

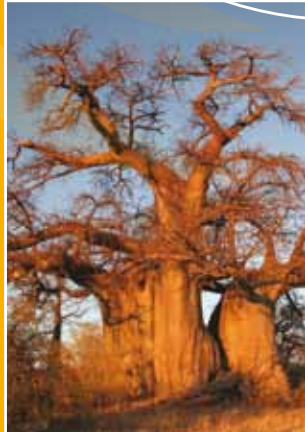


**BancABC**



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

**2010**



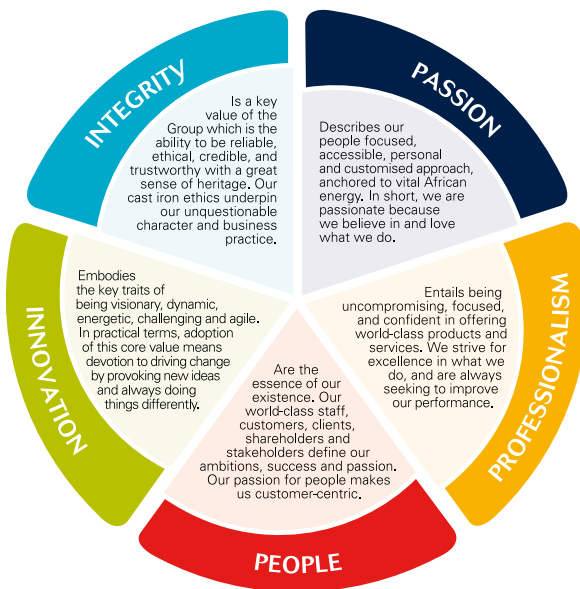
# ABOUT BANCABC



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.

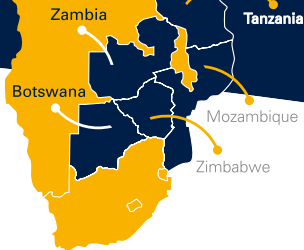
ABC Holdings Limited is registered in Botswana. Its primary listing is on the Botswana Stock Exchange, with a secondary listing on the Zimbabwe Stock Exchange.



## 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



## SALIENT POINTS

### FINANCIAL:

- ↑ Total income increased by 39% to **BWP546 million**.
- ↑ Operating expenses increased by 19% to **BWP435 million**.
- ↑ Operating profit increased by 327% to **BWP111 million**.
- ↓ Cost to income ratio improved to **77%** from 82% in the prior year.
- ↓ Impairment charges on loans and advances reduced by 69% to **BWP16 million**.
- ↑ Basic earnings per share improved by 15% from 40.4 thebe to **46.3 thebe**.
- ↑ The balance sheet grew by 36% from BWP4.4 billion in 2009 to **BWP6.0 billion**.
- ↑ Loans and advances increased by 54% from BWP2.0 billion to **BWP3.1 billion**.
- ↑ Customer deposits grew by 46% from BWP3.4 billion in 2009 to **BWP4.9 billion**.
- ↑ Net asset value per share up from BWP2.73 to **BWP2.93**.
- ↑ Return on average equity was **16%** compared to 14% in 2009.

### OPERATIONAL:

- All banking operations reported profit for the first time in the history of the Group
- Total number of retail branches increased to 17 as at 28 February 2011
- Successful turnaround of the Zambia operation which is now profitable
- BancABC Mozambique, BancABC Zambia and BancABC Zimbabwe re-capitalised during the year



## CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

All the Group's operating banking subsidiaries posted commendable results. Operating profit at BWP111 million is more than four times the BWP26 million achieved in 2009.



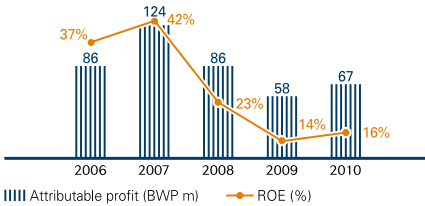
## Overview

It is pleasing to report that for the first time in the short history of the institution, all the Group's operating banking subsidiaries posted commendable results. Operating profit at BWP111 million is more than four times the BWP26 million achieved in 2009. The quality of earnings has improved, with most of the income being generated from core banking activities. This contrasts markedly with 2009 and prior years, when non-recurrent income contributed significantly to the profitability of the business.

Business growth was achieved across all operations as the Group continued widening and strengthening its footprint through the expansion into the retail banking sector. The Group has to date set up 17 retail branches across its network. It is pleasing that the retail expansion was funded entirely from Group resources. The move has been well received in all markets, particularly in Zimbabwe where the retail business achieved profitability after its first year in operation. This exceeded internal expectations, which had estimated that profitability would be achieved 18 to 24 months after the doors opened for business.

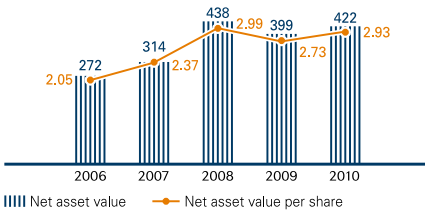
The quality of the loan book continued to improve. During the period under review non-performing loans reduced from 10% to 8%, resulting in a 69% reduction in charges for credit impairments. Tanzania was the only operation that had significant impairments and its contribution is higher than all the other operations combined, as the other operations recorded a net write-back. Whilst we are confident that we are well secured for most of these exposures, the legal system in Tanzania is such that the recovery process will be protracted.

Attributable profit (BWP m) and ROE (%)



Notwithstanding the huge share of loss from associates, attributable profit at BWP67 million was 15% ahead of BWP58 million achieved in prior year. Both the return on equity and the net asset value per share improved as a consequence.

Net asset value (BWP m) and NAV per share (BWP)



## Financial performance

### Net interest income

Net interest income of BWP298 million is 67% higher than the BWP178 million recorded in the previous reporting year. This was largely due to a 54% increase in loans and advances, coupled with higher net interest margin of 6.8% up from 5.6%. All operations with the exception of BancABC Mozambique recorded improvement in net interest income. Mozambique was impacted by excessively volatile interest rates which resulted in margins being squeezed. In addition, the loan portfolio increased only marginally, due to the significant depreciation of the Metical against all major currencies. On the other hand, BancABC Zimbabwe performed exceptionally well albeit off a low base.

### Impairment losses on loans and advances

Net impairment charges of BWP16 million are 69% below the prior year charges of BWP51 million. This improvement was due to a combination of an improvement in the economic environment and strict credit monitoring of facilities. Owing to the above a number of clients that were previously adversely classified were able to service their facilities. This resulted in significant reversals of loan impairments. The level of non-performing loans, whilst still high, is reducing. The strategy of curtailing lending at the start of the global crisis has been vindicated. The quality of the loan book is sound and barring any unforeseen adverse changes in the regional economies, the level of non-performing loans should continue to decline and be in line with those of other industry players.

BancABC Tanzania's net impairment charges at BWP18 million were 41% higher than the BWP13 million recorded in prior year and exceeded the Group total as other operations recorded significant recoveries. Most of these facilities are secured by tangible assets and hence they should be recoverable. The biggest challenge, however, is the complex court system which results in cases generally taking an inordinate amount of time to resolve in spite of the fact that there will be a clear breach of contract. As a result where loans are secured by moveable assets, by the time judgement is issued, the value of these assets may have substantially declined. In view thereof we have decided to be extremely cautious in our lending approach in Tanzania and where possible we ensure that we have immovable properties as collateral. Efforts to recover from all the delinquent clients are intensifying.

### Non interest income

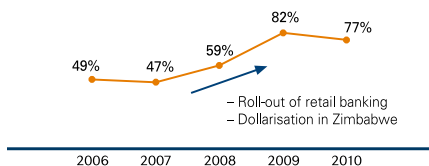
Non interest income at BWP264 million was marginally down on prior year. What is comforting though is that income from banking services increased, whilst non-recurrent income reduced significantly. In 2009 the Group realised once-off income of BWP94 million in respect of disposal of associates and the equity portfolio in Zimbabwe.

All the operations with the exception of BancABC Botswana recorded significant increases in non interest income. BancABC Botswana experienced a slump in foreign exchange trading income due to a market-wide reduction in both volumes and margins.

### Operating expenses

Operating expenses at BWP435 million were 19% above the BWP366 million recorded in 2009. This increase was largely attributable to the Zimbabwe operation, where costs rose by 71% post-dollarisation, and the retail banking roll-out which cost BWP63 million compared to BWP35 million in 2009. Notwithstanding the increase in costs, the cost to income ratio declined by 5 percentage points from 82% in 2009 to 77% for the period under review. Whilst costs will continue to increase as we ramp up the retail programme, we expect the cost to income ratio to come down as a result of revenue contribution by the retail banking segment. The medium-term target is to reduce the cost to income ratio to 50%. We are, however, cognisant of the fact that, whilst the ratio will decline, it will still be higher than this target in the near-term.

Cost to income ratio



### Tax

The Group incurred a net tax charge of BWP22 million compared to a credit of BWP16 million in 2009. Changes to the taxation rules in Zimbabwe in 2009 resulted in a tax credit for the Group through the reduction of deferred tax in respect of gains on disposal of quoted marketable securities.

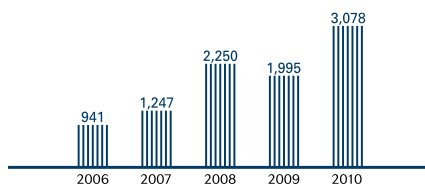
### Balance sheet

The balance sheet grew by 36% from BWP4.4 billion to BWP6 billion as at 31 December

2010. Loans and advances increased by 54% from BWP2 billion in 2009 to BWP3.1 billion. Deposits increased by 46% from BWP3.4 billion to BWP4.9 billion.

Loans and advances in BancABC Zimbabwe increased nine-fold from BWP98 million to BWP975 million. Zimbabwe now constitutes 32% of the total loan portfolio, up from 5% in the previous year. BancABC Zimbabwe's market share has increased from 3.1% in 2009 to 8.8% in 2010. This was achieved despite the bank still being predominantly corporate in nature. Market share is expected to increase on the back of the retail expansion. All the other banking subsidiaries with the exception of Tanzania registered growth in loans and advances. BancABC Tanzania management focused on collections and rehabilitation of non-performing loans.

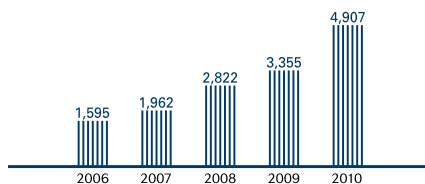
Net loans and advances (BWP m)



- Net loans increased by 54% from December 2009
- Compound annual growth rate of 34%

The quality of the loan book in all subsidiaries, other than Tanzania, was good. The strategy in Tanzania will be premised on growing quality loans and collecting on delinquent accounts.

Deposits (BWP m)



- 46% growth in deposits from 2009
- Compound annual growth rate of 32%
- Botswana continues to lead with deposits of BWP2.0 billion
- Growth of 316% in Zimbabwe and 40% in Botswana
- Zimbabwe, however, is coming off a low base

Deposits increased by 46% from BWP3.4 billion to BWP4.9 billion. Over the last five years deposits have grown by an annual compound rate of 32%. All the operations recorded growth in deposits. Botswana's contribution at 40% is still the highest and BancABC Zimbabwe has come in strongly and now contributes 22% of the book, up from 8% in prior year.

### Attributable profit by operation

The banking subsidiaries recorded attributable profits of BWP98 million, up 151% from BWP39 million in prior year. Head office and other non-banking operations posted a loss of BWP11 million, while associates contributed a loss of BWP20 million. Although the Group will continue to support the associates, they remain available for sale as long as a reasonable price can be realised. Head office in the prior year recorded some once-off gains through the sale of equity investments that were being used for capital preservation purposes in Zimbabwe.

### Operational performance

#### Botswana

BancABC Botswana performed well on the back of the economic recovery as commodity prices improved. Profit after tax of BWP20 million was 15% higher than the BWP17 million achieved in 2009. The balance sheet grew by 30%, largely due to increased customer deposits, which grew by 40% to BWP2 billion. This additional liquidity was invested partly in money market instruments including Bank of Botswana certificates as well as in loans and advances.

The firming of margins in lending activities coupled with an increase in the balance sheet size, resulted in higher net interest income. Net interest income increased by 48% from BWP35 million to BWP51 million. On the other hand, non interest income declined by 22% (BWP9 million), largely due to a reduction in foreign exchange trading income on account of a reduction in both volumes and margins. Management acted proactively in managing the quality of the loan book, collecting on some previously impaired loan accounts. Non-performing loans in Botswana have come down and this situation is expected to improve



further in 2011. Owing to the above, BancABC Botswana had a zero net charge for credit impairments in 2010.

Operating expenses increased by 27% (BWP13 million) to BWP59 million as a result of expenditure related to the rollout of the retail programme.

### **Mozambique**

BancABC Mozambique was adversely affected by the high volatility in market interest and exchange rates during the year. These developments negatively impacted the bank's margins and led to subdued balance sheet growth. As a consequence, net interest income declined by 25% (BWP10 million) to BWP29 million and non interest income declined by 7% to BWP57 million.

On a positive note, the credit impairment charge declined by 77% to BWP2 million from BWP10 million in 2009. This was due to collections on previously adversely classified accounts and tight monitoring of the quality of the loan book. As a result, no new accounts were adversely classified. Operating expenses were tightly managed. Despite increased staff numbers and business activities following the introduction of retail services, operating expenses increased only by 6% (BWP3 million).

After tax profit at BWP23 million was 24% lower than the BWP30 million achieved in 2009.

### **Tanzania**

Despite the high impairments recorded by BancABC Tanzania during the year, the subsidiary managed to increase its attributable profits by 207% to BWP16 million. This was achieved on the back of increased revenues across the board.

The bank's deposits increased by 18% (BWP119 million). Loans and advances, however, declined by 8% (BWP40 million). The excess liquidity generated was invested in money market instruments, including Government bonds. Net interest income increased on the back of increased volumes and margins as the cost of funds in the market declined to historic lows. As a result, non interest income increased by 40% from BWP27 million to BWP38 million.

The above achievements were, however, negated by an increase in impairments from a few large clients who did not service their debts on schedule. Credit management and monitoring has been strengthened and benefits of these actions should be realised in the near-term. Operating expenses increased by 18% (BWP7 million) as the bank intensified the retail banking roll out.

### **Zambia**

BancABC Zambia achieved a successful turnaround, posting a profit after tax of BWP11 million. This compared favourably to the loss of BWP34 million the bank recorded in 2009.

BancABC Zambia reinforced its improved position by growing its customer deposit base by 21% to BWP253 million, despite a 22% decline in its loan book to BWP233 million. The capital position of the bank had become precarious due to historical losses. As a result new equity of USD6 million was injected by the holding Company. As the bank's fortunes changed it became correspondingly easier to raise deposits at a reasonable cost. Net interest income increased by 9% to BWP67 million while non interest income increased by 110% to BWP21 million on the back of increased transactional volumes during the year.

The quality of the loan book improved significantly. This enabled the entity to record a net impairment recovery of BWP3 million compared to a charge of BWP27 million in 2009. Operating expenses were tightly managed and only increased by 5%, mainly through synergies achieved following the merger of the bank and the micro-finance unit in 2009. There remains, however, substantial work to be done on the banking side of the business to ensure that profitability accelerates.

### **Zimbabwe**

The Zimbabwean economy which had been in free-fall for more than a decade, recorded growth for the first time in 2009 following the establishment of a government of national unity and dollarisation of the economy. This growth continued into 2010, resulting in market deposits moving from USD300 million in February 2009



to over USD2.5 billion as at 31 December 2010. However, the developed world remains doubtful that the risk profile of the country has materially changed. As a result, foreign investor participation is still limited and the economy continues performing at a fraction of its full potential. Further, the lack of capacity by the lender of last resort has limited both loan expansion and inter-bank trading.

Despite these challenges, BancABC Zimbabwe posted BWP27 million in profit after tax, an improvement of 43% from the BWP19 million achieved in 2009. The bank grew its balance sheet by 215% from BWP0.5 billion to BWP1.5 billion. Customer deposits increased by 316% from BWP0.25 billion to BWP1.1 billion. Loans and advances increased by 810% from BWP0.1 billion to BWP0.9 billion. This, together with increased transaction flows, increased the bank's revenues across the board by 93% from BWP73 million in 2009 to BWP140 million in 2010.

Operating expenses increased by 71% to BWP107 million from BWP62 million. The increase in operating expenses was largely due to the normalisation of staff salaries, which was a feature of the market post-dollarisation. In addition, the expansion into the retail banking sector exacerbated the increase in costs.

## Change of shareholding

The Directors wish to advise shareholders that African Development Corporation (ADC), a Mauritian registered company, has recently acquired 20% of the company's shares through the open market.

## Dividend

The Directors have declared a final dividend of BWP0.10 (ten Thebe) (USD equivalent currently 1.52 cents) per share in respect of the year ended 31 December 2010. The dividend will be payable to shareholders registered in the books of the company at the close of business on Friday, 1 April 2011.

## Outlook

We believe that even though the economic recession has bottomed out, full recovery will be protracted. Inflation could be a challenge as

a consequence of higher oil prices given the challenges currently being experienced in the Middle East and North Africa. The Group has made major investments in the retail banking business and this should yield higher returns in the next two years. The wholesale banking business remains robust and continues to generate strong revenues. In order to move the company to the next level, it will be necessary to raise additional capital. The Board and Management are actively examining this important matter, and further announcements will be made in due course. An even stronger performance in 2011 is anticipated.

## Acknowledgements

We extend our sincere thanks to the Board, management and the entire BancABC team for all their support during 2010.



**H Buttery**  
*Group Chairman*



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

15 March 2011

## Dividend notice

At a meeting of the Directors held on 4 March 2011, a final dividend of BWP0.10 (ten Thebe) (USD equivalent currently 1.52 cents) per share was declared in respect of the year ended 31 December 2010. The dividend will be payable to shareholders registered in the books of the company at the close of business on Friday, 1 April 2011. Accordingly, the share transfer register of the company will be closed as from Monday, 4 April 2011 to Tuesday, 5 April 2011. Dividend cheques will be posted to shareholders on or about 12 April 2011.

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010

BWP'000s	Notes	2010	2009
Interest and similar income		650,466	502,311
Interest expense and similar charges		(352,621)	(323,917)
<b>Net interest income before impairment of advances</b>		<b>297,845</b>	<b>178,394</b>
Impairment of loans and advances		(15,826)	(51,218)
<b>Net interest income after impairment of advances</b>		<b>282,019</b>	<b>127,176</b>
Non interest income	3	264,288	265,017
<b>Total income</b>		<b>546,307</b>	<b>392,193</b>
Operating expenditure	4	(435,093)	(365,694)
<b>Net income from operations</b>		<b>111,214</b>	<b>26,499</b>
Share of results of associates		(20,134)	16,164
<b>Profit before tax</b>		<b>91,080</b>	<b>42,663</b>
Tax		(22,495)	15,768
<b>Profit for the year</b>		<b>68,585</b>	<b>58,431</b>
<b>Attributable to:</b>			
Ordinary shareholders		66,710	58,117
Minorities		1,875	314
<b>Profit for the year</b>		<b>68,585</b>	<b>58,431</b>
Earnings per share (thebe)		46.3	40.4
Dividend per share (thebe)		10.0	-
Weighted average number of shares (000's)		143,956	143,846

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010

USD'000s – (Convenience conversion)	2010	2009
Interest and similar income	95,814	70,890
Interest expense and similar charges	(51,941)	(45,714)
<b>Net interest income before impairment of advances</b>	<b>43,873</b>	<b>25,176</b>
Impairment of loans and advances	(2,331)	(7,228)
<b>Net interest income after impairment of advances</b>	<b>41,542</b>	<b>17,948</b>
Non interest income	38,930	37,402
<b>Total income</b>	<b>80,472</b>	<b>55,350</b>
Operating expenditure	(64,089)	(51,610)
<b>Net income from operations</b>	<b>16,383</b>	<b>3,740</b>
Share of results of associates	(2,966)	2,281
<b>Profit before tax</b>	<b>13,417</b>	<b>6,021</b>
Tax	(3,314)	2,225
<b>Profit for the year</b>	<b>10,103</b>	<b>8,246</b>
<b>Attributable to:</b>		
Ordinary shareholders	9,827	8,202
Minorities	276	44
<b>Profit for the year</b>	<b>10,103</b>	<b>8,246</b>
Earnings per share (cents)	6.8	5.7
Dividend per share (cents)	1.5	–
Weighted average number of shares (000's)	143,956	143,846

# CONSOLIDATED BALANCE SHEET

as at 31 December 2010

BWP'000s	Notes	2010	2009
<b>ASSETS</b>			
Cash and short term funds		999,338	881,884
Financial assets held for trading		1,117,827	880,740
Financial assets designated at fair value		79,139	17,905
Derivative financial assets		42,012	7,970
Loans and advances		3,078,110	1,995,325
Investment securities		53,023	49,282
Prepayments and other receivables		188,306	166,973
Current tax assets		6,388	3,913
Investment in associates		34,845	40,946
Property and equipment		330,218	278,975
Investment property		3,878	25,851
Intangible assets		57,402	50,421
Deferred tax assets		20,953	17,560
<b>TOTAL ASSETS</b>		<b>6,011,439</b>	<b>4,417,745</b>
<b>EQUITIES AND LIABILITIES</b>			
<b>Liabilities</b>			
Deposits		4,907,045	3,355,118
Derivative financial liabilities		1,047	1,955
Creditors and accruals		64,017	83,676
Current tax liabilities		6,819	6,529
Deferred tax liabilities		15,233	10,866
Borrowed funds	5	579,420	543,822
<b>Total liabilities</b>		<b>5,573,581</b>	<b>4,001,966</b>
<b>Equity</b>			
Stated capital		307,586	307,586
Foreign currency translation reserve		(347,388)	(298,715)
Non-distributable reserves		162,535	144,009
Distributable reserves		299,603	246,189
<b>Equity attributable to ordinary shareholders</b>		<b>422,336</b>	<b>399,069</b>
Minority interest		15,522	16,710
<b>Total equity</b>		<b>437,859</b>	<b>415,779</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,011,439</b>	<b>4,417,745</b>
<b>Contingent liabilities</b>	6	<b>339,951</b>	<b>385,996</b>

# CONSOLIDATED BALANCE SHEET

as at 31 December 2010

USD'000s – (Convenience conversion)	2010	2009
<b>ASSETS</b>		
Cash and short term funds	154,997	132,194
Financial assets held for trading	173,375	132,023
Financial assets designated at fair value	12,274	2,684
Derivative financial assets	6,516	1,195
Loans and advances	477,415	299,099
Investment securities	8,224	7,387
Prepayments and other receivables	29,206	25,029
Current tax	991	587
Investment in associates	5,405	6,138
Property and equipment	51,217	41,818
Investment properties	601	3,875
Intangible assets	8,903	7,558
Deferred tax assets	3,250	2,632
<b>TOTAL ASSETS</b>	<b>932,374</b>	<b>662,219</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Liabilities</b>		
Deposits	761,083	502,932
Derivative financial liabilities	162	293
Creditors and accruals	9,929	12,542
Current tax liabilities	1,058	979
Deferred tax liabilities	2,363	1,629
Borrowed funds	89,868	81,519
<b>Total liabilities</b>	<b>864,463</b>	<b>599,894</b>
<b>Equity attributable to ordinary shareholders</b>	<b>65,504</b>	<b>59,820</b>
Minority interest	2,407	2,505
<b>Total equity</b>	<b>67,911</b>	<b>62,325</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>932,374</b>	<b>662,219</b>
<b>Contingent liabilities</b>	<b>52,726</b>	<b>57,861</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

BWP'000s	2010	2009
<b>Profit for the year</b>	<b>68,585</b>	<b>58,431</b>
<b>Other comprehensive income</b>	<b>(46,506)</b>	<b>(99,160)</b>
Exchange differences on translating foreign operations	(48,834)	(78,090)
Revaluation of property	(1,982)	(38,277)
Share of reserves in associate companies	3,016	112
Movement in available-for-sale reserves	24	1,051
Income tax relating to components of other comprehensive income	1,270	16,044
<b>Total comprehensive income for the year</b>	<b>22,079</b>	<b>(40,729)</b>
<b>Total comprehensive income attributable to:</b>		
Ordinary shareholders	23,267	(38,585)
Minorities	(1,188)	(2,144)
	<b>22,079</b>	<b>(40,729)</b>

USD'000s – (Convenience conversion)	2010	2009
<b>Profit for the year</b>	<b>10,103</b>	<b>8,246</b>
<b>Other comprehensive income</b>	<b>(6,850)</b>	<b>(13,995)</b>
Exchange differences on translating foreign operations	(7,193)	(11,021)
Revaluation of property	(292)	(5,402)
Share of reserves in associate companies	444	16
Movement in available-for-sale reserves	4	148
Income tax relating to components of other comprehensive income	187	2,264
<b>Total comprehensive income for the year</b>	<b>3,253</b>	<b>(5,749)</b>
<b>Total comprehensive income attributable to:</b>		
Ordinary shareholders	3,428	(5,447)
Minorities	(175)	(302)
	<b>3,253</b>	<b>(5,749)</b>

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2010

BWP'000s	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>207,786</b>	<b>474,649</b>
Cash generated from operating activities	154,379	53,126
<b>Net profit before tax</b>	<b>91,080</b>	<b>42,663</b>
<b>Adjusted for:</b>		
Impairment of loans and advances	15,826	51,218
Depreciation and amortisation	29,477	16,324
Net unrealised (gains)/losses on derivative financial instruments	(1,725)	9,670
Fair value (gains)/losses on investment properties	(125)	14,610
Profit on disposal of associate	–	(56,332)
Loss/(profit) from associates	20,134	(16,164)
Profit on disposal of property and equipment	(288)	(8,863)
Tax paid	(25,522)	(8,484)
Net cash inflow from operating activities before changes in operating funds	128,857	44,642
<b>Net increase in operating funds</b>	<b>90,243</b>	<b>430,007</b>
Increase in operating assets	(1,671,299)	(528,346)
Increase in operating liabilities	1,761,542	958,353
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(79,350)</b>	<b>(83,197)</b>
Purchase of property and equipment	(82,991)	(163,877)
Purchase of intangible assets	(13,087)	(12,021)
Additions to investment property	(336)	–
Proceeds on disposal of property and equipment	8,006	10,227
Proceeds on disposal of investment property	20,372	–
(Additions to)/proceeds on disposal of associates	(11,314)	82,474
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>40,075</b>	<b>(53,324)</b>
Increase/(decrease) in borrowed funds	40,075	(53,324)
<b>Increase in cash and cash equivalents</b>	<b>179,825</b>	<b>338,128</b>
Cash and cash equivalents at the beginning of the year	701,766	420,508
Exchange adjustment on opening balance	(93,565)	(56,870)
<b>Cash and cash equivalents at the end of the year</b>	<b>788,026</b>	<b>701,766</b>
Cash and cash equivalents	788,027	701,766
Statutory reserves	211,312	180,118
<b>Cash and short term funds</b>	<b>999,338</b>	<b>881,884</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

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 2009</b>	<b>307,586</b>	<b>(223,083)</b>	<b>4,825</b>	<b>138,768</b>
<b>Comprehensive income:</b>				
Profit for the year	-	-	-	-
<b>Other comprehensive income:</b>	<b>-</b>	<b>(75,632)</b>	<b>(655)</b>	<b>(22,233)</b>
Foreign currency translation differences	-	(75,632)	-	-
Revaluation of property net of deferred tax	-	-	-	(22,233)
Movement in general credit risk reserve	-	-	(655)	-
Share of reserves in associate companies	-	-	-	-
Movement in statutory reserves	-	-	-	-
Movement in available-for-sale reserves:	-	-	-	-
- Arising in current year	-	-	-	-
- Realised through profit and loss	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>(75,632)</b>	<b>(655)</b>	<b>(22,233)</b>
<b>Balance as at 31 December 2009</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	-	-	-	-
- Realised through profit and loss	-	-	-	-
<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>



Attributable to owners of the parent

Available-for-sale reserve	Statutory reserve	Hedging reserve	Treasury shares reserve	Distributable reserves	Total	Minority interest	Total equity
(323)	24,464	(2,902)	(2,574)	190,893	437,654	18,854	456,508
-	-	-	-	58,117	58,117	314	58,431
1,051	3,588	-	-	(2,821)	(96,702)	(2,458)	(99,160)
-	-	-	-	-	(75,632)	(2,458)	(78,090)
-	-	-	-	-	(22,233)	-	(22,233)
-	-	-	-	655	-	-	-
-	1,303	-	-	(1,191)	112	-	112
-	2,285	-	-	(2,285)	-	-	-
1,051	-	-	-	-	1,051	-	1,051
1,051	-	-	-	-	1,051	-	1,051
-	-	-	-	-	-	-	-
1,051	3,588	-	-	55,296	(38,585)	(2,144)	(40,729)
728	28,052	(2,902)	(2,574)	246,189	399,069	16,710	415,779
-	-	-	-	66,710	66,710	1,875	68,585
24	11,900	2,902	203	(13,296)	(43,443)	(3,063)	(46,506)
-	-	-	-	-	(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
-	-	-	-	-	-	-	-
24	11,900	2,902	203	53,414	23,267	(1,188)	22,079
752	39,952	-	(2,371)	299,603	422,336	15,522	437,858

# SEGMENTAL ANALYSIS

for the year ended 31 December 2010

BWP'000s	Net interest income	Contribution	Attributable profit
<b>for the 12 months ended 31 December 2010:</b>			
BancABC Botswana	51,452	17%	20,040
BancABC Mozambique	29,057	10%	22,919
BancABC Tanzania	48,038	16%	15,804
BancABC Zambia	67,331	23%	11,203
BancABC Zimbabwe	57,443	19%	26,739
<b>Banking operations</b>	<b>253,321</b>	<b>85%</b>	<b>96,705</b>
Head office and other****	44,524	15%	(29,995)
<b>Total*</b>	<b>297,845</b>	<b>100%</b>	<b>66,710</b>

BWP'000s	Net interest income	Contribution	Attributable profit
<b>for the 12 months ended 31 December 2009:</b>			
BancABC Botswana	34,831	19%	17,413
BancABC Mozambique	38,594	21%	30,266
BancABC Tanzania	35,178	20%	5,155
BancABC Zambia***	61,632	35%	(33,567)
BancABC Zimbabwe	14,339	8%	19,362
<b>Banking operations</b>	<b>184,574</b>	<b>103%</b>	<b>38,629</b>
Head office and other****	(6,180)	-3%	19,488
<b>Total*</b>	<b>178,394</b>	<b>100%</b>	<b>58,117</b>

\* After eliminations.

\*\* Excluding Tier II capital.

\*\*\* Includes Microfin Africa Limited. Attributable loss for the year 2009 excluding Microfin, was BWP 45 million.

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

Contribution to financial institutions	Contribution to total	Total assets	Contribution	Total equity**	Contribution
21%	30%	1,989,701	33%	105,052	24%
24%	34%	718,762	12%	116,330	27%
16%	24%	727,993	12%	97,432	22%
11%	17%	375,189	6%	40,077	9%
28%	40%	1,520,319	25%	191,255	44%
<b>100%</b>	<b>145%</b>	<b>5,331,964</b>	<b>89%</b>	<b>550,146</b>	<b>126%</b>
	-45%	679,476	11%	(112,287)	-26%
	<b>100%</b>	<b>6,011,440</b>	<b>100%</b>	<b>437,859</b>	<b>100%</b>

Contribution to financial institutions	Contribution to total	Total assets	Contribution	Total equity**	Contribution
45%	30%	1,530,149	35%	92,808	22%
78%	52%	843,550	19%	111,125	27%
13%	9%	702,573	16%	95,694	23%
-86%	-58%	397,148	9%	924	0%
50%	33%	482,617	11%	102,468	25%
<b>100%</b>	<b>66%</b>	<b>3,956,037</b>	<b>90%</b>	<b>403,019</b>	<b>97%</b>
	34%	461,708	10%	12,760	3%
	<b>100%</b>	<b>4,417,745</b>	<b>100%</b>	<b>415,779</b>	<b>100%</b>

# NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

## 1. Basis of presentation

### 1.1 Statement of compliance

This condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December, which have 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.

In February 2009, the Government of Zimbabwe effectively discontinued the use of the Zimbabwe dollar, and introduced multiple international currencies, with the Botswana Pula, South African Rand and the US Dollar being the anchor currencies. ABC Holdings Limited's Zimbabwe operations have adopted the US Dollar as its functional and reporting currency. Consequently, the Zimbabwe operations have discontinued the preparation of financial statements in accordance with IAS 29 'Financial Reporting in Hyperinflationary Economies' from that date.

## 2. Stated capital

There have been no changes in the authorised or issued share capital of ABC Holdings Limited during the year to 31 December 2010.

## 3. Non interest income

BWP'000s	2010	2009
Gains less losses from trading activities	33,496	13,211
Gains on investment activities designated at fair value	11,340	38,236
Dividends received	123	450
Fees and commission income	103,189	84,013
Claims in respect of project finance transaction	-	(30,231)
Forex trading income and currency revaluation	106,090	115,786
Fair value gains/(losses) on investment properties	125	(14,610)
Net gains/(losses) on derivative financial instruments	1,725	(9,670)
Profit on disposal of associate	-	56,332
Profit on disposal of property and equipment	288	8,863
Rental and other income	7,912	2,637
	<b>264,288</b>	<b>265,017</b>

#### 4. Operating expenditure

BWP'000s	2010	2009
Administrative expenses	171,942	164,274
Staff costs	228,888	180,805
Depreciation and amortisation	29,477	16,324
Auditor's remuneration	4,786	4,291
	<b>435,093</b>	<b>365,694</b>

#### 5. Borrowed funds

BWP'000s	2010	2009
National Development Bank of Botswana Limited (NDB)	121,080	126,466
BIFM Capital Investment Fund One (Pty) Ltd	257,328	257,328
Other borrowings	201,012	160,028
	<b>579,420</b>	<b>543,822</b>
<b>Maturity analysis</b>		
On demand to one month	1,276	1,266
One month to three months	7,615	4,133
Three months to one year	82,862	108,950
Over one year	487,667	429,473
	<b>579,420</b>	<b>543,822</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

##### ***Other borrowings***

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

**6. Contingent liabilities**

<b>BWP'000s</b>	<b>2010</b>	<b>2009</b>
Guarantees	210,146	244,637
Letters of credit, loan commitments and other contingent liabilities	129,805	141,359
	<b>339,951</b>	<b>385,996</b>
<b>Maturity analysis</b>		
Less than one year	267,814	324,719
Between one and five years	72,137	61,277
	<b>339,951</b>	<b>385,996</b>

**7. Exchange rates**

	<b>Closing 2010</b>	<b>Average 2010</b>	<b>Closing 2009</b>	<b>Average 2009</b>
United States Dollar	<b>0.1551</b>	<b>0.1473</b>	0.1499	0.1411
Tanzanian Shilling	<b>233.4265</b>	<b>210.1172</b>	200.7920	186.7813
Zambian Kwacha	<b>744.4840</b>	<b>707.8888</b>	697.0370	711.8197
Mozambican Metical	<b>5.0532</b>	<b>4.9938</b>	4.3756	3.9034
South African Rand	<b>1.0277</b>	<b>1.0805</b>	1.1098	1.1647

# CONTACT INFORMATION

## ABC Holdings Limited

**Directors:** H Buttery, F Dzanya, S Ipe, D Khama, N Kudenga, B Moyo, DT Munatsi, L Shyam-Sunder, J Wasmus

ABC House, Plot 62433, Fairground Office Park, Gaborone, Botswana

Tel: +267 3674300 Fax: +267 3902131

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

Administrative office – South Africa  
205 Rivonia Road, Morningside, 2196  
Johannesburg, South Africa

Tel: +27 (11) 722 5300 Fax: +27 (11) 722 5360

## BancABC Botswana

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

ABC House, Plot 62433, Fairground Office Park, Gaborone, Botswana

Tel: +267 3674300 Fax: +267 3902131

### Branches:

Square branch +267 3160400

Fairground branch +267 3674300

Francistown branch +267 2414133

[abcbw@africanbankingcorp.com](mailto:abcbw@africanbankingcorp.com)

## BancABC Mozambique SA

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

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) 123077/8

Maputo branch +258 (21) 482100

Matola branch +258 (21) 720008

Tete branch + 258 (25) 222984

[abcmoz@africanbankingcorp.com](mailto:abcmoz@africanbankingcorp.com)

## BancABC Tanzania

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

1st Floor Barclays House, Ohio Street, Dar es Salaam, Tanzania

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

[abctz@africanbankingcorp.com](mailto:abctz@africanbankingcorp.com)

## BancABC Zambia

**Directors:** C Chileshe, DT Munatsi, D Botha, JW Thomas, L Mwafuliwa, A Dudhia, R Credo, J Muwo

ABC Pyramid Plaza Building, Plot 746B, Corner Nasser Road/Church Road, Ridgeway, Lusaka

Tel: +260 (211) 257970-6

Fax: +260 (211) 257980

### Branches:

Lumumba Road branch +260 (211) 230796

Kitwe branch +260 (212) 222426/7

Ndola branch +260 (212) 621716

[abczm@africanbankingcorp.com](mailto:abczm@africanbankingcorp.com)

## BancABC Zimbabwe

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

Endeavour Crescent, Mount Pleasant Business Park, Mount Pleasant,

Harare, Zimbabwe

Tel: +263 (4) 369260-99 Fax: +263 (4) 338064

### Branches:

Mount Pleasant branch +263 (4) 369260-99

Manica branch +263 (20) 68255/78

Heritage House branch: +263 (4) 781837-40

Abercorn House branch: +263 (9) 69212-3

[abczw@africanbankingcorp.com](mailto:abczw@africanbankingcorp.com)

## Tanzania Development Company Limited

**Directors:** JP Kipokola, J Doriye, W Nyachia, DT Munatsi, I Chasosa

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](mailto:abctz@africanbankingcorp.com)



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