



MONTHLY SHAREHOLDER LETTER // **September 2011**

- **BancABC published excellent half-year results – share price has increased by more than 100% since ADC investment**
 - **All subsidiaries are fully on track**
 - **Ecobank Zimbabwe prepares capital increase for much higher valuation than reflected in ADC's books today**
 - **Two to three new investments in the pipeline are expected to be executed during the next 6-8 weeks**
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Dear Shareholders, Business Partners & Friends of ADC,

Instead of a relaxed and sunny August, investors experienced some turbulent weeks due to the international sovereign debt crisis. August was a very busy month for us as well, but for **very positive reasons**.

DEVELOPMENT OF OUR PORTFOLIO COMPANIES

- Main highlight this month is **BancABC** (ADC shareholding: 20.1%), our only stock market listed investment. After publishing very good half-year results with an increase in net operating income by 48% to USD 10.2 million and an increase of pre-tax profits by 84% to USD 9.6 million, the share price started to rally up to USD 0.95. Our investment entry price was USD 0.45 per share. So already after six months, our investment has more than doubled, or in absolute numbers – we achieved an up-valuation of roughly USD 15 million. Although this sounds impressive, we believe that BancABC is still undervalued due to its unique positioning in entire Southern Africa, its high quality management and its strong growth in all relevant numbers.
- No specific news on **BANGE** (Banco Nacional de Guinea Ecuatorial, ADC shareholding: 25% + option to acquire another 25.1% at original investment valuation) except that the expansion and the commitment to become the no. 1 bank in Equatorial Guinea is fully on track.
- **SIMTEL** (RSwitch) (ADC shareholding: 70%), the national payment switch in Rwanda, is continuing to grow having received further card orders from banks in the country. The payment industry in Rwanda is developing fast, the largest bank (Bank of Kigali) is in the process of a successful IPO and more players, especially microfinance institutions, are entering the market – therefore, the number of customers has been increasing constantly.
- **iVeri** (ADC shareholding: 49%), our electronic payment subsidiary in South Africa, finished the preparations for the setup of a new business line, offering small businesses in South



Africa and later on in the whole of sub-Saharan Africa access to electronic credit/debit card payments.

- **Ecobank Zimbabwe** (ADC shareholding: 13.5%) is increasing the number of customers and its loan book significantly. The bank is preparing a capital increase to allow more indigenous investors to buy shares. This capital increase will be at a significant higher valuation than the last one at the end of 2010, reflecting the value added during the past 9 months. So once this capital increase has been completed, we will see a write-up on ADC's stake.
- **RHEAL Insurance** (ADC shareholding: 25.1%), our health insurance investment in Kenya, is continuing its growth course and is already in discussions on buying the customer base of a big competitor.

DEAL FLOW

We are currently working on the closing of three very interesting transactions; you can expect some positive news in the next weeks.

FINANCIAL OUTLOOK

Due to the strong performance of the portfolio, we are very well on track to meet or even over exceed our profit targets for 2011. In combination with the execution of our pipeline deals, we see ADC well positioned for continuous strong growth in the coming months.

GENERAL BACKGROUND INFORMATION ON THE ECONOMIC DEVELOPMENT OF AFRICA

Accenture published a report on African financial services. It is worthwhile to have a look. Here is the bottom line: "The growth potential in Africa is tremendous — and many of the long term barriers to growth are receding. As a result, the financial services sector in Africa now offers banks and insurers an unparalleled opportunity to participate in a growth story that goes beyond profits. The decisions that companies take now with regard to Africa will shape their future ability to participate in the continent's rapid expansion over the coming years."

To read the full report on the Accenture website go to:

<http://www.accenture.com/us-en/outlook/Pages/outlook-journal-2011-african-financial-services-come-of-age.aspx>



BUILDING CAPACITIES AND SUPPORTING THE LOCAL SOCIETY

Our strong belief is that with our work we do not only create wealth for our shareholders, but also for the locals. Every country needs a proper banking system to enable local and international entrepreneurs to build their business. With our strategy to invest into local banks and to develop them into leading local banks based on international best practices, we play an important role in the development of the respective country.

Beyond that, we are very interested in a sound development of the local education system in order to be able to work with highly skilled local people. To promote the next generation of African business leaders and support the educational and professional development of local business students, we have announced a new scholarship program in partnership with Roland Berger Strategy Consultants. The program which is in partnership with the Lagos Business School and the Frankfurt School of Finance & Management will offer six African students financial support as well as the chance to obtain professional training.

Each year, the annual scholarship program aims to change the lives of six African students focusing on management careers – three from Nigeria will be sponsored by Roland Berger and three from ADC's core countries Rwanda, Equatorial Guinea and Zimbabwe will be sponsored by ADC.

CONFERENCES & EVENTS

Last but not least, if you want to get a more personal impression of ADC, please come and see us at the Standard Bank Africa Conference in New York on Monday, 26th September and Tuesday, 27th September as well as at the Renaissance Capital East African 1:1 Investor Conference in Kigali, Rwanda on Wednesday, 05th October and Thursday 06th October. Please email my colleague Olaf Meier (meier@african-development.com) if you require more information.

Sincerely,

Dirk Harbecke
CEO

