



**ABC Holdings  
Limited**

Unaudited Interim  
Group Results for  
the six months  
ended 30 June

**2011**



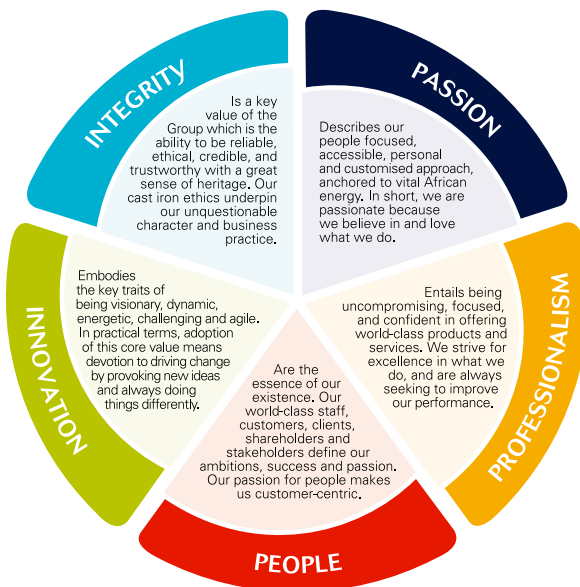
# ABOUT BancABC



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: wealth management, corporate banking, treasury services, leasing, asset management, stock broking, and retail banking.

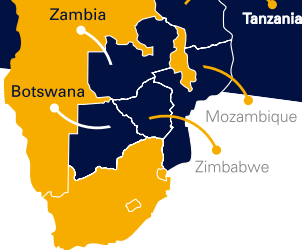
ABC Holdings Limited is registered in Botswana. Its primary listing is on the Botswana Stock Exchange, with a secondary listing on the Zimbabwe Stock Exchange.



## OUR VALUES

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

## WHERE WE OPERATE



## HIGHLIGHTS

- ↑ Group balance sheet now above **US\$1 billion**;
- ↑ Total income up by 24% from BWP251 million to **BWP311 million**;
- ↑ Net operating income is 48% up from BWP45 million to **BWP67 million**;
- ↑ Pre-tax profit 84% up from BWP34 million to **BWP63 million**;
- ↑ Attributable profit to shareholders of **BWP37 million** (H110: BWP28 million);
- ↑ Operating expenses up 18% from BWP206 million to **BWP244 million** largely due to increased span of activity as retail and SME banking is rolled out;
- ↓ Cost to income ratio decreased to **72%** (H110: 77%);
- ↑ Basic EPS of **25.9 thebe** (H110: 19.5 thebe) and diluted EPS of **24.6 thebe** (H110: 19.5 thebe);
- ↑ Deposits increased by **22%** from December 2010 and 45% from June 2010, to BWP6 billion;
- ↑ Loans and advances increased by **31%** since December 2010 and 72% from June 2010 to BWP4 billion;
- ↑ Total assets increased by **23%** since December 2010 and by 44% from June 2010 to BWP7.4 billion;
- ↑ Average return on equity at **17%** (H110: 14%).



## CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

The Group posted a strong set of results for the six months period ended 30 June 2011, with the banking subsidiaries reporting excellent results.

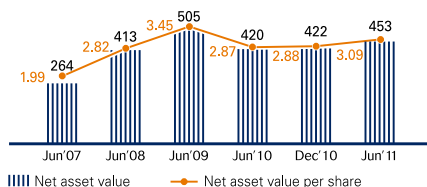


Pre-tax profit at BWP63 million is 84% up on prior year comparative period. The effective tax rate has gone up to 38% compared to 15% in prior year, hence attributable profit of BWP37 million is 33% ahead of prior year. Attributable income from core banking operations increased by 62% from BWP45 million to BWP73 million.

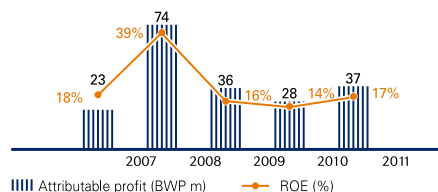
The balance sheet at BWP7.4 billion (US\$1.1 billion), surpassed the US\$1 billion mark for the first time in the history of the company. All major lines of business recorded significant growth during the period under review. We are particularly pleased with the progress made in the retail banking space where the Group now operates 21 branches compared to 13 this time last year. While the roll out of information technology systems has not been smooth, we are confident that all the key systems will be fully operational by the end of the year, which positions our business well for the future.

### 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 BWP191 million was 30% (BWP45 million) ahead of prior year. This was largely driven by growth in the balance sheet which has increased by BWP1.4 billion (23%) since 31 December 2010, with both loans and advances and deposits registering strong growth. BancABC Zimbabwe contributed a significant portion of this growth on the back of an improving, albeit slow, economic and political environment. In addition, overall margins were generally better than last year and this had a positive impact on net interest income.

### Impairment losses on loans and advances

Net impairments of BWP26 million were 52% (BWP9 million) ahead of the prior year charge. BancABC Tanzania contributed BWP11.5 million of this amount, with BancABC Zimbabwe contributing a further BWP8 million. Whilst there has been no deterioration in the Tanzania book, the value of security has gone down hence the need for further impairments. Higher impairments in BancABC Zimbabwe are a function of the increase in the loan book. It is pleasing to report that, overall, the quality of the loan book improved as evidenced by the reduction in non-performing loans from 9.4% to 5.5%, and is trending towards the Group target of 3%.

### Non interest income

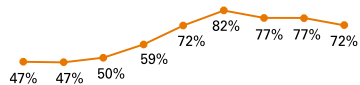
Non-interest income of BWP146 million was 19% ahead of BWP122 million achieved in prior year. BancABC Zimbabwe and BancABC Tanzania performed strongly as fees, commissions and trading income improved. However, foreign exchange income in Mozambique was subdued owing to a reduction in both volumes and margins.

### Operating expenditure

Operating expenses of BWP244 million were ahead of prior year by 18% (BWP37 million). A number of branches were opened in the

latter half of last year and during the period under review. What is encouraging though is that going forward we expect income to increase at a much faster pace than the costs, hence cost to income ratio is expected to decline further. Cost to income ratio at 72% is lower than 77% recorded in prior year but is still a long way off from the short to medium term Group target of 50%.

### COST TO INCOME RATIO



### Taxation

In the current period, the Group had a tax charge of BWP24 million compared to a tax charge of BWP5 million in the prior year. The effective tax rate is 38% compared to 15% in prior year. This is largely due to losses in head office and other non-banking subsidiaries, where no tax benefit has been derived. Notwithstanding the fact that over time we believe that the losses at the centre will be reversed, a conservative decision has been taken not to recognise any deferred tax assets arising out of these losses.

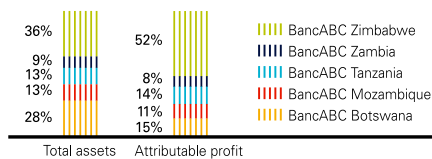
### Balance sheet

The balance sheet increased to BWP7.4 billion (US\$1.1 billion) compared to BWP5.1 billion as at 30 June 2010 and BWP6 billion as at 31 December 2010. It should be noted that the balance sheet now exceeds US\$1 billion for the first time in the history of the Group. Loans and advances increased to BWP4 billion from BWP3.1 billion as at December 2010 and BWP2.3 billion as at 30 June 2010. BancABC Zimbabwe loan book at BWP1.5 billion now constitutes the biggest contribution of 37%. Deposits increased to BWP6 billion from BWP4.9 billion in December 2010 and BWP4.1 billion as at 30 June 2010.

## Attributable profit

Banking subsidiaries recorded attributable profits of BWP73 million compared to BWP45 million registered in the prior year comparative period. The major contributors to this increase were BancABC Zimbabwe and BancABC Tanzania which recorded increases of 421% and 69% respectively. BancABC Botswana's attributable profit was flat whereas BancABC Mozambique and BancABC Zambia recorded declines of 41% and 18% respectively. Head office entities registered an attributable loss of BWP31 million (2010: BWP6 million) and share of associates results was a loss of BWP5 million (2010: BWP11 million loss). Even though overall head office expenses declined by 9% to BWP43 million, total income declined sharply by 51% to BWP16 million. The massive decline in income is due to the fact that most of the cash that was held and invested by head office has now been deployed as capital into the subsidiaries. The cash pool should increase going forward as subsidiaries start to declare dividends. Head office also had a tax charge in the current year of BWP3.5 million compared to a tax credit of BWP8.6 million in prior year.

### TOTAL ASSETS AND ATTRIBUTABLE PROFIT



## Operational performance

### Botswana

BancABC Botswana performed relatively well, with revenues increasing by 27% from an increased asset base and volume of transactions. Loans and advances increased by 27% with a concomitant increase in net interest revenue of 29%. The quality of the book improved markedly with non performing

loans (NPLs) now down to 5.9% from 12.7% as at 30 June 2010.

Trading income has been on an upward swing owing to higher transaction volumes, coupled with slightly higher margins as a result of high volatility in the market. The overall performance was negated by the increase in operating expenses of 47% due to increased activity following the rollout of retail banking. The subsidiary has opened 3 new retail banking branches since 30 June 2010 which are fully operational. Tax optimisation measures reduced the tax bill for the period, and this helped reduce the impact of the increase in operating expenses. The overall impact of the above was a marginal reduction in profit after tax of 2% when compared to prior year.

### Mozambique

Net interest income increased by 31% due to an increased balance sheet and better margins compared to prior year. Loans and advances increased by 50% compared to prior year while deposits increased by 30%. The market interest rates were more stable during the period under review and the related interest rate risk that the subsidiary experienced in the previous year has subsided.

Non-interest income reduced by 27% as foreign currency trading volumes and margins plummeted. The local currency appreciated sharply during the period and this created an uncertain atmosphere where importers deferred payments thereby reducing demand for foreign currency. This position has reversed somewhat as the volumes are now on an upward trend and the new exchange control regulations have also helped in easing the way business transactions are conducted. Due to the reduction in non-interest income, total income was lower than prior year by 12%. Operating expenses increased by 13% largely due to an increase in the span of activity as well as the appreciation of the Meticaís against the Botswana Pula which increased the Botswana Pula equivalent of

costs. The above resulted in profit after tax being 41% below what was recorded in the prior year comparative period. We are however happy with the progress made on the balance sheet growth and net interest income level. Indications are that the results for the full year should be better than what was achieved in prior year.

**Tanzania**

BancABC Tanzania’s attributable profit was 69% ahead of prior year owing to an increase in non-interest income. Total income increased by 45% on the back of increased bond trading income as well as growth in net interest income. Net interest income increased by 10% in line with the increase in the balance sheet of 9%, coupled with higher margins on interest bearing assets. Non-interest income increased by 72%. As a result of the increased span of activities linked with the expansion into the retail and SME market segment, operating expenses increased by 35%. The subsidiary’s good performance was negated by impairments which have remained significantly higher than what is obtaining in the rest of the Group. The charge for the period was BWP11.5 million which was 45% of the Group’s net impairment charge. What is comforting is that there are no new non-performing accounts. Resolution of the current cases has remained protracted due to the slow nature of the legal processes in the country, which has a negative impact on the value of the security as well as time value of money. However, we remain confident that these will be resolved in the medium to long term.

**Zambia**

BancABC Zambia registered significant growth on the microfinance segment where business underwritten increased substantially, leading to an increase in revenues. The subsidiary has successfully introduced new products and restructured the existing ones, and there has been a positive response from the market. However, the same success is yet to be



assets

replicated in the wholesale banking division of the bank where reduction in loans and advances was experienced, even though deposits substantially increased. Loans and advances in the microfinance division increased by 48% but reduced by 7% in the wholesale banking division. Wholesale banking deposits increased by 56%, as market confidence in the bank continues to improve. Total income increased by 11% following a 17% increase in net interest income. On the other hand, non-interest income decreased by 9% due to lower bond trading income during the period under review. Costs are up 18% on prior year, due to the expansion of our footprint in retail banking. As a result, overall profit for the six months period is 18% lower than what was reported in prior year.

### Zimbabwe

BancABC Zimbabwe produced a sterling set of results with after tax profit up five fold. This is attributable to significant growth in all revenue lines despite an increase in costs. Loans and advances increased by almost a similar magnitude to BWP1.5 billion and deposits also increased significantly to BWP1.7 billion, from BWP0.6 billion recorded in prior year. The growth in the balance sheet had a positive impact on net interest income which increased by 263%. However, the higher loan portfolio contributed to the increased impairment charge from BWP1 million in the prior year to BWP8 million in the current year. Non-performing loans are only 2.7% of the total loan book which is in line with the Group target of 3%.

Non-interest income increased by 29% due to increased volume of transactions which had a favourable impact on related fee and commission income, which constitutes the bulk of the non-interest income for the subsidiary. Due to the above, total income increased by 89%. Operating expenses increased by 25% due to the continued expansion into the retail and SME banking segment.

### Retail and SME banking

The retail banking roll-out is progressing well and to date 21 branches are operational. We hope to close the year with no less than 30 branches across the network. In addition all the information technology systems are now in place and are at various stages of implementation. We are cautiously optimistic that the full product suite will be on offer by the end of the current year. There has been a significant uptake of retail banking products particularly in Zimbabwe; as a result BancABC Zimbabwe retail banking is now profitable. The challenge going forward is to maintain and continuously improve our service offering by coming up with fresh and innovative products for the benefit of our customers. The division will continue to champion product innovation and best in class service delivery.

### Dividend

In line with the Group's dividend policy, an interim gross dividend of 6.8 thebe (about 1 US cent) per share is being proposed by the Board. This will be paid on 16th September 2011 to shareholders on the register at the close of business on 2nd September 2011.

### Capital raising

The Group balance sheet has increased immensely such that whilst capital adequacy is still comfortably above the regulatory minimum in most subsidiaries, there is need for additional capital for BancABC Zimbabwe and BancABC Tanzania. To this end the long outstanding draw down on the International Finance Corporation convertible line of credit, has now been effected. A total of US\$13.5 million was drawn down at a rate of LIBOR plus 3.25% p.a. As previously reported, the loan is convertible at a price of BWP3.15 if the option is exercised within 12 months of draw down or BWP3.24 if it is exercised after 12 months but within 24 months of draw down. In addition, the Board is currently evaluating different options of raising new capital including discussions with a third party, which if successful and subject to shareholder's



approval, may result in a possible private placement. Shareholders will be updated on this in due course.

## Staff share purchase scheme

Subsequent to 30 June 2011, 2.7 million shares, together with 2.3 million treasury shares, were issued to staff at a discount of 15% on the share price as at 14th March 2011 in line with the Group staff share purchase scheme. This brings the total number of issued shares to 149,074,681.

## Directorate

Mr S Ipe resigned from the Board at the end of May 2011 to pursue other interests. We would like to thank him for his valuable contribution and wish him success in his future endeavours.

## Outlook

The political and social upheavals in the Middle East and North Africa earlier in the year, the sovereign debt issues in Europe, the earthquake in Japan in March 2011 and lately the down grading of USA from AAA rating to AA+ rating by Standards and Poor, has resulted in turmoil in the financial markets. There is now a major concern about the

stability of the global financial markets and possibility of a double dip recession in the developed world, and possible spill over effects in the sub-Saharan African markets. The above, coupled with increasing competition, will in all probability result in a very tough banking environment.

Notwithstanding the above, we believe that the stable political and economic environment in all the countries that we operate in, together with an increasing and sound balance sheet, positions the Group well for significant growth in the short to medium term. If the current performance is sustained then the Group is poised to post results that are significantly up on prior year.



**H Buttery**  
*Group Chairman*



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

17 August 2011

ABC Holdings Limited company registration number: CO.99/4865

# CONSOLIDATED INCOME STATEMENT

for the six months period ended 30 June 2011

BWP'000s – presentation currency	Notes	Unaudited 30 Jun 2011 6 months	Unaudited 30 Jun 2010 6 months	Audited 31 Dec 2010 12 months
Interest and similar income		443,427	301,733	650,466
Interest expense and similar charges		(252,073)	(154,918)	(352,621)
<b>Net interest income before impairment of advances</b>		<b>191,354</b>	<b>146,815</b>	<b>297,845</b>
Impairment losses on loans advances		(25,821)	(16,996)	(15,826)
<b>Net interest income after impairment of advances</b>		<b>165,533</b>	<b>129,819</b>	<b>282,019</b>
Non interest income	3	145,678	121,622	264,288
<b>Total income</b>		<b>311,211</b>	<b>251,441</b>	<b>546,307</b>
Operating expenditure	4	(244,025)	(205,967)	(435,093)
<b>Net income from operations</b>		<b>67,186</b>	<b>45,474</b>	<b>111,214</b>
Share of results of associates		(4,547)	(11,479)	(20,134)
<b>Profit before tax</b>		<b>62,639</b>	<b>33,995</b>	<b>91,080</b>
Tax		(23,529)	(5,269)	(22,495)
<b>Profit for the period</b>		<b>39,110</b>	<b>28,726</b>	<b>68,585</b>
<b>Attributable to:</b>				
Ordinary shareholders		37,242	28,076	66,710
Minorities		1,868	650	1,875
<b>Profit for the period</b>		<b>39,110</b>	<b>28,726</b>	<b>68,585</b>
Earnings per share (thebe)		25.9	19.5	46.3
Diluted earnings per share (thebe)		24.6	19.5	46.3
Weighted average number of shares (000's)		144,049	143,846	143,956

# CONSOLIDATED INCOME STATEMENT

for the six months period ended 30 June 2011

<b>USD'000s – convenience conversion</b>	<b>Unaudited 30 Jun 2011 6 months</b>	<b>Unaudited 30 Jun 2010 6 months</b>	<b>Audited 31 Dec 2010 12 months</b>
Interest and similar income	67,600	43,655	95,814
Interest expense and similar charges	(38,428)	(22,414)	(51,941)
<b>Net interest income before impairment of advances</b>	<b>29,172</b>	<b>21,241</b>	<b>43,873</b>
Impairment losses on loans advances	(3,936)	(2,459)	(2,331)
<b>Net interest income after impairment of advances</b>	<b>25,236</b>	<b>18,782</b>	<b>41,542</b>
Non interest income	22,208	17,597	38,930
<b>Total income</b>	<b>47,444</b>	<b>36,379</b>	<b>80,472</b>
Operating expenditure	(37,201)	(29,800)	(64,089)
<b>Net income from operations</b>	<b>10,243</b>	<b>6,579</b>	<b>16,383</b>
Share of results of associates	(693)	(1,661)	(2,966)
<b>Profit before tax</b>	<b>9,550</b>	<b>4,918</b>	<b>13,417</b>
Tax	(3,587)	(762)	(3,314)
<b>Profit for the period</b>	<b>5,963</b>	<b>4,156</b>	<b>10,103</b>
<b>Attributable to:</b>			
Ordinary shareholders	5,678	4,062	9,827
Minorities	285	94	276
<b>Profit for the period</b>	<b>5,963</b>	<b>4,156</b>	<b>10,103</b>
Earnings per share (cents)	3.9	2.8	6.8
Diluted earnings per share (cents)	3.7	2.8	6.8
Weighted average number of shares (000's)	144,049	143,846	143,956

# CONSOLIDATED BALANCE SHEET

as at 30 June 2011

BWP'000s – presentation currency	Notes	Unaudited 30 Jun 2011	Unaudited 30 Jun 2010	Audited 31 Dec 2010
<b>ASSETS</b>				
Cash and short term funds		1,356,617	717,669	999,338
Financial assets held for trading		1,030,839	1,423,014	1,117,827
Financial assets designated at fair value		84,135	4,133	79,139
Derivative financial assets		8,074	6,443	42,012
Loans and advances		4,018,987	2,341,744	3,078,110
Investment securities		111,481	54,241	53,023
Prepayments and other receivables		246,631	133,854	188,306
Current tax assets		–	456	6,388
Investment in associates		29,504	36,208	34,845
Property and equipment		392,799	302,612	330,218
Investment properties		4,988	6,119	3,878
Intangible assets		61,031	63,388	57,402
Deferred tax assets		20,152	31,642	20,953
<b>TOTAL ASSETS</b>		<b>7,365,238</b>	<b>5,121,523</b>	<b>6,011,439</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Liabilities</b>				
Deposits		6,004,301	4,132,382	4,907,045
Derivative financial liabilities		–	5,624	1,047
Creditors and accruals		188,236	52,503	64,017
Current tax liabilities		5,634	12,609	6,819
Deferred tax liabilities		14,740	10,365	15,233
Borrowed funds	5	682,839	471,634	579,420
<b>Total liabilities</b>		<b>6,895,750</b>	<b>4,685,117</b>	<b>5,573,581</b>
<b>Equity</b>				
Stated capital		307,586	307,586	307,586
Foreign currency translation reserve		(337,380)	(309,432)	(347,388)
Non distributable reserves		171,238	146,664	162,535
Distributable reserves		311,672	275,371	299,603
<b>Equity attributable to ordinary shareholders</b>		<b>453,116</b>	<b>420,189</b>	<b>422,336</b>
Minority interest		16,372	16,217	15,522
<b>Total equity</b>		<b>469,488</b>	<b>436,406</b>	<b>437,858</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,365,238</b>	<b>5,121,523</b>	<b>6,011,439</b>
<b>Guarantees and other credit commitments</b>	6	<b>412,495</b>	<b>604,195</b>	<b>339,951</b>

# CONSOLIDATED BALANCE SHEET

as at 30 June 2011

<b>USD'000s – convenience conversion</b>	<b>Unaudited 30 Jun 2011</b>	<b>Unaudited 30 Jun 2010</b>	<b>Audited 31 Dec 2010</b>
<b>ASSETS</b>			
Cash and short term funds	207,562	101,514	154,997
Financial assets held for trading	157,707	201,285	173,375
Financial assets designated at fair value	12,884	585	12,274
Derivative financial assets	1,235	911	6,516
Loans and advances	614,905	331,240	477,415
Investment securities	17,057	7,672	8,224
Prepayments and other receivables	37,735	18,934	29,206
Current tax	–	65	991
Investment in associates	4,514	5,122	5,405
Property and equipment	60,098	42,805	51,217
Investment properties	763	866	601
Intangible assets	9,338	8,966	8,903
Deferred tax assets	3,083	4,476	3,250
<b>TOTAL ASSETS</b>	<b>1,126,881</b>	<b>724,441</b>	<b>932,374</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Deposits	918,658	584,525	761,083
Derivative financial liabilities	–	796	162
Creditors and accruals	28,800	7,428	9,929
Current tax liabilities	862	1,783	1,058
Deferred tax liabilities	2,255	1,466	2,363
Borrowed funds	104,474	66,713	89,868
<b>Total liabilities</b>	<b>1,055,049</b>	<b>662,711</b>	<b>864,463</b>
<b>Equity attributable to ordinary shareholders</b>			
Minority interest	2,505	2,294	2,407
<b>Total equity</b>	<b>71,832</b>	<b>61,730</b>	<b>67,911</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,126,881</b>	<b>724,441</b>	<b>932,374</b>
<b>Guarantees and other credit commitments</b>	<b>63,112</b>	<b>75,099</b>	<b>52,726</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2011

<b>BWP'000s – presentation currency</b>	<b>Unaudited 30 Jun 2011</b>	<b>Unaudited 30 Jun 2010</b>	<b>Audited 31 Dec 2010</b>
<b>Profit for the period</b>	<b>39,110</b>	<b>28,726</b>	<b>68,585</b>
<b>Other comprehensive income</b>	<b>6,933</b>	<b>(8,099)</b>	<b>(46,506)</b>
Exchange differences on translating foreign operations	9,207	(8,958)	(48,834)
Revaluation of property	–	–	(1,982)
Share of reserves in associate companies	(2,275)	860	3,016
Movement in available for sale reserves	1	(1)	24
Income tax relating to components of other comprehensive income	–	–	1,270
<b>Total comprehensive income for the period</b>	<b>46,043</b>	<b>20,627</b>	<b>22,079</b>
<b>Total comprehensive income attributable to:</b>			
Ordinary shareholders	44,976	21,120	23,267
Minorities	1,067	(493)	(1,188)
	<b>46,043</b>	<b>20,627</b>	<b>22,079</b>
<b>USD'000s – convenience conversion</b>	<b>Unaudited 30 Jun 2011</b>	<b>Unaudited 30 Jun 2010</b>	<b>Audited 31 Dec 2010</b>
<b>Profit for the period</b>	<b>5,963</b>	<b>4,156</b>	<b>10,103</b>
<b>Other comprehensive income</b>	<b>1,057</b>	<b>(1,172)</b>	<b>(6,850)</b>
Exchange differences on translating foreign operations	1,404	(1,296)	(7,193)
Revaluation of property	–	–	(292)
Share of reserves in associate companies	(347)	124	444
Movement in available for sale reserves	–	–	4
Income tax relating to components of other comprehensive income	–	–	187
<b>Total comprehensive income for the period</b>	<b>7,020</b>	<b>2,984</b>	<b>3,253</b>
<b>Total comprehensive income attributable to:</b>			
Ordinary shareholders	6,857	3,055	3,428
Minorities	163	(71)	(175)
	<b>7,020</b>	<b>2,984</b>	<b>3,253</b>

# CONSOLIDATED CASH FLOW STATEMENT

for the six months period ended 30 June 2011

BWP'000s – presentation currency	Unaudited 30 Jun 2011 6 months	Unaudited 30 Jun 2010 6 months	Audited 31 Dec 2010 12 months
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>230,734</b>	<b>(33,783)</b>	<b>207,786</b>
Cash generated from operating activities	111,917	81,326	154,379
<b>Net profit before tax</b>	<b>62,639</b>	<b>33,995</b>	<b>91,080</b>
<b>Adjusted for:</b>			
Impairment of loans and advances	25,821	16,996	15,826
Depreciation and amortisation	17,963	13,665	29,477
Net losses/(gains) on derivative financial instruments	837	5,313	(1,725)
Fair value gains on investment properties	–	–	(125)
Loss from associates	4,547	11,479	20,134
Loss/(profit) on sale of property and equipment	110	(122)	(288)
Tax paid	(18,019)	(10,316)	(25,522)
<b>Net cash inflow from operating activities before changes in operating funds</b>	<b>93,898</b>	<b>71,010</b>	<b>128,857</b>
<b>Net increase/(decrease) in operating funds</b>	<b>136,836</b>	<b>(104,793)</b>	<b>78,929</b>
Increase in operating assets	(1,083,592)	(854,552)	(1,682,613)
Increase in operating liabilities	1,220,428	749,759	1,761,542
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(85,180)</b>	<b>(51,639)</b>	<b>(68,036)</b>
Purchase of property and equipment	(74,529)	(37,550)	(82,991)
Purchase of intangible assets	(9,644)	(14,972)	(13,087)
Additions to investment property	(1,110)	–	(336)
Proceeds on disposal of property and equipment	103	883	8,006
Proceeds on disposal of investment property	–	–	20,372
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>103,419</b>	<b>(72,188)</b>	<b>40,075</b>
Increase/(decrease) in borrowed funds	103,419	(72,188)	40,075
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>248,973</b>	<b>(157,610)</b>	<b>179,825</b>
Cash and cash equivalents at the beginning of the period	788,026	701,766	701,766
Exchange adjustment on opening balance	(7,693)	(5,641)	(93,565)
<b>Cash and cash equivalents at the end of the period</b>	<b>1,029,306</b>	<b>538,515</b>	<b>788,026</b>
Cash and cash equivalents	1,029,306	538,515	788,026
Statutory reserves	327,311	179,154	211,312
<b>Cash and short term funds</b>	<b>1,356,617</b>	<b>717,669</b>	<b>999,338</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months period ended 30 June 2011

Attr

BWP'000s	Stated capital	Foreign currency translation reserve	Regulatory general credit risk reserve	Property revaluation reserve
<b>Balance as at 1 January 2010</b>	<b>307,586</b>	<b>(298,715)</b>	<b>4,170</b>	<b>116,535</b>
<b>Comprehensive income:</b>				
Profit for the period	-	-	-	-
<b>Other comprehensive income:</b>	<b>-</b>	<b>(10,717)</b>	<b>(4,003)</b>	<b>-</b>
Foreign currency translation differences	-	(7,815)	-	-
Movement in general credit risk reserve	-	-	(4,003)	-
Share of reserves in associate companies	-	-	-	-
Net investment hedge reserve	-	(2,902)	-	-
Movement in statutory reserves	-	-	-	-
Movement in available for sale reserves:	-	-	-	-
- Arising in current period	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>(10,717)</b>	<b>(4,003)</b>	<b>-</b>
<b>Balance as at 30 June 2010</b>	<b>307,586</b>	<b>(309,432)</b>	<b>167</b>	<b>116,535</b>
Profit for the period	-	-	-	-
<b>Other comprehensive income:</b>	<b>-</b>	<b>(37,956)</b>	<b>4,892</b>	<b>2,608</b>
Foreign currency translation differences	-	(37,956)	-	-
Revaluation of property net of deferred tax	-	-	-	(712)
Movement in general credit risk reserve	-	-	4,892	-
Share of reserves in associate companies	-	-	-	3,320
Disposal of treasury shares	-	-	-	-
Movement in statutory reserves	-	-	-	-
Movement in available for sale reserves:	-	-	-	-
- Arising in current period	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>(37,956)</b>	<b>4,892</b>	<b>2,608</b>
<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>-</b>	<b>10,008</b>	<b>5,309</b>	<b>-</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	-	-	-	-
<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>



attributable to owners of the parent

Available-for-sale reserve	Statutory reserve	Hedging reserve	Treasury shares reserve	Distributable reserves	Total	Minority interest	Total equity
728	28,052	(2,902)	(2,574)	246,189	399,069	16,710	415,779
-	-	-	-	28,076	28,076	650	28,726
(1)	3,757	2,902	-	1,106	(6,956)	(1,143)	(8,099)
-	-	-	-	-	(7,815)	(1,143)	(8,958)
-	-	-	-	4,003	-	-	-
-	-	-	-	860	860	-	860
-	-	2,902	-	-	-	-	-
-	3,757	-	-	(3,757)	-	-	-
(1)	-	-	-	-	(1)	-	(1)
(1)	-	-	-	-	(1)	-	(1)
(1)	3,757	2,902	-	29,182	21,120	(493)	20,627
727	31,809	-	(2,574)	275,371	420,189	16,217	436,406
-	-	-	-	38,634	38,634	1,225	39,859
25	8,143	-	203	(14,402)	(36,484)	(1,920)	(38,407)
-	-	-	-	-	(37,956)	(1,920)	(39,876)
-	-	-	-	-	(712)	-	(712)
-	-	-	-	(4,892)	-	-	-
-	205	-	-	(1,369)	2,156	-	2,156
-	-	-	203	(203)	-	-	-
-	7,938	-	-	(7,938)	-	-	-
25	-	-	-	-	25	-	25
25	-	-	-	-	25	-	25
25	8,143	-	203	24,232	2,147	(695)	1,452
752	39,952	-	(2,371)	299,603	422,336	15,522	437,858
-	-	-	-	37,242	37,242	1,868	39,110
1	3,393	-	-	(10,977)	7,734	(801)	6,933
-	-	-	-	-	10,008	(801)	9,207
-	-	-	-	(5,309)	-	-	-
-	-	-	-	(2,275)	(2,275)	-	(2,275)
-	3,393	-	-	(3,393)	-	-	-
1	-	-	-	-	1	-	1
1	-	-	-	-	1	-	1
1	3,393	-	-	26,265	44,976	1,067	46,043
-	-	-	-	(14,196)	(14,196)	-	(14,196)
-	-	-	-	-	-	(217)	(217)
-	-	-	-	(14,196)	(14,196)	(217)	(14,413)
753	43,345	-	(2,371)	311,672	453,116	16,372	469,488

## SEGMENTAL ANALYSIS

BWP'000s	Total income	Contribution to banking operations
<b>for the 6 months ended 30 June 2011:</b>		
BancABC Botswana	48,460	17%
BancABC Mozambique	43,171	15%
BancABC Tanzania	45,376	15%
BancABC Zambia	45,248	15%
BancABC Zimbabwe	112,478	38%
<b>Banking operations</b>	<b>294,733</b>	<b>100%</b>
Head office and other non-banking operations	16,478	
<b>Total*</b>	<b>311,211</b>	
<b>for the 6 months ended 30 June 2010:</b>		
BancABC Botswana	38,296	18%
BancABC Mozambique	48,797	22%
BancABC Tanzania	31,351	14%
BancABC Zambia	40,634	19%
BancABC Zimbabwe	59,484	27%
<b>Banking operations</b>	<b>218,562</b>	<b>100%</b>
Head office and other non-banking operations	32,879	
<b>Total*</b>	<b>251,441</b>	
<b>for the 12 months ended 31 December 2010:</b>		
BancABC Botswana	84,964	18%
BancABC Mozambique	83,967	18%
BancABC Tanzania	67,855	14%
BancABC Zambia	91,564	20%
BancABC Zimbabwe	140,449	30%
<b>Banking operations</b>	<b>468,799</b>	<b>100%</b>
Head office and other non-banking operations**	77,508	
<b>Total*</b>	<b>546,307</b>	

\* Prior to eliminations.

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

Attributable profit	Contribution to banking operations	Contribution to banking operations	
		Total assets	Contribution to banking operations
10,883	15%	1,856,322	28%
7,823	11%	887,983	13%
9,941	14%	863,426	13%
6,200	8%	629,490	10%
38,422	52%	2,410,274	36%
<b>73,269</b>	<b>100%</b>	<b>6,647,495</b>	<b>100%</b>
(36,027)		717,743	
<b>37,242</b>		<b>7,365,238</b>	
11,147	25%	1,699,512	37%
13,350	29%	691,371	15%
5,893	13%	793,262	18%
7,547	17%	457,271	10%
7,374	16%	909,314	20%
<b>45,311</b>	<b>100%</b>	<b>4,550,730</b>	<b>100%</b>
(17,235)		570,793	
<b>28,076</b>		<b>5,121,523</b>	
20,040	21%	1,989,701	37%
22,919	24%	718,762	13%
15,804	16%	727,993	14%
11,203	12%	375,189	7%
26,739	27%	1,520,319	29%
<b>96,705</b>	<b>100%</b>	<b>5,331,964</b>	<b>100%</b>
(29,995)		679,475	
<b>66,710</b>		<b>6,011,439</b>	

# 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 authorised or issued share capital of ABC Holdings Limited during the the six months to 30 June 2011.

Subsequent to 30 June 2011, 5,026,592 shares (inclusive of 2,370,657 treasury shares) were issued to staff at a discount of 15% as at 14th March 2011 in line with the Group staff share purchase scheme. This brings the total number of issued shares to 149,075,459.

## 3 Non interest income

BWP'000s	Unaudited 30 Jun 2011 6 months	Unaudited 30 Jun 2010 6 months	Audited 31 Dec 2010 12 months
Gains less losses from trading activities	22,793	12,089	33,496
Gains on investment activities designated at fair value	4,122	–	11,340
Dividends received	734	44	123
Fees and commission income	60,648	48,443	103,189
Forex trading income and currency revaluation	51,835	64,251	106,090
Fair value gains on investment properties	–	–	125
Net (losses)/gains on derivative financial instruments	(837)	(5,313)	1,725
(Loss)/profit on disposal of property and equipment	(110)	122	288
Rental and other income	6,493	1,986	7,912
	<b>145,678</b>	<b>121,622</b>	<b>264,288</b>

## 4 Operating expenditure

BWP'000s	30 Jun 2011 6 months	30 Jun 2010 6 months	31 Dec 2010 12 months
Administrative expenses	97,105	70,758	171,942
Staff costs	125,214	118,486	228,888
Depreciation and amortisation	17,963	13,665	29,477
Auditor's remuneration	3,743	3,058	4,786
	<b>244,025</b>	<b>205,967</b>	<b>435,093</b>

## 5 Borrowed funds

BWP'000s	30 Jun 2011	30 Jun 2010	31 Dec 2010
National Development Bank of Botswana Limited (NDB)	114,213	140,071	121,080
BIFM Capital Investment Fund One (Pty) Ltd	257,249	257,249	257,328
International Finance Corporation	89,044	–	–
Other borrowings	222,333	74,314	201,012
	<b>682,839</b>	<b>471,634</b>	<b>579,420</b>
<b>Maturity analysis</b>			
On demand to one month	3,104	4,364	1,276
One month to three months	4,626	8,441	7,615
Three months to one year	129,792	6,424	82,862
Over one year	545,317	452,405	487,667
	<b>682,839</b>	<b>471,634</b>	<b>579,420</b>

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

The loan from NDB 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 are as follows:

30 September 2017 – BWP62 500 000	30 September 2018 – BWP62 500 000
30 September 2019 – BWP62 500 000	30 September 2020 – BWP62 500 000

### **International Finance Corporation (IFC)**

The loan from IFC is a convertible bond at IFC's determination. It is denominated in United States Dollars and attracts interest at 6 months LIBOR + 3.75% per annum, payable semi annually. The redemption dates are as follows:

15 March 2013 – US\$3,500,000	15 September 2013 – US\$3,500,000
15 March 2014 – US\$3,500,000	15 September 2014 – US\$3,048,969

The conversion period runs from 13th May 2011 to 12th May 2013 and the conversion price is 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, ABC Holdings Limited raises additional capital, then the price to be used will be equal to the price of the shares issued as part of such a capital raising exercise

### **Other borrowings**

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

**6 Contingent liabilities**

<b>BWP'000s</b>	<b>30 Jun 2011</b>	<b>30 Jun 2010</b>	<b>31 Dec 2010</b>
Guarantees	341,718	285,627	210,146
Letters of credit and other contingent liabilities	70,777	318,568	129,805
	<b>412,495</b>	<b>604,195</b>	<b>339,951</b>
<b>Maturity analysis</b>			
Less than one year	348,415	443,635	267,814
Between one and five years	64,080	160,560	72,137
	<b>412,495</b>	<b>604,195</b>	<b>339,951</b>

**7 Exchange rates**

	<b>Closing 30 Jun 2011</b>	<b>Average 30 Jun 2011</b>	<b>Closing 30 Jun 2010</b>	<b>Average 30 Jun 2010</b>	<b>Closing 31 Dec 2010</b>	<b>Average 31 Dec 2010</b>
United States Dollar	0.1530	0.1524	0.1415	0.1447	0.1551	0.1473
Tanzanian Shilling	247.0190	233.2083	207.2250	201.2525	233.4265	210.1172
Zambian Kwacha	739.7570	726.8329	732.0053	697.5179	744.4840	707.8888
Mozambican Metical	4.3651	4.6506	4.9550	4.6916	5.0532	4.9938
South African Rand	1.0389	1.0459	1.0841	1.0928	1.0277	1.0805

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