



**ABC Holdings Limited**

Unaudited Interim Group Results  
for the six months ended

**30 June 2012**

## ABOUT BancABC

ABC Holdings Limited is the parent company of a number of banks operating under the BancABC brand in Sub-Saharan Africa, with operations in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe. A group services office is located in South Africa.

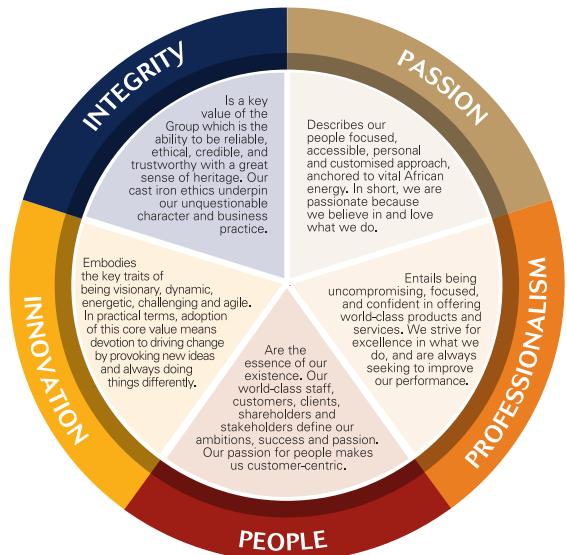
Our vision is to be Africa's preferred banking partner by offering world class financial solutions. We will realise this by building profitable, lifelong customer relationships through the provision of a wide range of innovative financial products and services – to the benefit of all our stakeholders.

The Group offers a diverse range of services including but not limited to the following: Corporate banking, treasury services, Retail & SME Banking, asset management and stock broking.

ABC Holdings Limited is registered in Botswana. Its primary listing is on the Botswana Stock Exchange, with a secondary listing on the Zimbabwe Stock Exchange.

## OUR VALUES

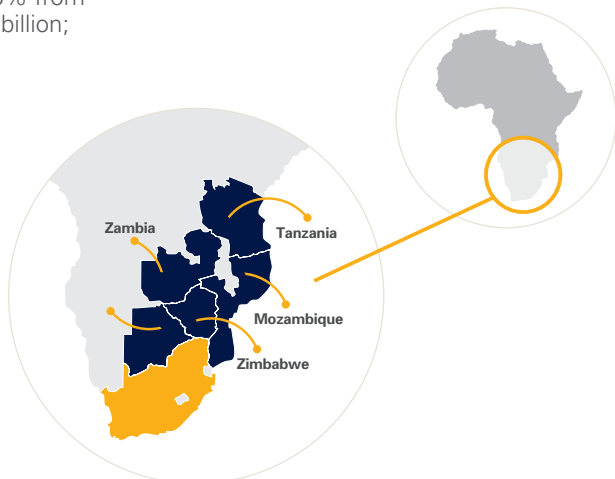
Our core values centre on five distinct areas. They remain the guiding principles by which we operate and form the basis of our corporate personality.





## highlights

- ▲ Total income up by 53% from BWP311 million to **BWP476 million**;
- ▲ Operating expenses up 55% from BWP244 million to **BWP379 million** largely due to increased span of activity in Retail and SME banking;
- ▲ Cost to income ratio increased to **75%** (H111: 72%);
- ▲ Net operating income is 45% up from BWP67 million to **BWP97 million**;
- ▲ Pre-tax profit 53% up from BWP63 million to **BWP96 million**;
- ▲ Attributable profit to shareholders of **BWP56 million** (H111: BWP37 million);
- ▲ Basic EPS of **37.2 thebe** (H111: 25.9 thebe) and diluted EPS of 31.1 thebe (H110: 24.6 thebe);
- ▲ Deposits increased by **19%** since December 2011 and 46% from June 2011, to **BWP8.8 billion**;
- ▲ Loans and advances increased by 29% since December 2011 and 95% from June 2011 to **BWP7.8 billion**;
- ▲ Total assets increased by 18% since December 2011 and by 47% from June 2011 to **BWP10.8 billion**;
- ▲ Average return on equity at **18%** (H111: 17%);
- ▲ Total retail branches increased from 35 in June 2011 to **55** in June 2012;
- ▲ Total retail customer numbers increased by 144% from 63,891 in June 2011 to **155,763** in June 2012;
- ▲ NPLs marginally down from 5.5% in June 2011 to **5.4%** in June 2012. Credit loss ratio down from 1.2% in 2011 to 0.8% in 2012;
- ▲ Raised **US \$50 million** by way of a rights issue in July 2012.



# ANNOUNCEMENT TO SHAREHOLDERS

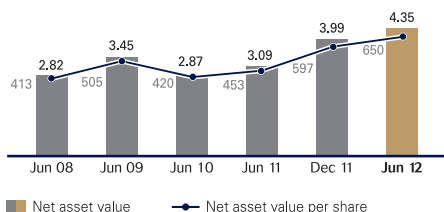


The Group posted a strong set of results for the half year ended 30 June 2012. This was largely driven by strong income generation in both wholesale and retail banking segments. All the subsidiaries posted excellent results with the exception of BancABC Tanzania which posted a loss for the period. Pre-tax profit at BWP96 million is 53% up on BWP63 million achieved in the prior year. Attributable profit to shareholders at BWP56 million is 49% up on BWP37 million posted for the comparative period last year.

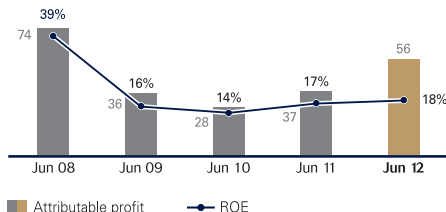
Total assets increased by 18% during the six months period to 30 June 2012 to BWP10.8 billion from BWP9.2 billion in December 2011. The balance sheet increased by 47% compared to 30 June 2011. Significant inroads have been achieved in the consumer lending and group schemes business segments particularly in Botswana, Zambia and Zimbabwe. The Group now operates 55 branches compared to 35 in the prior year and 49 as at end of December 2011.

## Overview

NET ASSET VALUE (BWP m) AND NAV PER SHARE (BWP)



ATTRIBUTABLE PROFIT (BWP m) AND ROE (%)



## Financial Performance

### Net interest income

Net interest income of BWP274 million was 43% ahead of BWP191 million achieved in 2011. This was due to a combination of higher business volumes and better margins as Retail banking contribution where there are higher margins became more pronounced. BancABC Botswana was the major contributor as a result of the increase in the consumer lending and group schemes loan book which closed the period at BWP1 billion from virtually nothing last year. All the other entities with the exception of BancABC Tanzania also achieved growth on the back of an increase in the balance sheet size as well as improved margins. Interest margins in Tanzania shrunk due to a rapid increase in deposit interest rates experienced in the market in the last quarter of 2011 and beginning of 2012. On the other hand the full impact of this could not be passed on to the borrowing clients.

### Impairment losses on loans and advances

Net impairments of BWP32 million were 26% up on BWP26 million recorded in prior year. The increase is largely due to portfolio impairments owing to the growth in the book. The quality of the book was stable with gross non-performing loans of 5.4% as at June 2012 (June 2011: 5.5%). The credit loss ratio improved to 0.8% in the current period from 1.2% in the prior year.

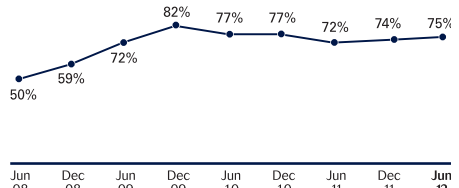
### Non-interest income

Non-interest income of BWP235 million was 61% ahead of prior year comparative of BWP146 million. The Group achieved significant growth in almost all the markets from increased trading activity as well as increased transactional income. BancABC Botswana was able to increase its foreign currency trading income during the year and registered significant growth in transactional income due to an increase in retail banking customers. Significant non-funded income was generated in Zambia on the back of an increase in guarantee and trade finance business. All the other operations generated significant growth in this income line due to higher business volumes.

### Operating expenditure

Operating expenses of BWP379 million were higher than prior year by 55% (BWP135 million). The Group has rapidly grown its retail business, consequently there are now more branches and a significant increase in the number of employees. As expected this comes in at a higher cost although the growth in cost to income ratio has stabilised somewhat. Cost to income ratio at 75% is higher than the 72% recorded last year but should start coming down in the next couple of months. We are still cautiously optimistic that we will achieve our target cost to income ratio of 50% within the next few years.

#### COST TO INCOME RATIO



### Taxation

In the current period, the Group had a tax charge of BWP40 million compared to a tax charge of BWP24 million in the prior year. The effective tax rate is 42% compared to 38% in prior year. This is largely due to losses in head office and other non-banking subsidiaries, where no tax benefit has been derived. A conservative view was taken not to immediately recognise deferred tax assets arising out of these losses and the position will be reviewed at year end.

### Balance sheet

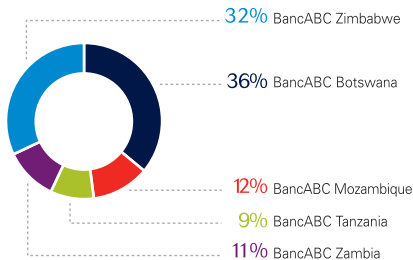
The balance sheet increased to BWP10.8 billion (US\$1.4 billion) compared to BWP7.4 billion as at 30 June 2011 and BWP9.2 billion as at 31 December 2011. Loans and advances increased to BWP7.8 billion from BWP6.1 billion (24%) as at 31 December 2011 and BWP4 billion (87%) as at 30 June 2011. The major contributor to current year growth was BancABC Botswana. Deposits increased to BWP8.8 billion from BWP7.4 billion in December 2011 (19%) and BWP6 billion (46%) as at 30 June 2011.

## Attributable Profit

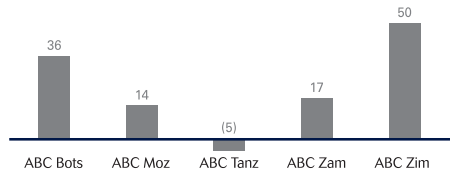
Banking operations posted attributable profit of BWP111 million up 52% on BWP73 million achieved last year. All the Banking subsidiaries with the exception of BancABC Tanzania which posted a loss of BWP5 million compared to an attributable profit of BWP10 million in the prior year, achieved results that are materially better than prior year. BancABC Botswana's attributable profit of BWP36 million is three times higher than BWP11 million achieved in 2011. BancABC Zambia almost tripled its profitability from BWP6 million to BWP17 million. BancABC Mozambique and BancABC Zimbabwe achieved 77% and 30% growth in profitability respectively.

Head Office entities registered an attributable loss of BWP56 million (2011: BWP36 million). Included in this loss is BWP8 million attributable to mark-to-market losses in respect of PG Zimbabwe and a share of associate loss in respect of PG Botswana (2011: BWP4.5 million). Our investment in both entities remains available for sale as they are considered non-core operations. Income at Head Office also significantly reduced as Group took a decision to fund the capitalisation of subsidiaries ahead of the conclusion of the rights issue and this meant disposing of some assets and increasing short-term borrowings. This resulted in a net interest expense of BWP8 million compared to net interest income of BWP12 million in the prior year. The net interest expense position should reverse in the second half of the year as liquidity at the centre improves and the extra borrowings are repaid using the rights issue proceeds.

### TOTAL ASSETS BY ENTITY



### ATTRIBUTABLE PROFIT (BWP m)



## OPERATIONAL PERFORMANCE

### Botswana

BancABC Botswana performed exceptionally well during the period with attributable profit increasing by 228% to BWP36 million. Total income increased by 126% from BWP48 million in the prior year to BWP109 million in the current year. This was driven predominantly by an increase in net interest income from the increased consumer lending and group schemes loans. Loans and advances increased by 230% when compared to 30 June 2011 and net interest income increased by 203% when compared to prior year. The quality of the loan book improved markedly with non-performing loans (NPLs) now down to 1.8% from 5.9% as at 30 June 2011. However, impairments increased from BWP2 million to BWP15 million largely due to portfolio impairments, owing to the increase in the loan book.

Non-interest income at BWP34 million increased by 64%. The increase was largely on the back of an increase in foreign currency trading income as well as from transactional fees around the consumer lending and group schemes loan portfolio.

Operating expenses increased by 73% to BWP64 million, due to increased business activity particularly on the retail front. Notwithstanding the above it should be noted that cost to income ratio rapidly declined from 73% in the prior year to 51%, which is closer to the Group's short term target of 50%.





## Mozambique

BancABC Mozambique's profitability increased by 77% from BWP8 million to BWP14 million. This was mainly due to an increase in net interest income as the balance sheet size and margins increased during the current year. Market interest rates have been on a down-ward trend and this has lowered the subsidiary's cost of funds which improved margins. Net interest income at BWP46 million was higher than prior year by 127%. Loans and advances increased by 53% to BWP827 million compared to BWP541 million in June 2011. Gross non-performing loans increased from 4.3% in June 2011 to 7.4% in the current year and this led to an increase in impairment charges during the period. Impairments increased from BWP3 million to BWP10 million in the current period.

Non-interest income increased by 32% to BWP33 million. This was driven by growth in trade finance fees as well as an increase in foreign currency trading profits. Operating expenses on the other hand increased by 55% to BWP51 million and this was a direct result of an increased span of activity as the Group continues its expansion into the retail space. Cost to income ratio, never-the-less, reduced from 72% to 64% in the current year.

## Tanzania

BancABC Tanzania posted an attributable loss of BWP5 million compared to an attributable profit of BWP10 million in the prior year. This was largely due to a reduction in net interest income as well as loan impairments recorded during the period.

Net interest income of BWP15 million was 38% lower than prior year due to lower interest margins during the period. Market interest rates rapidly increased towards the end of 2011 and this adversely impacted interest margins. On the other hand the higher costs of deposits could not be fully passed on to borrowing clients.

The impairment charge of BWP10 million, though still relatively high, reflects a 13% reduction from the charge of about BWP12 million in prior year. The portfolio still needs to be closely managed to ensure that non-performing loans are kept at a minimal level.

Non-interest income of BWP28 million was lower than prior year by 12% due to lower bond trading income as volumes reduced. Operating expenses increased by 36% to BWP41 million in line with the expansion of the business. Whilst we are unhappy with the results it is pleasing to note that we have now obtained a Government payroll deduction code which positions the business well for the future.

## Zambia

BancABC Zambia's profitability significantly increased from BWP6 million in 2011 to BWP17 million in the current year. This was on the back of growth in the consumer lending segment as well as in non-funded trade finance transactions in the wholesale banking division. As a way of properly pricing its loan book and related services, a deliberate step was taken to split income earned on consumer loans between interest income and loan management fees. This led to a reduction of 11% in net interest income



from BWP38 million to BWP34 million in the current period. However, this was more than compensated for by the 346% increase in non-interest income from a combination of the increased loan management fees on consumer loans coupled with increased trade finance transactional fees. Non-interest income increased from BWP10 million to BWP43 million in the current period. The quality of the loan book continues to improve, as a result we registered a net recovery for the first time in recent history. Gross non-performing loans declined from 11.6% in June 2011 to 4.5% in June 2012. As a result of the on-going business expansion, operating expenses increased by 41% to BWP55 million.

### Zimbabwe

BancABC Zimbabwe continued its growth trajectory though at a lower rate compared to 2011. Business growth was hampered by liquidity challenges experienced in the market and the Group took a deliberate decision to cut back on lending to manage associated risks. Nonetheless, profitability increased by 30% from BWP38 million to BWP50 million. This was on the back of growth in all income lines as a result of higher business volumes. Retail branch network increased from 6 in June 2011 to 19 branches in the current year. Net interest income

increased by 45% to BWP95 million and non-interest income increased by 77% to BWP97 million. Loans and advances increased by 63% from BWP1.5 billion in June 2011 to BWP2.4 billion in the current year. However, operating expenses increased by 101% to BWP124 million due to business expansion.

### Retail and SME banking

The retail banking roll out continued with the branch network increasing to 55 compared to 35 in June 2011. The Group has successfully rolled out profitable retail products in Botswana, Zambia and Zimbabwe and the process is expected to spread to Mozambique and Tanzania. We now have Government payroll deduction codes in all the markets with the exception of Mozambique. The plan is to continue rolling out full retail capability to all subsidiaries and quickly growing this division into a formidable market player in all the markets. Product innovation and excellent service delivery will underpin growth in the markets we operate in.

### Dividend

At the Board meeting held on 31 July 2012, the directors proposed an interim gross dividend of



8 thebe per share. This will be paid on 21 September 2012 to shareholders on the register on 7 September 2012.

## Capital raising

The US\$50 million rights offer was successfully conducted and closed on Friday 27 July 2012. As a result of under-writing the rights offer, ADC Financial Services & Corporate Development Limited (ADC)'s shareholding in the Group has increased from 23% to about 42%. In addition ADC agreed to warehouse some shares for senior management and if this is taken into account ADC's effective control of the Group increases to 50.4%.

The subsidiaries have been fully capitalised as planned. Since December 2011 US\$57.5 million has been injected in the subsidiaries as follows: BancABC Botswana US\$25 million, BancABC Mozambique US\$3.5 million, BancABC Zambia US\$7 million, BancABC Tanzania US\$7 million and BancABC Zimbabwe US\$15 million.

The growth rate is such that we have to raise additional funding by way of tier II capital and in this regard discussions are already taking place with potential funders so that we do not lose the momentum that we have achieved to date.

## Directorate

Mr Johannes Wasmus retired as a non-executive director at the annual general meeting on 30 May 2012. He has been a member of the Board since 2003 and has served as chairman of the Loans Review Committee and as a member of the Risk and Audit Committee. We would like to thank Mr Wasmus for his valuable contribution and dedication to the Group over many years of service. We wish him success in all his future endeavours.

## Outlook

The sovereign debt crisis in Europe and the high likelihood of a contagion effect across the world has not dissipated. A slow-down in global growth will necessarily mean that the environment in which we operate in will continue to be challenging. The major financial systems in the world will suffer the most

and the recent debacle on LIBOR setting does not help to boost the public confidence in the banking industry. Regrettably this is now the new normal. Notwithstanding the above we are confident that the growth we have seen in the recent past will continue unabated. Whereas in the past we have had challenges in writing quality assets we are now in a position where liquidity is the main limiting factor to business growth. We are determined to deal with this challenge and ensure that it does not significantly inhibit business growth.

## Acknowledgment

We would like to acknowledge the contribution of the Board, Management and staff in producing a satisfactory set of results.



**H Buttery**  
*Group Chairman*



**DT Munatsi**  
*Group Chief Executive Officer*

14th August 2012

# CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2012

BWP'000s – (Presentation currency)	Notes	Unaudited 30 Jun 2012 6 months	Unaudited 30 Jun 2011 6 months	Audited 31 Dec 2011 12 months
Interest and similar income		662,229	443,427	821,900
Interest expense and similar charges		(388,558)	(252,073)	(409,538)
<b>Net interest income before impairment of advances</b>		<b>273,671</b>	<b>191,354</b>	<b>412,362</b>
Impairment losses on loans advances		(32,409)	(25,821)	(79,537)
<b>Net interest income after impairment of advances</b>		<b>241,262</b>	<b>165,533</b>	<b>332,825</b>
Non-interest income	3	234,947	145,678	325,984
<b>Total income</b>		<b>476,209</b>	<b>311,211</b>	<b>658,809</b>
Operating expenditure	4	(379,016)	(244,025)	(545,948)
<b>Net income from operations</b>		<b>97,193</b>	<b>67,186</b>	<b>112,861</b>
Share of results of associates		(1,472)	(4,547)	(5,177)
<b>Profit before tax</b>		<b>95,721</b>	<b>62,639</b>	<b>107,684</b>
Tax		(40,441)	(23,529)	(19,986)
<b>Profit for the period</b>		<b>55,280</b>	<b>39,110</b>	<b>87,698</b>
<b>Attributable to:</b>				
Ordinary shareholders		55,579	37,242	83,002
Minorities		(299)	1,868	4,696
<b>Profit for the period</b>		<b>55,280</b>	<b>39,110</b>	<b>87,698</b>
Earnings per share (thebe)		37.2	25.9	56.6
Dividend per share (thebe)		8.0	6.8	17.5
Weighted average number of shares (000's)		149,472	144,049	146,760

## CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2012

<b>USD'000s – (Convenience conversion)</b>	<b>Unaudited 30 Jun 2012 6 months</b>	<b>Unaudited 30 Jun 2011 6 months</b>	<b>Audited 31 Dec 2011 12 months</b>
Interest and similar income	89,312	67,600	120,244
Interest expense and similar charges	(52,403)	(38,428)	(59,915)
<b>Net interest income before impairment of advances</b>	<b>36,909</b>	<b>29,172</b>	<b>60,329</b>
Impairment losses on loans advances	(4,371)	(3,936)	(11,637)
<b>Net interest income after impairment of advances</b>	<b>32,538</b>	<b>25,236</b>	<b>48,692</b>
Non-interest income	31,686	22,208	47,692
<b>Total income</b>	<b>64,224</b>	<b>47,444</b>	<b>96,384</b>
Operating expenditure	(51,116)	(37,201)	(79,873)
<b>Net income from operations</b>	<b>13,108</b>	<b>10,243</b>	<b>16,511</b>
Share of results of associates	(198)	(693)	(757)
<b>Profit before tax</b>	<b>12,910</b>	<b>9,550</b>	<b>15,754</b>
Tax	(5,454)	(3,587)	(2,924)
<b>Profit for the period</b>	<b>7,456</b>	<b>5,963</b>	<b>12,830</b>
<b>Attributable to:</b>			
Ordinary shareholders	7,497	5,678	12,143
Minorities	(41)	285	687
<b>Profit for the period</b>	<b>7,456</b>	<b>5,963</b>	<b>12,830</b>
Earnings per share (cents)	5.0	3.9	8.3
Dividend per share (cents)	1.0	1.0	2.4
Weighted average number of shares (000's)	149,472	144,049	146,760

# CONSOLIDATED BALANCE SHEET

as at 30 June 2012

<b>BWP'000s – (Presentation currency)</b>	Notes	<b>Unaudited 30 Jun 2012</b>	<b>Unaudited 30 Jun 2011</b>	<b>Audited 31 Dec 2011</b>
<b>ASSETS</b>				
Cash and short term funds		988,788	1,356,617	1,243,431
Financial assets held for trading		544,474	1,030,839	651,049
Financial assets designated at fair value		90,053	84,135	185,412
Derivative financial assets		38,979	8,074	32,337
Loans and advances		7,817,545	4,018,987	6,077,399
Investment securities		294,540	111,481	86,174
Prepayments and other receivables		248,510	246,631	172,000
Current tax assets		–	–	8,458
Investment in associates		14,354	29,504	17,539
Property, and equipment		576,491	392,799	514,880
Investment properties		4,132	4,988	2,021
Intangible assets		133,472	61,031	130,362
Deferred tax assets		71,209	20,152	62,826
<b>TOTAL ASSETS</b>		<b>10,822,547</b>	<b>7,365,238</b>	<b>9,183,888</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Liabilities</b>				
Deposits		8,781,462	6,004,301	7,374,700
Derivative financial liabilities		52,531	–	47,069
Creditors and accruals		162,133	188,236	130,427
Current tax liabilities		6,812	5,634	27,617
Deferred tax liabilities		22,807	14,740	9,720
Borrowed funds	5	1,130,944	682,839	981,788
<b>Total liabilities</b>		<b>10,156,689</b>	<b>6,895,750</b>	<b>8,571,321</b>
<b>Equity</b>				
Stated capital		316,592	307,586	316,592
Foreign currency translation reserve		(232,243)	(337,380)	(246,046)
Non distributable reserves		182,593	171,238	182,593
Distributable reserves		382,961	311,672	343,672
<b>Equity attributable to ordinary shareholders</b>		<b>649,903</b>	<b>453,116</b>	<b>596,811</b>
Minority interest		15,955	16,372	15,756
<b>Total equity</b>		<b>665,858</b>	<b>469,488</b>	<b>612,567</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,822,547</b>	<b>7,365,238</b>	<b>9,183,888</b>
<b>Guarantees and other credit commitments</b>	<b>6</b>	<b>733,997</b>	<b>412,495</b>	<b>432,903</b>

# CONSOLIDATED BALANCE SHEET

as at 30 June 2012

<b>USD'000s – (Convenience conversion)</b>	<b>Unaudited 30 Jun 2012</b>	<b>Unaudited 30 Jun 2011</b>	<b>Audited 31 Dec 2011</b>
<b>ASSETS</b>			
Cash and short term funds	129,185	207,562	166,122
Financial assets held for trading	71,136	157,707	86,980
Financial assets designated at fair value	11,765	12,884	24,771
Derivative financial assets	5,093	1,235	4,320
Loans and advances	1,021,362	614,905	811,940
Investment securities	38,482	17,057	11,513
Prepayments and other receivables	32,468	37,735	22,980
Current tax	–	–	1,130
Investment in associates	1,875	4,514	2,343
Property, and equipment	75,319	60,098	68,788
Investment properties	540	763	270
Intangible assets	17,438	9,338	17,417
Deferred tax assets	9,303	3,083	8,394
<b>TOTAL ASSETS</b>	<b>1,413,966</b>	<b>1,126,881</b>	<b>1,226,968</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Deposits	1,147,298	918,658	985,260
Derivative financial liabilities	6,863	–	6,288
Creditors and accruals	21,183	28,800	17,425
Current tax liabilities	890	862	3,690
Deferred tax liabilities	2,979	2,255	1,299
Borrowed funds	147,758	104,474	131,167
<b>Total liabilities</b>	<b>1,326,971</b>	<b>1,055,049</b>	<b>1,145,129</b>
<b>Equity attributable to ordinary shareholders</b>			
Minority interest	2,085	2,505	2,105
<b>Total equity</b>	<b>86,995</b>	<b>71,832</b>	<b>81,839</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,413,966</b>	<b>1,126,881</b>	<b>1 226,968</b>
<b>Guarantees and other credit commitments</b>	<b>95,897</b>	<b>63,112</b>	<b>57,836</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2012

	Unaudited 30 Jun 2012	Unaudited 30 Jun 2011	Audited 31 Dec 2011
<b>BWP'000s – (Presentation currency)</b>			
<b>Profit for the period</b>	<b>55,280</b>	<b>39,110</b>	<b>87,698</b>
Other comprehensive income	14,301	6,933	101,846
Exchange differences on translating foreign operations	14,301	9,207	102,415
Revaluation of property	–	–	1,833
Share of reserves in associate companies	–	(2,275)	(1,901)
Movement in available for sale reserves	–	1	(132)
Income tax relating to components of other comprehensive income	–	–	(369)
<b>Total comprehensive income for the period</b>	<b>69,581</b>	<b>46,043</b>	<b>189,544</b>
<b>Total comprehensive income attributable to:</b>			
Ordinary shareholders	69,382	44,976	183,775
Minorities	199	1,067	5,769
	69,581	46,043	189,544
<b>USD'000s – (Convenience conversion)</b>			
<b>Profit for the period</b>	<b>7,456</b>	<b>5,963</b>	<b>12,830</b>
Other comprehensive income	1,929	1,057	14,900
Exchange differences on translating foreign operations	1,929	1,404	14,983
Revaluation of property	–	–	268
Share of reserves in associate companies	–	(347)	(278)
Movement in available for sale reserves	–	–	(19)
Income tax relating to components of other comprehensive income	–	–	(54)
<b>Total comprehensive income for the period</b>	<b>9,385</b>	<b>7,020</b>	<b>27,730</b>
<b>Total comprehensive income attributable to:</b>			
Ordinary shareholders	9,357	6,857	26,886
Minorities	28	163	844
	9,385	7,020	27,730



# CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2012

<b>BWP'000s</b>	<b>Unaudited 30 Jun 2012 6 months</b>	<b>Unaudited 30 Jun 2011 6 months</b>	<b>Audited 31 Dec 2011 12 months</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(263,431)</b>	<b>230,734</b>	<b>(175,580)</b>
Cash generated from operating activities	163,654	111,917	263,802
<b>Net profit before tax</b>	<b>95,721</b>	<b>62,639</b>	<b>107,684</b>
<b>Adjusted for:</b>			
Impairment of loans and advances	32,409	25,821	79,537
Depreciation and amortisation	32,363	17,963	47,899
Net losses on derivative financial instruments	2,034	837	17,122
Fair value gains on investment properties	(524)	–	–
Profit on disposal of investment properties	–	–	(395)
Loss from associates	1,472	4,547	5,177
Discount on new shares issued to staff	–	–	2,379
Impairment of investment in associates	–	–	4,292
Loss on disposal of property and equipment	179	110	107
Tax paid	(48,084)	(18,019)	(53,328)
Net cash inflow from operating activities before changes in operating funds	115,570	93,898	210,474
<b>Net decrease/(increase) in operating funds</b>	<b>(379,001)</b>	<b>136,836</b>	<b>(386,054)</b>
Increase in operating assets	(1,822,929)	(1,083,592)	(3,460,992)
Increase in operating liabilities	1,443,928	1,220,428	3,074,938
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(103,910)</b>	<b>(85,180)</b>	<b>(244,185)</b>
Purchase of property and equipment	(86,935)	(74,529)	(174,441)
Purchase of intangible assets	(16,434)	(9,644)	(80,575)
Additions to investment property	(1,587)	(1,110)	(38)
Additions to associates	–	–	(1,665)
Proceeds on disposal of property and equipment	1,046	103	206
Proceeds on disposal of investment property	–	–	2,709
Proceeds on disposal of associate	–	–	9,619
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>132,866</b>	<b>89,223</b>	<b>392,795</b>
Increase in borrowed funds	149,156	103,419	410,009
Dividend paid	(16,290)	(14,196)	(25,161)
Dividends paid by subsidiaries to minority interests	–	–	(5,535)
Disposal of treasury shares	–	–	5,827
Proceeds from issue of shares	–	–	7,655
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(234,475)</b>	<b>234,777</b>	<b>(26,970)</b>
Cash and cash equivalents at the beginning of the period	864,734	788,026	788,026
Exchange adjustment on opening balance	19,362	6,503	103,678
<b>Cash and cash equivalents at the end of the period</b>	<b>649,621</b>	<b>1,029,306</b>	<b>864,734</b>
Cash and cash equivalents	649,621	1,029,306	864,734
Statutory reserves	339,167	327,311	378,697
<b>Cash and short term funds</b>	<b>988,788</b>	<b>1,356,617</b>	<b>1,243,431</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2012

## ATTRIBUTABLE TO OWNERS OF THE PARENT

BWP'000s	Stated capital	Foreign currency translation reserve	Regula- tory general credit risk reserve	Property revaluation reserve
<b>Balance as at 1 January 2011</b>	<b>307,586</b>	<b>(347,388)</b>	<b>5,059</b>	<b>119,143</b>
<b>Comprehensive income:</b>				
Profit for the period				
<b>Other comprehensive income:</b>	-	<b>10,008</b>	<b>5,309</b>	-
Foreign currency translation differences		10,008		
Movement in general credit risk reserve			5,309	
Share of reserves in associate companies				
Movement in statutory reserves				
Movement in available for sale reserves:	-	-	-	-
- Arising in current period				
- Realised through profit and loss				
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>10,008</b>	<b>5,309</b>	<b>-</b>
<b>Transactions with owners</b>				
Dividends paid				
Dividends paid by subsidiaries to minority interests				
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at 30 June 2011</b>	<b>307,586</b>	<b>(337,380)</b>	<b>10,368</b>	<b>119,143</b>
Profit for the period				
<b>Other comprehensive income:</b>	-	<b>91,334</b>	<b>3,523</b>	<b>(860)</b>
Foreign currency translation differences		91,334		
Revaluation of property net of deferred tax				1,464
Movement in general credit risk reserve			3,523	
Share of reserves in associate companies				(2,324)
Movement in statutory reserves				
Movement in available for sale reserves:	-	-	-	-
- Arising in current period				
- Realised through profit and loss				
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>91,334</b>	<b>3,523</b>	<b>(860)</b>
<b>Transactions with owners</b>				
Dividends paid				
Dividends paid by subsidiaries to minority interests				
Disposal of treasury shares				
Discount on new shares issued to staff				
Proceeds from shares issued	9,006			
<b>Total transactions with owners</b>	<b>9,006</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at 1 January 2012</b>	<b>316,592</b>	<b>(246,046)</b>	<b>13,891</b>	<b>118,283</b>
<b>Comprehensive income:</b>				
Profit for the period	-	-	-	-
<b>Other comprehensive income:</b>	-	<b>13,803</b>	-	-
Foreign currency translation differences		13,803		
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>13,803</b>	<b>-</b>	<b>-</b>
<b>Transactions with owners</b>				
Dividends paid				
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balance as at 30 June 2012	316,592	(232,243)	13,891	118,283

**ATTRIBUTABLE TO OWNERS OF THE PARENT**

Available for sale reserve	Statutory reserve	Share based payments reserve	Treasury shares reserve	Distributable reserves	Total	Minority interest	Total equity
752	39,952	-	(2,371)	299,603	422,336	15,522	437,858
				37,242	37,242	1,868	39,110
<b>1</b>	<b>3,393</b>	-	-	<b>(10,977)</b>	<b>7,734</b>	<b>(801)</b>	<b>6,933</b>
				(5,309)	-	(801)	-
	3,393			(2,275)	(2,275)		(2,275)
1	-	-	-	(3,393)	-		-
1				-	1	-	1
					1		1
					-		-
<b>1</b>	<b>3,393</b>	-	-	<b>26,265</b>	<b>44,976</b>	<b>1,067</b>	<b>46,043</b>
				(14,196)	(14,196)		(14,196)
-	-	-	-	<b>(14,196)</b>	<b>(14,196)</b>	(217)	(217)
<b>753</b>	<b>43,345</b>	-	<b>(2,371)</b>	<b>311,672</b>	<b>453,116</b>	<b>16,372</b>	<b>469,488</b>
				45,760	45,760	2,828	48,588
<b>(133)</b>	<b>6,454</b>	-	-	<b>(7,279)</b>	<b>93,039</b>	<b>1,874</b>	<b>94,913</b>
				(3,523)	91,334	1,874	93,208
				2,443	1,464		1,464
	255			(6,199)	-		-
	6,199			-	374		374
(133)	-	-	-	-	-		-
(133)				-	(133)		(133)
				-	-		-
<b>(133)</b>	<b>6,454</b>	-	-	<b>38,481</b>	<b>138,799</b>	<b>4,702</b>	<b>143,501</b>
				(10,965)	(10,965)		(10,965)
		(1,028)	2,371	4,484	-	(5,318)	(5,318)
		2,379			5,827		5,827
		(1,351)			2,379		2,379
-	-	-	<b>2,371</b>	<b>(6,481)</b>	<b>4,896</b>	<b>(5,318)</b>	<b>(422)</b>
<b>620</b>	<b>49,799</b>	-	-	<b>343,672</b>	<b>596,811</b>	<b>15,756</b>	<b>612,567</b>
				55,579	55,579	(299)	55,280
-	-	-	-	-	<b>13,803</b>	<b>498</b>	<b>14,301</b>
					13,803	498	14,301
-	-	-	-	<b>55,579</b>	<b>69,382</b>	<b>199</b>	<b>69,581</b>
				(16,290)	(16,290)		(16,290)
-	-	-	-	<b>(16,290)</b>	<b>(16,290)</b>	-	<b>(16,290)</b>
620	49,799	-	-	382,961	649,903	15,955	665,858

# NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

## 1 Basis of presentation

### 1.1 Statement of compliance

This condensed consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the requirements of the Botswana Companies Act (Chapter 42:01). Significant accounting policies have been applied consistently from the prior year.

### 1.2 Functional and presentation currency

The financial statements are presented in Botswana Pula (BWP), which is the company's functional currency and the Group's presentation currency. Except as indicated, financial information presented in BWP has been rounded off to the nearest thousand.

## 2 Stated capital

There has been no changes in the stated capital of ABC Holdings Limited during the six months to 30 June 2012.

## 3 Non-interest income

BWP'000s	30 Jun 2012 6 months	30 Jun 2011 6 months	31 Dec 2011 12 months
Gains less losses from trading activities	9,243	22,793	18,705
(Losses)/gains on investment activities designated at fair value	(2,175)	4,122	29,694
Dividends received	765	734	131
Fees and commission income	142,548	60,648	162,148
Forex trading income and currency revaluation	71,034	51,835	116,153
Fair value gains on investment properties	524	–	–
Net losses on derivative financial instruments	(2,034)	(837)	(17,122)
Profit on disposal of investment property	–	–	395
Loss on disposal of property and equipment	(179)	(110)	(107)
Rental and other income	15,221	6,493	15,987
	<b>234,947</b>	<b>145,678</b>	<b>325,984</b>
<b>4 Operating expenditure</b>			
Administrative expenses	157,318	97,105	201,434
Staff costs & directors remuneration	185,158	125,214	285,844
Impairment of investment in associate	–	–	4,292
Depreciation and amortisation	32,363	17,963	47,899
Auditors' remuneration	4,177	3,743	6,479
	<b>379,016</b>	<b>244,025</b>	<b>545,948</b>

<b>BWP'000s</b>	<b>30 Jun 2012 6 months</b>	<b>30 Jun 2011 6 months</b>	<b>31 Dec 2011 12 months</b>
<b>5 Borrowed funds</b>			
Convertible bond	91,410	70,605	84,619
Other borrowed funds	1,039,534	612,234	897,169
	<b>1,130,944</b>	<b>682,839</b>	<b>981,788</b>
<b>(a) Convertible bond</b>			
Face value of convertible bond issued on 13th May 2011	88,787	88,787	88,787
Derivative component	(19,367)	(19,367)	(19,367)
Liability component on initial recognition	<b>69,420</b>	<b>69,420</b>	<b>69,420</b>
Balance b/fwd	84,619	69,420	69,420
Interest expense	6,927	1,371	7,209
Upfront loan arrangement fees	–	(728)	(728)
Interest paid	(2,124)	–	(1,368)
Exchange rate movement	1,988	542	10,086
	<b>91,410</b>	<b>70,605</b>	<b>84,619</b>

In 2011, the Group issued a US Dollar denominated convertible loan to International Finance Corporation (IFC) for US\$13.5 million. The loan attracts interest of 6 months LIBOR + 3.75% per annum, payable semi-annually and it is convertible at IFC's option as follows:

- BWP 3.15 per share at any time during the period from 13th May 2011 to 12th May 2012;
- BWP 3.24 per share at any time during the period from 13th May 2012 to 12th May 2013;
- If at any time during the conversion period, the Group raises additional capital, a price equal to the price of the shares issued as part of such a capital raising exercise.

The redemption dates for the principal amount are as follows:

15th Mar 2013 – \$3,500,000	15th Sep 2013 – \$3,500,000
15th Mar 2014 – \$3,500,000	15th Sep 2014 – \$3,048,969

<b>BWP'000s</b>	<b>30 Jun 2012 6 months</b>	<b>30 Jun 2011 6 months</b>	<b>31 Dec 2011 12 months</b>
<b>(b) Other borrowed funds</b>			
National Development Bank of Botswana Limited	113,022	114,213	125,212
BIFM Capital Investment Fund One (Pty) Ltd	257,249	257,249	255,862
Afrexim Bank	222,030	–	209,262
Standard Chartered Bank Botswana Limited	–	–	113,325
Other	447,233	240,772	193,508
	<b>1,039,534</b>	<b>612,234</b>	<b>897,169</b>

**National Development Bank of Botswana Limited (NDB)**

The loan from National Development Bank of Botswana is denominated in Japanese Yen and attracts interest at 3.53%. Principal and interest is payable semi-annually on 15 June and 15 December. The loan matures on 15 December 2016.

**BIFM Capital Investment Fund One (Pty) Ltd**

The loan from BIFM Capital Investment Fund One (Pty) Ltd is denominated in Botswana Pula and attracts interest at 11.63% per annum, payable semi annually.

The redemption dates for the principal amount are as follows:

- 30 September 2017 – BWP 62 500 000
- 30 September 2018 – BWP 62 500 000
- 30 September 2019 – BWP 62 500 000
- 30 September 2020 – BWP 62 500 000

**Standard Chartered Bank Botswana Limited**

This is a one year facility issued to BancABC Botswana by Standard Chartered Bank Botswana Limited. The loan was initially granted on 22 June 2006 and has been renewed annually ever since. It matured on 30th June 2012. It attracted interest of LIBOR + 3.39% and it was secured by Bank of Botswana Certificates amounting to BWP109 million.

**Afrexim Bank Limited**

This is a US\$50 million trade finance facility availed to the Group on a one year renewable basis by Afrexim Bank Limited from September 2011. The Group had utilised US\$28 million of this facility as at 30 June 2012. It attracts interest at LIBOR + 4% and it is repayable on the earlier of when the underlying customers funded repay their respective loans or within one year, but with a provision to extend it for another one year period.

**Other borrowings**

Other borrowings relate to medium to long term funding from international financial institutions for onward lending to BancABC clients. Fair value is equivalent to carrying amounts as these borrowings have variable interest rates.

**Maturity analysis**

<b>BWP'000s</b>	<b>30 Jun 2012 6 months</b>	<b>30 Jun 2011 6 months</b>	<b>31 Dec 2011 12 months</b>
On demand to one month	204,436	3,104	4,458
One to three months	338,956	4,626	14,909
Three months to one year	137,398	129,792	380,122
Over one year	450,154	545,317	582,299
	<b>1,130,944</b>	<b>682,839</b>	<b>981,788</b>

**6 Contingent liabilities**

Guarantees	706,563	341,718	337,516
Letters of credit and other contingent liabilities	27,434	70,777	95,387
	<b>733,997</b>	<b>412,495</b>	<b>432,903</b>
Maturity analysis			
Less than one year	668,487	348,415	351,253
Between one and five years	65,510	64,080	81,650
	<b>733,997</b>	<b>412,495</b>	<b>432,903</b>



## 7 Exchange rates

The exchange rate to BWP1 were as follows:

	Closing 30 Jun 2012	Average 30 Jun 2012	Closing 30 Jun 2011	Average 30 Jun 2011	Closing 31 Dec 2011	Average 31 Dec 2011
United States Dollar	0.1307	0.1349	0.1530	0.1524	0.1336	0.1463
Tanzanian Shilling	205.6439	214.0995	247.0190	233.2083	212.3453	231.8286
Zambian Kwacha	674.8088	705.7631	739.7570	726.8329	682.4420	711.4275
Mozambican Metical	3.6765	3.7472	4.3651	4.6506	3.6473	4.1942
South African Rand	1.0692	1.0638	1.0389	1.0459	1.0827	1.0590

## SEGMENTAL ANALYSIS

for the 6 months ended 30 June 2012:

	Total income	Contribution to banking operations	Attributable profit	Contribution to banking operations	Total assets	Contribution to banking operations
<b>BWP'000s</b>						
BancABC Botswana	109,330	22%	35,727	32%	3,604,828	36%
BancABC Mozambique	70,343	15%	13,816	12%	1,238,285	12%
BancABC Tanzania	33,643	7%	(4,860)	(4%)	896,072	9%
BancABC Zambia	80,329	17%	16,991	15%	1,086,524	11%
BancABC Zimbabwe	190,361	39%	49,809	45%	3,237,342	32%
<b>Banking operations</b>	<b>484,006</b>	<b>100%</b>	<b>111,483</b>	<b>100%</b>	<b>10,063,051</b>	<b>100%</b>
Head office and other non-banking operations	(7,797)		(55,904)		759,496	
<b>Total*</b>	<b>476,209</b>		<b>55,579</b>		<b>10,822,547</b>	

for the 6 months ended 30 June 2011:

	Total income	Contribution to banking operations	Attributable profit	Contribution to banking operations	Total assets	Contribution to banking operations
<b>BWP'000s</b>						
BancABC Botswana	48,460	17%	10,883	15%	1,856,322	28%
BancABC Mozambique	43,171	15%	7,823	11%	887,983	13%
BancABC Tanzania	45,376	15%	9,941	14%	863,426	13%
BancABC Zambia	45,248	15%	6,200	8%	629,490	10%
BancABC Zimbabwe	112,478	38%	38,422	52%	2,410,274	36%
<b>Banking operations</b>	<b>294,733</b>	<b>100%</b>	<b>73,269</b>	<b>100%</b>	<b>6,647,495</b>	<b>100%</b>
Head office and other non-banking operations	16,478		(36,027)		717,743	
<b>Total*</b>	<b>311,211</b>		<b>37,242</b>		<b>7,365,238</b>	

for the 12 months ended 31 December 2011:

	Total income	Contribution to banking operations	Attributable profit	Contribution to banking operations	Total assets	Contribution to banking operations
<b>BWP'000s</b>						
BancABC Botswana	116,482	19%	28,005	20%	2,564,270	31%
BancABC Mozambique	120,660	20%	28,863	20%	1,220,893	15%
BancABC Tanzania	55,639	9%	(3,326)	(2%)	918,312	11%
BancABC Zambia	100,902	16%	31,872	23%	883,887	11%
BancABC Zimbabwe	218,943	36%	55,090	39%	2,622,802	32%
<b>Banking operations</b>	<b>612,626</b>	<b>100%</b>	<b>140,504</b>	<b>100%</b>	<b>8,210,164</b>	<b>100%</b>
Head office and other non-banking operations**	46,183		(57,502)		973,724	
<b>Total*</b>	<b>658,809</b>		<b>83,002</b>		<b>9,183,888</b>	

\* Prior to eliminations.

\*\* Reflects non banking operations in various geographical sectors.

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