BancABC

ABC HOLDINGS LIMITED

ANNUAL REPORT 2014

ABOUT BancABC

ABC HOLDINGS LIMITED IS THE PARENT COMPANY OF A NUMBER OF BANKS OPERATING UNDER THE BANCABC BRAND IN SUB-SAHARAN AFRICA, WITH OPERATIONS IN BOTSWANA, MOZAMBIQUE, TANZANIA, ZAMBIA AND ZIMBABWE. A GROUP SERVICES OFFICE IS LOCATED IN SOUTH AFRICA.

Our vision is to be Africa's preferred banking partner by offering world-class financial solutions. We will realise this by building profitable, lifelong customer relationships through the provision of a wide range of innovative financial products and services – to the benefit of all our stakeholders.

The Group offers a diverse range of services, including but not limited to the following: Corporate Banking, treasury services, Retail & SME Banking, asset management and stockbroking. ABC Holdings Limited is registered in Botswana.

During 2014, the ABC Holdings Group was acquired by Atlas Mara. As at 31 December 2014, Atlas Mara had a 98.7% equity stake in ABC Holdings, held directly (60.8%) and indirectly (37.9%). Subsequent to the takeover, ABC Holdings was delisted from the Botswana Stock Exchange (primary listing) on 30 January 2015, and from Zimbabwe Stock Exchange (secondary listing) on 12 February 2015.

Atlas Mara is a British Virgin Islands registered company with a standard listing on the London Stock Exchange ("LSE").

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Our core values centre on five distinct areas. They remain the guiding principles by which we operate, and form the basis of our corporate personality.

OUR VALUES
UNDERPIN OUR GROWTH

LOANS AND ADVANCES INCREASED BY
6%
2014: BWP11.2 billion
2013: BWP10.6 billion

FINANCIAL ASSETS HELD FOR TRADING GREW BY
9%
2014: BWP1.4 billion
2013: BWP1.3 billion

CASH AND SHORT-TERM FUNDS INCREASED BY
40%
2014: BWP3.2 billion
2013: BWP2.3 billion

TOTAL ASSETS INCREASED BY
11%
2014: BWP17.5 billion
2013: BWP15.8 billion

DEPOSITS INCREASED
16%
2014: BWP14.1 billion
2013: BWP12.2 billion

NET INTEREST INCOME DOWN
9%
2014: BWP919 million
2013: BWP1,010 million

NON-INTEREST INCOME DOWN
10%
2014: BWP624 million
2013: BWP692 million

IMPAIRMENT CHARGES UP
98%
2014: BWP650 million
2013: BWP328 million

OPERATING EXPENSES UP
19%
DUE TO CONTINUED EXPANSION OF OUR RETAIL OUTLETS
2014: BWP1,333 million
2013: BWP1,116 million

COST TO INCOME RATIO INCREASED TO
86%
2013: 66%

BWP438 million
ATTRIBUTABLE LOSS TO SHAREHOLDERS
2013: Attributable profit of BWP198 million

Five-year financial highlights

ON A HISTORICAL COST BASIS

	31 Dec 14 US$'000s	31 Dec 13 US$'000s	31 Dec 12 US$'000s	31 Dec 11 US$'000s	31 Dec 10 US$'000s
Income statement					
Net interest income after impairment	29,842	80,655	70,388	48,692	41,542
Non-interest revenue	69,314	81,805	72,604	47,692	38,930
Total income	**99,156**	**162,460**	**142,992**	**96,384**	**80,472**
Operating expenditure	(148,065)	(131,965)	(114,316)	(79,873)	(64,089)
Net income from operations	**(48,909)**	**30,495**	**28,676**	**16,511**	**16,383**
Share of (losses)/profits of associates and joint venture	(62)	(473)	(741)	(757)	(2,966)
Profit before taxation	**(48,971)**	**30,022**	**27,935**	**15,754**	**13,417**
Taxation	(4,510)	(9,413)	(10,147)	(2,924)	(3,314)
Profit for the year	**(53,481)**	**20,609**	**17,788**	**12,830**	**10,103**
Attributable to					
Equity holders of parent	(48,648)	23,457	17,473	12,143	9,827
Non-controlling interests	(4,833)	(2,848)	315	687	276
Profit for the year	**(53,481)**	**20,609**	**17,788**	**12,830**	**10,103**
Balance sheet					
Cash and cash equivalents	340,415	262,688	239,288	166,122	154,997
Financial assets held for trading	145,031	143,646	131,643	86,980	173,375
Financial assets designated at fair value	21,760	29,817	24,414	29,563	14,400
Derivative assets held for risk management	63	3,151	4,346	4,320	6,516
Loans and advances to customers	1,180,987	1,203,236	1,176,838	811,940	477,415
Investments	7,578	7,749	7,014	6,721	6,098
Investment in associates and joint venture	1,590	1,518	1,442	2,343	5,405
Other assets and investment property	55,204	46,433	37,894	32,774	34,048
Property and equipment	80,162	86,279	84,792	68,788	51,217
Intangible assets	10,877	14,820	17,908	17,417	8,903
	1,843,667	**1,799,337**	**1,725,579**	**1,226,968**	**932,374**
Shareholders' equity	100,260	165,034	148,788	81,839	67,911
Deposits	1,487,750	1,391,836	1,373,887	985,260	761,083
Derivative liabilities held for risk management	6,292	4,291	2,911	6,288	162
Borrowed funds	217,794	200,563	156,079	131,167	89,868
Other liabilities and taxation	31,571	37,613	43,914	22,414	13,350
	1,843,667	**1,799,337**	**1,725,579**	**1,226,968**	**932,374**
Shares in issue	256,885,694	256,885,694	232,805,464	149,472,131	146,419,524
Cost to income ratio	86%	66%	71%	74%	77%
Average shareholders' equity	132,647	156,911	115,313	74,875	65,118
Return on average shareholders' equity	(37%)	15%	15%	16%	15%
Net asset value per share (cents)	40.9	64.3	63.0	53.0	45.0
Closing exchange rates to US$					
Botswana Pula	9.51	8.78	7.77	7.49	6.45
Euro	0.82	0.73	0.76	0.77	0.75
Mozambican Metical	33.60	30.08	29.75	27.31	32.58
Tanzanian Shilling	1,740.00	1,587.01	1,585.01	1,590.01	1,505.01
Zambian Kwacha	6.40	5.52	5,195.01	5,110.01	4,800.00

Salient features

	2014	2013	% change
Income statement (BWP'000s)			
Profit attributable to ordinary shareholders	**(437,880)**	198,454	(321%)
Balance sheet (BWP'000s)			
Total assets	**17,525,352**	15,783,655	11%
Loans and advances	**11,226,116**	10,554,699	6%
Deposits	**14,142,110**	12,209,087	16%
Net asset value	**999,187**	1,449,557	(31%)
Financial performance (%)			
Return on average equity	**(36%)**	15%	
Return on average assets	**(2.9%)**	1.2%	
Operating performance (%)			
Non-interest income to total income	**70%**	50%	
Cost to income ratio	**86%**	66%	
Impairment losses on loans and advances to gross average loans and advances	**5.6%**	3.2%	
Effective tax rate	**(9%)**	31%	
Share statistics (000s)			
Number of shares in issue	**256,886**	256,886	0%
Weighted average number of shares	**256,886**	249,344	3%
Share statistics (thebe)			
Basic earnings per share	**(170.5)**	79.6	(314%)
Diluted earnings per share	**(170.5)**	79.0	(316%)
Dividend per share	**–**	18.5	(100%)
Net asset value per share	**3.89**	5.64	(31%)

PEOPLE

VALUE 01

= OUR GROWTH

ARE THE ESSENCE OF OUR EXISTENCE. OUR WORLD-CLASS STAFF, CUSTOMERS, CLIENTS, SHAREHOLDERS AND STAKEHOLDERS DEFINE OUR AMBITIONS, SUCCESS AND PASSION. OUR PASSION FOR PEOPLE MAKES US CUSTOMER-CENTRIC.

GROUP CHAIRMAN'S & CEO'S REPORT

DURING 2014, THE GROUP EXPERIENCED MIXED PERFORMANCE IN THE DIFFERENT MARKETS IN WHICH WE OPERATE. THIS WAS ALSO A YEAR IN WHICH THE GROUP WAS ACQUIRED BY ATLAS MARA LIMITED (ATMA). WE ARE HAPPY THAT, WITH THE COMING ON BOARD OF ATMA AS OUR NEW MAJORITY SHAREHOLDER, A STRONG FOUNDATION IS BEING SET FOR THE FUTURE OF THE GROUP.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

The Group had an attributable loss of BWP438 million compared to an attributable profit of BWP198 million achieved in the prior year. This was largely due to increased impairments, as well as reduced margins compared to the prior year. Operating expenses also increased on the anticipation of realising planned growth in transaction volumes.

The Group took a conservative view to increase impairment provisions for all non-performing loans. We view a large portion of the impairment charges for the year under review as once-off. A number of measures have been taken to improve our credit risk management processes to ensure that we have a quality loan portfolio across all segments. It is, therefore, our view that going forward, the Group's impairments should be in line with peers in the markets in which we operate.

The overall balance sheet of the Group remains strong. Customer deposits increased by 16% during the year and this was deployed mostly in liquid instruments and to a lesser extent in loans and advances. Loans and advances increased by 6%, financial assets held for trading by 9% and cash and short-term funds increased by 40%.

9%
GROWTH IN FINANCIAL ASSETS
HELD FOR TRADING

11%
TOTAL ASSETS
INCREASE

86%
INCREASE IN
COST TO INCOME RATIO

HIGHLIGHTS

- deposits increased by 16% from BWP12.2 billion to BWP14.1 billion;
- loans and advances increased by 6% from BWP10.6 billion to BWP11.2 billion;
- financial assets held for trading grew by 9% from BWP1.3 billion to BWP1.4 billion;
- cash and short-term funds increased by 40% from BWP2.3 billion to BWP3.2 billion; and
- total assets increased by 11% from BWP15.8 billion to BWP17.5 billion.
- net interest income down 9% from BWP1,010 million to BWP919 million;
- non-interest income down 10% from BWP692 million to BWP624 million;
- impairment charges up 98% from BWP328 million to BWP650 million;
- operating expenses up 19% from BWP1,116 million to BWP1,333 million due to continued expansion of our retail outlets;
- cost to income ratio increased to 86% (2013: 66%);
- attributable loss to shareholders of BWP438 million (2013: attributable profit of BWP198 million);

FINANCIAL PERFORMANCE

NET INTEREST INCOME

Net interest income of BWP919 million was 9% lower than the BWP1,010 million achieved in 2013. Net interest margins declined from 7.7% in the prior year to 6.1%. This was from a combination of an increase in cost of funds in selected markets and a reduction in yields in others.

IMPAIRMENTS ON LOANS AND ADVANCES

The Group's net impairment charge for loans and advances almost doubled from BWP328 million in 2013 to BWP650 million. This was disappointing but a necessary part of ensuring that all non-performing accounts were provided for so that going forward the Group has a normalised position in terms of loan impairments. 74% of the impairments were from corporate customers with the retail and SME segment recording only 26% of the total impairment charges.

The Group's gross non-performing loans (NPLs) ratio increased from 10% recorded in the prior year to 16% in the current year. The credit loss ratio nearly doubled from 3.3% in the prior year to 6.0% in the year under review. The Group's target credit loss ratio is still at 1% and the medium-term target for the gross NPL ratio remains at 3%. The Group has set up a dedicated team with significant experience in collecting or restructuring debts to reduce the current high level of NPLs. The results are already being seen with the gross NPL ratio having started to reduce from the peak first recorded in August 2014. The Group has also embarked on a project to improve its credit risk management processes to ensure better management of this aspect of our business in the future.

NON-INTEREST INCOME

Non-interest income of BWP624 million was 10% lower than the BWP692 million recorded in the prior year. Included in this line item are fair value losses on equity investments, debentures and investment properties of BWP60 million compared to fair value gains totalling BWP85 million from this category of assets in the prior year. This was the major cause of the decline in non-interest income during the year. However, fees and commissions increased by 24% from BWP416 million to BWP516 million from increased volumes of transactions across the Group. 69% of fees and commissions are from the retail and SME segment whose volumes of transactions continued to grow during the year under review.

OPERATING EXPENDITURE

Operating expenses at BWP1.3 billion were 19% higher than the BWP1.1 billion recorded in 2013. The Group's expansion of its retail outlets to cater for more customers resulted in higher costs across the board. Included in operating expenses are once-off termination benefits of BWP75 million paid to the previous executive management who left at the end of the year. The cost to income ratio increased from 66% to 86% as a consequence of the decline in the Group's income referred to above.

The Group will continue to enhance its delivery platform with increased use of technology to improve efficiency and reduce the cost to income ratio going forward.

TAXATION

In the current period, the Group had a net tax charge of BWP41 million compared to a tax charge of BWP80 million in the prior year. There was a deferred tax write-off of BWP51 million. Furthermore, in ABC Holdings Limited, a deferred tax credit of BWP22 million was prudently not recognised as the parent company's income at the moment is predominantly from dividends received from subsidiaries, which does not constitute taxable income.

BALANCE SHEET

Total assets increased by 11% from BWP15.8 billion in 2013 to BWP17.5 billion as at 31 December 2014. Loans and advances increased to BWP11.2 billion from BWP10.6 billion in the prior year. The growth in loans and advances was across all the subsidiaries.

Deposits increased by 16% to BWP14.1 billion from BWP12.2 billion in the prior year. The growth was in all subsidiaries with the exception of BancABC Tanzania where there was a negligible reduction of 1% in the entity's deposits during the year.

ATTRIBUTABLE PROFIT

Banking subsidiaries recorded an attributable loss of BWP65 million compared to an attributable profit of BWP310 million registered in the prior year. All entities registered a decline in profitability, driven principally by higher impairments.

The loss in head office entities together with consolidation adjustments increased from BWP112 million in the prior year to BWP372 million in the current year. BWP85 million of this attributable loss emanated from TDFL, which houses the non-performing loans in Tanzania. The balance of the loss in head office entities emanated from higher interest expense (BWP42 million), mostly as a result of ABCH funding additional equity investments in subsidiaries in the latter part of 2013, fair value losses of BWP69 million and a portion of termination benefits amounting to BWP65 million.

The balance sheet increased by 11% from BWP15.8 billion in 2013 to BWP17.5 billion as at 31 December 2014.

OPERATIONAL PERFORMANCE

BOTSWANA

BancABC Botswana's attributable profit of BWP71 million was 53% lower than the prior year. Performance was impacted by net interest income which declined by 6% from BWP391 million in the prior year to BWP367 million in the year under review, as well as higher impairments which increased from BWP42 million in 2013 to BWP110 million in 2014.

Loans and advances increased by 6% from BWP3.8 billion in the prior year to BWP4.0 billion and customer deposits increased by 13% from BWP4.7 billion to BWP5.4 billion.

MOZAMBIQUE

The subsidiary recorded an attributable loss of BWP14 million compared to an attributable profit of BWP9 million in the prior year. The loss was largely due to growth in operating expenses (emanating from BancABC's strategy of expanding its reach throughout the country) which was higher than the growth in income.

Loans and advances increased by 19% from BWP1.5 billion in 2013 to BWP1.7 billion in 2014. Customer deposits increased by 12% from BWP2.3 billion to BWP2.6 billion.

TANZANIA

BancABC Tanzania posted an attributable loss of BWP123 million. This was higher than the loss for the prior year of BWP20 million, largely due to a mix of higher impairments, lower trading income, as well as increased operating expenses in the year under review.

The loan book grew by 13% from BWP575 million to BWP650 million, with the retail portion of the loan book increasing from 27% in 2013 to 47% in 2014. Deposits marginally declined from BWP1,299 million to BWP1,284 million in the current year.

ZAMBIA

BancABC Zambia's attributable profit declined from BWP50 million in 2013 to BWP4 million in the current year. The major causes of the decline in profitability were the reduction in interest margins, as well as increased impairments.

The loan book marginally declined by 3% from BWP1.39 billion to BWP1.35 billion. However, customer deposits increased by a substantial 58% from BWP1.2 billion to BWP1.9 billion.

ZIMBABWE

BancABC Zimbabwe posted an attributable loss of BWP3 million compared to an attributable profit of BWP118 million in the prior year. The tough operating environment resulted in high loan impairments, which singularly contributed to the posting of the loss in the current year.

Loans and advances increased by 11% from BWP3.1 billion to BWP3.4 billion. Customer deposits increased by 14% from BWP2.7 billion to BWP3.1 billion.

GOVERNANCE

In December 2014, Messrs Howard Buttery (Board Chairman), Ngoni Kudenga (Audit Committee Chairman), Doug Munatsi (Group Chief Executive Officer), Francis Dzanya (Group Chief Operating Officer) and Beki Moyo (Group Chief Financial Officer) stepped down from the Board. The three executive directors also relinquished their positions in the Group and left to pursue other interests. We would like to thank the above gentlemen for their dedicated service over a number of years and also for their contribution in growing the Group from humble beginnings to its present level. We wish them success in all their future endeavours.

During the year, the Board was strengthened with the appointment of Mrs Ruth Credo as an independent non-executive director, Mr John Vitalo (CEO of ATMA) and Mr Bradford Gibbs (member of the ATMA Executive Committee) as non-executive directors. We would like to welcome the new Board members and take cognisance of the new insights and varied skills they bring to the Board from several years of experience in successfully running other financial institutions at executive management level.

Mrs Doreen Khama was appointed as the acting Chairman of the Board, Mrs Ruth Credo is the acting Chairman of the Risk and Audit Committee as well as the Loans Review Committee, and Mr Mark Schneiders was appointed Chairman of the Remuneration and Nominations Committee. In addition, Mr Bradford Gibbs is the Chairman of the Board Credit Committee.

At the executive management level, the Group appointed Dr Blessing Mudavanhu as the acting Group Chief Executive Officer and Mr Wallace Siakachoma as the acting Group Chief Financial Officer. Mr Ronald Pfende, Mrs Makhosi Boyede, Mrs Amelia Reynecke and Ms Christine Bronkhorst joined the executive management of ABCH on 8 December 2014. Each of them has directly relevant experience, having worked in senior management positions at Standard Bank, ABSA, Nedbank and KPMG. Additionally, they are complementary to the existing executive team in place at ABCH.

DIVIDEND

The directors do not recommend the payment of any dividends.

ACQUISITION OF THE GROUP BY ATLAS MARA LIMITED (ATMA)

The acquisition of the Group by ATMA was officially concluded on 21 August 2014. Between September and November 2014, ATMA made a mandatory offer to the remaining shareholders of the Group and following the conclusion of this mandatory offer, ATMA now holds 98.7% of the shares in the Group.

As part of the contractual commitments on the takeover of the Group, ATMA committed to inject US$100 million into the Group on conclusion of the transaction. The US$100 million has since been received by the Group. US$20 million was received in December 2014, US$7 million was received in February 2015 and the balance of US$73 million was received in March 2015. Of this amount, US$27 million was used to re-capitalise BancABC Tanzania at the end of February 2015. The balance of the funds will for the time being remain at ABCH to be used to re-capitalise any subsidiary as and when new capital is required and also for other purposes, e.g. liquidity support.

ATMA plans to quickly improve the Group's operating standards, technology platform and the competitiveness of each subsidiary in the markets that we operate in. The intention is to establish the Group as a significant market player in the sub-Saharan banking landscape.

FUNDING

During Q4-14 and Q1-15, the Group has been able to close fundraising transactions with European Investment Bank (EIB), African Development Bank (AfDB) and World Business Capital (WBC).

The EIB line of credit is for €65 million to be drawn down by BancABC Botswana (€25 million), BancABC Zambia (€25 million) and BancABC Mozambique (€15 million). It will be used to support on-lending to a wide range of customer categories in the emerging corporate space and also to improve financial inclusion.

The AfDB facility of US$50 million will be utilised by BancABC Botswana (US$30 million), BancABC Mozambique (US$15 million) and BancABC Zimbabwe (US$5 million) for on-lending to SMEs and small corporates to provide medium- to long-term loans. The WBC facility of US$7.5 million was granted to BancABC Zambia to support growth in SME lending.

The Group plans to raise further lines of credit during the current year. The funds will be used principally for business expansion and also to lengthen the duration of our funding base.

OUTLOOK

The coming on board of ATMA as our new shareholder sets a strong foundation for the Group to be a significant player in all the markets we operate in. We plan to be more relevant to our stakeholders by improving our delivery channels through increased use of technology and by offering more competitive products to become a bank of choice in all customer segments. We are committed to growing our businesses across the footprint. Market conditions in Zimbabwe may, however, mean that we will only grow cautiously in that market for the time being.

ACKNOWLEDGEMENTS

We would like to extend our heartfelt gratitude to our fellow directors, management, staff and all other stakeholders for the support we have received during the past year.

DC Khama (Mrs)
Group Chairman (Acting)

B Mudavanhu (Dr)
Group Chief Executive Officer (Acting)

30 March 2015

We would like to extend our heartfelt gratitude to our fellow directors, management, staff and all other stakeholders for the support we have received during the past year.

BANCABC RECOGNISES THAT SUSTAINABLE DEVELOPMENT IS DEPENDENT UPON A POSITIVE INTERACTION BETWEEN ECONOMIC GROWTH, SOCIAL UPLIFTMENT AND ENVIRONMENTAL PROTECTION. AS A RESPONSIBLE CORPORATE CITIZEN, THE GROUP HAS A POLICY FRAMEWORK THAT IS DESIGNED TO ENSURE THAT ALL PROJECTS UNDERTAKEN ADHERE TO SOCIAL AND ENVIRONMENTAL REGULATIONS OF THE RELEVANT LOCAL, NATIONAL AND INTERNATIONAL LAWS AND STANDARDS.

SOCIAL AND ENVIRONMENTAL POLICY

This policy framework commits the Group to:

- provide in-house environmental education and support;
- recognise the environmental burden caused by consumption of resources and release of waste from our own business activities and aim to protect the environment through resource recycling, as well as efficient use of energy and resources;
- support business activities that contribute to the protection and improvement of the environment;
- monitor the effects of our activities on the environment and work towards continuous improvement and pollution prevention;
- comply with all applicable laws and regulations related to environmental protection and other requirements to which BancABC Group companies are subject to and subscribe to; and
- provide financing to projects with minimal adverse impact on the environment while ensuring that those having potentially major adverse environmental and social impact are accompanied by adequate mitigation measures.

In order to ensure compliance with the last of these commitments, BancABC's credit risk assessment seeks to ensure that the social and environmental effects of its financial support are assessed and monitored. This Environmental and Social Review Appraisal Procedure (ESRP) enables the integration of social and environmental safeguards in projects, to ensure that the potential risks associated with these issues are appropriately identified and mitigated.

The key components of the ESRP are:

- an assessment of potential and current environmental and social risks and impact arising from the proposal; and
- the commitment and capacity of the borrower to manage this impact.

Against this background, the procedure ensures that projects financed by the Group are environmentally and socially sound and sustainable and that any potential environmental and social risks are identified, evaluated and where necessary, mitigated. In line with its policy, the Group will not finance any business activity that cannot reasonably be expected to meet the required environmental and social standards up front.

Projects financed by the Group shall, at the minimum, comply with the national and/or local legislation and guidelines for environmental and social assessment and management. The Bank further conforms to the African Development Bank's Environmental and Social Assessment Procedures (2001).

Management ensures, through training and coaching, that there is an appropriate internal capacity to handle environmental and social issues. This is supplemented by external expertise, as the need arises. All the Bank's employees in the Operations department are provided with a copy of the ESRP.

The Group may finance projects for which no specific environmental or social guidelines exist. In such cases, general environmental and social considerations pertaining to emissions, liquid effluents, hazardous materials and wastes, solid wastes, ambient noise, occupational health and safety, life and fire safety and other hazards are borne in mind during the appraisal.


INTEGRI

TY

VALUE 02

= OUR GROWTH

IS A KEY VALUE OF THE GROUP WHICH IS THE ABILITY TO BE RELIABLE, ETHICAL, CREDIBLE, AND TRUSTWORTHY WITH A GREAT SENSE OF HERITAGE. OUR CAST IRON ETHICS UNDERPIN OUR UNQUESTIONABLE CHARACTER AND BUSINESS PRACTICES.

CORPORATE SOCIAL RESPONSIBILITY REPORT

BANCABC IS ACTIVE ACROSS MANY OF THE KEY MARKETS IN AFRICA. AS A BANK WE ARE AWARE THAT ALTHOUGH EACH MARKET IS DIFFERENT AND IS POPULATED BY COMMUNITIES THAT HAVE DIFFERENT NEEDS AND PRIORITIES, WE HAVE OBLIGATIONS TOWARDS ALL THE PEOPLE FROM WHOM WE DRAW OUR PROSPERITY.

2014 GROUP CSR REPORT

Our duty requires that as a business that is part of the fabric of each country, that we conduct ourselves in a responsible manner by acknowledging our obligations to shareholders, business partners, employees and society in general. We express our commitment through concrete actions that involve BancABC giving back to communities by helping to enrich the lives of those who are economically or socially disadvantaged.

A review of activities across BancABC subsidiaries is presented below:

BOTSWANA

BancABC Botswana is a strong corporate supporter of the government-led 'Vision 2016' campaign, which is focused on improving overall conditions in the country for Batswana.

During 2014, BancABC became part of the overall national call for action by building a four-roomed house for a destitute family of 24 in Tonota, situated in the north of the country. The donation was launched when BancABC's Francistown branch approached head office after receiving a plea for assistance with housing for the family from the Francistown District Council.

In addition to making a substantial donation for the construction of the dwelling, BancABC also donated groceries to the family on the day they moved into their new home. Final support came in the form of fruit trees donated by a local nursery, which BancABC staff assisted with planting.

BancABC also assisted with a similar plea for assistance in Mmandunyane, where it assisted with the connection of water and electricity for a needy resident.

Many other causes were supported during the year. They included donations to:

- Botswana Chinese General Chamber of Commerce;
- Botswana Ladies Golf Union;
- UB Foundation Golf Day – three-year contract;
- BOCCIM;
- BICA;
- Business & Enterprise Solutions;
- New ZanJ-CASE Book Launch; and
- Service Bridges Consulting.

The Bank also continued with its annual donations programme to the Lady Khama Charitable Trust and the Cheshire Foundation of Botswana. *Pictures 1 and 2*

MOZAMBIQUE

In 2014, BancABC Mozambique partnered with the Central Bank of Mozambique and the German Development Bank to support a financial education programme. The programme, which was also aired on two consecutive days on national TV, reached 75 000 students in Maputo and used a variety of entertaining, interactive and educational activities to build awareness about the importance of saving money and the basic principles of money management.

The participating students also received branded T-shirts, bags, money boxes and other collateral to commemorate the programme. *Picture 3*

Further support for education was made by awarding prizes to the best students in the fields of finance, management and banking at one of the local universities. Each of the students received cash and was offered internships at BancABC Mozambique.

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In 2014, BancABC Mozambique partnered with the Central Bank of Mozambique and the German Development Bank to support a financial education programme.

TANZANIA

BancABC Tanzania is committed to maintaining good relationships with local communities, government and charitable institutions. During the year, a number of activities were undertaken. They included:

THE ANNUAL CHARITY BAZAAR OF THE DIPLOMATIC SPOUSES GROUP

The Diplomatic Spouses Group (DSG) supports local initiatives that assist Tanzania's most vulnerable citizens; most often women and children who are physically and mentally challenged. BancABC has supported the DSG since 2011; previous DSG events raised approximately 80 million TZS in support of DSG's charitable activities. This year, BancABC contributed US$1,500 to the DSG to assist with its event.

The 2014 Annual Charity Bazaar was held in Dar es Salaam. The guest of honour was Mrs Bilal, the wife of Zanzibar President Hon Ghalib Bilal.

MOTORCYCLE DONATION TO THE ARUSHA REGIONAL POLICE STATION

In February 2014, the BancABC Arusha branch handed over a motorcycle to the Arusha police to assist them in their fight against crime.

BANCABC IFTAR DINNER

BancABC has been hosting the Futari Dinner for Muslim clients for six years as a token of support for clients and staff who fast during Ramadan.

In addition to this event, BancABC held a corporate dinner for Muslim clients in July. This annual event – the Iftar Dinner, took place at the Dar es Salaam Serena Hotel.

ZAMBIA

BancABC Zambia's corporate social responsibility programme is aimed at managing its business processes to produce an overall positive effect on society. This involves supporting community development projects and programmes designed to benefit the vulnerable people in Zambia.

One of the Bank's primary projects is involvement with the Green Buffaloes Football Club (GBFC), which provides development through the promotion of sports and athletics around the country.

The team provides youth with a leadership and mentorship platform for children who are 'at risk' and come from disadvantaged backgrounds. In addition, the club offers community-based sporting programmes to young boys and girls. The soccer team employs sports in innovative ways to foster resilience and teach leadership skills through community-based initiatives, as well as competitive sporting events. BancABC sponsorship, through the provision of financial sponsorship, is instrumental in making these programmes and initiatives possible.

LADIES CIRCLE ZAMBIA

Ladies Circle Zambia is an international charity organisation focused on the needs of children that works to serve the disadvantaged people of Zambia. BancABC Zambia is proud to have been part of a charity event organised by the Ladies Circle Zambia to raise money for children at Chibolya Basic School. This charitable event took the form of an art exhibition where professional artists auctioned off some of their work and the children also displayed artwork that they had prepared.

LUANSHYA TECHNICAL AND BUSINESS COLLEGE

BancABC Zambia supports the education of children in Zambia. In 2014, we partnered with Luanshya Technical and Business College by offering three scholarships to deserving business study students. This opened opportunities for students to pursue their academic programmes and compete at the highest level.

ZAMBIA NATIONAL SERVICE

During 2014, BancABC Zambia continued to support the Zambian Defence Force through numerous fundraising events, including one organised by the Zambia National Service Ladies Club National Executive Committee.

BancABC Tanzania is committed to maintaining good relationships with local communities, government and charitable institutions.

ZIMBABWE

BancABC Zimbabwe recognises that the business community is very much a part of the society it operates in. During 2014, the Bank expressed this commitment by targeting arts and culture, women and children and health and disabilities.

HARARE INTERNATIONAL FESTIVAL OF THE ARTS (HIFA)

The Bank sponsored the Harare International Festival of the Arts for the 14th consecutive year. HIFA is a six-day annual arts festival and calendar event that most Zimbabweans anxiously await, and is attended annually by thousands of people who view the works of local, regional and international artists. As is now traditional, the Bank sponsored the opening night which showcased and promoted Zimbabwe talent. *Picture 4*

ZSCORE

A donation of $5,000 was made to Zscore, an organisation that runs an annual programme which assists underprivileged children to achieve their dreams and increase their life experiences and opportunities. The programme's main goal is to increase their self-esteem by empowering the children to reach their full potential in sports and be able to compete with other children.

TOKWE-MUKOSI

The Bank joined hands with the business community to assist the victims of the Tokwe-Mukosi Flood with a donation of $2,000. The need arose after floods hit the Tokwe-Mukosi Dam catchment area in Masvingo in February, leaving 4,000 families homeless and others in need of medical assistance.

KIDZCAN

The Bank made a donation to Kidzcan Zimbabwe, a non-profit making organisation which focuses on improving the detection of early diagnosis and effective treatment for cancer in children. The organisation also aims to ensure that affected children and their families have access to basic treatment and support, regardless of their socio-economic backgrounds.

THE ALBINO CHARITY ORGANISATION (ALCOZ)

A contribution of $2,000 was extended to the Albino Charity Organisation to assist one of the members who was diagnosed with squamous carcinoma (cancer of the skin). The donation was a contribution towards the $15,000 required for her to undergo an operation in India.

The continued support of women and children was once again shown through a donation to the child of one of the Bank's clients. The 13-year-old who lost her left leg to bone cancer in February, had been undergoing chemotherapy and urgently needed funds for a bone scan to confirm success of her treatment. *Picture 5*

4

5

BancABC Zimbabwe recognises that the business community is very much a part of the society it operates in.

GROUP SPONSORSHIP 2014

Following the group's expansion into the retail environment and the opening of a strategically placed network of branches, BancABC found it necessary to raise the profile of the Bank to a wider audience. This was achieved by selecting sponsorships that resonated with target audiences and using them to create ongoing top-of-mind awareness with customers.

Within all regions, sponsorships are selected on an ongoing basis after being assessed for their ability to achieve a number of objectives. These are:

- creating opportunities for BancABC to create new relationships with customers;
- supporting marketing by using the sport to generate business leads and create a database of potential customers; and
- building an avenue for stimulating sales and client acquisition activities.

The variety and successes of these sponsorships are discussed on a regional basis in this report.

BOTSWANA

Batswana, like most Africans, love football. In a country where even the President is an avowed football fan, it was natural for BancABC Botswana to enter the sponsorship arena through a strategic alliance with the Botswana Football Association. Together with the Association, BancABC opted to sponsor the nation's 'senior football team' – The Zebras, which is made up of players that are drawn from teams within the national league. The sponsorship is for a period of three years, beginning in August 2012. *Picture 1*

The association between BancABC and Botswana's national team has undoubtedly played a major role in raising public awareness about the products and services available through the growing BancABC retail network.

ZAMBIA

BancABC in Zambia is focused on the role the Bank can play in promoting community development. A vital part of this strategy is the support of sport, especially football which is played by people of all ages in formal and informal leagues across the country. *Picture 2*

The Green Buffaloes Football Club, an MTN Premier Division side, is sponsored by the Bank. Initial sponsorship was agreed for a 12-month period in 2013 and was subsequently renewed. A significant part of the sponsorship cash from BancABC was spent by team management on creating branded gear for sale to fans to create a sustainable cash flow for the club. Other sponsorship funds were used to create two 'football strips', distinctive team uniforms used for major matches and funding travel costs.

ZIMBABWE

BancABC Zimbabwe began sponsoring football in 2009, a decision that was driven by the Group's expansion into retail operations and a need to increase awareness of BancABC's presence in its chosen new markets. Previously, as a purely business bank, sponsorships were not regarded as necessary as the defined target market was effectively reached using direct marketing and relationship building. However, the expansion of activities into the mass retail market required a new approach. It was therefore decided that the Bank use football sponsorships to build a presence with the retail banking target audience.

The initial sponsorship began with an annual tournament, named the 'BancABC SUP8R', for the top eight teams within the Premier Soccer League. BancABC used the tournament as an awareness tool to spread consciousness in advance of the Bank's retail branch roll-out by ensuring that games were scheduled across the entire country. The event ran for three months each year, providing BancABC with ample publicity over an extended period.

Following the Group's expansion into the retail environment and the opening of a strategically placed network of branches, BancABC found it necessary to raise the profile of the Bank to a wider audience.

The tournament ran its course and achieved it main objectives. To reinforce key marketing messages, a decision was then made to sponsor the country's two major teams, which had fan bases of about one million fans. Accordingly, in 2011, the Bank signed up Dynamos and Highlanders. The sponsorship agreement included branding rights and continual access to the teams' fans across the nation. This contract was renewed in 2014 and is due to run until December 2016. *Picture 3*

BANCEASY TEAMS – CHAPUNGU AND FLAME LILY

By 2012, the Bank had grown considerably and was represented by retail branches that were located across the country. It was considered that the time was ripe for the launch of the micro-finance division. Once again, it was decided that another sponsorship was needed to create awareness of this new offering with different market segments – in this case, primarily civil servants. The micro-finance division represented by the independent BancEASY brand, needed to be clearly positioned as a 'stand-alone' brand in the market.

Different strategies were used when assessing the needs of various segments within the civil service sector. Teams selected were Chapungu, the Air Force team, and Flame Lily, Prison Services.

The Bank has received considerable publicity from the Dynamos and Highlanders sponsorships. With the promotion of the both BancEASY teams to the Premier Soccer League's starting lineup in the 2015 season, BancABC will dominate publicity in the sports sections of daily papers and any local sports publications.

The Bank's sponsorship of the four teams has resulted in increased brand awareness as the Bank received substantial coverage in both the print and electronic media.

2015 AND BEYOND

The Bank's football sponsorships have now reached the heights envisaged when objectives were initially set for the sponsorships. Now, all that remains is leveraging business off the sponsorship activities.

Using the fans' emotional connection to their favourite clubs, BancABC Zimbabwe will be offering pre-paid, team-branded Visa cards. The process encompasses changing fans' behaviour, starting with driving intent to card acquisition, transaction and regular usage, and ultimately through loyalty campaigns to referrals. The cards will have dual functionality of transacting and also serve as supporters' cards. Later this year, they will also be loaded with funeral insurance and other relevant benefits.


1


2

Presentation of football kit


3


PROFESSIONA

ALISM

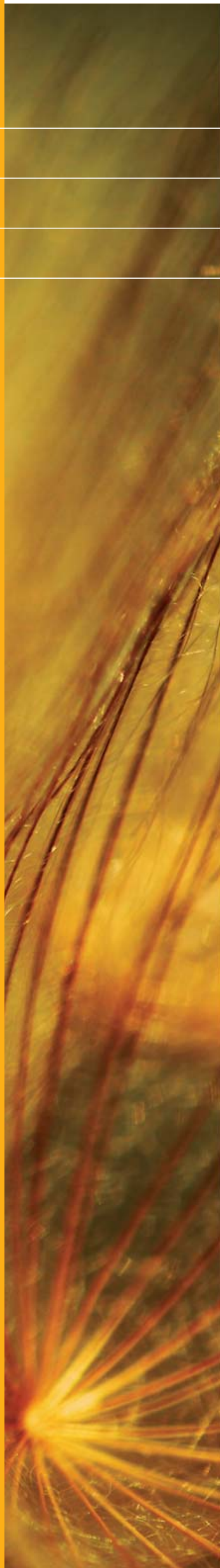
VALUE 03

= OUR GROWTH

ENTAILS BEING UNCOMPROMISING, FOCUSED, AND CONFIDENT IN OFFERING WORLD-CLASS PRODUCTS AND SERVICES. WE STRIVE FOR EXCELLENCE IN WHAT WE DO, AND ARE ALWAYS SEEKING TO IMPROVE OUR PERFORMANCE.

RISK AND GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014



RISK AND GOVERNANCE REPORT

RISK MANAGEMENT

The directorate and management of ABC Holdings Limited recognise that effective risk management is fundamental to the sustainability of its business. A strong risk management culture within the Group ensures an appropriate balance between the diverse risks and rewards inherent in any transaction, and underpins sound decision making. Accordingly, a comprehensive risk management process is in place to evaluate, monitor and manage the principal risks the Group assumes in conducting its activities. In the course of conducting its business, the Group is exposed to various risks inherent in providing financial services. Some of these risks are managed in accordance with established risk management policies and procedures, most of which are discussed in the Financial Risk Management section. The Group's primary risks are outlined below:

MARKET RISK

The Group may be adversely impacted by global markets and economic conditions that can lead to fluctuations in interest and exchange rates, as well as equity and commodity prices. It may also be adversely impacted by significant holdings of financial assets, or significant loans or commitments to extend loans.

CREDIT RISK

The Group may be adversely impacted by an increase in its credit exposure related to trading, lending and other business activities. Potential credit-related losses can result from an individual, counterparty or issuer being unable or unwilling to honour their contractual obligations.

LIQUIDITY RISK

The financial condition of the Group may be adversely impacted by an inability to borrow funds or sell assets to meet its obligations.

OPERATIONAL RISK

The Group may incur losses due to the failure of its people, internal processes or systems, or as a result of external events.

LEGAL RISK

Legal proceedings against the Group or insufficient legal protection could adversely affect its operating results for a particular period and impact its credit ratings.

REGULATORY AND LEGISLATIVE RISKS

Many of the Group's businesses are highly regulated and are subject to, and could be adversely impacted by, regulatory and legislative initiatives.

ROLE OF GROUP RISK MANAGEMENT

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

THE GROUP'S APPROACH TO RISK MANAGEMENT

The Group's approach to risk management involves a number of fundamental elements that drive its processes across the Group. The procedure and methodology is described in the Group's Enterprise-wide Risk Management 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 business. The Group's risk methodologies include systems that enable the Group to measure, aggregate and report risk for internal and regulatory purposes. As an example, the Group's credit grading models produce internal ratings through internally-derived estimates of default probabilities; see discussion on Credit Risk Management below. These measurements are used by management in an extensive range of activities, from credit grading, pricing and approval to portfolio management, economic capital allocation and capital adequacy processes.

APPROACH TO RISK MANAGEMENT

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 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.

GROUP RISK MANAGEMENT OBJECTIVES

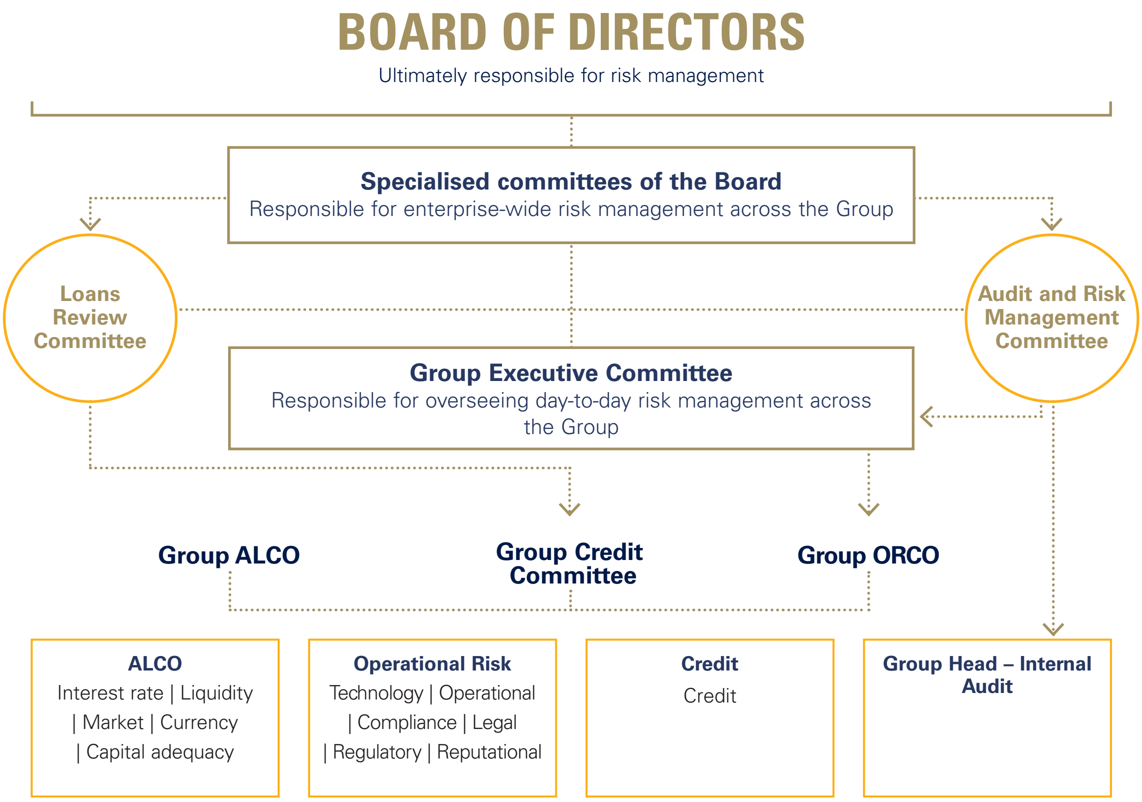
The Group Risk Management function, as mandated by the Board of Directors is to:

- coordinate risk management activities across the organisation, by ultimately becoming the custodian of BancABC'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 such risk parameters and limits are consistently adhered to; and
- facilitate various risk management committees as part of the Group's risk management process.

GROUP RISK MANAGEMENT FRAMEWORK

The Group Risk Management Framework documents the risk management policies followed by the Group. These policies ensure that risks are consistently managed throughout the Group through a set of internal controls. The policies also ensure that risk awareness filters down through every level of the Group, and that every employee understands their responsibility in managing risk. The following sub-committees, comprising executives and senior management, are responsible for dealing with the risks facing the Group in a structured manner:

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



REPORTING

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.

CAPITAL AND LIQUIDITY RISK MANAGEMENT

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

ALCO reports to the Risk and Audit Committee in terms of the Group Risk Management Framework. Capital adequacy and the use of regulatory capital are reported periodically to the central banks of the Group's operating countries, in line with respective regulatory requirements. ALCO comprises broadly representative executive and senior managers, including the Group CEO, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer, Group Head of Corporate Banking, Group Head of Treasury and Group Head of Retail Banking.

Liquidity is of critical importance to financial institutions as we have been reminded by the recent failures of global financial institutions in large part due to insufficient liquidity. Our markets even present large challenges primarily due to an under-developed secondary securities market and illiquid government securities. As such, the Bank has in place a comprehensive liquidity and funding policy to address both firm-specific and market-wide liquidity events. Our primary objective is to be able to fund the Bank and to enable our core businesses to continue to operate and meet their obligations under adverse circumstances.

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

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

- **Excess liquidity –** We seek to maintain excess liquidity to meet a broad and comprehensive range of potential cash outflows and collateral needs in a stressed environment.
- **Asset-liability management –** Through ALCO, we assess anticipated holding periods for our assets and their potential illiquidity in a stressed environment. We manage maturity mismatches and level of funding diversification across markets, products and counterparties and seek to maintain liabilities of appropriate tenor relative to our asset base.
- **Contingency funding plan –** We seek to maintain a contingency funding plan to provide a framework for analysing and responding to a liquidity crisis situation or periods of market stress. The framework sets the plan of action to fund normal business activity in emergency and stress situations.

LIQUIDITY RISK MANAGEMENT STRUCTURE

SHORT-TERM LIQUIDITY RISK MANAGEMENT

Liquidity Risk Management Committee
- Managing intra-day liquidity
- Managing short-term cash flows
- Managing inter-bank and repo levels

LONG-TERM LIQUIDITY RISK MANAGEMENT

ALCO
- Managing long-term cash flows
- Identify and manage mismatches
- Establish liquidity risk appetite

Contingency liquidity risk management
- Establish and manage contingency funding plan
- Convene Liquidity Crisis Management Committee
- Assess regular liquidity stress testing and scenario analyses

Liquidity risk is broadly managed by ALCO in terms of the Group Risk Management Framework. A Liquidity Risk Committee meets on a weekly basis to access and manage the overall liquidity of the Group. The Group approaches liquidity cautiously and conservatively by managing the liquidity profile with a preference for long-term, fixed rate funding. As such, the Group is exposed to funding liquidity risk.

ALCO reviews a stress mismatch report monthly, which simulates stress scenarios based on the current asset and liability structure of the Group for the reporting month. The report also considers the available sources of stress funding to address any potential strain on the cash flows of the Group.

In addition, the Group has a documented contingency funding plan (CFP) that specifies measures which must be monitored to identify indications of liquidity stress early. The plan provides management with a set of possible actions to address potential liquidity threats. The CFP operates in conjunction with the finance and treasury management policy and the assets and liabilities management (ALM) policy to ensure a coordinated approach to liquidity management.

As part of its monthly meetings, ALCO considers the Group's sensitivity to interest rate movements and reviews the results of management's analysis of the impact of interest rate movements. ALCO also receives information on yield curve developments and money market interest rates, as well as analysis of the potential economic impact on interest rates and interest rate re-pricing. The Group strives to match asset and liability re-pricing positions as far as possible.

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

CREDIT RISK MANAGEMENT

Independent credit risk committees in each of the Group's operating countries are responsible for managing, measuring and mitigating credit risk. Credit Risk Management is overseen by the Group Credit Committee (CREDCO), a Management Committee that reports to the Risk and Audit Committee. There is a high level of executive involvement in the credit decision making team. The Group CREDCO includes the CEO, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer, Chief Credit Officer and Group Head of Corporate Banking.

The Group's policy is that all sanctioning members of the CREDCO have voting powers. At Group CREDCO level, all decisions to enter a transaction are based on unanimous consent.

The CREDCO formally meets on a weekly basis to consider the activities and operations of the credit division, to consider and debate results from new business, arrears and provisioning analyses, as well as to consider regulatory compliance and to set and amend credit policy where appropriate.

APPROACH TO MEASURING CREDIT RISK

The Group's approach to measuring credit risk aims to align with international best practice and is, in all substantial aspects, aligned with the standard approach and methodology employed by international financial institutions. Credit risk is broken down into the common risk components of probability of default (PD), Exposure at Default (EAD) and LGD, modelled at a client, facility and portfolio level. These risk components are used in the calculation of a number of aggregate risk measures such as Expected Loss (EL). The models used by the Group are aimed to be compliant with Basel II and regulatory requirements. The BancABC default probability table below shows the mapping of the corporate rating to retail credit scoring to align credit risk appetite assessment and tolerance across consumer and corporate businesses.

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

BancABC rating scale	BancABC defaults rates	BancABC retail score	Standard & Poor's ratings	Grade quality
A+	0.10%	246 – 255	AAA – AA	Investment grade
A	0.25%	236 – 245	AA+	
A-	0.33%	226 – 235	AA	
B+	0.40%	216 – 225	AA-	
B	0.50%	201 – 215	A+	
B-	0.66%	191 – 200	A	
C+	0.80%	181 – 190	A-	
C	0.96%	166 – 180	BBB+	
C-	1.30%	156 – 165	BBB	
D+	1.80%	146 – 155	BBB-	
D	2.65%	136 – 145	BB+	Sub-investment grade
D-	3.80%	126 – 135	BB	
E+	7.85%	116 – 125	BB-	
E	12.90%	106 – 115	B+	
E-	16.88%	96 – 105	B	
F+	26.00%	86 – 95	B-	
F	38.67%	76 – 85	CCC+	
F-	45.00%	61 – 75	CCC	
G	Default	0 – 60	CCC-	Default

BancABC default probabilities for each rating buckets are much more conservative, i.e. for the same rating, BancABC implies a much higher likelihood of defaults than the corresponding S&P. The definition of default and the use of PD is standard as prescribed by the Basel II framework and regulation.

PROBABILITY OF DEFAULT (PD)

The PD measures the likelihood of a client defaulting on its obligations within the next 12 months and is a primary component of the internal risk rating calculated for all clients.

EXPOSURE AT DEFAULT (EAD)

In general EAD can be defined as an estimation of the extent to which a bank may be exposed to a counterparty in the event of a counterparty's default within a one-year period. The Group calculates EAD estimates for each facility through models developed and based on internal and external default data, as well as credit experts' experience with particular products or client groups. EAD estimates incorporate both on- and off-balance sheet exposures resulting in a capital requirement which incorporates existing exposures, as well as exposures which are contingent on a counterparty's use of an available facility.

LOSS GIVEN DEFAULT (LGD)

The third major risk component measures the loss expected on a particular facility in the event of default and thus recognises any credit risk mitigants employed by the Bank, such as collateral, third party guarantees, credit derivative protection or other credit hedges. LGD estimates are calculated through internally developed models, as well as a broad base of expert judgement from credit representatives and the results are primarily driven by the type and amount of collateral held.

EXPECTED LOSS AND CAPITAL REQUIREMENTS

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

OPERATIONAL RISK MANAGEMENT

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Such operational risks may include exposure to theft and fraud, improper business practices, client suitability and servicing risks, unauthorised transactions, product complexity and pricing risk or from improper recording, evaluating or accounting of transactions. The Group could suffer financial loss, disruption to its business, liability to clients, regulatory intervention or reputational damage from such events, which could affect its business and financial condition.

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

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

Operational risk is managed by ORCO in terms of the Group's Operational Risk Framework (ORF), a subset of the Risk Management Framework. ORCO comprises executive and senior managers, including the Chief Operating Officer, Chief Risk Officer, Chief Information Officer, Group Head of Retail Banking, Group Head of Market and Operational Risk, Group Head of Banking Operations, Group Chief Legal Counsel and Group Head of Human Capital.

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

Legal and compliance risks are dealt with by ORCO, with the Group Chief Legal Counsel being a member of ORCO.

STRESS TESTING

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

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

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

COMPLIANCE RISK MANAGEMENT

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

Compliance risk is effectively managed through developing and implementing compliance processes, developing effective policies and procedures affecting the respective regulatory frameworks, and providing advice and training on the constantly changing regulatory environment. A key role of compliance officers in the Group is to develop and maintain sound working relationships with its various regulators in the Group's operating countries.

LEGAL RISK MANAGEMENT

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

GROUP INTERNAL AUDIT

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

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

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

CORPORATE GOVERNANCE

The Group is committed to the principles of openness, integrity and accountability. In February 2003, the Board endorsed the adoption of the second King Report on Corporate Governance (King II). In 2010, the Board incorporated some of the principles of King III and specifically has adopted a combined assurance model of reporting by the internal auditors, the risk officers and external auditors to its Audit Committee in order to promote a coordinated approach to all assurance reporting on the risk areas of the business.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

The Board comprises five non-executive directors of which two are independent.

The following changes occurred in the members of the Board and key management staff:

- During the year, Mrs Ruth Credo, Mr John Vitalo and Mr Bradford Gibbs were appointed to the Board;
- Mr Howard Buttery, the Chairman of the Group, and Mr Ngoni Kudenga resigned from the Board of Directors effective 31 December 2014. Mrs Doreen Khama was appointed the Acting Chairman pending the appointment of a permanent Chairman;
- Mr Doug Munatsi, Mr Beki Moyo and Mr Francis Dzanya resigned from their executive director positions and the Group on 31 December 2014;
- In January 2015, Dr Blessing Mudavanhu and Mr Wallace Siakachoma were appointed Acting Group Chief Executive Officer and Acting Group Chief Financial Officer respectively; and
- In March 2015, Mr Ronald Pfende was appointed Group Chief Operating Officer, Mrs Amelia Reynecke Group Chief Technology & Operations Officer, Mrs Makhosi Boyede as Group Chief Strategy & Business Enablers Officer.

The roles of Chairman and CEO are separate and no individual has unfettered control over decision making. The Chairman is a non-executive director appointed by the Board.

The Board is responsible to stakeholders for setting the strategic direction of the Group, monitoring operational performance and management, risk management processes and policies, compliance and setting authority levels, as well as selecting new directors. The Board is also responsible for the integrity and quality of communication with stakeholders, including employees, regulators and shareholders.

The Board has adopted a Risk Management Framework and has delegated responsibility for risk to the Risk and Audit Committee.

This committee reviews risk management processes in the Group and ensures that Board policies and decisions on risk are properly implemented. The committee assesses the adequacy and effectiveness of risk management structures in the Group and reports to the Board on all risk-related governance issues.

All directors have direct access to information on the Group's affairs, as well as the advice and services of the Group Chief Legal Counsel.

Individual country operations have their own boards, with external representation and function as per the requirements of their respective jurisdictions.

The Board meets at least four times annually. Additional telephonic meetings are conducted as required during the year. The CEO and senior executives are available to brief directors when required.

Four Board meetings were conducted during the year. Directors' attendance of these meetings was as follows:

Director	Feb	June	Aug	Dec
Buttery**	P	P	P	P
Khama	P	P	P	P
Kudenga**	P	P	P	P
Munatsi**	P	P	P	P
Moyo**	P	P	P	P
Dzanya**	P	P	P	P
Schneiders	N/A	P	P	P
Harbecke*	N/A	P	A	N/A
Credo	N/A	P	P	P
Vitalo	N/A	N/A	N/A	P
Gibbs	N/A	N/A	N/A	P

P: Present
A: Absent
N/A: not a director at the time
** resigned 10 November 2014*
*** resigned 31 December 2014*

The Board has adopted a Risk Management Framework and has delegated responsibility for risk to the Risk and Audit Committee.

BOARD COMMITTEES

The Board is assisted in discharging its responsibilities by a number of sub-committees. Sub-committees are accountable to the Board, with minutes of sub-committee meetings circulated and reported on at the following Board meeting. Senior executives are invited to attend meetings as appropriate.

Board committees may make use of external professional advisers when necessary to discharge specific tasks.

EXECUTIVE COMMITTEE

The Executive Committee (EXCO) assists the CEO in managing the Group and implementing strategy, policies and procedures, subject to the Board's limitations on delegation to the CEO. The CEO's authority in managing the Group is unrestricted. EXCO assists the CEO in managing the Group and setting the overall direction of the business of the Group, and acts as a medium for communication and coordination between business units and Group companies, and the Board. EXCO meetings are conducted monthly.

The following divisional and functional heads comprise the EXCO: Acting CEO (Chairman), Chief Operating Officer, Acting Chief Financial Officer, the Managing Director of BancABC Zimbabwe, Group Head of Retail & SME Banking, Chief Technology & Operations Officer and Chief Strategy & Business Enablers Officer.

EXCO also considers non-remuneration aspects of human resources management such as succession planning and skills development.

RISK AND AUDIT COMMITTEE

Ruth Credo is currently the Acting Chairman of the Risk and Audit Committee following the resignation of Ngoni Kudenga on 31 December 2014. Ruth Credo is a non-executive director. The committee adopted the terms of reference for the Risk and Audit Committee in line with the King Commission guidelines on Corporate Governance. In particular, it assists the Board in the discharge of its duties relating to financial reporting to all stakeholders, compliance, risk management and the effectiveness of accounting and management information systems.

Meetings are held regularly throughout the year and are attended by external and internal auditors, as well as senior executive managers. The committee met four times in 2014.

The committee considered whether the Company and the Group are going concerns, recommending that the Board endorse a statement to this effect and that the financial statements prepared on this basis be approved.

LOANS REVIEW COMMITTEE

Ruth Credo is currently the Acting Chairman of the Loans Review Committee due to Doreen Khama temporarily stepping down as Chairman of the committee in order to take up the position of Acting Chairman of the Board. In accordance with its terms of reference, the committee's principal function is to review and report to the Board on the Group's loan portfolio on at least a quarterly basis. The committee places specific emphasis on ensuring conformity of the loan portfolio and lending function to a sound documented lending policy. It also periodically reviews the maximum loan authority limits for each Group lending authority, as well as write-offs within the Group. The committee is further tasked with the quarterly review of the adequacy of provisions made with respect to loans and makes recommendations to the Board in this regard.

The committee met four times in 2014.

CREDIT COMMITTEE

The committee is chaired by Bradford Gibbs, a non-executive director and member of the Atlas Mara Limited Executive Committee. The committee has a mandate to approve loans above the internal management limit of US$5 million. The committee meets when required to approve loan applications.

REMUNERATION AND NOMINATIONS COMMITTEE

Mark Schneiders is currently the acting chairman of the Remuneration and Nominations Committee, He is an independent non-executive director. The CEO attends committee meetings by invitation, but does not participate in any discussions on his own remuneration. The committee is responsible for the senior executive remuneration policy. It fixes the remuneration packages of individual directors within agreed terms of reference, to avoid potential conflicts of interest.

The committee is also responsible for setting the remuneration policy of the Group. It aims to ensure that the financial rewards offered by the Group to employees are sufficient to attract people of the calibre required for effective running of the Group and to produce the required returns to its shareholders. The committee reviews the profit sharing scheme annually, which is based on achieving a specified return on equity for the period. The committee met four times during the year under review.

The committee is also responsible for making recommendations to the Board on all new Board appointments. A formal process is in place in terms of which the skills needed are identified and those individuals who might best assist the Board in their endeavours are recruited.

DIRECTORS AND GROUP MANAGEMENT

ABC HOLDINGS LIMITED BOARD OF DIRECTORS	Doreen Khama**	*Acting Group Chairman*
	Mark Schneiders**	
* Non-executive	Ruth Credo*	
** Independent non-executive	John Vitalo*	
	Bradford Gibbs*	
REMUNERATION COMMITTEE	Mark Schneiders	*Acting Chairman*
	Ruth Credo	
	John Vitalo	
NOMINATIONS COMMITTEE	Mark Schneiders	*Acting Chairman*
	Ruth Credo	
	John Vitalo	
LOANS REVIEW COMMITTEE	Ruth Credo	*Acting Chairman*
	John Vitalo	
CREDIT COMMITTEE	Bradford Gibbs	*Chairman*
	Mark Schneiders	
	Dr Blessing Mudavanhu	
RISK AND AUDIT COMMITTEE	Ruth Credo	*Acting Chairman*
	Mark Schneiders	
	Bradford Gibbs	
EXECUTIVE COMMITTEE	Dr Blessing Mudavanhu	*Chairman – Acting Group Chief Executive Officer*
	Wallace Siakachoma	*Acting Group Chief Financial Officer*
	Ronald Pfende	*Group Chief Operating Officer*
	Joe Sibanda	*Managing Director – BancABC Zimbabwe*
	Amelia Reynecke	*Group Chief Technology & Operations Officer*
	Makhosi Boyede	*Group Chief Strategy & Business Enablers Officer*
	Gavin Savala	*Acting Group Head of Retail & SME Banking*
GROUP MANAGEMENT	Bruce Jonker	*Group Internal Auditor*
	Cornelius Munyurwa	*Group Head Banking Operations*
	Leah Banda	*Group Head Marketing & Communications*
	Johan Testa	*Group Head Treasury*
	Melanie Vogt	*Chief Legal Officer*
	Paul Westraadt	*Chief Credit Officer*
	Dryl Giyose	*Acting Group Head Human Capital*
	Clemence Chimwanda	*Group Head of Market and Operational Risk*
	Christine Bronkhorst	*Group Head of Financial Control & Accounting*
	Elizabeth Georg	*Secretary to the Board*

BOARD OF DIRECTORS

Doreen Khama (MOTSWANA)

Acting Board Chairman
Non-executive Director

Doreen Khama was born in Botswana in 1949. Doreen has been a director since 2007. She is founder and senior partner of the law firm Doreen Khama Attorneys, a reputable legal firm in operation for over 20 years in Botswana. She is also the Honorary Consul for Austria in Botswana.

Doreen is active in business initiatives in Africa and internationally, and has earned a high standing of professional prominence through her international affiliations. She serves as a director and board member for several organisations across various industries, including Lengao Holdings and PEP Holdings. Doreen holds a Bachelor's Degree in Law from the University of Botswana, Lesotho and Swaziland. Doreen was appointed to the ABCH Board in September 2006.

John F Vitalo (AMERICAN)

Non-executive Director

John joined Atlas Mara from Barclays PLC where he was Chief Executive Officer, Middle East & North Africa since May 2009. In that role, he was responsible for all aspects of the company's activity in the region, including wealth management, retail and business banking, investment and corporate banking and infrastructure. His previous roles at the company included CEO of Absa Capital – where he built Absa Capital into an award winning investment bank – and COO of Global Markets and COO of Emerging Markets for Barclays Capital. Prior to Barclays, John was at Credit Suisse First Boston (CSFB), where he held a number of senior positions in London and New York. These included Director of e-Commerce for Emerging Markets, Proprietary Trader for the Emerging Markets Group, Global Head of the Emerging Markets Structured Financing & Repo business and Head of the Emerging Markets Fixed Income Arbitrage Desk. John was appointed to the ABCH Board in October 2014.

Bradford Gibbs (AMERICAN)

Non-executive Director

Brad Gibbs is a Member of the Executive Committee of Atlas Mara and, in addition to serving as a director of ABC Holdings Limited, also serves as a director of Atlas Mara's Rwandan subsidiary, BRD Commercial Bank Limited. Prior to joining Atlas Mara and one of its founding entities, Mara Group, Brad was a Managing Director at Morgan Stanley, where he worked for 13 years and was based, at various junctures, in the New York, London, Frankfurt and Johannesburg offices executing mergers, acquisitions and capital markets transactions across a broad array of industries, including financial services, natural resources, retail, telecommunications, chemicals, logistics, and information technology, totalling in excess of $100 billion. During his tenure at Morgan Stanley, Brad served as Head of South Africa Investment Banking and Head of EMEA Chemicals, Building Materials and Paper & Packaging. Brad received an MBA from The Wharton School (University of Pennsylvania) in 1998 and a BA in History with Honours from Brown University in 1993, where he graduated magna cum laude and was elected a member of Phi Beta Kappa. Brad was appointed director of ABCH in October 2014.

Ruth Credo (BRITISH)

Non-executive Director

Ruth Credo was born in Dartford, England, in 1956. She graduated from the University of Witwatersrand with a Bachelor of Commerce degree and served articles with Grant Thornton (previously Kessel Feinstein Grant Horwath) in Johannesburg. Ruth is a member of the South African Institute of Chartered Accountants (SAICA). She has extensive experience in systems design and financial applications. She has served in various senior financial positions and was the Group Financial Manager at Investec, and the Chief Financial Officer at Corpcapital Ltd and later at ABC Holdings Limited. She has also consulted to Rand Merchant Bank and Microfin Zambia. Ruth was appointed during 2003 to the African Banking Corporation Zambia Limited Board of Directors serving on both Loans Review and Risk & Audit Committees. Ruth was appointed director of ABCH in May 2014.

Mark M Schneiders (DUTCH)

Non-executive Director

Mark Schneiders was born in The Netherlands in 1956. Mark has more than 27 years of banking sector experience in various wholesale and private banks within Africa and around the globe serving as an entrepreneurial finance professional. He has held various positions that include Managing Director with ING Financial Institutions in Amsterdam. Mark is currently the CEO of the Royal Tropical Institute (KIT) in The Netherlands. KIT, founded in 1910, is a knowledge institution for the lower- and middle-income countries in Africa, Asia, Central Europe, and Latin America. KIT's expertise lies in the areas of public health and education, biomedical research on tropical diseases, sustainable economic development and gender issues in agriculture, and intercultural relationships in the workplace.

Mark holds a Bachelor's and Master's degree in law from the University of Leiden, The Netherlands, and completed the Advanced Management Program at Harvard Business School and various banking management programs at INSEAD (Cedep).

Mark has extensive experience with company mergers, building new markets and setting up retail banking businesses in a variety of countries, including Switzerland, The Netherlands, Spain, Curaçao, Argentina, Venezuela, Hong Kong and the USA. Mark resigned from the Board in his capacity as a representative for African Development Corporation on 3 December 2013 and was reappointed to the Board on 20 February 2014 as an independent director.

EXECUTIVE COMMITTEE

Dr Blessing Mudavanhu (ZIMBABWEAN)

Acting Group Chief Executive Officer

Blessing Mudavanhu was born in Zimbabwe in 1971. Dr Mudavanhu was appointed Chief Risk Officer in February 2009. Blessing spent many years working on Wall Street in New York, where he was a director in Global Risk Management at Bank of America Merrill Lynch. He has published many research papers in the Journal of Investment Management and in many mathematics journals. He is also listed in the Who's Who in America and is a recipient of the Fulbright Scholarship.

He holds a Bachelor of Science (Honours) degree in Mathematics from the University of Zimbabwe, a Master of Science degree and a Doctorate in Mathematics from the University of Washington, as well as a Master of Science in Financial Engineering from the Hass School of Business, University of California at Berkeley.

Ronald Pfende (ZIMBABWEAN)

Group Chief Operating Officer

Ronald Pfende was born in Zimbabwe in 1971. He joins ABCH from Standard Bank Group where he was most recently Head: Finance Transformation. He also held a number of other senior roles at the bank, including as CFO of Stanbic IBTC Bank in Nigeria and CFO of Stanbic Bank Uganda. Prior to Standard Bank, he was Financial Controller of BP Tanzania Limited. He is a member of the Institute of Chartered Accountants of Zimbabwe (ICAZ), and South Africa Institute of Chartered Accountants (SAICA), and has an MBL from the University of South Africa.

Amelia Reynecke (SOUTH AFRICAN)

Chief Technology & Operations Officer

Amelia Reynecke was born in South Africa in 1961. She was previously at Barclays Africa where she was Head of Operations and Technology (Wholesale and Wealth) and Group Payments, a position she held from 2008. Prior to that, she held a number of senior roles at Nedbank, which she had joined in 1998, culminating as Head of Operations and Strategic Projects. She has over 30 years' experience in leading operations and IT in the banking industry.

Makhosi Boyede (SOUTH AFRICAN)

Chief Strategy & Business Enablers Officer

Makhosi Boyede was born in South Africa in 1976. She joined ABCH from uBank where she was the Executive: Corporate Strategy, Programme Office and Business Development, a position she had held since October 2013. Most of her career has been in banking, particularly at Absa Group, which she left in 2012. During her time at Absa, she held roles across the group, including Chief Administrative Officer; Executive Head of Corporate Affairs; Executive Head of Corporate Social Investment and Executive Head for Human Capital & Sustainability in the CIBWM cluster. She has an MBA from the Gordon Institute of Business Science at the University of Pretoria.

EXECUTIVE COMMITTEE

Joe Sibanda (ZIMBABWEAN)

Managing Director
of BancABC Zimbabwe

Joe Sibanda was born in Zimbabwe in 1954. He has over 30 years of banking experience, having started his career with other commercial and merchant banking financial institutions operating in both local and international markets. He held several senior positions and was part of the executive management teams in these banking institutions. He joined African Banking Corporation (BancABC) as executive director, Banking Services and managing director of udc Limited in August 2000.

He has previously been Managing Director for BancABC Botswana, BancABC Zimbabwe, BancABC Mozambique and returned to Zimbabwe in 2014 as managing director for BancABC Zimbabwe. Joe has a wealth of experience gained from his exposure to the local, regional and international markets. Joe holds a BCom degree with majors in Economics and Business Management and is an Associate of the Institute of Bankers.

Wallace Siakachoma (ZAMBIAN)

Acting Group Chief
Financial Officer

Wallace Siakachoma was born in Zambia in 1974. He has been with ABCH for over 12 years. He has served for the past six years as Group Finance Executive, providing leadership in all matters relating to the Group's financial reporting, financial planning and financial controls. Before joining the head office management team, he was the Head of Finance for BancABC Mozambique. He has worked closely with the finance teams in each of ABCH's countries of operation and is well-versed in all facets of the responsibilities of the Group Chief Financial Officer. Prior to joining ABCH in 2002, he worked for five years at PwC in Zambia and Kenya. He is a Chartered Accountant with membership to the ACCA and ICAEW and has an MBA from Oxford Brooke University.

Wallace left the employment of the Group on 30 June 2015.





DIRECTORS' RESPONSIBILITY STATEMENT

RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation, of the financial statements of the affairs of the Group at the end of the financial year and the net income and cash flow for the year, and other information contained in this annual report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Company and the Group to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead. The financial statements have accordingly been prepared on this basis.

The annual financial statements have been prepared in accordance with the provisions of the Botswana Companies Act Chapter 42:01 (as amended), the Botswana Stock Exchange Regulations and International Financial Reporting Standards relating to companies and banks.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of the Group, as identified in the first paragraph, were approved by the Board of Directors on 26 March 2015 and signed by:

D Khama
Acting Group Chairman

B Mudavanhu
Acting Group Chief Executive Officer

27 March 2015

DIRECTORS' REPORT

NATURE OF BUSINESS

ABC Holdings Limited (ABCH) delisted from the Botswana and Zimbabwe Stock exchanges on 30 January and 12 February 2015 respectively. ABCH is the holding company of the African Banking Corporation group of companies (trading under the brand name BancABC) which comprises diverse financial services activities in the areas of corporate banking, treasury services, Retail & SME Banking, asset management and stockbroking among other banking services. African Banking Corporation aims to deliver world-class financial solutions to the sub-Saharan African region.

SHARE CAPITAL

There was no change in the Company's share capital in 2014.

SHAREHOLDING

On 3 July 2014, Atlas Mara Limited (ATMA) launched a voluntary share-for-share takeover offer for the issued share capital of ADC African Development Corporation (ADC). On 21 August 2014, ATMA announced that the voluntary offer had become unconditional and that accordingly, it had acquired control of ADC and, by virtue of such acquisition, indirect holdings of ADC and hence indirect holdings of 96,970,923 of ABCH shares.

Following completion of the ADC acquisition and the ABCH acquisition, ATMA acquired directly or indirectly 246,183,895 ABCH shares, representing 95.83% of the issued share capital of ABC Holdings, for a total consideration of US$251 million (approximately US$98 million in cash and approximately US$153 million in shares, representing an acquisition price of US$0.82 per share, which was as at 1 September 2014 equal to BWP7.30 per share. The transactions gave rise to an affected transaction in terms of the Botswana Stock Exchange Listings Requirements. Consequently, ATMA was required to make a Mandatory Offer to all ABC Holdings shareholders who had not sold their shares to ATMA. Pursuant to the Mandatory Offer, Atlas Mara's shareholding in ABC Holdings increased to 98.7% in November 2014.

9%
GROWTH IN FINANCIAL ASSETS
HELD FOR TRADING

11%
TOTAL ASSETS
INCREASE

86%
INCREASE IN
COST TO INCOME RATIO

GROUP RESULTS

During 2014, the Group experienced mixed performance in the different markets in which we operate. The Group had an attributable loss of BWP438 million compared to an attributable profit of BWP198 million achieved in the prior year. This was largely due to increased impairments, as well as reduced margins compared to the prior year. Operating expenses also increased in anticipation of planned growth in transaction volumes.

The Group took a conservative view to increase impairment provisions for all non-performing loans. We view a large portion of the impairment charges for the year under review as once-off. A number of measures have been taken to improve our credit risk management processes to ensure that we have a quality loan portfolio across all segments. It is, therefore, our view that going forward, the Group's impairments should be in line with peers in the markets in which we operate.

The overall balance sheet of the Group remains strong. Customer deposits increased by 16% during the year and this was deployed mostly in liquid instruments and to a lesser extent in loans and advances. Loans and advances increased by 6%, financial assets held for trading by 9% and cash and short-term funds increased by 40%.

The financial statements have been prepared in accordance with International Financial Reporting Standards and the accounting policies of the Group, which are considered by the directors to be appropriate. Accounting policies have been applied in a manner consistent with that in the previous financial year and details of significant accounting policies can be found on pages 41 to 53.

SUBSIDIARY AND ASSOCIATED COMPANIES

Details of the Group's subsidiaries are set out in note 15 of the separate Company financial statements. Details of the Group associate companies are in note 13 of the consolidated Group financial statements.

ACQUISITIONS AND DISPOSALS

There were no acquisitions or disposals of subsidiaries during the year.

DIRECTORS' INTERESTS IN TRANSACTIONS

In terms of ABC Holdings Limited policy, directors are required to furnish details on an annual basis of their respective personal interests in business concerns, which are recorded in a specific register. Any interests by directors in transactions between the company and third parties were disclosed to committees that were responsible for approval prior to such approval being granted and interested parties are required to recuse themselves from any approval process. Details of lending exposures are provided in note 25 on related party transactions.

DIRECTORS' EMOLUMENTS

Directors' emoluments in respect of the Group's directors (executive and non-executive) are shown in note 4 to the financial statements. The earnings and perquisites of the Group Chief Executive Officer and executive management are approved by the Remuneration Committee of the Board.

DIRECTORS AND SECRETARIES

Full details of the directorate and the brief profiles of all directors are shown on pages 28 to 32. Details of the secretary are given on page 30. Brief CVs of directors eligible and available for re-election at the Annual General Meeting are included in the Notice of Shareholders.

DIVIDENDS

The directors do not recommend the payment of any dividends.

INSURANCE

ABC Holdings Limited and its subsidiaries are insured against banking risks, asset losses, professional indemnity and directors' and officers' claims at a level of cover, which is considered to be adequate by the directors.

POST-BALANCE SHEET EVENTS

There were no post-balance sheet events.


PASSION

VALUE 04

= OUR GROWTH

DESCRIBES OUR PEOPLE-FOCUSED, ACCESSIBLE, PERSONAL AND CUSTOMISED APPROACH, ANCHORED TO VITAL AFRICAN ENERGY. IN SHORT, WE ARE PASSIONATE BECAUSE WE BELIEVE IN AND LOVE WHAT WE DO.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

KPMG, Chartered Accountants
Audit
Plot 67977, Off Tlokweng Road,
Fairground Park
PO Box 1519, Gaborone, Botswana

Telephone +267 391 2400
Fax +267 397 5281
Web http://www.kpmg.com/

Independent Auditor's Report
To the members of ABC Holdings Limited

We have audited the consolidated and separate annual financial statements of ABC Holdings Limited, which comprise the consolidated and separate statements of financial position at 31 December 2014, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate changes in equity and consolidated and separate cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set on pages 41 to 153.

Directors' Responsibility for the Financial Statements
The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of ABC Holdings Limited at 31 December 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG
Certified Auditors
Practising Member: AG Devlin (19960060.23)

Gaborone
13 April 2015

Significant accounting policies

FOR THE YEAR ENDED 31 DECEMBER 2014

REPORTING ENTITY

ABC Holdings Limited (the 'Company') is domiciled in Botswana. The consolidated financial statements of the Company for the year ended 31 December 2014 include the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and its jointly controlled entities.

STATEMENT OF COMPLIANCE

The Group prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The accounting policies disclosed for the consolidated financial statements apply equally to the Company's separate financial statements unless otherwise specified. In preparing these financial statements, the Group adopted the following interpretations effective in 2014 that are relevant to the Group:

- Amendments to IAS 32, 'Financial Instruments: Presentation' on offsetting financial assets and financial liabilities (effective from 1 January 2014).
- Amendments to IAS 36, 'Impairment of Assets' on recoverable amount disclosures for non-financial assets (effective from 1 January 2014).
- Amendments to IFRS 10, 'Consolidated Financial Statements', IFRS 12, 'Disclosure of Interests in Other Entities' and IAS 27, 'Consolidated and Separate Financial Statements' on the exception to consolidation for investment entities (effective from 1 January 2014).
- Amendments to IAS 39, 'Financial Instruments' on recognition and measurement novation of derivatives and continuation of hedge accounting (effective from 1 January 2014).
- IFRIC 21, 'Levies' (effective from 1 January 2014). This is an interpretation of IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' that clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The above changes had no impact on the Group's financial statements for the current period.

The Group has chosen not to early adopt the following standards and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2014:

- Amendments to IAS 19, 'Employee Benefits' on defined benefit plans. The amendment provides clarity on the treatment of contributions from employees or third parties which are linked or not linked to employee services in one or several accounting periods. The amendment is effective for annual periods beginning on or after 1 July 2014. The adoption of the amendment, when it becomes effective, is not expected to have any material impact on the Group's financial statements.
- Annual improvements 2010 – 2012 (effective from 1 July 2014). This covers amendments to the following standards:
  - IFRS 2, 'Share-based Payment'.
  - IFRS 3, 'Business Combinations'.
- Annual improvements 2010 – 2012 (effective from 30 June 2015). This covers amendments to the following standards:
  - IFRS 8, 'Operating Segments'.
  - IAS 16, 'Property, Plant and Equipment'.
  - IAS 38, 'Intangible Assets'.
  - IAS 24, 'Related Party Disclosures'.
- Annual improvements 2011 – 2013 (effective from 1 July 2014). This covers amendments to the following standards:
  - IFRS 1, 'First-time Adoption'.
  - IFRS 3, 'Business Combinations'.
  - IFRS 13, 'Fair Value Measurement'.
  - IAS 40, 'Investment Property'.
- Annual improvements 2012 – 2014 (effective from 1 January 2016). This covers amendments to the following standards:
  - IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations' regarding methods of disposal.
  - IFRS 7, 'Financial Instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
  - IAS 19, 'Employee Benefits' regarding discount rates.
  - IAS 34, 'Interim Financial Reporting' regarding disclosure of information.
- Amendments to IAS 1, 'Presentation of Financial Statements', which provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The adoption of the amendments, when they become effective, is not expected to have any material impact on the Group's financial statements.
- Amendments to IFRS 11, 'Joint Arrangements' in relation to accounting for acquisitions of interests in joint operations. The amendment is effective for annual periods beginning on or after 1 January 2016. The adoption of the amendment, when it becomes effective, is not expected to have any material impact on the Group's financial statements.
- Amendments to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets', which provides clarification of acceptable methods of depreciation and amortisation. The amendment is effective for annual periods beginning on or after 1 January 2016. The adoption of the amendment, when it becomes effective, is not expected to have any material impact on the Group's financial statements.
- Amendments to IAS 27, 'Consolidated and Separate Financial Statements' to allow equity accounting in separate financial statements. The amendment is effective for annual periods beginning on or after 1 January 2016. The adoption of the amendment, when it becomes effective, is not expected to have any material impact on the Group's financial statements.
- Amendments to IFRS 10, 'Consolidated Financial Statements' and IAS 28, 'Investment in Associates and Joint Ventures'. The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments are effective for annual periods beginning on or after 1 January 2016. The adoption of the amendments, when they become effective, is not expected to have any material impact on the Group's financial statements.

- IFRS 15, 'Revenue from Contracts with Customers'. The standard replaces IAS 11, 'Construction Contracts' and IAS 18, 'Revenue' and is applicable for annual periods beginning on or after 1 January 2017. The adoption of this standard, when it becomes effective, is not expected to have any material impact on the Group's financial statements.
- IFRS 9, 'Financial Instruments'. This standard will have a significant impact on the Group, which will include changes in the measurement basis of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an 'incurred loss' model in IAS 39 to an 'expected credit loss' model, which is likely to increase the provision for bad debts recognised in the Group. The standard is effective for annual periods beginning on or after 1 January 2018.

BASIS OF PREPARATION

The Group presents accounts in accordance with IFRS. The consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the revaluation of financial instruments classified as available-for-sale, financial assets and liabilities held 'at fair value through profit or loss', land and buildings and investment properties.

The consolidated financial statements comprise the consolidated income statement and statement of comprehensive income shown as two statements, the statement of financial position, the statement of changes in equity, the cash flow statement and the notes. The Group classifies its expenses by the nature of expense method, and presents its cash flows using the indirect method.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below:

Fair value of financial instruments

Many of the Group's financial instruments are measured at fair value on the balance sheet and it is usually possible to determine their fair values within a reasonable range of estimates. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of judgement, (e.g. interest rates, volatility and estimated cash flows) and therefore cannot be determined with precision.

The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Impairment of loans and advances

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

During the current reporting period, impairments on loans and advances, mostly from the corporate sector, increased significantly. This was largely due to changes in the macro-economic environment in some of the markets such as Zimbabwe which increased the default risk for most borrowing customers. This position is not expected to be a permanent one and the Group has put in place mechanisms to minimise losses despite the tough operating environment.

Held-to-maturity investments

The Group follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire category as available-for-sale. The investments would therefore be measured at fair value, not amortised cost.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The recognition of deferred tax assets is based on profit forecasts made by management of the particular Group Company where the asset has arisen. These forecasts take into account the Group's re-capitalisation plans of the subsidiary and market conditions prevailing in the economy in which the Company operates.

Goodwill impairment

The Group assesses goodwill for impairment on an annual basis based on value in use calculations. Significant estimates and judgements are applied in projecting the future pre-tax cash flows, the appropriate growth and discount rates. The assumptions applied in testing goodwill for impairments at year end are discussed in note 17.

Impairment of associates

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Botswana Pula (BWP), which is the Company's functional currency and the Group's presentation currency. Except as indicated, financial information presented in BWP has been rounded off to the nearest thousand. Each entity in the Group determines its own functional currency.

If the functional currency of the foreign subsidiaries does not correspond to that of the Group, their financial statements are translated into Botswana Pula. Equity items are translated at historical rates, while asset and liability items are translated at the closing rate. The subsidiaries' income and expense items are translated using average rates. Foreign exchange differences arising on translation are recognised as foreign currency translation reserve in equity. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments are treated as assets or liabilities of the foreign operation and translated at the closing rate.

BASIS OF CONSOLIDATION

SUBSIDIARIES

Subsidiaries are those enterprises controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. Accounting policies of subsidiaries conform to the policies adopted by the Group. Investments in subsidiaries are accounted for at cost less impairment losses in the Company accounts. The carrying amounts of these investments are reviewed annually and written down for impairment where considered necessary.

For acquisitions achieved in stages, interests already held are re-measured through profit or loss.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

INTERESTS IN EQUITY ACCOUNTED INVESTEES

The Group's interests in equity accounted investees comprise interests in associates. Associates are those enterprises in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the total gains and losses of associates on an equity accounted basis, from the date significant influence commences until the date that significant influence ceases. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement; its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Goodwill arising on acquisition is included in the carrying amount of the investment. Investments in associates are accounted for at cost less impairment losses in the Company's separate financial statements.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the sum of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Transaction costs for any business combinations are recognised within profit and loss as and when they are incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39, 'Financial Instruments: Recognition and Measurement', is measured at fair value with changes in fair value recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

The Group elects to measure non-controlling interests on the acquisition date at either fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets.

GOODWILL

Goodwill is any excess of the cost of an acquisition over the Group's interest in the fair value of the identifiable assets and liabilities acquired. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested annually for impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained. Impairment losses are recognised in the income statement.

The excess of the fair value of the Group's share of the identifiable net assets acquired over the cost of the acquisition is recorded immediately in the income statement as a gain on bargain purchase.

TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Transactions, including partial disposals, with non-controlling interests shareholders that do not result in the gain or loss of control, are accounted for as transactions with equity holders of the Group. For purchases of additional interests from non-controlling interests, the excess of the purchase consideration over the Group's proportionate share of the subsidiary's additional net asset value of the subsidiary acquired is accounted for directly in equity. For disposals to non-controlling shareholders, the profit or losses on the partial disposal of the Group's interest in a subsidiary to non-controlling interests is also accounted for directly in equity. All acquisition or disposal related costs are expensed.

COMMON CONTROL TRANSACTIONS

Entities are under common control when the combining entities or businesses are ultimately controlled by the Group both before and after the combination and where control is not transitory. The Group in a business combination under common control does not restate any assets and liabilities to their fair values. Instead, the Group incorporates the assets and liabilities at their pre-combination carrying amounts without fair value uplift. No goodwill is recorded. Any difference between the cost of investment and the carrying value of the net assets is recorded in equity, which could impact on distributable profits, depending on local legislation. This applies whether the consideration was for shares or cash. The Group's financial statements include the acquired entity's results from the date of the business combination.

In the separate financials, the acquirer and transferor account for common control transactions on the basis that the parties are separate entities in their own right and the accounting reflects the actual terms of the transaction. The acquirer accounts for the transaction at the actual price paid. In the transferor's books, the difference between the consideration received and the carrying amount of the investment is recognised immediately to profit or loss.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange gains and losses arising on translation are recognised in the income statement and shown under non-interest income, except when deferred in equity as qualifying net investment hedges. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in equity.

RECOGNITION OF ASSETS AND LIABILITIES

Assets are recognised when the Group irrevocably gains control of a resource from which future economic benefits are expected to flow to the Group. Liabilities are recognised when the Group has a legal or constructive obligation as a result of past events and a reliable estimate of the amount of the obligation, or outflow of resources from the Group can be made. If there is a possible obligation or outflow of resources from the Group or where a reliable estimate is not available, a contingent liability is disclosed.

DERECOGNITION OF ASSETS AND LIABILITIES

An asset is derecognised when the Group loses control over the contractual rights that comprise the asset. A liability is derecognised when it is extinguished.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances on hand; cash deposited with banks and short-term highly liquid investments with maturities of three months or less when purchased. For cash flow purposes cash and cash equivalents include bank overdrafts.

PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables that are not financial assets are carried at amortised cost. Identifiable risks of default are accounted for by means of write-downs.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

INITIAL RECOGNITION

The Group initially recognises loans and receivables, deposits, debt securities and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for items not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Financial liabilities include deposits, other borrowed funds and derivative financial liabilities. Deposits and other borrowed funds are initially measured at fair value plus transaction costs and subsequently measured at their amortised cost, using the effective interest method. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instruments as a whole the amount separately determined for the debt component.

CLASSIFICATION

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

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

The Group classifies its financial liabilities, other than financial guarantees and commitments, as measured at amortised cost or fair value through profit or loss.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category has two subcategories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading, unless they are designated as hedging instruments. Financial assets and financial liabilities are designated at fair value through profit or loss when:

- doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost for loans and advances to customers or banks and debt securities in issue;
- certain investments, such as equity investments, are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit or loss; or
- financial instruments, such as debt securities held, containing one or more embedded derivatives that could significantly modify the cash flows, are designated at fair value through profit or loss.

The fair value designation, once made, is irrevocable. Subsequent to initial recognition, the fair values are re-measured at each reporting date. Gains and losses arising from changes therein are recognised in interest income for all dated financial assets and in non-interest income for all undated financial assets. Financial assets at fair value through profit or loss are measured at initial recognition and subsequently at fair value based on quoted market price using the bid/offer mid rate at the balance sheet date. If there is no quoted market price in an active market, the instruments are measured using valuation models. All changes in fair value are recognised in the income statement.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the short-term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that the entity upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and advances are accounted for on an amortised cost basis using the effective interest method. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate. The majority of the Group's advances are included in the loans and receivables category. They are stated net of allowances for specific and portfolio impairment. Included in loans and advances are finance lease receivables. Finance lease receivables are those leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset. Finance lease charges are recognised in income using the effective interest method.

HELD-TO-MATURITY INVESTMENTS

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or financial assets that are not designated as another category of financial assets. Available-for-sale quoted investments are valued at market value using the bid/offer mid rate. Unlisted equity investments and instruments for which there is no quoted market price are measured using valuation models. Where the valuation models may not produce reliable measurement, the unquoted investments are stated at cost. Available-for-sale investments are marked to market and any gains or losses arising from the revaluation of investments are shown in shareholders' equity as available-for-sale reserves. On realisation of the investment, the available-for-sale reserves are transferred to the income statement. Interest income, calculated using the effective interest method, is recognised in the income statement. Dividends received on available-for-sale instruments are recognised in the income statement when the Group's right to receive payment has been established. Foreign exchange gains or losses on available-for-sale debt investments are recognised in the income statement.

FAIR VALUE

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values which the Group Chief Financial Officer oversees. The Group also uses third party specialist valuers for more complex Level 3 instruments.

The valuation team within the Group's Finance function regularly reviews significant unobservable inputs and valuation adjustments used to measure fair values to assess whether the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included under the fair value section on pages 78 to 84.

IMPAIRMENT OF FINANCIAL ASSETS

(A) ASSETS CARRIED AT AMORTISED COST

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

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

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is recognised in profit or loss by adjusting the allowance account. Subsequent to impairment, the effects of the unwinding of the discount is recognised in profit or loss as interest income.

(B) ASSETS CLASSIFIED AS AVAILABLE-FOR-SALE

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. A decline in excess of 20% is regarded as significant and a decline in fair value that persists for nine months or more is considered to be prolonged. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

(C) RENEGOTIATED LOANS

If the terms of a loan are renegotiated or modified or an existing loan is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the loan should be derecognised. If the cash flows of the renegotiated loan are substantially different, then the contractual rights to cash flows from the original loan are deemed to have expired. In this case, the original loan is derecognised and the new financial asset is recognised at fair value.

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due.

(D) COLLATERAL VALUATION

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

(E) COLLATERAL REPOSSESSED

The Group's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to prepayments and other receivables at their fair value at the repossession date and sold to third parties.

OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. Where fair value is determined using valuation techniques whose variables include non-observable market data, the difference between the fair value and the transaction price ('the day one profit or loss') is not recognised in the income statement, but it is deferred in the balance sheet and released to the income statement over the life of the derivative. However, where observable market factors that market participants would consider in setting a price subsequently become available, the balance of the deferred day one profit or loss is released to profit or loss.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Certain derivatives embedded in other financial instruments, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement unless the Group chooses to designate the hybrid contracts at fair value through profit or loss. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- hedges of a net investment in a foreign operation (net investment hedge); or
- derivatives that do not qualify for hedge accounting.

Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The Group documents at inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

(A) FAIR VALUE HEDGE

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Effective changes in fair value of interest rate swaps and related hedged items are reflected in 'non-interest income – net gains/losses on derivative financial instruments'. Effective changes in fair value of currency futures are reflected in 'non-interest income – forex trading income and currency revaluation'. Any ineffectiveness is recorded in 'non-interest income – gains on financial assets at fair value through profit or loss'. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

(B) NET INVESTMENT HEDGE

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income and presented in the foreign currency translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

(C) DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement under 'non-interest income – gains on financial assets at fair value through profit or loss – held for trading'. However, the gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in 'non-interest income – gains on financial assets at fair value through profit or loss – designated at fair value'.

FINANCIAL GUARANTEES

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities. Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight-line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. Any increase in the liability relating to guarantees is taken to the income statement under impairment of loans and advances.

DERECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires. The Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include securities lending and repurchase agreements. When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

REPURCHASE AGREEMENTS

Securities sold subject to linked repurchase agreements (repos) are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral. The liability to the counterparty is included under deposit and current accounts. Securities purchased under agreements to resell (reverse repos) are recorded as loans granted under resale agreements and included under loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and amortised over the life of the repurchase agreement using the effective interest method. Securities lent to counterparties are retained in the financial statements and are classified and measured in accordance with the accounting policy on financial instruments. Securities borrowed are not recognised in the financial statements unless these are sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions.

PROPERTY AND EQUIPMENT

Land and buildings are shown at fair value based on annual valuations by external independent valuers under hyperinflationary economies, otherwise at least once every three years. However, management conducts annual assessments, to ensure that the carrying amount of land and buildings is not significantly different from fair value. Surpluses and deficits arising thereon are transferred to the property revaluation reserve in equity. The revaluation surplus or deficit is reversed when the asset is disposed of. All other items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment. Owner-occupied properties are held for use in the supply of services or for administrative purposes. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of the property and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 40 – 50 years
- Computer and office equipment 3 – 5 years
- Furniture and fittings 5 – 10 years
- Motor vehicles 4 – 5 years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group. The cost of day-to-day servicing of property and equipment are recognised in the income statement as incurred.

INVESTMENT PROPERTY

Investment properties are properties which are held by the Group either to earn rental income or for capital appreciation or for both. Investment property is stated at fair value determined annually by an independent registered valuer under hyper-inflationary economies, otherwise at least once every three years. Fair value is based on open market value and any gain or loss arising is recognised in the income statement. Fair value adjustments on investment properties are included in the income statement as investment gains or losses in the period in which these gains or losses arise and are adjusted for any double counting arising from the recognition of lease income on the straight-line basis compared to the accrual basis normally assumed in the fair value determination. The deemed cost for any reclassification between investment properties and owner occupied properties is its fair value, at the date of reclassification.

INTANGIBLE ASSETS OTHER THAN GOODWILL

SOFTWARE

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life is three to five years. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary. There have been no changes in the estimated useful lives from those applied in the previous financial year.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). In determining value in use, the estimated future cash flows are discounted using a current market interest rate, which reflects the asset's specific risks. An impairment loss is immediately recorded as an expense. Non-financial assets other than goodwill and other indefinite lived assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognised when the Group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract. Contingent liabilities, which include certain guarantees other than financial guarantees, and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements.

MANAGED FUNDS AND TRUST ACTIVITIES

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

SHARE CAPITAL

REPURCHASE OF SHARE CAPITAL

Shares repurchased by Group companies are classified as treasury shares, and held at cost. These shares are treated as a deduction from the issued share capital and the cost price of the shares is presented as a deduction from total equity. Fair value changes recognised in the subsidiary's financial statements on equity investments in the holding entity's shares, are reversed on consolidation and dividends received are eliminated against dividends paid. Where such shares are subsequently sold or re-issued, any consideration received is included in shareholders' equity.

DIVIDENDS

Dividends are recognised as a liability in the period in which they are approved by shareholders. Dividends declared are recognised directly in equity.

SHARE ISSUE COSTS

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

OTHER RESERVES

The reserves recorded in equity (other comprehensive income) on the Group's balance sheet include:

- available-for-sale reserve, which comprises changes in fair value of available-for-sale investments;
- property revaluation reserve, which comprises changes in fair value of land and buildings;
- foreign currency translation reserve, which is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging;
- regulatory general credit risk reserve, which comprises any excess loan impairment reserves over those computed using IFRS provisions;
- statutory reserve, which comprises any retained earnings amounts that regulatory authorities prescribe to be held separately from distributable reserves; and
- convertible bond reserve, which records portions of compound financial liabilities that qualify as equity.

OPERATING INCOME

Income such as revenue derived from service fees, net interest income, commissions, net surplus arising from trading activities and other income are included in net income from operations.

INTEREST

Interest income and interest expense are recognised in the income statement for all interest-bearing financial instruments on an accruals basis using the effective yield method except for those classified as held for trading based on the original settlement amount. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest earned on accounts, which have been in arrears for three months or more is credited to an interest in suspense account. This interest is only recognised in the income statement when the account is no longer in arrears.

FEE AND COMMISSION INCOME

Fee and commission income arises from services provided by the Group, including cash management, project and structured trade finance transactions. Fee and commission income is recognised when the corresponding service is provided and receipt of the fee is certain. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period.

NET TRADING INCOME

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

DIVIDEND INCOME
Dividend income is recognised in the income statement on the date that the dividend is declared.

RENTAL INCOME
Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of total rental income.

OTHER NON-INTEREST INCOME
Revenue and income from the provision of services is recognised when the amount of income and the costs in connection with providing the services, as well as the percentage of completion can be reliably measured as of the reporting date.

LEASES
GROUP AS LESSEE
Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the leases' inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor. Leases of assets are classified as operating leases if the lessor effectively retains all the risks and rewards of ownership. Payments made under operating leases, net of any incentives received from the lessor are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

GROUP AS LESSOR
Lease and instalment sale contracts are primarily financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances on the balance sheet. Finance charges earned are computed using the effective interest method, which reflects a constant periodic return on the investment in the finance lease. Initial direct costs paid are capitalised to the value of the lease amount receivable and accounted for over the lease term as an adjustment to the effective rate of return. The benefits arising from investment allowances on assets leased to clients are accounted for in tax. Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases. Receipts of operating leases from properties held as investment properties in investment management net of any incentives given to lessees, are accounted for as rental income on the straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required by the lessee by way of penalty is recognised as income in the period in which termination takes place.

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

EMPLOYEE BENEFITS
DEFINED CONTRIBUTION PLANS
The contributions are recognised as an expense in the income statement as incurred.

SHORT-TERM EMPLOYEE BENEFITS
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

TAXATION
Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Additional income taxes that arise from the distribution of dividend are recognised at the same time as the liability to pay the related dividend is recognised. Deferred tax assets and liabilities are recognised for temporary differences between the tax base of the assets and liabilities and their carrying amounts pursuant to the IFRS financial statements. Deferred tax assets or liabilities are measured using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is not recognised for the following temporary differences:

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

Deferred tax assets for temporary differences and for unused tax losses are recognised at the probable amount of temporary differences or unused tax losses that can be offset against future positive taxable income. Current and deferred tax relating to items that are charged or credited directly to equity, are also charged or credited directly to equity and are subsequently recognised in the income statement when the related deferred gain or loss is recognised.

SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group Executive Committee as its chief operating decision maker. All transactions between business segments are conducted on an arm´s length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance. In accordance with IFRS 8, the Group has the following operating segments: Banking operations in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe and non-banking operations arising from ABCH and non-banking subsidiaries.

Financial risk management

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

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by Group Risk, under policies approved by the Board of Directors. The Board approves principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate risk and price risk.

CREDIT RISK

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

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; refer to 'Risk and Governance report' on page 22. 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 Executive Committee reports to the Board and is responsible for approval of credit decisions that are above country limits, recommendations on exposure limits and impairment policies. There is also a Board Credit Committee that approves any loans above the EXCO limit.

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

CREDIT RISK MANAGEMENT

LOANS AND ADVANCES

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

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

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

GROUP'S INTERNAL RATING SCALE

Category	Description
Performing	The credit appears satisfactory
Special mention	The credit appears satisfactory but exhibits potential or inherent weaknesses which, if not attended to, may weaken the asset or prospects of collection in full, e.g. poor documentation or 30 days but less than 90 days in arrears
Sub-standard	The credit has defined weaknesses that may jeopardise 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

RISK LIMIT CONTROL AND MITIGATION POLICIES

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

(A) COLLATERAL

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

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

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

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

(B) MASTER NETTING ARRANGEMENTS

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

(C) CREDIT-RELATED COMMITMENTS

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

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

(D) DERIVATIVES

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

IMPAIRMENT POLICIES

The impairments shown in the statement of financial position at year end are derived from each of the five internal rating grades, adjusted for the provision of IAS 39. The table below shows the percentage of the Group's on- and off-balance sheet items relating to loans and advances and the associated impairment for each of the Group's internal rating categories.

IMPAIRMENT CLASSIFICATION

	2014		2013	
Category	**Loans and advances (%)**	**Impairments (%)**	Loans and advances (%)	Impairments (%)
Performing	71	14	78	13
Special mention	13	3	12	5
Sub-standard	6	19	2	9
Doubtful	3	12	2	9
Loss	7	52	6	64
	100	**100**	**100**	**100**

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

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

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

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

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

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet financial instruments, before taking into account any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements. For financial assets recognised on the statement of financial position, the exposure to credit risk equals their carrying amount before deducting impairments. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the guarantees are called upon. For loan commitments and other credit-related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities. Investment in associates and listed equities have been excluded as they are regarded as primarily exposing the Group to market risk.

Credit risk exposures relating to on-balance sheet assets are as follows:

BWP'000s	2014	2013
Placements with other banks	2,928,491	2,030,148
Derivative financial assets	595	27,636
Financial assets held for trading	1,378,618	1,260,049
– Government bonds	180,701	71,892
– Corporate bonds	92,753	35,803
– Treasury bills	1,105,164	1,152,354
Financial assets designated at fair value	197,817	257,215
– Listed debentures	–	33,887
– Unlisted equities and debentures	197,817	223,328
Loans and advances to customers at amortised cost	12,150,592	11,166,059
– Mortgage lending	471,711	349,044
– Instalment finance	649,535	670,372
– Corporate lending	5,291,269	5,381,767
– Commercial and property finance	114,017	53,716
– Consumer lending	5,624,060	4,711,160
Investment securities	65,898	65,450
– Promissory notes	53,193	49,523
– Unlisted equities	12,705	15,927
	16,722,011	**14,806,557**
Contingent liabilities		
Credit exposures relating to off-balance sheet items are as follows:		
Guarantees	779,858	671,224
Loan commitments and other credit-related facilities	471,897	99,522
	1,251,755	**770,746**

73% (2013: 75%) of the total maximum exposure is derived from loans and advances, while 8% (2013: 9%) represents financial assets held for trading.

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

- 84% (2013: 90%) of the gross loans and advances portfolio is categorised in the top two grades of the internal rating system;
- of these amounts, 71% (2013: 78%) of the gross loans and advances portfolio is considered to be 'neither past due nor impaired';
- 16% (2013: 10%) of gross loans and advances are 'individually impaired';
- the Group continues to improve its credit selection and monitoring processes; and
- loans and advances to corporates are generally backed by collateral.

Analysis of maximum exposure to credit risk and collateral and other credit enhancements

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

Type of collateral or credit enhancement

	Fair value of collateral and credit enhancements held			
31 December 2014	**Maximum exposure to credit risk**	**Cash**	**Securities**	**Letters of credit/ guarantees**
Placement with other banks	**2,928,491**	**–**	**–**	**–**
Derivate financial assets				
– Forward foreign exchange contracts	595	–	–	–
	595	**–**	**–**	**–**
Financial assets held for trading				
– Government bonds	180,701	–	–	–
– Treasury bills and other open market instruments	1,105,164	–	–	–
– Bankers' acceptance and commercial paper	92,753	–	–	–
	1,378,618	**–**	**–**	**–**
Financial assets designated at fair value				
– Unlisted equities and debentures	197,817	–	–	–
	197,817	**–**	**–**	**–**
Loans and advances to customers at amortised cost				
– Mortgage lending	471,711	228	–	–
– Instalment finance	649,535	16,149	–	6,007
– Corporate lending	5,291,269	219,148	–	105,021
– Commercial and property finance	114,017	–	–	–
– Consumer lending	5,624,060	14,222	–	10,838
	12,150,592	**249,747**	**–**	**121,866**
Investment securities				
– Promissory notes	53,193	–	–	–
– Unlisted equities	12,705	–	–	–
	65,898	**–**	**–**	**–**
	16,722,011	**249,747**	**–**	**121,866**
Off-balance sheet items				
Letters of credit for customers	471,897	–	–	2,627
Guarantees	779,858	131,699	–	144,200
	17,973,766	**381,446**	**–**	**268,693**

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

Fair value of collateral and credit enhancements held					
Property	Other*	Netting agreements	Surplus collateral	Total collateral	Net exposure
–	**–**	**–**	**–**	**–**	**2,928,491**
–	–	–	–	–	595
–	**–**	**–**	**–**	**–**	**595**
–	–	–	–	–	180,701
–	–	–	–	–	1,105,164
–	–	–	–	–	92,753
–	**–**	**–**	**–**	**–**	**1,378,618**
–	–	–	–	–	197,817
–	**–**	**–**	**–**	**–**	**197,817**
378,960	–	–	–	379,188	92,523
147,513	426,457	–	–	596,126	53,409
3,173,302	1,509,487	–	–	5,006,958	284,311
51,532	–	–	–	51,532	62,485
363,811	32,931	–	–	421,802	5,202,258
4,115,118	**1,968,875**	**–**	**–**	**6,455,606**	**5,694,986**
–	–	–	–	–	53,193
–	–	–	–	–	12,705
–	**–**	**–**	**–**	**–**	**65,898**
4,115,118	**1,968,875**	**–**	**–**	**6,455,606**	**10,266,405**
435	4,183	–	–	7,245	464,652
187,034	47,384	–	–	510,317	269,541
4,302,587	**2,020,442**	**–**	**–**	**6,973,168**	**11,000,598**

Type of collateral or credit enhancement

31 December 2013	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held: Cash	Securities	Letters of credit/ guarantees
Placement with other banks	**2,030,148**	**–**	**–**	**–**
Derivate financial assets				
– Forward foreign exchange contracts	27,636	–	–	–
	27,636	**–**	**–**	**–**
Financial assets held for trading				
– Government bonds	71,892	–	–	–
– Treasury bills and other open market instruments	1,152,354	–	–	–
– Bankers' acceptance and commercial paper	35,803	–	–	–
	1,260,049	**–**	**–**	**–**
Financial assets designated at fair value				
– Listed debentures	33,887	–	–	–
– Unlisted equities and debentures	223,328	–	–	–
	257,215	**–**	**–**	**–**
Loans and advances to customers at amortised cost				
– Mortgage lending	349,044	–	–	–
– Instalment finance	670,372	–	–	–
– Corporate lending	5,381,767	194,494	199,936	118,179
– Commercial and property finance	53,716	–	–	–
– Consumer lending	4,711,160	91,459	–	–
	11,166,059	**285,953**	**199,936**	**118,179**
Investment securities				
– Promissory notes	49,523	–	–	–
– Unlisted equities	15,927	–	–	–
	65,450	**–**	**–**	**–**
	14,806,557	**285,953**	**199,936**	**118,179**
Off-balance sheet items				
Letters of credit for customers	99,522	30,672	–	–
Guarantees	671,224	–	–	–
	15,577,303	**316,625**	**199,936**	**118,179**

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

Fair value of collateral and credit enhancements held					
Property	Other*	Netting agreements	Surplus collateral	Total collateral	Net exposure
–	**–**	**–**	**–**	**–**	**2,030,148**
–	–	–	–	–	27,636
–	**–**	**–**	**–**	**–**	**27,636**
–	–	–	–	–	71,892
–	–	–	–	–	1,152,354
–	–	–	–	–	35,803
–	**–**	**–**	**–**	**–**	**1,260,049**
–	–	–	–	–	33,887
–	–	–	–	–	223,328
–	**–**	**–**	**–**	**–**	**257,215**
323,331	–	–	–	323,331	25,713
122,230	30,528	–	–	152,758	517,614
2,214,003	881,371	–	–	3,607,983	1,773,784
40,948	12,767	–	18,063	71,778	(18,062)
256,170	11,505	–	–	359,134	4,352,026
2,956,682	**936,171**	**–**	**18,063**	**4,514,984**	**6,651,075**
–	–	–	–	–	49,523
–	–	–	–	–	15,927
–	**–**	**–**	**–**	**–**	**65,450**
2,956,682	**936,171**	**–**	**18,063**	**4,514,984**	**10,291,573**
–	–	–	–	30,672	68,850
–	–	–	–	–	671,224
2,956,682	**936,171**	**–**	**18,063**	**4,545,656**	**11,031,647**

NATURE OF SECURITY HELD

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

CREDIT QUALITY

LOANS AND ADVANCES

The following tables reflect broadly, stable credit quality across the majority of the Group's businesses.

Distribution of loans and advances by credit quality:

BWP'000s	2014	2013
Neither past due nor impaired	8,594,969	8,652,045
Past due but not impaired	1,633,376	1,395,703
Individually impaired	1,922,247	1,118,311
Gross loans and advances	12,150,592	11,166,059
Less: Allowance for impairment	(924,476)	(611,360)
Net loans and advances	**11,226,116**	**10,554,699**

The total impairment of loans and advances is BWP924.5 million (2013: BWP611.4 million).

Further information on the impairment allowance for loans and advances to customers is provided in notes 2 and 10.

During the year ended 31 December 2014, the Group's total gross loans and advances increased by 9% (2013: increased by 18%), attributable to continued expansion in consumer and personal loans in Tanzania, Mozambique and Zimbabwe. Loans and advances are now evenly split between corporate and retail clients.

(a) Distribution of loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted below:

Internal grade: Performing

BWP'000s	2014	2013
Mortgage lending	361,513	279,535
Instalment finance	418,887	436,890
Corporate lending	2,991,988	3,639,197
Commercial and property finance	30,668	42,935
Consumer lending	4,791,913	4,253,488
	8,594,969	**8,652,045**

(b) Loans and advances past due but not impaired: age analysis

Internal grade: Special mention

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired.

Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

2014		**Days past due**		
BWP'000s	**1 – 30 days**	**31 – 60 days**	**61 – 90 days**	**Total**
Internal grade: Special mention				
Mortgage lending	71,999	23,777	9,695	105,471
Instalment finance	105,226	13,102	463	118,791
Corporate lending	710,404	96,158	108,634	915,196
Commercial and property finance	141	–	6,686	6,827
Consumer lending	236,625	161,295	89,171	487,091
	1,124,395	**294,332**	**214,649**	**1,633,376**

2013		Days past due		
BWP'000s	1 – 30 days	31 – 60 days	61 – 90 days	Total
Internal grade: Special mention				
Mortgage lending	25,256	34,214	2,751	62,221
Instalment finance	34,032	11,032	15,964	61,028
Corporate lending	509,630	190,903	267,411	967,944
Commercial and property finance	8,675	–	1,573	10,248
Consumer lending	186,918	89,147	18,197	294,262
	764,511	**325,296**	**305,896**	**1,395,703**

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets.

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

(c) Loans and advances individually impaired

The individually impaired loans and advances before taking into consideration the cash flows from collateral held is as follows:

	2014	2013
Mortgage lending	4,728	7,315
Instalment finance	111,856	46,014
Corporate lending	1,384,086	901,403
Commercial and property finance	76,520	536
Consumer lending	345,057	163,043
	1,922,247	**1,118,311**

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

REPOSSESSED COLLATERAL

During 2014, the Group obtained assets by taking possession of collateral held as security. At 31 December 2014, these comprised of:

Nature of assets	2014	2013
Property	12,905	14,572
Motor vehicles	1,328	725
Carrying amount	**14,233**	**15,297**

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

Repossessed property is classified in the statement of financial position under prepayments and other receivables. Repossessed property is moderately liquid with a readily available market. The Group normally recovers at least 90% of the carrying amount of each property.

OTHER CLASSES OF FINANCIAL ASSETS

All other classes of financial assets are allocated the internal grade ‘performing’ and are neither past due nor impaired.

These classes of financial assets are subjected to the same credit processes as loans and advances.

CONCENTRATION RISK OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE

(a) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2014.

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

2014 BWP'000s	**Botswana**	**Mozam-bique**	**Tanzania**	**Zambia**	**Zimbabwe**	**Other**	**Total**
Placements with other banks	552,952	551,682	407,378	755,055	368,223	293,201	2,928,491
Financial assets held for trading	576,274	172,905	83,641	370,297	175,501	–	1,378,618
Financial assets designated at fair value	–	–	103,588	–	9,032	94,229	206,849
Derivative financial assets	332	263	–	–	–	–	595
Loans and advances (net of impairments)	3,817,704	1,748,500	740,274	1,354,463	3,564,655	520	11,226,116
Investment securities	53,193	5,784	5,466	390	7,199	–	72,032
Prepayments and other receivables	9,985	17,935	15,899	24,345	191,312	7,512	266,988
Current tax assets	–	10,040	17,418	29,052	21,046	411	77,967
	5,010,440	**2,507,109**	**1,373,664**	**2,533,602**	**4,336,968**	**395,873**	**16,157,656**

2013 BWP'000s	Botswana	Mozam-bique	Tanzania	Zambia	Zimbabwe	Other	Total
Placements with other banks	493,699	329,381	116,702	417,987	659,472	12,907	2,030,148
Financial assets held for trading	504,183	297,813	211,571	192,316	54,166	–	1,260,049
Financial assets designated at fair value	–	–	102,766	–	38,224	120,562	261,552
Derivative financial assets	–	166	26,986	240	244	–	27,636
Loans and advances (net of impairments)	3,502,381	1,471,361	754,073	1,417,375	3,404,356	5,153	10,554,699
Investment securities	49,523	5,962	5,530	2,084	4,876	–	67,975
Prepayments and other receivables	17,174	9,446	16,138	27,437	190,297	1,159	261,651
Current tax assets	8,630	5,285	17,622	–	1,455	–	32,992
	4,575,590	**2,119,414**	**1,251,388**	**2,057,439**	**4,353,090**	**139,781**	**14,496,702**

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

2014 BWP'000s	Agriculture	Construction	Wholesale, retail and trade	Public sector	Manufacturing
Placements with other banks	–	–	–	–	–
Financial assets held for trading	–	47,599	2,121	166,389	43,034
Financial assets designated at fair value	–	–	1,360	–	7,103
Derivative financial assets	–	–	–	–	–
Loans and advances	369,768	301,462	1,811,633	584,630	567,312
Investment securities	29	–	2,149	–	2,549
Prepayments and other receivables	–	–	255	–	–
Current tax assets	–	–	–	77,967	–
	369,797	**349,061**	**1,817,518**	**828,986**	**619,998**

2013 BWP'000s	Agriculture	Construction	Wholesale, retail and trade	Public sector	Manufacturing
Placements with other banks	–	–	–	–	–
Financial assets held for trading	–	–	1,942	229,934	33,861
Financial assets designated at fair value	–	–	–	–	38,224
Derivative financial assets	–	–	–	–	–
Loans and advances	575,964	386,858	896,524	211,184	753,516
Investment securities	–	–	102	–	5
Prepayments and other receivables	–	–	1,023	–	–
Current tax assets	–	–	–	32,992	–
	575,964	**386,858**	**899,591**	**474,110**	**825,606**

MARKET RISK

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

Market and foreign currency exposures related to dealing positions are housed and managed in the Treasury division within a framework of pre-approved dealer, currency and counterparty limits. All trading positions are marked to market as required by IAS 39. Group Risk is responsible for monitoring of limits and pricing, thereby ensuring that any errors or unauthorised transactions are promptly identified.

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

Mining	Financial services	Transport and energy	Individuals	Tourism	Other	Total
–	2,928,491	–	–	–	–	2,928,491
–	1,119,475	–	–	–	–	1,378,618
69,219	128,587	–	–	–	580	206,849
–	595	–	–	–	–	595
641,662	202,947	377,270	5,752,386	123,401	493,645	11,226,116
–	66,763	–	–	–	542	72,032
80,532	180,306	–	80	341	5,474	266,988
–	–	–	–	–	–	77,967
791,413	**4,627,164**	**377,270**	**5,752,466**	**123,742**	**500,241**	**16,157,656**

Mining	Financial services	Transport and energy	Individuals	Tourism	Other	Total
–	2,030,148	–	–	–	–	2,030,148
–	994,312	–	–	–	–	1,260,049
–	149,610	73,718	–	–	–	261,552
–	27,471	–	–	–	165	27,636
848,388	302,307	463,845	5,128,518	86,255	901,340	10,554,699
304	64,527	–	–	–	3,037	67,975
7,898	235,580	–	–	–	17,150	261,651
–	–	–	–	–	–	32,992
856,590	**3,803,955**	**537,563**	**5,128,518**	**86,255**	**921,692**	**14,496,702**

MARKET RISK MEASUREMENT TECHNIQUES

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

FOREIGN EXCHANGE RISK

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. 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 table on page 68 and 69 summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2014.

Included in the table are the Group's total assets and liabilities (financial and non-financial) at carrying amounts, categorised by currency.

Concentration of currency risk: On- and off-balance sheet financial instruments

At 31 December 2014 BWP'000s	EUR	USD	BWP	ZAR
Cash and short-term funds	137,906	901,192	676,989	100,675
Financial assets held for trading	–	175,502	576,274	–
Financial assets designated at fair value	–	168,244	–	–
Derivative financial assets*	–	–	332	–
Loans and advances	20,439	4,327,942	3,931,017	585
Investment securities	1,065	6,134	53,193	–
Prepayments and other receivables	52	206,239	8,170	2,425
Current tax assets	–	21,046	–	411
Investment in associates	–	5,953	–	–
Property and equipment	–	479,120	78,871	26,058
Investment property	–	25,678	–	–
Intangible assets	–	17,518	49,999	57
Deferred tax assets	–	49,092	52,689	2,106
	159,462	**6,383,660**	**5,427,534**	**132,317**
Deposits	87,966	4,951,758	4,654,473	48,647
Derivative financial liabilities*	593	96,259	–	–
Creditors and accruals	105	173,708	35,014	12,464
Current tax liabilities	–	–	6,027	–
Deferred tax liabilities	–	3,715	–	–
Borrowed funds	–	1,687,468	272,686	–
	88,664	**6,912,908**	**4,968,200**	**61,111**
Net on-balance sheet position	**70,798**	**(529,248)**	**459,334**	**71,206**
Credit commitments	**178,500**	**553,198**	**26,021**	**2,260**

* *Notional amounts have been reported in the currency columns and adjustments made in 'Other' to arrive at the fair values.*

A reasonably possible strengthening (weakening) of the Euro, United States Dollar, Botswana Pula, South Africa Rand, Tanzanian Shilling, Zambian Kwacha, Mozambican Metical and Japanese Yen against all other currencies at 31 December 2014 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	31 December 2014			
	Profit or loss		Equity, net of tax	
Currency	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
EUR (3% movement)	2,136	(2,136)	1,584	(1,584)
USD (4% movement)	4,760	(4,760)	884	(884)
BWP (10% movement)	166,168	(166,168)	138,040	(138,040)
ZAR (10% movement)	7,216	(7,216)	5,776	(5,776)
TZS (5% movement)	(17,547)	17,547	(12,283)	12,283
ZMW (10% movement)	23,464	(23,464)	15,245	(15,245)
MZN (5% movement)	2,235	(2,235)	1,519	(1,519)
JPY (3% movement)	2	(2)	2	(2)

TZS	ZMW	MZN	JPY	Other	Total
169,032	785,825	400,873	13,215	50,180	3,235,887
83,641	370,297	172,904	–	–	1,378,618
38,605	–	–	–	–	206,849
–	–	263	–	–	595
305,008	1,132,325	1,409,617	–	99,183	11,226,116
5,466	391	5,783	–	–	72,032
15,705	24,716	9,634	–	47	266,988
17,418	29,052	10,040	–	–	77,967
9,157	–	–	–	–	15,110
33,732	50,283	93,931	–	–	761,995
–	–	–	–	–	25,678
12,679	5,692	17,448	–	–	103,393
47,479	–	2,758	–	–	154,124
737,922	**2,398,581**	**2,123,251**	**13,215**	**149,410**	**17,525,352**
914,824	1,453,253	2,001,646	13,147	16,396	14,142,110
6,287	–	–	(43,335)	–	59,804
26,305	878	17,696	–	–	266,170
–	478	–	–	–	6,505
15,729	7,991	–	–	–	27,435
7,842	–	58,950	43,336	–	2,070,282
970,987	**1,462,600**	**2,078,292**	**13,148**	**16,396**	**16,572,306**
(233,065)	**935,981**	**44,959**	**67**	**133,014**	**953,046**
–	**19,985**	**386,210**	**85,581**	**–**	**1,251,755**

At 31 December 2013 BWP'000s	EUR	USD	BWP	ZAR
Cash and short-term funds	41,133	1,114,785	431,836	35,556
Financial assets held for trading	–	55,729	504,183	–
Financial assets designated at fair value	–	218,931	–	–
Derivative financial assets*	10,740	623,014	22,458	74,589
Loans and advances	27,374	4,915,953	3,429,812	35,197
Investment securities	982	3,894	49,523	–
Prepayments and other receivables	23	214,053	13,982	1,178
Current tax assets	–	1,454	8,630	–
Investment in associates	–	7,210	4,006	–
Property and equipment	–	457,417	81,803	27,089
Intangible assets	60	22,654	51,532	75
Deferred tax assets	–	16,693	25,879	2,207
	80,312	**7,651,787**	**4,623,644**	**175,891**
Deposits	76,629	4,483,385	3,937,405	95,467
Derivative financial liabilities*	812	673,386	31,278	47,193
Creditors and accruals	300	108,003	19,465	11,240
Current tax liabilities	–	–	2,131	–
Deferred tax liabilities	–	1,808	3,932	–
Borrowed funds	3,012	1,340,174	274,093	–
	80,753	**6,606,756**	**4,268,304**	**153,900**
Net on-balance sheet position	**(441)**	**1,045,031**	**355,340**	**21,991**
Credit commitments	**82,660**	**194,128**	**17,826**	**11,252**

* *Notional amounts have been reported in the currency columns and adjustments made in 'Other' to arrive at the fair values.*

A reasonably possible strengthening (weakening) of the Euro, United States Dollar, Botswana Pula, South Africa Rand, Tanzanian Shilling, Zambian Kwacha, Mozambican Metical and Japanese Yen against all other currencies at 31 December 2013 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	31 December 2013			
	Profit or loss		Equity, net of tax	
Currency	Strengthening	Weakening	Strengthening	Weakening
EUR (3% movement)	(93)	93	(68)	68
USD (4% movement)	(6,918)	6,918	(4,997)	4,997
BWP (5% movement)	54,023	(54,023)	42,130	(42,130)
ZAR (10% movement)	2,519	(2,519)	1,818	(1,818)
TZS (5% movement)	(1,579)	1,579	(1,105)	1,105
ZMW (5% movement)	22,282	(22,282)	14,476	(14,476)
MZN (5% movement)	(33,867)	33,867	(25,146)	25,146
JPY (3% movement)	(9)	9	(7)	7

TZS	ZMW	MZN	JPY	OTHER	Total
35,816	428,122	207,449	300	9,286	2,304,283
210,008	192,316	297,813	–	–	1,260,049
42,621	–	–	–	–	261,552
266,715	240	–	78,800	(1,048,920)	27,636
315,703	1,146,310	684,304	–	46	10,554,699
5,530	2,084	5,962	–	–	67,975
25	27,337	4,971	–	82	261,651
17,622	–	5,286	–	–	32,992
2,104	–	–	–	–	13,320
37,367	51,715	101,430	–	11	756,832
18,847	9,630	27,204	–	–	130,002
62,135	5,750	–	–	–	112,664
1,014,493	**1,863,504**	**1,334,419**	**79,100**	**(1,039,495)**	**15,783,655**
751,639	1,138,064	1,709,675	12,140	4,683	12,209,087
266,715	–	–	–	(981,744)	37,640
15,579	139,665	455	–	1,176	295,883
–	10,786	–	–	–	12,917
–	8,554	6,849	–	–	21,143
97	–	74,769	67,175	–	1,759,320
1,034,030	**1,297,069**	**1,791,748**	**79,315**	**(975,885)**	**14,335,990**
(19,537)	**566,435**	**(457,329)**	**(215)**	**(63,610)**	**1,447,665**
87,903	**288,262**	**88,715**	**–**	**–**	**770,746**

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.

The Asset and Liability Committee (ALCO) is responsible for managing interest rate and liquidity risk in the Group. Asset and Liability Management Committees have been established in each subsidiary and meet on a monthly basis. They operate within the prudential guidelines and policies established by Group ALCO.

In order to reduce interest rate risk, the majority of the Group's lending is on a variable interest rate with a term of less than one year. This approach has been adopted as a result of the scarcity of term deposits in the region, which limits the Group's ability to build a substantial, stable pool of fixed rate funding.

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

2014 BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Total interest sensitive	Non- interest bearing	Total
Cash and short-term funds	1,679,416	182,720	183,369	–	2,045,505	1,190,382	3,235,887
Financial assets held for trading	575,138	327,827	375,622	100,031	1,378,618	–	1,378,618
Financial assets designated at fair value	–	–	–	–	–	206,849	206,849
Derivative financial assets	–	–	–	–	–	595	595
Loans and advances	6,855,334	445,874	1,302,556	2,622,352	11,226,116	–	11,226,116
Investment securities	–	–	–	53,193	53,193	18,839	72,032
Prepayments and other receivables	–	–	–	–	–	266,988	266,988
Current tax assets	–	–	–	–	–	77,967	77,967
Investment in associates	–	–	–	–	–	15,110	15,110
Property and equipment	–	–	–	–	–	761,995	761,995
Investment property	–	–	–	–	–	25,678	25,678
Intangible assets	–	–	–	–	–	103,393	103,393
Deferred tax assets	–	–	–	–	–	154,124	154,124
Assets	**9,109,888**	**956,421**	**1,861,547**	**2,775,576**	**14,703,432**	**2,821,920**	**17,525,352**
Equity	**–**	**–**	**–**	**–**	**–**	**953,046**	**953,046**
Deposits	7,974,240	3,442,847	2,467,701	257,322	14,142,110	–	14,142,110
Derivative financial liabilities	–	–	–	–	–	59,804	59,804
Creditors and accruals	–	–	–	–	–	266,170	266,170
Current tax liabilities	–	–	–	–	–	6,505	6,505
Deferred tax liabilities	–	–	–	–	–	27,435	27,435
Borrowed funds	54,527	12,787	883,634	1,119,334	2,070,282	–	2,070,282
Liabilities	**8,028,767**	**3,455,634**	**3,351,335**	**1,376,656**	**16,212,392**	**359,914**	**16,572,306**
Total interest re-pricing gap	**1,081,121**	**(2,499,213)**	**(1,489,788)**	**1,398,920**	**(1,508,960)**	**1,508,960**	**–**

2013 BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Total interest sensitive	Non- interest bearing	Total
Cash and short-term funds	975,427	61,464	89	–	1,036,980	1,267,303	2,304,283
Financial assets held for trading	696,990	359,285	116,272	87,502	1,260,049	–	1,260,049
Financial assets designated at fair value	–	–	22,643	11,247	33,890	227,662	261,552
Derivative financial assets	–	–	–	–	–	27,636	27,636
Loans and advances	6,884,257	413,045	639,860	2,617,537	10,554,699	–	10,554,699
Investment securities	–	–	4,879	55,485	60,364	7,611	67,975
Prepayments and other receivables	–	–	–	–	–	261,651	261,651
Current tax assets	–	–	–	–	–	32,992	32,992
Investment in associates	–	–	–	–	–	13,320	13,320
Property and equipment	–	–	–	–	–	756,832	756,832
Intangible assets	–	–	–	–	–	130,002	130,002
Deferred tax assets	–	–	–	–	–	112,664	112,664
Assets	**8,556,674**	**833,794**	**783,743**	**2,771,771**	**12,945,982**	**2,837,673**	**15,783,655**
Equity	**–**	**–**	**–**	**–**	**–**	**1,447,665**	**1,447,665**
Deposits	5,948,424	3,673,392	2,512,374	74,897	12,209,087	–	12,209,087
Derivative financial liabilities	–	–	–	–	–	37,640	37,640
Creditors and accruals	–	–	–	–	–	295,883	295,883
Current tax liabilities	–	–	–	–	–	12,917	12,917
Deferred tax liabilities	–	–	–	–	–	21,143	21,143
Borrowed funds	552,809	225,835	189,476	791,200	1,759,320	–	1,759,320
Liabilities	**6,501,233**	**3,899,227**	**2,701,850**	**866,097**	**13,968,407**	**367,583**	**14,335,990**
Total interest re-pricing gap	**2,055,441**	**(3,065,433)**	**(1,918,107)**	**1,905,674**	**(1,022,425)**	**1,022,425**	**–**

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

	2014		2013	
BWP'000s	**Pre-tax**	**Post-tax**	Pre-tax	Post-tax
BancABC Botswana				
ABC Botswana constituted 32% (2013: 31%) of the Group's total assets				
Change in net interest income (+50 basis points)	5,592	4,362	5,957	4,647
As a percentage of total shareholders' equity	0.88%	0.69%	1.06%	0.83%
Change in net interest income (-50 basis points)	(5,592)	(4,362)	(5,957)	(4,647)
As a percentage of total shareholders' equity	(0.88%)	(0.69%)	(1.06%)	(0.83%)
BancABC Zambia				
ABC Zambia constituted 15% (2013: 13%) of the Group's total assets				
Change in net interest income (+50 basis points)	(2,122)	(1,379)	87	56
As a percentage of total shareholders' equity	(0.54%)	(0.35%)	0.02%	0.01%
Change in net interest income (-50 basis points)	2,122	1,379	(87)	(56)
As a percentage of total shareholders' equity	0.54%	0.35%	(0.02%)	(0.01%)
BancABC Mozambique				
ABC Mozambique constitued 15% (2013: 15%) of the Group's total assets				
Change in net interest income (+50 basis points)	(1,608)	(1,093)	(778)	(529)
As a percentage of total shareholders' equity	(0.87%)	(0.59%)	(0.35%)	(0.24%)
Change in net interest income (-50 basis points)	1,608	1,093	778	529
As a percentage of total shareholders' equity	0.87%	0.59%	0.35%	0.24%
BancABC Tanzania				
ABC Tanzania constituted 7% (2013: 7%) of the Group's total assets				
Change in net interest income (+50 basis points)	(3,484)	(2,439)	1,620	1,134
As a percentage of total shareholders' equity	–	–	0.82%	0.57%
Change in net interest income (-50 basis points)	3,484	2,439	(1,620)	(1,134)
As a percentage of total shareholders' equity	5.18%	3.63%	(0.82%)	(0.57%)
BancABC Zimbabwe				
ABC Zimbabwe constituted 27% (2013: 29%) of the Group's total assets				
Change in net interest income (+50 basis points)	(3,319)	(2,464)	29,449	21,866
As a percentage of total shareholders' equity	(0.43%)	(0.32%)	3.94%	2.92%
Change in net interest income (-50 basis points)	3,319	2,464	(29,449)	(21,866)
As a percentage of total shareholders' equity	0.43%	0.32%	(3.94%)	(2.92%)

The interest rate sensitivity analyses set out in the table above are illustrative only and are based on simplified scenarios over a period of one year.

SENSITIVITY ANALYSIS OF MARKET PRICE

The Group holds, directly or through its associates, listed equities and debentures with a fair value of BWP109.4 million (2013: BWP161.3 million). BWP15.2 million (2013: BWP40.7 million) of these shares are listed on the Zimbabwe Stock Exchange and BWP94.2 million (2013: BWP120.6 million) are listed on the Nigerian Stock Exchange. A 2% movement in the ZSE composite index and a 5% movement on the Nigerian composite index would have had an impact on the profit or loss of BWP5.0 million (2013: BWP6.8 million) and on equity, of BWP4.3 million (2013: BWP5.9 million).

LIQUIDITY RISK

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

LIQUIDITY RISK MANAGEMENT PROCESS

The Group holds liquidity reserves in highly tradable instruments or money market placements which are immediately available if required. Liquidity is assessed by currency, as well as by time bracket. Group liquidity management is dependent upon accurate cash flow projections and the monitoring of its future funding requirements. The Group's liquidity management process is monitored by Group Treasury and includes:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in global money markets to enable this to happen;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Group Treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

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

2014 BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total
Cash and short-term funds*	2,958,635	277,252	–	–	3,235,887
Financial assets held for trading	579,091	233,295	375,622	190,610	1,378,618
Financial assets designated at fair value	–	625	8,407	197,817	206,849
Derivative financial assets	595	–	–	–	595
Loans and advances	1,789,213	711,470	1,598,973	7,126,460	11,226,116
Investment securities	10,408	–	7,209	54,415	72,032
Prepayments and other receivables	39,736	5,298	221,954	–	266,988
Current tax assets	–	21,046	56,921	–	77,967
Investment in associates	–	–	–	15,110	15,110
Property and equipment	–	–	–	761,995	761,995
Investment property	–	–	–	25,678	25,678
Intangible assets	–	–	–	103,393	103,393
Deferred tax assets	–	–	–	154,124	154,124
Total assets	**5,377,678**	**1,248,986**	**2,269,086**	**8,629,602**	**17,525,352**
Shareholders' equity and liabilities					
Equity	**–**	**–**	**–**	**953,046**	**953,046**
Liabilities					
Deposits	7,974,240	3,442,847	2,467,701	257,322	14,142,110
Derivative financial liabilities	8,888	5,347	–	45,569	59,804
Creditors and accruals	153,820	7,049	105,301	–	266,170
Current tax liabilities	2,770	–	3,735	–	6,505
Deferred tax liabilities	–	–	–	27,435	27,435
Borrowed funds	38,628	13,477	885,473	1,132,704	2,070,282
Total equity and liabilities	**8,178,346**	**3,468,720**	**3,462,210**	**2,416,076**	**17,525,352**
Net maturity gap	**(2,800,668)**	**(2,219,734)**	**(1,193,124)**	**6,213,526**	**–**
Contingent liabilities	**440,449**	**94,776**	**627,432**	**89,098**	**1,251,755**

* *Included in the 'Up to 1 month' bucket are statutory reserve balances of BWP883.0 million (2013: BWP706.6 million).*

2013 BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total
Cash and short-term funds*	2,194,525	109,758	–	–	2,304,283
Financial assets held for trading	696,987	359,285	116,272	87,505	1,260,049
Financial assets designated at fair value	240	566	26,415	234,331	261,552
Derivative financial assets	27,636	–	–	–	27,636
Loans and advances	2,478,715	508,682	1,104,059	6,463,243	10,554,699
Investment securities	2,084	–	4,879	61,012	67,975
Prepayments and other receivables	221,280	12,691	27,680	–	261,651
Current tax assets	–	10,087	22,905	–	32,992
Investment in associates	–	–	–	13,320	13,320
Property and equipment	–	–	–	756,832	756,832
Intangible assets	–	–	–	130,002	130,002
Deferred tax assets	–	–	–	112,664	112,664
Total assets	**5,621,467**	**1,001,069**	**1,302,210**	**7,858,909**	**15,783,655**
Shareholders' equity and liabilities					
Equity	**–**	**–**	**–**	**1,447,665**	**1,447,665**
Liabilities					
Deposits	5,948,423	3,673,392	2,512,375	74,897	12,209,087
Derivative financial liabilities	2,079	–	8,808	26,753	37,640
Creditors and accruals	98,847	14,098	182,938	–	295,883
Current tax liabilities	–	910	12,007	–	12,917
Deferred tax liabilities	–	–	–	21,143	21,143
Borrowed funds	535,289	21,025	78,762	1,124,244	1,759,320
Total equity and liabilities	**6,584,638**	**3,709,425**	**2,794,890**	**2,694,702**	**15,783,655**
Net maturity gap	**(963,171)**	**(2,708,356)**	**(1,492,680)**	**5,164,207**	**–**
Contingent liabilities	**60,510**	**171,691**	**345,986**	**192,559**	**770,746**

* *Included in the 'Up to 1 month' bucket are statutory reserve balances of BWP706.6 million.*

Funding approach

Sources of liquidity are regularly reviewed by the Asset and Liability Committees to maintain a diversification by currency, geography, provider, product and term where possible.

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. 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:

2014 BWP'000s	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**Greater than 1 year**	**Total**	**Effect of discount/ financing rates**	**31 Dec 2014**
Deposits	7,980,055	3,534,684	2,455,565	246,641	14,216,945	(74,835)	14,142,110
Creditors and accruals	153,820	7,049	105,301	–	266,170	–	266,170
Current tax liabilities	2,770	–	3,735	–	6,505	–	6,505
Borrowed funds	34,952	17,588	1,105,317	1,642,307	2,800,164	(729,882)	2,070,282
Total liabilities	**8,171,597**	**3,559,321**	**3,669,918**	**1,888,948**	**17,289,784**	**(804,717)**	**16,485,067**

2013 BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total	Effect of discount/ financing rates	31 Dec 2014
Deposits	6,069,082	3,699,085	2,266,422	234,138	12,268,727	(59,639)	12,209,088
Creditors and accruals	98,847	14,098	182,938	–	295,883	–	295,883
Current tax liabilities	–	910	12,007	–	12,917	–	12,917
Borrowed funds	534,980	30,006	105,062	1,287,041	1,957,089	(197,769)	1,759,320
Total liabilities	**6,702,909**	**3,744,099**	**2,566,429**	**1,521,179**	**14,534,616**	**(257,408)**	**14,277,208**

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

DERIVATIVE FINANCIAL LIABILITIES CASH FLOWS

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

2014 BWP'000s	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**Greater than 1 year**	**Total**
Derivative financial liabilities	**428,304**	**266,888**	**286,814**	**–**	**982,006**
2013 BWP'000s					
Derivative financial liabilities	225,327	345,891	362,807	47,720	981,745

With the exception of swaps where ongoing cash flows are settled on a gross basis, all derivative financial liabilities are settled on a net basis.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

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

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount			
31 December 2014 BWP'000s	Note	**Held for trading**	**Designated at fair value**	**Derivative financial instruments**	**Held-to-maturity**
Financial assets measured at fair value					
Government bonds	8	180,701	–	–	–
Corporate bonds	8	92,753	–	–	–
Treasury bills and other open market instruments	8	1,105,164	–	–	–
Listed equities	9, 12	–	9,032	–	–
Investment property	14	–	25,678	–	–
Unlisted equities and debentures	9, 12	–	197,817	–	–
Forward foreign exchange contracts – held for trading	21	–	–	595	–
		1,378,618	**232,527**	**595**	**–**
Financial assets not measured at fair value					
Cash and short-term funds	7	–	–	–	–
Loans and advances	10	–	–	–	–
Prepayments and other receivables	11	–	–	–	–
Promissory notes	12	–	–	–	53,193
		–	**–**	**–**	**53,193**
Financial liabilities measured at fair value					
Cross-currency interest rate swaps	21	–	–	(12,839)	–
Forward foreign exchange contracts – held for trading	21	–	–	(20,522)	–
Equity derivatives	21	–	–	(26,443)	–
		–	**–**	**(59,804)**	**–**
Financial liabilities not measured at fair value					
Deposits	18	–	–	–	–
Borrowed funds	19	–	–	–	–
Creditors and accruals	20	–	–	–	–
		–	**–**	**–**	**–**

	Carrying amount				Fair value			
	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	–	–	–	180,701	–	180,701	–	180,701
	–	–	–	92,753	–	92,753	–	92,753
	–	–	–	1,105,164	–	1,105,164	–	1,105,164
	–	6,134	–	15,166	15,166	–	–	15,166
	–	–	–	25,678	–	–	25,678	25,678
	–	12,705	–	210,522	–	94,229	116,293	210,522
	–	–	–	595	–	595	–	595
	–	**18,839**	**–**	**1,630,579**	**15,166**	**1,473,442**	**141,971**	**1,630,579**
	3,235,887	–	–	3,235,887				
	11,226,116	–	–	11,226,116				
	266,988	–	–	266,988				
	–	–	–	53,193				
	14,728,991	**–**	**–**	**14,782,184**				
	–	–	–	(12,839)	–	(12,839)	–	(12,839)
	–	–	–	(20,522)	–	(20,522)	–	(20,522)
	–	–	–	(26,443)	–	–	(26,443)	(26,443)
	–	**–**	**–**	**(59,804)**	**–**	**(33,361)**	**(26,443)**	**(59,804)**
	–	–	(14,142,110)	(14,142,110)				
	–	–	(2,070,282)	(2,070,282)	–	–	(2,170,282)	(2,170,282)
	–	–	(266,170)	(266,170)				
	–	**–**	**(16,478,562)**	**(16,478,562)**	**–**	**–**	**(2,170,282)**	**(2,170,282)**

31 December 2013 BWP'000s	Note	Carrying amount Held for trading	Designated at fair value	Derivative financial instruments	Held-to-maturity
Financial assets measured at fair value					
Government bonds	8	71,892	–	–	–
Corporate bonds	8	35,803	–	–	–
Treasury bills and other open market instruments	8	1,152,354	–	–	–
Listed equities	9, 12	–	4,337	–	–
Listed debentures	9	–	33,887	–	–
Unlisted equities and debentures	9, 12	–	223,328	–	–
Forward foreign exchange contracts – held for trading	21	–	–	27,636	–
		1,260,049	**261,552**	**27,636**	**–**
Financial assets not measured at fair value					
Cash and short-term funds	7	–	–	–	–
Loans and advances	10	–	–	–	–
Prepayments and other receivables	11	–	–	–	–
Promissory notes	12	–	–	–	49,523
		–	**–**	**–**	**49,523**
Financial liabilities measured at fair value					
Cross-currency interest rate swaps	21	–	–	(8,808)	–
Forward foreign exchange contracts – held for trading	21	–	–	(2,078)	–
Equity derivatives	21	–	–	(26,754)	–
		–	**–**	**(37,640)**	**–**
Financial liabilities not measured at fair value					
Deposits	18	–	–	–	–
Borrowed funds	19	–	–	–	–
Creditors and accruals	20	–	–	–	–
		–	**–**	**–**	**–**

Carrying amount				Fair value			
Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
–	–	–	71,892	–	71,892	–	71,892
–	–	–	35,803	–	35,803	–	35,803
–	–	–	1,152,354	–	1,152,354	–	1,152,354
–	2,525	–	6,862	6,862	–	–	6,862
–	–	–	33,887	33,887	–	–	33,887
–	15,927	–	239,255	–	120,562	118,693	239,255
–	–	–	27,636	–	27,636	–	27,636
–	**18,452**	**–**	**1,567,689**	**40,749**	**1,408,247**	**118,693**	**1,567,689**
2,304,283	–	–	2,304,283				
10,554,699	–	–	10,554,699				
261,651	–	–	261,651				
–	–	–	49,523				
13,120,633	**–**	**–**	**13,170,156**				
–	–	–	(8,808)	–	(8,808)	–	(8,808)
–	–	–	(2,078)		(2,078)	–	(2,078)
–	–	–	(26,754)	–	–	(26,754)	(26,754)
–	**–**	**–**	**(37,640)**	**–**	**(10,886)**	**(26,754)**	**(37,640)**
–	–	(12,209,087)	(12,209,087)				
–	–	(1,759,320)	(1,759,320)	–	–	(1,858,940)	(1,858,940)
–	–	(295,883)	(295,883)				
–	**–**	**(14,264,290)**	**(14,264,290)**	**–**	**–**	**(1,858,940)**	**(1,858,940)**

(b) Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Government securities and corporate bonds	Market comparison technique: The fair values are based on market players' quotations in the secondary market. Similar instruments are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable
Forward exchange contracts and interest rate swaps	Market comparison technique: The fair values are based on market players' quotations in the secondary market. Similar instruments are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable
Unlisted debentures	Quoted prices as adjusted for intermediaries' retained earnings: The fair values are based on quoted prices of the underlying equity investment which is quoted on the Nigerian Stock Exchange as adjusted for the retained earnings of the investment vehicles, excluding the fair value gains from the investment.	Not applicable	Not applicable
Unlisted equities	Market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee on actual EBITDA for the year ended 31 December 2014 or book value of the investee as at 30 September 2014. The estimate is adjusted for the effect of the non-marketability of the equity securities.	– Adjusted price to book ratio of between 1.30 and 1.59 (2013: 1.28 – 1.43) – Adjusted EV/EBITDA of between 3.9 and 5.8 (2013: 3.9 – 4.8)	The estimated fair value would increase/(decrease) if: – the adjusted price to book ratio increased/(decreased) – the adjusted EV/EBITDA increased/(decreased)
Investment property	Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the property and its location (prime vs secondary), tenant credit quality and lease terms.	– Expected market rental growth (none) – Void periods (none) – Rent-free period (none) – Risk-adjusted discount rates – 11%	The estimated fair value would increase/(decrease) if: – expected market rental growth were higher/(lower); – void periods were shorter/(longer); – rent-free periods were shorter/(longer); or – the risk-adjusted discount rate were lower/(higher)

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Cash and short-term funds	Discounted cash flows	Not applicable
Loans and advances	Discounted cash flows	Not applicable
Promissory notes	Discounted cash flows	Not applicable
Prepayments and other receivables	Discounted cash flows	Not applicable
Creditors and accruals	Discounted cash flows	Not applicable
Deposits	Discounted cash flows	Not applicable
Borrowed funds	Discounted cash flows	Not applicable

(ii) Level 3 fair values

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

2014 BWP'000s	**Debt or equity investments**	**Total assets at fair value**	**Derivative financial liabilities**	**Total liabilities at fair value**
Opening balance	118,693	118,693	26,754	26,754
Total gains or losses in profit or loss*	(10,967)	(10,967)		–
Purchases	30,492	30,492	2,742	2,742
Exchange rate adjustment	3,753	3,753	(3,053)	(3,053)
Closing balance	**141,971**	**141,971**	**26,443**	**26,443**

2013 BWP'000s	Debt or equity investments	Total assets at fair value	Derivative financial liabilities	Total liabilities at fair value
Opening balance	161,216	161,216	22,621	22,621
Total gains or losses in profit or loss*	61,474	61,474	–	–
Purchases	2,525	2,525	4,133	4,133
Exchange rate adjustment	14,040	14,040	–	–
Transfers out of Level 3	(120,562)	(120,562)	–	–
Closing balance	**118,693**	**118,693**	**26,754**	**26,754**

* *Gains and losses in profit or loss have been recognised under the line item 'gains on financial assets at fair value through profit or loss – designated at fair value'.*

Transfers between levels in the hierarchy

There were no transfers during the current year. During 2013, the Group transferred the investment (unlisted debenture) in ADC Enterprises of BWP120.6 million as at 31 December 2013 from Level 3 to Level 2 as the Group obtained additional information to be able to value the debenture using fully observable prices.

(c) Sensitivity analysis

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

	Profit or loss		**Equity**	
	Increase	**Decrease**	**Increase**	**Decrease**
31 December 2014				
Average price to book ratio (5% movement)	1,562	(1,562)	1,093	(1,093)
Book value (2% movement)	625	(625)	437	(437)
Adjusted EV/EBITDA (5% movement)	8,529	(8,529)	5,970	(5,970)
EBITDA (2% movement)	3,412	(3,412)	2,388	(2,388)
31 December 2013				
Average price to book ratio (5% movement)	1,424	(1,424)	997	(997)
Book value (2% movement)	570	(570)	399	(399)
Adjusted EV/EBITDA (5% movement)	8,356	(8,356)	5,849	(5,849)
EBITDA (2% movement)	3,342	(3,342)	2,340	(2,340)

(d) Financial instruments not measured at fair value

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

(i) Placements with other banks

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

(ii) Loans and advances

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

(iii) Investment securities

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

(iv) Deposits

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

The majority of deposits are at floating rates, or when at fixed rates, fixed for less than three months.

OFF-BALANCE SHEET ITEMS

BWP'000s	2014	2013
(a) Contingent liabilities		
Guarantees	779,858	671,224
Letters of credit, loan commitments and other contingent liabilities	471,897	99,522
	1,251,755	**770,746**
The timing profile of the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities as at 31 December, is summarised below:		
Less than one year	1,162,657	578,187
Between one and five years	89,098	192,559
	1,251,755	**770,746**
(b) Capital commitments		
Approved but not contracted for	33,409	65,764
	33,409	**65,764**
(c) Non-cancellable operating lease commitments		
Future minimum lease payments under non-cancellable operating leases are as follows:		
Office premises	110,552	134,721
	110,552	**134,721**
Non-cancellable operating leases are payable as follows:		
Less than one year	51,703	28,804
Between one and five years	38,383	81,130
Over five years	20,466	24,787
	110,552	**134,721**

CAPITAL MANAGEMENT

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- to comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored periodically by the Group's management, employing techniques based on the guidelines developed by the Basel Committee and the relevant Central Bank Authorities. The required information is filed with the authorities on a monthly basis.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business. At 31 December 2014, all regulated banking operations complied with all externally imposed capital requirements except for BancABC Tanzania. The Group deposited US$20 million towards re-capitalising BancABC Tanzania and this process was completed subsequent to year end. The Group obtained the necessary waivers for the subsidiary to continue operating until the re-capitalisation process was finalised.

There have been no material changes to the Group's management of capital during the year.

Regulatory minimum capital adequacy ratios for the Group's banking operations are summarised below:

2014 BWP'000s	BancABC Botswana	BancABC Zimbabwe	BancABC Zambia	BancABC Tanzania**	BancABC Mozambique
Tier I capital					
Share capital and premium	222,479	397,950	368,969	272,485	81,318
Capital reserves and retained earnings	408,174	266,234	22,049	(232,430)	103,934
Intangible assets software	–	–	–	(60,159)	(17,448)
Prepayments	–	–	–	(10,108)	–
Exposures to insiders	–	(41,864)	–	–	–
Total qualifying for Tier I capital	**630,653**	**622,320**	**391,018**	**(30,212)**	**167,804**
Tier II capital					
Shareholders' loan	126,102	–	469,826	190,204	76,363
General debt provision	18,147	49,387	–	–	5,855
Revaluation reserves (limited to Tier I capital)	1,975	39,325	–	–	–
Total qualifying for Tier II capital	**146,224**	**88,712**	**469,826**	**190,204**	**82,218**
Tier III capital	**–**	**–**	**–**	**–**	**–**
Total qualifying for Tier III capital	**–**	**–**	**–**	**–**	**–**
Total capital	**776,877**	**711,032**	**860,844**	**159,992**	**250,022**
Risk-weighted assets*					
On-balance sheet assets	4,354,249	4,649,035	1,657,125	1,042,470	2,050,648
Off-balance sheet assets	28,779	392,087	411,836	77,991	532,776
Total risk-weighted assets	**4,383,028**	**5,041,122**	**2,068,961**	**1,120,461**	**2,583,424**
Capital adequacy ratio	18%	14%	42%	14%	10%
Minimum regulatory capital adequacy ratio	15%	12%	10%	12%	8%

* *Weighting of assets is based on the nature of the asset and the weighting as prescribed by the relevant regulatory authority.*

** *BancABC Tanzania computation takes into account the advance towards capital of US$20 million (BWP190.2 million), injected as a shareholders' loan in December 2014.*

Regulatory minimum capital adequacy ratios for the Group's banking operations based on December 2013 returns submitted to regulatory authorities, are summarised below:

2013 **BWP'000s**	BancABC Botswana	BancABC Zimbabwe	BancABC Zambia	BancABC Tanzania	BancABC Mozambique
Tier I capital					
Share capital and premium	222,479	397,950	368,976	272,485	81,318
Capital reserves and retained earnings	342,106	275,976	42,595	(111,305)	104,994
Allocation for market and operational risk	–	(22,157)	–	–	–
Intangible assets (software)/ deferred charges	–	–	–	(18,847)	(29,047)
Prepayments	–	–	–	(8,453)	–
Exposures to insiders	–	(27,952)	–	–	–
Total qualifying for Tier I capital	**564,585**	**623,817**	**411,571**	**133,880**	**157,265**
Tier II capital					
Shareholders' loan	118,758	–	411,571	–	70,206
General debt provision	21,939	42,151	–	–	–
Revaluation reserves (limited to Tier I capital)	1,352	36,305	–	–	–
Total qualifying for Tier II capital	**142,049**	**78,456**	**411,571**	**–**	**70,206**
Tier III capital	**–**	**22,157**	**–**	**–**	**–**
Total qualifying for Tier III capital	**–**	**22,157**	**–**	**–**	**–**
Total capital	**706,634**	**724,430**	**823,142**	**133,880**	**227,471**
Risk-weighted assets*					
On-balance sheet assets	3,745,614	3,594,356	1,298,367	909,492	1,469,727
Off-balance sheet assets	9,058	768,632	177,892	133,652	51,641
Total risk-weighted assets	**3,754,672**	**4,362,988**	**1,476,259**	**1,043,144**	**1,521,368**
Capital adequacy ratio	19%	17%	56%	13%	15%
Minimum regulatory capital adequacy ratio	15%	12%	10%	12%	8%

* *Weighting of assets is based on the nature of the asset and the weighting as prescribed by the relevant regulatory authority.*

The increase of the regulatory capital is mainly due to an increase in shareholders' loans at subsidiary level, as well as contributions of the current year profit. The increase of the risk-weighted assets reflects the expansion of the lending business in most of the subsidiaries.

CAPITAL ALLOCATION

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each subsidiary is based on the regulatory capital requirements of the countries we operate in and the need to maximise returns to shareholders.

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

SEGMENT ANALYSIS

Operating segments are reported in accordance with the internal reporting provided to the Group Executive Committee (the chief operating decision maker), which is responsible for allocating resources to the reportable segments and who assesses its performance. All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group has six main operating segments, comprising:

- Banking operations in:
  - Botswana
  - Mozambique
  - Tanzania
  - Zambia
  - Zimbabwe; and
- non-deposit taking operations arising from ABCH and non-banking subsidiaries.

The Group's segment operations are all financial with a majority of operating revenues derived from interest and fee and commission income. The Group Executive Committee relies primarily on attributable profits to assess the performance of the segment for the period.

There were no changes in the reportable segments during the year.

Revenue from external parties reported to the Group Executive Committee is measured in a manner consistent with that in the consolidated income statement.

As the banking operations comprise of stand-alone banks, each banking operation is funded with Tier I and Tier II capital from ABCH. Interest is charged at rates disclosed in the ABCH Company stand-alone financial statements on page 117. Other material items of income or expense between the operating segments comprise of management fees and dividends.

The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. The effects of non-recurring items of income or expense is described in the report on the Group's financial performance.

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

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

There were no banking revenues derived from transactions with a single external customer that amounted to 10% or more of the Group's revenues.

The segment information provided to the Group Executive Committee for the reportable segments for the year ended 31 December 2014 is as follows:

2014 BWP'000s	BancABC Botswana	BancABC Mozambique	BancABC Tanzania	BancABC Zimbabwe
External revenue	317,098	138,748	(4,321)	379,274
Inter-segment revenue	36,359	37,748	11,444	–
Total revenue*	**353,457**	**176,496**	**7,123**	**379,274**
Net income from operations	91,458	(20,204)	(142,190)	(585)
Share of results of associates	–	–	–	(1,619)
Profit before tax	**91,458**	**(20,204)**	**(142,190)**	**(2,204)**
Income tax	(19,986)	5,770	15,518	(963)
Profit for the year	**71,472**	**(14,434)**	**(126,672)**	**(3,167)**
Attributable profit	**71,472**	**(14,434)**	**(123,233)**	**(3,167)**
Financial assets held for trading	576,274	172,905	83,641	175,502
Loans and advances	3,985,072	1,748,500	650,023	3,397,175
Segment assets (excluding associates)	5,564,486	2,665,528	1,265,657	4,741,284
Associates	–	–	–	5,953
Total assets	**5,564,486**	**2,665,528**	**1,265,657**	**4,747,237**
Deposits	5,358,415	2,595,477	1,284,023	3,075,958
Borrowed funds	16,129	136,405	28,685	451,232
Segment liabilities***	**4,799,745**	**2,402,352**	**1,198,389**	**3,977,366**
Other segment items:				
Capital expenditure	14,227	14,278	6,978	10,384
Depreciation	11,667	15,753	7,321	31,521
Amortisation	7,030	12,060	8,602	8,584
Impairment charge	110,103	71,320	73,637	269,439
Operating expenses	261,999	196,700	149,313	379,859

* *The primary business of the Group is to provide banking services. Interest income forms a significant portion of the total income. The Chief Operating Decision Maker (CODM) assesses the Group on a net basis.*

** *Reflects non-banking operations in various geographical sectors.*

*** *Includes both inter-Company assets and liabilities.*

**** *The main consolidation entry relates to the elimination of inter-Group income and dividends of BWP74 million, as well as the investment in subsidiaries of BWP1,435 million net of goodwill of BWP33 million.*

BancABC Zambia	ABCH and non-banking subsidiaries**	Sub-total	Consolidation entries****	Total
192,484	(257,288)	765,995	126,502	892,497
–	82,957	168,508	(168,508)	–
192,484	**(174,331)**	**934,503**	**(42,006)**	**892,497**
6,935	(333,627)	(398,213)	(42,006)	(440,219)
–	1,060	(559)	–	(559)
6,935	**(332,567)**	**(398,772)**	**(42,006)**	**(440,778)**
(3,035)	(37,894)	(40,590)	–	(40,590)
3,900	**(370,461)**	**(439,362)**	**(42,006)**	**(481,368)**
3,900	**(330,412)**	**(395,874)**	**(42,006)**	**(437,880)**
370,296	–	1,378,618	–	1,378,618
1,354,463	90,883	11,226,116	–	11,226,116
2,716,287	1,991,718	18,944,960	(1,434,718)	17,510,242
–	9,157	15,110	–	15,110
2,716,287	**2,000,875**	**18,960,070**	**(1,434,718)**	**17,525,352**
1,828,207	30	14,142,110	–	14,142,110
28,542	1,409,289	2,070,282	–	2,070,282
1,855,040	**2,339,414**	**16,572,306**	**–**	**16,572,306**
19,505	5,400	70,772	–	70,772
12,699	2,092	81,053	–	81,053
3,944	47	40,267	–	40,267
78,495	47,202	650,196	–	650,196
185,549	159,296	1,332,716	–	1,332,716

2013 **BWP'000s**	BancABC Botswana	BancABC Mozambique	BancABC Tanzania	BancABC Zimbabwe
External revenue	415,419	112,020	49,295	501,657
Inter-segment revenue	27,070	48,283	48,780	7,256
Total revenue*	**442,489**	**160,303**	**98,075**	**508,913**
Net income from operations	196,177	14,244	(29,912)	158,733
Share of results of associates	–	–	–	903
Profit before tax	196,177	14,244	(29,912)	159,636
Income tax	(43,191)	(5,204)	9,862	(41,960)
Profit for the year	**152,986**	**9,040**	**(20,050)**	**117,676**
Attributable profit	**152,986**	**9,040**	**(19,581)**	**117,676**
Financial assets held for trading	504,183	297,813	211,570	54,167
Loans and advances	3,750,476	1,471,307	574,897	3,074,298
Segment assets (excluding associates)	4,923,453	2,288,680	1,064,608	4,535,947
Associates	–	–	–	7,210
Total assets	**4,923,453**	**2,288,680**	**1,064,608**	**4,543,157**
Deposits	4,725,874	2,321,477	1,298,507	2,708,592
Borrowed funds	17,754	74,768	22,516	431,911
Segment liabilities***	**4,237,729**	**1,997,214**	**867,126**	**3,795,522**
Other segment items:				
Capital expenditure	24,155	18,711	23,297	28,912
Depreciation	10,188	14,191	6,348	29,167
Amortisation	7,193	12,576	8,105	7,536
Impairment charge	41,901	50,983	8,787	92,185
Operating expenses	246,312	146,058	127,987	350,182

* *The primary business of the Group is to provide banking services. Interest income forms a significant portion of the total income. The Chief Operating Decision Maker (CODM) assesses the Group on net margin.*

** *Reflects non-banking operations in various geographical sectors.*

*** *Includes both inter-Company assets and liabilities.*

**** *The main consolidation entry relates to the elimination of inter-Group dividends of BWP116 million, as well as the investment in subsidiaries of BWP900 million net of goodwill of BWP33 million.*

BancABC Zambia	ABCH and non-banking subsidiaries**	Sub-total	Consolidation entries****	Total
231,867	(133,744)	1,176,514	197,937	1,374,451
–	140,757	272,146	(272,146)	–
231,867	**7,013**	**1,448,660**	**(74,209)**	**1,374,451**
83,651	(90,691)	332,202	(74,209)	257,993
–	(4,907)	(4,004)	–	(4,004)
83,651	(95,598)	328,198	(74,209)	253,989
(33,762)	34,622	(79,633)	–	(79,633)
49,889	**(60,976)**	**248,565**	**(74,209)**	**174,356**
49,889	**(37,347)**	**272,663**	**(74,209)**	**198,454**
192,316	–	1,260,049	–	1,260,049
1,389,671	294,050	10,554,699	–	10,554,699
2,105,691	2,286,674	17,205,053	(1,434,718)	15,770,335
–	6,110	13,320	–	13,320
2,105,691	**2,292,784**	**17,218,373**	**(1,434,718)**	**15,783,655**
1,154,637	–	12,209,087	–	12,209,087
40,405	1,171,966	1,759,320	–	1,759,320
1,281,079	**2,157,321**	**14,335,991**	**–**	**14,335,991**
19,351	12,747	127,173	–	127,173
9,466	4,806	74,166	–	74,166
4,496	104	40,010	–	40,010
7,392	126,726	327,974	–	327,974
148,215	97,704	1,116,458	–	1,116,458

Consolidated statement of profit or loss

FOR THE YEAR ENDED 31 DECEMBER

BWP'000s	Notes	2014	2013
Interest and similar income		2,098,307	1,928,833
Interest expense and similar charges		(1,179,504)	(918,502)
Net interest income before impairment of advances	1	**918,803**	**1,010,331**
Impairment of loans and advances	2	(650,196)	(327,974)
Net interest income after impairment of advances		**268,607**	**682,357**
Non-interest income	3	623,890	692,094
Total income		**892,497**	**1,374,451**
Operating expenditure	4	(1,332,716)	(1,116,458)
Net (deficit)/income from operations		**(440,219)**	**257,993**
Share of results of associates	13	(559)	(4,004)
(Loss)/profit before tax		**(440,778)**	**253,989**
Tax	5	(40,590)	(79,633)
(Loss)/profit for the year		**(481,368)**	**174,356**
Attributable to:			
Ordinary shareholders		(437,880)	198,454
Non-controlling interest		(43,488)	(24,098)
(Loss)/profit for the year		**(481,368)**	**174,356**
Basic earnings per share (thebe)	6	(170.5)	79.6
Diluted earnings per share (thebe)	6	(170.5)	79.0

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER

BWP'000s	2014	2013
(Loss)/profit for the year	**(481,368)**	**174,356**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:	**(1,691)**	**97,052**
Exchange differences on translating foreign operations	25,504	116,422
Net loss on hedge of net investment in foreign operations	(27,724)	(16,343)
Share of reserves in associate companies	(143)	551
Movement in available-for-sale reserves	672	(3,578)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:	**–**	**1,246**
Revaluation of property	–	1,424
Income tax relating to components of other comprehensive income	–	(178)
Other comprehensive income net of tax	**(1,691)**	**98,298**
Total comprehensive income for the year	**(483,059)**	**272,654**
Total comprehensive income attributable to:		
Ordinary shareholders	(438,810)	293,586
Non-controlling interest	(44,249)	(20,932)
	(483,059)	**272,654**

Consolidated statement of financial position

AS AT 31 DECEMBER

BWP'000s	Notes	2014	2013
ASSETS			
Cash and short-term funds	7	3,235,887	2,304,283
Financial assets held for trading	8	1,378,618	1,260,049
Financial assets designated at fair value	9	206,849	261,552
Derivative financial assets	21	595	27,636
Loans and advances	10	11,226,116	10,554,699
Investment securities	12	72,032	67,975
Prepayments and other receivables	11	266,988	261,651
Current tax assets		77,967	32,992
Investment in associates	13	15,110	13,320
Property and equipment	15	761,995	756,832
Investment property	14	25,678	–
Intangible assets	17	103,393	130,002
Deferred tax assets	16	154,124	112,664
TOTAL ASSETS		**17,525,352**	**15,783,655**
EQUITIES AND LIABILITIES			
Liabilities			
Deposits	18	14,142,110	12,209,087
Derivative financial liabilities	21	59,804	37,640
Creditors and accruals	20	266,170	295,883
Current tax liabilities		6,505	12,917
Deferred tax liabilities	16	27,435	21,143
Borrowed funds	19	2,070,282	1,759,320
		16,572,306	**14,335,990**
Equity			
Stated capital	22	781,025	781,025
Foreign currency translation reserve		(145,358)	(143,899)
Non-distributable reserves		290,325	242,196
Distributable reserves		73,195	570,235
Equity attributable to ordinary shareholders		**999,187**	**1,449,557**
Non-controlling interest		(46,141)	(1,892)
Total equity		**953,046**	**1,447,665**
TOTAL EQUITY AND LIABILITIES		**17,525,352**	**15,783,655**

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2014

	ATTRIBUTABLE TO OWNERS OF THE PARENT			
BWP'000s	**Stated capital**	**Foreign currency translation reserve**	**Regulatory general credit risk reserve**	**Property revaluation reserve**
Balance as at 1 January 2013	**663,401**	**(240,812)**	**38,559**	**161,214**
Comprehensive income:				
Profit for the year	–	–	–	–
Other comprehensive income:	**–**	**96,913**	**–**	**869**
Exchange differences on translating foreign operations	–	113,256	–	–
Net loss on hedge of net investment in foreign operations	–	(16,343)	–	–
Revaluation of property net of deferred tax	–	–	–	869
Share of reserves in associate companies	–	–	–	–
Movement in available-for-sale reserves	–	–	–	–
– Arising in current year	–	–	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**96,913**	**–**	**869**
Transfers within equity				
Movement in general credit risk reserve	–	–	(19,482)	–
Movement in statutory reserves	–	–	3,319	–
Total transfers within equity	**–**	**–**	**(16,163)**	**–**
Transactions with owners				
Dividends paid	–	–	–	–
Net proceeds from shares issued	117,624	–	–	–
Total transactions with owners	**117,624**	**–**	**–**	**–**
Balance as at 31 December 2013	**781,025**	**(143,899)**	**22,396**	**162,083**
Comprehensive income:				
Loss for the year	–	–	–	–
Other comprehensive income:	**–**	**(1,459)**	**–**	**(143)**
Exchange differences on translating foreign operations	–	26,265	–	–
Net loss on hedge of net investment in foreign operations	–	(27,724)	–	–
Share of reserves in associate companies	–	–	–	(143)
Movement in available-for-sale reserves	–	–	–	–
– Arising in current year	–	–	–	–
TOTAL COMPREHENSIVE INCOME	**–**	**(1,459)**	**–**	**(143)**
Transfers within equity				
Movement in general credit risk reserve	–	–	46,234	–
Movement in statutory reserves	–	–	–	–
Total transfers within equity	**–**	**–**	**46,234**	**–**
Transactions with owners				
Dividends paid	–	–	–	–
Total transactions with owners	**–**	**–**	**–**	**–**
Balance as at 31 December 2014	**781,025**	**(145,358)**	**68,630**	**161,940**

ATTRIBUTABLE TO OWNERS OF THE PARENT						
Available-for-sale reserve	**Statutory reserve**	**Convertible bond**	**Distributable reserves**	**Total**	**Non-controlling interest**	**Total equity**
3,030	**90,779**	**44,109**	**376,764**	**1,137,044**	**19,040**	**1,156,084**
–	–	–	198,454	198,454	(24,098)	174,356
(3,578)	**551**	**–**	**377**	**95,132**	**3,166**	**98,298**
–	–	–	–	113,256	3,166	116,422
–	–	–	–	(16,343)	–	(16,343)
–	–	–	377	1,246	–	1,246
–	551	–	–	551	–	551
(3,578)	–	–	–	(3,578)	–	(3,578)
(3,578)	–	–	–	(3,578)	–	(3,578)
(3,578)	**551**	**–**	**198,831**	**293,586**	**(20,932)**	**272,654**
–	–	–	19,482	–	–	–
–	(33,065)	–	29,746	–	–	–
–	**(33,065)**	**–**	**49,228**	**–**	**–**	**–**
–	–	–	(54,588)	(54,588)	–	(54,588)
–	–	(44,109)	–	73,515	–	73,515
–	**–**	**(44,109)**	**(54,588)**	**18,927**	**–**	**18,927**
(548)	**58,265**	**–**	**570,235**	**1,449,557**	**(1,892)**	**1,447,665**
–	–	–	(437,880)	(437,880)	(43,488)	(481,368)
672	**–**	**–**	**–**	**(930)**	**(761)**	**(1,691)**
–	–	–	–	26,265	(761)	25,504
–	–	–	–	(27,724)	–	(27,724)
–	–	–	–	(143)	–	(143)
672	–	–	–	672	–	672
672	–	–	–	672	–	672
672	**–**	**–**	**(437,880)**	**(438,810)**	**(44,249)**	**(483,059)**
–	–	–	(46,234)	–	–	–
–	1,366	–	(1,366)	–	–	–
–	**1,366**	**–**	**(47,600)**	**–**	**–**	**–**
–	–	–	(11,560)	(11,560)	–	(11,560)
–	**–**	**–**	**(11,560)**	**(11,560)**	**–**	**(11,560)**
124	**59,631**	**–**	**73,195**	**999,187**	**(46,141)**	**953,046**

Consolidated cash flow statement

FOR THE YEAR ENDED 31 DECEMBER 2014

BWP'000s	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES	**507,777**	**(227,584)**
Cash generated from operating activities	333,965	715,013
(Loss)/profit before tax	**(440,778)**	**253,989**
Adjusted for:		
Impairment of loans and advances	650,196	327,974
Depreciation and amortisation	121,320	114,175
Dividends receivable	(9,739)	(5,266)
Net unrealised losses on derivative financial instruments	8,122	19,085
Re-measurement of investment property	5,570	–
Loss from associates	559	4,004
Impairment of investment in associates	–	1,082
Profit on disposal of property and equipment	(1,285)	(30)
Tax paid	(123,001)	(135,628)
Net cash inflow from operating activities before changes in operating funds	**210,964**	**579,385**
Net decrease in operating funds	**296,813**	**(806,969)**
Increase in operating assets	(1,485,647)	(1,573,392)
Increase in operating liabilities	1,782,460	766,423
CASH FLOWS FROM INVESTING ACTIVITIES	**(59,673)**	**(126,106)**
Purchase of property and equipment	(56,851)	(105,435)
Purchase of intangible assets	(13,921)	(21,738)
Purchase of associates	–	(4,849)
Dividends received	9,739	5,266
Proceeds on disposal of property and equipment	1,360	650
CASH FLOWS FROM FINANCING ACTIVITIES	**268,561**	**508,680**
Increase in borrowed funds	280 121	563,268
Dividend paid	(11,560)	(54,588)
Increase in cash and cash equivalents	**716,665**	**154,990**
Cash and cash equivalents at the beginning of the year	1,597,662	1,314,895
Exchange adjustment on opening balance	38,573	127,777
Cash and cash equivalents at the end of the year	**2,352,901**	**1,597,662**
Cash and cash equivalents	2,352,901	1,597,662
Statutory reserves	882,986	706,621
Cash and short-term funds	**3,235,887**	**2,304,283**

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2014

BWP'000s	2014	2013
1. NET INTEREST INCOME		
Interest and similar income		
Cash and short-term funds	43,873	65,774
Investment securities and dated financial instruments	116,765	70,963
Loans and advances at amortised cost	1,937,669	1,792,096
	2,098,307	**1,928,833**
Interest expense		
Deposits	980,263	783,930
Borrowed funds	199,241	134,572
	1,179,504	**918,502**
Net interest income	**918,803**	**1,010,331**
2. IMPAIRMENT OF LOANS AND ADVANCES		
Specific impairments	622,403	326,493
Portfolio impairments	44,247	9,754
Impairments prior to recoveries	666,650	336,247
Recoveries of loans and advances previously written off	(16,454)	(8,273)
	650,196	**327,974**
3. NON-INTEREST INCOME		
Gains from trading activities:	(62,218)	65,684
Gains on financial assets at fair value through profit or loss	(54,096)	84,769
– held for trading	14,496	40,363
– designated at fair value	(68,592)	44,406
Net losses on derivative financial instruments*	(8,122)	(19,085)
Dividends received:	9,739	5,266
Listed shares – fair value through profit or loss	9,739	5,266
Fee and commission income	515,780	415,680
Net fee income on loans and advances	291,608	259,047
Net fee income from trust and fiduciary activities	33,312	19,257
Cash transaction fees	160,050	121,070
Other fee income	30,810	16,306
Other non-interest income	160,589	205,464
Rental and other income	57,186	49,219
Profit on disposal of property and equipment	1,285	30
Forex trading income and currency revaluation**	107,688	156,215
Re-measurement of investment properties	(5,570)	–
	623,890	**692,094**

* *Net losses on derivative financial instruments of BWP8.1 million (2013: BWP19.1 million) arose from the US$: Japanese Yen swap.*

** *Foreign exchange income includes a foreign exchange income of BWP2.2 million (2013: BWP5.9 million) arising from the Japanese Yen exposure with NDB, disclosed in note 19. Net losses on derivative instruments include an offsetting fair value gain arising from an equal but opposite nominal Japanese Yen derivative asset.*

BWP'000s		2014	2013
4.	**OPERATING EXPENDITURE**		
	Administrative expenses	583,728	488,407
	Property lease rentals	48,505	43,948
	Staff costs (note 4.1)	480 065	435,237
	Auditor's remuneration	10,468	8,063
	Impairment of investment in associate (note 13)	–	1,082
	Depreciation (note 15)	81,053	74,166
	Amortisation of software (note 17)	40,267	40,010
	Directors' remuneration (note 4.2)	88,630	25,545
		1,332,716	**1,116,458**
4.1	**Staff costs**		
	Salaries	294,332	238,582
	Employer contributions to post-retirement funds	33,447	29,968
	Other staff costs	152,286	166,687
		480,065	**435,237**
	Other staff costs comprise incentive pay, medical aid contributions, staff training and other staff-related expenses.		
4.2	**Directors' remuneration**		
	Executive directors		
	Salary, performance-related remuneration and other benefits	81,904	20,048
	Non-executive directors		
	Fees as director of holding company	3,828	3,501
	Fees as director of subsidiaries	2,898	1,996
		6,726	**5,497**
		88,630	**25,545**
	Details of other transactions and balances with related parties have been disclosed under note 25.		

BWP'000s		2014	2013
5.	TAX		
	Current tax expense		
	Current year	70,793	123,373
	Withholding tax	1,981	2,566
		72,774	**125,939**
	Deferred tax		
	Accruals	76,886	2,629
	Impairment losses	(81,477)	(30,321)
	Property and equipment	(691)	8,573
	Gains and investments	(2,209)	10,034
	Tax losses	(24,693)	(37,221)
		(32,184)	**(46,306)**
	Total tax expense per income statement	**40,590**	**79,633**
	Reconciliation of effective tax charge:		
	Profit before tax*	**(440,778)**	**253,989**
	Income tax using corporate tax rates*	(90,433)	78,249
	Non-deductible expenses	20,629	5,094
	Effect of share of (profit)/loss of associates	(46)	779
	Tax exempt revenues	(8,780)	(2,227)
	Tax incentives	–	(628)
	Tax on dividends received	1,933	2,471
	Tax and fair value losses of prior years not claimed/(claimed)	117,287	(4,105)
	Current tax expense per income statement	**40,590**	**79,633**
	Effective tax rate	(9%)	31%

* *Profit before tax is net of inter-Group dividends. Income tax using corporate tax rates is calculated prior to this elimination by applying the corporate tax rates of the respective subsidiaries.*

5.1 Income tax effects relating to components of other comprehensive income

	2014			2013		
BWP'000s	**Before tax**	**Tax charge**	**After tax**	Before tax	Tax charge	After tax
Exchange differences on translating foreign operations	25,504	–	25,504	116 422	–	116,422
Net loss on hedge of net investment in foreign operations	(27,724)	–	(27,724)	(16,343)	–	(16,343)
Revaluation of property net of deferred tax	–	–	–	1,424	(178)	1,246
Share of reserves in associate companies	(143)	–	(143)	551	–	551
Movement in available-for-sale reserves	672	–	672	(3,578)	–	(3,578)
Other comprehensive income	**(1,691)**	**–**	**(1,691)**	**98,476**	**(178)**	**98,298**

BWP'000s	2014	2013
6. EARNINGS PER SHARE		
Basic earnings per share		
Profit attributable to ordinary shareholders (BWP'000s)	(437,880)	198,454
Weighted average number of ordinary shares in issue (BWP'000s)	256,886	249,344
Basic earnings per share (thebe)	**(170.5)**	**79.6**
Number of shares ('000s)		
Shares in issue at beginning of the year	256,886	232,805
Ordinary shares issued during the year	–	24,081
Total Company	**256,886**	**256,886**
Total Group	**256,886**	**256,886**
Weighted average number of ordinary shares	**256,886**	**249,344**
Diluted earnings per share		
Profit attributable to ordinary shareholders (BWP'000s)	(437,880)	198,454
Interest expense on convertible debt (net of tax) (BWP'000s)	–	4,369
Profit used to determine diluted earnings per share (BWP'000s)	**(437,880)**	**202,823**
Weighted average number of ordinary shares in issue ('000s) for diluted earnings per share	256,886	249,344
– Bonus element on conversion of convertible debt	–	7,542
Weighted average number of ordinary shares in issue ('000s) for diluted earnings per share	**256,886**	**256,886**
Diluted earnings per share (thebe)	**(170.5)**	**79.0**
7. CASH AND SHORT-TERM FUNDS		
Cash on hand	307,396	274,136
Balances with central banks	479,178	28,045
Balances with other banks	1,566,327	1,295,481
Cash and cash equivalents	2,352,901	1,597,662
Statutory reserve balances	882,986	706,621
	3,235,887	**2,304,283**
Statutory reserve balances are restricted minimum statutory balances not available for the banking operation's daily operations. These balances do not accrue interest.		
8. FINANCIAL ASSETS HELD FOR TRADING		
Government bonds	180,701	71,892
Corporate bonds	92,753	35,803
Treasury bills and other open market instruments	1,105,164	1,152,354
	1,378,618	**1,260,049**

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

BWP'000s	2014	2013
9. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE		
Listed equities	9,032	4,337
Listed debentures	–	33,887
Unlisted equities and debentures	197,817	223,328
	206,849	**261,552**

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

The unlisted debentures comprise of a BWP94 million (2013: BWP121 million) investment in a 10% convertible loan to ADC Enterprises Limited. The balance comprises of a number of unlisted equity investments housed in an investment company in the Group (refer to the overview of valuation assumptions included in the financial risk management section of the financial statements).

BWP'000s	2014	2013
10. LOANS AND ADVANCES		
Mortgage lending	471,711	349,044
Instalment finance	649,535	670,372
Corporate lending	5,291,269	5,381,767
Commercial and property finance	114,017	53,716
Consumer lending	5,624,060	4,711,160
	12,150,592	11,166,059
Less impairments (note 10.1)	(924,476)	(611,360)
Net loans and advances	**11,226,116**	**10,554,699**
10.1 Analysis of impairments		
Specific impairments	779,288	516,887
Portfolio impairments	145,188	94,473
	924,476	**611,360**

10.2 Impairment of loans and advances – movement analysis

BWP'000s	Total impairments	Mortgage lending	Instalment finance	Corporate lending	Commercial and property finance	Consumer lending
2014						
Opening balance	611,360	1,851	25,446	479,887	26	104,150
Exchange adjustment	20,632	145	2,477	15,948	–	2,062
Bad debts written off	(374,166)	–	(8,740)	(348,859)	–	(16,567)
Net new impairments created (note 2)	666,650	2,854	34,740	492,216	4,942	131,898
Impairments created	666,650	2,854	34,740	492,216	4,942	131,898
Closing balance	**924,476**	**4,850**	**53,923**	**639,192**	**4,968**	**221,543**
2013						
Opening balance	316,193	1,183	16,278	242,760	1,424	54,548
Exchange adjustment	39,914	73	1,261	34,115	–	4,465
Bad debts written off	(80,994)	–	(1,634)	(77,023)	–	(2,337)
Net new impairments created (note 2)	336,247	595	9,541	280,035	(1,398)	47,474
Impairments created	336,247	595	9,541	280,035	(1,398)	47,474
Closing balance	**611,360**	**1,851**	**25,446**	**479,887**	**26**	**104,150**

BWP'000s	2014	2013
11. PREPAYMENTS AND OTHER RECEIVABLES		
Accounts receivable and prepayments	225,528	232,972
Security deposits	3,107	2,813
Other amounts due	38,353	25,866
	266,988	**261,651**

BWP'000s	2014	2013
12. INVESTMENT SECURITIES		
Available-for-sale		
Listed equities	6,134	2,525
Unlisted equities	12,705	15,927
	18,839	**18,452**
Held-to-maturity		
Promissory notes	53,193	49,523
	72,032	**67,975**

The investments in unlisted equities are accounted for at fair value. Refer to the fair value note under financial risk management for details.

The promissory notes are partial security for the loan from BIFM (note 19). The promissory notes earn a fixed interest of 10.25% per annum, and are redeemable on 31 October 2015.

The fair value of the promissory notes has not been determined as the promissory notes are specifically conditional to the terms of the BIFM loan referred to in note 19.

BWP'000s	2014	2013
13. INVESTMENT IN ASSOCIATES		
Carrying value at the beginning of the year	13,320	11,201
Exchange rate adjustment	2,492	3,410
Share of losses	(777)	(4,004)
Tax	218	(1,605)
Share of other comprehensive income	(143)	551
Impairment (note 4)	–	(1,082)
Additions*	–	4,849
	15,110	**13,320**

* *Refer to note 29 for an overview of additions.*

13. INVESTMENT IN ASSOCIATES continued

13.1 Investment in associates

The Group's interest in its principal associates are as follows:

BWP'000s	Country of incorpo-ration	Share of assets	Share of liabilities	Carrying amount	Share of profit/ (loss)	Impair-ment during the year	% interest held	Reporting date
2014								
Lion of Tanzania Insurance Company Limited*	Tanzania	39,125	29,601	9,157	1,060	–	38%	31 December
PG Industries (Botswana) Limited	Botswana	17,636	20,087	–	–	–	42%	31 March
Credit Insurance Zimbabwe Limited	Zimbabwe	10,015	4,074	5,953	(1,619)	–	24%	31 December
		66,776	**53,762**	**15,110**	**(559)**	**–**		
2013								
Lion of Tanzania Insurance Company Limited*	Tanzania	34,469	28,018	6,110	522	–	42%	31 December
PG Industries (Botswana) Limited	Botswana	20,123	20,403	–	(5,430)	1,082	42%	31 March
Credit Insurance Zimbabwe Limited	Zimbabwe	9,437	2,239	7,210	904	–	24%	31 December
		64,029	50,660	13,320	(4,004)	1,082		

* *The equity accounted numbers, other than for Lion of Tanzania, are based on management accounts. Lion of Tanzania was equity accounted using audited annual financial statements for the year ended 31 December 2013.*

Associate #1

Name of the associate:	**Lion of Tanzania Insurance Company Limited**
Nature of the entity's relationship with the associate	ABC Holdings Limited is an investor in Lion of Tanzania (LOT), through its subsidiary Tanzania Development Finance Company Limited. LOT is an insurance company, which underwrites general insurance business in Tanzania. The investment is not strategic to ABC Holdings Limited or any of its subsidiaries.

Principal place of business and country of incorporation	Tanzania
Reporting date	31 December
Proportion of ownership	38%
Total no of equity shares	1,650,000
Shares held by ABCH	627,000
Local currency (LCY)	TZS
Par value (LCY)	1,000

Financial information for the associate:	**2013 in LCY'000s**	**2013 in BWP'000s**	2012 in LCY'000s	2012 in BWP'000s
Total assets	18,837,765	102,961	16,403,737	90,709
Total liabilities	(14,252,360)	(77,898)	(13,333,383)	(73,731)
Equity	**4,585,405**	**25,063**	**3,070,354**	**16,978**
Proportion of the Group's equity ownership	38%	38%	38%	38%
Carrying amount of the investment	**1,675,390**	**9,157**	**1,104,860**	**6,110**

13. INVESTMENT IN ASSOCIATES continued

13.1 Investment in associates continued

	2013 in LCY'000s	2013 in BWP'000s	2012 in LCY'000s	2012 in BWP'000s
Revenue	14,264,256	76,771	14,799,315	77,436
Profit or loss from continuing operations	518,522	2,791	168,486	882
Other comprehensive income	1,013,196	5,453	202,803	1,061
Total comprehensive income	**1,531,718**	**8,244**	**371,289**	**1,943**
Risks associated with the Group's interests in the associate	None		None	
The nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the Group	None		None	

Associate #2

Name of the associate:	**PG Industries (Botswana) Limited**
Nature of the entity's relationship with the associate	ABC Holdings Limited is an investor in PG Industries (Botswana) Limited (PGIB), through its subsidiary Bohemian Holdings (Botswana) Limited. PGIB manufactures timber and wood products and it is also a supplier of general building materials in Botswana. The investment is not strategic to ABC Holdings Limited or any of its subsidiaries.

Principal place of business and country of incorporation	Botswana
Reporting date	31 March
Proportion of ownership	42%
Total number of equity shares	618,429,831
Shares held by ABCH	260,239,565
Local currency (LCY)	BWP
Par value (LCY)	1

Financial information for the associate:	2014 in LCY'000s	2014 in BWP'000s	2013 in LCY'000s	2013 in BWP'000s
Current assets	25,326	25,326	31,879	31,879
Non-current assets	16,665	16,665	15,941	15,941
Current liabilities	(33,865)	(33,865)	(34,969)	(34,969)
Non-current liabilities	(13,960)	(13,960)	(13,517)	(13,517)
Equity	**(5,834)**	**(5,834)**	**(666)**	**(666)**
Proportion of the Group's equity ownership	42%	42%	42%	42%
Carrying amount of the investment	**–**	**–**	**–**	**–**
Revenue	19,207	19,207	72,148	72,148
Profit or loss from continuing operations	(13,485)	(13,485)	(21,603)	(21,603)
Other comprehensive income	–	–	(16,694)	(16,694)
Total comprehensive income	**(13,485)**	**(13,485)**	**(38,297)**	**(38,297)**
Risks associated with the Group's interests in the associate	Bohemian Holdings Limited, a subsidiary of ABCH has given a guarantee to PG Industries (Botswana) Limited's suppliers, of BWP2,611,000		None	
The nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the Group	None		None	

13. INVESTMENT IN ASSOCIATES continued

13.1 Investment in associates continued

Associate #3

Name of the associate:	Credit Insurance Zimbabwe Limited
Nature of the entity's relationship with the associate	ABC Holdings Limited is an investor in Credit Insurance Zimbabwe Limited (Credsure), through its subsidiary BancABC Zimbabwe. Credsure is an insurance company, which underwrites general insurance business in Zimbabwe. The investment is not strategic to ABC Holdings Limited or any of its subsidiaries.

Principal place of business and country of incorporation	Zimbabwe
Reporting date	31 December
Proportion of ownership	24%
Total number of equity shares	45,000
Shares held by ABCH	10,823
Local currency (LCY)	USD
Par value (LCY)	0.0479

Financial information for the associate:	2014 in LCY'000s	2014 in BWP'000s	2013 in LCY'000s	2013 in BWP'000s
Current assets	2,013	19,146	1,957	17,172
Non-current assets	2,365	22,494	2,514	22,065
Current liabilities	(1,684)	(16,015)	(1,061)	(9,308)
Non-current liabilities	(97)	(925)	–	–
Equity	**2,597**	**24,700**	**3,410**	**29,929**
Proportion of the Group's equity ownership	24%	24%	24%	24%
Carrying amount of the investment	**625**	**5,953**	**820**	**7,210**
Revenue	4,896	44,060	5,035	42,579
Profit or loss from continuing operations	(146)	(1,311)	169	1,433
Post-tax profit or loss from discontinued operations	–	–	–	–
Other comprehensive income	(64)	(579)	–	–
Total comprehensive income	(210)	(1,890)	169	1,433
Risks associated with the Group's interests in the associate	None		None	
The nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the Group	None		None	

BWP'000s	2014	2013
14. INVESTMENT PROPERTY		
Balance at the beginning of the year	–	–
Exchange rate adjustment	1,382	–
Re-measurement loss	(5,570)	–
Additions	29,866	–
Balance at end of the year	**25,678**	**–**
Rental income recognised in the income statement	**1,116**	**–**

The Group holds investment property acquired through enforcement of security over loans and advances. The property comprises an industrial property with a fair value of BWP25.7 million, which is leased to a third party. The property is leased for a period of 10 years with effect from July 2014 with annual rentals determined directly by comparing the property with similar properties which have been rented out. Subsequent renewals will be negotiated with the lessee, with expected renewal periods expected to be five years. No contingent rentals are charged. There were no repairs and maintenance costs on the investment property.

The investment property is at fair value as determined by registered independent valuers, with appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value was determined using discounted cash flows based on comparable rentals for similar properties.

15. PROPERTY AND EQUIPMENT

BWP'000s	Land and buildings	Motor vehicles	Computer and office equipment	Furniture and fittings	Total
Cost or valuation at 31 December 2013	560,053	31,924	236,521	151,086	979,584
Exchange adjustment	29,689	1,372	4,897	2,020	37,978
Additions	9,494	2,537	23,102	21,718	56,851
Revaluation surplus (gross of deferred tax)*	–	–	–	–	–
Reclassifications	–	–	–	–	–
Disposals	–	–	(218)	–	(218)
Cost or valuation at 31 December 2014	**599,236**	**35,833**	**264,302**	**174,824**	**1,074,195**
Accumulated depreciation at 31 December 2013	(53,084)	(13,927)	(116,052)	(39,689)	(222,752)
Exchange adjustment	(3,255)	(2,295)	(2,600)	(388)	(8,538)
Disposals	–	–	143	–	143
Released on revaluation	–	–	–	–	–
Charge for the year	(24,609)	(5,207)	(35,169)	(16,068)	(81,053)
Accumulated depreciation at 31 December 2014	(80,948)	(21,429)	(153,678)	(56,145)	(312,200)
Carrying amount at 31 December 2014	**518,288**	**14,404**	**110,624**	**118,679**	**761,995**
Cost or valuation at 31 December 2012	471,636	26,422	187,429	113,399	798,886
Exchange adjustment	49,126	2,789	18,925	6,629	77,469
Additions	38,528	3,710	30,167	33,030	105,435
Revaluation surplus (gross of deferred tax)*	763	–	–	–	763
Reclassifications	–	–	–	–	–
Disposals	–	(997)	–	(1,972)	(2,969)
Cost or valuation at 31 December 2013	**560,053**	**31,924**	**236,521**	**151,086**	**979,584**
Accumulated depreciation at 31 December 2012	(29,930)	(9,308)	(73,826)	(26,984)	(140,048)
Exchange adjustment	(2,042)	(759)	(6,900)	(1,847)	(11,548)
Disposals	–	616	–	1,733	2,349
Reclassifications	661	–	–	–	661
Charge for the year	(21,773)	(4,476)	(35,326)	(12,591)	(74,166)
Accumulated depreciation at 31 December 2013	(53,084)	(13,927)	(116,052)	(39,689)	(222,752)
Carrying amount at 31 December 2013	**506,969**	**17,997**	**120,469**	**111,397**	**756,832**

* *Land and buildings are revalued by independent professional valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, based on open market value every three years. In the current year, there was no land and buildings revalued (2013: BWP29.2 million).*

BWP'000s	2014	2013
Carrying amount of revalued land and buildings had it not been revalued, including exchange differences	361,085	345,217

As at 31 December 2014, land and buildings with a carrying amount of BWP28.5 million (2013: BWP29.2 million) were subject to a registered debenture that forms security for loans from other financial institutions (see note 27).

BWP'000s		2014	2013
16.	**DEFERRED TAX**		
	Balance at the beginning of the year	91,521	51,070
	Exchange adjustment	2,984	(5,677)
	Income statement charge (note 5)	32,184	46,306
	Deferred tax on amounts charged to equity	–	(178)
		126,689	**91,521**
	Disclosed as follows:		
	Deferred tax asset	154,124	112,664
	Deferred tax liability	(27,435)	(21,143)
		126,689	**91,521**
	Tax effects of temporary differences:		
	Accruals	(6,337)	21,057
	Impairment losses	86,748	32,542
	Property and equipment	(24,757)	(36,716)
	Unrealised gains on investment	(17,910)	(15,204)
	Unearned income	9,704	12,352
	Revaluation surplus	(13,928)	(17,418)
	Tax losses	93,169	94,908
		126,689	**91,521**

The deferred tax asset relates mainly to tax losses in ABC Holdings Limited (BWP41 million), BancABC Tanzania (BWP47 million), BancABC Zimbabwe (BWP49 million), BancABC Botswana (BWP11 million) and BancABC Mozambique (BWP3 million). Tax losses for ABC Holdings Limited will be utilised by charging management fees or interest on finance provided to subsidiaries. For BancABC Tanzania, new revenue streams will be applied to utilise the tax loss. The deferred tax assets for BancABC Zimbabwe, BancABC Botswana and BancABC Mozambique which are largely due to timing differences on loan impairments, are expected to be utilised as the loan impairment cases are either resolved or amounts permanently written off.

		2014	2013
17.	**INTANGIBLE ASSETS**		
	Goodwill	32,544	32,544
	Software	70,849	97,458
		103,393	**130,002**
	Goodwill		
	Cost	67,342	67,342
	Impairment losses	(34,798)	(34,798)
	Carrying amount at the end of the year	**32,544**	**32,544**
	Software		
	Cost		
	Balance at the beginning of the year (software)	209,843	171,899
	Exchange rate adjustment	1,117	16,206
	Additions	13,921	21,738
		224,881	**209,843**
	Amortisation		
	Balance at the beginning of the year	(112,385)	(65,298)
	Exchange rate adjustment	(1,380)	(7,077)
	Amortisation charge (note 4)	(40,267)	(40,010)
		(154,032)	**(112,385)**
	Carrying amount at the end of the year	**70,849**	**97,458**

17. INTANGIBLE ASSETS continued

The impairment test of goodwill is based on assumptions that take into account risk and uncertainty. The impairment test makes a number of assumptions regarding projected cash flows, considering local market conditions and management's judgement of future trends.

The most significant goodwill arises from the Zimbabwe operations with a balance of BWP21.9 million (2013: BWP21.9 million). The key assumptions used in the impairment test of the Zimbabwe operations are as follows:

- projected compounded free cash flows growth of 28% per annum for five years (2013: 27% per annum for five years);
- terminal value based on 2% long-term cash flow growth rate (2013: 5%); and
- weighted average cost of capital of 20.7% (2012: 11.7%).

The recoverable amount of this subsidiary was based on its value in use, determined by discounting the future cash flows to be generated from the continuing investment in the subsidiary. Management determined free cash flows, residual value and growth rates based on past performance and its expectations of market developments. The discount rates are pre-tax and reflect specific risks relating to the operation. The weighted average cost of capital has been impacted by changes in the macro-economic environment in Zimbabwe with investors requiring more returns for investing in that market.

BWP'000s	2014	2013
18. DEPOSITS		
Deposits from banks	1,966,163	1,421,781
Deposits from other customers	12,175,947	10,787,306
	14,142,110	**12,209,087**
Payable on demand		
Corporate customers	1,958,964	2,212,761
Public sector	136,821	335,931
Retail customers	1,395,437	1,003,330
Other financial institutions	239,640	266,168
Banks	97,961	378,750
	3,828,823	**4,196,940**
Term deposits		
Corporate customers	3,028,660	2,279,063
Public sector	2,333,821	2,810,636
Retail customers	516,900	489,768
Other financial institutions	2,565,704	1,389,649
Banks	1,868,202	1,043,031
	10,313,287	**8,012,147**
	14,142,110	**12,209,087**
Geographical analysis		
Botswana	5,319,019	4,553,945
Mozambique	2,595,477	2,321,478
Tanzania	1,284,023	1,298,507
Zambia	1,828,207	1,154,637
Zimbabwe	3,115,384	2,880,520
	14,142,110	**12,209,087**

BWP'000s		2014	2013
19.	**BORROWED FUNDS**		
	Convertible bond	–	–
	Other borrowed funds	2,070,282	1,759,320
		2,070,282	**1,759,320**
	Current portion	937,578	635,076
	Non-current portion	1,132,704	1,124,244
		2,070,282	**1,759,320**
	(a) Convertible bond		
	Balance at the beginning of the year	–	97,950
	Interest expense	–	5,140
	Interest paid	–	(2,400)
	Capital repayment	–	(27,174)
	Conversion into equity	–	(73,516)
		–	**–**
	(b) Other borrowed funds		
	National Development Bank of Botswana Limited	43,335	67,175
	BIFM Capital Investment Fund One (Pty) Limited	256,557	256,352
	Afrexim Bank	812,692	821,765
	Africa Agriculture and Trade Investment Fund S.A.	235,281	216,843
	Norsad Finance Limited	114,714	131,738
	Atlas Mara	190,204	–
	Other	417,499	265,447
		2,070,282	**1,759,320**
	Fair value		
	National Development Bank of Botswana Limited	43,187	67,526
	BIFM Capital Investment Fund One (Pty) Limited	299,797	308,204
	Afrexim Bank	824,879	822,511
	Africa Agriculture and Trade Investment Fund S.A.	262,301	244,919
	Norsad Finance Limited	131,954	150,331
	Atlas Mara	190,204	–
	Other	417,960	265,449
		2,170,282	**1,858,940**

National Development Bank of Botswana Limited (NDB)

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

BIFM Capital Investment Fund One (Pty) Limited

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

The redemption dates for the principal amount are as follows:

30 September 2017 – BWP62,500,000
30 September 2018 – BWP62,500,000
30 September 2019 – BWP62,500,000
30 September 2020 – BWP62,500,000

Afrexim Bank Limited

The loans from Afrexim Bank Limited consist of US$60 million advanced to ABC Holdings Limited (ABCH) and US$33 million advanced to ABC Zimbabwe Limited. The US$60 million short-term credit facility was advanced to ABCH in July 2013. The loan attracts interest at three-month LIBOR + 5% and it is repayable on 30 June 2015, but with a provision to extend it for a further, mutually agreeable period.

The US$60 million advanced to ABCH was designated as a hedge in the net investment by the Group in BancABC Zimbabwe.

The US$40 million trade finance facility was availed to ABC Zimbabwe by Afrexim Bank Limited for three years from December 2013.

It attracts interest at LIBOR + 4.5% and it is repayable on the earlier of when the underlying customers funded repay their respective loans or in December 2016.

19. BORROWED FUNDS continued

(b) Other borrowed funds continued

Africa Agriculture and Trade Investment Fund S.A. (AATIF)

The loan from AATIF is denominated in United States Dollars and attracts interest at three-month LIBOR + 6.25%. Interest is payable quarterly on 31 March, 30 June, 30 September and 31 December respectively. The loan matures on 21 December 2018 when the full principal amount is due for repayment in one instalment.

Norsad Finance Limited

The loans from Norsad Finance Limited were advanced to ABC Holdings Limited (ABCH), as well as BancABC Zambia and BancABC Zimbabwe. The US$10 million loan advanced to ABCH is a subordinated loan denominated and attracts interest at six-month LIBOR + 7.5%. Interest is payable quarterly on 31 March, 30 June, 30 September and 31 December respectively. The loan matures on 9 October 2020 when the full principal amount is due for repayment in one instalment. The loan advanced to BancABC Zimbabwe is also denominated in United States Dollars and attracts interest of LIBOR + 11% but capped at 12%. The loan matures on 30 June 2016.

Atlas Mara

The loan is denominated in United States Dollars and attracts no interest. It is due for repayment on 31 March 2015.

Other borrowings

Other borrowings relate to medium- to long-term funding from international financial institutions for onward lending to BancABC clients. Fair value is equivalent to carrying amounts as these borrowings have variable interest rates.

BWP'000s	2014	2013
Maturity analysis		
On demand to one month	38,628	535,289
One to three months	13,477	21,025
Three months to one year	885,473	78,762
Over one year	1,132,704	1,124,244
	2,070,282	**1,759,320**

20. CREDITORS AND ACCRUALS

BWP'000s	2014	2013
Accrued expenses	114,959	228,733
Other amounts due	151,211	67,150
	266,170	**295,883**

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2014		2013	
BWP'000s	**Assets**	**Liabilities**	Assets	Liabilities
Cross-currency interest rate swaps	–	12,839	–	8,808
Forward foreign exchange contracts – held for trading	595	20,522	27,636	2,078
Equity derivative	–	26,443	–	26,754
	595	**59,804**	**27,636**	**37,640**

21.1 Cross-currency interest rate swaps

The Group uses cross-currency rate swaps to manage its exposure to foreign currency and interest rate risk. These instruments are transacted for both hedging and non-hedging activities. These instruments result in an economic exchange of currencies and interest rates. An exchange of principal takes place for all cross-currency interest rate swaps. The Group's credit risk exposure represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. To control the level of credit risk taken, the Group assesses counterparties using the same technique as for its lending activities.

The notional amounts of the financial instruments provide a basis of comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks.

21. DERIVATIVE FINANCIAL INSTRUMENTS continued

21.1 Cross-currency interest rate swaps continued

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in the market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative financial instruments held are set out below:

BWP'000s	Notional amount	Fair value
At 31 December 2014		
Cross-currency interest rate swaps		
Fair value through profit and loss	56,204	12,839
Total recognised derivatives		**12,839**
Comprising:		
Derivative financial liabilities		12,839
At 31 December 2013		
Cross-currency interest rate swaps		
Fair value through profit and loss	67,175	8,808
Total recognised derivatives		**8,808**
Comprising:		
Derivative financial liabilities		8,808

21.2 Forward foreign exchange contracts

The notional amounts of outstanding forward foreign exchange contracts at 31 December 2014 were BWP982 million (2013: BWP982 million). These resulted in derivative financial assets of BWP0.6 million (2013: BWP27.6 million) and derivative financial liabilities of BWP20.5 million (2013: BWP2.1 million).

21.3 Equity derivative

This comprises of an equity derivative on an unlisted energy company of BWP26.4 million (2013: BWP26.8 million). Gains and losses on fair value movements are shared equally between the Group and a third party.

BWP'000s	2014	2013
22. STATED CAPITAL		
22.1 Issued and fully paid		
256,885,694 (2013: 256,885,694) shares	12,844	12,844
Share premium	768,181	768,181
Total Company	781,025	781,025
Total Group	**781,025**	**781,025**

	Share capital	Share premium	Total
At 1 January 2013	11,640	651,761	663,401
Issue of shares	1,204	116,420	117,624
At 31 December 2013 and 31 December 2014	**12,844**	**768,181**	**781,025**

The holders of ordinary shares are entitled to receive a dividend as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company. Treasury shares comprise the cost of the Company's own shares held by subsidiaries. As at both 31 December 2014 and 2013, there were no treasury shares held within the Group.

BWP'000s	2014	2013
22. STATED CAPITAL		
22.2 Reconciliation of the number of shares in issue		
Shares at the beginning of the year	256,885,694	232,805,464
Share issued*	–	24,080,230
At the end of the year	**256,885,694**	**256,885,694**
* *During 2013, the International Finance Corporation (IFC) converted the outstanding convertible loan balance as at 25 April 2013 into equity. The exercise price was BWP3.24 per share.*		
22.3 Convertible bond – equity component		
Balance at the beginning of the year	–	44,109
Conversion into equity	–	(44,109)
Balance at the end of the year	**–**	**–**
23. FUNDS UNDER MANAGEMENT		
Funds under management	**795,106**	**613,028**

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

24. EMPLOYEE BENEFITS

The Group uses a combination of externally administered defined contribution schemes and, where there is a mandatory requirement, state social security schemes. Both the employee and employer contribute to these schemes. Amounts recognised in expenses have been disclosed in note 4.1.

25. RELATED PARTY TRANSACTIONS

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

ABC Holdings Limited is the holding company in the ABC Group.

Subsidiary companies and associates

ABC Holdings Limited and its subsidiaries entered into various financial services contracts with fellow subsidiaries and associates during the year. These transactions are entered into in the normal course of business. Loans to associates as at 31 December 2014 amounted to BWP5.5 million (2013: BWP6.1 million), which represents 0.5% (2013: 0.4%) of shareholders' funds, and 0.04% (2013: 0.05%) of gross loans.

ABC Consulting and Management Services Limited has entered into management service agreements with Group companies. Details of disclosures of investments in subsidiaries are set out in note 15 of the separate Company financial statements. Details of associate companies are set out in note 13 of the consolidated Group financial statements. Details of inter-Company management fees incurred during the year have been disclosed on note 4 of the separate Company financial statements.

Shareholders

During 2011, the Group invested in ADC Enterprises Limited which is a 100% subsidiary of African Development Corporation (ADC). ADCE in turn is invested in a syndicated SPE which, with the funds of other investors, was invested in a foreign bank. ADC, which is ultimately owned by Atlas Mara Limited, owns about 38% of the ordinary shares of the Group. The investment balance as at 31 December 2014 was BWP94 million (2013: BWP121 million) and has been classified as financial assets designated at fair value.

During the year, the Group received an interest-free loan from Atlas Mara Limited for US$20 million. The full proceeds were in turn given to BancABC Tanzania as an interest-free loan pursuant to the re-capitalisation of that subsidiary. The loan was due for repayment on 31 March 2015 if not used for re-capitalising BancABC Tanzania. The loan was subsequently used to re-capitalise BancABC Tanzania in March 2015 and it is therefore not repayable to Atlas Mara Limited.

Directors and officers

Emoluments to directors have been disclosed in note 4.2. The list of directors of ABC Holdings Limited is shown on page 32 and 33. The total exposure of the Group to directors, officers and parties related to them in terms of IAS 24 as at 31 December 2014 is BWP37.1 million (2013: BWP45.4 million) which represents 3% (2013: 3%) of shareholders' funds.

25. RELATED PARTY TRANSACTIONS continued

Particulars of lending transactions entered into with directors or their related companies which have given rise to exposure on the balance sheet as at the end of the year are as follows:

	2014		2013	
BWP'000s	**Balance**	**Interest**	Balance	Interest
Loans and advances to entities related through shareholding:				
PG Industries (Botswana) Limited	5,456	600	6,082	944
	5,456	**600**	**6,082**	**944**
Borrowed funds from shareholders:				
Atlas Mara Limited	190,204	–	–	–
	190,204	**–**	**–**	**–**
Loans and advances to entities related to directors:				
Loans and advances to entities related to N Kudenga	639	520	6,028	1,897
Loans and advances to entities related to H Buttery	22,225	1,407	5,327	1,922
Loans and advances to entities related to DT Munatsi	–	108	20,658	722
Loans and advances to entities related to FM Dzanya	10,489	697	1,265	307
	33,353	**2,732**	**33,278**	**4,848**
Loans and advances to directors:				
DT Munatsi	–	209	2,478	177
F Dzanya	–	272	3,222	263
B Moyo	–	20	651	53
	–	**501**	**6,351**	**493**
Loans and advances to key management:				
H Matemera	–	114	2,304	176
B Mudavanhu	3,710	250	3,447	246
	3,710	**364**	**5,751**	**422**
Loans and advances to entities under common control:				
Brainworks Investments Limited	–	2,618	18,558	2,603
	–	**2,618**	**18,558**	**2,603**
Deposits held by entities related to directors and key management:				
D Khama – Doreen Khama Attorneys Trust Account	13,175	523	11,654	281
Kudenga & Company Chartered Accountants	9	–	23	–
Deposits from entities related to F Dzanya	–	–	1	–
Deposits from entities related to DT Munatsi	61	–	64	–
	13,245	**523**	**11,742**	**281**
Deposits held by directors and key management:				
N Kudenga	4,803	571	290	5
F Dzanya	63	2	18	2
B Moyo	3,972	1	86	–
H Matemera	7	–	214	–
D Khama	1,881	18	1,287	26
DT Munatsi	6,430	8	142	11
B Mudavanhu	26	–	6	–
	17,182	**600**	**2,043**	**44**
Remuneration to key management personnel:				
Short-term employment benefits	23,860		26,984	
Post-employment benefits	1,734		1,812	
Termination benefits	71,375		–	
Bonus on discount in lieu of staff shares not issued	1,424		–	
	98,393		**28,796**	

All loans bear interest and fees at rates applicable to similar exposures to third parties.

The Group assists officers and employees in respect of housing, motor vehicle and personal loans at subsidised rates in some instances. Consistent policies and processes govern the granting and terms of such loans.

BWP'000s	Closing Dec 14	Average Dec 14	Closing Dec 13	Average Dec 13
26. EXCHANGE RATES				
United States Dollar	0.105	0.111	0.114	0.118
Tanzanian Shilling	182.961	185.804	180.839	191.116
Zambian Kwacha	0.673	0.692	0.629	0.640
Mozambican Metical	3.533	3.502	3.428	3.560
South African Rand	1.216	1.208	1.203	1.154

BWP'000s	2014	2013
27. COLLATERAL		
27.1 Liabilities for which collateral is pledged		
Deposits from banks	116,481	267,870
Deposits from customers	666,427	114,866
Borrowed funds	273,537	274,106
	1,056,445	**656,842**
Assets pledged to secure these liabilities are carried at amortised cost and are included under the following:		
Bankers' acceptances	270,823	167,784
Financial assets held for trading	373,025	312,942
Property and equipment	29,200	29,200
Investment securities	53,193	49,523
	726,241	**559,449**
These transactions are conducted under terms that are usual and customary to standard lending and borrowing activities.		
27.2 Collateral accepted as security for assets		
Deposits from customers	427,753	316,624
Mortgage bonds, inventory, plant and equipment, shares, letters of undertaking	3,331,876	4,229,032
	3,759,629	**4,545,656**

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

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

BWP'000s	2014	2013
28. ORDINARY DIVIDENDS		
Dividend of 4.5 thebe per share paid on 2 May 2014 to shareholders on the register on 18 April 2014	11,560	–
Dividend of 8 thebe per share paid on 3 May 2013 to shareholders on the register on 12 April 2013	–	18,624
Dividend of 14 thebe per share paid on 13 September 2013 to shareholders on the register on 30 August 2013	–	35,964
	11,560	**54,588**

The Board of Directors do not propose the payment of any final dividend for the year ended 31 December 2014.

There are no tax consequences to the Group for declaring or paying out a dividend. However, for some investors resident in Botswana, a withholding tax of 7.5% applies. For investors not resident in Botswana, there are no tax consequences for any dividend paid to them.

29. ACQUISITIONS AND DISPOSAL OF ASSOCIATE COMPANIES

During the prior year, the Group acquired additional shares in PG Industries (Botswana) Limited for BWP4.8 million. This increased the Group's shareholding in this entity from 38% to just over 42%.

30. EVENTS AFTER THE REPORTING DATE

There were no significant events after the reporting date.


INNOVAT

TION

VALUE 05

= OUR GROWTH

EMBODIES THE KEY TRAITS OF BEING VISIONARY, DYNAMIC, ENERGETIC, CHALLENGING AND AGILE. IN PRACTICAL TERMS, ADOPTION OF THIS CORE VALUE MEANS DEVOTION TO DRIVING CHANGE BY PROVOKING NEW IDEAS AND ALWAYS DOING THINGS DIFFERENTLY.

COMPANY SEPERATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

Company statement of profit or loss

FOR THE YEAR ENDED 31 DECEMBER

BWP'000s	Notes	2014	2013
Interest and similar income		88,933	94,064
Interest expense and similar charges		(157,491)	(118,708)
Net interest expense	1	**(68,558)**	**(24,644)**
Non-interest (expense)/income	2	(17,080)	111,016
Impairment losses	3	(113,376)	–
Total (expense)/income		**(199,014)**	**86,372**
Operating expenditure	4	(159,944)	(80,459)
(Loss)/profit before tax		**(358,958)**	**5,913**
Tax	5	13,657	5,389
(Loss)/profit for the year		**(345,301)**	**11,302**

Company statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER

BWP'000s	2014	2013
(Loss)/profit for the year	(345,301)	11,302
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net loss on hedge of net investment in foreign operations	(27,724)	(16,343)
Total comprehensive deficit for the year	**(373,025)**	**(5,041)**

Company statement of financial position

AS AT 31 DECEMBER 2014

BWP'000s	Notes	2014	2013
ASSETS			
Cash and short-term funds	6	39,479	11,632
Financial assets designated at fair value	17	94,229	120,562
Loans and advances	7	238	27,439
Inter-Company balances	8	174,603	104,479
Investment securities	9	53,193	49,523
Prepayments and other receivables	10	6,871	3,111
Property and equipment	11	58	120
Deferred tax assets	12	41,465	25,879
Loans to subsidiary companies	13	675,275	606,594
Investment in subsidiaries	15	1,451,313	1,467,262
TOTAL ASSETS		**2,536,724**	**2,416,601**
EQUITY AND LIABILITIES			
Liabilities			
Derivative financial liabilities	16	12,839	8,808
Creditors and accruals	18	39,115	6,765
Inter-Company balances	8	782,030	556,304
Borrowed funds	19	1,401,192	1,158,591
Total liabilities		**2,235,176**	**1,730,468**
Equity			
Stated capital	20	781,025	781,025
Foreign currency translation reserve		(44,067)	(16,343)
Distributable reserves		(435,410)	(78,549)
Equity attributable to ordinary shareholders		**301,548**	**686,133**
EQUITY AND LIABILITIES		**2,536,724**	**2,416,601**

Company statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER

BWP'000s	Stated capital	Convertible bond	Foreign currency translation reserve	Distributable reserves	Total equity
Balance as at 1 January 2013	**663,401**	**44,109**	**–**	**(35,263)**	**672,247**
Comprehensive income:					
Profit for the year	–	–	–	11,302	11,302
Net loss on hedge of net investment in foreign operations	–	–	(16,343)	–	(16,343)
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**(16,343)**	**11,302**	**(5,041)**
Transactions with owners:					
Convertible bond – conversion into equity	117,624	(44,109)	–	–	73,515
Dividends paid during the year	–	–	–	(54,588)	(54,588)
TOTAL TRANSACTIONS WITH OWNERS	**117,624**	**(44,109)**	**–**	**(54,588)**	**18,927**
Balance as at 31 December 2013	**781,025**	**–**	**(16,343)**	**(78,549)**	**686,133**
Comprehensive income:					
Loss for the year	–	–	–	(345,301)	(345,301)
Net loss on hedge of net investment in foreign operations	–	–	(27,724)	–	(27,724)
TOTAL COMPREHENSIVE DEFICIT	**–**	**–**	**(27,724)**	**(345,301)**	**(373,025)**
Transactions with owners:					
Dividend paid during the year	–	–	–	(11,560)	(11,560)
TOTAL TRANSACTIONS WITH OWNERS	**–**	**–**	**–**	**(11,560)**	**(11,560)**
Balance as at 31 December 2014	**781,025**	**–**	**(44,067)**	**(435,410)**	**301,548**

Company cash flow statement

FOR THE YEAR ENDED 31 DECEMBER

BWP'000s	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES	**(76,922)**	**149,545**
Cash generated from operating activities	(277,234)	(42,081)
(Loss)/profit before tax	**(358,958)**	**5,913**
Adjusted for:		
Impairment losses	113,376	–
Depreciation and amortisation	62	119
Dividends receivable	(39,836)	(67,198)
Net losses on derivative financial instruments	8,122	19,085
Tax paid	(1,929)	(2,471)
	(279,163)	(44,552)
Net increase in operating funds	**202,241**	**194,097**
Increase in operating assets	(32,142)	(7,657)
Increase in operating liabilities	234,383	201,754
CASH FLOWS FROM INVESTING ACTIVITIES	**(126,272)**	**(658,842)**
Purchase of property and equipment	–	(24)
Investment in subsidiaries	–	(567,090)
Dividends received	39,836	67,198
Changes in loans to subsidiaries	(166,108)	(158,926)
CASH FLOWS FROM FINANCING ACTIVITIES	**231,041**	**513,152**
Increase in borrowed funds	242,601	567,740
Dividends paid	(11,560)	(54,588)
Increase in cash and cash equivalents	**27,847**	**3,855**
Cash and cash equivalents at the beginning of the year	11,632	7,777
Cash and cash equivalents at the end of the year	**39,479**	**11,632**

Notes to the Company financial statements

FOR THE YEAR ENDED 31 DECEMBER

ACCOUNTING POLICIES

The accounting policies of the Company and the Group are set out on pages 41 to 53.

BWP'000s		2014	2013
1.	**NET INTEREST INCOME**		
	Interest and similar income		
	Cash and short-term funds	12	12
	Investment securities at amortised cost	3,670	3,670
	Loans and advances at amortised cost	14,364	23,818
	Inter-Company	70,887	66,564
		88,933	**94,064**
	Interest expense		
	Borrowed funds	136,387	74,193
	Inter-Company	21,104	44,515
		157,491	**118,708**
	Net interest expense	**(68,558)**	**(24,644)**
2.	**NON-INTEREST (EXPENSE)/INCOME**		
	Net (losses)/gains from trading activities:	(34,685)	10,050
	– Designated at fair value	(26,563)	29,135
	– Net losses on derivative financial instruments*	(8,122)	(19,085)
	Dividends received:	39,836	67,198
	– Subsidiary companies	39,836	67,198
	Fee and commission income:	3,973	1,717
	– Net fee and commission income – external	1,545	955
	– Net fee and commission income – inter-Company	2,428	762
	Other non-interest (expense)/income:	(26,204)	32,051
	– Foreign exchange (loss)/income and currency revaluation**	(26,204)	32,051
		(17,080)	**111,016**

* *Net losses on derivative financial instruments of BWP8.1 million (2013: BWP19.1 million) arose from the USD: Japanese Yen swap.*

** *Foreign exchange losses include a foreign exchange loss of BWP2.2 million (2013: income of BWP5.9 million) arising from the Japanese Yen exposure with NDB, disclosed in note 19. Net losses on derivative instruments include an offsetting fair value gain arising from an equal but opposite nominal Japanese Yen derivative asset.*

		2014	2013
3.	**IMPAIRMENTS LOSSES**		
	Impairment of investment in TDFL*	15,949	–
	Impairment of loan to TDFL*	97,427	–
		113,376	**–**

* *TDFL's net asset position as at 31 December 2014 was in a deficit position. This resulted in the impairment of the investment in the subsidiary, as well as on the loan due from the subsidiary.*

BWP'000s		2014	2013
4.	**OPERATING EXPENDITURE**		
	Inter-Company management fees	57,709	49,995
	Administrative expenses	10,925	9,241
	Staff costs	18,540	14,103
	Auditor's remuneration	1,581	1,089
	Depreciation (note 11)	62	65
	Amortisation of software (note 14)	–	54
	Directors' remuneration*	71,127	5,912
		159,944	**80,459**
	* Directors' remuneration was as follows:		
	– Paid by the Company	71,127	5,912
	– Paid by subsidiaries	14,605	17,637
		85,732	23,549
5.	**TAX**		
	(Loss)/profit before tax	(358,958)	5,913
	Income tax using standard corporate tax rate	(53,844)	887
	Tax exempt revenues	(5,975)	(10,080)
	Non-deductible expenses	17,006	344
	Tax on dividends received	1,929	2,471
	Tax and fair value losses of prior years not claimed	27,227	989
	Tax income per income statement	**(13,657)**	**(5,389)**
	Effective tax rate	4%	(91%)
5.1	**Current tax expense**		
	Deferred tax		
	Tax and fair value losses of prior years not claimed	27,227	989
	Origination and reversal of temporary differences	(42,813)	(8,849)
		(15,586)	(7,860)
	Current tax		
	Tax on dividends received	1,929	2,471
	Total tax income per income statement	**(13,657)**	**(5,389)**
6.	**CASH AND SHORT-TERM FUNDS**		
	Balances with banks	39,479	11,632
	Balances with banks include bank accounts with Group companies that total BWP1.4 million (2013: BWP1.2 million).		
	These accounts are maintained to make dividend and other payments.		
7.	**LOANS AND ADVANCES**		
	Corporate lending*	238	18,778
	Other*	–	8,661
		238	27,439
	Less: Allowance for impairments	–	–
	Net loans and advances	**238**	**27,439**

* *Related party loans and advances included in the above are set out in note 21.*

The fair value of net loans and advances approximates their carrying amount as the loans are short-term in nature.

BWP'000s	2014	2013
7. LOANS AND ADVANCES continued		
7.1 Maturity analysis		
On demand to one month	238	27,439
	238	**27,439**

7.2 Impairment of loans and advances – movement analysis

There were no impairment losses on loans and advances in the current year (2013: BWPnil).

The loans have a floating interest rate of 15% (2013: range of floating rates from 7% to 15%). BWPnil (2013: BWP6.3 million) of the loans are denominated in Botswana Pula and BWP0.2 million (2013: BWP21.1 million) are denominated in United States Dollars.

BWP'000s	2014	Fair value	2013	Fair value
8. INTER-COMPANY BALANCES				
8.1 Balances due from:				
ABCH Management Support Services (Pty) Limited and other non-banking subsidiaries*	18,782	18,782	22,273	22,273
Tanzania Development Finance Company Limited	2,834	2,834	82,206	82,206
BancABC Tanzania Limited	110,233	110,233	–	–
BancABC Zimbabwe, Second Nominees and Capital Partners	42,754	42,754	–	–
	174,603	**174,603**	**104,479**	**104,479**
8.2 Balances due to:				
BancABC Botswana Limited	621,321	621,321	342,108	342,108
BancABC Mozambique SA	66,306	66,306	54,591	54,591
BancABC Tanzania Limited	–	–	33,713	33,713
BancABC Zambia Limited	87,524	87,524	36,203	36,203
BancABC Zimbabwe, Second Nominees and Capital Partners	–	–	82,518	82,518
EDFUND S.A.	5,046	5,046	5,338	5,338
Bohemian Holdings Limited	1,833	1,833	1,833	1,833
	782,030	**782,030**	**556,304**	**556,304**

Inter-Company balances are generally short-term placements or borrowings at prevailing market rates.

The balances are denominated in Botswana Pula: BWP133.3 million (2013: BWP141.3 million) net payable; United States Dollars: BWP506.5 million (2013: BWP320.4 million) net payable and South African Rands: BWP32.4 million (2013: BWP9.9 million) net receivable.

* *The amount includes an interest-free loan of BWP18.8 million (2013: BWP22.2 million) pertaining to ABCH Management Support Services (Pty) Limited, (ABC South Africa). The loan has no fixed terms of repayment. ABC Holdings Limited has committed to allow ABCH Management Support Services (Pty) Limited to charge sufficient management fees for it to fully utilise a deferred tax asset of BWP2.1 million (2013: BWP2.2 million) recognised as at 31 December 2014.*

In addition, ABC Holdings Limited as at 31 December 2014 had issued payment guarantees to third parties on behalf of its subsidiaries amounting to BWP1,020 million (2013: BWP1,431 million).

BWP'000s	2014	2013
9. INVESTMENT SECURITIES		
Held-to-maturity		
– Promissory notes	**53,193**	**49,523**

The promissory notes are partial security for the loan from BIFM (note 19). The promissory notes earn a fixed interest of 10.25% per annum, and are redeemable on 31 March 2015.

The fair value of the promissory notes has not been determined as the promissory notes are specifically conditional to the terms of the BIFM loan referred to in note 19.

BWP'000s	2014	2013
10. PREPAYMENTS AND OTHER RECEIVABLES		
Accounts receivable and prepayments	5,701	2,565
Security deposit	584	370
Other amounts due	586	176
	6,871	**3,111**

All prepayments and other receivables are classified as current.

BWP'000s	Computer and office equipment	Furniture and fittings	Total
11. PROPERTY AND EQUIPMENT			
Cost at 1 January and 31 December 2014	382	267	649
Accumulated depreciation at 1 January 2014	(360)	(169)	(529)
Charge for the year	(9)	(53)	(62)
Accumulated depreciation at 31 December 2014	(369)	(222)	(591)
Carrying amount at 31 December 2014	**13**	**45**	**58**
Cost at 1 January 2013	358	267	625
Additions	24	–	24
Cost at 31 December 2013	382	267	649
Accumulated depreciation at 1 January 2013	(348)	(116)	(464)
Charge for the year	(12)	(53)	(65)
Accumulated depreciation at 31 December 2013	(360)	(169)	(529)
Carrying amount at 31 December 2013	**22**	**98**	**120**

BWP'000s	2014	2013
12. DEFERRED TAX ASSET		
Balance at the beginning of the year	25,879	18,019
Income statement charge (note 5)	15,586	7,860
Balance at the end of the year	**41,465**	**25,879**
Tax effect of temporary differences:		
– Property and equipment	(1)	(10)
– Unrealised gain on investments	(2,204)	(6,977)
– Tax losses	43,670	32,866
	41,465	**25,879**

BWP'000s	2014	2013
13. LOANS TO SUBSIDIARY COMPANIES		
BancABC Botswana Limited	130,048	122,231
BancABC Zambia Limited	469,826	413,264
BancABC Mozambique SA	75,401	71,099
	675,275	**606,594**

The loans are provided to subsidiaries as Tier II capital. Interest ranges from 10% to 12.5% and is payable half-yearly. BWP147 million (2013: BWP140 million) of these loans mature between 2017 and 2021 and BWP528 million (2013: BWP466 million) of the balance represents loans with no fixed repayment date.

The loans are denominated in Botswana Pula: BWP32 million (2013: BWP32 million) and United States Dollars: BWP643 million (2013: BWP575 million).

BWP'000s	2014	2013
14. INTANGIBLE ASSETS		
Cost		
Balance at the beginning and end of the year	**619**	**619**
Amortisation		
Balance at the beginning of the year	(619)	(565)
Amortisation charge (note 4)	–	(54)
	(619)	**(619)**
Carrying amount at the end of the year	**–**	**–**

15. INVESTMENT IN SUBSIDIARIES

	Nature of business	Ownership of ordinary shares 2014 %	2013 %	Carrying value 2014 BWP'000s	2013 BWP'000s
Botswana					
BancABC Botswana Limited	Registered bank	100	100	240,650	240,650
Bohemian Private Limited	Investment holding company	100	100	4,000	4,000
Capital Partners Private Limited	Investment holding company	100	100	2,019	2,019
Mozambique					
BancABC Mozambique SA	Registered bank	100	100	87,558	87,558
South Africa					
ABCH Management Support Services (Pty) Limited	Management services	100	100	–	–
Tanzania					
BancABC Tanzania Limited	Registered bank	97*	97*	271,909	271,909
Tanzania Development Finance Company Limited**	Financial services	68	68	–	15,949
Zambia					
BancABC Zambia Limited	Registered bank	100	100	370,451	370,451
Zimbabwe					
BancABC Zimbabwe Limited	Registered bank, stockbroking and asset management	100*	100*	474,726	474,726
FMB Holdings Limited		100	100		
Therlinern Holdings Limited		100	100		
Luxembourg					
EDFUND S.A.	Management services	100	100		
				1,451,313	**1,467,262**

* *Effective shareholding.*
** *During the year, the investment in Tanzania Development Finance Company Limited was impaired by BWP15.9 million as the carrying amount exceeded the net asset value following the posting of large losses. See note 3 for the impairment charge.*

16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Cross-currency interest rate swaps	–	12,839	–	8,808
	–	**12,839**	**–**	**8,808**

Cross-currency interest rate swaps

The Company uses cross-currency interest rate swaps to manage the Group's exposure to foreign currency and interest rate risk. These instruments are transacted for both hedging on a Group basis, and non-hedging activities. These instruments result in an economic exchange of currencies and interest rates. An exchange of principal takes place for all cross-currency interest rate swaps. The Company's credit risk exposure represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. To control the level of credit risk taken, the Company assesses counterparties using the same technique as for its lending activities.

The notional amounts of the financial instruments provide a basis of comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks.

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in the market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative financial instruments held are set out below:

BWP'000s	Notional amount	Fair value
At 31 December 2014		
Cross-currency interest rate swaps:		
Designated at fair value through profit and loss	56,204	(12,839)
Total recognised derivatives		**(12,839)**
At 31 December 2013		
Cross-currency interest rate swaps:		
Designated at fair value through profit and loss	67,175	(8,808)
Total recognised derivatives		**(8,808)**

16.1 Forward foreign exchange contracts

The notional amounts of outstanding forward foreign exchange contracts at 31 December 2014 and 2013 were nil.

16.2 Net investment hedges

The Group uses a mixture of forward foreign exchange contracts and foreign currency denominated debt to hedge the foreign currency translation risk on its net investment in foreign subsidiaries. As at 31 December 2014, United States Dollar-denominated debt, which is included in borrowed funds (see note 19) with a fair value of BWP562 million (2013: BWP532 million), was used to hedge the net investment in the Group's subsidiaries in Zimbabwe which have the United States Dollar as the functional currency. There were no derivatives designated as net investment hedges in both 2014 and 2013.

BWP'000s	2014	2013
17. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE		
Unlisted debentures	**94,229**	**120,562**
The unlisted debentures comprise of an investment in a five-year 10% convertible loan to ADC Enterprises Limited with effect from October 2011, convertible on maturity or liquidating on the occurrence of a specified 'liquidity event' in the shareholders' agreement, with interest being paid as and when sufficient funds are available from returns earned on the ultimate investment, being Union Bank of Nigeria. The balance is denominated in United States Dollars and it is carried at fair value.		
18. CREDITORS AND ACCRUALS		
Accrued expenses	1,802	5,056
Other amounts due	37,313	1,709
	39,115	**6,765**
Creditors and accruals are due and payable within 12 months.		

BWP'000s	2014	Fair value	2013	Fair value
19. BORROWED FUNDS				
Convertible bond	–	–	–	–
Other borrowed funds	1,401,192	1,500,732	1,158,591	1,258,210
	1,401,192	**1,500,732**	**1,158,591**	**1,258,210**
(a) Convertible bond				
Balance at the beginning of the year	–		97,950	
Interest expense	–		5,140	
Interest paid	–		(2,400)	
Capital repayment	–		(27,174)	
Conversion into equity	–		(73,516)	
	–		**–**	
(b) Other borrowed funds				
National Development Bank of Botswana Limited	43,335	43,187	67,175	67,526
BIFM Capital Investment Fund One (Pty) Limited	256,557	299,797	256,352	308,204
Afrexim Bank Limited	562,449	574,637	531,293	532,039
Africa Agriculture and Trade Investment Fund S.A.	235,281	262,301	216,843	244,919
Norsad Finance Limited	94,334	111,574	86,928	105,522
Atlas Mara Limited	190,204	190,204	–	–
Saffron	19,032	19,032	–	–
	1,401,192	**1,500,732**	**1,158,591**	**1,258,210**

19. BORROWED FUNDS continued

National Development Bank of Botswana Limited (NDB)

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

BIFM Capital Investment Fund One (Pty) Limited

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

The redemption dates are as follows:

30 September 2017 – BWP62,500,000 30 September 2018 – BWP62,500,000
30 September 2019 – BWP62,500,000 30 September 2020 – BWP62,500,000

Afrexim Bank Limited

This is a US$60 million short-term credit facility advanced to the Company in July 2013. The loan attracts interest at three-month LIBOR + 5% and it is repayable on 30 June 2015, but with a provision to extend it for a further, mutually agreeable period. The full loan amount has been designated as a hedge on the net investment by the Group in BancABC Zimbabwe (see note 16).

Africa Agriculture and Trade Investment Fund S.A. (AATIF)

The loan from AATIF is denominated in United States Dollars and attracts interest at three-month LIBOR + 6.25%. Interest is payable quarterly on 31 March, 30 June, 30 September and 31 December respectively. The loan matures on 21 December 2018 when the full principal amount is due for repayment in one instalment.

Norsad Finance Limited

This is a subordinated loan denominated in United States Dollars and attracts interest at six-month LIBOR + 7.5%. Interest is payable semi-annually on 30 June and 31 December respectively. The loan matures on 9 October 2020 when the full principal amount is due for repayment in one instalment.

Atlas Mara

The loan is denominated in United States Dollars and attracts no interest. It is due for repayment on 31 March 2015.

Saffron

The balance consists of four promissory notes of US$500,000 each that attract interest at three-month LIBOR + 5%. Interest is payable quarterly and the principal amount is due for repayment on 9 March 2016.

	2014	2013
19.1 MATURITY ANALYSIS		
On demand to one month	–	531 294
One month to three months	7 240	7 537
Three months to one year	572 376	21 020
Greater than one year	821 576	598 740
	1 401 192	1 158 591

BWP'000s	2014	2013
20. STATED CAPITAL		
20.1 Issued and fully paid		
256,885,694 (2013: 256,885,694) shares	12,844	12,844
Share premium	768,181	768,181
Total Company	**781,025**	**781,025**

	Share capital	Share premium	Total
At 31 December 2013 and 31 December 2014	**12,844**	**768,181**	**781,025**

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

	2014	2013
20.2 Reconciliation of the number of shares in issue		
Shares at the beginning of the year	256,885,694	232,805,464
Shares issued*	–	24,080,230
At the end of the year	**256,885,694**	**256,885,694**

* *During 2013, the International Finance Corporation (IFC) converted the outstanding convertible loan balance as at 25 April 2013 into equity. The exercise price was BWP3.24 per share.*

	2014	2013
20.3 Convertible bond – equity component		
Balance at the beginning of the year	–	44,109
Conversion into equity	–	(44,109)
Balance at the end of the year	–	–

21. RELATED PARTY TRANSACTIONS

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

Subsidiary companies and associates

ABC Holdings Limited is the holding company in the ABC Group. ABC Holdings Limited and its subsidiaries entered into various financial services contracts with fellow subsidiaries and associates during the year. These transactions are entered into in the normal course of business. Loans to/from subsidiary companies have been disclosed in notes 8 and 13 and interest on these in note 1. Dividends received from subsidiaries have been disclosed in note 2, as well as commissions earned from subsidiaries. Impairment of subsidiaries is disclosed in note 3. Bank balances with subsidiaries are disclosed in note 6.

ABC Consulting and Management Services Limited and ABCH Management Support Services (Pty) Limited have entered into management service agreements with the Company. Details of inter-Company management fees incurred during the year have been disclosed in note 4.

Details of investments in subsidiaries are set out in note 15. Details of associate companies are set out in note 13 of the Group financial statements.

Bank balances with Group companies are set out in note 6.

Shareholders

During 2011, the Company invested in ADC Enterprises Limited (ADCE), which is a 100% subsidiary of African Development Corporation (ADC). ADCE in turn is invested in a syndicated SPE which, with the funds of other investors, was invested in a foreign bank. ADC is a significant shareholder of the Group. The investment balance as at 31 December 2013 was BWP94 million (2013: BWP121 million) and has been classified as financial assets designated at fair value.

During the year, the Group received an interest-free loan from Atlas Mara Limited for US$20 million. The full proceeds were in turn given to BancABC Tanzania as an interest-free loan pursuant to the re-capitalisation of that subsidiary. The loan was due for repayment on 31 March 2015 if not used for re-capitalising BancABC Tanzania. The loan was subsequently used to re-capitalise BancABC Tanzania in March 2015 and it is therefore not repayable to Atlas Mara Limited.

21. RELATED PARTY TRANSACTIONS continued

Directors and officers

Emoluments to directors have been disclosed in note 4. Particulars of other lending transactions entered into with related parties are as follows:

	2014		2013	
BWP'000s	**Balance**	**Interest**	Balance	Interest
Loans and advances to directors:				
DT Munatsi	–	209	2,478	177
F Dzanya	–	272	3,222	263
B Moyo	–	20	651	53
	–	**501**	**6,351**	**493**
Loans and advances to key management:				
H Matemera	–	114	2,311	176
	–	**114**	**2,311**	**176**
Loans and advances to entities under common control				
Brainworks Investments Limited	–	2,618	18,558	2,603
	–	**2,618**	**18,558**	**2,603**
Borrowed funds from shareholders				
Atlas Mara Limited	190,204	–	–	–
	190,204	**–**	**–**	**–**
There were no specific impairments on balances with related parties with the exception of the TDFL loan (see note 3).				
(i) Paid by ABC Holdings Limited				
Short-term employment benefits	3,185	–	2,432	–
Termination benefits	64,701	–	–	–
	67,886	**–**	**2,432**	**–**
(ii) Paid by subsidiaries				
Short-term employment benefits	22,100	–	24,552	–
Post-employment benefits	1,734	–	1,812	–
Termination benefits	6,675	–	–	–
	30,509	**–**	**26,364**	**–**
Total	**98,395**	**–**	**28,796**	**–**

BWP'000s	2014	2013
22. OFF-BALANCE SHEET ITEMS		
22.1 Contingent liabilities		
There were no contingent liabilities as at 31 December 2014. In the previous year, the Company had agreed to provide ABCH Management Support Services (Pty) Limited, Tanzania Development Finance Company Limited and ABC Stockbrokers (Pvt) Limited, all Group companies, with required operational and financial support.		
22.2 Capital commitments		
There were no capital commitments approved or contracted for the next year (2013: BWPnil).		
23. COLLATERAL		
23.1 Liabilities for which collateral is pledged		
Borrowed funds	256,557	256,352
	256,557	**256,352**
Assets pledged to secure these liabilities are carried at amortised cost and are included under the following:		
Investment securities	53,193	49,523
	53,193	**49,523**
23.2 Collateral accepted as security for assets		
Mortgage bonds, inventory and debtors	–	–
	–	–

The Company is obliged to return equivalent securities. The Company is not permitted to sell or re-pledge collateral in the absence of default.

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

BWP'000s	2014	2013
24. ORDINARY DIVIDENDS		
Dividend of 4.5 thebe per share paid on 2 May 2014 to shareholders on the register on 18 April 2014	11,560	–
Dividend of 8 thebe per share paid on 3 May 2013 to shareholders on the register on 12 April 2013	–	18,624
Dividend of 14 thebe per share paid on 13 September 2013 to shareholders on the register on 30 August 2013	–	35,964
	11,560	**54,588**

The Board of Directors do not propose the payment of any final dividend for the year ended 31 December 2014.

There are no tax consequences to the Group for declaring or paying out a dividend. However, for some investors resident in Botswana, a withholding tax of 7.5% applies.

For investors not resident in Botswana, there are no tax consequences for any dividend paid to them.

Financial risk management

The credit risk management policies of the Company and Group are set out on pages 54 to 91 of the Group financial statements.

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

The following table presents the maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account any collateral held or other credit enhancements unless such credit enhancements meet offsetting requirements. For financial assets recognised on the balance sheet, the exposure to credit risk equals their carrying amount before deducting impairments.

Credit risk exposures relating to on-balance sheet assets are as follows:

BWP'000s	2014	2013
Placements with banks	39,479	11,632
Financial assets designated at fair value	94,229	120,562
Loans and advances to customers at amortised cost	238	27,439
– Corporate lending	238	18,778
– Other loans and advances	–	8,661
Investment securities	53,193	49,523
– Promissory notes	53,193	49,523
Loans to subsidiaries	675,275	606,594
Inter-Company balances	174,603	104,479
	1,037,017	**920,229**

CREDIT QUALITY

LOANS AND ADVANCES

The following tables reflect broadly, the stable credit quality of the Company's exposures.

Distribution of loans and advances by credit quality:

BWP'000s	2014	2013
Neither past due nor impaired	238	27,439
Individually impaired	–	–
Gross loans and advances	238	27,439
Less: Allowance for impairment	–	–
Net loans and advances	**238**	**27,439**

(a) Distribution of loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted below:

INTERNAL GRADE: PERFORMING	2014	2013
Corporate lending	238	18,778
Other loans and advances	–	8,661
	238	**27,439**

(b) Loans and advances individually impaired

The individually impaired loans and advances before taking into consideration the cash flows from collateral held is BWPnil (2013: BWPnil).

CONCENTRATION RISK OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE

(A) GEOGRAPHICAL SECTORS

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorised by geographical regions as of 31 December:

	2014						
BWP'000s	**Botswana**	**Mozambique**	**Tanzania**	**Zambia**	**Zimbabwe**	**Other**	**Total**
Placements with banks	27	–	–	–	1,334	38,118	39,479
Financial assets designated at fair value	–	–	–	–	–	94,229	94,229
Loans and advances	–	–	–	–	238	–	238
Investment securities	53,193	–	–	–	–	–	53,193
Loans to subsidiary companies	130,048	75,401	–	469,826	–	–	675,275
Inter-Company balances	–	–	113,067	–	42,754	18,782	174,603
	183,268	**75,401**	**113,067**	**469,826**	**44,326**	**151,129**	**1,037,017**

	2013						
BWP'000s	Botswana	Mozambique	Tanzania	Zambia	Zimbabwe	Other	Total
Placements with banks	33	–	–	–	1,184	10,415	11,632
Financial assets designated at fair value	–	–	–	–	–	120,562	120,562
Loans and advances	3,222	–	–	–	21,088	3,129	27,439
Investment securities	49,523	–	–	–	–	–	49,523
Loans to subsidiary companies	122,231	71,099	–	413,264	–	–	606,594
Inter-Company balances	–	–	82,206	78	–	22,195	104,479
	175,009	**71,099**	**82,206**	**413,342**	**22,272**	**156,301**	**920,229**

CONCENTRATION RISK OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE

(B) INDUSTRY SECTORS

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by industry sectors as of 31 December of the counterparties:

	2014				
BWP'000s	**Agriculture**	**Construction**	**Wholesale, retail and trade**	**Public sector**	**Manufacturing**
Placements with banks	–	–	–	–	–
Financial assets designated at fair value	–	–	–	–	–
Loans and advances	–	–	–	–	–
Investment securities	–	–	–	–	–
Loans to subsidiary companies	–	–	–	–	–
Inter-Company balances	–	–	–	–	–
	–	**–**	**–**	**–**	**–**

	2013				
BWP'000s	Agriculture	Construction	Wholesale, retail and trade	Public sector	Manufacturing
Placements with banks	–	–	–	–	–
Financial assets designated at fair value	–	–	–	–	–
Loans and advances	–	–	–	–	–
Investment securities	–	–	–	–	–
Loans to subsidiary companies	–	–	–	–	–
Inter-Company balances	–	–	–	–	–
	–	**–**	**–**	**–**	**–**

	2014						
	Mining and energy	**Financial services**	**Transport**	**Individuals**	**Tourism**	**Other**	**Total**
	–	39,479	–	–	–	–	39,479
	–	94,229	–	–	–	–	94,229
	–	238	–	–	–	–	238
	–	53,193	–	–	–	–	53,193
	–	675,275	–	–	–	–	675,275
	–	174,603	–	–	–	–	174,603
	–	**1,037,017**	**–**	**–**	**–**	**–**	**1,037,017**

	2013						
	Mining and energy	Financial services	Transport	Individuals	Tourism	Other	Total
	–	11,632	–	–	–	–	11,632
	–	120,562	–	–	–	–	120,562
	–	18,778	–	8,661	–	–	27,439
	–	49,523	–	–	–	–	49,523
	–	606,594	–	–	–	–	606,594
	–	104,479	–	–	–	–	104,479
	–	**911,568**	**–**	**8,661**	**–**	**–**	**920,229**

MARKET RISK

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

Market and foreign currency exposures related to dealing positions are housed and managed in the Treasury division within a framework of pre-approved dealer, currency and counterparty limits. All trading positions are marked to market as required by IAS 39. Group Risk is responsible for the monitoring of limits and pricing, thereby ensuring that any errors or unauthorised transactions are promptly identified.

Concentration of currency risk: On- and off-balance sheet financial instruments

	2014			
BWP'000s	**EUR**	**USD**	**BWP**	**ZAR**
Cash and short-term funds	–	39,452	27	–
Financial assets designated at fair value	–	94,229	–	–
Loans and advances	–	238	–	–
Investment securities	–	–	53,193	–
Prepayments and other receivables	56	5,844	897	74
Derivative financial assets*	–	–	–	–
Inter-Company balances	–	154,210	–	20,393
Property and equipment	–	–	58	–
Intangible assets	–	–	–	–
Deferred tax assets	–	–	41,465	–
Investment in subsidiaries	–	474,726	246,669	–
Loans to subsidiaries	–	643,309	31,966	–
Total assets	**56**	**1,412,008**	**374,275**	**20,467**
Derivative financial liabilities*	–	56,204	(30)	–
Creditors and accruals	–	38,472	122	521
Borrowed funds	–	1,101,300	256,557	–
Inter-Company balances	(9)	660,745	133,266	(11,972)
Total liabilities	**(9)**	**1,856,721**	**389,915**	**(11,451)**
Net on-balance sheet position	**65**	**(444,713)**	**(15,640)**	**31,918**

* *Notional amounts have been reported in the currency columns and adjustments made in 'Other' to arrive at the fair values.*

	31 December 2014			
	Profit or loss		**Equity, net of tax**	
Currency	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
EUR (7% movement)	5	(5)	4	(4)
USD (10% movement)	(44,471)	44,471	(37,801)	37,801
ZAR (3% movement)	958	(958)	814	(814)
TZS (12% movement)	32,629	(32,629)	27,735	(27,735)
ZMW (10% movement)	37,045	(37,045)	31,488	(31,488)
MZN (10% movement)	8,756	(8,756)	7,442	(7,442)
JPY (3% movement)	–	–	–	–

MARKET RISK MEASUREMENT TECHNIQUES

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

Foreign exchange risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Group Risk sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The tables below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2014 and 2013.

Included in the table are the Company's assets and liabilities at carrying amounts, categorised by currency.

2014

	TZS	ZMW	MZN	JPY	Other	Total
	–	–	–	–	–	39,479
	–	–	–	–	–	94,229
	–	–	–	–	–	238
	–	–	–	–	–	53,193
	–	–	–	–	–	6,871
	–	–	–	43,335	(43,335)	–
	–	–	–	–	–	174,603
	–	–	–	–	–	58
	–	–	–	–	–	–
	–	–	–	–	–	41,465
	271,909	370,451	87,558	–	–	1,451,313
	–	–	–	–	–	675,275
	271,909	**370,451**	**87,558**	**43,335**	**(43,335)**	**2,536,724**
	–	–	–	–	(43,335)	12,839
	–	–	–	–	–	39,115
	–	–	–	43,335	–	1,401,192
	–	–	–	–	–	782,030
	–	**–**	**–**	**43,335**	**(43,335)**	**2,235,176**
	271,909	**370,451**	**87,558**	**–**	**–**	**301,548**

Concentration of currency risk: On- and off-balance sheet financial instruments continued

	2013			
BWP'000s	EUR	USD	BWP	ZAR
Cash and short-term funds	–	11,599	33	–
Financial assets designated at fair value	–	120,562	–	–
Loans and advances	–	21,088	6,351	–
Investment securities	–	–	49,523	–
Prepayments and other receivables	8	2,662	388	53
Derivative financial assets*	–	–	–	–
Inter-Company balances	–	82,284	–	22,195
Property and equipment	–	–	120	–
Intangible assets	–	–	–	–
Deferred tax assets	–	–	25,879	–
Investment in subsidiaries	–	474,726	246,669	–
Loans to subsidiaries	–	574,855	31,739	–
Total assets	**8**	**1,287,776**	**360,702**	**22,248**
Derivative financial liabilities*	–	76,459	(476)	–
Creditors and accruals	193	4,128	303	2,141
Borrowed funds	–	835,065	256,351	–
Inter-Company balances	–	402,660	141,315	12,329
Total liabilities	**193**	**1,318,312**	**397,493**	**14,470**
Net on-balance sheet position	**(185)**	**(30,536)**	**(36,791)**	**7,778**

* *Notional amounts have been reported in the currency columns and adjustments made in 'Other' to arrive at the fair values.*

	31 December 2013			
	Profit or loss		Equity, net of tax	
Currency	Strengthening	Weakening	Strengthening	Weakening
EUR (7% movement)	(13)	13	(11)	11
USD (10% movement)	(3,054)	3,054	(2,596)	2,596
ZAR (3% movement)	233	(233)	198	(198)
TZS (12% movement)	34,543	(34,543)	29,362	(29,362)
ZMW (10% movement)	37,045	(37,045)	31,488	(31,488)
MZN (10% movement)	8,756	(8,756)	7,442	(7,442)
JPY (3% movement)	–	–	–	–

TZS	ZMW	MZN	JPY	Other	Total
–	–	–	–	–	11,632
–	–	–	–	–	120,562
–	–	–	–	–	27,439
–	–	–	–	–	49,523
–	–	–	–	–	3,111
–	–	–	67,175	(67,175)	–
–	–	–	–	–	104,479
–	–	–	–	–	120
–	–	–	–	–	–
–	–	–	–	–	25,879
287,858	370,451	87,558	–	–	1,467,262
–	–	–	–	–	606,594
287,858	**370,451**	**87,558**	**67,175**	**(67,175)**	**2,416,601**
–	–	–	–	(67,175)	8,808
–	–	–	–	–	6,765
–	–	–	67,175	–	1,158,591
–	–	–	–	–	556,304
–	**–**	**–**	**67,175**	**(67,175)**	**1,730,468**
287,858	**370,451**	**87,558**	**–**	**–**	**686,133**

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 Company 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. The Asset and Liability Committee (ALCO) is responsible for managing interest rate and liquidity risk in the Group. Asset and Liability Management Committees have been established in each subsidiary and meet on a monthly basis. They operate within the prudential guidelines and policies established by Group ALCO.

In order to reduce interest rate risk, the majority of the Company's lending is on a variable interest rate with a term of less than one year.

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

	2014					
BWP'000s	**Up to 1 month**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Non-interest bearing**	**Total**
Cash and short-term funds	39,479	–	–	–	–	39,479
Financial assets designated at fair value	–	–	–	–	94,229	94,229
Loans and advances	238	–	–	–	–	238
Investment securities	–	–	–	53,193	–	53,193
Prepayments and other receivables	–	–	–	–	6,871	6,871
Inter-Company balances	154,210	–	–	–	20,393	174,603
Property and equipment	–	–	–	–	58	58
Deferred tax assets	–	–	–	–	41,465	41,465
Investment in subsidiaries	–	–	–	–	1,451,313	1,451,313
Loans to subsidiaries	–	–	–	675,275	–	675,275
Total assets	**193,927**	**–**	**–**	**728,468**	**1,614,329**	**2,536,724**
Shareholders' equity and liabilities						
Equity	–	–	–	–	301,548	301,548
Derivative financial liabilities	–	–	–	–	12,839	12,839
Creditors and accruals	–	–	–	–	39,115	39,115
Borrowed funds	–	7,240	572,376	821,576	–	1,401,192
Inter-Company balances	614,033	154,996	–	–	13,001	782,030
Total equity and liabilities	**614,033**	**162,236**	**572,376**	**821,576**	**366,503**	**2,536,724**
Interest re-pricing gap	**(420,106)**	**(162,236)**	**(572,376)**	**(93,108)**	**1,247,826**	**–**

BWP'000s	2013 Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Non-interest bearing	Total
Cash and short-term funds	11,632	–	–	–	–	11,632
Financial assets designated at fair value	–	–	–	–	120,562	120,562
Loans and advances	27,439	–	–	–	–	27,439
Investment securities	–	–	–	49,523	–	49,523
Prepayments and other receivables	–	–	–	–	3,111	3,111
Inter-Company balances	82,284	–	–	–	22,195	104,479
Property and equipment	–	–	–	–	120	120
Deferred tax assets	–	–	–	–	25,879	25,879
Investment in subsidiaries	–	–	–	–	1,467,262	1,467,262
Loans to subsidiaries	–	–	–	606,594	–	606,594
Total assets	**121,355**	**–**	**–**	**656,117**	**1,639,129**	**2,416,601**
Shareholders' equity and liabilities						
Equity	–	–	–	–	686,133	686,133
Derivative financial liabilities	–	–	–	–	8,808	8,808
Creditors and accruals	–	–	–	–	6,765	6,765
Borrowed funds	531,294	7,537	21,020	598,740	–	1,158,591
Inter-Company balances	402,706	140,597	–	–	13,001	556,304
Total equity and liabilities	**934,000**	**148,134**	**21,020**	**598,740**	**714,707**	**2,416,601**
Interest re-pricing gap	**(812,645)**	**(148,134)**	**(21,020)**	**57,377**	**924,422**	**–**

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

BWP'000s	2014	2013
Shift in yield curves of +50 basis points	(15,480)	(6,272)
Percentage of shareholders' equity (+50 basis points)	(5.1%)	(1.0%)
Shift in yield curves of -50 basis points	15,480	6,272
Percentage of shareholders' equity (-50 basis points)	5.1%	1.0%

The interest rate sensitivity analysis set out in the table above is illustrative only and is based on simplified scenarios over a period of one year.

LIQUIDITY RISK

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

BWP'000s	2014 Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total
Cash and short-term funds	39,479	–	–	–	39,479
Financial assets designated at fair value	–	–	–	94,229	94,229
Loans and advances	238	–	–	–	238
Investment securities	–	–	–	53,193	53,193
Prepayments and other receivables	–	–	6,871	–	6,871
Inter-Company balances	171,769	–	2,834	–	174,603
Property and equipment	–	–	–	58	58
Deferred tax assets	–	–	–	41,465	41,465
Investment in subsidiaries	–	–	–	1,451,313	1,451,313
Loans to subsidiaries	–	–	–	675,275	675,275
Total assets	**211,486**	**–**	**9,705**	**2,315,533**	**2,536,724**
Shareholders' equity and liabilities					
Equity	–	–	–	301,548	301,548
Derivative financial liabilities	12,839	–	–	–	12,839
Creditors and accruals	39,115	–	–	–	39,115
Borrowed funds	–	7,240	572,376	821,576	1,401,192
Inter-Company balances	627,034	154,996	–	–	782,030
Total equity and liabilities	**678,988**	**162,236**	**572,376**	**1,123,124**	**2,536,724**
Net maturity gap	**(467,502)**	**(162,236)**	**(562,671)**	**1,192,409**	**–**

BWP'000s	2013 Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total
Cash and short-term funds	11,632	–	–	–	11,632
Financial assets designated at fair value	–	–	–	120,562	120,562
Loans and advances	27,439	–	–	–	27,439
Investment securities	–	–	–	49,523	49,523
Prepayments and other receivables	–	–	3,111	–	3,111
Inter-Company balances	22,158	–	82,321	–	104,479
Property and equipment	–	–	–	120	120
Deferred tax assets	–	–	–	25,879	25,879
Investment in subsidiaries	–	–	–	1,467,262	1,467,262
Loans to subsidiaries	–	–	–	606,594	606,594
Total assets	**61,229**	**–**	**85,432**	**2,269,940**	**2,416,601**
Shareholders' equity and liabilities					
Equity	–	–	–	686,133	686,133
Derivative financial liabilities	8,808	–	–	–	8,808
Creditors and accruals	6,765	–	–	–	6,765
Borrowed funds	531,294	7,537	21,020	598,740	1,158,591
Inter-Company balances	415,707	140,597	–	–	556,304
Total equity and liabilities	**962,574**	**148,134**	**21,020**	**1,284,873**	**2,416,601**
Net maturity gap	**(901,345)**	**(148,134)**	**64,412**	**985,067**	**–**

NON-DERIVATIVE CASH FLOWS

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

2014

BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total	Effect of discount/ financing rates	Total
Creditors and accruals	39,115	–	–	–	39,115	–	39,115
Borrowed funds	–	11,351	612,351	1,017,978	1,641,680	(240,488)	1,401,192
Inter-Company balances	627,034	154,996	–	–	782,030	–	782,030
Total liabilities	**666,149**	**166,347**	**612,351**	**1,017,978**	**2,462,825**	**(240,488)**	**2,222,337**

2013

BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total	Effect of discount/ financing rates	Total
Creditors and accruals	6,765	–	–	–	6,765	–	6,765
Borrowed funds	532,818	18,436	67,774	692,033	1,311,061	(152,470)	1,158,591
Inter-Company balances	415,999	142,962	–	–	558,961	(2,657)	556,304
Total liabilities	**955,582**	**161,398**	**67,774**	**692,033**	**1,876,787**	**(155,127)**	**1,721,660**

The Company principally uses cash and short-term funds together with inter-company balances to manage liquidity risk.

DERIVATIVE FINANCIAL LIABILITIES CASH FLOWS

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

2014

BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total
Derivative financial liabilities	–	–	–	–	–

2013

BWP'000s	Up to 1 month	1 – 3 months	3 – 12 months	Greater than 1 year	Total
Derivative financial liabilities	–	–	–	–	–

With the exception of swaps where ongoing cash flows are settled on a gross basis, all derivative financial liabilities are settled on a net basis.

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

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

(A) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount		
31 December 2014 **BWP'000s**	Note	**Held for trading**	**Designated at fair value**	**Derivative financial instruments**
Financial assets measured at fair value				
Unlisted debentures	17	–	94,229	–
		–	**94,229**	**–**
Financial assets not measured at fair value				
Cash and short-term funds	6	–	–	–
Loans and advances	7	–	–	–
Inter-Company balances	8	–	–	–
Promissory notes	9	–	–	–
Prepayments and other receivables	10	–	–	–
Loans to subsidiary companies	13	–	–	–
		–	**–**	**–**
Financial liabilities measured at fair value				
Cross-currency interest rate swaps	16	–	–	(12,839)
		–	**–**	**(12,839)**
Financial liabilities not measured at fair value				
Inter-Company balances	8	–	–	–
Creditors and accruals	18	–	–	–
Borrowed funds	19	–	–	–
		–	**–**	**–**

	Carrying amount					Fair value			
	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	–	–	–	–	94,229	–	94,229	–	94,229
	–	**–**	**–**	**–**	**94,229**	**–**	**94,229**	**–**	**94,229**
	–	39,479	–	–	39,479				
	–	238	–	–	238				
	–	174,603	–	–	174,603				
	53,193	–	–	–	53,193				
	–	6,871	–	–	6,871				
	–	675,275	–	–	675,275				
	53,193	**896,466**	**–**	**–**	**949,659**				
	–	–	–	–	(12,839)	–	(12,839)	–	(12,839)
	–	**–**	**–**	**–**	**(12,839)**	**–**	**(12,839)**	**–**	**(12,839)**
	–	–	–	(782,030)	(782,030)				
	–	–	–	(39,115)	(39,115)				
	–	–	–	(1,401,192)	(1,401,192)	–	–	1,500,732	1,500,732
	–	**–**	**–**	**(2,222,337)**	**(2,222,337)**	**–**	**–**	**1,500,732**	**1,500,732**

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued

(A) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES continued

31 December 2013 **BWP'000s**	Note	Carrying amount Held for trading	 Designated at fair value	 Derivative financial instruments
Financial assets measured at fair value				
Unlisted debentures	17	–	120,562	–
		–	**120,562**	**–**
Financial assets not measured at fair value				
Cash and short-term funds	6	–	–	–
Loans and advances	7	–	–	–
Inter-Company balances	8	–	–	–
Promissory notes	9	–	–	–
Prepayments and other receivables	10	–	–	–
Loans to subsidiary companies	13	–	–	–
		–	**–**	**–**
Financial liabilities measured at fair value				
Cross-currency interest rate swaps	16	–	–	(8,808)
		–	**–**	**(8,808)**
Financial liabilities not measured at fair value				
Inter-Company balances	8	–	–	–
Creditors and accruals	18	–	–	–
Borrowed funds	19	–	–	–
		–	**–**	**–**

Carrying amount					Fair value			
Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
–	–	–	–	120,562	–	120,562	–	120,562
–	**–**	**–**	**–**	**120,562**	**–**	**120,562**	**–**	**120,562**
–	11,632	–	–	11,632				
–	27,439	–	–	27,439				
–	104,479	–	–	104,479				
49,523	–	–	–	49,523				
–	3,111	–	–	3,111				
–	606,594	–	–	606,594				
49,523	**753,255**	**–**	**–**	**802,778**				
–	–	–	–	(8,808)	–	(8,808)	–	(8,808)
–	**–**	**–**	**–**	**(8,808)**	**–**	**(8,808)**	**–**	**(8,808)**
–	–	–	(556,304)	(556,304)				
–	–	–	(6,765)	(6,765)				
–	–	–	(1,158,591)	(1,158,591)	–	–	1,258,210	1,258,210
–	**–**	**–**	**(1,721,660)**	**(1,721,660)**	**–**	**–**	**1,258,210**	**1,258,210**

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued

(B) MEASUREMENT OF FAIR VALUES

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as significant unobservable inputs used:

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Cross-currency interest rate swaps	Market comparison technique: The fair values are based on market players' quotations in the secondary market. Similar instruments are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable
Unlisted debentures	Quoted prices as adjusted for intermediaries' retained earnings: The fair values are based on quoted prices of the underlying equity investment which is quoted on the Nigerian Stock Exchange as adjusted for the retained earnings of the investment vehicles, excluding the fair value gains from the investment.	Not applicable	Not applicable

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Cash and short-term funds	Discounted cash flows	Not applicable
Loans and advances	Discounted cash flows	Not applicable
Promissory notes	Discounted cash flows	Not applicable
Inter-Company balances	Discounted cash flows	Not applicable
Prepayments and other receivables	Discounted cash flows	Not applicable
Creditors and accruals	Discounted cash flows	Not applicable
Deposits	Discounted cash flows	Not applicable
Borrowed funds	Discounted cash flows	Not applicable

(ii) Level 3 fair values

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

	31 December 2014			
BWP'000s	**Debt or equity investments**	**Total assets at fair value**	**Derivative financial liabilities**	**Total liabilities at fair value**
Assets				
Opening balance	–	–	–	–
Gains/loss in income statement	–	–	–	–
Purchases	–	–	–	–
Settlements	–	–	–	–
Transfer out of Level 3	–	–	–	–
Closing balance	**–**	**–**	**–**	**–**

	31 December 2013			
BWP'000s	Debt or equity investments	Total assets at fair value	Derivative financial liabilities	Total liabilities at fair value
Liabilities				
Opening balance	80,062	80,062	–	–
Gains/loss in income statement	40,500	40,500	–	–
Transfer to equity	(120,562)	(120,562)	–	–
Closing balance	**–**	**–**	**–**	**–**

Analysis of shareholders

AS AT 31 DECEMBER 2014

Range	Number of holders	% of total holders	Number of shares	% of total shares
0 – 50,000	2,816	99.50%	2,207,402	0.86%
50,001 – 100,000	9	0.32%	708,455	0.28%
100,001 – 500,000	3	0.11%	489,499	0.19%
Above 500,000	2	0.07%	253,480,338	98.67%
	2,830	**100.00%**	**256,885,694**	**100.00%**

TOP 10 SHAREHOLDERS

	Shareholder*	Shares	% holding
1	Atlas Mara Limited	156,199,993	60.80%
2	ADC Financial Services & Corporate Development	97,280,445	37.87%
3	Merson Investments (Private) Limited	244,962	0.10%
4	Elias Kollias	139,704	0.05%
5	Klaus Dieter Balzer	104,833	0.04%
6	Fintrust Pension Fund	56,726	0.02%
7	Rita Brink	93,000	0.04%
8	J Moyo	91,861	0.04%
9	SBB Nominees (Pty) Limited	91,800	0.04%
10	Nellie Lockhart	81,091	0.03%
	Others	2,501,279	0.97%
		256,885,694	**100.00%**

* *As per share register on 31 December 2014.*

Country	Number of holders	% of total holders	Number of shares	% of total shares
Angola	1	0.04%	385	0.00%
Australia	6	0.21%	9,821	0.00%
Botswana	179	6.31%	723,207	0.29%
British Virgin Island	1	0.04%	156,199,893	60.80%
Canada	3	0.11%	1,337	0.00%
Hong Kong	1	0.04%	9,615	0.00%
India	3	0.11%	21,909	0.01%
Ireland	1	0.04%	200	0.00%
Israel	1	0.04%	521	0.00%
Italy	1	0.04%	4,200	0.00%
Kenya	1	0.04%	3,178	0.00%
Malawi	1	0.04%	257	0.00%
Malaysia	1	0.04%	521	0.00%
Mauritius	1	0.04%	97,280,445	37.87%
Mozambique	8	0.27%	51,146	0.02%
Namibia	1	0.04%	300	0.00%
Norway	1	0.04%	321	0.00%
South Africa	45	1.58%	179,525	0.07%
Tanzania	1	0.04%	2,222	0.00%
United Kingdom	17	0.60%	14,834	0.01%
United States of America	7	0.25%	3,712	0.01%
Warrant	885	31.24%	954,508	0.37%
Zambia	1	0.04%	257	0.00%
Zimbabwe	1,663	58.76%	1,423,380	0.55%
	2,830	**100.00%**	**256,885,694**	**100.00%**

Notice of Annual General Meeting

(Registration number 99/4865)
(Incorporated in the Republic of Botswana)
(ABC Holdings Limited or "the Company")

Notice is hereby given that the Annual General Meeting of Shareholders of the Company will be held at the Boardroom, ABC House, BancABC Botswana, Plot 62433, Fairground Office Park, Gaborone, Botswana, on Tuesday 30 June 2015 at 09h30 for the purpose of transacting the following business and further if deemed fit, passing, with or without modification, the following resolutions:

ORDINARY BUSINESS:

1. To read the notice convening the meeting.
2. To receive, consider, and adopt the annual financial statements for the year ended 31 December 2014, including the Chairman & CEO's statement, Directors' report and Auditors' report.
3. To approve the remuneration of the Directors for the year ended 31 December 2014.
4. To note that Director, Mr Schneiders, retires by rotation in terms of Clause 30.1 of the Company's Constitution and to re-elect Mr Schneiders who, being eligible, offers himself for re-election.
5. To ratify the appointment of Mr. John Vitalo and Mr. Bradford Gibbs as directors of the Company.
6. To ratify the appointment of KPMG as auditors for the ensuing year and to fix their remuneration.

BIOGRAPHIES OF DIRECTORS STANDING FOR RE-ELECTION AND WHOSE APPOINTMENTS ARE TO BE RATIFIED AT THE ANNUAL GENERAL MEETING.

Mark Schneiders

Mark Schneiders was born in The Netherlands in 1956. Mark has more than 27 years of banking sector experience in various wholesale and private banks within Africa and around the globe serving as an entrepreneurial finance professional. He has held various positions that include Managing Director with ING Financial Institutions in Amsterdam. Mark is currently the CEO of the Royal Tropical Institute (KIT) in The Netherlands. KIT, founded in 1910, is a knowledge institution for the lower- and middle-income countries in Africa, Asia, Central Europe, and Latin America. KIT's expertise lies in the areas of public health and education, biomedical research on tropical diseases, sustainable economic development and gender issues in agriculture, and intercultural relationships in the workplace.

Mark holds a Bachelor's and Master's degree in law from the University of Leiden, The Netherlands, and completed the Advanced Management Program at Harvard Business School and various banking management programs at INSEAD (Cedep).

Mark has extensive experience with company mergers, building new markets and setting up retail banking businesses in a variety of countries, including Switzerland, The Netherlands, Spain, Curaçao, Argentina, Venezuela, Hong Kong and the USA. Mark resigned from the Board in his capacity as a representative for African Development Corporation on 3 December 2013 and was reappointed to the Board on 20 February 2014 as an independent director.

John Vitalo

John joined Atlas Mara from Barclays PLC where he was Chief Executive Officer, Middle East & North Africa since May 2009. In that role, he was responsible for all aspects of the company's activity in the region, including wealth management, retail and business banking, investment and corporate banking and infrastructure. His previous roles at the company included CEO of Absa Capital – where he built Absa Capital into an award winning investment bank – and COO of Global Markets and COO of Emerging Markets for Barclays Capital. Prior to Barclays, John was at Credit Suisse First Boston (CSFB), where he held a number of senior positions in London and New York. These included Director of e-Commerce for Emerging Markets, Proprietary Trader for the Emerging Markets Group, Global Head of the Emerging Markets Structured Financing & Repo business and Head of the Emerging Markets Fixed Income Arbitrage Desk. John was appointed to the ABCH Board in October 2014.

Bradford Gibbs

Brad Gibbs is a Member of the Executive Committee of Atlas Mara Limited (Atlas Mara) and, in addition to serving as a director of ABC Holdings Limited, also serves as a director of Atlas Mara's Rwandan subsidiary, BRD Commercial Bank Limited. Prior to joining Atlas Mara and one of its founding entities, Mara Group, Brad was a Managing Director at Morgan Stanley, where he worked for 13 years and was based, at various junctures, in the New York, London, Frankfurt and Johannesburg offices executing mergers, acquisitions and capital markets transactions across a broad array of industries, including financial services, natural resources, retail, telecommunications, chemicals, logistics, and information technology, totalling in excess of $100 billion. During his tenure at Morgan Stanley, Brad served as Head of South Africa Investment Banking and Head of EMEA Chemicals, Building Materials and Paper & Packaging. Brad received an MBA from The Wharton School (University of Pennsylvania) in 1998 and a BA in History with Honours from Brown University in 1993, where he graduated magna cum laude and was elected a member of Phi Beta Kappa. Brad was appointed director of ABCH in October 2014.

ORDINARY RESOLUTION 1:
To approve the annual financial statements for the year ended 31st December 2014, including the Chairman & CEO's statement, Directors' report and Auditor's report.

ORDINARY RESOLUTION 2:
To approve the remuneration of Directors for the year ended 31 December 2014.

ORDINARY RESOLUTION 3:
To re-elect Directors retiring by rotation in accordance with the provisions of clause 30.1 of the Company's Constitution. In this regard Mr. Schneiders retires by rotation and being eligible, offers himself for re-election.

ORDINARY RESOLUTION 4:
To ratify the appointment of Mr. John Vitalo and Mr. Bradford Gibbs as directors of the Company.

ORDINARY RESOLUTION 5:
To approve the remuneration of the auditors for the year ended 31st December 2014.

ORDINARY RESOLUTION 6:
To ratify the appointment of KPMG as the auditors for the Company for the ensuing year.

ORDINARY RESOLUTION 7:
The Directors be and are hereby authorized to take such steps and sign all such other documents as are necessary to give effect to the resolutions passed at this meeting.

VOTING AND PROXIES
All holders of ordinary shares entitled to vote will be entitled to attend and vote at the Annual General Meeting.

A holder of ordinary shares who is present in person, by authorised representative or by proxy, shall have one vote on a show of hands and have one vote for every ordinary share held on a poll.

Each shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (none of whom need be a Shareholder of the Company) to attend, speak and subject to the Constitution of the Company, vote in his/her/its stead.

The form of proxy for the Annual General Meeting, which sets out the relevant instructions for its completion, is annexed hereto.

In order to be effective, a duly completed form of proxy must be received at the Registered Office of the Company, Rhoss (Pty) Ltd, Plot 54358 Prime Plaza, First Floor Acacia House, Cnr. Khama Crescent & PG Matane Road, Gaborone, Botswana by not later than 09h30 on Friday 26 June 2015.

By Order of the Board

E Georg
Secretary to the Board of Directors

ABC Holdings

(ABC Holdings Limited or "the Company" Registration number 99/4865)
(Incorporated in the Republic of Botswana)

FORM OF PROXY

For completion by holders of Ordinary Shares

PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS FORM.

For use at the Annual General Meeting of Shareholders of the Company to be held at the Boardroom, ABC House, BancABC Botswana, Plot 62433, Fairground Office Park, Gaborone, Botswana on 30 June 2015 at 09h30

I/We

(Name/s in block letters)

Of

(Address)

Appoint (see note 2):

1. or failing him/her,

2. or failing him/her,

3. the Chairman of the Meeting,

as our proxy to vote for us at the meeting of the company to held on 30 June 2015 at 09h30 and at any adjournment of the meeting.

	Number of Ordinary Shares		
	For	Against	Abstain
1. Ordinary Resolution 1			
2. Ordinary Resolution 2			
3. Ordinary Resolution 3			
4. Ordinary Resolution 4			
5. Ordinary Resolution 5			
6. Ordinary Resolution 6			
7. Ordinary Resolution 7			

Signed at on day of June 2015.

Signature:

Each Shareholder is entitled to appoint one or more proxies (who need not be Member/s of the Company) to attend, speak and vote in place of that Shareholder at the General Meeting.

Please read the notes on the reverse side hereof.

Notes

1. A Shareholder must insert the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the General Meeting as he/she deems fit in respect of the Shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A Shareholder or his/her proxy is obliged to use all the votes exercisable by the Shareholder or by his/her proxy.

3. Forms of proxy must be lodged at or posted or emailed to the Registered Office of the Company, Rhoss (Pty) Ltd, Plot 54358 Prime Plaza, First Floor Acacia House, Cnr. Khama Crescent & PG Matane Road, Gaborone, Botswana, or PO Box 1882, Gaborone, Botswana, to be to be received not less than 48 hours before the Annual General Meeting to be held on 30 June 2015 at 09h30.

4. The Chairman of the General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner in which the Shareholder concerned wishes to vote.

5. An instrument of proxy shall be valid for the General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

6. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.

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