THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document or the action you should take, you are recommended to seek your own financial advice immediately from an appropriately authorised stockbroker, bank manager, solicitor, accountant or other independent financial adviser who, if you are taking advice in the United Kingdom, is duly authorised under the Financial Services and Markets Act 2000 ("FSMA") if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser in the relevant jurisdiction.

If you have sold or otherwise transferred all of your ADC Shares you should send this Document and the accompanying documents as soon as possible to the purchaser, transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or the transferee. However, the distribution of this Document and any accompanying documents into certain jurisdictions other than the United Kingdom and Federal Republic of Germany may be restricted by law. Therefore, persons into whose possession this Document and any accompanying documents come should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This Document comprises a prospectus relating to the New Ordinary Shares in Atlas Mara Co-Nvest Limited (the "Company") prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the "FCA") made under section 73A of FSMA and approved by the FCA under section 87A of FSMA. This Document has been filed with the FCA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

Up to 14,334,300 New Ordinary Shares will be offered to ADC Shareholders by the Company's indirect subsidiary, ATMA AG, in connection with the voluntary public offer (*öffentliches Angebot*) (the "Offer") for the acquisition of all shares in ADC to the ADC Shareholders by way of a share-for-share exchange offer. The Offer will not be subject to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) (the "Takeover Act") and will not be approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht—BaFin*).

The New Ordinary Shares will be issued by the Company to its indirect subsidiary, ATMA AG and subsequently transferred to any ADC Shareholders who validly accept the Offer, following completion of the Offer.

The listing of the Existing Ordinary Shares and Warrants on the Official List was suspended on 1 April 2014 following the announcement by the Company of the Transaction. Following completion of the Transaction, applications will be made to the FCA for all of the Ordinary Shares in the Company (including the New Ordinary Shares and the Private Placement Shares) and all of the Warrants to be admitted to the Official List of the UK Listing Authority (the "Official List") by way of a standard listing under Chapters 14 and 20, respectively of the listing rules published by the UK Listing Authority under section 73A of FSMA as amended from time to time (the "Listing Rules") and to the London Stock Exchange plc (the "London Stock Exchange") for such Ordinary Shares and Warrants to be admitted to trading on the London Stock Exchange's main market for listed securities (together, "Readmission"). It is expected that Readmission will become effective and that dealing in Ordinary Shares (including the New Ordinary Shares and the Private Placement Shares) and Warrants will commence shortly following the date on which the Offer is completed.

THE WHOLE OF THE TEXT OF THIS DOCUMENT SHOULD BE READ BY PROSPECTIVE INVESTORS. YOUR ATTENTION IS SPECIFICALLY DRAWN TO THE DISCUSSION OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH ANY INVESTMENT IN THE ORDINARY SHARES AND WARRANTS, AS SET OUT IN THE SECTION ENTITLED "RISK FACTORS" BEGINNING ON PAGE 18 OF THIS DOCUMENT.

The Directors, whose names appear on page 60, and the Company accept responsibility for the information contained in this Document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and contains no omission likely to affect its import. Certain information in relation to the Company has been incorporated by reference into this Document. You should refer to the part of this Document headed "Relevant Documentation and Incorporation by Reference".

Atlas Mara Co-Nvest Limited

(incorporated in the British Virgin Islands in accordance with the laws of the British Virgin Islands with number 1800950)

Offer of up to 14,334,300 New Ordinary Shares in the Company in connection with the voluntary public offer *(öffentliches Angebot)* for the acquisition of all shares in ADC to the ADC Shareholders by way of a share-for-share exchange offer

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This Document and any accompanying documents do not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer or invitation to buy or subscribe for, New Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirements on the Company or ATMA AG.

The New Ordinary Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction of the United States or under applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the New Ordinary Shares may not be, offered, sold, resold, transferred or distributed, directly or indirectly, within, into or in the United States or to or for the account or benefit of persons in the United States, Australia, Canada, Japan or any other jurisdiction where such offer or sale would violate the relevant securities laws of such jurisdiction.

The New Ordinary Shares may be, offered, sold, resold, transferred or distributed, directly or indirectly, within, into or in the United States only in a transaction that is not subject to, the registration requirements of the Securities Act. The New Ordinary Shares are being offered outside the United States in offshore transactions within the meaning of and in accordance with Regulation S under the Securities Act. There will be no public offer of the New Ordinary Shares in the United States. The Company is not and does not intend to become an "investment company" within the meaning of the U.S. Investment Company Act of 1940, as amended (the "U.S. Investment Company Act"), and is not engaged and does not propose to engage in the business of investing, reinvesting, owning, holding or trading in securities. Accordingly, the Company is not and will not be registered under the U.S. Investment Company Act and investors will not be entitled to the benefits of that Act.

The date of this Document is 2 July 2014.

Investors should only rely on the information contained in this Document and any documents incorporated herein by reference. No person has been authorised to give any information or make any representations other than those contained, or incorporated by reference, in this Document and, if given or made, such information or representations must not be relied upon as having been so authorised. The Company will comply with its obligation to publish a supplementary prospectus containing further updated information required by law or by any regulatory authority but assumes no further obligation to publish additional information.

In addition, investors should note that, except with the express consent of the Company, the New Ordinary Shares may not be acquired by investors using assets of (i) any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (ii) a plan, individual retirement account or other arrangement that is subject to section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "U.S. Tax Code"), (iii) entities whose underlying assets are considered to include "plan assets" of any plan, account or arrangement described in preceding clause (i) or (ii), or (iv) any governmental plan, church plan, non-U.S. plan or other investor whose purchase or holding of Ordinary Shares would be subject to any state, local, non-U.S. or other laws or regulations similar to Title I of ERISA or section 4975 of the U.S. Tax Code or that would have the effect of the regulations issued by the U.S. Department of Labor set forth at 29 CFR section 2510.3-101, as modified by section 3(42) of ERISA.

The distribution of this Document in or into jurisdictions other than the United Kingdom or the Federal Republic of Germany may be restricted by law and therefore persons into whose possession this Document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

None of the New Ordinary Shares have been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed comment upon or endorsed the merit of the offer of the New Ordinary Shares or the accuracy or the adequacy of this Document. Any representation to the contrary is a criminal offence in the United States.

Following completion of the Transaction, applications will be made for the entire issued share capital of the Company (including the New Ordinary Shares and the Private Placement Shares) and Warrants to be admitted to a Standard Listing on the Official List. A Standard Listing will afford investors in the Company a lower level of regulatory protection than that afforded to investors in companies with Premium Listings on the Official List, which are subject to additional obligations under the Listing Rules.

It should be noted that the UK Listing Authority will not have authority to (and will not) monitor the Company's compliance with any of the Listing Rules and/or any provision of the Model Code which the Company has indicated herein that it complies with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company to so comply.

CONTENTS

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A–E (A.1–E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

SECTION A—INTRODUCTION AND WARNINGS

A.1 **Warning to investors**

This summary should be read as an introduction to the prospectus.

Any decision to invest in the New Ordinary Shares should be based on consideration of the prospectus as a whole by the investor.

Where a claim relating to the information contained in the prospectus is brought before a court the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the prospectus before legal proceedings are initiated.

Civil liability attaches only to those persons who have tabled this summary including any translation thereof but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.

A.2 **Consent for intermediaries**

Not applicable; there will be no resale or final placement of securities by financial intermediaries.

SECTION B—ISSUER

B.1 **Legal and commercial name**

The legal and commercial name of the issuer is Atlas Mara Co-Nvest Limited.

The New Ordinary Shares will be issued by the Company in connection with the Offer made by the Company's indirect subsidiary, ATMA AG.

B.2 **Domicile/Legal form/Legislation/Country of incorporation**

The Company was incorporated on 28 November 2013 with limited liability, under the laws of the British Virgin Islands and pursuant to the BVI Companies Act, with an indefinite life.

ATMA AG is a stock corporation (*Aktiengesellschaft*) established under the laws of Germany with its corporate seat (*Sitz*) in Düsseldorf. ATMA AG was entered in the commercial register (*Handelsregister*) of the Düsseldorf local court (*Amtsgericht*) under registration number HRB 72694 on 10 June 2014.

B.3 **Current operations/Principal activities and markets**

Introduction

The Existing Ordinary Shares and Warrants of the Company were admitted to the Official List by way of a Standard Listing, and to trading on the London Stock Exchange's main market for listed securities on 17 December 2013, simultaneously with which the Company raised US$325,000,000 before expenses, through the 2013 Placing.

The Company was formed to undertake an acquisition of a target company or business. The Company's efforts in identifying a prospective target company or business were not limited to a particular industry or geographical region. However, given the experience of the Founders and the Board, the Company expected to focus on acquiring a company or business in the financial services sector with all or a substantial portion of its operations in Africa.

The Transaction, if completed, will constitute a "Reverse Takeover" under the Listing Rules. In accordance with Listing Rule 5.1.1(i) (and consistent with the UKLA's technical note published in relation to special purpose acquisition companies), the listing of the Company's Existing Ordinary Shares and Warrants was suspended on 1 April 2014 pending the Company publishing a prospectus in relation to Readmission.

Following completion of the Transaction, applications will be made for the Existing Ordinary Shares and Warrants to be readmitted, and for the New Ordinary Shares and the Private Placement Shares to be admitted, to listing on the Official List pursuant to Chapters 14 and 20, respectively, of the Listing Rules which sets out the requirement for Standard Listings.

The Transaction

The Company announced on 31 March 2014 that it had reached agreements to acquire a majority of ABC Holdings Limited ("ABCH") from selected ABCH shareholders (the "BancABC Acquisition") and that it had entered into an agreement with ADC African Development Corporation AG ("ADC") to make a voluntary public offer (by way of a share-for-share exchange offer) to the ADC Shareholders for all outstanding ADC Shares (the "ADC Acquisition", together with the BancABC Acquisition, the "Transaction").

The Directors believe that, subject to certain conditions and regulatory clearances referred to below, the Transaction will be completed prior to 31 August 2014.

BancABC Group is a leading multi-country, multi-service banking group with operations across the SADC region, the largest trading block in Africa, representing an important growth region with over US$640 billion in aggregate GDP. BancABC Group has a history of providing financial services to the people of Botswana, Mozambique, Tanzania, Zambia and Zimbabwe with roots dating back to 1956.

ADC is a Frankfurt-based, open market listed, holding company of an emerging pan-African financial services group. It has an indirect 47.1% stake in ABCH (including shares representing 9.3% of ABCH's shares held subject to certain call option agreements with ABCH executives), an indirect 9.1% stake in UBN, and a portfolio of financial services-oriented private equity holdings.

The minimum ownership level at ABCH for the BancABC Acquisition to proceed is 50.1%. Pursuant to the Share Sale Agreements, ABCH shareholders representing 51.86% of the total ABCH shares outstanding have agreed to sell their ABCH shares to the Company. On completion of the Share Sale Agreements, the Company would hold a 51.86% direct interest in ABCH.

For the ADC Acquisition to proceed, the Offer must achieve a minimum acceptance threshold of 4,901,553 ADC Shares (approximately 51.77% of the current share capital of ADC, being 9,467,440 ADC Shares at the time of publication of this Document).

In respect of the ADC Acquisition, ADC Shareholders representing 34.1% of the outstanding ADC Shares have agreed by way of irrevocable undertaking to tender their ADC Shares in the Offer. On completion of the Transaction, the level of acceptances by ADC Shareholders will ultimately determine the proportion of ADC, and indirectly ABCH, owned by the Company.

The BancABC Acquisition and ADC Acquisition are not inter-conditional. The Company acknowledges that, theoretically, the lack of inter-conditionality between the BancABC Acquisition and ADC Acquisition means that one acquisition may complete without the other, and recognises that there are risks associated with this approach. Such risks include, amongst others, risks associated with holding a minority interest and the lack of decision making authority at BancABC level associated with such minority stake, time delay in gaining control and such delay preventing the Company from pursuing its desired growth and expansion strategy. However, a major mitigating factor is that both the BancABC Acquisition and ADC Acquisition are subject to and conditional upon substantially the same key regulatory approvals and, if these aren't achieved, these would impact both the BancABC Acquisition and ADC Acquisition.

The Company believes that, despite the theoretical risk it will successfully complete both the BancABC Acquisition and ADC Acquisition simultaneously or in rapid succession and therefore believes the risks surrounding the lack of inter-conditionality not to be significant.

Consideration

The Transaction will be funded by the proceeds raised in the 2013 Placing and the issuance of New Ordinary Shares.

The total consideration being offered by the Company and the Company's subsidiary ATMA AG, respectively, to the shareholders of ADC and ABCH will be dependent on the level of shareholder acceptance to the Offer and the subsequent Mandatory Offer. However, the Company envisages it will equate to approximately US$266 million, being the aggregate amount of cash and the value of New Ordinary Shares offered to ADC Shareholders and selected ABCH shareholders.

Structure of the Transaction

On or around 31 March 2014, the Company:

- concluded a series of Share Sale Agreements with selected shareholders of ABCH, to acquire, for cash or New Ordinary Shares, ABCH shares representing 51.86% of the total shares outstanding for US$0.82 per share, or the equivalent in New Ordinary Shares;
- entered into the Cooperation Agreement with ABCH pursuant to which ABCH agreed to support the proposed acquisitions pursuant to the Share Sale Agreements and cooperate with the Company to assist in procuring the satisfaction of the conditions to the Share Sale Agreements and the Company and ABCH agreed to the structure and timetable governing the Mandatory Offer, which will be triggered by completion of the Share Sale Agreements; and
- entered into the Investment Agreement with ADC, under which the Company committed to make a voluntary public offer (*öffentliches Angebot*) for the acquisition of 100% of the shares in ADC by way of a share-for-share offer to the ADC Shareholders and ADC agreed, subject to the launch of the Offer by the Company, to procure certain consents and waivers required for completion of the Share Sale Agreements and committed to, under certain conditions, support the Offer.

The Offer

This prospectus relates solely to the Offer.

The maximum number of New Ordinary Shares to be issued pursuant to the Offer is 14,334,300, which accounts for the 9,467,440 ADC Shares currently in issue and the potential 2,000,000 additional ADC Shares which could be issued under the 2015 Bond with Warrants should warrantholders opt to exercise their warrants.

The Offer is a voluntary public offer (*öffentliches Angebot*) for the acquisition of all shares in ADC to the ADC Shareholders by way of a share-for-share exchange offer by the Company via its subsidiary, ATMA AG. The Offer is for all of the no par value registered shares (*auf den Namen lautende Stückaktien*) of ADC (ISIN DE000A1E8NW9), at the exchange rate of 1.25, meaning that every ADC Shareholder will be offered to receive five (5) New Ordinary Shares of no par value for every four (4) ADC Shares held.

Conditionality

The Transaction is conditional upon, amongst other things, the satisfaction or waiver of the following conditions:

in the case of the Share Sale Agreements with selected ABCH shareholders:

- central bank, merger control and related government approvals in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe;
- the consent of ADC, which has been granted, subject to the launch of the Offer; and

in the case of the Offer:

- achievement of the Minimum Acceptance Threshold;
- foreign investment review;
- non-performance of certain actions by ADC or its subsidiaries;
- central bank, merger control and related government approvals in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe.

On completion of the Share Sale Agreements, the acquisition of more than 35% of the ABCH shares will trigger the obligation of the Company to make the Mandatory Offer for all outstanding shares of ABCH. The Mandatory Offer will be made at a price of US$0.82 per ABCH share, to be satisfied in cash or in an equivalent value of Ordinary Shares in the Company.

Strategic rationale for the Transaction

Following completion of the Transaction, the objective of the Company will be to operate the acquired business and implement an operating strategy with a view to generating value for Shareholders through operational improvements as well as potentially through additional complementary acquisitions.

The Company believes the proposed combination with ABCH and ADC is consistent with the Company's strategic objective of building the premier sub-Saharan financial services group. Particularly relevant are ABCH's strong brand and multi-country banking platform, its well-respected management team and exciting growth prospects, and ADC's pan-African vision and execution expertise.

The Directors believe that the combination of ABCH and ADC with the Company will create an Enlarged Group with the following characteristics:

- a highly scalable growth platform across the SADC region, an important growth region with annual GDP of over US$640 billion, ranking it amongst the top 20 GDPs worldwide;
- a well-positioned banking group capable of offering a broad range of banking products, including corporate banking, treasury services, retail and SME banking, asset management and stock broking;
- a proven track record, with BancABC Group having posted a 42% CAGR in loan book growth over the past 5 years;
- a highly-regarded management team at ABCH, who have worked together for over a decade, leading ABCH's evolution from a domestic merchant bank to a regional universal bank;
- an accomplished management team at ADC, who have successfully invested in financial services across SSA, have created a platform for expansion into other attractive banking markets, and whose vision is aligned with the Company's; and
- the opportunity to accelerate the expansion of the Enlarged Group's geographic footprint and current product offerings through the Company's access to capital and liquidity and significant global banking experience.

The Company has committed *vis-à-vis* ABCH and ADC to, following completion of the Transaction and the Mandatory Offer, provide up to US$100 million to ABCH to support and drive its growth going forward, as well as support ABCH's management in obtaining additional liquidity, including raising Tier II capital.

In the event that the BancABC Acquisition completes and the ADC Acquisition does not, the Company will become the majority shareholder of ABCH and the Company expects that ADC will cease to be in a position to exercise control over ABCH for IFRS purposes. In such instance, the Company will look to continue to pursue its strategy going forward and to grow and expand the BancABC Group.

In the event that the ADC Acquisition completes and the BancABC Acquisition does not, the Company would hold a significant minority interest in ABCH (namely 37.7%) and in order to increase this stake and attempt to obtain a majority interest in ABCH, the Company would need to launch an offer for all outstanding shares in ABCH. This path to economic control would obviously have timing implications and any delay in taking control may prevent the Company from implementing and pursuing its desired strategy. However, in the short term until economic control is achieved, failure of the Share Sale Agreements to complete will mean the Call Option Agreements will not have been exercised and ADC will control additional ABCH shares subject to these Call Option Agreements and subject to the Brainworks Pooling Agreement and the Trafigura Pooling Agreement, ultimately providing ADC voting control at ABCH level.

BRD Acquisition

On 23 May 2014, the Company entered into a framework deed (the "Framework Deed") with the Government of Rwanda, the National Agricultural Export Development Board and the Rwanda Social Security Board (together the "BRD Sellers") to facilitate the ultimate acquisition by the Company of a to be formed commercial bank in Rwanda (the "Commercial Bank"). The Commercial Bank will be formed via an internal reorganisation of the Development Bank of Rwanda ("BRD") which will transfer its existing commercial banking assets and liabilities, such assets and liabilities to be agreed between the Company and the BRD Sellers prior to completion, to the new Commercial Bank.

Following the reorganisation and establishment of the new company which will become the Commercial Bank and the satisfaction of further conditions, which include the receipt of a full operational commercial banking license for the Commercial Bank, the Company will acquire 100% of the Commercial Bank entity for an aggregate consideration of between US$10 million and US$25 million, dependent on the net asset value of the Commercial Bank's assets and liabilities at completion. The Directors believe that, subject to certain conditions and regulatory clearances, the acquisition of the Commercial Bank should be completed by 1 November 2014.

Private Placement

In May 2014, the Company commenced a conditional private placement of new Ordinary Shares at an issue price of US$11 per new Ordinary Share to raise up to US$400 million (the "Private Placement").

Initial allocation preference was given to holders of Existing Ordinary Shares (the "Pre-emptive Offer") and thereafter was given to certain qualified investors. As at 1 July 2014, the Company has subscriptions for approximately US$300 million from holders of Existing Ordinary Shares and certain other qualified investors pursuant to which approximately 27,275,000 new Ordinary Shares (the "Private Placement Shares") may be issued. However, the exact number of Private Placement Shares to be issued pursuant to the Private Placement will be dependent on the final number of ADC Shares tendered into the Offer.

The closing of the Private Placement is conditional, inter alia, on completion of the Transaction and Readmission. Subject to completion of the Transaction and Readmission, the Company intends to use the net proceeds from the Private Placement in addition to the funds raised in the 2013 Placing to assist the Company's strategy, support growth of BancABC Group, for future acquisitions and bolt-on opportunities and for general corporate purposes.

Debt Facility

The Company has an agreement that provides for a committed debt facility of up to US$200 million to support future growth. The terms and conditions of the facility are to be determined at the time the Company requests borrowing under the facility and are subject to completion of definitive documentation and the satisfaction of certain conditions precedent.

B.4a **Significant trends**

Not applicable; the Company was formed to undertake an acquisition of a target company or business. There are no known trends affecting the Company and the industries in which the Company currently operates.

B.5 **Group structure**

The Company is the parent company of the Group. At the date of this prospectus, the Group comprises the Company and its subsidiaries ATMA Luxemburg and ATMA AG.

Following completion of the Transaction, the Company will be the holding company of the Enlarged Group.

B.6 **Major shareholders**

So far as the Company is aware, as at 1 July 2014 (being the latest practicable date prior to the publication of this Document), the following persons, directly or indirectly, had an interest of five per cent. or more in the Company's capital or voting rights:

Shareholder	No of Ordinary Shares	Percentage of issued Ordinary Shares
Owl Creek Asset Management LP	2,500,000	7.99%
Clough Investment Partners LP	2,552,087	8.15%
Wellington Management Company, LLP	3,281,250	10.50%

At the date of this Document, the Company has issued 1,250,000 Founder Preferred Shares, in aggregate, to the Founding Entities.

The Founder Preferred Shares do not carry the same voting rights as are attached to the Ordinary Shares. The Founder Preferred Shares do not carry any voting rights except in respect of any variation or abrogation of class rights or on any Resolution of Members required, pursuant to BVI law, to approve either an Acquisition or, prior to an Acquisition, a merger or consolidation.

B.7 **Selected historical key financial information**

Historical key financial information for the Company:
The Company was incorporated on 28 November 2013 and the following balance sheet was drawn up at that date. The Company had not yet commenced business operations.

	$'000
Assets	
Current Assets	
Cash at bank	—
Total assets	—
Equity and Liabilities	
Equity	
Called up capital	—
Retained earnings	—
Total equity	—
Current liabilities	
Amounts due to related parties	—
Trade and other payables	—
Total liabilities	—
Total equity and liabilities	—

No income statement, statement of cash flows or statement of changes in equity was presented as the Company had not traded on 28 November 2013, the date of incorporation. On 28 November 2013, the Company issued two Founder Preferred Shares of US$10 each, one to each of the Founding Entities.

Subsequent to 28 November 2013, being the balance sheet date, the following significant changes to the Company's financial condition and operating results have occurred: in connection with incorporation and the 2013 Placing, the Company entered into the Option Deeds, executed the Warrant Instrument, assumed contingent liabilities in respect of the fees payable pursuant to the Placing Agreement (US$8,353,125), and incurred, in aggregate, approximately US$11,500,000 of expenses. The Company raised US$325,000,000 pursuant to the 2013 Placing. In connection with the Transaction and the BRD Acquisition, the Company has entered into the Share Sale Agreements, Investment Agreement, Cooperation Agreement and Framework Deed, the terms of which are set out in Parts I and IV, and incurred, in aggregate, approximately US$12,100,000 of expenses.

Historical key financial information for ADC:

The table below sets out the summary financial information of ADC for the three years ended 31 December 2011, 2012 and 2013.

In EUR'millions (except for ratios and indicators)

	2011	2012	2013
Operating Performance			
Net interest income	0.4	27.6	82.7
Net fee and commission income	—	16.9	37.3
Net income (loss) from equity method investments	—	(0.9)	14.5
Pre-tax profit (loss)	8.7	(15.9)	(4.2)
Net profit (loss)	8.7	(18.9)	(8.2)

	2011	2012	2013
Balance sheet Performance			
Cash and short term funds	43.3	183.4	200.9
Loans and advances	—	886.6	856.9
Total Assets	103.0	1,432.7	1,417.5
Borrowed funds	11.8	195.7	226.3
Deposits	—	1,041.9	1,012.1
Equity attributable to ordinary shareholders	89.4	67.7	67.1

Ratios

	2011	2012	2013
ADC Group Ratios / Indicators			
Return on average Equity	—	NM	NM
Return on average Assets		NM	NM
Key Banking Ratios			
Net Interest Margin	6.5%*	9.4%*	10.3%
Cost-to-income ratio	61%	106%	76%
Key Private Equity Ratios			
Gross IRR	—	16.0%	13.5%
Multiple	—	1.3x	1.4x
Non-Financial Indicators			
Employees:	—	1,362	1,558
Branches:	—	61	73
ATMs:	—	62	74
Customers:	—	230,000	261,665

* For comparability, certain figures for 2011 and 2012 are based on ABCH standalone.

During the 2011 to 2013 financial years the only significant change to ADC Group's financial condition or operating results was the acquisition by ADC Group of a stake in ABCH which resulted in the consolidation of ABCH in 2012.

There has been no significant change in the financial condition or operating results of the ADC Group since 31 December 2013, being the latest date to which the historical financial information in Part XI of this Document was prepared.

Historical key financial information for ABCH:

The table below sets out the summary financial information of ABCH for the three years ended 31 December 2011, 2012 and 2013.

On a historical cost basis in BWP'000s

	31 Dec 11	31 Dec 12	31 Dec 13
Income statement			
Net interest income after impairment	332,825	534,862	464,135
Non-interest income	325,984	551,700	692,094
Total income	**658,809**	**1,086,562**	**1,156,229**
Operating expenditure	(545,948)	(868,659)	(1,181,506)
Net income from operations	**112,861**	**217,903**	**(25,277)**
Share of (losses)/profits of associates and joint venture	(5,177)	(5,630)	(4,004)
Profit before taxation	**107,684**	**212,273**	**(29,281)**
Taxation	(19,986)	(77,108)	(46,406)
Profit for the year	**87,698**	**135,165**	**(75,687)**
Attributable to ordinary shareholders	83,002	132,774	(51,589)
Non-controlling interests	4,696	2,391	(24,098)
Profit for the year	**87,698**	**135,165**	**(75,687)**
Balance sheet			
Cash and short-term funds	1,243,431	1,859,269	2,304,283
Financial assets held for trading	651,049	1,022,864	1,260,049
Financial assets designated at fair value	221,283	189,698	261,552
Derivative financial assets	32,337	33,769	27,636
Loans and advances to customers	6,077,399	9,144,042	10,336,477
Investment securities	50,303	54,500	67,975
Investment in associates	17,539	11,201	13,320
Property and equipment	396,228	488,310	584,880
Intangible assets	130,362	139,145	130,002
Other assets	245,305	294,439	445,692
	9,065,236	**13,237,237**	**15,431,866**
Shareholders' equity	494,284	994,870	1,035,162
Deposits	7,374,700	10,675,111	12,209,087
Derivative liabilities held for risk management	47,069	22,621	37,640
Borrowed funds	981,788	1,212,731	1,759,320
Other liabilities	167,395	331,904	390,657
	9,065,236	**13,237,237**	**15,431,866**
Shares in issue	149,472,131	232,805,464	256,885,694
Cost to income ratio	75%	71%	69%
Average shareholders' equity	525,213	744,577	1,015,016
Return on average shareholders' equity	16%	15%	NM

During the 2011 to 2013 financial years there has been no significant change to the financial condition or operating results of the BancABC Group.

There has also been no significant change in the financial condition or operating results of the BancABC Group since 31 December 2013, being the latest date to which the historical financial information in Part XI of this Document was prepared.

B.8 **Selected key pro forma financial information**

The unaudited pro forma statement of net assets and unaudited pro forma income statement set out below have been prepared to illustrate the effect of the 2013 Placing, the Transaction and the Mandatory Offer on the consolidated net assets and income statement of the Company.

For the purposes of the pro forma financial information, it has been assumed that subsequent to the BancABC Acquisition and the ADC Acquisition, the Mandatory Offer is settled fully in cash and that all remaining ABCH shareholders (other than those ABCH shares at the time owned by the Company) accept the offer in full.

The unaudited pro forma net assets statement is based on the financial statements of the Company as at 28 November 2013 which is incorporated by reference into this Document, adjusted for the effect of the 2013 Placing, and has been prepared on the basis that the Transaction and Mandatory Offer took place on 28 November 2013. The unaudited pro forma income statement has been prepared on the basis that the Transaction and Mandatory Offer took place on 1 January 2013, however, as the Company was only incorporated on 28 November 2013, no income statement for the Company for the period 1 January 2013 to 28 November 2013 has been presented. The unaudited pro forma net assets and unaudited pro forma income statement is compiled on the basis set out in the notes below and in accordance with the proposed accounting policies of the Enlarged Group to be applied in the annual financial statements for the period ending 31 December 2014.

Because of their nature, the unaudited pro forma statement of net assets and unaudited pro forma income statement addresses a hypothetical situation and does not, therefore, represent the Enlarged Group's actual financial position or results. It may not, therefore give a true picture of the Enlarged Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The pro forma information has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive.

The unaudited pro forma statement of net assets of the Enlarged Group is set out below:

	Atlas Mara Note 1	2013 Placing Note 2	Atlas Mara Pro Forma following 2013 Placing Note 3	ADC (Consolidated including the net assets of ABCH) Note 4	Note 5	Note 6	Note 7	Pro forma Enlarged Group
				Currency US$'million				
Assets								
Cash and short term funds	—	313.5	313.5	276.6	(96.2)	—	(21.9)	472.0
Loans and advances	—	—	—	1,179.6	—	—	—	1,179.6
Goodwill and intangible assets	—	—	—	71.3	—	126.0	—	197.3
Other assets	—	—	—	423.8	—	—	—	423.8
Total assets	**—**	**313.5**	**313.5**	**1,951.3**	**(96.2)**	**126.0**	**(21.9)**	**2,272.7**
Liabilities								
Deposits	—	—	—	1,393.4	—	—	—	1,393.4
Borrowed funds	—	—	—	311.6	—	—	—	311.6
Other liabilities	—	—	—	106.3	—	—	—	106.3
Total liabilities	**—**	**—**	**—**	**1,811.3**	**—**	**—**	**—**	**1,811.3**
Net assets	**—**	**313.5**	**313.5**	**140.0**	**(96.2)**	**126.0**	**(21.9)**	**461.4**

The unaudited pro forma statement of net assets of the Enlarged Group is presented in US dollars in millions. The financial information for ADC has been translated at US$ 1.00 to Euro 0.7264 being the exchange rate at 31 December 2013. The exchange rate utilised for the translation is the rate ruling at the financial year end of ADC, as reflected in Note 2.4 of the notes to the consolidated financial statements of ADC as set out in Part XI of this Document.

The Private Placement, as detailed in Part III of this Document, will only be effected on Readmission of the Company and therefore the impact of the Private Placement has not been reflected in the above pro forma statement of net assets.

The consolidated net assets of ADC includes the consolidated net assets of ABCH and therefore the net assets of ABCH are not presented separately within the pro forma statement of net assets.

Notes

1 The net assets of the Company as at incorporation, being 28 November 2013, have been extracted without material adjustment from the financial information of the Company incorporated by reference into this Document;

2 Raising of US$325.0 million in respect of the 2013 Placing by the Company in December 2013, full details of which are set out in the IPO Prospectus, and payment of transaction costs of US$11.5 million;

3 The pro forma statement of net assets of the Company following the completion of the 2013 Placing as detailed in note 2 above;

4 The consolidated net assets of ADC as at 31 December 2013 have been extracted without material adjustment from the historical financial information of ADC as set out under Part XI of this Document. The following applies to the consolidated net assets of ADC:

(i) Other assets includes all assets as extracted from the historical financial information of ADC as set out in Part XI of this Document, excluding cash and short term funds, loans and advances and goodwill and intangible assets as extracted;

(ii) Other liabilities includes all liabilities as extracted from the historical financial information of ADC as set out in Part XI of this Document, excluding deposits and borrowed funds as extracted;

(iii) ABCH is already consolidated by ADC and therefore no separate adjustment, as it relates to the impact of the BancABC Acquisition, has been included in the pro forma statement of net assets;

5 The adjustment reflects a cash payment of US$86.4 million of the total consideration of US$109.2 million payable in respect of the BancABC Acquisition, and a cash payment of US$9.8 million of the total costs payable of US$11.1 million in respect of Transaction costs and Readmission costs. The consideration payable of US$134.9 million in respect of the ADC Acquisition is settled through the issue of 11.8 million Ordinary Shares at a price of US$11.40 per Ordinary Share, being the share price on the last trading day prior to the suspension of the Ordinary Shares on 28 March 2014;

6 The adjustment reflects the de-recognition of goodwill and intangible assets of ADC of US$71.3 million and the recognition of goodwill and intangible assets arising in the Enlarged Group's financial statements as a consequence of the Transaction. The recognition of goodwill and intangible assets of US$197.3 million is calculated as the total purchase consideration of US$266.0 million, in respect of both the ADC Acquisition and the BancABC Acquisition, of which US$108.2 million is settled in cash and US$157.8 million is settled in Ordinary Shares, less the book value of consolidated ADC net assets (less the de-recognised goodwill and intangible assets of US$71.3 million) acquired of US$68.7 million. A fair value assessment of the net assets acquired, including a valuation of the intangible assets as required by IFRS3 (Revised) has not yet been performed but will be prepared for inclusion in the financial statements of the Company for the year ending 31 December 2014. No account has been made for any fair value adjustments that may arise; and

7 Cash payment of US$21.9 million in respect of the Mandatory Offer to minority shareholders of ABCH.

The unaudited pro forma income statement of the Enlarged Group is set out below:

	Atlas Mara Note 1	ADC (consolidated including the income statement of ABCH) Note 2	Note 3	Pro forma Enlarged Group
		Currency US$'million		
Interest and similar income	—	230.0	—	230.0
Interest and similar expense	—	(120.2)	—	(120.2)
Net interest income	**—**	**109.8**	**—**	**109.8**
Provision for credit losses	—	(57.1)	—	(57.1)
Net interest income after provision for credit losses	**—**	**52.7**	**—**	**52.7**
Net fee and commission income	—	49.6	—	49.6
Net gains/(losses) on financial instruments designated at fair value through profit or loss	—	4.3	—	4.3
Net trading income	—	21.5	—	21.5
Net income/(loss) from equity method investments	—	19.3	—	19.3
Other non-interest income	—	7.6	—	7.6
Total operating income	**—**	**155.0**	**—**	**155.0**
Operating expenses	—	(160.4)	(11.0)	(171.4)
Profit/(loss) before tax	**—**	**(5.4)**	**(11.0)**	**(16.4)**
Income tax expense	—	(5.5)	—	(5.5)
Profit/(loss) for the year	**—**	**(10.9)**	**(11.0)**	**(21.9)**

The unaudited pro forma income statement of the Enlarged Group is presented in US dollars in millions. The financial information for ADC has been translated at US$1.00 to Euro 0.7530 being the average 12 month exchange rate as at 31 December 2013. The average exchange rate utilised for the translation is the average rate ruling at the financial year end of ADC, as reflected in Note 2.4 of the notes to the consolidated financial statements of ADC as set out in Part XI of this Document.

A fair value of the assets and liabilities as it relates to the Transaction (including a valuation of intangible assets), as required by IFRS 3 (Revised), and the required fair value adjustments, has not yet been performed but will be prepared for inclusion in the financial statements of the Enlarged Group for the year ending 31 December 2014. No account has been made for any amortisation arising.

The Private Placement, as detailed in Part III of this Document, will only be effected on Readmission and therefore the impact of Private Placement has not been reflected in the above pro forma income statement.

The consolidated income statement of ADC includes the consolidated income statement of ABCH and therefore the income statement of ABCH is not presented separately within the pro forma income statement.

Notes

1 The Company was newly incorporated on 28 November 2013 and had not traded prior to incorporation. As a result, the income statement for the period 1 January 2013 to 28 November 2013 has not been presented. No adjustment has been made to reflect the actual trading result of the Company between 28 November 2013 and 31 December 2013. Other than the proceeds used for the Transaction, no further adjustments have been taken into account in relation to the 2013 Placing.

2 The consolidated income statement of ADC for the 12 months ended 31 December 2013 has been extracted without material adjustment from the historical financial information of ADC as set out under Part XI of this Document. The following applies to the consolidated income statement of ADC:

(i) Other non-interest income as extracted from the historical financial information of ADC set out in Part XI of this Document has been adjusted to include profit after tax for the year from discontinued operations of US$0.2 million;

(ii) ABCH is already consolidated by ADC and therefore no separate adjustment, as it relates to the impact of the BancABC Acquisition, has been included in the pro forma income statement; and

3 Payment of US$11.0 million in respect of transaction costs as it relates to the Transaction. All transaction costs are assumed, for the purposes of the Transaction, to be expensed in terms of IAS 27. All Readmission costs amounting to US$0.1 million are assumed, for the purposes of the Readmission, to be written off against stated capital. This adjustment is not expected to have a continuing impact on the Company.

B.9 **Profit forecast or estimate**

Not applicable; no profit forecast or estimate is made.

B.10 **Qualified audit report**

Not applicable; there are no qualifications in the accountants report on the historical financial information.

B.11 **Insufficient working capital**

Not applicable; the Group's working capital is sufficient for its present requirements, that is for at least the 12 month period from the date of this Document.

SECTION C—SECURITIES

C.1 **Description of the type and the class of the securities being offered**

The Offer comprises 14,334,300 New Ordinary Shares. The Offer is a voluntary public offer (*öffentliches Angebot*) for the acquisition of all shares in ADC to the ADC Shareholders by way of a share-for-share exchange offer made by the Company's indirect subsidiary, ATMA AG. The Offer is for all of the no par value registered shares (*auf den Namen lautende Stückaktien*) of ADC (ISIN DE000A1E8NW9), at the exchange rate of 1.25, meaning that every ADC Shareholder will be offered to receive five (5) New Ordinary Shares of no par value for every four (4) ADC Shares held.

The Offer comprises New Ordinary Shares of the Company of no par value granting the same Shareholder rights as the Existing Ordinary Shares.

When admitted to trading the New Ordinary Shares will be registered with the same ISIN and SEDOL number as the Existing Ordinary Shares (ISIN number VGG0697K1066 and SEDOL number BH2RCH8).

C.2 **Currency of the securities issue**

The currency of the New Ordinary Shares is U.S. dollars.

C.3 **Issued share capital**

At the date of this prospectus there are a total of 31,279,500 Existing Ordinary Shares of no par value and 32,529,500 Warrants in issue. The Existing Ordinary Shares and Warrants are currently suspended from trading.

In addition, there are 1,250,000 Founder Preferred Shares in issue, held by the Founding Entities.

It is proposed that up to 14,334,300 New Ordinary Shares be issued to ADC Shareholders in connection with the Offer.

Further, it is proposed that approximately 27,275,000 new Ordinary Shares will be issued pursuant to the Private Placement.

On completion of the Share Sale Agreements, it is further proposed that 1,904,612 New Ordinary Shares be issued to selected ABCH shareholders as consideration for the Company acquiring their ABCH shares.

C.4 **Rights attached to the securities**

The New Ordinary Shares grant the same shareholder rights as the Existing Ordinary Shares.

Ordinary Shares rank equally for voting purposes. Each Shareholder entitled to attend and being present in person or by proxy at a meeting will, upon a show of hands, have one vote and upon a poll each such Shareholder present in person or by proxy will have one vote for each Ordinary Share held by him.

The Ordinary Shares shall rank equally for dividends.

The pre-emption rights contained in the Articles (whether to issue equity securities or sell them from treasury) have been waived, (i) for the purposes of, or in connection with, the Acquisition (including in respect of consideration payable for the Acquisition) or in connection with the restructuring or refinancing of any debt or other financial obligation relating to the Acquisition (whether assumed or entered into by the Company or owed or guaranteed by any company or entity acquired), (ii) for the purposes of, or in connection with, the issue of Ordinary Shares pursuant to any exercise of any Warrants, (iii) generally, for such purposes as the Directors may think fit, up to an aggregate amount of one-third of the value of the issued Ordinary Shares (as at the close of the first Business Day following Admission), (iv) for the purposes of issues of securities offered to Shareholders on a pro rata basis, (v) for the purposes of issues of Ordinary Shares to satisfy rights relating to the Founder Preferred Shares, (vi) for the purpose of the issue of equity securities to Non-Founder Directors pursuant to their Directors' Letters of Appointment and (vii) for the purposes of or in connection with the issue of Ordinary Shares pursuant to the exercise of the Non-Founder Director Options. Otherwise, Shareholders will have pre-emption rights which will generally apply in respect of future share issues for cash. No pre-emption rights exist in respect of future share issues wholly or partly other than for cash.

Subject to the BVI Companies Act, on a winding-up of the Company the assets of the Company available for distribution shall be distributed, provided there are sufficient assets available, first to the holders of Ordinary Shares in an amount up to US$10.00 per share in respect of each fully paid up Ordinary Share then, provided there are assets remaining, to the holders of Founder Preferred Shares in an amount up to US$10.00 per share in respect of each fully paid up Founder Preferred Share. If, following these distributions to holders of Ordinary Shares and Founder Preferred Shares, there are any assets of the Company still available, they shall be distributed to the holders of Ordinary Shares and Founder Preferred Shares pro rata to the number of such fully paid up Ordinary Shares and fully paid up Founder Preferred Shares held (by each holder as the case may be) relative to the total number of issued and fully paid up Ordinary Shares as if such fully paid up Founder Preferred Shares had been converted into Ordinary Shares immediately prior to the winding-up.

C.5 **Restrictions on transferability**

Subject to the terms of the Articles, any Shareholder may transfer all or any of his certificated Ordinary Shares by an instrument of transfer in any usual form or in any other form which the Directors may approve. No transfer of Ordinary Shares will be registered if, in the reasonable determination of the Directors, the transferee is or may be a Prohibited Person, or is or may be holding such Ordinary Shares on behalf of a beneficial owner who is or may be a Prohibited Person. The Directors shall have power to implement and/or approve any arrangements they may, in their absolute discretion, think fit in relation to the evidencing of title to and transfer of interests in Ordinary Shares in the Company in uncertificated form (including in the form of depositary interests or similar interests, instruments or securities).

C.6 **Application for admission to trading on a regulated market**

The Existing Ordinary Shares and Warrants are admitted to the Official List by way of a Standard Listing and to trading on the London Stock Exchange's main market for listed securities. Listing of the Existing Ordinary Shares and Warrants was suspended at the request of the Company on 1 April 2014 in connection with the Transaction.

Following completion of the Transaction, applications will be made for the Ordinary Shares (including the New Ordinary Shares and the Private Placement Shares) and Warrants to be admitted to a Standard Listing on the Official List and to trading on the London Stock Exchange's main market for listed securities.

C.7 **Dividend policy**

The Company intends to pay dividends on the Ordinary Shares following the Acquisition at such times (if any) and in such amounts (if any) as the Board determines appropriate. The Company's current intention is to retain any earnings for use in its business operations, and the Company does not anticipate declaring any dividends in the foreseeable future. The Company will only pay dividends to the extent that to do so is in accordance with all applicable laws.

Only once the Average Price per Ordinary Share is at least US$11.50 for ten consecutive Trading Days, the holders of Founder Preferred Shares will be entitled to receive an "Annual Dividend Amount", payable in Ordinary Shares, equal in value to 20% of the increase each year, if any, in the market price of the Ordinary Shares multiplied by the then outstanding number of Ordinary Shares. On the last day of the seventh full financial year following completion of the Acquisition the Founder Preferred Shares will automatically convert to Ordinary Shares on a one-for-one basis.

SECTION D—RISKS

D.1 **Key information on the key risks that are specific to the issuer or its industry**

The Enlarged Group

- The Enlarged Group may not be successful in its strategic objectives and specifically may not be able to find enough acquisition opportunities at reasonable prices to create a leading African banking group.
- The Company will rely on dividends from its affiliates and proceeds from the sale of investments to meet its operational costs.
- The Company will rely on equity and debt financing to execute its strategy and difficulties in obtaining necessary financing will impair future growth.
- The expansion and enhancement of the Enlarged Group's business activities may not be successful.

Africa

- Investments in many African countries can be subject to greater risks than investments in more developed countries and financial turmoil in any of these markets could disrupt business operations.

The financial services sector

- Following the Transaction, the Company will be competing against other companies in the financial services market and increased competition in this market could reduce the Company's market share and revenues.
- The Company may be subject to regulatory compliance risk and non-compliance with such regulations could lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

The Transaction

- Completion of the Transaction is conditional upon the satisfaction of certain conditions precedent. If the conditions precedent are not satisfied, the Transaction will not complete.
- Limited warranty protection will be provided to the Company in connection with the Transaction.

The Company's relationship with the Directors, the Founders and the Founding Entities and conflicts of interest

- The Directors will allocate a portion of their time to other businesses leading to the potential for conflicts of interest in their determination as to how much time to devote to the Company's affairs.

Taxation

- The Company may be a "passive foreign investment company" for U.S. federal income tax purposes and adverse tax consequences could apply to U.S. investors.
- The Company may qualify as a low-taxed intermediate company (*Zwischengesellschaft*) within the meaning of the German Foreign Tax Act (*Außensteuergesetz*) and as a result, adverse tax consequences could apply to German investors.

D.3 **Key information on the key risks that are specific to the securities**

The Ordinary Shares

- The proposed Standard Listing of the New Ordinary Shares affords Shareholders a lower level of regulatory protection than a Premium Listing.
- The issuance of Ordinary Shares pursuant to the exercise of the Warrants will dilute the value of a Shareholder's Ordinary Shares.
- The Company may be required to issue additional Ordinary Shares pursuant to the terms of the Founder Preferred Shares, which would dilute existing Ordinary Shareholders.
- Dividend payments on the Ordinary Shares are not guaranteed.

SECTION E—OFFER

E.1 **Total net proceeds/expenses**

Not applicable; the New Ordinary Shares to be issued will be offered to ADC Shareholders in connection with the Offer by way of a voluntary public offer (*öffentliches Angebot*) for the acquisition of all shares in ADC to the ADC Shareholders by way of a share-for-share exchange offer by the Company via its subsidiary, ATMA AG, at an exchange rate of 1.25, meaning that every ADC Shareholder will be offered to received five (5) New Ordinary Shares of no par value for every four (4) ADC Shares held.

The total expenses incurred or to be incurred in connection with the Offer and the issue of this Document are approximately US$3,000,000.

E.2a **Reasons for the offer and use of proceeds**

The Company has identified ADC and ABCH as attractive acquisition targets in connection with the Company's strategy of creating an African financial services leader. The Company is making the Offer in connection with the Transaction in order to enable ADC Shareholders the opportunity to participate in the prospective growth of the Enlarged Group.

Not applicable; the Company is not receiving any proceeds from the Offer.

E.3 **Terms and conditions of the offer**

The New Ordinary Shares to be issued will be offered to ADC Shareholders in connection with the Offer by way of a voluntary public offer (*öffentliches Angebot*) for the acquisition of all no-par-value registered shares (*auf den Namen lautende Stückaktien*) of ADC (ISIN DE000A1E8NW9) each representing a pro rata amount of the registered share capital (*Grundkapital*) of EUR 1.00, including all ancillary rights which exist at the time of completion of the Offer, to the ADC Shareholders by way of a share-for-share exchange offer by the Company via its subsidiary, ATMA AG.

ATMA AG is a stock corporation (*Aktiengesellschaft*) established under the laws of Germany with its corporate seat (*Sitz*) in Düsseldorf and registered in the commercial register (*Handelsregister*) of the Düsseldorf local court (*Amtsgericht*) under registration number HRB 72694. The Company indirectly holds all shares in ATMA AG via its direct subsidiary ATMA Luxemburg.

The Offer comprises as consideration 14,334,300 New Ordinary Shares of the Company of no par value granting the same Shareholder rights as the currently outstanding Ordinary Shares of the Company. Every ADC Shareholder will be offered to receive five (5) New Ordinary Shares of no par value for every four (4) ADC Shares held.

If at any time after the publication of the Offer Document and prior to the expiry of the Acceptance Period ATMA AG, or any person acting in concert with ATMA AG, within the meaning of Section 2 para. 5 of the Takeover Act, or any subsidiary thereof acquires ADC Shares, or enters into an agreement on the basis of which acquisition of ADC Shares can be demanded, for a higher consideration than 1.25 New Ordinary Shares for 1 ADC Share, all ADC Shareholders accepting the Offer shall be entitled to such increased consideration.

The Offer will not be subject to the Takeover Act and will not be approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht—BaFin*).

The Offer will be subject to the following conditions:

- achievement of the Minimum Acceptance Threshold;
- non-performance of certain actions by ADC or its subsidiaries;
- foreign investment review;
- central bank, merger control and related government approvals in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe.

The acceptance period for the Offer will be from 4 July 2014 to 31 July 2014 (24.00 hours Frankfurt am main local time/18.00 New York local time). In case of an amendment to the Offer or a competing offer, ATMA AG will reserve the right to extend the period for acceptance of the Offer.

Acceptance of the Offer must be declared in writing (the "Declaration of Acceptance") by the accepting ADC Shareholder to their custodian securities services company (the "Custodian Bank") during the Acceptance Period. ADC Shareholders must instruct their Custodian Bank to effect the re-booking (*Umbuchung*) at Clearstream Banking AG of the ADC Shares which are in their securities deposit account and in respect of which they wish to accept the Offer ("Tendered ADC Shares"). The New Ordinary Shares will be offered in uncertificated form (as depository interests for future settlement in CREST).

The Declaration of Acceptance will only become effective if the Tendered ADC Shares have been re-booked at Clearstream Banking AG by 17:30 hours (Frankfurt am Main local time)/11:30 hours (New York local time) on the second Business Day after expiry of the Acceptance Period. Such re-bookings are to be effected by the relevant Custodian Bank after receipt of the Declaration of Acceptance.

Declarations of Acceptance not received by the respective Custodian Bank within the Acceptance Period, or those incorrectly or incompletely filled out, do not count as acceptance of the Offer and do not entitle the respective ADC Shareholder to receive the Offer consideration.

E.4 **Material interests**

Not applicable; there is no interest that is material to the Offer.

E.5 **Selling Shareholders/Lock-up agreements**

Not applicable; no person or entity is offering to sell the relevant securities.

In connection with the 2013 Placing, each of the Directors and the Founding Entities agreed that they shall not, without the prior written consent of the Placing Agent, offer, sell, contract to sell, pledge or otherwise dispose of any Ordinary Shares which they hold directly or indirectly in the Company (or acquire pursuant to the terms of the Founder Preferred Shares, Non-Founder Director Options or Warrants) or any Founder Preferred Shares they hold, for a period commencing on the date of the Placing Agreement and ending 365 days after the Company has completed the Acquisition.

The restrictions on the ability of the Directors and the Founding Entities to transfer their Ordinary Shares, Warrants or Founder Preferred Shares, as the case may be, are subject to certain usual and customary exceptions and exceptions for: transfers for estate planning purposes; transfers to trusts (including any direct or indirect wholly-owned subsidiary of such trusts) for the benefit of the Directors or their families; transfers to affiliates or direct or indirect equity holders, holders of partnership interests or members of the Founding Entities, in each case, subject to certain conditions; transfers to any direct or indirect subsidiary of the Company, a target company or shareholders of a target company in connection with an Acquisition, provided that in each of the foregoing cases, the transferees enter into a lock up agreement; transfers of any Ordinary Shares acquired after the date of Admission in an open-market transaction, or the acceptance of, or provision of, an irrevocable undertaking to accept, a general offer made to all Shareholders on equal terms; after the Acquisition, transfers to satisfy certain tax liabilities in connection with, or as a result of transactions related to, completion of the Acquisition.

Subject to the expiration or waiver of any lock-up arrangement entered into between the Founding Entities and the Placing Agent, the Company has agreed to provide, at its own cost, such information and assistance as the Founding Entities may reasonably request to enable them to effect a disposal of all or part of their Ordinary Shares at any time upon or after the completion of the Acquisition, including, without limitation, the preparation, qualification and approval of a prospectus in respect of such Ordinary Shares or Warrants.

E.6 **Dilution**

The Offer comprises 14,334,300 New Ordinary Shares.

Assuming full acceptance of the Offer by ADC Shareholders, the total number of New Ordinary Shares issued pursuant to the Offer will represent 30.1% of the enlarged share capital of the Company.

Not applicable; there is no subscription offer to existing equity holders.

E.7 **Expenses charged to investors**

Not applicable; no expenses will be charged to the investors.

RISK FACTORS

Investment in the Company and the Ordinary Shares carries a significant degree of risk, including risks in relation to the Enlarged Group's business strategy, potential conflicts of interest, risks relating to taxation and risks relating to the Ordinary Shares.

Investors should note that the risks relating to the Enlarged Group, its industry and the Ordinary Shares summarised in the section of this Document headed "Summary" *are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Enlarged Group faces relate to events and depend on circumstances that may or may not occur in the future, investors should consider not only the information on the key risks summarised in the section of this Document headed* "Summary" *but also, among other things, the risks and uncertainties described below.*

The risks referred to below are those risks the Company and the Directors consider to be the material risks relating to the Enlarged Group. However, there may be additional risks that the Company and the Directors do not currently consider to be material or of which the Company and the Directors are not currently aware that may adversely affect the Enlarged Group's business, financial condition, results of operations or prospects. Investors should review this Document carefully and in its entirety and consult with their professional advisers before accepting the Offer. If any of the risks referred to in this Document were to occur, the results of operations, financial condition and prospects of the Enlarged Group could be materially adversely affected. If that were to be the case, the trading price of the Ordinary Shares and/or the level of dividends or distributions (if any) received from the Ordinary Shares could decline significantly. Further, investors could lose all or part of their investment.

RISKS RELATING TO THE ENLARGED GROUP'S OPERATIONS AND FINANCING ACTIVITIES

The Enlarged Group may not be successful in its strategic objectives and specifically may not be able to find enough acquisition opportunities at reasonable prices to create a leading African banking group

The Company is considering further acquisition opportunities in SSA countries where the scale of opportunity is appropriate and its quality and return-driven performance criteria are met. Acquisitions and other business combination transactions are inherently risky because of difficulties that can arise when integrating acquired entities, businesses, personnel, operations, technologies and products. Whether the anticipated benefits from acquisitions and related activities are realised will depend on many factors. In addition, expected business growth opportunities, revenue and cost synergies, operational efficiencies and other benefits may not materialise as expected, in part because the assumptions upon which a transaction is premised may prove to be incorrect. Furthermore, there can be no assurance that the due diligence conducted by the Enlarged Group in relation to a transaction is sufficient to find all material risk-related issues, and no assurance can be given that the procedures that are adopted to mitigate the risks relating to acquisitions and other business combinations will be adequate or that these transactions will be successful.

Should the Enlarged Group be unable to acquire new shareholdings in other SSA banks or financial services businesses, or integrate an acquired business or entity successfully into the Enlarged Group, or if anticipated synergies or other benefits of a proposed transaction are not achieved or are significantly delayed, this could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

The expansion and enhancement of the Enlarged Group's business activities may not be successful

Expansion of either BancABC Group or UBN's business activities exposes it to a number of risks and challenges, including the following:

- it may have limited or no experience in certain new business activities and may not compete effectively in these areas;
- there is no guarantee that its new business activities will meet expectations for profitability;
- it will need to hire or retrain personnel who are able to conduct new business activities; and
- it must continually add to the capability of its risk management and information technology systems to support a broader range of activities.

If the relevant company is not able to achieve the intended results in these new business areas or products, its business, results of operations and financial condition may be materially and adversely affected. In addition, if it fails to promptly identify and expand into new areas of business to meet the increasing demand for certain products and services, the relevant company may fail to maintain its market share or lose some of its existing customers to competitors.

Any failure to manage growth effectively may adversely affect the Enlarged Group's business

Historically, the banking operations of the Enlarged Group have experienced strong growth. The Enlarged Group currently intends to expand operations through organic growth in both wholesale and retail banking coupled with strategic acquisitions within the region. These activities will require significant capital and management resources, continuous improvement of the Enlarged Group's information technology platform and risk management systems. At the same time, the Enlarged Group must maintain a consistent level of client services in current operations to avoid loss of business or damage to its reputation. The Enlarged Group's ability to successfully implement its strategic objectives will depend on its ability to successfully manage its growth, and to secure and effectively allocate resources to meet the needs of its expanding business.

Management of the Enlarged Group's growth has required significant managerial and operational resources and has increased the overall complexity of the Enlarged Group's business, and such demands are expected to increase as the Enlarged Group's banking business expands. As the Enlarged Group's loan and deposit portfolios and business grow, the Enlarged Group will need to obtain new resources, particularly personnel and upgraded information technology infrastructure, to manage the growth and to control the credit quality of the loan book.

If the Enlarged Group fails to manage its growth and strategy development successfully, this could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

The Enlarged Group may not be able to adequately direct or influence the development of companies in which they hold or acquire a minority position

Although the Enlarged Group's strategy involves the acquisition of controlling stakes in banks or other financial services businesses in SSA with a view to achieving majority stakes, following completion of the Transaction it may also consider the acquisition of minority stakes if such opportunity is attractive or where the Enlarged Group would acquire sufficient influence to implement its strategy. In line with this approach, it is recognised that in the event that the BancABC Acquisition does not complete and the ADC Acquisition does, the Company could ultimately become the majority owner of ADC but a minority shareholder of ABCH. In such instances where the Enlarged Group acquires either less than the whole voting control of, or less than the entire equity interest in, a target company or business, the remaining ownership interest will be held by third parties. Accordingly, the Enlarged Group's decision making authority may be limited. Such acquisition may also involve the risk that such third parties may become insolvent or unable or unwilling to fund additional investments in the target. Such third parties may also have interests which are inconsistent or conflict with the Enlarged Group's interests, or they may obstruct the Enlarged Group's strategy for the target or propose an alternative strategy. Any third party's interests may be contrary to the Company's interests. In addition, disputes among the Enlarged Group and any such third parties could result in litigation or arbitration. Any of these events could impair the Enlarged Group's objectives and strategy, which could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

There is no guarantee that the Company will successfully complete both the BancABC Acquisition and the ADC Acquisition and there is a risk that one may complete without the other

The BancABC Acquisition and ADC Acquisition are not inter-conditional and as such, the Company acknowledges that theoretically, this means that one acquisition may complete without the other. In the event that the BancABC Acquisition completes and the ADC Acquisition does not, the Company will still become the majority shareholder of ABCH. However, in the event that the ADC Acquisition completes and the BancABC Acquisition does not, the Company would hold a significant minority interest in ABCH (namely 37.7%) and in order to increase this stake and attempt to obtain a majority interest in ABCH, the Company would need to launch an offer for all outstanding shares in ABCH. The Company recognises there are risks associated with both acquisitions not completing, including, amongst others, risks associated with holding a minority interest and the lack of decision making authority at BancABC level associated with such minority stake, time delay in gaining control and such delay preventing the Company from pursuing its desired growth and expansion strategy.

The Company will rely on dividends from its affiliates and proceeds from the sale of investments to meet its operational costs

The Company is a holding company without any operations of its own and is dependent on existing cash resources and, following completion of the Transaction, the income generated by the Enlarged Group. As a result, management costs and costs of running the Company can only be paid with existing cash resources, equity or debt capital raised at the Company level, dividends from BancABC Group, UBN and ADC's proprietary investments or from the proceeds of the sale of any of the proprietary investments. Although the Company believes that, in the short term, its current cash resources are sufficient to satisfy its working capital requirements and meet its operational costs, in the medium to long term, the Company may enter into significant borrowing arrangements in addition to raising further equity financing which may increase costs and impact its existing cash resources. Should such additional costs be incurred in the medium to long term then the Company's cash resources at such time may not be sufficient and could require the Company to reduce its costs and may adversely affect the management of the Company.

There is no assurance that any operating improvements will be successful or, that they will be effective in increasing the valuation of the Enlarged Group

There can be no assurance that the Company will be able to propose and implement effective operational improvements for the Enlarged Group. In addition, following completion of the Transaction, general economic and market conditions or other factors outside the Company's control could make the Company's operating strategies difficult or impossible to implement. Any failure to implement these operational improvements successfully and/or the failure of these operational improvements to deliver the anticipated benefits could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

Current and future success depends on retaining key management as well as local management across the Enlarged Group

The Company's board and proposed senior management team, specifically Robert E. Diamond Jr., Ashish J. Thakkar, John Vitalo, Jyrki I. Koskelo, Douglas Munatsi and Bradford M. Gibbs, have extensive experience in the financial services industry and/or in SSA. In addition, the Company's board and senior management team have built up a significant network of experts and business contacts in SSA. The Company's current and future success depends on know-how, experience and their network. If one or more of the key management members leave, the Enlarged Group's business network, reputation and ability to effectively manage the Enlarged Group and its bank holdings could be materially adversely affected.

Additionally, knowledge of the local market and of international banking standards is required at the level of local senior management at BancABC Group and UBN in order to build up first-tier banks and participate in the growth of the markets. If one or more of the key members of local management at BancABC Group or UBN or at any company in which the Enlarged Group may acquire an interest in the future cannot be successfully retained, the local management of such companies could lose required market know-how and the necessary skills to profitably manage a bank in SSA. Any of these factors could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

The Enlarged Group's businesses may not be able to recruit and retain qualified personnel

The success of the Enlarged Group depends, in part, on the ability to retain, motivate, and attract, qualified and experienced banking and management personnel. The Enlarged Group is likely to face challenges in recruiting qualified personnel to run its businesses going forward. Generally, attracting, training and retaining qualified personnel is harder in emerging markets such as the SSA countries in which the Enlarged Group operates than in developed markets. Competition in the SSA banking industry for personnel is considerable. There can be no assurance that the Enlarged Group's staff recruitment, training and incentive programs will be sufficient to allow it to recruit, train and retain sufficient numbers of qualified personnel. A failure to recruit, train and/or retain necessary personnel could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

The Enlarged Group will rely on equity and debt financing to execute its strategy and difficulties in obtaining necessary financing will impair future growth

The Company is a holding company without any operations of its own. Its principal investments are companies in SSA, which generally find it more difficult to raise equity and debt financing on the international markets at reasonable rates than European or American companies. As a result, the Company's strategy is centred on raising equity at the level of the Company, in addition to its current cash resourses, to fund growth and future acquisitions, and the Company may also support the raising of debt financing at the Enlarged Group level, where appropriate. Any raising of debt or equity financing will ultimately be to accelerate the Company's strategy and further its long term growth and expansion plan. If the Company is unable in the future to raise further equity and debt, for instance as a result of unfavourable financial market conditions, to adequately support further acquistions in pursuit of its strategy to create a leading African banking group, it may not be able to sufficiently capitalise its subsidiaries, which could impact growth in the Enlarged Group's corporate lending and retail lending business as well as the Enlarged Group's long term growth and expansion strategy. This could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

The Enlarged Group benefits from tax treatment that may be reduced or withdrawn, possibly with retroactive effect

While ADC is headquartered in Germany, its principal subsidiaries are located in SSA and held through international holding companies in Mauritius. The ADC Group relies on international double taxation treaties to avoid double taxation in Germany and in other jurisdictions in which its subsidiaries and affiliates are located. If changes in applicable tax laws or double taxation treaties were to occur, ADC Group might be faced with a substantially higher tax burden. In addition, ABCH benefits from a preferential rate of corporation tax in Botswana under the International Financial Services Centre ("IFSC") regime. There is no guarantee that ABCH will continue to qualify and benefit under this regime either following the Transaction or on expiration of its current IFSC certificate. Any changes to the current tax treatment could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

The Enlarged Group operates in tax environments in which uncertainties exist around regulations, laws, and potential future changes to such regulations or laws

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable future income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded. The Enlarged Group establishes provisions, based on reasonable estimates, for possible audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the condition prevailing in the respective domicile of the Enlarged Group companies.

BancABC Group and UBN face strong competition in their respective target markets, which may hinder their ability to achieve set targets

Although the banking market in SSA is still underdeveloped, competition in the Enlarged Group's principal target markets in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe as well as Nigeria is extensive. In recent years, many local banks and international banks with strong operations in SSA, have commenced expansion plans, increased their product portfolio and tried to enhance quality of service. The Enlarged Group's ability to form a leading African banking group and to create first-tier banks in each of its principal target markets requires it to effectively compete with the other main banks in the area and to differentiate from the competition, specifically in terms of quality, capitalisation, business know-how and scope of business network as well as technology. Competitors may also have more financial and management resources and better access to debt and equity capital markets. Failure of BancABC Group, UBN or any other financial services business in which the Company acquires an interest in the future, to effectively compete in their respective target markets could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

BancABC Group and UBN's investment and loan portfolios and deposit base are highly concentrated

Due to its history as a wholesale bank, BancABC Group's deposits are concentrated. As at 31 December 2013, the ten largest deposits constituted 26% of BancABC Group's overall deposit portfolio. As a result, if a major depositor was to withdraw all, or a significant part, of its deposited funds, BancABC Group could be exposed to a material liquidity risk. Notwithstanding the increased diversification of BancABC Group's deposit base in recent years, wholesale customers still contribute 88% of deposits, with 12% coming from retail depositors.

BancABC Group has also historically had significant lending concentrations as a result of its legacy as a wholesale bank, particularly in Botswana and Zimbabwe, with the result that a limited number of significant individual impairments have, at times, led to a material deterioration in the rate of impairments in BancABC Group's loan book. Net impairments charge for the year ended 31 December 2013 were US$65.4 million.

In Botswana, three payroll-deduction-orientated loan schemes with government employee groups accounted for a significant proportion of the loan portfolio at 31 December 2013, and the contracts for these schemes are due for renewal in Q4 of 2014. Payroll deduction loan schemes are designed to issue loans to borrowers under a formal arrangement with the borrower's employer, whereby debt service payments are automatically deducted from the borrower's pay cheque, with the borrower receiving the amount net of such debt service payments. The lack of such renewal could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

Also, in Botswana, the deposit base is highly concentrated and the withdrawal of deposits by one or more significant clients could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

UBN's investment portfolio (consisting of non pledged trading assets, pledged assets, investment securities and investment properties), constituted 37.3% of total assets, or N373,780 million (US$2,360 million) as of 31 December 2013, and 36.8% of total assets or N373,958 million (US$2,414 million) as of 31 December 2012. UBN's investment portfolio is highly concentrated in AMCON Bonds (as defined below), Nigerian federal government bonds and state government bonds (the "FGN Bonds") and treasury bills (together with the AMCON Bonds and the FGN Bonds, the "Government Bonds"). As of 31 December 2013, N77,853 million (US$492 million) or 20.8% of UBN's investment portfolio consisted of investments in AMCON Bonds, N1,223 million or 0.3% of UBN's portfolio consisted of investments in FGN Bonds, and N130,284 million (US$823 million) or 34.9% consisted of investments in treasury bills. Further, in the event that UBN's deposits grow at a faster pace than its loan portfolio, it may need to increase its investments in Nigerian treasury bills and federal and state government bonds which are subject to the risk of declining yields and/or default. In the event that the Nigerian government defaults on its obligations, the value of Government Bonds decline or if there is some other interruption in the market for Government Bonds, there could be a significant adverse impact on UBN. In addition, the continued strengthening of the Nigerian economy could lead to less risk aversion and lower demand for Government Bonds, resulting in lower prices which could have an adverse impact on UBN.

As of 31 December 2013, UBN's top 5 borrowers comprised 25.1% of its gross loan portfolio. UBN will require continued emphasis on credit quality and the continued development of credit management and credit control systems to monitor this credit exposure, the failure to achieve which could have a material adverse effect on UBN's business, results of operations, financial condition and/or prospects. As of 31 December 2013, 10.3% of UBN's depositors came from the corporate sector, with 74.4% from retail. Failure to reduce such concentration could, however, expose the Enlarged Group to increased liquidity risk and have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

In addition, BancABC Group is particularly exposed to the financial industry and to a lesser extent to specific industry sectors such as mining. As a result, specifically due to BancABC Group's exposure to the financial sector, should a financial crisis in SSA emerge in the future, BancABC Group's loan exposure to the financial sector may result in material impairments of loans. Such adverse developments in the financial sector or in other sectors, such as in the mining sector, could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

Liquidity in most markets that the Enlarged Group operates in is a challenge

The economies in which the Enlarged Group operates continue to grow at a steady pace. In particular, the middle income segment has been the engine of growth. However, the middle income segment is generally a net borrower from the banking sector. Consequently, if the Enlarged Group is not able to raise sufficient deposits or credit lines to fund the growing needs of the middle income segment it may lose market share to competitors.

Further, BancABC Group has historically relied primarily on deposits to fund its business, with the result that BancABC Group is required to manage a significant maturity gap in relation to longer dated assets. As at 31 December 2013, deposits represent 85% of BancABC Group's total liabilities, with 34% of deposits being payable on demand. Most deposits in the markets in which BancABC Group operates in are short-term in nature, as most customers are not prepared to commit to investing significant funds on a long-term basis. Due to BancABC Group's relatively small size compared to major international competitors, and its relatively short track record as a full service bank, BancABC Group has faced certain challenges in securing long-term funding at competitive pricing.

Moreover, other than Zimbabwe, none of the countries in which BancABC Group operates provide formal deposit protection schemes. The absence of such schemes has a negative impact on investors confidence in the banking sector, and in turn on the ability of banks to attract depositors' funds. Although ABCH has, in some cases, provided guarantees of its subsidiaries' deposits in favour of certain significant customers, it cannot do so in all cases.

If the Enlarged Group fails to attract further medium to long term financing, and customers withdraw or do not roll over their short term deposits, it may need to seek expensive sources of funding to meet the Enlarged Group's liquidity requirements. The Enlarged Group might not be able to obtain additional funding on commercially reasonable terms when required, particularly in light of the low level of liquidity that prevails in the markets in which the Enlarged Group operates. Accordingly, the Enlarged Group's reliance on short-term deposits may expose it to liquidity gaps and if the Enlarged Group fails to bridge the liquidity gaps, this could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

BancABC Group and UBN may not be able to grow their loan portfolios at rates required to increase their profitability without having difficulty maintaining credit quality

BancABC Group's gross loans and advances to customers was US$1.3 billion as at 31 December 2013 which was flat in terms of growth as compared with the US$1.2 billion posted as at 31 December 2012. However, between 31 December 2011 and 31 December 2012, BancABC Group's loan book increased from US$844 million to US$1.2 billion as a result of growth in BancABC Group's retail banking businesses in Botswana, Zambia and Zimbabwe and an increase in the size of the Group's balance sheet supported by a significant growth of BancABC Group's deposit base. There can be no assurance that BancABC Group will be able to sustain such levels of growth in the future. BancABC Group is susceptible to political and economic events in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe, which could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

An increase in their overall level of lending could increase the credit risk of the Enlarged Group. In particular, retail and small commercial banking customers typically have less financial strength than large companies, and as the banks' retail and SME businesses grow, negative developments in the broader economy could affect these borrowers more significantly than large companies. This could result in higher levels of non-performing loans and, as a result, higher levels of provisioning. Additionally, this could lead to significant losses in the future. In the past in 2009, UBN was among eight Nigerian banks that had to be rescued by the Nigerian government specifically due to an unsustainable overexposure of non-performing loans. It cannot be assured that a similar situation will not occur at BancABC Group, UBN or any other bank in which the Company acquires an interest in the future.

As at 31 December 2013, BancABC Group's impaired and past due loans was 29% of total loans and the allowance for impairment and collateral related to impaired loans was 43% of total impaired loans. UBN's non-performing loans amounted to N13,644 million, representing 5.91% of total gross loans and advances as of 31 December 2013.

Any deterioration in the quality of a borrower, a guarantee or collateral for the performing loans or Enlarged Group's currently impaired loans, including due to general deterioration of economic conditions, may result in an increase in impaired loans or provision for impairment.

Any significant increase in credit exposure will require continued emphasis on credit quality, the adequacy of provisioning levels and the continued development of financial and management control. Failure to successfully manage growth and development and to maintain the quality of assets could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

The growth of the loan portfolio has increased the Enlarged Group's credit exposure and may require additional monitoring

As a result of the growth in BancABC Group's loan portfolio, from US$299 million as at 31 December 2009 to US$1.3 billion as at 31 December 2013, BancABC Group's credit exposure has increased significantly. This increase will require continued and improved monitoring of the customers' credit quality and the adequacy of provisions for impairments. The Enlarged Group's overall growth strategy may further increase credit risk and put additional pressure on loan monitoring and control procedures. Any failure to manage growth while maintaining the quality of BancABC Group's loan portfolio could require further provisioning and could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

There are challenges relating to the lack of reliable information on potential borrowers in the region in which the Enlarged Group operates

Apart from Botswana, there are no centralised registers or credit bureaus for defaulted borrowers in the countries in which the Enlarged Group operates. The Enlarged Group's risk management methods depend, in part, upon an evaluation of information regarding the current market in question, character of sponsors, and the credit history and capacity of a borrower to repay. This information may not be accurate, complete, up-to-date or properly evaluated. The Enlarged Group has taken, and continues to take, steps to coordinate and accelerate accurate data collection and analysis to safeguard against deficiencies in the Enlarged Group's internal procedures. However, the general limitations on available and reliable information about borrowers may negatively affect the credit review process that the Enlarged Group undertakes and the asset quality of the loan portfolio, which may result from the Enlarged Group failing to become aware of any borrower's default and could result in an increase in the number of non-performing loans.

A decline in the value of the collateral securing BancABC Group and UBN's loan portfolios, or a decrease in the liquidity of their collateral, may adversely affect the loan portfolios

While there are limitations on taking security over certain assets, including land, a substantial portion of both BancABC Group and UBN's respective loans to corporate customers and individuals are secured by collateral such as real property, land leasing rights, production equipment, vehicles and securities. Downturns in the relevant markets, a lack of an existing market for the collateral where it is located or a general deterioration of economic conditions may result in declines in the value of collateral securing a number of loans to levels below the amounts of the outstanding principal and accrued interest on those loans. If collateral values decline, the collateral may not be sufficient to cover irrecoverable amounts on the affected bank's secured loans (including any non-performing loans) which may require the affected bank to reclassify the relevant loans, establish additional loan loss expenses and increase reserve requirements. A failure to recover the expected value of collateral may expose the affected bank to losses, which could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

The Enlarged Group's inability to foreclose on collateral in the event of a default may result in a failure to recover the expected value of the collateral

Apart from consumer loans, most of BancABC Group's loans are secured by collateral. However, BancABC Group may experience delays before being able to enforce and realise the value of collateral underlying such loans, and a particular loan may need to be classified as non-performing before collateral can be seized and liquidated. These delays may significantly reduce the ability to realise the value of the collateral in a timely manner and, therefore, may reduce the benefit of taking security in respect of the loans made. Any failure to recover the expected value of the collateral securing a non-performing loan could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

BancABC Group has off-balance sheet credit-related commitments that may lead to potential losses

BancABC Group conducts business involving contingent liabilities and commitments including guarantees, loan commitments and other credit related facilities. All such credit-related commitments are classified as off-balance sheet items in BancABC Group's financial statements. As at 31 December 2013, BancABC Group had US$103 million in off-balance sheet assets as compared to US$88 million as at 31 December 2012. Although BancABC Group has established allowances for its off-balance sheet credit-related commitments as it does for its on-balance sheet credits, there can be no assurance that these allowances will be sufficient to protect the Enlarged Group from the actual losses that BancABC Group may potentially incur on its credit-related commitments. BancABC Group does not create provisions for off-balance sheet liabilities so long as they are performing. However, in the event that an off-balance sheet liability becomes non-performing BancABC Group would expect to take it on balance sheet and create a provision. This may have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

BancABC Group and UBN's risk management and internal control policies and procedures may leave them exposed to unidentified or unanticipated risks

Each of BancABC Group and UBN have devoted resources to developing its respective risk management policies and procedures, particularly in connection with credit, market, liquidity, interest rate and operational risks, and each bank expects to continue to do so in the future in accordance with its Enterprise Risk Management Framework ("ERM Framework"). Nonetheless, the respective banks' risk management techniques and internal control policies and procedures may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the banks methods of managing risk are based upon its use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend upon evaluation of information regarding the markets in which the banks operate, their clients or other matters that are publicly available or otherwise accessible to the banks. This information may not be accurate, complete, up-to-date or properly evaluated in all instances. Any failure in BancABC Group or UBN's risk management techniques may have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

In the past each of BancABC Group and UBN have suffered from certain credit-quality problems, lapses in credit approval and control processes, internal control deficiencies and operational problems as a result of weaknesses in its risk management and internal controls. There can be no assurance that the respective banks risk management and internal control policies and procedures will adequately control, or protect it against, all credit and other risks.

Certain risks are unidentified or unforeseeable, and could be greater than the banks empirical data would otherwise indicate. BancABC Group and UBN cannot guarantee that all of its respective staff will adhere to the banks' risk management and internal control policies and procedures. Moreover, growth and expansion may affect each banks ability to implement and maintain stringent internal controls. Each bank's risk management and internal control capabilities are also limited by the information, tools and technologies available to the bank.

The Company intends to implement new policies, procedures and systems in connection with the formation of corporate governance controls and reporting functions on completion of the Transaction. These policies, procedures and systems are still being developed and therefore may not be as effective as those of companies with longer operating histories which have had such policies and procedures in place for a longer time. There can therefore be no guarantee that they will function as designed. Any material deficiency in the existing or newly implemented policies and procedures may expose the Enlarged Group to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

The Enlarged Group's financial condition and operating results could be affected by market risks

The Enlarged Group's financial condition and operating results could be affected by market risks, including fluctuations in interest rates that are beyond the Enlarged Group's control. Fluctuations in interest rates could adversely affect the Enlarged Group's operations and financial condition in a number of different ways. Interest rates are sensitive to many factors, including the policies of central banks, local and international economic conditions and political factors. For example, an increase in interest rates may increase the Enlarged Group's funding costs and could also generally decrease the value of fixed-rate debt securities in the securities portfolio. In addition, an increase in interest rates may also reduce overall demand for new loans and increase the risk of customer default. At the same time, general volatility in interest rates may result in a gap between interest-earning assets and interest-bearing liabilities. The Enlarged Group might not be able to adequately protect itself from the adverse effects of future interest rate fluctuations. Any fluctuations in market interest rates, and the Enlarged Group's inability to monitor such fluctuations so as to respond in a timely and cost effective manner, could lead to a reduction in net interest income and adversely affect the Enlarged Group's business, results of operations and/or financial condition.

BancABC Group and UBN's net interest margin may be under pressure due to government monetary policies and the banking sector environment

Central banks in the markets in which the Enlarged Group operates have been calling for the banking sector to reduce its charges, and specifically lending rates to individual customers, in order to reflect the decreasing central bank rates being applied by the government monetary policy committees in these markets. The effect of such calls for reform, alongside increased competition and a structural increase in cost of funds, could increase the pressure on the Enlarged Group's net interest margin. BancABC Group's net interest margin (defined as net interest income divided by average interest earning assets of BancABC Group calculated in accordance with IFRS) was 7.7% for the year ended 31 December 2013 and 6.7% for the year ended 31 December 2012.

The Zambian government has put in place a cap on interest rates that can be charged by commercial banks. As a result the net interest margin on loans has reduced significantly.

Commercial lending rates in Zimbabwe have also varied significantly depending on the cost structures of lending banks and the varying risk profiles of borrowers. Although rates of up to 35% are, in the Enlarged Group's view, reflective of the difficult operating environment in Zimbabwe, the higher rates are considered to be punitive and there remains concern that the government may move to introduce interest rate controls. BancABC Zimbabwe has accepted an unofficial memorandum of understanding with the Zimbabwean government, whereby BancABC Zimbabwe and other major banking groups have agreed to a cap on bank interest rates.

In January 2014, the Bank of Botswana implemented a two year freeze on any increases in bank charges. This could have a potential adverse effect on non-funded income for financial periods ending after 1 January 2014.

Any further government action (whether in Nigeria, Zambia, Zimbabwe or in other jurisdictions where the Enlarged Group operates) to limit interest rates, or the rates of return earned by commercial banks, may have an adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

BancABC Group and UBN are subject to foreign exchange risks and are affected by changes in the value of local currencies against other currencies

Each of BancABC Group and UBN is exposed to foreign exchange risk, as a result of adverse movements in exchange rates, primarily through its loan and deposit portfolios that are denominated in foreign currencies and through acting as an intermediary in foreign exchange transactions between central and commercial banks. Such risk, if material, would have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

BancABC Group's presentation currency and its functional currency is the Botswana Pula, but BancABC Group also operates in several other local currencies and has exposure to such currencies. UBN's presentation currency and its functional currency is the Nigerian Naira. Monetary assets and liabilities originally denominated in foreign currencies are translated into Pula (for BancABC Group) or Naira (for UBN) at the relevant balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. As a result, BancABC Group's reported income is affected by changes in the value of the Pula, and UBN's reported income is affected by changes in the value of the Naira, with respect to foreign currencies (primarily the U.S. dollar). Although the banks enter into forward contracts and cross currency linked forward contracts to hedge against the mismatches in the foreign currency structure of their respective assets and liabilities, these measures may not adequately protect the banks from the effect of exchange rate fluctuations or may limit any benefit that either bank might otherwise receive from favourable movements in exchange rates.

The Enlarged Group's customers may be subject to substantial foreign exchange risk, which indirectly affects the Enlarged Group's credit risk profile. As at 31 December 2013 and 31 December 2012, 17% and 16% of BancABC Group's gross loans and advances to customers, respectively, were denominated in foreign currencies, mainly U.S. dollars. While, as at the date of this Document, many of BancABC Group's borrowers of foreign currency denominated loans have significant foreign currency denominated cash flows, any significant decline in the value of local currencies may result in some borrowers being unable to repay foreign currency denominated loans, and other fluctuations in the value of local currencies against foreign currencies may have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

BancABC Group relies on payroll deduction codes for the repayment of consumer loans

Over the last three years, BancABC Group's loan portfolio to retail customers has increased significantly, largely as a result of an increase in payroll deduction loans. BancABC Group relies on the use of payroll deduction codes, which are issued directly or indirectly through the respective trade unions in Botswana, Tanzania, Zambia and Zimbabwe, to deduct loan repayments at source. This enables BancABC Group to extend credit, at reasonable rates of interest, to customers who previously lacked access to banking services, as the direct collection mechanism significantly reduces the risk of non-payment. However, BancABC Group has not yet been successful in obtaining payroll deduction codes in Mozambique, which has limited BancABC Group's ability to expand its retail offering in that jurisdiction.

In the event that any of the governments in these jurisdictions were to withdraw or prohibit the use of payroll deduction codes, or to withdraw BancABC Group's right to utilise such codes, BancABC Group's credit risk exposure to the borrowers of these loans could increase significantly. This could, in turn, have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

BancABC Group and UBN may have inadequate insurance to cover losses suffered as a result of a breakdown in internal control policies and procedures

There is a risk that either BancABC Group or UBN will not be able to ensure that its internal control policies and procedures will protect it from fraud or other criminal acts committed by its employees. However, there can be no assurance that neither BancABC Group nor UBN will suffer losses from any failure of their respective controls to detect or contain operational risk in the future and the inadequacy or a failure of either bank's internal processes or systems may result in unauthorised transactions and errors which may not be detected. Furthermore, there can be no assurance that the insurance obtained by ABCH and UBN will be sufficient to cover the losses from all such transactions or errors which, in turn, may have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

BancABC Group and UBN operate in each of their respective target countries under a universal banking licence that is subject to compliance with stringent controls

While UBN only operates in Nigeria and therefore only requires a Nigerian banking licence, BancABC Group holds banking licences in all target markets in which it operates. Each jurisdiction issuing a universal banking licence also supervises local banks operating under such banking licences and may prescribe different business standards and minimum capitalisation requirements for operating subsidiaries of BancABC Group in that jurisdiction or subject to its regulatory authority. In recent years, regulators in the several markets in which BancABC Group operates as well as the Nigerian bank supervisor have implemented more stringent and burdensome compliance requirements and controls for banks. Compliance with local controls requires significant efforts and it cannot be assured that BancABC Group and UBN will be able to retain their respective banking licences or that they can continue to operate under their licences in the same way they have in the past. Any loss of a licence or further burdensome regulation and control could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

BancABC Group and UBN may not be able to fully comply with anti-money laundering regulations, which could result in governmental fines and reputational damage

Corruption and money laundering have been and continue to be identified by external analysts as significant issues in SSA. Both BancABC Group and UBN are required to comply with a variety of anti-money laundering and anti-terrorism laws and other regulations in Botswana, Mozambique, Tanzania, Zambia, Zimbabwe and Nigeria as well as in any other jurisdiction in which they operate and will have to comply with further standards if they expand their operations.

BancABC Group and UBN's policies and procedures aimed at detecting and preventing the use of their banking networks for money laundering and terrorist activities may not be sufficient to prevent such use for corruption and potential money laundering schemes perpetrated by individuals and companies in the target markets. To the extent that BancABC Group or UBN fail to fully comply with applicable laws and regulations, the relevant government agencies to which they report have authority to impose fines and other penalties, including the suspension or removal of banking licences. The Enlarged Group's business and reputation could suffer as a result of the imposition of any such penalties or any allegations relating thereto, which could, in turn, have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

BancABC Group and UBN are subject to risks relating to their information technology systems and their ability to remain competitive depends on their ability to upgrade these systems

BancABC Group and UBN depend on their respective information technology systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of their business and operating data. The proper functioning of their financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems (such as their electronic fraud monitoring and surveillance systems and customer insurance programs), as well as the communication networks between their branches and main data processing centres, are critical to their business and ability to compete effectively.

BancABC Group and UBN's business activities would be materially disrupted if there was a partial or complete failure of any of their respective material information technology systems or communications networks. Such failures can be caused by a variety of factors, including natural disasters, extended power outages and computer viruses. In addition, limited national fibre optic coverage makes reliance on technology used to transmit narrowband data, such as the Very Small Aperture Terminal technology, mandatory in certain remote areas, which may also be affected by similar issues. The proper functioning of the information technology systems also depends on accurate and reliable data and other system inputs, which are subject to human errors. Any failure or delay in recording or processing transaction data could subject the relevant bank to claims for losses and regulatory fines and penalties.

In particular, the secure transmission of confidential information is a critical element of BancABC Group and UBN's operations. Their networks and systems may be vulnerable to unauthorised access and other security problems. No assurance can be given that BancABC Group or UBN's existing security measures will prevent security breaches, including break-ins and viruses, or other disruptions such as those caused by defects in hardware or software and errors or misconduct of operators. Persons who circumvent the bank's security measures could use the relevant bank or its clients' confidential information wrongfully. Any material security breach or other disruptions could expose the affected bank to risk of loss and regulatory actions and harm its reputation.

Any substantial failure to improve or upgrade the information technology systems of BancABC Group or UBN effectively or on a timely basis or failure to implement more efficient process automation could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

The Enlarged Group may issue further ABCH shares under the ABCH employee share scheme which may dilute the Enlarged Group's economic interest

The board of ABCH is authorised to reserve up to 15% of ABCH's stated capital, from time to time, to enable BancABC Group to meet its obligations under an employee share purchase scheme. Employees who have served at least one year with BancABC Group are eligible to participate in the scheme. Directors of ABCH and the ABCH subsidiaries are also eligible to participate. Under the scheme, participants have the opportunity to buy ABCH shares at a discount of up to 15% to the prevailing market price. Any ABCH shares purchased under the scheme must be held for a minimum term of one year.

ABCH will be required to issue further ABCH shares under the scheme following the Transaction to ensure the compliance with the terms of the scheme. The issuance of further ABCH shares will dilute the Enlarged Group's economic interest in ABCH and in turn may reduce the return derived by investors from a shareholding in the Company.

The Company has a commitment to provide up to US$100 million of capital to ABCH

Pursuant to the Investment Agreement, the Company has agreed, subject to completion of the Offer, to provide up to US$100 million of capital to ABCH to support and drive its growth going forward. The commitment by the Company is not subject to any prescribed time period. There can be no guarantee that this capital injection will generate a return for the Company or investors. There is also a possibility that this commitment of capital will prevent the Company from pursuing other opportunities.

Lending ability may be restricted if the Enlarged Group is unable to meet regulatory requirements relating to capital adequacy

The ABCH subsidiaries are subject to the regulations of the relevant banking regulators in each of the jurisdictions in which they operate. All of these jurisdictions currently impose capital adequacy requirements that are generally based on the international framework for capital measurement and capital standards of banking institutions proposed by the Basel Committee on Banking Supervision (the "Basel Committee") in 1988, commonly known as Basel I. Following the guidance of Basel I, the regulators in the jurisdictions in which BancABC Group operates require that all banking subsidiaries should hold capital equal to a percentage of their risk-weighted assets. The minimum capital adequacy ratios in these jurisdictions range from 8 to 15% Historically, the ABCH subsidiaries have been able to meet these minimum capital adequacy ratios or in the exceptional circumstances where they have not met the minimum capital adequacy ratios, the situation has always been swiftly rectified in agreement with the relevant regulators.

In 2004, the Basel Committee issued a revised capital adequacy framework ("Basel II") to replace Basel I. With regard to the risk weightings to be applied to exposures to sovereign states, Basel II replaced the previous approach by a system that uses both external and internal credit assessments for determining risk weightings. All of the ABCH subsidiaries are currently in transition from Basel I to Basel II. Implementation of Basel II is now at an advanced stage in Botswana, Zambia and Zimbabwe. Central banks in the jurisdictions in which the Enlarged Group operates have elected to adopt the standardised approach to risk weighting for all risk types, whilst permitting banks to develop adequate data repositories for the possible use of advanced approaches in the future.

In December 2010 and January 2011, the Basel Committee issued its final guidance on a new capital adequacy framework ("Basel III"). The reforms under Basel III include increasing the minimum common equity (or equivalent) requirement and applying stricter regulatory adjustments. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer. A countercyclical buffer may also be implemented if there is excess credit growth in any given country resulting in a system wide build-up of risk. If the Basel III guidelines are implemented in their current form, they could increase the minimum quantity and quality of capital which the Enlarged Group is obliged to maintain, as well as increasing the Enlarged Group's liquidity requirements.

The implementation of Basel II is likely to have minimal impact on the Enlarged Group in the short term as all of the ABCH subsidiaries are currently in transition from Basel I to Basel II. However, once Basel III implementation is initiated, there are likely to be significant challenges for the Enlarged Group in meeting the net stable funding ratio targets, if they are implemented in a way that adheres strictly to the current proposals under Basel III. This is because the Enlarged Group is heavily depending on short-term funding. It is however very unlikely that implementation of Basel III will commence within the next five years in those jurisdictions where the Enlarged Group operates, as even more developed legal and regulatory environments have faced significant practical challenges prior to implementation.

There can be no assurance that the appropriate regulators will not further raise the capital requirements applicable to the Enlarged Group, and if the Enlarged Group requires additional capital in the future, there can be no assurance that it will be able to obtain this capital on favourable terms, in a timely manner or at all. Accordingly, although the Enlarged Group currently meets the applicable capital adequacy requirements in the jurisdictions where it operates, the Enlarged Group has, in the past faced, and may in future face, difficulties in meeting these requirements.

If the Enlarged Group fails to meet the capital adequacy requirements, the relevant regulator(s) may take certain actions, including restricting its asset growth, suspending all but its low risk activities and imposing restrictions on the payment of dividends. Failure of the Enlarged Group to comply with capital adequacy ratios may ultimately result in the revocation of banking licences. These actions could materially and adversely affect the Enlarged Group's business, results of operations and/or financial condition.

The Enlarged Group may in the future be subject to new legal and statutory requirements and its ability to meet new requirements has not been tested

The Enlarged Group's operations are subject to regulation by various government and banking authorities in the jurisdictions in which it operates, and must comply with these regulatory requirements in order to obtain, maintain and renew operating licences and permits. Changes in the nature of the regulatory requirements applicable to subsidiaries in any jurisdiction in which the Enlarged Group operates could limit the Enlarged Group's ability to execute its growth strategy and could adversely affect existing business and results of operations. The Enlarged Group is international in nature, and therefore has an increased burden of regulatory management and compliance than if it operated in a single jurisdiction.

Regulatory obligations require a commitment of resources. The Enlarged Group's ability to comply with applicable laws, rules and regulations is largely dependent on its establishment and maintenance of compliance, control and reporting systems, as well as its ability to attract and retain qualified compliance and other risk management personnel. If it fails to maintain such compliance and reporting systems or fails to attract and retain personnel who are capable of designing and operating such systems, this will increase the likelihood that the Enlarged Group may breach applicable laws and regulations exposing it to the risk of civil litigation and investigations by regulatory agencies. Similarly, any failure of commercial management to understand and act upon applicable laws and regulations would present a similar risk.

The requirements imposed by the regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with the Enlarged Group and are not designed to protect the Enlarged Group's shareholders or investors. Consequently, these regulations can serve to limit the Enlarged Group's flexibility regarding capital structure. Customer protection and market conduct requirements may also limit the scope of the Enlarged Group's activities, or increase the costs of carrying out its business.

The Enlarged Group is subject to risks associated with holding an interest in UBN through UGPL

UBN is currently controlled 65% by UGPL and 20% by AMCON. In addition, there is a 15% free float. The Enlarged Group's interest in UBN is held indirectly through its stake in UGPL. The consortium that invested in, owns and controls UGPL in 2012 also concluded contracts that include rights of a majority to require minority investors participate in a sale (so-called drag-along rights). It also contains provisions relating to the management of dealings of the consortium which restrict any disposal of the Enlarged Group's stake in UGPL until 2017, other than to consortium members. The Enlarged Group only owns and controls a minority stake in UGPL and are therefore at risk that the other investors in UGPL will seek to pursue a strategy for UBN which impedes the successful implementation of their investment strategy in UGPL and UBN. In addition, the Enlarged Group may invest significant resources and management attention to UBN, although in the future the majority investors in UGPL may decide to sell their stakes to another investor. Due to the drag-along provisions in the contracts relating to UGPL, in this scenario the Enlarged Group would also be required to sell their share in UGPL. As a result of the lock-in provisions, should the Enlarged Group wish to dispose of its stake it may be prevented from doing so unless other members of the consortium either agree to waive such requirements or acquire the stake. This could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

UBN may fail to effectively restructure its banking operations

Since UBN was rescued by the Nigerian government in 2009, it has experienced significant changes in its operations, infrastructure, strategy and people, with on-going transformation projects through 2014. Any such project may not result in the desired outcome. If UBN's business does not develop as expected, it could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

Labour disputes, strikes and related actions by the employees of BancABC Group or UBN could disrupt banking operations and could have an impact on the reputation of the respective affected bank

As of 31 December 2013, BancABC Group had 1,501 employees. A labour dispute or a strike in any of the countries in which BancABC Group operates could disrupt banking operations and significantly impact BancABC Group's reputation in its target markets. In addition, negotiations related to labour disputes could result in higher costs as a result of demands by its workforce. Similarly, if UBN were to experience any strikes, labour disputes or other actions of its employees, its operations in Nigeria could be significantly impacted which could in turn affect its reputation and brand name. Within BancABC Group, BancABC Zimbabwe is the only subsidiary with unions and has in the recent past experienced labour disputes relating to salary increases. UBN is also unionised and has recently laid off a substantial part of its workforce, a development which could lead to labour disputes. Any such event could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

The Enlarged Group's reputation and ability to do business may be impaired by corrupt behaviour by its principal shareholdings' employees or agents

The Enlarged Group operates in countries and sectors known to experience corruption. While the Company and each member of the Enlarged Group is committed to conducting business in a legal and ethical manner, there is a risk that their employees or agents may take actions that would be prohibited by the U.S. Foreign Corrupt Practices Act or the United Kingdom Bribery Act 2010 or legislation promulgated pursuant to the 1997 Organisation for Economic Co-Operation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Transactions or other applicable anti-corruption rules or regulations. These actions could result in monetary penalties against the Enlarged Group and could damage the Enlarged Group's reputation and, therefore, the ability to do business and could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

In addition, BancABC Group operates union-based group lending schemes, in particular, in Botswana and Zambia. In Zimbabwe, the lending scheme is managed directly with the government. These schemes account for a significant portion of BancABC Group retail banking revenue in these respective countries. Despite no evidence to suggest that any undue payments have been made in respect of the tendering of these sizable and highly lucrative contracts, given that BancABC Group is working directly with trade unions that include government officials as executive members (as is the case in Botswana), these contracts may be considered a high risk from a bribery and corruption perspective.

Indigenisation laws in Zimbabwe

The current legislation in Zimbabwe dictates that all companies in Zimbabwe should have a 51% shareholding in the hands of indigenous Zimbabweans. In 2012, BancABC Group was compliant with the provisions of the Indigenisation and Economic Empowerment Act (the "IEEA") Chapter 14:33 as read with the Regulations and a letter confirming such compliance was issued by the Minister of Indigenisation (the "Minister"). However, subsequent to the rights issue by ABCH concluded in July 2012, Zimbabwean shareholders controlled less than 51% of BancABC Zimbabwe.

As a consequence of the Transaction and due to the proposed changes in the shareholding of ADC and (indirectly) ABCH, BancABC Zimbabwe has filed a new indigenisation plan with the Minister. The indigenisation plan submitted on 8 April 2014 provides for ABCH to dispose of 30% of its shareholding in BancABC Zimbabwe, over a period of five years, to an indigenous consortium of shareholders, led by Zimbabwe born CEO and founder of ABCH, Douglas Munatsi, who have each agreed to hold their shares in BancABC Zimbabwe for a minimum period of 10 years. The Company will also have Zimbabwe shareholders who will have a further opportunity to increase their shareholding through market purchases of shares of the Company listed on the London Stock Exchange. If the plan is approved in this form, the Company will retain management control and believes that this level of disposal will not have a significant impact on the Enlarged Group's business. There can be no guarantee that the indigenisation plan filed will be approved and failure to obtain approval will prevent completion of the Transaction. There is also no guarantee that once approved, the Minister will not request further changes to the plan in the future, which may take time and cost to implement. BancABC Zimbabwe represents 28.8% of BancABC Group's assets and 37.0% of the total revenue thus any reduction of ownership at the BancABC Zimbabwe level will ultimately dilute the Enlarged Group's economic interest and, depending on the level of shareholding the Enlarged Group must dispose of, may restrict its ability to direct and influence the management and affairs of its Zimbabwean subsidiaries in the future.

Risks relating to the possible reintroduction of a local currency in Zimbabwe

In January 2009, Zimbabwe discontinued the use of the Zimbabwean dollar and adopted a multicurrency system. As a result, Zimbabwe predominantly uses the U.S. dollar for most transactions. In the aftermath of the adoption of the U.S. dollar, a number of corporate borrowers suffered a significant increase in operating costs, which significantly impacted their ability to service their borrowing facilities and led to an increase in impairments suffered by the Enlarged Group. Recent liquidity constraints affecting the Zimbabwean economy have also imposed financial strains on a number of large corporates, which has in turn adversely affected their ability to service their facilities as they fall due. There is however a risk that the government of Zimbabwe could decide to reintroduce the Zimbabwean dollar, or another local currency, which could increase foreign exchange risks and inflation risks, and have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

There is no assurance that the BRD Acquisition will complete and even if it does, the Commercial Bank at the outset may be adversely affected by not having a sufficient platform for its operations

The BRD Acquisition is conditional upon the satisfaction or waiver of a number of conditions, including securing a commercial banking license from the National Bank of Rwanda, therefore completion of the BRD Acquisition is not guaranteed. Should the BRD Acquisition complete, the Commercial Bank will acquire certain commercial assets and liabilities of BRD, however, no specific operational platforms or services will transfer to the Commercial Bank. As such, from completion it will need to rely solely on the operational platforms of BRD, including BRD's IT platform. With no formal transitional services agreement in place (only an obligation to negotiate one ahead of completion) there is a risk that the transitional arrangements negotiated may not be wholly satisfactory to the Commercial Bank and may not be adequate to provide the necessary platform and other operational supports required. In addition, as the Commercial Bank will be a newly formed entity with no operating results or history, potential investors or providers of commercial funding lines to the Commercial Bank may have difficulty in evaluating the Commercial Bank's performance and prospects, which in turn may limit the level of investment that the Commercial Bank receives. Any of the above could have a material adverse effect on the financial prospects and operations of BRD, and ultimately may affect the Enlarged Group.

RISKS RELATING TO THE TRANSACTION

Limited warranty protection has been provided to the Company in connection with the Transaction

Under the terms of the Transaction, the warranty protection provided to the Company is limited in a number of important respects. The warranties given by the ABCH shareholders under the Share Sale Agreements are limited in scope to title and capacity and under the terms of the Offer, no warranties or protections are provided other than in respect of title. The Company will therefore have limited recourse against the sellers and as a consequence may not be able to recover any loss suffered as a result of entering into the Acquisition.

The due diligence conducted by the Company in connection with the Transaction may not have revealed all relevant considerations or liabilities of the Enlarged Group, which could have a material adverse effect on the Company's financial condition or results of operations

There can be no assurance that the due diligence undertaken with respect to the Transaction, the ADC Group, BancABC Group and the BRD Acquisition revealed all relevant facts that may have been necessary to evaluate such acquisitions including the determination of the price, or to formulate a business strategy. Furthermore, the information provided during due diligence may have been incomplete, inadequate or inaccurate. As part of the due diligence process, the Company also made subjective judgments regarding the results of operations, financial condition and prospects of the opportunities. If the due diligence investigation failed to correctly identify material issues and liabilities that may be present in a target company or business, or if the Company considered such material risks to be commercially acceptable relative to the opportunity, the Company may subsequently incur substantial impairment charges or other losses. In addition, following the Transaction, the Company may be subject to significant, previously undisclosed liabilities relating to the acquired businesses that were not identified during due diligence and which could contribute to poor operational performance, undermine any attempt to restructure the acquired companies or businesses in line with the Company's business plan and have a material adverse effect on the Company's business, results of operations and/or financial condition.

The Transaction may result in adverse tax, regulatory or other consequences for Shareholders which may differ for individual Shareholders depending on their status and residence

It is possible that the acquisition structure determined necessary by the Company to consummate the Transaction may have adverse tax, regulatory or other consequences for Shareholders which may differ for individual Shareholders depending on their individual status and residence.

Completion of the Transaction is conditional upon the satisfaction of certain conditions precedent

Completion of the Transaction is conditional upon the satisfaction of certain conditions precedent, in particular, regulatory and related government approvals in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe and achievement of the Minimum Acceptance Threshold. If the conditions precedent are not satisfied the Transaction will not complete and the Company will not take control of the Enlarged Group. As a result, the Company would not derive the anticipated benefits associated with the Transaction including potential earnings enhancement.

Measures aimed at integrating ADC into the Enlarged Group following the completion of the Offer may not be achieved, may be delayed or may result in adverse financial effects

In order to effectively integrate ADC into the Enlarged Group, the Company intends, following completion of the Offer and subject to certain conditions, to adopt certain structural measures in relation to ADC. Such structural measures may include the conclusion of a domination agreement pursuant to Sec. 291 et seq. of the German Stock Corporation Act (*Aktiengesetz*) by ATMA AG with ADC as the dominated company, a squeeze-out pursuant to Sec. 327a et seq. German Stock Corporation Act (*Aktiengesetz*) ("Squeeze-out") or a merger squeeze-out pursuant to Sec. 62 para. 1 and 5 German Transformation Act (*Umwandlungsgesetz*) ("Merger Squeeze-out") with respect to ADC. It cannot be excluded that the Company will not be in a position to implement all or part of the respective measures or such implementation will be delayed, e.g. due to shareholder litigation. As long as a domination agreement has not been implemented, restrictions as to the integration of ADC into the Enlarged Group apply, in particular, the relationship between the Company and ATMA AG, on the one side, and ADC, on the other side, would have to be on an arm's length basis and ATMA AG would have to compensate ADC for any detriments (*Nachteile*) if ATMA AG exercised its influence to cause ADC to undertake a disadvantageous transaction or act. According to the German Federal Court of Justice (*Bundesgerichtshof*) a detriment (*Nachteil*) is "any deterioration or concrete endangering of net assets or results of operations of the company regardless whether a quantification is possible, provided the detriment occurs as a consequence of the dependency (*Abhängigkeit*) of the company". This may negatively affect the Company's position to effectively control ADC's business affairs and to integrate ADC into the Enlarged Group.

If a domination agreement between ATMA AG and ADC is entered into, the remaining minority ADC Shareholders would have the right to either (i) remain shareholders of ADC and receive a guaranteed dividend equal to the share of the profits which are to be expected to be distributed to them as the average dividend, or (ii) sell their ADC Shares to ATMA AG for an adequate consideration. The amounts of the guaranteed dividend and the adequate consideration will be set out in the domination agreement. Further, the consideration to be granted to minority ADC Shareholders in return for the ADC Shares in the course of a Merger Squeeze-out or a Squeeze-out will be determined by ATMA AG and set out in the respective squeeze-out shareholders' resolution. In each case, such compensation has to provide adequate compensation for the transfer of the respective ADC Shares. The payment of a guaranteed dividend, an adequate consideration and a consideration for a Merger Squeeze-out or Squeeze-out may be subject to judicial review by German courts with regard to their adequacy and may be adjusted in course of any such review. This may negatively affect the Enlarged Group's results of operations and/or financial condition.

ADC Shareholders will not be entitled to the takeover protection provided by the Takeover Act

The Offer will not be subject to the Takeover Act or the Regulation on the Content of the Offer Document, the Consideration for Takeover Offers and Mandatory Offers and the Release from the Obligation to publish and to make a Tender Offer (*Verordnung über den Inhalt der Angebotsunterlage, die Gegenleistung bei Übernahmeangeboten und Pflichtangeboten und die Befreiung von der Verpflichtung zur Veröffentlichung und zur Abgabe eines Angebots—WpÜG-Angebotsverordnung,* the "Takeover Offer

Regulation"). ADC Shareholders will therefore not receive the benefit of the protections provided by the Takeover Act or the Takeover Offer Regulation.

Completion of the Offer will be a change of control under the terms of the 2015 Bond with Warrants which may materially affect the financial position of the Enlarged Group

ADC issued a 2015 Bond with Warrants in the amount of EUR 40 million. On completion of the Offer, a change of control according to the terms and conditions of the 2015 Bond with Warrants will occur. This change of control event will give noteholders the right to put their notes to ADC at the principal amount of EUR 100 per note. The notes not put in connection with the change of control are due for repayment on 1 June 2015. However, Trafigura, has undertaken vis-à-vis the Company and vis-à-vis ADC, in the event of a change of control as a result of the Offer, not to exercise its put option right for notes with a nominal value in excess of EUR 16 million in the aggregate. Should noteholders put their notes to ADC on completion of the Offer the Enlarged Group would need to use financial resources to finance such repayment. This may adversely affect the Enlarged Group's financial condition.

RISKS RELATING TO THE FINANCIAL SERVICES SECTOR

Global economies and financial markets are unstable, which could have a material adverse effect on a company operating in the financial services sector

The financial condition and performance of companies operating in the financial services sector generally tend to be significantly affected by the regional and global economic conditions. As a result, following the Transaction, any worsening of general economic conditions in Africa or globally may have a material adverse effect on the Enlarged Group. An economic downturn or continued lack of credit could adversely affect the credit quality of the Enlarged Group's assets by increasing the risk that a greater number of the Enlarged Group's customers would be unable to meet their obligations. A market downturn or worsening of the economy could also cause the Enlarged Group to incur mark-to-market losses in its trading portfolios, reduce any fees that the Enlarged Group could earn for managing assets, and lead to a decline in the volume of transactional activity by clients and, therefore, lead to a decline in the income from fees and commissions and interest.

The financial services sector in the region is becoming increasingly competitive and the growth strategy of the Enlarged Group depends on effective competitive positioning

The banking industry in the countries in which the Enlarged Group operates has become increasingly competitive, which has resulted in increasing pressure on the loan interest rate chargeable by the Enlarged Group, particularly in the corporate banking segment. The Enlarged Group competes with local and international banks as well as credit organisations, many of which are larger and have greater capital resources. In recent years, increased competition has led to a reduction in net interest margins in the regions in which the Enlarged Group operates. International banks have shown a particular increase in their risk appetite for exposure to Mozambique and Tanzania.

Notwithstanding these pressures, BancABC Group's net interest margins have been increasing owing to the diversification of the loan portfolio, with retail loans now contributing 45% of BancABC Group's total loan portfolio as at 31 December 2013. Going forward however, there could be competitive pressure to reduce the interest rates in the retail sector and this could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

The Enlarged Group could be adversely affected by a deterioration of the commercial soundness of other financial institutions

It is expected that the Enlarged Group will be exposed to different industries and counterparties in the normal course of its business but its exposure to counterparties in the financial services sector is expected to be particularly significant. This exposure can arise through trading, lending, deposit taking, clearance and settlement and many other activities and relationships. The Enlarged Group's counterparties could include brokers and dealers, commercial banks, investment banks, insurers and hedge funds, and other institutional clients. Many of these relationships could expose the Enlarged Group to credit risk in the event of default by a counterparty or client. Many of the hedging and other risk management strategies that may be utilised by the Enlarged Group following the Transaction, also involve transactions with financial services counterparties. The failure of these counterparties to settle or the perceived weakness of these counterparties may impair the effectiveness of the Enlarged Group's hedging and other risk management strategies, which could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

The Enlarged Group will be subject to regulatory compliance risk

Companies in the financial services sector tend to be highly regulated. Non-compliance with such regulations could lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

Any future regulatory changes within the financial services sector may potentially restrict the operations of the Enlarged Group in such industry, impose increased compliance and regulatory capital costs, restrict leverage/borrowing and dividend payments, reduce investment returns or increase associated fees, restrict the ability to hedge or off-set investment exposure, increase corporate governance/supervision costs, reduce the competitiveness of any business of the Enlarged Group, reduce the ability of the Enlarged Group to hire and retain key personnel or impose restrictions on whether individuals may be appointed or retained as directors and impose other restrictions and obligations which could adversely affect the Enlarged Group's profitability.

In addition, it remains uncertain to what extent the existing more rigorous regulatory climate will impact financial institutions. Areas where changes could have an impact, other than those highlighted above, include:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- changes in government or regulatory policies that may significantly influence investor decisions in particular markets in which the Enlarged Group operates;
- changes in the regulatory requirements, for example, rules designed to promote financial stability and increase depositor protection;
- changes in competition and pricing environments;
- developments in the financial reporting environment;
- new financial transaction related or other taxes;
- restrictions on shadow banking and on core banking activities;
- financial stability measures, fiscal budget controls, exchange controls and controls on the international movement of capital; and
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership.

Regulations to which the Enlarged Group may be subject may also be interpreted or applied differently than in the past, which could have an adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

The Company may be viewed as a financial institution that is subject to a 30% U.S. withholding tax on certain payments unless it agrees to enter into an agreement with the U.S. Internal Revenue Service ("IRS") to provide certain information or complies with an intergovernmental agreement ("IGA") between the United States and the British Virgin Islands

Under Sections 1471 through 1474 of the U.S. Tax Code ("FATCA"), the Company will be subject to a 30% U.S. withholding tax on (i) certain U.S.-source payments made after 30 June 2014, (ii) the proceeds of certain sales of assets producing U.S.-source payments received by the Company after 31 December 2016 and (iii) payments treated as "foreign passthru payments" within the meaning of FATCA received by the Company after 31 December 2016 or after the date that is six months following the issuance of final regulations defining the term "foreign passthru payment", in each case, unless either: (a) the United States and the British Virgin Islands have entered into an IGA that provides an exemption from FATCA to financial institutions resident in the British Virgin Islands (as discussed below) or (b) the Company has in effect an agreement ("FFI Agreement") with the IRS to provide annually to the IRS the name, address, taxpayer identification number and certain other information with respect to investors that are "specified United States persons" or that are "United States owned foreign entities" and (iii) comply with certain other due diligence procedures, IRS requests, withholding and other requirements. The Company intends to enter into either an FFI Agreement or comply with the IGA requirements if the Company is considered a foreign financial institution under FATCA or a financial institution under an IGA. Prospective investors should consult their own tax advisors regarding the impact of the FATCA rules on their investment.

The British Virgin Islands Government has committed that the British Virgin Islands will enter into a Model 1 IGA with the United States. The terms of such IGA are yet to be agreed, but are expected to be broadly similar to those agreed with the UK and Ireland, taking into account the nature of the British Virgin Islands' financial services. When such IGA is entered into, the Company will not be required to enter into an FFI Agreement with the IRS, but would instead be required to register with the IRS to obtain a Global Intermediary Identification Number and then comply with British Virgin Islands legislation that would be implemented to give effect to such IGA. The terms of such legislation are at this stage still uncertain but, when implemented are expected to require the Company to report substantially the same information as would be required by an FFI Agreement to the British Virgin Islands Tax Information Authority which will exchange such information with the IRS under the terms of the IGA. It is also anticipated that, under the terms of the IGA, withholding will not be imposed on payments made to the Company, or on payments made by the Company to an account holder, unless the IRS has specifically listed the Company as a non-participating financial institution, or the Company has otherwise assumed responsibility for withholding under United States federal income tax law.

RISKS RELATING TO AFRICA

Investments in many African countries can be subject to greater risks than investments in more developed countries and financial turmoil in any of these markets could disrupt the business operations

Operating a business in Africa can involve a greater degree of risk than operating a business in more developed countries and carries risks that are not typically associated with investing in more mature markets. Among other things, emerging market investments may carry the risk of a greater likelihood of severe inflation or deflation, unstable currency, corruption, war and expropriation of personal property than investment in more developed countries. In addition, investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities.

With respect to emerging market countries, there is the possibility of nationalisation, expropriation or confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political changes, government regulation, political and social instability, terrorism, civil wars, guerrilla activities, military repression, crime, extreme fluctuations in currency exchange rates and hyperinflation, which could affect adversely the economies of such countries or the value of the Enlarged Group's assets in those countries. There may also be restrictions on the right to convert or repatriate currency or export assets.

Many of the laws that govern the acquisition of or the investment in private companies and other contractual relationships in emerging markets are new and largely untested. As a result, the Enlarged Group may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customarily characteristic of developed markets and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain of the emerging markets in which the Enlarged Group may operate following the Transaction. The Enlarged Group can offer no assurance that this difficulty in protecting and enforcing rights will not adversely affect its investments. In the event that any of the above risks are realised, the Enlarged Group could suffer a material adverse effect on its business, results of operations and/or financial condition.

Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investments in securities of issuers which invest in SSA are only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult their own legal and financial advisers before making an investment in the Ordinary Shares. Investors should also note that SSA countries are subject to rapid change and that the information set forth in this Document may become outdated relatively quickly.

Moreover, financial turmoil in any emerging market country tends to adversely affect prices in equity markets of other emerging market countries, as investors move their money to more stable, developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in SSA and adversely affect the economies of SSA countries. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the economies in SSA countries in which the Enlarged Group operates remain relatively stable, financial turmoil in other SSA countries could have a material adverse result on the Enlarged Group's business, results of operations and/or financial condition.

The disruptions experienced in the international capital markets during the global financial crisis also led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in financing being unavailable for certain entities. Companies located in countries in emerging markets may be particularly susceptible to disruptions in the capital markets and the reduced availability of credit or the increased cost of debt, which could result in these companies experiencing financial difficulties. In addition, the availability of credit to entities operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding for entities within any of these markets.

Foreign companies wishing to invest in certain African countries, including those in which the Enlarged Group will operate, may be obliged to obtain prior clearance and approvals to do so from the relevant regulatory authorities in those countries, and failure to obtain or in the case of existing investments to retain such clearances will significantly impair the Enlarged Group's ability to achieve its objectives

Foreign companies wishing to invest in many African countries can be required to obtain prior clearance and approvals from the regulatory authorities in those countries. The regulations of the central banks of many African countries provide that, shares in locally registered companies may, in certain circumstances, only be issued to a foreign resident with the approval of the relevant central bank. Prior to the Enlarged Group making any new investment or expanding a business into a new country in Africa it may need to seek and be granted an investment certificate pursuant to any applicable central bank regulations. There is no guarantee that the Enlarged Group will be successful in obtaining such approvals and clearance or that any existing approvals and clearances will not be revoked or withdrawn.

The implementation of economic empowerment legislation requiring minimum local shareholder participation may negatively affect the Enlarged Group's financial condition and results of operations

Many countries in Africa in which the Enlarged Group will operate have either already introduced or are proposing to introduce legislation with the intention of economically empowering local citizens. The legislation typically requires minimum percentage participation by local shareholders in the equity of the businesses operated in those countries. If fully implemented in the countries in Africa in which the Enlarged Group operates, it may be unable to retain majority control of businesses, which may jeopardise its acquisition strategy and adversely affect its financial position. In addition any majority owned investments by the Enlarged Group could be subject to forced sale or confiscation in order to achieve compliance with the foreign ownership limitations contained in any applicable legislation.

Regulatory reforms and governmental and central bank action may significantly affect the business model and the competitive environment of the businesses

The banking activities of the Enlarged Group are subject to extensive regulation in the countries in which they operate. Following the global financial crisis, a number of regulators in SSA have tightened the regulatory frameworks within which the Enlarged Group conducts its businesses. These measures have included increasing the amounts of the minimum regulatory capital the banks are required to maintain, increasing cash reserve ratios on public sector deposits, increasing the risk weighting of loans to selected public sector borrowers, reducing fees chargeable to customers and introducing a floor on savings deposits. In particular, BancABC Group will have to comply with the increased minimum regulatory capital requirements recently imposed by the Zambian and the Zimbabwean financial regulators. Similarly, governments and central banks have imposed asset-based or transaction-based fees, which are paid to the government or central bank or into a prudential fund. The responsible regulatory authorities may change the amounts of these asset-based and transaction-based fees at any time. Depending on the amount and timing of these increases, they can have a significant effect on the Enlarged Group's results of operations and may result in changes being made to its respective business models.

African countries are also increasingly implementing international banking regulation standards. In recent years, SSA countries have implemented various Basel II specific measures, specifically relating to minimum regulatory capital requirements and supervision of banks. With the global adoption of the Basel III framework, banks in the Company's current and future SSA target markets could be faced with even higher minimum capital requirements than they are today and a more complex regulatory framework. These regulatory changes could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

Economic growth in several SSA countries is heavily dependent on the extraction of natural resources and global commodity prices

The economies of several SSA countries rely to a significant degree on the extraction of natural resources for growth, which causes these countries to be dependent on global demand for these natural resources and also to be especially susceptible to fluctuations in global commodity prices. Nigeria's oil production accounts for a significant amount of its GDP, while Mozambique's exports depend on aluminium production, Tanzania depends on gold mining and on other rare metals and Zambia's economy is particularly dependent on copper mining.

Oil prices are subject to wide fluctuations in response to relatively minor changes in the supply of, and demand for, oil, market uncertainty and a variety of additional factors, including political conditions in the Middle East and other regions, internal and political decisions of the Organization of the Petroleum Exporting Countries and other oil producing nations as to whether to decrease or increase production of crude oil, domestic and foreign supplies of oil, consumer demand, weather conditions, domestic and foreign government regulations, transport costs, the price and availability of alternative fuels and overall economic conditions. Other commodity prices may demonstrate volatility due to these and other factors.

The lack of economic diversification in many SSA countries, coupled with their dependency on global commodity prices, exposes them to fluctuations in general economic activity, which in turn affects the demand for banking services and may lead to a deterioration in asset quality within the Enlarged Group. A sharp or sustained decline in demand for banking services or asset quality could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

High inflation, exchange rate changes and interest rate volatility could have a material adverse effect on the economics of target markets

SSA countries are exposed to the risk of high inflation. In addition to the hyper-inflation experienced by Zimbabwe in the past which led to adopting the U.S. dollar as its *de facto* currency in 2009, the countries in which the Enlarged Group will operate experienced average annual inflation rates between 2009 to 2013 ranging from 1.3% in Botswana to 11.5% in Tanzania (Source: World Bank Database). Average inflation in 2004 to 2008 in the countries in which the Enlarged Group operates was higher than in recent years, with Zambia recording 12.5% and Zimbabwe 18.8% average annual inflation (Source: World Bank Database).

Although tighter monetary policies may help to curb inflation, the impact of inflation on higher food, fuel and other import prices is often beyond the government's control in SSA countries where most of these products are imported. Changes in monetary or fiscal policy may also result in higher rates of inflation. There can be no assurance that the inflation rate will not rise in the future. Significant inflation could have a material adverse effect on the economies of SSA countries and, as a result, on the Enlarged Group's business, results of operations and/or financial condition.

General elections, ethnic and religious differences and internal and regional conflicts may result in political instability or changes in policies by the governments in SSA and may adversely affect the business environment

While certain SSA countries such as Botswana have enjoyed political stability in recent years, other SSA countries have undergone substantial upheaval, in some cases accompanied by violence. In Nigeria, for example, the results of general elections have been subject to criticism and have led to civil unrest and political tension. Following general elections in April 2011, post-election violence initially spread in northern Nigeria, as a result of the dissatisfaction with the results of the elections of supporters of an opposition party. Although such unrest and violence subsequently subsided, there can be no assurance that results of the 2015 general elections will not be subject to challenge or result in further outbreaks of violence and discontent, nor how long any such challenge or outbreaks may last. The outcome of elections may have a significant impact on Nigeria's political stability, may adversely affect its economy and no assurance can be given that the reforms and policies that are proposed or taking place at the relevant time will continue.

Any post-election administration in Nigeria or in any of Enlarged Group's other current or future target countries may pursue different policies and priorities than the previous administration, alter or reverse certain reforms or take actions that make domestic and foreign investment less attractive. Further, if there are allegations of fraud or other irregularities in connection with elections and such allegations are not properly handled in an orderly manner, such allegations may undermine the legitimacy of the new administration or lead to protests, violence or other unrest. For instance, in Mozambique, the unrest between the opposition group Renamo and the Frelimo ruling party could escalate ahead of presidential and parliamentary elections in 2014. Such an escalation could impact BancABC Group's operations in affected areas.

Divisions within certain SSA countries are exacerbated by ethnic and religious differences. For example, Nigeria is divided between the mainly Muslim north and Christian south. Certain northern states in Nigeria have adopted Sharia law since the return to civilian rule in 1999, which resulted in further alienation of their Christian minorities. In many other of the Enlarged Group's target countries in SSA, similar ethnic and religious differences exist which could lead to conflicts in the future.

Similarly, countries in which BancABC Group operates are subject to internal conflicts and civil unrest. In recent years, Zimbabwe has seen phases of civil unrest related to elections and potential food shortages, among other things. Political instability, in particular, has been detrimental to the financial sector and the Zimbabwean economy as a whole. Zambia was likewise exposed to civil unrest in recent years, both before and after the 2011 elections and as a result of poverty and unfavourable economic conditions. Also, Mozambique has a history of civil war and, although it has recently been a politically stable country, tensions could arise again.

Any significant changes in the political climate in SSA countries such as changes affecting the stability of the government or involving a rejection, reversal or significant modification of policies, favouring the privatisation of state-owned enterprises, reforms in economically important sectors such as oil and gas, or other reforms, may have negative effects on the economy, government revenues or foreign reserves and, as a result, a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

Failure to address infrastructure deficiencies could adversely affect the economy and growth prospects of certain SSA countries

Most of the SSA countries require substantial investment in infrastructure to grow their economies. These investments are proceeding at different speeds and with different emphases. Large infrastructure projects, such as the Mombasa—Kampala—Kigali railway project, a 3,000 kilometre rail line joining Kenya, Uganda and Rwanda, may be delayed or abandoned in the future, despite such regional infrastructure projects being required for further growth in the mining sector as well as for domestic and regional markets. In Nigeria, decades of under-investment have resulted in significant deterioration of Nigeria's public infrastructure, and the absence of sufficient basic infrastructure to support and sustain growth and economic development. Persistent problems with power generation, transmission and distribution, a deteriorating road network, congested ports and obsolete rail infrastructure have severely constrained socio-economic development in Nigeria as well as several other SSA countries. Although significant advances have been made in the area of telecommunications and internet facilities in recent years in most SSA countries, the state of development in those sectors are not on the same level as in more developed economies, such as China or many South-East Asian countries, which could lead to slower growth and a less competitive economies compared to other developing economies.

There can be no assurance that the plans to improve the available infrastructure in SSA countries will be implemented in a timely or efficient fashion, or at all. Failure to significantly improve the infrastructure in SSA countries could adversely affect the region's economy and growth prospects, including the respective countries' ability to meet their GDP growth targets. This, in turn, may have an adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

Inefficiencies in the judicial systems in SSA countries and the fragmentation of jurisdictions and legal systems may create an uncertain environment for investment and business activity and additional burdens to operate in SSA

The legal systems of SSA countries reflect their historical roots and combine elements of traditional, civil and common law. Most of the Enlarged Group's current and future target countries are based on English or French legal systems. However, since SSA countries gained their independence, they have further developed their legal systems, resulting in a highly fragmented legal landscape in SSA.

All of the Enlarged Group's SSA target markets' legal systems continue to undergo development and face a number of challenges including delays in the judicial process. In many instances cases take a considerable period of time to be concluded. Similarly, the enforcement of collateral in these target markets is often affected by the inefficiencies in these judicial systems and can result in uncertain legal positions.

Delays in obtaining judgments and enforcing them, in particular in enforcing against security received in lending transactions, as well as operating in a number of different legal jurisdictions, result in greater risk and uncertainty in the conduct of the Enlarged Group's business, which may have an adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

In addition, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business which may be susceptible to revision or cancellation, as a result of which legal redress may be uncertain or delayed. There can be no guarantee that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of, and enforcement of, such arrangements in these jurisdictions cannot be assured which may impact negatively on the Enlarged Group's business, results of operations and/or financial condition.

Certain proposed legal and regulatory reforms in SSA countries may not be successfully implemented and reforms may impose additional burdensome regulation

SSA countries generally require further legal and regulatory reforms to create a modern business environment comparable to that of more developed countries. For instance, Nigeria seeks to remove obstacles to private sector investment in the power sector, permit the privatisation of generation and distribution companies, facilitate the construction of new transmission networks and reform the fuel-to-power sector. In other SSA countries, similar efforts of modernisation, economic liberalisation and privatisation are under way across industry sectors.

There is, however, the risk that the legal and regulatory reforms may not be implemented appropriately or that they may be delayed. Additionally, many SSA countries may also impose additional regulations as part of their reforms, specifically in the financial sector, that may be burdensome and result in increased costs of doing business. For instance, Zambia and Zimbabwe have implemented an increase in the minimum regulatory capital requirements and Nigeria has increased required benchmarks such as the cash reserve ratio and decreased the commissions on turnover.

If any reforms are not implemented as intended or our target countries implement further reforms which constrain business activities, specifically in the financial sector, the Enlarged Group and any future investments may be negatively influenced, which may have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

Failure to adequately address actual and perceived risks of corruption may adversely affect the economies of SSA countries and their ability to attract foreign direct investment

SSA countries have generally implemented and are pursuing major initiatives to prevent and fight corruption and unlawful enrichment. However, corruption remains a significant issue in SSA. Transparency International's 2012 Corruption Perceptions Index ranks Zambia at the 88th place, Tanzania at the 102nd place, Mozambique at the 123rd place, Nigeria at the 139th place and Zimbabwe at the 163rd place out of 176 countries and territories. The measures implemented in the Enlarged Group's SSA target countries range from governmental commissions receiving complaints, pursuing investigations and prosecuting offenders such as in Nigeria, to more stringent criminal laws and efforts to promote increased awareness of the problem of corruption.

Despite these various reform efforts, corruption continues to be a serious problem in SSA, with numerous high profile convictions for corruption as well as the dismissal of a number of high ranking officials and judges. The Enlarged Group may have to cease or alter certain activities or liquidate certain investments as a result of criminal threats or activities. Legal rights may be difficult to enforce in the face of corruption. Prospective counterparties to the Enlarged Group may seek to structure transactions in an irregular fashion, to evade fiscal or legal requirements. They may also deliberately conceal information from the Enlarged Group and its advisers or provide inaccurate or misleading information.

Failure to address these issues, continued corruption in the public sector and any future allegations of or perceived risk of corruption in SSA could have an adverse effect on the economies of SSA and may have a negative effect on SSA's ability to attract foreign investment and, as a result, may have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

While the Enlarged Group will maintain an anti-corruption policy and to implement other safeguards and programs across its business, including anti-corruption training programs, designed to prevent the occurrence of fraud, bribery and corruption, it may not be able to detect or prevent every instance of fraud, bribery and corruption in every jurisdiction in which its employees, agents, subcontractors or joint venture partners are located. It may therefore be subject to civil and criminal penalties and to reputational damage. Instances of fraud, bribery and corruption, and violations of laws and regulations in the jurisdictions in which the Enlarged Group operates could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

Statistical information provided by governments in SSA may differ from that produced by other sources and may be unreliable

The ministries and central banks of countries in SSA produce statistics relating to the respective countries, their economies and banking sectors. The Enlarged Group will rely on these statistics to evaluate their current business model and strategy and to implement their future strategy. There can be no assurance that these statistics are as accurate or as reliable as those published by counterpart agencies in more developed countries. As a result, an important basis for the Enlarged Group's analysis of the sector in which they operate and for their business decisions may be inaccurate, and this could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

There are risks associated with inadequate disclosure transparency in SSA, specifically with respect to self-dealing

Many of the businesses with which BancABC Group and UBN conduct business are closely-held and are not subject to stringent disclosure standards. As a result, information made available to BancABC Group or UBN in connection with banking transactions, such as the extension of loans, may not be entirely reliable. In particular, the distinction between personal activities and the activities of a business owned by an individual or group of individuals may be blurred, with the business undertaking activities that are for the benefit of the individual or group. BancABC Group and UBN are familiar with these practices and rigorously apply the established lending criteria, but the risk remains that debtors of BancABC Group or UBN may misrepresent their financial condition when seeking financing or subsequently misuse the proceeds of loans granted for a business purpose for their personal benefit. If the loan amounts are not subsequently repaid and prove to be uncollectible, this would have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

SSA economies are vulnerable to earthquakes, droughts and other natural disasters

The economies of one or several of our target markets could be significantly impacted by the occurrence of natural disasters such as earthquakes, droughts, floods, wildfires or the outbreak of epidemics. In 2008, the Lake Kivu earthquake had a significant impact on parts of the population of Rwanda. The 2011 East African drought, which occurred over a large part of the East African region, led to a severe food crisis and had a significant adverse effect on the economies of Somalia, Djibouti, Ethiopia, Kenya and Uganda. Other natural disasters have also occurred in the past which impacted the population of SSA countries and their economies. Should a significant natural disaster occur in our target countries or in neighbouring countries, the financial sector of our target countries could be impacted. Any such development could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

Instability in Zimbabwe could adversely affect the Enlarged Group

Zimbabwe recently conducted elections which were considered peaceful. However, there are debates as to whether they were fair. The African Union and the SADC announced that they believe that the results were democratic whilst the U.S. and the U.K. do not believe that the elections were either free or fair. Concerns in the lead up to the elections, and delays on the part of the President of Zimbabwe in appointing his new cabinet and addressing succession issues with the Zanu PF party in the wake of the results, have led to an uncertain political environment and outflows of an estimated US$500 million from the domestic banking system.

Any disruptions, either political or economic, in Zimbabwe could have a material adverse impact on the operations, performance and profits of BancABC Zimbabwe.

As at 31 December 2013, Zimbabwe contributed 38% to the attributable profits of the ABCH subsidiaries, 29% to loans and advances and 22% to deposits. As a result, BancABC Zimbabwe is a major contributor to the Enlarged Group's business. If the international community decides not to support Zimbabwe and there is economic and political disruption in Zimbabwe, the Enlarged Group will be adversely affected.

The United States Office of Foreign Assets Control ("OFAC") as well as the European Union, currently administers limited economic sanctions that target certain entities and individuals in Zimbabwe. BancABC Group through its Zimbabwean subsidiary may engage in transactions with such designated entities and individuals in compliance with the laws applicable to those transactions in Zimbabwe. To the Company's knowledge, BancABC Group has not engaged in, and does not expect to engage in, any actions that would violate OFAC sanctions or cause BancABC Group to be sanctioned by any relevant authority, and BancABC Group currently screens all new corporate and retail customers to establish that they are not the subject of international sanctions (including those administered by OFAC). BancABC Group's reputation may suffer if its operations in Zimbabwe are linked to persons the subject of international sanctions. Any such damage to reputation may have a material adverse effect on BancABC Group's business or the prices of its securities.

There are health risks relating to operating in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe that could adversely affect the Enlarged Group's business, results of operations and/or financial condition

HIV/AIDs, tuberculosis (which is exacerbated in the presence of HIV/AIDS), malaria and typhoid are major healthcare challenges in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe and other SSA countries. According to research published by UNAIDS (The Joint United Nations Programme on HIV/AIDS), SSA has an HIV prevalence of approximately 4.9 per cent. of the adult population as at the end of 2012, notwithstanding some significant reductions in infection rates. Due to the high prevalence of HIV/AIDS, malaria and typhoid in the countries in which the Enlarged Group operates, the Enlarged Group may incur costs relating to the loss of personnel and the related loss of productivity as well as the costs relating to recruiting and training of new personnel. The Enlarged Group is not able to quantify these costs accurately and no assurance can be given that the costs it will incur in connection with these health issues will not have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

Delay or failure to effectively implement sectoral reforms may adversely affect the growth prospects of the Enlarged Group

The Zambian Government is in the process of implementing reforms in the financial services sectors. Legislative initiatives behind these reforms include new companies legislation and new legislation regulating the pensions and insurance sectors.

The Company believes that such reforms will generate new business opportunities (including increased lending opportunities) for the Enlarged Group. However, there is a risk that the expected reforms may not be implemented, or, if implemented, may not provide the expected benefits to the banking sector. Further, any uncertainty or turbulence caused as a result of the implementation (or lack of implementation) of these reforms could have a material impact on the banking sector.

Impact of the global economic crisis on Botswana, Mozambique, Tanzania, Zambia and Zimbabwe's economy

Since 2007, the global financial crisis has affected financial markets and generally reduced the availability of capital to governments, financial institutions and other companies. Many financial institutions have needed to seek additional capital or to merge with larger and stronger institutions and some financial institutions, including large and established ones such as Lehman Brothers, have failed. Reflecting concerns about the stability of the financial markets in general and the strength of counterparties, many lenders and institutional investors have reduced, and in some cases, have ceased to provide, funding to borrowers, including other financial institutions. BancABC Group is subject to the risk of deterioration in global financial conditions, as well as the soundness and perceived soundness of financial institutions outside of Botswana, Mozambique, Tanzania, Zambia and Zimbabwe, primarily as it affects the availability of international financing and access to capital markets for banks in those jurisdictions, which may have a material adverse effect on BancABC Group's business, results of operations and/or financial condition.

RISKS RELATING TO THE ORDINARY SHARES AND WARRANTS

Investors will experience a dilution of their percentage ownership of the Company as a result of the exercise of the Warrants or if the Company decides to offer additional Ordinary Shares in the future

The terms of the Warrants provide (inter alia) for the issue of Ordinary Shares in the Company upon any exercise of the Warrants, in each case in accordance with their respective terms. Please see "Part XVI—Terms & Conditions of the Warrants" and paragraph 15.7 of "Part XV—Additional Information" for further details of the terms of the Warrants.

The maximum number of Ordinary Shares that may be required to be issued by the Company pursuant to the terms of the Warrants, subject to adjustment in accordance with the terms and conditions of the Warrant Instrument, is 10,843,166.

The exercise of the Warrants will result in a dilution of the value of such Shareholders' interests if the value of an Ordinary Share exceeds the exercise price payable on the exercise of a Warrant at the relevant time. The potential for the issue of additional Ordinary Shares pursuant to exercise of the Warrants could have an adverse effect on the market price of the Ordinary Shares.

In addition, if the Company decides to offer additional Ordinary Shares in the future, this could dilute the interests of investors and/or have an adverse effect on the market price of the Ordinary Shares.

The Company may be required to issue additional Ordinary Shares pursuant to the terms of the Founder Preferred Shares which may dilute the holdings of existing Shareholders

The terms of the Founder Preferred Shares provide (inter alia) that they will, in accordance with their terms, automatically convert into Ordinary Shares on a one-for-one basis (subject to adjustment in accordance with the Articles) on the last day of the seventh full financial year of the Company following completion of the Acquisition (or if any such date is not a Trading Day, the first Trading Day immediately following such date) and that some or all of them may be converted five Trading Days following receipt by the Company of a written request from the holder. Please see "Part VII—Directors, Management and Corporate Governance" and paragraph 4.3 of "Part XV—Additional Information" for further details of the terms of the Founder Preferred Shares.

In addition, from such time after the Acquisition that the Average Price per Ordinary Share is US$11.50 (subject to adjustment in accordance with the Articles) or more for ten consecutive Trading Days, the holders of Founder Preferred Shares will be entitled to receive in aggregate the Annual Dividend Amount in respect of each Dividend Year. The Annual Dividend Amount will be paid on the relevant Payment Date by the issue of such number of Ordinary Shares as is equal to the Annual Dividend Amount divided by the Average Price per Ordinary Share on the relevant Dividend Date.

The precise number of Ordinary Shares that may be required to be issued by the Company pursuant to the terms of the Founder Preferred Shares cannot be ascertained at the date of this Document.

The issue of Ordinary Shares pursuant to the terms of the Founder Preferred Shares will reduce (by the applicable proportion) the percentage shareholdings of those Shareholders holding Ordinary Shares prior to such issue.

The issue of Ordinary Shares pursuant to the terms of the Founder Preferred Shares, may reduce any net return derived by investors from a shareholding in the Company compared to any such net return that might otherwise have been derived had the Company not been required to comply with its obligations in relation to the Founder Preferred Shares.

The proposed Standard Listing of the New Ordinary Shares will afford investors a lower level of regulatory protection than a Premium Listing

Application will be made for the New Ordinary Shares to be admitted to a Standard Listing on the Official List. A Standard Listing will afford investors in the Company a lower level of regulatory protection than that afforded to investors in a company with a Premium Listing, which is subject to additional obligations under the Listing Rules. A Standard Listing will not permit the Company to gain a FTSE indexation, which may have an adverse effect on the valuation of the Ordinary Shares.

Further details regarding the differences in the protections afforded by a Premium Listing as against a Standard Listing are set out in the section entitled "Consequences of a Standard Listing" on page 51.

There can be no guarantee that Readmission will be granted which will reduce liquidity in the Ordinary Shares and Warrants, potentially for a significant period of time, and may adversely affect the price at which a Shareholder or Warrantholder can sell them

The Company's Existing Ordinary Shares and Warrants were suspended from listing on 1 April 2014 due to insufficient publically available information in the market about the impact of the proposed Transaction and the new Enlarged Group. Following completion of the Transaction, applications will be made for the Existing Ordinary Shares and Warrants to be readmitted, and the New Ordinary Shares to be admitted, to listing on the Official List but there is no guarantee that Readmission will be granted. A continued suspension of the listing of the Company's Ordinary Shares and Warrants would materially reduce liquidity in such shares and such warrants which may affect an investor's ability to realise some or all of its investment and/or the price at which such investor can effect such realisation.

Shareholders will not be entitled to the takeover offer protections provided by the City Code

The City Code applies, inter alia, to offers for all listed public companies considered by the Panel on Takeovers and Mergers to be incorporated or resident in the United Kingdom, the Channel Islands or the Isle of Man. The Company is not so incorporated or resident and therefore Shareholders will not receive the benefit of the takeover offer protections provided by the City Code. There are no rules or provisions relating to the Ordinary Shares and squeeze-out and/or sell-out rules, save as provided by section 176 of BVI Companies Act (ability of the shareholders holding 90% of the votes of the outstanding shares or class of outstanding shares to require the Company to redeem such shares or class of shares), which has been disapplied by the Company.

The Company may be unable to transfer to a Premium Listing or other appropriate listing venue following the Transaction

Following the Transaction, the Directors may in due course decide to seek to transfer from a Standard Listing to either a Premium Listing or other appropriate listing venue, based on the track record of the company or business it acquires, subject to fulfilling the relevant eligibility criteria at the time. There can be no guarantee that the Company will meet such eligibility criteria or that a transfer to a Premium Listing or other appropriate listing venue will be achieved. For example, such eligibility criteria may not be met, due to the circumstances and internal control systems of the acquired business or if the Company acquires less than a controlling interest in a target company or business or if the Warrants in existence at such time entitle the Warrantholders to subscribe for more than 20% of the Company's issued equity share capital. In addition there may be a delay, which could be significant, between the completion of the Transaction and the date upon which the Company is able to seek or achieve a Premium Listing or a listing on another stock exchange.

If the Company does not achieve a Premium Listing, the Company will not be obliged to comply with the higher standards of corporate governance or other requirements which it would be subject to upon achieving a Premium Listing and, for as long as the Company continues to have a Standard Listing, it will be required to continue to comply with the lesser standards applicable to a company with a Standard Listing. In addition, an inability to achieve a Premium Listing will prohibit the Company from gaining FTSE indexation and may have an adverse effect on the valuation of the Ordinary Shares and Warrants. Alternatively, in addition to, or in lieu of seeking a Premium Listing, the Company may determine to seek a listing on another stock exchange, which may not have standards of corporate governance comparable to those required by a Premium Listing or which Shareholders may otherwise consider to be less attractive or convenient.

Further details regarding the differences in the protections afforded by a Premium Listing as against a Standard Listing are set out in the section entitled "Consequences of a Standard Listing" on page 51.

Investors may not be able to realise returns on their investment in Ordinary Shares within a period that they would consider to be reasonable

Investments in Ordinary Shares may be relatively illiquid. There may be a limited number of Shareholders and this factor, together with the number of Ordinary Shares, may contribute both to infrequent trading in the Ordinary Shares on the London Stock Exchange and to volatile Ordinary Share price movements. Investors should not expect that they will necessarily be able to realise their investment in Ordinary Shares within a period that they would regard as reasonable. Accordingly, the Ordinary Shares may not be suitable for short-term investment. Readmission should not be taken as implying that there will be an active trading market for the Ordinary Shares. Even if an active trading market develops, the market price for the Ordinary Shares may not enable an investor to realise their investment.

Dividend payments on the Ordinary Shares are not guaranteed

To the extent the Company intends to pay dividends on the Ordinary Shares, it will pay such dividends at such times (if any) and in such amounts (if any) as the Board determines appropriate and in accordance with applicable law, but expects to be principally reliant upon dividends received on shares held by it in any operating subsidiaries in order to do so. Payments of such dividends will be dependent on the availability of any dividends or other distributions from such subsidiaries. The Company can therefore give no assurance that it will be able to pay dividends going forward or as to the amount of such dividends, if any.

The pre-emption rights contained in the Articles have in certain circumstances been disapplied for Shareholders, including in respect of the issuance of equity securities to facilitate the Acquisition, which may dilute the interests of Shareholders

The pre-emption rights contained in the Articles have in certain circumstances been disapplied for Shareholders, including for the purposes of or in connection with the Acquisition. See "Part XV—Additional Information" for further information.

Any issuance of Ordinary Shares, preferred shares or convertible debt securities may:

- significantly dilute the value of the Ordinary Shares held by existing Shareholders;
- cause a Change of Control if a substantial number of Ordinary Shares are issued, which may, among other things, result in the resignation or removal of one or more of the Directors; and result in its then existing Shareholders becoming the minority, which will give the Founding Entities the right to exercise the conversion right in the Founder Preferred Shares;
- in certain circumstances, have the effect of delaying or preventing a Change of Control;
- subordinate the rights of holders of Ordinary Shares if preferred shares are issued with rights senior to those of Ordinary Shares; or
- adversely affect the market prices of the Company's Ordinary Shares and Warrants.

In respect of the New Ordinary Shares proposed to be issued pursuant to the Transaction, existing Shareholders will have no pre-emptive rights. The issuance of such Ordinary Shares, will dilute the value of the Ordinary Shares held by existing Shareholders.

A prospective investor's ability to invest in the Ordinary Shares or to transfer any Ordinary Shares that it holds may be limited by certain ERISA, U.S. Tax Code and other considerations

The Company will use commercially reasonable efforts to restrict the ownership and holding of its Ordinary Shares so that none of its assets will constitute "plan assets" under the Plan Assets Regulations. If the Company's assets were deemed to be plan assets of an ERISA Plan: (i) the prudence and other fiduciary responsibility standards of ERISA would apply to assets of the Company; and (ii) certain transactions, including transactions that the Company may enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under section 406 of ERISA or section 4975 of the U.S. Tax Code and might have to be rescinded. A non-exempt prohibited transaction, in addition to imposing potential liability on fiduciaries of the ERISA Plan, may also result in the imposition of an excise tax on "parties in interest" (as defined in ERISA) or "disqualified persons" (as defined in the U.S. Tax Code), with whom the ERISA Plan engages in the transaction. Governmental plans, certain church plans and non-U.S. plans, while not subject to Part 4 of Subtitle B of

Title I of ERISA, section 4975 of the U.S. Tax Code, or the Plan Asset Regulations, may nevertheless be subject to other state, local, non-U.S. or other regulations that have similar effect.

See "Important Information" for a more detailed description of certain ERISA, U.S. Tax Code and other considerations relating to an investment in the Ordinary Shares. However, these remedies may not be effective in avoiding characterisation of the Company's assets as "plan assets" under the Plan Assets Regulations and, as a result, the Company may suffer the consequences described above.

The Company is not, and does not intend to become, registered in the U.S. as an investment company under the U.S. Investment Company Act and Shareholders will not be entitled to the protections of the U.S. Investment Company Act

The Company has not been, does not intend to be, and would most likely be unable to become, registered in the United States as an investment company under the U.S. Investment Company Act. The U.S. Investment Company Act provides certain protections to investors and imposes certain restrictions on companies that are registered as investment companies. As the Company is not so registered and does not plan to be registered, none of these protections or restrictions is or will be applicable to the Company.

An entity may be deemed to be an investment company, as defined under Sections 3(a)(1)(A) and (C) of the U.S. Investment Company Act, if it primarily is engaged or holds itself out as engaging in the business of investing, reinvesting or trading in securities or if it owns investment securities (as that term is defined in the U.S. Investment Company Act) having a value exceeding 40 per cent. of its total assets. If an entity is deemed to be an investment company under the U.S. Investment Company Act, it is required to register as an investment company under that Act. If the Company were required to register, it could become subject to certain restrictions that might make it difficult for the Company to conduct its business and to complete the Transaction. If the Company were required to register, it would be required to impose restrictions on the nature of its investments, issuance of its securities, its capital structure, how it conducts business dealings with its affiliates, among other factors. In addition, the Company may have burdensome requirements imposed upon it, including reporting, record keeping, voting, proxy and disclosure requirements and other rules and regulations.

The Company does not believe that its proposed activities, or the manner in which it will conduct its business, will require it to register as an investment company under the U.S. Investment Company Act during the period in which it is seeking an Acquisition.

In the event that the Company did hold more than 40% of its total assets in investment securities, it could seek to qualify for an exemption from registration as an investment company, or request an exemption from the SEC. As an entity organised outside the United States, there is no assurance that such an exemption or that such relief would be available at that time. If the Company were found to have operated as an unregistered investment company, the Company could be subject to regulatory and other penalties that could materially and adversely affect its business, results of operations and/or financial condition.

If the Company were deemed to be a U.S. domestic issuer, as such term is defined in Regulation S, it may be required to institute burdensome compliance requirements

If the Company were deemed to be a domestic issuer under Regulation S, the Company may be subject to burdensome reporting and disclosure requirements if it were required to file reports under the Exchange Act with the SEC.

The Company does not believe that it is a domestic issuer as the Company currently meets the requirements for a foreign private issuer under Rule 405 under the Securities Act. However, there can be no assurance that upon completion of the Transaction or otherwise in the future the Company will continue to meet these requirements.

RISKS RELATING TO THE COMPANY'S RELATIONSHIP WITH THE DIRECTORS, THE FOUNDERS AND THE FOUNDING ENTITIES AND CONFLICTS OF INTEREST

The Directors will allocate their time to other businesses leading to potential conflicts of interest in their determination as to how much time to devote to the Company's affairs

None of the Directors are required to commit their full time or any specified amount of time to the Company's affairs, which could create a conflict of interest when allocating their time between the Company's operations and their other commitments. The Directors are engaged in other business endeavours and are not obligated to devote any specific number of hours to the Company's affairs. If the Directors' other business affairs require them to devote more substantial amounts of time to such affairs, it could limit their ability to devote time to the Company's affairs and could have a negative impact on the Company's ability to operate the Enlarged Group. In addition, the Founding Entities or one or more of their affiliates may help provide services to the Company. However, there is no formal agreement between the Company and such entities with respect to the provision of such services or the commitment of any specified amount of time to the Company. The Company can provide no assurance that these conflicts will be resolved in the Company's favour. In addition, although the Directors must act in the Company's best interests and owe certain fiduciary duties to the Company, they are not necessarily obligated under BVI law to present business opportunities to the Company.

The Company cannot confirm that the Founders or any of the Company's Directors will not become involved in one or more other business opportunities that would present conflicts of interest in respect of the time they allocate to the Company. In addition, the conflict of interest procedures described above may require or allow the Founders, the Founding Entities and certain of their affiliates to present certain acquisition opportunities to other companies before they present them to the Company.

The Founders and the Founding Entities may in the future enter into related party transactions with the Company, which may give rise to conflicts of interest between the Company and the Founders or the Directors

The Founders, the Founding Entities and one or more of their affiliates may in the future enter into other agreements with the Company that are not currently under contemplation. While the Company will not enter into any related party transaction without the approval of a majority of the Non-Founder Directors, it is possible that the entering into of such an agreement might raise conflicts of interest between the Company and the Founders or the Directors.

Historical results of prior investments made by, or businesses associated with, the Founders and their affiliates may not be indicative of future performance of an investment in the Company

Investors are directed to the information set out the descriptions of the Founders in "Part VII—Directors, Management and Corporate Governance". The information set out therein is presented for illustrative purposes only and investors are cautioned that historical results of prior investments made by, or businesses associated with, the Founders and their affiliates or the Founder Directors may not be indicative of the future performance of an investment in the Company or the returns the Company will, or is likely to, generate going forward.

RISKS RELATING TO TAXATION

Changes in tax law and practice may reduce any net returns for investors

The tax treatment of shareholders of the Company, any special purpose vehicle that the Company may establish and any company which the Company may acquire are all subject to changes in tax laws or practices in the British Virgin Islands or any other relevant jurisdiction. Any change may reduce any net return derived by investors from a shareholding in the Company.

Failure to maintain the Company's tax status may negatively affect the Company's financial and operating results

As noted in "Part XIII—Taxation", the Company is not subject to any income, withholding or capital gains taxes in the British Virgin Islands and no capital or stamp duties are levied in the British Virgin Islands on the issue, transfer or redemption of shares. While the Board is experienced and intends to exercise strategic management and control of the Company's affairs outside of the United Kingdom, continued attention must be paid to ensure that major decisions by the Company are made in a manner that would not result in the Company losing its status as a non U.K. tax resident. The composition of the Board, the place of residence of the individual members of the Board and the location(s) in which the Board makes decisions will all be important factors in determining and maintaining the tax residence of the Company outside of the United Kingdom. If the Company were to be considered as resident within the United Kingdom for U.K. taxation purposes, or if it were to be considered to carry on a trade or business within the United States or United Kingdom for U.S. or U.K. taxation purposes, the Company would be subject to U.S. income tax or U.K. corporation tax on all or a portion of its profits, as the case may be, which may negatively affect its financial and operating results. Further, if the Company is treated as being centrally managed and controlled in the United Kingdom for U.K. tax purposes, stamp duty reserve tax will be payable in respect of any agreement to transfer Depositary Interests.

Taxation of returns from assets located outside the British Virgin Islands may reduce any net return to investors

To the extent that any company or business which the Company acquires is established outside the British Virgin Islands, which is expected to be the case, it is possible that any return the Company receives from such company or business may be reduced by irrecoverable withholding or other local taxes and this may reduce any net return derived by investors from a shareholding in the Company.

There can be no assurance that the Company will be able to make returns for Shareholders in a tax-efficient manner

It is intended that the Company will structure the Group, including any company or business acquired in the Transaction, to maximise returns for Shareholders in as fiscally efficient a manner as is practicable. The Company has made certain assumptions regarding taxation. However, if these assumptions are not correct, taxes may be imposed with respect to the Company's assets, or the Company may be subject to tax on its income, profits, gains or distributions (either on a liquidation and dissolution or otherwise) in a particular jurisdiction or jurisdictions in excess of taxes that were anticipated. This could alter the post-tax returns for Shareholders (or Shareholders in certain jurisdictions). The level of return for Shareholders may also be adversely affected. Any change in laws or tax authority practices could also adversely affect any post-tax returns of capital to Shareholders or payments of dividends (if any, which the Company does not envisage the payment of, at least in the short to medium term). In addition, the Company may incur costs in taking steps to mitigate any such adverse effect on the post-tax returns for Shareholders.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income which could give rise to adjustments to provisions recorded in the financial statements

The Enlarged Group operates across a number of different jurisdictions each of which has complex tax regulations, changes in tax laws, and differences with respect to the evaluation and timing of future taxes payable. Given the complex nature of the international operations and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could result in future adjustments to tax income and expenses already recorded.

The Enlarged Group establishes provisions, based on its evaluation and interpretation of existing tax regulations in the countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. There is a risk that differences of interpretation may arise on a wide variety of issues as tax authorities undertake their assessments, which could give rise to adjustments to provisions recorded in the financial statements.

The Company may be a "passive foreign investment company" for U.S. federal income tax purposes and adverse tax consequences could apply to U.S. investors

The U.S. federal income tax treatment of U.S. Holders will differ depending on whether or not the Company is considered a passive foreign investment company ("PFIC").

In general, the Company will be considered a PFIC for any taxable year in which: (i) 75% or more of its gross income consists of passive income; or (ii) 50% or more of the average quarterly market value of its assets in that year are assets that produce, or are held for the production of, passive income (including cash). For purposes of the above calculations, if the Company, directly or indirectly, owns at least 25 per cent. by value of the stock of another corporation, then the Company generally would be treated as if it held its proportionate share of the assets of such other corporation and received directly its proportionate share of the income of such other corporation. Passive income generally includes, among other things, dividends, interest, rents, royalties, certain gains from the sale of stock and securities, and certain other investment income.

Because the Company has not, to date, had any active business, it met the PFIC income and/or asset tests for 2013 and, depending on whether it acquires ABCH and/or ADC, or any other company, during 2014, and on the income and assets of ABCH, ADC and/or such other company, if any, it may meet the PFIC income and/or asset tests for the current year. The PFIC rules, however, contain an exception to PFIC status for companies in their "start-up year". Under this exception, a corporation will not be a PFIC for the first taxable year the corporation has gross income if (1) no predecessor of the corporation was a PFIC; (2) the corporation satisfies the IRS that it will not be a PFIC for either of the first two taxable years following the start-up year; and (3) the corporation is not in fact a PFIC for either of these subsequent years.

The Company does not know whether it will qualify for the start-up year exception. For instance, the Company may not complete the Acquisition during the current taxable year. Additionally, after making the Acquisition, the Company may still meet one or both of the PFIC tests, depending on the timing of the Acquisition and the nature of the income and assets of ABCH and ADC. In addition, the Company may acquire direct or indirect equity interests in other entities that may be PFICs, referred to herein as "Lower-tier PFICs" and there is no guarantee that the Company would cease to be a PFIC once it has acquired such equity interests. Consequently, the Company can provide no assurance that it will not be a PFIC for either the current year or for any subsequent year.

Under certain attribution rules, if the Company is a PFIC, U.S. Holders will be deemed to own their proportionate share of Lower-tier PFICs, and will be subject to U.S. federal income tax on: (i) certain distributions on the shares of a Lower-tier PFIC; and (ii) a disposition of shares of a Lower-tier PFIC, both as if the holder directly held the shares of such Lower-tier PFIC.

If the Company is a PFIC for any taxable year during which a U.S. Holder holds (or, in the case of a Lower-tier PFIC, is deemed to hold) its shares, such U.S. Holder will be subject to significant adverse U.S. federal income tax rules. In general, unless the U.S. Holder makes a qualified electing fund election or a mark-to-market election (see "Part XIII—Taxation—U.S. federal income taxation—Qualified Electing Fund Election ("QEF Election")" and "Mark-to-Market Election"), gain recognised upon a disposition (including, under certain circumstances, a pledge) of New Ordinary Shares, or upon an indirect disposition of shares of a Lower-tier PFIC, will be allocated rateably over the U.S. Holder's holding period for such shares and will not be treated as capital gain. Instead, the amounts allocated to the taxable year of disposition and to the years before the relevant company became a PFIC, if any, will be taxed as ordinary income. The amount allocated to each PFIC taxable year will be subject to tax at the highest rate in effect for such taxable year for individuals or corporations, as appropriate and an interest charge (at the rate generally applicable to underpayments of tax due for such year) will be imposed on the tax attributable to such allocated amounts. Any loss recognised will be capital loss, the deductibility of which is subject to limitations. Further, to the extent that any distribution received by a U.S. Holder on its New Ordinary Shares (or a distribution by a Lower-tier PFIC to its shareholder that is deemed to be received by a U.S. Holder) exceeds 125% of the average of the annual distributions on such shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, such distribution will be subject to taxation as described above.

If the Company is a PFIC for any taxable year during which a U.S. Holder holds New Ordinary Shares, the Company will continue to be treated as a PFIC with respect to the U.S. Holder for all succeeding years during which the U.S. Holder holds Ordinary Shares, regardless of whether the Company actually meets the PFIC asset test or the income test in subsequent years. The U.S. Holder may terminate this deemed PFIC status by making a purging election pursuant to which the U.S. Holder will elect to recognise gain (which will be taxed under the adverse tax rules discussed in the preceding paragraph) as if the U.S. Holder's New Ordinary Shares (and any indirect interest in a Lower-tier PFIC) had been sold on the last day of the last taxable year for which the Company qualified as a PFIC. For further discussion of the Company's classification as a passive foreign investment company, see "Part XIII—Taxation—U.S. federal income taxation—Passive foreign investment company ("PFIC") considerations".

The Company may qualify as a low-taxed intermediate company (Zwischengesellschaft) within the meaning of the German Foreign Tax Act (Außensteuergesetz) and as a result, adverse tax consequences could apply to German investors

If the Company qualifies as low-taxed intermediate company (*Zwischengesellschaft*) for purposes of the German controlled foreign companies-rules ("CFC-rules"), this could have adverse tax consequences for German Shareholders since income of the Company could be, without being actually distributed, attributed to the German Shareholders and, consequently, be subject to income taxation at their level.

Generally, the CFC-rules apply only if German Shareholders hold directly or indirectly more than 50% of the shares or voting rights in the Company, i.e., the CFC-rules can apply even if not one single German Shareholder holds more than 50%, but only all German Shareholders in the aggregate. If the Company generates financial investment income (*Einkünfte mit Kapitalanlagecharakter*), the CFC-rules can apply even if a German Shareholder holds only a shareholding of at least 1% in the Company.

Furthermore, the CFC-rules apply only if and to the extent that the income of the Company qualifies as "passive" income which is subject to low taxation at the level of the Company. As an example, interest and licence fees typically constitute passive income, whereas dividend income is classified as active. Since the Company is not subject to any income tax in the British Virgin Islands, all of its income should be subject to low taxation.

The aforementioned CFC-rules apply accordingly to income of subsidiaries of the Company, i.e., passive low-taxed income of subsidiaries can also be subject to taxation at the level of German Shareholders of the Company under certain circumstances.

Tax losses carried forward by ADC and current tax losses of ADC may be forfeited as a result of the ADC Acquisition by the Company due to German change of control-rules

If, as envisaged, the aggregate number of ADC Shares tendered into the Offer as well as any additional ADC Shares which ATMA AG may purchase outside the Offer, represent more than 50% of the aggregate of ADC's issued registered share capital, tax loss carry-forwards of ADC as accrued until and including 2013 and any tax losses that have accrued in 2014 until the transfer of more than 50% of the share capital to ATMA AG will, under the relevant change of control-rules of German tax law, forfeit, and consequently can no longer be utilised and set-off by ADC against future taxable profits. Generally, as an exception to this rule, the relevant rules provide that the tax loss carry-forwards and current tax losses "survive" if and to the extent they can be absorbed by taxable unrealised (built-in) gains in the assets of the loss carrying company. However, this so-called hidden reserves-privilege (*stille Reserven-Klausel*) should not be applicable in the present case since ADC's assets mainly consist of shares in other corporations which are generally tax-exempt and therefore should not count when determining the "taxable" unrealised (built-in) gains.

CONSEQUENCES OF A STANDARD LISTING

Following completion of the Transaction, applications will be made for the Ordinary Shares (including the New Ordinary Shares and the Private Placement Shares) and Warrants to be admitted to listing on the Official List pursuant to Chapters 14 and 20, respectively of the Listing Rules, which sets out the requirements for Standard Listings. On Readmission, the Company will comply with the Listing Principles set out in Listing Rule 7.2.1 and intends to comply with the Premium Listing Principles set out in Listing Rule 7.2.1A, notwithstanding that they only apply to companies which obtain a Premium Listing on the Official List. The Company is not, however, formally subject to Premium Listing Principles and will not be required to comply with them by the UK Listing Authority.

Following Readmission, while the Company has a Standard Listing, it is not required to comply with the provisions of, among other things:

- Chapter 8 of the Listing Rules regarding the appointment of a sponsor to guide the Company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. The Company has not and does not intend to appoint such a sponsor in connection with Readmission;
- Chapter 10 of the Listing Rules relating to significant transactions. It should be noted therefore that the Acquisition and potentially any subsequent bolt on acquisitions will not require Shareholder consent, even if Ordinary Shares are being issued as consideration for the Acquisition;
- Chapter 11 of the Listing Rules regarding related party transactions. Nevertheless, the Company will not enter into any transaction which would constitute a "related party transaction" as defined in Chapter 11 of the Listing Rules without the specific prior approval of a majority of the Non-Founder Directors;
- Chapter 12 of the Listing Rules regarding purchases by the Company of its Ordinary Shares. In particular, the Company has not adopted a policy consistent with the provisions of Listing Rules 12.4.1 and 12.4.2. Until the Acquisition the Company will have unlimited authority to purchase Ordinary Shares; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to Shareholders.

Following Readmission, the Directors may in due course decide to seek to transfer from a Standard Listing to either a Premium Listing or other appropriate listing venue, based on a three year historical financial track record of the Enlarged Group, subject to fulfilling the relevant eligibility criteria at the time. If a transfer to a Premium Listing is possible (and there can be no guarantee that it will be) and the Company decides to transfer to a Premium Listing, the various Listing Rules highlighted above as rules with which the Company is not required to comply will become mandatory and the Company will comply with the continuing obligations contained within the Listing Rules (and the Disclosure and Transparency Rules) in the same manner as any other company with a Premium Listing.

It should be noted that the UK Listing Authority will not have the authority to (and will not) monitor the Company's compliance with any of the Listing Rules which the Company has indicated herein that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company so to comply.

IMPORTANT INFORMATION

In deciding whether or not to invest in New Ordinary Shares, investors should rely only on the information contained in, or incorporated by reference into, this Document. No person has been authorised to give any information or make any representations regarding an investment in New Ordinary Shares other than as contained in this Document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or the Directors. Without prejudice to the Company's obligations under the FSMA, the Prospectus Rules, Listing Rules and Disclosure and Transparency Rules, the delivery of this Document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Document or that the information contained herein is correct as at any time after its date.

Investors must not treat the contents of this Document, any documents incorporated herein by reference or any subsequent communications from the Company or the Directors or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

The section headed "Summary" should be read as an introduction to this Document. Any decision to invest in the New Ordinary Shares should be based on consideration of this Document as a whole by the investor. In particular, investors must read the section headed "Section D—Risks" of the Summary together with the risks set out in the section headed "Risk Factors" beginning on page 18 of this Document.

Notice to ADC Shareholders

The release, publication or distribution of this document and any other Offer-related documentation in jurisdictions other than the United Kingdom or the Federal Republic of Germany may be affected by the laws and regulations of relevant jurisdictions. Therefore any persons who are subject to the laws and regulations of any jurisdiction other than the United Kingdom and the Federal Republic of Germany and ADC Shareholders who are not resident in such jurisdictions should inform themselves of and observe any applicable requirements.

The Offer is being made for all of the ADC Shares and is being extended into the United Kingdom and the Federal Republic of Germany, as well as any other jurisdiction where the Offer is capable of being lawfully made in compliance with local laws. The Offer is not being extended, and will not be extended, directly or indirectly, in or into, or by use of mails or any means or instrumentality (including, without limitation, electronic mail, facsimile transmission, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facilities of a national securities exchange of, any jurisdiction where to do so would violate the laws of that jurisdiction and will not be capable of acceptance by any such use, means, instrumentality or facility or from within such jurisdiction, (each a "Restricted Jurisdiction") unless otherwise determined by the Company. Copies of this document and the accompanying documents are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in, into or from the U.S. or any Restricted Jurisdiction. Persons receiving such documents (including, without limitation, custodians, nominees, and trustees) should observe these restrictions and must not mail or otherwise forward, distribute or send them in, into or from the U.S. or any Restricted Jurisdiction. Doing so may render any purported acceptance of the Offer invalid.

This Document and any accompanying documents is being furnished by the Company in connection with an offering exempt from registration under the Securities Act solely to enable ADC Shareholders to consider the Offer. Any reproduction or distribution of this Document and any accompanying documents, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the New Ordinary Shares offered hereby is prohibited. Each offeree of New Ordinary Shares, by accepting delivery of this Document, agrees to the foregoing.

This Document and any accompanying documents do not constitute, and may not be used for the purposes of, an offer to sell or an invitation or the solicitation of an offer or invitation to subscribe for or buy, any New Ordinary Shares by any person in any jurisdiction: (i) in which such offer or invitation is not authorised; (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) in which, or to any person to whom, it is unlawful to make such offer, solicitation or invitation. The distribution of this Document and the offering of the New Ordinary Shares in certain jurisdictions may be restricted. Accordingly, persons outside the United Kingdom or the Federal Republic of Germany who obtain possession of this document are required by the Company and the Directors to inform themselves about, and to observe any restrictions as to the offer or sale of New Ordinary Shares and the distribution of, this Document under the laws and regulations of any territory in connection with any applications for New Ordinary Shares, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such territory. No action has been taken or will be taken in any jurisdiction by the Company or the Directors that would permit a public offering of the New Ordinary Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this Document other than in any jurisdiction where action for that purpose is required. Neither the Company nor the Directors accepts any responsibility for any violation of any of these restrictions by any other person.

The New Ordinary Shares have not been and will not be registered under the Securities Act, or under any relevant securities laws of any state or other jurisdiction in the United States, or under the applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the New Ordinary Shares may not be, offered, sold, resold, reoffered, pledged, transferred, distributed or delivered, directly or indirectly, within, into or in the United States, Australia, Canada or Japan or to any national, resident or citizen of Australia, Canada or Japan.

The New Ordinary Shares have not been approved or disapproved by the SEC, any federal or state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or confirmed the accuracy or determined the adequacy of the information contained in this Document or any documents incorporated herein by reference. Any representation to the contrary is a criminal offence in the United States.

Investors may be required to bear the financial risk of an investment in the New Ordinary Shares for an indefinite period. Investors are also notified that the Company may be classified as a passive foreign investment company for United States federal income tax purposes. If the Company is so classified, the Company may, but is not obligated to, provide to U.S. holders of New Ordinary Shares the information that would be necessary in order for such persons to make a qualified electing fund election with respect to the New Ordinary Shares for any year in which the Company is a passive foreign investment company.

As described more fully below, there are certain restrictions regarding the Ordinary Shares which affect prospective investors. These restrictions include potential prohibitions on holding Ordinary Shares by persons that are subject to Part 4 of Subtitle B of Title I of ERISA or section 4975 of the U.S. Tax Code or Similar Laws, except with the express consent of the Company.

Except with the express consent of the Company given in respect of an investment in the Ordinary Shares, no portion of the assets used by such investor to purchase, and no portion of the assets used by such investor to hold, the Ordinary Shares or any beneficial interest therein constitutes or will constitute the assets of (i) an "employee benefit plan" that is subject to Part 4 of Subtitle B of Title I of ERISA, (ii) a plan, individual retirement account or other arrangement that is subject to section 4975 of the U.S. Tax Code, (iii) entities whose underlying assets are considered to include "plan assets" of any plan, account or arrangement described in preceding clause (i) or (ii), or (iv) any governmental plan, church plan, non-U.S. plan or other investor whose purchase or holding of Ordinary Shares would be subject to any state, local, non-U.S. or other laws or regulations similar to Part 4 of Subtitle B of Title I of ERISA or section 4975 of the U.S. Tax Code or that would have the effect of the regulations issued by the U.S. Department of Labor set forth at 29 CFR section 251 0.3-1 01, as modified by section 3(42) of ERISA.

Presentation of financial information

The financial information in this Document, and any information incorporated herein by reference, has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The significant IFRS accounting policies applied in the financial information of the Company are applied consistently in the financial information in this Document and any documents incorporated herein by reference.

The financial information presented, or incorporated by reference, in this Document includes:

- historical financial information of the Company, incorporated by reference, as at 28 November 2013, the date of incorporation of the Company;

- historical financial information for ADC Group for the years ended 31 December 2011, 2012 and 2013; and
- historical financial information for BancABC Group for the years ended 31 December 2011, 2012 and 2013.

The Company's first financial year runs from 28 November 2013 to 31 December 2014. Subsequent financial years will run from 1 January to 31 December. The financial years of ADC and ABCH run from 1 January to 31 December. The financial information included in "Part XI—Financial Information" is covered by the Accountant's Report incorporated by reference in that Part XI which was prepared in accordance with IFRS and with Standards for Investment Reporting and International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board.

None of the financial information used in this Document (including any documents incorporated herein by reference) has been prepared in accordance with US GAAP nor has it been audited in accordance with auditing standards generally accepted in the United States of America ("US GAAS") or auditing standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). There could be differences between IFRS and US GAAP and between the auditing standards issued by the Auditing Practices Board in the United Kingdom and those required by US GAAS or the auditing standards of the PCAOB. Prospective investors should consult their own professional advisers to gain an understanding of the financial information included in "Part XI—Financial Information" and the implications of differences between the auditing standards noted herein.

Use of Non IFRS measures of financial performance

Certain key performance measures presented here are not defined under IFRS, but are found by the Company to be useful in analysing results, and are widely used by investors to monitor the results of banks generally. These measures include net interest margin, cost/income ratio, return on equity, risk-weighted assets, Tier I Capital, Tier II Capital, Tier III Capital, capital adequacy ratio, and impairments percentage. Some of these measures are defined by, and calculated in compliance with, applicable banking regulation, but that regulation often provides the Company with certain discretion in making its calculations. In addition, certain statistical data about operations presented here do not form part of the accounting records and are not subject to an audit or review process by independent external auditors. Because of the discretion that the Company has in defining these measures and calculating the reported amounts, care should be taken in comparing these various measures with similar measures used by other banks. These measures should not be used as a substitute for evaluating the performance of the Company, the ADC Group, or ABCH based on the audited financial statements of the latter two entities.

Available information

The Company is not subject to the reporting requirements of section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). For so long as any New Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act, the Company will, during any period in which it is neither subject to section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide, upon written request, to Shareholders and any owner of a beneficial interest in New Ordinary Shares or any prospective purchaser designated by such holder or owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Enforcement of judgments

The Company is incorporated under the laws of the British Virgin Islands. Although Robert E. Diamond Jr. and Rachel F. Robbins are citizens or residents of the United States, it may not be possible for Investors to effect service of process within the United States upon the Company, or any Directors who are not U.S. citizens or residents of the United States, or to enforce outside the United States judgments obtained against the Company, or any Directors who are not U.S. citizens or residents of the United States in U.S. courts, including, without limitation, judgments based upon the civil liability provisions of the U.S. federal securities laws or the laws of any state or territory within the United States. There is doubt as to the enforceability in the United Kingdom and the British Virgin Islands, in original actions or in actions for enforcement of United States court judgments, of civil liabilities predicated solely upon U.S. federal securities laws. In addition, awards for punitive damages in actions brought in the United States or elsewhere may be unenforceable in the United Kingdom and the British Virgin Islands.

Data protection

The Company may delegate certain administrative functions to third parties and will require such third parties to comply with data protection and regulatory requirements of any jurisdiction in which data processing occurs. Such information will be held and processed by the Company (or any third party, functionary or agent appointed by the Company) for the following purposes:

(a) verifying the identity of the investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures;

(b) carrying out the business of the Company and the administering of interests in the Company;

(c) meeting the legal, regulatory, reporting and/or financial obligations of the Company in the British Virgin Islands, the United Kingdom or elsewhere; and

(d) disclosing personal data to other functionaries of, or advisers to, the Company to operate and/or administer the Company.

Where appropriate it may be necessary for the Company (or any third party, functionary or agent appointed by the Company) to:

(a) disclose personal data to third party service providers, agents or functionaries appointed by the Company to provide services to investors; and

(b) transfer personal data outside of the EEA to countries or territories which do not offer the same level of protection for the rights and freedoms of investors as the United Kingdom.

If the Company (or any third party, functionary or agent appointed by the Company) discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data it will use reasonable endeavours to ensure that any third party, agent or functionary to whom the relevant personal data is disclosed or transferred is contractually bound to provide an adequate level of protection in respect of such personal data.

In providing such personal data, investors will be deemed to have agreed to the processing of such personal data in the manner described above. Prospective investors are responsible for informing any third party individual to whom the personal data relates of the disclosure and use of such data in accordance with these provisions.

Investment considerations

In making an investment decision, investors must rely on their own examination, analysis and enquiry of the Company, this Document, any documents incorporated herein by reference and the terms of the Offer, including the merits and risks involved. The contents of this Document and any documents incorporated herein by reference are not to be construed as advice relating to legal, financial, taxation, investment decisions or any other matter. Investors should inform themselves as to:

- the legal requirements within their own countries for the purchase, holding, transfer or other disposal of the New Ordinary Shares;
- any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the New Ordinary Shares which they might encounter;
- the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the New Ordinary Shares or distributions by the Company, either on a liquidation and distribution or otherwise. Investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein; and
- an investment in the Company should be regarded as a long-term investment. There can be no assurance that the Company's objective will be achieved.

It should be remembered that the price of the New Ordinary Shares, and any income from such Ordinary Shares, can go down as well as up.

This Document, any documents incorporated herein by reference and any accompanying documents should be read in their entirety before making any investment in the New Ordinary Shares. All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Memorandum of Association and Articles of Association of the Company, which investors should review.

Forward-looking statements

This Document and any document incorporated herein by reference includes statements that are, or may be deemed to be, "forward-looking statements". In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "targets", "believes", "estimates", "anticipates", "expects", "intends", "may", "will", "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout the Document and any documents incorporated by reference herein and include statements regarding the intentions, beliefs or current expectations of the Company and the Board of Directors concerning, among other things: (i) the Company's objective, acquisition and financing strategies, results of operations, financial condition, capital resources, prospects, capital appreciation of the Ordinary Shares and dividends; and (ii) future deal flow and implementation of active management strategies, including with regard to the Transaction. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's or the Enlarged Group's actual performance, results of operations, financial condition, distributions to shareholders and the development of its financing strategies may differ materially from the forward-looking statements contained in this Document and any documents incorporated by reference herein. In addition, even if the Company's or the Enlarged Group's actual performance, results of operations, financial condition, distributions to shareholders and the development of its financing strategies are consistent with the forward-looking statements contained in this Document and any documents incorporated by reference herein, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to:

- the Company's ability to ascertain the merits or risks of the proposed Transaction;
- the availability and cost of equity or debt capital for future transactions;
- currency exchange rate fluctuations, as well as the success of the Company's hedging strategies in relation to such fluctuations (if such strategies are in fact used); and
- legislative and/or regulatory changes, including changes in taxation regimes.

Investors should carefully review the "Risk Factors" section of this Document for a discussion of additional factors that could cause the Company's or the Enlarged Group's actual results to differ materially, before making an investment decision. For the avoidance of doubt, nothing in this paragraph constitutes a qualification of the working capital statement contained in paragraph 11 of "Part XV—Additional Information".

Forward-looking statements contained in this Document and any documents incorporated by reference herein, apply only as at the date of this Document. Subject to any obligations under the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, the Company undertakes no obligation publicly to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Market data

This Document contains market, economic and industry data which the Company has obtained from the following third party sources:

- The Africa Report, "Top 200 Banks 2013" 30 September 2013
- International Monetary Fund, World Economic Outlook, October 2013
- International Monetary Fund, World Economic Outlook Update, 21 January 2014
- European Investment Bank, "Banking in sub-Saharan Africa: Challenges and Opportunities", January 2013
- World Bank, Doing Business 2014, "Understanding Regulations for Small and Medium-Size Enterprises"
- World Bank, "Global Economic Prospects, Regional SSA", January 2014

- International Trade Centre, Africa's Trade Potential, "Export Opportunities in Growth Markets", 2012
- Carl Haub and Toshiko Kaneda, "2013 World Population Data Sheet"
- Ernst & Young, "Private Equity Roundup—Africa", February 2013
- World Bank, Global Financial Development Database, January 2014
- World Bank, World Development Indicators Database, January 2014
- World Bank Financial Structure Database, 2012 figures
- International Monetary Fund, Regional Economic Outlook, Sub-Saharan Africa "Maintaining Growth in an Uncertain World", October 2012
- KPMG, "Africa Banking Industry Customer Satisfaction Survey", April 2013
- World Bank, Asli Demirguc-Kunt and Leora Klapper, "Measuring Financial Inclusion", 2012
- The Economist, "Banking in Africa: Continent of Dreams", March 2013
- International Monetary Fund, Word Economic Outlook Database, April 2014
- World Bank, Global Financial Development dataset, November 2013
- International Monetary Fund, Regional Economic Outlook, Sub-Saharan Africa "Fostering Durable and Inclusive Growth", April 2014

Where information contained in this Document, or incorporated by reference herein, has been sourced from a third party, the Company and the Directors confirm that such information has been accurately reproduced and, so far as they are aware and have been able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Currency presentation

Unless otherwise indicated, in this Document (including the information incorporated by reference herein), all references to "US$", or "U.S. dollars" are to the lawful currency of the U.S.; all references to "British pound sterling", "sterling", "£" or "pounds" are to the lawful currency of the U.K.; all references to "EUR" or "€" are to the lawful currency of the European Union; all references to "Pula" or "BWP "are to the lawful currency of Botswana; any reference to "Metical" is to the lawful currency of Mozambique; all references to "Naira" or "N" are to the lawful currency of Nigeria; any reference to "Rwanda Franc", "RWF" or "Rwf" are to the lawful currency of Rwanda; any reference to "Shilling" is to the lawful currency of Tanzania; any reference to "Kwacha" is to the lawful currency of Zambia.

Rounding

Certain figures included in this Document and in the information incorporated by reference into this Document have been subject to rounding adjustments. Accordingly, any discrepancy in tables between the totals and the sums of the relevant amounts may be due to rounding.

No incorporation of website

The contents of any website of the Company, BancABC Group, the ADC Group or any other person do not form part of this Document.

Definitions

A list of defined terms used in this Document, or incorporated by reference herein, is set out in "Part XVIII—Definitions" beginning at page 434.

RELEVANT DOCUMENTATION AND INCORPORATION BY REFERENCE

The table below sets out the various sections of the IPO Prospectus which are incorporated by reference in this Document, to ensure Shareholders and others are aware of all information which is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Enlarged Group and the rights attaching to the New Ordinary Shares.

Information incorporated by reference into this Document	Destination of incorporation	Page number in this Document
IPO Prospectus (pages 72-73 (inclusive))—"Part VI—Financial Information on the Company—Accountant's Report on the Historical Financial Information on the Company"	"Part XI—Financial Information on the Company"	166
IPO Prospectus (pages 84-96 (inclusive))—"Part VIII—Additional Information—Memorandum and Articles of Association of the Company"	"Part XV—Additional Information—Memorandum and Articles of Association of the Company"	414
IPO Prospectus (pages 101-104 (inclusive))—paragraphs 15.1 "Placing Agreement", 15.2 "Lock-up arrangements", 15.3 "Registrar Agreement", 15.4 "Corporate Administration Agreement", 15.5 "Promissory Notes", 15.6 "Insider Letters", 15.7 "Depositary Agreement", 15.8 "Warrant Instrument" and 15.9 "Koskelo Agreement" of "Part XIII—Additional Information"	Paragraph 15 "Material Contracts" of "Part XV—Additional—Information"	422
IPO Prospectus (pages 108-113 (inclusive))—"Part IX—Terms & Conditions of the Warrants"	"Part XVI—Terms & Conditions of the Warrants"	430

Information that is itself incorporated by reference in the IPO Prospectus is not incorporated by reference into this Document. It should be noted that, except as set forth above, no other part of the IPO Prospectus is incorporated by reference into this Document. The parts of the IPO Prospectus that are not incorporated by reference are either not relevant for the investor (pursuant to article 28-4 of Commission Regulation (EC) No 809/2004 of 29 April 2004) or covered in another part of this Document.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Approval of this Document by the UKLA	2 July 2014
Passporting of this Document into Germany	3 July 2014
Publication of this Document and the Offer Document	3 July 2014
Commencement of the Offer	4 July 2014
Latest time and date for acceptances of the Offer	23.00 hours on 31 July 2014
Announcement of Offer results	5 August 2014
Issue of New Ordinary Shares to ADC Shareholders who have accepted the Offer	11 August 2014(1)
Expected date of Readmission and commencement of dealings on the London Stock Exchange of Ordinary Shares (including New Ordinary Shares) and Warrants	Week commencing 11 August 2014(2)

All references to time in this Document are to London time unless otherwise stated.

INDICATIVE STATISTICS

Total number of Ordinary Shares in issue immediately prior to the Offer	31,279,500
Total number of Warrants in issue immediately prior to the Offer	32,529,500
Maximum number of New Ordinary Shares capable of being issued in connection with the Offer	14,334,300(3)
Number of New Ordinary Shares to be issued on completion of the Share Sale Agreements	1,904,612
Total number of New Ordinary Shares issued pursuant to the Offer as a percentage of the enlarged issued share capital of the Company	30.1(4)%
Approximate number of new Ordinary Shares capable of being issued in connection with the Private Placement	27,275,000
Total number of New Ordinary Shares issued pursuant to the Offer as a percentage of the enlarged share capital of the Company on Readmission	19.1(5)%

Notes:

(1) This assumes the Completion Conditions have been satisfied or waived (as the case may be) at the expiration of the Acceptance Period. If this is not the case, the New Ordinary Shares will be issued within four banking days of the last Completion Condition being satisfied or waived (as the case may be).

(2) This assumes completion of the Offer and approval of the prospectus relating to Readmission by the UKLA.

(3) The maximum number of New Ordinary Shares to be issued pursuant to the Offer is 14,334,300 which accounts for the 9,467,440 ADC Shares currently in issue and the potential 2,000,000 additional ADC Shares which could be issued under the 2015 Bond with Warrants should warrantholders opt to exercise their warrants.

(4) This assumes the maximum number of 14,334,300 New Ordinary Shares are issued in connection with the Offer. If the 2,000,000 outstanding warrants under the 2015 Bond with Warrants are not exercised, then the New Ordinary Shares issued pursuant to the Offer would represent 26.2% of the enlarged share capital of the Company.

(5) This assumes the maximum number of 14,334,300 New Ordinary Shares are issued in connection with the Offer and 27,275,000 Ordinary Shares are issued in connection with the Private Placement. If the 2,000,000 outstanding warrants under the 2015 Bond with Warrants are not exercised, then the New Ordinary Shares issued pursuant to the Offer would represent 16.3% of the enlarged share capital of the Company on Readmission.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors (all non-executive)	Robert E. Diamond Jr. Ashish J. Thakkar Arnold Ekpe (Chairman) Tonye Cole (Independent) Rachel F. Robbins (Independent)
Administrator to the Company and Company Secretary	International Administration Group (Guernsey) Limited P.O. Box 282, Regency Court Glategny Esplanade, St. Peter Port Guernsey GY1 3RH
Registered Office	Nemours Chambers Road Town, Tortola British Virgin Islands
Registered Agent	Ogier Fiduciary Services (BVI) Limited Nemours Chambers Road Town, Tortola British Virgin Islands
Auditors and Reporting Accountants	KPMG LLP 15 Canada Square London E14 5GL
Registrar	Computershare Investor Services (BVI) Limited Woodbourne Hall, PO Box 3162 Road Town, Tortola British Virgin Islands
Legal advisers to the Company as to English law	Greenberg Traurig Maher LLP 200 Gray's Inn Road London WC1X 8HF
Legal advisers to the Company as to U.S. law	Greenberg Traurig LLP 200 Park Avenue New York, New York 10166
Legal advisers to the Company as to BVI law	Ogier Ogier House, St. Julian's Avenue St. Peter Port Guernsey GY1 1WA
Depositary for Depositary Interests	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE

PART I

DESCRIPTION OF THE TRANSACTION

Overview

The Company announced on 31 March 2014 that it had reached agreements to acquire a majority of ABCH, the parent company of BancABC Group.

BancABC Group is a leading multi-country, multi-service banking group with operations across the SADC region, the largest trading block in Africa, representing an important growth region with over US$640 billion in aggregate GDP. BancABC Group has a history of providing financial services to the people of Botswana, Mozambique, Tanzania, Zambia and Zimbabwe with roots dating back to 1956.

The Company further announced that it had entered into an agreement with ADC under which it committed to make an offer (by way of a voluntary public share-for-share offer), directly or through a subsidiary, to all the ADC Shareholders for 100% of the ADC Shares.

ADC is a Frankfurt-based, open market listed, holding company of an emerging pan-African financial services group. ADC has an indirect 47.1% stake in ABCH (including shares representing 9.3% of ABCH's shares held subject to certain call option agreements with ABCH executives), an indirect 9.1% stake in UBN, and a portfolio of financial services-oriented, private equity holdings.

The BancABC Acquisition and ADC Acquisition are not inter-conditional.

The Transaction was approved by the Board including a majority of the Non-Founder Directors on 30 March 2014. Due to the fact that Arnold O. Ekpe was at the time of consideration of the Transaction a member of the ADC supervisory board and that Robert E. Diamond Jr. is an interested shareholder in ADC through the entity REDWM (Cayman) L.P., both Mr Ekpe and Mr Diamond did not vote on any resolutions in respect of the approval of the Transaction.

REDWM (Cayman) L.P. currently owns 860,676 ADC Shares. At the exchange ratio of 1.25 New Ordinary Shares for every ADC Share, REDWM (Cayman) L.P. will receive 1,075,845 New Ordinary Shares subject to completion of the Transaction.

The Transaction, subject to certain conditions and regulatory clearances, is expected to be completed prior to 31 August 2014.

Consideration

The total consideration being offered by the Company and the Company's indirect subsidiary ATMA AG, respectively, to the shareholders of ABCH and ADC will be dependent on the level of shareholder acceptance to the Offer and the subsequent Mandatory Offer. The Company envisages it will equate to approximately US$266 million in total, comprising approximately US$108 million in cash and approximately US$158 million in New Ordinary Shares offered to ADC Shareholders and selected ABCH shareholders.

Based on the closing prices of the Company's Ordinary Shares and ADC Shares on 28 March 2014 (the trading day prior to the announcement by the Company), the consideration offered represents a premium to ADC's share price of 16.7%, 19.2%, 11.1% and 13.3% for the last closing price, one month volume weighted average price, six month volume weighted average price and twelve month volume weighted average price, respectively.

By offering New Ordinary Shares in the Company, the Company is giving ADC Shareholders the ability to participate in the potential growth of the Company going forward and benefit from the Company's access to capital and financial services operational management expertise.

Conditions

Completion of the Transaction will be conditional on the Completion Conditions as further described in "Part II—The Offer".

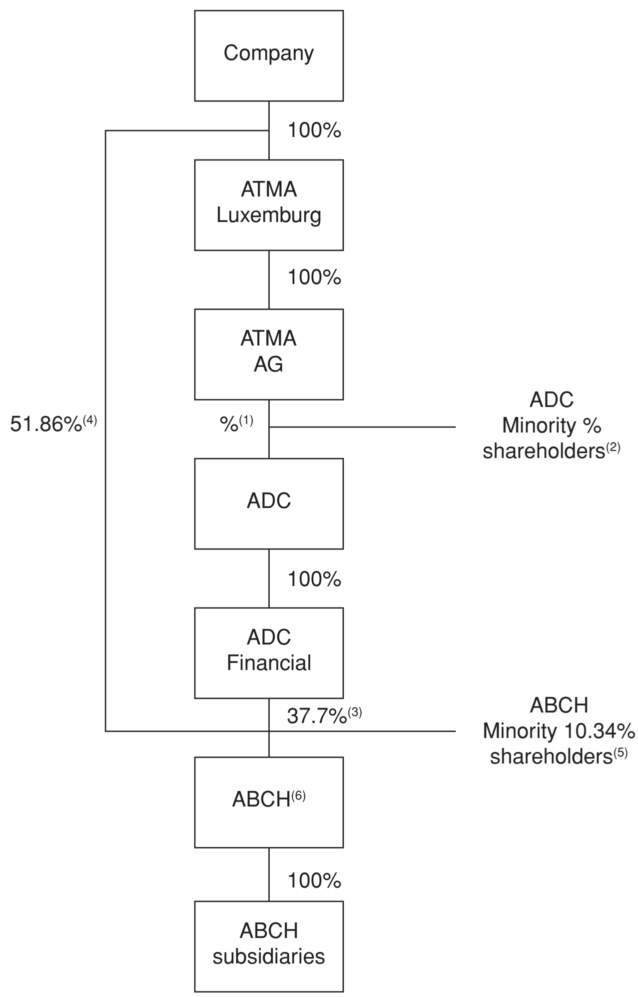
The Transaction, subject to the aforementioned Completion Conditions, is expected to be completed prior to 31 August 2014.

Structure of the Transaction

On or around 31 March 2014, the Company:

- concluded a series of Share Sale Agreements with selected shareholders of ABCH, to acquire, for cash or New Ordinary Shares, ABCH shares representing 51.86% of the total shares outstanding for US$0.82 per share, or the equivalent in New Ordinary Shares;
- entered into the Cooperation Agreement with ABCH pursuant to which ABCH agreed to support the proposed acquisitions pursuant to the Share Sale Agreements and cooperate with the Company to assist in procuring the satisfaction of the conditions to the Share Sale Agreements and the Company and ABCH agreed to the structure and timetable governing the Mandatory Offer, which will be triggered by completion of the Share Sale Agreements; and
- entered into the Investment Agreement with ADC, under which the Company committed to, directly or indirectly through a subsidiary, make a voluntary public offer (öffentliches Angebot) for the acquisition of 100% of the shares in ADC by way of a share-for-share offer to the ADC Shareholders and ADC agreed, subject to the launch of the Offer by the Company, to procure certain consents and waivers required for completion of the Share Sale Agreements and committed to, under certain conditions, support the Offer.

Following completion of the Transaction, the Company will be the holding company of the Enlarged Group. The Structure of the Enlarged Group is set out below.



(1) The % of ADC owned by the Company on completion of the Transaction will be determined by the number of ADC Shareholders who accept the Offer, but such shareholding will not be less than 4,901,553 ADC Shares (approximately 51.77% of the current share capital of ADC, being 9,467,440 ADC Shares at the time of publication of this Document) if this Completion Condition is not waived by ATMA AG.

(2) The % of ADC minority shareholders will be determined by the number of ADC Shareholders who do not accept the Offer.

(3) This represents the % of ABCH held directly by ADC Financial.

(4) This represents the % of ABCH shares to be acquired pursuant to the Share Sale Agreements.

(5) The Mandatory Offer will be made to these ABCH shareholders following completion of the Transaction.

(6) Assuming 100% acceptance of the Offer and completion of the Share Sale Agreements, the Company will own, either directly or indirectly, 89.66% of ABCH shares.

The minimum ownership level at ABCH for the BancABC Acquisition to proceed is 50.1%. Pursuant to the Share Sale Agreements, ABCH shareholders representing 51.86% of the total ABCH shares outstanding have agreed to sell their ABCH shares to the Company. On completion of the Share Sale Agreements, the Company would hold a 51.86% direct interest in ABCH.

However, it should be noted that, as the Share Sale Agreement with IFC is not inter-conditional with the other Share Sale Agreements should the regulatory conditions in respect of the acquisition of the ABCH shares held by IFC be satisfied, then the Company will be obliged to purchase IFC's 15.46% stake of the outstanding ABCH shares, regardless of whether the other Share Sale Agreements have completed. The acquisition of IFC's shares alone will not constitute the BancABC Acquisition.

For the ADC Acquisition to proceed, the Offer must achieve a minimum acceptance threshold of 4,901,553 ADC Shares (approximately 51.77% of the current share capital of ADC, being 9,467,440 ADC Shares at the time of publication of this Document).

In respect of the ADC Acquisition, ADC Shareholders representing 34.1% of the outstanding ADC Shares have agreed by way of irrevocable undertaking to tender their ADC Shares in the Offer. On completion of the Transaction, the level of acceptances by ADC Shareholders will ultimately determine the proportion of ADC, and indirectly ABCH, owned by the Company.

The BancABC Acquisition and ADC Acquisition are not inter-conditional. The Company acknowledges that, theoretically, the lack of inter-conditionality between the BancABC Acquisition and ADC Acquisition means that one acquisition may complete without the other, and recognises that there are risks associated with this approach. Such risks include, amongst others, risks associated with holding a minority interest and the lack of decision making authority at BancABC level associated with such minority stake, time delay in gaining control and such delay preventing the Company from pursuing its desired growth and expansion strategy. However, a major mitigating factor is that both the BancABC Acquisition and ADC Acquisition are subject to and conditional upon substantially the same key regulatory approvals and, if these aren't achieved, these would impact both the BancABC Acquisition and ADC Acquisition.

In the event that the BancABC Acquisition completes and the ADC Acquisition does not, the Company will become the majority shareholder of ABCH and the Company expects that ADC will cease to be in a position to exercise control over ABCH for IFRS purposes. In such instance the Company will look to continue to pursue its strategy going forward and to grow and expand the BancABC Group.

In the event that the ADC Acquisition completes and the BancABC Acquisition does not, the Company would hold a significant minority interest in ABCH (namely 37.7%) and in order to increase this stake and attempt to obtain a majority interest in ABCH, the Company would need to launch an offer for all outstanding shares in ABCH. This path to economic control would obviously have timing implications and any delay in taking control may prevent the Company from implementing and pursuing its desired strategy. However, in the short term until economic control is achieved, failure of the Share Sale Agreements to complete will mean the Call Option Agreements (detailed further below) will not have been exercised and ADC will control additional ABCH shares subject to these Call Option Agreements and subject to the Brainworks Pooling Agreement and the Trafigura Pooling Agreement (each detailed further below), ultimately providing ADC voting control at ABCH level.

The Company believes that, despite the theoretical risk it will successfully complete both the BancABC Acquisition and ADC Acquisition simultaneously or in rapid succession and therefore believes the risks surrounding the lack of inter-conditionality not to be significant.

The BancABC Acquisition

Share Sale Agreements

On or around 31 March 2014, the Company concluded a series of Share Sale Agreements with selected shareholders of ABCH, to acquire for cash and New Ordinary Shares, ABCH shares representing 51.86% of total shares outstanding. Completion of the acquisition of shares under each is conditional upon fulfilment of the Regulatory Conditions as further described in "Part II—The Offer". Completion of the acquisition of shares under the Share Sale Agreement with IFC is subject to the conditions detailed below.

The consideration payable under the Share Sale Agreements is US$0.82 per ABCH share. All the Share Sale Agreements with the exception of those to be signed with Mr Douglas Tawanda Munatsi, Mr Bekithemba Moyo, Mr Francis Munorwei Dzanya, Mr Hashmon Matemera and Mr Joseph Sibanda (the "Executives") and S.S.P.T. (Private) Limited provide for the consideration to be payable in cash. The consideration payable to S.S.P.T. (Private) Limited will be satisfied by the allotment of New Ordinary Shares and the consideration payable to the Executives will be satisfied partly in cash and partly by the allotment of New Ordinary Shares. The total number of New Ordinary Shares to be issued and allotted pursuant to the Share Sale Agreements will be 1,904,612.

The Share Sale Agreements with the Executives also require the Company to provide long term incentive schemes pursuant to which the Executives will receive share options in the Company.

Each of the Share Sale Agreements, with the exception of the Share Sale Agreement with IFC, is inter-conditional with each other so that if, in aggregate, 50.1% of the ABCH shares are not acquired, the Company will have no obligation to purchase any of the ABCH shares.

The Share Sale Agreement with IFC is not inter-conditional with the other Share Sale Agreements. It provides that completion of the acquisition of the ABCH shares currently held by IFC is conditional on obtaining those regulatory consents required in connection with the acquisition of shares from IFC, and that, subject to satisfaction of those conditions, completion shall take place on the earlier of: (i) completion of the other Share Sale Agreements; or (ii) 1 September 2014. The consequence of the Share Sale Agreement with IFC not being inter-conditional with the other Share Sale Agreements is that, subject to receipt of relevant regulatory approvals required for the acquisition of the ABCH shares held by IFC, the Company may be obliged to acquire such ABCH shares (equating to 15.46% of the outstanding ABCH shares) from IFC, even if none of the other Share Sale Agreements complete.

The Share Sale Agreements with Trafigura and IFC also contain a "top up" obligation, so that the consideration payable by the Company will be increased to ensure an equivalent price per share if it acquires ABCH shares at more than US$0.82 per share in the six or nine months (respectively) after completion of the acquisition of shares under the relevant Share Sale Agreement. The "top up" obligation relates to, in aggregate, 19.79% of the outstanding ABCH shares.

Cooperation Agreement

On 31 March 2014, the Company entered into a Cooperation Agreement with ABCH under which ABCH agreed to support the proposed acquisition of ABCH shares, pursuant to the Share Sale Agreements and cooperate with the Company to assist in procuring the satisfaction of the Regulatory Conditions.

The Company and ABCH further agreed to the structure and timetable governing the Mandatory Offer.

The Cooperation Agreement also contains a commitment by the Company to provide up to US$100 million to ABCH following completion of the Mandatory Offer to support and drive its growth going forward.

Mandatory Offer in Botswana and Zimbabwe

On the completion of the Share Sale Agreements, the acquisition of more than 35% of the ABCH shares will trigger the obligation of the Company to make the Mandatory Offer for all outstanding shares of ABCH. The Company will make the Mandatory Offer pursuant to Regulation 86 of the Takeover Regulations on the terms and subject to the conditions of the Mandatory Offer Document.

No later than three Business Days following completion of the Share Sale Agreements, the Company and ABCH shall issue an announcement in respect of the Company's intention to commence the Mandatory Offer (the "Announcement").

Subject to obtaining BSE and ZSE approval to the form and content of the Mandatory Offer Document, no later than 20 Business Days after the date of the Announcement, the Company and ABCH shall deliver the Mandatory Offer Document, containing the Mandatory Offer to all holders of ABCH shares (other than the Company).

The Mandatory Offer shall be made at a price of BWP 7.15 in cash or an equivalent value of Ordinary Shares per ABCH share listed on the BSE and US$0.82 in cash or an equivalent value of Ordinary Shares per ABCH share listed on the ZSE.

Pursuant to the Investment Agreement, ADC agreed that it would not, and would procure that ADC Financial and any affiliated companies would not, tender any shares in ABCH into the Mandatory Offer or otherwise accept such offer, except in the event that the Offer Conditions are not satisfied and the Offer subsequently fails.

The ADC Acquisition

Investment Agreement

In connection with the Offer, on 31 March 2014, the Company and ADC entered into the Investment Agreement under which the Company committed to, directly or indirectly through a subsidiary, make a voluntary public offer (*öffentliches Angebot*) for the acquisition of all shares in ADC by way of a share-for-share offer to the ADC Shareholders and ADC agreed, subject to the launch of the Offer by the Company, or a subsidiary of the Company, to procure certain consents and waivers required for completion of the Share Sale Agreements and committed to, under certain conditions, support the Offer.

The Investment Agreement, inter alia, contains the following provisions:

- the payment by the Company of a break fee of US$2 million in the event that the acquisition of at least 50.1% shares in ABCH pursuant to the Share Sale Agreements is completed but the Offer fails;
- a commitment by the Company to provide up to US$100 million to ABCH, subject to completion of the Offer;
- subject to completion of the Offer, a commitment by the Company to provide financing to ADC by extending a loan on arms' length terms of up to EUR 7 million in aggregate, plus a further amount of up to EUR 16 million (if proceeds from exercise of the Call Option Agreements in respect of ABCH shares are not available in time), in each case so that ADC can perform its payment obligations in connection with the exercise of the put option rights of holders of the notes issued by ADC under the EUR 40 million 2015 Bond with Warrants. Trafigura, in respect of such put option, has undertaken not to exercise its right for redemption of notes in excess of EUR 16 million, limiting ADC's exposure to up to EUR 16 million plus the principal amount of such notes not held by Trafigura for the duration of the put option period. See paragraph 15.11 of "Part XV—Additional Information" for further details of the 2015 Bond with Warrants;
- a statement of intent by the Company to provide for an exchange of all stock options in ADC held by the current beneficiaries into options in the Company on terms mutually agreed upon between the beneficiaries and the Company; and
- a commitment of ADC under certain conditions, to publish a reasoned opinion of the management board and the supervisory board supporting the Offer within two weeks of the publication of the Offer Document.

Voluntary Offer in Germany

Pursuant to the Investment Agreement, the Company stated its commitment to voluntarily make the Offer as further described in "Part II—The Offer".

Trafigura Irrevocable Undertaking and Warrant Purchase Agreement

Trafigura entered into an irrevocable undertaking and a warrant purchase agreement with the Company on 31 March 2014. These agreements include a commitment by Trafigura to tender all ADC Shares held by it at any time during the Offer period into the Offer, such shares representing 22.96% of the outstanding ADC Shares. The agreements further include a commitment by the Company to acquire all of Trafigura's shares in ADC for the Offer Price in the event that the Share Sale Agreement with Trafigura completes but the Offer does not reach completion. In addition, the irrevocable undertaking contains a break fee of US$500,000 payable by the Company in the event that the Company fails to comply with its obligations under the irrevocable undertaking and the irrevocable undertaking is terminated and a cost reimbursement of up to EUR 150,000 of Trafigura's costs incurred in relation to the negotiation and consummation of the transactions between the Company and Trafigura.

Irrevocable Undertakings

Further Irrevocable Undertakings were also given on or around 31 March 2014, by ADC Shareholders representing 11.4% of ADC's outstanding share capital. The total number of ADC Shares which are subject to the Irrevocable Undertakings represents 34.1% of ADC's outstanding share capital.

ADC Financial Waivers and Consents

ADC Financial Services and Corporate Development, the wholly owned Mauritian subsidiary of ADC ("ADC Financial") holds a 47.1% stake in ABCH (including shares representing 9.3% of ABCH's shares held subject to certain call option agreement with the Executives). ADC Financial is party to the Call Option Agreements, Escrow Agreement and Brainworks Pooling Agreement, relating to certain ABCH shares, as detailed further below.

Pursuant to the terms of the Investment Agreement, ADC has procured that ADC Financial has, subject to the publication of the Offer Document, waived, amended or issued its consent (as the case may be) in respect of the agreements, and on the terms, outlined below:

Call Option Agreements

By agreements dated 25 July 2012, ADC Financial granted options to purchase from ADC Financial in total 23,950,728 shares in ABCH (the "Option Shares") to the Executives (each agreement a "Call Option Agreement", together the "Call Option Agreements"). Under Section 10 of each Option Agreement, the grantee of the option is, following the exercise of the option and in the event that the grantee desires to sell all or a portion of his Option Shares, under an obligation to offer such Option Shares for sale to ADC Financial (the "Right of First Refusal").

ADC Financial has waived the Right of First Refusal under the Call Option Agreements subject to the publication of the Offer Document. The waiver and amendment of the Call Option Agreement by ADC Financial therefore enables the Executives to exercise their options and subsequently sell such Option Shares to the Company pursuant to and in accordance with the terms of their respective Share Sale Agreements with the Company.

ADC Financial has also agreed to amend the Call Option Agreements as to provide for an exercise on 31 March 2014, and align completion of such exercise to completion of the Share Sale Agreements (and allow such exercise to be revoked if Completion has not occurred by 31 August 2014).

Escrow Agreement

ADC Financial holds 18.1% of the shares in Brainworks Capital Management (Private) Limited ("Brainworks"), a Zimbabwe private equity firm. Pursuant to an escrow agreement between ADC Financial and Brainworks dated 1 August 2012 (the "Escrow Agreement"), Brainworks holds 23,641,206 shares in ABCH on behalf of ADC Financial. The shares which have been placed in escrow with Brainworks represent the majority of the Option Shares. The Escrow Agreement dictates that these shares may only be transferred out of escrow with the prior consent from both ADC Financial and Brainworks.

ADC Financial has, subject to the publication of the Offer Document, issued its consent to release the shares in ABCH held in escrow pursuant to the Escrow Agreement so that on exercise of the options by the Executives (as further described above) the Option Shares can be issued.

Brainworks Pooling Agreement

On 31 December 2013, ADC Financial and Brainworks, entered into a vote pooling agreement regarding the voting of their respective shares in ABCH (the "Brainworks Pooling Agreement"). For further information on the Brainworks Pooling Agreement see paragraph 15.9 of "Part XV—Additional Information".

Section 5 of the Brainworks Pooling Agreement provides for a pre-emptive right according to which Brainworks shall not sell or otherwise dispose of all or part of its shares in ABCH, unless Brainworks first offers to sell those shares to ADC Financial (the "Pre-emptive Right").

ADC Financial has waived the Pre-emptive Right under the Brainworks Pooling Agreements subject to the publication of the Offer Document. This waiver allows Brainworks to sell its shares in ABCH to the Company pursuant to and in accordance with the terms of its Share Sale Agreement with the Company.

Rationale for the Transaction

The Company stated at the time of its initial public offering in December 2013 that although it did not at that time have any specific acquisition under consideration it did expect, given the prior experience of the Founders and the Board, to focus on acquiring a company or business in the financial services sector with either all or a substantial portion of its operations in Africa.

Following the 2013 Placing, the Company identified a number of acquisition opportunities with a range of prospective enterprise values.

The Company believes the proposed combination with ABCH and ADC is consistent with the Company's identified strategic objective of building the premier sub-Saharan financial services group. Particularly relevant are BancABC Group's strong brand and multi-country banking platform, its well-respected management team and exciting growth prospects, and ADC's pan-African vision and execution expertise.

The Company intends to empower the management teams of both ABCH and ADC to drive future growth and expand across SSA. The Company has committed to, following completion of either the BancABC Acquisition or the ADC Acquisition, provide up to US$100 million to ABCH, to support and drive its growth going forward in accordance with the Company's broader growth and expansion plan to create a leading African banking group. The US$100 million will be funded by proceeds from the Company's 2013 Placing. There is no prescribed time period for the capital injection, such capital injection is not required to comply with regulatory capital requirements and timing will be determined in consultation with ABCH management in connection with ABCH's strategic plans and needs. In addition, the Company is currently holding discussions with a number of developmental finance institutions in Africa and North America to assist and support ABCH's management in obtaining additional liquidity, including raising Tier II capital to further support the Company's strategy for the Enlarged Group.

The Directors believe that the combination of ABCH and ADC with the Company will create an Enlarged Group with the following characteristics:

- a highly scalable growth platform across the SADC region, an important growth region with annual GDP of over US$640 billion, ranking it amongst the top 20 GDPs worldwide;
- a well-positioned banking group capable of offering a broad range of banking products, including corporate banking, treasury services, retail and SME banking, asset management and stock broking;
- a proven track record, with BancABC Group having posted a 42% CAGR in loan book growth over the past 5 years;
- a highly-regarded management team at ABCH, who have worked together for over a decade, leading BancABC Group's evolution from a domestic merchant bank to a regional universal bank;
- an accomplished management team at ADC, who have successfully invested in financial services across SSA, have created a platform for expansion into other attractive banking markets, and whose vision is aligned with the Company's; and
- the opportunity to accelerate the expansion of the Enlarged Group's geographic footprint and current product offerings through the Company's access to capital and liquidity and significant global banking experience.

The Company recognises that there are significant gaps in the market today for financial services in SSA and that meaningful opportunities exist to deploy capital and support the development of financial institutions on the continent. The Company has noted and supports, the transformation of ADC that the ADC management board has executed during the past two years and its focus on expanding into a leading pan-African banking group. The Company and ADC have a shared appreciation for ABCH, its leadership and its prospects, as well as for UBN and its potential, given the restructuring that is currently underway. Additionally, the Company and ADC have a shared strategic vision with respect to the opportunity to continue to invest in these, and potentially other, financial services platforms, with a keen focus on growth, efficiency and profitability enhancement.

The Board is dedicated to, and experienced in, operating first-class financial services operations and the Company's Board and senior management team have a demonstrated commitment to Africa with, on average, more than 20 years of experience operating on the continent. In particular, the Founders are: Robert E. Diamond Jr., the former CEO of Barclays, who led Barclay's "One Africa" strategy and was instrumental in the growth of ABSA Capital, and Ashish Thakkar, who has built multiple Pan-African businesses with operations in 19 African countries and has direct on-the-ground experience as a local consumer of financial services.

The Directors believe a combination of the Company and ADC will enable the ADC Shareholders to continue to participate in the execution of the shared strategy, and contribute to, the development of financial services in Africa from a larger, better-capitalised platform.

Valuation of ABCH Assets

In connection with the Company's ongoing due diligence investigation of the BancABC Group and ADC, the Company has, with the assistance of their professional financial, accounting and legal advisers, conducted an extensive review of ABCH's loan portfolio and operations and undertaken a comprehensive tax due diligence exercise.

As a result of the above review, the Company intends to recognise additional provisions which will be reflected in the Company's presentation of the 2013 accounts of both ABCH and ADC as compared to their previously published financial statements for 2013.

Impairment of Loans

In U.S. dollar terms, the Company intends to recognise additional impairments on the loan portfolio of ABCH of US$24.9 million, bringing total impairments for the year ended 31 December 2013 to US$62.3 million compared to the US$37.4 million previously reported. The majority of these additional provisions are necessary, in the Company's view, as further information has become available in relation to the facts and circumstances that existed as at the balance sheet date, identified by the Company's due diligence.

Deferred Tax Asset Write-down and Additional Tax Provision

In U.S. dollar terms, the Company intends to write-down the value of ABCH's deferred tax assets by approximately US$2.6 million, from the US$12.8 million previously reported. The Company also intends to create an additional tax provision of US$8.0 million.

As a result of the foregoing additional provisions, the consolidated financial statements for ADC and ABCH presented in this Document show a decline in net income of US$35.5 million as compared to the previously published financial statements for 2013 of ADC and ABCH and thus a net loss for both.

These adjustments are of a one-time, non-recurring nature and have not resulted in any change to the Company's views on the valuations or the future prospects of either ADC or ABCH.

Readmission

The Transaction, if completed, will constitute a "Reverse Takeover" under the Listing Rules. In accordance with Listing Rule 5.1.1(i) (and consistent with the UKLA's technical note published in relation to special purpose acquisition companies), the listing of the Company's Existing Ordinary Shares and Warrants was suspended on 1 April 2014 pending the Company publishing a prospectus in relation to Readmission.

Following completion of the Transaction, applications will be made for the Existing Ordinary Shares and Warrants to be readmitted, and for the New Ordinary Shares and the Private Placement Shares to be admitted to listing on the Official List pursuant to Chapters 14 and 20, respectively, of the Listing Rules which sets out the requirement for Standard Listings.

PART II

THE OFFER

Legal Basis

The Offer by ATMA AG, the Company's indirect subsidiary, will be a voluntary public offer (*öffentliches Angebot*) for the acquisition of all shares in ADC to the ADC Shareholders by way of a share-for-share exchange offer. The Offer will be made and will be implemented solely in accordance with the laws of the Federal Republic of Germany. The Offer will not be subject to the Takeover Act or the Takeover Offer Regulation. Accordingly, the Offer and the publication of the offer neither require approval by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "BaFin") nor will they be reviewed or approved by BaFin. ADC Shareholders will not receive the benefit of the protections provided by the Takeover Act or the Takeover Offer Regulation.

ATMA AG was entered into the commercial register of the local court of Düsseldorf under HRB 72694 on 10 June 2014 with a share capital (*Grundkapital*) of EUR 50,000.00. The financial year of ATMA AG is the calendar year. The object of business of ATMA AG as set forth in its articles of association is the management of a group of companies and the holding and administration of participations, in particular of companies that conduct initiation of, and systematic search for, investment opportunities in Africa. This includes, in particular, ensuring such companies' existing network in Africa is available for the identification and development of suitable investment teams and for the acquisition, holding and management of investments, and also includes the provision of advisory services. ATMA AG provides no legal or tax advisory services or other activities that require authorisation. As at the date of this Document, ATMA AG has no business activities, no subsidiaries and does not have any employees. The members of the management board of ATMA AG are Bradford M. Gibbs and Jyrki I. Koskelo. The members of the supervisory board of ATMA AG are Robert E. Diamond Jr., Ashish J. Thakkar and William J. McDonough.

The sole shareholder of ATMA AG is ATMA Luxemburg, a limited liability company established under Luxembourg law having its corporate seat in the Grand Duchy of Luxembourg, and registered in the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés*) under B 186982. As at the date of this Document, ATMA Luxemburg has currently no business activities and does not have any employees. ATMA Luxemburg's only subsidiary is ATMA AG. The sole shareholder of ATMA Luxemburg is the Company.

Particular information for ADC Shareholders whose place of residence in the United States

The Offer will refer to the acquisition of all ADC Shares and will be made to all ADC Shareholders, with the exception of the ADC Shareholders excluded from the Offer as set forth below under "Shareholders excluded from the Offer". ADC Shareholders in the United States are requested to take particular note of the details contained in the section "Shareholders Excluded from the Offer".

The Offer will be executed exclusively under the laws of the Federal Republic of Germany. With the Offer, ATMA AG is not carrying out a public offer according to any laws (particularly those of the United States) other than in accordance with the applicable laws of the Federal Republic of Germany. Thus, no announcements, registrations, admissions or approvals of the Offer Document and/or the Offer outside the Federal Republic of Germany will be filed, arranged for or granted. Therefore the ADC Shareholders cannot rely on having recourse to foreign legal provisions for the protection of investors. Any contract that is concluded with ATMA AG through the acceptance of the Offer is governed exclusively by the laws of the Federal Republic of Germany and is to be interpreted in accordance with such laws.

Shareholders Excluded from the Offer

ADC Shareholders whose place of residence, seat or place of habitual abode is in the United States are excluded from the Offer. The Offer can therefore not be accepted by these shareholders. This does not apply to QIBs. ADC Shareholders whose place of residence, seat or place of habitual abode is in the United States (with the exception of QIBs) are referred to as "Excluded Shareholders".

Publication and dissemination of the Offer Document

The publication, dispatch, distribution or dissemination of the Offer Document or other documents connected with the Offer outside the Federal Republic of Germany may be subject to legal restrictions.

The Offer Document and other documents connected with the Offer may not be dispatched to, or disseminated, distributed or published by third parties in countries, in which this would be illegal. ATMA AG has not given its permission for the dispatch, publication, distribution or dissemination of the Offer Document by third parties outside the Federal Republic of Germany.

Acceptance of the Offer outside the Federal Republic of Germany

THE NEW ORDINARY SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR ACCORDING TO THE APPLICABLE SECURITIES REGULATIONS OF ANOTHER JURISDICTION OF THE UNITED STATES OF AMERICA. SUCH REGISTRATION IS NOT PLANNED NOW OR IN THE FUTURE. ACCORDINGLY, THE NEW ORDINARY SHARES MAY NOT—SUBJECT TO CERTAIN EXCEPTIONS—BE SOLD OR OFFERED FOR SALE OR EXCHANGE WITHIN THE UNITED STATES AND MAY NOT BE SOLD OR OFFERED FOR SALE OR EXCHANGE—NOT EVEN FOR THEIR ACCOUNT OR BENEFIT—TO PERSONS IN THE UNITED STATES. THIS DOCUMENT DOES NOT CONSTITUTE A PUBLIC OFFERING TO SHAREHOLDERS IN THE UNITED STATES.

The acceptance of the Offer outside the Federal Republic of Germany may be subject to additional legal restrictions.

With the exception of QIBs, the Offer may not be accepted by ADC Shareholders whose place of residence, seat or place of habitual abode is in the United States. The New Ordinary Shares have not been registered under the Securities Act and such registration is not planned either. The New Ordinary Shares may not be offered for sale or exchange or sold or exchanged in the United States unless the transaction is registered under the Securities Act or exempt therefrom. There will be no public offer in the United States. The Offer is being made in the United States in reliance on an exemption from the registration requirements of the Securities Act. U.S. Persons who are not QIBs should consult their own legal advisers to determine if an applicable exemption exists for them to participate in the Offer.

ADC Shareholders who are not QIBs and receive this Document or the Offer Document outside the Federal Republic of Germany and/or who wish to accept the Offer and are subject to capital market regulations other than those of the Federal Republic of Germany, should inform themselves of the relevant applicable legal provisions and the resulting restrictions and requirements therefrom and comply therewith.

Neither the Company nor ATMA AG assumes any responsibility for the acceptance of the Offer outside the Federal Republic of Germany (particularly the acceptance in the United States by buyers other than QIBs) being permissible under relevant applicable legal provisions. The Company and ATMA AG will treat any declaration of acceptance that appears to have been executed in or dispatched from the United States as invalid (with the exception of declaration of acceptance from QIBs). The Company and ATMA AG expressly excludes any and all liability for non-compliance with foreign regulations by third parties, to the extent not legally required otherwise.

Notwithstanding the above provisions, the Offer may be accepted by QIBs.

In direct or indirect connection with the acceptance of the Offer, ADC Shareholders who wish to accept the Offer (with the exception of QIBs) may neither use the mails in the United States nor any other means of communication in the United States (e.g., transmissions by fax, telex or telephone). In addition, they may not use any international or foreign trading facilities or a national securities exchange in the United States for this purpose. Declarations of acceptance and other documents relating to the Offer (with the exception of declarations of acceptance from QIBs) should not be executed or stamped in the United States or otherwise be sent from the United States. All ADC Shareholders accepting the Offer (with the exception of the QIBs) must provide postal addresses outside of the United States for receipt of the New Ordinary Shares and the delivery of any offer-related documents or they must provide evidence of another available exemption.

Except for the restrictions set forth in this Document, New Ordinary Shares are freely transferable.

Offer

ATMA AG will offer to exchange the ADC Shares held by the ADC Shareholders including all ancillary rights which exist at the time of completion of the Offer in accordance with the terms and conditions set forth in the Offer Document. The Company will offer 5 New Ordinary Shares in exchange for 4 ADC Shares, in other words, the Company will offer 1.25 New Ordinary Shares for each ADC Share (the "Offer Price").

Excluded Shareholders may not participate in the Offer.

If ADC Shareholders, following the acceptance of the Offer, would receive fractions of New Ordinary Shares, the entitled shareholder will, instead of receiving such fractions of New Ordinary Shares, be paid a pro-rata cash amount of such fractions, calculated based on a share price of EUR 8.36 per New Ordinary Share ("Fraction Compensation").

If at any time after the publication of the Offer Document and prior to the expiry of the Acceptance Period, ATMA AG or any person acting in concert with ATMA AG, within the meaning of Section 2 para. 5 of the Takeover Act or any subsidiary (*Tochterunternehmen*) thereof acquires ADC Shares or enters into an agreement on the basis of which acquisition of ADC Shares can be demanded, for a higher consideration than 1.25 New Ordinary Shares for every ADC Share, subject to completion of the Offer, all ADC Shareholders having validly tendered their ADC Shares in the Offer shall be entitled to such increased consideration.

ATMA AG will publish any acquisition of ADC Shares after the publication of the Offer Document and prior to the expiry of the Acceptance Period on the Company's website (*www.atlasmara.com*). Any acquisition of ADC Shares by ATMA AG or any person acting in concert with ATMA AG, within the meaning of Section 2 para. 5 of the Takeover Act or any subsidiary (*Tochterunternehmen*) thereof or conclusion of an agreement on the basis of which acquisition of ADC Shares can be demanded at any time prior to publication of the Offer Document or after the expiry of the Acceptance Period will not entitle any ADC Shareholders to any increased consideration for ADC Shares tendered or any other rights or claims.

ATMA AG reserves its right to:

- increase the Offer Price;
- offer an additional or alternative consideration to the New Ordinary Shares for the acquisition of the ADC Shares;
- reduce or waive the Minimum Acceptance Threshold; or
- waive, in full or in part, one or more of the Completion Conditions;

in each case, until and including the last working day in the Federal Republic of Germany (*Werktag*) immediately prior to the day of expiry of the Acceptance Period (each an "Amendment to the Offer").

ATMA AG will publish any Amendment to the Offer on the Company's website (*www.atlasmara.com*).

The results of the Offer will be published within three banking days in Germany following expiry of the Acceptance Period.

In connection with the Offer, on 31 March 2014, the Company and ADC entered into the Investment Agreement under which ADC committed, under certain conditions, to publish a reasoned opinion of the management board and the supervisory board supporting this Offer within two weeks after the publication of the Offer Document.

Duration of the Acceptance Period

The period for acceptance of the Offer will begin following publication of the Offer Document on or around 4 July 2014. It will end on **31 July 2014, 24:00 hours (local time Frankfurt am Main)/18:00 hours (local time New York)**.

Extensions of the Acceptance Period

In the following circumstances, ATMA AG reserves its right to extend the period for acceptance of the Offer:

- In the event of an Amendment of the Offer the period of acceptance may be extended by up to two weeks.
- If during the Acceptance Period a competing offer is made by a third party ("Competing Offer") and if the Acceptance Period expires prior to expiry of the acceptance period for the Competing Offer, the

expiry of the Acceptance Period may be extended by reference to the expiry of the acceptance period for the Competing Offer.

The period for acceptance of the Offer, including all extensions of such period, is referred to as the "Acceptance Period". ATMA AG will publish any extension to the Acceptance Period on the Company's website.

Offered Consideration

The Offer Price consists of 1.25 New Ordinary Shares for every ADC Share.

Should the Offer be accepted for all ADC Shares, ATMA AG would require 14,334,300 New Ordinary Shares in order to be able to transfer 1.25 New Ordinary Shares for each ADC Share to the shareholders of ADC. This amount results from the multiplication of the 9,467,440 ADC Shares outstanding at the time of the publication of this Document plus the 2,000,000 ADC Shares which are to be issued under the 2015 Bond with Warrants if warrants are exercised, i.e. 11,467,440 ADC Shares, with the exchange ratio of 1.25 New Ordinary Shares for one ADC Share.

On 11 June 2014, ATMA AG entered into a letter agreement with the Company (the "Commitment Letter"). Under this letter agreement, the Company has committed to ATMA AG that it will make available to ATMA AG on each date required in connection with each settlement for ADC Shares tendered in the Offer, the required number of New Ordinary Shares. The Company has further agreed to provide ATMA AG with such funds in cash required by ATMA AG for the Fraction Compensation. ATMA AG may use such New Ordinary Shares and such funds in cash solely for the purpose of enabling ATMA AG to satisfy its obligations under the Offer and to deliver the consideration that is due to be delivered for ADC Shares tendered in the Offer.

Share Issuance of Atlas Mara

Pursuant to clause 5.1 of the memorandum of association of the Company dated 3 December 2013, the Company is authorised to issue an unlimited number of Ordinary Shares. Pursuant to Article 2.1 of the Articles new shares of the Company may be issued at such times, to such persons, for such consideration and on such terms as the Board of the Company may by resolution determine. No pre-emptive rights of current shareholders of the Company in connection with the issuance of the New Ordinary Shares apply since the New Ordinary Shares will be wholly paid up otherwise than in cash (Article 3.9 of the Articles). Additionally, any pre-emptive rights have been waived by way of a resolution of the Board of the Company in order to enable shares to be issued for the purposes of, or in connection with, or resulting from the Acquisition. Under the laws of the British Virgin Islands and the Articles no further prerequisites are to be met for the valid issuance of the New Ordinary Shares.

Therefore, to fulfil its obligations under the Commitment Letter, the Company will, under the authority mentioned in the preceding paragraph, issue to ATMA Luxemburg, against consideration in the form of a loan note or other non-cash consideration, such number of New Ordinary Shares with the same rights attached to them as to the Existing Ordinary Shares, which is necessary for the complete fulfilment of the Offer. ATMA Luxemburg will, upon receipt of the New Ordinary Shares, contribute or otherwise transfer the New Ordinary Shares to ATMA AG.

Shares admitted to trading on the London Stock Exchange

The Existing Ordinary Shares and Warrants were admitted to the Official List by way of a Standard Listing, and to trading on the main market of the London Stock Exchange on 17 December 2013. Following an announcement by the Company relating to the proposed Transaction, the listing of the Company's Existing Ordinary Shares and Warrants was suspended on 1 April 2014.

Following completion of the Offer, applications will be made for the Existing Ordinary Shares and Warrants to be readmitted, and for the New Ordinary Shares and the Private Placement Shares to be admitted, to listing on the Official List pursuant to Chapters 14 and 20, respectively, of the Listing Rules which sets out the requirements for Standard Listings. The Company's Existing Ordinary Shares, New Ordinary Shares and Warrants will remain suspended from trading pending Readmission.

During the three months immediately prior to 31 March 2014, the date the Company announced that it had entered into an agreement with ADC and its intention to make the Offer, a stock exchange price of the Existing Ordinary Shares has been determined on the London Stock Exchange on each Trading Day.

The average daily trading volume of Existing Ordinary Shares on the London Stock Exchange over the last three months prior to 31 March 2014 amounts to 6,870 Existing Ordinary Shares (Source: Bloomberg). This corresponds to an average daily trading volume of approximately 0.02% of all Existing Ordinary Shares in issue. The average daily trading volume of ADC Shares on all markets where the shares are traded over the same period amounts to 6,556 ADC Shares (Source: Bloomberg). This corresponds to an average daily trading volume of approximately 0.07% of all ADC Shares in issue.

Value of the Existing Ordinary Shares

The three months arithmetical (not volume-weighted) average share price using stock market closing prices for the Existing Ordinary Shares on the London Stock Exchange during the last three months immediately prior to 31 March 2014 amounted to approximately EUR 8.36 (Source: Bloomberg). When calculating this three months average share price based on the daily average stock market closing price of the Existing Ordinary Shares in EUR, the relevant US$ prices have on a daily basis been converted into EUR by using the relevant exchange ratio of the European Central Bank applicable on each relevant day.

Historical stock exchange prices of ADC

On 28 March 2014, the trading day prior to the announcement by the Company that it had entered into an agreement with ADC and that it intended to make the Offer, the closing price of the ADC Shares in the electronic trading system XETRA was quoted at EUR 8.96.

Based on the closing prices (*Schlusskurse*) of the ADC Shares in the electronic trading system XETRA on 28 March 2014, the volume weighted average share prices for the periods one month, six months and twelve months prior to 31 March 2014 and the closing prices one month, six months and twelve months prior to 31 March 2014 respectively, the Offer Price includes the following premiums (the Offer Price has been calculated based on the average share price of the Company of EUR 8.36, as described above, and the exchange ratio of 1.25 New Ordinary Shares for one ADC Share):

- On 28 March 2014, the last stock exchange trading day prior to the announcement, the closing price of the ADC Shares in the electronic trading system XETRA was quoted at EUR 8.96. The Offer Price thus includes a premium of EUR 1.49, or approximately 16.7% over the closing price on 28 March 2014.
- The volume weighted average price (*volumengewichteter Durchschnittskurs*) of the ADC Shares in the electronic trading system XETRA during the one month period prior to 31 March 2014 (28 February 2014–30 March 2014) amounted to EUR 8.77. The Offer Price thus includes a premium of EUR 1.68, or approximately 19.2% over this volume weighted average share price. The closing price of the ADC Shares in the electronic trading system XETRA one month prior to 31 March 2014 (i.e. on 28 February 2014) amounted to EUR 9.35. The Offer Price thus includes a premium of EUR 1.10, or approximately 11.8% over the closing price on 28 February 2014.
- The volume weighted average price of the ADC Shares in the electronic trading system XETRA during the six months period prior to 31 March 2014 (30 September 2013—30 March 2014) amounted to EUR 9.40. The Offer Price thus includes a premium of EUR 1.05 or approximately 11.1% over this volume weighted average share price. The closing price of the ADC Shares in the electronic trading system XETRA six months prior to 31 March 2014 (i.e. on 30 September 2013) amounted to EUR 9.45. The Offer Price thus includes a premium of EUR 1.00, or approximately 10.6% over the closing price on 30 September 2013.
- The volume weighted average price of the ADC Shares in the electronic trading system XETRA during the twelve months period prior to 31 March 2014 (31 March 2013—30 March 2014) amounted to EUR 9.22. The Offer Price thus includes a premium of EUR 1.23, or approximately 13.3% over this volume weighted average share price. The closing price of the ADC Shares in the electronic trading system XETRA twelve months prior to 31 March 2014 (i.e. on 29 March 2013) amounted to EUR 9.50. The Offer Price thus includes a premium of EUR 0.95, or approximately 10.0% over the closing price on 29 March 2013.

The aforementioned historical stock exchange prices were determined by Bloomberg.

Declaration of Acceptance and Re-booking

Acceptance of the Offer must be declared in writing by the accepting ADC Shareholder to their custodian securities services company ("Custodian Bank"), during the Acceptance Period. ADC Shareholders must instruct their Custodian Bank to effect the re-booking (*Umbuchung*) at Clearstream Banking AG of the ADC Shares which are in their securities deposit account and in respect of which they wish to accept the Offer.

The New Ordinary Shares will be received in an uncertificated form as depository interests for future settlement in CREST.

The Declaration of Acceptance will only become effective if the Tendered ADC Shares have been re-booked at Clearstream Banking AG by 17:30 hours (Frankfurt am Main local time)/11:30 hours (New York local time) on the second banking day in Germany after expiry of the Acceptance Period. Such re-bookings are to be effected by the relevant Custodian Bank after receipt of the Declaration of Acceptance.

Declarations of Acceptance not received by the respective Custodian Bank within the Acceptance Period, or those incorrectly or incompletely filled out, shall not count as acceptance of the Offer and shall not entitle the relevant ADC Shareholder to receive the Offer consideration.

ADC Shareholders should further carefully read the Offer Document in its entirety as it includes additional information on how to accept the Offer.

Stock exchange trading with Tendered ADC Shares

There is generally no plan to establish a trading of Tendered ADC Shares on the open market of the Frankfurt Stock Exchange (*Freiverkehr der Frankfurter Wertpapierbörse*). Should, however, the Completion Conditions not be satisfied or waived until the expiry of the Acceptance Period, ATMA AG intends to request that the Tendered ADC Shares be made tradable on the open market of the Frankfurt Stock Exchange (*Freiverkehr der Frankfurter Wertpapierbörse*). In this event, the trading in the Tendered ADC Shares on the open market of the Frankfurt Stock Exchange would be expected to begin five trading days after the expiry of the Acceptance Period and would conclude at the latest at the end of the trading day on which (i) ATMA AG publishes on the website (*www.atlasmara.com*) that all Completion Conditions have been fulfilled or (ii) on 31 December 2014. Although a trading in Tendered ADC Shares may be made possible, there can be no certainty that in fact trades in Tendered ADC Shares can be effected.

Right of Withdrawal

ADC Shareholders who have accepted the Offer will only have the following rights of withdrawal (*Rücktrittsrechte*): (i) in the event of an Amendment of the Offer, an ADC Shareholder may, at any time until expiry of the Acceptance Period, withdraw from the contract concluded as a result of its acceptance of the Offer if and to the extent that it has accepted the Offer prior to publication of the Amendment of the Offer; (ii) in the event of a Competing Offer, an ADC Shareholder may, at any time until expiry of the Acceptance Period, withdraw from the contracts concluded as a result of its acceptance of the Offer if and to the extent that it has accepted the Offer prior to publication of the offer document relating to the Competing Offer.

Completion Conditions

The Offer and the contracts which come into existence as a result of its acceptance are subject to the following conditions precedent (*aufschiebende Bedingung*) ("Offer Conditions"):

Minimum Acceptance Threshold

At the time of expiry of the Acceptance Period, the aggregate number of ADC Shares (i) tendered into the Offer and not properly withdrawn, and (ii) any additional ADC Shares which ATMA AG has purchased outside the Offer, must amount to at least 4,901,553 ADC Shares (approximately 51.77% of the current share capital of ADC, being 9,467,440 ADC Shares at the time of publication of this Document) (the "Minimum Acceptance Threshold"). The Minimum Acceptance Threshold reflects possible dilutive effects from the exercise of warrants under the 2015 Bond with Warrants not subject to the warrant purchase agreement between the Company and Trafigura, as further described under "Part I—ADC Acquisition—Trafigura Irrevocable Undertaking and Warrant Purchase Agreement".

Foreign investment review

The Federal Ministry for Economy and Energy (*Bundesministerium für Wirtschaft und Energie*) ("BMWi")

(a) has issued a clearance certificate (*Unbedenklichkeitsbescheinigung*) upon ATMA AG's application pursuant to Section 4 para. 1 no. 4 and Section 5 para. 2 of the Federal Act on Foreign Trade (*Außenwirtschaftsgesetz*) ("AWG") and Section 58 para. 1 of the Foreign Trade Ordinance (*Außenwirtschaftsverordnung*) ("AWV"); or

(b) has not initiated a formal investment review within the one-month period following the receipt of the application for a clearance certificate pursuant to Section 58 para. 2 AWV; or

(c) if ATMA AG does not apply for a clearance certificate, BMWi has not initiated an initial review within the three months period from the signature of the purchase agreement pursuant to Sec. 55 para 3 AWV; or

(d) has, in the event of an in-depth review procedure pursuant to Section 58 para. 2 and Section 55 para. 1 AWV, failed to prohibit the acquisition within a period of two months from the submission of the complete documentation of the acquisition as specified in Section 57 AWV (Section 59 para. 1. AWV).

The completion of the Offer can be subject to foreign investment review by BMWi under the laws of the Federal Republic of Germany, namely pursuant to Section 4 para. 1 no. 4 and Section 5 para. 2 AWG and Sections 55-59 AWV. Pursuant to Section 55 para. 1 AWV, the purchase of a company based in the Federal Republic of Germany by a non-EU-based (*unionsfremd*) company can be reviewed by the BMWi, if the direct or indirect shareholding of the non-EU company reaches 25% or more after the acquisition.

An indirect shareholding means, pursuant to Section 56 AWV, that the non-EU-based acquirer holds at least 25% of the voting rights in a German or EU-based company which is the direct acquirer. There can be several companies in a row from the non-EU acquirer to the direct purchaser as long as each of them holds at least 25% of the voting rights in the next one.

ADC is Germany-based. It will be directly acquired by Germany-based ATMA AG by majority. After the transaction, the Company, being a British Virgin Islands and non-EU-based company, will indirectly hold up to 100% in Germany-based ADC, through ATMA AG and ATMA Luxembourg. Therefore, BMWi is generally entitled to review the acquisition of the target. An application for a clearance certificate was filed on 23 June 2014.

Non-performance of certain actions

At the expiry of the Acceptance Period, (i) none of the following events has occurred since the publication of the Offer Document or, (ii) if such events have occurred prior to the expiry of the Acceptance Period, such events must have been reversed or, (iii) ATMA AG, prior to the expiry of the Acceptance Period, has published on the website (*www.atlasmara.com*) a notice stating that no such events have occurred:

(a) The general shareholders' meeting of ADC has resolved any of the following measures:

  (i) increase of the share capital (*Grundkapital)*;

  (ii) share issues (*Ausgabe von Aktien*);

  (iii) share splits (*Aktiensplit*);

  (iv) combination of any shares of its outstanding share capital (*Zusammenlegung von Aktien*); or

  (v) reclassification (*Änderung von Aktiengattungen*) of any shares of its outstanding share capital.

(b) The management board of ADC has resolved upon the increase of ADC's share capital (*Grundkapital*).

(c) ADC or any of its subsidiaries pursuant to Section 15 et seq. of the German Stock Corporation Act (*Aktiengesetz*) has:

  (i) sold, alienated, encumbered or otherwise disposed of assets with an enterprise value in excess of EUR 5 million to any third party or third parties by merger or other transformation, takeover, sale of material parts of business, business combination or similar transaction;

(ii) made any acquisition of or investment in any third party or purchased from any third any assets in excess of EUR 5 million;

(iii) entered into new loan or other financing agreements or granted or assumed guarantees or similar sureties towards third parties in an amount in excess of EUR 5 million (excluding BancABC Group); or

(iv) changed the terms and conditions of existing loan and other financing agreements or arrangements outside the ordinary course of business (excluding BancABC Group).

The occurrence or the non-reversal of each of the above events alone qualifies individually as one Completion Condition. The same applies to the events listed against the small roman numerals under (a) and (c).

Regulatory Approvals

In addition, the Offer will be subject to the following regulatory approvals also required for completion of the Share Sale Agreements ("Regulatory Conditions", and together with the Offer Conditions above, the "Completion Conditions"):

Consent of the Central Bank of Botswana

The Transaction requires the approval of Bank of Botswana, the central bank of Botswana, (the "BoB"), pursuant to the BoB's licensing policy, which states that prior approval from the BoB is required for all direct or indirect transfers of over 5% of shares of a banking company within Botswana. As ADC (indirectly) holds more than 5% of shares of BancABC Botswana, this requirement applies to the Transaction. The application for approval was submitted on 19 May 2014.

Consent of the Registrar of Banks, Ministry of Finance of Zimbabwe and Reserve Bank of Zimbabwe

The Transaction is subject to clearance from the Zimbabwean Registrar of Banks, the Reserve Bank of Zimbabwe and the Zimbabwean Ministry of Finance (the "Zimbabwean Authorities"), pursuant to the provisions of section 26 of the Zimbabwean Banking Act and section 8 of the Zimbabwean Banking Regulations SI 205 of 2000, which stipulate that the direct or indirect acquisition of 10% or more of the share capital of a banking institution or bank holding institution or of the voting rights of members of a banking institution or bank holding institution constitutes an "acquisition of a significant interest in the banking institution" and requires the written approval of the Zimbabwean Authorities. As ADC (indirectly) holds more than 10% of the shares of BancABC Zimbabwe, being a banking institution in Zimbabwe, this requirement applies to the Transaction. The approval process commenced on 23 April 2014.

In addition to, and concurrent with, the above clearance by the Zimbabwean Authorities, the Exchange Control Department of the Reserve Bank of Zimbabwe must (i) recognise and register the Company as a new non-resident indirect shareholder with a controlling interest in BancABC Zimbabwe; and (ii) consent to the future repatriation of capital, capital uplift and dividends to the Company in accordance with Zimbabwean Exchange Control Regulations. Approval was granted on 11 June 2014.

Consent of the Central Bank of Mozambique

The Transaction is subject to clearance from the Central Bank of Mozambique. Pursuant to article 65 of the Mozambican Banking Institutions and Financial Companies Act, as enacted by Law 15/99 of 1 November 1999, the beneficial owners of qualified direct or indirect holdings (over 10% of the share capital) of a banking institution within Mozambique must be approved in advance by the Central Bank of Mozambique. As ADC (indirectly) holds more than 10% of the shares of BancABC Mozambique, being a banking institution within Mozambique, this requirement applies to the Transaction. Clearance was requested on 28 May 2014.

Consent of the Central Bank of Tanzania

The Transaction is subject to clearance from the Central Bank of Tanzania. In accordance with section 15(2) of the Tanzanian Banking and Financial Institutions Act 2006, any direct or indirect transfer of ownership or control of a beneficial interest in the shares of a bank or financial institution that results in a change of ownership or control of 5% or more of the voting shares will be void unless such sale and transfer has been approved in advance by the Central Bank of Tanzania. As ADC (indirectly) holds more than 5% of the shares of BancABC Tanzania, which is a bank operating in Tanzania, this requirement applies to the Transaction. The application for approval was submitted on 10 June 2014.

Notification to the Central Bank of Zambia

Pursuant to section 23 of the Zambian Banking and Financial Services Act, the prior approval of the Central Bank of Zambia (the "CBZ") is required to control more than 25% of the total shareholder votes of a bank that could be cast at a general or special meeting. However, where the buyer is a company which is publicly listed on a securities exchange in a jurisdiction acceptable to the CBZ, this prohibition does not apply. Notification of the Transaction was made to the CBZ on 29 May 2014 and a full application with all supporting documentation was made on 12 June 2014 to ensure that the Company satisfies the CBZ's requirements as to its listing.

Consent under Zimbabwe Indigenisation laws

Pursuant to section 3(1) of the IEEA, at least 51% of the shares of every public company and any other business in Zimbabwe must be owned by indigenous Zimbabweans. As consequence of the Transaction, and the proposed change of control due to the changes in the shareholding of ADC and (indirectly) ABCH, BancABC Zimbabwe is required to file a new indigenisation plan. The plan, which was filed on 8 April 2014, provides for the following:

- ABCH will, between 30 June 2014 and 31 December 2017, dispose of 30% of its shareholding in BancABC Zimbabwe to an indigenous consortium of shareholders led by the Zimbabwean born CEO and founder of ABCH, Douglas Munatsi;
- the abovementioned consortium have agreed to hold their shares in BancABC Zimbabwe for a minimum period of 10 years; and
- the Company will also have Zimbabwean shareholders who will have a further opportunity to increase their indirect shareholding in BancABC Zimbabwe through market purchases of shares traded on the London Stock Exchange.

Consent of the Botswana Competition Authority

The Transaction is subject to clearance from the Botswana Competition Authority (the "BCA").The terms of the Botswana Competition Act 2009 [CAP 56:09] ("Botswana Competition Act") stipulate that any "merger" (as defined therein) must be notified to the BCA. The Transaction relates to the indirect acquisition of the majority shareholding of an existing banking business and will fall within the definition of merger as defined in the Botswana Competition Act. Notification of the Transaction was provided to the BCA on 28 May 2014.

Consent of the Tanzania Fair Competition Commission

The Transaction is subject to competition/merger control clearance in Tanzania, pursuant to the Fair Competition Act of 2003 and the Fair Competition Commission Procedure Rules 2013, by the Fair Competition Commission (the "Commission"). The Company notified the Commission on 28 May 2014.

Consent of the COMESA Competition Commission

The Transaction is subject to clearance from the COMESA Competition Commission (the "CCC") in Malawi. A filing is required to be submitted to the CCC to notify the CCC of a transaction involving the change of indirect ownership of a company which operates in more than one COMESA member state (in this case, it is triggered by BancABC's operations in Zambia and Zimbabwe). The filing was jointly made by both the Company and ABCH on 23 May 2014.

Consent of the of Botswana Non-Bank Financial Institutions Regulatory Authority

The Transaction is subject to clearance from the Botswana Non-Bank Financial Institutions Regulatory Authority under section 71 of the Non-Bank Financial Institutions Authority Act [CAP 46:08] in relation to the indirect change of control of the insurance agent business carried out by one of ABCH's subsidiaries in Botswana. An application for clearance was made on 27 May 2014.

Non-satisfaction of Completion Conditions

If (i) the Completion Conditions "Minimum Acceptance Threshold" and "Non-performance of certain actions" have not been fulfilled at the time of expiration of the Acceptance Period or (ii) the remaining Completion Conditions, with the exception of the Completion Conditions "Minimum Acceptance Threshold" and "Non-performance of certain actions", have not been fulfilled by 31 December 2014, and if ATMA AG has not validly waived the relevant Completion Conditions, the Offer will lapse. In this case, the contracts which come into existence as a result of acceptance of the Offer will not be consummated and lapse (condition subsequent (*auflösende Bedingung*)).

Publications with regard to Completion Conditions

If (i) a Completion Condition has been waived, (ii) all Completion Conditions either have been fulfilled or have been waived, or (iii) the Offer will not be completed, ATMA AG will publish a statement to this effect on the Company's website (*www.atlasmara.com*). ATMA AG will also publish a statement on the Company's website (*www.atlasmara.com*) after the expiration of the Acceptance Period setting out which of the Completion Conditions have been fulfilled.

Future business activities of ADC

Following settlement of the Offer, the Company and ATMA AG intend to support the management board (*Vorstand*) of ADC in relation to the ongoing execution of ADC's strategy, particularly with respect to supporting the growth of ABCH and the successful monetisation of ADC's private equity portfolio. Until and unless the possible structural measures referred to in the paragraph "Integration measures after completion of the Offer" below are effected, it is the Company's intention that ADC will continue to execute holding and group management functions as currently conducted. The Company and ATMA AG will use their influence in accordance with applicable law.

Management board and supervisory board of ADC

The Company fully trusts the current management board (*Vorstand*) and does not envisage any changes to the composition of the management board in the near term.

The supervisory board (*Aufsichtsrat*) of ADC consists of six members elected by the ADC Shareholders. It is the Company's intention to reduce the supervisory board to three members and to re-constitute the supervisory board so as to enable at least a majority representation of ATMA AG.

Depending upon the results of the Offer and the possible structural measures discussed in the paragraph "Integration measures after completion of the Offer" below, the Company may seek a Merger Squeeze-out, in the event of which ADC, the management board and the supervisory board of ADC will cease to exist.

Seat of ADC; Location of significant parts of the business

The Company does not intend to relocate the seat of ADC away from Frankfurt am Main, Germany. Given ADC's role as a holding company, there are no intentions to relocate or close significant business operations of ADC. For possible structural measures following completion of the Offer, see the paragraph below "Integration measures after completion of the Offer".

Integration measures after completion of the Offer

Following the completion of the Offer, if the number of ADC Shares validly tendered is less than the threshold required to implement Merger Squeeze-out or Squeeze-out, the Company may procure the entry by ATMA AG into a domination agreement with ATMA AG as the "controlling company" and ADC as the "controlled company". Entering into a domination agreement requires, among other things, the consent of at least 75% of shareholders voting at a general meeting of ADC. Such agreement would become effective upon registration in the commercial register of the local court in Frankfurt am Main, Germany. Pursuant to a domination agreement, the controlled company submits itself to the direction of the controlling company. ATMA AG would be authorised to issue binding orders to the ADC management board and would thereby control the management of its business affairs. However, under a domination agreement, as long as this agreement is in effect, ATMA AG will be required to cover by compensation payment in cash every annual loss of ADC that would arise during the term of the domination agreement without the loss compensation to the extent that such a loss is not covered by the fact that amounts from other profit reserves which were allocated to those profit reserves during the term of the domination agreement can be withdrawn.

If, following the completion of the Offer, ATMA AG owns 95% or more of the ADC Shares, the Company intends to procure the passing of a resolution of ADC Shareholders pursuant to Sections 327a et seq. of the German Stock Corporation Act (*Aktiengesetz*) requiring transfer of the ADC Shares held by the minority ADC Shareholders to ATMA AG in exchange for fair cash compensation (the "Squeeze-out") or a Merger Squeeze-out (as described in the next paragraph). The ADC Shares held by the minority ADC Shareholders will be transferred to ATMA AG (as the majority ADC Shareholder) upon registration in the commercial register of the local court in Frankfurt am Main, Germany.

In addition, if following the completion of the Offer, ATMA AG owns 90 per cent. or more of the ADC Shares, the Company may procure the entry into a merger agreement between ADC and ATMA AG followed by a squeeze-out resolution of ADC Shareholders pursuant to Section 62 para. 5 of the German Transformation Act (*Umwandlungsgesetz*), to be adopted within a three months period after the entry into the merger agreement between ADC and ATMA AG. As a consequence of such squeeze-out resolution, the ADC Shares held by the minority ADC Shareholders will be transferred to ATMA AG in exchange for fair cash compensation (the "Merger Squeeze-out"). The ADC Shares held by the minority ADC Shareholders will be transferred to ATMA AG (as the majority ADC Shareholder) upon registration in the commercial register of the local court in Frankfurt am Main, Germany. The merger of ADC into ATMA AG will become effective immediately thereafter. For the determination of "fair cash compensation", see below.

A domination agreement must ensure a recurrent cash payment ("Guaranteed Dividend") as compensation for the minority shareholders. The amount of the Guaranteed Dividend is determined by the parties to the domination agreement and reviewed by a court appointed expert auditor. The Guaranteed Dividend will be equal to the amount which, on the basis of the past profitability and prospective profits of ADC, could be expected to be distributed to the ADC Shareholders in the future as the average profit per ADC Share if the domination agreement had not been entered into. This calculation will be based on a determination of the value of ADC at the time of the general shareholders' meeting of ADC adopting the domination agreement. The calculation could result in a Guaranteed Dividend that is equal to the average of the past dividends paid by ADC, if any, but it could also be higher or lower. The calculation could even result in a Guaranteed Dividend to be paid to minority shareholders if ADC never paid a dividend in the past. The Guaranteed Dividend would be payable annually if and to the extent the domination agreement remains effective and minority shareholders exist at that time. In addition, entering into a domination agreement would oblige ATMA AG to offer to acquire all outstanding ADC Shares belonging to minority shareholders in exchange for payment of "fair cash compensation".

In case of a domination agreement, Merger-Squeeze-out or Squeeze-out, if fair cash compensation is required to be paid, it will be determined based on the value of ADC as of the date of the ADC Shareholder resolution authorising the action and reviewed by an expert auditor appointed by a German court. The expert auditor would determine the value per ADC Share on a discounted earnings method based on the IDW S1 valuation standard. Under certain conditions, an average stock price (volume-weighted average stock price during the three months period prior to the announcement of the measure) may be taken into consideration when determining the minimum fair cash compensation. The amount of fair cash compensation could be equal to the value of the offer price under the Offer, but could also be higher or lower.

The Company, after completion of the Offer or at a later time within the limits of the law could cause ADC to apply for delisting of the ADC Shares from the Open Market (*Freiverkehr*) at the Frankfurt Stock Exchange after the conditions required for this have been met.

PART III

INFORMATION ON THE COMPANY

Introduction

The Company was incorporated on 28 November 2013 in accordance with the laws of the British Virgin Islands with an indefinite life. The Company was formed by AMC and the Mara Group, led by Robert E. Diamond Jr. and Ashish J. Thakkar, respectively, to undertake an acquisition of a target company or business. Mr Diamond and Mr Thakkar are highly qualified and experienced professionals with extensive operational, technological and financial expertise in Africa, emerging markets and the financial services sector.

The Company's Existing Ordinary Shares and Warrants were admitted to the Official List by way of a Standard Listing in accordance with Chapters 14 and 20, respectively, of the Listing Rules, and to trading on the London Stock Exchange's main market for listed securities, on 17 December 2013, simultaneously with which the Company raised US$325,000,000 before expenses, through the 2013 Placing.

The Company announced on 31 March 2014 that it had reached agreements to acquire a majority of ABCH and to make the Offer to all ADC Shareholders for all outstanding ADC Shares.

The Transaction, if completed, will constitute a "Reverse Takeover" under the Listing Rules. In accordance with Listing Rule 5.1.1(i) (and consistent with the UKLA's technical note published in relation to special purpose acquisition companies), the listing of the Existing Ordinary Shares and Warrants was suspended on 1 April 2014 pending the Company publishing a prospectus in relation to Readmission.

Following completion of the Transaction, applications will be made for the Existing Ordinary Shares and Warrants to be readmitted, and for the New Ordinary Shares and the Private Placement Shares to be admitted, to listing on the Official List pursuant to Chapters 14 and 20, respectively, of the Listing Rules which sets out the requirement for Standard Listings.

Company objective

The Company had indicated in its original prospectus (published in December 2013) that following completion of an Acquisition, the stated strategy of the Company will be to operate the acquired business and implement a strategy with a view to generating value for its Shareholders through operational improvements as well as potentially through additional complementary acquisitions following the Acquisition.

The Directors believe that there are significant gaps in the SSA financial services market today including the need for capital created by European financial institutions retreating to their home territories due to the sovereign debt crisis and the Basel III regulatory framework at a critical time for growth in SSA. This situation presents opportunities for the Company to create a financial institution that provides leadership, liquidity, access to investors, product innovation, and technology to support economic growth and strengthen financial systems in Africa.

The Company's objective is to build Africa's premier financial services group, leveraging the access to capital, liquidity and funding that the Company can provide.

Business Strategy

The Directors believe the proposed combination with ABCH and ADC is consistent with the Company's strategic objective of building Africa's premier financial services group. Particularly relevant are BancABC Group's strong brand and multi-country banking platform, its well-respected management team and exciting growth prospects, and ADC's pan-African vision and execution expertise.

The Company intends to empower the management teams of both ABCH and ADC to drive future growth and expand across SSA. ABCH's CEO, Douglas Munatsi, upon completion of the Transaction, will join the Company's Executive Committee. The Company is committed, following completion of the Transaction, to provide up to US$100 million to ABCH, to drive its growth going forward, as well as support ABCH's management in obtaining additional liquidity, including raising Tier II capital.

The Directors believe that the combination of ABCH and ADC with the Company will create an Enlarged Group with the following characteristics:

- a highly scalable growth platform across the SADC region, an important growth region with annual GDP of over US$640 billion, ranking it amongst the top 20 GDPs worldwide;

- a well-positioned banking group capable of offering a broad range of banking products, including corporate banking, treasury services, retail and SME banking, asset management and stock broking;
- a proven track record, with BancABC Group having posted a 42% CAGR in loan book growth over the past 5 years;
- a highly-regarded management team at ABCH, who have worked together for over a decade, leading ABCH's evolution from a domestic merchant bank to a regional universal bank;
- an accomplished management team at ADC, who have successfully invested in financial services across SSA, have created a platform for expansion into other attractive banking markets, and whose vision is aligned with the Company's; and
- the opportunity to accelerate the expansion of the Enlarged Group's geographic footprint and current product offerings through the Company's access to capital and liquidity and significant global banking experience.

Furthermore, the Company intends to focus on enhancing the operation of the Enlarged Group in the following key areas of value creation, using milestones and targets to work towards strategic goals.

- *Enhance efficiency and profitability:* The Company will seek to, where necessary (i) enhance existing strategies, systems and processes, (ii) leverage its network and expertise in IT to drive efficiencies in back-office functions, (iii) improve customer service orientation, (iv) invest in staff development, and (v) identify the key talent and management needs.
- *Enhance risk management:* The Company will seek to, where necessary (i) improve financial controls, reporting, credit/risk monitoring and related policies, and (ii) ensure adequate capital and liquidity.
- *Introduce new products:* The Company will seek to, where appropriate (i) identify and introduce technologies to enhance market access, (ii) harness the Mara Group's relationships with mobile operators across Africa, (iii) execute the roll out of new products and services, and (iv) enhance brand recognition of the banks and brands within the Enlarged Group.
- *Drive growth and expansion:* The Company will seek to, where appropriate (i) pursue regional expansion, including through the potential acquisition and integration of compatible targets in key growth markets, and (ii) grow its asset base.

BRD Acquisition

On 23 May 2014, the Company entered into a framework deed (the "Framework Deed") with the Government of Rwanda, the National Agricultural Export Development Board and the Rwanda Social Security Board (together the "BRD Sellers") to facilitate the ultimate acquisition by the Company of a to be formed commercial bank in Rwanda (the "Commercial Bank"). The Commercial Bank will be formed via an internal reorganisation of the Development Bank of Rwanda ("BRD") which will transfer its existing commercial banking assets and liabilities, such assets and liabilities to be agreed between the Company and the BRD Sellers prior to completion, to the new Commercial Bank.

Following the reorganisation and establishment of the new company which will become the Commercial Bank and the satisfaction of further conditions, which include the receipt of a full operational commercial banking license for the Commercial Bank, the Company will acquire 100% of the Commercial Bank entity for an aggregate consideration of between US$10 million and US$25 million, dependent on the net asset value of the Commercial Bank assets and liabilities at completion. The Directors believe that, subject to certain conditions and regulatory clearances, the acquisition of the Commercial Bank should be completed by 1 November 2014.

For further details see "Part VI—Information on BRD Acquisition".

Private Placement

In May 2014, the Company commenced a conditional private placement of new Ordinary Shares at an issue price of US$11 per new Ordinary Share to raise up to US$400 million (the "Private Placement").

Initial allocation preference was given to holders of Existing Ordinary Shares (the "Pre-emptive Offer") and thereafter was given to certain qualified investors. As at 1 July 2014, the Company has subscriptions for approximately US$300 million from holders of Existing Ordinary Shares and certain other qualified investors pursuant to which approximately 27,275,000 new Ordinary Shares (the "Private Placement

Shares") may be issued. As certain subscriptions in the Private Placement will be scaled against the size of the Offer, the exact number of Private Placement Shares to be issued pursuant to the Private Placement will be dependent on the final number of ADC Shares tendered into the Offer.

The closing of the Private Placement is conditional, inter alia, on completion of the Transaction and Readmission. Subject to completion of the Transaction and Readmission, the Company intends to use the net proceeds from the Private Placement in addition to the funds raised in the 2013 Placing to assist the Company's strategy, support growth of BancABC Group, for future acquisitions and bolt-on opportunities and for general corporate purposes.

Debt Facility

The Company has an agreement that provides for a committed debt facility of up to US$200 million to support future growth. The terms and conditions of the facility are to be determined at the time the Company requests borrowing under the facility and are subject to completion of definitive documentation and the satisfaction of certain conditions precedent.

Option Agreements

The Company is a party to two option agreements to acquire minority interests in certain African financial institutions. The Company has until 31 August 2014 to give notice of its intention to exercise such options. The determination to move forward on one or both such options will be determined after completion of further due diligence and may be dependent on reaching agreement with other third party holders to provide a path to taking control of such institutions. Such conditions are outside the control of the Company. Therefore it is presently uncertain as to whether the Company will move forward with one or both of such options. The Company will be subject to a break fee up to US$2.5 million each if it does not give notice of exercise by 31 August 2014.

Use of proceeds

The Company intends to use the remaining proceeds from the 2013 Placing, the funds raised through the subscription for the Founder Preferred Shares and the funds from the Private Placement following completion of the Transaction and Mandatory Offer, to improve the Enlarged Group which may include additional complementary acquisitions as well as operational improvements.

Capital and returns management

The Company raised gross proceeds of US$312,500,000 from the 2013 Placing including US$12,500,000 through the subscription for the Founder Preferred Shares. The Directors believe that further equity capital raisings may be required by the Company should it pursue further acquisition targets.

The total consideration to be paid by the Company and the Company's subsidiary ATMA AG in connection with the Transaction will be approximately US$266 million, being the aggregate amount of cash and the value of New Ordinary Shares offered to ADC Shareholders and selected ABCH shareholders.

Subject to certain exceptions contained in the Articles, Shareholders will have pre-emption rights which will generally apply in respect of future issues of Ordinary Shares for cash. No pre-emption rights exist in respect of future share issues wholly or partly other than for cash. See paragraph 18 of "Part XV—Additional Information" for further details.

The Company expects that any returns for Shareholders would derive primarily from capital appreciation of the Ordinary Shares and any dividends paid pursuant to the Company's dividend policy set out below in this Part III.

Dividend policy

The Company intends to pay dividends on the Ordinary Shares following the Acquisition at such times (if any) and in such amounts (if any) as the Board determines appropriate. The Company's current intention is to retain any earnings for use in its business operations, and the Company does not anticipate declaring any dividends in the foreseeable future. The Company will only pay dividends to the extent that to do so is in accordance with all applicable laws.

Once the Average Price per Ordinary Share is at least US$11.50 for ten consecutive Trading Days, the holders of Founder Preferred Shares will be entitled to receive an "Annual Dividend Amount", payable in Ordinary Shares.

In the first year in which such dividend becomes payable, such dividend will be equal in value to 20% of the increase in the market value of one Ordinary Share, being the difference between US$10.00 and the Dividend Price, multiplied by the number of Ordinary Shares outstanding as at the last Trading Day of the relevant Dividend Determination Period.

Thereafter, the Annual Dividend Amount will only become payable if the Dividend Price during any subsequent year is greater than the highest Dividend Price in any preceding year in which a dividend was paid in respect of the Founder Preferred Shares. Such Annual Dividend Amount will be equal in value to 20% of the increase in the Dividend Price over the highest Dividend Price in any preceding Dividend Year multiplied by the number of Ordinary Shares outstanding as at the last Trading Day of the relevant Dividend Determination Period.

For the purposes of determining the Annual Dividend Amount, the "Dividend Price" is the highest amount calculated by adding together the Average Price per Ordinary Share for any period of ten consecutive Trading Days in the relevant Dividend Year (the "Dividend Determination Period") and dividing by ten.

In each case the number of Ordinary Shares issued to holders of Founder Preferred Shares in connection with such dividend will be determined by the Dividend Price of such year, even though such share price may be lower than the market value of the Ordinary Shares at the end of any relevant Dividend Year.

The amounts used for the purposes of calculating an Annual Dividend Amount and the relevant numbers of Ordinary Shares are subject to such adjustments for stock splits, stock dividends and certain other recapitalisation events as the Directors in their absolute discretion determine to be fair and reasonable in the event of a consolidation or sub-division of the Ordinary Shares in issue after the date of Admission or otherwise as determined in accordance with the Articles.

Each Annual Dividend Amount shall be divided between the holders pro rata to the number of Founder Preferred Shares held by them on the relevant Dividend Date. The Annual Dividend Amount will be paid on the relevant Payment Date by the issue to each holder of Founder Preferred Shares of such number of Ordinary Shares as is equal to the pro rata amount of the Annual Dividend Amount to which they are entitled divided by the Average Price per Ordinary Share on the relevant Dividend Date.

Lock-up arrangements

In connection with the 2013 Placing, the Founding Entities and each of the Directors agreed that they would not, without the prior written consent of the Placing Agent, offer, sell, contract to sell, pledge or otherwise dispose of any Ordinary Shares or Warrants they hold directly or indirectly in the Company (or acquire pursuant to the terms of the Founder Preferred Shares, Non-Founder Director Options or Warrants) or any Founder Preferred Shares for a period commencing on the date of the Placing Agreement and ending 365 days after the Company has completed the Acquisition.

The restrictions on the ability of the Directors and the Founding Entities to transfer their Ordinary Shares, Warrants and/or Founder Preferred Shares, as the case may be, are subject to certain usual and customary exceptions and exceptions for: transfers for estate planning purposes; transfers to trusts (including any direct or indirect wholly-owned subsidiary of such trusts) for the benefit of the Directors or their families; transfers to affiliates or direct or indirect equity holders, holders of partnership interests or members of the Founding Entities, in each case, subject to certain conditions; transfers to any direct or indirect subsidiary of the Company, a target company or shareholders of a target company in connection with an Acquisition, provided that in each of the foregoing cases, the transferees enter into a lock up agreement; transfers of any Ordinary Shares and Warrants acquired after the date of Admission in an open-market transaction, or the acceptance of, or provision of, an irrevocable undertaking to accept, a general offer made to all Shareholders on equal terms; after the Acquisition, transfers to satisfy certain tax liabilities in connection with, or as a result of transactions related to, completion of the Acquisition.

Further details of the lock-up arrangements are contained in paragraph 15.7 of "Part XV—Additional Information".

PART IV

INFORMATION ON ADC

Introduction

ADC is a German, open-market-listed company with a footprint in SADC region via BancABC Group, a regional commercial banking platform operating in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe as well as via its indirect shareholding in UBN in West Africa. ADC commenced business in November 2007 as a partnership limited by shares with a limited liability company as General Partner (*Gesellschaft mit beschränkter Haftung & Co. Kommanditgesellschaft auf Aktien*).

ADC completed its initial public offering and listing on the regulated market of the Frankfurt Stock Exchange in December 2010. Effective on 26 July 2013, ADC changed its legal form to a stock corporation (*Aktiengesellschaft*). In conjunction with the change of legal form, ADC's listing on the regulated market of the Frankfurt Stock Exchange terminated and ADC was listed on the open market of the Frankfurt Stock Exchange (*Freiverkehr an der Frankfurter Wertpapierbörse*).

From its incorporation until early 2012, ADC followed a private equity strategy that focused on the management of a portfolio of minority holdings in the financial services sector and related IT assets in SSA. In early 2012, ADC changed its strategy to focus on acquiring controlling stakes in banks solely with a view to achieving majority control in order to build a leading pan-African banking group. ADC's acquisition of its stake in ABCH and the decision to transition from a private equity partnership to a stock corporation reflected this change of strategy.

In early 2013, ADC refined its strategy further to focus entirely on banking sector activities to create a pan-African banking group on a large enough scale to compete with existing players and made the strategic decision to streamline its private equity activities.

ADC Group's two operating divisions, banking and private equity, are coordinated from Germany by ADC's management board and supported by ABCH's banking headquarters in Johannesburg. ADC Group's investment and advisory activities are headquartered in Mauritius.

Legal Basis of ADC

ADC is a German stock corporation (*Aktiengesellschaft*) which has its corporate seat in Frankfurt am Main, Germany and is registered in the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main, Germany under HRB 97109.

The object of business of ADC as stipulated in its articles of association is the initiation of and systematic search for investment opportunities in Africa. This includes, in particular, ensuring ADC's existing network in Africa is available for the identification and development of suitable investment teams and for the acquisition, holding and management of investments, and also includes the provision of advisory services. "Investments" is understood to mean majority or minority interests in private or listed (investment) companies of any kind. ADC provides no legal or tax advisory services or other activities that require authorisation. ADC may perform all transactions and undertake all measures that are suitable for directly or indirectly achieving the object of ADC. ADC may fund or acquire other domestic or foreign companies of the same or a similar type for this purpose, make investments in such companies, manage their business, and establish branch offices under the same or a different company name. The financial year of ADC is the calendar year.

The ADC Shares are traded on the open market (*Freiverkehr*) of the Frankfurt Stock Exchange (Entry Standard) and are further traded on the open markets of the stock exchanges of Berlin, Düsseldorf and Stuttgart.

Governing Bodies

ADC's governing bodies are the management board (*Vorstand*), the supervisory board (*Aufsichtsrat*) and the general shareholders' meeting (*Hauptversammlung*). The powers of these governing bodies are determined by the German Stock Corporation Act (*Aktiengesetz*), ADC's articles of association (*Satzung*) and the internal rules of procedure (*Geschäftsordnungen*) of both the supervisory board and the management board.

The management board is responsible for managing ADC in accordance with applicable law, ADC's articles of association and its internal rules of procedure, including the schedule of responsibilities and taking into account the resolutions of the general shareholders' meeting. The management board represents ADC in dealings with third parties. The supervisory board advises on, and oversees, the management board's administration of the company, but is not itself authorised to manage the company per se.

ADC's management board and supervisory board members have extensive experience in international banking as well as operational know-how in banking services. The CEO, Dirk Harbecke, has more than 15 years of experience in managing financial businesses across Africa and the Middle East. The Chief Investment Officer, Karima Ola, has more than 17 years of experience in private equity, corporate finance and banking across Africa and Europe. The CFO, Sonja Rossteuscher-Schütze, has approximately 14 years' experience in finance and investment banking across Africa, Europe and the Americas.

Pursuant to ADC's articles of association, the supervisory board (*Aufsichtsrat*) of ADC shall consist of six members. The current members of the supervisory board are Alastair Newton, Oltmann Siemens, Pierre Lorinet and Verna Eggleston. Two seats on the supervisory board are currently vacant. The current chairman of the supervisory board (*Aufsichtsratsvorsitzender*) of ADC is Alastair Newton.

The following description provides summaries of the biographies of the current members of ADC's management board:

Dirk Harbecke

Dirk Harbecke was born in 1972 in Dortmund, Germany. He is the Chairman of the management board and the Chief Executive Officer of ADC. Dirk co-founded ADC in 2007 and has been responsible for the formation, development and growth of ADC since its inception. During his career, Dirk has attained project and managerial experience in France, the UK, China, Abu Dhabi/Dubai, the United States, North Africa and many countries in SSA. Dirk Harbecke has a joint honours degree in Journalism and Economics from the University of Dortmund, Germany and an MBA from the University of St. Gallen, Switzerland. Dirk Harbecke started his career as a financial journalist in 1994 with a focus on financial services and new technologies. In this time he also worked as project manager at n-tv in Berlin. In 1998, Dirk Harbecke founded a German financial online network with over 100 employees in offices in Europe. Between 2006 and 2008, Dirk Harbecke worked as a project leader at The Boston Consulting Group in banking.

Karima Ola

Karima Ola was born in 1970 in England, Great Britain and is a member of the management board and Chief Investment Officer of ADC. She joined ADC in July 2011 as Chief Investment Officer and was appointed as a member of the management board in August 2013. Prior to joining ADC, Karima Ola was, from 2007 to 2011, at Chayton Capital LLP, a UK based private equity fund focusing on emerging markets where she was Head of Africa Portfolio Management and a Managing Partner with overall responsibility for Chayton's Africa strategy and pipeline of African funds. At Chayton she launched the firm's first Africa fund in 2008 overseeing the sourcing, selection and management of the firm's investments across Africa. She also served as a member of both the Chayton Management Committee and the Chayton Investment Committee. Prior to Chayton, other previous appointments include equity portfolio manager at PMA Capital Management (2004-2005) and senior advisory roles in corporate strategy, business development and M&A among others at Tate & Lyle plc; Aviva plc and TNT NV (2005-2007). Karima Ola started her career at HSBC Bank plc where she held various roles in corporate and investment banking between 1994 and 2004 latterly as an Executive Director. At HSBC, she was also an Extel and Institutional Investor ranked analyst in derivatives and equities. She graduated in Civil Engineering at University of London in 1994 and subsequently obtained a Post Graduate Diploma in Economics also from the University of London in 1997.

Sonja Rossteuscher-Schütze

Sonja Rossteuscher-Schütze was born in 1975 in Belleville, Canada. She is a member of the management board and the Chief Financial Officer of ADC, a position she held from January 2009 to August 2010. Sonja Rossteuscher-Schütze studied Business Administration at the University of British Columbia from 1994 to 1999. In early 1999, Sonja Rossteuscher-Schütze began her professional career in the Mergers & Acquisitions Department of CIBC World Markets, a Canadian investment bank. Between late 2001 and the end of 2004, she held positions in corporate development and strategic planning at Norigen Communications, a telecommunications start-up and Maple Leaf Foods, a large publicly-listed Canadian food company. In 2005, Sonja Rossteuscher-Schütze completed her MBA at the University of St. Gallen (HSG) in Switzerland. In 2006, she joined Robert Bosch GmbH in Stuttgart as part of the strategic planning unit, and later as director, New Business Areas where she was responsible for negotiating and setting up a joint venture with a Samsung subsidiary in Korea. In 2009, she joined ADC as Chief Financial Officer. In late 2010, she left the Company and joined Tristone Flowtech Germany GmbH as managing director and Chief Financial Officer at its global headquarters. Tristone Flowtech had been recently carved out of a Swedish conglomerate by a German private equity company and required a transitional CFO to set up finance and treasury processes, as well as corporate tax and legal functions. In January 2013, Sonja Rossteuscher-Schütze returned to ADC, initially as interim CFO, and as member of the management board from January 2014.

The following description provides summaries of the biographies of the current members of ADC's supervisory board:

Alastair Newton (Chairperson)

Alastair Newton was an advisor to the ADC Group in early 2008 and joined the supervisory board a few months later. From 1985 to 2005 he was a diplomat with the British diplomatic service. He served in SSA, Paris (at the OECD) and the United States. In London, he worked in intelligence co-ordination (including during the 1990/91 Gulf War), policy planning and economic relations, as well as running the British Prime Minister's G7/8 team from 1998 to 2000. He was on secondment from the diplomatic service to Lehman Brothers from 2000 to 2002. He served as Vice Chairman from 2009 to 2012 and was elected Chairman in January 2013. Alastair Newton is currently a senior political analyst/managing director at Nomura International, a position he has held since September 2008. Prior to this position he worked for Lehman Brothers International for three years in the same capacity. Alastair Newton is also working on periodical publications and on studies on China, India, Indonesia, North Korea and Iran/Israel. He is also a frequent commentator on current politics on television and radio and a regular speaker at conferences and other events worldwide.

Oltmann Gottfried Siemens

Oltmann Siemens has been active in emerging markets since 1976, working as a lawyer with DEG and continuing his career with the IFC starting in 1979. Oltmann Siemens was the World Bank Group representative in Germany and special representative of the IFC in Europe from 1997 to 2007 and has most recently worked as general counsel for the International Fund for Agricultural Development (IFAD). He has worked in approximately 65 countries around the world over the course of his career and is familiar with the development and canes within the banking system in Africa.

Verna Eggleston

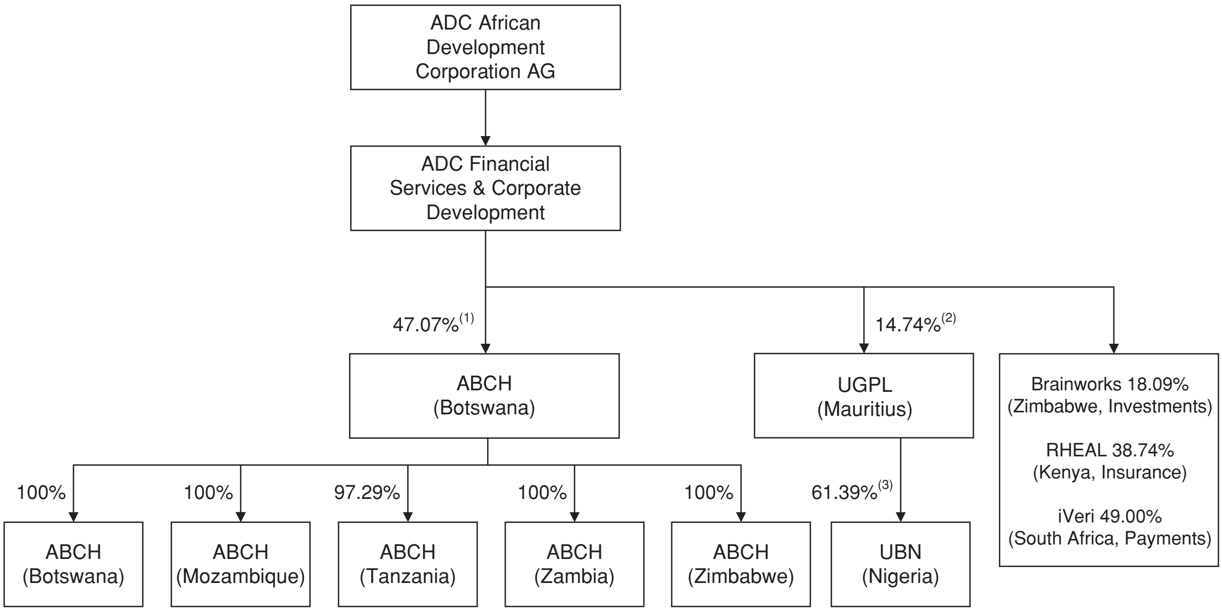
Verna Eggleston has worked in social development in the USA and Africa for more than 30 years. Most recently Verna Eggleston has worked for Michael Bloomberg starting in August 2001, at first in the capacity as a senior advisor for his first campaign as mayor of New York City and as part of the team developing a social development plan for the city of New York. In 2002 she was appointed as the Commissioner of Social Development of New York City. In April 2007, at the request of the founder, Michael Bloomberg, she joined Bloomberg's philanthropic organisation to research and develop philanthropic investments in Africa which includes a portfolio of investments in Liberia, South Africa, Uganda, Zimbabwe, Nigeria, Rwanda, Congo, Sierra Leon, and Sudan.

Pierre Lorinet

Following his career in the banking sector with Merrill Lynch in London and with the Banque Indosuez in Bahrain, Pierre Lorinet joined Trafigura in 2002. He is the Chief Financial Officer of Trafigura Beheer B.V., Amsterdam, The Netherlands. In his capacity as CFO of the globally active Trafigura Group, Mr. Lorinet is the director of Trafigura Beheer B.V., Amsterdam, The Netherlands and of a series of subsidiaries within the Trafigura Group. In addition, he sits on the leadership committee of GTSA (Geneva Trade and Shipping Association) and is a Supervisory Board member of GDE S.A., Rocquancourt, France. He studied at the Ecole de Commerce Supérieure de Paris and completed his MSc in Finance from the University of Lancaster (Great Britain) with distinction.

Corporate Structure

The activities of the ADC Group are headquartered in Germany. ADC owns 100% of ADC Financial located in Mauritius, which is the African investment originator of ADC's assets via several holding companies and special purpose entities.



The ADC Group structure shows direct and indirect ownership not controlling positions. Additionally ADC holds further subsidiaries that are either not material or just shell companies.

(1) ADC holds an indirect holding of 47.07% in ABCH but controls additional shares through pooling agreements and shares held under call option agreements with aligned ABCH management for a total controlling position of 65.06%.

(2) ADC holds a direct shareholding of 14.74% in UGPL (indirect 9.1% in UBN) but has a total representation of 20.04% in UGPL (indirect 12.30% in UBN) via co-investments that are managed by ADC.

(3) Out of 65.00% shareholding in UBN, 3.61% are controlled by UGPL through a pooling agreement but held outside UGPL.

Stock Options

Under a stock option plan dated 6 December 2013 (the "ADC Stock Option Plan"), up to 430,000 (50% of the total options subject to the ADC Stock Option Plan) options to receive ordinary registered shares without par value (*auf den Namen lautende Stückaktien*) in ADC can be granted to members of the management board of ADC, 43,000 stock options (5%) can be granted to employees of ADC and up to 387,000 stock options (45%) can be granted to directors of affiliated companies and selected employees of affiliated companies. The exercise price under the ADC Stock Option Plan amounts to EUR 9.00 per ADC Share. Under the ADC Stock Option Plan a total of 376,000 options have been granted, including 120,000 options to Dirk Harbecke, 68,000 options to Karima Ola and 16,000 options to Sonja Rossteuscher-Schütze. In total 172,000 options have been granted to employees of ADC and employees of companies affiliated with ADC.

Business Segments

ADC's focus is on the banking sector in SSA which represents 98.2% of ADC's total asset base at year-end 2013, inclusive of wholesale banking, retail banking and consumer finance. ADC's private equity business encompasses legacy proprietary shareholdings which ADC acquired before the re-focused strategy was implemented in 2012 changing ADC from an investment company to a banking group. As such, the ADC Group structure is divided into two main divisions: banking operations and private equity activities.

Banking Operations

ADC's banking operations division manages the ADC Group's existing portfolio of banking investments organised into two separate segments: ABCH and UBN.

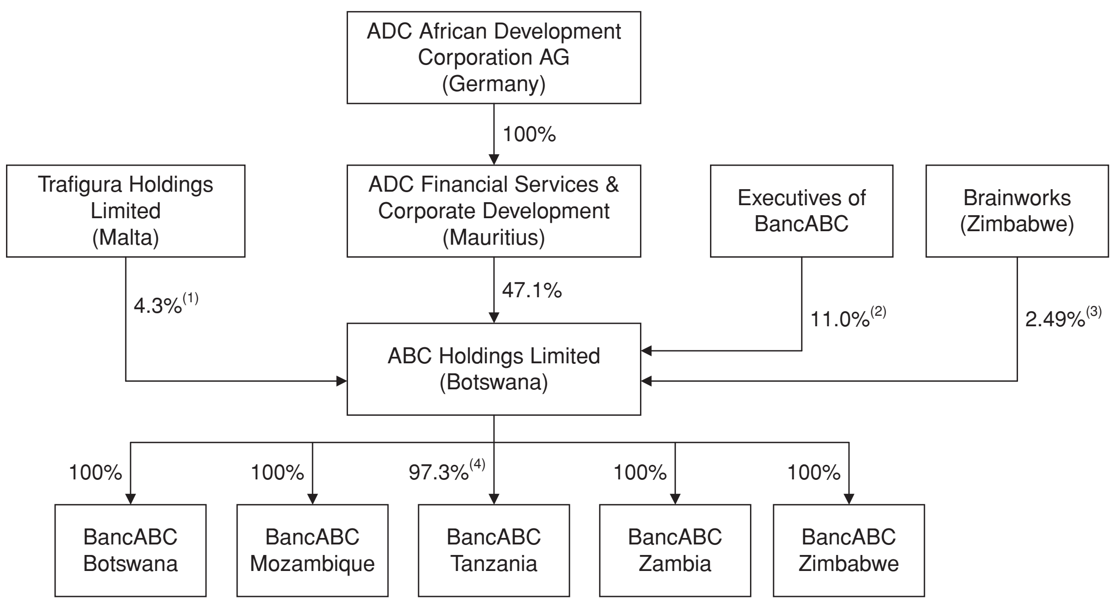
ABCH

BancABC Group is ADC's core banking operation. ABCH is the parent company of its five licensed and operational banking entities active in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe as well as a shared services centre located in South Africa. The shares of ABCH are listed on the stock exchanges in Botswana (ABCH.BG) and Zimbabwe (ABCH.ZH).

The following timeline provides an overview of the milestones related to the acquisition of ADC's current 47.07% stake in ABCH and ADC's majority control of ABCH:

- In March 2011, ADC purchased 20.1% of the shares in ABCH through ADC's subsidiary, ADC Financial, for a purchase price of EUR 9.7 million at a price of US$0.45 per share.
- ADC Financial increased its shareholding to 23.1% in October 2011 for a purchase price of EUR 3.2 million at a price of US$0.81 per share and further increased its stake in ABCH through a series of acquisitions of shares until the summer of 2012 to 23.4% in large parts at US$0.60 per share.
- ABCH executed a capital increase in August 2012, in which ADC Financial subscribed for 82,140,453 additional shares in the amount of EUR 39.1 million which allowed ADC Financial to gain a majority interest of 52.0% in ABCH at a price of US$0.60 per share. ADC fully consolidated ABCH for the first time in August 2012.
- After the conversion of a convertible bond issued by ABCH to IFC into shares of ABCH in May 2013, which diluted ADC Financial's shareholding, ADC Financial directly held 47.1% of the shares of ABCH, of which 9.3% are held subject to the Call Option Agreements.
- Following a mandatory tender offer to minority shareholders of ABCH at a price of US$0.60 per share of ABCH listed on the ZSE and a price of BWP 5.05 per share of ABCH listed on the BSE, ADC Financial still holds a 47.1% stake in ABCH, but through pooling agreements with Trafigura (4.3%) and Brainworks (2.49%), ADC Financial controls 54.1% of the shares of ABCH. In addition, ADC Financial has a further vote pooling agreement with the Executives of ABCH which adds an additional 11.0%, so that in aggregate, ADC Financial controls 65.1% of the shares of ABCH.

The following chart provides an overview of ADC's interests in ABCH and its structure:



(1) A vote pooling agreement exists between Trafigura Holdings Limited and ADC Financial.

(2) A vote pooling agreement exists between the Executives of ABCH and ADC Financial.

(3) A vote pooling agreement exists between Brainworks and ADC Financial.

(4) ABCH owns 91.5% in BancABC Tanzania, whereas Tanzania Development Finance Company Ltd. owns the remaining 8.5%. ABCH owns 68% of TDFL. As a result, ABCH's direct and indirect shareholding in BancABC Tanzania is 97.3%.

Further details in relation to the vote pooling agreements are set out in paragraphs 15.8, 15.9 and 15.10 of "Part XV—Additional Information".

Further details in relation to ABCH are set out in "Part V—Information on ABCH and the BancABC Group".

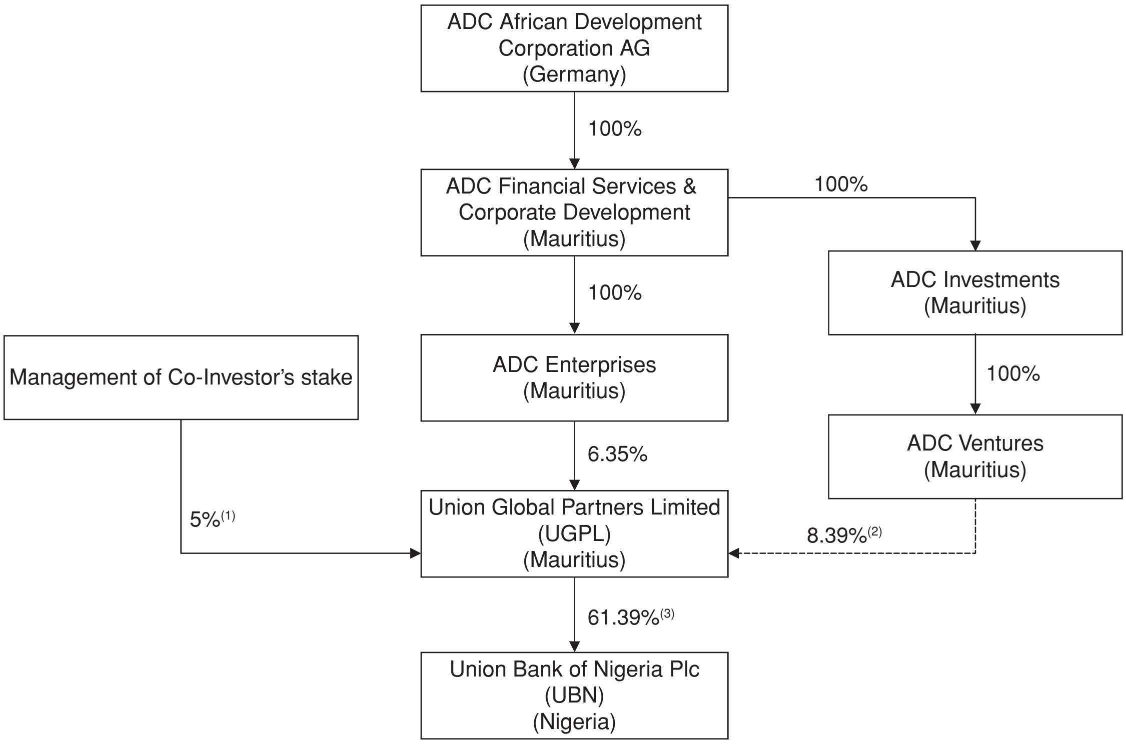
Union Bank of Nigeria (UBN)

UBN is one of the longest-standing banks in Nigeria. Its roots date back to 1917, when UBN was part of Barclays Bank. Over the years, the bank has evolved into an established brand with one of the largest networks of branches throughout Nigeria. In 2009, UBN was one of eight banks rescued from insolvency with the aid of a cash injection from the government's Asset Management Corporation of Nigeria ("AMCON"). A net asset value of zero was attained by the end of 2011 and the non-performing loans from the years 2010-2012 were purchased by the Nigerian Central Bank in order to re-establish a non-performing loan ("NPL") ratio of close to 5%. Between January and mid-2012, a consortium of international investors stepped in to finance UBN's total recapitalisation with US$500 million.

ADC, as part of the investor consortium, completed its investment in UBN together with international partners with a wealth of experience, including a Nigerian private equity fund African Capital Alliance, global financial services private equity firm Corsair Capital, the Dutch development bank, FMO, international business group Richard Chandler Corporation and global private equity investor Standard Chartered Private Equity. The consortium invested via an intermediary vehicle, Union Global Partners Limited ("UGPL"), a limited liability company with its corporate seat in Mauritius. The skills of the consortium vary from local investors, financial services and emerging market specialists, to family offices and development finance institutions. ADC has a seat on the board of UGPL, held by ADC's Chief Investment Officer, Karima Ola. In addition, pursuant to the UGPL shareholders agreement ADC are entitled to nominate a director to the board of UBN. Douglas Munatsi, CEO of ABCH, currently represents ADC on the UBN board.

ADC's investment in UGPL was made via two separate investment vehicles and amounts to 14.74% of the UGPL consortium. The initial investment of US$30 million in UGPL was made in January 2012 and represents a direct stake of 6.35% (3.9% indirect stake in UBN) in the consortium group that invested US$500 million for a total shareholding of 65%[(1)] in UBN. Further to this, ADC co-invested in a special purpose vehicle, ADC Ventures, in July 2012, giving ADC exposure to an additional 8.39% stake in UGPL (5.2% indirect stake in UBN). The ADC Ventures SPV is majority financed as mezzanine debt, and has consolidated for the first time in ADC's financial accounts in 2013 following the early adoption of IFRS 10. ADC manages a further 5.0% stake in UGPL (3.2% indirect stake in UBN) on behalf of co-investors, to which ADC is entitled to a performance related share of profits. As a result, ADC indirectly holds a 9.1% stake in UBN.

The following chart provides an overview of ADC's shareholding in UGPL and UBN:



(1) The management of a co-investor's stake relates to an investment services agreement with a co-investor.

(2) The stake of ADC Ventures in UGPL is contingent on a loan in the amount of US$41.3 million.

(3) UGPL has a direct shareholding of 61.39% in UBN, while one investor holds a 3.61% direct shareholding in UBN. This investor is also bound by agreements with the investment consortium. As a result, UGPL controls 65% of UBN.

Supporting Services

ADC's supporting services segment is a cost centre for the ADC Group and comprises areas of activity such as identifying investment opportunities, monitoring the financial position and performance of ADC Group companies and portfolio companies, and providing such group companies and portfolio companies with professional support. In addition, strategic portfolio structuring is pursued, active risk management coordinated, capital-raising measures implemented, and relationships with investors maintained by the supporting services segment. As these activities relate to both banking operations and private equity activities of the ADC Group, they are monitored in a separate reporting segment.

Private Equity

ADC's private equity portfolio consists of investments in a private equity and financial advisory company located in Zimbabwe (Brainworks), a company in the insurance sector operating in Kenya, Tanzania and South Sudan (RHEAL) and a company in the payment solutions sector located in South Africa (iVeri).

ADC's refined strategy focuses entirely on banking sector activities in order to create a pan-African banking group on a large enough scale to compete with existing players. As such, ADC will not acquire any new private equity holdings and hold existing investments only until market conditions are conducive for an exit. In line with this strategy, on 30 May 2014, ADC agreed the sale of one of its private equity investments, RSwitch Ltd, the national e-payment switch of Rwanda, to Millicom, a digital services provider, on the basis of an enterprise value of US$6.5 million.

Brainworks Capital Management (Private) Limited ("Brainworks")

ADC holds 18.1% of the shares in Brainworks via ADC Financial in Mauritius. ADC Financial originally acquired a 28.2% stake in Brainworks. In 2013 that stake was diluted after Brainworks issued a pre-IPO

(1) Out of 65.00% shareholding in UBN, 3.61% are controlled by UGPL through a pooling agreement held outside the UGPL legal entity.

private placement, which raised a total of US$17.5 million that was closed in the fourth quarter of 2013 at US$0.10 per share, diluting ADC's stake from 28.2% to 18.1%.

Brainworks is a Zimbabwean private equity investment firm that primarily invests in the financial, mining, energy, hospitality and real estate sectors. The company co-invests with leading international partners in promising, high-growth companies in Zimbabwe while taking a long-term investment perspective with special emphasis on capital preservation. In addition to its proprietary investments, Brainworks is registered as an authorised financial advisory firm with the Securities Exchange of Zimbabwe.

Brainworks plans to list in Canada by acquiring all shares of Rock Tech Lithium Inc., a Canadian company currently listed on the Toronto Stock Exchange.

ADC Financial concluded a call-option agreement and a put-option agreement with George Manyere in December 2013. According to these agreements, within a 6-month period starting on 31 December 2013, ADC Financial can sell the shares it holds in Brainworks to Mr Manyere and Mr Manyere can purchase the shares which ADC Financial holds in Brainworks at a pre-agreed price. Brainworks exercised the call option agreement on 28 May 2014. The pre-agreed price in relation to the call-option is US$8,720,000.

Resolution Health East Africa Ltd. ("RHEAL")

In December 2010, ADC indirectly acquired 25.1% of the shares in RHEAL, which is based in Nairobi, Kenya, for a purchase price of approximately EUR 1.7 million. ADC also indirectly acquired an additional 13.64% of the shares of RHEAL and now holds 38.74% of the shares via ADC Financial.

RHEAL is a health insurance company in Kenya offering various health insurance policies to private individuals and companies. Currently, RHEAL also has an operational subsidiary in Tanzania who received a general insurance license in 2012. RHEAL is also in the process of setting up a presence in Uganda and South Sudan. RHEAL is planning to expand its business to the remaining countries of the East African Community. This effort is intended to balance the risks in the more competitive environment in Kenya through a steady policy of expansion.

iVeri Payment Technologies (PTY) Ltd. ("iVeri")

ADC hold a 49% stake in iVeri through ADC IT & Payment Solutions (incorporated in Mauritius), a wholly-owned subsidiary of ADC Financial. ADC acquired its shareholding in iVeri by means of a share purchase at a cost of approximately EUR 0.2 million. The management of iVeri owns 51% of the shares of iVeri.

iVeri is a software developer, headquartered in Johannesburg, South Africa, founded in 1998. It sells electronic payment solutions and services to the financial services industry in six African countries focusing mainly on mobile and internet-based solutions for commercial enterprises and e-government platforms. Together with iVeri, ADC holds the entire share capital of evriPay, Mauritius ("evriPay"). ADC invested EUR 0.4 million in evriPay for a shareholding of 25% in October 2012, while iVeri holds the remaining shares in the company. evriPay mainly provides access to electronic payment transactions for small and mid-sized merchants.

ADC Group as an Employer

In total, ADC Group employed 1,657 people as at 31 March 2014 (2012: 1,361), with most of them employed in its African operations, and in particular, 1,594 within BancABC Group.

Capital Structure of ADC

At the date of this Document, the registered share capital (*Grundkapital*) of ADC amounts to EUR 9,467,440.00 and is divided into 9,467,440 ordinary shares with no-par value, each representing a pro rata amount of the registered share capital of EUR 1.00. All shares are in registered form (*auf den Namen lautende Stückaktien*). According to the information available to the Company, ADC does not hold any treasury shares.

Authorised Capital (genehmigtes Kapital)

Pursuant to § 6 of the articles of association (*Satzung*) of ADC dated 24 September 2013 (the "ADC Articles"), the management board (*Vorstand*) is authorised, subject to approval of the supervisory board (*Aufsichtsrat*), to increase the share capital (*Grundkapital*) of ADC in one or more tranches by 13 August

2018 by an amount of up to EUR 4,303,382.00 by the issue of up to 4,303,382 new ordinary registered shares (*auf den Namen lautende Stückaktien*) against cash (*Bareinlagen*) or non-cash (*Sacheinlagen*) contributions (Authorised Capital II/2013). Subscription rights must be issued to shareholders. Such rights may be issued indirectly in accordance with § 186 para. 5 of the German Stock Corporation Act (*Aktiengesetz*). The management board (*Vorstand*) is authorised to exclude shareholders' preemptive subscription rights subject to the approval of the supervisory board (*Aufsichtsrat*) if the increase in share capital is made against cash contributions, provided that the portion of the share capital represented by the new shares does not exceed a total of 10% of the existing share capital at the time this authorised capital was registered and at the time the new shares are issued, provided that the issue price of the new shares is not substantially below (within the meaning of §§ 203 para. 1 and 2, and 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*)) the stock exchange price of shares of the same class and terms already traded on the stock exchange at the time the final issue price is set; with the 10% limit calculated after deducting that portion of the share capital represented by new or repurchased shares issued or sold subject to exclusion of pre-emption rights in accordance with or pursuant to § 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*), as well as that portion of the share capital related to option and/or conversion rights or obligations arising from bonds issued in analogous application of § 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*); for capital increases in-kind (*Sachkapitalerhöhungen*), in particular for the acquisition of business, business units or interests in businesses; in order to issue shares to employees of ADC and of ADC's affiliates; for fractional amounts (*Spitzenbeträge*).

Conditional Capital (bedingtes Kapital)

Pursuant to § 5 para. 2 of the ADC Articles, ADC's share capital (*Grundkapital*) is increased by a contingent capital (*bedingtes Kapital*) of up to EUR 2,000,00.00 through the issuance of up to 2,000,000 new ordinary registered shares with no par value (*auf den Namen lautende Stückaktien*) (Contingent Capital II/2009). The Contingent Capital II/2009 may be used to grant subscription and/or conversion rights to the holders of warrant-linked or convertible bonds issued in accordance with the authorisation granted by the shareholders' meeting of ADC on 12 August 2009. The shares shall be issued based on the option or conversion price to be determined in accordance with the resolution adopted by the shareholders' meeting of ADC on 12 August 2009 under agenda item 10. The contingent capital increase shall only be implemented to the extent that the holders of option or conversion rights exercise such rights or those holders with an obligation to convert satisfy their conversion obligations, insofar as the delivery obligations are not satisfied by providing a cash settlement, treasury shares or shares from authorised capital. Shares created by rights exercised before the beginning of ADC's annual shareholders' meeting shall have dividend rights beginning with the start of the preceding financial year, and shall otherwise have dividend rights beginning with the start of the financial year in which they are created through the exercise of subscription rights. The management board (*Vorstand*) is authorised, subject to approval by the supervisory board (*Aufsichtsrat*), to specify the remaining details of implementation of a contingent capital increase.

Pursuant to § 5 para. 3 of the ADC Articles, ADC's share capital (*Grundkapital*) is increased by a contingent capital (*bedingtes Kapital*) of up to EUR 1,400,000.00 through the issuance of up to 1,400,000 new ordinary registered shares with no par value (*auf den Namen lautende Stückaktien*) (Contingent Capital I/2013). The Contingent Capital I/2013 may be used to grant subscription and/or conversion rights to the holders of warrant-linked or convertible bonds issued in accordance with the authorisation granted by the shareholders' meeting of ADC on 17 January 2013. The shares shall be issued based on the option or conversion price to be determined in accordance with the resolution adopted by the shareholders' meeting of ADC on 17 January 2013. The contingent capital increase shall only be implemented to the extent that the holders of option or conversion rights exercise such rights or those holders with an obligation to convert satisfy their conversion obligations, insofar as the delivery obligations are not satisfied by providing a cash settlement, treasury shares or shares from authorised capital. Shares created by rights exercised before the beginning of ADC's annual shareholders' meeting shall have dividend rights beginning with the start of the preceding financial year, and shall otherwise have dividend rights beginning with the start of the financial year in which they are created through the exercise of subscription rights. The management board (*Vorstand*) is authorised, subject to approval by the supervisory board, to specify the remaining details of implementation of a contingent capital increase.

Pursuant to § 5 para. 4 of the ADC Articles, ADC's share capital (*Grundkapital*) is increased by a contingent capital (*bedingtes Kapital*) of up to EUR 860,000.00 through the issuance of up to 860,00 new ordinary registered shares with no par value (*auf den Namen lautende Stückaktien*) (Conditional Capital III/2013). The Conditional Capital III/2013 may be used when the holders of stock options issued in accordance with the authority granted by the resolutions of ADC's shareholders' meeting of 14 August 2013 exercise their option rights under the Stock Option Plan 2013 to acquire shares in ADC, and ADC does not grant the holders treasury shares for this purpose. The management board (*Vorstand*) is authorised, subject to the approval of the supervisory board (*Aufsichtsrat*), to determine further details of the stock option plan, its implementation, and the issuance of the stock options. Insofar as members of the management board (*Vorstand*) are affected, further details of the stock option plan, its implementation, and the issuance of the stock options shall be determined by the supervisory board (*Aufsichtsrat*). The new shares issued shall have dividend rights as of the financial year in which—at the time the respective options are exercised—no annual general meeting has yet approved a resolution on the appropriation of profits.

PART V

INFORMATION ON ABCH AND BANCABC GROUP

Overview

ABCH is headquartered in Gaborone, Botswana. ABCH is the holding company of a number of banks operating under the BancABC brand, which is currently active in various SSA countries. Overall, the bank is represented in six countries: Botswana, Mozambique, Tanzania, Zambia and Zimbabwe and has a group service office located in South Africa. ABCH has a primary listing on the BSE (ticker symbol ABCH.BG) and a secondary listing on ZSE (ticker symbol ABCH.ZH).

Originally focused on wholesale banking, BancABC Group has expanded to provide universal banking services and products throughout Botswana, Mozambique, Tanzania, Zambia and Zimbabwe with established customer relationships across all economic sectors.

The tables below set out the relative contributions of BancABC Group's key operating subsidiaries to overall BancABC Group operations for the periods indicated:

	For the 12 months ended 31 December 2013					
	Total income	**Contribution to banking operations**	**Attributable profit**	**Contribution to banking operations**	**Total assets**	**Contribution to banking operations**
			(BWP'000)			
BancABC Botswana	409,695	33%	127,444	82%	4,897,873	33%
BancABC Mozambique	151,096	12%	3,065	2%	2,282,419	15%
BancABC Tanzania	98,075	8%	(19,581)	(13)%	1,064,608	7%
BancABC Zambia	170,626	14%	10,083	7%	2,065,885	30%
BancABC Zimbabwe	393,933	33%	33,926	22%	4,457,784	14%
Banking operations	**1,223,425**	**100%**	**154,937**	**100%**	**14,768,569**	**100%**
Head office and other non-banking operations**	(67,196)		(204,578)		663,297	
Total*	**1,156,229**		**(49,641)**		**15,431,866**	

	For the 12 months ended 31 December 2012					
	Total income	**Contribution to banking operations**	**Attributable profit**	**Contribution to banking operations**	**Total assets**	**Contribution to banking operations**
			(BWP'000)			
BancABC Botswana	286,611	27%	94,434	44%	4,791,781	38%
BancABC Mozambique	1,318,991	13%	17,562	8%	1,318,991	10%
BancABC Tanzania	44,802	4%	(38,579)	(18%)	1,101,274	9%
BancABC Zambia	181,314	17%	36,004	17%	1,401,376	11%
BancABC Zimbabwe	397,677	38%	103,351	49%	4,122,110	32%
Banking operations	**1,051,790**	**100%**	**212,772**	**100%**	**12,735,532**	**100%**
Head office and other non-banking operations**	34,772		(79,997)		538,129	
Total*	**1,086,562**		**132,775**		**13,273,661**	

* Prior to eliminations.

** Reflects non-banking operations in various geographical sectors and consolidation entries.

Products	Botswana	Mozambique	Tanzania	Zambia	Zimbabwe
Advisory Services					✓
Consumer Lending	✓		✓	✓	✓
Corporate Banking	✓	✓	✓	✓	✓
Retail and SME Banking	✓	✓	✓	✓	✓
Stock Broking					✓
Wealth Management				✓	✓
Treasury	✓	✓	✓	✓	✓

BancABC Group has a diversified loan portfolio across industries and geographies with retail, consumer, SME loans and wholesale loans.

As at 31 December 2013, BancABC Group had over 277,383 retail and wholesale banking customers across 73 branches which together employed 1,501 permanent staff. As at 31 December 2013, BancABC Group had total assets of BWP 15.4 billion, total deposits of BWP 12.2 billion, total loans of BWP 10.3 billion and total equity of approximately BWP 1.0 billion. The net interest income after impairment amounted to BWP 464.1 million and the non interest income was BWP 692.1 million, while losses after taxes were BWP 75.7 million.

In 2013, Global Credit Rating, an international bank rating and information agency, reaffirmed BancABC Group's long term debt rating of BBB-, a short term debt rating of A3 and put BancABC Group on a rating watch predominantly linked to observing the impact on BancABC Group of the Zimbabwean elections held in July 2013.

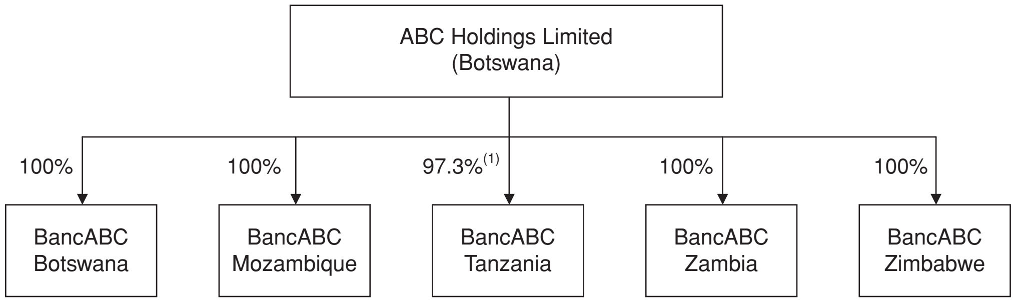
History of ABCH

BancABC Group was formed in December 1999 through a merger of First Merchant Bank of Zimbabwe ("FMB"), the principal subsidiary of FMB Holdings Limited ("FMBH"), udc Holdings ("udcH"), the Bard group of companies ("BARD"), EDFUND and ulc regional companies ("ULC"). FMB had previously merged with Heritage Investment Bank, a small but highly innovative Merchant Bank in 1997. Bard Discount House, FMBH and udc Holdings, each have origins dating from the 1950s. The share swap between FMBH, udcH and BARD which was concluded in March 2000, paved the way on June 2000 for the dual listing of ABCH shares on the BSE and ZSE respectively. Between 2000 and 2002, ABCH acquired several other holdings including ULC, a regional credit institution, which licences were transformed into merchant banking licences to establish BancABC Botswana, BancABC Mozambique, BancABC Tanzania, BancABC Zambia and BancABC Zimbabwe. From 2002 to 2004 ABCH rationalised its different holdings, closing and selling off the ULC unit in Mozambique while taking over BancABC Mozambique which previously operated as BNP Nedbank of Mozambique and acquiring a majority stake in Tanzania Development Finance Limited ("TDFL"), which had holdings in BancABC Tanzania.

Originally, BancABC Group focused exclusively on corporate and wholesale banking ("Wholesale Banking"). However, in 2002, BancABC Group formed Microfin Africa to expand lending operations into the fast growing Consumer Lending market. In 2008, BancABC Group started to expand into the retail banking ("Retail Banking") business, developing a comprehensive offering of retail services including SME and consumer lending products with a focus on providing payroll deduction lending arrangements to government employees in the countries in which BancABC Group operates. This expansion, which was funded from internal resources, has accelerated BancABC Group's growth in recent years. In 2010, BancABC Group made a strategic shift in its retail strategy to focus on the rapidly growing mass consumer market in the countries in which it operates.

Corporate Structure

BancABC Group is headquartered in Botswana. BancABC Group primarily operates through wholly owned subsidiary banks and investment companies located in Botswana, Mozambique, Zambia and Zimbabwe as well as one majority owned banking subsidiary and investment company in Tanzania. BancABC Group's effective shareholding in BancABC Tanzania is 94 per cent. with the remaining owned by the Tanzanian Government through an investment company called TDFL. BancABC Group, which also owns 68 per cent. of the shares in TDFL, has made a proposal to buy the remaining government held shares, which would give the ABCH direct 100 per cent. ownership of BancABC Tanzania.



(1) ABCH owns 91.5% in BancABC Tanzania, whereas Tanzania Development Finance Company Ltd. owns the remaining 8.5%. ABCH owns 68% of TDFL. As a result, ABCH's direct and indirect shareholding in BancABC Tanzania is 97.3%.

The role of ABCH within BancABC Group

Each ABCH subsidiary functions on a largely autonomous basis, subject to applicable banking and other regulations in the jurisdiction in which it operates, and subject to the group-level policies and procedures. The Bank of Botswana working closely with the Reserve Bank of Zimbabwe maintains an oversight of BancABC Group via its regulatory supervision of ABCH. Each ABCH banking subsidiary has its own board of directors, committees and management. At least one BancABC Group executive committee member is a non-executive member of each ABCH subsidiary's board of directors who works alongside the Managing Director of such ABCH subsidiary. Control over the decision-making process of the ABCH subsidiaries is maintained through the standard policies and procedures, representation on each ABCH subsidiary's boards of directors, and the submission of internal reports to ABCH from each ABCH subsidiary.

ABCH nevertheless retains discretion to allocate capital and funds within BancABC Group and provides deposit guarantees in favour of certain significant depositors in its ABCH subsidiaries. Any intra-group lending is carried out on arm's length terms, whether provided by the ABCH to its ABCH subsidiaries, or from one ABCH subsidiary to another. ABCH is reliant upon dividends as a means of receiving distributions or cash payments from its ABCH subsidiaries, however, in addition each ABCH subsidiary also provides for shared costs such as the development of retail products and shared IT infrastructure; typically 50 per cent. of ABCH subsidiaries' profits are paid to ABCH and 50 per cent. retained locally, unless capital adequacy or liquidity concerns limit the ability of one or more ABCH subsidiaries to pay distributions to the ABCH.

Products and Business Focus

In September 2013, ABCH was ranked among the top 200 banks in SSA and was listed as the 110th largest bank and its subsidiary, BancABC Botswana, was included in the rankings on a stand-alone basis as the 190th largest bank (Source: The Africa Report, 20 September 2013).

BancABC Group's core operations are currently focused on five principal business areas, three within Wholesale Banking (corporate, treasury and investment banking) with two within Retail Banking (consumer lending, and retail and SME banking).

Wholesale Banking

Corporate Banking

This business line provides a broad range of commercial banking services and products including working capital finance, term loans, asset finance, trade and specialised finance, commodity finance, pre- and post-shipment finance and structured finance. This division principally services medium-sized and large corporations, financial institutions, quasi-governmental entities and NGOs.

BancABC Group offers corporate banking products and services to its main corporate clients across all five markets, mainly medium-sized and large corporations, financial institutions, state-owned enterprises and government agencies. The corporate customers include large multi-national corporations and leading local companies operating primarily in the mining, agriculture, tourism, construction, transportation, telecommunications, energy, commerce, services and manufacturing sectors. BancABC Group banking division aims towards becoming a leading corporate bank in each of its operating markets. The typical and most recurrent products offered are the term loan and overdraft account, followed by letters of credit and guarantees as well as bankers acceptances, leases and cash advances. Corporate banking products and services are broadly categorised into short-term loans, medium-term loans and international banking services.

- *International banking services:* includes international corporate banking services to facilitate foreign trade, such as documentary letters of credit, guarantees, foreign bills and foreign money transfers as well as professional advisory services relating primarily to exchange control matters.
- *Short-term loans:* includes bankers' acceptances, cash advances, bridge finance, pre- and post-shipment finance, documentary letters of credit, guarantees, commodity loans, factoring and invoice discounting, promissory notes and commercial paper, syndicated working capital facilities and insurance premium finance. These loans typically have a maturity of less than one year and are primarily aimed at funding the customers' short-term working capital requirements and pre- and post-shipment finance requirements.
- *Medium-term loans:* includes asset finance, medium-term loans, syndicated loans, project finance, external lines of credit and property development finance. The majority of medium-term loans are term loans with maturities greater than one year and less than three years that principally finance assets such as vehicles and equipment. There are also products with maturities of more than three years but generally less than five years. BancABC Group also grants a limited number of loans with maturity between five to seven years. BancABC Group participates in syndicated loans and arranges syndicated loans as a way of offering customers larger-scale loans and collecting fee-based income.

Short-term and medium-term loans to corporate customers are available in the local currencies of the originating country. However, BancABC Group also provides loans in foreign currency, usually in U.S. dollars or South African Rand, and to a lesser extent in Euros and British pounds. Typically, corporate loans will be secured with collateral, including cash, bank guarantees, 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.

Treasury

This business line provides specialised financial solutions to customers and trades a wide range of products including foreign exchange, treasury bills, and government bonds. The division is responsible for managing the liquidity needs of BancABC Group and also manages market risk for BancABC Group.

The main products offered are term deposits and foreign currency trading. The treasury operations principally provide specialised finance solutions for customers, and trade a wide range of products for the liquidity needs of BancABC Group's customers' and BancABC Group's own liquidity needs. In addition to deposit mobilisation, treasury operations are responsible for direct sales, marketing and customer relationship management. Treasury operations within BancABC Group are carried out by two departments: treasury services and specialised finance.

- Treasury services trades a wide range of treasury products for the liquidity needs of customers and BancABC Group's own liquidity needs. BancABC Group's principal treasury products include government securities, bankers' acceptances, foreign currency transactions, forward rate agreements, currency options and currency swaps. The treasury group is divided into two main areas: sales, which deals with deposit mobilisation and foreign currency transactions; and trading, which deals with pricing of the products offered to customers and management of internal liquidity and market risks. The proprietary positions are principally in fixed-income government securities that BancABC Group usually holds to maturity, which is due in part to the lack of sophisticated alternative products in BancABC Group's markets.
- Specialised finance is principally responsible for origination services, such as product development and issuing of new commercial paper and specialised finance solutions for BancABC Group's customers. The specialised finance solutions typically involve short-term working capital and project lending against cash flows and transaction receipts to borrowers that would ordinarily not qualify for a standard loan. The market for specialised finance solutions in the countries in which BancABC Group operates is driven by the growing economies, the current growth in international commodity demand and market reforms.

BancABC Group aims to develop its structured finance offering, its asset based finance offering and its third-party funding as well as correspondent banking. BancABC Group is developing off-balance sheet products for its customers, such as trade and guarantees, which are less capital intensive, as well as developing self-financing products, such as export finance.

Investment Banking

BancABC Group's investment banking, advisory services and wealth management services are relatively small units centred on the Zimbabwe market and advising on capital markets and merger and acquisition transactions in the country. The investment banking unit has seen increased activity, mainly due to the adoption of U.S. dollar in Zimbabwe.

The mandates for the unit are primarily rights issues, listing and delisting services, restructurings and other capital raising transactions. BancABC Group also offers asset management and stock broking services for Zimbabwe-based clients. BancABC Group is currently looking at consolidating these different units under a single advisory services division. The investment banking operations are separated into advisory and wealth management services.

- Advisory services includes the arrangement and underwriting of securities offerings, project financing and advisory services; and merger and acquisition and restructuring financing. BancABC Group provides these services principally to medium-sized and large corporations, private equity funds and emerging growth business. The securities offering team typically assists entities seeking to raise capital through commercial debt instruments, private placements, venture capital or public offerings through a stock exchange. The project finance team typically assists in raising capital for projects requiring longer-term financing in selected African markets, such as energy, telecommunication, transportation, mining and real property. The merger and acquisition and restructuring team typically provides advice on privatisations, acquisitions, restructurings, mergers, management and leveraged buy-outs and disposals.
- Wealth management includes institutional asset management for pension funds and other corporate customers and retail asset management for middle- and upper-income and high net worth individuals. BancABC Group offers customers a range of portfolio investment opportunities, including internally managed unit trusts. In some cases, BancABC Group holds and manages assets of institutional and retail clients in exchange for a management fee. The asset management team uses research-driven and prudent investment strategies to deliver returns to customers based on each customer's risk appetite. BancABC Group also offers custodial services for the assets managed on behalf of its customers. Historically, BancABC Group has provided wealth management services principally in Zimbabwe and, to a lesser extent, in Zambia. As at December 2013, ABC Asset Management in Zimbabwe had funds under management of BWP 613.0 million. In addition, through ABC Stockbrokers, BancABC Group is a participant on the Zimbabwe equities market.

Retail Banking

Consumer Lending

This business line provides payroll based unsecured lending to individuals.

BancABC Group consumer lending division consists of a portfolio of high margin unsecured loans to government employees and blue chip companies within the markets in which BancABC Group operates. BancABC Group's consumer lending products and services can be grouped into two main areas. The first group was the historical offering developed in Zambia under the business name Microfin Africa; and the second group was developed at the commencement of the retail and SME banking business. From 2009, ABCH decided to merge the Microfin business with the planned roll-out of the retail and SME banking business in Zambia. The merged entity became the main consumer lending business of BancABC Group. Simultaneously, in the other markets where BancABC Group had no prior track record of consumer lending business, management of ABCH decided to offer consumer lending products under several retail group schemes while applying for deduction codes with the respective governments to offer fully-fledged payroll deduction based consumer lending products. Currently, BancABC Group has obtained deduction codes, in chronological order, in Zambia, Zimbabwe, Botswana and Tanzania. An application for a deduction code is currently under review by the government of Mozambique. Obtaining a deduction code is a key element for providing consumer lending products, as it provides automatic/facilitated repayment deductions from the salaries of the employees that borrow from BancABC Group. In Zimbabwe, consumer lending products are offered under the Easy from BancABC line of products. The two main consumer lending products are: payroll deduction loans (offered to individual government workers and trade-union members, in Botswana, Zambia and Zimbabwe); and group scheme loans (offered to groups of employees or private companies as approved by ABCH, in Botswana, Mozambique and Zimbabwe).

Retail and SME Banking

This business line serves individual customers and SME clients by providing savings accounts, current accounts, business loans, vehicle finance, mortgages, debit, credit and prepaid cards to individuals and small and medium-sized companies.

Retail Products and Services

The retail and SME banking division offers a wide range of products that can be grouped into three main categories namely saving accounts, loan accounts and transaction/current accounts. Typically, these three categories have similar features but vary across countries and depend on the target segment (*i.e.*, mass, middle-mass, top-mass and affluent). Also, BancABC Zimbabwe launched BancABC Infinite, a service dedicated to the affluent segment of the market.

Savings accounts, including term deposits and 'Flexi' accounts, current accounts, including basic and affluent accounts, and loan accounts, including term loans, mortgages, vehicle and asset finance, target the mass, middle-mass, top mass and affluent segments and are available in Botswana, Mozambique, Tanzania, Zambia, and Zimbabwe. Current accounts, including basic and affluent accounts, target the mass, middle-mass, top mass and affluent segments and are available in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe. Loan accounts, including term loans, mortgages, vehicle and asset finance, target the mass, middle-mass, top mass and affluent segments and are available in all the markets where BancABC Group operates.

SME Products and Services

BancABC Group is currently restructuring its SME products and services with the assistance of DAI Europe, an expert consultant engaged under The Africa Micro Small and Medium Enterprises ("AMSME") programme of the IFC. The advisory programme was launched to complement a US$13.5 million convertible loan. The programme is currently in its infancy in BancABC Botswana, BancABC Mozambique and BancABC Zambia. IFC's AMSME advisory unit has offered BancABC Group the opportunity to develop the right products, processes and scorecards to relevant markets by tapping into international and regional best practices, including positioning BancABC Group as an important partner in improving access to finance and helping entrepreneurs expand businesses that create jobs and improve services in Southern Africa. BancABC Zambia and BancABC Mozambique have already implemented key modules and have started processing loans to SMEs under the new processes.

Geographical Overview of Operations

BancABC Botswana

BancABC Botswana was incorporated in Botswana (registration number: C086/384) on 5 June 1986 and commenced operations as a vehicle and asset finance business. On 29 November 2002 the institution was licensed by the Bank of Botswana as a merchant and investment bank and carried on its wholesale banking business until June 2010. The bank received its commercial banking licence from the Bank of Botswana on 28 August 2009 and commenced commercial banking activities having opened its first retail branch at The Square within the new central business district of Gaborone in July 2010. The bank now has a footprint of six branches (four in Gaborone and one each in Francistown and Maun) with two new branches (Palapye and Selebi Phikwe) and a loan centre (Riverwalk, Gaborone) which opened in September 2013. The bank's registered office is at ABC House, Plot 624233, Fairground Office Park, Gaborone, Botswana. The bank has a subsidiary, Kaleu (Pty) Limited, that was relicensed by the Non-bank Financial Institutions Regulatory Authority on 30 January 2014 to operate as an insurance agent.

BancABC Botswana, provides a diverse range of products to corporates (including parastatals and government owned entities), SMEs and individuals through the wholesale banking (incorporating corporate and treasury) and retail and SME banking divisions. BancABC Botswana offers current accounts, overdraft and working capital facilities, term loans, vehicle and asset finance, mortgage and home loans, scheme loans, unsecured loans, letters of credit/guarantee, purchase order finance and structured trade finance. On the investment side, BancABC Botswana offers deposit and savings products in all the major currencies. The bank is also very active in the foreign exchange services. BancABC Botswana also offers a range of VISA chip and PIN card products comprising of debit, credit and pre-paid cards. The cards are supported by instant text messaging so that customers know in real time of all transactions involving their cards that are taking place.

For the year ended 31 December 2013, BancABC Botswana achieved post-tax profit of BWP 127.4 million, up from BWP 94.4 million for the corresponding period in 2012. As at 31 December 2013 BancABC Botswana had total assets of BWP 4.9 billion, total loans and advances of BWP 3.7 billion and total deposits of BWP 4.7 billion.

The speed of branch roll-out is among the fastest among all commercial banks in the country. BancABC Botswana was the first bank in Botswana to introduce 100 per cent. home loans in October 2011. BancABC Botswana was also the first bank to introduce VISA chip and PIN enabled debit, credit and pre-paid cards in the country in November 2011.

BancABC Botswana recently partnered with Botswana Life (the largest life insurance company in Botswana) under which Botswana Life on the back of the bank's VISA pre-paid card platform introduced a unique card product for their customers. This is a first for Botswana (and Africa outside South Africa) where an insurance company and a bank have partnered to launch such an innovative card product. The partnership is expected to generate additional deposits through cash uploads on the cards and to bring in additional revenue from the VISA interchange fee on all POS transactions. A similar partnership was signed with Orange Botswana, the France Telecom mobile operator. BancABC Botswana acts as PIN provider for their VISA Orange prepaid cards which the mobile operator introduces to its customers. This service is now established and is expected to generate additional income and cash for BancABC Botswana in the form of annual sponsorship fees and revenue share from interchange from all POS transactions in additional to an initial collateral (cash security).

BancABC Mozambique

BancABC Mozambique was incorporated in Mozambique with registered number 12155 on 13 September 1999. BancABC Mozambique's registered office is at 999 Avenida Julius Nyerere, Polana Cimento, Maputo, Mozambique.

BancABC Mozambique offers corporate banking and treasury services in Mozambique principally to subsidiaries of multinational corporations, SMEs, NGOs, state owned enterprises and institutional investors. BancABC Mozambique has in the past also offered limited retail banking services primarily to high-net-worth executives of its corporate customers. This offering is now expanding in scope to include a wider retail segment. BancABC Mozambique's corporate and treasury customers primarily come from the trading, manufacturing, construction, tourism and agro processing/fishery sectors. In line with BancABC Group-wide roll-out of retail banking services, BancABC Mozambique is expanding its existing retail banking services. As at 31 December 2013, BancABC Mozambique had total assets of BWP 2.3 billion, total loans and advances of BWP 1.5 billion and total deposits of BWP 2.3 billion.

There are substantial opportunities for BancABC Group to increase its market share in the Mozambique banking market, especially with the roll-out of the retail banking operation. The bank aims to build on its historical growth, strong customer relationships and customer referral base to expand its corporate banking presence and cross-sell the retail banking services to the employees of existing corporate customers. Additionally, the retail banking market is particularly attractive in Mozambique because of the rising number of high net worth individuals and SMEs that are supporting the activities of the increasing number of large scale investment projects in natural resource extraction. BancABC Mozambique plans to expand its product and services offering and grow its large corporate customer relationships by expanding the number of products and services provided to them.

BancABC Tanzania

BancABC Tanzania was incorporated in Tanzania with registered number 26116 on the 21st of September 1994. BancABC Tanzania's registered office is at Uhuru Heights, Bibi Titi Mohamed Road, P.O. Box 31, Dar es Salaam, Tanzania.

BancABC Tanzania operates as a universal bank. Its clients are predominantly in the corporate and SME segment. While it has gained many customers in the retail banking segment, the volumes are yet to reach critical mass. The bank's corporate banking customers principally come from the retail and trading, transportation, agriculture, real estate, tourism and hospitality and energy sectors. As at 31 December 2013, BancABC Tanzania had total assets of BWP 1.1 billion, total loans and advances of BWP 0.6 billion and total deposits of BWP 1.3 billion. To date, the bank has opened four retail branches, three in the city of Dar es Salaam and one in the city of Arusha, with plans to grow the footprint further by the end of 2014. The bank aims to grow the branch network by three every year up to 2015.

Specific target areas in the retail banking space will be salaried civil servants as well as company employees. In addition to rolling out retail banking operations, there are plans to take advantage of the increased development and wealth in Tanzania by increasing marketing and advertising efforts directed at corporations, high net worth individuals and the Islamic community (which comprises approximately 50 per cent. of Tanzania's population). There are further plans to specifically target mining contractors outside of Dar es Salaam in the north of Tanzania in line with the rapidly expanding mining operations in that region.

BancABC Tanzania has suffered from a relatively high level of impairment charges in recent years, particularly during 2012 and early 2013 which has led to the realisation of operating losses for the periods in question.

BancABC Zambia

BancABC Zambia was incorporated in Zambia with registered number 42541 on 31 of December 2000. BancABC Zambia's registered office is at BancABC House, Plot 746B, Corner Nasser Road/Church Road, Ridgeway, Lusaka.

BancABC Zambia offers banking and wealth management services in Zambia. Historically, BancABC Zambia has primarily offered corporate banking, treasury and investment banking services to medium and large sized corporations and microfinance lending primarily to unbanked individuals in Zambia. The bank's corporate customers primarily come from the mining, transportation, agriculture, construction and tourism sectors, and BancABC Zambia has particular expertise in the provision of contingent credit arrangements and performance guarantees. Following the merger of the banking and microfinance operations in 2009, the bank now offers universal banking services and has now expanded its retail product offering to the previously unbanked who were accessing microfinance products. As at 31 December 2013, BancABC Zambia had total assets of BWP 2.1 billion, total loans and advances of BWP 1.3 billion and total deposits of BWP 1.2 billion.

BancABC Zambia believes that there are substantial opportunities to increase its market share in the Zambian banking market, especially with the roll-out of retail banking operations. In particular, the bank sees strong growth potential in the Zambian market with underbanked or unbanked individuals, who represent approximately 60 per cent. of the individual retail market, and micro, small and medium-sized enterprises. BancABC Zambia is offering these potential customers a wide range of retail banking products from mortgages to vehicle and personal loans. BancABC Zambia also has plans to focus its retail banking operations primarily in the populous regions of Lusaka and the Copperbelt, and in areas where there is strong mining, agriculture (such as Mazabuka) and tourism (such as Livingstone in South Province). BancABC Zambia also intends to expand its microfinance operations in Zambia by adding new branches and extending the term of the loans it offers to 60 months, which it is anticipated will allow the bank to attract a larger customer base and permit the lending of additional money to customers.

BancABC Zimbabwe

BancABC Zimbabwe was incorporated in Zimbabwe with registered number 779/55 on 29 November 1955. BancABC Zimbabwe's registered office is at 1 Endeavour Crescent, Mount Pleasant Business Park, Mount Pleasant, Harare, Zimbabwe.

BancABC Zimbabwe offers a full service banking operation, including corporate banking, treasury and investment banking services, principally to large corporations listed on the ZSE and retail and SME banking. BancABC Zimbabwe's customers primarily come from the manufacturing, agriculture and retail and distribution sectors. As at 31 December 2013, BancABC Zimbabwe had total assets of BWP 4.5 billion, total loans and advances of BWP 3.0 billion and total deposits of BWP 2.7 billion.

BancABC Group is able to provide a range of structured and trade finance and investment banking services, and can advise on many capital markets and merger and acquisition transactions.

BancABC Zimbabwe was ranked the second largest bank by total assets in Zimbabwe as at 31 December 2013. BancABC Zimbabwe expects to continue to further cement its position through an expanded branch network and product roll-out. In Zimbabwe, BancABC Group also operates ABC Stockbrokers, which provides stock broking services to a wide variety of customers in Zimbabwe, and ABC Asset Management, which manages investments on behalf of institutional and retail clients.

Loan and Deposit Portfolio

The following table sets forth BancABC Group's loan portfolio by industry sector as at the periods indicated:

	As at 31 December			
	2012		2013	
	Amount	%	Amount	%
	(BWP'000, except percentages)			
Agriculture	595,062	7	575,964	6
Construction	365,041	4	345,446	3
Financial Services	670,221	7	3,742,682	2
Individuals	3,801,458	42	5,128,518	50
Manufacturing	814,746	9	766,356	7
Mining	1,077,569	12	805,699	8
Public Sector	176,535	2	474,110	2
Retail, Wholesale and Trade	753,732	8	894,752	9
Tourism	99,818	1	86,255	1
Transport and Energy	506,156	6	537,006	4
Others	283,704	3	901,341	9
Net loans and advances	**9,144,042**	**100**	**10,366,477**	**100**

Loan Portfolio by Country Risk Exposure

The following table sets forth BancABC Group's loan portfolio by country risk exposure (based on the location of the borrower) as at the periods indicated. The loan amounts stated include all loans made by each Subsidiary in their respective country:

	As at 31 December			
	2012		2013	
	Amount	%	Amount	%
	(BWP'000, except percentages)			
Botswana	3,410,837	37	3,717,681	36
Mozambique	876,809	10	1,462,101	14
Tanzania	746,817	8	574,097	6
Zambia	1,033,715	11	1,328,430	13
Zimbabwe	2,980,618	33	2,959,317	29
Other	95,246	1	294,050	3
Net loans and advances	**9,144,042**	**100**	**10,336,477**	**100**

Loans and Advances by Currency

The following table sets forth BancABC Group's total loans and advances by currency at the periods indicated:

	As at 31 December			
	2012		2013	
	Amount	%	Amount	%
	(BWP'000, except percentages)			
BWP	2,936,109	32	3,397,018	33
MZN	682,961	7	683,748	7
TZS	273,497	3	315,703	3
ZMW	794,119	9	1,113,549	11
US$	4,316,279	47	4,763,843	46
Others(1)	141,077	2	62,612	1
Net loans and advances	**9,144,042**	**100**	**10,336,477**	**100**

(1) Includes South African Rand, Euro and Japanese Yen.

Loan Portfolio by Maturity (Group)

Please note that the maturity profile information in the table below includes BancABC Group's off-balance sheet exposure under guarantees and letters of credit:

	As at 31 December	
	2012	2013
	(BWP'000)	
BancABC Group Total Portfolio		
Up to 1 month	4,050,313	6,666,036
1–3 months	714,292	413,045
3–12 months	1,650,475	639,860
1-5 years	2,728,962	2,617,537
Net loans and advances	**9,144,042**	**10,336,477**

Deposit

The following table sets forth BancABC Group's payable on demand and term deposits as at the periods indicated.

	As at 31 December			
	2012		2013	
	Amount	%	Amount	%
	(BWP'000, except for percentages)			
Payable on demand:				
Corporate customers	1,759,714	16	2,212,761	18
Public sector	388,013	4	335,931	3
Retail Banking sector	788,869	7	1,003,330	8
Banks and other financial institutions	549,000	5	644,917	5
Total payable on demand	**3,485,596**	**33**	**4,196,940**	**34**
Term deposits:				
Corporate customers	2,536,265	24	2,279,063	19
Public sector	2,547,487	24	2,810,636	23
Retail Banking sector	209,703	2	489,768	4
Banks and other financial institutions	1,896,060	18	2,432,680	20
Total term deposits	**7,189,515**	**67**	**8,012,147**	**66**
Total deposits	**10,675,111**	**100**	**12,209,087**	**100**

The following table sets forth BancABC Group's deposits by geographic segment (based on the location of the subsidiary that holds the deposits) as at the periods specified below.

	As at 31 December			
	2012		2013	
	Amount	%	Amount	%
	(BWP'000, except percentages)			
Botswana	4,139,104	39	4,553,945	37
Mozambique	1,396,721	13	2,321,478	19
Tanzania	1,147,955	11	1,298,507	11
Zambia	792,792	7	1,154,637	9
Zimbabwe	3,198,539	30	2,880,520	24
Total deposits	**10,675,111**	**100**	**12,209,087**	**100**

The following table sets forth BancABC Group's total deposits by currency as at the periods indicated.

	As at 31 December	
	2012	2013
	(BWP'000)	
Botswana Pula	3,647,113	3,937,405
U.S. dollars	4,230,128	4,483,385
Euros	31,102	76,629
Other(1)	2,766,768	3,711,668
Total deposits	**10,675,111**	**12,209,087**

(1) Includes Zambian Kwacha, Mozambican Metical, Tanzanian Shilling and South African Rand.

BancABC Group's sources of deposit are diverse and range from retail to corporate customers as well as institutional investors and short-term borrowings from others banks.

Funding Sources

The following table sets forth BancABC Group's deposit accounts by type of deposit as of 31 December 2013:

	As at 31 December	
	2012	2013
	(BWP'000)	
Current accounts	3,383,732	2,973,684
Term deposits	6,223,694	6,969,116
Savings accounts	—	844,506
Overnight borrowings	1,067,685	1,421,781
Total deposits	**10,675,111**	**12,209,087**

Distribution Channels

BancABC Group distributes its products and services through a variety of channels, including through its network of branches and ATMs across the various locations where it operates, as well as online and electronically through its internet and mobile banking platforms and through the provision of point of sale terminals. BancABC Group also has dedicated relationship management teams throughout its branch network, who are responsible for marketing its products and services.

In addition to branches and ATMs, BancABC Group also offers banking products, which include, among others, internet banking, telephone banking with call centres and credit cards, BancABC Group aims to continue expanding the channels through which it distributes products and service customers, including where possible, development of more convenient and/or accessible channels to suit the needs of its customers.

As of 31 December 2013, BancABC Group had a total of 73 branches and cash centres, most of which were located in Zimbabwe (25) and Zambia (22).

Employees

The following table sets out the number of employees (including permanent and part-time employees) of BancABC Group and each ABCH subsidiary as at the dates indicated below:

	As at 31 December	
	2012	**2013**
ABCH	57	65
BancABC Botswana	234	284
BancABC Mozambique	166	205
BancABC Tanzania	135	212
BancABC Zambia	211	221
BancABC Zimbabwe	507	514
Total	**1,310**	**1,501**

Employee Share Purchase Schemes

The ABCH board is authorised to reserve up to 15 per cent. of ABCH's stated share capital, from time to time, to enable BancABC Group to meet its obligations under the employee share purchase scheme. Employees who have served six months with BancABC Group are eligible to participate in the scheme. Directors of BancABC Group are also eligible to participate. Under the scheme, participants have the opportunity to buy shares at a discount of up to 15 per cent. to the prevailing market price. Shares purchased by employees and Directors must be held for a minimum term of at least one year.

Employee Profit-Sharing Scheme

BancABC Group has an employee profit-sharing scheme. Under the scheme, employees above a certain level of seniority are eligible to receive a share of BancABC Group's profits subject to a minimum return on equity for at least 18 per cent. in the relevant period.

Corporate Governance

ABCH has elected to adopt the most recent King corporate governance code of South Africa ("King III") and substantially follows the code as it relates to principles of conduct of the ABCH board and board committees, corporate ethics and sustainable corporate responsibility.

ABCH Board of Directors

The board of directors is responsible for appointing and overseeing BancABC Group's executive officers while the management teams run the day-to-day operations of BancABC Group. Under ABCH's articles of association, at every annual general meeting at least one third of the directors are required to retire. Retiring directors are eligible for re-election. Persons to be proposed for appointment as a director at the annual general meeting are to be nominated by a proposer and a seconder, each of whom have to be board members. The board of directors can fill vacancies, and the appointment of any person to a vacancy is to be confirmed at the following general meeting. Under the articles of association, the board of directors must have between four and twelve directors, two of whom must be Botswana residents. The chairman of the board of directors is elected by the members of the board of directors.

As at the date of this Document, the ABCH board comprised nine directors, including five independent non-executive directors, one non-executive director 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 ABCH board composition aims to ensure robust and forthright debate on all issues of material importance to BancABC Group.

The Directors of ABCH are listed below:

Howard Buttery

Howard Buttery was born in Durban, South Africa in 1946. After completing his studies and articles of clerkship with PricewaterhouseCoopers, he started his career with Bell Equipment Limited in March 1973 as Group Financial Director and was appointed as the Executive Chairman in 1977, a position he held until

30 June 2010. He has nearly 40 years of experience in the forestry, mining, construction and sugar industries around the world. His particular interest has been in the development of trade between South Africa and the SSA states. He has worked extensively in the West, Central and East African economies and has served on a number of boards throughout this region. Mr Buttery has served on the Board since 2002. He is also the Executive Chairman of I.A. Bell & Company (Pty) Limited which holds the Bell family's investment in Bell Equipment Limited and a number of financial services companies. Mr Buttery sits on the boards of a number of private companies throughout the world and continues to make African interregional trade the centre of his interests.

Ngoni Kudenga

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, and 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. Mr Kudenga 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.

Doreen Khama

Doreen Khama was born in Botswana in 1949. Doreen Khama has been a director since 2007 and is the chairperson of the 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 Khama 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 Khama holds a Bachelor's Degree in Law from the University of Botswana, Lesotho and Swaziland.

Dirk Harbecke

Dirk Harbecke was born in Germany in 1972. Mr Harbecke is Chief Executive Officer of ADC. Further details in relation to Mr. Harbecke are set out on page 85.

Mark Schneiders

Mark Schneiders was born in The Netherlands in 1956. Mr Schneiders 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. Mr Schneiders 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 the USA. Mr Schneiders resigned from the Board in his capacity as a representative for African Development Corporation on 3 December 2013 and was reappointed to the Board on 20 February 2014 as an independent director. Mr Schneiders holds a Bachelor's and Master's degree in law from the University of Leiden, The Netherlands, and completed the Advanced Management Programme at the Harvard Business School and various banking management programmes at INSEAD (Cedep).

Douglas Munatsi

Douglas Munatsi was born in Zimbabwe in 1962. He has been the CEO of ABCH since its formation in 2000 and was Managing Director of its predecessors, First Merchant Bank and Heritage Investment Bank ("Heritage"). Mr Munatsi founded Heritage in 1995. He later successfully negotiated Heritage's merger with First Merchant Bank Limited, then controlled by Anglo American Corporation. Prior to setting up Heritage, he was an executive with the International Finance Corporation, the private sector arm of the World Bank. Mr Munatsi 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.

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

Beki 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 about 20 years, Mr Moyo has held various senior positions within ABC Holdings Limited. He 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 Bank Zimbabwe. Mr Moyo 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 has completed the Harvard Business School's Advanced Management Programme.

Ruth Credo

Ruth Credo is a British Citizen who has lived in South Africa since 1969. Ms. Credo is a qualified accountant and gained her articles at Grant Thornton in Johannesburg after finishing university. Ms. Credo was the Chief Financial Officer responsible for Finance, Back Office and Technology at ABCH from February 2003 to December 2006. She remained on the board until ABCH was acquired by BancABC Zambia Limited, where she is currently a director and member of the Review and Audit Committees. She has over 20 years' experience in the accountancy and information technology sectors and prior to her role at ABCH, she was the Chief Financial Officer at Corcapital from 2000 to 2003. Ms Credo worked at the Investec Group from 1992 to 2000; she became the Group Financial Manager in 2006 and was responsible for the group's accountancy policies and world-wide financial accounting systems. Ms. Credo retired from full time employment in 2006 and during retirement she acted as a part-time consultant for Rand Merchant Capital. Ms Credo holds a first class Mathematics and Accountancy degree from Wits University.

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

The ABCH 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 BancABC 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 BancABC Group and reports to the ABCH board on all risk related governance issues. All directors have direct access to information on BancABC Group's affairs, as well as the advice and services of the Group Chief Legal Counsel. A formal ABCH 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 functions as per the requirements of the respective jurisdictions. The ABCH board meets at least four times annually. Additional telephonic meetings are also conducted during the year. The CEO and senior executives are available to brief directors when required.

ABCH Board Committee and Sub-Committees

The ABCH board is assisted in discharging its responsibilities by a number of sub-committees. Sub-committees are accountable to the ABCH board, with minutes of sub-committee meetings circulated and reported at the next ABCH board meeting. Senior executives are invited to attend meetings as appropriate. Board committees may use external professional advisers when necessary to discharge specific tasks.

The Risk and Audit Committee is chaired by Mr N Kudenga, an independent non-executive director of ABCH. The committee adopted the terms of reference for both the Risk Committee and Audit Committee as detailed in the King Reports on Corporate Governance in South Africa. In particular, it assists the ABCH 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 during the year and are attended by external and internal auditors, as well as senior executive managers. Issues addressed included reviewing accounting policies, implementing Basel II, disposing of certain BancABC Group assets, capital raising initiatives, the Internal Audit ratings policy, IT connectivity issues, business continuity planning, financial reporting, operational risks, capital adequacy and compliance, among others. The committee considers whether ABCH and BancABC Group are going concerns, recommending that the ABCH board endorse a statement to this effect and that the financial statements prepared on this basis be approved.

The Loans Review Committee comprises two non-executive directors and is chaired by Mrs D Khama, an independent non-executive director. In accordance with its terms of reference, the committee's principal function is to review and report to the ABCH board on BancABC Group's loan portfolio at least quarterly. 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 BancABC 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 ABCH board in this regard. Issues addressed included the review of BancABC Group and country credit policies and guidelines to ensure that these meet best international banking practice, as well as the delinquent loan recovery strategy and adequacy of BancABC Group provisions.

The Remuneration Committee is chaired by Mr H Buttery, an independent non-executive director and Chairman of the ABCH board. The CEO attends committee meetings by invitation, but does not participate in any discussions about his own remuneration. The committee is responsible for 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 BancABC Group. It aims to ensure that the financial rewards offered by BancABC Group to employees are sufficient to attract people of the calibre required for effective running of BancABC Group and to produce the required returns to its shareholders. The committee reviews the profit share scheme annually, which is based on achieving a specified return on equity for the relevant period.

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

The Credit Committee was established in 2010. It is chaired by Mr Buttery and has a mandate to approve loans above the EXCO limit of US$7 million. The committee meets when required to approve loans.

Group Executive Committee and Sub-Committees

The EXCO assists the CEO in managing BancABC Group and implementing strategy, policies and procedures, subject to the ABCH board's limitations on delegation to the CEO. The CEO's authority in managing BancABC Group is unrestricted. EXCO assists the CEO in managing BancABC Group and setting the overall direction of the business of BancABC Group. EXCO also acts as a medium for communication and coordination between business units, BancABC Group companies and the ABCH board. EXCO meetings are conducted monthly. EXCO also considers non-remuneration aspects of human resources management such as succession planning and skills development.

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

In addition to EXCO, a BancABC Group asset and liability committee ("ALCO"), Group Operational Risk Committee and a Management Credit Committee exist.

Country Boards of Directors and Country Management Committee

Each country is governed by a board of directors supported by committees including Loan Review Committee, Risk and Audit Committee and Credit Committee. Each country has a local management committee, a country ALCO and a local management credit committee.

Capital Requirements

Each jurisdiction includes different minimum capital requirements. ABCH and UBN are generally required to have minimum risk weighted assets as well as a certain minimum ratio of capital risk weighted assets to Tier I and Tier II capital. In the past, Botswana, Mozambique, Tanzania, Zambia, Zimbabwe and Nigeria have modified these requirements significantly, as a result of implementing new regulatory frameworks but also as a result of the global financial crisis and local financial problems.

All of ABCH's subsidiaries are currently in transition from Basel I to Basel II. Implementation of Basel II is now at an advanced stage in Botswana, Zambia and Zimbabwe while Tanzania has initiated the consultative process to implement. Most recently, Mozambique has implemented the Basel II framework as of January 2014. Botswana, Mozambique, Zambia, Zimbabwe and Nigeria have also announced that they will implement Basel III eventually. In 2012, Botswana carried out initial consultations on the new liquidity standards for Basel III and has adopted the Basel III definition of "Capital". Zimbabwe has implemented the use of "Leverage Ratio" as proposed in Basel III. As a result, minimum capital requirements are expected to increase further and other requirements such as more stringent medium-term liquidity requirements will be implemented in the future.

Each ABCH subsidiary is currently, and has in the last several years been, in compliance with the relevant regulations of the jurisdictions in which it operates in, except for BancABC Tanzania, which had minimum capital ratios below the required minimum in 2012. BancABC Tanzania was authorised by the Bank of Tanzania to continue operations until 30 June 2013. In July 2013, BancABC Group capitalised BancABC Tanzania with further equity investment of US$10 million and BancABC Tanzania is now within the required limits for capital adequacy purposes.

For the ADC Group, regulatory capital requirements are currently those applied to the ABCH subsidiaries as ADC's only fully consolidated banking investment, and are defined by the regulatory minimum ratios in each of ABCH's licensed banking countries. ABCH is responsible for risk and capital management and for complying with capital adequacy. Internal targets of regulatory capital ratios are set at least 2% above the minimum regulatory requirements as buffers in all ABCH subsidiaries.

Capital adequacy and the use of regulatory capital are monitored daily by ABCH'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 authorities on a monthly basis. ABCH'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. ABCH's board of directors reviews the policies in respect to capital management and allocation regularly. There have been no material changes to the management of capital during the year.

At 31 December 2013, all regulated banking operations complied with all externally imposed capital requirements. The minimum ratio of regulatory capital to risk-weighted assets for all ABCH subsidiary countries are as follows: Botswana (15%), Mozambique (8%), Zambia (10%), Tanzania (12%), Zimbabwe (12%).

Capital Management

The BancABC 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 BancABC Group operate;
- to safeguard the BancABC 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 BancABC Group's management, employing techniques based on the guidelines developed by the Basel Committee and the relevant Central Bank Authorties.

The required information is filed with the authorities on a monthly basis. The BancABC 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.

Based on information filed with authorities at 31 December 2013 all regulated banking operations complied with all externally imposed capital requirements.

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

Regulatory minimum capital adequacy ratios for the BancABC Group's banking operations based on the respective December 2011, 2012, and 2013 returns submitted to regulatory authorities, are summarised below:

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.

2012

BWP'000s	BancABC Botswana	BancABC Zimbabwe	BancABC Zambia	BancABC Tanzania	BancABC 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.

2013

BWP'000s	BancABC Botswana	BancABC Zimbabwe	BancABC Zambia	BancABC Tanzania	BancABC Mozambique
Tier I Capital					
Share capital and premium	222,479	397,950	368,976	272,485	81,318
Capital reserves and retained earnings	342,106	275,976	42,595	(111,305)	104,994
Allocation for market and operational risk	—	(22,157)	—	—	—
Intangible assets (software)/deferred charges	—	—	—	(18,847)	(29,047)
Prepayments	—	—	—	(8,453)	—
Exposures to insiders	—	(27,952)		—	—
Total qualifying for Tier I Capital	**564,585**	**623,817**	**411,571**	**133,880**	**157,265**
Tier II Capital					
Shareholder's loan	118,758	—	411,571	—	70,206
General debt provision	21,939	42,151	—	—	—
Current year's unpublished profits	—	—	—	—	—
Fair value revaluation/available for sale reserve	—	—	—	—	—
Other	—	—	—	—	—
Revaluation reserves (limited to Tier I capital)	1,352	36,305	—	—	—
Total qualifying for Tier II capital	**142,049**	**78,456**	**411,571**	**—**	**70,206**
Tier III Capital	—	22,157	—	—	—
Total qualifying for Tier III Capital	**—**	**22,157**	**—**	**—**	**—**
Total Capital	**706,634**	**724,430**	**823,142**	**133,880**	**227,471**
Risk Weighted Assets*					
On balance sheet assets	3,745,614	3,594,356	1,298,367	909,492	1,469,727
Off balance sheet assets	9,058	768,632	177,892	133,652	51,641
Total risk weighted assets	**3,754,672**	**4,362,988**	**1,476,259**	**1,043,144**	**1,521,368**
Capital adequacy ratio	19%	17%	56%	13%	15%
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.

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 the BancABC Group operates in and the need to maximise returns to shareholders. The BancABC Group's policies in respect of capital management and allocation are reviewed regularly by the ABCH board.

Policies

Dealing on stock exchanges

As part of its commitment to conducting business in a professional and ethical manner at all times, BancABC 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 from dealing in BancABC Group's shares when they are in possession of price sensitive information, which may generally not be available to the public. Dealing in BancABC Group's shares is further restricted during defined periods, generally six weeks prior to the publication of the interim and final results.

Health and safety policy

BancABC 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. BancABC Group encourages its corporate clients 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

BancABC Group has a policy 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 BancABC Group to:

- provide in-house environmental education and support;
- recognise the environmental burden caused by consumption of resources and release of waste from BancABC Group's 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 BancABC Group's 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 Group's credit risk assessment policies seek to ensure that the social and environmental effects of its financial support are assessed and monitored. BancABC Group will not finance any business activity that cannot reasonably be expected to meet the required environmental and social standards up front.

Property

BancABC Group's real property holdings consist of owned and leased commercial premises that serve as the head and branch offices, as well as undeveloped parcels on which BancABC Group plans to construct offices in the future. BancABC Group currently owns 33 properties and leases 65 properties. The following chart states the real property holdings by country:

	Owned	Leased
Botswana	1	9
Mozambique	2	8
South Africa	1	0
Tanzania	0	5
Zambia	1	22
Zimbabwe	28	21
Total	**33**	**65**

As at December 2013, the total net book value of BancABC Group's real property was BWP 335.0 million and total expenditure on real property lease rentals for the year ended 31 December 2013 was BWP 43.9 million.

Intellectual Property

BancABC Group has filed applications for trademark and brand right protection in Botswana, Mozambique, South Africa, Tanzania, Zambia and Zimbabwe. BancABC Group has filed trademark applications for its corporate name and logo. BancABC Group has also registered a number of internet domains, including the webpages: *www.bancabc.com*; *www.bancabc.co.bw*; *www.bancabc.co.mz*; *www.bancabc.co.tz*; *www.bancabc.co.zm*; *www.bancabc.co.zw*; and *www.africanbankingcorp.com*.

Competition

The banking industry in the region in which BancABC Group operates is highly competitive and characterised by a number of established, full service multinational banks. BancABC Group also faces competition from foreign exchange companies on foreign exchange transactions and microfinance companies with respect to BancABC Group's consumer loans business in Botswana, Tanzania, Zambia and Zimbabwe.

It is the Company's belief that the BancABC Group's subsidiaries previously had less than five per cent. market share in each of the countries in which they operate, as measured by loans or deposits. However, the Company believes that Botswana and Zimbabwe operations registered significant growth over the past three years and that both currently command a market share of around 10 per cent. in each of their respective markets. The increase in market share has been underpinned by the expansion into retail banking business.

Insurance

BancABC Group is insured against banking risks, asset losses, professional indemnity and directors' and officers' claims at a level of cover which the Company believes is adequate. BancABC Group assesses insurable risks and purchases insurance cover from appropriate insurance companies. Review of new insurance policies and annual review of existing policies is carried out by the finance department.

PART VI

INFORMATION ON BRD ACQUISITION

Introduction

On 23 May 2014, the Company entered into a framework deed (the "Framework Deed") with the Government of Rwanda, the National Agricultural Export Development Board and the Rwanda Social Security Board (together the "BRD Sellers") to facilitate the ultimate acquisition by the Company of a to be formed commercial bank in Rwanda (the "Commercial Bank"). The Commercial Bank will be formed via an internal reorganisation of the Development Bank of Rwanda ("BRD") which will transfer its existing commercial banking assets and liabilities, such assets and liabilities to be agreed between the Company and the BRD Sellers prior to completion, to the new Commercial Bank.

Following the reorganisation and establishment of the new company which will become the Commercial Bank and the satisfaction of further conditions, which include the receipt of a full operational commercial banking license for the Commercial Bank, the Company will acquire 100 per cent. of the Commercial Bank entity for an aggregate consideration of between US$10 million and US$25 million, dependent on the net asset value of the Commercial Bank assets and liabilities at completion. The Directors believe that, subject to certain conditions and regulatory clearances, the acquisition of the Commercial Bank should be completed by 1 November 2014.

Description of BRD

BRD was formed in 1967 to provide long-term finance to the private sector in Rwanda and to catalyse growth of key sectors in the country. In 2009, BRD was granted a banking license by the National Bank of Rwanda and registered as a private company in 2011.

BRD offers several core banking products including:

- Investment loans (short-term to long-term) designed to finance investment projects in priority sectors of the economy, largely equipment loans,
- Retail (overdrafts and guarantees),
- Refinancing, trade finance and credit lines,
- Leasing, and
- Mortgages (mortgage finance operations originated from its acquisition of the Housing Bank of Rwanda in 2011).

BRD also offers services to its clients via ATM machines, debit card issuance, and mobile and web banking services. As of 31 December 2013, BRD had over 130 employees operating in 4 branches. In addition to its banking operations, BRD has three fully owned subsidiaries, BRD Development Fund Ltd, which supports financing of SMEs through providing guarantees and direct credit. BRD Insurance Brokerage Limited, which was licensed in 2013 to offer insurance brokerage services in Rwanda, and the Kinazi Cassava Plant Limited, a cassava value addition factory initiative to develop a rural cassava producing region.

BRD currently has an investor base consisting of approximately 26 investors, which include the Government of Rwanda and related agencies with an approximately 77% shareholding interest, and a significant number of international development banks as remaining investors. BRD's current board of directors has 10 members of which 4 are independent.

Commercial Business

Under the Framework Deed, the commercial banking business of BRD will first be transferred into the Commercial Bank. The Commercial Bank shall then, subject to the satisfaction of certain conditions outlined below, be acquired by the Company ("Commercial Bank Completion").

The commercial banking business to be transferred into the Commercial Bank comprises:

- an agreed commercial loan portfolio and any supporting security or collateral thereof;
- any contracts, facilities, customer deposits, term deposits, contracts, assets or liabilities in connection with the commercial banking business of BRD;

- any intellectual property or rights in business information relating to the commercial banking business;
- the share capital in the Commercial Bank itself;
- the right to use BRD business names and intellectual property relating to BRD and insurance brokerage under the name BIB, to be provided pursuant to a perpetual royalty-free licence;
- the share capital in an identified BRD insurance brokerage business;
- the site of the future headquarters of the Commercial Bank;
- any other assets and liabilities agreed between the parties as comprising the commercial banking business of BRD;
- the conduct of any claims in respect of the above items; and
- all losses relating to events that occurred before completion in respect of the above items only,

(such business together, the "Commercial Business").

The Company has also agreed to take on in a separate entity to the Commercial Bank, the non-performing loans (for which separate provisions in the opening balance sheet have been agreed) of the Commercial Business which the Company will manage. Any recoveries made in respect of these loans will be shared on a 70:30 basis between the BRD Sellers and the Company.

Conditions

Commercial Bank Completion is conditional upon, the satisfaction or waiver of a number of conditions which include:

- completion of the transfer of the Commercial Business from BRD to the Commercial Bank (as above);
- the receipt of necessary regulatory body confirmations (including from the Banque Nationale de Rwanda) to the transaction;
- the receipt of third party consents to the transaction from various providers of commercial funding lines and minority shareholders;
- the parties jointly approaching the COMESA Competition Commission in respect of the transaction;
- the receipt by the Commercial Bank of a full commercial banking licence;
- the parties agreeing a separation plan and effecting the separation of the Commercial Business from BRD;
- the parties executing agreed form transitional services agreement, management agreement and put and call deed;
- certain warranties given by the BRD Sellers being true and accurate in all material aspects and not misleading in any respect as at the date of Commercial Bank Completion; and
- no material adverse change or material breach of the Framework Deed having occurred as at Commercial Bank Completion.

It is estimated that the above conditions should be satisfied by 1 November 2014 and that Commercial Bank Completion should occur around that time.

Pursuant to the terms of the Framework Deed, the Company may, subject to satisfaction of certain conditions, acquire a bare legal interest in the BRD Sellers' shareholding in BRD with the BRD Sellers retaining control of BRD while certain further conditions are satisfied (in particular, receipt of a full operational commercial banking licence for the Commercial Bank).

Where the conditions are not satisfied or waived before 1 November 2014, the Company will take full voting and economic control of the BRD Sellers' shareholding in BRD (subject to certain negative covenants). Such voting and economic control of BRD shall continue until the earlier of:

a) Commercial Bank Completion;

b) a long stop date of 16 December 2014; or

c) termination of the Framework Deed in accordance with its terms.

Aggregate Consideration

The total purchase price payable by the Company to BRD for the Commercial Bank will be between US$10 and US$25 million, as determined on the net asset value of the Commercial Business at Commercial Bank Completion (such amount the "Aggregate Consideration").

The Aggregate Consideration shall be paid by way of an initial payment on Commercial Bank Completion of approximately 50% of that Aggregate Consideration.

The remainder of the Aggregate Consideration will be paid on a deferred basis, and is payable in two equal instalments on the 6 month anniversary of Commercial Bank Completion, and then on the first anniversary of Completion.

If, however, a threshold level on the extension of the term of certain loans forming part of the Commercial Business being transferred to the Commercial Bank by BRD are not extended in the manner agreed in the Framework Deed, then the payment payable at Commercial Bank Completion shall be capped to US$14 million, with the remainder of the Aggregate Consideration being paid on a deferred basis but payable in two equal instalments on the first anniversary of Commercial Bank Completion and then on the second anniversary of Commercial Bank Completion.

The Company has also agreed a lock-up with the BRD Sellers pursuant to which it will not transfer a controlling stake in the Commercial Bank for a period of 36 months from 30 September 2014.

Ancillary Provisions

From Commercial Bank Completion, BRD will provide certain transitional services to the Commercial Bank and the Company will provide on-going advisory and management services to the Government of Rwanda and BRD in respect of both BRD and future privatisation initiatives of the Government of Rwanda going forward.

The Company and the BRD Sellers have also agreed the key terms of a put and call option arrangement in relation to the shares in the Commercial Bank acquired by the Company at Commercial Bank Completion. The Company may put those shares in the Commercial Bank for a 7.5 year period from Commercial Bank Completion to the BRD Sellers or the BRD Sellers may call those shares for a 5.5 year period from Commercial Bank Completion. The exercise of either the put or the call is subject to breach of any of the transaction documentation by the other party that results in losses in excess of US$4 million and which has not been remedied within 30 business days. The price of the shares in the Commercial Bank under the put option will be the higher of 14% IRR on the Company or its affiliates' investment in the Commercial Bank and fair market value. The price of the shares in the Commercial Bank payable under the call option will be 7% IRR on the Company or its affiliates' investment in the Commercial Bank.

Rationale for the BRD Acquisition

The transaction gives the Company an entry platform to develop operations in Rwanda's and East Africa's fast growing economies and helps the Company to realise an entry multiple that is considerably lower than the cost of acquiring financial services companies in East Africa. The Company is expected to transact at c.a. 1.0x book value for BRD, which is attractive compared to current valuations of c.a. 2.0x book value for East African banks in Kenya, Tanzania, and Uganda.

The current and prospective growth in Rwanda, itself, is another key driver for pursuing the transaction. As per the Ministry of Finance and Economic Planning in Rwanda, the Government of Rwanda is targeting GDP growth of c.a. 11% by 2017 (current GDP growth rate of approximately 8%) to achieve middle income status by 2020. Rwanda, which has historically been one of the leading reforms in the Doing Business Indicator, also presents strong legal and regulatory framework for financial services.

This transaction also provides a strategic opportunity to implement new distribution models via mobile banking, agent banking, and payment processing, a core element of the Company's strategy for the commercial banking operations of BRD.

Additionally, the acquisition of the Commercial Bank provides an opportunity to pioneer a new model for public-private partnerships in the African financial services industry. The Company believes this model that could be used to scale up its financial services operations in other smaller, but fast growing, African economies. The Directors also believe that this acquisition affords an opportunity to play a key role in transforming Rwanda into a financial services center, given Rwanda's aims to become a regional service hub by 2020.

PART VII

DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

The Board

The Company is managed by a Board of Directors comprised of the Founders and three Independent Non-Executive Directors.

The Directors, all of whom are non-executive, are listed below.

Arnold O. Ekpe, *Chairman, aged 60*

Mr. Ekpe served as Group Chief Executive Officer and Executive Director of Ecobank Transnational Incorporated ("Ecobank") until 2012. Mr Ekpe re-joined Ecobank as Group Chief Executive Officer in 2005 having previously been Ecobank's Chief Executive Officer from 1996 to 2001. Between 2002 and 2003 he served as Chief Executive Officer of United Bank for Africa and from 2004 to 2005 he was a partner at the Africa Capital Alliance. During 2003 and 2004, he also held non-executive directorships at UAC Nigeria plc, Dorman Long Engineering and Virgin Nigeria Airways. He currently serves as non-executive director of the Nigeria Sovereign Investment Authority and chairman of its risk committee, non-executive chairman of Cellular Systems International (trading as Wari), non-executive chairman of Africa Strategic Impact Fund, non-executive director of Dangote Flour Mills plc and non-executive chairman of Multiverse Plc. Mr. Ekpe has over 30 years of African and international banking experience, including serving as a vice president and head of Structured Trade and Corporate Finance for SSA for Citibank. He holds degrees in Mechanical Engineering and Business Administration from Manchester University and Manchester Business School, respectively.

Robert E. Diamond Jr., *Non-Executive Director, aged 62*

Mr. Diamond is the founder and Chief Executive Officer of AMC. Until 2012, Mr. Diamond was Chief Executive of Barclays, having previously held the position of President of Barclays and Chief Executive of Corporate & Investment Banking and Wealth Management, comprising Barclays Capital, Barclays Corporate and Barclays Wealth. He became an executive director of Barclays in 2005 and was a member of the Barclays Executive Committee from 1997. Prior to that he worked at Morgan Stanley for over ten years. Mr Diamond is currently involved in several Africa initiatives. He is Co-Chairman globally and President of the New York Chapter of Invest Africa (a private club for individuals, business leaders, and entrepreneurs to gain insight and opportunity in the African market). He is working with the Atlantic Council and Council on Foreign Relations on instituting an annual lecture on Africa with the DFF. He is a board member of the DFF, which has supported multiple organisations in Africa. The DFF directors received the Princeton in Africa award in November 2013, for their philanthropy and business activities in Africa. A native of Concord, Massachusetts, Mr. Diamond received a Bachelor of Arts degree in Economics from Colby College in Maine (1974) and an MBA from the University of Connecticut, where he ranked first in his class (1977). He was awarded Doctor of Humane Letters from the University of Connecticut in 2006 and Doctor of Laws from Colby College in 2008.

Ashish J. Thakkar, *Non-Executive Director, aged 32*

Mr. Thakkar is the founder of Mara Group and Mara Foundation. Mr. Thakkar started his first IT company in 1996 at the age of 15 in Uganda. Since then, Mr. Thakkar has successfully driven the growth of Mara Group to become a globally recognised multi-sector conglomerate with investments in IT services, manufacturing, agriculture and real estate operations in 21 countries (of which 19 are African) that employ over 8,000 people. Mara Foundation is the social enterprise of Mara Group and focuses on emerging African entrepreneurs. It offers comprehensive support services, including mentorship, funding, incubation centre workspace and business training and aims to help transform entrepreneurs' business ideas into profitable and thriving business entities. Mr. Thakkar's leadership in the field of African business was recognised when he was appointed as a Young Global Leader by the World Economic Forum in 2012. Mr. Thakkar also sits on the World Economic Forum's Global Agenda Council on Africa and advises certain heads of state in SSA. In September 2013, Mr. Thakkar was named in Fortune magazine's "40 Under 40" list and, in November 2013, he was appointed to Dell's Global Advisory Board, part of the Dell Center for Entrepreneurs.

Tonye Patrick Cole, *Independent Non-Executive Director, aged 47*

Tonye Patrick Cole is the co-founder and Group Executive Director of Saharan Group, an energy conglomerate with operations spanning the entire energy chain in Nigeria to neighbouring West African countries and beyond. The Group operates in 14 countries around the world with over 500 employees and annual turnover of US$10.6 billion. He is chiefly responsible for the strategic expansion of businesses within the organisation's energy portfolio and is actively involved in the exploration of up-stream opportunities in new frontier and emerging markets. In addition to founding and running one of Nigeria's largest energy conglomerates, Mr. Cole works to inspire the youth of Africa through charities such as his NGO (Nehemiah Youth Empowerment initiative) and Africa 2.0, organisations which aim to influence change in Africa by bringing together young and emerging leaders to develop and implement practical strategies that will produce positive outcomes for millions. In addition, he works closely with a number of foundations in Nigeria including the Down Syndrome Foundation, Slum-2-School project and various orphanages.

Rachel F. Robbins, *Independent Non-Executive Director, aged 63*

Rachel F. Robbins most recently served as the Vice President, General Counsel of IFC and a member of IFC's Management Group between 2008 and 2012. She was responsible for the foundation of IFC's positions on legal issues and oversaw IFC's provision of legal services to internal and external clients. Ms. Robbins joined the IFC with three decades of experience in legal and financial services, including extensive experience in corporate governance and in managing global teams through periods of change. Between 2006 and 2008, Ms. Robbins was Executive Vice President, General Counsel, and Secretary of the New York Stock Exchange and its parent, NYSE Euronext. She spent most of her legal career at JP Morgan & Co., where she concluded her 20 years of service as General Counsel and Corporate Secretary from 1996 to 2001. From 2003 to 2004 she was General Counsel of Citigroup International. Ms. Robbins was a founding partner of Blaqwell, Inc., an international management consulting company focused on the legal industry. She started her legal career at Milbank, Tweed, and Hadley & McCloy. Ms. Robbins is currently a director of FINCA Microfinance Holdings Company LLC. Ms. Robbins holds a JD from New York University School of Law and a Bachelor of Arts degree in French literature from Wellesley College.

Independence of the Board

Mr. Diamond and Mr. Thakkar are affiliates of the Founding Entities and are therefore not considered to be Independent Directors.

The Board considers each of the Independent Non-Executive Directors and the Chairman (on appointment) as recommended by the UK Corporate Governance Code, to be independent in character and judgment and free from relationships or circumstances which are likely to affect or could appear to affect, their judgment. In addition, when determining the independence of the Independent Non-Executive Directors and the Chairman, the Board had regard to their Letters of Appointment and Option Deeds as further described in paragraph 10 of "Part XV—Additional Information". The Board believes that the number of Ordinary Shares that each Independent Non-Executive Director obtained pursuant to their Letters of Appointment and may obtain pursuant to their Option Deeds is not sufficient to have an impact on their independence.

Directors' fees

Each of the Non-Founder Directors is entitled to receive a fee from the Company at a rate to be determined by the Board in accordance with the Articles (see paragraph 4.2(o) in "Part XV—Additional Information"). The current level of fees for each of the Non-Founder Directors is US$85,000 per annum with the Chairman being entitled to a fee of US$125,000 per annum. None of the Founder Directors received a fee in relation to his appointment as non-executive Director. All the Directors are entitled to be reimbursed by the Company for travel, hotel and other expenses incurred by them in the course of their directors' duties relating to the Company. Further details of the Directors' Letters of Appointment are set out in "Part XV—Additional Information".

Executive Committee

The Company's Executive Committee will, following completion of the Transaction, comprise John Vitalo, Jyrki I. Koskelo, Douglas Munatsi and Bradford M. Gibbs.

John Vitalo, *Chief Executive Officer, aged 49*

John Vitalo will join the Executive Committee on 4 July 2014 as CEO. He joins from Barclays PLC where he had been Chief Executive Officer, Middle East & North Africa since May 2009. In this role he was responsible for all aspects of the company's activity in the region, including wealth management, retail and business banking, investment and corporate banking and infrastructure. His previous roles within Barclays PLC included CEO of Absa Capital and COO of Global Markets and COO of Emerging Markets for Barclays Capital. Mr Vitalo joined Barclays in 2002 from Credit Suisse First Boston where he had held a number of senior positions in London and New York. These included Director of e-commerce for Emerging Markets, Proprietary Trader for the Emerging Markets Group, Global Head of the Emerging Markets Structured Financing & Repo business and Head of the Emerging Markets Fixed Income Arbitrage Desk. Prior to Credit Suisse First Boston, Mr Vitalo worked at Gleacher & Co and Morgan Stanley & Co., in Mergers & Acquisitions and Merchant Banking, respectively. Mr Vitalo graduated summa cum laude from Georgetown University with a Bachelors of Science in Business Administration in Finance and International Management. He has also served in the US Marine Corps.

Jyrki I. Koskelo, *Head of Strategy, aged 61*

Mr. Koskelo has more than 30 years of experience in emerging markets and in various roles at the IFC. Mr. Koskelo joined the IFC in 1987 as an Investment Officer in the African Investment Department and served as its Director of Special Operations from 1999 to 2004 and Director of Financial Markets from 2004 to 2007. He played a key role in the expansion of the IFC's operations in financial markets and acted in several regional positions in Africa, Europe and Latin America before becoming a Vice President Global Industries in 2007, a position he held until July 2011. In the latter role he oversaw a variety of investment activity and contributed significantly to the IFC's performance in emerging markets private equity, decentralisation and growth of investments in banking/financial markets. The IFC, part of the World Bank Group, provides investment and advisory services in more than 100 developing countries; in 2011 it invested approximately US$19 billion in 102 countries, US$2.2 billion of which was in SSA, and approximately US$8 billion in financial markets. Prior to joining the IFC, Mr. Koskelo spent over ten years in senior management positions in the private sector. He is a director of AATIF (Africa Agriculture and Trade Investment Fund), a KfW sponsored, Deutsche Bank-managed agri-value chain fund.

Douglas Munatsi, *CEO of ABCH, aged 52*

Douglas Munatsi, upon completion of the Transaction, will join the Executive Committee. Douglas Munatsi was born in Zimbabwe in 1962. He has been the CEO of BancABC Group since its formation in 2000 and was Managing Director of its predecessors, FMB and Heritage. Further details in relation to Mr. Munatsi are set out on page 106.

Bradford M. Gibbs, *Acting Chief Financial Officer, aged 43*

Bradford M. Gibbs has more than 18 years of experience in the financial services industry. Prior to joining the Company, Bradford M. Gibbs worked with Ashish J. Thakkar at the Mara Group where he was responsible for the sourcing, vetting and execution of transactions across Sub-Saharan Africa. Prior to joining Mara in 2013, Mr. Gibbs was a Managing Director at Morgan Stanley, where he worked for more than thirteen years and was based, at various junctures, in the New York, London, Frankfurt and Johannesburg offices executing mergers, acquisitions and capital markets transactions across a broad array of industries, including financial services, natural resources, retail, telecommunications, chemicals, logistics, healthcare, and software. During his tenure at Morgan Stanley, Mr. Gibbs had served, at various times, as Head of South Africa Investment Banking and Head of EMEA Chemicals, Building Materials and Paper & Packaging. Mr. Gibbs began his career in the Financial Institutions Group at Salomon Brothers Inc. Mr. Gibbs received a MBA in Finance from The Wharton School (University of Pennsylvania) in 1998 and a BA in History with Honours from Brown University in 1993, where he graduated magna cum laude and was elected a member of Phi Beta Kappa.

Founder Preferred Shares

The Founding Entities currently hold, in aggregate, 1,250,000 Founder Preferred Shares. The Founder Preferred Shares are intended to have the effect of incentivising the Founders to achieve the Company's objectives. They are structured to provide a dividend based on the future appreciation of the market value of the ordinary shares thus aligning the interests of the Founders with those of the investors on a long term basis.

Following the Acquisition, and only once the Average Price per Ordinary Share is at least US$11.50 for ten consecutive Trading Days, the holders of Founder Preferred Shares will be entitled to receive an "Annual Dividend Amount", payable in Ordinary Shares.

In the first year in which such dividend becomes payable, such dividend will be equal in value to 20 per cent. of the increase in the market value of one Ordinary Share, being the difference between US$10.00 and the Dividend Price, multiplied by the number of Ordinary Shares outstanding as at the last Trading Day of the relevant Dividend Determination Period.

Thereafter, the Annual Dividend Amount will only become payable if the Dividend Price during any subsequent year is greater than the highest Dividend Price in any preceding year in which a dividend was paid in respect of the Founder Preferred Shares. Such Annual Dividend Amount will be equal in value to 20 per cent. of the increase in the Dividend Price over the highest Dividend Price in any preceding Dividend Year multiplied by the number of Ordinary Shares outstanding as at the last Trading Day of the relevant Dividend Determination Period.

For the purposes of determining the Annual Dividend Amount, the "Dividend Price" is the highest amount calculated by adding together the Average Price per Ordinary Share for any period of ten consecutive Trading Days in the relevant Dividend Year (the "Dividend Determination Period") and dividing by ten.

In each case the number of Ordinary Shares issued to holders of Founder Preferred Shares in connection with such dividend will be determined by the Dividend Price of such year, even though such share price may be lower than the market value of the Ordinary Shares at the end of any relevant Dividend Year.

The amounts used for the purposes of calculating an Annual Dividend Amount and the relevant numbers of Ordinary Shares are subject to such adjustments for stock splits, stock dividends and certain other recapitalisation events as the Directors in their absolute discretion determine to be fair and reasonable in the event of a consolidation or sub-division of the Ordinary Shares in issue after the date of Admission or otherwise as determined in accordance with the Articles.

Each Annual Dividend Amount shall be divided between the holders pro rata to the number of Founder Preferred Shares held by them on the relevant Dividend Date. The Annual Dividend Amount will be paid on the relevant Payment Date by the issue to each holder of Founder Preferred Shares of such number of Ordinary Shares as is equal to the pro rata amount of the Annual Dividend Amount to which they are entitled divided by the Average Price per Ordinary Share on the relevant Dividend Date.

The Founders intend to contribute a proportion of any Annual Dividend Amounts received by them to one or more charitable developments.

For so long as an initial holder of Founder Preferred Shares (being a Founding Entity together with its affiliates) holds 20 per cent. or more of the Founder Preferred Shares in issue, such holder shall be entitled to nominate a person as a director of the Company and the Directors shall appoint such person. In the event such initial holder ceases to be a holder of Founder Preferred Shares or holds less than 20 per cent. of the Founder Preferred Shares in issue, such initial holder shall no longer be entitled to nominate a person as a director of the Company and the holders of a majority of the Founder Preferred Shares in issue (including any initial holder continuing to hold Founder Preferred Shares) shall be entitled to exercise that initial holder's former rights to appoint a director instead (which shall include being entitled to request the removal of that initial holder's appointee).

The Founder Preferred Shares will automatically convert into Ordinary Shares on a one-for-one basis (subject to adjustment in accordance with the Articles) (i) in the event of a Change of Control or (ii) on the last day of the seventh full financial year of the Company following completion of the Acquisition (or if any such date is not a Trading Day, the first Trading Day immediately following such date). In the event of any such automatic conversion, the Annual Dividend Amount shall be payable for such shortened Dividend Year ending on the Trading Day immediately prior to such conversion.

A holder of Founder Preferred Shares may require some or all of his Founder Preferred Shares to be converted into an equal number of Ordinary Shares (subject to adjustment in accordance with the Articles) by notice in writing to the Company, and in such circumstances those Founder Preferred Shares the subject of such conversion request shall be converted into Ordinary Shares five Trading Days after receipt by the

Company of the written notice. In the event of a conversion at the request of the holder, no Annual Dividend Amount shall be payable in respect of the converted Founder Preferred Shares for the Dividend Year in which the date of conversion occurs.

A holder of Founder Preferred Shares may exercise its rights independently of the other holders of Founder Preferred Shares.

On the entry into liquidation of the Company, an Annual Dividend Amount shall be payable in respect of a shortened Dividend Year which shall end on the Trading Day immediately prior to the date of commencement of liquidation, following which the holders of fully paid up Founder Preferred Shares shall (after the return of up to US$10.00 per Ordinary Share to the holders of Ordinary Shares, followed by the return of up to US$10.00 per Founder Preferred Share to the holders of Founder Preferred Shares) have the right to a pro rata share (together with Shareholders) in the distribution of the surplus assets of the Company.

Subject to the BVI Companies Act, on a winding-up of the Company the assets of the Company available for distribution shall be distributed, provided there are sufficient assets available, first to the holders of Ordinary Shares in an amount up to US$10.00 per share in respect of each fully paid up Ordinary Share then, provided there are assets remaining, to the holders of Founder Preferred Shares in an amount up to US$10.00 per share in respect of each fully paid up Founder Preferred Share. If, following these distributions to holders of Ordinary Shares and Founder Preferred Shares, there are any assets of the Company still available, they shall be distributed to the holders of Ordinary Shares and Founder Preferred Shares pro rata to the number of such fully paid up Ordinary Shares and fully paid up Founder Preferred Shares held (by each holder as the case may be) relative to the total number of issued and fully paid up Ordinary Shares as if such fully paid up Founder Preferred Shares had been converted into Ordinary Shares immediately prior to the winding-up.

The Founder Preferred Shares do not carry voting rights except in respect of any variation or abrogation of class rights or on any Resolution of Members required, pursuant to BVI law, to approve either an Acquisition or, prior to an Acquisition, a merger or consolidation.

See paragraph 4.3 of "Part XV—Additional Information" for further details regarding the rights associated with the Founder Preferred Shares.

Conflicts of interest

General

Potential areas for conflicts of interest in relation to the Company include:

- None of the Founders or the Directors are required to commit any specified amount of time to the Company's affairs and, accordingly, they may have conflicts of interest in allocating management time among various business activities.
- The Founding Entities and the Directors are subject to a lock-up agreement with respect to the transfer of Ordinary Shares, Founder Preferred Shares and Warrants held by them, which will terminate one year following the completion of the Acquisition.

The Directors have, or may come to have, other fiduciary obligations, including to other companies on whose board of directors they presently sit or to other companies whose board of directors they may join in the future. To the extent that they identify business opportunities that may be suitable for the Company or other companies on whose board of directors they may sit, the Directors will honour any pre-existing fiduciary obligations ahead of their obligations to the Company. Accordingly, they may refrain from presenting certain opportunities to the Company that come to their attention in the performance of their duties as directors of such other entities unless the other companies have declined to accept such opportunities or clearly lack the resources to take advantage of such opportunities.

Additionally, the Founders and the Non-Founder Directors may become aware of business opportunities that may be appropriate for presentation to the Company as well as the other entities with which they are or may be affiliated. As set forth above, the Company does not expect its Non-Founder Directors to present investment and business opportunities to it.

Strategic decisions

Members and responsibility

The Directors are responsible for carrying out the Company's objectives, implementing its business strategy and conducting its overall supervision. Acquisition, divestment and other strategic decisions will all be considered and determined by the Board.

The Board will provide leadership within a framework of prudent and effective controls. The Board will establish the corporate governance values of the Company and will have overall responsibility for setting the Company's strategic aims, defining the business plan and strategy and managing the financial and operational resources of the Company.

Frequency of meetings

The Board will schedule quarterly meetings and will hold additional meetings as and when required. The expectation is that this will result in more than four meetings of the Board each year.

Corporate governance

Whilst the Company is not required to comply or explain non-compliance with the UK Corporate Governance Code for as long as it has a Standard Listing, the Company is firmly committed to high standards of corporate governance and maintaining a sound framework through which the strategy and objectives of the Company are set and the means of attaining these objectives and monitoring performance are determined.

As at the date of this Document, the Company complies with the corporate governance regime applicable to the Company pursuant to the laws of the British Virgin Islands.

The Company intends to voluntarily observe the requirements of the UK Corporate Governance Code, save as set out below. As at the date of this Document the Company is in compliance with the UK Corporate Governance Code with the exception of the following:

- Given the wholly non-executive composition of the Board, certain provisions of the UK Corporate Governance Code (in particular the provisions relating to the division of responsibilities between the Chairman and chief executive and executive compensation), are considered by the Board to be inapplicable to the Company. In addition, the Company does not comply with the requirements of the UK Corporate Governance Code in relation to the requirement to have a senior Independent Director.
- The UK Corporate Governance Code also recommends the submission of all directors for re-election at annual intervals. No Director will be required to submit for re-election until the first annual General Meeting of the Company following the Acquisition.
- Until the Acquisition is made the Company will not have nomination, remuneration, audit or risk committees. The Board as a whole will instead review its size, structure and composition, the scale and structure of the Directors' fees (taking into account the interests of Shareholders and the performance of the Company) take responsibility for the appointment of auditors and payment of their audit fee, monitor and review the integrity of the Company's financial statements and take responsibility for any formal announcements on the Company's financial performance. Following the Acquisition the Board intends to put in place nomination, remuneration, audit and risk committees.

As at the date of this Document the Board has voluntarily adopted the Model Code for Directors' dealings contained in the Listing Rules of the UK Listing Authority. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Model Code by the Directors. Compliance with the Model Code is being undertaken on a voluntary basis and the FCA will not have the authority to (and will not) monitor the Company's voluntary compliance with the Model Code, nor to impose sanctions in respect of any failure by the Company to so comply.

Other Agreements

The Company has also entered into a number of other agreements for the provision of registrar and other services more fully described in "Part XV—Additional Information".

PART VIII

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with the consolidated financial statements of ADC and ABCH (including the notes thereto) included elsewhere herein. The discussion below includes an analysis of ADC Group and BancABC Group's financial condition and historical results of operations. It also includes descriptions of certain factors that have affected, and may continue to affect the business, results of operations and financial condition. The impact of these and other potential factors may vary significantly in the future.

Effective on 26 July 2013, ADC changed its legal form from a partnership limited by shares (*Gesellschaft mit beschränkter Haftung & Co. Kommanditgesellschaft auf Aktien*) to a stock corporation (*Aktiengesellschaft*). Accordingly, the consolidated financial statements of ADC for the years ended 31 December 2012 and 2011 reflect ADC African Development Corporation GmbH & Co. KGaA as the parent company of the ADC Group, and the financial statements of ADC for the year ended 31 December 2013 reflect ADC African Development Corporation AG as the parent company of the ADC Group.

In 2011, ADC Group's financial statements reflected income from the fully consolidated subsidiary RSwitch as well as income from private equity investments held at fair value only. Due to the first time consolidation of ABCH in August 2012, the financial statements of ADC Group changed significantly. As a result, the financial information for the years 2011, 2012 and 2013 which have been included in this Document, and the ADC Group's financial condition and results of operations for such periods discussed in this Part VIII, are not directly comparable for the periods presented. The consolidated financial statements of ABCH for the years 2011, 2012 and 2013, and a separate discussion of BancABC Group's financial condition and historical results of operations in respect of the periods presented, have been included to show the continued development of ABCH as a standalone company to provide a better overview over ADC's largest investment and main fully consolidated subsidiary.

In addition, the following discussion includes forward-looking statements, which, although based on assumptions that ADC consider reasonable, are subject to risk and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of some of those risks and uncertainties, see "Important Information" and "Risk Factors".

Some of the financial information set forth in the text and tables below has been rounded for ease of presentation. Accordingly, in certain cases, the sum of the numbers in a column in a table may not conform to the total figure given for that column.

Key factors affecting results of operations

ADC believes that the following factors have affected, and may continue to affect ADC Group's business, results of operations and financial condition. The impact of these and other factors may vary significantly in the future.

The economic environment in SSA and in particular in the target markets in which the ADC Group operates

ADC Group is active in the financial sector of SSA and aims to become a pan-African banking group. Results of operations are impacted by the economic environment in SSA, in particular in Botswana, Mozambique, Tanzania, Zambia, Zimbabwe and Nigeria, which are the main current operating markets.

In recent years, SSA has experienced growth despite the worldwide economic downturn and recessions in Europe, the United States and other countries. The following tables show average annual GDP growth and inflation for the years 2004 to 2008 and 2009 to 2013 (estimated) in the countries in which the ADC Group currently operates banking activities (Source: IMF, World Economic Outlook Database April 2014 last access on 5 May 2014):

GDP growth	2004-2008	2009-2013
Countries ADC Group operates in		
Botswana	5.6%	3.0%
Mozambique	7.8%	7.0%
Tanzania	7.3%	6.7%
Zambia	5.8%	6.8%
Zimbabwe	(7.5)%	9.0%
Nigeria	7.0%	7.0%

Inflation rate (consumer prices)	2004-2008	2009-2013
Countries ADC Group operates in		
Botswana	9.4%	7.4%
Mozambique	10.1%	6.5%
Tanzania	6.6%	11.2%
Zambia	13.7%	8.8%
Zimbabwe	39.9%	3.6%
Nigeria	11.6%	11.6%

GDP growth in SSA has resulted in part from growth in the working age population. Demographic changes and economic growth have also led to a growing middle class, which in turn has driven increases in domestic demand. In addition, growing commodities exports from SSA, increased infrastructure investment and growing urbanisation have contributed to recent economic growth and to economic stabilisation in the target markets. Economic development in the target countries has also been supported by increases in intra-African trade and economic cooperation. For example, the EAC, which consists of five East African countries, has recently agreed on a currency union and the creation of a single market. Besides GDP growth, inflation influences the ADC Group's results of operations, particularly because of high inflation's impact on interest rates in the target countries.

Development of the financial service sector in SSA

ADC Group's results have been, and will continue to be, significantly affected by the growth and development of the financial service sector in SSA. As of 2012, the share of adults with a bank account in SSA amounted to 24%, with 22% of women and 27% of men having a bank account. By comparison, the share in developing countries overall was 41% (Source: World Bank—Demirguc-Kunt, Klapper, Measuring Financial Inclusion, 2012). The share in SSA has increased in recent years. In addition, the volume of credit in relation to GDP increased rapidly from 10% in 2004 to 15% in 2009 and 19% in 2011 while the volume of deposits in relation to GDP increased from 16% in 2004 to 22% in 2009 and 26% in 2011 (Source: World Bank, Global Financial Development dataset, November 2013).

Growth in commodities exports and increased trade between African and other countries have also increased the demand for corporate banking in the last few years, both from local African companies and from international companies entering the African markets or expanding their business in Africa.

Lastly, ADC Group's net interest income has grown due to the introduction of innovative products, specifically in the consumer sector, the use of technology, such as mobile payment solutions, consumer financing solutions including payroll deduction loans and group scheme loans.

Regulatory environment

The banking subsidiaries of BancABC Group are subject to local regulation in their respective operating markets, namely Botswana, Mozambique, Tanzania, Zambia and Zimbabwe. UBN is subject to local regulation in Nigeria. Each country has its own local regulation and in particular its own minimum capital requirements. In recent years, following the worldwide financial crisis, regulators in SSA countries have increased regulatory requirements and several countries in which BancABC Group operates have increased minimum capital requirements. In addition, actions taken by regulators have also directly influenced profitability of banks in certain target countries in the past. For instance, in Zambia in 2012, regulators capped the interest rates that can be charged by financial institutions, which had a negative impact on BancABC Zambia's net interest income.

The capital adequacy ratio (Tier 1 and Tier 2 capital divided by total risk weighted assets) of BancABC Group increased from 8% in 2011 to 10% in 2012 and to 11% in 2013. Increasing minimum capital requirements will likely require BancABC's operating subsidiaries to further increase their capital adequacy ratios, which could impact overall growth. Specifically in Zambia, minimum capital requirements were increased to US$100 million, which BancABC Zambia will have to comply with. Similarly, in Zimbabwe minimum capital requirements, that BancABC Zimbabwe will be required to comply with, are currently scheduled to increase to US$100 million in 2020. In addition, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe have all implemented or been in the process of implementing Basel II in recent years which raised the regulatory burden through increased supervision.

Similarly to increased regulatory capital requirements and supervision in the countries in which BancABC Group operate in, UBN has been subject to increased regulatory requirements in Nigeria, especially due to the banking crisis in Nigeria in 2009 in which eight banks were rescued by the Nigerian government. The Central Bank of Nigeria has changed guidelines, in particular amending the risk weighting of assets, as well as increasing the cash required to be kept in regulatory reserves for government deposits.

Changes in deposit base and loan book of BancABC Group

BancABC Group expanded its business into retail banking starting in 2009. As a result, its branch network has grown significantly to 73 branches on 31 December 2013 with no retail customers before 2009 and with customers growing from 101,922 as of 31 December 2011, to 235,070 as of 31 December 2012 and to 277,383 as of 31 December 2013. The strategy to expand the retail banking division and to expand the product portfolio for retail clients has been implemented across BancABC Group. Customer deposits increased from BWP 0.6 billion as of 31 December 2011 to BWP 1.0 billion as of 31 December 2012 and BWP 1.5 billion as of 31 December 2013. At the same time, loans and advances, which are largely related to payroll deduction loans from government and corporate employees, increased from BWP 1.3 billion as of 31 December 2011 to BWP 4.0 billion as of 31 December 2012 and to BWP 4.7 billion as of 31 December 2013. As of 31 December 2013, the retail banking loan book amounted to 45% of the total loan book. The change in strategy to concentrate on the relatively higher margin retail banking also increased key performance indicators, with BancABC Group's cost to income ratio decreasing from 74% in 2011 to 71% in 2012 and was 69% in 2013.

In addition to growth in retail and SME banking, BancABC Group also increased its wholesale deposits significantly from BWP 6.8 billion as of 31 December 2011 to BWP 9.7 billion as of 31 December 2012 and BWP 10.7 billion as of 31 December 2013. Wholesale deposits are driven by business relationships, because corporate wholesale clients tend to select a few banks that can fulfil their requirements in terms of transaction banking, service quality and lending capability. In particular, the main sectors in which the wholesale and corporate loan portfolio of BancABC Group increased were mining, manufacturing, financial services and transport and energy, principally driven by the expansion of BancABC Group's business and high economic growth in these sectors in BancABC Group's target markets.

BancABC Group's corporate division has also recorded growth in the last few years, however, BancABC Group's management took a decision to use its funds from deposits to focus on lending to retail customers. The corporate banking loan book increased from BWP 4.9 billion as of 31 December 2011, BWP 5.2 billion as of 31 December 2012 and BWP 6.1 billion as of 31 December 2013.

Impairment losses on loans and advances

Historically BancABC Group's loan book has been sensitive to a limited number of defaults by large corporate customers, which have had a significant impact on the level of non-performing loans in particular jurisdictions. Going forward, the strategy is to grow Government payroll deduction loans with lending to corporates being limited to good credit rated customers. In addition, as BancABC Group continues its shift towards Retail and SME Banking, legacy portfolio concentration issues are expected to decline in significance and reduce BancABC Group's sensitivity to individual impairments.

BancABC Group's impairment losses increased significantly over the last three years and further in 2013 due to the recognition of additional impairment in the 2013 accounts resulting from the Company's due diligence into ABCH. In 2013, BancABC Group's net impairments on loans and advances increased by 289.3% from BWP 142.4 million in 2012 to BWP 554.5 million in 2013. Significant impairments were recorded in all operating segments. Mozambique was affected by one large account which has been struggling to service its debts, thereby creating the need to recognise impairment losses. In June 2013, a decision was taken to split the Tanzania loan book into a good and bad bank in order to try and permanently deal with this problem, and significant impairments were taken on the bad book. Write backs on this impairment charge will be recorded as funds are actually received. As a consequence, BancABC Group's credit loss ratio, at 5.3%, was significantly above the group target of 1%. The gross non-performing loan ratio increased from 9.2% in 2012 to 17.2% in 2013 due largely to the recognition of additional impairments stemming from the Company's due diligence.

In 2012, net impairments increased by 78.6% from BWP 79.7 million in 2011 to BWP 142.4 million in 2012. This development was principally the result of a higher loan book which increased by 50% from BWP 6.1 billion to BWP 9.1 billion. In addition, specific impairments in Tanzania and Zimbabwe contributed to the increase. The slow legal process in Tanzania also resulted in the requirement to continuously lower the value of security, while in Zimbabwe a liquidity crunch put a significant strain on a number of corporate clients which impacted their ability to service their debt facilities when due. As a consequence, the gross non-performing loans ratio deteriorated from 6.6% in 2011 to 9.2% in 2012, and the net non-performing loans ratio deteriorated from 3.3% in 2011 to 7.1% in 2012. BancABC Group's credit loss ratio remained largely unchanged at 1.8% for 2012 compared to 1.7% for 2011.

Restructuring of UBN

As of 31 December 2013, ADC Group holds an indirect stake of 9.1% of UBN through its direct participation in UGPL of 14.7%. According to Bankscope data, UBN is the ninth largest bank in Nigeria with banking assets of US$6.7 billion (Source: Bankscope, Bureau van Dijk Electronic Publishing GmbH, 2012 data, accessed on January 24, 2014). ADC is part of a consortium of private investors which holds 65% of UBN through UGPL. ADC's net profit (loss) from its banking operations UBN segment, which includes ADC's equity interest in UGPL, amounted to EUR 9.2 million in 2013 and EUR (5.1) million in 2012.

UBN is the second oldest bank in Nigeria with a heritage dating back to 1917. The bank has a well-established national brand with a broad network of branches across the country. Additionally, UBN holds a full UK banking license for its wholly-owned subsidiary Union Bank UK Plc. In 2009, UBN was one of eight banks rescued by the Nigerian government during the Nigerian banking crisis through AMCON, the Nigerian corporate structure created by the CBN and the Ministry of Finance to isolate high risk assets and provide required liquidity, to the troubled banks, through the purchase of eligible bank assets or non-performing loans. AMCON's rescue of UBN followed an extended period of poor risk management practices, weak corporate governance and internal controls which, in turn, led to a number of operational frauds, a large volume of non-performing loans, unreconciled accounts and weak liquidity and capital adequacy positions.

Since 2009, UBN has undergone significant restructuring. AMCON purchased eligible bank assets and non-performing loans with a nominal value of Nigerian Naira 400 billion (EUR 2 billion) from UBN in 2010 paving the way for its recapitalisation by potential new investors. In March 2011, following a competitive auction process in which 4 consortia of investors were shortlisted, the UGPL consortium was selected as the most suitable buyer and UBN signed a memorandum of understanding with UGPL accordingly.

After UGPL acquired its 65% share for US$500 million in 2012, new management was introduced to UBN, who have since embarked on a turnaround of the bank encompassing the transformation of retail branch network, corporate and retail banking, people, technology, operations and risk management. The bank's proposition, sales and service model is being streamlined for every segment i.e. in retail, commercial and corporate. Management have started embedding a new culture through retention and recruitment of key personnel, performance management and targeted exits of unqualified employees. Furthermore, focus on centralised process to increase efficiency, investment in critical IT infrastructure and an overhaul of the management information systems to improve decision making is ongoing, repositioning the bank for the future in line with its new strategy.

Currency fluctuations

In addition to effects of currency fluctuations in the target markets' economies, results of operations are significantly affected by the exchange rate of the Botswana Pula to the Euro. The financial statements of ABCH use the Botswana Pula as their functional currency. The Botswana Pula has depreciated over the last three years, after appreciating against the Euro from 2009 to 2010. The exchange rate between the Botswana Pula and the Euro was 1 Euro to 9.72 Botswana Pula as of 31 December 2011, 1 Euro to 10.28 Botswana Pula as of 31 December 2012 and 1 Euro to 12.01 Botswana Pula as of 31 December 2013

(Source: www.xe.com). UGPL's and UBN's functional currencies are the Nigerian Naira. The Naira has also experienced fluctuations against the Euro in recent years, but not as significant as the Botswana Pula. Additionally, ABCH itself is subject to currency fluctuations between the Botswana Pula and the currencies of Mozambique, Tanzania, Zambia and, in the case of Zimbabwe, the United States dollar.

Due to the significant depreciation of the Botswana Pula in recent years, ADC Group's income statement has been impacted by losses from currency fluctuations by translating the Pula to Euro. It is expected that currency fluctuations will continue and that any dividends paid in the future, which depend on ADC's net profits in Euro, could therefore be impacted significantly.

ADC Group's consolidated statement of financial position is also significantly affected by currency fluctuations. In particular, in addition to the Botswana Pula, the currencies of Mozambique and Zambia have been subject to significant fluctuations.

Certain one-time effects

Certain one-time effects, including the first-time consolidation of ABCH in 2012, have materially impacted results of operations over the last three years. ADC changed its strategy in 2012 to move from being a pure private equity investment company with a focus on growth companies in SSA (particularly in the financial sector) to being a bank holding company with a strategy to acquire controlling stakes in SSA banks with a view to acquire majority stakes. As a consequence, results of operations for ADC Group have changed significantly in the last three years. The following provides an overview of these material effects:

- *First-time consolidation of ABCH:* ADC Group initially acquired a 20.1% stake in ABCH in 2011 and held this stake as an investment at fair value through profit and loss. In July 2012, through a capital increase of ABCH, ADC Group was able to acquire a majority stake in ABCH. As a result, ADC fully consolidated ABCH starting on 27 July 2012. The acquisition of ABCH resulted in the recognition of profit through the release of negative goodwill of EUR 17.1 million in 2012 and a loss of EUR 8.1 million relating to the revaluation of ADC's stake in ABCH in 2012 and intangible amortisation expenses of EUR 3.2 million relating to the amortisation of the intangible assets created through purchase price adjustment during the time of the acquisition.
- *Income statement volatility connected to ADC Group's investment in Banco Nacional de Guinea Ecuatorial ("BANGE")*: In 2008, ADC Group acquired an initial stake in BANGE. Due to the quick turnaround of the bank, ADC Group recognised a significant gain in 2011 as a result of an increased valuation of BANGE. In 2012, due to a decision of the government of Equatorial Guinea to require at least a majority of BANGE to be owned by local shareholders, ADC decided to not further pursue its strategy to increase its shareholding in BANGE. As a result, ADC Group incurred losses of EUR 4.6 million in 2012 from a write-down of an option to purchase further shares in BANGE. Further losses of EUR 7.3 million were incurred as BANGE's valuation decreased due to the high levels of non-performing loans that affected its overall profitability. In contrast, ADC Group recognised a significant gain in 2011 as a result of an increased valuation of BANGE. In May 2013, ADC Group sold its shareholding in BANGE for EUR 9 million resulting in a gain recognised in 2013 of EUR 1.4 million.
- Following the change of strategy, ADC is currently holding three of its four proprietary investments for sale. It is expected that it will incur losses or gains in the future following the sale of these investments. As of 31 December 2013, the book value of all four of its proprietary investments was EUR 10.4 million.

Explanation of key ADC income statement items

Interest and similar income and interest and similar expense

As a bank holding company, ADC's principal source of income is from interest and fees on loans and advances by BancABC Group to their customers. Interest and similar income also includes income from investment securities held at amortised cost, financial investments held to maturity and interest on cash and short-term funds.

Interest and similar expense includes interest paid on deposits and on borrowed funds.

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, ADC estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but it does not consider future credit losses. The calculation includes all fees and similar payments 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.

Provision for credit losses

As part of ABCH's banking business, provisions for corporate lending, consumer lending, commercial and property finance and instalment finance are made to account for any potential credit losses.

Net fee and commission income

ADC Group also has income from fees and commissions, principally fee income on loans and advances and cash transaction fees. Additionally, net fee and commission income includes net fee income from trust and fiduciary activities and other fee income.

Fee and commission income arises from services provided by the ADC 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 gains (losses) on financial instruments designated at fair value through profit or loss

This line item includes gains and losses from changes in fair value of shares in associates which are classified as "assets at fair value through profit or loss" according to IAS 39 and IAS 28.1 and gains of financial instruments designated at fair value.

Net trading income

Net trading income principally includes net losses and gains on derivative financial instruments and foreign exchange income or losses. Foreign exchange income includes gains and losses from spot and forward contracts and other currency derivatives. In addition, net trading income includes debt securities income resulting from buying and selling debt securities, from changes in fair value of debt securities and debt securities sold short as well as the related interest income and expenses.

Net income (loss) from equity method investments

This line item includes ADC's total 14.74% holdings in UGPL, and its underlying valuation of its shareholding in Union Bank of Nigeria at 9.63 Naira per share at year end 2013.

Other non-interest income

Other non-interest income includes various other income sources not related to BancABC Group's core banking operations. This line item includes electronic payment services, advisory services to portfolio companies, dividend income from listed shares held at fair value, rental and other income, losses and profits on the disposal of property and equipment, non-trading foreign exchange income or loss and other non-interest income.

Additionally, the release of negative goodwill of EUR 17.1 million in 2012 relating to the acquisition of a majority stake of ABCH as part of the purchase price allocation was included in this line item.

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

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.

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.

Income from the provision of advice to portfolio companies as well as income from the provision of IT consulting services is recognised using the percentage of completion method. Stage of completion is measured by reference to the labour hours incurred as of the reporting date as a percentage of total estimated labour hours for the respective consulting projects. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are recoverable.

Operating expenses

Operating expenses includes all expenses relating to operating ADC, ABCH and for the years 2011 and 2012 also for RSwitch (RSwitch was classified as an asset available for sale and shown under discontinued operations for 2013). Staff costs were the largest cost item in 2013 and 2012 and accounted for approximately 36% and 33% of total costs in 2013 and 2012, respectively.

Other costs include administrative expenses, property lease rentals, cost of materials, professional fees, general consulting fees, depreciation and amortisation, insurance, marketing, IT expenses, travel expenses, auditor's fees, accounting and administrative services and other operating expenses.

Reorganisation expenses

Reorganisation expenses relate to the purchase costs of the general partner and related transformation of ADC's organisational structure from a private equity company (partnership limited by shares—*GmbH & Co. KGaA*) into a German stock corporation (*Aktiengesellschaft*) in 2012.

Income tax expense

The tax expenses incurred principally relate to capital gain taxes and taxes in relation to ABCH's operations in the different jurisdictions in which its subsidiaries are located. Tax expenses have in the past been significantly impacted by non-deductible expenses, tax exempt revenues, tax incentives and other items that affect the effective tax rate. The effective tax rate differs in the various operating countries of ABCH.

ADC GROUP'S RESULTS OF OPERATIONS

ADC Group's first quarter 2014 financial results

ADC's first quarter results in 2014 were break-even, producing a small profit after tax of EUR 0.1 million compared to a restated net profit of EUR 24.6 million in the first quarter 2013. The decrease in profits in the first quarter 2014 compared to the previous year relates primarily to lower gains on equity method investments, relating to limited share price development during the period in ADC's indirect investment in UBN.

Comparison of ADC Group Results of Operations in the Years 2011, 2012 and 2013

Overview

The following is a description of ADC's consolidated results of operations on the level of ADC Group. The first-time consolidation of ABCH from 27 July 2012 was the main driver of its results of operations in 2012. For a detailed comparison of the results of operations of ABCH on a standalone basis for the years 2011, 2012 and 2013, see "*Comparison of ABCH's Results of Operations in the Years 2011, 2012 and 2013.*"

The following table shows ADC's consolidated income statement for the years 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	2012	2013
		(in EUR'000)	
Interest and similar income	422	65,365	173,173
Interest and similar expense	(2)	(37,753)	(90,497)
Net interest income	**420**	**27,612**	**82,676**
Provisions for credit losses	0	(8,133)	(43,009)
Net interest income after provisions for credit loss	**420**	**19,479**	**39,667**
Net fee and commission income	0	16,878	37,338
Net gains (losses) on financial instruments designated at fair value through profit or loss	17,226	(12,697)	3,249
Net trading income	0	2,570	16,197
Net income (loss) from equity method investments	0	(856)	14,497
Other non-interest income	4,525	20,259	5,582
Total operating income	**22,170**	**45,634**	**116,530**
Operating expenses	(13,427)	(57,245)	(120,748)
Reorganisation expenses	0	(4,327)	0
Result before tax	**8,743**	**(15,939)**	**(4,218)**
Income tax expense	**(78)**	**(2,078)**	**(4,163)**
Profit after tax from discontinued operations	0	(863)	157
Result for the year	**8,666**	**(18,880)**	**(8,224)**
attributable to equity holders of the parent	9,668	(21,985)	(3,648)
attributable to non-controlling interests	(1,003)	3,105	(4,576)
Net (loss)/gain on available-for-sale financial assets	0	296	(154)
Exchange differences on translating foreign operations	(173)	(9,383)	(7,532)
Net gain (loss) on hedge of net investment	0	0	(1,355)
Other comprehensive income (loss) for the period, net of tax	**(173)**	**(9,087)**	**(9,041)**
Total comprehensive income for the period, net of tax	**8,492**	**(27,967)**	**(17,265)**

Interest and similar income

The following table provides a breakdown of interest and similar income for the years 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	2012	2013
		(in EUR'000)	
Cash and short-term funds	422	1,658	5,877
Trading securities	0	3,611	6,036
Financial investments—held-to-maturity	0	152	329
Loans and advances at amortised cost	0	59,857	160,777
Other interest income	0	(2)	154
Interest income on financial assets designated at fair value through profit or loss	0	89	0
Total	**422**	**65,365**	**173,173**

Interest and similar income amounted to EUR 173.2 million in 2013 compared to EUR 65.4 million in 2012. The change was principally attributable to the consolidation of ABCH for the full year 2013, compared to approximately five months in 2012.

Interest and similar income amounted to EUR 65.4 million in 2012 compared to EUR 0.4 million in 2011. The change was principally attributable to the first-time consolidation of ABCH in 2012. In 2011, interest and similar income related to interest on cash and short-term funds.

Interest and similar expense

The following table provides a break-down of interest and similar expense for the years 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	**2012**	**2013**
		(in EUR'000)	
Deposits	0	(25,924)	(70,292)
Borrowed funds	(2)	(11,829)	(20,179)
Securities lent and repurchase agreements	0	0	(26)
Total	**(2)**	**(37,753)**	**(90,497)**

Interest and similar expense amounted to EUR 90.5 million in 2013 compared to EUR 37.8 million in 2012. The change was principally attributable to the consolidation of ABCH for the full year 2013, compared to approximately five months in 2012.

Interest and similar expense amounted to EUR 37.8 million in 2012 compared to only EUR 2 thousand in 2011. The change is due to ABCH's first-time consolidation in August 2012.

Net interest income

Net interest income increased from EUR 27.6 million in 2012 to EUR 82.7 million in 2013. The change was principally attributable to the consolidation of ABCH for the full year 2013, compared to approximately five months in 2012.

Net interest income increased from EUR 0.4 million in 2011 to EUR 27.6 million in 2012. The change was principally attributable to the first-time consolidation of ABCH in 2012.

Provisions for credit losses

The following table provides a break-down of provisions for credit loss for the years 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	**2012**	**2013**
		(in EUR'000)	
Financial assets measured at amortised cost loans and advances			
thereof mortgage lending	0	0	(53)
thereof instalment finance	0	674	(856)
thereof corporate lending	0	(9,542)	(38,709)
thereof commercial and property finance	0	(56)	125
thereof consumer-lending	0	790	(4,258)
Total	**0**	**(8,133)**	**(43,751)**

Provisions for credit losses amounted to EUR 43.8 million in 2013 compared to EUR 8.1 million in 2012. All provisions for credit losses relate to the consolidation of ABCH beginning in August 2012. The main contributor to credit loss provisions in 2013 were corporate lending activities, with the top five individual impairments accounting for EUR 16.9 million, or 39%, of total losses in the year, with the largest exposures in Tanzania, which accounted for EUR 11.9 million, or 27%, of total losses. The main contributor to credit loss expenses in 2012 were corporate lending activities which were significantly impacted by the impairment of a single loan worth EUR 5.9 million in BancABC's Zimbabwe's operations.

Provisions for credit losses amounted to EUR 8.1 million in 2012, while there were no provisions for credit losses made in 2011. All provisions for credit losses relate to the first-time consolidation of ABCH in August 2012.

Net fee and commission income

The following table provides a break-down of net fee and commission income for the years 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	**2012**	**2013**
		(in EUR'000)	
Net fee income on loans and advances	0	8,251	15,213
Net fee income on held-to-maturity investments	0	0	301
Net fee income from trust and fiduciary activities	0	827	10,860
Cash transaction fees	0	5,878	9,750
Other fee income	0	1,922	1,214
Total	**0**	**16,878**	**37,338**

Net fee and commission income amounted to EUR 37.3 million in 2013 compared to EUR 16.9 million in 2012, all of which related to ABCH. On a standalone basis, ABCH's increased customer reach through increased retail outlets and other distribution channels resulted in significant growth in transaction volumes and higher net fee and commission income.

Net fee and commission income amounted to EUR 16.9 million in 2012, all of which related to ABCH, while ADC Group did not have any net fee and commission income in 2011. On a standalone basis, ABCH's increased customer reach through increased retail outlets and other distribution channels resulted in significant growth in transaction volumes and higher net fee and commission income.

Net gains (losses) on financial instruments designated at fair value through profit or loss

A net gain was incurred on financial instruments designated at fair value of EUR 3.2 million in 2013, a net loss of EUR 12.7 million in 2012 and a net gain of EUR 17.2 million in 2011.

In 2013, the gain of EUR 3.2 million was principally related to the gain on sale of ADC's 25% minority stake in BANGE in Equatorial Guinea for EUR 1.4 million and a EUR 0.7 million valuation gain in Resolution Health.

In 2012, the loss was principally related to a loss of EUR 8.1 million relating to the revaluation of ADC's stake in ABCH immediately before acquiring a controlling stake in the bank as a result of a decrease in the share price of ABCH. A further loss of EUR 7.3 million from a participation in BANGE was due to the high levels of non-performing loans that affected BANGE's overall profitability, principally as a result of defaults by certain larger customers. The losses in 2012 were partially offset by a gain of EUR 2.6 million in Brainworks as a result of a higher price for its shares set in a capital increase completed in 2012 that resulted in a revaluation of ADC's interest in the company.

In 2011, the gain of EUR 17.2 million related to fair value gains on ADC's investment in ABCH of EUR 12.5 million and a gain of EUR 2.8 million on the sale of ADC's investment in Ecobank Zimbabwe (Premier Bank) as well as fair value gains of ADC's investments in BANGE and RHEAL.

Net trading income

The following table provides a break-down of net trading income for the years 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	**2012**	**2013**
		(in EUR'000)	
Net (losses)/gains on derivative financial instruments	0	(5,721)	(2,054)
Debt securities	0	1,402	0
Foreign exchange	0	6,889	14,631
Other net trading income	0	0	3,620
Total	**0**	**2,570**	**16,197**

The net trading income in 2013 principally reflects foreign exchange income of EUR 14.6 million from gains and losses on spot and forward contracts and other currency derivatives as a result of general foreign exchange business income at ABCH and EUR 3.6 million in other net trading income. The gains were offset by a net loss of EUR 2.0 million.

The net trading income in 2012 principally reflects foreign exchange income of EUR 6.9 million from gains and losses on spot and forward contracts and other currency derivatives as a result of general foreign exchange business income at ABCH and EUR 1.4 million in debt securities income. The gains were offset by a net loss of EUR 5.7 million which principally related to a EUR 4.6 million write-off on an option to buy an additional share of 25.1% in BANGE as a result of the majority shareholder in BANGE, the government of Equatorial Guinea, requesting that the bank remained majority-owned by Equatorial Guineans.

There was no trading income in 2011.

Net income (loss) from equity method investments

Net income (loss) from equity method investments increased from a loss of EUR 856 thousand in 2012 to income of EUR 14.5 million in 2013. The income in 2013 relates to ADC's total 14.74% holdings in UGPL, and its underlying valuation of its shareholding in UBN at 9.63 Naira per share at 31 December 2013.

There was no net income from equity method investments in 2011.

Other non-interest income

The following table provides a break-down of other non-interest income for the years 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	**2012**	**2013**
		(in EUR'000)	
Electronic payment services[1]	925	0	0
Advisory services to portfolio companies	767	493	0
Dividend income on listed shares—fair value through profit or loss	761	904	472
Gains/losses on disposal of property, plant and equipment	0	0	3
Other non-interest income			
thereof rental and other income	194	487	1,016
thereof (loss)/profit on disposal of property and equipment	0	(5)	0
thereof non-trading foreign exchange	1,527	254	5
thereof other non-interest income	351	1,030	4,086
Release of negative goodwill	0	17,096	0
Total	**4,525**	**20,259**	**5,582**

(1) Relates to income from RSwitch Ltd.

Other non-interest income decreased from EUR 20.3 million in 2012 to EUR 5.6 million in 2013. The principal reason for this change is the release of negative goodwill of EUR 17.1 million that occurred in 2012 relating to the acquisition and first-time consolidation of ABCH. This was partially offset by increases in rental and other income and other non-interest income resulting from the consolidation of ABCH for the full year in 2013.

Other non-interest income increased from EUR 4.5 million in 2011 to EUR 20.3 million in 2012. The principal reason for this change is the release of negative goodwill of EUR 17.1 million relating to the acquisition and first-time consolidation of ABCH. Revenues from the electronic payment services investment in Rwanda RSwitch Ltd. decreased from EUR 0.9 million in 2011 to EUR 0 million in 2012, resulting from the classification of the operations of RSwitch as a discontinued operation held for sale in 2012. Dividend income, rental and other income and other non-interest income increased between 2011 and 2012 due to the first-time consolidation of ABCH. Non-trading foreign exchange gains were higher in 2011 with a gain of EUR 1.5 million compared to EUR 0.3 million in 2012 reflecting relatively more stable foreign exchange rates on key currencies in 2012.

Total operating income

Total operating income increased from EUR 45.6 million in 2012 to EUR 116.5 million in 2013. This increase was principally driven by the consolidation of ABCH for the full year 2013 compared to approximately five months in 2012.

Total operating income increased from EUR 22.2 million in 2011 to EUR 45.6 million in 2012. This increase was principally driven by the first-time consolidation of ABCH in August 2012 and the release of negative goodwill of EUR 17.1 million as a result of the acquisition of a majority stake in ABCH in 2012. Total operating income was negatively impacted by a loss of EUR 12.7 million relating to reaching ABCH's control, the revaluation of BANGE and the write-down of an option to buy additional shares in BANGE. Most of the operating income in 2011 resulted from net gains on financial instruments of EUR 17.2 million, principally caused by fair value gains in ABCH, RHEAL and BANGE and gains from the disposal of Ecobank Zimbabwe (Premier Bank).

Operating Expenses

The following table provides an overview of operating expenses in the years 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	**2012**	**2013**
		(in EUR'000)	
Staff costs	(471)	(18,666)	(44,014)
Amortisation and depreciation	(445)	(7,149)	(17,341)
Rental expenses	(54)	(3,513)	(8,266)
Travelling expenses	(241)	(1,831)	(3,586)
Marketing expenses	(374)	(2,363)	(4,874)
Administration expenses	(10,725)	(19,217)	(38,628)
Other operating expenses	(1,117)	(4,506)	(1,828)
Total	**(13,427)**	**(57,245)**	**(120,748)**

Operating expenses increased from EUR 57.2 million in 2012 to EUR 120.7 million in 2013. This increase was principally driven by the consolidation of ABCH for the full year 2013 compared to approximately five months in 2012. The acquisition resulted in a significant increase in staff costs, depreciation and amortisation, cost of materials, administrative expenses, property lease rentals, insurance, marketing, IT expenses, travel expenses and auditor's fees.

Operating expenses increased from EUR 13.4 million in 2011 to EUR 57.2 million in 2012 as a result of the first-time consolidation of ABCH in July 2012. The acquisition resulted in a significant increase in staff costs, depreciation and amortisation, cost of materials, administrative expenses, property lease rentals, insurance, marketing, IT expenses, travel expenses and auditor's fees.

Reorganisation expenses

Reorganisation expenses amounted to EUR 4.3 million in 2012, while there were no such expenses in 2011 and 2013. These expenses resulted from ADC's corporate restructuring in 2012, specifically the purchase of the general partner, ADC Management GmbH from Altira AG, in order to transform the legal structure of the Company from a partnership limited by shares with a German limited liability company as the sole general partner (*GmbH & Co. KGaA*) to a stock corporation (*Aktiengesellschaft*). The legal transformation was principally undertaken due to ADC's refocusing of its strategy to focus on acquiring controlling stakes in banks solely with a view to achieving majority control in order to build a leading pan-African banking group.

Income tax expense

The following table provides a reconciliation of the imputed tax rate of 30% (15% corporate income tax and 15% trade tax) to ADC's effective tax rate from earnings before profits:

	For the year ended 31 December		
	2011	2012	2013
	(in EUR'000 except as otherwise stated)		
Imputed tax income (group tax rate)(1)	(2,623)	4,782	1,265
Non-deductible expenses	(1,273)	(7,017)	(2,483)
Tax-free income	2,835	1,916	3,835
Tax incentives and tax dividend received	0	(300)	(841)
Changes in loss carry forwards, which cannot be used to reduce tax expense	105	(18)	(2,470)
Carryforwards of unused tax credits	(739)	0	0
Changes in tax rate	1,617	(1,104)	(2,161)
Tax losses of prior years claimed	0	(337)	(1,308)
Effective income taxes (current and deferred taxes)	**(78)**	**(2,078)**	**(4,163)**
Effective group tax rate (in %)	**0.9%**	**25.2%**	**29.6%**

(1) Based on a 30% imputed tax rate and the EU-IFRS earnings before income tax in each year.

Income tax expenses increased from EUR 2.1 million in 2012 to EUR 4.2 million in 2013. Taxes relate primarily to income taxes due from banking operations in Botswana, Zimbabwe and Zambia within BancABC Group in 2013. The increase was principally due to the consolidation of a full year of operations of BancABC Group in ADC's income statement compared to just five months in 2012.

Income tax expenses increased from EUR 78 thousand in 2011 to EUR 2.1 million in 2012. The tax loss in 2012 was principally due to non-deductible expenses which increased significantly between 2011 and 2012 and changes in the tax rate due to non-deductible expenses and increases in tax loss carry-forwards, which cannot be used to reduce tax expense. The principal reasons for the increase in non-deductible expenses were a write-off of an investment in a subsidiary and losses on a convertible loan of the IFC.

Result for the year

The result for the year changed from a loss of EUR 18.9 million in 2012 to a loss of EUR 8.2 million in 2013. The change was a result of an increase in total operating income relating to the full-year consolidation of ABCH in 2013 which was offset by substantial provisions for credit losses, and of significant profits on the at-equity holding in UGPL, as well as the higher operating expenses incurred in 2012 as a result of the acquisition, reorganisation expenses in connection with the change of legal form to a German stock corporation and costs relating to the investment in BANGE.

The result for the year changed from a gain of EUR 8.7 million in 2011 to a loss of EUR 18.9 million in 2012. While total operating income increased principally due to the first-time consolidation of ABCH, ADC also incurred higher operating expenses as a result of the acquisition, reorganisation expenses in connection with the change of ADC's legal form to a German stock corporation and costs relating to ADC's investment in BANGE. The profit in 2011 was principally due to net gains on financial instruments of EUR 17.2 million as a result of fair value increases in ABCH, RHEAL and BANGE as well as a capital gain from the sale of Ecobank Zimbabwe (Premier Bank).

Total comprehensive income for the period, net of tax

The following table shows a reconciliation of results for the year to total comprehensive income for the period, net of tax for the years 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	2012	2013
		(in EUR'000)	
Result for the year	8,666	(18,880)	(8,224)
Net gains (losses) on available-for-sale financial assets	0	296	(154)
Exchange differences on translating foreign operations	(173)	(9,383)	(7,532)
Net gain (loss) on hedge of net investment	0	0	(1,355)
Total comprehensive income for the period, net of tax	**8,492**	**(27,967)**	**(17,265)**

A loss of EUR 17.3 million was accounted for in total comprehensive income in 2013 compared to a loss of EUR 28.0 million in 2012. Results were impacted by losses of EUR 7.5 million and EUR 9.4 million in exchange differences on translating foreign operations in 2013 and 2012, respectively, due to differences in exchange rates of the Pula and Euro. The 2013 results were also impacted by a loss on hedge of net investment of EUR 1.4 million relating to an investment in BancABC Zimbabwe in US dollars.

A loss of EUR 28.0 million was accounted for in 2012 compared to a gain of EUR 8.5 million in total comprehensive income in 2011. While results were only impacted by a small foreign exchange translation effect of EUR 0.2 million in 2011, a loss of EUR 9.4 million was recorded in exchange differences on translating foreign operations in 2012 due to differences in exchange rates of the Pula and Euro, which was partially offset by a gain from ADC's share of reserves in associated companies of EUR 7.3 million resulting from changes to the at-equity valuation of ADC's stake in UGPL.

Balance Sheet of the ADC Group

The following table shows the balance sheet as of 31 December 2011, 31 December 2012 and 31 December 2013:

	As of 31 December		
	2011	2012	2013
		(in EUR'000)	
ASSETS			
Cash and short term funds	43,278	183,380	200,897
Other financial assets held for trading	0	99,832	104,458
Financial assets designated at fair value	0	10,701	11,454
Derivative financial instruments	4,719	3,296	2,621
Loans and advances	0	886,572	856,894
Investment securities	0	5,319	5,635
Other current assets	3,466	21,277	22,429
Current tax assets	76	3,165	2,866
Investment in associates	49,223	74,883	72,334
Property, plant and equipment	551	64,905	62,750
Other intangible assets and goodwill	1,279	70,694	51,827
Deferred tax assets	456	8,650	12,523
Non-current assets and disposal groups held-for-sale	0	0	10,777
Total assets	**103,048**	**1,432,673**	**1,417,465**
EQUITY AND LIABILITIES			
Deposits	0	1,041,891	1,012,133
Derivative financial instruments	0	2,208	3,792
Creditors and accruals	2,879	36,243	59,787
Current tax liabilities	0	2,018	1,137
Deferred tax liability	0	15,871	12,160
Borrowed funds	11,839	195,667	226,318
Non-current liabilities and disposal groups held-for-sale	0	0	428
Shares of general partner	5	0	0
Total liabilities	**14,723**	**1,293,899**	**1,315,755**
Share Capital	8,411	8,607	9,467
Capital Reserve	50,030	53,137	60,499
Other reserves	11,286	8,231	3,111
Retained Earnings	19,701	(2,284)	(5,932)
Equity attributable to ordinary shareholders	**89,428**	**67,691**	**67,145**
Non-controlling interests	(1,103)	71,084	34,565
Total equity	**88,325**	**138,775**	**101,710**
Total equity and liabilities	**103,048**	**1,432,673**	**1,417,465**

Total assets

Total assets amounted to EUR 1,417.5 million as of 31 December 2013, EUR 1,432.7 million as of 31 December 2012 and EUR 103.1 million as of 31 December 2011. The increase from 2011 to 2012 was principally due to the first-time consolidation of ABCH in 2012. As a result, all asset line items increased including loans and advances which amounted to EUR 856.9 million as of 31 December 2013 and EUR 886.6 million as of 31 December 2012.

Total liabilities

Total liabilities amounted to EUR 1,315.8 million as of 31 December 2013, EUR 1,293.9 million as of 31 December 2012 and EUR 14.7 million as of 31 December 2011. Total liabilities principally related to deposits of ABCH which amounted to EUR 1,012.1 million as of 31 December 2013 and EUR 1,041.9 million as of 31 December 2012.

Liquidity and Capital Resources of ADC Group

At the ADC Group level, the principal funding sources are (i) equity capital raisings and past capital increases, (ii) debt capital raisings on the capital markets or via loans and (iii) dividends from ADC's investments.

Deposits

The following table provides an overview of ADC Group's deposits, exclusively relating to deposits of the BancABC Group, in Euro as of 31 December 2013 broken down in payable by demand and term deposits as well as by geography:

	As of 31 December 2013 (in EUR'millions)
Payable on demand	
Corporate customers	183.4
Public sector	27.8
Retail customers	83.2
Other financial institutions	22.1
Banks	31.4
Total	**347.9**
Term deposits	
Corporate customers	188.9
Public sector	233.0
Retail customers	40.6
Other financial institutions	115.2
Banks	86.5
Total	**664.2**
Geographic analysis	
Botswana	377.5
Mozambique	192.5
Tanzania	107.7
Zambia	95.7
Zimbabwe	238.8
Total	**1,012.1**

Borrowed funds

The following table provides an overview of all of ADC Group's borrowed funds from banks and other entities (all of which borrowed funds are also reflected in ABCH's financial statements, discussed below) as of 31 December 2013:

	As of 31 December 2013 (in EUR'millions)
Bond with warrants attached	38.0
National Development Bank of Botswana Limited	5.6
BIFM Capital Investment Fund One (Pty) Ltd.	21.3
Afrexim Bank	68.1
Africa Agriculture and Trade Investment Fund S.A.	18.0
Norsad Finance Limited	10.9
Other borrowed funds	64.5
Total	**226.3**

2015 Bond with Warrants

On 1 June 2012, ADC issued a three-year bond with warrants in an aggregate principal amount of EUR 40 million subdivided into 400,000 notes in the principal amount of EUR 100 per note each payable to the bearer. Each note initially had attached five warrants that are convertible into shares of ADC at an exercise price of EUR 14 per share. The 2015 Bond with Warrants is reflected with carrying amount of EUR 38.0 million at 31 December 2013.

Maturity Analysis

The following table provides a break-down of borrowed funds by maturity (on a discounted cash flow basis) as of 31 December 2013:

	As of 31 December 2013
	(in EUR'000)
On demand to one month	44.4
One month to three months	1.7
Three months to one year	6.5
Over one year	173.7
Total	**226.3**

Historical Consolidated Cash Flows

The following table summarises ADC's cash flows for the years 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	2012	2013
	(in EUR'000)		
Net cash flows from operating activities	(12.9)	47.4	4.4
Net cash flows used in investing activities	(14.1)	25.6	(2.9)
Net cash flows used in financing activities	25.1	67.8	4.6
Increase/(Decrease) in cash and cash equivalents	(2.0)	140.8	6.1
Cash and cash equivalents at beginning of the year	44.0	43.3	183.4
Cash and cash equivalents at the end of the year	43.3	183.4	200.9

Net cash flows from (used in) operating activities

Net cash flows used in operating activities amounted to EUR 47.4 million in 2012 compared to net cash flows from operating activities of EUR 4.4 million in 2013. This change was principally due to the increase in operating liabilities at BancABC Group, principally due to the increase in deposits at BancABC Group. Those cash inflows at BancABC Group were partially compensated for by cash outflows due to increasing loan books.

Net cash outflows used in operating activities amounted to EUR 12.9 million in 2011 compared to net cash inflows from operating activities of EUR 47.4 million in 2012. This change was principally due to the first-time consolidation of BancABC Group and the increase in operating liabilities of EUR 100.3 million at BancABC Group, principally due to the increase in deposits at BancABC Group. Those cash inflows at BancABC Group were partially compensated for by cash outflows due to increasing loan books.

Net cash flows from (used in) investing activities

Net cash flows from investing activities amounted to EUR 25.6 million in 2012 compared to net cash flows used in investing activities of EUR 2.9 million in 2013. In 2012, this included EUR 55.2 million outflows for the purchase of associates (ABCH and UGPL), as well as net cash inflows of EUR 86.7 million relating to the net cash acquired on first time consolidation of ABCH.

Net cash flows used in investing activities amounted to EUR 14.1 million in 2011 compared to net cash flows from investing activities of EUR 25.6 million in 2012. In 2011, the cash outflow was mainly due to the acquisition of further shares in associates, including the initial BancABC Group stake, with EUR 13.3 million. While in 2012, shares in UGPL purchased in January 2012 resulted in an outflow of cash of EUR 22.7 million, the further acquisitions of shares in ABCH (an additional outflow of EUR 41.5 million) resulted in the first-time consolidation of BancABC Group and therefore cash acquired which is part of ABCH of EUR 128.2 million. Additionally, there were outflows in 2012 for purchase of property plant and equipment of EUR 4.1 million and EUR 2.0 million for intangible assets, both principally relating to BancABC Group, compared to cash outflows of only EUR 0.3 million for property, plant and equipment and EUR 0.4 million for intangible assets in 2011.

Net cash inflows from financing activities

Net cash inflows from financing activities was EUR 67.8 million in 2012 and EUR 4.6 million in 2013. In 2013, the figures relate to cash inflows of EUR 8.2 million from a capital increase at the ADC level, net of EUR 2.6 million in dividends paid by ABCH and EUR 1.0 million in loan repayments at the ADC level.

Net cash inflows from financing activities was EUR 25.1 million in 2011 and EUR 67.8 million in 2012. In 2011, the principal sources of cash from financing activities related to a EUR 4 million short term loan which served as a bridge for a capital increase at the end of 2011, that capital increase of EUR 14.4 million and capital contributions relating to our initial public offering in December 2010 that were not paid until 2011. In 2012, the principal source of cash from financing activities related to the proceeds of EUR 38.2 million from a bond with warrants, the proceeds from convertible bonds of EUR 1.0 million, proceeds from other loans and debentures of EUR 1.0 million and proceeds from a capital increase of EUR 0.5 million. These cash inflows were partially offset by repaying the EUR 4 million bridge loan.

Off balance sheet transactions

As of 31 December 2013, ADC had no off-balance sheet financial facilities such as asset backed securities, or factoring. Information regarding ADC's operating leases can be found in Note 10 to the consolidated financial statements.

Capital expenditures

In 2013, capital expenditures included purchases of intangible assets of EUR 2.0 million and purchases of property, plant and equipment of EUR 9.5 million. The capital expenditures relating to intangible assets principally related to investments in software at BancABC Group. The capital expenditures into purchases of property, plant and equipment primarily related to the expansion of branch offices at BancABC Group and the maintenance of existing branches.

In 2012, capital expenditures included purchases of intangible assets of EUR 2.0 million and purchases of property, plant and equipment of EUR 4.1 million. The capital expenditures relating to intangible assets principally related to investments in software at BancABC Group. The capital expenditures into purchases of property, plant and equipment primarily related to the expansion of branch offices at BancABC Group and the maintenance of existing branches.

In 2011, capital expenditures included purchase of intangible assets of EUR 0.4 million and purchases of property, plant and equipment of EUR 0.3 million. These capital expenditures primarily related to software purchases for RSwitch Ltd. and investments in hardware for RSwitch Ltd.

Capital adequacy

Capital adequacy ratios are a measure of the amount of a bank's core capital expressed as a percentage of its risk-weighted assets. For ADC group, regulatory capital requirements are currently those applied to the subsidiaries of ABCH, as ADC's only fully consolidated banking investment, and are discussed in the discussion of ABCH's liquidity and capital resources below.

BANCABC GROUP'S RESULTS OF OPERATIONS

Comparison of ABCH's Results of Operations in the Years 2011, 2012 and 2013

Overview

As of 31 December 2013, ADC's principal consolidated subsidiary is ABCH, which was only fully-consolidated starting in 27 July 2012. In order to provide a three-year comparability of BancABC Group, the following description of the income statement provides an overview over the developments at BancABC Group as a stand-alone subgroup.

BancABC Group's functional currency is the Botswana Pula. The exchange rate between the Botswana Pula and the Euro was 1 Euro to 9.68 Botswana Pula as of 31 December 2011, 1 Euro to 10.28 Botswana Pula as of 31 December 2012 and 1 Euro to 12.05 Botswana Pula as of 31 December 2013.

The following table shows BancABC Group's consolidated income statement for the years 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	2012	2013
	(in BWP millions)		
Interest and similar income	821.9	1,383.0	1,928.8
Interest expense and similar charges	(409.5)	(710.0)	(918.5)
Net interest income before impairment	**412.4**	**673.0**	**1,010.3**
Impairment of loans and advances	(79.5)	(138.2)	(546.2)
Net interest income after impairment of advances	**332.8**	**534.9**	**464.1**
Non-interest income	326.0	551.7	692.1
Total Income	**658.8**	**1,086.6**	**1,156.2**
Operating expenditure	(545.9)	(868.7)	(1,181.5)
Net income from operations	112.9	217.9	(25.3)
Share of results of associates	(5.2)	(5.6)	(4.0)
Profit before tax	**107.7**	**212.3**	**(29.3)**
Tax	(20.0)	(77.1)	(46.4)
Profit/(loss) for the year	**87.7**	**135.2**	**(75.7)**

Interest and similar income

The following table provides a break-down of interest and similar income for the years 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	2012	2013
	(in BWP millions)		
Cash and short-term funds	19.1	20.0	65.8
Investment securities at amortised cost	137.2	98.8	71.0
Loans and advances at amortised cost	665.6	1,264.2	1,792.0
Total	**821.9**	**1,383.0**	**1,928.8**

ABCH's interest and similar income increased by 39.5% from BWP 1,383.0 million in 2012 to BWP 1,928.8 million in 2013. The trend was due to growth in the balance sheet size as well as improved margins as a result of strong growth in the Consumer Lending portfolio. This growth was principally attributable to growth at BancABC Botswana and BancABC Zimbabwe, which together contributed the vast majority of interest and similar income and also contributed most of the growth between 2012 and 2013. BancABC Mozambique, BancABC Zambia and BancABC Tanzania, which are smaller banks, also grew substantially, while income from ABCH and non-banking subsidiaries declined.

ABCH's interest and similar income increased by 68.3% from BWP 821.9 million in 2011 to BWP 1,383.0 million in 2012. This growth was principally attributable to growth at BancABC Botswana and BancABC Zimbabwe, which together contributed the vast majority of interest and similar income and also contributed most of the growth. BancABC Mozambique and BancABC Zambia, which are smaller banks, also grew substantially, while BancABC Tanzania's contribution to interest and similar income declined.

Interest and similar expense

The following table provides a break-down of interest and similar expense for the years 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	2012	2013
	(in BWP millions)		
Deposits	347.1	575.7	783.9
Borrowed funds	62.4	134.3	134.6
Total	**409.5**	**710.0**	**918.5**

Interest and similar expense increased 29.4% from BWP 710.0 million in 2012 to BWP 918.5 million in 2013. The increased interest expense is in line with the growth in customer deposits as well as borrowed funds in 2013. The increased borrowing was mostly applied in funding the increased loan book during the period.

Interest and similar expense increased 73.4% from BWP 409.5 million in 2011 to BWP 710.0 million in 2012. The increased interest expense was in line with the growth in customer deposits especially in Botswana and Zimbabwe as well as borrowed funds in 2012. Interest paid on borrowed funds more than doubled between 2011 and 2012.

Net interest income before impairment

Net interest income before impairment increased by 50.1% from BWP 673.0 million in 2012 to BWP 1,010.3 million in 2013. All BancABC Group's operations with the exception of ABCH and non-banking subsidiaries recorded an increase in net interest income as a result of significant growth on the balance sheet and market growth and improved margins as a result of strong growth in the consumer lending portfolio. BancABC Group's net interest margin increased from 6.6% to 7.6%. Margins are expected to continue to increase as the group further develops its Retail Banking business.

Net interest income before impairment increased by 63.2% from BWP 412.4 million in 2011 to BWP 673.0 million in 2012. All BancABC Group's operations with the exception of BancABC Tanzania recorded an increase in net interest income as a result of significant growth on the balance sheet and market growth. BancABC Group's net interest margin increased slightly from 6.5% to 6.6%. In relative size of the business, the retail banking loan business increased significantly.

Botswana

BancABC Botswana's net interest income improved by 54.9% from BWP 252.3 million in 2012 to BWP 390.7 million in 2013, driven primarily by higher volumes of consumer as well as group scheme loans which attract higher margins. The loan portfolio only increased by 8.9% to BWP 3,717.7 million, but the portfolio mix together with higher average loan balances for 2013 had a positive impact on net interest income.

BancABC Botswana's net interest income increased by 217.4% from BWP 79.5 million in 2011 to BWP 252.3 million in 2012 mainly due to improved margins as well as a substantial increase in the balance sheet size of BancABC Botswana. The loan portfolio of BancABC Botswana increased from BWP 1,658.1 million to BWP 3,410.8 million. Growth in Botswana was predominantly related to the consumer lending space as payroll deduction and group scheme loans increased.

Mozambique

BancABC Mozambique's net interest income increased by 32.6% to BWP 122.6 million in 2013 following growth in the interest earning assets. Loans and advances increased by 67.8% to BWP 1,462.1 million in 2013, from BWP 876.8 million in 2012, whilst deposits increased by 71.3% to BWP 2,321.5 million in 2013 from BWP 1,355.4 million in 2012. However, this growth in the balance sheet was achieved largely in the last two months of 2013 and hence, had limited benefit to income growth in 2013.

Net interest income increased by 52.4% from BWP 60.7 million in 2011 to BWP 92.5 million in 2012 following improvements in margins and growth in assets. Loans and advances increased from

BWP 761.9 million to BWP 876.8 million and deposits increased from BWP 1,216.5 million to BWP 1,355.4 million. Interest margins improved although market interest rates steadily declined.

Tanzania

BancABC Tanzania's net interest income increased by 31.6% from BWP 29.4 million in 2012 to BWP 38.7 million in 2013 on the back of a higher balance sheet. Net interest margins were subdued by high non-performing loan accounts. Gross non-performing loans declined from 33.3% in 2012 to 6.7% in 2013 and net non-performing loans declined from 24.6% in 2012 to 2.1% in 2013.

Net interest income declined by 42% from BWP 50.7 million in 2011 to BWP 29.4 million in 2012. This was principally due to higher non-performing loans and cost of funds which remained high for most of the year under review. Gross non-performing loans increased from 15% in 2011 to 33% in 2012.

Zambia

BancABC Zambia's net interest income increased by 12.7% from BWP 71.8 million in 2012 to BWP 80.9 million in 2013. The growth in net interest income emanated from the larger loan book in the current year. Loans and advances increased by 28.5% to BWP 1,328.4 million in 2013 and deposits increased by 38.4% to BWP 1,154.6 million in 2013.

Net interest income increased by 5.9% from BWP 67.8 million in 2011 to BWP 71.8 million in 2012. While interest income was negatively influenced by the reduction of 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 was largely due to an increased loan book that increased from BWP 576.9 million in 2011 to BWP 1,033.7 million.

Zimbabwe

BancABC Zimbabwe's net interest income increased by 78.1% from BWP 226.9 million in 2012 to BWP 403.8 million posted in 2013 primarily due to growth in consumer lending.

Net interest income increased by 66.7% from BWP 136.1 million in 2011 to BWP 226.9 million in 2012. This growth was principally related to continued business growth in group loan schemes.

Impairments of loans and advances

The table below sets forth certain data and information regarding provisions made for impairment for the periods specified below:

	For the year ended 31 December		
	2011	**2012**	**2013**
	(in BWP millions)		
Impairment before recoveries	79.7	142.4	554.5
Recoveries of loans and advances previously written off	(0.2)	(4.2)	(8.3)
Total impairment	**79.5**	**138.2**	**546.2**
		(%)	
Individually Impaired loans/Gross loans	6.6	9.2	17.2
Individually Impaired loans less provisions/Net loans	3.3	6.1	10.6
Allowances for impairment/Impaired loans	52.0	36.2	43.1

Net impairments of loans and advances increased by 295.2% from BWP 138.2 million in 2012 to BWP 546.2 million in 2013. Significant impairments were recorded in all operating segments. Mozambique was affected by one large account which has been struggling to service its debts, thereby creating the need to recognise impairment losses. In June 2013, a decision was taken to split the Tanzania loan book into a good and bad bank in order to try and permanently deal with this problem, and huge impairments were taken on the bad book. Write backs on this impairment charge will be recorded as funds are actually received. In Zimbabwe, the tight market-wide liquidity position continued to negatively impact borrowers' ability to service their loans.

As a consequence, BancABC Group's credit loss ratio, at 5.3%, was significantly above the group target of 1.0%. The gross non-performing loan ratio increased from 9.2% in 2012 to 17.2% in 2013 due largely to the recognition of additional impairments stemming from the Company's due diligence.

Net impairments of loans and advances increased by 73.7% from BWP 79.5 million in 2011 to BWP 138.2 million in 2012. This development was principally the result of a higher loan book which increased by 50% from BWP 6.1 billion to BWP 9.1 billion. In addition, specific impairments in Tanzania and Zimbabwe contributed to the increase. The slow legal process in Tanzania also resulted in the requirement to continuously lower the value of security, while in Zimbabwe a liquidity crunch put a significant strain on a number of corporate clients which impacted their ability to service their debt facilities when due. As a consequence, the non-performing loans ratio deteriorated from 6.6% in 2011 to 9.2% in 2012 and the net non-performing loan ratio deteriorated from 3.3% in 2011 to 7.1% in 2012.

Historically BancABC Group's loan book has been sensitive to a limited number of defaults by large corporate customers, which have had a significant impact on the level of non-performing loans in particular jurisdictions. As BancABC Group continues its shift towards Retail and SME Banking, legacy portfolio concentration issues are expected to decline in significance and reduce BancABC Group's sensitivity to individual impairments. Going forward, the strategy is to grow government payroll deduction loans with lending to corporates being limited to good credit rated customers.

BancABC 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 BancABC 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.

BancABC 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 BancABC 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.

Non-interest income

The following table sets forth the principal components of non-interest income for the periods specified below.

	For the year ended 31 December		
	2011	2012	2013
	(in BWP millions)		
Fee and commission income	162.0	330.1	415.7
Gains from trading activities(1)	31.3	27.5	65.7
Foreign exchange income	116.2	147.0	156.2
Other non-interest income(2)	16.4	47.1	54.5
Total non-interest income	**325.9**	**551.7**	**692.1**

(1) Includes net gains on hedging activities.

(2) Includes dividends, money market trading income, rental and other income, profit on disposal of property, plant and equipment and profit on disposal of subsidiary and associate.

Non-interest income increased by 25.4% from BWP 551.7 million in 2012 to BWP 692.1 million in 2013.

The major driver of this growth was the increase in fees and commissions together with the gains from trading activities. The growth in retail banking customer numbers has continued to drive the increase in non-interest income. With the exception of BancABC Zimbabwe, all banking operations registered growth in non-interest income. Fees and commission income in Zimbabwe was hampered by the Memorandum of Understanding between commercial banks and the Reserve Bank of Zimbabwe which capped, and in some instances abolished bank charges. The Memorandum of Understanding was revoked in December 2013 and this could help normalise the level of fees and commissions for the entity going forward.

Non-interest income increased by 69.3% from BWP 325.9 million in 2011 to BWP 551.7 million in 2012. The increased customer reach through increased retail outlets and other distribution channels has seen significant growth in transaction volumes which resulted 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 2011.

Total income

Total income increased by 6.4% from BWP 1,086.6 million in 2012 to BWP 1,156.2 million in 2013. The increase was principally related to a 25.4% growth in the non-interest income between 2012 and 2013 off-set by a 13.2% decrease in the net interest income after impairment as a result of the matters discussed above.

Total income increased by 64.9% from BWP 658.8 million in 2011 to BWP 1,086.6 million in 2012. The increase was principally related to higher interest income in Botswana and Zimbabwe and non-interest income as a result of the growth initiative in retail banking and higher foreign exchange trading volumes.

Operating expenditure

The following table sets forth the principal components of operating expenditure for the periods specified below.

	For the year ended 31 December		
	2011	2012	2013
	(in BWP millions)		
Staff costs	264.6	377.6	461.9
Administrative expenses	186.6	348.2	526.8
Other operating expenses(1)	94.8	142.9	192.8
Total operating expenses	**545.9**	**868.7**	**1,181.5**
	(%)		
Cost/Income ratio(2)	74%	71%	69%

(1) Includes auditor's remuneration, depreciation and directors' remuneration.

(2) Cost/Income ratio represents total operating expenses divided by the sum of net interest income before impairment and non-interest income.

Operating expenditure increased by 36% from BWP 868.7 million in 2012 to BWP 1,181.5 million in 2013. BancABC Group's expansion into the retail banking market segment resulted in higher costs across the network. The cost to income ratio, however, reduced from 71% to 69% owing to higher growth in income with most of the growth emanating from retail banking. The investment in systems and people within the retail banking division has now stabilised and we have achieved critical mass in Botswana, Zambia and Zimbabwe. Going forward, BancABC Group expects revenues to grow faster than costs.

Operating expenditure increased by 59.1% from BWP 545.9 million in 2011 to BWP 868.7 million in 2012. The continued rollout of the retail banking products and increased retail coverage resulting from growth of the branch network from 49 branches in 2011 to 61 branches in 2012 resulted in higher costs across the network. The cost-to-income ratio, however, decreased from 74% to 71% due to a higher contribution to income from retail banking.

Share of results of associates

The loss from BancABC Group's share of results of associates decreased from a loss of BWP 5.6 million in 2012 to a loss of BWP 4.0 million in 2013. The major contributor of this loss from associates is PG Botswana (Pty) Limited, which is available for sale, although no active marketing process is currently in progress.

The loss from BancABC Group's share of results of associates increased from a loss of BWP 5.2 million in 2011 to a loss of BWP 5.6 million in 2012. While Prestige Investments (Private) Limited, which was divested in 31 August 2011, contributed most of the loss in 2011, in 2012 PG Industries (Botswana) Limited contributed a loss of BWP 6.1 million which was only partially offset from the shares of profits in two other associates.

Tax

The following table provides a reconciliation of the income tax using corporate tax rates compared to the effective tax expense:

	For the year ended 31 December		
	2011	**2012**	**2013**
	(in BWP millions)		
Profit before tax	107.7	212.3	(29.3)
Income tax using corporate tax rates	52.6	74.5	(6.7)
Non-deductible expenses	0.4	20.9	29.6
Tax-exempt revenues	(18.9)	(27.9)	(2.2)
Tax incentives	(3.1)	(8.5)	(0.6)
Tax on dividends received	4.9	7.0	7.6
Under provision in prior years	1.0	2.2	—
Tax and fair value losses of prior years not claimed/(claimed)	(16.4)	8.9	18.7
Bank levies	—	0	0
Rate change	(0.5)	—	—
Current tax expense	**20.0**	**77.1**	**46.4**
Effective tax rate	**19%**	**36%**	**(158)%**

The tax expenses in 2012 amounted to BWP 77.1 million compared to BWP 46.4 million in 2013. The decrease was caused primarily by a decrease in profit before tax. The effective tax rate for 2013 was negative 158% compared to 36% in the prior year. BancABC Botswana, BancABC Zimbabwe and BancABC Zambia incurred a tax expense of BWP 36 million, BWP 12.4 million and BWP 12.3 million respectively. However, the impact of tax expense from these subsidiaries was reduced by a tax credit on BancABC Tanzania of BWP 43 million. This tax credit is expected to reverse in the future as Tanzanian operations improve.

The tax expenses in 2011 amounted to BWP 20.0 million compared to BWP 77.1 million in 2012. The increase was caused by an increase in profit before tax, but also a strong increase in non-deductible expenses and tax and fair value losses which were not claimed in 2012 while BWP 16.4 million were claimed in 2011. On a country-by-country basis, specifically BancABC Zambia contributed to the increase in taxes paid, with BWP 19.4 million in tax expenses in 2012 compared to a tax credit of BWP 10.5 million in 2011.

Profit for the year

BancABC Group's profit decreased by 156% from BWP 135.2 million in 2012 to a loss of BWP 75.7 million in 2013 primarily as a result of aggressive impairments of loans and advances. While profits increased at BancABC Botswana, profits declined at BancABC Zambia, BancABC Zimbabwe and BancABC Mozambique. BancABC Tanzania incurred losses, but the loss decreased from 2012 to 2013.

BancABC Group's profit increased by 54.2% from BWP 87.7 million in 2011 to BWP 135.2 million in 2012. While BancABC Botswana, BancABC Zambia and BancABC Zimbabwe increased their profits substantially, BancABC Mozambique's profit declined and BancABC Tanzania incurred losses.

BancABC Botswana's profit grew by 35% from BWP 94.4 million in 2012 to BWP 127.4 million in 2013 as a result of increased loan portfolio growth and its expansion in the retail banking business. BancABC Zambia's profit decreased by 71.9% from BWP 36.0 million in 2012 to BWP 10.1 million in 2013 due to impairment charges. BancABC Zimbabwe reduced profits by 67.2% from BWP 103.4 million in 2012 to BWP 33.9 million in 2013, as a result primarily of higher impairments.

BancABC Mozambique's profit was BWP 3.1 million in 2013 which was significantly lower than the BWP 17.6 million in 2012 due to a large increase in net impairments resulting from growth in non-performing loans and other increased costs. BancABC Tanzania's loss decreased from BWP 38.6 million in 2012 to BWP 20.1 million in 2013 as impairments decreased and net interest income increased as a result of less non-performing loans and lower cost of funds than in 2012.

BancABC Botswana's profit grew by 237% from BWP 28 million in 2011 to BWP 94.4 million in 2012 as a result of increased loan portfolio growth and its expansion in the retail banking business. BancABC Zambia's profit increased by 13% from BWP 31.9 million in 2011 to BWP 36.0 million in 2012 largely due to the increased volume of transactions in consumer lending. BancABC Zimbabwe grew its profits from BWP 55.1 million in 2011 to BWP 103.4 million in 2012 due to continued business growth specifically in group loan schemes.

BancABC Mozambique's profit was BWP 17.6 million in 2012 which was significantly lower than the BWP 28.9 million in 2011 despite higher net interest income due to a large increase in net impairments resulting from growth in non-performing loans and other increased costs. BancABC Tanzania's loss increased from BWP 3.3 million in 2011 to BWP 38.6 million in 2012 as impairments increased and net interest income declined as a result of higher non-performing loans and cost of funds which remained high for most of 2012. In addition, the expansion into the retail sector in Tanzania resulted in higher operating costs.

Results of operations by division

Treasury and Structured Finance Division

The treasury division had a mixed performance during 2013, with wholesale deposits increasing only marginally by 10.3% from BWP 9.7 billion to BWP 10.7 billion. The growth in deposits arose principally from BancABC Mozambique and BancABC Zambia both of which significantly grew their deposit base during the year. BancABC Zimbabwe saw a decline in deposits due to continued liquidity challenges in that market. The decline in BancABC Zimbabwe's deposits was more pronounced in July 2013 owing to the uncertainty prevailing in the market as a result of pending general elections. However, the position started reversing soon after the elections although the overall closing figures were still lower than what was recorded in the prior year. BancABC Botswana recorded an 8% increase in wholesale deposits from BWP 3.9 billion to BWP 4.2 billion and is still the largest contributor to BancABC Group's total deposits.

Foreign exchange trading income increased by 6% from BWP 147 million to BWP 156 million. However, money market income grew by 115% from BWP 39 million in 2012 to BWP 85 million in 2013. Increased bond trading registered by BancABC Tanzania and BancABC Zambia resulted in a 54% increase in gains from trading activities from BWP 26 million in 2012 to BWP 40 million in the year under review. Gains on financial assets designated at fair value through profit and loss increased from BWP 13 million in 2012 to BWP 44 million in 2013, largely due to a mark-to-market gain of BWP 29 million on BancABC Group's investment in UBN.

The treasury division increased wholesale deposits by 43% from BWP 6.8 billion in 2011 to BWP 9.7 billion in 2012. Total wholesale deposits were the highest in Botswana with BWP 3.9 billion and all subsidiaries experiencing substantial growth in customer deposits with increasing market growth in the target countries. Foreign exchange trading income increased due to increased transaction volumes across BancABC Group, while money market income declined, largely due to a reduction in volumes traded in Tanzania and Zambia.

Corporate Banking Division

The corporate banking division loan book recorded modest growth of 16.8% from BWP 5.2 billion in 2012 to BWP 6.1 billion in 2013. The subdued growth is largely as a result of a combination of a deliberate policy to curtail lending in the corporate banking space as a diversification strategy as well as constrained liquidity position. As a result, more resources were deployed in the payroll deduction loans business where higher margins at a relatively low risk are obtained. BancABC Zimbabwe remains the largest contributor to the corporate banking loan book at BWP 2.2 billion in 2013 which was the same level as in 2012. BancABC Botswana, the next largest contributor at BWP 1.4 billion was also flat compared to the prior year. However, the division increased transactional and non-funded fee business and this resulted in a 25% growth in transactional fees from BWP 118 million in 2012 to BWP 147 million in 2013. The division will seek to continue building on the success of this strategy to grow fee income even in 2014 with a view to further broaden the wholesale customer base.

Loan impairments were a challenge for the division in 2013. The division's share of impairments increased by 375% from BWP 106 million in 2012 to BWP 506 million in 2013.

The corporate banking division recorded slow growth due to a policy to deploy most of the deposits to the higher margin business in the retail banking sector. The tight liquidity position and portfolio diversification resulted in the corporate banking book increasing slowly by 5.8% from BWP 4.9 million in 2011 to BWP 5.2 billion in 2012. The division increased transactional and non-funded business, most notably in Zambia. As a consequence, fee income increased by 15% from BWP 102 million in 2011 to BWP 118 million in 2012. Non-performing loans were higher, particularly in BancABC Tanzania and BancABC Zimbabwe. BancABC Zimbabwe remained the largest contributor to the wholesale loan book at BWP 2.2 billion from BWP 1.7 billion in 2011.

Retail and SME Banking Division

The retail and SME banking division achieved strong growth during 2013 with BancABC Botswana, BancABC Zambia and BancABC Zimbabwe consolidating the growth they have achieved in the past few years. Both BancABC Tanzania and BancABC Mozambique achieved some growth in retail business during the year, but they have not yet reached critical mass and hence, the retail business in both operations is still loss making.

Customer deposits increased by 50% from just under BWP 1 billion in 2012 to BWP 1.5 billion in 2013. Loans and advances increased by 19% from BWP 4.0 billion in 2012 to BWP 4.7 billion in the current year. The division's loans and advances are predominantly payroll deduction loans from governments as well as group loan schemes largely from our corporate clients.

The growth in loans and advances in the recent past spurred growth in the division's total income from BWP 508 million in 2012 to BWP 828 million in 2013.

The retail and SME banking division achieved growth in 2012. Total retail banking income increased from BWP 160 million in 2011 to BWP 508 million in 2012. The branch network increased from 49 to 61 branches and the retail product portfolio was significantly increased, including the introduction of the EMV VISA prepaid card in Botswana, Mozambique, Zimbabwe and Tanzania as the first bank in these countries. Customer deposits increased from BWP 0.6 billion in 2011 to BWP 1 billion in 2012. Loans and advances increased from BWP 1.4 billion in 2011 to BWP 4.2 billion in 2012. The growth in loans and advances is largely due to payroll deduction loans from ABCH's corporate clients and governments.

Balance Sheet of BancABC Group

The following table shows BancABC Group's balance sheet as of 31 December 2011, 2012 and 2013:

	As of 31 December		
	2011	2012	2013
	(in BWP millions)		
ASSETS			
Cash and short term funds	1,243.4	1,859.3	2,304.3
Financial assets held for trading	651.0	1,022.9	1,260.0
Financial assets designated at fair value	221.3	189.7	261.6
Derivative financial assets	32.3	33.8	27.7
Loans and advances	6,077.4	9,144.0	10,336.5
Investment securities	50.3	54.5	67.8
Prepayments and other receivables	172.0	194.0	261.7
Current tax assets	8.5	31.7	33.0
Investment in associates	17.5	11.2	13.3
Property and equipment	396.2	488.3	584.9
Investment property	2.0	—	0
Intangible assets	130.4	139.1	130.0
Deferred tax assets	62.8	68.7	151.1
Total assets	**9,065.2**	**13,237.2**	**15,431.9**
EQUITY AND LIABILITIES			
Deposits	7,374.7	10,675.1	12,209.1
Derivative financial liabilities	47.1	22.6	37.6
Creditors and accruals	130.4	303.4	366.1
Current tax liabilities	27.6	20.2	12.9
Deferred tax liability	9.4	8.4	11.7
Borrowed funds	981.8	1,212.7	1,759.3
Total liabilities	**8,571.0**	**12,242.4**	**14,396.7**
Stated Capital	316.6	663.4	781.0
Foreign currency translation reserve	(246.0)	(240.8)	(143.9)
Non distributable reserves	64.3	176.5	80.1
Distributable reserves	343.7	376.8	319.8
Equity attributable to ordinary shareholders	**478.5**	**975.8**	**1,037.1**
Non-controlling interests	15.8	19.0	(1.9)
Total equity	**494.3**	**994.9**	**1,035.2**
Total equity and liabilities	**9,065.2**	**13,237.2**	**15,431.9**

Total assets

Total assets amounted to BWP 13,237.2 million as of 31 December 2012 and BWP 15,431.9 million as of 31 December 2013. The increase was principally due to an increase in loans and advances from BWP 9,144.0 million as of 31 December 2012 to BWP 10,336.5 million as of 31 December 2013. BancABC Botswana and BancABC Zimbabwe with respective loan books of BWP 3.7 billion and BWP 3.0 billion constituted the majority of the loan book for the BancABC Group. The contribution from the two entities was 65% for 2013, as compared to 70% for 2012. Deposits increased by 14% to BWP 12.2 billion at 31 December 2013 from BWP 10.7 billion as at 31 December 2012, with BancABC Botswana and BancABC Zimbabwe at BWP 4.7 billion and BWP 2.7 billion, respectively, contributing the most to BancABC Group's deposits. The two entities' share of deposits was 61% in 2013 compared to 69% in 2012.

Total assets amounted to BWP 9,065.2 million as of 31 December 2011 and BWP 13,237.2 million as of 31 December 2012. The increase was principally due to an increase in loans and advances from BWP 6,077.4 million as of 31 December 2011 to BWP 9,144.0 million as of 31 December 2012 which were driven by the expansion in the retail sector in particular in BancABC Botswana and BancABC Zimbabwe. In line with the generally favourable business development, cash and cash equivalents and financial assets held for trading also increased sharply.

Cash and short-term funds

Cash and short-term funds consist of cash on hand, cash balances with banks and statutory reserve balances required by law to be maintained with central banks. Cash and short-term funds increased by 23.9% to BWP 2,304.3 million as at 31 December 2013 from BWP 1,859.3 million as at 31 December 2012. The growth from December 2012 to December 2013 was primarily due to the general growth of the business despite a decrease in the current year, resulting from increased funding of loans and advances.

Cash and short term funds consist of cash on hand, cash balances with banks and statutory reserve balances required by law to be maintained with central banks. Cash and short term funds increased by 50% to BWP 1,859.3 million as at 31 December 2012 from BWP 1,243.4 million as at 31 December 2011. This increase was in line with general growth of the balance sheet.

Securities portfolio

The securities portfolio consists of financial assets held for trading, financial assets designated at fair value and investment securities. The following table sets forth the principal components of the BancABC Group's securities portfolio as at the dates indicated:

	As at 31 December		
	2011	**2012**	**2013**
	(in BWP millions)		
Treasury bills and other open market instruments	571.6	919.1	1,152.4
Listed equity securities	33.3	37.1	38.2
Corporate bonds	26.7	30.2	35.8
Unlisted equity securities	188.0	152.6	223.3
Government bonds	52.7	73.6	71.9
Total securities portfolio	**872.3**	**1,212.6**	**1,521.6**

The securities portfolio increased by 25% to BWP 1,521.6 million as at 31 December 2013 from BWP 1,212.6 million as at 31 December 2012. Over the periods under review, the securities portfolio as a proportion of total assets has gradually decreased as BancABC Group has focused on increasing loans and advances to customers. In 2013, the increase in unlisted equity securities was principally due to the increase in the value of the equity investment in UBN.

The securities portfolio increased by 39% to BWP 1,212.6 million as at 31 December 2012 from BWP 872.3 million as at 31 December 2011. The increase in securities portfolio between 2011 and 2012 is principally due to a 61% growth in treasury bills and other open market instruments as well as a 39% growth in government bonds.

Loans and advances

The following table provides an overview over the loans and advances of ABCH for the years 2011, 2012 and 2013:

	As of 31 December		
	2011	**2012**	**2013**
	(in BWP millions)		
Mortgage lending	65.2	268.1	349.0
Instalment finance	331.8	561.5	670.4
Corporate lending	4,440.1	4,611.7	5,381.8
Commercial and property finance	169.5	54.1	53.7
Consumer lending	1,288.3	3,964.9	4,711.2
Impairments	(217.6)	(316.2)	(829.6)
Net loans and advances	**6,077.4**	**9,144.0**	**10,336.5**

The principal drivers of the increase in loans and advances from 31 December 2012 to 31 December 2013 were consumer lending, which increased from BWP 3,964.9 million as of 31 December 2012 to BWP 4,711.2 million as of 31 December 2013 due to BancABC Group's strategy to expand in the retail and consumer finance sector, and corporate lending, which increased from BWP 4,611.7 million as of 31 December 2012 to BWP 5,381.8 million as of 31 December 2013 due in part to growth in the corporate loan book in Mozambique. Mortgage lending and instalment finance, while comprising a lower share of the total loan book, also increased.

The principal driver of the increase in loans and advances was consumer lending which increased from BWP 1,288.3 million as of 31 December 2011 to BWP 3,964.9 million as of 31 December 2012 due to BancABC Group's strategy to expand in the retail and consumer finance sector. Mortgage lending and instalment finance, while comprising a lower share of the total loan book, also increased significantly. Corporate lending, which still made up the largest share of the loan book, increased from BWP 4,440.1 million as of 31 December 2011 to BWP 4,611.7 million as of 31 December 2012, but grew at a lower rate as a result of ABCH's focus on retail sector expansion.

Liquidity challenges reduced the pace of growth in 2013.

BancABC Group's loan portfolio is diversified across industry sectors in each of the countries in which the group operates. While approximately 65.5% of the loan portfolio is held in Botswana and Zimbabwe, the remainder is evenly held in Mozambique (14%) and Zambia (12.9%), while a smaller portion (5.6%) of the book is held in Tanzania and the remaining portion is held directly by ABCH and other non-banking subsidiaries. The loans are denominated in a number of different currencies depending on customer needs. As at 31 December 2013, approximately 47% of BancABC Group's loans and advances were underwritten in US dollars.

Non-performing loans as a percentage of gross loans and advances increased from 9.2% in 2012 to 17.2% in 2013 due largely to the recognition of additional impairments stemming from the Company's due diligence on BancABC Group's loan portfolio.

Loans and advances increased from BWP 6.1 billion as at 31 December 2011 to BWP 9.1 billion as at 31 December 2012. BancABC Botswana's loan book, at BWP 3.4 billion, constituted the largest contribution (37%) of this increase, followed by BancABC Zimbabwe at BWP 3.0 billion (33%). The growth in the loan book translated into higher interest income for 2012 compared to 2011.

Total liabilities

Total liabilities amounted to BWP 12,242.4 million as of 31 December 2012 and BWP 14,396.7 million as of 31 December 2013. Total liabilities principally related to deposits which increased from BWP 10,675.1 million as of 31 December 2012 to BWP 12,209.1 million as of 31 December 2013.

Total liabilities amounted to BWP 8,571.0 million as of 31 December 2011 and BWP 12,242.4 million as of 31 December 2012. Total liabilities principally related to deposits which increased from BWP 7,374.7 million as of 31 December 2011 to BWP 10,675.1 million as of 31 December 2012.

The following table provides an overview of the deposits at BancABC Group for the years 2011, 2012 and 2013:

	As of 31 December		
	2011	2012	2013
	(in BWP millions)		
Payable on demand			
Corporate customers	2,221.4	1,759.7	2,212.8
Public sector	322.0	388.0	335.9
Retail customers	446.4	788.9	1,003.3
Other financial institutions	191.7	447.1	266.2
Banks	169,3	101.9	378.8
Total	**3.350.7**	**3,485.6**	**4,196.9**
Term deposits			
Corporate customers	975.0	2,536.3	2,279.1
Public sector	1,927.9	2,547.5	2,810.6
Retail customers	107.9	209.7	489.8
Other financial institutions	625.3	930.2	1,389.6
Banks	387.9	965.8	1,043.0
Total	**4,024.0**	**7,189.5**	**8,012.1**

The growth in liabilities between 2012 and 2013 principally resulted from payable on demand deposits for retail customers and term deposits for public sector, retail customers, other financial institutions and banks.

The growth in liabilities between 2011 and 2012 principally resulted from term deposits for corporate customers and the public sector.

The following table shows the geographic split for deposits for the years 2011, 2012 and 2013:

	As of 31 December		
	2011	2012	2013
	(in BWP millions)		
Botswana	2,563.1	4,139.1	4,553.9
Mozambique	1,216.3	1,396.7	2,321.5
Tanzania	1,060.7	1,148.0	1,298.5
Zambia	548.1	792,8	1,154.6
Zimbabwe	1,986.4	3,198.5	2,880.5

Liquidity and Capital Resources of BancABC Group

At BancABC Group level, the principal funding sources are (i) capital contributions by the ADC Group, e.g. the capital increase through which ADC Group was able to reach a majority position in ABCH in 2012, (ii) debt capital raisings as well as other sources of debt funding and (iii) deposits from customers.

Deposits

The following table provides an overview of BancABC Group's deposits in BWP as of 31 December 2013 broken down in payable by demand and term deposits as well as by geography:

	As of 31 December 2013
	(in BWP millions)
Payable on demand	
Corporate customers	2,212.8
Public sector	335.9
Retail customers	1,003.3
Other financial institutions	266.2
Banks	378.8
Total	**4,196.9**
Term deposits	
Corporate customers	2,279.1
Public sector	2,810.6
Retail customers	489.8
Other financial institutions	1,389.6
Banks	1,043.0
Total	**8,012.1**
Geographic analysis	
Botswana	4,553.9
Mozambique	2,321.5
Tanzania	1,298.5
Zambia	1,154.6
Zimbabwe	2,880.5
Total	**12,209.1**

BancABC Group funds the majority of its operations through deposits. As at 31 December 2013, total deposits were BWP 12.2 billion and represented 85% of total liabilities. Deposits consist of deposits payable on demand and term deposits from customers and banks. Deposit grew by 14% from a total of BWP 10.7 billion as at 31 December 2012 to BWP 12.2 billion as at 31 December 2013, with BancABC Botswana and BancABC Zimbabwe, at BWP 4.7 billion and BWP 2.7 billion, respectively, contributing the most to BancABC Group's deposits. Those two entities' share of total deposits was a combined 61% compared to 69% in 2012. BancABC Group receives deposits from borrowers from a wide range of industry sectors in each of the countries in which it operates. BancABC Group also accepts deposits in a variety of currencies. However, as at 31 December 2013, 32% of deposits were in Botswana pula, with the rest of the deposits distributed evenly across the Zambian kwacha, the Mozambican metical, and the U.S. dollar. Approximately 66% of total deposits are term deposits, principally for terms of up to one year, while the remainder are deposits payable on demand.

Borrowed funds

The following table provides an overview of all of BancABC Group's borrowed funds from banks and other entities as of 31 December 2013:

	As of 31 December 2013
	(in BWP millions)
National Development Bank of Botswana Limited	67.2
BIFM Capital Investment Fund One (Pty) Ltd.	256.4
Afrexim Bank	821.8
Africa Agriculture and Trade Investment Fund S.A.	216.8
Norsad Finance Limited	131.7
Other borrowed funds	265.5
Total	**1,759.3**

Convertible bond

During 2011, ABCH issued a U.S. dollar denominated convertible loan to IFC for US$13.5 million. The loan was concluded at an interest rate of 6 months LIBOR +3.75% per annum, payable semi-annually and is convertible at the option of IFC. On 22 August 2012, ABCH modified the loan into a Botswana Pula denominated loan. The last redemption tranche was to come due on 15 September 2014 in an amount of BWP 23.7 million. On 15 April 2013, IFC converted the loan into equity, and received 24,080,230 ordinary shares of ABCH.

National Development Bank of Botswana Limited

This loan is denominated in Japanese Yen with an interest rate of 3.53% and a maturity date on 15 December 2016. Interest is payable semi-annually on 15 June and 15 December of each year.

BIFM Capital Investment Fund One (Pty) Ltd.

This loan from BIFM Capital Investment Fund One (Pty) Ltd. is denominated in Botswana Pula and has an interest rate of 11.63% per year, which is payable semi-annually. The loan becomes due in four equal tranches starting on 30 September 2017 and on 30 September on the three years thereafter.

Afrexim Bank Limited

The loans from Afrexim Bank Limited consist of US$60 million advanced to ABCH and US$33 million advanced to 3 months LIBOR +5% and it is repayable on 10 January 2014, but with a provision to extend it for a further, mutually agreeable period. The US$60 million advanced to ABCH was designated as a hedge in the net investment by the BancABC Group in BancABC Zimbabwe.

The US$33 million trade finance facility was availed to ABC Zimbabwe by Afrexim Bank Limited for three years from December 2013. It attracts interest at LIBOR +4.5% and it is repayable on the earlier of when the underlying customers funded repay their respective loans or in December 2016.

Africa Agriculture and Trade Investment Fund S.A. ("AATIF")

The loan from AATIF is denominated in US Dollars and attracts interest at 3 months LIBOR +6.25%. Interest is payable quarterly on 31 March, 30 June, 30 September and 31 December. The loan matures on 21 December 2018 when the full principal amount is due for repayment in one instalment.

Norsad Finance Limited

The loans from Norsad Finance Limited were advanced to ABCH as well as BancABC Zambia and BancABC Zimbabwe. The US$10 million loan advanced to ABCH is a subordinated loan and attracts interest at 6 months LIBOR +7.5%. Interest is payable semi-annually on 30 June and 31 December. The loan matures on 9 October 2020 when the full principal amount is due for repayment in one instalment. The loans advanced to BancABC Zambia and BancABC Zimbabwe are also denominated of between 7% and 12% per annum and they mature between 2014 and 2015.

Other borrowings

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

Maturity Analysis

The following table provides a break-down of borrowed funds by maturity as of 31 December 2013:

	As of 31 December 2013
	(in BWP millions)
On demand to one month	535.3
One month to three months	21.0
Three months to one year	78.8
Over one year	1,124.2
Total	**1,759.3**

Historical Consolidated Cash Flows

The following table summarises BancABC Group's cash flows for the years 2011, 2012 and 2013:

	For the year ended 31 December		
	2011	**2012**	**2013**
	(in BWP millions)		
Cash flows from operating activities	(175.6)	50.0	(229.5)
Cash flows from investing activities	(244.2)	(162.5)	(126.1)
Cash flows from financing activities	392.8	552.6	508.7
Increase/(Decrease) in cash and cash equivalents	(27.0)	440.1	153.0
Cash and cash equivalents at beginning of the year	788.0	864.7	1,314.9
Cash and cash equivalents at the end of the year	864.7	1,314.9	1,595.7

Cash flows from operating activities

Cash inflows from operating activities amounted to BWP 50.0 million in 2012 compared to cash outflows from operating activities of BWP 229.5 million in 2013. This change was principally due to a net decrease in operating funds in 2013. Operating assets, the bulk of which are loans and advances, increased at a faster rate than operating liabilities, but this increase was somewhat subdued by higher impairments of loans and advances in 2013 compared to the prior year.

Cash outflows from operating activities amounted to BWP 175.6 million in 2011 compared to cash inflows from operating activities of BWP 50.0 million in 2012. This change was principally due to higher cash inflow generated from operating activities in 2012. The growth in operating assets in 2012 was more evenly matched with the growth in deposits and this fed the BancABC Group to record a net cash inflow from operating activities in 2012. In 2011, loans and advances increased by an amount which exceeded the increase in deposits, hence the net cash outflow from operating activities during that year.

The net cash outflows in 2013 and 2011 were funded predominantly by an increase in long-term borrowed funds and the surplus in 2012 was invested in short-term money market cash and cash-equivalents.

Cash flows from investing activities

Cash outflows from investing activities amounted to BWP 162.5 million in 2012 compared to cash outflows from investing activities of BWP 126.1 million in 2013. This decrease in outflows was principally due to a reduction in the fixed assets acquired during the year. In 2013, cash flows from investing activities included BWP 127.2 million in outflows for purchase of property and intangible assets, and BWP 4.8 million for an additional capital injection in an associate, as well as cash inflows of BWP 5.9 million relating to dividends received and proceeds on disposal of fixed assets.

Cash outflows from investing activities amounted to BWP 244.2 million in 2011 compared to cash outflows from investing activities of BWP 162.5 million in 2012. The cash outflow in both 2011 and 2012 was mainly due to the acquisition of fixed assets to cater for retail expansion.

Cash flows from financing activities

Cash inflows from financing activities was BWP 552.6 million in 2012 compared to BWP 508.7 million in 2013. In 2013, the principal sources of cash from financing activities related to borrowed funds.

Cash inflows from financing activities was BWP 392.8 million in 2011 compared to BWP 552.6 million in 2012. In 2011 and 2012, the principal sources of cash from financing activities related to borrowed funds as well as proceeds from the issue of shares. In 2012, the principal source of cash from financing activities related to borrowed funds.

Off balance sheet transactions

BancABC Group enters into certain financial instruments with off-balance sheet risk in the normal course of business to meet the needs of clients and for the purposes of its own treasury operations. These instruments, which include guarantees, letters of credit and other contingent liabilities and commitments to extend capital, involve varying degrees of credit risk and are not reflected in the Issuer's consolidated balance sheet. BancABC Group's exposure under guarantees and derivative financial instruments is represented by the maximum contractual amount of these instruments. The following table sets forth the contingent liabilities and capital commitments for the periods indicated:

	As at 31 December		
	2011	2012	2013
	(in BWP millions)		
Contingent liabilities:			
Guarantees	337.5	613.5	671.2
Letters of credit and other contingent liabilities	95.4	183.1	99.5
Capital commitments	104.4	63.2	65.8
Total contingent liabilities and capital commitments	**537.3**	**859.8**	**836.5**

BancABC Group's contingent liabilities and capital commitments decreased by 3% to BWP 837 million as at 31 December 2013 from BWP 860 million as at 31 December 2012. The decrease in 2013 in contingent liabilities was principally due to a decrease in guarantees provided to construction companies in Zambia.

The Group also uses derivative financial instruments such as cross-currency interest rate swaps, primarily for the Group's risk management. As at 31 December 2013, the Group had total recognised derivative liabilities with a fair value of BWP 37.6 million consisting of BWP 8.8 million from cross currency swaps, BWP 26.8 million equity derivatives relating to an unlisted equity investment in an energy company in TDFL and the remaining balance of approximately BWP 2.0 million related to forward foreign exchange contracts held for trading.

Capital adequacy

Capital adequacy ratios are a measure of the amount of a bank's core capital expressed as a percentage of its risk-weighted assets. The percent threshold varies from country to country in SSA and also in the target SSA countries in which BancABC Group operates. Each of ABCH's subsidiaries is required to comply with the regulatory minimum ratios in its home country. ABCH is responsible for risk and capital management and for complying with capital adequacy across the subgroup. Internal targets of regulatory capital ratios are set at least 2% above the minimum regulatory requirements as buffers in all subsidiaries.

Capital adequacy and the use of regulatory capital are monitored daily by ABCH's management, employing techniques based on the guidelines developed by the Basel Committee and the relevant authorities of central banks in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe. The required information is filed with the authorities on a monthly basis. BancABC 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. BancABC Group's policies in respect to capital management and allocation are reviewed regularly by the board of directors of ABCH.

As of 31 December 2013, all regulated banking operations complied with all externally imposed capital requirements.

PART IX

SHARE CAPITAL, LIQUIDITY, CAPITAL RESOURCES AND ACCOUNTING POLICIES

Share capital

The Company was incorporated on 28 November 2013 under the BVI Companies Act.

Details of the current issued shares of the Company are set out in paragraph 3 of "Part XV—Additional Information". As at the date of this Document, there are 31,279,500 Ordinary Shares of no par value, 1,250,000 Founder Preferred Shares of no par value and 32,529,500 Warrants in issue.

In connection with the Offer, it is proposed that up to 14,334,300 New Ordinary Shares be issued to ADC Shareholders as part of a voluntary public offer (*öffentliches Angebot*) for the acquisition of all shares in ADC to the ADC Shareholders by way of a share-for-share exchange offer.

On completion of the Share Sale Agreements, it is further proposed that 1,904,611 New Ordinary Shares be issued to selected ABCH shareholders as consideration for their ABCH shares.

As the Transaction, if completed, will constitute a "Reverse Takeover" under the Listing Rules, trading on the London Stock Exchange is currently suspended in respect of the Existing Ordinary Shares and Warrants. Following completion of the Transaction, the Company will seek readmission of the Existing Ordinary Shares and Warrants and admission of the New Ordinary Shares to listing on the Official List and to trading on the London Stock Exchange.

All of the issued Existing Ordinary Shares and Warrants, and to be issued New Ordinary Shares, will be in registered form, and capable of being held in certificated or uncertificated form (in the form of Depositary Interests). The Registrar will be responsible for maintaining the share register. Temporary documents of title will not be issued. The ISIN number of the Ordinary Shares is VGG0697K1066 and for the Warrants is VGG0697K1140. The SEDOL number of the Ordinary Shares is BH2RCH8 and for the Warrants is BH2RCJ0.

Financial position

The financial information in respect of the Company upon which KPMG LLP has provided the accountant's report in Section A of "Part XI—Financial Information on the Company" as at 28 November 2013 is set out in "Part XI—Financial Information on the Company".

Liquidity and capital resources

Sources of cash and liquidity

The Company's source of cash is the proceeds from the 2013 Placing and the subscription monies in respect of the issue of the Founder Preferred Shares.

Subject to completion of the Transaction and Readmission, the Company will also receive proceeds from the Private Placement which it intends to use to support growth of BancABC Group, for future acquisitions and bolt-on opportunities and for general corporate purposes.

The total consideration to be paid by the Company and the Company's subsidiary ATMA AG in connection with the Transaction and the subsequent Mandatory Offer, will be approximately US$266 million, being the aggregate amount of cash and the value of New Ordinary Shares offered to ADC Shareholders and selected ABCH shareholders.

As a substantial portion of the cash raised from the 2013 Placing and the subscription monies in respect of the issued Founder Preferred Shares is expected to be used in connection with the Transaction and the subsequent Mandatory Offer, following the Transaction the Company's future liquidity will depend in the medium to longer term primarily on: (i) the profitability of the Enlarged Group; (ii) the Company's management of available cash; (iii) cash distributions on sale of existing assets; (iv) the use of borrowings, if any, to fund short-term liquidity needs; and (v) dividends or distributions from subsidiary companies.

Cash uses

The Company's principal use of cash will be to fund the Transaction and to finance the Enlarged Group.

Interest rate risks

The Company may incur indebtedness to fund its liquidity needs. Such indebtedness may expose the Company to risks associated with movements in prevailing interest rates. Changes in the level of interest rates can affect, among other things: (i) the cost and availability of debt financing and hence the Company's ability to achieve attractive rates of return on its assets; (ii) the debt financing capability of the companies and businesses in which the Company is invested; and (iii) the rate of return on the Company's uninvested cash balances. This exposure may be reduced by introducing a combination of a fixed and floating interest rates or through the use of hedging transactions (such as derivative transactions, including swaps or caps). Interest rate hedging transactions will only be undertaken for the purpose of efficient portfolio management, and will not be carried out for speculative purposes. See "Hedging arrangements and risk management" below.

Foreign currency risks

The Company's functional and presentational currency is U.S. dollars. As a result, the Company's consolidated financial statements will carry the Company's assets in U.S. dollars. ADC and ABCH denominate their financial information in a currency other than U.S. dollars. Therefore, when consolidating the Enlarged Group, the Company will be required to translate, inter alia, the balance sheet and operational results of such business into U.S. dollars. This could lead to significant changes in the Company's reported financial results from period to period. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Any currency hedging undertaken by the Company will have the sole purpose of efficient cash management and will mainly be carried out to seek to reduce the risk of currency fluctuations and the volatility of returns that may result from such currency exposure. This may involve the use of foreign currency borrowings to finance foreign currency assets, foreign exchange swaps or foreign exchange contracts and other similar transactions. Spot, forward or option transactions may also be used as part of the currency hedging strategy. Currency hedging transactions will not be carried out for speculative purposes.

Hedging arrangements and risk management

The Company may use forward contracts, options, swaps, caps, collars and floors or other strategies or forms of derivative instruments to limit its exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates and currency exchange rates, as previously described. It is expected that the extent of risk management activities by the Company will vary based on the level of exposure and consideration of risk across the business.

The success of any hedging or other derivative transaction generally will depend on the Company's ability to correctly predict market changes. As a result, while the Company may enter into such a transaction to reduce exposure to market risks, unanticipated market changes may result in poorer overall investment performance than if the transaction had not been executed. In addition, the degree of correlation between price movements of the instruments used in connection with hedging activities and price movements in a position being hedged may vary. Moreover, for a variety of reasons, the Company may not seek, or be successful in establishing, an exact correlation between the instruments used in a hedging or other derivative transactions and the position being hedged and could create new risks of loss. In addition, it may not be possible to fully or perfectly limit the Company's exposure against all changes in the values of its assets, because the values of its assets are likely to fluctuate as a result of a number of factors, some of which will be beyond the Company's control.

Accounting policies and financial reporting

The Company's financial year end will be 31 December, and the first set of audited annual financial statements will be for the period from incorporation to 31 December 2014. The Company will produce and publish half-yearly financial statements as required by the Disclosure and Transparency Rules. The Company will present its financial statements in accordance with IFRS as adopted by the European Union.

PART X

A: CAPITALISATION AND INDEBTEDNESS STATEMENT OF THE COMPANY

The capitalisation of the Company as at 28 November 2013 and the indebtedness of the Company as at 30 April 2014 are set out below.

The information relating to the Company's capitalisation has been extracted, without material adjustment, from the historical financial information as at 28 November 2013 which has been incorporated by reference in Part XI of this Document.

Capitalisation at 28 November 2013

	US$'000
Share capital	—
Retained earnings	—
Total capitalisation	—

On 28 November 2013, the Company issued two Founder Preferred Shares of $10 each, one to each of the Founding Entities.

Pursuant to the 2013 Placing, the Company raised US$325,000,000 in share capital incurring in aggregate US$11,500,000 of expenses.

The information relating to the Company's indebtedness has been extracted from the unaudited accounting records of the Company as at 30 April 2014.

Indebtedness at 30 April 2014

As at 30 April 2014, the Company had no indebtedness.

The information relating to the Company's indirect and contingent indebtedness has been extracted from the unaudited accounting records of the Company as at 30 April 2014.

Indirect and contingent indebtedness

As at 30 April 2014, the Company had no indirect and contingent indebtedness.

B: CAPITALISATION AND INDEBTEDNESS STATEMENT OF ADC

The consolidated capitalisation of ADC as at 31 December 2013 and the consolidated indebtedness of ADC as at 30 April 2014 are set out below.

The following table sets out the consolidated capitalisation of ADC at 31 December 2013. This statement of capitalisation has been extracted, without material adjustment, from the historical financial information in Part XI of this Prospectus.

Capitalisation at 31 December 2013

Shareholders' equity	EUR'000
Share capital	9,467
Capital reserves	60,499
Other reserves	3,111
Retained earnings	(5,932)
Total parent equity	**67,145**
Non-controlling interest	34,565
Total equity	**101,710**

The following tables sets out the consolidated indebtedness of ADC as at 30 April 2014. This statement of indebtedness has been extracted, without material adjustment, from the unaudited accounting records of ADC.

Indebtedness at 30 April 2014—secured and unsecured

	EUR'000
Total current debt	
Secured	(2,227)
Unguaranteed/unsecured	(80,975)
	(83,202)
Total non-current debt	
Secured	(62,069)
Unguaranteed/unsecured	(78,509)
	(140,578)
Total Indebtedness	**(223,780)**

Indebtedness at 30 April 2014—borrowing type

	EUR'000
Current—capital bonds	(2,227)
Current—other debt or borrowed funds	(80,975)
Current financial debt	**83,202**
Non-current—capital bonds	(38,336)
Non-current—other debt or borrowed funds	(102,242)
Non-current financial indebtedness	**(140,578)**
Total indebtedness	**(223,780)**

The following table sets out the consolidated indirect and contingent indebtedness of ADC as at 30 April 2014. This statement of indirect and contingent indebtedness has been extracted, without material adjustment, from the unaudited accounting records of ADC.

Indirect and Contingent Indebtedness

	EUR'000
Guarantees	60,576
Letters of credit, loan commitments and other contingent liabilities	9,189
Capital commitments	4,847
Operating lease commitments	6,643
Derivative financial instruments	2,860
Indirect and Contingent Indebtedness	**84,115**

C: CAPITALISATION AND INDEBTEDNESS STATEMENT OF ABCH

The consolidated capitalisation of ABCH as at 31 December 2013 and the consolidated indebtedness of ABCH as at 30 April 2014 are set out below.

The following table sets out the consolidated capitalisation of ABCH at 31 December 2013. This statement of capitalisation has been extracted, without material adjustment, from the historical financial information in Part XI of this Prospectus.

Capitalisation at 31 December 2013

Shareholders' equity	**BWP'000**
Share capital	781,025
Distributable reserves	319,815
Non distributable reserves	80,113
Foreign currency translation reserve	(143,899)
Total parent equity	**1,037,054**
Non-controlling interest	(1,892)
Total equity	**1,035,162**

The following table sets out the consolidated indebtedness of ABCH as at 30 April 2014. This statement of indebtedness has been extracted, without material adjustment, from the unaudited accounting records of ABCH.

Indebtedness at 30 April 2014—secured and unsecured

	BWP'000
Total current debt	
Unguaranteed/unsecured	(1,000,962)
	(1,000,962)
Total non-current debt	
Secured	(293,369)
Unguaranteed/unsecured	(492,392)
	(785,761)
Total Indebtedness	**(1,786,723)**

The following table sets out the consolidated net financial indebtedness of ABCH as at 30 April 2014. This statement of indebtedness has been extracted, without material adjustment, from the unaudited accounting records of ABCH.

Indebtedness at 30 April 2014—borrowing type

	BWP'000
Current—other debt or borrowed funds	(1,000,962)
Current financial debt	**(1,000,962)**
Non-current—other debt or borrowed funds	(785,761)
Non-current financial indebtedness	**(785,761)**
Net financial indebtedness	(1,786,723)

The following table sets out the consolidated indirect and contingent indebtedness of ABCH as at 30 April 2014. This statement of indirect and contingent indebtedness has been extracted, without material adjustment, from the unaudited accounting records of ABCH.

Indirect and Contingent Indebtedness

	BWP'000
Guarantees	748,794
Letters of credit, loan commitments and other contingent liabilities	113,592
Capital commitments	59,917
Operating lease commitments	82,111
Derivative financial instruments	35,352
Indirect and Contingent Indebtedness	**1,039,766**

PART XI

A: FINANCIAL INFORMATION ON THE COMPANY

This section has been incorporated by reference as detailed in the section of this Document entitled "Relevant Documentation and Incorporation by Reference".

B: FINANCIAL INFORMATION ON ADC

Accountant's report on historical financial information—Relating to ADC African Development Corporation AG

KPMG

The Directors
Atlas Mara Co-Nvest Limited
Nemours Chambers
PO Box 3170
Road Town
Tortola
British Virgin Islands

2 July 2014

Dear Sirs

ADC African Development Corporation AG

We report on the financial information set out on pages 169 to 289 for the financial years ended 31 December 2011, 31 December 2012 and 31 December 2013. This financial information has been prepared for inclusion in the prospectus dated 2 July 2014 of Atlas Mara Co-Nvest Limited on the basis of the accounting policies set out in note 2 on pages 174 to 202. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of Atlas Mara Co-Nvest Limited are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 2 July 2014, a true and fair view of the state of affairs of ADC African Development Corporation AG as at 31 December 2011, 31 December 2012 and 31 December 2013 and of its profits and losses, cash flows and changes in equity for the years ended 31 December 2011, 31 December 2012 and 31 December 2013 in accordance with the basis of preparation set out in note 2 and in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

Consolidated income statement

	2011	2012	2013
		In EUR'000	
Continuing operations			
Interest and similar income	422	65,365	173,173
Interest and similar expense	(2)	(37,753)	(90,497)
Net interest income	**420**	**27,612**	**82,676**
Provision for credit losses	0	(8,133)	(43,009)
Impairment losses on financial assets	0	0	0
Net interest income after provision for credit losses	**420**	**19,479**	**39,667**
Net fee and commission income	0	16,878	37,338
Net gains (losses) on financial instruments designated at fair value through profit or loss	17,226	(12,697)	3,249
Net trading income	0	2,570	16,197
Net income (loss) from equity method investments	0	(856)	14,497
Other non-interest income	4,525	20,259	5,582
Total Operating Income	**22,170**	**45,634**	**116,530**
Operating expenses	(13,427)	(57,245)	(120,748)
Reorganisation expenses	0	(4,327)	0
Profit/loss before tax from continuing operations	**8,743**	**(15,939)**	**(4,218)**
Income tax expense	(78)	(2,078)	(4,163)
Profit/loss for the year from continuing operations	**8,666**	**(18,017)**	**(8,381)**
Discontinued operations			
Profit after tax for the year from discontinued operations	**0**	**(863)**	**157**
Profit/loss for the year	**8,666**	**(18,880)**	**(8,224)**
attributable to:			
Equity holders of the parent	9,668	(21,985)	(3,648)
Non-controlling interests	(1,003)	3,105	(4,576)
Average number of shares (basic/diluted)	7,652,434	8,433,326	8,969,899
Earnings per share (basic/diluted)			
basic, for profit for the year attributable to ordinary equity holders of the parent	1.26	(2.61)	(0.41)
diluted, for the year attributable to ordinary equity holders of the parent	1.26	(2.61)	(0.41)

Consolidated statement of comprehensive income

	2011	2012	2013
		In EUR'000	
Profit/(loss) for the period	8,666	(18,880)	(8,224)
Other comprehensive income, net of tax			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net gains/(losses) on available-for-sale financial assets	0	296	(154)
Exchange differences on translating foreign operations	(173)	(9,383)	(7,532)
net gain/(loss) on hedge of net investment	0	0	(1,355)
	(173)	(9,087)	(9,041)
Other comprehensive income (loss) for the period, net of tax	**(173)**	**(9,087)**	**(9,041)**
Total comprehensive income for the period, net of tax	**8,492**	**(27,967)**	**(17,265)**
Attributable to:			
Equity holders of the parent	9,546	(26,807)	(8,767)
Non-controlling interests	(1,054)	(1,160)	(8,498)
	8,492	(27,967)	(17,265)

Consolidated statement of financial position

	2011	2012	2013
		In EUR'000	
ASSETS			
Cash and short term funds	43,278	183,380	200,897
Other financial assets held for trading	0	99,832	104,458
Financial assets designated at fair value	0	10,701	11,454
Derivative financial instruments	4,719	3,296	2,621
Loans and advances	0	886,572	856,894
Investment securities	0	5,319	5,635
Other current assets	3,466	21,277	22,429
Current tax assets	76	3,165	2,866
Investment in associates	49,223	74,883	72,334
Property, plant and equipment	551	64,905	62,750
Other intangible assets and goodwill	1,279	70,694	51,827
Deferred tax assets	456	8,650	12,523
Non-current assets and disposal groups held-for-sale	0	0	10,777
Total assets	**103,048**	**1,432,673**	**1,417,465**
EQUITY AND LIABILITIES			
Deposits	0	1,041,891	1,012,133
Derivative financial instruments	0	2,208	3,792
Creditors and accruals	2,879	36,243	59,787
Current tax liabilities	0	2,018	1,137
Deferred tax liability	0	15,871	12,160
Borrowed funds	11,839	195,667	226,318
Non-current liabilities and disposal groups held-for-sale	0	0	428
Shares of general partner	5	0	0
Total liabilities	**14,723**	**1,293,899**	**1,315,755**
Share Capital	8,411	8,607	9,467
Capital Reserve	50,030	53,137	60,499
Other reserves	11,286	8,231	3,111
Retained Earnings	19,701	(2,284)	(5,932)
Equity attributable to ordinary shareholders	**89,428**	**67,691**	**67,145**
Non-controlling interests	(1,103)	71,084	34,565
Total equity	**88,325**	**138,775**	**101,710**
Total equity and liabilities	**103,048**	**1,432,673**	**1,417,465**

Consolidated statement of changes in equity

	Share capital	Capital reserve	Retained earnings	ABCH Available-for-sale reserve	Foreign currency transaction reserve	Other reserves	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
					In EUR'000				
	Note 6.15	Note 6.15				Note 6.15			
At 1 January 2011	**7,129**	**37,611**	**10,833**	**0**	**222**	**11,186**	**66,181**	**(49)**	**66,132**
Exchange differences	0	0	0	0	(123)	1	(122)	(51)	(173)
Other comprehensive income	**0**	**0**	**0**	**0**	**(123)**	**1**	**(122)**	**(51)**	**(173)**
Result of the year	0	0	9,668	0	0	0	0	(1,003)	8,660
Total comprehensive income	**0**	**0**	**0**	**0**	**(123)**	**1**	**9,668**	**0**	**8,492**
Capital increase	765	8,411	0	0	0	0	9,546	0	(671)
Unpaid capital contribution	0	0	0	0	0	0	0	0	0
Transaction costs (net of tax)	0	671	0	0	0	0	0	0	0
Called capital contribution	517	4,680	0	0	0	0	5,197	0	0
At 31 December 2011	**8,411**	**50,030**	**19,701**	**0**	**99**	**11,187**	**89,428**	**1,103**	**88,325**

Equity attributable to equity holders of the parent

	Share capital	Capital reserve	Retained earnings	Available-for-sale reserve	Foreign currency transaction reserve	Other capital reserve	Total	Non-controlling interests	Total equity
					In EUR'000				
	Note 6.15	Note 6.15		Note 6.15	Note 6.15	Note 6.15			
At 1 January 2012	**8,411**	**50,030**	**19,701**	**0**	**99**	**11,187**	**89,428**	**(1,103)**	**88,325**
Exchange differences	0	0	0	0	(4,978)	0	(4,978)	(4,405)	(9,383)
Net gains on available-for-sale financial assets	0	0	0	156	0	0	156	140	296
Total other comprehensive income	**0**	**0**	**0**	**156**	**(4,978)**	**0**	**(4,822)**	**(4,265)**	**(9,087)**
Result for the period	0	0	(21,985)	0	0	0	(21,985)	3,105	(18,880)
Total comprehensive income	**0**	**0**	**(21,985)**	**156**	**(4,978)**	**0**	**(26,807)**	**(1,160)**	**(27,967)**
Acquisition of a subsidiary	0	0	0	0	0	0	0	71,167	71,167
Acquisition of non-controlling interests	0	0	0	0	0	(2,181)	(2,181)	2,181	0
Transaction costs (net of tax)	0	(34)	0	0	0	0	(34)	0	(34)
Capital increase	196	784	0	0	0	0	980	0	980
Capital contribution	0	495	0	0	0	0	495	0	495
Other equity movements	0	1,862	0	0	0	3,947	5,809	0	5,809
At 31 December 2012	**8,607**	**53,137**	**(2,284)**	**156**	**4,879**	**12,953**	**67,690**	**71,085**	**138,775**

Equity attributable to equity holders of the parent

	Share capital	Capital reserve	Retained earnings	Available for sale reserve	Foreign currency translation reserve	Other capital reserve	Total	Non-controlling interests	Total equity
					In EUR'000				
	Note 6.15	Note 6.15		Note 6.15	Note 6.15	Note 6.15			
At 1 January 2013	**8,607**	**53,137**	**(2,284)**	**156**	**(4,879)**	**12,953**	**67,690**	**71,085**	**138,775**
Exchange differences	0	0	0	0	(4,054)	(273)	(4,327)	(3,205)	(7,532)
Net loss on hedge of net investment	0	0	0	0	(638)	0	(638)	(717)	(1,355)
Net losses on available for sale financial assets	0	0	0	(154)	0	0	(154)	0	(154)
Total other comprehensive income	**0**	**0**	**0**	**(154)**	**(4,692)**	**(273)**	**(5,119)**	**(3,922)**	**(9,041)**
Result for the period	0	0	(3,648)	0	0	0	(3,648)	(4,576)	(8,224)
Total comprehensive income	**0**	**0**	**(3,648)**	**(154)**	**(4,692)**	**(273)**	**(8,767)**	**(8,498)**	**(17,265)**
Issue of share capital	860	7,352	0	0	0	0	8,212	0	8,212
Dividends of subsidiaries	0	0	0	0	0	0	0	(2,592)	(2,592)
Equity-settled share-based payment (Note 6.18)	0	10	0	0	0	0	10	0	10
Mandatory offer liability (Note 6.13 & Note 6.15)	0	0	0	0	0	0	0	(25,430)	(25,430)
At 31 December 2013	**9,467**	**60,499**	**(5,932)**	**2**	**(9,571)**	**12,680**	**67,145**	**34,565**	**101,710**

Consolidated statement of cash flows

	Notes	2011	2012	2013
			In EUR'000	
Profit/loss for the period		8,666	(18,880)	(8,224)
Adjustment to reconcile profit before tax to net cash flows				
Income taxes paid (−)/received (+)	5.11.	0	(4,621)	(11,502)
Depreciation and impairment of property, plant and equipment	6.8.	347	2,530	6,786
Amortisation and impairment of intangible assets	6.9.	98	4,619	10,556
Net (gains)/losses on financial instruments designated at fair value through profit or loss	5.5.	(17,226)	12,697	(3,249)
Net (gains)/losses on derivative financial instruments	5.6.	0	5,721	2,054
Gain/(Loss) from associates	5.7.	0	856	(14,497)
Gain/(Loss) on disposal of property, plant and equipment	5.8.	0	(5)	3
Impairment of loans and advances	5.3.	0	8,133	43,009
Other non-cash items included in the result before tax		(1,267)	(17,096)	0
Increase (−)/decrease (+) in operating assets		(2,766)	(46,802)	(16,559)
Increase (+)/decrease (−) in operating liabilities		(801)	100,276	(4,031)
Net cash flows from operating activities		**(12,949)**	**47,428**	**4,346**
Purchase of intangible assets	6.9.	(429)	(2,033)	(1,950)
Purchase of property, plant and equipment	6.8.	(333)	(4,062)	(9,548)
Purchase of associates	6.7.2.	(13,252)	(55,220)	(435)
Purchase of a joint venture		(200)		
Proceeds from sale of associates measured at fair value through profit or loss	6.7.1.	0	0	9,000
Proceeds from disposal of property, plant and equipment		97	242	58
Acquisition of a subsidiary, net of cash acquired	4.	0	86,672	0
Net cash flows from/(used in) investing activities		**(14,117)**	**25,599**	**(2,875)**
Transaction costs of issue of shares		(671)	(34)	0
Dividends of subsidiaries paid	6.15.	0	0	(2,592)
Proceeds from capital increase	6.15.	14,372	495	8,176
Proceeds from convertible bond		0	980	0
Proceeds from bond with warrants (2012)	6.12.	0	38,178	0
Proceeds from borrowed funds		0	31,268	0
Acquisition of treasury stock		0	(2,762)	0
Sale of treasury stock		0	2,676	0
Proceeds from loans and other debentures		11,348	1,000	3,300
Repayments of loans and other debentures		0	(4,000)	(4,300)
Net cash flows from/(used in) financing activities		**25,049**	**67,801**	**4,584**
Net increase in cash and cash equivalents		**(2,017)**	**140,828**	**6,055**
Net foreign exchange difference		1,267	(726)	11,462
Cash and cash equivalents at beginning of the period	6.1.	44,028	43,278	183,380
Cash and cash equivalents at the end of the period	6.1.	**43,278**	**183,380**	**200,897**
Interest paid		0	33,501	84,045
Interest received		422	65,365	173,173
Dividend received	5.8.	761	904	472

Notes to the consolidated financial statements of ADC

1 General information

ADC is a German listed pan-African banking group focused on frontier markets in SSA.

Trading of ADC African Development Corporation GmbH & Co. KGaA's shares in the Prime Standard of the Frankfurt Stock Exchange ceased on 26 July 2013 after the close of trading. The inclusion as well as the immediate resumption of trading of ADC African Development Corporation AG's shares in the Entry Standard of the Frankfurt Stock Exchange commenced on Monday, 29 July 2013.

The consolidated financial statements have been prepared in euro (EUR). All figures including the prior-year figures are stated in thousands of euro (EUR'000) in these notes to the consolidated financial statements.

Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures.

The income statement has been prepared using the nature of expense method. ADC's fiscal year is the calendar year.

Areas that involve a greater degree of judgment or higher complexity or areas where assumptions and estimates are of material significance for the consolidated financial statements are listed in note 2.3.

2 Accounting policies

2.1 Basis of preparation

Adjustments to ADC financial information

In connection with the Company's ongoing due diligence investigation of the ADC Group, the Directors have, with the assistance of their professional financial, accounting and legal advisers, conducted an extensive review of the ADC Group's loan portfolio and operations and undertaken a comprehensive tax due diligence exercise.

As a result of the above review, additional provisions have been reflected in the Company's presentation of the 2013 accounts of ADC as compared to their previously published financial statements for 2013.

Impairment of Loans

The Directors have recognised additional impairments on the loan portfolio of ADC of €18.1 million, bringing total impairments for the year ended 31 December 2013 to €43.0 million compared to the €24.9 million previously reported. The majority of these additional provisions are necessary, in the Company's view, as further information has become available in relation to the facts and circumstances that existed as at the balance sheet date, identified by the Company's due diligence.

Deferred Tax Asset Write-down and Additional Tax Provision

The Directors have written-down the value of ADC's deferred tax assets by €1.9 million, from the €9.3 million previously reported. The Directors have also created an additional tax provision of €5.8 million.

As a result of the foregoing additional provisions, the consolidated financial statements for the ADC Group presented in this Document show a decline in net income after tax of €20.1 million as compared to the previously published financial statements for 2013 and thus a net loss. These adjustments are of a one-time, non-recurring nature and have not resulted in any change to the Directors views on the valuations or the future prospects of ADC.

The consolidated financial statements are presented on a going concern basis, as the Directors of ADC are satisfied that ADC has the intention and the ability to continue in business for the foreseeable future.

The assessment of management considers the following:

ADC could increase its equity from authorised capital, if required.

2 Accounting policies (Continued)

ADC management believes that existing key shareholders are supportive to ADC and sees a good interest in the market from potential new shareholders to allocate funds to sub-Saharan Africa. Furthermore, there are sales of associates planned during the year that will yield cash inflows for ADC.

ADC Group holds net asset held for sale amounting to EUR 10.3 million measured at the lower of their carrying amount and fair value less costs to sell. Those investments are available for immediate sale in present conditions. ADC management has committed to the sale of these assets and the sale is expected to have been completed within one year from the date of classification.

ADC has received a waiver by Trafigura Holdings Ltd. (Malta), who represents approximately 83.2% of all bond holders, confirming their intention not to submit an indebtedness put notice for its 33,286,700 units (approx. 83.2% of all bond notes) during the remaining tenure of the bond with regards to any potential covenant breach resulting from a consolidation of ADC Ventures' liabilities. Consequently, ADC management estimates a low liquidity risk of repayment prior to the bond's maturity in June 2015.

If ultimately required, sales of other core assets could be undertaken.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as available-for-sale, financial assets and liabilities held "at fair value through profit or loss" all of which have been measured at fair value.

The consolidated financial statements comprise the consolidated income statement and the statement of comprehensive income shown as two statements, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

Statement of compliance with IFRSs

The consolidated financial statements of ADC African Development Corporation AG as of the reporting date 31 December 2013 were prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the EU. They were approved by the Board of Directors of the Company on 2 July 2014.

Presentation of financial statements

ADC presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non—current) is presented in note 9.2.3 (ADC Group's maturity analysis).

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of ADC.

2.2 New standards and interpretations and standards and interpretations that are adopted for the first time

The ADC Group applied, for the first time, certain standards and amendments that require restatement of comparative financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities, Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12), IFRS 13 Fair Value Measurement, amendments to IAS 1 Presentation of Financial Statements and IFRIC 21 Levies. In addition, the application of IFRS 12 Disclosure of Interests in Other Entities resulted in additional disclosures in the consolidated financial statements.

2 Accounting policies (Continued)

IFRS 10—Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation—Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return.

Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

ADC adopted IFRS 10 in financial year 2013. The application of IFRS 10 affected the accounting for ADC Investments' 100% interest in the equity shares in ADC Ventures Limited ("ADC Ventures").

For all financial years up to 31 December 2012, the interest of ADC Investments in ADC Ventures was considered as a derivative financial instrument under IAS 39 and was accounted for using the fair value: ADC invested EUR 2,443k (USD 3 million) in a financial instrument held through a special purpose vehicle (ADC Ventures) together with Standard Chartered Private Equity ("SCPE") who invested US41.3m in the same vehicle. The funds were utilised to acquire 8.39% of UGPL shares. The derivative financial instrument has a 7 year tenure that can be extended for an additional 2 years. ADC has a stop loss of USD 3m on the instrument. As at 31 December 2012 the acquisition price was considered the fair value of this derivative financial instrument. UGPL holds 61.34% of the shareholding in UBN.

At the date of initial application of IFRS 10, ADC assessed that it controls ADC Ventures based on the factors explained below.

ADC consolidated the financial statements of ADC Ventures based on its 100% equity interest. The assets, liabilities and equity of ADC Ventures have been retrospectively consolidated in the financial statements of ADC.

IAS 27 would only apply in the separate financial statements of the parent and some of the ADC Group's subsidiaries.

Amendments to IFRS 10, IFRS 12 and IAS 27—Investment Entities

The amendments apply to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the Investment Entities amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

An associate of ADC, UGPL, applied the exception rule in 2013 for the investment in UBN and restated the prior year accounts 2012 affecting ADC's group equity. In the impact on ADC's net equity for 2012 amounts to EUR 11,438k based on the restated equity position of UGPL's stand-alone accounts 2012. Fair-valuing UBN results in future equity pick-ups which are fully recognised in the income statement of ADC. The share of profit using the equity method for the associate UGPL amounts to EUR 14,857k (Note 6.7.2). UBN is valued at its quoted price on the Nigerian Stock Exchange.

2 Accounting policies (Continued)

Since refining its strategy to focus on becoming a pan-African banking holding during 2012, ADC separates its activities into 3 operating segments: Banking Operations, Private Equity Activities, and Supporting Services. Particularly the separation of Banking Operations and Private Equity activities is meant to reflect the differing goals of the activities. Within the segment banking operations, ADC targets commercial banks with promising potential in retail and corporate banking. ADC aims to form a pan-African banking group through its majority equity interest in ABCH and other potential majority stakes. The focus is primarily on finding suitable banks that constitute a solid addition to the establishment of a pan-African banking group.

Alongside its banking operations, ADC manages a private equity portfolio to profit proprietary investment opportunities. The goal of the segment is to profit from opportunistic investment opportunities which are purchased and developed with the target of an exit within a 3-5 year time horizon. ADC's private equity unit manages the group's existing portfolio of four investments, including RSwitch, RHEAL, iVeri and Brainworks Capital Management.

ADC's private equity activities exhibit all the required characteristics of a venture capital organisation as per the definition under IAS 28.18. As such, all current and future investments in the segment shall be carried at fair value, irrespective of ADC's control position in the individual entities.

IFRS 11—Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities—Non-monetary Contributions by Venturers will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation. With the issue of IFRS 11 and IFRS 12 the scope of IAS 28 was extended such that the equity method is applicable not only to associates but also to joint ventures. The adoption of IFRS 11 had no impact on the ADC Group's consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries joint ventures and associates and other entities. For example, where a subsidiary is controlled with less than a majority of voting rights. While the ADC Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the ADC Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the ADC Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 6.20.

IAS 1 Presentation of Items of Other Comprehensive Income ("OCI")—Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings).

2 Accounting policies (Continued)

The amendments affect presentation only and have no impact on the ADC Group's financial position or performance.

IFRIC 21, "Levies", an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", clarifies that an entity recognises a liability for a levy only when the activity that triggers payment, as identified by the relevant legislation, occurs. The adoption of IFRIC 21 did not have a material impact on the ADC Group's consolidated financial statements.

Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

In December 2011, the IASB issued amendments to IFRS 7, "Disclosures—Offsetting Financial Assets and Financial Liabilities" ("IFRS 7R") requiring extended disclosures to allow investors to better compare financial statements prepared in accordance with IFRS or U.S. GAAP. The amendments were effective for annual periods beginning on or after 1 January 2013 but also interim periods thereafter. The adoption of the amendments did not have a material impact on the ADC Group's consolidated financial statements.

Improvements to IFRS 2009-2011 Cycle

In May 2012, the IASB issued amendments to IFRS, which resulted from the IASB's annual improvement project. They comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards. The adoption of the amendments did not have a material impact on the ADC Group's consolidated financial statements.

EU endorsement pending

The IASB has published the standards and interpretations listed below, the adoption of which is not applicable for these financial statements. These standards and interpretations have not been endorsed by the EU and have not been applied by the ADC Group.

Title	Issued by the Endorsement IASB	Applicable from
No EU endorsement: Adoption as of 31 December 2013: open IFRS 9 Financial Instruments: Classification and Measurement	Nov 2009/Oct 2010	
Amendments to IFRS 9 (2009), IFRS 9 (2010) and IFRS 7—Temporal scope and transitional provisions	Dec 2011/Nov 2013	
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	Nov 2013	01.07.2014
Annual Improvements to IFRSs 2010-2012 Cycle	Dec 2013	01.07.2014
Annual Improvements to IFRSs 2011-2013	Dec 2013	01.07.2014
IFRS 15 Revenue from contracts with customers	May 2014	01.01.2017

IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the IASB issued IFRS 9 'Financial Instruments' which introduced new requirements for the classification and measurement of financial assets. In October 2010, the IASB issued an amendment to IFRS 9 incorporating requirements for financial liabilities. Together, these changes represent the first phase in the IASB's planned replacement of IAS 39 'Financial Instruments: Recognition and Measurement.' IFRS 9 classification and measurement requirements are to be applied retrospectively but prior periods need not be restated. In November 2012, the IASB issued proposed amendments to IFRS 9 in respect of classification and measurement. The final standard is expected in mid-2014.

The second phase in the IASB's project to replace IAS 39 will address the impairment of financial assets. It is proposed to replace the 'incurred loss' approach to the impairment of financial assets carried at amortised cost in IAS 39 with an expected credit loss approach, and require that the expected credit loss approach be applied to other categories of financial instrument, including loan commitments and financial guarantees. The final standard is expected in mid-2014.

The third phase of the project addresses general hedge accounting. Macro hedging is not included in the IFRS 9 project and a separate discussion paper has been issued in April 2014. In November 2013, the IASB issued amendments to IFRS 9 in respect of the general hedge accounting requirements, transition

2 Accounting policies (Continued)

and effective date. As a result of these amendments, it is confirmed that all phases of IFRS 9 (except for changes to the presentation of gains and losses for certain liabilities measured at fair value) must be applied from the same effective date. The IASB has tentatively decided that the effective date is 1 January 2018.

The ADC Group is yet to assess the full impact of the amendments to IFRS 9.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

This amendment clarifies how contributions from employees or third parties that are linked to service should be attributed to periods of service. According to the amendment, the contributions can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered if the amount of the contributions is independent of the number of years of service. If the employee's contributions are dependent of the number of years of service the "projected unit credit method" is mandatory. The adoption of amendments to IAS 19 will not have a material impact on the ADC Group's consolidated financial statements.

Annual Improvement to IFRS 2010-2012 Cycle

Annual Improvements to IFRSs 2010-2012 Cycle affect seven standards:

IFRS 2, 'Share-based payment'

IFRS 2, 'Share-based payment' which clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. Furthermore the amendments clarify the definition of a "market conditions" which include not only performance conditions of the entity but also performance conditions of others entities of the ADC Group. The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. The amendments will not have a material impact on the ADC Group's consolidated financial statements.

IFRS 3, 'Business combinations'

IFRS 3, 'Business combinations' which clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'.

The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39.

The amendment is effective for business combinations where the acquisition date is on or after 1 July 2014. The amendments will not have a material impact on the ADC Group's consolidated financial statements.

IFRS 8, 'Operating segments'

IFRS 8, 'Operating segments' is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendments will not have a material impact on the ADC Group's consolidated financial statements.

IFRS 13, 'Fair value measurement'

When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the

2 Accounting policies (Continued)

ability to measure short-term receivables and payables at invoice amounts in such cases. The amendments will not have a material impact on the ADC Group's consolidated financial statements.

IAS 16 'Property, plant and equipment', and IAS 38 'Intangible assets'

Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model (according to IAS 16.35 and IAS 38.80).

The carrying amount of the asset is restated to the revalued amount.

The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:

- either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or
- the accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after 1 July 2014. The amendments will not have a material impact on the ADC Group's consolidated financial statements.

IAS 24, 'Related party disclosures'

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided. The amendments will not have a material impact on the ADC Group's consolidated financial statements.

The amendments are effective for periods beginning on or after 1 July 2014, unless otherwise stated below.

Annual Improvements to IFRS 2011-2013 Cycle

Annual Improvements to IFRSs 2011-2013 Cycle affect four standards:

IFRS 1, 'First-time adoption of International Financial Reporting Standards'

The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. The amendments will not have a material impact on the ADC Group's consolidated financial statements.

IFRS 3, 'Business combinations'

The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendments will not have a material impact on the ADC Group's consolidated financial statements.

IFRS 13, 'Fair value measurement'

The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. The amendment is effective for annual periods beginning on or after 1 July 2014. An entity shall apply the amendment prospectively from the beginning of the first annual period in which IFRS 13 is applied. The amendments will not have a material impact on the ADC Group's consolidated financial statements.

2 Accounting policies (Continued)

IAS 40, 'Investment property'

The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The amendments will not have a material impact on the ADC Group's consolidated financial statements.

While approved by the IASB, the above standards and interpretation—except for IAS 32, "Offsetting Financial Assets and Financial Liabilities" and IFRS 12, "Disclosure of Interests in Other Entities"—have yet to be endorsed by the EU.

IFRS 15, 'Revenue from Contracts with Customers'

The standard sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). IFRS 15 is effective from 1 January 2017. The impact of IFRS 15 on the ADC Group has not yet been assessed.

2.3 Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The ADC Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the ADC Group. Such changes are reflected in the assumptions when they occur.

Fair value measurement

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The valuation of financial instruments is described in more detail in note 6.7, 6.20 and 6.19.

In 2011, an emphasis of matter was reported in the audit opinion given by Ernst & Young on ADC's financial statements for 2011, in respect of the valuation of the Banco Nacional de Guinea Ecuatorial call option, relating to the uncertainty of the option valuation: "Without qualifying this opinion, we refer to the following special feature detected in the audit: as stated in the notes, uncertainty remains with regard to the course of the valuation of the purchase option Banco Nacional de Guinea Ecuatorial ("BANGE"), that depends on the result of future events, especially in connection with the future resolution of the BANGE shareholder meeting about the capital increase, and that cannot be directly influenced by the Group."

2 Accounting policies (Continued)

The following explains the valuation in 2011:

In the shareholder agreement between ADC Financial and BANGE dated 16 December 2008, ADC Financial was granted a call option for 25.1% of the shares in BANGE subject to a condition precedent. With the exception of the resolution of the shareholder meeting concerning the capital increase, the prerequisites for exercising the call option were all met as of 31 December 2010 and 31 December 2011. Numerous factors were taken into account in the option valuation:

The option price is determined by its intrinsic value and its fair value. The intrinsic value corresponds to the difference between the current market price of the underlying and the strike price.

The fair value is the difference between the current overall price for the option and the intrinsic value. The fair value reflects the chance that the option can still meet an intrinsic value or increase that value over the remaining term. Its amount depends in addition to the intrinsic value on the volatility of the price of the underlying, the remaining term, the risk-free interest rate and the amount of the strike.

Management exercised judgment in the recognition and measurement of the call option. The option has not yet been exercised and it is uncertain when and at what amount the capital increase will actually be passed by the shareholder meeting and implemented. Nevertheless it has a value for the Company, as it is defined in a legally binding agreement and the conditions tied to the granting of the additional interests have been met without restriction. A discount rate of 36.4% (prior year: 37.0%) was taken into account in deriving the current market value of the underlying. This interest rate comprises the risk-free interest rate (3.3%; prior year: 3.3%), a market risk premium (5.0%; prior year: 2.5%), a weighted beta factor (0.6; prior year: 0.6), a country-specific risk premium (12.8%; prior year: 15.0%) and an additional risk markdown (17.3%; prior year: 17.3%).

The additional risk markdown takes into account in particular the fair value of the call option, as it reflects the volatility of the underlying, the remaining term and how the option is exercised. In particular it was taken into account that whether or not the call option is exercised depends on future events connected to the resolution by the shareholder meeting concerning the capital increase. The intrinsic value corresponds to the difference between the current market price of the underlying as determined using the discounted cash flow method and the strike price underlying the shareholder agreement. The fair value of the call option, comprising the intrinsic value and the fair value, amounts to EUR 4,640k as of 31 December 2011 (prior year: EUR 4,640k). Without taking into account the additional risk markdown (17.3%), the fair value of the option would be EUR 8,200k (prior year: EUR 6,950k) higher and would amount to EUR 12,840k (prior year: EUR 11,590k) as of 31 December 2011.

In 2012, the ADC Group assessed that it was unlikely that it would be able to exercise the BANGE call option due to various external factors. Based upon this, the value of the call option was fully impaired removing any uncertainly regarding valuation.

The fair values of collateral disclosed in section 9.2.1 include a high level of estimation—where there are delays in the receipt of collateral valuations then the last historical data received is disclosed as the ‘fair value’.

Impairment of loans and advances

The ADC 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 ADC Group makes judgments 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 ADC 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

2 Accounting policies (Continued)

between loss estimates and actual loss experience. The impairment of loans and advances are described in more detail in note 5.3. Impairment losses on financial assets are explained in note 6.6.

Taxes

Current tax

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The ADC Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the ADC Group companies. We refer to note 5.11.

Deferred tax

The recognition of deferred tax assets is based on profit forecasts made by management of the particular ADC Group company where the asset has arisen. These forecasts are based on the ADC Group's recapitalisation plans of the subsidiary and market conditions prevailing in the economy in which the company operates. We refer to note 5.11 and 6.10.

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. We refer to note 6.10.

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 ADC 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 ADC Group evaluates its intention and ability to hold such investments to maturity. If the ADC 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.

2 Accounting policies (Continued)

Impairment of associates

The ADC 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 ADC Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value recognises the amount in the income statement.

Judgments

In the process of applying the ADC Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Control definition of IFRS 10

IFRS 10, effective from periods commencing on 1 January 2013, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. In so doing the standard has a refined definition of control which we have applied in determining the position that ABCH is a subsidiary of ADC and should be consolidated in its group financial statements.

After dilution of ADC's shareholding in ABCH in May 2013 due to the conversion of a convertible bond issued to the IFC, its direct holdings fell to 47.07% from 51.98%. Power over ABCH is obtained by voting rights granted by shares of ABCH (direct ownership) and contractual arrangements through voting agreements in order to direct the relevant activities that significantly affect ABCH's returns.

These voting pool agreements result in control of the decisions of the pool being carried by the party that holds a simple majority in the pool. As ADC has the majority of shares in any of the voting pools it is able to ensure its decisions are carried. Termination of the pooling agreements can only be done through mutual consent of parties in each pool.

Classification of investments in associated companies

In classifying its shares in associates, ADC draws a distinction between "strategic bank investments" and the "proprietary investments". Shares in associates that belong to proprietary investments which are held solely as financial assets in order to generate a return, are classified as "assets at fair value through profit or loss" (IAS 39) in accordance with the option provided for in IAS 28.18 (Note 6.7.1). Strategic bank investments which are held on a long-term basis with the aim of generating income from business operations are recognised at equity (IAS 28) (Note 6.7.2). For more details on the classification of associated companies, refer to note 6.7.

Significant influence on UGPL

UGPL is an entity over which ADC has significant influence to participate in the financial and operating policy decisions. ADC evidenced the existence of significant influence in accordance with IAS 28.7 in the following ways:

- Representation on the board or equivalent governing body
- Participation in policy-making processes, including participation in decisions about dividends or other distributions
- Interchange of managerial personnel
- Provision of essential technical information

We refer to note 6.7.2.

2 Accounting policies (Continued)

2.4 Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of the ADC Group and its subsidiaries as at 31 December 2013. Control is achieved when the ADC Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the ADC Group controls an investee if and only if the ADC Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the ADC Group has less than a majority of the voting or similar rights of an investee, the ADC Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The ADC Group's voting rights and potential voting rights

The ADC Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the ADC Group obtains control over the subsidiary and ceases when the ADC Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the ADC Group gains control until the date the ADC Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the ADC Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the ADC Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the ADC Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the ADC Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the ADC Group had directly disposed of the related assets or liabilities

Currency translation

The ADC Group's consolidated financial statements are presented in euros, which is also the functional and presentation currency. Each entity in the ADC Group determines its own functional currency.

2 Accounting policies (Continued)

ADC Group companies

If the functional currency of the foreign subsidiaries does not correspond to that of the ADC Group, their financial statements are translated into euros. 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 OCI. 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.

Transactions and balances

If the functional currency of the foreign subsidiary is the euro, transactions in foreign currency are translated using the rates at the time of the transactions. Monetary items of the statement of financial position in foreign currencies are valued at the mean rate on the reporting date. Gains and losses in foreign currency arising from translation are recognised in profit or loss.

At the end of the reporting period non-monetary items that are measured in terms of historical cost in foreign currency shall be translated using the exchange rate at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined. A gain or loss on a non-monetary item is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss shall be recognised in profit or loss (IAS 21.30).

For the translation of the subsidiaries the following exchange rates are used:

	2011 Closing Rate	2011 Average Rate	2012 Closing Rate	2012 Average Rate	2013 Closing Rate	2013 Average Rate
			EUR			
Rwanda Franc (RWF)	0.0013	0.0012	0.0012	0.0013	0.0011	0.0012
CFA Fanc (XAF)	0.0015	0.0015	n/a	n/a	n/a	n/a
United States Dollar (USD)	0.7766	0.7210	0.7776	0.7804	0.7264	0.7530
South Africa Rand (ZAR)	0.0957	0.1000	0.0893	0.0949	0.0692	0.0780
Kenyan Shilling (KES)	0.0089	0.0080	0.0088	0.0094	0.0084	0.0087
Botswana Pula (BWP)	n/a	n/a	0.0976	0.0990	0.0829	0.0897

2.5 Summary of significant accounting policies

Financial instruments—initial recognition and subsequent measurement

Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the ADC Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

2 Accounting policies (Continued)

‘Day 1’ profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the ADC Group immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in net trading income. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

Classes of financial instruments

For the purposes of the disclosures on the importance of financial instruments to the financial position and financial performance of the ADC Group, financial instruments falling within the scope of IFRS 7/IFRS 13 are classified within the 6 measurement categories of financial instruments described below. Classes of financial instruments are defined identical for IFRS 7/IFRS 13 purposes based on the nature of financial assets and liabilities, we refer to Note 6.20.

Classes of financial assets

Financial assets measured at fair value

The class of financial assets measured at fair value comprises the following categories defined by IAS 39:

- financial instruments at fair value through profit or loss with the subcategories;
- financial instruments held for trading;
- financial instruments designated as at fair value through profit or loss (fair value option); and
- available-for-sale financial assets.

This class does not include financial assets under the category ‘available-for-sale financial assets’ whose fair value cannot be reliably determined and are therefore measured at cost. These financial assets are classified as financial assets measured at cost.

In addition to the financial assets in the categories specified above, classes of financial instruments additionally includes derivatives used for hedging (positive fair values), which are also measured at fair value.

Financial assets measured at amortised cost

The ‘financial assets measured at amortised cost’ class includes financial assets in the category ‘loans and receivables’, held-to-maturity financial investments for which a fair value cannot be reliably determined.

Other financial assets

In the ADC Group, the class ‘other financial assets’ comprises trade accounts.

Classes of financial liabilities

Financial liabilities measured at fair value

Financial liabilities in the category ‘financial instruments at fair value through profit or loss’ with the subcategories ‘financial instruments held for trading’ and financial instruments designated as at fair value through profit or loss, along with derivatives used for hedging (negative fair values), together make up the class ‘financial liabilities measured at fair value’ in the ADC Group.

Financial liabilities measured at amortised cost

The class known as ‘financial liabilities measured at amortised cost’ is identical to the category of financial liabilities of the same name.

2 Accounting policies (Continued)

Derivatives recorded at fair value through profit or loss

The ADC Group uses derivatives such as interest rate swaps and futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the income statement.

Financial assets or financial liabilities held for trading

Financial assets or financial liabilities held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities and short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in net gain or loss on financial assets and liabilities designated at fair value through profit or loss. In addition, changes in fair value of shares in associates classified as "assets at fair value through profit or loss" (IAS 39) in accordance with the option provided for in IAS 28.18 are recorded in net gain or loss on financial assets and liabilities designated at fair value through profit or loss. Interest earned or incurred is accrued in interest income or interest expense, respectively, using the effective interest rate, while dividend income is recorded in other operating income when the right to the payment has been established.

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 within the bid ask spread that is most representative 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.

2 Accounting policies (Continued)

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 ADC 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 ADC 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 financial investments

The ADC 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 ADC Group evaluates its intention and ability to hold such investments to maturity. If the ADC 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.

Available-for-sale financial investments

Available-for-sale investments include equity and debt securities. 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 price within the bid ask spread that is most representative. 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 ADC 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 ADC 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 ADC 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 ADC

2 Accounting policies (Continued)

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. As in 2012 and 2011, the ADC Group has not reclassified any financial assets in 2013.

Fair value measurement

The ADC Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 6.20.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the ADC Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The ADC Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the ADC Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the ADC Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2 Accounting policies (Continued)

Financial liabilities

Financial liabilities are initially recognised on the trade date. 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.

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.

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.

Impairment of financial assets

Assets carried at amortised cost

The ADC Group assesses at each reporting 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 ADC 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 ADC 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 ADC 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 ADC Group may measure impairment on the basis of an instrument's fair value using an observable market price.

2 Accounting policies (Continued)

The calculation of the present value of the estimated future cash flows of a collateralized 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 ADC 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 ADC Group and historical loss experience for assets with credit risk characteristics similar to those in the ADC 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 ADC Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the ADC 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.

Assets classified as available-for-sale

The ADC Group assesses at each reporting 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—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.

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.

Collateral valuation

The ADC 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 however, some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the ADC 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,

2 Accounting policies (Continued)

such as real estate, is valued wherever possible based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources. (See note 9.2.1 for further analysis of collateral).

Collateral repossessed

The ADC Group has adopted ABCH's policies with respect to repossessed collateral.

For ABCH, repossessed assets fall into 2 categories—first category relates to items that are repossessed from defaulting clients and sold via auction (usually a court bailiff or similar third party). These assets are not brought into our books—only the proceeds declared by the sheriff will be accounted for when received by way of repaying or partially repaying the loan. The second category involves assets where the bank applies to the courts to transfer title the assets into its own name at an agreed fair value. These are brought into the books at the agreed fair value with the customer and/or court as the case may be. The fair value of the asset is used to repay or partially repay the loan and it's up to the bank to sell the asset as soon as possible to ensure that the amount is converted into cash like in the first option. Conversion into an internally used asset is a possibility but this is rare.

Hedge accounting

Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The ADC 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 ADC 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. At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods.

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.

Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in fair value of the hedging instrument is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

2 Accounting policies (Continued)

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 ADC 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 straightline 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 judgment 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 ADC 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 ADC 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 ADC 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 ADC 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 ADC 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.

Provisions and contingent liabilities

Provisions are recognised when the ADC 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 shall be presented at present value only if the effect of the time value of money is material. 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 ADC 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 ADC Group from a contract are lower than the unavoidable cost of meeting its obligations

2 Accounting policies (Continued)

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 for onerous contracts is established, the ADC 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 ADC Group's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements.

Provisions for employees

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

The ADC 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.

Share-based payment transactions

Cash-settled transactions

Senior executives of the ADC Group receive remuneration in the form of share-based payment transactions. Senior management of ABCH is granted options, which can be settled in cash (cash-settled transactions). The cost of cash-settled transactions is measured initially at fair value at the grant date using binomial pricing model, taking into account the terms and conditions upon which the instrument were granted (Note 6.18). This fair value is expensed in personnel expenses over the period until vesting with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in the income statement in personnel expenses.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense (Note 6.18).

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the ADC Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (Note 5.9).

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 7).

2 Accounting policies (Continued)

Managed funds and trust activities

Certain companies in the ADC 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.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the ADC Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the ADC 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 fair value of the net assets acquired is in excess of the aggregate considerations transferred and the amount of any non-controlling interests, the gain 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 remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the ADC 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 ADC Group's share of the identifiable net assets acquired over the cost of the acquisition is recorded immediately in the income statement as a gain on bargain purchase.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

2 Accounting policies (Continued)

As a private equity company, ADC recognises the interests in joint ventures at fair value pursuant to IAS 39 in accordance with the option in IAS 31.1. Upon initial recognition, these financial assets were allocated to the "assets at fair value through profit or loss category".

Associates

An associate is an entity over which the ADC Group has significant influence and which is neither a subsidiary nor a joint venture.

In classifying its shares in associates, ADC draws a distinction between "strategic bank investments" and the "proprietary investments".

Shares in associates that belong to proprietary investments which are held solely as financial assets in order to generate a return, which are held by venture capital organisations, are classified as "assets at fair value through profit or loss" (IAS 39) in accordance with the option provided for in IAS 28.18 for venture capital organisations. Upon initial recognition, these financial assets were allocated to the "assets at fair value through profit or loss category". Changes in fair value are recorded in net gain or loss on financial assets and liabilities designated at fair value through profit or loss.

Strategic bank investments which are held on a long-term basis with the aim of generating income from business operations are recognised at equity. In accordance with the equity method (IAS 28), shares in associates are reported in the balance sheet at cost plus any changes in the ADC Group's share in the associate's net assets after acquisition. The goodwill attributable to the associate is included in the carrying amount of the share and is neither subject to planned amortisation nor to separate impairment tests.

The income statement includes the ADC Group's share in the associate's result. Any changes directly recognised in the associate's equity are recorded by the ADC Group in an amount equalling its share in the associate's equity and, where necessary, included in the statement of OCI. Non-realised income and expense under transactions between the ADC Group and the associate are eliminated in an amount equalling the share held in the associate.

The ADC Group's share of an associate's profit is reported in the income statement according to the equity method. This is the profit attributable to the associate's equity holders after taxes and non-controlling interests in the associate's subsidiaries. The associate's financial statements are prepared as of the same reporting date as the consolidated financial statements. If necessary, adjustments are made to allow for align ADC Group accounting methods.

Other intangible assets

Intangible assets which are not acquired in a business combination are capitalised at cost on initial recognition. Incidental purchase costs comprise the purchase price and the costs directly allocable to the acquisition.

The cost of intangible assets acquired in the business combinations is fair value as at the date of acquisition.

Intangible assets acquired for a consideration are measured at carrying amount in the ADC Group.

Intangible assets—excluding goodwill—with a finite useful life (software and licenses) are amortised over their economic useful life using the straight-line method (reported separately as amortisation, see note 6.9).

The useful life is based on the period in which the intangible asset provides an economic benefit for the ADC Group, with useful lives of two to five years assumed. The useful life and amortisation method is reviewed at the end of each reporting period.

Intangible assets with an indefinite useful life shall not be amortised. In accordance with IAS 36 the ADC Group has to test an intangible asset with an indefinite useful life for impairment by comparing its recoverable amount with its carrying amount annually (31 December) and whenever there is an indication that the intangible asset may be impaired.

2 Accounting policies (Continued)

Property, plant and equipment

The ADC Group has not applied the revaluation model as accounting policy for the class of category "land and buildings" (IAS 16.31ff).

All other items of property and equipment are stated at cost less accumulated depreciation and impairment losses (cost model IAS 16.30). Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

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 straightline 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 asset's 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 ADC Group. The cost of day-to-day servicing of property and equipment are recognised in the income statement as incurred.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not depreciated. They are instead subjected to an impairment test annually and as the need arises. In assessing whether there is any indication of impairment, an entity shall consider, as a minimum of the triggers as outlined in IAS 36.12-17.

Other intangible assets and property, plant and equipment is tested for impairment if there is any indication that they may be impaired.

As part of the impairment test, the recoverable amount of the asset (or cash-generating unit) is assessed to determine the extent of any impairment loss.

The recoverable amount is the higher of fair value less costs to disposal and value in use. At ADC, the recoverable amount is determined based on the value in use. In determining value in use, the estimated future cash flows are discounted to present value using the current market interest rate, which reflects the asset's specific risks. When the recoverable amount of an asset (or a cash-generating unit) falls below its carrying amount, the carrying amount of the asset (or a cash-generating unit) is written down to the recoverable amount. The impairment loss is immediately recorded as an expense.

If the reasons for impairment no longer apply, a write-up is performed to the carrying amount that would have resulted if the impairment had not been recognised. If impairments were recorded for goodwill and other intangible assets with indefinite useful lives, no write-up is recorded in later periods if the reasons for impairment no longer apply.

Other current assets

Other current assets include financial and non-financial assets and mainly comprise prepayments, inventories and other assets. Inventories are measured at the lower of cost or net realisable value. Cost comprises the purchase price and the costs directly allocable to the acquisition. Net realisable value is the estimated sales price less all estimated costs to completion and selling and marketing costs.

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

2 Accounting policies (Continued)

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.

Equity

Repurchase of share capital

Shares repurchased by ADC 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. 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 (IAS 32.37). Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisors.

Other reserves

The reserves recorded in equity (OCI) on the ADC Group's statement of financial position include:

- Available-for-sale reserve, which comprises changes in fair value of available-for-sale investments.
- 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 for the treatment as equity (Note 6.15).

Accounting and disclosures for the contractual public mandatory offer

On 13 December 2013 ADC announced its firm intention to make a mandatory offer to all minority shareholders of its major banking asset ABCH.

ADC intended to acquire all issued ordinary shares of ABCH not already owned by ADC. The mandatory offer is required by the BSE for any shareholder owning more than 35% of a listed company in Botswana and was issued at a price of US$0.60 per share to ABCH shareholders listed on the Zimbabwe register and at the exchange rate equivalent of BWP 5.05 per share for ABCH shareholders listed on the Botswana register.

Given that the public issuance of the mandatory offer is a contractual obligation to deliver cash to all minority shareholders a liability according IAS 32 is recognised by ADC (Note 6.13).

As such, ADC applies the anticipated acquisition method and debits non-controlling interests and debits a liability to the extent of remaining free-floating shares after reduction of irrevocable undertakings of certain minority shareholders not willing to sell any shares (Note 6.13 and Note 6.15).

At the moment when the mandatory offer expires the ADC Group derecognises the liability.

Income tax

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

2 Accounting policies (Continued)

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 is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 ADC 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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. 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.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss. Current income tax is recognised as a liability and calculated on the basis of expected taxable income less prepayments made. If prepayments exceed the tax burden, the difference is recognised as an asset.

We refer to note 5.11 for further details.

Leases

ADC Group as lessee

Leases where the ADC 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. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the ADC Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. The ADC Group has not entered into a lease agreement or commitment which is considered as a finance lease. Leases of assets are classified as operating leases if the lessor effectively does not transfer 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.

ADC Group as lessor

Finance 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

2 Accounting policies (Continued)

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. The ADC Group has not entered into a lease agreement or commitment which is considered as a finance lease. Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases. 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

The ADC Group has adopted ABCH's policies with respect to repossessed assets.

For ABCH, repossessed assets fall into 2 categories—first category relates to items that are repossessed from defaulting clients and sold via auction (usually a court bailiff or similar third party). These assets are not brought into our books—only the proceeds declared by the sheriff will be accounted for when received by way of repaying or partially repaying the loan. The second category involves assets where the bank applies to the courts to transfer title the assets into its own name at an agreed fair value. These are brought into the books at the agreed fair value with the customer and/or court as the case may be. The fair value of the asset is used to repay or partially repay the loan and it's up to the bank to sell the asset as soon as possible to ensure that the amount is converted into cash like in the first option. Conversion into an internally used asset is a possibility but this is rare.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the ADC Group and revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income and interest expenses

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 ADC 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.

Net fee and commission income

Fee and commission income arises from services provided by the ADC 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.

2 Accounting policies (Continued)

Dividends

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

Rental income

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 can be reliably measured as of the reporting date and by reference to the stage of completion.

Income from the provision of advice to portfolio companies as well as income from the provision of IT consulting services is recognised using the percentage of completion method. Stage of completion is measured by reference to the labour hours incurred as of the reporting date as a percentage of total estimated labour hours for the respective consulting project. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are recoverable.

Contingent assets and contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the ADC Group. A contingent liability may also be a present obligation that arises from past events but is not recognised as a provision because an outflow of resources is not probable or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the ADC Group. Contingent liabilities and contingent assets are not recorded in the statement of financial position; they are disclosed in the notes to the financial statements instead (see note 10).

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the ADC Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

Refer to Note 6.19 regarding discontinued operations assets held for sale for further discussion.

3 Segment 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. 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

3 Segment reporting (Continued)

determining business segment performance. In accordance with IFRS 8, the ADC Group has the following four operating segments (see also note 3):

- Banking operations ABCH
- Banking operations UBN
- Private Equity Activities
- Supporting services

In 2012, the ADC Group's acquisitions in ABCH and UBN through UGPL created new operating segments. The former segments Banking, Payment Services and Insurance merged to the new operating segment private equity activities. As such, the group structure was refined into four segments.

In 2013, ADC refined its strategy to focus more intently on the banking industry in SSA. ADC's focus is on building a pan-African banking group through regional banking platforms in order to benefit from the rapidly expanding retail, corporate and consumer banking operations on the continent. ADC will continue to manage a private equity business under the Merchant Banking Platform to profit from existing and future proprietary investments.

Banking Operations ABCH

The first time consolidation of ABCH allows ADC to achieve full integration of the ADC Group's core banking operations while accelerating the creation of a cross-border platform that will profit from regional trade and investment. ABCH has corporate and retail operations in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe.

Banking Operations UBN

ADC, as part of a consortium of international investors, UGPL, has completed its investment in UBN, together with partners with a wealth of experience including Nigerian private equity fund African Capital Alliance, global financial services private equity firm Corsair Capital, the Dutch development bank FMO, international business group Richard Chandler Corporation and global private equity investor SCPE. In alignment with ADC's strategy to become a pan-African banking group and due to ADC's active role in the UGPL consortium, UBN is classified as a strategic associate that will be held long-term by ADC. ADC invested in UGPL via ADC Enterprises Ltd and ADC Ventures in 2012 with a total holding of 14.74%. As stated in Note 2.2, ADC Ventures is considered to be a subsidiary under IFRS 10 (opposed to the accounting treatment as financial derivative in 2012) and the segment banking operations UBN is affected by this in 2013 and in 2012.

Private Equity Activities

ADC's private equity business encompasses legacy proprietary shareholdings which ADC acquired before the re-focused strategy was implemented in 2012 from an investment company to a banking group.

Support services

The ADC Group's support services comprise areas of activity such as identifying investment opportunities, monitoring the financial position and performance of ADC Group companies and portfolio companies, and providing them with professional support. In addition, strategic portfolio structuring is pursued, active risk management coordinated, capital-raising measures implemented, and relationships with investors maintained.

No operating segments have been combined to form the above reportable operating segments.

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the ADC Group executive committee is measured in a manner consistent with that in the consolidated income statement.

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

3 Segment reporting (Continued)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

	2013					
	Banking Operations		Private Equity Activities	Supporting Services	Consolidation	Total
	ABCH	Union Bank Nigeria				
	EUR'000					
Interest and similar income	173,016	0	689	108	(640)	173,173
Interest and similar expense	(81,604)	(5,336)	(649)	(3,557)	649	(90,497)
Net interest income	**91,412**	**(5,336)**	**40**	**(3,449)**	**9**	**82,676**
Provision for credit losses	(42,932)	0	(502)	0	425	(43,009)
Net interest income after provision for credit losses	**48,480**	**(5,336)**	**(462)**	**(3,449)**	**434**	**39,667**
Net fee and commission income	37,286	0	79	0	(27)	37,338
Net gains (losses) on financial instruments designated at fair value through profit or loss	1,371	0	1,879	0	(1)	3,249
Net trading income	16,538	0	(342)	0	0	16,197
Net income (loss) from equity method investments	(359)	14,857	0	0	(1)	14,497
Other non-interest income	5,185	100	3,522	665	(3,889)	5,582
Total Operating Income	**108,501**	**9,621**	**4,676**	**(2,784)**	**(3,484)**	**116,530**
Operating expenses	(112,618)	(421)	(4,243)	(4,792)	1,321	(120,748)
Profit/loss before tax from continuing operations	**(4,112)**	**9,200**	**433**	**(7,576)**	**(2,163)**	**(4,218)**
Income tax	(3,933)	0	(204)	0	(26)	(4,163)
Profit/loss for the year from continuing operations	***(8,045)***	***9,200***	***229***	***(7,576)***	***(2,188)***	***(8,381)***
profit after tax for the year from discontinued operations	***0***	***0***	***157***	***0***	***0***	***157***
Profit for the year	**(8,045)**	**9,200**	**386**	**(7,576)**	**(2,188)**	**(8,224)**
Cash and short term funds	191,025	102	3,479	6,512	(221)	200,897
Financial assets held for trading	104,458	0	0	0	0	104,458
Financial assets designated at fair value	19,267	0	1	0	(7,814)	11,454
Derivative financial instruments	2,291	0	330	0	0	2,621
Loans and advances	856,894	0	0	0	0	856,894
Investment securities	5,635	0	0	0	0	5,635
Other current assets	21,657	0	768	43	(39)	22,429
Current tax assets	2,735	0	0	131	0	2,866
Investment in associates	1,104	66,810	4,420	0	0	72,334
Property, plant and equipment	67,040	0	0	9	(4,299)	62,750
Other intangible assets and goodwill	51,906	0	0	35	(114)	51,827
Deferred tax assets	12,523	0	0	0	0	12,523
Segment assets	**1,336,535**	**66,912**	**8,998**	**6,730**	**(12,487)**	**1,406,688**
Non-current assets and disposal groups held-for-sale	0	0	10,777	0	0	10,777
Total assets	**1,336,535**	**66,912**	**19,775**	**6,730**	**(12,487)**	**1,417,465**
Deposits	1,012,133	0	0	0	0	1,012,133
Derivative financial instruments	3,120	0	672	0	0	3,792
Creditors and accruals	30,352	20	1,021	3,069	25,325	59,787
Current tax liabilities	1,071	0	14	66	(14)	1,137
Deferred tax liability	12,961	0	0	0	(801)	12,160
Borrowed funds	150,480	37,852	0	37,986	0	226,318
Segment liabilities	**1,210,117**	**37,872**	**1,707**	**41,121**	**24,510**	**1,315,327**
Non-current liabilities and disposal groups held-for-sale	0	0	428	0	0	428
Total liabilities	**1,210,117**	**37,872**	**2,135**	**41,121**	**24,510**	**1,315,755**

3 Segment reporting (Continued)

	2012					
	Banking Operations					
	ABCH	Union Bank Nigeria	Private Equity Activities	Supporting Services	Consolidation	Total
			EUR'000			
Interest and similar income	65,150	0	820	243	(848)	65,365
Interest and similar expense	(33,500)	(2,253)	(846)	(2,000)	846	(37,753)
Net interest income	**31,650**	**(2,253)**	**(26)**	**(1,757)**	**(2)**	**27,612**
Provision for credit losses	(8,133)	0	0	0	0	(8,133)
Net interest income after provision for credit losses	**23,517**	**(2,253)**	**(26)**	**(1,757)**	**(2)**	**19,479**
Net fee and commission income	16,878	0	0	0	0	16,878
Net gains (losses) on financial instruments designated at fair value through profit or loss	507	0	(13,204)	0	0	(12,697)
Net trading income	7,288	0	(4,718)	0	0	2,570
Net income (loss) from equity method investments	(317)	(539)	0	0	0	(856)
Other non-interest income	1,641	272	3,233	440	14,674	20,260
Total Operating Income	**49,514**	**(2,520)**	**(14,715)**	**(1,317)**	**14,672**	**45,634**
Operating expenses	(43,180)	(2,581)	(7,595)	(4,646)	757	(57,245)
Reorganisation expenses	0	0	0	(4,327)	0	(4,327)
Profit/loss before tax from continuing operations	**6,334**	**(5,101)**	**(22,310)**	**(10,290)**	**15,429**	**(15,939)**
Income tax	(2,037)	0	(4)	17	(54)	(2,078)
Profit/loss for the year from continuing operations	***4,297***	***(5,101)***	***(22,314)***	***(10,273)***	***15,375***	***(18,017)***
Profit after tax for the year from discontinued operations	***0***	***0***	***(863)***	***0***	***0***	***(863)***
Profit/loss for the year	**4,297**	**(5,101)**	**(23,177)**	**(10,273)**	**15,375**	**(18,880)**
Cash and short term funds	181,465	170	222	1,522	0	183,380
Financial assets held for trading	99,832	0	0	0	0	99,832
Financial assets designated at fair value	18,515	0	0	0	(7,814)	10,701
Derivative financial instruments	3,296	0	0	0	0	3,296
Loans and advances	886,572	0	0	0	0	886,572
Investment securities	5,319	0	0	0	0	5,319
Other current assets	18,938	134	2,154	58	(7)	21,277
Current tax assets	3,090	0	2	73	0	3,165
Investment in associates	1,093	54,696	19,094	0	0	74,883
Property, plant and equipment	69,495	0	447	26	(5,063)	64,905
Other intangible assets and goodwill	69,247	0	1,657	51	(260)	70,694
Deferred tax assets	8,225	0	425	0	0	8,650
Total assets	**1,365,087**	**55,000**	**24,001**	**1,730**	**(13,144)**	**1,432,673**
Deposits	1,041,891	0	0	0	0	1,041,891
Derivative financial instruments	2,208	0	0	0	0	2,208
Creditors and accruals	29,392	301	3,028	3,486	36	36,243
Current tax liabilities	1,970	0	(19)	66	0	2,018
Deferred tax liability	16,699	0	0	0	(827)	15,871
Borrowed funds	124,672	34,086	0	36,909	0	195,667
Segment liabilities	**1,216,832**	**34,387**	**3,009**	**40,461**	**(791)**	**1,293,899**

** The main consolidation entry relates to the release of negative goodwill from the first-time consolidation of ABCH.

3 Segment reporting (Continued)

	2011					
	Banking Operations					
	ABCH	Union Bank Nigeria	Private Equity Activities	Supporting Services	Consolidation	Total
	EUR'000					
Interest and similar income	0	0	229	193	0	422
Interest and similar expense	0	0	0	(2)	0	(2)
Net interest income	**0**	**0**	**229**	**191**	**0**	**420**
Provision for credit losses	0	0	0	0	0	0
Net interest income after provision for credit loss	**0**	**0**	**229**	**191**	**0**	**420**
Net gains (losses) on financial instruments designated at fair value through profit or loss	0	0	17,226	0	0	17,226
Other non-interest income	0	0	4,719	1,796	(1,990)	4,525
Total Operating Income	**0**	**0**	**22,174**	**1,987**	**(1,990)**	**22,171**
Operating expenses	0	0	(11,683)	(5,088)	3,344	(13,427)
Result before tax	**0**	**0**	**10,491**	**(3,101)**	**1,354**	**8,744**
Income tax	0	0	(78)	0	0	(78)
Result for the year	**0**	**0**	**10,413**	**(3,101)**	**1,354**	**8,666**
Cash and short term funds	0	0	4,423	38,855	0	43,278
Derivative financial instruments	0	0	4,719	0	0	4,719
Other current assets	0	0	1,349	2,097	20	3,466
Current tax assets	0	0	21	55	0	76
Investment in associates	0	0	49,223	0	0	49,223
Property, plant and equipment	0	0	551	0	0	551
Other intangible assets and goodwill	0	0	1,219	60	0	1,279
Deferred tax assets	0	0	456	0	0	456
Total assets	**0**	**0**	**61,961**	**41,067**	**20**	**103,048**
Creditors and accruals	0	0	2,216	663	0	2,879
Borrowed funds	0	0	7,737	4,102	0	11,839
Shares of general partner	0	0	0	5	0	5
Total liabilities	**0**	**0**	**9,953**	**4,770**	**0**	**14,723**

3 Segment reporting (Continued)

Net interest income by geographical area

	2011	2012	2013
		EUR'000	
Botswana	0	12,757	35,042
Mozambique	0	3,694	10,995
Tanzania	0	1,365	3,469
Zimbabwe	0	10,692	36,218
Zambia	0	3,139	7,255
Other	420	(4,036)	(10,304)
Total	**420**	**27,612**	**82,676**
Non-current assets			
Botswana, Mozambique, Tanzania, Zimbabwe, Zambia	0	133,493	114,533
Rwanda	912	1,238	0
Mauritius	20	4	8
Germany	61	77	36
Total	**993**	**134,812**	**114,577**

Non-current assets for this purpose consist of other intangible assets without goodwill and property, plant and equipment.

4 Business combinations and acquisition of non-controlling interests

Acquisitions in 2012

Acquisition of ADC Management Services Limited, Cybercity, Republic of Mauritius (hereafter "ADC Services")

On 9 February 2012, the ADC Group acquired 100% of the voting shares of ADC Services. The fair value of the identifiable assets and liabilities of ADC Services at the time of acquisition and the corresponding book values immediately prior to the time of acquisition are as follows:

	Fair value
	EUR'000
Receivables and other assets	17
Cash and cash equivalents	11
	28
Liabilities	14
Net assets	**14**
Purchased net assets	**14**
Goodwill	23
Acquisition costs affecting cash	**37**
Acquisition costs:	
Purchase price	37
Costs directly allocable to purchase	0
	37
Purchased cash	11
Payment of purchase price	(37)
Actual cash outflow	(26)

4 Business combinations and acquisition of non-controlling interests (Continued)

The fair value of trade receivables amounts to EUR 16k. The gross amount of trade receivables is EUR 16k. However, none of the trade receivables have been impaired and it's expected that the full amount can be collected. The goodwill recognised is not expected to be deductible for income tax purposes.

ADC Services' profit from the time of acquisition through 31 December 2012 amounts to EURO 43,719. ADC Services' profit for fiscal year 2012 totalled EURO 47,694 and sales revenues totalled EURO 218,817.

Acquisition of ABCH

ADC's accelerated strategy of becoming a pan-African banking group has taken a giant leap forward after ADC became majority shareholder in ABCH. ABCH concluded a rights issue in total amount of US$50.0 million on 27 July 2012. The ADC Group subscribed for 42,473,655 shares and become majority shareholder in ABCH. The ADC Group gained control by holding 120,920,255 shares, equal to 51.98% of all voting shares in ABCH. Accordingly, the ADC Group commenced consolidation of ABCH as of 27 July 2012 based on a total equity interest of 51.98%.

Description of ABCH's business activities and the expected impact from their integration on the ADC Group

ABCH is the parent company of a number of SSA banks operating under the BancABC brand that offer a diverse range of financial services including personal, business and corporate banking as well as asset management, stockbroking and treasury services. Guided by its core values of professionalism, people, innovation, passion and integrity, ABCH is pursuing its vision be the preferred banking partner in Africa by offering world class financial solutions—to the benefit of all its stakeholders. ABCH is realising this vision by building profitable, lifelong customer relationships through the provision of a wide range of innovative financial products and services. ABCH has its primary listing on the BSE and a secondary listing on the ZSE.

Treatment of the ADC Group's investment in ABCH held at the closing date

Prior to obtaining control, the ADC Group directly held 25.94% of the shares and voting rights of ABCH, giving it the ability to significantly influence ABCH's financial and operating policies. ADC recognised this investment at fair value pursuant to IAS 39 in accordance with the option in IAS 28.18. Upon initial recognition these assets were allocated to the "assets at fair value through profit or loss category".

On 27 July 2012, the date when control over ABCH was obtained, the ADC Group remeasured to fair value its existing investment (25.94% or 38,779,802 shares) in accordance with IFRS 3. The fair value of the investment was determined on the basis of the share price of 4.49 BWP (0.46 EUR). Accordingly, as of closing date, the remeasurement resulted in a corresponding loss of EUR 8.1m recognised in the group's income statement within the line item "Net gains (losses) on financial instruments designated at fair value through profit or loss" (Note 5.5 and note 6.7.1).

Purchase price allocation and other related acquisition-related information

The following table summarizes the consideration transferred and it also details, as of 27 July 2012, the fair value amounts of assets acquired and liabilities assumed for the ABCH, a non-controlling interest and (negative) goodwill acquired in the business combination.

4 Business combinations and acquisition of non-controlling interests (Continued)

Fair Value of Assets Acquired and Liabilities Assumed as of the Acquisition Date

	Fair value
	EUR'000
ASSETS	
Intangible assets (Note 6.9)	77,411
Property, Plant and equipment (Note 6.8)	66,187
Cash and short term funds	128,172
Financial assets	114,731
Loans and advances	832,348
Net working capital	18,875
Investment in associates	1,456
Current tax assets	1,859
Deferred taxes	6,885
	1,247,924
LIABILITIES	
Financial liabilities	(5,772)
Borrowed funds (Note 6.12)	(126,098)
Deposits	(950,369)
Tax liabilities	(1,870)
Deferred taxes	(17,521)
	(1,101,630)
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	**146,294**
Non-controlling interests	(71,167)
(negative) Goodwill arising on acquisition	(17,096)
PURCHASE CONSIDERATION TRANSFERRED	**58,030**

The acquisition-date fair value corresponding to acquired loans and advances as derived by the ADC Group amounted to EUR 832.3m, comprising both loans and advances to customers and to banks. The gross contractual amount of EUR 865.1m above represents the best estimate for the contractual cash flows of the loans and advances to customers and to banks.

As part of the preliminary purchase price allocation, the ADC Group recognised intangible assets of approximately EUR 65.0m included in the fair value of identifiable net assets acquired. These amounts represented both intangible assets included in the balance sheet of ABCH as well as those intangible assets which were identified in the purchase price allocation. The intangible assets mainly comprise customer relationships (EUR 14.2m), the BancABC trademark (EUR 20.1m) as well as intangible core deposits (EUR 27.5m).

The net amount of assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred resulting in a bargain purchase for the ADC Group. After reassessing and reviewing the procedures used to measure the amounts IFRS 3 requires to be recognised at the acquisition date, the ADC Group recognised a gain on a bargain purchase in amount of EUR 17.1m (Note 5.8).

From the time of acquisition through 31 December 2012, ABCH contributed net interest income of EUR 31.9m and net income after tax of EUR 11.2m to the income statement. If consolidation had been effective as of 1 January 2012, ABCH's pro-forma contribution to the ADC Group's net interest income and net income after tax in 2012 would have been EUR 66.5m and EUR 13.4m, respectively.

Acquisition-related costs borne by the ADC Group as the acquirer amounted to EUR 0.2m which were recognised in operating expenses in the ADC Group's income statement for 2012 (Note 5.9).

4 Business combinations and acquisition of non-controlling interests (Continued)

Analysis of cash flows on acquisition:

	EUR'000
Cash acquired with the subsidiary (included in cash flows from investing activities)	128,172
Cash paid (included in cash flows from investing activities)	(41,474)
Net cash flow on acquisition	**86,698**

Acquisition of non-controlling interests

RSwitch Ltd, Rwanda

In January 2012, the subsidiary RSwitch executed a capital increase, to which ADC subscribed. By participating in this capital increase, ADC's share in RSwitch was increased from 70.0% to 88.54%. The purchase price of EUR 4,789k was mainly settled by converting ADC's shareholder loan into equity (debt-to-equity-swap).

5 Notes to the income statement

Please note that 2013 and 2012 figures are not comparable as in 2012 only five months of BancABC business is included whereas in 2013 12 months are consolidated into ADC group accounts. We refer to Note 4 regarding the acquisition date of ABCH as at 27 July 2012.

5.1 Interest and similar income

	2011	2012	2013
		EUR'000	
Cash and short-term funds	422	1,658	5,877
Trading securities	0	3,611	6,036
Financial investments—held-to-maturity	0	152	329
Loans and advances at amortised cost	0	59,857	160,777
Other interest income	0	(2)	154
	422	65,276	173,173
Interest income on financial assets designated at fair value through profit or loss	0	89	0
	422	**65,365**	**173,173**

5.2 Interest and similar expense

	2011	2012	2013
		EUR'000	
Deposits	0	(25,924)	(70,292)
Borrowed funds	(2)	(11,829)	(20,179)
Securities lent and repurchase agreements	0	0	(26)
	(2)	**(37,753)**	**(90,497)**

5 Notes to the income statement (Continued)

5.3 Provision for credit losses

	2011	2012	2013
		EUR'000	
Specific impairments	0	(8,133)	(42,876)
Portfolio impairments	0	0	(875)
Total impairment charge (Note 6.4)	**0**	**(8,133)**	**(43,751)**
Recoveries of loans and advances previously written off	0	0	742
	0	**(8,133)**	**(43,009)**

Total impairment charges are presented as follows:

	2011	2012	2013
		EUR'000	
Financial assets measured at amortised cost loans and advances (Note 6.4)			
Mortgage lending	0	0	(53)
Instalment finance	0	674	(856)
Corporate lending	0	(9,542)	(38,709)
Commercial and property finance	0	(56)	125
Consumer-lending	0	790	(4,258)
	0	**(8,133)**	**(43,751)**

5.4 Net fee and commission income

	2011	2012	2013
		EUR'000	
Net fee income on loans and advances	0	8,251	15,213
Net fee income on held-to-maturity investments	0	0	301
Net fee income from trust and fiduciary activities	0	827	10,860
Cash transaction fees	0	5,878	9,750
Other fee income	0	1,922	1,214
	0	**16,878**	**37,338**

5.5 Net gains (losses) on financial instruments designated at fair value through profit or loss

	2011	2012	2013
		EUR'000	
Financial assets designated at fair value through profit or loss	17,226	506	1,371
Financial assets designated at fair value through profit or loss option IAS 28.1/IAS39	0	(13,203)	1,878
	17,226	**(12697)**	**3,249**

In 2013, net losses on financial instruments designated at fair value through profit or loss include losses from changes in fair value of shares in associates classified as "assets at fair value through profit or loss" (IAS 39) in accordance with the option provided for in IAS 28.18 (Note 6.7.1) in amount of EUR 1,878k (prior year: EUR 13,203k) and gains of financial instruments designated at fair value (Note 6.3) in amount of EUR 1,371k (prior year: EUR 506k).

In 2012, net losses on financial instruments designated at fair value through profit or loss include losses from changes in fair value of shares in associates classified as "assets at fair value through profit or loss" (IAS 39) in accordance with the option provided for in IAS 28.1 (Note 6.7.1) in amount of EUR 13,203k and gains of financial instruments designated at fair value (Note 6.3) in amount of EUR 506k.

5 Notes to the income statement (Continued)

In 2011, ADC exchanged its stake in Ecobank Zimbabwe (Premier Bank) for shares in Brainworks, an investment company from Zimbabwe. The disposal of the investment in Ecobank Zimbabwe resulted in a gain of EUR 2,754k.

5.6 Net trading income

	2011	2012	2013
		EUR'000	
Net (losses)/gains on derivative financial instruments	0	(5,721)	(2,054)
Debt securities	0	1,402	0
Foreign exchange	0	6,889	14,631
Other net trading income	0	0	3,620
	0	**2,570**	**16,197**

2012 net losses on derivative financial instruments include net losses of EUR 4,719k arising from write-offs of the call options (Note 6.14.). In addition net losses of EUR 1,000k arising from a USD-Yen derivative swap are included. Debt securities income includes the results of buying and selling and the changes in fair value of debt securities and debt securities sold short as well as the related interest income and expense.

Foreign exchange income includes gains and losses from spot and forward contracts and other currency derivatives.

5.7 Net income (loss) from equity method investments

The following are the components of the net income (loss) from all equity method instruments.

	2011	2012	2013
		EUR'000	
Pro-rata share of investees' net income (loss)	**0**	**(856)**	**14,497**

5.8 Other non-interest income

	2011	2012	2013
		EUR'000	
Electronic payment services	925	0	0
Advisory services to portfolio companies	767	493	0
Dividend income:			
listed shares—fair value through profit or loss	761	904	472
Gains/losses on disposal of property, plant and equipment	0	0	3
Other non-interest income:			
rental and other income	194	487	1,016
(loss)/profit on disposal of property and equipment	0	(5)	0
non-trading foreign exchange	1,527	254	5
other non-interest income	351	1,030	4,086
Release of negative goodwill (Note 4)	0	17,096	0
	4,525	**20,259**	**5,582**

2012 non-trading foreign exchange mainly comprised foreign exchange gains of EUR 254k (prior year: EUR 1,527k) related to funds disclosed by the ADC Group in US$.

5 Notes to the income statement (Continued)

5.9 Operating expenses

	2011	2012	2013
		EUR'000	
Staff costs (Note 5.9.1)	(471)	(18,666)	(44,014)
Amortisation and depreciation	(445)	(7,149)	(17,341)
Rental expenses	(54)	(3,513)	(8,266)
Travelling expenses	(241)	(1,831)	(3,586)
Marketing expenses	(374)	(2,363)	(4,874)
Administration expenses	(10,725)	(19,217)	(38,628)
Other operating expenses	(1,117)	(4,506)	(1,828)
	(13,427)	**(57,245)**	**(120,748)**

5.9.1 Staff costs

	2011	2012	2013
		EUR'000	
Staff costs			
Salaries	453	(18,659)	(45,688)
incentive payments	0	0	(370)
compensation payments	0	0	(26)
	453	(18,659)	(46,084)
Social costs	18	(7)	(141)
	471	**(18,666)**	**(46,225)**

The total number of employees at 31 December 2013 was 1,559 (prior years: 1,362; 29). They were allocated to the following segments:

	2011	2012	2013
Holding		**19**	**14**
Operations:			
Botswana	0	234	284
Mozambique	0	166	205
Rwanda	29	33	44
South Africa	0	57	65
Tanzania	0	135	212
Zambia	0	211	221
Zimbabwe	0	507	514
	29	**1,362**	**1,559**

5.9.2 Auditor's fees

The total fees charged by the independent auditors of the consolidated financial statements, broken down by type of service are as follows:

	2011	2012	2013
		EUR'000	
Audit services	50	288	129
Other attestation services	100	0	127
Tax advisory services	0	25	0
	150	**313**	**256**

5 Notes to the income statement (Continued)

5.10 Reorganisation expenses

In November 2012, ADC simplified its corporate structure by taking over its general partner, ADC Management GmbH from Altira AG, and transformed its organisational structure from a private equity company (partnership limited by shares—GmbH & Co. KGaA) into a stock corporation (AG), which was finalised on 26 July 2013.

5.11 Income tax expense

	2011	2012	2013
		EUR'000	
Current tax expense			
Current year	0	(4,422)	(11,508)
Under(over) provision in prior years	0	(55)	0
Withholding tax	0	(141)	(410)
Bank levies	0	(2)	(11)
	0	**(4,621)**	**(11,929)**
Deferred tax			
Accruals	0	(15)	1,901
Impairment losses	0	1,966	4,478
Property and equipment	0	391	(769)
Intangible assets	0	703	1,608
Gains and investments	0	29	(900)
Tax losses	(78)	(531)	1,448
	(78)	**2,542**	**7,766**
Total tax expense per income statement	**(78)**	**(2,078)**	**(4,163)**

As in prior years, the ADC Group's income tax rate comprises the corporate income tax of 15.00% and the trade tax rate of 15.00%.

The tax reconciliation explains the relationship between the effective tax expense and the imputed tax expense, which is calculated from the consolidated earnings (before income taxes) by using the ADC Group's income tax rate of 30.00% (prior year: 30.00%):

	2011	2012	2013
		EUR'000	
IFRS earnings before income tax	8,743	(15,939)	(4,218)
Imputed tax income (group tax rate)	(2,623)	4,782	1,265
Non-deductible expenses	(1,273)	(7,017)	(2,483)
Tax-free income	2,835	1,916	3,835
Tax incentives and tax dividend received	0	(300)	(841)
Changes in loss carryforwards, which cannot be used to reduce tax expense	105	(18)	(2,470)
Carryforward of unused tax credits	(739)	0	0
Changes in tax rate	1,617	(1,104)	(2,161)
Tax losses of prior years claimed	0	(337)	(1,308)
Effective income taxes (current and deferred taxes)	(78)	(2,078)	(4,163)

5 Notes to the income statement (Continued)

Deferred tax

In addition to deferred tax assets recognised for tax loss carryforwards, deferred tax assets and liabilities are also recognised for temporary differences in respect of the items shown below:

	Deferred tax assets 2011	Deferred tax liabilities 2011	OCI 2011	Deferred tax assets 2012	Deferred tax liabilities 2012	OCI 2012	Deferred tax assets 2013	Deferred tax liabilities 2013	OCI 2013
					EUR'000				
Tax loss carryforwards	456	0	0	6,151	0	0	6,733	0	0
Impairment allowance for loans and advances	0	0	0	3,765	0	0	7,884	0	0
Revaluation of financials instruments available-for-sale	0	0	0	0	(983)	0	0		0
Property, plant and equipment	0	0	0	0	0	0	0	633	0
Foreign currency translation reserve	0	0	0	0	0	0	0	622	0
Other temporary differences	0	0	0	1,303	14,285	0	3,197	16,197	0
Total (gross)	**456**	**0**	**0**	**11,219**	**13,302**	**0**	**17,814**	**17,452**	**0**
Netting of deferred tax assets and deferred tax liabilities	0	0	0	(2,569)	2,569	0	(5,291)	(5,291)	0
Total (net)	**456**	**0**	**0**	**8,650**	**15,871**	**0**	**12,523**	**12,161**	**0**

The ADC Group has determined that undistributed profits and associates will not be distributed in the foreseeable future. The ADC Group's associate UGPL did not distribute its profits until it obtains the consent from all consortium partners. The ADC Group does not foresee giving such a consent being given at reporting date.

The ADC Group is subject to certain risks related to taxation, as described on page 21.

6 Notes to the statement of financial position

6.1 Cash and short term funds

This item includes all cash on hand and daily bank deposits, short-term deposits of up to three months, and amounts deposited in an escrow account.

The fair value of cash and cash equivalents is equal to the recognised carrying amount.

	2011	2012	2013
		EUR'000	
Cash on hand	0	26,712	22,726
Balances with central banks	0	17,020	2,355
Balances with other banks	43,278	86,518	117,238
thereof restricted cash	23,183	0	0
	66,461	130,250	142,319
Statutory reserve balances	0	53,130	58,579
	66,461	**183,380**	**200,897**

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

Restricted cash

Through a consortium of investors, ADC has entered into a transaction implementation agreement on 12 July 2011 whereby the consortium will acquire a controlling interest in UBN through UGPL. In the context of the transaction implementation agreement, each investor of the consortium entered into an Escrow Account Agreement with UGPL and Barclays Bank plc whereby each investor commits to deposit their share of the financing in an escrow account which is deemed to reach US$200.5m. As at 31 December

6 Notes to the statement of financial position (Continued)

2011, ADC's share is US$30m (EUR 23,183k) and has been duly deposited. In 2012, ADC invested and exercised significant influence over UGPL with effect of 1 January 2012. The investment in UGPL is considered a strategic banking investment and measured in accordance with the equity method (Note 6.7.2).

6.2 Other financial assets held for trading

Other financial assets held for trading

	2011	2012	2013
		EUR'000	
Government bonds	0	7,181	5,960
Corporate bonds	0	2,948	2,968
Treasury bills and other open market instruments	0	89,702	95,530
	0	**99,832**	**104,458**

Other financials assets held for trading are pledged as collateral in amount of EUR 25.9m (2012: EUR 42.9m).

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 ADC Group also invests in tradeable paper issued by large corporates in the respective markets.

All financial assets held for trading are carried at fair value.

6.3 Financial assets designated at fair value

	31-12-2011	31-12-2012	31-12-2013
		EUR'000	
Listed equities	0	969	360
Unlisted equities	0	0	8,520
Listed debentures	0	2,655	2,575
Unlisted debentures	0	7,078	0
	0	**10,701**	**11,455**

The listed equities comprise various securities listed on the ZSE that subsidiaries have invested in.

Unlisted equities comprise of a number of unlisted equity investments housed in an investment company in the ADC Group. We refer to Note 6.20 regarding the overview of valuation assumptions.

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

6 Notes to the statement of financial position (Continued)

6.4 Loans and advances

	31-12-2011	31-12-2012	31-12-2013
		EUR'000	
Mortgage lending	0	26,162	28,936
Instalment finance	0	54,802	55,574
Corporate lending	0	450,105	446,148
Commercial and property finance	0	5,277	4,453
Consumer lending	0	386,973	390,555
	0	**923,319**	**925,666**
less: Allowance for impairments losses	0	36,746	68,773
Net loans and advances	**0**	**886,572**	**856,894**

Impairment allowance for loans and advances

A reconciliation of the allowance for impairment losses for loans and advances, by market segment, is as follows:

2013	Mortgage lending	Instalment finance	Corporate lending	Commercial and property finance	Consumer lending	Total
			EUR'000			
Opening balance	115	1,589	29,580	139	5,324	**36,746**
Exchange adjustment	(15)	(189)	(2,765)	(11)	(739)	**(3,718)**
Charge for the year (Note 5.3)	53	856	37,967	(125)	4,258	**43,009**
Amounts written off	0	(147)	(6,909)	0	(210)	**(7,265)**
Closing balance	**153**	**2,109**	**57,874**	**2**	**8,634**	**68,773**
Individual impairment	139	1,483	52,985	2	6,333	**60,942**
Collective impairment	15	626	4,889	1	2,301	**7,832**
	153	2,109	57,874	2	8,634	**68,773**
Gross amount of loans individually determined to be impaired, before conducting the individually assessed impairment allowance	**606**	**14,299**	**130,942**	**44**	**13,516**	**159,409**

6 Notes to the statement of financial position (Continued)

2012	Mortgage lending	Instalment finance	Corporate lending	Commercial and property finance	Consumer lending	Total
			EUR'000			
Opening balance	0	0	0	0	0	**0**
Additions from business combinations	121	2,396	24,887	90	6,552	**34,046**
Exchange adjustment	(6)	(94)	(2,020)	(7)	78	**(2,049)**
Charge for the year (Note 5.3)	0	(674)	9,541	56	(790)	**8,133**
Recoveries	0	0	0	0	0	**0**
Amounts written off	0	(94)	(2,591)	0	(514)	**(3,199)**
Interest accrued on impaired loans and advances (Note 5.1)	0	54	(237)	0	(2)	**(185)**
Closing balance	**115**	**1,588**	**29,580**	**139**	**5,324**	**36,746**
Individual impairment	27	1,094	25,467	139	2,359	**29,086**
Collective impairment	88	495	4,112	0	2,965	**7,660**
	115	1,589	29,579	139	5,324	**36,746**
Gross amount of loans individually determined to be impaired, before conducting the individually assessed impairment allowance	317	3,255	71,696	108	9,986	**85,363**

The changes in impairment losses included in the allowances for losses on loans and advances recognised under assets were as follows:

	2011	2012	Specific allowance for credit losses 2013	2011	2012	Collective impairment 2013	2011	2012	Total 2013
					EUR'000				
Allowance for credit losses as at 1 Jan	0	0	29,086	0	0	7,660	0	0	36,746
Additions from business combinations	0	26,397	0	0	7,648	0	0	34,045	0
Additions	0	7,618	42,134	0	515	875	0	8,133	43,009
Utilisation	0	(3,200)	(7,265)	0	0	0	0	(3,200)	(7,265)
Reversals	0						0	0	0
Exchange rate adjustment	0	(1,729)	(3,010)	0	(503)	(704)	0	(2,232)	(3,718)
Balance as at 31 December	**0**	**29,086**	**60,941**	**0**	**7,660**	**7,832**	**0**	**36,746**	**68,773**

6.5 Investment securities

	31-12-2011	31-12-2012	31-12-2013
		EUR'000	
Available-for-sale			
unlisted equities	0	844	1,320
listed equities	0	0	209
Held to maturity			
promissory notes	0	4,475	4,105
	0	**5,319**	**5,635**

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

The promissory notes are partial security for the loan from BIFM (Note 6.12.). The promissory notes earn a fixed interest of 10.25% p.a., and are redeemable on 31 March 2015.

6 Notes to the statement of financial position (Continued)

6.6 Other current assets and current tax assets

	2011	2012	2013
		EUR'000	
Trade receivables	406	287	0
Inventories	323	310	0
Prepayments	606	15,127	19,571
Other assets	2,131	5,553	2,858
	3,466	**21,277**	**22,429**
Current tax assets	76	3,165	2,866
	76	3,165	2,866
	3,542	**24,442**	**25,295**

As of 31 December 2012, the nominal amount of trade receivables stood at EUR 287k (prior year: EUR 446k) net of specific bad debt allowances. See below for movements in the provision for impairment of receivables (charges for the year are included under other operating expenses):

	Individually determined to be impaired 2012	Individually determined to be impaired 2011
	EUR'000	
As of 1 January	40	86
Charge for the year	0	40
Usage	(40)	0
Reversal	0	(86)
As of 31 December	**0**	**40**

Trade receivables are current and non-interest bearing.

The carrying amount of inventories recognised stood at EUR 310k (prior year: EUR 323k). Inventories are recognised at cost less impairment losses and are not subject to restrictions on disposal.

6.7 Investments in associates

This item includes the interests in joint ventures and associates measured at fair value as well as strategic bank investments in accordance with the equity method.

	Note	2011	2012	2013
			EUR'000	
Investments in associates measured in accordance with the equity method	6.7.2.	0	55,789	67,914
Investments in associates measured at fair value through profit or loss	6.7.1.	49,023	18,994	4,420
Joint ventures	6.7.3.	200	100	0
		49,223	**74,883**	**72,334**

6 Notes to the statement of financial position (Continued)

As of the reporting date, the ADC Group held interests in the following associates:

	Year	Capital interest indirect	Currency	Assets	Liabilities	Equity	Result	Result
		%	(LC)	LC '000	LC '000	LC '000	LC '000	EUR'000
Investments in associates measured in accordance with the equity method								
1. Union Global Partners Limited, Mauritius	2012	14.74	USD	490,565	442	490,123	(8,265)	(6,182)
2. Lion of Tanzania Insurance Company Ltd, Tanzania	2012	38.00	TZS	16,403,737	13,333,383	3,070,354	168,486	87
3. PG Industries (Botswana) Ltd, Botswana*	2012	42.00	BWP	59,698	54,322	5,376	(20,544)	(2,033)
4. Credit Insurance Zimbabwe Limited, Zimbabwe	2012	24.00	ZWD	5,093	2,102	2,991	459	346
Investments in associates measured at fair value through profit or loss								
1. Resolution Health East Africa Ltd, Nairobi, Kenya*	2012	38.74	KES	1,173,913	911,044	262,869	58,176	529
	2011	38.74	KES	760,188	664,926	95,262	(128,738)	(1,150)

Disclosure of assets, liabilities and equity as well as profit for the year is based on the corresponding financial statements prepared in accordance with national law.

6 Notes to the statement of financial position (Continued)

	Year	Capital interest indirect	Currency	Assets	Liabilities	Equity	Result	Result
		%	(LC)	LC '000	LC '000	LC '000	LC '000	EUR'000
Investments in associates measured in accordance with the equity method								
1. Union Global Partners Limited, Mauritius*	2012	6.35	USD	490,565	442	490,123	(1,442)	(1,125)
2. Lion of Tanzania Insurance Company Ltd, Tanzania*	2012	38.00	TZS	14,071,865	11,372,800	2,699,065	122,750	58
3. PG Industries (Botswana) Ltd, Botswana*	2012	37.00	BWP	59,698	54,322	5,376	(16,638)	(1,647)
4. Credit Insurance Zimbabwe Limited, Zimbabwe*	2012	24.00	ZWD	5,261	2,481	2,780	185	139
Investments in associates measured at fair value through profit or loss								
1. Resolution Health East Africa Ltd, Nairobi, Kenya*	2012	25.00	XAF	297,577,865	285,242,970	12,334,895	4,007,932	6,012
	2011	25.00	XAF	220,473,947	209,825,953	10,647,994	2,339,715	3,556
2. Resolution Health East Africa Ltd, Nairobi, Kenya*	2012	38.74	KES	1,147,642	894,729	252,913	48,593	442
	2011	38.74	KES	760,188	664,926	95,262	(128,738)	(1,150)
3. ABC Holdings Limited, Gaborone, Botswana	2011	23.10	BWP	9,407,902	8,474,205	933,697	112,364	11,641
4. Brainworks Capital Management (Private) Ltd, Harare, Zimbabwe	2012	28.00	USD	26,058	12,487	13,571	482	376
	2011	28.00	USD	17,170	5,721	11,449	229	177
5. Brainworks Capital Private Equity Managers (Private) Ltd, Harare, Zimbabwe**	2012	10.00	USD	—	—	—	—	—
	2011	10.00	USD	—	—	—	—	—
6. iVeri Payment Technologies (Pty) Ltd, Johannesburg, Republic of South Africa*	2012	49.00	ZAR	4,404	1,562	2,842	905	86
	2011	49.00	ZAR	4,072	1,565	2,507	556	53
7. evriPay GBL 1, Cybercity, Mauritius*	2012	25.00	EUR	1,353	41	1,312	(249)	(249)
	2011	25.00	EUR	1,952	8	1,944	(56)	(56)

Disclosure of assets, liabilities and equity as well as profit for the year is based on the corresponding financial statements prepared in accordance with national law.

* At the time of preparation of the consolidated financial statements, the annual audits of these companies' financial statements had not yet been concluded. As a result, the figures are based only on the unaudited financial statements.

** Dormant company.

6.7.1 Associates measured at fair value through profit or loss (IAS 39 and IAS 28.18)

	2011	2012	2013
		EUR'000	
Carrying amount at the beginning of the period	18,351	49,023	18,994
Additions	17,450	41,204	0
Disposals	(1,250)	0	(9,000)
Gain on disposal	0	0	1,408
Reclassification as ABCH became a subsidiary in 2012	0	(58,030)	0
Reclassification as held-for-sale (Note 6.19)	0	0	(7,446)
Change in fair values	14,472	(13,203)	464
Carrying amount at the end of the period	**49,023**	**18,994**	**4,420**

6 Notes to the statement of financial position (Continued)

Associates designated at fair value through profit or loss (IAS 39, IAS 28.1)

	2011	2012	2013
		EUR'000	
ABCH*	25,313		
BANGE	14,850	7,592	0
Brainworks	4,004	6,580	0
RHEAL	3,725	3,737	4,420
iVeri	761	734	0
evriPay	370	351	0
	49,023	**18,994**	**4,420**

* ABCH became a subsidiary at 27 July 2012 (Note 4)

ABCH

ABCH initially was allocated to the "assets at fair value through profit or loss category". On 27 July 2012 ADC obtained control of ABCH through a rights issue (Note 4.). Transition consolidation requires an ultimate revaluation immediately before exercising control over ABCH. Revaluation loss recorded amounts to EUR 8.1 million.

Banco Nacional de Guinea Ecuatorial ("BANGE")

On 15 May 2013, ADC announced a successful exit from its 25% shareholding in BANGE to co-shareholders in the bank. A purchase price of EUR 9.0 million was agreed resulting in a revaluation gain of EUR 1,408k.

Resolution Health East Africa Ltd. ("RHEAL"), Nairobi, Kenya

RHEAL's application for a general insurance license in Q1 2012 required the company to raise capital to meet the minimum capital requirement. ADC took up its right in the capital increase and invested EUR 176k. No additional capital was necessary for ADC to take up its rights in the capital increase. In 2010, ADC acquired a 25.1% interest in RHEAL, via a direct investment. A further 13.64% share in RHEAL is held via a controlled special purpose entity, Proven Track Corporation Ltd., GBL1, Mauritius. In October 2012, ADC took 100% ownership in Proven Track Corporation Ltd., which was previously capitalized by ADC debentures. ADC now holds a total equity stake of 38.74% in RHEAL including its original 25.1% direct stake and the further 13.64% indirect stake. With effect of 1 January 2013, Proven Track Corporation Ltd. was amalgamated into ADC Financial, which held the total equity stake of 38.74%. The interests in RHEAL are recognised at a fair value of EUR 4,420k (prior year: EUR 3,737k).

Brainworks Capital Management (Private) Ltd (28%), Harare, Zimbabwe

In 2008, a 44.95% interest in Ecobank Zimbabwe Ltd. (formerly, Premier Finance ADC Group Ltd), ("Ecobank"), Harare, Zimbabwe was acquired. The purchase price for the interests amounted to EUR 3,334k. This interest was diluted to 13.5% in 2010 and to 11.5% in 2011 on account of not taking part in capital increases performed at Ecobank. The interests in Ecobank were exchanged for interests in Brainworks (28.0%), as part of a share swap effective 28 December 2011. The fair value of ADC's stake in Brainworks increased by EUR 2.6m to EUR 6.6m at year-end 2012 due to a favourable development of ADC and its underlying assets as well as reflecting the interest of additional investors in Brainworks, which is currently undertaking a rights issue at a similar valuation.

6 Notes to the statement of financial position (Continued)

6.7.2 Strategic banking investments measured in accordance with the equity method

	2011	2012	2013
		EUR'000	
Carrying value at the beginning of the year	0	0	55,789
Additions from business combinations	0	1,364	0
Additions	0	55,220	435
Exchange rate adjustment	0	60	(2,616)
Share of profits (losses)	0	(856)	14,498
Tax	0	1	(144)
Share of other comprehensive income	0	0	49
Impairment	0	0	(97)
	0	**55,789**	**67,914**

Union Global Partners Limited

In 2012, ADC Enterprises purchased a 6.35% share and ADC Ventures purchased a 8.39% share in UGPL. UGPL owns a majority stake of 61.4% in UBN. ADC plans to retain the interest on a long-term basis and to participate in the company's operating earnings. For this reason, the share has been classified as a strategic bank investment. UBN is the fifth largest commercial bank in Nigeria and listed on the Nigerian stock exchange ("NSE"). As of the reporting date, the shares in UBN through UGPL are recognised in accordance with the equity method (IAS 28) in an amount of EUR 66,810k (prior year EUR 54,696k). However, as UGPL elected to account for UBN at fair value, ADC's share of profit of UGPL reflects the fair value movements of the shares in UBN rather than the underlying earnings of UBN.

Name of the associate:	Union Global Partners Limited
Principal place of business and country of incorporation	Mauritius
Reporting date	31 December
Proportion of ownership	14.74%
Total no of equity shares	
Shares held by ADC	69,617
LC	USD
Par value (LC)	1

Financial information for the associate:	2012 in USD'000	2012 in EUR'000
Current assets	1,191	902
Non-current assets	489,374	370,505
Current Liabilities	(442)	(335)
Equity	**490,123**	**371,072**
Proportion of the group's equity ownership	14.74%	14.74%
Carrying amount of the investment	**72,244**	**54,696**

6 Notes to the statement of financial position (Continued)

	2012 in USD'000	2012 in EUR'000
Net operating income/(loss)	(975)	(729)
Fair value gain/(loss) on financial assets fair valued		0
through P & L	(6,823)	(5,104)
Financing costs	(467)	(349)
Profit or loss for the year	**(8,265)**	**(6,182)**
Other comprehensive income	0	0
Total comprehensive income	**(8,265)**	**(6,182)**

The associate had no contingent liabilities or capital commitments as at 31 December 2012 or 2013.

6.7.3 Joint ventures

Together with Loita Capital Partners International Ltd., Mauritius, ADC Financial founded Loita African Development Corporation Ltd ("Loita"), Mauritius in July 2011. In 2013, the joint venture was closed down. As of the reporting date, the ADC Group held no interests in joint ventures.

2012

As of the reporting date, the ADC Group held interests in the following joint ventures:

	Year	Capital interest	No. of equity shares	Par value	Currency	Assets	Liabilities	Equity	Result	Result
		%			(LC)					EUR'000
Loita African Development Corporation Ltd, Cybercity, Mauritius	2012	50	20,000	10	EUR	186	3	183	(5)	(5)
	2011	50	20,000	10	EUR	193	5	188	(212)	(212)

The joint venture was an investment vehicle for the acquisition of further interests in banks in SSA. Loita also provided technical and advisory services to the banks as well as management staff. The ADC Group held 50% of the interests in Loita as of the reporting date. The interests in Loita are reported at fair value of EUR 100k (prior year: EUR 200k), which corresponds to the pro rata equity. In 2012, impairment loss of EUR 100k is recorded (Note 6.19).

6 Notes to the statement of financial position (Continued)

6.8 Property, plant and equipment

	2011			2012			2013		
	Land and buildings	Other equipment	Total	Land and buildings	Other equipment	Total	Land and buildings	Other equipment	Total
					EUR'000				
Cost as of 1 January				0	1.461	1.461	43.287	24.474	67.761
Exchange adjustment	0	1,486	1,486	(2.911)	(1.317)	(4.228)	(3.128)	(3.019)	(6.147)
Acquisition from a subsidiary (Note 4)	0	(51)	(51)	45.566	20.621	66.187	0	0	0
Additions	0	0	0	632	3.430	4.062	3.456	6.092	9.548
Disposals	0	333	333	0	(297)	(297)	0	(272)	(272)
Reclassifications	0	(307)	(307)	0	576	576	68	(1.435)	(1.367)
Historic cost as of 31 December	0	0	0	43.287	24.474	67.761	43.684	25.839	69.523
	0	1,461	1,461			0			
Accumulated amortisation and depreciation as of 1 January				0	(910)	(910)	(47)	(2.809)	(2.856)
Exchange adjustment	0	(811)	(811)	28	277	305	414	1.136	1.550
Additions	0	52	52	(524)	(2.176)	(2.700)	(1.895)	(4.891)	(6.786)
Disposals	0	(347)	(347)	116	0	116	0	215	215
Reclassifications	0	196	196	333	0	333	0	1.103	1.103
Accumulated amortisation and depreciation	0	0	0			0			0
as of 31 December	0	(910)	(910)	(47)	(2.809)	(2.855)	(1.527)	(5.246)	(6.773)
						0			0
Carrying amount as of 1 January	**0**	**675**	**675**	**0**	**551**	**551**	**43.240**	**21.665**	**64.905**
Carrying amount as of 31 December	**0**	**551**	**551**	**43.240**	**21.665**	**64.905**	**42.156**	**20.593**	**62.750**

In 2013, there are no indications of a need to recognise impairment losses on property, plant and equipment in accordance with IAS 36.

As before, there are no restrictions on disposal within the ADC Group, nor are property, plant and equipment pledged as collateral for debts.

6 Notes to the statement of financial position (Continued)

6.9 Other intangible assets and goodwill

	2011			2012						2013					
Trademark	**Other intangible assets**	**Goodwill**	**Total**	**Trademark**	**Customer relationships**	**Core deposits**	**Software**	**Goodwill**	**Total**	**Trademark**	**Customer relationship**	**Core deposits**	**Software**	**Goodwill**	**Total**
								EUR'000							
Historical cost as of 1 January	769	838	1,607	0	0	0	1,177	838	2,015	20,121	14,227	27,514	13,459	787	76,108
Acquisition from a subsidiary (Note 4)	0	0	0	21,461	15,174	29,347	11,429	23	77,434	0	0	0	0	0	0
Exchange adjustment	(21)	0	(21)	(1,340)	(947)	(1,832)	(1,144)	(74)	(5,338)	(3,031)	(2,143)	(4,144)	(2,167)	6	(11,478)
Additions	0	429		0	0	0	2,033	0	2,033	0	0	0	1,950	0	1,950
Reclassifications	0	0	0	0	0	0	(36)	0	(36)	0	0	0	233	(793)	(560)
Historical cost as of 31 December	1,177	838	2,015	20,121	14,227	27,514	13,459	787	76,108	17,090	12,084	23,370	13,475	0	66,020
Accumulated amortisation and depreciation as of 1 January	(635)	0	(635)	0	0	0	(736)	0	(736)	(838)	(871)	(1,442)	(2,263)	0	(5,414)
Exchange adjustment	(3)	0	(3)	12	12	20	(7)	0	37	266	277	458	776	0	1,778
Amortisation and depreciation	(98)	0	(98)	(850)	(884)	(1,462)	(1,651)	0	(4,847)	(1,849)	(1,921)	(3,180)	(3,606)	0	(10,556)
Reclassifications	0	0	0	0	0	0	132	0	132	0	0	0	0	0	0
Accumulated amortisation and depreciation as of 31 December	(736)	0	(736)	(838)	(871)	(1,442)	(2,262)	0	(5,413)	(2,421)	(2,516)	(4,163)	(5,093)	0	(14,193)
Carrying amount as of 1 January	**134**	**838**	**972**	**0**	**0**	**0**	**441**	**838**	**1,279**	**19,283**	**13,356**	**26,073**	**11,196**	**787**	**70,694**
Carrying amount as of 31 December	**441**	**838**	**1,279**	**19,282**	**13,356**	**26,072**	**11,197**	**787**	**70,694**	**14,669**	**9,568**	**19,207**	**8,382**	**0**	**51,827**

6 Notes to the statement of financial position (Continued)

2013

Goodwill

The goodwill acquired from the business combination with RSwitch (formerly Simtel) amounting to EUR 793k (prior year: EUR 787k) was allocated to the cash-generating unit "Electronic Payment" for impairment testing.

As RSwitch is considered as a discontinued operation the goodwill is reclassified and disclosed as non-current assets and disposal group held-for-sale (Note 6.19).

2012

Goodwill

The calculations of the value in use of the "Electronic Payment" cash-generating unit are based on medium-term planning on the basis of the estimate of future cash flows as well as an appropriate discount rate 24.9% (in 2011, a discount rate of 32.0% was used) to calculate present value. The growth rate used to extrapolate the cash flows beyond the five-year period is 3.00% (prior year: 3.00%), which is the same as the long-term average growth rate for the industry and the country. Because the recoverable amount exceeds the carrying amount of the cash-generating unit, there was no need for an impairment charge pursuant to IAS 36.

Key assumptions used in value-in-use calculations

The calculation of value in use for the "Electronic Payment" cash-generating unit is most sensitive to the following assumptions: gross margin, discount rates, development of the price structure for card issue and card management, ATM/POS (point-of-sale) lease fees and ATM/POS maintenance fees as well as the fees for transaction processing and system integration, quantity development for the number of active payment cards, ATM & point-of-sale terminals and growth rate used to extrapolate cash flows beyond the budget period.

Other intangible assets

The carrying amount of other intangible assets as of 31 December 2013 of EUR 51,827k (prior year: EUR 70,694k) reflected mainly intangible assets related to the acquisitions of ABCH and amortisation expense of EUR 10,385k (prior year: EUR 4,847k).

In 2013, tests for triggering events resulting in impairment of other intangible assets were performed at the level of cash generating units of ABCH, covering the banks operations in Botswana, Zimbabwe, Mozambique and Zambia, which include intangible assets with definite useful life (trademark, customer relationships, core deposit intangibles). The individual asset's fair value less costs to sell these assets cannot be determined and the individual assets do not generate cash inflows that are largely independent of those from other assets or other groups of assets. ADC performed a number of tests for indications for impairment. As a result, an indication of potential impairment due to an increased cost of equity and substantially lower revenues and (non-) interest income was only found for the CGU Mozambique. Closer analysis of CGU Mozambique revealed no indication for an impairment based on a range of reasonable valuation assumptions. However, the headroom above a (potential) impairment is only small and even a slight change in assumptions would imply impairment.

In 2012, the allocation of the purchase price related to the acquisition of ABCH (Note 4), which resulted in the identification and initial recognition of amortised intangible assets of EUR 65,037k capitalized in the ADC Group's consolidated balance sheet. The amount mainly included customer relationships of (EUR 14,227k), trademarks (EUR 20,120k), core deposits (EUR 27,514k) at an initial total amount of EUR 61,861k and other intangible assets of EUR 3,176k (Note 4). The intangible assets are allocated to the cash-generating units BancABC Botswana, BancABC Zimbabwe, BancABC Mozambique, BancABC Tanzania and BancABC Zambia. The identified assets were valued at fair value based on third party valuations as at the acquisition date. In 2012, there was no impairment as the recoverable amounts of the BancABC customer relationships, brands and core deposits, calculated as fair value less cost to sell,

6 Notes to the statement of financial position (Continued)

exceeded their carrying amounts. The fair value of the trademarks were determined based on the income approach, using the relief-from-royalty method. The fair value of the customer relationships were determined based on the income approach, using the multi-period excess earnings method.

The useful lives of other amortised intangible assets by asset class are as follows:

	Useful lives in years
Software and licences	up to 5 years
Trademarks	up to 10 years
Customer relationships	up to 10 years
Core deposits	up to 10 years
Other	up to 5 years

Amortisation of intangible assets is included in the operating expenses (Note 5.9).

6.10 Deferred tax

Of the deferred tax assets recognised as of the reporting date, an amount of EUR 6,733k (prior year: EUR 6,151k) relates to deferred taxes in connection with recoverable tax loss carryforwards (Note 5.11). These unused tax losses can be carried forward for a period of five years. In the fiscal year, deferred taxes of EUR 1,448k attributable to tax loss carryforwards were recognised in profit or loss. In the prior year, the deferred taxes recognised in profit or loss were negative and amounted to EUR 531k (prior year: EUR 78k).

The deferred tax assets mainly relate to tax losses in BancABC Zimbabwe (EUR 3.9m), BancABC Tanzania (EUR 2.6m), TDFL (EUR 2.6m) and BancABC Zambia (EUR 1.8m).

No deferred tax assets were recognised on unused tax losses of EUR 38,668k (prior year: EUR 29,287k) at ADC as well as of EUR 20,745k (prior year: EUR 11,057k) at subsidiaries, as it is assumed that it will probably not be possible to utilise them at the relevant group companies within a forecast period of five years.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced if it is no longer probable that sufficient taxable profit will be available against which the benefits of a deferred tax asset can be utilised in full or in part. Conversely, deferred taxes are recognised when their future usability is probable.

Deferred tax liabilities mainly relate to temporary differences arisen in a business combination with ABCH (Note 5.11 and note 4).

Deferred tax liabilities for tax payments on possible future distributions of retained earnings of the subsidiaries were not recognised provided these profits are required in the long-term to finance the relevant subsidiary.

2012

Of the deferred tax assets recognised as of the reporting date, an amount of EUR 6,151k (prior year: EUR 456k) relates to deferred taxes in connection with recoverable tax loss carryforwards (Note 5.11). These unused tax losses can be carried forward for a period of five years. In the fiscal year, deferred taxes of EUR 531k attributable to tax loss carryforwards were recognised in profit or loss. In the prior year, the deferred taxes recognised in profit or loss were negative and amounted to EUR 78k.

The deferred tax assets mainly relate to tax losses in ABCH (EUR 1.8m), Second Nominees Zimbabwe (EUR 2.0m), BancABC Tanzania (EUR 1.8m) and RSwitch (EUR 0.5m).

No deferred tax assets were recognised on unused tax losses of EUR 29,287k (prior year: EUR 18,501k) at ADC KGaA as well as of EUR 11,057k (prior year: EUR 5,187k) at subsidiaries, as it is assumed that it will probably not be possible to utilise them at the relevant group companies within a forecast period of five years.

6 Notes to the statement of financial position (Continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced if it is no longer probable that sufficient taxable profit will be available against which the benefits of a deferred tax asset can be utilised in full or in part. Conversely, deferred taxes are recognised when their future usability is probable.

Deferred tax liabilities mainly relate to temporary differences arisen in a business combination with ABCH (Note 5.11 and note 4).

Deferred tax liabilities for tax payments on possible future distributions of retained earnings of the subsidiaries were not recognised provided these profits are required in the long-term to finance the relevant subsidiary.

6.11 Deposits

	2011	2012	2013
		EUR'000	
Deposits			
Deposits from banks	0	104,206	117,866
Deposits from other customers	0	937,685	894,268
	0	**1,041,891**	**1,012,133**
Payable on demand			
Corporate customers	0	171,748	183,438
Public Sector	0	37,870	27,849
Retail Customers	0	76,994	83,176
Other financial institutions	0	43,640	22,065
Banks	0	9,942	31,398
	0	340,194	347,926
Term deposits			
Corporate customers	0	247,539	188,934
Public sector	0	248,635	233,002
Retail customers	0	20,467	40,602
Other financial institutions	0	90,791	115,202
Bank	0	94,264	86,467
	0	701,697	664,207
Geographical analysis			
Botswana	0	403,977	377,522
Mozambique	0	136,320	192,450
Tanzania	0	112,040	107,646
Zambia	0	77,376	95,719
Zimbabwe	0	312,177	238,795
	0	**1,041,891**	**1,012,133**

6.12 Borrowed funds

	2011	2012	2013
		EUR'000	
Convertible bond	7,838	9,560	0
Other borrowed funds	4,001	149,198	188,332
Bond with warrants attached	0	36,909	37,986
	11,839	195,667	226,318

6 Notes to the statement of financial position (Continued)

(a) Convertible bond

During 2011, ABCH issued a US dollar denominated convertible loan to IFC for US$13.5 (EUR 10.2 million). The loan attracted interest of 6 months LIBOR +3.75% per annum, payable semi-annually and it is convertible at IFC's option.

On 22 August 2012, ABCH 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. The revised loan attracts interest at the 91-day Bank of Botswana Certificate yield rate + 4.10% per annum, payable quarterly and it is convertible at IFC's option at BWP 3.24 per share at any time up to 12 May 2013.

IFC converted their loan as at 25 April 2013 into equity. On 27 May 2013, ABCH announced the allotment of 24,080,230 ordinary shares to IFC, a member of the World Bank Group, upon the conversion of a convertible loan of BWP 78.0 million (EUR 7.0 million).

	2011	2012	2013
		EUR'000	
(a) Convertible bond			
Balance at the beginning of the year	100	7,838	9,560
Additions	7738	0	0
Additions from acquisitions through business combinations	0	8,259	0
Disposal—conversion	0	(100)	0
Reclassification	0	(7,738)	0
Interest expense	0	1,500	461
Capital repayment	0	0	(2,438)
Conversion into equity	0	0	(6,594)
Interest paid	0	(528)	(215)
Exchange rate movement	0	330	(774)
	7,838	9,560	0

6 Notes to the statement of financial position (Continued)

(b) Other borrowed funds

	2011	2012	2013
		EUR'000	
(b) Other borrowed funds			
National Development Bank of Botswana Limited	0	9,251	5,569
BIFM Capital Investment Fund One (Pty) Ltd.	0	31,301	21,252
Afrexim Bank	0	30,649	68,124
Standard Chartered Bank Botswana Limited	0	11,401	0
Deutsche Bank	0	0	17,976
NORSAD	0	0	10,921
Other	4,001	66,595	64,490
	4,001	149,198	188,332
Fair value			
National Development Bank of Botswana Limited	0	9,516	5,598
BIFM Capital Investment Fund One (Pty) Ltd.	0	39,243	30,183
Afrexim Bank	0	31,151	68,186
Standard Chartered Bank Botswana Limited	0	11,401	0
Deutsche Bank	0	0	20,304
NORSAD	0	0	12,462
Other	4,001	66,595	72,749
	4,001	157,906	209,482

National Development Bank of Botswana Limited ("NDB")

The loan from NDB is denominated in Japanese Yen and attracts interest at 3.53%. Principal and interest is payable semi-annually on 15 June and 15 December. The loan matures on 15 December 2016.

BIFM Capital Investment Fund One (Pty) Ltd

The loan from BIFM Capital Investment Fund One (Pty) Ltd is denominated in Botswana Pula and attracts interest at 11.63% per annum, payable semi-annually.

The redemption dates for the principal amount are as follows:

30 September 2017—BWP 62,500,000 (EUR 6.1 million)

30 September 2018—BWP 62,500,000 (EUR 6.1 million)

30 September 2019—BWP 62,500,000 (EUR 6.1 million)

30 September 2020—BWP 62,500,000 (EUR 6.1 million)

Afrexim Bank Limited

The loans from Afrexim Bank Limited consist of US$60 million advanced to ABCH and US$40 million advanced to BancABC Zimbabwe. The US$60 million short-term credit facility was advanced to ABCH in July 2013. The loan attracts interest at 3 months LIBOR + 5% and it is repayable on 10 January 2014, but with a provision to extend it for a further, mutually agreeable period.

The US$40 million trade finance facility available to BancABC Zimbabwe is on a one year renewable basis by Afrexim Bank Limited from December 2013. 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.

6 Notes to the statement of financial position (Continued)

Norsad Finance Limited

The loans from Norsad Finance Limited were advanced to ABCH as well as BancABC Zambia and BancABC Zimbabwe. The US$10 million loan advanced to ABCH is a subordinated loan denominated and attracts interest at 6 months LIBOR + 7.5%. Interest is payable semi-annually on 30 June and 31 December. The loan matures on 9 October 2020 when the full principal amount is due for repayment in one instalment. The loans advanced to BancABC Zambia and BancABC Zimbabwe are also denominated in US dollars and attract interest of between 7% and 12% per annum and they mature between 2014 and 2015.

Other borrowings

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

In 2011, a short-term loan of EUR 4,000k was raised in bridge financing for the capital increase made in December. The loan attracted interest of 7.00% p.a. The loan was secured by depositing an amount of EUR 4,000k in an account at the bank granting the loan. No other securities or guarantees for liabilities were granted in the ADC Group. The bridge loan was repaid in January 2012.

(c) 2015 Bond with Warrants:

Effective 1 June 2013, ADC issued the 2015 Bond with Warrants with a term of three years and a nominal value of EUR 40.0 million, divided into 400,000 bearer bonds of EUR 100.00 each. Each bond is initially linked to 5 warrants issued by ADC. The 2,000,000 warrants are detachable and entitle their holders to acquire 2,000,000 no-par-value bearer shares in ADC with a notional share in its issued capital of EUR 1.00 per share subject to payment of the exercise price. The exercise price stands at EUR 14.00 per share. The warrant holders may exercise their options from 1 June 2013 until 31 May 2015. The bond with warrants attached has a nominal coupon of 6% p.a. The proceeds of the issue will particularly be used to acquire shares in ABCH. The bonds were initially recognised at their fair value and subsequently at amortised cost using the effective interest method. The warrants were classified as equity instruments and measured at their fair value of EUR 1,862k as of the date of issue. They are reported within the capital reserve under the item “Other equity movements”. The shares in ABCH and the proceeds from the sale of these shares have been pledged as collateral for the bond with warrants attached.

The 2015 Bond with Warrants attached is reflected with carrying amount of EUR 37,986k (prior year: EUR 36,909k).

Both interest expenses allocable to the nominal amount EUR 2,400k (prior year: EUR 1,416k) and compounding expenses EUR 1,077k (prior year: EUR 583k) have been recognised under interest and similar expense.

	2011	2012	2013
		EUR'000	
Maturity analysis			
On demand to one month	4,001	227	44,375
One to three months	0	4,010	1,743
Three months to one year	100	75,949	6,529
Over one year	7,738	115,480	173,670
	11,839	161,581	226,318

6 Notes to the statement of financial position (Continued)

6.13 Creditors and accruals

	2011	2012	2013
		EUR'000	
Trade and other payables	2,389	5,276	84
Other current liabilities	243	14,038	32,657
Accruals	247	16,929	27,046
	2,879	35,954	59,787

Creditors and accruals

Trade payables and other liabilities are measured at amortised cost. Cost essentially corresponds to fair values. Liabilities are non-interest bearing and are due within one year.

On 19 December 2013, ADC made a mandatory offer to non-controlling shareholders of ABCH at a price of US$0.60 per share on the ZSE and the exchange rate equivalent of BWP 5.05 for shareholders listed on the Botswana register. The mandatory offer led to a liability to the ADC Group recognised at 31 December 2013 in amount of EUR 25,430 under other current liabilities (Note 6.15).

Accruals

	2011	2012	2013
		EUR'000	
As of 1 January	100	247	16,929
Exchange adjustment	1	(583)	(1,651)
Additions	246	8,171	27,046
Additions from business combinations	0	9,342	0
Utilisation	(100)	(243)	(15,278)
Reversal	0	(5)	0
As of 31 December	**247**	**16,929**	**27,046**

6.14 Derivative financial instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are

6 Notes to the statement of financial position (Continued)

measured. The notional amounts indicate the volume of transactions outstanding at the year-end are indicative of neither the market nor the credit risk.

	2011			2012			2013		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
					EUR'000				
Derivatives held for trading									
Forward foreign exchange contracts—held for trading	79	0	79	2,426	272	102,968	2,291	172	81,387
Derivatives designated at fair value through profit or loss									
Equity derivative	4.640	0	4.640	0	1,936	1,936	0	2,218	4,987
Call-/Put option agreement	0	0	0	0	0	0	330	672	6,334
Cross-currency interest rate swaps	0	0	0	0	0	0	0	0	0
Derivatives used as fair value hedges									
Cross-currency interest rate swaps	0	0	0	870	0	9,251	0	730	5,569
	4.719	0	4,719	3,296	2,208	114,155	2,621	3,792	98,276

Derivatives held for trading

Forward foreign exchange contract

The notional amounts of outstanding forward foreign exchange contract at 31 December 2013 were EUR 81.4 million (2012: EUR 103.0m). These result in derivative financial assets of EUR 2.3m (2012: EUR 2.4m) and derivative financial liabilities of EUR 0.2 million (2012: EUR 0.3m).

Derivatives designated at fair value through profit or loss

Equity derivative

This comprises of an equity derivative on an unlisted energy company of EUR 2.2m (2012: EUR 1.9m).

Call-/Put option agreement

ADC has agreed to grant the call holder the irrevocable right to exercise the call option during the call option period. The call option price payable by the call holder to the call grantor for the equity shares will be equal to USD 8.7m. The call option is fair valued at EUR 0.3m. The put grantor agreed ADC as the put holder the irrevocable right to exercise the put option during the put option period. The put option price payable by the put grantor to the put holder for all equity shares will be equal to USD 8.7m. The put option is measured with a negative fair value of EUR 0.7m.

2012

Derivatives held for trading

Forward foreign exchange contract

The notional amounts of outstanding forward foreign exchange contract at 31 December 2012 were EUR 103.0 million (2011: EUR nil). These result in derivative financial assets of EUR 2.4m (2011: EUR nil) and derivative financial liabilities of EUR 0.3 million (2011: EUR nil).

6 Notes to the statement of financial position (Continued)

Call option—Afrasia Bank Limited

In 2011, the ADC Group entered into a call option with Afrasia Bank Limited, a company incorporated in Mauritius, for 7,733,333 ordinary shares of no par value representing 9.89% of the total shareholdings of Afrasia Bank Limited. The call option in amount of EUR 79k was written off in 2012 and recognised in in net trading income (Note 5.6).

Call option—BANGE

In the shareholders' agreement dated 16 December 2008 between ADC Financial and BANGE, ADC Financial was granted a call option for 25.1% of the shares of BANGE. The call option in amount of EUR 4,640k was impaired in 2012 and recognised in net trading income (Note 5.6).

Derivative financial instrument UBN

ADC invested EUR 2,443k (USD 3 million) in a financial instrument held through a special purpose vehicle (ADC Ventures) together with SCPE who invested US41.3m in the same vehicle.

The funds were utilised to acquire 8.39% of UGPL shares. In return, ADC has the right to participate in the upside in the vehicle after a minimum return of 26% p.a. for SCPE.

If the instrument is liquidated before 31 December 2014 SCPE is entitled to a further 50% of proceeds remaining after distributions of invested amounts plus minimum returns.

The instrument has a 7 year tenure that can be extended for an additional 2 years. ADC has a stop loss of USD 3m on the instrument.

As at 31 December 2012 the acquisition price was considered the fair value of this financial instrument. UGPL holds 61.34% of the shareholding in UBN.

Derivatives designated at fair value through profit or loss

Equity derivative

This comprises of an equity derivative on an unlisted energy company of EUR 1.9m (2011: EUR nil).

Fair value hedges

Cross-currency interest rate swaps

Fair value hedges are used by ADC Group to protect it against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates. The financial instruments hedged for interest rate risk include fixed rate loans, available-for-sale debt securities, fixed rate debt issued and other borrowed funds. ADC Group uses currency swaps to hedge against specifically identified currency risks, and interest rate swaps and interest rate futures to hedge interest rate risk. ADC Group's fair value hedge relationships principally are forward exchange contracts to hedge various foreign currency exposures and interest rate and currency swaps to hedge against loans taken out in foreign currency at specific interest rates.

Gains or losses due to changes on fair value hedges for the year:

	2011	2012	2013
		EUR'000	
Gain/(losses) on:			
—Hedged instruments	0	(1,035)	(1,712)
—Hedged items attributable to the hedged risk	0	1,035	1,712
Hedge ineffectiveness recognised immediately in income statement	0	0	0

6 Notes to the statement of financial position (Continued)

The cumulative fair value adjustments on hedged items designated as fair value hedges as at 31 December are included in the following balance sheet items:

	2011	2012	2013
		EUR'000	
Loans and advances to customers	0	0	0
Debt issued and other borrowed funds	0	9,251	5,569
	0	9,251	5,569

Hedge of net investment in foreign operations

ADC Group hedges part of the currency risk of its net investment in foreign operations using currency borrowings and forward foreign exchange contracts.

Included in debt issued and other borrowed funds at 31 December 2013 was a borrowing of EUR 20.3m (BWP 244.9m). In addition the aggregate notional amount of forward foreign exchange contracts was EUR nil million, all of which has been designated as a hedge of the ADC Group's net investment in BancABC Zimbabwe, and is being used to hedge the ADC Group's exposure to foreign exchange risk on those investments.

Gains or losses on the retranslation of this borrowing due to exchange rate risk are transferred to equity to offset any gains or losses on translation of the net investments in the subsidiaries.

No ineffectiveness from hedges of net investments in foreign operations was recognised in profit or loss during the year.

6.15 Equity

Issued capital

Issued capital is stated at nominal value. ADC's issued capital (share capital) amounts to EUR 9,467,440.00 and is divided 9,467,440 shares each with a nominal value of EUR 1.00.

On 30 July 2013, ADC registered a capital increase, increasing the share capital of EUR 8,606,764 through the partial utilisation of existing authorised capital by almost 10%, issuing 860,676 new registered shares reaching a share capital of EUR 9,467,440.

2012

Issued capital

Issued capital is stated at nominal value. ADC's issued capital (share capital) amounts to EUR 8,606,764.00 and is divided into 8,606,764 no-par value registered common shares (no-par value shares), each with a nominal value of EUR 1.00.

At the annual general meeting held on 7 June 2011, the shareholders authorised ADC to buy treasury shares in an amount of up to ten per cent. of its share capital as of the date of the resolution on or before 6 June 2016. The authorisation may be utilised in full or part, once or repeatedly. The treasury shares may be bought via the stock market, in the form of a public buy back offer or through a request directed at the company's limited liability shareholders to submit offers of sale. The treasury shares thus acquired may be utilised for the purposes permitted by law subject to the ADC supervisory board's approval.

ADC has been utilising this authorisation from 20 February 2012 to 13 August 2012 and has acquired 315,160 treasury shares at a cost of EUR 2,760k.

The share buyback program was suspended on 14 August 2012. The share buyback program generally is still in place and the company will notify the market about the resumption of the share buyback accordingly.

6 Notes to the statement of financial position (Continued)

The total number of shares in circulation developed as follows:

Date	Number of shares acquired (+)/ sold (−)	Average transaction price in EUR	Issued capital	Shares outstanding
01.01.2012	0	0.00	8,410,764	8,410,764
20.02.2012–26.02.2012	0	0.00	8,410,764	8,410,764
27.02.2012–04.03.2012	6,344	60,375.85	8,410,764	8,404,420
05.03.2012–11.03.2012	0	0.00	8,410,764	8,404,420
12.03.2012–18.03.2012	4,179	37,605.43	8,410,764	8,400,241
19.03.2012–25.03.2012	12,198	105,219.95	8,410,764	8,388,043
26.03.2012–01.04.2012	15,860	136,507.02	8,410,764	8,372,183
02.04.2012–08.04.2012	12,688	112,913.68	8,410,764	8,359,495
09.04.2012–15.04.2012	12,688	120,266.38	8,410,764	8,346,807
16.04.2012–22.04.2012	15,860	148,087.99	8,410,764	8,330,947
23.04.2012–29.04.2012	15,860	141,477.54	8,410,764	8,315,087
30.04.2012–06.05.2012	12,688	110,896.29	8,410,764	8,302,399
07.05.2012–13.05.2012	13,716	120,774.87	8,410,764	8,288,683
14.05.2012–20.05.2012	15,860	140,675.03	8,410,764	8,272,823
21.05.2012–27.05.2012	15,860	142,638.50	8,410,764	8,256,963
28.05.2012–03.06.2012	12,688	114,138.08	8,606,764	8,440,275
04.06.2012–10.06.2012	13,159	118,015.18	8,606,764	8,427,116
11.06.2012–17.06.2012	15,860	140,503.74	8,606,764	8,411,256
18.06.2012–24.06.2012	15,860	135,618.86	8,606,764	8,395,396
25.06.2012–01.07.2012	15,860	133,798.13	8,606,764	8,379,536
02.07.2012–08.07.2012	14,391	120,421.01	8,606,764	8,365,145
09.07.2012–15.07.2012	15,860	132,840.19	8,606,764	8,349,285
16.07.2012–22.07.2012	12,808	109,095.98	8,606,764	8,336,477
23.07.2012–29.07.2012	15,860	135,996.33	8,606,764	8,320,617
30.07.2012–05.08.2012	15,591	127,284.92	8,606,764	8,305,026
06.08.2012–12.08.2012	10,250	88,124.38	8,606,764	8,294,776
13.08.2012	3,172	27,101.57	8,606,764	8,291,604
14.09.2012	(315,160)	(2,676,181.14)	8,606,764	8,606,764
31.12.2012	0	84,195.76	8,606,764	8,606,764

On 14 September 2012 all of ADC's treasury stock was sold to a strategic investor at a purchase price of EUR 2,676k in order to free-up funds for the majority acquisition of ABCH. The loss of EUR 84k was recognised in the income statement.

As of 31 December 2011, outstanding deposits of EUR 495k resulting from the capital increase exercised in the 2010 financial year were deducted from equity. These deposits were paid in January 2012.

Conversion of convertible bonds

Convertible bonds in a total nominal amount of EUR 1,000,000.00 authorised by the shareholder meetings on 15 February 2008 and 12 August 2009 were issued effective 1 May 2010 at EUR 0.10 per bond. Based on the authorisation by the shareholder meeting, only Altira AG, Frankfurt am Main, was permitted to subscribe to the convertible bonds. The limited shareholders' statutory right to subscribe to the convertible bonds was excluded.

The convertible bonds ran until 30 April 2012 and did not bear interest. Each EUR 1.00 nominal convertible bond entitled the holder to subscribe to a non-par value registered share of ADC, whereby if the option is exercised; an additional payment of EUR 0.90 had to be made per nominal convertible bond.

In connection with the capital decrease in a ratio of 5:1 approved by resolution on 24 August 2010, the convertible bond conditions were also adapted in a ratio of 5 to 1. Thus the number of registered

6 Notes to the statement of financial position (Continued)

convertible bonds subscribed to by Altira AG also decreased at a ratio of 5 to 1, from 1,000,000 to 200,000. At the same time, the notional issue amount of a nominal EUR 1.00 increased to a nominal EUR 5.00 per convertible bond, of which 10% (i.e., EUR 0.50) was to be paid in. If the bond creditor exercised their conversion option, an additional payment of EUR 4.50 per convertible bond submitted for exchange had to be paid in cash to ADC.

Altogether 196,000 of the convertible bonds were converted into ADC shares. The capital increase was recorded in the registry as per 29 May 2012.

Convertible bond ABCH—conversion into equity

As of 31 December 2011, the ADC Group held a ABCH convertible bond in an amount of EUR 7,738k (USD 10.0m), which was reported under non-current liabilities. This convertible bond, which was agreed as of 30 September 2011, has a five-year term and charges interest at 10% p.a. The convertible bond was taken up in order to invest together with ABCH in UBN.

In 2012 the convertible bond was converted into equity as the investment in UBN materialised. The interest will be serviced from future dividends from the target investment. Given the successful investment in UBN, the contract between ADC Enterprises and ABCH does not provide for any obligation to satisfy the creditor's claims in cash (cash settlement). Instead, ABCH can only convert into shares in ADC Enterprises. This constitutes a financial instrument meeting the criteria for classification as equity.

This item has been eliminated in the ADC Group accounts as control was obtained over ABCH at 27 July 2012.

Authorised capital

On 17 January 2013 the extraordinary general meeting of ADC resolved the cancellation of the Authorised Capital I/2013 amounting to EUR 3,442,706.00. Simultaneously the ADC management board was authorised, subject to the approval of the ADC supervisory board, to increase the issued share capital of ADC in one or more tranches up to 13 August 2018 by an amount of up to EUR 4,303,382.00 by the issue of up to 4,303,382 (in words: four million, three hundred and three thousand and three hundred and eighty-two) new ordinary registered shares against cash or non-cash contributions (Authorised Capital II/2013).

Conditional capital

The annual general meeting of ADC on 14 August 2013 resolved the increase of issued share capital by up to EUR 860,000.00 by the creation of 860,000 ordinary registered shares (Conditional Capital III/2013). The conditional capital serves to ensure the issue of shares under subscription rights to be issued under the authority of the annual general meeting of 14 August 2013 under a new stock option plan ("Stock Option Plan 2013") in the acquisition period. The conditional capital will only be issued if, and to the extent that, the holders of these stock options exercise their option rights to purchase shares in ADC and ADC does not issue the holders with own shares for this purpose.

2012

The annual general meeting held on 12 August 2009 authorised the general partner and the ADC supervisory board to issue warrant or convertible bonds up to a total nominal amount of EUR 50,000,000.00 and to grant new shares in the company to the bearers and/or creditors of warrant and/or convertible bonds. To service warrant exercise or conversion rights resulting from this authorisation, ADC's articles of association provide in § 5 (4) for conditional capital of EUR 4,800,000.00 (Conditional Capital II/2009).

Acting on this authorisation, in May 2012 ADC issued the 2015 Bond with Warrants with a total nominal amount of EUR 40,000,000. The 2015 Bond with Warrants is divided into 400,000 individual bearer warrant bonds with a nominal amount of EUR 100.00 each. Each warrant bond entitles its bearer to subscribe 5 new shares in ADC. Conditional capital of up to EUR 2,000,000.00 is required to service these

6 Notes to the statement of financial position (Continued)

subscription rights. No further utilisation is to be made of the existing authorisation to issue warrant and/or convertible bonds; the authorisation is to be rescinded to the extent that it has not been utilised.

Of the conditional capital pursuant to § 5 (4) of the articles of association, an amount of EUR 2,800,000.00 is no longer required to service subscription or conversion rights; the conditional capital is to be reduced by this amount.

To ensure that ADC still has the necessary flexibility in respect of its capital procurement, a new authorisation governing the issue of further warrant and/or convertible bonds is to be adopted. To service the subscription rights arising on account of warrant and/or convertible bonds issued, new conditional capital is to be created (Conditional Capital I/2013) and the articles of association amended accordingly.

At the shareholder meeting of 14 August 2009, the general partner was authorised, subject to the consent of the ADC supervisory board, to issue on one or more occasions until 31 July 2014 bearer and/or registered convertible and/or warrant bonds in a total nominal amount of up to EUR 50,000,000.00 with or without a fixed term and to grant options or conversion rights to new, registered no-par value shares of ADC to the holders or creditors of bonds with a notional share in share capital of up to EUR 4,800,000 in accordance with the convertible and warrant bond terms.

Capital reserve

The increase in 2013 of EUR 7,362k mostly relates to the capital increase as of 30 July 2013.

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences from the translation of the financial statements of foreign operations as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation (Note 6.14).

Available-for-sale reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets, until the assets are derecognised or impaired.

Other capital reserves

Other capital reserves are free distributable reserves.

6 Notes to the statement of financial position (Continued)

Non-controlling interests ("NCI")

The following table summarizes the information to each of ADC's subsidiaries that has material NCI before any intra-group eliminations.

	31 December 2013			
	ADC Group subsidiary NCI percentage	ABCH 52.93	Intra-group eliminations	Total
		EUR'000		
ASSETS				
Cash and short term funds		191,025		
Financial assets held for trading		104,458		
Financial assets designated at fair value		21,683	(8,029)	
Derivative financial assets		2,291		
Loans and advances		856,894		
Investment securities		5,635		
Prepayments and other receivables		21,691	(34)	
Current tax assets		2,735		
Investment in associates		1,104		
Property and equipment		62,741		
Intangible assets		10,777		
Deferred tax assets		12,523		
Total assets		**1,293,557**		
LIABILITIES				
Deposits		1,012,133		
Derivatives financial liabilities		3,120		
Creditors and accruals		30,352		
Current tax liabilities		1,071		
Deferred tax liability		1,753		
Borrowed funds		145,848		
Total liabilities		**1,194,277**		
Net assets		**99,280**		
Carrying amount of NCI		52,549	(8,063)	44,486

6 Notes to the statement of financial position (Continued)

	1 Jan 2013 to 31 Dec 2013	Intra-group eliminations	Total
Interest and similar income	173,016		
Interest and similar expense	(82,389)		
Net interest income	**90,627**		
Provision for credit losses	(48,994)		
Net interest income after provision for credit losses	41,633		
Non-interest income	62,081	(2,613)	
Net income from equity method instruments	(359)		
Total Operating Income	**103,354**		
Operating expenses	(105,981)		
Result before tax	(2,626)		
Income tax expense	(4,163)		
Result for the year	(6,789)		
OCI	8,817		
Total comprehensive income	**2,028**		
Profit allocated to NCI	(3,869)	(2,613)	(6,472)
OCI allocated to NCI	(1,878)		
Cash flows from operating activities	(19,942)		
Cash flows from investing activities	(11,784)		
Cash flows from financing activities	45,629		
Net increase/decrease in cash and cash equivalents	**13,903**		

On 31 May 2013, the ADC Group's equity interest in ABCH decreased from 51.98% to 47.07%.

On 19 December 2013, ADC made a mandatory offer to all ABCH non-controlling shareholders at a price of US$0.60 per share on the ZSE and the exchange rate equivalent of BWP 5.05 for shareholders listed on the Botswana register. Shareholders owning 23% of the share capital of ABCH indicated that they would not accept the mandatory offer, seeing higher potential in ABCH's future business and share price.

The mandatory offer led to a liability to the group recognised at 31 December 2013 in amount of EUR 25,430k under other current liabilities (Note 6.13).

6 Notes to the statement of financial position (Continued)

On 17 January 2014, the mandatory offer was closed, with an uptake of 10,199,154 shares, equalling 4% of the shares outstanding in ABCH. As a result of the mandatory offer, ADC increased its controlling position from 50.1% to 54.1%, which includes aligned partners in pooling agreements.

31 December 2012	Group subsidiary NCI percentage	BancABC 48.02	Intra-group eliminations	Total
			EUR'000	
ASSETS				
Cash and short term funds		181,465		
Financial assets held for trading		99,831		
Financial assets designated at fair value		18,515	(7,814)	
Derivative financial assets		3,296		
Loans and advances		892,458		
Investment advances		5,319		
Prepayments and other receivables		18,938		
Current tax assets		3,090		
Investment in associates		1,093		
Property and equipment		64,303		
Intangible assets		13,581		
Deferred tax assets		6,709		
Total assets		**1,308,598**		
LIABILITIES				
Deposits		1,041,891		
Derivative financial liabilities		2,208		
Creditors and accruals		1,970	(216)	
Current tax liabilities		1,725		
Deferred tax liability		118,363		
Borrowed funds		0		
Total liabilities		**1,166,157**		
Net assets		**120,144**		
Carrying amount of NCI		**57,693**	**(8,030)**	**49,663**

6 Notes to the statement of financial position (Continued)

	1 Jan 2012 to 31 Dec 2012	Intra-group eliminations	Total
Interest and similar income	65,149		
Interest and similar expense	(33,840)		
Net interest income	31,309		
Provision for credit losses	(2,165)		
Net interest income after provision for credit losses	29,144		
Non-interest income	26,180		
Net income from equity method instruments	(317)		
Total Operating Income	55,006		
Operating expenses	(39,929)		
Result before taxes	15,077		
Income tax expense	(4,331)		
Result for the year	10,746		
OCI	(18)		
Total comprehensive income	10,729		
Profit allocated to NCI	5,011	0	5,011
OCI allocated to NCI	312		
Cash Flows From Operating Activities	56,800		
Cash flow from investing activities	(5,773)		
Cash flows from financing activities	4,974		
Net increase/decrease in cash and cash equivalents	**56,001**		

6.16 Funds under management

	2011	2012	2013
Funds under management	0	41,659	50,820

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

6.17 Employee Benefits

The ADC 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 ADC Group provides for medical aid contributions to certain qualifying employees beyond the date of normal retirement. Although these benefits are a defined benefit plan, and thus the liability is recognised in the balance sheet, additional disclosures have not been made on the grounds of materiality. The contributions are recognised as an expense in the income statement as incurred.

Amounts recognised in expenses have been disclosed in Note 5.9.

6.18 Share-based payments

Stock Option Program for Employees and members of the ADC management board

The annual general meeting of ADC resolved on 14 August 2013 that the ADC management board shall be authorised with the approval of the ADC supervisory board to issue up to 860,000 stock options with subscription rights for shares of ADC with a term of up to five years by 31 December 2015 ("Issuance Period"), in accordance with the more detailed stipulations of the following provisions within the scope of

6 Notes to the statement of financial position (Continued)

a "Stock Option Plan 2013", on the condition that each stock option shall grant the right to the subscription of one share of ADC.

The Stock Option Plan 2013 is intended for select employees of ADC and select employees of ADC's affiliates, as well as the members of ADC's executive management and the members of the executive management of ADC's affiliates.

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. However, the above performance condition is only considered in determining the number of instruments that will ultimately vest.

The contractual term of each option granted is five years. There are no cash settlement alternatives. The ADC Group does not have a past practice of cash settlement for these share options.

The share options vest if and when the ADC Group's EPS increase by 10% higher than the exercise price in the five trading days before the start of the exercise period in which the option is exercised. The share options granted will not vest if the EPS performance condition is not met.

The exercise price for one ADC share is 100% of the basis price. The basis price is EUR 9.00 per registered no-par share of ADC.

The following table list the inputs to the model used for the Stock Option Plan 2013 for the year ended 31 December 2013:

	2013
Dividend yield (in %)	0
Expected volatility (in %)	22.31
Risk-free interest rate (in %)	7.89
Expected like of the option (years)	9
Weighted average share price	8.98
Model used	Binomial

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2013 number	2013 WAEP
Outstanding at 1 January	—	—
Granted during the year	344,000	9
Forfeited during the year	—	—
Exercised during the year	—	—
Expired during the year	—	—
Outstanding at 31 December	344,000	9
Exercisable at 31 December	—	—

The weighted average fair value of options granted during the year was EUR 4.84.

Senior management ABCH option program

ADC, as a significant shareholder of ABCH, granted on 25 June 2012 to the senior management of ABCH the option to purchase option shares of ABCH, exercisable during the option period at the option price. The exercise price of the options is as follows:

- USD 0.72 per option share, if the option is exercised at any time to 31 May 2013
- USD 0.86 per option share, if the option is exercised at any time between 1 June 2013 and 31 May 2014
- USD 1.04 per option share, if the option is exercised at any time between 1 June 2014 and 31 May 2015

6 Notes to the statement of financial position (Continued)

The fair value of the options is estimated at the grant date using binominal pricing model, taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the model used for the equity-settled options:

	2012	2013
Dividend yield (in %)	4,27	4,27
Expected volatility (in %)	20	10
Risk-free interest rate (in %)	0,261	0,261
Expected life of the option (years)	2,68	1,9

The ADC Group assumes that all share options within the option period will be exercised.

The expected life of the option is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options grants were incorporated in the measurement of fair value.

The total expense arising from equity-settled share-based payment transactions recognised for employee services received is EUR 10k (2012: nil)

6.19 Discontinued operations and assets held for sale

a) Discontinued operations (RSwitch Ltd.)

In Q4 2013, the ADC board of directors decided to sell the shares of RSwitch, an 88.54% owned subsidiary.

The operations of RSwitch have been classified as a discontinued operation held for sale. The business of RSwitch was included in the operating segment Private Equity Activities.

The sale of shares in RSwitch was agreed on 30 May 2014. At 31 December 2013, RSwitch was classified as a disposal group held for sale and as a discontinued operation. The profit of RSwitch for the year is presented below:

	2012	2013
	EUR'000	
Interest expense	0	(124)
Non-interest income	2,118	2,659
Operating expenses	(2,981)	(2,378)
Gross Profit	**(863)**	**157**
Impairment loss recognised on the re-measurement to fair value less costs to sell	0	0
Profit/loss before tax from a discontinued operation	**(863)**	**157**
Tax income:		
Related to current pre-tax pro fit/(loss)	0	0
Related to measurement to fair value less costs of disposal (deferred tax)	0	0
Profit/loss for the year from a discontinued operation	**(863)**	**157**

	2012	2013
	EUR	
Earnings per share:		
Basic/Diluted, profit/(loss) for the year from discontinued operation	(0,10)	0,02

6 Notes to the statement of financial position (Continued)

The major classes of assets and liabilities of RSwitch classified as held for sale as at 31 December are, as follows:

	2013
	EUR'000
Assets	
Intangible Assets	1,402
Property, plant and equipment	232
Other current assets	1,032
Cash and short-term deposits	184
Deferred tax assets	391
Assets classified as held for sale	**3,332**
Liabilities	
Creditors	428
Liabilities directly associated with assets classified as held for sale	428
Net assets directly associated with disposal group	**2,904**

Included in OCI:

Foreign exchange reserve	115
Reserve of disposal group classified as held for sale	115

The net cash flows incurred by RSwitch are, as follows:

	2013
	EUR'000
Operating	50
Investing	(135)
Financing	190
Net cash (outflow)/inflow	**105**

Immediately before the classification of RSwitch as a discontinued operation, the recoverable amount was estimated for certain items of property, plant and equipment and no impairment loss was identified.

As at 31 December 2013, there was no further write-down as the carrying amount of the disposal group did not fall below its fair value less costs to sell.

b) Assets held for sale

ADC Management decided in November and December 2013 to pursue exits of their investments in iVeri, everiPay and Brainworks.

The non-recurring fair value measurement for the assets held for sale of EUR 7,446k has been categorised as follows:

2013 Associates held for sale	Carrying amount	Quoted prices Level 1	Significant observable inputs Level 2	Significant inobservable inputs Level 3	Total at Fair Value
iVeri	1,000	1,000	0	0	1,000
evriPay	126	126	0	0	126
Brainworks Capital Management	6,320	6,320	0	0	6,320
	7,446	7,446	0	0	7,446

6 Notes to the statement of financial position (Continued)

The fair values determined for above mentioned associates held for sale are within the range of offers on hand exchanged between knowledgeable and willing parties.

6.20 Financial instruments disclosures

(a) Classes, categories and fair values of financial instruments

The following tables show the breakdown of carrying amounts and fair values of financial assets and financial liabilities by class and category of financial instrument:

	2011		2012		2013	
	carrying amount	fair value	carrying amount	fair value	carrying amount	fair value
Financial assets measured at fair value						
Other financial assets held for trading						
government bonds			7,181	7,181	5,960	5,960
treasury bills			89,703	89,703	95,530	95,530
Corporate bonds			2,948	2,948	2,968	2,968
Fair value option						
Listed equities			969	969	360	360
Unlisted equities			—	—	8,520	8,520
Listed debentures			2,655	2,655	2,575	2,575
Unlisted debentures			7,078	7,078	—	—
Investment in associates—listed equities	25,313	25,313			—	—
Investment in associates—unlisted equities	23,910	23,910	18,994	18,994	4,420	4,420
Derivative financial instruments						
cross-currency interest swaps			870	870	—	—
forward foreign exchange contracts			2,426	2,426	2,291	2,291
equity swap and options	4,719	4,719	—	—	330	330
Available-for-sale investments						
Investment securities—unlisted equities			844	844	1,320	1,320
Investment securities—listed equities			—	—	209	209
Financial assets measured at amortised cost						
Loans and receivables						
Cash and short term funds	20,094	20,094	183,380	183,380	142,319	42,319
Restricted cash	23,183	23,183	—	—	58,579	58,579
Loans and advances*			886,572		856,894	
Other current assets	3,143	3,143	20,967	20,967	22,429	22,429
Held-to-maturity investments						
Investment securities—promissory notes			4,475	4,475	4,105	4,105

* The fair value of loans and advances at each reporting date has not been disclosed as the directors consider that there are limitations in the availability of relevant information.

6 Notes to the statement of financial position (Continued)

	2011 carrying amount	2012 carrying amount	2013 carrying amount
Financial liabilities measured at fair value			
Derivative financial liabilities	—	—	—
cross-currency interest swaps used for hedging	—	—	730
forward foreign exchange contracts	—	272	172
equity derivatives	—	1,936	2,218
equity swap and options	—	—	672
Financial liabilities measured at amortised cost			
Deposits	—	1,041,891	1,012,133
Creditors and accruals	2,878	36,243	59,787
Borrowed funds	11,840	195,667	226,318

* The fair value of loans and advances at each reporting date has not been disclosed as the directors consider that there are limitations in the availability of relevant information.

Of the items measured at amortised cost, the fair value of financial instruments is considered Level 2 for cash and Level 3 for all other financial instruments.

The fair value measurement for collaterals is presented in note 9.20.1.

The non-recurring fair value measurement for the assets held for sale is described in note 6.19.

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) Cash and short term funds

Placements with other banks include 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) 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.

(iii) 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.

(iv) Off-balance sheet financial instruments

The estimated fair values of the off-balance sheet financial instruments are based on market prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

6 Notes to the statement of financial position (Continued)

(b) Fair value hierarchy

The ADC Group adopted the amendments 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:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: 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); or
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the ADC Group's assets and liabilities that are measured at fair value at 31 December 2013:

	December 2011				December 2012				December 2013			
	Quoted Prices Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total at Fair Value	Quoted Prices Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total at Fair Value	Quoted Prices Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total at Fair Value
Assets measured at fair value:												
Other financial assets held for trading												
Government bonds	—	—	—	—	—	7,181	—	7,181	—	5,960	—	5,960
Treasury bills	—	—	—	—	—	89,702	—	89,702	—	95,530	—	95,530
Corporate bonds	—	—	—	—	—	2,948	—	2,948	—	2,968	—	2,968
Fair value option												
Listed equities	—	—	—	—	969	—	—	969	360	—	—	360
Unlisted equities	—	—	—	—	—	—	—	—	—	—	8,520	8,520
Listed debentures	—	—	—	—	2,655	—	—	2,655	2,575	—	—	2,575
Unlisted debentures	—	—	—	—	—	—	7,078	7,078	—	—	—	—
Investment in associates—unlisted equities	—	—	—	—	—	—	18,994	18,994	—	—	4,420	4,420
Derivative financial instruments												
Forward foreign exchange contracts	—	—	—	—	—	2,426	—	2,426	—	2,291	—	2,291
Equity swap and options	—	—	4,719	4,719	—	—	—	—	—	—	330	330
Cross-currency interest swaps used for hedging	—	—	—	—	—	870	—	870	—	—	—	—
Available-for-sale investments												
Investment securities—unlisted equities	—	—	23,910	23,910	—	—	844	844	—	—	1,320	1,320
Investment in associates—listed equities	25,313	—	—	25,313	—	—	—	—	—	—	—	—
Investment securities—listed equities	—	—	—	—	—	—	—	—	209	209	—	209
Fair value hierarchy for financial assets	**25,313**	**—**	**28,629**	**53,942**	**3,624**	**103,127**	**26,916**	**133,667**	**2,935**	**106,958**	**14,590**	**124,483**
Liabilities measured at fair value												
Derivative financial instruments												
Forward foreign exchange contracts	—	—	—	—	—	—	272	272	—	172	—	172
Equity derivatives	—	—	—	—	—	—	1,936	1,936	—	—	2,218	2,218
Equity swap and options	—	—	—	—	—	—	—	—	—	—	672	672
Cross-currency interest swaps used for hedging	—	—	—	—	—	—	—	—	—	730	—	730
Fair value hierarchy for financial liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**2,208**	**2,208**	**—**	**902**	**2,890**	**3,792**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

6 Notes to the statement of financial position (Continued)

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 ADC 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.

(a) Valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used

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.

Investment in associates—unlisted equities:

Investments in associates classified as "assets at fair value through profit or loss" (IAS 39) in accordance with the option provided for in IAS 28.18 (Note 6.7.1). This category includes the investment in RHEAL which was valued by a discounted cash flow model. The cash flow projections include specific estimates for five years. The expected net cash flows are discounted using a risk-adjusted discount rate.

Significant unobservable inputs are

- Forecast EBITDA
- Incurred claim ratio (2013: 67%)
- Risk-adjusted discount rate (2013: 17.6%)

The estimated fair value would increase (decrease) if:

- The forecasted EBITDA rate were higher (lower)
- The incurred claim ratio were lower (higher)
- The risk-adjusted discount rate were lower (higher)

Generally, a change in the annual growth rate is accompanied by a directionally similar change in the EBITDA margin.

Unlisted equities designated at fair value:

This category includes unlisted equities housed in an investment company in the ADC Group of EUR 8.5 million (BWP103 million). The unlisted equities were valued by an independent external valuer

6 Notes to the statement of financial position (Continued)

who used the market approach to value the instruments. A combination of multiples of book value for comparable businesses as well as multiples of EBITDA as adjusted for low marketability of the investments were used to estimate the eventual fair values used.

Equity derivatives:

The fair value movement of a 7.7% investment in an energy utility included in these investments and carried at EUR 4.9 million (BWP 60 million) is shared equally with a specified funder, with such fair value of EUR 2.2 million; BWP 26.8 million (2012: EUR 1.9 million; BWP 19.8 million) being included in derivative financial liabilities (Note 6.14). A 10% increase in the fair value of this investment will result in an increase in profit before tax of EUR 50k (BWP 6 million). A 10% decrease in the fair value of this investment will have an equal but opposite effect on profit before tax.

Equity swap and options:

ADC entered into a call and put option agreement for equity shares, we refer to Note 6.14. The equity options are valued using a black-scholes-model. Significant unobservable inputs are

- Volatility (2013: 20%)
- Risk-free rate (2013: 8%)

Significant increase in volatilities would result in a higher fair value.

Available-for-sale investments:

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

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

	2013				
	Trading derivatives	**Debt or equity investments**	**Total assets at fair value**	**Derivative financial liabilities**	**Total liabilities at fair value**
Opening balance	**0**	**26,916**	**26,916**	**(2,208)**	**(2,208)**
Total gains or losses					0
—in profit and loss	330	7,805	**8,135**	(672)	(672)
Purchases	0	0	**0**	(371)	(371)
Settlements	0	(9,000)	**(9,000)**	0	0
Exchange rate adjustment	0	(1,013)	**(1,013)**	361	361
Transfer out of level 3	0	(10,447)	**(10,447)**	0	0
Closing balance	**330**	**14,260**	**14,590**	**(2,890)**	**(2,890)**

	2013				
	Trading derivatives	**Debt or equity investments**	**Total assets at fair value**	**Derivative financial liabilities**	**Total liabilities at fair value**
Total gains or losses recognised in profit and loss					
—net trading income	330	(1,712)	(1,382)	(672)	**(672)**
—net gains/losses on financial instruments designated at fair value through profit or loss	0	3,249	3,249	0	**0**

6 Notes to the statement of financial position (Continued)

	2012				
	Trading derivatives	Debt or equity investments	Total assets at fair value	Derivative financial liabilities	Total liabilities at fair value
Opening balance	**4,718**	**23,710**	**28,428**	**0**	**0**
Transfer from business acquisition	0	11,192	**11,192**	(4,594)	(4,594)
Total gains or losses					
—in profit and loss	(4,718)	(487)	**(5,205)**	(1,919)	(1,919)
Purchases	0	211	**211**	0	0
Settlements	0	(8,530)	**(8,530)**	0	0
Transfer to equity	0	0	**0**	4,305	4,305
Exchange rate adjustment	0	820	**820**	0	0
Closing balance	**0**	**26,916**	**26,916**	**(2,208)**	**(2,208)**

	2012				
	Trading derivatives	Debt or equity investments	Total assets at fair value	Derivative financial liabilities	Total liabilities at fair value
Total gains or losses recognized in profit and loss					
—net trading income	(4,718)	916	**(3,802)**	(1,919)	**(1,919)**
—net gains / losses on financial instruments designated at fair value through profit or loss	0	(12,697)	**(12,697)**	0	0

	2011				
	Trading derivatives	Debt or equity investments	Total assets at fair value	Derivative financial liabilities	Total liabilities at fair value
Opening balance	**4,640**	**18,552**	**23,192**	**0**	**0**
Total gains or losses					
—in profit and loss		2,034	**2,034**		
—in other comprehensive income			**0**		
Purchases	78	4,374	**4,452**		
Issues			**0**		
Settlements		(1,250)	**(1,250)**		
Transfer to equity			**0**		
Exchange rate adjustment			**0**		
Transfer into level 3					
Transfer out of level 3			**0**		
Closing balance	**4,718**	**23,710**	**28,428**	**0**	**0**

6 Notes to the statement of financial position (Continued)

The following table shows the impact on the fair value of level 3 financial instruments of using reasonably possible alternative assumptions by class of instrument. The positive and negative effects are approximately the same.

	2012		2013	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Financial assets				
Fair value option				
Unlisted equities	—	—	8,520	1,135
Unlisted debentures	7,078	708	—	—
Investment in associates—unlisted equities	18,994	1,899	4,420	(211)
Derivative financial instruments				
equity swap and options	—	—	330	99
Available for-sale investments				
Investment securities—unlisted equities	844	84	1,320	132

	2012		2013	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Financial liabilities				
Derivative financial instruments				
equity derivatives	1,936	265	2,218	303
equity swap and options	—	—	672	91

Unlisted equities designated at fair value:

Reasonably possible changes in inputs	EUR'000
5% change in average price to book multiple	118
2% change in book value	47
5% change in adjusted EV/EBITDA	693
2% change in EBITDA	277
Total effect of reasonably alternative assumptions	1,135

Investment in associates—unlisted equities:

1% increase in risk-adjusted discount rate would result in a decrease of fair value of EUR 404k. An 10% increase of forecasted EBITDA would lead to an increase of fair value of EUR 193k. Total effect of reasonably possible alternative assumptions amounts to negative EUR 211k.

Equity derivative:

5% change in adjusted EV/EBITDA would result in a decrease of fair value of EUR 216k. 2% change in EBITDA would result in a decrease of fair value of EUR 87k. Total effect of reasonably possible alternative assumptions amounts to EUR 303k.

Equity swaps and options:

Put option (positive fair value EUR 330k):

5% change in volatility would result in increase in fair value of EUR 116k. 1% increase in risk-free rate would lead to a decrease in fair value of EUR 17k. Total effect of reasonably possible alternative assumptions amounts to EUR 99k.

6 Notes to the statement of financial position (Continued)

Call option (negative fair value EUR 672k):

5% change in volatility would result in decrease in fair value of EUR 116k. 1% increase in risk-free rate would lead to a increase in fair value of EUR 25k. Total effect of reasonably possible alternative assumptions amounts to EUR 91k.

Transfers into and out of Level 3

In 2012, the ADC Group had only partial information for valuation of its stake in UBN. As such, this investment was classified as Level 3. In 2013, information related to the valuation of UBN was clearer, and thus, the investment was classified as Level 2.

(b) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

2013 Types of financial liabilities	Gross amounts of recognised financial liabilities	Gross amount of recognised financial assets offset in the financial position	Net amount of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
Derivatives held for risk management	6,299	(5,569)	730	0	0	730
Total	**6,299**	**(5,569)**	**730**	**0**	**0**	**730**

(c) Reclassifications of financial assets

No financial assets were reclassified in the year under review.

(d) Collateral

	2011	2012	2013
		EUR'000	
COLLATERAL			
Liabilities for which collateral is pledged			
Deposits from banks	0	42,992	22,206
Deposits from customers	0	33,484	9,522
Borrowed funds	0	44,739	22,723
	0	**121,215**	**54,452**
Assets pledged to secure these liabilities are carried at amortised cost and are included under the following:			
Cash and short-term funds	0	4,892	0
Advances (collateral)	0	71,584	13,909
Financial assets held for trading	0	42,893	25,943
Investment securities	0	4,475	4,105
Property and equipment	0	0	2,421
	0	**123,844**	**46,378**
These transactions are conducted under terms that are usual and customary to standard lending and borrowing activities.			
Collateral accepted as security for cash			
Deposits from customer	0	8,372	26,597
Mortgage bonds, inventory, plant and equipment, shares, letter of undertaking	0	256,634	350,587
	0	**265,006**	**377,184**

6 Notes to the statement of financial position (Continued)

ABCH is obliged to return equivalent securities. The ADC 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.

(e) Interest income on impaired financial assets

Interest income arising from unwinding the discount on impaired loans and advances Recognised at present value as specified in IAS 39.AG 93 amounted to EUR nil (2012: EUR nil).

(f) Impairment losses on financial instruments

The allowances for credit losses was distributed across the classes of financial assets as follows:

	Financial assets			Other financial assets			Total		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
	EUR'000								
Allowance for credit losses as at 1 Jan	0	0	36,746	86	40	0	86	40	36,746
Additions from business combinations	0	34,046	0			0			
Additions	0	8,133	43,009	40	0	0	40	8,133	43,009
Utilisation	0	(3,199)	(7,265)	0	(40)	0	0	(3,239)	(7,265)
Reversals	0	(185)	0	(86)	0	0	(86)	(185)	0
Exchange rate adjustment	0	(2,049)	(3,717)	0	0	0	0	(2,049)	(3,717)
Balance as at 31 Dec	**0**	**36,746**	**68,773**	**40**	**0**	**0**	**40**	**36,746**	**68,773**

7 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

At 31 December 2013, 344,000 stock options (Note 6.18) and 2,000,000 warrant options (Note 6.12.) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would been anti-dilutive.

The average market value of ADC's shares for purpose of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

8 Notes to the statement of cash flows

The statement of cash flows has been prepared in accordance with IAS 7 using the indirect method and classified by cash flows from operating, investing and financing activities. Cash and cash equivalents comprise the cash on hand and bank balances recognised in the consolidated statement of financial position. In fiscal years 2013 and 2012, non-cash items related primarily to the measurement of ADC's financial assets at fair value. Cash paid/received in connection with investments/divestments for portfolio companies are disclosed in the cash flow from investing activities. In the event that dividends are paid, positive operating cash flows are possible.

9 Financial Risk Management and Capital Management

9.1 Introduction

The ADC Group's activities expose 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

9 Financial Risk Management and Capital Management (Continued)

core to the financial business, and the operational risks are an inevitable consequence of being in business. The ADC Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the ADC Group's financial performance. The ADC 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 ADC 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 ADC Group Risk, under policies approved by the ADC board. The ADC 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. 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.

ADC Group Risk Reporting

ADC's Risk Management System was developed to keep management and the ADC supervisory board up-to-date about on-going political, economic, financial, legal and operational risks in ADC's Group and portfolio companies as well as the wider market risks affecting SSA. Management ensures that risks are systematically identified, measured and managed using the risk management system. The results of the analysis influence ADC's strategic, financial and operational decision-making processes.

Monthly reports analyse the top 10 risks impacting ADC, including the likelihood and potential severity of each risk. The report includes an analysis of each group or portfolio company to assess internal and external events that may affect each business line and investment and finance managers evaluate these risks to refine a scenario analysis that is used for realistic up-to-date risk forecasts. The scenario analysis forms the basis of a stress test that includes five scenarios varying from worst to best case, which is then used to estimate the overall risk exposure and procedures that are best used to mitigate each risk.

ABCH's specific risks and risk management system

ADC's majority ownership and subsequent consolidation of ABCH exposes ADC to the operational risks of the banking ADC Group. The directorate and management of ABCH recognise that effective risk management is fundamental to the sustainability of its business and have created a strong risk management culture within the ADC Group. In addition, internal audit is responsible for the independent review of risk management and the control environment. Nevertheless, in the course of conducting business, the ADC Group is exposed to various risks inherent in providing financial services.

9.2 Financial Risk Management

9.2.1 Credit risk

ADC Group

Credit risk is the risk that ADC will sustain a financial loss due to the failure of a counterparty to meet its obligations. ADC counters this risk in particular through timely monitoring of business partners. Before taking on a new customer, the ADC Group carries out a credit check in order to assess the creditworthiness of potential customers. A payment period of 21 days (prior year: 21 days) is normally granted for trade receivables (prior year: 21 days). Accordingly, management believes that no risk provision beyond the impairment losses already recognised is necessary.

ABCH's specific credit risks

ABCH takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for ABCH 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 ADC 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 manages its exposure to

9 Financial Risk Management and Capital Management (Continued)

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. ABCH's risk team reviews subsidiary risk exposures regularly, and reports to the board of directors of ABCH and at the same time to ADC's Group risk controller and the board of ADC.

The board of ABCH has defined and documented a credit policy which forms the basis of credit decisions. This policy includes a framework of limits and delegation of credit approval authority that are strictly adhered to. No one individual has the power to authorise credit exposures. Each subsidiary of ABCH has a credit committee which operates within the defined limits set by the board of ABCH. 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.

ABCH's Risk department regularly reviews each subsidiary's adherence to required standards. EXCO reports to the board and is responsible for approval of credit decisions that are above country limits, recommendations on exposure limits and impairment policies.

The ADC 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 and are subject to regular review by ADC Group Risk.

Given the environment in which the ADC Group and ABCH operate within sub-Saharan Africa, they are also subject to additional risks specific to these markets, such as those as described on pages 24 to 25 and 36 including risks specific to Zimbabwe, such as those described on pages 31, 32 and 41.

Credit Risk Management

Loans and advances

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the ADC 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 ADC 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 ADC 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 ADC Group are segmented into five rating classes. The ADC 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 ADC Group regularly validates the performance of the rating and their predictive power with regard to default events.

9 Financial Risk Management and Capital Management (Continued)

ADC Group's internal rating scale

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 which above weaknesses and has deteriorated further to the extent that even with 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 realisable security, or more than 12 months in arrears

Risk Limit Control and mitigation policies

The ADC Group manages limits and controls concentrations of credit risk in respect of individual counterparties and groups, and to industries and countries. The ADC 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 ADC Group employs a range of policies and practices to mitigate credit risk. One of these is the taking of security for funds advanced, which is common practice.

The ADC 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 ADC 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.

The ADC Group and ABCH are subject to risks related to the value of collateral taken as security for funds advanced, as discussed on page 24.

9 Financial Risk Management and Capital Management (Continued)

(b) Master netting arrangements

The ADC 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 ADC 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 ADC Group on behalf of a customer authorising a third party to draw drafts on the ADC 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 ADC 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 ADC 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 ADC Group aims to maintain 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 ADC 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 ADC Group's on-and-off balance sheet items relating to loans and advances and the associated impairment for each of the ADC Group's internal rating categories.

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 ADC 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;

9 Financial Risk Management and Capital Management (Continued)

- deterioration in the value of collateral; and
- downgrading below "Performing" level.

The ADC Group's policy requires the review of individual financial assets periodically. 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. 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.

Impairment classification

	2011		2012		2013	
Category	**Loans and advances (%)**	**Impairments (%)**	**Loans and advances (%)**	**Impairments (%)**	**Loans and advances (%)**	**Impairments (%)**
Performing	0	0	85	19	71	10
Special mention	0	0	6	5	12	4
Sub-standard	0	0	3	22	8	23
Doubtful	0	0	1	4	3	13
Loss	0	0	5	50	6	50
	0	**0**	**100**	**100**	**100**	**100**

Analysis of maximum exposure to credit risk and collateral and other credit enhancements

The following table shows the maximum exposure to credit risk by class of financial asset. It also shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

9 Financial Risk Management and Capital Management (Continued)

Type of collateral or credit enhancement

The fair values of collateral disclosed below have been derived as follows:

- collateral fair value is generally obtained or estimated at the initiation of a loan.
- management's policy is to seek to obtain updated collateral fair values annually but this is not always possible in the environment. Even for impaired loans there can be delays in the receipt of collateral valuations, for example a delay of 3 years would not be uncommon. Until a more up to date collateral valuation is received then the "fair value" of collateral disclosed below is taken to be the last historical fair value information received.

31 December 2013	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held: Cash	Securities	Letters of credit/ guarantees	Property	Other*	Net collateral	Net exposure
				EUR'000				
Placement with other banks	178,178	0		0	0	0	0	178,178
Derivative financial instruments								
Equity derivative	330						0	330
Forward foreign exchange contracts	2,291	0	0	0	0	0	0	2,291
	2,621	**0**	**0**	**0**	**0**	**0**	**0**	**2,621**
Financial assets held for trading								
Government debt securities	5,960	0	0	0	0	0	0	5,960
Treasury bills and other open market instruments	95,530	0		0	0	0	0	95,530
Bankers acceptance and commercial paper	2,968	0		0	0	0	0	2,968
	104,458	**0**	**0**	**0**	**0**	**0**	**0**	**104,458**
Mortgage lending	28,936	0	0	0	26,804	0	26,804	2,132
Instalment finance	55,574	0	0	0	10,133	2,531	12,664	42,910
Corporate lending	446,148	16,123	16,575	9,797	183,541	89,640	315,677	130,472
Commercial and property finance	4,453	0	0	0	4,892	1,058	5,950	(1,497)
Consumer lending	390,555	7,582	0	0	21,237	954	29,772	360,783
	925,666	**23,705**	**16,575**	**9,797**	**246,606**	**94,183**	**390,867**	**534,799**
Financial investments—available-for-sale	1,530	0		0	0	0	0	1,530
Financial investments held to maturity	4,105	0		0	0	0	0	4,105
	5,635	**0**	**0**	**0**	**0**	**0**	**0**	**5,635**
Financial guarantees								
Letters of credit for customers	8,250	2,543	0	0	0	0	2,543	5,708
Other commitments	55,645	0	0	0	0	0	0	55,645
	63,895	**2,543**	**0**	**0**	**0**	**0**	**2,543**	**61,352**

* Vehicles, machinery, other fixed assets, inventory and trade receivables

The Enlarged Group's inability to foreclose on collateral in the event of a default may result in a failure to recover the expected value of the collateral. Further discussion is provided on page 24.

9 Financial Risk Management and Capital Management (Continued)

Type of collateral or credit enhancement

2012	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held: Cash	Letters of credit/ guarantees	Property	Other*	Net collateral	Net exposure
				EUR'000			
Placement with other banks	156,668	0	0	0	0	0	156,668
	156,668	0	0	0	0	0	156,668
Interest rate swaps	870	0	0	0	0	0	870
Forward foreign exchange contracts	2,426	0	0	0	0	0	2,426
	3,296	**0**	**0**	**0**	**0**	**0**	**3,296**
Financial assets held for trading							
Government debt securities	96,883	0	0	0	0	0	96,883
Other debt securities	2,948	0	0	0	0	0	2,948
	99,832	**0**	**0**	**0**	**0**	**0**	**99,832**
Corporate lending	510,184	158,724	1,008	170,872	40,993	371,598	138,586
Consumer lending	386,973	14,077	0	0	58,991	73,067	313,906
Residential mortgages	26,162	0	0	20,502	0	20,502	5,660
	923,319	**172,801**	**1,008**	**191,374**	**99,983**	**465,167**	**458,152**
Financial investments—available-for-sale	844	0	0	0	0	0	844
Financial investments held to maturity	4,475	0	0	0	0	0	4,475
	5,319	**0**	**0**	**0**	**0**	**0**	**5,319**
Financial guarantees							
Letters of credit for customers	59,882	0	0	0	0	0	59,882
Other commitments	17,866	0	0	402	3,459	3,862	14,004
	77,748	**0**	**0**	**402**	**3,459**	**3,862**	**73,886**

* Vehicles, machinery, other fixed assets, inventory and trade receivables

72% (prior year: 75%) of the total maximum exposure is derived from loans and advances, while 8% (prior year: 8%) represents financial assets held for trading.

Management aims to continue to control and sustain minimal exposure of credit risk to the ADC Group resulting from both its loans and advances portfolio and financial assets held for trading based on the following:

- 83% (prior year: 91%) of the gross loans and advances portfolio is categorised in the top two grades of the internal rating system;
- 71% (prior year: 85%) of the gross loans and advances portfolio is considered to be "neither past due nor impaired";
- 17% (prior year: 9%) of gross loans and advances are "individually impaired";
- the ADC Group continues to improve its credit selection and monitoring processes; and
- loans and advances to corporates are generally backed by collateral.

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

9 Financial Risk Management and Capital Management (Continued)

Credit quality by class of financial assets

ADC Group manages the credit quality of financial assets using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on an internal credit rating system. The amounts presented are gross of impairment allowances.

2013	Notes	Neither past due nor impaired	Past due but not impaired			Individually impaired	Total
		Performing	Special mention 1–30 days	Special mention 31–60 days	Special mention 61–90 days	Substandard/ doubtful/ loss	
				EUR'000			
Placement with other banks	6.1	178,178	0	0	0	0	178,178
Derivative financial instruments	6.14	2,621	0	0	0	0	2,621
Other financial assets held for trading	6.2	104,458	0	0	0	0	104,458
Financial assets designated at fair value through profit or loss	6.3	11,455	0	0	0	0	11,455
Loans and advances to customers							
Mortgage lending	6.4	23,173	2,094	2,836	228	606	28,938
Instalment finance	6.4	36,218	2,821	915	1,323	14,299	55,577
Corporate lending	6.4	237,275	42,248	13,539	22,168	130,942	446,173
Commercial and property finance	6.4	3,559	719	0	130	44	4,453
Consumer lending	6.4	352,614	15,495	7,390	1,509	13,516	390,525
		949,551	63,378	24,680	25,359	159,409	1,222,377
Financial investments—available-for-sale							
Listed equities	6.5	209	0	0	0	0	209
Unlisted equities	6.5	1,320	0	0	0	0	1,320
Financial investments held to maturity promissory notes	6.5	4,105	0	0	0	0	4,105
Other current assets							
Trade accounts receivables, prepayments and other assets	6.6	22,429	0	0	0	0	22,429
Total		**977,614**	**63,378**	**24,680**	**25,359**	**159,409**	**1,250,443**

9 Financial Risk Management and Capital Management (Continued)

2012	Notes	Neither past due nor impaired	Past due but not impaired			Individually impaired	Total
		Performing	Specific mention 1–30 days	Specific mention 31–60 days	Specific mention 61–90 days	Substandard/ doubtful/ loss 2013	
		EUR'000					
Placement with other banks	6.1	156,668	0	0	0	0	156,668
Derivative financial instruments	6.15	3,296	0	0	0	0	3,296
Other financial assets held for trading	6.2	99,832	0	0	0	0	99,832
Financial assets designated at fair value through profit or loss	6.3	10,701	0	0	0	0	10,701
Loans and advances to customers							
Mortgage lending	6.4	25,845	0	0	0	317	26,162
Instalment finance	6.4	46,012	1,437	2,526	1,572	3,255	54,802
Corporate lending	6.4	335,648	12,452	10,073	20,236	71,696	450,105
Commercial and property finance	6.4	5,169	0	0	0	108	5,277
Consumer lending	6.4	370,103	3,059	2,117	1,707	9,986	386,973
		1,053,274	16,948	14,716	23,515	85,363	1,193,816
Financial investments—available-for-sale							
Unlisted equities	6.5	844	0	0	0	0	844
Financial investments held to maturity promissory notes	6.5	4,475	0	0	0	0	4,475
Other current assets							
Trade accounts receivables, prepayments and other assets	6.6	20,967	0	0	0	0	20,967
Total		**1,079,558**	**16,948**	**14,716**	**23,515**	**85,363**	**1,220,101**

The total impairment of loans and advances is EUR 50.7m (2012: EUR 36.7m).

The increase in past due but not impaired from 2012 to 2013 was driven by a general market deterioration in Zimbabwe—which put pressure on corporate borrowers, in particular—and by deterioration in a number of larger client accounts in Mozambique.

Further information on the impairment allowance for loans and advances to customers is provided in Notes 5.3 and 6.4.

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 judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review.

Repossessed collateral

During 2013, the ADC Group obtained assets by taking possession of collateral held as security, as follows:

Nature of assets	2011	2012	2013
Property	0	1,272	1,208
Motor vehicles	0	216	60
Carrying amount	**0**	**1,448**	**1,268**

9 Financial Risk Management and Capital Management (Continued)

The ADC Group has adopted ABCH's policies with respect to repossessed collateral.

For ABCH, repossessed assets fall into 2 categories—first category relates to items that are repossessed from defaulting clients and sold via auction (usually a court bailiff or similar third party). These assets are not brought into our books—only the proceeds declared by the sheriff will be accounted for when received by way of repaying or partially repaying the loan. The second category involves assets where the bank applies to the courts to transfer title the assets into its own name at an agreed fair value. These are brought into the books at the agreed fair value with the customer and/or court as the case may be. The fair value of the asset is used to repay or partially repay the loan and it's up to the bank to sell the asset as soon as possible to ensure that the amount is converted into cash like in the first option. Conversion into an internally used asset is a possibility but this is rare.

Concentration risk of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the ADC Group's main credit exposure at their carrying amounts, as categorised by geographical regions as of 31 December 2013.

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

2013	Botswana	Mozambique	Tanzania	Zambia	Zimbabwe	Other	Total
				EUR'000			
Placements with other banks	40,928	27,306	9,675	34,651	54,670	10,948	**178,178**
Financial assets held for trading	41,797	24,689	17,539	15,943	4,490	0	**104,458**
Financial assets designated at fair value	0	0	8,519	0	3,169	(234)	**11,454**
Derivative financial assets	0	14	2,237	20	20	330	**2,621**
Loans and advances (net)	287,628	121,213	62,513	112,423	272,689	427	**856,894**
Investment securities	4,105	494	458	173	404	0	**5,635**
Investment in associates	0	0	0	0	0	72,334	**72,334**
Prepayments and other receivables	1,390	783	1,338	2,275	15,776	871	**22,432**
Current tax assets	715	438	1,461	0	121	131	**2,866**
Total	**376,563**	**174,937**	**103,740**	**165,485**	**351,339**	**84,807**	**1,256,871**

2012	Botswana	Mozambique	Tanzania	Zambia	Zimbabwe	Other	Total
				EUR'000			
Placements with other banks	38,777	16,975	14,238	17,642	54,699	14,337	**156,668**
Financial assets held for trading	71,539	10,451	5,186	5,333	7,324	0	**99,832**
Financial assets designated at fair value	0	0	7,077	0	3,624	0	**10,701**
Derivative financial assets	402	12	2,038	13	0	831	**3,296**
Loans and advances (net)	295,059	85,581	73,607	103,439	325,334	3,553	**886,572**
Investment securities	4,475	0	0	0	0	844	**5,319**
Investment in associates	0	0	0	0	0	74,883	**74,883**
Other current assets	1,002	524	2,309	875	13,788	2,781	**21,277**
Current tax assets	340	414	1,525	0	810	75	**3,165**
Total	**411,594**	**113,957**	**105,979**	**127,302**	**405,578**	**97,303**	**1,261,713**

9 Financial Risk Management and Capital Management (Continued)

2011	Botswana	Mozambique	Tanzania	Zambia	Zimbabwe	Other	Total
				EUR'000			
Placements with other banks	0	0	0	0	0	43,278	**43,278**
Derivative financial assets	0	0	0	0	0	4,719	**4,719**
Investment in associates	0	0	0	0	0	49,223	**49,223**
Other current assets	0	0	0	0	0	3,466	**3,466**
Current tax assets	0	0	0	0	0	76	**76**
Total	**411,594**	**113,957**	**105,979**	**127,302**	**405,578**	**100,762**	**100,762**

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

December 2013	Agriculture	Construction	Wholesale, Retail and Trade	Public Sector	Manufacturing	Mining and Energy	Financial Services	Transport	Individuals	Tourism	Other	Total
						EUR'000						
Placements with other banks	—	—	—	—	—	—	168,299	—	—	—	9,879	**178,178**
Financial assets held for trading	—	—	161	19,062	2,807	—	82,428	—	—	—	—	**104,458**
Financial assets designated at fair value	—	—	—	—	3,169	—	2,174	6,111	—	—	—	**11,454**
Derivative financial assets	—	—	—	—	—	—	2,277	—	—	—	344	**2,621**
Loans and advances (net)	47,747	28,637	73,921	17,507	57,555	66,112	19,982	38,407	425,154	7,151	74,721	**856,894**
Investment securities	—	—	8	—	0	25	5,349	—	—	—	252	**5,635**
Investment in associates	—	—	—	—	—	—	—	—	—	—	72,335	**72,335**
Prepayments and other receivables	—	—	85	—	—	655	19,496	—	—	—	2,196	**22,432**
Current tax assets	—	—	—	2,735	—	—	—	—	—	—	131	**2,866**
	47,747	28,637	74,175	39,304	63,531	66,792	300,005	44,518	425,154	7,151	159,857	**1,256,871**

December 2012	Agriculture	Construction	Wholesale, Retail and Trade	Public Sector	Manufacturing	Mining and Energy	Financial Services	Transport	Individuals	Tourism	Other	Total
						EUR'000						
Placements with other banks	—	—	—	—	—	—	154,753	—	—	—	1,915	**156,668**
Financial assets held for trading	—	—	—	—	392	32	96,939	—	—	—	2,468	**99,832**
Financial assets designated at fair value	—	—	—	—	2,655	4,476	3,570	—	—	—	—	**10,701**
Derivative financial assets	—	—	—	—	—	—	3,284	—	—	—	12	**3,296**
Loans and advances (net)	58,078	35,628	73,564	17,230	79,519	99,285	65,414	49,401	371,022	9,742	27,690	**886,573**
Investment securities	—	—	—	—	—	—	4,475	—	—	—	844	**5,319**
Investment in associates	—	—	—	—	—	—	—	—	—	—	74,883	**74,883**
Prepayments and other receivables	—	—	217	—	—	—	16,179	—	—	—	4,881	**21,277**
Current tax assets	—	—	—	1,940	—	—	799	—	—	—	426	**3,165**
	58,078	**35,628**	**73,781**	**39,304**	**82,566**	**103,793**	**305,085**	**49,401**	**371,022**	**9,742**	**113,119**	**1,261,713**

BancABC Group has loan portfolios that are also concentrated and thus subject to product, industry or other concentration risk, such as described on pages 22 and 27.

9.2.2 Market risk

ADC Group

The ADC 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.

9 Financial Risk Management and Capital Management (Continued)

ABCH's specific market risks

Market and foreign currency exposures related to dealing positions are housed and managed in ABCH's 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.

ABCH's risk team 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 ABCH's continuing expansion and cross-border investment activities is managed through EXCO and the ADC Group ALCO.

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

The ADC Group and ABCH are subject to risks related to foreign exchange and are affected by changes in the value of certain currencies relative to other currencies, as discussed on pages 26 and 27.

Foreign exchange risk

The ADC Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. ABCH's risk team 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 summarizes the ADC Group's exposure to foreign currency exchange rate risk at 31 December 2013. Included in the table are the ADC Group's assets and liabilities at carrying amounts, categorised by currency.

9 Financial Risk Management and Capital Management (Continued)

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

At 31 December 2013	EUR	USD	BWP	ZAR	TZS	ZMK	MZN	JPY	Other	TOTAL
Cash and short term funds	10,376	95,540	35,799	2,948	2,969	35,491	17,198	25	552	200,897
Other financial assets held for trading	—	4,620	41,797	—	17,410	15,943	24,689	—	—	104,458
Financial assets designated at fair value	—	18,149	—	—	3,533	—	—	—	(10,229)	11,454
Derivative financial instruments	890	51,978	1,862	6,183	22,111	20	—	6,533	(86,955)	2,621
Loans and advances	2,269	394,923	281,612	2,918	26,172	92,313	56,683	—	4	856,894
Investment Securities	81	323	4,105	—	458	173	494	—	—	5,635
Other current assets	4,813	17,818	1,159	98	2	2,266	412	—	(4,139)	22,429
Current tax assets	131	121	715	—	1,461	—	438	—	—	2,866
Investment in associates	—	65,444	332	—	174	—	—	—	6,383	72,334
Property, plant and equipment	9	37,920	6,781	2,246	3,098	4,287	8,409	—	1	62,750
Total Intangible assets	40	1,878	4,272	6	1,562	798	2,255	—	41,015	51,827
Deferred tax assets	—	3,839	852	183	5,151	2,254	245	—	(1)	12,523
Non-current assets and disposal groups held-for-sale	—	—	—	1,126	—	6,320	—	—	3,332	10,778
Total assets	**18,610**	**692,553**	**379,286**	**15,707**	**84,101**	**159,865**	**110,823**	**6,557**	**(50,038)**	**1,417,865**
Deposits	**6,353**	**371,673**	**326,411**	**7,914**	**62,311**	**94,346**	**141,732**	**1,006**	**388**	**1,012,133**
Derivative financial instruments	**67**	**56,496**	**2,593**	**3,912**	**22,111**	**—**	**—**	**—**	**(81,387)**	**3,792**
Creditors and accruals	**3,762**	**11,623**	**4,160**	**1,296**	**1,291**	**11,689**	**538**	**—**	**25,427**	**59,787**
Current tax liabilities	**80**	**—**	**177**	**—**	**—**	**894**	**—**	**—**	**(14)**	**1,137**
Deferred tax liability	**—**	**150**	**326**	**—**	**—**	**709**	**568**	**—**	**10,407**	**12,160**
Borrowed funds	**40,250**	**148,952**	**22,722**	**—**	**8**	**—**	**6,198**	**5,569**	**2,618**	**226,318**
Non-current liabilities and disposal groups	**—**	**—**	**—**		**—**	**—**	**—**	**—**	**428**	**428**
Total liabilities	**50,511**	**588,894**	**356,389**	**13,122**	**85,721**	**107,638**	**149,036**	**6,575**	**(42,133)**	**1,315,755**
Net on-balance sheet position	**(31,901)**	**103,659**	**22,897**	**2,585**	**(1,620)**	**52,227**	**(38,213)**	**(18)**	**(7,905)**	**101,710**

Sensitivity analysis:

Currency	Change in currency rate in %	Effect on profit before tax	Effect on equity
USD	1%	111	(121)
BWP	1%	1,007	332
ZAR	1%	0	0
TZS	1%	(26)	(18)
ZMK	1%	152	(99)
MZN	1%	(567)	(421)
JPY	1%	0	0
Other currencies	1%	20	16

9 Financial Risk Management and Capital Management (Continued)

At 31 December 2012	EUR	USD	BWP	ZAR	TZS	ZMK	MZN	JPY	Other	TOTAL
Cash and short term funds	2,651	86,884	41,804	19,725	11,715	4,180	16,311	—	108	183,380
Other financial assets held for trading	—	7,324	71,539	—	5,186	5,333	10,451	—	—	99,832
Financial assets designated at fair value	81	8,018	—	—	2,601	—	—	—	—	10,701
Derivative financial instruments	—	21,112	278	963	49,536	—	153	9,215	(77,962)	3,296
Loans and advances	2,962	421,269	280,678	244	26,693	77,506	66,657	—	10,563	886,572
Investment Securities	—	0	4,475	—	479	174	191	—	—	5,319
Other current assets	2,003	15,010	1,052	151	2,309	648	97	—	7	21,277
Current tax assets	57	828	340	—	1,525	—	414	—	—	3,165
Investment in associates	—	62,959	414	—	182	—	—	—	11,328	74,883
Property, plant and equipment	30	39,853	6,885	3,087	2,177	4,046	8,827	—	—	64,905
Total Intangible assets	—	17,099	30,400	13	1,902	7,532	12,961	—	787	70,694
Deferred tax assets	—	2,726	3,275	124	1,884	216	—	—	425	8,650
Total assets	**7,785**	**683,081**	**441,140**	**24,307**	**106,189**	**99,635**	**116,064**	**9,215**	**(54,743)**	**1,432,673**
Deposits	3,036	412,860	355,958	34,837	83,618	41,513	106,787	1,338	1,944	1,041,891
Derivative financial instruments	—	55,991	—	864	22,988	—	272	—	(77,907)	2,208
Creditors and accruals	4,841	8,883	5,995	1,310	1,880	11,663	902	—	770	36,243
Current tax liabilities	—	1,028	96	—	—	846	0	—	48	2,018
Deferred tax liability	—	3,281	7,074	—	618	1,807	3,090	—	—	15,871
Borrowed funds	43,973	105,924	36,443	—	75	0	—	9,251	—	195,667
Total liabilities	**51,850**	**587,967**	**405,566**	**37,011**	**109,180**	**55,828**	**111,052**	**10,589**	**(75,146)**	**1,293,898**
Net on-balance sheet position	**(44,064)**	**95,113**	**35,574**	**(12,704)**	**(2,990)**	**43,807**	**5,013**	**(1,375)**	**20,402**	**138,775**
Credit commitments	1,991	29,397	877	8,378	4,037	22,177	9,602	1,288	—	77,748

In 2011, the ADC Group was exposed to a foreign currency risk which primarily results from changes in the euro exchange rate with the Rwandan franc, the currency of the Central African Economic and Monetary community (CFA franc), the US dollar, the Kenyan shilling and the South African rand. The following table demonstrates the ADC Group's sensitivity to a 1% increase or decrease in the euro against the respective currencies. A positive figure below indicates an increase in consolidated profit for the period and equity if the euro increases by 1% against the respective currency. If the euro falls by 1% against the respective currency, this has an equal and opposite impact on group profit for the period and equity, thus the items would be negative.

9 Financial Risk Management and Capital Management (Continued)

Sensitivity analysis:

Currency	Change in currency rate in %	Effect on profit before tax	Effect on equity
USD	1%	951	666
BWP	1%	356	249
ZAR	1%	(127)	(89)
TZS	1%	(30)	(21)
ZMK	1%	438	307
MZN	1%	50	35
JPY	1%	(14)	(10)
Other currencies	1%	204	143

Interest rate risk

ADC Group

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 ADC 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.

ABCH's specific interest rate risk

ABCH's ALCO is responsible for managing interest rate and liquidity risk. 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 ABCH's ALCO.

In order to reduce interest rate risk, the majority of the ABCH'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 that limits the ABCH's ability to build a substantial, stable pool of fixed rate funding.

9 Financial Risk Management and Capital Management (Continued)

The table below summarizes the ADC Group's exposure to interest rate risks. It includes the ADC 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.

December 2013	Up to 1 Month	1–3 Months	3–12 Months	1–5 Years	Non-Interest bearing	Total
			EUR'000			
Cash and Short term Funds	87,595	5,055	7	—	108,240	200,897
Other financial assets held for trading	57,780	29,785	9,639	7,254	—	104,458
Financial assets designated at fair value	—	—	1,877	932	8,644	11,454
Derivative financial instruments	—	—	—	—	2,621	2,621
Loans and advances	552,614	32,241	53,044	216,994	—	856,894
Investment securities	—	—	404	4,600	631	5,635
Other current assets	16	25	—	—	22,388	22,429
Current tax assets	25	—	—	—	2,841	2,866
Investment in associates	—	—	—	—	72,333	72,333
Property, plant and equipment	—	—	—	—	62,750	62,750
Other intangible assets and goodwill	—	—	—	—	51,827	51,827
Deferred tax assets	—	—	—	—	12,523	12,523
Non-current assets and disposal groups held-for-sale	—	—	—	—	10,777	10,777
Total assets	**698,030**	**69,106**	**64,972**	**229,780**	**355,577**	**1,417,465**
Shareholders equity and liabilities						
Total Equity	—	—	—	—	122,440	101,710
Deposits	584,059	304,524	117,341	6,209	—	1,012,133
Derivative financial instruments	—	—	—	—	3,792	3,792
Creditors and accruals	87	141	1,616	—	57,943	59,787
Current tax liabilities	—	79	—	—	1,058	1,137
Deferred tax liability	—	—		—	12,160	12,160
Borrowed Funds	45,828	18,722	15,708	146,060	—	226,318
ADC Groups held-for-sale	—	—	—	—	428	428
Total equity and liabilities	**629,974**	**323,466**	**134,665**	**152,269**	**177,091**	**1,417,465**
Total interest repricing gap	**68,056**	**(254,360)**	**(69,692)**	**77,510**	**178,486**	**(0)**

9 Financial Risk Management and Capital Management (Continued)

December 2012	Up to 1 Month	1–3 Months	3–12 Months	1–5 Years	Non-Interest bearing	Total
			EUR'000			
Cash and Short term Funds	97,781	7,447	1,745	—	76,407	183,380
Other financial assets held for trading	92,040	2,755	—	3,497	1,540	99,832
Financial assets designated at fair value	—	—	1,643	1,896	7,162	10,701
Derivative financial instruments	—	—	—	—	3,296	3,296
Loans and advances	368,377	69,715	182,134	266,347	—	886,572
Investment securities	0	87	—	4,649	583	5,319
Other current assets	—	—	2,339	22	18,917	21,277
Current tax assets	—	—	75	—	3,090	3,165
Investments in associates	—	—	—	73,790	1,093	74,883
Property, plant and equipment	—	—	8,505	—	56,400	64,905
Other intangible assets and goodwill	—	—	57,072	—	13,652	70,694
Deferred tax assets	—	—	425	—	8,225	8,650
Total Assets	**558,197**	**80,004**	**350,200**	**190,364**	**190,364**	**1,432,673**
Shareholders equity and liabilities						
Total Equity	—	—	—	—	138,775	138,775
Deposits	742,744	274,499	24, 648	—	—	1,041,891
Derivative financial instruments	—	—	—	—	2,208	2,208
Creditors and accruals	—	—	—	6,130	30,114	36,244
Current tax liabilities	—	—	—	48	1,970	2,018
Deferred tax liability	—	—	—	14,146	1,725	15,871
Borrowed Funds	2,030	15,263	57,988	120,386	—	195,667
Total equity and liabilities	**744,774**	**289,762**	**82,636**	**140,710**	**174,791**	**1,432,673**
Total interest repricing gap	**(186,577)**	**(209,758)**	**171,272**	**209,490**	**15,573**	**0**

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

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.

Other market risks

The ADC Group holds, directly or through its associates, financial assets with a fair value of EUR 124.5m (2012: EUR 140.4m; 2011: 2011: EUR 53.9m). The ADC Group is therefore exposed to gains or losses related to the variability in the market prices of the equities held. If the fair value were to increase (decrease) by 10% as of the reporting date, financial assets would increase (decrease) by EUR 12,448k (2012: EUR 14,039k; 2011: EUR 5,394k).

9.2.3 Liquidity risk

ADC Group

Liquidity risk is the risk that the ADC 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 call 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.

9 Financial Risk Management and Capital Management (Continued)

ABCH's specific liquidity risks

The risk that ABCH 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.

As discussed on page 23, liquidity presents a risk in most markets in which ABCH and ADC Group operate. There are also liquidity risks related to specific countries in which ABCH and ADC Group operate, such as those in Zimbabwe as discussed on page 32.

Liquidity risk management process

ADC Group liquidity management is dependent upon accurate cash flow projections and the monitoring of its future funding requirements. 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.

ABCH 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. ABCH's liquidity management process is monitored by ABCH's 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. ABCH 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.

ABCH's 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 letters of credit and guarantees.

9 Financial Risk Management and Capital Management (Continued)

The ADC Group's maturity analysis (on a discounted cash flow basis) as at 31 December 2013 was as follows:

December 2013	Up to 1 Month	1–3 Months	3–12 Months	Greater than 1 Year	Total
			EUR'000		
Cash and short term funds	191,770	9,128	(1)	—	200,897
Other financial assets held for trading	57,780	29,785	9,639	7,254	104,485
Financial assets designated at fair value	20	48	2,190	9,196	11,454
Derivative financial instruments	2,291	—	330	—	2,621
Loans and advances	201,409	39,026	84,872	531,587	856,894
Investment securities	173	—	404	5,058	5,635
Other current assets	14,383	4,258	3,576	214	22,430
Current tax assets	131	836	1,899	—	2,866
Investments in associates	—	—	—	72,333	72,33
Property, plant and equipment	—	—	—	62,749	62,749
Other intangible assets and goodwill	—	—	—	51,827	51,827
Deferred tax assets	—	—	—	12,523	12,523
Non-current assets and disposal groups held-for-sale	—	—	10,777	—	10,777
Total Assets	**467,957**	**83,081**	**113,686**	**752,741**	**1,417,465**
Shareholders equity and liabilities					
Deposits	493,124	304,524	208,276	6,209	1,012,133
Derivative financial instruments	172	—	1,402	2,218	3,792
Creditors and accruals	33,256	3,482	23,050	—	59,787
Current tax liabilities	6	135	995	—	1,137
Deferred tax liability	(801)	—	—	12,962	12,161
Borrowed funds	44,375	1,743	6,529	173,670	226,318
Non-current assets and disposal groups held-for-sale	—	—	428	—	428
Total equity	—	—	—	101,710	101,710
Total equity and liabilities	**570,133**	**309,884**	**240,680**	**296,769**	**1,417,465**
Total interest repricing gap	**(102,176)**	**(226,803)**	**(126,994)**	**455,972**	**—**

9 Financial Risk Management and Capital Management (Continued)

December 2012	Up to 1 Month	1–3 Months	3–12 Months	Greater than 1 Year	Total
			EUR'000		
Cash and short term funds	172,692	10,687	—	—	183,380
Other financial assets held for trading	67,416	9,973	14,540	7,903	99,832
Financial assets designated at fair value	51	706	1,424	8,520	10,701
Derivative financial instruments	363	—	—	2,933	3,296
Loans and advances	236,866	26,692	113,862	509,152	886,572
Investment securities	172	—	—	5,147	5,319
Other current assets	3,950	1,636	15,692	—	21,277
Current tax assets	—	764	2,401	—	3,165
Investments in associates	—	—	—	74,883	74,883
Property, plant and equipment	—	—	—	64,905	64,905
Other intangible assets and goodwill	—	—	—	70,694	70,694
Deferred tax assets	—	—	—	8,650	8,650
Total Assets	**481,511**	**50,458**	**147,918**	**752,786**	**1,432,673**
Shareholders equity and liabilities					
Deposits	632,685	286,005	123,201	—	1,014,891
Derivative financial instruments	2,208	—	—	—	2,208
Creditors and accruals	15,010	1,354	19,879	—	36,243
Current tax liabilities	1,511	—	507	—	2,018
Deferred tax liability	1	2	5	15,863	15,871
Borrowed funds	227	4,010	69,640	121,790	195,667
Total equity	—	—	—	138,775	138,775
Total equity and liabilities	**651,641**	**291,371**	**213,232**	**276,428**	**1,432,673**
Net maturity gap	**(170,130)**	**(240,913)**	**(65,314)**	**476,357**	**0**

December 2011	Up to 1 Month	1–3 Months	3–12 Months	Greater than 1 Year	Total
			EUR'000		
Cash and short term funds	43,278	—	—	—	43,278
Derivative financial instruments	—	—	—	4,719	4,719
Other current assets	—	—	3,466	—	3,466
Current tax assets	—	—	76	—	76
Investments in associates	—	—	—	49,223	49,223
Property, plant and equipment	—	—	—	551	551
Other intangible assets and goodwill	—	—	—	1,279	1,279
Deferred tax assets	—	—	—	456	456
Total Assets	**479.532**	**50.440**	**151.472**	**627.154**	**103.048**
Shareholders equity and liabilities					
Creditors and accruals	—	—	2.879	—	2.879
Borrowed funds	—	—	—	11.839	11.839
Shares of general partner	—	—	—	5	5
Total equity	—	—	—	88.325	88.325
Total equity and liabilities	**—**	**—**	**2.879**	**100.169**	**103.048**
Net maturity gap	**479.532**	**50.440**	**148.593**	**526.985**	**—**

Derivative financial liabilities cash flows

The table below presents the cash flows payable by the ADC Group for derivative financial liabilities by remaining contractual maturities at the date of the consolidated statement of financial position. The

9 Financial Risk Management and Capital Management (Continued)

amounts disclosed in the table are the contractual undiscounted nominal currency swap cash flows for the liability leg of such swaps, whereas the ADC Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

2013	Up to 1 Month	1–3 Months	3–12 Months	Greater than 1 Year	Non-Interest bearing	Total
Derivative financial liabilities	18,680	28,674	36,411	8,943	3,792	96,500

2012	Up to 1 Month	1–3 Months	3–12 Months	Greater than 1 Year	Non-Interest bearing	Total
Derivative financial liabilities	0	0	0	0	2,208	2,208

2011	Up to 1 Month	1–3 Months	3–12 Months	Greater than 1 Year	Non-Interest bearing	Total
Derivative financial liabilities	0	0	0	0	0	0

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

Non-derivative cashflow

The table below presents the cash flows payable by the ADC Group under non-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 cash flows, whereas the ADC Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

December 2013	Up to 1 Month	1–3 Months	3–12 Months	Greater than 1 Year	Total	Discounting/ financing rates	31 Dec 2013
				EUR'000			
Deposits	503,127	306,654	187,886	19,410	1,017,078	(4,944)	1,012,133
Creditors and accruals	33,081	5,234	21,471	0	59,787	0	59,787
Current tax liabilities	5	153	978	0	1,137	0	1,137
Borrowed funds	44,350	42,488	8,710	147,166	242,719	(16,395)	226,318
Total liabilities	**580,562**	**354,529**	**219,045**	**166,576**	**1,320,720**	**(21,339)**	**1,299,374**

December 2012	Up to 1 Month	1–3 Months	3–12 Months	Greater than 1 Year	Total	Discounting/ financing rates	31 Dec 2012
				EUR'000			
Deposits	632,978	288,854	135,621	0	1,057,453	(15,562)	1,041,891
Creditors and accruals	15,010	1,354	19,879	0	36,243	0	36,243
Current tax liabilities	1,511	0	507	0	2,018	0	2,018
Borrowed funds	235	5,022	72,614	138,817	216,688	(21,021)	195,667
Total liabilities	**649,734**	**295,230**	**228,621**	**138,817**	**1,312,402**	**(36,583)**	**1,275,819**

December 2011	Up to 1 Month	1–3 Months	3–12 Months	Greater than 1 Year	Total	Discounting/ financing rates	31 Dec 2012
				EUR'000			
Creditors and accruals	0	0	2,879	0	2,879	0	2,879
Borrowed funds	4,000	0	0	7,839	11,839	0	11,839
Shares of general partner	0	0	0	5	5	0	5
Total liabilities	**4,000**	**0**	**2,879**	**7,844**	**14,723**	**0**	**14,723**

9 Financial Risk Management and Capital Management (Continued)

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

9.2.4 Governmental, institutional, political, and legal risk

The ADC Group and ABCH are subject to risks related to the governments of the countries and regions in which they operate, to related institutions in those markets, and to the political environments in those markets, including risks related to changes in laws and government policies, as discussed on pages 30 and 36 to 40. These include risks related to specific countries, such as Zimbabwe, as discussed on pages 31 and 41 to 42.

The ADC Group and ABCH are also subject to risks related to corruption, bribery, and anti-money laundering rules and restrictions, both generally, and specific to countries of operation, such as discussed on pages 28 and 40. Most sub-Saharan African countries have implemented political and economic reforms over the last two decades to reduce corruption, increase local consumer demand, improve the enforceability of contracts and privatise government-owned enterprise. Despite improvements in institutional capacity, more needs to be done to improve intraregional trade by reducing gaps in infrastructure and harmonizing export and import regulations in order to diversify and protect itself from fluctuating commodity prices.

9.3 Capital Management

The ADC Group manages its capital with the aim of retaining its financial substance and the ability to meet its obligations in the future, as well as sustainably increasing the business enterprise value. It is ensured that all ADC Group companies can operate on a going concern basis.

As in the prior year, the ADC Group's managed capital is made up of liabilities, cash and cash equivalents, and equity which comprises issued capital, capital reserves, free reserves and retained earnings.

ADC can manage the structure of its capital by adjusting dividends, reducing capital and issuing new shares, as well as by issuing financial instruments that are classified as equity under IFRSs. The aim is to achieve a capital structure appropriate to the business risk. The level of indebtedness of individual ADC Group companies is monitored using the ratio of net debt (current liabilities less cash and cash equivalents) to equity. As of the reporting date, the ADC Group's current liabilities were covered in full by cash and cash equivalents.

The parent is subject to minimum capital requirements for stock corporations. Compliance with these requirements is constantly monitored, which indicated that the requirements were complied with in the fiscal year.

ABCH'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 ABCH operate;
- to safeguard ABCH'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 ABCH'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. ABCH'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 2013 submissions to regulators showed that regulated banking operations complied with all externally imposed capital requirements. There have been no material changes to the ABCH's management of capital during the year.

9 Financial Risk Management and Capital Management (Continued)

The increase of ABCH's regulatory capital is mainly due to 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.

The allocation of ABCH's capital between specific operations and activities is, to a large extent, driven by optimization 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 ABCH operate in. ABCH's policies in respect of capital management and allocation are reviewed regularly by the ABCH board of directors.

10 Commitments, contingencies and leasing arrangements

	2011	2012	2013
		EUR'000	
(a) Contingent liabilities			
Guarantees	0	59,882	55,645
Letters of credit, loan commitments and other contingent liabilities	0	17,866	8,250
	0	**77,748**	**63,895**
The timing profile of the contractual amounts of the ADC Group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities as at 31 December 2011, are summarized below:			
Less than one year	0	71,171	47,932
Between one and five years	0	6,577	15,963
	0	**77,748**	**63,895**
(b) Capital Commitments			
Approved and contracted for	0	261	0
Approved but not contracted for	0	5,906	5,452
	0	**6,167**	**5,452**
(c) Non-cancellable operating leases commitments ADC Group as lessee			
Future minimum lease payments under non-cancelled operating leases are as follows:			
Office premises	—	9,296	11,168
Equipment and motor vehicles	—	—	—
	0	**9,296**	**11,168**
Non-cancellable operating leases are payable as follows:			
Less than one year	0	1,168	2,388
Between one and five years	0	2,192	6,726
Over five years	0	5,936	2,055
	0	**9,296**	**11,168**
ADC Group as lessor			
Future minimum lease payments under non-cancellable operating leases are as follows:			
Office premises	0	274	511
Equipment and motor vehicles	0	0	0
	0	**274**	**511**
Non-cancellable operating leases are payable as follows:			
Less than one year	0	274	511
Between one and five years	0	0	0
Over five years	0	0	0
	0	**274**	**511**

11 Related parties

During the year ended 31 December 2013, the ADC Group transacted with related entities. Related parties include management board members and senior executives, supervisory board members, and close family members of these persons. In addition, companies classified as related parties include the shareholders, as well as all consolidated subsidiaries, joint ventures and associates. Details of the nature, volume of transactions and the balances with related entities are as follows:

Subsidiaries

		Capital interest			Currency	Equity		Result	
		direct %	indirect %	of	(LC)	LCk	EUR'000	LCk	EUR'000
1.	ADC Management GMbH, Frankfurt/Main, Deutschland	100			EUR	353	353	(9)	(9)
2.	ADC Financial Services & Corporate Development Ltd., Cybercity, Republik Mauritius***	100			EUR	101,279	101,279	(20,327)	(20,327)
3.	ABC Holdings Limited, Gaborone, Botswana		47.07	2.	BWP	686,132	56,880	11,301	1,014
4.	African Banking Corporation of Botswana Ltd., Gaborone, Botswana		100	3.	BWP	563,181	46,688	152,986	13,723
5.	African Banking Corporation (Mocambique) SARL, Maputo, Mozambique		100	3.	MZN	754,108	18,239	32,184	811
6.	African Banking Corporation Tanzania Ltd., Dodoma, Tansania		74	3.	TZS	35,712,642	16,371	(3,831,834)	(1,798)
7.	Tanzania Development Finance Company Limited, Dodoma, Tansania		68	6.	TZS	(447,081)	(205)	(14,063,700)	(6,601)
8.	African Banking Corporation Zambia Ltd., Lusaka, Zambia		100	3.	ZMW	258,459	34,082	31,933	4,475
9.	African Banking Corporation of Zimbabwe Ltd., Harare, Zimbabwe		100	3.	USD	85,193	61,979	13,914	10,556
10.	Second Nominees (Private) Limited, Harare, Zimbabwe		100	9.	USD	7,795	5,671	(129)	(98)
11.	Bohemian (Pty) Ltd, Gaborone, Botswana		100	4.	BWP	(444)	(37)	(1,121)	(101)
12.	ABC Capital Partners (Pty) Ltd. Gaborone, Botswana		100	4.	USD	598	435	0	0
13.	ABC Consulting (Pty) Ltd, Bern Schweiz		100	3.	USD	839	610	125	95
14.	Edfund SA (Pty) Ltd, Bern Schweiz		100	3.	USD	(69)	(50)	0	0
16.	ABCH Management Support Services, Cape Town, Republik Südafrinka		100	3.	ZAR	1,930	133	1,163	90
17.	Kendra Ltd, Lusaka, Zambia		100	11.	ZMK	1,514	200	741	104
18.	ADC IT & Payment Solutions Ltd., Cybercity, Republik Mauritius***		100	2.	EUR	3,135	3,135	(1,663)	(1,663)
19.	Rswitch Ltd (fka: Simtel S.A.), Kigali, Republik Ruanda****		88.54	18.	RWF	402,315	483	(664,012)	(863)
20.	R Cards Processing Services Limited, Cybercity, Republik Mauritius**		100	19.	EUR	**		**	
21.	ADC Enterprises, Cybercity, Republik Mauritius***		100	2.	USD	30,117	22,802	(729)	(567)
22.	ADC Investments, Cybersity, Republik Mauritius***		100	2.	EUR	2,407	2,407	(36)	(36)
23.	ADC Ventures, Cybersity, Republik Mauritius***		100	22.	USD	4,190	3,172	(7,191)	(5,595)

* (unaudited) financial statements 2012

** dormant entity

*** audited 2012 financial statements

**** audited 2012 consolidated financial statements

11 Related parties (Continued)

		Capital interest as of 31 Dec 2012											
		direct %	indirect %	of	Currency (LC)	Equity 2012 LC '000	Equity 2012 EUR'000	Equity 2011 LC '000	Equity 2011 EUR'000	Result 2012 LC '000	Result 2012 EUR'000	Result 2011 LC '000	Result 2011 EUR'000
1.	ADC Management GmbH, Frankfurt/Main, Germany . . .	100			EUR	365	365	—	—	647	647	—	—
2.	ADC Management Services Ltd., Cybercity, Republic of Mauritius	100			EUR	62	62	—	—	47	47	—	—
3.	ADC Financial Services & Corporate Development Ltd., Cybercity, Republic of Mauritius	100			EUR	101,372	101,372	76,718	76,718	(20,326)	(20.326)	13,990	13,990
4.	ABC Holdings Limited, Gaborone, Botswana		51.98	3.	BWP	672,247	65,611	311,547	30,407	4,101	406	17,100	1,692
5.	African Banking Corporation of Botswana Ltd., Gaborone, Botswana		100	4.	BWP	408,941	39,913	163,097	16,530	94,434	9,346	28,005	290
6.	African Banking Corporation (Mocambique) SARL, Maputo, Mozambique		100	4.	MZN	721,925	18,410	625,495	17,381	65,932	1,738	121,058	299
7.	African Banking Corporation Tanzania Ltd., Dodoma, Tanzania		74	4.	TZS	12,395,330	5,933	20,921,472	9,986	(8,572,275)	(4,067)	(821,336)	(37)
8.	Tanzania Development Finance Company Limited, Dodoma, Tanzania		68	7.	TZS	13,616,619	6,517	10,428,439	4,977	3,188,179	1,513	3,547,075	159
9.	African Banking Corporation Zambia Ltd., Lusaka, Zambia		100	4.	ZMW	98,581,036	14,396	48,995,027	7,276	24,511,478	3,563	22,674,349	330
10.	African Banking Corporation of Zimbabwe Ltd., Harare, Zimbabwe		100	4.	USD	54,433	41,296	37,871	28,740	13,597	10,228	8,060	571
11.	Bohemian (Pty) Ltd, Gaborone, Botswana		100	5.	BWP	677	66	8,238	835	(7,561)	(748)	(5,311)	(55)
12.	ABC Capital Partners (Pty) Ltd, Gaborone, Botswana		100	5.	USD	598	453	698	530	(101)	(76)	0	0
13.	ABC Consulting (Pty) Ltd, Bern, Switzerland		100	4.	USD	714	541	6,247	4,741	316	241	6,455	457
14.	Edfund SA (Pty) Ltd, Bern, Switzerland		100	4.	USD	(69)	(52)	(50)	(38)	(18)	(14)	(6,570)	(465)
15.	Boulevard (Pty) Ltd, Gaborone, Botswana		100	5.	BWP	(566)	(55)	(555)	(56)	(12)	(1)	(46)	0
16.	ABCH Management Support Services, Cape Town, South Africa		100	4.	ZAR	767	69	2,905	272	(2,138)	(197)	(870)	(9)
17.	Kendra Ltd, Lusaka, Zambia .		100	11.	ZMK	1,055,875	154	(3,213,922)	(477)	72,976	11	1,621,238	24
18.	ADC IT & Payment Solutions Ltd., Cybercity, Republic of Mauritius		100	3.	EUR	(3,134)	(3,134)	(1,471)	(1,471)	(1,663)	(1,663)	(626)	(626)
19.	Rswitch Ltd (fka: Simtel S.A.), Kigali, Republic of Rwanda		88.54	18.	RWF	402,315	483	(2,694,700)	(3,412)	(664,012)	(863)	(2,641,990)	(3,342)
20.	R Cards Processing Services Limited, Cybercity, Republic of Mauritius**		100	19.	EUR	6	6	19	19	(19)	(19)	17	17
21.	ADC Real Estate Ltd., Cybercity, Republic of Mauritius*		100	3.	EUR	(14)	(14)	4	4	(18)	(18)	(18)	(18)
22.	ADC Rwanda SARL, Kigali, Republic of Rwanda		100	3.	RWF	(69,840)	(84)	33,011	42	(102,851)	(134)	(21,066)	(25)
23.	ADC Enterprises, Cybercity, Republic of Mauritius		100	3.	USD	44,903	34,916	(40)	(40)	4,448	3,471	(40)	(40)
24.	ADC Investments, Cybercity, Republic of Mauritius		100	3.	EUR	2,407	2,407	(4)	(4)	(33)	(33)	(4)	(4)
25.	Proven Track Corporation Ltd., Cybercity, Republic of Mauritius		100	3.	USD	499	388	—	—	(342)	(267)	—	—
26.	Second Nominees (Private) Limited, Harare, Zimbabwe .		100	10.	USD	7,924	6,162	—	—	(1,741)	(1,359)	—	—

11 Related parties (Continued)

Transactions during the year 2013:

ADC was diluted in its shareholding in ABCH due to shares issued in respect of conversion of convertible debt. The stake decreased from 51.98% to 47.07% as at 31 May 2013.

In financial year 2013, ADC sold 90% of the shares of ADC Management Services Ltd, Mauritius, to a co-shareholder. Through the sale, ADC no longer exercised control and deconsolidated ADC Management Services Ltd.

Transactions during the year 2012:

ADC increased its stake in ABCH from 23.1% to 51.98% at July 27, 2012 and exercised control from acquisition date (Note 4).

In January 2012, the subsidiary RSwitch executed a capital increase, to which ADC subscribed. By participating in this capital increase, ADC's share in RSwitch was increased from 70.0% to 88.54%. The purchase price of EUR 4,789k was mainly settled by converting ADC's shareholder loan into equity (debt-to-equity-swap).

In financial year 2012, ADC purchased 100% of the shares of ADC Management Services Ltd, Mauritius (Note 4) from key management personnel (Dirk Harbecke).

In November 2012, ADC took over its general partner, ADC Management GmbH, from Altira AG for a purchase price of EUR 4.5 million.

Transactions during the year 2011 and earlier:

ADC IT & Payment Solutions Ltd., Cybercity, Mauritius ("ADC IT"), acquired 70% of the voting shares in RSwitch on 25 June 2008.

On 11 October 2008, ADC Financial, as the sole shareholder, transferred 50.1% of its interests in ADC IT to XCOM AG, Willich (Germany) at face value. There was no gain or loss from the sale. Because the ADC Group has the possibility to appoint and dismiss most of the members of the corporate bodies and thus to have control over the financial and operating policy of ADC IT despite only having a 49.9% interest, ADC IT continues to be included in the consolidated financial statements according to the acquisition method (full consolidation) even after the sale of the interest. On 15 July 2010, ADC FS and XCOM AG, Willich (Germany), concluded a put/call option agreement in relation to the 50.1% interest held in ADC IT by XCOM. In a letter dated 27 September 2010, XCOM exercised the put option with immediate effect. Consequently, ADC Financial is once again the sole shareholder of ADC IT.

In the fiscal year 2011 the following wholly owned subsidiaries were founded: ADC Enterprises, Cybercity, Mauritius, ADC Investments, Cybercity, Mauritius, ADC Ventures and ADC Petroleum, Cybercity, Mauritius.

R Cards Processing Services Ltd., Cybercity, Mauritius, was established in 2011 and will be included into the RSwitch subgroup.

The date of first-time accounting of the new consolidated subsidiaries founded by the ADC Group is identical to the date of founding. ADC founded these entities before creating hidden reserves. The acquisition cost thus generally corresponds to pro rata equity. Therefore no goodwill resulted from the purchase accounting for these entities.

On 30 September 2009, a capital increase amounting to RWF 80,834k was performed at ADC Rwanda SARL, Kigali, Rwanda. On 17 November 2009, a resolution was passed at an extraordinary shareholder meeting to transfer all interests of ADC IT and ADC Real Estate Ltd., Cybercity, Mauritius, in ADC Rwanda SARL, Kigali, Rwanda, to ADC FS effective 31 December 2009.

On 25 February 2010, a capital increase amounting to RWF 100,000k was performed at ADC Rwanda SARL, Kigali, Rwanda.

11 Related parties (Continued)

On 12 May 2010, a capital increase amounting to EUR 500k was performed at ADC FS. Further capital increases of EUR 1,000k and EUR 2,000k followed on 16 July 2010 and 6 September 2010 respectively.

On 21 January 2011, a capital increase amounting to US$3.3m was performed at ADC FS. Further capital increases of EUR 10.0m followed on 21 February 2011, of EUR 350k on 3 March 2011, of EUR 1,200k on 25 March 2011, of USD 20.0m on 9 September 2011, of EUR 4.0m on 20 September 2011, of EUR 275k on 23 September 2011 and of EUR 1,000k on 12 July 2011, 14 November 2011 and 23 December 2011, respectively. The total translated amount paid into the capital reserves of ADC FS in 2011 amounted to EUR 35,751k.

The general managers of consolidated subsidiaries do not hold key management positions within the meaning of IAS 24 from ADC's perspective.

Associates:

All other transactions conducted with related parties during the fiscal year are presented in the following table:

		Services rendered to related parties	Services purchased from related parties	Related party receivables	Liabilities to related parties
		EUR'000			
Associates:					
Brainworks Capital Management (Private) Limited Zimbabwe	2013	0	22	319	0
	2012	310	72	350	23
Banco Nacional de Guinea Equitorial, Equitorial Guinea	2013	0	0	0	0
	2012	136	0	0	0
Brainworks Capital Management (Private) Limited Zimbabwe	2012	310	72	350	23
	2011	0	0	0	0
Banco Nacional de Guinea Equitorial, Equitorial Guinea	2012	136	0	0	0
	2011	767	0	156	0
ABC Holdings Limited Gaborone, Botswana*	2011	0	0	0	7,738

* became subsidiary 27 July 2012

In 2011, the ADC Group held a convertible loan of EUR 7,738k (USD 10.0m) from ABCH. The convertible loan was concluded effective 30 September 2011. It has a term of five years and bears interest of 10% p.a. The convertible loan was raised to match the local capital requirements of ABCH for an investment to be made together with ADC.

The general managers of associates do not hold key management positions within the meaning of IAS 24 from ADC's perspective.

Other transactions

ADC Management GmbH, Frankfurt am Main (fka: Altira ADC Management GmbH, Frankfurt am Main)

The general partner, ADC Management GmbH, Frankfurt am Main, was entitled and obligated to manage ADC alone. In November 2012, ADC took over its general partner, ADC Management from Altira AG, and transformed its organisational structure from a partnership limited by shares—GmbH & Co. KG— into a stock corporation (AG). At the extraordinary general meeting on 17 January 2013 the transformation of the legal form from a partnership limited by shares (KGaA) into a classic German stock corporate "*Aktiengesellschaft*" (AG) was resolved.

11 Related parties (Continued)

To finance the acquisition of the general partner, ADC negotiated a revolving credit facility with its strategic partner and major shareholder, Trafigura, in the amount of EUR 4.3 million in November 2012. At year-end 2012, ADC called EUR 1.0 million out of the full volume of the credit facility. ADC settled the credit facility in 2013.

The general manager of the general partner was:

- Olaf Meier, Frankfurt am Main (till 17 January 2013)
- Dirk Harbecke, Albion, Mauritius (from 17 January 2013 to 26 July 2013)

The legal transformation into a stock corporation (*Aktiengesellschaft*) was completed on 26 July 2013.

Mandatory Offer to minority shareholders of ABCH secured by Trafigura

On 13 December 2013, ADC announced its firm intention to make a mandatory offer to all minority shareholders of its major banking asset ABCH.

ADC intended to acquire all issued ordinary shares of ABCH not already owned by ADC. The mandatory offer is required by the BSE for any shareholder owning more than 35% of a listed company in Botswana and was issued at a price of US$0.60 per share to ABCH shareholders listed on the Zimbabwe register and at the exchange rate equivalent of BWP 5.05 per share for ABCH shareholders listed on the Botswana register; the price at which ADC acquired a majority shareholding while acting as an underwriter of the bank's rights issue in July 2012.

A group of minority shareholders of ABCH supported the opinion of an independent valuation expert appointed by the ABCH board to not accept the mandatory offer. In-line with ADC's expectations, the uptake of the mandatory offer was limited to 10,196,469 shares, equalling 4% of the shares outstanding in ABCH.

As such, the reduced potential size of the offer to 23% of the shareholders in ABCH was EUR 25.4 million. As a consequence a liability was recognised as at reporting date (Note 6.13).

The financing for the uptake of the mandatory offer has been secured from ADC's largest (23%) shareholder and partner, Trafigura. Trafigura agreed to guarantee for the benefit of minority shareholders under the mandatory offer. This given, Trafigura was reimbursed by ADC for all costs and expenses incurred by Trafigura in amount of USD 200k.

After the closing of the mandatory offer in January 2014, Trafigura has a direct shareholding in ABCH. Trafigura is engaged in a voting pool agreement with ADC. As a result of the mandatory offer, ADC increased its controlling position including voting pool agreements from 50.1% to 54.1%.

Put option agreement Trafigura

With regard to the funding of the mandatory offer, ADC entered a put option agreement with Trafigura. Trafigura agrees to provide ADC funding for up to US$10,000,000 through a registration of the shares purchased for this consideration in the name of Trafigura or its nominee (the "Funded Shares").

Trafigura confirms that any shares purchased under this funding structure shall be subject to the pooling agreement entered into on 22 May 2013 in regards of the holding of both parties.

Trafigura shall be entitled to sell, in part or in full, to ADC or its nominee the Funded Shares (the "Put Option") or to request a transfer of the Funded Shares as a contribution in kind against shares in ADC. The Put Option may be exercised, at the option of Trafigura, at any time in the ninety days following the closing of one or more capital increase(s) of ADC of at least cumulative EUR 50,000,000 and provided that Trafigura has not subscribed to new shares of ADC in these capital increases. Upon exercise of the Put Option, ADC shall purchase the Funded Shares at a price equal to the mandatory offer price and ADC shall pay to Trafigura accrued funding costs at a rate of 6 per cent. per annum. The funding costs shall accrue on the funding disbursed by Trafigura from the date Trafigura disbursed such funds. If the Put Option cannot be exercised due to the fact that Trafigura has or intends to subscribe to new ADC shares in the aforementioned capital increases so that the payment of the purchase price for the Funded Shares

11 Related parties (Continued)

under the Put Option would be considered a hidden contribution in kind, then Trafigura shall have the right to request from ADC that the Funded Shares be contributed in whole or in part to ADC as a contribution in kind against shares in ADC. The contribution in-kind shall be made in a swap-ratio defined by the capital increase price for ADC and the mandatory offer price for ABCH plus accrued funding costs of 6 per cent. per annum, unless this would constitute a breach of the German Stock Corporation Act (*Aktiengesetz*) at the time of the contribution in-kind. This request shall be made within the time frame stipulated for the exercise of the Put Option. In this instance ADC shall within the legal framework of the German Stock Corporation Act (*Aktiengesetz*) be obligated to take the necessary measures in order to create such shares, including the convening of a shareholders meeting if necessary.

Indebtness put option—ADC bond with warrants attached

With reference to §4 (5) of the terms and conditions of ADC warrant bond ("indebtness put option") Trafigura Holdings Ltd., Malta, agreed on 19 March 2014 that the debt to equity ratio calculation both for 2013 and forward-looking, should be interpreted so that it excludes the financial liabilities of ADC Ventures, based on the fact that there are no obligations of ADC under the financing arrangements of ADC Ventures ("non-recourse status"). As such, Trafigura does not intend to submit an indebtedness put notice during the remaining tenure of the bond relating to any potential breach resulting from the consolidation of ADC Ventures, provided the non-recourse status of ADC Ventures remains the same.

Executive board of ADC

- Dirk Harbecke, Chief Executive Officer, Albion, Mauritius (from 26 July 2013)
- Sonja Rossteuscher-Schütze, Chief Financial Officer, Frankfurt am Main (from 1 January 2014)
- Karima Ola, Chief Investment Officer, London, UK (from 13 August 2013)

With regard to disclosing the remuneration of the executive bodies pursuant to article 314, paragraph 1, number 6 of the HGB, the institution makes use of the protective clause pursuant to article 286, paragraph 4 of the HGB.

Other transactions		Services purchased from related parties	*of which cost of capital increases**	Amounts owed to related parties
			EUR'000	
ADC BDS Ltd., Republic of Mauritius	2012	3,376	0	637
	2011	2,399	0	392
Altira AG, Frankfurt am Main	2012	263	0	40
	2011	230	0	162
ADC Altira Management GmbH, Frankfurt am Main	2012	1,808	0	0
	2011	1,744	164	164

Supervisory board

The members of the ADC supervisory board are:

- Alastair Newton, Politischer Analyst, London—Chairman
- Arnold Onyekwere Ekpe, Investor, Oxford—Deputy Chairman (from 14 August 2013)
- Pierre Lorinet, Chief Finance Officer of Trafigura Beheer B.V., Singapore
- Jyrki I. Koskelo, Senior Development Banker and former member of management committee of IFC, Vienna (until 28 October 2013)
- Verna Eggleston, Research and Development at Bloomberg Philanthropies, New York (from 14 August 2013)
- Oltmann Gottfried Siemens, lawyer, Berlin (from 14 August 2013)

11 Related parties (Continued)

During the fiscal year, the ADC supervisory board received remuneration and cost refunds of EUR 325k (prior year: EUR 53k).

During the fiscal year, a consulting agreement was concluded with an ADC supervisory board member. This agreement gave rise to costs of EUR 101k (prior year: EUR 160k).

Other than these, in 2013 and up to the date of preparing these financial statements, there were no transactions (purchase or sales agreements, purchased or received services, granting or receipt of loans or collateral, payment or receipt of rental or lease payments) with other related parties or their family members.

Outstanding balances at the year-end are unsecured, interest free and settled by payments.

2012

Olaf Meier, general manager of ADC Management GmbH, Frankfurt am Main, Germany, received the following remuneration components in fiscal year 2012:

	2012	2011
	EUR'000	
Fixed remuneration component	139	120
Short-term variable remuneration component (annual bonus)	50	60
Company car	yes	yes
	189	**180**

12 Disclosures on the existence of an equity investment in the Company in accordance with Sec. 21 (1) /(1a) WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act)

ADC received notices on the existence of voting rights within the meaning of Sec. 21 (1) /(1a) WpHG as follows:

25% threshold

On 4 January 2012, **Trafigura Beheer B.V.**, Amsterdam, The Netherlands informed ADC according to Article 21, Section 1 of the WpHG that via shares its voting rights on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have exceeded the 25% threshold of the voting rights on 2 January 2012 and on that day amounted to 25.25% (this corresponds to 2,123,550 voting rights).

5% threshold

On 4 January 2012, **biw Bank für Investments und Wertpapiere AG**, Willich, Germany, informed ADC according to Article 21, Section 1 of the WpHG that via shares its voting rights on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have exceeded the 3% and 5% threshold of the voting rights on 29 December 2011 and on that day amounted to 9.09% (this corresponds to 764,164 voting rights).

On 4 January 2012, **XCOM Aktiengesellschaft**, Willich, Germany informed ADC according to Article 21, Section 1 of the WpHG that via shares its voting rights on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have exceeded the 3% and 5% threshold of the voting rights on December 29, 2011 and on that day amounted to 9.09% (this corresponds to 764,164 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 9.09% of the voting rights (this corresponds to 764,164 voting rights) is to be attributed to the company via XCOM Finanz GmbH and biw Bank für Investments und Wertpapiere AG.

On 27 September 2012, Mr **Christopher Charles Rokos,** United Kingdom, informed ADC according to Article 21, Section 1 of the WpHG that via shares his voting rights on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have exceeded the 5% threshold of the

12 Disclosures on the existence of an equity investment in the Company in accordance with Sec. 21 (1) /(1a) WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act) (Continued)

voting rights on 21 September 2012 and on that day amounted to 5.99% (this corresponds to 515,160 voting rights).

3% threshold

ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany informed ADC according to Article 26, Section 1 Sentence 2 of the WpHG that its voting rights in own shares have exceeded the 3% limit of the voting rights on 23 July 2012 and on that day amounted to 3.14% (this corresponds to 270,287 voting rights).

On 26 July 2012, **Altira ADC Management GmbH**, Frankfurt/Main, Germany informed ADC according to Article 21, Section 1 of the WpHG that via shares its voting rights on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have exceeded the 3% threshold of the voting rights on 23 July 2012 and on that day amounted to 3.14% (this corresponds to 270,287 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 3.14% of the voting rights (this corresponds to 270,287 voting rights) is to be attributed to the company as general partner from ADC African Development Corporation GmbH & Co. KGaA.

On 20 February 2012, **BF Holding GmbH**, Kulmbach, Germany informed ADC according to Article 21, Section 1 of the WpHG that via shares its voting rights on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have fallen below the 5% threshold of the voting rights on 28 July 2011 and on that day amounted to 4.67% (this corresponds to 357,012 voting rights).

On 20 February 2012, Mr **Bernd Förtsch**, Germany informed ADC according to Article 21, Section 1 of the WpHG that via shares his voting rights on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have fallen below the 5% threshold of the voting rights on 28 July 2011 and on that day amounted to 4.67% (this corresponds to 357,012 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 4.67% of the voting rights (this corresponds to 357,012 voting rights) are to be attributed to Mr Förtsch from BF Holding GmbH.

On 19 July 2012, Moore Capital Management LP informed ADC according to section 21 para. 1 of the WpHG that via shares the voting rights of **K2 Moore LP, Nassau, Bahamas**, on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have fallen below the 5% threshold of the voting rights on December 29, 2011 and on that day amounted to 4.63% (this corresponds to 389,400 voting rights).

On 19 July 2012, Moore Capital Management LP informed ADC according to section 21 para. 1 of the WpHG that via shares the voting rights of **Moore Capital (Guernsey) Unlimited**, St-Peter Port, Guernsey, Channel Islands, on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have fallen below the 5% threshold of the voting rights on 29 December 2011 and on that day amounted to 4.63% (this corresponds to 389,400 voting rights). According to section 22 para. 1 sentence 1 no. 1 of the WpHG, 4.63% of the voting rights (this corresponds to 389,400 voting rights) is to be attributed to Moore Capital (Guernsey) Unlimited via the following companies which are controlled by Moore Capital (Guernsey) Unlimited and whose holdings of voting rights amount to 3% each or more in ADC African Development Corporation GmbH & Co. KGaA: K2 Moore LP, Moore Macro Fund LP.

On 19 July 2012, Moore Capital Management LP informed ADC according to section 21 para. 1 of the WpHG that via shares the voting rights of **Moore Global Investments Ltd.**, Nassau, Bahamas, on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have fallen below the 5% threshold of the voting rights on 29 December 2011 and on that day amounted to 4.63% (this corresponds to 389,400 voting rights). According to section 22 para. 1 sentence 1 no. 1 of the WpHG, 4.63% of the voting rights (this corresponds to 389,400 voting rights) is to be attributed to Moore Global Investments Ltd. via the following companies which are controlled by Moore Global Investments Ltd. and whose holdings of voting rights amount to 3% each or more in ADC African Development Corporation GmbH & Co. KGaA: K2 Moore LP, Moore Macro Fund LP, Moore Global Investment LP.

12 Disclosures on the existence of an equity investment in the Company in accordance with Sec. 21 (1) /(1a) WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act) (Continued)

On 19 July 2012, Moore Capital Management LP informed ADC according to section 21 para. 1 of the WpHG that via shares the voting rights of **Moore Macro Fund LP**, Nassau, Bahamas, on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have fallen below the 5% threshold of the voting rights on 29 December 2011 and on that day amounted to 4.63% (this corresponds to 389,400 voting rights). According to section 22 para. 1 sentence 1 no. 1 of the WpHG, 4.63% of the voting rights (this corresponds to 389,400 voting rights) is to be attributed to K2 Moore LP.

On 16 October 2012, **RBC Holdings (Luxembourg) S.à.r.l.**, Luxembourg, Grand Duchy of Luxembourg informed ADC according to Article 21, Section 1 of the WpHG that via shares its voting rights on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have exceeded the 3% threshold of the voting rights on May 30, 2012 and on that day amounted to 3.87% (this corresponds to 333,511 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 3.87% of the voting rights (this corresponds to 333,511 voting rights) is to be attributed to the company from RBC Holdings (Channel Islands) Limited via RBC cees Limited and RBC cees Trustee Limited.

On 27 September 2012, **Mr Christopher Charles Rokos**, United Kingdom, informed ADC according to Article 21, Section 1 of the WpHG that via shares his voting rights on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have exceeded the 3% threshold of the voting rights on September 14, 2012 and on that day amounted to 3.66% (this corresponds to 315,160 voting rights).

On 5 December 2012, **Wellington Management Company, LLP**, Boston, Massachusetts, USA informed ADC according to Article 21, Section 1 of the WpHG that via shares its voting rights on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have exceeded the 3% threshold of the voting rights on 4 December 2012 and on that day amounted to 3.19% (this corresponds to 274,766 voting rights). According to Article 22, Section 1, Sentence 1, No. 6 in connection with sentence 2 of the WpHG, 3.19% of the voting rights (this corresponds to 274,766 voting rights) is to be attributed to the company.

ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany informed ADC according to Article 26, Section 1 Sentence 2 of the WpHG that its voting rights in own shares have fallen below the 3% limit of the voting rights on 14 September 2012 and on that day amounted to 0% (this corresponds to no voting rights).

On 20 September 2012, **Altira ADC Management GmbH**, Frankfurt/Main, Germany informed ADC according to Article 21, Section 1, Article 22 Section 1 Sentence 1 Number 1 of the WpHG that via shares its voting rights on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have fallen below the 3% threshold of the voting rights on 14 September 2012 and on that day amounted to 0% (this corresponds to no voting rights).

On 6 January 2012, **biw Bank für Investments und Wertpapiere AG**, Willich, Germany informed ADC according to Article 21, Section 1 of the WpHG that via shares its voting rights on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have fallen below the 3% and 5% threshold of the voting rights on 4 January 2012 and on that day amounted to 1.225% (this corresponds to 103,000 voting rights).

On 29 February 2012, **BF Holding GmbH**, Kulmbach, Germany informed ADC according to Article 21, Section 1 of the WpHG that via shares its voting rights on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have fallen below the 3% threshold of the voting rights on 25 October 2011 and on that day amounted to 2.61% (this corresponds to 199,789 voting rights).

On 20 February 2012, Mr **Bernd Förtsch**, Kulmbach, Germany informed ADC according to Article 21, Section 1 of the WpHG that via shares his voting rights on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have fallen below the 3% threshold of the voting rights on 25 October 2011 and on that day amounted to 2.61% (this corresponds to 199,789 voting

12 Disclosures on the existence of an equity investment in the Company in accordance with Sec. 21 (1) /(1a) WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act) (Continued)

rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 2.61% of the voting rights (this corresponds to 199,789 voting rights) is to be attributed to Mr Förtsch.

On 18 January 2012, **XCOM Aktiengesellschaft**, Willich, Germany informed ADC according to Article 21, Section 1 of the WpHG that via shares its voting rights on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have fallen below the 5% and 3% threshold of the voting rights on 4 January 2012 and on that day amounted to 1.225% (this corresponds to 103,000 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 1.225% of the voting rights (this corresponds to 103,000 voting rights) is to be attributed to the company.

Notes to the issuer on the notification:

The correction of the voting rights refers to the publication of the Notification of XCOM AG dated 10 January 2012. The correction relates to the full reference to the attribution rule of Article 22 Section 1, Sentence 1, No 1 of the WpHG.

Generally it shall be noted, that neither **XCOM AG** nor **XCOM Finanz GmbH** have bought or sold own shares directly in ADC. XCOM AG must impute the voting rights via XCOM Finanz GmbH and biw Bank für Investments und Wertpapiere AG ("BIW Bank"). BIW Bank accompanied the capital increase of ADC African Development Corporation GmbH & Co. KGaA in December 2011 and took over the newly issued shares by way of indirect subscription rights. With the acquisition of these shares, BIW Bank was obliged to report that it had exceed the threshold from 3% to 5% in our company. With the delivery of the newly issued shares to the subscribers of the capital increase, BIW Bank had to report that it had fallen below the 5% and 3% threshold. Due to the attribution rules of the Securities Trading Act, the controlling shareholder of BIW Bank, XCOM Finanz GmbH had to report that it had exceed and fallen below the voting thresholds, which in turn led to the mandatory reporting of XCOM AG.

On 10 January 2012, **XCOM AG, Willich**, Germany informed ADC according to Article 21, Section 1 of the WpHG that via shares its voting rights on ADC African Development Corporation GmbH & Co. KGaA, Frankfurt/Main, Germany, have fallen below the 5% and 3% threshold of the voting rights on 4 January 2012 and on that day amounted to 1.225% (this corresponds to 103,000 voting rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 1.225% of the voting rights (this corresponds to 103,000 voting rights) is to be attributed to the company.

13 Events after the reporting period

Chief Financial Officer (CFO) and new member of the management board

Sonja Rossteuscher-Schütze officially took her position as Managing Director and CFO of ADC and member of the ADC management board on 1 January 2014.

Extraordinary general meeting

On 14 January 2014, ADC held an extraordinary general meeting for its shareholders, to propose the placement of 40 million shares in a capital increase to further strengthen existing assets and to expand into selected new markets. Management, however, agreed to postpone the resolution on the day of the extraordinary general meeting due to uncertain market conditions.

Mandatory offer closure

On 19 December 2013, ADC made a mandatory offer to all ABCH minority shareholders at a price of US$0.60 per share on the ZSE and the exchange rate equivalent of BWP 5.05 for shareholders listed on the Botswana register. Shareholders owning 23% of the share capital of ABCH indicated that they would not accept the mandatory offer, seeing higher potential in ABCH's future business and share price. On 17 January 2014, the mandatory offer was closed, with an uptake of 10,199,154 shares, equalling 4% of the shares outstanding in ABCH. As a result of the mandatory offer, ADC increased its controlling position from 50.1% to 54.1%, which includes aligned partners in pooling agreements.

13 Events after the reporting period (Continued)

Bond with Warrants

The terms and conditions of the 2015 Bond with Warrants (EUR 40 million) contain an option for early redemption if the debt to equity ratio exceeds 50%. The calculation of the ratio is based on consolidated quarterly financial statements prepared in accordance with applicable IFRS, excluding the shareholding in ABCH. As at 1 January 2013, ADC has voluntarily adopted IFRS 10 and consolidated its investment in ADC Ventures (refer for details to note 2.2). For financial years starting on or after 1 January 2014 the new accounting standard IFRS 10 "Consolidated Financial Statements" is mandatorily applicable in the EU. Through the mandatory application of IFRS 10, the calculation of the debt to equity ratio as described in the terms and conditions of the bond may exceed 50% in 2014, given the uncertainties in the terms and conditions of the bond in reflecting the non-recourse structure of ADC Ventures in the determination of the debt to equity ratio.

Business Combination Agreement

On 31 March 2014 ADC management and supervisory board approved the signing of a business combination agreement with the Company, whereby a voluntary public takeover offer by way of a share exchange offer shall be made for all outstanding shares in ADC AG at a ratio of 1.25 shares in the Company for every ADC share. The structure of the transaction also includes conditional purchase agreements with selected shareholders of ADC's portfolio company ABCH, in order to acquire, for cash or shares, all remaining outstanding shares of ABCH for a purchase price of US$0.82 per share. The completion of both transactions is conditional upon regulatory approvals and certain conditions precedent.

Resignation of Vice-Chairman and member of the ADC supervisory board

On March 31, Arnold Ekpe resigned from his position as Vice-Chairman and member of the ADC supervisory board relating to his conflicting Independent Chairmanship and Board of Director membership of the Company.

C: FINANCIAL INFORMATION ON ABCH

Accountant's report on historical financial information—Relating to ABC Holdings Limited

KPMG

The Directors

Atlas Mara Co-Nvest Limited
Nemours Chambers
PO Box 3170
Road Town
Tortola
British Virgin Islands

2 July 2014

Dear Sirs

ABC Holdings Limited

We report on the financial information set out on pages 292 to 384 for the financial years ended 31 December 2011, 31 December 2012 and 31 December 2013. This financial information has been prepared for inclusion in the prospectus dated 2 July 2014 of Atlas Mara Co-Nvest Limited on the basis of the accounting policies set out on pages 299 to 318. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of Atlas Mara Co-Nvest Limited are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 2 July 2014, a true and fair view of the state of affairs of ABC Holdings Limited as at 31 December 2011, 31 December 2012 and 31 December 2013 and of its profits and losses, cash flows and changes in equity for the years ended 31 December 2011, 31 December 2012 and 31 December 2013 in accordance with the basis of preparation set out on pages 299 to 318 and in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

Consolidated income statement

	Notes	2011	2012	2013
			BWP'000s	
Interest and similar income		821,900	1,383,015	1,928,833
Interest expense and similar charges		(409,538)	(709,981)	(918,502)
Net interest income before impairment of advances	1	**412,362**	**673,034**	**1,010,331**
Impairment of loans and advances	2	(79,537)	(138,172)	(546,196)
Net interest income after impairment of advances		**332,825**	**534,862**	**464,135**
Non-interest income	3	325,984	551,700	692,094
Total income		**658,809**	**1,086,562**	**1,156,229**
Operating expenditure	4	(545,948)	(868,659)	(1,181,506)
Net income from operations		**112,861**	**217,903**	**(25,277)**
Share of results of associates	13	(5,177)	(5,630)	(4,004)
Profit/Loss before tax		**107,684**	**212,273**	**(29,281)**
Tax	5	(19,986)	(77,108)	(46,406)
Profit/Loss for the year		**87,698**	**135,165**	**(75,687)**
Attributable to:				
Ordinary shareholders		83,002	132,774	(51,589)
Non-controlling interest		4,696	2,391	(24,098)
Profit/Loss for the year		**87,698**	**135,165**	**(75,687)**
Basic earnings per share (thebe)	6	56.6	72.1	(20.7)
Diluted earnings per share (thebe)	6	56.6	66.5	(18.4)

Consolidated statement of comprehensive income

	2011	2012	2013
		BWP '000s	
Profit/Loss for the year	**87,698**	**135,165**	**(75,687)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:	**100,382**	**8,993**	**97,052**
Exchange differences on translating foreign operations	102,415	6,127	116,422
Net loss on hedge of net investment in foreign operations	—	—	(16,343)
Share of reserves in associate companies	(1,901)	456	551
Movement in available-for-sale reserves	(132)	2,410	(3,578)
Total comprehensive income for the year	**188,080**	**144,158**	**21,365**
Total comprehensive income attributable to:			
Ordinary shareholders	182,311	140,874	42,297
Non-controlling interest	5,769	3,284	(20,932)
	188,080	**144,158**	**21,365**

Consolidated statement of financial position

	Notes	2011	2012	2013
			BWP'000s	
ASSETS				
Cash and short-term funds	7	1,243,431	1,859,269	2,304,283
Financial assets held for trading	8	651,049	1,022,864	1,260,049
Financial assets designated at fair value	9	221,283	189,698	261,552
Derivative financial assets	21	32,337	33,769	27,636
Loans and advances	10	6,077,399	9,144,042	10,336,477
Investment securities	12	50,303	54,500	67,975
Prepayments and other receivables	11	172,000	194,042	261,651
Current tax assets		8,458	31,657	32,992
Investment in associates	13	17,539	11,201	13,320
Property and equipment	15	396,228	488,310	584,880
Investment property	14	2,021	—	—
Intangible assets	17	130,362	139,145	130,002
Deferred tax assets	16	62,826	68,740	151,049
TOTAL ASSETS		**9,065,236**	**13,237,237**	**15,431,866**
EQUITIES AND LIABILITIES				
Liabilities				
Deposits	18	7,374,700	10,675,111	12,209,087
Derivative financial liabilities	21	47,069	22,621	37,640
Creditors and accruals	20	130,427	303,365	366,089
Current tax liabilities		27,617	20,183	12,917
Deferred tax liabilities	16	9,351	8,356	11,651
Borrowed funds	19	981,788	1,212,731	1,759,320
		8,570,952	**12,242,367**	**14,396,704**
Equity				
Stated capital	22	316,592	663,401	781,025
Foreign currency translation reserve		(246,046)	(240,812)	(143,899)
Non distributable reserves		64,310	176,477	80,113
Distributable reserves		343,672	376,764	319,815
Equity attributable to ordinary shareholders		**478,528**	**975,830**	**1,037,054**
Non-controlling interest		15,756	19,040	(1,892)
Total equity		**494,284**	**994,870**	**1,035,162**
TOTAL EQUITY AND LIABILITIES		**9,065,236**	**13,237,237**	**15,431,866**

Consolidated statements of changes in equity

BWP'000s	ATTRIBUTABLE TO OWNERS OF THE PARENT												
	Stated capital	Foreign currency translation reserve	Regulatory general credit risk reserve	Property revaluation reserve	Available for sale reserve	Statutory reserve	Convertible bond	Share based payments reserve	Treasury share reserve	Distributable reserves	Total	Non-controlling interest	Total Equity
Balance as at 1 January 2011	**307,586**	**(347,389)**	**5,059**	**—**	**752**	**39,952**	**—**	**—**	**(2,371)**	**299,603**	**303,193**	**15,522**	**318,715**
Comprehensive income:													
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**83,002**	**83,002**	**4,696**	**87,698**
Other comprehensive income:	**—**	**101,342**	**8,832**	**—**	**(132)**	**9,847**	**—**	**—**	**—**	**(18,256)**	**101,633**	**1,073**	**102,706**
Exchange differences on translating foreign operations	—	101,342	—	—	—	—	—	—	—	—	**101,342**	1,073	**102,415**
Revaluation of property net of deferred tax	—	—	—	—	—	—	—	—	—	—	**—**	—	**—**
Movement in general credit risk reserve	—	—	8,832	—	—	—	—	—	—	(8,832)	**—**	—	**—**
Share of reserves in associate companies	—	—	—	—	—	255	—	—	—	168	**423**	—	**423**
Movement in statutory reserves	—	—	—	—	—	9,592	—	—	—	(9,592)	**—**	—	**—**
Movement in available for sale reserves:	—	—	—	—	(132)	—	—	—	—	—	**(132)**	—	**(132)**
—Realised through profit and loss	—	—	—	—	(132)	—	—	—	—	—	**(132)**	—	**(132)**
TOTAL COMPREHENSIVE INCOME	**—**	**101,342**	**8,832**	**—**	**(132)**	**9,847**	**—**	**—**	**—**	**64,746**	**184,635**	**5,769**	**190,404**
Transactions with owners													
Dividends paid	—	—	—	—	—	—	—	—	—	(25,161)	**(25,161)**	—	**(25,161)**
Dividends paid by subsidiaries to non-controlling interest	—	—	—	—	—	—	—	—	—	—	**—**	(5,535)	**(5,535)**
Discount on new shares issued to staff	—	—	—	—	—	—	—	2,379	—	—	**2,379**	—	**2,379**
Disposal of treasury shares	—	—	—	—	—	—	—	—	2,371	3,456	**5,827**	—	**5,827**
Proceeds from shares issued	9,006	—	—	—	—	—	—	(1,351)	—	—	**7,655**	—	**7,655**
Movement in share-based payment reserves	—	—	—	—	—	—	—	(1,028)		1,028	**—**	—	**—**
Total transactions with owners	**9,006**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,371**	**(20,677)**	**(9,300)**	**(5,535)**	**(14,835)**
Balance as at 31 December 2011	**316,592**	**(246,047)**	**13,891**	**—**	**620**	**49,799**	**—**	**—**	**—**	**343,672**	**478,528**	**15,756**	**494,284**
Balance as at 1 January 2012	**316,592**	**(246,046)**	**13,891**	**—**	**620**	**49,799**	**—**	**—**	**—**	**343,672**	**478,528**	**15,756**	**494,284**

BWP'000s	Stated capital	Foreign currency translation reserve	Regulatory general credit risk reserve	Property revaluation reserve	Available for sale reserve	Statutory reserve	Convertible bond	Share based payments reserve	Treasury share reserve	Distributable reserves	Total	Non-controlling interest	Total Equity
	ATTRIBUTABLE TO OWNERS OF THE PARENT												
Comprehensive income:													
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**132,774**	**132,774**	**2,391**	**135,165**
Other comprehensive income:	**—**	**5,234**	**—**	**—**	**2,410**	**285**	**—**	**—**	**—**	**—**	**7,929**	**893**	**8,822**
Exchange differences on translating foreign operations	—	5,234	—	—	—	—	—	—	—	—	**5,234**	893	**6,127**
Revaluation of property net of deferred tax	—	—	—	—	—	—	—	—	—	—	**—**	—	**—**
Share of reserves in associate companies	—	—	—	—	—	285	—	—	—	—	**285**	—	**285**
Movement in available for sale reserves:	—	—	—	—	2,410	—	—	—	—	—	**2,410**	—	**2,410**
—Arising in current year	—	—	—	—	2,285	—	—	—	—	—	**2,285**	—	**2,285**
—Realised through profit and loss	—	—	—	—	125	—	—	—	—	—	**125**	—	**125**
TOTAL COMPREHENSIVE INCOME	**—**	**5,234**	**—**	**—**	**2,410**	**285**	**—**	**—**	**—**	**132,774**	**140,703**	**3,284**	**143,987**
Transfers within equity													
Movement in general credit risk reserve	—	—	24,668	—	—	—	—	—	—	(24,668)	**—**	—	**—**
Movement in statutory reserves	—	—	—	—	—	40,695	—	—	—	(40,695)	**—**	—	**—**
Total transfers within equity	**—**	**—**	**24,668**	**—**	**—**	**40,695**	**—**	**—**	**—**	**(65,363)**	**(0)**	**—**	**(0)**
Transactions with owners													
Dividends paid	—	—	—	—	—	—	—	—	—	(34,319)	**(34,319)**	—	**(34,319)**
Convertible bond—equity component	—	—	—	—	—	—	44,109	—	—	—	**44,109**	—	**44,109**
Net proceeds from shares issued	346,809	—	—	—	—	—	—	—	—	—	**346,809**	—	**346,809**
Total transactions with owners	**346,809**	**—**	**—**	**—**	**—**	**—**	**44,109**	**—**	**—**	**(34,319)**	**356,599**	**—**	**356,599**
Balance as at 31 December 2012	**663,401**	**(240,812)**	**38,559**	**—**	**3,030**	**90,779**	**44,109**	**—**	**—**	**376,764**	**975,829**	**19,040**	**994,869**

BWP'000s	Stated capital	Foreign currency translation reserve	Regulatory general credit risk reserve	Property revaluation reserve	Available for sale reserve	Statutory reserve	Convertible bond	Share based payments reserve	Treasury share reserve	Distributable reserves	Total	Non-controlling interest	Total Equity
	ATTRIBUTABLE TO OWNERS OF THE PARENT												
Comprehensive income:													
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(51,589)**	**(51,589)**	**(24,098)**	**(75,687)**
Other comprehensive income:	**—**	**96,913**	**—**	**—**	**(3,578)**	**551**	**—**	**—**	**—**	**—**	**93,886**	**3,166**	**97,052**
Exchange differences on translating foreign operations	—	113,256	—	—	—	—	—	—	—	—	**113,256**	3,166	**116,422**
Net loss on hedge of net investment in foreign operations	—	(16,343)	—	—	—	—	—	—	—	—	**(16,343)**	—	**(16,343)**
Revaluation of property net of deferred tax	—	—	—	—	—	—	—	—	—	—	**—**	—	**—**
Share of reserves in associate companies	—	—	—	—	—	551	—	—	—	—	**551**	—	**551**
Movement in available for sale reserves:	—	—	—	—	(3,578)	—	—	—	—	—	**(3,578)**	—	**(3,578)**
—Arising in current year	—	—	—	—	(3,578)	—	—	—	—	—	**(3,578)**	—	**(3,578)**
TOTAL COMPREHENSIVE INCOME	**—**	**96,913**	**—**	**—**	**(3,578)**	**551**	**—**	**—**	**—**	**(51,589)**	**42,297**	**(20,932)**	**21,365**
Transfers within equity													
Movement in general credit risk reserve	—	—	(19,482)	—	—	—	—	—	—	19,482	**—**	—	**—**
Movement in statutory reserves	—	—	3,319	—	—	(33,065)	—	—	—	29,746	**—**	—	**—**
Total transfers within equity	**—**	**—**	**(16,163)**	**—**	**—**	**(33,065)**	**—**	**—**	**—**	**49,228**	**—**	**—**	**—**
Transactions with owners													
Dividends paid	—	—	—	—	—	—	—	—	—	(54,588)	**(54,588)**	—	**(54,588)**
Net proceeds from shares issued	117,624	—	—	—	—	—	(44,109)	—	—	—	**73,514**	—	**73,514**
Total transactions with owners	**117,624**	**—**	**—**	**—**	**—**	**—**	**(44,109)**	**—**	**—**	**(54,588)**	**18,927**	**—**	**18,927**
Balance as at 31 December 2013	**781,025**	**(143,899)**	**22,396**	**—**	**(548)**	**58,265**	**—**	**—**	**—**	**319,815**	**1,037,053**	**(1,892)**	**1,035,161**

Consolidated cash flow statement

	2011	2012	2013
		BWP'000s	
CASH FLOWS FROM OPERATING ACTIVITIES	**(175,580)**	**49,964**	**(229,530)**
Cash generated from operating activities	263,802	445,675	648,019
Net Profit/Loss before tax	107,684	212,273	(29,280)
Adjusted for:			
Impairment of loans and advances	79,537	138,172	546,195
Depreciation and amortisation	47,899	84,205	112,229
Dividends receivable	17,122	(6,598)	(5,266)
Net unrealised losses on derivative financial instruments	(395)	11,875	19,085
Re-measurement of investment property	5,177	176	—
Loss from associates	2,379	5,630	4,004
Impairment of investment in associates	4,292	—	1,082
Profit/Loss on disposal of property and equipment	107	(58)	(30)
Tax paid	(53,328)	(116,004)	(135,628)
Net cash inflow from operating activities before changes in operating funds	**210,474**	**329,671**	**512,391**
Net decrease in operating funds	**(386,054)**	**(279,707)**	**(741,921)**
Increase in operating assets	(3,460,992)	(3,863,473)	(1,573,392)
Increase in operating liabilities	3,074,938	3,583,766	831,471
CASH FLOWS FROM INVESTING ACTIVITIES	**(244,185)**	**(162,456)**	**(126,106)**
Purchase of property and equipment	(174,441)	(138,110)	(105,435)
Purchase of intangible assets	(80,575)	(34,537)	(21,738)
Purchase of associates	(38)	—	(4,849)
Dividends received	(1,665)	6,598	5,266
Proceeds on disposal of property and equipment	206	1,748	650
Proceeds on disposal of investment property	2,709	1,845	—
Proceeds on disposal of associate	9,619	—	—
CASH FLOWS FROM FINANCING ACTIVITIES	**392,795**	**552,590**	**508,680**
Increase in borrowed funds	410,009	240,100	563,268
Dividend paid	(25,161)	(34,319)	(54,588)
Dividends paid by subsidiaries to non-controlling interests	(5,535)	—	—
Disposal of treasury shares	5,827	—	—
Proceeds from issue of shares	7,655	364,253	—
Share issue expenses	—	(17,444)	—
Increase in cash and cash equivalents	**(26,970)**	**440,098**	**153,044**
Cash and cash equivalents at the beginning of the year	788,026	864,734	1,314,895
Exchange adjustment on opening balance	103,678	10,063	127,777
Cash and cash equivalents at the end of the year	**864,734**	**1,314,895**	**1,595,716**
Cash and cash equivalents	864,734	1,314,895	1,597,662
Statutory reserves	378,697	544,374	706,621
Cash and short term funds	**1,243,431**	**1,859,269**	**2,304,283**

Notes to the financial statements for ABCH

Significant accounting policies

Reporting entity

ABCH is a Botswana limited liability company. Its principal business activities are banking and related activities in its countries of operation. The consolidated financial statements of ABCH for the year ended 31 December 2013 include ABCH and the ABCH subsidiaries (together referred to as the "BancABC Group") and the BancABC Group's interest in associates and its jointly controlled entities.

Statement of compliance

The BancABC Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements were approved by the Board of Directors on 2 July 2014. In preparing these financial statements, the BancABC Group adopted the following interpretations that are relevant to the BancABC Group:

- Amendments to IAS 1, 'Presentation of Financial Statements', on presentation of items of OCI
- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting
- Amendment to IFRSs 10 and 12 on transition guidance
- Annual improvements 2011. 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'
- IFRS 12, 'Disclosures of interests in other entities'
- IFRS 13, 'Fair value measurement'
- IAS 27 (revised 2011), 'Separate financial statements'
- IAS 28 (revised 2011), 'Associates and joint ventures'

The nature and effect of the changes are explained below:

(a) Subsidiaries

As a result of IFRS 10 the BancABC Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the BancABC Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In accordance with the transitional provisions of IFRS 10, the BancABC Group reassessed the control conclusion for its investees at 1 January 2013. There were no changes in the entities that the BancABC Group has control over and implicitly no changes in recognised assets and liabilities and comprehensive income of the BancABC Group following this reassessment.

(b) Disclosure of interests in other entities

As a result of IFRS 12 the BancABC Group has expanded its disclosures about its interests in subsidiaries (see note 15 under the separate financial statements) and equity accounted investees (see note 13 under the consolidated financial statements).

(c) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the BancABC

Group has included additional disclosures in this regard on pages 351-358 under financial assets and liabilities measured at fair value.

(d) Presentation of items of OCI

As a result of the amendments to IAS 1, the BancABC Group has modified the presentation of the items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

BancABC 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 2013:

- The amendments to IAS 32, 'Financial Instruments: Presentation' on Offsetting Financial Assets and Financial Liabilities. These amendments clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legal enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual or interim periods beginning on or after 1 January 2014. The amendments are not expected to have a material impact on the BancABC Group's financial statements.
- IFRS 9, 'Financial Instruments'. IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities and hedge accounting. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. The adoption of this standard, when it becomes effective, is expected to have an impact on the BancABC Group's financial assets, but no material impact on the BancABC Group's financial liabilities.
- The amendments to IAS 36, 'Impairment of assets' on Recoverable Amount Disclosures for Non-Financial Assets effective from 1 January 2014. The amendments restrict the requirement to disclose the recoverable amount of an asset or cash generating unit (CGU) to periods in which an impairment loss has been recognised or reversed. They also expand and clarify disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal. This is not expected to have any significant impact on the BancABC Group's disclosures of impairments of non-financial assets.
- The amendments to IAS 39, 'Financial Instruments: Recognition and Measurement' on Novation of Derivatives and Continuation of Hedge Accounting. These amendments stipulate that hedge accounting may not be discontinued if the hedging instrument is novated to a central counterparty by both parties as a consequence of laws and regulations without changes in its terms except as necessary for the novation. The amendments, which are effective for accounting periods commencing on or after 1 January 2014, are not expected to have any material impact on the BancABC Group's financial statements.

Basis of preparation

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" and investment properties.

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

Adjustments to ABCH financial information

In connection with the Company's ongoing due diligence investigation of the ABCH, the Directors have, with the assistance of their professional financial, accounting and legal advisers, conducted an extensive review of the ABCH's loan portfolio and operations and undertaken a comprehensive tax due diligence exercise.

As a result of the above review, additional provisions have been reflected in the Company's presentation of the 2013 accounts of ABCH as compared to their previously published financial statements for 2013.

Impairment of Loans

The Directors have recognised additional impairments on the loan portfolio of ABCH of BWP 218.2 million, bringing total impairments for the year ended 31 December 2013 to BWP 546.1 million compared to the BWP 328.0 million previously reported. The majority of these additional provisions are necessary, in the Company's view, as further information has become available in relation to the facts and circumstances that existed as at the balance sheet date, identified by the Company's due diligence.

Deferred Tax Asset Write-down and Additional Tax Provision

The Directors have written-down the value of ABCH's deferred tax assets by BWP 22.8 million, from the BWP 112.7 million previously reported. The Directors have also created an additional tax provision of BWP 70.2 million.

As a result of the foregoing additional provisions, the consolidated financial statements for ABCH presented in this Document show a decline in net income after tax of BWP 250.0 million as compared to the previously published financial statements for 2013 and thus a net loss. These adjustments are of a one-time, non-recurring nature and have not resulted in any change to the Directors views on the valuations or the future prospects of ABCH.

Consistent application of accounting policy

In preparing these financial statements, the accounting policies applied by ABCH have been aligned on a consistent basis to those which the Company will use in 2014. As a result, land and buildings, which were recognised in the published financial statements of ABCH at fair value, have been restated to historical cost. This resulted in a decrease of BWP 118.2 million, BWP 161.2 million, BWP 162.1 million in property revaluation reserve, a component of non-distributable reserves with a corresponding decrease in total equity for 2011, 2012 and 2013 respectively.

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:

- **Fair value of financial instruments**

  Many of the BancABC 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 BancABC Group company where the asset has arisen. These forecasts are based on the BancABC Group's re-capitalisation plans of the subsidiary and market conditions prevailing in the economy in which the particular company operates.

- **Impairment of loans and advances**

  The BancABC 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 BancABC 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 BancABC Group, or national or local economic conditions that correlate with defaults on assets in the BancABC 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 BancABC 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 BancABC Group evaluates its intention and ability to hold such investments to maturity. If the BancABC 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 BancABC 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 BancABC 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 BancABC 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 BancABC 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 BancABC 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.

- **Fair value of collateral**

  The fair value of collateral disclosed in pages 326 to 329 include a high level of estimation, where there are delays in the receipt of collateral valuations then the last historical data received is disclosed as the "fair value".

Functional and presentation currency

The financial statements are presented in Botswana Pula (BWP), which is ABCH's functional currency and BancABC Group's presentation currency. Except as indicated, financial information presented in BWP has been rounded off to the nearest thousand. Each entity in the BancABC Group determines its own functional currency.

If the functional currency of the foreign subsidiaries does not correspond to that of the BancABC 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 BancABC Group. The BancABC Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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 BancABC Group for its banking and investment management activities. Investments in subsidiaries are accounted for at cost less impairment losses in the ABCH 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 de-consolidations, 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 recognized in other comprehensive income as an equity transaction between shareholders. These transactions do not lead to the recognition of goodwill or the realization of gains on sale.

When the BancABC Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and related non-controlling interest and other components of equity. Any resulting gains or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity-accounted investees

The BancABC Group's interests in equity-accounted investees comprise interests in associates. Associates are those enterprises in which the BancABC Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the BancABC 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 BancABC 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 ABCH's separate financial statements.

Structured entities

Structured entities are entities that are created to accomplish a narrow and well-defined objective. A structured entity is consolidated if, based on an evaluation of the substance of its relationship with the BancABC Group and the structured entity's risks and rewards, the BancABC Group concludes that it controls the structured entity.

The assessment of whether the BancABC Group has control over a structured entity 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 structured entity, or additional transactions between the BancABC Group and the structured entity. 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 BancABC Group and the structured entity and in such instances the BancABC Group determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where the BancABC 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 BancABC Group and a structured entity, the BancABC Group performs a reassessment of control over the structured entity.

Transactions eliminated on consolidation

Intra-BancABC Group balances and transactions, and any unrealised gains arising from intra-BancABC 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 BancABC 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 acquisition method. Goodwill is any excess of the cost of an acquisition over the BancABC 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 non-controlling 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 BancABC 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 BancABC Group's share of the identifiable net assets acquired over the cost of the acquisition is recorded immediately in the income statement as a gain on bargain purchase.

Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the BancABC 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 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 BancABC 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 BancABC 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 BancABC 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 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 BancABC Group. For purchases of additional interests from non-controlling interests, the excess of the purchase consideration over the BancABC 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 BancABC Group's interest in a subsidiary to non-controlling interests is also accounted for directly in equity. All acquisition or disposal-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.

In the separate financials, the acquirer and transferor account for common control transactions on the basis that the parties are separate entities in their own right and the accounting reflects the actual terms of the transaction. The acquirer accounts for the transaction at the actual price paid. In the transferor's books, the difference between the consideration received and the carrying amount of the investment is recognised immediately to profit or loss.

Foreign entities

The assets and liabilities of foreign operations are translated to the BancABC 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, and the disposal results in a loss of control, 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 arising on translation are recognised in the income statement and shown under non-interest 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 BancABC Group irrevocably gains control of a resource from which future economic benefits are expected to flow to the BancABC Group. Liabilities are recognised when the BancABC 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 BancABC Group can be made. If there is a possible obligation or outflow of resources from the BancABC 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 BancABC 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.

Prepayments and other receivables

Prepayments and other receivables 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 BancABC 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 BancABC 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 non-interest income 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 BancABC 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 BancABC 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 BancABC Group's management has the positive intention and ability to hold to maturity. If the BancABC 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 amortised cost using the effective interest method, 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 BancABC 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 BancABC 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 BancABC 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 BancABC 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. As in 2012 and 2011, the BancABC Group has not reclassified any financial assets in 2013.

Fair value

A number of the BancABC Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The BancABC Group has an established control framework with respect to the measurement of fair values which the BancABC Group Chief Financial Officer oversees. The BancABC Group also uses third party specialist valuers for more complex level 3 instruments.

The valuation team within the BancABC Group's Finance function regularly reviews significant unobservable inputs and valuation adjustments used to measure fair values to assess whether the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the BancABC Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The BancABC Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included under the fair value section on page xxx.

Impairment of financial assets

a) Assets carried at amortised cost

The BancABC Group assesses at each balance sheet date whether there is objective evidence that a financial asset or BancABC Group of financial assets is impaired. A financial asset or a BancABC 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 BancABC Group of financial assets that can be reliably estimated. The criteria that the BancABC 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 BancABC 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 BancABC 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 BancABC 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 profit or loss. 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 BancABC 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 BancABC Grouped on the basis of similar credit risk characteristics (i.e. on the basis of the BancABC 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 BancABC 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 BancABC 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 BancABC Group and historical loss experience for assets with credit risk characteristics similar to those in the BancABC 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 BancABC 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 BancABC Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the BancABC 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 recognised in profit or loss by adjusting the allowance account. Subsequent to impairment, the effects of the unwinding of the discount is recognised in profit or loss as interest income.

b) Assets classified as available-for-sale

The BancABC Group assesses at each reporting date whether there is objective evidence that a financial asset or a BancABC 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.

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.

d) Collateral valuation

The BancABC 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, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the BancABC 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 where possible based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

e) Collateral repossessed

For ABCH, repossessed assets fall into 2 categories—first category relates to items that are repossessed from defaulting clients and sold via auction (usually a court bailiff or similar third party). These assets are not brought into our books—only the proceeds declared by the sheriff will be accounted for when received by way of repaying or partially repaying the loan. The second category involves assets where the bank applies to the courts to transfer title the assets into its own name at an agreed fair value. These are brought into the books at the agreed fair value with the customer and/or court as the case may be. The fair value of the asset is used to repay or partially repay the loan and it's up to the bank to sell the asset as soon as possible to ensure that the amount is converted into cash like in the first option. Conversion into an internally used asset is a possibility but this is rare.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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 income statement, but it is deferred in the balance sheet and released to the income statement over the life of the derivative. 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 BancABC 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 BancABC 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 BancABC 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 BancABC 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 "non interest income—net gains/losses on derivative financial instruments". Effective changes in fair value of currency futures are reflected in "non interest income—forex trading income and currency revaluation". Any ineffectiveness is recorded in "non interest income—gains on financial assets at fair value through profit or loss". 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 Company does not have any cash flow hedges.

c) Net investment hedge

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income and presented in the foreign currency translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

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 "non interest income—gains on financial assets at fair value through profit or loss—held for trading". 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 "non interest income—gains on financial assets at fair value through profit or loss—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 BancABC 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 impairment of loans and advances.

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 BancABC 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 BancABC 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 BancABC 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 BancABC 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 BancABC 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. However, management conducts annual assessments, to ensure that the carrying amount of land and buildings is not significantly different from fair value. 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. 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. 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
- Computer and office equipment 3–5 years
- Furniture and fittings 5–10 years
- Motor 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 asset's 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 BancABC 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 BancABC 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.

Intangible assets other than goodwill

Software

Software acquired by the BancABC 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 BancABC 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, other borrowed funds and derivative financial liabilities. 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 BancABC 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 BancABC 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 BancABC 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 BancABC 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 BancABC 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 BancABC 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 BancABC 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 BancABC 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 approved by shareholders. Dividends declared are recognised directly in equity.

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 (OCI) on the BancABC 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;

– 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, share based payments, treasury shares 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 net income from operations.

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 BancABC 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 BancABC 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 BancABC 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

BancABC Group as lessee

Leases where the BancABC 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.

BancABC 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

For ABCH, repossessed assets fall into 2 categories—first category relates to items that are repossessed from defaulting clients and sold via auction (usually a court bailiff or similar third party). These assets are not brought into our books—only the proceeds declared by the sheriff will be accounted for when received by way of repaying or partially repaying the loan. The second category involves assets where the bank applies to the courts to transfer title the assets into its own name at an agreed fair value. These are brought into the books at the agreed fair value with the customer and/or court as the case may be. The fair value of the asset is used to repay or partially repay the loan and it's up to the bank to sell the asset as soon as possible to ensure that the amount is converted into cash like in the first option. Conversion into an internally used asset is a possibility but this is rare.

Employee benefits

Defined contribution plans

In terms of certain employment contracts, the BancABC 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.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the BancABC Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term employee benefits

The BancABC Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as staff costs, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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 recognized 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 BancABC 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 recognized 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 BancABC Group that allocates resources to and assesses the performance of the operating segments of an entity. The BancABC Group has determined the EXCO 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 BancABC Group has the following operating segments: Banking operations in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe and non- banking operations arising from ABCH and non-banking subsidiaries.

The segment information provided to the BancABC Group Executive Committee for the reportable segments is as follows:

2011

	BancABC Botswana	BancABC Mozambique	BancABC Tanzania	BancABC Zimbabwe	BancABC Zambia	ABCH and non-banking subsidiaries**	Consolidation entries****	Total
				BWP'000s				
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)	2,562,094	1,220,893	918,312	2,501,854	883,887	1,641,051	(680,394)	9,047,697
Associates	—	—	—	4,472	—	13,067	—	17,539
Total assets	**2,562,094**	**1,220,893**	**918,312**	**2,506,326**	**883,887**	**1,654,118**	**(680,394)**	**9,065,236**
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	7,274	3,266	9,323	3,458	2,860	—	31,637
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.

2012

	BancABC Botswana	BancABC Mozambique	BancABC Tanzania	BancABC Zimbabwe	BancABC Zambia	ABCH and non-banking subsidiaries**	Consolidation entries****	Total
				BWP'000s				
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	**94,434**	**17,562**	**(41,096)**	**103,351**	**36,004**	**40,458**	**(115,548)**	**135,165**
Attributable profit	**94,434**	**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	54,637	0	—	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)	4,790,839	1,317,718	1,101,274	4,071,463	1,401,376	1,399,644	(867,627)	13,226,036
Associates	—	—	—	5,089	—	6,112		11,201
Total assets	**4,790,839**	**1,317,718**	**1,101,274**	**4,076,551**	**1,401,376**	**1,405,756**	**(867,627)**	**13,237,237**
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* **	**4,273,430**	**1,069,849**	**1,040,486**	**3,673,731**	**1,170,970**	**1,013,142**	**—**	**12,241,608**
Other segment items:								
Capital expenditure	26,087	35,861	13,046	80,432	12,889	4,331	—	172,646
Depreciation	7,123	9,238	4,414	20,577	6,659	4,498	—	52,510
Amortisation	5,254	10,650	5,874	4,907	3,363	188	—	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	93,082		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.

2013

	BancABC Botswana	BancABC Mozambique	BancABC Tanzania	BancABC Zimbabwe	BancABC Zambia	ABCH and non-banking subsidiaries**	Consolidation entries****	Total
				BWP'000s				
External revenue	382,625	102,813	49,295	386,677	170,626	(133,744)	197,937	1,156,229
Inter-segment revenue	27,070	48,283	48,780	7,256	—	140,757	(272,146)	—
Total revenue*	**409,695**	**151,096**	**98,075**	**393,933**	**170,626**	**7,013**	**(74,209)**	**1,156,229**
Net income from operations	163,383	5,038	(29,912)	43,752	22,410	(155,739)	(74,209)	(25,277)
Share of results of associates	—	—	—	903	—	(4,907)	—	(4,004)
Profit before tax	163,421	5,323	(29,912)	46,278	22,410	(160,646)	(74,209)	(27,334)
Income tax	(35,977)	(2,258)	9,862	(12,352)	(12,328)	6,647	—	(46,405)
Profit/Loss for the year	**127,444**	**3,065**	**(20,050)**	**33,926**	**10,083**	**(153,999)**	**(74,209)**	**(73,740)**
Attributable profit	**127,444**	**3,065**	**(19,581)**	**33,926**	**10,083**	**(130,370)**	**(74,209)**	**(49,642)**
Financial assets held for trading	504,183	297,813	211,570	54,167	192,316	—	—	1,260,049
Loans and advances	3,717,681	1,462,101	574,897	2,959,317	1,328,430	294,050	—	10,336,477
Segment assets (excluding associates)	4,892,490	2,259,667	1,064,608	4,306,757	2,065,885	2,263,857	(1,434,718)	15,418,546
Associates	—	—	—	7,210	—	6,110	—	13,320
Total assets	**4,892,490**	**2,259,667**	**1,064,608**	**4,313,967**	**2,065,885**	**2,269,967**	**(1,434,718)**	**15,431,866**
Deposits	4,725,874	2,321,477	1,298,507	2,708,592	1,154,637	—	—	12,209,087
Borrowed funds	17,754	74,768	22,516	431,911	40,405	1,171,966	—	1,759,320
Segment liabilities* **	**4,237,729**	**1,997,214**	**867,126**	**3,795,522**	**1,281,079**	**2,218,035**	**—**	**14,396,705**
Other segment items:								
Capital expenditure	24,155	18,711	23,297	28,912	19,351	12,747	—	127,173
Depreciation	10,188	14,191	6,348	29,167	9,466	4,806	—	74,166
Amortisation	7,193	12,576	8,105	7,536	4,496	104	—	40,010
Impairment charge	74,696	60,190	8,787	207,165	68,632	126,726	—	546,195
Operating expenses	246,312	146,058	127,987	350,182	148,215	162,752	—	1,181,506

* 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 income and dividends of BWP74 million as well as the investment in subsidiaries of BWP1,435 million net of goodwill of BWP33 million.

Financial risk management

The BancABC 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 BancABC Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the BancABC Group's financial performance.

The BancABC 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 BancABC 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 BancABC Group Risk, under policies approved by the ABCH Board of Directors. The ABCH Board of Directors 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 BancABC Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the BancABC 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 BancABC Group's portfolio, could result in losses that are different from those provided for at the reporting 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 BancABC Group risk management team ("BancABC Group Risk") reviews subsidiary risk exposures regularly, and reports to the ABCH Board of Directors.

The ABCH Board of Directors has defined and documented a credit policy for the BancABC 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. 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 ABCH Board of Directors. 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 BancABC Group Risk team regularly reviews each subsidiary's adherence to required standards. The executive committee reports to the ABCH Board of Directors and is responsible for approval of credit decisions that are above country limits, recommendations on exposure limits and impairment policies. There is also a ABCH Board of Directors credit committee that approves any loans above the EXCO limit.

The BancABC 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 BancABC Group Risk.

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Credit risk

Credit risks faced by the BancABC Group are described in further detail on pages 23, 24 and 36.

Credit risk management

Loans and advances

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the BancABC 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 BancABC 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 reporting date.

The BancABC 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 BancABC Group are segmented into five rating classes. The BancABC 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 BancABC Group regularly validates the performance of the rating and their predictive power with regard to default events.

BancABC 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 BancABC Group manages, limits and controls concentrations of credit risk in respect of individual counterparties and groups, and to industries and countries. The BancABC 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 BancABC Board, 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 BancABC 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 BancABC

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 BancABC 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.

Risks related to collateral faced by the BancABC Group are described in further detail on page 24.

(b) Master netting arrangements

The BancABC 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 BancABC 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 BancABC Group on behalf of a customer authorising a third party to draw drafts on the BancABC 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 BancABC 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 BancABC 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 BancABC Group aims to maintain 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 BancABC Group requires margin deposits from counterparties.

Impairment policies

The impairments shown in the statement of financial position 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 BancABC Group's on-and-off balance sheet items relating to loans and advances and the associated impairment for each of the BancABC Group's internal rating categories.

Impairments classification

	2011		2012		2013	
Category	Loans and advances (%)	Impairments (%)	Loans and advances (%)	Impairments (%)	Loans and advances (%)	Impairments (%)
Performing	87%	17%	85%	19%	71%	10%
Special mention	6%	8%	6%	5%	12%	4%
Sub-standard	4%	15%	3%	22%	8%	23%
Doubtful	1%	7%	1%	4%	3%	13%
Loss	2%	53%	5%	50%	6%	50%
	100%	**100%**	**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 BancABC 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 BancABC 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 the reporting 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 statement of financial position, 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 BancABC 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 BancABC Group to market risk.

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

Contingent liabilities

Credit exposures relating to off-balance sheet items are as follows:			
Guarantees	337,516	613,547	671,224
Loan commitments and other credit related facilities	95,387	183,052	99,522
	432,903	**796,599**	**770,746**

74% (2012: 75%, 2011: 74%) of the total maximum exposure is derived from loans and advances, while 11% (2012: 8%) represents financial assets held for trading.

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

- 83% (2012: 91%, 2011: 74%) of the gross loans and advances portfolio is categorised in the top two grades of the internal rating system.
- 71% (2012: 85%, 2011: 93%) of the gross loans and advances portfolio is considered to be "neither past due nor impaired."
- 17% (2012: 9%, 2011: 7%) of gross loans and advances are "individually impaired"
- the BancABC Group continues to improve its credit selection and monitoring processes; and
- loans and advances to corporates are generally backed by collateral.

Analysis of maximum exposure to credit risk and collateral and other credit enhancements

ABCH is subject to risks related to the valuation of collateral as discussed on page 24.

The following table shows the maximum exposure to credit risk by class of financial asset. It also shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

Type of collateral or credit enhancement

The fair values of collateral disclosed below have been derived as follows:

- collateral fair value is generally obtained or estimated at the initiation of a loan.
- management's policy is to seek to obtain updated collateral fair values annually but this is not always possible in the environment. Even for impaired loans there can be delays in the receipt of collateral valuations, for example a delay of 3 years would not be uncommon. Until a more up to date collateral valuation is received then the 'fair value' of collateral disclosed below is taken to be the last historic fair value information received.

		Fair value of collateral and credit enhancements held								
31 December 2011	**Maximum exposure to credit risk**	**Cash**	**Securities**	**Letters of credit/ guarantees**	**Property**	**Other***	**Netting agreements**	**Surplus collateral**	**Total collateral**	**Net exposure**
Placement with other banks	**1,114,126**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,114,126**
Derivate financial assets										
—Forward foreign exchange contracts	32,337	—	—	—	—	—	—	—	—	32,337
	32,337	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**32,337**
Financial assets held for trading										
—government bonds	52,747	—	—	—	—	—	—	—	—	52,747
—treasury bills and other open market instruments	571,593	—	—	—	—	—	—	—	—	571,593
—bankers acceptance and commercial paper	26,709	—	—	—	—	—	—	—	—	26,709
	651,049	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**651,049**
Financial assets designated at fair value										
—listed equities	18,907								—	18,907
—listed debentures	14,390								—	14,390
—unlisted equities and debentures	152,115								—	152,115
	185,412	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**185,412**

31 December 2011	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held — Cash	Securities	Letters of credit/ guarantees	Property	Other*	Netting agreements	Surplus collateral	Total collateral	Net exposure
Loans and advances to customers at amortised cost										
—Mortgage lending	65,201	—	—	—	65,201	—	—	302,061	367,262	(302,060)
—Instalment finance	331,826	—	—	—	—	91,226	—	—	91,226	240,599
—Corporate lending	4,440,053	252,161	—	37,544	798,651	31,019	—	—	1,119,375	3,320,678
—Commercial and property finance	169,531	—	—	—	—	108,164	—	—	108,164	61,367
—Consumer lending	1,288,348	12,173	—	2,302	8,827	—	—	—	23,302	1,265,046
	6,294,959	**264,334**	**—**	**39,846**	**872,679**	**230,409**	**—**	**302,061**	**1,709,329**	**4,585,630**
Investment securities										
—Promissory notes	42,172	—	—	—	—	—	—	—	—	42,172
	42,172	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**42,172**
	8,320,055	**264,334**	**—**	**39,846**	**872,679**	**230,409**	**—**	**302,061**	**1,709,329**	**6,610,726**
Off-balance sheet items										
Letters of credit for customers	95,387	—	—	—	—	—	—	—	—	95,387
Guarantees	337,516	26,184	—	11,575	31,965	6,454	—	—	76,178	261,338
	8,752,958	**290,518**	**—**	**51,421**	**904,644**	**236,863**	**—**	**302,061**	**1,785,507**	**6,967,451**

*—Vehicles, machinery, other fixed assets, inventory and trade receivables

Notes to the financial statements for ABCH (Continued)

31 December 2012	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held: Cash	Securities	Letters of credit/ guarantees	Property	Other*	Netting agreements	Surplus collateral	Net collateral	Net exposure
Placement with other banks	**1,585,580**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,585,580**
Derivate financial assets										
—Forward foreign exchange contracts	33,769	—	—	—	—	—	—	—	—	33,769
	33,769	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**33,769**
Financial assets held for trading										
—government bonds	73,580	—	—	—	—	—	—	—	—	73,580
—treasury bills and other open market instruments	919,078	—	—	—	—	—	—	—	—	919,078
—bankers acceptance and commercial paper	30,206	—	—	—	—	—	—	—	—	30,206
	1,022,864	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,022,864**
Financial assets designated at fair value										
—listed equities	9,928	—	—	—	—	—	—	—	—	9,928
—listed debentures	27,201	—	—	—	—	—	—	—	—	27,201
—unlisted equities and debentures	152,569	—	—	—	—	—	—	—	—	152,569
	189,698	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**189,698**
Loans and advances to customers at amortised cost										
—Mortgage lending	268,054	—	—	—	210,063	—	—	—	210,063	57,991
—Instalment finance	561,501	—	—	—	87,237	120,946	—	—	208,183	353,318
—Corporate lending	4,611,729	85,779	—	10,332	1,750,741	347,840	—	—	2,194,693	2,417,036
—Commercial and property finance	54,066	—	—	—	53,306	—	—	—	53,306	760
—Consumer lending	3,964,885	—	—	—	—	9,411	—	—	9,411	3,955,474
	9,460,235	**85,779**	**—**	**10,332**	**2,101,347**	**478,197**	**—**	**—**	**2,675,655**	**6,784,580**
Investment securities										
—Promissory notes	45,853	—	—	—	—	—	—	—	—	45,853
	45,853	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**45,853**
	12,337,999	**85,779**	**—**	**10,332**	**2,101,347**	**478,197**	**—**	**—**	**2,675,655**	**9,662,344**
Off-balance sheet items										
Guarantees	183,052	—	—	—	—	—	—	—	—	183,052
Letters of credit for customers	613,547	—	—	—	4,122	35,444	—	—	39,566	573,981
	13,134,598	**85,779**	**—**	**10,332**	**2,105,469**	**513,640**	**—**		**2,715,221**	**10,419,377**

*—Vehicles, machinery, other fixed assets, inventory and trade receivables

Notes to the financial statements for ABCH (Continued)

31 December 2013	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held: Cash	Securities	Letters of credit/ guarantees	Property	Other*	Netting agreements	Surplus collateral	Net collateral	Net exposure
Placement with other banks	**2,030,148**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,030,148**
Derivate financial assets										
—Forward foreign exchange contracts	27,636	—	—	—	—	—	—	—	—	27,636
	27,636	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**27,636**
Financial assets held for trading										
—government bonds	71,892	—	—	—	—	—	—	—	—	71,892
—treasury bills and other open market instruments	1,152,354	—	—	—	—	—	—	—	—	1,152,354
—bankers acceptance and commercial paper	35,803	—	—	—	—	—	—	—	—	35,803
	1,260,049	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,260,049**
Financial assets designated at fair value										
—listed equities	4,337								—	4,337
—listed debentures	33,887								—	33,887
—unlisted equities and debentures	223,328								—	223,328
	261,552	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**261,552**
Loans and advances to customers at amortised cost										
—Mortgage lending	349,044	—	—	—	323,331	—	—	—	323,331	25,712
—Instalment finance	670,372	—	—	—	122,230	30,528	—	—	152,758	517,615
—Corporate lending	5,381,767	194,493	199,936	118,179	2,214,003	881,371	—	—	3,607,983	1,773,784
—Commercial and property finance	53,715	—	—	—	40,948	12,767	—	18,063	71,778	(18,063)
—Consumer lending	4,711,160	91,458	—	—	256,170	11,505	—	—	359,134	4,352,027
	11,166,058	**285,952**	**199,936**	**118,179**	**2,956,683**	**936,171**	**—**	**18,063**	**4,514,984**	**6,651,075**
Investment securities										
—Promissory notes	49,523	—	—	—	—	—	—	—	—	49,523
	49,523	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**49,523**
	14,794,966	**285,952**	**199,936**	**118,179**	**2,956,683**	**936,171**	**—**	**18,063**	**4,514,984**	**10,279,983**
Off-balance sheet items										
Financial guarantees										
Letters of credit for customers	99,522	30,672	—	—	—	—	—	—	30,672	68,850
Other commitments	671,224	—	—	—	—	—	—	—	—	671,224
	15,565,713	**316,624**	**199,936**	**118,179**	**2,956,683**	**936,171**	**—**		**4,545,656**	**11,020,057**

*—Vehicles, machinery, other fixed assets, inventory and trade receivables

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 BancABC Group's businesses.

Distribution of loans and advances by credit quality:

	2011	2012	2013
		BWP'000s	
Neither past due nor impaired	5,472,461	8,020,250	7,875,037
Past due but not impaired	404,327	565,367	1,368,111
Individually impaired	418,171	874,618	1,922,911
Gross loans and advances	6,294,959	9,460,235	11,166,059
Less: Allowance for impairment	(217,560)	(316,193)	(829,582)
Net loans and advances	**6,077,399**	**9,144,042**	**10,336,477**

The total impairment of loans and advances is BWP829.6 million (2012: 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 2013, the BancABC Group's total gross loans and advances increased by 18% (2012: increased by 50%, 2011: increased by 95%), attributable to continued expansion in consumer and personal loans in Botswana, Mozambique and Zimbabwe. Loans and advances to the corporate sector continue to form a major part of the BancABC 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	2011	2012	2013
		BWP'000s	
Mortgage lending	56,973	264,805	279,535
Instalment finance	266,236	471,430	436,890
Corporate lending	3,791,223	3,439,016	2,862,189
Commercial and property finance	150,220	52,958	42,935
Consumer lending	1,207,809	3,792,041	4,253,488
	5,472,461	**8,020,250**	**7,875,038**

(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:

2011	Days past due			
	1 - 30 days	31 - 60 days	61 - 90 days	Total
	BWP'000s			
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**

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

2013	Days past due			
	1 - 30 days	31 - 60 days	61 - 90 days	Total
	BWP'000s			
Internal Grade: Special mention				
Mortgage lending	25,256	34,214	2,751	62,221
Instalment finance	34,032	11,031	15,964	61,028
Corporate lending	509,630	190,903	239,819	940,352
Commercial and property finance	8,675	—	1,573	10,248
Consumer lending	186,918	89,147	18,197	294,262
	764,511	**325,296**	**278,304**	**1,368,111**

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 premises, 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 BWP 1,922.9 million (2012: BWP 874.6 million, 2011: BWP 418.2 million).

Under-collaterised loans are considered for impairment. 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.

Repossessed collateral

During 2013, the BancABC Group obtained assets by taking possession of collateral held as security. At 31 December 2013, these comprised of:

Nature of assets

Nature of assets	2011	2012	2013
Property	—	13,031	14,572
Cash security	—	—	—
Motor vehicles	50	2,218	725
Carrying amount	**50**	**15,249**	**15,297**

Repossessed properties are sold as soon as practical, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the statement of financial position 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 BancABC Group is subject to risks related to the concentration of its loans, such as discussed on pages 21 and 27.

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2013. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

2011	Botswana	Mozambique	Tanzania	Zambia	Zimbabwe	Other	Total
				BWP'000s			
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**

2012	Botswana	Mozambique	Tanzania	Zambia	Zimbabwe	Other	Total
				BWP'000s			
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**

2013	Botswana	Mozambique	Tanzania	Zambia	Zimbabwe	Other	Total
				BWP'000s			
Placements with other banks	493,699	329,381	116,702	417,987	659,472	12,907	2,030,148
Financial assets held for trading	504,183	297,813	211,570	192,316	54,166	—	1,260,049
Financial assets designated at fair value	—	—	102,766	—	38,224	120,562	261,552
Derivative financial assets	—	166	26,986	240	245	—	27,637
Loans and advances (net of impairments)	3,469,588	1,462,154	754,073	1,356,134	3,289,375	5,154	10,336,477
Investment securities	49,523	5,962	5,530	2,084	4,876	—	67,975
Prepayments and other receivables	17,174	9,446	16,138	27,437	190,297	1,159	261,651
Current tax asset	8,630	5,285	17,622	—	1,454	—	32,992
	4,542,797	**2,110,207**	**1,251,388**	**1,996,198**	**4,238,109**	**139,780**	**14,278,480**

Notes to the financial statements for ABCH (Continued)

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

2011	Agriculture	Construction	Wholesale, Retail and Trade	Public Sector	Manufacturing	Mining	Financial Services	Transport & Energy	Individuals	Tourism	Other	Total
						BWP'000s						
Placements with other banks	—	—	—	—	—	—	1,114,126	—	—	—	—	1,114,126
Financial assets held for trading	—	7,692	1,547	49,073	—	—	575,267	—	—	—	17,470	651,049
Financial assets designated at fair value	77,125	—	—	—	14,390	—	93,897	35,871	—	—	—	221,283
Derivative financial assets	—	—	135	—	—	—	32,202	—	—	—	—	32,337
Loans and advances	520,430	349,656	1,137,253	130,781	574,760	842,833	516,236	292,734	1,256,703	94,851	361,162	6,077,399
Investment securities	—	—	—	—	—	—	42,172	—	—	—	—	42,172
Prepayments and other receivables	—	—	17,209	—	—	—	116,803	—	—	—	37,988	172,000
Current tax assets	—	—	—	8,458	—	—	—	—	—	—	—	8,458
	597,555	**357,348**	**1,156,144**	**188,312**	**589,150**	**842,833**	**2,490,703**	**328,605**	**1,256,703**	**94,851**	**416,620**	**8,318,824**

Notes to the financial statements for ABCH (Continued)

2012	Agriculture	Construction	Wholesale, Retail and Trade	Public Sector	Manufacturing	Mining	Financial Services	Transport & Energy	Individuals	Tourism	Other	Total
						BWP'000s						
Placements with other banks	—	—	—	—	—	—	1,585,580	—	—	—	—	1,585,580
Financial assets held for trading	—	—	—	—	4,015	333	993,228	—	—	—	25,288	1,022,864
Financial assets designated at fair value	—	—	—	—	27,201	45,860	116,637	—	—	—	—	189,698
Derivative financial assets	—	—	—	—	—	—	33,646	—	—	—	123	33,769
Loans and advances	595,062	365,041	753,732	176,535	814,746	1,077,569	670,221	506,156	3,801,458	99,818	283,704	9,144,042
Investment securities	—	—	—	—	—	—	45,853	—	—	—	—	45,853
Prepayments and other receivables	—	—	2,225	—	—	—	165,770	—	—	—	26,047	194,042
Current tax assets	—	—	—	19,874	—	—	8,184	—	—	—	3,599	31,657
	595,062	**365,041**	**755,957**	**196,409**	**845,962**	**1,123,762**	**3,619,119**	**506,156**	**3,801,458**	**99,818**	**338,761**	**12,247,505**

Notes to the financial statements for ABCH (Continued)

2013	Agriculture	Construction	Wholesale, retail and trade	Public sector	Manufacturing	Mining	Financial services	Transport & energy	Individuals	Tourism	Other	Total
						BWP'000s						
Placements with other banks	—	—	—	—	—	—	2,030,148	—	—	—	—	2,030,148
Financial assets held for trading	—	—	1,942	229,934	33,861	—	994,312	—	—	—	—	1,260,049
Financial assets designated at fair value	—	—	—	—	38,224	—	149,610	73,718	—	—	—	261,552
Derivative financial assets	—	—	—	—	—	—	27,471	—	—	—	166	27,637
Loans and advances	575,964	345,446	891,685	211,184	694,266	797,497	241,034	463,845	5,128,518	86,255	901,341	10,336,477
Investment securities	—	—	102	—	5	304	64,527	—	—	—	3,037	67,975
Prepayments and other receivables	—	—	1,023	—	—	7,898	235,580	—	—	—	17,149	261,651
Current tax assets	—	—	—	32,992	—	—	—	—	—	—	—	32,992
	575,964	**345,446**	**894,752**	**474,110**	**766,356**	**805,699**	**3,742,682**	**537,563**	**5,128,518**	**86,255**	**921,692**	**14,278,480**

Governmental, institutional, political and legal risk

ABCH is subject to risks related to the governments of the countries and regions in which it operates, to related institutions in those markets, and to the political environments in those markets, including risks related to changes in laws and government policies, as discussed on pages 28, 32 and 40. These include risks related to specific countries, such as Zimbabwe, as discussed on pages 31 and 41 to 42. ABCH is also subject to risks related to corruption, bribery, and anti-money laundering rules and restrictions, both generally, and specific to countries of operation, such as discussed on page 28. Most sub-Saharan African countries have implemented political and economic reforms over the last two decades to reduce corruption, increase local consumer demand, improve the enforceability of contracts and privatise government-owned enterprise. Despite improvements in institutional capacity, more needs to be done to improve intraregional trade by reducing gaps in infrastructure and harmonizing export and import regulations in order to diversify and protect itself from flucutating commodity prices.

Market risk

The BancABC 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 BancABC Group's continuing expansion and cross border investment activities is managed through the executive committee and the BancABC Group asset and liability committee.

Market risk measurement techniques

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

Foreign exchange risk

The BancABC Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. BancABC 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 BancABC Group's exposure to foreign currency exchange rate risk at 31 December 2013. Included in the table are the BancABC Group's total assets and liabilities (financial and non-financial) at carrying amounts, categorised by currency.

Risks related to foreign exchange faced by the BancABC Group are described in further detail on page 26.

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

At 31 December 2011	EUR	USD	BWP	ZAR	TZS	ZMK	MZN	JPY	OTHER	Total
					BWP'000s					
Cash and short term funds	47,371	533,626	302,208	54,662	117,438	35,486	131,153	12,859	8,628	1,243,431
Financial assets held for trading	451	27,588	418,406	—	47,742	36,957	119,905	—	—	651,049
Financial assets designated at fair value	—	185,412	—	—	35,871	—	—	—	—	221,283
Derivative financial asset*	—	4,594	6,091	1,327	—	—	216	125,214	(105,105)	32,337
Loans and advances	21,228	3,292,744	1,465,953	2,077	249,866	363,753	573,533	—	108,245	6,077,399
Investment securities	—	4,709	42,172	—	—	1,363	—	—	2,059	50,303
Prepayments and other receivables	1,527	150,478	1,986	1,277	6,376	4,424	1,793	—	4,139	172,000
Current tax asset	—	—	—	—	—	—	—	—	8,458	8,458
Investment in associates	—	4,472	11,275	—	1,792	—	—	—	—	17,539
Property and equipment	—	103,261	132,299	33,022	23,859	34,796	68,991	—	—	396,228
Investment property	—	2,021	—	—	—	—	—	—	—	2,021
Intangible assets	—	16,164	52,252	9	19,518	6,376	36,043	—	—	130,362
Deferred tax asset	—	25,255	15,064	444	6,200	15,863	—	—	—	62,826
	70,577	**4,350,324**	**2,447,706**	**92,818**	**508,662**	**499,018**	**931,634**	**138,073**	**26,424**	**9,065,236**
Deposits	70,909	3,216,730	2,255,519	50,026	583,897	358,311	789,209	14,013	36,086	7,374,700
Derivative financial liabilities*	—	151,959	—	—	—	—	216	—	(105,106)	47,069
Creditors and accruals	100	61,549	24,746	10,813	7,442	11,321	10,266	—	4,190	130,427
Current tax liabilities	—	17,250	5,322	—	—	1,612	3,433	—	—	27,617
Deferred tax liabilities	—	716	3,843	—	1,756	—	3,036	—	—	9,351
Borrowed funds	4,942	573,220	275,540	—	742	—	—	125,212	2,132	981,788
	75,951	**4,021,424**	**2,564,970**	**60,839**	**593,837**	**371,244**	**806,160**	**139,225**	**(62,698)**	**8,570,952**
Net on-balance sheet position	**(5,374)**	**328,900**	**(117,264)**	**31,979**	**(85,175)**	**127,774**	**125,474**	**(1,152)**	**89,122**	**494,284**
Credit commitments	**52,995**	**272,999**	**36,742**	**57,955**	**12,212**	**—**	**—**	**—**	**—**	**432,903**

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

Notes to the financial statements for ABCH (Continued)

At 31 December 2012	EUR	USD	BWP	ZAR	TZS	ZMK	MZN	JPY	OTHER	Total
					BWP'000s					
Cash and short term funds	10,835	888,020	428,322	202,102	120,034	42,830	167,126	—	—	1,859,269
Financial assets held for trading	—	75,039	732,972	0	53,132	54,637	107,084	—	—	1,022,864
Financial assets designated at fair value	834	162,210	—	(0)	26,654	—	—	—	—	189,698
Derivative financial asset*	—	216,315	2,852	9,871	507,537	—	1,572	94,411	(798,789)	33,769
Loans and advances	30,349	4,316,279	2,936,109	2,497	273,497	794,119	682,961	—	108,231	9,144,042
Investment securities	—	0	45,853	—	4,904	1,781	1,962	—	(0)	54,500
Prepayments and other receivables	802	149,554	10,778	1,546	23,658	6,640	991	—	73	194,042
Current tax asset	—	8,298	3,485	—	15,629	—	4,245	—	0	31,657
Investment in associates	—	5,088	4,246	—	1,866	—	—	—	0	11,201
Property and equipment	308	242,003	66,130	31,628	22,303	41,453	84,484	—	—	488,310
Investment property	—	—	—	—	—	—	—	—	—	—
Intangible assets	(0)	21,399	54,679	136	19,485	11,089	32,357	—	0	139,145
Deferred tax asset	—	27,927	18,019	1,268	19,308	2,218	—	—	0	68,740
	43,128	**6,112,132**	**4,303,445**	**249,048**	**1,088,007**	**954,767**	**1,082,782**	**94,411**	**(690,485)**	**13,237,237**
Deposits	31,102	4,230,128	3,647,113	356,936	856,745	425,334	1,094,125	13,710	19,918	10,675,111
Derivative financial liabilities*	—	573,679	(0)	8,851	235,532	—	2,791	—	(798,232)	22,621
Creditors and accruals	133	80,011	61,420	13,421	19,265	119,496	9,244	—	375	303,365
Current tax liabilities	—	10,529	988	—	—	8,666	0	—	(0)	20,183
Deferred tax liabilities	—	(5,544)	3,269	—	6,332	894	3,405	—	0	8,356
Borrowed funds	7,736	736,050	373,388	0	772	0	—	94,785	0	1,212,731
	38,971	**5,624,853**	**4,086,177**	**379,208**	**1,118,646**	**554,390**	**1,109,565**	**108,495**	**(777,939)**	**12,242,367**
Net on-balance sheet position	**4,157**	**487,279**	**217,268**	**(130,160)**	**(30,639)**	**400,377**	**(26,783)**	**(14,084)**	**87,454**	**994,870**
Credit commitments	**20,399**	**301,197**	**8,988**	**85,840**	**41,366**	**227,228**	**98,381**	**13,200**	**—**	**796,599**

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

Notes to the financial statements for ABCH (Continued)

At 31 December 2013	EUR	USD	BWP	ZAR	TZS	ZMW	MZN	JPY	OTHER	Total
					BWP'000s					
Cash and short term funds	41,133	1,114,785	431,836	35,556	35,816	428,122	207,449	300	9,286	2,304,283
Financial assets held for trading	—	55,729	504,183	—	210,008	192,316	297,813	—	—	1,260,049
Financial assets designated at fair value	—	218,931	—	—	42,621	—	—	—	—	261,552
Derivative financial asset*	10,740	623,014	22,458	74,589	266,715	240	—	78,800	(1,048,920)	27,636
Loans and advances	27,374	4,763,843	3,397,018	35,197	315,703	1,113,549	683,748	—	46	10,336,477
Investment securities	982	3,894	49,523	—	5,530	2,084	5,962	—	—	67,975
Prepayments and other receivables	23	214,053	13,982	1,178	25	27,337	4,971	—	82	261,651
Current tax asset	—	1,454	8,630	—	17,622	—	5,286	—	—	32,992
Investment in associates	—	7,210	4,006	—	2,104	—	—	—	—	13,320
Property and equipment	—	313,601	76,420	27,089	37,367	51,715	78,679	—	11	584,880
Intangible assets	60	22,654	51,532	75	18,847	9,630	27,204	—	—	130,002
Deferred tax asset	—	46,301	10,277	2,207	62,135	27,185	2,946	—	—	151,049
	80,312	**7,385,470**	**4,569,864**	**175,891**	**1,014,493**	**1,852,176**	**1,314,057**	**79,100**	**(1,039,495)**	**15,431,866**
Deposits	76,629	4,483,385	3,937,405	95,467	751,639	1,138,064	1,709,675	12,140	4,683	12,209,087
Derivative financial liabilities*	812	673,386	31,278	47,193	266,715	—	—	—	(981,744)	37,640
Creditors and accruals	300	137,501	48,313	15,672	15,579	141,018	6,530	—	1,176	366,089
Current tax liabilities	—	—	2,131	—	—	10,786	—	—	—	12,917
Deferred tax liabilities	—	(6,165)	3,647	—	—	8,554	5,615	—	—	11,651
Borrowed funds	3,012	1,340,174	274,093	—	97	—	74,769	67,175	—	1,759,320
	80,753	**6,628,281**	**4,296,867**	**158,332**	**1,034,030**	**1,298,422**	**1,796,589**	**79,315**	**(975,885)**	**14,396,704**
Net on-balance sheet position	**(441)**	**757,189**	**272,997**	**17,559**	**(19,537)**	**553,754**	**(482,532)**	**(215)**	**(63,610)**	**1,035,163**
Credit commitments	**82,660**	**194,128**	**17,826**	**11,252**	**87,903**	**288,262**	**88,715**	**—**	**—**	**770,746**

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

Notes to the financial statements for ABCH (Continued)

A reasonably possible strengthening (weakening) of the Euro, US Dollar, Botswana Pula, South Africa Rand, Tanzanian Shilling, Zambian Kwacha, Mozambican Metical and Japanese Yen against all other currencies at 31 December 2013 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	31 December 2013			
	Profit or loss		Equity, net of tax	
Currency	Strengthening	Weakening	Strengthening	Weakening
EUR (3% movement)	(93)	93	(68)	68
USD (4% movement)	(10,332)	10,332	(7,533)	7,533
BWP (10% movement)	51,465	(51,465)	40,135	(40,135)
ZAR (10% movement)	2,519	(2,519)	1,818	(1,818)
TZS (5% movement)	(1,579)	1,579	(1,105)	1,105
ZMW (10% movement)	18,302	(18,302)	11,888	(11,888)
MZN (5% movement)	(34,180)	34,180	(25,359)	25,359
JPY (3% movement)	(9)	9	(7)	7

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 BancABC 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 ("BancABC Group ALCO") is responsible for managing interest rate and liquidity risk in the BancABC Group. BancABC Group ALCO has been established in each subsidiary and meet on a monthly basis. They operate within the prudential guidelines and policies established by the BancABC 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 BancABC Group's ability to build a substantial, stable pool of fixed rate funding.

The table below summarises the BancABC Group's total exposure to interest rate risks on financial and non-financial instruments. It includes the BancABC 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.

2011

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Total interest sensitive	Non-interest bearing	Total
				BWP'000s			
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	—	—	—	—	—	396,228	396,228
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**	**1,454,605**	**9,065,236**
Equity	**—**	**—**	**—**	**—**	**—**	**494,284**	**494,284**
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	—	—	—	—	—	9,351	9,351
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**	**272,000**	**8,570,952**
Total interest repricing gap	**(851,521)**	**(941,976)**	**96,337**	**1,008,839**	**(688,321)**	**688,321**	**—**

2012

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Total interest sensitive	Non-interest bearing	Total
				BWP'000s			
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	0	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	—	—	—	—	—	11,200	11,200
Property and equipment	—	—	—	—	—	488,310	488,310
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**	**1,924,696**	**13,237,236**
Equity	**—**	**—**	**—**	**—**	**—**	**994,870**	**994,870**
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	—	—	—	—	—	8,356	8,356
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**	**354,526**	**12,242,367**
Total interest repricing gap	**(1,913,388)**	**(2,089,610)**	**977,493**	**2,450,203**	**(575,302)**	**575,300**	**(2)**

2013

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Total interest sensitive	Non-interest bearing	Total
				BWP'000s			
Cash and short term funds	975,427	61,464	89	—	1,036,980	1,267,303	2,304,283
Financial assets held for trading	696,990	359,285	116,272	87,502	1,260,049	—	1,260,049
Financial assets designated at fair value	—	—	22,643	11,247	33,890	227,662	261,552
Derivative financial assets	—	—	—	—	—	27,636	27,636
Loans and advances	6,666,036	413,045	639,860	2,617,537	10,336,477	—	10,336,477
Investment securities	—	—	4,879	55,485	60,364	7,611	67,975
Prepayments and other receivables	—	—	—	—	—	261,651	261,651
Current tax asset	—	—	—	—	—	32,992	32,992
Investment in associates	—	—	—	—	—	12,153	12,153
Property and equipment	—	—	—	—	—	584,880	584,880
Intangible assets	—	—	—	—	—	130,002	130,002
Deferred tax asset	—	—	—	—	—	151,049	151,049
Assets	**8,338,452**	**833,794**	**783,743**	**2,771,771**	**12,727,760**	**2,702,938**	**15,430,699**
Equity	**—**	**—**	**—**	**—**	**—**	**1,035,162**	**1,035,162**
Deposits	5,948,424	3,673,392	2,512,374	74,897	12,209,087	—	12,209,087
Derivative financial liabilities	—	—	—	—	—	37,640	37,640
Creditors and accruals	—	—	—	—	—	366,089	366,089
Current tax liabilities	—	—	—	—	—	12,917	12,917
Deferred tax liability	—	—	—	—	—	11,651	11,651
Borrowed funds	552,809	225,835	189,476	791,200	1,759,320	—	1,759,320
Liabilities	**6,501,233**	**3,899,227**	**2,701,850**	**866,097**	**13,968,407**	**428,297**	**14,396,704**
Total interest repricing gap	**1,837,220**	**(3,065,433)**	**(1,918,107)**	**1,905,674**	**(1,240,647)**	**1,239,479**	**(1,168)**

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

	2011		2012		2013	
	Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax
			BWP'000s			
BancABC Botswana						
ABC Botswana constituted 31% of the Group's total assets.						
Change in net interest income (+50 basis points)	761	593	1,262	984	5,944	4,636
As a percentage of total Shareholders equity	0.47%	0.36%	0.31%	0.24%	1.06%	0.82%
Change in net interest income (−50 basis points)	(761)	(593)	(1,262)	(984)	(5,944)	(4,636)
As a percentage of total Shareholders equity	−0.47%	−0.36%	−0.31%	−0.24%	−1.06%	−0.82%
BancABC Zambia						
ABC Zambia constituted 13% of the Group's total assets.						
Change in net interest income (+50 basis points)	322	193	(2,225)	(1,335)	61	40
As a percentage of total Shareholders equity	0.45%	0.27%	−1.51%	−0.91%	0.01%	0.01%
Change in net interest income (−50 basis points)	(322)	(193)	2,225	1,335	(61)	(40)
As a percentage of total Shareholders equity	−0.45%	−0.27%	1.51%	0.91%	−0.01%	−0.01%
BancABC Mozambique						
ABC Mozambique constituted 15% of the Group's total assets						
Change in net interest income (+50 basis points)	(66)	(45)	43	29	(782)	(532)
As a percentage of total Shareholders equity	−0.04%	−0.03%	0.02%	0.02%	−0.36%	−0.24%
Change in net interest income (−50 basis points)	66	45	(43)	(29)	782	532
As a percentage of total Shareholders equity	0.04%	0.03%	−0.02%	−0.02%	0.36%	0.24%
BancABC Tanzania						
ABC Tanzania constituted 7% of the Group's total assets						
Change in net interest income (+50 basis points)	592	414	1,320	924	1,620	1,134
As a percentage of total Shareholders equity	0.60%	0.42%	2.17%	1.52%	0.82%	0.57%
Change in net interest income (−50 basis points)	(592)	(414)	(1,320)	(924)	(1,620)	(1,134)
As a percentage of total Shareholders equity	−0.60%	−0.42%	−2.17%	−1.52%	−0.82%	−0.57%
BancABC Zimbabwe						
ABC Zimbabwe constituted 29% of the Group's total assets						
Change in net interest income (+50 basis points)	(797)	(591)	(3,426)	(2,544)	29,401	21,830
As a percentage of total Shareholders equity	−0.28%	−0.21%	−0.81%	−0.60%	3.93%	2.92%
Change in net interest income (−50 basis points)	797	591	3,426	2,544	(29,401)	(21,830)
As a percentage of total Shareholders equity	0.28%	0.21%	0.81%	0.60%	−3.93%	−2.92%

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 BancABC Group holds, directly or through its associates, listed equities and debentures with a fair value of BWP 161.3 million (2012: BWP 117.2 million). BWP 40.7 million (2012: BWP 37.1 million) of these shares are listed on the Zimbabwe Stock Exchange and BWP 120.6 million (2012: BWP 80.1 million) are listed on the Nigerian Stock Exchange. A 2% movement in the ZSE composite index and a 5% movement on the Nigerian composite index would have had an increase in profit or loss of BWP 6.8 million (2012: BWP 4.7 million) and equity of BWP 5.9 million (2012: BWP 4.1 million). 2011 information was unavailable.

Liquidity risk

Liquidity risk is the risk that the BancABC 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 BancABC 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.

Risks related to liquidity faced by the BancABC Group are described in further detail in the "Risk Factors," on pages 23 and 32.

Liquidity risk management process

The BancABC 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. BancABC Group liquidity management is dependent upon accurate cash flow projections and the monitoring of its future funding requirements. The BancABC Group's liquidity management process is monitored by BancABC 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 BancABC 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.

BancABC 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 BancABC Group's maturity analysis (on a discounted cash flow basis) of all assets, liabilities and equity as at 31 December 2013 was as follows:

2011	Up to 1 month	1 - 3 months	3 - 12 months	Greater than 1 year	Total
			BWP'000s		
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	—	—	—	396,228	396,228
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**	**3,567,312**	**9,062,236**
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	—	—	—	9,351	9,351
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**	**1,153,286**	**9,065,236**
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.

2012	Up to 1 month	1 - 3 months	3 - 12 months	Greater than 1 year	Total
			BWP'000s		
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	—	—	—	488,310	488,310
Investment property	—	—	—	—	—
Intangible assets	—	—	—	139,145	139,145
Deferred tax asset	—	—	—	68,740	68,740
Total assets	**4,913,239**	**516,803**	**1,551,967**	**6,225,227**	**13,237,236**
Shareholders equity and liabilities					
Equity	—	—	—	**994,870**	**994,870**
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	8,282	8,356
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**	**1,458,946**	**13,237,236**
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.

2013	Up to 1 month	1 - 3 months	3 - 12 months	Greater than 1 year	Total
			BWP'000s		
Cash and short term funds*	2,194,525	109,758	—	—	2,304,283
Financial assets held for trading	696,987	359,285	116,272	87,505	1,260,049
Financial assets designated at fair value	240	566	26,415	234,331	261,552
Derivative financial assets	27,636	—	—	—	27,636
Loans and advances	2,429,551	470,761	1,023,783	6,412,382	10,336,477
Investment securities	2,084	—	4,879	61,012	67,975
Prepayments and other receivables	221,280	12,691	27,679	—	261,651
Current tax asset	—	10,087	22,905	—	32,992
Investment in associates	—	—	—	13,320	13,320
Property and equipment	—	—	—	584,880	584,800
Investment property	—	—	—	0	0
Intangible assets	—	—	—	130,002	130,002
Deferred tax asset	—	—	—	151,049	151,049
Total assets	**5,572,303**	**963,148**	**1,221,934**	**7,674,481**	**15,431,866**
Shareholders equity and liabilities					
Equity	—	—	—	**1,035,162**	**1,035,162**
Liabilities					
Deposits	5,948,423	3,673,392	2,512,375	74,897	12,209,087
Derivative financial liabilities	2,079	—	8,808	26,754	37,640
Creditors and accruals	98,847	14,098	253,144	—	366,089
Current tax liabilities	—	910	12,007	—	12,917
Deferred tax liabilities	—	—	—	11,651	11,651
Borrowed funds	535,289	21,025	78,762	1,124,244	1,759,320
Total equity and liabilities	**6,584,638**	**3,709,425**	**2,865,096**	**2,272,708**	**15,431,866**
Net maturity gap	**(1,012,335)**	**(2,746,277)**	**(1,643,162)**	**5,401,773**	**0**
Contingent liabilities	**60,510**	**171,691**	**345,985**	**192,559**	**770,746**

* Included in the 'Up to 1 month' bucket are statutory reserve balances of BWP706.6 million (2012: BWP544.4 million).

Funding approach

Sources of liquidity are regularly reviewed by the BancABC Group ALCO, to maintain a diversification by currency, geography, provider, product and term where possible.

Non-derivative cashflow

The table below presents the cash flows payable by the BancABC 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 BancABC Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

	Up to 1 month	1 - 3 months	3 - 12 months	Greater than 1 year	Total	Effect of discount/financing rates	31 December 2011
				BWP'000s			
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**

	Up to 1 month	1 - 3 months	3 - 12 months	Greater than 1 year	Total	Effect of discount/financing rates	31 December 2012
				BWP'000s			
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**

	Up to 1 month	1 - 3 months	3 - 12 months	Greater than 1 year	Total	Effect of discount/financing rates	31 December 2013
				BWP'000s			
2013							
Deposits	6,069,082	3,699,085	2,266,422	234,138	12,268,728	(59,640)	**12,209,087**
Creditors and accruals	98,847	14,098	253,144	—	366,089	—	**366,089**
Current tax liabilities	—	910	12,007	—	12,917	—	**12,917**
Borrowed funds	534,980	30,006	105,062	1,287,041	1,957,090	(197,769)	**1,759,320**
Total liabilities	**6,702,909**	**3,744,100**	**2,636,635**	**1,521,179**	**14,604,822**	**(257,410)**	**14,347,414**

The BancABC 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 BancABC 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 swaps, whereas the BancABC Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

	Up to 1 month	1 - 3 months	3 - 12 months	Greater than 1 year	Total
2011					
Derivative financial liabilities . . .	762,158	215,275	—	—	977,433
2012					
Derivative financial liabilities . . .	762,158	215,275	—	—	977,433
2013					
Derivative financial liabilities . . .	225,327	345,891	362,807	47,720	981,744

With the exception of swaps where on-going cashflows 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).

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The fair value of loans and advances at each reporting date has not been disclosed as the directors consider that there are limitations in the availability of relevant information..

Notes to the financial statements for ABCH (Continued)

31 December 2011	Note	Carrying amount: Held for trading	Designated at fair value	Derivative financial instruments	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Fair value: Level 1	Level 2	Level 3	Total
		BWP'000s											
Financial assets measured at fair value													
Government bonds	*8*	52,747	—	—	—	—	—	—	**52,747**	—	52,747	—	**52,747**
Corporate bonds	*8*	26,709	—	—	—	—	—	—	**26,709**	—	26,709	—	**26,709**
Treasury bills and other open market instruments	*8*	571,593	—	—	—	—	—	—	**571,593**	—	571,593	—	**571,593**
Listed equities	*9, 12*	—	18,907	—	—	—	—	—	**18,907**	18,907	—	—	**18,907**
Listed debentures	*9*	—	14,390	—	—	—	—	—	**14,390**	14,390	—	—	**14,390**
Unlisted equities and debentures	*9, 12*	—	152,115	—	—	—	44,002	—	**196,117**	—	—	196,117	**196,117**
Cross-currency interest rate swaps	*21*	—	—	26,197	—	—	—	—	**26,197**	—	26,197	—	**26,197**
Forward foreign exchange contracts—held for trading	*21*	—	—	6,140	—	—	—	—	**6,140**	—	6,140	—	**6,140**
		651,049	**185,412**	**32,337**	**—**	**—**	**44,002**	**—**	**912,800**	**33,297**	**683,386**	**196,117**	**912,800**
Financial assets not measured at fair value													
Cash and short-term funds	*7*	—	—	—	—	1,243,431	—	—	**1,243,431**				
Loans and advances	*10*	—	—	—	—	6,077,399	—	—	**6,077,399**				
Prepayments and other receivables	*11*	—	—	—	—	172,000	—	—	**172,000**				
Promissory notes	*12*	—	—	—	42,172	—	—	—	**42,172**				
		—	**—**	**—**	**42,172**	**7,492,830**	**—**	**—**	**7,535,002**				
Financial liabilities measured at fair value													
Forward foreign exchange contracts—held for trading	*21*	—	—	(217)	—	—	—	—	**(217)**	—	(217)	—	**(217)**
Convertible bond option	*21*	—	—	(46,852)	—	—	—	—	**(46,852)**	—	—	(46,852)	**(46,852)**
		—	—	**(47,069)**	—	—	—	—	**(47,069)**	—	**(217)**	**(46,852)**	**(47,069)**
Financial liabilities not measured at fair value													
Deposits	*18*	—	—	—	—	—	—	(7,374,700)	**(7,374,700)**				
Borrowed funds	*19*	—	—	—	—	—	—	(981,788)	**(981,788)**				
Creditors and accruals	*20*	—	—	—	—	—	—	(130,427)	**(130,427)**				
		—	**—**	**—**	**—**	**—**	**—**	**(8,486,915)**	**(8,486,915)**				

31 December 2012	Note	Carrying amount								Fair value			
		Held for trading	Designated at fair value	Derivative financial instruments	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		BWP'000s											
Financial assets measured at fair value													
Government bonds	*8*	73,580	—	—	—	—	—	—	**73,580**	—	73,580	—	**73,580**
Corporate bonds	*8*	30,206	—	—	—	—	—	—	**30,206**	—	30,206	—	**30,206**
Treasury bills and other open market instruments	*8*	919,078	—	—	—	—	—	—	**919,078**	—	919,078	—	**919,078**
Listed equities	*9, 12*	—	9,928	—	—	—	—	—	**9,928**	9,928	—	—	**9,928**
Listed debentures	*9*	—	27,201	—	—	—	—	—	**27,201**	27,201	—	—	**27,201**
Unlisted equities and debentures	*9, 12*	—	152,569	—	—	—	8,647	—	**161,216**	—	—	161,216	**161,216**
Cross-currency interest rate swaps	*21*	—	—	8,914	—	—	—	—	**8,914**	—	8,914	—	**8,914**
Forward foreign exchange contracts—held for trading	*21*	—	—	24,855	—	—	—	—	**24,855**	—	24,855	—	**24,855**
		1,022,864	**189,698**	**33,769**	**—**	**—**	**8,647**	**—**	**1,254,978**	**37,129**	**1,056,633**	**161,216**	**1,254,978**
Financial assets not measured at fair value													
Cash and short-term funds	*7*	—	—	—	—	1,859,269	—	—	**1,859,269**				
Loans and advances	*10*	—	—	—	—	9,144,042	—	—	**9,144,042**				
Prepayments and other receivables	*11*	—	—	—	—	194,042	—	—	**194,042**				
Promissory notes	*12*	—	—	—	45,853	—	—	—	**45,853**				
		—	**—**	**—**	**45,853**	**11,197,353**	**—**	—	**11,243,206**				
Financial liabilities measured at fair value													
Forward foreign exchange contracts—held for trading	*21*	—	—	(2,790)	—	—	—	—	**(2,790)**	—	(2,790)	—	**(2,790)**
Equity derivative	*21*	—	—	(19,831)	—	—	—	—	**(19,831)**	—	—	(19,831)	**(19,831)**
		—	**—**	**(22,621)**	**—**	**—**	**—**	**—**	**(22,621)**	**—**	**(2,790)**	**(19,831)**	**(22,621)**
Financial liabilities not measured at fair value													
Deposits	*18*	—	—	—	—	—	—	(10,675,111)	**(10,675,111)**				
Borrowed funds	*19*	—	—	—	—	—	—	(1,212,731)	**(1,212,731)**	—	—	(1,282,661)	**(1,282,661)**
Creditors and accruals	*20*	—	—	—	—	—	—	(303,365)	**(303,365)**				
		—	**—**	**—**	**—**	**—**	**—**	**(12,191,207)**	**(12,191,207)**				

31 December 2013	Note	Carrying amount Held for trading	Designated at fair value	Derivative financial instruments	Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total	Fair value Level 1	Level 2	Level 3	Total
		BWP'000s											
Financial assets measured at fair value													
Government bonds	*8*	71,892	—	—	—	—	—	—	**71,892**	—	71,892	—	**71,892**
Corporate bonds	*8*	35,803	—	—	—	—	—	—	**35,803**	—	35,803	—	**35,803**
Treasury bills and other open market instruments	*8*	1,152,354	—	—	—	—	—	—	**1,152,354**	—	1,152,354	—	**1,152,354**
Listed equities	*9, 12*	—	4,337	—	—	—	2,525	—	**6,862**	6,862	—	—	**6,862**
Listed debentures	*9*	—	33,887	—	—	—	—	—	**33,887**	33,887	—	—	**33,887**
Unlisted equities and debentures	*9, 12*	—	223,328	—	—	—	15,927	—	**239,255**	—	120,562	118,693	**239,255**
Forward foreign exchange contracts—held for trading	*21*	—	—	27,636	—	—	—	—	**27,636**	—	27,636	—	**27,636**
		1,260,049	**261,552**	**27,636**	**—**	**—**	**18,452**	**—**	**1,567,689**	**40,749**	**1,408,247**	**118,693**	**1,567,689**
Financial assets not measured at fair value													
Cash and short-term funds	*7*	—	—	—	—	2,304,283	—	—	**2,304,283**				
Loans and advances	*10*	—	—	—	—	10,336,477	—	—	**10,336,477**				
Prepayments and other receivables	*11*	—	—	—	—	261,651	—	—	**261,651**				
Promissory notes	*12*	—	—	—	49,523	—	—	—	**49,523**				
		—	**—**	**—**	**49,523**	**12,902,412**	**—**	**—**	**12,951,935**				
Financial liabilities measured at fair value													
Cross-currency interest rate swaps	*21*	—	—	(8,808)	—	—	—	—	**(8,808)**	—	(8,808)	—	**(8,808)**
Forward foreign exchange contracts—held for trading	*21*	—	—	(2,079)	—	—	—	—	**(2,079)**	—	(2,079)	—	**(2,079)**
Equity derivative	*21*	—	—	(26,754)	—	—	—	—	**(26,754)**	—	—	(26,754)	**(26,754)**
		—	**—**	**(37,640)**	**—**	**—**	**—**	**—**	**(37,640)**	**—**	**(10,886)**	**(26,754)**	**(37,640)**
Financial liabilities not measured at fair value													
Deposits	*18*	—	—	—	—	—	—	(12,209,087)	**(12,209,087)**				
Borrowed funds	*19*	—	—	—	—	—	—	(1,759,320)	**(1,759,320)**	—	—	(1,858,940)	**(1,858,940)**
Creditors and accruals	*20*	—	—	—	—	—	—	(366,089)	**(366,089)**				
		—	**—**	**—**	**—**	**—**	**—**	**14,334,496**	**14,334,496**				

(b) Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Government securities and corporate bonds	Market comparison technique: The fair values are based on market players quotations in the secondary market. Similar instruments are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable
Forward exchange contracts and interest rate swaps	Market comparison technique: The fair values are based on market players quotations in the secondary market. Similar instruments are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable
Unlisted debentures	Quoted prices as adjusted for intermediaries retained earnings: The fair values are based on quoted prices of the underlying equity investment which is quoted on the Nigerian Stock Exchange as adjusted for the retained earnings of the investment vehicles excluding the fair value gains from the investment	Not applicable	Not applicable
Unlisted equities	Market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee on actual EBITDA for the year ended 31 December 2012 or book value of the investee as at 30 September 2013. The estimate is adjusted for the effect of the non-marketability of the equity securities.	—Adjusted price to book ratio (2013: 1.28 - 1.43) —Adjusted EV/EBITDA (2013: 3.9 - 4.8)	The estimated fair value would increase/(decrease) if: —the adjusted price to book ratio increased (decreased) —the adjusted EV/EBITDA increased (decreased)

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Cash and short-term funds	Discounted cashflows	Not applicable
Loans and advances	Discounted cashflows	Not applicable
Promissory notes	Discounted cashflows	Not applicable
Prepayments and other receivables	Discounted cashflows	Not applicable
Creditors and accruals	Discounted cashflows	Not applicable
Deposits	Discounted cashflows	Not applicable
Borrowed funds	Discounted cashflows	Not applicable

(ii) Level 3 fair values

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

2011	Debt or equity investments	Total assets at fair value	Derivative financial liabilities	Total liabilities at fair value
	BWP'000s			
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**

2012	Debt or equity investments	Total assets at fair value	Derivative financial liabilities	Total liabilities at fair value
	BWP'000s			
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**

2013	Debt or equity investments	Total assets at fair value	Derivative financial liabilities	Total liabilities at fair value
	BWP'000s			
Opening balance	161,216	161,216	22,621	22,621
Total gains or losses	—	—	—	—
in profit or loss*	61,474	61,474	—	—
in other comprehensive income	—	—	—	—
Purchases	2,525	2,525	4,133	4,133
Issues	—	—	—	—
Settlements	—	—	—	—
Transfer to equity	—	—	—	—
Exchange rate adjustment	14,040	14,040	—	—
Transfers out of level 3	(120,562)	(120,562)	—	—
Closing balance	**118,694**	**118,694**	**26,754**	**26,754**

*—gains and losses in profit or loss have been recognised under the line item "gains on financial assets at fair value through profit or loss—designated at fair value"

Transfers out of level 3

The BancABC Group invested in a Special Purpose Entity (SPE) (ADC Enterprises Limited) in September 2011 with a further BWP5 million being invested in 2012. The funds were in turn invested in another syndicated SPE which, together with funds from other investors, was invested in a bank listed on the Nigerian Stock Exchange (NSE). The investment has been valued at its quoted price on the NSE as adjusted for the retained earnings in the SPEs excluding the fair value of the underlying investment. The investment was previously categorised as Level 3 due to lack of audited financial statements for the SPEs. The SPEs' audited financial statements for 2011 and 2012 were obtained during the current financial period and it was possible to fairly value the full investment using the valuation technique outlined above.

(c) Sensitivity analysis

For the fair values of unlisted equities—designated at fair value through profit or loss, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

	Profit or loss		Equity	
	Increase	Decrease	Increase	Decrease
Average price to book ratio (5% movement)	1,424	(1,424)	997	(997)
Book value (2% movement)	570	(570)	399	(399)
Adjusted EV/EBITDA (5% movement)	8,356	(8,356)	5,849	(5,849)
EBITDA (2% movement)	3,342	(3,342)	2,340	(2,340)

(d) Financial instruments not measured at fair value

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) 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.

(iii) 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

(a) Contingent liabilities

	2011	2012	2013
		BWP'000s	
Guarantees	337,516	613,547	671,224
Letters of credit, loan commitments and other contingent liabilities	95,387	183,052	99,522
	432,903	**796,599**	**770,746**

The timing profile of the contractual amounts of the BancABC 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	351,253	729,207	578,187
Between one and five years	81,650	67,392	192,559
	432,903	**796,599**	**770,746**

(b) Capital commitments

Approved and contracted for	10,782	2,678	—
Approved but not contracted for	93,571	60,515	65,764
	104,353	**63,193**	**65,764**

(c) Non-cancelable operating leases commitments

Future minimum lease payments under non-cancelable operating leases are as follows:

Office premises	64,353	95,245	134,721
Equipment and motor vehicles	—	—	—
	64,353	**95,245**	**134,721**
Non-cancelable operating leases are payable as follows:			
Less than one year	6,327	11,966	28,804
Between one and five years	33,403	22,455	81,130
Over five years	24,623	60,824	24,787
	64,353	**95,245**	**134,721**

Capital management

The BancABC 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 ABCH operate;

- to safeguard ABCH'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. ABCH'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 2013 submissions to regulators showed that all regulated banking operations complied with all externally imposed capital requirements.

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

1. NET INTEREST INCOME

	2011	2012	2013
		BWP'000s	
Interest and similar income			
Cash and short-term funds	19,073	20,041	65,774
Investment securities and dated financial instruments	137,240	98,771	70,963
Loans and advances at amortised cost	665,587	1,264,203	1,792,096
	821,900	**1,383,015**	**1,928,833**
Interest expense			
Deposits	347,142	575,650	783,930
Borrowed funds	62,396	134,331	134,572
	409,538	**709,981**	**918,502**
Net interest income	**412,362**	**673,034**	**1,010,331**

2. IMPAIRMENT OF LOANS AND ADVANCES

	2011	2012	2013
		BWP'000s	
Specific impairments	55,721	111,044	544,715
Portfolio impairments	24,002	31,374	9,754
Impairments prior to recoveries	79,723	142,418	554,469
Recoveries of loans and advances previously written off	(186)	(4,246)	(8,273)
Total impairments	**79,537**	**138,172**	**546,196**

3. NON INTEREST INCOME

	2011	2012	2013
		BWP'000s	
Gains from trading activities:	31,277	27,474	65,684
Gains on financial assets at fair value through profit or loss	48,399	39,349	84,769
—held for trading	18,705	26,191	40,363
—designated at fair value	29,694	13,158	44,406
Net losses on derivative financial instruments*	(17,122)	(11,875)	(19,085)
Dividends received:	131	6,598	5,266
Listed-shares—fair value through profit or loss	131	6,598	5,266
Fee and commission income:	161,968	330,119	415,680
Net fee income on loans and advances	77,687	166,291	259,047
Net fee income from trust and fiduciary activities	21,731	15,575	19,257
Cash transaction fees	5,646	123,795	121,070
Other fee income	56,904	24,458	16,306
Other non interest income:	132,428	187,509	205,464
Rental and other income	15,987	40,581	49,219
Profit on disposal of property and equipment	(107)	58	30
Forex trading income and currency revaluation**	116,153	147,046	156,215
Re-measurement of investment properties	395	(176)	—
	325,984	**551,700**	**692,094**

* Net losses on derivative financial instruments of BWP 19.1 million arose from the US$: Japanese Yen swap. In 2012, net losses included BWP 14.7 million arising from the US$: Japanese Yen derivative swap, and net gains of BWP 2.1 million arising from the derivative conversion option included in the IFC convertible loan (Note 19).

** Foreign exchange losses include a foreign exchange income of BWP 5.9 million (2012: BWP 7.2 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.

4. OPERATING EXPENDITURE

	2011	2012	2013
		BWP'000s	
Administrative expenses	186,579	348,169	526,785
Property lease rentals	20,234	29,553	43,948
Staff costs (Note 4.1)	264,560	377,605	461,907
Auditor's remuneration	6,479	8,938	8,063
Impairment of investment in associate (Note 13)	4,292	—	1,082
Depreciation Note	32,015	53,973	74,166
Amortisation of software (Note 17)	15,884	30,232	40,010
Directors remuneration (Note 4.2)	15,905	20,189	25,545
	545,948	**868,659**	**1,181,506**

4.1 Staff Costs

	2011	2012	2013
Salaries	164,164	219,070	238,582
Employer contributions to post retirement funds	16,546	24,532	29,968
Other staff costs	83,850	134,003	193,357
	264,560	377,605	461,907

Other staff costs comprise incentive pay, medical aid contributions, staff training and other staff related expenses.

4. OPERATING EXPENDITURE (Continued)

4.2 Directors remuneration

	2011	2012	2013
		BWP'000s	
Executive directors			
Salary, performance related remuneration and other benefits	12,251	16,407	20,048
Non-executive directors			
Fees as director of holding company	2,769	2,904	3,501
Fees as director of subsidiaries	885	878	1,996
	3,654	**3,782**	**5,497**
	15,905	**20,189**	**25,545**

Details of other transactions and balances with related parties have been disclosed under note 26.

5. TAX

	2011	2012	2013
		BWP'000s	
Current tax expense			
Current year	59,343	78,206	128,531
Under provision in prior years	1,026	2,227	—
Withholding tax	4,953	7,025	2,566
Bank levies	—	—	—
	65,322	87,458	131,097
Deferred tax			
Accruals	(5,209)	(4,595)	2,629
Impairment losses	(13,623)	(8,631)	(91,523)
Property and equipment	1,481	820	8,573
Gains and investments	1,533	6,573	10,034
Tax losses	(29,518)	(4,517)	(14,404)
	(45,336)	(10,350)	(84,691)
Total tax expense per income statement	**19,986**	**77,108**	**46,406**
Reconciliation of effective tax charge:			
Profit before tax*	**107,684**	**212,273**	**(29,280)**
Income tax using corporate tax rates*	52,575	73,323	(7,468)
Non-deductible expenses	368	20,867	29,608
Effect of share of loss of associates		1,201	779
Tax exempt revenues	(18,896)	(27,867)	(2,227)
Tax incentives	(3,059)	(8,537)	(628)
Tax on dividends received	4,893	6,965	7,629
Under provision in prior years	1,026	2,227	—
Tax and fair value losses of prior years not claimed/(claimed)	(16,394)	8,929	18,712
Current tax expense per income statement	**19,986**	**77,108**	**46,406**
Effective tax rate	**19%**	**36%**	**−158%**

* 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.

ABCH is subject to certain risks related to taxation, as described on page 21 of this Document.

5. TAX (Continued)

5.1 INCOME TAX EFFECTS RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2011			2012			2013		
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
					BWP '000s				
Exchange differences on translating foreign operations	102,415	—	102,415	6,127	—	6,127	116,422	—	116,422
Net loss on hedge of net investment in foreign operations							(16,343)		(16,343)
Share of reserves in associate companies	(1,901)	—	(1,901)	456	—	456	551	—	551
Movement in available for sale reserves	(132)	—	(132)	2,410	—	2,410	(3,578)	—	(3,578)
									0
Other comprehensive income	**100,382**	**—**	**100,382**	**8,993**	**—**	**8,993**	**97,052**	**—**	**97,052**

6. EARNINGS PER SHARE

	2011	2012	2013
		BWP'000s	
Basic earnings per share			
Profit/Loss attributable to ordinary shareholders ('000)	83,002	132,774	(51,589)
Weighted average number of ordinary shares in issue ('000)	146,760	184,194	249,344
Basic earnings per share (thebe)	**56.6**	**72.1**	**(20.7)**
Number of shares ('000)			
Shares in issue at beginning of the year	146,420	149,472	232,805
Ordinary shares issues during the year	3,053	83,333	24,081
Total Company	**149,473**	**232,805**	**256,886**
Recognised as treasury shares	—	—	—
Total Group	**149,473**	**232,805**	**256,886**
Weighted average number of ordinary shares	**146,760**	**184,194**	**249,344**
(b) Diluted earnings per share			
Profit/Loss attributable to ordinary shareholders('000)	83,002	132,774	(51,589)
Interest expense on convertible debt (net of tax)	6,128	13,063	4,369
Fair value (gain)/loss on conversion option (net of tax)	21,014	1,780	—
Profit used to determine diluted earnings per share	**110,144**	**144,057**	**(47,220)**
Weighted average number of ordinary shares for diluted earnings per share	146,760	184,194	249,344
—Bonus element on conversion of convertible debt	20,471	32,467	7,542
Weighted average number of ordinary shares for diluted earnings per share	**167,231**	**216,661**	**256,886**
Diluted earnings per share (thebe)	**56.6***	**66.5**	**(18.4)**

* 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.

7. CASH AND SHORT TERM FUNDS

	2011	2012	2013
		BWP'000s	
Cash on hand	129,306	273,689	274,136
Balances with central banks	40,549	174,380	28,045
Balances with other banks	694,879	866,826	1,295,481
Cash and cash equivalents	864,734	1,314,895	1,597,662
Statutory reserve balances	378,697	544,374	706,621
	1,243,431	**1,859,269**	**2,304,283**

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

8. FINANCIAL ASSETS HELD FOR TRADING

	2011	2012	2013
		BWP'000s	
Government bonds	52,747	73,580	71,892
Corporate bonds	26,709	30,206	35,803
Treasury bills and other open market instruments	571,593	919,078	1,152,354
	651,049	**1,022,864**	**1,260,049**

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 BancABC Group also invests in tradeable paper issued by large corporates in the respective markets.

9. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE

	2011	2012	2013
		BWP'000s	
Listed equities	18,907	9,928	4,337
Listed debentures	14,390	27,201	33,887
Unlisted equities and debentures	187,986	152,569	223,328
	221,283	**189,698**	**261,552**

The listed equities comprise various counters listed on the ZSE that ABCH 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 BWP 121 million (2012: BWP 80 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 BancABC Group (refer to the overview of valuation assumptions included in the financial risk management section of the financial statements).

10. LOANS AND ADVANCES

	2011	2012	2013
		BWP'000s	
Mortgage Lending	65,201	268,054	349,044
Instalment finance	331,826	561,501	670,372
Corporate lending	4,440,053	4,611,729	5,381,767
Commercial and property finance	169,531	54,066	53,716
Consumer lending	1,288,348	3,964,885	4,711,160
	6,294,959	9,460,235	11,166,059
Less impairments (Note 10.1)	(217,560)	(316,193)	(829,581)
Net loans and advances	**6,077,399**	**9,144,042**	**10,336,477**
10.1 Analysis of impairments			
Specific impairments	173,008	237,701	735,109
Portfolio impairments	44,552	78,492	94,473
	217,560	**316,193**	**829,582**

10.1 IMPAIRMENT OF LOANS AND ADVANCES—MOVEMENT ANALYSIS

	Total impairment	Mortgage lending	Instalment finance	Corporate lending	Commercial and property finance	Consumer lending
			BWP'000s			
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**
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**
2013						
Opening balance	316,193	1,183	16,278	242,760	1,424	54,548
Exchange adjustment	39,914	73	1,261	34,115	(0)	4,466
Bad debts written off	(80,994)	—	(1,634)	(77,023)	—	(2,337)
Net new impairments created (Note 2)	554,468	595	9,541	498,257	(1,398)	47,474
Impairments created	554,468	595	9,541	498,257	(1,398)	47,474
Closing balance	**829,582**	**1,851**	**25,446**	**698,109**	**26**	**104,151**

11. PREPAYMENTS AND OTHER RECEIVABLES

	2011	2012	2013
		BWP'000s	
Accounts receivable and prepayments	144,512	153,420	232,972
Security deposits	5,262	4,691	2,813
Other amounts due	22,226	35,931	25,866
	172,000	**194,042**	**261,651**

12. INVESTMENT SECURITIES

	2011	2012	2013
		BWP'000s	
Available for sale			
Listed equities		—	2,525
Unlisted equities	8,131	8,647	15,927
	8,131	**8,647**	**18,452**
Held to maturity			
Promissory notes	42,172	45,853	49,523
	50,303	**54,500**	**67,975**

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 Capital Investment Fund One (Pty) Ltd. The promissory notes earn a fixed interest of 10.25% p.a., and are redeemable on 31 March 2015.

The promissory notes are specifically conditional to the terms of the BIFM loan.

The loan from BIFM 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—BWP 62,500,000 (EUR 6.1 million)

30 September 2018—BWP 62,500,000 (EUR 6.1 million)

30 September 2019—BWP 62,500,000 (EUR 6.1 million)

30 September 2020—BWP 62,500,000 (EUR 6.1 million)

13. INVESTMENT IN ASSOCIATES

	2011	2012	2013
		BWP'000s	
Carrying value at the beginning of the year	34,845	17,539	11,201
Exchange rate adjustment	2,150	244	3,410
Share of losses	(5,177)	(5,630)	(4,004)
Tax	(132)	(1,408)	(1,605)
Share of other comprehensive income	(1,901)	456	551
Disposals*	(9,619)	—	—
Impairment (Note 4)	(4,292)	—	(1,082)
Additions*	1,665	—	4,849
	17,539	**11,201**	**13,320**

* Refer to note 29 for an overview of additions.

13. INVESTMENT IN ASSOCIATES (Continued)

13.1 INVESTMENT IN ASSOCIATES

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

	Country of incorporation	Share of assets	Share of liabilities	Carrying amount	Share of profit/(loss)	Impairment during the year	% interest held	Reporting data
					BWP'000s			
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)	—	0%	31 December
		62,725	47,328	17,539	(5,177)	4,292		
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)	—		
2013								
Lion of Tanzania Insurance Company Limited*	Tanzania	34,469	28,018	6,110	522	—	42%	31 December
PG Industries (Botswana) Limited	Botswana	20,123	20,403	0	(5,430)	1,082	37%	31 March
Credit Insurance Zimbabwe Limited	Zimbabwe	9,437	2,239	7,210	904	—	24%	31 December
		64,029	50,660	13,320	(4,004)	1,082		

* 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.

* 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 2012.

** On 31 August 2011, the BancABC 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 BancABC Group received shares that it was entitled to in PG Industries (Zimbabwe) Limited. As the effective shareholding of the BancABC 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 BancABC Group's investment in Prestige Investments (Private) Limited and PG Industries Zimbabwe Limited on 31 August 2011 was BWP 9.6 million. The fair value of the PG shares recognised was BWP 9.6 million. These shares were accounted for as financial assets designated at fair value.

13. INVESTMENT IN ASSOCIATES (Continued)

Associate #1

Name of the associate:	Lion of Tanzania Insurance Company Limited
Nature of the entity's relationship with the associate	ABCH is an investor in Lion of Tanzania ("LOT"), through its subsidiary Tanzania Development Finance Company Limited. LOT is an insurance company, which underwrites general insurance business in Tanzania. The investment is not strategic to ABCH or any of its subsidiaries
Principal place of business and country of incorporation	Tanzania
Reporting date	31 December
Proportion of ownership	38%
Total no of equity shares	1,500,000
Shares held by ABCH	570,000
LC	TZS
Par value (LC)	1,000

Financial information for the associate:	2012 in TZS'000	2012 in BWP'000	2011 in TZS'000	2011 in BWP'000
Total assets	16,403,737	90,709	14,071,865	69,010
Total Liabilities	(13,333,383)	(73,731)	(11,372,800)	(55,773)
Equity	**3,070,354**	**16,978**	**2,699,065**	**13,237**
Proportion of the group's equity ownership	38%	38%	38%	38%
Carrying amount of the investment	**1,104,860**	**6,110**	**907,404**	**4,450**

	2012 in TZS'000	2012 in BWP'000	2011 in TZS'000	2011 in BWP'000
Revenue	14,799,315	77,436	11,445,500	54,870
Profit or loss from continuing operations	168,486	882	122,750	588
Post-tax profit or loss from discontinued operations	—	—	—	—
Other comprehensive income	202,803	1,061	114,426	549
Total comprehensive income	371,289	1,943	237,176	1,137
Dividend received from the associate	—	—	—	—
Risks associated with the group's interests in the associate	None		None	
The nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group	None		None	

13. INVESTMENT IN ASSOCIATES (Continued)

Associate #2

Name of the associate:	PG Industries (Botswana) Limited
Nature of the entity's relationship with the associate	ABCH is an investor in PG Industries Botswana Limited ("PGIB"), through its subsidiary Bohemian Holdings Botswana Limited. PGIB manufactures timber and wood products and it is also a supplier of general building materials in Botswana. The investment is not strategic to ABCH or any of its subsidiaries.
Principal place of business and country of incorporation	Botswana
Reporting date	31 March
Proportion of ownership	42%
Total no of equity shares	618,429,831
Shares held by ABCH	260,239,565
LC	BWP
Par value (LC)	1

Financial information for the associate:	2013	2013	2012	2012
	in BWP'000	in BWP'000	in BWP'000	in BWP'000
Current assets	31,879	31,879	44,154	44,154
Non-current assets	15,941	15,941	15,544	15,544
Current liabilities	(34,969)	(34,969)	(51,621)	(51,621)
Non-current liabilities	(13,517)	(13,517)	(2,701)	(2,701)
Equity	**(665)**	**(665)**	**5,376**	**5,376**
Proportion of the group's equity ownership	42%	42%	38%	38%
Carrying amount of the investment	**—**	**—**	**1,663**	**1,663**

	2013	2013	2012	2012
	in BWP'000	in BWP'000	in BWP'000	in BWP'000
Revenue	72,148	72,148	101,959	101,959
Profit or loss from continuing operations	(21,603)	(21,603)	(20,544)	(20,544)
Post-tax profit or loss from discontinued operations	—	—	—	—
Other comprehensive income	(16,694)	(16,694)	8,650	8,650
Total comprehensive income	(38,297)	(38,297)	(11,894)	(11,894)
Dividend received from the associate	—	—	—	—
Risks associated with the group's interests in the associate	Bohemian Holdings Limited, a subsidiary of ABCH has given a guarantee to PGIB's suppliers of BWP 2,611,000		None	
The nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group	None		None	

13. INVESTMENT IN ASSOCIATES (Continued)

Associate #3

Name of the associate:	Credit Insurance Zimbabwe Limited
Nature of the entity's relationship with the associate	ABCH is an investor in Credit Insurance Zimbabwe Limited (Credsure), through its subsidiary BancABC Zimbabwe. Credsure is an insurance company, which underwrites general insurance business in Zimbabwe. The investment is not strategic to ABCH or any of its subsidiaries.
Principal place of business and country of incorporation	Zimbabwe
Reporting date	31 December
Proportion of ownership	24%
Total no of equity shares	45,000
Shares held by ABCH	10,823
LC	USD
Par value (LC)	0.0479

Financial information for the associate:	2013 in USD'000	2013 in BWP'000	2012 in USD'000	2012 in BWP'000
Current assets	1,957	17,172	2,898	22,527
Non-current assets	2,514	22,065	2,195	17,060
Current liabilities	(1,061)	(9,308)	(2,102)	(16,338)
Non-current liabilities	—	—	—	—
Equity	**3,410**	**29,929**	**2,991**	**23,249**
Proportion of the group's equity ownership	24%	24%	24%	24%
Carrying amount of the investment	**820**	**7,210**	**719**	**5,088**

	2013 in USD'000	2013 in BWP'000	2012 in USD'000	2012 in BWP'000
Revenue	5,035	42,579	5,313	40,386
Profit or loss from continuing operations	169	1,433	459	3,492
Post-tax profit or loss from discontinued operations	—	—	—	—
Other comprehensive income	—	—	—	—
Total comprehensive income	169	1,433	459	3,492
Dividend received from the associate	—	—	—	—
Risks associated with the group's interests in the associate	None		None	
The nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group	None		None	

14. INVESTMENT PROPERTY

	2011	2012	2013
		BWP'000s	
Balance at the beginning of the year	3,878	2,021	—
Exchange rate adjustment	419	—	—
Disposal	(2,314)	(2,021)	—
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.

15. PROPERTY AND EQUIPMENT

	Land and buildings	Motor vehicles	Computer and office equipment	Furniture and fittings	Total
			BWP'000s		
Cost or valuation at 31 December 2010	129,457	12,173	87,163	40,239	269,032
Exchange adjustment	36,301	2,548	2,553	4,688	46,090
Additions	86,151	7,539	47,436	35,639	176,765
Reclassifications	—	—	160	(160)	—
Disposals	(158)	(506)	(3)	(204)	(871)
Cost or valuation at 31 December 2011	251,751	21,754	137,309	80,202	491,016
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	559
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)	(94,787)
Carrying amount at 31 December 2011	**235,542**	**13,139**	**86,186**	**61,362**	**396,229**
Cost or valuation at 31 December 2011	251,751	21,754	137,309	80,202	491,016
Exchange adjustment	2,659	399	4,297	866	8,221
Additions	46,701	7,712	49,688	33,838	137,939
Reclassifications	—	—	—	—	—
Disposals	(3)	(3,443)	(3,865)	(1,507)	(8,818)
Cost or valuation at 31 December 2012	301,108	26,422	187,429	113,399	628,358
Accumulated depreciation at 31 December 2011	(16,209)	(8,615)	(51,124)	(18,840)	(94,787)
Exchange adjustment	1,927	86	(373)	(54)	1,586
Disposals	4	2,194	3,714	1,215	7,127
Reclassifications	—	—	—	—	—
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)	(140,047)
Carrying amount at 31 December 2012	**271,178**	**17,114**	**113,604**	**86,415**	**488,311**
Cost or valuation at 31 December 2012	301,108	26,422	187,429	113,399	628,358
Exchange adjustment	49,126	2,789	18,925	6,629	77,469
Additions	38,528	3,710	30,167	33,030	105,435
Disposals	—	(997)	—	(1,972)	(2,969)
Cost or valuation at 31 December 2013	388,762	31,924	236,522	151,086	808,294
Accumulated depreciation at 31 December 2012	(29,930)	(9,308)	(73,826)	(26,984)	(140,047)
Exchange adjustment	(2,042)	(759)	(6,900)	(1,847)	(11,548)
Disposals	—	616	—	1,733	2,349
Released on revaluation	—	—	—	—	—
Charge for the year	(21,773)	(4,476)	(35,326)	(12,591)	(74,166)
Accumulated depreciation at 31 December 2013	(53,745)	(13,927)	(116,052)	(39,689)	(223,412)
Carrying amount at 31 December 2013	**335,018**	**17,997**	**120,470**	**111,397**	**584,882**

As at 31 December 2013, land and buildings with a carrying amount of BWP 25.0 million (2012: BWP Nil) were subject to a registered debenture that forms security for loans from other financial institutions (see note 28).

16. DEFERRED TAX

	2013	Adjustments	2011	2012	2013
			BWP'000s		
Balance at the beginning of the year	51,070	9,314	5,720	53,475	60,384
Exchange adjustment	(5,677)		2,419	(3,441)	(5,677)
Income statement charge (Note 5)	46,306	38,385	45,336	10,350	84,691
Deferred tax on amounts charged to equity	(178)	178	—	—	—
	91,521	**47,877**	**53,475**	**60,384**	**139,398**
Disclosed as follows:					
Deferred tax asset	112,664	38,385	62,826	68,740	151,049
Deferred tax liability	(21,143)	9,492	(9,351)	(8,356)	(11,651)
	91,521	**47,877**	**53,475**	**60,384**	**139,398**
Tax effects of temporary differences:					
Accruals	21,057		(1,848)	6	21,057
Impairment losses	32,542	61,202	16,476	23,046	93,744
Property and equipment	(36,716)	(7,926)	(9,236)	(26,420)	(44,642)
Unrealised gains on investment	(15,204)		1,272	(8,265)	(15,204)
Unearned income	12,352		6,876	13,348	12,352
Revaluation surplus	(17,418)	17,418	—	—	—
Tax losses	94,908	(22,817)	39,935	58,669	72,091
	91,521	**47,877**	**53,475**	**60,384**	**139,398**

The deferred tax asset relates mainly to tax losses in ABC Holdings Limited (BWP4 million), BancABC Tanzania (BWP32 million), BancABC Zimbabwe (BWP17 million) and Tanzania Development Finance Corporation Limited (BWP30 million). Tax losses for ABC Holdings Limited will be utilised by charging management fees or interest on finance provided to subsidiaries. For BancABC Tanzania and TDFL, new revenue streams and disposal of investments at a profit will be applied to utilise the tax loss.

17. INTANGIBLE ASSETS

	2011	2012	2013
		BWP'000s	
Goodwill	32,544	32,544	32,544
Software	97,818	106,601	97,458
	130,362	**139,145**	**130,002**
Goodwill			
Cost	67,342	67,342	67,342
Impairments losses	(34,798)	(34,798)	(34,798)
Carrying amount at the end of the year	**32,544**	**32,544**	**32,544**
Software			
Cost			
Balance at the beginning of the year (software)	41,791	137,366	171,899
Exchange rate adjustment	15,000	(4)	16,206
Additions	80,575	34,537	21,738
	137,366	**171,899**	**209,843**
Amortisation			
Balance at the beginning of the year	(16,933)	(39,548)	(65,298)
Exchange rate adjustment	(6,731)	4,482	(7,077)
Amortisation charge (Note 4)	(15,884)	(30,232)	(40,010)
	(39,548)	**(65,298)**	**(112,385)**
Carrying amount at the end of the year	**97,818**	**106,601**	**97,458**

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 cashflows, considering local market conditions and management's judgement of future trends.

The most significant goodwill arises from the Zimbabwe operations with a balance of BWP 21.9 million (2012: BWP 21.9 million). The key assumptions used in the impairment test of the Zimbabwe operations are as follows:

- Projected compounded free cash flows growth of 27% per annum for 5 years (2012: 19% per annum for 5 years)
- Terminal value based on 5% long term cash flow growth rate (2012: 5%)
- Weighted average cost of capital of 12.47% (2012: 12.47%)

The recoverable amount of this subsidiary was based on its value in use, determined by discounting the future cashflows to be generated from the continuing investment in the subsidiary. 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 BSE all share index and also the increased borrowings at lower rates than the older loans.

18. DEPOSITS

	2011	2012	2013
		BWP'000s	
Deposits from banks	557,228	1,067,685	1,421,781
Deposits from other customers	6,817,472	9,607,426	10,787,306
	7,374,700	**10,675,111**	**12,209,087**
Payable on demand			
Corporate customers	2,221,361	1,759,714	2,212,761
Public Sector	321,993	388,013	335,931
Retail customers	446,355	788,869	1,003,330
Other financial institutions	191,659	447,136	266,168
Banks	169,287	101,864	378,750
	3,350,655	**3,485,596**	**4,196,940**
Term deposits			
Corporate customers	975,023	2,536,265	2,279,063
Public sector	1,927,913	2,547,487	2,810,636
Retail customers	107,862	209,703	489,769
Other financial institutions	625,306	930,239	1,389,649
Banks	387,941	965,821	1,043,031
	4,024,045	**7,189,515**	**8,012,147**
	7,374,700	**10,675,111**	**12,209,087**
Geographical analysis			
Botswana	2,563,126	4,139,104	4,553,945
Mozambique	1,216,349	1,396,721	2,321,478
Tanzania	1,060,686	1,147,955	1,298,507
Zambia	548,120	792,792	1,154,637
Zimbabwe	1,986,419	3,198,539	2,880,520
	7,374,700	**10,675,111**	**12,209,087**

19. BORROWED FUNDS

	2011	2012	2013
		BWP'000s	
Convertible bond	84,619	97,950	—
Other borrowed funds	897,169	1,114,781	1,759,320
	981,788	**1,212,731**	**1,759,320**
(a) Convertible bond			
Balance at the beginning of the year	—	84,619	97,950
Additions*	69,420	—	—
Interest expense	7,209	15,368	5,140
	(728)	—	—
Interest paid	(1,368)	(5,414)	(2,400)
Capital repayment	—	—	(27,174)
Conversion into equity	—	—	(73,516)
Exchange rate movement	10,086	3,377	—
	84,619	**97,950**	**—**
* Face value of convertible bond	88,787		
Derivative component (Note 21.2)	(19,367)		
	69,420		

19. BORROWED FUNDS (Continued)

During 2011, the BancABC Group issued a US dollar denominated convertible loan to 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:

- BWP 3.15 per share at any time during the period from 13 May 2011 to 12 May 2012;
- BWP 3.24 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 BancABC 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 22 August 2012, the BancABC 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 21.2. The revised loan attracted interest at the 91-day Bank of Botswana Certificate yield rate + 4.10% per annum, payable quarterly with the premium re-setting quarterly. It was convertible at IFC's option at BWP 3.24 per share at any time up to 12 May 2013.

The redemption dates for the principal amount are as follows:

15 March 2013—BWP 27,173,913	15 September 2013—BWP 27,173,913
15 March 2014—BWP 27,173,913	15 September 2014—BWP 23,672,120

On 25 April 2013, IFC converted the remaining balance of the loan into equity at an exercise price of BWP 3.24 per share. 24,080,230 shares were issued by BancABC under this conversion (see Note 22).

	2011	2012	2013
		BWP'000s	
(b) Other borrowed funds			
National Development Bank of Botswana Limited	125,212	94,785	67,175
BIFM Capital Investment Fund One (Pty) Ltd	255,862	256,067	256,352
Afrexim Bank	209,262	314,029	821,765
Africa Agriculture and Trade Investment Fund S.A.	—	—	216,843
Norsad Finance Limited	—	—	131,738
Standard Chartered Bank Botswana Limited	113,325	116,814	—
Other	193,508	333,086	265,447
	897,169	**1,114,781**	**1,759,320**
Fair Value			
National Development Bank of Botswana Limited	152,466	97,499	67,526
BIFM Capital Investment Fund One (Pty) Ltd	315,169	318,137	308,204
Afrexim Bank	209,262	319,175	822,511
Africa Agriculture and Trade Investment Fund S.A.	—	—	244,919
Norsad Finance Limited	—	—	150,331
Standard Chartered Bank Botswana Limited	113,325	116,814	—
Other	193,508	333,086	265,449
	983,730	**1,184,711**	**1,858,940**

19. BORROWED FUNDS (Continued)

National Development Bank of Botswana Limited (NDB)

The loan from National Development Bank of Botswana is denominated in Japanese Yen and attracts interest at 3.53% 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—BWP 62,500,000	30 September 2018—BWP 62,500,000
30 September 2019—BWP 62,500,000	30 September 2020—BWP 62,500,000

Afrexim Bank Limited

The loans from Afrexim Bank Limited consist of US$60 million advanced to ABCH and US$33 million advanced to BancABC Zimbabwe. The US$60 million short-term credit facility was advanced to ABCH in July 2013. The loan attracts interest at 3 months LIBOR + 5% and it is repayable on 10 January 2014, but with a provision to extend it for a further, mutually agreeable period.

The US$60 million advanced to ABCH was designated as a hedge in the net investment by the BancABC Group in BancABC Zimbabwe.

The US$33 million trade finance facility was availed to BancABC Zimbabwe by Afrexim Bank Limited for three years from December 2013. It attracts interest at LIBOR + 4.5% and it is repayable on the earlier of when the underlying customers funded repay their respective loans or in December 2016.

Africa Agriculture and Trade Investment Fund S.A. (AATIF)

The loan from AATIF is denominated in US dollars and attracts interest at 3 months LIBOR +6.25%. Interest is payable quarterly on 31 March, 30 June, 30 September and 31 December. The loan matures on 21 December 2018 when the full principal amount is due for repayment in one instalment.

Norsad Finance Limited

The loans from Norsad Finance Limited were advanced to ABCH as well as BancABC Zambia and BancABC Zimbabwe. The US$10 million loan advanced to ABCH is a subordinated loan denominated and attracts interest at 6 months LIBOR + 7.5%. Interest is payable semi-annually on 30 June and 31 December. The loan matures on 9 October 2020 when the full principal amount is due for repayment in one instalment. The loans advanced to BancABC Zambia and BancABC Zimbabwe are also denominated in US dollars and attract interest of between 7% and 12% per annum and they mature between 2014 and 2015.

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.

19. BORROWED FUNDS (Continued)

Maturity analysis

	2011	2012	2013
		BWP'000s	
On demand to one month	4,458	2,324	535,289
One to three months	14,909	41,089	21,025
Three months to one year	380,122	713,524	78,762
Over one year	582,299	455,794	1,124,244
	981,788	**1,212,731**	**1,759,320**

20. CREDITORS AND ACCRUALS

	2011	2012	2013
		BWP'000s	
Accrued expenses	49,970	160,283	298,939
Other amounts due	80,457	143,082	67,150
	130,427	**303,365**	**366,089**

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2011		2012		2013	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
			BWP'000s			
Cross-currency interest rate swaps	26,197	—	8,914	—	—	8,808
Convertible bond option	—	46,852	—	—	—	—
Forward foreign exchange contracts—held for trading	6,140	217	24,855	2,790	27,636	2,078
Equity derivative	—	—	—	19,831	—	26,754
	32,337	47,069	33,769	22,621	27,636	37,640

21.1 Cross-currency interest rate swaps

BancABC 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. BancABC 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, BancABC 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 BancABC 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

21. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

and liabilities, can fluctuate significantly from time to time. The fair values of derivative financial instruments held are set out below:

	Notional amount	Fair value
	BWP'000s	
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		—
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 2013		
Cross currency interest rate swaps		
Fair value through profit and loss	67,175	8,808
Total recognised derivatives		**8,808**
Comprising:		
Derivative financial assets		—
Derivative financial liabilities		8,808

21.2 Convertible bond option

	2011	2012	2013
		BWP'000s	
Balance at the beginning of the year	—	46,852	—
Value on initial recognition on 13th May 2011	19,367	—	—
Fair value (gain)/loss	27,485	(2,743)	—
Transfer to reserves	—	(44,109)	—
	46,852	**—**	**—**

The convertible bond option is in relation to the IFC convertible loan issued by the BancABC 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 BWP 4.55
- Volatility of 35% (ABCH share price and US dollar)
- Spot exchange rate—BWP 7.47/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

21. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

- Conversion price of BWP 3.24 used
- Dividend yield of 3% assumed

Sensitivity: a change in volatility from 35% to 48% could have resulted in a BWP 5 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 2013 were BWP 982 million (2012: BWP 1,055 million).

These resulted in derivative financial assets of BWP 27.6 million (2012: BWP 24.9 million) and derivative financial liabilities of BWP 2.1 million (2012: BWP 2.8 million)

21.4 Equity derivative

This comprises of an equity derivative on an unlisted energy company of BWP 26.8 million (2012: BWP 19.8 million).

22. STATED CAPITAL

22.1 Issued and fully paid

	2011	2012	2013
		BWP'000s	
256 885 694 (2012: 232 805 464) shares	7,474	11,640	12,844
Share premium	309,118	651,761	768,181
Total company	316,592	663,401	781,025
Total group	**316,592**	**663,401**	**781,025**

	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
Issue of shares	1,204	116,420	117,624
At 31 December 2013	**12,844**	**768,181**	**781,025**

The holders of ABCH 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 ABCH. Treasury shares comprise the cost of ABCH's own shares held by ABCH subsidiaries. As at both 31 December 2013 and 2012, there were no treasury shares held within the BancABC Group.

22.2 Reconciliation of the number of shares

	2011	2012	2013
		BWP'000s	
Shares at the beginning of the year	146,419,524	149,472,131	232,805,464
Shares issued*	3,052,607	83,333,333	24,080,230
At the end of the year	**149,472,131**	**232,805,464**	**256,885,694**

* During the year, IFC converted the outstanding convertible loan balance as at 25 April 2013 into equity. The exercise price was BWP 3.24 per share.

* In 2012, ABCH 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 BWP 4.28 or US$0.60.

22. STATED CAPITAL (Continued)

Proceeds from the rights issue total BWP 364.3 million against which rights issue expenses of BWP 17.4 million were offset, of these BWP 10.9 million relates to the under-writing commission paid to ADC Financial, a related party.

22.3 Convertible bond—equity component

	2011	2012	2013
		BWP'000s	
Balance at the beginning of the year	—	—	44,109
Transfer from derivative liabilities (Note 21.2)	—	44,109	—
Conversion into equity	—	—	(44,109)
Balance at the end of the year	**—**	**44,109**	**—**

23. FUNDS UNDER MANAGEMENT

	2011	2012	2013
		BWP'000s	
Funds under management	368,977	426,839	613,028

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

24. EMPLOYEE BENEFITS

BancABC 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.

Amounts recognised in expenses have been disclosed in Note 4.1

25. STAFF SHARE ISSUANCE SCHEME

During 2011, 3.1 million new shares together with 2.3 million treasury shares, were issued to staff at a discount of 15% on the share price as at 14 March 2011. This brings the total number of issued shares to 149,472,131 out of an authorised number of shares of 150 million.

26. 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 ABCH as the holding company in the BancABC Group.

Subsidiary companies and associates

ABCH and the ABCH 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 2013 amounted to BWP 5.9 million (2012: BWP 8.6 million) which represents 0.4% (2012: 0.7%) of shareholders' funds, and 0.09% (2012: 0.05%) of gross loans.

ABC Consulting and Management Services Limited entered into management services agreements with BancABC 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 BancABC 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.

26. RELATED PARTY TRANSACTIONS (Continued)

Shareholders

During 2011, the BancABC Group invested in ADC Enterprises Limited ("ADCE") which is a 100% subsidiary of 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 BancABC Group. The investment balance as at 31 December 2012 was BWP 121

Directors and officers

Emoluments to directors have been disclosed in note 4.2. The list of directors of ABCH is shown on pages 105 to 107. The total exposure of the BancABC Group to directors, officers and parties related to them in terms of IAS 24 as at 31 December 2012 is BWP 45.4 million (2012: BWP 68.9 million) which represents 3% (2012: 6%) of shareholders' funds.

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:

	2011		2012		2013	
	Balance	Interest	Balance	Interest	Balance	Interest
			BWP'000s			
Loans and advances to entities related through shareholding:						
PG Industries (Botswana) Limited	8,626	1,405	8,626	1,381	6,082	944
	8,626	**1,405**	**8,626**	**1,381**	**6,082**	**944**
Loans and advances to entities related to directors:						
Loans and advances to entities related to N Kudenga	4,604	531	7,281	1,346	6,028	1,897
Loans and advances to entities related to H Buttery	—	—	34,953	3,003	5,327	1,922
Loans and advances to entities related to D T Munatsi	—	—	15,541	1,765	20,658	722
Loans and advances to entities related to FM Dzanya	435	17	1,050	226	1,265	307
	5,039	**548**	**58,825**	**6,340**	**33,278**	**4,848**
Loans and advances to directors:						
D T Munatsi	2,237	218	1,055	148	2,478	177
F Dzanya	7,079	612	2,955	428	3,222	263
B Moyo	3,849	303	594	238	651	53
	13,165	**1,133**	**4,604**	**814**	**6,351**	**493**
Loans and advances to key management:						
H Matemera	—	198	2,357	25	2,304	176
B Mudavanhu	2,586	121	3,094	217	3,447	246
	2,586	**319**	**5,451**	**242**	**5,751**	**422**
Loans and advances to entities under common control						
Brainworks Investments Limited	11,699	2,744	14,132	1,943	18,558	2,603
	11,699	**2,744**	**14,132**	**1,943**	**18,558**	**2,603**

26. RELATED PARTY TRANSACTIONS (Continued)

	2011		2012		2013	
	Balance	Interest	Balance	Interest	Balance	Interest
			BWP'000s			
Deposits held by entities related to directors and key management:						
D Khama—Doreen Khama Attorneys Trust Account	9,460	93	10,039	224	11,654	281
Kudenga & Company Chartered Accountants	7	—	403	—	23	—
Deposits from entities related to F Dzanya	801	—	75	—	1	—
Deposits from entities related to D T Munatsi	—	—	1,643	—	64	—
	10,268	**93**	**12,160**	**224**	**11,742**	**281**
Deposits held by directors and key management:						
N Kudenga	57	—	303	1	2909	5
F Dzanya	44	—	56	2	18	2
B Moyo	6	—	70	—	86	—
H Matemera	—	—	110	2	214	—
D Khama	571	—	750	36	1,287	26
D T Munatsi	250	—	1,218	48	142	11
B Mudavanhu		—	—	—	6	—
	928	**—**	**2,507**	**89**	**2,043**	**44**
Remuneration to key management personnel:						
Short-term employment benefits	15,455		22,517		26,984	
Post-employment benefits	1,241		1,284		1,812	
	934					
	17,630		**23,801**		**28,796**	

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

The BancABC 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 terms of such loans.

27. EXCHANGE RATES

	Closing Dec 11	Average Dec 11	Closing Dec 12	Average Dec 12	Closing Dec 13	Average Dec 13
United States Dollar	0.134	0.146	0.129	0.132	0.114	0.118
Tanzanian Shilling	212.345	231.829	203.911	208.592	180.839	191.116
Zambian Kwacha	682.442	711.427	668.338	680.801	0.629	0.640
Mozambican Metical	3.647	4.194	3.827	3.754	3.428	3.560
South African Rand	1.083	1.059	1.090	1.076	1.203	1.154

28. COLLATERAL

28.1 Liabilities for which collateral is pledged

	2011	2012	2013
		BWP'000s	
Deposits from banks	207,127	440,493	267,870
Deposits from customers	343,579	343,077	114,866
Borrowed funds	108,560	458,388	274,106
	659,266	**1,241,958**	**656,842**

28. COLLATERAL (Continued)

Assets pledged to secure these liabilities are carried at amortised cost and are included under the following:

	2011	2012	2013
		BWP'000s	
Cash and short-term funds	20,515	50,124	—
Bankers' acceptances	405,221	733,446	167,784
Financial assets held for trading	233,530	439,479	263,419
Property & Equipment		—	25,000
Investment securities	42,172	45,853	49,523
	701,438	**1,268,902**	**505,726**

These transactions are conducted under terms that are usual and customary to standard lending and borrowing activities.

28.2 Collateral accepted as security for assets

	2011	2012	2013
		BWP'000s	
Deposits from customer	290,517	85,779	316,624
Mortgage bonds, inventory, plant and equipment, shares, letter of undertaking	1,494,989	2,629,442	4,229,032
	1,785,506	**2,715,221**	**4,545,656**

ABCH is obliged to return equivalent securities. The BancABC 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.

29. ORDINARY DIVIDENDS

	2011	2012	2013
		BWP'000s	
Dividend of 8 thebe per share paid on 3 May 2013 to shareholders on the register on 12 April 2013	—	—	18,624
Dividend of 14 thebe per share paid on 13 September 2013 to shareholders on the register on 30 August 2013	—	—	35,964
Dividend of 10.5 thebe per share paid on 4 May 2012 to shareholders on the register on 13 April 2012		15,695	—
Dividend of 8 thebe per share paid on 21 September 2012 to shareholders on the register on 7 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		
	25,161	**34,319**	**54,588**

The ABCH board of directors proposed a gross final dividend in respect of the year ended 31 December 2013 of 4.5 Thebe per ordinary share.

This will bring the full year dividend to 18.5 Thebe per share. There are no tax consequences to the company for declaring or paying out a dividend.

29. ORDINARY DIVIDENDS (Continued)

However, for some investors resident in Botswana, a withholding tax of 7.5% applies. For investors not resident in Botswana, there are no tax consequences of this dividend.

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.

During 2011 the BancABC Group acquired additional shares in PG Industries (Zimbabwe) for BWP 1.7 million. Subsequently in August 2011, the BancABC 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. ACQUISITIONS AND DISPOSAL OF ASSOCIATE COMPANIES

During 2013 the BancABC Group acquired additional shares in PG Industries (Botswana) for BWP 4.8 million. This increased the BancABC Group's shareholding in this entity from 38% to just over 42%.

31. EVENTS AFTER THE REPORTING DATE

There were no significant events after the reporting date that would require further disclosure.

32. CONTINGENT LIABILITIES

Litigation pertaining: Application of set off in processing a payment

As disclosed in the 31 December 2012 and 2011 annual financial statements, the BancABC Group was exposed to an under-collateralised advance of BWP 91.6 million for which a repayment plan had been agreed with the customer during the 2012 financial year-end.

During the 2012 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 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 (BWP 80.9 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. On 3 May 2013, the Supreme Court ruled in favour of the third party and instructed BancABC Zimbabwe to release all the funds that had been used to set-off against the customer's balance.

Following the Supreme Court of Zimbabwe judgement and the related release of the funds that had been used to set-off against the customer loan, the loan was impaired to reflect the doubt on its recoverability. BancABC Zimbabwe commenced legal proceedings against the customer to recover the outstanding loan balance and these are still on-going.

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

PART XII

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

Accountant's report on pro forma financial information

KPMG

The Directors

Atlas Mara Co-Nvest Limited
Nemours Chambers
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Dear Sirs

2 July 2014

Atlas Mara Co-Nvest Limited

We report on the pro forma net asset statement and pro forma income statement (the 'Pro forma financial information') set out in Part XII of the prospectus dated 2 July 2014, which has been prepared on the basis described on pages 387 to 390, for illustrative purposes only, to provide information about how the proposed acquisition by Atlas Mara Co-Nvest Limited of ADC African Development Corporation AG and ABC Holdings Limited might have affected the financial information presented on the basis of the accounting policies to be adopted by Atlas Mara Co-Nvest Limited in preparing the financial statements for the period ended 31 December 2014. This report is required by paragraph 20.2 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of Atlas Mara Co-Nvest Limited to prepare the Pro forma financial information in accordance with paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Atlas Mara Co-Nvest Limited.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Atlas Mara Co-Nvest Limited.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Atlas Mara Co-Nvest Limited.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG

Unaudited pro forma statement of net assets and unaudited pro forma income statement of the Enlarged Group

The unaudited pro forma statement of net assets and pro forma income statement set out below have been prepared to illustrate the effect of the 2013 Placing, the Transaction and the Mandatory Offer on the consolidated net assets and income statement of the Company.

For the purposes of the pro forma financial information, it has been assumed that subsequent to the BancABC Acquisition and the ADC Acquisition, the Mandatory Offer is settled fully in cash and that all remaining ABCH Shareholders (other than those ABCH shares at the time owned by the Company) accept the offer in full.

The unaudited pro forma net assets statement is based on the financial statements of the Company as at 28 November 2013 which is incorporated by reference into this Document, adjusted for the effect of the 2013 Placing, and has been prepared on the basis that the Transaction and Mandatory Offer took place on 28 November 2013. The unaudited pro forma income statement has been prepared on the basis that the Transaction and Mandatory Offer took place on 1 January 2013, however, as the Company was only incorporated on the 28 November 2013, no income statement for the Company for the period 1 January 2013 to 28 November 2013 has been presented. The unaudited pro forma statement of net assets and unaudited pro forma income statement is compiled on the basis set out in the notes below and in accordance with the proposed accounting policies of the Enlarged Group to be applied in the annual financial statements for the period ending 31 December 2014.

Because of its nature, the unaudited pro forma statement of net assets and unaudited pro forma income statement addresses a hypothetical situation and does not, therefore, represent the Enlarged Group's actual financial position or results. It may not, therefore give a true picture of the Enlarged Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The pro forma information has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive.

The unaudited pro forma statement of net assets of the Enlarged Group is set out below:

	Atlas Mara Note 1	2013 Placing Note 2	Atlas Mara Pro Forma following 2013 Placing Note 3	ADC (Consolidated including the net assets of ABCH) Note 4	Note 5	Note 6	Note 7	Pro forma Enlarged Group
				Currency US$'million				
Assets								
Cash and short term funds	—	313.5	313.5	276.6	(96.2)	—	(21.9)	472.0
Loans and advances	—	—	—	1,179.6	—	—	—	1,179.6
Goodwill and intangible assets	—	—	—	71.3	—	126.0	—	197.3
Other assets	—	—	—	423.8	—	—	—	423.8
Total assets	**—**	**313.5**	**313.5**	**1,951.3**	**(96.2)**	**126.0**	**(21.9)**	**2,272.7**
Liabilities								
Deposits	—	—	—	1,393.4	—	—	—	1,393.4
Borrowed funds	—	—	—	311.6	—	—	—	311.6
Other liabilities	—	—	—	106.3	—	—	—	106.3
Total liabilities	**—**	**—**	**—**	**1,811.3**	**—**	**—**	**—**	**1,811.3**
Net assets	**—**	**313.5**	**313.5**	**140.0**	**(96.2)**	**126.0**	**(21.9)**	**461.4**

The unaudited pro forma statement of net assets of the Enlarged Group is presented in US dollars in millions. The financial information for ADC has been translated at US$1.00 to Euro 0.7264 being the exchange rate as at 31 December 2013.

The exchange rate utilised for the translation is the rate ruling at the financial year end of ADC, as reflected in Note 2.4 of the notes to the consolidated financial statements of ADC as set out in Part XI of this Document.

The Private Placement, as detailed in Part III of this Document, will only be effected on Readmission of the Company and therefore the impact of the Private Placement has not been reflected in the above pro forma statement of net assets.

The consolidated net assets of ADC include the consolidated net assets of ABCH and therefore the net assets of ABCH are not presented separately within the pro forma statement of net assets.

Notes

1 The net assets of the Company as at incorporation, being 28 November 2013, have been extracted without material adjustment from the financial information of the Company incorporated by reference into this Document;

2 Raising of US$325.0 million in respect of the 2013 Placing by the Company in December 2013, full details of which are set out in the IPO Prospectus, and payment of transaction costs of US$11.5 million;

3 The pro forma statement of net assets of the Company following the completion of the 2013 Placing as detailed in note 2 above;

4 The consolidated net assets of ADC as at 31 December 2013 have been extracted without material adjustment from the historical financial information as set out under Part XI of this Document. The following applies to the consolidated net assets of ADC:

(i) Other assets includes all assets as extracted from the historical financial information of ADC as set out in Part XI of this Document, excluding cash and short term funds, loans and advances and goodwill and intangible assets as extracted;

(ii) Other liabilities includes all liabilities as extracted from the historical financial information of ADC as set out in Part XI of this Document, excluding deposits and borrowed funds as extracted;

(ii) ABCH is already consolidated by ADC and therefore no separate adjustment, as it relates to the impact of the BancABC Acquisition, has been included in the pro forma statement of net assets;

5 The adjustment reflects a cash payment of US$86.4 million of the total consideration of US$109.2 million payable in respect of the BancABC Acquisition and a cash payment of US$9.8 million of the total costs payable of US$11.1 million in respect of Transaction and Readmission costs. The consideration payable of US$134.9 million in respect of the ADC Acquisition is settled through the issue of 11.8 million Ordinary Shares at a price of US$11.40 per Ordinary Share, being the share price on the last trading day prior to the suspension of the Ordinary Shares on 28 March 2014;

6 The adjustment reflects the de-recognition of goodwill and intangible assets of ADC of US$71.3 million and the recognition of goodwill and intangible assets in the Enlarged Group's financial statements as a consequence of the Transaction. The recognition of goodwill and intangible assets of US$197.3 million is calculated as the total purchase consideration of US$266.0 million, in respect of both the ADC Acquisition and the BancABC Acquisition of which US$108.2 million is settled in cash and US$157.8 million is settled in Ordinary Shares, less the book value of consolidated ADC net assets (less the de-recognised goodwill and intangible assets of US$71.3 million) acquired of US$68.7 million. A fair value assessment of the net assets acquired, including a valuation of the intangible assets as required by IFRS 3 (Revised) has not yet been performed but will be prepared for inclusion in the financial statements of the Company for the year ending 31 December 2014. No account has been made for any fair value adjustments that may arise; and

7 Cash payment of US$21.9 million in respect of the Mandatory Offer to minority shareholders of ABCH.

The unaudited pro forma income statement of the Enlarged Group is set out below:

	Atlas Mara Note 1	ADC (Consolidated including the net assets of ABCH) Note 2	Note 3	Pro forma Enlarged Group
		Currency US$'million		
Interest and similar income	—	230.0	—	230.0
Interest and similar expense	—	(120.2)	—	(120.2)
Net interest income	**—**	**109.8**	**—**	**109.8**
Provision for credit losses	—	(57.1)	—	(57.1)
Net interest income after provision for credit losses	**—**	**52.7**	**—**	**52.7**
Net fee and commission income	—	49.6	—	49.6
Net gains/(losses) on financial instruments designated at fair value through profit or loss	—	4.3	—	4.3
Net trading income	—	21.5	—	21.5
Net income/(loss) from equity method investments	—	19.3	—	19.3
Other non-interest income	—	7.6	—	7.6
Total operating income	**—**	**155.0**	**—**	**155.0**
Operating expenses	—	(160.4)	(11.0)	(171.4)
Profit/(loss) before tax	**—**	**(5.4)**	**(11.0)**	**(16.4)**
Income tax expense	—	(5.5)	—	(5.5)
Profit/(loss) for the year	**—**	**(10.9)**	**(11.0)**	**(21.9)**

The unaudited pro forma income statement of the Enlarged Group is presented in US dollars in millions. The financial information for ADC has been translated at US$1.00 to Euro 0.7530 being the average 12 month exchange rate at 31 December 2013. The average exchange rate utilised for the translation is the average rate ruling at the financial year end of ADC, as reflected in note 2.4 of the notes to the consolidated financial statements of ADC as set out in Part XI of this Document.

A fair value of the assets and liabilities as it relates to the Transaction (including a valuation of intangible assets), as required by IFRS 3 (Revised), and the required fair value adjustments, has not yet been performed but will be prepared for inclusion in the financial statements of the Enlarged Group for the year ending 31 December 2014. No account has been made for any amortisation arising.

The Private Placement, as detailed in Part III of this Document, will only be effected on Readmission of the Company and therefore the impact of Private Placement has not been reflected in the above pro forma income statement.

The consolidated income statement of ADC includes the consolidated income statement of ABCH and therefore the income statement of ABCH is not presented separately within the pro forma income statement.

Notes

1 The Company was newly incorporated on 28 November 2013 and had not traded prior to incorporation. As a result, the income statement for the period 1 January 2013 to 28 November 2013 has not been presented. No adjustment has been made to reflect the actual trading result of the Company between 28 November 2013 and 31 December 2013. Other than the proceeds used for the Transaction, no further adjustments have been taken into account in relation to the 2013 Placing;

2 The consolidated income statement of ADC for the 12 months ended 31 December 2013 has been extracted without material adjustment from the historical financial information as set out under Part XI of this Document. The following applies to the consolidated income statement of ADC:

(i) Other non-interest income as extracted from the historical financial information set out in Part XI of this Document has been adjusted to include profit after tax for the year from discontinued operations of US$0.2 million;

(ii) ABCH is already consolidated by ADC and therefore no separate adjustment, as it relates to the impact of the BancABC Acquisition, has been included in the pro forma income statement; and

3 Payment of US$11.0 million in respect of transaction costs as it relates to the Transaction. All transaction costs are assumed, for the purposes of the Transaction, to be expensed in terms of IAS 27. All Readmission costs amounting to US$0.1 million are assumed, for the purposes of Readmission, to be written off against stated capital. This adjustment is not expected to have a continuing impact on the Company.

PART XIII

TAXATION

General

The comments below are of a general and non-exhaustive nature based on the Directors' understanding of the current revenue law and published practice as it applies to Shareholders resident for tax purposes in the British Virgin Islands, the U.K., Germany and the U.S., which is subject to change, possibly with retrospective effect. The following summary does not constitute legal or tax advice and applies only to persons who will hold their ADC Shares and/or Ordinary Shares as investments (rather than as securities to be realised in the course of a trade) who are the absolute beneficial owners of their ADC Shares and/or Ordinary Shares and who have not acquired their ADC Shares and/or Ordinary Shares by reason of their or another person's employment. These comments may not apply to certain classes of person, including dealers in securities, financial service providers, insurance companies, pension funds and collective investment schemes.

An investment in the Company involves a number of complex tax considerations. Changes in tax legislation in any of the countries in which the Company has assets or in the British Virgin Islands (or in any other country in which a subsidiary of the Company through which an Acquisition is made, is located), or changes in tax treaties negotiated by those countries, could adversely affect the returns from the Company to investors.

Prospective investors should consult their own independent professional advisers on the potential tax consequences of being issued with, subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence including the consequences of distributions by the Company, either on a liquidation or distribution or otherwise.

British Virgin Islands taxation

The Company

The Company is not subject to any income, withholding or capital gains taxes in the British Virgin Islands. No capital or stamp duties are levied in the British Virgin Islands on the issue, transfer or redemption of Ordinary Shares.

Shareholders

Shareholders who are not tax resident in the British Virgin Islands will not be subject to any income, withholding or capital gains taxes in the British Virgin Islands, with respect to the shares of the Company owned by them and dividends received on such Ordinary Shares, nor will they be subject to any estate or inheritance taxes in the British Virgin Islands.

United Kingdom taxation

The Company

The Directors intend to conduct the affairs of the Company in such a manner that it does not become resident in the U.K. for taxation purposes. Accordingly, and provided that the Company does not carry on a trade in the U.K. (whether or not through a permanent establishment situated therein), the Company will not be subject to U.K. income tax or U.K. corporation tax, except on certain types of U.K. source income.

Shareholders

Disposals of Ordinary Shares

Subject to their individual circumstances, Shareholders who are resident in the United Kingdom for taxation purposes, or who carry on a trade in the U.K. through a branch, agency or permanent establishment with which their investment in the Company is connected, will potentially be liable to U.K. taxation, as further explained below, on any gains which accrue to them on a sale or other disposition of their Ordinary Shares which constitutes a "disposal" for U.K. taxation purposes.

The Taxation (International and Other Provisions) Act 2010 and the Offshore Funds (Tax) Regulations 2009 contain provisions (the "offshore fund rules") which apply to persons who hold an interest in an entity which is an "offshore fund" for the purposes of those provisions. Under the offshore fund rules, any gain accruing to a person upon the sale or other disposal of an interest in an offshore fund can, in certain circumstances, be chargeable to U.K. tax as income, rather than as a capital gain. In addition, offshore funds which are predominantly debt-invested may be treated as 'bond funds'. If the bond fund rules were to apply, investors who are within the charge to U.K. corporation tax would be subject to taxation in accordance with a fair value basis of accounting in accordance with the rules in Chapter 3 of Part 6 of the Corporation Tax Act 2009 and investors who are within the charge to U.K. income tax would be taxed on dividends and other distributions from the Company as though they were interest in accordance with section 378A of the Income Tax (Trading and Other Income) Act 2005. The bond fund rules as they apply to corporation taxpayers are currently being reviewed by the UK government, such that this tax treatment may be subject to change.

The offshore fund rules will apply to an investment in Ordinary Shares only if a reasonable investor acquiring those Ordinary Shares in the Company would expect to be able to realise all or part of his investment on a basis calculated entirely, or almost entirely, by reference to the net asset value of the Company's assets (to the extent attributable to the Ordinary Shares) or by reference to an index of any description. The Directors are of the view that a reasonable investor acquiring Ordinary Shares would not have such an expectation, and therefore the Ordinary Shares should not be treated as constituting interests in an offshore fund for such investors. On that basis, the offshore fund rules should not apply to such investors and any gain realised by such an investor on a disposal of Ordinary Shares should not be taxable under the offshore fund rules but should be respected as a capital gain. Consequently, neither should the bond fund rules described above apply to such investors.

The offshore fund rules are complex and prospective investors should consult their own independent professional advisers.

Dividends on Ordinary Shares

Shareholders who are resident in the United Kingdom for tax purposes will, subject to their individual circumstances, be liable to U.K. income tax or, as the case may be, corporation tax on dividends paid to them by the Company.

Shareholders who are persons within the charge to U.K. income tax (but not companies within the charge to corporation tax) and who hold less than ten per cent. of the issued Ordinary Shares will be entitled, subject to certain conditions, to a notional tax credit in respect of dividends they receive from the Company. The dividend tax credit will be equal to one-ninth of the dividend received. Availability of the dividend tax credit will reduce the effective rate of U.K. income tax payable by such Shareholders. on dividends received from the Company. Individual Shareholders who hold ten per cent. or more of the issued Ordinary Shares will not be entitled to a tax credit.

Shareholders who are within the charge to U.K. corporation tax and who are not 'small companies' will generally be exempt from corporation tax on dividends they receive from the Company, provided the dividends fall within an exempt class and certain conditions are met. In general, almost all dividends received by non-small corporate Shareholders should fall within an exempt class. Shareholders within the charge to UK corporation tax who are "small companies" (as that term is defined in section 931S of the Corporation Tax Act 2009) will be liable to UK corporation tax on dividends paid to them by the Company because the Company is not resident in a "qualifying territory" for the purposes of the legislation contained in the Corporation Tax Act 2009.

Certain other provisions of U.K. tax legislation

(i) Section 13 Taxation of Chargeable Gains Act 1992—Deemed Gains

The attention of Shareholders who are resident in the United Kingdom for tax purposes are drawn to the provisions of section 13 of the Taxation of Chargeable Gains Act 1992. This provides that for so long as the Company is a close company, Shareholders who (alone or together with connected persons) have a more than 25 per cent. Interest in the Company could be liable to U.K. capital gains taxation on their pro rata share of any capital gain accruing to the Company (or, in certain circumstances, to a subsidiary or investee company of the Company). Provided the Company maintains non-UK tax residence, it will not be regarded as a close company. However, Shareholders should consult their own independent professional advisers as to their U.K. tax position.

(ii) "Controlled Foreign Companies" Provisions—Deemed Income of Corporates

If the Company were at any time to be controlled, for U.K. tax purposes, by persons (of any type) resident in the United Kingdom for tax purposes, the "controlled foreign companies" provisions in Part 9A of Taxation (International and Other Provisions) Act 2010 could apply to U.K. resident corporate Shareholders. Under these provisions, part of any "chargeable profits" accruing to the Company (or in certain circumstances to a subsidiary or investee company of the Company) may be attributed to such a Shareholder and may in certain circumstances be chargeable to U.K. corporation tax in the hands of the Shareholder. The Controlled Foreign Companies provisions are complex, and prospective investors should consult their own independent professional advisers.

(iii) Chapter 2 of Part 13 of the Income Tax Act 2007—Deemed Income of Individuals

The attention of Shareholders who are individuals resident in the United Kingdom for tax purposes is drawn to the provisions set out in Chapter 2 of Part 13 of the U.K. Income Tax Act 2007, which may render those individuals liable to U.K. income tax in respect of undistributed income (but not capital gains) of the Company.

(iv) "Transactions in securities"

The attention of Shareholders (whether corporates or individuals) within the scope of U.K. taxation is drawn to the provisions set out in, respectively, Part 15 of the Corporation Tax Act 2010 and Chapter 1 of Part 13 of the Income Tax Act 2007, which (in each case) give powers to HM Revenue and Customs to raise tax assessments so as to cancel "tax advantages" derived from certain prescribed "transactions in securities".

Stamp duty/stamp duty reserve tax

No U.K. stamp duty or stamp duty reserve tax will be payable on the issue of the Ordinary Shares or Depositary Interests. U.K. stamp duty will in principle be payable on any instrument of transfer of the Ordinary Shares that is executed in the U.K. or that relates to any property situate, or to any matter or thing done or to be done, in the U.K. Investors should be aware that, even where an instrument of transfer is in principle liable to stamp duty, stamp duty is not required to be paid unless it is necessary to rely on the instrument for legal purposes, for example to register a change of ownership. An instrument of transfer need not be stamped in order for the BVI register of Ordinary Shares to be updated, and the register is conclusive proof of ownership. Provided that the Ordinary Shares are not registered in any register maintained in the U.K. by or on behalf of the Company and are not paired with any shares issued by a U.K. incorporated company, any agreement to transfer Ordinary Shares will not be subject to U.K. stamp duty reserve tax. The Company currently does not intend that any register of the Ordinary Shares will be maintained in the U.K. As noted above, the Directors intend to conduct the affairs of the Company so that it does not become resident in the U.K. for taxation purposes. Assuming this to be the case, no U.K. stamp duty reserve tax should be payable on the transfer of Depositary Interests through CREST.

Germany taxation

The following section presents a number of German key taxation principles which generally are or can be relevant to (i) the acceptance of the Offer and the tendering of the ADC Shares in the Offer by the ADC Shareholders and (ii) the acquisition, holding or transfer of Ordinary Shares by a Shareholder, in each case (i) and (ii), if such ADC Shareholder or Shareholder (an individual, a partnership or corporation) is tax resident in Germany (that is, whose place of residence, habitual abode, registered office or place of effective management is in Germany) (the "German ADC Shareholder" or the "German Shareholder", respectively). The information is based on the tax law in force in Germany as at the date of this prospectus (and its interpretation by administrative directives and courts). Tax law can change, sometimes retrospectively. Moreover, it cannot be ruled out that the German tax authorities or courts may consider an alternative assessment to be correct that differs from the one described in this Part XIII.

Classification of the Company for German income tax purposes

The income tax treatment of a German Shareholder (and, possibly, also a German ADC Shareholder in relation to the Offer) depends, in general, on the classification of the Company for purposes of German income taxes. The Company has its registered seat in the British Virgin Islands, is not, and assumes that it will not be, effectively managed and controlled from Germany. The Company therefore is not and is not envisaged to be tax resident in Germany in the future. Under German income tax law, legal entities that are incorporated under the laws of a foreign jurisdiction are treated either as a separate taxable or a fiscally transparent entity, depending on whether they are comparable to a corporation or a partnership established under German law. Such classification is made on the basis of a comparison of legal form test (*Rechtstypenvergleich*) by applying certain criteria which are characteristic features of German corporations or partnerships. The Company assumes that it is comparable to a corporation established under German corporate law, and therefore is treated, for purposes of German income tax law, as separate taxable entity. It is further assumed, that the Company does not fall within the scope of the German Investment Tax Act (*Investmentsteuergesetz*) and, therefore, is not subject to any of the special taxation regimes set forth therein.

However, the legal form of the Company, which is a Limited incorporated under the laws of the British Virgin Islands, is not included in a list published by the German tax authorities in which they have classified certain foreign entities for German tax purposes (see annex 2 to the circular regarding the allocation of income in relation to permanent establishments of multinationals of 24 December 1999 (*Betriebsstätten-Verwaltungsgrundsätze*), Federal Tax Gazette part I of 1999, p. 1076). Therefore, there is no absolute certainty as to whether the above assumptions are correct, and investors should not rely on these assumptions but consult their own tax advisors as to the classification of the Company. In any event, the following description of certain aspects of the tax treatment of ADC Shareholders and Shareholders is based on the assumptions that the Company qualifies as a corporation and is not subject to the special rules of the German Investment Tax Act.

ADC Shareholders

The German tax consequences of the acceptance of the Offer and the tendering of ADC Shares by the German ADC Shareholders may differ depending on a number of individual circumstances, most notably on whether a German ADC Shareholder holds the ADC shares as non-business or business assets.

ADC Shares held by individuals as non-business assets

The acceptance of the Offer and the tendering of the ADC Shares by the German ADC Shareholders constitute an exchange of ADC Shares for Ordinary Shares of the Company. In general, such a share-for-share exchange (*Anteilstausch*) is for income tax purposes treated as a disposal of the shares tendered and an acquisition of the shares received. Hence, the acceptance of the Offer and the tendering of the ADC Shares by the German ADC Shareholders would generally be treated as the disposal of the ADC Shares and the acquisition of Ordinary Shares. In case of ADC Shares acquired after December 31, 2008, the disposal leads to a taxable capital gain if and to the extent that the aggregate of the lowest stock exchange price of the acquired Ordinary Shares as of the date when they are booked into the German ADC Shareholder's securities account (*Tag der Depoteinbuchung*) and any additional cash proceeds the German ADC Shareholder receives in consideration for the ADC Shares exceeds the aggregate of the acquisition costs of the disposed ADC Shares and the expenses directly related to the disposal. The acquisition costs of the acquired Ordinary Shares are equal to the lowest stock exchange price of the tendered ADC Shares as of the date when the latter are deleted from the ADC Shareholder's securities account (*Tag der Depotausbuchung*). For more details on the taxation of capital gains arising from the share-for-share exchange please see the principles set out below under "Shareholders—Disposals of Ordinary Shares—Ordinary Shares held by individuals as non-business assets" which apply accordingly.

In contrast to the above consequences, the share-for-share exchange might qualify for a tax-neutral treatment (meaning that no taxable capital gain arises) if certain requirements are met. In this case, the acceptance of the Offer and the tendering of the ADC Shares would—as an exception from the general rule—not be treated as a taxable disposal of the ADC Shares but rather the acquisition costs of the ADC Shares would be "rolled-over" to the Ordinary Shares. Consequently, no taxable capital gain would arise. Such relief requires—*inter alia*—that (i) shares in a corporation are exchanged for shares in another corporation due to corporate law measures (*gesellschaftsrechtliche Maßnahmen*) initiated by the entities involved in the exchange and (ii) that the taxation right of the Federal Republic of Germany regarding the capital gain on the disposal of the shares received due to the exchange is neither excluded nor limited. It is not entirely clear if this relief applies to the case at hand: Whilst the German tax authorities in a circular regarding the German flat rate withholding tax dated 9 October 2012 (*Abgeltungsteuerschreiben*, Federal Tax Gazette part I of 2012, p. 953 at margin no. 100) have taken the view that the relief may be applied to voluntary tender offers, some legal commentators hold that the relief is available only in case of corporate law measures that generally fall within the scope of the German Reorganisation Tax Act

(*Umwandlungsteuergesetz*), which is not the case with the Offer. Even if the relief applies, any cash proceeds received by the German ADC Shareholders as consideration in addition to the Ordinary Shares would be treated as dividend income. For more details on the taxation of dividends please see the principles set out below under "Shareholders—Dividends on Ordinary Shares—Ordinary Shares held by individuals as non-business assets" which apply accordingly.

The relief described above does not apply to German ADC Shareholders holding a Qualified Holding (as defined under "Shareholder—Disposal of Ordinary Shares—Ordinary Shares held by individuals as non-business assets" below). In this case, the acceptance of the Offer and the tendering of the ADC Shares will be treated as the disposal of the ADC Shares and the acquisition of Ordinary Shares. The disposal leads to a taxable capital gain if and to the extent that the aggregate of the lowest stock exchange price of the acquired Ordinary Shares as of the date when they are booked into the German ADC Shareholder's securities account (*Tag der Depoteinbuchung*) and any additional cash proceeds the German ADC Shareholder receives in consideration for the ADC Shares exceeds the aggregate of the acquisition costs of the tendered ADC Shares and the expenses directly related to the disposal. For more details on the taxation of such capital gains please see the principles set out below under "Shareholders—Disposal of Ordinary Shares—Ordinary Shares held by individuals as non-business assets" which apply accordingly.

ADC Shares held as business assets

The acceptance of the Offer and the tendering of the ADC Shares will be treated as a disposal of the ADC Shares and an acquisition of Ordinary Shares. The acquired Ordinary Shares are to be accounted for in the tax balance sheet of the (former) ADC Shareholder and henceforth Shareholder at the fair market value (*gemeiner Wert*) of the tendered ADC Shares. The disposal leads to a capital gain if and to the extent that the aggregate of the lowest stock exchange price of the tendered ADC Shares as of the date when they are deleted from the German ADC Shareholder's securities account (*Tag der Depotausbuchung*) and any additional cash proceeds the German ADC Shareholder receives in consideration for the ADC Shares exceeds the aggregate of the acquisition costs of the tendered ADC Shares and the expenses directly related to the disposal. The taxation of the capital gain (if any) depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). For more details on the taxation of such capital gains please see the principles set out below under "Shareholders—Disposal of Ordinary Shares—Ordinary Shares held as business assets" which apply accordingly.

Withholding tax

Capital gains derived by a German ADC Shareholder from the disposal of the ADC Shares are generally subject to a withholding tax (*Kapitalertragsteuer*) of 25% and a solidarity surcharge of 5.5% thereon (i.e., 26.375% in total, plus church tax, if applicable) to be withheld by the German Paying Agent (as described in more detail below under "Shareholders—Disposals of Ordinary Shares—Withholding Tax"). However, where capital gains do not (entirely) consist of cash and their cash component (if any) is not sufficient to satisfy the German Paying Agent's withholding obligation—as it can be the case when capital gains are triggered by a share-for-share exchange—the German ADC Shareholders are generally required to provide the German Paying Agent with the amounts that would otherwise have to be withheld and such amounts will be remitted by the German Paying Agent to the German tax authorities.

Shareholders

Special taxation of deemed income under German CFC-rules

Under the German controlled foreign companies-rules (CFC-rules), income of the Company could, without being actually distributed, be attributed to the German Shareholders and, consequently, be subject to income taxation at their level.

Generally, the application of the CFC-rules requires that German Shareholders hold directly or indirectly (i.e., via a multi-tier structure through other companies) more than 50% of the shares or voting rights in the Company, i.e., the CFC-rules can apply even if not one single German Shareholder holds more than 50%, but only all German Shareholders in the aggregate. If the Company generates financial investment income (*Einkünfte mit Kapitalanlagecharakter*), i.e., income from the holding, management, value preservation or value appreciation of cash, cash equivalents, debt claims, securities, shares and similar assets (except for dividend income), the CFC-rules can apply even if a German Shareholder holds only a shareholding of at least 1% in the Company.

Furthermore, the CFC-rules apply only if and to the extent that the income of the Company qualifies as "passive" income which is subject to low taxation at the level of the Company. The income of the Company generally qualifies as passive unless it falls within the scope of one of the categories which are explicitly classified as active income by the German CFC-rules. As an example, interest and licence fees typically constitute passive income, whereas dividend income is classified as active. Income is subject to low taxation at the level of the Company if the tax burden is less than 25%. Since the Company is not subject to any income tax in the British Virgin Islands, all of its income should be subject to low taxation.

If the CFC-rules are applicable, any passive low-taxed income of the Company (less tax charged on the level of the Company, if any) is attributed to the German Shareholders in the form of a deemed dividend in proportion to their participation in the share capital of the Company. Such deemed dividend is subject to income tax, corporate income tax, trade tax, solidarity surcharge and church tax, as applicable to each German Shareholder and at their individual tax rate. Neither the flat tax rate nor the partial exemptions for income derived from shares held as business assets (as detailed below) are applicable to such deemed income. Where passive low-taxed income is attributed to a German Shareholder under the CFC-rules, any dividends actually distributed by the Company within the subsequent seven years will remain tax-exempt in the hands of the German Shareholder. In the case of corporate German Shareholders, 5% of the dividends are deemed as non-deductible business expenses which therefore will remain subject to taxation.

The German Shareholders are required to report the passive low-taxed income in specific CFC tax returns on a yearly basis. On application of the German Shareholder, tax charged at the level of the Company can be credited against the German Shareholders' tax burden. In this case, the tax charged at the level of the Company is not deducted from the income before attribution to the German Shareholders.

The aforementioned CFC-rules apply accordingly to income of subsidiaries of the Company, i.e., passive low-taxed income of subsidiaries can also be subject to taxation at the level of German Shareholders of the Company under certain circumstances.

Dividends on Ordinary Shares

Withholding tax

Dividends distributed by the Company to a German Shareholder are subject to a withholding tax (*Kapitalertragsteuer*) of 25% and a solidarity surcharge of 5.5% thereon (i.e., 26.375% in total plus church tax, if applicable) to be withheld by the domestic (German resident) credit or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*) (including domestic branches of foreign credit and financial services institutions), by the domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or the domestic securities trading bank (*inländische Wertpapierhandelsbank*) which holds in custody or administers the Ordinary Shares and disburses or credits the dividends (the "German Paying Agent"). The tax base for the withholding tax is the gross amount of the dividend. In general, the withholding tax must be withheld regardless of whether and to which extent the dividend is tax exempt at the level of the German Shareholder. If no German Paying Agent is involved in the distribution of the dividend (which is, generally speaking, the case if the German Shareholder does not keep the Ordinary Shares in custody with a German bank or financial services provider), no withholding tax will be levied on the dividend. Individuals who hold their Ordinary Shares as non-business assets may avoid or reduce the withholding tax on the dividend if they provide the German Paying Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) issued by their competent local tax office or an exemption declaration (*Freistellungsauftrag*) in the maximum amount of the saver's lump-sum allowance (*Sparer-Pauschbetrag*) of EUR 801 (or, for married couples filing jointly, EUR 1,602) (the "Saver's Lump-sum Allowance").

Ordinary Shares held by individuals as non-business assets

Dividends distributed to individuals holding their Ordinary Shares as non-business assets are subject to a flat tax rate of 25% plus solidarity surcharge of 5.5% thereon (i.e., 26.375% in total plus church tax, if applicable). The income tax liability of the respective German Shareholder with respect to the dividend income is, in general, discharged by the withholding tax levied by the German Paying Agent (flat tax—*Abgeltungsteuer*). However, the shareholder may request that the dividend income is, along with the other capital investment income, taxed at the respective German Shareholder's individual progressive income tax rate if this results in a lower tax burden. In this case, the withholding tax will be credited against the German Shareholder's income tax liability and any excess amount will be refunded. Pursuant to the current view of the German tax authorities (which has recently been rejected by a fiscal court; a decision by the

German Federal Tax Court (*Bundesfinanzhof*) is still pending), any expenses actually incurred in relation to the dividend income are not deductible, except for the Saver's Lump-sum Allowance.

Exceptions from the flat tax apply upon application for (i) German Shareholders with a shareholding of at least 25% in the Company and (ii) for German Shareholders with a shareholding of at least 1% in the Company if they work for the Company in a professional capacity. In this case, the dividend income is subject to taxation in accordance with the principles described below under "Shareholders—Dividends on Ordinary Shares—Ordinary Shares held as business assets—Sole Proprietors".

Upon application by a German Shareholder, any church tax payable on the dividend will be withheld by the German Paying Agent as well, and the church tax liability for the dividend will be discharged by such withholding. With regard to dividends received after December 31, 2014, church tax (if applicable) will be withheld by German Paying Agents without application unless the German Shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office.

If the income tax and/or church tax on the dividend is not levied by way of withholding by a German Paying Agent, the German Shareholder is required to report the dividend income in his or her income tax return. The income tax and any applicable church tax on the dividend will then be levied by way of a tax assessment.

Ordinary Shares held as business assets

Dividends from Ordinary Shares held by a German Shareholder as business assets are not subject to the flat tax. The withholding tax (including the solidarity surcharge thereon and church tax, if applicable) withheld and paid by the German Paying Agent has no discharging effect but is only a prepayment of the German Shareholder's liability for (corporate) income tax, solidarity surcharge and, as the case may be, church tax. Therefore, the German Shareholder is required to report the dividend income in the relevant tax returns. Any withholding tax will then be credited against the German Shareholder's income tax or corporate income tax liability (including the solidarity surcharge thereon and church tax, if applicable) or refunded in the amount of any excess. The taxation depends on whether the German Shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship).

Corporations

If the German Shareholder is a corporation, the dividend is generally subject to corporate income tax and solidarity surcharge thereon at a total rate of 15.825%. However, if the German Shareholder held at the beginning of the relevant calendar year directly at least 10% of the registered share capital (*Grundkapital*) of the Company, effectively 95% of the dividend are exempt from corporate income tax and solidarity surcharge. 5% of the dividend are treated as non-deductible business expenses and, therefore, are subject to corporate income tax (plus the solidarity surcharge thereon) at a total tax rate of 15.825%. If the Company has no registered share capital, the participation in the assets of the Company is relevant. Shareholdings of at least 10% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year of the relevant assessment period.

In addition, the dividends (after deduction of business expenses economically related to the dividends) are generally subject to trade tax at a rate from 7% to approximately 18.2% (depending on the municipal trade tax multiplier applied by the relevant municipal authority where the corporation has established its permanent establishment). As an exception to this rule, only 5% of the dividend are subject to trade tax if the corporation is eligible for the trade tax participation privilege (*gewerbesteuerliches Schachtelprivileg*) ("Trade Tax Participation Privilege"). The Trade Tax Participation Privilege is applicable if the German Shareholder holds a minimum participation of 15% in the Company's registered shared capital (*Nennkapital*) for an uninterrupted period since the beginning of the relevant assessment period (*Erhebungszeitraum*) and the Company has, generally speaking, derived its income almost exclusively from certain sources that are deemed as "active income".

Sole proprietors

If the Ordinary Shares are held as business assets by a sole proprietor, only 60% of the dividends are subject to income tax (plus the solidarity surcharge thereon) at the relevant German Shareholder's individual progressive income tax rate of up to approximately 47.5% (plus church tax, if applicable), so-called partial income method (*Teileinkünfteverfahren*). On the other hand, only 60% of the business expenses economically related to the dividends are tax-deductible. If the Ordinary Shares are attributable to a German permanent establishment of the sole proprietor, the dividend income (after deduction of business expenses economically related thereto) is fully subject to trade tax, unless the prerequisites of the Trade Tax Participation Privilege are met. In the latter case, the net amount of dividends, i.e., after deduction of related expenses, is exempt from trade tax. As a rule, trade tax can be credited against the sole proprietor's income tax liability, either in full or in part, by means of a lump-sum tax credit method—depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

Partnerships

If the German Shareholder is a partnership that is engaged in trading or deemed to be engaged in trading (*gewerbliche oder gewerblich geprägte Mitunternehmerschaft*), the income tax or corporate income tax on the dividend is not levied at the level of the partnership but at the level of the partners of the partnership. The taxation of the partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the *pro rata* dividend income included in such partner's profit share will be taxed in accordance with the rules applicable to corporations (see "Shareholders—Dividends on Ordinary Shares—Ordinary Shares held as business assets—Corporations" above). If a partner is an individual, the taxation follows the principles described in respect of sole proprietors (see "Shareholders—Dividends on Ordinary Shares—Ordinary Shares held as business assets—Sole Proprietors" above). In addition, the dividends are generally subject to trade tax in the full amount at the partnership level if the Ordinary Shares are to be attributed to a German permanent establishment of the partnership. As an exception to this rule, the partnership is generally eligible for the Trade Tax Participation Privilege. The portion of the trade tax paid by the partnership that is allocable to the profit share of an individual can be credited, either in full or in part, against his or her income tax liability by means of a lump-sum tax credit method—depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer. If the partner of a partnership is a corporation, it is, due to a lack of case law and administrative guidance, currently unclear how the rules on the Trade Tax Participation Privilege interact with the rules providing for an exemption of dividend income from the corporate income tax in case of a direct shareholding of at least 10% (see "Shareholders—Dividends on Ordinary Shares—Ordinary Shares held as business assets—Corporations" above). Pursuant to a literal reading of the law, if the partnership qualifies for the Trade Tax Participation Privilege for an uninterrupted period since the beginning of the relevant assessment period, the dividends should generally not be subject to trade tax. However, in this case, trade tax should be levied on 5% of the dividends to the extent they are attributable to the profit share of a corporate partner to whom at least 10% of the Ordinary Shares in the Company are attributable on a look-through basis, since such portion of the dividends should be deemed to be non-deductible business expenses. The remaining portion of the dividend income attributable to other than such specific corporate partners (which includes individuals and should, under a literal reading of the law, also include corporate partners to whom, on a look-through basis, only less than 10% of the Ordinary Shares in the Company are attributable) should (after the deduction of business expenses economically related thereto) not be subject to trade tax.

Disposals of Ordinary Shares

Withholding tax

Capital gains derived by a German Shareholder from the disposal of the Ordinary Shares are generally subject to a withholding tax (*Kapitalertragsteuer*) of 25% and a solidarity surcharge of 5.5% thereon (i.e., 26.375% in total, plus church tax, if applicable) to be withheld by a German Paying Agent. In general, the withholding tax must be withheld regardless of whether and to which extent the capital gain is exempt from tax at the level of the German Shareholder. If no German Paying Agent is involved in the custody of the shares or the execution of the disposal (which is, generally speaking, the case if the German Shareholder does not keep the Ordinary Shares in custody with a German bank or financial services institution), no withholding tax will be levied on the capital gains.

Upon the application of a shareholder who is subject to church tax, German Paying Agents will also withhold church tax on capital gains. With regard to capital gains realised after December 31, 2014, church tax (if applicable) will be withheld by German Paying Agents without application unless the German Shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office.

Despite the involvement of a German Paying Agent, no withholding tax is levied on capital gains derived from the disposal of Ordinary Shares held as business assets if (i) the German Shareholder is a corporation, association of persons or estate which is tax resident in Germany, or (ii) the Ordinary Shares form part of the domestic business assets of a German Shareholder, and the German Shareholder declares so to the German Paying Agent using the designated official form and certain other requirements are met.

If withholding tax is levied by a German Paying Agent on capital gains derived from the disposal of Ordinary Shares held as business assets, the withholding tax (including the solidarity surcharge thereon and church tax, if applicable) will be credited against the relevant German Shareholder's income tax or corporate income tax liability (including the solidarity surcharge thereon and church tax, if applicable) or will be refunded in the amount of any excess.

Ordinary Shares held by individuals as non-business assets

Gains from the disposal of Ordinary Shares acquired after December 31, 2008 by an individual holding the Ordinary Shares as non-business assets are generally—regardless of the holding period—subject to a flat tax rate of 25% and solidarity surcharge of 5.5% thereon (i.e., 26.375% in total plus church tax, if applicable). The taxable capital gain is computed as the difference between (i) the sale proceeds and (ii) the acquisition costs of the Ordinary Shares and the expenses related directly and economically to the disposal.

Only the Saver's Lump-sum Allowance may be deducted from the entire capital investments income. It is not possible to deduct income-related expenses in connection with capital gains, except for the expenses directly related in substance to the disposal which can be deducted when calculating the capital gains. Losses from disposals of shares may only be offset against capital gains from the disposal of shares.

The income tax liability of the respective German Shareholder with respect to the capital gain is, in general, discharged by the withholding tax levied by the German Paying Agent (flat tax—*Abgeltungsteuer*). However, the shareholder may request that the capital gain along with the other taxable income is taxed at the respective shareholder's individual progressive income tax rate if this results in a lower tax burden. In this case the withholding tax will be credited against the shareholder's income tax liability and any excess amount will be refunded. Pursuant to the current view of the German tax authorities (which has recently been rejected by a fiscal court; a decision by the German Federal Tax Court (*Bundesfinanzhof*) is still pending), any expenses actually incurred in relation to the capital gain cannot be deducted from the capital investment income, but only the Saver's Lump-sum Allowance. If the withholding tax and, if applicable, the church tax on capital gains is not withheld by a German Paying Agent, the German Shareholder is required to report the capital gains in his or her income tax return. The income tax and any applicable church tax on the capital gains will then be levied by way of a tax assessment.

Regardless of the holding period, gains from the disposal of the Ordinary Shares are not subject to the flat tax but progressive income tax if a German Shareholder who is an individual, or, in the event of a munificent transfer, his or her legal predecessor, or, if the Ordinary Shares have been munificently transferred several times in succession, one of his legal predecessors directly or indirectly has held at least 1% of the share capital of the Company at some point during the five years preceding the disposal (a "Qualified Holding"). In this case only 60% of the capital gains are subject to income tax and only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. Even though withholding tax has to be withheld by a German Paying Agent in the case of a Qualified Holding, such withholding does not discharge the tax liability of the relevant German Shareholder. Consequently, a German Shareholder must report his or her capital gains in the income tax return. The withholding tax (including the solidarity surcharge thereon and church tax, if applicable) will be credited against such German Shareholder's income tax liability (including the solidarity surcharge thereon and any church tax if applicable) or refunded in the amount of any excess.

Ordinary Shares held as business assets

Capital gains from the sale of Ordinary Shares held by a German Shareholder as business assets are not subject to the flat tax. The taxation of the capital gains depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship).

Corporations

If the German Shareholder is a corporation, capital gains from the disposal of Ordinary Shares are, in general, effectively 95% exempt from corporate income tax (including the solidarity surcharge thereon) and trade tax. This exemption is, under the law as it stands, available regardless of the size of the shareholding and any minimum holding period to be observed. 5% of the gains are treated as non-deductible business expenses and are therefore subject to corporate income tax (including solidarity surcharge thereon) at a rate of 15.825% and trade tax (depending on the municipal trade tax multiplier applied by the municipal authority where the corporation's permanent establishment is located, generally between 7% and approximately 18.2%). As a general rule, capital losses from the disposal of the Ordinary Shares are not deductible for tax purposes.

Sole proprietors

If the Ordinary Shares are held by a German Shareholder as business assets, only 60% of the capital gains from the disposal of the Ordinary Shares are subject to income tax at his or her individual progressive income tax rate (including the solidarity surcharge thereon) of up to approximately 47.5%, and, if applicable, church tax (partial-income method). Only 60% of the losses on the disposal and expenses economically related thereto are tax deductible. If the Ordinary Shares form part of a German permanent establishment of the sole proprietor, 60% of the gains of the disposal of the Ordinary Shares are, in addition, subject to trade tax. Trade tax can be credited against the shareholder's income tax liability, either in full or in part, by means of a lump-sum tax credit method—depending on the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

Partnerships

If the shareholder is a partnership which is engaged in trading or deemed to be engaged in trading (*gewerbliche oder gewerblich geprägte Mitunternehmerschaft*), the income or corporate income tax on the capital gain is not levied at the level of the partnership but at the level of the partners. The taxation depends on whether the partner is a corporation or an individual. If the partner is a corporation, the *pro rata* capital gains as included in the partner's profit share will be taxed in accordance with the rules applicable to corporations (see "Shareholders—Dividends on Ordinary Shares—Ordinary Shares held as non-business assets—Corporations" above). If the partner is an individual, the taxation of the pro rata capital gains as included in the partner's profit share follows the principles described in respect of sole proprietors (partial-income method, see above under "Shareholders—Dividends on Ordinary Shares—Ordinary Shares held as non-business assets—Sole proprietors"). In addition, if the Ordinary Shares form part of a German permanent establishment of the partnership, generally 60% of the capital gains, as far as they are included in the profit share of an individual as a partner, or 5% of the capital gains, as far as they are included in the profit share of a corporation as a partner, are subject to trade tax at the level of the partnership. Capital losses in connection with the Ordinary Shares are currently not deductible for trade tax purposes to the extent they are included in the profit share of a corporation; however, 60% of the capital losses are deductible, subject to general limitations, to the extent such losses are included in the profit share of an individual. If the partner of the partnership is an individual, the portion of the trade tax paid by the partnership allocable to his profit share can be generally credited, either in full or in part, against his personal income tax liability by means of a lump-sum method—depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

Inheritance and Gift Tax

The transfer of Ordinary Shares to another person upon death or by way of gift is generally subject to German inheritance and gift tax if:

(i) the decedent, the person making the gift, the heir, the person receiving the gift or the other person acquiring the assets has at the time of the transfer of the assets, his domicile or ordinary residence, place of management or registered office in Germany, or is a German citizen who has not permanently resided in a foreign country for longer than generally five years without having a German residence, or

(ii) the Ordinary Shares belong to business assets of the decedent or the person making the gift for which a permanent establishment was maintained in Germany or for which a permanent representative was appointed.

Special rules apply to German citizens living outside Germany and to former German citizens.

Other Taxes

In general, no value-added tax, stamp duty or similar transfer taxes are assessed in Germany on the purchase, sale or other forms of transfer of shares. Entrepreneurs may, however, opt for the payment of value-added tax on such transactions that are generally tax exempt provided that the service is rendered to the business of another business owner. Wealth tax (*Vermögensteuer*) is currently not imposed in Germany.

U.S. federal income taxation

The following discussion is a summary of certain U.S. federal income tax issues relevant to a U.S. Holder (as defined below) acquiring Ordinary Shares in the Offer, and holding and disposing of such Ordinary Shares. Additional tax issues may exist that are not addressed in this discussion and that could affect the U.S. federal income tax treatment of the acquisition, holding and disposition of the Ordinary Shares.

EACH PROSPECTIVE INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER ABOUT THE TAX CONSEQUENCES OF INVESTING IN THE ORDINARY SHARES UNDER THE LAWS OF THE BRITISH VIRGIN ISLANDS, THE UNITED KINGDOM, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS, AND ANY OTHER JURISDICTIONS WHERE THE INVESTOR OR THE COMPANY OR ANY OF ITS SUBSIDIARIES MAY BE SUBJECT TO TAXATION.

This discussion does not address U.S. state, local or non-U.S. income tax consequences. The discussion applies, unless indicated otherwise, only to U.S. Holders and certain non-U.S. Holders who acquire Ordinary Shares, hold the Ordinary Shares as capital assets and use the U.S. dollar as their functional currency. It does not address special classes of holders that may be subject to different treatment under the U.S. Tax Code, such as:

- certain financial institutions;
- insurance companies;
- dealers and traders in securities;
- persons holding Ordinary Shares as part of a hedge, straddle, conversion or other integrated transaction;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- persons liable for the alternative minimum tax;
- tax-exempt organisations;
- certain U.S. expatriates; or
- persons holding Ordinary Shares that own or are deemed to own 10 per cent. or more (by vote or value) of the Company's voting stock.

This section is based on the U.S. Tax Code, its legislative history, existing and proposed regulations, published rulings by the IRS and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. Prospective investors should consult their own tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of purchasing, owning and disposing of Ordinary Shares in their particular circumstances.

As used herein, a "U.S. Holder" is a beneficial owner of Ordinary Shares that is, for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation or other entity taxable as a corporation, created or organised in or under the laws of the United States or any political subdivision thereof; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if (1) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more "United States persons" have the authority to control all substantial decisions of the trust, or (2) it has a valid election in effect under applicable Treasury regulations to be treated as a "United States person".

This summary is based upon certain understandings and assumptions with respect to the business, assets and shareholders of the Company, including that the Company is not, does not expect to become, nor at any time has been a controlled foreign corporation as defined in Section 957 of the Code ("CFC"). The Company believes that it is not and has never been a CFC, and does not expect to become a CFC. In the event that one or more of such understandings and assumptions proves to be inaccurate, the following summary may not apply and material adverse U.S. federal income tax consequences may result to U.S. Holders.

Passive foreign investment company ("PFIC") considerations

The U.S. federal income tax treatment of U.S. Holders will differ depending on whether or not the Company is considered to be a passive foreign investment company ("PFIC").

In general, the Company will be considered a PFIC for any taxable year in which: (i) 75 per cent. or more of its gross income consists of passive income; or (ii) 50 per cent. or more of the average quarterly market value of its assets in that year are assets (including cash) that produce, or are held for the production of, passive income. For purposes of the above calculations, if the Company, directly or indirectly, owns at least 25 per cent. by value of the stock of another corporation, then the Company generally would be treated as if it held its proportionate share of the assets of such other corporation and received directly its proportionate share of the income of such other corporation. Passive income generally includes, among other things, dividends, interest, rents, royalties, certain gains from the sale of stock and securities, and certain other investment income.

Because the Company has not, to date, had any active business, it met the PFIC income and asset tests for 2013 and, depending on whether it acquires ABCH and/or ADC, or any other company, during 2014, and on the income and assets of ABCH, ADC and/or such other company, if any, it may meet the PFIC income and/or asset tests for the current year. The PFIC rules, however, contain an exception to PFIC status for companies in their "start-up year". Under this exception, a corporation will not be a PFIC for the first taxable year the corporation has gross income if (1) no predecessor of the corporation was a PFIC; (2) the corporation satisfies the IRS that it will not be a PFIC for either of the first two taxable years following the start-up year; and (3) the corporation is not in fact a PFIC for either of these subsequent years.

The Company does not know whether it will qualify for the start-up year exception. For instance, the Company may not complete the Acquisition during the current taxable year. Additionally, after making the Acquisition, the Company may still meet one or both of the PFIC tests, depending on the timing of the Acquisition and the nature of the income and assets of ABCH and ADC. In addition, the Company may acquire direct or indirect equity interests in other entities that may be PFICs, referred to herein as "Lower-tier PFICs" and there is no guarantee that the Company would cease to be a PFIC once it has acquired such equity interests. Consequently, the Company can provide no assurance that it will not be a PFIC for either the current year or for any subsequent year.

Under certain attribution rules, if the Company is a PFIC, U.S. Holders will be deemed to own their proportionate share of Lower-tier PFICs, and will be subject to U.S. federal income tax on: (i) certain distributions on the shares of a Lower-tier PFIC; and (ii) a disposition of shares of a Lower-tier PFIC, both as if the holder directly held the shares of such Lower-tier PFIC.

If the Company is a PFIC for any taxable year during which a U.S. Holder holds (or, in the case of a Lower-tier PFIC, is deemed to hold) its shares, such U.S. Holder will be subject to significant adverse U.S. federal income tax rules. In general, gain recognised upon a disposition (including, under certain circumstances, a pledge) of Ordinary Shares by such U.S. Holder, or upon an indirect disposition of shares of a Lower-tier PFIC, will be allocated rateably over the U.S. Holder's holding period for such shares and will not be treated as capital gain. Instead, the amounts allocated to the taxable year of disposition and to the years before the relevant company became a PFIC, if any, will be taxed as ordinary income. The amount allocated to each PFIC taxable year will be subject to tax at the highest rate in effect for such taxable year for individuals or corporations, as appropriate, and an interest charge (at the rate generally applicable to underpayments of tax due for such year) will be imposed on the tax attributable to such allocated amounts. Any loss recognised will be capital loss, the deductibility of which is subject to limitations. Further, to the extent that any distribution received by a U.S. Holder on its Ordinary Shares (or a distribution by a Lower-tier PFIC to its shareholder that is deemed to be received by a U.S. Holder) exceeds 125 per cent. of the average of the annual distributions on such shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, such distribution will be subject to taxation as described above.

If the Company is a PFIC for any taxable year during which a U.S. Holder holds Ordinary Shares, the Company will continue to be treated as a PFIC with respect to the U.S. Holder for all succeeding years during which the U.S. Holder holds Ordinary Shares, regardless of whether the Company actually meets the PFIC asset test or the income test in such subsequent years. The U.S. Holder may terminate this deemed PFIC status by making a purging election pursuant to which the U.S. Holder will elect to recognise gain (which will be taxed under the adverse tax rules discussed in the preceding paragraph) as if the U.S. Holder's Ordinary Shares (and any indirect interest in a Lower-tier PFIC) had been sold on the last day of the last taxable year for which the Company qualified as a PFIC.

Qualified Electing Fund Election ("QEF Election")

A U.S. Holder may be able to make a timely election to treat the Company (and any Lower-tier PFICs controlled by the Company) as qualified electing funds ("QEF Election") to avoid the foregoing rules with respect to excess distributions and dispositions.

If a U.S. Holder makes a QEF Election, for each taxable year for which the Company is classified as a PFIC the U.S. Holder would be required to include in taxable income its pro rata share of the Company's ordinary earnings and net capital gain (at ordinary income and capital gains rates, respectively), regardless of whether the U.S. Holder receives any dividend distributions from the Company. To the extent attributable to earnings previously taxed as a result of the QEF Election, the U.S. Holder would not be required to include in income any subsequent dividend distributions received from the Company. For purposes of determining a gain or loss on the disposition (including redemption or retirement) of Ordinary Shares, the U.S. Holder's initial tax basis in the Ordinary Shares would be increased by the amount included in gross income as a result of a QEF Election and decreased by the amount of any non-taxable distributions on the Ordinary Shares. In general, a U.S. Holder making a timely QEF Election will recognise, on the sale or disposition (including redemption and retirement) of Ordinary Shares, capital gain or loss equal to the difference, if any, between the amount realised upon such sale or disposition and that U.S. Holder's adjusted tax basis in those Ordinary Shares. Such gain will be long-term if the U.S. Holder has held the Ordinary Shares for more than one year on the date of disposition. Similar rules will apply to any Lower-tier PFICs for which QEF Elections are timely made. Certain distributions on, and gain from dispositions of, equity interests in Lower-tier PFICs for which no QEF Election is made will be subject to the general PFIC rules described above.

Each U.S. Holder who desires to make QEF Elections must individually make QEF Elections with respect to each entity (including the Company, if it is a PFIC, and any Lower-Tier PFIC). Each QEF Election is effective for the U.S. Holder's taxable year for which it is made and all subsequent taxable years and may not be revoked without the consent of the IRS. In general, a U.S. Holder must make a QEF Election on or before the due date for filing its income tax return for the first year to which the QEF Election is to apply. If a U.S. Holder makes a QEF Election in a year following the first taxable year during such U.S. Holder's holding period in which a company is classified as a PFIC, the general PFIC rules described under "Part XIII—Taxation—U.S. federal income taxation—Passive foreign investment company ("PFIC") considerations", will continue to apply unless the U.S. Holder makes a purging election effective for the last day of the U.S. Holder's taxable year ending prior to the taxable year for which the U.S. Holder makes the QEF Election. Any gain recognised on this deemed sale would be subject to the general PFIC rules described above under "Part XIII—Taxation—U.S. federal income taxation—Passive foreign investment company ("PFIC") considerations".

In order to comply with the requirements of a QEF Election, a U.S. Holder must receive certain information from the Company. The Company expects to comply with all reporting requirements necessary for U.S. Holders to make QEF Elections with respect to the Company and any Lower-tier PFICs which it controls. Specifically, the Company will attempt to provide, as promptly as practicable following the end of any taxable year in which the Company and any such Lower-tier PFIC determines that it is a PFIC, the information necessary for such elections to registered holders of Ordinary Shares with U.S. addresses and to other Shareholders upon request. There is no assurance, however, that the Company will have timely knowledge of its status as a PFIC, or that the information that the Company provides will be adequate to allow U.S. Holders to make a QEF Election. U.S. Holders should consult their own tax advisers as to the advisability of, consequences of, and procedures for making, a QEF Election.

A U.S. Holder may make a separate election to defer the payment of taxes on undistributed income inclusions under the rules for PFICs for which a QEF Election has been made, but if deferred, any such taxes will be subject to an interest charge.

Mark-to-Market Election

Alternatively, a U.S. Holder may be able to make a mark-to-market election with respect to the Ordinary Shares (but not with respect to the shares of any Lower-tier PFICs) if the Ordinary Shares are "regularly traded" on a "qualified exchange". In general, the Ordinary Shares will be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of Ordinary Shares are traded on a qualified exchange on at least 15 days during each calendar quarter. A foreign exchange is a "qualified exchange" if it is regulated by a governmental authority in which the exchange is located and with respect to which certain other requirements are met. Although the IRS has not identified specific foreign exchanges that are "qualified" for this purpose, the Company believes that the London Stock Exchange is a qualified exchange. The Company can make no assurance that there will be sufficient trading activity for the Ordinary Shares to be treated as "regularly traded". U.S. Holders should consult their own tax advisers as to whether the Ordinary Shares would qualify for the mark-to market election.

If a U.S. Holder is eligible to make and does make the mark-to-market election, for each year in which the Company is a PFIC, the holder will generally include as ordinary income the excess, if any, of the fair market value of the Ordinary Shares at the end of the taxable year over their adjusted tax basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted tax basis of the Ordinary Shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). If a U.S. Holder makes a mark-to-market election, the holder's tax basis in the Ordinary Shares will be adjusted to reflect any such income or loss amounts. Any gain recognised on the sale or other disposition of Ordinary Shares will be treated as ordinary income.

A mark-to-market election applies to the taxable year for which the election is made and to each subsequent year, unless the Ordinary Shares cease to be regularly traded on a qualified exchange (as described above) or the IRS consents to the revocation of the election. If a mark-to-market election is not made for the first year in which a U.S. Holder owns Ordinary Shares and the Company is a PFIC, the interest charge described above under "Part XIII—Taxation—U.S. federal income taxation—Passive foreign investment company ("PFIC") considerations", will apply to any mark-to-market gain recognised in the later year that the election is first made.

A mark-to-market election under the PFIC rules with respect to the Ordinary Shares would not apply to a Lower-tier PFIC, and a U.S. Holder would not be able to make such a mark-to-market election in respect of its indirect ownership interest in any Lower-tier PFIC. Consequently, U.S. Holders of Ordinary Shares could be subject to the PFIC rules with respect to income of any Lower-tier PFIC.

U.S. Holders should consult their own tax advisers regarding the availability and advisability of making a mark-to-market election in their particular circumstances. In particular, U.S. Holders should consider the impact of a mark-to-market election with respect to their Ordinary Shares, given that the Company does not expect to pay regular dividends, at least in the short to medium term, and given that the Company may have Lower-tier PFICs for which such election is not available.

The rules dealing with PFICs, QEF Elections and mark-to-market elections are affected by various factors in addition to those described above. As a result, U.S. Holders should consult their own tax advisers concerning the Company's PFIC status and the tax considerations relevant to an investment in a PFIC including the availability of and the merits of making QEF Elections or mark-to-market elections.

U.S. Tax Consequences if the Company is not a PFIC

If the Company is not treated as a PFIC, then distributions received by a U.S. Holder on Ordinary Shares, other than certain pro rata distributions of Ordinary Shares to all Shareholders will constitute foreign source dividend income and will be included in a U.S. Holder's gross income as ordinary income to the extent paid out of the Company's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Distributions in excess of such earnings and profits will be applied against and will reduce the U.S. Holder's tax basis in the Ordinary Shares and, to the extent in excess of such basis, will be treated as gain from the sale or exchange of Ordinary Shares.

A U.S. Holder generally would recognise capital gain or loss on the sale, exchange or other disposition of Ordinary Shares equal to the difference between the U.S. dollar value of the amount realised on the disposition and the U.S. Holder's adjusted tax basis in its Ordinary Shares. Such gain or loss would be long-term capital gain if the U.S. Holders held the Ordinary Shares for more than one year at the time of the sale, exchange or other disposition. Any gain or loss recognised by a U.S. Holder on a sale or other disposition of Ordinary Shares generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. The deductibility of capital losses is subject to significant limitations.

If a distribution is paid in foreign currency, the amount of any dividend a U.S. Holder will be required to include in income will equal the U.S. dollar value of the foreign currency, calculated by reference to the exchange rate in effect on the date the payment is received by the U.S. Holder, regardless of whether the payment is converted into U.S. dollars on the date of receipt. If the dividend is converted into U.S. dollars on the date of receipt, the U.S. Holder generally should not be required to recognise foreign currency gain or loss in respect of the dividend income. A U.S. Holder's tax basis in the foreign currency will equal the

U.S. dollar amount included in income. Any gain or loss realised by a U.S. Holder on a subsequent conversion of the foreign currency for a different U.S. dollar amount will be U.S. source ordinary income or loss. Corporate U.S. Holders will not be entitled to claim the dividends- received deduction with respect to dividends paid by the Company. Dividends paid by the Company to non-corporate U.S. Holders will not qualify for the preferential rate of tax generally available to dividend payments made by certain qualified foreign corporations to certain non-corporate U.S. Holders.

A U.S. Holder that receives foreign currency on the sale or other disposition of Ordinary Shares will realise an amount equal to the U.S. dollar value of the foreign currency on the date of sale or other disposition (or in the case of cash basis and electing accrual basis taxpayers, the settlement date). A U.S. Holder will recognise currency gain or loss if the U.S. dollar value of the currency received at the spot rate on the settlement date differs from the amount realised. A U.S. Holder will have a tax basis in the foreign currency received equal to its value at the spot rate on the settlement date. Any currency gain or loss realised on the settlement date or on a subsequent conversion of the foreign currency into U.S. dollars will be U.S. source ordinary income or loss.

Dividends received and capital gains from the sale or other taxable disposition of the Ordinary Shares recognised by certain non-corporate U.S. Holders with respect to the Ordinary Shares will be includable in computing net investment income of such U.S. Holder for purposes of the 3.8 per cent. Medicare Contribution Tax.

U.S. Tax Consequences for Non-U.S. Holders of Ordinary Shares

Dividends

A non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding on dividends received from the Company with respect to Ordinary Shares, other than in certain specific circumstances where such income is deemed to be effectively connected with the conduct by the non-U.S. Holder of a trade or business in the United States. If a non-U.S. Holder is entitled to the benefits of a U.S. income tax treaty with respect to those dividends, that income is generally subject to U.S. federal income tax only if it is attributable to a permanent establishment maintained by the non-U.S. Holder in the United States. A non-U.S. Holder that is subject to U.S. federal income tax on dividend income under the foregoing exception generally will be taxed with respect to such dividend income on a net basis in the same manner as a U.S. Holder unless otherwise provided in an applicable income tax treaty; a non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to such item at a rate of 30 per cent. (or at a reduced rate under an applicable income tax treaty).

Sale, Exchange or Other Taxable Disposition of Ordinary Shares

A non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding with respect to any gain recognised on a sale, exchange or other taxable disposition of Ordinary Shares unless:

- certain circumstances exist under which the gain is treated as effectively connected with the conduct by the non-U.S. Holder of a trade or business in the United States, and, if certain tax treaties apply, is attributable to a permanent establishment maintained by the non-U.S. Holder in the United States; or
- if the non-U.S. Holder is an individual and is present in the United States for 183 or more days in the taxable year of the sale, exchange or other taxable disposition, and meets certain other requirements.

If the first exception applies, the non-U.S. Holder generally will be subject to U.S. federal income tax with respect to such item on a net basis in the same manner as a U.S. Holder unless otherwise provided in an applicable income tax treaty; a non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to such item at a rate of 30 per cent. (or at a reduced rate under an applicable income tax treaty). If the second exception applies, the non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30 per cent. (or at a reduced rate under an applicable income tax treaty) on the amount by which such non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of disposition of the Ordinary Shares.

Information reporting and backup withholding

Under U.S. federal income tax laws, certain categories of U.S. Holders must file information returns with respect to their investment in a foreign corporation (including IRS Forms 926). Penalties for failure to file certain of these information returns are severe.

Pursuant to Section 1298(f), for any year in which the Company or any of its subsidiaries is a PFIC, each U.S. Holder will be required to file an information statement, Form 8621, regarding such U.S. Holder's ownership interest in the Company or such subsidiary unless an exemption is provided by Treasury Regulations. U.S. Holders of Ordinary Shares should consult with their own tax advisers regarding the requirements of filing information returns and QEF Elections and mark-to-market elections.

Furthermore, certain U.S. Holders who are individuals, and to the extent provided in future Regulations certain entities, will be required to report information with respect to such U.S. Holder's investment in "foreign financial assets" on IRS Form 8938. An interest in the Company constitutes a foreign financial asset for these purposes. Persons who are required to report foreign financial assets and fail to do so may be subject to substantial penalties. Potential investors are urged to consult with their own tax advisers regarding the foreign financial asset reporting obligations and their application to an investment in Ordinary Shares.

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless the U.S. Holder is a corporation or other exempt recipient or, in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is furnished to the IRS.

Non-U.S. Holders generally are not subject to information reporting or backup withholding with respect to dividends paid on Ordinary Shares, or the proceeds from the sale, exchange or other disposition of Ordinary Shares, provided that each such non-U.S. Holder certifies as to its foreign status on the applicable duly executed IRS Form W-8 or otherwise establishes an exemption.

Under Sections 1471 through 1474 of the U.S. Tax Code ("FATCA"), the Company will be subject to a 30 per cent. U.S. withholding tax on (i) certain U.S.-source payments made after 30 June 2014, (ii) the proceeds of certain sales of assets producing U.S.-source payments received by the Company after 31 December 2016 and (iii) payments treated as "foreign passthru payments" within the meaning of FATCA received by the Company after 31 December 2016 or after the date that is six months following the issuance of final regulations defining the term "foreign passthru payment", in each case, unless either: (a) the United States and the British Virgin Islands have entered into an intergovernmental agreement ("IGA") that provides an exemption from FATCA to financial institutions resident in the British Virgin Islands (as discussed below) or (b) the Company has in effect an agreement ("FFI Agreement") with the IRS to provide annually to the IRS the name, address, taxpayer identification number and certain other information with respect to Investors that are "specified United States persons" or that are "United States owned foreign entities" and (iii) comply with certain other due diligence procedures, IRS requests, withholding and other requirements.

The U.S. Department of the Treasury has announced that jurisdictions that have reached agreements in substance with the United States on the terms of an IGA will be treated as having an IGA in effect from the date that the jurisdiction provides its consent (or 2 April 2014, the date of the public release of the announcement, if later) until 31 December 2014, the date by which the IGA must be signed in order for this status to continue without interruption. The British Virgin Islands Government has reached agreement in substance with the United States on the terms of a Model 1 IGA and is listed on the IRS website as a jurisdiction whose residents are permitted to register on the FATCA registration website consistent with its treatment under the relevant model IGA and will be permitted to certify its status to a withholding agent consistent with that treatment. If the British Virgin Islands and the United States fail to finalise the IGA by 31 December 2014, the Company intends to enter into an FFI Agreement with the IRS. It is anticipated that, under the terms of the IGA or any such FFI Agreement, withholding will not be imposed on payments made to the Company, or on payments made by the Company to an account holder. Prospective Investors should consult their own tax advisors regarding the impact of the FATCA rules on their investment.

This summary is for general information only and it is not intended to be, nor should it be construed to be, legal advice to any Shareholder or prospective investor. Further, this summary is not intended to constitute a complete analysis of all U.S. federal income tax consequences relating to Holders of their acquisition, ownership and disposition of the Ordinary Shares. Accordingly, prospective Investors of the Ordinary Shares should consult their own tax advisers about the U.S. federal, state, local and non-U.S. consequences of the acquisition, ownership and disposition of the Ordinary Shares.

PART XIV

INDUSTRY, MARKET OVERVIEW AND REGULATION

Introduction

Africa is the world's second largest continent by land area, and the African economy, with its significant untapped potential and expansive natural resource base, has received growing international interest. According to the IMF, SSA's GDP is expected to grow by 5.4%. in 2014, up from 4.9% in 2013. Although capital outflows prompted by tighter global financial conditions pose a potential risk to growth, most African economies are expected to continue experiencing positive economic growth. The growth in the region has been supported by increased demand for commodities, increased capital inflows and investments in natural resources and infrastructure, and improved macroeconomic and political environments across the region.

The following table sets forth key macroeconomic indicator estimates in the countries in which the Enlarged Group operates for 2013:

Country	GDP	Real GDP growth	Population	GDP per capita	Inflation rate
	(US$ billions)	(%)	(in millions)	(US$)	(%)
Botswana	14.8	3.9	2.1	7,136	5.8
Mozambique	15.3	7.1	25.9	593	4.2
Tanzania	32.5	7.0	46.3	703	7.9
Zambia	22.4	6.0	14.5	1,542	7.0
Zimbabwe	13.0	3.0	13.1	987	1.6

Historically, the banking sectors in the countries in which the Enlarged Group operates have been dominated by corporate banking activities. Retail Banking has, however, made commendable progress. Although GDP per capita and personal wealth continues to increase, the region is still characterised by a low branch density as well as a significantly lower ratio of banking assets to GDP as compared to other regional economies. As a result, the majority of the population remains unbanked. Management believes that the continued economic growth and improved political stability in the countries in which the Enlarged Group operates is expected to further enhance the development of the banking systems.

The key elements contributing to SSA's improved economic performance in recent years include the following:

Macroeconomic policies

SSA's growth since the mid-1990s can be attributed, in part, by favourable macroeconomic policies including the strengthening of fiscal positions, an enhanced effort to contain inflation (Inflation rates in SSA have steadily declined and averaged 5.9% in 2013, compared to 7.7% in 2012.[(2)]), the liberalisation of exchange rates and the build-up of foreign reserves to contain the impact of adverse external shocks[(3)].

According to the IMF, international debt relief to highly indebted poor countries in SSA eased external payment pressures, which has allowed governments to build up foreign reserves to contain the impact of any potential adverse shocks and as a result of widespread macroeconomic improvements, many countries are increasingly investing in infrastructure, education and their industrial sectors rather than servicing debt[(4)]. Previous high levels of external debt in countries across SSA have declined from 22.2% of GDP in 2005 to 10.2% in 2013[(5)].

Political and economic reform

Most SSA countries have implemented political and economic reforms over the last two decades to reduce corruption, increase local consumer demand, improve the enforceability of contracts and privatise government-owned enterprise. The 2014 *Doing Business* Report, published annually by the World Bank, shows that 45% of the 20 countries that showed the most significant progress since 2009 were located in sub Saharan Africa and 66% of the countries in the region improved regulatory reforms in at least one

(2) IMF Data, Sub-Saharan Africa Regional Economic Outlook, April 2014.

(3) European Investment Bank, Banking in sub-Saharan Africa: Challenges and Opportunities, January 2013.

(4) ibid.

(5) IMF Data, Sub-Saharan Africa Regional Economic Outlook, April 2014.

area measured by the report[6]. Despite improvements in institutional capacity, more needs to be done to improve intraregional trade by reducing gaps in infrastructure and harmonising export and import regulations in order to diversify and protect itself from fluctuating commodity prices.

Increased investment

Net Foreign Direct Investment flows on the continent improved in 2013, increasing from US$37 billion in 2012 to US$43 billion in 2013, while private capital flows doubled, increasing from US$14.9 billion in 2012 to US$30.2 billion in 2013.[7] The investment-to-GDP ratio increased marginally from 22.6% of GDP in 2012 to 23.2% of GDP in 2013, but still remains the lowest among developing regions.[8]

According to the World Bank, investment in infrastructure has played a significant role in the growth of the continent over the last decade, but remains a major constraint on doing business and estimates that a total of 12% of Africa's GDP each year is required to address the continent's infrastructure deficit[9], which could boost SSA's GDP by more than US$20 billion annually and increase trade by up to 51%, providing the most economic benefit to intraregional trade.[10]

Favourable commodity price trends and new resource discoveries

In recent years, there has been a steady inflow of investments into the African mining and natural resources sectors. The main raw materials that are exported from SSA are crude oil and natural gas, copper and cobalt, iron ore, gold, silver, platinum and palladium as well as other rare earth materials and diamonds. Favourable commodity prices and new resource discoveries have been an important catalyst for growth; however growth has also been strong in some non-resource rich countries such as Burkina Faso, Ethiopia, Mozambique, Rwanda and Uganda.[11]

Political stability and improved governance

Political stability has significantly improved in SSA over the last two decades. According to the 2014 Freedom House rankings, the number of countries in SSA classified as "free & partially free" remained stable at 29 in 2013 compared with 2012, which is an increase of 70% over the last 20 years, while the number of states classified as "not free" has declined by 47% in the same period.[12]

Demographic growth

The population of sub-Saharan Africa continues to grow with the highest fertility rates in the world. According to the Population Reference Bureau, SSA's population totalled 926 million in mid-2013 and is projected to increase to 1.3 billion by 2025 and 2.2 billion by 2050, with 37% of the population living in urban areas.[13] In recent years, population growth and economic liberalisation has contributed to increasing consumer demand for basic needs as well as for a broader range of products and services, particularly from a growing African middle-class. Demographic changes are transforming the continent from a commodities-led growth story to a consumer-led one with total consumer spending estimated to increase from US$860 billion in 2008 to US$1.4 trillion by 2020.[14]

SSA's Banking Sector

The growth of sub-Saharan Africa's economy and the stabilisation of its macroeconomic and financial environment has led to the overall development of its banking sector. Nevertheless, banking sectors across the continent remain underdeveloped.

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(6) World Bank, 2013, *Doing Business* 2014: *Understanding Regulations for Small and Medium-Size Enterprises.* Washington, DC: World Bank Group. DOI: 10.1596/978-0-8213-9984-2. License: Creative Commons Attribution CC BY 3.0.

(7) World Bank, Global Economic Prospects, Regional SSA, January 2014.

(8) ibid.

(9) World Bank, Fact Sheet: Infrastructure in sub-Saharan Africa.

(10) International Trade Centre, Africa's Trade Potential: Export Opportunities in Growth Markets. Geneva: ITC, 2012.

(11) European Investment Bank, Banking in sub-Saharan Africa: Challenges and Opportunities, January 2013.

(12) Freedom House, Freedom in the World, 2014.

(13) Carl Haub and Toshiko Kaneda, 2013 World Population Data Sheet (Washington, DC: Population Reference Bureau, 2013).

(14) Ernst & Young, Private Equity Roundup—Africa, February 2013.

Banking systems in SSA are heavily concentrated in urban centres and financial inclusion remains low. While SSA's financial services market is developing at a fast pace, access is still relatively low with only 24% of adults (age 15+) having an account at a formal financial institution as of 2011 with only 2.7 branches per 100,000 adults[15]. One of the most important factors contributing to the low levels of access to financial services is income level, with those with incomes in the top 60% being 123% more likely to have an account versus those with incomes in the bottom 40%.[16]

SSA's market structures are typically oligopolistic, as exemplified by the high share of total assets accounted for the three largest banks in most of ABCH's banking markets, which ranges from 39-78%.[17] The banking sector is characterised by high interest rate spreads and low loan-to-deposit ratios with a large share of banking assets in the form of government securities and liquid assets with about 60% of loans having a maturity of less than one year[18].

ABCH and UBN are active in the commercial banking sector in Botswana, Mozambique, Nigeria, Tanzania, Zambia, and Zimbabwe. The commercial banking sector is growing rapidly with an average year-on-year growth rate for total assets of 9.8% from mid-2012 to mid-2013 with client loans and deposits having grown an average of 12.5% and 6.5% respectively over the same time period. The growth rate in deposits in most markets has lagged behind that of loans, but almost all markets are maintaining conservative loan-to-deposit ratios varying between 66-85% with an average interest rate spread of 8.4% in 2012, which translates into a healthy average return on average equity of 25.4% in all such operational countries. The assets-to-GDP ratio varies between 35-53%, showing a low level of financial inclusion, providing confidence that these markets are established, but in a stage of growth which indicates strong profits ahead.

Increasing domestic lending will be critical for growth

Many countries on the continent are now depositing at least 30-50% of national GDP[19] in local bank accounts, which is a positive development for economic progress and financial inclusion; however, domestic credit provided by the banking sector has lagged behind and ranges between 15-36% of GDP[20] in ABCH and UBN's banking markets (excluding Zimbabwe) versus 123% in Germany and 229% in the United States.[21] As such, narrowing the gap in the credit-to-deposit ratio is critical for the development of local businesses and the economy by providing more growth capital to local businesses.

Significant regulatory & supervisory reforms support growth of African banking sector

While SSA's financial system did not experience direct shocks from the 2008-09 financial crisis, an IMF study indicates that the financial health of many banks were affected as borrowers experienced financial distress in the economic downturn, which affected the banks' financial stability indicators in the region from 2009 to 2011. The report shows that banks' capital adequacy ratios deteriorated in 2010 with a rising share of NPLs, which affected overall profitability. In 2011, there was a drop in the NPL ratio and an improvement in capital adequacy ratios; however there was a declining rate of return and bank equity from 2009 to 2011, which is likely due to losses on loan portfolios and increased competition in some markets[22].

Since the global financial crisis, banks across Africa are striving to implement international best practices and adhere to the Basel III accords. A report published by Moody's in June 2013 commends the region's progress in regulatory and supervisory practices, which are moving closer to international standards but states that credit agencies need to be strengthened to improve the quality of information about borrowers. Moody's predicts, however, that NPLs will not dramatically increase owing to an improvement in both the management of the financial institutions and regulatory scrutiny, which is a positive sign for the strength of the banking system as a whole.

(15) World Bank Findex Database.

(16) ibid.

(17) ADC calculations from Bankscope, Bureau van Dijk Electronic Publishing GmbH, 2012 data, accessed on January 24, 2014, from year-end 2012 data.

(18) European Investment Bank, *Banking in sub-Saharan Africa: Challenges and Opportunities*, January 2013.

(19) World Bank, Global Financial Development Database, January 2014.

(20) World Bank, World Development Indicators Database, January 2014.

(21) World Bank Financial Structure Database, 2012 figures.

(22) International Monetary Fund. Regional Economic Outlook, sub-Saharan Africa: Maintaining Growth in an Uncertain World. Washington, D.C., October 2012 excluding Zimbabwe.

Technology is lowering costs and increasing financial inclusion

A 2013 KPMG study on African banking finds that alternative banking channels are starting to gain traction in many African markets and customers are increasingly demanding new products and technologies from their banks(23). The study finds that young professionals dominate the use of ATMs and that Africans are early adopters to mobile money with 16% of adults in SSA having used a mobile phone in 2011 to pay bills or to send or receive money.(24) The World Bank calculates that 12% of people without a formal account used mobile phones to conduct financial transactions in 2011, which is the highest proportion of mobile money users in the world and reflects the pace of financial innovation occurring in the region.

According to The Economist, bankers typically regard markets as being ripe for banking once GDP per capita reaches US$10,000(25). ABCH's active banking markets have a GDP per capita range of between US$40 to US$7,470 (see Economic and Demographic Metrics table) with a median GDP per capita of US$1,046. Technology, however is lowering that hurdle rate as the traditional brick and mortar model is replaced by technological innovations such as mobile banking and prepaid cards.

With new, innovative technology taking off on the continent, banks are partnering with mobile phone companies and developing new products to better suit the needs of the population while simultaneously bypassing infrastructure weaknesses and saving money. A recent study of banking channels finds that it is 10 times cheaper to serve a customer via mobile than an ATM and 45 times cheaper than a traditional branch structure.(26)

Regional integration driving consolidation

A characteristic of the African banking market is the emergence of increasingly pan-African banking groups, which have been rapidly expanding across borders from some of the region's largest economies. According to the European Investment Bank, there are at least nine sub-Saharan-domiciled financial groups that operate banks in seven or more sub-Saharan countries.(27)

ABCH is becoming a larger player in the pan-African banking space with operational entities in five sub-Saharan markets. At the end of September, the magazine "The Africa Report" published the 2013 rankings for Africa's top 200 banks based on total assets. While the ranking continue to be dominated by South African banks, which occupy the top five places on the list, pan-African players outside of South Africa are gaining ground.

Botswana

Botswana has one of the smallest populations in Africa, with just over 2 million inhabitants. However, Botswana is one of the few countries in Africa considered to be an upper-middle income country, with estimated GDP per capita of US$7,183 in 2014. Because Botswana is the largest diamond producer in the world, its economy is largely dominated by the mining industry, which accounts for approximately 20% of GDP. According to the IMF, in 2014 economic growth is expected to be approximately 4.1% largely as a result of increased electricity production and some recovery in the mining sector (Source: IMF World Economic Outlook, April 2014).

The banking sector in Botswana is regulated and supervised by the Bank of Botswana. The sector can broadly be divided into two main segments: the banking sector and the non-banking financial sector. The banking sector is mainly comprised of commercial banks while the non-banking financial sector is mainly comprised of insurers, pension funds, asset managers, microfinance institutions and other credit institutions. As at the end of 2012, there were eight (8) commercial banking institutions in operation in Botswana. In 2013, this increased to ten commercial banking institutions in operation in Botswana. The largest three banks in Botswana are Barclays Bank of Botswana, First National Bank of Botswana and Standard Chartered Bank of Botswana, which in aggregate accounted for approximately 58% of total banking assets according to the Bank of Botswana. The bank rate as a reference, which is used by the

(23) KPMG, African Banking Industry Customer Satisfaction Survey, April 2013.

(24) World Bank—Demirguc-Kunt, Klapper, Measuring Financial Inclusion, 2012.

(25) The Economist. Banking in Africa: Continent of Dreams. March 2013.

(26) KPMG, African Banking Industry Customer Satisfaction Survey, April 2013

(27) European Investment Bank, Banking in sub-Saharan Africa: Challenges and Opportunities, January 2013.

banking system in Botswana as the base rate for pricing loans, decreased from 9.5% at the beginning of the year to 7.5% as at 31 December 2013.

Mozambique

Mozambique is among the fastest growing economies in Africa. Economic growth is estimated to have marginally slowed down from 7.2% in 2012 to 7.1% in 2013. Economic activity was affected at the start of 2013 by severe floods which destroyed agricultural crops in the South and severely damaged infrastructure (roads, railways and the power transmission line to South Africa). According to the IMF, in 2014, economic growth is projected to accelerate to 8.3%, supported by a strong performance in extractive industries, financial services and transport and communications sectors. The IMF anticipates that heightened investment flows in the mining sector and infrastructural spending will boost growth in the sector (Source: IMF World Economic Outlook, April 2014). In line with continued improvement in economic performance, Mozambique's GDP per capita increased from US$398 in 2010 to US$567 in 2012 and further to US$593 million in 2013.

The banking sector in Mozambique is regulated and supervised by the Banco de Mozambique and is mainly comprised of commercial banks as well as a small number of microfinance businesses. As at 2012, there were 18 banking institutions operating in Mozambique. The largest four banks are BIM, BCI Standard Bank and Barclays Bank Mozambique, which in aggregate accounted for 80% of the total banking revenue. Total credit to the private sector in 2012 was US$4.0 billion which increased to US$4.9 billion in 2013. As at 31 December 2013, the benchmark interest rate of the Bank of Mozambique, which is used as the base rate as a reference for pricing loans, was 8.25%, having been lowered three times during 2013.

Tanzania

Tanzania has one of the largest populations in Africa, with approximately 46 million inhabitants and it is among the fastest growing economies in Africa. Supported by improved power supply, full year GDP growth for 2013 was estimated to have been at 7.0% According to the IMF, Tanzania's economic outlook remains favourable despite being vulnerable to the global economic downturn with economic growth for 2014 being projected to reach 7.2% (Source: IMF World Economic Outlook, April 2014). Over the years, GDP per capita has been improving in tandem with economic growth, having increased from US$324 in 2003 to US$508 in 2008 and US$633 in 2012 and further to US$703 in 2013.

The banking sector in Tanzania is regulated and supervised by the Bank of Tanzania and is mainly comprised of commercial banks. As at 2014, there were 34 banking institutions operating in Tanzania. The average minimum lending rate charged by commercial banks remained broadly stable at 14.1%.

Zambia

The Zambian economy grew by 7.2% in 2012, supported by strong performance in agriculture, construction, and communication services. In 2013, a slower growth in the economy of 6.0%, was partly attributed to lower agricultural production. Zambia is Africa's largest copper producer, accounting for nearly 50% of the continent's production. Over the period spanning from 2010 to 2013, average economic growth for Zambia was estimated to have been approximately 6.9%, marginally lower than 7.2% for Mozambique but significantly higher than 5.2% for SSA. Average real GDP growth has broadly been well above SSA average. According to the IMF, economic prospects are expected to remain favourable in 2014 and in the medium term (Source: IMF World Economic Outlook, April 2014). The IMF has indicated the economy is projected to post strong GDP growth of up to 7.3% in 2014 influenced by the anticipated mining sector growth aided by strong growth in the construction sector in the medium term.

The banking sector in Zambia is regulated and supervised by the Bank of Zambia and is mainly comprised of commercial banks. As at 31 December 2013, there were 19 registered commercial banking institutions operating in Zambia.

Zimbabwe

Economic growth decelerated in 2013, reflecting the impact of adverse weather conditions, weak demand for key exports and election-year uncertainty. In 2013, the economy is estimated to have grown by 3.0%, down from 10.6% in 2012. Erratic rainfalls affected agriculture sector whilst the mining sector was affected by easing commodity prices. The economic pulse continues to weaken, characterised by depressed productivity, company closures, job losses, liquidity crunch, erratic power supply, rapidly decaying infrastructure and waning confidence. In 2014, economic growth is thus projected to remain weak at 4.2%.

The banking sector in Zimbabwe is regulated and supervised by the Bank of Zimbabwe and is mainly comprised of commercial and merchant banks as well as building societies. The banking sector is generally stable despite the various underlying macroeconomic challenges and institution specific weaknesses. As at June 2014, there were 18 commercial banking institutions operating in Zimbabwe. The largest four banks are CBZ, CABS, ABCH and Stanbic, which in aggregate accounted for approximately 52% of the total banking assets in 2013. The banking sector performance was negatively affected by continued liquidity crunch and rapid increase in the level of non-performing loans which were estimated around 16% in 2013.

Regulation

ADC is a bank holding company which is not regulated as a bank in Germany or Europe. ABCH is subject to five different sets of local laws and regulations and each of the ABCH banking subsidiaries is subject to local supervision by the local supervisory authorities. UBN is subject to regulation and supervision in Nigeria.

Local Supervisory Authorities

The Bank of Botswana came into existence on 1 July 1975, under the provisions of the Bank of Botswana Act [CAP 46:04], and first issued the national currency, the Pula on 23 August 1976, replacing the South African Rand. The Bank of Botswana may impose penalties and is responsible for the regulation of the payments system. It maintains supervisory responsibility for banks, bureau de change and deposit taking micro-finance institutions, while the Non-Bank Financial Institutions Regulatory Authority supervises the non-bank financial sector, notably, the insurance industry, pension funds, stock exchanges, fund management and other investment advisory services, as well as consumer-lending businesses.

The Banco de Moçambique was created on 17 May 1975 after Mozambique attained independence from Portugal. The institutional separation of commercial bank functions from those of the central bank became effective in 1992, which defined the nature, objectives and function of the Banco de Moçambique in its capacity as the central bank as defined in the Banco de Moçambique Organisation Act. The Banco de Moçambique regulates the country's banking, payments system and its securities market, the Bolsa de Valores de Moçambique.

The principal regulator in Tanzania is the Bank of Tanzania which monitors the operations of all commercial banks in the country. The Bank of Tanzania Act, 2006, specifies functions and objectives about the regulation and supervision of banks and financial institutions in Tanzania. Banks that are listed on the Dar es Salaam Stock Exchange are also under the supervision of the Capital Markets and Securities Authority.

The Bank of Zambia licenses, regulates and supervises all banks in Zambia. The central bank also manages the national currency, the Kwacha money, supply and interest rates.

The Reserve Bank of Zimbabwe established pursuant to the Reserve Bank of Zimbabwe Act, Chapter 22:15, is both the licensing and supervisory authority for banking institutions and supervisory authority for banking institutions and non-bank financial institutions such as micro-finance and money lending companies. The Reserve Bank of Zimbabwe, through the operation of other Acts of Parliament such as the Banking Act, Chapter 24:20, for which it is the administrator regulates financial institutions. Zimbabwe uses an Institutional approach unless further regulation is required for firms regulated by another regulator such as the Securities Exchange Commission.

The Central Bank Act (1958) and the Banking Decree (1969) constituted the legal framework within which the Central Bank of Nigeria ("CBN") operates. The CBN regulates and addresses the main flaws in bank stability via (i) enhancing the quality of banks; (ii) establishing financial stability; (iii) enabling healthy financial sector evolution; and (iv) ensuring that the financial sector contributes to the real economy. The CBN oversees bank regulation and is responsible for setting the regulation, monitoring the banks and enforcing adherence to the legislation. The CBN supervises and monitors financial system stability via four departments: (i) Banking Supervision; (ii) Development Finance; (iii) Financial Policy and Regulation; and (iv) Other Financial Institutions Supervision. In addition, the CBN created a set of prudential guidelines, which it requires all banks to adhere to, which have the objectives of avoiding overleveraging (credit), maintaining a healthy cash supply (liquidity), and ensuring that all banks are well capitalised (capital requirements). The rules require adequate provisions to be made for losses based on clearly defined criteria, as per the Basel Accord. Furthermore, the CBN issued corporate governance regulation in 2006, which complemented the Code of Best Practices for Public companies in Nigeria, to guide the ethics of banks, as well as public companies.

PART XV

ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names appear on page 60, and the Company accept responsibility for the information contained or incorporated by reference, in this Document. To the best of the knowledge of the Directors and the Company (who have each taken all reasonable care to ensure that such is the case), the information contained or incorporated by reference, in this Document is in accordance with the facts and contains no omission likely to affect its import.

2. The Company

2.1 The Company was incorporated with limited liability under the laws of the British Virgin Islands under the BVI Companies Act on 28 November 2013, with number 1800950, under the name Atlas Mara Co-Nvest Limited.

2.2 The Company is not regulated by the British Virgin Islands Financial Services Commission or the FCA or any financial services or other regulator. The Company is subject to the Listing Rules and the Disclosure and Transparency Rules (and the resulting jurisdiction of the UK Listing Authority), to the extent such rules apply to companies with a Standard Listing pursuant to Chapter 14 of the Listing Rules.

2.3 The principal legislation under which the Company operates, and pursuant to which the Ordinary Shares and Warrants have been created, is the BVI Companies Act.

2.4 The Company's registered and head office is at Nemours Chambers, Road Town, Tortola, British Virgin Islands. The Company's telephone number is +1 284 852 7300.

2.5 As at 1 July 2014, the latest practicable date prior to publication of this Document, the Company had the following subsidiaries:

Name	Country of Incorporation	Proportion of ownership interests
ATMA Luxemburg	Luxembourg	100% owned by the Company
ATMA AG	Germany	100% owned by ATMA Luxemburg

3. Share Capital

3.1 The following table shows the issued and fully paid share capital of the Company at 1 July 2014, the latest practicable date prior to the publication of this Document:

	Issued and Credited as Fully Paid	
Class of Share	Number	Amount Paid up
Ordinary	31,279,500	US$312,795,000
Founder Preferred Shares	1,250,000	US$12,500,000

On 17 December 2013, the Company issued 31,279,500 Ordinary Shares and 1,250,000 Founder Preferred Shares.

3.2 Assuming full acceptance of the Offer and completion of the Share Sale Agreements, the issued and fully paid shares of the Company immediately following completion of the Offer and the Share Sale Agreements is expected to be as shown in the following table:

	Issued and Credited as Fully Paid	
Class of Share	Number	Amount Paid up
Ordinary	47,630,838	US$476,308,380
Founder Preferred Shares	1,250,000	US$12,500,000

3.3 Save as disclosed in this Document or any document incorporated herein by reference, as at the date of this Document, the Company will have no short, medium or long term indebtedness.

3.4 Pursuant to a resolution passed on 16 December 2013, the Directors resolved that the pre-emption rights contained in the Articles (whether to issue equity securities or sell them from treasury) be waived, (i) for the purposes of, or in connection with, the Acquisition (including in respect of consideration payable for the Acquisition) or in connection with the restructuring or refinancing of any debt or other financial obligation relating to the Acquisition (whether assumed or entered into by the Company or owed or guaranteed by any company or entity acquired), (ii) for the purposes of, or in connection with, the issue of Ordinary Shares pursuant to any exercise of any Warrants, (iii) generally, for such purposes as the Directors may think fit, up to an aggregate amount of one-third of the value of the issued Ordinary Shares (as at the close of the first Business Day following Admission), (iv) for the purposes of issues of securities offered to Shareholders on a pro rata basis, (v) for the purposes of issues of Ordinary Shares to satisfy rights relating to the Founder Preferred Shares, (vi) for the purpose of the issue of equity securities to Non-Founder Directors pursuant to their Letters of Appointment and (vii) for the purposes of or in connection with the issue of Ordinary Shares pursuant to the exercise of the Non-Founder Director Options. Otherwise, Shareholders will have pre-emption rights which will generally apply in respect of future share issues for cash. No pre-emption rights exist in respect of future share issues wholly or partly other than for cash.

3.5 Save as disclosed in this Document or any document incorporated herein by reference:

(a) no share or loan capital of the Company has been issued or is proposed to be issued;

(b) no person has any preferential subscription rights for any shares of the Company;

(c) no share or loan capital of the unconditionally to be put under option and the Company is currently under option or agreed conditionally; or

(d) no commissions, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company.

3.6 The Existing Ordinary Shares and Warrants were admitted to the Official List by way of a Standard Listing, and to trading on the main market of the London Stock Exchange on 17 December 2013. Following an announcement by the Company relating to the proposed Transaction, the listing of the Company's Existing Ordinary Shares and Warrants was suspended on 1 April 2014. Following completion of the Transaction, applications will be made for the Existing Ordinary Shares and Warrants to be readmitted, and for the Ordinary Shares (including the New Ordinary Shares and Private Placement Shares) to be admitted, to listing on the Official List pursuant to Chapters 14 and 20, respectively, of the Listing Rules which sets out the requirements for Standard Listings. The Ordinary Shares and Warrants are not listed or traded on, and no application has been or is being made for the admission of the Ordinary Shares and Warrants to listing or trading on any other stock exchange or securities market.

4. Memorandum and Articles of Association of the Company

This section has been incorporated by reference as detailed in the section of this Document entitled "Relevant Documentation and Incorporation by Reference".

5. Directorships and Partnerships

In addition to their directorships of the Company, the Directors are, or have been, members of the administrative, management or supervisory bodies ("directorships") or partners of the following companies or partnerships, at any time in the five years prior to the date of this Document.

Current Directors

Arnold O. Ekpe *(Non-Executive Chairman)*

Current directorships and partnerships	Former directorships and partnerships
Nigeria Sovereign Investment Authority	Ecobank Group
Cellular Systems International (trading as Wari)	Ecobank Development Corporation
Africa Strategic Impact Fund	Eprocess International
Dangote Flour Mills Plc	ADC African Development Corporation AG
Multiverse Plc	

Tonye Patrick Cole *(Independent Non-Executive Director)*

Current directorships and partnerships	Former directorships and partnerships
Eco Aviation Fuel Support Services Limited Enageed Resource Ltd Energy Resource Upstream Ventures Ltd Jet Fuel Supplies And Logistics Kepco Energy Resource Ltd Logistics & Petroleum Storage Services Ltd Mangrove Petroleum Supplies & Logistics New Electricity Distribution Company Ltd Petroleum Warehousing & Supplies Ltd Sahara Bulk Storage Facilities Ltd Sahara Charitable Foundation Sahara Energy 284 Ltd Sahara Energy Exploration & Production Ltd Sahara Energy Field Ltd Sahara Energy Resource (Nig.) Ltd Sahara Gas Line Ltd Sahara Group Ltd Sahara Power Resource Ltd Sahara Trade Nigeria Ltd Sahara Trade West Africa Ltd Sahara Upstream 274 Ltd Sefl Exploration & Production Company Ltd Sempra Sahara Liquefied Natural Gas Ltd So Aviation Fuel Limited So Energy Ltd Att Aviation Limited Energy Resource Limited Hankuk Plant Service Company Limited Ng Power—Hps Ltd Olympia Hotel Management Company Limited Petroleum Warehousing & Supplies Ltd Sahara Energy Africa Sahara Energy Field Ghana Limited Sahara Energy Field Holding UK Limited Sahara Energy Fields Ltd Sahara Energy Resource Ltd Sahara Energy Resources Dmcc Sahara Gas Ltd Sahara International Pte. Limited So Energy Ltd White Pearl Oil & Gas Ltd Sahara International Rheinoel Limited Servant Leaders Foundation Digital Jewels Ltd Nehemiah Youth Empowerment Initiative VolunteerCorps Ltd Excel Charity Foundation 234 Give Nigeria Enactus Nigeria Egbin Power Plc Ikeja Electricity Distribution Company	N/A

Rachel F. Robbins (*Independent Non-Executive Director*)

Current directorships and partnerships	Former directorships and partnerships
FINCA Microfinance Holdings LLC	N/A
Board of Trustees of New York University School of Law	

Robert E. Diamond Jr. (*Non-Executive Director*)

Current directorships and partnerships	Former directorships and partnerships
Atlas Merchant Capital LLC	Resonance Capital Partners LLC
Reverent Capital Holdings LLC	Barclays Plc
REDWM (Cayman) L.P.	Barclays Capital
A-ABC Capital LLC	Barclays Global Investors
REDWM Investments (Mauritius) Limited	Revolate Holdings LLC
Diamond Family Foundation	
Mayor's Fund for London, (Trustee)	
Board of Trustees of Colby College, (Chairman)	
Incapture LP	
Atlas Merchant Capital LP	
Atlas—AFS Partners LLC	

Ashish J. Thakkar (*Non-Executive Director*)

Current directorships and partnerships	Former directorships and partnerships
Azure Holdings Limited	ISON BPO Rwanda Limited
Mara Agriculture Holdings Limited	ISON BPO Uganda Limited
Mara Agriculture EA Holdings Limited	ISON BPO Tanzania Limited
Mara Capital Partners Limited	ISON BPO Kenya Limited
Mara Financial Institution Holdings Limited	Azure Global Holdings Limited
Mara Investment Corporation SPC Limited	Kingdom Kampala (Cayman) Limited
Mara JS Ethanol East Africa Limited	Kensington Global Holdings Limited
Mara JS Ethanol Holdings Limited	Infinity Kensington Holdings Limited
Mara JS Investment Holdings Limited	Kensington Africa Limited
Mara JS Sugar Holdings Limited	Kensington Global Investments Limited
Mara JS Sugar West Africa Limited	Mara Ison Technologies Holdings Limited
Mara Partners (Cayman) Limited	
Mara Partners FS Limited	
MIC Investment Management Limited	
MF Holdings Group Limited	
MF Ventures Holdings Limited	
MG Investment Assets Limited	
Raps Middle East LLC	
Riley Packaging Limited	
Red Line International Inc.	
Mara Online Ventures Limited	
Mara Mobile Ventures Limited	
AJT Investments Limited	
AJT Holdings Limited	
Atlas Mara Co-Nvest Limited	
Mara Investment Partners Limited	

6. Directors' Confirmations

6.1 Save as disclosed in paragraph 6.2 below, at the date of this Document none of the Directors:

(i) has any convictions in relation to fraudulent offences for at least the previous five years;

(ii) has been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or of senior manager of any company for at least the previous five years; or

(iii) has been subject to any official public incrimination and/or sanction of him by any statutory or regulatory authority (including any designated professional bodies) or has ever been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

6.2 Revolate Holdings LLC filed for protection under US Federal Bankruptcy Law on 24 September 2013. The filing indicated that Mr. Diamond was a director until 17 September 2013 when Mr. Diamond terminated his affiliation with this company.

6.3 Other than by virtue of the Directors interests in the Ordinary Shares, Warrants and Founder Preferred Shares (as the case may be) disclosed in paragraphs 6.4 and 7 below and under the heading "Part VII—Directors, Management and Corporate Governance—Conflicts of Interest" which may give rise to potential conflicts of interest between their duties as a Director and their private interests as a beneficial owner of the Ordinary Shares, Warrants and Founder Preferred Shares (as the case may be), none of the Directors has any potential conflicts of interest between their duties to the Company and their private interests or other duties they may also have.

6.4 The following potential conflicts of interest may arise for the Founder Directors:

(i) In addition to each of their holdings of Ordinary Shares and Warrants as disclosed in paragraph 7 below, the Founder Directors beneficially own Founder Preferred Shares, which may give rise to a potential conflict of interest between their duties to the Company as Directors and their private interests as beneficial owner of the Founder Preferred Shares.

(ii) Robert E. Diamond Jr., through REDWM (Cayman) L.P., holds 860,676 ADC Shares. REDWM (Cayman) L.P. has entered into an irrevocable undertaking with the Company, pursuant to which REDWM (Cayman) L.P. has agreed to tender all of its ADC Shares into the Offer. As a result, REDWM (Cayman) L.P. will receive Ordinary Shares in the Offer.

7. Directors' interests

Save as disclosed in the table below or in the table at paragraph 8 below, none of the Directors nor any member of their immediate families has, at the date of this Document, any interests (beneficial or non-beneficial) in the shares of the Company or any of its subsidiaries.

Director	No. of Ordinary Shares	Percentage of Issued Ordinary Shares	No. of Warrants	No. of Founder Preferred Shares
Robert E. Diamond Jr.[(1)]	600,000	1.92%	1,600,000	1,000,000
Ashish J. Thakkar[(2)]	150,000	0.48%	400,000	250,000
Arnold O. Ekpe[(3)]	12,500	0.04%	12,500	—
Tonye Patrick Cole[(4)]	8,500	0.03%	8,500	—
Rachel F. Robbins[(5)]	8,500	0.03%	8,500	—

Notes:

(1) Represents an indirect interest held by Atlas—AFS Partners LLC. Mr. Diamond is the majority owner of Atlas—AFS Partners LLC.

(2) Represents an indirect interest held by Mara Partners FS Limited. Mr. Thakkar and Mr. Bradford M. Gibbs are the beneficial owners of Mara Partners FS Limited. They each own a 50 per cent. interest in Mara Partners FS Limited.

(3) Arnold Ekpe holds options over Ordinary Shares pursuant to the Option Deeds described in paragraph 10 below. The Option Deed grants Mr. Ekpe a five year option to acquire 50,000 Ordinary Shares at an exercise price of US$11.50 per Ordinary Share (subject to adjustment in accordance with the Option Deed).

(4) Tonye Cole holds options over Ordinary Shares pursuant to the Option Deeds described in paragraph 10 below. The Option Deed grants Mr. Cole a five year option to acquire 37,500 Ordinary Shares at an exercise price of US$11.50 per Ordinary Share (subject to adjustment in accordance with the Option Deed).

(5) Rachel F. Robbins holds options over Ordinary Shares pursuant to the Option Deeds described in paragraph 10 below. The Option Deed grants Ms. Robbins a five year option to acquire 37,500 Ordinary Shares at an exercise price of US$11.50 per Ordinary Share (subject to adjustment in accordance with the Option Deed).

8. Founding Entities and other interests

The table below sets out the interests that the Founding Entities will have in the shares of the Company or any of its subsidiaries, together with details of the amount and percentage of immediate dilution of their interests in the shares of the Company as a result of the Offer and completion of the Share Sale Agreements:

Founders	No. of Ordinary Shares	No. of Warrants	Percentage of Issued Ordinary Shares and Warrants	No. (and Percentage) of Founder Preferred Shares	Percentage Dilution of Interests in Ordinary and Warrants Shares as a Result of the Offer(1)
Atlas—AFS Partners LLC	600,000	1,600,000	3.45%	1,000,000 (80%)	2.74%
Mara Partners FS Limited	150,000	400,000	0.86%	250,000 (20%)	0.69%

Note:

(1) This assumes full acceptance of the Offer by ADC Shareholders and completion of the Share Sale Agreements.

9. Major Shareholders and other interests

9.1 As at 1 July 2014 (the latest practicable date prior to the publication of this Document) the following persons had a notifiable interest in the issued share capital of the Company:

Shareholder	No of Ordinary Shares	Percentage of issued Ordinary Shares
Owl Creek Asset Management LP	2,500,000	7.99%
Clough Investment Partners LP	2,552,087	8.15%
Wellington Management Company, LLP	3,281,250	10.50%

9.2 Following completion of the Offer, the Directors expect that a number of persons will have an interest, directly or indirectly, in at least five per cent. of the voting rights attached to the Company's issued shares. Such persons will be required to notify such interests to the Company in accordance with the provisions of Chapter 5 of the Disclosure and Transparency Rules, and such interests will be notified by the Company to the public.

9.3 On the date of this Document, but excluding any interest by virtue of the conversion rights attached to the Founder Preferred Shares, the Founding Entities will, in aggregate, be interested in 750,000 Ordinary Shares, 1,250,000 Founder Preferred Shares and 2,000,000 Warrants.

9.4 As at 1 July 2014 (the latest practicable date prior to the publication of this Document), the Company was not aware of any person or persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

9.5 Those interested, directly or indirectly, in five per cent. or more of the issued Ordinary Shares of the Company do not now, and, will not, have different voting rights from other holders of Ordinary Shares.

10. Directors' Letters of Appointment, Service Agreements, Option Deeds and ATMA Share Plan

Mr. Diamond and Mr. Thakkar were appointed as non-executive Directors on 3 December 2013. The Independent Non-Executive Directors were appointed as non-executive Directors on 3 December 2013. The Chairman was appointed on 3 December 2013. The Directors will not be required to be put forward for re-election until the first annual General Meeting of the Company following completion of the Acquisition.

Each of the Directors entered into a Director's Letter of Appointment with the Company dated 3 December 2013. Under each Non-Founder Director's Letter of Appointment, each Non-Founder Director is entitled to a fee of US$85,000 per annum with the exception of Arnold Ekpe who, as Chairman, is entitled to receive a fee of US$125,000 per annum. Fees are payable quarterly in arrears. In addition, all of the Directors are entitled to be reimbursed by the Company for travel, hotel and other expenses incurred by them in the course of their directors' duties relating to the Company.

Each Non-Founder Director elected that their fees payable to them for their first year of appointment was paid as a lump sum on Admission and used to subscribe for Ordinary Shares (with Matching Warrants) at the Placing Price. The Non-Founder Directors therefore collectively hold 29,500 Ordinary Shares (with Matching Warrants). Of this aggregate amount, the Chairman holds 12,500 Ordinary Shares (with Matching Warrants) and each other Non-Founder Director holds 8,500 Ordinary Shares (with Matching Warrants).

Further, pursuant to the terms of the Option Deeds, the Non-Founder Directors have been granted Non-Founder Director Options in respect of which the Chairman has been granted a five year option to acquire 50,000 Ordinary Shares and each other Non-Founder Director has been granted a five year option to acquire 37,500 Ordinary Shares, all at an exercise price of US$11.50 per Ordinary Share (subject to such adjustment to the number of Ordinary Shares and/or the exercise price as the Directors consider appropriate in accordance with the terms of the Option Deeds in respect of an issue of Ordinary Shares by way of a dividend or distribution to holders of Ordinary Shares, a subdivision or consolidation or any other variation to the share capital of the Company, as determined by the Directors).

Mr. Diamond and Mr. Thakkar have agreed that they will not terminate their letters of appointment prior to the earlier of (i) completion of an Acquisition or (ii) the dissolution of the Company for failure to complete an Acquisition. The Non-Founder Directors have agreed that they will not terminate their letters of appointment prior to completion of an Acquisition unless they have given at least 12 months' notice. In addition, Mr. Diamond and Mr. Thakkar have agreed that they will not take steps to, and the Company has agreed that it will not, terminate a letter of appointment for a Non-Founder Director prior to completion of an Acquisition other than for breach of the letter of appointment or breach of fiduciary or other duties owed to the Company by the relevant Non-Founder Director. Following completion of the Acquisition, the Company or any Director may terminate such appointment on three months' written notice. No compensation is payable to Directors on leaving office unless approved by a Resolution of Members.

No Director has a service contract with the Company, nor are any such contracts proposed. There are no pension, retirement or other similar arrangements in place with the Directors nor are any such arrangements proposed.

Executive Committee

John Vitalo will join the Executive Committee on 4 July 2014 as CEO. The Company has entered into an employment contract with Mr. Vitalo that sets out the terms of his employment. Mr. Vitalo will receive an annual base salary, denominated in United Arab Emirates Dirhams ("AED"), equal to approximately US$500,000. Mr. Vitalo will also receive an annual cash bonus, denominated in AED, awarded at the discretion of the Board. The target bonus is approximately US$1 million and may range from 0% to 200% of base salary. Award of this bonus will be based on the achievement of performance goals agreed between Mr. Vitalo and the Board. For 2014, the Company has guaranteed a cash bonus of US$1 million. The Company has agreed to grant an option to purchase 300,000 Ordinary Shares with an exercise/strike price equal to the closing market price of such shares on the grant date. This grant of options is expected to occur as soon as practicable after completion of the Transaction. The options shall vest ⅓ on the grant date, ⅓ on the one-year anniversary of the grant date, and ⅓ on the two-year anniversary of the grant date. The Company has also granted 300,000 Ordinary Shares to Mr. Vitalo, which shall vest as follows: 34.2% upon the start of employment, 29.2% on 1 April 2015, 21.9% on 1 April 2016, and 14.7% on 1 April 2017, subject to certain customary conditions. In addition, Mr. Vitalo will be paid an annual allowance for certain expenses and benefits, denominated in AED, equal to approximately US$550,000, which will be adjusted annually for inflation as reported by the UAE Ministry of Finance.

ATMA Share Plan

The Company has created a global share plan (the "ATMA Share Plan"), pursuant to which the Company may grant employees share related awards in whatever form the Board determines appropriate (including shares, conditional shares, options, restricted stock, joint share ownership) subject to such vesting and performance conditions as the Board, at its absolute discretion, may impose. In line with the Association of British Insurers guidelines on Principles of Executive Remuneration the ATMA Share Plan contains restrictions limiting the number of shares over which awards to employees can be granted to 10% of the issued share capital of the Company over a 10 year period, with a limit of 5% being of the issued share capital being issued to senior executives. The restriction does not apply to share awards issued to new employees on a takeover or merger with another company or business. The ATMA Share Plan contains provisions requiring award holders to indemnify the Company for tax liabilities associated with the awards together with provisions allowing for adjustment of the number of shares over which awards are held where there has been a variation of the Company's share capital.

ADC Stock Options Roll Over

The Company intends to provide for an exchange of all the stock options in the ADC Stock Option Plan held by the current beneficiaries to options in the Company (the "Roll-over") on terms mutually agreed upon between the holders of the stock options and the Company. The agreements on the Roll-over shall be concluded following completion of the Offer.

11. Working capital

The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, that is for at least 12 months from the date of this Document.

12. Significant change

The Company:

Subsequent to 28 November 2013, being the balance sheet date, the following significant changes to the Company's financial or trading position have occurred: in connection with incorporation and the 2013 Placing, the Company entered into the Option Deeds, executed the Warrant Instrument, assumed contingent liabilities in respect of the fees payable pursuant to the Placing Agreement (US$8,353,125), and incurred, in aggregate, approximately US$11,500,000 of expenses. The Company raised US$325,000,000 pursuant to the 2013 Placing. In connection with the Transaction and BRD Acquisition, the Company has entered into the Share Sale Agreements, Investment Agreement, Cooperation Agreement and the Framework Deed, the terms of which are set out in Parts I and IV, and incurred, in aggregate, approximately US$12,100,000 in expenses.

ADC:

There has been no significant change in the financial or trading position of the ADC Group since 31 December 2013, being the latest date to which the historical financial information in Part XI of this Document was prepared.

ABCH:

There has been no significant change in the financial or trading position of the BancABC Group since 31 December 2013, being the latest date to which the historical financial information in Part XI of this Document was prepared.

13. Litigation

The Company:

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) since the Group's incorporation which may have, or have had in the recent past, significant effects on the financial position or profitability of the Group.

ADC:

ADC Group is subject to legal proceedings in the ordinary course of business which are not considered to be material. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months prior to the date of this Document, significant effects on the financial position or profitability of ADC Group.

ABCH:

BancABC Group is subject to legal proceedings in the ordinary course of business which are not considered to be material. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months prior to the date of this Document, significant effects on the financial position or profitability of BancABC Group.

14. City Code

The City Code does not apply to the Company and there are no rules or provisions relating to mandatory takeover bids in relation to the Ordinary Shares. There are no rules or provisions relating to the Ordinary Shares and squeeze-out and/or sell-out rules, save as provided by section 176 of BVI Companies Act (ability of the shareholders holding 90 per cent. of the votes of the outstanding shares or class of outstanding shares to require the Company to redeem such shares or class of shares), which has been disapplied by the Company.

15. Material contracts

The Company:

The following are all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Company which: (i) are, or may be, material to the Company; or (ii) contain obligations or entitlements which are, or may be, material to the Company as at the date of this Document.

15.1 ***Share Sale Agreements***

The Share Sale Agreements referred to in "Part I—Description of the Transaction" were entered into by the Company and selected ABCH shareholders representing in aggregate 51.86% of the total outstanding share capital of ABCH.

15.2 ***Cooperation Agreement***

On 31 March 2014, the Company entered into a Cooperation Agreement with ABCH, the terms of which are as described in "Part I—Description of the Transaction".

15.3 ***Investment Agreement***

On 31 March 2014, the Company entered into an Investment Agreement with ADC, the terms of which are as described in "Part I—Description of the Transaction".

15.4 ***Irrevocable Undertakings***

The Irrevocable Undertakings described in more detail in "Part I—Description of the Transaction" were entered into by the Company and certain ADC Shareholders representing, in aggregate 34.1% of ADC's outstanding share capital.

15.5 ***BRD Framework Deed***

The Framework Deed was entered into on 23 May 2014 between the Company and the Sellers and effects the Company's acquisition of the commercial banking business of BRD.

Under the Framework Deed, BRD agrees to transfer the assets and liabilities of the BRD commercial banking business (the "Commercial Business") to a newly-incorporated subsidiary, (the "Commercial Bank").

Subject to this transfer of the Commercial Business to the Commercial Bank occurring and the satisfaction of certain other conditions which include the receipt of all regulatory approvals and the grant of a full commercial banking licence by the Commercial Bank, the Company will acquire 100% of the share capital in the Commercial Bank from BRD ("Commercial Bank Completion").

Pursuant to the terms of the Framework Deed, the Company may, subject to satisfaction of certain conditions, acquire a bare legal interest in the BRD Sellers' shareholding in BRD with the BRD Sellers retaining control of BRD while certain further conditions are satisfied (in particular, receipt of a full operational commercial banking licence for the Commercial Bank).

Where the conditions are not satisfied or waived before 1 November 2014, the Company will take full voting and economic control of the BRD Sellers' shareholding in BRD (subject to certain negative covenants). Such voting and economic control of BRD shall continue until the earlier of:

(a) Commercial Bank Completion;

(b) a long stop date of 16 December 2014; or

(c) termination of the Framework Deed in accordance with its terms.

Where the full commercial banking licence for the Commercial Bank is not obtained before 1 November 2014, the Company shall take beneficial title of BRD until the time at which Commercial Bank Completion occurs. If the full commercial banking licence is then not obtained before the longstop date of 16 December 2014, the transaction will be unwound.

Where Commercial Bank Completion does not occur before 1 November 2014, the Company will also take beneficial title in BRD, ultimately having control over BRD. Where this occurs, the Company must carry on BRD's business (except in the Commercial Business which is a matter for the Company) in the ordinary and usual course and subject to various conduct covenants.

The amount of the aggregate consideration shall be determined based on the net asset value of the Commercial Business at the time of Commercial Bank Completion.

The Sellers and BRD shall provide a full set of commercial warranties in respect of BRD which shall be repeated at both signing and BRD Completion. The Company may terminate in the event of a material breach or material adverse change, or for failure to satisfy the conditions to completion by the longstop date of 16 December 2014.

The Framework Deed contains a lock-in pursuant to which the Company may not transfer a controlling stake in the Commercial Bank for 36 months commencing on the earlier of: 30 September 2014; BRD Completion; or Commercial Bank Completion. The Company may also not transfer any shares in BRD while it controls BRD except to an Affiliate.

There are no restrictions on any capital reorganisation that the Company considers necessary to meet regulatory capital requirements.

BRD indemnifies the Commercial Bank for any liabilities that relate to matters which occurred before Commercial Bank Completion and were not listed in the opening balance sheet of the Commercial Bank as at Commercial Bank Completion.

The Framework Deed is governed by the laws of England and Wales.

15.6 ***Brainworks Transaction Advisory Fee Agreement***

As compensation for the services provided by Brainworks to the Company relating to the origination, negotiation, structuring and closing of the Transaction, the Company intends to pay a transaction advisory fee of approximately US$2.5 million (depending of the level of ABCH shares acquired under the Share Sale Agreements) and issue to Brainworks up to 112,426 Ordinary Shares, conditional on completion of the Transaction.

15.7 See also paragraph 15 "Material Contracts" of "Part XIII—Additional Information" in the IPO Prospectus (which paragraph has been incorporated by reference into this Document).

ADC Material Contracts

The following are all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the ADC Group which: (i) are, or may be, material to the ADC Group; or (ii) contain obligations or entitlements which are, or may be, material to the ADC Group as at the date of this Document.

15.8 ***Trafigura Pooling Agreement***

ADC Financial entered into an agreement on 22 May 2013 with Trafigura relating to the pooling of voting rights attaching to ordinary shares in ABCH (the "Trafigura Pooling Agreement"). As at 28 March 2014 Trafigura held 4.3% of the total number of ABCH shares.

The Trafigura Pooling Agreement provides that the parties shall convene pool meetings for the purposes of determining the manner in which voting rights attaching to the ABCH shares directly or indirectly held by each of the parties (the "Trafigura Pool Shares") should be exercised.

Each party is represented by one person for the purposes of participating in a pool meeting between the parties. A quorum for a pool meeting is one representative of each party. If a quorum is not present, the pool meeting shall be dissolved and will adjourn the following business day, at which meeting a quorum shall be representatives constituting at least 50% of the Trafigura Pool Shares.

Decisions at a pool meeting shall be made by a simple majority of votes. Each representative is entitled to one vote per Trafigura Pool Share that is owned by the party represented. At the end of each pool meeting at which a decision is reached on how Trafigura Pool Shares should be voted at the subsequent ABCH general meeting, the representatives are required to give one person an irrevocable proxy to vote the Trafigura Pool Shares at such general meeting. If a deadlock arises at a pool meeting or if a pool meeting is not held due to the absence of a quorum, then the parties may vote their Trafigura Pool Shares in their sole and absolute discretion at such subsequent general meeting.

The voting pool will automatically terminate if (i) the parties cease to hold, directly or indirectly, ordinary shares in ABCH, (ii) the parties agree to terminate the agreement or (iii) a party terminates the agreement with three weeks' prior notice.

The Trafigura Pooling Agreement is governed by the laws of Mauritius.

15.9 ***Brainworks Pooling Agreement***

On 31 December 2013, ADC Financial and Brainworks signed an agreement for the pooling of ordinary shares in ABCH (the "Brainworks Pooling Agreement"), which replaced an earlier pooling agreement dated 22 May 2013. As at 28 March 2014, Brainworks held 2.49% of the total number of ABCH shares. The quorum and voting procedures for the pool meetings are handled similarly to the Trafigura Pooling Agreement. The voting pool will automatically terminate under the Brainworks Pooling Agreement if (i) the parties cease to hold, directly or indirectly, ordinary shares in ABCH or (ii) the parties agree to terminate the agreement.

If Brainworks seeks to sell all or part of its ABCH shares, ADC Financial is given a right of first refusal to purchase such shares at the price and on terms equal to the price specified by Brainworks. If ADC Financial does not acquire the ABCH shares, Brainworks may sell them to a third party on no less favourable terms within 30 days. If ADC Financial accepts the offer to acquire the ABCH shares, but fails to make payment within 30 days of acceptance it must pay to Brainworks a penalty of US$1,500,000.

The Brainworks Pooling Agreement is governed by Mauritian law.

15.10 ***Management of ABCH Pooling Agreement***

In 2012, ADC Financial entered into an agreement with the Executives for the pooling of voting rights attaching to ordinary shares in ABCH (the "Executive Pooling Agreement"). As of 28 March 2014, the Executives of ABCH in aggregate held 19.9% of the ABCH shares, (comprising 10.6% held by or on behalf of the Executives and 9.3% by way of Option Shares). The quorum and voting procedures for the pool meetings are handled similarly to the Trafigura Pooling Agreement. The voting pool will automatically terminate under the Management of ABCH Pooling Agreement if (i) the parties cease to hold, directly or indirectly, shares in ABCH or (ii) the parties agree to terminate the agreement. The Executive Pooling Agreement is governed by the laws of Botswana.

15.11 ***2015 Bond with Warrants***

In June 2012, ADC issued a three-year bond with warrants in an aggregate principal amount of EUR 40 million subdivided into 400,000 notes in the principal amount of EUR 100 per note each payable to the bearer. Each note initially had attached five warrants that are convertible into shares of ADC (the "2015 Bond with Warrants").

The bond with warrants is secured by collateral in shares of ABCH and was listed on the Open Market of the Frankfurt Stock Exchange (*Freiverkehr der Frankfurter Wertpapierbörse*) in July 2012 under ISIN DE0000A1PGNY4.

The notes bear interest at 6.0% per annum. The interest on the notes is paid annually in arrears on 1 June. The notes are due for repayment on 1 June 2015 at 100% of the principal amount of EUR 100 per note, unless the notes are repaid prematurely.

Each note had attached five separate and detachable warrants, which, at the price of EUR 14 each (unless the price requires adjustment due to dilution of ADC's shares (e.g., capital increases, share splits, share buy backs, mergers, extraordinary dividends and distributions)), provide entitlement to the purchase of one registered share certificate with voting rights in ADC with no par value. The options can be exercised up to the date of maturity of the notes on 1 June 2015 and can be exercised at any time except (i) eight working days before and three working days after general meetings of ADC, (ii) during the last ten calendar days before the end of ADC's financial year and (iii) during any current rights issue of ADC for new shares, conversion or option bonds or other offers, from the publication of these in the German Federal Gazette (*Bundesanzeiger*) through the end of the respective subscription period.

At its discretion, ADC is entitled to prematurely redeem all of the notes. ADC must provide notice of early redemption between ten and fifteen banking days before call redemption dates, which are 31 March, 30 June, 30 September and 31 December of each year commencing on 30 September 2012.

Noteholders may redeem the notes early if (i) ADC's debt-to-equity ratio as stated in its consolidated quarterly accounts (excluding ABCH) exceeds 50%, (ii) in the event of a change of control of ADC or (iii) upon the occurrence of an event of default. An event of default under the 2015 Bond with Warrants includes (i) ADC's non-payment of principal or interest after ten days, (ii) ADC's breach of an obligation arising from the bonds that is unremedied for more than twenty days, (iii) cross default of ADC in an amount over EUR 10 million after thirty days, (iv) insolvency proceedings are instituted over a material part of ADC's assets, (v) liquidation, winding-up or dissolution of ADC, (vi) cessation of payments by ADC generally, (vii) it becomes unlawful for ADC to perform its obligations under the agreement, (viii) the security trust agreement is not effective or (ix) ADC incurs any financial indebtedness that is senior to the claims of the bondholders.

As a result of the acquisition of the general partner, ADC Management GmbH, from Altira AG at the end of 2012, a change of control according to the terms and conditions of the 2015 Bond with Warrants occurred.

The terms and conditions of the 2015 Bond with Warrants, as described, contain an option for early redemption if the debt to equity ratio exceeds 50%. The calculation of the ratio is based on consolidated ADC Group quarterly financial statements prepared in accordance with applicable IFRS, excluding the shareholding in BancABC. As at 1 January 2013, ADC has voluntarily adopted IFRS 10 and consolidated its investment in a special purpose vehicle ("ADC Ventures") giving ADC exposure to an additional 8.39% stake in UGPL. For financial years starting on or after 1 January 2014 the new accounting standard IFRS 10 "Consolidated Financial Statements" is mandatorily applicable in the EU. Thus at latest with mandatory application of IFRS 10 for financial years starting on 1 January 2014 a breach of the debt to equity covenant might occur, given the uncertainties in the terms and conditions of the bond in connection with the determination of the debt to equity ratio in a non recourse vehicle such as ADC Ventures.

ADC has received a waiver by Trafigura in which Trafigura agrees that Trafigura does not have the intention to submit an indebtedness put notice for its 33,286,700 notes (approx. 83.2% of all notes) during the remaining tenure of the bond with regards to any potential covenant breach resulting from a consolidation of ADC Ventures liabilities, provided that the non-recourse status of ADC Ventures remains, no further equity is injected into ADC Ventures and ADC does not have or incur any other liabilities that would cause the debt-equity covenant to be breach. The Company has no indication that Trafigura's intention has changed or that any of the foregoing conditions have not been met.

As a result of the completion of the Offer, a change of control according to the terms and conditions of the 2015 Bond with Warrants will occur.

Any exercise of the put option for early redemption by the noteholders and the respective redemption of notes by ADC will require financing to be provided by the Company.

The bonds and warrants are governed by German law.

15.12 ***Trafigura Bond Put Options***

On 22 June 2012, ADC entered into an amended agreement with Trafigura Beheer B.V. ("Trafigura B.V."), (the "Trafigura Bond Put Options Agreement"). According to the agreement, Trafigura B.V. has the right to sell notes issued under the 2015 Bond with Warrants to ADC for an amount equal to EUR 4,088,211. By agreement dated 24 June 2014, ADC and Trafigura B.V. deferred such put option right until the earlier of (i) 31 August 2014, or (ii) any subsequent capital or debt raising, or (iii) a completed acquisition of ADC by a third party.

The Trafigura Bond Put Options Agreement is governed by the laws of Germany.

15.13 ***Trafigura ABCH Shares Put Option***

On 28 February 2014, a put option agreement was agreed between ADC and Trafigura relating to the 11,124,850 ABCH shares held by Trafigura (the "Trafigura ABCH Shares Put Option Agreement").

Under the terms of the Trafigura ABCH Shares Put Option Agreement, Trafigura is entitled to sell the ABCH shares to ADC or to exchange the ABCH shares for ADC Shares. The option to sell or contribute the ABCH shares to ADC may be exercised by Trafigura (i) following the closing of any capital increase of ADC, shareholder contribution or debt issue of at least EUR 50 million; or (ii) following the occurrence of any change of control event relating to ADC (defined as any shareholder or group of shareholders, who at the time of the Trafigura ABCH Shares Put Option Agreement held 10% or less of the outstanding share capital of ADC, achieving a shareholding of more than 50% of the outstanding share capital of ADC). Upon the exercise of the option, ADC will pay the put option price of the ABCH shares amounting to US$0.60 per ABCH share plus an accrued interest of 6% per annum.

If Trafigura subscribes for new shares in ADC as part of any capital increase, then Trafigura has the right to request that the ABCH shares be contributed as a contribution in kind against the shares of ADC.

The Trafigura ABCH Shares Put Option Agreement is governed by the laws of Germany.

16. Related party transactions

From 28 November 2013 (being the Company's date of incorporation) up to and including the date of this Document, the Company has not entered into any related party transactions other than as set out below:

(a) the Placing Agreement referred to in paragraph 15.7 above;

(b) the Directors' Letters of Appointment referred to in paragraph 10 above;

(c) the Option Deeds referred to in paragraph 10 above; and

(d) the Insider Letters referred to in paragraph 15.7 above.

17. Accounts and annual General Meetings

The Company's annual report and accounts will be made up to 31 December in each year, with the first annual report and accounts covering the period from incorporation to 31 December 2014. The Company will prepare its annual report and accounts for the period to 31 December thereafter. It is expected that the Company will make public its annual report and accounts within four months of each financial year end (or earlier if possible) and that copies of the annual report and accounts will be sent to Shareholders within six months of each financial year end (or earlier if possible). The Company will prepare its first unaudited interim report for the period from incorporation to 30 June 2014. The Company will prepare its unaudited interim report for each six month period ending

30 June thereafter. It is expected that the Company will make public its unaudited interim reports within two months of the end of each interim period.

The Company shall hold the first annual General Meeting within a period of 18 months following the date of an Acquisition. Further information on annual General Meetings is contained in paragraph 4.2(e) above.

18. Issues of new shares

The Directors are authorised to issue an unlimited number of Ordinary Shares and Founder Preferred Shares. The pre-emption rights in the Articles have been disapplied, and therefore pre-emption rights do not apply, to issues of relevant securities in the circumstances described in paragraph 3.4 above.

Otherwise, subject to certain other exceptions, the Directors are obliged to offer Ordinary Shares to Shareholders on a basis pro rata to their existing holdings before offering them to any other person for cash. The Directors will only issue Ordinary Shares if they deem it to be in the interests of the Company and (save pursuant to the powers or exceptions referred to above) will not issue Ordinary Shares for cash on a non-pre-emptive basis without first obtaining Shareholder approval. See paragraph 3.4 above for further details.

19. General

19.1 By a resolution of the Directors passed on 3 December 2013, KPMG LLP, whose address is 15 Canada Square, London E14 5GL, United Kingdom, were appointed as the first auditors of the Company. KPMG LLP are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

19.2 KPMG LLP has given and has not withdrawn its consent to the inclusion in this Document, and the incorporation by way of reference, of its accountant's reports in "Part XI—Financial Information" and "Part XII—Unaudited Pro Forma Financial Information on the Enlarged Group" in the form and context in which they are included (or incorporated by way of reference) and has authorised the contents of these reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

19.3 As the Ordinary Shares have not been and will not be registered under the Securities Act, KPMG LLP has not filed and will not file a consent under the Securities Act.

19.4 The Company has not had any employees since its incorporation and does not own any premises.

19.5 The total expenses incurred (or to be incurred) by the Company in connection with the Offer and the issue of this Document are approximately US$3,000,000.

20. BVI Law

The Company is registered in the BVI as a BVI business company and is subject to BVI law. English law and BVI law differ in a number of areas, and certain key aspects of BVI law as they relate to the Company are summarised below, although this is not intended to provide a comprehensive review of the applicable law. The Company has incorporated equivalent provisions in its Memorandum and Articles to address the material elements of these differences (further details are provided in paragraph 4 above).

20.1 ***Shares***

Subject to the BVI Companies Act and to a BVI business company's memorandum and articles of association, directors have the power to offer, allot, issue, grant options over or otherwise dispose of such shares.

20.2 ***Dividends and distribution***

Subject to the provisions of a BVI business company's memorandum and articles of association, directors may declare dividends in money, shares or other property provided they determine the company will pass the solvency test (i.e. be able to meet its debts as they fall due and that the value of the company's assets will exceed its liabilities).

20.3 ***Protection of minorities***

BVI law permits personal, derivative and class actions by shareholders.

20.4 ***Management***

Subject to the provisions of its memorandum and articles of association, a BVI business company is managed by its board of directors, each of whom has authority to bind the company. Directors are required under BVI law to act honestly and in good faith with a view to the best interests of the company, and to exercise the care, diligence and skill that a reasonable director would exercise, taking into account but without limitation, (i) the nature of the company, (ii) the nature of the business and (iii) the position of the directors and the nature of the responsibilities taken.

20.5 ***Accounting and audit***

A BVI business company is obliged to keep financial records that (i) are sufficient to show and explain the company's transactions and (ii) will, at any time, enable the financial position of the company to be determined with reasonable accuracy. There is no statutory requirement to audit or file annual accounts unless the company is engaged in certain business, which require a licence under BVI law. It is not anticipated that the Company's activities would require such a licence.

20.6 ***Exchange control***

BVI business companies are not subject to any exchange control regulations in the BVI.

20.7 ***Inspection of corporate records***

Shareholders of a BVI business company may inspect the BVI business company's books and records upon giving notice to the company. However, the directors may refuse such request on the grounds that inspection would be contrary to the interests of the BVI business company. The only corporate records generally available for inspection by members of the public are those required to be maintained at the Registry of Corporate Affairs in the British Virgin Islands, namely the certificate of incorporation and memorandum and articles together with any amendments thereto. A BVI business company may elect to maintain a copy of its share register, register of directors and to file a register of changes at the BVI Registry of Corporate Affairs, but this is not required under BVI law. A register of changes must be maintained in the office of the company's registered agent whilst either the original or a copy of the register of directors and members will suffice. These may be inspected with the BVI business company's consent, or in limited circumstances pursuant to a court order.

20.8 ***Insolvency***

The BVI business company and any creditor may petition the court, pursuant to the Insolvency Act 2003 of the British Virgin Islands, for the winding-up of the BVI business company upon various grounds, inter alia, that the BVI business company is unable to pay its debts or that it is just and equitable that it be would up.

20.9 ***Takeovers***

There are no provisions governing takeover offers analogous to the City Code applicable in the BVI.

20.10 ***Mergers***

Generally, the merger or consolidation of a BVI business company requires shareholder approval. However, a BVI business company parent company may merge with one or more BVI subsidiaries without member approval, provided that the surviving company is also a BVI business company. Members dissenting from a merger are entitled to payment of the fair value of their shares unless the BVI business company is the surviving company and the shareholders continue to hold a similar interest in the surviving company. BVI law permits BVI business companies to merge with companies incorporated outside the BVI, providing the merger is lawful under the laws of the jurisdiction in which the non-BVI company is incorporated. Under BVI law, following a domestic statutory merger or consolidation, one of the companies is subsumed into the other or both are subsumed into a third company. In either case, with effect from the effective date of the merger, the surviving company or the new consolidated company assumes all of the assets and liabilities of the other entity(ies) by operation of law and other entities cease to exist.

21. Availability of this Document

21.1 Following publication, copies of this Document are available for viewing free of charge at *http://www.morningstar.co.uk/uk/NSM*.

21.2 Copies of this Document may be collected, free of charge during normal business hours, from the office of the Company's Administrator:

Regency Court
Glategny Esplanade
St. Peter Port
Guernsey GY1 1WW

In addition, this Document will be published in electronic form and be available on the Company's website at www.atlasmara.com, subject to certain access restrictions applicable to persons located or resident outside the United Kingdom.

22. Documents for inspection

Copies of the following documents may be inspected at the registered office of the Company, Nemours Chambers, Road Town, Tortola, British Virgin Islands, the office of the Company's Administrator, and at Greenberg Traurig Maher LLP, 200 Gray's Inn Road, London WCIX 8HF during usual business hours on any day (except Saturdays, Sundays and public holidays) from the date of this Document until the Offer closes:

(a) the Memorandum and Articles of Association of the Company;

(b) the accountant's report by KPMG LLP on the historical financial information of the Company set out in "Part XI—Financial Information on the Company" and the unaudited pro forma of the Enlarged Group set out in "Part XII—Unaudited Pro Forma Financial Information on the Enlarged Group"; and

(c) this Document.

PART XVI

TERMS & CONDITIONS OF THE WARRANTS

This section has been incorporated by reference as detailed in the section of this Document entitled "Relevant Documentation and Incorporation by Reference".

PART XVII

DEPOSITARY INTERESTS

In December 2013 the Company entered into depositary arrangements to enable investors to settle and pay for interests in the Ordinary Shares through the CREST System.

CREST is the system for paperless settlements of trades in listed securities operated by Euroclear. CREST allows securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer.

Pursuant to arrangements put in place by the Company, the Depositary will hold the Ordinary Shares on trust for the Shareholders and issue dematerialised Depositary Interests to individual Shareholders' CREST accounts representing the underlying Ordinary Shares.

The Depositary will issue the dematerialised Depositary Interests. The Depositary Interests will be independent securities constituted under English law which may be held and transferred through the CREST System.

The Depositary Interests will be created pursuant to and issued on the terms of a deed poll dated 4 December 2013 and executed by the Depositary in favour of the holders of the Depositary Interests from time to time (the "Deed Poll"). Prospective holders of Depositary Interests should note that they will have no rights against CRESTCo or its subsidiaries in respect of the underlying Ordinary Shares or the Depositary Interests representing them.

The Ordinary Shares will be transferred to the Custodian and the Depositary will issue Depositary Interests to participating members and provide the necessary custodial services.

In relation to those Ordinary Shares held by Shareholders in uncertificated form, although the Company's register shows the Custodian as the legal holder of the Ordinary Shares, the beneficial interest in the Ordinary Shares remains with the holder of Depositary Interests, who has the benefit of all the rights attaching to the Ordinary Shares as if the holder of Depositary Interests were named on the certificated Ordinary Share register itself.

Each Depositary Interest will be represented as one Ordinary Share, for the purposes of determining, for example, eligibility for any dividends. The Depositary Interests will have the same ISIN number as the underlying Ordinary Shares and will not require a separate listing on the Official List. The Depositary Interests can then be traded and settlement will be within the CREST System in the same way as any other CREST securities.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

Deed Poll

In summary, the Deed Poll contains provisions to the following effect, which are binding on holders of Depositary Interests.

Holders of Depositary Interests warrant, inter alia, that Ordinary Shares held by the Depositary or the Custodian (on behalf of the Depositary) are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's constitutional documents or any contractual obligation, law or regulation. Each holder of Depositary Interests indemnifies the Depositary for any losses the Depositary incurs as a result of a breach of this warranty.

The Depositary and any Custodian must pass on to holders of Depositary Interests and, so far as they are reasonably able, exercise on behalf of holders of Depositary Interests all rights and entitlements received or to which they are entitled in respect of the underlying Ordinary Shares which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to call for, attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form in which they are received together with amendments and additional documentation necessary to effect such passing-on, or, as the case may be, exercised in accordance with the Deed Poll.

The Depositary will be entitled to cancel Depositary Interests and withdraw the underlying Ordinary Shares in certain circumstances including where a holder of Depositary Interests has failed to perform any obligation under the Deed Poll or any other agreement or instrument with respect to the Depositary Interests.

The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any holder of Depositary Interests or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud. Furthermore, except in the case of personal injury or death, the Depositary's liability to a holder of Depositary Interests will be limited to the lesser of:

(a) the value of the Ordinary Shares and other deposited property properly attributable to the Depositary Interests to which the liability relates; and

(b) that proportion of £5 million which corresponds to the proportion which the amount the Depositary would otherwise be liable to pay to the holder of Depositary Interests bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission or event which gave rise to such liability or, if there are no such amounts, £5 million.

The Depositary is not liable for any losses attributable to or resulting from the Company's negligence or wilful default or fraud or that of the CREST operator.

The Depositary is entitled to charge holders of Depositary Interests fees and expenses for the provision of its services under the Deed Poll.

Each holder of Depositary Interests is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the property held for the account of Depositary Interests held by that holder, other than those resulting from the wilful default, negligence or fraud of the Depositary, or the Custodian or any agent, if such Custodian or agent is a member of the Depositary's group, or, if not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent.

The Depositary may terminate the Deed Poll by giving not less than 30 days' prior notice. During such notice period, holders may cancel their Depositary Interests and withdraw their deposited property and, if any Depositary Interests remain outstanding after termination, the Depositary must as soon as reasonably practicable, among other things, deliver the deposited property in respect of the Depositary Interests to the relevant holder of Depositary Interests or, at its discretion sell all or part of such deposited property. It shall, as soon as reasonably practicable deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll pro rata to holders of Depositary Interests in respect of their Depositary Interests.

The Depositary or the Custodian may require from any holder, or former or prospective holder, information as to the capacity in which Depositary Interests are owned or held and the identity of any other person with any interest of any kind in such Depositary Interests or the underlying Ordinary Shares and holders are bound to provide such information requested. Furthermore, to the extent that the Company's constitutional documents require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever in, the Ordinary Shares, the holders of Depositary Interests are to comply with such provisions and with the Company's instructions with respect thereto.

It should also be noted that holders of Depositary Interests may not have the opportunity to exercise all of the rights and entitlements available to holders of Ordinary Shares in the Company, including, for example, in the case of Shareholders, the ability to vote on a show of hands. In relation to voting, it will be important for holders of Depositary Interests to give prompt instructions to the Depositary or its nominated Custodian, in accordance with any voting arrangements made available to them, to vote the underlying Ordinary Shares on their behalf or, to the extent possible, to take advantage of any arrangements enabling holders of Depositary Interests to vote such Ordinary Shares as a proxy of the Depositary or its nominated Custodian.

A copy of the Deed Poll can be obtained on request in writing to the Depositary.

Depositary Agreement

The terms of the depositary agreement dated 17 December 2013 between the Company and the Depositary under which the Company appoints the Depositary to constitute and issue from time to time, upon the terms of the Deed Poll (as outlined above), a series of Depositary Interests representing securities issued by the Company and to provide certain other services in connection with such Depositary Interests are summarised below (the "Depositary Agreement").

The Depositary agrees that it will comply, and will procure certain other persons comply, with the terms of the Deed Poll and that it and they will perform their obligations in good faith and with all reasonable skill and care. The Depositary assumes certain specific obligations, including the obligation to arrange for the Depositary Interests to be admitted to CREST as participating securities and to provide copies of and access to the register of Depositary Interests. The Depositary will either itself or through its appointed Custodian hold the deposited property on trust (which includes the securities represented by the Depositary Interests) for the benefit of the holders of the Depositary Interests as tenants in common, subject to the terms of the Deed Poll. The Company agrees to provide such assistance, information and documentation to the Depositary as is reasonably required by the Depositary for the purposes of performing its duties, responsibilities and obligations under the Deed Poll and the Depositary Agreement. In particular, the Company is to supply the Depositary with all documents it sends to its Shareholders so that the Depositary can distribute the same to all holders of Depositary Interests. The agreement sets out the procedures to be followed where the Company is to pay or make a dividend or other distribution.

The Company is to indemnify the Depositary for any loss it may suffer as a result of the performance of the Depositary Agreement except to the extent that any losses result from the Depositary's own negligence, fraud or wilful default. The Depositary is to indemnify the Company for any loss the Company may suffer as a result of or in connection with the Depositary's fraud, negligence or wilful default save that the aggregate liability of the Depositary to the Company over any 12 month period shall in no circumstances whatsoever exceed twice the amount of the fees payable to the Depositary in any 12 month period in respect of a single claim or in the aggregate.

Subject to earlier termination, the Depositary is appointed for a fixed term of one year and thereafter until terminated by either party giving not less than six months' notice.

In the event of termination, the parties agree to phase out the Depositary's operations in an efficient manner without adverse effect on the Shareholders and the Depositary shall deliver to the Company (or as it may direct) all documents, papers and other records relating to the Depositary Interests which are in its possession and which is the property of the Company.

The Company is to pay certain fees and charges, including a setup fee, an annual fee, a fee based on the number of Depositary Interests per year and certain CREST related fees. The Depositary is also entitled to recover reasonable out of pocket fees and expenses.

PART XVIII

DEFINITIONS

The following definitions apply throughout this Document or any document incorporated herein by reference unless the context requires otherwise:

"**2013 Placing**"	means the placing of 31,250,000 Ordinary Shares of no par value (with Warrants being issued to subscribers on the basis of one Warrant per Ordinary Share) at a placing price of US$10.00 per Ordinary Share on behalf of the Company on 17 December 2013;
"**2015 Bond with Warrants**"	means the 2015 Bond with Warrants, as defined on page 424;
"**ABCH**"	means ABC Holdings Limited, a public company limited by shares, established under the laws of Botswana and registered under registration number 99/4865;
"**Acceptance Period**"	means the Acceptance Period as defined on page 72;
"**Acquisition**"	means the initial acquisition by the Company or by any subsidiary thereof (which may be in the form of a merger, capital stock exchange, asset acquisition, stock purchase, scheme of arrangement, reorganisation or similar business combination) of an interest in an operating company or business (and, in the context of the Acquisition, references to a company without reference to a business and references to a business without reference to a company shall in both cases be construed to mean both a company or a business) and, if it proceeds, the Transaction will be the Acquisition;
"**Admission**"	means 17 December 2013, being the date of initial admission of the Existing Ordinary Shares and Warrants to the standard segment of the Official List and to trading on the London Stock Exchange's main market for listed securities;
"**ADC**"	means ADC African Development Corporation AG, a German stock corporation (*Aktiengesellschaft*) established under the laws of Germany with its corporate seat in Frankfurt and registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt under registration number HRB 97109;
"**ADC Acquisition**"	means the Offer;
"**ADC Articles**"	means the articles of association (*Satzung*) of ADC as at 24 September 2013;
"**ADC Group**"	means ADC together with its consolidated subsidiaries;
"**ADC Financial**"	means ADC Financial Services & Corporate Development, a limited liability company established under the laws of Mauritius and registered under registration number 080019GBL/CI;
"**ADC Shareholders**"	means holders of ADC Shares;
"**ADC Shares**"	means all ordinary registered shares (*auf den Namen lautende Stückaktien*) of no par value in the capital of ADC (ISIN DE000A1E8NW9);
"**ADC Stock Option Plan**"	means the ADC Stock Option Plan, as defined on page 87;
"**Administrator**"	means International Administration Group (Guernsey) Limited or such other administrator as may be appointed by the Company from time to time;
"**AMC**"	means Atlas Merchant Capital LLC;

"**Announcement**"	means the Announcement, as defined on page 64;
"**Annual Dividend Amount**"	means the Annual Dividend Amount as defined on page 83;
"**Articles of Association**" or "**Articles**"	means the articles of association of the Company in force from time to time;
"**ATMA AG**"	means Atlas Mara Beteiligungs AG, stock corporation established under the laws of Germany with its corporate seat (*Sitz*) in Düsseldorf and registered in the commercial register (*Handelsregister*) of the Düsseldorf local court (*Amtsgericht*) under registration number HRB 72694;
"**ATMA Luxemburg**"	means Atlas Mara Luxemburg Holding S.à.r.l, a limited liability company established under Luxembourg law with its corporate seat in the Grand Duchy of Luxembourg and registered in the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés*) under B 186989;
"**ATMA Share Plan**"	means the global share plan created by the Company, further details of which are set out on page 421;
"**Average Price**"	means for any security, as of any date: (i) in respect of Ordinary Shares, the mid-market closing price of the Ordinary Shares on the London Stock Exchange as shown on Bloomberg; (ii) in respect of any other security, the volume weighted average price for such security on the London Stock Exchange as reported by Bloomberg through its "Volume at Price" functions; (iii) if the London Stock Exchange is not the principal securities exchange or trading market for that security, the volume weighted average price of that security on the principal securities exchange or trading market on which that security is listed or traded as reported by Bloomberg through its "Volume at Price" functions; (iv) if the foregoing do not apply, the last closing trade price of that security in the over-the-counter market on the electronic bulletin board for that security as reported by Bloomberg; or (v) if no last closing trade price is reported for that security by Bloomberg, the last closing ask price of that security as reported by Bloomberg. If the Average Price cannot be calculated for that security on that date on any of the foregoing bases, the Average Price of that security on such date shall be the fair market value as mutually determined by the Company and either the Warrantholders representing a majority of the Ordinary Shares outstanding under the Warrants or the holders of the majority of the Founder Preferred Shares, as appropriate (acting reasonably);
"**BancABC Acquisition**"	means the series of acquisitions pursuant to the Share Sale Agreements, of ABCH shares from selected ABCH shareholders, representing in excess of 50.1% of the total ABCH shares outstanding;
"**BancABC Botswana**"	means African Banking Corporation of Botswana Limited;
"**BancABC Group**"	means ABCH together with its consolidated subsidiaries;
"**BancABC Mozambique**"	means African Banking Corporation Mozambique S.A.;
"**BancABC Tanzania**"	means African Banking Corporation Tanzania Limited;
"**BancABC Zambia**"	means African Banking Corporation Zambia Ltd.;
"**BancABC Zimbabwe**"	means African Banking Corporation of Zimbabwe Limited;
"**Bloomberg**"	means Bloomberg Financial Markets;

"**Brainworks**"	means Brainworks Capital Management (Private) Limited, a company established under the laws of Zimbabwe and registered under registration number 523/2011;
"**Brainworks Pooling Agreement**"	means the Brainworks Pooling Agreement, as defined on page 424;
"**BRD**"	means the Development Bank of Rwanda;
"**BRD Acquisition**"	means the proposed acquisition by the Company of approximately 77% shareholding in the commercial banking business of BRD from the Sellers for an aggregate consideration for that commercial banking business of US$15–30 million;
"**BRD Group**"	means BRD together with its consolidated subsidiaries;
"**BRD Sellers**"	means the Government of Rwanda, the National Agricultural Export Development Board and the Rwanda Social Security Board, as defined on page 5;
"**BSE**"	means the Botswana Stock Exchange created under and in terms of the Botswana Stock Exchange Act [CAP56:08];
"**BSE Listing Requirements**"	means the Listing Requirements (and any other regulations, including, but not being limited to, the Takeover Regulations, expressly incorporated by reference tor otherwise in such Listing Requirements) of the BSE;
"**Business Day**"	means a day (other than a Saturday or a Sunday) on which banks are open for business in London and the British Virgin Islands;
"**BVI**"	means the territory of the British Virgin Islands;
"**BVI Companies Act**"	means the BVI Business Companies Act, 2004 (as amended);
"**Call Option Agreements**"	means the five call option agreements, dated 25 July 2012 between ADC Financial and the Executives;
"**CBN**"	means the Central Bank of Nigeria;
"**certificated**" or "**in certificated form**"	means in relation to a share, warrant or other security, a share, warrant or other security, title to which is recorded in the relevant register of the share, warrant or other security concerned as being held in certificated form (that is, not in CREST);
"**Chairman**"	means Arnold Ekpe, or the Chairman of the Board from time to time, as the context requires, provided that such person was independent on appointment for the purposes of the UK Corporate Governance Code;
"**Change of Control**"	means, following the Acquisition, the acquisition of Control of the Company by any person or party (or by any group of persons or parties who are acting in concert);
"**City Code**"	means the City Code on Takeovers and Mergers;
"**Commercial Bank**"	has the meaning given to it on page 5;
"**Commercial Bank Completion**"	has the meaning given to it on page 115;
"**Commercial Business**"	has the meaning given to it on page 116;
"**Company**"	means Atlas Mara Co-Nvest Limited, a company incorporated with limited liability in the British Virgin Islands under the BVI Companies Act on 28 November 2013, with number 1800950;
"**Completion Conditions**"	means, together, the Regulatory Conditions and the Offer Conditions;

"**Control**"	means: (i) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to: (a) cast, or control the casting of, more than 50 per cent. of the maximum number of votes that might be cast at a General Meeting of the Company; or (b) appoint or remove all, or the majority, of the Directors or other equivalent officers of the Company; or (c) give directions with respect to the operating and financial policies of the Company with which the Directors or other equivalent officers of the Company are obliged to comply; and/or (ii) the holding beneficially of more than 50 per cent. of the issued shares of the Company (excluding any issued shares that carry no right to participate beyond a specified amount in a distribution of either profits or capital), but excluding in the case of each of (i) and (ii) above any such power or holding that arises as a result of the issue of Ordinary Shares by the Company in connection with the Acquisition;
"**Cooperation Agreement**"	means the agreement between the Company and ABCH dated 31 March 2014;
"**Corporate Administration Agreement**"	means the corporate administration agreement dated 17 December 2013 between the Company and the Administrator, details of which are set out in "Part XV—Additional Information";
"**CREST**" or "**CREST System**"	means the paperless settlement system operated by Euroclear enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instruments;
"**CREST Manual**"	means the compendium of documents entitled "CREST Manual" issued by Euroclear from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, the CREST Rules, the CSS Operations Manual and the CREST Glossary of Terms;
"**CRESTCo**"	means CRESTCo Limited, the operator (as defined in the Uncertificated Regulations) of CREST;
"**Custodian**"	means the custodian nominated by the Depositary;
"**Custodian Bank**"	means the Custodian Bank as defined on page 16;
"**Declaration of Acceptance**"	means the Declaration of Acceptance as defined on page 16;
"**Deed Poll**"	means the Deed Poll as defined on page 431;
"**Depositary**"	means Computershare Investor Services PLC;
"**Depositary Agreement**"	means the Depositary Agreement as defined on page 433;
"**Depositary Interests**"	means the dematerialised depositary interests in respect of the Ordinary Shares and Warrants issued or to be issued by the Depositary;
"**DFF**"	means the Diamond Family Foundation;
"**Directors**" or "**Board**" or "**Board of Directors**"	means the directors of the Company, whose names appear in "Part VII—Directors, Management and Corporate Governance", or the board of directors from time to time of the Company, as the context requires, and "Director" is to be construed accordingly;
"**Directors' Letters of Appointment**"	means the letters of appointment for each of the Directors, details of which are set out in "Part XV—Additional Information";

"**Disclosure and Transparency Rules**"	means the disclosure and transparency rules of the UK Listing Authority made in accordance with section 73A of FSMA as amended from time to time;
"**Dividend Date**"	means the last Trading Day of each Dividend Year;
"**Dividend Determination Period**"	means the Dividend Determination Period as defined on page 83;
"**Dividend Price**"	means the highest amount calculated by adding together the Average Price per Ordinary Share for any period of ten consecutive Trading Days in the relevant Dividend Year and dividing by ten;
"**Dividend Year**"	means the period commencing on the day immediately after the date of completion of the Acquisition and ending on the last day of that financial year of the Company (as of the date of Readmission the financial year ends on 31 December), and thereafter each subsequent financial year of the Company, except that: (a) in the event of the Company's entry into liquidation, the relevant Dividend Year shall end on the Trading Day immediately prior to the date of commencement of liquidation; and (b) in the event of an automatic conversion of the Founder Preferred Shares (at the end of the seventh full financial year following completion of the Acquisition), the relevant Dividend Year shall end on the Trading Day immediately prior to such conversion;
"**Dormant Company**"	means a company which does not engage in trade or otherwise carry on ordinary business;
"**EEA**"	means the European Economic Area;
"**EEA States**"	means the member states of the European Union and the European Economic Area, each an "EEA State";
"**Enlarged Group**"	means the Company and its subsidiaries and, following completion of the Transaction, BancABC Group and ADC Group;
"**ERM Framework**"	means the ERM Framework as defined on page 25;
"**ERISA**"	means the US Employee Retirement Income Security Act of 1974, as amended;
"**Escrow Agreement**"	means the escrow agreement between ADC Financial and Brainworks dated 1 August 2012;
"**EU**"	means the Member States of the European Union;
"**Euroclear**"	means Euroclear UK & Ireland Limited;
"**Exchange Act**"	means the Exchange Act as defined on page 54;
"**EXCO**"	means the executive committee of ABCH;
"**Executives**"	means each of Douglas Tawanda Munatsi, Bekithemba Moyo, Francis Munorwei Dzanya, Hashmon Matemera and Joseph Sibanda;
"**Executive Committee**"	means the executive committee of the Company;
"**Executive Pooling Agreement**"	means the Executive Pooling Agreement as defined on page 424;
"**Exercise Date**"	means the date on which Subscription Rights are exercised;

"**Exercise Price**"	means US$11.50 per Ordinary Share, being the sum payable on the exercise of three Warrants (prior to any adjustment pursuant to the Warrant Instrument);
"**Existing Ordinary Shares**"	means the ordinary shares of the Company admitted to the standard segment of the Official List and the trading on the London Stock Exchange's main market for listed securities on 17 December 2013;
"**FATCA**"	means the U.S. Tax Code, as defined on page 35;
"**FCA**"	means the UK Financial Conduct Authority;
"**FFI Agreement**"	means the FFI Agreement as defined on page 35;
"**FGN Bonds**"	means the Nigerian federal government bonds and state government bonds, as defined on page 22;
"**Founders**"	means AMC and Mara Group Holdings Limited;
"**Founding Entities**"	means Atlas—AFS Partners LLC and Mara Partners FS Limited;
"**Founder Directors**"	means Robert E. Diamond Jr. and Ashish J. Thakkar;
"**Founder Preferred Shares**"	means the class of shares in the capital of the Company, details of which are set out in "Part VII—Directors, Management and Corporate Governance" and paragraph 4.3 of "Part XV—Additional Information";
"**Fraction Compensation**"	means the Fraction Compensation, as defined on page 71;
"**Framework Deed**"	means the Framework Deed, as defined on page 81;
"**FSMA**"	means the Financial Services and Markets Act 2000 of the UK, as amended;
"**FTSE**"	means FTSE International Limited;
"**GDP**"	means gross domestic product;
"**General Meeting**"	means a meeting of the Shareholders of the Company or a class of Shareholders of the Company (as the context requires);
"**Government Bonds**"	means the Government Bonds as defined on page 22;
"**Group**"	means the Company, any subsidiary and any company or business they acquire (directly or indirectly) from time to time;
"**IEEA**"	means the Indigenisation and Economic Empowerment Act, as defined on page 31;
"**IFC**"	means International Finance Corporation, an international organisation established by Articles of Agreement among its member countries, part of the World Bank Group;
"**IFRS**"	means International Financial Reporting Standards as adopted by the European Union;
"**IGA**"	means an intergovernmental agreement, as defined on page 35;
"**IMF**	means the International Monetary Fund;
"**Independent Directors**"	means those Directors of the Board from time to time considered by the Board to be independent for the purposes of the UK Corporate Governance Code (or any other appropriate corporate governance regime complied with by the Company from time to time) together with the chairman of the Board provided that such person was independent on appointment for the purposes of the UK Corporate Governance Code (or any

	other appropriate corporate governance regime complied with by the Company from time to time);
"**Independent Non-Executive Directors**"	means Tonye Cole and Rachel F. Robbins or the non-executive directors of the Board from time to time considered by the Board to be independent for the purposes of the UK Corporate Governance Code, as the context requires;
"**Investment Agreement**"	means the investment agreement between the Company and ADC dated 31 March 2014;
"**IPO Prospectus**"	means the prospectus published by the Company on 17 December 2013 in connection with the initial public offering;
"**Irrevocable Undertakings**"	means the three irrevocable undertakings given by certain ADC Shareholders, pursuant to which they each agreed to tender their ADC Shares in the Offer, representing 34.1% of ADC's outstanding share capital;
"**IRS**"	means the U.S. Internal Revenue Service as defined on page 35;
"**iVeri**"	means ADC iVeri Payment Technologies (PTY) Limited;
"**Koskelo Agreement**"	means the Koskelo Agreement as defined on page 58;
"**Listing Rules**"	means the listing rules made by the UK Listing Authority under section 73A of FSMA as amended from time to time;
"**London Stock Exchange**"	means London Stock Exchange plc;
"**Mandatory Offer**"	means the offer required to be made by the Company following completion of the Share Sale Agreements pursuant to Regulation 86 of the Takeover Regulations for the whole of the stated capital of ABCH not at that time owned by the Company;
"**Mandatory Offer Document**"	means a printed circular to be jointly issued by ABCH and the Company to the holders of ABCH's shares for the purposes of compliance with the Takeover Regulations, encompassing salient details of the Mandatory Offer and the other content stipulated in Regulation 106 of the Takeover Regulations;
"**Mara Group**"	means Mara Group Holdings Limited and its subsidiaries;
"**Matching Warrants**"	means the Warrants issued to subscribers in the 2013 Placing on the basis of one Warrant per Ordinary Share;
"**Memorandum of Association**" or "**Memorandum**"	means the memorandum of association of the Company in force from time to time;
"**Merger Squeeze-out**"	means the Merger Squeeze-out as defined on page 79;
"**Minimum Acceptance Threshold**"	has the meaning given on page 74;
"**Model Code**"	means the Model Code on directors' dealings in securities set out in Annex 1 R of Chapter 9 of the Listing Rules;
"**New Ordinary Shares**"	means up to 14,334,300 ordinary shares of no par value proposed to be issued, credited as fully paid to ADC Shareholders pursuant to the Offer and the 1,904,612 ordinary shares of no par value to be issued, credited as fully paid to selected ABCH shareholders on completion of the Share Sale Agreements;
"**Non-Founder Directors**"	means the Chairman and the Independent Non-Executive Directors;
"**Non-Founder Director Options**"	means the options granted to the Non-Founder Directors pursuant to the terms of the Option Deeds, details of which are set out in paragraph 10 of "Part XV—Additional Information";

"**Offer**"	means the voluntary public offer (*öffentliches Angebot*) for the acquisition of all shares in ADC to the ADC Shareholders by way of a share-for-share exchange offer at the exchange rate of 1.25, meaning that every ADC Shareholder will be offered to receive five (5) Ordinary Shares of no par value for every four (4) ADC Shares;
"**Offer Conditions**"	means the Offer Conditions, as defined on page 74;
"**Offer Document**"	means the circular issued by ATMA AG to the holders of ADC Shares stating the terms and conditions of the voluntary public offer (*öffentliches Angebot*) for the acquisition of all shares in ADC to the ADC Shareholders by way of a share-for-share exchange offer;
"**Offer Price**"	means a share-for-share exchange rate of 1.25, in that every ADC Shareholder will be offered to receive five (5) Ordinary Shares for every four (4) ADC Shares;
"**Official List**"	means the official list maintained by the UK Listing Authority;
"**Option Deeds**"	means the option deeds entered into between the Company and each Non-Founder Director in connection with the Non-Founder Director Options;
"**Option Shares**"	means the Option Shares, as defined on page 66;
"**Ordinary Resolution**"	means a resolution passed at a meeting of the Warrantholders duly convened and passed by a simple majority of the votes cast, whether on a show of hands or on a poll;
"**Ordinary Shares**"	means the ordinary shares of no par value in the capital of the Company including, if the context requires, the Ordinary Shares;
"**Payment Date**"	means a day no later than ten Trading Days after the Dividend Date, except in respect of any Annual Dividend Amount becoming due on the Trading Day immediately prior to the date of commencement of the Company's liquidation, in which case the Payment Date shall be such Trading Day, and except in respect of any Annual Dividend Amount becoming due on account of an automatic conversion, in which case the Payment Date shall be the Trading Day immediately after such event;
"**PFIC**"	means a passive foreign investment company, as defined in section 1297 of the US Tax Code;
"**Placing Agent**"	means Citigroup Global Markets Limited;
"**Placing Agreement**"	means the placing agreement dated 16 December 2013 between the Company, the Founders, the Founding Entities, the Directors, and the Placing Agent, details of which are set out in "Part XV—Additional Information";
"**Placing Price**"	means US$10.00 per New Ordinary Share (with one Matching Warrant);
"**Plan Asset Regulations**"	means the regulations promulgated by the US Department of Labor at 29 CFR 2510.3-101, as modified by section 3(42) of ERISA;
"**Plan Investor**"	means (i) any "employee benefit plan" that is subject to Part 4 of Subtitle B of Title I of ERISA, (ii) a plan, individual retirement account or other arrangement that is subject to section 4975 of the US Tax Code, (iii) entities whose underlying assets are considered to include "plan assets" of any plan, account or arrangement described in preceding paragraph (i) or (ii), or

	(iv) any governmental plan, church plan, non-US plan or other investor whose purchase or holding of Ordinary Shares would be subject to any Similar Laws;
"**Pre-emptive Offer**"	has the meaning given on page 81;
"**Pre-emptive Right**"	means the Pre-emptive Right, as defined on page 66;
"**Premium Listing**"	means a premium listing under Chapter 6 of the Listing Rules;
"**Private Placement**"	means the private placement of new Ordinary Shares at an issue price of US$11 per new Ordinary Share, commenced by the Company in May 2014;
"**Private Placement Shares**"	means the Private Placement Shares, as defined on page 82;
"**Prohibited Person**"	means any person who by virtue of his holding or beneficial ownership of shares or warrants in the Company would or might in the opinion of the Directors: (i) give rise to an obligation on the Company to register as an "investment company" under the U.S. Investment Company Act; (ii) give rise to an obligation on the Company to register under the U.S. Exchange Act of 1934, as amended or result in the Company not being considered a "foreign private issuer" as such term is defined in Rule 3b-4(c) under the U.S. Exchange Act of 1934, as amended; (iii) result in a U.S. Plan Investor holding shares in the Company; or (iv) create a material legal or regulatory issue for the Company under the U.S. Bank Holding Company Act of 1956, as amended, or regulations or interpretations thereunder;
"**Promissary Notes**"	means the unsecured promissary notes issued by the Company on 15 December 2013 for, in aggregate, US$200,000 as further detailed in "Part XV — Additional Information";
"**Prospectus Directive**"	means Directive 2003/71/EC (and any amendments thereto, including Directive 2010/73/EU, to the extent implemented in the relevant member state), and includes any relevant implementing measures in each EEA State that has implemented Directive 2003/71/EC;
"**Prospectus Rules**"	means the prospectus rules of the UK Listing Authority made in accordance with section 73A of FSMA, as amended from time to time;
"**QEF Election**"	means an election to treat any PFIC as a qualified electing fund, as defined in section 1295 of the US Tax Code;
"**Qualified Institutional Buyer**" or "**QIB**"	has the meaning given by Rule 144A;
"**Readmission"**	means the admission of the entire issued Ordinary Shares (including the Ordinary Shares) and Warrants to the standard segment of the Official List and to trading on the London Stock Exchange's main market for listed securities;
"**Registrar**"	means Computershare Investor Services (BVI) Limited or any other registrar appointed by the Company from time to time;
"**Registrar Agreement**"	means the registrar agreement dated 17 December 2013 between the Company and the Registrar, details of which are set out in "Part XV—Additional Information";
"**Regulation S**"	means Regulation S under the Securities Act;
"**Regulatory Conditions**"	means the Regulatory Conditions, as defined on page 76;
"**Resolution of Directors**"	has the meaning specified in the Articles;

"**Resolution of Members**"	has the meaning specified in the Articles;
"**Restricted Jurisdiction**"	means any jurisdiction where the extension or acceptance of the Offer or where sending or making available information concerning the Offer to ADC Shareholders in such jurisdiction would violate the laws of that jurisdiction or would require registration of the Ordinary Shares (except the US);
"**RHEAL**"	means Resolution Health East Africa Limited;
"**Roll-over**"	has the meaning given on page 421;
"**RSwitch**"	means RSwitch Limited;
"**Rule 144A**"	means Rule 144A under the Securities Act;
"**SADC**"	means the Southern African Development Community;
"**SEC**"	means the U.S. Securities and Exchange Commission;
"**Securities Act**"	means the U.S. Securities Act of 1933, as amended;
"**Sellers**"	means the sellers in relation to the BRD Acquisition, namely the Government of Rwanda, the National Agricultural Export Development Board and Rwanda Social Security Board;
"**Shareholders**"	means the holders of the Ordinary Shares and/or New Ordinary Shares, as the context requires;
"**Share Sale Agreements**"	means those agreements entered into with selected ABCH shareholders for the sale and purchase of their respective shares in ABCH representing 51.86% of the total ABCH shares outstanding;
"**Similar Laws**"	means any state, local, non-US or other laws or regulations similar to Part 4 of Subtitle B of Title I of ERISA or section 4975 of the US Tax Code or that would have the effect of the Plan Asset Regulations;
"**Special Resolution of Members**"	has the meaning specified in the Articles;
"**Squeeze-out**"	means the Squeeze-out as defined on page 79;
"**SSA**"	means sub-Saharan Africa;
"**Standard Listing**"	means a standard listing under Chapter 14 of the Listing Rules;
"**Subscription Period**"	means the period commencing on the date of Admission and ending on the earlier to occur of (i) 5.00 p.m. (London time) on the third anniversary of the completion of the Acquisition and (ii) such earlier date as determined by the Warrant Instrument provided that if such day is not a Trading Day, the Trading Day immediately following such day;
"**Subscription Rights**"	means the rights to subscribe for Ordinary Shares specified in 1.1 of "Part XVI—Terms & Conditions of the Warrants";
"**Takeover Regulations**"	means the South African Companies Regulations 2011, referred to as "Chapter 5—Fundamental Transaction and Takeover Regulations", incorporated by directive of the BSE into and forming part of, as appropriate, the BSE Listing Requirements for purposes of the assessment, operation and evaluation of takeovers and mandatory offers to minorities in respect of companies listed on the BSE;
"**Tendered ADC Shares**"	means the Tendered ADC Shares as defined on page 16;
"**Trading Day**"	means a day on which the main market of the London Stock Exchange (or such other applicable securities exchange or

	quotation system on which the Ordinary Shares or Warrants are listed) is open for business (other than a day on which the main market of the London Stock Exchange (or such other applicable securities exchange or quotation system) is scheduled to or does close prior to its regular weekday closing time);
"**Trafigura**"	means Trafigura Holdings Limited, a company incorporated in Malta with registered number C55541 and ADC's largest shareholder;
"**Trafigura ABCH Shares Put Option Agreement**"	means the Trafigura ABCH Shares Put Option Agreement, as defined on page 426;
"**Trafigura Bond Put Options Agreement**"	means the Trafigura Bond Put Options Agreement, as defined on page 426;
"**Trafigura Pooling Agreement**"	means the Trafigura Pooling Agreement, as defined on page 423;
"**Transaction**"	means the ADC Acquisition and the BancABC Acquisition, however, in the event that the ADC Acquisition does not complete, then "Transaction" shall mean the BancABC Acquisition only, and in the event that the BancABC Acquisition does not complete, then "Transaction" shall mean the ADC Acquisition only;
"**UBN**"	means Union Bank of Nigeria Plc;
"**UGPL**"	means Union Global Partners Limited, a limited liability company with its corporate seat in Mauritius;
"**UK Corporate Governance Code**"	means the UK Corporate Governance Code issued by the Financial Reporting Council in the U.K. from time to time;
"**UK Listing Authority**" or "**UKLA**"	means the FCA in its capacity as the competent authority for listing in the U.K. pursuant to Part VI of FSMA;
"**uncertificated**" or "**uncertificated form**"	means, in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in uncertificated form (that is, in CREST) and title to which may be transferred by using CREST;
"**United Kingdom**" or "**U.K.**"	means the United Kingdom of Great Britain and Northern Ireland;
"**United States**" or "**U.S.**"	has the meaning given to the term "United States" in Regulation S;
"**U.S. Investment Company Act**"	means the U.S. Investment Company Act of 1940, as amended, and related rules;
"**U.S. Person**"	has the meaning given to the term "U.S. Person" in Regulation S;
"**U.S. Plan Investor**"	means (i) an employee benefit plan as defined in section 3(3) of ERISA (whether or not subject to the provisions of Title I of ERISA, but excluding plans maintained outside of the U.S. that are described in Section 4(b)(4) of ERISA); (ii) a plan, individual retirement account or other arrangement that is described in Section 4975 of the U.S. Tax Code, whether or not such plan, account or arrangement is subject to Section 4975 of the U.S. Tax Code; (iii) an insurance company using general account assets, if such general account assets are deemed to include assets of any of the foregoing types of plans, accounts or arrangements for purposes of Title I of ERISA or Section 4975 of the U.S. Tax Code; or (iv) an entity which is deemed to hold

	the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA of Section 4975 of the U.S. Tax Code;
"**U.S. Tax Code**"	means the U.S. Internal Revenue Code of 1986, as amended;
"**VAT**"	means (i) within the EU, any tax imposed by any Member State in conformity with the Directive of the Council of the European Union on the common system of value added tax (2006/112/EC), and (ii) outside the EU, any tax corresponding to, or substantially similar to, the common system of value added tax referred to in paragraph (i) of this definition;
"**Warrant Instrument**"	means the instrument constituting the Warrants executed by the Company on 17 December 2013;
"**Warrantholders**"	means the holders of Warrants;
"**Warrants**"	means the warrants to subscribe for Ordinary Shares issued pursuant to the Warrant Instrument; and
"**ZSE**"	means the Zimbabwe Stock Exchange.

References to a "company" in this Document shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established.

German Translation of the Summary
Deutsche Übersetzung der Zusammenfassung

ZUSAMMENFASSUNG

*Zusammenfassungen bestehen aus bestimmten Offenlegungspflichten, den sogenannten „*Punkten*". Diese Punkte sind in den Abschnitten A - E (A.1 - E.7) nummeriert.*

Diese Zusammenfassung enthält alle Punkte, die für eine Zusammenfassung dieses Typs von Wertpapieren und Emittent erforderlich sind. Da auf einige Punkte nicht eingegangen werden muss, kann es Lücken in der fortlaufenden Nummerierung der Punkte geben.

*Auch wenn ein Punkt aufgrund des Typs von Wertpapieren und Emittent in die Zusammenfassung aufgenommen werden muss, besteht die Möglichkeit, dass zu diesem Punkt keine relevanten Informationen gegeben werden können. In diesem Fall wird in die Zusammenfassung eine kurze Beschreibung des Punktes mit dem Vermerk „*entfällt*" eingefügt.*

ABSCHNITT A — EINLEITUNG UND WARNHINWEISE

A.1 **Warnhinweis für Anleger**

Diese Zusammenfassung sollte als Prospekteinleitung verstanden werden.

Der Anleger sollte sich bei jeder Entscheidung, in die Neuen Stammaktien zu investieren, auf den Prospekt als Ganzes stützen.

Ein Anleger, der wegen der im Prospekt enthaltenen Angaben Klage einreichen will, muss nach den nationalen Rechtsvorschriften der Staaten des Europäischen Wirtschaftsraums möglicherweise für die Übersetzung des Prospekts aufkommen, bevor das Verfahren eingeleitet werden kann.

Zivilrechtlich haften nur diejenigen Personen, die diese Zusammenfassung samt etwaiger Übersetzung vorgelegt haben, und dies auch nur für den Fall, dass diese Zusammenfassung in Zusammenschau mit den anderen Teilen des Prospekts irreführend, unrichtig oder inkohärent ist oder in Zusammenschau mit den anderen Teilen des Prospekts wesentliche Angaben, die in Bezug auf Anlagen in die betreffenden Wertpapiere für die Anleger eine Entscheidungshilfe darstellen, vermissen lassen.

A.2 **Zustimmung zur Verwendung durch Intermediäre**

Entfällt, da keine spätere Weiterveräußerung oder endgültige Platzierung von Wertpapieren durch Finanzintermediäre erfolgen wird.

ABSCHNITT B — EMITTENT

B.1 **Gesetzliche und kommerzielle Bezeichnung**

Die gesetzliche und kommerzielle Bezeichnung der Emittentin lautet Atlas Mara Co-Nvest Limited.

Die Neuen Stammaktien werden von der Gesellschaft im Rahmen des durch die indirekte Tochtergesellschaft der Gesellschaft ATMA AG erfolgten Angebots begeben.

B.2 **Sitz/Rechtsform/geltendes Recht/Land der Gründung**

Die Gesellschaft wurde am 28. November 2013 mit beschränkter Haftung nach dem Recht der Britischen Jungferninseln und gemäß dem Gesetz über Gesellschaften (BVI Companies Act) auf unbestimmte Zeit gegründet.

Die ATMA AG ist eine Aktiengesellschaft nach deutschem Recht und hat ihren Sitz in Düsseldorf. Die ATMA AG wurde am 10. Juni 2014 in das Handelsregister des Amtsgerichts Düsseldorf unter HRB 72694 eingetragen.

B.3 **Art der derzeitigen Geschäftstätigkeit/Haupttätigkeiten und Hauptmärkte**

Einleitung

Die Bestehenden Stammaktien und Optionsscheine der Gesellschaft wurden am 17. Dezember 2013 im Rahmen einer Standardnotierung (*Standard Listing*) zur amtlichen Notierung (*Official List*) sowie zum Handel am Hauptmarkt der London Stock Exchange für börsennotierte Wertpapiere zugelassen; gleichzeitig nahm die Gesellschaft durch die Platzierung 2013 Mittel in Höhe von USD 325.000.000 (vor Aufwendungen) ein.

Die Gesellschaft wurde für den Erwerb einer Zielgesellschaft oder eines Geschäftsbetriebs errichtet. Die Suche der Gesellschaft nach einer potenziellen Zielgesellschaft oder einem potenziellen Geschäftsbetrieb war nicht auf einen bestimmten Wirtschaftszweig oder eine bestimmte Region beschränkt. Aufgrund der Erfahrungen der Gründer und des Board ging die Gesellschaft jedoch von einer Konzentration auf den Erwerb einer Gesellschaft oder eines Geschäftsbetriebs im Finanzdienstleistungssektor aus, deren/dessen Geschäftstätigkeit ganz oder zu einem wesentlichen Teil in Afrika ausgeübt wird.

Bei Vollzug wird die Transaktion eine „umgekehrte Übernahme" (sog. Reverse Takeover) im Sinne der Börsenzulassungsvorschriften (*Listing Rules*) darstellen. Gemäß Ziffer 5.1.1.(i) der Listing Rules (und im Einklang mit dem Durchführungshinweis der britischen Börsenzulassungsbehörde UKLA in Bezug auf Erwerbs-Zweckgesellschaften) wurde die Notierung der Bestehenden Stammaktien und Optionsscheine der Gesellschaft am 1. April 2014 bis zur Veröffentlichung eines Prospekts für die Erneute Zulassung durch die Gesellschaft ausgesetzt.

Nach dem Vollzug der Transaktion erfolgt ein Antrag auf erneute Zulassung der Bestehenden Stammaktien und Optionsscheine sowie auf Zulassung der Neuen Stammaktien und der Privatplatzierungs-Aktien zur amtlichen Notierung (*Official List*) gemäß Kapitel 14 bzw. 20 der Listing Rules, in denen die Voraussetzungen für die Standardnotierung erläutert sind.

Die Transaktion

Die Gesellschaft gab am 31. März 2014 bekannt, dass sie Übereinkünfte über den Erwerb einer Mehrheitsbeteiligung an der ABC Holdings Limited („ABCH") von ausgewählten Aktionären der ABCH erzielt (der „BancABC-Erwerb") und mit der ADC African Development Corporation AG („ADC") eine Vereinbarung über die Abgabe eines freiwilligen öffentlichen Angebots (im Wege eines Aktientauschs) an die ADC-Aktionäre für alle ausstehenden ADC-Aktien geschlossen habe (der „ADC-Erwerb" und zusammen mit dem BancABC-Erwerb die „Transaktion").

Die Direktoren (Directors) erwarten den Vollzug der Transaktion vorbehaltlich bestimmter nachstehend erläuterter Bedingungen und aufsichtsbehördlicher Freigaben vor dem 31. August 2014.

Die BancABC Gruppe ist eine führende, verschiedene Dienstleistungen anbietende multinationale Bankengruppe mit Geschäftstätigkeiten innerhalb der gesamten Handelszone der Entwicklungsgemeinschaft des südlichen Afrika („SADC"), der größten Handelszone in Afrika und mit einem zusammengenommenen Bruttoinlandsprodukt von über USD 640 Mrd. einer wichtigen Wachstumsregion. Die BancABC Gruppe erbringt seit langem Finanzdienstleistungen für die Einwohner von Botsuana, Mosambik, Tansania, Sambia und Simbabwe; ihre Wurzeln reichen zurück bis in das Jahr 1956.

ADC mit Sitz in Frankfurt ist eine im Freiverkehr notierte Holdinggesellschaft eines wachsenden pan-afrikanischen Finanzdienstleistungskonzerns. Sie hält eine mittelbare Beteiligung von 47,1% an der ABCH (darunter Aktien, die einen Anteil von 9,3% der Aktien der ABCH verbriefen und vorbehaltlich bestimmter Kaufoptionsvereinbarungen mit Führungskräften der ABCH gehalten werden), eine mittelbare Beteiligung von 9,1% an der Union Bank of Nigeria („UBN") sowie ein Portfolio aus finanzdienstleistungsorientierten Private-Equity-Holdinggesellschaften.

Der geringste Anteilsbesitz, ab welchem der BancABC-Erwerb durchgeführt wird, beträgt hinsichtlich der ABCH 50,1%. Gemäß den Aktienkaufverträgen haben ABCH-Aktionäre, welche 51,86% aller ausstehenden ABCH-Aktien repräsentieren, einem Verkauf ihrer ABCH-Aktien an die Gesellschaft zugestimmt. Mit Vollzug der Aktienkaufverträge würde die Gesellschaft einen direkten Anteil an ABCH in Höhe von 51,86% halten.

Damit der ADC-Erwerb durchgeführt wird, muss das Angebot die Mindestannahmeschwelle von 4.901.553 ADC-Aktien erreichen (entspricht etwa 51,77% des gegenwärtigen Grundkapitals von ADC, was zum Zeitpunkt der Veröffentlichung dieses Dokuments aus 9.467.440 ADC-Aktien besteht).

Mit Blick auf den ADC-Erwerb haben ADC-Aktionäre, welche 34,1% der ausstehenden ADC-Aktien repräsentieren, erklärt, dass sie ihre ADC-Aktien im Wege einer unwiderruflichen Verpflichtungserklärung im Rahmen des Angebots andienen werden. Mit Vollzug der Transaktion wird letztlich der Grad der Annahme durch die ADC-Aktionäre die Größenordnung bestimmen, zu welchem Anteil ADC, und mittelbar ABCH, im Eigentum der Gesellschaft stehen werden.

Der BancABC-Erwerb und der ADC-Erwerb bedingen sich nicht gegenseitig. Die Gesellschaft räumt ein, dass die fehlende gegenseitige Bedingtheit zwischen dem BancABC-Erwerb und dem ADC-Erwerb theoretisch dazu führen kann, dass der eine Erwerb ohne den anderen vollzogen wird, und erkennt an, dass diese Herangehensweise mit Risiken verbunden ist. Diese Risiken umfassen u.a. Risiken, welche mit einer Minderheitsbeteiligung und der fehlenden Entscheidungsgewalt auf Ebene der BancABC bei einer solchen Minderheitsbeteiligung verbunden sind, Verzögerungen bei der Kontrollerlangung und den Umstand, dass solche Verzögerungen die Gesellschaft daran hindern könnten, ihr erwünschtes Wachstum und ihre Wachstumsstrategie zu verfolgen. Ein wesentlicher entschärfender Faktor ist jedoch, dass sowohl der BancABC-Erwerb als auch der ADC-Erwerb im Wesentlichen denselben zentralen regulatorischen Genehmigungserfordernissen unterworfen und auf diese bedingt sind und dass diese, sofern sie nicht erfüllt werden, sowohl auf den BancABC-Erwerb als auch den ADC-Erwerb Einfluss haben würden.

Die Gesellschaft ist davon überzeugt, dass sie trotz des theoretischen Risikos erfolgreich gleichzeitig oder jedenfalls rasch nacheinander sowohl den BancABC-Erwerb als auch den ADC-Erwerb vollziehen wird und hält daher die Risiken mit Blick auf die fehlende gegenseitige Bedingtheit für nicht wesentlich.

Gegenleistung

Die Transaktion wird mit den Erlösen aus der Platzierung 2013 und der Begebung Neuer Stammaktien finanziert.

Die Gesamthöhe der Gegenleistung, die die Gesellschaft und ihre Tochtergesellschaft ATMA AG den Aktionären der ADC bzw. der ABCH anbieten werden, wird sich nach der Annahmequote des Angebots und des nachfolgenden Pflichtangebots durch die Aktionäre richten. Die Gesellschaft geht jedoch von einem ungefähren Betrag in Höhe von USD 266 Mio. aus, die der Summe der Barmittel und des Werts der Neuen Stammaktien, die den ADC-Aktionären und ausgewählten Aktionären der ABCH angeboten werden, entspricht.

Struktur der Transaktion

Am oder um den 31. März 2014 hat die Gesellschaft

- eine Reihe von Aktienkaufverträgen mit ausgewählten Aktionären der ABCH über den Erwerb von ABCH-Aktien mit einem Volumen von 51,86% aller ausstehenden Aktien gegen Barmittel oder Neue Stammaktien für USD 0,82 je Aktie oder den entsprechenden Gegenwert in Neuen Stammaktien abgeschlossen;

- den Kooperationsvertrag mit der ABCH geschlossen, wonach sich die ABCH verpflichtet hat, die gemäß den Aktienkaufverträgen vorgesehenen Erwerbe zu unterstützen und in Zusammenarbeit mit der Gesellschaft dabei zu helfen, dass die Bedingungen für die Anteilskaufverträge erfüllt werden; außerdem haben die Gesellschaft und die ABCH die Struktur und den Zeitplan für das Pflichtangebot vereinbart, das durch den Vollzug der Aktienkaufverträge ausgelöst werden wird; und

- die Investitionsvereinbarung mit der ADC geschlossen, wonach sich die Gesellschaft verpflichtet hat, gegenüber den ADC-Aktionären ein öffentliches Angebot für den Erwerb sämtlicher Aktien der ADC im Rahmen eines Aktientauschs abzugeben, und wonach die ADC sich vorbehaltlich der Abgabe des Angebots durch die Gesellschaft damit einverstanden erklärt hat, bestimmte für den Vollzug der Aktienkaufverträge erforderliche Genehmigungen und Verzichtserklärungen einzuholen und sich verpflichtet hat, das Angebot unter bestimmten Voraussetzungen zu unterstützen.

Das Angebot

Dieser Prospekt gilt ausschließlich für das Angebot.

Die Höchstzahl der nach dem Angebot auszugebenden Neuen Stammaktien beträgt 14.334.300; dies berücksichtigt die 9.467.440 derzeit ausgegebenen ADC-Aktien sowie die womöglich 2.000.000 zusätzlichen ADC-Aktien, welche unter der Anleihe mit Optionsscheinen 2015 ausgegeben werden könnten, wenn sich die Inhaber der Optionsscheine für die Ausübung ihrer Optionen entscheiden.

Bei dem Angebot handelt es sich um ein öffentliches Angebot der Gesellschaft durchgeführt über ihre Tochtergesellschaft ATMA AG, gegenüber den ADC-Aktionären für den Erwerb aller Aktien der ADC im Rahmen eines Aktientauschs. Das Angebot umfasst alle auf den Namen lautenden Stückaktien der ADC (ISIN: DE000A1E8NW9) zu einer Tauschverhältnis von 1,25, d. h. jeder ADC-Aktionär bekommt für vier (4) von ihm gehaltene ADC-Aktien fünf (5) nennwertlose Neue Stammaktien angeboten.

Bedingungen

Voraussetzung für die Transaktion ist u. a. die Erfüllung der nachstehenden Bedingungen oder ein Verzicht darauf:

Im Fall der Aktienkaufverträge mit ausgewählten Aktionären der ABCH:

- Genehmigungen der Zentralbank, fusionskontrollrechtliche Freigaben und damit zusammenhängende behördliche Genehmigungen in Botswana, Mosambik, Tansania, Sambia und Simbabwe;
- Zustimmung der ADC, die vorbehaltlich der Abgabe des Angebots gewährt wurde; und

im Fall des Angebots:

- Erreichen der Mindestannahmequote;
- Außenwirtschaftsprüfung;
- Unterlassung bestimmter Handlungen durch die ADC und deren Tochtergesellschaften;
- Genehmigungen der Zentralbank, fusionskontrollrechtliche Freigaben und damit zusammenhängende behördliche Genehmigungen in Botswana, Mosambik, Tansania, Sambia und Simbabwe.

Mit Vollzug der Aktienkaufverträge wird der Erwerb von mehr als 35% der ABCH-Aktien die Verpflichtung der Gesellschaft zur Abgabe des Pflichtangebots für alle ausstehenden Aktien der ABCH auslösen. Das Pflichtangebot erfolgt zu einem Preis von USD 0,82 je ABCH-Aktie; dieser kann in bar oder durch den entsprechenden Gegenwert in Stammaktien der Gesellschaft geleistet werden.

Strategische Beweggründe für die Transaktion

Nach Vollzug der Transaktion wird es Zweck der Gesellschaft sein, den erworbenen Geschäftsbetrieb zu führen und eine betriebliche Strategie zur Wertschöpfung für die Aktionäre durch operative Verbesserungen sowie gegebenenfalls durch zusätzliche ergänzende Erwerbe umzusetzen.

Nach Ansicht der Gesellschaft steht der geplante Zusammenschluss mit der ABCH und der ADC im Einklang mit dem strategischen Ziel der Gesellschaft, die führende Finanzdienstleistungsgruppe südlich der Sahara aufzubauen. Besonders relevant sind hier die starke Marke der ABCH, ihre länderübergreifende Plattform für Bankgeschäfte, ihr angesehenes Führungspersonal und ihre hochinteressanten Wachstumschancen sowie die ganz Afrika umspannende Vision der ADC und ihre Ausführungskompetenz.

Die Direktoren (Directors) sind der Ansicht, dass durch den Zusammenschluss der ABCH und der ADC mit der Gesellschaft eine Erweiterte Gruppe mit folgenden Merkmalen entstehen wird:

- eine hochgradig skalierbare Wachstumsplattform in der ganzen SADC-Region, einer wichtigen Wachstumsregion, die mit einem jährlichen Bruttoinlandsprodukt von über USD 640 Mrd. zu den 20 Regionen mit dem höchsten Bruttoinlandsprodukt weltweit zählt;

- eine gut aufgestellte Bankengruppe, die eine breite Palette an Bankprodukten anbieten kann, darunter Firmenkundengeschäft, Treasury-Dienstleistungen, Privatkundengeschäft und Bankdienstleistungen für KMUs, Vermögensverwaltung und Wertpapierhandel;
- eine erwiesene Erfolgsbilanz: die BancABC Gruppe konnte innerhalb der letzten 5 Jahre eine durchschnittliche jährliche Wachstumsrate (CAGR) ihres Darlehensbestands von 42% verzeichnen;
- ein hoch angesehenes Führungsteam bei der ABCH, dessen Mitglieder bereits seit über einem Jahrzehnt zusammenarbeiten und eine führende Rolle in der Entwicklung der ABCH von einer inländischen Geschäftsbank zu einer regionalen Universalbank gespielt haben;
- ein versiertes Führungsteam bei der ADC, die erfolgreich in Finanzdienstleistungen in Afrika südlich der Sahara investiert haben, eine Plattform für die Expansion in andere attraktive Bankmärkte geschaffen haben und deren Vision sich mit jener der Gesellschaft deckt; und
- die Möglichkeit zur beschleunigten Erweiterung der geografischen Aufstellung und der derzeitigen Produktpalette der Erweiterten Gruppe durch den Zugang der Gesellschaft zu Kapital und Liquidität und ihre umfangreiche weltweite Erfahrung im Bankengeschäft.

Die Gesellschaft hat sich gegenüber der ABCH und der ADC verpflichtet, der ABCH nach Vollzug der Transaktion und des Pflichtangebots bis zu USD 100 Mio. zur Verfügung zu stellen, um ihr künftiges Wachstum zu unterstützen und zu fördern und ihre Geschäftsleitung bei der Beschaffung weiterer Liquidität zu unterstützen, insbesondere durch die Beschaffung von Ergänzungskapital (Tier-II-Kapital).

Sollte der BancABC-Erwerb vollzogen und der ADC-Erwerb nicht vollzogen werden, so wird die Gesellschaft Mehrheitsaktionärin der ABCH, wobei die Gesellschaft davon ausgeht, dass ADC nicht mehr in der Lage sein würde, Kontrolle über ABCH für IFRS Zwecke auszuüben. In diesem Fall wird die Gesellschaft sich darauf konzentrieren, ihre Strategie zukünftig weiter zu verfolgen und die BancABC Gruppe zu vergrößern und auszuweiten.

Sollte der ADC-Erwerb vollzogen und der BancABC-Erwerb nicht vollzogen werden, hielte die Gesellschaft eine erhebliche Minderheitsbeteiligung an ABCH (nämlich 37,7%) und müsste, um diese Beteiligung auszubauen und zu versuchen, eine Mehrheitsbeteiligung an ABCH zu erlangen, ein Angebot über alle ausstehenden Aktien an ABCH ausreichen. Dieser Weg zur Erlangung wirtschaftlicher Kontrolle hätte offensichtlich zeitliche Auswirkungen und jede Verzögerung bei der Kontrollerlangung könnte die Gesellschaft daran hindern, ihre erwünschte Strategie umzusetzen und weiter zu verfolgen. In der näheren Zukunft bis zur Erreichung wirtschaftlicher Kontrolle würde der fehlende Vollzug der Aktienkaufverträge allerdings bedeuten, dass die Kaufoptionsvereinbarungen noch nicht ausgeübt sind und ADC zusätzliche ABCH-Aktien kontrolliert, welche diesen Kaufoptionsvereinbarungen und dem Brainworks Pool Vertrag und dem Trafigura Pool Vertrag unterworfen sind, was letztlich der ADC auf Ebene der ABCH die Kontrolle über Abstimmungen ermöglichen würde.

Erwerb der BRD

Am 23. Mai 2014 hat die Gesellschaft mit der Regierung von Ruanda, dem National Agricultural Export Development Board und dem Rwanda Social Security Board (gemeinsam die „BRD-Verkäufer") einen Rahmenvertrag (der „Rahmenvertrag") geschlossen, um den schlussendlichen Erwerb einer noch zu errichtenden Handelsbank in Ruanda (die „Handelsbank") durch die Gesellschaft zu ermöglichen. Die Handelsbank wird durch interne Umstrukturierung der Entwicklungsbank von Ruanda (Development Bank of Rwanda, „BRD") errichtet, in deren Zuge diese ihre im Bereich Handelsbank bestehenden Vermögenswerte und Verbindlichkeiten - die vor dem Vollzug zwischen der Gesellschaft und den BRD-Verkäufern zu vereinbaren sind - auf die neue Handelsbank überträgt.

Nach der Umstrukturierung und der Errichtung des neuen Unternehmens, das zur Handelsbank wird, sowie der Erfüllung weiterer Bedingungen, u. a. dem Erhalt einer vollumfänglichen Banklizenz im Handelsbankengeschäft für die Handelsbank, wird die Gesellschaft 100% der Handelsbank für eine Gegenleistung von insgesamt zwischen USD 10 Mio. und USD 25 Mio. (in Abhängigkeit vom Nettoreinvermögen der Handelsbank zum Vollzugszeitpunkt) erwerben. Die Direktoren (Directors) erwarten den Vollzug des Erwerbs der Handelsbank vorbehaltlich bestimmter Bedingungen und aufsichtsbehördlicher Freigaben bis zum 1. November 2014.

Privatplatzierung

Im Mai 2014 hat die Gesellschaft mit der bedingten Privatplatzierung von neuen Stammaktien zu einem Ausgabepreis von USD 11 je neuer Stammaktie begonnen, um damit Kapital in Höhe von bis zu USD 400 Mio. zu generieren (die „Privatplatzierung").

Vorrang bei der Zuteilung erhielten zunächst die Inhaber von Bestehenden Stammaktien (das „Bezugsrechtsangebot") und danach bestimmte qualifizierte Anleger. Am 1. Juli 2014 hat die Gesellschaft Zeichnungen über ca. USD 300 Mio. von Inhabern Bestehender Stammaktien und bestimmten anderen qualifizierten Anlegern erhalten, wodurch ca. 27.275.000 neue Stammaktien (die „Privatplatzierungsaktien") begeben werden können. Die genaue Anzahl der im Rahmen der Privatplatzierung auszugebenden Privatplatzierungsaktien wird davon abhängig sein, für wie viele ADC-Aktien das Angebot angenommen wird.

Voraussetzung für den Vollzug der Privatplatzierung ist u. a. der Vollzug der Transaktion und die Erneute Zulassung. Vorbehaltlich des Vollzugs der Transaktion und der Erneuten Zulassung beabsichtigt die Gesellschaft, die Nettoerlöse aus der Privatplatzierung zusätzlich zu den mit der Platzierung 2013 eingenommenen Geldmitteln zur Unterstützung der Strategie der Gesellschaft, zur Unterstützung des Wachstums der BancABC Gruppe, für künftige Erwerbe und sich bietende Anschlussprojekte sowie für allgemeine Gesellschaftszwecke zu verwenden.

Kreditlinie

Die Gesellschaft hat eine Vereinbarung geschlossen, nach der ihr eine verpflichtende Kreditlinie über bis zu USD 200 Millionen bereitgestellt wird, um zukünftiges Wachstum zu unterstützen. Die Bedingungen der Kreditlinie sind zu dem Zeitpunkt festzulegen, zu dem die Gesellschaft ein Darlehen unter der Kreditlinie abruft, und stehen unter der Bedingung endgültiger Dokumentation und der Erfüllung bestimmter aufschiebender Bedingungen.

B.4a **Wichtige Trends**

Entfällt; die Gesellschaft wurde errichtet, um eine Zielgesellschaft oder einen Geschäftsbetrieb zu erwerben. Es bestehen keine bekannten Trends mit Auswirkungen auf die Gesellschaft und die Branchen, in denen die Gesellschaft derzeit tätig ist.

B.5 **Struktur der Gruppe**

Die Gesellschaft ist die Muttergesellschaft der Gruppe. Zum Datum dieses Prospekts besteht die Gruppe aus der Gesellschaft und ihren Tochtergesellschaften ATMA Luxemburg und ATMA AG.

Nach Vollzug der Transaktion wird die Gesellschaft zur Holdinggesellschaft der Erweiterten Gruppe.

B.6 **Hauptanteilseigner**

Soweit der Gesellschaft bekannt ist, halten die folgenden Personen, direkt oder indirekt, zum 1. Juli 2014 (dem letzten praktisch möglichen Zeitpunkt vor der Veröffentlichung dieses Dokuments) einen Anteil von fünf Prozent oder mehr am Kapital der Gesellschaft oder den Stimmrechten:

Aktionär	Anzahl der Stammaktien	Prozentsatz der ausgegebenen Stammaktien
Owl Creek Asset Management LP	2.500.000	7,99%
Clough Investment Partners LP	2.552.087	8,15%
Wellington Management Company, LLP	3.281.250	10,50%

Zum Datum dieses Dokuments hat die Gesellschaft insgesamt 1.250.000 Gründer-Vorzugsaktien an die Gründergesellschaften begeben.

Die Gründer-Vorzugsaktien sind nicht mit denselben Stimmrechten ausgestattet wie die Stammaktien. Die Gründer-Vorzugsaktien sind ohne Stimmrechte, außer in Bezug auf eine Änderung oder Abschaffung von mit einer Gattung verbundenen Rechten oder einem Gesellschafterbeschluss, der nach dem Recht der Britischen Jungferninseln für die Genehmigung eines Erwerbs oder, vor einem Erwerb, einer Fusion durch Aufnahme oder Fusion durch Neugründung erforderlich ist.

B.7 **Ausgewählte wesentliche historische Finanzinformationen**

Wesentliche historische Finanzinformationen der Gesellschaft:

Die Gesellschaft wurde am 28. November 2013 errichtet. Zu diesem Zeitpunkt wurde die nachstehende Bilanz erstellt. Die Gesellschaft hatte ihren Geschäftsbetrieb noch nicht aufgenommen.

	in Tsd. USD
Aktiva	
Kurzfristige Vermögenswerte	
Guthaben bei Kreditinstituten	—
Aktiva, gesamt	—
Passiva	
Eigenkapital	
Eingefordertes Kapital	—
Gewinnrücklagen	—
Eigenkapital, gesamt	—
Kurzfristige Verbindlichkeiten	
Verbindlichkeiten ggü. verbundenen Unternehmen	—
Verbindlichkeiten aus Lieferungen und Leistungen und sonstige Verbindlichkeiten	—
Verbindlichkeiten, gesamt	—
Verbindlichkeiten und Eigenkapital, gesamt	—

Eine Gewinn- und Verlustrechnung, Kapitalflussrechnung oder Eigenkapitalveränderungsrechnung der Gesellschaft wurde nicht ausgewiesen, da die Gesellschaft am 28. November 2013, dem Tag ihrer Errichtung, keine Geschäftstätigkeit ausgeübt hat. Am 28. November 2013 hat die Gesellschaft an jede der beiden Gründergesellschaften jeweils eine Gründer-Vorzugsaktie von USD 10 ausgegeben.

Nach dem Bilanzstichtag 28. November 2013 sind die folgenden erheblichen Veränderungen der Finanzlage und des Betriebsergebnisses der Gesellschaft eingetreten: Im Zusammenhang mit der Gründung der Gesellschaft und der Platzierung 2013 hat die Gesellschaft die Optionsverträge abgeschlossen, die Optionsscheine unterzeichnet, ist Eventualverpflichtungen mit Blick auf die nach dem Platzierungsvertrag zu zahlenden Gebühren (USD 8.353.125) eingegangen, und ihr sind insgesamt zu Aufwendungen in Höhe von ca. USD 11.500.000 entstanden. Die Gesellschaft hat durch die Platzierung 2013 Mittel in Höhe von USD 325.000.000 eingenommen. Im Zusammenhang mit der Transaktion und dem BRD-Erwerb hat die Gesellschaft die Aktienkaufverträge, den Investitionsvertrag, die Kooperationsvereinbarung und die Rahmenurkunde abgeschlossen, deren Bedingungen in den Teilen I und IV dargestellt sind, und ihr sind insgesamt Aufwendungen in Höhe von ca. USD 12.100.000 entstanden.

Wesentliche historische Finanzinformationen der ADC:

Die nachstehende Tabelle enthält die zusammengefassten Finanzangaben der ADC für die drei Geschäftsjahre zum 31. Dezember 2011, 2012 und 2013.

In Millionen EUR (mit Ausnahme von Verhältnissen und Indikatoren)

	2011	2012	2013
Ertragslage			
Zinsüberschuss	0,4	27,6	82,7
Provisionsüberschuss	—	16,9	37,3
Ergebnis aus nach der Equitymethode bilanzierten Beteiligungen	—	(0,9)	14,5
Ergebnis vor Steuern	8,7	(15,9)	(4,2)
Jahresüberschuss (-fehlbetrag)	8,7	(18,9)	(8,2)

	2011	2012	2013
Vermögens- und Finanzlage			
Barreserve und kurzfristig verfügbare Barmittel	43,3	183,4	200,9
Darlehen und Vorauszahlungen	—	886,6	856,9
Aktiva, gesamt	103,0	1.432,7	1.417,5
Finanzverbindlichkeiten	11,8	195,7	226,3
Einlagen	—	1.041,9	1.012,10
Gezeichnetes Kapital	89,4	67,7	67,1

Kennzahlen

	2011	2012	2013
ADC Gruppenkennzahlen/ Indikatoren			
Durchschnittliche Eigenkapitalrendite (ROE)	—	n.m. (unwesentlich)	n.m. (unwesentlich)
Durchschnittliche Gesamtkapitalrendite (ROA)		n.m. (unwesentlich)	n.m. (unwesentlich)
Wesentliche Bankenkennzahlen			
Nettozinsspanne	6,5%*	9,4%*	10,30%
Aufwand-Ertrag-Verhältnis	61%	106%	76%
Wesentliche Private Equity Kennzahlen			
Brutto Interner Zinsfuß	—	16,0%	13,5%
Multiplikator	—	1,3x	1,4x
Sonstige nicht finanzielle Indikatoren			
Mitarbeiter:	—	1.362	1.558
Filialen:	—	61	73
Geldautomaten:	—	62	74
Kunden:	—	230.000	261.665

* Zur Sicherstellung der Vergleichbarkeit basieren einige Zahlen aus 2011 und 2012 ausschließlich auf ABCH

In den Geschäftsjahren 2011 bis 2013 bestand die einzige wesentliche Veränderung der Finanzlage und des operativen Ergebnisses der ADC Gruppe in dem Erwerb einer Beteiligung an ABCH durch die ADC Gruppe was zur Konsolidierung von ABCH in 2012 führte.

Es gab seit dem 31. Dezember 2013, dem spätesten Zeitpunkt, zu welchem die historischen Finanzinformationen in Teil XI dieses Dokuments aufbereitet wurden, keine erheblichen Veränderungen in der Finanzlage und des operativen Ergebnisses der ADC Gruppe.

Wesentliche historische Finanzinformationen der ABCH:

Die nachstehende Tabelle enthält die zusammengefassten Finanzangaben der ABCH für die drei Geschäftsjahre zum 31. Dezember 2011, 2012 und 2013.

Zu historischen Anschaffungskosten in Tsd. Botswanische Pula

	31 Dez. 11	31 Dez. 12	31 Dez. 13
Gewinn- und Verlustrechnung			
Zinsüberschuss abzgl. Wertminderungen	332.825	534.862	464.135
Zinsunabhängige Erlöse	325.984	551.700	692.094
Gesamterlöse	**658.809**	**1.086.562**	**1.156.229**
Betriebliche Aufwendungen	(545.948)	(868.659)	(1.181.506)
Betriebsergebnis	**112.861**	**217.903**	**(25.277)**
Gewinn- und Verlustanteile an assoziierten Unternehmen und Joint Ventures	(5.177)	(5.630)	(4.004)
Ergebnis vor Steuern	**107.684**	**212.273**	**(29.281)**
Steuern vom Einkommen und vom Ertrag	(19.986)	(77.108)	(46.406)
Jahresüberschuss	**87.698**	**135.165**	**(75.687)**
Den Stammaktionären zurechenbares Konzernergebnis	83.002	132.774	(51.589)
Den Anteilen ohne beherrschenden Einfluss zurechenbares Konzernergebnis	4.696	2.391	(24.098)
Jahresüberschuss	**87.698**	**135.165**	**(75.687)**
Bilanz			
Barreserve und kurzfristig verfügbare Barmittel	1.243.431	1.859.269	2.304.283
Zu Handelszwecken gehaltene finanzielle Vermögensgegenstände	651.049	1.022.864	1.260.049
Zum Fair Value bewertete finanzielle Vermögensgegenstände	221.283	189.698	261.552
Derivative finanzielle Vermögensgegenstände	32.337	33.769	27.636
Darlehen und Vorauszahlungen an Kunden	6.077.399	9.144.042	10.336.477
Investmentportfolio	50.303	54.500	67.975
Beteiligungen an assoziierten Unternehmen	17.539	11.201	13.320
Sachanlagen	396.228	488.310	584.880
Immaterielle Vermögensgegenstände	130.362	139.145	130.002
Sonstige Vermögensgegenstände	245.305	294.439	445.692
	9.065.236	**13.237.237**	**15.431.886**
Eigenkapital	494.284	994.870	1.035.162
Einlagen	7.374.700	10.675.111	12.209.087
Zu Risikomanagementzwecken gehaltene derivative Verbindlichkeiten	47.069	22.621	37.640
Finanzverbindlichkeiten	981.788	1.212.731	1.759.320
Sonstige Verbindlichkeiten	167.395	331.904	390.657
	9.065.236	**13.237.237**	**15.431.866**
Anzahl der Aktien im Umlauf	149.472.131	232.805.464	256.885.694
Aufwand-Ertrag-Verhältnis	75%	71%	69%
Durchschnittliches Eigenkapital	525.213	744.577	1.015.016
Durchschnittliche Eigenkapitalrendite	16%	15%	n.m. (unwesentlich)

In den Geschäftsjahren 2011 bis 2013 gab es keine erheblichen Veränderungen in der Finanzlage und des operativen Ergebnisses der BancABC Gruppe.

Es gab auch seit dem 31. Dezember 2013, dem spätesten Zeitpunkt, zu welchem die historischen Finanzinformationen in Teil XI dieses Dokuments aufbereitet wurden, keine erheblichen Veränderungen in der Finanzlage und des operativen Ergebnisses der BancABC Gruppe.

B.8 **Ausgewählte wesentliche Pro-forma-Finanzinformationen**

Die ungeprüfte Pro-forma-Nettoreinvermögensaufstellung und die ungeprüfte Pro-forma-Gewinn- und Verlustrechnung, welche nachstehend dargestellt sind, wurden erstellt, um die Auswirkungen der Platzierung 2013, der Transaktion und des Pflichtangebots auf das konsolidierte Nettoreinvermögen und die Gewinn- und Verlustrechnung der Gesellschaft darzustellen.

Für die Pro-forma-Finanzinformationen wurde angenommen, dass das Pflichtangebot nach dem BancABC-Erwerb und dem ADC-Erwerb vollständig in bar erfüllt wird und dass alle verbleibenden ABCH-Aktionäre (mit Ausnahme jener ABCH-Aktien, welche zu diesem Zeitpunkt von der Gesellschaft gehalten werden) das Angebot vollständig annehmen.

Die ungeprüfte Pro-forma-Nettoreinvermögensaufstellung basiert auf dem Abschluss der Gesellschaft zum 28. November 2013, der hiermit durch Verweis in dieses Dokument aufgenommen wird, angepasst um die Auswirkungen der Platzierung 2013, und wurde so erstellt, als hätten die Transaktion und das Pflichtangebot am 28. November 2013 stattgefunden. Die ungeprüfte Pro-forma-Gewinn- und Verlustrechnung wurde auf der Basis erstelt, dass Transaktion und das Pflichtangebot am 1. Januar 2013 stattgefunden haben; da die Gesellschaft allerdings erst am 28. November 2013 gegründet wurde, wird für den Zeitraum vom 1. Januar 2013 bis 28. November 2013 keine Gewinn- und Verlustrechnung der Gesellschaft dargestellt. Die ungeprüfte Pro-forma-Nettoreinvermögensaufstellung und die ungeprüfte pro-forma-Gewinn- und Verlustrechnung wurden auf der in den nachstehenden Anhangangaben erläuterten Basis sowie im Einklang mit den vorgeschlagenen Bilanzierungs- und Bewertungsgrundsätzen der Erweiterten Gruppe erstellt, wie sie auf den Jahresabschluss für den Zeitraum mit Ende 31. Dezember 2014 angewandt werden sollen.

Ihrem Wesen nach beziehen sich die ungeprüfte Pro-forma-Nettoreinvermögensaufstellung und die ungeprüfte Pro-forma-Gewinn- und Verlustrechnung auf eine hypothetische Situation und spiegeln daher nicht die tatsächliche Finanz- oder Ertragslage der Erweiterten Gruppe wider. Sie können daher kein zutreffendes Bild der Finanz- oder Ertragslage der Erweiterten Gruppe vermitteln und sind auch kein Anhaltspunkt für Ergebnisse, die in der Zukunft möglicherweise erzielt oder nicht erzielt wurden. Gemäß Anhang II der Prospektrichtlinie wurden die Pro-forma-Angaben lediglich zur Veranschaulichung erstellt.

Die ungeprüfte Pro-forma-Nettoreinvermögensaufstellung der Erweiterten Gruppe stellt sich wie folgt dar:

	Atlas Mara Anhang-angabe 1	Platzierung 2013 Anhang-angabe 2	Atlas Mara Pro-forma nach Platzierung 2013 Anhang-angabe 3	ADC (konsolidiert, einschl. Nettoreinvermögen der ABCH) Anhang-angabe 4	Anhang-angabe 5	Anhang-angabe 6	Anhang-angabe 7	Pro-forma Erweiterte Gruppe
				In Millionen USD				
Aktiva								
Barreserve und kurzfristig verfügbare Barmittel	—	313,5	313,5	276,6	(96,2)	—	(21,9)	472,0
Darlehen und Vorauszahlungen	—	—	—	1.179,6	—	—	—	1.179,6
Geschäfts- und Firmenwert und immaterielle Vermögensgegenstände	—	—	—	71,3	—	126,0	—	197,3
Sonstige Aktiva	—	—	—	423,8	—	—	—	423,8
Aktiva, gesamt	**—**	**313,5**	**313,5**	**1.951,3**	**(96,2)**	**126,0**	**(21,9)**	**2.272,7**
Verbindlichkeiten								
Einlagen	—	—	—	1.393,4	—	—	—	1.393,4
Finanzverbindlichkeiten	—	—	—	311,6	—	—	—	311,6
Sonstige Passiva	—	—	—	106,3	—	—	—	106,3
Verbindlichkeiten, gesamt	**—**	**—**	**—**	**1.811,3**	**—**	**—**	**—**	**1.811,3**
Nettoreinvermögen	**—**	**313,5**	**313,5**	**140,0**	**(96,2)**	**126,0**	**(21,9)**	**461,4**

Die ungeprüfte Pro-forma-Nettoreinvermögensaufstellung der Erweiterten Gruppe wird in US Dollar angegeben. Die Finanzinformationen für ADC wurden zum Wechselkurs von USD 1,00 für EUR 0,7264 umgerechnet, dem Wechselkurs am 31. Dezember 2013. Der für die Umrechnung verwendete Wechselkurs ist der zum Ende des ADC-Geschäftsjahrs maßgebliche Kurs, wie in Anhangangabe 2.4 des Anhangs zum Konzernabschluss der ADC, dargestellt in Teil XI dieses Dokuments, widergespiegelt.

Die in Teil III dieses Dokuments erläuterte Privatplatzierung wird erst bei Erneuter Zulassung der Gesellschaft umgesetzt werden; die Auswirkungen der Privatplatzierung sind daher nicht in der vorstehenden Pro-forma-Nettoreinvermögensaufstellung berücksichtigt.

Das konsolidierte Nettoreinvermögen der ADC umfasst auch das konsolidierte Nettoreinvermögen der ABCH, weshalb letzteres nicht getrennt in der Pro-forma-Aufstellung des Nettoreinvermögens ausgewiesen ist.

Anhangangaben

1 Das Nettoreinvermögen der Gesellschaft bei Gründung am 28. November 2013 wurde ohne wesentliche Anpassungen aus den in Form eines Verweises in dieses Dokument aufgenommenen Finanzangaben der Gesellschaft abgeleitet;

2 Einnahme von USD 325,0 Millionen aus der Platzierung 2013 durch die Gesellschaft im Dezember 2013, zu der vollständige Detailangaben im IPO-Prospekt enthalten sind, sowie Zahlung von Transaktionskosten in Höhe von USD 11,5 Millionen;

3 Pro-forma Nettoreinvermögensaufstellung der Gesellschaft nach Abschluss der Platzierung 2013 wie in vorstehender Anhangangabe 2 angegeben;

4 Das konsolidierte Nettoreinvermögen der ADC zum 31. Dezember 2013 wurde ohne wesentliche Anpassungen aus den historischen Finanzangaben der ADC, die in Teil XI dieses Dokuments abgebildet sind, abgeleitet. Für das konsolidierte Nettoreinvermögen der ADC gilt Folgendes:

(i) Sonstige Aktiva beinhaltet alle aus den in Teil XI dieses Dokuments angegebenen historischen Finanzangaben der ADC abgeleiteten Aktiva mit Ausnahme der abgeleiteten Barreserve und kurzfristig verfügbarer Barmittel, der abgeleiteten Darlehen und Vorauszahlungen und des Geschäfts- und Firmenwertes sowie der immateriellen Vermögensgegenstände;

(ii) Sonstige Passiva beinhaltet alle aus den in Teil XI dieses Dokuments angegebenen historischen Finanzangaben der ADC abgeleiteten Passiva mit Ausnahme der abgeleiteten Einlagen und Finanzverbindlichkeiten;

(iii) Die ABCH ist bereits Teil des Konsolidierungskreises der ADC; daher ist keine getrennte Anpassung hinsichtlich der Auswirkungen des BancABC-Erwerbs in der Pro-forma-Nettoreinvermögensaufstellung erfolgt;

5 Die Anpassung spiegelt Folgendes wider: eine Barzahlung von USD 86,4 Millionen der im Zuge des BancABC-Erwerbs zu zahlenden Gesamtgegenleistung in Höhe von USD 109,2 Millionen, und eine Barzahlung von USD 9,8 Millionen der mit Blick auf die Kosten der Transaktion und der Erneuten Zulassung zu zahlenden Gesamtkosten in Höhe von USD 11,1. Die zu zahlende Gegenleistung von USD 134,9 Millionen für den ADC-Erwerb wird durch die Ausgabe von 11,8 Millionen Stammaktien zum Preis von USD 11,40 pro Stammaktie beglichen, wobei es sich dabei um den Aktienpreis am letzten Handelstag vor der Aussetzung des Handels der Stammaktien am 28. März 2014 handelt;

6 Die Anpassung spiegelt die Ausbuchung von Geschäfts- und Firmenwert und immateriellen Vermögenswerten der ADC in Höhe von USD 71,3 Millionen sowie die Aktivierung von Geschäfts- und Firmenwert und immateriellen Vermögenswerten wider, die im Abschluss der Erweiterten Gruppe als Konsequenz der Transaktion ausgewiesen werden. Die Aktivierung von Geschäfts- und Firmenwert und immateriellen Vermögenswerten von USD 197,3 Millionen errechnet sich aus dem gesamten Bar-Kaufpreis von USD 266,0 Millionen für den ADC-Erwerb und den BancABC-Erwerb, wobei hiervon USD 108,2 Millionen in bar und USD 157,8 Millionen in Stammaktien beglichen werden, abzüglich des Buchwerts des erworbenen ADC Konzern-Nettoreinvermögens (abzüglich des ausgebuchten Geschäfts- und Firmenwerts und der immateriellen Vermögenswerte in Höhe von USD 71,3 Millionen) von USD 68,7 Millionen. Eine Bewertung des erworbenen Nettoreinvermögens, darunter eine gemäß IFRS3 (Überarbeitet) erforderliche Bewertung der immateriellen Vermögenswerte wurde noch nicht vorgenommen, wird jedoch im Hinblick auf die Einbeziehung in den Jahresabschluss der Gesellschaft für das Geschäftsjahr zum 31. Dezember 2014 erfolgen. Zeitwertanpassungen, welche aufkommen könnten, sind nicht berücksichtigt; und

7 Barzahlung in Höhe von USD 21,9 Millionen im Zuge des Pflichtangebots an Minderheitsaktionäre der ABCH.

Die ungeprüfte Pro-forma-Gewinn- und Verlustrechnung der Erweiterten Gruppe stellt sich wie folgt dar:

	Atlas Mara Anhang-angabe 1	ADC (konsolidiert, einschl. GuV der ABCH) Anhang-angabe 2	Anhang-angabe 3	Pro-forma Erweiterte Gruppe
		In Millionen USD		
Zinsen und ähnliche Erträge		230,0	—	230,0
Zinsen und ähnliche Aufwendungen	—	(120,2)	—	(120,2)
Netto Zinsüberschuss	**—**	**109,8**	**—**	**109,8**
Risikovorsorge im Kreditgeschäft		(57,1)	—	(51,7)
Netto Zinsüberschuss nach Risikovorsorge im Kreditgeschäft	—	52,7	—	52,7
Provisionsüberschuss	—	49,6	—	49,6
Ergebnis aus erfolgswirksam zum beizulegenden Zeitwert bewerteten Finanzinstrumenten	—	4,3	—	4,3
Handelsergebnis	—	21,5	—	21,5
Gewinn/(Verlust) aus nach der Equitymethode bilanzierten Beteiligungen	—	19,3	—	19,3
Sonstige zinsunabhängige Erträge	—	7,6	—	7,6
Betriebliche Erträge insgesamt	**—**	**155,0**	**—**	**155,0**
Betriebliche Aufwendungen	—	(160,4)	(11,0)	(171,4)
Ergebnis vor Steuern	**—**	**(5,4)**	**(11,0)**	**(16,4)**
Steuern vom Einkommen und Ertrag	—	(5,5)	—	(5,5)
Jahresüberschuss/(Jahresfehlbetrag)	**—**	**(10,9)**	**(11,0)**	**(21,9)**

Die ungeprüfte Pro-forma-Gewinn- und Verlustrechnung der Erweiterten Gruppe wird in US Dollar angegeben. Die Finanzinformationen der ADC wurden zum Wechselkurs von USD 1,00 für EUR 0,7530 umgerechnet, dem 12-Monats-Durchschnittskurs zum 31. Dezember 2013. Der für die Umrechnung verwendete durchschnittliche Wechselkurs ist der zum Ende des ADC-Geschäftsjahrs maßgebliche durchschnittliche Kurs, wie in Anhangangabe 2.4 des Anhangs zum Konzernabschluss der ADC, dargestellt in Teil XI dieses Dokuments, widergespiegelt.

Eine gemäß IFRS3 (überarbeitet) erforderliche Bewertung der Aktiva und Passiva mit Blick auf die Transaktion (einschließlich einer Bewertung der immateriellen Vermögenswerte) sowie die erforderlichen Zeitwertanpassungen wurden noch nicht vorgenommen, werden jedoch im Hinblick auf die Einbeziehung in den Jahresabschluss der Erweiterten Gruppe für das Geschäftsjahr zum 31. Dezember 2014 erfolgen. Etwa aufkommende Abschreibungen sind nicht berücksichtigt.

Die in Teil III dieses Dokuments erläuterte Privatplatzierung wird erst bei Erneuter Zulassung umgesetzt werden; die Auswirkungen der Privatplatzierung sind daher nicht in der vorstehenden Pro-forma-Gewinn- und Verlustrechnung berücksichtigt.

Das konsolidierte Gewinn- und Verlustrechnung der ADC umfasst auch die konsolidierte Gewinn- und Verlustrechnung der ABCH, weshalb letztere nicht getrennt in der Pro-forma-Gewinn- und Verlustrechnung ausgewiesen ist.

Anhangangaben

1 Die Gesellschaft wurde am 28 November 2013 neu gegründet und hatte vor der Gründung keine Handelstätigkeit ausgeübt. Aus diesem Grund wird keine Gewinn- und Verlustrechnung für den Zeitraum vom 1. Januar 2013 bis zum 28. November 2013 dargestellt. Es wurde keine Anpassung vorgenommen, um das tatsächliche Handelsergebnis der Gesellschaft zwischen dem 28. November 2013 und dem 31. Dezember 2013 widerzuspiegeln. Außer den Erlösen, welche für die Transaktion verwendet wurden, wurde keine weiteren Anpassungen mit Blick auf die Platzierung 2013 berücksichtigt.

2 Die Konzern-Gewinn- und Verlustrechnung der ADC für den 12-Monatszeitraum mit Ende 31. Dezember 2013 wurde ohne wesentliche Anpassungen aus den historischen Finanzangaben von ADC, die in Teil XI dieses Dokuments abgebildet sind, abgeleitet. Für die Konzern-Gewinn- und Verlustrechnung der ADC gilt Folgendes:

(i) Die aus den in Teil XI dieses Dokuments dargestellten historischen Finanzangaben von ADC abgeleiteten sonstigen zinsunabhängigen Erträge wurden um das Jahresergebnis nach Steuern aus aufgegebenen Geschäftsbereichen in Höhe von USD 0,2 Millionen angepasst;

(ii) Die ABCH ist bereits Teil des Konsolidierungskreises der ADC; daher ist keine getrennte Anpassung hinsichtlich der Auswirkungen des BancABC-Erwerbs in der Pro-forma-Gewinn- und Verlustrechnung erfolgt; und

3 Zahlung von USD 11,0 Millionen in Bezug auf Transaktionskosten im Zusammenhang mit der Transaktion. Es wird unterstellt, dass mit Blick auf die Transaktion alle Transaktionskosten im Rahmen von IAS 27 gebucht werden. Es wird unterstellt, dass mit Blick auf die Erneute Zulassung alle Wiederzulassungskosten in Höhe von USD 0,1 Millionen gegen das ausgewiesene Kapital abgeschrieben werden. Fortdauernde Auswirkungen dieser Anpassung auf die Gesellschaft sind nicht zu erwarten.

B.9 **Gewinnprognosen oder -schätzungen**

Entfällt; es werden keine Gewinnprognosen oder -schätzungen vorgenommen.

B.10 **Qualifizierter Bestätigungsvermerk**

Entfällt; der Bericht des Abschlussprüfers enthält keine Beschränkungen zu den historischen Finanzinformationen.

B.11 **Nicht ausreichendes Geschäftskapital (Working Capital)**

Entfällt; das Geschäftskapital (Working Capital) der Gruppe reicht aus, um die bestehenden Anforderungen zu erfüllen, also zumindest für den 12-Monats-Zeitraum ab dem Datum dieses Dokuments.

ABSCHNITT C — WERTPAPIERE

C.1 **Beschreibung von Art und Gattung der angebotenen Wertpapiere**

Das Angebot umfasst 14.334.300 Neue Stammaktien. Bei dem Angebot handelt es sich um ein öffentliches Angebot, welches die ATMA AG, eine indirekte Tochtergesellschaft der Gesellschaft, gegenüber den ADC-Aktionären für den Erwerb aller Aktien der ADC im Rahmen eines Aktientauschs gemacht hat. Das Angebot umfasst alle auf den Namen lautenden Stückaktien der ADC (ISIN: DE000A1E8NW9) zu einer Tauschverhältnis von 1,25, d. h. jeder ADC-Aktionär bekommt für vier (4) von ihm gehaltene ADC-Aktien fünf (5) nennwertlose Neue Stammaktien angeboten.

Das Angebot umfasst nennwertlose Neue Stammaktien der Gesellschaft, die dieselben Aktionärsrechte verbriefen wie die Bestehenden Stammaktien.

Bei Zulassung zum Handel werden die Neuen Stammaktien mit derselben ISIN und SEDOL-Nummer registriert wie die Bestehenden Stammaktien (ISIN: VGG0697K1066; SEDOL-Nummer: BH2RCH8).

C.2 **Währung der Wertpapieremission**

Die Neuen Stammaktien sind in US-Dollar denominiert.

C.3 **Ausgegebenes Gesellschaftskapital**

Zum Datum dieses Prospekts sind insgesamt 31.279.500 nennwertlose Bestehende Stammaktien und 32.529.500 Optionsscheine ausgegeben. Der Handel mit den Bestehenden Stammaktien und Optionsscheinen ist derzeit ausgesetzt.

Zudem sind 1.250.000 Gründer-Vorzugsaktien ausgegeben, die von den Gründergesellschaften gehalten werden.

Im Rahmen des Angebots ist die Begebung von bis zu 14.334.300 Neuen Stammaktien an ADC-Aktionäre vorgesehen.

Darüber hinaus ist die Begebung von ca. 27.275.000 neuen Stammaktien im Rahmen der Privatplatzierung vorgesehen.

Mit Vollzug der Aktienkaufverträge ist zudem die Begebung von 1.904.612 Neuen Stammaktien an ausgewählte ABCH-Aktionäre als Gegenleistung für den Erwerb der von diesen gehaltenen ABCH-Aktien durch die Gesellschaft vorgesehen.

C.4 **Mit den Wertpapieren verbundene Rechte**

Die Neuen Stammaktien gewähren dieselben Aktionärsrechte wie die Bestehenden Stammaktien.

Stammaktien sind gleichrangig stimmberechtigt. Jeder Aktionär, der teilnahmeberechtigt ist und persönlich oder über einen Stimmrechtsvertreter an einer Versammlung teilnimmt, hat bei einer Abstimmung durch Handzeichen eine Stimme; bei einer Abstimmung mit Stimmzetteln hat jeder Aktionär, der persönlich anwesend ist oder durch einen Stimmrechtsvertreter vertreten wird, eine Stimme für jede von diesem Aktionär gehaltene Stammaktie.

Die Stammaktien sind gleichrangig dividendenberechtigt.

Auf das in der Satzung festgelegte Bezugsrecht (bei einer Begebung von Dividendenwerten oder einem Verkauf eigener Aktien) wurde wie folgt verzichtet: (i) für die Zwecke des Erwerbs oder im Zusammenhang mit dem Erwerb (auch in Bezug auf die für den Erwerb fällige Gegenleistung) oder im Zusammenhang mit der Restrukturierung oder Refinanzierung von Schulden oder anderen finanziellen Verpflichtungen in Bezug auf den Erwerb (gleich ob von der Gesellschaft übernommen oder eingegangen oder von einer erworbenen Gesellschaft oder einem erworbenen Unternehmen geschuldet oder garantiert), (ii) für die Zwecke oder im Zusammenhang mit der Begebung von Stammaktien nach einer Ausübung von Optionsscheinen, (iii) allgemein für nach Ansicht der Direktoren (Directors) geeignete Zwecke bis zu einer Gesamthöhe von einem Drittel des Wertes der begebenen Stammaktien (bei Handelsschluss am ersten Handelstag nach der Zulassung), (iv) für die Zwecke des Angebots von Wertpapieren an Aktionäre im Verhältnis ihrer Anteile, (v) für die Zwecke der Begebung von Stammaktien zur Erfüllung von Rechten in Bezug auf die Gründer-Vorzugsaktien, (vi) für die Zwecke der Begebung von Dividendenwerten an nicht zu den Gründern zählende Direktoren (Directors) gemäß deren Ernennungsschreiben und (vii) für die Zwecke oder im Zusammenhang mit der Begebung von Stammaktien gemäß der Ausübung der Optionen der nicht zu den Gründern zählenden Direktoren (Directors). Ansonsten haben die Aktionäre Bezugsrechte, die grundsätzlich bei künftigen Begebungen von Aktien gegen Barmittel gelten. Für künftige Begebungen von Aktien, die ganz oder teilweise gegen unbare Gegenleistung erfolgen, bestehen keine Bezugsrechte.

Vorbehaltlich des BVI Companies Act sind bei einer Abwicklung der Gesellschaft die zur Auskehrung verfügbaren Vermögenswerte, sofern ein ausreichendes Vermögen vorhanden ist, wie folgt auszukehren: zuerst an die Inhaber von Stammaktien bis zu einer Höhe von USD 10,00 je Aktie für jede voll eingezahlte Stammaktie und danach, sofern noch weiteres Vermögen vorhanden ist, an die Inhaber von Gründer-Vorzugsaktien bis zu einer Höhe von USD 10,00 je Aktie für jede voll eingezahlte Gründer-Vorzugsaktie. Falls nach einer solchen Auskehrung an die Inhaber von Stammaktien und Gründer-Vorzugsaktien noch Vermögen der Gesellschaft vorhanden ist, wird dieses Vermögen an die Inhaber von Stammaktien und Gründer-Vorzugsaktien im Verhältnis der von diesen jeweils gehaltenen voll eingezahlten Stammaktien bzw. voll eingezahlten Gründer-Vorzugsaktien zur Gesamtzahl der begebenen und voll eingezahlten Stammaktien ausgekehrt (wobei die voll eingezahlten Gründer-Vorzugsaktien so behandelt werden, als seien sie unmittelbar vor der Abwicklung in Stammaktien umgewandelt worden).

C.5 **Beschränkungen für die freie Übertragbarkeit**

Vorbehaltlich der Bestimmungen der Satzung kann jeder Aktionär einzelne oder alle der von ihm gehaltenen verbrieften Stammaktien durch Übertragungsurkunde in der gängigen oder einer anderen von den Direktoren (Directors) gegebenenfalls genehmigten Form übertragen. Eine Übertragung von Stammaktien wird nicht eingetragen, wenn der Übertragungsempfänger nach billigem Ermessen der Direktoren (Directors) eine Unzulässige Person ist oder sein könnte oder diese Stammaktien für einen wirtschaftlichen Eigentümer hält oder halten könnte, bei dem es sich um eine Unzulässige Person handelt oder handeln könnte. Die Direktoren (Directors) sind befugt, jegliche Vorkehrungen zu treffen und/oder zu genehmigen, die sie in Bezug auf den Nachweis des Eigentums an und die Übertragung von Rechten an Stammaktien der Gesellschaft für geeignet halten, die nicht verbrieft sind (einschließlich aktienvertretende Zertifikate oder vergleichbare Rechte, Urkunden oder Wertpapiere).

C.6 **Antrag auf Zulassung zum Handel an einem regulierten Markt**

Die Bestehenden Stammaktien und Optionsscheine sind im Rahmen einer Standardnotierung (*Standard Listing*) zur amtlichen Notierung (*Official List*) sowie zum Handel am Hauptmarkt der London Stock Exchange für börsennotierte Wertpapiere zugelassen. Die Notierung der Bestehenden Stammaktien und Optionsscheine wurde auf Antrag der Gesellschaft am 1. April 2014 im Zusammenhang mit der Transaktion ausgesetzt.

Nach Vollzug der Transaktion wird die Zulassung der Stammaktien (einschließlich der Neuen Stammaktien und der Privatplatzierungsaktien) und der Optionsscheine zur amtlichen Notierung im Rahmen einer Standardnotierung sowie zum Handel am Hauptmarkt der London Stock Exchange für börsennotierte Wertpapiere beantragt werden.

C.7 **Dividendenpolitik**

Die Gesellschaft beabsichtigt, nach dem Erwerb Dividenden auf die Stammaktien auszuschütten, und zwar zu den Zeitpunkten und in der Höhe, die der Board gegebenenfalls für angemessen erachtet. Derzeit beabsichtigt die Gesellschaft die Einbehaltung etwaiger Erlöse zur Verwendung im Geschäftsbetrieb und erwartet nicht, dass in absehbarer Zukunft Dividenden ausgeschüttet werden. Die Gesellschaft wird nur dann Dividenden ausschütten, wenn dies nicht gegen geltendes Recht verstößt.

Erst wenn der Durchschnittskurs je Stammaktie an zehn aufeinanderfolgenden Handelstagen mindestens USD 11,50 beträgt, haben die Inhaber von Gründer-Vorzugsaktien Anspruch auf Erhalt eines „jährlichen Dividendenbetrages", der in Stammaktien geleistet wird und 20% des etwaigen Anstiegs des Marktpreises der Stammaktien in jedem Jahr, multipliziert mit der zu diesem Zeitpunkt ausstehenden Anzahl Stammaktien, entspricht. Am letzten Tag des siebten vollen Geschäftsjahrs nach Vollzug des Erwerbs werden die Gründer-Vorzugsaktien automatisch im Verhältnis 1:1 in Stammaktien umgewandelt.

ABSCHNITT D — RISIKEN

D.1 **Zentrale Angaben zu den zentralen Risiken, die dem Emittenten oder seiner Branche eigen sind**

Die Erweiterte Gruppe

- Die Erweiterte Gruppe könnte ihre strategischen Ziele nicht erreichen und könnte insbesondere nicht in der Lage sein, ausreichend Erwerbsmöglichkeiten zu angemessenen Preisen zu identifizieren, um eine führende afrikanische Bankengruppe zu schaffen.
- Die Gesellschaft wird zur Begleichung ihrer betrieblichen Kosten auf Dividenden ihrer verbundenen Unternehmen und Erlöse aus dem Verkauf von Kapitalanlagen angewiesen sein.
- Die Gesellschaft wird zur Umsetzung ihrer Strategie auf Finanzierung durch Eigen- und Fremdkapital angewiesen sein, und Schwierigkeiten bei der Beschaffung der erforderlichen Finanzierung werden künftiges Wachstum hemmen.
- Die Ausweitung und Verbesserung der Geschäftstätigkeiten der Erweiterten Gruppe könnte nicht erfolgreich sein.

Afrika

- Anlagen in vielen Ländern Afrikas können höheren Risiken unterliegen als Anlagen in entwickelteren Ländern, und finanzielle Verwerfungen in diesen Märkten könnten eine Störung der Geschäftstätigkeit nach sich ziehen.

Die Finanzdienstleistungsbranche

- Nach der Transaktion wird die Gesellschaft mit anderen Unternehmen im Finanzdienstleistungsbereich im Wettbewerb stehen, und ein verschärfter Wettbewerb in diesem Markt könnte den Marktanteil und die Umsätze der Gesellschaft schmälern.

- Die Gesellschaft kann Risiken im Zusammenhang mit der Einhaltung aufsichtsrechtlicher Vorschriften unterliegen, und eine Nichteinhaltung entsprechender Vorschriften kann Bußgelder, öffentliche Rügen, Reputationsschäden, verschärfte Aufsichtsvorgaben, eine zwangsweise Aussetzung des Geschäftsbetriebs oder, in extremen Fällen, den Entzug der Betriebserlaubnis zur Folge haben.

Die Transaktion

- Der Vollzug der Transaktion unterliegt bestimmten aufschiebenden Bedingungen. Falls diese aufschiebenden Bedingungen nicht erfüllt werden, wird die Transaktion nicht vollzogen.
- Der Gesellschaft wird im Zusammenhang mit der Transaktion eine beschränkte Garantieabsicherung zur Verfügung gestellt.

Verhältnis der Gesellschaft zu den Direktoren (Directors), den Gründern und den Gründergesellschaften sowie Interessenkonflikte

- Die Direktoren (Directors) werden einen Teil ihrer Zeit anderen Geschäften nachgehen, was hinsichtlich ihrer Entscheidung, wie viel Zeit sie den Geschäftstätigkeiten der Gesellschaft widmen, ein Potenzial für Interessenkonflikte birgt.

Besteuerung

- Die Gesellschaft wird möglicherweise als „passive ausländische Investmentgesellschaft" (*passive foreign investment company,* PFIC) im Sinne des US-Bundeseinkommensteuerrechts eingestuft, woraus sich nachteilige steuerliche Auswirkungen für US-Anleger ergeben können.
- Die Gesellschaft wird möglicherweise als niedrig besteuerte Zwischengesellschaft im Sinne des deutschen Außensteuergesetzes eingestuft, woraus sich nachteilige steuerliche Auswirkungen für deutsche Anleger ergeben können.

D.3 **Zentrale Angaben zu den zentralen Risiken, die den Wertpapieren eigen sind**

Die Stammaktien

- Die vorgesehene Standardnotierung der Neuen Stammaktien bietet Aktionären ein geringeres Niveau an aufsichtsrechtlichem Schutz als eine Premiumnotierung (*Premium Listing*).
- Die Begebung von Stammaktien nach Ausübung der Optionsscheine wird den Wert der von einem Aktionär gehaltenen Stammaktien verwässern.
- Die Gesellschaft ist möglicherweise aufgrund der Bedingungen der Gründer-Vorzugsaktien verpflichtet, zusätzliche Stammaktien zu begeben, was einen Verwässerungseffekt für bestehende Stammaktionäre bedeuten würde.
- Eine Ausschüttung von Dividenden auf die Stammaktien ist nicht garantiert.

ABSCHNITT E — ANGEBOT

E.1 **Gesamtnettoerlöse/Gesamtkosten**

Entfällt; das Angebot der auszugebenden Neuen Stammaktien an ADC-Aktionäre erfolgt im Rahmen des Angebots, das die Gesellschaft über ihre Tochtergesellschaft ATMA AG gegenüber den ADC-Aktionären in Form eines öffentlichen Angebots für den Erwerb aller Aktien der ADC im Rahmen eines Aktientauschs zu einer Tauschverhältnis von 1,25 abgibt, d. h. jeder ADC-Aktionär bekommt für vier (4) von ihm gehaltene ADC-Aktien fünf (5) nennwertlose Neue Stammaktien angeboten.

Die im Zusammenhang mit dem Angebot und der Veröffentlichung dieses Dokuments angefallenen oder künftig anfallenden Aufwendungen belaufen sich insgesamt auf ca. USD 3.000.000.

E.2a **Gründe für das Angebot und Zweckbestimmung der Erlöse**

Die Gesellschaft hat die ADC und die ABCH als attraktive Erwerbsziele im Rahmen ihrer Strategie zur Schaffung eines führenden afrikanischen Finanzdienstleisters identifiziert. Die Gesellschaft gibt das Angebot im Zusammenhang mit der Transaktion ab, um den ADC-Aktionären eine Teilnahme am voraussichtlichen Wachstum der Erweiterten Gruppe zu ermöglichen.

Entfällt; die Gesellschaft erhält keine Erlöse aus dem Angebot.

E.3 **Beschreibung der Angebotskonditionen**

Das Angebot der zu begebenden Neuen Stammaktien an ADC-Aktionäre erfolgt im Rahmen eines öffentlichen Angebots der Gesellschaft über ihre Tochtergesellschaft ATMA AG im Rahmen eines Aktientauschs gegenüber den ADC-Aktionären für den Erwerb aller auf den Namen lautenden Stückaktien der ADC (ISIN: DE000A1E8NW9) mit einem verhältnismäßigen Anteil am EUR 1,00 betragenden Grundkapital, einschließlich aller zum Zeitpunkt des Vollzugs des Angebots existierenden Nebenrechte.

Die ATMA AG ist eine nach deutschem Recht gegründete Aktiengesellschaft mit Sitz in Düsseldorf; sie ist eingetragen im Handelsregister des Amtsgerichts Düsseldorf unter HRB 72694. Die Gesellschaft hält mittelbar über ihre direkte Tochtergesellschaft ATMA Luxemburg alle Aktien der ATMA AG.

Das Angebot umfasst als Gegenleistung 14.334.300 nennwertlose Neue Stammaktien der Gesellschaft, die dieselben Aktionärsrechte gewähren wie die derzeit ausstehenden Stammaktien der Gesellschaft. Jeder ADC-Aktionär bekommt für vier (4) von ihm gehaltene ADC-Aktien fünf (5) nennwertlose Neue Stammaktien angeboten.

Sollte die ATMA AG oder eine mit ihr gemeinsam handelnde Person (i.S.v. § 2 Abs. 5 WpÜG) oder eine Tochtergesellschaft der vorgenannten Personen im Zeitraum zwischen der Veröffentlichung der Angebotsunterlage und dem Ablauf der Annahmefrist für eine Gegenleistung von mehr als 1,25 Neuen Stammaktien je ADC-Aktie ADC-Aktien erwerben oder eine Vereinbarung abschließen, wonach der Erwerb von ADC-Aktien verlangt werden kann, so haben alle das Angebot annehmenden Aktionäre Anspruch auf Erhalt dieser höheren Gegenleistung.

Das Angebot unterliegt nicht den Bestimmungen des WpÜG und wird nicht von der Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) genehmigt.

Das Angebot steht unter den folgenden Bedingungen:

- Erreichen der Mindestannahmequote;
- Unterlassung bestimmter Handlungen durch die ADC und deren Tochtergesellschaften;
- Außenwirtschaftsprüfung;
- Genehmigungen der Zentralbank, fusionskontrollrechtliche Freigaben und damit zusammenhängende behördliche Genehmigungen in Botswana, Mosambik, Tansania, Sambia und Simbabwe.

Die Annahmefrist für das Angebot läuft vom 4. Juli 2014 bis zum 31. Juli 2014 (24:00 Uhr Ortszeit Frankfurt am Main/18:00 Uhr Ortszeit New York). Im Falle einer Angebotsänderung oder eines konkurrierenden Angebots behält sich die ATMA AG das Recht vor, die Frist zur Annahme des Angebots zu verlängern.

Das Angebot annehmende ADC-Aktionäre haben die Annahme innerhalb der Annahmefrist schriftlich gegenüber ihrer Depotbank bzw. ihrem verwahrenden Wertpapierdienstleister („Depotbank”) zu erklären (die „Annahmeerklärung”). ADC-Aktionäre haben ihrer Depotbank Anweisung zur Umbuchung der ADC-Aktien, die sich in ihrem Wertpapierdepot befinden und für die sie das Angebot annehmen möchten (die „Angedienten ADC-Aktien”), bei der Clearstream Banking AG zu erteilen. Die Neuen Stammaktien werden in unverbriefter Form (als aktienvertretende Zertifikate zur späteren Abwicklung durch CREST) angeboten.

Die Annahmeerklärung wird nur wirksam, wenn die Angedienten ADC-Aktien bis 17:30 Uhr (Ortszeit Frankfurt am Main) bzw. 11:30 Uhr (Ortszeit New York) am zweiten Handelstag nach Ablauf der Annahmefrist bei der Clearstream Banking AG umgebucht wurden. Die entsprechenden Umbuchungen sind von der jeweiligen Depotbank nach Erhalt der Annahmeerklärung vorzunehmen.

Annahmeerklärungen, die nicht innerhalb der Annahmefrist bei der jeweiligen Depotbank eingehen oder falsch oder unvollständig ausgefüllt wurden, gelten nicht als Annahme des Angebots und berechtigen den betroffenen ADC-Aktionär nicht zum Erhalt der Gegenleistung für das Angebot.

E.4 **Wesentliche Beteiligungen**

Entfällt; es bestehen keine für das Angebot wesentlichen Beteiligungen.

E.5 **Name der Person/des Unternehmens, die/das das Wertpapier zum Verkauf anbietet/ Lock-up-Vereinbarungen**

Entfällt; die relevanten Wertpapiere werden nicht von einer Person/einem Unternehmen zum Verkauf angeboten.

Im Zusammenhang mit der Platzierung 2013 haben alle Direktoren (Directors) und die Gründergesellschaften vereinbart, dass sie für den Zeitraum ab dem Datum der Platzierungsvereinbarung bis 365 Tage nach dem Vollzug des Erwerbs durch die Gesellschaft ohne die vorherige schriftliche Zustimmung der Platzierungsstelle keine der von ihnen unmittelbar oder mittelbar gehaltenen (oder gemäß den Bedingungen der Gründer-Vorzugsaktien, der Optionen der nicht zu den Gründern zählenden Direktoren (Directors) oder der Optionsscheine erworbenen) Stammaktien der Gesellschaft oder der von ihnen gehaltenen Gründer-Vorzugsaktien anbieten, verkaufen oder verpfänden oder sich vertraglich zu deren Kauf verpflichten oder auf andere Weise über diese Aktien verfügen werden.

Für die Beschränkungen der Möglichkeit der Direktoren (Directors) und der Gründergesellschaften zur Übertragung ihrer Stammaktien, Optionsscheine bzw. Gründer-Vorzugsaktien gelten bestimmte übliche und gängige Ausnahmen sowie Ausnahmen in folgenden Fällen: Übertragungen im Rahmen der Nachlassplanung; Übertragungen an Treuhandvermögen (auch direkte oder indirekte 100%-ige Tochtergesellschaften solcher Treuhandvermögen) zu Gunsten der Direktoren (Directors) oder deren Familien; Übertragungen an verbundene Unternehmen oder unmittelbare oder mittelbare Eigenkapitalgeber, Inhaber von Gesellschaftsanteilen (partnership interests) oder Gesellschafter (member) der Gründergesellschaften — jeweils vorbehaltlich bestimmter Bedingungen; Übertragungen an direkte oder indirekte Tochtergesellschaften der Gesellschaft, eine Zielgesellschaft oder Aktionäre einer Zielgesellschaft im Zusammenhang mit einem Erwerb — vorausgesetzt, die Übertragungsempfänger schließen in jedem dieser Szenarien eine Lock-up-Vereinbarung; Übertragungen von nach dem Datum der Zulassung im Rahmen eines Offenmarktgeschäftes erworbenen Stammaktien oder die Annahme oder Abgabe einer unwiderruflichen Verpflichtungserklärung zur Annahme eines allgemeinen Angebots an alle Aktionäre zu gleichen Bedingungen; sowie nach der Transaktion: Übertragungen zur Erfüllung bestimmter Steuerverbindlichkeiten im Zusammenhang mit dem Vollzug des Erwerbs oder aufgrund von Transaktionen im Zusammenhang mit dem Vollzug des Erwerbs.

Vorbehaltlich des Auslaufens von zwischen den Gründergesellschaften und der Platzierungsstelle geschlossenen Lock-up-Vereinbarungen oder eines Verzichts darauf hat sich die Gesellschaft bereit erklärt, auf eigene Kosten den Gründergesellschaften alle Informationen und jegliche Unterstützung zukommen zu lassen, die diese angemessenerweise anfordern, um diesen eine Verfügung über alle oder einen Teil ihrer Stammaktien zum Zeitpunkt des Vollzugs des Erwerbs oder jederzeit danach zu ermöglichen, insbesondere die Erstellung, Qualifizierung und Genehmigung eines Prospekts in Bezug auf diese Stammaktien oder Optionsscheine.

E.6 **Verwässerung**

Das Angebot umfasst 14.334.300 Neue Stammaktien.

Unter der Annahme, dass alle ADC-Aktionäre das Angebot annehmen, verbrieft die Gesamtheit aller im Rahmen des Angebots ausgegebenen Neuen Stammaktien 30,1% des erweiterten Grundkapitals der Gesellschaft.

Entfällt; es gibt kein Zeichnungsangebot an die bestehenden Inhaber von Dividendenwerten.

E.7 **Ausgaben, die dem Anleger in Rechnung gestellt werden**

Entfällt; den Anlegern werden keine Ausgaben in Rechnung gestellt.

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