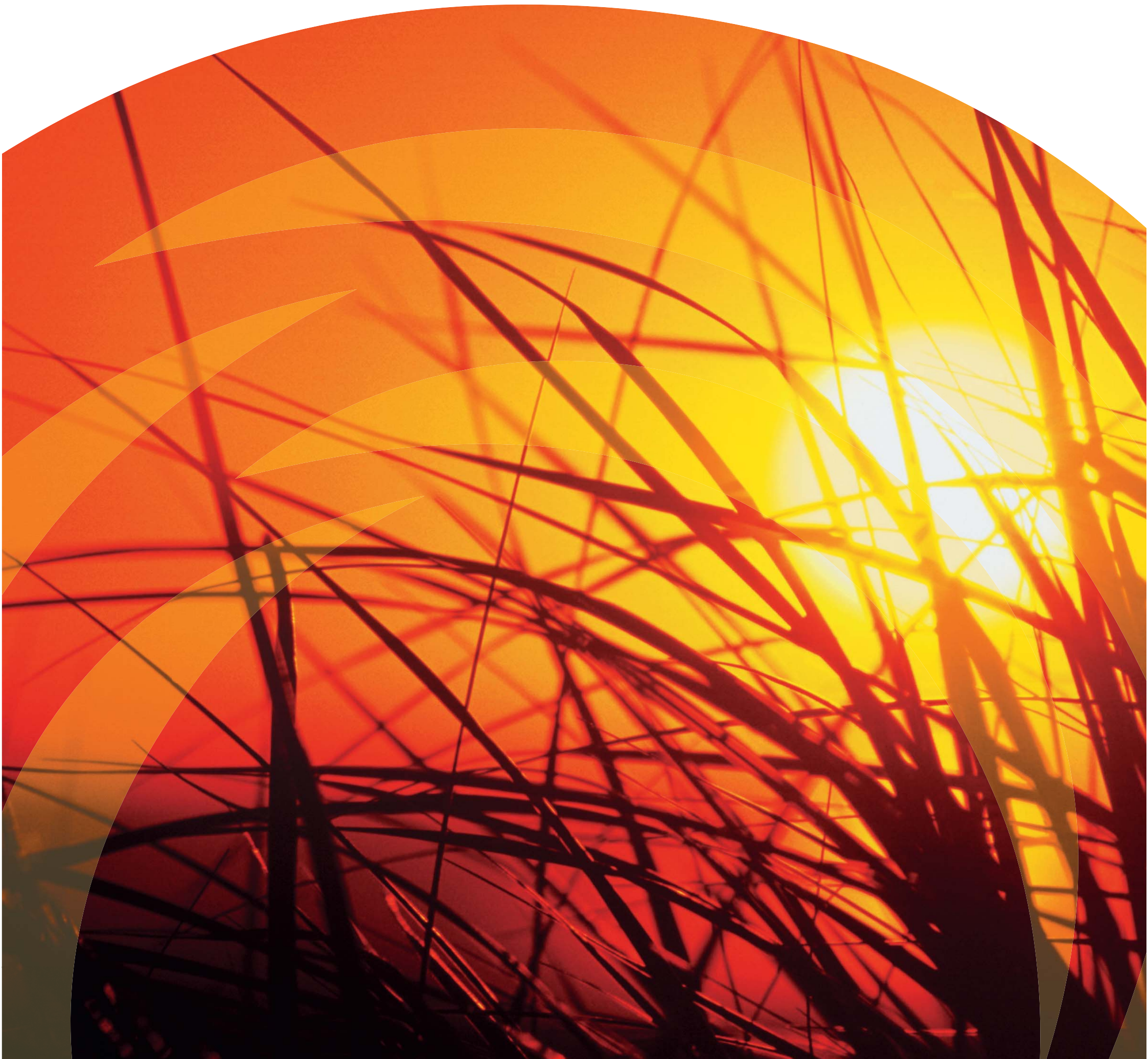




AFRICAN BANKING  
CORPORATION

# ABC HOLDINGS LIMITED

AUDITED GROUP RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2008





## ABC HOLDINGS LIMITED

### AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

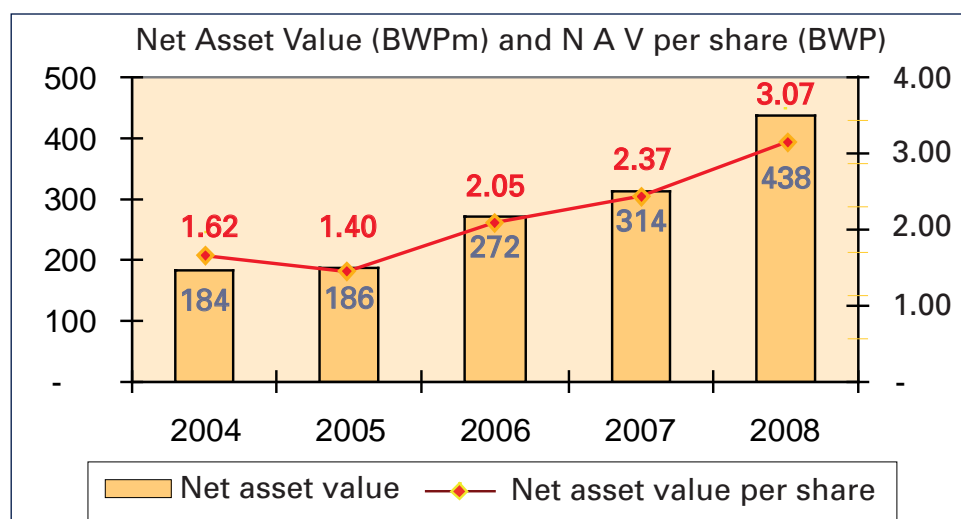
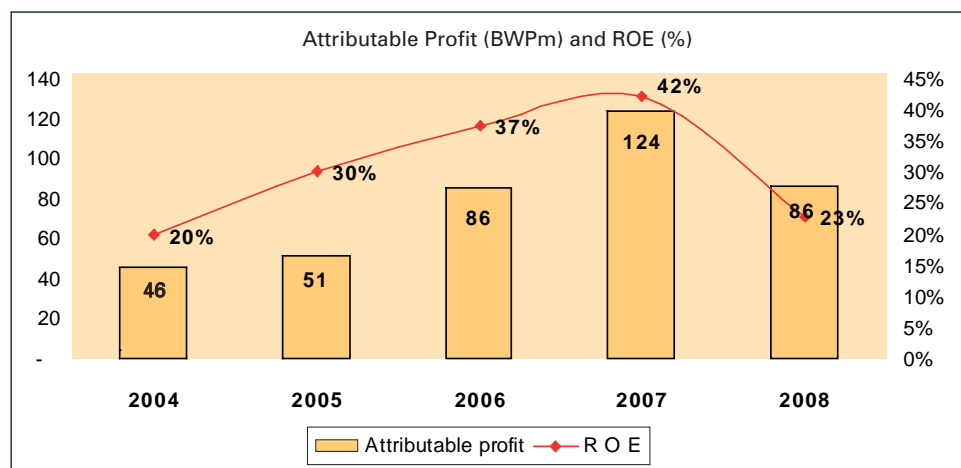
ABC Holdings Group produced a good set of results for the year ended 31 December 2008, considering the global financial turmoil that engulfed world economies from the beginning of 2008.

#### On an inflation adjusted basis:

- Attributable profit to shareholders at BWP 85.8 million is 16% lower than the prior year comparative of BWP 101.6 million;
- Basic earnings per share at 60.3 Thebe declined due to a combination of a reduction in earnings and an increase in the number of shares;
- The balance sheet grew by 35% from BWP 2.95 billion to BWP 3.97 billion, with the loan book increasing by 80% from BWP 1.25 billion to BWP 2.2 billion;
- Deposits increased by 40% from BWP 2.0 billion to BWP 2.8 billion;
- Average return on equity declined from 33% in 2007 to 22%, and average return on assets went down from 3.8% to 2.5%; and
- The Group's net asset value increased by 30% from BWP 336 million in 2007, to BWP 438 million in December 2008.

#### Financial review (on the historical cost basis)

A historical cost balance sheet, income statement, cash flow statement and statement of changes in equity have been presented as supplementary information for the benefit of shareholders and forms the basis of the financial review. The historical cost information complies with IFRS except for the effects of not applying IAS 29 (Financial reporting in hyperinflationary economies).



#### Overview

The global economic environment continues to be challenging. Commodity prices have plummeted resulting in the sub-Saharan economies being adversely affected as they are highly dependent on resources.

Performance of the banking subsidiaries showed marked

improvement overall, demonstrating the Group's resilience in the face of global challenges. However, this improvement was somewhat negated by a decline in investment income in Zimbabwe and a loss posted by ABC Zambia.

Attributable profit to ordinary shareholders at BWP 86 million is 31% lower than BWP 124 million reported in prior year. This is largely due to lower mark to market gains on our investment portfolio in Zimbabwe, which decreased by 78% from BWP 116 million in 2007 to BWP 26 million during the year. Notwithstanding the above total income before impairments increased by 18% to BWP 400 million, up from BWP 339 million, which is pleasing. Net interest income increased by 72% from BWP 107 million in 2007 to BWP 184 million for the year ended 31 December 2008.

ABC Botswana's profit after tax of BWP 13 million is 70% up from last year. All revenue lines were significantly better than what was achieved in the comparative period. The above was achieved in spite of the increase in impairments from BWP 15 million to BWP 22 million. ABC Tanzania posted a pleasing set of results, with profit after tax of BWP 11 million against BWP 6 million achieved in prior year. ABC Mozambique continues to do well and achieved after tax profits of BWP 17 million which is 25% ahead of last year. ABC Zambia posted a loss of BWP 12 million. The loss was due to high level of impairments, coupled with a huge exchange loss in November due to the volatility of the Kwacha. The subdued copper price in the international market has resulted in a number of mining and related companies failing to service their loans as they fall due. Consequently we have seen an upsurge in the level of non performing loans resulting in high impairments.

Earnings per share decreased from 95.3 Thebe per share in 2007 to 60.4 Thebe per share. Net asset value per share increased to BWP 3.07 as at 31 December 2008 from BWP 2.37, due to profit retention and the ordinary share capital injected by International Finance Corporation (IFC) of BWP 37.4 million on 29 January 2008.

## Financial performance

#### Net interest income

Net interest income increased by 72% from BWP 107 million recorded in 2007 to BWP 184 million. All operating subsidiaries with the exception of ABC Zimbabwe recorded significant growth during the year. Average net interest margin improved from 4.59% in 2007 to 6.20% for the year ended 31 December 2008. The quality of earnings continues to improve as evidenced by the increase in net interest income to total income, to 51.7% in 2008 from 35.0% reported in prior year. Net interest income now covers 78% of operating costs up from 67% last year. The Group's medium term objective is for net interest income to cover operating costs. Of significance is the fact that ABC Tanzania more than doubled its net interest income from BWP 14 million in 2007 to BWP 31 million for the year ended 31 December 2008.

#### Impairment of loans and advances

High level of impairment of loans and advances continues to be the Achilles heel of the Group. Impairments increased by 35% from BWP 33 million in 2007 to BWP 44 million. It is however pleasing to note that the quality of the book is improving as evidenced by the reduction of adversely classified loans from BWP 154 million to BWP 144 million in 2008. ABC Botswana contributed 50% of these impairments, with ABC Zambia and Microfin Africa

contributing 22% and 20% respectively. Very low levels of impairments were recorded in Mozambique and Tanzania which is commendable. In an effort to reduce the level of impairments, credit management has been strengthened and is now sufficiently staffed.

### **Non interest income**

Non interest income decreased by 7% from BWP 232 million recorded in 2007 to BWP 216 million in 2008. The reduction is due to the decrease in investment income in Zimbabwe. All the other subsidiaries recorded significant growth in non interest income. Foreign currency trading income increased by 190% from BWP 10 million recorded in 2007 to BWP 29 million during the year. This was largely due to an increase in trading volumes, particularly in Botswana and to a lesser extent in Mozambique and Tanzania. Fee and commission income increased marginally from BWP 65 million to BWP 70 million.

### **Operating expenditure**

Operating costs increased by 48% from BWP 160 million to BWP 237 million. The Group has started incurring costs related to the retail banking project but is yet to realize any income as this project will only be launched in the second half of 2009. Operating costs include staff costs which increased by 31% from BWP 91 million to BWP 119 million. This was due to additional employees being hired for the new retail banking business and the strengthening of the credit department. Cost to income ratio increased to 59% from 47% in 2007. This ratio is likely to remain higher than the Group's short term target of 50% as we rump up the retail banking project.

### **Tax**

The effective tax rate increased to 28% from 14% reported in 2007. This was due to the fact that income from treasury bills which was previously tax exempt in Mozambique is now taxable, coupled with the loss in ABC Zambia for which there has been no tax relief.

### **Balance sheet**

Total balance sheet size increased by 38% from BWP 2.9 billion as at 31 December 2007 to BWP 4.0 billion as at 31 December 2008. Loans and advances at BWP 2.2 billion are up by 80% from BWP 1.2 billion recorded in prior year. Overall quality of the book has improved with individually impaired loans net of provisions being BWP 26 million, down from BWP 38 million. We believe the balance is adequately secured. The balance sheet mix has improved with loans and advances now accounting for 57% of the total assets, up from 43% as at 31 December 2007. As reported above the net interest margin has increased, as loans and advances, whilst risky, yield higher returns than other money market instruments.

Deposits at BWP 2.8 billion are 40% higher than the prior year figure of BWP 2 billion. Loans to deposit ratio at 80% is higher than the 64% recorded in 2007. Net asset value increased by 39% from BWP 314 million to BWP 438 million. Capital adequacy ratio for all subsidiaries is higher than the prescribed regulatory minimum requirements.

### **Capitalisation**

In July 2008 shareholders approved a proposal to raise capital by way of a rights issue. Post the approval the global financial markets have been in turmoil necessitating that the capital raising exercise be postponed. Discussions with major investors are still continuing and there should be some

finality on this issue within the next couple of weeks.

All conditions precedent on the Citi Venture Capital International Advisers (CVCI) convertible loan of USD 25 million have been fulfilled. In addition, the Group is in the process of clearing all the outstanding conditions precedent in respect of the IFC convertible loan of USD 13.5 million. Drawdown on both loans should be undertaken shortly.

### **Retail banking project**

Retail banking by its very nature is a people and systems intensive business. A number of IT systems for the project have either been acquired or are at an advanced stage of being contracted for. The retail banking head office is now fully staffed and a lot of progress has been made to date. The project will clearly take longer than was previously envisaged. We now anticipate opening a few branches in each country during the course of 2009, starting in July. We are excited about this project but realise that the economic environment is now very different from when it was first conceived. Instead of the aggressive approach that was planned for, we will now proceed in a measured way, and position the business for the economic turnaround.

### **Outlook**

The world economic crisis will probably get worse before it gets better. Commodity prices are not expected to recover any time soon and certainly not in 2009. Whilst African economies are expected to register growth, it would be subdued. We have already seen worrying signs in the mining sector particularly in Botswana and Zambia. As a result we expect the environment to be challenging at least in the short term. Therefore cost management will be critical going forward. We conducted stress testing of the lending book in the last few months and indications are that we are on solid ground.

The formation of a Government of National Unity in Zimbabwe is a good development and we sincerely hope the deal holds. The major challenge in that market is dollarisation and the fact that most businesses are now undercapitalised. Margins will in all probability go down, and we now have to concentrate on our core banking business as the market normalises and growth sets in.

### **Dividend**

Given the uncertainty in the global market there is need to conserve cash and strengthen operations. Therefore, the Directors recommend that a final dividend be passed.

### **Board of Directors**

Mr. John Moses resigned from the Board with effect from 2 December 2008 to pursue other interests. We would like to thank John for his valuable contribution to the Group and wish him every success in his future endeavours.

### **Conclusion**

We would like to thank the Board and management for their effort in this turbulent market.

**O M Chidawu**  
Chairman

**D T Munatsi**  
Chief Executive Officer

11 March 2009

### **ABC Holdings Limited**

Company registration number: CO.99/4865



**ABC HOLDINGS LIMITED**
**Consolidated income statement for the year ended 31 December 2008**
**Botswana Pula - (Presentation currency)**

BWP'000s	Notes	Inflation adjusted (IFRS)		Historical cost (Supplemental)	
		31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07
Interest and similar income		456,474	388,496	456,471	325,857
Interest expense and similar charges		(272,079)	(296,240)	(272,058)	(218,569)
<b>Net interest income before impairment of advances</b>		<b>184,395</b>	<b>92,256</b>	<b>184,413</b>	<b>107,288</b>
Impairment losses of loans and advances		(44,365)	(32,883)	(44,365)	(32,883)
<b>Net interest income after impairment of advances</b>		<b>140,030</b>	<b>59,373</b>	<b>140,048</b>	<b>74,405</b>
Non interest income	3	216,126	154,520	216,235	231,741
<b>Total income</b>		<b>356,156</b>	<b>213,893</b>	<b>356,283</b>	<b>306,146</b>
Operating expenditure	4	(236,941)	(171,320)	(236,931)	(159,965)
Gains on net monetary position		58	75,907	-	-
<b>Net income from operations</b>		<b>119,273</b>	<b>118,480</b>	<b>119,352</b>	<b>146,181</b>
Share of profits of associates		2,300	4,542	2,300	3,308
<b>Profit before tax</b>		<b>121,573</b>	<b>123,022</b>	<b>121,652</b>	<b>149,489</b>
Tax		(33,642)	(16,353)	(33,510)	(20,923)
<b>Profit for the year</b>		<b>87,931</b>	<b>106,669</b>	<b>88,142</b>	<b>128,566</b>
<b>Attributable to:</b>					
Ordinary shareholders		85,818	101,626	86,029	123,523
Minorities		2,113	5,043	2,113	5,043
<b>Profit for the year</b>		<b>87,931</b>	<b>106,669</b>	<b>88,142</b>	<b>128,566</b>
Earnings per share (thebe)		60.3	78.4	60.4	95.3
Dividend per share (thebe)		8.0	14.0	8.0	14.0
Weighted average number of shares		142,425,193	129,655,145	142,425,193	129,655,145

**ABC HOLDINGS LIMITED**
**Consolidated income statement for the year ended 31 December 2008**
**US Dollar - (convenience conversion)**

USD'000s		Inflation adjusted (IFRS)		Historical cost (Supplemental)	
		31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07
Interest and similar income		66,813	63,450	66,813	53,220
Interest expense and similar charges		(39,824)	(48,383)	(39,821)	(35,697)
<b>Net interest income before impairment of advances</b>		<b>26,989</b>	<b>15,067</b>	<b>26,992</b>	<b>17,523</b>
Impairment losses of loans and advances		(6,494)	(5,371)	(6,494)	(5,371)
<b>Net interest income after impairment of advances</b>		<b>20,495</b>	<b>9,696</b>	<b>20,498</b>	<b>12,152</b>
Non interest income		31,634	25,237	31,650	37,849
<b>Total income</b>		<b>52,129</b>	<b>34,933</b>	<b>52,148</b>	<b>50,001</b>
Operating expenditure		(34,681)	(27,980)	(34,679)	(26,126)
Gains on net monetary position		8	12,397	-	-
<b>Net income from operations</b>		<b>17,456</b>	<b>19,350</b>	<b>17,469</b>	<b>23,875</b>
Share of profits of associates		337	742	337	540
<b>Profit before tax</b>		<b>17,793</b>	<b>20,092</b>	<b>17,806</b>	<b>24,415</b>
Tax		(4,924)	(2,671)	(4,905)	(3,417)
<b>Profit for the year</b>		<b>12,869</b>	<b>17,421</b>	<b>12,901</b>	<b>20,998</b>
<b>Attributable to:</b>					
Ordinary shareholders		12,560	16,597	12,592	20,174
Minorities		309	824	309	824
<b>Profit for the year</b>		<b>12,869</b>	<b>17,421</b>	<b>12,901</b>	<b>20,998</b>
Earnings per share (cents)		8.8	12.8	8.8	15.6
Dividend per share (cents)		1.2	2.3	1.2	2.3
Weighted average number of shares		142,425,193	129,655,145	142,425,193	129,655,145

**ABC HOLDINGS LIMITED**

Consolidated balance sheet as at 31 December 2008

**Botswana Pula - (Presentation currency)**

BWP'000s	Notes	Inflation adjusted (IFRS)		Historical cost (Supplemental)	
		31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07
<b>ASSETS</b>					
Cash and short term funds		513,050	528,311	513,050	528,311
Financial assets held for trading		659,587	748,134	659,587	748,134
Financial assets designated at fair value		26,100	115,878	26,100	115,878
Derivative financial assets		44,411	-	44,411	-
Loans and advances		2,249,903	1,247,350	2,249,903	1,247,350
Investment securities		67,761	70,945	67,761	70,945
Prepayments and other receivables		47,283	52,512	47,283	52,512
Current tax assets		5,496	5,015	5,496	5,015
Investment in associates		41,259	47,024	41,243	30,461
Property and equipment		216,942	61,806	216,929	55,207
Investment properties		47,632	28,402	47,632	28,402
Intangible assets		42,619	35,255	42,619	35,033
Deferred tax assets		5,895	12,873	5,895	12,873
<b>TOTAL ASSETS</b>		<b>3,967,938</b>	<b>2,953,505</b>	<b>3,967,909</b>	<b>2,930,121</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Liabilities</b>					
Deposits		2,822,352	1,961,479	2,822,352	1,961,479
Derivative financial liabilities		2,217	5,110	2,217	5,110
Creditors and accruals		37,854	27,283	37,854	27,283
Current tax liabilities		6,031	3,489	6,031	3,489
Deferred tax liabilities		43,162	25,309	43,010	23,972
Borrowed funds	5	599,814	582,589	599,814	582,589
<b>Total liabilities</b>		<b>3,511,430</b>	<b>2,605,259</b>	<b>3,511,278</b>	<b>2,603,922</b>
<b>Equity</b>					
Stated capital		307,586	270,189	307,586	270,189
Foreign currency translation reserve		(223,083)	(119,842)	(492,178)	(410,873)
Non distributable reserves		162,258	46,767	182,932	67,418
Distributable reserves		190,893	138,746	439,437	387,079
<b>Equity attributable to ordinary shareholders</b>		<b>437,654</b>	<b>335,860</b>	<b>437,777</b>	<b>313,813</b>
Minority interest		18,854	12,386	18,854	12,386
<b>Total equity</b>		<b>456,508</b>	<b>348,246</b>	<b>456,631</b>	<b>326,199</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,967,938</b>	<b>2,953,505</b>	<b>3,967,909</b>	<b>2,930,121</b>
<b>Contingent liabilities</b>	6	<b>494,675</b>	<b>298,496</b>	<b>494,675</b>	<b>298,496</b>

**ABC HOLDINGS LIMITED**

**Consolidated balance sheet as at 31 December 2008**

**US Dollar - (convenience conversion)**

USD'000s	Inflation adjusted (IFRS)		Historical cost (Supplemental)	
	31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07
<b>ASSETS</b>				
Cash and short term funds	68,056	87,832	68,056	87,832
Financial assets held for trading	87,494	124,377	87,494	124,377
Financial assets designated at fair value	3,462	19,265	3,462	19,265
Derivative financial assets	5,891	-	5,891	-
Loans and advances	298,450	207,372	298,450	207,372
Investment securities	8,988	11,795	8,988	11,795
Prepayments and other receivables	6,272	8,730	6,272	8,730
Current tax assets	729	834	729	834
Investment in associates	5,473	7,818	5,471	5,064
Property and equipment	28,777	10,275	28,776	9,178
Investment properties	6,318	4,722	6,318	4,722
Intangible assets	5,653	5,861	5,653	5,824
Deferred tax assets	782	2,140	782	2,140
<b>TOTAL ASSETS</b>	<b>526,345</b>	<b>491,021</b>	<b>526,342</b>	<b>487,133</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Liabilities</b>				
Deposits	374,385	326,096	374,385	326,096
Derivative financial liabilities	294	849	294	849
Creditors and accruals	5,021	4,538	5,021	4,538
Current tax liabilities	800	580	800	580
Deferred tax liabilities	5,724	4,207	5,705	3,985
Borrowed funds	79,565	96,855	79,565	96,855
<b>Total liabilities</b>	<b>465,789</b>	<b>433,125</b>	<b>465,770</b>	<b>432,903</b>
Equity attributable to ordinary shareholders	58,055	55,837	58,071	52,171
Minority interest	2,501	2,059	2,501	2,059
<b>Total equity</b>	<b>60,556</b>	<b>57,896</b>	<b>60,572</b>	<b>54,230</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>526,345</b>	<b>491,021</b>	<b>526,342</b>	<b>487,133</b>
<b>Contingent liabilities</b>	<b>65,619</b>	<b>49,625</b>	<b>65,619</b>	<b>49,625</b>

**ABC HOLDINGS LIMITED**
**Consolidated cash flow statement for the year ended 31 December 2008**

BWP'000s	Inflation adjusted (IFRS)		Historical cost (Supplemental)	
	31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>57,267</b>	<b>61,181</b>	<b>59,859</b>	<b>62,702</b>
Cash generated from operating activities	92,178	135,748	92,246	150,508
<b>Net profit before tax</b>	<b>121,573</b>	<b>123,022</b>	<b>121,652</b>	<b>149,489</b>
<b>Adjusted for:</b>				
Impairment of loans and advances	44,365	32,883	44,365	32,883
Depreciation and amortisation	10,741	7,154	10,741	6,922
Hedging reserve	(13)	(2,889)	(13)	(2,889)
Net (gains)/losses on derivative financial instruments	(38,585)	10,073	(38,585)	10,073
Fair value gains on investment properties	(45,861)	(14,880)	(45,872)	(26,408)
Profit on disposal of subsidiary	-	(8,853)	-	(8,853)
Profit on disposal of associate	-	(10,687)	-	(10,687)
Profit on sale of property and equipment	(42)	(75)	(42)	(22)
Tax paid	(5,422)	(12,905)	(1,726)	(11,049)
<b>Net cash inflow from operating activities before changes in operating funds</b>	<b>86,756</b>	<b>122,843</b>	<b>90,520</b>	<b>139,459</b>
<b>Net decrease in operating funds</b>	<b>(29,489)</b>	<b>(61,662)</b>	<b>(30,661)</b>	<b>(76,757)</b>
Increase in operating assets	(894,981)	(462,694)	(896,153)	(498,781)
Increase in operating liabilities	865,492	401,032	865,492	422,024
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(62,583)</b>	<b>(11,798)</b>	<b>(65,175)</b>	<b>(9,460)</b>
Purchase of property and equipment	(63,103)	(21,057)	(65,695)	(18,653)
Proceeds on disposal of property and equipment	520	406	520	340
Proceeds on disposal of subsidiary	-	8,853	-	8,853
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>36,137</b>	<b>19,341</b>	<b>36,137</b>	<b>19,341</b>
Proceeds from issue of shares	37,397	-	37,397	-
Purchase of treasury and preference shares	-	(4,790)	-	(4,790)
Increase in borrowed funds	28,967	24,131	28,967	24,131
Dividends paid	(30,227)	-	(30,227)	-
<b>Increase in cash and cash equivalents</b>	<b>30,821</b>	<b>68,724</b>	<b>30,821</b>	<b>72,583</b>
Cash and cash equivalents at the beginning of the year	446,256	369,947	446,256	369,947
Exchange adjustment on opening balance	(56,569)	7,585	(56,569)	3,726
<b>Cash and cash equivalents at the end of the year*</b>	<b>420,508</b>	<b>446,256</b>	<b>420,508</b>	<b>446,256</b>
*Cash and cash equivalents excludes statutory reserves				
Cash and cash equivalents	420,508	446,256	420,508	446,256
Statutory reserves	92,542	82,055	92,542	82,055
<b>Cash and short term funds</b>	<b>513,050</b>	<b>528,311</b>	<b>513,050</b>	<b>528,311</b>

**ABC Holdings Limited**
**Consolidated statements of changes in equity for the years ended 31 December**
**Inflation adjusted (IFRS)**

BWP'000s	Stated capital	Foreign currency translation reserve	Regulatory general credit risk reserve	Property revaluation reserve	Available for sale reserve	Statutory reserve	Hedging reserve	Treasury shares reserve	Distributable reserves	Minority interest	Total equity
<b>Balance as at 1 January 2007</b>	<b>270,157</b>	<b>(45,616)</b>	<b>289</b>	-	<b>1,098</b>	<b>18,140</b>	-	-	<b>40,946</b>	<b>8,530</b>	<b>293,544</b>
Profit for the year	-	-	-	-	-	-	-	-	101,626	5,043	<b>106,669</b>
Foreign currency translation differences	-	(74,226)	-	-	-	-	-	-	-	702	<b>(73,524)</b>
Revaluation of property net of deferred tax	-	-	-	10,027	-	-	-	-	-	-	<b>10,027</b>
Net investment hedging reserve	-	-	-	-	-	-	(2,889)	-	-	-	<b>(2,889)</b>
Share of reserves in associate companies	-	-	-	18,723	-	-	-	-	-	-	<b>18,723</b>
Purchase of shares from minorities	-	-	-	-	-	-	-	-	-	(1,889)	<b>(1,889)</b>
Movement in statutory reserves	-	-	-	-	-	3,826	-	-	(3,826)	-	-
Consolidation of treasury shares	32	-	-	-	-	-	-	(2,933)	-	-	<b>(2,901)</b>
Movement in available for sale reserves:	-	-	-	-	486	-	-	-	-	-	<b>486</b>
- Arising in current year	-	-	-	-	308	-	-	-	-	-	<b>308</b>
- Realised through profit and loss	-	-	-	-	178	-	-	-	-	-	<b>178</b>
<b>Balance as at 31 December 2007</b>	<b>270,189</b>	<b>(119,842)</b>	<b>289</b>	<b>28,750</b>	<b>1,584</b>	<b>21,966</b>	<b>(2,889)</b>	<b>(2,933)</b>	<b>138,746</b>	<b>12,386</b>	<b>348,246</b>
Profit for the year	-	-	-	-	-	-	-	-	85,818	2,113	<b>87,931</b>
Shares issued	37,397	-	-	-	-	-	-	-	-	-	<b>37,397</b>
Foreign currency translation differences	-	(103,241)	-	-	-	-	-	-	-	6,068	<b>(97,173)</b>
Revaluation of property net of deferred tax	-	-	-	110,018	-	-	-	-	-	-	<b>110,018</b>
Movement in general credit risk reserve	-	-	4,536	-	-	-	-	-	(4,536)	-	-
Net investment hedging reserve	-	-	-	-	-	-	(13)	-	-	-	<b>(13)</b>
Purchase of shares from minorities	-	-	-	-	-	-	-	-	1,713	(1,713)	-
Movement in statutory reserves	-	-	-	-	-	2,498	-	-	(2,498)	-	-
Disposal of treasury shares	-	-	-	-	-	-	-	359	-	-	<b>359</b>
Dividend	-	-	-	-	-	-	-	-	(30,227)	-	<b>(30,227)</b>
Movement in available for sale reserves:	-	-	-	-	(1,907)	-	-	-	1,877	-	<b>(30)</b>
- Arising in current year	-	-	-	-	(1,907)	-	-	-	1,877	-	<b>(30)</b>
<b>Balance as at 31 December 2008</b>	<b>307,586</b>	<b>(223,083)</b>	<b>4,825</b>	<b>138,768</b>	<b>(323)</b>	<b>24,464</b>	<b>(2,902)</b>	<b>(2,574)</b>	<b>190,893</b>	<b>18,854</b>	<b>456,508</b>



**ABC Holdings Limited**
**Consolidated statements of changes in equity for the years ended 31 December**
**Historical cost (Supplemental)**

BWP'000s	Stated capital	Foreign currency translation reserve	Regulatory general credit risk reserve	Property revaluation reserve	Available for sale reserve	Statutory reserve	Hedging reserve	Treasury shares reserve	Distributable reserves	Minority interest	Total equity
<b>Balance as at 1 January 2007</b>	<b>270,157</b>	<b>(314,348)</b>	<b>289</b>	<b>36,737</b>	<b>908</b>	<b>11,136</b>	-	-	<b>267,382</b>	<b>8,530</b>	<b>280,791</b>
Profit for the year	-	-	-	-	-	-	-	-	123,523	5,043	<b>128,566</b>
Foreign currency translation differences	-	(96,525)	-	-	-	-	-	-	-	702	<b>(95,823)</b>
Revaluation of property net of deferred tax	-	-	-	16,771	-	-	-	-	-	-	<b>16,771</b>
Net investment hedging reserve	-	-	-	-	-	-	(2,889)	-	-	-	<b>(2,889)</b>
Share of reserve in associate companies	-	-	-	3,087	-	-	-	-	-	-	<b>3,087</b>
Purchase of shares from minorities	-	-	-	-	-	-	-	-	-	(1,889)	<b>(1,889)</b>
Movement in statutory reserves	-	-	-	-	-	3,826	-	-	(3,826)	-	-
Consolidation of treasury shares	32	-	-	-	-	-	-	(2,933)	-	-	<b>(2,901)</b>
Movement in available for sale reserves:	-	-	-	-	486	-	-	-	-	-	<b>486</b>
- Arising in current year	-	-	-	-	308	-	-	-	-	-	<b>308</b>
- Realised through profit and loss	-	-	-	-	178	-	-	-	-	-	<b>178</b>
<b>Balance as at 31 December 2007</b>	<b>270,189</b>	<b>(410,873)</b>	<b>289</b>	<b>56,595</b>	<b>1,394</b>	<b>14,962</b>	<b>(2,889)</b>	<b>(2,933)</b>	<b>387,079</b>	<b>12,386</b>	<b>326,199</b>
Profit for the year	-	-	-	-	-	-	-	-	86,029	2,113	<b>88,142</b>
Shares issued	37,397	-	-	-	-	-	-	-	-	-	<b>37,397</b>
Foreign currency translation differences	-	(81,305)	-	-	-	-	-	-	-	6,068	<b>(75,237)</b>
Revaluation of property net of deferred tax	-	-	-	110,041	-	-	-	-	-	-	<b>110,041</b>
Movement in general credit risk reserve	-	-	4,536	-	-	-	-	-	(4,536)	-	-
Net investment hedging reserve	-	-	-	-	-	-	(13)	-	-	-	<b>(13)</b>
Purchase of shares from minorities	-	-	-	-	-	-	-	-	1,713	(1,713)	-
Movement in statutory reserves	-	-	-	-	-	2,498	-	-	(2,498)	-	-
Disposal of treasury shares	-	-	-	-	-	-	-	359	-	-	<b>359</b>
Dividend	-	-	-	-	-	-	-	-	(30,227)	-	<b>(30,227)</b>
Movement in available for sale reserves:	-	-	-	-	(1,907)	-	-	-	1,877	-	<b>(30)</b>
- Arising in current year	-	-	-	-	(1,907)	-	-	-	1,877	-	<b>(30)</b>
<b>Balance as at 31 December 2008</b>	<b>307,586</b>	<b>(492,178)</b>	<b>4,825</b>	<b>166,636</b>	<b>(513)</b>	<b>17,460</b>	<b>(2,902)</b>	<b>(2,574)</b>	<b>439,437</b>	<b>18,854</b>	<b>456,631</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 2008, 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. Historical cost information is presented as supplementary information and complies with IFRS except for the effects of not applying IAS 29 (Financial Reporting in Hyperinflationary Economies).

## 1.2 Inflation-adjusted accounts

The financial results of entities in Zimbabwe have been adjusted to reflect the changes in the general level of prices as they operate in a hyperinflationary economy. The restatement for the purchasing power of the Zimbabwe entities is based on IAS 29 'Financial Reporting in Hyperinflationary Economies', which requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. The restatement was calculated using conversion factors derived from the countrywide consumer price index published by the Central Statistical Office (CSO). The CSO last published such indices in July 2008. As a result, estimated indices were used for the remainder of the year to December 2008, based on the movement of the Old Mutual implied exchange rate, which was viewed as the key reference rate for both inflation and exchange rates in the Zimbabwe market. The restated results are converted into the Group's presentation currency, Botswana Pula, at the closing rate ruling on the reporting date as set out in note 7. No such adjustments have been made in the supplementary historical cost financial information.

The derived conversion factors were as follows:

Date	Index	Conversion factor
31-Dec-08	396,909,035,709,534,000,000,000,000	1
31-Dec-07	441,490,119	899,021,334,939,975,000
31-Dec-06	665,774	1,974,721

The Group presents inflation-adjusted accounts in accordance with IFRS, and historical cost accounts as supplementary information for the benefit of investors. The consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the revaluation of financial instruments classified as available-for-sale, financial assets and liabilities held "at fair value through profit or loss", land and buildings and investment property.

## 1.3 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

During January 2008, the International Finance Corporation ("IFC"), a member of the World Bank Group, subscribed for 13,850,845 ABC Holdings Limited shares at a total cost of BWP 37.4 million, taking its shareholding in ABC Holdings Limited to 10.7% of total issued share capital. A convertible loan of USD 13.5 million is yet to be drawn down.

## 3. Non interest income

BWP'000s	Inflation adjusted (IFRS)		Historical cost (Supplemental)	
	31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07
Gains on investment securities	25,827	21,911	25,931	101,438
Dividends received	3,342	3,191	3,342	3,113
Fees and commission income	69,831	74,177	69,827	65,322
Forex trading income and currency revaluation	29,448	8,317	29,448	9,658
Fair value gains on investment properties at fair value	45,861	14,880	45,872	26,408
Fair value adjustment on derivative financial instruments	38,585	(10,073)	38,585	(10,073)
Rental and other income	3,232	42,117	3,230	35,875
	<b>216,126</b>	<b>154,520</b>	<b>216,235</b>	<b>231,741</b>

## 4. Operating expenditure

BWP'000s	Inflation adjusted (IFRS)		Historical cost (Supplemental)	
	31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07
Administrative expenses	102,940	70,370	102,953	59,247
Staff costs	119,005	90,583	118,982	90,583
Depreciation and amortisation	10,741	7,154	10,741	6,922
Auditors' remuneration	4,255	3,213	4,255	3,213
	<b>236,941</b>	<b>171,320</b>	<b>236,931</b>	<b>159,965</b>

## 5. Borrowed funds

BWP'000s	Inflation adjusted (IFRS)		Historical cost (Supplemental)	
	31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07
National Development Bank of Botswana Limited (NDB)	163,810	116,926	163,810	116,926
BIFM Capital Investment Fund One (Pty) Ltd	257,329	257,005	257,329	257,005
Other borrowings	178,675	208,658	178,675	208,658
	<b>599,814</b>	<b>582,589</b>	<b>599,814</b>	<b>582,589</b>
<b>Maturity analyses</b>				
On demand to one month	5	3,797	5	3,797
One month to three months	27,394	2,120	27,394	2,120
Three months to one year	75,544	73,181	75,544	73,181
Over one year	496,871	503,491	496,871	503,491
	<b>599,814</b>	<b>582,589</b>	<b>599,814</b>	<b>582,589</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) Ltrd

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 - BWP 62 500 000

30 September 2018 - BWP 62 500 000

30 September 2019 - BWP 62 500 000

30 September 2020 - BWP 62 500 000

### Other borrowings

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

## 6. Contingent liabilities

BWP'000s	Inflation adjusted (IFRS)		Historical cost (Supplemental)	
	31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07
Guarantees	233,190	166,592	233,190	166,592
Letters of credit and other contingent liabilities	261,485	131,904	261,485	131,904
	<b>494,675</b>	<b>298,496</b>	<b>494,675</b>	<b>298,496</b>
<b>Maturity analysis</b>				
Less than one year	358,201	293,393	358,201	293,393
Between one and five years	136,474	5,103	136,474	5,103
	<b>494,675</b>	<b>298,496</b>	<b>494,675</b>	<b>298,496</b>

## 7. Exchange rates

The exchange rates to BWP1 were as follows:

	Closing 31-Dec-08	Average 31-Dec-08	Closing 31-Dec-07	Average 31-Dec-07
United States Dollar	0.1327	0.1464	0.1663	0.1633
Zimbabwe Dollar (million)*	88,265,289,801	88,265,289,801	0.8228	0.8228
Tanzanian Shilling	174.4380	177.3201	190.5384	201.3648
Zambian Kwacha	636.0633	554.7651	640.0710	649.7770
Mozambican Metical	3.3826	3.5727	4.2995	4.2347
South African Rand	1.2452	1.2049	1.1329	1.1457

\* Old Mutual implied exchange rate in millions calculated on the last day the shares traded in 2008 (17 November 2008).



**ABC HOLDINGS LIMITED**

<b>Segmental Analysis</b>									
<b>Inflation adjusted (IFRS) BWP'000s for the year ended 31 December 2008</b>	<b>Net interest income</b>	<b>Contribution</b>	<b>Attributable profit</b>	<b>Contribution to financial institutions</b>	<b>Contribution in total</b>	<b>Total assets</b>	<b>Contribution</b>	<b>Total equity**</b>	<b>Contribution</b>
ABC Botswana	41,389	22%	13,193	23%	15%	1,309,517	33%	82,035	18%
ABC Mozambique	34,295	19%	16,644	29%	19%	648,736	16%	117,191	26%
ABC Tanzania	30,941	17%	10,096	17%	12%	796,476	20%	104,165	23%
ABC Zambia	22,782	12%	(12,168)	-21%	-14%	461,150	12%	43,266	9%
ABC Zimbabwe	63	-	25,338	44%	30%	238,627	6%	121,305	26%
Microfin Zambia	50,778	28%	4,945	8%	6%	120,358	3%	13,329	3%
<b>Total financial institutions*</b>	<b>180,248</b>	<b>98%</b>	<b>58,048</b>	<b>100%</b>	<b>68%</b>	<b>3,574,864</b>	<b>90%</b>	<b>481,291</b>	<b>105%</b>
Head office and other *	6,004	3%	4,641		5%	282,891	7%	(85,692)	-19%
TDFL (Tanzania) *	(1,850)	-1%	3,075		4%	77,847	2%	38,850	9%
Zimbabwe subsidiaries *	(7)	-	20,054		23%	32,336	1%	22,059	5%
<b>Total</b>	<b>184,395</b>	<b>100%</b>	<b>85,818</b>		<b>100%</b>	<b>3,967,938</b>	<b>100%</b>	<b>456,508</b>	<b>100%</b>
<b>for the year ended 31 December 2007</b>									
ABC Botswana	29,483	32%	7,769	19%	8%	1,186,572	40%	68,856	20%
ABC Mozambique	23,269	25%	13,301	32%	13%	361,864	12%	74,637	21%
ABC Tanzania	13,699	15%	4,491	11%	4%	469,072	16%	8,543	2%
ABC Zambia	16,116	17%	(3,584)	-9%	-4%	322,570	11%	53,729	15%
ABC Zimbabwe	54,017	59%	19,492	46%	20%	163,175	6%	50,230	14%
Microfin Zambia	28,868	31%	210	1%	-	71,823	2%	8,959	3%
<b>Total financial institutions*</b>	<b>165,452</b>	<b>179%</b>	<b>41,679</b>	<b>100%</b>	<b>41%</b>	<b>2,575,076</b>	<b>87%</b>	<b>264,954</b>	<b>75%</b>
Head office and other *	(1,893)	-2%	2,850		3%	182,468	7%	(29,251)	-8%
TDFL (Tanzania) *	(895)	-1%	7,313		7%	63,979	2%	30,692	9%
Zimbabwe subsidiaries *	(70,408)	-76%	49,784		49%	131,982	4%	81,851	24%
<b>Total</b>	<b>92,256</b>	<b>100%</b>	<b>101,626</b>		<b>100%</b>	<b>2,953,505</b>	<b>100%</b>	<b>348,246</b>	<b>100%</b>

\* Prior to eliminations

\*\* Excluding Tier II capital

**Salient Features: Unaudited convenience conversion - Zimbabwe Dollars**

<b>ZWD trillion</b>	<b>Inflation adjusted (IFRS)</b>	
	<b>Dec-08</b>	<b>Dec-07</b>
Total income	30,373,324,601,336	176.0
Attributable profit for the year	7,318,588,141,996	83.6
Earnings per share	5,138,548,859	0.1
Total assets	338,389,172,576,848	2,430.0
Net asset value	37,323,541,973,757	276.3
Net asset value per share	255,274	0.000002
Weighted average number of shares	142,425,193	129,655,145

Amounts have been converted at the closing rate used for translation purposes of ZWD 88,265,289,800,827,900 to 1 Pula (December 2007: ZWD 822,765 to 1 Pula)

**ABC HOLDINGS LIMITED**

<b>Segmental Analysis</b>									
<b>Historical cost (Supplemental) BWP'000s for the year ended 31 December 2008</b>	<b>Net interest income</b>	<b>Contribution</b>	<b>Attributable profit</b>	<b>Contribution to financial institutions</b>	<b>Contribution in total</b>	<b>Total assets</b>	<b>Contribution</b>	<b>Total equity**</b>	<b>Contribution</b>
ABC Botswana	41,389	22%	13,193	23%	15%	1,309,517	33%	82,035	18%
ABC Mozambique	34,295	19%	16,644	29%	19%	648,736	16%	117,191	26%
ABC Tanzania	30,941	17%	10,096	17%	12%	796,476	20%	104,165	23%
ABC Zambia	22,782	12%	(12,168)	-21%	-14%	461,150	12%	43,266	9%
ABC Zimbabwe	69	-	25,490	44%	30%	238,616	6%	121,444	27%
Microfin Zambia	50,778	28%	4,945	8%	6%	120,358	3%	13,329	2%
<b>Total financial institutions*</b>	<b>180,254</b>	<b>98%</b>	<b>58,200</b>	<b>100%</b>	<b>68%</b>	<b>3,574,853</b>	<b>90%</b>	<b>481,430</b>	<b>105%</b>
Head office and other*	6,004	3%	4,641		5%	282,891	7%	(85,691)	-19%
TDFL (Tanzania)*	(1,850)	-1%	3,075		4%	77,847	2%	38,850	9%
Zimbabwe subsidiaries*	5	-	20,113		23%	32,318	1%	22,042	5%
<b>Total</b>	<b>184,413</b>	<b>100%</b>	<b>86,029</b>		<b>100%</b>	<b>3,967,909</b>	<b>100%</b>	<b>456,631</b>	<b>100%</b>
<b>for the year ended 31 December 2007</b>									
ABC Botswana	29,483	27%	7,769	16%	6%	1,186,572	40%	68,856	21%
ABC Mozambique	23,269	22%	13,301	27%	11%	361,864	12%	74,637	23%
ABC Tanzania	13,699	13%	4,491	9%	4%	469,072	17%	8,543	3%
ABC Zambia	16,116	15%	(3,584)	-7%	-3%	322,570	12%	53,729	16%
ABC Zimbabwe	15,429	14%	27,861	55%	23%	156,466	5%	44,824	14%
Microfin Zambia	28,868	27%	210	-	-	71,823	2%	8,959	3%
<b>Total financial institutions*</b>	<b>126,864</b>	<b>118%</b>	<b>50,048</b>	<b>100%</b>	<b>41%</b>	<b>2,568,367</b>	<b>88%</b>	<b>259,548</b>	<b>80%</b>
Head office and other*	(1,893)	-2%	2,850		2%	182,468	6%	(29,251)	-9%
TDFL (Tanzania)*	(895)	-1%	7,313		6%	63,979	2%	30,692	9%
Zimbabwe subsidiaries*	(16,788)	-15%	63,312		51%	115,307	4%	65,210	20%
<b>Total</b>	<b>107,288</b>	<b>100%</b>	<b>123,523</b>		<b>100%</b>	<b>2,930,121</b>	<b>100%</b>	<b>326,199</b>	<b>100%</b>

\* Prior to eliminations

\*\* Excluding Tier II capital

**Salient Features: Unaudited convenience conversion - Zimbabwe Dollars**

<b>ZWD trillion</b>	<b>Historical cost (Supplemental)</b>	
	<b>Dec-08</b>	<b>Dec-07</b>
Total income	30,384,109,752,034	251.9
Attributable profit for the year	7,336,663,548,962	101.6
Earnings per share	5,151,240,017	0.1
Total assets	338,386,710,104,224	2,410.8
Net asset value	37,333,952,914,521	258.2
Net asset value per share	255,346	0.000002
Weighted average number of shares	142,425,193	129,655,145

Amounts have been converted at the closing rate used for translation purposes of ZWD 88,265,289,800,827,900 to 1 Pula (December 2007: ZWD 822,765 to 1 Pula)

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