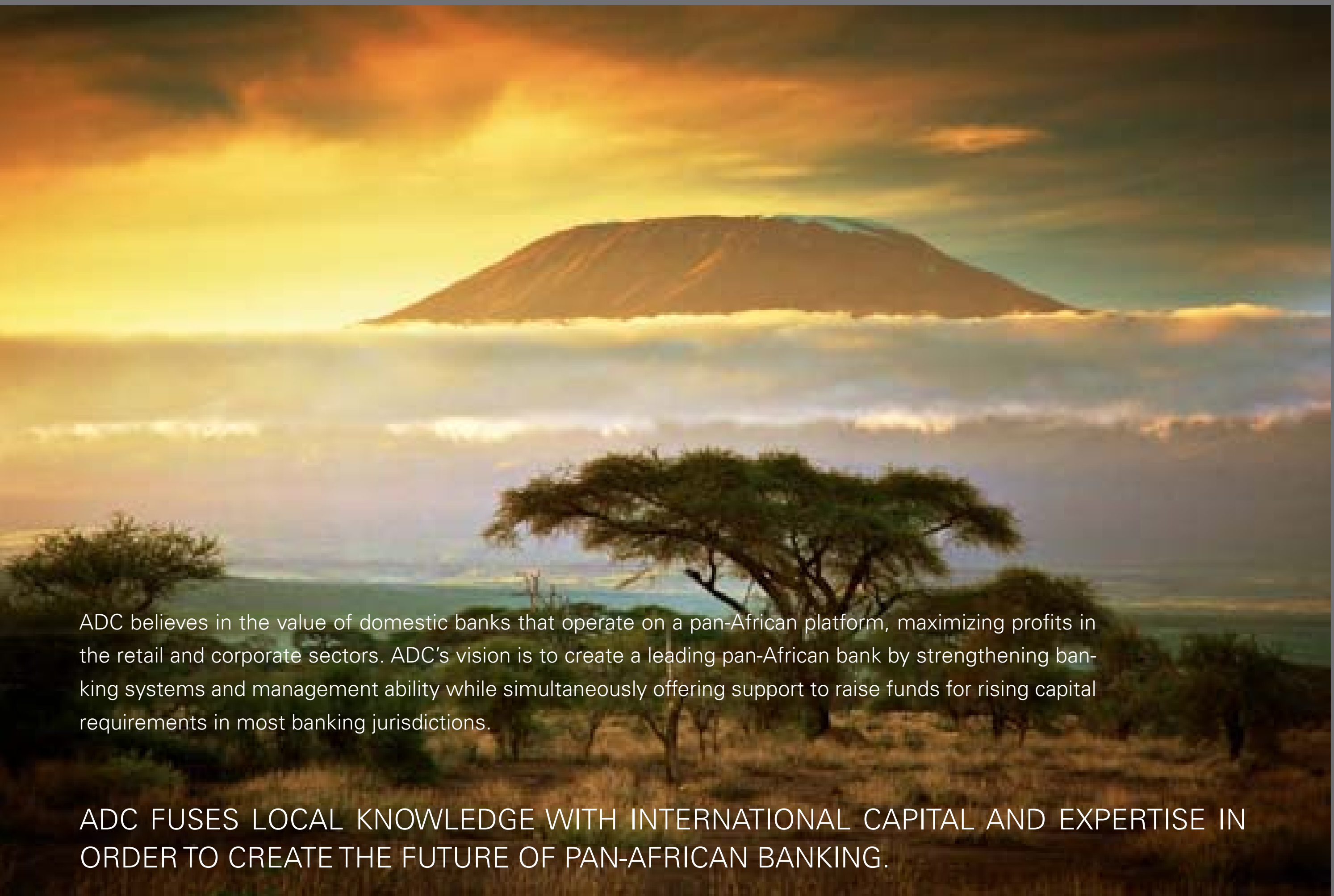
ADC AFRICAN DEVELOPMENT CORPORATION

ANNUAL REPORT 2013

"OUR VISION IS PAN-AFRICAN"


ADC believes in the value of domestic banks that operate on a pan-African platform, maximizing profits in the retail and corporate sectors. ADC's vision is to create a leading pan-African bank by strengthening banking systems and management ability while simultaneously offering support to raise funds for rising capital requirements in most banking jurisdictions.
ADC FUSES LOCAL KNOWLEDGE WITH INTERNATIONAL CAPITAL AND EXPERTISE IN ORDER TO CREATE THE FUTURE OF PAN-AFRICAN BANKING.

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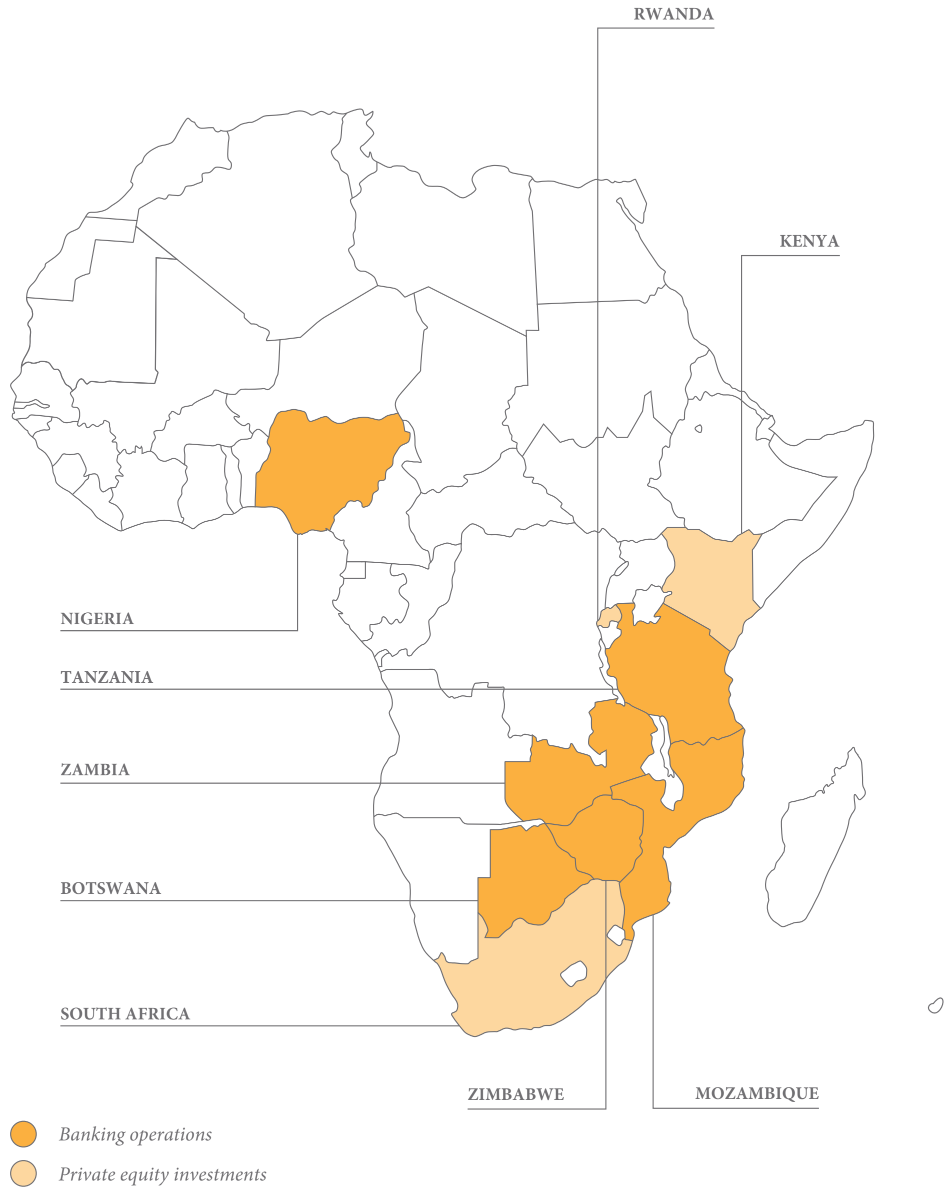
LOCATIONS AS AT 31 DECEMBER 2013

ADC AIMS TO BUILD A PAN-AFRICAN BANK TO FACILITATE INTRA-REGIONAL TRADE AND PROVIDE SEAMLESS CROSS-BORDER BANKING FUNCTIONALITY.



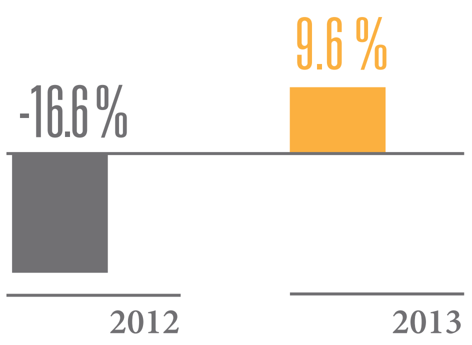
PERFORMANCE HIGHLIGHTS 2013

IN EUR MILLION	2013	2012	DELTA
Operating Performance			
Net interest income	82.7	27.6	55.1
Net fee and commission income	37.3	16.9	20.4
Net income (loss) from equity method investments	14.5	(0.9)	15.4
Pre-tax profit (loss)	19.3	(15.9)	35.2
Net profit (loss)	12.5	(18.9)	31.4
Balance sheet Performance	**31.12.2013**	**31.12.2012**	
Cash and short term funds	200.9	183.4	17.5
Loans and advances	875.0	886.6	(11.6)
Total Assets	1,432.4	1,432.7	(0.3)
Borrowed funds	226.3	195.7	30.7
Deposits	1,012.1	1,041.9	(29.8)
Equity attributable to ordinary shareholders	76.9	67.7	9.2
RATIOS			
ADC Group Rations / Indicators	**2013**	**2012**	
Return on average Equity	9.6%	-16.6%	
Return on average Assets	0.9%	-2.5%	
Key Banking Ratios			
Net Interest Margin	10.3%	9.4%*	
Cost-to-income ratio	72.3%	106.5%	
Loan loss ratio	2.8%	1.8%*	
Key Private Equity Ratios			
Gross IRR	13.5%	16.0%	
Multiple	1.4x	1.3x	
Non-Financial Indicators			
Employees:	1,558	1,362	194
Branches:	73	61	12
ATMs:	74	62	12
Customers:	261,665	230,000	31,665

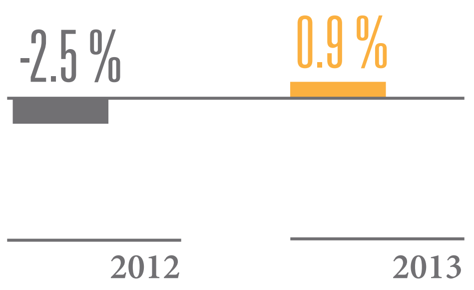
* For comparability purposes, 2012 figures based on BancABC subgroup stand-alone figures.

ADC'S 2013 FIGURES REFLECT THE BEGINNINGS OF A PROFITABLE PAN-AFRICAN BANKING STRUCTURE, WHICH FOCUSES ON INTEGRATING BOTH LOCAL AND INTERNATIONAL EXPERTISE

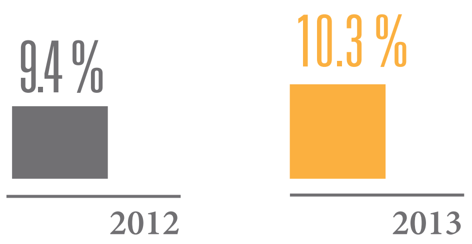
RETURN ON AVERAGE EQUITY



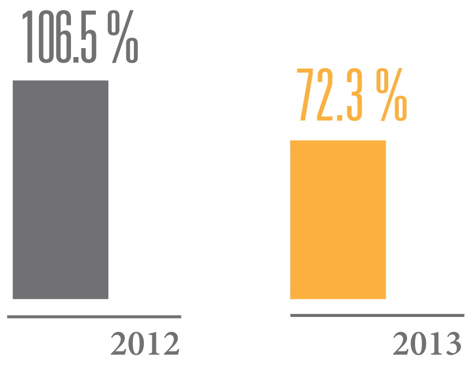
RETURN ON AVERAGE ASSETS



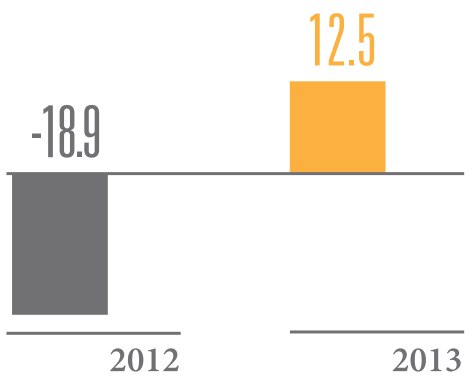
NET INTEREST MARGIN



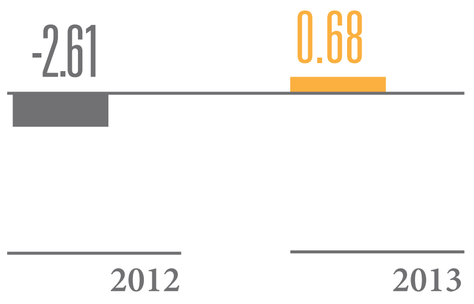
COST-TO-INCOME RATIO



PROFIT AFTER TAX (EUR MILLION)



EARNINGS PER SHARE (EUR)



THE YEAR IN REVIEW

APRIL	ADC further refines its strategy to focus entirely on banking sector activities and to hold existing private equity investments only until market conditions are conducive for an exit.
MAY	ADC exited its holding in Banco Nacional de Guinea Ecuatorial (BANGE) after a 4-year investment period, registering a gain of EUR 6.6 million and a gross IRR of 34% and total value to paid-in multiple of 3.4x.
JULY	ADC completed the process of changing the Company into a stock corporation, which is now trading on the Entry Standard of the Frankfurt Stock Exchange.
JULY	A private placement raises EUR 8.2 million for ADC.
AUGUST	ADC's Annual General Meeting (AGM) increases the number of Supervisory Board members from three to six, appointing Arnold Ekpe, Verna Eggleston and Oltmann Siemens.
DECEMBER	ADC initiated a mandatory offer for all outstanding shares in BancABC as required by the Botswana Stock Exchange.

ADC IS AN EMERGING PAN-AFRICAN BANKING GROUP WITH A BANKING NETWORK IN 6 COUNTRIES WITH 4 ADDITIONAL PROPRIETARY INVESTMENTS IN EASTERN AND SOUTHERN AFRICA. AT YEAR-END, THE GROUP HAD EUR 1,432 MILLION IN ASSETS AND EUR 122 MILLION IN TOTAL EQUITY.

CEO LETTER

DEAR SHAREHOLDERS, BUSINESS PARTNERS & FRIENDS OF ADC,

The 2013 year has been a year of change and growth for ADC. In late 2012, the company began the process of simplifying its structure to lower operational expenses and to transform ADC into a cost effective bank holding company, focusing on the financial services sector in sub-Saharan Africa. Our team successfully completed this process in mid-2013 with a change in its listing from a partnership limited by shares (GmbH & Co. KGaA) on the Prime Standard to a stock corporation (AG) on the Entry Standard of the Frankfurt Stock Exchange in Germany, which allows ADC to tap international funding to shore up the liquidity of its investee banks while simultaneously providing operational support to its portfolio of banking entities on the continent.

ADC can look back on a successful year; one that has seen the company gain recognition within the international banking community and dramatically improve its financial position, registering a profit before tax of EUR 19.3 million and a 32% decrease in the cost-to-income ratio, confirming the advantages of ADC's new cost-effective structure and significantly exceeding its latest profit forecast of EUR 10 million by 25%.

Due to ADC's successful restructuring, hard work and valuable portfolio of investments, I am pleased to announce that on 31 March 2014, Atlas Mara Co-Nvest Limited (Atlas Mara), founded by Bob Diamond and Ashish J. Thakkar, and ADC have entered into a Business Combination Agreement whereby Atlas Mara intends to undertake an offer for all outstanding shares in ADC at an exchange ratio of 1.25x Atlas Mara shares for each ADC share. Based on the closing prices before the date of announcement of the respective exchanges and current exchange rates, this ratio reflects a premium of more than 15% to ADC's share price.

Atlas Mara's Board and co-founders see a perfect fit with ADC, due to its valuable holdings on the sub-Saharan continent, to combine our visions of creating a highly scalable banking group, capable of offering a broad range of banking products. The structure of the transaction includes conditional purchase agreements with selected shareholders of ADC's portfolio company, BancABC, in order to acquire, for cash or shares, all remaining outstanding shares of BancABC for a purchase price of USD 0.82 per share. The completion of the transaction is condition upon regulatory approvals and certain conditions precedent.

Since its inception, ADC has sought to create value for its shareholders via its investments on the sub-Saharan Africa continent. Our team has worked exceptionally hard to build not only a portfolio, but also a platform that merges local expertise and knowledge with international capital and networks. Atlas Mara founders share ADC's vision of creating a pan-African banking group. ADC's shareholders can expect an accelerated future growth based on ADC's successful investments and BancABC's regional expertise and existing geographic banking structure and offerings, combined with Atlas Mara's access to funding, talent and further know-how. I, and the rest of the Management team, look forward to the next chapter in ADC's growth, We are confident that a combination with Atlas Mara will accelerate our vision of creating a leading pan-African financial services institution and will be to the benefit of both ADC's shareholders and also ADC and BancABC employees who are an important element in realizing our aims. Atlas Mara will build on the existing management teams of both ADC and BancABC to drive future growth and expand across the continent.

ADC'S FINANCIAL RESULTS

ADC produced solid results in 2013 with a profit after tax of EUR 12.5 million compared to a negative result of EUR 18.9 million in 2012. The Company achieved a return on equity of 9.6%, a return on assets of 0.9% and cost-to-income ratio of 72.3% compared to the 2012 ratios of -16.6%, -2.5% and 106.5% respectively.

Total assets at year-end reached EUR 1.4 billion, stable in comparison to 2012 figures. This includes a 10% increase in cash and short term funds, but a 1% decrease in loans and advances and a 3% decrease in customer deposits due to exchange rate differences (gross loans and deposits increased 3% and 18% respectively in local currency).

Equity attributable to ordinary shareholders increased by 14% from EUR 67.7 million (re-stated) in 2012 to EUR 76.9 million at year-end 2013.

BANKING OPERATIONS

At the end of the 2013 financial year, the BancABC subgroup posted a net profit of EUR 15.5 million before consolidation, 29% higher than that of 2012 on a standalone basis in local currency. The subgroup's total assets increased by 18% in local currency, reaching EUR 1.3 billion at the end of December 2013. Basic earnings per share were 10% higher than the previous year and the cost-to-income ratio fell 5 percentage points to 66% in the year under review.

In 2014, BancABC management will focus on working with each subsidiary to tighten credit systems to lower the credit loss ratio and further improve lending processes.

Furthermore, in December 2013, ADC completed the mandatory offer in Botswana, required for all investors owning more than 35% of a stock-listed company. As a result of the mandatory offer, ADC increased its controlling position including voting pool agreements from 50.1% to 54.1%

UBN had mixed results over the course of the year, due to planned restructuring activities. The bank experienced one-off costs related to personnel restructuring as well as extraordinary provisioning due to the bank's exposure to the Nigerian discount house sector. The bank's new executive management team has now positioned the bank to successfully compete in one of the most promising banking markets on the continent. The bank's deposit and credit growth in the second half of 2013 grew faster than any other period since ADC's original investment at the beginning of 2012 and prospects for the 2014-year are strong.

Partly as a result of the restructuring activities, UBN Group registered a profit before tax of EUR 18.0 million, up 31% in local currency versus the 2012 financial year. The return on average equity in 2013 was 2.1% for the group and 2.8% for the core bank, versus 0.7% and 1.8% respectively from the previous year.

PRIVATE EQUITY INVESTMENTS

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 has begun the process of exiting some of its private equity investments and will hold remaining investments only until market conditions are conducive for an exit. ADC is not expecting to acquire any new private equity holdings until a stronger banking platform is established.

In May 2013, ADC exited its investment in BANGE, located in Equatorial Guinea, for a total gain of EUR 6.6 million. We are in the final stages of selling RSwitch to an interested investor and hope to provide more information to shareholders in the second quarter of 2014. Moreover, ADC is in discussions with Brainworks Capital Management (BCM), located in Zimbabwe on the details of a potential transaction later this year.

ADC continues to hold its investments in iVeri, an electronic payments company located in South Africa and RHEAL, a medical insurance provider active in four countries in East Africa due to the promising potential of both companies in the coming six months. ADC aims to finalize a sale in both portfolio companies by the first quarter of 2015.

BOARD AND MANAGEMENT CHANGES

The Annual General Meeting (AGM) held on 14 August 2013, strengthened the Company's position to manage its growth by increasing the number of Supervisory Board members from three to six, electing Mr. Arnold Ekpe, former CEO of Ecobank, Ms. Verna Eggleston of Bloomberg Philanthropies and Mr. Oltmann Siemens, former representative of the World Bank Group in Europe. Mr. Jyrki Koskelo resigned from the supervisory board at the end of October 2013 after supporting ADC through a period of change, making valuable contributions to the foundations of the Company's pan-African banking vision. Mr. Arnold Ekpe resigned from the supervisory board at the end of March 2014 due to potential conflicts of interest relating to his roles on both the Atlas Mara's Board of Directors and ADC's Supervisory Board. We thank them both for their insight and contributions to the Company's growth and wish them all the best in their future endeavors.

The Supervisory Board appointed Ms. Karima Ola, Chief Investment Officer of ADC, as a member of the German Management Board. Furthermore, Ms. Sonja Rossteuscher, Chief Financial Officer of the Company, was formally appointed to the management board at the beginning of 2014. We welcome the strengthening of the supervisory and management boards at a time of tremendous financial and operational growth.

CAPITAL RAISING

Since its inception ADC has consistently grown, strengthening its capital base year-on-year to increase the Company's holdings in sub-Saharan banks and grow its current and potential profitability. ADC's planned capital increase in April 2014 was delayed at the beginning of this year due partly to uncertainty in the market and as a result of increased interest from international financial services partners who share ADC's vision in pan-African banking. Through the signing of the Business Combination Agreement with Atlas Mara at the end of March, ADC Management expects to accelerate the implementation of our targets. Atlas Mara's access to funding, talent, and banking and IT expertise will contribute to both companies' strategic objectives of building the premier financial services group with a banking presence in multiple countries across sub-Saharan Africa.

AFRICA RISING

In contrast to an average GDP growth of 1.3% in advanced economies in 2013, sub-Saharan Africa's growth recorded an average GDP growth of 5.1%, increasing from 4.8% in 2012 and is projected to reach 6.5% in 2014.

Over the last decade, most sub-Saharan African countries have actively implemented political and economic reforms to reduce corruption and encourage private investment. The 2013 Doing Business Report, confirms that almost half of the top 20 "reformer states" are located in sub-Saharan Africa. ADC's experience on the continent reiterates this finding and we believe that stronger regulations will further enhance private sector investment in the years to come.

A STRATEGY OF PAN-AFRICAN BANKING

Africa's banking sector has, until recently, operated in a risky environment – both from a regulatory and macroeconomic perspective, which has reduced the high potential for profit as well as for international investment. Growing industry and reform, however, are underlining the potential for profit with banks across Africa increasing their capital bases and strengthening their risk management practices to reduce non-performing loans and boost profits. While systems are rapidly improving, many banks on the continent still need support to implement international best practices, especially in risk management, and require management training to best succeed in a rapidly changing environment that requires local banks to compete with international conglomerates.

Africa's demographic dividend and large unbanked population coupled with lower cultural barriers to the adoption of new banking technology, could see African banks leapfrog ahead of their western counterparts due to lower infrastructure costs and higher profit margins. Africa contains the largest

proportion of mobile money users in the world, reflecting the pace of financial innovation occurring in the region.

Local banks have a unique position in banking markets, having crucial local networks that can help ensure credit and deposit mobilization. These banks, however, lack liquidity and increasing minimum capital requirements in most countries across the continent are straining banks' ability to operate effectively. Local banks that partner with international investors can benefit from international funding sources and operational expertise. ADC's new structure, experienced management team and network of advisers coupled with its listing on the Frankfurt stock exchange make it an ideal partner for local banks operating in sub-Saharan Africa.

OUTLOOK

For the 2014-year, we have set ourselves the target of leveraging our strengths and solidifying our relationships with existing networks and like-minded investors. ADC has positioned itself to succeed in building a pan-African banking group and has the management, assets, operational staff and investment expertise to do so.

ADC has a positive outlook for 2014 after achieving substantial 29% net profit growth from BancABC subgroup in the 2013 financial year and with the prospective sale of some of ADC's private equity portfolio in 2014. We believe that UBN will continue its upward trajectory shown in the second half of 2013 now that the restructuring efforts are coming to a close and will positively contribute to ADC's net profit in 2014.

Overall, the ADC Group expects to significantly increase its net profit in 2014, with the cost-to-income and ROaE ratios improving substantially from those achieved in the 2013 period towards the 2015 targets of an ROaE of up to 25% and an average cost-to-income ratio of 50-55%. Nevertheless, I would like to highlight that current forecasts could be significantly affected by the transaction with Atlas Mara that was announced on 31 March 2014

Finally, I would like to sincerely thank all of the employees of ADC, BancABC and each of our portfolio companies for their hard work and perseverance. Each member of the Group is a dedicated force behind ADC's growth story and I thank each individual employee for helping us succeed in our pan-African banking vision.

Should you have any questions regarding our strategy, future growth prospects or any other matter, please do not hesitate to contact us via email: investor-relations@african-development.com or via phone: +49 69 719 12 90 119

Sincerely yours,

Dirk Harbecke
Chief Executive Officer

GROUP MANAGEMENT REPORT

CORPORATE PROFILE

AND OVERVIEW

ADC African Development Corporation AG (ADC) is a German-listed, emerging pan-African banking group with a strong footprint in Southern Africa via BancABC, a regional commercial banking platform operating in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe as well as exposure to West Africa via Union Bank of Nigeria (UBN). ADC commenced business in November 2007 as a partnership limited by shares with a limited liability company as General Partner (GmbH & Co. KGaA). The company completed its initial public offering and listing on the Frankfurt Stock Exchange in December 2010. In November 2012, ADC bought out its General Partner, ADC Management GmbH to transform its legal structure and eliminate the fee structure associated with the general partner. On 26 July 2013, ADC completed the process of legal transformation into a stock corporation (Aktiengesellschaft). In conjunction with the transformation, ADC re-listed in the Entry Standard segment of the Frankfurt Stock Exchange with the aim of reducing costs while increasing operational flexibility and maintaining a high level of reporting that exceeds Entry Standard requirements.

From its founding 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 sub-Saharan Africa. 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 merchant banking group. ADC's acquisition of a majority stake in BancABC and the decision to transition from a private equity partnership to a stock corporation reflects this change of strategy.

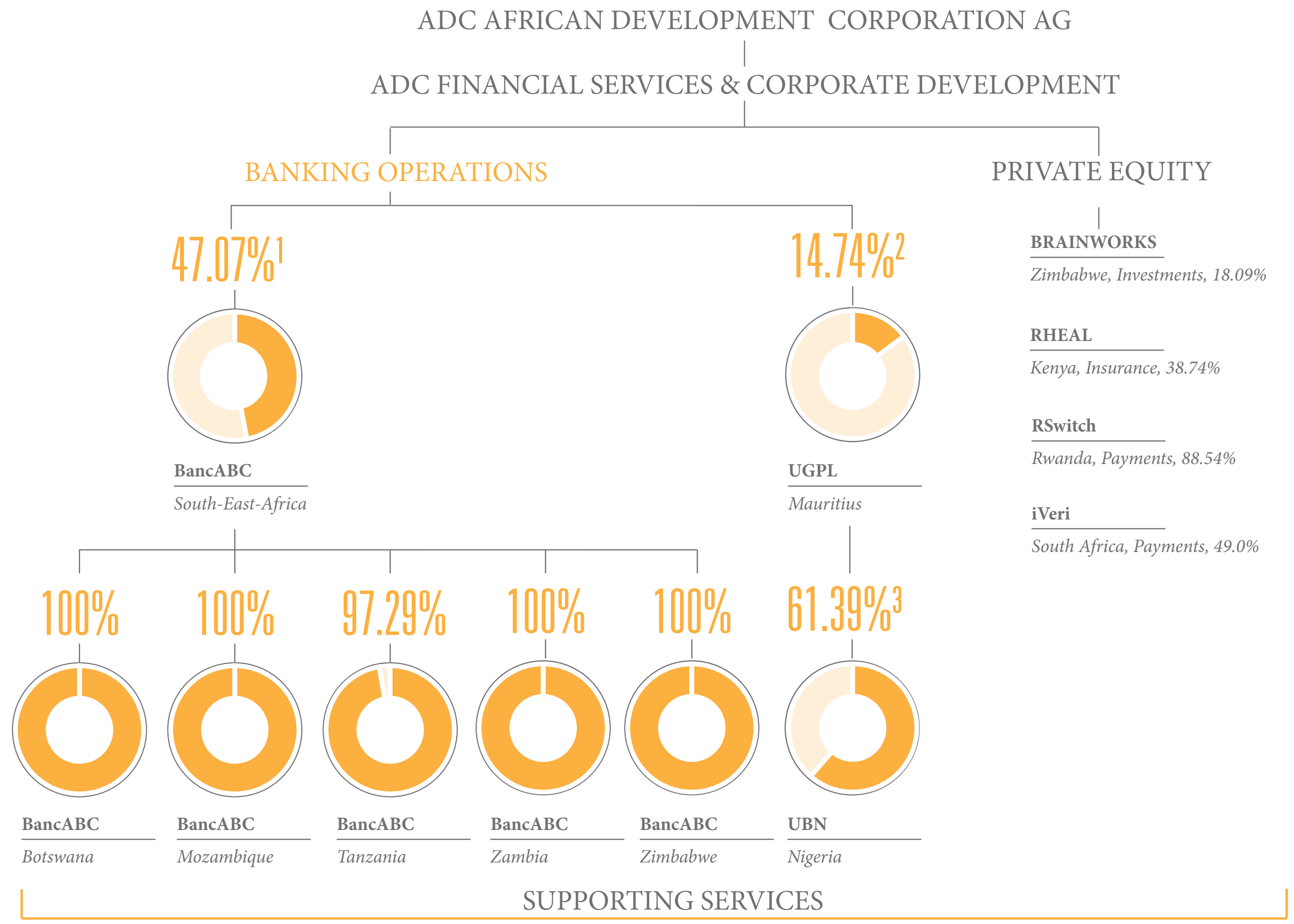
In early 2013, the ADC Group refined its strategy further to focus entirely on banking sector activities to create a pan-African merchant banking group on a large enough scale to compete with existing players and made the strategic decision to streamline its private equity activities. As such, the group is not expecting to acquire any new private equity holdings until a stronger banking platform is established, and shall hold existing investments only until market conditions and development stage of the individual assets are conducive for an exit.

ADC's management has extensive operational banking experience and follows an active management approach. The company applies a return driven business model and optimizes the risk-return profile through a political risk insurance solution offered by MIGA (World Bank Group). The company's listing and headquarters in Germany provides ADC with significant advantages over local African banking groups, especially the ability to raise money on international capital markets, the application of German corporate governance standards and the creation of an international network of business contacts and experts.

ADC's two operating divisions, banking and private equity, are coordinated from Germany by ADC's Management Board and supported by BancABC's banking headquarters in Johannesburg and ADC's investment and advisory activities headquartered in Mauritius. ADC's operational staff's role is to expand ADC's banking business in sub-Saharan Africa together with ADC's majority-owned retail and corporate banking entity, BancABC.

GROUP STRUCTURE

The activities of ADC Group are headquartered in Germany as ADC African Development Corporation AG (ADC AG). ADC AG owns 100% of ADC Financial Services and Corporate Development (ADC FS & CD) located in Mauritius, which is the African investment originator of ADC's assets via several holding companies and special purpose entities.



Group structure shows direct and indirect ownership not controlling positions. Additionally ADC holds further subsidiaries that are either not material or just shells that are described in the notes to the financial statements.

1 ADC holds a direct shareholding of 47.07% in BancABC but controls additional shares through pooling agreements, for a share of 50.10% (54.06% prior to mandatory offer closed post balance sheet date on 17 January 2014) and a further 10.99% with aligned BancABC management for a total controlling position of 65.05%.

2 ADC holds a direct shareholding of 14.74% in UGPL (Union Global Partners Limited) (indirect 9.58% 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.

ADC'S STRATEGY
AND COMPETITIVE STRENGTHS

ADC vision is to become one of the leading pan-African merchant banking groups in sub-Saharan Africa (SSA) by acquiring majority interests in other banks, which will be subsequently integrated into a common merchant banking group. ADC focuses on specific target markets in SSA and aims to be among the top three banks in terms of banking assets in each of the target countries in the near future. Next to ADC's current operational countries, the Company's medium-term expansion plans are to enter the Economic Community of Central African States (CEMAC), the West African Economic and Monetary Union (UEMOA) and the East African Community (EAC) via the most important country in the region as well as Angola as large standalone market.

In addition to establishing a pan-African banking group through further acquisitions, ADC's vision is to grow BancABC from a second tier bank into a first tier bank in all countries in which it operates. ADC will operate within its capacity to ensure that both BancABC and UBN are sufficiently capitalized to expand their activities in the corporate lending market and capture growth in the emerging retail market.

As at the reporting date, ADC has secured initial stakes in six fast-growing SSA markets, providing the Group with its initial, critically important footholds for the creation of its pan-African banking platform.

ADC COMPETITIVE STRENGTHS

ADC's competitive strengths are key factors relating to the Company's business and consist of the following:

ADC'S PRINCIPAL BUSINESS IS BANKING, FOCUSED ON THE FAST GROWING MARKETS OF SSA.

ADC focuses on fast growing markets within SSA, specifically Botswana, Mozambique, Tanzania, Zambia, Zimbabwe and Nigeria and has medium term plans to enter other economic growth regions in SSA such as CEMAC, UEMOA, EAC and the strong stand-alone country of Angola. These markets are predominantly at an earlier stage of their economic and financial market development compared to other emerging markets. In addition to favorable macroeconomic factors supporting general business growth in ADC target markets, the financial sector has a particularly high growth potential in these markets due to the increasing urbanization of the population in SSA and technical advancements.

ADC PROVIDES INTERNATIONAL BANKING EXPERIENCE AS WELL AS ACCESS TO TECHNOLOGY SERVICES AND INTERNATIONAL CAPITAL MARKETS TO ADC'S INVESTEE BANKS

The Company utilizes ADC's management experience and business networks and advises management of both ADC's majority controlled BancABC subsidiary and UBN on the implementation of modern banking systems including technical advancements. ADC closely cooperates on strategic matters and operational excellence initiatives. The Company's active management approach enables ADC to supervise the growth of the Company's bank holdings and to introduce state-of-the art industry standards used in banks in the industrialized world and the implementation of successful models from other emerging markets.

ADC'S CURRENT BANK HOLDINGS HAVE A STRONG FOOTPRINT IN THEIR MARKETS, EXPERIENCED LOCAL MANAGEMENT AND KNOWN LOCAL BRANDS.

BancABC is among the leading banks in five SSA countries and by year-end 2012 among the top five banks in two of those five countries. UBN is the ninth largest bank in Nigeria by assets[1]. As a result of their strong positions in local markets and strong brands, ADC's current bank holdings are ideally positioned to capture future growth in our current markets, both with corporate clients as well as retail clients.

ADC HAS EXTENSIVE EXPERIENCE IN ACQUISITIONS IN SSA, SPECIFICALLY RELATING TO BANKS.

Since ADC's first acquisition in 2008, the Company has completed a multitude of merger and acquisition transactions, specifically in the financial sector in SSA. Most notably, the company successfully achieved majority control of BancABC in July 2012, after acquiring its initial 20.1% stake in 2011. Similarly, ADC has a strategic and important role as the member of the investment consortium that purchased 65% of UBN in 2012, which was the largest banking transaction in Africa in the year. ADC has also acquired minority stakes in several banks, such as the Development Bank of Rwanda (BRD), Banco Nacional de Guinea Ecuatorial (BANGE) and Ecobank Zimbabwe, which were successfully divested as part of the Company's former private equity focus strategy.

ADC believes that its pan-African strategy will succeed due to strong macroeconomic conditions and high industry profitability with few pan-African competitors. The attractiveness of sub-Saharan Africa's overall financial sector is complimented by a strong group executive management team and experienced supervisory board members in combination with in-country management who are empowered to tailor services within their home markets. ADC's new strategy aims to generate value for its stakeholders by delivering more stability and less volatility.

1 ADC internal calculations from Bankscope, Bureau van Dijk Electronic Publishing GmbH, 2012 data, accessed on January 24, 2014.

BUSINESS SEGMENTS

ADC's strategic focus is on the banking sector in sub-Saharan Africa, 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 the Company acquired before the re-focused strategy was implemented in 2012 from an investment company to a banking group. As such, the group structure is divided into two main divisions: banking operations and private equity activities.

BANKING OPERATIONS

The main focus of ADC is on banking sector activities. Within the banking sector, ADC targets commercial banks with promising potential in retail and corporate banking. ADC aims to form a pan-African banking group through its controlling interest in ABC Holdings Limited (BancABC) and other potential majority stakes. Opportunities in the banking market in Africa are vast due to inadequate supply and favorable demographic conditions in which both population and incomes are rising. Currently, both retail and corporate banking are at a relatively early stage of development across most of sub-Saharan Africa, offering investors the opportunity to leverage both their expertise and capital. Demand for banking services is expanding and becoming more sophisticated as economies develop. Many banks are now seeking to enhance their product and distribution capabilities to tap into this expanding market.

ADC's banking operations division manages the Group's existing portfolio of banking investments organized into two separate segments: Banking Operations BancABC; and Banking Operations UBN.

BANKING OPERATIONS BANCABC

BancABC subgroup is ADC's core banking operation and the foundation for the establishment of a pan-African banking group. ABC Holdings Limited 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 center located in South Africa. The shares of BancABC are listed on the stock exchanges in Botswana (ABCH.BG) and Zimbabwe (ABC.ZH).

The subgroup's origin dates back to 1956 and it was rebranded in 2009 as BancABC after a number of mergers and acquisitions. The bank started with a definitive focus on corporate customers, but expanded into the retail segment in 2008. In September 2013, BancABC was ranked within the top 200 banks in sub-Saharan Africa holding the 110th spot (2012: 127th), and its largest subsidiary, BancABC Botswana, was included in the rankings on a stand-alone basis for the first time at 190th[1].

1 The Africa Report, September 30, 2013, http://www.theafricareport.com/Top-200-Banks/top-200-banks-2013

ADC's banking strategy focuses on expanding BancABC branded operations into 2-3 additional sub-Saharan core markets by the end of 2015 and on optimizing performance in current countries with the aim of becoming one of the top three banks in each of its operational subsidiaries. Achieving scale affords greater operating efficiency and a larger balance sheet size in core markets that will attract pan-African and multinational clients.

ADC is actively implementing its strategy by helping BancABC to create an innovative wholesale banking structure with technology suitable for corporate customers who require specialized pan-African products and services, while at the same time expanding its retail business to promote financial inclusion via flexible and innovative products and technology that serve the whole value chain, including the suppliers and clients of the bank's biggest customers.

The 2013 financial year was the first full year of consolidation of BancABC, after ADC purchased a majority stake in the banking group in July 2012. Following dilution of the equity stake in BancABC due to the conversion in May 2013 of a convertible bond issued by BancABC to the International Finance Corporation (IFC), ADC directly holds 47.07% of the shares, but controls an additional 3%[1] stake via pooling agreements with aligned investors, and a further 11% with aligned BancABC management.

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 recapitalization with USD 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 (ACA), 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. The broad group will ensure a balanced transfer of international best practice in financial services and environmental, social and governance (ESG) standards, and a deeply embedded local network to the new management team at UBN. ADC plays an active role in shaping UBN's current strategy via its directorship within UGPL, held by ADC's Chief Investment Officer (CIO), Karima Ola. Douglas Munatsi, CEO of BancABC, also represents ADC on the Board of UBN itself.

1 A mandatory offer initiated prior to year-end, and closed 17 January 2014 increased pooling agreements from 3% to 7%.

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 USD 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 USD 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 is 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.

PRIVATE EQUITY

ADC's private equity (PE) portfolio at the end of December 2013 consisted of investments in a private equity company located in Zimbabwe (Brainworks Capital Management), a company in the insurance sector in Kenya, Tanzania and South Sudan (RHEAL) and two companies in the payment solutions sector located in Rwanda and South Africa (RSwitch in Rwanda and iVeri in South Africa).

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.

RSWITCH is Rwanda's national payment switch, in which ADC acquired a 70.0% stake in June 2008. The company's main business is to facilitate payment transactions and to ensure interoperability amongst all banks in Rwanda as well as production of payment cards for Rwandan banks. In January 2012, ADC participated in a capital increase via a debt-to-equity swap that increased ADC's shareholding in the company from 70.0% to its current shareholding of 88.54%.

RESOLUTION HEALTH EAST AFRICA LIMITED (RHEAL) is a medical insurance provider, with a general insurance license, that began operations in Kenya in 2001 and has since expanded to other East African countries with underwriting in Tanzania, Uganda, Sudan and South Sudan. ADC holds an equity stake of 38.74% in RHEAL, including a 25.1% direct stake that was purchased by ADC FS&CD in December 2010 and a 13.64% stake that was originally held in a special purpose vehicle in Mauritius and later transferred to ADC FS & CD in June 2013 after ADC took up its rights in a capital increase issued by the company.

IVERI PAYMENT TECHNOLOGIES (IVERI) provides best-of-breed eCommerce solutions for merchants in Africa and is used by banks in six countries across the continent. ADC purchased a 49.0% stake in iVeri in November 2008.

BRAINWORKS CAPITAL MANAGEMENT (BCM) is a Zimbabwean indigenous controlled and managed private equity investment firm that invests in diverse sectors within Zimbabwe with a holding period of between 3-5 years. ADC originally acquired a 28.23% stake in the company in December 2011 that was diluted earlier this year after Brainworks issued a pre-IPO private placement, which raised a total of USD 17.5 million that was closed in the fourth quarter of 2013 at USD 0.10 per share, diluting ADC's stake from 28.23% to 18.09%.

1 Out of 65.00% shareholding in UBN, 3.61% are controlled by UGPL through a pooling agreement held outside the UGPL legal entity.

SUPPORTING SERVICES

ADC's supporting services segment is a cost center for the Group and comprises areas of activity such as identifying investment opportunities, monitoring the financial position and performances of 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. As these activities relate to both banking operations and private equity activities of the group, they are monitored in a separate reporting segment.

PERFORMANCE METRICS

ADC carefully monitors its performance via performance metrics to measure profitability, growth and efficiency, while regularly evaluating macroeconomic and sector specific risk. The finance team provides management and the supervisory board regular reporting and analysis to identify risks and opportunities for the group on a timely basis.

GROUP

The following ratios are used to present and monitor the ADC Group's overall performance:

1. The key profitability ratio for the Group is return on average equity after taxes (ROaE), in which the IFRS consolidated Group after-tax result (including non-controlling interests) is divided by the average total equity (including minorities) in the period (beginning of period + end of period / 2).

2. Return on Average Assets (ROaA) is an indicator used to assess the profitability of a firm's assets. ROaA is calculated taking IFRS consolidated Group after-tax result (including non-controlling interests) and dividing by average total assets in the period (beginning of period + end of period / 2).

3. Cost-to-income ratio (C/I) is used to monitor cost discipline in relation to group income, and is the ratio between operating expenses and operating income less provision for credit losses, expressed as a percentage.

The following indicators are used to present the ADC Group's non-financial performance:

1. Employees: Number of employees at year-end including temporary staff.

2. Attrition rate: Monthly average termination rates.

BANKING OPERATIONS

Three ratios are derived to describe the performance of ADC's banking segments:

1. Net interest margin (NIM) measures the difference between the interest generated by banks and the amount of interest paid to their lenders, relative to the amount of the interest earning assets. NIM is expressed as a percentage of what the bank earns on loans and other assets within a defined period minus the interest paid on borrowed funds divided by the average amount of assets on which it earned income in that time period;

2. Cost-to-income ratio (C/I) is used to monitor cost discipline in relation to segment income, and is the ratio between operating expenses and operating income less provision for credit losses, expressed as a percentage; and

3. Loan loss ratio is used to measure a bank's effectiveness in managing its loan book, and is the ratio of loan losses taken on the income statement to average loans outstanding during the period. It is expressed as a percentage.

The following indicators are used to present the ADC banking segment's non-financial performance:

1. Branches: the number of bank branches at year-end

2. ATMs: the number of Automatic Teller Machines (ATMs) at year-end

3. Customers: the number of active bank customers at year-end

4. Employees: the number of employees at year-end

PRIVATE EQUITY

Two main ratios are derived to describe the performance of the private equity segment:

1. Internal rate of return (IRR) is a rate of return used to measure and compare the profitability of investments. The calculation of the IRR includes dividend payments and reflects the cashflow at the time it is calculated and is derived as the rate of return that equates the present value of a project's cash inflows with the present value of its cash outflows.

2. Total value to paid-in (TVPI) multiple, which is the ratio of the current value of remaining investments within the private equity portfolio plus the total value of all distributions to date to the total amount of capital paid into the individual investment to date.

All calculations are gross amounts excluding transactions costs or cash holdings.

SUPPORTING SERVICES

As a cost center to the group, a single main performance metric is monitored for the segment. Cost-to-income ratio (C/I) is used to monitor cost discipline in relation to group income, and is the ratio between operating expenses incurred in the segment and overall Group operating income less provision for credit losses, expressed as a percentage.

CAPITAL MARKETS

SHARE INFORMATION

Legal Domicile
Frankfurt, Germany

Legal form
Stock Corporation (AG)

Shares in issue
9,467,440

Listing
XETRA, Frankfurt, Stuttgart, Berlin, Duesseldorf, Tradegate

Market Segment
Deutsche Börse / Entry Standard (open market)

ISIN
DE000A1E8NW9

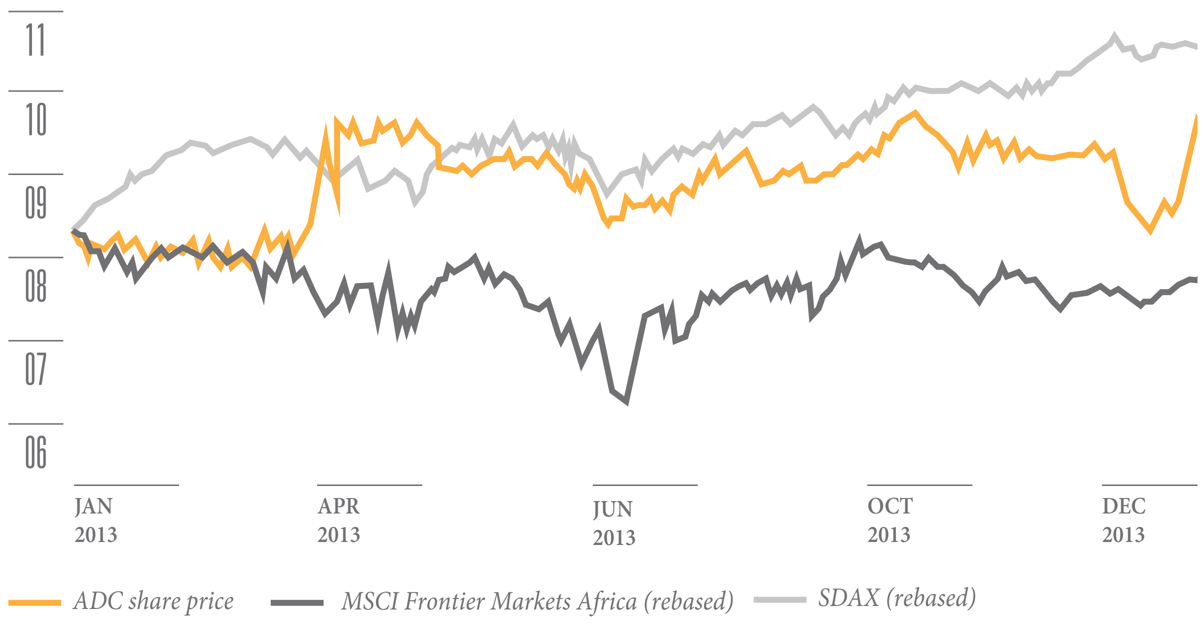
Bloomberg
AZC.GR

Reuters
AZCGne.DE

PERFORMANCE OF THE ADC STOCK

In 2013, ADC's stock price increased year-on-year by 8%, rising from EUR 8.4 in January to EUR 9.1 at the end of December. The market capitalization increased 19%, rising from EUR 72.3 million to EUR 86.0 million at the end of December, also due to a private placement issued in July 2013, which raised EUR 8.2 million for ADC through the issue of 860,676 new registered shares. By year-end, the number of shares outstanding therefore increased to 9,467,440.

Over the course of the year ADC's share price outperformed the MSCI Emerging and Frontier Markets Africa Index, which dropped 7% since the end of 2012, but underperformed the German SDAX by 29% due to a slower overall trend in emerging markets worldwide.



ADC BOND WITH WARRANTS ATTACHED

In June 2012, ADC issued a 3-year term bond (valid to 31 May 2015) with a fixed interest rate of 6% per annum. The bond was listed on the Frankfurt Stock Exchange on 02 July 2012 with the ISIN DE000A1PGNY4. Next to the solid coupon of 6%, the bond has warrants of a total of 2.0 million shares attached, entitling the holders to subscribe to up to 2.0 million new ordinary registered shares of the company at a share price of EUR 14.00, which offers an upside potential to the subscribed bond holders. The main reason for the bond issue was the acquisition of a controlling stake in BancABC at the end of July 2012.

The bond price started the year at EUR 75.0, and closed the year at virtually the same price - EUR 75.1. Trading in the bond with warrants was very low in 2013 with a liquidity of just EUR 39k traded in the course of the year.

ADC AS AN EMPLOYER

In total, ADC employed 1,558 people as of year-end 2013 (2012: 1,361), with most of them employed in its African operations, and particularly within BancABC subgroup (2013: 1,501 vs. 2012: 1,310). An average attrition rate of only 0.80% (2012: 0.75%) over the course of 2013 makes ADC confident that the Group is a reliable employer and will continue to source highly-skilled employees.

CORPORATE GOVERNANCE

DECLARATION

The management and supervisory board of ADC African Development Corporation AG submitted a voluntary declaration of conformity with the German Corporate Governance Code pursuant to Articles 161 of the German Stock Corporation Act (Aktiengesetz) in March 2014. The Corporate Governance code can be accessed on the Groups website:
http://www.african-development.com/en/investor-relations/corporate-governance/

FINANCIAL REPORT

MACROECONOMIC ENVIRONMENT

SUB SAHARAN AFRICA

Improved macroeconomic policies are among the top factors that have led to an average GDP growth of 5.5% in sub-Saharan Africa over the last decade[1]. In contrast to an average GDP growth of 1.3% in advanced economies in 2013, sub-Saharan Africa's growth beat International Monetary Fund (IMF) October 2013 forecasts, recording a growth of 5.1% in 2013, increasing from 4.8% in 2012[2].

The following table shows key economic and demographic metrics for our current operational markets in sub Saharan Africa. The data provided in the table below is as of year-end 2013[3].

ECONOMIC AND DEMOGRAPHIC METRICS FOR ADC OPERATIONAL MARKETS

COUNTRIES / CURRENT OPERATIONAL MARKETS	GDP (IN USD BILLION)	POPULATION (IN MILLION)	GDP PER CAPITA (IN USD)	GDP GROWTH (ANNUAL %)	RANK IN „DOING BUSINESS“ REPORT[4]	CLASSIFICATION IN „FREEDOM ON THE WORLD“[5]
Botswana	15.5	2.1	7,470	3.9	56	F
Kenya	45.3	43.3	1,046	5.9	129	PF
Mozambique	14.7	22.9	640	7.0	139	PF
Nigeria	292.0	169.3	1,725	6.2	147	PF
Rwanda	7.7	10.6	724	7.5	32	NF
South Africa	353.9	51.7	6,847	2.0	41	F
Tanzania	31.9	46.3	690	7.0	145	PF
Zambia	22.2	14.5	1,530	6.0	83	PF
Zimbabwe	10.5	13.1	799	3.2	170	NF

1 IMF Data, World Economic Outlook, October 2013, includes GDP growth from 2004 – 2013.
2 World Economic Outlook Update, 21 January 2014.
3 IMF Data, World Economic Outlook, October 2013.
4 Economy Rankings, World Bank Doing Business, http://www.doingbusiness.org/rankings; rankings include a total of 189 countries (F = Free, PF = Partially Free, NF = Not Free).
5 Freedom House, Freedom in the World, 2014.

The key elements contributing to sub-Saharan Africa's improved economic performance in recent years include the following:

— Macroeconomic policies

Sub-Saharan Africa's growth since the mid-1990s can be attributed, in part, by favorable macroeconomic policies including the strengthening of fiscal positions, an enhanced effort to contain inflation (Inflation rates in SSA have steadily declined and averaged 6.9% in 2013, compared to 9.0% in 2012[1]), the liberalization of exchange rates and the build up of foreign reserves to contain the impact of adverse external shocks[2].

According to the IMF, international debt relief to highly indebted poor countries in sub-Saharan Africa 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[3]. Previous high levels of external debt in countries across the continent have declined from 63% of GDP in 2000 to 25% in 2013[4].

— Political and economic reform

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 privatize government-owned enterprise. The 2013 Doing Business Report, published annually by the World Bank, shows that 45% percent of the 20 countries that showed the most significant progress in 2013 were located in sub Saharan Africa and 66% of the countries in the region improved regulatory reforms in at least one area measured by the report[5]. 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.

— Increased investment

Net Foreign Direct Investment (FDI) flows on the continent improved in 2013, increasing from USD 37 billion in 2012 to USD 43 billion in 2013, while private capital flows doubled, increasing from USD 14.9 billion in 2012 to USD 30.2 billion in 2013[6]. 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[7].

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

1 IMF Data, World Economic Outlook, October 2013.
2 European Investment Bank, Banking in sub-Saharan Africa: Challenges and Opportunities, January 2013.
3 ibid.
4 IMF Data, World Economic Outlook, October 2013.
5 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.
6 Worldbank, Global Economic Prospects, Regional SSA, January 2014.
7 ibid.

infrastructure deficit[1], which could boost sub-Saharan Africa's GDP by more than USD 20 billion annually and increase trade by up to 51%, providing the most economic benefit to intraregional trade[2].

— Favorable 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. Favorable 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[3].

— Political stability and improved governance

Political stability has significantly improved in sub-Saharan Africa over the last two decades. According to the 2014 Freedom House rankings, the number of countries in sub-Saharan Africa 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[4].

— 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, sub-Saharan Africa's population totaled 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[5]. In recent years, population growth and economic liberalization 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 USD 860 billion in 2008 to USD 1.4 trillion by 2020[6].

1 World Bank, Fact Sheet: Infrastructure in sub-Saharan Africa.
2 International Trade Centre, Africa's Trade Potential: Export Opportunities in Growth Markets. Geneva: ITC, 2012.
3 European Investment Bank, Banking in sub-Saharan Africa: Challenges and Opportunities, January 2013.
4 Freedom House, Freedom in the World, 2014.
5 Carl Haub and Toshiko Kaneda, 2013 World Population Data Sheet (Washington, DC: Population Reference Bureau, 2013).
6 Ernst & Young, Private Equity Roundup – Africa, February 2013.

SECTOR SPECIFIC CONDITIONS

SUB-SAHARAN AFRICA'S BANKING SECTOR

The growth of sub-Saharan Africa's economy and the stabilization of its macroeconomic and financial environment has led to the overall development of its banking sector. Nevertheless, banking sectors across the continent remain underdeveloped.

Banking systems in sub-Saharan Africa are heavily concentrated in urban centers and financial inclusion remains low. While sub-Saharan Africa'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[1]. 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%[2].

Sub-Saharan Africa's market structures are typically oligopolistic, as exemplified by the high share of total assets accounted for the three largest banks in most of ADC's banking markets, which ranges from 39% - 78%[3]. The banking sector is characterized 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[4].

Through shareholdings in BancABC and UBN, ADC is active in the commercial banking sector in Botswana, Mozambique, Nigeria, Tanzania, Zambia, and Zimbabwe. The table below shows the key banking metrics for these markets and clearly demonstrates that 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 ADC 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.

1 World Bank Findex Database.
2 ibid.
3 ADC calculations from Bankscope, Bureau van Dijk Electronic Publishing GmbH, 2012 data, accessed on January 24, 2014, from year-end 2012 data.
4 European Investment Bank, Banking in sub-Saharan Africa: Challenges and Opportunities, January 2013.

ADC BANKING MARKET STATISTICS

	TOTAL ASSETS (USD BN)	TOTAL ASSETS % CHANGE Y-O-Y	CLIENT LOANS % CHANGE Y-O-Y	CLIENT DEPOSITS % CHANGE Y-O-Y	LOAN / DEPOSIT RATIO (%)[1]	ASSETS / GDP (%)[2]	NET INTEREST MARGIN (%)[2]	RETURN ON AVERAGE EQUITY (%)[3]
Botswana	7.0	-3.8%	8.8%	-5.2%	76.1%	45.1%	7.0%	34.8%
Mozambique	7.7	12.8%	28.6%	20.3%	79.4%	52.5%	6.9%	25.0%
Nigeria	136.5	8.7%	8.7%	-1.4%	82.9%	46.7%	8.1%	20.8%
Tanzania	12.5	16.0%	13.8%	12.7%	71.6%	39.1%	9.1%	19.9%
Zambia	7.8	17.2%	10.4%	18.4%	66.0%	35.1%	9.0%	25.8%
Zimbabwe	5.2	11.6%	11.0%	-1.8%	84.7%	49.6%	10.2%	26.0%
Average	-	**9.8%**	**12.5%**	**6.5%**	**77.1%**	**44.4%**	**8.4%**	**25.4%**

INCREASING DOMESTIC LENDING WILL BE CRITICAL FOR GROWTH

Many countries on the continent are now depositing at least 30-50% of national GDP[4] 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[5] in ADC banking markets (excluding Zimbabwe) versus 123% in Germany and 229% in the United States[6]. 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 sub-Saharan Africa'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 – 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 – 2011, which is likely due to losses on loan portfolios and increased competition in some markets[7].

1 BMI statistics [total assets, client loans, client deposits and loan-to-deposit ratio. Information accurate as of: Botswana, Oct 2013; Mozambique, Aug 2013; Nigeria, Nov 2013; Tanzania, Sep 2013; Zambia, Oct 2013; Zimbabwe, Sept 2013.
2 BMI total asset figures used with GDP figures from World Economic Outlook, October 2013.
3 DC calculations from Bankscope, Bureau van Dijk Electronic Publishing GmbH, 2012 data, accessed on January 24, 2014, from year-end 2012 data.
4 World Bank, Global Financial Development Database, January 2014.
5 World Bank, Global Financial Development Database, January 2014.
6 World Bank Financial Structure Database, 2012 figures.
7 International Monetary Fund. Regional Economic Outlook, Sub-Saharan Africa: Maintaining Growth in an Uncertain World. Washington, D.C., October 2012 excluding Zimbabwe.

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.

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[1]. 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 sub-Saharan Africa having used a mobile phone in 2011 to pay bills or to send or receive money[2]. 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 USD 10,000[3]. ADC's active banking markets have a GDP per capita range of between USD 640 – USD 7,470 (see Economic and Demographic Metrics table) with a median GDP per capita of USD 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[4].

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[5].

ADC's main banking asset, BancABC, 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.

1 KPMG, African Banking Industry Customer Satisfaction Survey, April 2013.
2 World Bank - Demirguc-Kunt, Klapper, Measuring Financial Inclusion, 2012.
3 The Economist. Banking in Africa: Continent of Dreams. March 2013.
4 KPMG, African Banking Industry Customer Satisfaction Survey, April 2013.
5 European Investment Bank, Banking in sub-Saharan Africa: Challenges and Opportunities, January 2013.

OVERALL BUSINESS PERFORMANCE

Positive economic growth in sub-Saharan Africa combined with solid performance of ADC's banking activities on the continent has led to favorable overall business performance for ADC in 2013 compared to that of 2012.

In early 2013, ADC further refined its strategy to focus exclusively on the rapidly expanding retail, corporate and consumer banking operations on the continent and made the strategic decision to streamline the Company's private equity portfolio in order to concentrate on implementing its pan-African banking strategy. This strategic shift started in 2012 has begun to bear fruit, with the group posting a pre-tax profit from continuing operations of EUR 19.3 million in 2013, primarily driven by profits from the consolidation and at equity measurement of its banking operations and profit on sale of its minority stake in Banco Nacional de Guinea Ecuatorial.

In July, the supervisory board approved a private placement of 10% of share capital, which was subscribed at EUR 9.50 per share, raising EUR 8.2 million for ADC and securing operational financing through mid-2015.

In December, ADC made a mandatory offer to acquire the outstanding, issued ordinary shares of BancABC not already owned by ADC, as required by the Botswana Stock Exchange (BSE) for any shareholder owning more than 35% of a listed company in Botswana. The mandatory offer was financed by ADC's largest shareholder Trafigura, and closed on 17 January 2014. The mandatory offer increased ADC's voting control by 4.0% to 54.1%.

The following sections provide an overview of the overall business performance at each of ADC's operational banking units, as well as for the investments in ADC's private equity portfolio.

ABC HOLDINGS LIMITED (BANCABC SUBGROUP)

BancABC achieved a profit after tax of BWP 174.4 million before consolidation into ADC for the 2013 financial year. This is an increase of 29% compared with BancABC's 2012 result of BWP 135.2 million.

Total operating income excluding impairments for the year under review was BWP 2.6 billion before consolidation at the BancABC subgroup level, up 35% from 2012. Total income on a stand-alone basis includes net interest income after impairments of BWP 682.1 million and non-interest income of BWP 692.1 million, up 28% and 25% respectively from year-end 2012. BancABC registered a net interest margin of 10.1% in 2013 on the back of high lending rates especially to the retail sector.

Provisions for credit losses were BWP 328.0 million on a stand-alone basis, up 137% when comparing to the 2012 financial year. The ten largest impairment charges represent 82% of the total impairment charges with two impairments in Tanzania representing almost a third of the total. As a result, gross non-performing loans increased from 9.2% in December 2012 to 10.0% at the end of December 2013.

BancABC subgroup deliberately slowed its lending growth due to liquidity constraints; however, all entities had significant growth in net interest income due largely to growth in balance sheet sizes. BancABC Botswana, Zambia and Zimbabwe saw increases in high-yielding consumer loans on payroll deduction schemes, while BancABC Tanzania faced challenges in growing the business in the first half of the year due to depleted regulatory capital levels which placed the entity's capital adequacy ratio below the minimum required by regulation. The operating subsidiary was re-capitalized in July 2013 and restructuring activities continue in order to position the entity to make a positive contribution in 2014.

At the end of December 2013, net loans and advances were at BWP 10.6 billion on a stand-alone basis, up 15% from December 2012. Total assets as at 31 December 2013 were up 18% on a stand-alone basis at BWP 15.8 billion versus BWP 13.4 billion in 2012. Total deposits were up 14%, totaling BWP 12.2 billion; all BancABC operational countries except Zimbabwe increased their deposit base compared to December 2012. Zimbabwe experienced a significant drop in deposits prior to the Zimbabwe elections in July 2013, however the operational entity was rated as the most customer-focused bank in a 2013 KPMG Banking Customer Satisfaction Survey[1] and the decrease in deposits in Zimbabwe can be attributed to macro-level customer concern versus dissatisfaction with the bank itself.

Group operational costs were 29% higher than 2012; however the cost-to-income ratio fell from 71% at the end of 2012 to 66% for the same period in 2013 as total income excluding impairments rose by 39% year over year. BancABC's NAV per share of BWP 5.64 grew 15.5% versus year-end 2012, ending the year trading at a price-to-book ratio of 0.9.

Despite registering a substantially higher net profit year-over-year, the bank's management under-achieved its targets as a result of liquidity challenges limiting balance sheet growth, and substantial individual impairments on large corporate accounts which adversely affected revenue growth and impairment losses respectively.

BancABC's main areas of focus in the coming year will be to address liquidity challenges via various fundraising and deposit mobilization efforts and to tighten management of the credit process in order to mitigate and reduce non-performing loans and future impairment risks. Further to this, management has targeted operating efficiency in order to further improve its cost-to-income ratio.

UNION BANK OF NIGERIA (UBN)[2]

UBN's transformation was a core part of the 2013 financial year, with multiple projects across all areas of the bank's business. Personnel restructuring was successfully executed, with an on-going recruitment process to improve the average quality of personnel, while corporate and retail divisions put significant efforts into their marketing, with targeted sales efforts and customized products. The bank has invested significantly into technology and operations as well as risk management and financial control. The overall transformation aims to give the bank a competitive advantage in the Nigerian banking industry, enabling UBN to outperform its peers in an increasingly hawkish regulatory environment.

The restructuring activities impacted UBN's performance in 2013, with group level profit before tax (PBT) of NGN 3.8 billion, up 31% versus the 2012 financial year. PBT for the core bank, excluding UBN UK and all non-banking operations, was NGN 4.2 billion, up 22% from prior year results. UBN was exposed to developments in the Nigerian discount house sector in the second half of the year, which contributed to an increase in the overall impairment charge of NGN 12.1 billion at group level. The return on average equity (ROaE) in 2013 was 2.1% for group and 2.8% for the core bank, versus 0.7% and 1.8% respectively from the previous year, reflecting the negative impact of one-off restructuring costs and extraordinary provisioning due to the discount house crisis.

2013 was the first full year with UBN's new core executive management in place. The management have been successful in making UBN a more stable and more customer-focused bank with the underlying core business showing strong growth, particularly in the second half of the year.

Group net interest income at the end of 2013, totaled NGN 57.4 billion, a decline of 9% compared with year-end 2012, while core bank net interest income of NGN 55.1 billion declined by 6%. The reduction in net interest largely reflects declines in Nigerian treasury yields, since 65% of UBN's interest earning assets at year end are held in either investment securities or interest earning cash. Furthermore, interest from loans & advances was relatively inflated in 2012 due to accrued interest on a large AMCON bond receivable which was repaid in 2013. Group and core bank non-interest income increased to NGN 24.5 billion and NGN 24.2 billion respectively. Operating expenses were down 18% at group level to NGN 60.0 billion (2012: NGN 73.0 billion) and down 20% at core bank level to NGN 56.7 billion (2012: NGN 70.9 billion) versus prior year figures, despite including non-recurring expenses of NGN 7.8 billion related to staff restructuring, which is expected to achieve annual savings of NGN 8.1 billion starting in 2014.

Total assets at year-end totaled NGN 1,002.8 billion at group level and NGN 882.1 billion at core bank level, down 1.2% and 0.5% at group and bank level respectively.

Deposits decreased by 8% at group level, but remained stable at core bank level, ending the year at NGN 480.0 billion. The cash reserve requirement (CRR) on public sector funds increased to 50% in 2013, and 75% in January 2014 and will likely increase further to 100% later in 2014; reducing the banks yield on public sector deposits. In the first half of 2013, deposits decreased to NGN 456.9 billion, partly because of the loss of public sector deposits, The second half of 2013, however, saw deposits grow 5.0%, an annualized rate of 10.0%, which is the fastest deposit growth rate since ADC invested at the beginning of 2012 reflecting the bank's new marketing strategies to convert dormant accounts into active accounts as well as enhancements to the branch network.

Net loans were up 43% to NGN 229.5 billion at group level compared to the 2012 financial year and up 53% to NGN 210.1 billion at core bank level. 85% of the total credit growth since the beginning of 2012 at core bank level occurred in the second half of 2013, which is largely attributable to the growth in corporate accounts. The recently appointed Head of Corporate Banking is building stronger relationships with blue chip corporates and reactivating dormant accounts.

Gross loan-to-deposit ratio was 48.1% at core bank level. Liquidity remains strong with room to grow its loan book by a further 52% without raising more capital, or breaching the 80% regulatory threshold for the loan-to-deposit ratio. UBN finished the year with a Capital Adequacy Ratio (CAR) of 25.0%, well above the regulatory requirement of 15%.

1 KPMG, African Banking Industry Customer Satisfaction Survey, April 2013.
2 Minor changes compared to status on 31 March 2014.

PRIVATE EQUITY INVESTMENTS

BANCO NACIONAL DE GUINEA ECUATORIAL (BANGE)

In May 2013, ADC exited its investment in BANGE after the opportunity to acquire a majority did not materialize over the four-year investment period. Negotiations successfully concluded with co-shareholders of the bank who took over ADC's stake. Inclusive of dividend payments, a total gain of EUR 6.6 million was realized, reflecting a gross IRR of 34% and a total value to paid in (TVPI) multiple of 3.4x.

BRAINWORKS CAPITAL MANAGEMENT (BCM)

BCM made operational and financial gains in its private equity based business located in Zimbabwe during 2013. The company entered the tourism sector during the year in review with an investment in African Sun Limited (46.9% stake) and Dawn Properties Limited (15.3% stake) together with international co-investors. It's 29.4% investment in Ecobank turned a profit in 2013 while majority-owned FML Oil Zimbabwe secured American co-investors and obtained exchange control approval which will enable the company to ramp up its logistics operations to fuel companies in 2014. BCM's 45% equity investment in GetBucks Zimbabwe is on an upward trend with lucrative profit projections by mid-2014.

BCM completed a pre-IPO private placement which, at final closing, in December 2013, raised a total of USD 17.5 million at a price of USD 0.10 and comes prior to the completion of a planned reverse takeover of a Toronto Stock Exchange Tier 2 listed company, which is set to be finalized in Q2 2014. The capital increase diluted ADC's shareholding from 28.23% in 2012 to 18.09% at the end of 2013.

In line with its strategy to pursue divestiture of non-core assets, on 31 December 2013, ADC and BCM entered into a put / call agreement whereby ADC granted the founders of BCM a call option to buy ADC's shares in BCM and ADC was granted a put option by BCM founders to sell ADC's shares in BCM for the equivalent amount. The call and put options are valid until 30 June 2014. BCM is classified as held for sale at year end 2013. Further information about the call and put options can be found in note 6.14 to the financial statements.

IVERI PAYMENT TECHNOLOGIES (IVERI)

ADC has a 49% shareholding in iVeri and a 25.1% shareholding in iVeri's subsidiary company evriPay. iVeri provides best-of-breed eCommerce solutions for merchants in Africa and is used in the following countries across the continent: South Africa, Namibia, Lesotho, Swaziland, Kenya, Angola, Tanzania, Rwanda, Nigeria and Zimbabwe.

In late November 2012, iVeri launched mPress, a mobile Chip & PIN solution, which allows the processing of major credit cards as well as local debit card schemes. mPress was deployed by its first customer in February 2013, and was the first mobile point-of-sale (mPOS) deployment in Africa. One year after the launch, iVeri's mPress is live, certified (Visa and MasterCard compliant) and a leader in the field of e-payments.

iVeri's increasing array of products and services available to banks across Africa translated into positive developments in 2013, resulting in a 26% increase in revenues, totaling ZAR 19.5 million (EUR 1.7 million) in the year under review, compared to ZAR 15.5 million (EUR 1.4 million) in 2012. PBT at iVeri more than tripled year-on-year, totaling ZAR 4.1 million (EUR 281.5k) compared to ZAR 905k (EUR 86k) in 2012. ADC has commenced activities in order to divest its stake in iVeri, and as such is classified as available for sale at year end 2013.

RESOLUTION HEALTH EAST AFRICA LIMITED (RHEAL)

ADC owns a 38.74% stake in RHEAL, Kenya's first medical insurance provider under Kenya's new insurance act. In January 2013, RHEAL received its new license from Kenya's Insurance Regulatory Authority (IRA), which registers the company as a general insurer, licensed to provide a range of medical and other general insurance products. RHEAL is now active under the Resolution Insurance brand name, whose primary focus is the medical insurance business, with over 60,000 members in three countries in East Africa. In September 2013, the East African Johnnie Walker Blue Label CNBC Africa All Africa Business Leaders Awards named the founder and CEO of REHAL, Peter Nduati, entrepreneur of the year for his innovative work in the field of medical insurance provision in Africa.

Despite strengthening its network to over 750 medical service providers in East Africa (2012: 400+) and increasing its active members by 13%[1], RHEAL suffered a loss of KES 492.8 million (EUR 4.1 million) despite a 21% growth in net premiums in 2013. RHEAL's negative earnings are partly due to the reorganization of the company to fulfill new licensing requirements for insurance companies and partly due to RHEAL's expansion into Tanzania and Uganda with partnerships in Sudan and the South Sudanese insurance sector.

RSWITCH

ADC's acquisition of RSwitch in June 2008 aimed to transform Rwanda's beleaguered payments switch into a modern e-payment system, delivering technological solutions to Rwandan banks and to increase financial inclusion within the country while simultaneously complying with international standards to conduct and settle payments across systems.

RSwitch has made significant progress on enabling the e-payment sector to grow within the country over the last five years. At the end of 2008 there were less than 25 ATMs in Rwanda and a total of 12,045 debit cards nationwide that collectively made 177,503 ATM withdrawals at local ATMs. At the end of 2013, the country had increased the number of ATMs to 326 with over 273,000 debit cards, which made close to three million ATM withdrawals over the year on RSwitch's integrated payments system.

RSwitch's local management, headed by Konde Bugingo, spearheaded RSwitch's turnaround and successfully delivered the company's first profitable year in 2013, registering a profit before tax of RWF 161.2 million (EUR 169.1k). ADC is proud to have contributed to Rwanda's financial deepening and believes that the company has a prosperous future ahead.

In line with ADC's strategic shift to exit its investments in its private equity arm, ADC has received an offer from an interested party for ADC's majority shareholding in RSwitch; due to its consolidated status, it is now classified as an asset available for sale and shown under discontinued operations in the consolidated income statement and balance sheet.

1 5% increase in Kenya and the balance are new customers in Tanzania and Uganda.

DEVELOPMENT IN EARNINGS

GROUP

Net profit in the financial year was EUR 12.5 million, this is a significant improvement from the 2012 full year figure which was very much affected by exceptional factors. The development of results in 2013 compared with the previous year is detailed in the following table. All comparisons to 2012 reference re-stated figures[1]. With 2012 figures including only 5-months of consolidated BancABC subgroup results, relevant comparisons to previous year income statement items remain limited:

IN EUR MILLION	2013	2012	Δ IN EUR MILLION
Operating Performance			
Gross Operating income	159.5	53.8	105.7
Net interest income	82.7	27.6	55.1
Net fee and commission income	37.3	16.9	20.4
Net trading income	16.2	2.6	13.6
Net gains (losses) on financial instruments designated at fair value through profit or loss	3.2	(12.7)	15.9
Net income (loss) from equity method investments	14.5	(0.9)	15.4
Other non-interest income	5.6	20.3	(14.7)
Provisions for credit losses	(24.9)	(8.1)	(16.8)
Operating Income	134.6	45.7	88.9
Operating Expenses	(115.4)	(57.2)	(58.2)
Staff costs	(44.0)	(18.7)	(25.3)
Administration expenses	(35.5)	(19.2)	(16.3)
Depreciation & Amortization	(17.3)	(11.5)	(5.8)
Other operating expenses	(18.6)	(7.8)	(10.8)
Pre-tax profit (loss)	19.3	(15.9)	35.2
Profit from discontinued operations	0.2	(0.9)	1.1
Net profit (loss)	12.5	(18.9)	31.4
Ratios & Indicators			
Return on average Equity	9.6%	-16.6%	
Return on average Assets	0.9%	-2.5%	
Cost-to-income ratio	72.3%	106.5%	
Employees:	1,558	1,362	194
Attrition rate:	0.80%	0.75%	

1 2012 accounts re-stated to align with BancABC subgroup's requirement to adopt IFRS 10, including consolidation of ADC's stake in ADC Ventures previously accounted for as a derivative financial instrument, and application of the Investment Entity Approach to the accounts of UGPL taken into ADC group accounts at equity. Further details on re-statement of 2012 figures available in Note 2.2 to the financial statements.

OPERATING INCOME During 2013, operating income amounted to EUR 134.6 million (2012: EUR 45.7 million). The increase was in significant part due to the integration of a full 12-months of operating results from BancABC subgroup compared with consolidation of only 5-months in 2012 as well as operational growth at BancABC subgroup and increased gains recognized on associates.

Net Interest income reached EUR 82.6 million in 2013 compared with EUR 27.6 million in prior year, indicating a year-over-year growth of 25% excluding run rate effects (i.e. consolidation of 12 vs. 5 months results), and is related directly to underlying growth and improved of net interest margin at BancABC subgroup.

Net fee and commission income of EUR 37.3 million (2012: EUR 16.9 million) and relates primarily to fee income on loans and advances (EUR 15.2 million), fee income from trust and fiduciary activities (EUR 10.9 million), and fee income on available for sale securities (EUR 9.8 million).

Net trading income increased substantially to EUR 16.2 million in the financial year (2012: EUR 2.6 million) relating primarily to EUR 14.6 million in net trading gains on foreign exchange differences realized at BancABC subgroup, EUR 3.6 million in gains on available for sale investments, and losses on derivative financial instruments of EUR 2.1 million.

Net gains on financial instruments designated at fair value through profit or loss were EUR 3.2 million in 2013 (2012: loss of EUR 12.7 million). The gains in 2013 relate primarily to gains on sale of ADC's 25% minority stake in BANGE in Equatorial Guinea for EUR 1.4 million. Furthermore, a EUR 0.7 million gain was booked on its minority stake in Resolution Health, and a EUR 0.3 million loss in Brainworks. The balance of EUR 1.4 million relates to movements in fair value investments at BancABC subgroup, primarily driven by gains recorded in the various equity investments of its Tanzanian subsidiary.

Net income from equity method investments increased to EUR 14.5 million in the financial year (2012: EUR -0.9 million). The income relates to 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 was EUR 5.6 million (2012: EUR 20.3 million). Income relates to rental income, and miscellaneous other non-interest income at BancABC subgroup. The 2012 gains included a one-time gain of EUR 17.1 million from the release of negative goodwill arising from the first time consolidation of BancABC subgroup and intangible assets created through purchase price allocation.

PROVISIONS FOR CREDIT LOSSES were EUR 24.9 million in 2013 (2012: EUR 8.1 million). The 2013 full year credit loss ratio was 2.8% compared with 1.8%[1] as BancABC's standalone ratio in 2012. Main contributor to credit loss provisions were corporate lending activities with the top 5 individual impairments accounting for EUR 16.9 million or 68% of total losses in the year, and with the 5 largest exposures in Tanzania accounting for EUR 11.0 million or 44% of losses.

OPERATING EXPENSES In the financial year 2013, operating expenses increased by EUR 58.2 million to EUR 115.4 million (2012: EUR 57.2 million), mainly due to the consolidation of a full year of BancABC subgroup compared to 5 months in 2012. Compared to the previous year, staff ex-

1 Based on 2012 full year credit loss ratio from ABC Holdings 2012 Annual report.

penses increased to EUR 44.0 million (2012: EUR 18.7 million), with underlying headcount growth of 14.5% year-over-year, exclusively at BancABC subgroup.

Operating expenses further include EUR 17.3 million in depreciation and amortization including EUR 17.4 million relating to BancABC subgroup, EUR 10.2 million in IT services expenses primarily relating to operating and maintenance of BancABC's banking software programs, EUR 8.3 million in rental expense mainly relating to BancABC's pan-African branch network, EUR 6.9 million in commissions expenses relating primarily to BancABC's EasyLoan activities in Botswana, EUR 5.3 million in audit, legal and other professional fees and administrative services, EUR 4.9 million in marketing expenses, EUR 3.6 million in travel expenses. The remaining EUR 14.9 million relate to other operating and administrative costs and expenses.

Because of the reduction in costs at ADC holding level, and the consolidation of full-year results from BancABC, the cost-to-income ratio for ADC group was 72.3% in 2013, compared with 107.8% in 2012. This compares with an average cost-to-income ratio of 65.5% for all banks in ADC's banking markets[1].

PRE-TAX PROFIT (LOSS) The profit before tax amounted to EUR 19.3 million (2012: EUR -15.9 million).

TAXES ON INCOME Expenses of EUR 11.5 million from current taxes (2012: EUR 4.6 million) and income of EUR 4.6 million for deferred taxes (2012: EUR 2.5 million) combine to form a net tax expense of EUR 6.9 million (2012: EUR 2.1 million). In 2013, current taxes relate primarily to income taxes due from banking operations in Botswana, Zimbabwe and Zambia within BancABC subgroup respectively.

PROFIT FROM DISCONTINUED OPERATIONS The activities of ADC's consolidated subsidiary RSwitch, held for sale at year end 2013, contributed EUR 157k profit to ADC Group in the year (2012: EUR -863k)

NET PROFIT (LOSS) The profit after tax of ADC Group amounted to EUR 12.5 million (2012: EUR -18.9 million). Return on average equity amounted to 9.3% (2012: -16.6%) and return on average assets to 0.9% (2012: -2.5%).

1 ADC calculations from Bankscope, Bureau van Dijk Electronic Publishing GmbH, 2012 data, accessed on January 24, 2014, from year-end 2012 data.

SEGMENT REPORTING

BANKING OPERATIONS BANCABC

IN EUR MILLION	2013	2012	Δ IN EUR MILLION
Operating Performance			
Gross Operating income	151.4	57.7	93.7
Net interest income	91.4	31.7	59.7
Net fee and commission income	37.3	16.9	20.4
Net trading income	16.5	7.3	9.2
Other non-interest income	6.2	1.8	4.4
Provisions for credit losses	(24.8)	(8.1)	(16.7)
Operating income	126.6	49.5	77.1
Operating expenses	(107.2)	(43.2)	(64.0)
Pre-tax profit (loss)	19.4	6.3	13.1
Net profit (loss)	12.7	4.3	8.4
Ratios & Indicators			
Net Interest Margin	10.6%	9.4%[1]	
Cost-to-income ratio	70.8%	74.9%	
Loan loss ratio	2.8%	1.8%[2]	
Employees:	1,501	1,310	191
Branches:	73[3]	61	12
ATMs:	74	62	12
Customers:	278,217	188,693	89,524

The segment Banking Operations BancABC comprises the consolidated activities of BancABC subgroup across its five operational countries. Relevant comparisons to previous year figures are limited due to the first time integration of 12-months of subgroup financial data versus 5-months in 2012.

The segment Banking Operations BancABC achieved a net profit of EUR 12.7 million 2013 (2012: EUR 4.3 million). While the performance of the bank improved, the segment continues to experience higher-than-budgeted impairments and tight liquidity, which affected the net result as compared to forecasts. Despite Lower than forecast profits, net profit growth was substantial year over year.

OPERATING INCOME During 2013, operating income amounted to EUR 126.6 million (2012: EUR 49.6 million).

1 For comparability purposes, 2012 net interest margin based on BancABC subgroup stand-alone figures.
2 For comparability purposes, 2012 loan loss ratio based on BancABC subgroup stand-alone figures.
3 Includes 4 Easy Centres located in Tanzania that target specifically to public sector employees.

Net Interest income reached EUR 91.4 million in 2013 (2012: EUR 31.7 million) indicating a year-over-year growth of 20.1% excluding run rate effects (i.e. consolidation of 12 vs. 5 months results), and is related directly to underlying growth and a net interest margin of 10.6% in 2013 versus 9.3% stand-alone in 2012.

PROVISIONS FOR CREDIT LOSSES increased significantly, rising from EUR 8.1 million in 2012 to EUR 24.8 million at end of year 2013. The resulting loan loss ratio increased from 1.8% to 2.8%.

OPERATING EXPENSES increased by 3.4%, excluding run rate effects to EUR 107.2 million, from 2012 but the cost-to-income ratio fell from 74.9% in 2012 to 70.8% in 2013 as income growth outpaced expense growth.

NET PROFIT The profit after tax of the segment Banking Operations BancABC amounted to EUR 12.7 million (2012: EUR 4.3 million).

BANKING OPERATIONS UBN

IN EUR MILLION	2013	2012	Δ IN EUR MILLION
Operating Performance			
Gross Operating income	9.6	(2.5)	12.1
Net interest income (expense)	(5.3)	(2.3)	(3.0)
Net income from equity method investments	14.9	(0.5)	15.4
Other non-interest income	0.1	0.3	0.2
Provision for credit losses	0.0	0.0	0.0
Operating income	9.6	(2.5)	12.1
Operating expenses	(0.4)	(2.6)	2.2
Pre-tax profit (loss)	9.2	(5.1)	14.3
Net profit (loss)	9.2	(5.1)	14.3
Ratios & Indicators of the Underlying Asset[1]			
Net Interest Margin:	9.4%	11.0%	
Cost-to-income ratio:	71.5%	96.0%	
Employees:	3,959	4,794	

The segment Banking Operations UBN comprises ADC's at equity interest of 14.74% in UGPL, the investor consortium holding a 61.39%[2] stake in Union Bank of Nigeria plc (UBN), including the consolidation of both the previously consolidated vehicle ADC Enterprises; as well as its special purpose vehicle ADC Ventures, previously accounted for as a derivative financial instrument[3]. ADC Ventures is a non-recourse vehicle financed with USD 3 million by ADC, and a mezzanine loan facility of USD 41.3 million in order to increase ADC upside opportunity in the UBN asset. The ratios and indicators are shown based on the underlying performance of UBN, which is taken into UGPL accounts at fair value, and thus not on a consolidated basis of measurement.

1 UBN ratios added for informational purposes only and are presented and are based on audited accounts of Union Bank of Nigeria plc ratios. They are not consolidated into ADC's financial accounts.

2 The consortium controls an additional stake of 3.6% in UBN, but is held outside UGPL resulting in a 65% controlling stake of UGPL in UBN.

3 Accounting treatment of ADC Ventures changed due to ADC's early adoption of IFRS 10 in 2013.

In the year under review, the net profit of the segment of EUR 9.2 million was higher than the corresponding previous year figure (2012: EUR -5.1 million) as a result of the underlying valuation increase in UGPL's stake in UBN to the closing share price of 9.63 naira at year end.

OPERATING INCOME totalled EUR 9.6 million in 2013 (2012: EUR -2.5 million) owing to the underlying revaluation of UBN to the closing share price at year end of 9.63 naira compared with 7.35 naira at year end 2012.

OPERATING EXPENSES were EUR -0.4 million in the year, significantly lower than prior year figures (2012: EUR -2.6 million), which included the one-time costs relating to legal & other professional advisory expenses and facilities arranging fees relating to the initial entry into the assets.

NET PROFIT (LOSS) The profit after tax of the segment Banking Operations UBN amounted to EUR 9.2 million (2012: EUR -5.1 million)

PRIVATE EQUITY

IN EUR MILLION	2013	2012	Δ IN EUR MILLION
Operating Performance			
Gross Operating income	5.2	(14.7)	19.9
Net interest income	(0.0)	(0.0)	(0.0)
Net gains (losses) on financial instruments designated at fair value through profit or loss	1.9	(13.2)	15.1
Other non-interest income	3.6	3.2	0.4
Provisions for credit losses	(0.5)	0.0	(0.5)
Operating income	4.7	(14.7)	19.4
Operating expenses	(4.2)	(7.6)	(3.4)
Pre-tax profit (loss)	0.4	(22.3)	22.7
Profit from discontinued operations	0.2	(0.9)	1.1
Net profit (loss)	0.4	(23.2)	23.6
Ratios			
Gross IRR	13.5%	16.0%	
Multiple	1.4x	1.3x	

The segment Private Equity Activities comprises the activities relating to the holding of ADC's private equity portfolio, including the consolidated results of Rwandan payment solutions provider

RSwitch currently held as available for sale. In the year under review, the net loss of the segment was EUR 136k from continuing operations, with a slightly positive result, when the net profits of discontinued operations are included.

OPERATING INCOME The private equity segment had two primary income streams in the 2013 financial year underlying its operating income of EUR 4.7 million versus a loss of EUR 14.7 million in 2012. Dividend payments from BancABC accounted for EUR 3.4 million in other non-interest income, and net gains realized on the exit of ADC's investment in BANGE in the amount of EUR 1.4 million made up the majority of the difference. The overall performance of the private equity segment as of 31 December 2013 is an IRR of 13.5% and a multiple of 1.4x.

OPERATING EXPENSES The segment significantly reduced its operating expenses in the financial year to EUR 4.0 million (2012: EUR 7.6 million) largely due to reductions in administration fees and other operating expenses.

NET PROFIT (LOSS) The profit after tax of the private equity segment amounted to EUR 27k (2012: EUR -23.2 million) driven largely by dividends received from BancABC and net gains realized from the sale of BANGE in the first half of the year.

SUPPORTING SERVICES

IN EUR MILLION	2013	2012	Δ IN EUR MILLION
Operating Performance			
Gross operating income	(2.8)	(1.3)	(2.4)
Net interest income	(3.5)	(1.8)	(1.7)
Other non-interest income	0.7	0.4	0.3
Operating income	(2.8)	(1.3)	(1.5)
Operating expenses	(4.8)	(4.6)	(0.2)
Staff	(0.8)	(0.1)	(0.7)
Professional services and consulting	(1.5)	(0.3)	(1.2)
Accounting and audit	(0.5)	(0.7)	0.2
Other operating & administrative expenses	(2.0)	(3.6)	1.6
Net profit (loss)	(7.7)	(10.3)	(2.7)
Ratios			
Cost-to-income ratio[1]	3.0%	8.4%	

The segment Supporting Services comprise areas of activity such as identifying investment opportunities, monitoring the financial position and performances of Group companies and portfolio companies, and providing them with professional support. In addition, we pursue strategic portfolio structuring, coordinate active risk management, implement capital-raising measures, and maintain relationships with investors. The segment is a cost center for the group.

1 Operating expenses of the segment in relation to overall group income.

OPERATING EXPENSES remained relatively stable at EUR 4.8 million versus EUR 4.6 million in 2012. The cost of the supporting services segment in relation to overall group income decreased from 8.4% in 2012 to 3.0% in 2013 due to higher income at Group level and stable operating expenses during the year.

NET PROFIT (LOSS) The loss after tax of the supporting services segment amounted to EUR 7.7 million (2012: EUR 5.9 million) driven largely by interest charges carried at holding level relating to the 3-year bond with warrants, and the operating expenses described above.

CONSOLIDATION & ADJUSTMENTS

IN EUR MILLION	2013	2012	Δ IN EUR MILLION
Operating Performance			
Gross Operating income	(3.9)	14.7	18.6
Net interest income	0.0	0.0	0.0
Net fee and commission income	0.0	0.0	0.0
Net trading income	0.0	0.0	0.0
Other non-interest income	(3.9)	14.7	18.8
Provisions for credit losses	0.4	0.0	0.4
Operating expenses	1.3	0.8	0.5
Pre-tax profit (loss)	(2.2)	15.4	17.6
Net profit (loss)	(2.2)	15.4	17.6

In Consolidation & Adjustments, the sum of the segment results is reconciled with the consolidated results. This column contains consolidation and adjustment entries which do not fall under the scope of the various operating segments.

THE NET LOSS in Consolidation & Adjustments was EUR 2.4 million in 2013 (2012: profit of EUR 11.1 million) mainly relating to the elimination of intercompany dividends paid from BancABC subgroup to ADC as well as elimination of intercompany operating expense recharges.

DEVELOPMENT IN ASSETS

IN EUR MILLION	31.12.2013	31.12.2012	Δ IN EUR MILLION
Assets			
Cash and short term funds	200.9	183.4	17.5
Other financial assets held for trading	104.5	99.8	4.6
Financial assets designated at fair value	11.4	10.7	0.8
Derivative Financial Instruments	2.6	3.3	(0.7)
Loans and advances	875.0	886.6	(11.6)
Investment securities	5.6	5.3	0.3
Other current assets	25.3	24.4	0.9
Investment in associates	72.3	74.9	(2.5)
Property, plant and equipment	62.8	64.9	(2.2)
Other intangible assets and goodwill	51.8	70.7	(18.9)
Deferred tax assets	9.3	8.7	0.7
Non-current assets and disposal groups held-for-sale	10.8	0	10.8
Total Assets	**1,432.4**	**1,432.7**	**(0.3)**

GENERAL DEVELOPMENT IN ASSETS The total assets of ADC Group amounted to EUR 1,432.3 million and were thus stable compared with the corresponding figure at the end of the previous year (2012: EUR 1,432.7 million). While the balance sheet of BancABC subgroup increased by 18% in local currency, the depreciation of the BWP versus the EUR in the course of 2013 by 18% counteracted this growth.

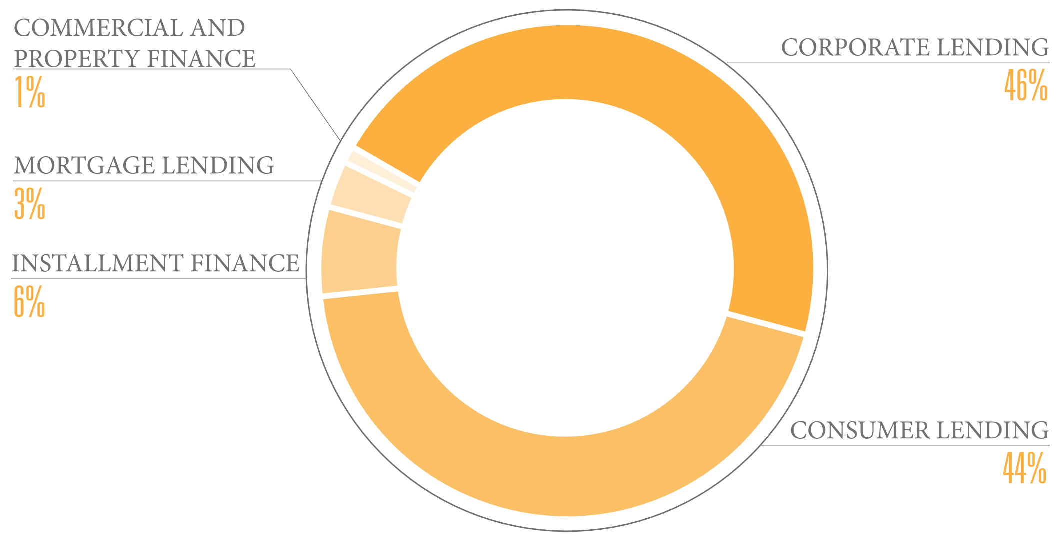
The group held EUR 200.9 million in cash and cash equivalents compared to EUR 183.4 million at year-end 2012. Of this, EUR 191.0 million was held by BancABC subgroup and EUR 10.1 million by ADC holding entities. Cash and equivalents increased EUR 9.5 million at BancABC subgroup, as well as EUR 8.3 million at ADC holding level.

NET LOANS AND ADVANCES amounted to EUR 875.0 million at year-end 2013 compared to EUR 886.6 million as at December 31 2012, all relating to BancABC subgroup. While gross loans increased by 18.0% in local currency to BWP 11,166 million and 0.3% in Euro to EUR 925.7 million compared to year end 2012, increased balance sheet impairments resulted in an overall decline in net loans and advances.

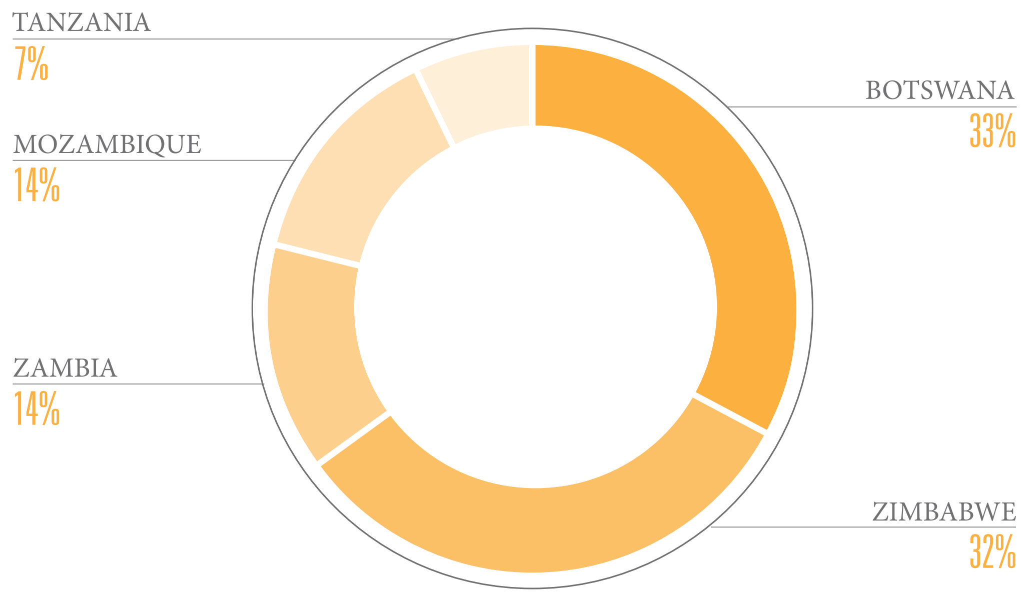
The major parts of the net loan book come from Botswana with EUR 290.3 million (2012: EUR 295.1 million) and Zimbabwe with EUR 282.2 million (2012: EUR 325.3 million). The loan book in the other country subsidiaries amounts to EUR 117.5 million in Zambia (2012: EUR 103.4 million), EUR 122.0 million in Mozambique (2012: EUR 85.6 million) and EUR 62.5 million in Tanzania (2012: EUR 73.6 million). Additionally EUR 0.4 million loans and advances are allocated to the holding company (2012: EUR 3.6 million). Declining values of net loans and advances in Tanzania (-15%) and Zimbabwe (-13%) tied largely to increases in impairments in the year, and currency translation effects on a relatively stable loan book. The decline in Botswana's net loan book is tied to currency translation effects.

The net loan book by segment remained relatively stable vs. prior year and mainly comprises of EUR 406.4 million in corporate lending (2012: EUR 450.1 million), EUR 381.9 million consumer lending (2012: EUR 387.0 million), EUR 53.5 million in installment finance (2012: EUR 54.8 million), EUR 28.8 million mortgage lending (2012: EUR 26.2 million) and EUR 4.5 million in commercial and property finance (2012: EUR 5.3 million).

COMPOSITION OF NET LOAN BOOK BY MARKET SEGMENT (IN % OF TOTAL)



COMPOSITION OF NET LOAN BOOK BY COUNTRY (IN % OF TOTAL)



Total impairments amount to EUR 57.3 million at year-end 2013 (2012: EUR 36.7 million), with individual impairments of EUR 48.2 million increasing from 79% to 84% of total impairments and collective impairments increasing to EUR 9.1 million. The main impairments stem from the corporate lending (EUR 44.9 million) and the consumer lending (EUR 9.8 million).

INVESTMENTS IN ASSOCIATES were EUR 72.3 million at balance sheet date compared to EUR 74.9 million at year-end 2012. At year-end 2013, the position includes EUR 66.8 million relating to ADC's investments in UGPL measured in accordance with the equity method. Furthermore, it includes EUR 4.4 million relating to ADC's investment in RHEAL (Kenya) which is measured at fair value through profit and loss. The remaining EUR 1.1 million relate to investments in Lion of Tanzania and Credit Insurance of Zimbabwe jointly. All other investments in ADC's private equity portfolio are held as available for sale at year end 2013.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE were EUR 10.8 million at balance sheet date (2012: EUR 0), and include ADC's fair value investments held in Brainworks (EUR 6.3 million), and iVeri and Evripay (EUR 1.1 million), as well as the consolidated assets of RSwitch (EUR 3.4 million).

OTHER INTANGIBLE ASSETS AND GOODWILL ended the year with a balance of EUR 51.8 million (2012: EUR 70.7 million). The change related primarily to amortization taken on intangible assets, including currency translation effects on the intangible assets booked as part of the first time consolidation of BancABC subgroup.

DEVELOPMENT IN EQUITY

AND LIABILITIES

IN EUR MILLION	31.12.2013	31.12.2012	Δ IN EUR MILLION
Liabilities			
Deposits	1,012.1	1,041.9	(29.8)
Derivative financial instruments	3.8	2.2	1.6
Creditors and accruals	54.0	36.2	17.7
Current tax liabilities	1.1	2.0	(0.9)
Deferred tax liability	12.2	15.9	(3.7)
Borrowed funds	226.3	195.7	30.7
Non-current liabilities and disposal groups held-for-sale	0.4	0	0.4
Total Liabilities	**1,309.9**	**1,293.9**	**16.0**

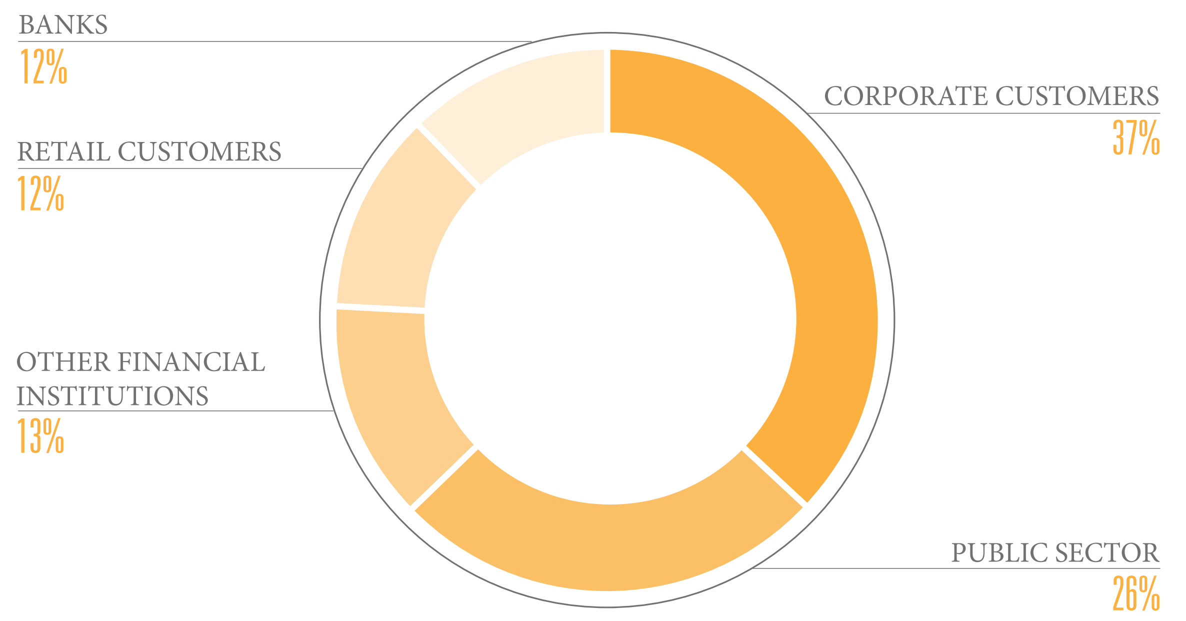
Liabilities

Total Group liabilities as of 31 December 2013 amounted to EUR 1.3 billion, stable compared with same date in the previous year. The stability in Euro basis was mainly attributable to a reduction in deposits, compensated for by increased borrowed funds both at BancABC subgroup.

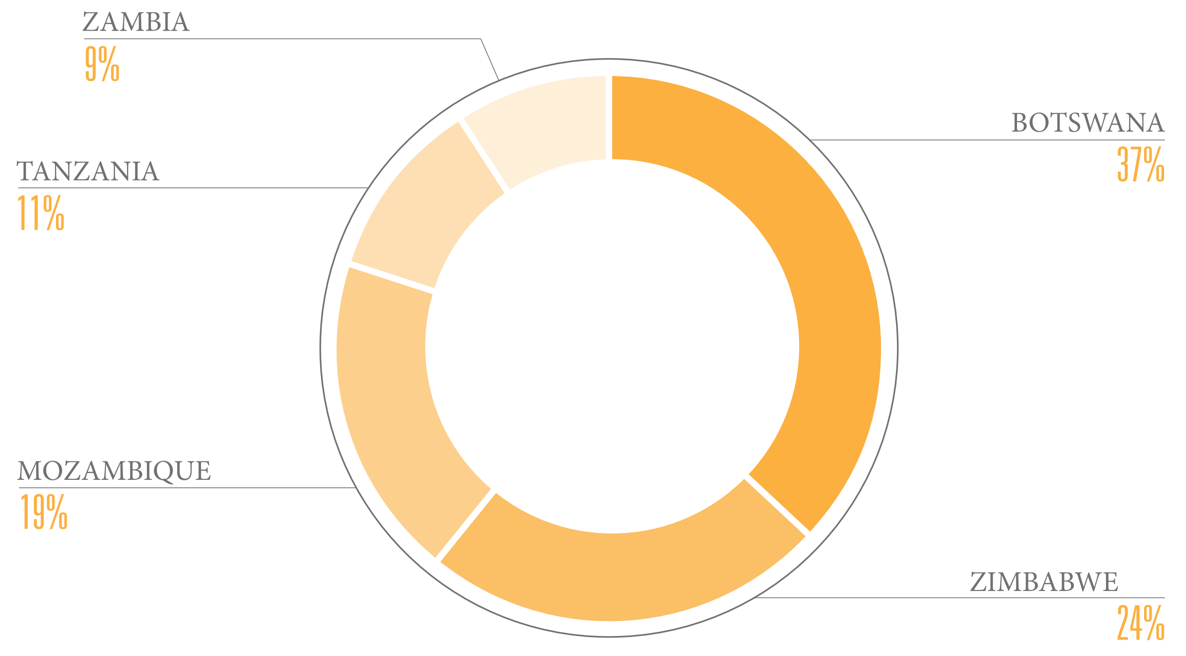
DEPOSITS at balance sheet date came in at EUR 1,012.1 million, a 2.9% decrease compared to deposits of EUR 1,041.9 million at the end of 2012 in Euro terms, despite showing growth of 14% in local currency basis (BWP). The major parts of the depositor base came from Botswana with EUR 377.5 million and Zimbabwe with EUR 238.8 million. The deposit base in the other country subsidiaries amounts to EUR 192.5 million in Mozambique, EUR 107.6 million in Tanzania and EUR 95.7 million in Zambia. EUR 894.3 million are deposits from customers, while EUR 117.9 million are deposits from banks. The high concentration of group deposits coming from Botswana and Zimbabwe reduced slightly during the financial year, from 69% at year-end 2012 to 61% at year-end 2013.

The deposit base comprises of corporate customers (EUR 372.4 million), public sector (EUR 260.9 million), other financial institutions (EUR 137.3 million), retail customers (EUR 123.8 million), and banks (EUR 117.9 million). The main part of the deposit base are term deposits (EUR 664.2 million), while EUR 347.9 million are payable on demand. The concentration of deposit base in corporate and public sector deposits remained high at 63% in 2013, but reduced from 68% at year-end 2012.

COMPOSITION OF DEPOSIT BASE BY MARKET SEGMENT (IN % OF TOTAL)



COMPOSITION OF DEPOSIT BASE BY COUNTRY (IN % OF TOTAL)



As a result, the loan to deposit ratio stood at 86.4% at the end of 2013, compared to 57.8%[1] for sub-Saharan African banks and 85.7% at year-end 2012.

BORROWED FUNDS amounted to EUR 226.3 million at year-end in comparison to EUR 195.7 million at year-end 2012. The net increase of EUR 30.7 million in 2013 is driven largely by the addition new credit facilities during the year at BancABC subgroup level. At ADC level, the short-term financing of EUR 1.0 million that was drawn at year end 2012 from Trafigura relating to the buy-out of ADC's general partner was paid back in May 2012.

1 ADC calculations from Bankscope, Bureau van Dijk Electronic Publishing GmbH, 2012 data, accessed on January 24, 2014, from year-end 2012 data.

Shareholders' Equity

The equity attributable to shareholders has developed as follows:

IN EUR MILLION	31.12.2013	31.12.2012	Δ IN EUR MILLION
Equity in accordance with IFRS			
Share Capital	9.5	8.6	0.9
Capital Reserve	60.5	53.1	7.4
Other Reserves	3.1	8.2	(5.1)
Retained Earnings	3.8	(2.3)	6.1
Equity attributable to ordinary shareholders	**76.9**	**67.7**	**9.2**
Non-controlling interests	45.5	71.1	(25.6)
Total equity	**122.4**	**138.8**	**(16.3)**

Total equity amounted to EUR 122.4 million as of the reporting date (2012: EUR 138.8 million). Share capital and capital reserves increased in total by EUR 8.2 million relating to the private placement of shares in mid-2013 at EUR 9.50 per share through the issuance of 860,676 ordinary shares. Other reserves reduced by EUR 5.1 million relating primarily to a reduction in foreign currency translation reserves by EUR 4.7 million in the year. Non-controlling interests reduced by EUR 25.6 million, primarily relating to a EUR 25.4 million liability taken at year end relating to the maximum liability associated with the open mandatory offer (see Notes 6.13 and 6.15 to the Financial Statements), which subsequently closed in January 2014 and was financed by ADC's shareholder Trafigura.

Liquidity

PRINCIPLES AND OBJECTIVES OF LIQUIDITY AND FINANCIAL MANAGEMENT The primary objective of financial and treasury management of ADC Group is to ensure liquidity of the operations at all times while limiting interest expenses accruing to the Group. In addition, the financial management activities focus on establishing financing flexibility and aims to decrease the cost of capital while securing adequate funding. The Group treasury office of ADC's subsidiary BancABC is Johannesburg, South Africa ensures adequate financial management is in place for its licensed banks in its five countries of operations. In the future ADC aims to use synergies between the Group treasury office of BancABC and its head office in Germany; for example, by applying best practices from BancABC's treasury management processes to the whole ADC Group and conversely by providing BancABC with access to international capital markets and ADC's wide network of banks and other financiers. Currently, there is no central treasury function established which integrates BancABC. The management of financial risks is reported in the risk management section in more detail. ADC is not currently hedging itself against fluctuations in exchange rates or interest rates as these currency exposures are multi-year in nature with uncertain payback timelines related to investment exits.

ADC is managing its cash reserves prudently, monitoring the outflows on a weekly basis with a 12-week rolling cash forecast as well as a diligent underlying cash budgeting process. ADC is currently evaluating the right time to market for further capital raising which will be needed until the second quarter of 2015 when the bond with warrants attached issued in June 2012 will mature. ADC can increase its equity from authorized capital by the issue of up to 4,303,382 shares, if required. Management believes that existing key shareholders are supportive to the Group and sees a good interest in the market from potential new shareholders to allocate funds to sub-Saharan Africa.

As such, ADC is in a position to fund its operations although further expansion into additional countries and expansion of operating subsidiaries in sub-Saharan Africa might require additional financing. Management has so far not committed material financial resources to further investments.

Debt Facilities

Further to its equity capital, ADC has a listed EUR 40 million bond with warrants attached at an interest rate of 6% with a term of 3 years (01 June 2012 until 31 May 2015). This is currently the only debt facility of the company. In May 2013, the short-term loan facility agreement with Trafigura Holding Limited of EUR 4.3 million was repaid in full.

Off-balance sheet financial facilities

As of the balance sheet date, ADC has no off-balance sheet financial facilities such as Asset Backed Securities, or Factoring. Information regarding Operating Leases can be found in Note 10 to the Financial Statements.

OVERALL FINANCIAL POSITION

ADC has achieved success with its transformation process and simplifying its corporate structure to reduce costs and increase transparency as well as efficiency. ADC Group closed the financial year 2013 with a net profit from continuing operations of EUR 12.3 million (2012 re-stated: EUR -18.0 million), and thus returned to profitability after a loss-making year in 2012 associated with its corporate transformation and one-time impacts. The 2013 result was in line with management expectations and exceeded target forecasts of a Group net profit of EUR 10 million for 2013. Return on average equity after taxes equaled 9.6% compared to -16.6% in prior year re-stated figures.The fact that ADC has been able to meet its objective in terms of net profit despite constrained growth and high impairments at BancABC subgroup show that the refocused strategy on banking operations in SSA is beginning to bear fruit. The lack of growth in Euro terms in assets and liabilities is mainly attributable to declining currency rates with the Botswana Pula during 2013 and underlying liquidity constraints preventing more aggressive growth of the loan book.

SUPPLEMENTAL REPORT OF

POST BALANCE SHEET EVENTS

Information regarding post balance sheet events can be found in Note 13 to the Financial Statements.

RISK AND OPPORTUNITIES REPORT

RISK MANAGEMENT SYSTEM

OBJECTIVES

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

Most assets on ADC's Group balance sheet are assets from the banking operations in the BancABC subgroup, whereas the other ADC activities make up a smaller part of the asset base. As such, the risk management system of BancABC subgroup is particularly highlighted alongside ADC's Group Risk Management System (RMS) due to ADC's majority ownership of the subgroup and the consolidation thereof.

ADC Group's risk management policies are designed to identify and analyze 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. ADC regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

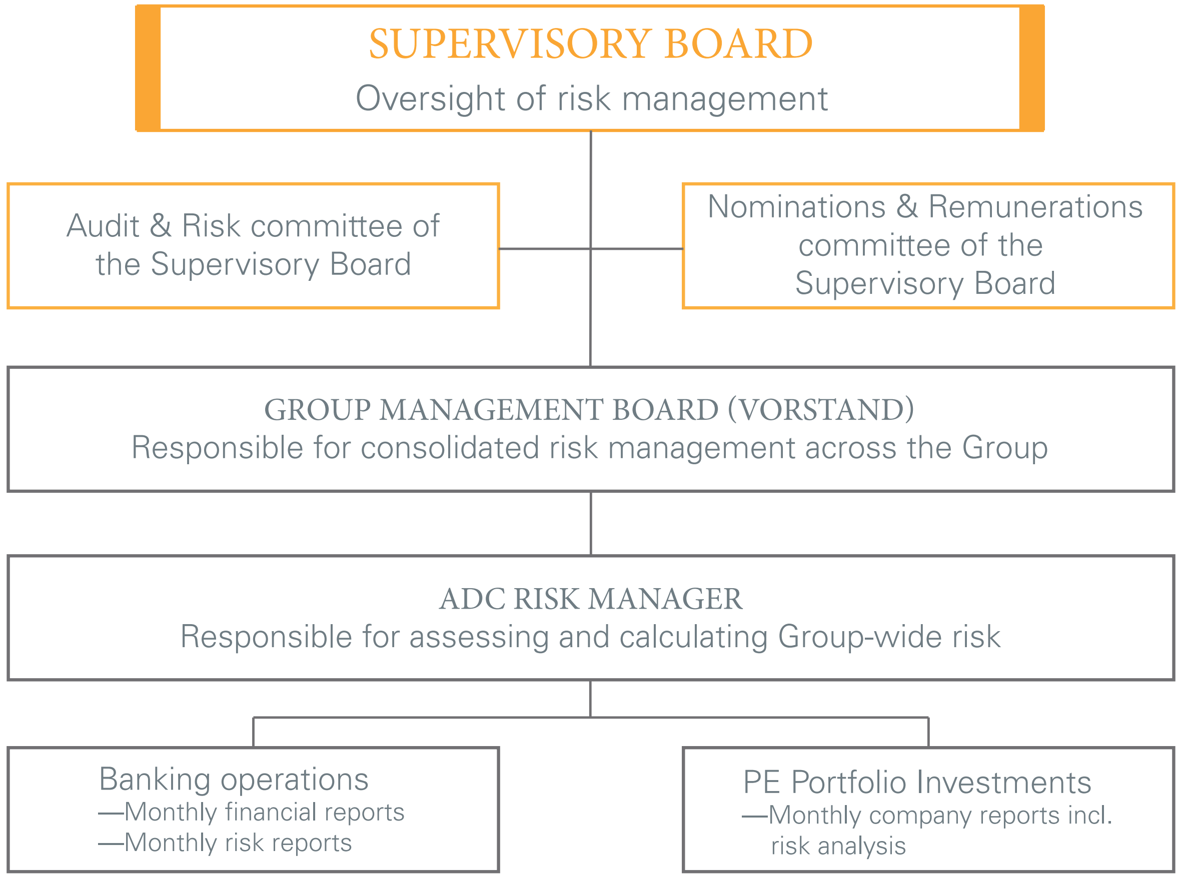
BancABC subgroup carries out risk management across all its subsidiaries, under policies approved by their board of directors. BancABC's board approves overall risk management practices, as well as policies covering specific areas, such as foreign exchange risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit implemented on the BancABC subgroup level 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.

ADC's RMS was developed to keep management and the supervisory board up-to-date about ongoing political, economic, financial, legal and operational risks across ADC's group and portfolio companies as well as the wider market risks affecting sub-Saharan Africa. Management ensures that risks are systematically identified, measured and managed using the RMS. The results of the analysis influence the company's strategic, financial and operational decision-making processes.

RISK MANAGEMENT

ADC strengthened its risk management structure in 2013 by expanding and strengthening its supervisory and management boards and by formalizing a risk management governance framework to reinforce the risks inherent in investing in the financial services sector in sub-Saharan Africa.

ADC's Group management governance framework is outlined in the diagram below:



Each of ADC's consolidated investments, particularly within the banking operations division is responsible for submitting monthly financial reports and individual risk reports to ADC's risk manager. Furthermore, ADC's unconsolidated private equity investments provide monthly company reports including a risk analysis. ADC's risk manager is responsible for assessing and calculating operational risk and the wider market risks for ADC Group, based on inputs received from its investments and further analysis relating to ADC entities specifically. A monthly ADC risk report and a summary of BancABC's monthly risk report, as the only material consolidated banking subgroup, are disseminated to ADC's management board on a monthly basis. ADC management provides a quarterly report to the supervisory board and to the risk and audit committee with an action plan as to how risks are being managed and mitigated.

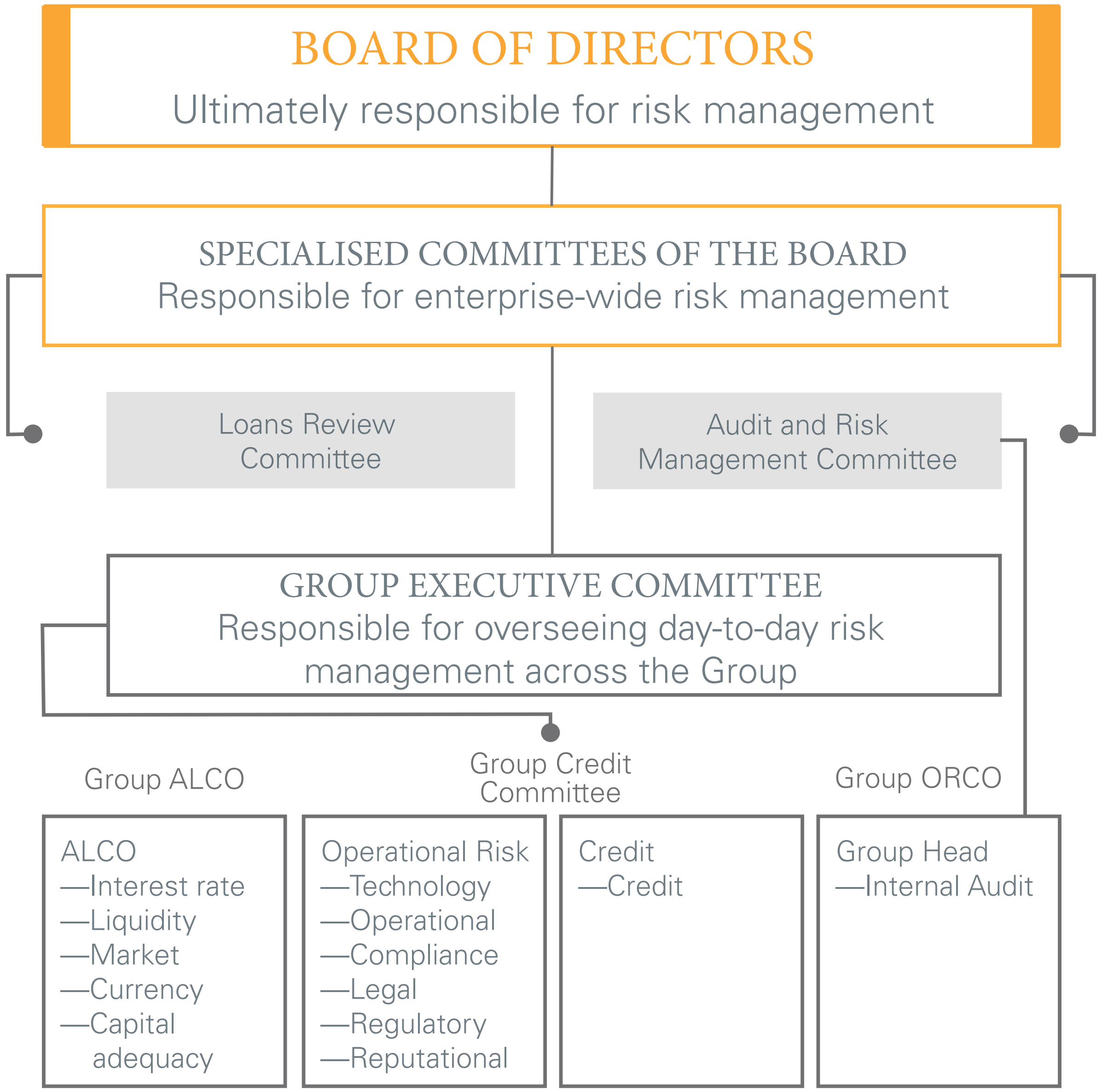
ADC's management board is responsible for risk management across the Group and the following supervisory board sub-committees oversee ADC's risk management framework:

- Audit and Risk Committee – overall responsibility for risk management activities of ADC inclusive of operational risk, regulatory risk, financial and accounting risk; and
- Nominations and Remunerations Committee – responsible for personnel risk, including succession planning and incentivization of management and the supervisory board.

BancABC Risk Management

ADC's majority control and consolidation of BancABC exposes ADC Group to BancABC's operational risks to a substantial degree. The board of directors of BancABC recognizes that effective risk management is fundamental to the sustainability of its business and has created a strong risk management culture within BancABC subgroup. Internal audit is additionally responsible for the independent review of risk management and the control environment. Nevertheless, in the course of conducting business, BancABC subgroup is exposed to various risks inherent in providing financial services.

BancABC's risk management governance framework is outlined in the diagram below:



BancABC's subgroup risk management unit is responsible for maintaining a culture of risk awareness. Each business unit is responsible for managing its own risks, but the group risk management unit independently monitors, manages and reports on all risks facing BancABC subgroup, as mandated by the board of directors. BancABC regularly reports to the executive committee and to the risk and audit committee to provide the board of directors with assurance that risks are being identified, managed and controlled appropriately. The executive manager of the risk management unit reports to the CEO of BancABC.

The following sub-committees, comprising of executives and senior management, are responsible for dealing with the risks affecting the BancABC subgroup in a structured manner:

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

The board of directors reviews a risk report by each subsidiary or business unit as well as a detailed risk report provided by BancABC risk management. The risk report presents a balanced assessment of significant risks and the effectiveness of risk management procedures, and management actions in mitigating those risks.

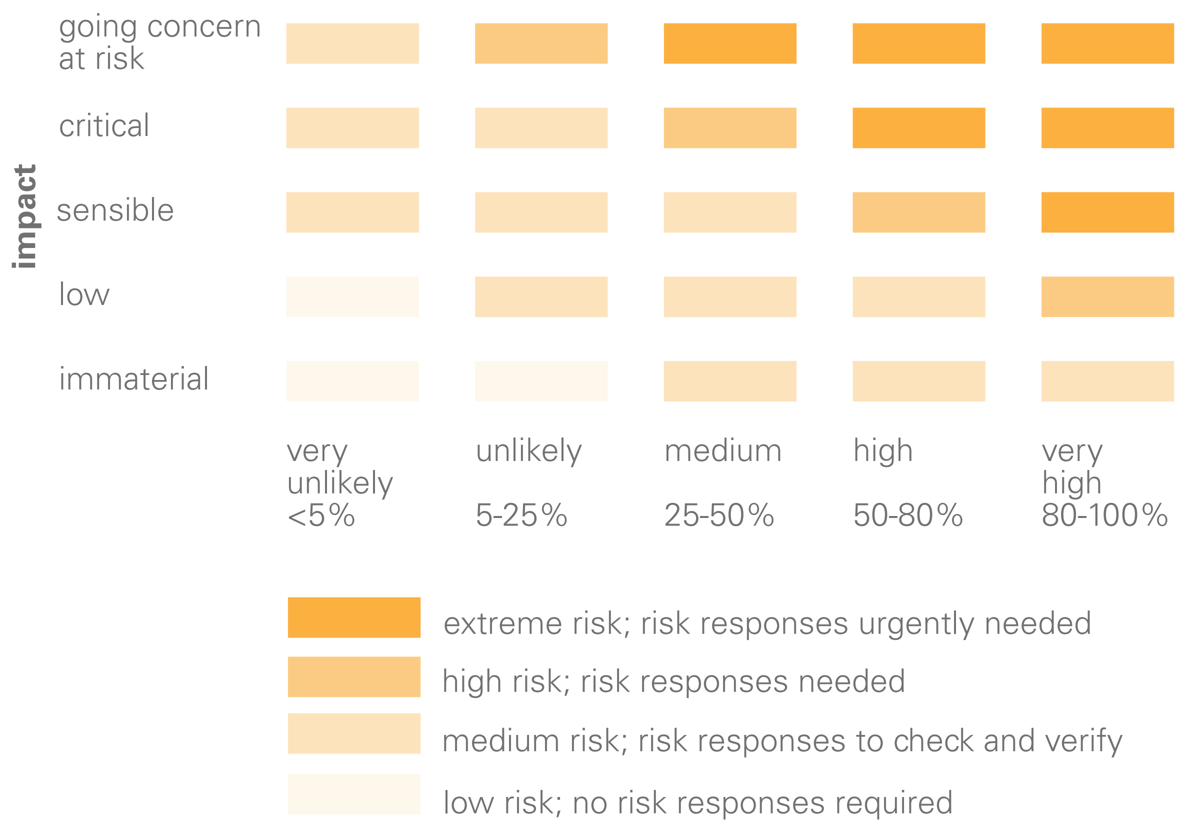
RISK QUANTIFICATION AND MEASUREMENT

Both ADC and BancABC utilize a stress-testing framework for assessing the impact of various shocks on earnings and capital. The stress testing tool covers sensitivity analysis with respect to credit, liquidity and foreign currency risks at the BancABC subgroup and foreign exchange and asset value stress testing on a monthly basis at the ADC Group level. The results of the stress tests are particularly important for assessing the likely impact of various shocks. Contingent measures can then be designed and put in place in preparation of a case where the stress scenarios crystalize.

ADC's Risk Quantification and Measurement

ADC's monthly risk report utilizes a risk matrix, which categorizes each risk according to its potential impact and likelihood of occurrence, in order to classify the risks between low and extreme.

Each risk is calculated and classified according to the matrix below by ADC's risk manager who oversees the development of all portfolio companies.



The method of calculating the likelihood and impact of each risk is outlined as follows:

OPERATIONAL RISK: ADC's private equity investments provide monthly company reports (MCRs) including monthly financials and risk assessments to ADC. ADC's risk manager assesses the performance of each investment and provides the ADC management board with an overview of the key risks associated with each investment based on the above classification.

MARKET RISK: MCRs and subsidiary risk reports include up-to-date assessments of country specific risk factors as assessed by staff on-the-ground in the individual entities. ADC's head office monitors the macroeconomic and political developments of each portfolio company on a regular basis and weekly developments within active ADC banking markets are amalgamated by the head office in Germany and distributed to staff. ADC's risk manager does a desk review of all available information and classifies country risk based on a summary revision of all information provided.

FOREIGN EXCHANGE RISK: ADC calculates its foreign exchange risk monthly based on fluctuations over a 12-month period to monitor possible losses on its exposure to foreign currency, based on its portfolio of investments which includes the following currencies: United States Dollars (USD), Botswana Pula (BWP), Kenyan Shilling (KES), Rwandan Franc (RWF) South African Rand (ZAR) and Nigerian Naira (NGN). ADC's risk exposure to foreign exchange fluctuations is calculated and classified as follows:

1. Low Risk: period fluctuation of between 0-5%
2. Medium Risk: period fluctuation of between 5-10%
3. High Risk: period fluctuation > 10%

LIQUIDITY RISK: ADC's risk position is impacted by its ability to meet its financial obligations. Further to the annual budgeting and forecasting process, single entity directors provide weekly 12-week rolling cash forecasting to the CFO, which is then monitored on a consolidated basis and reported to the rest of the management board. ADC's liquidity risk is assessed as per the ability of ADC to meet both its short- and mid-term liabilities.

ADC's overall risk is assessed internally by staff and management and reviewed by the supervisory board within the audit and risk committee, including the action plans to mitigate particularly the risks deemed high or extreme. The nominations and remunerations committee reviews risks relating to personnel.

BancABC Risk Quantification and Measurement

BancABC's monthly risk report amalgamates a risk report from each subsidiary operation. The subgroup uses a combination of a risk matrix (risks are ranked from minor to extreme and is similar to ADC's risk matrix above) and stress tests to calculate the Value-at-Risk (VaR) for each type of risk. VaR is a technique to measure and quantify the level of financial risk within the bank's portfolio over a specific timeframe. The calculated VaR is used in conjunction with the probability of the amount of that loss as defined in the risk matrix to control the level of risk that the bank is willing to undertake.

BancABC subgroup is in the process of implementing a methodology to calculate economic capital (EC) for each risk type during the 2014 financial year. Currently, ADC uses BancABC subgroup's results from their stress tests to calculate VaR for each of the following risk types:

1. Credit Risk – for each subsidiary, perform a stress test to determine the Value-at-Risk (VaR) for all of the following:
   - Correction for under-provisioning
   - Special mention migration (50%)
   - Class migration (50-25-15)
   - Top exposure migration to NPL

The sum of the above calculations is used to compute the total VaR for credit risk at BancABC subgroup.

2. Market Risk – ADC uses the following methodology to calculate the VaR for BancABC market risk:

   — Foreign exchange: for each subsidiary, perform a stress test to determine the Value-at-Risk (VaR) for a foreign exchange depreciation of 20% and then compute the total VaR for the BancABC subgroup. Currencies included in BancABC's analysis include: Euro, USD, Botswana Pula, South African Rand, Tanzanian Shilling, Zambian Kwacha, Mozambique New Metical, Japanese Yen and a small percentage of other currencies.
   — Market movement: for each subsidiary, perform a stress test to determine the VaR for an increase in IRR by 1% and 5% and then compute the total VaR for BancABC subgroup

3. Liquidity Risk – for each subsidiary, perform a stress test to determine the VaR for the stressed liquidity position and then compute the total VaR for BancABC subgroup

RISK PREVENTION

ADC actively monitors Group-wide risk via the risk management framework and proactively manages each identified risk, reporting on progress at least each month to the management board and quarterly to the supervisory board.

BancABC completed the new Enterprise Risk Management (ERM) framework, with a target rollout before the end of 2014. The BancABC subgroup also developed an Economic Capital Framework which started in mid-2013 with further implementation planned throughout 2014. The Internal Capital Adequacy Assessment Process (ICAAP) will cover Economic Capital (EC) for Credit and Translation Risk, Operational Risk, Market Risk (Trading), Interest Rate Risk (Banking Book), Business Risk and Other Risk types. The framework will cover aspects of risk-based capital measurement and allocation. The major objective of moving towards EC is that value creation can be embedded in the pricing of transactions taking into account the level of risk the subgroup is exposed to as measured by BancABC internal risk models.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM FOR THE CONSOLIDATED FINANCIAL REPORTING PROCESS

ADC is responsible for establishing, applying and maintaining an adequate internal control system for its accounting process and that of its consolidated subsidiaries. It is intended to provide reasonable assurances that the composition of the consolidated financial statements are in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU and that the external financial reporting is reliable.

The main risk in the financial reporting process is that ADC's group and portfolio companies' financial statements may be subject to intentional or unintentional errors that do not provide a true and fair view of their assets, liabilities and overall financial position or that the publication of the results may be delayed, which would subsequently impact the asset, financial and earnings position of the Company. Deviations are considered significant if they could, individually or collectively influence the decisions on the basis of the economic decisions of the users of the financial statements. To counter this risk, ADC applies a four-eye principle for the preparation of financial statements and accounting. In addition, professional, licensed service providers and professionally certified staff members in Mauritius and Germany, which are subject to strict controls, are responsible for the Company's accounting during the consolidation process of the Mauritian and German holding entities.

ADC's internal control system has been established for a pan-African banking group and concentrates on the following main aspects:

1. The application of a single set of group accounting policies. Furthermore, all consolidated ADC Group companies report in a standardized structure to ensure effective consolidation on a monthly basis.

2. The organization and control of finance and accounting: Further to the dedicated accounting teams in each of the BancABC subgroup's subsidiaries, ADC utilizes licensed service providers and certified professionals for execution of its bookkeeping activities and support on preparation of statutory accounts and tax filings in Mauritius and Germany. These resources work under the direct supervision of ADC finance managers and the CFO who ensure compliance with Group rules, procedures and policies.

3. Principles of separation of functions between departments: The control system defines which tasks are fulfilled by which resources within the ADC Group.

4. Assignment of tasks in the preparation of financial statements: The control system defines who is responsible to report which input, in which form, and to which deadline.

5. Access rules in the computer system: Four eyes principles and other access rules such as password composition and administrator functions are defined.

6. ADC's Audit and Risk Committee supports ADC's supervisory board in overseeing accounting and financial reporting and compliance with legal regulations and risk management and ensures that appropriate internal control structures are in place. The Audit and Risk Committee further oversees the implementation of board decisions and the work of the auditors.

7. Functions related to accounting, which are carried out by Internal Audit: The Internal Audit function is currently operational on the BancABC subgroup level. Internal Audit plays a key role in maintaining and improving the internal control environment within the BancABC subgroup. BancABC's Head of Internal Audit reports directly to the

BancABC Risk and Audit Committee of the Board. The primary function of internal audit is to give objective assurance to the BancABC Board that adequate management processes are in place to identify and monitor risks, and that effective internal controls are in place to manage those risks. The Internal Audit independently audits and evaluates the effectiveness of the BancABC subgroup's risk management, internal controls and governance processes. Internal audit operates under terms of reference approved by the BancABC Risk and Audit Committee. The terms of reference define the role and objectives, authority and responsibility of the audit function. The reporting structures ensure that the BancABC Internal Auditor has unrestricted access to the Chairman of the Risk and Audit Committee of BancABC and the subgroup CEO of BancABC. At the outset of each financial year, BancABC Internal Audit carries out a risk assessment for all business units and subsidiaries. A comprehensive audit plan for the year that identifies specific areas of focus is then derived from this assessment. The audit plan is reviewed regularly and any changes must be approved by the BancABC Risk and Audit Committee. The areas of focus are confirmed with executive management before being submitted to the BancABC Risk and Audit Committee for approval.

RISK CAPITAL MANAGEMENT

MANAGEMENT OF REGULATORY 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 sub-Saharan Africa, but a common requirement for regulators conforming to Basel Accords is 10%.

For ADC group, regulatory capital requirements are currently those applied to the subsidiaries of BancABC subgroup as ADC's only fully consolidated banking investment, and are defined by the regulatory minimum ratios in each of BancABC's licensed banking countries. BancABC 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.

BancABC's objectives when managing its capital are:

- to comply with the capital requirements set by the regulators of the banking markets where the entities within the subgroup operate;
- to safeguard the subgroup'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 subgroup'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. The subgroup'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.

The BancABC board of directors reviews the subgroup's policies in respect to capital management and allocation regularly. There have been no material changes to the subgroup's 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 BancABC subsidiary countries are as follows: Botswana (15%), Mozambique (8%), Zambia (10%), Tanzania (12%), Zimbabwe (12%).

In 2013, risk-weighted assets rose by 15% from BWP 11.3 billion in December 2012 to BWP 13.0 billion, largely by an increase in loans and advances (BWP 1.5 billion, 64% of the increase). The unimpaired capital, increased from BWP 1.2 billion in December 2012 to BWP 1.5 billion in December 2013 (25% increase) due to increases in share capital and premium and capital reserves and retained earnings.

The subgroup's risk-weighted assets were concentrated in the following subsidiaries: Botswana (29%), Mozambique (12%), Tanzania (8%), Zambia (11%), Zimbabwe (34%) and ABCH and other (7%).

Accordingly, the subgroup's capital regulatory capital was calculated as at 31 December 2013 on the basis of the financial statements of the banking subsidiaries and amounted to BWP 1,450 million vs. BWP 1,156 million at year end 2012. BancABC improved its capital adequacy ratio as a subgroup from 10% at year-end 2012 to 11% in FY 2013, meeting current Basel standards. ADC monitors the regulatory capital and capital adequacy calculations of BancABC subgroup in BWP currency, as this is the reporting currency of the subgroup, and translations to Euro may lead to incorrect conclusions regarding the development of the figures for regulatory purposes.

IN BWPk	31.12.2013	31.12.2012
Tier 1 capital	1,449,556	1,137,044
Tier 2 capital	-	19,040
Total Capital	**1,449,556**	**1,156,084**
Total Risk Weighted Assets	**13,016,498**	**11,299,752**
Capital Adequacy ratio	**11%**	**10%**

RISK POSITION

The capital adequacy ratios in all BancABC operational countries are above minimum levels and the overall risk position was rated low as at 31 December 2013.

CREDIT RISK

DEFINITION

Credit risk is the risk that a borrower will default on any type of debt by failing to make payments. The loss may be complete or partial. Country risk is an element of credit risk relating to the risk of default by a borrower abroad resulting from interruptions to the international payment transfer system in the borrower's country of residence (transfer risk). Country risk also refers to the risk that governments are unable or only partially able to meet their contractual obligations.

BancABC takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the subgroup by failing to discharge an obligation. Significant changes in the economy, or in the health of a particular segment that represents a concentration in BancABC'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. 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. Credit risk is the single largest risk for the BancABC subgroup's business.

BANCABC SUBGROUP RISK STRATEGY

Independent credit risk committees in each of BancABC's operating countries are responsible for managing, measuring and mitigating credit risk. The BancABC Board has defined and documented a credit policy for BancABC subgroup, 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 authorize credit exposures. Each subsidiary has a credit committee, which operates within the defined limits set by the BancABC Board. These committees are responsible for the management of credit risk within their country including credit decisions, processes, legal and documentation risk and compliance with impairment policies.

BANCABC RISK REPORTING

Credit risk management is overseen by the CREDCO, a management committee that reports to the Board Credit Committee. There is a high level of executive management involved in the credit decision-making team, which includes: BancABC's Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer, Chief Credit Officer and the managing director of BancABC Zimbabwe.

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

BANCABC RISK LIMIT CONTROL AND MITIGATION POLICIES

BancABC manages, limits and controls concentrations of credit risk in respect of individual counterparties and groups, and to industries and countries. The subgroup 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 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.

1. Collateral

BancABC 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 subgroup 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;
- charges over financial instruments such as debt securities and equities.

Loans and advances to corporates are generally secured. In addition, in order to minimize credit loss, the subgroup 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.

2. Master netting arrangements

BancABC 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 favorable 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. BancABC'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.

3. 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 subgroup on behalf of a customer authorizing a third party to draw drafts on the subgroup up to a stipulated amount under specific terms and conditions - are collateralized 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 authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, BancABC is potentially exposed to a 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. BancABC monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

4. Derivatives

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

BANCABC RISK MANAGEMENT

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the subgroup 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 subgroup'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 BancABC subgroup 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 BancABC are segmented into five rating classes. The subgroup'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 subgroup regularly validates the performance of the rating and their predictive power with regard to default events.

BancABC's internal rating scale

CATEGORY	DESCRIPTION	PROVISIONING
Performing	The credit appears satisfactory	1%
Special mention	The credit appears satisfactory but exhibits potential or inherence weaknesses which, if not attended to, may weaken the asset or prospects of collection in full e.g. full documentation or 30 days but less than 90 days in arrears	3%
Sub-standard	The credit has defined weaknesses that may jeopardize liquidation of the debit i.e. the paying capacity of the borrower is in doubtful or inadequate, or more than 90 days but less than 180 days in arrears	20%
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	50%
Loss	Facilities considered impossible to collect with little or no realizable security, or more than 12 months in arrears	100%

BANCABC IMPAIRMENT POLICIES

The impairments at the end of FY 2013 are derived from each of the five internal rating grades, adjusted for the provisions required by IFRS under IAS 39. 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 subgroup:

- 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.

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

Note 9.2.1 shows the percentage of the BancABC subgroup's on-and-off balance sheet items relating to loans and advances and the associated impairment for each of the Group's internal rating categories.

CREDIT QUALITY

Note 9.2.1 reflects broadly, stable credit quality across the majority of BancABC's operations.

The total impairment of loans and advances in FY 2013 is EUR 50.6 million (FY 2012: EUR 36.7 million).

As at 31 December 2013, the overall size of BancABC's total gross loan portfolio increased to EUR 925.7 million (FY 2012: EUR 923.3 million) with three countries decreasing slightly. Net loans and advances increased 15% from December 2012 in local currency, but were stable in Euro terms because of exchange rate differences, while the composition of the book continues to change with retail lending accounting for 51% of the total loan book.

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

A table in note 9.2.1 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.

Approximately 72% (2012: 75%) of the total maximum exposure is derived from loans and advances in FY 2013, while 8% (2012: 8%) represents financial assets held for trading.

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

- 90% (2012: 91%) of the gross loans and advances portfolio is categorized in the top two grades of the internal rating system
- 77% (2012: 75%) of the gross loans and advances portfolio is considered to be "neither past due nor impaired"
- 10% (2012: 9%) of gross loans and advances are "individually impaired"
- The BancABC subgroup continues to improve its credit selection and monitoring processes; and
- Loans and advances to corporates are generally backed by collateral

RISK POSITION

The amount of capital required to cover credit risk is determined by a variety of factors including the size of single borrower exposures, individual ratings and the industry sector of each exposure. As at 31 December 2013 the risk capital requirement at BancABC amounted to EUR 125.9 million vs. EUR 104.7 million in 2012.

Credit risk at BancABC is high and most subsidiary countries' non-performing loan ratio is above the 3% subgroup's target. The subgroup's credit risk was rated as high as at 31 December 2013 with Tanzania's risk rated as extreme and Zimbabwe's as high; Botswana, Mozambique and Zambia's credit risk was rated as moderate.

OPPORTUNITIES

BancABC's exposure to credit risk could be reduced if fewer loans are affected by default as is assumed in the risk quantification process. Furthermore, there are opportunities to reduce the risk position if there are fewer migrations to the less positive rating categories than is currently calculated in BancABC's model or if presently rated NPLs become performing or if the security is higher than assumed as part of the risk quantification process. The potential impact of this opportunity is low-to-moderate with positive effects ensuing if achieved.

MARKET RISK

DEFINITION

The ADC Group takes on exposure to market risks, which is the risk that the fair value of cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, 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.

RISK STRATEGY

Market and foreign currency exposures related to dealing positions at BancABC are housed and managed in the Treasury division within a framework of pre-approved dealer, currency and counterparty limits. All BancABC trading positions are marked to market as required by IAS 39.

RISK REPORTING

ADC monitors market risks, inclusive of foreign exchange risk and market movements on a monthly basis. These reports are prepared by senior staff and presented to ADC executive management and supervisory board via the Audit and Risk Committee.

BancABC subgroup's risk management unit is responsible for monitoring of limits and pricing, thereby ensuring that any errors or unauthorized transactions are promptly identified. The currency exposure that arises as a result of BancABC's continuing expansion and cross border investment activities is managed through the BancABC Executive Committee and the BancABC's Asset and Liability Committee.

RISK POSITION

1. Foreign exchange risk

ADC calculates its foreign exchange risk monthly to monitor possible losses on its exposure to foreign currency, based on its portfolio of investments and includes the following currencies: USD, Botswana Pula (P), Kenyan Shilling (KES), Rwandan Franc (RWF) South African Rand (ZAR) and Nigerian Naira (NGN). ADC's VaR for foreign exchange risk equals EUR 8.9 million. Further information relating to foreign exchange risk exposure can be found in note 9.2.2 to the financial statements.

BancABC subgroup takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. BancABC's risk unit sets limits on the level of exposure by currency and in aggregate for both overnight and intraday positions, which are monitored daily.

BancABC carries out a scenario analysis to measure the foreign exchange risk on its foreign currency exposure. These scenarios demonstrate the effect of different potential changes. For foreign exchange, the effects of a 10% and 20% currency depreciation is simulated to calculate the value at risk position. The results show that a 20% currency deprecation would have a potential gain of USD 3.0 million (EUR 2.2 million) vs. EUR 1.2 million in 2012.

2. 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 the financial instrument will fluctuate because of changes in market interest rates. BancABC takes on exposure to the effects or 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 BancABC Asset and Liability Committee (ALCO) is responsible for managing interest rate and liquidity risk in the BancABC subgroup. 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 the subgroup's ALCO.

In order to reduce interest rate risk, the majority of BancABC subgroup'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 subgroup's ability to build a substantial, stable pool of fixed rate funding. See Note 9.2.2, which summarizes BancABC's exposure to interest rate risk at year-end.

3. Market movements

Stress tests are carried out to estimate potential losses in special market conditions and describe the variation of the ADC Group's current positions based on possible fluctuations in market conditions.

ADC Group holds, directly or through its associates, financial assets with a fair value of EUR 124.5 million (2012: EUR 133.7 million). 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 12.5 million (2012: EUR 13.4 million).

BancABC subgroup is exposed to gains or losses related to the variability in the market prices of all equities held. An IRR stress test at BancABC yields a positive value at risk of USD 6.9 million (EUR 5.0 million) vs. EUR 1.1 million in 2012 or USD 34.3 million (EUR 24.9 million) vs. 5.4 million in 2012 based on a scenario of 1% and 5% IRR variation respectively.

ADC's foreign currency risk is rated as high with a critical potential impact and a medium likelihood of occurrence (25%-50%). The risk capital requirement amounted to EUR 21.4 million at year end.

BancABC's interest rate risk was rated high in Botswana, Mozambique and Zambia with moderate rating in Tanzania and Zimbabwe at the end of December 2013. Foreign currency risk was rated low and minor in Tanzania and Botswana respectively with a moderate rating in Mozambique, Zambia and Zimbabwe. The overall subgroup rating for foreign currency risk exposure was rated moderate at the end of December 2013. The risk capital requirement amounted to EUR 9.9 million at year end.

OPPORTUNITIES

Any possible losses due to unfavorable market developments may also result in economic gains should there be more positive market developments than assumed in the above calculations or if the sale of an asset is above the fair value calculation. The potential impact of this opportunity are moderate with positive results ensuing if achieved.

LIQUIDITY RISK

DEFINITION

Liquidity risk is the risk that the ADC or BancABC subgroup 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 fulfill lending commitments. The risk that the subgroup 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.

RISK STRATEGY

The ADC Group manages liquidity risks with a strict annual budgeting process. Adjustments to the budgets are monitored by rolling 12-week cash forecasts. Weekly cash forecasting is reported from single entity Directors to the CFO and monitored on a consolidated basis and reported to the CEO.

BancABC subgroup 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 liquidity management is dependent upon accurate cash flow projections and the monitoring of its future funding requirements. BancABC's liquidity management process is monitored by the subgroup'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 as they are borrowed by customers. The subgroup 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
- Managing concentration and profile of debt maturities

RISK REPORTING

BancABC's monitoring and reporting takes 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's Treasury department 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.

RISK MANAGEMENT

BancABC's liquidity is managed by the ALCO, which approaches liquidity cautiously and conservatively by managing the liquidity profile with a preference for long-term, fixed-rate funding. A liquidity risk committee meets weekly to assess and manage the overall liquidity of the BancABC subgroup. ALCO reviews a stress mismatch report monthly, which simulates scenarios based on the current asset and liability structure of the BancABC subgroup for the reporting month. The report also considers the available sources of stress funding to address any potential strain on the cash flows of the BancABC subgroup. BancABC additionally has a documented contingency funding plan (CFP) that specifies measures that must be monitored to identify indications of liquidity stress early. The CFP operates in conjunction with the finance and treasury management policy and the assets and liabilities management (ALM) policy to ensure a coordinated approach to liquidity management.

As part of its monthly meetings, ALCO considers BancABC sensitivity to interest rate movements and reviews the results of management's analysis of the impact of interest rate movements.

BANCABC RISK POSITION

Results from BancABC's risk scenario and in the stress scenarios as at 31 December 2013 amounted to a stressed liquidity position of USD 307.3 million (EUR 223.2 million) vs. EUR 134.9 million in 2012. The minimum liquidity surplus, or the required, contingency capital, of BancABC in the risk scenario measured as at 31 December 2013 amounted to USD 144.8 million (EUR 105.2 million) vs. EUR 72.8 million in 2012.

Furthermore, with regards to compliance with regulatory liquidity ratio minimums, BancABC subgroup was in compliance in all countries as of 31 December 2013.

The below table shows the key liquidity ratios[1] by country at the end of each quarter in 2013 in relation to the regulatory minimums:

	REGULATORY MINIMUM	ACTUAL RATIO 31 MARCH 2013	ACTUAL RATIO 30 JUNE 2013	ACTUAL RATIO 30 SEPTEMBER 2013	ACTUAL RATIO 31 DECEMBER 2013
Botswana	10%	10.4%	12.9%	13.0%	12.0%
Mozambique	100%	101.5%	102.5%	112.3%	107.5%
Tanzania	20%	20.4%	20.6%	20.7%	20.9%
Zambia	6%	9.9%	11.2%	18.4%	28.1%
Zimbabwe	30%	44.4%	32.3%	31.8%	35.4%

BancABC's maturity analysis can be found in Note 9.2.3 to the financial statements.

ADC RISK POSITION

The financial condition of the ADC Group may be adversely impacted by an inability to borrow funds or sell assets to meet its obligations. ADC has an interest payment of EUR 2.4 million due on 01 June 2014 and the payment of the principal of ADC's bond with warrants attached (EUR 40.0 million) is due 31 May 2015. If ADC is unable to pay back its obligations, inclusive of annual interest payments, or maintain a debt to equity ratio as defined in the indebtedness put option within the terms and conditions of the bond, ADC may be forced to sell assets at a discount to their fair value to repay bondholders. The calculation of the indebtedness put option is subject to significant interpretation,

1 Liquidity ratio calculated defined as total demand liabilities / total liquid assets

however by management estimation this results nevertheless only in a low liquidity risk for the company prior to the bond's maturity in June 2015.

At BancABC subgroup level, liquidity risk was rated high in Botswana and Zambia and moderate in Mozambique, Tanzania and Zimbabwe. The risk capital requirement amounted to EUR 223.2 million at year end.

Management of ADC Group assesses the possibility that the current liquidity risks result in a going concern risk as unlikely. As mentioned in the financial report (Development of Equity & Liabilities), ADC would have several available responses in such a case. Firstly, it can increase its equity from authorized capital, if required. Management believes that existing key shareholders are supportive to the Group and sees a good interest in the market from potential new shareholders to allocate funds to sub-Saharan Africa. Furthermore, there are several sales of associates planned during the year which will yield cash inflows for the group. Finally, further sales of other core assets could be undertaken, if such measures were required. As such, management has made an assessment of its ability to continue as a going concern and is satisfied that is has the resources to continue business for the foreseeable future.

OPPORTUNITIES

A successful capital raising exercise (e.g. bond placement or capital increase) would reduce liquidity pressures in BancABC's operational countries and would significantly improve ADC's ability to redeem its issued bond with warrants attached due in June 2015. Additional capital would provide ADC the opportunity to expand to new markets and reduce the risk that the company would be forced to sell assets at a discount to their fair value to satisfy redemption obligations on its warrant bond. The potential impact of this opportunity are moderate to high, with positive results ensuing if achieved.

OPERATIONAL RISK

DEFINITION

ADC defines Operational risk as the risk of unexpected loss from human error, information technology failure, weakness in processes and / or management as well as external events. Legal, regulatory and reputational risks are also included in this definition.

RISK REPORTING

ADC's monthly risk report analyzes the top risks impacting the Group, including the likelihood and potential severity of each risk. The report includes an analysis of each banking or private equity investment with an assessment of internal and external events that may affect each business line, inclusive of all known operational risks affecting the ADC Group.

BancABC has a network of systems and tools throughout the bank to facilitate the collection of data used to analyze and asses operational risk exposure which is amalgamated a by the Chief Risk Officer and disseminated to relevant parties on a monthly basis.

RISK MANAGEMENT

Operational risk is managed by ADC's executive management team located in Germany based, in part, by information provided by the risk manager located in Mauritius.

BancABC Operational Risk Framework is designed to comply with operational risk measurement and assessment rules under Basel II. The management processes focus primarily on risk assessment, loss data collection and tracking key risk indicators. The results of these processes are used to raise awareness of operational risk management and to enhance internal control environment, with the ultimate aim of reducing losses. Legal and compliance risks are dealt with by ORCO, with the Chief Legal Counsel being a member of ORCO.

RISK POSITION

1. Personnel Risk

ADC and BancABC's operational management is dependent on a number of key individuals. The ADC Group and the BancABC subgroup's core team has sectoral and geographical expertise and the networks and contacts to successfully grow the overall Group. Performance related compensation packages at ADC minimize turnover and the Nomination and Remuneration subgroup of ADC's supervisory board ensures continuity and leadership should a member of the management team leave the company for any reason. BancABC's executive management are cofounders of the subgroup and hold a significant shareholding in the banking group in addition to receiving performance related compensation, which reduces the risk that there will be unnecessary turnover in executive management.

2. Legal Risks

Legal risk is the risk that unenforceable contracts, lawsuits or adverse judgments may disrupt or otherwise negatively affect the operations or financial condition of the ADC Group.

ADC uses specialized external legal counsel in Germany with corporate experience in sub-Saharan Africa. The management team choses local external counsel based on a combination of factors including: lawyer expertise, experience and available of international referrals.

ADC has Directors and Officers (D&O) insurance, which is a liability insurance payable to the directors and officers of ADC, or to ADC itself as indemnification for losses or costs incurred in the event of legal action brought against ADC personnel in their capacity as directors and officers. ADC's D&O insurance covers the following people: ADC management board, supervisory board and proxies, directors of ADC's subsidiaries in Mauritius as well as any representative acting on behalf of ADC on portfolio company's Board or sub-committee. The covered amount is EUR 10 million for D&O insurance with a sublimit of EUR 5 million for Errors & Omissions (E&O) insurance.

The Chief Legal Counsel of the BancABC subgroup is responsible for ensuring that legal risk is managed adequately at subgroup level. This is achieved through standard approved legal documentation wherever possible. However, specialized external legal advisers are used when required for non-standard transactions. The Chief Legal Counsel of BancABC ensures that only approved legal advisers provide legal opinions or draw up specialized agreements for BancABC subgroup.

3. Compliance Risk

Compliance risk is the risk of legal and regulatory sanctions, which may directly result in financial loss, or affect the reputation of the ADC Group and BancABC subgroup caused by non-compliance to applicable laws, regulations and best industry practices. There is a risk that the regulatory environment in any one of ADC's banking or private equity investments could suddenly change in an unpredictable manner. Changes may result from new laws, court decisions, administrative decisions or regulations. It is possible that a government may violate international statutes or agreements, resulting in the loss of associated companies, financial difficulties or bankruptcy of the company. ADC or one of its portfolio companies may face difficulties to enforce contracts due to weaker judicial enforcement and rule of law. ADC may not comply with corporate governance in the capital markets environment or on regulatory requirements in banking industry. Moreover, the operations and investments of ADC in the banking sector is vulnerable to national and international changes in the capital requirements that are set by the central banks and / or by new international standards such as Basel III. ADC's banking investments risk losing their license if capital requirements change suddenly and additional capital is not available.

ADC's completion of the mandatory offer in January 2014, as required by the Botswana Stock Exchange (BSE) for any shareholder owning more than 35% of a listed company in Botswana, reduces regulatory risk for ADC, having officially closed the 2013 outstanding regulatory compliance issue with the BSE.

The compliance function is an integral part of BancABC subgroup's risk management function. A decentralized compliance function has been implemented within business units and subsidiaries, and compliance officers have been appointed in each operating entity. Compliance risk is managed effectively through developing and implementing compliance processes, developing effective policies and procedures affecting the respective regulatory frameworks, and providing advice and training on the constantly changing regulatory environment. A key role of compliance officers in the BancABC subgroup is to develop and maintain sound working relationships with its various regulators in the subgroup's operating countries.

Over the last decade, Zimbabwe has experienced turmoil in its financial sector inclusive of hyperinflation, lapses in corporate governance and illegal activities by banking executives and inadequate supervision by the Reserve Bank of Zimbabwe. Zimbabwe has experienced unprecedented loss of capital due to hyperinflation, but banks in the country are subject to increasing capital adequacy requirements and to comply with Basel III requirements, which may lead to banks to devise ways to circumvent the current legislation. Furthermore, the Reserve Bank of Zimbabwe announced on 31 July 2012 that while it supported the Government's Indigenization and Empowerment policies, the bank had reservations on the sector-wide implementation of the policy. As such, all institutions within the financial sector in Zimbabwe have not adopted the Indigenization Act and any change in such policy by the Reserve Bank would have significantly adverse effects on the banking sector.

Required regulatory capital for Zambia was raised to USD 100 million for foreign banks and USD 20 million for local banks. Zambia was adequately capitalized as at 31 December 2013 in terms of the Central Bank's requirement of USD 100 million.

4. Information Technology

Information Technology risk is the risk that ADC's or BancABC's Information Technology could lead to quantifiable losses should disaster recovery systems not be in place to minimize the information that could be lost should there be a system failure.

An external provider manages ADC's information technology and communication (ICT) services, with oversight provided by ADC appointed staff. A disaster recovery system is in place via a cloud storage system with back-up capacity.

BancABC subgroup's IT service delivery has significantly improved over the year and disaster recovery sites are now functional in all countries. Subgroup management is close to 100% preparedness in all critical areas of operations to ensure continuity in case of a crippling crisis. There is, however, a need to ensure that testing is done at least twice yearly and recovery times are aligned with business requirements.

5. Reputational Risk

Reputational risk is the risk of a loss resulting from damages to a firm's reputation, in lost revenue or destruction of shareholder value. Reputational risk can arise from negative publicity and lead to a loss or revenue or litigation or a loss or clients, a share price decline or difficulty in recruiting investors or human resource talent.

6. Fraud Risk

The BancABC subgroup is exposed to fraud risk, which can arise in banking operations when there is an intentional act to dishonestly for personal gain by falsifying or altering records or making an intentional omission or misrepresentation of a business activity.

7. Business continuity Risk

Business continuity risk is the risk that the ADC Group of the BancABC subgroup will incur losses because of the interruption of business activities from external forces such as deliberate acts of sabotage, terrorism, bomb threats, strikes, riots or natural weather calamities or unseen events such as fires, explosion, war or political unrest.

8. Emerging Market Risk

Investments in emerging and developing markets are subject to greater risks than investments in developed countries. Investments in such markets may carry the risk of less publicly available information, relatively more volatile markets, less developed security market regulation and less favorable tax provisions than investments in securities of issuers based in developed countries.

9. Political Risk

A government's political inexperience or the instability of the political system increases the risk of short-term, fundamental shifts in a nation's economy and politics. Insufficient governance structures in frontier markets bear considerable risk of unforeseeable changes in the political climate, which could affect ADC's group or portfolio companies and, in extreme cases, lead to partial loss or total expropriation of assets. Where possible, ADC mitigates its exposure to political risk with political insurance policies underwritten by the Multilateral Investment Guarantee Agency (MIGA), a subsidiary of the World Bank. RHEAL and BancABC in Botswana are insured against the following: Exchange controls, Foreign Exchange transfer risk, war and civil disturbance and expropriation of assets (incl. creeping). The policy guarantees a 90% repayment of the invested capital inclusive of retained earnings.

ADC's investment in Zimbabwe exposes the Company to additional political risk. In the recent past, Zimbabwe has experienced extreme socio-economic difficulties and political instability. With the adoption of the multicurrency regime in Zimbabwe and effective dollarization of the economy in early 2009, the economy has gone through a period of stability and modest growth. It remains to be seen, post the election of 31 July 2013, whether stability will prevail and allow for continued economic growth. ADC will only be able to profit from its investments in Zimbabwe in the event that the Zimbabwean economy continues to improve and such improvement is sustained. As a result of the under-performance of the economy in Zimbabwe, ADC's investments may not appreciate and may decline in value or result in a total loss.

RISK POSITION

ADC's operational risk was rated as moderate at the end of December 2013.

BancABC's operational risk was rated high with Botswana, Mozambique, Tanzania and Zambia having a high risk rating at the end of December 2013 and Zimbabwe's risk was rated as moderate. The subgroup had a moderate rating for both compliance and reputational risk.

OPPORTUNITIES

The ADC Group and BancABC subgroup strive to reduce their operational risk by actively documenting, mitigating and acting on all known operational risks. Operational risk was reduced after ADC completed the mandatory offer as required by the BSE in January 2014, thereby reducing regulatory and compliance risk but other operational risks remain. Both companies are improving their risk management systems to reduce reliance on key management members and improve institutional memory. The BancABC subgroup is in the process of continuously refining the operational risk monitoring mechanism to ensure that operational losses are recorded, rated, monitored and tracked through the use of the Operational risk system aCCelerate. All countries with the exception of Tanzania are now imputing incidents and losses in the system. Tanzania is in the preliminary stages of rolling out the Operational risk management system. The potential impact of these opportunities are moderate with positive results ensuing if achieved.

SUMMARY OF RISKS

The management of risk is at the forefront of the strategic planning and operational models at ADC and BancABC. The following is a summary of the risk position of the ADC Group as at 31 December 2013:

1. Risk Capital Management – The overall risk rating is low with all banking subsidiaries meeting their Capital Adequacy Ratios
2. Credit – The risk rating is high with a risk capital requirement at BancABC of EUR 125.9 million
3. Market – The overall risk rating is high with a risk capital requirement of EUR 21.4 million at ADC and EUR 9.9 million at BancABC
4. Liquidity – The overall risk rating is high with a risk capital requirement at BancABC of EUR 223.2 million
5. Operational – The overall risk rating is moderate.

The overall risk rating for the ADC Group is high at the end of December 2013, based on the rating of key risk factors at BancABC subgroup as at year-end 2013.

RISK INTERDEPENDENCIES

Political and market risks are interdependent and often unpredictable. While ADC and its group of portfolio companies make every effort to identify, assess, aggregate, respond and monitor identified risks, it is possible that one or more risks could rapidly escalate without prior warning. ADC's on-the-ground presence and active management approach reduces the likelihood of unforeseen events, but two or more risks occurring spontaneously and without warning could have negative repercussions. An example of such a situation would be an unexpected personnel loss combined with a sudden change in market environment due to a global economic recession, which would affect the Company and its investments in the short and medium term. If the market environment suddenly changes, the Group could also be affected by a changing interest rate or foreign exchange rates.

OUTLOOK

MACRO-ECONOMIC FORECAST

In January 2014, the International Monetary Fund (IMF) updated its predictions for global and regional growth, noting that global economic activity had strengthened during the second half of 2013 and predicting that growth will further improve in 2014-2015. The IMF forecasts that global growth will be approximately 3.7% in 2014, rising to 3.9% in 2015, with sub-Saharan Africa's (excluding South Africa) growth reaching 6.5% in 2014 and 5.8% in 2015[1]. Inflation continues to decrease and is forecasted to decline from an average of 6.8% in 2013 to an average of 5.8% in 2014[2].

ADC is active in three of the top 10 biggest economies in sub-Saharan Africa (Nigeria, Kenya and Tanzania), with two smaller economies (Zambia and Mozambique) predicted to have some of the fastest GDP growth rates over the medium-term according to the IMF. Botswana's more mature economy is forecasted to grow at an average rate of 4.1% in 2014, while Zimbabwe's growth is subdued, at 3.6%, due to tight liquidity in the market.

2014 GDP, GDP GROWTH AND INFLATION PROJECTIONS FOR ADC OPERATIONAL COUNTRIES[3]

	2014 GDP (CURRENT PRICES IN USD BN)	2014 GDP GROWTH PROJECTIONS (IN PERCENT)	2014 INFLATION PROJECTIONS (IN PERCENT)
BOTSWANA	16.0	4.1	5.8
KENYA	51.1	6.2	5.0
MOZAMBIQUE	16.0	8.5	5.6
NIGERIA	318.5	7.4	8.2
SOUTH AFRICA	371.2	2.9	5.5
TANZANIA	34.9	7.2	5.8
ZAMBIA	23.7	6.5	7.3
ZIMBABWE	11.3	3.6	3.3

SECTOR SPECIFIC

The commercial banking sector in ADC's active markets is estimated to grow significantly over the next 5 years with total assets forecasted to grow at an average rate of 15% from 2014 – 2017, with an average growth of client loans and client deposits of 16% and 14% respectively[4]. The table below provides a breakdown of the commercial banking projections in ADC active markets from 2014 – 2017.

1 World Economic Outlook Update, "Is the Tide Rising", http://www.imf.org/external/pubs/ft/weo/2014/update/01/pdf/0114.pdf, 21 January 2014.
2 IMF, World Economic Outlook Database, October 2013.
3 ibid.
4 Business Monitor International (BMI) forecasts for Commercial Banking Industry.

COMMERCIAL BANK ANNUAL GROWTH RATE PROJECTIONS (%) 2014 - 2017[1]

	TOTAL ASSETS (%)	CLIENT LOANS (%)	CLIENT DEPOSITS (%)
Botswana	13%	15%	12%
Mozambique	20%	20%	15%
Nigeria	20%	20%	22%
Tanzania	15%	20%	15%
Zambia	17%	20%	17%
Zimbabwe	5%	3%	4%
Average	**15%**	**16%**	**14%**

In 2011, the Economist Intelligence Unit (EIU) predicted that the commercial banking industry in 16 key African markets would boost their financial assets by between 178% - 248% by 2020. The growth projections vary by market, with above average growth projections for Tanzania, Mozambique, Nigeria and Zambia and more subdued growth in Botswana because of its more mature banking industry[2].

A 2013 report released by the European Investment Bank confirms this optimism, stating that while sub-Saharan Africa's financial and banking systems remain underdeveloped, the reform momentum and expected strong economic growth in many countries throughout the region, bode well for the development of the banking system[3].

BUSINESS PROJECTIONS

The forecasts presented in this section are estimates, which have been calculated on the basis of information available at present. If the assumptions to the underlying forecasts are inaccurate or if risk and opportunities occur beyond the scope of what has been assumed, the actual results will differ from what is currently expected.

The ADC Group closed the 2013 year with a net profit of EUR 12.3 million from continuing operations. The net profit was in-line with ADC's year-end 2012 forecast that predicted a positive group net profit by the end of 2013 and above ADC's forecast at the end of the third quarter of a EUR 10 million profit by the end of the year. The average cost-to-income ratio improved from 106.5% in

1 Ibid.
2 Economist Intelligence Unit, Banking in sub-Saharan Africa to 2020: Promising frontiers, 2011.
3 European Investment Bank, Banking in sub-Saharan Africa: Challenges and Opportunities, January 2013.

2012 to 72.3% in 2013, and ROaE improved to 9.6% from a negative figure in 2012, coming closer to ADC's target to achieve an average cost-to-income ratio of 50-55% in its banking operations by 2015 with a target ROaE of up to 25%, and ROaA of 2.5%. During 2014, ADC expects to further improve both cost-to-income ratio, ROaE and ROaA towards the 2015 year end targets. As the business continues to expand, employee growth is expected to continue in relation to growth requirements.

In the banking operations segments, net interest margin is expected to stay relatively stable compared with 2013 performance while cost-to-income ratios are targeted to improve towards the group's 2015 overall targets. Also, substantial improvements in loan loss ratio are expected, as the operations have taken significant provisions on underperforming credits in the 2013 year. In the private equity segment, performance relating to the IRR and TVPI multiples is expected to remain stable in the year. Supporting services is expected to further improve its cost-to-group income ratio as further operational efficiencies are achieved.

ADC has a positive overall outlook for the 2014 year after achieving substantial net profit growth from BancABC subgroup in the 2013 financial year and with the prospective sale of three of ADC's private equity portfolio investments (RSwitch, Brainworks, and iVeri) in 2014. ADC believes that UBN's 2013 financial performance is not representative of its potential and is confident that this asset will contribute to ADC's net profit in 2014.

Overall, the ADC Group forecasts a substantially higher net profit in 2014, with the cost-to-income ratio improving moderately and ROaE and ROaA improving significantly from those achieved in the 2013 period towards the 2015 targets. Management would like to highlight that current forecasts could be significantly affected by the transaction with Atlas Mara that was announced on 31 March 2014.

Frankfurt/ Main, 31 March 2014
The Management Board

Dirk Harbecke	Sonja Rossteuscher	Karima Ola
CEO	*CFO*	*CIO*

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

ADC AFRICAN DEVELOPMENT CORPORATION AG

IN EURk	NOTES	01.01.2013-31.12.2013	restated[1] 01.01.2012-31.12.2012
Continuing operations			
Interest and similar income	5.1.	173,173	65,365
Interest and similar expense	5.2.	-90,497	-37,753
Net interest income		**82,676**	**27,612**
Provision for credit losses	5.3.	-24,918	-8,133
Net interest income after provision for credit losses		**57,758**	**19,479**
Net fee and commission income	5.4.	37,338	16,878
Net gains (losses) on financial instruments designated at fair value through profit or loss	5.5.	3,249	-12,697
Net trading income	5.6.	16,197	2,570
Net income (loss) from equity method investments	5.7.	14,497	-856
Other non-interest income	5.8.	5,582	20,259
Total operating income		**134,621**	**45,634**
Operating expenses	5.9.	-115,356	-57,245
Reorganization expenses	5.10.	0	-4,327
Profit/loss before tax from continuing operations		**19,265**	**-15,939**
Income tax expense	5.11.	-6,918	-2,078
Result for the year		**12,348**	**-18,017**
Discontinued operations:			
Profit after tax for the year from discontinued operations	6.19.	157	-863
Profit/loss for the year		12,505	-18,880
attributable to:			
Equity holders of the parent		6,109	-21,985
Non-controlling interests		6,396	3,105
Average number of shares (basic/diluted)		8,969,899	8,433,326
		8,969,899	8,433,326
Earnings per share (basic/diluted)	7.		
basic, for profit for the year attributable to ordinary equity holders of the parent		0.68	-2.61
diluted, for the year attributable to ordinary equity holders of the parent		0.68	-2.61

1 Certain amounts shown here do not correspond to the 2011 consolidated financial statements and reflect adjustments made as detailed in Note 2.2.

Note: Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013
(AUDITED)

ADC AFRICAN DEVELOPMENT CORPORATION AG

IN EURk	01.01.2013-31.12.2013	restated[1] 01.01.2012-31.12.2012
Profit / (loss) for the period	**12,505**	**-18,880**
Other comprehensive income, net of tax		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net (loss)/gain on available-for-sale financial assets	-154	296
Exchange differences on translating foreign operatings	-7,532	-9,383
Net gain / (loss) on hedge of net investment	-1,355	0
Other comprehensive income (loss) for the period, net of tax	**-9,041**	**-9,087**
Total comprehensive income for the period, net of tax	**3,464**	**-27,967**
Attributable to:		
Equity holders of the parent	990	-26,807
Non-controlling interests	2,474	-1,160
	3,464	**-27,967**

1 Certain amounts shown here do not correspond to the 2011 consolidated financial statements and reflect adjustments made as detailed in Note 2.2.

Note: Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2013

ADC AFRICAN DEVELOPMENT CORPORATION AG

IN EURk

ASSETS	NOTES	31 DECEMBER 2013	*restated*[1] 31 DECEMBER 2012
Cash and short term funds	6.1.	200,897	183,380
Other financial assets held for trading	6.2.	104,458	99,832
Financial assets designated at fair value	6.3.	11,454	10,701
Derivative financial instruments	6.14.	2,621	3,296
Loans and advances	6.4.	874,985	886,572
Investment securities	6.5.	5,635	5,319
Other current assets	6.6.	22,429	21,277
Current tax assets	6.6.	2,866	3,165
Investment in associates	6.7.	72,334	74,883
Property, plant and equipment	6.8.	62,750	64,905
Other intangible assets and goodwill	6.9.	51,827	70,694
Deferred tax assets	6.10.	9,340	8,650
Non-current assets and disposal groups held-for-sale	6.19.	10,777	0
Total assets		**1,432,373**	**1,432,673**

IN EURk

EQUITY AND LIABILITIES	NOTES	31 DECEMBER 2013	*restated*[1] 31 DECEMBER 2012
Deposits	6.11.	1,012,133	1,041,891
Derivative financial instruments	6.14.	3,792	2,208
Creditors and accruals	6.13.	53,964	36,243
Current tax liabilities		1,137	2,018
Deferred tax liabilty	6.10.	12,160	15,871
Borrowed funds	6.12.	226,318	195,667
Non-current liabilities and disposal groups held-for-sale	6.19.	428	0
Total liabilities		**1,309,933**	**1,293,899**
Share Capital	6.15.	9,467	8,607
Capital Reserve	6.15.	60,499	53,137
Other reserves	6.15.	3,111	8,231
Retained Earnings		3,825	(2,284)
Equity attributable to ordinary shareholders		**76,902**	**67,691**
Non-controlling interests	6.15.	45,537	71,084
Total equity		**122,440**	**138,775**
Total equity and liabilities		**1,432,373**	**1,432,673**

1 Certain amounts shown here do not correspond to the 2011 consolidated financial statements and reflect adjustments made as detailed in Note 2.2.

Note: Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

ADC AFRICAN DEVELOPMENT CORPORATION AG

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT								
IN EURk	SHARE CAPITAL	CAPITAL RESERVE	RETAINED EARNINGS	AVAILABLE-FOR-SALE RESERVE	FOREIGN CURRENCY TRANSACTION RESERVE	OTHER CAPITAL RESERVE	TOTAL	NON-CONT-ROLLING INTERESTS	TOTAL EQUITY
	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
Other comprehensive income (restated)*	**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 (restated)*	**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 (restated)*	**8,607**	**53,137**	**-2,284**	**156**	**-4,879**	**12,953**	**67,690**	**71,085**	**138,775**
At 1 January 2013 (restated)*	**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 year	0	0	6,109	0	0	0	6,109	6,396	12,505
Total comprehensive income	**0**	**0**	**6,109**	**-154**	**-4,692**	**-273**	**990**	**2,474**	**3,464**
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**	**3,825**	**2**	**-9,571**	**12,680**	**76,902**	**45,537**	**122,439**

*Note: Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures,

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

ADC AFRICAN DEVELOPMENT CORPORATION AG

IN EURk		NOTES	2013	restated[1] 2012
	Profit / loss for the period		**12,505**	**-18,880**
	Adjustment to reconcile profit before tax to net cash flows			
-	Income taxes paid (-)/ received (+)	5.11.	-11,501	-4,621
+	Depreciation and impairment of property, plant and equipment	6.8.	6,786	2,530
+	Amortization and impairment of intangible assets	6.9.	10,556	4,619
+/(-)	Net (gains)/losses on financial instruments designated at fair value through profit or loss	5.5.	-3,249	12,697
+	Net (gains)/losses on derivative financial instruments	5.6.	2,054	5,721
+/(-)	Gain/(Loss) from associates	5.7.	-14,497	856
+/(-)	Gain/(Loss) on disposal of property, plant and equipment	5.8.	3	-5
+/(-)	Impairment of loans and advances	5.3.	24,918	8,133
+/(-)	other non-cash items included in the result before tax *		0	-17,096
+/(-)	Increase (-)/ decrease (+) in operating assets		-13,376	-46,802
+/(-)	Increase (+)/ decrease (-) in operating liabilities		-9,851	100,276
=	**Net cash flows from operating activities**		**4,346**	**47,428**
-	Purchase of intangible assets	6.9.	-1,950	-2,033
-	Purchase of property, plant and equipment	6.8.	-9,548	-4,062
-	Purchase of associates	6.7.2.	-435	-55,220
+	Proceeds from sale of associates measured at fair value through profit or loss	6.7.1.	9,000	0
+	Proceeds from disposal of property, plant and equipment		58	242
-	Acquisition of a subsidiary, net of cash acquired	4.	0	86,672
=	**Net cash flows from/(used in) investing activities**		**-2,875**	**25,599**
-	Transaction costs of issue of shares		0	-34
-	Dividends of subsidiaries paid	6.15.	-2,592	0
+	Proceeds from capital increase	6.15.	8,176	495
+	Proceeds from convertible bond		0	980
+	Proceeds from bond with warrants (2012)	6.12.	0	38,178
+	Proceeds from borrowed funds		0	31,268
-	Acquisition of treasury stock		0	-2,762
+	Sale of treasury stock		0	2,676
+	Proceeds from loans and other debentures		3,300	1,000
-	Repayments of loans and other debentures		-4,300	-4,000
=	**Net cash flows from/(used in) financing activities**		**4,584**	**67,801**
	Net increase in cash and cash equivalents		6,056	140,828
+	Net foreign exchange difference		11,462	-726
+	Cash and cash equivalents at beginning of the period	6.1.	183,380	43,278
	Cash and cash equivalents at the end of the period		**200,897**	**183,380**
	Operational cash flows from interest and dividends			
	Interest paid		84,045	33,501
	Interest received		173,173	65,367
	Dividend received		472	904

1 In 2012: release of negative goodwill to profit or loss (note 5.8.).

Note: Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OF ADC AFRICAN DEVELOPMENT CORPORATION AG, FRANKFURT, (INTERNATIONAL FINANCIAL REPORTING STANDARDS - IFRS) AS OF 31 DECEMBER 2013

1. GENERAL INFORMATION

ADC is a German listed pan-African banking group focused on frontier markets in Sub-Saharan Africa.

The transformation of ADC African Development Corporation GmbH & Co. KGaA, ISIN DE000A1E8NW9, into a stock corporation (AG) was successfully completed on 26 July 2013 with its entry into the commercial register of the Local Court of Frankfurt am Main. The unchanged Supervisory Board under the chairmanship of Alastair Newton resumed its work in the newly formed stock corporation. The existing Managing Director of the General Partner, Dirk Harbecke, has been appointed to the Management Board (Vorstand) of ADC African Development Corporation AG.

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 k) 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. The Company'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.

By a resolution of management on 28 March 2014, the consolidated financial statements and the group management report for the fiscal year 2013 were released to the supervisory board for approval and publication.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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", land and buildings 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 recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized 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), International Accounting Standards (IAS), the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) – as adopted by the European Commission for application in the EU – and the additional requirements of German commercial law pursuant to Sec. 315a (3) HGB as well as the supplementary provisions of the articles of incorporation and bylaws.

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 (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 recognized amounts and there is an intention to settle on a net basis, or to realize 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 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, amendments to IFRS 10, IFRS 11, IFRS 12 (transition guidance), IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. In addition, the application of IFRS 12 Disclosure of Interests in Other Entities resulted in additional disclosures in the consolidated financial statements.

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' 100.00% interest in the equity shares in ADC Ventures Limited.

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 Limited, Mauritius) together with Standard Chartered Private Equity (SCPE) who invested US41.3m in the same vehicle. The funds were utilized 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 Union Bank of Nigeria (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. The opening balances at 1 January 2012 and comparative information for the year ended 31 December 2012 have been restated in the consolidated financial statements. The quantitative impact on the financial statements is provided below:

Impact on statement of profit or loss (increase/(decrease)) in profit):

IN EURk	1 JANUARY TO 31 DECEMBER 2012
Interest and similar expense	-2,253
Net loss from equity method instruments (UGPL)	-1,412
Operating expenses	-1,743
Loss for the year	**-5,408**
Attributable:	
Equity holders of the parent	-5,408
Non-controlling interests	0

The transition had an impact on the OCI for the period and the group's basic/diluted EPS.

Impact on equity: increase/(decrease)) in net equity:

IN EURk	31.12.2012
Investment in associates	31,133
Other current assets	83
Cash	170
Total assets	**31,386**
Borrowed funds	**-34,086**
Creditors and accruals	**-289**
Total liabilities	**-34,375**
Net impact of equity	**-2,989**
Attributable to:	
Equity holders of the parent	**-2,989**
Non-controlling interests	**0**

Impact on statement of cash flows (increase/(decrease)):

IN EURk	1 JANUARY TO 31 DECEMBER 2012
Operating increase in operating assets	-4,339
Investing Purchase of a associates	-31,133
Financing Proceeds from borrowed funds	35,642
Net increase in cash and cash equivalents	**170**

IAS 27 would only apply in the separate financial statements of the parent and some of the 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 organizations, venture capital organizations, 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, Union Global Partners Ltd. (hereafter "UGPL"), applied the exception rule in 2013 for the investment in Union Bank of Nigeria (hereafter "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 recognized 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).

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 ABC Holdings Ltd. ("BancABC") 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 (PE) unit manages the group's existing portfolio of four investments, including RSwitch, Resolution Health East Africa Limited (RHEAL), iVeri and Brainworks Capital Management.

ADC's Private Equity Activities exhibit all the required characteristics of a venture capital organization 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 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 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 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 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 – 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). The amendments affect presentation only and have no impact on the Group's financial position or performance.

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 January 1, 2013 but also interim periods thereafter. The adoption of the amendments did not have a material impact on the 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 Group's consolidated financial statements.

EU ENDORSEMENT PENDING

The IASB has published the standards and interpretations listed below, the adoption of which was not yet mandatory for the fiscal year 2013. These standards and interpretations have not been endorsed by the EU and have not been applied by the Group.

TITLE	ISSUED BY THE IASB	ENDORSEMENT	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: Emploee Contibutions	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
IFRIC 21 Levies	May 2013		01.07.2014

IFRS 9 FINANCIAL INSTRUMENTS: CLASSIFICATION AND MEASUREMENT

The first part of phase I in the preparation of IFRS 9 Financial Instruments was issued in November 2009. This standard contains new regulations on the classification and measurement of financial assets. It requires debt instruments, depending on their characteristics and taking account of the business model, to be recognized either at amortized cost or at fair value through profit or loss. Equity instruments must always be shown at fair value. However, changes in the value of equity instruments may be presented in other comprehensive income if the instrument-specific option to do so is exercised at initial recognition of the financial instrument. In this case, only certain dividend income from equity instruments is shown in the income statement. Financial assets held for trading purposes are an exception. These must be stated at fair value through profit or loss. The IASB completed the second part of phase I of the project in October 2010. The standard therefore now includes sections relating to financial liabilities and permits previous classification and measurement policies for financial liabilities to be retained with the following exceptions: The effects of changes in own credit risk for financial liabilities classified as at fair value through profit or loss must be recognized in other comprehensive income and derivative liabilities relating to non-listed equity instruments may no longer be recognized at cost. IFRS 9 is applicable for the first time for annual periods beginning on or after 1 January 2015. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The Group intends to adopt IFRS 9 when its adoption becomes mandatory provided that they have been recognized accordingly in the endorsement procedure.

AMENDMENTS TO IFRS 9 (2009), IFRS 9 (2010) AND IFRS 7 - TEMPORAL SCOPE AND TRANSITIONAL PROVISIONS

On 16 December 2011, the IASB issued Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7), which: (i) amends the effective date of IFRS 9 Financial Instruments to annual periods beginning on or after 1 January 2015; (ii) modifies the relief from restating comparative periods and the associated disclosures in IFRS 7 Financial Instruments: Disclosures. Because the impairment phase of the IFRS 9 project has not yet been completed, the IASB decided on 19 November 2013 that a mandatory date of 1 January 2015 would not allow sufficient time for entities to prepare to apply the new Standard. Accordingly, the IASB decided that a new date should be decided upon when the entire IFRS 9 project is closer to completion. The Group is yet to assess the full impact of the amendments to IFRS 9 and IFRS 7.

IFRIC 21, "Levies", an interpretation of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", clarifies that an entity recognizes a liability for a levy only when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation will become effective for the Group on January 1, 2014. The adoption of IFRIC 21 will not have a material impact on the Group's consolidated financial statements.

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 recognized 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 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 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 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 recognized 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 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 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 ability to measure short-term receivables and payables at invoice amounts in such cases. The amendments will not have a material impact on the 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 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 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 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 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 Group's consolidated financial statements.

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 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.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, 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 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 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.

IMPAIRMENT OF LOANS AND ADVANCES

The Group reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes 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 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. The impairment of loans and advances are described in more detail in note 5.3. Impairment losses on financial assets are explained in note 5.3.

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 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 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 Group Company where the asset has arisen. These forecasts are based on the Group's re-capitalization 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 recognized, 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 utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized 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.

JUDGMENTS

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

CONTROL DEFINITION OF IFRS 10

ADC early adopts IFRS 10, 11, 12, IAS 27 and IAS 28 in the financial statements as of 31 December 2013. 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 BancABC 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 BancABC is obtained by voting rights granted by shares of BancABC (direct ownership) and contractual arrangements through voting agreements in order to direct the relevant activities that significantly affect BancABC'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 recognized 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 UNION GLOBAL PARTNERS LTD. ("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.

2.4 BASIS OF CONSOLIDATION

SUBSIDIARIES

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013. Control is achieved when the 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 Group controls an investee if and only if the 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 Group has less than a majority of the voting or similar rights of an investee, the 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 Group's voting rights and potential voting rights

The 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 Group obtains control over the subsidiary and ceases when the 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 Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the 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 Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the 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 Group loses control over a subsidiary, it:

— Derecognizes the assets (including goodwill) and liabilities of the subsidiary
— Derecognizes the carrying amount of any non-controlling interests
— Derecognizes the cumulative translation differences recorded in equity
— Recognizes the fair value of the consideration received
— Recognizes the fair value of any investment retained
— Recognizes any surplus or deficit in profit or loss
— Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

CURRENCY TRANSLATION

The Group's consolidated financial statements are presented in euros, which is also the functional and presentation currency. Each entity in the Group determines its own functional currency.

Group companies

If the functional currency of the foreign subsidiaries does not correspond to that of the 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 recognized 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 recognized in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss (IAS 21.30).

For the translation of the subsidiaries the following exchange rates are used:

EXCHANGE RATES

EUR	2013 CLOSING RATE	2013 AVERAGE RATE	2012 CLOSING RATE	2012 AVERAGE RATE
Rwanda franc (RWF)	0.0011	0.0012	0.0012	0.0013
United States Dollar (USD)	0.7264	0.7530	0.7776	0.7804
South African rand (ZAR)	0.0692	0.0780	0.0893	0.0949
Kenyan Shilling (KES)	0.0084	0.0087	0.0088	0.0094
Botswana Pula (BWP)	0.0829	0.0897	0.0976	0.0990

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

DATE OF RECOGNITION

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the 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.

"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 Group immediately recognizes 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 recognized in the income statement when the inputs become observable, or when the instrument is derecognized.

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 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 sub-categories
- financial instruments held for trading and
- financial instruments designated as at fair value through profit or loss (fair value option)
- 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 amortized cost

The ‘financial assets measured at amortized 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 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 Group.

Financial liabilities measured at amortized cost

The class known as ‘financial liabilities measured at amortized cost’ is identical to the category of financial liabilities of the same name.

DERIVATIVES RECORDED AT FAIR VALUE THROUGH PROFIT OR LOSS

The 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 recognized 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 recognized 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 recognizing 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 (EIR), 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 recognized 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 recognized 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 amortized 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 amortized through interest income as part of the effective interest rate. The majority of the Group's advances are included in the loans and receivables category. They are stated net of allowances for specific and portfolio impairment. Included in loans and advances are finance lease receivables. Finance lease receivables are those leases where the Group transfers substantially all the risk and reward incidental to ownership of an asset. Finance lease charges are recognized in income using the effective interest rate method.

HELD-TO MATURITY FINANCIAL INVESTMENTS

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

AVAILABLE-FOR-SALE FINANCIAL 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 realization of the investment, the available-for-sale reserves are transferred to the income statement. Interest income, calculated using the effective interest method, is recognized in the income statement. Dividends received on available-for-sale instruments are recognized in the income statement when the Group's right to receive payment has been established. Foreign exchange gains or losses on available-for-sale debt investments are recognized in the income statement.

RECLASSIFICATION OF FINANCIAL ASSETS

The Group may choose to reclassify a non-derivative financial asset held for trading out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized 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, the Group has not reclassified any financial assets in 2013.

FAIR VALUE MEASUREMENT

The 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 amortized 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 to by the 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (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 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.

FINANCIAL LIABILITIES

Financial liabilities are initially recognized 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 amortized 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.

RISK INFORMATION TO FINANCIAL INSTRUMENTS

Further information to financial instruments are available in the section "risk report and risk management system" in the management report (Exhibit 7).

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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

IMPAIRMENT OF FINANCIAL ASSETS

ASSETS CARRIED AT AMORTIZED COST

The 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 Group uses to determine that there is objective evidence of an impairment loss include:

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized 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 recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a 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 Group's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.
Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized 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 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 recognized in the income statement. Impairment losses recognized 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 recognized 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 Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources. (See note 9.2.1 for further analysis of collateral).

COLLATERAL REPOSSESSED

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

HEDGE ACCOUNTING

Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The Group documents at inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. 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 amortized 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 recognized in OCI and presented in the translation reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. The amount recognized in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

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 recognized 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 recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group liabilities under such guarantees are measured at the higher of the initial measurement, less amortization calculated to recognize 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 derecognized when the contractual rights to receive cash flows from the financial assets have expired, or where the Group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. Financial liabilities are derecognized when they are extinguished, that is when the obligation is discharged, cancelled or expires. The Group enters into transactions whereby it transfers assets recognized 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 derecognized from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include securities lending and repurchase agreements. When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognized separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognize 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 recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions 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 recognized when the Group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for. A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision for onerous contracts is established, the Group recognizes any impairment loss on the assets associated with that contract. Contingent liabilities, which include certain guarantees other than financial guarantees, and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control. Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements.

PROVISIONS FOR EMPLOYEES

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

The Group's obligation in respect of accumulated leave days is recognized 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 Group receive remuneration in the form of share-based payment transactions. Senior management of BancABC 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 recognized 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 recognized, 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 recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the 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 recognized as at the beginning and end of that period and is recognized in employee benefits expense (Note 5.9.).

No expense is recognized 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 recognized 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).

MANAGED FUNDS AND TRUST ACTIVITIES

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

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 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 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 recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized 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 recognized 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 recognized 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 recognized 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 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.

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 (the venturers).

As a private equity company, ADC recognizes 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 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, 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 organizations. 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 recognized 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 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 amortization nor to separate impairment tests.

The income statement includes the Group's share in the associate's result. Any changes directly recognized in the associate's equity are recorded by the Group in an amount equaling its share in the associate's equity and, where necessary, included in the statement of other comprehensive income (OCI). Non-realized income and expense under transactions between the Group and the associate are eliminated in an amount equaling the share held in the associate.

The 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 Group accounting methods.

OTHER INTANGIBLE ASSETS

Intangible assets which are not acquired in a business combination are capitalized 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 Group.
Intangible assets – excluding goodwill – with a finite useful life (software and licenses) are amortized over their economic useful life using the straight-line method (reported separately as amortization, see note 6.9).

The useful life is based on the period in which the intangible asset provides an economic benefit for the Group, with useful lives of two to five years assumed. The useful life and amortization method is reviewed at the end of each reporting period.

Intangible assets with an indefinite useful life shall not be amortized. In accordance with IAS 36 the 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.

PROPERTY, PLANT AND EQUIPMENT

The 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 recognized as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group. The cost of day-to-day servicing of property and equipment are recognized 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 the Company, the recoverable amount is determined based on the value in use. At the Company, 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 recognized. 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 realizable value. Cost comprises the purchase price and the costs directly allocable to the acquisition. Net realizable 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.

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 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 (Other comprehensive income) on the 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 African Development Corporation AG ("ADC"), announced its firm intention to make a mandatory offer to all minority shareholders of its major banking asset ABC Holdings Limited, Botswana ("BancABC").

ADC intended to acquire all issued ordinary shares of BancABC not already owned by ADC. The mandatory offer is required by the Botswana Stock Exchange (BSE) for any shareholder owning more than 35% of a listed company in Botswana and was issued at a price of USD 0.60 per share to BancABC shareholders listed on the Company's Zimbabwe register and at the exchange rate equivalent of BWP 5.05 per share for BancABC 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 recognized 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 Group derecognizes 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 taxes that arise from the distribution of dividend are recognized at the same time as the liability to pay the related dividend is recognized.

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 recognized for the following temporary differences:

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

Deferred tax assets for temporary differences and for unused tax losses are recognized 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 realized. 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 recognized in the income statement when the related deferred gain or loss is recognized.

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 recognized 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 recognized in profit or loss. Current income tax is recognized as a liability and calculated on the basis of expected taxable income less prepayments made. If prepayments exceed the tax burden, the difference is recognized as an asset.

We refer to note 5.11 for further details.

LEASES

GROUP AS LESSEE

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the leases' inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the 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 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 recognized as an expense in the period in which termination takes place.

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 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 capitalized 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 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 recognized as income in the period in which termination takes place.

REPOSSESSED ASSETS

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

RECOGNITION OF INCOME AND EXPENSES

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Group and revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

INTEREST INCOME AND INTEREST EXPENSES

Interest income and interest expense are recognized 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 amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

NET FEE AND COMMISSION INCOME

Fee and commission income arises from services provided by the Group, including cash management, project and structured trade finance transactions. Fee and commission income is recognized 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 recognized on a straight-line basis over the commitment period.

NET TRADING INCOME

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

DIVIDENDS

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

RENTAL INCOME

Lease incentives granted are recognized as an integral part of total rental income.

OTHER NON-INTEREST INCOME

Revenue and income from the provision of services is recognized 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 recognized using the percentage of completion method. Stage of completion is measured by reference to the labor hours incurred as of the reporting date as a percentage of total estimated labor hours for the respective consulting project. When the contract outcome cannot be measured reliably, revenue is recognized 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 Group. A contingent liability may also be a present obligation that arises from past events but is not recognized 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 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 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 amortized.

Refer to Note 6.19 regarding discontinued operations assets held for sale for further discussion.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). 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 determining business segment performance. In accordance with IFRS 8, the Group has the following four operating segments (see also note 3):

— Banking operations BancABC
— Banking operations UBN
— Private Equity Activities
— Supporting services

3. SEGMENT REPORTING

In 2013, ADC refined its strategy to focus more intently on the banking industry in sub-Saharan Africa. ADC's focus is on building a pan-African Merchant 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.

1. Banking Operations BancABC

The first time consolidation of BancABC allows ADC to achieve full integration of the Group's core banking operations while accelerating the creation of a cross-border platform that will profit from regional trade and investment. BancABC has corporate and retail operations in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe.

2. Banking Operations UBN

ADC, as part of a consortium of international investors, the Union Global Partners Limited (UGPL), has completed its investment in Union Bank of Nigeria plc ("UBN") together with partners with a wealth of experience including Nigerian private equity fund African Capital Alliance (ACA), 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. 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 Ltd in 2012 with a total holding of 14.74%. As stated in Note 2.2 ADC Ventures Ltd is considered as a subsidiary under IFRS 10 (opposed to the accounting treatment as financial derivative in 2012) the segment banking operations UBN is affected by this in 2013 and in 2012 restated.

3. Private Equity Activities

ADC's private equity business encompasses legacy proprietary shareholdings which the Company acquired before the re-focused strategy was implemented in 2012 from an investment company to a banking group.

4. Support services

The Group's support services comprise areas of activity such as identifying investment opportunities, monitoring the financial position and performance of 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 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 Group's revenues.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

2013 EURk	BANKING OPERATIONS BancABC	BANKING OPERATIONS UNION BANK NIGERIA	PRIVATE EQUITY ACTIVITIES	SUPPORTING SERVICES	CONSOLIDATION	TOTAL
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	-24,841	0	-502	0	425	-24,918
Net interest income after provision for credit losses	**66,571**	**-5,336**	**-462**	**-3,449**	**434**	**57,758**
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	16,196
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	5,583
Total Operating Income	**126,592**	**9,621**	**4,676**	**-2,784**	**-3,484**	**134,621**
Operating expenses	-107,221	-421	-4,243	-4,792	1,321	-115,356
Profit / loss before tax from continuing operations	**19,370**	**9,200**	**433**	**-7,576**	**-2,163**	**19,265**
Income tax	-6,688	0	-204	0	-26	-6,918
Profit / loss for the year from continuing operations	**12,682**	**9,200**	**229**	**-7,576**	**-2,188**	**12,348**
profit after tax for the year from discontinued operations	**0**	**0**	**157**	**0**	**0**	**157**
Profit for the year	**12,682**	**9,200**	**386**	**-7,576**	**-2,188**	**12,505**
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	874,985	0	0	0	0	874,985
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	9,340	0	0	0	0	9,340
Segment assets	**1,351,443**	**66,912**	**8,998**	**6,730**	**-12,487**	**1,421,596**
Non-current assets and disposal groups held-for-sale	0	0	10,777	0	0	10,777
Total assets	**1,351,443**	**66,912**	**19,775**	**6,730**	**-12,487**	**1,432,373**
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	24,529	20	1,021	3,069	25,325	53,964
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	**1,204,294**	**37,872**	**1,707**	**41,121**	**24,510**	**1,309,504**
Non-current liabilities and disposal groups held-for-sale	0	0	428	0	0	428
Total liabilities	**1,204,294**	**37,872**	**2,135**	**41,121**	**24,510**	**1,309,933**

2012 restated[1] EURk	BANKING OPERATIONS BancABC	UNION BANK NIGERIA	PRIVATE EQUITY ACTIVITIES	SUPPORTING SERVICES	CONSOLIDATION	TOTAL
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
Reorganization 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 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**

1 The 2012 figures are restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.

The main consolidation entry relates to the release of negative goodwill from the first-time consolidation of BancABC.

NET INTEREST INCOME BY GEOGRAPHICAL AREA

IN EURk	2013	2012[1]
Botswana	35,042	12,757
Mozambique	10,995	3,694
Tanzania	3,469	1,365
Zimbabwe	36,218	10,692
Zambia	7,255	3,139
Other	-10,304	-4,036
Total	**82,676**	**27,612**

NON-CURRENT ASSETS

IN EURk	2013	2012
Botswana, Mozambique, Tanzania, Zimbabwe, Zambia	114,533	133,493
Rwanda	0	1,238
Mauritius	8	4
Germany	36	77
Total	**114,577**	**134,812**

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 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:

1 The 2012 figures are restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.

IN EURk	FAIR VALUE
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**
Purchase price	37
Costs directly allocable to purchase	0
	37
Purchased cash	11
Payment of purchase price	(37)
Actual cash outflow	(26)

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 recognized is not expected to be deductible for income tax purposes.

ADC SERVICES's profit from the time of acquisition through 31 December 2012 amounts to EURO 43,719. ADC SERVICES's profit for fiscal year 2012 totaled EURO 47,694 and sales revenues totaled EURO 218,817.

ACQUISITION OF ABC HOLDINGS LIMITED, GABORONE, BOTSWANA (HEREAFTER "BANCABC")

ADC's accelerated strategy of becoming a pan-African banking group has taken a giant leap forward after ADC became majority shareholder in BancABC. BancABC concluded a rights issue in total amount of USD 50.0 million on 27 July 2012 ("closing date"). The group subscribed for 42,473,655 shares and become majority shareholder in BancABC. The group gained control by holding 120,920,255 shares, equal to 51.98% of all voting shares in BancABC. Accordingly, the Group commenced consolidation of BancABC as of 27 July 2012 based on a total equity interest of 51.98%.

DESCRIPTION OF BANCABC'S BUSINESS ACTIVITIES AND THE EXPECTED IMPACT FROM THEIR INTEGRATION ON THE GROUP

ABC Holdings Limited is the parent company of a number of sub-Saharan Africa 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, BancABC is pursuing its vision be the preferred banking partner in Africa by offering world class financial solutions - to the benefit of all its stakeholders. BancABC is realising this vision by building profitable, lifelong customer relationships through the provision of a wide range of innovative financial products and services. BancABC has its primary listing on the Botswana Stock Exchange and a secondary listing on the Zimbabwe Stock Exchange.

TREATMENT OF THE GROUP'S INVESTMENT IN BANCABC HELD AT THE CLOSING DATE

Prior to obtaining control, the Group directly held 25.94 % of the shares and voting rights of BancABC, giving it the ability to significantly influence BancABC's financial and operating policies. ADC recognized 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 BancABC was obtained, the 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 recognized 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 BancABC, a non-controlling interest and (negative) goodwill acquired in the business combination.

FAIR VALUE OF ASSETS ACQUIRED AND LIABILITIES ASSUMED AS OF THE ACQUISITION DATE

EURk	FAIR VALUE
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 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 Group recognized 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 BancABC 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 Group. After reassessing and reviewing the procedures used to measure the amounts IFRS 3 requires to be recognized at the acquisition date, the Group recognized a gain on a bargain purchase in amount of EUR 17.1m (Note 5.8).

From the time of acquisition through 31 December 2012, BancABC 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 January 1, 2012, BancABC's pro-forma contribution to the 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 Group as the acquirer amounted to EUR 0.2m which were recognized in operating expenses in the Group's income statement for 2012 (Note 5.9).

Analysis of cash flows on acquisition:

EURk	
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 ABC business is included whereas in 2013 12 months are consolidated into ADC group accounts. We refer to Note 4 regarding the acquisition date of BancABC as at 27 July 2012.

5.1 INTEREST AND SIMILAR INCOME

EURk	2013	2012
Cash and short-term funds	5,877	1,658
Trading securities	6,036	3,611
Financial investments - held to maturity	329	152
Loans and advances at amortized cost	160,777	59,857
Other interest income	154	-2
	173,173	**65,276**
Interest income on financial assets designated at fair value through profit or loss	0	89
	173,173	**65,365**

5.2 INTEREST AND SIMILAR EXPENSE

EURk	2013	2012[1]
Deposits	-70,292	-25,924
Borrowed funds	-20,179	-11,829
Securities lent and repurchase agreements	-26	0
	-90,497	**-37,753**

5.3 PROVISION FOR CREDIT LOSSES

EURk	2013	2012
Specific impairments	-24,785	-8,133
Portfolio impairments	-875	0
Total impairment charge (note 6.4.)	**-25,660**	**-8,133**
Recoveries of loans and advances previously written off	742	0
	-24,918	**-8,133**

1 The 2012 interest expense figure for borrowed funds is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.

Total impairment charges are presented as follows:

EURk	2013	2012
Financial assets measured at amortized cost loans and advances (note 6.4)		
mortgage lending	-53	0
instalment finance	-856	674
corporate lending	-20,618	-9,542
commercial and property finance	125	-56
consumer-lending	-4,258	790
	-25,660	**-8,133**

5.4 NET FEE AND COMMISSION INCOME

EURk	2013	2012
Net fee income on loans and advances	15,213	8,251
Net fee income on held-to-maturity investments	301	0
Net fee income from trust and fiduciary activities	10,860	827
Cash transaction fees	9,750	5,878
Other fee income	1,214	1,922
	37,338	**16,878**

5.5 NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE PROFIT OR LOSS

EURk	2013	2012
Financial assets designated at fair value through profit or loss	1,371	506
Financial assets designated at fair value through profit or loss option IAS 28.1/IAS 39	1,878	-13,203
	3,249	**-12,697**

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).

5.6 NET TRADING INCOME

EURk	2013	2012
Net (losses)/gains on derivative financial instruments	-2,054	-5,721
Debt securities	0	1,402
Foreign exchange	14,631	6,889
Other net trading income	3,620	0
	16,197	**2,570**

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.

EURk	2013	2012[1]
Pro-rata share of investees' net income (loss)	**14,497**	**-856**

5.8 OTHER NON-INTEREST INCOME

EURk	2013	2012[2]
Electronic payment services	0	0
Advisory services to portfolio companies	0	493
Dividend income:		
listed shares - fair value through profit or loss	472	904
Gains/losses on disposal of property, plant and equipment	3	0
Other non-interest income:		
rental and other income	1,016	487
(loss)/profit on disposal of property and equipment	0	-5
non-trading foreign exchange	5	254
other non-interest income	4,086	1,030
Release of negative goodwill (note 4)	0	17,096
	5,582	**20,259**

1 The 2012 interest expense figure for borrowed funds is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.
2 The 2012 figure is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2 and as a result of reclassifications of comparative figures relating to discontinued operations, refer Note 6.19.

5.9 OPERATING EXPENSES

EURk	2013	2012[1]
Staff costs (note 5.9.1)	-44,014	-18,666
Amortization and depreciation	-17,341	-7,149
Rental expenses	-8,266	-3,513
Travelling expenses	-3,586	-1,831
Marketing espenses	-4,874	-2,363
Administration expenses	-35,447	-19,217
Other operating expenses	-1,828	-4,506
	-115,356	**-57,245**

5.9.1 STAFF COSTS

EURk	2013	2012[2]
Staff costs		
Salaries	-43,477	-18,659
Incentive payments	-370	0
compensation payments	-26	0
	-43,873	**-18,659**
Social costs	-141	-7
	-44,014	**-18,666**

The average number of employees in 2013 was 1,466 (prior year: 1,362). They were allocated to the following segments:

EURk	2013	2012
Holding	14	19
Operations:		
Botswana	284	234
Mozambique	205	166
Rwanda	44	33
South Africa	65	57
Tanzania	212	135
Zambia	221	211
Zimbabwe	514	507
Quarterly Average	**1,466**	**1,362**

1 The 2012 figure is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2 and as a result of reclassifications of comparative figures relating to discontinued operations, refer Note 6.19.

2 The 2012 figure is restated and do not agree with the corresponding figures in 2012 financial statements as a result of reclassifications of comparative figures relating to discontinued operations, refer Note 6.19.

5.9.2 AUDITOR'S FEES

The total fees charged for 2013 by the independent auditors of the consolidated financial statements, broken down by type of service are as follows:

EURk	2013	2012
Audit services	129	288
Other attestation services	127	0
Tax advisory services	0	25
	256	**313**

5.10 REORGANIZATION EXPENSES

In November 2012, ADC simplified its corporate structure by taking over its General Partner, ADC Management GmbH from Altira AG, and transformed its organizational structure from a private equity company (partnership limited by shares - GmbH & Co. KGaA) into a stock corporation (AG), which was finalized on 26 July 2013.

5.11 INCOME TAX EXPENSE

EURk	2013	2012
CURRENT TAX EXPENSE		
Current year	-11,080	-4,422
Under(over) provision in prior years	0	-55
Withholding tax	-410	-141
Bank levies	-11	-2
	-11,501	**-4,621**
DEFERRED TAX		
Accruals	1,901	-15
Impairment losses	-596	1,966
Property and equipment	-769	391
Intangible Assets	1,608	703
Gains and investments	-900	29
Tax losses	3,339	-531
	4,583	**2,542**
Total tax expense per income statement	**-6,918**	**-2,078**

As in the prior year, the 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 Group's income tax rate of 30.00% (prior year: 30.00%):

EURk	2013	2012
IFRS earnings before income tax	19,265	(15,939)
Imputed tax income (group tax rate)	(5,780)	4,782
Non-deductible expenses	(512)	(7,017)
Tax-free income	3,835	1,916
Tax incentives and tax dividend received	(413)	(300)
Changes in loss carryforwards, which cannot be used to reduce tax expense	(2,470)	(18)
Changes in tax rate	(2,161)	(1,104)
Tax losses of prior years claimed	583	(337)
Effective income taxes (current and deferred losses)	(6,918)	(2,078)
Effective Group tax rate	-35.9 %	-25.2 %

DEFERRED TAX

In addition to deferred tax assets recognized for tax loss carryforwards, deferred tax assets and liabilities are also recognized for temporary differences in respect of the items shown below:

	2013		2012	
EURk	DEFFERED TAX ASSETS	DEFERRED TAX LIABILI-TIES	DEFFERED TAX ASSETS	DEFERRED TAX LIABILITIES
Tax loss carryforwards	8,624	0	6,151	0
Impairment allowance for loans and advances	2,810	0	3,765	0
Revaluation of financials instruments available-for-sale	0		0	-983
Property, plant and equipment	0	633	0	0
Foreign currency translation reserve	0	622	0	0
Other temporary differences	3,197	16,197	1,303	14,285
Total (gross)	**14,631**	**17,452**	**11,219**	**13,302**
Netting of deferred tax assets and deferred tax liabilities	-5,291	-5,291	-2,569	2,569
Total (net)	**9,340**	**12,161**	**8,650**	**15,871**

The group has determined that undistributed profits and associates will not be distributed in the foreseeable future. The group's associate UGPL did not distribute its profits until it obtains the consent from all consortium partners. The group does not foresee giving such a consent being given at reporting date.

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 recognized carrying amount.

EURk	31.12.2013	31.12.2012[1]
Cash on hand	22,726	26,712
Balances with central banks	2,355	17,020
Balances with other banks	117,238	86,518
	142,319	**130,250**
Statutory reserve balances	58,579	53,130
	200,898	**183,380**

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

1 The 2012 figure is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.

6.2 OTHER FINANCIAL ASSETS HELD FOR TRADING

OTHER FINANCIAL ASSETS HELD FOR TRADING

EURk	31.12.2013	31.12.2012
Government bonds	5,960	7,181
Corporate bonds	2,968	2,948
Treasury bills and other open market instruments	95,530	89,702
	104,458	**99,832**

Other financials assets held for trading are pledged as collateral in amount of EUR 25.9m (prior year: 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 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

EURk	31.12.2013	31.12.2012
Listed equities	360	969
Unlisted equities	8,520	0
Listed debentures	2,575	2,655
Unlisted debentures	0	7,078
	11,455	**10,701**

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

Unlisted equities comprise of a number of unlisted equity investments housed in an investment company in the 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.

6.4 LOANS AND ADVANCES

EURk	31.12.2013	31.12.2012
Mortgage lending	28,936	26,162
Instalment finance	55,574	54,802
Corporate lending	446,148	450,105
Commercial and property finance	4,453	5,277
Consumer lending	390,555	386,973
	925,666	**923,319**
less: Allowance for impairments losses	50,682	36,746
Net loans and advances	**874,985**	**886,572**

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 EURk	MORT-GAGE LENDING	INSTAL-MENT FINANCE	CORPO-RATE LENDING	COMMER-CIAL AND PROPERTY FINANCE	CON-SUMER LENDING	TOTAL
Opening balance	115	1,589	29,580	139	5,324	**36,746**
Exchange adjustment	-15	-189	-3,506	-11	-739	**-4,460**
Charge for the year (note 5.3)	53	856	20,618	-125	4,258	**25,660**
Amounts written off	0	-147	-6,909	0	-210	**-7,265**
Closing balance	**153**	**2,109**	**39,783**	**2**	**8,634**	**50,682**
Individual impairment	139	1,483	34,894	2	6,333	**42,850**
Collective impairment	15	626	4,889	1	2,301	**7,832**
	153	**2,109**	**39,783**	**2**	**8,634**	**50,682**
Gross amount of loans individually determined to be impaired, before conducting the individually assessed impairment allowance						
	606	**14,299**	**64,241**	**44**	**13,516**	**92,708**

The changes in impairment losses included in the allowances for losses on loans and advances recognized under assets were as follows:

	SPECIFIC ALLOWANCE FOR CREDIT LOSS		COLLECTIVE IMPAIRMENT		TOTAL	
EURk	2013	2012	2013	2012	2013	2012
Allowance for credit losses as at 1 January	29,086	0	7,660	0	36,746	0
Additions from business combinations	0	26,397	0	7,648	0	34,045
Additions	25,326	7,618	875	515	26,201	8,133
Utilisation	-7,265	-3,200	0	0	-7,265	-3,200
Reversals					0	0
Exchange rate adjustment	-4,297	-1,729	-704	-503	-5,001	-2,232
Balance as at 31 December	**42,850**	**29,086**	**7,831**	**7,660**	**50,681**	**36,746**

6.5 INVESTMENT SECURITIES

EURk	31.12.2013	31.12.2012
Available-for-sale		
unlisted equities	1,320	844
listed Equities	209	0
Held to maturity promissory notes	4,105	4,475
	5,635	**5,319**

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.

6.6 OTHER CURRENT ASSETS AND CURRENT TAX ASSETS

EURk	31.12.2013	31.12.2012[1]
Trade receivables	0	287
Inventories	0	310
Prepayments	19,571	15,127
Other assets	2,858	5,553
	22,429	**21,277**
Current tax assets	2,866	3,165
	25,295	**24,442**

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.

EURk	NOTE	31.12.2013	31.12.2012[2]
Investments in associates measured in accordance with the equity method	6.7.2.	67,914	55,789
Investments in associates measured at fair value through profit or loss	6.7.1.	4,420	18,994
Joint ventures	6.7.3.	0	100
		72,334	**74,883**

1 The 2012 figure is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.

2 The 2012 figure for investments in associates measured in accordance with the equity method is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.

As of the reporting date, the Group held interests in the following associates:

	YEAR	CAPITAL INTEREST INDIRECT %	CURRENCY (LC)	ASSETS (LCk)	LIABILITIES (LCk)	EQUITY (LCk)	RESULT (LCk)	RESULT (EURk)
Investments in associates measured in accordance with the equity method								
1. Union Global Partners Limited, Mauritius[1]	2012	14.74	USD	490,565	442	490,123	(8,265)	(6,182)
2. Lion of Tanzania Insurance Company Ltd., Tanzania[1]	2012	38.00	TZS	16,403,737	13,333,383	3,070,354	168,486	87
3. PG Industries (Botswana) Ltd., Botswana[1]	2012	42.00	BWP	59,698	54,322	5,376	(20,544)	(2,033)
4. Credit Insurance Zimbabwe Limited, Zimbabwe[1]	2012	24.00	ZWD	5,093	2,102	2,991	459	346
Investments in associates measured at fair value through profit or loss								
2. Resolution Health East Africa Ltd., Nairobi, Kenya[1]	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)

6.7.1 ASSOCIATES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (IAS 39 AND IAS 28.18)

EURk	31.12.2013	31.12.2012
Carrying amount at the beginning of the period	18,994	49,023
Additions	0	41,204
Disposals	-9,000	0
Gain on disposal	1,408	0
Reclassification as BancABC became a subsidiary in 2012	0	-58,030
Reclassification as held-for-sale (Note 6.19)	-7,446	0
Change in fair values	464	-13,203
Carrying amount at the end of the period	**4,420**	**18,994**

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.

1 At the time of preparation of the consolidated financial statements, the annual audits 2013 of these companies' financial statements had not yet been concluded. As a result, the figures are based only on the audited financial statements 2012.

ASSOICATES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (IAS 39, IAS 28.1)

EURk	31.12.2013	2012
BANGE	0	7,592
Brainworks	0	6,580
RHEAL	4,420	3,737
iVeri	0	734
evriPay	0	351
	4,420	**18,994**

BANCO NACIONAL DE GUINEA ECUATORIAL (BANGE)

On 15 May 2013, ADC announced a successful exit from its 25% shareholding in Banco Nacional de Guinea Ecuatorial (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 (HEREAFTER RHEAL)

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 Resolution Health East Africa Ltd. ("RHEAL"), Nairobi, Kenya, via a direct investment. A further 13.64% share in RHEAL is held via a controlled special purpose entity, Proven Track Corporation Ltd. ("PTC"), GBL1, Mauritius. In October 2012, ADC took 100% ownership in a vehicle (Proven Track Corporation, Mauritius) that held a further 13.64% stake in RHEAL, 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 was amalgamated into ADC Financial Services & Corporate Development Ltd. which held the total equity stake of 38.74%. The interests in RHEAL are recognized at a fair value of EUR 4,420k (prior year: EUR 3,737k).

6.7.2 STRATEGIC BANKING INVESTMENTS MEASURED IN ACCORDANCE WITH THE EQUITY METHOD

EURk	2013	2012[1]
Carrying value at the beginning of the year	55,789	0
Additions from business combinations	0	1,364
Additions	435	55,220
Exchange rate adjustment	-2,616	60
Share of profits (losses)	14,498	-856
Tax	-144	1
Share of other comprehensive income	49	0
Impairment	-97	0
	67,914	**55,789**

UNION GLOBAL PARTNERS LIMITED, MAURITIUS (HEREAFTER "UGPL")

In 2012, ADC Enterprises purchased a 6.35% share and ADC Ventures purchased a 8.39% share in Union Global Partners Limited (hereafter "UGPL" or "consortium"), Mauritius. The consortium owns a majority stake of 61.4% in Union Bank of Nigeria (herafter "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 recognized in accordance with the equity method (IAS 28) in an amount of EUR 66,810k (prior year EUR 54,696k).

1 The 2012 figure for investments in associates measured in accordance with the equity method is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.

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 LCk	2012 IN EURk
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**

	2012 IN LCk	2012 IN EURk
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 FS 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 Group held no interests in joint ventures.

6.8 PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
EURk	LAND AND BUILDINGS	OTHER EQUIP-MENT	TOTAL	LAND AND BUILDINGS	OTHER EQUIP-MENT	TOTAL
Costs as of 1 January	43,287	24,474	67,761	0	1,461	1,461
Exchange adjustment	(3,128)	(3,019)	(6,147)	(2,911)	(1,317)	(4,228)
Aquisition from a subsidiary (note 4)	0	0	0	45,566	20,621	66,187
Additions	3,456	6,092	9,548	632	3,430	4,062
Disposals	0	(272)	(272)	0	(297)	(297)
Reclassifications	68	(1,435)	(1,367)	0	576	576
Historic cost as of 31 December	43,684	25,839	69,523	43,287	24,474	67,761
Accumulated amortization and depreciation as of 1 January	(47)	(2,809)	(2,856)	0	(910)	(910)
Exchange adjustment	414	1,136	1,550	28	277	305
Additions	(1,895)	(4,891)	(6,786)	(524)	(2,176)	(2,700)
Disposals	0	215	215	116	0	116
Reclassifications	0	1,103	1,103	333	0	333
Accumulated amortization and depreciation as of 31 December	(1,527)	(5,246)	(6,773)	(47)	(2,809)	(2,855)
Carrying amount as of 1 January	**43,240**	**21,665**	**64,905**	**0**	**551**	**551**
Carrying amount as of 31 December	**42,156**	**20,593**	**62,750**	**43,240**	**21,665**	**64,905**

In 2013, there are no indications of a need to recognize impairment losses on property, plant and equipment in accordance with IAS 36.

As before, there are no restrictions on disposal within the Group, nor are property, plant and equipment pledged as collateral for debts.

6.9 OTHER INTANGIBLE ASSETS AND GOODWILL

	2013					
EURk	TRADE-MARK	CUSTOMER RELATION-SHIP	CORE DEPOSITS	SOFTWARE	GOOD-WILL	TOTAL
Historical cost as of 1 January	20,121	14,227	27,514	13,459	787	76,108
Acquisition from a subsidiary (note 4)	0	0	0	0	0	0
Exchange adjustment	(3,031)	(2,143)	(4,144)	(2,167)	6	(11,478)
Additions	0	0	0	1,950	0	1,950
Reclassifications	0	0	0	233	(793)	(560)
Historical cost as of 31 December	17,090	12,084	23,370	13,475	0	66,020
Accumulated amortization and depreciation as of 1 January	(838)	(871)	(1,442)	(2,263)	0	(5,414)
Exchange adjustment	266	277	458	776	0	1,778
Amortization and depreciation	(1,849)	(1,921)	(3,180)	(3,606)	0	(10,556)
Reclassifications	0	0	0	0	0	0
Accumulated amortization and depreciation as of 31 December	(2,421)	(2,516)	(4,163)	(5,093)	0	(14,193)
Carrying amount as of 1 January	**19,283**	**13,356**	**26,073**	**11,196**	**787**	**70,694**
Carrying amount as of 31 December	**14,669**	**9,568**	**19,207**	**8,382**	**0**	**51,827**

	2012					
EURk	TRADE-MARK	CUSTOMER RELATION-SHIP	CORE DEPOSITS	SOFTWARE	GOOD-WILL	TOTAL
Historical cost as of 1 January	0	0	0	1,177	838	2,015
Acquisition from a subsidiary (note 4)	21,461	15,174	29,347	11,429	23	77,434
Exchange adjustment	(1,340)	(947)	(1,832)	(1,144)	(74)	(5,338)
Additions	0	0	0	2,033	0	2,033
Reclassifications	0	0	0	(36)	0	(36)
Historical cost as of 31 December	20,121	14,227	27,514	13,459	787	76,108
Accumulated amortization and depreciation as of 1 January	0	0	0	(736)	0	(736)
Exchange adjustment	12	12	20	(7)	0	37
Amortization and depreciation	(850)	(884)	(1,462)	(1,651)	0	(4,847)
Reclassifications	0	0	0	132	0	132
Accumulated amortization and depreciation as of 31 December	(838)	(871)	(1,442)	(2,262)	0	(5,413)
Carrying amount as of 1 January	**0**	**0**	**0**	**441**	**838**	**1,279**
Carrying amount as of 31 December	**19,282**	**13,356**	**26,072**	**11,197**	**787**	**70,694**

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).

OTHER INTANGIBLE ASSETS

The carrying amount of other intangible assets as of 31 December 2013 of EUR 51,827k (prior year: EUR 69,907k) reflected mainly intangible assets related to the acquisitions of BancABC and amortization expense of EUR 10,385k (prior year: EUR 4,847k).

In 2013 test for triggering events resulting in impairment of other intangible assets were performed at the level of cash generating units of BancABC, 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 of 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 for CGU Mozambique revealed no indication for an impairment based on a range of reasonable valuation assumptions. However, the headroom above an (potential) impairment is only small and even a slight change in assumptions would imply impairment.

The useful lives of other amortized 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

Amortization of intangible assets is included in the operating expenses (Note 5.9).

6.10 DEFERRED TAX

Of the deferred tax assets recognized as of the reporting date, an amount of EUR 8,624k (prior year: EUR 6,150k) 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 3,339k attributable to tax loss carryforwards were recognized in profit or loss. In the prior year, the deferred taxes recognized 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 ABCH Holdings Limited (EUR 2.7m, prior year: EUR 1.8m), Second Nominees Zimbabwe (EUR 0.5m, prior year: EUR 2.0m), BancABC Tanzania (EUR 2.6m, prior year: EUR 1.8m).

No deferred tax assets were recognized on unused tax losses of EUR 38,668k (prior year: EUR 29,287k) at ADC AG 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 utilize 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 utilized in full or in part. Conversely, deferred taxes are recognized when their future usability is probable.

Deferred tax liabilities mainly relate to temporary differences arisen in a business combination with BancABC (note 5.11 and note 4).

Deferred tax liabilities for tax payments on possible future distributions of retained earnings of the subsidiaries were not recognized provided these profits are required in the long-term to finance the relevant subsidiary.

6.11 DEPOSITS

EURk	31.12.2013	31.12.2012
Deposits		
Deposits from banks	117,866	104,206
Deposits from other customers	894,268	937,685
	1,012,133	**1,041,891**
Payable on demand		
Corporate customers	183,438	171,748
Public Sector	27,849	37,870
Retail Customers	83,176	76,994
Other financial institutions	22,065	43,640
Banks	31,398	9,942
	347,926	**340,194**
Term deposits		
Corporate customers	188,934	247,539
Public sector	233,002	248,635
Retail customers	40,602	20,467
Other financial institutions	115,202	90,791
Bank	86,467	94,264
	664,207	**701,697**
Geographical analysis		
Botswana	377,522	403,977
Mozambique	192,450	136,320
Tanzania	107,646	112,040
Zambia	95,719	77,376
Zimbabwe	238,795	312,177
	1,012,133	**1,041,891**

6.12 BORROWED FUNDS

EURk	31.12.2013	31.12.2012[1]
Convertible bond	0	9,560
Other borrowed funds	188,332	149,198
Bond with warrants attached	37,986	36,909
	226,318	**195,667**

6.12.1 CONVERTIBLE BOND

During 2011, the BancABC issued a US Dollar denominated convertible loan to International Finance Corporation (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, the BancABC 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-recognized 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 BWP3.24 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, ADC's subsidiary, BancABC, has announced the allotment of 24,080,230 ordinary shares to the International Finance Corporation (IFC), a member of the World Bank Group, upon the conversion of a convertible loan of BWP 78.0 million (EUR 7.0 million).

EURk	2013	2012
Balance at the beginning of the year	9,560	7,838
Additions	0	0
Additions from acquisitions through business combinations	0	8,259
Disposal - conversion	0	-100
Reclassification	0	-7,738
Interest expense	461	1,500
Capital repayment	-2,438	0
Conversion into equity	-6,594	0
Interest paid	-215	-528
Exchange rate movement	-774	330
	0	**9,560**

1 The 2012 figure for investments in associates measured in accordance with the equity method is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.

6.12.2 OTHER BORROWED FUNDS

EURk	31.12.2013	31.12.2012[1]
National Development Bank of Botswana Limited	5,569	9,251
BIFM Capital Investment Fund One (Pty) Ltd.	21,252	31,301
Afrexim Bank	68,124	30,649
Standard Chartered Bank Botswana Limited	0	11,401
Deutsche Bank	17,976	0
NORSAD	10,921	0
Other	64,490	66,595
	188,332	**149,198**
Fair value		
National Development Bank of Botswana Limited	5,598	9,516
BIFM Capital Investment Fund One (Pty) Ltd.	30,183	39,243
Afrexim Bank	68,186	31,151
Standard Chartered Bank Botswana Limited	0	11,401
Deutsche Bank	20,304	0
NORSAD	12,462	0
Other	72,749	66,595
	209,482	**157,906**

NATIONAL DEVELOPMENT BANK OF BOTSWANA LIMITED (NDB)

The loan from National Development Bank of Botswana is denominated in Japanese Yen and attracts interest at 3.53%. Principal and interest is payable semi-annually on 15 June and 15 December. The loan matures on 15 December 2016.

BIFM CAPITAL INVESTMENT FUND ONE (PTY) LTD

The loan from BIFM Capital Investment Fund One (Pty) Ltd is denominated in Botswana Pula and attracts interest at 11.63% per annum, payable semi-annually.

The redemption dates for the principal amount are as follows:

- 30 September 2017 – 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)

1 The 2012 figure for investments in associates measured in accordance with the equity method is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.

AFREXIM BANK LIMITED

The loans from Afrexim Bank Limited consist of US $60 million advanced to ABC Holdings Limited (ABCH) and US $40 million advanced to ABC Zimbabwe Limited. 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 availed to ABC 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.

NORSAD FINANCE LIMITED

The loans from Norsad Finance Limited were advanced to ABC Holdings Limited (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.

6.12.3 BOND WITH WARRANTS ATTACHED

Effective 1 June 2013, ADC issued a bond with warrants attached 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 BancABC. The bonds were initially recognized at their fair value and subsequently at amortized 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 BancABC and the proceeds from the sale of these shares have been pledged as collateral for the bond with warrants attached.

The bond with warrant 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 recognized under interest and similar expense.

EURk	2013	2012[1]
Maturity analysis		
On demand to one month	44,375	227
One to three months	1,743	4,010
Three months to one year	6,529	75,949
Over one year	173,670	115,480
	226,318	**195,667**

6.13 CREDITORS AND ACCRUALS

EURk	2013	2012[1]
Trade and other payables	84	5,276
Other current liabilitites	32,657	14,038
Accruals and provisions	21,223	16,929
	53,964	**36,243**

CREDITORS AND ACCRUALS

Trade payables and other liabilities are measured at amortized 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 BancABC at a price of USD 0.60 per share on the Zimbabwe Stock Exchange 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 group recognized at 31 December 2013 in amount of EUR 25,430 under other current liabilities (Note 6.15).

ACCRUALS

EURk	2013	2012
As of 1 January	**16,929**	**247**
Exchange adjustment	(1,651)	583
Additions	21,223	8,171
Additions from business combinations	0	9,342
Utilization	(15,278)	(243)
Reversal	0	(5)
As of 31 December	**21,223**	**16,929**

1 The 2012 figure for investments in associates measured in accordance with the equity method is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.

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 measured. The notional amounts indicate the volume of transactions outstanding at the year-end are indicative of neither the market nor the credit risk.

	2013			2012		
EURk	ASSETS	LIABILITIES	NOTIONAL AMOUNT	ASSETS	LIABILITIES	NOTIONAL AMOUNT
Derivatives held for trading						
Forward foreign exchange contracts - held for trading	2,291	172	81,387	2,426	272	102,968
Derivatives designated at fair value through profit or loss						
Equity derivative	0	2,218	4,987	0	1,936	1,936
Call-/Put option agreement	330	672	6,334	0	0	0
Cross-currency interest rate swaps	0	0	0	0	0	0
Derivatives used as fair value hedges						
Cross-currency interest rate swaps	0	730	5,569	870	0	9,251
	2,621	**3,792**	**98,276**	**3,296**	**2,208**	**114,155**

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.

1 The 2012 figure for investments in associates measured in accordance with the equity method is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.

FAIR VALUE HEDGES

CROSS-CURRENCY INTEREST RATE SWAPS

Fair value hedges are used by the Bank 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. The Bank uses currency swaps to hedge against specifically identified currency risks, and interest rate swaps and interest rate futures to hedge interest rate risk. The Bank'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:

EURk	2013	2012
Gain/(losses) on:		
Hedged instruments	-1,712	-1,035
Hedged items attributable to the hedged rist	1,712	1,035
Hedged ineffectiveness recognized immediately in income statement	**0**	**0**

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:

EURk	2013	2012
Loans and advances to customers	0	0
Debt issued and other borrowed funds	5,569	9,251
	5,569	**9,251**

HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS

The Bank 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 Bank's net investment in BancABC Zimbabwe, and is being used to hedge the Bank'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 recognized in profit or loss during the year.

6.15 EQUITY

ISSUED CAPITAL

Issued capital is stated at nominal value. The Company'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 utilization of existing authorized capital by almost 10%, issuing 860,676 new registered shares reaching a share capital of EUR 9,467,440.

Authorized capital

On 17 January 2013 the extraordinary General Meeting of the Company resolved the cancellation of the Authorized Capital I/2013 amounting to EUR 3,442,706.00. Simultaneously the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the issued share capital of the Company 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 (Authorized Capital II/2013).

Conditional capital

The Annual General Meeting of the Company 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 the Company and the Company does not issue the holders with own shares for this purpose.

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 derecognized or impaired.

OTHER CAPITAL RESERVES

Other capital reserves are free distributable reserves.

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.

EURk 31 DECEMBER 2013	GROUP SUBSIDIARY NCI PERCENTAGE	BANCABC 52.93	INTRA-GROUP ELIMINATIONS	TOTAL
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		874,985		
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		9,340		
Total assets		**1,308,465**		
LIABILITIES				
Deposits		1,012,133		
Derivative financial liabilities		3,120		
Creditors and accruals		24,529		
Current tax liabilities		1,071		
Deferred tax liability		1,753		
Borrowed funds		145,848		
Total liabilities		**1,188,454**		
Net assets		**120,011**		
Carrying amount of NCI		63,522	-8,063	55,459

EURk	1 JANUARY 2013 TO 31 DECEMBER 2013	INTRA-GROUP ELIMINA-TIONS	TOTAL
Interest and similar income	173,016		
Interest and similar expense	-82,390		
Net interest income	**90,627**		
Provision for credit losses	-29,419		
Net interest income after provision for credit losses	**61,207**		
Non-interest income	62,081	(2,613)	
Net income from equity method instruments	-359		
Total operating Income	**122,929**		
Operating expenses	-100,146		
Result before tax	**22,783**		
Income tax expense	-7,143		
Result for the year	**15,640**		
OCI	**8,817**		
Total comprehensive	**24,457**		
Profit allocated to NCI	13,939	-2,613	11,326
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 Group's equity interest in BancABC decreased from 51.98% to 47.07%.

On 19 December 2013, ADC made a mandatory offer to all BancABC non-controlling shareholders at a price of USD 0.60 per share on the Zimbabwe Stock Exchange and the exchange rate equivalent of BWP 5.05 for shareholders listed on the Botswana register. Shareholders owning 23% of the share capital of BancABC indicated that they would not accept the mandatory offer, seeing higher potential in BancABC's future business and share price.

The mandatory offer led to a liability to the group recognized at 31 December 2013 in amount of EUR 25,430k under other current liabilities (Note 6.13).

On 17 January 2014, the mandatory offer was closed, with an uptake of 10,199,154 shares, equaling 4% of the shares outstanding in BancABC. 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. We refer to further explanations provided in the Group Management Report (Exhibit 7).

EURk 31 DECEMBER 2012	GROUP SUB-SIDIARY NCI PERCENTAGE	BANCABC 48.02	INTRA-GROUP ELIMINA-TIONS	TOTAL
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 securities		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		**1,188,454**		
Net assets		**120,144**		
Carrying amount of NCI		57,693	-8,030	49,663

EURk	1 JANUARY 2012 TO 31 DECEMBER 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 tax	**15,077**		
Income tax expense	-4,331		
Result for the year	**10,746**		
OCI	**-18**		
Total comprehensive	**10,729**		
Profit allocated to NCI	5,011	0	5,011
OCI allocated to NCI	312		
Cash flows from operating activities	56,800		
Cash flows 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

EURk	2013	2012
	50,820	**41,659**

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

6.17 EMPLOYEE BENEFITS

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

Amounts recognized in expenses have been disclosed in Note 5.9.

6.18 SHARE-BASED PAYMENTS

STOCK OPTION PROGRAM FOR EMPLOYEES AND MEMBERS OF THE MANAGEMENT BOARD OF ADC AFRICAN DEVELOPMENT CORPORATION AG (SOP 2013)

The Annual General Meeting of ADC African Development Corporation AG resolved on August 14, 2013 that the Management Board shall be authorized with the approval of the 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 December 31, 2015 („Issuance Period"), in accordance with the more detailed stipulations of the following provisions within the scope of a „Stock Option Plan 2013", on the condition that each stock option shall grant the right to the subscription of one share of the Company (hereinafter referred to as „Stock Options" or „Options" or „Option Rights").

The Stock Option Plan 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 Group does not have a past practice of cash settlement for these share options.

The share options vest if and when the 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 AG share is 100% of the basis price. The basis price is EUR 9.00 per registered no-par share of ADC AG.

The following table list the inputs to the model used for the SOP 2013 for the year ended 31 December 2013:

IN %	2013
Dividend yield (in %)	0
Expected volatility (in %)	22.31
Risk-free interest rate (in %)	7.89
Expected life of the option (years)	9
Weighted average share price (EUR)	8.98
Model used	Binomial

The following table illustrates the number and weighted average exercise prices (WEAP) of, and movements in, share options during the year:

	2013	
	NUMBER	WEAP
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 (ABCH OP)

ADC as a significant shareholder of BancABC granted at 25 June 2012 to the senior management of BancABC the option to purchase option shares of BancABC, 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

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:

	2013	2012
Dividend yield (in %)	4,27	4,27
Expected volatility (in %)	10	20
Risk-free interest rate (in %)	0,261	0,261
Expected life of the option (years)	1,9	2,68

The 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 recognized for employee services received is EUR 10k (2012: nil)

6.19 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

6.19.1 DISCONTINUED OPERATIONS (RSWITCH LTD.)

In Q4 2013, the Board of Directors decided to sell the shares of RSwitch, a 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 is expected to be completed in the first half of 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:

EURk	2013	2012
Interest expense	(124)	0
Non-interest income	2,659	2,118
Operating expenses	(2,378)	(2,981)
Gross Profit	**157**	**(863)**
Impairment loss recognised on the re-measurement to fair value less costs to sell	0	0
Profit / loss before tax from a discontinued operation	**157**	**(863)**
Tax income:		
Related to current pre-tax profit/(loss)	0	0
Related to measurement to fair value less costs of disposial (defered tax)	0	0
Profit / loss for the year from a discontinued operation	**157**	**(863)**

The comparative consolidated statement of profit or loss and OCI has been restated to show the discontinued operations separately from discontinued operations.

EUR	2013	2012
Earnings per share:		
Basic/diluted, profit/(loss) for the year from discontinued operation	0.02	-0.10

The major classes of assets and liabilities of RSwitch classified as held for sale as at 31 December are, as follows:

EURk	2013
ASSETS	
Intangible Assets	1,402
Property, plant and equipment	323
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 assiciated 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:	
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.

6.19.2 ASSETS HELD FOR SALE

ADC Management decided in November and December 2013 to exit their investments in iveri, everipay and Brainworks Capital Management. An active program to locate a buyer and complete the sale plan has been initiated. As such, the sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

The non-recurring fair value measurement for the assets held for sale of EUR 7,446k has been categorized as follows:

EURk ASSOCIATES HELD FOR SALE	2013 CARRYING AMOUNT	QUOTED PRICES LEVEL 1	SIGNIFICANT OBSERVABLE INPUTS LEVEL 2	SIGNIFICANT INOBSERVAB-LE 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**

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

6.20.1 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:

	2013		2012[1]	
EURk	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets measured at fair value				
Other financial assets held for trading				
Government bonds	5,960	5,960	7,181	7,181
Treasury bills	95,530	95,530	89,703	89,703
Corporate bonds	2,968	2,968	2,948	2,948
Fair value option				
Listed equities	360	360	969	969
Unlisted equities	8,520	8,520	-	-
Listed debentures	2,575	2,575	2,655	2,655
Unlisted debentures	-	-	7,078	7,078
Investment in associates - listed equities	-	-		
Investment in associates - unlisted equities	4,420	4,420	18,994	18,994
Derivative financial instruments				
Cross-currency interest swaps	-	-	870	870
Forward foreign exchange contracts	2,291	2,291	2,426	2,426
Equity swap and options	330	330	-	-
Available-for-sale investments				
Investment securities - unlisted equities	1,320	1,320	844	844
Investment securities - listed equities	209	209	-	-
Financial assets measured at amortized cost				
Loans and receivables				
Cash and short term funds	142,319	142,319	183,380	183,380
Restricted cash	58,579	58,579	-	-
Loans and advances	874,985	874,985	886,572	836,389
Other current assets	22,429	22,429	20,967	20,967
Held-to-maturity investments				
Investment securities - promissory notes	4,105	4,105	4,475	4,475
Financial liabilities measured at fair value				
Derivative financial instruments				
Cross-currency interest swaps used for hedging	730	730	-	-
Forward foreign exchange contracts	172	172	272	272
Equity derivatives	2,218	2,218	1,936	1,936
Equity swap and options	672	672	-	-
Financial liabilities measured at amortized cost				
Deposits	1,012,133	1,012,133	1,041,891	1,041,891
Creditors and accruals	53,964	53,964	36,243	36,243
Borrowed funds	226,318	226,318	195,667	195,667

1 The 2012 figure for investments in associates measured in accordance with the equity method is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.

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:

1. 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.

2. Loans and advances

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

3. 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.

4. 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.

5. 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.

6.20.2 FAIR VALUE HIERARCHY

The 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 Group's assets and liabilities that are measured at fair value at 31 December 2013:

	2013				2012			
EURk	QUOTED PRICES LEVEL1	OBSER-VABLE INPUTS LEVEL 2	UNOB-SER-VABLE INPUTS LEVEL 3	TOTAL AT FAIR VALUE	QUOTED PRICES LEVEL1	OBSER-VABLE INPUTS LEVEL 2	UNOB-SER-VABLE INPUTS LEVEL 3	TOTAL AT FAIR VALUE
FINANCIAL ASSETS MEASURED AT FAIR VALUE								
Other financial assets held for trading								
Government bonds	-	5,960	-	5,960		7,181		7,181
Treasury bills	-	95,530	-	95,530		89,702		89,702
Corporate bonds	-	2,968	-	2,968		2,948		2,948
Fair value option								
Listed equities	360	-	-	360	969	-	-	969
Unlisted equities	-	-	8,520	8,520	-	-	-	-
Listed debentures	2,575	-	-	2,575	2,655	-	-	2,655
Unlisted debentures	-	-	-	-	-	-	7,078	7,078
Investment in associates - unlisted equities	-	-	4,420	4,420	-	-	18,994	18,994
Derivative financial instruments								
Forward foreign exchange contracts	-	2,291	-	2,291	-	2,426	-	2,426
Equity swap and options	-	-	330	330	-		-	-
Cross-currency interest swaps used for hedging	-	-	-	-	-	870	-	870
Available-for-sale investments								
Investment securities - unlisted equities	-	-	1,320	1,320	-	-	844	844
Investment securities - listed equities	-	209	-	209	-	-	-	-
Fair value hierarchy for financial assets	**2,935**	**106,958**	**14,590**	**124,483**	**3,624**	**103,127**	**26,916**	**133,667**
LIABILITIES MEASURED AT FAIR VALUE								
Derivative financial instruments								
Forward foreign exchange contracts	-	172	-	172	-	-	272	272
Equity derivatives	-	-	2,218	2,218	-	-	1,936	1,936
Equity swap and options	-	-	672	672	-	-	-	-
Cross-currency interest swaps used for hedging	-	730	-	730	-	-	-	-
Fair value hierarchy for financial liabilities	**-**	**902**	**2,890**	**3,792**	**-**	**-**	**2,208**	**2,208**

1 The 2012 figure for investments in associates measured in accordance with the equity method is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

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

6.20.3 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 maximize 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 Group of EUR 8.5 million (BWP103 million). The unlisted equities were valued by an independent external valuer who used the market approach to value the instruments. A combination of multiples of book value for comparable businesses as 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 (BWP60 million) is shared equally with a specified funder, with such fair value of EUR 2.2 million; BWP26.8 million (2012: EUR 1.9 million; BWP19.8 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 (BWP6 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 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				
EURk	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				
EURk	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					**0**
-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**

	2012				
EURk	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				
EURk	TRADING DERIVATIVES	DEBT OR EQUITY INVESTMENTS	TOTAL ASSETS AT FAIR VALUE	DERIVATIVE FINANCIAL LIABILITIES	TOTAL AT FAIR VALUE
Total gains or losses recognized in profit and loss					**0**
-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**

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.

	2013		2012	
EURk	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	4,420	(211)	18,994	1,899
Derivative financial instruments				
equity swap and options	330	99	-	-
Available-for-sale investments				
Investment securities - unlisted equities	1,320	132	844	84
FINANCIAL LIABILITIES				
Derivative financial instruments				
equity derivatives	2,218	303	1,936	265
equity swap and options	672	91	-	-

Unlisted equities designated at fair value:

RESONABLY POSSIBLE CHANGES IN INPUTS	EURk
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.

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.

6.20.4 FINANCIAL ASSETS SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

2013 EURK	GROSS AMOUNTS OF RECOGNIZED FINANCIAL LIABILITIES	GROSS AMOUNT OF RECOGNIZED 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: FINANCIAL INSTRUMENTS	CASH COLLATERAL PLEDGED	NET AMOUNT
Types of financial liabilities Derivatives held for risk management	6,299	(5,569)	730	0	0	730
Total	**6,299**	**-5,569**	**730**	**0**	**0**	**730**

6.20.5 RECLASSIFICATIONS OF FINANCIAL ASSETS

No financial assets were reclassified in the year under review.

6.20.6 COLLATERAL

EURk	2013	2012
Liabilities for which collateral is pledged		
Deposits from banks	22,206	42,992
Deposits from customers	9,522	33,484
Borrowed funds	22,723	44,739
	54,452	**121,215**
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
Advances (collateral)	13,909	71,584
Financial assets held for trading	25,943	42,893
Investment securities	4,105	4,475
Property and equipment	2,421	0
	46,378	**123,844**
These transactions are conducted under terms that are usual and customery to standard lending and borrowing activities		
Collateral accepted as security for cash		
Deposits from customer	26,597	8,372
Mortgage bonds, inventory, plant and equipment, shares, letter of undertaking	350,587	256,634
	377,184	**265,006**

ABC Holdings Limited is obliged to return equivalent securities. The Group is not permitted to sell or repledge collateral in the absence of default.

These transactions are conducted under terms that are usual and customary to standard lending and borrowing activities.

6.20.7 INTEREST INCOME ON IMPAIRED FINANCIAL ASSETS

Interest income arising from unwinding the discount on impaired loans and advances Recognized at present value as specified in IAS 39.AG 93 amounted to EUR nil (2012: EUR nil).

6.20.8 IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

The allowances for credit losses was distributed across the classes of financial assets as follows:

	FINANCIAL ASSETS MEASURED AT AMORTIZED COST		OTHER FINANCIAL ASSETS		TOTAL	
EURk	2013	2012	2013	2012	2013	2012
Allowance for credit losses as at 1 January	36,746	0	0	40	36,746	40
Additions from business combinations	0	34,046	0			
Additions	24,276	8,133	0	0	24,276	8,133
Utilisation	-7,265	-3,199	0	-40	-7,265	-3,239
Reversals	0	-185	0	0	0	-185
Exchange rate adjustment	-3,075	-2,049	0	0	-3,075	-2,049
Balance as at 31 December	**50,682**	**36,746**	**0**	**0**	**50,682**	**36,746**

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 recognized in the consolidated statement of financial position. In fiscal years 2013 and 2012, non-cash items related primarily to the measurement of the Company'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 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 core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance. The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. Risk management is carried out by Group Risk, under policies approved by the Board. The Board approves principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. 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. We refer to the explanations provided in the group management report (Exhibit 7) as well.

ADC GROUP RISK REPORTING

ADC's Risk Management System was developed to keep management and the 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 sub-Saharan Africa. Management ensures that risks are systematically identified, measured and managed using the risk management system. The results of the analysis influence the Company's strategic, financial and operational decision-making processes.

Monthly reports analyse the top 10 risks impacting the Company, 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.

BANCABC'S SPECIFIC RISKS AND RISK MANAGEMENT SYSTEM

ADC's majority ownership and subsequent consolidation of BancABC exposes the Company to the operational risks of the banking Group. The directorate and management of BancABC recognize that effective risk management is fundamental to the sustainability of its business and have created a strong risk management culture within the 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 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 the Company 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 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 recognized is necessary.

BANCABC'S SPECIFIC CREDIT RISKS

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

The Board of BancABC 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 authorize credit exposures. Each subsidiary of BancABC has a credit committee which operates within the defined limits set by the Board of BancABC. 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.

BancABC's Risk department regularly reviews each subsidiary's adherence to required standards. BancABC's Executive Committee reports to the Board and is responsible for approval of credit decisions that are above country limits, recommendations on exposure limits and impairment policies.

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

CREDIT RISK MANAGEMENT

LOANS AND ADVANCES

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

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

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

Group's internal rating scale:

CATEGORY	DESCRIPTION
Performing	The credit appears satisfactory
Special mention	The credit appears satisfactory but exhibits potential or inherent weaknesses which, if not attended to, may weakern 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 liquidiation 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 realisble security, or more than 12 months in arrears

RISK LIMIT CONTROL AND MITIGATION POLICIES

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

1. Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice.

The Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are:

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

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

2. Master netting arrangements

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

3. Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralized 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 authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

4. Derivatives

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

IMPAIRMENT POLICIES

The impairments shown in the balance sheet at year-end are derived from each of the five internal rating grades, adjusted for the provision of IAS 39. The table below shows the percentage of the

Group's on-and-off balance sheet items relating to loans and advances and the associated impairment for each of the Group's internal rating categories.

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

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

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

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

IMPAIRMENT CLASSIFICATION

	2013		2012	
IN %	LOANS AND ADVANCES	IMPAIRMENTS	LOANS AND ADVANCES	IMPAIRMENTS
Performing	78	13	85	19
Special mention	12	5	6	5
Sub-standard	2	9	3	22
Doubtful	2	9	1	4
Loss	6	64	5	50
	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.

TYPE OF COLLATERAL OR CREDIT ENHANCEMENT

EURk 31 DECEMBER 2013	FAIR VALUE OF COLLATERAL AND CREDIT ENHANCEMENTS HELD							
	MAXIMUM EXPOSURE TO CREDIT RISK	CASH	SECURITIES	LETTERS OF CREDIT/ GUARANTEES	PROPERTY	OTHER*	NET COLLATERAL	NET EXPOSURE
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	0	0	0	0	0	0	390,555
Other loans and advances	0	7,582	0	0	21,237	954	29,772	-29,772
	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 quarantees								
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 recievables*

TYPE OF COLLATERAL OR CREDIT ENHANCEMENT

EURk 2012 (RESTATED)	FAIR VALUE OF COLLATERAL AND CREDIT ENHANCEMENTS HELD						
	MAXIMUM EXPOSURE TO CREDIT RISK	CASH	LETTERS OF CREDIT/ GUARANTEES	PROPERTY	OTHER*	NET COLLATERAL	NET EXPOSURE
Placement with other banks	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 quarantees							
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 recievables*

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

1 The 2012 figure for investments in associates measured in accordance with the equity method is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.

— 90% [prior year: 91%] of the gross loans and advances portfolio is categorized in the top two grades of the internal rating system;
— 77% [prior year: 85%] of the gross loans and advances portfolio is considered to be "neither past due nor impaired";
— 10% [prior year: 9%] of gross loans and advances are "individually impaired";
— the Group continues to improve its credit selection and monitoring processes; and
— loans and advances to corporates are generally backed by collateral.

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

CREDIT QUALITY BY CLASS OF FINANCIAL ASSETS

The Bank 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 the Bank's internal credit rating system. The amounts presented are gross of impairment allowances.

2013		NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED			INDIVIDUALLY IMPAIRED	
EURk	NOTES	PERFORMING	SPECIFIC MENTION 1-30 DAYS	SPECIFIC MENTION 31-60 DAYS	SPECIFIC MENTION 61-90 DAYS	DOUBTFUL/LOSS	TOTAL
Placements with other banks	6.1.	178,178	0	0	0	0	178,178
Derivative financial assets	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.	301,689	42,248	15,826	22,168	64,241	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
		717,254	**63,378**	**26,967**	**25,359**	**92,708**	**925,666**
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		**1,042,031**	**63,378**	**26,967**	**25,359**	**92,708**	**1,250,443**

2012 (RESTATED)[1]		NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED			INDIVIDUALLY IMPAIRED	
EURk	NOTES	PERFORMING	SPECIFIC MENTION 1-30 DAYS	SPECIFIC MENTION 31-60 DAYS	SPECIFIC MENTION 61-90 DAYS	DOUBTFUL/LOSS	TOTAL
Placements with other banks	6.1.	156,668	0	0	0	0	156,668
Derivative financial assets	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
		782,776	**16,948**	**14,716**	**23,515**	**85,363**	**923,319**
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).

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. Renegotiated loans total EUR 8.4 million at 31 December 2013 (2012: EUR 9.3 million).

1 The 2012 figure for investments in associates measured in accordance with the equity method is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.

EURk	2013	2012
Mortgage lending	0	805
Instalment finance	0	3,847
Corporate lending	7,938	4,156
Commercial and property finance	0	521
Consumer lending	414	0
	8,351	**9,329**

REPOSSESSED COLLATERAL

During 2013, the Group obtained assets by taking possession of collateral held as security, as follows:

EURk NATURE OF ASSETS	2013	2012
Property	1,208	1,272
Motor vehicles	60	216
Carrying amount	**1,268**	**1,488**

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

Repossessed property is classified in the balance sheet under prepayments and other receivables.

CONCENTRATION RISK OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE

Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorized by geographical regions as of 31 December 2013.

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

2013	BOTSWANA	MOZAMBIQUE	TANZANIA	ZAMBIA	ZIMBABWE	OTHER	TOTAL
EURk							
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)	290,347	121,976	62,513	117,500	282,221	427	**874,985**
Investment securities	4,105	494	458	173	404	0	**5,635**
Investment in associates	0	0	0	0	0	72,334	**72,334**
Prepaments 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	**379,282**	**175,699**	**103,740**	**170,562**	**360,871**	**84,807**	**1,274,962**

2012[1]	BOTSWANA	MOZAMBIQUE	TANZANIA	ZAMBIA	ZIMBABWE	OTHER	TOTAL
EURk							
Placements with other banks	38,777	16,975	14,238	17,642	54,699	14,337	**156,668**
Other 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 of impairments)	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**

1 The 2012 figure for investments in associates measured in accordance with the equity method is restated and do not agree with the corresponding figures in 2012 financial statements as a result of the transition effect of IFRS 10, refer Note 2.2.

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

DECEMBER 2013 EURk	AGRICULTURE	CONSTRUCTION	WHOLESALE, RETAIL AND TRADE	PUBLIC SECTOR	MANUFACTURING	MINING AND ENERGY	FINANCIAL SERVICES	TRANSPORT	INDIVIDUALS	TOURISM	OTHER	TOTAL
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	32,071	74,322	17,507	62,466	70,331	25,061	38,453	425,154	7,151	74,721	**874,985**
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	**32,071**	**74,576**	**39,304**	**68,443**	**71,011**	**305,085**	**44,564**	**425,154**	**7,151**	**159,857**	**1,274,963**

DECEMBER 2012[1] EURk	AGRICULTURE	CONSTRUCTION	WHOLESALE, RETAIL AND TRADE	PUBLIC SECTOR	MANUFACTURING	MINING AND ENERGY	FINANCIAL SERVICES	TRANSPORT	INDIVIDUALS	TOURISM	OTHER	TOTAL
Placements with other banks	-	-	-	-	-	-	154,753	-	-	-	1,915	**156,668**
Other 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 instrument	-	-	-	-	-	-	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	**74,833**
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**	**19,170**	**82,566**	**103,793**	**345,412**	**49,401**	**371,022**	**9,742**	**113,119**	**1,261,713**

9.2.2 MARKET RISK

ADC GROUP

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

BANCABC'S SPECIFIC MARKET RISKS

Market and foreign currency exposures related to dealing positions are housed and managed in BancABC's Treasury division within a framework of pre-approved dealer, currency and counterparty limits.

1 The 2012 figures are restated and do not agree with the corresponding figures in the 2012 financial statements as a result of the transition effect of IFRS 10, refer note 2.2

All trading positions are marked to market as required by IAS 39.

BancABC's Risk team is responsible for monitoring of limits and pricing, thereby ensuring that any errors or unauthorized transactions are promptly identified.

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

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

FOREIGN EXCHANGE RISK

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. BancABC 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 Group's exposure to foreign currency exchange rate risk at 31 December 2013. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by currency.

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	407,533	284,331	2,918	26,172	95,029	56,729	-	4	874,985
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	-	1,384	2,145	183	5,151	477	-	-	(1)	9,339
Non-current assets and disposal groups held-for-sale	-	-	-	1,126	-	6,320	-	-	3,332	10,778
Total assets	**18,610**	**702,708**	**383,300**	**15,707**	**84,101**	**160,804**	**110,623**	6,557	(50,038)	1,432,373
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	9,198	1,788	932	1,291	11,578	38	-	25,377	53,964
Current tax liabilities	80	-	177	-	-	894	-	-	(14)	1,137
Deferred tax liabilty	-	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**	**586,468**	**354,017**	**12,758**	**85,721**	**107,527**	**148,536**	**6,575**	**(42,183)**	**1,309,933**
Net on-balance sheet position	**(31,901)**	**116,240**	**29,283**	**2,949**	**(1,620)**	**53,277**	**(37,913)**	**(18)**	**(7,855)**	**122,440**

Sensetivity analyses:

CURRENCY	CHANGE IN CURRENCY RATE IN %	EFFECT ON PROFIT BEFO-RE TAX	EFFECT ON EQUITY
USD	1	182	-68
BWP	1	1,028	349
ZAR	1	21	15
TZS	1	-26	-18
ZMK	1	185	120
MZN	1	-562	-417
JPY	1	0	0
Other currencies	1	80	57

AT 31 DECEMBER 2012[1]	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

CURRENCY	CHANGE IN CURRENCY RATE IN %	EFFECT ON PROFIT BEFORE TAX	EFFECT ON EQUITY
USD	1	951	951
BWP	1	356	356
ZAR	1	-127	-127
TZS	1	-30	-30
ZMK	1	438	438
MZN	1	50	50
JPY	1	-14	-14
Other currencies	1	204	204

1 The 2012 figures are restated and do not agree with the corresponding figures in the 2012 financial statements as a result of the transition effect of IFRS 10, refer note 2.2

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 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.

BANCABC'S SPECIFIC INTEREST RATE RISK

BancABC's Asset and Liability Committee (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 BancABC's ALCO.

In order to reduce interest rate risk, the majority of the BancABC'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 BancABC's ability to build a substantial, stable pool of fixed rate funding.

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

DECEMBER 2013 EURk	>1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	NON-INTEREST BEARING	TOTAL
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	570,705	34,241	53,044	216,994	-	**874,985**
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**
Investments in associates	-	-	-	-	72,333	**72,333**
Property, plant, equipment	-	-	-	-	62,750	**62,750**
Other intangible assets and goodwill	-	-	-	-	51,827	**51,827**
Deferred tax assets	-	-	-	-	9,340	**9,340**
Non-current assets and disposal groups held-for-sale	-	-	-	-	10,777	**10,777**
Total Assets	**716,121**	**69,106**	**64,972**	**229,780**	**352,394**	**1,432,373**
SHAREHOLDERS EQUITY AND LIABILITIES						
Total Equity	**-**	**-**	**-**	**-**	**122,440**	**122,440**
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	-	52,120	**53,964**
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**
Non-current liabilities and disposal groups held-for-sale	-	-	-	-	428	**428**
Total equity and liabilities	**629,974**	**323,466**	**134,665**	**152,269**	**191,998**	**1,432,373**
Total interest repricing gap	**86,147**	**(254,360)**	**(69,692)**	**77,510**	**160,396**	**(0)**

DECEMBER 2012[1] EURk	>1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	NON-INTEREST BEARING	TOTAL
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	-	-	57,042	-	13,652	**70,694**
Deferred tax assets	-	-	425	-	8,225	**8,650**
Total Assets	**558,197**	**80,004**	**253,908**	**350,200**	**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**

1 The 2012 figures are restated and do not agree with the corresponding figures in the 2012 financial statements as a result of the transition effect of IFRS 10, refer note 2.2

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

	2013		2012	
EURk	PRE-TAX	POST-TAX	PRE-TAX	POST-TAX
BancABC Botswana				
ABC Botswana constituted 31% of the Group's total assets. Change in net interest income (+50 basis points)	534	417	123	96
As a percentage of total Shareholders equity	1.06%	0.83%	0.31%	0.24%
Change in net interest income (-50 basis points)	(534)	(417)	(123)	(96)
As a percentage of total Shareholders equity	-1.06%	-0.83%	-0.31%	-0.24%
BancABC Zambia				
ABC Zambia constituted 13% of the Group's total assets. Change in net interest income (+50 basis points)	8	5	(217)	(130)
As a percentage of total Shareholders equity	0.02%	0.01%	-1.57%	-0.91%
Change in net interest income (-50 basis points)	(8)	(5)	217	130
As a percentage of total Shareholders equity	-0.02%	-0.01%	1.51%	0.91%
BancABC Mozambique				
ABC Mozambique constituted 15% of the Group's total assets Change in net interest income (+50 basis points)	(70)	(47)	4	3
As a percentage of total Shareholders equity	-0.35%	-0.24%	0.02%	0.02%
Change in net interest income (-50 basis points)	70	47	(4)	(3)
As a percentage of total Shareholders equity	0.35%	0.24%	-0.02%	-0.02%
BancABC Tanzania				
ABC Tanzania constituted 7% of the Group's total assets Change in net interest income (+50 basis points)	145	102	129	90
As a percentage of total Shareholders equity	0.82%	0.57%	2.17%	1.52%
Change in net interest income (-50 basis points)	(145)	(102)	(129)	(90)
As a percentage of total Shareholders equity	-0.82%	-0.57%	-2.17%	-1.52%
BancABC Zimbabwe				
ABC Zimbabwe constituted 29% of the Group's total assets Change in net interest income (+50 basis points)	2,642	1,961	(334)	(248)
As a percentage of total Shareholders equity	3.94%	2.92%	-0.81%	-0.60%
Change in net interest income (-50 basis points)	(2,642)	(1,961)	334	248
As a percentage of total Shareholders equity	-3.94%	-2.92%	0.81%	0.60%

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 Group holds, directly or through its associates, financial assets with a fair value of EUR 124.5m (2012: EUR 140.4m). The 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).

9.2.3 LIQUIDITY RISK

ADC GROUP

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin 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 fulfill lending commitments.

BANCABC'S SPECIFIC LIQUIDITY RISKS

The risk that BancABC will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

LIQUIDITY RISK MANAGEMENT PROCESS

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.

BancABC 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's liquidity management process is monitored by BancABC'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. BancABC 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.

BancABC'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.

The Group's maturity analysis (on a discounted cash flow basis) as at 31 December 2013 was as follows:

	DECEMBER 2013				
EURk	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	GREATER 1 YEAR	TOTAL
ASSETS					
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	**104,458**
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	205,485	42,170	91,527	535,803	**874,985**
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	**72,333**
Property, plant and equipment	-	-	-	62,749	**62,749**
Other intangible assets and goodwill	-	-	-	51,827	**51,827**
Deferred tax assets	-	-	-	9,340	**9,340**
Non-current assets and disposal groups held-for-sale	-	-	10,777	-	**10,777**
Total assets	**472,033**	**86,225**	**120,340**	**753,775**	**1,432,373**
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	17,227	-	**53,964**
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 liabilities and disposal groups held-for-sale	-	-	428	-	**428**
Total Equity	**-**	**-**	**-**	**122,440**	**122,440**
Total Equity and liabilities	**570,133**	**309,884**	**234,857**	**317,498**	**1,432,373**
Net maturity gap	**(98,099)**	**(223,659)**	**(114,517)**	**436,277**	**(0)**

Further explanation with regard to liquidity risk management is provided in the group management report (Exhibit 7).

	DECEMBER 2012[1]				
EURk	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	GREATER 1 YEAR	TOTAL
ASSETS					
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**
EQUITY AND LIABILITIES					
Deposits	632,685	286,005	123,201	-	**1,041,891**
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**

1 The 2012 figures are restated and do not agree with the corresponding figures in the 2012 financial statements as a result of the transition effect of IFRS 10, refer note 2.2

DERIVATIVE FINANCIAL LIABILITIES CASH FLOWS

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

	2013					
EURk	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	GREATER 1 YEAR	NON-INTEREST BEARING	TOTAL
Derivative financial liabilities	18,680	28,674	36,411	8,943	3,792	**96,500**

	2012					
EURk	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	GREATER 1 YEAR	NON-INTEREST BEARING	TOTAL
Derivative financial liabilities	0	0	0	0	2,208	**2,208**

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 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 Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

	2013						
EURk	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	GREATER 1 YEAR	TOTAL	DISCOUNTING/ FINANCING RATES	TOTAL
Deposits	503,127	306,654	187,886	19,410	**1,017,078**	(4,944)	**1,012,133**
Creditors and accruals	33,081	5,234	15,648	0	**53,963**	0	**53,963**
Current tax liabilites	5	153	978	0	**1,137**	0	**1,137**
Borrowed funds	44,350	42,488	8,710	147,166	**242,713**	(16,395)	**226,318**
Total liabilities	**580,562**	**354,529**	**213,222**	**166,576**	**1,314,890**	**(21,339)**	**1,293,550**

				2012[1]			
EURk	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	GREATER 1 YEAR	TOTAL	EFFECT OF DISCOUNTING/ FINANCING RATES	TOTAL
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 liabilites	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**

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

9.3 CAPITAL MANAGEMENT

The 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 Group companies can operate on a going concern basis.

As in the prior year, the 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.

The Company 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 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 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. The requirements were complied with in the fiscal year.

BancABC'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 operate;
— to safeguard BancABC'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.

1 The 2012 figures for creditors and accruals and borrowed funds are restated and do not agree with the corresponding figures in the 2012 financial statements as a result of the transition effect of IFRS 10, refer note 2.2

Capital adequacy and the use of regulatory capital are monitored daily by the BancABC'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. BancABC'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 all regulated banking operations complied with all externally imposed capital requirements. There have been no material changes to the BancABC's management of capital during the year.

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

10. COMMITMENTS, CONTINGENCIES AND LEASING ARRANGEMENTS

EURk	2013	2012
a) Contingent liabilities		
Guarantees	55,645	59,882
Letters of credit, loan commitments and other contingent liabilities	8,250	17,866
	63,895	**77,748**
The timing profile of the contractual amounts of the group's off-balance sheet financial instruments that commit it to extend credit to customers and other ficilities as at 31 December 2011, are summarized below:		
Less than one year	47,932	71,171
Between one and five years	15,963	6,577
	63,895	**77,748**
b) Capital commitments		
Approved and contracted for	0	261
Approved but not contracted for	5,452	5,906
	5,452	**6,167**
c) Non-cancellable operating leases commitments		
Group as lessee		
Future minimum lease payments under non-cancelled operating leases are as follows:		
Office premises	11,168	9,296
Equipment and motor vehicles	-	-
	11,168	**9,296**
Non-cancellable operating leases are payable as follows:		
Less than one year	2,388	1,168
Between one and five years	6,726	2,192
Over five years	2,055	5,936
	11,168	**9,296**
Group as lessor		
Future minimum lease payments under non-cancelled operating leases are as follows:		
Office premises	511	274
Equipment and motor vehicles	0	0
	511	**274**
Non-cancellable operating leases are payable as follows:		
Less than one year	511	274
Between one and five years	0	0
Over five years	0	0
	511	**274**

11. RELATED PARTIES

During the year ended 31 December 2012, the 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 DIRECT %	CAPITAL INTEREST INDIRECT %	OF	CURRENCY (LC)	EQUITY LCk	EQUITY EURk	RESULT LCk	RESULT EURk
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 (Moçambique) 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
15. ABCH Management Support Services, Cape Town, Republik Südafrika		100	3.	ZAR	1,930	133	1,163	90
16. Kendra Ltd, Lusaka, Zambia		100	11.	ZMK	1,514	200	741	104
17. ADC IT & Payment Solutions Ltd., Cybercity, Republik Mauritius***		100	2.	EUR	3,135	3,135	(1,663)	(1,663)
18. Rswitch Ltd (fka: Simtel S.A.), Kigali, Republik Ruanda****		88.54	18.	RWF	402,315	483	(664,012)	(863)
19. R Cards Processing Services Limited, Cybercity, Republik Mauritius **		100	19.	EUR	**		**	
20. ADC Enterprises, Cybercity, Republik Mauritius***		100	2.	USD	30,117	22,802	(729)	(567)
21. ADC Investments, Cybercity, Republik Mauritius***		100	2.	EUR	2,407	2,407	(36)	(36)
22. ADC Ventures, Cybercity, Republik Mauritius***		100	22.	USD	4,190	3,172	(7,191)	(5,595)

* (unaudited) financial statements 2012
** dormant entity
*** audited 2012 statements
**** audited 2012 consolidated financial statements

TRANSACTIONS DURING THE YEAR 2013

ADC was diluted in its shareholding in BancABC 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.

TRANSACTION DURING THE YEAR 2012

ADC increased its stake in BancABC 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 Mio.

ASSOCIATES:

All other transactions conducted with related parties during the fiscal year are presented in the following table:

EURk	YEAR	SERVICES RENDERED TO RELATED PARTIES	SERVICES PURCHASED FROM RELATED PARTIES	RELATED PARTY RECEIVABLES	LIABILITIES TO RELATED PARTIES
Brainworks Capital Management (Private)Limited, Zimbabwe	2013	0	22	319	0
	2012	310	72	350	23
Banco Nacional de Guinea Equatorial, Equatorial Guinea	2013	0	0	0	0
	2012	136	0	0	0

The general managers of associates do not hold key management positions within the meaning of IAS 24 from the Company'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 the Company alone. In November 2012, ADC took over its General Partner, ADC Management from Altira AG, and transformed its organizational 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) has been resolved.

To finance the acquisition of the General Partner, ADC has 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 has 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 BANCABC SECURED BY TRAFIGURA

On 13 December 2013 ADC African Development Corporation AG ("ADC"), announced its firm intention to make a mandatory offer to all minority shareholders of its major banking asset ABC Holdings Limited, Botswana ("BancABC").

ADC intended to acquire all issued ordinary shares of BancABC not already owned by ADC. The mandatory offer is required by the Botswana Stock Exchange (BSE) for any shareholder owning more than 35% of a listed company in Botswana and was issued at a price of USD 0.60 per share to BancABC shareholders listed on the Company's Zimbabwe register and at the exchange rate equivalent of BWP 5.05 per share for BancABC 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 BancABC support the opinion of an independent valuation expert appointed by the BancABC 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, equaling 4% of the shares outstanding in BancABC.

As such, the reduced potential size of the offer to 23% of the shareholders in BancABC was EUR 25.4 million. As a consequence a liability was recognized 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 BancABC. 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 USD10,000,000 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] percent 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 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 contribu tion 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 ABC plus accrued funding costs of [6] percent per annum, unless this would constitute a breach of the German Stock Corporation Act 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 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 AFRICAN DEVELOPMENT CORPORATION AG

— **Dirk Harbecke**, Chief Executive Officer, Albion, Mauritius (from 26 July 2013)
— **Sonja Rossteuscher**, 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.

SUPERVISORY BOARD

The members of the 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 BV, Singapur
— **Jyrki Koskelo**, Senior Development Banker and former member of Management Committee of the International Finance Corporation (IFC), Vienna (till 28 October 2013)
— **Verna Eggleston**, Research and Development at Bloomberg Philanthropies, New York (from 14 August 2013)
— **Oltmann Gottfried Siemens**, laywer, Berlin (from 14 August 2013)

During the fiscal year, the supervisory board received remuneration and cost refunds of EUR 325k (prior year: EUR 53k).

During the fiscal year, a consulting agreement was concluded with a 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.

12. DECLARATION OF COMPLIANCE PURSUANT TO SEC. 161 AKTG

The management and supervisory board of ADC African Development Corporation AG, Frankfurt am Main, have issued the declaration required by Sec. 161 AktG and made it permanently available to the shareholders on the Company's website.

13. EVENTS AFTER THE REPORTING PERIOD

CHIEF FINANCIAL OFFICER (CFO) AND NEW MEMBER OF THE MANAGEMENT BOARD

Sonja Rossteuscher officially took her position as Managing Director and CFO of the company and member of the management board on 01 January 2014.

EXTRAORDINARY GENERAL MEETING (EGM)

On 14 January 2014, ADC held an EGM 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 EGM due to uncertain market conditions.

MANDATORY OFFER CLOSURE

On 19 December 2013, ADC made a mandatory offer to all BancABC minority shareholders at a price of USD 0.60 per share on the Zimbabwe Stock Exchange and the exchange rate equivalent of BWP 5.05 for shareholders listed on the Botswana register. Shareholders owning 23% of the share capital of BancABC indicated that they would not accept the mandatory offer, seeing higher potential in BancABC's future business and share price. On 17 January 2014, the mandatory offer was closed, with an uptake of 10,199,154 shares, equaling 4% of the shares outstanding in BancABC. 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.

BOND WITH WARRANTS

The terms and conditions of the bond with warrants attached (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 BancABC. 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 March 31, 2014 ADC management and supervisory board have approved the signing of a business combination agreement with Atlas Mara Co-Nvest Limited, 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 Atlas Mara shares for one ADC share. The structure of the transaction also includes conditional purchase agreements with selected shareholders of ADC's portfolio company BancABC, in order to acquire, for cash or shares, all remaining outstanding shares of BancABC for a purchase price of USD 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 Atlas Mara Co-Nvest Limited.

14. TRANSACTIONS NOT CARRIED OUT AT ARM'S LENGTH

There were no transactions that had to be disclosed within the meaning of Sec. 285 No. 21 HGB.

Frankfurt am Main, Germany, 31 March 2014
Management of ADC African Development Corporation AG

signed	signed	signed
Dirk Harbecke	Sonja Rossteuscher	Karima Ola
Cief Executive Officer	*Chief Financial Officer*	*Chief Investment Officer*

AUDITOR'S REPORT

Translation from the German language

AUDIT OPINION

For the consolidated financial statements and group management report we have issued an unqualified auditors' report. The English language text below is a translation of the auditors' report.

We have issued the following unqualified auditors' report:

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by ADC African Development Corporation AG, Frankfurt am Main, comprising the consolidated income statement as of 31 December 2013, consolidated statement of comprehensive income as of 31 December 2013, consolidated statement of financial position as of 31 December 2013, consolidated statement of changes in equity as of 31 December 2013, consolidated statement of cash flows as of 31 December 2013, and notes together with the group management report for the financial year from 1 January 2013 to 31 December 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (3) of the German Commercial Code [HGB] are the responsibility of the Company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code [HGB] and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statement comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (3) of the German Commercial Code [HGB] and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 3 April 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bertram	Dr. Faßhauer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	*[German Public Auditor]*

SUPERVISORY BOARD REPORT

DEAR SHAREHOLDERS,

Over the course of 2013, the ADC Supervisory Board, its Management, team members and portfolio companies have actively worked to implement the company's vision of becoming a leading pan-African banking group in sub-Saharan Africa. ADC's investments and structural changes over the last two years have been instrumental for implementing ADC's banking strategy. Furthermore, ADC established committees within the newly expanded Supervisory Board, which has and will continue to strengthen governance practices across the Group. The Supervisory Board is fully aligned with ADC's vision and looks forward to a promising year ahead.

In the 2013 financial year, the Supervisory Board fulfilled all of its duties according to the law and the articles of association with adequate diligence and care. During the course of the year, the members of the Supervisory Board held continuous and close contact with the Management of ADC and were consulted on issues of strategic importance and significant events. The Supervisory Board monitored Management's conduct of business and was kept informed at and between ordinary meetings. With the same depth of relations, the Chairman of the Supervisory Board regularly discussed with ADC Management about developments on the course of business and significant events and transactions.

At any time, and in a timely manner, the Supervisory Board was presented with adequate information enabling constructive discussion and providing a solid base for decision making, in verbal and written form. The Management of ADC reported regularly and comprehensively on business developments, the financial situation, fund raising activities and issues of importance concerning corporate planning, risk management and compliance. Furthermore, the Supervisory Board was kept informed of the overall development of the sub-Saharan region, macroeconomic and business related risks as well as regulatory developments and the effects, or non-effects, thereof on the company's business.

All matters requiring Supervisory Board approval were submitted in a clear and timely manner and, if necessary, additional explanation and documentation was provided by Management. Approvals of the Supervisory Board required by law and the articles of association were granted on the basis of thorough examination of all relevant information and documentation.

SUPERVISORY BOARD MEMBERS

Over the course of 2013, the Supervisory Board was expanded from three to six members by resolution of the AGM on 14 August 2013 and one member resigned.

Mr. Jyrki Koskelo resigned from the Supervisory Board effective 28 October 2013. We kindly thank Mr. Koskelo for his valuable input and efforts during his time serving on the board from 8 January 2013.

With their entry into the commercial registry on 24 September 2013, the following three new members were added to the ADC Supervisory Board: Arnold Ekpe, former CEO of Ecobank Group; Verna Eggleston, of Bloomberg Philanthropies; and Oltmann Siemens, former representative of the World Bank Group in Europe.

SUPERVISORY BOARD OF ADC AFRICAN DEVELOPMENT CORPORATION AG AS OF 31 DECEMBER 2013

NAME AND PLACE OF RESIDENCE	PRINCIPLE ACTIVITY	FUNCTION IN SUPERVISORY BOARD	FUNCTION IN COMMITTEE: AUDIT AND RISK COMMITTEE	FUNCTION IN COMMITTEE: NOMINATIONS/ REMUNERATIONS COMMITTEE
Alastair Newton London, England	Political Analyst and former diplomat	Chairman of the Supervisory Board	Member	
Arnold Ekpe[1] London, England	Senior Banker, former CEO of Ecobank Group	Vice Chairman of the Supervisory Board	Member (Chair)	
Oltmann Siemens Berlin, Germany	Former World Bank Group Representative and Special Representative of the IFC in Europe	Member	Member	
Pierre Lorinet Singapore	Chief Financial Officer and Director of Trafigura	Member		Member
Verna Eggleston New York, New York	Research and Development at Bloomberg Philanthropies	Member		Member (Chair)

SUPERVISORY BOARD MEETINGS

The Supervisory Board of ADC African Development Corporation AG held 6 ordinary meetings in the fiscal year 2013, as well as one extraordinary meeting. The Audit and Risk committee and the Nominations and Remuneration Committee each held a total of 2 meetings.

The focus of the Supervisory Board in 2013 was on the strategic direction of the company and the successful transformation of the company from a partnership limited by shares (GmbH & Co. KGaA) to a stock corporation (Aktiengesellschaft) as well as its re-entry to the Entry Standard segment of the Frankfurt Stock Exchange. The key areas of discussion were around legal issues, HR decisions, capital requirements, liquidity management and governance and acquisition decisions.

The Supervisory Board unanimously agreed upon an expanded strategy to build a pan-African banking group in April 2013. In order to achieve the new strategy, the Supervisory Board agreed to ask shareholders to approve a capital increase and to expand the Supervisory Board from three to six members. Rules of procedure were drafted for both the Management Board and Supervisory Board inclusive of job descriptions for the Chairman of the Board and Committees. Furthermore, the Supervisory Board agreed to appoint KPMG as its Group auditor in order to streamline the overall audit process with its subsidiaries and investee companies in Africa.

1 On 31 March 2014 Arnold Ekpe resigned from the Supervisory Board of ADC.

Moreover on 14 August 2013, the Supervisory Board and Management declared voluntary conformity to the German corporate governance code with four deviations: 1) No age limited defined for Management Board; 2) No age limit defined for Supervisory Board; 3) Consolidated financial statements are published within 120 and not 90 days, and interim reports within 60 and not 45 days, following the end of the previous financial reporting period; 4) Supervisory Board compensation does not consist of both a variable and fixed component.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee was formed on 24 September 2013 with the entry of the additional board members into the commercial registry and is comprised of three members: Arnold Ekpe (Chair), Oltmann Siemens and Alastair Newton. The committee supports the board in overseeing accounting and financial reporting, risk management, compliance with legal regulations and ensuring the existence of appropriate internal control structures. Additionally, the Audit and Risk Committee oversees the implementation of Supervisory Board decisions within the financial and risk management spectrum.

NOMINATIONS AND REMUNERATIONS COMMITTEE

The Nominations and Remunerations Committee was formed on 24 September 2013 with the entry of the additional board members into the commercial registry and is currently comprised of two members: Verna Eggleston (Chair) and Pierre Lorinet, whereas a third position is vacant. The Committee is responsible for following the recommendations of the German corporate governance code in respect to the nomination and remuneration of the members of the Supervisory and Management Boards. Furthermore, the committee is responsible for succession planning at both Supervisory and Management board level.

In accordance with § 15 para. 6 (2) of the Articles of Association, remuneration is paid to members of the Supervisory Board provided that it is approved by resolution at the Annual General Meeting (AGM). At the AGM held on 14 August 2013, a resolution was adopted that Members of the Supervisory Board shall receive total remuneration of EUR 250,000 for the 2013 financial year. The Supervisory Board is responsible to determine the distribution of the total remuneration between the individual members.

ANNUAL FINANCIAL STATEMENTS

KPMG AG, Wirtschaftspruefungsgesellschaft, Berlin, was appointed to audit ADC for the financial year 2013. Under consideration of accounting standards, the auditor audited the financial statements of ADC African Development Corporation AG the consolidated group financial statements as per 31 December 2013 and the management report and the group management report for the financial year 2013 and issued an unqualified audit opinion for each.

The Supervisory Board was presented with the audited and certified financial statements and group statements as per 31 December 2013, the management report and the group management report for the financial year 2013 as well as the auditor's report in a timely manner prior to approval and determination on 25 April 2014. After careful examination and detailed discussions with the

Management and the auditors, the Supervisory Board approved and adopted the financial statements and group statements and proposed presenting the financial statements to the AGM for acceptance.

On behalf of the Supervisory Board, I would like to thank all of the employees and the Management of ADC for their hard work and successful results, both operationally and financially, over the course of the last year. The ADC team is steadily implementing the new vision that was approved by the Board earlier this year. As Chairman of the Board, I would like to welcome Arnold Ekpe, Verna Eggleston and Oltmann Siemens as new and valuable members to the Supervisory Board and thank Jyrki Koskelo for his valuable contributions as a member of ADC's Supervisory Board. We look forward to yet another successful year in 2014.

Frankfurt am Main, 25 April 2014

On behalf of the Supervisory Board
Alastair Newton
Chairman

MANAGEMENT BOARD

MANAGEMENT BOARD

DIRK HARBECKE
CHIEF EXECUTIVE OFFICER

Dirk Harbecke was born in 1972 in Dortmund, Germany. He is the Chairman of the Management Board and the Chief Executive Officer of the Company. Dirk co-founded the Company in 2007 and has been responsible for the formation, development and growth of the Company 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 sub-Saharan Africa. Dirk Harbecke has a joint honors 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
CHIEF INVESTMENT OFFICER

Karima Ola was born in 1970 in England, Great Britain and is a member of the Management Board and Chief Investment Officer of the Company. She joined the Company in July 2011 as Chief Investment Officer and was appointed as a member of the Management Board in August 2013. Prior to joining the Company, 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
CHIEF FINANCIAL OFFICER

Sonja Rossteuscher was born in 1975 in Belleville, Canada. She is a member of the Management Board and the Chief Financial Officer of the Company, a position she held from January 2009 to August 2010. Sonja Rossteuscher studied Business Administration at the University of British Columbia from 1994 to 1999. In early 1999, Sonja Rossteuscher began her professional career in the Mergers & Acquisitions Department of CIBC World Markets, a Canadian investment bank. Between late 2001 and 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 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 the Company 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 returned to the Company, initially as interim CFO, and as member of the management board from January 2014.

SUPERVISORY BOARD[1]

ALASTAIR NEWTON
CHAIRMAN OF THE SUPERVISORY BOARD

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 SIEMENS
MEMBER OF THE SUPERVISORY BOARD

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
MEMBER OF THE SUPERVISORY BOARD

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 organization 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
MEMBER OF THE SUPERVISORY BOARD

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.

1 On 31 March 2014 Arnold Ekpe resigned from the Supervisory Board of ADC.

FINANCIAL CALENDAR

FINANCIAL CALENDAR

CORPORATE CALENDER	DATE	EVENT
	28 May 2014	Interim Report Q1 2014
	02 July 2014	Annual General Meeting 2014
	29 August 2014	Interim Report H1 2014
	28 November 2014	Interim Report Q3 2014

ANALYST MEETINGS & OTHER EVENTS		
	05 – 07 May 2014	DVFA, 5th SCF_ Small Cap Forum / Spring Conference, Frankfurt, Germany
	07 – 09 May 2014	World Economic Forum Africa 2014, Abuja, Nigeria
	14-15 May 2014	5th Annual African Alliance East Africa Investor Conference, Nairobi, Kenya
	19 May 2014	Bank of America Merrill Lynch, 3rd Africa Conference, London, Great Britain
	27 – 30 May 2014	Imara Edwards 6th Annual Investor Conference 2014, Harare, Zimbabwe
	04 – 05 June 2014	EMRC, Africa Finance & Investment Forum 2014, Cologne, Germany
	01 – 03 Sep-tember 2014	DVFA, 12th SCC_ Small Cap Conference, Frankfurt, Germany

CONTACT INFORMATION

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MANAGEMENT BOARD (VORSTAND)
Dirk Harbecke, *Chairman*
Karima Ola
Sonja Rossteuscher

SUPERVISORY BOARD
Alastair Newton, *Chairman*
Oltmann Siemens
Pierre Lorinet
Verna Eggleston

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