuzoba ukubona ukuthi imininingwane ihlale ingephelele nengaguqulwanga, ngaphandle kokufaka isigxivizo noma ukusayinda kanye noshintsho olungabalulekile noma olungetheni olwenzeka ngesikhathi sokuxhumana okuvamile, ukugcinwa kanye nokubukiswa;

41.6.2.2 nezinga lobuqotho elidingekayo lizohlolwa ekukhangeleni inhloso yokwenza iminningwane nasekukhangeleni zonke izimo ezifanele.

41.7 ***Ukugcinwa kwamarekhodi***

41.7.1 Ngaso sonke isikhathi uma i-Memorandum noma la ma-Articles noma imithetho efanele idinga ukuthi amanye amadokhumenti, amarekhodi noma imininingwane igcinwe, leso sidingo kuhlangatshezwana naso ngokugcina imiyalezo ebhalwe kukhompuyutha, uma ngabe kuhlatshabezwana nalezi zimo ezilandelayo:

41.7.1.1 imininingwane equkethwe lapha iyafinyeleleka ukuze kubuye kukwazeke ukubuye isentshenziswe ngokulandelayo;

41.7.1.2 nemilayezo ebhalwe ngekhompuyutha igcinwa ikuleso simo eyayenziwe ngaso, yathunyelwa noma yatholwa noma isesimweni esingabonisa ukumela ngokulungile imininingwane eyenziwe, yathunyelwa noma yatholwa;

41.7.1.3 le mininingwane, uma ikhona, igcinwa ngendlela yokuthi ikwazi ukubonisa isimo sayo sakuqala kanye nalapho kuthunyelwe khona umlayezo obhalwe ngekhompuyutha nosuku nesikhathi owathunyelwa noma owatholwa ngaso.

41.7.2 Umuntu angahlangabezana nesidingo okuqondiswe kuso ku-Article 41.7.1 ngokusebenzisa imisebenzi yomunye umuntu, uma ngabe sonke isimo esibekiwe ku-Article 41.7.1 kuyahlangatshezwana naso.

41.8 ***Ubufakazi***

41.8.1 Amalungu neNkampani bayavumelana nokuthi kunoma kuphi ukumangalelwa, akukho ekusebenzeni kwemithetho yobufakazi okuzosetshenziswa ekuphikeni ukusetshenziswa komlayezo obhalwe kukhompuyutha njengofakazi:

41.8.1.1 ngezizathu zokuthi lona uwumlayezo obhalwe ngekhompuyutha;noma

41.8.1.2 uma kuwubufakazi obungcono kakhulu lowo muntu ongabusebenzisa njengobufakazi kungalindelwa ukutholwa, ngezizathu zokuthi awukho esimweni sawo sakuqala.

41.8.2 Imininingwane esesimweni somlayezo obhalwe ngekhompuyutha uzonikezwa ubufakazi obunesisindo esiwufanele. Ukuhlola isisindo sobufakazi bomlayezo obhalwe kukhompuyutha, kuzobhekwa ubuqotho bendlela umlayezo obhalwe kukhompuyutha owawenziwe ngayo, wagcinwa noma ukusetshenziswa ekuxhumaneni nokukholeka ngendlela ubuqotho bemininingwane bagcinwa ngayo, nangendlela umenzi wawo azakala ngayo, kanye nangamanye amaphuzu afanele.

9. **Isizathu kanye nomphumela wesiphakamiso esiyisipesheli sesibili (2)**

9.1 Isizathu sesiphakamiso esiyisipesheli sesibili (2) siwukuchibiyela izimiso zeNkampani ezaziwa nge-Articles of Association ekwenzeni ukuba iNkampani ikwazi ukuthumela izaziso, imiphumela yezezimali kanye nokunye iNkampani ekusebenzisayo ukuxhumana nabaninimasheya nge-elekthronikhi nokusungula uhlaka lokuthunyelwa kwama-proxy nge-elekthronikhi ngabaninimasheya.

9.2 Umphumela wesiphakamiso esiyisipesheli sesibili (2) kuzoba ukuchibiyela izimiso i-Articles of Association njengoba kuphakanyisiwe.

10. **Ukuvota nama-proxy**

Bonke abaninimasheya banelungelo lokwethamela baphinde bakhulume emhlanganweni wonyaka. Bonke abanamasheya a-ordinary bazoba nelungelo lokuvota emhlanganweni wonyaka nasekuhlehlisweni komhlangano emva kwalokho. Noma ngumuphi umuntu okhona futhi onelungelo lokuvota ekuphakanyisweni kwezandla njengomninimasheya noma njenge-proxy noma njengomele inkampani, ekuphakanyisweni kwezandla, uzovota kanye noma ngabe unamasheya amangaki noma ngabe umele amasheya amangaki. Uninimasheya onelungelo lokwethamela nokukhuluma emhlanganweni unelungelo lokuqoka i-proxy eyodwa noma ngaphezulu ukwethamela nokukhuluma emhlanganweni onjengalona emele umninimasheya. Umninimasheya onelungelo lokwethamela nokukhuluma kanye nokuvota emhlanganweni unelungelo lokuqoka i-proxy eyodwa noma ngaphezulu ukuthamela, nokukhuluma nokuvota noma ahoxe ekuvoteni emhlanganweni ebe emele umninimasheya.

Lapho umninimasheya eqoka i-proxy engaphezu kweyodwa, leyo naleyo proxy kumele iqokwe ngokuya nganani elibekiwe lamasheya umninimasheya anawo eNkampanini kanye nesamba senani lawo wonke amasheya umninimasheya awaqokela ama-proxy akumele adlule isamba sawo wonke amasheya umninimasheya anawo.

I-proxy akudingekile ukuba abe ngumninimasheya. I-fomu le-proxy linanyathiselwa ngenhloso yokugcwaliswa noma ngubani onikwe igunya noma "ngegama lakhe" elibhaliswe ngomninimasheya ongabonakali ongakwazi ukwethamela umhlangano yena siqu. Uma ngabe noma yimuphi umninimasheya odinga amanye amafomu e-proxy, sicela uxhumane nabakwa-Link Market Services SA (Proprietary) Limited. Amafomu e-proxy kumelwe agcwaliswe bese ethunyelwa emahhovisini omabhalane bokudlulisa beNkampani i-Link Market Services SA (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001 (P.O. Box 4844, Johannesburg, 2000), ukuze atholwe esikhathini esingekho ngaphansi kwamahora angama-48 ngaphambi kwesikhathi somhlangano wonyaka (kungabalwa imiGqibelo, amaSonto kanye namaholideyi aseNingizimu Afrika omphakathi). Umninimasheya oqinisekisiwe noma "ngegama lakhe" obhalisile ongabonakali ogcwalisa athumele ifomu le-proxy angeke abe nalo ilungelo lokuthamela umhlangano abuye avote yena siqu sakhe emhlanganweni wonyaka uma kwenzeka eshintsha umqondo.

Abanamasheya angabonakali, ngaphandle "ngegama lakhe" kongumninimasheya obhalisile ongabonakali, kumele bazise i-Central Securities Depository Participant ("CSDP") yabo noma i-broker ngenhloso yabo yokwethamela umhlangano wonyaka nokuba bathole imvume ephuma ku-CSDP yabo noma i-broker yabo yokwethamela noma, esikhundleni salokho, banike i-CSDP yabo noma i-broker imiyalelo yokuvota kwabo uma bengeke bakwazi ukwethamela umhlangano wonyaka ngesiqu sabo.

Ngokugunyazwe yibhodi

I-African Bank Investments Limited
U-Sarita Martin
Unobhala weNkampani

Ihhovisi elibhalisiwe
59 16th Road
Midrand
1685

Private Bag X170
Midrand
1685

AMA-CURRICULA VITARUM ABAQONDISI

1 U-Ashley Sefako Mabogoane (48)
Usihlalo we-independent non-executive
Diploma in Business Management (EE)

Umiswe ngezi: 1 Disemba 1999

Waba ngumholi walezi zinkampani: i-Eyomhlaba Investment Holdings Limited, i-New Seasons Investments Holdings Limited, i-New Seasons Auto Holdings, i-New Seasons ICT, i-New Seasons Strategic Investments (Pty) Limited, i-Roadgrass Investments (Pty) Limited, i-Pono Investments (Pty) Limited, i-Rand Merchant Bank Structured Insurance (RMB SI), i-Owl Bridge Investments, ne-Timespan Investments and Triffic Investments.

U-Ashley Mabogoane uyiNhloko Yesigungu Esiphezulu se-New Seasons Investments (Pty) Limited. UbeyiyiSikhulu Esiphezulu (i-CEO) ye-FABCOS Investments Holdings (Pty) Limited ubenza umsebenzi wkuhambisa wokuthengiselana we-FABCOS Group kanye nokuguqulwa kwayo ekubeni inhlangano yokuba ngumnikeli ukuba ibe yinhlangano yokutshalwa kwezimali kwezentengiso ngokuphelele i-holding company Ubesebenza njenge-non-executive chairman of African Bank Limited ubuye abe usihlalo we-Fidelity Springbok Security Services.

U-Leonidas Kirkinis (47)
Umqondisi Wesigungu i-executive director
BComm BAcc CA(SA)

Umiswe ngezi: 1 Julayi 1997

Umqondisi Olawulayo we-African Bank Limited.

ULeon Kirkinis njengamanje uyiSikhulu Esiphezulu (i-CEO) ye-ABIL Nomqondisi Olawulayo we-African Bank.

U-Brian Paxton Furbank Steele (63)
Ungumqondisi we-independent non-executive
BComm, CA(SA), MBA

Umiswe ngezi: 19 Mayi 2003

Ungumqondisi we-Non-Executive of African Bank Limited; nowe-Aveng Limited.

UBrian Steele ushiye phansi njengenhloko yethimu yabaqondisi bezezimali be-Barloworld ngonyaka ka-2002. Ungusihlalo Wekomiti le-BEE abuye abe yilungu le-Group Audit and Group Risk Committees of ABIL.

U-Günter Zeno Steffens (69)
Ungumqondisi we-independent non-executive
Banking Exams

Umiswe ngezi: 19 Mayi 2003

Uyi-Non-Executive Director of African Bank Limited kanye nelinye iqembu lezinkampani ezingama-subsidiary; Uyisekela-sihlalo we-Non-Executive of Ridge Mining PLC; Umqondisi we-Non-Executive of Omega Investment Research noMqondisi we-Non-Executive of Connection Group Holdings (Pty) Limited

UGünter Steffens ushiye phansi njenge-group representative of Dresdner Bank AG njengamanje uwusihlalo we-Group Risk Committee usebenza njengelungu le-Group Audit nele-Director Affairs Committees of ABIL.

U-Ramani Naidoo (44)
Ungumqondisi we-independent non-executive
BA, LLB, Certificate in Mergers & Acquisitions

Umiswe ngezi: 19 Mayi 2003

Ungumqondisi we-Non-Executive of African Bank Limited, ne-Allied Technologies Limited, ne-The Wine People Group Limited.

URamani Naidoo njengamanje uyi-Company Secretary of the SABC nombhali wencwadi: "i-Corporate Governance: An essential guide for South African companies".

Ungusihlalo se-Directors Affairs Committee usebenza njengelungu le-Group Risk nele-Group Transformation & Remuneration Committees of ABIL.

IFOMU LE-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")

Imiyalelo:
Elokusetshenziswa mayelana Nomhlangano Wonyaka weNkampani wonyaka ka-2006 ozobanjwa mhlaka-1 kuMashi 2007 e-African Bank Limited, 59 16th Road, Midrand ngehora le-10:00 ("umhlangano wonyaka").

Izosetshenziswa kuphela ngabaninimasheya e-ABIL abanamasheya aqinisekisiwe kanye nalabo abangabaninimasheya angabonakali abaqoke ukubhalisa "ngegama labo".

Ucelwa ukuqaphele ukuthi, njengoba abaninimasheya ohlobo lwe-preference benelungelo lokwethamela baphinde bakhulume emhlanganweni wonyaka, kuyibona siqu sabo noma bemelwe yi-proxy, labo baninimasheya ohlobo lwe-preference abezukuba nalo ilungelo lokuvota, bekhona siqu sabo noma bemelwe yi-proxy, emhlanganweni wonyaka. Ngokunjalo noma yiyiphi ingxenye yaleli fomu le-proxy ekhuluma ngokuvota ayiqondisiwe kubaninimasheya ohlobo lwe-preference. Uma umninimasheya ohlobo lwe-preference egcwalisa noma yiyiphi ingxenye emayelana nemiyalelo yokuvota ebekwe lapha ngezansi, leyo miyalelo ayizukusetshenziswa futhi ayizukunakwa.

Abaninimasheya be-ABIL asebenze ukuthi amasheya abo angabonakali nge-Central Securities Depository Participant ("CSDP") noma nge-broker bangaligcwalisi leli fomu le-proxy futhi kumele banike i-CSDP yabo noma i-broker yabo imiyalelo yabo yokuvota, ngaphandle kwalabo baninimasheya asebeqoke ukubhalisa "ngegama-labo" ku-sub-register nge-CSDP noma nge-broker, labo baninimasheya kumele bagcwalise leli fomu balithumele ku-CSDP yabo noma ku- broker mayelana nesivumelwane sokubhekelwa abangene kuso esiphakathi kwabo ne-CSDP yabo noma ne-broker. Abanamasheya angabonakali abafisa ukwethamela umhlangano wonyaka kumele bazise i-CSDP yabo noma i-broker mayelana nale nhloso bacele i-CSDP yabo noma i-broker ukuba banikwe igunya elifanele lokwethamela umhlangano.

Mina/Thina

(sicela ubhale NGAMAGAMA AMAKHULU)

ohlala

(idilesi)

Ucingo Lwasemsebenzini (   )   Ucingo Lwasekhaya (   )

ngiqoka (bheka isaziso soku-2 ngale kwekhasi:

1. ngiyamfeyilisa

2. ngiyamfeyilisa,

3. usihlalo womhlangano wonyaka wabaninimasheya, njenge-proxy yami/yethu esimele emhlanganweni wonyaka nasekuhlehlisweni kwawo mayelana nawo wonke, noma uma kungewona wonke, leli nani elilandelayo eliyingcosana, lamasheya avamile noma amasheya awuhlobo lwe-preference abhaliswe egameni lami/lethu (bheka isaziso sesibili (3) ngale kwekhasi):

I-proxy yami/yethu (uma mina/thina singabaninimasheya avamile (a-ordinary) iyalwe ukuvotela noma ukungavoteli lezi ziphakamiso ezilandelayo zishintshiwe noma zingashintshiwe ihoxe noma ingahoxi ekuvoteni mayelana namasheya e-ABIL abhaliswe egameni lami/emagameni ethu (bheka isaziso sesibili (2) ngale kwekhasi) kanje:

	Ngiyamkhetha	Angimkhethi	Ngiyahoxa
Isiphakamiso esivamile sokuqala (1) Ukuphindwa kukhethwe laba baqondisi abalandelayo: 4.2 U-Ashley Sefako Mabogoane			
4.3 U-Leonidas Kirkinis			
4.4 U-Brian Paxton Furbank Steele			
4.5 U-Günter Zeno Steffens			
4.6 U-Ramani Naidoo			
Isiphakamiso esivamile sesibili (2) – Ukuphindwa kukhethwe abacwaningimabhuku			
Isiphakamiso esiyisipesheli sokuqala (1) – Igunya elivamile sama-repurchase			
Isiphakamiso esiyisipesheli sesibili (2) – Ukuguqulwa kwama- Articles ukuze kuxhunyanwe nge-elekthronikhi kanye nokuthola ama-proxy e-elekthronikhi aphuma kubaninimasheya			

(Faka uphawu lapho kufanele khona. Uma imiyalelo ingekho, i-proxy izoba nelungelo lokuvota noma lokuhoxa ekuvoteni njengokubona kwalo i-proxy.)

Kusayindwe e   ngomhlaka   2007

Ukusayinda

Usizwe ngu (uma kunjalo)

Lowo nalowo mninimasheya unelungelo lokuqoka i-proxy elilodwa noma ngaphezulu (okungadingekile ukuthi abe ngumninimasheya noma ngabaninimasheya be- ABIL) ukwethamela nokukhuluma (nalapho, lo mninimasheya engumninimasheya ovamile, evota) esikhundleni salowo mninimasheya emhlanganweni wonyaka. Uyacelwa ukuba ufunde isaziso ngemuva kwalapho.

ISAZISO

1. **Abanamasheya angama-preference angabuyiseki (a-non-redeemable), angakhokhelwa mihlomulo (a-non-cumulative), elingenazinga lenzuzo engaguquki (a-non-participative) angeke bathole ilungelo lokuvota, ngesiqu sabo noma nge-proxy, emhlanganweni wonyaka.**

2. Umninimasheya angafaka igama le-proxy noma amagama amabili amanye ama-proxy aqokwe umninimasheya esikhaleni/ezikhaleni ezikhona, ngokususa noma ngokungasusi "usihlalo womhlangano wonyaka wabaninimasheya", Umuntu ogama lakhe libhalwe kuqala efomini le-proxy ebe ekhona emhlanganweni wonyaka uzoba nelungelo lokuba yi-proxy laba abanye bamagama alandelayo bazobe sebekhishelwa eceleni.

3. Umninimasheya ofuna ukuqoka ama-proxy angaphezu koyedwa kumele agcwalise elinye ifomu laleyo naleyo proxy umninimasheya afisa ukuwaqoka. Noma yimuphi umninimasheya ofuna amanye amafomu e-proxy kumele axhumane nabakwa-Link Market Services SA (Proprietary) Limited. Uma umninimasheya eqoke i-proxy engaphezu kweyodwa, leyo naleyo proxy kumele iqokwe ngokuya ngesamba senani lawo wonke amasheya lowo mninimasheya anawo eNkampanini kanye nesamba senani lawo wonke lawo masheya ashiwo nokuqokelwa ama-proxy yilowo nalowo mninimasheya kumele singabi ngaphezulu sesamba senani lamasheya lowo nalowo mninimasheya anawo.

4. Imiyalelo yokuvota yomninimasheya onamasheya avamile (a-ordinary) ayinika i-proxy kumele yenziwe ngokufaka inani lamasheya elihambisana naleyo proxy eqokiwe ebhokisini elifanele. Ukwehluleka ukuhambisana nokushiwo ngenhla kuzothathwa njengokunikeza i-proxy igunya lokuvota noma lokuhoxa ukuvota emhlanganweni wonyaka njengokubona kwakhe mayelana nawo wonke amavoti omninimasheya angenziwa lapho, kodwa ngokuya ngalokhu okulandelayo. Umninimasheya onamasheya avamile akaphoqiwe ukusebenzisa wonke amavoti anokusetshenziswa ngumninimasheya, kodwa isamba samavoti asetshenziswe ngumninimasheya noma yi-proxy/ama-proxy akhe nokumayelana nokuhoxa kuyarekhodwa akumela kudlule isamba samavoti anokusetshenziswa umninimasheya.

5. Amafomu e-proxy kumele athunyelwe emahhovisini omabhalane bokudlulisela beNkampani, okungabakwa- Link Market Services SA (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000), ukuze atholwe esikhathini esingekho ngaphansi kwamahora angama-48 ngaphambi kwesikhathi somhlangano wonyaka (kungabalwa imiGqibelo, amaSonto namaholide omphakathi aseNingizimu Afrika).

6. Ukugcwaliswa nokuthunyelwa kwamafomu e-proxy ngabaninimasheya abanamasheya aqinisekisiwe kanye nabaninimasheya abenze amasheya abo kwaba ngangabonakali abaqoke ukubhalisa "ngegama- lakhe" ngeke kubavimbele laba baninimasheya ukwethamela umhlangano wonyaka wabaninimasheya nokukhuluma kanye (kuqondiswe kubaninimasheya abanamasheya avamile) nokuvota yena ngesiqu sakhe lapho kukhishelwa ngaphandle ama-proxy abekade eqokelwe lokho. Abaninimasheya abenze amasheya abo angabonakali abafisa ukwethamela umhlangano wonyaka kumele banike imiyalelo i-CSDP yabo noma i-broker ukuthola igunya elifanele lokwethamela umhlangano.

7. Ubufakazi obubhalwe phansi obunika igunya lalowo muntu osayina leli fomu omele noma oyilungu lomthetho (njengamandla ommeli noma igunya elibhalwe phansi) kumele bunanyathiselwe efomini le-proxy.

8. Noma yiluphi ushintsho noma ukulungisa okwenziwe kuleli fomu le-proxy kumele osayindile/abasayindile babhale amanishele.

9. Noma yimuphi umuntu okhona onelungelo lokuvota ngokuphakamisa izandla njengomninimasheya onamasheya avamile noma i-proxy noma omele inkampani uzovota kanye, ekuvoteni kokuphakanyiswa kwezandla, ngaphandle kokubheka inani lamasheya anawo noma awamele.

10. Endaweni yokuvota wonke umninimasheya onamasheya avamile we-ABIL (ekhona yena siqu sakhe noma emelwe yi-proxy) uzovota kanye ngalelo nalelo sheya elivamile umninimasheya we-ABIL analo.

11. Isiphakamiso esivamile noma esiyisipesheli esifakwe ukuba sivotelwe kuzonqunywa ukusivotela ngokuphakanyiswa kwezandla ngaphandle kokuthi, ngaphambi noma ngesikhathi sekumenyezelwa imiphumela yokuvota ngokuphakanyiswa kwezandla, usihlalo wonhlangano wonyaka noma yinoma ngumuphi umuntu onelungelo lokuvota emhlanganweni wonyaka efuna kusetshenziswe indawo yokuvota.

12. Uma ukusetshenziswa kwendawo yokuvota kufunwa, isiphakamiso esivamile noma esiyisipesheli esibekwe ukuba sivotelwe sizokwenziwa endaweni yokuvota.

CORPORATE INFORMATION

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1946/021193/06

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