
ATLAS MARA LIMITED

INTERIM REPORT JUNE 2019



Financial facts and figures

Composition of loans and advances by country

A – Botswana

92.4%

B – Zimbabwe

5.2%

C – Others

2.4%

Loans and advances (US\$)

\$604.6m

– (47.6%)

31 December 2018: \$1,154.1m
30 June 2018: \$1,281m

Deposits (US\$)

\$684.0m

– (58.1%)

31 December 2018: \$1,631.8m
30 June 2018: \$1,910m

Total equity (US\$)

\$545.8m

31 December 2018: \$688.9m
30 June 2018: \$776m

Net book value per share (US\$)

\$2.96

31 December 2018: \$3.83
30 June 2018: \$4.39

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Operational facts and figures

	Botswana	Mozambique	Zambia	Zimbabwe	Tanzania	Rwanda	Nigeria	Corporate
Employees	430	288	842	411	535	1,050	2,500	54
Customers ('000s)	57	94	122	42	36	509	4,900	–
ATMs	13	22	135	29	9	92	1,009	–
Number of physical locations	8	10	56	19	109	185	295	1

Total number of customers (excluding UBN)

~1m

Total number of ATMs¹

300

Total number of physical locations

388

Note:

1. Statistics exclude UBN's operational footprint (Atlas Mara owns 49.75%, which is accounted for as an investment in associate shareholding in UBN).



Michael Wilkerson
Executive Chairman

A handwritten signature of Michael Wilkerson in red ink. The signature is written in a cursive, flowing style and reads "Michael Wilkerson".

**WE BELIEVE THAT
OUR STRATEGIC
REVIEW HAS PUT
THE COMPANY
ON THE PATH
TO LONG-TERM
SUCCESS.**

On behalf of the Board of Directors, I am pleased to present the Company's results for the first half of 2019. I believe the Company has achieved a number of important milestones during this period even though our financial results were negatively impacted by the accounting effects of the strategic transaction announced with EGH. Further, our core operations achieved improving adjusted results over the first half of the year. Our focus for 2019 is driven by the ongoing strategic review announced in February, and as of today we have made substantial progress toward those stated goals.

Most notably, we increased our total shareholding in UBN to 49.9% as of today, and we expect to achieve a majority shareholding in UBN imminently, following ongoing regulatory engagements. As we stated in February, UBN and Nigeria remain central to our overall strategy. We continue to support UBN's management team on several fronts as they successfully execute on their growth plans, as evidenced by another strong interim period from the bank and the successful \$200 million financing entered into with OPIC. Obtaining a controlling stake will result in consolidation of UBN and enable us to deepen our support of the bank.

On a more sombre note, we lament the passing of Cyril Odu, our dear friend, partner, and UBN's esteemed Chairman since 2015, and a board member since 2012. We extend our condolences to his family and loved ones.

We have also made substantial progress towards definitive agreements with EGH for the strategic transaction, in which we will exchange our interests in our banks in Zambia, Tanzania, Mozambique, and Rwanda for a meaningful shareholding in EGH (pending regulatory approval). This strategic transaction will provide us with an attractive equity position in one of the region's best banking groups and exposure to six new countries in Africa. This transaction will enable us to concentrate our efforts on markets where we have the scale necessary for long-term success or a clear path to achieving it. Although we are managing substantial macroeconomic and other external challenges in parts of the footprint, these franchises all remain strong and we expect they will continue to perform in the long-term.

We see incredible long-term potential in EGH's franchise and its growth strategy as a strong operator. Our two companies also see strong synergies in our existing capabilities and talented people. I am thrilled to say that our teams are already working on efforts that would add value to both sides, and the Board believes this partnership should only deepen over time.

Zimbabwe is currently undergoing severe economic and other challenges that are outside of our control, including but not limited to hyperinflation, a rapid currency devaluation, slow macroeconomic growth, and fiscal and foreign reserve crises at the national level. These factors have resulted in direct negative impacts to our business, including the impairment of capital as described in our year-end 2018 results. Notwithstanding these macro trends, our Zimbabwe franchise followed 2018 with another period of strong profits in the first half of 2019, which illustrates the potential of our operations at the necessary scale and focus. At the same time, we must caution that the market's challenges and the considerable uncertainty about the near-term future mean we cannot confidently predict what results will be in the second half of 2019 or in 2020. Our teams both in Zimbabwe and in the Group remain vigilant, pursuing growth while maintaining prudent management of our balance sheet. Our board and management continue to support our employees, their families and their communities as they face unprecedented and extremely difficult circumstances.

While our consolidated results showed a significant loss for the period, it is worth highlighting that this was largely driven by the discontinued operations that are part of the transaction with EGH. Our Adjusted Operating Profit improved over the comparable period, reflecting better interim performances from Zimbabwe and UBN. Our tangible book value per share was \$2.84 at 30 June 2019, more than double the current market price of our ordinary shares.

For the remainder of 2019 we are focused on advancing the progress we have made on our stated strategic goals, including: the streamlining of the group as a narrowly focused holding company rather than a bank operating group; protecting our core in Botswana and Zimbabwe; and increasing our support of and involvement with UBN. Our priorities at UBN will include supporting management to drive organic growth through digital initiatives, improving efficiency, enhancing credit quality, establishing a sustainable dividend policy, all with the objective of generating shareholder value. We believe that our strategic review has put the Company on the path to long-term success, which will be proven out in the coming months as our core operations demonstrate strength in their markets, and our partnership with EGH deepens to our mutual benefit.

Michael Wilkerson
Executive Chairman



Omar Khan
Chief Financial Officer

Omar Khan

OUR H1 RESULTS SHOULD BE VIEWED AS A WORK IN PROGRESS, WITH TREMENDOUS POTENTIAL AS A NARROWER, FOCUSED, AND MORE EFFICIENT PLATFORM.

Performance overview

This year Atlas Mara is focused on executing the priorities which came out of the strategic review initiated in February 2019. These priorities include the planned sale of four subsidiaries to EGH in exchange for shares in EGH (pending regulatory approval), achieving consolidation of UBN following regulatory engagement, and executing on value creation for our stakeholders under the new asset composition. Our H1 results should be viewed as a work in progress, with tremendous potential as a narrower, focused, and more efficient platform.

Our adjusted operating profit for the period ended 30 June 2019 was \$17.0 million compared to \$13.5 million on a similar basis for the period ended 30 June 2018, representing an increase of 25.9%. Adjusted operating profit excludes non-recurring revenues and costs that are not part of the ongoing earnings base, to make us more comparable to other market peers by separately identifying and excluding one-off gains and charges, including all transaction related gains or losses as well as the remeasurement loss resulting from remeasuring the assets and liabilities of the disposal group of four banks held for sale as part of the transaction with EGH.

Our continuing operations that are not part of the transaction with EGH reported a profit to equity holders of \$8.9 million during H1 2019, reflecting the strong operational performance in Zimbabwe and UBN.

UBN reported favourable results, enhanced in particular by improved recoveries and cost management, compared to the same period last year, our share of the income from UBN (accounted for as associate income) increased from \$17.4 million for the period ended 30 June 2018 to \$18.7 million in H1 2019, benefiting from a 3.4% growth in UBN profit (on a dollar basis) and Atlas Mara's increased shareholding.

H1 2019 showed higher profitability in Zimbabwe of \$18.8 million, an increase of more than 100% on a constant currency basis. This performance is attributed to exceptional balance sheet management and improved treasury and client business under challenging conditions. Several initiatives are underway including focus on digital banking, loan growth, continued cost containment measures and more aggressive collections for non-performing loans, however, continued performance will be subject to stabilisation of the market.

Zimbabwe is currently undergoing severe currency and economic challenges. Following the launch of Zimbabwe's new currency in February 2019 at a rate of 2.5 to USD, the RTGS dollar depreciated to 6.6 at the end of June 2019. Annual inflation increased from 31% in October 2018 to 175.5% at June 2019. In his mid-term fiscal policy review, the Minister of Finance suspended the announcement of annual inflation until February 2020 citing lack of RTGS\$ base prices for the period before the introduction of the RTGS\$. Interest rates on the central bank's overnight window have increased from 15% to 50% per annum in line with inflation. Guidance on implementation of Hyper-Inflation Accounting for Zimbabwe is still pending from the country's Public Accountants and Auditors Board. Reviews of the accounting treatment being followed by other Foreign Holding Companies with Subsidiaries in the country are also ongoing.

Botswana's H1 2019 performance was weakened by high cost of funds, subdued loan growth, and a decline in trading income, although these trends improved towards the latter part of H1. We believe that our Botswana bank will continue its transformation journey, with the launch of Bank Online expected to increase transactional activity in Corporate Banking.

With the announcement on 30 April 2019 of the proposed strategic transaction involving four subsidiaries, the operations of the four subsidiaries have been classified as non-current assets and disposal groups held for sale. The remeasurement of these assets at lower of (i) the carrying amount and (ii) fair value less costs to sell, resulted in a loss of \$125.6 million, which predominantly impacted the intangible part of the book value. In addition, the recycling of the foreign currency translation losses and NCI through the P&L will result in a further decrease in book value (\$25.1 million as at 30 June 2019).

Excluding one-off and transaction-related expenses or gains, our cost to income ratio was 94.7% versus the comparable figure in June 2018 of 96.8%. Substantial cost reduction will be a key focus for management as we transition the Group to a more simplified structure following the completion of the strategic transaction with Equity Group.

Statement of comprehensive income review

Table 1: Total income

	30 June 2019			30 June 2018			Var %	CC Var %
	Continuing \$'m	Discontinued \$'m	Total \$'m	Continuing \$'m	Discontinued \$'m	Total \$'m		
Net interest income	8.8	35.7	44.5	22.3	46.0	68.3	(34.9)	(19.0)
Non-interest revenue	29.7	21.3	51.0	21.8	22.1	43.9	16.1	46.4
Total income	38.5	57.0	95.5	44.1	68.1	112.2	(14.9)	6.4

Chief Financial Officer's review of financial performance continued

Net interest income

Net interest income declined by 34.9% (19.0% on a constant currency basis), mainly driven by the decline in interest income on loans, as a result of contraction of the loan book, lower margins and higher cost of funds experienced in some of the subsidiaries. In Zimbabwe, however, interest yield on loans and advances increased to 11.9% in H1 2019 compared to 7.8% in H1 2018.

Interest expense declined by 6.0% (0.9% on a constant currency basis) compared to the prior period as a result of a decline in deposits. The subsidiaries are focused on reducing cost of funds through attrition of expensive deposits and replacement with sticky deposits. In Zimbabwe, cost of funds increased from 2.0% in H1 2018 to 2.4% in H1 2019.

Non-interest income

Non-interest income increased during the period by 16.1% (46.4% on a constant currency basis) mainly as a result of higher trading income in Zimbabwe. In other countries, there has been lower fee and commission driven by the pressure on loan growth.

Total expenses

Total costs of \$103.1 million (\$90.4 million excluding one-offs), represented a decrease of 5.0% (increase of 9.5% on a constant currency basis).

Shared Services and Centre costs increased to \$14.9 million from \$12.3 million in H1 2018. Excluding the one-off costs related to restructuring of \$1.7 million, the increase in costs are \$0.9 million which translates into an increase of 7.5%, however, a portion of these costs are expected to be non-recurring. The Group continues to focus on driving these costs lower as ATMA is transforming into a narrow focused and efficient platform.

Staff costs remained relatively constant at \$47.3 million (30 June 2018: \$48.4 million) for the period, but the contribution to total expenditure has increased to 45.9% from 44.6%. On an adjusted operating profit basis, Atlas Mara reported a cost to income ratio of 94.7% (30 June 2018: 96.8%), compared to 108.0% (30 June 2018: 96.7%) on an IFRS basis.

Loan impairment charges

Credit impairment charges reduced by 37.1% from \$4.3 million in H1 2018 to \$2.7 million in H1 2019 as a result of significant recovery efforts across the Group led by Mozambique, Zambia and Zimbabwe.

We continue to focus on restructuring and recovering further from the legacy NPL book and have made good progress on large single obligor exposures in Mozambique, Tanzania and Zimbabwe, resulting in increased profitability and reduction of our overall NPL ratios.

The NPL ratio across the Group was reduced from 11.1% at 31 December 2018 to 9.6% at 30 June 2019. This reduction was achieved by significant collection effort across the portfolio including large corporate recoveries.

Share of profit of associates

This represents Atlas Mara's share of profit from the 49.75% stake in UBN at 30 June 2019, based on their published results for the first half of 2019. The impact of intangible amortisation is also included.

UBN's financial performance improved across a number of key metrics in H1 2019 as compared to both H1 2018 and FY 2018. Return on equity improved to 10.3% from 7.3% for the comparative period, supported by profit before tax growth of 4% over the same period last year. During the course of the first six months of 2019, UBN also focused on rebuilding the loan book, recording loan growth of 8% from the level as at December 2018, while driving recoveries of loans previously written off. Customer deposits also improved by 4%, demonstrating the success of on-going acquisition of low-cost deposits driven by strengthened brand affinity. UBN's aggressive focus on recoveries and improving asset quality resulted in the continued decline in NPL ratio, from 8.1% as at December 2018 to 7.3% at the end of the current period.

The cost optimisation programme initiated by the bank also started to yield positive results as total expenses declined by 4%, from \$128.4 million in H1 2018 to \$122.3 million in H1 2019, also resulting in a decline in cost to income ratio from 77.1% to 76.3%. UBN remains well-capitalised, with its Capital Adequacy Ratio (CAR) sitting at 19.4% as at 30 June 2019, higher than the Nigeria regulatory minimum of 15.0%.

Statement of financial position review

Assets and liabilities included in disposal groups held for sale

During the period, the asset and liability balances of the entities classified as disposal groups in line with IFRS 5 were reclassified to assets and liabilities held for sale and presented as single line items on the face of the statement of financial position. The reclassification of these balances impacted all the other line items presented in the statement of financial position, resulting in a general decline in these other balances, as noted in the subsequent paragraphs.

Total assets (excluding assets included in disposal group held for sale)

Customer loans and advances comprise c.38.2% of the Group's total asset. Cash, short-term funds and marketable securities represent c.17.0%, other assets (made up of PPE, Investment property, prepayment and other receivables etc.) represent c.4.7%, the investment in associate (UBN) accounts for c.35.4% of the asset base with goodwill and intangible assets making up the remainder at c.4.7% of total assets (excluding assets held for sale).

Total assets contracted by 11% (4.9% on a constant currency basis) reflecting the impact of the persistent currency devaluation in Zimbabwe.

Customer loans and deposits

Table 2: Customer loan and deposit

	June 2019 \$'m	December 2018 \$'m	Var %	CC Var %
Loans	604.6	1,154.1	(47.6)	(44.3)
Deposits	684.0	1,631.8	(58.1)	(54.7)

Loans and credit quality

As presented in Table 2 above, loans and advances decreased by \$549.5 million to \$604.6 million at 30 June 2019 from \$1,154.1 million at 31 December 2018. The decline is mainly due to the reclassification of the balances totalling \$491.3 million related to the disposal groups held for sale. Other factors impacting the contraction of the loan book include market liquidity constraints and a lower than anticipated demand for credit due to challenging economic environment in our countries of operations.

Loans in continued operations showed a marginal increase of 1.6% at constant currency basis for H1 2019 due to lower than expected growth in the loan book in Botswana and a marginal decline in Zimbabwe.

NPLs as a percentage of the loan book declined to 9.6% (31 December 2018: 11.1%), reflecting our focused efforts on credit monitoring and the collection processes. The year-on-year improvement was particularly supported by asset recoveries secured in Zimbabwe.

Deposits

There was a decline in total deposits compared to the prior year mainly as a result of reclassification of the total of \$834.2 million, relating to disposal group held for sale. Loss of deposits in Tanzania and Botswana, and the continued devaluation of the currency in Zimbabwe also impacted the decline in total deposits.

Term deposits remained the highest percentage of deposits while in the decline in transactional deposits and overnight deposits reflect the tight liquidity situation experienced in most of our countries of operation especially Zimbabwe.

Customer deposits comprise c.59.9% of the liability base (excluding liabilities held for sale) and represent 27.4% of the aggregate of liabilities and equity (includes balances held for sale). The loan to deposit ratio for at 30 June 2019 was 88.4% (31 December 2018: 70.7%).

For continued operations, deposits declined by 7% (at constant currency basis) mainly due to reduction in expensive deposits in Botswana compensated to a large extent due to 40% growth (at constant currency basis) in deposits in Zimbabwe.

Capital position

As at 30 June 2019, all of Atlas Mara's operating banks complied with local minimum capital requirements relevant in that country, as summarised below.

Table 3: Capital adequacy ratios

Capital Ratios	June 2019	December 2018	June 2018	Regulatory Minimum
Botswana	18.4%	17.6%	19.1%	15.0%
Mozambique	22.4%	23.8%	25.8%	9.0%
Rwanda	23.4%	23.7%	21.3%	15.0%
Tanzania	13.1%	14.8%	17.0%	14.5%
Zambia	19.9%	15.9%	17.0%	10.0%
Zimbabwe	57.6%	39.0%	35.3%	12.0%

The Bank of Tanzania has announced that with effect from July 2019, investment in capital software is no longer deductible against capital and the abolishment of 1% general provision on loans categorized as unclassified. The announced changes will result in increase in Tanzania's capital by \$3.8 million resulting in CAR of c.18%.

Investment in associate: UBN

Our total shareholding in Union Bank of Nigeria increased to 49.75% as at 30 June 2019 from c.49.0% at 31 December 2018. The investment is equity-accounted for in the statement of financial position as an investment in associate, with a closing balance of \$557.5 million (31 December 2018: \$530.6 million). The value of the asset increased due to the additional shareholding acquired during the period and the increased profits reported by UBN during the period.

Goodwill and intangibles

Due to the acquisitions made in the prior years and in compliance with IFRS 3: Business Combinations, the statement of financial position incorporates goodwill and intangible assets of \$74.3 million at 30 June 2019 (31 December 2018: \$159.0 million). The 53.3% decline in this balance is attributable to the reclassification of balances relating to the disposal groups held for sale. These assets represent 4.7% of the Group's asset base (excluding assets held for sale), resulting in a tangible book value of \$2.84 per share (31 December 2018: \$3.00 per share) and book value per share of \$2.96 (31 December 2018: \$3.83).

Segment information

The segmental results and statement of financial position information represents management's view of its underlying operations. In previous periods, management's view of the Group's operations was on a geographically grouped basis. However, following the announcement of the strategic transaction, the Group's activities were re-segmented based on countries of domicile of our operating banks. The countries of operation are as listed below:

Nigeria: Through our 49.9% stake in UBN as at 30 September 2019 and Board representation, Atlas Mara has a footprint in Africa's largest economy, Nigeria. Nigeria continues to represent a long-term destination for investment, particularly in financial services, and our stake in UBN is a key facet of our strategy for the region.

Atlas Mara, through its board seats, is working closely with UBN management to monitor the impact of oil price and currency changes on the credit and capital positions. We see positive medium-term growth potential for UBN irrespective of the near-term challenges from the macroeconomic environment.

Our share of profit from the 49.75% stake (as at 30 June 2019) in UBN is based on UBN's published unaudited H1 2019 results.

Botswana remains on track to execute its transformation for growth strategy. While the performance for H1 2019 was softer, there are several initiatives underway in the second half of the year that should drive better momentum, including building on the launch of the new Corporate online banking platform and the onboarding of several new lending scheme clients.

Our business in **Zimbabwe** reported strong results driven by effective balance sheet management, good trading income, and digital banking, among other factors, notwithstanding a very challenging environment.

Discontinued operations

With the ongoing strategic transaction as announced on 30 April 2019, our operations in the following countries were reclassified as discontinued operations: **Mozambique, Tanzania, Zambia** and **Rwanda**.

Prior to reclassification, these four countries contributed less than 2% of total Group net income while accounting for 40% of the Group's total assets.

Corporate

Included in this segment are Atlas Mara Limited, the BVI incorporated holding company and Atlas Mara's Dubai subsidiary and all other intermediate Group holding entities acquired through the acquisitions of ABCH and ADC in August 2014, also referred to as the Shared Services and Centre.

**Chief Financial Officer's review
of financial performance**
continued

Table 4: Segment report for the period ended 30 June 2019

	Group	Continuing operations				Discontinued operations
		Botswana	Zimbabwe	Nigeria	Corporate	
Total Income	95.5	22.9	33.0	–	(17.4)	57.0
Loan impairment charge	(2.7)	0.5	(0.3)	–	(0.9)	(2.0)
Operating expenses	(103.1)	(17.1)	(9.3)	–	(13.1)	(63.6)
Share of profits of associate	18.7	–	–	18.7	–	–
Profit/(loss) before tax	8.4	6.2	23.5	18.7	(31.5)	(8.5)
Loss on IFRS 5 remeasurement	(125.6)	–	–	–	–	(125.6)
Profit/(loss) after tax and NCI	(126.4)	3.8	18.8	18.7	(32.4)	(135.3)
Loans and advances	604.6	558.6	31.6	–	14.4	–
Total assets	2,496.6	800.1	165.4	557.5	58.4	915.2
Total liabilities	1,950.8	684.5	121.0	–	335.5	809.8
Deposits	684.0	603.7	80.3	–	–	–
Net interest margin – total assets	3.6%	4.5%	7.2%			
Net interest margin – earning assets	10.5%	5.1%	10.3%			
Cost to income ratio	108.0%	74.8%	28.1%			
Statutory credit loss ratio	0.5%	(0.2%)	1.7%			
Return on equity	(25.4%)	10.6%	84.5%			
Return on assets	(5.1%)	0.9%	22.7%			
Loan to deposit ratio	88.4%	92.5%	39.3%			

Table 5: Segment report for the period ended 30 June 2018

	Group	Continuing operations				Discontinued operations
		Botswana	Zimbabwe	Nigeria	Corporate	
Total Income	112.2	29.6	23.7	–	(9.2)	68.1
Loan impairment charge	(4.3)	–	(0.6)	–	2.0	(5.6)
Operating expenses	(108.5)	(18.5)	(16.9)	–	(11.6)	(61.5)
Share of profits of associate	36.6	–	–	17.4	19.2	–
Profit/(loss) before tax	36.1	11.1	(6.2)	17.4	0.4	1.0
Profit/(loss) after tax and NCI	28.6	8.5	4.9	17.4	(1.0)	(1.1)
Loans and advances	1,280.9	550.6	185.3	–	16.1	528.9
Total assets	3,104.3	806.8	522.3	535.6	11.4	1,228.3
Total liabilities	2,328.1	715.0	431.9	–	117.9	1,063.4
Deposits	1,910.2	629.6	366.9	–	–	913.6
Net interest margin – total assets	16.1	5.5%	5.1%			
Net interest margin – earning assets	11.4	6.3%	5.8%			
Cost to income ratio	117.9	62.5%	71.3%			
Statutory credit loss ratio	16.1	0.0%	0.6%			
Return on equity	11.4	18.6%	10.8%			
Return on assets	117.9	2.1%	1.9%			
Loan to deposit ratio	16.1	87.5%	50.5%			

Omar Khan
Chief Financial Officer

Risk report

The Group operates in an environment where taking considered business risks within the jurisdictions in which we operate is key to delivering on our strategy and to delivering value to shareholders.

In executing our business strategy, it is important to navigate uncertainties deftly, to optimise growth opportunities and to ensure that attendant risks fall within the Group's risk appetite framework of whichever risk type, with appropriate risk mitigants in place.

Group risk management objectives

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

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

The Group risk management function, as mandated by the Board of Directors is to:

- coordinate risk management activities across the organisation, by ultimately becoming the custodian of Atlas Mara's risk management culture;
- analyse, monitor and manage all aspects of exposures across risk classes;
- ensure risk parameters and limits are set, approved and implemented and ensure that they are consistently adhered to; and
- facilitate various risk management committees as part of the Group's risk management process.

The Group's approach to risk management

The Group's approach to risk management involves a number of fundamental elements. The procedures and methodology are enshrined in the evolving Atlas Mara Enterprise-wide Risk Management ('ERM') Framework.

The Group's risk appetite sets out the level of risk that the Group is willing to take in pursuit of its business objectives. This risk appetite is calibrated against the Group's broad financial targets including profitability and impairment targets, dividend coverage and capital levels. The Group's risk methodologies include systems that enable the Group to measure, aggregate and report risk for internal and regulatory purposes in line with best practice.

ERM in business includes the methods and processes used by organisations to manage risks and identify opportunities related to the achievement of their objectives. ERM provides a framework for risk management, which typically involves identifying particular events or circumstances relevant to the organisation's objectives (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress.

The Group risk management framework defines the risk management Principles and Standards followed by the Group. These Principles and Standards ensure that risks are consistently managed throughout the Group through a set of internal controls. The Principles and Standards also ensure that risk awareness filters down through every level of the Group, and that every employee understands their responsibility in managing risk. At each operating subsidiary entity, the following sub-committees, comprising executives and senior management, are responsible for dealing with the risks facing the Group in a structured manner:

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

Atlas Mara has adopted the three lines of defence model to address how specific duties related to risk and control can be assigned and coordinated within the various business units. The model's underlying premise is that, under the oversight and direction of senior management and the Board of Directors, three separate groups (or lines of defence) within Atlas Mara are necessary for effective management of risk and control.

The three lines of defence are:

- Business operations;
- Risk and control functions; and
- Internal audit.

Each of the three lines plays a distinct role within Atlas Mara's wider governance framework. When each performs its assigned role effectively, the prospects of Atlas Mara being successful in achieving its overall objectives are highly enhanced.

Role of Atlas Mara Group Risk Management

Atlas Mara Group Risk Management is responsible for maintaining a culture of risk awareness throughout the Group. While each business unit is primarily responsible for managing its own risks, Group Risk Management independently monitors, manages and reports on all risks facing the Group, as mandated by the Board of Directors. It coordinates risk management activities across the Group to ensure that risk parameters are properly set and adhered to across all risk categories and in all Group companies. It also ensures that all risk exposures can be measured and monitored across the Group. Managing risk effectively is one of the key drivers of the Group's continuous investment in technology. Group Risk Management continually seeks new ways to enhance its risk management techniques.

It also updates the Group risk management framework on a regular basis to reflect new policies adopted by the Board of Directors. Group Risk Management regularly reports to the Atlas Mara Executive Committee and the Atlas Mara Audit, Risk and Compliance Committee, to provide the Board with assurance that risks are being appropriately identified, managed and controlled. Group Risk Management is headed by an executive manager who reports to the CEO.

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

Risk report continued

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

Credit

Credit risk management is by far the most significant risk type and accounts for more than 80% of the Group's Economic Capital requirement and 61% of Regulatory Capital.

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 reporting date. Country (or Sovereign) risk is part of overall credit risk and is managed as part of the credit risk management function as it has a major impact on individual counterparties' ability to perform. Management therefore carefully manages its exposure to credit risk.

Credit exposures arise principally in loans and advances, debt securities and other similar instruments. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The Group Risk team reviews subsidiary risk exposures regularly and reports to the Atlas Mara Board of Directors.

Credit risk management and strategy

Credit risk is managed across the Group in terms of its Board approved risk management framework, encompassing credit principles and standards, mandate limits and governance structures.

The governance structures mandated with accountability for loan approvals, monitoring and risk management include the following:

- In Country Management Committee Credit Committee (Manco Credit Committee) (including BancABC entities and BPR).
- In Country Board Credit Committee including (BancABC entities and BPR).
- ABCH Group Credit Committee.
- ABCH Board Credit Committee.
- ABCH Board Loans Review Committee.

Atlas Mara Group credit risk management objectives are to:

- enable sustainable asset growth in line with the Group Risk appetite;
- optimise credit governance and operational structures;
- create a robust control environment;
- invest in skills, training and appropriate experience;
- simplify risk management processes;
- implement and refine appropriate models for credit granting;
- improve early warning, problem recognition and remedial management capability; and
- improve credit policies and governance framework.

Approach to credit risk

Credit life cycle

The credit life cycle consists of target market identification and quantification, principles of credit evaluation and decisioning, post-sanctioning fulfilment, credit administration, portfolio monitoring, early warning triggers, problem recognition and remedial management. The business, risk and senior management are integrated into the end-to-end credit lifecycle. Atlas Mara Group uses a Risk Grading tool for corporate exposures to determine a minimum credit rating for acceptance for credit granting purposes.

The rating is the result of qualitative and quantitative criteria, based on statement of financial position and profit or loss inputs including critical ratios, industry bench-marking, management experience and capability. Risk ratings awarded to obligors are reviewed annually with the latest financial information and account conduct for corporate exposures.

The consumer and standardised SME (low turnover) obligors are assessed via a predetermined scorecard that is regularly reviewed.

Measuring credit risk

The Group's approach to measuring credit risk aims to align with international best practice and is, in all substantial aspects, aligned with the standard approach and methodology employed by international financial institutions.

In line with IFRS 9, the Group has adopted the Expected Credit Loss approach effective 1 January 2018. Credit risk is broken down into the common risk components of Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD'), modelled at a client, facility and portfolio level. These risk components are used in the calculation of a number of aggregate risk measures such as Expected Loss ('EL'). The models used by the Group are compliant with Basel II and regulatory requirements. These risk measures would be used as inputs to calculate the collective impairment amounts.

Component	Definition
Probability of default (PD)	The probability that a counterparty will default, over the next 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating the impact of forward-looking economic assumptions that have an effect on credit risk, such as interest rates, unemployment rates and GDP forecasts. The PD estimates will fluctuate in line with the economic cycle. The lifetime (or term structure) PDs are based on statistical models, calibrated using historical data and adjusted to incorporate forward-looking economic assumptions.
Loss given default (LGD)	The loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cash flows due and those that the bank expects to receive. The Group estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.
Exposure at default (EAD)	The expected statement of financial position exposure at the time of default, taking into account the expected change in exposure over the lifetime of the exposure. This incorporates the impact of drawdowns of committed facilities, repayments of principal and interest, amortisation and prepayments, together with the impact of forward-looking economic assumptions where relevant.

To determine the expected credit loss ("ECL"), these components are multiplied together (PD for the reference period (up to 12 months or lifetime) x LGD at the beginning of the period x EAD at the beginning of the period) and discounted to the balance sheet date using the effective interest rate as the discount rate.

Expected loss and capital requirements

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

Forbearance and restructuring

Forbearance refers to obligors where the contractual terms of the facilities extended are modified or formalised into a new transaction. Atlas Mara Group Credit Principles and Standards documents the criteria to be applied in assessing clients that will qualify for restructure. Great emphasis is placed on sustainability of cash flows to repay the restructured instalments.

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 after satisfying the relevant curing period of instalments paid on time. Restructuring policies and practices are based on indicators or criteria which, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review.

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 (intermediate holding company) and relevant sub-committees and reviewed regularly. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below.

a. Collateral

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

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

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

Atlas Mara's loan book classification criteria

Category	Descriptions	ECL recognised
Stage 1 – performing loans	Financial instruments that have had no significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For example: a newly originated loan on which repayments are being received and there are no other indicators of a significant increase in credit risk.	12-month expected credit losses Losses expected on defaults which may occur within the next 12 months.
Stage 2 – underperforming loans	Financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For example: a loan on which payment is 30 days overdue.	Lifetime expected credit losses Losses expected on defaults which may occur at any point in a loan's lifetime. Losses are adjusted for probability weighted macro-economic scenarios.
Stage 3 – non-performing loans	Market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee on actual EBITDA for the period ended 30 June 2019. The estimate is adjusted for the effect of the non-marketability of the equity securities.	Lifetime expected credit losses Losses expected on defaults which may occur at any point in a loan's lifetime. Losses are adjusted for probability weighted macro-economic scenarios. Interest income is calculated on the carrying amount of the loan net of credit allowance.

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

b. Master netting arrangements*

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

c. Credit-related commitments

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

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

d. Derivatives

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

Impairment policies

The impairments shown in the statement of financial position at year-end are measure in line with the expected credit loss model prescribed by IFRS 9. IFRS 9 outlines a 'three stage' model for impairment based on changes in credit quality since initial recognition.

Maximum exposure and effects of 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.

At 30 June 2019	Fair value of collateral and credit enhancements held					Net collateral \$'000	Net exposure \$'000
	Maximum exposure \$'000	Cash \$'000	Letters of credit/ guarantees \$'000	Property ³ \$'000	Other ^{1,3} \$'000		
On balance sheet:							
Placement with other banks²	13,828	-	-	-	-	-	13,828
Loans and advances (Gross)	646,940	925	-	33,062	8,489	42,476	604,464
Derivate financial instruments	6,339	-	-	-	-	-	6,339
Cross-currency interest rate swaps	147	-	-	-	-	-	147
Forward foreign exchange contracts	6,192	-	-	-	-	-	6,192
Financial assets at FVTPL	23,886	-	-	-	-	-	23,886
Listed equities	1,292	-	-	-	-	-	1,292
Unlisted equities	22,311	-	-	-	-	-	22,311
Unlisted debentures	44	-	-	-	-	-	44
Property units	239	-	-	-	-	-	239
Investment securities – FVOCI (Gross)	514	-	-	-	-	-	514
Unlisted equities	514	-	-	-	-	-	514
Investment securities – Amortised cost (Gross)	120,616	-	-	-	-	-	120,616
Treasury bills	73,978	-	-	-	-	-	73,978
Government bonds	46,638	-	-	-	-	-	46,638
Total on-balance sheet	812,123	925	-	33,062	8,489	42,476	769,647
Off-balance sheet (Gross)							
Guarantees	7,380	-	-	-	-	-	7,380
Letters of credit	23,044	-	-	-	-	-	23,044
Forward contracts and currency swaps	844	-	-	-	-	-	844
Other contingent liabilities	13,653	-	-	-	-	-	13,653
Total off-balance sheet	44,921	-	-	-	-	-	44,921
Total	857,044	925	-	33,062	8,489	42,476	814,568

Notes:

1. Vehicles, machinery, other fixed assets, inventory and trade receivables.
2. Represents cash balances held with other banks. Included in \$382 million cash per statement of financial position.
3. These collateral items are not readily convertible into cash as these items are sold in the market and are dependent on a buyer and seller.

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Maximum exposure to credit risk as at 31 December 2018

	Maximum exposure \$'000	Fair value of collateral and credit enhancements held					Net collateral \$'000	Net exposure \$'000
		Cash \$'000	Letters of credit/ guarantees \$'000	Property ³ \$'000	Other ^{1,2} \$'000			
On-balance sheet:								
Placement with other banks²	75,358	–	–	–	–	–	75,358	
Loans and advances (Gross)	1,267,559	9,645	–	485,634	72,180	567,459	700,100	
Derivate financial instruments	5,602	–	–	–	–	–	5,602	
Cross-currency interest rate swaps	5,400	–	–	–	–	–	5,400	
Forward foreign exchange contracts	202	–	–	–	–	–	202	
Financial assets at FVTPL	24,909	–	–	–	–	–	24,909	
Listed equities	1,711	–	–	–	–	–	1,711	
Unlisted equities	22,463	–	–	–	–	–	22,463	
Unlisted debentures	114	–	–	–	–	–	114	
Property units	621	–	–	–	–	–	621	
Investment securities – FVOCI	101,114	–	–	–	18,104	18,104	83,010	
Government bonds	68,655	–	–	–	5,157	5,157	63,498	
Corporate bonds	18,467	–	–	–	–	–	18,467	
Listed equities	291	–	–	–	–	–	291	
Unlisted equities	872	–	–	–	435	435	437	
Unlisted investment	12,829	–	–	–	12,512	12,512	317	
Investment securities – Amortised cost	270,100	–	–	–	–	–	270,100	
Treasury bills	183,933	–	–	–	–	–	183,933	
Government bonds	86,167	–	–	–	–	–	86,167	
Total on-balance sheet	1,744,642	9,645	–	485,634	90,284	585,563	1,159,079	
Off-balance sheet:								
Guarantees	33,434	2,990	6,781	4,030	699	14,500	18,934	
Letters of credit	80,772	5,261	–	1,610	–	6,871	73,901	
Forward contracts and currency swaps	7,146	–	–	–	–	–	7,146	
Other contingent liabilities	11,960	–	–	–	–	–	11,960	
Total off-balance sheet	133,312	8,251	6,781	5,640	699	21,371	111,941	
Total	1,877,954	17,896	6,781	491,274	90,983	606,934	1,271,020	

Notes:

1. Vehicles, machinery, other fixed assets, inventory and trade receivables.
2. Represents cash balances held with other banks. Included in \$382 million cash per statement of financial position.
3. These collateral items are not readily convertible into cash as these items are sold in the market and are dependent on a buyer and seller.

Concentration risk of financial assets with credit risk exposure

a. Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties:

30 June 2019	Botswana \$'000	Mozambique \$'000	Tanzania \$'000	Zambia \$'000	Zimbabwe \$'000	Rwanda \$'000	Other \$'000	Total \$'000
On-balance sheet:								
Placements with other banks	13,820	–	–	–	8	–	–	13,828
Financial assets held at FVTPL	–	–	22,266	–	1,620	–	–	23,886
Derivative financial assets	98	–	–	49	–	–	6,192	6,339
Loans and advances (net)	558,557	–	5,365	–	31,578	–	9,074	604,574
Investment securities	54,805	–	355	–	65,781	–	–	120,941
Total on-balance sheet	627,280	–	27,986	49	98,987	–	15,266	769,568
Off-balance sheet:								
Guarantees	6,006	–	–	–	1,288	–	–	7,294
Letters of credit	23,035	–	–	–	–	–	–	23,035
Forward contracts and currency swaps	844	–	–	–	–	–	–	844
Other commitments	10,425	–	–	–	2,727	–	523	13,675
Total off-balance sheet	40,310	–	–	–	4,015	–	523	44,848
Total	667,590	–	27,986	49	103,002	–	15,789	814,416
31 December 2018	Botswana \$'000	Mozambique \$'000	Tanzania \$'000	Zambia \$'000	Zimbabwe \$'000	Rwanda \$'000	Other \$'000	Total \$'000
On-balance sheet:								
Placements with other banks	28,440	14,098	8,678	21,853	22	2,265	2	75,358
Financial assets held at FVTPL	–	–	22,320	–	2,589	–	–	24,909
Derivative financial assets	216	10	–	–	–	–	5,376	5,602
Loans and advances (net)	541,420	65,890	62,541	193,045	86,577	193,099	11,541	1,154,113
Investment securities	112,628	26,736	18,459	78,163	78,205	55,651	–	369,842
Total on-balance sheet	682,704	106,734	111,998	293,061	167,393	251,015	16,919	1,629,824
Off-balance sheet:								
Guarantees	10,190	4,823	430	2,360	8,168	7,337	–	33,308
Letters of credit	36,227	–	80	44,114	–	–	–	80,421
Forward contracts and currency swaps	7,146	–	–	–	–	–	–	7,146
Other commitments	6,066	–	–	–	5,324	–	507	11,897
Total off-balance sheet	59,629	4,823	510	46,474	13,492	7,337	507	132,772
Total	742,333	111,557	112,508	339,535	180,885	258,352	17,426	1,762,596

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Concentration risk of financial assets with credit risk exposure continued

b. Industry sectors

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

30 June 2019	Agriculture \$'000	Construction \$'000	Corporate, retail and trade \$'000	Public sector \$'000	Real estate \$'000	Mining and energy \$'000	Financial services \$'000	Transport \$'000	Individuals \$'000	Tourism	Other	Total
On-balance sheet:												
Placements with other banks	-	-	-	-	-	-	13,828	-	-	-	-	13,828
Financial assets held at FVTPL	25	84	556	-	-	20,565	1,285	-	-	-	1,371	23,886
Derivative financial assets	-	-	98	-	-	-	6,192	-	-	-	49	6,339
Loans and advances (net)	6,588	7,464	27,656	8,260	68,105	2,766	26,489	2,592	440,603	2,953	11,098	604,574
Investment securities	-	-	-	65,294	-	-	55,487	-	-	-	160	120,941
Total on-balance sheet	6,613	7,548	28,310	73,554	68,105	23,331	103,281	2,592	440,603	2,953	12,678	769,568
Off-balance sheet:												
Guarantees	-	-	6,006	-	-	-	-	-	-	-	1,288	7,294
Letters of credit	-	-	469	22,566	-	-	-	-	-	-	-	23,035
Forward contracts	-	-	844	-	-	-	-	-	-	-	-	844
Other commitments	-	-	10,425	-	-	-	-	-	-	-	3,250	13,675
Total off-balance sheet	-	-	17,744	22,566	-	-	-	-	-	-	4,538	44,848
Total	6,613	7,548	46,054	96,120	68,105	23,331	103,281	2,592	440,603	2,953	17,216	814,416

31 December 2018	Agriculture \$'000	Construction \$'000	Corporate, retail and trade \$'000	Public sector \$'000	Manufacturing \$'000	Mining and energy \$'000	Financial services \$'000	Transport \$'000	Individuals \$'000	Tourism	Other	Total
On-balance sheet:												
Placements with other banks	-	-	-	-	-	-	75,358	-	-	-	-	75,358
Financial assets held at FVTPL	54	3	2,341	-	21	20,628	1,215	-	-	15	632	24,909
Derivative financial assets	-	-	-	-	-	-	5,602	-	-	-	-	5,602
Loans and advances (net)	39,741	72,092	125,350	68,411	32,943	25,242	42,281	19,343	566,866	16,933	144,911	1,154,113
Investment securities	-	-	-	186,489	-	-	183,271	-	-	-	82	369,842
Total on-balance sheet:	39,795	72,095	127,691	254,900	32,964	45,870	307,727	19,343	566,866	16,948	145,625	1,629,824
Off-balance sheet:												
Guarantees	697	3,795	12,415	2,920	324	3,605	17	386	-	-	9,149	33,308
Letters of credit	-	124	1,393	76,515	80	1,497	-	568	-	-	244	80,421
Forward contracts	-	-	7,146	-	-	-	-	-	-	-	-	7,146
Other commitments	-	-	4,251	-	-	-	-	-	2,425	-	5,221	11,897
Total off-balance sheet	697	3,919	25,205	79,435	404	5,102	17	954	2,425	-	14,614	132,772
Total	40,492	76,014	152,896	334,335	33,368	50,972	307,744	20,297	569,291	16,948	160,239	1,762,596

Liquidity risk

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

Capital and liquidity risk management

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

Liquidity is of critical importance to financial institutions. Our markets often face the challenge of under-developed secondary securities markets and at times illiquid government securities. As such, the bank has in place a comprehensive liquidity and funding policy to address both firm-specific and market-wide liquidity events. Our primary objective is to be able to fund the bank and to enable our core businesses to continue to operate and meet their obligations under adverse circumstances.

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

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

- Excess liquidity: We seek to maintain excess liquidity to meet a broad and comprehensive range of potential cash outflows and collateral needs in a stressed environment.
- Asset-Liability Management: Through ALCO, we assess anticipated holding periods for our assets and their potential illiquidity in a stressed environment. We manage maturity mismatches and level of funding diversification across markets, products and counterparties and seek to maintain liabilities of appropriate tenor relative to our asset base.

Contingency Funding Plan: We seek to maintain a contingency funding plan to provide a framework for analysing and responding to a liquidity crisis situation or periods of market stress. The framework sets the plan of action to fund normal business activity in emergency and stress situations.

The Group approaches liquidity cautiously and conservatively by managing the liquidity profile with a preference for long-term, fixed rate funding. As such, the Group is exposed to funding liquidity risk.

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

Stress testing

As a part of our core risk management practices, we conduct enterprise-wide stress tests on a periodic basis to better understand earnings, capital and liquidity sensitivities to certain economic and business scenarios, including economic and market conditions that are more severe than anticipated.

These enterprise-wide stress tests provide an understanding of the potential impacts from our risk profile to earnings, capital and liquidity, and serve as a key component of our capital management practices. Scenarios are selected by senior management. Impacts to each line of business from each scenario are then determined and analysed, primarily leveraging the models and processes utilised in everyday management routines.

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

Risk report

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Analysis of liquidity risk

Non-derivative financial liabilities' cash flow

The table below presents the cash flows payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting 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:

	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Greater than 1 year \$'000	Total \$'000	Effect of discount/ financing rates \$'000	Total \$'000
30 June 2019							
Financial assets:							
Cash and short-term funds	124,600	-	-	-	124,600	-	124,600
Financial assets held at FVTPL	-	39	1,581	22,266	23,886	-	23,886
Loans and advances (net)	126,819	100,960	203,151	510,098	941,028	(336,454)	604,574
Investment securities	28,106	33,473	22,339	35,141	119,059	1,882	120,941
Total financial assets (contractual)	279,525	134,472	227,071	567,505	1,208,573	(334,572)	874,001
Financial liabilities:							
Deposits	286,684	214,114	165,607	23,663	690,068	(6,075)	683,993
Borrowed funds	3,527	11,992	46,047	379,676	441,242	(27,742)	413,500
Total liabilities (contractual)	290,211	226,106	211,654	403,339	1,131,310	(33,817)	1,097,493
Cumulative liquidity gap	(10,686)	(91,634)	15,417	164,166	77,263	(300,755)	(223,492)
31 December 2018							
	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Greater than 1 year \$'000	Total \$'000	Effect of discount/ financing rates \$'000	Total \$'000
Financial assets:							
Cash and short-term funds	374,413	4,513	3,009	-	381,935	53	381,988
Financial assets held at FVTPL	-	72	2,517	22,320	24,909	-	24,909
Loans and advances (net)	239,891	120,841	263,679	931,684	1,556,095	(401,982)	1,154,113
Investment securities	45,315	82,145	97,463	147,179	372,102	(2,260)	369,842
Total financial assets (contractual)	659,619	207,571	366,668	1,101,183	2,335,041	(404,189)	1,930,852
Financial liabilities:							
Deposits	1,005,442	304,850	242,912	83,119	1,636,323	(4,527)	1,631,796
Borrowed funds	54,446	5,779	35,688	338,798	434,711	(24,554)	410,157
Total liabilities (contractual)	1,059,888	310,629	278,600	421,917	2,071,034	(29,081)	2,041,953
Cumulative liquidity gap	(400,269)	(103,058)	88,068	679,266	264,007	(375,108)	(111,101)

Operational risk management

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

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

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

Analysis of market risk

Sensitivity analysis of market price

The Group holds, directly or through its associates, listed equities with a fair value of \$1.29 million and unlisted equities of \$22.8 million. The Group is therefore exposed to gains or losses related to the variability in the market prices of the equities held.

Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowed funds of \$413.5 million and financial assets held at fair value through OCI of \$0.51 million and derivative financial instruments of \$0.49 million (net asset). The exposure to equity price risk is described below.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Group's Board of Directors reviews and approves all equity investment decisions.

Further details on key assumptions in valuations, and sensitivity analysis of equity instruments and price risk are shown in note 20.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investments in foreign subsidiaries.

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

Risk report
continued

Foreign exchange risk

30 June 2019	USD \$'000	EUR \$'000	BWP \$'000	ZAR \$'000	ZMK \$'000	TZS \$'000	MZN \$'000	JPY \$'000	NGN \$'000	RWF \$'000	Other \$'000	Total \$'000
Financial assets												
Cash and short-term funds	39,084	1,152	77,589	3,343	-	497	-	17	-	-	2,918	124,600
Financial assets held at FVTPL	22,135	-	-	-	-	1,712	-	-	-	-	39	23,886
Derivative financial assets	-	-	6,192	98	49	-	-	-	-	-	-	6,339
Loans and advances	44,152	-	558,557	-	-	1,865	-	-	-	-	-	604,574
Investment securities	65,453	-	54,805	-	-	355	-	-	-	-	328	120,941
Total financial assets	170,824	1,152	697,143	3,441	49	4,429	-	17	-	-	3,285	880,340
Financial liabilities												
Deposits	115,390	961	562,533	4,062	-	-	-	-	-	-	1,047	683,993
Derivative financial liabilities	7	25	5,785	-	-	-	-	-	-	-	-	5,817
Borrowed funds	392,031	-	21,469	-	-	-	-	-	-	-	-	413,500
Total financial liabilities	1,053,196	986	589,787	4,062	-	-	-	-	-	-	1,047	1,103,310
31 December 2018												
	USD \$'000	EUR \$'000	BWP \$'000	ZAR \$'000	ZMK \$'000	TZS \$'000	MZN \$'000	JPY \$'000	NGN \$'000	RWF \$'000	Other \$'000	Total \$'000
Financial assets												
Cash and short-term funds	196,560	11,903	77,819	7,240	9,714	5,518	39,656	6	5	30,091	3,476	381,988
Financial assets held at FVTPL	23,196	-	-	-	-	1,713	-	-	-	-	-	24,909
Derivative financial assets	2,398	-	2,979	215	-	-	10	-	-	-	-	5,602
Loans and advances	190,519	1,873	540,237	-	137,824	37,257	57,194	-	-	189,209	-	1,154,113
Investment securities	110,688	57	112,628	-	45,823	18,459	26,537	-	-	55,650	-	369,842
Total financial assets	523,361	13,833	733,663	7,455	193,361	62,947	123,397	6	5	274,950	3,476	1,936,454
Financial liabilities												
Deposits	361,292	11,791	628,381	5,288	240,718	49,950	112,207	10	-	220,821	1,339	1,631,797
Derivative financial liabilities	(11,936)	25	10,932	-	7,515	-	-	-	-	-	-	6,536
Borrowed funds	382,179	-	21,888	-	368	2,863	2,164	-	-	695	-	410,157
Total financial liabilities	1,439,347	11,816	661,201	5,288	248,601	33,940	114,371	10	-	221,516	1,339	2,737,428

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. In order to reduce interest rate risk, the majority of the Group's lending is on a variable interest rate with a term of less than one year. This approach has been adopted as a result of the scarcity of term deposits in the region which limits the Group's ability to build a substantial, stable pool of fixed rate funding.

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

	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2019						
Financial assets						
Cash and short-term funds	107,670	-	-	-	16,930	124,600
Financial assets held at FVTPL	-	-	-	-	23,886	23,886
Derivative financial assets	-	-	-	-	6,339	6,339
Loans and advances	580,266	917	3,535	19,856	-	604,574
Investment securities	28,106	20,732	26,847	44,742	514	120,941
Total financial assets	716,042	21,649	30,382	64,598	47,669	880,340
Financial liabilities						
Deposits	354,189	214,114	98,103	17,587	-	683,993
Derivative financial liabilities	-	-	-	-	5,817	5,817
Borrowed funds	3,527	85,275	15,755	283,562	25,381	413,500
Total financial liabilities	357,716	299,389	113,858	301,149	31,198	1,103,310
31 December 2018						
Financial assets						
Cash and short-term funds	192,120	4,548	3,023	-	182,297	381,988
Financial assets held at FVTPL	-	-	-	-	24,909	24,909
Derivative financial assets	-	-	-	-	5,602	5,602
Loans and advances	639,629	26,003	70,654	417,827	-	1,154,113
Investment securities	43,057	82,418	97,190	146,307	870	369,842
Total financial assets	874,806	112,969	170,867	564,134	213,678	1,936,454
Financial liabilities						
Deposits	819,268	269,592	465,827	77,110	-	1,631,797
Derivative financial liabilities	-	-	-	-	6,536	6,536
Borrowed funds	96,733	72,255	16,250	201,570	23,349	410,157
Total financial liabilities	916,001	342,056	484,071	286,730	708,570	2,737,428

Market risk management

This defines the risk that movements in market prices will adversely affect the value of on- or off-balance sheet positions. It encompasses risks arising from changes in investment market values or other features correlated with investment markets, in particular, changes in interest rates, foreign exchange rates, and equity and commodity prices. Market risk is often propagated by other forms of financial risk such as credit and market-liquidity risks.

Compliance risk management

Compliance risk is the risk of non-compliance with all relevant regulatory statutes, Central Bank supervisory requirements and industry codes of practice. The compliance function is an integral part of the overall Group Risk Management function. A decentralised compliance function has been implemented within business units and subsidiaries, and compliance officers have been appointed in each operating entity.

Compliance risk is effectively managed 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 Group is to develop and maintain sound working relationships with its various regulators in the Group's operating countries.

Legal risk management

Group Chief Legal Counsel is responsible for ensuring that legal risk is adequately managed. This is achieved through standard approved legal documentation wherever possible; however, specialised external legal advisers are used when required for non-standard transactions. Group Chief Legal Counsel ensures that only approved legal advisers provide legal opinions or draw up specialised agreements for the Group.

Group internal audit

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

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

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

Directors' responsibilities statement in respect of the interim report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU; and
- the interim management report includes a fair review of the information required by:
 - a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board

Michael Wilkerson
Chairman
30 September 2019

Independent Auditor's Report

Conclusion

We have been engaged by the group to review the condensed consolidated set of financial statements in the interim report for the six months ended 30 June 2019 which comprises the condensed consolidated statement of financial position, the condensed consolidated statement of profit or loss, the condensed consolidated statement of other comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows, segmental report, significant accounting policies and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the interim report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the interim report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the DTR of the UK FCA.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the interim report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the group a conclusion on the condensed consolidated set of financial statements in the interim report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the group in accordance with the terms of our engagement to assist the group in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the group those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group for our review work, for this report, or for the conclusions we have reached.

KPMG Inc

Registered Auditor

Per Pierre Fourie
Chartered Accountant (SA)
Registered Auditor
Director
30 September 2019

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

Condensed consolidated statement of financial position
at 30 June 2019

	Notes	30 June 2019 \$'000	31 December 2018 \$'000
Assets			
Cash and short-term funds	15	124,600	381,988
Financial assets held at fair value through profit or loss	11	23,886	24,909
Derivative financial assets		6,339	5,602
Loans and advances	7	604,574	1,154,113
Investment securities	12	120,941	369,842
Prepayments and other receivables		20,857	37,287
Current tax assets		2,168	8,585
Investment in associates	5	559,112	532,233
Property and equipment		34,118	78,417
Right-of-use asset		5,884	–
Investment property		4,599	12,414
Other intangible assets		24,965	79,015
Goodwill on acquisition		49,375	80,005
Deferred tax assets	16.3	–	40,316
		1,581,418	2,804,726
Assets included in disposal groups classified as held for sale	21	915,225	–
Total assets		2,496,643	2,804,726
Liabilities and Equity			
Deposits	3	683,993	1,631,797
Derivative financial liabilities		5,817	6,536
Creditors and accruals		17,263	41,268
Current tax liabilities		5,164	7,832
Deferred tax liability	16.3	9,054	18,198
Lease liability		6,269	–
Borrowed funds	2	413,500	410,157
		1,141,060	2,115,788
Liabilities included in disposal groups classified as held for sale	21	809,815	–
Total liabilities		1,950,875	2,115,788
Founder preference shares	1	11,300	11,300
Ordinary share capital	1	993,192	993,192
Capital reserves		(2,228)	(38,314)
(Accumulated loss)/ retained earnings		(124,137)	2,981
Fair value reserves		(104)	488
Foreign currency translation reserve		(353,003)	(299,252)
Treasury shares		(24,047)	(23,551)
Equity attributable to ordinary shareholders		500,973	646,844
Non-controlling interest		44,795	42,094
Total equity		545,768	688,938
Total equity and liabilities		2,496,643	2,804,726

Condensed consolidated statement of profit or loss
for the period ended 30 June 2019

	Notes	Half-year to 30 June 2019			Half-year to 30 June 2018		
		Continuing operations \$'000	Discontinued operations \$'000	Total \$'000	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000
Interest and similar income	10	38,377	62,019	100,396	54,578	73,197	127,775
Interest and similar expense	4	(29,597)	(26,328)	(55,925)	(32,330)	(27,154)	(59,484)
Net interest income		8,780	35,691	44,471	22,248	46,043	68,291
Impairment charges on financial instruments	8	(694)	(1,981)	(2,675)	1,381	(5,634)	(4,253)
Net interest income after loan impairment charges		8,086	33,710	41,796	23,629	40,409	64,038
Non-interest income	13	29,703	21,299	51,002	21,833	22,096	43,929
Share of profit of associates	5	18,653	–	18,653	36,606	–	36,606
Total operating income		56,442	55,009	111,451	82,068	62,505	144,573
Operating expenses	14	(39,543)	(63,522)	(103,065)	(47,243)	(61,470)	(108,713)
Transaction and integration expenses		–	–	–	232	–	232
Profit/(loss) before tax		16,899	(8,513)	8,386	35,057	1,035	36,092
Income tax expense	16.1	(7,401)	(972)	(8,373)	(5,406)	(1,487)	(6,893)
Profit/(loss) after tax		9,498	(9,485)	13	29,651	(452)	29,199
Loss on remeasurement to fair value less costs to sell	21	–	(125,567)	(125,567)	–	–	–
(Loss)/profit for the period		9,498	(135,052)	(125,554)	29,651	(452)	29,199
Attributable to:							
Ordinary shareholders		8,913	(135,347)	(126,434)	29,759	(1,138)	28,621
Non-controlling interests		585	295	880	(108)	686	578
(Loss)/profit for the period		9,498	(135,052)	(125,554)	29,651	(452)	29,199
Basic (loss)/earnings per share (\$)	17	0.05	(0.79)	(0.74)	0.18	(0.01)	0.17
Diluted (loss)/earnings per share (\$)	17	0.05	(0.79)	(0.74)	0.18	(0.01)	0.17

Condensed consolidated statement of other comprehensive income
for the period ended 30 June 2019

	Half-year to 30 June 2019			Half-year to 30 June 2018		
	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000
(Loss)/profit for the period	9,498	(135,052)	(125,554)	29,651	(452)	29,199
Other comprehensive income/(loss)						
Items that may be reclassified to profit or loss:	(42,360)	(7,534)	(49,894)	(9,894)	(3,132)	(13,026)
Exchange differences on translating foreign operations	(46,328)	(6,827)	(53,155)	(5,401)	(3,418)	(8,819)
Financial assets at fair value through OCI – net change in fair value (net of tax)	115	(707)	(592)	17	286	303
Share of other comprehensive income of equity-accounted investees (net of tax)	3,853	–	3,853	(4,510)	–	(4,510)
Items that will not be reclassified to profit or loss:	22,318	–	22,318	141	–	141
Revaluation of land and buildings (net of tax)	22,318	–	22,318	141	–	141
Total other comprehensive loss for the period, net of tax	(20,042)	(7,534)	(27,576)	(9,753)	(3,132)	(12,885)
Total comprehensive income for the period	(10,544)	(142,586)	(153,130)	19,898	(3,584)	16,314
Attributable to:						
Ordinary shareholders	(11,782)	(142,824)	(154,606)	20,006	(3,838)	16,168
Non-controlling interests	1,238	238	1,476	(108)	254	146
Total comprehensive income for the period	(10,544)	(142,586)	(153,130)	19,898	(3,584)	16,314

Condensed consolidated statement of changes in equity
for the period ended 30 June 2019

	Founder Preference Shares \$'000	Ordinary share capital \$'000	Capital reserves' \$'000	Available-for-sale reserves \$'000
Opening balance as at 1 January 2018	12,500	987,292	51,723	39
Change on initial application of IFRS 9 at 1 January 2018	–	–	(29,446)	(39)
Restated balance as at 1 January 2018	12,500	987,292	22,277	–
Profit for the period	–	–	–	–
Other comprehensive income:	–	–	(431)	–
Exchange differences on translating foreign operations	–	–	–	–
Movement in available-for-sale reserves	–	–	(428)	–
Investment in associates – OCI	–	–	–	–
FV on hedging instrument	–	–	(3)	–
Revaluation of property and equipment	–	–	–	–
Total comprehensive income	–	–	(431)	–
Transactions with owners				
Employee share awards	–	–	2,554	–
Conversion of founder preference shares to ordinary shares	(1,200)	–	888	–
Issue of ordinary shares to Directors	–	–	–	–
Issue of shares on business acquisition (UBN 1%)	–	5,900	–	–
Movements in non-distributable reserves	–	–	(11,256)	–
Other movements	–	–	(8)	–
Closing balance as at 30 June 2018	11,300	993,192	14,024	–
Opening balance as at 1 January 2019	11,300	993,192	(38,314)	–
Profit for the period	–	–	–	–
Other comprehensive income:				
Exchange differences on translating foreign operations	–	–	–	–
Revaluation of property net of deferred tax	–	–	22,318	–
Movement FVOCI reserves	–	–	–	–
Equity-accounted investees	–	–	–	–
Total comprehensive income	–	–	22,318	–
Transactions with owners				
Employee share awards	–	–	1,829	–
Shares buy-back	–	–	–	–
Share of equity in subsidiary transferred to NCI	–	–	271	–
Change in functional currency of subsidiary	–	–	9,837	–
Other movements	–	–	1,831	–
Closing balance as at 30 June 2019	11,300	993,192	(2,228)	–

Notes:

- Capital reserves consists of the following:
 - The credit risk reserve represents an appropriation from retained earnings to comply with the Countries Central Bank Regulations. The balance in the reserve represents the excess of impairment provisions determined in accordance with Central Bank regulations over the impairment provisions recognised in accordance with IFRSs. The reserve is not distributable.
 - Equity-settled share-based payment reserve.
 - The revaluation reserve represents the revaluation surplus on the revaluation of property for the year.
 - The equity portion of the convertible bond represents the equity component of the compound instrument. This has been measured as the residual amount which is the issued price less the fair value of the liability component.
- Treasury shares: Treasury shares comprise the cost of the Company's own shares held by subsidiaries.

Fair value through OCI reserves \$'000	Foreign currency translation reserve \$'000	Treasury shares ² \$'000	(Accumulated loss)/ retained earnings \$'000	Equity attributable to ordinary shareholders \$'000	Non-controlling interests \$'000	Total equity \$'000
-	(228,522)	(24,539)	(5,977)	792,516	20,708	813,224
39	-	-	(28,907)	(58,353)	(2,296)	(60,649)
39	(228,522)	(24,539)	(34,884)	734,163	18,412	752,575
-	-	-	28,621	28,621	578	29,199
731	(8,387)	-	(4,366)	(12,453)	(432)	(12,885)
-	(8,387)	-	-	(8,387)	(432)	(8,819)
731	-	-	-	303	-	(303)
-	-	-	(4,510)	(4,510)	-	(4,510)
-	-	-	-	(3)	-	(3)
-	-	-	144	144	-	144
731	(8,387)	-	24,255	16,168	146	16,314
-	-	317	-	2,871	-	2,871
-	-	312	-	-	-	-
-	-	388	-	388	-	388
-	-	-	-	5,900	-	5,900
-	-	-	9,400	(1,856)	-	(1,856)
-	-	-	-	(8)	-	(8)
770	(236,909)	(23,522)	(1,299)	757,626	18,558	776,184
488	(299,252)	(23,551)	2,981	646,844	42,094	688,938
-	-	-	(126,434)	(126,434)	880	(125,554)
-	(53,751)	-	-	(53,751)	596	(53,155)
-	-	-	-	22,318	-	22,318
(592)	-	-	-	(592)	-	(592)
-	-	-	3,853	3,853	-	3,853
(592)	(53,751)	-	(122,581)	(154,606)	1,476	(153,130)
-	-	26	-	1,855	-	1,855
-	-	(522)	-	(522)	-	(522)
-	-	-	-	271	1,225	1,496
-	-	-	-	9,837	-	9,837
-	-	-	(4,537)	(2,706)	-	(2,706)
(104)	(353,003)	(24,047)	(124,137)	500,973	44,795	545,768

Condensed consolidated statement of cash flows
for the period ended 30 June 2019

	30 June 2019			30 June 2018		
	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000
Cash flows from operating activities						
Profit before tax	16,899	(8,513)	8,386	35,057	1,035	36,092
Adjusted for:						
Fair value adjustment	-	-	-	-	(170)	(170)
Foreign exchange gains	3,059	(6,777)	(3,718)	(3,286)	(2,761)	(6,047)
Loan impairment charges	694	1,981	2,675	(1,381)	5,634	4,253
Depreciation and amortisation	5,222	6,382	11,604	6,874	5,799	12,673
Net losses on derivative financial instruments	-	-	-	(489)	-	(489)
Net gains on financial instruments at FVTPL	(3,370)	-	(3,370)	(1,772)	-	(1,772)
Share of profit of associates	(18,653)	-	(18,653)	(36,606)	-	(36,606)
Revaluation of investment property	(3,602)	-	(3,602)	-	-	-
(Gain)/loss on disposal of property and equipment	(18)	476	458	-	(51)	(51)
Equity-settled share-based payment transactions	1,855	-	1,855	2,871	-	2,871
Tax paid	(2,143)	(748)	(2,891)	(7,389)	(2,473)	(9,862)
Net cash (outflow)/inflow from operating activities before changes in operating funds	(57)	(7,199)	(7,256)	(6,121)	7,013	892
Net (decrease)/increase in operating funds	(77,505)	(2,357)	(79,862)	39,051	(18,912)	20,139
(Increase)/decrease in operating assets	(220,190)	222,503	2,313	6,152	(6,325)	(173)
Increase/(decrease) in operating liabilities	142,685	(224,860)	(82,175)	32,899	(12,587)	20,312
Net cash (used in)/generated from operating activities	(77,562)	(9,556)	(87,118)	32,930	(11,899)	21,031
Cash flow from investing activities						
Purchase of property and equipment	(1,971)	(937)	(2,908)	(880)	(4,925)	(5,805)
Purchase of investment property	-	(231)	(231)	-	-	-
Purchase of intangible assets	(2,537)	(932)	(3,469)	(2,233)	(1,817)	(4,050)
Additions to associates	(4,373)	-	(4,373)	(54,911)	-	(54,911)
Acquisition of financial assets held at FVTPL	(107)	-	(107)	58,810	11,797	70,607
Net acquisition of investment securities	(12,721)	-	(12,721)	(122,260)	(31,479)	(153,739)
Proceeds on disposal of property and equipment	281	-	281	-	775	775
Proceeds from partial disposal of shareholding in subsidiary	1,496	-	1,496	-	-	-
Net cash used in investing activities	(19,932)	(2,100)	(22,032)	(121,474)	(25,649)	(147,123)
Cash flow from financing activities						
Increase in borrowed funds	121,553	(11,791)	109,762	18,748	(5,024)	13,724
Buy-back of treasury shares	-	(522)	(522)	-	-	-
Net cash generated from financial activities	121,553	(12,313)	109,240	18,748	(5,024)	13,724
Increase/(decrease) in cash and cash equivalents	24,059	(23,969)	90	(69,796)	(42,572)	(112,368)
Cash and cash equivalents at the beginning of the year	118,994	262,994	381,988	210,711	246,307	457,018
Effect of exchange rate fluctuations on cash and cash equivalents held	(18,453)	(9,533)	(27,986)	(4,117)	(926)	(5,043)
Cash and cash equivalents reclassified to held for sale	-	(229,492)	(229,492)	-	-	-
Cash and cash equivalents at the end of the year	124,600	-	124,600	136,798	202,809	339,607
Analysed as follows:						
Cash and cash equivalents	94,597	-	94,597	108,908	166,088	274,996
Statutory reserve balances	30,003	-	30,003	27,890	36,721	64,611
	124,600	-	124,600	136,798	202,809	339,607

Segmental report

for the period ended 30 June 2019

Segment information

Segment results that are reported to the Group's Executive Committee (EXCO – being the chief operating decision maker) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets (primarily the Group's headquarters), head office expenses and tax assets and liabilities.

For management purposes, the Group is organised into business units based on its products and services and had four reportable segments, as follows: Southern Africa, East Africa, West Africa and Corporate.

Following the announcement of the strategic transaction, the Group's activities were re-segmented based on countries of operations of our operating banks. Comparatives have been updated to reflect the re-segmentation.

Going forward, Atlas Mara identifies segments based on the countries of operations of operating banks. All entities and/or consolidation adjustments not part of operating banks, are included as 'Corporate'.

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties. The Group's transfer pricing policy is in line with OECD requirements and also in line with both Group and country-level tax and regulatory best practice.

Revenue from external parties reported to the EXCO is measured in a manner consistent with that in the consolidated statement of profit or loss.

As the banking operations comprise of stand-alone banks, each banking operation is funded with Tier I and II Capital from the holding and intermediate holding company.

Other material items of income or expense between the operating segments comprise of management fees and dividends.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, non-interest income and operating expenses.

The CFO's review of financial performance describes the impact of non-recurring items of income and expenses.

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

An analysis of the Group's performance by countries of operation has been presented on the following pages:

Segmental report
for the period ended 30 June 2019
continued

Statement of profit or loss – Half-year to 30 June 2019

	Continuing operations				
	Botswana \$'000	Zimbabwe \$'000	Nigeria \$'000	Corporate ¹ \$'000	Total \$'000
Interest and similar income	34,401	7,492	–	(3,516)	38,377
Interest and similar expense	(16,349)	(1,543)	–	(11,705)	(29,597)
Net interest income	18,052	5,949	–	(15,221)	8,780
Loan impairment charges	450	(268)	–	(876)	(694)
Income/(loss) from lending activities	18,502	5,681	–	(16,097)	8,086
Non-interest income	4,859	27,070	–	(2,226)	29,703
Total operating income	23,361	32,751	–	(18,323)	37,789
Operating expenses	(17,145)	(9,277)	–	(13,121)	(39,543)
Net income from operations	6,216	23,474	–	(31,444)	(1,754)
Share of profit of associates	–	–	18,653	–	18,653
Profit/(loss) before tax	6,216	23,474	18,653	(31,444)	16,899
Income tax expense	(1,401)	(4,677)	–	(1,322)	(7,401)
Profit/(loss) for the year	4,815	18,797	18,653	(32,766)	9,498
Non-controlling interest	(1,030)	–	–	445	(585)
Profit/(loss) attributable to ordinary shareholders	3,785	18,797	18,653	(32,321)	8,913

	Discontinued operations				
	Mozambique \$'000	Tanzania \$'000	Zambia \$'000	Rwanda \$'000	Total \$'000
Interest and similar income	8,976	6,634	27,964	18,445	62,019
Interest and similar expense	(4,655)	(3,374)	(13,565)	(4,734)	(26,328)
Net interest income	4,321	3,260	14,399	13,711	35,691
Loan impairment charges	2,641	(155)	(2,541)	(1,926)	(1,981)
Income/(loss) from lending activities	6,962	3,105	11,858	11,785	33,710
Non-interest income	3,043	1,131	13,429	3,696	21,299
Total operating income	10,005	4,236	25,287	15,481	55,009
Operating expenses	(12,738)	(8,263)	(27,949)	(14,572)	(63,522)
(Loss)/profit before tax	(2,733)	(4,027)	(2,662)	909	(8,513)
Income tax expense	(76)	(39)	(250)	(607)	(972)
(Loss)/profit after tax	(2,809)	(4,066)	(2,912)	302	(9,485)
Loss on remeasurement to fair value less costs to sell	(20,666)	(20,118)	(48,509)	(36,274)	(125,567)
Loss for the period	(23,475)	(24,184)	(51,421)	(35,972)	(135,054)
Non-controlling interest	–	52	–	(347)	295
(Loss)/profit attributable to ordinary shareholders	(23,475)	(24,132)	(51,421)	(36,319)	(135,347)

Notes:

1. Corporate segment includes Dubai, Germany, BVI, Mauritius and all other regions.

Statement of profit or loss – Half-year to 30 June 2018

	Continuing operations				
	Botswana \$'000	Zimbabwe \$'000	Nigeria \$'000	Corporate ¹ \$'000	Total \$'000
Interest and similar income	37,640	17,054	–	(116)	54,578
Interest and similar expense	(15,443)	(3,620)	–	(13,267)	(32,330)
Net interest income	22,197	13,434	–	(13,383)	22,248
Loan impairment charges	–	(585)	–	1,966	1,381
Income/(loss) from lending activities	22,197	12,849	–	(11,417)	23,629
Non-interest income	7,364	10,252	–	4,217	21,833
Total operating income	29,561	23,101	–	(7,200)	45,462
Operating expenses	(18,476)	(16,895)	–	(11,640)	(47,011)
Net income from operations	11,085	6,206	–	(18,840)	(1,549)
Share of profit of associates	–	–	17,376	19,230	36,606
Profit/(loss) before tax	11,085	6,206	17,376	390	35,057
Income tax expense	(2,547)	(1,337)	–	(1,522)	(5,406)
Profit/(loss) for the year	8,538	4,869	17,376	(1,132)	29,651
Non-controlling interest	–	–	–	108	108
Profit/(loss) attributable to ordinary shareholders	8,538	4,869	17,376	(1,024)	29,759

	Discontinued operations				
	Mozambique \$'000	Tanzania \$'000	Zambia \$'000	Rwanda \$'000	Total \$'000
Interest and similar income	13,460	12,060	28,199	19,478	73,197
Interest and similar expense	(5,423)	(5,364)	(10,842)	(5,525)	(27,154)
Net interest income	8,037	6,696	17,357	13,953	46,043
Loan impairment charges	2,104	(4,754)	(2,436)	(548)	(5,634)
Income/(loss) from lending activities	10,141	1,942	14,921	13,405	40,409
Non-interest income	2,321	1,111	14,684	3,981	22,096
Total operating income	12,462	3,053	29,605	17,386	62,505
Operating expenses	(10,531)	(6,745)	(29,770)	(14,424)	(61,470)
Profit/(loss) before tax	1,931	(3,692)	(166)	2,962	1,035
Income tax expense	(618)	(21)	41	(889)	(1,487)
Profit/(loss) for the year	1,313	(3,713)	(125)	2,073	(452)
Non-controlling interest	–	101	–	(787)	(686)
Profit/(loss) attributable to ordinary shareholders	1,313	(3,612)	(125)	1,286	(1,138)

Notes:

1. Corporate segment includes Dubai, Germany, BVI, Mauritius and all other regions.

Segmental report
for the period ended 30 June 2019
continued

Segment assets and liabilities comprise the majority of items appearing in the consolidated statement of financial position.

Statement of financial position – 30 June 2019

	Continuing operations				Discontinued operations				Total \$'000
	Botswana \$'000	Mozambique \$'000	Tanzania \$'000	Zambia \$'000	Zimbabwe \$'000	Rwanda \$'000	Nigeria \$'000	Corporate ¹ \$'000	
Loans and advances	558,557	31,578	–	14,439	–	–	–	–	604,574
Assets included in disposal group classified as held for sale	–	–	–	–	167,469	78,097	369,804	299,855	915,225
Total assets	800,078	165,441	557,465	58,434	167,469	78,097	369,804	299,855	2,496,643
Deposits	603,718	80,275	–	–	–	–	–	–	683,993
Liabilities included in disposal group classified as held for sale	–	–	–	–	142,102	70,193	322,254	275,266	809,815
Total liabilities	684,511	120,964	–	335,585	142,102	70,193	322,254	275,266	1,950,875

Statement of financial position – 31 December 2018

	Botswana \$'000	Mozambique \$'000	Tanzania \$'000	Zambia \$'000	Zimbabwe \$'000	Rwanda \$'000	Nigeria \$'000	Corporate ¹ \$'000	Total \$'000
Loans and advances	541,420	65,890	57,166	193,045	86,576	193,099	–	16,917	1,154,113
Total assets	850,989	210,775	118,175	515,450	220,638	310,978	530,585	47,136	2,804,726
Deposits	671,871	147,323	65,984	348,174	152,406	246,039	–	–	1,631,797
Total liabilities	760,323	173,762	95,632	446,619	181,259	265,398	–	192,795	2,115,788

Significant accounting policies for the period ended 30 June 2019

This section describes the Group's significant accounting policies and critical accounting estimates and judgements that relate to the financial statements and notes as a whole. If an accounting policy or a critical accounting estimate relates to a specific note, the applicable accounting policy and/or critical accounting estimate is contained within the relevant note.

i. Reporting entity

These financial statements have been prepared for Atlas Mara Limited (the 'Company'), a company domiciled in the BVI, and its subsidiaries (the 'Group').

The Group is a financial services provider, focused on becoming the premier financial services institution in sub-Saharan Africa and aims to support economic growth and strengthen financial systems in the countries in which it operates.

During the course of 2014–2016, Atlas Mara acquired control of ABC Holdings Limited, which operates banking subsidiaries in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe and conducts business under the BancABC brand in each country, African Development Corporation AG ('ADC'), BRD Commercial Bank Limited ('BRD Commercial'), a non-controlling holding, both direct and indirect, in Union Bank of Nigeria plc ('UBN'), BPR and FBZ.

During the period ended 30 June 2019, the Group increased its non-controlling holding in UBN to 49.75%.

ii. Basis of preparation

These condensed consolidated interim financial statements of the Group (the 'financial statements') for the six months ended 30 June 2019 have been prepared in accordance with the DTR of the UK FCA and with International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting' and IFRS Interpretations Committee (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU).

The financial statements of all material subsidiaries and associates are prepared in accordance with IFRS as issued by the IASB and there are no material inconsistencies in the accounting policies applied.

IFRS as endorsed by the EU may differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs have not been endorsed by the EU.

As at 30 June 2019, there were no unendorsed standards effective for the period ended 30 June 2019 that affect these consolidated financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Group.

The financial statements have been prepared on a historical cost basis except for financial assets held at fair value through profit or loss, derivative financial instruments, investment securities (FVOCI instruments), property, investment property and a portion of borrowed funds which are measured at fair value.

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRSs as published by the IASB and as adopted by the EU.

Going concern

The Directors consider it appropriate to adopt the Going Concern basis for preparing the financial statements, as the Directors have a reasonable expectation that the Group will continue to have the necessary resources to continue in business for the foreseeable future.

When considering the Going Concern basis of the Group, the Directors have referenced the Financial Reporting Council's Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks, as was published in April 2016. The assessment of the appropriateness of the Going Concern basis of accounting for the Group's Report and Accounts has been subject to a thorough process involving analysis and discussion by Management, the Executive Committee, the Audit Committee and the Board.

The Directors' assessment of Going Concern was based on the Group's forecasts, covering the period 2019–2020, which have been considered by the Group's Board of Directors and included a particular focus on the 12-month period following the date of publication of the financial statements. The Group's forecasts are based on bottom-up financial forecasts for the existing Group, which have been approved by the boards of subsidiaries and associates and include a detailed review of known and potential risks and factors mitigating such risk events.

The Directors considered the capital forecast, liquidity and funding position of individual banking entities within the Group, compared with minimum requirements set by banking regulators in each country as well as reasonable commercial headroom or so-called buffers in line with the Group's risk appetite. In addition, the Directors considered forecasts for the Parent company itself.

Significant accounting policies

for the period ended 30 June 2019

continued

Accounting policies

The accounting policies and methods of computation adopted in these condensed consolidated interim financial statements are consistent with those used in the 2018 annual financial statements, except for the adoption of new and amended standards as set out below:

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 Leases.

IFRS 16 – Leases

IFRS 16, Leases, which replaced IAS 17, Leases, was applied effective from 1 January 2019. IFRS 16 applies to all leases with the exception of licences of intellectual property, rights held by licensing agreement within the scope of IAS 38, Intangible Assets, service concession arrangements, leases of biological assets within the scope of IAS 41, Agriculture, and leases of minerals, oil, natural gas and similar non-regenerative resources. IFRS 16 includes an accounting policy choice for a lessee to elect not to apply IFRS 16 to remaining assets within the scope of IAS 38, Intangible Assets, which the Group has decided to apply. IFRS 16 does not result in a significant change to lessor accounting; however, for lessee accounting there is no longer a distinction between operating and finance leases. Lessees will be required to recognise both:

- A lease liability, measured at the present value of remaining cash flows on the lease, and
- A right-of-use (ROU) asset, measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

Rights-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. When a right-of-use asset meets the definition of investment property, it is presented in investment property. No depreciation is recognised for right-of-use assets that meet the definition of investment property.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments.

The impact of the adoption of 16 is disclosed in note iv below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

iii. Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the relevant disclosure notes for the following areas:

- fair value of financial instruments (notes 2, 6, 11 and 20);
- loan impairment charges (note 8); and
- recognition of deferred tax assets (note 17)

iv. Adoption of IFRS 16

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated.

The Group has applied the following transition options available under the modified retrospective approach:

- To calculate the right-of-use asset equal to the lease liability.
- To apply the recognition exception for leases with a term not exceeding 12 months.
- To use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019.

	2019 US\$'000
Operating lease commitments as at 31 December 2018	–
Discounted using the incremental borrowing rate at 1 January 2019	13,226
Add: finance lease liabilities recognised as at 31 December 2018	217
Lease liability recognised as at 1 January 2019	13,443

Analysed into:

Current lease liabilities	2,274
Non-current lease liabilities	11,169
	13,443

	30 June 2019 US\$'000	1 January 2019 US\$'000
Land and buildings	5,879	12,686
Motor vehicles	–	488
Computer and office equipment	5	269
Total right-of-use assets	5,884	13,443

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by \$13.4 million
- lease liabilities – increase by \$13.4 million

The net impact on retained earnings on 1 January 2019 was \$147,000.

Notes to the financial statements

for the period ended 30 June 2019

The notes to the financial statements have been presented in a manner that links the financial reporting to the way the business is managed and in line with the business model.

1. Capital and reserves

1.1. Authorised and issued share capital

	30 June 2019		31 December 2018	
	No. of shares \$'000	\$'000	No. of shares \$'000	\$'000
Opening balance¹	174,619	993,192	168,961	987,292
Ordinary shares issues	–	–	2,360	5,900
Shares held in escrow ²	–	–	3,298	–
Total shares in issue	174,619	993,192	174,619	993,192
Shares in issue excluding escrow shares	171,320	–	171,320	–
Founder Preference Shares ³	1,130	11,300	1,130	11,300
	172,450	1,004,492	172,450	1,004,492

Note:

1. Comprises ordinary shares.
2. Shares held in escrow are part of the contingent consideration for the acquisition of Finance Bank Zambia and has no voting rights associated to it.
3. As allowed, under Article 5.2 of the Company's Articles, a holder of Founder Preferred Shares (FPS) has the right to request for conversion of FPS into Ordinary Shares at any time, by providing notice in writing to the Company requiring such conversion of FPS into an equal number of ordinary shares.

1.2. Issued and fully paid

	30 June 2019 \$'000	31 December 2018 \$'000
Ordinary share capital	993,192	993,192

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

Terms of the Founder Preferred Shares

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

Once the average price per ordinary share is at least \$11.50 for 10 consecutive trading days, the holders of Founder Preferred Shares will be entitled to receive an 'annual dividend amount', payable in ordinary shares, equal in value to 20% of the increase each year, if any, in the market price of the ordinary shares multiplied by the then outstanding number of ordinary shares. On the last day of the seventh full financial year following completion of the BancABC acquisition, the Founder Preferred Shares will automatically convert to ordinary shares on a one-for-one basis.

The shares have a monetary value and the fair value is based on future performance of the share price. Given the limited market data available that would be required to measure the shares, it is impractical to assign a value to the shares. IFRS 2 allows for valuing the shares at the intrinsic value in circumstances where a fair value cannot be reliably determined. Given that no dividend has been paid as yet and the trigger has not been met, the intrinsic value of the optionality is deemed to be \$nil.

2. Borrowed funds

	30 June 2019 \$'000	31 December 2018 \$'000
Convertible bond (a)	59,320	56,255
Other borrowed funds (b)	354,180	353,902
Total	413,500	410,157

The following table illustrates the carrying value compared to the fair value of the borrowed funds:

	Carrying value		Fair value	
	30 June 2019 \$'000	31 December 2018 \$'000	30 June 2019 \$'000	31 December 2018 \$'000
Overseas Private Investment Corporation ('OPIC')	49,565	105,497	49,565	105,497
Afrexim bank	54,049	54,000	56,644	59,629
Convertible bond (liability)	59,320	56,255	72,647	56,255
Fairfax	37,795	52,885	34,976	52,885
Standard Chartered	28,715	23,249	28,715	23,349
Africa Agriculture and Trade Investment Fund S.A.	20,216	20,000	20,110	20,954
Nineteen77 Capital Solutions A LP	12,644	12,594	18,776	12,594
Export Development Canada	18,964	12,577	19,022	12,577
BIFM Capital Investment Fund One Proprietary Limited	12,092	11,995	12,542	12,134
TLG Credit Opportunities Fund	10,103	–	10,193	–
NORSAD	10,003	10,000	10,041	10,061
European Investment Bank ('EIB')	8,392	8,326	8,392	8,326
Sanlam	4,887	4,937	4,712	4,937
Shelter Afrique	1,969	1,121	1,895	1,002
Other	84,786	36,621	84,740	36,543
Total	413,500	410,057	432,970	416,743

a. Convertible bond

	30 June 2019 \$'000	31 December 2018 \$'000
Opening balance as at 1 January	56,255	51,325
Interest accrued	3,065	4,930
Closing balance	59,320	56,255

Convertible bond

On 1 October 2015 Atlas Mara placed \$63.4 million five-year senior secured convertible bonds with a maturity date in 2020.

The bonds carry a coupon of 8.0% and were issued at an issue price of 82.7% of their principal amount, have a maturity date of 31 December 2020 and are convertible into the ordinary shares of Atlas Mara at a price of \$11.00 per share at the option of the bondholder. Atlas Mara is using the net proceeds of the issue of the bonds to fund near-term acquisition opportunities and for general corporate purposes. This instrument is a compound instrument.

The conversion period commences 60 days following the closing date and ends at the close of business on the 10th dealing day prior to the maturity date.

The fair value of the liability at inception was determined using a market-based rate of 17.7% calculated using the US five-year treasury rate adjusted for the average yield on similar instruments with similar risk exposure to discount the contractual cash flows.

The equity component was determined as the residual value after deducting the fair value of the liability component from the receipts of the issue of the bond. The equity portion of \$14 million is included in capital reserves.

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2. Borrowed funds continued

On 22 April 2017, following discussions with both existing and prospective investors, including reverse inquiries, and given remaining capacity under the bonds' structure, Atlas Mara placed a further \$17.4 million of its 8.00% senior secured convertible notes due 2020.

The additional issuance was undertaken on identical terms to the October 2015 tranche, except that these bonds were issued at a price of \$84, as opposed to \$82.7 in October, to account for the intervening passage of time.

The instrument will continue to be treated as a compound financial instrument. The discount rate used to determine the fair value of the liability for the original convertible bond has been assessed as meeting the valuation requirements of IFRS 13 Fair Value. For this issue, a discount rate of 17.7% was used to determine the fair value of the liability at \$11.2 million, resulting in the equity component being valued as \$3.4 million included in capital reserves.

b. Other borrowed funds

	30 June 2019 \$'000	31 December 2018 \$'000
Borrowed funds – At fair value through profit/loss	28,715	23,349
Borrowed funds – Amortised cost	325,465	330,553
	354,180	353,902

Borrowed funds

The following represents a summary of significant Group borrowed funds, i.e. funding obtained to support business growth other than through banking products and customer accounts, rather third-party lenders supporting the liability side of the statement of financial position.

BIFM Capital Investment Fund One Proprietary Limited

The loan from BIFM Capital Investment Fund One Proprietary Limited (\$25.2 million) is denominated in Botswana Pula and was granted on 20 December 2006. It attracts interest at 11.63% per annum, payable semi-annually.

The redemption dates for the principal amount are as follows:

- 30 September 2017 – Promissory Note A \$6.3 million;
- 30 September 2018 – Promissory Note B \$6.3 million;
- 30 September 2019 – Promissory Note C \$6.3 million; and
- 30 September 2020 – Promissory Note D \$6.3 million.

Payments of BWP 62.5 million each were made to BIFM in September 2017 and September 2018 to redeem Promissory Notes A and B respectively as per the redemption schedule. Promissory Notes C and D are scheduled for redemption in September 2019 and 2020 respectively.

Afrexim Bank Limited

The loan from Afrexim Bank Limited is a \$60 million advanced to ABCH on 26 July 2013. In November 2018, ABCH and Afrexim Bank Limited entered into a new loan agreement. These principal terms include a reduction in the principal balance via a repayment of \$6 million with the balance of \$54 million repaid over four years with a grace period of one year. The new loan agreement attracts interest of three-month LIBOR +7.3%, payable quarterly. In February 2018, the agreed sum of \$6 million was repaid in accordance with the agreed key terms.

Norsad Finance Limited

This \$10 million loan advanced to ABCH is a subordinated loan and attracts interest at six months LIBOR + 7.5%. Interest is payable quarterly on 31 March, 30 June, 30 September and 31 December. The loan matures on 9 October 2020 when the full principal amount is due for repayment in one instalment.

Africa Agriculture and Trade Investment Fund S.A.

The loan of \$25 million from AATIF is denominated in US Dollars and attracts interest at three-month LIBOR +6.25%. Interest is payable quarterly on 31 March, 30 June, 30 September and 31 December. An initial repayment of \$5 million was made in December 2017 in accordance with the loan agreement with an outstanding principal of \$20 million on the loan facility which is scheduled to be paid in one instalment on 23 December 2018.

A new loan agreement was entered with AATIF in December 2018 with the repayment of the outstanding principal of \$20 million commencing on 30 June 2020 until the maturity date of 30 June 2022 with five equal semi-annual repayments of \$4 million each at an interest rate of LIBOR plus 6.5%.

Standard Chartered

The loan from Standard Chartered is US dollar denominated and secured by the UBN shares held by ADC Ventures and pledged as collateral for such loan. The loan was obtained to finance the loan from ADC to UGPL, on 19 July 2012, upon the acquisition of the referenced shares. The loan is a non-recourse loan and can be settled in full by the delivery of the UBN shares. The loan is repayable in December 2019 and could be further extended by another two-year period, to be mutually agreed upon. The loan is measured at fair value based on the determined fair value of the UBN shares at 6.85 NGN per share as at 30 June 2019.

Overseas Private Investment Corporation

The \$65 million loan was advanced to BancABC Zambia to finance the acquisition of Finance Bank Zambia. The loan attracts interest at a rate of three-month LIBOR + 4.45%. There is a three-year grace period on the repayment of principal with the loan repaid on a quarterly basis over 16 quarters starting in the first quarter of 2019.

In March 2017, Banc ABC Botswana finalized a \$40 million Fintech and Financial Inclusion Debt Facility provided by the Overseas Private Investment Corporation. The funding is part of the \$200 million multi-country facility the OPIC approved for Atlas Mara's banks in Botswana, Zambia and Mozambique in August 2015. The debt facility will be used to provide access to finance for SME's and support the company's efforts to accelerate its digital finance initiatives, which are key area of the Company's strategy. The loan has a seven-year tenor with a three-year moratorium on capital. Interest is paid quarterly during the three years and capital is paid in 16 equal instalments after year three. The rate is three-month LIBOR plus a margin of 4.5%.

Fairfax

On 6 August 2018, the Group reached an agreement in principle for a \$40 million debt facility. This debt facility replaced the convertible bond (the 'April Convertible') issued to Fairfax Africa Holdings Corporation ('Fairfax Africa'), the Company's largest shareholder, as previously announced on 24 April 2018. The first tranche of the facility was drawn down on 6 November 2018, with a three-year term maturing in July 2021 and an interest rate of 7.5%, accruable half-yearly – 30 June and 31 December. The facility is secured by a portion of the Company's indirect shareholding in Union Bank of Nigeria and it includes the issuance of 12,400,000 detachable warrants that on exercise each allow the holder to subscribe for one ordinary share of the Company at an initial strike price of \$3.20.

Nineteen77 Capital Solutions A LP

This represents \$20 million secured bonds issued by the Company during the year and due in 2021 to the bondholder – Nineteen77 Capital Solutions A LP. The bond attracts an interest rate of 9% per annum, with the interest accruable half-yearly on 30 June and 31 December. The bonds are secured by a portion of the Company's indirect shareholding in Union Bank of Nigeria and it includes the issuance of 6,200,000 warrants that on exercise each allows the holder to subscribe for one ordinary share of the Company.

Export Development Canada ('EDC')

On 11 December 2018, the Group secured a three-year \$20 million debt facility from Export Development Canada ('EDC') for general corporate purposes. The first tranche of the facility \$13.6 million, was drawn on 18 December 2018 and the second draw-down of \$6.4 million in April 2019. The facility attracts an interest rate of 9.0%, accruable half yearly. The facility is secured by a portion of the Company's indirect shareholding in Union Bank of Nigeria.

Sanlam

The loan from Sanlam Africa Credit Investments Limited is a three-year \$5 million loan payable quarterly and attracts interest of LIBOR + 7%. The facility is secured by the Company's direct shareholding in Union Bank of Nigeria.

European Investment Bank ('EIB')

The loan of EUR25 million was obtained by BancABC Botswana and is available in three currencies i.e. Euro, US Dollar and Botswana Pula. Tranches were drawn-down by the bank as follows: first tranche as at November 2015 of BWP 77 million bearing interest at a fixed rate of 6.32%, the second tranche as at June 2016 of BWP 12.4 million bearing interest at a fixed rate of 6.14%. Interest is paid bi-annually. The undrawn balance has been cancelled and is no longer available for drawdown.

Shelter Afrique

The Shelter Afrique line of credit has a carrying amount of ZIM\$ 13.04 million maturing in September 2021. Interest is charged at the base rate plus 3% per annum (the Shelter Afrique base rate is currently 6% per annum and is reviewed quarterly to reflect movements in the market). The facility included a two-year grace period up to December 2013 for repayments. The repayments of the principal amount by way of quarterly instalments commenced on this date while interest is payable quarterly including that accrued during the grace period. The line of credit was advanced for the purposes of on-lending to developers of residential houses and mortgage underwriting by the Bank.

TLG Credit Opportunities Fund

On January 2019, Group obtained a \$10 million facility from TLG Credit Opportunities Fund with a two-year term, maturing in January 2021. The loan attracts interest at 9.8% per annum, payable half yearly.

Maturity analysis

The table presents the maturity analysis based on contractual cash flows.

	30 June 2019 \$'000	31 December 2018 \$'000
On demand to one month	378	785
One to three months	10,075	5,566
Three months to one year	41,871	43,428
Over one year	361,176	360,378
Total	413,500	410,157

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3. Deposits

	30 June 2019 \$'000	31 December 2018 \$'000
Deposits from banks	39,367	101,690
Deposits from other customers	644,626	1,530,107
	683,993	1,631,797
Payable on demand		
Corporate customers	76,582	316,899
Public sector	21,696	92,318
Retail customers	64,262	295,416
Other financial institutions	8,145	15,881
Banks	31,935	11,266
	202,620	731,780
Term and savings deposits		
Corporate customers	99,448	209,889
Public sector	155,978	297,766
Retail customers	26,278	92,217
Other financial institutions	192,236	216,199
Banks	7,433	83,946
	481,373	900,017
Total	683,993	1,631,797
Current	666,405	1,636,323
Non-current	17,588	78,594

4. Interest and similar expense

	Half-year to 30 June 2019			Half-year to 30 June 2018		
	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000
Deposits	(14,155)	(20,782)	(34,937)	(15,138)	(21,545)	(36,683)
Borrowed funds	(15,121)	(4,995)	(20,116)	(17,192)	(5,609)	(22,801)
Lease liability	(321)	(551)	(872)	-	-	-
Interest and similar expense	(29,597)	(26,328)	(55,925)	(32,330)	(27,154)	(59,484)

5. Investment in associate

Critical accounting estimates and judgements

Fair value of assets and liabilities of associate

During the period ended 30 June 2019, the Group acquired additional shareholding of c.0.76% share in UBN, increasing the Group's shareholding from 48.99% as at 31 December 2018 to 49.75% as at 30 June 2019.

The Group applies judgement in determining the value of the assets and liabilities of the associate. There have been no significant changes to the assumptions applied by management in the measurement of the associate from those included in the 31 December 2018 audited financial statements published on the Company's website.

Intangible assets

Included in the fair value of UBN are intangible assets of \$6.5 million.

Share of profit and OCI

The value of equity accounted earnings in the statement of comprehensive income for Atlas Mara represents the reported profit and other comprehensive income for UBN, based on the unaudited financial statements of UBN for the period ended 30 June 2019.

	30 June 2019 \$'000	31 December 2018 \$'000
Opening balance	532,233	444,569
Share of profits	18,653	56,332
Share of OCI	3,853	38,618
Exchange rate adjustment	-	(26)
Tax associated	-	(2)
Additions during year	4,373	60,954
Impact of changes on initial application of IFRS 9	-	(68,212)
Investment in associates	559,112	532,233

Investment in Union Bank of Nigeria ('UBN')

The Group effectively holds total direct and indirect share of UBN's voting rights of 49.75% as at 30 June 2019. This is as a result of the acquisitions completed during 2014 and 2015, which included an indirect share of 9.05% and a direct investment of 21.16%. The Group acquired a further 13.4% and c.4.5% of the voting rights in UBN in 2017 and 2018 respectively, bringing the Group's total share to 44.55% and 48.99% as at 31 December 2017 and 31 December 2018 respectively. A further acquisition of c. 0.76% during the period brought the Group's total share to 49.75% as at 30 June 2019.

UBN is a company incorporated in 1917 and listed on the Nigerian Stock Exchange. UBN is a respected and recognised financial institution situated in Nigeria. UBN is a commercial and retail banking franchise with a stable customer deposit base.

The Group acquired its stake in UBN as it is consistent with Atlas Mara's entry strategy into Nigeria and the broader ECOWAS region and UBN provides Atlas Mara with a meaningful position in a major Nigerian banking platform.

The investment in UBN is equity accounted using the unaudited financial statements of UBN for the period ended 30 June 2019. The local currency of UBN is Nigerian Naira.

Notes to the financial statements

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5. Investment in associate continued

The following table illustrates the unaudited published summarised financial information of UBN for the six (6) months ended 30 June 2019.

	30 June 2019 \$'000	30 June 2018 \$'000	31 December 2018 \$'000
Cash and cash equivalents	1,032,640	795,767	762,042
Loans and advances	1,716,824	1,539,113	1,544,737
Investment securities	885,277	587,841	650,300
Other assets	1,957,490	1,893,623	1,818,967
Total assets	5,592,231	4,816,344	4,776,046
Deposits from customers	2,902,973	3,005,965	2,798,020
Borrowed funds	579,648	229,867	354,816
Other liabilities	1,329,683	629,943	887,054
Total liabilities	4,812,304	3,865,775	4,039,889
Group's share of equity (49.75%) (2018: 48.99%)	377,533	455,221	350,612
Intangible assets	6,522	7,733	7,139
Share of total identifiable net assets	384,056	462,954	357,751
Carrying value of the investment in associate including intangible assets	557,465	537,459	530,586
Net interest income	84,835	112,510	181,132
Non-interest income	60,928	69,221	115,031
Loan impairment charges	14,638	(15,151)	9,791
Total expenses	(122,332)	(128,437)	(245,567)
Profit after tax	38,685	37,534	59,209

The risks directly associated with the investment are foreign exchange risk, equity pricing risk and the country risk. UBN is a banking entity in Nigeria and, accordingly, Atlas Mara is exposed to the key underlying risks of UBN, namely credit risk, liquidity risk, market risk and operational risk.

6. Financial instruments

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value:

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 measured at amortised cost:

	30 June 2019		31 December 2018	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets measured at amortised cost				
Loan and receivables				
Cash and short-term funds	124,600	124,600	381,988	381,988
Loan and advances	604,574	604,574	1,154,113	1,154,113
Investments securities held at amortised cost	120,427	120,427	268,914	268,914

	30 June 2019		31 December 2018	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial liabilities measured at amortised cost				
Deposits	683,993	683,993	1,631,797	1,631,797
Creditors and accruals	6,849	6,849	23,116	23,116
Borrowed funds	413,500	432,970	410,157	416,743

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

i. Cash and short-term funds

Placements with other banks include inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity. All placements are floating rate placements.

ii. Loans and advances

The fair value of loans and advances is deemed to be closely approximate to the carrying value. This is due to most of the instruments included in this classification being variable rate instruments. The impact of fixed rate exposures has been assessed and is deemed to be immaterial. The value of variable rate instruments is determined with reference to the estimated future cash flows discounted back at the market rate prevailing for such instruments.

iii. Investment securities held at amortised cost

Fair value measurement for investment securities held at amortised cost is based on market prices or broker/dealer price quotations.

Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

iv. Deposits; borrowed funds and creditors and accruals

The estimated fair value of deposits, borrowed funds and creditors and accruals with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The majority of deposits and other borrowings are at floating rates, or when at fixed rates, fixed for less than three months.

Notes to the financial statements

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7. Loans and advances

Critical accounting estimates and judgements

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

	30 June 2019 \$'000	31 December 2018 \$'000
Gross loans and advances:		
Corporate	100,954	429,553
Corporate overdrafts	12,571	74,140
Retail overdrafts	2,837	9,766
Retails secured	72,283	149,799
Retail unsecured	458,295	604,301
Total gross loans and advances	646,940	1,267,559
Less expected credit loss (7.2):		
12 months ECL (Stage 1)	(8,939)	(33,253)
Lifetime not credit impaired (Stage 2)	(2,422)	(5,888)
Lifetime credit-impaired (Stage 3)	(31,005)	(74,305)
Total expected credit loss	(42,366)	(113,446)
Net loans and advances	604,574	1,154,113

7.1. Analysis of gross loans and advances and ECL by product

	30 June 2019			31 December 2018		
	Gross \$'000	ECL \$'000	Net \$'000	Gross \$'000	ECL \$'000	Net \$'000
Corporate						
1	61,950	(866)	61,084	319,972	(6,146)	313,826
2	7,227	(144)	7,083	12,409	(735)	11,674
3	31,778	(12,845)	18,933	88,962	(37,144)	51,818
	100,955	(13,855)	87,100	421,343	(44,025)	377,318
Corporate overdrafts						
1	9,254	(411)	8,843	61,460	(4,410)	57,050
2	960	(75)	885	1,728	(81)	1,647
3	2,358	(234)	2,124	19,163	(9,459)	9,704
	12,572	(720)	11,852	82,351	(13,950)	68,401
Retail overdrafts						
1	1,234	(2)	1,232	5,261	(331)	4,930
2	143	(1)	142	559	(21)	538
3	1,460	(1,065)	395	7,504	(2,792)	4,712
	2,837	(1,068)	1,769	13,324	(3,144)	10,180
Retail secured						
1	60,117	(408)	59,709	126,834	(1,230)	125,604
2	3,551	(1,825)	1,726	9,059	(129)	8,930
3	8,615	(2,082)	6,533	24,834	(4,597)	20,237
	72,283	(4,315)	67,968	160,727	(5,956)	154,771
Retail unsecured						
1	432,118	(7,252)	424,866	539,322	(21,137)	518,185
2	5,846	(378)	5,468	10,738	(4,922)	5,816
3	20,329	(14,778)	5,551	39,754	(20,312)	19,442
	458,293	(22,408)	435,885	589,814	(46,371)	543,443
Total	646,940	(42,366)	604,574	1,267,559	(113,446)	1,154,113

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7. Loans and advances continued

7.2. Reconciliation of ECL of loans and advances

Segment and stage	30 June 2019			
	Subject to 12 month ECL (Stage 1) \$'000	Subject to lifetime ECL (Stage 2) \$'000	Credit impaired (excluding purchased/originated) (Stage 3) \$'000	Total \$'000
At 1 January 2019	33,253	5,888	74,305	113,446
Transfer to/(from) stage 1	(50)	29	21	–
Transfer to/(from) stage 2	(270)	236	34	–
Transfer to/(from) stage 3	(13)	(16)	29	–
ECL on new exposures	1,466	315	7,616	9,397
Impaired accounts written-off	(1,445)	(14)	(3,874)	(5,333)
Exchange rate adjustment	(1,582)	(281)	(3,734)	(5,597)
ECL relating to loans included in disposal group classified as held for sale	(16,700)	(2,448)	(44,457)	(63,605)
Other movements	(5,720)	(1,287)	1,065	(5,942)
As at 30 June 2019	8,939	2,422	31,005	42,366

Segment and stage	31 December 2018			
	Subject to 12 month ECL (Stage 1) \$'000	Subject to lifetime ECL (Stage 2) \$'000	Credit impaired (excluding purchased/originated) (Stage 3) \$'000	Total \$'000
At 1 January 2018	78,420	19,137	50,939	148,496
Changes due to financial instruments recognised as at 1 January 2018:				
Transfer to Stage 2	(2,358)	3,249	(891)	–
Transfer to Stage 3	(3,364)	(2,985)	6,349	–
Transfer to Stage 1	5,493	(3,941)	(1,552)	–
New financial assets originated or purchased	14,476	–	–	14,476
Other	(59,414)	(9,572)	19,460	(49,526)
As at 31 December 2018	33,253	5,888	74,305	113,446

7.3. Credit quality

Stage 3 loans and advances:

	30 June 2019			31 December 2018		
	Carrying amount \$'000	Fair value of collateral \$'000	Under collateralisation \$'000	Carrying amount \$'000	Fair value of collateral \$'000	Under collateralisation \$'000
Corporate	18,932	16,319	(2,613)	51,817	29,208	(22,609)
Corporate overdrafts	2,123	1,285	(838)	9,704	14,874	5,170
Retail overdrafts	395	20	(375)	4,712	4,976	264
Retail – Secured	6,533	12,154	5,621	20,237	37,571	17,334
Retail – Unsecured	5,551	1,824	(3,727)	19,442	5,495	(13,947)
	33,534	31,602	(1,932)	105,912	92,124	(13,788)

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

7.4. Repossessed collateral

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

	30 June 2019 \$'000	31 December 2018 \$'000
Property and equipment	3,035	5,621
Motor vehicles	63	313
Other assets	-	230
	3,098	6,164

8. Loan impairment charges

	Half-year to 30 June 2019			Half-year to 30 June 2018		
	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000
Stage 1 – 12-month ECL	248	(3,986)	(3,738)	746	(6,029)	(22,609)
Stage 2 – Lifetime ECL not credit -impaired	(20)	-	(20)	(894)	-	(894)
Stage 3 – Lifetime ECL credit-impaired	(1,798)	294	(1,504)	3,204	(1,678)	1,526
Purchased credit impaired	-	-	-	(1,675)	-	(1,675)
Recoveries of bad debts previously written off	899	1,711	2,610	-	2,073	2,073
Other	(23)	-	(23)	-	-	-
Total impairment charge	(694)	(1,981)	(2,675)	1,381	(5,634)	(4,253)

9. Collateral

Liabilities for which collateral is pledged:

	30 June 2019 \$'000	31 December 2018 \$'000
Deposits from banks	9,890	34,839
Deposits from customers	1,591	50,891
Borrowed funds	62,558	81,360
	74,039	167,090

Assets pledged to secure these liabilities are carried at amortised cost and are included under the following:

	30 June 2019 \$'000	31 December 2018 \$'000
Advances (collateral)	47,710	82,738
Investment securities	34,470	79,034
Property and equipment	3,150	15,751
	84,790	177,523

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

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10. Interest and similar income

	Half-year to 30 June 2019			Half-year to 30 June 2018		
	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000
Interest income calculated using effective interest method:						
Cash and short-term funds	3,100	3,640	6,740	2,003	6,564	8,567
Investment securities at amortised cost	2,352	7,988	10,340	4,255	6,435	10,690
Loans and advances	32,500	47,685	80,185	47,888	55,802	103,690
Investment securities at fair value through OCI	–	2,706	2,706	–	4,396	4,396
	37,952	62,019	99,971	54,146	73,197	127,343
Other interest income	425	–	425	432	–	432
Interest and similar income	38,377	62,019	100,396	54,578	73,197	127,775

11. Financial assets at fair value through profit or loss

	30 June 2019 \$'000	31 December 2018 \$'000
Listed equities	1,292	1,711
Unlisted equities	22,311	22,463
Unlisted debentures	44	114
Property units	239	621
	23,886	24,909

The listed equities comprise various counters listed on the Zimbabwe Stock Exchange that subsidiaries have invested in.

The balance comprises of a number of unlisted equity investments housed in an investment company in the Group (refer to the overview of valuation assumptions included in the financial risk management section of the financial statements).

12. Investment securities

	30 June 2019 \$'000	31 December 2018 \$'000
Held at fair value through other comprehensive income (FVOCI)		
Government bonds	–	19,384
Corporate bonds	–	12,193
Unlisted equities	514	872
Unlisted investment	–	12,829
	514	45,278
Pledged as collateral:		
Government bonds	–	49,271
Corporate bonds	–	6,274
Listed equities	–	291
Gross total	514	101,114
Less: Expected credit loss	–	(186)
Net balance – FVOCI	514	100,928
Amortised cost		
Treasury bills	53,621	153,271
Government bonds	32,525	49,242
	86,146	202,513
Pledged as collateral:		
Treasury bills	20,357	30,662
Government bonds	14,114	36,925
Gross total	120,617	270,100
Less: Expected credit loss	(190)	(1,186)
Net balance – Amortised cost	120,427	268,914
Investment securities – Total	120,941	369,842

The investments in unlisted equities are accounted for at fair value. Refer to note 19 for details.

The government bonds are partial security for the loan from BIFM (note 2). The government bonds earn a fixed interest at 10% and 7.75% p.a. and are redeemable on 12 September 2019 and 8 September 2020. The fair value of the government bonds has not been determined as the government bonds are specifically conditional to the terms of the BIFM loan referred to in note 2.

13. Non-interest income

	Half-year to 30 June 2019			Half-year to 30 June 2018		
	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000
Net fee and commission income	9,590	14,424	24,014	11,454	15,873	27,327
Net gains on financial instruments held at FVTPL	3,370	–	3,370	1,772	–	1,772
Net trading income/(loss)	(1,045)	6,043	4,998	5,800	4,632	10,432
Other non-interest income	17,788	832	18,620	2,807	1,591	4,398
Non-interest income	29,703	21,299	51,002	22,096	22,096	43,929

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14. Operating expenses

	Half-year to 30 June 2019			Half-year to 30 June 2018		
	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000
Administrative expenses	(13,318)	(26,773)	(40,091)	(14,819)	(24,872)	(39,691)
Property lease rentals	(412)	(962)	(1,374)	(1,145)	(3,790)	(4,935)
Staff costs	(18,313)	(29,012)	(47,325)	(21,977)	(26,453)	(48,430)
Auditor's remuneration	(411)	(393)	(804)	(377)	(557)	(934)
Depreciation	(2,295)	(3,355)	(5,650)	(2,321)	(2,978)	(5,299)
Amortisation charge	(2,927)	(3,027)	(5,954)	(4,554)	(2,820)	(7,374)
Directors' remuneration	(1,867)	–	(1,867)	(2,050)	–	(2,050)
Non-interest income	(39,543)	(63,522)	(103,065)	(47,243)	(61,470)	(108,713)

15. Cash and short-term funds

	30 June 2019 \$'000	31 December 2018 \$'000
Cash on hand	10,741	54,582
Balances with central banks	37,971	37,669
Balances with other banks	32,056	121,149
Other cash balances	–	131
Money market placements maturing within three months	13,829	75,358
Cash and cash equivalents	94,597	288,889
Statutory reserve balances	30,003	93,099
Cash and short-term funds	124,600	381,988

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

16. Tax

16.1. Income tax expense

	Half-year to 30 June 2019			Half-year to 30 June 2018		
	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000
Tax expense:						
Current year tax expense	(1,297)	(689)	(1,986)	(4,508)	(944)	(5,452)
Withholding tax	(39)	(203)	(242)	(35)	(542)	(577)
Bank levies	(55)	–	(55)	–	–	–
Deferred tax	(6,010)	(80)	(6,090)	(863)	(1)	(864)
Total tax expense per statement of profit/loss	(7,401)	(972)	(8,373)	(5,406)	(1,487)	(6,893)
Reconciliation of effective tax charge:						
Profit before tax	16,899	(8,513)	8,386	35,057	1,035	36,092
Current tax expense per statement of profit/loss	(7,401)	(972)	(8,373)	(5,406)	(1,487)	(6,893)
Effective tax rate	(43.8%)	11.4%	(99.8%)	15.4%	3.7%	19.1%

16.2. Income tax effects relating to components of other comprehensive income

30 June 2019	Continuing operations			Discontinued operations			Total		
	Before tax \$'000	Tax charge \$'000	After tax \$'000	Before tax \$'000	Tax charge \$'000	After tax \$'000	Before tax \$'000	Tax charge \$'000	After tax \$'000
Exchange differences on translating foreign operations	(36,307)	–	(36,307)	(16,848)	–	(16,848)	(53,155)	–	(53,155)
Share of reserves in associate	3,853	–	3,853	–	–	–	3,853	–	3,853
Movement in fair value reserves	121	(6)	115	(942)	235	(707)	(821)	229	(592)
Revaluation of land and buildings	29,977	(7,659)	22,318	–	–	–	29,977	(7,659)	22,318
	(2,356)	(7,665)	(10,021)	(17,790)	235	(17,555)	(20,146)	(7,430)	(27,576)

30 June 2018	Continuing operations			Discontinued operations			Total		
	Before tax \$'000	Tax charge \$'000	After tax \$'000	Before tax \$'000	Tax charge \$'000	After tax \$'000	Before tax \$'000	Tax charge \$'000	After tax \$'000
Exchange differences on translating foreign operations	(5,401)	–	(5,401)	(3,418)	–	(3,418)	(8,819)	–	(8,819)
Revaluation of land and buildings	141	–	141	–	–	–	141	–	141
Share of reserves in associate	(4,510)	–	(4,510)	–	–	–	(4,510)	–	(4,510)
Movement in fair value reserves	17	–	17	286	–	286	303	–	303
	(9,753)	–	(9,753)	(3,132)	–	(3,132)	(12,885)	–	(12,885)

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16. Tax continued

16.3. Deferred tax

	30 June 2019 \$'000	31 December 2018 \$'000
Balance at the beginning of the year	22,118	(5,073)
IFRS 9 Day 1 impact	–	24,266
Exchange rate adjustment	1,881	(4,169)
Statement of profit or loss charge (note 16.1)	(6,090)	7,893
Deferred tax on amounts charged to equity (note 16.2)	(7,430)	(799)
Deferred tax relating to disposal group classified as held for sale	(19,533)	–
Closing balance	(9,054)	22,118
Disclosed as follows:		
Deferred tax asset	–	40,316
Deferred tax liability	(9,054)	(18,198)
Total	(9,054)	22,118
Tax effects of temporary differences:		
Accruals	1,853	3,565
Bond with warrant deferred tax	164	455
IFRS 9 Day 1 impact	6,111	24,266
Impairment losses	1,283	5,768
Property and equipment	(9,625)	(6,684)
Investment property	(1,536)	(963)
Unrealised gains on investment	(18)	(1,519)
Revaluation surplus	(177)	5,024
Tax losses	6,000	16,976
Other	(13,109)	(24,767)
	(9,054)	22,118

17. Earnings per share

	Half-year to 30 June 2019			Half-year to 30 June 2018		
	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000	Continuing operations \$'000	Discontinued operations \$'000	Total \$'000
(Loss)/profit attributable to ordinary shareholders	8,913	(135,347)	(126,434)	29,759	(1,138)	28,621
Basic and diluted earnings	8,913	(135,347)	(126,434)	29,759	(1,138)	28,621
Weighted-average ordinary shares (number of shares)						
Recognised as treasury shares	(1,367)	(1,367)	(1,367)	(1,817)	(1,817)	(1,817)
Ordinary shares issued during the period	172,570	172,570	172,570	170,243	170,243	170,243
Weighted-average ordinary shares (number of shares)	171,203	171,203	171,203	168,426	168,426	168,426
Diluted number of ordinary shares (number of shares)						
Diluted shares	261	261	261	623	623	623
Total diluted number of ordinary shares (number of shares)	171,464	171,464	171,464	169,049	169,049	169,049
Basic (loss)/earnings per share (\$)	0.05	(0.79)	(0.74)	0.18	(0.01)	0.17
Diluted (loss)/earnings per share (\$)	0.05	(0.79)	(0.74)	0.18	(0.01)	0.17

18. Related parties

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

a. Transactions and balances with related parties

Related party transactions

	30 June 2019				30 June 2018			
	Management fees \$'000	Interest income/ expense \$'000	Others \$'000	Total \$'000	Management fees \$'000	Interest income/ expense \$'000	Others \$'000	Total \$'000
Related party:								
Transactions between Atlas Mara and ABCH	-	2,346	196	2,542	(1,282)	1,977	-	695
Transactions between Atlas Mara and BancABC subsidiaries	438	(602)	-	(164)	(271)	(272)	-	(543)
Transactions between Atlas Mara and AMFS	-	-	(164)	(164)	-	-	-	-
Transactions between Atlas Mara and Atlas Mara Digital Ltd	-	-	-	-	-	29	733	762
Transactions between Atlas Mara and BPR	-	-	-	-	514	-	-	514
Transactions between Atlas Mara and founder shareholders' affiliated companies	-	-	(162)	(162)	-	-	(222)	(222)
Transactions between Atlas Mara and shareholder companies	-	(1,971)	(221)	(2,192)	-	-	-	-
	438	(227)	(351)	(140)	(1,039)	1,734	511	1,206

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18. Related parties continued

Related party balances

Related party:	30 June 2019				30 June 2018			
	Loans to Group companies \$'000	Loans from Group companies \$'000	Others \$'000	Total \$'000	Loans to Group companies \$'000	Loans from Group companies \$'000	Others \$'000	Total \$'000
Balances between Atlas Mara and ABCH	3,148	–	–	3,148	78,220	–	2,443	80,663
Balances between Atlas Mara and Banc ABC subsidiaries	–	(12,133)	4,278	(7,855)	–	(11,533)	4,095	(7,438)
Balances between Atlas Mara and BPR	193	–	–	193	–	–	–	–
Balances between Atlas Mara and Atlas Mara Eagle	–	–	14	14	–	–	14	14
Balances between Atlas Mara and AMFS	–	–	(291)	(291)	–	–	(127)	(127)
Balances between Atlas Mara and founder shareholders' affiliated companies	–	–	(1,265)	(1,265)	–	–	(1,325)	(1,325)
Balances between Atlas Mara and shareholder companies	–	(28,220)	(29)	(28,249)	–	(27,608)	–	(27,608)
	3,341	(40,353)	2,707	(34,305)	78,220	(39,140)	5,100	44,179

All outstanding balances with these related parties are to be settled in cash within twelve to twenty-four months (two years) of the reporting date. None of the balances is secured.

b. Transactions with key management personnel

	Half-year to 30 June 2019 \$'000	Half-year to 30 June 2018 \$'000
Short-term employee benefits	1,588	2,035
Post-employment benefits	757	1,605
Other benefits	146	169
	2,491	3,809

19. Fair value of financial assets and liabilities

The following table shows the Group's assets and liabilities that are held at fair value disaggregated by fair value hierarchy:

	30 June 2019			Total at fair value \$'000
	Quoted prices Level 1 \$'000	Significant observable inputs Level 2 \$'000	Significant unobservable inputs Level 3 \$'000	
Assets measured at fair value:				
<i>Fair value through profit or loss (Note 11)</i>	1,292	–	22,594	23,886
Listed equities	1,292	–	–	1,292
Unlisted equities	–	–	22,311	22,311
Unlisted debentures	–	–	44	44
Property units	–	–	239	239
<i>Derivative financial assets</i>	–	98	6,241	6,339
Cross-currency interest swaps	–	–	6,192	6,192
Forward foreign exchange contracts	–	98	49	147
<i>Investment securities: FVOCI (Note 12)</i>	–	–	514	514
Unlisted equities	–	–	514	514
Fair value hierarchy for financial assets measured at fair value	1,292	98	29,349	30,739
Liabilities measured at fair value:				
<i>Derivative financial liabilities</i>	–	82	5,735	5,817
Cross-currency interest swaps	–	–	5,735	5,735
Forward foreign exchange contracts	–	82	–	82
<i>Borrowed funds</i>	–	28,715	–	28,715
Liabilities for which fair values are disclosed:				
<i>Borrowed funds</i>	–	404,255	–	404,255
Total borrowed funds at fair value (note 2)	–	432,970	–	432,970
Fair value hierarchy for financial liabilities measured at fair value	–	433,052	5,735	438,787

There were no transfers between levels in the current period.

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19. Fair value of financial assets and liabilities continued

	31 December 2018			Total at fair value \$'000
	Quoted prices Level 1 \$'000	Significant observable inputs Level 2 \$'000	Significant unobservable inputs Level 3 \$'000	
Assets measured at fair value:				
<i>Fair value through profit or loss (Note 11)</i>	1,711	–	23,198	24,909
Listed equities	1,711	–	–	1,711
Unlisted equities	–	–	22,463	22,463
Unlisted debentures	–	–	114	114
Property units	–	–	621	621
<i>Derivative financial assets</i>	192	2,432	2,978	5,602
Cross-currency interest swaps	–	2,422	2,978	5,400
Forward foreign exchange contracts	192	10	–	202
<i>Investment securities: FVOCI (Note 12)</i>	55,649	44,842	437	100,928
Government bonds	49,105	19,386	–	68,491
Corporate bonds	6,253	12,193	–	18,446
Listed equities	291	–	–	291
Unlisted equities	–	435	437	872
Unlisted investment	–	12,828	–	12,828
Fair value hierarchy for financial assets measured at fair value	57,554	47,272	26,613	131,439
Liabilities measured at fair value:				
<i>Derivative financial liabilities</i>	13,051	(11,959)	5,444	6,536
Cross-currency interest swaps	5,488	–	5,444	10,932
Forward foreign exchange contracts	7,563	–	–	7,563
Equity derivative	–	(11,959)	–	(11,959)
<i>Borrowed funds</i>	–	23,349	–	23,349
Liabilities for which fair values are disclosed:				
<i>Borrowed funds</i>	–	393,394	–	393,394
Total borrowed funds at fair value (note 2)	–	416,743	–	416,743
Fair value hierarchy for financial liabilities measured at fair value	13,051	404,784	5,444	423,279

There were no transfers between levels in the current period.

Level 3 fair value movements

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

	30 June 2019				
	Debt or equity investments \$'000	Derivative financial assets \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
Opening balance	23,635	2,978	26,613	5,444	5,444
Total gains or losses					
– in profit/(loss)	–	(23)	(23)	–	–
– in other comprehensive income	114	–	–	–	–
Purchases	–	49	49	–	–
Settlements	–	–	–	–	–
Exchange rate adjustment	(641)	3,237	2,596	291	291
Closing balance	23,108	6,241	29,349	5,735	5,735

	31 December 2018				
	Debt or equity investments \$'000	Derivative financial assets \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
Opening balance	31,088	33,294	64,382	6,117	6,117
Total gains or losses					
– in profit/(loss)	5,174	–	5,174	–	–
– in other comprehensive income	(308)	(329)	(637)	(172)	(172)
Purchases	2,193	–	2,193	–	–
Settlements	(12,897)	(29,454)	(42,351)	–	–
Exchange rate adjustment	(1,615)	(533)	(2,148)	(502)	(502)
Closing balance	23,635	2,978	26,613	5,444	5,444

Total gains or losses for the year in the above table are presented in the statement of comprehensive income as follows:

	30 June 2019				
	Debt or equity investments \$'000	Derivative financial assets \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
Total gains or losses in profit/loss for the year:	–	(23)	(23)	–	–
Net trading income	–	–	–	–	–
Net income from other financial instruments carried at fair value	–	(23)	(23)	–	–
Total gains or losses recognised in other comprehensive income	114	–	114	–	–

	31 December 2018				
	Debt or equity investments \$'000	Derivative financial assets \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
Total gains or losses in profit/loss for the year:	5,174	–	5,174	–	–
Net trading income	–	–	–	–	–
Net income from other financial instruments carried at fair value	5,174	–	5,174	–	–
Total gains or losses recognised in other comprehensive income	–	(329)	(329)	(172)	(172)

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19. Fair value of financial assets and liabilities continued

Description of significant unobservable inputs to valuation

The table below sets out information about significant unobservable inputs used at year end in measuring financial instruments categorised as level 2 and 3 in the fair value hierarchy.

Type of financial instrument	Valuation technique	Significant unobservable input	Range of estimates (weighted average) for unobservable input
Government debt	This includes government bonds and treasury bills. Liquid government bonds that are actively traded through an exchange or clearing house are marked-to-market. Less liquid bonds are valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. Where there are no observable market prices, a proxy curve is constructed by using the US interest rate swap yield curve and adding a spread indicative of the inherent risk relating to credit, liquidity and for the sovereign risk of the government debt.	Discount rate where no traded market exists.	12–22%
Corporate debt	This includes corporate bonds which are valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. Where there are no observable market prices, a proxy curve is constructed by using the US interest rate swap yield curve and adding a spread indicative of the inherent risk relating to credit, liquidity and for the sovereign risk of the corporate debt.	Discount rate where no traded market exists.	12–18%
Unlisted equities and investments	Market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee on actual EBITDA for the period ended 30 June 2019. The estimate is adjusted for the effect of the non-marketability of the equity securities.	Adjusted price to book ratio. Adjusted EV/EBITDA.	12–25%

Sensitivity analysis

For the fair values of unlisted equities – held at fair value through profit or loss, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

	30 June 2019			
	Profit or loss		Equity	
	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000
Average price to book ratio (5% movement)	12	(12)	12	(12)
Book value (2% movement)	5	(5)	5	(5)
Adjusted EV/EBITDA (5% movement)	12	(12)	12	(12)
EBITDA (2% movement)	5	(5)	5	(5)

	31 December 2018			
	Profit or loss		Equity	
	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000
Average price to book ratio (5% movement)	78	(78)	78	(78)
Book value (2% movement)	31	(31)	31	(31)
Adjusted EV/EBITDA (5% movement)	78	(78)	78	(78)
EBITDA (2% movement)	31	(31)	31	(31)

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions:

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.

	30 June 2019		31 December 2018	
	Carrying amount \$'000	Effect of reasonably possible alternative assumptions \$'000	Carrying amount \$'000	Effect of reasonably possible alternative assumptions \$'000
Financial assets				
<i>Fair value through profit or loss</i>				
Unlisted equities	22,311	2,239	22,463	2,272
Unlisted debentures	44	4	114	11
Property units	239	23	621	62
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	6,192	(601)	5,632	5,604
Equity derivative	49	-	-	-
<i>Financial assets held at FVOCI</i>				
Unlisted equities	514	52	82	8
Financial liabilities				
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	5,765	-	5,444	5,415

20. Off-balance sheet items

a. Loan commitments and other financial facilities

The timing profile of the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities for the year ended 31 December 2018 are summarised below:

	30 June 2019 \$'000	31 December 2018 \$'000
Guarantees	7,380	33,434
Letters of credit	23,044	80,772
Forward contracts and currency swaps	844	7,146
Other contingent liabilities	13,653	11,961
Gross balance	44,921	133,313
Expected credit loss allowance	(73)	(541)
Net balance	44,848	132,772
Maturity analysis of loan commitments		
Less than one year	18,469	79,243
Between one and five years	21,663	43,393
Over five years	4,716	10,136
Total	44,848	132,772
b. Capital commitments		
Approved and contracted for	-	6,257
Approved but not contracted for	2,243	10,233
Total	2,243	16,490

Funds to meet these commitments will be provided from existing Group resources.

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21. Disposal groups classified as held for sale and discontinued operations

Accounting for non-current assets held-for-sale and discontinued operations

The Group classifies non-current assets and disposal groups as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. 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. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held-for-sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

The assets of a disposal group classified as held for sale are presented separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. Discontinued operations are excluded from the results of continuing operations and are presented as discontinued operations in the statement of profit or loss on a line item basis.

Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the remeasurement to fair value less costs to sell or on the disposal group(s) constituting the discontinued operation.

On 30 April 2019, the Group publicly announced that it had entered a binding term sheet with Equity Group Holdings Plc ('EGH') to dispose of its investments in the following subsidiaries: BancABC Mozambique, BancABC Tanzania, Atlas Mara Zambia and BPR Rwanda, in exchange for ordinary shares in EGH. The sale of the subsidiaries is expected to be completed within a year from the reporting date. At 30 April 2019, the subsidiaries were classified as disposal groups held for sale and are presented as such in these condensed consolidated interim financial statements.

a. Assets and liabilities of disposal group classified as held for sale:

The following assets and liabilities were reclassified as held for sale in relation to the disposal group as at 30 April 2019:

	30 April 2019 \$'000	31 December 2018 \$'000
Assets included in disposal groups classified as held for sale		
Cash and short-term funds	229,492	220,411
Derivative financial assets	1,604	2,432
Loans and advances	434,674	509,200
Investment securities	149,147	178,654
Prepayments and other receivables	24,135	25,738
Current tax assets	4,466	87,813
Property and equipment	35,451	52,530
Right-of-use assets	8,046	–
Intangible assets and goodwill	–	27,521
Investment property	11,768	10,566
Deferred tax assets	16,442	31,546
Total assets	–	8,968
Total assets	915,225	1,155,379
Liabilities included in disposal groups classified as held for sale		
Deposits	625,448	807,520
Creditors and accruals	62,854	53,493
Current tax liabilities	787	2,264
Deferred tax liability	4,820	5,885
Lease liability	9,487	–
Borrowed funds	106,419	110,125
Total liabilities	809,815	979,287
Net assets	105,410	176,092

The cumulative foreign exchange losses recognised in other comprehensive income in relation to the discontinued operation as at the reclassification date (30 April 2019) was \$46.1 million.

b. Details of the sale transaction

At 30 June 2019, the fair value of the consideration was estimated to be \$105.41 million while the fair value of the net assets of the subsidiaries were re-estimated to be \$230.97 million. The fair value loss has been presented in the table below and disclosed separately in the condensed consolidated statement of profit or loss.

	30 June 2019 \$'000	30 April 2019 \$'000
Fair value of net assets of disposal group	105,410	105,410
Carrying amount of net assets of disposal groups	230,977	229,766
Loss on remeasurement to fair value less costs to sell	(125,567)	(124,356)

22. Subsequent events

22.1. Hyperinflation Accounting in Zimbabwe

Zimbabwe has experienced spiking inflation rates which started in October 2018 after the dollar shortage led to a collapse in Zimbabwe's parallel 'bond note' currency, resulting in sharp hikes in the prices of goods and services. The year on year inflation increased to 176% in June 2019, the highest since the hyperinflationary period experienced in 2008-2009.

In February 2019, the government introduced the real time gross settlement (RTGS) currency as the official currency of the country. Since its introduction, the currency has deteriorated from 2.5 RTGS\$/US\$1 to 6.6 RTGS\$/US\$1. This increasing trend in the headline inflation rate and the persistent deterioration of the RTGS\$ over the period, has put the Group on alert in terms of the application of IAS 29 'Financial Reporting in Hyperinflationary Economies' in the financial statements of ABC Zimbabwe.

Based on the assessment performed by the Group, ABC Zimbabwe is considered to be a hyperinflationary economy and will be required to apply hyperinflation accounting in line with IAS 29 on a retrospective basis in its financial statements for the year ending 31 December 2019.

The application of hyper-inflation accounting requires restatement of the financial statements of ABC Zimbabwe into the current purchasing power which reflects a price index current at the end of the reporting period before being included in the consolidated financial statements. Management is currently assessing the impact the application of hyper-inflation accounting will have on its consolidated financial position and results.

22.2. Union Bank of Nigeria

Subsequent to 30 June 2019, the Group increased its shareholding to 49.9% and reaffirmed its intention to move to consolidation.

Glossary

AMFS	Atlas Mara Financial Services Limited (formerly ADC Financial Services Limited)	GBFC	Green Buffaloes Football Club
AATIF	Africa Agriculture and Trade Investment Fund S.A.	HIFA	Harare International Festival of the Arts
ABC	BancABC	IASB	International Accounting Standards Board
ABCH	ABC Holdings Limited	ICAAP	Internal Capital Adequacy Assessment Process
AfDB	African Development Bank	IFC	International Finance Corporation
ADC AG	ADC African Development Corporation AG	IFRS	International Financial Reporting Standards
AED	United Arab Emirates Dirham	IFRSIC	International Financial Reporting Standards Interpretation Committee
AGM	Annual General Meeting	IMA	Investment Management Association
ALCO	Assets and Liability Committee	IMF	International Monetary Fund
BIFM	BIFM Capital Investment Fund One (Pty) Ltd	IPDEV	I&P Development
BPR	Banque Populaire du Rwanda Limited	IPO	Initial Public Offering
BRD-C	Banque Rwandaise de Développement – Commercial/Development Bank of Rwanda – Commercial	KPI	Key performance indicator
BVI	British Virgin Islands	KPMG	KPMG Inc
CEO	Chief Executive Officer	LGD	Loss given default
CFO	Chief Financial Officer	NBTS	National Blood Transfusion Services
CGU	Cash-generating unit	NCI	Non-controlling interests
CoE	Cost of equity	NPL	Non-performing loan
COMESA	Common Market for Eastern and Southern Africa	OCI	Other comprehensive income
Corporate centre	Atlas Mara Dubai based office	OECD	Organisation for Economic Co-operation and Development
CPI	Corruption Perceptions Index	OPIC	Overseas Private Investment Corporation
CREDCO	Credit Committee	ORCO	Operational Risk Committee
CRO	Chief Risk Officer	Parent company	Atlas Mara
CTP	Credit transformation programme	PD	Probability of default
DFI	Development finance institution	PE	Private equity
DTR	Disclosure and Transparency Rules	RAROC	Risk adjusted return on capital
EAC	East African Community	RBZ	Reserve Bank of Zimbabwe
EAD	Exposure at default	REC	Regional Economic Community
ECOWAS	Economic Community of West African States	REMCO	Remuneration Committee
EIR	Effective interest rate	RoE	Return on equity
EL	Expected loss	SADC	Southern African Development Community
EPS	Earnings per share	SMEs	Small- and medium-sized enterprises
ERM	Enterprise-wide Risk Management	SSA	Sub-Saharan Africa
EU	European Union	TFTA	Tripartite Free Trade Agreement
EXCO	Executive Committee	The Model	Three lines of defence model
EV	Expected value	Translation reserve	Foreign currency translation reserve
EBITDA	Earnings before interest, tax, depreciation and amortisation	TSA	Treasury Single Account
FDI	Foreign Direct Investment	UBN	Union Bank of Nigeria
FISP	Farmer Input Support Programme	UGPL	Union Global Partners Limited
FVOCI	Fair value through other comprehensive income	VIU	Value in use
FVTPL	Fair value through profit or loss	WAEP	Weighted-average exercise price
		WEF	World Economic Forum
		ZAMCO	Zimbabwean Asset Management Company

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