

# Interim Report 2015

Atlas Mara Limited

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## Financial highlights

**\$4.1m**

Profit attributable to shareholders

**\$2,507m**

Total assets

**\$1,867m**

Total liabilities

**\$639m**

Total equity

**\$9.13**

Net book value per share

# Focused on Execution.

We are pleased to present Atlas Mara Limited's ("Atlas Mara" or the "Company" and including its subsidiaries, the "Group") results for the six months ended 30 June 2015. As elaborated upon in the Chief Executive Officer's letter and Chief Financial Officer's report, it has been an eventful period at Atlas Mara and there is visible progress from our efforts.

The opportunity for us to create sub-Saharan Africa's premier financial institution is as clear as it was when we were founded. Having established a unique platform with operations and/or investments in seven sub-Saharan African countries (several of which continue to rank amongst the fastest-growing economies in the world), we remain fully-focused on the execution of our strategy.

We are enhancing credit processes, reducing the costs of funds of our operating banks, launching digital banking channels, improving relationship manager productivity, increasing the stability and capabilities of our IT systems, rolling out a brand endorsement strategy, making step-changes in the effectiveness of our collections efforts, evaluating further acquisition opportunities, and, critically, attracting terrific talent into the organisation. While there is significant work to do and selected macroeconomic headwinds exist, Atlas Mara has momentum. And no one is outworking us.

The following report provides insights and colour on our recent activities and, importantly, a detailed update on our financial performance. We appreciate the ongoing support of our investors, employees, and regulators in the markets in which we operate.

For more information about Atlas Mara go to <http://atlasmara.com>





**John F. Vitalo**  
Chief Executive Officer

“  
We are pleased with the trajectory, and importantly, the leverage that we are building into our platform particularly in terms of capacity, competency of our staff, stability of our client base and scalability of the platform.”

**Overview**

Atlas Mara's Board of Directors and Management remain focused on the execution of the Company's mission to build sub-Saharan Africa's premier financial institution. It has been an eventful first half of the year at Atlas Mara, and, although we have more work to do, the progress to date is encouraging.

As our CFO, Arina McDonald, will discuss in more detail below, we reported net income of \$4.1 million, a meaningful improvement on the reported loss from 2014, which was, for us, a foundational year. We are pleased with the trajectory, and importantly, the leverage that we are building into our platform particularly in terms of capacity, competency of our staff, stability of our client base and scalability of the platform.

**Strategic update**

The Board and Management have spent considerable time codifying the culture and values of the organisation, honing our strategy (particularly in terms of our geographic footprint and client focus), refining our target operating model (the organisational structure required to manage our increasingly diverse operations), calibrating the sequencing of our main efforts, and further refining the key performance indicators against which we will measure our delivery and success.

These efforts have reaffirmed the thesis that has existed since the time of Atlas Mara's founding: the prospects for the growth of financial services in sub-Saharan Africa remain robust and there is scope for a newly-established financial institution with access to capital, liquidity and funding to rapidly build scale, attract talent, earn attractive returns and make a positive impact in the communities in which it operates.

Our detailed analysis indicates that less than 15 countries account for approximately 90% of banking revenues in sub-Saharan Africa. Furthermore, with increasing regional integration, a bank's geographic footprint is less critical than its ability to offer the right products and services to its customers. In addition to seeking scale in our existing countries of operation, we expect to be present in 10-15 markets, in total, in the medium term. In terms of client segmentation, we have identified meaningful under-banked markets in retail and corporate banking across our identified target geographies and the products and services roadmap required to compete effectively in our chosen segments.

In terms of our target operating model, we believe in a "strong country, strong centre" approach whereby the centre provides significant strategic and functional leadership oversight and country leadership is empowered to adapt and execute the agreed strategy on the ground. The key to making this model work is having the right people in the right places. From my perspective, we have assembled a senior team of high calibre individuals that compares favourably not only with the leadership of other African banks, but the leadership of other multi-national financial institutions.

**Macroeconomic perspectives**

Atlas Mara has operations and/or investments in seven sub-Saharan African countries. As has been communicated in the past, several of these are among the fastest growing countries in the world. We believe in the benefits of our regional and trade bloc diversification. In large part, this is because, while some markets continue to thrive (such as Mozambique and Rwanda), others will face challenges (currently the case in Zimbabwe). Furthermore, we have experienced a period of continued US dollar ("USD") strength and African currency weakness leading to various negative foreign exchange translation effects. A brief review of our markets is provided below<sup>1</sup>:

**Southern**

The economy in Botswana is expected to grow by about 4.2% in real terms in 2015. A low level of inflation persists, remaining in the Central Bank's 3-6% range. Due to the low inflationary environment, in February, the Bank of Botswana ("BoB") reduced its policy rate by 100 bps to 6.5%. The BoB is likely to pursue an accommodative monetary policy stance to support economic growth. The Pula has weakened by about 12.8% against the USD, and given the environment of low interest rates, this has put pressure on margins.

1. Real GDP forecasts are sourced from the African Economic Outlook.org (AEO), a collaboration between the African Development Bank, the OECD Development Centre and the United Nations Development Program.

Mozambican economic performance has been robust on the back of strong investment, particularly in the gas sector. While softening commodity prices pose a downside risk, real GDP growth in 2015 is expected to reach 6.5%. The Metical has depreciated significantly against the dollar (year-to-date ("YTD") almost -23.7%) owing to large import requirements and start-up costs for investment in the gas sector. Foreign exchange reserves have been trending downwards, having fallen from \$3.1 billion in December 2014 to \$2.7 billion in May 2015.

Economic growth in Zambia is expected to continue at approximately 6% in real terms. The mining sector, which accounts for roughly 75% of the country's exports, is expecting a noticeable increase in output as several dormant mining projects go live. During the first half of the year, the government reversed its decision to increase mining sector royalties, which may provide a degree of relief to the mining firms in the wake of depressed copper prices. The Bank of Zambia has left the policy rate unchanged at 12.5%. It, however, increased statutory reserves from 14% to 18% in April of this year in an attempt to address Kwacha volatility, in turn significantly increasing domestic interest rates.

Zimbabwe's economic challenges have intensified over the past two years and the slowdown in economic activity is expected to continue throughout 2015. The appreciation of the USD (Zimbabwe adopted a multi-currency regime in 2009 with the USD being the predominant currency) against regional currencies has contributed to the erosion of the country's export competitiveness. The government has intensified efforts to tackle the country's economic challenges. Among other efforts, the government has put measures in place to address financial sector vulnerability and restore confidence through the establishment of the Zimbabwe Asset Management Corporation ("ZAMCO"), created to acquire non-performing loans, the resuscitation of the interbank market, and the phasing out of the Zimbabwean currency. While 2015 will continue to be a challenging year, we remain hopeful with respect to Zimbabwe's longer-term prospects.

**East**

The Rwandan economy is expected to grow at a real rate of 7.4% this year – one of the highest growth rates in sub-Saharan Africa (and the world) – with inflation expected to fall in line with the Central Bank's 5% target. The Rwandan Franc, like many other emerging market currencies, has faced downward pressure against the strengthening USD. Funding is a key area of focus as Rwanda continues to grow and there is a significant opportunity for the ongoing evolution of the banking sector to accelerate the growth of domestic savings and finance development.

In Tanzania, economic growth is projected to remain strong at around 7%, in real terms – a level significantly higher than the sub-Saharan average GDP growth of 4.3%. Inflation has gradually increased, reaching 6.1% in June, which surpassed the government's target of 5%. The rise has largely been caused by increasing food prices. Gold – Tanzania's leading export earner, contributing close to 30% of export earnings – has been negatively affected by low international commodity prices. The Tanzanian Shilling has suffered the same fate as many emerging market currencies of late, having weakened by about 23% YTD against the USD. The Central Bank intervened in May by increasing the statutory reserves from 8% to 10% in an attempt to support the Shilling. The exchange rate is likely to remain under pressure as we approach the October presidential elections.

**West**

Due to exchange rate volatility and depressed oil prices, Nigeria's real GDP growth estimates for 2015 have continued to be revised downwards and are now at 5%. While the success of the All Progressive's Congress in the presidential elections represented a historic, peaceful, transition of power and enhanced confidence in Nigeria's prospects, the insurgency in the Northeast and other parts of the country, the decline in oil prices and the pace of staffing of the new administration have put significant pressure on the Naira. We continue to monitor the impact on the banking sector of these variables closely.

**Execution**

In our 2014 Annual Report, we highlighted the components of our "Buy, Protect, and Grow" business model. This provides a useful framework for highlighting the strides that we have made so far in 2015.

**Buy**

In 2014 we made four acquisitions. We have since announced that we are in negotiations with respect to a fifth – the acquisition of a substantial stake in Banque Populaire du Rwanda ("BPR"). BPR is Rwanda's second largest bank, which we expect to merge with our existing Rwandan asset, the commercial arm of the Development Bank of Rwanda ("BRD"), in order to have an approximately 75% stake in the combined entity.

This transaction is consistent with our strategy of being a scale player in the markets in which we operate. While there will be significant work to be undertaken to integrate these entities, we remain excited by the prospects of both the Rwandan market, as well as Rwanda's role as a financial services hub in the East Africa Community.

Our evaluation of further acquisitions, both in our existing markets, as well as new geographies, remains ongoing. We will keep the market apprised of developments as appropriate.

**Protect**

A core component of our business model is ensuring that, before we seek to accelerate the growth of our banks, they are fully-prepared – we are focused on sustainable growth, not just growth for growth's sake.

Within the Southern and East regions, key accomplishments during the first six months of 2015 have included:

- Implementing a series of measures aimed at strengthening the end-to-end credit process, which will benefit the Group meaningfully going forward in terms of profitable loan book growth;
- Continuing aggressive efforts to accelerate the recovery of non-performing loans: a 40-person, Special Operations Unit has been established. The team has made solid progress on both corporate and retail collections and, during the first half of the year, combined collections amounted to \$15.3 million. In addition, we have implemented a revised set of incentives to correctly align to the performance of these units;
- Centralising and standardising processes throughout BancABC in an effort aimed at reducing back office resources, improving front office focus and reducing costs;
- Developing and/or launching BancABC's digital channels, including a mobile wallet, mobile banking, internet banking, Visa services, and enhanced ATM services;



- Enhancing the core IT infrastructure to improve the reliability and availability of our banking operations – achieving 99.7% availability across the BancABC network;
- Commencing the installation of an “enterprise layer”, which will enable seamless integration of new and existing IT platforms and applications across the organisation and will significantly reduce the time to market of new products and/or IT systems; and
- Enhancing management depth by attracting talent across the organisation.

#### Grow

While our current emphasis remains on the “Protect” phase, there are a number of growth-related initiatives that we have launched, which provide insights into the “direction of travel” across the organisation. Selected projects include:

- Executing on a series of identified cross-selling opportunities across the corporate bank to improve relationship manager productivity and drive revenue through enhanced capabilities and tools;
- Implementing governance and IT control improvements to prevent and eliminate pricing leakage across both retail and corporate banking;
- Training over 60 personnel in new corporate sales force effectiveness tools and capabilities and retail cross-sell techniques and tools in order to increase relationship manager productivity;
- Launching of a mobile banking platform in conjunction with the launch of the Atlas Mara brand endorsement strategy across all of the South and East markets. This is the first application implemented in BancABC that will be “STP” (straight through processing), setting the foundation for all future and existing digital channels to be fully integrated and automated; and
- Signing an agreement with the Tanzanian postal agency to set up agency banking in all of their post offices across the country, thus potentially increasing the BancABC Tanzania footprint from four branches to 199 outlets.

We look forward to keeping you apprised of these and related projects, especially those that we view to be “positively disruptive” in the markets in which we operate.

#### Talent

In order to build sub-Saharan Africa's premier financial institution, we need to have the right people in the right seats. Attracting talent continues to be a priority for the Company and we have nearly completed the hiring of key functional roles at the Group level. Among the significant hires we have made recently, we are pleased to announce that Michael Christelis has joined us as Head of Treasury and Markets as of 1 August, having been at Barclays Africa for the previous seven years where he headed the Rest of Africa Trading and Markets desk, and that Eric Odhiambo will be joining Atlas Mara in early Q4 as Chief Risk Officer, having served in several senior risk management positions at Citibank across Africa and other emerging markets, including, most recently, as Chief Risk Officer for Turkey and “non-presence” CIS. Additionally, Dr. Mabouba Diagne has joined BancABC as Head of Corporate and Investment Banking as of 1 July having been Regional Managing Director of Corporate Coverage for Southern Africa (ex SA) for Barclays Africa.

We are delighted by the calibre of people that we continue to attract to Atlas Mara. Further announcements regarding senior hires will be announced in due course.

#### Financing

Unifying all three elements of our “Buy, Protect, Grow” model is financing. The following initiative is particularly notable:

##### \$200 million OPIC Funding:

As was announced on 6 August 2015, the Board of Directors of the U.S. development finance institution (“DFI”), the Overseas Private Investment Corporation (“OPIC”), has approved \$200 million in funding for the following Atlas Mara countries: Zambia, Botswana and Mozambique. This funding will enable BancABC to scale up lending to SMEs, increase financial inclusion, launch enhanced mobile banking efforts, as well as, importantly, support potential acquisitions. This financing is a major milestone in the execution of our DFI engagement strategy and efforts to reduce the cost of funding across our operations.

#### Branding

We recognise the brand equity that all of our banks possess in the markets in which they operate. We have also noted the value of the Atlas Mara brand in enhancing the perception of the strength and standing of our local operations. To this end, and consistent with our stated objective to combine the best of local and global capabilities, we have today launched a brand endorsement strategy across BancABC wherein “part of Atlas Mara” with the Atlas Mara logo combined with a refreshed BancABC logo will now appear on all BancABC communications, from billboard signage to cheque books. A similar endorsement strategy will be considered in connection with our Rwandan operations following the consummation of the merger of BPR and BRD Commercial.

#### Outlook

We expect the latter half of the year to show improvement over the first half of the year. Our medium-term strategic, operational and financial targets communicated in connection with our 2014 financial results remain unchanged.

We are confident that the demonstrated execution of our strategy will, in time, be reflected in our share price, but share the frustration of our investors with respect to recent share price performance. The Board and Management remain focused on addressing investor concerns, enhancing communication and doing what we can to encourage more liquidity in our stock.

The progress that we have seen to date in 2015 would not have been possible without the commitment and dedication of our investors, customers, the Co-Founders, Atlas Mara Board, Management and employees and support from the regulators in the countries in which we operate.

We are working tirelessly to deliver to our stated objectives. We welcome your continued engagement.

**John F. Vitalo**  
Chief Executive Officer



**Arina McDonald**  
Chief Financial Officer

“  
**We anticipate improved returns in H2 2015 arising from operational and financial enhancements.**”

#### Overview

During the first half of 2015, we remained focused on execution and the results are indicative of the Company's mission being made across the Group. The consolidated reported profit after tax and minorities for the period ending June 2015 was \$4.1 million. This compares favourably with the pro forma losses of \$3.2 million and \$47.8 million for the first six months of 2014 and full year 2014, respectively, with progress being made at both the income and impairment lines.<sup>1</sup>

From an income perspective, net interest income expanded by 8.5% versus the prior period on a constant currency basis resulting from improvements in the costs of funding across all of our operating markets, except for Rwanda, which saw a minimal change, as well as the recognition of asset recoveries previously written off in full, in line with IFRS3 principles. The net interest margin improved by 7 bps to 3.94% from June 2014 and by 60 bps from December 2014 levels, notwithstanding negative endowment impacts, particularly in Botswana, where prime interest bank rates reduced by 100 bps in February (and a further 50 bps in August), as well as an increase in the prudential liquidity requirements in both Nigeria and Zambia, increasing the balance of non-earning assets in the current reporting period. Additionally, growth in non-interest income reported during the period was 8.6% on a constant currency basis due mostly to favourable currency trading conditions. With more focus being placed on driving transactional business, fee and commissions income is expected to increase in H2 2015 (H1 2015: \$27.5 million – flat on prior year, on a constant currency basis).

Atlas Mara reported a total non-performing loan (NPLs) ratio of 10.7%, a meaningful decline from the 13.4% level reported at December 2014. The coverage ratio increased to 45.0% at 30 June 2015 from 32.4% at 31 December 2014. Management considers this coverage to be sufficient to address the credit risks inherent in the asset book of \$1.174 billion (an increase of 8.9% from pro forma June 2014 on a constant currency basis). The improvement in asset quality is indicative of the Group's emphasis on credit origination processes.

Significant asset recoveries of \$9.6 million were reported during the period evidencing the intense focus on collections activities, with a healthy pipeline of further recoveries expected in the second half of 2015. The credit loss ratio of 1% booked for H1 2015 is lower than the 2.9% for the comparative 2014 period, on a pro forma basis, partially due to the offset of fair value adjustments in line with IFRS3. This ratio is expected to normalise over time, in line with selected peers.

Total operating costs of \$94.0 million in H1 2015 compares to \$89.8 million for the comparative pro forma period in 2014. Included in the 2015 costs, however, are M&A-related transaction expenses of \$5.4 million (H1 2014: \$13.6 million) and investment spend of approximately \$7.9 million supporting various IT projects (upgrading the core banking system in the Southern region and delivering on mobile banking initiatives (successfully launched) and an internet banking roll-out (currently in the test phase)), launching the Atlas Mara brand endorsement campaign at BancABC, and investing in credit systems and portfolio credit scoring models, as well as other revenue-focused initiatives that will have longer-term benefits.

The Group recorded total deposits at 30 June 2015 of \$1.46 billion, representing growth of 10.8% versus 30 June 2014 on a constant currency basis. Increased deposits have led to a reduction in the costs of funds across the Southern region. Mobilising deposit gathering across the Group remains a key focus.

Reported equity at period end was \$639.4 million, a decline from December 2014 of \$43 million, largely due to \$40.3 million of foreign exchange translation losses driven by the strength of the US dollar versus African currencies. The Group's operations and/or investments in Botswana, Nigeria and Zambia contributed 67% of the foreign exchange losses reported while the other four African countries' local currencies contributed 33% of the decline. Book value per share at 30 June 2015 was \$9.13.

<b>NBV per share 31 December 2014</b>	9.73
Adjusted for: deferred tax	0.19
Adjusted for: intangible assets and goodwill	(2.30)
Adjusted for: non-controlling interests	(0.08)
<b>T-NBV per share 31 December 2014</b>	7.54
Movement in NBV December 2014 to June 2015	(0.60)
Movement in deferred tax	(0.03)
Movement in intangible assets and goodwill	0.12
Movement in non-controlling interest	(0.02)
Movement as a result of increase in shares in issue	(0.01)
<b>T-NBV per share 30 June 2015</b>	7.00

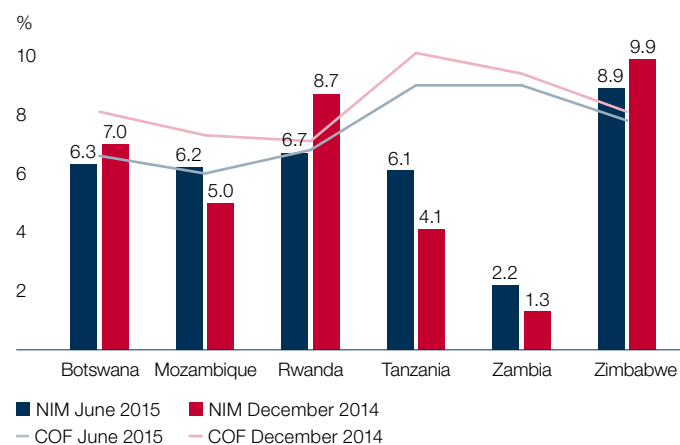
1. Pro forma results reflect the inclusion of the establishing acquisitions made during 2014, the first full financial year of Atlas Mara, as if they had been consummated on 1 January 2014.

### Income Statement Review Net interest income

H1 2015	\$49.4 million
Pro forma H1 2014	\$47.4 million
December 2014 (IFRS)	\$28.6 million

Net interest income reflects a positive trend with a reported net interest margin of 3.94% on total assets at 30 June 2015 versus 3.34% reported at December 2014 on a pro forma basis. Liquidity pressures during the first half of 2015 in some of the African countries in which the Group operates resulted in subsidiaries sourcing the majority of their funding from interbank lines and more expensive wholesale lenders, negatively impacting the costs of funding, especially in Q1 2015. Some of that pressure was relieved during Q2, particularly in Botswana, but Tanzania, Mozambique and Rwanda continued to experience local currency liquidity pressures. The capping of interest rates and fees by selected local regulators also affected the competitive landscape. Key remedial actions to address such market liquidity challenges are being taken across the Group and include a focus on accessing cheaper sources of liabilities, specifically retail deposits, and longer tenor, lower cost, DFI loan facilities. Net interest income constituted 50% of total income for the Group for both the H1 2015 reported results and H1 2014 pro forma results.

The chart below presents the development in the costs of funds and net interest margin for the periods ending 30 June 2015 and 31 December 2014.



The improvement in cost of funds, even if minimal in some markets, should be read together with the challenges in local currency liquidity (Tanzania, Mozambique and Zambia), the increase in prudential liquidity requirements by Central Banks (Zambia, Nigeria), and fierce market competition to increase lower cost liabilities. These circumstances support the apparent lag in the turn-around of net interest margin bar graphs above, where the benefit of such reduction in cost of funds will become visible during H2 2015, as the repricing of assets also lags the repricing of deposits in many instances.

### Total expenses

H1 2015	\$94.0 million
Pro forma H1 2014	\$89.8 million

Included in the H1 2015 total operating expenditure, is Atlas Mara's corporate centre costs totalling \$16.2 million. This amount includes \$3.7 million of share-based payment awards that is required to be fair valued through the income statement. No such costs were reported in the pro forma H1 2014 results.

Total M&A-related transaction expenses of \$5.4 million in the current period relate to various ongoing acquisition and funding initiatives. These expenses are consistent with Atlas Mara's acquisition-driven growth strategy, but are expected to decrease significantly over time. There is a further \$1.8 million of costs associated with the ADC African Development Corporation AG ("ADC") group of entities and the finalisation of the buy-out of ABC Holdings Limited ("ABCH") minorities (effective July 2015), together with costs relating to simplifying the ADC corporate structure.

Staff costs amounted to \$34.4 million for the period and represented 37% of total expenditures for the Group on an as-reported basis, in line with the pro forma H1 2014 ratio. Included in the 2015 staff costs growth of 22.7% on a constant currency basis are various one-off recruitment and award-related expenses, as well as costs incurred in the right-sizing of ABCH.

Specific technology investment and business improvement expenditures of \$7.9 million referenced above are further cost items expensed in H1 2015, but which will benefit the Group over the long term.

Excluding M&A-related transaction expenses and one-off costs incurred during the period under review, as well as consolidation entries, the reported H1 2015 results would reflect a cost-to-income ratio of 79.8% versus the reported ratio of 95.2%. A more detailed analysis of the total cost base is as follows:

\$'m	H1 2015	H1 2014 PF
Staff costs	(27.2)	(27.2)
Operating expenses	(40.8)	(43.4)
Atlas Mara Corporate Centre (staff costs and operating expenses) <sup>1</sup>	(10.8)	(3.7)
<b>Sub-total</b>	<b>(78.8)</b>	<b>(74.3)</b>
Cost to income ratio	<b>79.8%</b>	77.0%
M&A transaction expenses (staff costs and operating expenses)	(5.4)	(13.6)
One-off cost items and consolidation entries	(9.8)	(1.9)
<b>Atlas Mara consolidated reported cost base</b>	<b>(94.0)</b>	<b>(89.8)</b>
Cost to income ratio	<b>95.2%</b>	93.0%

1. Includes \$3.7 million of share based payments (share buyouts for senior hires).

### Income from Associates

H1 2015	\$10.5 million
Pro forma H1 2014	\$11.8 million

Income from associates represents the equity accounted earnings of the 31.1% stake held both directly and indirectly in UBN, based on their published 30 June 2015 results. The impact of the depreciating Naira and declining oil and other commodity prices represent key focus areas for UBN's management and are being monitored and managed closely. Upon accounting for UBN's results into Atlas Mara, the translation of Naira into US dollar for reporting purposes resulted in a foreign exchange translation loss which was accounted for directly against equity, namely a charge of approximately \$14 million.

### Credit impairments

H1 2015	\$6.1 million
Pro forma H1 2014	\$17.2 million
December 2014 (IFRS)	\$6.3 million

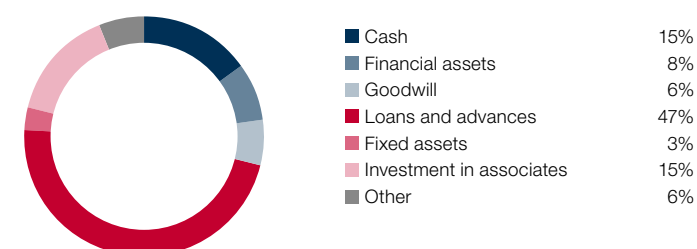
The H1 2015 credit impairment charge was \$6.1 million, driven largely by persistent challenging macroeconomic conditions in Zimbabwe, but represents a marked improvement on the comparative pro forma H1 2014 position. The establishment of the Special Operations Unit to manage the restructuring, resolution and recovery of NPLs has started to yield positive results and further recoveries are expected during the latter half of 2015. Additional impairments recognised during the period were partly offset by fair value adjustments on non-performing loan provisions as part of post-acquisition closing adjustments in line with IFRS3 on ABCH (of \$8.1 million in total).

The Group expects credit quality ratios to continue to improve during 2015, as enhancements to credit origination and monitoring processes are put in place. The arrears book is already showing declines in both volume and value.

### Balance Sheet Review

Total assets	\$2,507 million
Customer loans	\$1,174 million
Total deposits	\$1,463 million

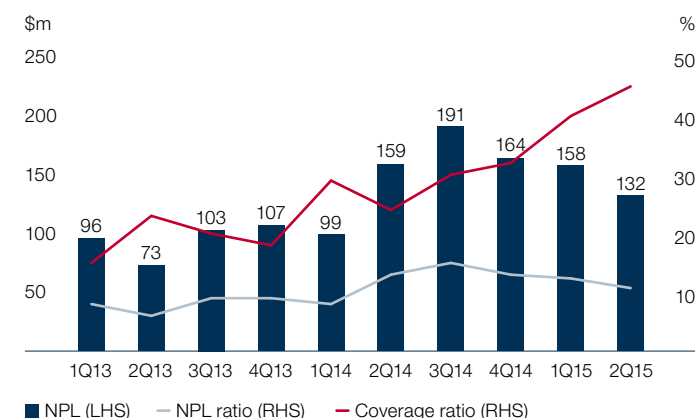
Customer loans and advances contributed approximately 47% of the total asset base, with cash, short-term funds and marketable securities representing approximately 15%. Investments held in government securities constitute 8% of the total asset base. The investment in associate (UBN) represents 15% of the current asset base, and, post the business combinations concluded during 2014 and the subsequent valuation of purchased assets in line with IFRS3, goodwill and intangible assets represent 6% of the Group's asset base. Property and fixed assets/other assets make up the remaining 9%.



### Credit quality

In management's view, the customer loan book is adequately provided for, as reflected in the H1 2015 provision adequacy ratio of 45% (FY 2014: 32.4%). NPLs as a percentage of the loan book of 10.7% are above market averages and management's medium-term guidance, but have been steadily improving from December 2014 levels. The Special Operations Unit, mentioned above, was largely responsible for the positive downward trend in the cost of credit debited against the income statement. The Group remains focused on the legacy non-performing loan book going forward.

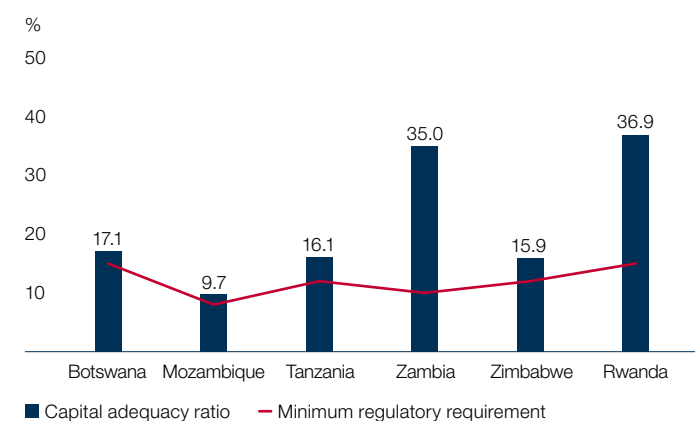
### Credit quality



### Capital position

As at 30 June 2015, all of Atlas Mara's regulated operating banks complied with local minimum capital requirements.

### Capital adequacy





### Goodwill and Intangibles

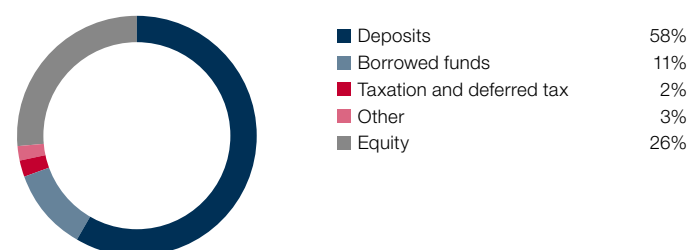
Post the acquisitions made during 2014, and in compliance with IFRS3: Business Combinations rules, the balance sheet reflects a goodwill asset of \$94.9 million and an intangible asset of \$60.3 million. The fair value of said acquisition was reassessed during H1 2015, resulting in the recognition of an additional \$18.5 million of goodwill. The intangible assets are amortised over a 10-year useful life, in accordance with IFRS. Combined, these assets represent 6% of the Group's asset base, resulting in a tangible book value of \$7.00 per share.

### Investment in Associate: UBN

The investment in UBN is equity accounted for on the balance sheet as an Investment in Associate, with a closing balance of \$384.5 million. This value is based on the published June 2015 half-year UBN results. Atlas Mara holds, both directly and indirectly, an effective 31.1% shareholding in UBN.

### Liabilities

Deposits due to customers	\$1,463 million
Borrowed funds	\$284.7 million



Assets are funded mainly through corporate depositors, government-backed institutions and interbank funding lines (82% of total deposit base). The retail liability base of 18% of total deposits represents an improvement from 13% as at pro forma H1 2014 and is indicative of efforts to diversify the funding mix so as to support healthier margins in the longer term. The renewed focus on attracting retail deposits is coupled with an emphasis on accessing lower cost DFI funding through strong partnerships, such as the recently announced partnership with OPIC.

### Segment information

The segmental results and balance sheet information are representative of Atlas Mara's management of its underlying operations and consistent with the Group's emphasis on alignment of its operations with sub-Saharan Africa's key trading blocs. The business is managed on a geographic basis with an increased focus on underlying business line performance going forward.

The seven countries of operation and investment are allocated as follows:

### Southern Africa

Southern Africa includes the operations of BancABC, excluding Tanzania, i.e. Botswana, Mozambique, Zambia and Zimbabwe, as well as BancABC's holding company, ABC Holdings Limited, incorporated in Botswana, and various affiliated non-bank group entities. The financial performance of the Southern region in H1 2015 was supported, among other factors, by asset recoveries emanating from continued management efforts, particularly the increased focus on non-performing loans and the establishment of new collections activities.

In Botswana, due to the low inflationary environment, in February, the BoB reduced its policy rate by 100 bps to 6.5%, resulting in a negative endowment impact in banking revenue across the industry. The negative endowment impact experienced by BancABC Botswana was partly offset by a meaningful reduction in the cost of funding as liquidity pressures eased in the market during the second quarter. Customer volume growth resulted in balance sheet growth of greater than 10% in H1 2015, mainly driven by consumer lending which, specifically in Botswana, has a good track record of low impairments. Increased revenues from commissions on insurance underwriting further contributed to the positive half-on-half performance at BancABC Botswana.

As mentioned above, the Mozambican Metical has depreciated significantly against the US Dollar (YTD by almost -23.7%) owing to large import requirements and start-up costs for investments in the gas sector. This resulted in a volatile currency environment during H1 2015, with banks, including BancABC Mozambique, capitalising on trading opportunities from the volatile foreign exchange market. The cost of funds at BancABC Mozambique declined by 130 bps from 2014 highs, positively contributing to net interest income. This was offset by unexpected impairment charges on the retail portfolio following some employment losses in the mining sector, which are being actively managed. The delayed approval of the government budget, and thus subsequent government spending, has affected the level of economic activity, adversely impacting BancABC Mozambique's non-funded fee income, with transactional volumes on both guarantees and transfers decreasing.

The Bank of Zambia has left the policy rate unchanged at 12.5%. However, it increased statutory reserves from 14% to 18% in April 2015 in an attempt to address Kwacha volatility. This, in turn, significantly increased domestic interest rates. Furthermore, Zambia's recent credit rating downgrade has resulted in a sharp increase in Treasury bill rates, negatively impacting the Zambian banking sector. Given shortages of local currency in the market, it has also become more challenging and costly to manage short-term mismatches on the balance sheet. However, despite these challenges, BancABC Zambia has managed to maintain a largely unchanged cost of funds during the period. Non-interest revenue at BancABC Zambia was largely driven by consumer loan origination. No movements on single name non-performing loans were reported during the period. The depreciating currency had an adverse impact on BancABC Zambia's USD-denominated expenses.

Zimbabwe's economic challenges continue to put negative pressure on business performance and the slowdown in economic activity is expected to continue throughout 2015. BancABC Zimbabwe's results were negatively impacted by liquidity challenges that continue to worsen, exacerbated by persistent trade deficits. Reducing BancABC Zimbabwe's cost of funding remains a key focus and will be achieved through an intense focus on deposit mobilisation. A decrease in BancABC Zimbabwe's loan book had a corresponding impact on interest income as the bank focused on a low-risk lending strategy in a competitive market in a challenging business environment. The positive impact of the Special Operations Unit, tasked with the restructuring, resolution and recovery of non-performing loans, was evident in various asset recoveries at BancABC Zimbabwe during H1 2015 and is expected to continue to positively impact results. Furthermore, various cost reduction and optimisation initiatives have been put in place by management to weather the current challenging market conditions.

### East Africa

East Africa consists of BRD Commercial Bank and BancABC Tanzania. Our Rwandan business has been profitable in 2015. The balance sheet is liquid, presenting the opportunity to capitalise on several identified opportunities. The cost base is largely reflective of a start-up business, including with respect to integration expenditures incurred in preparation for the pending combination with BPR.

In Tanzania, newly introduced regulations by the Central Bank on minimum liquidity requirements had a detrimental effect on market liquidity. The banking industry has experienced an increase in deposit rates which are expected to continue during the lead-up to the release of the 2015/16 Annual National Budget and the October general elections. Notwithstanding relatively high costs of funding, BancABC Tanzania reported a significant increase in interest income and a 260 bps increase in the reported net margin, driven largely by increases in payroll deduction lending marketed through an agency network. Following the de-risking of the loan book and newly embarked upon business strategy, no significant impairments have been raised during H1 2015 and the new management team remains focused on ensuring the growth of a quality asset book. BancABC Tanzania is expected to contribute positively to the Group's earnings in the near future.

### West Africa

West Africa represents the investment made in UBN, adjusted for attributable equity earnings. Our investment in UBN is continuing to perform in line with expectations and, following UBN's reported H1 2015 results on the Nigeria Stock Exchange on 30 July 2015, Atlas Mara has reflected its associate income of \$10.5 million in its H1 2015 results (H1 2014 pro forma: \$11.8 million). The depreciating Naira had around 17% negative impact on associate earnings (in USD terms) recognised for the period.

UBN continues to deliver results from its transformation program and, among the group's achievements, was the successful upgrade of its centralised core banking system. The bank's focus on identified retail and business banking segments has intensified, with management focused on a liquidity-led strategy to reduce the bank's cost of funding and increase its deposit base.

The downwards pressure from various macro- and global economic pressures has not visibly impacted many Nigerian banks' performance reported during H1 2015. UBN's impairments are in line with expectations and considered adequate for the risks inherent in the loan assets on the balance sheet. UBN management and, by way of our three seats on the Board of Directors, Atlas Mara are monitoring the implications of the recent oil price declines and currency weakness on the credit portfolio and capital position very closely. We see positive growth potential for UBN irrespective of challenges in the macroeconomic environment.

### Other

Other includes Atlas Mara Limited, the BVI incorporated holding company, as well as Atlas Mara's Dubai subsidiary and all other intermediate Group holding entities acquired in connection with acquisitions of ABCH and ADC in August 2014. The legal entity structure is in the process of being streamlined with the objective of driving cost efficiencies. Accounting consolidation adjustments are also presented within the Other segment.

The corporate centre of Atlas Mara, depicted in the table below, reflects a net loss of \$11.9 million for H1 2015. The increase in the cost base against the comparable period is reflective of the current "protect" phase of the business model and related investments to ensure sustainable growth and the implementation of a best in class banking Infrastructure.

Included in the column "M&A, ADC and Consol" below are M&A-related expenses incurred in connection with Atlas Mara's acquisition-driven strategy. It is anticipated that these will continue to reduce over time.

Chief Financial Officer's Review of Financial Performance  
continued

Segmental results for H1 2015 are presented below:

	Banking operations				Other	
	Reviewed Reported	West	East	Southern	Atlas Mara Corporate Centre	M&A, ADC, Consol
Atlas Mara Limited Segmental Financial Statements	30.06.15 \$'m	30.06.15 \$'m	30.06.15 \$'m	30.06.15 \$'m	30.06.15 \$'m	30.06.15 \$'m
Net interest income	49.4	–	6.3	48.8	(0.1)	(5.6)
Non-interest revenue	49.4	–	0.4	42.6	(1.0)	7.4
<b>Total income</b>	<b>98.8</b>	<b>–</b>	<b>6.7</b>	<b>91.4</b>	<b>(1.1)</b>	<b>1.8</b>
Impairments	(6.1)	–	0.2	(6.3)	–	–
Net income from associates	10.5	10.5	–	–	–	–
<b>Total operating income</b>	<b>103.2</b>	<b>10.5</b>	<b>6.9</b>	<b>85.1</b>	<b>(1.1)</b>	<b>1.8</b>
Operating expenses	(88.6)	–	(9.3)	(64.1)	(10.8)	(4.4)
Transaction and integration expenses	(5.4)	–	–	–	–	(5.4)
<b>Profit/(loss) before taxation</b>	<b>9.1</b>	<b>10.5</b>	<b>(2.4)</b>	<b>21.0</b>	<b>(11.9)</b>	<b>(8.0)</b>
Taxation	(5.8)	–	(0.3)	(5.3)	–	(0.2)
<b>Profit/(loss) after taxation</b>	<b>3.3</b>	<b>10.5</b>	<b>(2.7)</b>	<b>15.7</b>	<b>(11.9)</b>	<b>(8.2)</b>
Ordinary shareholders	4.1	10.5	(2.1)	15.7	(11.9)	(8.1)
Non-controlling interests	(0.7)	–	(0.6)	–	–	(0.1)
<b>Assets</b>	<b>2,506.6</b>	<b>12.2</b>	<b>246.4</b>	<b>1,698.3</b>	<b>710.5</b>	<b>(160.8)</b>
Cash and short-term funds	374.1	–	56.0	300.9	8.5	8.7
Trading and other financial assets	247.5	–	45.3	181.9	30.7	(10.4)
Loans and advances	1,173.9	–	125.1	1,059.1	–	(10.3)
Intangible assets and goodwill	155.2	–	0.8	8.1	541.4	(395.1)
Investment in associates	384.5	12.2	0.2	2.1	–	370.0
Other assets	171.4	–	19.0	146.2	129.9	(123.7)
<b>Liabilities</b>	<b>1,867.2</b>	<b>–</b>	<b>212.3</b>	<b>1,628.1</b>	<b>42.0</b>	<b>(15.2)</b>
Deposits	1,462.9	–	183.7	1,279.2	–	–
Borrowed funds	284.7	–	16.5	285.4	20.1	(37.3)
Disposal groups held-for-sale	–	–	–	–	–	–
Derivative liabilities	5.6	–	2.5	3.1	–	–
Other liabilities	114.0	–	9.6	60.4	21.9	22.1
<b>Total equity</b>	<b>639.4</b>	<b>12.2</b>	<b>34.1</b>	<b>70.2</b>	<b>668.5</b>	<b>(145.6)</b>
<b>Performance measures</b>						
Net interest margin	3.9%	–	5.1%	6.1%	–	–
Net interest income as % of total income	50.0%	–	94.3%	56.8%	–	–
Credit loss ratio	1.0%	–	0.3%	1.2%	–	–
Loan to deposit ratio	80.2%	–	68.1%	82.8%	–	–
Provision coverage ratio	45.0%	–	55.1%	43.1%	–	–
Impairment as % of gross loans and advances	4.8%	–	8.8%	4.3%	–	–

Full year December 2014 segmental results are presented below:

	Banking operations				Other	
	Pro forma	West	East	Southern	Atlas Mara Corporate Centre	M&A, ADC, Consol
Atlas Mara Limited Segmental Financial Statements	31.12.14 \$'m	31.12.14 \$'m	31.12.14 \$'m	31.12.14 \$'m	31.12.14 \$'m	31.12.14 \$'m
Net interest income	87.9	–	3.2	96.6	–	(11.9)
Non-interest revenue	92.6	–	5.1	65.7	(1.2)	23.0
<b>Total income</b>	<b>180.5</b>	<b>–</b>	<b>8.3</b>	<b>162.3</b>	<b>(1.2)</b>	<b>11.1</b>
Impairments	(32.7)	–	(0.3)	(32.4)	–	–
Net income from associates	36.0	36.0	–	–	–	–
<b>Total operating income</b>	<b>183.8</b>	<b>36.0</b>	<b>8.0</b>	<b>129.9</b>	<b>(1.2)</b>	<b>11.1</b>
Operating expenses	(190.1)	–	(17.4)	(136.2)	(27.3)	(9.2)
Transaction and integration expenses	(38.8)	–	–	–	–	(38.8)
<b>Profit/(loss) before taxation</b>	<b>(45.1)</b>	<b>36.0</b>	<b>(9.4)</b>	<b>(6.3)</b>	<b>(28.5)</b>	<b>(36.9)</b>
Taxation	(3.3)	–	(1.1)	(2.0)	–	(0.2)
<b>Profit/(loss) after taxation</b>	<b>(48.4)</b>	<b>36.0</b>	<b>(10.5)</b>	<b>(8.3)</b>	<b>(28.5)</b>	<b>(37.1)</b>
Ordinary shareholders	(47.8)	36.0	(10.1)	(8.0)	(28.5)	(37.2)
Non-controlling interests	(0.6)	–	(0.4)	(0.3)	–	0.1
<b>Assets</b>	<b>2,637.0</b>	<b>23.0</b>	<b>222.5</b>	<b>1,546.8</b>	<b>733.7</b>	<b>111.1</b>
Cash and short-term funds	409.8	–	63.1	295.5	40.3	10.9
Trading and other financial assets	144.8	–	19.7	125.1	–	–
Derivative financial instruments	0.1	–	(0.7)	0.8	–	–
Loans and advances	1,218.0	–	135.5	1,082.5	–	–
Intangible assets and goodwill	180.8	–	(16.1)	(54.0)	526.8	(275.9)
Investment in associates	397.0	23.0	–	1.6	–	372.4
Other assets	286.5	–	20.9	95.3	166.6	3.7
<b>Liabilities</b>	<b>1,938.0</b>	<b>–</b>	<b>222.4</b>	<b>1,575.0</b>	<b>48.8</b>	<b>92.7</b>
Deposits	1,531.0	–	181.0	1,350.0	–	–
Borrowed funds	300.0	–	17.2	195.6	–	87.2
Disposal groups held-for-sale	1.3	–	–	–	–	1.3
Derivative liabilities	6.3	–	2.8	3.5	–	–
Other liabilities	100.4	–	21.5	25.9	48.8	4.2
<b>Total equity</b>	<b>698.0</b>	<b>23.0</b>	<b>0.1</b>	<b>(28.2)</b>	<b>684.9</b>	<b>18.4</b>
<b>Performance measures</b>						
Net interest margin	3.3%	–	1.4%	6.1%	–	–
Net interest income as % of total income	48.7%	–	38.9%	59.5%	–	–
Credit loss ratio	2.6%	–	0.2%	2.9%	–	–
Loan to deposit ratio	80.8%	–	74.9%	81.6%	–	–
Provision adequacy ratio (NPL)	32.4%	–	54.3%	26.3%	–	–
Impairments as % of gross loans and advances	4.3%	–	13.1%	3.1%	–	–

**Principal risks**

The principal risks as listed and described on pages 50 and 51 of the 2014 Annual Report have been evaluated and individually considered by management. These risks are deemed to be still applicable and no material additional risks have been identified as at the period ended 30 June 2015.

**Arina McDonald**  
Chief Financial Officer

## 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;
- 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.

By order of the Board

### John F. Vitalo

Chief Executive Officer  
28 August 2015

## Independent review report to Atlas Mara Limited

### Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly interim report for the six months ended 30 June 2015 which comprises interim consolidated statement of financial position, statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company 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 Company for our review work, for this report, or for the conclusions we have reached.

### Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly interim report based on our review.

### 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. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

### Andrew Walker

for and on behalf of KPMG LLP  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL  
28 August 2015



**Consolidated statement of financial position**  
at 30 June 2015

	Notes	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
<b>Assets</b>				
Cash and short-term funds		374,150	19,595	409,785
Financial assets held for trading	10	198,009	–	144,767
Financial assets designated at fair value	11	11,740	–	11,826
Derivative financial assets		2	–	62
Loans and advances	6	1,173,860	–	1,218,018*
Investment securities		37,710	286,062	146,051
Prepayments and other receivables		44,981	4,576	30,019
Current tax assets		27,391	–	8,215
Investment in associates	13	384,486	–	375,112
Property and equipment		76,103	–	82,709
Investment property		4,864	–	2,696
Deferred tax assets	15	9,348	–	–
Other Intangible assets	14	60,300	–	71,367
Goodwill on acquisition	14	94,946	–	109,441*
Non-current assets and disposal groups held for sale		8,737	–	11,365
Advances for investments		–	333	–
<b>Total assets</b>		<b>2,506,627</b>	<b>310,566</b>	<b>2,621,433</b>
<b>Equity and liabilities</b>				
Deposits	3	1,462,947	–	1,530,981
Derivative financial liabilities		5,588	–	6,280
Creditors and accruals		68,217	12,671	82,119
Current tax liabilities		24,923	–	5,020
Deferred tax liability	15	20,845	–	13,326
Borrowed funds	2	284,717	–	300,018
Non-current liabilities and disposal groups held for sale		–	–	1,263
<b>Total liabilities</b>		<b>1,867,237</b>	<b>12,671</b>	<b>1,939,007</b>
Founder Preference Shares	4	12,500	12,500	12,500
Share capital	4	772,204	312,795	772,204
Other reserves		(18,550)	(10,134)	(12,211)
Retained earnings		(58,638)	(17,266)	(63,119)
Available-for-sale reserves		26	–	13
Foreign currency translation reserve		(41,833)	–	(1,483)
Treasury shares		(19,396)	–	(19,967)
<b>Equity attributable to ordinary shareholders</b>		<b>646,313</b>	<b>297,895</b>	<b>687,937</b>
Non-controlling interest		(6,923)	–	(5,511)
<b>Total equity</b>		<b>639,390</b>	<b>297,895</b>	<b>682,426</b>
<b>Total equity and liabilities</b>		<b>2,506,627</b>	<b>310,566</b>	<b>2,621,433</b>

\* These balances have been revised in line with IFRS 3 to incorporate the measurement period adjustments allowed in terms of the standard. Refer to note 12 for detailed information.

**Consolidated statement of profit or (loss)**  
for the half-year to 30 June 2015

	Notes	Half-year to 30 June 2015 \$'000	Period to 30 June 2014 \$'000	28 November 2013 – 31 December 2014 \$'000
Interest and similar income	9	123,801	5	80,372
Interest and similar expense	5	(74,384)	–	(51,735)
<b>Net interest income</b>		<b>49,417</b>	<b>5</b>	<b>28,637</b>
Provision for credit impairment losses	8	(6,140)	–	(6,288)
<b>Net interest income after provision for credit losses</b>		<b>43,277</b>	<b>5</b>	<b>22,349</b>
Non-interest income		49,362	(3)	28,774
Net income from equity accounted associates		10,487	–	20,740
<b>Total Operating Income</b>		<b>103,126</b>	<b>2</b>	<b>71,863</b>
Operating expenses		(88,600)	(5,782)	(91,146)
Transaction and integration expenses		(5,426)	(11,486)	(38,761)
<b>Result before tax</b>		<b>9,100</b>	<b>(17,266)</b>	<b>(58,044)</b>
Income tax expense	15	(5,778)	–	(5,408)
<b>Result for the period</b>		<b>3,322</b>	<b>(17,266)</b>	<b>(63,452)</b>
<b>Attributable to:</b>				
Ordinary shareholders		4,055	(17,266)	(63,119)
Non-controlling interests		(733)	–	(333)
		<b>3,322</b>	<b>(17,266)</b>	<b>(63,452)</b>
Basic earnings per share (\$)	16	0.05	(0.56)	(1.35)
Diluted earnings per share (\$)	16	0.05	(0.56)	(1.35)

**Consolidated statement of other comprehensive income**  
for the half-year to 30 June 2015

	Notes	Half-year to 30 June 2015 \$'000	Period to 30 June 2014 \$'000	28 November 2013 – 31 December 2014 \$'000
<b>Result for the period</b>		<b>3,322</b>	<b>(17,266)</b>	<b>(63,452)</b>
<b>Other comprehensive income, net of tax</b>		<b>(37,885)</b>	<b>–</b>	<b>(1,470)</b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>		<b>(37,885)</b>	<b>–</b>	<b>(1,470)</b>
Exchange differences on translating foreign operations		(29,572)	–	(1,483)
Equity-accounted investees – foreign currency translation		(9,514)	–	–
Equity-accounted investees – other comprehensive income		1,188	–	–
Available-for-sale financial assets – net change in fair value		13	–	13
<b>Total comprehensive income for the period, net of tax</b>		<b>(34,563)</b>	<b>(17,266)</b>	<b>(64,922)</b>
<b>Total comprehensive income attributable to:</b>				
Ordinary shareholders		(35,093)	(17,266)	(64,589)
Non-controlling interests		530	–	(333)
		<b>(34,563)</b>	<b>(17,266)</b>	<b>(64,922)</b>

**Consolidated statement of changes in equity**  
for the half-year to 30 June 2015

	Founder Preference Shares \$'000	Shareholders' equity \$'000	Other non-distributable reserves \$'000	Available-for-sale reserves \$'000		Foreign currency translation reserve \$'000	Treasury Shares \$'000	Distributable reserves \$'000	Equity attributable to ordinary shareholders \$'000	Total non-controlling interest \$'000	Total equity \$'000
Results for the period	-	-	-	-		-	-	(17,266)	(17,266)	-	(17,266)
<b>Other comprehensive income:</b>											
Exchange differences on translating foreign operations	-	-	-	-		-	-	-	-	-	-
Movement in available-for-sale reserves	-	-	-	-		-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-		-	-	-	-	-	-
Issue of Founder Preferred Shares	12,500	-	-	-		-	-	-	12,500	-	12,500
Ordinary Shares issued during IPO	-	312,500	-	-		-	-	-	312,500	-	312,500
Issue of Ordinary Shares to Directors	-	295	-	-		-	-	-	295	-	295
IPO share issue expenses	-	-	(10,134)	-		-	-	-	(10,134)	-	(10,134)
<b>Balance as at 30 June 2014</b>	12,500	312,795	(10,134)	-		-	-	(17,266)	297,895	-	297,895
Results for the period	-	-	-	-		-	-	(45,853)	(45,853)	(333)	(46,186)
<b>Other comprehensive income:</b>											
Exchange differences on translating foreign operations	-	-	-	-		(1,483)	-	-	(1,483)	-	(1,483)
Movement in available-for-sale reserves	-	-	-	13		-	-	-	13	-	13
<b>Total comprehensive income</b>	-	-	-	13		(1,483)	-	-	(1,470)	-	(1,470)
Issue of Ordinary Shares on Private Placements	-	300,050	-	-		-	-	-	300,050	-	300,050
Issue of shares on business combinations	-	154,519	-	-		-	-	-	154,519	-	154,519
Employee share awards	-	4,840	1,295	-		-	(2,528)	-	3,607	-	3,606
Private Placement share issue expenses	-	-	(3,751)	-		-	-	-	(3,751)	-	(3,751)
Other movements in capital reserve	-	-	379	-		-	-	-	379	-	379
Shares buy-back	-	-	-	-		-	(17,439)	-	(17,439)	-	(17,439)
Non-controlling interests attributable to business combination	-	-	-	-		-	-	-	-	(5,178)	(5,178)
<b>Opening balance as at 31 December 2014</b>	12,500	772,204	(12,211)	13		(1,483)	(19,967)	(63,119)	687,937	(5,511)	682,426
Results for the period	-	-	-	-		-	-	4,055	4,055	(733)	3,322
<b>Other comprehensive income:</b>											
Exchange differences on translating foreign operations	-	-	-	-		(40,350)	-	-	(40,350)	1,264	(39,086)
Movement in available-for-sale reserves	-	-	-	13		-	-	-	13	-	13
Equity-accounted investees – other comprehensive income	-	-	-	-		-	-	1,188	1,188	-	1,188
<b>Total comprehensive income</b>	-	-	-	13		(40,350)	-	1,188	(39,149)	1,264	(37,885)
Employee share awards	-	-	1,598	-		-	571	-	2,169	-	2,169
Non-controlling interest acquired	-	-	-	-		-	-	-	-	(1,943)	(1,943)
Other movements in capital reserve	-	-	(7,757)	-		-	-	(762)	(8,519)	-	(8,519)
Share of reserves in associate companies	-	-	(180)	-		-	-	-	(180)	-	(180)
Shares bought back to treasury	-	-	-	-		-	-	-	-	-	-
Non-controlling interests attributable to business combination	-	-	-	-		-	-	-	-	-	-
<b>Closing balance as at 30 June 2015</b>	12,500	772,204	(18,550)	26		(41,833)	(19,396)	(58,638)	646,313	(6,923)	639,390

**Consolidated statement of cash flows**  
for the half-year to 30 June 2015

	Note	30 June 2015 \$'000	30 June 2014 \$'000	28 November 2013 – 31 December 2014 \$'000
Profit before tax		9,100	(17,266)	(58,044)
Adjusted for:		–	–	–
Impairment of loans and advances	2	6,140	–	6,288
Depreciation and amortisation		10,733	–	6,551
Fair value gains on investment properties		–	–	118
Net (gains) on financial instruments at FV through profit or loss		(1,800)	–	(1,037)
Gain on discontinued operations		–	–	(1,861)
Gain from associates		(10,467)	–	(7,395)
Bargain purchase accounted in the income statement		–	–	(14,746)
Fair value movements on borrowings		(7,570)	–	(399)
Equity-settled share-based payment transactions		2,169	–	3,606
		8,305	(17,266)	(66,919)
<b>Changes operating assets and liabilities</b>				
Increase in operating assets		98,750	(290,971)	43,320*
Increase in operating liabilities		(83,199)	12,671	6,733
		15,551	(278,300)	50,053
Tax paid		(6,832)	–	(508)
<b>Cash flows from operating activities</b>		<b>17,025</b>	<b>(295,566)</b>	<b>(17,374)</b>
Proceeds on disposal of discontinued operations		1,786	–	4,291
Purchase of property, plant and equipment		–	–	(3,119)
Proceeds on disposal of property and equipment		918	–	143
Additions to investment property		(2,168)	–	(222)
Additions to associates		(8,822)	–	(138,839)
Additions on disposal of associates		(4,884)	–	(252,848)
Net cash inflow resulting from acquisition of subsidiaries		–	–	249,016
<b>Cash flow from investing activities</b>		<b>(13,171)</b>	<b>–</b>	<b>(141,578)</b>
Proceeds from issue of shares		–	312,795	612,845
Founder Shares issued		–	12,500	12,500
Share issue expenses		–	(10,134)	(13,884)
Impact of non-cash event in equity		–	–	(17,439)
Decrease in borrowed funds		(7,137)	–	(26,445)
<b>Cash flows from financing activities</b>		<b>(7,137)</b>	<b>315,161</b>	<b>567,577</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(35,636)</b>	<b>19,595</b>	<b>408,625</b>
<b>Exchange adjustment on opening balance</b>		<b>(32,383)</b>	<b>(32,352)</b>	<b>1,160</b>
<b>Cash and cash equivalents at the start of the period</b>		<b>409,785</b>	<b>19,595</b>	<b>–</b>
Cash and cash equivalents		332,136	19,595	314,767
Statutory reserve balances		42,014	–	95,018
<b>Cash and cash equivalents at the end of the period</b>		<b>374,150</b>	<b>19,595</b>	<b>409,785</b>

\* These balances have been revised in line with IFRS 3 to incorporate the measurement period adjustments allowed in terms of the standard. Refer to note 12 for detailed information.

**Notes to the financial statements**  
for period ended 30 June 2015

**1. Significant accounting policies**

**i. Reporting entity**

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

The Group is a financial services provider in sub-Saharan Africa, founded in late 2013 by Bob Diamond and Ashish J Thakkar and is focused on becoming a premier financial services institution in Africa and aims to support economic growth and strengthen financial systems in the countries in which it operates.

**ii. Compliance with IFRS**

Atlas Mara's Interim Consolidated Financial Statements at 30 June 2015 and notes thereon, as set out on pages 19 to 73, have been prepared in accordance with the Disclosure Rules and Transparency Rules of the Financial Conduct Authority and International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and as endorsed by the European Union ("EU"). The consolidated financial statements of Atlas Mara at 31 December 2014 were prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB, and as endorsed by the EU.

EU-endorsed IFRSs 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. At 31 December 2014, there were no unendorsed standards effective for the period ended 31 December 2014 affecting the consolidated financial statements at that date, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of its application to Atlas Mara. Accordingly, Atlas Mara's financial statements for the period ended 31 December 2014 were prepared in accordance with IFRSs as issued by the IASB.

At 30 June 2015, there were no unendorsed standards effective for the period ended 30 June 2015 affecting these interim consolidated financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of its application to Atlas Mara.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the IFRS Interpretations Committee ("IFRIC") and its predecessor body. At 30 June 2015, there were no unendorsed standards effective for the period then ended 30 June 2015 affecting these interim 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 Atlas Mara.

**iii. Basis of preparation**

The financial statements have been prepared on a historical cost basis except for derivatives investment securities and financial liabilities held at fair value.

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group and company have the resources to continue in business for the foreseeable future.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources. More detail has been included in note 28.

The financial statements are prepared in United States dollars (\$), the functional currency of the Company and presentation currency of the group, and rounded to the nearest thousands (\$'000s) unless otherwise stated.

The information in this Interim Report 2015 is unaudited and does not constitute statutory accounts. The Interim Report 2015 was approved by the Board of Directors on 26 August 2015.

The 31 December 2014 non-statutory accounts were prepared by Atlas Mara Limited for the purposes of meeting the requirements of the Disclosure and Transparency Rules of the UK's Financial Conduct Authority. These accounts are described as non-statutory as they have not been prepared under the requirements of the UK Companies Act 2006. The auditor has reported on the non-statutory accounts. Its report was unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

The accounting policies applied for these interim consolidated financial statements are consistent with those described in the Annual Report.

**iv. Use of estimates and judgements**

The preparation of financial information requires the use of estimates and assumptions about future conditions. The use of available information and the application of judgement are inherent in the formation of estimates; actual results in the future may differ from those reported.



## 1. Significant accounting policies continued

Management believes that the critical accounting policies where judgement is necessarily applied are those related to the following, the details of which have been included in the relevant note references of the Annual Report and Accounts 2014.

- Provision for credit losses (refer to note 8);
- Fair value of financial instruments (refer to note 26);
- Goodwill impairment (refer to note 14);
- Share-based payments;
- Fair value of assets and liabilities acquired in business combinations (refer to note 12); and
- Investment in associate (refer to note 13).

Except for changes as a result of the impact of the IFRS 3 measurement period adjustments, which do not, in terms of IFRS 3 constitute changes in estimates, the estimates as disclosed in the Annual Report are still considered to be relevant with no changes to these noted in the period.

## Sources of funding

### 2. Borrowed funds

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Other borrowed funds	284,717	–	300,018
<b>Other borrowed funds</b>	<b>284,717</b>	<b>–</b>	<b>300,018</b>
Borrowed funds – at fair value through Profit/Loss	71,185	–	60,471
Borrowed funds – amortised cost	213,532	–	239,547
	<b>284,717</b>	<b>–</b>	<b>300,018</b>
<b>Carrying value</b>			
Other	69,297	–	36,532
BIFM Capital Investment Fund One (Pty) Ltd	25,992	–	29,014
Norsad Finance Limited	–	–	12,046
Shelter Afrique	–	–	10,891
Kuhanha	–	–	14,324
Afreximbank	79,516	–	85,340
Deutsche Bank	–	–	24,707
ADC AG Bond	–	–	26,694
Standard Chartered	65,016	–	60,470
Trafigura	20,123	–	–
Africa Agriculture and Trade Investment Fund SA	24,773	–	–
	<b>284,717</b>	<b>–</b>	<b>300,018</b>

### Maturity analysis

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
On demand to one month	10,104	–	4,105
One to three months	15,984	–	8,454
Three months to one year	89,389	–	108,044
Over one year	169,240	–	179,415
	<b>284,717</b>	<b>–</b>	<b>300,018</b>

## 3. Deposits

Deposits represent deposits from customers and banks taken in the ordinary course of the Group's banking operations.

## 4. Stated capital

### 4.1 Authorised

#### Authorised and issued share capital

	30 June 2015		30 June 2014		31 December 2014	
	No. of shares <sup>1</sup> (‘000)	\$'000	No. of shares (‘000)	\$'000	No. of shares <sup>1</sup> (‘000)	\$'000
Opening balance	72,459	772,204	–	–	–	–
Issued from IPO proceeds in December 2013	–	–	31,250	312,500	31,250	312,500
Issued to Directors in December 2013	–	–	30	295	30	295
Issued on acquisition of 95.17% of ADC in August 2014	–	–	–	–	11,263	128,394
Issued on acquisition of 58.09% of BancABC in August 2014	–	–	–	–	2,031	24,367
Issued from Private Placement proceeds in August 2014	–	–	–	–	27,277	300,050
Issued to Executive Directors in September 2014	–	–	–	–	300	3,305
Issued to Advisor proceeds in September 2014	–	–	–	–	112	1,349
Issued to Employees in November 2014	–	–	–	–	162	1,535
Issued on mandatory offer of ABC in November 2014	–	–	–	–	34	409
<b>Total</b>	<b>72,459</b>	<b>772,204</b>	<b>31,280</b>	<b>312,795</b>	<b>72,459</b>	<b>772,204</b>
Founder Preference Shares	1,250	12,500	1,250	12,500	1,250	12,500
		<b>784,704</b>		325,295		784,704

1. Comprises Ordinary Shares and Share Warrants.

### 4.2 Issued and fully paid

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Ordinary Share Capital	772,204	312,795	772,204
	<b>772,204</b>	312,795	772,204

The holders of Ordinary Shares are entitled to receive a dividend as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company. Treasury shares comprise the cost of the Company's own shares held by subsidiaries.

### Share Warrants

On 17 December 2013, the Company issued 32,529,500 Warrants to its Warrant subscribers, pursuant to a resolution of the Board passed on 16 December 2013. Each Warrant entitles a Warrant holder to subscribe for one-third of an Ordinary Share upon exercise. Warrant holders will have subscription rights to subscribe in cash for all or any whole number of Ordinary Shares at an exercise price of \$11.50 during the period commencing on 17 December 2013 and ending on the earlier to occur of (i) the third anniversary of the completion of the Company's initial acquisition and (ii) such earlier date as determined by the Warrant Instrument. For more information regarding the Warrants, please see the IPO prospectus dated 17 December 2013.

## Cost of funding

### 5. Interest expense

	Half-year to 30 June 2015 \$'000	Period to 30 June 2014 \$'000	Period to 31 December 2014 \$'000
<b>Interest and similar expense</b>			
Deposits	(60,015)	–	(39,876)
Borrowed funds	(12,320)	–	(11,853)
Securities lent and repurchase agreements	(2,049)	–	(6)
Interest and similar expense	(74,384)	–	(51,735)

## Utilisation of funds

### 6. Loans and advances

#### Loans and advances

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014* \$'000
Mortgage lending	62,839	–	66,320
Instalment finance	60,121	–	62,953
Corporate lending	502,404	–	479,473
Commercial and property finance	26,158	–	51,434
Consumer lending	536,496	–	565,856
	1,188,018	–	1,226,036
Less impairments (note 7)	(14,158)	–	(8,018)
<b>Net loans and advances</b>	<b>1,173,860</b>	–	1,218,018

\* These balances have been revised in line with IFRS 3 to incorporate the measurement period adjustments allowed in terms of the standard. Refer to note 12 for detailed information.

## 7. Impairment allowance

### 7.1 Reconciliation of impairment allowance for loans and advances by market segment

		30 June 2015					
		Mortgage lending \$'000	Instalment finance \$'000	Corporate lending \$'000	Commercial and property finance \$'000	Consumer lending \$'000	Gross loans and advances \$'000
<b>1 January 2015</b>	Opening balance	25	409	4,563	861	2,160	8,018
	Exchange Rate Adjustment	2	(6)	(109)	(18)	(70)	(201)
	Reclassification	–	–	(80)	–	–	(80)
	Impairments created	295	807	20,915	171	126	22,314
	Impairments released	–	–	(461)	–	–	(461)
	Recoveries	–	–	(9,611)	–	–	(9,611)
	Bad Debt written-off	–	–	(5,856)	–	–	(5,856)
	Suspended interest	–	–	35	–	–	35
<b>30 June 2015</b>	<b>Closing balances</b>	<b>322</b>	<b>1,210</b>	<b>9,396</b>	<b>1,014</b>	<b>2,216</b>	<b>14,158</b>
	Individual impairment	131	1,844	8,787	136	1,994	12,892
	Gross amount of loans individually determined to be impaired, before conducting the individually assessed impairment allowance	2,185	18,835	82,235	956	12,972	117,183
		30 June 2014					
		Mortgage lending \$'000	Instalment finance \$'000	Corporate lending \$'000	Commercial and property finance \$'000	Consumer lending \$'000	Gross loans and advances \$'000
<b>28 November 2013</b>	Opening balance	–	–	–	–	–	–
	Exchange Rate Adjustment	–	–	–	–	–	–
	Reclassification	–	–	–	–	–	–
	Impairments created	–	–	–	–	–	–
	Impairments released	–	–	–	–	–	–
	Recoveries	–	–	–	–	–	–
	Interest accrued on impaired loans and advances	–	–	–	–	–	–
	Suspended interest	–	–	–	–	–	–
<b>30 June 2014</b>	<b>Closing balances</b>	–	–	–	–	–	–
	Individual impairment	–	–	–	–	–	–
	Gross amount of loans individually determined to be impaired, before conducting the individually assessed impairment allowance	–	–	–	–	–	–

## 7.1 Reconciliation of impairment allowance for loans and advances by market segment continued

		31 December 2014					Gross loans and advances
		Mortgage lending	Instalment finance	Corporate lending	Commercial and property finance	Consumer lending	\$'000
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
28 November 2013	Exchange Rate Adjustment	14	247	1,308	–	161	1,730
	Impairments created	11	162	3,255	861	1,999	6,288
	Impairments released	–	–	–	–	–	–
	Recoveries	–	–	–	–	–	–
	Interest accrued on impaired loans and advances	–	–	–	–	–	–
	Suspended interest	–	–	–	–	–	–
<b>31 December 2014</b>	<b>Closing balances*</b>	25	409	4,563	861	2,160	8,018
	Individual impairment	25	409	4,563	861	2,160	8,018

Gross amount of loans individually determined to be impaired, before conducting the individual impairment assessment

	811	7,803	86,640	8,570	19,403	123,227
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\* These balances have been revised in line with IFRS 3 to incorporate the measurement period adjustments allowed in terms of the standard. Refer to note 12 for detailed information.

The gross loans and advances disclosed above represents the fair value in line with IFRS3. In terms of a fair value model expected losses are included in the disclosed fair values (refer to note 12). Loans and advances acquired in a business combination is initially measured at fair value and subsequently at amortised cost.

## 7.2 Allowance for credit losses

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

		30 June 2015		
		Collective allowance for credit losses	Individual allowance for credit losses	Total
		\$'000	\$'000	\$'000
Opening balance		–	8,018	8,018
Additions	1 January – 30 June 2015	1,296	21,018	22,314
Reversals	1 January – 30 June 2015	–	(15,973)	(15,973)
Exchange rate adjustment	1 January – 30 June 2015	–	(201)	(201)
<b>Balance as at 30 June 2015</b>		<b>1,296</b>	<b>12,862</b>	<b>14,158</b>

The specific allowance for credit losses of \$12.9 million exclusively relates to loans and advances to customers.

		30 June 2014		
		Collective allowance for credit losses	Individual allowance for credit losses	Total
		\$'000	\$'000	\$'000
Additions	1 January – 30 June 2014	–	–	–
Reversals	1 January – 30 June 2014	–	–	–
Exchange rate adjustment	1 January – 30 June 2014	–	–	–
<b>Balance as at 30 June 2014</b>		<b>–</b>	<b>–</b>	<b>–</b>

		31 December 2014		
		Collective allowance for credit losses	Individual allowance for credit losses	Total
		\$'000	\$'000	\$'000
Additions	28 November 2013 – 31 December 2014	–	6,288	6,288
Reversals	28 November 2013 – 31 December 2014	–	–	–
Exchange rate adjustment	28 November 2013 – 31 December 2014	–	1,730	1,730
<b>Balance as at 31 December 2014</b>		<b>–</b>	<b>8,018</b>	<b>8,018</b>

The specific allowance for credit losses of \$8 million exclusively relates to loans and advances to customers.

## 8. Provision for impairment losses

	Half-year to 30 June 2015	Period to 30 June 2014	Period to 31 December 2014
	\$'000	\$'000	\$'000
Individual impairments	(4,844)	–	–
Collective impairment	(1,296)	–	(6,288)
<b>Total impairment charge</b>	<b>(6,140)</b>	<b>–</b>	<b>(6,288)</b>

## 9. Interest income

	Half-year to 30 June 2015	Period to 30 June 2014	Period to 31 December 2014
	\$'000	\$'000	\$'000
<b>Interest and similar income</b>			
Unwind of fair value adjustment to loans and advances acquired at fair value through business combination	9,607	–	498
Cash and short-term funds	4,832	5	1,321
Investment securities and dated financial instruments	3,280	–	4,454
Loans and advances at amortised cost	94,083	–	73,995
Other interest income	7,964	–	94
Financial investments – available-for-sale	4,035	–	10
<b>Interest and similar income</b>	<b>123,801</b>	<b>5</b>	<b>80,372</b>



## 10. Financial assets held for trading

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Government bonds	27,508	–	18,975
Corporate bonds	7,142	–	9,740
Treasury bills and other open market instruments	163,359	–	116,052
	<b>198,009</b>	–	144,767
<b>Financials assets held for trading pledged as collateral</b>			
Government bonds	22,464	–	–
Corporate bonds	6,811	–	–
Treasury bills and other open market instruments	46,968	–	39,171
	<b>76,243</b>	–	39,171
<b>Financial assets held-for-trading</b>	<b>198,009</b>	–	144,767

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

All financial assets held for trading are carried at fair value in 2014 and for the six months ended 30 June 2015.

## 11. Financial assets designated at fair value

### Financial assets designated at fair value through profit or loss

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Listed equities	1,330	–	948
Unlisted equities and debentures	10,410	–	10,878
<b>Financial assets designated at fair value</b>	<b>11,740</b>	–	11,826

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. Business combinations

On 21 August 2014, the Group acquired 96.87% of the voting shares of BancABC, the parent company of a number of sub-Saharan Africa banks operating under the BancABC brand that offer a diverse range of financial services including personal, business and corporate banking as well as asset management, stockbroking and treasury services. BancABC has its primary listing on the Botswana Stock Exchange and a secondary listing on the Zimbabwe Stock Exchange. The Group acquired ABC Holdings Limited because it provides Atlas Mara a multi-country, multi-product platform in high growth markets in Southern Africa.

Atlas Mara obtained the 96.87% in ABC Holdings Limited through the following investments:

- Investment by Atlas Mara into ADC – 95.17%, now increased to 100%
- Investment by ADC into ABCH – 37.87%

The total of which is therefore an investment by Atlas Mara into ABCH of 36.04% (see through investment), now increased to 37.87%.

- Investment by Atlas Mara into BancABC – 58.09%
- Investment by Atlas Mara into BancABC Mandatory Offer – 2.74%, now 3.19%

Total investment is therefore now 98.7%, previously 96.87%.

	BancABC	ADC	BRD
Date of acquisition	21 August 2014	21 August 2014	1 October 2014
Percentage of voting equity instruments acquired (%) <sup>1</sup>	98.70%	100.00%	100.00%
Contribution to net profit/(loss) since acquisition (\$'000)	(4,818)	3,154	265

1. Percentages of voting equity instruments acquired are shown as at 30 June 2015.

### Critical accounting estimates and judgements

Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values (measured in terms of IFRS 13). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

#### Incomplete initial accounting

As per the requirements of IFRS 3.45 the initial accounting for the acquisition of BancABC was considered to be incomplete as at 31 December 2014 due to the following key factors:

- The valuation of certain loans and advances have not been completed. This is due to the fact that management believes there may be facts and circumstances that existed at the acquisition date that have not been factored into the impairment calculations of these loans.
- The assessment of the recoverability of certain deferred tax assets that have been recognised in the Group.
- Existence of potential fines and penalties related to instances of non-compliance with key laws and regulations, that had been identified by both management and local regulators, the value of which was still to be determined.

During the six months ended 30 June 2015, the accounting was finalised and the following adjustments recognised:

- Write-off of deferred tax assets in respect of BancABC (both at the holding company level and at BancABC Tanzania).
- Recognition of accrual for penalties and fines in respect of instances of non-compliance.
- The fair value of loans and advances was reduced by \$18.5 million based on revised estimated probabilities of default and loss given default under an IFRS fair value model. The values are most sensitive to changes in the funding rate, recovery costs and the average contractual rate.

The fair value for non-financial assets is calculated by considering the highest and best use of the asset from the perspective of the market participants.

In respect of the items listed above, the following was applied in calculating the at-acquisition fair values of assets acquired and liabilities assumed:

#### Deferred tax and income tax:

There were material deferred tax balances included in the carrying amounts of the assets of BancABC group. In evaluating the assets and liabilities in the business combination, the Group re-assessed the probability of there being future taxable profits against which these could be utilised within the next five years. The most significant of these assets related to BancABC and ABC Tanzania and it was concluded that the full amount would not be recoverable in the five-year period.

#### Loans and advances

The fair value of the portfolio was determined by calculating the present value of the projected cash flows of the bank's loan portfolio. This was done separately for the performing, arrears and defaulted parts of the portfolio. As part of this assessment, credit risk was incorporated through an adjustment to the expected cash flows which reflects the potential lifetime credit losses incurred in the portfolio.

This credit risk is applied to the performing and non-performing portfolios through the incorporation of internally-calculated, as well as benchmark probability of default (PDs) and loss given default LGDs.

The results indicated that the overall fair value of the loans and advances as at 31 August 2014 would \$1,160.7 million, indicating an additional fair value adjustment of \$18.5 million.

## 12. Business combinations continued

### Critical accounting estimates and judgements continued

#### Goodwill arising on acquisition

In note 29 on page 136 of the Atlas Mara annual report for 2014, it was disclosed that the initial accounting for the acquisition of BancABC was considered to be incomplete due to the factors listed above.

The fair value of the loans and advances portfolio was determined by calculating the present value of the projected cash flows of the bank's loan portfolio. This was done separately for the performing, arrears and defaulted segments of the portfolio. As part of this assessment, credit risk was incorporated through adjustments to the expected cash flows which reflects the potential lifetime credit losses incurred in the portfolio.

This credit risk is applied to the performing and non-performing portfolios through the incorporation of internally-calculated, as well as benchmarked probability of default (PD) and loss given default (LGDs) calibrations. The outcome of this review is a lower loans and advances fair value of \$1,162 million compared to the originally estimated \$1,180 million, resulting in additional goodwill of \$18.5 million.

As result of the completion of this process and the impact of the adjustments (most notably on the fair value of loans and advances in Zimbabwe), the allocation of goodwill was revised.

Following the acquisition and upon performing detailed evaluation of the operations, nature of business and the ability of Atlas Mara to bring synergies that would significantly improve business growth it was concluded that as at the date of acquisition the business in Zimbabwe was unlikely to grow significantly given its "top 5 ranking" in the market, as a result of the acquisition. The Atlas Mara opportunity in this market is to ensure that the top five position is maintained and protected in future. The envisaged synergies that arise as a result of the business combination are expected to significantly arise from Botswana, Mozambique and Zambia based on the growth potential in those markets.

The re-allocation is deemed to be a change to a critical estimate and judgement in 2015. The impact on the prior year income statement arising from this change in estimate is \$0 million.

The initial and subsequent goodwill allocation are presented in the table below:

	31 December 2014 \$'m	Revised Goodwill allocation as at 31 August 2014 \$'m
Botswana	22.6	35.0
Zimbabwe	20.0	–
Zambia	7.7	25.8
Mozambique	11.3	19.3
	61.6	80.1

Total goodwill of \$109.4 million (2014: \$90.9 million) includes \$29.3 million allocated to West Africa. This has remained unchanged.

After hindsight adjustments for fair values, shown above, the details of the fair value of the assets and liabilities acquired and goodwill arising are as follows:

	Estimated fair value at time of acquisition \$'000	Revised fair value at time of acquisition \$'000	Measurement period adjustments \$'000
<b>BancABC</b>			
Cash and short-term funds	326,946	326,946	–
Financial assets held for trading	205,874	205,874	–
Financial assets designated at fair value	23,449	23,449	–
Derivative financial assets	1,071	1,071	–
Loans and advances	1,180,721	1,162,221	(18,500)
Investment securities	7,345	7,345	–
Prepayments and other receivables	24,070	24,070	–
Current tax assets	3,869	3,869	–
Investment in associates	1,496	1,496	–
Property and equipment	82,693	82,693	–
Investment property	2,692	2,692	–
Intangible assets	74,534	74,534	–
Deferred tax assets	(5,538)	(5,538)	–
Deposits	(1,538,589)	(1,538,589)	–
Derivative financial liabilities	(3,667)	(3,667)	–
Creditors and accruals	(25,855)	(25,855)	–
Current tax liabilities	(3,934)	(3,934)	–
Deferred tax liability	(1,995)	(1,995)	–
Borrowed funds	(208,203)	(208,203)	–
<b>Net Asset Value</b>	146,979	128,479	(18,500)
Less: Minority interest	(4,719)	(4,719)	–
Goodwill	61,779	80,279	–
<b>Total purchase consideration</b>	204,039	204,039	–
<b>Cost of acquisition</b>	204,039	204,039	–
Less: Non-cash consideration	(100,693)	(100,693)	–
<b>Cash consideration paid</b>	103,346	103,346	–
Less: Cash and cash equivalents in subsidiary acquired	(326,946)	(326,946)	–
<b>Cash inflow on acquisition</b>	(223,600)	(223,600)	–

#### Other acquisitions

##### African Development Corporation (ADC)

On 21 August 2014, the Group acquired 95.17% of the voting shares of African Development Corporation (ADC), a German open market listed holding company with investments in sub-Saharan Africa. ADC has a strong footprint in Southern Africa via BancABC.

The Group acquired ADC because it held 37.87% investment in ABC Holdings Limited. Atlas Mara (ATMA) obtained the 95.17% in ADC through the purchase of 95.17% of shares in ADC. This has now been increased to 100%.

##### BRD Commercial

On 15 October 2014, the Group acquired 100% of the voting shares of Development Bank of Rwanda's (BRD) Commercial Bank, which was formed after an internal reorganization and subsequent transfer of its existing commercial banking assets and liabilities into a newly incorporated Commercial Bank, which is expected to receive a full commercial banking license.

The Group acquired BRD Commercial because with the entry point in Rwanda, Atlas Mara will focus on organically growing the balance sheet, developing new products geared towards the under-served SME/retail market and deploying innovative technology to drive the business. Atlas Mara (ATMA) obtained the 100% in BRD through the payment of assets taken over and a contribution to Regulatory capital.

There have been no changes in the acquisition accounting and fair values of the assets and liabilities reported as at 31 December 2014. Refer to note 29 in the Atlas Mara Annual Report.

### 13. Investments in associates

The recoverable amount of an investment in an associate or a joint venture shall be assessed for each associate or joint venture, unless the associate or joint venture does not generate cash inflows from continuing use that are largely independent of those from other assets of the entity.

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
<b>Carrying value at the beginning of the period</b>	<b>375,112</b>		
Acquired through business combinations	–	–	113,905
Share of profits	<b>10,487</b>	–	7,395
Share of OCI	<b>1,188</b>	–	218
Exchange rate adjustment	<b>(11,124)</b>	–	(12,601)
Tax associated	–	–	24
Additions during year	<b>8,823</b>	–	266,171
<b>Investment in associates</b>	<b>384,486</b>	–	375,112

#### Purchase of Union Bank of Nigeria (UBN)

On 19 December 2014, the Group acquired 21.16% of the voting shares of Union Bank of Nigeria (UBN), a company incorporated in 1917 and listed on the Nigerian Stock Exchange. Subsequently Atlas Mara has acquired an additional 0.94%. 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 fair value of the net asset values acquired were deemed to be provisional as at 30 June 2015, these values are still provisional.

Atlas Mara (ATMA) obtained the 21.16% in UBN through a purchase of 3,584,312,182 shares, and subsequently obtained an additional 0.94% representing 1,690,643,545 shares.

The investment in UBN is equity accounted using the financial information of UBN for the period 1 January 2015 to 30 June 2015.

The local currency of UBN is Nigerian Naira.

The share of equity presented on page 31 represents only the direct 22.1% shareholding, whereas the carrying value is representative of the effective holding. The current book value per share of UBN is 13.22 Naira per share and while the share is no longer actively traded, as at 30 June 2015, Atlas Mara has objective evidence that the value that approximates FV is in the range of 20-26 NGN per share, which would equate to a value of \$490 million.

The following table illustrates the summarised financial information of the Group's investment in UBN for the period ended 30 June 2015.

The financial year-end of UBN is 31 December.

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Dividends received from associate	–	–	–
Current assets	<b>2,444,814</b>	–	2,602,401
Non-current assets	<b>2,960,411</b>	–	2,704,520
<b>Total assets</b>	<b>5,405,225</b>	–	5,306,921
Current liabilities	<b>3,376,672</b>	–	3,005,192
Non-current liabilities	<b>891,273</b>	–	1,203,230
<b>Total liabilities</b>	<b>4,267,945</b>	–	4,208,422
Group's share of equity (22.1%)	<b>251,339</b>	–	232,442
Carrying value of the investment in associate	<b>261,671</b>	–	266,171
Revenue	<b>199,168</b>	–	408,206
Profit/Loss from continuing operations	<b>31,842</b>	–	48,091
Group's share of profit for the period (22.1%)	<b>6,887</b>	–	362
Post-tax profit or loss from discontinued operations	<b>986</b>	–	(3,958)
Other comprehensive income	<b>2,801</b>	–	3,538
Group's share of total comprehensive income (22.1%)	<b>7,811</b>	–	27

The risks directly associated with the investment are foreign exchange risk, equity pricing risk and 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). Although the current carrying value exceeds the share of equity, the investment is not impaired.



### 13. Investments in associates continued

#### Union Global Partners Limited (“UGPL”)

The Group acquired 14.74% of the voting shares of Union Global Partners Limited (UGPL) through the acquisition of ADC on 21 August 2014, a company whose country of incorporation is Mauritius, in order to acquire shares in Union Bank of Nigeria.

Atlas Mara (ATMA) indirectly controls 14.74% of UGPL.

The investment in UGPL is equity accounted using the financial statements of UGPL (prepared in accordance with IFRS) as at 30 June 2015.

The local currency of UGPL is US dollars.

The following table illustrates the summarised financial information of the Group's investment in UGPL:

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Dividends received from associate	–	–	–
Current assets	1,909	–	1,775
Non-current assets	511,091	–	481,722
<b>Total assets</b>	<b>513,000</b>	–	483,497
Current liabilities	657	–	508
Non-current liabilities	–	–	–
<b>Total liabilities</b>	<b>657</b>	–	508
Group's share of equity (14.74%)	75,519	–	71,193
Carrying value of the investment in associate	75,519	–	71,193
Revenue	29,354	–	(142,858)
Loss from continuing operations	–	–	(142,882)
Group's share of profit for the year (14.74%)	4,327	–	(21,061)
Post-tax profit or loss from discontinued operations	–	–	–
Other comprehensive income	–	–	–
Total comprehensive income	29,354	–	(142,882)
Group's share of other comprehensive income (14.74%)	4,327	–	–

This is an indirect investment into UBN and therefore exposes the Group to the risks listed above.

### 14. Intangible assets and goodwill

#### Critical accounting estimates and judgements

##### Allocation of goodwill to CGUs

The goodwill that arose in the acquisition of BancABC and ADC has been allocated to the cash-generating units based on the following basis:

- The primary quantitative indicator used for the allocation of goodwill is based on the debt value of each underlying operating bank in the Group combined with management's view, based on judgement of current and future operating performance, asset quality and managements judgement on the probability of future synergies that will arise as a result of the business combination.
- The allocation of goodwill to non-core operating entities was limited.
- Secondary allocation of goodwill to the lowest level of CGU presented per IFRS 8 was based on management's judgement of current and future operating performance and asset quality and current asset contribution.

The table below illustrates the allocation of goodwill to the operating banks acquired.

\$'m	Weighted by debt value	Allocation	
		Retail	Wholesale
Botswana	35.0	19.0	16.0
Zimbabwe	–	–	–
Zambia	25.8	10.3	15.5
Mozambique	19.3	3.3	16.0
West Africa	29.3	–	29.3
<b>Total</b>	<b>109.4</b>	<b>32.6</b>	<b>76.8</b>

##### Impairment testing

IFRS requires annual impairment testing of goodwill or when an impairment trigger exists. Where there is no impairment trigger, there is no need for a interim goodwill impairment test or the use of the two-step approach.

An impairment test was performed at the Group level for goodwill that arose as a result of the BancABC acquisition as at the acquisition date.

Due to the economic challenges that have intensified in Zimbabwe and the slowdown in economic activity that is expected to continue there was deemed to be an impairment trigger. On the basis that goodwill was initially allocated to Zimbabwe an impairment test was performed at 30 June 2015. The calculation was concluded and no impairment exists.

In respect of this goodwill, a comprehensive assessment of the underlying cash-generating units has taken place. This assessment included a review of the forecast financial information. At the time of the completion and finalisation of this document a review was performed on the forecasts of these CGUs and confirmed that there had been no material changes to the business that would negatively impact on the valuation.

The review and testing of goodwill for impairment inherently requires significant management judgement as it requires management to derive the best estimates of the identified CGUs' future cash flows. The principal assumptions considered in determining an entity's values are:

**Future cash flows** – the forecast periods adopted reflect a set of cash flows that, based on management judgement and expected market conditions, could be sustainably generated over such a period. A forecast period of five years has been used. The cash flows from the final discrete cash flow period were extrapolated into perpetuity to reflect the long-term plans for the entity. It is common valuation methodology to avoid placing too high a proportion of the total value on the perpetuity value.

**Discount rates** – the cost of equity (“CoE”) percentages were derived from an equity pricing model deemed appropriate based on the entities under review. The risk-free rate used to determine the CoE has been derived from the 10-year US treasury bonds as at 30 June 2015. The future cash flows are discounted using the CoE assigned to the appropriate CGUs and by nature can have a significant effect on their valuations.

The following table summarises the impairment test methodology applied and the key inputs used in testing the Group's goodwill collectively in respect of 31 August 2015 and Zimbabwe (updated for 30 June 2015).

	Botswana	Mozambique	Zambia	Zimbabwe	West Africa
Discount rate (%)	13.9	17.4	16.7	26.0	24.2
Terminal growth rate (%)	1.9	1.9	1.9	1.9	1.9
Forecast period (years)	5	5	5	5	5

The calculation is most sensitive to a change in the discount rate.

#### 14. Intangible assets and goodwill continued

##### Other intangible assets

Software and other intangible assets have a useful life as disclosed above. These intangible assets are amortised over those periods. The other intangible assets have been assessed for indications of impairment and at 31 December 2014 there are no indications of impairment.

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Goodwill	94,946	–	109,441
Software	5,429	–	7,470
Intangible assets on acquisition	54,871	–	63,897
	155,246	–	180,808

	Half-year to 30 June 2015			
	Goodwill* \$'000	Software \$'000	Intangibles \$'000	Total \$'000
<b>Intangible assets and goodwill</b>				
Opening balance	109,441	8,197	66,100	183,738
Exchange rate adjustment	(14,495)	(1,565)	(5,967)	(22,027)
Total impairment losses	–	–	–	–
Negative goodwill	–	–	–	–
Reclassifications	–	–	–	–
Additions during year	–	592	–	592
<b>Cost or valuation at period end</b>	<b>94,946</b>	<b>7,224</b>	<b>60,133</b>	<b>162,303</b>
<b>Impairment losses</b>				
Opening balance	–	(727)	(2,203)	(2,930)
Exchange rate adjustment	–	918	–	918
Amortisation during the period	–	(1,986)	(3,059)	(5,045)
Reclassifications	–	–	–	–
<b>Accumulated impairment</b>	<b>–</b>	<b>(1,795)</b>	<b>(5,262)</b>	<b>(7,057)</b>
<b>Carrying value at period end</b>	<b>94,946</b>	<b>5,429</b>	<b>54,871</b>	<b>155,246</b>

	Half-year to 30 June 2014			
	Goodwill \$'000	Software \$'000	Intangibles \$'000	Total \$'000
<b>Intangible assets and goodwill</b>				
Opening balance	–	–	–	–
Exchange rate adjustment	–	–	–	–
Total impairment losses	–	–	–	–
Negative goodwill	–	–	–	–
Reclassifications	–	–	–	–
Additions during year	–	–	–	–
<b>Cost or valuation at period end</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Impairment losses</b>				
Opening balance	–	–	–	–
Exchange rate adjustment	–	–	–	–
Amortisation during the period	–	–	–	–
Reclassifications	–	–	–	–
<b>Accumulated impairment</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Carrying value at period end</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

\* These balances have been revised in line with IFRS 3 to incorporate the measurement period adjustments allowed in terms of the standard. Refer to note 12 for detailed information.

	Period to 31 December 2014			
	Goodwill* \$'000	Software \$'000	Intangibles \$'000	Total \$'000
<b>Intangible assets and goodwill</b>				
Net balance acquired through business combinations	–	8,434	–	8,434
Exchange rate adjustment	(199)	(1,076)	–	(1,275)
Total impairment losses	–	–	–	–
Negative goodwill	–	–	–	–
Reclassifications	–	–	–	–
Additions during year	109,640	839	66,100	176,579
<b>Cost or valuation at period end</b>	<b>109,441</b>	<b>8,197</b>	<b>66,100</b>	<b>183,738</b>
<b>Impairment losses</b>				
Exchange rate adjustment	–	670	–	670
Amortisation during the period	–	(1,397)	(2,203)	(3,600)
Reclassifications	–	–	–	–
<b>Accumulated impairment</b>	<b>–</b>	<b>(727)</b>	<b>(2,203)</b>	<b>(2,930)</b>
<b>Carrying value at period end</b>	<b>109,441</b>	<b>7,470</b>	<b>63,897</b>	<b>180,808</b>

\* These balances have been revised in line with IFRS 3 to incorporate the measurement period adjustments allowed in terms of the standard. Refer to note 12 for detailed information.

##### Other intangible assets

Software and other intangible assets have a useful life as disclosed above. These intangible assets are amortised over those periods.

The other intangible assets have been assessed for indications of impairment and at 30 June 2015 there are no indications of impairment.

## 15. Current and deferred tax

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
<b>Current tax expense</b>			
Current year	5,793	–	(3,796)
Tax on income from associate	0	–	(36)
Withholding tax	0	–	208
Bank levies	5	–	7
	5,798	–	(3,617)
<b>Deferred tax expense</b>	(20)		9,025
<b>Total tax expense per income statement</b>	5,778	–	5,408
<b>Reconciliation of effective tax charge:</b>	63.49%	–	(9.32)%
<b>Profit/(loss) before tax<sup>1</sup></b>	9,100	–	(58,044)
<b>Tax expense per income statement</b>	5,778	–	5,408
<b>Effective tax rate</b>	63.49%	0.00%	(9.32)%

1. Profit before tax is net of inter-Group dividends. Income tax using corporate tax rates is calculated prior to this elimination by applying the corporate tax rates of the respective subsidiaries. Non deductible expenditure and other permanent differences have contributed to a high effective tax rate. Furthermore entities with non tax deductible losses have also contributed to the high effective tax rate.

## 15.1 Income tax effects relating to components of other comprehensive income

	30 June 2015			30 June 2014			31 December 2014		
	Before tax \$'000	Tax (charge)/ credit \$'000	After tax \$'000	Before tax \$'000	Tax (charge)/ credit \$'000	After tax \$'000	Before tax \$'000	Tax (charge)/ credit \$'000	After tax \$'000
Exchange differences on translating foreign operations	(29,572)	–	(29,572)	–	–	–	(1,483)	–	(1,483)
Movement in available-for-sale reserves	13	–	13	–	–	–	13	–	13
Equity-accounted investees – foreign currency translation	(9,514)	–	(9,514)	–	–	–	–	–	–
Equity-accounted investees – other comprehensive income	1,188	–	1,188	–	–	–	–	–	–
<b>Other comprehensive income</b>	<b>(37,885)</b>	<b>–</b>	<b>(37,885)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1,470)</b>	<b>–</b>	<b>(1,470)</b>

## 15.2 Deferred tax

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Opening balance	(13,326)		
Acquired through business combination	–	–	(18,750)
Exchange rate adjustment	1,849	–	477
Deferred tax on amounts charged to equity	–	–	–
Income statement charge	(20)	–	4,947
<b>Balance at the end of the period</b>	<b>(11,497)</b>	<b>–</b>	<b>(13,326)</b>
<b>Disclosed as follows:</b>			
Deferred tax asset	9,348	–	–
Deferred tax liability	(20,845)	–	(13,326)
	(11,497)	–	(13,326)

## Tax effects of temporary differences

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Accruals deferred tax	(496)	–	435
Bond with warrant deferred tax	–	–	106
Impairment loss deferred tax	(11,818)	–	(17,765)
Property, plant and equipment deferred tax	(2,902)	–	1,826
Unrealised gain on investments	(357)	–	1,881
Revaluation surplus deferred tax	(1,012)	–	191
Losses available for offsetting against future taxable income	2,370	–	–
Other	2,718	–	–
	(11,497)	–	(13,326)

Amount for which no deferred tax assets are recognised

Deductible temporary difference

**Amount for which no deferred tax assets are recognised**

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Deductible temporary difference	–	–	–
Unused tax losses	–	–	19,612
Unused tax credits	4,424	–	–
	4,424	–	19,612



## 16. Earnings per share

	Half-year to 30 June 2015 \$'000	Period to 30 June 2014 \$'000	Period to 31 December 2014 \$'000
<b>Weighted average Ordinary Shares</b>			
Shares issued at the beginning of period	72,459	–	–
Recognised as treasury shares	(1,731)	–	(134)
Ordinary Shares issued during the period	–	31,280	47,041
<b>Weighted average Ordinary Shares</b>	<b>70,728</b>	31,280	46,907
<b>Total diluted number of Ordinary Shares</b>			
Diluted shares	25	–	–
<b>Total diluted number of Ordinary Shares</b>	<b>70,753</b>	31,280	46,907
<b>Diluted earnings</b>			
Result for the period	3,322	(17,266)	(63,452)
<b>Basic earnings/(loss) per share (\$)</b>	<b>0.05</b>	(0.56)	(1.35)
<b>Diluted earnings/(loss) per share (\$)</b>	<b>0.05</b>	(0.56)	(1.35)

## 17. Related party transactions

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

### Subsidiary companies and associates

BancABC and its subsidiaries entered into various financial services contracts with fellow subsidiaries and associates during the year.

ABC Consulting and Management Services Limited have entered into management services agreements with Group companies.

During 2014, Atlas Mara extended the terms of the \$20 million interest free loan to ABC Group and increased the facility to \$100 million in 2015. The loan is interest free with the option to be converted into equity. Atlas Mara also extended \$7.4 million at 1% p.a. in 2014 to ADC and increased the facility to \$29 million in 2015. The date of maturity of the loan is December 2016.

During the period, operations of the Company were largely conducted by people employed by affiliates of the Company's founders, Robert Diamond Jr. and Ashish J. Thakkar as set out below. Operational expenses incurred by these related parties were reimbursed by the Company on an actual basis. The terms of these expenses reimbursed were at arm's-length and in the ordinary course of business. There was no income or expense generated on account of these transactions. These reimbursements were made only after the review and approval by the authorised representatives of the Company. The total expenses reimbursed to related parties during the period amounted to \$1.2 million.

### Directors and officers

During the period, the total fees paid to Directors amounted to \$1.5 million (2014: \$4.2 million). Share-based payment awards, amounting to \$2.1 million (2014: \$3.6 million), were issued to Directors and key management in terms of the Group's remuneration policy. There have been no significant changes in the valuation methodology or key inputs used by the Group to value these awards.

### Founder Shareholders

Included in equity is 1,250,000 Founder Preferred Shares, in aggregate, to the Founding Entities.

### 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.

At incorporation, the Company issued two Founder Preferred Shares of \$10 each to each of its Founding Entities. On 17 December 2013, the Company's founders contributed \$12,500,000 and were issued 1,250,000 Founder Preference Shares with no par value. These shares confer upon the holder:

- A dividend based on the future appreciation of the market value of the Ordinary Shares; and
- A right to nominate a person as a Director of the Company, as long as a Founding Entity holds more than 20% of the Founder Preferred Shares.

The Founder Preferred Shares are intended to have the effect of incentivising the founders to achieve the Company's objectives. They are structured to provide a dividend based on the future appreciation of the market value of the Ordinary Shares thus aligning the interests of the founders with those of the investors on a long-term basis. Dividends paid to holders of the Founder Preferred Shares will be in Ordinary Shares and will be dilutive to existing holders of Ordinary Shares.

The Founder Preferred Shares have been valued at intrinsic value, which is equivalent to the cash proceeds, given that neither prerequisite event entitling holders of Founder Preferred Shares has occurred, as described below. It is expected that, in the future, the Founder Preferred Shares will be valued at intrinsic value.

Following the Company's initial acquisition, and only 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. In the first year in which such dividend becomes payable, such dividend will be equal in value to 20% of the increase in the market value of one Ordinary Share, being the difference between \$10.00 and the dividend price, multiplied by the number of Ordinary Shares outstanding as at the last trading day of the relevant dividend determination period.

Thereafter, the annual dividend amount will only become payable if the dividend price during any subsequent year is greater than the highest dividend price in any preceding year in which a dividend was paid in respect of the Founder Preferred Shares. Such annual dividend amount will be equal in value to 20% of the increase in the dividend price over the highest dividend price in any preceding dividend year multiplied by the number of Ordinary Shares outstanding as at the last trading day of the relevant dividend determination period.

For the purposes of determining the annual dividend amount, the "dividend price" is the highest amount calculated by adding together the average price per Ordinary Share for any period of 10 consecutive trading days in the relevant dividend year (the "dividend determination period") and dividing by 10. In each case the number of Ordinary Shares issued to holders of Founder Preferred Shares in connection with such dividend will be determined by the dividend price of such year, even though such share price may be lower than the market value of the Ordinary Shares at the end of any relevant dividend year.

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

For so long as an initial holder of Founder Preferred Shares (being a Founding Entity together with its affiliates) holds 20% or more of the Founder Preferred Shares in issue, such holder shall be entitled to nominate a person as a Director of the Company and the Directors shall appoint such person.

## 18. Collateral

### 18.1 Liabilities for which collateral is pledged

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Deposits from banks	30,619	–	12,232
Deposits from customers	58,578	–	69,981
Borrowed funds	27,575	–	51,434
	<b>116,772</b>	–	133,647

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

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Advances	24,718	–	30,934
Financial assets held for trading	73,288	–	39,171
Investment in subsidiary	–	–	32,056
Investment securities	5,573	–	5,586
Property, plant and equipment	2,958	–	3,066
	<b>106,537</b>	–	110,813

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

### 18.2 Fair value of collateral accepted as security for assets

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Deposits from customers	18,211	–	44,918
Mortgage, bonds, inventory, property, plant and equipment	498,483	–	349,877
	<b>516,694</b>	–	394,795

## 19. Off-balance sheet items

### 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 half-year ended 30 June 2015 are summarised below:

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Guarantees	78,197	–	81,892
Letters of credit	11,043	–	49,553
	<b>89,240</b>	–	131,445
Forward contracts and currency swaps	73,857	–	103,119
Other contingent liabilities <sup>1</sup>	17,799	2,500	–
	<b>180,897</b>	2,500	234,564

1. Contingent liabilities relate mostly to undrawn loan commitments in Botswana following an increased number of undrawn deals.

## Maturity analysis of loan commitments

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Less than one year	133,189	–	225,208
Between one and five years	47,708	–	9,356
	<b>180,897</b>	–	234,564

## Capital commitments

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Approved and contracted for <sup>1</sup>	6,576	–	–
Approved but not contracted for	6,429	–	3,508
	<b>13,005</b>	–	3,508

1. Capital commitments are arising from significant IT projects in BancABC operations (Mobile banking, Internet and CR2 upgrade and Credit ease).

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

## 20. Segmental reporting

### Segment information

Segment results that are reported to the Group's executive committee (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 corporate assets (primarily the Bank'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 has three reportable segments, as follows:

- South
- East
- West
- Other

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties. Revenue from external parties reported to the ExCo is measured in a manner consistent with that in the consolidated income statement.

As the banking operations comprise of stand-alone banks, each banking operation is funded with tier I and II capital from BancABC at the holding company level. Interest is charged at rates disclosed in the BancABC company stand-alone financial statements.

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, other income and non-interest expenses.

The effects of non-recurring items of income or expense is described in the report on the Group financial performance.

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

## 20. Segmental reporting continued

Income Statement	Half-year to 30 June 2015 \$'000						
	South (South Africa, Zambia, Zimbabwe, Botswana, Mozambique)		East (Rwanda, Tanzania)		West (Investment in Associate)	Other (Dubai, Germany, BVI, Mauritius and all other regions)	Total
	Retail	Wholesale	Retail	Wholesale		Wholesale	
Interest and similar income	61,843	46,031	10,476	5,437	–	14	123,801
Interest expense and similar charges	(29,504)	(29,534)	(4,361)	(5,297)	–	(5,688)	(74,384)
<b>Net interest income</b>	<b>32,339</b>	<b>16,497</b>	<b>6,115</b>	<b>140</b>	<b>–</b>	<b>(5,674)</b>	<b>49,417</b>
Impairment of loans and advances	(2,979)	(3,354)	202	(9)	–	–	(6,140)
<b>Income from lending activities</b>	<b>29,360</b>	<b>13,143</b>	<b>6,317</b>	<b>131</b>	<b>–</b>	<b>(5,674)</b>	<b>43,277</b>
Non-interest income	22,896	19,694	327	52	–	6,393	49,362
Share of profits of associates	–	–	–	–	10,467	20	10,487
<b>Total operating income</b>	<b>52,256</b>	<b>32,837</b>	<b>6,644</b>	<b>183</b>	<b>10,467</b>	<b>739</b>	<b>103,126</b>
Operating expenditure	(37,596)	(26,485)	(6,169)	(3,140)	–	(20,636)	(94,026)
<b>Net income from operations</b>	<b>14,660</b>	<b>6,352</b>	<b>475</b>	<b>(2,957)</b>	<b>10,467</b>	<b>(19,897)</b>	<b>9,100</b>
<b>Result before tax</b>	<b>14,660</b>	<b>6,352</b>	<b>475</b>	<b>(2,957)</b>	<b>10,467</b>	<b>(19,897)</b>	<b>9,100</b>
Tax	(3,458)	(1,814)	(311)	–	–	(195)	(5,778)
<b>Result for the period</b>	<b>11,202</b>	<b>4,538</b>	<b>164</b>	<b>(2,957)</b>	<b>10,467</b>	<b>(20,092)</b>	<b>3,322</b>

Inter-segment revenues are eliminated on consolidation.

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

Balance Sheet	Period to 30 June 2014 \$'000						
	South (South Africa, Zambia, Zimbabwe, Botswana, Mozambique)		East (Rwanda, Tanzania)		West (Investment in Associate)	Other (Dubai, Germany, BVI, Mauritius and all other regions)	Total
	Retail	Wholesale	Retail	Wholesale		Wholesale	
Loans and advances	585,858	473,276	88,821	36,306	–	(10,401)	1,173,860
Total assets	644,511	1,053,780	121,797	124,635	12,179	549,725	2,506,627
Deposits	211,499	1,067,714	52,429	131,305	–	–	1,462,947
Total liabilities	632,225	995,840	103,962	108,358	–	26,852	1,867,237

Income Statement	Period to 30 June 2014 \$'000						
	South (South Africa, Zambia, Zimbabwe, Botswana, Mozambique)		East (Rwanda, Tanzania)		West (Investment in Associate)	Other (Dubai, Germany, BVI, Mauritius and all other regions)	Total
	Retail	Wholesale	Retail	Wholesale		Wholesale	
Interest and similar income	–	–	–	–	–	5	5
Interest expense and similar charges	–	–	–	–	–	–	–
<b>Net interest income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>5</b>
Impairment of loans and advances	–	–	–	–	–	–	–
<b>Income from lending activities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>5</b>
Non-interest income	–	–	–	–	–	(3)	(3)
Share of profits of associates	–	–	–	–	–	–	–
<b>Total operating income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>2</b>
Operating expenditure	–	–	–	–	–	(17,268)	(17,268)
<b>Net income from operations</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(17,266)</b>	<b>(17,266)</b>
<b>Result before tax</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(17,266)</b>	<b>(17,266)</b>
Tax	–	–	–	–	–	–	–
<b>Result for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(17,266)</b>	<b>(17,266)</b>

Inter-segment revenues are eliminated on consolidation.

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

Balance Sheet	Period to 31 December 2014 \$'000						
	South (South Africa, Zambia, Zimbabwe, Botswana, Mozambique)		East (Rwanda, Tanzania)		West (Investment in Associate)	Other (Dubai, Germany, BVI, Mauritius and all other regions)	Total
	Retail	Wholesale	Retail	Wholesale		Wholesale	
Loans and advances	–	–	–	–	–	–	–
Total assets	–	–	–	–	–	310,566	310,566
Deposits	–	–	–	–	–	–	–
Total liabilities	–	–	–	–	–	12,671	12,671

Income Statement	Period to 31 December 2014 \$'000						
	South (South Africa, Zambia, Zimbabwe, Botswana, Mozambique)		East (Rwanda, Tanzania)		West (Investment in Associate)	Other (Dubai, Germany, BVI, Mauritius and all other regions)	Total
	Retail	Wholesale	Retail	Wholesale		Wholesale	
Interest and similar income	58,971	11,977	5,474	3,793	–	157	80,372
Interest expense and similar charges	(33,277)	(6,816)	(3,787)	(3,376)	–	(4,479)	(51,735)
<b>Net interest income</b>	<b>25,694</b>	<b>5,161</b>	<b>1,687</b>	<b>417</b>	<b>–</b>	<b>(4,322)</b>	<b>28,637</b>
Impairment of loans and advances	(970)	(3,570)	(1,065)	(683)	–	–	(6,288)
<b>Income from lending activities</b>	<b>24,724</b>	<b>1,591</b>	<b>622</b>	<b>(266)</b>	<b>–</b>	<b>(4,322)</b>	<b>22,349</b>
Non-interest income	9,952	8,035	5,711	383	–	4,693	28,774
Share of profits of associates	–	(60)	–	–	14,414	6,386	20,740
<b>Total operating income</b>	<b>34,676</b>	<b>9,566</b>	<b>6,333</b>	<b>117</b>	<b>14,414</b>	<b>6,757</b>	<b>71,863</b>
Operating expenditure	(34,264)	(18,832)	(3,271)	(2,815)	–	(70,725)	(129,907)
<b>Net income from operations</b>	<b>412</b>	<b>(9,266)</b>	<b>3,062</b>	<b>(2,698)</b>	<b>14,414</b>	<b>(63,968)</b>	<b>(58,044)</b>
<b>Result before tax</b>	<b>412</b>	<b>(9,266)</b>	<b>3,062</b>	<b>(2,698)</b>	<b>14,414</b>	<b>(63,968)</b>	<b>(58,044)</b>
Tax	(11,976)	8,697	(114)	(1,907)	–	(108)	(5,408)
<b>Result for the period</b>	<b>(11,564)</b>	<b>(569)</b>	<b>2,948</b>	<b>(4,605)</b>	<b>14,414</b>	<b>(64,076)</b>	<b>(63,452)</b>

Inter-segment revenues are eliminated on consolidation.

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

Balance Sheet	Period to 31 December 2014 \$'000						
	South (South Africa, Zambia, Zimbabwe, Botswana, Mozambique)		East (Rwanda, Tanzania)		West (Investment in Associate)	Other (Dubai, Germany, BVI, Mauritius and all other regions)	Total
	Retail	Wholesale	Retail	Wholesale		Wholesale	
Loans and advances	569,424	513,560	90,866	44,168	–	–	1,236,518
Total assets	536,818	1,010,145	119,709	103,174	252,848	598,739	2,621,433
Deposits	94,561	1,255,353	58,013	123,054	–	–	1,530,981
Total liabilities	373,145	1,202,002	111,236	114,197	–	138,427	1,939,007

## Financial risk management

### 21. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. 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 loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

### 22. Interest rate risk

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

### 23. Foreign exchange 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.

### 24. Credit risk

BancABC is the Group's most significant banking operation. The Group's exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation is mostly attributable to BancABC with \$1,121 million of the Group's \$1,174 million net loans and advances originating here.

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 bills. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The BancABC Group Risk team reviews subsidiary risk exposures regularly, and reports to the BancABC Board of Directors.

The BancABC Board has defined and documented a credit policy for the Group which forms the basis of credit decisions. This policy includes a framework of limits and delegation of credit approval authority which are strictly adhered to. No one individual has the power to authorise credit exposures.

Each BancABC subsidiary has a credit committee which operates within the defined limits set by the BancABC Board. These committees are responsible for the management of credit risk within their country including credit decisions, processes, legal and documentation and compliance with impairment policies. The BancABC Risk Department regularly reviews each subsidiary's adherence to required standards. The BancABC Executive Committee reports to the BancABC Board and is responsible for approval of credit decisions that are above country limits, recommendations on exposure limits and impairment policies. There is also a BancABC Board Credit Committee that approves any loans above the BancABC Executive Committee limit.

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

### 24.1 Maximum exposure – credit risk

The following table shows the maximum exposure to credit risk by class of financial asset. It also shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

#### Type of collateral or credit enhancement

	Maximum exposure to credit risk \$'000	Fair value of collateral and credit enhancements held					Net collateral \$'000	Net exposure \$'000
		Cash \$'000	Letters of credit/ guarantees \$'000	Property \$'000	Other <sup>1</sup> \$'000			
<b>30 June 2015</b>								
<b>Placement with other banks<sup>2</sup></b>	<b>309,424</b>	<b>85,115</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>85,115</b>	<b>224,309</b>	
<b>Loans and advances</b>	<b>1,173,860</b>	<b>19,538</b>	<b>3,477</b>	<b>195,873</b>	<b>269,916</b>	<b>488,804</b>	<b>685,056</b>	
Mortgage lending	62,517	204	–	50,591	–	50,795	11,722	
Instalment finance	58,911	479	–	4,461	40,186	45,126	13,785	
Corporate lending	493,008	16,634	–	112,089	226,801	355,524	137,484	
Commercial and property finance	25,144	–	–	10,514	–	10,514	14,630	
Consumer lending	534,280	2,221	3,477	18,218	2,929	26,845	507,435	
<b>Cash collateral on securities borrowed and reverse repurchase agreements</b>								
<b>Derivative financial instruments</b>	<b>3,799</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,799</b>	
Forward foreign exchange contracts	3,799	–	–	–	–	–	3,799	
<b>Financial assets held for trading</b>	<b>198,009</b>	<b>42,389</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>42,389</b>	<b>155,620</b>	
Government bonds	27,508	–	–	–	–	–	27,508	
Treasury bills and other open market instruments	163,690	42,389	–	–	–	42,389	121,301	
Bankers acceptance and commercial paper	6,811	–	–	–	–	–	6,811	
<b>Financial assets designated at fair value through profit or loss</b>	<b>11,740</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>11,740</b>	
Listed equities	1,330	–	–	–	–	–	1,330	
Unlisted equities	10,410	–	–	–	–	–	10,410	
<b>Financial investments – available-for-sale</b>	<b>32,137</b>	<b>35</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>35</b>	<b>32,102</b>	
Listed equities	618	–	–	–	–	–	618	
Unlisted equities	31,519	35	–	–	–	35	31,485	
<b>Financial investments held-to-maturity</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	
Listed equities	–	–	–	–	–	–	–	
Unlisted equities	–	–	–	–	–	–	–	
Listed debentures	–	–	–	–	–	–	–	
Promissory notes	5,573	–	–	–	–	–	5,573	
	<b>1,734,542</b>	<b>147,077</b>	<b>3,477</b>	<b>195,873</b>	<b>269,916</b>	<b>616,343</b>	<b>1,118,199</b>	
<b>Credit exposures relating to off-balance sheet items are as follows</b>	<b>89,240</b>	<b>236</b>	<b>–</b>	<b>30,843</b>	<b>–</b>	<b>31,079</b>	<b>58,161</b>	
Financial guarantees	78,197	46	–	29,844	–	29,890	48,307	
Letters of credit for customers	11,043	190	–	999	–	1,189	9,854	
	<b>1,823,782</b>	<b>147,313</b>	<b>3,477</b>	<b>226,716</b>	<b>269,916</b>	<b>647,422</b>	<b>1,176,360</b>	

1. Vehicles, machinery, other fixed assets, inventory and trade receivables.

2. Represents cash balances held with other banks. Included in \$374 million cash per statement of financial position.



24.1 Maximum exposure – credit risk continued

30 June 2014	Fair value of collateral and credit enhancements held						Net exposure \$'000
	Maximum exposure to credit risk \$'000	Cash \$'000	Letters of credit/ guarantees \$'000	Property \$'000	Other \$'000	Net collateral \$'000	
<b>Placement with other banks</b>	19,595	–	–	–	–	–	19,595
<b>Financial investments – available-for-sale</b>	–	–	–	–	–	–	–
Listed equities	–	–	–	–	–	–	–
Unlisted equities	286,062	–	–	–	–	–	286,062
Listed debentures	–	–	–	–	–	–	–
Unlisted debentures	–	–	–	–	–	–	–
Prepayments and other current assets	–	–	–	–	–	–	–
	305,657	–	–	–	–	–	305,657
<b>Credit exposures relating to off-balance sheet items are as follows</b>							
Financial guarantees	–	–	–	–	–	–	–
Letters of credit for customers	–	–	–	–	–	–	–
Other commitments	–	–	–	–	–	–	–
	305,657	–	–	–	–	–	305,657

31 December 2014	Fair value of collateral and credit enhancements held						Net exposure \$'000
	Maximum exposure to credit risk \$'000	Cash \$'000	Letters of credit/ guarantees \$'000	Property \$'000	Other <sup>1</sup> \$'000	Net collateral \$'000	
<b>Placement with other banks<sup>2</sup></b>	377,506	–	–	–	–	–	377,506
<b>Loans and advances</b>							
Mortgage lending	66,244	24	–	56,209	–	56,233	10,011
Instalment finance	62,544	1,696	631	15,490	44,782	62,599	(55)
Corporate lending	474,960	23,013	11,028	333,225	158,510	525,776	(50,816)
Commercial and property finance	50,574	–	–	5,585	–	5,585	44,989
Consumer lending	563,698	1,493	1,139	56,094	4,708	63,434	500,262
	1,218,018	26,226	12,798	466,603	208,000	713,627	504,391
<b>Cash collateral on securities borrowed and reverse repurchase agreements</b>							
<b>Derivative financial instruments</b>							
Forward foreign exchange contracts	62	–	–	–	–	–	62
	62	–	–	–	–	–	62
<b>Financial assets held for trading</b>							
Government bonds	18,975	–	–	–	–	–	18,975
Treasury bills and other open market instruments	116,052	–	–	–	–	–	116,052
Bankers acceptance and commercial paper	9,740	–	–	–	–	–	9,740
	144,767	–	–	–	–	–	144,767
<b>Financial assets designated at fair value through profit or loss</b>							
Listed equities	948	–	–	–	–	–	948
Unlisted equities	10,878	–	–	–	–	–	10,878
	11,826	–	–	–	–	–	11,826
<b>Financial investments – available-for-sale</b>							
Listed equities	644	–	–	–	–	–	644
Unlisted equities	139,731	–	–	–	–	–	139,731
	140,375	–	–	–	–	–	140,375
<b>Financial investments held-to-maturity</b>							
Listed equities	–	–	–	–	–	–	–
Unlisted equities	–	–	–	–	–	–	–
Listed debentures	–	–	–	–	–	–	–
Unlisted debentures	5,586	–	–	–	–	–	5,586
	5,586	–	–	–	–	–	5,586
	1,898,140	26,226	12,798	466,603	208,000	713,627	1,203,013
<b>Credit exposures relating to off-balance sheet items are as follows</b>							
Financial guarantees	39,758	13,830	15,142	19,640	4,976	53,588	(13,830)
Letters of credit for customers	761	0	276	46	439	761	–
	1,957,159	40,056	28,216	486,289	213,415	767,976	1,189,183

1. Vehicles, machinery, other fixed assets, inventory and trade receivables.

2. Represents cash balances held with other banks. Included in \$409.8 million cash per statement of financial position.

## 24.2 Credit quality

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
<b>Distribution of loans and advances by credit quality:</b>			
Neither past due nor impaired	964,793	–	916,839
Past due but not impaired	106,042	–	185,970
Individually impaired	117,183	–	123,227
<b>Gross loans and advances</b>	<b>1,188,018</b>	–	1,226,036
Less: Allowance for impairment	(14,158)	–	(8,018)
<b>Net loans and advances</b>	<b>1,173,860</b>	–	1,218,018

The total impairment of loans and advances is \$14 million.

Further information on the impairment allowance for loans and advances to customers is provided in notes 6 and 7.

### Distribution of loans and advances neither past due nor impaired

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Mortgage lending	52,086	–	47,419
Instalment finance	37,663	–	43,318
Corporate lending	350,806	–	303,909
Commercial and property finance	15,725	–	25,777
Consumer lending	508,513	–	496,416
	<b>964,793</b>	–	916,839

### Loans and advances individually impaired

The individually impaired loans and advances is \$117 million.

30 June 2015	Individually impaired \$'000	Fair value of collateral \$'000	Under collateralisation <sup>1</sup> \$'000
Mortgage lending	2,185	2,800	(615)
Instalment finance	18,835	4,105	14,730
Corporate lending	82,235	50,889	31,346
Commercial and property finance	956	9,654	(8,698)
Consumer lending	12,972	8,300	4,672
	<b>117,183</b>	<b>75,748</b>	<b>41,435</b>

1. The under collateralisation amount if fully impaired.

30 June 2014	Individually impaired \$'000	Fair value of collateral \$'000	Under collateralisation <sup>1</sup> \$'000
Mortgage lending	–	–	–
Instalment finance	–	–	–
Corporate lending	–	–	–
Commercial and property finance	–	–	–
Consumer lending	–	–	–
	–	–	–

1. The under collateralisation amount if fully impaired.

31 December 2014	Individually impaired \$'000	Fair value of collateral \$'000	Under collateralisation <sup>1</sup> \$'000
Mortgage lending	811	811	–
Instalment finance	7,803	7,803	–
Corporate lending	86,640	86,640	–
Commercial and property finance	8,570	8,570	–
Consumer lending	19,403	19,403	–
	<b>123,227</b>	<b>123,227</b>	–

1. The under collateralisation amount if fully impaired.

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.

### Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status, and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review.

Renegotiated loans that would otherwise be past due are as follows:

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Mortgage lending	147	–	32
Instalment finance	–	–	4,523
Corporate lending	7,561	–	71,346
Consumer lending	–	–	761
	<b>7,708</b>	–	76,662
Non-impaired after restructuring – would otherwise not have been impaired	<b>6,787</b>	–	76,662
	<b>6,787</b>	–	76,662

## 24.2 Credit quality continued

### Credit quality by class of financial assets

The Bank manages the credit quality of financial assets using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amounts presented are gross of impairment allowances.

	Neither past due nor impaired		Past due but not impaired			Individually impaired doubtful/loss \$'000	30 June 2015 \$'000
	Performing \$'000	30 days \$'000	31-60 days \$'000	61-90 days \$'000			
<b>Half-year to 30 June 2015</b>							
Cash and cash equivalents	374,150	–	–	–	–	–	374,150
Derivative financial assets	2	–	–	–	–	–	2
Financial assets held for trading	198,009	–	–	–	–	–	198,009
Financial assets designated at fair value through profit or loss	11,740	–	–	–	–	–	11,740
Loans and advances to customers	964,793	80,830	13,954	11,258	117,183	–	1,188,018
Mortgage lending	52,086	8,493	75	–	2,185	–	62,839
Instalment finance	37,663	3,457	163	3	18,835	–	60,121
Corporate lending	350,806	52,025	6,435	10,903	82,235	–	502,404
Commercial and property finance	15,725	9,477	–	–	956	–	26,158
Consumer lending	508,513	7,378	7,281	352	12,972	–	536,496
Other	–	–	–	–	–	–	–
	1,548,694	80,830	13,954	11,258	117,183	–	1,771,919
Financial investments available-for-sale	755	–	–	–	–	–	755
Quoted – Government debt securities	–	–	–	–	–	–	–
Quoted – Listed equities	652	–	–	–	–	–	652
Unquoted – Unlisted equities	103	–	–	–	–	–	103
Quoted – Other debt securities	–	–	–	–	–	–	–
Unquoted – Debt securities	–	–	–	–	–	–	–
Other current assets	–	–	–	12,682	–	–	12,682
Disposal groups for sale	8,737	–	–	–	–	–	8,737
Prepayments and other current assets	34,553	–	–	–	–	–	34,553
<b>Total</b>	<b>1,592,739</b>	<b>80,830</b>	<b>13,954</b>	<b>23,940</b>	<b>117,183</b>	<b>–</b>	<b>1,828,464</b>
	Neither past due nor impaired		Past due but not impaired			Individually impaired doubtful/loss \$'000	30 June 2014 \$'000
	Performing \$'000	\$'000	\$'000	\$'000			
<b>Half-year to 30 June 2014</b>							
Cash and cash equivalents	19,595	–	–	–	–	–	19,595
<b>Total</b>	<b>19,595</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>19,595</b>

	Neither past due nor impaired		Past due but not impaired			Individually impaired doubtful/loss 2014 \$'000	31 December 2014 \$'000
	Performing \$'000	30 days \$'000	31-60 days \$'000	61-90 days \$'000			
<b>31 December 2014</b>							
Cash and cash equivalents	409,785	–	–	–	–	409,785	409,785
Derivative financial assets	62	–	–	–	–	62	62
Financial assets held for trading	144,767	–	–	–	–	144,767	144,767
Financial assets designated at fair value through profit or loss	11,826	–	–	–	–	–	11,826
Loans and advances to customers	916,839	132,515	31,230	22,225	123,227	–	1,226,036
Mortgage lending	47,419	7,445	3,251	1,031	811	–	59,957
Instalment finance	43,318	10,429	1,355	48	7,803	–	62,953
Corporate lending	303,909	56,879	9,944	11,234	86,640	–	468,606
Commercial and property finance	25,777	33,291	–	691	8,570	–	68,329
Consumer lending	496,416	24,471	16,680	9,221	19,403	–	566,191
	1,483,279	132,515	31,230	22,225	677,841	–	1,792,476
Financial investments available-for-sale	140,465	–	–	–	–	–	140,465
Quoted – Government debt securities	138,397	–	–	–	–	–	138,397
Quoted – Listed equities	644	–	–	–	–	–	644
Unquoted – Unlisted equities	1,424	–	–	–	–	–	1,424
	140,465	–	–	–	–	–	140,465
Quoted – Other debt securities	–	–	–	–	–	–	–
Unquoted – Debt securities	5,586	–	–	–	–	–	5,586
Disposal group for sale	11,365	–	–	–	–	–	11,365
Prepayments and other current assets	30,019	–	–	–	–	–	30,019
<b>Total</b>	<b>1,670,714</b>	<b>132,515</b>	<b>31,230</b>	<b>22,225</b>	<b>677,841</b>	<b>–</b>	<b>1,979,911</b>

## 24.2 Credit quality continued

### Total loan impairments by loan class and type: Impairment by loan class

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Mortgage lending	322	–	76
Instalment finance	1,210	–	409
Corporate lending	9,396	–	4,513
Commercial and property finance	1,014	–	860
Consumer lending	2,216	–	2,160
<b>Total loan impairments</b>	<b>14,158</b>	<b>–</b>	<b>8,018</b>
<b>Impairment Analysis</b>			
Collective impairments	1,296	–	–
Specific impairments	12,862	–	8,018
<b>Total loan impairments</b>	<b>14,158</b>	<b>–</b>	<b>8,018</b>
<b>Credit quality supplement</b>			
Total gross loans	1,188,018	–	1,226,036
Collective impairment	(1,296)	–	–
Specific impairments	(12,862)	–	(8,018)
<b>Net loans</b>	<b>1,173,860</b>	<b>–</b>	<b>1,218,018</b>
Non-performing loans	117,183	–	123,227
Impairments (Profit & Loss)	(6,140)	–	(6,288)
<b>Percentage (%)</b>			
Non-performing loans/gross loans	9.9%		10.1%
Total impairments balance sheet/non-performing loans	12.1%		6.5%
Specific impairments/gross loans	1.1%		0.7%

## 24.3 Repossessed collateral

### Repossessed collateral

During 2014, the Group obtained assets by taking possession of collateral held as security, as follows:

	30 June 2015 \$'000	30 June 2014 \$'000	31 December 2014 \$'000
Property, plant and equipment	6,318	–	1,355
Motor vehicles	116	–	23,522
	<b>6,434</b>	<b>–</b>	<b>24,877</b>

## 24.4 Concentration risk of financial assets with credit risk exposure

### (a) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 30 June 2015. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties:

30 June 2015	Botswana \$'000	Mozambique \$'000	Tanzania \$'000	Zambia \$'000	Zimbabwe \$'000	Other/ Rwanda \$'000	Total \$'000
Placements with other banks	49,697	7,693	32,910	91,112	75,522	52,490	309,424
Financial assets held for trading	64,752	17,902	34,376	42,389	38,590	–	198,009
Financial assets designated at fair value	–	–	10,410	–	1,330	–	11,740
Derivative financial assets	–	–	2	–	–	–	2
Loans and advances (net)	448,801	161,557	73,068	133,174	315,570	41,690	1,173,860
Investment securities	5,573	193	506	35	618	30,785	37,710
Prepayments and other receivables	9,685	2,817	8,351	3,714	20,414	–	44,981
Current tax assets	370	546	1,614	23,419	1,442	–	27,391
Disposal groups	–	–	–	–	–	–	–
	<b>578,878</b>	<b>190,708</b>	<b>161,237</b>	<b>293,843</b>	<b>453,486</b>	<b>124,965</b>	<b>1,803,117</b>
<b>30 June 2014</b>							
Placements with other banks	–	–	–	–	–	19,595	19,595
Financial assets held for trading	–	–	–	–	–	–	–
Financial assets designated at fair value	–	–	–	–	–	–	–
Derivative financial assets	–	–	–	–	–	–	–
Loans and advances (net)	–	–	–	–	–	–	–
Investment securities	–	–	–	–	–	286,062	286,062
Prepayments and other receivables	–	–	–	–	–	4,576	4,576
Current tax assets	–	–	–	–	–	–	–
Disposal groups	–	–	–	–	–	–	–
Advances on investments	–	–	–	–	–	333	333
	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>310,566</b>	<b>310,566</b>
<b>31 December 2014</b>							
Placements with other banks	58,065	57,932	42,778	79,288	41,162	98,281	377,506
Financial assets held for trading	60,514	18,157	8,783	38,884	18,429	–	144,767
Financial assets designated at fair value	–	–	10,878	–	948	–	11,826
Derivative financial assets	35	27	–	–	–	–	62
Loans and advances (net)	400,893	183,608	77,735	142,231	374,321	39,230	1,218,018
Investment securities	5,586	607	574	41	756	138,487	146,051
Prepayments and other receivables	1,048	1,883	1,670	2,556	20,090	2,772	30,019
Current tax assets	–	1,054	1,829	3,051	2,210	71	8,215
Disposal groups	–	–	–	–	8,702	2,663	11,365
	<b>526,141</b>	<b>263,268</b>	<b>144,247</b>	<b>266,051</b>	<b>466,618</b>	<b>281,504</b>	<b>1,966,329</b>



## 24.4 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 as of 30 June 2015 of the counterparties:

30 June 2015	Agriculture \$'000	Construction \$'000	Wholesale, Retail and Trade \$'000	Public Sector \$'000	Manufacturing \$'000	Mining and Energy \$'000	Financial Services \$'000	Transport \$'000	Individuals \$'000	Tourism \$'000	Other \$'000	Total \$'000
Placements with other banks	-	-	-	-	-	-	300,608	-	-	-	8,816	309,424
Financial assets held for trading	-	6,811	-	66,155	-	-	125,043	-	-	-	-	198,009
Financial assets designated at fair value	71	-	308	-	165	7,137	4,012	-	-	-	47	11,740
Investment in associates	-	-	-	-	-	-	384,486	-	-	-	-	384,486
Derivative financial assets	-	-	-	-	-	-	2	-	-	-	-	2
Loans and advances (net)	41,833	31,523	150,286	58,038	63,266	56,999	26,300	36,570	608,339	19,092	81,614	1,173,860
Investment securities	97	-	199	-	190	30	37,190	-	-	-	4	37,710
Prepayments and other receivables	(1,033)	-	-	11,508	-	-	13,764	3	-	-	20,739	44,981
Current tax assets	-	-	-	1,988	-	-	23,476	-	-	-	1,927	27,391
Disposal groups	-	-	-	-	-	-	-	-	-	-	8,737	8,737
	40,968	38,334	150,793	137,689	63,621	64,166	914,881	36,573	608,339	19,092	121,884	2,196,340

30 June 2014	Agriculture \$'000	Construction \$'000	Wholesale, Retail and Trade \$'000	Public Sector \$'000	Manufacturing \$'000	Mining and Energy \$'000	Financial Services \$'000	Transport \$'000	Individuals \$'000	Tourism \$'000	Other \$'000	Total \$'000
Placements with other banks	-	-	-	-	-	-	19,595	-	-	-	-	19,595
Financial assets held for trading	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets designated at fair value	-	-	-	-	-	-	-	-	-	-	-	-
Investment in associates	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances (net)	-	-	-	-	-	-	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-	286,062	-	-	-	-	286,062
Prepayments and other receivables	-	-	-	-	-	-	-	-	-	-	4,576	4,576
Current tax assets	-	-	-	-	-	-	-	-	-	-	-	-
Disposal groups	-	-	-	-	-	-	-	-	-	-	-	-
Advances on investments	-	-	-	-	-	-	-	-	-	-	333	333
	-	-	-	-	-	-	305,657	-	-	-	4,909	310,566

31 December 2014	Agriculture \$'000	Construction \$'000	Wholesale, Retail and Trade \$'000	Public Sector \$'000	Manufacturing \$'000	Mining and Energy \$'000	Financial Services \$'000	Transport \$'000	Individuals \$'000	Tourism \$'000	Other \$'000	Total \$'000
Placements with other banks	-	-	(6)	-	-	-	377,512	-	-	-	-	377,506
Financial assets held for trading	-	4,998	223	17,472	4,519	-	117,555	-	-	-	-	144,767
Financial assets designated at fair value	-	-	143	-	746	7,269	3,608	-	-	-	60	11,826
Investment in associates	-	-	-	-	-	-	375,112	-	-	-	-	375,112
Derivative financial assets	-	-	-	-	-	-	62	-	-	-	-	62
Loans and advances (net)	39,149	37,642	190,238	61,391	77,385	67,418	21,311	39,799	623,584	25,738	34,363	1,218,018
Investment securities	3	-	226	-	268	-	145,498	-	-	-	56	146,051
Prepayments and other receivables	-	-	28	-	-	8,457	18,934	-	8	36	2,556	30,019
Current tax assets	-	-	-	8,187	-	-	-	-	-	-	28	8,215
Disposal groups	-	-	-	-	-	-	-	-	-	-	11,365	11,365
	39,152	42,640	190,852	87,050	82,918	83,144	1,059,592	39,799	623,592	25,774	48,428	2,322,941

## 25. 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.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. BancABC Group Treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letter of credit and guarantees.

The Group's maturity analysis (on a discounted cash flow basis) of all assets, liabilities and equity as at 30 June 2015 was as follows:

30 June 2015	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Greater than 1 year \$'000	Undated \$'000	Total \$'000
Cash and short-term funds	319,594	42,168	11,949	439	-	374,150
Financial assets held for trading	42,568	67,377	53,419	34,645	-	198,009
Financial assets designated at fair value	-	1,330	-	10,410	-	11,740
Derivative financial assets	-	2	-	-	-	2
Loans and advances	234,927	58,858	145,835	734,240	-	1,173,860
Investment securities	30,682	618	-	6,410	-	37,710
Prepayments and other receivables	14,981	793	11,659	17,548	-	44,981
Current tax asset	-	-	3,549	23,842	-	27,391
Investments in associates	-	-	-	-	384,486	384,486
Property and equipment	-	-	3	-	76,100	76,103
Investment property	-	-	-	-	4,864	4,864
Intangible assets and goodwill	-	-	-	-	155,246	155,246
Deferred tax asset	-	-	-	-	9,348	9,348
Investment in subsidiaries	-	-	-	-	-	-
Disposal groups held for sale	8,737	-	-	-	-	8,737
<b>Total assets</b>	<b>651,489</b>	<b>171,146</b>	<b>226,414</b>	<b>827,534</b>	<b>630,044</b>	<b>2,506,627</b>
<b>Shareholders equity and liabilities</b>						
Equity	-	-	-	-	639,390	639,390
Deposits	933,143	203,920	309,004	16,880	-	1,462,947
Derivative financial liabilities	3,139	-	-	2,449	-	5,588
Creditors and accruals	33,064	3,379	11,632	20,142	-	68,217
Current tax liabilities	346	370	24,207	-	-	24,923
Deferred tax liabilities	-	-	-	-	20,845	20,845
Borrowed funds	12,265	15,391	100,023	157,038	-	284,717
<b>Total equity and liabilities</b>	<b>981,957</b>	<b>223,060</b>	<b>444,866</b>	<b>196,509</b>	<b>660,235</b>	<b>2,506,627</b>
<b>Net maturity gap</b>	<b>(330,468)</b>	<b>(51,914)</b>	<b>(218,453)</b>	<b>631,026</b>	<b>(30,191)</b>	<b>-</b>

The Group's maturity analysis (on a discounted cash flow basis) of all assets, liabilities and equity as at 30 June 2014 was as follows:

30 June 2014	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Greater than 1 year \$'000	Undated \$'000	Total \$'000
Cash and short-term funds	-	-	19,595	-	-	19,595
Financial assets held for trading	-	-	-	-	-	-
Financial assets designated at fair value	-	-	-	-	-	-
Derivative financial assets	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-
Investment securities	-	-	286,062	-	-	286,062
Prepayments and other receivables	-	4,576	-	-	-	4,576
Current tax asset	-	-	-	-	-	-
Investments in associates	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-
Investment property	-	-	-	-	-	-
Intangible assets and goodwill	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	-	-
Disposal groups held for sale	-	-	-	-	-	-
Advances on investments	-	333	-	-	-	333
<b>Total assets</b>	<b>-</b>	<b>4,909</b>	<b>305,657</b>	<b>-</b>	<b>-</b>	<b>310,566</b>
<b>Shareholders equity and liabilities</b>						
Equity	-	-	-	-	297,895	297,895
Deposits	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-
Creditors and accruals	-	12,671	-	-	-	12,671
Current tax liabilities	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Borrowed funds	-	-	-	-	-	-
Intercompany balances	-	-	-	-	-	-
Preference Share liability	-	-	-	-	-	-
Tier II Capital	-	-	-	-	-	-
<b>Total equity and liabilities</b>	<b>-</b>	<b>12,671</b>	<b>-</b>	<b>-</b>	<b>297,895</b>	<b>310,566</b>
<b>Net maturity gap</b>	<b>-</b>	<b>(8,095)</b>	<b>305,657</b>	<b>-</b>	<b>(297,895)</b>	<b>-</b>

## 25. Liquidity risk continued

The Group's maturity analysis (on a discounted cash flow basis) of all assets, liabilities and equity as at 31 December 2014 was as follows:

31 December 2014	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Greater than 1 year \$'000	Undated \$'000	Total \$'000
Cash and short-term funds	380,671	29,114	–	–	–	409,785
Financial assets held for trading	60,810	24,498	39,444	20,015	–	144,767
Financial assets designated at fair value	–	66	883	10,877	–	11,826
Derivative financial assets	62	–	–	–	–	62
Loans and advances	189,045	76,721	173,624	778,628	–	1,218,018
Investment securities	139,490	–	757	5,804	–	146,051
Prepayments and other receivables	4,895	1,793	23,331	–	–	30,019
Current tax asset	–	2,210	6,005	–	–	8,215
Investments in associates	–	–	–	–	375,112	375,112
Property and equipment	–	–	–	–	82,709	82,709
Investment property	–	–	–	–	2,696	2,696
Intangible assets and goodwill	–	–	–	–	180,808	180,808
Disposal groups held for sale	–	–	10,551	814	–	11,365
<b>Total assets</b>	<b>774,973</b>	<b>134,402</b>	<b>254,595</b>	<b>816,138</b>	<b>641,325</b>	<b>2,621,433</b>
<b>Shareholders equity and liabilities</b>						
Equity	–	–	–	–	682,426	682,426
Deposits	847,348	361,530	289,946	32,157	–	1,530,981
Derivative financial liabilities	933	561	–	4,786	–	6,280
Creditors and accruals	23,564	24,383	19,146	15,026	–	82,119
Current tax liabilities	2,138	–	2,882	–	–	5,020
Deferred tax liabilities	–	–	–	–	13,326	13,326
Borrowed funds	4,063	1,894	42,491	251,570	–	300,018
Preference Share liability	–	–	–	1,263	–	1,263
<b>Total equity and liabilities</b>	<b>878,046</b>	<b>388,368</b>	<b>354,465</b>	<b>304,802</b>	<b>695,752</b>	<b>2,621,433</b>
<b>Net maturity gap</b>	<b>(103,073)</b>	<b>(253,966)</b>	<b>(99,870)</b>	<b>511,336</b>	<b>(54,427)</b>	<b>–</b>

Refer to note 18 for collateral.

## 26. Fair value

### Financial assets and financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

#### Subsequent measurement

The Group classifies its financial assets into one of the following categories:

- Loans and receivables;
- Held to maturity;
- Available-for-sale (AFS); and
- At fair value through profit or loss, and within this category as:
  - held for trading; or
  - designated at fair value through profit or loss.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

#### Held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs.

#### Available-for-sale (AFS)

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

#### Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

## 26. Fair value continued

### Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred loss event), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired includes:

- Significant financial difficulty of the borrower or issuer;
- Default or delinquency by a borrower;
- Indications that a borrower or issuer will enter bankruptcy;
- The disappearance of an active market for a security; or
- Observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.

### Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

### AFS financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

### Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

#### Subsequent measurement

The Group classifies its financial liabilities into one of the following categories:

- Financial liabilities at fair value through profit or loss;
- Loans and borrowings.

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied.

#### Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

#### Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.



## 26. Fair value continued

### Classes and categories of financial instruments

The following tables show the breakdown of carrying amounts and fair values of financial assets and financial liabilities by class and category of financial instrument:

	30 June 2015		30 June 2014		31 December 2014	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets measured at fair value</b>						
Other financial assets held for trading						
Government bonds	27,508	27,508	–	–	18,975	18,975
Treasury bills	163,359	163,359	–	–	116,052	116,052
Corporate bonds	7,142	7,142	–	–	9,740	9,740
Fair value option						
Listed equities	1,330	1,330	–	–	948	948
Unlisted equities	10,410	10,410	–	–	10,878	10,878
Listed debentures	–	–	–	–	–	–
Unlisted debentures	–	–	–	–	–	–
Investment in associates – listed equities	384,486	384,486	–	–	375,112	375,112
Investment in associates – unlisted equities	–	–	–	–	–	–
Investment property	–	–	–	–	2,696	2,696
Derivative financial instruments						
Cross-currency interest swaps	–	–	–	–	–	–
Interest rate swaps	–	–	–	–	–	–
Currency swaps	–	–	–	–	–	–
Credit default swaps	–	–	–	–	–	–
Interest rate options/futures	–	–	–	–	–	–
Forward foreign exchange contracts	2	2	–	–	62	62
Equity derivatives	–	–	–	–	–	–
Equity swap and options	–	–	–	–	–	–
Cross-currency interest swaps used for hedging	–	–	–	–	–	–
Forward foreign exchange contracts – used for hedging	–	–	–	–	–	–
Available-for-sale investments						
Investment securities – unlisted investments	37,092	37,092	286,062	286,062	139,732	139,732
Investment securities – listed equities	618	618	–	–	644	644

	30 June 2015		30 June 2014		31 December 2014	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets measured at amortised cost</b>						
Loan and receivables	–	–	–	–	–	–
Cash and short-term funds	374,150	374,150	–	–	390,960	390,960
Loan and advances	1,173,860	1,173,860	–	–	1,218,018	1,218,018
Other current assets	44,981	44,981	–	–	30,019	29,243
Held-to-maturity investments						
Investment securities – promissory notes	5,573	5,573	–	–	5,586	5,586
<b>Financial liabilities measured at fair value</b>						
Derivative financial instruments	4,488	4,488	–	–	–	–
Cross-currency interest swaps	–	–	–	–	–	–
Interest rate swaps	–	–	–	–	–	–
Currency swaps	–	–	–	–	–	–
Credit default swaps	–	–	–	–	–	–
Interest rate options/futures	–	–	–	–	–	–
Forward foreign exchange contracts	–	–	–	–	2,155	2,155
Equity derivatives	–	–	–	–	2,777	2,777
Cross-currency interest swaps used for hedging	1,100	1,100	–	–	1,348	1,348
Forward foreign exchange contracts – used for hedging	–	–	–	–	–	–
Contingent consideration						
Fair value option						
Structured notes	–	–	–	–	–	–
Borrowed funds – fair value option	71,185	71,185	–	–	60,471	60,471
Other liabilities held for trading						
Short positions in quoted equities	–	–	–	–	–	–
Short positions in quoted debt securities	–	–	–	–	–	–
Trade payables						
Finance lease liabilities	–	–	–	–	–	–
The following financial instruments are not measured at fair value:						
<b>Financial liabilities measured at amortised cost</b>						
Deposits	1,462,947	1,462,947	–	–	1,530,981	1,530,981
Creditors and accruals	68,217	68,217	–	–	82,119	4,695
Borrowed funds	213,532	296,020	–	–	239,547	242,702

## 26. Fair value continued

### Financial instruments not measured at fair value:

Type	Valuation technique	Significant unobservable inputs
Cash and short-term funds	Discounted cash flows	Not applicable
Loans and advances	Discounted cash flows	Future credit losses, movement in interest rates
Other current assets	Discounted cash flows	Yield and Net asset Values
Deposits	Discounted cash flows	Movement in interest rates
Creditors and accruals	Discounted cash flows	Interest rates and yield
Borrowed funds	Discounted cash flows	Interest rates and yield

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

#### (i) Placements with other banks

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

#### (ii) Loans and advances

The fair value of loans and advances was determined with reference to the estimated future cash flows discounted back at the discount rate calculated for each banking subsidiary based on a market premium which included the risk-free rate, country risk premium and the cost of equity. Where collateral is held, the value of collateral was compared to similar assets sold under typical "forced sale" conditions. The expected future cash flows from collateral were also discounted at the discount rate calculated per subsidiary.

#### (iii) Investment securities

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

#### (iv) Deposits

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

### Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### Fair value

#### Quantitative disclosures fair value measurement hierarchy for assets and liabilities:

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

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

## 26. Fair value continued

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

	30 June 2015				30 June 2014				31 December 2014			
	Quoted prices Level 1 \$'000	Significant observable inputs Level 2 \$'000	Significant unobservable inputs Level 3 \$'000	Total at fair value \$'000	Quoted prices Level 1 \$'000	Significant observable inputs Level 2 \$'000	Significant unobservable inputs Level 3 \$'000	Total at fair value \$'000	Quoted prices Level 1 \$'000	Significant observable inputs Level 2 \$'000	Significant unobservable inputs Level 3 \$'000	Total at fair value \$'000
<b>Assets measured at fair value</b>												
Other financial assets held for trading												
Government bonds	-	27,508	-	27,508	-	-	-	-	-	18,975	-	18,975
Treasury bills	-	163,359	-	163,359	-	-	-	-	-	116,052	-	116,052
Corporate bonds	-	7,142	-	7,142	-	-	-	-	-	9,740	-	9,740
Fair value option	-	-	-	-	-	-	-	-	-	-	-	-
Listed equities	1,330	-	-	1,330	-	-	-	-	948	-	-	948
Unlisted equities	-	-	10,410	10,410	-	-	-	-	-	-	10,878	10,878
Investment in associates – listed equities	-	-	384,486	384,486	-	-	-	-	-	-	373,525	373,525
Investment in associates – unlisted equities	-	-	-	-	-	-	-	-	-	-	1,587	1,587
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-
Forward foreign exchange contracts	-	2	-	2	-	-	-	-	-	62	-	62
Available-for-sale investments	-	-	-	-	-	-	-	-	-	-	-	-
Investment securities – unlisted equities	-	37,092	-	37,092	-	286,062	-	286,062	-	138,398	1,334	139,732
Investment securities – listed equities	618	-	-	618	-	-	-	-	644	-	-	644
<b>Assets for which fair values are disclosed</b>												
Disposal groups for sale	-	8,737	-	8,737	-	-	-	-	-	9,516	1,849	11,365
<b>Financial investments held-to-maturity</b>												
Unlisted equities	-	5,573	-	5,573	-	-	-	-	-	5,586	-	5,586
<b>Fair value hierarchy for financial assets</b>	<b>1,948</b>	<b>249,413</b>	<b>394,896</b>	<b>640,684</b>	<b>-</b>	<b>286,062</b>	<b>-</b>	<b>286,062</b>	<b>1,592</b>	<b>298,329</b>	<b>389,173</b>	<b>689,094</b>
	Half-year to 30 June 2015				Half-year to 30 June 2014				Period to 31 December 2014			
	Quoted prices Level 1 \$'000	Significant observable inputs Level 2 \$'000	Significant unobservable inputs Level 3 \$'000	Total at fair value \$'000	Quoted prices Level 1 \$'000	Significant observable inputs Level 2 \$'000	Significant unobservable inputs Level 3 \$'000	Total at fair value \$'000	Quoted prices Level 1 \$'000	Significant observable inputs Level 2 \$'000	Significant unobservable inputs Level 3 \$'000	Total at fair value \$'000
<b>Liabilities measured at fair value</b>												
Derivative financial instruments	-	4,488	-	4,488	-	-	-	-	-	-	-	-
Equity derivatives	-	-	-	-	-	-	-	-	-	-	2,777	2,777
Cross-currency interest swaps used for hedging	-	1,100	-	1,100	-	-	-	-	-	1,348	-	1,348
Borrowed funds	-	71,185	-	71,185	-	-	-	-	-	60,470	-	60,470
Deposits	-	1,462,947	-	1,462,947	-	-	-	-	-	1,530,981	-	1,530,981
<b>Liabilities for which fair values are disclosed</b>												
Borrowed funds	-	296,020	-	296,020	-	-	-	-	-	242,702	-	242,702
<b>Fair value hierarchy for financial liabilities</b>	<b>-</b>	<b>1,835,740</b>	<b>-</b>	<b>1,835,740</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,835,501</b>	<b>2,777</b>	<b>1,838,278</b>

## 26. Fair value continued

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

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

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

Specific valuation techniques used to value financial instruments include:

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

### Level 3 input

Included in level 3 are the Group investments in unlisted equity instruments including investments in associates and loans measured at fair value with reference to unlisted equities.

The unlisted equities were valued by an independent external valuer who used the market approach to value the instruments. A combination of multiples of book value for comparable businesses as well as multiples of EBITDA as adjusted for low marketability of the investments were used to estimate the eventual fair values used. The fair value movement of a 7.7% investment in an energy utility included in these investments and carried at \$6 million is shared equally with a specified funder, with such fair value of \$2.8 million being included in derivative financial liabilities (note 24.1). A 10% increase in the fair value of this investment will result in an increase in profit before tax of \$0.6 million. A 10% decrease in the fair value of this investment will have an equal but opposite effect on profit before tax.

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

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

### Transfers between level 1 and 2

There were no transfers between level 1 and 2 in the current period.

### Level 3 fair value movements

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

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:

	Period to 30 June 2015					
	Trading securities \$'000	Trading derivatives \$'000	Debt or equity investments \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
<b>Opening balance</b>	-	-	391,869	391,869	2,777	2,777
<b>Total gains or losses</b>	-	-	-	-	-	-
- in profit and loss	-	-	51	51	-	-
- in other comprehensive income	-	-	-	-	-	-
Purchases	-	-	8,823	8,823	-	-
Issues	-	-	-	-	-	-
Settlements	-	-	(3,792)	(3,792)	(2,777)	(2,777)
Exchange rate adjustment	-	-	(2,055)	(2,055)	-	-
Transfer into level 3	-	-	-	-	-	-
<b>Closing balance</b>	-	-	394,896	394,896	-	-

	Period to 30 June 2014					
	Trading securities \$'000	Trading derivatives \$'000	Debt or equity investments \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
<b>Opening balance</b>	-	-	-	-	-	-
<b>Total gains or losses</b>	-	-	-	-	-	-
Movements	-	-	-	-	-	-
<b>Closing balance</b>	-	-	-	-	-	-

	Period to 31 December 2014					
	Trading securities \$'000	Trading derivatives \$'000	Debt or equity investments \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
<b>Acquired through business combinations</b>	-	-	127,935	127,935	2,705	2,705
<b>Total gains or losses</b>	-	-	-	-	-	-
- in profit and loss	-	-	6,671	6,671	-	-
- in other comprehensive income	-	-	701	701	-	-
Purchases	-	-	266,459	266,459	288	288
Issues	-	-	-	-	-	-
Settlements	-	-	-	-	-	-
Exchange rate adjustment	-	-	(11,263)	(11,263)	(216)	(216)
Transfer into level 3	-	-	1,366	1,366	-	-
<b>Closing balance</b>	-	-	391,869	391,869	2,777	2,777



## 26. Fair value continued

Transfers into level 3 shall be disclosed and discussed separately from transfers out of level 3.

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

	30 June 2015					
	Trading securities \$'000	Trading derivatives \$'000	Debt or equity investments \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
<b>Total gains or losses in profit or loss for the year:</b>						
Net trading income	-	-	-	-	-	-
Income from associates	-	-	2,161	2,161	-	-
Net income from other financial instruments carried at fair value	-	-	13	13	-	-
<b>Total gains or losses recognised in other comprehensive income</b>	-	-	<b>2,174</b>	<b>2,174</b>	-	-
	30 June 2014					
	Trading securities \$'000	Trading derivatives \$'000	Debt or equity investments \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
<b>Total gains or losses in profit or loss for the year:</b>						
Net trading income	-	-	-	-	-	-
Income from associates	-	-	-	-	-	-
Net income from other financial instruments carried at fair value	-	-	-	-	-	-
<b>Total gains or losses recognised in other comprehensive income</b>	-	-	-	-	-	-
	31 December 2014					
	Trading securities \$'000	Trading derivatives \$'000	Debt or equity investments \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
<b>Total gains or losses in profit or loss for the year:</b>						
Net trading income	-	-	-	-	-	-
Income from associates	-	-	20,740	20,740	-	-
Net income from other financial instruments carried at fair value	-	-	(748)	(748)	434	434
<b>Total gains or losses recognised in other comprehensive income</b>	-	-	<b>19,992</b>	<b>19,992</b>	<b>434</b>	<b>434</b>

## 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 3 in the fair value hierarchy.

Type of financial instrument	Valuation technique	Significant unobservable input	Range of estimates (weighted average) for unobservable input	Fair value measurement sensitivity to unobservable inputs
<b>Equity derivative</b>	Quoted prices as adjusted for intermediaries retained earnings: The fair values are based on quoted prices of the underlying equity investment which is quoted on the Nigerian Stock Exchange as adjusted for the retained earnings of the investment vehicles excluding the fair value gains from the investment.	Future cash flows Credit spread	15–20%	Significant increases in any of these inputs in isolation would result in lower fair values.
<b>Unlisted equities</b>	Market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee on actual EBITDA for the year ended 31 December 2012 or book value of the investee as at 30 September 2013. The estimate is adjusted for the effect of the non-marketability of the equity securities.	Adjusted price to book ratio (2013: 1.28–1.43); 2013: 3.9–4.8)	12–25%	Significant increases in any of these inputs in isolation would result in lower fair values.
<b>Investment in associates</b>	Market comparison technique: The valuation model is based on market multiples derived from quoted prices of the investee. The estimate is adjusted for the effect of the lack of liquidity in the share, based on comparison of the free float and of bid-offer spread of similar entities on the Nigerian Stock Exchange.	Liquidity premium	12–25%	Significant increases in any of these inputs in isolation would result in lower fair values.

## Level 3 fair value

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 2015		30 June 2014		31 December 2014	
	Carrying amount \$'000	Effect of reasonably possible alternative assumptions \$'000	Carrying amount \$'000	Effect of reasonably possible alternative assumptions \$'000	Carrying amount \$'000	Effect of reasonably possible alternative assumptions \$'000
<b>Financial assets</b>						
Fair value option						
Unlisted equities	-	-	-	-	12,726	1,483
Available-for-sale investments						
Investment securities – unlisted equities	<b>10,916</b>	<b>1,092</b>	-	-	139,821	13,982
Investment in associate	<b>384,486</b>	<b>38,449</b>	-	-	373,525	2,228
<b>Financial liabilities</b>						
Derivative financial instruments						
Equity derivatives	-	-	-	-	2,777	994

## 26. Fair value continued

### Fair value sensitivity

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

	30 June 2015*			
	Profit or loss		Equity	
	Increase	Decrease	Increase	Decrease
Average price to book ratio (5% movement)	164	(164)	115	(115)
Book value (2% movement)	66	(66)	46	(46)
Adjusted EV/EBITDA (5% movement)	896	(896)	627	(627)
EBITDA (2% movement)	358	(358)	251	(251)

	30 June 2014			
	Profit or loss		Equity	
	Increase	Decrease	Increase	Decrease
Average price to book ratio (5% movement)	–	–	–	–
Book value (2% movement)	–	–	–	–
Adjusted EV/EBITDA (5% movement)	–	–	–	–
EBITDA (2% movement)	–	–	–	–

	31 December 2014			
	Profit or loss		Equity	
	Increase	Decrease	Increase	Decrease
Average price to book ratio (5% movement)	164	(164)	115	(115)
Book value (2% movement)	66	(66)	46	(46)
Adjusted EV/EBITDA (5% movement)	896	(896)	627	(627)
EBITDA (2% movement)	358	(358)	251	(251)

\* The sensitivity is based on the December 2014 valuations which are the latest ones available at the time of reporting.

## 27. Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group and parent company have the resources to continue in business for the foreseeable future.

As part of the Directors' assessment of the Group's intention and ability to continue operating into the foreseeable future, the Directors performed the following:

- Made appropriate enquiries of management teams of the Group;
- Performed detailed assessments and stress testing of the principal risks facing the Group;
- Interrogated the budgeted forecasts position and stress testing; and
- Reviewed and confirmed the future funding pipeline and newly approved credit and facilities.

In making this assessment, the Directors review focused on a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

An update on the Group's business model, strategy, key performance indicators, relationships and resources are included in the Chief Executive Officer's letter on pages 2 to 4.

The Chief Financial Officer's Review of Financial Performance includes a review of the consolidated income statement, consolidated balance sheet and an overview of principal risks.

## 28. Events after the reporting date

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

None of the events listed below were adjusting subsequent events.

### Overseas Private Investment Corporation (OPIC)

On 6 August 2015 it was announced that the Board of Directors of OPIC, the U.S. Government's development finance institution, has approved \$200 million in financing in support of a \$300 million overall project for acquisition finance and on-lending across Africa.

The terms of the agreement state that, OPIC will provide \$200 million in long-term debt. The project will support BancABC by expanding operations in the region. BancABC will scale up its SME loan portfolio, increase on-lending for financial inclusion products, and invest in information technology upgrades to quicken implementation of its new financial technology and mobile banking initiatives. Together these initiatives will enable Atlas Mara to increase its presence in sub-Saharan Africa. Furthermore, \$130 million will be dedicated towards financing strategic acquisitions to facilitate expansion of Atlas Mara's platform, footprint, and channels bolstering its developmental impact reach. Final closing of terms and conditions is anticipated during the fall of 2015.

### Sale of Brainworks

On 30 July the Group announces that it had completed the sale of its 10.1% stake in Brainworks Capital Management (Private) Limited ("Brainworks"), the Zimbabwe-focused private equity and advisory firm, for \$8.72 million. In connection with the transaction, Atlas Mara, by way of an indirectly wholly-owned subsidiary, repurchased 664,300 Atlas Mara ordinary shares and received approximately \$3.1 million in cash.

Separately, on 14 July 2015, the Company repurchased 298 shares at a high price of \$6.00 and a low price of \$5.95, all of which were purchased to be held as treasury shares.

## Additional information

### Share information

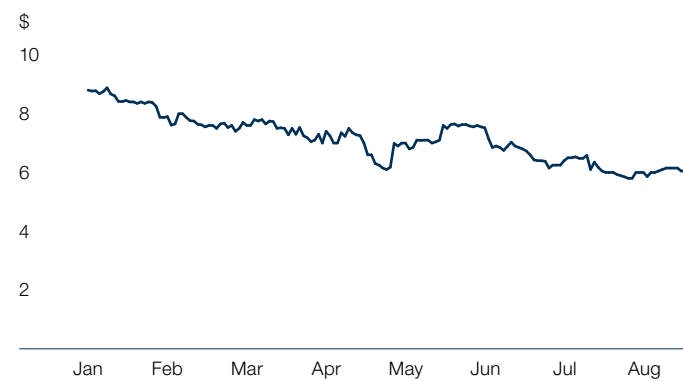
Atlas Mara Stock Ticker: ATMA  
(traded on the London Stock Exchange)

Atlas Mara Warrants Ticker: ATMW  
(traded on the London Stock Exchange)

### 2015 share price performance

2 January 2015: \$ 8.80  
30 June 2015: \$6.25

### Atlas Mara 2015 share price



### Total Ordinary Shares

70,790,263 Ordinary Shares as of 19 August 2015  
(72,458,524 Ordinary Shares in issue of which 1,668,261  
Ordinary Shares in issue are held in treasury)

### Total outstanding warrants

32,529,500 warrants as of 19 August 2015

### Company auditor

KPMG LLP  
15 Canada Square  
London E14 5GL

### Corporate brokers

Citigroup Global Markets Limited  
Citigroup Centre  
33 Canada Square  
London E14 5LB

Renaissance Capital Limited  
50 Bank Street  
London E14 5NT

### Registrar

Computershare Investor Services (BVI Limited)  
c/o The Pavillions, Bridgwater Road  
Bristol BS99 6ZY

### Other contacts

Group Investor Relations  
Email: [ir@atlasmara.com](mailto:ir@atlasmara.com)

Group Media Relations  
Email: [media@atlasmara.com](mailto:media@atlasmara.com)

### Board of Directors

#### Non-Executive Directors

Arnold O. Ekpe (Chairman)  
Bob Diamond (Co-Founder)  
Ashish J. Thakkar (Co-Founder)  
Rachel F. Robbins (Senior Independent Director)  
Tonye Patrick Cole  
Eduardo C. Mondlane, Jr.  
Funke Opeke  
Amadou Raimi

#### Executive Director

John F. Vitalo (Chief Executive Officer)

#### Executive Committee

John F. Vitalo (Chief Executive Officer)  
Arina McDonald (Chief Financial Officer)  
Bradford Gibbs (Member of Executive Committee)  
Beatrice Hamza Basse (General Counsel)

#### Registered office

Nemours Chambers  
Road Town  
Tortola  
British Virgin Islands

#### Registration number

1800950

#### Website address

<http://atlasmara.com>



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