Annual Report

ABC Holdings Limited

2012

About BancABC

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

Our vision is to be Africa's preferred banking partner by offering world class financial solutions. We will realise this by building profitable, lifelong customer relationships through the provision of a wide range of innovative financial products and services – to the benefit of all our stakeholders. The Group offers a diverse range of services including but not limited to the following: corporate banking, treasury services, retail and 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.

BancABC

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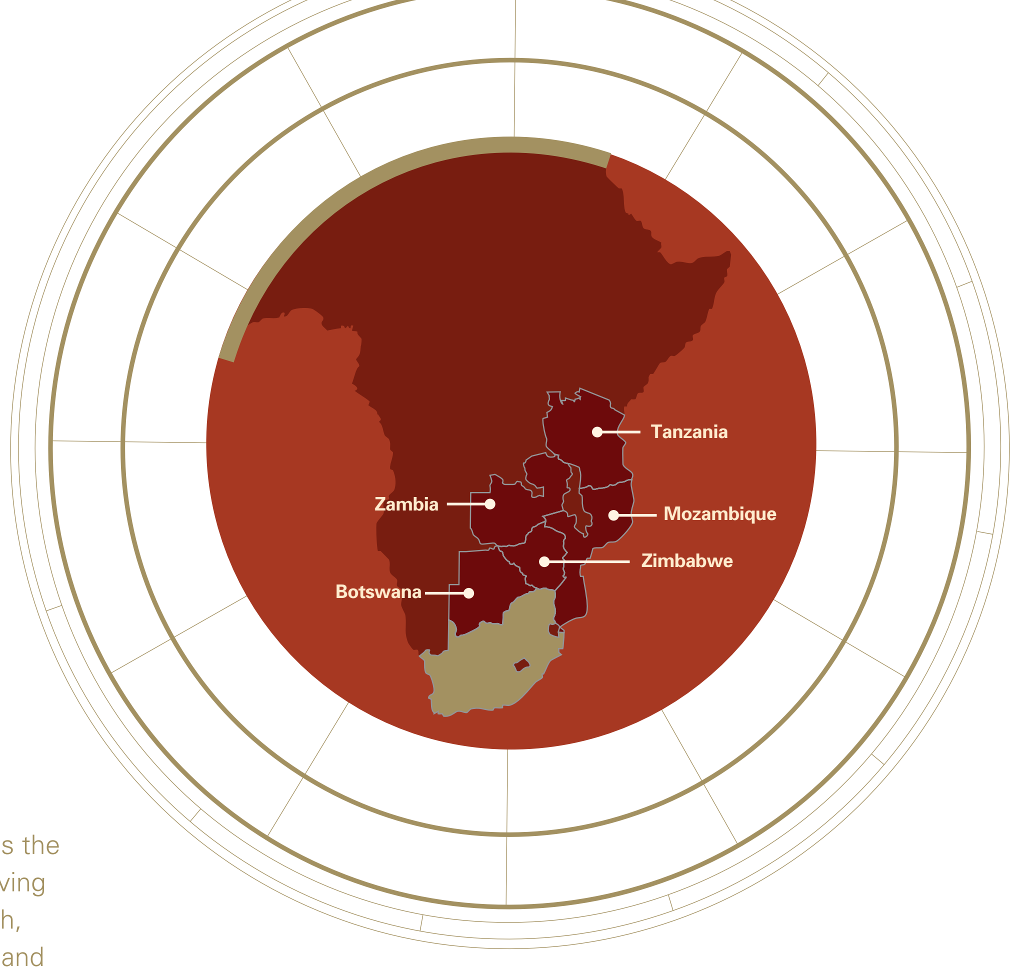
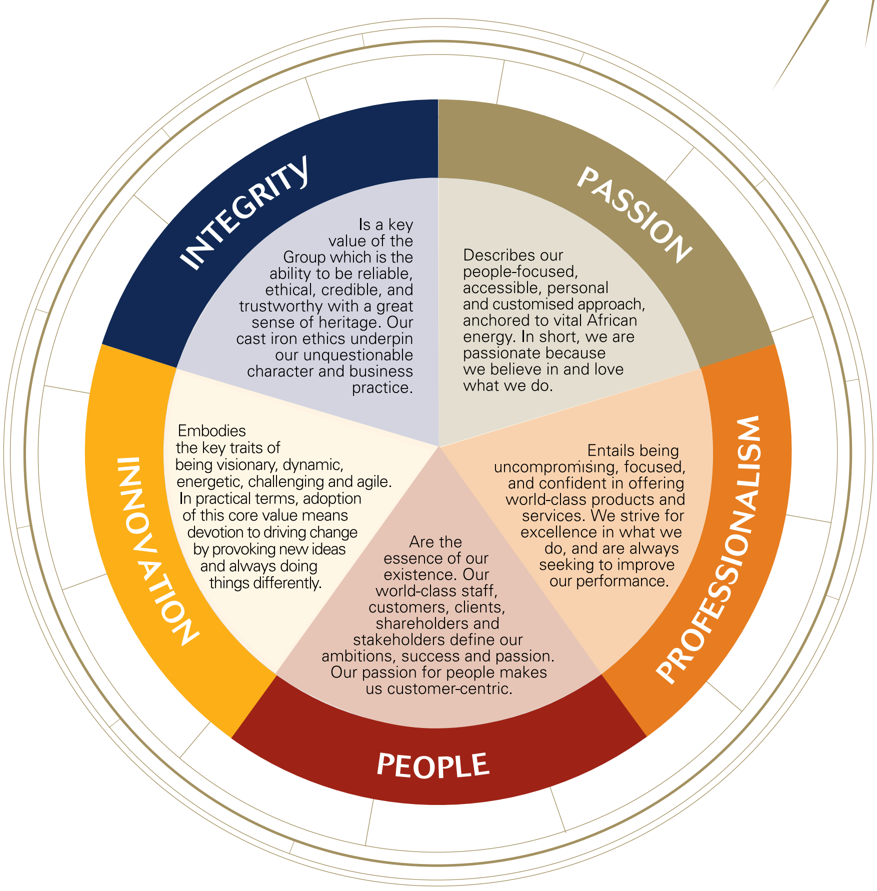


OUR SYMBOL

The sun is a symbol of hope and awesome power; the sun's energy is the powerhouse of the planet. Its life-giving light bathes every corner of the earth, dispelling darkness, bringing vitality and inspiration. An image of creative force, courage, passion, knowledge, intellect, inspiration and leadership, its wonderful colour spectrum – yellow, red, gold, bronze and topaz – radiates the spirit and potential of Africa at its heart. The logo symbolises a new dawn on this ancient and mighty continent.

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 65% from BWP659 million to **BWP1,087 million**
- Net operating income up 93% from BWP113 million to **BWP218 million**
- Pre-tax profit 97% up from BWP108 million to **BWP212 million**
- Attributable profit to shareholders increased by 60% from BWP83 million to **BWP133 million**
- Operating expenses up 59% from BWP546 million to **BWP869 million** from continued expansion into the Retail and SME banking market segment
- Cost to income ratio decreased to **71%** (2011: 74%)
- Basic EPS of **72.1 thebe** (2011: 56.6 thebe) and diluted EPS of **66.5 thebe** (2011: 56.6 thebe)
- Deposits increased by 45% from BWP7.4 billion to **BWP10.7 billion**
- Loans and advances increased by 50% from BWP6.1 billion to **BWP9.1 billion**
- Total assets increased by 46% from BWP9.2 billion to **BWP13.4 billion**
- Average return on equity at 15% (2011: 16%)
- Retail branches have increased to **61** from 49 in 2011
- Staff numbers increased to **1,310** from 1,008 in 2011

FIVE-YEAR FINANCIAL HIGHLIGHTS

on a historical cost basis in US$'000s

	31 Dec 12 US$'000s	31 Dec 11 US$'000s	31 Dec 10 US$'000s	31 Dec 09 US$'000s	31 Dec 08 US$'000s
Income statement					
Net interest income after impairment	70,388	48,692	41,542	17,948	20,498
Non-interest revenue	72,604	47,692	38,930	37,402	31,650
Total income	**142,992**	**96,384**	**80,472**	**55,350**	**52,148**
Operating expenditure	(114,316)	(79,873)	(64,089)	(51,610)	(34,679)
Net income from operations	**28,676**	**16,511**	**16,383**	**3,740**	**17,469**
Share of (losses)/profits of associates and joint venture	(741)	(757)	(2,966)	2,281	337
Profit before taxation	**27,935**	**15,754**	**13,417**	**6,021**	**17,806**
Taxation	(10,147)	(2,924)	(3,314)	2,225	(4,905)
Profit for the year	**17,788**	**12,830**	**10,103**	**8,246**	**12,901**
Attributable to					
Equity holders of parent	17,473	12,143	9,827	8,202	12,592
Non-controlling interests	315	687	276	44	309
Profit for the year	**17,788**	**12,830**	**10,103**	**8,246**	**12,901**
Balance sheet					
Cash and cash equivalents	239,288	166,122	154,997	132,194	68,056
Financial assets held for trading	131,643	86,980	173,375	134,707	90,956
Financial assets designated at fair value	24,414	29,563	14,400	–	–
Derivative assets held for risk management	4,346	4,320	6,516	1,195	5,891
Loans and advances to customers	1,176,838	811,940	477,415	299,099	298,450
Investments	7,014	6,721	6,098	7,387	8,988
Investment in associates and joint venture	1,442	2,343	5,405	6,138	5,471
Other assets and investment property	37,894	32,773	34,048	32,123	14,101
Property and equipment	84,792	68,788	51,217	41,818	28,776
Intangible assets	17,908	17,417	8,903	7,558	5,653
	1,725,579	**1,226,968**	**932,374**	**662,219**	**526,342**
Shareholders' equity	148,788	81,839	67,911	62,325	60,572
Deposits	1,373,887	985,260	761,083	502,932	374,385
Derivative liabilities held for risk management	2,911	6,288	162	293	294
Borrowed funds	156,079	131,167	89,868	81,519	79,565
Other liabilities and taxation	43,915	22,414	13,350	15,151	11,526
	1,725,579	**1,226,968**	**932,374**	**662,219**	**526,342**
Shares in issue	232,805,464	149,472,131	146,419,524	146,419,524	146,419,524
Cost to income ratio	71%	74%	77%	82%	59%
Average shareholders' equity	115,313	74,875	65,118	61,449	57,401
Return on average shareholders' equity	15%	16%	15%	13%	23%
Net asset value per share (cents)	62.9	53.3	44.7	40.9	39.7
Closing exchange rates to US$					
Botswana Pula	7.77	7.49	6.45	6.67	7.54
Euro	0.76	0.77	0.75	0.69	0.72
Mozambican Metical	29.75	27.31	32.58	29.19	25.50
Tanzanian Shilling	1,585.01	1,590.01	1,505.01	1,339.51	1,315.02
Zambian Kwacha	5,195.01	5,110.01	4,800.00	4,650.00	4,795.00
Zimbabwe Dollar (dropped 10 zeros in 2008)					
– official	–	–	–	–	5,059,942.76
– calculated	–	–	–	–	642,901,315.78

SALIENT FEATURES

	2012	2011	% change
Income statement (BWP'000s)			
Profit attributable to ordinary shareholders	**132,774**	83,002	60%
Balance sheet (BWP'000s)			
Total assets (attributable)	**13,407,765**	9,183,888	46%
Loans and advances	**9,144,042**	6,077,399	50%
Deposits	**10,675,111**	7,374,700	45%
Net asset value	**1,137,044**	596,811	91%
Financial performance (%)			
Return on average equity	**15%**	16%	
Return on average assets	**1.2%**	1.2%	
Operating performance (%)			
Non-interest income to total income	**51%**	49%	
Cost to income ratio	**71%**	74%	
Impairment losses on loans and advances to gross average loans and advances	**1.8%**	1.7%	
Effective tax rate	**36%**	19%	
Share statistics (000's)			
Number of shares in issue	**232,806**	149,473	56%
Weighted average number of shares	**184,194**	146,760	26%
Share statistics (thebe)			
Basic earnings per share	**72.1**	56.6	27%
Diluted earnings per share	**66.5**	56.6	17%
Dividend per share	**16.0**	17.5	(9%)
Net asset value per share	**4.88**	3.99	22%

"Attributable profit increased phenomenally by 60%."





GROUP CHAIRMAN'S AND CEO'S REPORT

CHAIRMAN'S REPORT

The underlying performance of the Group was strong during 2012. This was largely driven by significant growth in Retail Banking business in Botswana, Zambia and Zimbabwe as these businesses are getting close to critical mass. The phenomenal growth experienced over the last 12 to 18 months provides a strong foundation for the future. However, Tanzania posted a disappointing set of results, while Mozambique is yet to gain traction in this segment of the market. These operations are receiving the necessary management attention and we are confident that they should start contributing positively to the bottom line in the not too distant future.

GLOBAL ECONOMIC DEVELOPMENTS

The global economy has yet to fully recover from the fallout experienced during the crisis of 2008 – 2009. Global economic growth continued to slow down, dropping from 3.9% in 2011 to 3.2% in 2012, which indicates that about a half a percentage point has been shaved off the long-term trend since the crisis emerged. However, coordinated policy actions have resulted in a reduction in acute crisis risks in the euro area and the United States.

In the euro area, however, the economic recovery is still to be realised after the protracted contraction in growth and it is expected to be slow. Meanwhile, Japan has slid into recession, something that is expected to be short-lived as it is expected that the effects of temporary factors, such as the car subsidy and disruptions to trade with China, will subside.

In emerging markets such as China, economic growth is expected to improve from 7.8% in 2012 to 8.2% in 2013, whilst in India, growth is set to increase from 4.5% to 5.9% during the same period. In the medium term, it is expected that as China, India, Brazil, and others mature from rapid, investment-intensive "catch-up" growth to a more balanced model, the structural 'speed limits' of their economies will most likely decline, bringing down global growth despite the expected recovery in advanced economies beyond 2013.

ECONOMIC GROWTH IN THE SUB-SAHARAN AFRICA REGION

Although there has been some improvement in recent years, by and large, Sub-Saharan Africa (SSA) remains unintegrated internally. Although the majority of the countries in the region are richly endowed with natural resources which form the cornerstone of the regional export sector, the economies are still predominantly agro-based and rely on agriculture to provide the main source of employment.

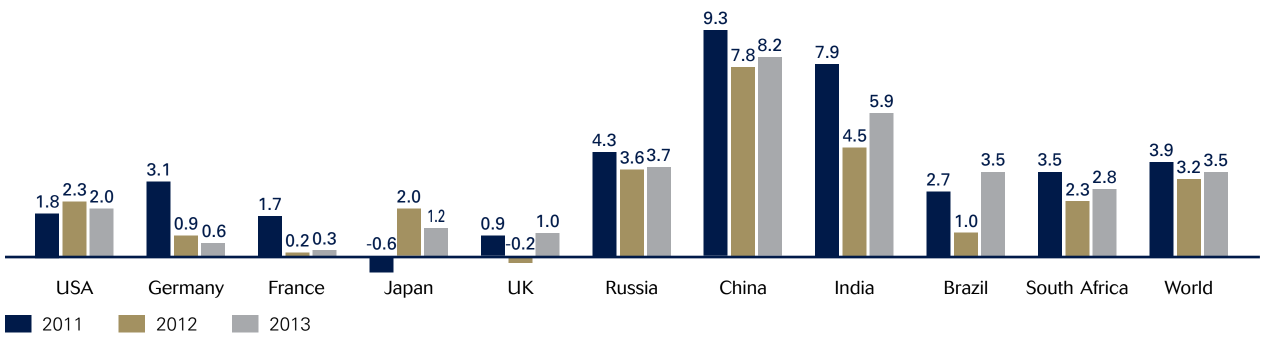
To date, the effect of the sluggish performance of the global economy on sub-Saharan countries has been largely muted. Economic growth in the region is projected to improve.

However, the IMF postulates that although most SSA countries have rebounded from the 'Great Recession', many have been slow to rebuild their fiscal positions that were weakened during the downturn, a factor which still leaves them vulnerable to any global downturn.

Unlike most SSA economies, South Africa (SA), the largest economy in Africa accounting for nearly 33.3% of the continent's total output remains depressed, having suffered the biggest effects of the Euro Crisis. SA was downgraded by leading rating agencies to BBB1 with negative outlook in September 2012. When this background is taken into account, there are fears that negative developments in SA could filter through to regional countries due to the country's strong links with other regional economies.

Elsewhere, reflecting what has become trademark sound macro-economic management profile, Moody's upheld Botswana's A2 rating with a stable outlook at the end of November 2012. However, economic growth in the country slowed down from 5.1% in 2011 to 3.8% in 2012 due to subdued levels of diamond exports. On a year-on-year basis,

ECONOMIC GROWTH IN SELECTED COUNTRIES



as of October 2012, diamond prices as measured by the Antwerp Diamond Index declined by 15.8% largely due to weak global demand. However, the planned relocation of De Beers' diamond-sorting and sales activity from London to Botswana by end-2013 is expected to boost economic activity within the country.

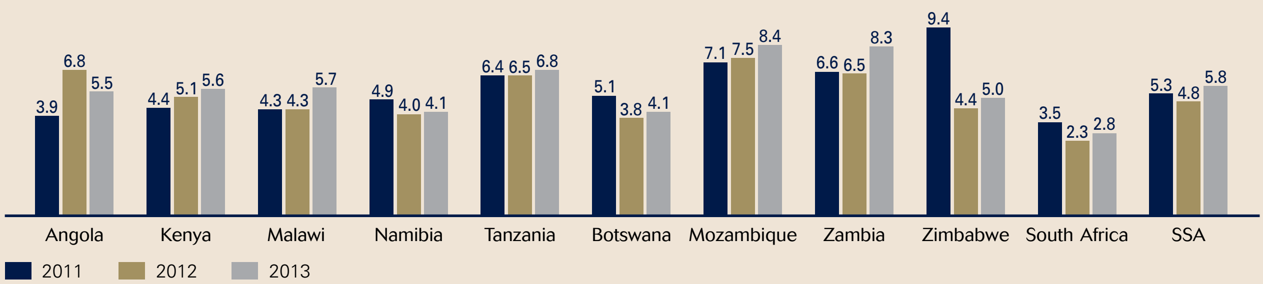
Despite the unfavourable global environment, economic growth in Mozambique has been amongst the most rapid experienced anywhere in the world. Economic growth in 2012 was estimated at 7.5% in part reflecting the stronger than expected contribution from the local coal industry. In 2013, anticipated growth of 8.4% is expected to be underpinned by coal production, higher export earnings and implementation of major infrastructure projects. However, transport infrastructure bottlenecks are proving to be a challenge with reports that mining companies are struggling to transport coal to the ports somewhat dampening expectations during 2013.

Tanzania, the second largest economy in the East African region, recently announced that large deposits of offshore gas had been discovered. Total reserves of this energy resource are estimated at 25 trillion cubic feet (tcf). The Tanzanian economy posted a strong performance, growing by 6.5% in 2012. Economic activities recording buoyant growth were the transport and communication, financial services, manufacturing, and trade sectors. Due to insufficient hydro-power generation being nationally available, the decision was taken by the authorities to cover the shortfall by procuring fuel-based generation capacity from the private sector. In 2013, strong GDP growth projection of 6.8% is expected to be supported by investments associated with the country's oil and gas exploration programmes.

Despite the current uncertainty prevailing in the global economic environment, the Zambian economic performance was impressive during the period under review, showing only a muted response to the international economic position. In 2012, the economy grew by an estimated 6.5%, which was significantly higher than the Sub-Saharan average GDP growth of 5.5%. The country's prospects for 2013 remain good and, in the absence of any further deterioration in the global economy, real GDP growth is projected to be about 8.3%. This will be underpinned by expanded output from mining operations, as well as the Zambian Government's drive to expand infrastructure development.

The rapid economic growth momentum experienced in Zimbabwe in 2010 and 2011 appears to have dissipated in 2012. Economic growth, which peaked at 9.4% in 2011, decelerated markedly to 4.4% in 2012, the slowest growth rate recorded since dollarisation of the economy took place. The subdued economic performance in 2012 was a direct result of the under-performance of key sectors of the economy such as mining, manufacturing and to some extent, agriculture. During the course of the year, the liquidity crunch became more entrenched, resulting in several financial institutions scaling down their lending activities. In 2013, economic growth momentum is expected to remain subdued as the country contemplates holding watershed elections.

ECONOMIC GROWTH IN SELECTED COUNTRIES



INFLATION DEVELOPMENTS

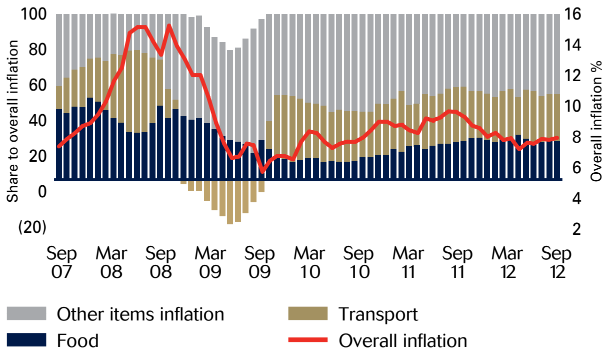
Mozambique and Zimbabwe experienced very low inflationary environments during 2012. In Tanzania, although inflation remained high with double-digit levels being recorded, inflation decelerated steadily for several consecutive months, ending the year at 12.1%, the lowest inflation rate experienced since June 2011. This entrenched downward momentum is expected to result in single digit inflation levels during 2013.

In contrast to this picture, the annual inflation rate in Botswana and South Africa remained stubbornly above the targets of the authorities, reflecting in part the impact of imported goods and services on inflation.

In Botswana, annual inflation eased for three consecutive months, dropping from 8.8% in January 2012 to 7.5% in April. Since May, inflation did not exhibit any clear cut trends and ended the year at 7.4%. This was significantly above the Bank of Botswana's expected medium-term range of 3% to 6%. Transport inflation, which reached double-digit levels contributed to the high level of inflation recorded in the economy.

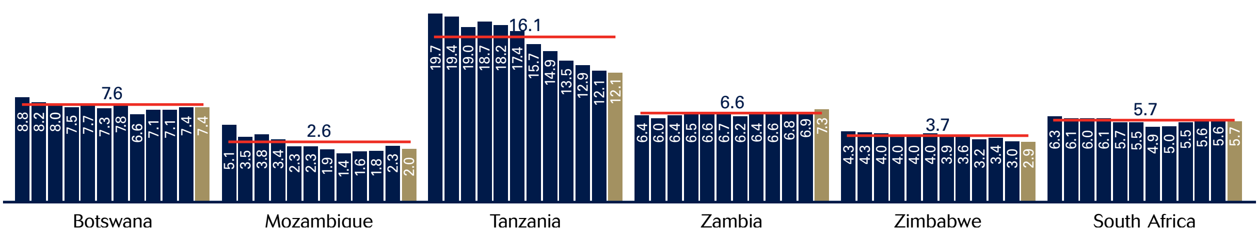
However, contrary to regional trends, food inflation decreased during the last three months of 2012, ending the year at 7.2% – the lowest level since September 2011.

BOTSWANA – INFLATION RATE

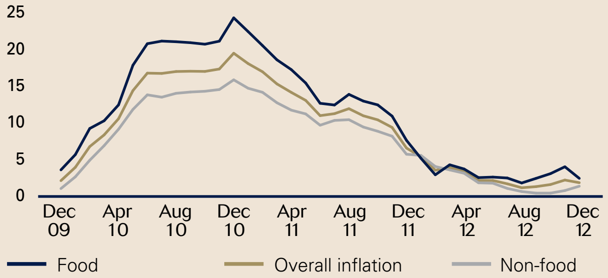


In Mozambique the annual headline inflation (the national average measure for inflation that incorporates price information from three cities, namely Maputo, Beira and Nampula) which peaked at 17.4% at end-2010, continued to decelerate sharply, reaching a low of 1.4% in August 2012, the lowest rate recorded in SADC. During subsequent months, the rate gradually increased rising to 2.3% in November before retreating again, to end the year at 2.0%. It appears as if the inflationary expectations have been tamed, as core inflation (excluding food, transport and energy prices) declined from 8.4% at end-2010 to less than 1% in October 2012. This in part reflects the lagging effects of monetary tightening in 2011, lower-than-expected prices of imported food, and stable administered prices.

INFLATION DEVELOPMENT IN SELECTED MARKETS IN 2012



MOZAMBIQUE – FOOD, NON-FOOD AND OVERALL INFLATION

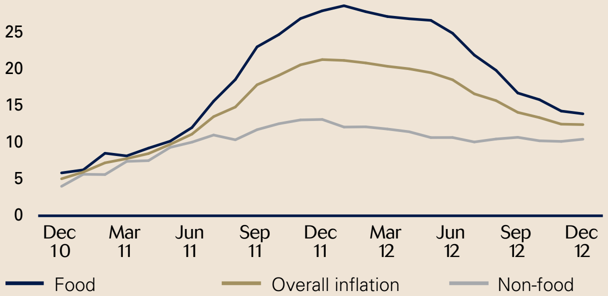


To a degree, the inflation rates of most sub-Saharan African countries are impacted by the weighting of food components in the CPI baskets. This, as adverse weather conditions are common across the continent, causes spikes in the inflation rate when food prices surge in response to drought or other conditions.

In East Africa, the drought during 2011 caused a surge in prices across Kenya, Tanzania and Uganda. In Tanzania inflation peaked at close to 20% during the latter part of 2011 before commencing the disinflation trend in 2012. Average inflation stood at 16.1% in 2012 compared to 12.7% in 2011. Sustained declines in food inflation, which fell from 26.2% in January 2012 to 13.3% in December, contributed significantly to the reduction in overall inflation during 2012. Most importantly, energy inflation declined from 30.1% in January 2011 to 17.8% in December 2012, despite elevated international oil prices that prevailed during the year.

However, core inflation (excluding food and energy) has remained in the 8.5% to 9% range in the past few months, almost twice as high as the average during 2009 – 2010.

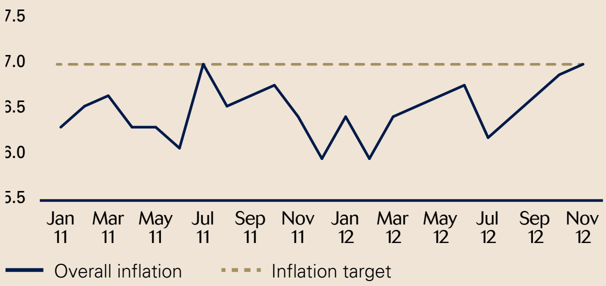
TANZANIA – FOOD, NON-FOOD AND OVERALL INFLATION



The Bank of Zambia (BoZ) altered its monetary policy framework in April 2012 by moving from targeting monetary aggregates to the use of a policy rate that is reviewed monthly. According to BoZ, this new framework was introduced to anchor inflation expectations and influence commercial banks' decisions on pricing credit products.

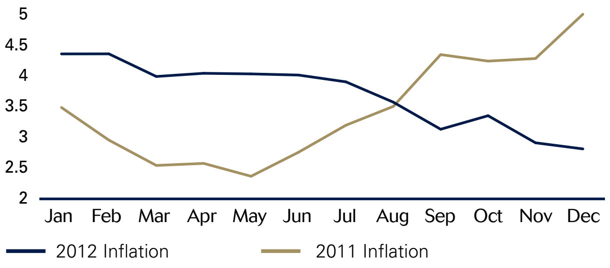
Over the past three years, Zambia's inflation rate has benefited from bumper harvests which eased the pressures from food inflation. Headline inflation was broadly stable during 2012, before surging in the fourth quarter of 2012 and breaching the 7% mark in December. The rise in inflation was partially attributed to the pass-through effect of the recent depreciation of the Kwacha – imports are equal to a third of GDP. In addition, the changes in Treasury bills and bonds auctions (from 1 week to 2 weeks, and 1 month to 1 quarter respectively), have resulted in some excess liquidity in the market, thereby exerting upward pressures on prices.

ZAMBIA INFLATION TREND

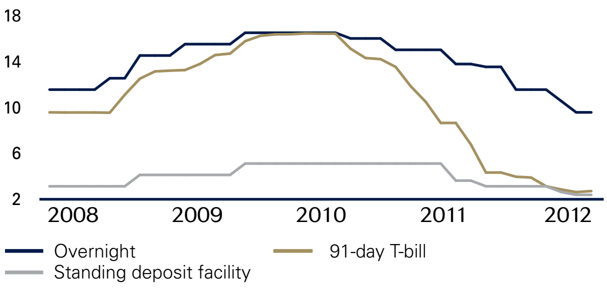


In 2012, Zimbabwe's annual inflation averaged 3.7% compared to 3.5% in 2011 and -3.1% in 2010. There are contrasting inflation trends between 2011 and 2012. In 2011, annual inflation began to accelerate in the second half of the year largely on account of adverse inflation expectations and administered price adjustments. During H2-12, the downward trend in inflation was attributed to an erosion of real demand for goods and services in the economy, largely due to low disposable income for the majority of the public. Prices of basic goods and services have generally remained stable. This is due to the fact that retailers have little room to manoeuvre and raise prices as disposable incomes have not grown due to the economy remaining hamstrung in a liquidity trap. In addition, Zimbabwe's low inflation environment also benefited immensely from a weaker South African Rand against the US Dollar, which made imports cheaper.

ZIMBABWE INFLATION TREND



MOZAMBIQUE BANK RATE

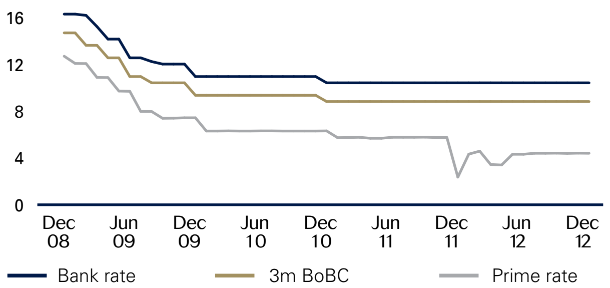


INTEREST RATE DEVELOPMENTS

In Botswana, the Bank Rate is the key policy instrument used to signal the direction and magnitude by which the Central Bank wants market interest rates (deposit and lending rates) to change.

The Bank rate remained fixed at 9.5% during 2012, remaining at a rate introduced in December 2010. During the year, the Bank of Botswana continued to issue 14-day (91-day or 3m BoBC i.e. Bank of Botswana Certificates) central bank bills on a weekly (monthly) basis. The 3m BoBC was broadly stable throughout the year trading around 5.36% except in March and April when the rate fell to around 4.44%.

BOTSWANA BANK RATE

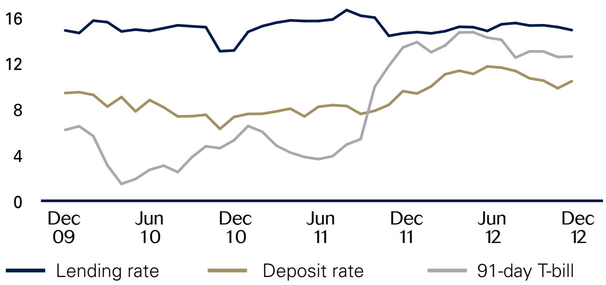


The Bank of Mozambique (BM) became increasingly concerned about growth in economic activity as well as the risks posed by the global climate to Mozambique. In a series of rate cuts, the Monetary Policy Committee reduced the Standing Lending Facility (FPC) interest rate five times during 2012. As a consequence, the FPC fell by 550bps to 9.5% over the period February – November 2012, and remained unchanged for the remainder of the year. Likewise, during the corresponding period, the Standing Deposit Facility (FPD) interest rate fell by 280bps to 2.25% while the 91-day T-bill rate also declined by 590bps.

In Tanzania, the overnight rate (Inter-bank cash market (IBCM)) rate is the key instrument used to control the level of liquidity in the market. It softens when there is excess liquidity and increases when liquidity becomes tight. The IBCM opened above 30% in 2012 when liquidity was very tight and this led to the appreciation of the Shilling. Improvement in liquidity during the year saw the IBCM softening to bottom at 2.67% in November before gradually firming to end at 9.97%.

Deposit rates (12-months) averaged 10.2% in 2012 compared to 7.8% in 2011. The lending rate (12-months) was generally stable at 14.1% during 2012, which was marginally lower than 14.5% in 2011. Yields on 91-day T-bill which were broadly in single digit level in 2011 firmed to double-digit level during 2012.

TANZANIA BANK RATE

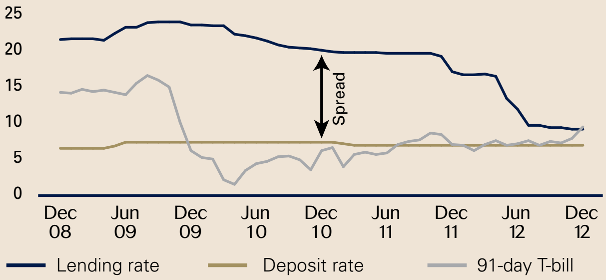


In April 2012 the Bank of Zambia (BoZ) introduced its reference rate known as the BoZ policy rate which was pegged at 9.0% and remained unchanged until October. Due to rising inflation pressures in the economy, the Monetary Policy Committee raised the BoZ Policy Rate by 25 basis points to 9.25% with effect from November 2012 where it remained unchanged up to the end of the year. Prior to the introduction of the BoZ policy rate, the 91-day T-bill rate was pegged at 2 percentage points lower than the BoZ rate (old).

The lending and weighted base rate declined from levels of around 26% and 19% respectively that prevailed in 2011, to historically low levels of around 16% and 9% respectively.

Prior to this decline in lending rates, authorities were concerned that lending rates were punitively high and this was to the detriment of the entire economy, notwithstanding increased competition amongst the 19 commercial banks, relatively lower inflation and lower yields. This also culminated in the introduction of caps on lending interest rates.

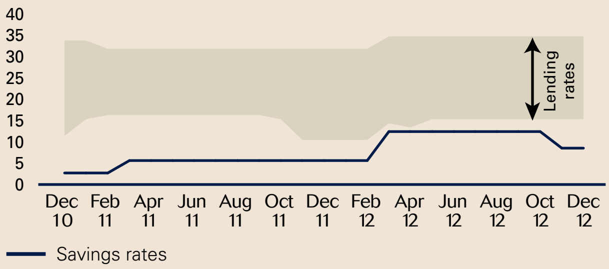
ZAMBIA BANK RATE



In Zimbabwe, the quoted lending rates vary widely, indicating different cost structures among banks in mobilising deposits and savings, and the varying risk profiles of borrowers. Lending rates charged by commercial banks ranged between 6% and 35% compared to the 15% to 30% charged by merchant banks. Savings deposits broadly varied from 5% to 20%, with some banks, particularly those that were in tight liquidity situations, offering high rates to attract deposits.

The lending rates although reflective of the difficult operating environment, are considered to be highly punitive. There is, however, increasing concern regarding the return of interest rate controls as they could militate against the ever growing intermediary role of banks.

SAVINGS AND LENDING RATES

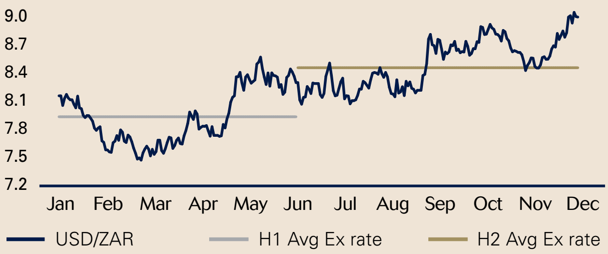


EXCHANGE RATE DEVELOPMENT

The volatility of the South African Rand (ZAR) in 2012 was influenced by global and domestic factors, having depreciated by 3.7% against the US$. The ZAR suffered its biggest monthly drop of 10.2% in May 2012, whilst the second largest drop of 5.0% occurred in October 2012. During the first half of 2012, the ZAR traded at an average rate of 7.94 to the US$ compared to 8.48 in the second half of the year. The second half of the year was associated with labour unrest, work stoppages, credit downgrades and heightened domestic political risk which all filtered into the currency market, triggering the ZAR weakness.

Due to the heavy weight of ZAR in the Pula basket of currencies (ZAR (55%) and SDR (45%)), the South African Rand has significant influence on the Pula crawling exchange rate mechanism. Likewise, the Pula was relatively weaker in the second half of the year as reflected by its trading range against the US$ of 7.60 – 8.04 compared to 7.12 – 7.89 in the first half of 2012. Overall, the Pula depreciated by 3.3% against the US$ but appreciated marginally by 0.4% against the ZAR.

EXCHANGE RATE DEVELOPMENT

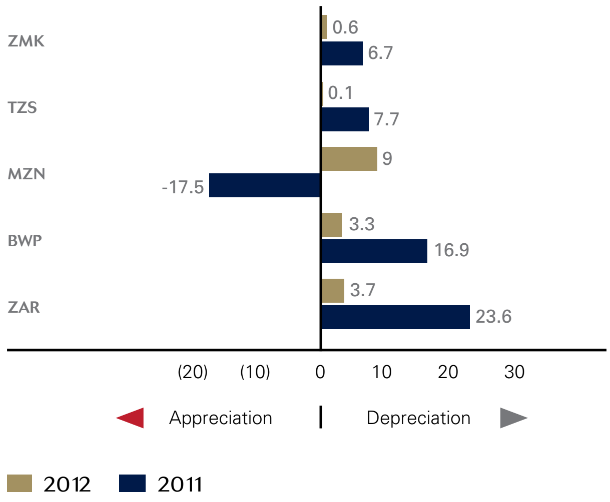


During the course of 2012, the US$/MZN exhibited a gradual depreciating trend. However, the Central Bank managed to avert further upward pressure on US$/MZN through the direct intervention in the foreign exchange market as well as direct provision of foreign currency to fuel importers. In December 2012, the MZN was trading at 29.57 against the US$, having depreciated by 9% on a year-on-year basis. The MZN also depreciated by 4.2% against the ZAR over the same period.

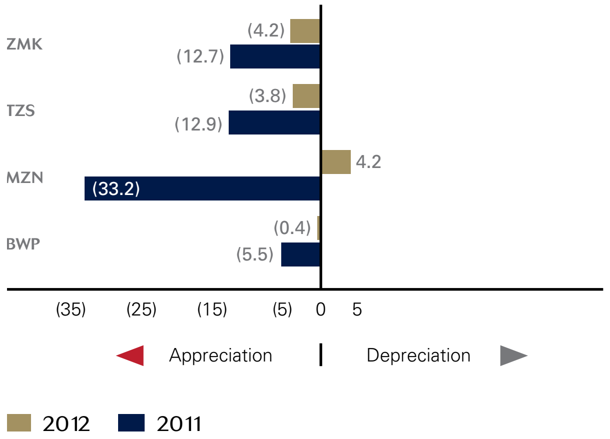
By and large, the Shilling has been range-bound, trading in the range of TZS1,584 – 1,594 against the US$ in Q1: 2012; TZS1,577 – 1,589 in Q2: 2012; TZS1,574 – 1,586 in Q3: 2012 and TZS1,575 – 1,584 in Q4: 2012. The stability in the Shilling is largely attributed to intervention in the foreign exchange market by Bank of Tanzania (BoT). BoT has been supplying foreign currency as and when demand exceeded supply in the market.

The Zambian Kwacha (ZMK) did not exhibit any clear-cut movement against the major currencies. Having traded at 5,133 against the US$ at the end of January 2012, the Kwacha gradually depreciated to 5,344 as of end of May, before appreciating for two consecutive months to 4,962 in July. Since then, the Kwacha remained relatively weak, ending the year at 5,147. On a year-on-year basis, the ZMK depreciated by 0.6% against the US$, 4.8% (GBP) and 2.5% (Euro) but appreciated by 4.2% against the ZAR.

EXCHANGE RATE VS USD



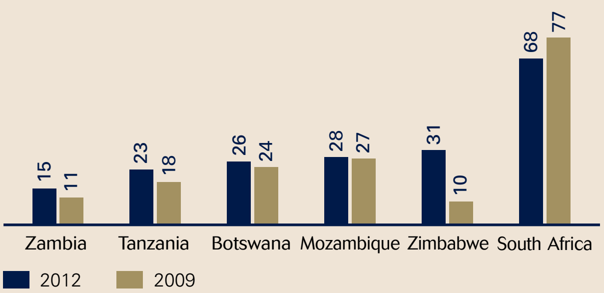
EXCHANGE RATE VS ZAR



FINANCIAL SECTOR DEVELOPMENTS

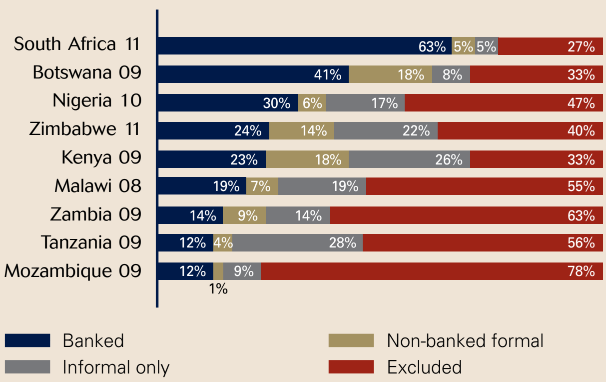
The banking systems remained sound with lending to the private sector having exceeded the 2008/09 pre-crisis level. Financial intermediation as reflected by private sector credit to GDP ratio has been improving, although it remains low. In BancABC markets, the ratio varies between 15% and 30%, which is significantly lower than 70% in South Africa.

PRIVATE SECTOR CREDIT TO GDP



Unsurprisingly, surveys indicate that the majority of the populations in many African countries remain unbanked. Amongst the African countries in which FinScope surveys have been conducted, South Africa (SA) had the highest proportion of the banked population at 63%, while 27% were financially excluded (not banked). Similarly, Mozambique (12%), Tanzania (12%) and Zambia (14%) had the lowest proportion of banked population, while the unbanked population stood at 78%, 56% and 63%, respectively. In Zimbabwe, 24% of the population is banked while 40% is financially excluded, using neither formal nor informal products to manage their finances, but mainly relying on family or friends. In Botswana which has a population of just over two million, 41% of the population is banked and 33% is unbanked or financially excluded.

FINANCIAL INCLUSION LEVELS IN SELECTED AFRICAN COUNTRIES



However, as efforts to serve the unbanked population gather momentum, financial institutions have adopted various initiatives meant to broaden accessibility of banking services. These initiatives include amongst others, development of e-money, e-wallet products, the proliferation of microfinance institutions as well as partnerships between banks and telecommunication companies.

Total bank deposits in Botswana improved from US$5,632 million in 2009 to US$5,759 million in 2011. During the corresponding period, credit to the private sector also increased from US$2,963 million to US$3,717 million. In 2012, deposit growth continued and stood at US$6,071 million whilst credit to the private sector was US$4,207 million, resulting in a loan to deposit ratio of 69%. However, banks are largely exposed to households which account for the largest share of credit of around 55%.

In Mozambique, total bank deposits were US$5,337 million in 2012 which represents a significant growth from 2011 deposit level of US$4,659 million. During this period, credit to private sector increased by 16.9% from US$3,622 million to US$3,847 million. Of the total loans advanced to the private sector, foreign currency loans account for nearly 25%.

Total bank deposits in Tanzania increased by US$979 million from US$6,816 million in 2011 to US$7,795 million in 2012. In December 2012, foreign currency deposits accounted for about 33% of total deposits. However, annual growth in private sector credit slowed down to 18.2% in 2012 compared to 27.2% in 2011. In nominal terms, credit to the private sector grew by US$876 million in 2012 compared to US$1,030 million in 2011.

In Zambia, total bank deposits increased by US$961 million to US$4,768 million in 2012. The introduction of Statutory Instrument 33 of 2012 (SI 33 – 2012), which made it mandatory for all domestic transactions to be effected in Zambian Kwacha (ZMK), was aimed at reinforcing the use of local currency as the legal tender. Consequently, the reversal of dollarisation saw the share of FCA to total deposits plummeting from nearly 40% to around 25%.

The banking sector in Zimbabwe went through a difficult year characterised by intermittent liquidity challenges which saw some banks closing operations. Nonetheless, banking sector deposits grew by close to $850 million to end the year at around US$4 billion. Total loans advanced to the private sector were US$3.3 billion, resulting in a loan to deposit ratio of 88%.

ECONOMIC OUTLOOK

Although it has registered significant recovery, the global economy is still reeling from the after-effects of the 2008 – 2009 financial crisis. Global economic growth is expected to marginally recover from 3.2% in 2012 to 3.5% in 2013. The gradual upturn in economic performance is largely a result of significant reduction in acute crisis risks in the euro area and the United States.

Despite sluggish global economic performance, growth in the sub-Saharan Africa (SSA) is expected to remain broadly robust. Economic growth in the region is projected to improve to 5.8% in 2013 compared to 4.8% in 2012. The IMF postulates that although most SSA countries have rebounded from the "Great Recession", many of them have been slow in rebuilding fiscal positions that weakened during the downturn – which leaves them vulnerable to any global downturn. The downside risks to economic growth in SSA thus remain elevated as deterioration in global economy could quickly spill over into SSA. It is believed that the high pass through impact will be felt in those countries with a narrow export base and low policy buffers.

RIGHTS OFFER

During the year, the bank concluded the rights offer where an additional 83,333,333 shares were issued to existing shareholders and the underwriter ADC Financial Services and Corporate Development. This increased the number of shares in issue to 232,805,464. The proceeds of the rights issue were deployed immediately into the subsidiaries to strengthen their capital bases in line with anticipated growth in business volumes going forward.

GOVERNANCE

Mr Johannes Wasmus ("Hans") retired as a Non-Executive Director at the annual general meeting on 30 May 2012. Hans had been a Board member since 2003 and served as Chairman of the Loans Review Committee and as a member of the Risk and Audit Committee. We thank him for his invaluable contribution and dedication to the Group over many years of service. We wish him success in all his future endeavours.

The Board was further strengthened with the appointment of Mr Jyrki Koskelo, the former Vice President of the International Finance Corporation (IFC), the private sector arm of the World Bank Group. I welcome Mr Koskelo to the Board as he brings new insights and a wealth of experience obtained over many years in the financial services industry across the globe.

DIVIDEND

In line with the Group dividend policy, a final dividend of 8 thebe (about 0.96 US cents) in respect of the year ended 31 December 2012 is being proposed by the Board. This will bring the full year dividend to about 16 thebe per share. The final dividend will be paid on 3 May 2013 to shareholders on the register at the close of business on 12 April 2013.

ACKNOWLEDGEMENTS

I would like to thank my fellow directors, management and staff for the strong results posted by the Group in 2012.

H J Buttery
Group Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

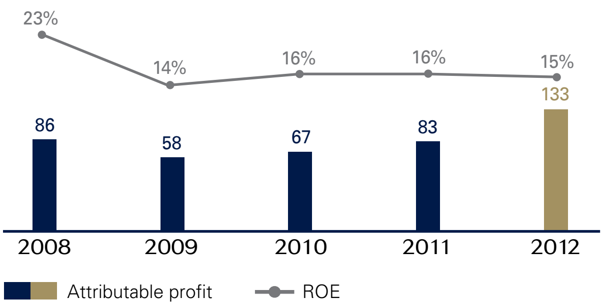
The Group posted an impressive set of results for the year ended 31 December 2012. The Group continued on a growth path in all its businesses, recorded improved profitability and balance sheet size, expanded its network, increased staff numbers and improved its composite market share. The solid growth experienced in the retail banking business which reached critical mass in Botswana, Zambia and Zimbabwe was particularly gratifying. Whilst we have experienced limited growth in Mozambique and Tanzania we are optimistic that over time, we would be able to gain traction in these markets.

All banking subsidiaries, with the exception of BancABC Tanzania and to a lesser extent BancABC Mozambique reported an excellent set of results. Attributable profit at BWP133 million is 60% higher than BWP83 million achieved in prior year. Pre-tax profit at BWP212 million is 97% higher than BWP108 million achieved in 2011. We have increased both physical and electronic product distribution channels. The number of branches increased to 61 from 49 in the prior year and the number of employees increased to 1,310 from 1,008 in December 2011. Business growth in Botswana, Zambia and Zimbabwe was on the back of consumer loans with deductions for loan repayments predominantly being made at source. The growth has not been without its challenges and hence risk management will become the focus point for the Group going forward. In order to ensure that this growth is sustained, management has identified credit, liquidity and operational risks as the key risks the Group has to closely manage.

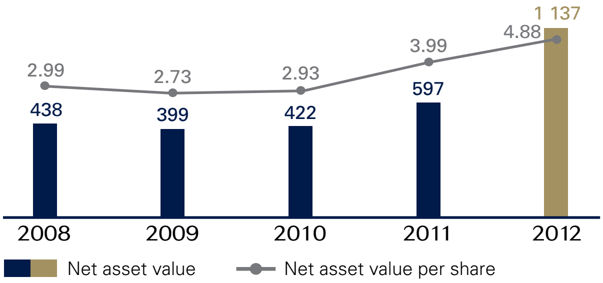
The Group balance sheet increased by 46% from BWP9.2 billion to BWP13.4 billion. Loans and advances were up 50% from BWP6.1 billion to BWP9.1 billion. This was largely funded by deposits that increased by 45% from BWP7.4 billion to BWP10.7 billion. There was significant growth recorded in all other major lines of business during the period under review.

FINANCIAL REVIEW

ATTRIBUTABLE PROFIT (BWP m) AND ROE (%)



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



Net interest income

Net interest income of BWP673 million was 63% ahead of BWP412 million achieved in 2011. All the banking operations with the exception of BancABC Tanzania recorded an increase in net interest income on the back of significant growth in balance sheet sizes. Net interest margin increased marginally from 6.5% to 6.7%. Margins are expected to increase as the Group continues to make inroads in the retail banking space. As at 31 December 2012 the retail banking loan book constituted 40% of the total loan book compared to 20% in 2011, whereas retail deposits only constituted 9% (2011: 8%) of the total deposit book.

Impairment losses on loans and advances

Net impairments increased by 74% from BWP80 million in 2011 to BWP138 million. The increase was due to a combination of a higher loan book which increased by 50% from BWP6.1 billion to BWP9.1 billion as well as increased specific impairments mostly in Tanzania and Zimbabwe. The slow legal process in Tanzania has meant that we have to continuously review the value of security downwards thereby resulting in higher impairments. In Zimbabwe, the liquidity crunch is putting significant strain on a number of corporates and hence their ability to service their facilities as they fall due.

As a consequence of the above, the non-performing loans (NPL) ratio deteriorated to 9.2% from 6.6% in the prior year. The net NPL ratio also deteriorated to 7.1% from 3.3% in 2011.

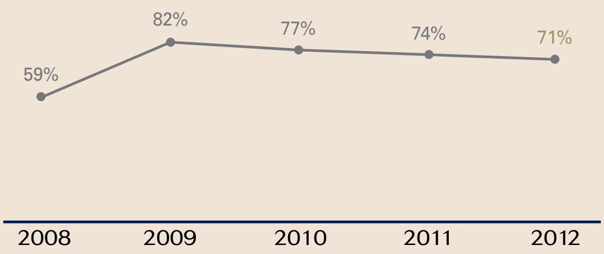
Non-interest income

Non-interest income of BWP552 million was ahead of prior year by 69%. The increased reach of the Group, through increased retail outlets and other distribution channels, has seen the Group record significant growth in transaction volumes thereby resulting in higher non-interest income. The growth in volumes was largely from retail banking customers in Botswana, Zambia and Zimbabwe. BancABC Mozambique and BancABC Tanzania had higher foreign exchange trading volumes and money market trading income respectively which led to increased non-interest income in those subsidiaries when compared to prior year.

Operating expenditure

Operating expenses at BWP869 million were 59% ahead of BWP546 million recorded in 2011. The continued rollout of the Retail Banking products and increased footprint resulted in higher costs across the network. Cost to income ratio, however, reduced from 74% to 71% owing to higher contribution to income from retail banking. Now that most of the investments in retail banking have been concluded, we expect costs to stabilise and increase at a much lower rate going forward. At the same time, revenue growth is expected to accelerate thereby resulting in a reduction in cost to income ratio.

COST TO INCOME RATIO



Taxation

In the current period, the Group had a net tax charge of BWP77 million compared to BWP20 million in the prior year. The effective tax rate is 36% compared to 19% in prior year when the Group was able to utilise tax losses in BancABC Zambia to lower the overall tax expense. The deferred tax in BancABC Zambia was recognised in 2011 as it became clear that the tax losses existing at the time and not yet recognised in the financial statements would be utilised within a relatively short period of time. BancABC Zambia utilised the tax losses in full in 2012 resulting in a tax charge of BWP19 million compared to a profit and loss tax credit of BWP10 million in 2011.

Balance sheet

The Group balance sheet increased by 46% from BWP9.2 billion (US$1.2 billion) in 2011 to BWP13.4 billion (US$1.7 billion) as at 31 December 2012. Loans and advances increased to BWP9.1 billion from BWP6.1 billion in December 2011. BancABC Botswana's loan book at BWP3.4 billion constitutes the largest contribution of 37% followed by BancABC Zimbabwe at BWP3.1 billion with a contribution of 33%. Deposits increased by 45% to BWP10.7 billion from BWP7.4 billion in December 2011. The growth in the balance sheet has translated into higher interest income for the period under review. This growth sets a solid platform for further increases in interest income going forward.

ATTRIBUTABLE PROFIT

Banking subsidiaries achieved attributable profits of BWP213 million compared to BWP141 million registered in the prior year, a 51% year-on- year growth. BancABC Botswana, BancABC Zambia and BancABC Zimbabwe produced substantial double-digit growth in attributable profit. This good performance was negated by a reduction in profits in BancABC Mozambique and a substantial loss in BancABC Tanzania.

BancABC Botswana's net profit after tax of BWP94 million was 237% higher than BWP28 million recorded in 2011. This was largely due to an increase in business volumes mostly in the retail banking division. Whilst the balance sheet of BancABC Botswana is not expected to grow anywhere near the 2012 level, we expect profitability to grow quite substantially in 2013 on the back of the 2012 balance sheet.

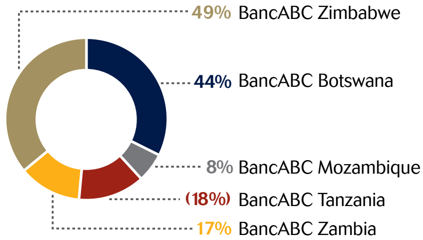
BancABC Mozambique's growth in income was weighed down by the increased growth in operating expenses and higher impairments. This led to a 39% reduction in profitability from BWP29 million recorded in 2011 to BWP18 million in the current year. BancABC Tanzania posted an increased attributable loss of BWP39 million compared to an attributable loss of BWP3 million in prior year. Higher impairments coupled with a reduction in net interest income together with higher costs resulted in a disappointing set of results. The high cost of funds was largely due to high market interest rates that were experienced from late 2011 onwards and this put pressure on interest margins as rates offered to borrowing customers could not be increased by the same magnitude.

BancABC Zambia's attributable profit increased by 13% to BWP36 million from BWP32 in the prior year. It is interesting to note that profit before tax increased by 159% to BWP55 million from BWP21 million in 2011 largely due to an increase in business volumes. The growth in profit after tax was lower on account of the operation being in a tax paying position in the current year.

BancABC Zimbabwe's attributable profit of BWP103 million was 88% up on BWP55 million recorded in 2011. The growth in profitability could have been higher were it not for the liquidity challenges prevailing in that market. The liquidity crunch has exacerbated the NPL position thereby resulting in higher impairments.

The loss in head office entities together with consolidation adjustments increased by 51% from BWP57 million in the prior year to BWP80 million for the period under review. This was largely due to a reduction in income at head office as excess liquidity previously held was used to further capitalise subsidiaries to cater for growth.

ATTRIBUTABLE PROFIT CONTRIBUTION BY ENTITY



OPERATIONAL PERFORMANCE

Botswana

BancABC Botswana's attributable profit of BWP94 million was 237% ahead of BWP28 million achieved in prior year. Total income improved by 146% from BWP116 million to BWP285 million on the back of an increase in both volumes and margins. Net interest income improved by 218% to BWP252 million mainly due to improved margins as well as a substantial increase in the balance sheet size. The loan portfolio increased by 107% from BWP1.7 billion to BWP3.4 billion in the current year. Growth was predominantly from the consumer lending space as payroll deduction and group scheme loans increased during the year. The growth in the loan book led to an increase in impairments from BWP9 million to BWP38 million in the current year. However, gross non-performing loans declined to 1.2% from 2.2% in prior year. Non-interest income increased by 57% to BWP72 million as a result of higher volumes.

Operating expenses increased by 97% as the entity continued to expand its retail banking business. This led to an increase in the level of activity as the entity made inroads in the retail banking market. The expansion yielded immediate results from the growth experienced in income as well as profitability. Cost to income ratio therefore improved from 67% in 2011 to 51% in the period under review.

The bank is well positioned for further significant growth with critical mass having been attained in both the wholesale and retail banking space. The bank has become a significant player in the market and this bodes well for future growth.

Mozambique

Attributable profit of BWP18 million was 39% lower than BWP29 million recorded in 2011. The growth in total income of 17% was offset by an increase in operating expenses of 43%.

Net interest income increased by 52% to BWP92 million following improvements in margins as well as growth in the interest earning assets. Loans and advances increased by 15% to BWP877 million (2011: BWP762 million) and deposits increased by 11% to BWP1.4 billion (2011: BWP1.2 billion). Interest margins improved during the year as market interest rates steadily declined. This reduced the overall cost of funds. However, non-interest income only grew by 3% to BWP67 million due to a reduction in foreign exchange trading margins as central bank intervention continued during the year, notwithstanding the increase in trading volumes.

Net impairments increased from BWP5 million to BWP18 million largely due to increased non-performing loans. Gross NPLs increased from 4.5% in prior year to 8.4% in December 2012. Operating expenses increased by 43% to BWP115 million as a result of increased activity levels in line with the current strategy to expand the retail banking footprint.

BancABC Mozambique is highly liquid which positions it well for further expansion in retail banking. Despite the increased impairments during the year, the wholesale loan book remains relatively clean with strong security for most of the facilities.

Tanzania

BancABC Tanzania experienced a tough trading period as impairments increased whilst net interest income declined. The attributable loss for the year increased to BWP39 million compared to an attributable loss of BWP3 million recorded in prior year. Net interest income declined by 42% on account of higher non-performing loans and cost of funds which remained high for most of the year under review. Gross NPLs increased from 15% in the prior year to 33%. Total impairments therefore remained high and increased by 17% to BWP38 million from BWP33 million recorded in prior year. The expansion into the retail banking space resulted in higher operating costs which increased by 59% to BWP98 million. The combination of the above factors led to a reduction in the entity's overall profitability as the loss recorded in the current year increased.

Clearly BancABC Tanzania has some major challenges but management is determined to turnaround the operation without further delay.

Zambia

BancABC Zambia's attributable profit grew by 13% to BWP36 million in the current year. Profit before tax increased phenomenally by 159% from BWP21 million in 2011 to BWP55 million in the current year on the back of increased volume of transactions in consumer lending. There was growth in profitability despite the entity returning into a tax paying position in the current year, where a tax expense of BWP19 million was incurred compared to a tax credit of BWP10 million in the prior year.

Net interest income grew by 6% to BWP72 million when compared to 2011. This was despite the reduction in interest rates during the year as a result of new central bank regulations which put a cap on interest rates for all financial institutions in the market. The growth in net interest income emanated largely from the increased loan book that grew by 79% from BWP0.6 billion in 2011 to BWP1 billion in 2012. Gross NPLs continued trending downwards from 4.5% in prior year to 3.3% as at 31 December 2012.

Non-interest income increased by 224% to BWP110 million from increased transaction volumes in both the wholesale and retail banking divisions. Operating expenses increased by 58% to BWP126 million on the back of the expansion in retail banking. Notwithstanding the above, cost to income ratio declined to 69% from 78% in the prior year.

The subsidiary is on a strong footing for growth going into the future. Transaction volumes in the wholesale division have improved significantly during the year and growth in retail banking continued unabated. The operation has also made significant inroads in diversifying the funding of the balance sheet and this should result in a markedly reduced cost of funds going forward.

Zimbabwe

BancABC Zimbabwe's attributable profit of BWP103 million was 88% higher than BWP55 million recorded in the prior year. This was largely due to continued business growth as the bank made inroads in group loan schemes. Net interest income at BWP227 million is 87% up on BWP122 million posted in prior year. Net impairment charges increased by 32% to BWP41 million as gross NPLs increased from 5.8% to 14.2% in the current period. Non-interest income increased by 65% to BWP212 million owing to an increase in retail banking volumes. Operating expenses went up by 82% to BWP270 million from the increased activity as the number of branches grew.

The liquidity situation in Zimbabwe continues to be a source of concern for the Group. We expect the liquidity situation to remain tight into the foreseeable future as there is effectively no lender of last resort and imports are higher than exports. We have now taken a deliberate strategy to improve liquidity which could lead to modest growth in loans in 2013.

BUSINESS SEGMENTS

Treasury and structured finance

The Treasury Division had an excellent year with wholesale deposits increasing by 43% from BWP6.8 billion to BWP9.7 billion (US$1.2 billion). Total wholesale deposits exceeded US$1.0 billion for the first time, with Botswana having the largest contribution of BWP3.9 billion against the BWP2.4 billion recorded in 2011. All subsidiaries experienced substantial growth in customer deposits. This helped fund balance sheet growth, which increased by 46%.

Foreign exchange trading income increased by 27% from BWP116 million to BWP147 million due to increased transaction volumes across the Group. However, money market income declined by 19% from BWP48 million in 2011 to BWP39 million in the year under review, largely due to a reduction in volumes traded in Tanzania and Zambia. Trading activities were subdued during the year, with the focus being squarely placed on generating deposits to fund the successful retail loan book growth.

Zimbabwe continued to experience serious liquidity challenges during the year. This position is expected to continue until after the election in 2013. Once investor confidence improves in the economy, we believe the liquidity situation will rapidly improve.

Corporate banking

The Corporate Banking Division recorded a modest growth. This was largely due to a deliberate policy to deploy most of the deposits to the higher margin business in the retail space. The tight liquidity position coupled with portfolio diversification resulted in the Corporate Banking book going up by 12% from BWP4.9 billion in 2011 to BWP5.5 billion in 2012. The division increased transactional and non-funded business, with Zambia seeing continued good growth through the adoption of this strategy. As a consequence, fee income increased by 15% from BWP102 million in 2011 to BWP118 million in 2012. In 2013, the division will continue with its efforts to increase transactional and trade related business through a strong emphasis on broadening its customer base.

NPLs were higher particularly in BancABC Tanzania and BancABC Zimbabwe. The credit culture as well as the legal process in Tanzania continues to be a great source of concern. BancABC Zimbabwe remains the largest contributor to the wholesale loan book at BWP2.2 billion from BWP1.7 billion in 2011. BancABC Botswana, the next largest contributor, recorded BWP1.4 billion compared to BWP1.3 billion in 2011.

The structured finance portfolio consisted of predominantly Zimbabwean commodity and resource-driven businesses. The focus during the year was on consolidating the portfolio because of the liquidity constraints prevalent in the market. Moving forward, the Group intends to grow this portfolio through centralised expertise focusing on the broader region.

Retail and SME banking

The division achieved phenomenal growth during the year as the retail offering showed profits. The roll-out of retail products continued unabated across the Group's network, which grew from 49 to 61 branches. These products were generally well received by customers, and the customer base grew from 101,922 to 235,070 during the year.

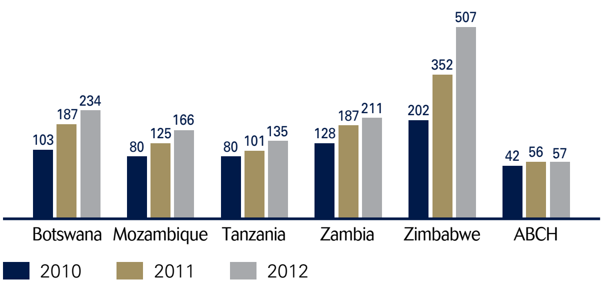
Customer deposits increased from BWP0.6 billion in 2011 to about BWP1 billion in 2012. Loans and advances increased from BWP1.2 billion million in 2011 to BWP3.7 billion in the current year. The increase in loans and advances is largely due to payroll deduction loans from our corporate clients and governments. In 2012 the retail division received the government deduction code in Zimbabwe and Tanzania.

The large growth in loans is reflected in the revenue figures, with total retail banking income increasing from BWP160 million in 2011 to BWP508 million in the current year. BancABC became the first bank to introduce the EMV VISA prepaid card in Botswana, Mozambique, Zimbabwe and Tanzania. The prepaid card initiative will be supported by partnerships with other players in the market which should result in a boost in our non-funded revenues.

Human Capital

The Group's staff compliment continued to increase with the number of staff increasing from 1,008 in 2011 to 1,310 in 2012.

HUMAN CAPITAL



During the year the bank continued to ensure that talented staff receive ongoing leadership development training in partnership with the Gordon Institute of Business Science (GIBS). In 2012, 61 staff attended programmes that ranged from foundation level courses to those designed for executive management. A major emphasis was placed on the development of technical rather than behavioural skills across all subsidiaries to ensure that staff are at the cutting edge of learning in their respective professions.

An executive coaching programme was introduced for EXCO members, Functional Heads and all Managing Directors and Deputy Managing Directors. The objective of training at this level is to ensure that executive and senior management's leadership skills are further developed, that they remain focused on business challenges and have the ability to proactively identify solutions for day-to-day operational issues.

The Bank recruited 28 top graduate trainees in 2012, a 57% increase from 2011. These graduates will serve in various areas of the bank once they have successfully completed the two-year Graduate Development Programme.

The Balanced Scorecard is now firmly entrenched in the bank, something that has been confirmed through the responses of staff during the bank's annual 'People Survey'. All subsidiaries have Country balanced scorecards, as do departments and individuals. The challenge in 2013 will be to finalise an effective balanced scorecard reporting tool that will aggregate data at Group level.

The Human Capital & Learning Strategy was put into effect in 2012. Significant progress was made in measuring and controlling staff costs, effecting new staff policies, introducing long service awards, improving the number of staff receiving training, a reduction in staff attrition levels and the creation of Learning Centres in all subsidiaries, as well as identifying and tracking top talent in all subsidiaries.

Other support divisions

The Group operates a centralised Information Technology (IT) function which is one of the key enablers for the business. During the year, the focus of the IT function was on ensuring the stability of key production applications. Remarkable progress was made in this area, with application uptimes being significantly increased.

During 2013, in addition to stabilisation initiatives, the primary business thrust will be given to improvements in processes, superior monitoring and system performance. The introduction of a new team structure has increased the understanding of delivery standards throughout the IT function. Proactive monitoring of applications was introduced for key applications that include the core banking system, internet banking, card systems and the network.

Considerable attention will be paid to the core banking system during 2013 so that any issues that have been experienced over time are cleared, the process is improved and training of staff can continue. Key components of service delivery such as the service desk and service level reporting will be prioritised. Governance activities such as audit, change management and information security will also be addressed. A special project ("Run the Bank") team is on site and will assist with stabilising and improving the IT platform.

The Banking Operations department is the processing hub of the bank and seeks to provide the bank's revenue generating departments with a robust, efficient and effective processing platform, so they can offer external customers the desired quality of service. Banking Operations is therefore engaged in a continuous process of improvement to ensure that it is constantly meeting the changing demands of its internal and external customers, and ensuring that customer value is maximised. The department strives to be at the forefront of innovation, and continuously explores more proficient ways of processing transactions to meet changing business needs. As the business grows, the department is seeking to grow its capacity in terms of processing systems, product knowledge, and capacity handling through automation, while ensuring that the bank has adequate processes, procedures and support structures that militate against attendant risks.

The Group Project Management Office (PMO) provides the Group with a centrally integrated role on project delivery by standardising project management practices throughout the organisation. This, in conjunction with improved project management communication, assists senior executives and stakeholders to keep abreast of the status of various projects, a benefit that assists decision-making and the achievement of strategic objectives. The function also assists the business by seeking ways to reduce costs, improve processes, increase productivity and improve customer experience through the introduction of new and improved technologies that contribute to the bottom line.

Group Finance is responsible for financial management and reporting, regulatory reporting, budgeting and Group tax. The division continues to develop state of the art financial reporting systems to meet increased needs for timely reporting of financial and related information to the various stakeholders within and outside the Group. It will also prioritise improved business efficiencies to optimise the Group's operating expenses and will ensure that the Group gravitates towards an optimal tax structure.

Group Risk manages all risks that the Group is exposed to from the full range of its activities. Various committees identify and manage different identified types of risks. The major committees are the Asset and Liability Management Committee and the Operational Risk Committee. This is all dealt with more comprehensively under the Risk and Governance report

The Legal and Compliance department is responsible for managing day-to-day compliance and legal risk. The department endeavours to separate legal and compliance functions in order to maintain good corporate governance practices. The department's main functions include, but are not limited to, reviewing and negotiating contracts (corporate, banking and service contracts), assisting in the development of banking products, drafting various capital raising documents (prospectuses and lending agreements), addressing regulatory inquiries, managing litigation, registers and monitors the Groups trademarks, drafting and filing regulatory documents and drafting and implementing compliance policies and procedures. In addition, Legal/Compliance professionals are responsible for providing advice and support with respect to all banking and corporate related issues.

Group Credit monitors the loan portfolio of the Group and ensures that it is not exposed to undue risk from new business that is underwritten. In addition, it monitors existing customers who may be facing financial challenges that impact on their ability to meet their commitments.

Group Internal Audit is an independent objective assurance and consulting activity designed to add value and improve the bank's operations. Internal audit plays a key role in maintaining and improving the internal control process and risk management within the Group. The Group Head of Internal Audit reports directly to the Risk and Audit Committee.

Outlook

Over the last few years, we have made significant investments in retail banking. This investment is beginning to bear fruit and the Group is now evolving into a universal bank. The balance sheet is very strong and we have no doubt that 2013 results will be significantly better than 2012.

Acknowledgements

I would like to thank my fellow directors, management and staff for the strong results posted by the Group in 2012.

D T Munatsi
Group Chief Executive Officer

SOCIAL AND ENVIRONMENTAL POLICY

for the year ended 31 December 2012

BancABC recognises that sustainable development is dependent upon a positive interaction between economic growth, social upliftment and environmental protection. As a responsible corporate citizen, the Group has a policy frame-work that is designed to ensure that all projects undertaken adhere to social and environmental regulations of the relevant local, national and international laws and standards.

This policy framework commits the Group to:

- provide in-house environmental education and support;
- recognise the environmental burden caused by consumption of resources and release of waste from our own business activities and aim to protect the environment through resource recycling as well as efficient use of energy and resources;
- support business activities that contribute to the protection and improvement of the environment;
- monitor the effects of our activities on the environment and work towards continuous improvement and pollution prevention;
- comply with all applicable laws and regulations related to environmental protection and other requirements to which BancABC Group companies are subject to and subscribe to; and
- provide financing to projects with minimal adverse impact on the environment while ensuring that those having potentially major adverse environmental and social impact are accompanied by adequate mitigation measures.

In order to ensure compliance with the last of these commitments, BancABC's credit risk assessment seeks to ensure that the social and environmental effects of its financial support are assessed and monitored. This Environmental and Social Review Appraisal Procedure (ESRP) enables the integration of social and environmental safeguards in projects, to ensure that the potential risks associated with these issues are appropriately identified and mitigated.

The key components of the ESRP are:

- an assessment of potential and current environmental and social risks and impact arising out of the proposal; and
- the commitment and capacity of the borrower to manage this impact.

Against this background, the procedure ensures that projects financed by the Group are environmentally and socially sound and sustainable and that any potential environmental and social risks are identified, evaluated and where necessary, mitigated. In line with its policy, the Group will not finance any business activity that cannot reasonably be expected to meet the required environmental and social standards up front.

Projects financed by the Group shall, at the minimum, comply with the national and/or local legislation and guidelines for environmental and social assessment and management. The Bank further conforms to the African Development Bank's Environmental and Social Assessment Procedures (2001).

Management ensures, through training and coaching, that there is an appropriate internal capacity to handle environmental and social issues. This is supplemented by external expertise, as the need arises. All the Bank's employees in the Operations department are provided with a copy of the ESRP.

The Group may finance projects for which no specific environmental or social guidelines exist. In such cases, general environmental and social considerations pertaining to emissions, liquid effluents, hazardous materials and wastes, solid wastes, ambient noise, occupational health and safety, life and fire safety and other hazards are borne in mind during the appraisal.


BancABC
BancABC House

CORPORATE SOCIAL RESPONSIBILITY REPORT

CORPORATE SOCIAL RESPONSIBILITY REPORT 2012

As an emerging Pan-African financial institution, BancABC recognises that it has a responsibility to play an active role in uplifting communities in which it operates. It achieves this through concentrating its activities in two pillars that it has identified for action, namely:

- *Women and Children* – by assisting with the economic upliftment of these groups, presently the most vulnerable groups on the African continent.
- *Arts and Culture* – vibrant arts and culture are a vital expression of Africa's identity and as such, BancABC believes, it deserves to be nurtured and celebrated.

We strive to invest in sustainable projects and, through the involvement of our staff, actively demonstrate our goodwill and commitment to enhancing the lives of the disadvantaged through involvement in community-based initiatives.

Botswana

In 2012, BancABC Botswana built a two bedroomed house for a destitute family of eight in Moshaneng village, situated in the south of the country.

In November 2012, the bank sponsored the John Nswazwi Memorial Cup, a tournament for community football teams that was established 20 years ago in honour of Nswazwi, a local soccer celebrity.

John Madawo Nswazwi was exiled from Jetjeni to Mafikeng in 1947 by the colonial government. Nswazwi died in 1960. He was buried in Jetjeni and his remains were later exhumed and transferred to Nswazwi village where they were interred in 2002.

The John Nswazwi Memorial Cup tournament started in 1992, and is held in the villages of Nswazwi, Makuta and Goshwe.

BancABC Botswana also makes an annual donation to the Lady Khama Charitable Trust and Cheshire Foundation of Botswana. Both organisations assist with helping the less fortunate.

Mozambique

In 2012 BancABC Mozambique supported two events related to education. The first was through a prize for the best student in 2012 at a local university (ISPU). A select number of students were also offered internship positions at BancABC to enable them to learn more about banking.

The second event that the operation supported was the African Human rights Moot court competition, an event established in 1992 and hosted in 2012 by the main state university UEM, in Maputo. This event saw the participation of:

- Students from the UEM faculty of law as well as from other local universities;
- 915 teams from 127 universities representing 47 African countries;
- Human rights organisations (local and international); and
- Ministry of justice, independent lawyers and judges from various African countries.

The event involved students from different countries debating a fictitious human rights case as if they are doing so in the African court on human and people's rights. The moot has become the largest annual gathering of students and lecturers of law on the continent and one of the premier events on the African human rights calendar.

Tanzania

In 2012 BancABC donated desks for 60 students to Chumbuni to assist three schools located in the area to improve the learning environment for their children. Towards the end of the year, a donation was made towards the commemoration of World Mental Health Day (WMHD) held at Lindi.

BancABC Tanzania supports the work of the Diplomatic Spouses Group (DSG) by supporting their Annual Charity Bazaar.

BancABC Tanzania is also the sole sponsor of four girls at Kiota Women's and Development Organisation (KIWOHEDE) and assists with their secondary school education. The young girls and women attending the KIWOHEDE centers, aged between 9 and 20 are all given the opportunity to acquire various vocational skills such as reading and writing, tailoring, tie and dye, embroidery, food processing, cookery, carpentry, sculpturing, weaving, hatchery, gardening and bookkeeping.

Zambia

BancABC Zambia has continued to support Our Ladies Hospice in Kalingalinga, Lusaka. The hospice provides day care, home-based care and hospital facilities to the community surrounding it and also extends a helping hand to people suffering from HIV/AIDS-related diseases. In alignment with our CSI pillar of assisting women and children this particular project is supported by a monthly donation which assists with the purchase of laboratory astringents.

In November 2012, BancABC Zambia made a donation to assist the ROMA Parish in Lusaka to repair its roof in readiness for the rainy season. The roof of the church had been in a deplorable state for many years. It made it difficult to conduct the service on rainy days, as the church would flood profusely.

It was a plight that came to the bank and touched the heart of management. The Managing Director Mr Clergy Simatyaba agreed to make a donation in order to have the roof repaired. A fundraising dinner was held and BancABC's MD was asked to speak at the event, which he gladly did as part of our response to assisting the community we operate in.

Zimbabwe

In 2012 BancABC Zimbabwe continued to position itself as a responsible corporate citizen within the community by supporting initiatives and projects that promoted the welfare of women, children and the arts.

BancABC Zimbabwe has invested heavily in the Harare International Festival of The Arts (HIFA) since 2000 by sponsoring the opening day. Since then, HIFA has become one of the largest festivals of its type in Africa, attracting international artists and tourists, and promoting local artists and culture.

BancABC Zimbabwe demonstrated its commitment to the community by assisting Tedias Matsito, a local musician, who was one of the Bank's first Retail Banking clients. He lost his leg, which had developed gangrene following a car accident. The Bank assisted to meet the medical bills as well as purchase a prosthetic limb for the musician.

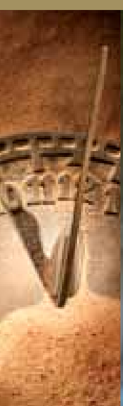
The Bank also gave back to the community by adopting the Entembeni Old People's Home and donated a stipend monthly for food and fuel for the Entembeni Home's generator. The Bank partnered with Highlanders Football Club at the end of the year to host a luncheon for the elderly at the home whilst giving them an opportunity to spend the day with the football club. The team and the Bank also donated groceries at the event.

The Bank assisted with the costs of one-year-old Leeroy Tadiwanashe Kawiri's trip to India, where he underwent heart surgery. Leeroy had severe congenital heart defects and his mother, Mrs Agnes Kawiri, was one of the first BancABC clients.

During the year BancABC Zimbabwe also made a donation to Rose of Sharon, a privately run welfare organisation that cares for children who have either been abandoned, orphaned or come from child-headed families. Rose of Sharon currently has three orphanages run as family housing units – Mount Zion in Marlborough (16 babies from one day old to five years old), Shiloh in Ruwa (20 pre-teens aged 5 to 11) and Bethel (15 teenagers aged between 11 and 16 years). In addition to the homes, they provide for 40 other children with widowed HIV-positive mothers who live outside the homes.

Other CSR initiatives that the Bank was involved in included:

- BancABC donated books towards the Speech and Prize-Giving days of the following schools: Roosevelt High School, Maranatha High School, Beitbridge Missions School and Kutama College.
- Assisting Just Children Foundation, an organisation that takes care of children from the streets. The Rotary Club of Msasa was assisted with a project that involved converting an old swimming pool into a fish pond for an aquaculture project. The fish bred from the pond would then benefit the children and the community around the centre. The Bank donated a water pump towards the project.
- BancABC negotiated the reconnection of power supply for Mutemwa Leprosy and Care Centre and pledged a donation to the centre for a year to assist with their electricity costs.



RISK AND GOVERNANCE REPORT

for the year ended 31 December 2012

RISK MANAGEMENT

The directorate and management of ABC Holdings recognise that effective risk management is fundamental to the sustainability of its business. A strong risk management culture within the Group ensures an appropriate balance between the diverse risks and rewards inherent in any transaction, and underpins sound decision making. Accordingly, a comprehensive risk management process is in place to evaluate, monitor and manage the principal risks the Group assumes in conducting its activities. In the course of conducting its business, the Group is exposed to various risks inherent in providing financial services. Some of these risks are managed in accordance with established risk management policies and procedures, most of which are discussed in the Financial Risk Management section. The Group's primary risks are outlined below:

Market risk

The Group may be adversely impacted by global markets and economic conditions that can lead to fluctuations in interest and exchange rates, as well as equity and commodity prices. It may also be adversely impacted by significant holdings of financial assets, or significant loans or commitments to extend loans.

Credit risk

The Group may be adversely impacted by an increase in its credit exposure related to trading, lending and other business activities. Potential credit related losses can result from an individual, counterparty or issuer being unable or unwilling to honour their contractual obligations.

Liquidity risk

The financial condition of the Group may be adversely impacted by an inability to borrow funds or sell assets to meet its obligations.

Operational risk

The Group may incur losses due to the failure of its people, internal processes or systems, or as a result of external events.

Legal risk

Legal proceedings against the Group or insufficient legal protection could adversely affect its operating results for a particular period and impact its credit ratings.

Regulatory and legislative risks

Many of the Group's businesses are highly regulated and are subject to, and could be adversely impacted by, regulatory and legislative initiatives.

ROLE OF GROUP RISK MANAGEMENT

Group Risk Management is responsible for maintaining a culture of risk awareness throughout the Group. While each business unit is primarily responsible for managing its own risks, Group Risk Management independently monitors, manages and reports on all risks facing the Group, as mandated by the Board of Directors. It coordinates risk management activities across the Group to ensure that risk parameters are properly set and adhered to across all risk categories and in all Group companies. It also ensures that all risk exposures can be measured and monitored across the Group. Managing risk effectively is one of the key drivers of the Group's continuous investment in technology. Group Risk Management continually seeks new ways to enhance its risk management techniques. It also updates the Group risk management framework on a regular basis to reflect new policies adopted by the Board of Directors. Group Risk Management regularly reports to the Executive Committee and the Risk and Audit Committee, to provide the Board with assurance that risks are being appropriately identified, managed and controlled. Group Risk Management is headed by an executive manager who reports to the Chief Executive Officer (CEO).

The Group's Approach to Risk Management

The Group's approach to risk management involves a number of fundamental elements that drive its processes across the Group. The procedure and methodology is described in Group's Enterprise-wide Risk Management Framework. The Group's risk appetite sets out the level of risk that the Group is willing to take in pursuit of its business objectives. This risk appetite is calibrated against the Group's broad financial targets including profitability and impairment targets, dividend coverage and capital levels. The Group's risk methodologies include systems that enable the Group to measure, aggregate and report risk for internal and regulatory purposes. As an example, the Group's credit grading models produce internal ratings through internally-derived estimates of default probabilities. This is discussed further under the Credit Risk Management section below. These measurements are used by management in an extensive range of activities, from credit grading, pricing and approval to portfolio management, economic capital allocation and capital adequacy processes.

Approach to Risk Management

The Board recognises that it is ultimately responsible and accountable to shareholders for:

- the process of risk management and the systems of internal control;
- identifying, evaluating and managing the significant risks faced by the Group;

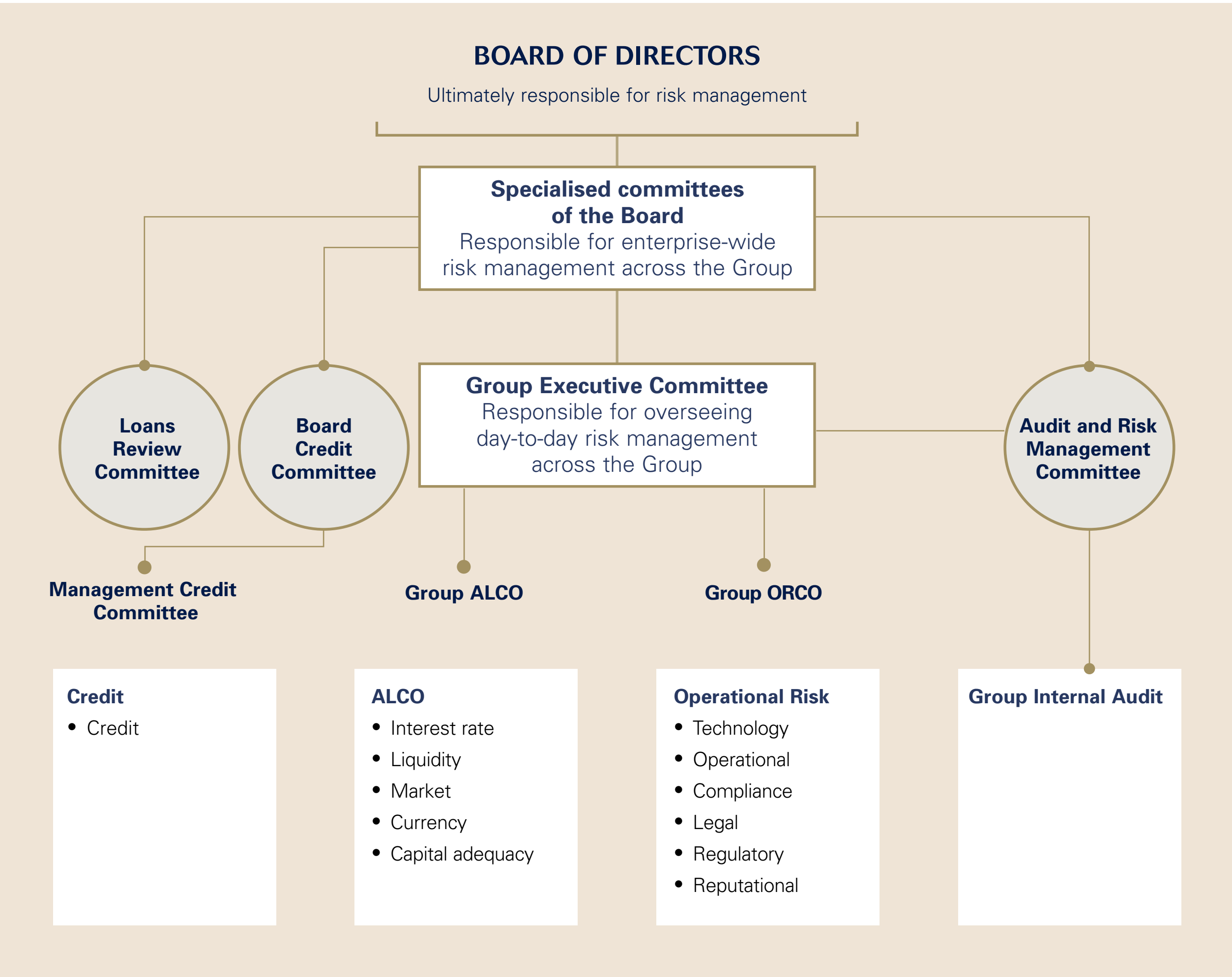
- ensuring that effective internal control systems are in place to mitigate significant risks faced;
- ensuring that a documented and tested process is in place to allow the Group to continue its critical business in the event of a severe incident impacting its activities; and
- reviewing the efficacy of the internal control system.

The Board has approved the Group risk management framework which applies to all Group companies and deals with enterprise-wide risk and governance protocol. Risk management in the Group is underpinned by governance structures as well as risk ownership, identification and evaluation. Ownership and management of risks begins in the business units of each subsidiary, who identify and evaluate risks particular to their function. Group Risk Management reviews actions taken by business units to mitigate identified risks.

Group Risk Management Objectives

The Group Risk Management function, as mandated by the Board of Directors is to:

- Coordinate risk management activities across the organisation, by ultimately becoming the custodian of BancABC's risk management culture
- Analyse, monitor and manage all aspects of exposures across risk classes
- Ensure risk parameters and limits are set, approved and implemented and ensure that such risk parameters and limits are consistently adhered to
- Facilitate various risk management committees as part of the Group's risk management process.



Group Risk Management Framework

The Group Risk Management Framework documents the risk management policies followed by the Group. These policies ensure that risks are consistently managed throughout the Group through a set of internal controls. The policies also ensure that risk awareness filters down through every level of the Group, and that every employee understands their responsibility in managing risk. The following sub-committees, comprising executives and senior management, are responsible for dealing with the risks facing the Group in a structured manner:

- Management Credit Committee (CREDCO) – responsible for credit risk;
- Assets and Liability Committee (ALCO) – responsible for interest rate, market, liquidity, counterparty, currency and capital adequacy risk; and
- Operational Risk Committee (ORCO) – responsible for technology, compliance, legal, human resources, reputational, operational and regulatory risk.

Reporting

Each subsidiary or business unit produces risk reports which, along with the detailed risk information provided by Group Risk Management, is discussed by the Board. The risk reports present a balanced assessment of significant risks and the effectiveness of risk management procedures, and management actions in mitigating those risks.

CAPITAL AND LIQUIDITY RISK MANAGEMENT

ALCO reviews the capital status of the Group on a monthly basis. It also considers the activities of the treasury desk which operates in terms of an approved treasury management policy and in line with approved limits.

ALCO reports to the Risk and Audit Committee in terms of the Group Risk Management Framework. Capital adequacy and the use of regulatory capital are reported periodically to the central banks of the Group's operating countries, in line with respective regulatory requirements. ALCO comprises broadly representative executive and senior managers including the Group CEO, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer, Group Head of Corporate Banking, Group Head of Treasury and Group Head of Retail Banking and country managing directors.

Liquidity is of critical importance to financial institutions as has been recently reminded by the recent failures of global financial institutions in large part due to insufficient liquidity. Our markets present larger challenges primarily due to an under-developed secondary securities market and illiquid government securities. As such, the bank has in place a comprehensive liquidity and funding policy to address both firm-specific and market-wide liquidity events. Our primary objective is to be able to fund the bank and to enable our core businesses to continue to operate and meet their obligations under adverse circumstances.

LIQUIDITY RISK MANAGEMENT STRUCTURE

Short-term liquidity risk management	Long-term liquidity risk management
Liquidity Risk Management Committee • Managing intra-day liquidity • Managing short-term cash flows • Managing interbank and repo levels	***ALCO*** • Managing long-term cash flows • Identify and manage mismatches • Establish liquidity risk appetite

Contingency liquidity risk management
- Establish and manage contingency funding plan
- Convene liquidity crisis management committee
- Assess regular liquidity stress testing and scenario analyses

We have established liquidity guidelines that are intended to ensure that we have sufficient asset-based liquidity to withstand the potential impact of deposit attrition or diminished liquidity in the funding markets. Our guidelines include maintaining an adequate liquidity reserve to cover our potential funding requirements and diversified funding sources to avoid over-dependence on volatile, less reliable funding markets.

We seek to manage liquidity risk according to the following principles:

- *Excess liquidity* – We seek to maintain excess liquidity to meet a broad and comprehensive range of potential cash outflows and collateral needs in a stressed environment.
- *Asset-Liability Management* – Through ALCO, we assess anticipated holding periods for our assets and their potential illiquidity in a stressed environment. We manage maturity mismatches and level of funding diversification across markets, products and counterparties and seek to maintain liabilities of appropriate tenor relative to our asset base.
- *Contingency Funding Plan* – We seek to maintain a contingency funding plan to provide a framework for analysing and responding to a liquidity crisis situation or periods of market stress. The framework sets the plan of action to fund normal business activity in emergency and stress situations.

Liquidity risk is broadly managed by ALCO in terms of the Group risk management framework. A liquidity risk committee meets on a weekly basis to access and manage the overall liquidity of the Group. The Group approaches liquidity cautiously and conservatively by managing the liquidity profile with a preference for long-term, fixed rate funding. As such, the Group is exposed to funding liquidity risk.

ALCO reviews a stress mismatch report monthly, which simulates stress scenarios based on the current asset and liability structure of the Group for the reporting month. The report also considers the available sources of stress funding to address any potential strain on the cash flows of the Group.

In addition, the Group has a documented contingency funding plan (CFP) that specifies measures that must be monitored to identify indications of liquidity stress early. The plan provides management with a set of possible actions to address potential liquidity threats. The CFP operates in conjunction with the finance and treasury management policy and the assets and liabilities management (ALM) policy to ensure a coordinated approach to liquidity management.

As part of its monthly meetings, ALCO considers the Group's sensitivity to interest rate movements and reviews the results of management's analysis of the impact of interest rate movements. ALCO also receives information on yield curve developments and money market interest rates, as well as analysis of the potential economic impact on interest rates and interest rate re-pricing. The Group strives to match asset and liability re-pricing positions as far as possible.

There has been a refinement of the capital management framework, incorporating all the best practices in risk management since the financial crisis happened. Implementation of the international accord on revised risk-based capital rules known as "Basel II" continues to progress. Our Capital management framework is for the most part guided by Basel II. In theory, Basel II attempts to accomplish this by setting up risk and capital management requirements designed to ensure that a bank has adequate capital for the risk the bank exposes itself to through its lending and investment practices. Generally speaking, these rules mean that the greater risk to which the bank is exposed, the greater the amount of capital the bank needs to hold to safeguard its solvency and overall economic stability.

CREDIT RISK MANAGEMENT

Independent credit risk committees in each of the Group's operating countries are responsible for managing, measuring and mitigating credit risk. Credit risk management is overseen by the Group Credit Committee (CREDCO), a management committee that reports to the Board Credit Committee. There is a high level of executive involvement in the credit decision making team. The Group CREDCO includes the CEO, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer, Chief Credit Officer and the Managing Director of BancABC Zimbabwe.

The Group's policy is that all sanctioning members of the CREDCO have voting powers. At Group CREDCO level, all decisions to enter a transaction are based on unanimous consent.

The CREDCO formally meets on a weekly basis to consider the activities and operations of the credit division, to consider and debate results from new business, arrears and provisioning analyses, as well as to consider regulatory compliance and to set and amend credit policy where appropriate.

Approach to Measuring Credit Risk

The Group's approach to measuring credit risk aims to align with international best practice and is, in all substantial aspects, aligned with the standard approach and methodology employed by international financial institutions. Credit risk is broken down into the common risk components of probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), modelled at a client, facility and portfolio level. These risk components are used in the calculation of a number of aggregate risk measures such as Expected Loss (EL). The models used by the Group are aimed to be compliant with Basel II and regulatory requirements. BancABC default probability table below shows the mapping of the corporate rating to retail credit scoring to align credit risk appetite assessment and tolerance across consumer and corporate businesses.

BancABC rating scale	BancABC defaults rates	BancABC retail score	Standard & Poor's ratings	Grade quality
A+	0.10%	246 – 255	AAA – AA	Investment Grade
A	0.25%	236 – 245	AA+	
A-	0.33%	226 – 235	AA	
B+	0.40%	216 – 225	AA-	
B	0.50%	201 – 215	A+	
B-	0.66%	191 – 200	A	
C+	0.80%	181 – 190	A-	
C	0.96%	166 – 180	BBB+	
C-	1.30%	156 – 165	BBB	
D+	1.80%	146 – 155	BBB-	
D	2.65%	136 – 145	BB+	Sub-investment Grade
D-	3.80%	126 – 135	BB	
E+	7.85%	116 – 125	BB-	
E	12.90%	106 – 115	B+	
E-	16.88%	96 – 105	B	
F+	26.00%	86 – 95	B-	
F	38.67%	76 – 85	CCC+	
F-	45.00%	61 – 75	CCC	
G	Default	0 – 60	CCC-	Default

BancABC default probabilities for each rating bucket are much more conservative, i.e., for the same rating BancABC implies a much higher likelihood of defaults than the corresponding Standard & Poor's. The definition of default and the use of PD is standard as prescribed by the Basel II framework and regulation.

Probability of Default (PD)

The PD measures the likelihood of a client defaulting on its obligations within the next twelve months and is a primary component of the internal risk rating calculated for all clients.

Exposure at Default (EAD)

In general EAD can be defined as an estimation of the extent to which a bank may be exposed to a counterparty in the event of a counterparty's default within a one-year period. The Group calculates EAD estimates for each facility through models developed and based on internal and external default data as well as credit experts' experience with particular products or client groups. EAD estimates incorporate both on- and off-balance sheet exposures resulting in a capital requirement which incorporates existing exposures, as well as exposures which are contingent on a counterparty's use of an available facility.

Loss Given Default (LGD)

The third major risk component measures the loss expected on a particular facility in the event of default and thus recognises any credit risk mitigants employed by the bank, such as collateral, third party guarantees, credit derivative protection or other credit hedges. LGD estimates are calculated through internally developed models, as well as a broad base of expert judgment from credit representatives and the results are primarily driven by the type and amount of collateral held.

Expected Loss and Capital requirements

The three components, PD, EAD and LGD, are building blocks used in a variety of measures of risk across the entire portfolio. EL is the measurement of loss, which enables the application of consistent credit risk measurement across all retail and wholesale credit exposures. LGD, EAD and PD estimates are also used in a range of business applications, including pricing, customer and portfolio strategy and performance measurement. EL estimates can be compared directly to portfolio impairment figures within the regulatory capital calculation to ensure that the organisation's estimates of EL from doing business are sufficiently covered by the level of general impair-ments raised. Any situations in which general impairments are insufficient to cover total EL in totality have a direct bearing on the Group's capital requirement to ensure that these potential losses can be absorbed.

OPERATIONAL RISK MANAGEMENT

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Such operational risks may include exposure to theft and fraud, improper business practices, client suitability and servicing risks, unauthorised transactions, product complexity and pricing risk or from improper recording, evaluating or accounting of transactions. The Group could suffer financial loss, disruption to its business, liability to clients, regulatory intervention or reputational damage from such events, which could affect its business and financial condition.

Managing operational risk requires timely and reliable as well as a strong control culture. We seek to manage our operational risk through:

- active participation of all business units in identifying and mitigating key operational risks across the Group;
- the training and development of the bank's employees;
- independent control and support functions that monitor operational risk periodically;
- a network of systems and tools throughout the bank to facilitate the collection of data used to analyse and assess our operational risk exposure.

Operational risk is managed by ORCO in terms of the Group's Operational Risk Framework (ORF), a subset of the Group Risk Management Framework. ORCO comprises executive and senior managers including the Chief Operating Officer, Chief Risk Officer, Chief Information Officer, Group Head of Retail Banking, Group Head of Market and Operational Risk, Group Head of Banking Operations, Group Chief Legal Counsel and Group Head of Human Capital.

Our operational risk framework is in part designed to comply with operational risk measurement and assessment rules under Basel II. The Group's operational risk management processes focus primarily on risk assessment, loss data collection and the tracking of key risk indicators. The results of these processes are used to raise awareness of operational risk management and to enhance the internal control environment, with the ultimate aim of reducing losses.

Legal and compliance risks are dealt with by ORCO, with the Group Chief Legal Counsel being a member of ORCO.

STRESS TESTING AND SCENARIO ANALYSIS

Stress testing and scenario analysis are used to assess the financial capability of the Group to continue operating effectively and efficiently under extreme but plausible trading conditions. As a part of our core risk management practices, we conduct enterprise-wide stress tests on a periodic basis to better understand earnings, capital and liquidity sensitivities to certain economic and business scenarios, including economic and market conditions that are more severe than anticipated.

These enterprise-wide stress tests provide an understanding of the potential impacts from our risk profile to earnings, capital and liquidity, and serve as a key component of our capital management practices. Thus, such stress testing and scenario analysis help to inform management with respect to the identification of future risks and the setting of the Group's risk appetite. Scenarios are selected by senior management. Impacts to each line of business from each scenario are then determined and analysed, primarily leveraging the models and processes utilised in everyday management routines.

Stress testing and scenario analysis impacts are assessed along with potential mitigating actions that may be taken. Analysis from such stress scenarios is compiled for and reviewed through our weekly Liquidity Risk Management Committee, Asset Liability Market Risk Committee, Executive Management Committee and the Board's Risk and Audit Committee, and serves to inform and be incorporated, along with other core business processes, into decision-making by management and the Board. We have made substantial commitment through development of tools and systems to establish stress testing capabilities as a core business process.

COMPLIANCE RISK MANAGEMENT

The Group recognises its accountability to all its stakeholders under the legal and regulatory requirements applicable to its business and is committed to high standards of integrity and fair dealing. The Group is committed in its business dealings, to complying with both the spirit and the letter of the applicable regulations and laws and to always act with due skill, care and diligence in all its dealings. The Board of ABC Holdings Limited and its respective subsidiaries are ultimately accountable to their stakeholders for overseeing compliance.

The responsibility to facilitate compliance throughout the BancABC Group has been delegated to the appointed compliance officer of each subsidiary in the Group who supervises the compliance function. The compliance function assesses, advises on, monitors and reports on regulatory compliance risk of each Group company. The management of compliance risk forms part of the overall risk management framework of the Group.

LEGAL RISK MANAGEMENT

Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements. The Group's Chief Legal Officer is responsible for identifying, avoiding or mitigating legal risk.

GROUP INTERNAL AUDIT

The primary function of internal audit is to give objective assurance to the Board that adequate management processes are in place to identify and monitor risks, and that effective internal controls are in place to manage those risks. Group Internal Audit independently audits and evaluates the effectiveness of the Group's risk management, internal controls and governance processes.

Internal audit operates under terms of reference approved by the Risk and Audit Committee. The terms of reference define the role and objectives, authority and responsibility of the audit function. The Group's reporting structures ensure that the Group Internal Auditor has unrestricted access to the Chairman of the Risk and Audit Committee and the Group CEO.

At the outset of each financial year, Group Internal Audit carries out a risk assessment for all business units and subsidiaries. A comprehensive audit plan for the year that identifies specific areas of focus is then derived from this assessment. The audit plan is reviewed regularly and any changes must be approved by the Risk and Audit Committee. The areas of focus are confirmed with executive management before being submitted to the Risk and Audit Committee for approval.

CORPORATE GOVERNANCE

The Group is committed to the principles of openness, integrity and accountability. In February 2003, the Board endorsed the adoption of the second King Report on Corporate Governance (King II). Since 2010 the Board has incorporated some of the principles of King III and specifically has adopted a combined assurance model of reporting by the internal auditors, the risk officers and external auditors to its audit committee in order to promote a coordinated approach to all assurance reporting on the risk areas of the business.

BOARD OF DIRECTORS

The Board currently comprises nine directors, including two independent non-executive directors, four non-executive directors and three executive directors. This balanced representation ensures that no one individual or small group can dominate decision making. The depth of experience and diversity of the Board ensures that robust and forthright debate on all issues of material importance to the Group can take place. Profiles of directors appear on pages 40 and 41 of this report.

The roles of Chairman and CEO are separate and no individual has unfettered control over decision making. The Chairman is a non-executive director appointed by the Board.

The Board is responsible to stakeholders for setting the strategic direction of the Group, monitoring operational performance and management, risk management processes and policies, compliance and setting authority levels, as well as selecting new directors. The Board is also responsible for the integrity and quality of communication with stakeholders, including employees, regulators and shareholders.

The Board has adopted a risk management framework and has delegated responsibility for risk to the Risk and Audit Committee. This committee reviews risk management processes in the Group and ensures that Board policies and decisions on risk are properly implemented. The committee assesses the adequacy and effectiveness of risk management structures in the Group and reports to the Board on all risk related governance issues.

All directors have direct access to information on the Group's affairs, as well as the advice and services of the Group Chief Legal Counsel. A formal Board charter has been adopted which sets out the roles, responsibilities and procedures of the Board.

Individual country operations have their own boards, with external representation and function as per the requirements of their respective jurisdictions.

The Board meets at least four times annually. Additional telephonic meetings are conducted as required during the year. The CEO and senior executives are available to brief directors when required.

Four Board meetings were conducted during the year. Directors' attendance of these meetings was as follows:

Director	March	May	July	Dec
Buttery	P	P	P	P
Khama	P	P	P	P
Kudenga	P	P	P	P
Munatsi	P	P	P	P
Wasmus	P	P	*	*
Shyam-Sunder	A	P	P	P
Moyo	P	P	P	P
Dzanya	P	P	P	P
Schneiders	P	P	P	P
Koskelo	n/a	n/a	n/a	P

P: Present
A: Absent
**: Resigned*

Board committees

The Board is assisted in discharging its responsibilities by a number of sub-committees. Sub-committees are accountable to the Board, with minutes of sub-committee meetings circulated and reported on at the following Board meeting. Senior executives are invited to attend meetings as appropriate.

Board committees may make use of external professional advisers when necessary to discharge specific tasks.

Executive Committee

The Executive Committee (EXCO) assists the CEO in managing the Group and implementing strategy, policies and procedures, subject to the Board's limitations on delegation to the CEO. The CEO's authority in managing the Group is unrestricted. EXCO assists the CEO in managing the Group and setting the overall direction of the business of the Group, and acts as a medium for communication and coordination between business units and Group companies, and the Board. EXCO meetings are conducted monthly.

The following divisional and functional heads comprise the EXCO: CEO (Chairman), Chief Operating Officer, Chief Financial Officer, Chief Risk Officer and the Managing Director of BancABC Zimbabwe.

EXCO also considers non-remuneration aspects of human resources management such as succession planning and skills development.

Risk and Audit Committee

The Risk and Audit Committee is chaired by Mr N Kudenga who is an independent non-executive director. The committee adopted the terms of reference for the Risk and Audit Committee in line with the King Commission guidelines on Corporate Governance. In particular, it assists the Board in the discharge of its duties relating to financial reporting to all stakeholders, compliance, risk management and the effectiveness of accounting and management information systems.

Meetings are held regularly throughout the year and are attended by external and internal auditors, as well as senior executive managers. The committee met four times in 2012.

The committee considered whether the Company and the Group are going concerns, recommending that the Board endorse a statement to this effect and that the financial statements prepared on this basis be approved.

Loans Review Committee

The Loans Review Committee comprises two non-executive directors and is chaired by Mrs D Khama. In accordance with its terms of reference, the committee's principal function is to review and report to the Board on the Group's loan portfolio on at least a quarterly basis. The committee places specific emphasis on ensuring conformity of the loan portfolio and lending function to a sound documented lending policy. It also periodically reviews the maximum loan authority limits for each Group lending authority as well as write-offs within the Group. The committee is further tasked with the quarterly review of the adequacy of provisions made with respect to loans and makes recommendations to the Board in this regard.

The committee met four times in 2012.

Credit Committee

The committee was established in 2010. It is chaired by Mr H Buttery and has a mandate to approve loans above the internal management limit of USD 7 million. The committee meets when required to approve loans.

Remuneration Committee

The Remuneration Committee is chaired by Mr H Buttery, a non-executive director and Chairman of the Board. The CEO attends committee meetings by invitation, but does not participate in any discussions on his own remuneration. The committee is responsible for the senior executive remuneration policy. It fixes the remuneration packages of individual directors within agreed terms of reference, to avoid potential conflicts of interest.

The Remuneration Committee is also responsible for setting the remuneration policy of the Group. It aims to ensure that the financial rewards offered by the Group to employees are sufficient to attract people of the calibre required for effective running of the Group and to produce the required returns to its shareholders. The committee reviews the profit sharing scheme annually, which is based on achieving a specified return on equity for the period. The committee met four times during the year under review.

Nominations Committee

The Nominations Committee comprises two non-executive directors and is responsible for making recommendations to the Board on all new board appointments. A formal process is in place in terms of which the skills needed are identified and those individuals who might best assist the Board in their endeavours are recruited.

Dealing on stock exchanges

As part of its commitment to conducting business in a professional and ethical manner at all times, the Group follows strict guidelines with respect to dealing of its shares on stock exchanges by employees and directors. A policy is in place prohibiting directors and employees in dealing in the Group's shares when they are in possession of price sensitive information, which may generally not be available to the public. Dealing in ABCH shares is further restricted during defined periods, generally six weeks prior to the publication of the interim and final results.

Health and safety policy

The Group seeks to ensure that it engages in activities which do not jeopardise the health and safety of its employees, taking into account the industrial sectors concerned. The Group encourages the businesses it supports to adopt appropriate health and safety measures and to comply, within a reasonable period, with local legislative requirements concerning occupational health and safety.

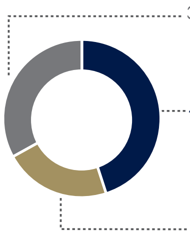
Environmental policy

The Group's directorate and management recognise that sustainable development depends on a positive balance between economic development and environmental protection. The Group believes that conserving the global environment is the responsibility of every individual, and as a good corporate citizen it strives to fulfil its responsibility to society by working towards realising a sustainable environment. Accordingly, the Group will endeavour to pursue best practice in environmental management and will put in place guidelines and procedures to ensure that projects are under-taken in accordance with the relevant local, national and international standards with regard to environmental and social regulations.

DIRECTORS AND GROUP MANAGEMENT

ABC Holdings Limited Board of Directors	• Howard J Buttery**	Chairman
	• Doreen Khama**	
	• Ngoni Kudenga*	
	• Mark Schneiders*	
	• Lakshmi Shyam-Sunder*	
	• Jyrki Koskelo*	
	• Douglas T Munatsi	Group Chief Executive Officer
* Non-executive	• Francis Dzanya	
**Independent non-executive	• Bekithemba Moyo	
Remuneration Committee	• Howard J Buttery	Chairman
	• Ngoni Kudenga	
Loans Review Committee	• Doreen Khama	Chairperson
	• Lakshmi Shyam-Sunder	
	• Mark Schneiders	
Credit Committee	• Howard J Buttery	Chairman
	• Mark Schneiders	
	• Douglas T Munatsi	
Nominations Committee	• Howard J Buttery	Chairman
	• Ngoni Kudenga	
Risk and Audit Committee	• Ngoni Kudenga	Chairman
	• Lakshmi Shyam-Sunder	
	• Jyrki Koskelo	
Executive Committee	• Douglas T Munatsi	Chairman
	• Francis Dzanya	
	• Bekithemba Moyo	
	• Hashmon Matemera	
	• Dr Blessing Mudavanhu	
Group Management	• Bruce Jonker	Group Internal Auditor
	• Cornelius Munyurwa	Group Head Banking Operations
	• Leah Banda	Group Head Marketing
	• Andrea Prazakova	Group Head Retail Banking
	• Johan Testa	Group Head Treasury
	• Melanie Vogt	Chief Legal Officer and Secretary to the Board
	• Paul Westraadt	Chief Credit Officer
	• Andre Willemse	Group Head Human Capital
	• Wallace Siakachoma	Group Finance Executive
	• Dana Botha	Group Head of Corporate Banking
	• Winnie Thothela	Group Head Project Management Office

COMPOSITION OF THE BOARD



Howard J Buttery (South African)
Board Chairman. Non-Executive Director

Howard Buttery was born in South Africa in 1946. He has served as a director since 2003 and on the Remuneration and Nominations Committee. Howard was appointed Non-Executive Chairman of ABC Holdings Limited (BancABC) in June 2010. This was after he retired from the position of Executive Chairman of Bell Equipment Ltd, a listed South African company. His current focus is on developing a strategic alliance of three international companies: John Deer (United States), Liebher (Germany) and Hitachi (Japan).

Howard has extensive knowledge of business across the African continent offering key in-sight to the organisation. He holds a certificate in theory of accounting from the University of Natal.

Douglas T Munatsi (Zimbabwean)
Group Chief Executive Officer. Board Member

Douglas "Doug" Munatsi was born in Zimbabwe in 1962. He has been the CEO of BancABC since its formation in 2000 and was Managing Director of its predecessors, First Merchant Bank and Heritage Investment Bank (Heritage).

Doug founded Heritage in 1995. He later successfully negotiated Heritage's merger with First Merchant Bank Ltd, then controlled by Anglo American Corporation. Prior to setting up Heritage, he was an executive with the International Finance Corporation (IFC), the private sector arm of the World Bank.

Doug holds a Bachelor of Business Studies degree from the University of Zimbabwe, a Master of Business Administration (Finance) from the American University, Washington DC and completed the Harvard Business School's Advanced Management Programme.

Dr Lakshmi Shyam-Sunder (American)
Board Member. Non-Executive Director

Lakshmi Shyam-Sunder was born in America in 1956. Lakshmi is CFO and Director, Finance and Risk for 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 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.

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

Doreen Khama (Motswana)
Board Member. Non-Executive Director

Doreen Khama was born in Botswana in 1949. Doreen has been a director since 2007 and a member of our Loans Review Committee. She is founder and senior partner of the law firm Doreen Khama Attorneys, a reputable legal firm in operation for over 20 years. She is also the Honorary Consul for Austria in Botswana.

Doreen is active in business initiatives in Africa and internationally, and has earned a high standing of professional prominence through her international affiliations. She serves as a director and board member for several organisations across various industries, including Botswana Savings Bank, Lengao Holdings and PEP Holdings. Doreen holds a Bachelor's Degree in Law from the University of Botswana, Lesotho and Swaziland.

Ngoni Kudenga (Zimbabwean)
Board Member. Non-Executive Director

Ngoni Kudenga was born in Zimbabwe in 1952. Mr Kudenga has been a director since 2000, chairman of the Risk and Audit Committee since 2000, a member of the Remuneration and Nominations Committees since 2007.

He is currently the Managing Partner of BDO Zimbabwe (Chartered Accountants) and serves on the boards of listed companies Bindura Nickel Corporation and Hippo Valley Estates, Anglo American Corporation Zimbabwe and several other private companies.

Ngoni is past president of the Institute of Chartered Accountants in Zimbabwe and a fellow of the Chartered Institute of Management Accountants in the United Kingdom. He holds a Bachelor of Accountancy degree from the University of Zimbabwe.

Jyrki Koskelo (Finn)
Board Member. Non-Executive Director

Jyrki Koskelo was born in Finland in 1952. He joined the IFC in 1987, worked for several years as Investment Officer in Africa and in Eastern and Central Europe, was appointed director of IFC's work out department in 2000, director of global financial markets in 2004, and vice president (a direct report to the CEO) and a member of IFC's Management Committee in 2007.

Jyrki, at the time VP Global Industries, retired from IFC end of November 2011. Jyrki's most notable achievements include initiating, developing and executing a plan to provide liquidity to systemic banks in Eastern Europe in the aftermath of the Lehman collapse; a task he initiated in bringing together the EU commission, the World Bank Group, EIB and EBRD to pledge €24 billion of liquidity for private sector banks in a process called the "Vienna Initiative". Koskelo was also instrumental in leading IFC to new products (such as the $50 billion trade initiative to support global trade after Lehman) and was the early adopter and leader in IFC's decentralisation efforts.

Jyrki was appointed as a non-executive director of ABC Holdings Limited on 6 December 2012 and also serves on the Risk & Audit committee. He holds an M.Sc. in Civil Engineering, Technical University, Helsinki and an MBA in International Finance, MIT, Sloan School of Management, Boston.

Mark M Schneiders (Dutch)
Board Member

Mark Schneiders was born in The Netherlands in 1956. Mark has more than 27 years of banking sector experience in various wholesale and private banks within Africa 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.

Mark has extensive experience with company mergers, building new markets and setting up retail banking 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 9th December 2011.

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

Francis Dzanya (Zimbabwean)
Group Chief Operating Officer. Board Member

Francis Dzanya was born in Zimbabwe in 1960. Mr Dzanya has been Chief Operating Officer since April 2008 and Chief Banking Officer before that. He has also been a member of the Executive Committee since 2006.

Francis joined Heritage Investment Bank at its formation in 1995 having spent over ten years with other banking institutions in the region.

Francis holds a Bachelor of Arts (Honours) degree in Banking, Insurance and Finance from Sheffield Hallam University in the United Kingdom (UK) and a Higher National Diploma in Banking and Finance from John Moores University, also in the UK and is an Associate of the Chartered Institute of Bankers, UK.

Beki Moyo (Zimbabwean)
Group Chief Financial Officer. Board Member

Beki Moyo was born in Zimbabwe in 1967. Mr Moyo has been the Chief Financial Officer since 2005. In the course of his banking career spanning over fifteen years, Beki has held various senior positions within ABC Holdings.

Beki trained and qualified as a Chartered Accountant with Deloitte and Touche and quickly rose to Audit Manager. He then joined the banking world in 1994 as Chief Accountant at Stanbic Zimbabwe.

He holds a Bachelor of Accountancy (Honours) degree from the University of Zimbabwe, a Master of Business Administration degree in Banking and Finance from Manchester University and completed the Harvard Business School's Advanced Management Programme.

EXECUTIVE MANAGEMENT COMMITTEE

Hashmon Matemera
(Zimbabwean)
Managing Director, BancABC Zimbabwe

Hashmon Matemera was born in Zimbabwe in 1964. Hashmon has been a member of the Executive Committee since 2006. He was the Group Head of Wholesale Banking from 2007 before becoming Managing Director of BancABC Zimbabwe in 2011.

Mr Matemera has over 17 years banking experience in merchant and commercial banking and as a central banker. He has held several positions including Executive Director of Banking Services at BancABC Zimbabwe and Group Head of Treasury and Structured Finance. Hashmon spent ten years at the Reserve Bank of Zimbabwe, mostly in the Supervision and Surveillance Division.

Hashmon holds a Bachelor of Science (Honours) degree in Economics as well as a Master of Science in Economics both from the University of Zimbabwe.

Dr Blessing Mudavanhu
(Zimbabwean)
Group Chief Risk Officer

Blessing Mudavanhu was born in Zimbabwe in 1971. Dr Mudavanhu was appointed Group Risk Officer in February 2009. Blessing spent many years working on Wall Street in New York, where most recently he was a director in Global Risk Management at Bank of America Merrill Lynch. He has published many research papers in the Journal of Investment Management and in many mathematics journals. He is also listed in the Who's Who in America and is a recipient of the Fulbright Scholarship.

He holds a Bachelor of Science (Honours) degree in Mathematics from the University of Zimbabwe, a Master of Science degree and a Doctorate in Mathematics from the University of Washington as well as a Master of Science in Financial Engineering from the Hass School of Business, University of California at Berkeley.

Douglas T Munatsi
(Zimbabwean)
Group Chief Executive Officer

Francis Dzanya
(Zimbabwean)
Group Chief Operating Officer

Beki Moyo
(Zimbabwean)
Group Chief Financial Officer

DIRECTORS' RESPONSIBILITY

RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation, integrity and objectivity of the financial statements that fairly present the state of the affairs of the Group at the end of the financial year and the net income and cash flow for the year, and other information contained in this annual report.

To enable the directors to meet these responsibilities:

- The Board and management set standards and management implements systems of internal control and accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of error, fraud or loss is reduced in a cost effective manner – these controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities, effective accounting procedures and adequate segregation of duties;
- The Group's internal audit function, which operates independently from operational management and unimpeded, has unrestricted access to the Group Audit and Risk Committee, appraises, evaluates and, when necessary, recommends improvements in the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function and internal control, accounting policies, reporting and disclosure; and
- The Group Audit and Risk Committee play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

The annual financial statements have been prepared in accordance with the provisions of the Botswana Companies Act, the Botswana Stock Exchange Regulations and International Financial Reporting Standards. The directors have no reason to believe that the Group or any subsidiary company within the Group will not be going concerns in the year ahead, based on the forecasts and available cash resource. These financial statements have accordingly been prepared on that basis.

It is the responsibility of the independent auditors to report on financial statements. Their report to the members of the Company is set out on page 48 of this annual report.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors' report and the annual financial statements, which appear on pages 49 to 151, were approved by the Board of directors on 22 March 2013 and are signed by:

H Buttery
Chairman

DT Munatsi
Group Chief Executive Officer

27 March 2013

DIRECTORS' REPORT

NATURE OF BUSINESS

ABC Holdings Limited is listed on the Botswana and Zimbabwe Stock exchanges and is the holding company of the African Banking Corporation group of companies (trading under the brand name BancABC) which comprise diverse financial services activities in the areas of corporate banking, treasury services, Retail & SME Banking, asset management and stock broking among other banking services. African Banking Corporation aims to deliver world-class financial solutions to the sub-Saharan African region.

SHARE CAPITAL

During the year, the Group undertook a rights issue in terms of which one ordinary share was issued for every 1.79 issued ordinary shares held by existing shareholders. This increased the number of shares in issue by 83,333,333 to 232,805,464 ordinary shares.

GROUP RESULTS

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 BWP133 million, is 60% higher than the BWP83 million achieved in the previous year. The Group continued on a growth path in all its businesses, improved profitability and balance sheet size, expanded its network, increased staff numbers and improved its composite market share. The solid growth experienced in the retail banking business which reached critical mass in Botswana, Zambia and Zimbabwe was the major driver of the increased profitability in the current period. Despite growth in Mozambique and Tanzania being limited, we are optimistic that over time, we will be able to gain traction in these markets as well.

The Group balance sheet increased by 46% from BWP9.2 billion to BWP13.4 billion. Loans and advances were up 50% from BWP6.1 billion to BWP9.1 billion. This was largely funded by deposits that increased by 45% from BWP7.4 billion to BWP10.7 billion. There was significant growth recorded in all other major lines of business during the period under review. The Group now has 61 Retail branches including consumer lending branches, up from 49 branches in 2011. As part of this expansion into retail banking, staff numbers continued to grow and at 31 December 2012, staff numbers, including temporary and contract workers, stood at 1,310, compared to 1,008 at the end of December 2011.

The financial statements have been prepared in accordance with International Financial Reporting Standards and the accounting policies of the Group, which are considered by the directors to be appropriate. Accounting policies have been applied in a manner consistent with that in the previous financial year and details of significant accounting policies can be found on pages 49 to 63.

SUBSIDIARY AND ASSOCIATED COMPANIES

Details of the Group's subsidiaries are set out in note 15 of the separate company financial statements. Details of the Group associate companies are in note 13 of the consolidated Group financial statements.

ACQUISITIONS AND DISPOSALS

There were no acquisitions or disposals of subsidiaries during the year.

DIRECTORS' INTERESTS IN THE SHARES OF ABC HOLDINGS LIMITED

The following table depicts the interests of directors in the shares of ABC Holdings Limited:

	Number of shares	
Director	2012	2011
DT Munatsi	17,637,718	23,223,154
N Kudenga	66,814	366,814
FM Dzanya	2,521,894	3,094,774
B Moyo	6,065,207	7,119,958
Total	**26,291,633**	**33,804,700**

DIRECTORS' INTERESTS IN TRANSACTIONS

In terms of ABC Holdings Limited policy, Directors are required to furnish details on an annual basis of their respective personal interests in business concerns which are recorded in a specific register. Any interests by Directors in transactions between the Company and third parties were disclosed to committees that were responsible for approval prior to such approval being granted and interested parties are required to recuse themselves from any approval process. Details of lending exposures are provided in note 25 on related party transactions.

DIRECTORS' EMOLUMENTS

Directors' emoluments in respect of the Group's directors (Executive and Non-Executive) are shown in note 4 to the financial statements. The earnings and perquisites of the Group Chief Executive Officer and executive management are approved by the Remuneration Committee of the Board.

DIRECTORS AND SECRETARIES

Full details of the directorate are shown on pages 40 and 41. Details of the secretary are given on page 39. Brief CVs of Directors eligible and available for reelection at the Annual General Meeting are included in the Notice to Shareholders.

DIVIDENDS

The Directors have declared a final dividend of BWP0.08 8 thebe) per share in respect of the year ended 31 December 2012. This brings the full year dividend to 16 thebe. The dividend will be paid on 3 May 2013 to shareholders registered in the books of the Company at the close of business on Friday, 12 April 2013.

INSURANCE

ABC Holdings Limited and its subsidiaries are insured against banking risks, asset losses, professional indemnity and directors' and officers' claims at a level of cover, which is considered to be adequate by the directors.

POST-BALANCE SHEET EVENTS

There were no significant post balance sheets events.


3940
EXPIRES
END


ABC Holdings

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2012

pwc

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABC HOLDINGS LIMITED

Report on the financial statements

We have audited the consolidated and separate financial statements of ABC Holdings Limited, which comprise the consolidated and separate balance sheets as at 31 December 2012, and the consolidated and separate income statements, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 49 to 151.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present a true and fair view of the consolidated and separate financial position of ABC Holdings Limited as at 31 December 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Individual Practicing Member: Rudi Binedell
Membership Number: 20040091.18

27 March 2013
Gaborone

PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P O Box 294, Gaborone, Botswana
T: (267) 395 2011, F: (267) 397 3901, www.pwc.com/bw

Country Senior Partner: B D Phirie
Partners: R Binedell, A S Edirisinghe, R P De Silva, N B Soni

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 December 2012

REPORTING ENTITY

ABC Holdings Limited (the "Company") is domiciled in Botswana. The consolidated financial statements of the Company for the year ended 31 December 2012 include the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and its jointly controlled entities.

STATEMENT OF COMPLIANCE

The Group prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. In preparing these financial statements, the Group adopted the following interpretations effective in 2012, that are relevant to the Group:

- Amendment to IFRS 7, 'Financial Instruments: Disclosures' – Transfer of financial assets (effective from 1 July 2011)
- Amendment to IAS 12, 'Income taxes' on deferred tax (effective from 1 January 2012).

The Group has chosen to early adopt the following standards and interpretation that was issued but not yet effective for accounting periods on 1 January 2012:

- Amendment to IAS1, 'Presentation of financial statements' on presentation of restatements (effective from 1 January 2013).

The Group has chosen not to early adopt the following standards and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2012:

- Amendments to IAS 1, 'Presentation of Financial Statements', on presentation of items of OCI (effective from 1 July 2012)
- Amendments to IAS 19, 'Employee benefits' (effective from 1 January 2013)
- Amendment to IFRS 1, 'First time adoption', on government loans (effective from 1 January 2013)
- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting (effective from 1 January 2013)
- Amendment to IFRSs 10, 11 and 12 on transition guidance (effective from 1 January 2013)
- Annual improvements 2011 (effective from 1 January 2013). These annual improvements, address six issues in the 2009 – 2011 reporting cycle. It includes changes to IFRS 1, 'First time adoption'; IAS 1, 'Financial statement presentation'; IAS 16, 'Property plant and equipment'; IAS 32, 'Financial instruments; Presentation' and IAS 34, 'Interim financial reporting'
- IFRS 10, 'Consolidated financial statements' (effective from 1 January 2013)
- IFRS 11, 'Joint arrangements' (effective from 1 January 2013)
- IFRS 12, 'Disclosures of interests in other entities' (effective from 1 January 2013)
- IFRS 13, 'Fair value measurement' (effective from 1 January 2013)
- IAS 27 (revised 2011), 'Separate financial statements' (effective from 1 January 2013)
- IAS 28 (revised 2011), 'Associates and joint ventures' (effective from 1 January 2013)
- IFRIC 20, 'Stripping costs in the production phase of a surface mine' (effective from 1 January 2013)
- Amendments to IAS 32, 'Financial Instruments: Presentation' (effective from 1 January 2014)
- IFRS 9, 'Financial Instruments' (effective from 1 January 2015).

The Group is yet to assess the full impact of the above standards and interpretations.

BASIS OF PREPARATION

The Group presents accounts in accordance with IFRS. 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 properties.

The consolidated financial statements comprise the consolidated income statement and statement of comprehensive income shown as two statements, the balance sheet, the statement of changes in equity, the cash flow statement and the notes. The Group classifies its expenses by the nature of expense method, and presents its cash flows using the indirect method.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below:

- **Contingent liability: application of set-off in the processing of a payment**

  BancABC Zimbabwe is the defendant in a lawsuit by a third party alleging that the Bank inappropriately applied set-off of approximately BWP81 million against a defaulted advance. The Bank has appealed a High Court Judgement in the Supreme Court of Zimbabwe. Judgement has been reserved.

  Significant judgement has been applied in not raising a provision for the outcome of the litigation. Detail is provided in note 32.

- **Fair value of financial instruments**

  Many of the Group's financial instruments are measured at fair value on the balance sheet and it is usually possible to determine their fair values within a reasonable range of estimates. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of judgement, (e.g. interest rates, volatility and estimated cash flows) and therefore cannot be determined with precision.

- **Deferred tax assets**

  The recognition of deferred tax assets is based on profit forecasts made by management of the particular Group Company where the asset has arisen. These forecasts are based on the Group's re-capitalisation plans of the subsidiary and market conditions prevailing in the economy in which the Company operates.

- **Impairment of loans and advances**

  The Group reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed monthly to reduce any differences between loss estimates and actual loss experience.

- **Fair value of derivatives**

  The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

- **Held-to-maturity investments**

  The Group follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire category as available-for-sale. The investments would therefore be measured at fair value, not amortised cost.

- **Income taxes**

  The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Goodwill impairment**
  The Group assesses goodwill for impairment on an annual basis based on value in use calculations. Significant estimates and judgements are applied in projecting the future pre-tax cash flows, the appropriate growth and discount rates. The assumptions applied in testing goodwill for impairments at year-end are discussed in note 17.

- **Impairment of associates**
  The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

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. Each entity in the Group determines its own functional currency.

If the functional currency of the foreign subsidiaries does not correspond to that of the Group, their financial statements are translated into Botswana Pula. Equity items are translated at historical rates, while asset and liability items are translated at the closing rate. The subsidiaries' income and expense items are translated using average rates. Any resulting currency translation differences are recorded without an effect on profit or loss until the disposal of the subsidiary and reported as a separate item in equity. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments are treated as assets or liabilities of the foreign operation and translated at the closing rate.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control is defined as the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. Accounting policies of subsidiaries conform to the policies adopted by the Group for its banking and investment management activities. Investments in subsidiaries are accounted for at cost less impairment losses in the Company accounts. The carrying amounts of these investments are reviewed annually and written down for impairment where considered necessary.

For acquisitions achieved in stages, interests already held are re-measured through profit or loss. For deconsolidations, the net carrying amounts of the debit differences are taken into account in the calculation of the gain/loss on disposal. Changes in shareholdings which do not lead to a loss of control are recognised in other comprehensive income as an equity transaction between shareholders. These transactions do not lead to the recognition of goodwill or the realisation of gains on sale. For sales of interests that lead to a loss of control, the remaining shares are re-measured and the accumulated other comprehensive income recognised in equity in relation to the shareholding is reported in the income statement.

Associates

Associates are those enterprises in which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights over the financial and operating policies. The consolidated financial statements include the Group's share of the total gains and losses of associates on an equity accounted basis, from the date significant influence commences until the date that significant influence ceases. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement; its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Goodwill arising on acquisition is included in the carrying amount of the investment. Investments in associates and joint ventures are accounted for at cost less impairment losses in the Company's separate financial statements.

Jointly controlled entities

Jointly controlled entities are those enterprises over whose activities the Group has joint control established by contractual agreement. The consolidated financial statements include the Group's share of the total gains or losses of the entity on an equity accounted basis from the date that joint control commences, until the date joint control ceases.

Special purpose entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

The assessment of whether the Group has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the SPE and in such instances the Group determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where the Group's voluntary actions, such as lending amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill is any excess of the cost of an acquisition over the Group's interest in the fair value of the identifiable assets and liabilities acquired. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested annually for impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained. Impairment losses are recognised in the income statement. The excess of the fair value of the Group's share of the identifiable net assets acquired over the cost of the acquisition is recorded immediately in the income statement.

Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the sum of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Transaction costs for any business combinations prior to 1 January 2010 are capitalised as part of the cost of an acquisition. Transaction costs on or after 1 January 2010 are recognised within profit and loss as and when they are incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

The excess of the cost of an acquisition over the Group's share of the fair value of identifiable net assets acquired is recorded as goodwill and accounted for in terms of accounting policy, Intangible assets. The Group elects to measure non-controlling interests on the acquisition date at either fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Transactions with non-controlling interests

Transactions, including partial disposals, with minority non-controlling interests shareholders that do not result in the gain or loss of control, are accounted for as transactions with equity holders of the Group. For purchases of additional interests from non-controlling interests, the excess of the purchase consideration over the Group's proportionate share of the subsidiary's additional net asset value of the subsidiary acquired is accounted for directly in equity. For disposals to non-controlling shareholders, the profit or losses on the partial disposal of the Group's interest in a subsidiary to non-controlling interests is also accounted for directly in equity. All acquisition-related costs are expensed.

Common control transactions

Entities are under common control when the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination and where control is not transitory. The acquirer in a business combination under common control does not restate any assets and liabilities to their fair values. Instead, the acquirer incorporates the assets and liabilities at their pre-combination carrying amounts without fair value uplift. No goodwill is recorded. Any difference between the cost of investment and the carrying value of the net assets is recorded in equity, which could impact on distributable profits, depending on local legislation. This applies whether the consideration was for shares or cash. The acquirer's financial statements include the acquired entity's results from the date of the business combination.

Foreign entities

The assets and liabilities of foreign operations are translated to the Group's presentation currency, Botswana Pula, from their respective measurement currencies at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Botswana Pula at the average exchange rate for the year. Foreign exchange differences arising on translation are recognised as foreign currency translation reserve in equity. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Foreign currency transactions

Foreign currency transactions are translated at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or cost. All other foreign exchange gains are presented within the income statements within "other net (losses)/gains". Differences arising on translation are recognised in the income statement and shown under other income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in equity.

Recognition of assets and liabilities

Assets are recognised when the Group irrevocably gains control of a resource from which future economic benefits are expected to flow to the Group. Liabilities are recognised when the Group has a legal or constructive obligation as a result of past events and a reliable estimate of the amount of the obligation, or outflow of resources from the Group can be made. If there is a possible obligation or outflow of resources from the Group or where a reliable estimate is not available, a contingent liability is disclosed.

Derecognition of assets and liabilities

An asset is derecognised when the Group loses control over the contractual rights that comprise the asset. A liability is derecognised when it is extinguished.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand; cash deposited with banks and short-term highly liquid investments with maturities of three months or less when purchased. For cash flow purposes cash and cash equivalents include bank overdrafts.

Other current assets

Other current assets include mainly prepayments and other assets. Other assets and prepayments that are not financial assets are carried at amortised cost. Identifiable risks of default are accounted for by means of write-downs.

FINANCIAL ASSETS

Initial recognition

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

Management determines the classification of its investments at initial recognition. Regular-way purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade date; the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets at fair value through profit or loss

This category has two subcategories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading, unless they are designated as hedging instruments. Financial assets and financial liabilities are designated at fair value through profit or loss when:

- doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost for loans and advances to customers or banks and debt securities in issue;
- certain investments, such as equity investments, are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit or loss; or
- financial instruments, such as debt securities held, containing one or more embedded derivatives that could significantly modify the cash flows, are designated at fair value through profit or loss.

The fair value designation, once made, is irrevocable. Subsequent to initial recognition, the fair values are re-measured at each reporting date. Gains and losses arising from changes therein are recognised in interest income for all dated financial assets and in other revenue within non-interest revenue for all undated financial assets. Financial assets at fair value through profit or loss are measured at initial recognition and subsequently at fair value based on quoted market price using the bid/offer mid rate at the balance sheet date. If there is no quoted market price in an active market, the instruments are measured using valuation models. All changes in fair value are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the short-term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that the entity upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and advances are accounted for on an amortised cost basis using the effective interest rate. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate. The majority of the Group's advances are included in the loans and receivables category. They are stated net of allowances for specific and portfolio impairment. Included in loans and advances are finance lease receivables. Finance lease receivables are those leases where the Group transfers substantially all the risk and reward incidental to ownership of an asset.

Finance lease charges are recognised in income using the effective interest rate method.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to maturity assets, the entire category would be reclassified as available-for-sale. Held-to-maturity fixed interest instruments, held in investment portfolios, are stated at cost, less any impairment losses.

Available-for-sale financial assets

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or financial assets that are not designated as another category of financial assets. Available-for-sale quoted investments are valued at market value using the bid/offer mid rate. Unlisted equity investments and instruments for which there is no quoted market price are measured using valuation models. Where the valuation models may not produce reliable measurement, the unquoted investments are stated at cost. Available-for-sale investments are marked to market and any gains or losses arising from the revaluation of investments are shown in shareholders' equity as available-for-sale reserves. On realisation of the investment, the available-for-sale reserves are transferred to the income statement. Interest income, calculated using the effective interest method, is recognised in the income statement. Dividends received on available-for-sale instruments are recognised in the income statement when the Group's right to receive payment has been established. Foreign exchange gains or losses on available-for-sale debt investments are recognised in the income statement.

Reclassification of financial assets

The Group may choose to reclassify a non-derivative financial asset held for trading out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively. On reclassification of a financial asset out of the "at fair value through profit or loss" category, all embedded derivatives are re-assessed and, if necessary, accounted for separately.

Fair value

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets. When such valuation models, with only observable market data as input, indicate that the fair value differs from the transaction price, this initial difference, commonly referred to as day one profit or loss, is recognised in the income statement immediately. If non-observable market data is used as part of the input to the valuation models, any resulting difference between the transaction price and the model value is deferred. The timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement. The deferral and unwind method is based on the nature of the instrument and availability of market observable inputs. Subsequent to initial recognition, the fair values of financial assets and liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid offer spread or significant increase in the bid offer spread or there are few recent transactions.

If the market for a financial asset is not active or the instrument is an unlisted instrument, the fair value is determined by using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants. Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on observable market indicators at the balance sheet date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in setting a price.

In cases where the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

IMPAIRMENT OF FINANCIAL ASSETS

a) Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- delinquency in contractual payments of principal or interest;
- cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- breach of loan covenants or conditions;
- initiation of bankruptcy proceedings;
- deterioration of the borrower's competitive position;
- deterioration in the value of collateral; and
- downgrading below investment grade level.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in impairment charge for credit losses. Subsequent to impairment, the effects of discounting unwind over time as interest income.

b) Assets classified as available-for-sale

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

c) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans.

d) Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

e) Collateral repossessed

The Group's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Group's policy.

OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedging activities

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. Where fair value is determined using valuation techniques whose variables include non-observable market data, the difference between the fair value and the transaction price ("the day one profit or loss") is not recognised in the statement of financial position. These differences are however kept track of for disclosure purposes. However, where observable market factors that market participants would consider in setting a price subsequently become available, the balance of the deferred day one profit or loss is released to profit or loss.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Certain derivatives embedded in other financial instruments, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement unless the Group chooses to designate the hybrid contracts at fair value through profit or loss. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

a) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge);

b) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge);

c) hedges of a net investment in a foreign operation (net investment hedge); or

d) derivatives that do not qualify for hedge accounting.

Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The Group documents at inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Effective changes in fair value of interest rate swaps and related hedged items are reflected in "net interest income – net gains/losses on hedging instruments". Effective changes in fair value of currency futures are reflected in "net trading income – foreign exchange – transaction gains less losses". Any ineffectiveness is recorded in "net trading income". If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement – "net trading income – transaction gains less losses". Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of currency swaps and options are recorded in "net trading income – foreign exchange – transaction gains less losses". When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

d) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement under net trading income. However, the gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in "net income from financial instruments designated at fair value".

FINANCIAL GUARANTEES

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities. Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight-line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. Any increase in the liability relating to guarantees is taken to the income statement under other operating expenses.

DERECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires. The Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include securities lending and repurchase agreements. When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

REPURCHASE AGREEMENTS

Securities sold subject to linked repurchase agreements (repos) are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral. The liability to the counterparty is included under deposit and current accounts. Securities purchased under agreements to resell (reverse repos) are recorded as loans granted under resale agreements and included under loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and amortised over the life of the repurchase agreement using the effective interest method. Securities lent to counterparties are retained in the financial statements and are classified and measured in accordance with the accounting policy on financial instruments. Securities borrowed are not recognised in the financial statements unless these are sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions.

PROPERTY AND EQUIPMENT

Land and buildings are shown at fair value based on annual valuations by external independent valuers under hyperinflationary economies, otherwise at least once every three years. All other items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment. Surpluses and deficits arising thereon are transferred to the property revaluation reserve in equity. The revaluation surplus or deficit is reversed when the asset is disposed of. Owner-occupied properties are held for use in the supply of services or for administrative purposes. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of the property and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 40 – 50 years
- Bank premises and renovations 20 years
- Computer equipment 3 – 5 years
- Office equipment 3 – 5 years
- Furniture and fittings 5 – 10 years
- Vehicles 4 – 5 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Subsequent costs are included in the assets' carrying amount or are recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group. The cost of day-to-day servicing of property and equipment are recognised in the income statement as incurred.

Investment property

Investment properties are properties which are held by the Group either to earn rental income or for capital appreciation or for both. Investment property is stated at fair value determined annually by an independent registered valuer under hyper-inflationary economies, otherwise at least once every three years. Fair value is based on open market value and any gain or loss arising is recognised in the income statement. Fair value adjustments on investment properties are included in the income statement as investment gains or losses in the period in which these gains or losses arise and are adjusted for any double counting arising from the recognition of lease income on the straight-line basis compared to the accrual basis normally assumed in the fair value determination. The deemed cost for any reclassification between investment properties and owner occupied properties is its fair value, at the date of reclassification.

OTHER INTANGIBLE ASSETS

Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life is three to five years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if necessary. There have been no changes in the estimated useful lives from those applied in the previous financial year.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). In determining value in use, the estimated future cash flows are discounted using a current market interest rate, which reflects the asset's specific risks. An impairment loss is immediately recorded as an expense. Non-financial assets other than goodwill and other indefinite lived assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

FINANCIAL LIABILITIES

Financial liabilities include deposits and other borrowed funds. Deposits and other borrowed funds are initially measured at fair value plus transaction costs and subsequently measured at their amortised cost, using the effective interest method. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Derivative financial instruments are dealt with in terms of specific policy specified above.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instruments as a whole the amount separately determined for the debt component.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognised when the Group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Contingent liabilities, which include certain guarantees other than financial guarantees, and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements.

MANAGED FUNDS AND TRUST ACTIVITIES

Certain companies in the Group operate unit trusts, hold and invest funds on behalf of clients and act as trustees and in other fiduciary capacities. Assets and liabilities representing such activities are not included on the balance sheet, as these relate directly to clients. Income from these activities is brought into account over the period to which the service relates.

SHARE CAPITAL

Repurchase of share capital

Shares repurchased by Group companies are classified as treasury shares, and held at cost. These shares are treated as a deduction from the issued share capital and the cost price of the shares is presented as a deduction from total equity. Fair value changes recognised in the subsidiary's financial statements on equity investments in the holding entity's shares, are reversed on consolidation and dividends received are eliminated against dividends paid. Where such shares are subsequently sold or re-issued, any consideration received is included in shareholders' equity.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

OTHER RESERVES

The reserves recorded in equity (Other comprehensive income) on the Group's Balance sheet include:

- Available-for-sale reserve, which comprises changes in fair value of available-for-sale investments;
- Property revaluation reserve, which comprises changes in fair value of land and buildings;
- Cash flow hedge reserve, which comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge;
- Foreign currency translation reserve, which is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging;
- Other capital reserve, which includes the portions of compound financial liabilities that qualify as equity, as well as statutory and other banking regulatory credit risk reserves.

OPERATING INCOME

Income such as revenue derived from service fees, net interest income, commissions, net surplus arising from trading activities and other income are included in operating income.

INTEREST

Interest income and interest expense are recognised in the income statement for all interest-bearing financial instruments on an accruals basis using the effective yield method except for those classified as held for trading based on the original settlement amount. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest earned on accounts, which have been in arrears for three months or more is credited to an interest in suspense account. This interest is only recognised in the income statement when the account is no longer in arrears.

FEE AND COMMISSION INCOME

Fee and commission income arises from services provided by the Group, including cash management, project and structured trade finance transactions. Fee and commission income is recognised when the corresponding service is provided and receipt of the fee is certain. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period.

NET TRADING INCOME

Net trading income includes realised gains and losses arising from trading in financial assets and liabilities and unrealised changes in fair value of these instruments.

DIVIDEND INCOME

Dividend income is recognised in the income statement on the date that the dividend is declared.

RENTAL INCOME

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of total rental income.

OTHER NON-INTEREST INCOME

Revenue and income from the provision of services is recognised when the amount of income and the costs in connection with providing the services as well as the percentage of completion can be reliably measured as of the reporting date.

LEASES

Group as lessee

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the leases' inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor. Leases of assets are classified as operating leases if the lessor effectively retains all the risks and rewards of ownership. Payments made under operating leases, net of any incentives received from the lessor are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Group as lessor

Lease and instalment sale contracts are primarily financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances on the balance sheet. Finance charges earned are computed using the effective interest method, which reflects a constant periodic return on the investment in the finance lease. Initial direct costs paid are capitalised to the value of the lease amount receivable and accounted for over the lease term as an adjustment to the effective rate of return. The benefits arising from investment allowances on assets leased to clients are accounted for in tax. Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases. Receipts of operating leases from properties held as investment properties in investment management net of any incentives given to lessees, are accounted for as rental income on the straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required by the lessee by way of penalty is recognised as income in the period in which termination takes place.

REPOSSESSED ASSETS

Repossessed assets are not brought on balance sheet until they are sold off to extinguish or reduce the outstanding debt.

EMPLOYEE BENEFITS

Defined contribution plans

In terms of certain employment contracts, the Group provides for medical aid contributions to qualifying employees beyond the date of normal retirement. Although these benefits are a defined benefit plan, the full liability has not been recognised as the number of employees affected is very small. The contributions are recognised as an expense in the income statement as incurred.

Termination benefits

The Group recognises gratuity and other termination benefits in the financial statements when it has a present obligation relating to termination.

Leave pay accrual

The Group's obligation in respect of accumulated leave days is recognised in full in the financial statements, on an undiscounted basis and is expensed as the related services are provided.

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Additional income taxes that arise from the distribution of dividend are recognised at the same time as the liability to pay the related dividend is recognised. Deferred tax assets and liabilities are recognised for temporary differences between the tax base of the assets and liabilities and their carrying amounts pursuant to the IFRS financial statements using the liability method. Deferred tax assets or liabilities are measured using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities, in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries and joint ventures (excluding mutual funds) where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

Deferred tax assets for temporary differences and for unused tax losses are recognised at the probable amount of temporary differences or unused tax losses that can be offset against future positive taxable income. Current and deferred tax relating to items that are charged or credited directly to equity, are also charged or credited directly to equity and are subsequently recognised in the income statement when the related deferred gain or loss is recognised.

SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group Executive Committee as its chief operating decision maker. All transactions between business segments are conducted on an arm´s length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance. In accordance with IFRS 8, the Group has the following business segments: Banking operations in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe and non-banking operations arising from ABCH and non-banking subsidiaries.

FINANCIAL RISK MANAGEMENT

The Group's activities exposes it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or a combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by Group Risk, under policies approved by the Board of Directors. The Board approves principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and price risk.

CREDIT RISK

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation.

Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Country (or Sovereign) risk is part of overall credit risk and is managed as part of the credit risk management function as it has a major impact on individual counterparties ability to perform. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in loans and advances, debt securities and other bills. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The Group Risk team reviews subsidiary risk exposures regularly, and reports to the Board of Directors.

The Board has defined and documented a credit policy for the Group which forms the basis of credit decisions. This policy includes a framework of limits and delegation of credit approval authority which are strictly adhered to; refer to "Risk and Governance"on page 29. No one individual has the power to authorise credit exposures. Each subsidiary has a credit committee which operates within the defined limits set by the Board. These committees are responsible for the management of credit risk within their country including, credit decisions, processes, legal and documentation risk and compliance with impairment policies.

The Group Risk Department regularly reviews each subsidiary's adherence to required standards.

The Executive Committee reports to the Board and is responsible for approval of credit decisions that are above country limits, recommendations on exposure limits and impairment policies. There is also a Board Credit Committee that approves any loans above the EXCO limit.

The Group has adopted standard impairment policies which at a minimum comply with the prudential guidelines of the respective countries' central banks. Impairments are determined monthly at subsidiary level and are subject to regular review by Group Risk.

CREDIT RISK MANAGEMENT

Loans and advances

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Group considers three components: the probability of default by the client or counterparty on its contractual obligations; the current exposures to the counterparty and its likely future development; and the likely recovery on the defaulted obligations.

These credit risk measurements, which reflect expected loss, are embedded in the Group's daily operational management. The operational measurements are contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the balance sheet date.

The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties. They have been developed internally and combine statistical analysis for certain categories, as well as credit officer judgment. Clients of the Group are segmented into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

Group's internal rating scale

Category	Description
Performing	The credit appears satisfactory
Special mention	The credit appears satisfactory but exhibits potential or inherent weaknesses which, if not attended to, may weaken the asset or prospects of collection in full e.g. poor documentation or 30 days but less than 90 days in arrears
Sub-standard	The credit has defined weaknesses that may jeopardise liquidation of the debt i.e. the paying capacity of the borrower is doubtful or inadequate, or more than 90 days but less than 180 days in arrears
Doubtful	Credit facilities with above weaknesses and has deteriorated further to the extent that even with the existing security, full recovery will not be possible, or 180 days but less than 12 months in arrears
Loss	Facilities considered impossible to collect with little or no realisible security, or more than 12 months in arrears

RISK LIMIT CONTROL AND MITIGATION POLICIES

The Group manages, limits and controls concentrations of credit risk in respect of individual counterparties and groups, and to industries and countries. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors, and reviewed regularly. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are:

- cash collateral;
- charges over assets financed;
- mortgages over residential and commercial properties;
- charges over business assets such as premises, inventory and accounts receivable; and
- charges over financial instruments such as debt securities and equities.

Loans and advances to corporates are generally secured. In addition, in order to minimise credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

(c) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(d) Derivatives

The Group maintains strict control limits on net open derivative positions (that is, the difference between purchase and sale contracts) by both amount and term. The amount subject to credit risk is limited to expected future net cash inflows of instruments, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not always obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

IMPAIRMENT POLICIES

The impairments shown in the balance sheet at year-end are derived from each of the five internal rating grades, adjusted for the provision of IAS 39. The table below shows the percentage of the Group's on-and-off balance sheet items relating to loans and advances and the associated impairment for each of the Group's internal rating categories.

IMPAIRMENTS CLASSIFICATION

	2012		2011	
Category	Loans and advances (%)	Impairments (%)	Loans and advances (%)	Impairments (%)
Performing	85%	19%	87%	17%
Special mention	6%	5%	6%	8%
Sub-standard	3%	22%	4%	15%
Doubtful	1%	4%	1%	7%
Loss	5%	50%	2%	53%
	100%	**100%**	**100%**	**100%**

Impairments are managed on an expected loss basis, and are recorded on an actual loss basis.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- delinquency in contractual payments of principal or interest;
- cash flow difficulties experienced by the borrower;
- breach of loan covenants or conditions;
- initiation of bankruptcy proceedings;
- deterioration of the borrower's competitive position;
- deterioration in the value of collateral; and
- downgrading below "Performing" level.

The Group's policy requires the review of individual financial assets at least once a month, or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet financial instruments, before taking into account any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements. For financial assets recognised on the balance sheet, the exposure to credit risk equals their carrying amount before deducting impairments. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the guarantees are called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities. Investment in associates and listed equities have been excluded as they are regarded as primarily exposing the Group to market risk.

Credit risk exposures relating to on-balance sheet assets are as follows:

BWP'000s	2012	2011
Placements with other banks	1,585,580	1,114,126
Derivative financial assets	33,769	32,337
Financial assets held for trading	1,022,864	651,049
– Government bonds	73,580	52,747
– Corporate bonds	30,206	26,709
– Treasury bills	919,078	571,593
	189,698	221,283
Financial assets designated at fair value	189,698	221,283
Loans and advances to customers at amortised cost	9,460,235	6,294,959
– Mortgage lending	268,054	65,201
– Instalment finance	561,501	331,826
– Corporate lending	4,611,729	4,440,053
– Commercial and property finance	54,066	169,531
– Consumer lending	3,964,885	1,288,348
Investment securities	45,853	42,172
– Promissory notes	45,853	42,172
Prepayments and receivables	194,042	172,000
Current tax assets	31,657	8,458
	12,563,698	**8,536,384**
Contingent liabilities		
Credit exposures relating to off-balance sheet items are as follows:		
Guarantees	613,547	337,516
Loan commitments and other credit related facilities	183,052	95,387
	796,599	**432,903**

75% (2011: 74%) of the total maximum exposure is derived from loans and advances, while 8% (2011: 8%) represents financial assets held for trading.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loan and advances portfolio and financial assets held for trading based on the following:

- 91% (2011: 93%) of the gross loans and advances portfolio is categorised in the top two grades of the internal rating system;
- 85% (2011: 87%) of the gross loans and advances portfolio is considered to be "neither past due nor impaired";
- 9% (2011: 7%) of gross loans and advances are "individually impaired";
- the Group continues to improve its credit selection and monitoring processes; and
- loans and advances to corporates are generally backed by collateral.

NATURE OF SECURITY HELD

The nature of security held ranges from cash security, assets financed, bonds over residential and commercial property, shares and stock in trade.

CREDIT QUALITY

Loans and advances

The following tables reflect broadly, stable credit quality across the majority of the Group's businesses.

Distribution of loans and advances by credit quality:

BWP'000s	2012	2011
Neither past due nor impaired	8,020,250	5,472,461
Past due but not impaired	565,367	404,327
Individually impaired	874,618	418,171
Gross loans and advances	9,460,235	6,294,959
Less: Allowance for impairment	(316,193)	(217,560)
Net loans and advances	**9,144,042**	**6,077,399**

The total impairment of loans and advances is BWP316.2 million (2011: BWP217.6 million).

Further information on the impairment allowance for loans and advances to customers is provided in Notes 2 and 10.

During the year ended 31 December 2012, the Group's total gross loans and advances increased by 50% (2011: increased by 95%), attributable to significant expansion in consumer and personal loans in Botswana and Zimbabwe. Loans and advances to the corporate sector continue to form a major part of the Group's lending portfolio.

(a) Distribution of loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted below:

Internal Grade: Performing

BWP'000s	2012	2011
Mortgage lending	264,805	56,973
Instalment finance	471,430	266,236
Corporate lending	3,439,016	3,791,223
Commercial and property finance	52,958	150,220
Consumer lending	3,792,041	1,207,809
	8,020,250	**5,472,461**

(b) Loans and advances past due but not impaired: age analysis

Internal Grade: Special mention

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired.

Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

2012	Days past due			
BWP'000s	1 – 30 days	31 – 60 days	61 – 90 days	Total
Internal Grade: Special mention				
Instalment finance	14,727	25,884	16,104	56,715
Corporate lending	127,578	103,206	207,336	438,120
Consumer lending	31,346	21,691	17,495	70,532
	173,651	**150,781**	**240,935**	**565,367**

2011	Days past due			
BWP'000s	1 – 30 days	31 – 60 days	61 – 90 days	Total
Internal Grade: Special mention				
Mortgage lending	3,095	3,047	–	6,142
Instalment finance	15,378	10,601	340	26,319
Corporate lending	140,865	143,776	49,682	334,323
Commercial and property finance	5,118	–	–	5,118
Consumer lending	27,796	1,546	3,083	32,425
	192,252	**158,970**	**53,105**	**404,327**

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets.

Collateral taken for this category includes cash, mortgages over residential properties, charges over business assets such as inventory and accounts receivable, and charges over financial instruments such as debt securities and equities.

(c) Loans and advances individually impaired

The individually impaired loans and advances before taking into consideration the cash flows from collateral held is BWP874.6 million (2011: BWP418.2 million).

Under-collaterised loans are considered for impairment. In the prior year these included an exposure in the ABC Holdings Limited stand-alone financial statements of BWP91.6 million. The exposure was classified as "Performing" at 31 December 2012 (see note 32).

Collateral taken for this category includes cash, mortgages over residential properties, charges over business assets such as premises, inventory and accounts receivable, and charges over financial instruments such as debt securities and equities.

(d) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status, and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Renegotiated loans totalled BWP95.6 million at 31 December 2012 (2011: BWP27.2 million).

BWP'000s	2012	2011
Mortgage lending	–	942
Instalment finance	8,251	–
Corporate lending	39,416	24,941
Commercial and property finance	42,580	–
Consumer lending	5,336	1,324
	95,583	**27,207**

REPOSSESSED COLLATERAL

During 2012, the Group obtained assets by taking possession of collateral held as security. At 31 December 2012, these comprised of:

Nature of assets	2012	2011
Property	13,031	–
Motor vehicles	2,218	50
Carrying amount	**15,249**	**50**

Repossessed properties are sold as soon as practical, with the proceeds used to reduce the outstanding indebtedness.

Repossessed property is classified in the balance sheet under prepayments and other receivables. Repossessed property, is moderately liquid with a readily available market. The Group normally recovers at least 90% of the carrying amount of each property

OTHER CLASSES OF FINANCIAL ASSETS

All other classes of financial assets are allocated the internal grade "Performing" and are neither past due nor impaired.

These classes of financial assets are subjected to the same credit processes as loans and advances.

Concentration risk of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2012.

For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

2012 BWP'000s	Botswana	Mozam-bique	Tanzania	Zambia	Zimbabwe	Other	Total
Placements with other banks	397,307	173,925	145,877	180,763	560,436	127,272	1,585,580
Financial assets held for trading	732,972	107,085	53,131	54,637	75,039	–	1,022,864
Financial assets designated at fair value	–	–	72,507	–	37,129	80,062	189,698
Derivative financial assets	4,122	124	20,876	133	–	8,514	33,769
Loans and advances (net of impairments)	3,023,147	876,853	754,173	1,059,824	3,393,644	36,401	9,144,042
Investment securities	45,853	–	–	–	–	–	45,853
Prepayments and other receivables	10,263	5,364	23,658	8,962	141,271	4,524	194,042
Current tax asset	3,485	4,245	15,628	–	8,299	–	31,657
	4,217,149	**1,167,596**	**1,085,850**	**1,304,319**	**4,215,818**	**256,773**	**12,247,505**

2011 BWP'000s	Botswana	Mozam-bique	Tanzania	Zambia	Zimbabwe	Other	Total
Placements with other banks	286,932	198,364	235,938	167,552	114,457	110,883	1,114,126
Financial assets held for trading	418,406	119,904	49,073	36,957	26,709	–	651,049
Financial assets designated at fair value	–	–	35,871	–	110,421	74,991	221,283
Derivative financial assets	1,230	135	4,710	63	2	26,197	32,337
Loans and advances (net of impairments)	1,410,762	761,938	582,758	603,581	2,684,717	33,643	6,077,399
Investment securities	42,172	–	–	–	–	–	42,172
Prepayments and other receivables	3,868	4,467	15,286	10,166	134,835	3,378	172,000
Current tax asset	–	–	8,458	–	–	–	8,458
	2,163,370	**1,084,808**	**932,094**	**818,319**	**3,071,141**	**249,092**	**8,318,824**

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by the industry sectors of the counterparties.

2012 BWP'000s	Agriculture	Construction	Wholesale, retail and trade	Public sector	Manufacturing
Placements with other banks	–	–	–	–	–
Financial assets held for trading	–	–	–	–	4,015
Financial assets designated at fair value	–	–	–	–	27,201
Derivative financial assets	–	–	–	–	–
Loans and advances	595,062	365,041	753,732	176,535	814,746
Investment securities	–	–	–	–	–
Prepayments and other receivables	–	–	2,225	–	–
Current tax assets	–	–	–	19,874	–
	595,062	**365,041**	**755,957**	**196,409**	**845,962**

2011 BWP'000s	Agriculture	Construction	Wholesale, retail and trade	Public sector	Manufacturing
Placements with other banks	–	–	–	–	–
Financial assets held for trading	–	7,692	1,547	49,073	–
Financial assets designated at fair value	77,125	–	–	–	14,390
Derivative financial assets	–	–	135	–	–
Loans and advances	520,430	349,656	1,137,253	130,781	574,760
Investment securities	–	–	–	–	–
Prepayments and other receivables	–	–	17,209	–	–
Current tax assets	–	–	–	8,458	–
	597,555	**357,348**	**1,156,144**	**188,312**	**589,150**

MARKET RISK

The Group takes on exposure to market risks, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rate, credit spreads, foreign exchange rates and equity prices.

Market and foreign currency exposures related to dealing positions are housed and managed in the Treasury division within a framework of pre-approved dealer, currency and counterparty limits. All trading positions are marked to market as required by IAS 39. Group Risk is responsible for monitoring of limits and pricing, thereby ensuring that any errors or unauthorised transactions are promptly identified.

The currency exposure that arises as a result of the Group's continuing expansion and cross border investment activities is managed through the Executive Committee and the Group Asset and Liability Committee.

Mining	Financial Services	Transport and Energy	Individuals	Tourism	Other	Total
–	1,585,580	–	–	–	–	1,585,580
333	993,228	–	–	–	25,288	1,022,864
45,860	116,637	–	–	–	–	189,698
–	33,646	–	–	–	123	33,769
1,077,569	670,221	506,156	3,801,458	99,818	283,704	9,144,042
–	45,853	–	–	–	–	45,853
–	165,770	–	–	–	26,047	194,042
–	8,184	–	–	–	3,599	31,657
1,123,762	**3,619,119**	**506,156**	**3,801,458**	**99,818**	**338,761**	**12,247,505**

Mining	Financial Services	Transport and energy	Individuals	Tourism	Other	Total
–	1,114,126	–	–	–	–	1,114,126
–	575,267	–	–	–	17,470	651,049
–	93,897	35,871	–	–	–	221,283
–	32,202	–	–	–	–	32,337
842,833	516,236	292,734	1,256,703	94,851	361,162	6,077,399
–	42,172	–	–	–	–	42,172
–	116,803	–	–	–	37,988	172,000
–	–	–	–	–	–	8,458
842,833	**2,490,703**	**328,605**	**1,256,703**	**94,851**	**416,620**	**8,318,824**

Market risk measurement techniques

The major measurement techniques used to measure and control market risk are outlined below.

Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Group Risk sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2012.

Included in the table are the Group's total assets and liabilities (financial and non-financial) at carrying amounts, categorised by currency.

Concentration of currency risk: On-and-off balance sheet financial instruments

At 31 December 2012 **BWP'000s**	EUR	USD	BWP	ZAR
Cash and short-term funds	10,835	888,020	428,322	202,102
Financial assets held for trading	–	75,039	732,972	–
Financial assets designated at fair value	834	162,210	–	–
Derivative financial asset*	–	216,315	2,852	9,871
Loans and advances	30,349	4,316,279	2,936,109	2,497
Investment securities	–	–	45,853	–
Prepayments and other receivables	802	149,554	10,778	1,546
Current tax asset	–	8,298	3,485	–
Investment in associates	–	5,089	4,246	–
Property and equipment	308	402,163	70,538	31,628
Intangible assets	(0)	21,399	54,679	136
Deferred tax asset	–	27,927	18,019	1,268
	43,128	**6,272,293**	**4,307,853**	**249,048**
Deposits	31,102	4,230,128	3,647,113	356,936
Derivative financial liabilities*	–	573,679	–	8,851
Creditors and accruals	133	80,011	61,420	13,421
Current tax liabilities	–	10,529	988	–
Deferred tax liabilities	–	1,553	4,009	–
Borrowed funds	7,736	736,050	373,388	–
	38,971	**5,631,950**	**4,086,918**	**379,208**
Net on-balance sheet position	**4,157**	**640,343**	**220,935**	**(130,160)**
Credit commitments	**20,399**	**301,197**	**8,988**	**85,840**

* *Notional amounts have been reported in the currency columns and adjustments made in "Other" to arrive at the fair values.*

As is evident from the table above, the Group is primarily exposed to USD as a foreign currency. Should the USD exchange rate strengthen or weaken by 10% against the relative functional currency of the entity holding the USD denominated financial asset or liability on its balance sheet (with all other variables remaining constant) the impact on the consolidated profit before tax would be as follows:

Denominated	Functional currency	Net USD asset/(liability) BWP'000	Impact of 10% strengthening in USD exchange rate	Impact of 10% weakening in USD exchange rate
USD	BWP	391,736	BWP39.2 million increase	BWP39.2 million reduction
USD	MZN	60,845	BWP6.1 million increase	BWP6.1 million reduction
USD	TZS	132,231	BWP13.2 million increase	BWP13.2 million reduction
USD	ZMK	(140,005)	BWP14.0 million reduction	BWP14.0 million increase

	TZS	ZMK	MZN	JPY	Other	Total
	120,034	42,830	167,126	–	–	1,859,269
	53,132	54,637	107,084	–	–	1,022,864
	26,654	–	–	–	–	189,698
	507,537	–	1,572	94,411	(798,789)	33,769
	273,497	794,119	682,961	–	108,231	9,144,042
	4,904	1,781	1,962	–	–	54,500
	23,658	6,640	991	–	73	194,042
	15,629	–	4,245	–	–	31,657
	1,866	–	–	–	–	11,201
	22,303	41,453	90,445	–	–	658,838
	19,485	11,089	32,357	–	–	139,145
	19,308	2,218	–	–	–	68,740
	1,088,007	**954,767**	**1,088,743**	**94,411**	**(690,485)**	**13,407,765**
	856,745	425,334	1,094,125	13,710	19,918	10,675,111
	235,532	–	2,791	–	(798,232)	22,621
	19,265	119,496	9,244	–	375	303,365
	–	8,666	–	–	–	20,183
	6,332	894	4,882	–	–	17,670
	772	–	–	94,785	–	1,212,731
	1,118,646	**554,390**	**1,111,042**	**108,495**	**(777,939)**	**12,251,681**
	(30,639)	**400,377**	**(22,299)**	**(14,084)**	**87,454**	**1,156,084**
	41,366	**227,228**	**98,381**	**13,200**	**–**	**796,599**

At 31 December 2011

BWP'000s	EUR	USD	BWP	ZAR
Cash and short-term funds	47,371	533,626	302,208	54,662
Financial assets held for trading	451	27,588	418,406	–
Financial assets designated at fair value	–	185,412	–	–
Derivative financial asset*	–	4,594	6,091	1,327
Loans and advances	21,228	3,292,744	1,465,953	2,077
Investment securities	–	4,709	42,172	–
Prepayments and other receivables	1,527	150,478	1,986	1,277
Current tax asset	–	–	–	–
Investment in associates	–	4,472	11,275	–
Property and equipment	–	219,737	134,475	33,022
Investment property	–	2,021	–	–
Intangible assets	–	16,164	52,252	9
Deferred tax asset	–	25,255	15,064	444
	70,577	**4,466,800**	**2,449,882**	**92,818**
Deposits	70,909	3,216,730	2,255,519	50,026
Derivative financial liabilities*	–	151,959	–	–
Creditors and accruals	100	61,549	24,746	10,813
Current tax liabilities	–	17,250	5,322	–
Deferred tax liabilities	–	443	4,485	–
Borrowed funds	4,942	573,220	275,540	–
	75,951	**4,021,151**	**2,565,612**	**60,839**
Net on-balance sheet position	**(5,374)**	**445,649**	**(115,730)**	**31,979**
Credit commitments	**52,995**	**272,999**	**36,742**	**57,955**

* *Notional amounts have been reported in the currency columns and adjustments made in "Other" to arrive at the fair values.*

	TZS	ZMK	MZN	JPY	Other	Total
	117,438	35,486	131,153	12,859	8,628	1,243,431
	47,742	36,957	119,905	–	–	651,049
	35,871	–	–	–	–	221,283
	–	–	216	125,214	(105,105)	32,337
	249,866	363,753	573,533	–	108,245	6,077,399
	–	1,363	–	–	2,059	50,303
	6,376	4,424	1,793	–	4,139	172,000
	–	–	–	–	8,458	8,458
	1,792	–	–	–	–	17,539
	23,859	34,796	68,991	–	–	514,880
	–	–	–	–	–	2,021
	19,518	6,376	36,043	–	–	130,362
	6,200	15,863	–	–	–	62,826
	508,662	**499,018**	**931,634**	**138,073**	**26,424**	**9,183,888**
	583,897	358,311	789,209	14,013	36,086	7,374,700
	–	–	216	–	(105,106)	47,069
	7,442	11,321	10,266	–	4,190	130,427
	–	1,612	3,433	–	–	27,617
	1,756	–	3,036	–	–	9,720
	742	–	–	125,212	2,132	981,788
	593,837	**371,244**	**806,160**	**139,225**	**(62,698)**	**8,571,321**
	(85,175)	**127,774**	**125,474**	**(1,152)**	**89,122**	**612,567**
	12,212	**–**	**–**	**–**	**–**	**432,903**

INTEREST RATE RISK

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise.

The Asset and Liability Committee (ALCO) is responsible for managing interest rate and liquidity risk in the Group. Asset and Liability management committees have been established in each subsidiary and meet on a monthly basis. They operate within the prudential guidelines and policies established by Group ALCO.

In order to reduce interest rate risk, the majority of the Group's lending is on a variable interest rate with a term of less than one year. This approach has been adopted as a result of the scarcity of term deposits in the region which limits the Group's ability to build a substantial, stable pool of fixed rate funding.

The table below summarises the Group's total exposure to interest rate risks on financial and non-financial instruments. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Variable rate financial instruments are categorised in the "up to 1 month" column.

2012 BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Total interest sensitive	Non-interest bearing	Total
Cash and short-term funds	1,000,109	76,298	–	–	1,076,407	782,862	1,859,269
Financial assets held for trading	667,072	87,776	156,861	95,374	1,007,083	15,781	1,022,864
Financial assets designated at fair value	–	–	16,833	19,425	36,258	153,440	189,698
Derivative financial assets	–	–	–	–	–	33,769	33,769
Loans and advances	4,050,313	714,292	1,650,475	2,728,962	9,144,042	–	9,144,042
Investment securities	–	895	–	47,634	48,529	5,971	54,500
Prepayments and other receivables	–	–	–	221	221	193,821	194,042
Current tax asset	–	–	–	–	–	31,657	31,657
Investment in associates	–	–	–	–	–	11,201	11,201
Property and equipment	–	–	–	–	–	658,838	658,838
Intangible assets	–	–	–	–	–	139,145	139,145
Deferred tax asset	–	–	–	–	–	68,740	68,740
Assets	**5,717,494**	**879,261**	**1,824,169**	**2,891,616**	**11,312,540**	**2,095,225**	**13,407,765**
Equity	**–**	**–**	**–**	**–**	**–**	**1,156,084**	**1,156,084**
Deposits	7,610,080	2,812,489	252,542	–	10,675,111	–	10,675,111
Derivative financial liabilities	–	–	–	–	–	22,621	22,621
Creditors and accruals	–	–	–	–	–	303,365	303,365
Current tax liabilities	–	–	–	–	–	20,183	20,183
Deferred tax liability	–	–	–	–	–	17,670	17,670
Borrowed funds	20,802	156,382	594,134	441,413	1,212,731	–	1,212,731
Liabilities	**7,630,882**	**2,968,871**	**846,676**	**441,413**	**11,887,842**	**363,839**	**12,251,681**
Total interest repricing gap	**(1,913,388)**	**(2,089,610)**	**977,493**	**2,450,203**	**(575,302)**	**575,302**	**–**

2011 BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Total interest sensitive	Non- interest bearing	Total
Cash and short-term funds	506,658	184,439	–	–	691,097	552,334	1,243,431
Financial assets held for trading	79,971	405,150	98,857	48,054	632,032	19,017	651,049
Financial assets designated at fair value	16,635	–	–	185,740	202,375	18,908	221,283
Derivative financial assets	–	–	–	–	–	32,337	32,337
Loans and advances	3,350,971	374,551	1,078,255	1,273,622	6,077,399	–	6,077,399
Investment securities	–	–	–	7,728	7,728	42,575	50,303
Prepayments and other receivables	–	–	–	–	–	172,000	172,000
Current tax asset	–	–	–	–	–	8,458	8,458
Investment in associates	–	–	–	–	–	17,539	17,539
Property and equipment	–	–	–	–	–	514,880	514,880
Investment property	–	–	–	–	–	2,021	2,021
Intangible assets	–	–	–	–	–	130,362	130,362
Deferred tax asset	–	–	–	–	–	62,826	62,826
Assets	**3,954,235**	**964,140**	**1,177,112**	**1,515,144**	**7,610,631**	**1,573,257**	**9,183,888**
Equity	**–**	**–**	**–**	**–**	**–**	**612,567**	**612,567**
Deposits	4,781,494	1,677,412	857,957	301	7,317,164	57,536	7,374,700
Derivative financial liabilities	–	–	–	–	–	47,069	47,069
Creditors and accruals	–	–	–	–	–	130,427	130,427
Current tax liabilities	–	–	–	–	–	27,617	27,617
Deferred tax liability	–	–	–	–	–	9,720	9,720
Borrowed funds	24,262	228,704	222,818	506,004	981,788	–	981,788
Liabilities	**4,805,756**	**1,906,116**	**1,080,775**	**506,305**	**8,298,952**	**272,369**	**8,571,321**
Total interest repricing gap	**(851,521)**	**(941,976)**	**96,337**	**1,008,839**	**(688,321)**	**688,321**	**–**

The table below illustrates the impact of a possible 50 basis points interest rate movement for each banking subsidiary:

	2012		2011	
BWP'000s	Pre-tax	Post-tax	Pre-tax	Post-tax
BancABC Botswana				
ABC Botswana constituted 36% of the Group's total assets.				
Change in net interest income (+50 basis points)	1,262	984	761	593
As a percentage of total Shareholders equity	0.31%	0.24%	0.47%	0.36%
Change in net interest income (-50 basis points)	(1,262)	(984)	(761)	(593)
As a percentage of total Shareholders equity	(0.31%)	(0.24%)	(0.47%)	(0.36%)
BancABC Zambia				
ABC Zambia constituted 11% of the Group's total assets.				
Change in net interest income (+50 basis points)	(2,225)	(1,335)	322	193
As a percentage of total Shareholders equity	(1.51%)	(0.91%)	0.45%	0.27%
Change in net interest income (-50 basis points)	2,225	1,335	(322)	(193)
As a percentage of total Shareholders equity	1.51%	0.91%	(0.45%)	(0.27%)
BancABC Mozambique				
ABC Mozambique constituted 10% of the Group's total assets				
Change in net interest income (+50 basis points)	43	29	(66)	(45)
As a percentage of total Shareholders equity	0.02%	0.02%	(0.04%)	(0.03%)
Change in net interest income (-50 basis points)	(43)	(29)	66	45
As a percentage of total Shareholders equity	(0.02%)	(0.02%)	0.04%	0.03%
BancABC Tanzania				
ABC Tanzania constituted 8% of the Group's total assets				
Change in net interest income (+50 basis points)	1,320	924	592	414
As a percentage of total Shareholders equity	2.17%	1.52%	0.60%	0.42%
Change in net interest income (-50 basis points)	(1,320)	(924)	(592)	(414)
As a percentage of total Shareholders equity	(2.17%)	(1.52%)	(0.60%)	(0.42%)
BancABC Zimbabwe				
ABC Zimbabwe constituted 32% of the Group's total assets				
Change in net interest income (+50 basis points)	(3,426)	(2,544)	(797)	(591)
As a percentage of total Shareholders equity	(0.81%)	(0.60%)	(0.28%)	(0.21%)
Change in net interest income (-50 basis points)	3,426	2,544	797	591
As a percentage of total Shareholders equity	0.81%	0.60%	0.28%	0.21%

The interest rate sensitivity analyses set out in the table above are illustrative only and are based on simplified scenarios over a period of one year.

Sensitivity analysis of market price

The Group holds, directly or through its associates, listed equities with a fair value of BWP37.1 million (2011: BWP33.3 million).

The Group is therefore exposed to gains or losses related to the variability in the market prices of the equities held.

LIQUIDITY RISK

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Liquidity risk management process

The Group holds liquidity reserves in highly tradable instruments or money market placements which are immediately available if required. Liquidity is assessed by currency as well as by time bracket. Group liquidity management is dependent upon accurate cash flow projections and the monitoring of its future funding requirements. The Group's liquidity management process is monitored by Group Treasury and includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in global money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Group Treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letter of credit and guarantees.

The Group's maturity analysis (on a discounted cash flow basis) of all assets, liabilities and equity as at 31 December 2012 was as follows:

2012 **BWP'000s**	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total
Cash and short-term funds*	1,749,767	109,502	–	–	1,859,269
Financial assets held for trading	690,740	102,178	148,973	80,973	1,022,864
Financial assets designated at fair value	521	7,233	14,586	167,358	189,698
Derivative financial assets	3,723	–	–	30,046	33,769
Loans and advances	2,426,909	273,488	1,226,925	5,216,720	9,144,042
Investment securities	1,765	–	–	52,735	54,500
Prepayments and other receivables	39,814	16,761	137,467	–	194,042
Current tax asset	–	7,641	24,016	–	31,657
Investment in associates	–	–	–	11,201	11,201
Property and equipment	–	–	–	658,838	658,838
Intangible assets	–	–	–	139,145	139,145
Deferred tax asset	–	–	–	68,740	68,740
Total assets	**4,913,239**	**516,803**	**1,551,967**	**6,425,756**	**13,407,765**
Shareholders equity and liabilities					
Equity	**–**	**–**	**–**	**1,156,084**	**1,156,084**
Liabilities					
Deposits	6,482,429	2,930,376	1,262,306	–	10,675,111
Derivative financial liabilities	22,621	–	–	–	22,621
Creditors and accruals	150,833	13,870	138,662	–	303,365
Current tax liabilities	15,480	–	4,703	–	20,183
Deferred tax liabilities	6	19	49	17,596	17,670
Borrowed funds	2,324	41,089	713,524	455,794	1,212,731
Total equity and liabilities	**6,673,693**	**2,985,354**	**2,119,244**	**1,629,474**	**13,407,765**
Net maturity gap	**(1,760,454)**	**(2,468,551)**	**(567,277)**	**4,796,282**	**–**
Contingent liabilities	**117,884**	**190,690**	**420,633**	**67,392**	**796,599**

* *Included in the "Up to 1 month" bucket are statutory reserve balances of BWP544.4 million (2011: BWP378.7 million).*

2011 BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total
Cash and short-term funds*	1,049,890	193,541	–	–	1,243,431
Financial assets held for trading	87,545	423,413	112,098	27,993	651,049
Financial assets designated at fair value	8,616	–	–	212,667	221,283
Derivative financial assets	6,139	–	–	26,198	32,337
Loans and advances	1,234,660	442,777	1,757,424	2,642,538	6,077,399
Investment securities	–	–	1,363	48,940	50,303
Prepayments and other receivables	9,248	1,030	161,722	–	172,000
Current tax asset	–	225	8,233	–	8,458
Investment in associates	–	–	–	17,539	17,539
Property and equipment	–	–	–	514,880	514,880
Investment property	–	–	–	2,021	2,021
Intangible assets	–	–	–	130,362	130,362
Deferred tax asset	–	–	–	62,826	62,826
Total assets	**2,396,098**	**1,060,986**	**2,040,840**	**3,685,964**	**9,183,888**
Shareholders equity and liabilities					
Equity	–	–	–	612,567	612,567
Liabilities					
Deposits	4,839,030	1,677,412	837,759	20,499	7,374,700
Derivative financial liabilities	216	–	–	46,853	47,069
Creditors and accruals	81,995	9,945	38,487	–	130,427
Current tax liabilities	4,051	4,427	19,139	–	27,617
Deferred tax liabilities	–	–	–	9,720	9,720
Borrowed funds	4,458	14,909	380,122	582,299	981,788
Total equity and liabilities	**4,929,750**	**1,706,693**	**1,275,507**	**1,271,938**	**9,183,888**
Net maturity gap	**(2,533,652)**	**(645,707)**	**765,333**	**2,414,026**	**–**
Contingent liabilities	**288,048**	**61,277**	**1,928**	**81,650**	**432,903**

* *Included in the 'Up to 1 month' bucket are statutory reserve balances of BWP378.7 million.*

Funding approach

Sources of liquidity are regularly reviewed by the Asset and Liability Committees to maintain a diversification by currency, geography, provider, product and term where possible.

Non-derivative cash flow

The table below presents the cash flows payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the consolidated statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

2012 BWP'000s	Up to 1 month	1 – 3 months	3 –12 months	Greater than 1 year	Total	Effect of discount/ financing rates	31 Dec 2012
Deposits	6,485,429	2,959,573	1,389,558	–	10,834,560	(159,449)	10,675,111
Creditors and accruals	150,833	13,870	138,662	–	303,365	–	303,365
Current tax liabilities	15,480	–	4,703	–	20,183	–	20,183
Borrowed funds	2,408	51,452	743,993	630,254	1,428,107	(215,376)	1,212,731
Total liabilities	**6,654,150**	**3,024,895**	**2,276,916**	**630,254**	**12,586,215**	**(374,825)**	**12,211,390**

2011 BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total	Effect of discount financing rates	31 Dec 2011
Deposits	4,872,611	1,689,052	843,573	20,642	7,425,878	(51,178)	7,374,700
Creditors and accruals	81,995	9,945	38,487	–	130,427	–	130,427
Current tax liabilities	4,051	4,427	19,139	–	27,617	–	27,617
Borrowed funds	6,347	24,075	598,430	942,192	1,571,044	(589,256)	981,788
Total liabilities	**4,965,004**	**1,727,499**	**1,499,629**	**962,834**	**9,154,966**	**(640,434)**	**8,514,532**

The Group principally uses cash and short-term funds together with financial assets held for trading to manage liquidity risk.

Derivative financial liabilities cash flows

The table below presents the cash flows payable by the Group for derivative financial liabilities by remaining contractual maturities at the date of the consolidated statement of financial position. The amounts disclosed in the table are the contractual undiscounted nominal currency swap cash flows for the liability leg of such swaps, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

2012	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total
Derivative financial liabilities	**835,123**	**85,295**	**115,942**	**17,523**	**1,053,883**

2011	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total
Derivative financial liabilities	762,158	215,275	–	–	977,433

With the exception of swaps where on-going cash flows are settled on a gross basis, all derivative financial liabilities are settled on a net basis.

Financial assets and liabilities measured at fair value

Fair value measurements are disclosed by level. The fair value hierarchy is as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (that is, derived from prices) (level 2); or
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December:

	2012				2011			
BWP'000s	Quoted prices Level 1	Observable inputs Level 2	Unobservable inputs Level 3	Total at fair value	Quoted prices Level 1	Observable inputs Level 2	Unobservable inputs Level 3	Total at fair value
Financial assets held for trading	–	1,022,864	–	1,022,864	–	651,049	–	651,049
Financial assets designated at fair value*	37,129	–	152,569	189,698	33,297	–	187,986	221,283
Derivative financial assets	–	33,769	–	33,769	–	32,337	–	32,337
Investment securities**	–	–	8,647	8,647	–	–	8,131	8,131
Total assets at fair value	**37,129**	**1,056,633**	**161,216**	**1,254,978**	**33,297**	**683,386**	**196,117**	**912,800**
Derivative financial liabilities***	–	–	22,621	22,621	–	–	47,069	47,069
Total liabilities at fair value	**–**	**–**	**22,621**	**22,621**	**–**	**–**	**47,069**	**47,069**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Financial assets held for trading and derivatives under level 2 have been valued using market interest and exchange rates.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Level 3 input:

* In estimating the fair value of instruments under level 3 at 31 December 2012, the following assumptions were applied for investments in convertible debentures of nil (2011: BWP77 million) included in this category:

- Volatility in the price of the underlying equity instrument of 50%;
- Credit spread of 12.54%.

This category further includes unlisted equities housed in an investment company in the Group of BWP73 million (2011: BWP36 million). The unlisted equities have been valued based on the value of recent trades in these equities, other than for a 7.7% investment in an energy utility. This investment is carried at BWP46 million (2011: BWP11 million). It was valued by applying a price earning multiple of 9.73 to the average profit after tax of this entity for the past six years of BWP61 million. The fair value movement in this investment is shared equally with a specified funder, with such fair value of BWP19.8 million being included in derivative financial liabilities (note 21.4). A 10% increase in the fair value of this investment will result in an increase in profit before tax of BWP4.6 million. A 10% decrease in the fair value of this investment will have an equal but opposite effect on profit before tax.

The balance included in this category comprise a balance of BWP80 million (2011: BWP75 million) relating to an investment made in September 2011 in a Special Purpose Entity (SPE) (ADC Enterprises Limited) with a further BWP5 million being invested in 2012. The funds were in turn invested in another syndicated SPE which, together with the funds of other investors, was invested in a foreign bank (refer to note 9). Due to the presence of two unaudited SPEs, the fair value cannot be determined reliably. This investment has been carried at cost less impairment.

** The investment securities comprise of unlisted equities. The unlisted equities have been valued based on the value of recent trades. Investment securities comprise of shareholdings smaller than 20% in a number of private companies.

*** For the detailed assumptions relating to the valuation of the significant level 3 derivative financial liabilities, see note 21.2

The movement in instruments included in the level 3 analysis is as follows:

	2012					
	Trading securities	Trading derivatives	Debt or equity invest-ments	Total assets at fair value	Derivative financial liabilities	Total liabilities at fair value
Opening balance	**–**	**–**	**196,117**	**196,117**	**47,069**	**47,069**
Total gains or losses	–	–	–	–	–	–
in profit or loss	–	–	40,915	40,915	19,661	19,661
in other comprehensive income	–	–	–	–	–	–
Purchases	–	–	2,166	2,166	–	–
Issues	–	–	–	–	–	–
Settlements	–	–	(86,371)	(86,371)	–	–
Transfer to equity	–	–	–	–	(44,109)	(44,109)
Exchange rate adjustment	–	–	8,389	8,389	–	–
Transfers out of level 3	–	–	–	–	–	–
Closing balance	**–**	**–**	**161,216**	**161,216**	**22,621**	**22,621**

	2011					
	Trading securities	Trading derivatives	Debt or equity invest-ments	Total assets at fair value	Derivative financial liabilities	Total liabilities at fair value
Opening balance	**–**	**–**	**78,549**	**78,549**	**–**	**–**
Total gains or losses	–	–	–	–	–	–
in profit or loss	–	–	27,611	27,611	27,485	27,485
in other comprehensive income	–	–	–	–	–	–
Purchases	–	–	89,599	89,599	19,584	19,584
Issues	–	–	–	–	–	–
Settlements	–	–	–	–	–	–
Exchange rate adjustment	–	–	358	358	–	–
Transfers out of level 3	–	–	–	–	–	–
Closing balance	**–**	**–**	**196,117**	**196,117**	**47,069**	**47,069**

Financial instruments not measured at fair value

The table below details the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value:

	2012			2011		
	Carrying value	Fair value	Un-recognised profit/(loss)	Carrying value	Fair value	Un-recognised profit/(loss)
Borrowed funds	**1,212,731**	**1,291,200**	**(78,469)**	**981,788**	**1,068,349**	**(86,561)**

Financial instruments not measured at fair value, where the carrying value is estimated to approximate the fair value of these instruments, were as follows:

(i) Placements with other banks
Placements with other banks includes inter-bank placements and items in the course of collection.

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. All placements are floating rate placements.

(ii) Loans and advances
Loans and advances are accounted for on an amortised cost basis using the effective interest rate. Origination transaction costs and origination fees received that are integral to the effective interest rate are capitalised to the value of the loans and amortised through interest income as part of the effective interest rate. Loans and advances are stated net of allowances for specific and portfolio impairment.

(iii) Investment securities
Investment securities include only interest- bearing assets held to maturity, and unlisted equities; assets classified as available for sale are measured at fair value. Fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(iv) Deposits
The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

The majority of deposits are at floating rates, or when at fixed rates, fixed for less than 3 months.

OFF-BALANCE-SHEET ITEMS

BWP'000s	2012	2011
(a) Contingent liabilities		
Guarantees	613,547	337,516
Letters of credit, loan commitments and other contingent liabilities	183,052	95,387
	796,599	**432,903**
The timing profile of the contractual amounts of the Group's off-balance-sheet financial instruments that commit it to extend credit to customers and other facilities as at 31 December, are summarised below:		
Less than one year	729,207	351,253
Between one and five years	67,392	81,650
	796,599	**432,903**
(b) Capital commitments		
Approved and contracted for	2,678	10,782
Approved but not contracted for	60,515	93,571
	63,193	**104,353**
(c) Non-cancelable operating leases commitments		
Future minimum lease payments under non-canceled operating leases are as follows:		
Office premises	95,245	64,353
Equipment and motor vehicles	–	–
	95,245	**64,353**
Non-cancelable operating leases are payable as follows:		
Less than one year	11,966	6,327
Between one and five years	22,455	33,403
Over five years	60,824	24,623
	95,245	**64,353**

CAPITAL MANAGEMENT

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- to comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Basel Committee and the relevant Central Bank Authorities. The required information is filed with the Authorities on a monthly basis.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business. At 31 December 2012 all regulated banking operations complied with all externally imposed capital requirements, except for BancABC Tanzania. Management is currently is in the process of finalising a recapitalisation plan to inject between BWP80 million and BWP110 million into the entity.

There have been no material changes to the Group's management of capital during the year.

Regulatory minimum capital adequacy ratios for the Group's banking operations based on December 2012 returns submitted to regulatory authorities, are summarised below:

2012 BWP'000s	BancABC Botswana	BancABC Zimbabwe	BancABC Zambia	BancABC Tanzania	Banc ABC Mozambique
Tier I capital					
Share capital and premium	222,479	195,232	148,116	128,973	81,319
Capital reserves and retained earnings	183,758	170,846	(614)	(112,921)	65,262
Allocation for market and operational risk	–	(18,973)	–	–	–
Intangible assets (software)/ deferred charges	–	–	–		(17,941)
Prepayments	–	3	–	(10,437)	–
Exposures to insiders	–	(23,872)		–	–
Total qualifying for Tier I capital	**406,237**	**323,236**	**147,502**	**5,615**	**128,640**
Tier II capital					
Shareholder's loan	108,730	136,028	82,905	51,802	62,184
General debt provision	18,687	32,733	–	–	–
Current year's unpublished profits	–	–	–	–	–
Fair value revaluation/ available for sale reserve	–	5,842	–	–	–
Other	–	–	–	–	–
Revaluation reserves (limited to Tier I capital)	1,352	30,094	–	–	–
Total qualifying for Tier II capital	**128,769**	**204,697**	**82,905**	**51,802**	**62,184**
Tier III capital	–	18,973	–	–	–
Total qualifying for Tier III capital	**–**	**18,973**	**–**	**–**	**–**
Total capital	**535,006**	**546,906**	**230,407**	**57,417**	**190,824**
Risk weighted assets*					
On-balance-sheet assets	3,280,435	3,579,286	1,047,631	881,357	1,093,708
Off-balance-sheet assets	9,808	488,560	268,318	84,560	38,473
Total risk weighted assets	**3,290,243**	**4,067,846**	**1,315,949**	**965,917**	**1,132,181**
Capital adequacy ratio	16%	13%	18%	6%	17%
Minimum regulatory capital adequacy ratio	15%	12%	10%	12%	8%

* *Weighting of assets is based on the nature of the asset and the weighting as prescribed by the relevant regulatory authority.*

2011 BWP'000s	BancABC Botswana	BancABC Zimbabwe	BancABC Zambia	BancABC Tanzania	BancABC Mozambique
Tier I capital					
Share capital and premium	71,470	171,272	81,004	128,973	61,810
Capital reserves and retained earnings	89,325	91,913	(3,297)	(31,784)	58,041
Intangible assets (software)	–	–	–	–	(20,754)
Allocation for market and operational risk	–	(6,589)	–	–	–
Prepayments	–	–	–	(9,036)	–
Exposures to insiders	–	(5,219)		–	–
Total qualifying for Tier I capital	**160,795**	**251,377**	**77,707**	**88,153**	**99,097**
Tier II capital					
Shareholder's loan	68,439	–	54,304	–	52,415
General debt provision	5,523	14,924	–	–	–
Fair value revaluation/ available for sale reserve	–	1,265	–	–	–
Revaluation reserves (limited to Tier I capital)	1,151	1,318	–	–	–
Total qualifying for Tier II capital	**75,113**	**17,507**	**54,304**	**–**	**52,415**
Tier III capital	–	6,589	–	–	–
Total qualifying for Tier III capital	**–**	**6,589**	**–**	**–**	**–**
Total capital	**235,908**	**275,473**	**132,011**	**88,153**	**151,512**
Risk weighted assets*					
On balance sheet assets	1,471,292	2,508,637	620,270	682,417	958,287
Off balance sheet assets	29,653	19,485	207,135	43,371	25,571
Total risk weighted assets	1,500,945	2,528,122	827,405	725,788	983,858
Capital adequacy ratio	16%	11%	16%	12%	15%
Minimum regulatory capital adequacy ratio	15%	10%	10%	12%	8%

* *Weighting of assets is based on the nature of the asset and the weighting as prescribed by the relevant regulatory authority*

The increase of the regulatory capital is mainly due to an increase in shareholders loans at subsidiary level, as well as contributions of the current-year profit. The increase of the risk-weighted assets reflects the expansion of the lending business in most of the subsidiaries.

CAPITAL ALLOCATION

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each subsidiary is based on the regulatory capital requirements of the countries we operate in and the need to maximise returns to shareholders.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

SEGMENT ANALYSIS

By geographical segment

Operating segments are reported in accordance with the internal reporting provided to the Group Executive Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and who assesses its performance. All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group has six main business segments, comprising:

- Banking operations in:
  - Botswana
  - Mozambique
  - Tanzania
  - Zambia and
  - Zimbabwe
- and non deposit taking operations arising from ABCH and non-banking subsidiaries.

The Group's segment operations are all financial with a majority of operating revenues derived from interest and fee and commission income. The Group Executive Committee relies primarily on attributable profits to assess the performance of the segment for the period.

There were no changes in the reportable segments during the year.

Revenue from external parties reported to the Group Executive Committee is measured in a manner consistent with that in the consolidated income statement.

As the banking operations comprise of stand-alone banks, each banking operation is funded with tier I and II capital from ABCH. Interest is charged at rates disclosed in the ABCH company stand-alone financial statements on page 126. Other material items of income or expense between the business segments comprise of management fees and dividends.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. The effects of non-recurring items of income or expense are described in the report on the Group financial performance.

The information provided about each segment is based on the internal reports about segment profitability, assets and liabilities composition, and other information, which are regularly reviewed by the Group Executive Committee.

Segment assets and liabilities comprise the majority of items appearing on the consolidated balance sheet.

There were no banking revenues derived from transactions with a single external customer that amounted to 10% or more of the Group's revenues.

The segment information provided to the Group Executive Committee for the reportable segments for the year ended 31 December 2012 is as follows:

2012 BWP'000s	BancABC Botswana	BancABC Mozam-bique	BancABC Tanzania	BancABC Zimbabwe	BancABC Zambia	ABCH and non-banking subsi-diaries**	Conso-lidation entries****	Total
Net interest income after impairment of loans and advances*	214,234	74,264	(9,073)	185,669	71,571	(1,803)	–	534,862
Total income	286,611	141,385	44,802	397,677	181,314	150,320	(115,548)	1,086,562
Net income from operations	121,101	25,949	(53,659)	127,459	55,363	57,238	(115,548)	217,903
Share of results of associates	–	–	–	262	–	(5,891)	–	(5,630)
Profit before tax	121,100	25,949	(53,659)	127,721	55,363	51,347	(115,548)	212,273
Income tax	(26,667)	(8,387)	12,563	(24,370)	(19,359)	(10,888)		(77,108)
Profit for the year	**94,433**	**17,562**	**(41,096)**	**103,351**	**36,004**	**40,459**	**(115,548)**	**135,165**
Attributable profit	**94,433**	**17,562**	**(38,579)**	**103,351**	**36,004**	**35,551**	**(115,548)**	**132,774**
Financial assets held for trading	732,972	107,085	53,132	75,039	54,636	–	–	1,022,864
Loans and advances	3,410,837	876,809	746,817	2,980,618	1,033,715	95,246	–	9,144,042
Segment assets (excluding associates)	4,795,247	1,323,679	1,101,274	4,231,622	1,401,376	1,410,993	(867,627)	13,396,564
Associates	–	–	–	5,089	–	6,112		11,201
Total assets	**4,795,247**	**1,323,679**	**1,101,274**	**4,236,711**	**1,401,376**	**1,417,105**	**(867,627)**	**13,407,765**
Deposits	4,262,406	1,355,372	1,147,955	3,075,237	834,141	(0)	–	10,675,111
Borrowed funds	202,321	–	22,649	246,214	62,105	679,442	–	1,212,731
Segment liabilities* **	**4,274,192**	**1,071,349**	**1,040,486**	**3,677,570**	**1,170,970**	**1,017,114**	**–**	**12,251,681**
Other segment items:								
Capital expenditure	26,087	35,861	13,046	80,432	12,889	4,331	–	172,646
Depreciation	7,123	9,441	4,414	21,836	6,659	4,500	–	53,973
Amortisation	5,254	10,650	5,874	4,907	3,363	184	–	30,232
Impairment charge	38,104	18,228	38,464	41,305	188	1,883	–	138,172
Operating expenses	165,510	115,436	98,461	270,218	125,951	93,083	–	868,659

* *After eliminations. The primary business of the Group is to provide banking services. Interest income forms a significant portion of the total income. The Chief Operating Decision Maker (CODM) assesses the Group on net margin.*

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

*** *Includes both intercompany assets and liabilities.*

**** *The main consolidation entry relates to the elimination of intergroup dividends of BWP116 million as well as the investment in subsidiaries of BWP900 million net of goodwill of BWP33 million.*

2011 BWP'000s	BancABC Botswana	BancABC Mozambique	BancABC Tanzania	BancABC Zimbabwe	BancABC Zambia	ABCH and non-banking subsidiaries**	Consolidation entries****	Total
Net interest income after impairment of loans and advances*	70,339	55,294	17,734	90,244	67,070	32,144	–	332,825
Total income	116,481	120,660	55,639	218,943	100,902	119,834	(73,650)	658,809
Net income from operations	32,551	39,862	(6,123)	70,242	21,382	28,597	(73,650)	112,861
Share of results of associates	–	–	–	730	–	(5,907)	–	(5,177)
Profit before tax	32,551	39,862	(6,123)	70,972	21,382	22,690	(73,650)	107,684
Income tax	(4,546)	(10,998)	2,580	(15,882)	10,489	(1,629)	–	(19,986)
Profit for the year	**28,005**	**28,864**	**(3,543)**	**55,090**	**31,871**	**21,061**	**(73,650)**	**87,698**
Attributable profit	**28,005**	**28,864**	**(3,326)**	**55,090**	**31,871**	**16,148**	**(73,650)**	**83,002**
Financial assets held for trading	418,406	119,904	49,073	19,016	36,957	7,693	–	651,049
Loans and advances	1,658,100	761,897	572,697	2,033,159	576,910	474,636	–	6,077,399
Segment assets (excluding associates)	2,564,270	1,220,893	918,312	2,618,330	883,887	1,641,051	(680,394)	9,166,349
Associates	–	–	–	4,472	–	13,067	–	17,539
Total assets	**2,564,270**	**1,220,893**	**918,312**	**2,622,802**	**883,887**	**1,654,118**	**(680,394)**	**9,183,888**
Deposits	2,563,126	1,216,349	1,060,686	1,986,419	548,120	–	–	7,374,700
Borrowed funds	133,016	–	23,253	151,400	76,836	597,283	–	981,788
Segment liabilities* **	**2,329,837**	**995,901**	**819,786**	**2,339,194**	**765,957**	**1,320,646**	**–**	**8,571,321**
Other segment items:								
Capital expenditure	20,899	32,171	24,188	115,903	29,755	32,100	–	255,016
Depreciation	5,456	7,608	3,266	9,367	3,458	2,860	–	32,015
Amortisation	4,348	5,522	1,514	2,382	1,691	427	–	15,884
Impairment charge	9,135	5,409	32,949	31,331	681	32	–	79,537
Operating expenses	83,930	80,798	61,762	148,702	79,520	91,236	–	545,948

* *After eliminations.*
** *Reflects non-banking operations in various geographical sectors.*
*** *Includes both intercompany assets and liabilities.*
**** *The main consolidation entry relates to the elimination of intergroup dividends of BWP74 million as well as the investment in subsidiaries of BWP713 million net of goodwill of BWP33 million.*

CONSOLIDATED GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2012

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012

BWP'000s	Notes	2012	2011
Interest and similar income		1,383,015	821,900
Interest expense and similar charges		(709,981)	(409,538)
Net interest income before impairment of advances	1	**673,034**	**412,362**
Impairment of loans and advances	2	(138,172)	(79,537)
Net interest income after impairment of advances		**534,862**	**332,825**
Non-interest income	3	551,700	325,984
Total income		**1,086,562**	**658,809**
Operating expenditure	4	(868,659)	(545,948)
Net income from operations		**217,903**	**112,861**
Share of results of associates	13	(5,630)	(5,177)
Profit before tax		**212,273**	**107,684**
Tax	5	(77,108)	(19,986)
Profit for the year		**135,165**	**87,698**
Attributable to:			
Ordinary shareholders		132,774	83,002
Non-controlling interest		2,391	4,696
Profit for the year		**135,165**	**87,698**
Basic earnings per share (thebe)	6	72.1	56.6
Diluted earnings per share (thebe)	6	66.5	56.6
Dividend per share (thebe)	28	16.0	17.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

BWP'000s	2012	2011
Profit for the year	**135,165**	**87,698**
Other comprehensive income	**51,753**	**101,846**
Exchange differences on translating foreign operations	6,127	102,415
Revaluation of property	51,705	1,833
Share of reserves in associate companies	456	(1,901)
Movement in available-for-sale reserves	2,410	(132)
Income tax relating to components of other comprehensive income	(8,945)	(369)
Total comprehensive income for the year	**186,918**	**189,544**
Total comprehensive income attributable to:		
Ordinary shareholders	183,634	183,775
Non-controlling interest	3,284	5,769
	186,918	**189,544**

CONSOLIDATED BALANCE SHEET

as at 31 December 2012

BWP'000s	Notes	2012	2011*	2010*
ASSETS				
Cash and short-term funds	7	1,859,269	1,243,431	999,338
Financial assets held for trading	8	1,022,864	651,049	1,117,827
Financial assets designated at fair value	9	189,698	221,283	92,849
Derivative financial assets	21	33,769	32,337	42,012
Loans and advances	10	9,144,042	6,077,399	3,078,110
Investment securities	12	54,500	50,303	39,313
Prepayments and other receivables	11	194,042	172,000	188,306
Current tax assets		31,657	8,458	6,388
Investment in associates	13	11,201	17,539	34,845
Property and equipment	15	658,838	514,880	330,218
Investment property	14	–	2,021	3,878
Intangible assets	17	139,145	130,362	57,402
Deferred tax assets	16	68,740	62,826	20,953
TOTAL ASSETS		**13,407,765**	**9,183,888**	**6,011,439**
EQUITIES AND LIABILITIES				
Liabilities				
Deposits	18	10,675,111	7,374,700	4,907,045
Derivative financial liabilities	21	22,621	47,069	1,047
Creditors and accruals	20	303,365	130,427	64,017
Current tax liabilities		20,183	27,617	6,819
Deferred tax liabilities	16	17,670	9,720	15,233
Borrowed funds	19	1,212,731	981,788	579,420
		12,251,681	**8,571,321**	**5,573,581**
Equity				
Stated capital	22	663,401	316,592	307,586
Foreign currency translation reserve		(240,812)	(246,046)	(347,388)
Non distributable reserves		337,691	182,593	162,535
Distributable reserves		376,764	343,672	299,603
Equity attributable to ordinary shareholders		**1,137,044**	**596,811**	**422,336**
Non-controlling interest		19,040	15,756	15,522
Total equity		**1,156,084**	**612,567**	**437,858**
TOTAL EQUITY AND LIABILITIES		**13,407,765**	**9,183,888**	**6,011,439**

** Comparatives have been reclassified, refer to note 31.*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2012

BWP'000s	Stated capital	Foreign currency translation reserve	Regulatory general credit risk reserve	Property revaluation reserve	Available for sale reserve
	ATTRIBUTABLE TO OWNERS OF THE PARENT				
Balance as at 1 January 2011	**307,586**	**(347,388)**	**5,059**	**119,143**	**752**
Comprehensive income:					
Profit for the year	–	–	–	–	–
Other comprehensive income:	–	101,342	8,832	(860)	(132)
Exchange differences on translating foreign operations	–	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:	–	–	–	–	(132)
– Realised through profit and loss	–	–	–	–	(132)
TOTAL COMPREHENSIVE INCOME	**–**	**101,342**	**8,832**	**(860)**	**(132)**
Transactions with owners					
Dividends paid	–	–	–	–	–
Dividends paid by subsidiaries to non-controlling interest	–	–	–	–	–
Disposal of treasury shares	–	–	–	–	–
Discount on new shares issued to staff	–	–	–	–	–
Proceeds from shares issued	9,006	–	–	–	–
Total transactions with owners	**9,006**	**–**	**–**	**–**	**–**
Balance as at 31 December 2011	316,592	(246,046)	13,891	118,283	620
Comprehensive income:					
Profit for the year	–	–	–	–	–
Other comprehensive income:	–	5,234	24,668	42,931	2,410
Exchange differences on translating foreign operations	–	5,234	–	–	–
Revaluation of property net of deferred tax	–	–	–	42,760	–
Movement in general credit risk reserve	–	–	24,668	–	–
Share of reserves in associate companies	–	–	–	171	–
Movement in statutory reserves	–	–	–	–	–
Movement in available for sale reserves:	–	–	–	–	2,410
– Arising in current year	–	–	–	–	2,285
– Realised through profit and loss	–	–	–	–	125
TOTAL COMPREHENSIVE INCOME	**–**	**5,234**	**24,668**	**42,931**	**2,410**
Transactions with owners					
Dividends paid	–	–	–	–	–
Convertible bond-equity component	–	–	–	–	–
Net proceeds from shares issued	346,809	–	–	–	–
Total transactions with owners	**346,809**	**–**	**–**	**–**	**–**
Balance as at 31 December 2012	**663,401**	**(240,812)**	**38,559**	**161,214**	**3,030**

ATTRIBUTABLE TO OWNERS OF THE PARENT

Statutory reserve	Convetible bond	Share based payments reserve	Treasury share reserve	Distributable reserves	Total	Non controlling interest	Total equity
39,952	**–**	**–**	**(2,371)**	**299,603**	**422,336**	**15,522**	**437,858**
–	–	–	–	83,002	83,002	4,696	87,698
9,847	–	–	–	(18,256)	100,773	1,073	101,846
–	–	–	–	–	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)
9,847	**–**	**–**	**–**	**64,746**	**183,775**	**5,769**	**189,544**
–	–	–	–	(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
–	**–**	**–**	**2,371**	**(20,677)**	**(9,300)**	**(5,535)**	**(14,835)**
49,799	–	–	–	343,672	596,811	15,756	612,567
–	–	–	–	132,774	132,774	2,391	135,165
40,980	–	–	–	(65,363)	50,860	893	51,753
–	–	–	–	–	5,234	893	6,127
–	–	–	–	–	42,760	–	42,760
–	–	–	–	(24,668)	–	–	–
285	–	–	–	–	456	–	456
40,695	–	–	–	(40,695)	–	–	–
–	–	–	–	–	2,410	–	2,410
–	–	–	–	–	2,285	–	2,285
–	–	–	–	–	125	–	125
40,980	**–**	**–**	**–**	**67,411**	**183,634**	**3,284**	**186,918**
–	–	–	–	(34,319)	(34,319)	–	(34,319)
–	44,109	–	–	–	44,109	–	44,109
–	–	–	–	–	346,809	–	346,809
–	**44,109**	**–**	**–**	**(34,319)**	**356,599**	**–**	**356,599**
90,779	**44,109**	**–**	**–**	**376,764**	**1,137,044**	**19,040**	**1,156,084**

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2012

BWP'000s	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES	**56,562**	**(175,580)**
Cash generated from operating activities	452,273	263,802
Net profit before tax	212,273	107,684
Adjusted for:		
Impairment of loans and advances	138,172	79,537
Depreciation and amortisation	84,205	47,899
Net unrealised losses on derivative financial instruments	11,875	17,122
Loss/(profit) on disposal of investment property	176	(395)
Loss from associates	5,630	5,177
Discount on new shares issued to staff	–	2,379
Impairment of investment in associates	–	4,292
(Profit)/loss on disposal of property and equipment	(58)	107
Tax paid	(116,004)	(53,328)
Net cash inflow from operating activities before changes in operating funds	**336,269**	**210,474**
Net decrease in operating funds	**(279,707)**	**(386,054)**
Increase in operating assets	(3,863,473)	(3,460,992)
Increase in operating liabilities	3,583,766	3,074,938
CASH FLOWS FROM INVESTING ACTIVITIES	**(169,054)**	**(244,185)**
Purchase of property and equipment	(138,110)	(174,441)
Purchase of intangible assets	(34,537)	(80,575)
Additions to investment property	–	(38)
Purchase of associates	–	(1,665)
Proceeds on disposal of property and equipment	1,748	206
Proceeds on disposal of investment property	1,845	2,709
Proceeds on disposal of associate	–	9,619
CASH FLOWS FROM FINANCING ACTIVITIES	**552,590**	**392,795**
Increase in borrowed funds	240,100	410,009
Dividend paid	(34,319)	(25,161)
Dividends paid by subsidiaries to non-controlling interests	–	(5,535)
Disposal of treasury shares	–	5,827
Proceeds from issue of shares	364,253	7,655
Share issue expenses	(17,444)	–
Increase/(decrease) in cash and cash equivalents	**440,098**	**(26,970)**
Cash and cash equivalents at the beginning of the year	864,734	788,026
Exchange adjustment on opening balance	10,063	103,678
Cash and cash equivalents at the end of the year	**1,314,895**	**864,734**
Cash and cash equivalents	1,314,895	864,734
Statutory reserves	544,374	378,697
Cash and short-term funds	**1,859,269**	**1,243,431**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

BWP'000s	2012	2011
1. NET INTEREST INCOME		
Interest and similar income		
Cash and short-term funds	20,041	19,073
Investment securities and dated financial instruments	98,771	137,240
Loans and advances at amortised cost	1,264,203	665,587
	1,383,015	**821,900**
Interest expense		
Deposits	575,650	347,142
Borrowed funds	134,331	62,396
	709,981	**409,538**
Net interest income	**673,034**	**412,362**
2. IMPAIRMENT OF LOANS AND ADVANCES		
Specific impairments	111,044	55,721
Portfolio impairments	31,374	24,002
Impairments prior to recoveries	142,418	79,723
Recoveries of loans and advances previously written off	(4,246)	(186)
	138,172	**79,537**
3. NON-INTEREST INCOME		
Gains from trading activities:	27,474	31,277
Gains on financial assets at fair value through profit and loss	39,349	48,399
– held for trading	26,191	18,705
– designated at fair value	13,158	29,694
Net losses on derivative financial instruments*	(11,875)	(17,122)
Dividends received:	6,598	131
Listed shares – fair value through profit or loss	6,598	131
Fee and commission income:	330,119	162,148
Net fee income on loans and advances	106,868	77,867
Net fee income from trust and fiduciary activities	74,998	21,731
Cash transaction fees	24,458	5,646
Other fee income	123,795	56,904
Other non-interest income:	187,509	132,428
Rental and other income	40,581	15,987
Profit/(loss) on disposal of property and equipment	58	(107)
Forex trading income and currency revaluation**	147,046	116,153
(Loss)/profit on disposal of investment properties	(176)	395
	551,700	**325,984**

* *Net losses on derivative financial instruments include net losses of BWP14.7 million (2011: net gains of BWP10 million) arising from the USD: Japanese Yen derivative swap, and net gains of BWP2.1 million (2011: net losses of BWP27 million) arising from the derivative conversion option included in the IFC convertible loan (note 21).*

** *Foreign exchange income includes a foreign exchange income of BWP7.2 million (2011: loss of BWP26 million) arising from the Japanese Yen exposure with NDB, disclosed in note 19. Net losses on derivative instruments include an offsetting fair value gain arising from an equal but opposite nominal Japanese Yen derivative asset.*

BWP'000s	2012	2011
4. OPERATING EXPENDITURE		
Administrative expenses	348,169	186,579
Property lease rentals	29,553	20,234
Staff costs (note 4.1)	377,605	264,560
Auditor's remuneration	8,938	6,479
Impairment of investment in associate (note 13)	–	4,292
Depreciation (Note 15)	53,973	32,015
Amortisation of software (Note 17)	30,232	15,884
Directors' remuneration (note 4.2)	20,189	15,905
	868,659	**545,948**
4.1 Staff costs		
Salaries	219,070	164,164
Employer contributions to post retirement funds	24,532	16,546
Other staff costs	134,003	83,850
	377,605	**264,560**
Other staff costs comprise incentive pay, medical aid contributions, staff training and other staff related expenses.		
4.2 Directors' remuneration		
Executive directors		
Salary, performance related remuneration and other benefits	16,407	12,251
Non-executive directors		
Fees as director of holding company	2,904	2,769
Fees as director of subsidiaries	878	885
	3,782	**3,654**
	20,189	**15,905**
Details of other transactions and balances with related parties have been disclosed under note 25.		
5. TAX		
Current tax expense		
Current year	78,206	59,343
Under provision in prior years	2,227	1,026
Withholding tax	7,006	4,953
Bank levies	19	–
	87,458	65,322
Deferred tax		
Accruals	(4,595)	(5,209)
Impairment losses	(8,631)	(13,623)
Property and equipment	820	1,481
Gains and investments	6,573	1,533
Tax losses	(4,517)	(29,518)
	(10,350)	(45,336)
Total tax expense per income statement	**77,108**	**19,986**

BWP'000s	2012	2011
5. TAX continued		
Reconciliation of effective tax charge:		
Profit before tax*	**212,273**	**107,684**
Income tax using corporate tax rates*	74,524	52,575
Non-deductible expenses	20,867	368
Tax exempt revenues	(27,886)	(18,896)
Tax incentives	(8,537)	(3,059)
Tax on dividends received	6,965	4,893
Under provision in prior years	2,227	1,026
Tax and fair value losses of prior years not claimed/(claimed)	8,929	(16,394)
Bank levies	19	–
Rate change	–	(527)
Current tax expense per income statement	**77,108**	**19,986**
Effective tax rate	36%	19%

* *Profit before tax is net of inter-group dividends. Income tax using corporate tax rates is calculated prior to this elimination by applying the corporate tax rates of the respective subsidiaries.*

5.1 Income tax effects relating to components of other comprehensive income

	2012			2011		
BWP'000s	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
Exchange differences on translating foreign operations	6,127	–	6,127	102,415	–	102,415
Revaluation of property net of deferred tax	51,705	(8,945)	42,760	1,833	(369)	1,464
Share of reserves in associate companies	456	–	456	(1,901)	–	(1,901)
Movement in available for sale reserves	2,410	–	2,410	(132)	–	(132)
Other comprehensive income	**60,698**	**(8,945)**	**51,753**	**102,215**	**(369)**	**101,846**

BWP'000s	2012	2011
6. EARNINGS PER SHARE		
Basic earnings per share		
Profit attributable to ordinary shareholders ('000)	132,774	83,002
Weighted average number of ordinary shares in issue ('000)	184,194	146,760
Basic earnings per share (thebe)	**72.1**	**56.6**
Number of shares ('000)		
Shares in issue at beginning of the year	149,473	146,420
Ordinary shares issued during the year	83,333	3,053
Total Company	**232,806**	**149,473**
Recognised as treasury shares	–	–
Total Group	**232,806**	**149,473**
Weighted average number of ordinary shares	**184,194**	**146,760**
(b) Diluted earnings per share		
Profit attributable to ordinary shareholders ('000)	132,774	83,002
Interest expense on convertible debt (net of tax)	13,063	6,128
Fair value (gain)/loss on conversion option (net of tax)	(1,780)	21,014
Profit used to determine diluted earnings per share	**144,057**	**110,144**
Weighted average number of ordinary shares in issue ('000) for diluted earnings per share	184,194	146,760
– Bonus element on conversion of convertible debt	32,467	20,471
Weighted average number of ordinary shares in issue ('000) for diluted earnings per share	**216,661**	**167,231**
Diluted earnings per share (thebe)	**66.5**	**56.6***

** The convertible bond in 2011 was anti-dilutive as the diluted earnings per share computed was higher than the basic earnings per share. In line with IAS 33, there was hence no dilution to the earnings per share in 2011.*

BWP'000s	2012	2011
7. CASH AND SHORT-TERM FUNDS		
Cash on hand	273,689	129,306
Balances with central banks	174,380	40,549
Balances with other banks	866,826	694,879
Cash and cash equivalents	1,314,895	864,734
Statutory reserve balances	544,374	378,697
	1,859,269	**1,243,431**

Statutory reserve balances are restricted minimum statutory balances not available for the banking operation's daily operations. These balances do not accrue interest.

BWP'000s	2012	2011
8. FINANCIAL ASSETS HELD FOR TRADING		
Government bonds	73,580	52,747
Corporate bonds	30,206	26,709
Treasury bills and other open market instruments	919,078	571,593
	1,022,864	**651,049**

Investment in government bonds and treasury bills by subsidiaries is partly for liquidity requirements as stipulated by local central banks and also as a source of diversification of the assets portfolio. There are no cross-border investments in government securities by any of the subsidiaries and the holding company. The Group also invests in tradeable paper issued by large corporates in the respective markets.

BWP'000s	2012	2011	2010
9. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE			
Listed equities	9,928	18,907	4,105
Listed debentures	27,201	14,390	11,006
Unlisted debentures	152,569	187,986	77,738
	189,698	**221,283**	**92,849**

The listed equities comprise various counters listed on the Zimbabwe stock exchange that subsidiaries have invested in.

The listed debentures comprise of an investment in 10% convertible debentures issued by PG Industries (Zimbabwe) Limited.

The unlisted debentures comprise of a BWP80 million (2011: BWP75 million) investment in a 10% convertible loan to ADC Enterprises Limited. The balance comprises of a number of unlisted equity investments housed in an investment company in the Group (refer to the overview of valuation assumptions included in the financial risk management section of the financial statements).

BWP'000s	2012	2011
10. LOANS AND ADVANCES		
Mortgage lending	268,054	65,201
Instalment finance	561,501	331,826
Corporate lending	4,611,729	4,440,053
Commercial and property finance	54,066	169,531
Consumer lending	3,964,885	1,288,348
	9,460,235	6,294,959
Less impairments (Note 10.1)	(316,193)	(217,560)
Net loans and advances	**9,144,042**	**6,077,399**
10.1 Analysis of impairments		
Specific impairments	237,701	173,008
Portfolio impairments	78,492	44,552
	316,193	**217,560**

10. LOANS AND ADVANCES continued

10.2 Impairment of loans and advances – movement analysis

BWP'000s	Total impairments	Mortgage lending	Instalment finance	Corporate lending	Commercial and property finance	Consumer lending
2012						
Opening balance	217,560	1,234	12,814	180,417	1,424	21,671
Exchange adjustment	5,813	24	(2,712)	4,837	–	3,664
Bad debts written off	(49,598)	–	(2,211)	(40,618)	–	(6,769)
Net new impairments created (Note 2)	142,418	(75)	8,387	98,124	–	35,982
Impairments created	142,418	(75)	8,387	98,124	–	35,982
Closing balance	**316,193**	**1,183**	**16,278**	**242,760**	**1,424**	**54,548**
2011						
Opening balance	138,465	1,378	25,651	94,216	1,423	15,797
Exchange adjustment	22,656	(144)	4,593	14,509	1	3,697
Bad debts written off	(23,284)	–	(17,430)	–	–	(5,854)
Net new impairments created (Note 2)	79,723	–	–	71,692	–	8,031
Impairments created	79,723	–	–	71,692	–	8,031
Closing balance	**217,560**	**1,234**	**12,814**	**180,417**	**1,424**	**21,671**

BWP'000s	2012	2011
11. PREPAYMENTS AND OTHER RECEIVABLES		
Accounts receivable and prepayments	153,420	144,512
Security deposits	4,691	5,262
Other amounts due	35,931	22,226
	194,042	**172,000**

	2012	2011	2010
12. INVESTMENT SECURITIES			
Available for sale			
Unlisted equities	8,647	8,131	811
Held to maturity			
Promissory notes	45,853	42,172	38,502
	54,500	**50,303**	**39,313**

The investments in unlisted equities are accounted for at fair value. Refer to the fair value note under financial risk management for details.

The promissory notes are partial security for the loan from BIFM (Note 19). The promissory notes earn a fixed interest of 10.25% p.a., and are redeemable on 31 March 2015.

The fair value of the promissory notes has not been determined as the promissory notes are specifically conditional to the terms of the BIFM loan referred to in note 19.

BWP'000s	2012	2011
13. INVESTMENT IN ASSOCIATES		
Carrying value at the beginning of the year	17,539	34,845
Exchange rate adjustment	244	2,150
Share of losses	(5,630)	(5,177)
Tax	(1,408)	(132)
Share of other comprehensive income	456	(1,901)
Disposals*	–	(9,619)
Impairment (note 4)	–	(4,292)
Additions*	–	1,665
	11,201	**17,539**

* *Refer to note 29 for an overview of additions and disposals.*

13.1 Investment in associates

The Group's interest in its principal associates are as follows:

BWP'000s	Country of incorpo-ration	Share of assets	Share of liabilities	Carrying amount	Share of profit/ (loss)	Impair-ment during the year	% interest held	Report-ing date
2012								
Lion of Tanzania Insurance Company Limited*	Tanzania	26,224	21,194	4,450	42	–	38	31 December
PG Industries (Botswana) Limited	Botswana	21,915	18,950	1,663	(6,108)	–	37	31 March
Credit Insurance Zimbabwe Limited	Zimbabwe	9,814	4,627	5,088	436	–	24	31 December
		57,953	**44,771**	**11,201**	**(5,630)**	**–**		
2011								
Lion of Tanzania Insurance Company Limited*	Tanzania	23,281	18,746	3,881	305	–	38	31 December
PG Industries (Botswana) Limited	Botswana	30,800	24,358	9,186	(1,892)	4,292	37	31 March
Credit Insurance Zimbabwe Limited	Zimbabwe	8,644	4,224	4,472	954	–	24	31 December
Prestige Investments (Private) Limited**	Zimbabwe	–	–	–	(4,544)	–	–	31 December
		62,725	**47,328**	**17,539**	**(5,177)**	**4,292**		

* *The equity accounted numbers, other than for Lion of Tanzania, are based on management accounts. Lion of Tanzania was equity accounted using audited annual financial statements for the year ended 31 December 2011.*

** *On 31 August 2011, the Group divested from Prestige Investment (Private) Limited. The dissolution of the Company was by way of a distribution of assets to the shareholders of the Company on that date. The Group received shares that it was entitled to in PG Industries (Zimbabwe) Limited. As the effective shareholding of the Group in PG Industries (Zimbabwe) Limited is less than 20%, these shares were transferred to investment securities held at fair value through profit or loss. The carrying amount of the Group's investment in Prestige Investments (Private) Limited and PG Industries Zimbabwe Limited on 31 August 2011 was BWP9.6 million. The fair value of the PG shares recognised was BWP9.6 million. These shares were accounted for as financial assets designated at fair value.*

BWP'000s	2012	2011
14. INVESTMENT PROPERTY		
Balance at the beginning of the year	2,021	3,878
Exchange rate adjustment	–	419
Disposal	(2,021)	(2,314)
Additions	–	38
Balance at end of the year	**–**	**2,021**
Rental income recognised in the income statement	–	1,493

Investment property comprises commercial properties that are leased to third parties. The carrying amount of the investment property is at fair value as determined by registered independent valuers every 3 years as applicable.

15. PROPERTY AND EQUIPMENT

BWP'000s	Land and buildings	Motor vehicles	Compute and office equipment	Furniture and fittings	Total
Cost or valuation at 31 December 2011	370,403	21,754	137,309	80,202	609,668
Exchange adjustment	2,659	399	4,297	866	8,221
Additions	46,872	7,712	49,688	33,838	138,110
Revaluations surplus (gross of deferred tax)*	51,705	–	–	–	51,705
Disposals	(3)	(3,443)	(3,865)	(1,507)	(8,818)
Cost or valuation at 31 December 2012	**471,636**	**26,422**	**187,429**	**113,399**	**798,886**
Accumulated depreciation at 31 December 2011	(16,209)	(8,615)	(51,124)	(18,840)	(94,788)
Exchange adjustment	1,927	86	(373)	(54)	1,586
Disposals	4	2,194	3,714	1,215	7,127
Charge for the year	(15,652)	(2,973)	(26,043)	(9,305)	(53,973)
Accumulated depreciation at 31 December 2012	(29,930)	(9,308)	(73,826)	(26,984)	(140,048)
Carrying amount at 31 December 2012	**441,706**	**17,114**	**113,603**	**86,415**	**658,838**
Cost or valuation at 31 December 2010	248,600	12,173	87,163	40,239	388,175
Exchange adjustment	36,301	2,548	2,553	4,688	46,090
Additions	83,827	7,539	47,436	35,639	174,441
Revaluations surplus (gross of deferred tax)*	1,833	–	–	–	1,833
Reclassifications	–	–	160	(160)	–
Disposals	(158)	(506)	(3)	(204)	(871)
Cost or valuation at 31 December 2011	**370,403**	**21,754**	**137,309**	**80,202**	**609,668**
Accumulated depreciation at 31 December 2010	(9,107)	(6,276)	(31,093)	(11,481)	(57,957)
Exchange adjustment	(457)	(576)	(3,379)	(1,109)	(5,521)
Disposals	98	372	(3)	91	558
Reclassifications	–	–	959	(812)	147
Charge for the year	(6,743)	(2,135)	(17,608)	(5,529)	(32,015)
Accumulated depreciation at 31 December 2011	(16,209)	(8,615)	(51,124)	(18,840)	(94,788)
Carrying amount at 31 December 2011	**354,194**	**13,139**	**86,185**	**61,362**	**514,880**

* *Land and buildings are revalued by independent professional valuers based on open market value every 3 years. In the current year, certain land and buildings in Botswana, Zambia, Zimbabwe and Mozambique were revalued at BWP350 million (2011: BWP27.9 million). The carrying cost of this land and buildings had the revaluation not been done would have been BWP298 million (BWP26 million).*

BWP'000s	2012	2011
Carrying amount of revalued land and buildings had it not been revalued, including exchange differences	307,603	193,285

BWP'000s	2012	2011
16. DEFERRED TAX		
Balance at the beginning of the year	53,106	5,720
Exchange adjustment	(3,441)	2,419
Income statement charge (Note 5)	10,350	45,336
Deferred tax on amounts charged to equity	(8,945)	(369)
	51,070	**53,106**
Disclosed as follows:		
Deferred tax asset	68,740	62,826
Deferred tax liability	(17,670)	(9,720)
	51,070	**53,106**
Tax effects of temporary differences:		
Accruals	6	(1,848)
Impairment losses	23,046	16,476
Property and equipment	(25,661)	(8,889)
Unrealised (gains)/losses on investment	(8,265)	1,272
Unearned income	13,348	6,876
Revaluation surplus	(10,073)	(716)
Tax losses	58,669	39,935
	51,070	**53,106**

The deferred tax asset relates mainly to tax losses in ABC Holdings Limited (BWP18 million), Second Nominees Zimbabwe (BWP20 million) and BancABC Tanzania (BWP20 million). Tax losses for the former two entities will be utilised by charging management fees or moving profitable business to these entities. For BancABC Tanzania, new revenue streams will be applied to utilise the tax loss.

	2012	2011
17. INTANGIBLE ASSETS		
Goodwill	32,544	32,544
Software	106,601	97,818
	139,145	**130,362**
Goodwill		
Cost	67,342	67,342
Impairments losses	(34,798)	(34,798)
Carrying amount at the end of the year	**32,544**	**32,544**
Software		
Cost		
Balance at the beginning of the year (software)	137,366	41,791
Exchange rate adjustment	(4)	15,000
Additions	34,537	80,575
	171,899	**137,366**
Amortisation		
Balance at the beginning of the year	(39,548)	(16,933)
Exchange rate adjustment	4,482	(6,731)
Amortisation charge (Note 4)	(30,232)	(15,884)
	(65,298)	**(39,548)**
Carrying amount at the end of the year	**106,601**	**97,818**

17. INTANGIBLE ASSETS continued

The impairment test of goodwill is based on assumptions that take into account risk and uncertainty. The impairment test makes a number of assumptions regarding projected cash flows, considering local market conditions and management's judgement of future trends.

The most significant goodwill arises from the Zimbabwe operations with a balance of BWP21.9 million (2011: BWP21.9 million). The key assumptions used in the impairment test of the Zimbabwe operations are as follows:

- Projected compounded free cash flows growth of 19% per annum for 5 years (2011: 26% per annum for 5 years)
- Terminal value based on 5% long-term cash flow growth rate (2011: 5%)
- Weighted average cost of capital of 12.47% (2011: 11.24%)

Management determined free cash flows, residual value and growth rates based on past performance and its expectations of market developments. The discount rates are pre-tax and reflect specific risks relating to the operation. The weighted average cost of capital has been impacted by movements in the Botswana Stock Exchange all share index and also the increased borrowings at lower rates than the older loans.

BWP'000s	2012	2011
18. DEPOSITS		
Deposits from banks	1,067,685	557,228
Deposits from other customers	9,607,426	6,817,472
	10,675,111	**7,374,700**
Payable on demand		
Corporate customers	1,759,714	2,221,361
Public Sector	388,013	321,993
Retail customers	788,869	446,355
Other financial institutions	447,136	191,659
Banks	101,864	169,287
	3,485,596	**3,350,655**
Term deposits		
Corporate customers	2,536,265	975,023
Public sector	2,547,487	1,927,913
Retail customers	209,703	107,862
Other financial institutions	930,240	625,306
Banks	965,820	387,941
	7,189,515	**4,024,045**
	10,675,111	**7,374,700**
Geographical analysis		
Botswana	4,139,104	2,563,126
Mozambique	1,396,721	1,216,349
Tanzania	1,147,955	1,060,686
Zambia	792,792	548,120
Zimbabwe	3,198,539	1,986,419
	10,675,111	**7,374,700**

BWP'000s	2012	2011
19. BORROWED FUNDS		
Convertible bond	97,950	84,619
Other borrowed funds	1,114,781	897,169
	1,212,731	**981,788**
(a) Convertible bond		
Balance at the beginning of the year	84,619	–
Additions*	–	69,420
Interest expense	15,368	7,209
Upfront loan arrangement fees	–	(728)
Interest paid	(5,414)	(1,368)
Exchange rate movement	3,377	10,086
	97,950	**84,619**

* Face value of convertible bond	88,787
Derivative component (note 21.2)	(19,367)
	69,420

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

- BWP3.15 per share at any time during the period from 13 May 2011 to 12 May 2012;
- BWP3.24 per share at any time during the period from 13 May 2012 to 12 May 2013; or
- If at any time during the conversion period, the Group raised 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 were originally as follows:

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

On 22nd August 2012, the Group modified the loan into a Botswana Pula denominated loan. The present value of the new cash flows discounted at the previous effective interest rate were not materially different from those of the old loan and therefore the loan was not derecognised but the effective interest rate was adjusted for this difference in cash flows. The equity component of the loan, derived as the difference between the fair value of the combined instrument and the fair value of the loan, was transferred to equity – see note 16. The revised loan attracts interest at the 91-day Bank of Botswana Certificate yield rate + 4.10% per annum, payable quarterly with the premium resetting quarterly. It is convertible at IFC's option at BWP3.24 per share at any time up to 12th May 2013.

The redemption dates for the principal amount are as follows:

15 March 2013 – BWP27,173,913 15 September 2013 – BWP27,173,913
15 March 2014 – BWP27,173,913 15 September 2014 – BWP23,672,120

The fair value of this convertible loan is BWP106.5 million (2011: BWP84.6 million).

BWP'000s	2012	2011
19. BORROWED FUNDS continued		
(b) Other borrowed funds		
National Development Bank of Botswana Limited	94,785	125,212
BIFM Capital Investment Fund One (Pty) Ltd	256,067	255,862
Afrexim Bank	314,029	209,262
Standard Chartered Bank Botswana Limited	116,814	113,325
Other	333,086	193,508
	1,114,781	**897,169**
Fair value		
National Development Bank of Botswana Limited	97,499	152,466
BIFM Capital Investment Fund One (Pty) Ltd	318,137	315,169
Afrexim Bank	319,175	209,262
Standard Chartered Bank Botswana Limited	116,814	113,325
Other	333,086	193,508
	1,184,711	**983,730**

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% per annum. 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

Afrexim Bank Limited

This is a US$40 million trade finance facility availed to the Group on a one year renewable basis by Afrexim Bank Limited from October 2012. It attracts interest at LIBOR + 4% and it is repayable on the earlier of when the underlying customers funded repay their respective loans or within one year, but with a provision to extend it for a further one year period.

Standard Chartered Bank Botswana Limited

This is a US$15 million 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. The current loan matures on 29th June 2013. It attracts interest of LIBOR + 2.85% and it is secured by Bank of Botswana Certificates amounting to BWP128 million (2011: BWP130 million).

Other borrowings

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

BWP'000s	2012	2011
Maturity analysis		
On demand to one month	2,324	4,458
One to three months	41,089	14,909
Three months to one year	713,524	380,122
Over one year	455,794	582,299
	1,212,731	**981,788**

BWP'000s	2012	2011
20. CREDITORS AND ACCRUALS		
Accrued expenses	160,283	49,970
Other amounts due	143,082	80,457
	303,365	**130,427**

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2012		2011	
BWP'000s	Assets	Liabilities	Assets	Liabilities
Cross-currency interest rate swaps	8,914	–	26,197	–
Convertible bond option	–	–	–	46,852
Forward foreign exchange contracts – held for trading	24,855	2,790	6,140	217
Equity derivative	–	19,831	–	–
	33,769	**22,621**	**32,337**	**47,069**

21.1 Cross-currency interest rate swaps

The Group uses cross-currency rate swaps to manage its exposure to foreign currency and interest rate risk. These instruments are transacted for both hedging and non-hedging activities. These instruments result in an economic exchange of currencies and interest rates. An exchange of principal takes place for all cross- currency interest rate swaps. The Group's credit risk exposure represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. To control the level of credit risk taken, the Group assesses counterparties using the same technique as for its lending activities.

The notional amounts of the financial instruments provide a basis of comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows or the current fair value of the instruments and, therefore, do not indicate Group's exposure to credit or price risks.

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in the market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative financial instruments held are set out below:

BWP'000s	Notional amount	Fair value
At 31 December 2012		
Cross currency interest rate swaps		
Fair value through profit and loss	94,785	8,914
Total recognised derivatives		**8,914**
Comprising:		
Derivative financial assets		8,914
Derivative financial liabilities		–
At 31 December 2011		
Cross currency interest rate swaps		
Fair value through profit and loss	125,212	26,197
Total recognised derivatives		**26,197**
Comprising:		
Derivative financial assets		26,197
Derivative financial liabilities		–

BWP'000s	2012	2011
21. DERIVATIVE FINANCIAL INSTRUMENTS continued		
21.2 Convertible bond option		
Balance at the beginning of the year	46,852	–
Value on initial recognition on 13th May 2011	–	19,367
Fair value (gain)/loss	(2,743)	27,485
Transfer to reserves	(44,109)	–
	–	**46,852**

The convertible bond option is in relation to the IFC convertible loan issued by the Group on 13th May 2011. Following the modification of the instrument on 22 August 2012 from a US Dollar denominated instrument into a Botswana Pula denominated instrument, the conversion option on that date was transferred to equity. See also note 19.

In prior year, the key assumptions in the valuation of the conversion option were as follows:

- ABCH share price at year-end of BWP4.55
- Volatility of 35% (ABCH share price and US Dollar)
- Spot exchange rate – BWP7.47/US$
- Forward foreign exchange rates for first 12 months obtained from Bloomberg and were extended beyond 12 months by extrapolating at a constant growth rate
- Credit spread of 3.75% above LIBOR
- Conversion price of BWP3.24 used
- Dividend yield of 3% assumed

Sensitivity: a change in volatility from 35% to 48% could have resulted in a BWP5 million change in the fair value of this derivative.

21.3 Forward foreign exchange contracts

The notional amounts of outstanding forward foreign exchange contracts at 31 December 2012 were BWP1,055 million (2011: BWP977 million).

These resulted in derivative financial assets of BWP24.9 million (2011: BWP6.1 million) and derivative financial liabilities of BWP2.8 million (2011: BWP0.2 million).

21.4 Equity derivative

This comprises of an equity derivative on an unlisted energy company of BWP19.8 million (2011: nil). Refer to page 84 for further information.

BWP'000s	2012	2011
22. STATED CAPITAL		
22.1 Issued and fully paid		
232 805 464 (2011: 149 472 131) shares	11,640	7,474
Share premium	651,761	309,118
Total Company	663,401	316,592
Total Group	**663,401**	**316,592**

	Share capital	Share premium	Total
At 1 January 2011	7,320	300,266	307,586
Issue of shares	154	8,852	9,006
At 31 December 2011	7,474	309,118	316,592
Issue of shares	4,166	342,643	346,809
At 31 December 2012	**11,640**	**651,761**	**663,401**

The holders of ordinary shares are entitled to receive a dividend as declared from time to time and are entitled to one vote per share at the annual general meeting of the Company. Treasury shares comprise the cost of the Company's own shares held by subsidiaries. As at both 31 December 2012 and 2011, there were no treasury shares held within the Group.

BWP'000s	2012	2011
22. STATED CAPITAL continued		
22.2 Reconciliation of the number of shares in issue		
Shares at the beginning of the year	149,472,131	146,419,524
Shares issued*	83,333,333	3,052,607
At the end of the year	**232,805,464**	**149,472,131**
** The Company undertook a rights issue in terms of which one ordinary share was issued for every 1.7937 issued ordinary shares held by existing shareholders. Each rights offer share was offered at BWP4.28 or USD0.60. Proceeds from the rights issue total BWP364.3 million against which rights issue expenses of BWP17.4 million were offset, of these BWP10.9 million relates to the under-writing commission paid to ADC Financial Services and Corporate Development, a related party.*		
22.3 Convertible bond-equity component		
Balance at the beginning of the year	–	–
Transfer from derivative liabilities (note 21.2)	44,109	–
Balance at the end of the year	**44,109**	**–**
23. FUNDS UNDER MANAGEMENT		
Funds under management	**426,839**	**368,977**

The Group provides asset management and unit trusts activities to pension funds, individuals, trusts and other institutions, whereby it holds and manages assets. The Group receives a management fee for providing these services. The Group is not exposed to any credit risk relating to such placements.

24. EMPLOYEE BENEFITS

The Group uses a combination of externally administered defined contribution schemes and, where there is a mandatory requirement, state social security schemes. Both the employee and employer contribute to these schemes. The Group does not operate any defined benefit scheme.

Amounts recognised in expenses have been disclosed in Note 4.1

25. RELATED PARTY TRANSACTIONS

Related party transactions are a normal feature of business and are disclosed in terms of IAS 24. Related party transactions may affect the assessment of operations, risk and opportunity facing the organisation.

ABC Holdings Limited is the holding company in the ABC Group.

Subsidiary companies and associates

ABC Holdings Limited and its subsidiaries entered into various financial services contracts with fellow subsidiaries and associates during the year. These transactions are entered into in the normal course of business. Loans to associates as at 31 December 2012 amounted to BWP8.6 million (2011: BWP8.6 million) which represents 0.7% (2011: 1.4%) of shareholders' funds, and 0.09% (2011: 0.1%) of gross loans.

ABC Consulting and Management Services Limited has entered into management services agreements with Group companies. Details of disclosures of investments in subsidiaries are set out in note 15 of the separate company financial statements. Details of associate companies are set out in note 13 of the consolidated Group financial statements.

Details of inter-company management fees incurred during the year have been disclosed on note 4 and under-writing fees in note 20 of the separate company financial statements.

Shareholders

During the prior year, the Group invested in ADC Enterprises Limited which is a 100% subsidiary of African Development Corporation (ADC). ADCE in turn is invested in a syndicated SPE which, with the funds of other investors, was invested in a foreign bank. ADC is a significant shareholder of the Group. The investment balance as at 31 December 2012 was BWP80 million (2011: BWP75 million) and has been classified as financial assets designated at fair value.

Directors and officers

Emoluments to directors have been disclosed in note 4.2. The list of directors of ABC is shown on page 39. The total exposure of the Group to directors, officers and parties related to them in terms of IAS 24 as at 31 December 2012 is BWP68.9 million (2010: BWP20.8 million) which represents 6% (2011: 3%) of shareholders' funds.

25. RELATED PARTY TRANSACTIONS continued

Particulars of lending transactions entered into with directors or their related companies which have given rise to exposure on the balance sheet as at the end of the year are as follows:

	2012		2011	
BWP'000s	Balance	Interest	Balance	Interest
Loans and advances to entities related through shareholding:				
PG Industries (Botswana) Limited	8,626	1,381	8,626	1,405
	8,626	**1,381**	**8,626**	**1,405**
Loans and advances to entities related to directors:				
Loans and advances to entities related to N Kudenga	7,281	1,346	4,604	531
Loans and advances to entities related to H Buttery	34,953	3,003	–	–
Loans and advances to entities related to DT Munatsi	15,541	1,765	–	–
Loans and advances to entities related to FM Dzanya	1,050	226	435	17
	58,825	**6,340**	**5,039**	**548**
Loans and advances to directors:				
DT Munatsi	1,055	148	2,237	218
F Dzanya	2,955	428	7,079	612
B Moyo	594	238	3,849	303
	4,604	**814**	**13,165**	**1,133**
Loans and advances to key management:				
H Matemera	2,357	25	–	198
B Mudavanhu	3,094	217	2,586	121
	5,451	**242**	**2,586**	**319**
Loans and advances to entities under common control				
Brainworks Investments Limited	14,132	1,943	11,699	2,744
	14,132	**1,943**	**11,699**	**2,744**
Deposits held by entities related to directors and key management:				
D Khama – Doreen Khama Attorneys Trust Account	10,039	224	9,460	93
Kudenga & Company Chartered Accountants	403	–	7	–
Deposits from entities related to F Dzanya	75	–	801	–
Deposits from entities related to DT Munatsi	1,643	–	–	–
	12,160	**224**	**10,268**	**93**
Deposits held by directors and key management:				
N Kudenga	303	1	57	–
F Dzanya	56	2	44	–
B Moyo	70	–	6	–
H Matemera	110	2	–	–
D Khama	750	36	571	–
DT Munatsi	1,218	48	250	–
	2,507	**89**	**928**	**–**
Remuneration to key management personnel:				
Short-term employment benefits	22,517		15,455	
Post-employment benefits	1,284		1,241	
Discount on shares issued	–		934	
	23,801		**17,630**	

All loans bear interest and fees at rates applicable to similar exposures to third parties.

The Group assists officers and employees in respect of housing, motor vehicle and personal loans at subsidised rates in some instances. Consistent policies and processes govern the granting and terms of such loans.

BWP'000s	Closing Dec 12	Average Dec 12	Closing Dec 11	Average Dec 11
26. EXCHANGE RATES				
United States Dollar	0.129	0.132	0.134	0.146
Tanzanian Shilling	203.911	208.592	212.345	231.829
Zambian Kwacha	668.338	680.801	682.442	711.427
Mozambican Metical	3.827	3.754	3.647	4.194
South African Rand	1.090	1.076	1.083	1.059

BWP'000s	2012	2011
27. COLLATERAL		
27.1 Liabilities for which collateral is pledged		
Deposits from banks	440,493	207,127
Deposits from customers	343,077	343,579
Borrowed funds	458,388	108,560
	1,241,958	**659,266**
Assets pledged to secure these liabilities are carried at amortised cost and are included under the following:		
Cash and short-term funds	50,124	20,515
Bankers' acceptances	733,446	405,221
Financial assets held for trading	439,479	233,530
Investment securities	45,853	42,172
	1,268,902	**701,438**
These transactions are conducted under terms that are usual and customary to standard lending and borrowing activities.		
27.2 Collateral accepted as security for assets		
Deposits from customer	85,779	290,517
Mortgage bonds, inventory, plant and equipment, shares, letter of undertaking	2,629,442	1,494,989
	2,715,221	**1,785,506**
ABC Holdings Limited is obliged to return equivalent securities. The Group is not permitted to sell or repledge collateral in the absence of default.		
These transactions are conducted under terms that are usual and customary to standard lending and borrowing activities.		
28. ORDINARY DIVIDENDS		
Dividend of 10.5 thebe per share paid on 4th May 2012 to shareholders on the register on 13th April 2012	15,695	–
Dividend of 8 thebe per share paid on 21st September 2012 to shareholders on the register on 7th September 2012	18,624	–
Dividend of 10 thebe per share paid on 12th April 2011 to shareholders on the register on 1st April 2011	–	14,642
Dividend of 7 thebe per share paid on 16th September 2011 to shareholders on the register on 2nd September 2011	–	10,519
	34,319	**25,161**

The Board of Directors proposed a gross final dividend in respect of the year ended 31 December 2012 of 8 thebe per ordinary share. This will bring the full year dividend to about 16 thebe per share.

29. ACQUISITIONS AND DISPOSAL OF ASSOCIATE COMPANIES

During 2011 the Group acquired additional shares in PG Industries (Zimbabwe) for BWP1.7 million. Subsequently in August 2011, the Group disposed of its interest in Prestige, an investment company that was housing the PG Industries (Zimbabwe) shares. Each party was then handed the shares in PG Industries (Zimbabwe) that they were entitled to in full and final settlement of the transaction.

30. EVENTS AFTER THE REPORTING DATE

There were no significant events after the reporting date.

31. RECLASSIFICATION

Previously unlisted shares housed within an investment company in the Group were erroneously classified as investment securities available for sale as opposed to as financial assets designated at fair value. In the current year, the comparative 31 December 2011 and 31 December 2010 balance sheets were restated to correct the classification. The reclassification does not have an impact on the income statement or equity as the shares had in the past from an income statement perspective already been accounted for as financial assets designated at fair value.

	2011			2010		
BWP'000	As previously reported	Reclassification	Reclassified	As previously reported	Reclassification	Reclassified
Assets						
Financial assets designated at fair value	185,412	35,871	221,283	79,139	13,710	92,849
Investment securities – available for sale	86,174	(35,871)	50,303	53,023	(13,710)	39,313

32. CONTINGENT LIABILITIES

Litigation pertaining: Application of set off in processing a payment

As disclosed in the 31 December 2011 annual financial statements, the Group was exposed to an under-collateralised advance of BWP91.6 million for which a repayment plan had been agreed with the customer subsequent to that financial year-end.

During the current financial year, the customer only partially complied with the agreed repayment plan.

The outstanding balance of this advance was fully recovered in February 2013 when the Group's Zimbabwean banking subsidiary ("BancABC Zimbabwe") set off proceeds from a payment instruction received from another customer against this defaulted advance. Such set-off was done as BancABC Zimbabwe had good reason to believe that the payment instruction was to benefit the defaulting customer.

Subsequently, a third party – ostensibly noted as recipient in the payment instruction – lodged a legal claim against BancABC Zimbabwe for restitution of the amount set-off against the defaulting advance. The High Court of Zimbabwe found in favour of the third party complainant and on 8 February 2013 issued instruction to BancABC Zimbabwe to transfer to the applicant the sum of ZAR87 million (BWP80.9 million at 31 December 2012 exchange rates).

On 14 February 2013, the Supreme Court of Zimbabwe granted BancABC Zimbabwe leave to appeal the judgement of the High Court of Zimbabwe, also allowing it to retain the cash receipted through the set-off, although attached, until the matter had been settled on appeal. BancABC Zimbabwe's appeal was heard in the Supreme Court of Zimbabwe on 12 March 2013 and judgement has been reserved.

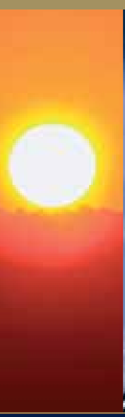
Based on advice from its legal team and analysis by an independent senior advocate, the Group believes that its appeal to the Supreme Court of Zimbabwe will be upheld as the High Court of Zimbabwe had dealt with the matter with indecent haste, potentially to the prejudice of BancABC Zimbabwe; had erred in granting a final order against BancABC Zimbabwe when it ought to have restricted itself to the grant of a provisional order; and – moreover – because the applicant has asserted no cause of action which entitles it to make a claim against the BancABC Zimbabwe.

32. CONTINGENT LIABILITIES continued

Accordingly, no provision has been made for any claim arising from the current legal proceedings. The defaulted advance has been treated as fully performing at 31 December 2012, with no impairment. The outstanding balance reported at 31 December 2012 amounted to BWP87 million. Suspended interest, penalty interest and collection fees of BWP18.8 million were recognised in interest income in ABC Holdings Limited for the year ended 31 December 2012.

Over and above the foregoing, an obligation for restitution of funds may arise should further (new) legal actions be brought against BancABC Zimbabwe by one or more parties involved in the transactions referred to above. As at the reporting date, no such actions had yet been lodged and the existence of any liability or impairment arising from such potential actions can thus only be confirmed by the occurrence, or non-occurrence, of one or more uncertain future events, which are not wholly within the Group's control.

The Group has disclosed the contingent liability for restitution of funds (effectively arising from impairment of the defaulting advance).



COMPANY SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2012

COMPANY INCOME STATEMENT

for the year ended 31 December 2012

BWP'000s	Notes	2012	2011
Interest and similar income		108,271	110,153
Interest expense and similar charges		(103,405)	(77,918)
Net interest income	1	**4,866**	**32,235**
Non-interest income	2	129,131	63,564
Other impairments	3	(42,035)	–
Total income		**91,962**	**95,799**
Operating expenditure	4	(83,899)	(78,821)
Profit before tax		**8,063**	**16,978**
Tax	5	(3,962)	122
Profit for the year		**4,101**	**17,100**

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

BWP'000s	2012	2011
Profit for the year	4,101	17,100
Total comprehensive income for the year	**4,101**	**17,100**

COMPANY BALANCE SHEET

as at 31 December 2012

BWP'000s	Notes	2012	2011
ASSETS			
Cash and short-term funds	6	7,777	5,102
Financial assets designated at fair value	17	80,062	152,115
Derivative financial assets	16	8,914	26,316
Loans and advances	7	23,053	281,111
Inter-company balances	8	155,640	77,652
Investment securities	9	45,853	42,172
Prepayments and other receivables	10	3,021	7,577
Property and equipment	11	161	263
Deferred tax assets	12	18,019	15,017
Loans to subsidiary companies	13	447,668	177,547
Intangible assets	14	54	215
Investment in subsidiaries	15	900,172	680,626
TOTAL ASSETS		**1,690,394**	**1,465,713**
EQUITY AND LIABILITIES			
Liabilities			
Derivative financial liabilities	16	–	46,971
Creditors and accruals	18	5,794	9,110
Inter-company balances	8	347,986	482,884
Borrowed funds	19	664,367	615,201
Total Liabilities		**1,018,147**	**1,154,166**
Equity			
Stated capital	20	663,401	316,592
Convertible bond	20	44,109	–
Distributable reserves		(35,263)	(5,045)
Equity attributable to ordinary shareholders		**672,247**	**311,547**
EQUITY AND LIABILITIES		**1,690,394**	**1,465,713**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

BWP'000s	Stated capital	Treasury share reserve	Convertible bond	Distributable reserves	Total equity
Balance as at 31 December 2010	**307,586**	**–**	**–**	**(3,839)**	**303,747**
Comprehensive income:					
Profit for the year	–	–	–	17,100	**17,100**
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**–**	**17,100**	**17,100**
Transactions with owners:					
Shares issued	9,006	–	–	–	**9,006**
Dividends paid during the year	–	–	–	(25,161)	**(25,161)**
Acquisition of treasury shares from subsidiary	–	(2,371)	–	2,371	**–**
Disposal of treasury shares	–	2,371	–	4,484	**6,855**
Total transactions with owners	**9,006**	**–**	**–**	**(18,306)**	**(9,300)**
Balance as at 31 December 2011	**316,592**	**–**	**–**	**(5,045)**	**311,547**
Comprehensive income:					
Profit for the year	–	–	–	4,101	**4,101**
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**–**	**4,101**	**4,101**
Transactions with owners:					
Net proceeds from shares issued	346,809	–	–	–	**346,809**
Convertible bond-equity component	–	–	44,109	–	**44,109**
Dividends paid during the year	–	–	–	(34,319)	**(34,319)**
Total transactions with owners	**346,809**	**–**	**44,109**	**(34,319)**	**356,599**
Balance as at 31 December 2012	**663,401**	**–**	**44,109**	**(35,263)**	**672,247**

COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2012

BWP'000s	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES	**130,686**	**(98,146)**
Cash generated from operating activities	62,236	34,654
Net profit before tax	**8,063**	**16,978**
Adjusted for:		
Other impairments	42,035	–
Depreciation and amortisation	263	554
Net losses on derivative financial instruments	11,875	17,122
Tax paid	(6,964)	(4,893)
	55,272	29,761
Net increase in operating funds	**75,414**	**(127,907)**
Decrease/(increase) in operating assets	216,491	(211,661)
(Decrease)/increase in operating liabilities	(141,077)	83,754
CASH FLOWS FROM INVESTING ACTIVITIES	**(489,667)**	**(98,285)**
Purchase of intangible assets	–	(619)
Proceeds on disposal of property and equipment	–	377
Investment in subsidiaries	(219,546)	(78,549)
Changes in loans to subsidiaries	(270,121)	(19,494)
CASH FLOWS FROM FINANCING ACTIVITIES	**361,656**	**178,873**
Increase in borrowed funds	49,166	188,173
Proceeds from issue of shares	364,253	9,006
Share issue expenses	(17,444)	–
Proceeds from issue of treasury shares	–	6,855
Dividend paid	(34,319)	(25,161)
Increase/(decrease) in cash and cash equivalents	**2,675**	**(17,558)**
Cash and cash equivalents at the beginning of the year	5,102	22,660
Cash and cash equivalents at the end of the year	**7,777**	**5,102**

ACCOUNTING POLICIES

The accounting policies of the Company and the Group are set out on pages 49 to 63.

BWP'000s	2012	2011
1. NET INTEREST INCOME		
Interest and similar income		
Cash and short-term funds	171	238
Investment securities at amortised cost	3,680	3,670
Loans and advances at amortised cost*	75,431	88,556
Inter-company	28,989	17,689
	108,271	**110,153**
Interest expense		
Borrowed funds	81,801	64,578
Inter-company	21,604	13,340
	103,405	**77,918**
Net interest income	**4,866**	**32,235**

* *Interest income for 2011 includes interest of BWP30.8 million pertaining to an individually impaired exposure. In terms of a loan syndication agreement with BancABC Zimbabwe, a portion of the exposure arising from this interest accrual was sold to BancABC Zimbabwe, and subsequently impaired. In the consolidated financial statements, BWP14.5 million of this interest income was eliminated against the impairment charge processed by BancABC Zimbabwe.*

BWP'000s	2012	2011
2. NON INTEREST INCOME		
Net losses from trading activities:	(11,875)	(9,526)
– Designated at fair value	–	7,596
– Net losses on derivative financial instruments*	(11,875)	(17,122)
Dividends received:	115,851	72,967
– Subsidiary companies	115,851	72,967
Fee and commission income:	15,126	2,570
– Net fee and commission income – external	10,608	2,408
– Net fee and commission income – intragroup	4,518	162
Other non interest income:	10,029	(2,447)
– Foreign exchange income/(losses) and currency revaluation**	10,029	(2,447)
	129,131	**63,564**

* *Net losses on derivative financial instruments include net losses of BWP14.7 million (2011: net gains of BWP10 million) arising from the USD:Japanese Yen derivative swap, and net gains of BWP2.1 million (2011: net losses of BWP27 million) arising from the derivative conversion option included in the IFC convertible loan (note 19).*

** *Foreign exchange losses include a foreign exchange income of BWP7.2 million (2011: loss of BWP26 million) arising from the Japanese Yen exposure with NDB, disclosed in note 19. Net losses on derivative instruments includes an offsetting fair value gain arising from an equal but opposite nominal Japanese Yen derivative asset.*

BWP'000s	2012	2011
3. OTHER IMPAIRMENTS		
Impairment of investment in subsidiaries		
EDFUND S.A.*	42,035	–
	42,035	**–**

* *Dividends received (note 2) include BWP40.7 million arising from the clearance of loans to Edfund S.A. and ABC Consulting, which subsequently gave rise to this impairment.*

BWP'000s	2012	2011
4. OPERATING EXPENDITURE		
Inter-company management fees	58,079	50,175
Administrative expenses	6,698	5,922
Staff costs	12,186	16,045
Auditors' remuneration	1,762	1,618
Depreciation (note 11)	102	150
Amortisation of software (note 14)	161	404
Directors' remuneration*	4,911	4,507
	83,899	**78,821**
* Directors' remuneration was as follows:		
– Paid by the company	4,911	4,507
– Paid by subsidiaries	14,400	10,513
	19,311	**15,020**
5. TAX		
Profit before tax	8,063	16,978
Income tax using standard corporate tax rate	1,210	2,531
Tax exempt revenues	(17,378)	(10,945)
Non-deductible expenses	8,027	16
Tax on dividends received	6,965	4,893
Tax and fair value losses of prior years not claimed	5,138	3,383
Tax expense/(income) per income statement	**3,962**	**(122)**
Effective tax rate	(49%)	1%
5.1 Current tax expense		
Deferred tax		
Tax and fair value losses of prior years not claimed	5,138	3,383
Origination and reversal of temporary differences	(8,140)	(8,398)
	(3,002)	(5,015)
Current tax		
Tax on dividends received	6,964	4,893
Total tax expense/(income) per income statement	**3,962**	**(122)**
6. CASH AND SHORT-TERM FUNDS		
Balances with banks	**7,777**	5,102
Balances with banks include bank accounts with group companies that total BWP 877 thousand (2011: BWP 552 thousand).		
These accounts are maintained to make dividend and other payments.		
7. LOANS AND ADVANCES		
Corporate lending*	16,092	267,946
Other*	6,961	13,165
	23,053	281,111
Less: Allowance for impairments	–	–
Net loans and advances	**23,053**	**281,111**

Related party loans and advances included in the above are set out in note 21. The fair value of net loans and advances approximates their carrying amount.

BWP'000s	2012	2011
7. LOANS AND ADVANCES continued		
7.1 Maturity analysis		
On demand to one month	23,053	2,658
One month to three months	–	2,249
Three months to one year	–	263,040
Greater than one year	–	13,164
	23,053	**281,111**

7.2 IMPAIRMENT OF LOANS AND ADVANCES – MOVEMENT ANALYSIS

There were no impairment losses on loans and advances in the current year (2011: nil)

The loans all have floating interest rates which range from 7.0% to 15% (2011: 8.5% to 19.6%). BWP4.6 million (2011: BWP59.1 million) of the loans are denominated in Botswana pula and BWP18.4 million (2011: BWP134.3 million) are denominated in United States dollars.

BWP'000s	2012	Fair value	2011	Fair value
8. INTERCOMPANY BALANCES				
8.1 Balances due from:				
ABCH Management Support Services (Pty) Ltd and other non-banking subsidiaries*	79,305	79,305	77,652	77,652
BancABC Zimbabwe, Second Nominees and Capital Partners	76,335	76,335	–	–
	155,640	**155,640**	**77,652**	**77,652**
8.2 Balances due to:				
BancABC Botswana Limited	254,522	254,522	266,662	266,662
BancABC Mozambique Sarl	43,543	43,543	20,458	20,458
BancABC Tanzania Limited	31,507	31,507	44,710	44,710
BancABC Zambia Limited	13,584	13,584	9,633	9,633
BancABC Zimbabwe, Second Nominees and Capital Partners	–	–	97,524	97,524
EDFUND S.A.	4,728	4,728	43,799	43,799
Tanzania Development Finance Company Limited	102	102	98	98
	347,986	**347,986**	**482,884**	**482,884**

Inter-company balances are generally short-term placements or borrowings at prevailing market rates.

The balances are denominated in Botswana pula: -BWP3.1 million (2011: -BWP242.5 million); United States Dollars:

-BWP152.5 million (2011: -BWP256.2 million) and South African Rands: -BWP36.8 million (2011: BWP13.5 million).

* *The amount includes an interest free loan of BWP25.7 million (2011: BWP35.7 million) pertaining to ABCH Management Support Services (Pty) Ltd, (ABC South Africa). The loan has no fixed terms of repayment. In addition, the amount includes a loan of BWP20.5 million (2011: BWP18.8 million) to Kendra Limited (a group company in Zambia). ABC Holdings Limited committed to provide financial support to this entity to enable it carry on its operations as a going concern and to meet its obligations as and when they fall due in the foreseeable future. The entity had a net asset value of BWP1.6 million (2011: negative BWP4.7 million).*

In addition, ABC Holdings Limited has committed to allow ABCH Management Support Services (Pty) Limited to charge sufficient management fees for it to fully utilise a deferred tax asset of BWP1.3 million recognised as at 31 December 2012.

BWP'000s	2012	2011
9. INVESTMENT SECURITIES		
Held-to-maturity		
– Promissory notes	**45,853**	**42,172**

The promissory notes are partial security for the loan from BIFM (Note 19). The promissory notes earn a fixed interest of 10.25% p.a., and are redeemable on 31 March 2015.

The fair value of the promissory notes has not been determined as the promissory notes are specifically conditional to the terms of the BIFM loan referred to in note 19.

BWP'000s	2012	2011
10. PREPAYMENTS AND OTHER RECEIVABLES		
Accounts receivable and prepayments	69	2,219
Security deposit	1,728	3,744
Other amounts due	1,224	1,614
	3,021	**7,577**

All prepayments and other receivables are classified as current.

11. PROPERTY AND EQUIPMENT

BWP'000s	Computer and office equipment	Furniture and fittings	Total
Cost or valuation at 31 December 2011	358	267	625
Cost or valuation at 31 December 2012	358	267	625
Accumulated depreciation at 31 December 2011	(300)	(62)	(362)
Charge for the year	(48)	(54)	(102)
Accumulated depreciation at December 2012	(348)	(116)	(464)
Carrying amount at December 2012	**10**	**151**	**161**
Cost or valuation at 31 December 2010	977	267	1,244
Disposals	(619)	–	(619)
Cost or valuation at December 2011	358	267	625
Accumulated depreciation at December 2010	(445)	(9)	(454)
Disposals	242	–	242
Charge for the year	(97)	(53)	(150)
Accumulated depreciation at December 2011	(300)	(62)	(362)
Carrying amount at December 2011	**58**	**205**	**263**

BWP'000s	2012	2011
12. DEFERRED TAX		
Balance at the beginning of the year	(15,017)	(10,002)
Income statement charge (note 5)	(3,002)	(5,015)
Balance at the end of the year	**(18,019)**	**(15,017)**
Tax effect of temporary differences:		
– Property and Equipment	(6)	(32)
– Unrealised gain on investments	–	(3,306)
– Tax losses	(18,014)	(11,679)
	(18,020)	**(15,017)**

BWP'000s	2012	2011
13. LOANS TO SUBSIDIARY COMPANIES		
BancABC Botswana Limited	111,841	70,614
BancABC Zambia Limited	82,840	53,804
BancABC Mozambique SA	62,891	53,129
BancABC Tanzania Limited	53,945	–
BancABC Zimbabwe Limited	136,151	–
	447,668	**177,547**

The loans are provided to subsidiaries as Tier II capital. Interest ranges from 10% to 12.5% and is payable half yearly. BWP55 million (2011: BWP53 million) of these loans mature between 2020 and 2021 and BWP393 million (2011: BWP125 million) of the balance represents perpetual loans.

The loans are denominated in Botswana pula: BWP32 million (2011: BWP32 million), Tanzania Shillings: BWP54 million (2011: nil) and United States Dollars: BWP362 million (2011: BWP146 million).

BWP'000s	2012	2011
14. INTANGIBLE ASSETS		
Cost		
Balance at the beginning of year	619	–
Additions	–	619
	619	**619**
Amortisation		
Balance at the beginning of year	(404)	–
Amortisation charge (note 4)	(161)	(404)
	(565)	**(404)**
Carrying amount at the end of the year	**54**	**215**

15. INVESTMENT IN SUBSIDIARIES

		Ownership of ordinary shares		Carrying value	
	Nature of business	2012 %	2011 %	2012 BWP'000s	2011 BWP'000s
Botswana					
BancABC Botswana Limited	Registered bank	100	100	240,650	89,641
Bohemian Private Limited	Investment holding company	100	100	4,000	4,000
Capital Partners Private Limited	Investment holding company	100	100	2,019	2,019
Mozambique					
BancABC Mozambique Sarl	Registered bank	100	100	87,559	68,050
South Africa					
ABCH Management Support Services (Proprietary) Limited	Management services	100	100	–	–
Tanzania					
BancABC Tanzania Limited	Registered bank	94*	94*	128,396	128,397
Tanzania Development Finance Company Limited	Financial services	68	68	15,949	15,949
Zambia					
BancABC Zambia Limited	Registered bank	100	100	149,591	82,486
Zimbabwe				272,008	248,049
BancABC Zimbabwe Limited	Registered merchant bank,	100*	100*		
FMB Holdings Limited	Stockbroking and Asset	100	100		
Therlinern Holdings Limited	Management	100	100		
Luxembourg					
EDFUND S.A.**	Management services	100	100	–	42,035
				900,172	**680,626**

* *Effective shareholding.*
** *In 2012 the investment in EDFUND S.A. was impaired by BWP42 million as the carrying amount exceeded the net asset value following the receipt of a dividend by ABC Holdings Limited (see note 3).*

16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Cross-currency interest rate swaps	8,914	–	26,197	–
Convertible bond option	–	–	–	46,852
Forward foreign exchange contracts – held for trading	–	–	119	119
	8,914	**–**	**26,316**	**46,971**

Cross-currency interest rate swaps

The company uses cross currency interest rate swaps to manage the Group's exposure to foreign currency and interest rate risk. These instruments are transacted for both hedging on Group basis, and non-hedging activities. These instruments result in an economic exchange of currencies and interest rates. An exchange of principal takes place for all cross-currency interest rate swaps. The company's credit risk exposure represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. To control the level of credit risk taken, the company assesses counterparties using the same technique as for its lending activities.

The notional amounts of the financial instruments provide a basis of comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows or the current fair value of the instruments and, therefore, do not indicate the company's exposure to credit or price risks.

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in the market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative financial instruments held are set out below:

BWP'000s	Notional amount	Fair value
At 31 December 2012		
Cross currency interest rate swaps:		
Designated at fair value through profit and loss	94,785	8,914
Total recognised derivatives		**8,914**
At 31 December 2011		
Cross currency interest rate swaps:		
Designated at fair value through profit and loss	125,212	26,197
Total recognised derivatives		**26,197**

BWP'000s	2012	2011
16.1 Convertible bond option		
Balance at the beginning of the year	46,852	–
Value on initial recognition on 13th May 2011	–	19,367
Fair value (gain)/loss	(2,743)	27,485
Transfer to reserves	(44,109)	–
	–	**46,852**

For details of the convertible bond option, please refer to note 19 in the company financial statements and note 21.2 in the Group financial statements.

16.2 Forward foreign exchange contracts

The notional amounts of outstanding forward foreign exchange contracts at 31 December 2012 were nil (2011: BWP14.4 million).

BWP'000s	2012	2011
17. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE		
Unlisted debentures	**80,062**	**152,115**

The unlisted debentures comprise of an investment in a 5 year 10% convertible loan to ADC Enterprises Limited with effect from October 2011, convertible on maturity or liquidating on the occurence of a specified "liquidity event" in the shareholders agreement, with interest being paid as and when sufficient funds are available from returns earned on the ultimate investment, being Union Bank of Nigeria. The balance is denominated in United States dollars and it is carried at fair value.

The prior year amount includes an investment in 5 year 12% convertible debentures issued by Star Africa Corporation Limited, convertible at the option of the holder after 2 years, with interest being paid quarterly on 31 March, 30 June, 30 September and 31 December. The debenture was denominated in United States dollars and was sold during 2012.

BWP'000s	2012	2011
18. CREDITORS AND ACCRUALS		
Accrued expenses	4,245	2,825
Items in transit	–	3,653
Other amounts due	1,549	2,632
	5,794	**9,110**

Creditors and accruals are due and payable within 12 months.

BWP'000s	2012	Fair value	2011	Fair value
19. BORROWED FUNDS				
Convertible bond	97,950	106,489	84,619	84,619
Other borrowed funds	566,417	652,212	530,582	617,142
	664,367	**758,701**	**615,201**	**701,761**
(a) Convertible bond				
Balance at the beginning of the year	84,619		–	
Additions*	–		69,420	
Interest expense	15,368		7,209	
Interest paid	(5,414)		(1,368)	
Upfront loan arrangement fees	–		(728)	
Exchange rate movement	3,377		10,086	
	97,950		**84,619**	
* Face value of convertible bond			88,787	
Derivative component (note 16.1)			(19,367)	
			69,420	

During 2011, the Group issued a US Dollar denominated convertible loan to International Finance Corporation (IFC) for US$13.5 million. The loan attracted interest of 6 months LIBOR + 3.75% per annum, payable semi-annually and it was 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 raised 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 were originally as follows:

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

19. BORROWED FUNDS continued

On 22nd August 2012, the Group modified the loan into a Botswana Pula denominated loan. The present value of the new cash flows discounted at the previous effective interest rate were not materially different from those of the old loan and therefore the loan was not de-recognised but the effective interest rate was adjusted for this difference in cash flows. The equity component of the loan, derived as the difference between the fair value of the combined instrument and the fair value of the loan, was transferred to equity – see note 16. The revised loan attracts interest at the 91-day Bank of Botswana Certificate yield rate + 4.10% per annum, payable quarterly with the premium resetting quarterly. It is convertible at IFC's option at BWP3.24 per share at any time up to 12th May 2013.

The redemption dates for the principal amount are as follows:

15th March 2013 – BWP27,173,913 15th September 2013 – BWP27,173,913
15th March 2014 – BWP27,173,913 15th September 2014 – BWP23,672,120

The fair value of this convertible loan is BWP106.5 million (2011: BWP84.6 million).

BWP'000s	2012	Fair value	2011	Fair value
(b) Other borrowed funds				
National Development Bank of Botswana Limited	94,785	97,499	125,212	152,466
BIFM Capital Investment Fund One (Pty) Ltd	256,067	318,137	255,862	315,168
Afrexim Bank Limited	215,565	220,711	112,063	112,063
Other borrowings	–	–	37,445	37,445
	566,417	**636,347**	**530,582**	**617,142**

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 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

Afrexim Bank Limited

This is a US$40 million trade finance facility availed to the Group on a one year renewable basis by Afrexim Bank Limited from October 2012. It attracts interest at LIBOR + 4% and it is repayable on the earlier of when the underlying customers funded repay their respective loans or within one year, but with a provision to extend it for a further one year period.

BWP'000s	2012	2011
19.1 Maturity analysis		
On demand to one month	–	–
One month to three months	33,650	8,550
Three months to one year	265,319	177,003
Greater than one year	365,398	429,648
	664,367	**615,201**

BWP'000s	2012	2011
20. STATED CAPITAL		
20.1 Issued and fully paid		
232 805 464 (2011: 149 472 131) shares	11,640	7,474
Share premium	651,761	309,118
Total company	**663,401**	**316,592**

	Share capital	Share premium	Total
At 1 January 2011	7,320	300,266	307,586
Issue of shares	154	8,852	9,006
At 31 December 2011	7,474	309,118	316,592
Issue of shares	4,166	342,643	346,809
At 31 December 2012	**11,640**	**651,761**	**663,401**

The holders of ordinary shares are entitled to receive a dividend as declared from time to time and are entitled to one vote per share at the annual general meetings of the Company.

	2012	2011
20.2 Reconciliation of the number of shares in issue		
Shares at the beginning of the year	149,472,131	146,419,524
Shares issued*	83,333,333	3,052,607
At the end of the year	**232,805,464**	**149,472,131**

* *The Company undertook a rights issue in terms of which one ordinary share was issued for every 1.7937 issued ordinary shares held by existing shareholders. Each rights offer share was offered at BWP4.28 or USD0.60. Proceeds from the rights issue total BWP364.3 million against which rights issue expenses of BWP17.4 million were offset. Of these, BWP10.9 million relates to the under-writing commission paid to ADC Financial Services and Corporate Development, a related party.*

	2012	2011
20.3 Convertible bond – equity component		
Balance at the beginning of the year	–	–
Transfer from derivative liabilities (note 16)	44,109	–
Balance at the end of the year	**44,109**	**–**

21. RELATED PARTY TRANSACTIONS

Related party transactions are a normal feature of business and are disclosed in terms of IAS 24. Related party transactions may affect the assessment of operations, risk and opportunity facing the organisation.

Subsidiary companies and associates

ABC Holdings Limited is the holding company in the ABC Group. ABC Holdings Limited and its subsidiaries entered into various financial services contracts with fellow subsidiaries and associates during the year. These transactions are entered into in the normal course of business. Loans to/from subsidiary companies have been disclosed in note 8 and 13 and interest on these in note 1. Dividends received from subsidiaries have been disclosed in note 2 as well as commissions earned from subsidiaries. Impairment of subsidiaries are disclosed in note 3. Bank balances with subsidiaries are disclosed in note 6.

ABC Consulting and Management Services Limited and ABCH Management Support Services (Pty) Limited have entered into management services agreements with the Company. Details of inter-company management fees incurred during the year have been disclosed on note 4 and under-writing fees in note 20.

Details of investments in subsidiaries are set out in note 15. Details of associate companies are set out in note 13 of the Group financial statements. Bank balances with Group companies are set out in note 6.

21. RELATED PARTY TRANSACTIONS continued

Shareholders

During 2011, the Company invested in ADC Enterprises Limited which is a 100% subsidiary of African Development Corporation (ADC). ADCE in turn is invested in a syndicated SPE which, with the funds of other investors, was invested in a foreign bank. ADC is a significant shareholder of the Group. The investment balance as at 31 December 2012 was BWP80 million (2011: BWP75 million) and has been classified as financial assets designated at fair value.

Directors and officers

Emoluments to directors have been disclosed in note 4. Particulars of other lending transactions entered into with related parties are as follows:

	2012		2011	
BWP'000s	Balance	Interest	Balance	Interest
Loans and advances to directors:				
DT Munatsi	1,055	148	2,237	240
F Dzanya	2,955	428	7,079	563
B Moyo	594	238	3,849	278
	4,604	**814**	**13,165**	**1,081**
Loans and advances to key management:				
H Matemera	2,357	25	–	198
	2,357	**25**	**–**	**198**
Loans and advances to entities under common control				
Brainworks Investments Limited	14,132	1,943	11,699	2,744
	14,132	**1,943**	**11,699**	**2,744**

There were no specific impairments on balances with related parties.

BWP'000s	2012	2011
22. OFF-BALANCE SHEET ITEMS		
22.1 Contingent liabilities		
The Company has agreed to provide group companies Kendra (Pvt) Ltd and ABCH Management Support Services (Pty) Limited with required operational and financial support (see note 8 for details)		
22.2 Capital commitments		
Approved and contracted for the next year	–	–
23. COLLATERAL		
23.1 Liabilities for which collateral is pledged		
Borrowed funds	256,067	255,862
	256,067	**255,862**
Assets pledged to secure these liabilities are carried at amortised cost and are included under the following:		
Investment securities	45,853	42,172
	45,853	**42,172**
23.2 Collateral accepted as security for assets		
Mortgage, bonds, inventory and debtors	–	101,307
	–	**101,307**
The company is obliged to return equivalent securities. The company is not permitted to sell or repledge collateral in the absence of default.		
These transactions are conducted under terms that are usual and customary to standard lending and borrowing activities.		
24. ORDINARY DIVIDENDS		
Dividend of 10.5 thebe per share paid on 4th May 2012 to shareholders on the register on 13th April 2012	15,695	–
Dividend of 8 thebe per share paid on 21st September 2012 to shareholders on the register on 7th September 2012	18,624	–
Dividend of 10 thebe per share paid on 12th April 2011 to shareholders on the register on 1st April 2011	–	14,642
Dividend of 7 thebe per share paid on 16th September 2011 to shareholders on the register on 2nd September 2011	–	10,519
	34,319	**25,161**

The Board of Directors proposed a gross final dividend in respect of the year ended 31 December 2012 of 8 thebe per ordinary share.

This will bring the full year dividend to about 16 thebe per share.

FINANCIAL RISK MANAGEMENT

The credit risk management Policies of the company and group are set out on pages 64 to 92 of the group financial statements.

MAXIMUM EXPOSURE TO CREDIT RISK BEFORE COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet financial instruments, before taking into account of any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements. For financial assets recognised on the balance sheet, the exposure to credit risk equals their carrying amount before deducting impairments.

Credit risk exposures relating to on-balance sheet assets are as follows:

BWP'000s	2012	2011
Placements with banks	7,777	5,102
Derivative financial assets	8,914	26,316
Financial assets designated at fair value	80,062	152,115
Loans and advances to customers at amortised cost	23,053	281,111
– Corporate lending	16,092	267,947
– Other loans and advances	6,961	13,164
Investment securities	45,853	42,172
– Promissory notes	45,853	42,172
Prepayments and other receivables	3,021	7,577
Loans to subsidiaries	447,668	177,547
Inter-company balances	155,640	77,652
	771,988	**769,592**

CREDIT QUALITY

Loans and advances

The following tables reflect broadly, stable credit quality of the company's exposures.

Distribution of loans and advances by credit quality:

BWP'000s	2012	2011
Neither past due nor impaired	23,053	189,520
Individually impaired	–	91,591
Gross loans and advances	23,053	281,111
Less: Allowance for impairment	–	–
Net loans and advances	**23,053**	**281,111**

(a) Distribution of loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted below:

Internal grade: Performing

BWP'000s	2012	2011
Corporate lending	16,092	176,356
Other loans and advances	6,961	13,164
	23,053	**189,520**

(b) Loans and advances individually impaired

The individually impaired loans and advances before taking into consideration the cash flows from collateral held is nil (2011: BWP91.6 million).

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the company as security, are as follows:

	2012			2011		
BWP'000s	Individually Impaired	Fair value collateral	Under-collateralisation	Individually Impaired	Fair value collateral	Under-collateralisation*
Corporate lending	–	–	–	91,591	–	91,591
	–	**–**	**–**	**91,591**	**–**	**91,591**

The individually impaired loan in the prior year comprised of a single exposure to a corporate export entity in Zimbabwe. In the current year, the suspended interest and penalties of BWP18.9 million were recognised and the exposure sold the Zimbabwe group where it was fully recovered (refer to contingent liability disclosure note 32 of the Group financial statements).

CONCENTRATION RISK OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE

(a) Geographical sectors

The following table breaks down the company's main credit exposure at their carrying amounts, as categorised by geographical regions as of 31 December 2012:

2012

BWP'000s	Botswana	Mozambique	Tanzania	Zambia	Zimbabwe	Other	Total
Placements with banks	211	–	–	–	666	6,900	7,777
Financial assets designated at fair value	–	–	–	–	–	80,062	80,062
Derivative financial assets	–	–	–	–	–	8,914	8,914
Loans and advances	2,955	–	–	–	18,449	1,649	23,053
Investment securities	45,853	–	–	–	–	–	45,853
Prepayments and other receivables	3,021	–	–	–	–	–	3,021
Loans to subsidiary companies	111,841	62,891	53,945	82,840	136,151	–	447,668
Inter-company balances	33,062	–	–	20,539	76,336	25,703	155,640
	196,943	**62,891**	**53,945**	**103,379**	**231,602**	**123,228**	**771,988**

2011

BWP'000s	Botswana	Mozambique	Tanzania	Zambia	Zimbabwe	Other	Total
Placements with banks	105	–	–	–	496	4,501	5,102
Financial assets designated at fair value	–	–	–	–	77,125	74,990	152,115
Derivative financial assets	–	–	–	–	119	26,197	26,316
Loans and advances	51,313	–	–	–	229,798	–	281,111
Investment securities	42,172	–	–	–	–	–	42,172
Prepayments and other receivables	7,577	–	–	–	–	–	7,577
Loans to subsidiary companies	69,914	53,498	–	54,135	–	–	177,547
Inter-company balances	31,902	–	–	18,815	–	26,935	77,652
	202,983	**53,498**	**–**	**72,950**	**307,538**	**132,623**	**769,592**

CONCENTRATION RISK OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE

(b) Industry Sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorized by industry sectors as of 31 December 2011 of the counterparties:

	2012				
BWP'000s	Agriculture	Construction	Wholesale, retail and trade	Public sector	Manufacturing
Placements with banks	–	–	–	–	–
Financial assets designated at fair value	–	–	–	–	–
Derivative financial assets	–	–	–	–	–
Loans and advances	–	–	1,766	–	–
Investment securities	–	–	–	–	–
Prepayments and other receivables	–	–	–	–	–
Loans to subsidiary companies	–	–	–	–	–
Inter-company balances	–	–	–	–	–
	–	**–**	**1,766**	**–**	**–**

	2011				
BWP'000s	Agriculture	Construction	Wholesale, retail and trade	Public sector	Manufacturing
Placements with banks	–	–	–	–	–
Financial assets designated at fair value	–	–	77,125	–	–
Derivative financial assets	–	–	–	–	–
Loans and advances	–	–	145,887	–	–
Investment securities	–	–	–	–	–
Prepayments and other receivables	–	–	–	–	–
Loans to subsidiary companies	–	–	–	–	–
Inter-company balances	–	–	–	–	–
	–	**–**	**223,012**	**–**	**–**

2012

Mining and Energy	Financial Services	Transport	Individuals	Tourism	Other	Total
–	7,777	–	–	–	–	7,777
–	80,062	–	–	–	–	80,062
–	8,914	–	–	–	–	8,914
–	14,326	–	6,961	–	–	23,053
–	45,853	–	–	–	–	45,853
–	3,021	–	–	–	–	3,021
–	447,668	–	–	–	–	447,668
–	155,640	–	–	–	–	155,640
–	**763,261**	**–**	**6,961**	**–**	**–**	**771,988**

2011

Mining and Energy	Financial Services	Transport	Individuals	Tourism	Other	Total
–	5,102	–	–	–	–	5,102
–	74,990	–	–	–	–	152,115
–	26,316	–	–	–	–	26,316
122,061	–	–	13,163	–	–	281,111
–	42,172	–	–	–	–	42,172
–	7,577	–	–	–	–	7,577
–	177,547	–	–	–	–	177,547
–	77,652	–	–	–	–	77,652
122,061	**411,356**	**–**	**13,163**	**–**	**–**	**769,592**

MARKET RISK

The company takes on exposure to market risks, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rate, credit spreads, foreign exchange rates and equity prices.

Market and foreign currency exposures related to dealing positions are housed and managed in the Treasury division within a framework of pre-approved dealer, currency and counterparty limits. All trading positions are marked to market as required by IAS 39. Group Risk is responsible for the monitoring of limits and pricing, thereby ensuring that any errors or unauthorised transactions are promptly identified.

Concentration of currency risk: On-and off-balance sheet financial instruments:

	2012			
BWP'000s	EUR	USD	BWP	ZAR
Cash and short-term funds	–	7,566	211	–
Financial assets designated at fair value	–	80,062	–	–
Loans and advances	–	18,449	4,604	–
Investment securities	–	–	45,853	–
Prepayments and other receivables	–	1,880	1,141	–
Derivative financial assets*	–	–	2,889	–
Inter-company balances	–	128,483	1,454	25,703
Property and equipment	–	–	161	–
Intangible assets	–	–	54	–
Deferred tax assets	–	–	18,019	–
Investment in subsidiaries	–	272,008	246,669	–
Loans to subsidiaries	–	362,009	31,714	–
Total assets	**–**	**870,457**	**352,769**	**25,703**
Derivative financial liabilities*	–	88,760	–	–
Creditors and accruals	–	3,064	673	2,057
Borrowed funds	–	215,565	354,017	–
Inter-company balances	(54)	281,015	4,556	62,469
Total liabilities	**(54)**	**588,404**	**359,246**	**64,526**
Net on-balance sheet position	**54**	**282,053**	**(6,477)**	**(38,823)**

* *Notional amounts have been reported in the currency columns and adjustments made in "Other" to arrive at the fair values.*

Market risk measurement techniques

The major measurement techniques used to measure and control market risk are outlined below.

Foreign Exchange Risk

The company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Group Risk sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the company's exposure to foreign currency exchange rate risk at 31 December 2012.

Included in the table are the company's assets and liabilities at carrying amounts, categorised by currency.

2012

TZS	ZMK	MZN	JPY	Other	Total
–	–	–	–	–	7,777
–	–	–	–	–	80,062
–	–	–	–	–	23,053
–	–	–	–	–	45,853
–	–	–	–	–	3,021
–	–	–	94,785	(88,760)	8,914
–	–	–	–	–	155,640
–	–	–	–	–	161
–	–	–	–	–	54
–	–	–	–	–	18,019
144,345	149,591	87,559	–	–	900,172
53,945	–	–	–	–	447,668
198,290	**149,591**	**87,559**	**94,785**	**(88,760)**	**1,690,394**
–	–	–	–	(88,760)	–
–	–	–	–	–	5,794
–	–	–	94,785	–	664,367
–	–	–	–	–	347,986
–	**–**	**–**	**94,785**	**(88,760)**	**1,018,147**
198,290	**149,591**	**87,559**	**–**	**–**	**672,247**

Concentration of currency risk: On-and off-balance-sheet financial instruments (continued):

	2011			
BWP'000s	EUR	USD	BWP	ZAR
Cash and short-term funds	–	3,691	105	1,306
Financial assets designated at fair value	–	152,115	–	–
Loans and advances	–	229,797	51,314	–
Investment securities	–	–	42,172	–
Prepayments and other receivables	674	6,007	896	–
Derivative financial assets*	–	–	6,091	119
Inter-company balances	–	49,264	1,454	26,934
Property and equipment	–	–	263	–
Intangible assets	–	–	215	–
Deferred tax assets	–	–	15,017	–
Investment in subsidiaries	–	292,104	93,641	–
Loans to subsidiaries	–	145,866	31,681	–
Total assets	**674**	**878,844**	**242,849**	**28,359**
Derivative financial liabilities*	–	151,958	–	119
Creditors and accruals	–	6,269	76	2,765
Borrowed funds	–	234,128	255,861	–
Inter-company balances	(116)	225,598	243,980	13,422
Total liabilities	**(116)**	**617,953**	**499,917**	**16,306**
Net on-balance sheet position	**790**	**260,891**	**(257,068)**	**12,053**

** Notional amounts have been reported in the currency columns and adjustments made in "Other" to arrive at the fair values.*

2011

	TZS	ZMK	MZN	JPY	Other	TOTAL
	–	–	–	–	–	5,102
	–	–	–	–	–	152,115
	–	–	–	–	–	281,111
	–	–	–	–	–	42,172
	–	–	–	–	–	7,577
	–	–	–	125,212	(105,106)	26,316
	–	–	–	–	–	77,652
	–	–	–	–	–	263
	–	–	–	–	–	215
	–	–	–	–	–	15,017
	144,345	82,486	68,050	–	–	680,626
	–	–	–	–	–	177,547
	144,345	**82,486**	**68,050**	**125,212**	**(105,106)**	**1,465,713**
	–	–	–	–	(105,106)	46,971
	–	–	–	–	–	9,110
	–	–	–	125,212	–	615,201
	–	–	–	–	–	482,884
	–	**–**	**–**	**125,212**	**(105,106)**	**1,154,166**
	144,345	**82,486**	**68,050**	**–**	**–**	**311,547**

INTEREST RATE RISK

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Asset and Liability Committee (ALCO) is responsible for managing interest rate and liquidity risk in the Group. Asset and liability management committees have been established in each subsidiary and meet on a monthly basis. They operate within the prudential guidelines and policies established by Group ALCO.

In order to reduce interest rate risk, the majority of the company's lending is on a variable interest rate with a term of less than one year.

The table below summarises the company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Variable rate financial instruments are categorised in the "Up to 1 month" column.

	2012					
BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Non-interest bearing	Total
Cash and short-term funds	7,777	–	–	–	–	7,777
Financial assets designated at fair value	–	–	–	–	80,062	80,062
Derivative financial assets	–	–	–	–	8,914	8,914
Loans and advances	23,053	–	–	–	–	23,053
Investment securities	–	–	–	45,853	–	45,853
Prepayments and other receivables	–	–	–	–	3,021	3,021
Inter-company balances	101,969	–	–	–	53,671	155,640
Property and equipment	–	–	–	–	161	161
Intangible assets	–	–	–	–	54	54
Deferred tax asset	–	–	–	–	18,019	18,019
Investment in subsidiaries	–	–	–	–	900,172	900,172
Loans to subsidiaries	–	–	–	447,668	–	447,668
Total assets	**132,799**	**–**	**–**	**493,521**	**1,064,074**	**1,690,394**
Shareholders equity and liabilities						
Equity	–	–	–	–	672,247	672,247
Derivative financial liabilities	–	–	–	–	–	–
Creditors and accruals	–	–	–	–	5,794	5,794
Borrowed funds	–	33,650	265,319	365,398	–	664,367
Intercompany balances	261,740	86,246	–	–	–	347,986
Total equity and liabilities	**261,740**	**119,896**	**265,319**	**365,398**	**678,041**	**1,690,394**
Total interest repricing gap	**(128,941)**	**(119,896)**	**(265,319)**	**128,123**	**386,033**	**–**

BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Non-interest bearing	Total
			2011			
Cash and short-term funds	5,102	–	–	–	–	5,102
Financial assets designated at fair value	2,246	–	–	149,869	–	152,115
Derivative financial assets	–	–	–	–	26,316	26,316
Loans and advances	189,520	–	91,591	–	–	281,111
Investment securities	–	–	–	42,172	–	42,172
Prepayments and other receivables	–	–	–	–	7,577	7,577
Inter-company balances	58,837	18,815	–	–	–	77,652
Property and equipment	–	–	–	–	263	263
Intangible assets	–	–	–	–	215	215
Deferred tax asset	–	–	–	–	15,017	15,017
Investment in subsidiaries	–	–	–	–	680,626	680,626
Loans to subsidiaries	–	–	–	177,547	–	177,547
Total Assets	**255,705**	**18,815**	**91,591**	**369,588**	**730,014**	**1,465,713**
Shareholders'equity and liabilities						
Equity	–	–	–	–	311,547	311,547
Derivative financial liabilities	–	–	–	–	46,971	46,971
Creditors and accruals	–	–	–	–	9,110	9,110
Borrowed funds	–	92,144	149,509	373,548	–	615,201
Intercompany balances	431,705	51,179	–	–	–	482,884
Total equity and liabilities	**431,705**	**143,323**	**149,509**	**373,548**	**367,628**	**1,465,713**
Total interest repricing gap	**(176,000)**	**(124,508)**	**(57,918)**	**(3,960)**	**362,386**	**–**

The table below illustrates the impact of a possible 50 basis points interest rate movement:

BWP'000s	2012	2011
Shift in yield curves of +50 basis points	(1,640)	(1,445)
Percentage of Shareholders Equity (+50 basis points)	0.0%	(0.0)%
Shift in yield curves of -50 basis points	1,640	1,445
Percentage of Shareholders Equity (-50 basis points)	0.0%	(0.0)%

The interest rate sensitivity analysis set out in the table above is illustrative only and is based on simplified scenarios over a period of one year.

LIQUIDITY RISK

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

2012

BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 Year	Total
Cash and short-term funds	7,777	–	–	–	7,777
Financial assets designated at fair value	–	–	–	80,062	80,062
Derivative financial assets	–	–	–	8,914	8,914
Loans and advances	23,053	–	–	–	23,053
Investment securities	–	–	–	45,853	45,853
Prepayments and other receivables	–	–	3,021	–	3,021
Inter-company balances	155,640	–	–	–	155,640
Property and equipment	–	–	–	161	161
Intangible assets	–	–	–	54	54
Deferred tax asset	–	–	–	18,019	18,019
Investment in subsidiaries	–	–	–	900,172	900,172
Loans to subsidiaries	–	–	–	447,668	447,668
Total assets	**186,470**	**–**	**3,021**	**1,500,903**	**1,690,394**
Shareholders equity and liabilities					
Equity	–	–	–	672,247	672,247
Creditors and accruals	5,794	–	–	–	5,794
Borrowed funds	–	33,650	265,319	365,398	664,367
Inter-company balances	261,740	86,246	–	–	347,986
Total equity and liabilities	**267,534**	**119,896**	**265,319**	**1,037,645**	**1,690,394**
Net maturity gap	**(81,064)**	**(119,896)**	**(262,298)**	**463,258**	**–**

2011

BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 Year	Total
Cash and short-term funds	5,102	–	–	–	5,102
Financial assets designated at fair value	2,246	–	–	149,869	152,115
Derivative financial assets	119	–	–	26,197	26,316
Loans and advances	2,658	2,249	263,040	13,164	281,111
Investment securities	–	–	–	42,172	42,172
Prepayments and other receivables	120	–	7,457	–	7,577
Inter-company balances	58,837	18,815	–	–	77,652
Property and equipment	–	–	–	263	263
Intangible assets	–	–	–	215	215
Deferred tax asset	–	–	–	15,017	15,017
Investment in subsidiaries	–	–	–	680,626	680,626
Loans to subsidiaries	–	–	–	177,547	177,547
Total assets	**69,082**	**21,064**	**270,497**	**1,105,070**	**1,465,713**
Shareholders equity and liabilities					
Equity	–	–	–	311,547	311,547
Derivative financial liabilities	119	–	–	46,852	46,971
Creditors and accruals	9,110	–	–	–	9,110
Borrowed funds	–	8,550	177,003	429,648	615,201
Inter-company balances	431,705	51,179	–	–	482,884
Total equity and liabilities	**440,934**	**59,729**	**177,003**	**788,047**	**1,465,713**
Net maturity gap	**(371,852)**	**(38,665)**	**93,494**	**317,023**	**–**

NON-DERIVATIVE CASH FLOW

The table below presents the cash flows payable by the Company under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the consolidated statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash inflows:

2012							
BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total	Effect of discount financing rates	Total
Creditors and accruals	5,794	–	–	–	5,794	–	5,794
Borrowed funds	–	42,361	389,089	435,318	866,768	(202,401)	664,367
Inter-company balances	261,769	87,321	–	–	349,090	(1,104)	347,986
Total liabilities	**267,563**	**129,682**	**389,089**	**435,318**	**1,221,652**	**(203,505)**	**1,018,147**

2011							
BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total	Effect of discount financing rates	Total
Creditors and accruals	9,110	–	–	–	9,110	–	9,110
Borrowed funds	–	16,878	345,911	826,958	1,189,747	(574,546)	615,201
Inter-company balances	376,351	70,242	38,144	–	484,737	(1,853)	482,884
Total liabilities	**385,461**	**87,120**	**384,055**	**826,958**	**1,683,594**	**(576,399)**	**1,107,195**

The Company principally uses cash and short-term funds together with intercompany balances to manage liquidity risk.

DERIVATIVE FINANCIAL LIABILITIES CASH FLOWS

The table below presents the cash flows payable by the Company for derivative financial liabilities by remaining contractual maturities at the date of the balance sheet. The amounts disclosed in the table are the contractual undiscounted nominal currency swap cash flows for the liability leg of such swaps, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash inflows:

2012					
BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total
Derivative financial liabilities	**–**	**–**	**–**	**–**	**–**

2011					
BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total
Derivative financial liabilities	**4,647**	**6,616**	**3,137**	**–**	**14,400**

With the exception of swaps where on-going cash flows are settled on a gross basis, all derivative financial liabilities are settled on a net basis.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Effective 1 January 2009, the Company adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2012:

	2012			
BWP'000s	Quoted prices Level 1	Observable input Level 2	Unobservable inputs Level 3	Total at fair value
Assets				
Financial assets designated at fair value	–	–	80,062	80,062
Derivative financial assets	–	8,914	–	8,914
Total assets at fair value	**–**	**8,914**	**80,062**	**88,976**
Liabilities				
Derivative financial liabilities	–	–	–	–
Total liabilities at fair value	**–**	**–**	**–**	**–**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

	2011			
	Quoted prices Level 1	Observable input Level 2	Unobservable inputs Level 3	Total at fair value
	–	–	152,115	152,115
	–	26,197	–	26,197
	–	**26,197**	**152,115**	**178,312**
	–	–	46,852	46,852
	–	**–**	**46,852**	**46,852**

Assets and liabilities measured at fair value for level 3

The following table presents the changes in level 3 instruments for the year ended at fair value at 31 December 2012:

2012						
BWP'000s	Trading securities	Trading derivatives	Debt or equity investments	Total assets at fair value	Derivative financial liabilities	Total liabilities at fair value
Assets						
Opening balance	–	–	152,115	152,115	46,971	46,971
Gains/Loss in income statement	–	–	12,152	12,152	(2,743)	(2,743)
Purchases			2,166	2,166	–	–
Settlements			(86,371)	(86,371)	(119)	(119)
Transfer to equity	–	–	–	–	(44,109)	(44,109)
Closing balance	**–**	**–**	**80,062**	**80,062**	**–**	**–**

2011						
BWP'000s	Trading securities	Trading derivatives	Debt or equity investments	Total assets at fair value	Derivative financial liabilities	Total liabilities at fair value
Liabilities						
Opening balance	–	–	64,028	64,028	–	–
Gains/Loss in income statement	–	–	13,096	13,096	27,485	27,485
Purchases	–	–	74,991	74,991	19,486	19,486
Closing balance	**–**	**–**	**152,115**	**152,115**	**46,971**	**46,971**

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

Financial assets not measured at fair value where the carrying value is estimated to approximate the fair value of the instrument, are as follows:

Basis of measurement

(i) Placements with other banks

Placements with other banks includes inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount.

The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) Loans and advances

Loans and advances are accounted for on an amortised cost basis using the effective interest rate. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loans and amortised through interest income as part of the effective interest rate. Loans and advances are stated net of allowances for specific and portfolio impairment.

(iii) Investment securities

Investment securities include only interest bearing assets held to maturity. Fair value for held maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(iv) Inter-company balances and loans to subsidiaries

The balances with subsidiary companies are carried at amortised cost. The carrying amount approximate their fair value.

ANALYIS OF SHAREHOLDERS

for the year ended 31 December 2012

Range	Number of holders	% of total holders	Number of shares	% of total holders
0 – 50,000	3,451	97.08%	6,132,872	2.63%
50,001 – 100,000	52	1.46%	3,738,181	1.61%
100,001 – 500,000	31	0.87%	5,220,537	2.24%
500,001 – 1,000,000	4	0.11%	2,440,327	1.05%
1,000,001 – 10,000,000	12	0.34%	49,121,881	21.10%
Above 10,000,000	5	0.14%	166,151,666	71.37%
	3,555	**100.00%**	**232,805,464**	**100.00%**

Top 10 Shareholders

	Shareholder*	Shares	% holding
1	African Development Corporation	120,415,485	51.72%
2	Shares held by and on behalf of DT Munatsi	17,637,718	7.58%
3	International Finance Corporation	15,642,155	6.72%
4	Old Mutual Life Assurance Co. of Zimbabwe Ltd	12,456,308	5.35%
5	Botswana Insurance Fund Management	9,871,009	4.24%
6	Brainworks	8,488,644	3.65%
7	SCBN-SIMS	6,815,819	2.93%
8	Shares held by and on behalf of B Moyo	6,065,207	2.60%
9	Nederlandse Financierings-Maatschappij Voor Ontwikkelingslande	3,582,623	1.54%
10	Shares held by and on behalf of FM Dzanya	2,521,894	1.08%
Total top 10 Shareholders		**203,496,862**	**87.41%**
	Other shareholders	29,308,602	12.59%
		232,805,464	**100.00%**

Geographical Analysis of shareholders

Region	Number of holders	% of total holders	Number of shares	% of total Shares
Americas	10	0.28%	116,675	0.05%
Botswana	414	11.50%	32,201,839	13.83%
Europe	31	0.86%	5,607,995	2.41%
Mauritius	5	0.14%	120,455,855	51.75%
South Africa	73	2.03%	23,360,914	10.03%
Zimbabwe	2,258	62.76%	49,378,006	21.21%
Other	764	22.43%	1,684,550	0.72%
	3,555	**100.00%**	**232,805,464**	**100.00%**

** As per share register on 31 December 2012.*

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

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 Tuesday 28 May 2013 at 09h30 for the purpose of transacting the following business and further if deemed fit, passing, with or without modification, 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 2012, including the Chairman's statement, CEO's statement, Directors' report and Auditors' report.
3. To approve the remuneration of the Directors for the year ended 31 December 2012.
4. To note that Directors, Mr Buttery, Mr Dzanya and Mr Moyo retire by rotation in terms of Clause 30.1 of the Company's Constitution and to re-elect Mr Buttery, Mr Dzanya and Mr Moyo who, being eligible, offer themselves for re-election.
5. To ratify the appointment of Mr Jyrki Ilmari Koskelo as a director of the Company.
6. To ratify the appointment of KPMG as auditors for the ensuing year and to fix their remuneration.

Biographies of directors standing for re-election and whose appointments are to be ratified at the Annual General Meeting.

Howard Buttery
Howard Buttery was born in South Africa in 1946. He has served as a director since 2003 and on the Remuneration and Nominations Committee. Mr Buttery was appointed non-executive Chairman of ABC Holdings Limited (BancABC) in June 2010. This was after he retired from the position of Executive Chairman of Bell Equipment Ltd, a listed South African company. His current focus is on developing a strategic alliance of three international companies: John Deer (United States), Liebher (Germany) and Hitachi (Japan).

Mr Buttery has extensive knowledge of business across the African continent offering key in-sight to the organisation. He holds a certificate in theory of accounting from the University of Natal.

Francis M Dzanya
Francis Dzanya was born in Zimbabwe in 1960. Mr Dzanya has been Chief Operating Officer since April 2008 and Chief Banking Officer before that. He has also been a member of the Executive Committee since 2006.

Mr Dzanya joined Heritage Investment Bank at its formation in 1995 having spent over ten years with other banking institutions in the region.

Mr Dzanya holds a Bachelor of Arts (Honours) degree in Banking, Insurance and Finance from Sheffield Hallam University in the United Kingdom (UK) and a Higher National Diploma in Banking and Finance from John Moores University, also in the UK and is an Associate of the Chartered Institute of Bankers, UK.

Bekithemba Moyo
Beki Moyo was born in Zimbabwe in 1967. Mr Moyo has been the Chief Financial Officer since 2005. In the course of his banking career spanning over fifteen years, Mr Moyo has held various senior positions within ABC Holdings.

Mr Moyo trained and qualified as a Chartered Accountant with Deloitte and Touché and quickly rose to Audit Manager. He then joined the banking world in 1994 as Chief Accountant at Stanbic Zimbabwe.

He holds a Bachelor of Accountancy (Honours) degree from the University of Zimbabwe, a Master of Business Administration degree in Banking and Finance from Manchester University and completed the Harvard Business School's Advanced Management Programme.

Jyrki Ilmari Koskelo
Jyrki Koskelo was born in Finland in 1952. He joined the IFC in 1987, worked for several years as Investment Officer in Africa and in Eastern and Central Europe, was appointed director of IFC's work out department in 2000, director of global financial markets in 2004, and vice president (a direct report to the CEO) and a member of IFC's Management Committee in 2007.

Mr Koskelo, at the time VP Global Industries, retired from IFC end of November 2011. His most notable achievements include initiating, developing and executing a plan to provide liquidity to systemic banks in Eastern Europe in the aftermath of the Lehman collapse; a task he initiated in bringing together the EU commission, the World Bank Group, EIB and EBRD to pledge €24 billion of liquidity for private sector banks in a process called the "Vienna Initiative". Mr Koskelo was also instrumental in leading IFC to new products (such as the $50 billion trade initiative to support global trade after Lehman) and was the early adopter and leader in IFC's decentralization efforts.

Mr Koskelo was appointed as a non-executive director of ABC Holdings Limited on 6 December 2012 and also serves on the Risk & Audit committee. He holds an M.Sc. in Civil Engineering, Technical University, Helsinki and an MBA in International Finance, MIT, Sloan School of Management, Boston.

Ordinary Resolution 1:
To approve the annual financial statements for the year ended 31st December 2012, including the Chairman's statement, CEO's statement, Directors' report and Auditor's report.

Ordinary Resolution 2:
To approve the remuneration of Directors for the year ended 31 December 2012.

Ordinary Resolution 3:
To re-elect Directors retiring by rotation in accordance with the provisions of clause 30.1 of the Company's Constitution. In this regard Mr Buttery retires by rotation and being available and eligible, offers himself for re-election.

Ordinary Resolution 4:
To re-elect Directors retiring by rotation in accordance with the provisions of clause 30.1 of the Company's Constitution. In this regard Mr Dzanya retires by rotation and being available and eligible, offers himself for re-election.

Ordinary Resolution 5:
To re-elect Directors retiring by rotation in accordance with the provisions of clause 30.1 of the Company's Constitution. In this regard Mr Moyo retires by rotation and being available and eligible, offers himself for re-election.

Ordinary Resolution 6:
To ratify the appointment of Mr Jyrki Ilmari Koskelo as a director of the Company.

Ordinary Resolution 7:
To approve the remuneration of the auditors for the year ended 31 December 2012.

Ordinary Resolution 8:
To ratify the appointment of KPMG as the auditors for the Company for the ensuing year.

Ordinary Resolution 9:
The Directors be and are hereby authorized 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 ordinary 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 Constitution 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, Plot 54358 Prime Plaza, First Floor Acacia House, Cnr. Khama Crescent & PG Matane Road, Gaborone, Botswana by not later than 09h30 on Monday 27 May 2013.

By Order of the Board

M Vogt
Secretary to the Board of Directors

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 6 MAY 2013]

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 28 May 2013 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. Ordinary Resolution 8			
9. Ordinary Resolution 9			

Signed at on day of 2013

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

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, Plot 54358 Prime Plaza, First Floor Acacia House, Cnr. Khama Crescent & PG Matane Road, Gaborone, Botswana, or PO Box 1882, Gaborone, Botswana, to be received not less than 24 hours before the Annual General Meeting to be held on 28 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.

COMPANY INFORMATION

ABC Holdings Limited

Directors: H Buttery, FM Dzanya, D Khama, N Kudenga, B Moyo, DT Munatsi, L Shyam-Sunder, MM Schneiders, J Koskelo

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