



**ABC Holdings Limited**  
Audited Group Results  
for the year ended  
31 December 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.

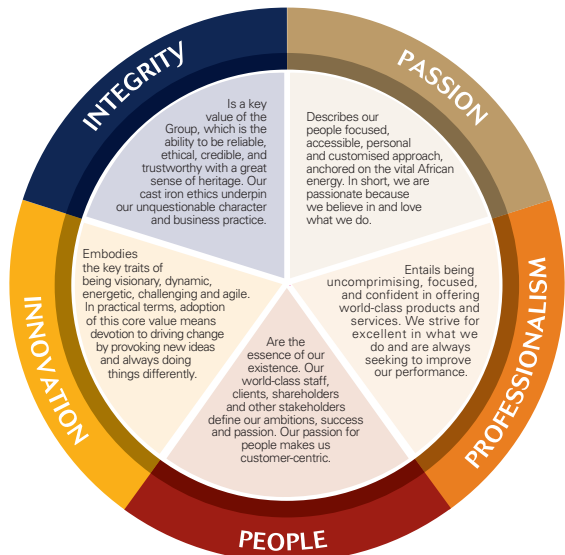
Our vision is to be Africa's preferred banking partner by offering world class financial solutions. We will realise this by building profitable, lifelong customer relationships through the provision of a wide range of innovative financial products and services – to the benefit of all our stakeholders.

The Group offers a diverse range of services including but not limited to the following: 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

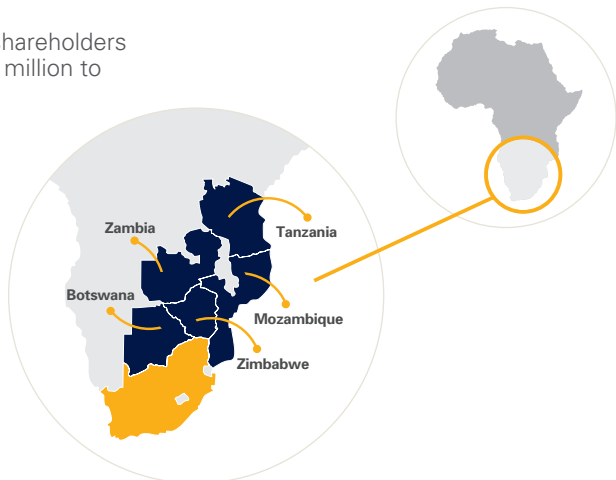
Our core values centre on five distinct areas. They remain the guiding principles by which we operate and form the basis of our corporate personality.





## highlights

- ▲ Total income up by 21% from BWP546 million to **BWP659 million**
- ▼ Cost to income ratio decreased to **74%** (2010: 77%)
- ◆ Net operating income was flat at **BWP113 million** compared to BWP111 million despite a charge of BWP35 million in respect of the fair value loss and additional interest arising from the International Finance Corporation (IFC) convertible loan. Excluding the impact of this convertible loan, net operating income increased by 33%
- ▲ Pre-tax profit was 18% up from BWP91 million to **BWP108 million**
- ▲ Operating expenses up by 25% from BWP435 million to **BWP546 million** largely due to increased product and branch roll out in Retail and SME banking
- ▲ Attributable profit to shareholders up 24% from BWP67 million to **BWP83 million**
- ▲ Basic EPS of **56.6 Thebe** (2010: 46.3 thebe)
- ▲ Deposits increased by 50% from BWP4.9 billion to **BWP7.4 billion**
- ▲ Loans and advances almost doubled from BWP3.1 billion to **BWP6.1 billion**
- ▲ Total assets increased by 53% from BWP6 billion to **BWP9.2 billion**
- ◆ Average return on equity at **16%** (2010: 16%)
- ▲ Retail Branches have increased to **49** (inclusive of consumer banking branches) from 31 branches in 2010
- ▲ Staff numbers increased to **1,008**, compared to 668 as at the end of December 2010



# ANNOUNCEMENT TO SHAREHOLDERS



Although a tough business environment prevailed throughout the 2011 financial year, the underlying performance of the Group remained strong. The work begun in building a Retail Banking infrastructure continued with significant investments being made in expanding the branch network and underpinning the structure with the appropriate systems.

Business growth was phenomenal and this lays a strong foundation for the future. Indications are that Retail Banking will begin contributing more significantly to revenue and profitability in the future. This bodes well for the Group, which is now seeing the fruits of broadening its client base and product offerings.

The Group posted a strong set of results for the period with all the banking subsidiaries, with the exception of Tanzania, reporting excellent results.

Attributable profit at BWP83 million, is 24% higher than the BWP67 million achieved in the previous year. The profitability achieved is particularly pleasing when it is viewed against the background of the Group's ongoing massive investment in the Retail Banking business, which continued despite the mixed economic conditions that were a dominant characteristic of the banking sector during the reporting period.

The Group balance sheet increased by 53% from BWP6 billion to BWP9.2 billion. Loans and advances were up almost two fold from BWP3.1 billion to BWP6.1 billion. This was largely funded by deposits that increased by 50% from BWP4.9 billion to BWP7.4 billion. All major lines of business recorded significant growth during the year.

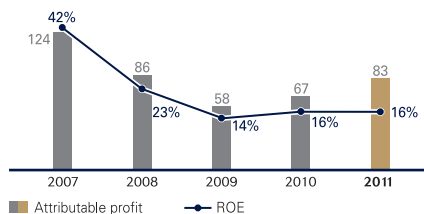
The Group now has 49 Retail Banking branches including consumer banking branches, up significantly from 31 retail branches in 2010. Rapid

expansion of retail operations continued, with BWP177 million being spent on essential hardware and software during the last 24 months.

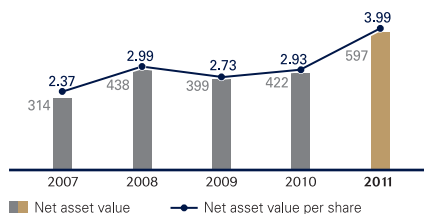
As was to be expected, staff numbers continued to grow. By the end of the reporting year staff numbers, including temporary and contract workers, stood at 1,008, compared to 668 at the end of December 2010. Whilst the Retail Banking business is still recording losses, excluding Zimbabwe, where it is already profitable, we are happy with the progress made to date in Botswana and Zambia.

## Overview

ATTRIBUTABLE PROFIT (BWP m) AND ROE (%)



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



## Financial performance

### Net interest income

Net interest income of BWP412 million was 38% ahead of the BWP298 million achieved in 2010. All entities recorded an increase in net interest income on the back of significant growth in balance sheet sizes. Net interest margin declined slightly from 6.6% to 6.3%. However, this is expected to increase in the coming periods as the Retail Banking loan book grows. As at 31 December 2011, the Retail Banking loan book constituted 20% of the total loan book compared to 8% in 2010.

### Impairment losses on loans and advances

Net impairments of BWP80 million were about five times up on the BWP16 million prior year net charge. The increase was partly due to a higher portfolio impairments that increased in line with the growth in the loan book, which almost doubled from BWP3.1 billion to BWP6.1 billion. The credit loss ratio deteriorated from 0.6% in 2010 to 1.7% at the end of 2011. It should be noted, however, that the quality of the book continues to improve with gross non-performing loans down from 8.3% to 6.7%. Net non-performing loans also reduced markedly and are now down to 3.3% from 4.2% in the previous year.

The largest contributor to the impairment charges were BancABC Tanzania and BancABC Zimbabwe, which had net impairments of BWP33 million and BWP32 million respectively.

Fifty percent (50%) of the impairment in Tanzania is in respect of a loan which was guaranteed by the Government of Tanzania. Unfortunately, a lower balance was signed off owing to the protracted time it took to conclude this issue. Consequently, a decision was taken to write-off interest that accrued to December. In addition a lower negotiated interest rate was applied on take over of the loan by Government and therefore gave rise to a loss on derecognition of the old loan and recognition of the new loan to Government.

The increase in BancABC Zimbabwe impairments was due to a combination of portfolio impairments and down-grading of a few loans granted to a number of the small and medium sized companies. The liquidity situation in Zimbabwe had an adverse impact on the cash flows of the small to medium-sized companies, which has affected their ability to service their loans as they fall due.

### Non-interest income

Non-interest income of BWP326 million was ahead of the prior year by 23%. The income is net of BWP27 million relating to the fair value loss on the IFC loan conversion option.

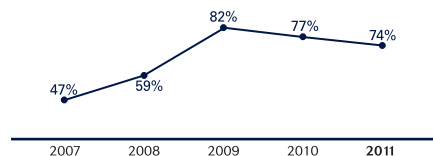
This loss is largely as a result of the significant increase in the Company's share price but does not have any impact on the cashflows of the business. This amount will be transferred to equity on conversion or reversed to income if IFC does not convert the loan to equity by 13 May 2013.

Excluding this amount, non-interest income increased by 34%. BancABC Zimbabwe performed strongly when compared to the prior year as fees, commissions and trading income improved. Following the introduction of Retail Banking and the increased market penetration achieved through additional outlets created during the year, all subsidiaries with the exception of BancABC Tanzania saw an increase in business volumes, reflecting in higher transaction and trading income. Money market interest rates moved up significantly between September 2011 and year-end in Tanzania. For example, the inter-bank rates moved from around 4% at the beginning of 2011 and peaked at 33% by year-end. As a result, the Group had to book huge mark-to-market losses on its trading book. Owing to the above, BancABC Tanzania's non-interest income was lower than the previous year.

### Operating expenditure

Operating expenses at BWP546 million were 25% ahead of the BWP435 million recorded in 2010. Expansion of the Retail Banking products and the increasing retail branch footprint resulted in higher costs across the network. These costs are expected to increase further in 2012, but stabilise thereafter as the business achieves critical mass. Notwithstanding the above, the cost to income ratio reduced from 77% to 74%. The cost to income ratio is expected to continue on a downward trajectory as revenue is expected to increase more rapidly than costs. The cost to income ratio should decline and move closer to the Group's medium-term target of 50% within the next 24 months.

#### COST TO INCOME RATIO



## Taxation

The Group had a net tax charge of BWP20 million compared to a tax charge of BWP22 million in the previous year. The effective tax rate is 19% compared to 25% in the previous year, when the Group incurred higher losses in its share of associate results where no tax benefit could be derived. Current year effective tax rate is also lower, due to BancABC Zambia recognising a deferred tax asset that had previously not been recognised. BancABC Zambia is now highly profitable and the tax losses will all be utilised.

## Balance sheet

The balance sheet increased by 53% from BWP6.0 billion (US\$0.9 billion) in 2010 to BWP9.2 billion (US\$1.2 billion) as at 31 December 2011, a major milestone, with the threshold of US\$1 billion being crossed for the first time in the Group's history.

Loans and advances increased to BWP6.1 billion from BWP3.1 billion in December 2010. BancABC Zimbabwe loan book of BWP2 billion constitutes the largest contribution of 33%. Deposits increased to BWP7.4 billion from BWP4.9 billion in December 2010. The full impact of the massive growth in the balance sheet will be felt in subsequent reporting periods through increased income.

## Attributable profit

Banking subsidiaries achieved attributable profits of BWP141 million, compared to the BWP97 million registered in the previous year. All subsidiaries produced substantial double-digit growth in attributable profit with the exception of BancABC Tanzania, which recorded a loss for the year. BancABC Botswana's net profit after tax of BWP28 million was 40% higher than BWP20 million recorded in 2010. This was largely due to an increase in business volumes in both Retail and Wholesale banking divisions. We expect Botswana to record phenomenal growth in 2012.

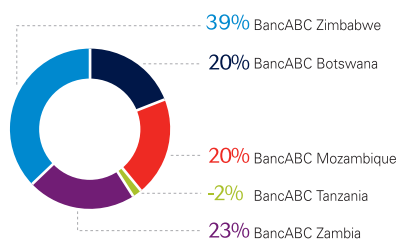
BancABC Mozambique experienced a surge in net interest income from better margins compared to prior year. This drove the 26% increase in attributable profits.

BancABC Zambia had a phenomenal 184% increase in attributable profit due to the growth in the consumer finance book, coupled with the BWP10 million deferred tax asset being recognised during the year. BancABC Zimbabwe's attri-

butable profit of BWP55 million was 106% up on the BWP27 million recorded in 2010. The deteriorating liquidity situation in Zimbabwe affected this growth in the second half of the year.

The loss in head office entities, together with consolidation adjustments, increased by 92% from BWP30 million in the previous year to BWP58 million in the current year. This was largely due to a fair value loss and additional interest expense on the IFC convertible loan of BWP35 million.

### ATTRIBUTABLE PROFIT CONTRIBUTION BY ENTITY



## Operational performance

### Botswana

BancABC Botswana's attributable profit of BWP28 million was 40% ahead of the prior year. Total income improved by 37% from BWP85 million to BWP116 million on the back of an increase in both volumes and margins. Net interest income improved by 54% to BWP79 million mainly due to improved margins and a substantial increase in the balance sheet size. The loan portfolio increased by 109% from BWP795 million to BWP1.6 billion. As a result, portfolio impairments increased during the year. Non-performing loans continue to decline and reduced to 2.2% from 9% in the previous year. Non-interest income increased by 36% to BWP45 million, due to increased transaction volumes.

Operating expenses increased by 41% due to an increase in activity as the entity made inroads into the Retail Banking market. BancABC successfully signed a number of agreements with Government unions, for consumer lending business. This lucrative business is highly competitive in Botswana, with a number of institutions operating in this space. Cost to income ratio improved marginally from 70% to 67% in 2011.

The bank is well positioned for significant growth going forward. The income stream is now well





diversified with Retail Banking projected to contribute significantly to income in the coming year.

### Mozambique

Attributable profit of BWP29 million was 26% ahead of the previous year. This was driven by the high growth in net interest income, which increased by 109% to BWP61 million following improvements in margins, as well as growth in the interest earning assets.

Loans and advances increased by 80% to BWP762 million and deposits increased by 45% to BWP1.2 billion. Interest margins steadily improved during the year as the interest rate shocks experienced in the previous year dissipated. Non-interest income increased by 12% to BWP65 million despite the decline in foreign exchange trading margins following increased intervention from the central bank during the year. The fall in margins was offset by an increase in trading volumes.

Net impairments increased from BWP2 million to BWP5 million largely due to growth in the loan book. Operating expenses increased by 43% to BWP81 million from increased activity levels in line with the current drive to make in-roads into the retail space.

Going forward, BancABC Mozambique will build on the success achieved in raising retail deposits to grow consumer finance loans. The business is also pursuing opportunities available through payroll deduction schemes.

### Tanzania

BancABC Tanzania had a difficult fourth quarter as a result of a significant increase in money market rates and a huge loan impairment. Inter-bank interest rates moved from 4% to peak at 33% in December 2011.

All the other rates moved in tandem with the increase in inter-bank rates. The five and 10 year

rates moved from 11% and 13% to 13% and 15% respectively. Owing to these factors, the bank suffered a mark to market loss of BWP13 million on its Government securities portfolio.

In addition, the Government decided to take over one of the loans that it had guaranteed. Unfortunately, there was a discrepancy between what Cabinet approved and the carrying amount in BancABC Tanzania's books, due to the Government taking over six months to make a decision.

As a result the bank suffered a loss of BWP17 million through the reduction in interest rate and the impairment of the loan.

Total impairments at BWP33 million were 82% higher than BWP18 million recorded in the previous year. The high impairments coupled with mark to market losses resulted in the operation recording an attributable loss of BWP3 million for the year.

Total income at BWP56 million was lower than BWP68 million achieved in 2010. On the other hand, operating expenses increased by 30% to BWP62 million due to the expansion in Retail Banking activities.

We expect the difficult trading environment to continue into the first quarter of 2012 and gradually improve as the year progresses.

### Zambia

At BWP32 million, BancABC Zambia's attributable profit was three-times that achieved in the previous year.

Growth in profits emanated from the significant increase registered in the consumer banking/micro-finance segment where business underwritten increased substantially leading to an increase in revenues. In addition, BWP10 million was recognised as a deferred tax asset as the business is now on a solid footing. This tax asset will be fully utilised within the next 18 months.



BancABC Zambia's successful introduction of new products and improvement of existing product offerings drew a positive response from the market.

Loans and advances in the consumer banking division increased by 242% from BWP92 million to BWP314 million. Whilst the bank gained some traction in its wholesale banking activities during the fourth quarter, the results from this segment are regarded as unsatisfactory. Both loans and deposits are still well below the optimal levels required to ensure sustainable revenues from wholesale banking activities. The Wholesale Banking Division saw loans and advances grow by 87% to BWP263 million, with wholesale banking deposits increasing by 116%, as market confidence in the bank continued to improve.

Total income increased by 10% from BWP92 million to BWP101 million on the back of a 63% increase in non-interest income as fees from consumer lending increased significantly during the year. Operating expenses remained largely unchanged despite the increase in business activity. This was largely due to the full benefits of the merger of the two businesses (the bank and the micro-finance entity) that was embarked on in 2009/2010.

The subsidiary is on a strong footing for growth in 2012 and beyond. Transaction volumes in the wholesale division are showing signs of improving, but the majority of the growth in business volumes

in the near future will be from the consumer finance division. The bank has embarked on an aggressive cross-selling exercise, as most of the consumer finance customers are currently using a single product and there are major opportunities to mine the relationships and increase product offerings and utilisation by a growing customer base.

### Zimbabwe

BancABC Zimbabwe's attributable profit of BWP55 million was 106% higher than that recorded in the prior year. The increase in attributable profit was due to the strong business growth during the year, which gave rise to higher net interest and non-interest income which increased by 137% and 51% to BWP136 million and BWP129 million respectively.

Loans and advances increased by 132% to BWP2 billion and deposits increased by 88% to BWP2 billion. Growth in loans and advances had an adverse impact on impairments, which increased from BWP2 million in 2010 to BWP32 million in the period under review. While gross non-performing loans remained low at 5.87%, the impairments emanated from an increased loan portfolio and a deterioration of the quality of loans in the SME sector.

Operating expenses increased by 39% to BWP149 million due to the increase in the number of branches as a result of the Retail Banking roll out.



The liquidity situation in Zimbabwe deteriorated in the second half of the year. This is expected to continue in the foreseeable future as there is no lender of last resort. This situation is further exacerbated by the fact that imports currently significantly exceed exports in a currency that the central bank cannot print. The bank has therefore deliberately undertaken to improve liquidity at the expense of profitability. As a result, while the business is projected to register significant growth, profitability will not grow by the same magnitude.

### Staff share purchase scheme

During the year, 3.1 million new 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. This brings the total number of issued shares to 149 472 131.

### Rights issue

The balance sheet of the Group has significantly increased over the last couple of years. As a result it would not be possible to grow any further without additional capital injection. BancABC Botswana, BancABC Tanzania and BancABC Zimbabwe are now at a stage where their capital adequacy levels are very close to regulatory minimums. At the same time BancABC Mozambique is no longer able to fully support its very good clients as they have grown faster than the bank. In 2008 the bank took a strategic decision to expand its product offering to include Retail Banking. This growth has been funded entirely from internally generated funds. This line of business is now showing lots of potential and indications are that it should make profits in 2012. However, it is very capital, systems and people intensive. In view thereof, the Board has recommended that US\$50 million be raised immediately by way of a rights issue in order to ensure that the Group does not lose the momentum that has been created. African Development Corporation, a 23.2% shareholder in the Group, has agreed to underwrite the entire issue. Further details are contained in the circular to shareholders that will be released shortly after the publication of this report.

Shareholders are advised that the Bank of Zambia has increased the minimum level of capital from some US\$2 million to US\$100 million. The Board is currently evaluating all the options to address this new requirement. Shareholders will be advised of any new developments in this regard as necessary.

### Dividend

In line with the Group dividend policy, a final dividend of 10.5 thebe in respect of the year ended 31 December 2011 is being proposed by the Board. This will bring the full year dividend to about 17.5 thebe per share. The final dividend will be paid on 4 May 2012 to shareholders on the register at the close of business on 13 April 2012.

### Governance

The Board was further strengthened with the appointment of Mr Mark M Schneiders, the Chief Development Officer of African Development Corporation in December 2011. We would like to welcome Mr Schneiders to the Board. Mr Schneiders brings a wealth of international banking experience accumulated over many years in the financial services sector.

### Outlook

The world economic environment will remain challenging as we do not believe we have seen the last of the Euro Economic debt crisis. Liquidity will in all likelihood continue to be a challenge and hence it is critical that liquidity management remain a key area of focus in 2012. Notwithstanding the above we believe Africa is the next big economic frontier and there are huge opportunities in the markets that we operate in. Business growth in both retail and wholesale banking has been phenomenal and this lays a strong foundation for the future. Retail Banking is expected to start contributing a greater portion of revenue and profitability going forward. We are reasonably optimistic that the Group is well positioned to deliver strong results in 2012 and beyond.

### Acknowledgements

We would like to thank our fellow directors, management and staff for the strong results posted by the Group in 2011.



**H Buttery**  
*Group Chairman*



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

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011

BWP'000s	Notes	2011	2010
Interest and similar income		821,900	594,837
Interest expense and similar charges		(409,538)	(296,992)
<b>Net interest income before impairment of advances</b>		<b>412,362</b>	<b>297,845</b>
Impairment of loans and advances		(79,537)	(15,826)
<b>Net interest income after impairment of advances</b>		<b>332,825</b>	<b>282,019</b>
Non interest income	3	325,984	264,288
<b>Total income</b>		<b>658,809</b>	<b>546,307</b>
Operating expenditure	4	(545,948)	(435,093)
<b>Net income from operations</b>		<b>112,861</b>	<b>111,214</b>
Share of results of associates		(5,177)	(20,134)
<b>Profit before tax</b>		<b>107,684</b>	<b>91,080</b>
Tax		(19,986)	(22,495)
<b>Profit for the year</b>		<b>87,698</b>	<b>68,585</b>
<b>Attributable to:</b>			
Ordinary shareholders		83,002	66,710
Minorities		4,696	1,875
<b>Profit for the year</b>		<b>87,698</b>	<b>68,585</b>
Basic earnings per share (thebe)		56.6	46.3
Dividend per share (thebe)		17.5	10.0
Weighted average number of shares (000's)		146,760	143,956

## CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011

<b>USD'000s – (Convenience conversion)</b>	<b>2011</b>	<b>2010</b>
Interest and similar income	120,244	95,814
Interest expense and similar charges	(59,915)	(51,941)
<b>Net interest income before impairment of advances</b>	<b>60,329</b>	<b>43,873</b>
Impairment losses on loans advances	(11,637)	(2,331)
<b>Net interest income after impairment of advances</b>	<b>48,692</b>	<b>41,542</b>
Non interest income	47,692	38,930
<b>Total income</b>	<b>96,384</b>	<b>80,472</b>
Operating expenditure	(79,873)	(64,089)
<b>Net income from operations</b>	<b>16,511</b>	<b>16,383</b>
Share of results of associates	(757)	(2,966)
<b>Profit before tax</b>	<b>15,754</b>	<b>13,417</b>
Tax	(2,924)	(3,314)
<b>Profit for the year</b>	<b>12,830</b>	<b>10,103</b>
<b>Attributable to:</b>		
Ordinary shareholders	12,143	9,827
Minorities	687	276
<b>Profit for the year</b>	<b>12,830</b>	<b>10,103</b>
Basic earnings per share (cents)	8.3	6.8
Dividend per share (cents)	2.4	1.5
Weighted average number of shares (000's)	146,760	143,956

# CONSOLIDATED BALANCE SHEET

as at 31 December 2011

BWP'000s	Notes	2011	2010
<b>ASSETS</b>			
Cash and short term funds		1,243,431	999,338
Financial assets held for trading		651,049	1,117,827
Financial assets designated at fair value		185,412	79,139
Derivative financial assets		32,337	42,012
Loans and advances		6,077,399	3,078,110
Investment securities		86,174	53,023
Prepayments and other receivables		172,000	188,306
Current tax assets		8,458	6,388
Investment in associates		17,539	34,845
Property and equipment		514,880	330,218
Investment property		2,021	3,878
Intangible assets		130,362	57,402
Deferred tax assets		62,826	20,953
<b>TOTAL ASSETS</b>		<b>9,183,888</b>	<b>6,011,439</b>
<b>EQUITIES AND LIABILITIES</b>			
<b>Liabilities</b>			
Deposits		7,374,700	4,907,045
Derivative financial liabilities		47,069	1,047
Creditors and accruals		130,427	64,017
Current tax liabilities		27,617	6,819
Deferred tax liabilities		9,720	15,233
Borrowed funds	5	981,788	579,420
<b>Total liabilities</b>		<b>8,571,321</b>	<b>5,573,581</b>
<b>Equity</b>			
Stated capital		316,592	307,586
Foreign currency translation reserve		(246,046)	(347,388)
Non distributable reserves		182,593	162,535
Distributable reserves		343,672	299,603
<b>Equity attributable to ordinary shareholders</b>		<b>596,811</b>	<b>422,336</b>
Minority interest		15,756	15,522
<b>Total equity</b>		<b>612,567</b>	<b>437,858</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,183,888</b>	<b>6,011,439</b>
<b>Guarantees and other credit commitments</b>	<b>6</b>	<b>432,903</b>	<b>339,951</b>

# CONSOLIDATED BALANCE SHEET

as at 31 December 2011

**USD'000s – (Convenience conversion)**

## ASSETS

	2011	2010
Cash and short-term funds	166,122	154,997
Financial assets held for trading	86,980	173,375
Financial assets designated at fair value	24,771	12,274
Derivative financial assets	4,320	6,516
Loans and advances	811,940	477,415
Investment securities	11,513	8,224
Prepayments and other receivables	22,980	29,206
Current tax	1,130	991
Investment in associates	2,343	5,405
Property and equipment	68,788	51,217
Investment properties	270	601
Intangible assets	17,417	8,903
Deferred tax assets	8,394	3,250

## TOTAL ASSETS

**1,226,968**

**932,374**

## EQUITY AND LIABILITIES

### Liabilities

Deposits	985,260	761,083
Derivative financial liabilities	6,288	162
Creditors and accruals	17,425	9,929
Current tax liabilities	3,690	1,058
Deferred tax liabilities	1,299	2,363
Borrowed funds	131,167	89,868

### Total liabilities

**1,145,129**

**864,463**

### Equity attributable to ordinary shareholders

**79,734**

**65,504**

Minority interest

2,105

2,407

### Total equity

**81,839**

**67,911**

## TOTAL EQUITY AND LIABILITIES

**1,226,968**

**932,374**

### Guarantees and other credit commitments

**57,836**

**52,726**



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

<b>BWP'000s</b>	<b>2011</b>	<b>2010</b>
<b>Profit for the year</b>	<b>87,698</b>	<b>68,585</b>
Other comprehensive income	101,846	(46,506)
Exchange differences on translating foreign operations	102,415	(48,834)
Revaluation of property	1,833	(1,982)
Share of reserves in associate companies	(1,901)	3,016
Movement in available-for-sale reserves	(132)	24
Income tax relating to components of other comprehensive income	(369)	1,270
<b>Total comprehensive income for the year</b>	<b>189,544</b>	<b>22,079</b>
<b>Total comprehensive income attributable to:</b>		
Ordinary shareholders	183,775	23,267
Minorities	5,769	(1,188)
	<b>189,544</b>	<b>22,079</b>

<b>USD'000s – (Convenience conversion)</b>	<b>2011</b>	<b>2010</b>
<b>Profit for the year</b>	<b>12,830</b>	<b>10,103</b>
Other comprehensive income	14,900	(6,850)
Exchange differences on translating foreign operations	14,983	(7,193)
Revaluation of property	268	(292)
Share of reserves in associate companies	(278)	444
Movement in available-for-sale reserves	(19)	4
Income tax relating to components of other comprehensive income	(54)	187
<b>Total comprehensive income for the year</b>	<b>27,730</b>	<b>3,253</b>
<b>Total comprehensive income attributable to:</b>		
Ordinary shareholders	26,886	3,428
Minorities	844	(175)
	<b>27,730</b>	<b>3,253</b>

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2011

**BWP'000s**

## CASH FLOWS FROM OPERATING ACTIVITIES

Cash generated from operating activities

### Net profit before tax

#### Adjusted for:

Impairment of loans and advances

Depreciation and amortisation

Net unrealised losses/(gains) on derivative financial instruments

Fair value gains on investment properties

Profit on disposal of investment properties

Loss from associates

Discount on new shares issued to staff

Impairment of investment in associates

Profit on disposal of property and equipment

Tax paid

Net cash inflow from operating activities

before changes in operating funds

### Net increase in operating funds

Increase in operating assets

Increase in operating liabilities

## CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment

Purchase of intangible assets

Additions to investment property

Purchase of associates

Proceeds on disposal of property and equipment

Proceeds on disposal of investment property

Proceeds on disposal of associate

## CASH FLOWS FROM FINANCING ACTIVITIES

Increase in borrowed funds

Dividend paid

Dividends paid by subsidiaries to minority interests

Disposal of treasury shares

Proceeds from issue of shares

### Increase in cash and cash equivalents

Cash and cash equivalents at the beginning of the year

Exchange adjustment on opening balance

### Cash and cash equivalents at the end of the year

Cash and cash equivalents

Statutory reserves

### Cash and short-term funds

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(175,580)</b>	<b>219,100</b>
Cash generated from operating activities	263,802	154,379
<b>Net profit before tax</b>	<b>107,684</b>	<b>91,080</b>
<b>Adjusted for:</b>		
Impairment of loans and advances	79,537	15,826
Depreciation and amortisation	47,899	29,477
Net unrealised losses/(gains) on derivative financial instruments	17,122	(1,725)
Fair value gains on investment properties	–	(125)
Profit on disposal of investment properties	(395)	–
Loss from associates	5,177	20,134
Discount on new shares issued to staff	2,379	–
Impairment of investment in associates	4,292	–
Profit on disposal of property and equipment	107	(288)
Tax paid	(53,328)	(25,522)
Net cash inflow from operating activities before changes in operating funds	210,474	128,857
<b>Net increase in operating funds</b>	<b>(386,054)</b>	<b>90,243</b>
Increase in operating assets	(3,460,992)	(1,671,299)
Increase in operating liabilities	3,074,938	1,761,542
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(244,185)</b>	<b>(79,350)</b>
Purchase of property and equipment	(174,441)	(82,991)
Purchase of intangible assets	(80,575)	(13,087)
Additions to investment property	(38)	(336)
Purchase of associates	(1,665)	(11,314)
Proceeds on disposal of property and equipment	206	8,006
Proceeds on disposal of investment property	2,709	20,372
Proceeds on disposal of associate	9,619	–
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>392,795</b>	<b>40,075</b>
Increase in borrowed funds	410,009	40,075
Dividend paid	(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>Increase in cash and cash equivalents</b>	<b>(26,970)</b>	<b>179,825</b>
Cash and cash equivalents at the beginning of the year	788,026	701,766
Exchange adjustment on opening balance	103,678	(93,565)
<b>Cash and cash equivalents at the end of the year</b>	<b>864,734</b>	<b>788,026</b>
Cash and cash equivalents	864,734	788,026
Statutory reserves	378,697	211,312
<b>Cash and short-term funds</b>	<b>1,243,431</b>	<b>999,338</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

BWP'000s	ATTRIBUTABLE TO OWNERS OF THE PARENT			
	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 year	–	–	–	–
<b>Other comprehensive income:</b>	<b>–</b>	<b>(48,673)</b>	<b>889</b>	<b>2,608</b>
Foreign currency translation differences	–	(45,771)	–	–
Revaluation of property net of deferred tax	–	–	–	(712)
Movement in general credit risk reserve	–	–	889	–
Hedging reserve transfer	–	(2,902)	–	–
Share of reserves in associate companies	–	–	–	3,320
Movement in statutory reserves	–	–	–	–
Disposal of treasury shares	–	–	–	–
Movement in available for sale reserves:	–	–	–	–
– Arising in current year	–	–	–	–
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>–</b>	<b>(48,673)</b>	<b>889</b>	<b>2,608</b>
<b>Balance as at 31 December 2010</b>	<b>307,586</b>	<b>(347,388)</b>	<b>5,059</b>	<b>119,143</b>
<b>Comprehensive income:</b>				
Profit for the year	–	–	–	–
<b>Other comprehensive income:</b>	<b>–</b>	<b>101,342</b>	<b>8,832</b>	<b>(860)</b>
Foreign currency translation differences	–	101,342	–	–
Revaluation of property net of deferred tax	–	–	–	1,464
Movement in general credit risk reserve	–	–	8,832	–
Share of reserves in associate companies	–	–	–	(2,324)
Movement in statutory reserves	–	–	–	–
Movement in available for sale reserves:	–	–	–	–
– Realised through profit and loss	–	–	–	–
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>–</b>	<b>101,342</b>	<b>8,832</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 transaction with owners</b>	<b>9,006</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Balance as at 31 December 2011</b>	<b>316,592</b>	<b>(246,046)</b>	<b>13,891</b>	<b>118,283</b>

**ATTRIBUTABLE TO OWNERS OF THE PARENT**

Available for sale reserve	Statutory reserve	Hedging reserve	Share based payments reserve	Treasury share reserve	Distributable reserves	Total	Minority interest	Total Equity
728	28,052	(2,902)	–	(2,574)	246,189	399,069	16,710	415,779
–	–	–	–	–	66,710	66,710	1,875	68,585
<b>24</b>	<b>11,900</b>	<b>2,902</b>	<b>–</b>	<b>203</b>	<b>(13,296)</b>	<b>(43,443)</b>	<b>(3,063)</b>	<b>(46,506)</b>
–	–	–	–	–	–	(45,771)	(3,063)	(48,834)
–	–	–	–	–	–	(712)	–	(712)
–	–	–	–	–	(889)	–	–	–
–	–	2,902	–	–	–	–	–	–
–	205	–	–	–	(509)	3,016	–	3,016
–	11,695	–	–	–	(11,695)	–	–	–
–	–	–	–	203	(203)	–	–	–
24	–	–	–	–	–	24	–	24
24	–	–	–	–	–	24	–	24
<b>24</b>	<b>11,900</b>	<b>2,902</b>	<b>–</b>	<b>203</b>	<b>53,414</b>	<b>23,267</b>	<b>(1,188)</b>	<b>22,079</b>
<b>752</b>	<b>39,952</b>	<b>–</b>	<b>–</b>	<b>(2,371)</b>	<b>299,603</b>	<b>422,336</b>	<b>15,522</b>	<b>437,858</b>
–	–	–	–	–	83,002	83,002	4,696	87,698
<b>(132)</b>	<b>9,847</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(18,256)</b>	<b>100,773</b>	<b>1,073</b>	<b>101,846</b>
–	–	–	–	–	–	101,342	1,073	102,415
–	–	–	–	–	–	1,464	–	1,464
–	–	–	–	–	(8,832)	–	–	–
–	255	–	–	–	168	(1,901)	–	(1,901)
–	9,592	–	–	–	(9,592)	–	–	–
(132)	–	–	–	–	–	(132)	–	(132)
(132)	–	–	–	–	–	(132)	–	(132)
<b>(132)</b>	<b>9,847</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>64,746</b>	<b>183,775</b>	<b>5,769</b>	<b>189,544</b>
–	–	–	–	–	(25,161)	(25,161)	–	(25,161)
–	–	–	–	–	–	–	(5,535)	(5,535)
–	–	–	(1,028)	2,371	4,484	5,827	–	5,827
–	–	–	2,379	–	–	2,379	–	2,379
–	–	–	(1,351)	–	–	7,655	–	7,655
–	–	–	–	<b>2,371</b>	<b>(20,677)</b>	<b>(9,300)</b>	<b>(5,535)</b>	<b>(14,835)</b>
<b>620</b>	<b>49,799</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>343,672</b>	<b>596,811</b>	<b>15,756</b>	<b>612,567</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. Comparative numbers for interest income and interest expense were restated by BWP55.62 million respectively to eliminate interest on transactions between subsidiaries.

### 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 share capital of ABC Holdings Limited during the year.

During the year, 3,052,607 new shares in addition to 2,370,657 treasury shares were issued to staff at a discount of 15% as at 14th March 2011. This brings the total number of issued shares to 149,472,131.

## 3 Non-interest income

### BWP'000s

	2011	2010
Net gains from trading activities	18,705	33,496
Net gains on investment activities designated at fair value	29,694	11,340
Dividends received	131	123
Fees and commission income	162,148	103,189
Forex trading income and currency revaluation	116,153	106,090
Fair value gains on investment properties	–	125
Net (losses)/gains on derivative financial instruments	(17,122)	1,725
Profit on disposal of investment property	395	–
(Loss)/profit on disposal of property and equipment	(107)	288
Rental and other income	15,987	7,912
	<b>325,984</b>	<b>264,288</b>

## 4 Operating expenditure

### BWP'000s

	2011	2010
Administrative expenses	201,676	171,942
Staff costs & directors remuneration	285,844	228,888
Impairment of investment in associate	4,292	–
Depreciation and amortisation	47,657	29,477
Auditors' remuneration	6,479	4,786
	<b>545,948</b>	<b>435,093</b>



## 5 Borrowed funds

### BWP'000s

	2011	2010
Convertible bond	84,619	–
Other borrowed funds	897,169	579,420
	<b>981,788</b>	<b>579,420</b>

### (a) Convertible bond

Face value of convertible bond issued on 13th May 2011	88,787	–
Derivative component	(19,367)	–
Liability component on initial recognition	69,420	–
Interest expense	7,209	–
Upfront arrangement fees	(728)	–
Interest paid	(1,368)	–
Exchange rate movement	10,086	–
	<b>84,619</b>	<b>–</b>

During the year, 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:

- BWP3.15 per share at any time during the period from 13th May 2011 to 12th May 2012;
- BWP3.24 per share at any time during the period from 13th May 2012 to 12th May 2013; or
- 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 March 2013 – \$3,500,000	15th September 2013 – \$3,500,000
15th March 2014 – \$3,500,000	15th September 2014 – \$3,048,969

### (b) Other borrowed funds

#### BWP'000s

	2011	2010
National Development Bank of Botswana Limited	125,212	121,080
BIFM Capital Investment Fund One (Pty) Ltd	255,862	257,328
Afrexim Bank	209,262	–
Standard Chartered Bank Botswana Limited	113,325	96,721
Other	193,508	104,291
	<b>897,169</b>	<b>579,420</b>

#### Fair value

National Development Bank of Botswana Limited	152,466	124,961
BIFM Capital Investment Fund One (Pty) Ltd	315,169	322,630
Afrexim Bank	209,262	–
Standard Chartered Bank Botswana Limited	113,325	96,721
Other	193,508	104,291
	<b>983,730</b>	<b>648,603</b>

## 5 Borrowed funds continued

### (b) Other borrowed funds continued

#### 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 – BWP62,500,000	30 September 2018 – BWP62,500,000
30 September 2019 – BWP62,500,000	30 September 2020 – BWP62,500,000

#### 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 matures on 30th June 2012. It attracts interest of LIBOR + 3.39% and it is secured by Bank of Botswana Certificates amounting to BWP109 million.

#### Other borrowings

Other borrowings relate to medium to long-term funding from international financial institutions for onward lending to BancABC clients.

#### Maturity analysis

	2011	2010
On demand to one month	4,458	1,276
One to three months	14,909	7,615
Three months to one year	380,122	82,862
Over one year	582,299	487,667
	<b>981,788</b>	<b>579,420</b>

## 6 Guarantees and other credit commitments

#### BWP'000s

	2011	2010
Guarantees	337,516	210,146
Letters of credit, loan commitments and other contingent liabilities	95,387	129,805
	<b>432,903</b>	<b>339,951</b>
Maturity analysis		
Less than one year	351,253	267,814
Between one and five years	81,650	72,137
	<b>432,903</b>	<b>339,951</b>

## 7 Exchange rates

	Closing Dec 11	Average Dec 11	Closing Dec 10	Average Dec 10
United States Dollar	0,1336	0,1463	0,1551	0,1473
Tanzanian Shilling	212,3453	231,8286	233,4265	210,1172
Zambian Kwacha	682,4420	711,4275	744,4840	707,8888
Mozambican Metical	3,6473	4,1942	5,0532	4,9938
South African Rand	1,0827	1,0590	1,0277	1,0805

## SEGMENTAL ANALYSIS

for the year ended 31 December 2011:

BWP'000s	Total income	Contribution to banking operations	Attributable profit	Contribution to banking operations	Total assets	Contribution to banking operations
BancABC Botswana BancABC Mozambique	116,482	19%	28,005	20%	2,564,270	31%
BancABC Tanzania	55,639	9%	(3,326)	-2%	918,312	11%
BancABC Zambia BancABC Zimbabwe	100,902	16%	31,872	23%	883,887	11%
	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 consolidation entries**	46,183		(57,502)		973,724	
<b>Total*</b>	<b>658,809</b>		<b>83,002</b>		<b>9,183,888</b>	

for the year ended 31 December 2010:

BWP'000s	Total income	Contribution to banking operations	Attributable profit	Contribution to banking operations	Total assets	Contribution to banking operations
BancABC Botswana BancABC Mozambique	84,964	18%	20,040	21%	1,989,701	37%
BancABC Tanzania	83,967	18%	22,919	24%	718,762	13%
BancABC Zambia BancABC Zimbabwe	67,855	14%	15,804	16%	727,993	14%
	91,562	20%	11,203	12%	375,189	7%
	140,347	30%	26,739	27%	1,520,319	29%
<b>Banking operations</b>	<b>468,695</b>	<b>100%</b>	<b>96,705</b>	<b>100%</b>	<b>5,331,964</b>	<b>100%</b>
Head office and consolidation entries**	77,612		(29,995)		679,475	
<b>Total*</b>	<b>546,307</b>		<b>66,710</b>		<b>6,011,439</b>	

\* After eliminations.

\*\* Reflects non-banking operations in various geographical sectors, as well as elimination entries.

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in doubt as to the action you should take in relation to this document, please consult your stockbroker, banker, legal advisor or other professional advisor immediately.

### Action required:

1. If you have disposed of all of your shares in ABC Holdings Limited, this circular should be delivered to the agent through whom you have disposed such shares for onward transmission to the acquirer of those shares.
  2. A notice convening the 12th annual general meeting of shareholders of ABC Holdings Limited ("AGM"), to be held at 09h30 on Wednesday 30 May 2012 at the Boardroom at BancABC Botswana, ABC House, Plot 62433, Fairground Office Park, Gaborone, is attached hereto, which notice forms an integral part of this Circular.
  3. A form of proxy is also attached to the AGM notice and Shareholders who are unable to attend the AGM should complete the attached form of proxy and return it to the registered office of the Company so as to be received by no later than 09h30 on Tuesday 29 May 2012. Submission of a form of proxy will not preclude shareholders from attending and voting in person at the AGM should they so desire.
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# ABC Holdings

(Registration number 99/4865)  
(Incorporated in the Republic of Botswana)  
(ABC Holdings Limited or "the Company")

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## CIRCULAR TO SHAREHOLDERS

Regarding:

- a waiver by shareholders of the obligation to make an offer to minority shareholders;
- amendments to the existing Memorandum and Articles of Association and the adoption of a Constitution in terms of Section 43(3) of the Companies Act in place of the existing Memorandum and Articles of Association;

and enclosing:

- the biographies of directors retiring and standing for re-election
  - a notice of General Meeting
  - a form of proxy.
- 

### Sponsoring Broker



**Stockbrokers Botswana Ltd.**  
*Member of the Botswana Stock Exchange*



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## Definitions

In this circular unless otherwise stated or the context otherwise requires, the words in the first column have the meanings stated opposite them in the second column, words in the singular include the plural and vice-versa, and words importing natural persons shall include juristic persons, whether corporate or incorporate, and vice versa:

“ADC”	African Development Corporation, a company incorporated in Mauritius;
“Act”	the Companies Act, Act No 32 of 2004, CAP 42:01 of the Laws of Botswana as amended;
“Articles”	the Articles of Association of ABC Holdings Limited as at date hereof;
“BSE”	the Botswana Stock Exchange;
“Botswana”	the Republic of Botswana;
“Circular”	this circular dated 8 May 2012 including the annexures hereto, the notice of General Meeting and form of proxy;
“Directors”	the Board of Directors of ABC Holdings Limited;
“ABC Holdings Limited or the Company”	ABC Holdings Limited (registration number 99/4865) a company incorporated in the Republic of Botswana and listed on the BSE and ZSE;
“General Meeting”	the Annual General Meeting of Shareholders to be held on 30 May 2012;
“Memorandum of Association”	the Memorandum of Association of ABC Holdings Limited as amended as the date hereof;
“Notice”	the Notice of the General Meeting attached to this Circular;
“Offer Price”	means a price of BWP4.28 (four Botswana Pula and twenty eight Thebe) or the USD equivalent thereof at a date to be determined per ordinary share at which price the Shareholders will be entitled to subscribe for the Shares offered pursuant to the Rights Offer;
“Rights Offer”	the offer of 83,333,333 shares to be made by the Company to shareholders on the basis of the Rights Offer Share to 1.79 shares held;
“Resolutions”	the resolutions reflected in the Notice of Meeting incorporated within this Circular;
“Shareholders”	holders of Ordinary Shares of the Company; and
“ZSE”	Zimbabwe Stock Exchange.

## Salient dates and times (year 2012)

Circular posted to shareholders of ABC Holdings on	Tuesday 8 May 2012
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Forms of proxy to be received by 09h30	Tuesday 29 May 2012
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Annual General Meeting at 09h30	Wednesday 30 May 2012
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The above dates and times are subject to change. Any amendment will be published in the press.



**Directors:**

Howard Buttery (Chairman)  
Ngoni Kudenga  
Doreen Khama  
Hans Wasmus  
Lakshmi Shyam-Sunder  
Mark M Schneiders  
Douglas T Munatsi  
Francis M Dzanya  
Bekithemba Moyo

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## CIRCULAR TO SHAREHOLDERS OF ABC HOLDINGS LIMITED

### PART 1: Waiver of the obligation to make an offer to shareholders

#### 1. The Purpose of Part 1 of the Circular

The purpose of this Part 1 of the Circular and the Notice is to furnish information to the shareholders as to the proposed resolution for waiver of the possible obligation of ADC to make an offer to purchase shares of Shareholders, other than ADC, at the Offer Price, which shareholders will be asked to approve, as special business, at the General Meeting.

#### 2. Reasons for the Waiver

In terms of the BSE Requirements, if a person, including an existing shareholder acquires more than 35% of the issued shares of a company listed on the BSE, that person is required to make an offer to acquire/purchase the shares of the other shareholders ("the minorities") at the price that person acquired the shares.

The BSE can grant a waiver of the obligation to make this offer.

ABCH is to make a renounceable Rights Offer to its shareholders, in terms of which ABCH seeks to raise BWP356,666,666 (the equivalent of USD50,000,000) and offers to shareholders 83 333 333 shares in ABCH at a price of P4.28 (or the USD equivalent thereof) ("the Offer Price") on the basis of one new offer share for every 1.79 ordinary shares held by a shareholder.

In terms of the BSE Requirements a rights offer is to be underwritten.

ADC, a substantial shareholder holding approximately 23.20% of the issued shares in ABCH will follow its rights to acquire shares in the Rights Offer and is prepared to underwrite the Rights Offer, and subscribe for Rights Offer Shares not taken up by shareholders, by exercising their rights, or by third parties who have acquired such rights from shareholders, at the close of the Rights Offer.

Depending on the take up of Rights Offer Shares by shareholders other than ADC and third parties, ADC may be required to subscribe for Rights Offer Shares not taken up, and such shares when added to the Shares acquired by ADC in following its rights as Shareholder and the Shares in ABCH already held by ADC, could result in ADC holding more than 35% of the then issued shares (after the Rights Offer) of ABCH.

In terms of the BSE Requirements, ADC would be obliged to make an offer to all other shareholders of ABCH to acquire the shares in ABCH held by them, at a price of P4.28 (or the USD equivalent thereof) per share. The underwriting agreement is conditional upon the waiver being obtained.

ADC is not prepared to underwrite the Rights Offer if it is subject to that obligation.

ABCH made application to the BSE to waive the requirement/obligation for ADC to make such an offer. The BSE has indicated it will waive the requirement provided that, inter alia, the majority of independent shareholders other than ADC waive the obligation also.

Accordingly the Board seeks an ordinary resolution of independent shareholders other than ADC, to waive the requirement.

The Board is of the view that the Rights Offer is essential to the Company:

- i. to enable it to complete its retail banking roll out (to which substantial amounts of money have already been invested) by further investment in systems, people and distribution channels;
- ii. to increase the capital of each of its operating subsidiaries;
- iii. to enable each of its operating subsidiaries to grow its footprint and market share in each country of operation.
- iv. to enable each subsidiary to be rated in the top ten of banks in the country of its operation.

Importantly all funds paid for Rights Offer Shares will accrue to the Company.

Full details of the Rights Offer will be available in a circular and prelisting statement to be made available to shareholders prior to the General Meeting.

The Rights Offer cannot be proceeded with unless underwritten.

Shareholders support for the Underwriting by granting the waiver is requested.

## **PART 2: Amendments to the existing Memorandum and Articles of Association**

### **1. Purpose of Part 2 of the Circular**

The purpose of Part 2 the Circular and the Notice is to furnish information to the Shareholders as to the proposed amendments to the Articles of Association which Shareholders will be asked to approve as by way of resolution as special resolution and ordinary resolution special business at the General Meeting:

- a. the adoption of a new Constitution in terms of section 43(3) of the Companies Act in place of the existing Articles of Association that amends the Articles of Association to bring it in line with the Act and such other changes as are required to update the Articles of Association in line with relevant statutes and current trends in corporate governance; and
- b. authorising the Directors to take all such steps and sign all such documents as are necessary to give effect to the resolutions passed at this meeting.

### **2. Reasons for Amendments**

It is sought to amend the Articles of Association of the Company to effect the substantive changes outlined below.

#### ***Adoption of a Constitution***

In terms of the Act, which came into force on 3 July 2007, any existing Company which has as its Constitution, a Memorandum and Articles of Association, is not entitled to amend such a document unless it consolidates both documents into a single document known as the "Constitution".

It is proposed that the Memorandum and Articles of Association be amended and a Constitution adopted through the procedures set out in this circular.

The Constitution, a draft of which is available for inspection at the registered office of the Company, during normal business hours from 10 May 2012 until the date of the AGM, will include amendments to the existing Articles of Association that include the following:

## Notice of annual general meeting continued

- (i) amendments to bring the Constitution in line with mandatory changes as introduced by the Act as read together with the BSE Listings Requirements (such changes include the removal of references to authorised share capital; references to circumstances in which the Act allows for the Company to give financial assistance to purchase its own shares, mandatory provisions on notice period to call meetings, etc) and to update references to the Act to reflect the appropriate reference in the new Companies Act;
- (ii) amendments to bring the Constitution in line with the most current trends in corporate governance as referenced by the BSE Guidelines on Corporate Governance and international guidelines such as the King Reports on Corporate Governance;
- (iii) amendments to provide for uncertificated shares; and
- (iv) formal amendments as to grammar and language to avoid repetition or extraneous provisions.

The Constitution does not incorporate the objects of the Company, which has been rendered unnecessary by the provision of the current Companies Act, which makes the provisions relating to objects optional.

### **PART 3: Biographies of directors**

#### **ABCH provides the following Biographies of directors standing for re-election and whose appointments are to be ratified at the Annual General Meeting**

##### ***Dr Lakshmi Shyam-Sunder (55)***

Lakshmi Shyam-Sunder is the Chief Finance Officer and Director of the Multilateral Investment Guarantee Agency at the World Bank Group.

She has wide-ranging financial experience, which includes a period on the Finance Faculty of the MIT Sloan School of Management in the USA and at the Tuck School of Business Administration, Dartmouth College. She has also consulted on finance, valuation, and risk management topics for financial institutions and corporations in the United States, for the US Government and financial institutions in emerging markets.

She joined the IFC in 1994 and prior to being appointed a Director held a number of positions within the institution working in treasury and portfolio management before being named Director of Risk Management and Financial Policy for IFC.

She serves on the Boards and Risk and Finance Committees of some IFC's client companies.

She has a Ph.D in Finance from the MIT Sloan School of Management and an MBA from the Indian Institute of Management, Ahmedabad, India.

##### ***Douglas T Munatsi***

Douglas "Doug" Munatsi has been Chief Executive Officer of the ABC Holdings Group since its formation in 2000.

Involved in the world of finance and banking for his entire career, he has served as an executive in the Southern Africa regional mission of the International Finance Corporation (IFC), the private sector arm of the World Bank.

He went on to establish Heritage Investment Bank (HIB), an investment bank which established a reputation for the successful introduction of innovative capital market products. Under his guidance, HIB became one of the leading merchant banks in Zimbabwe. In 1997, together with Anglo American of Zimbabwe, which then controlled 43% of First Merchant Bank of Zimbabwe ("FMB"), he successfully negotiated the merger between HIB and FMB. He became Managing Director of the merged bank, which continued to operate under the First Merchant Bank identity and remained in this position until the formation of ABC Holdings.



His qualifications include a Bachelor of Business (Hon) degree from the University of Zimbabwe, an MBA from the American University in Washington DC and an AMP from Harvard Business School.

**Mark M Schneiders**

Mark Schneiders has more than 27 years of banking sector experience in various wholesale and private banks within African banks and around the globe serving as an entrepreneurial finance professional. He has held various positions that include Managing Director with ING Financial Institutions in Amsterdam.

Mr Schneiders has extensive experience with company mergers, building new markets and setting up retail bank businesses in a variety of countries including Switzerland, The Netherlands, Spain, Curaçao, Argentina, Venezuela, Hong Kong and USA. He was appointed to the Board on 9 December 2011.

He holds a Bachelor's and Master's degree in law from the University of Leiden, The Netherlands, and has completed the Advanced Management Program at Harvard Business School and banking management programs at INSEAD (Cedep).

Any member wishing to nominate a person to be considered for election as directors of the Company, in place of those retiring, should submit a written nomination, proposed by that member and seconded by another member, containing the written consent of the nominee to be appointed a director, and the curriculum vitae of the nominee, to the Registered Office of the Company at least five working days prior to the date of the Annual General Meeting.

## Announcement

The results of the special business that is to be voted on at the Annual General Meeting will be announced in the press on or before 5th June 2012.

## Annual General Meeting

Following hereafter and forming part of the Circular, is the Notice of the Annual General Meeting of Shareholders of ABC Holdings Limited to be held at the Boardroom, ABC House, BancABC Botswana,, Plot 62433, Fairground Office Park, Gaborone, Botswana, on Wednesday 30 May 2012 at 09h30 for the purpose of considering the business of the Annual General Meeting and of considering the special business.

Shareholders who are unable to attend the General Meeting and who wish to be represented thereat, are requested to complete and return the attached form of proxy in accordance with the instructions contained therein and in the Notice of the Annual General Meeting.

A proxy need not be a Member of the Company.

By order of the Board

**M Vogt**

*Secretary to the Board of Directors*

Gaborone

24 April 2012

**Registered Office:**

Rhoss (Pt) Ltd, Unit 2, Plot 8884, Rizika House, African Mall, Gaborone, Botswana.

# ABC Holdings

(Registration number 99/4865)  
(Incorporated in the Republic of Botswana)  
(ABC Holdings Limited or “the Company”)

Howard Buttery (Chairman)  
Ngoni Kudenga  
Doreen Khama  
Hans Wasmus  
Lakshmi Shyam-Sunder  
Mark Schneiders  
Douglas T Munatsi  
Francis M Dzanya  
Bekithemba Moyo

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of the Company will be held at the Boardroom, ABC House, BancABC Botswana, Plot 62433, Fairground Office Park, Gaborone, Botswana on Wednesday 30 May 2012 at 09h30 for the purpose of transacting the following ordinary and special business and considering and if deemed fit, passing, the following resolutions:

### Ordinary Business:

1. To read the notice convening the meeting.
2. To receive, consider, and adopt the annual financial statements for the year ended 31 December 2011, including the Chairman’s statement, Directors’ report and Auditors’ report.
3. To approve the remuneration of the Directors for the year ended 31 December 2011.
4. To note that Directors, Dr Shyam-Sunder, Mr Wasmus and Mr Munatsi retire by rotation in terms of Article 67 of the Articles of Association and to re-elect Dr Shyam-Sunder and Mr Munatsi who being eligible, offer themselves for re-election.
5. To ratify the appointment of Mr Mark Martijn Schneiders as a director of the Company.
6. To appoint auditors for the ensuing year and to fix their remuneration.

### Special Business:

1. To consider waiver of the BSE requirement that ADC in the event it acquires such number of Right Offer Shares, pursuant to the Rights Offer and the underwriting thereof, which together with the shares already held by it, ADC make an offer to purchase the shares in ABCH held by other shareholders at a price of P4.28.
2. To amend the Articles of Association and to adopt a Constitution in its place under section 43(3) of the Act.

### Ordinary Resolution 1:

To approve the annual financial statements for the year ended 31 December 2011, including the Chairman’s statement, Directors’ report and Auditor’s report.

### Ordinary Resolution 2:

To approve the remuneration of Directors for the year ended 31 December 2011.

### **Ordinary Resolution 3:**

To elect Directors in place of those retiring by rotation in accordance with the provisions of article 67 as read with article 73 of the Company's Articles of Association. In this regard Dr Shyam-Sunder retires by rotation and being available and eligible offers herself for re-election.

### **Ordinary Resolution 4:**

To elect Directors in place of those retiring by rotation in accordance with the provisions of article 67 as read with article 73 of the Company's Articles of Association. In this regard Mr Munatsi retires by rotation and being available and eligible offers himself for re-election.

### **Ordinary Resolution 5:**

To ratify the appointment of Mr Mark Martijn Schneiders as a director of the Company.

### **Ordinary Resolution 6:**

To appoint the Auditors for the Company for the ensuing year.

### **Ordinary resolution 7:**

To waive the requirement set forth in the BSE Requirements that a person acquiring more than 35% of the issued share capital of a company, in the instance of African Development Corporation ("ADC") in the event that pursuant to the Rights Offer and the Underwriting thereof, ADC acquires Rights Offer Shares which together with the shares already held by it will result in ADC holding more than 35% of the issued shares of the Company.

### **Special Resolution 1:**

Resolved to replace the Memorandum and Articles of Association of the Company in their entirety with a Constitution, a draft of which Constitution is available for inspection from 10 May 2012 to the date of the General Meeting at the Company's registered office.

### **Ordinary Resolution 8:**

The Directors be and are hereby authorised to take such steps and sign all such other documents as are necessary to give effect to the resolutions passed at this meeting.

## **Voting and proxies**

All holders of Ordinary Shares entitled to vote will be entitled to attend and vote at the Annual General Meeting.

A holder of shares who is present in person, by authorised representative or by proxy, shall have one vote on a show of hands and have one vote for every ordinary share held on a poll.

Each Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (none of whom need be a Shareholder of the Company) to attend, speak and subject to the Articles of Association of the Company, vote in his/her/its stead.

The form of proxy for the Annual General Meeting, which sets out the relevant instructions for its completion, is annexed hereto.

In order to be effective, a duly completed form of proxy must be received at the Registered Office of the Company, Rhoss (Pty) Ltd, Unit 2, Plot 8884, Rizika House, African Mall, Gaborone, Botswana by not later than 09h30 on Tuesday 29 May 2012.

By Order of the Board

**M Vogt**

*Secretary to the Board of Directors*

Gaborone

24 April 2012



# ABC Holdings

(Registration number 99/4865)  
 (Incorporated in the Republic of Botswana)  
 (ABC Holdings Limited or “the Company”)

## FORM OF PROXY

For completion by holders of Ordinary Shares

**PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS FORM.**

**EXPRESSIONS USED IN THIS FORM SHALL, UNLESS THE CONTEXT REQUIRES OTHERWISE, BEAR THE SAME MEANINGS AS IN THE CIRCULAR TO SHAREHOLDERS OF ABC HOLDINGS LIMITED ISSUED ON 8 MAY 2012.**

For use at the Annual General Meeting of Shareholders of the Company to be held at the Boardroom, ABC House, BancABC Botswana, Plot 62433, Fairground Office Park, Gaborone, Botswana on 30 May 2012 at 09h30.

I/We

\_\_\_\_\_  
 (Name/s in block letters)

Of

\_\_\_\_\_  
 (Address)

Appoint (see note 2):

1. \_\_\_\_\_ or failing him/her,
2. \_\_\_\_\_ or failing him/her,
3. \_\_\_\_\_ the Chairman of the Meeting,

as my/our proxy to act for me/us at the General Meeting which will be held, in addition to considering the ordinary business, for the purpose of considering and if deemed fit, passing with or without modification, the resolutions to be proposed under the special business vote thereat and at each adjournment thereof, and to vote for or against the resolutions and/or abstain from voting in respect of the Ordinary Shares registered in my/our name in accordance with the following instructions (see note 2):

	Number of Ordinary Shares		
	For	Against	Abstain
1. Ordinary Resolution 1			
2. Ordinary Resolution 2			
3. Ordinary Resolution 3			
4. Ordinary Resolution 4			
5. Ordinary Resolution 5			
6. Ordinary Resolution 6			
7. Ordinary Resolution 7			
8. Special Resolution 1			
9. Ordinary Resolution 8			

Signed at \_\_\_\_\_ on \_\_\_\_\_ day of \_\_\_\_\_ 2012.

Signature \_\_\_\_\_

Assisted by (where applicable)

Each Shareholder is entitled to appoint one or more proxies (who need not be Member/s of the Company) to attend, speak and vote in place of that Shareholder at the General Meeting.

**Please read the notes on the reverse side hereof.**

## NOTES TO THE FORM OF PROXY

1. A Shareholder must insert the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.
2. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the General Meeting as he/she deems fit in respect of the Shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A Shareholder or his/her proxy is obliged to use all the votes exercisable by the Shareholder or by his/her proxy.
3. Forms of proxy must be lodged at or posted to the Registered Office of the Company, Rhoss (Pty) Ltd, Unit 2, Plot 8884, Rizika House, African Mall, Gaborone, Botswana, or PO Box 1882, Gaborone, Botswana, to be received not less than 24 hours before the Annual General Meeting on 30 May 2012 at 09h30.
4. The completion and lodging of this form will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such Shareholder wish to do so.
5. The Chairman of the General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner in which the Shareholder concerned wishes to vote.
6. An instrument of proxy shall be valid for the General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.
7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the Shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Ordinary Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the General Meeting or adjourned General Meeting at which the proxy is to be used.
8. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.
9. Where Ordinary Shares are held jointly, all joint Shareholders must sign.
10. A minor must be assisted by his/her guardian, unless relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

# DIRECTORS CONTACT INFORMATION 2012



## BancABC Botswana

**Directors:** D Khama, L Makwinja, B Moyo, DT Munatsi, J Kurian

BancABC House, Plot 62433,  
Fairgrounds Office Park, Gaborone, Botswana  
Tel: +267 3674300 Fax: +267 3902131

**Branches:**

Square branch +267 3160400  
Fairgrounds branch +267 3674300  
Francistown branch +267 2414133  
Game City Branch +267 3704700  
mybancbw@bancabc.com

## BancABC Mozambique SA

**Directors:** B Alfredo, H Chambisse, DT Munatsi, LS Simao, TET Venichand, J Sibanda, F Mucave

**Head Office:** 999 Avenida Julius Nyerere,  
Polana Cimento, Maputo, Mozambique  
Tel: +258 (21) 482100 Fax: +258 (21) 486808

**Branches:**

Beira branch +258 (23) 320655/7  
Chimoio branch +258 (25) 123007/8  
Tete branch + 258 (25) 222984  
Matola branch +258 (21) 720005/8  
Chundi branch +258 (21)493715  
abcmoz@bancabc.com

## BancABC Tanzania

**Directors:** JP Kipokola, R Dave, J Doriye, W Nyachia, DT Munatsi, L Sondo, B Nyoni

1st Floor Barclays House, Ohio Street,  
PO Box 31  
Dar es Salaam, Tanzania  
Tel: +255 (22) 2111990 Fax: +255 (22) 2112402

**Branches:**

Kariakoo Branch +255 (22) 2180108/182/212  
Upanga Branch +255 (22) 2121537-9  
Quality Center Branch +255 22 2865904-10  
abctz@africanbankingcorp.com & abctz@bancabc.com

## Tanzania Development Finance Company Limited

**Directors:** JP Kipokola, J Doriye, W Nyachia, DT Munatsi, B Nyoni

1st Floor Barclays House, Ohio Street,  
Dar es Salaam, Tanzania  
PO Box 2478, Dar es Salaam, Tanzania  
Tel: +255 (22) 2111990 Fax: +255 (22) 2112402  
abctz@africanbankingcorp.com & abctz@bancabc.com

## BancABC Zambia

**Directors:** C Chileshe, DT Munatsi, C Simatyaba, JW Thomas, L Mwafullilwa, A Dudhia, R Credo, J Muwo

BancABC House, Plot 746B, Corner Nasser Road/  
Church Road, Ridgeway, Lusaka  
Tel: +260 (211) 257970-5 Fax: +260 (211) 257980

**Branches:**

Cairo Road branch + 260 (211) 227690/3  
Kitwe branch +260 (212) 222426/7  
Livingstone branch + 260 (213) 320681  
Lumumba Road branch + 260 (211) 230796  
Ndola branch +260 (212) 621715/6  
abcz@bancabc.com

## BancABC Zimbabwe

**Directors:** N Kudenga, P Sithole, FE Ziumbe, NM Matimba, A Mabhena, FM Dzanya, H Matemera, TW Mudangwe

1 Endeavour Crescent, Mount Pleasant Business Park,  
Mount Pleasant, Harare, Zimbabwe  
Tel: +263 (4) 369260-99 Fax: +263 (4) 338064

**Branches:**

Beitbridge branch +263 (286) 23172/3/4  
Checheche branch +263 (317) 258; 277; 314; 327  
Chiredzi branch +263 (31) 2254-6/413609  
Graniteside branch +263 (4) 781046/7; 781615-7  
Heritage branch +263 (4) 781837-40  
Hotsprings branch +263 772 456 188; 772 732 014  
Hwange branch +263 (281) 21703-10  
Kwekwe branch +263 (55) 25216-23  
Jason Moyo branch +263 (9) 73700-11  
Msasa branch +263 (4) 486087; 486139; 486508  
Mt. Pleasant branch +263 (4) 369260-99  
Mutare branches: Main +263 (20) 67939; 67941  
Manica Centre +263 (20) 68255/69/78/79  
Redcliff branch+263 (55) 62875-82  
Victoria Falls branch+263 (13) 45101-8  
TSF Branch +263 (4) 667039; 667892  
Zvishavane branch +263 (51) 2940-4  
abctzw@africanbankingcorp.com



**BancABC** 

[www.bancabc.com](http://www.bancabc.com)