atlasmara

Interim Report 2020

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Atlas Mara at a glance

Financial facts and figures

Loans and advances

$554.2m (14.0%)

31 December 2019: $644.1m

Total equity

$391.9m

31 December 2019: $547.2m

Deposits

$612.8m (15.3%)

31 December 2019: $723.7m

Net book value per share

$2.06

31 December 2019: $2.97

Operational facts and figures

	Botswana	Mozambique	Zambia	Zimbabwe	Tanzania	Rwanda	Nigeria	Corporate
Employees	377	275	685	295	149	877	2,400	42
Customers ('000s)	53	102	151	218	40	478	6,100	–
ATMs	14	24	116	17	7	49	927	–
Number of physical locations	8	10	46	19	109	184	282	1

Sources:
Atlas Mara, BPR Regulatory Submission documents, UBN H1 2020 investor analyst presentation and component management reports.

Total number of customers[1]

>1m

Total number of physical locations[1]

376

Total number of ATMs[1]

232

Note:
1. Statistics exclude UBN's operational footprint (Atlas Mara owns 49.97%, which is accounted for as an investment in associate shareholding).

Executive Chairman's statement

I hope this finds you safe and healthy during this extraordinary time.

Michael Wilkerson
Chairman

Dear shareholders,

As the COVID-19 pandemic continues to take a toll on both health and economies across the globe, Atlas Mara's first priority remains the safety of our employees, customers and communities. Our banks remain open in all of our markets of operation, and I want to thank every member of our team for their resilience and dedication to serving our customers.

Interim results

Our banks performed admirably in the first half of the year, delivering improvements in key metrics despite the extraordinary dual challenges of the pandemic and already difficult macroeconomic conditions. All of our markets have experienced lockdowns and disruptions in various forms, which have suppressed business activity and required innovative approaches and accelerated shifts into digital channels. I am pleased to report that our banks have responded to this challenge. All banks saw strong digital growth, and all remain adequately capitalised.

At Union Bank of Nigeria ('UBN'), our largest investment, despite the challenging macroeconomic environment, management delivered a strong performance, with increases in loans, deposits, and total income (in Naira terms). Loans and deposits grew across all three channels (corporate, commercial and retail) thanks to substantially expanded digital offerings in response to the pandemic. Mobile users increased by 39% and 90% of transactions were completed digitally in the period (compared to 57% a year earlier). Strong cost controls kept operating expenses in check and, despite the substantial impact of lockdowns, the NPL ratio increased only 50 bps year-on-year, which is a testament to the bank's credit risk management. The bank is also shifting its lending focus toward more crisis-resilient sectors (such as FMCG, healthcare and telecom). For Atlas Mara, our share of income from UBN was negatively affected by the devaluation of the Nigerian Naira; the NAFEX rate depreciated by 7.3% from 360.6 in H1 2019 to 386.8 at the end of the current period. I want to commend Emeka Emuwa and the UBN team for another strong result over the period.

Outside of Nigeria, we faced many similar challenges from lockdowns, tight liquidity, and interest rate environments. Nonetheless, our teams responded well to the environment, in particular by leaning into digital distribution to expand customer access, cut costs, and grow assets. Digital has quickly become part of our DNA and was a primary driver of increased loans and deposits, lower cost of funds, and lower bricks and mortar overhead expenses. The Markets and Treasury business was also a key driver of improved results, with forex trading income contributing substantially to the bottom line. In response to the pandemic-induced slowdown, we continue to reduce overhead and focus on strong credit risk management, with a proactive restructuring approach to avoid unnecessary defaults. It is worth noting that across the Group's countries of operation, excluding Zimbabwe, the local currencies depreciated by an average of 14% compared to June 2019, negatively impacting the Group's results as reported in USD.

In Botswana, despite severe liquidity shortages and two interest rate cuts, net profit increased by 8.6% year-on-year. Technology – including the launch of the SaruMoney digital platform – and an aggressive deposit repricing effort drove interest expense down 15.3% year-on-year, while impairments remained low. The bank also secured $10 million in growth capital from PROPARCO, the French development finance institution, to support its long-term goals.

Zimbabwe was a severely challenging market environment even before the pandemic, with hyperinflation, low economic growth, forex shortages, and a fiscal crisis all impacting business performance. Nonetheless, our bank delivered another outstanding period, with profit up by over 100% in local currency terms. The bank launched multiple innovative digital products, including the Branch X virtual branch platform and an AI chatbot feature for customer service. In response to the volatile currency environment, the bank implemented effective forex hedges, and delivered another strong period of trading results.

In Mozambique, aggressive cost reductions, a new digital offering, and increased forex trading income led to a profitable half year. The bank is now booking 'nano loans' through an agency banking initiative to meet customers where they are (outside the branch), and we believe this will continue to be a growth area in Mozambique. Management also shifted the focus of the loan book from corporate – where spreads are currently too tight – to the more profitable retail business.

In Rwanda, strong net profit growth was driven by forex income and substantial improvements in asset quality, with impairment charges lower and the NPL ratio down to 4.7% from 7.8% in December 2019, despite the pandemic environment. The bank will continue to aggressively cut distribution costs in favour of digital channels, with plans to reduce the branch network by more than 20% in the near term.

In Tanzania, the bank continued a substantial business refocus and saw improved performance year-on-year. The corporate banking arm has been largely scaled down due to low margins, and the bank is now focused on retail. Asset quality improved thanks to a strengthened credit function, which we expect to yield improved recoveries in the future.

In Zambia, we achieved a turnaround to profitability in the first half of the year compared to a year earlier. Management demonstrated very tight liquidity management and grew digital banking, leading to lower cost of funds, helping to lower overall expenses year-on-year. Markets and Treasury achieved strong forex trading income, with a considerable amount of regional transactions in the period.

Strategic update

The Board of Atlas Mara continues to focus on the strategic transformation we announced in 2019, albeit with timelines affected by COVID-19. The ongoing repositioning of the Group as a more streamlined holding company is evident in our cost reductions to date, and in moving the Markets and Treasury business onshore, which yielded good results. The improved performance across our banks in Southern and East Africa reflects strengthened management and governance, and we continue to work closely with UBN management to deliver consistent profits and enable continued returns to shareholders.

The Board also remains committed to pursuing strategic options that ensure the business can thrive during this crisis and will be positioned for profitable growth alongside an economic recovery. The transaction we announced in September with Access Bank Plc for the sale of our Mozambique subsidiary is firmly in line with this initiative. We are on the path to a more focused Group with a core footprint, with our capital deployed in and resources concentrated on areas where we can add real value. The Company continues to evaluate strategic options, which may include additional divestiture or partnership transactions, or other alternatives that benefit Atlas Mara and its shareholders in the long term. We are also exploring options for refinancing the December 2020 convertible bonds, discussing an extension of the maturity date with the principal bondholders, and engaging with development finance institutions ('DFIs') and other counterparties regarding various COVID-19-related financing options that could be beneficial to the Group and its shareholders. The Company will update the market in due course as these engagements develop.

We are concurrently reviewing the areas where we can most contribute to shareholder value, and increasing our focus on those core capabilities, including capital mobilisation and portfolio management. Through initiatives such as the $200 million growth financing for UBN, as well as various growth financings and the minority stake IPO for BancABC Botswana, the Company has demonstrated a distinct ability to add value to operating banks, and it is an area we continue to prioritise.

Share price performance

We share the frustration of our shareholders with the performance of the Company's share price. Like many African corporates, Atlas Mara has seen financial performance substantially affected by the pandemic, the broader macroeconomic slowdown in much of sub-Saharan Africa, and the effects of currency depreciation – but the Company's share price has suffered considerably more. Our tangible book value per share (at 30 June 2020) was several times the current share price. We believe the market is considerably undervaluing our franchise.

Conclusion

For 2020, we remain focused on serving our customers safely, protecting our franchises during the crisis, pursuing transformational strategic options, and looking for efficient avenues for future growth. With our improved governance and credit functions, strong digital offerings, and continued cost reductions across the footprint, our banks' resilience continues to improve, and we are increasingly positioned to capitalise on a post-pandemic recovery period.

Thank you for your continued support.

Michael Wilkerson
Chairman

Chief Financial Officer's review of financial performance

The impact of the COVID-19 pandemic on the global economy has been felt across all of the Company's countries of operation. While the mortality rates across the African continent have been lower than initially feared, the economic impact has been unprecedented.

Omar Khan
Chief Financial Officer

Many of the countries across sub-Saharan Africa ('SSA') continue to have border and travel restrictions, as well as work from home restrictions, and despite government and central bank interventions to stimulate economies, as of the date of this statement, the SSA region is now projected to contract by 3.2%, with most African economies revising their growth outlook downwards.

The Group's results have been impacted by this, with the adjusted profit declining from $17 million for the six months ended 30 June 2019 to $4.3 million for the six months ended 30 June 2020. While the cost to income ratio has improved to 104.1% (H1 2019: 108.0%), the Group has seen nearly all key financial indicators negatively impacted with the adjusted ROE reducing to 2.5% from 6.8% for the comparative period. The NPL ratio has increased to 12.0% from 11.4% reported as at 31 December 2019.

The Group has been stress testing its portfolios in the current environment. As at 30 June 2020, there was a marginal increase in our ECL estimate and NPL ratio in line with the composition of our portfolios. We continue to monitor the portfolios and will continue to act as the situation unfolds.

Country performance summary

Nigeria

UBN has weathered the COVID-19 storm fairly well and has reported a 3.3% increase in profit before tax from continuing operations (which excludes the performance of its UK subsidiary which is currently classified as asset held for sale). Including the results of the discontinued operations, profit before tax declined by 7.0% in local currency terms in the six months ended 30 June 2020 in comparison to the corresponding period in 2019. The devaluation of the Naira and the Group's decision to move away from the official exchange rate which was at NGN306.4/$1 as of 30 June 2019 to the NAFEX reference rate which stood at NGN386.8/$1 at the end of the current period, has resulted in the income from associate further reducing profit before tax in USD terms from $18.7million in H1 2019 to $13.8 million in H1 2020.

Overall, UBN lowered its cost to income ratio to 75.5% from 76.1% reported in H1 2019 but has seen contraction in the net interest margin to 5.3% (H1 2019: 5.8%) and return on equity to 8.5% from 10.8% for the comparative period. While the NPL ratio has increased to 6.3% from 5.8% at year-end, the NPL coverage ratio remained strong at 127.5% (31 December 2019: 138.1%).

Despite the impact of the contraction in earnings, UBN remains well capitalised with its CAR at 19.2%, well above the regulatory minimum of 15%.

Zimbabwe

Zimbabwe has continued to grapple with serious economic challenges created due to long-standing structural weaknesses and inflation which is expected to reach 1,000% in the second half of 2020.

Following numerous changes to the currency regime on 23 June 2020, the Reserve Bank of Zimbabwe ('RBZ') announced the replacement of the interbank market rate with weekly foreign exchange auctions to determine the Zimbabwe dollar exchange rate. This change is expected to build market confidence, improve access to foreign currency and help stabilise the exchange rate.

Our Zimbabwe business has shown resilience despite the challenging situation and delivered an impressive performance in the current period. In local currency terms, the bank recorded >100% increases in both operating income and profit before and after tax for the six-month period ended June 2020 compared to the corresponding period last year.

Sound credit risk management practices have also resulted in the decline in the NPL ratio to 2.2% and the liquidity and capital adequacy ratios at 137% and 43.6% respectively are above the regulatory minimum.

Botswana

The first half of the year was impacted by the ongoing subdued macroeconomic environment further compounded by the impact of COVID-19, however, building blocks have been put in place since the listing on the Botswana Stock Exchange. Strong momentum established in H2 2019 carried into Q1 2020 which helped mitigate the COVID-19 downside pressures. Despite the challenges in the macroeconomic environment and COVID-19 related impacts, the bank reported an increase in profit after tax of 8.6% on a constant currency basis for the six-month period ended 30 June 2020 compared to the corresponding period last year.

Total income increased by 3.0% (11.1% on a constant currency basis) in the six-month period ended 30 June 2020 driven by a strong performance on net interest income (NII) despite two rate cuts of 50bps in August 2019 and April 2020 impacting the review period. This growth in NII was supported by both the growth of the loan book by 4%, largely in the first quarter, and the successful reduction in interest expense by 15% year-on-year. The reduction in interest expense has been achieved through the more efficient use of technology such as the BancOnline platform rolled out for corporate clients and the downward repricing of term deposits.

Discontinued operations

On a consolidated basis, the subsidiaries classified as discontinued operations contributed $4.2 million to the Group loss before tax reported for the period. This was mostly driven by macroeconomic headwinds and weakened currencies. The subsidiaries have shown resilience in their performance despite the impacts of the COVID-19 pandemic on business activities.

Atlas Mara Zambia delivered a profit for the six-month period ended 30 June 2020 with profit after tax increasing to $0.9 million compared to a loss of $0.7 million for the same period last year, primarily attributed to the strong forex trading income and the successful implementation of cost reduction initiatives. The cost to income ratio decreased by c6% year-on-year. Despite the suspension of lending activities due to liquidity constraints in the market, the loan book grew by 31% on a constant currency basis, following increased draw down by certain large corporate clients.

Rwanda reported a 65.3% increase in profitability compared to the corresponding period last year on a constant currency basis. The growth was driven by an increase in non-interest income especially commissions from new loans disbursed and transactional fees as a result of increase in transaction volumes. The quality of the loan book improved resulting in a reduction in loan impairment charges. Deposits grew by 10.6% (11.9% on a constant currency basis), achieved through various deposit initiatives including account opening through a mobile channel and agency banking which was launched in Q4 2019.

Mozambique's profit decreased by 87.8% due to an increase (>100%) in the impairment charge for the period and a reduction in recoveries, compared to H1 2019. Despite this, total income increased by 20.7% on a constant currency basis following strong forex trading revenue due to trading opportunities on the volatile currency.

In Tanzania, performance was adversely affected by the reduction in transactional activity caused by the COVID-19 pandemic. This resulted in a decrease in forex trading revenue, credit related fees and digital transactions.

Performance summary

The Group recorded an adjusted net profit of $4.3 million for the period ended 30 June 2020 (30 June 2019: $17.0 million).

Statement of comprehensive income review

Total income

The Group reported a decrease in total income of 5.1% (increase of 67.5% on a constant currency basis) as a result of a decline in net interest income.

Table 1: Total income for the period ended 30 June 2020

	30 June 2020			30 June 2019				
$'million	**Continuing**	**Discontinued**	**Total**	Continuing	Discontinued	Total	Var %	CC Var %
Net interest income	**4.3**	**32.8**	**37.1**	8.8	35.7	44.5	(16.6%)	13.5%
Non-interest revenue	**30.6**	**22.9**	**53.5**	29.7	21.3	51.0	4.9%	>100%
Total income	**34.9**	**55.7**	**90.6**	38.5	57.0	95.5	(5.1%)	67.5%

Net interest income
Net interest income declined by 16.6% (increase of 13.5% on a constant currency basis) to $37.1 million in the current period, due to the decline in interest income and increased interest expense.

Interest income decreased during the period by 2.5% (increase of 19.5% on a constant currency basis) to $97.9 million from $100.4 million reported in H1 2019, attributable to rate cuts imposed by central banks in response to the pandemic; liquidity shortages in key markets; low lending volumes and COVID-19 related measures put in place by banking subsidiaries to support customers such as loan restructures and extended moratorium on loans.

Interest expense increased by 8.7% (21.6% on a constant currency basis) compared to the prior period mainly as a result of an increase in borrowed funds and the impact of liquidity pressures experienced in some of our markets, resulting in more expensive deposits. This is reflected in the increase in the cost of funds from 5.5% in H1 2019 to 6.2% in the current period.

Non-interest income
The consolidated total, non-interest income increased during the period by 4.9% (>100% on a constant currency basis) due to a decrease in FV losses recognised on financial instruments (measured at FVTPL) in the current period compared to the prior period. The impressive performance of Markets and Treasury in Zimbabwe contributed significantly to the Group's non-interest income.

Excluding the impact of the fair value changes on financial instruments, non-interest income declined by 9.4%, resulting from lower loan-related and digital channel fees in the period. Lower loan growth and decline in business activities resulting from the lockdowns imposed by national governments are some of the factors that contributed to the decline in non-interest income.

Total expenses
Total expenses of $94.3 million ($90.5 million excluding one-offs) decreased by 8.5% (increase of 11.2% on a constant currency basis), largely due to the effects of currency translation in Zimbabwe and the strategic cost management initiatives across the Group. Excluding Zimbabwe where expenses increased on a constant currency basis due to hyperinflation, the rest of the Group's expenses declined by 12.1% for the six months ended 30 June 2020 in comparison to the corresponding period last year. Cost management and productivity enhancement efforts are underway in the subsidiaries to improve our cost to income ratios.

Staff costs decreased by 6.3% from $47.3 million in H1 2019 to $44.4 million in the current period, but the contribution to total expenditure increased to 47.0% from 45.9%.

On an adjusted operating profit basis, Atlas Mara reported a cost to income ratio of 99.9% (H1 2019: 94.7%), compared to 104.1% (H1 2019: 108.0%) on an IFRS basis.

Atlas Mara continues to focus on the holding companies' expenses and for the six months ended 30 June 2020, normalised expenses (net of restructuring costs) showed a decline of 8.5% compared to the corresponding period last year.

Loan impairment charges
Credit impairment charges increased by 46.1% (>100% on a constant currency basis) from $2.7 million in H1 2019 to $3.9 million in the current period. This increase primarily reflects the impact of the recalibration of the IFRS 9 impairment model for the Group to incorporate forward-looking information (mostly related to COVID-19) and the impact of other macroeconomic changes. There was also a decline in recoveries in the current period to $1.1 million from $2.6 million reported in the prior period.

The Group continues to enhance its risk management framework including credit monitoring and recovery processes.

Share of profit of associates
This represents Atlas Mara's share of profit from its 49.97% stake in UBN, based on UBN's published unaudited results for the six-month period ended 30 June 2020. The impact of the amortisation of acquisition-related intangible assets is also included.

UBN's financial performance for the period was impacted by the challenging economic environment and the lockdown measures taken by the government to limit the spread of the COVID-19 pandemic. Profit before tax declined marginally by 7% in the six months ended 30 June 2020 compared to the corresponding period last year. This decline is attributable to the increase in credit impairment charges in the current period, resulting from the impact of the COVID-19 pandemic.

UBN remains well-capitalised, with its capital adequacy ratio sitting at 19.2% at 30 June 2010, higher than the regulatory minimum of 15.0%.

Statement of financial position review
The Group's balances are split between continuing and discontinued operations, with the balances relating to discontinued operations disclosed as a single line item in the consolidated statement of financial position.

Analysis of balances related to continuing operations as presented on the statement of financial position is as follows: loans and advances comprise 37.9% of total assets; cash, short-term funds and marketable securities represent 17.5%; investment in associate (UBN) balance accounts for 33.3%; goodwill and other intangible assets make up 4.2%; while other assets (made up of derivatives, property and equipment, investment property, prepayment and other receivables etc.) make up the remainder at 7.2% of total assets relating to continuing operations.

Total assets relating to continuing operations contracted by 11.2% (6.7% on a constant currency basis) reflecting the impact of currency movements in the Group's core markets (Botswana, Zimbabwe and Nigeria) and the slowdown in business operations resulting from the disruptions caused by COVID-19.

Deposits comprise 52.7% of the liability base for continuing operations and represent 24.6% of the aggregate of liabilities and equity. The loan to deposit ratio for the period was 90.4% (December 2019: 89.0%).

Loans and deposits

Table 2: Loans and deposits composition by country at 30 June 2020

	30 June 2020 ($'m)		31 December 2019 ($'m)		Var %	CC Var %	Var %	CC Var %
	Loans	**Deposits**	Loans	Deposits	Loans		Deposits	
Continuing operations								
Botswana	**522.5**	**550.9**	606.3	662.5	(13.8%)	(4.3%)	(16.8%)	(7.7%)
Zimbabwe	**16.7**	**61.9**	22.7	61.2	(26.6%)	>100%	1.1%	>100%
Other	**15.0**	**–**	15.1	–	(0.3%)	0.0%	–	–
Total	**554.2**	**612.8**	644.1	723.7	(14.0%)	(2.4%)	(15.3%)	(0.3%)
Discontinued operations								
Mozambique	**77.2**	**170.0**	89.9	179.3	(14.1%)	(2.0%)	(5.2%)	8.2%
Tanzania	**50.8**	**65.6**	51.2	65.3	(0.7%)	0.1%	0.4%	1.3%
Zambia	**191.7**	**286.7**	188.8	380.1	1.5%	31.0%	(24.6%)	(2.7%)
Rwanda	**180.6**	**314.3**	172.5	284.1	4.7%	5.9%	10.6%	11.9%

Loans and deposits

As presented in Table 2 above, total loans decreased by 14.0% (2.4% on a constant currency basis) to $554.2 million at the end of the current period from $644.1 million at 31 December 2019. Total deposits also declined in the current period by 15.3% (0.3% on a constant currency basis) to $612.8 million from $723.7 million at 31 December 2019.

Decline in loans and deposits is attributable to the impact of currency devaluation in Botswana and Zimbabwe and the slowdown in business activities due to the COVID-19 pandemic. The economic environment was challenging in the period as a result of the business disruptions caused by the pandemic and the market liquidity constraints in our countries of operations significantly impacted the writing of new loans (as there was a market-wide decline in the demand for credit) and also resulted in the loss of some significant deposits.

Term deposits remained the highest contributor to deposits, making up 58.2% of total deposits in the current period, compared to 72.0% in December 2019. There was an increase in overnight deposits/interbank borrowings reflecting the tight liquidity situation experienced in Botswana and Zimbabwe.

Credit quality

NPLs as a percentage of the loan book increased from 11.4% in December 2019 to 12% at the end of the current period. This is due to the impact of the COVID-19 pandemic on business activities which in turn increased the credit risk on the Group's loan portfolio.

Capital position

As at 30 June 2020, all of Atlas Mara's operating banks and affiliates complied with local minimum capital requirements relevant in respective countries, as summarised below.

Table 3: Capital adequacy ratios

	June 2020	December 2019	Regulatory Minimum
Continuing operations			
Botswana	**21.0%**	18.6%	12.5%
Zimbabwe	**43.6%**	58.7%	12.0%
Discontinued operations			
Mozambique	**19.1%**	19.6%	11.0%
Rwanda	**21.7%**	23.5%	15.0%
Tanzania	**15.1%**	16.6%	12.0%
Zambia	**11.9%**	14.3%	10.0%

Investment in associate: UBN

Our total shareholding in Union Bank of Nigeria remained at 49.97% as reported in FY 2019. The investment is equity-accounted for in the statement of financial position as an investment in associate, with a closing balance of $487.7 million (December 2019: $580.6 million). Reduction in carrying value is mainly attributable to the dividend income earned from UBN during the period and the impact of currency translation losses, following the devaluation of the naira during the period.

Goodwill and intangibles

The statement of financial position incorporates goodwill and intangible assets of $61.6 million at 30 June 2020 (31 December 2019: $73.0 million). The decline in this balance is attributable to amortisation for the period and currency translation losses on local currency balances reported by the Group's foreign subsidiaries (Botswana and Zimbabwe). These assets represent 4.2% of the Group's asset base (excluding assets held for sale), resulting in a tangible book value of $2.05 per share (December 2019: $2.87 per share) and book value per share of $2.06 (December 2019: $2.97).

The impact of the macroeconomic challenges in Nigeria triggered the requirement for an assessment of the goodwill allocated to the Nigeria segment. While no impairment is required as at 30 June 2020, the headroom previously reported has been completely eroded, resulting in the goodwill balance of $13.9 million being at risk in 2020.

Chief Financial Officer’s review of financial performance continued

Segment information

The segmental results and statement of financial position information represents management’s view of its underlying operations.

Nigeria: Through our 49.97% stake in UBN and Board representation, Atlas Mara has a footprint in Nigeria, Africa’s largest economy.

Our share of profit from the 49.97% stake in UBN is based on UBN’s published unaudited financial statement for the six-month period ended 30 June 2020.

Botswana: Represents the Group’s 78.15% investment in BancABC Botswana and its subsidiaries. BancABC Botswana has been listed on the Botswana Stock Exchange since 2018.

Zimbabwe: Represents the Group’s 100% owned investment in BancABC Zimbabwe and its subsidiaries.

Discontinued operations

Our operations in Mozambique, Tanzania, Zambia and Rwanda still remain classified as discontinued operations as the Group is still committed to implementing the strategic decision to dispose of these subsidiaries and continues to actively evaluate several options with the objective of completing a strategic transaction in 2020.

Corporate

Included in this segment are Atlas Mara Limited, the BVI incorporated holding company, Atlas Mara Management Services, the Dubai subsidiary, and all other intermediate Group holding entities, also referred to as the Shared Services and Centre.

Segment report for the period ended 30 June 2020

		Continuing operations				
$’million	**Group**	**Botswana**	**Zimbabwe**	**Nigeria**	**Corporate**	**Discontinued operations**
Total income	90.6	23.6	28.2	–	(16.9)	55.7
Impairment charge on financial assets	(3.9)	(0.2)	(0.6)	–	–	(3.1)
Operating expenses	(94.3)	(17.1)	(11.9)	–	(8.5)	(56.8)
Net loss on monetary position	(4.7)	–	(4.7)	–	–	–
Share of profits of associate	13.8	–	–	13.8	–	–
Profit/(loss) before tax	1.5	6.3	11.0	13.8	(25.4)	(4.2)
Net change on IFRS 5 remeasurement	0.4	–	–	–	–	0.4
Profit/(loss) after tax and NCI	(7.9)	3.8	7.4	13.8	(26.8)	(6.1)
Loans and advances	554.2	522.5	16.7	–	15.0	–
Total assets	2,490.0	740.5	165.6	487.7	70.1	1,026.1
Total liabilities	2,098.0	617.1	111.6	–	433.0	936.3
Deposits	612.8	550.9	61.9	–	–	–

Net interest margin – total assets	3.0%	5.4%	3.7%
Net interest margin – earning assets	4.7%	6.1%	12.8%
Cost to income ratio	104.1%	72.4%	42.1%
Statutory credit loss ratio	0.7%	0.1%	7.5%
Return on equity	(4.7%)	7.4%	27.4%
Return on assets	(0.6%)	1.0%	8.9%
Loan to deposit ratio	90.4%	94.8%	27.0%

Segment report for the year ended 31 December 2019

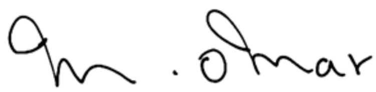
$'million	Group	Continuing operations Botswana	Zimbabwe	Nigeria	Corporate	Discontinued operations
Total income	189.8	50.1	38.3	–	(23.2)	124.6
Loan impairment charge	(11.4)	1.5	(0.2)	–	(0.3)	(12.4)
Operating expenses	(230.6)	(37.4)	(21.6)	–	(33.6)	(138.0)
Share of profits of associate	31.1	–	–	31.2	(0.1)	–
Profit/(loss) before tax	**(21.1)**	**14.2**	**16.5**	**31.2**	**(57.2)**	**(25.8)**
Loss on IFRS 5 remeasurement	(105.5)	–	–	–	–	(105.5)
Profit/(loss) after tax and NCI	**(143.2)**	**8.9**	**7.8**	**31.2**	**(56.4)**	**(134.7)**
Loans and advances	644.1	606.3	22.7	–	15.1	–
Total assets	2,627.4	856.7	161.3	580.6	49.2	979.6
Total liabilities	2,080.2	736.1	107.9	–	362.0	874.2
Deposits	723.7	662.5	61.2	–	–	–

Net interest margin – total assets	3.3%	4.5%	6.1%
Net interest margin – earning assets	4.7%	5.0%	14.4%
Cost to income ratio	121.5%	74.6%	56.4%
Statutory credit loss ratio	1.0%	(0.2%)	0.8%
Return on equity	(28.5%)	11.2%	14.7%
Return on assets	(5.5%)	1.3%	4.8%
Loan to deposit ratio	89.0%	91.5%	37.1%

Segment report for the period ended 30 June 2019

$'million	Group	Continuing operations Botswana	Zimbabwe	Nigeria	Corporate	Discontinued operations
Total income	95.5	22.9	33.0	–	(17.4)	57.0
Loan impairment charge	(2.7)	0.5	(0.3)	–	(0.9)	(2.0)
Operating expenses	(103.1)	(17.1)	(9.3)	–	(13.1)	(63.6)
Share of profits of associate	18.7	–	–	18.7	–	–
Profit/(loss) before tax	**8.4**	**6.2**	**23.5**	**18.7**	**(31.5)**	**(8.5)**
Loss on IFRS 5 remeasurement	(125.6)	–	–	–	–	(125.6)
Profit/(loss) after tax and NCI	**(126.4)**	**3.8**	**18.8**	**18.7**	**(32.4)**	**(135.3)**
Loans and advances	604.6	558.6	31.6	–	14.4	–
Total assets	2,496.6	800.1	165.4	557.5	58.4	915.2
Total liabilities	1,950.8	684.5	121.0	–	335.5	809.8
Deposits	684.0	603.7	80.3	–	–	–

Net interest margin – total assets	3.6%	4.5%	7.2%
Net interest margin – earning assets	10.5%	5.1%	10.3%
Cost to income ratio	108.0%	74.8%	28.1%
Statutory credit loss ratio	0.5%	(0.2%)	1.7%
Return on equity	(25.4%)	10.6%	84.5%
Return on assets	(5.1%)	0.9%	22.7%
Loan to deposit ratio	88.4%	92.5%	39.3%



Omar Khan
Chief Financial Officer

Risk Report

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

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

Group risk management objectives

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

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

The Group's approach to risk management

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

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

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

The Group's risk management framework defines the risk management Principles and Standards followed by the Group. These Principles and Standards ensure that risks are consistently managed throughout the Group through a set of internal controls. The Principles and Standards also ensure that risk awareness filters down through every level of the Group, and that every employee understands their responsibility in managing risk. At each operating subsidiary entity, the following sub-committees, comprising executives and senior management, are responsible for dealing with the risks facing the Group in a structured manner:
- Executive Credit Committee ('EXCO Credit') – responsible for credit risk;
- Assets and Liability Committee ('ALCO') – responsible for interest rate, market, liquidity, counterparty, currency and capital adequacy risk; and
- Operational Risk Committee ('ORCO') – responsible for technology, compliance, legal, human resources, reputational, operational and regulatory risk.

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

The three lines of defence are:
- Business operations;
- Risk and control functions; and
- Internal audit.

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

Role of Atlas Mara Group Risk Management

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

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

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

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

Credit risk management

Credit risk is the risk of loss to the Group from the failure of clients, customers or counterparties, to fully honour their obligations to the Group, including the whole and timely payment of principal, interest, collateral and other receivable. Credit risk management is the most significant risk to which the Group is exposed to.

Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the reporting date. Country (or Sovereign) risk is part of overall credit risk and is managed as part of the credit risk management function as it has a major impact on individual counterparties' ability to perform. Management therefore carefully manages its exposure to credit risk.

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

Credit risk management and strategy

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

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

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

Atlas Mara Group credit risk management objectives are to:

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

The 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 subsidiary has a credit committee which operates within the defined limits set by the Board. These committees are responsible for the management of credit risk within their country including credit decisions, processes, legal and documentation risk and compliance with impairment policies. The Group Risk Department regularly reviews each subsidiary's adherence to required standards.

The Group Executive Committee ('EXCO') reports to the Board and is responsible for approval of credit decisions that are above country limits, recommendations on exposure limits and impairment policies. There is also a Board Credit Committee that approves any loans above the EXCO limit.

Credit life cycle

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

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

Measuring credit risk

The Group's approach to measuring credit risk aims to align with the requirements set out under IFRS 9, in all substantial aspects, aligned with the standard approach and methodology employed by international financial institutions.

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

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

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

Expected loss and capital requirements*

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

Forbearance and restructuring

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

Restructuring activities include extended payment arrangements or the modification and deferral of payments. If the terms of a loan are modified or an existing loan is replaced with a new loan, then a qualitative as well as quantitative assessment is made to determine whether the original loan should be derecognised. The quantitative test determines whether the net present value of the cash flows under the new terms discounted at the original effective interest rate is at least 10% different from the carrying amount of the original debt. The qualitative test assesses whether there has been a significant change in the terms and conditions of the new loan compared to the original loan.

If it is determined that the expected restructuring will not result in derecognition of the existing loan, then the gain or loss due to modification is computed as the difference between the gross carrying amount of the original loan at the time of the restructure, and the discounted cash flows of the modified loan contract using the original effective interest rate as the discount factor.

If the expected restructuring will result in derecognition of the existing loan, then the expected fair value of the new loan is treated as the final cash flow from the existing loan at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing loan that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing loan. These policies are kept under continuous review.

With the onset of the COVID-19 pandemic, assistance was offered to customers by way of granting payment holidays of 2–6 months, reducing the instalment amounts and extending loan tenures. Policy guidelines document the criteria to be applied to determine the loans that qualify for a restructure. For the COVID-19 related restructures, the Group determined that the restructuring did not result in the derecognition of the original loan. The gain or loss on modification of the loan was computed as the difference between the gross carrying amount of the original loan at the time of the restructure, and the discounted cash flows of the modified loan using the original effective interest rate as the discount rate.

Risk limit control and mitigation policies

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

a. Collateral

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

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

- cash collateral;
- charges over assets financed;
- mortgages over residential and commercial properties;
- charges over business assets such as premises, inventory an1ccounts receivable; and
- charges over financial instruments such as debt securities and equities.

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

b. Credit-related commitments

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

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

c. Derivatives

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

Impairment policies

The 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 EXCO Credit.

The impairments shown in the statement of financial position are measured in line with the expected credit loss model prescribed by IFRS 9. IFRS 9 outlines a 'three stage' model for impairment based on changes in credit quality since initial recognition. Refer to the table below for further details:

Measurement of ECLs

ECL for exposures in stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial assets. For mortgages, loan to value ('LTV') ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for mortgage lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

As described above, and subject to using a maximum of a 12-month PD for stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Category	Description	ECL recognised
Stage 1: 12-month ECL	Financial assets that have had no significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For example: a newly originated loan on which repayments are being received and there are no other indicators of a significant increase in credit risk.	**12-month expected credit losses.** Losses expected on defaults which may occur within the next 12 months.
Stage 2: Lifetime ECL not credit impaired	Financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For example: a loan on which payment is 30 days overdue.	**Lifetime expected credit losses.** Losses expected on defaults which may occur at any point in a loan's lifetime. Losses are adjusted for probability weighted macroeconomic scenarios.
Stage 3: Lifetime ECL credit impaired	Financial assets that are credit impaired or in default and represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are considered to be credit impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset.	**Lifetime expected credit losses.** Losses expected on defaults which may occur at any point in a loan's lifetime. Losses are adjusted for probability weighted macroeconomic scenarios. Interest income is calculated on the carrying amount of the loan net of credit allowance.

ECLs for retail overdrafts that include both a loan and an undrawn commitment component are measured over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect; however this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated after taking into account the credit risk management actions that the Group expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:
- instrument type;
- credit risk gradings;
- collateral type;
- LTV ratio for mortgages;
- date of recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The exposures are subject to regular reviews to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios for which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

Definition of default

The Group considers a financial instrument to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Group considers indicators that are:
- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

Credit impaired financial assets

Financial assets that are credit impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit impaired. Evidence that a financial asset is credit impaired includes observable data about the following events:
- Significant financial difficulty of the issuer or borrower;
- Breach of contract such as default or a past due event;
- For economic or contractual reasons relating to the borrower's financial difficulty, the lenders of the borrower have granted the borrower concessions that lenders would not otherwise consider. This would include forbearance actions.
- Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's obligations; and
- The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower.

Incorporation of forward-looking information

Forward-looking macroeconomic information has been incorporated into expected loss estimates based on the key macroeconomic variables including GDP growth, inflation and exchange rates. The impact of these variables have been forecasted using quantitative modelling techniques and judgements.

The macroeconomic scenarios are defined by taking into account the macroeconomic conditions prevalent in the Group's countries of operation and their impact on the probability of the default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). Forecasts are developed using a probability weighted scenario-based approach to ensure that the asymmetry of the various economic outcomes is captured in the estimation of ECL. The Group has modelled three scenarios namely: base line scenario; upside scenario and downside scenario. ECL results are calculated as the probability-weighted average across multiple macroeconomic scenarios. The final ECL results are dependent on the assumptions applied during the process.

Post-model adjustments and management overlays

Where there is uncertainty due to inherent limitations of the model, additional provisions via post model adjustments are made, through management overlays. Management applies expert judgement to determine the overlay ECL to incorporate the impact of forward-looking information in these cases. Any overlay ECL is based on available information and qualitative risk factors within a governed process. Management will evaluate a range of possible outcomes, taking into account past events, current conditions and the economic outlook. Additional considerations not addressed in the model are incorporated and include: (1) individual loss assessments of large exposures on watchlists; (2) observed model limitations; and (3) stress-test outputs.

Expected credit loss analysis

Analysis of gross loans and advances and ECL by stage

The table below presents an analysis of loans and advances at amortised cost by gross exposure, ECL allowance and coverage ratio by stage allocation and segment as at 30 June 2020.

30 June 2020	Stage 1 $'000	Stage 2 Not past due $'000	Stage 2 <=30 days past due $'000	Stage 2 >30 days past due $'000	Stage 2 Total $'000	Stage 3 $'000	Total $'000
Gross exposure							
Corporate	34,098	249	51	2,646	2,946	29,318	66,362
Corporate overdrafts	4,131	–	71	136	207	389	4,727
Retail overdrafts	9	–	3	–	3	1,074	1,086
Retail – Secured	60,971	77	92	2,249	2,418	8,596	71,985
Retail – Unsecured	423,924	–	206	4,092	4,298	16,656	444,878
Total	523,133	326	423	9,123	9,872	56,033	589,038
Expected credit loss							
Corporate	(377)	–	(2)	(44)	(46)	(10,314)	(10,737)
Corporate overdrafts	(32)	–	–	(7)	(7)	(105)	(144)
Retail overdrafts	–	–	–	–	–	(99)	(99)
Retail – Secured	(467)	(3)	(11)	(100)	(114)	(1,458)	(2,039)
Retail – Unsecured	(5,986)	–	(16)	(1,012)	(1,028)	(14,758)	(21,772)
Total	(6,862)	(3)	(29)	(1,163)	(1,195)	(26,734)	(34,791)
Net exposure							
Corporate	33,721	249	49	2,602	2,900	19,004	55,625
Corporate overdrafts	4,099	–	71	129	200	284	4,583
Retail overdrafts	9	–	3	–	3	975	987
Retail – Secured	60,504	74	81	2,149	2,304	7,138	69,946
Retail – Unsecured	417,938	–	190	3,080	3,270	1,898	423,106
Total	516,271	323	394	7,960	8,677	29,299	554,247
Coverage ratio	%	%	%	%	%	%	%
Corporate	1.1	0.1	3.5	1.7	1.6	35.2	16.2
Corporate overdrafts	0.8	–	0.1	5.0	3.3	26.9	3.0
Retail overdrafts	2.4	–	1.5	–	–	9.2	9.2
Retail – Secured	0.8	3.8	11.5	4.4	4.7	17.0	2.8
Retail – Unsecured	1.4	–	7.8	24.7	23.9	88.6	4.9
Total	1.3	1.0	6.7	12.7	12.1	47.7	5.9

31 December 2019	Stage 1 $'000	Stage 2 Not past due $'000	Stage 2 <=30 days past due $'000	Stage 2 >30 days past due $'000	Stage 2 Total $'000	Stage 3 $'000	Total $'000
Gross exposure							
Corporate	57,986	391	1,423	–	1,814	29,839	89,639
Corporate overdrafts	7,022	–	453	–	453	749	8,224
Retail overdrafts	2,500	–	288	–	288	2,801	5,589
Retail – Secured	63,677	4,505	539	556	5,600	8,246	77,523
Retail – Unsecured	461,019	5,041	75	17,717	22,833	17,920	501,772
Total	**592,204**	**9,937**	**2,778**	**18,273**	**30,988**	**59,555**	**682,747**
Expected credit loss							
Corporate	(1,172)	–	(193)	–	(193)	(10,638)	(12,003)
Corporate overdrafts	(293)	–	(10)	–	(10)	(588)	(891)
Retail overdrafts	(188)	–	(44)	–	(44)	(2,178)	(2,410)
Retail – Secured	(427)	(16)	(60)	(2)	(78)	(1,665)	(2,170)
Retail – Unsecured	(5,261)	(199)	(4)	(747)	(950)	(14,950)	(21,161)
Total	**(7,341)**	**(215)**	**(311)**	**(749)**	**(1,275)**	**(30,019)**	**(38,635)**
Net exposure							
Corporate	56,814	391	1,230	–	1,621	19,201	77,636
Corporate overdrafts	6,729	–	443	–	443	161	7,333
Retail overdrafts	2,312	–	244	–	244	623	3,179
Retail – Secured	63,250	4,489	479	554	5,522	6,581	75,353
Retail – Unsecured	455,758	4,842	71	16,970	21,883	2,970	480,611
Total	**584,863**	**9,722**	**2,467**	**17,524**	**29,713**	**29,536**	**644,112**
Coverage ratio							
Corporate	2.0	–	13.6	–	10.6	35.7	13.4
Corporate overdrafts	4.2	–	2.2	–	2.2	78.5	10.8
Retail overdrafts	7.5	–	15.3	–	15.3	77.8	43.1
Retail – Secured	0.7	0.4	11.1	0.4	1.4	20.2	2.8
Retail – Unsecured	1.1	3.9	5.3	4.2	4.2	83.4	4.2
Total	**1.2**	**2.2**	**11.2**	**4.1**	**4.1**	**50.4**	**5.7**

Movement in gross exposures and ECL
The following tables present a reconciliation of the opening to the closing balance of the gross loan exposures and ECL allowance.

30 June 2020	Stage 1 Gross $'000	Stage 1 ECL $'000	Stage 2 Gross $'000	Stage 2 ECL $'000	Stage 3 Gross $'000	Stage 3 ECL $'000	Total Gross $'000	Total ECL $'000
Opening balance	592,203	(7,341)	30,988	(1,275)	59,556	(30,019)	682,747	(38,635)
Transfer to stage 1	19,771	(224)	(19,677)	217	(94)	7	–	–
Transfer to stage 2	(6,476)	36	6,764	(66)	(288)	30	–	–
Transfer to stage 3	(3,670)	308	(2,306)	51	5,976	(359)	–	–
ECL on new exposures	77,788	(933)	–	–	–	–	77,788	(933)
Repayment and other movements	(94,951)	327	(1,585)	(453)	(4,280)	(16)	(100,816)	(142)
Impaired accounts written-off	–	–	–	–	(505)	505	(505)	505
Exchange rate adjustment	(61,532)	965	(4,312)	331	(4,332)	3,118	(70,176)	4,414
Closing balance	523,133	(6,862)	9,872	(1,195)	56,033	(26,734)	589,038	(34,791)

31 December 2019	Stage 1 Gross $'000	Stage 1 ECL $'000	Stage 2 Gross $'000	Stage 2 ECL $'000	Stage 3 Gross $'000	Stage 3 ECL $'000	Total Gross $'000	Total ECL $'000
Opening balance	**1,080,990**	**(33,253)**	**41,498**	**(5,888)**	**145,071**	**(74,305)**	**1,267,559**	**(113,446)**
Transfer to/(from) stage 1	7,347	857	(6 581)	(57)	(766)	(800)	–	–
Transfer to/(from) stage 2	(30,202)	(1)	30,920	683	(718)	(682)	–	–
Transfer to/(from) stage 3	(10,678)	4,681	(2 667)	(258)	13,345	(4,423)	–	–
ECL on new exposures	300,648	(6,376)	–	–	–	–	300,648	(6,376)
Impaired accounts written-off	–	2,962	–	688	–	3,699	–	7,349
Exchange and other movements	(280,691)	7,732	–	1,583	–	918	(280,691)	10,233
Reclassified as part of disposal group held for sale	(475,211)	16,057	(34,849)	1,974	(97,376)	45,574	(607,436)	63,605
Closing balance	**592,203**	**(7,341)**	**30,988**	**(1,275)**	**59,556**	**(30,019)**	**682,747**	**(38,635)**

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. With the onset of the COVID-19 pandemic, assistance was offered to customers by way of granting payment holidays of 2–6 months, reducing the instalment amount and extending loan tenures.

The Group considered whether the restructure will result in derecognition of the original loan by applying quantitative as well as qualitative test. The quantitative test determined whether the net present value of the cash flows under the new terms discounted at the original effective interest rate is at least 10% different from the carrying amount of the original debt while the qualitative test assessed whether there has been a significant change in the terms and conditions of the new loan compared to the original loan.

For the COVID-19 related restructures, the Group determined that the restructuring did not result in the derecognition of the original loan. The gain or loss on modification of the loan was computed as the difference between the gross carrying amount of the original loan at the time of the restructure, and the discounted cash flows of the modified loan using the original effective interest rate as the discount rate. Most of the loans that were restructured under the Group's COVID-19 restructure policy were not in arrears at the time of restructure. The Group continues to monitor these loans to assess whether there is a subsequent significant increase in credit risk.

The following table provides information on financial assets that were modified during the reporting period as part of the Group's restructuring activities and the resulting modification loss:

	30 June 2020 $'000	31 December 2019 $'000
Financial assets modified during the period		
Amortised cost before modification	**9,890**	–
Net modification loss	**(218)**	–

Credit quality analysis

The Group manages the credit quality of financial assets using internal credit ratings. Financial assets are segmented into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

Category	Description
Performing	The credit appears satisfactory.
Special mention	The credit appears satisfactory but exhibits potential for inherent weakness which, if not attended to, may weaken the asset or prospects of collection in full, e.g. poor documentation.
Sub-standard	The credit has defined weaknesses that may jeopardise liquidation of the debt, i.e. the paying capacity of the borrower is doubtful or inadequate, or more than 90 days but less than 180 days in arrears.
Doubtful	Credit facilities with above weaknesses and has deteriorated further to the extent that even with the existing security, full recovery will not be possible, or 180 days but less than 12 months in arrears.
Loss	Facilities considered impossible to collect with little or no realisable security, or more than 12 months in arrears.

Distribution of financial assets by credit quality

The table below shows the distribution of the Group's financial assets by credit quality:

30 June 2020	Performing $'000	Special mention $'000	Sub-standard $'000	Doubtful $'000	Loss $'000	Gross total $'000	ECL $'000	Net total $'000
Cash and short-term funds	**146,317**	**–**	**–**	**–**	**–**	**146,317**	**–**	**146,317**
Financial assets at FVTPL	**4,372**	**–**	**–**	**–**	**–**	**4,372**	**–**	**4,372**
Loans and advances (Gross)	**523,133**	**9,871**	**9,629**	**6,092**	**40,313**	**589,038**	**(34,791)**	**554,247**
Derivate financial instruments	**4,834**	**–**			**–**	**4,834**	**–**	**4,834**
Investment securities at amortised cost	**62,583**	**–**		**–**	**–**	**62,583**	**(248)**	**62,335**
Other assets	**36,915**	**–**	**–**	**–**	**–**	**36,915**	**(495)**	**36,420**
Total carrying amount on balance sheet	**778,154**	**9,871**	**9,629**	**6,092**	**40,313**	**844,059**	**(35,534)**	**808,525**
Loan commitments and financial guarantees								
Guarantees	**8,646**	**–**	**–**	**–**	**–**	**8,646**	**(43)**	**8,603**
Letters of credit	**6,352**	**–**	**–**	**–**	**–**	**6,352**	**(103)**	**6,249**
Others	**9,607**	**–**	**–**	**–**	**–**	**9,607**	**–**	**9,607**
Total carrying amount off-balance sheet	**24,605**	**–**	**–**	**–**	**–**	**24,605**	**(146)**	**24,459**

31 December 2019	Performing $'000	Special mention $'000	Substandard $'000	Doubtful $'000	Loss $'000	Gross total $'000	ECL $'000	Net total $'000
Cash and short-term funds	117,588	–	–	–	–	117,588	–	117,588
Financial assets at FVTPL	4,955	–	–	–	–	4,955	–	4,955
Loans and advances (Gross)	592,273	32,169	6,301	7,402	44,602	682,747	(38,635)	644,112
Derivate financial instruments	5,692	–	–	–	–	5,692	–	5,692
Investment securities at amortised cost	107,667	–	–	–	–	107,667	(377)	107,290
Other assets	15,588	–	–	–	–	15,588	–	15,588
Total carrying amount on balance sheet	**843,763**	**32,169**	**6,301**	**7,402**	**44,602**	**934,237**	**(39,012)**	**895,225**
Loan commitments and financial guarantees								
Guarantees	19,720	–	–	–	–	19,720	(187)	19,533
Letters of credit	8,587	–	–	–	–	8,587	–	8,587
Others	11,529	–	–	–	–	11,529	–	11,529
Total carrying amount off-balance sheet	**39,827**	**–**	**–**	**–**	**–**	**39,827**	**(187)**	**39,640**

Distribution of loans and advances, financial guarantees and loan commitments by credit quality and stage allocation

The tables below set out the credit quality of loans and advances, financial guarantees and loan commitments, based on the Group's internal credit rating system and by ECL stage allocation. The amounts presented are gross of impairment allowances. For loan commitments and financial guarantees, the amounts in the table represent the amounts committed or guaranteed, respectively.

i) Loans and advances

	30 June 2020				31 December 2019			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Performing	**523,133**	**–**	**–**	**523,133**	592,203	70	–	592,273
Special mention	**–**	**9,871**	**–**	**9,871**	–	30,740	1,429	32,169
Sub-standard	**–**	**–**	**9,629**	**9,629**	–	178	6,123	6,301
Doubtful	**–**	**–**	**6,092**	**6,092**	–	–	7,402	7,402
Lost	**–**	**–**	**40,313**	**40,313**	–	–	44,602	44,602
	523,133	**9,871**	**56,034**	**589,038**	**592,203**	**30,988**	**59,556**	**682,747**

ii) Financial guarantees, loan commitments and other off-balance sheet items

	30 June 2020				31 December 2019			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Performing	24,605	–	–	24,605	39,827	–	–	39,827
	24,605	–	–	24,605	39,827	–	–	39,827

Maximum exposure and effects of collateral and other credit enhancements

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

		Fair value of collateral and credit enhancements held					
30 June 2020	Maximum exposure $'000	Cash $'000	Letters of credit/ guarantees $'000	Property[3] $'000	Other[1,3] $'000	Net collateral $'000	Net exposure $'000
On balance sheet:							
Cash and short-term funds[2]	146,317	–	–	–	–	–	146,317
Balances with central banks	3,181	–	–	–	–	–	3,181
Balances with other banks	66,812	–	–	–	–	–	66,812
Placement with other banks	76,324	–	–	–	–	–	76,324
Loans and advances (Gross)	589,038	721	7,338	201,708	3,817	213,584	375,454
Derivative financial instruments	4,834	–	–	–	–	–	4,834
Cross-currency interest rate swaps	94	–	–	–	–	–	94
Forward foreign exchange contracts	4,740	–	–	–	–	–	4,740
Financial assets at FVTPL[4]	4,372	–	–	–	–	–	4,372
Investment securities – Amortised cost (Gross)	62,583	–	–	–	–	–	62,583
Treasury bills	49,244	–	–	–	–	–	49,244
Government bonds	13,339	–	–	–	–	–	13,339
Other financial assets[5]	36,915	–	–	–	–	–	36,915
Total on-balance sheet	844,059	721	7,338	201,708	3,817	213,584	630,475
Off-balance sheet (Gross)							
Guarantees	8,646	1,902	–	–	–	1,902	6,744
Letters of credit	6,352	–	229	–	–	229	6,123
Other contingent liabilities	9,607	–	–	–	–	–	9,607
Total off-balance sheet	24,605	1,902	229	–	–	2,131	22,474
Total	868,664	2,623	7,567	201,708	3,817	215,715	652,949

Notes:
1. Vehicles, machinery, other fixed assets, inventory and trade receivables.
2. Represents cash balances and placements held with other banks and excludes cash in hand. Included in $167.9 million cash balance per statement of financial position.
3. These collateral items are not readily convertible into cash as these items are sold in the market and are dependent on a buyer and seller.
4. Excludes equity instruments. Balance disclosed is included in the $25.3 million FVTPL balance per statement of financial position.
5. Excludes prepayments and other non-financial assets. Balance disclosed is included in the $57.4 million other assets balance in the statement of financial position.

Maximum exposure to credit risk continued

31 December 2019 (audited)	Maximum exposure $'000	Fair value of collateral and credit enhancements held: Cash $'000	Letters of credit/ guarantees $'000	Property[3] $'000	Other[1,3] $'000	Net collateral $'000	Net exposure $'000
On balance sheet:							
Cash and short-term funds[2]	117,588	–	–	–	–	–	117,588
Balances with central banks	16,531	–	–	–	–	–	16,531
Balances with other banks	30,067	–	–	–	–	–	30,067
Placement with other banks	70,990	–	–	–	–	–	70,990
Loans and advances (Gross)	682,747	612	–	224,507	3,466	228,585	454,162
Derivative financial instruments	5,692	–	–	–	–	–	5,692
Cross-currency interest rate swaps	5,583	–	–	–	–	–	5,583
Forward foreign exchange contracts	109	–	–	–	–	–	109
Financial assets at FVTPL[4]	4,955	–	–	–	–	–	4,955
Money market fund	3,925	–	–	–	–	–	3,925
Property units	1,030	–	–	–	–	–	1,030
Investment securities – Amortised cost (Gross)	107,667	–	–	–	–	–	107,667
Treasury bills	97,540	–	–	–	–	–	97,540
Government bonds	10,127	–	–	–	–	–	10,127
Other financial assets	15,588	–	–	–	–	–	15,588
Total on-balance sheet	**934,237**	**612**	**–**	**224,507**	**3,466**	**228,585**	**705,652**
Off-balance sheet (Gross)							
Guarantees	19,720	5,345	–	–	–	5,345	14,375
Letters of credit	8,578	–	4,913	–	–	4,913	3,665
Other contingent liabilities	11,529	–	–	–	–	–	11,529
Total off-balance sheet	**39,827**	**5,345**	**4,913**	**–**	**–**	**10,258**	**29,569**
Total	**974,064**	**5,957**	**4,913**	**224,507**	**3,466**	**238,843**	**735,221**

Notes:
1. Vehicles, machinery, other fixed assets, inventory and trade receivables.
2. Represents cash balances and placements held with other banks and excludes cash in hand. Included in $130.5 million cash balance per statement of financial position.
3. These collateral items are not readily convertible into cash as these items are sold in the market and are dependent on a buyer and seller.
4. Excludes equity instruments. Balance disclosed is included in the $25.2 million FVTPL balance per statement of financial position.
5. Excludes prepayments and other non-financial assets. Balance disclosed is included in the $29.1 million other assets balance in the statement of financial position.

Concentration risk of financial assets with credit risk exposure

a. Geographical sectors

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

30 June 2020	Botswana $'000	Tanzania $'000	Zimbabwe $'000	Zambia $'000	Other $'000	Total $'000
On-balance sheet:						
Cash and short-term funds[1]	**76,394**	**636**	**50,582**	**–**	**18,705**	**146,317**
Financial assets at FVTPL[2]	**3,481**	**–**	**891**	**–**	**–**	**4,372**
Derivative financial assets	**94**	**–**	**–**	**–**	**4,740**	**4,834**
Loans and advances	**522,514**	**7,328**	**16,691**	**–**	**7,714**	**554,247**
Investment securities	**30,513**	**–**	**31,822**	**–**	**–**	**62,335**
Other financial assets[4]	**3,643**	**–**	**13,493**	**9,782**	**9,502**	**36,420**
Total on-balance sheet	**636,639**	**7,964**	**113,479**	**9,782**	**40,661**	**808,525**
Off-balance sheet:						
Guarantees	**4,073**	**–**	**4,530**	**–**	**–**	**8,603**
Letters of credit	**6,249**	**–**	**–**	**–**	**–**	**6,249**
Other commitments	**9,607**	**–**	**–**	**–**	**–**	**9,607**
Total off-balance sheet	**19,929**	**–**	**4,530**	**–**	**–**	**24,459**
Total	**656,568**	**7,964**	**118,009**	**9,782**	**40,661**	**832,984**

Notes:
1. Represents cash balances and placements held with other banks and excludes cash in hand. Included in $167.9 million cash balance per statement of financial position.
2. Excludes equity instruments. Balance disclosed is included in the $25.3 million FVTPL balance per statement of financial position.
3. Excludes equity instruments. Balance disclosed is included in the $62.8 million investment securities balance per statement of financial position.
4. Excludes prepayments and other non-financial assets. Balance disclosed is included in the $57.4 million other assets balance in the statement of financial position.

31 December 2019 (audited)	Botswana $'000	Tanzania $'000	Zimbabwe $'000	Other $'000	Total $'000
On-balance sheet:					
Cash and short-term funds[1]	85,693	1,128	29,234	1,533	117,588
Financial assets at FVTPL[2]	3,925	–	1,030	–	4,955
Derivative financial assets	109	–	–	5,583	5,692
Loans and advances	606,297	7,368	22,733	7,714	644,112
Investment securities[3]	64,747	–	42,543	–	107,290
Other financial assets[4]	3,782	11,805	–	1	15,588
Total on-balance sheet	**764,553**	**20,301**	**95,540**	**14,831**	**895,225**
Off-balance sheet:					
Guarantees	5,264	–	14,269	–	19,533
Letters of credit	8,578	–	–	–	8,578
Other commitments	8,414	–	3,115	–	11,529
Total off-balance sheet	**22,256**	**–**	**17,384**	**–**	**39,640**
Total	**786,809**	**20,301**	**112,924**	**14,831**	**934,865**

Notes:
1. Represents cash balances and placements held with other banks and excludes cash in hand. Included in $130.5 million cash balance per statement of financial position.
2. Excludes equity instruments. Balance disclosed is included in the $25.2 million FVTPL balance per statement of financial position.
3. Excludes equity instruments. Balance disclosed is included in the $107.8 million investment securities balance per statement of financial position.
4. Excludes prepayments and other non-financial assets. Balance disclosed is included in the $29.1 million other assets balance in the statement of financial position.

Concentration risk of financial assets with credit risk exposure continued

b. Industry sectors

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

30 June 2020	Agriculture $'000	Construction $'000	Corporate, retail and trade $'000	Public sector $'000	Real estate $'000	Mining and energy $'000	Financial services $'000	Transport $'000	Individuals $'000	Tourism $'000	Other $'000	Total $'000
On-balance sheet:												
Cash and short-term funds[1]	–	–	–	–	–	–	146,317	–	–	–	–	146,317
Financial assets at FVTPL[2]	–	–	–	–	886	–	3,486	–	–	–	–	4,372
Derivative financial assets	–	–	–	–	–	–	4,834	–	–	–	–	4,834
Loans and advances	3,014	296	10,106	4,427	598	1,504	12,570	1,136	508,691	2,448	9,457	554,247
Investment securities[3]	–	–	–	29,186	–	–	32,978	–	–	–	171	62,335
Other financial assets[4]	–	–	–	–	–	–	14,467	–	–	–	21,953	36,420
Total on-balance sheet	3,014	296	10,106	33,613	1,484	1,504	214,652	1,136	508,691	2,448	31,581	808,525
Off-balance sheet:												
Guarantees	–	–	198	–	–	4,530	–	–	–	–	3,875	8,603
Letters of credit	–	–	2,441	3,808	–	–	–	–	–	–	–	6,249
Other commitments	–	–	7,360	–	–	–	–	–	2,247	–	–	9,607
Total off-balance sheet	–	–	9,999	3,808	–	4,530	–	–	2,247	–	3,875	24,459
Total	3,014	296	20,105	37,421	1,484	6,034	214,652	1,136	510,938	2,448	35,456	832,984

Notes:

1. Represents cash balances and placements held with other banks and excludes cash in hand. Included in $167.9 million cash balance per statement of financial position.
2. Excludes equity instruments. Balance disclosed is included in the $25.3 million FVTPL balance per statement of financial position.
3. Excludes equity instruments. Balance disclosed is included in the $62.8 million investment securities balance per statement of financial position.
4. Excludes prepayments and other non-financial assets. Balance disclosed is included in the $57.4 million other assets balance in the statement of financial position.

31 December 2019 (audited)	Agriculture $'000	Construction $'000	Corporate, retail and trade $'000	Public sector $'000	Real estate $'000	Mining and energy $'000	Financial services $'000	Transport $'000	Individuals $'000	Tourism $'000	Other $'000	Total $'000
On-balance sheet:												
Cash and short-term funds[1]	–	–	–	–	–	–	117,588	–	–	–	–	117,588
Financial assets at FVTPL[2]	–	–	–	–	1,030	–	3,925	–	–	–	–	4,955
Derivative financial assets	–	–	–	–	–	–	5,692	–	–	–	–	5,692
Loans and advances	4,613	9,973	28,852	6,949	69,224	2,096	22,165	2,546	475,929	6,229	15,536	644,112
Investment securities[3]	–	–	–	103,028	–	–	4,262	–	–	–	–	107,290
Other financial assets[4]	–	–	–	–	–	–	–	–	–	–	15,588	15,588
Total on-balance sheet	**4,613**	**9,973**	**28,852**	**109,977**	**70,254**	**2,096**	**153,632**	**2,546**	**475,929**	**6,229**	**31,124**	**895,225**
Off-balance sheet:												
Guarantees	–	10,066	5,264	3	–	–	29	–	–	–	4,171	19,533
Letters of credit	–	–	208	8,370	–	–	–	–	–	–	–	8,578
Other commitments	–	–	5,528	–	–	–	–	–	2,886	–	3,115	11,529
Total off-balance sheet	**–**	**10,066**	**11,000**	**8,373**	**–**	**–**	**29**	**–**	**2,886**	**–**	**7,286**	**39,640**
Total	**4,613**	**20,039**	**39,852**	**118,350**	**70,254**	**2,096**	**153,661**	**2,546**	**478,815**	**6,229**	**38,410**	**934,865**

Notes:
1. Represents cash balances and placements held with other banks and excludes cash in hand. Included in $130.5 million cash balance per statement of financial position.
2. Excludes equity instruments. Balance disclosed is included in the $25.2 million FVTPL balance per statement of financial position.
3. Excludes equity instruments. Balance disclosed is included in the $107.8 million investment securities balance per statement of financial position.
4. Excludes prepayments and other non-financial assets. Balance disclosed is included in the $29.1 million other assets balance in the statement of financial position.

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.

Analysis of liquidity risk

Non-derivative cash flow

The table below presents the cash flows payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date of the consolidated statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

30 June 2020	Up to 1 month $'000	1–3 months $'000	3–12 months $'000	Greater than 1 year $'000	Total $'000	Effect of discount/ financing rates $'000	Total $'000
Financial assets:							
Cash and short-term funds	**167,832**	**–**	**–**	**84**	**167,916**	**–**	**167,916**
Financial assets at FVTPL	**–**	**–**	**3,481**	**21,278**	**24,759**	**–**	**24,759**
Loans and advances	**6,119**	**10,054**	**21,953**	**809,610**	**847,737**	**(293,490)**	**554,247**
Investment securities	**8,458**	**822**	**24,225**	**29,411**	**62,915**	**(80)**	**62,835**
Other financial assets[1]	**7,032**	**6,629**	**8,011**	**14,776**	**36,448**	**(28)**	**36,420**
Total financial assets (contractual)	**189,441**	**17,505**	**57,670**	**875,159**	**1,139,775**	**(293,598)**	**846,177**
Financial liabilities:							
Deposits	**362,348**	**97,402**	**165,222**	**–**	**624,972**	**(12,156)**	**612,816**
Borrowed funds	**13**	**53,784**	**190,123**	**221,701**	**465,621**	**(54,955)**	**410,666**
Other financial liabilities[2]	**18,613**	**13,233**	**1,702**	**–**	**33,548**	**–**	**33,548**
Financial guarantee contracts	**669**	**460**	**3,402**	**–**	**4,531**	**–**	**4,531**
Total liabilities (contractual)	**381,643**	**164,879**	**360,449**	**221,701**	**1,128,672**	**(67,111)**	**1,061,561**
Liquidity gap	**(192,202)**	**(147,374)**	**(302,779)**	**653,458**	**11,103**	**(226,487)**	**(215,384)**
Cumulative liquidity gap	**(192,202)**	**(339,576)**	**(642,355)**	**11,103**			

Notes:
1. Excludes prepayments and other non-financial assets. Balance disclosed is included in the $57.4 million other assets balance in the statement of financial position.
2. Excludes provisions and other non-financial liabilities. Balance disclosed is included in the $117.6 million other liabilities balance in the statement of financial position.

31 December 2019 (audited)	Up to 1 month $'000	1–3 months $'000	3–12 months $'000	Greater than 1 year $'000	Total $'000	Effect of discount/ financing rates $'000	Total $'000
Financial assets:							
Cash and short-term funds	130,324	–	–	209	130,533	–	130,533
Financial assets at FVTPL	–	–	3,925	21,318	25,243	–	25,243
Loans and advances	16,436	20,244	88,674	886,474	1,011,828	(367,716)	644,112
Investment securities	70,344	19,726	11,839	5,960	107,869	(91)	107,778
Other assets[1]	10,462	5,125	–	1	15,588	–	15,588
Total financial assets (contractual)	**227,566**	**45,095**	**104,438**	**913,962**	**1,291,061**	**(367,807)**	**923,254**
Financial liabilities:							
Deposits	319,782	199,313	180,166	32,656	731,917	(8,191)	723,726
Borrowed funds	12,384	9,666	184,738	209,257	416,045	(49,236)	366,809
Other financial liabilities[2]	73,054	12,524	3,384	–	88,962	–	88,962
Loan commitments	3,115	–	–	–	3,115	–	3,115
Financial guarantee contracts	1,282	1,188	3,494	8,316	14,280	–	14,280
Total liabilities (contractual)	**409,617**	**222,691**	**371,782**	**250,229**	**1,254,319**	**(57,427)**	**1,196,892**
Liquidity gap	**(182,051)**	**(177,596)**	**(267,344)**	**663,733**	**36,742**	**(310,380)**	**(273,638)**
Cumulative liquidity gap	**(182,051)**	**(359,647)**	**(626,991)**	**36,742**			

Notes:
1. Excludes prepayments and other non-financial assets. Balance disclosed is included in the $29.1 million other assets balance in the statement of financial position.
2. Excludes provisions and other non-financial liabilities. Balance disclosed is included in the $97.0 million other liabilities balance in the statement of financial position.

Market risk management

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

Analysis of market risk

Foreign currency risk

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

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

30 June 2020	USD $'000	EUR $'000	BWP $'000	ZWL $'000	TZS $'000	ZAR $'000	NGN $'000	AED $'000	Other $'000	Total $'000
Financial assets										
Cash and short-term funds	**49,516**	**2,763**	**106,650**	**1,981**	**632**	**4,519**	**5**	**1,214**	**636**	**167,916**
Financial assets held at FVTPL	**16,951**	**898**	**3,481**	**2,002**	**1,427**	**–**	**–**	**–**	**–**	**24,759**
Loans and advances	**12,688**	**–**	**521,096**	**16,612**	**3,851**	**–**	**–**	**–**	**–**	**554,247**
Derivative financial assets	**–**	**–**	**4,834**	**–**	**–**	**–**	**–**	**–**	**–**	**4,834**
Investment securities	**2,465**	**153**	**30,514**	**29,377**	**326**	**–**	**–**	**–**	**–**	**62,835**
Other financial assets[1]	**20,652**	**1**	**3,683**	**12,082**	**–**	**2**	**–**	**–**	**–**	**36,420**
Total financial assets	**102,272**	**3,815**	**670,258**	**62,054**	**6,236**	**4,521**	**5**	**1,214**	**636**	**851,011**
Financial liabilities										
Deposits	**73,267**	**1,183**	**508,307**	**23,147**	**–**	**6,441**	**–**	**–**	**471**	**612,816**
Borrowed funds	**399,040**	**–**	**6,159**	**5,467**	**–**	**–**	**–**	**–**	**–**	**410,666**
Derivative financial liabilities	**–**	**–**	**4,789**	**–**	**–**	**–**	**–**	**–**	**–**	**4,789**
Other financial liabilities[2]	**14,210**	**264**	**12,005**	**2,447**	**6**	**490**	**–**	**–**	**4,126**	**33,548**
Total financial liabilities	**486,517**	**1,447**	**531,260**	**31,061**	**6**	**6,931**	**–**	**–**	**4,597**	**1,061,819**

Notes:
1. Excludes prepayments and other non-financial assets. Balance disclosed is included in the $57.4 million other assets balance in the statement of financial position.
2. Excludes provisions and other non-financial liabilities. Balance disclosed is included in the $117.6 million other liabilities balance in the statement of financial position.

31 December 2019 (audited)	USD $'000	EUR $'000	BWP $'000	ZAR $'000	TZS $'000	ZWL $'000	NGN $'000	AED $'000	Other $'000	Total $'000
Financial assets										
Cash and short-term funds	66,021	2,531	51,979	5,796	1,045	170	5	1,211	1,775	130,533
Financial assets held at FVTPL	19,860	–	3,925	–	1,439	19	–	–	–	25,243
Loans and advances	4,968	–	604,832	–	3,866	22,733	–	–	7,713	644,112
Derivative financial assets	–	–	5,583	109	–	–	–	–	–	5,692
Investment securities	42,702	–	64,747	–	329	–	–	–	–	107,778
Other financial assets	11,806	–	3,782	–	–	–	–	–	–	15,588
Total financial assets	**145,357**	**2,531**	**734,848**	**5,905**	**6,679**	**22,922**	**5**	**1,211**	**9,488**	**928,946**
Financial liabilities										
Deposits	99,956	2,145	616,118	4,401	–	–	–	–	1,106	723,726
Derivative financial liabilities	8	25	5,577	–	–	–	–	–	–	5,610
Borrowed funds	352,529	–	8,179	–	–	6,101	–	–	–	366,809
Other financial liabilities	5,493	5	12,789	80	–	–	–	–	70,595	88,962
Total financial liabilities	**457,986**	**2,175**	**642,663**	**4,481**	**–**	**6,101**	**–**	**–**	**71,701**	**1,185,107**

Notes:
1. Excludes prepayments and other non-financial assets. Balance disclosed is included in the $29.1 million other assets balance in the statement of financial position.
2. Excludes provisions and other non-financial liabilities. Balance disclosed is included in the $97.0 million other liabilities balance in the statement of financial position.

Interest rate risk

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

The table below summarises the Group's total exposure to interest rate risks on financial instruments. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

30 June 2020	Up to 1 month $'000	1–3 months $'000	3–12 months $'000	1–5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets						
Cash and short-term funds	149,932	–	–	–	17,984	167,916
Financial assets at FVTPL	–	–	3,481	–	21,278	24,759
Loans and advances	524,861	1,515	2,058	25,813	–	554,247
Derivative financial assets	–	–	–	–	4,834	4,834
Investment securities	8,454	822	18,657	34,402	500	62,835
Other financial assets[1]	–	–	–	–	36,420	36,420
Total financial assets	**683,247**	**2,337**	**24,196**	**60,215**	**81,016**	**851,011**
Financial liabilities						
Deposits	352,759	96,379	153,556	10,122	–	612,816
Borrowed funds	13	50,430	226,386	110,790	23,047	410,666
Derivative financial liabilities	–	–	–	–	4,789	4,789
Other financial liabilities[2]	6	11	57	114	33,360	33,548
Total financial liabilities	**352,778**	**146,820**	**379,999**	**121,026**	**61,196**	**1,061,819**
Net interest rate risk gap	**330,469**	**(144,483)**	**(355,803)**	**(60,811)**		
Cumulative interest rate gap	**330,469**	**185,986**	**(169,817)**	**(230,628)**		

Notes:
1. Excludes prepayments and other non-financial assets. Balance disclosed is included in the $57.4 million other assets balance in the statement of financial position.
2. Excludes provisions and other non-financial liabilities. Balance disclosed is included in the $117.6 million other liabilities balance in the statement of financial position.

31 December 2019 (audited)	Up to 1 month $'000	1–3 months $'000	3–12 months $'000	1–5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets						
Cash and short-term funds	106,755	–	–	–	23,778	130,533
Financial assets at FVTPL	–	–	3,925	–	21,318	25,243
Loans and advances	614,259	1,562	5,782	12,795	9,714	644,112
Derivative financial assets	–	–	–	–	5,692	5,692
Investment securities	70,344	19,726	11,767	5,453	488	107,778
Other financial assets[1]	–	–	–	–	15,588	15,588
Total financial assets	**791,358**	**21,288**	**21,474**	**18,248**	**76,578**	**928,946**
Financial liabilities						
Deposits	319,605	197,919	175,756	30,446	–	723,726
Borrowed funds	378	76,220	159,845	105,509	24,857	366,809
Derivative financial liabilities	–	–	–	–	5,610	5,610
Other financial liabilities[2]	6,511	–	–	159	82,292	88,962
Total financial liabilities	**326,494**	**274,139**	**335,601**	**136,114**	**112,759**	**1,185,107**
Net interest rate risk gap	**464,864**	**(252,851)**	**(314,127)**	**(117,866)**		
Cumulative interest rate gap	**464,864**	**212,013**	**(102,114)**	**(219,980)**		

Notes:
1. Excludes prepayments and other non-financial assets. Balance disclosed is included in the $29.1 million other assets balance in the statement of financial position.
2. Excludes provisions and other non-financial liabilities. Balance disclosed is included in the $97.0 million other liabilities balance in the statement of financial position.

Risks arising from the impact of COVID-19

The COVID-19 pandemic has continued to develop rapidly in 2020, with a significant number of cases being reported across various countries. Measures taken by governments to contain the spread of the virus, including travel bans, border closures, mandatory 'stay at home' policies, quarantines, social distancing, closures of non-essential services and in some countries full lockdown, have triggered significant disruptions to businesses activities worldwide and also to the Group's staff, customers and other stakeholders. Global economies as well as the economic environments of the Group's countries of operations have been adversely impacted by the slowdown of economic activities caused by the pandemic. Global capital markets have seen levels of volatility reach, and at some stages exceed those seen during the 2008 financial crisis.

Governments and central banks across have responded with monetary and fiscal interventions, such as stimulus packages, quantitative easing, interest rate cuts, reduction in deposit statutory reserves, reduction in minimum capital adequacy requirements, amongst other measures, to stabilise economic conditions. Some of the monetary and fiscal policy measures introduced by national governments and central banks across the countries of operations of the Group's key subsidiaries are outlined below:

Countries of operation	Monetary policy response	Fiscal policy response
Botswana	– The Bank of Botswana ('BoB') lowered its benchmark policy rate by 50bps to 4.25%. – Effective 13 May 2020, policymakers also lowered the primary reserve requirement by 250bps to 2.5%, effectively injecting around BWP1.6 billion into the local banking system. – Repo facilities that were available only on an overnight basis are now offered against eligible securities with maturity of up to 92 days. – The minimum capital adequacy ratio for banks was reduced from 15% to 12.5%. – The collateral pool for borrowing by licensed commercial banks from the BoB was extended to include all corporate bonds listed and traded on the Botswana Stock Exchange. – The cost of accessing overnight funding by licensed banks from the BoB's credit facility is provided at the prevailing bank rate without the punitive six points above the bank rate that prevailed before.	– Government set aside a fiscal stimulus package of BWP5 billion to help fight the impact of COVID-19 and established a BWP2 billion COVID-19 relief fund. – Wage support scheme was implemented with wage subsidy of BWP2,500/month for three months. – Tax reliefs: Expedition of VAT refunds to assist cash flow, deferral of 75% of any two self-assessment tax quarterly payments to begin March 2021. – Restructuring of regular payment obligations. – Loan repayment holiday between three and six months for home and vehicle loan.
Zimbabwe	– Reduction of the statutory reserve ratio from 5% to 4.5% in order to release funds to banks to enhance their lending facilities. – Reduction in the bank's policy rate from 35% to 15%, with the expectation that the banks will also follow suit and adjust their lending rates. – The issuance of the open market operations ('OMO') corporate bills to enhance the monetary targeting framework that is necessary to support the exchange rate and stabilise prices in the economy. – Government, through the RBZ, suspended the managed floating exchange rate system at the start of the COVID-19 lockdown and fixed the exchange rate at $1: ZWL25. – Adoption of an auction foreign exchange system on 23 June 2020 which led to further devaluation of the ZWL. – Increased the medium-term bank accommodation facility to ZWL2.5 billion.	– Government announced a ZWL18 billion stimulus package to support various sectors impacted by COVID-19.
Nigeria	– One-year extension of moratorium on principal repayments for all CBN intervention facilities. – Reduction of interest rates on all applicable CBN intervention facilities by 400 bps to 9%. – Creation of a NGN50 billion (c. $139 million) credit facility for SMEs affected by the pandemic; including hoteliers and airline service providers. – Support of the healthcare industry, opening its intervention facilities to pharmaceutical companies, hospitals and healthcare practitioners. – Regulatory forbearance for Deposit Money Banks, granting leave to consider temporary and time-limited restructuring of the tenor and loan terms for businesses and households most affected by the outbreak of COVID-19. – Strengthening of CBN LDR policy for DMBs, providing support to industry funding levels to maintain DMBs' capacity to direct credit to individuals, households, and businesses.	– Establishment of a NGN500bn COVID-19 Crisis Intervention Fund which will be channelled to the upgrade of healthcare facilities at the national and state-level, as well as provide intervention for states. – Conditional cash transfers paid to the most vulnerable at internally displaced persons camps. – Waiver of import duty on medical equipment, medicines, protection equipment for the treatment of COVID-19. – Commencement of a three-month repayment moratorium for all TraderMoni, MarketMoni and FarmerMoni loans. – Similar moratorium granted to all Federal Government funded loans issued by the Bank of Industry, Bank of Agriculture and the Nigeria Export-Import Bank.

The Group has implemented a comprehensive range of measures to support staff and customers. The health and safety of staff remains the primary focus. The Group has implemented measures such as work from home, reconfiguration of offices, social distancing, provision of masks and other protective gear, periodic testing of staff, virtual meetings and provision of sanitisers.

Some of the measures implemented by the Group to support customers include the restructuring of customer loans on a case by case basis; improvement of digital platforms, especially mobile and internet banking channels to ease the conduct of banking transactions by customers; provision of working capital to productive sectors and reduction of bank charges especially on digital platforms.

A number of digital innovations have been undertaken by the Group. BancABC Zimbabwe launched Ally A.I. Chatbot during the period under review, which allows customers to conduct transactions on social media platforms such as WhatsApp. The first virtual branch in Zimbabwe was launched, which makes virtual banking services accessible through channels including Skype, WhatsApp and Telephone Banking, coupled with Dial-A-Visa service and a Virtual Ignition Hub for SMEs. Other subsidiaries enhanced their internet and mobile platforms including offering of SaruMoney application in Botswana.

Across the Group's operations, Business continuity plans ('BCP') have been activated to ensure that business operations continue, and essential services are carried out. However, despite the activation of the BCPs, the Group's operations remain vulnerable to the business disruptions caused by the pandemic, with attendant impacts on the Group's financial performance and position. Some of the actions taken by the Group such as payment holidays, extension of moratorium and loan restructures may negatively impact the interest income earned on the Group's loans and also result in lower fee income on credit. In addition, the rate cuts implemented by some central banks will also negatively impact the interest income earned by the Group.

The effect of the pandemic on business activities may also result in lower digital transaction volumes, thereby resulting in lower digital fee income. In addition, the economic slowdown may impair the ability of the Group's customers to make loan repayments as and when due, resulting in an increase in expected credit losses and non-performing loans and may be exacerbated by a decline in recoveries on written-off loans, especially in certain sectors that have been directly impacted by the COVID-19 pandemic (such as oil and gas, airlines, hospitality etc.).

The weakening of market and macroeconomic indices such as GDP growth forecasts, inflation, exchange rates etc. could trigger impairments of the Group's assets such as investments in subsidiaries and associates (UBN) as well as goodwill and other intangible assets.

The economic outlook in the markets of operation remains uncertain with the longer-term impact on the Group's business, financial position and performance, liquidity and capital position, dependent on the severity and length of the pandemic and the mitigating impact of measures imposed by governments and other bodies. Throughout this period of uncertainty, the Group will continue to work closely with customers, colleagues, regulators and the government and keep a close eye on the performance of the portfolios with frequent stress testing and scenario analysis.

COVID-19 stress testing on ECL estimate

Management assessed the impact of COVID-19 on future ECL estimates by stress testing the macroeconomic factors considered in the forward-looking scenarios which are expected to impact PD, EAD and LGD in several ways, including:

- an expected increase in the PD due to higher default rates in the portfolios;
- higher migration rates to stage 2 resulting in recognition of lifetime ECLs;
- falling asset prices and increased difficulty in liquidating assets causing the LGD to increase; and
- increased utilisation of credit lines putting upward pressure on the EAD.

The scenarios are as outlined below:

Base case scenario: Business operations lockdown within three months, with limited economic activity;
Moderate case scenario: Business operations lockdown between three to six months, with limited economic activity; and.
Worst case scenario: Business operations lockdown longer than six months, with limited economic activity.

The retail portfolio is forecasted to experience minimal stress compared to SME and Corporate, largely due to the underlying Government Group Schemes that underpin most of this portfolio. The Group Schemes are managed by payroll deductions at source and no Government or Parastatal is currently expected to reduce staff numbers in the next 12 months. The NPL and impairment stress is therefore largely within the SME and Corporate segments across the Group. Both these segments are typically collateralised by immovable property as the pivotal collateral type. Increases in ECL coverage ratios are expected largely due to anticipated reductions in LGD where it may become more difficult to liquidate assets with lower associated recoveries if assets are liquidated.

The table below shows the expected impact on the ECL estimate, NPL ratio (%) and Group ECL coverage ratio (%) when comparing the position as at 30 June 2020 to the expected position as at 31 December 2020 under the three stress-test scenarios:

	ECL estimate ($'000)	Impact on NPL ratio (%)	Impact on ECL coverage ratio (%)
Position at 30 June 2020	34,791	12%	5.91%
Stress test scenarios			
Baseline scenario	Reduce by 9.4%	Reduce by 22.4%	Increase by 0.2%
Upside scenario	Reduce by 3.7%	Reduce by 12.5%	Increase by 8.4%
Downside scenario	Increase by 6.2%	Increase by 5.0%	Increase by 21.1%

Given that there is considerable uncertainty as to the impact of the COVID-19 pandemic, the projections and likelihoods of occurrence of the scenarios are subject to a high degree of inherent uncertainty; therefore, the actual outcomes may be significantly different to those projected. The Group considers the forecasts for the three stress scenarios to be its best estimate of the possible outcomes at this point in time with the information at its disposal.

Directors' responsibilities statement in respect of the interim financial statements

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU; and
- the interim management report includes a fair review of the information required by:

  a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board

Michael Wilkerson
Chairman
8 October 2020

Independent review report

Conclusion

We have been engaged by the Group to review the condensed consolidated set of financial statements in the interim report for the six months ended 30 June 2020 which comprises the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the condensed consolidated interim financial statements on pages 31 to 61 as well as the credit risk management, liquidity risk and market risk management disclosures in the risk report on pages 15 to 26.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the interim report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').

Scope of review

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

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

Directors' responsibilities

The condensed consolidated interim financial statements are the responsibility of, and have been approved by, the Directors. The Directors are responsible for preparing the condensed consolidated interim financial statements 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 International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed consolidated interim financial statements in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed consolidated interim financial statements based on our review.

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

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

KPMG Inc
Registered Auditor

Per Pierre Fourie
Chartered Accountant (SA)
Registered Auditor
Director

85 Empire Road
Parktown
Johannesburg
2193
8 October 2020

Consolidated statement of financial position
at 30 June 2020

	Notes	30 June 2020 $'000	31 December 2019 $'000
Assets			
Cash and short-term funds	13	**167,916**	130,533
Financial assets at fair value through profit or loss	11	**24,759**	25,243
Loans and advances	8	**554,247**	644,112
Investment securities	12	**62,835**	107,778
Derivative financial assets		**4,834**	5,692
Investment in associates	15	**489,191**	582,141
Property and equipment		**32,071**	41,232
Investment property		**7,215**	6,586
Goodwill and intangible assets	16	**61,583**	73,005
Current tax assets	19.3	**1,828**	2,243
Deferred tax assets	19.4	**–**	149
Other assets		**57,434**	29,052
		1,463,913	**1,647,766**
Assets included in disposal groups classified as held for sale	24	**1,026,064**	979,645
Total assets		**2,489,977**	**2,627,411**
Liabilities			
Deposits	6	**612,816**	723,726
Borrowed funds	5	**410,666**	366,809
Derivative financial liabilities		**4,789**	5,610
Current tax liabilities	19.3	**470**	767
Deferred tax liability	19.4	**15,396**	12,107
Other liabilities		**117,631**	96,974
		1,161,768	**1,205,993**
Liabilities included in disposal groups classified as held for sale	24	**936,264**	874,235
Total liabilities		**2,098,032**	**2,080,228**
Equity			
Founder preference shares	3	**11,300**	11,300
Ordinary share capital	3	**993,192**	993,192
Capital reserves		**(35,620)**	(38,478)
Accumulated loss		**(134,919)**	(128,951)
Fair value through OCI reserves		**141**	310
Foreign currency translation reserve		**(462,238)**	(311,450)
Treasury shares		**(23,530)**	(23,393)
Equity attributable to ordinary shareholders		**348,326**	**502,530**
Non-controlling interest		**43,619**	44,653
Total equity		**391,945**	**547,183**
Total equity and liabilities		**2,489,977**	**2,627,411**

Consolidated statement of profit or loss
for the period ended 30 June 2020

		Half-year to 30 June 2020			Half-year to 30 June 2019		
	Notes	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
Interest and similar income	14	**34,499**	**63,429**	**97,928**	38,377	62,019	100,396
Interest and similar expense	7	**(30,169)**	**(30,637)**	**(60,806)**	(29,597)	(26,328)	(55,925)
Net interest income		**4,330**	**32,792**	**37,122**	**8,780**	**35,691**	**44,471**
Impairment charge on financial assets	9	**(793)**	**(3,134)**	**(3,927)**	(694)	(1,981)	(2,675)
Net interest income after loan impairment charges		**3,537**	**29,658**	**33,195**	**8,086**	**33,710**	**41,796**
Non-interest income	17	**30,621**	**22,886**	**53,507**	29,703	21,299	51,002
Share of profit of associates	15	**13,797**	**–**	**13,797**	18,653	–	18,653
Total operating income		**47,955**	**52,544**	**100,499**	**56,442**	**55,009**	**111,451**
Operating expenses	18	**(37,531)**	**(56,747)**	**(94,278)**	(39,543)	(63,522)	(103,065)
Loss on monetary position		**(4,723)**	**–**	**(4,723)**	–	–	–
Profit/(loss) before tax		**5,701**	**(4,203)**	**1,498**	**16,899**	**(8,513)**	**8,386**
Income tax expense	19.1	**(7,180)**	**(1,376)**	**(8,556)**	(7,401)	(972)	(8,373)
(Loss)/profit after tax		**(1,479)**	**(5,579)**	**(7,058)**	9,498	(9,485)	13
Gain/(loss) on remeasurement to fair value less costs to sell		**–**	**385**	**385**	–	(125,567)	(125,567)
(Loss)/profit for the period		**(1,479)**	**(5,194)**	**(6,673)**	**9,498**	**(135,052)**	**(125,554)**
Attributable to:							
Ordinary shareholders		**(1,787)**	**(6,071)**	**(7,858)**	8,913	(135,347)	(126,434)
Non-controlling interests		**308**	**877**	**1,185**	585	295	880
(Loss)/profit for the period		**(1,479)**	**(5,194)**	**(6,673)**	**9,498**	**(135,052)**	**(125,554)**
Basic (loss)/earnings per share ($)	20	**(0.01)**	**(0.04)**	**(0.05)**	0.05	(0.79)	(0.74)
Diluted (loss)/earnings per share ($)	20	**(0.01)**	**(0.04)**	**(0.05)**	0.05	(0.79)	(0.74)

Consolidated statement of other comprehensive income
for the period ended 30 June 2020

	30 June 2020			30 June 2019		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
(Loss)/profit for the period	**(1,479)**	**(5,194)**	**(6,673)**	**9,498**	**(135,052)**	**(125,554)**
Other comprehensive income/(loss)						
Items that may be reclassified to profit or loss:	**(131,771)**	**(18,312)**	**(150,083)**	**(42,360)**	**(7,534)**	**(49,894)**
Exchange differences on translating foreign operations	**(135,109)**	**(17,898)**	**(153,007)**	(46,328)	(6,827)	(53,155)
Net change in FVOCI reserves (net of tax)	**121**	**(414)**	**(293)**	115	(707)	(592)
Share of OCI of equity-accounted investees (net of tax)	**3,217**	**–**	**3,217**	3,853	–	3,853
Items that will not be reclassified to profit or loss:	**–**	**–**	**–**	**22,318**	**–**	**22,318**
Revaluation of land and buildings (net of tax)	**–**	**–**	**–**	22,318	–	22,318
Total other comprehensive loss, net of tax	**(131,771)**	**(18,312)**	**(150,083)**	**(20,042)**	**(7,534)**	**(27,576)**
Total comprehensive loss for the period	**(133,250)**	**(23,506)**	**(156,756)**	**(10,544)**	**(142,586)**	**(153,130)**
Attributable to:						
Ordinary shareholders	**(131,339)**	**(24,383)**	**(155,722)**	(11,782)	(142,824)	(154,606)
Non-controlling interests	**(1,911)**	**877**	**(1,034)**	1,238	238	1,476
Total comprehensive loss for the period	**(133,250)**	**(23,506)**	**(156,756)**	**(10,544)**	**(142,586)**	**(153,130)**

Consolidated statement of changes in equity
for the period ended 30 June 2020

	Founder Preference Shares $'000	Ordinary share capital $'000
Opening balance as at 1 January 2020	**11,300**	**993,192**
(Loss)/profit for the period	–	–
Other comprehensive income:		
Exchange differences on translating foreign operations	–	–
Movement in FVOCI reserves	–	–
Equity-accounted investees – OCI	–	–
Total comprehensive income for the period	**–**	**–**
Transactions within equity		
Employee share awards	–	–
Other movements within reserves	–	–
Other movements	–	–
Closing balance as at 30 June 2020	**11,300**	**993,192**
Opening balance as at 1 January 2019	**11,300**	**993,192**
(Loss)/profit for the period	–	–
Other comprehensive income:		
Exchange differences on translating foreign operations	–	–
Movement in FVOCI reserves	–	–
Equity-accounted investees – OCI	–	–
Revaluation of property and equipment	–	–
Total comprehensive income for the period	**–**	**–**
Transactions within equity		
Employee share awards	–	–
Shares buy-back	–	–
Share of equity in subsidiary transferred to NCI	–	–
Other movements	–	–
Closing balance as at 30 June 2019	**11,300**	**993,192**

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

Capital reserves[1] $'000	FVOCI reserves $'000	Foreign currency translation reserve $'000	Treasury shares[2] $'000	(Accumulated loss) $'000	Equity attributable to ordinary shareholders $'000	Non-controlling interests $'000	Total equity $'000
(38,478)	310	(311,450)	(23,393)	(128,951)	502,530	44,653	547,183
–	–	–	–	(7,858)	(7,858)	1,185	(6,673)
–	–	(150,788)	–	–	(150,788)	(2,219)	(153,007)
–	(293)	–	–	–	(293)	–	(293)
–	–	–	–	3,217	3,217	–	3,217
–	(293)	(150,788)	–	(4,641)	(155,722)	(1,034)	(156,756)
2,038	–	–	–	–	2,038	–	2,038
820	124	–	–	(1,327)	(383)	–	(383)
–	–	–	(137)	–	(137)	–	(137)
(35,620)	141	(462,238)	(23,530)	(134,919)	348,326	43,619	391,945
(38,314)	488	(299,252)	(23,551)	2,981	646,844	42,094	688,938
–	–	–	–	(126,434)	(126,434)	880	(125,554)
–	–	(53,751)	–	–	(53,751)	596	(53,155)
–	(592)	–	–	–	(592)	–	(592)
–	–	–	–	3,853	3,853	–	3,853
22,318	–	–	–	–	22,318	–	22,318
22,318	(592)	(53,751)	–	(122,581)	(154,606)	1,476	(153,130)
1,829	–	–	26	–	1,855	–	1,855
–	–	–	(522)	–	(522)	–	(522)
271	–	–	–	–	271	1,225	1,496
11,668	–	–	–	(4,537)	7,131	–	7,131
(2,228)	(104)	(353,003)	(24,047)	(124,137)	500,973	44,795	545,768

Consolidated statement of cash flows
for the period ended 30 June 2020

	30 June 2020			30 June 2019		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
Cash flows from operating activities:						
Profit before tax	5,701	(4,203)	1,498	16,899	(8,513)	8,386
Adjusted for:						
Foreign exchange (gain)/loss	(12,591)	(9,407)	(21,998)	3,059	(6,777)	(3,718)
Impairment charge on financial assets	793	3,134	3,927	694	1,981	2,675
Depreciation and amortisation	5,162	8,408	13,570	5,222	6,382	11,604
Fair value loss on derivative financial instruments	25	–	25	–	–	–
Fair value gains on financial instruments at FVTPL	(3,040)	–	(3,040)	(3,370)	–	(3,370)
Share of profit of associates	(13,797)	–	(13,797)	(18,653)	–	(18,653)
Revaluation of investment property	(4,863)	–	(4,863)	(3,602)	–	(3,602)
(Gain)/loss on disposal of property and equipment	(2)	(52)	(54)	(18)	476	458
Equity-settled share-based payment transactions	2,038	–	2,038	1,855	–	1,855
Tax paid	(727)	(657)	(1,384)	(2,143)	(748)	(2,891)
Net cash outflow from operating activities before changes in operating funds	(21,301)	(2,777)	(24,078)	(57)	(7,199)	(7,256)
Net decrease in operating funds	31,501	(8,259)	23,242	(77,505)	(2,357)	(79,862)
(Increase)/decrease in operating assets	81,767	8,689	90,456	(220,190)	222,503	2,313
Increase/(decrease) in operating liabilities	(50,266)	(16,948)	(67,214)	142,685	(224,860)	(82,175)
Net cash utilised in operating activities	10,200	(11,036)	(836)	(77,562)	(9,556)	(87,118)
Cash flow from investing activities						
Purchase of property and equipment	(900)	(173)	(1,073)	(1,971)	(937)	(2,908)
Purchase of investment property	(427)	–	(427)	–	(231)	(231)
Purchase of intangible assets	(2,246)	(1,616)	(3,862)	(2,537)	(932)	(3,469)
Additions to associates	–	–	–	(4,373)	–	(4,373)
Acquisition of financial assets held at FVTPL	–	–	–	(107)	–	(107)
(Addition)/proceeds from disposal of investment securities	22,691	(24,824)	(2,133)	(12,721)	–	(12,721)
Proceeds from disposal of property and equipment	2	111	113	281	–	281
Proceeds from disposal of investment property	–	390	390	1,496	–	1,496
Net cash generated from/(utilised in) investing activities	19,120	(26,112)	(6,992)	(19,932)	(2,100)	(22,032)
Cash flow from financing activities						
Increase/(decrease) in borrowed funds	42,435	67,472	109,907	121,553	(11,791)	109,762
Payment of lease liabilities	(93)	(1,348)	(1,441)	–	–	–
Buy-back of treasury shares	–	–	–	–	(522)	(522)
Net cash generated from/(utilised in) financing activities	42,342	66,124	108,466	121,553	(12,313)	109,240
Increase/(decrease) in cash and cash equivalents	71,662	28,976	100,638	24,059	(23,969)	90
Cash and cash equivalents at the beginning of the period	130,533	245,685	376,218	118,994	262,994	381,988
Effect of exchange rate fluctuations on cash and cash equivalents held	(34,279)	(36,064)	(70,343)	(18,453)	(9,533)	(27,986)
Cash and cash equivalents relating to disposal group classified held for sale	–	(238,597)	(238,597)	–	(229,492)	(229,492)
Cash and cash equivalents at the end of the period	167,916	–	167,916	124,600	–	124,600
Analysed as follows:						
Cash and cash equivalents	157,307	–	157,307	94,597	–	94,597
Statutory reserve balances	10,609	–	10,609	30,003	–	30,003
	167,916	–	167,916	124,600	–	124,600

Notes to the condensed consolidated interim financial statements

for the period ended 30 June 2020

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

1. Significant accounting policies

A. Reporting entity

These financial statements have been prepared for Atlas Mara Limited (the 'Company'), a company domiciled in the BVI, and its subsidiaries (the 'Group'). The Group is a financial services provider, engaged in retail banking, credit cards, wholesale banking, investment banking, wealth management and investment management services.

B. Basis of preparation

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

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

The financial statements have been prepared under the historical cost convention adjusted for the effects of inflation where entities operate in hyperinflationary economies and for the revaluation of certain financial instruments, property and equipment, investment property and non-current assets held for sale to fair value. All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRSs as published by the IASB and as adopted by the EU.

Going concern

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

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

The Directors' assessment of going concern was based on the Group's forecasts, covering the period 2020–2022, which have been considered by the Group's Board of Directors and included a particular focus on the 12-month period following the date of publication of the financial statements. The Group's forecasts are based on bottom-up financial forecasts for the existing Group, which have been approved by the boards of subsidiaries and associates and include a detailed review of known and potential risks and factors mitigating such risk events.

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

Based on the above, the Directors have determined that the use of the going concern assumption is appropriate.

C. Accounting policies

The accounting policies and methods of computation adopted in these condensed consolidated interim financial statements are consistent with those used in the 2019 annual financial statements. A number of new standards are effective from 1 January 2020, but they do not have a material effect on the Group's financial statements.

D. Standards and interpretations issued and not yet applicable

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

E. Use of estimates and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

F. Other disclosures

The credit, liquidity and market risk disclosures on pages 15 to 26 form part of these condensed consolidated interim financial statements.

This section focuses on information on the segmental performance, income generated, expenditure incurred and tax.

2. Segmental reporting

Segment information

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

For management purposes, the Group is organised into business units based on the countries of operation of its components as follows: Botswana, Zimbabwe, Mozambique, Tanzania, Zambia and Rwanda. All entities and/or consolidation adjustments not part of operating banks, are included as 'Corporate'.

The operations of Mozambique, Tanzania, Zambia and Rwanda have been reclassified and reported as discontinued operations in line with the Group's strategic decision to dispose of its interests in these entities.

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

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

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

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

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

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

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

An analysis of the Group's performance by countries of operation has been presented below:

Statement of profit or loss – Half-year to 30 June 2020

	Continuing operations				
	Botswana $'000	Zimbabwe $'000	Nigeria $'000	Corporate[4] $'000	Total $'000
Interest and similar income	32,808	4,141	–	(2,450)	34,499
Interest and similar expense	(12,848)	(1,093)	–	(16,228)	(30,169)
Net interest income/(expense)	**19,960**	**3,048**	**–**	**(18,678)**	**4,330**
Impairment charge on financial assets	(174)	(622)	–	3	(793)
Income/(loss) from lending activities	**19,786**	**2,426**	**–**	**(18,675)**	**3,537**
Non-interest income	3,644	25,150	–	1,827	30,621
Total operating income	**23,430**	**27,576**	**–**	**(16,848)**	**34,158**
Operating expenses	(17,090)	(11,873)	–	(8,568)	(37,531)
Loss on monetary position	–	(4,723)	–	–	(4,723)
Net income from operations	**6,340**	**10,980**	**–**	**(25,416)**	**(8,096)**
Share of profit of associates	–	–	13,797	–	13,797
Profit/(loss) before tax	**6,340**	**10,980**	**13,797**	**(25,416)**	**5,701**
Income tax expense	(1,491)	(3,578)	–	(2,111)	(7,180)
Profit/(loss) for the period	**4,849**	**7,402**	**13,797**	**(27,527)**	**(1,479)**
Non-controlling interest	(1,027)	–	–	719	(308)
Profit/(loss) attributable to ordinary shareholders	**3,822**	**7,402**	**13,797**	**(26,808)**	**(1,787)**

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

Statement of profit or loss – Half-year to 30 June 2020 continued

	Discontinued operations					
	Mozambique $'000	Tanzania $'000	Zambia $'000	Rwanda $'000	Other[1] $'000	Total $'000
Interest and similar income	10,836	9,042	28,707	19,069	(4,225)	63,429
Interest and similar expense	(4,689)	(4,082)	(16,568)	(6,105)	807	(30,637)
Net interest income	6,147	4,960	12,139	12,964	(3,418)	32,792
Impairment charge on financial assets	(250)	144	(2,065)	(963)	–	(3,134)
Income/(loss) from lending activities	5,897	5,104	10,074	12,001	(3,418)	29,658
Non-interest income	4,341	829	13,599	4,117	–	22,886
Total operating income	10,238	5,933	23,673	16,118	(3,418)	52,544
Operating expenses	(10,210)	(6,331)	(22,278)	(12,773)	(5,155)	(56,747)
(Loss)/profit before tax	28	(398)	1,395	3,345	(8,573)	(4,203)
Income tax expense	(9)	(29)	(541)	(1,004)	207	(1,376)
(Loss)/profit after tax	19	(427)	854	2,341	(8,366)	(5,579)
Gain on remeasurement to fair value less costs to sell	–	–	–	–	385	385
Loss for the period	19	(427)	854	2,341	(7,981)	(5,194)
Non-controlling interest	–	12	–	(889)	–	(877)
(Loss)/profit attributable to ordinary shareholders	19	(415)	854	1,452	(7,981)	(6,071)

Note:
1. Others include intercompany eliminations between continuing and discontinued operations.

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

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

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

2. Segmental reporting continued

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

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

Note:
1. Others include intercompany eliminations between continuing and discontinued operations.

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

Statement of financial position for the period ended 30 June 2020

	Continuing operations				Discontinued operations				
	Botswana $'000	Zimbabwe $'000	Nigeria $'000	Corporate[1] $'000	Mozambique $'000	Tanzania $'000	Zambia $'000	Rwanda $'000	Total $'000
Loans and advances	522,513	16,691	–	15,043	–	–	–	–	554,247
Assets included in disposal group classified as held for sale	–	–	–	–	179,180	58,634	376,512	411,738	1,026,064
Total assets	**740,498**	**165,603**	**487,679**	**70,133**	**179,180**	**58,634**	**376,512**	**411,738**	**2,489,977**
Deposits	550,888	61,928	–	–	–	–	–	–	612,816
Liabilities included in disposal group classified as held for sale	–	–	–	–	154,880	52,634	349,512	379,238	936,264
Total liabilities	**617,136**	**111,607**	**–**	**433,025**	**154,880**	**52,634**	**349,512**	**379,238**	**2,098,032**

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

Statement of financial position for the year ended 31 December 2019

	Continuing operations				Discontinued operations				
	Botswana $'000	Zimbabwe $'000	Nigeria $'000	Corporate[1] $'000	Mozambique $'000	Tanzania $'000	Zambia $'000	Rwanda $'000	Total $'000
Loans and advances	606,297	22,733	–	15,082	–	–	–	–	644,112
Assets included in disposal group classified as held for sale	–	–	–	–	193,387	81,377	378,514	326,367	979,645
Total assets	**856,680**	**161,262**	**580,622**	**49,202**	**193,387**	**81,377**	**378,514**	**326,367**	**2,627,411**
Deposits	662,487	61,239	–	–	–	–	–	–	723,726
Liabilities included in disposal group classified as held for sale	–	–	–	–	168,017	73,477	330,963	301,778	874,235
Total liabilities	**736,112**	**107,904**	**–**	**361,977**	**168,017**	**73,477**	**330,963**	**301,778**	**2,080,228**

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

3. Capital and reserves

3.1. Authorised and issued share capital

	30 June 2020		31 December 2019	
	No. of shares '000	$'000	No. of shares '000	$'000
Opening balance[1]	171,321	993,192	171,321	993,192
Shares held in escrow[2]	3,298	–	3,298	–
Total shares in issue	**174,619**	**993,192**	**174,619**	**993,192**
Shares in issue excluding escrow shares	171,320	–	171,320	–
Founder preference shares[3]	1,130	11,300	1,130	11,300
	172,450	**1,004,492**	**172,450**	**1,004,492**

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

3.2. Issued and fully paid

	30 June 2020 $'000	31 December 2019 $'000
Ordinary share capital	993,192	993,192

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

Terms of the Founder Preferred Shares

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

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

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

4. Fair value of financial instruments

Critical accounting estimates and judgements

The valuation of financial instruments often involves a significant degree of judgement and complexity, in particular where valuation models make use of unobservable inputs ('Level 3' assets and liabilities). This note provides information on these instruments, including the related unrealised gains and losses recognised in the period, a description of significant valuation techniques and unobservable inputs, and a sensitivity analysis.

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

30 June 2020	Quoted prices Level 1 $'000	Significant observable inputs Level 2 $'000	Significant unobservable inputs Level 3 $'000	Total at fair value $'000
Assets measured at fair value:				
Fair value through profit or loss	2,008	3,481	19,270	24,759
Money market funds	–	3,481	–	3,481
Listed equities	2,008	–	–	2,008
Unlisted equities	–	–	18,379	18,379
Unlisted debentures	–	–	5	5
Property units	–	–	886	886
Derivative financial assets	–	94	4,740	4,834
Forward foreign exchange contracts	–	94	–	94
Cross-currency swap	–	–	4,740	4,740
Investment securities: FVOCI	–	–	500	500
Unlisted equities	–	–	500	500
Fair value hierarchy for financial assets measured at fair value	2,008	3,575	24,510	30,093
Liabilities measured at fair value:				
Derivative financial liabilities	–	91	4,698	4,789
Forward foreign exchange contracts	–	91	–	91
Cross-currency swap	–	–	4,698	4,698
Borrowed funds	–	23,047	–	23,047
Fair value hierarchy for financial liabilities measured at fair value	–	23,138	4,698	27,836

There were no transfers between levels in the current period.

30 June 2020	Quoted prices Level 1 $'000	Significant observable inputs Level 2 $'000	Significant unobservable inputs Level 3 $'000	Total at fair value $'000
Assets measured at fair value:				
Fair value through profit or loss	**803**	**3,925**	**20,515**	**25,243**
Money market funds	–	3,925	–	3,925
Listed equities	803	–	–	803
Unlisted equities	–	–	19,467	19,467
Unlisted debentures	–	–	18	18
Property units	–	–	1,030	1,030
Derivative financial assets	**–**	**109**	**5,583**	**5,692**
Forward foreign exchange contracts	–	109	–	109
Cross-currency swap	–	–	5,583	5,583
Investment securities: FVOCI	**–**	**–**	**488**	**488**
Unlisted equities	–	–	488	488
Fair value hierarchy for financial assets measured at fair value	**803**	**4,034**	**26,586**	**31,423**
Liabilities measured at fair value:				
Derivative financial liabilities	**–**	**100**	**5,510**	**5,610**
Forward foreign exchange contracts	–	100	–	100
Cross-currency swap	–	–	5,510	5,510
Borrowed funds	**–**	**24,857**	**–**	**24,857**
Fair value hierarchy for financial liabilities measured at fair value	**–**	**24,957**	**5,510**	**30,467**

There were no transfers between levels in the period.

Level 3 fair value movements

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

30 June 2020	**Debt or equity investments $'000**	**Derivative financial assets $'000**	**Total assets at fair value $'000**	**Derivative financial liabilities $'000**	**Total liabilities at fair value $'000**
Opening balance	**21,003**	**5,583**	**26,586**	**5,510**	**5,510**
Total gains or losses					
– in profit/(loss)	**(474)**	**(298)**	**(772)**	**(273)**	**(273)**
– in other comprehensive income	**127**	**–**	**127**	**–**	**–**
Exchange rate adjustment	**(886)**	**(545)**	**(1,431)**	**(539)**	**(539)**
Closing balance	**19,770**	**4,740**	**24,510**	**4,698**	**4,698**

31 December 2019	Debt or equity investments $'000	Derivative financial assets $'000	Total assets at fair value $'000	Derivative financial liabilities $'000	Total liabilities at fair value $'000
Opening balance	**23,635**	**5,376**	**29,011**	**5,444**	**5,444**
Total gains or losses					
– in profit/(loss)	(2,790)	(102)	(2,892)	14	14
– in other comprehensive income	(26)	–	(26)	–	–
Exchange rate adjustment	184	309	493	52	52
Closing balance	**21,003**	**5,583**	**26,586**	**5,510**	**5,510**

4. Fair value of financial instruments continued

Level 3 fair value movements continued

30 June 2019	Debt or equity investments $'000	Derivative financial assets $'000	Total assets at fair value $'000	Derivative financial liabilities $'000	Total liabilities at fair value $'000
Opening balance	**23,635**	**5,376**	**29,011**	**5,444**	**5,444**
Total gains or losses					
– in profit/(loss)	–	(23)	(23)	–	–
– in other comprehensive income	114	–	114	–	–
Purchases	–	49	49	–	–
Exchange rate adjustment	(641)	3,237	2,596	291	291
Closing balance	**23,108**	**6,241**	**29,349**	**5,735**	**5,735**

Total gains or losses for the period in the above table are presented in the statement of profit or loss and statement of other comprehensive income as follows:

30 June 2020	**Debt or equity investments $'000**	**Derivative financial assets $'000**	**Total assets at fair value $'000**	**Derivative financial liabilities $'000**	**Total liabilities at fair value $'000**
Total gains or losses in profit/loss for the period:					
Net income from other financial instruments carried at fair value	**(474)**	**(298)**	**(772)**	**(273)**	**(273)**
Total gains or losses recognised in other comprehensive income	**127**	**–**	**127**	**–**	**–**

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

Description of significant unobservable inputs to valuation

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

Type of financial instrument	Valuation technique	Significant unobservable input	Range of estimates (weighted average) for unobservable input
Government debt	This includes government bonds and treasury bills. Liquid government bonds that are actively traded through an exchange or clearing house are marked-to-market. Less liquid bonds are valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. Where there are no observable market prices, a proxy curve is constructed by using the US interest rate swap yield curve and adding a spread indicative of the inherent risk relating to credit, liquidity and for the sovereign risk of the government debt.	Discount rate where no traded market exists.	12–22%
Corporate debt	This includes corporate bonds which are valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. Where there are no observable market prices, a proxy curve is constructed by using the US interest rate swap yield curve and adding a spread indicative of the inherent risk relating to credit, liquidity and for the sovereign risk of the corporate debt.	Discount rate where no traded market exists.	12–18%
Unlisted equities, unlisted investments and property units	Market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee on actual Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). The estimate is adjusted for the effect of the non-marketability of the equity securities. Dividend discount model: This valuation model estimates the value of the Company based on future dividends payable by the Company, discounted back to the present value using the cost of equity.	Adjusted price to book ratio. Adjusted Enterprise value (EV)/EBITDA, Discount rate, Terminal growth rate.	6–16%

Sensitivity analysis

a) Unlisted financial assets – equities, debentures and property units

For unlisted financial assets measured at fair value, changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

	30 June 2020				31 December 2019			
	Profit or loss		**Equity**		Profit or loss		Equity	
	Increase $'000	**Decrease $'000**	**Increase $'000**	**Increase $'000**	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Average price to book ratio (5% movement)	**177**	**(177)**	**177**	**(177)**	52	(52)	52	(52)
Book value (2% movement)	**133**	**(133)**	**133**	**(133)**	21	(21)	21	(21)
Adjusted EV/EBITDA (5% movement)	**177**	**(177)**	**177**	**(177)**	52	(52)	52	(52)
EBITDA (2% movement)	**133**	**(133)**	**133**	**(133)**	21	(21)	21	(21)

4. Fair value of financial instruments continued

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

The following tables show the breakdown of carrying amounts and fair values of financial assets and financial liabilities by class and category of financial instrument measured at amortised cost, where the carrying values differ from the fair values.

	30 June 2020		31 December 2019	
	Carrying amount $'000	**Fair value (Level 2) $'000**	Carrying amount $'000	Fair value (Level 2) $'000
Financial assets measured at amortised cost				
Investments securities held at amortised cost	**62,335**	**62,335**	107,290	106,548

	30 June 2020		31 December 2019	
	Carrying amount $'000	**Fair value (Level 2) $'000**	Carrying amount $'000	Fair value (Level 2) $'000
Financial liabilities measured at amortised cost				
Borrowed funds	**387,619**	**384,351**	341,952	333,797

Other financial instruments not carried at fair value are typically short term in nature and reprice to current market rates frequently. Accordingly, their carrying amount is a reasonable approximation of fair value. They include cash and short-term funds, loans and advances to customers, deposits, other assets and other liabilities.

The fair values of the financial instruments not carried at fair value disclosed in the table above were determined as follows:

i. Investment securities held at amortised cost

Fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

ii. Borrowed funds

The estimated fair value of borrowed funds is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

5. Borrowed funds

	30 June 2020 $'000	31 December 2019 $'000
Convertible bond (a)	**82,366**	80,016
Other borrowed funds (b)	**328,300**	286,793
Total	**410,666**	**366,809**

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

	Carrying value		Fair value	
	30 June 2020 $'000	31 December 2019 $'000	**30 June 2020 $'000**	31 December 2019 $'000
Convertible bonds – liability component	**82,366**	80,016	**82,804**	77,069
Afrexim bank	**45,076**	49,098	**45,027**	46,726
Fairfax Financial Holdings Limited	**43,645**	41,061	**43,865**	40,809
Fairfax Africa Holdings Corporation	**39,160**	–	**40,705**	–
U.S. International Development Finance Corporation ('DFC')	**35,365**	40,207	**33,235**	37,715
Standard Chartered	**23,047**	24,857	**23,047**	24,857
Export Development Canada ('EDC')	**19,393**	19,816	**19,006**	19,798
Africa Agriculture and Trade Investment Fund S.A.	**17,027**	21,039	**16,010**	21,080
Fairfax Africa Holdings Investments Limited	**15,381**	14,033	**15,538**	14,874
Nineteen77 Capital Solutions A LP	**13,272**	12,948	**12,973**	13,388
Other	**76,934**	63,734	**75,188**	62,338
Total	**410,666**	**366,809**	**407,398**	**358,654**

a. Convertible bond

The following section presents the details of the convertible bonds outstanding as at 30 June 2020:

On 1 October 2015 Atlas Mara placed $63.4 million five-year senior secured convertible bonds with a maturity date in 2020. The bonds carry a coupon of 8.0% and were issued at an issue price of 82.7% of their principal amount, have a maturity date of 31 December 2020 and are convertible into the ordinary shares of Atlas Mara at a price of $11.00 per share at the option of the bondholder.

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

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

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

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

As at 30 June 2020, the convertible bond has a balance of $64.7 million (31 December 2019: $63.3 million).

On 24 April 2018, the Group reached an agreement in principle for a $36 million debt facility by issuing bonds to Fairfax Africa Holdings Investments Limited, the Company's largest shareholder. Tranche A of $16 million, which was structured as convertible bonds issued by Atlas Mara limited, was drawn down on 17 May 2018 and has a maturity date of 31 December 2020. The bonds accrue interest at the rate of 11%, payable on maturity and are convertible to ordinary shares by dividing the principal amount of the Bond by 90% of the 30-day volume weighted average price (VWAP) of the ordinary shares calculated on the dealing day prior to final maturity date. The facility was amended during the year, with maturity date extended to December 2021.

As at 30 June 2020, the convertible bonds issued to Fairfax has a balance of $17.7 million (31 December 2019: $16.7 million).

b. Other borrowed funds

	30 June 2020 $'000	31 December 2019 $'000
Borrowed funds – At fair value through profit/loss	**23,047**	24,857
Borrowed funds – Amortised cost	**305,253**	261,936
	328,300	286,793

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

Afrexim Bank Limited

The loan from Afrexim Bank Limited is a $60 million loan advanced to ABCH on 26 July 2013. In November 2018, ABCH and Afrexim Bank Limited entered into a new loan agreement. These principal terms include a reduction in the principal balance via a repayment of $6 million with the balance of $54 million repaid over four years with a grace period of one year. The new loan agreement attracts interest of three-month LIBOR +7.3%, payable quarterly. In March 2020, the sum of $3.8 million was repaid, with the balance of $45 million outstanding as at 30 June 2020.

Subsequent to reporting date, a new facility of $19 million was availed to the Group under Afrexim's COVID-19 relief fund to refinance the scheduled principal repayments spanning the period June 2020 to March 2021.

Africa Agriculture and Trade Investment Fund S.A.

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

Standard Chartered

The loan from Standard Chartered is a US dollar denominated loan obtained to finance the funding from ADC to UGPL, on 19 July 2012. The loan was repayable on December 2019; however, the termination date was extended to 31 December 2020. The loan can be further extended by another year, based on mutual agreement. The loan is measured at fair value based on the determined fair value of the UBN shares at NGN5.9 per share as at 30 June 2020.

5. Borrowed funds continued

b. Other borrowed funds continued

Nineteen77 Capital Solutions A LP

This represents $20 million secured bonds issued in November 2018 and due in 2021 to the bondholder – Nineteen77 Capital Solutions A LP. The bond attracts an interest rate of 9% per annum, with the interest payable half-yearly on 30 June and 31 December.

DFC (previously Overseas Private Investment Corporation)

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

Export Development Canada ('EDC')

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

Fairfax Africa holdings Corporation

On 26 March 2020, the Group entered into another $40 million loan facility agreement with Fairfax Africa holdings Corporation Fairfax secured against BancABC Botswana shares owned indirectly by Group (and directly by ABC Holdings Limited). The facility accrues interest at the rate of 10% per annum, payable quarterly and matures in March 2021 with the option to extend further by mutual agreement.

Fairfax Africa Holdings Investments Limited

On 24 April 2018, the Group reached an agreement in principle for a $36 million debt facility by issuing convertible bonds to Fairfax Africa Holdings Investments Limited. The agreement was amended and restated on 5 July 2018 and on 6 November 2018, with a further amendment to the deed poll on 11 December 2018. The facility is analysed as follows:

i) **Tranche A $16 million convertible bonds:** The tranche was drawn down on 17 May 2018 and is repayable on December 2020. The facility accrues interest at the rate of 11%, payable on maturity. Refer to the convertible bonds note in section a above for further details.; and

ii) **Tranche B $20 million facility:** The tranche was obtained on 6 July 2018, with a three-year term maturing in July 2021 and an interest rate of 9%, payable half-yearly – 30 June and 31 December. The facility is secured over UBN shares and was amended during the year, with maturity date extended to December 2021.

Fairfax Financial Holdings Limited

On 26 June 2019, the Group obtained a $40 million secured loan facility from Fairfax Financial Holdings Limited. The loan accrues interest at the rate of 10%, payable quarterly with a new maturity date of 30 June 2022. The original maturity date was 30 June 2020.

Other

Other borrowings relate to medium to long-term funding from international financial institutions for working capital financing and onward lending to the Group's clients.

Included in other is Norsad of $10 million attracting quarterly interest at six-month Libor plus 7.5%, maturing in December 2020 and TLG of $10 million with semi-annual interest payments at an interest rate of 9.8% with $5 million maturing in January 2021 and the balance due in March 2021.

Maturity analysis

The table below presents the maturity analysis based on contractual maturity.

	30 June 2020 $'000	31 December 2019 $'000
On demand to one month	**383**	390
One to three months	**1,505**	606
Three months to one year	**227,611**	146,915
Over one year	**181,167**	218,898
Total	**410,666**	**366,809**

6. Deposits

	30 June 2020 $'000	31 December 2019 $'000
Deposits from banks	**57,656**	18,893
Deposits from other customers	**555,160**	704,833
	612,816	**723,726**
Current	**598,131**	687,056
Non-current	**14,685**	36,670

The table below presents the analysis of deposits by segment:

	30 June 2020			31 December 2019		
	Payable on demand $'000	**Term and savings deposits $'000**	**Total $'000**	Payable on demand $'000	Term and savings deposits $'000	Total $'000
Corporate customers	**125,888**	**179,243**	**305,131**	69,656	87,830	157,486
Public sector	**29,765**	**110,345**	**140,110**	24,707	162,862	187,569
Retail customers	**44,245**	**32,097**	**76,342**	75,521	41,262	116,783
Other financial institutions	**2,143**	**31,434**	**33,577**	18,178	224,817	242,995
Banks	**54,147**	**3,509**	**57,656**	14,590	4,303	18,893
	256,188	**356,628**	**612,816**	**202,652**	**521,074**	**723,726**

7. Interest and similar expense

	Half-year to 30 June 2020			Half-year to 30 June 2019		
	Continuing operations $'000	**Discontinued operations $'000**	**Total $'000**	Continuing operations $'000	Discontinued operations $'000	Total $'000
Deposits	**(10,068)**	**(26,488)**	**(36,556)**	(14,155)	(20,782)	(34,937)
Borrowed funds	**(19,626)**	**(3,628)**	**(23,254)**	(15,121)	(4,995)	(20,116)
Other	**(475)**	**(521)**	**(996)**	(321)	(551)	(872)
	(30,169)	**(30,637)**	**(60,806)**	**(29,597)**	**(26,328)**	**(55,925)**

Other interest expense includes $0.7 million (2019: $0.9million) relating to IFRS 16 lease interest expenses.

8. Loans and advances

Critical accounting estimates and judgements

The measurement of the expected credit loss allowance for loans and advances is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting) and the resulting losses.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- determining criteria for significant increase in credit risk ('SICR');
- choosing appropriate models and assumptions for the measurement of ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment. The objective of this assessment is to identify whether a SICR has occurred for an exposure by comparing:
- the remaining lifetime PD as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group uses three criteria for determining whether there has been a SICR:
- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

The Group monitors the effectiveness of the criteria used to identify SICR by regular reviews to confirm that:
- the criteria are capable of identifying SICR before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

	30 June 2020 $'000	31 December 2019 $'000
Gross loans and advances:	**589,038**	682,747
Expected credit loss	**(34,791)**	(38,635)
Net loans and advances	**554,247**	**644,112**
Current	**73,464**	**152,629**
Non-current	**480,783**	**491,483**

9. Credit impairment charges

	Half-year to 30 June 2020			Half-year to 30 June 2019		
	Continuing operations $'000	**Discontinued operations $'000**	**Total $'000**	Continuing operations $'000	Discontinued operations $'000	Total $'000
Stage 1 – 12-month ECL	**(801)**	**(1,498)**	**(2,299)**	248	(3,986)	(3,738)
Stage 2 – Lifetime ECL not credit impaired	**(239)**	**631**	**392**	(20)	–	(20)
Stage 3 – Lifetime ECL credit impaired	**665**	**(3,037)**	**(2,372)**	(1,798)	294	(1,504)
Recoveries of bad debts previously written-off	**187**	**868**	**1,055**	899	1,711	2,610
Other	**(605)**	**(98)**	**(703)**	(23)	–	(23)
	(793)	**(3,134)**	**(3,927)**	**(694)**	**(1,981)**	**(2,675)**

10. Collateral

Liabilities for which collateral is pledged:

	30 June 2020 $'000	31 December 2019 $'000
Deposits from banks	**3,682**	4,530
Deposits from customers	**2,534**	1,859
Borrowed funds	**38,754**	52,743
	44,970	**59,132**

Assets pledged to secure these liabilities are as follows:

	30 June 2020 $'000	31 December 2019 $'000
Advances (collateral)	**43,950**	45,122
Financial assets at FVTPL	**3,481**	3,925
Investment securities	**6,985**	35,418
Property and equipment	**2,936**	3,258
	57,352	**87,723**

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

11. Financial assets at fair value through profit or loss

	30 June 2020 $'000	31 December 2019 $'000
Money market fund	**3,481**	3,925
Listed equities	**2,008**	803
Unlisted equities	**18,379**	19,467
Unlisted debentures	**5**	18
Property units	**886**	1,030
	24,759	**25,243**
Current	**3,481**	**3,925**
Non-current	**21,278**	**21,318**

12. Investment securities

	30 June 2020 $'000	31 December 2019 $'000
Amortised cost:		
Treasury bills	**13,340**	97,540
Government bonds	**49,243**	10,127
Amortised cost – gross balance	**62,583**	**107,667**
Less: Expected credit loss	**(248)**	(377)
Amortised cost – net balance	**62,335**	**107,290**
Fair value through OCI		
Unlisted equities	**500**	488
Total – investment securities	**62,835**	**107,778**
Current	**26,045**	**101,837**
Non-current	**36,790**	**5,941**

13. Cash and short-term funds

	30 June 2020 $'000	31 December 2019 $'000
Cash on hand	**10,990**	11,514
Balances with central banks	**3,181**	16,531
Balances with other banks	**66,812**	30,067
Money market placements maturing within three months	**76,324**	70,990
Cash and cash equivalents	**157,307**	**129,102**
Statutory reserve balances	**10,609**	1,431
Cash and short–term funds	**167,916**	**130,533**

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

14. Interest and similar income

	Half-year to 30 June 2020			Half-year to 30 June 2019		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
Interest income calculated using effective interest method:						
Cash and short-term funds	**755**	**2,069**	**2,824**	3,100	3,640	6,740
Investment securities at amortised cost	**1,645**	**11,432**	**13,077**	2,352	7,988	10,340
Investment securities at fair value through OCI	**–**	**2,076**	**2,076**	–	2,706	2,706
Loans and advances	**32,085**	**47,852**	**79,937**	32,500	47,685	80,185
	34,485	**63,429**	**97,914**	**37,952**	**62,019**	**99,971**
Other interest income	**14**	**–**	**14**	425	–	425
	34,499	**63,429**	**97,928**	**38,377**	**62,019**	**100,396**

Interest income includes $0.9 million (30 June 2019: $1.1 million) accrued on impaired loans.

15. Investment in associates

Critical accounting estimates and judgements

Fair value of assets and liabilities of associate

The Group has approximately 49.97% shareholding in Union Bank of Nigeria ('UBN') as reported in the FY 2019 annual financial statements. There has been no change in shareholding in the current period.

The Group applies judgement in determining the value of the assets and liabilities of the associate. The Group's share of the fair value of the assets and liabilities vs the fair value of the consideration paid.

Intangible assets

Included in the fair value of UBN are intangible assets of $4.2 million (31 December 2019: $5.9 million).

Share of profit and OCI

The value of equity accounted earnings in the statement of comprehensive income for Atlas Mara represents the reported profit and other comprehensive income for UBN, based on the published unaudited financial statements of UBN for the six-month period ended 30 June 2020.

Determination of control over the associate

Determining whether the Group has control of an entity is generally straightforward based on ownership of the majority of the voting capital. However, in certain instances, this determination will involve significant judgement, particularly in the case of UBN where the Group has approximately 50% shareholding and has representation on the Board of Directors.

Based on the assessment performed by management, UBN is not a controlled entity of the Group because the Group is not exposed, and has no right, to variable returns from this entity and is not able to use its power over the entity to affect those returns.

	30 June 2020 $'000	31 December 2019 $'000
Opening balance	**582,141**	532,233
Share of profits	**13,797**	31,101
Share of OCI	**3,217**	12,552
Exchange rate adjustment	**(100,547)**	–
Dividend income	**(9,417)**	–
Additions during year	**–**	6,255
Investment in associates	**489,191**	**582,141**

Investment in Union Bank of Nigeria ('UBN')

The Group effectively holds total direct and indirect share of UBN's voting rights of 49.97% as at 30 June 2020. This is as a result of the acquisitions completed during 2014 and 2015, which included an indirect share of 9.05% and a direct investment of 21.16%. The Group acquired a further 13.4% and c.4.5% of the voting rights in UBN in 2017 and 2018 respectively, bringing the Group's total share to 44.55% and 48.99% as at 31 December 2017 and 31 December 2018 respectively. A further acquisition of c.0.98% in 2019 brought the Group's total shareholding to 49.97%.

The investment in UBN is equity accounted using the unaudited financial statements of UBN for the six-month period ended 30 June 2020. The local currency of UBN is the Nigerian Naira.

The following table illustrates the published unaudited abridged financial information of UBN for the six-month period ended 30 June 2020.

	30 June 2020 $'000	31 December 2019 $'000
Cash and cash equivalents	**691,139**	1,045,034
Loans and advances	**1,503,966**	1,796,454
Investment securities	**1,174,431**	980,610
Other assets	**2,348,220**	2,286,323
Total assets	**5,717,756**	**6,108,421**
Deposits from customers	**2,572,758**	2,891,560
Borrowed funds	**578,829**	499,103
Other liabilities	**1,897,729**	1,894,457
Total liabilities	**5,049,316**	**5,285,120**
Group's share of equity (49.97%) (2019: 49.97%)	**325,540**	400,772
Intangible assets	**4,229**	5,930
Share of total identifiable net assets	**329,769**	**406,702**
Carrying value of the investment in associate including intangible assets	**487,679**	**580,622**

	Half-year to 30 June 2020 $'000	Half-year to 30 June 2019 $'000
Net interest income	**75,049**	76,816
Non-interest income	**60,338**	59,629
Impairment charge on financial instruments	**(10,440)**	16,067
Total expenses	**(94,317)**	(116,062)
Profit for the period	**28,574**	**38,682**
Other comprehensive income for the period	**6,438**	7,745
Total comprehensive income for the period	**35,012**	**46,427**

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

15. Investment in associates continued

Impairment testing

The Group performs annual impairment testing on the carrying amount of the investment in UBN. The last testing was performed as at 31 December 2019. Given the changes in market indices as a result of the impact of the COVID-19 pandemic on global capital markets, an update testing was performed during this interim reporting period to assess the impact of the changes in the key assumptions.

The table below illustrates the value-in-use ('VIU'), carrying value and fair value of the Group's 49.97% (31 December 2019: 49.97%) investment in UBN:

	30 June 2020			31 December 2019		
	VIU $'000	**Carrying amount* $'000**	**Fair value $'000**	VIU $'000	Carrying amount* $'000	Fair value $'000
Union Bank of Nigeria	**501,622**	**501,564**	**222,232**	614,981	598,143	285,171

* Carrying amount includes the investment in associate balance of $487.7 million and associated goodwill balance of $13.9 million.

Key assumptions in VIU calculation

The key assumptions used in the calculation of value in use were as follows. The values assigned to the key assumptions represent management's assessment of future trends in the earnings of UBN and have been based on historical data from both external and internal sources.

	30 June 2020	31 December 2019
Discount rate	**29.5%**	31.1%
Long-term growth rate	**2.3%**	2.3%
Exchange rate (USD/NGN)	**386.8**	306.5

Sensitivity of VIU to changes in key assumptions

The tables below illustrate the impact of changes in the key assumptions on VIU, especially given the shock to the market resulting from the COVID-19 pandemic. This reflects the sensitivity of the VIU to each key assumption on its own, while keeping other inputs constant. It is possible that more than one favourable and/or unfavourable change may occur at the same time. The selected rates of reasonably possible changes to key assumptions are largely based on external analysts' forecasts.

a) Exchange rate sensitivity

As at 30 June 2020, if exchange rates move in the directions specified in the table below, the adjusted carrying value of the Group's investment in UBN will be as follows:

	VIU $'000
Devaluation to NGN395/$1	**491,145**
Devaluation to NGN420/$1	**461,910**
Devaluation to NGN450/$1	**431,116**
Devaluation to NGN480/$1	**404,171**

b) Changes in other assumptions – 1% change in discount rate and long-term growth rate

	Favourable change			Unfavourable change		
	Revised rate	VIU	Headroom	Revised rate	VIU	(Impairment)
Long-term growth rate	3.3%	507,904	6,340	1.3%	495,786	(5,778)
Discount rate	28.5%	515,947	14,383	30.5%	488,307	(13,257)

A reduction in the forecast cash flows of 10% per annum is estimated to reduce the recoverable amount by $162 million.

16. Goodwill and intangible assets

	30 June 2020 $'000	31 December 2019 $'000
Goodwill	**39,388**	45,827
Other intangibles	**22,195**	27,178
	61,583	**73,005**

Goodwill

Goodwill has been allocated to the Group's CGUs (operating banks) as follows:

	30 June 2020			31 December 2019		
		Allocation			Allocation	
	$ million	Retail $ million	Corporate $ million	$ million	Retail $ million	Corporate $ million
Botswana	**25.5**	**14.0**	**11.5**	28.3	15.6	12.7
West Africa	**13.9**	**–**	**13.9**	17.5	–	17.5
Total	**39.4**	**14.0**	**25.4**	**45.8**	**15.6**	**30.2**

Impairment testing

The Group carries out annual impairment testing of CGUs to which goodwill has been allocated, or more frequently when there is an indication that the CGU may be impaired. An impairment trigger assessment was performed at the end of the interim period to determine if the movement in market indices and other assumptions as a result of the COVID-19 pandemic could indicate that the CGUs are impaired.

Based on the assessment performed, no indications of impairment were noted in the Botswana CGU.

The West Africa CGU houses the investment in associate (UBN) balance. Refer to note 15 for a summary of the valuation performed to determine the value-in-use of the investment. As at 30 June 2020, the carrying value of the investment of $501.6 million (including the goodwill balance) is approximately the same as the VIU of $501.6 million, therefore no impairment is required.

The key assumptions considered in calculating the VIU may change as economic and market conditions change. The Group estimates that for Botswana, a 1% change in the discount rate or terminal growth rate would increase the recoverable amount by $10.3 million and $6.2 million respectively or decrease the recoverable amount by $9.1 million and $5.5 million respectively. Changes in these assumptions would not cause the recoverable amount of the Botswana CGU to decline below the carrying amount. Refer to note 15 for a summary of the sensitivities of the VIU for the West Africa CGU.

17. Non-interest income

	Half-year to 30 June 2020			Half-year to 30 June 2019		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
Net fee and commission income:	**8,038**	**12,528**	**20,566**	9,590	14,424	24,014
Net gains/(losses) on financial instruments at FVTPL:	**3,040**	**–**	**3,040**	3,370	–	3,370
Net trading income:	**14,483**	**9,504**	**23,987**	(1,045)	6,043	4,998
Other non-interest income:	**5,060**	**854**	**5,914**	17,788	832	18,620
	30,621	**22,886**	**53,507**	**29,703**	**21,299**	**51,002**

18. Operating expenses

	Half-year to 30 June 2020			Half-year to 30 June 2019		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
Administrative expenses	**(12,819)**	**(20,242)**	**(33,061)**	(13,318)	(26,773)	(40,091)
Property lease rentals	**(277)**	**(452)**	**(729)**	(412)	(962)	(1,374)
Staff costs	**(17,158)**	**(27,193)**	**(44,351)**	(18,313)	(29,012)	(47,325)
Auditor's remuneration	**(779)**	**(452)**	**(1,231)**	(411)	(393)	(804)
Depreciation	**(2,117)**	**(5,312)**	**(7,429)**	(2,295)	(3,355)	(5,650)
Amortisation charge	**(3,045)**	**(3,096)**	**(6,141)**	(2,927)	(3,027)	(5,954)
Directors' remuneration	**(1,336)**	**–**	**(1,336)**	(1,867)	–	(1,867)
	(37,531)	**(56,747)**	**(94,278)**	**(39,543)**	**(63,522)**	**(103,065)**

19. Taxation

19.1 Income tax expense

	Half-year to 30 June 2020 Continuing operations $'000	Half-year to 30 June 2020 Discontinued operations $'000	Half-year to 30 June 2020 Total $'000	Half-year to 30 June 2019 Continuing operations $'000	Half-year to 30 June 2019 Discontinued operations $'000	Half-year to 30 June 2019 Total $'000
Current tax expense						
Current year tax expense	**(703)**	**298**	**(405)**	(1,297)	(689)	(1,986)
Withholding tax	**(942)**	**(671)**	**(1,613)**	(39)	(203)	(242)
Bank levies	**(33)**	**–**	**(33)**	(55)	–	(55)
	(1,678)	**(373)**	**(2,051)**	**(1,391)**	**(892)**	**(2,283)**
Deferred tax	**(5,502)**	**(1,003)**	**(6,505)**	(6,010)	(80)	(6,090)
Total tax expense per statement of profit or loss	**(7,180)**	**(1,376)**	**(8,556)**	**(7,401)**	**(972)**	**(8,373)**

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

30 June 2020	**Continuing operations Before tax $'000**	**Continuing operations Tax charge $'000**	**Continuing operations After tax $'000**	**Discontinued operations Before tax $'000**	**Discontinued operations Tax charge $'000**	**Discontinued operations After tax $'000**	**Total Before tax $'000**	**Total Tax charge $'000**	**Total After tax $'000**
Exchange differences on translating foreign operations	**(135,109)**	**–**	**(135,109)**	**(17,898)**	**–**	**(17,898)**	**(153,007)**	**–**	**(153,007)**
Share of reserves in associate	**3,217**	**–**	**3,217**	**–**	**–**	**–**	**3,217**	**–**	**3,217**
Movement in fair value reserves	**128**	**(7)**	**121**	**(541)**	**127**	**(414)**	**(413)**	**120**	**(293)**
	(131,764)	**(7)**	**(131,771)**	**(18,439)**	**127**	**(18,312)**	**(150,203)**	**120**	**(150,083)**

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

19.3. Current tax assets and liabilities

Movements on current tax assets and liabilities were as follows:

	30 June 2020 $'000	31 December 2019 $'000
Balance at the beginning of the year	**1,476**	753
Exchange rate adjustment	**(236)**	(1,522)
Statement of profit or loss charge	**(736)**	(2,549)
Corporate income tax (received)/paid	**727**	8,098
Prior year over/(under) provision	**127**	5,460
Income tax relating to disposal group classified as held for sale	**–**	(8,764)
Closing balance	**1,358**	**1,476**
Disclosed as follows:		
Current tax asset	**1,828**	2,243
Current tax liability	**(470)**	(767)
Total	**1,358**	**1,476**

19.4 Deferred tax assets and liabilities

Movements on deferred tax assets and liabilities were as follows:

	30 June 2020 $'000	31 December 2019 $'000
Balance at the beginning of the year	**(11,958)**	22,118
Exchange rate adjustment	**2,071**	1,897
Statement of profit or loss charge (continuing operations only – note 19.1)	**(5,502)**	(12,181)
Deferred tax on amounts charged to equity (continuing operations only – note 19.2)	**(7)**	136
Deferred tax relating to disposal group classified as held for sale	**–**	(23,928)
Closing balance	**(15,396)**	**(11,958)**
Disclosed as follows:		
Deferred tax asset	**–**	149
Deferred tax liability	**(15,396)**	(12,107)
Total	**(15,396)**	**(11,958)**
Tax effects of temporary differences:		
Accruals	**2,712**	2,421
Bond with warrant deferred tax	**93**	69
Impairment losses	**4,590**	3,383
Property and equipment	**(8,052)**	(3,495)
Investment property	**(546)**	(406)
Unrealised gains on investment	**(1,248)**	(1,322)
Revaluation surplus	**–**	(2,878)
Tax losses	**4,200**	6,000
Other	**(17,145)**	(15,730)
	(15,396)	**(11,958)**

20. Earnings per share

	Half-year to 30 June 2020			Half-year to 30 June 2019		
	Continuing operations $'000	Discontinued operations $'000	Total $'000	Continuing operations $'000	Discontinued operations $'000	Total $'000
(Loss)/profit attributable to ordinary shareholders	(1,787)	(6,071)	(7,858)	8,913	(135,347)	(126,434)
Basic and diluted earnings	(1,787)	(6,071)	(7,858)	8,913	(135,347)	(126,434)
Weighted-average ordinary shares (number of shares)						
Recognised as treasury shares	(1,322)	(1,322)	(1,322)	(1,367)	(1,367)	(1,367)
Ordinary shares issued during the period	172,450	172,450	172,450	172,570	172,570	172,570
Weighted-average ordinary shares (number of shares)	171,128	171,128	171,128	171,203	171,203	171,203
Diluted number of ordinary shares (number of shares)						
Diluted shares	343	343	343	261	261	261
Total diluted number of ordinary shares (number of shares)	171,471	171,471	171,471	171,464	171,464	171,464
Basic (loss)/earnings per share ($)	(0.01)	(0.04)	(0.05)	0.05	(0.79)	(0.74)
Diluted (loss)/earnings per share ($)	(0.01)	(0.04)	(0.05)	0.05	(0.79)	(0.74)

21. Off-balance sheet items

	30 June 2020 $'000	31 December 2019 $'000
Guarantees	8,646	19,720
Letters of credit	6,352	8,578
Other contingent liabilities	9,607	11,529
Gross balance	24,605	39,827
Expected credit loss allowance	(146)	(187)
Net balance	24,459	39,640
Maturity analysis of loan commitments		
Less than one year	15,250	29,304
Between one and five years	5,335	10,336
Over five years	3,874	–
Total	24,459	39,640
b. Capital commitments		
Approved and contracted for	1,339	1,181
Approved but not contracted for	20,603	15,823
Total	21,942	17,004

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

22. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. Related parties of the Group include subsidiaries, associates, and key management personnel ('KMP'). KMPs are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Atlas Mara Limited (directly or indirectly) and comprise the Directors and senior management.

Parent company

The parent company, which is also the ultimate parent company, is Atlas Mara Limited.

Subsidiaries and associates

The main subsidiaries include:

- ABC Holdings Limited ('ABCH'): This is the holding company of the ABC Group subsidiaries made up of African Banking Corporation of Botswana Limited; African Banking Corporation (Zimbabwe) Limited, Tanzania Development Finance Company Limited; and the subsidiaries held for sale: African Banking Corporation (Moçambique) S.A.; African Banking Corporation (Tanzania) Limited and African Banking Corporation Zambia Limited.
- Banque Populaire du Rwanda Limited ('BPR').
- Atlas Mara Financial Services Limited ('AMFS').

The Group also has investment in Union Bank of Nigeria which is accounted for as an investment in associate.

a) Transactions and balances with related parties

Related party transactions

	30 June 2020				30 June 2019			
	Management fees $'000	**Interest income/ expense $'000**	**Others $'000**	**Total $'000**	Management fees $'000	Interest income/ expense $'000	Others $'000	Total $'000
Transactions between Atlas Mara and ABCH	**–**	**956**	**–**	**956**	–	2,346	196	2,542
Transactions between Atlas Mara and ABC Group subsidiaries	**111**	**(1,023)**	**–**	**(912)**	438	(602)	–	(164)
Transactions between Atlas Mara and AMFS	**–**	**–**	**15**	**15**	–	–	(164)	(164)
Transactions between Atlas Mara and founder shareholders' affiliated companies	**–**	**–**	**88**	**88**	–	–	(162)	(162)
Transactions between Atlas Mara and shareholder companies[1]	**–**	**(5,053)**	**(72)**	**(5,125)**	–	(1,971)	(221)	(2,192)
	111	**(5,120)**	**31**	**(4,978)**	**438**	**(227)**	**(351)**	**(140)**

Note:

1. Transactions and balances with shareholder companies relate to transactions with Fairfax Africa Holdings Corporation and Fairfax Financial Holdings Limited.

22. Related parties continued

a) Transactions and balances with related parties continued

Related party balances

	30 June 2020				30 June 2019			
	Loans to Group companies $'000	Loans from Group companies $'000	Other $'000	Total $'000	Loans to Group companies $'000	Loans from Group companies $'000	Other $'000	Total $'000
Balances between Atlas Mara and ABCH	58,020	–	–	58,020	15,692	–	–	15,692
Balances between Atlas Mara and Banc ABC subsidiaries	–	(12,569)	(3,463)	(16,032)	–	(11,964)	917	(11,047)
Balances between Atlas Mara and BPR	–	–	–	–	190	–	–	190
Balances between Atlas Mara and Atlas Mara Eagle	–	–	14	14	–	–	14	14
Balances between Atlas Mara and AMFS	–	–	(187)	(187)	–	–	(161)	(161)
Balances between Atlas Mara and founder shareholders' affiliated companies	–	–	(785)	(785)	–	–	(1,514)	(1,514)
Balances between Atlas Mara and shareholder companies[1]	–	(115,877)	–	(115,877)	–	(71,799)	–	(71,799)
	58,020	(128,446)	(4,421)	(74,847)	15,882	(83,763)	(744)	(68,625)

Note:
1. Transactions and balances with shareholder companies relate to transactions with Fairfax Africa Holdings Corporation and Fairfax Financial Holdings Limited.

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

Please refer to note 5 on borrowed funds for details of the balances with Fairfax Africa Holdings Corporation and Fairfax Financial Holdings Limited.

b) Transactions with key management personnel

	Half-year to 30 June 2020 $'000	Half-year to 30 June 2019 $'000
Short-term employee benefits	1,533	1,634
Post-employment benefits	380	83
Share-based payment expenses	558	754
Other benefits	17	143
	2,488	2,614

23. Analysis of changes in financing during the period

Reconciliation of movements of liabilities to cash flows arising from financing activities

	30 June 2020		31 December 2019	
	Borrowings $'000	Leases $'000	Borrowings $'000	Leases $'000
Balance at 1 January	366,809	6,670	410,157	18,981
Changes from financing cash flows				
Proceeds from borrowings	57,345	–	97,645	–
Transaction costs related to borrowings	(655)	–	(1,055)	–
Repayment of borrowings	(14,255)	–	(32,727)	–
Payment of lease liabilities	–	(93)	–	(5,922)
Total changes from financing cash flows	42,435	(93)	63,863	(5,922)
Other changes				
Interest expenses	19,626	187	49,787	1,757
Interest paid	(13,811)	–	(30,101)	(309)
Fair value adjustments	(1,808)	–	1,510	–
Reclassified as part of disposal groups held for sale	–	–	(96,705)	(7,270)
Foreign exchange and other movements	(2,585)	(1,329)	(31,702)	567
Total other changes	1,422	(1,142)	(107,211)	(6,389)
Closing balance	410,666	5,435	366,809	6,670

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

Critical accounting estimates and judgements

In determining the fair value less costs to sell of the disposal groups held for sale, the Group makes use of estimates based on the proposed multiples as part of the on-going negotiation with potential buyers. The fair value of the disposal groups has been determined as the estimated recoverable amount based on negotiations with potential buyers. The non-recurring fair value measurement for the disposal group has been categorised as a level 3 fair value based on the inputs to the valuation technique used.

On 30 April 2019, the Group publicly announced its intention to dispose of its investments in the following subsidiaries: African Banking Corporation (Moçambique) S.A.; African Banking Corporation (Tanzania) Limited; African Banking Corporation Zambia Limited; and Banque Populaire du Rwanda Limited. The assets and associated liabilities of the disposal groups were classified as held for sale at that date and reported at the lower of fair value less to sell. Though the one-year rule for classifying the disposal group as held for sell has lapsed, the requirements of IFRS 5 continue to be met as the Group is still committed to the sale of these entities and is actively engaged in negotiations with potential buyers, with a view to completing the disposal of the subsidiaries within a reasonable period.

The assets included in disposals groups classified as held for sale and the associated liabilities as at 30 June 2020 are presented in the table below:

	30 June 2020 $'000	31 December 2019 $'000
Assets included in disposal groups classified as held for sale		
Cash and short-term funds	**238,597**	245,685
Loans and advances	**419,336**	371,489
Investment securities	**184,122**	181,453
Property and equipment	**53,788**	64,358
Investment property	**1,836**	8,965
Current tax assets	**7,273**	5,192
Deferred tax assets	**4,809**	13,685
Other assets	**116,303**	88,818
	1,026,064	**979,645**
Liabilities included in disposal groups classified as held for sale		
Deposits	**714,939**	697,063
Borrowed funds	**156,070**	96,705
Current tax liabilities	**216**	17
Deferred tax liability	**4,102**	7,212
Other liabilities	**60,937**	73,238
	936,264	**874,235**
Net assets directly associated with disposal group	**89,800**	**105,410**

25. Events after the reporting date

On 30 September 2020, Atlas Mara Limited entered into definitive agreements with Access Bank Plc ('Access Bank') for the sale of ABCH's holdings in African Banking Corporation (Moçambique) S.A. The transaction is subject to regulatory approval and other customary conditions precedent. The transaction will include upfront cash consideration payable at closing equal to approximately 0.8 times book value as of 30 June 2020, plus additional cash consideration payable 24 months after closing of the transaction, subject to certain conditions.

Of the assets and related liabilities of the disposal groups classified as held for sale in note 24, the fair value of assets relating to ABC Moçambique as at 30 June 2020 was $160.3 million while the related liabilities was $136.0 million.

Glossary

AMFS	Atlas Mara Financial Services Limited (formerly ADC Financial Services Limited)
AATIF	Africa Agriculture and Trade Investment Fund S.A.
ABC	BancABC
ABCH	ABC Holdings Limited
AfDB	African Development Bank
ADC AG	ADC African Development Corporation AG
AED	United Arab Emirates Dirham
AGM	Annual General Meeting
ALCO	Assets and Liability Committee
BIFM	BIFM Capital Investment Fund One (Pty) Ltd
BPR	Banque Populaire du Rwanda Limited
BRD-C	Banque Rwandaise de Développement – Commercial/Development Bank of Rwanda – Commercial
BVI	British Virgin Islands
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash-generating unit
CoE	Cost of equity
COMESA	Common Market for Eastern and Southern Africa
Corporate centre	Atlas Mara Dubai based office
CPI	Corruption Perceptions Index
CREDCO	Credit Committee
CRO	Chief Risk Officer
CTP	Credit transformation programme
DFI	Development finance institution
DTR	Disclosure and Transparency Rules
EAC	East African Community
EAD	Exposure at default
ECOWAS	Economic Community of West African States
EIR	Effective interest rate
EL	Expected loss
EPS	Earnings per share
ERM	Enterprise-wide Risk Management
EU	European Union
EXCO	Executive Committee
EV	Expected value
EBITDA	Earnings before interest, tax, depreciation and amortisation
FDI	Foreign Direct Investment
FISP	Farmer Input Support Programme
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GBFC	Green Buffaloes Football Club

HIFA	Harare International Festival of the Arts
IASB	International Accounting Standards Board
ICAAP	Internal Capital Adequacy Assessment Process
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IFRSIC	International Financial Reporting Standards Interpretation Committee
IMA	Investment Management Association
IMF	International Monetary Fund
IPDEV	I&P Development
IPO	Initial Public Offering
KPI	Key performance indicator
KPMG	KPMG Inc
LGD	Loss given default
NBTS	National Blood Transfusion Services
NCI	Non-controlling interests
NPL	Non-performing loan
OCI	Other comprehensive income
OECD	Organisation for Economic Co-operation and Development
OPIC	Overseas Private Investment Corporation
ORCO	Operational Risk Committee
Parent company	Atlas Mara
PD	Probability of default
PE	Private equity
RAROC	Risk adjusted return on capital
RBZ	Reserve Bank of Zimbabwe
REC	Regional Economic Community
REMCO	Remuneration Committee
RoE	Return on equity
SADC	Southern African Development Community
SMEs	Small- and medium-sized enterprises
SSA	Sub-Saharan Africa
TFTA	Tripartite Free Trade Agreement
The Model	Three lines of defence model
Translation reserve	Foreign currency translation reserve
TSA	Treasury Single Account
UBN	Union Bank of Nigeria
UGPL	Union Global Partners Limited
VIU	Value-in-use
WAEP	Weighted-average exercise price
WEF	World Economic Forum
ZAMCO	Zimbabwean Asset Management Company

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