Reshaping African banking

Atlas Mara Limited – Annual report 2016

atlasmara

Financial highlights 2016

Revenue
(US$) +31.8% ccy

$241.7m

2016	**$241.7m**
2015	$205.2m
2014	$126.0m

Net profit
(US$) +75.1% ccy

$8.4m

2016	**$8.4m**
2015	$11.2m
2014	$(47.8)m

Earnings per share
(cents) -25%

12.0

2016	**$0.29**
2015	$0.35
2014	$(1.02)

Credit impairments
(US$) +62.8% ccy

$15.4m

2016	**$15.4m**
2015	$12.0m
2014	$32.7m

Overview

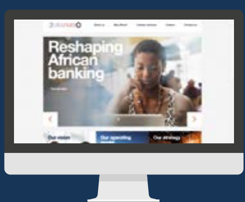
Strategic report

Governance and risk

Financial statements

Additional information

http://atlasmara.com



About Atlas Mara

Bob Diamond (left) and Ashish J. Thakkar
Founder Directors

Who we are

Atlas Mara is a London-listed financial services group focused entirely on sub-Saharan Africa ('SSA'). Our goal is to become sub-Saharan Africa's premier financial institution by building an innovative, customer-centric group that provides corporate and retail finance services to corporations, small- and medium-sized enterprises ('SMEs') and individuals. We have raised more than $900 million of equity and debt financing, have completed six acquisitions since inception and have hired a highly-talented team of passionate, motivated professionals with extensive experience in African banking.

We support economic growth and strengthen the financial systems in the countries in which we operate. We aim to be present in 10-15 countries with attractive fundamentals where we can be a scale participant. We are focused on delivering 'profit for a purpose' while creating value for our shareholders.

What we do

We have a three-phase model for executing our strategy: **Buy** (executing acquisitions), **Protect** (safeguarding our assets and ensuring the platform is 'fit for growth') and **Grow** (leveraging talent, technology and capital across our asset base). Atlas Mara maintains a high operational tempo – these phases run in parallel across our operating banks. We are continually focused on sharing best practices and driving synergies across the Group.

We concentrate on serving our customers' financial services needs and exceeding their expectations. We are focused on specific segments of the corporate and retail markets where we can offer differentiated products and services, particularly for 'national champions' and the retail 'mass' segment. We want to be a 'positively disruptive force' in the markets in which we operate by harnessing technology and our collective experience in running first-tier financial institutions. We invest significant time, effort and capital in credit processes, compliance, and information technology to ensure that we grow our business in a responsible and sustainable manner.

Where we operate

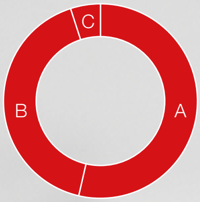
We currently have operations or investments in seven sub-Saharan African countries (Botswana, Mozambique, Nigeria, Rwanda, Tanzania, Zambia and Zimbabwe) and in the three leading trading blocs (Southern African Development Community ('SADC'), Economic Community of West African States ('ECOWAS') and the East African Community ('EAC')).

Atlas Mara at a glance

Financial facts and figures

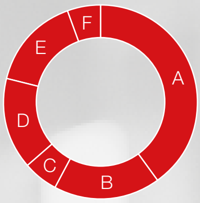
Composition of loans and advances
by business unit

A – Retail **54%**
B – Corporate **41%**
C – SME **5%**



Composition of loans and advances
by country

A – Botswana **40%**
B – Zimbabwe **18%**
C – Mozambique **6%**
D – Zambia **15%**
E – Rwanda **16%**
F – Tanzania **5%**



Loans and advances US$

$1,334.8m +9.7%

2015: $1,229.4m

Deposits US$

$1,799.4m +27.3%

2015: $1,436.1m

Total equity US$

$526.1m

2015: $625.5m

Net book value per share US$

$7.29

2015: $8.94

Total number of customers (including UBN)

>2.4m

Operational facts and figures

	Southern[1] Africa	East[1] Africa	West[1] Africa
Employees	1,580	1,160	2,753
Customers ('000s)	348	252	1,800
ATMs	252	113	679
Number of physical locations	131	196	314
Cities/towns[2]	39	12	39
Countries	4	2	1

Notes:
1. The Southern segment represents operations in Botswana, Mozambique, Zambia and Zimbabwe. The East segment represents operations in Rwanda and Tanzania. The West segment represents the investment in Union Bank of Nigeria Plc ('UBN'), accounted for through the equity method of accounting as an 'associate investment' with Atlas Mara's 31.15% shareholding in UBN.
2. Cities and towns with population greater than 50,000 people.

Total number of customers (excluding UBN)

~0.6m

Total number of ATMs[3]

365

Total number of physical locations[1]

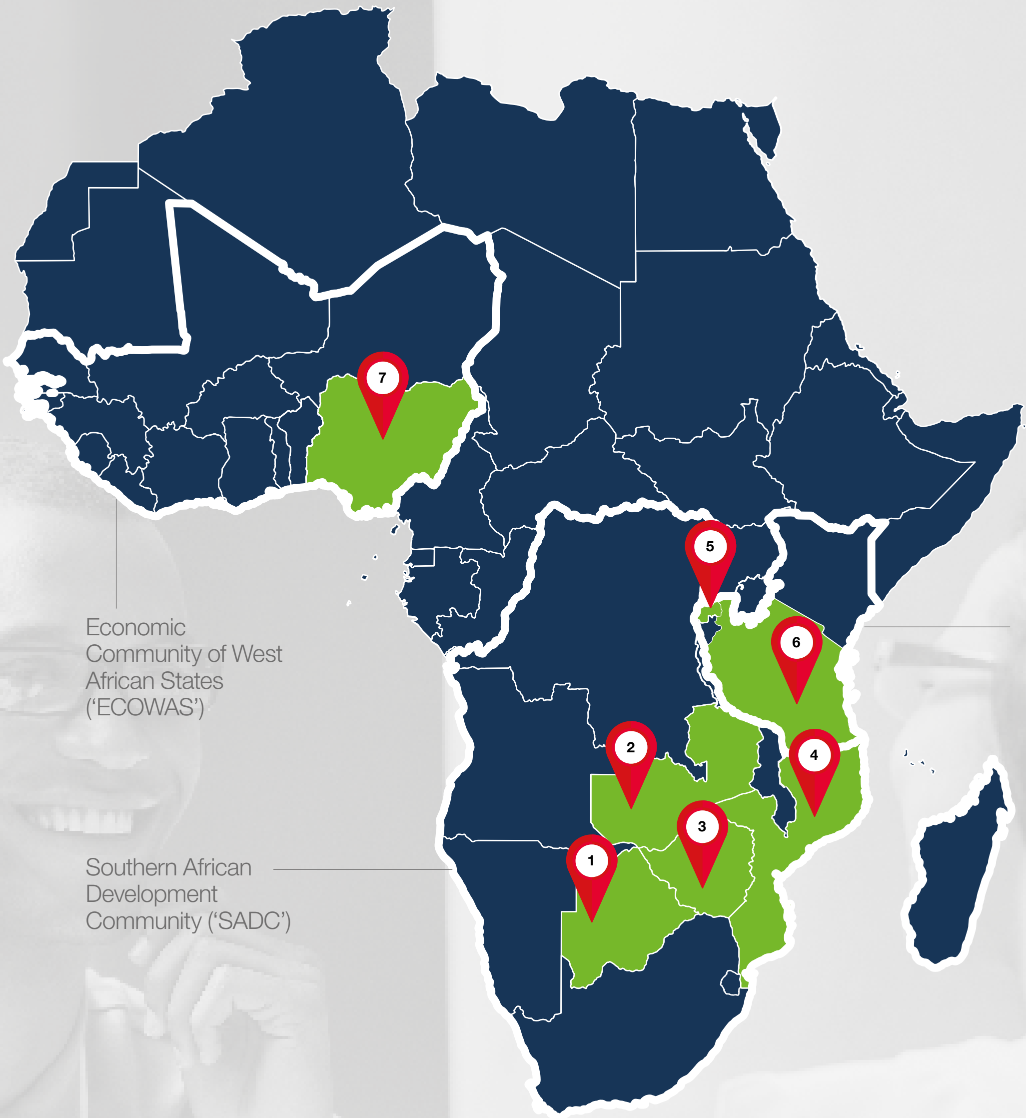
327

Total number of acquisitions since 2014

6

Note:
3. Statistics exclude UBN's operational footprint (Atlas Mara owns 31.15%, which is accounted for as an investment in associate shareholding in UBN).

Overview of our footprint in three trade blocs in Africa



	SADC				EAC		ECOWAS
	1 Botswana	2 Zambia	3 Zimbabwe	4 Mozambique	5 Rwanda	6 Tanzania[1]	7 Nigeria[2]
Number of cities/towns[1]	5	13	14	7	10	2	39
Number of physical locations	9	89	23	10	192	4	314
Number of ATMs	15	177	33	27	106	7	679
Number of employees	287	638	347	308	996	164	2,753
Loans and advances $m	532.6	202.4	233.3	79.4	207.3	72.5	1,667
Customer deposits $m	644.3	380.3	281.0	114.9	232.4	135.5	2,165
Position in market[3]	5	5	5	8	2	18	12

Notes:
1. Branch footprint in Tanzania does not take into account agreement with the Tanzanian postal agency to set up agency banking in all of their post offices across the country, thus potentially increasing the BancABC Tanzania footprint from four branches to 199 outlets.
2. Nigeria operational footprint parameters represented by UBN total operations in country.
3. Ranked by total assets.

Sources:
Atlas Mara, BPR Regulatory Submission documents, UBN management reports and annual reports, FY audited financials of BPR, Central Banks annual reports, Capital IQ.

Structural growth opportunity

Population trends

Africa's demographic transition has been slow but the IMF estimates that Africa's share of the global working age population will increase from 12.6% in 2010 to over 41% by 2100.

Africa's challenge is to emulate the Asian miracle of the 1990s where a focus on human and physical capital drove a labour-led export-driven economic expansion. A decline in Africa's dependency ratios combined with a focus on building a healthy, well educated work force can contribute meaningfully to sustainable growth. Industrialisation is the key to dealing with the twin problem of unemployment and underemployment across Africa.

Economic trends

The long-term economic trends for sub-Saharan Africa remain positive with the region still targeted to deliver growth rates in excess of developed market and aggregate world levels according to the IMF.

While recent growth has been below the levels of the early part of the 21st century, this has reflected the pressure of lower resource prices, security challenges, poor fiscal policies and adverse weather conditions.

Structural reform in the region's major economies remains key to unlocking the growth potential that remains.

Financial trends

Credit penetration remains low across sub-Saharan Africa. Only a third of the adult population currently enjoys access to a bank account. The situation is similar when it comes to the number of bank branches per number of adults.

Digital technologies offer scope for a fundamental change in the way financial services are provided to consumers across Africa. For example, in Kenya, Tanzania, Uganda and Zimbabwe, mobile money accounts are more prevalent than traditional bank accounts.

	Changes in economic environment		
	2000	2010	2020
GDP/Capita	$1,133	$2,605	$2,876
Population	1 billion	1.2 billion	1.3 billion
Urban population	272 million	385 million	550 million

Source: World Bank, UNCTAD

	Access to Financing		
Region	Domestic credit to private sector (% of GDP)	Commercial bank branches (per 100,000 adults)	Account at financial institution (%)
SSA	48%	3.7	34.2
South East Asia	46%	8.7	46.4
High Income OECD	159%	29.2	94.0
Developing Europe	56.6	20.6	51.4
Developing East Asia	128.7	6.1	69.0

Source: World Bank

Southern African Development Community
('SADC')

Continued long-term growth in key markets

Areas of operation

- Trade bloc
- Atlas Mara footprint

We operate in the following countries in SADC

- Botswana
- Zambia
- Zimbabwe
- Mozambique
- Tanzania[1]

GDP 2015 US$

$556bn

Net loss by trade bloc US$

$(4.9m)

Share of SSA GDP in SADC

39.9%

Share of SSA population in SADC

34.6%

Note:
1. Tanzania is part of SADC and EAC and is included in EAC for management reporting purposes.

Atlas Mara in SADC

The 2014 BancABC ('ABC') transaction provided Atlas Mara with a multi-country, core banking platform across Southern Africa. SADC which forms the largest part of our business by assets had a challenging 2016 and the environment is expected to remain tough into 2017. Overall growth for the region of around 2.7% in 2015 according to the IMF is expected to only rise to ca.2.9% by 2017. Given the size of the South African economy relative to the rest of the region, its lower level of growth not only weighs on the regional average but there is a knock on impact upon some of the smaller states which depend on trading activity with South Africa to support their own economies.

The region's economies can be subdivided into those that are experiencing a combination of challenging politics and policy such as Mozambique and Zimbabwe, those with a benign policy and a supportive economic environment such as Botswana. In contrast, economies like Zambia have a good policy framework but challenging economic outlook, albeit that we are hopeful that the slowdown in growth has plateaued with the IMF expecting a very modest pick-up in 2017.

The challenging politics and policy in Mozambique and Zimbabwe make the outlook for these two economies difficult to predict in 2017. The scale of the debt crisis in Mozambique with Government debt to GDP estimated to hit 112.6% by the end of 2016 according to the IMF will require a complex debt restructuring. In the near-term, the government is likely to follow policy measures suggested by the IMF and other donors but this may add to the complexity of domestic politics as a result of the trade-offs required.

An improvement in relations between Zimbabwe and the international community remains unlikely in the near term. Economic challenges remain intense with the IMF forecasting a decline in GDP of 2.5% in 2017. The appreciation of the US dollar (Zimbabwe adopted a multi-currency regime in 2009 with the US dollar being the predominant currency) against regional currencies has contributed to the erosion of the country's export competitiveness. Across the entire banking system, a lack of availability of physical cash also remains a constraint on economic activity and with the country having virtually no access to external finance, funding fiscal and current account deficits is no longer possible. This has lead the government to consider other solutions such as the bond notes by the Reserve Bank of Zimbabwe. We remained profitable in Zimbabwe in 2016 and although we expect 2017 to continue to be a challenging year, we remain hopeful with respect to Zimbabwe's longer-term prospects.

Banking in the bloc

The region's banking industry has experienced significant growth over the last decade but some markets are now experiencing short-term headwinds. We continue to expect growth across our footprint over the medium term.

East African Community
('EAC')

New generation driving mobile banking

Areas of operation

- Trade bloc
- Atlas Mara footprint

We operate in the following countries in EAC

- Rwanda
- Tanzania[1]

GDP 2016 US$

$153bn

Net profit by trade bloc US$

$3.3m

Share of SSA GDP in EAC

10.9%

Share of SSA population in EAC

16.5%

Atlas Mara in EAC

We operate in two of the five countries in EAC, both of which (Tanzania and Rwanda) are among the fastest growing countries in Africa.

The IMF estimates that overall growth levels in the EAC in 2016 and into 2017 is likely to remain robust at around 5% with this supported by good performance from Rwanda and Tanzania. The Rwandan economy, in particular, has continued to perform well with growth being sustained in the 6-7% range. GDP expanded by 6.5% year-on-year during the first half of 2016 with the country's private sector-led growth strategy continuing to demonstrate positive results. The country enjoys an accommodative business environment accompanied by supportive macroeconomic policies.

Tanzania has established a track record of consistently strong GDP growth and prospects remain positive. The construction, transport services, telecommunications and financial services remain key drivers behind economic growth, while the manufacturing sector is expected to benefit from increased natural gas production. Overall, GDP growth is expected to reach 7.1% for 2016 according to the IMF which represents a modest increase on the 2015 growth rate of 7%. Looking ahead, real GDP growth is expected to remain consistently around the 7% level. Both of the economies where we operate in the EAC are expected to continue to deliver some of the highest growth rates in sub-Saharan Africa (and the world) for 2016 with this continuing into 2017.

Banking in the bloc

The region's banking industry accounts for ca.17% of SSA banking revenue pool according to McKinsey and is expected to grow at 15% p.a. to 2018.

In East Africa, mobile banking has leapfrogged conventional banking. Since its launch in 2007, more than 18 million customers now use mobile phones to undertake banking transactions in Kenya and Tanzania and we continue to see digital banking as a key opportunity for Atlas Mara.

Note:
1. Tanzania is part of SADC and EAC and is included in EAC for management reporting purposes.

Economic Community of West African States ('ECOWAS')

Long-term economic outlook remains strong

Areas of operation

Trade bloc
Atlas Mara footprint

We operate in the following countries in ECOWAS

- Nigeria

GDP 2016 US$

$571bn

Net profit by trade bloc US$

$18.1m

Share of SSA GDP in ECOWAS

41.0%

Share of SSA population in ECOWAS

37.1%

Atlas Mara in ECOWAS

Through our 31.15% stake in UBN and Board representation, Atlas Mara has a footprint in Africa's largest economy, Nigeria, and the broader ECOWAS region. Despite near-term challenges, Nigeria continues to represent a long-term attractive destination for investment, particularly in financial services, and our stake in UBN remains a key facet of our strategy in the ECOWAS region.

In Nigeria, the policy environment has been dictated by the dearth of foreign exchange which led the Central Bank of Nigeria ('CBN') to eventually break its quasi peg and achieve an orderly devaluation in mid-2016 substantially closing the differential with the parallel exchange rate. Rather than allowing a full market adjustment the CBN has since reined in the interbank market forcing an appreciation of the currency back to levels of just over NGN300:US$1 and a widening of the gap between the official and parallel market dollar rates. This means that many of the issues that weighed on investor sentiment towards the country at the start of 2016 have remained unaddressed.

The policy response remains weak, and the planned expansion in fiscal spending seems to be progressing slower than anticipated. The central bank's move to adopt a 'flexible' exchange rate regime has also not worked and forex liquidity remains extremely tight. This has been reflected in economic statistics and according to the National Bureau of Statistics ('NBS'), the Nigerian economy performed worse in the third quarter of 2016 than the second. The agency estimates that GDP contracted by 2.24% year-on-year in Q3, compared to a decline of 2.06% year-on-year in Q2. We expect weak economic momentum and a lack of investor engagement in 2017 while major policy issues relating to the exchange rate remain unresolved.

Banking in the bloc

The West African banking industry is dominated by Nigerian banks which are some of the largest in the whole of Africa.

2017, like 2016, is expected to be a challenging year for Nigerian banks as they face a weak economy, potential further currency depreciation and a focus on capital raising across the sector. However, the long-term economic outlook remains strong due to the region's strong demographic profile.

2016 saw solid profitability and strategic progress but now is the time to accelerate

Bob Diamond
Chairman and Co-Founder

Management

In December 2016, at the end of Arnold Ekpe's three-year term as Chairman, the Board asked me to assume the Chairmanship until an independent successor is identified. Soon after, the Board decided that a simpler organisational structure and a change in management style were required for this stage of our development. We needed to be leaner, nimbler, and absolutely laser-focused on the business outcomes that will drive our results.

In February 2017, the Board agreed that John Vitalo would step down as CEO as part of this transition. The Board and I are grateful to John for his contributions since joining us in 2014 as Atlas Mara's first CEO and for leading the Company to its current, seven-country footprint and operational scale.

Our new management structure is focused on execution across the three business lines: Retail and Commercial Banking, Markets and Treasury, and Fintech. The heads of these business lines, Sanjeev Anand, Mike Christelis, and Chidi Okpala, respectively, report directly to me. We have the right people for these roles, and we have put them in position to deliver on their number one priority: execution.

In conjunction with this strategy, we completed an oversubscribed equity placement in February 2017, primarily to accelerate investment in growth in Markets and Fintech. These businesses are built for the future of financial services in Africa, and we are eager to deliver results more quickly.

The year in review

The macroeconomic environment in 2016 has been challenging, to say the least. With soft commodity prices and weak currencies, it is little wonder that we saw continued withdrawal from Africa by international banks. Nigeria presented particular challenges given the reduction in the value of the Naira. Although our growth was slower than we hoped, we remained solidly profitable for the year. Even more notable, we completed two more acquisitions, cementing top-tier market positions in Rwanda and Zambia.

At the same time, we sharpened our focus on costs. With our 2016 half year results, we announced plans to reduce non-staff costs and headcount by 30-35% across our Shared Services and Centre in Dubai and Johannesburg. Since becoming Chairman I have overseen a redoubling of these efforts. We reduced costs further in the Centre and decided to close our Johannesburg office to increase focus in our operating banks. These changes will ensure our cost base is more aligned with the current operating environment, and yield savings of more than $20 million on an annualised basis. To achieve greater alignment with our shareholders, our executive team has also agreed to a shift in compensation structure, which includes a substantial reduction in current cash compensation in exchange for deferred equity participation.

Over the course of 2016, we placed greater emphasis on both our Markets and Treasury and Fintech businesses in order to drive faster organic growth. For the year, Markets and Treasury grew revenues from $31.1 million in 2015 to $53.5 million in 2016, a 72% increase year-on-year, showing strong momentum which will continue into 2017 and beyond.

We also remained focused on operational improvements in our countries. Our integrations in Rwanda and Zambia went well and were both completed ahead of schedule and below budget, and we have several targeted initiatives focused on growth and quality in our core banking operations that will continue throughout 2017.

Business model

Atlas Mara retains a **Buy**, **Protect**, and **Grow** strategy for how we expect to build sub-Saharan Africa's premier financial institution. We maintain our financial targets of a 20% RoE, 2% RoA and a 65% cost income ratio in the medium term. Additional acquisitions are likely to be a key element of achieving scale in the long term, but our current top priority is on execution in our existing operations and growing organically.

Buy

I am proud that we were responsible for the only two meaningful acquisitions made across the banking sector in Africa in 2016. Despite the difficult macro backdrop, we continued to deliver on the key elements of our strategy.

In Rwanda, we acquired BPR in January and completed integration with BRD-C in record time. We now run the second-largest bank in Rwanda. Sanjeev Anand, CEO of Rwanda and our new Atlas Mara MD for Retail and Commercial Banking, has launched a restructuring and repositioning programme to improve profitability, reverse loss of market share, and shift the business from being primarily retail-oriented towards a more balanced retail and corporate customer base. This programme is designed to make us more profitable with unmatched branch banking capabilities across the country. We are incredibly excited about the growth opportunity in this market.

In Zambia, we acquired FBZ in late June and completed its integration with BancABC Zambia in under six months. This project was incredibly complex and I would particularly like to commend our Zambia team for all their effort in driving this successful integration in such a short timeframe. We are now Zambia's second-largest bank by branch numbers. We were also thrilled to appoint Ben Dabrah as CEO for our Zambian operations. Ben joined us from Standard Chartered Bank and previously worked for Barclays Africa. This increased scale will open significant opportunities for our team in Zambia.

Protect

As well as completing the integration of our acquired businesses in Zambia and Rwanda ahead of schedule, we have been focused on a number of business transformation projects within our Southern operations, reducing operational costs and managing down non-performing loans and impairments. We continue to improve governance and compliance processes, such as automating Know Your Customer and transaction monitoring procedures, to mitigate our operational risk exposure in these areas. On pages 22–23, Sanjeev Anand, MD for Commercial and Retail Banking, summarises some of the notable achievements in our countries of operation during 2016.

Grow

As noted above, after key acquisitions in Rwanda and Zambia, we pivoted to focus more on organic growth in the past year to achieve results in the current environment. Early results in our Markets and Fintech business support this strategic shift and both Mike Christelis, MD Markets and Treasury, and Chidi Okpala, MD Digital and Fintech, summarise the progress made and growth plans for 2017 later in this report.

I have asked Ashish to help lead the strategy for the rollout of our Fintech platform which is showing strong momentum. Since year-end we have announced strategic partnerships with both Visa and MasterCard as part of our plans to introduce a suite of payment solutions and expand access to electronic payments across the sub-Saharan Africa region. These partnerships will enable our operating banks across Africa to provide their customers' new payment solutions and supports our efforts to drive disruptive growth strategies across sub-Saharan Africa.

Outlook

While 2017 will have its challenges, we are optimistic about performance for the year. The SSA economic environment appears to be stabilising. Although volatility is still expected, a number of currencies have firmed from their lows, and rainfall has been more plentiful in Southern Africa, which supports key sectors including agriculture and power generation. We have also seen economic 'green shoots,' such as buoying in some commodity prices and greater investor appetite for Africa.

We expect to deliver a significant improvement in earnings in 2017 as we execute on our cost savings and revenue growth plans. We also expect reported and adjusted earnings to converge as one-off costs fall away. We are targeting reported earnings for 2017 of more than double 2016, with profitability expected to accelerate over the course of the year.

Valuation and shareholder returns

As a significant shareholder myself, I am very conscious that 2016 was again a difficult year for investors in our stock. Although we remained profitable, and I am pleased with the strategic progress made through achieving scale in two more countries, our share price has suffered, in line with the out-turn at other sub-Saharan African banks. This has been frustrating, but I continue to believe the current market valuation does not reflect the underlying value of the business today or the value we expect to deliver to our shareholders over time. I am confident that, over time, superior execution will drive a higher valuation and that 2017 will demonstrate further progress towards the achievement of our ultimate goal of building sub-Saharan Africa's premier financial institution.

Ashish and I founded Atlas Mara because we believed banking in Africa offered a unique opportunity to create value for shareholders and contribute to broader development. There are near-term challenges but I remain confident in the ability of the Atlas Mara management team to overcome these and deliver on the opportunity that remains there for the taking. The thesis that underpinned the vision when we founded Atlas Mara remains intact. Trends in demographics, urbanisation and the under-penetration of financial services across the continent are largely immune to the current macroeconomic headwinds. Through playing our part in addressing these themes while delivering for our owners, we aim to fulfil our mantra of 'doing well and doing good'.

In closing, I would like to note that none of what has been achieved at Atlas Mara would have been possible without the commitment and dedication of our investors, customers, our Board, management and employees and support from the regulators in the countries in which we operate. We are wholly focused on delivering our stated objectives and we welcome your continued engagement.

Bob Diamond
Chairman and Co-Founder

Our strategy

Our strategy is to create sub-Saharan Africa's premier financial institution and to become the partner of choice for customers, employees and investors.

01
Achieving a top five (or top tier) position in the markets in which we operate

What it means
This strategic objective is driven by a recognition that profit pools in sub-Saharan African banking are often dispersed, whereby larger institutions with scale and advantageous funding costs attract more creditworthy customers and are able to innovate dynamically, while smaller institutions with less competitive funding costs are forced to accept a higher risk tolerance to participate in the market. Recognising these market characteristics, we intend to consolidate our positions in markets where we are sub-scale. To the extent that if we cannot identify a credible path to obtaining a scale position in a given market, we will exit.

Progress
We completed and fully integrated 'bolt-on' transactions with BPR in Rwanda and FBZ in Zambia. As a result, four of six of our majority-owned operations are in the top five in their markets. We have more work to do to improve the banks we have acquired, but are pleased with the pace of progress to date.

02
Delivering innovative products and services to our customers, including, in particular, the effective use of technology

What it means
While there have been significant innovations in the provision of financial services in sub-Saharan Africa, most notably in Kenya with the success of M-Pesa and mobile money transfer, we believe that there is a substantial opportunity to leverage technology further, migrating from mobile money transfer to mobile banking and the provision of other value-added services. Effective and efficient front- and back-office technology creates the ability to more efficiently service existing customers, as well as increase financial inclusion and serve customers for whom financial institutions have been previously uninterested or unable to serve. Given this recognition, we expect to invest (both in terms of financial and human capital) in technology and will seek partnerships and alliances in order to leverage complementary competencies.

Progress
We have launched a number of innovative products and services over the course of the year. These include a prepaid visa card in Botswana together with a co-branded partnership with Orange money, a leading life insurer. In Rwanda we launched several digital banking initiatives including a mobile app that has been taken up by 5,000 customers, an online bill payment service across all our branches for water, sewage and power utilities, a MTN Mobile Money Trust Account and push pull services marking a milestone in country-wide banking and financial inclusion.

In Zambia we were given the Visa Growth Champion Award – for the largest growth in issued prepaid VISA cards and for supporting financial inclusion to an underserved sector. In Zimbabwe, we have signed up 52 merchants and deployed 187 Point-of-Sale devices raising transactional deposits of $2.7 million by the end of the year.

03
Establishing comprehensive and effective risk management and corporate governance policies and procedures across our network

What it means
The effective pricing and management of risk is fundamental to sound banking. Given the markets in which we operate (or expect to operate) where enhanced volatility combined with limitations on information availability, risk management and corporate governance are even more critical to sustainable growth. In addition to appropriate policies and procedures, we are focused on ensuring that there is a culture that ensures implementation and ongoing adherence.

Progress
Our Chief Risk Officer facilitated a comprehensive review of the credit lifecycle management process in 2015 and the implementation of an enhanced credit scoring system and collections capability. This was initially implemented in Botswana but was subsequently rolled out to other BancABC countries over the course of 2016.

04
Maintaining constructive relationships with the regulators in the markets in which we operate

What it means
Sustainable growth in financial services sectors requires effective regulatory frameworks. Maintaining a transparent and candid dialogue with the regulators in the markets in which we operate is an important strategic objective whereby we aim to be both a model corporate citizen and a sounding board for supporting the evolution of regulatory frameworks for the future, particularly with respect to increasing regional integration and homogenisation of regulations across borders. We intend to continue to engage actively with the regulators in all the jurisdictions in which we operate.

Progress
We continue to invest significant time and effort in ensuring that our relations with regulators are open, transparent and constructive.

05
Contributing positively to the communities in which we operate (most notably by strengthening financial systems and increasing financial inclusion)

What it means
In addition to leveraging technology to increase the number of people who have access to financial services, we intend to focus on supporting financial literacy and entrepreneurship programmes. On one end of the spectrum, we need to ensure that prospective customers, starting at a young age, have the right training to understand and manage their financial needs and become educated consumers of financial services products. On the other end, we intend to support burgeoning entrepreneurs in obtaining the training and tools they need to become the SME, national, regional and multi-national clients of the future.

Progress
Several of the notable initiatives during the course of the year included the following:

- A literacy program in partnership with Vodacom and Mozambique Ministry of Education & Human Development.
- In Zimbabwe, BancABC continued to seek to address social imbalances within Zimbabwean society by providing aid towards self-sustaining projects. BancABC Zimbabwe sponsored the Takashinga Support Group, a co-operative for women affected by HIV.
- In Rwanda, our partnership with the Rwanda Girls Initiative in relation to financing higher education for Rwandan girls continued. Also in Rwanda our staff participated in cancer fundraising by partaking in the Ulinzi Breast Cancer Awareness Walk.

06
Delivering differentiated, risk-adjusted returns to our investors

What it means
Our strategy is to generate sustainable growth in earnings and attractive returns on equity and assets. We intend to deliver on this objective by way of a combination of the strategic objectives noted above: (i) obtaining market share, driving acquisition synergies, and attracting customers through expanded products and services to generate above-market growth; (ii) leveraging technology to serve customers efficiently and reduce our cost to income ratios, and ensuring that systems are in place to manage and price risk and ensure the sustainability of our growth and margins; and (iii) conveying a sense of mission and establishment of values whereby our employees remain focused on building a positive legacy.

Progress
We have enhanced our market share in selected markets by way of bolt-on acquisitions. We have invested in numerous technology initiatives from which we should derive meaningful growth. We have been very focused on ensuring that, throughout the Atlas Mara Group, there is a clear understanding of our mission to create sub-Saharan Africa's premier financial institution and the promulgation of our values, namely to conduct business to the highest standards of ethics and compliance. As we continue to deliver, we are confident that our share price performance will ultimately reflect our progress and potential.

We have an acquisition-led business model to create an innovative, customer-centric financial institution that provides corporate and retail finance services to corporations, SMEs and individuals.

By concentrating on their needs and operating sustainably and responsibly, we believe we can support economic growth and strengthen the financial systems in the countries in which we operate and create value for our shareholders.

We do this by using our distinctive strengths – in particular our collective experience in operating and growing first-class financial services operations, our extensive local knowledge and our commitment to Africa.

We want to meet our customers' needs, exceed their expectations and help them succeed.

Our value proposition

Delivering differentiated products and services tailored to the needs of corporate clients and retail customers.

Contributing positively to the communities in which we operate by seeking to increase financial inclusion.

Offering unique opportunities to employees to participate in building a sub-Saharan Africa-focused financial services group.

Creating sustainable value for shareholders through an intense focus on innovation, operational efficiency, capital allocation and corporate governance.

Buy

Evaluate markets with attractive prospects
Through acquisition, Atlas Mara is now present in seven markets across sub-Saharan Africa and has identified between 10 and 15 markets which offer long-term growth prospects and the potential for attractive returns. Research from Oliver Wyman suggests that these markets will in aggregate contribute 85% of the expected growth in financial services revenues across SSA (excluding South Africa) between 2015 and 2019.

Conduct extensive due diligence
A core philosophy behind Atlas Mara is the desire to combine high standards of governance, compliance and business practice adopted in developed markets with the growth and innovation expected in sub-Saharan Africa. Ensuring that we can apply these standards is an essential component of our due diligence process. We also aim to anticipate fully the risks associated with the businesses we are buying.

Remain a disciplined buyer
As well as targeting markets with attractive growth prospects, we are very focused on the prices paid for assets and what this means for shareholders' returns in US dollar terms. Strict hurdle rates are applied to each potential transaction and these rates are a function of the local interest rates in the country of acquisition and factor in the potential for exchange rate deprecation relative to the US dollar, our functional currency.

Protect

Fit for growth
Once acquired, we need to ensure businesses are 'fit for growth' in the long term. We are focused on delivering high-quality, sustainable, earnings growth rather than growth for growth's sake or unsustainable short-term growth.

Carefully planned integration
The first part of this process is implementing detailed short- and medium-term action plans to integrate the acquired business into Atlas Mara with a clear objective of generating value for our shareholders through operational improvements.

Delivering functional business improvement
Critical areas of focus include corporate governance, credit processes, client segmentation, an effective compliance and control framework, improved IT architecture, reduced funding costs through a focus on liability management and optimisation of the branch network.

Grow

Multifaceted growth strategy
Once the platform has been strengthened, we focus on driving sustainable growth across the business. This involves launching new products and cross-selling initiatives in both the retail and corporate space. We are particularly focused on deposit accumulation to ensure that the balance sheet can support credit growth.

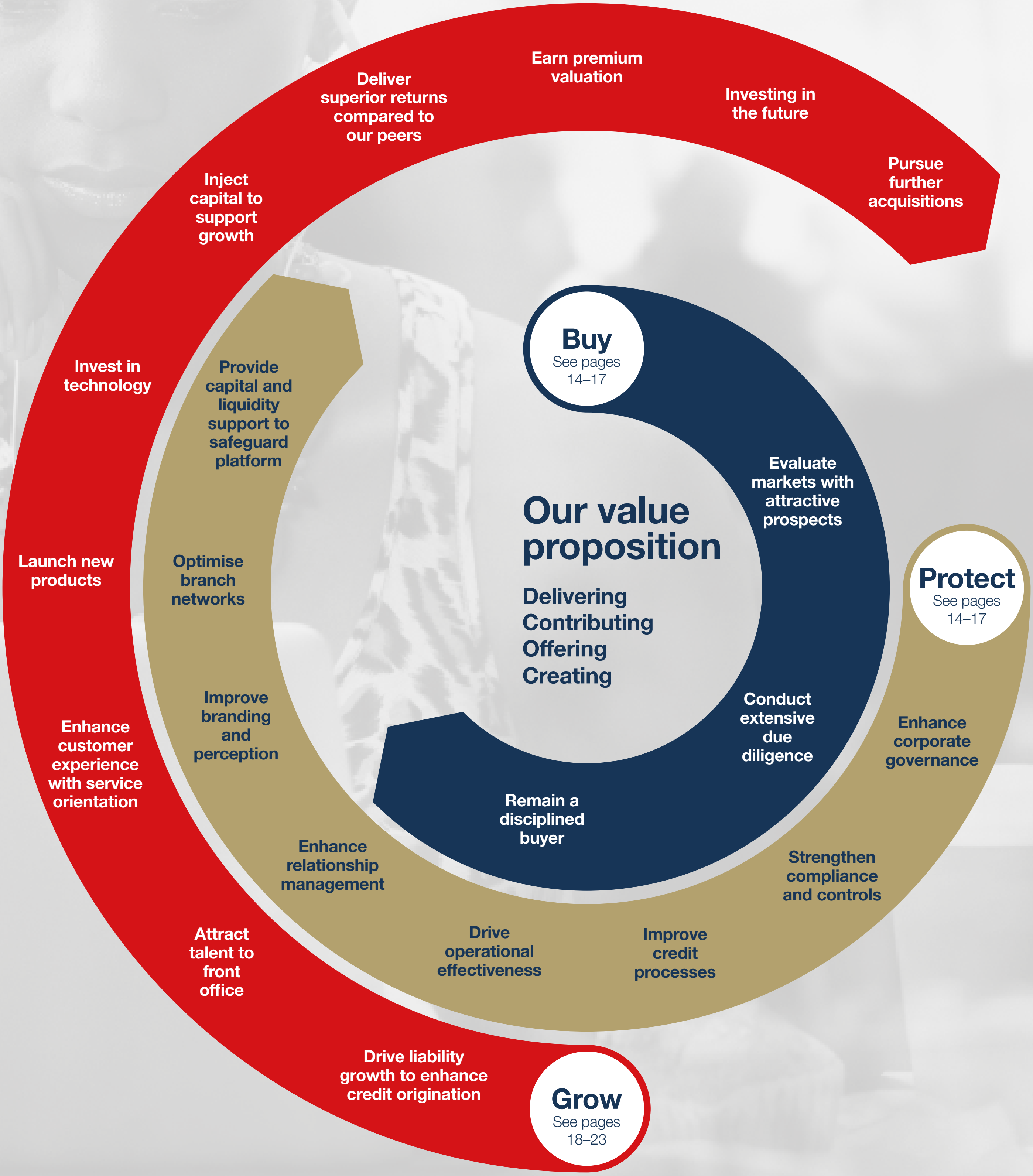
Digital opportunities
Digital banking channels and mobile money offer a means of delivering financial services to a broader population than has traditionally had access to bank accounts. It is also a relatively low-cost way of being a 'positive disruptive force' in certain markets where we currently have a minimal presence.

Delivering treasury products across the spectrum
From building a centralised dealing room to delivering local treasury operations on the ground, we see significant scope to increase revenues from selling treasury and risk management products to both local corporates and multinationals operating in Africa.

Empowering employees to reinforce cultural change
Our focus is also on empowering management and employees to deliver for their clients. Through our mantra of 'Do well and do good', we aim to develop a culture where all employees are committed to building a bank that will stand the test of time and serve current and future generations of Africans well.

How our business model works

It is important to note that all three facets of our business model run in parallel. For example, when we are buying a bank in Zambia, we are integrating our operations in Rwanda and launching new products and services in Botswana.



Creating a new force in Rwandan banking

Sanjeev Anand
Group Managing Director, Retail and Commercial Banking

Market position*

2nd

Ownership of BPR post-acquisition/merger

62%

Reduction in staff

20%

Atlas Mara acquired a 62.1% shareholding in Banque Populaire du Rwanda ('BPR') in January 2016.

By June 2016 we had successfully completed the full integration of BPR with our existing banking operations, BRD-C, migrating all clients onto a single platform and expanding access to BPR retail banking facilities to former BRD-C customers. We have created a new force in Rwandan banking and are now the second largest bank in Rwanda.

We were honoured that President Kagame agreed to launch the new 'BPR Part of Atlas Mara' logo during WEF Africa in May in Kigali. The launch depicted the coming together of two strong brands, Atlas Mara and BPR. The new logo is designed to communicate the strengths and mutual benefits that Atlas Mara and BPR bring to each other: extensive local insights and global expertise.

We reconfigured our organisational model to be more market focused and to ensure we capture the right market segments as we grow our business. In executing our business model, we have focused on:

– Improving cost efficiency with staffing levels aligned to business models, volumes and processes;
– Enhancing skills and capabilities across the organisation;
– Optimising our branch network into a lean and cost efficient model; and
– Ensuring that BPR is positioned to continuously invest in technology, staff and client offerings.

As a result of the implementation of the new organisational model, our headcount has reduced by 20%, driving enhanced staff productivity. We have re-modelled our branch network and reduced our core branches from 192 to 94 with these focused around customer hubs. The 98 non-core branches have been retained as outlets that will be considered for conversion into agency banking outlets in the near future. The majority of administrative and support functions have been streamlined and are now centralised enabling a stronger focus on sales and customer services within the branches, which is key to achieving growth in the retail sector.

We have also looked to diversify our product offering and to lower our cost to serve by strengthening our digital focus and investing significant effort into product development, including the launch of a mobile banking app and an E-wallet facility in partnership with MTN mobile money to provide us with competitive advantage in the market.

Note:
* By assets with a comprehensive branch network and national presence.


2nd
Largest bank
in Rwanda


65
Branches
(increase from 23)

Achieving a scale position in Zambia

Branches (increase from 23)

65

Size of bank in Zambia

5th

Assets (US$)

$616m

The acquisition of Finance Bank Zambia Limited ('FBZ') was completed on 30 June 2016.

FBZ is a bank with over 30 years of history in the Zambian market operating through 42 branches and 22 agencies. FBZ is a bank of choice for government and corporates across its nationwide network.

The integration and consolidation of FBZ with Atlas Mara's existing Zambian subsidiary, African Banking Corporation Zambia Limited ('BancABC Zambia') was expected to take nine months with this commencing in July 2016. The integration included the consolidation of regulatory reporting, treasury management and HR transition process to one target operating model. The project team steering the process delivered all project expectations within the space of three months, ahead of schedule by some six months and at a lower cost than budgeted.

Following Central Bank approval to proceed with data migration the two banks closed off to the public on 1 December 2016. Overnight, a single operating platform was created. The bank opened to the public on 2 December and customers were able to transact without disruption. The amalgamation of the two banks onto a single platform meant that the bank was stronger, bigger and bolder with a footprint of 65 branches, 177 ATMs and 24 agencies countrywide.

The combined entity is now the fifth largest bank in Zambia by asset value and the merged bank is one of the largest banks in Zambia in terms of branch footprint with the combined Atlas Mara physical presence increasing from 23 branches to 65 branches.

Over 200,000 Retail, Business Banking and Corporate customers from both FBZ and BancABC have had access to any of both banks' branches and ATMs as well as a wider selection of products. The team spirit among staff from both banks embodies the spirit that 'we are better together!' To consolidate our position in the market, the campaign 'Together we will serve you better' was launched and could be visible across the country on bill boards, TV adverts, Print Media and in Branches.

In line with the mission of the Atlas Mara Group we continue to reshape African Banking in Zambia. The successful integration of the two banks expresses our strong belief that we will reach and serve people wherever they may be found using our various banking platforms.

Building a Pan-African global markets and treasury business

Mike Christelis
Group Managing Director, Markets and Treasury

FX notional trade

>$2bn

Revenue growth

+72%

Clients onboarded

>250

A number of our territories faced market-wide liquidity constraints in 2016.

In response we continued to build institutional relationships to attract stable funding while rolling out a strategy of targeting transactional deposits. Although our cost of funds has reduced, our elevated reliance on expensive corporate funding means our cost of funds is higher than we would like and our priority is to continue to organically generate additional lower cost deposits during 2017.

In Zambia, Zimbabwe and Mozambique a shortage of foreign currency across the market placed pressure on Foreign Exchange activity. Declining metal exports and soaring inflation (>25%) in Mozambique also contributed to the devaluation of the Metical from 44 to 71 against the US dollar.

Despite these challenges, our Global Markets & Treasury Business increased revenues by 72% in 2016. The underlying transaction volume from our sub-Saharan client business exceeded $2 billion in 2016 (up 175%). Our trading business also delivered a solid performance, delivering over 20% of the total Global Markets Revenue, with this predominately on the back of client transactions.

In 2016, our treasury product and solution offering has been fully embedded into our Commercial Banking and Retail Business across our footprint, with the following notable initiatives:
- Expanding our product offering.
- Delivery of an extensive internal treasury training programme.
- Alignment of front office performance management methodologies.
- Rolling out joint marketing initiatives to clients with our retail and commercial banking teams.
- Providing risk mitigating solutions to clients.
- Optimising our ability to service client foreign exchange requirements based on our balance sheet size.
- Implementing a Funds Transfer Pricing methodology and system across the Group.
- Launching a Bond programme in Botswana in the second half of the year.

We aim to continuously improve our client service through active and intense engagement to deliver tailored financial service solutions for client needs.

We also aim to provide clients with innovative technology for foreign exchange and fixed income risk management. We continue to invest in our systems to meet our goal of becoming one of the leading treasury solution providers in Africa.

In 2017 we plan to launch offshore sales and trading capability in foreign exchange and fixed income to broaden our services to clients.

$2bn

Underlying transaction volume


1 in 3
Adults in East Africa are mobile money customers

Grow in action

Transforming and reinventing African banking with Fintech

Chidi Okpala
Group Managing Director, Digital and Fintech

POS terminal deployed

470

Enrolled micro-SMEs for digital lending in East Africa

160,000

The combination of low levels of financial penetration and high levels of mobile telephone adoption combine to produce a rather unique and compelling opportunity.

Across our footprint, only Botswana has a population with above 40% financial access against closer to 25% elsewhere. The large land mass across Africa has made traditional banking outside of cities very expensive to provide.

In contrast, there are over 650 million mobile phone subscribers in Africa and over 500 million unique connections. Nigeria, South Africa, Kenya, Ethiopia and Ghana enjoy smartphone penetration at an average of 45% with this growing rapidly. Mobile phones also generate behavioural data to support credit underwriting and strict SIM card registration regulation has strengthened KYC provisions for financial services. Mobile telephony represents the most pervasive platform for financial services extension across Africa.

We received regulatory approval for agency banking in Tanzania and launched corporate internet banking in Botswana; both of these focus on extending our reach, enhancing the customer experience and gathering more low-cost deposits.

A Merchant Acquiring pilot was launched in Zimbabwe in July, facilitating payments acceptance from customers with local switch cards and cards from the three leading card schemes – VISA initially and we expect to add MasterCard and China Union Pay soon. Similar pilots have now been launched in Mozambique and Zambia. We are particularly excited about our Merchant Payment initiatives as they have presented a new platform for access to low-cost deposit flows.

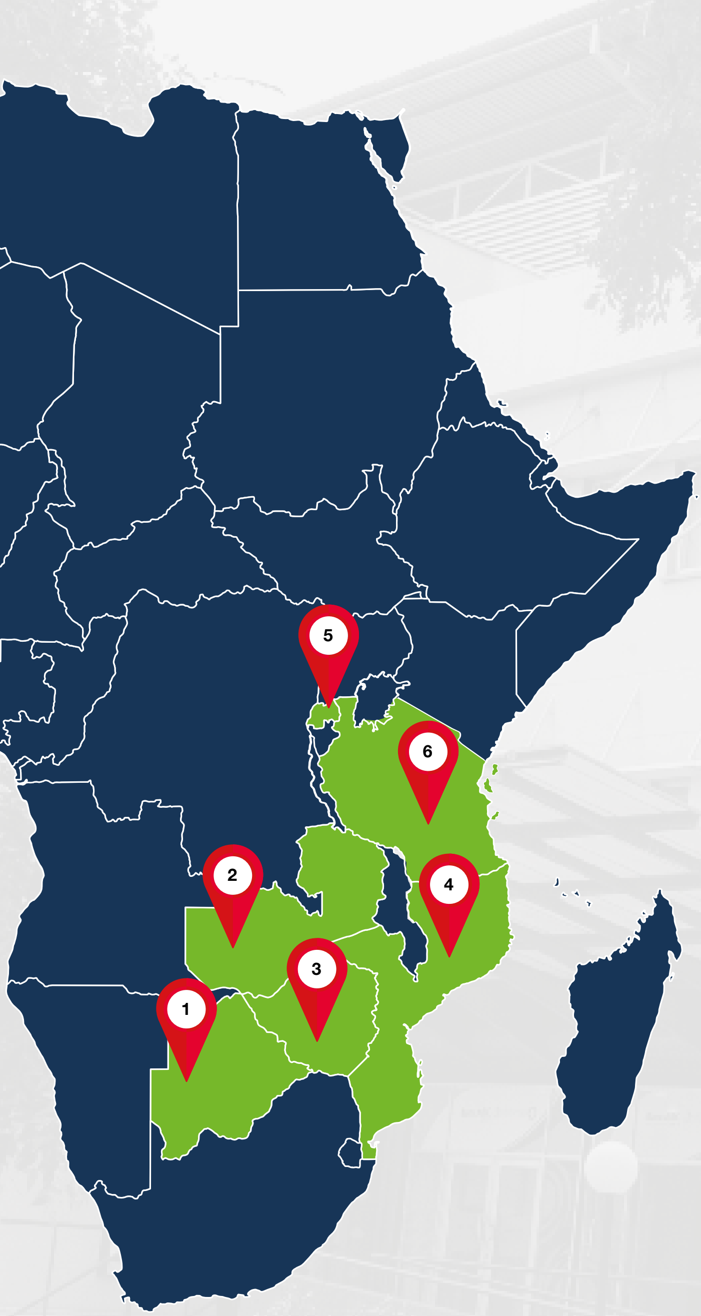
In May, we launched our Omni Channel platform, in Rwanda, with the launch of the very first mobile banking app in Rwanda. We are also introducing a best-in-class internet banking platform as well.

By partnering with telecom providers and utilities we can provide new channels and initiatives. We will introduce Digital Lending Services in Mozambique, Rwanda, Tanzania, Botswana and Kenya to allow customers to access micro cash loans and prepaid utility advances through their mobile phones.

In partnership with HomeSend (a MasterCard company), we are building a cross border funds transfer platform for remittances and informal trade flows across Africa.

Growing Retail and Commercial Banking

Notable achievements in 2016



"As Managing Director of Commercial and Retail Banking, I am delighted to highlight the following achievements to indicate the progress made across our individual markets."

Sanjeev Anand
Group Managing Director, Retail and Commercial Banking

1 In Botswana

– We launched new mobile banking app (BancABC Mobi) in April and have registered more than 26,000 customers;
– We were awarded the Visa Card Warrior Award in August 2016 for being the first prepaid card issuer in the market;
– We have set up a co-brand partnership with Orange money, a leading life Insurer;
– We were granted a license to issue MasterCard and UnionPay transactions, we expect this to enhance the value of the bank's POS proposition to merchants; and
– In March 2017, we were notified that our tender to supply prepaid cards to the Government for the next five years had been successful.

2 In Mozambique

– We drove aggressive Retail customer acquisition, adding almost 10,000 customers over the course of the year;
– In our CIB business we have been equally as effective in client acquisition and have attracted a number of blue chip customers to bank with us;
– We agreed a partnership with a global DFI to support financial inclusion through Agency Banking; and
– We launched transactional banking online platform for pension collections.

3 In Tanzania

– We received the Visa E-commerce Activation Award for being the no. 1 bank in online VISA transactions in Tanzania – we currently have 65% market share out of 17 visa issuing Banks; and
– We launched a digital deposit campaign that resulted in a seven-fold increase in active website users and generated $7.9 million of new deposits.

4 In Rwanda

– We launched the new 'BPR Part of Atlas Mara' logo during World Economic Forum Africa in May 2016 in Kigali. This was launched by President Kagame;
– We launched several digital banking initiatives including a mobile app, an online bill payment service across all our branches for water, sewage and power utilities, a MTN Mobile Money Trust Account and push pull services marking a milestone in country wide banking and financial inclusion;
– We pioneered financing structures for mini solar cell receivable financing; and
– We are a leader in banking off-grid power producers and this supports efforts to improve access to power in Rwanda.

5 In Zambia

– We signed $40 million Farmers Input Support Program ('FISP') deal and have issued over 210,000 prepaid Visa cards;
– We agreed a $30 million deal with the Development Bank of Zambia and China Development Bank Corporation with potential outreach to more than 10,000 SMEs; and
– We were given the Visa Growth Champion Award – for the largest growth in issued prepaid VISA cards and supporting financial inclusion to an underserved sector.

6 In Zimbabwe

– In response to Zimbabwe's switch to 'plastic money' we rolled out Point-of-Sale machines in September; and
– In the three months following launch of this capability, we had signed 52 merchants and deployed 187 devices raising transactional deposits of $2.7 million by year end.

Atlas Mara believes in the concept of Ubuntu: ‘I am because we are’. Responsibly maintaining relationships with our customers, employees, shareholders, other financing providers and the communities and regulators in the markets in which we operate is critical to our success.

The following sections provide insights into how we work with our diverse set of stakeholders.

Customers

Our customers are the foundation of our business and their trust and respect is earned through our actions individually and as a Group. The personal relationships our management and employees have with our customers need to be, at all times, based on professionalism, unimpeachable ethics, a desire to solve problems with innovative and well-tailored solutions and a commitment to service.

We remain focused on enhancing our customers’ experience and expanding our customer base. During 2016, we re-focused the efforts and responsibilities of our relationship managers to more effectively serve our clients. On the corporate side, we continued to refine our client segmentation and introduced a holistic approach to the provision of products and services to clients and their value chains that we refer to as ‘ecosystem banking’. On the retail side, we continued rollout of a series of mobile- and internet-banking products to enhance the number of channels and ease by which our retail customers can interact with us.

Our re-branding of BPR and FBZ to incorporate ‘part of Atlas Mara’ as an endorsement strategy provided an opportunity to highlight to our customers the various initiatives underway, as well as to communicate BPR and FBZ’s connection to a larger organisation focused on building sub-Saharan Africa’s premier financial institution.

Employees

As a financial services firm, our people are our most important asset. Harnessing our collective creativity, energy and intellect on behalf of our customers, while ensuring the maintenance of the highest standards of conduct, remains, at all times, a priority.

We are keenly focused on building on the pool of talent we have acquired through our acquisitions and on attracting talented individuals at every level and in all areas of our business. We have been fortunate to have hired managers and employees across the Group who share our passion for the continent and the prospects for our rapidly growing banking enterprise. We are, among other things: positively disruptive, innovative, embracing of diversity, forthright and truthful, not accepting of mediocrity, team-oriented and contributing members of society.

We are committed to training our employees and ensuring that there are opportunities for advancement. During 2016, we continued the rollout of the Atlas Mara Banking Academy within BancABC and BPR to provide ongoing professional development across products and banking disciplines.

Customers

600,000

Employees

2,740

The continued rollout of the Atlas Mara Banking Academy will support ongoing professional staff development.

Communities

Our success is intertwined with that of the communities in which we operate. Important facets of our strategy are: (i) to provide innovative financial services to under-served markets, enabling individuals and families to manage their personal finances effectively with transparent products and services; and (ii) to provide products and services to entrepreneurs, SMEs and larger firms appropriate to their objectives and requirements.

As our business matures and best practice is disseminated across all of our banking subsidiaries, the corporate social responsibility objectives of increasing financial literacy and supporting entrepreneurship will come to define our community engagement programmes, in addition to maintaining our support of many programmes meaningful to our subsidiaries and our employees.

ABC's and BPR's strong ties to the communities in which they operate continued to set a positive example of corporate citizenship in 2016. Several of the notable initiatives during the course of the year included the following:

Health, education and entrepreneurship

In Mozambique, BancABC launched a literacy programme in partnership with Vodacom and the Mozambique Ministry of Education & Human Development.

In Botswana, BancABC, together with the National Blood Transfusion Services ('NBTS'), continued its partnership to sensitise the public on the importance of blood donation by way of an integrated public marketing campaign sponsored by the bank.

In Zimbabwe, BancABC continued to seek to address social imbalances within Zimbabwean society by providing aid towards self-sustaining projects. BancABC Zimbabwe sponsored the Takashinga Support Group, a co-operative for women affected by HIV. Takashinga has various income-generating projects that they run to support their members and families. The bank made donations towards inputs for sheep rearing and mosquito net-making projects that will create employment opportunities for members of the Takashinga Support Group and the broader community.

In Rwanda, our partnership with the Rwanda Girls Initiative in relation to financing higher education for Rwandan girls continued. Also in Rwanda our staff participated in cancer fundraising by partaking in the Ulinzi Walk for breast cancer awareness.

Arts, sport, culture and heritage

In the arts, for the 16th consecutive year, BancABC Zimbabwe was a proud sponsor of the Harare International Festival of the Arts ('HIFA'). HIFA is an annual, eagerly anticipated, six-day arts festival that draws several thousand people – many from outside the country. The event showcases the works of local, regional and international artists. In Mozambique, BancABC continues to support and promote music and in 2016 we sponsored the 'Divas Concert'.

In sport, BancABC Botswana has continued its sponsorship of Botswana's national football team, the Zebras.

BancABC Zambia also continues to sponsor the Green Buffaloes Football Club ('GBFC'), which engages at-risk youth around the country through its leadership and mentoring platform. The club also offers community-based sporting programmes to young children. The soccer team uses sports in innovative ways to foster resilience and imbue leadership skills in youth through community-based initiatives, as well as competitive sporting events.

Additionally, BancABC Zimbabwe has continued to sponsor two of the countries' most popular professional football clubs, Dynamos and Highlanders.

Corporate reputation

Protecting the Atlas Mara 'brand', as well as the brands of our subsidiaries, is critical to our business model. We value the reputation we have established and, given our profile and aspirations, are committed to undertaking business to the highest standards. We have a 'zero tolerance' approach in relation to breaches of corruption, anti-bribery, anti-money laundering, and related regulations and policies.

We will continue to seek opportunities to build our brand, as well as the brands of our subsidiaries, through a comprehensive corporate communications and branding strategy, which will continue to evolve during the course of the coming years as our platform grows. The re-branding of BancABC, BPR and FBZ to be 'part of Atlas Mara' is representative of this evolution.

Regulators

Maintaining constructive relationships with the regulators in the markets in which we operate remains key to our success, as our banking licenses are clearly critical to our ability to execute our business model. We continue to invest significant time and effort in ensuring that our communication with regulators is timely and candid. Additionally, recognising the ongoing evolution of consolidated supervision of multi-country financial institutions, we continue to evaluate the merits for Atlas Mara Limited to become a regulated entity in due course (recognising that all our operating subsidiaries are regulated in their respective markets).

Shareholders and financing providers

Our shareholders, and our relationships with the public capital markets, more broadly, are critical to our success, particularly as we continue to raise capital, when required and appropriate, to execute our acquisition-oriented growth strategy. We have established a programme of regular shareholder and prospective investor engagement, and we will continue to increase the frequency with which we interact with the market.

Additionally, our relationships with financing providers, particularly development finance institutions, such as OPIC and the African Export Import Bank, are similarly important to the execution of our strategy. These relationships are symbiotic in nature: Atlas Mara benefits from longer-term, lower-cost funding and the DFIs benefit from the multiplier effect associated with the extension of credit by Atlas Mara to a broad set of constituents consistent with the DFIs' development-oriented mandates.

Priorities for 2017

We will continue to drive a common set of values across Atlas Mara to ensure the effective maintenance and enhancement of the relationships and responsibilities critical to our business. We are focused on ensuring that these are embodied across the Group.

In addition, we expect to continue to rollout policies, standards and procedures across the Group to ensure that we are effectively harnessing our resources and maintaining the relationships necessary for delivering on our strategic objectives.

Key performance indicators

Atlas Mara has adopted the following key performance indicators ('KPIs') framework consistent with our business model of Buy, Protect and Grow.

Strategy	KPIs
Buy **Executing acquisitions**	**Market position (by assets/ loans and/or deposits)** Profit pools are correlated to size in many of the markets in which Atlas Mara operates.
	Create value through acquisitions Acquisitions to be accretive within three years.
Protect **Safeguarding our assets and ensuring the platform is 'fit for growth'**	**Cost-to-income ratio** Focused on creating efficient, scalable platforms.
	NPL to total loans Sound credit risk management practices are core to Atlas Mara's operating model.
Grow **Leveraging the talent, technology and capital across our asset base**	**Increase in countries of operation, customers and employees** Atlas Mara continues to broaden its platform and geographic footprint to participate in, and contribute to, the growth of financial services across sub-Saharan Africa.
	Loan and deposit growth relative to GDP growth and peers In line with the strategy of delivering a top five position in our markets of operations, above-market growth in loans and deposits is targeted.
	Return on average equity[3] Measure of returns upon which Atlas Mara is highly focused.
	Return on average assets[4] Represents a measure of balance sheet efficiency which when combined with our RoE target provides a framework for maximum leverage.

Notes:
1. Cost to income ratio (operating basis) – calculated as a percentage of adjusted total costs/total income.
2. Calculated as non-performing loans/ total loans.
3. Net profit attributable to shareholders as a percentage of average shareholders' equity.
4. Net profit attributable to shareholders as a percentage of average total assets.

Goal	2016	2015	Comments
Tier 1 position, normally among the top 3-5	**Yes** in Zimbabwe, Botswana, Rwanda and Zambia	Yes in Zimbabwe and Botswana	Improved market position in Rwanda and Zambia.
Return on equity to exceed cost of equity	**In progress**	In progress	2016 has been a year of 'Protect' with restructuring and integration costs weighing negatively on RoE.
60-65% in the medium term	**97.1%[1]** (89.9% – Adjusted basis)	94.7%[1] (85.2% – Adjusted basis)	More to be done, still work in progress.
NPLs less than 4% of loans	**13.4%[2]**	14.6%[2]	Our continued focus on recoveries has driven year-on-year improvement.
Aim to deliver a medium-term presence in 10+ markets across sub-Saharan Africa	**7** markets in which we are currently present	7 markets in which we are currently present	Scale in Rwanda and Zambia added to the business platform.
Growth >1.5x GDP growth	**Yes** on a constant currency basis; Loans +8.7%, Deposits +25.3%, Average GDP growth ca.1.5%	Yes on a constant currency basis; Loans +15.2%, Deposits +11.5%, Average GDP growth ca.6%	Achieved in 2015 and 2016 in constant currency terms.
ca.20% in the medium term	**1.6% (3.9%)** (adjusted basis)	1.7% (3.8%) (adjusted basis)	More to be done, still work in progress.
ca.2% in the medium term	**0.3% (0.8%)** (adjusted basis)	0.4% (1.0%) (adjusted basis)	More to be done, still work in progress.

Chief Financial Officer's review of financial performance

Arina McDonald
Chief Financial Officer

Africa is not isolated from broader global economic trends and there are several factors which made 2016 a challenging year.

18% **Revenue increase** (31% ccy)

As our Chairman, Bob Diamond, has commented, Atlas Mara faced operating headwinds across our markets in 2016. Weak commodity prices, poor policy decisions and the negative impact of the drought on food prices and electricity production all took their toll on growth in the Southern Africa region. As the IMF noted in their October 2016 Regional Economic Outlook "growth in sub-Saharan Africa for 2016 looks set to have slowed to its lowest level in more than 20 years. With lower commodity prices and a generally less supportive global economic environment, average growth in the region is expected to have decelerated sharply to 1.5% for 2016 — well below population growth, and is in sharp contrast to the high growth rates of the past 15 years". While the IMF note that they expect a modest recovery for 2017 to nearly 3%, this is predicated on prompt action to address the large macroeconomic imbalances and policy uncertainty in some of the region's largest economies, notably Nigeria and South Africa.

However, there is significant variability in economic conditions across the continent. For example, while the IMF's 2016 and 2017 real GDP projections for Nigeria and Zimbabwe are -1.7% and 0.6% and -0.3% and -2.5%, respectively, their projections for Rwanda and Tanzania in 2016 and 2017 are 6.0% and 6.0% and 7.2% and 7.2%, respectively. Our seven-country broad diversification serves as a benefit in having a portfolio effect and we note that SSA's projected growth rates in 2017 and beyond compare well with those of developed markets. Lower interest rates across some of our markets (Zambia, Botswana, Tanzania), currency stabilisation (Zambia, Tanzania, Mozambique) and some commodity strengthening, suggest early signs of an economic cycle that is starting to turn in 2017.

During 2016, the depreciation of several African currencies against the US Dollar have also had an impact upon our results. The US$ is our functional reporting currency and the currency in which a large part of our cost base is denominated. While this weakening was particularly a feature of the Mozambique Metical and Nigerian Naira currencies in 2016, we also saw the full impact of the decline of other African currencies which depreciated in the latter half of 2015 on a full year basis in 2016. For this reason, while our reported US dollar net income of $8.4 million is below the reported level we achieved last year (2015: $11.3 million), in constant currency terms, we have reported a substantial increase in total income of 17.8% or 31.8% year-on-year and 75.0% improvement on an earnings level. Alternatively, the $8.4 million reported earnings for 2016 translated at 2015 exchange rates would have been $14.9 million.

Despite these challenges, 2016 was also a year in which we continued to deliver on our strategy in line with our business model of **Buy**, **Protect** and **Grow**. We acquired and integrated businesses in Rwanda and Zambia, improved our platforms through tangible enhancements in governance and credit risk management, whilst investing in the future growth of the businesses, specifically in our technology platforms and expanding our digital product capability.

We focus on operating earnings which exclude certain revenues and costs that are not part of the ongoing earnings base of the future to make us more comparable to other ‘market peers’ by separately identifying acquisition costs, integration of businesses, etc. This is evident in that the only two material bank acquisitions in sub-Saharan Africa during 2016 were concluded by Atlas Mara. This reflects the fact that Atlas Mara has been focused on targeting, closing and integrating acquisitions to build scale, as a key principle of our business strategy. Our operating earnings for 2016 on this basis were $20.8 million vs. the $24.9 million on a similar basis for 2015, representing a decrease of 16.5% in US dollar terms but an increase of 2.7% on a constant currency basis (basing 2015 operating earnings on 2016 FX rates as a more appropriate year-on-year comparative).

Excluding one-off and transaction-related expenses, our cost to income ratio was 89.9% vs. the comparable figure in 2015 of 85.2%. This ratio remains higher than what we would like it to be, mostly due to our continuous focus to invest to facilitate future growth, coupled with the fact that the two acquisitions we made in 2016 were both high cost to income ratio businesses. A further factor is the impact of having a large component of US dollar linked costs while our revenues are in local African currencies which is exacerbated by the strengthening of the US dollar in recent years. Our focused cost-conscious objectives and streamlining of the acquired businesses, together with the impact of cost reductions post the restructuring at the Shared Services and Centre, will drive efficiencies and support our longer-term goal of reducing the cost to income ratios to comparable peer levels, which will notably increase earnings and thus shareholder returns.

While we consider the improvement in our year-on-year total income of 17.8% (31.8% constant currency) to be a creditable achievement, particularly given the operating environment, the returns being generated by the business remain considerably below the level to which we aspire (adjusted operating return on equity of 3.9% vs. the 20% medium- term ROE we are targeting). We are taking a number of steps to improve the performance of the business with 2017 the start of such visible growth trajectory and we remain wholly focused on execution to deliver the returns our shareholders expect:

– With our half year results, we indicated plans to reduce non-staff costs and headcount by around $8 million on an annualised basis. At December 2016 year-end, we have achieved this target with $3 million delivered in the Center and $5 million effected in the operating businesses, following the staff repositioning and further branch restructuring especially in the acquired businesses in Rwanda and Zambia. During the first quarter of 2017 we have taken further costs out of our Shared Service and Centre operations and decided to close our office in Johannesburg and relocate roles to our countries of operation. Such change in operating structure will not only reduce costs but is beneficial to our country

Table 1: Adjusted operating profit and reconciliation to IFRS profit

		2016	2015	% Var	CC Var %
Total Income	$ million	**241.7**	205.1	17.8	31.8
Loan impairment charge	$ million	**(15.4)**	(12.0)	28.3	62.1
Total expenses (excluding one-off)	$ million	**(217.2)**	(174.2)	24.7	37.9
Income from associates	$ million	**17.9**	20.3	(11.8)	16.1
Adjusted profit before tax	$ million	**27.0**	39.2	(31.1)	(15.3)
Adjusted net profit	**$ million**	**20.8**	**24.9**	**(16.5)**	**2.7**
M&A transaction expenses	$ million	**(8.8)**	(11.9)	(26.1)	(26.2)
Reorganising/restructuring costs	$ million	**(8.9)**	(7.6)	17.1	17.1
Reported profit before tax	$ million	**9.4**	19.2	(51.0)	(24.2)
Reported net profit	**$ million**	**8.4**	**11.3**	**(25.7)**	**75.0**
Reported cost to income ratio	%	**97.1**	94.7	–	–
Adjusted cost to income ratio	%	**89.9**	85.2	–	–
Reported return on equity	%	**1.6**	1.7	–	–
Adjusted return on equity	%	**3.9**	3.8	–	–
Reported return on assets	%	**0.3**	0.4	–	–
Adjusted return on assets	%	**0.8**	1.0	–	–
Reported EPS US$		**0.12**	0.16	–	–
Operational EPS US$		**0.29**	0.34	–	–
Book value per share US$	$	**7.29**	8.94	–	–
Tangible book value per share US$	$	**5.27**	7.00	–	–

Note:
1. Constant currency variance excludes the impact of depreciating currencies against the US dollar.

operations with direct support and strengthening of teams at the point of delivering banking services to our customers. This will ensure that our cost base is more aligned with our current revenue environment and will lead to cost savings of at least $20 million on a full year run-rate basis.

- During 2016, our Treasury & Markets Businesses grew net income from derivative and foreign exchange transactions from $16.8 million in 2015 to $35.9 million in 2016. Having seen this momentum, we have intentionally accelerated investment into this business to grow the offshore markets operations as a key focus during 2017. The aim is to broaden the spectrum of African currencies that we focus on, and offer transaction capability on currency hedging and trade finance support to include markets and currencies for customers outside our current country footprint. Likewise, following the recent equity raise, we have invested in specific growth initiatives in our digital finance product offering, as another source to diversify and improve revenue generation, and we expect both of these operations to contribute meaningfully to our overall profitability during 2017.
- We also remain focused on operational improvements around governance and the overall compliance and control environment, that requires some investment to strengthen our platform for growth, which is set to continue as part of our overall risk management focus into 2017.

At the end of the year our book value was $7.29 per share (December 2015: $8.94) and our tangible book value was $5.27 per share (December 2015: $7.00). The main contributor to such reduction in year-on-year book value is the impact of the translation effect of local currencies into the US Dollar as reporting currency, as discussed earlier.

Income statement review

We reported growth in total income of 17.8% or 31.8% on a constant currency basis, largely attributable to lower cost of funding especially in Botswana and our acquisitions in Rwanda and Zambia.

We continue to build our capability in digital and mobile banking product offering and further expect the efforts around growing transactional banking services across the region to improve revenues without putting more reliance on the statement of financial position.

Table 2: Total income ($millions)

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	**2016**	2015	Var %	CC Var %
Net interest income	23.7	21.5	30.3	51.7	**127.2**	106.4	19.6%	33.3%
Non-interest revenue	28.3	40.1	33.5	12.6	**114.5**	98.7	16.0%	30.1%
Net income from derivative and foreign exchange transactions	6.4	11.5	8.5	9.5	**35.9**	16.8	>100%	>100%
Fees and commissions	10.7	11.1	13.3	13.8	**48.9**	56.6	(18.9%)	(8.0%)
Other revenue	11.2	17.5	11.7	(10.7)	**29.7**	25.4	(10.1%)	(6.0%)
Total income	52.0	61.6	63.8	64.3	**241.7**	205.1	17.8%	31.8%

Figure 1: Geographical analysis of loan book composition

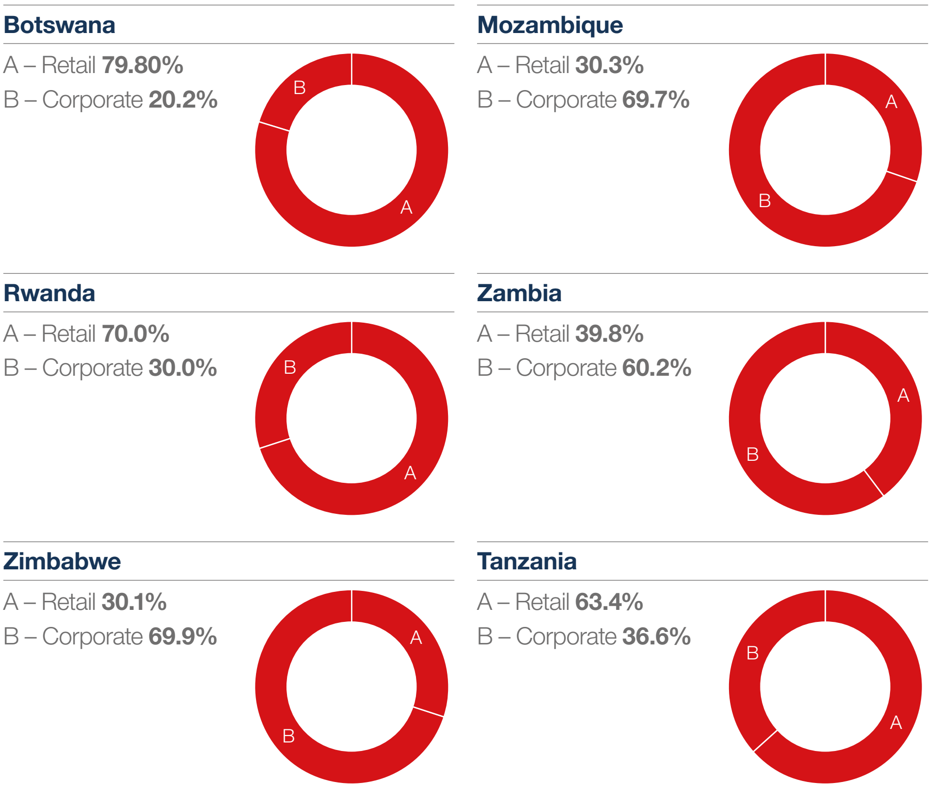
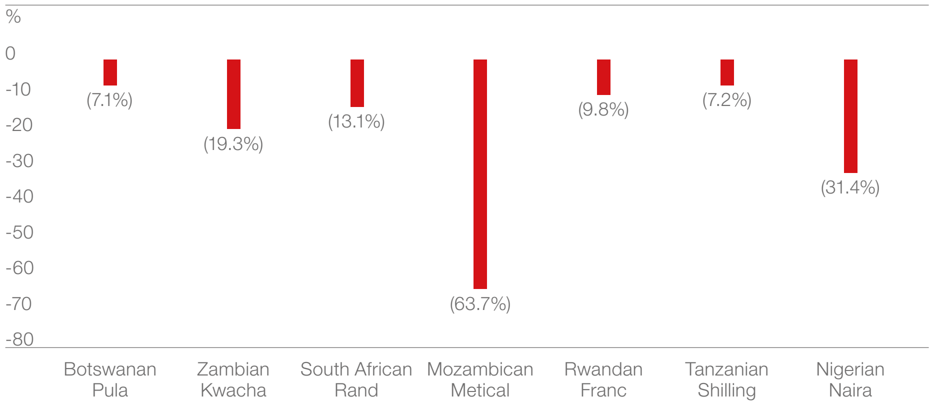


Figure 2: Local currency 12-month depreciation against the US dollar (Average FX rates)



Net interest income

During 2016, there have been market-wide liquidity shortages in several of our operating countries including Mozambique, Tanzania and Zambia. Despite this, the improvement in net interest income of 19.5% or 33.4% on a constant currency basis is largely due to a reduction in funding costs in other markets. The decline in cost of funds on an aggregated basis from 7.9% for 2015 to 6.0% in Q4 2015 reflects the Group's focus on restructuring the statement of financial position and attracting lower cost transactional deposits, placing less reliance on interbank funding. The impact on margins and thus profit trends is clear – having achieved an average net interest margin of 5.8% on earning assets in 2015, which improved to 6.3% in 2016. This margin increase is notwithstanding the slower loan book growth during 2016 due to an adjusted risk appetite for credit growth given the more challenging economic conditions across our countries of operation.

As we continue to focus on attracting low-cost retail deposits across the Group, we expect to see our retail business making a greater contribution to net interest income over time and this will, in turn, support a further improvement in net interest margins.

Non-interest income

Non-interest income increased by 16.0% or 30.1% on a constant currency basis to $114.5 million in 2016 (2015: $98.7 million) boosted by net income from our markets business (an increase of $19.1 million year-on-year) and fair value gains recorded on the mezzanine debt related to investment in Nigeria of $25.5 million for 2016 (2015: $3.3 million).

Excluding the fair value gains recorded, non-interest Income was also impacted by a loss of insurance income in Botswana (Unions have moved to a self-insurance model for their clients, away from our banking product offering).

Total expenses

Underlying total costs of $217.2 million, excluding one-offs, represented an increase of 24.7% or 37.9% in ccy terms year-on-year with the acquisitions completed this year being a principal contributor to this. Excluding the operating cost contributions from acquisitions in Rwanda and Zambia, our costs fell by 5.5% but growth was limited to 4.8% on a constant currency basis.

Total M&A transaction and one-off restructuring and integration expenditures of $17.7 million for 2016 has declined from $19.5 million incurred during 2015.

Table 3: Cost analysis ($millions)

	Dec-16 $m	Dec-15 $m	FX var $m	Operational var $m	Total var $m	Constant ccy var %	Total var %
Total expenses	234.8	194.2	17.2	57.8	40.6	32.7	20.9
Less: Acquisitions							
Rwanda	(35.9)	(4.0)	(0.4)	(32.3)	31.9	>100	>100
FBZ	(20.0)	–	–	(20.0)	20.0	–	–
Total expenses (excluding acquisitions)	178.9	190.2	16.8	5.5	(11.3)	(3.2)	(5.9)
Less: Transactional expenditure							
M&A transaction expenses	(8.8)	(11.9)	–	3.1	3.1	26.1	26.2
Reorganising/ restructuring costs	(8.9)	(7.6)	–	(1.3)	(1.3)	(17.1)	(16.6)
Total expenses (excluding acquisitions and one-off)	**161.2**	**170.7**	**16.8**	**7.3**	**9.5**	**(4.8)**	**5.5**

Table 4: Statement of financial position review

$m	Q1 2016	Q2 2016	Q3 2016	**2016**	2015	Var %	CC var %
Cash and investments	345.0	448.3	399.2	**406.3**	320.7	26.7	29.6
Financial assets held for trading	143.5	160.4	163.6	**115.6**	203.6	(43.2)	(42.0)
Loans and advances to customers	1,339.4	1,421.0	1,402.1	**1,334.8**	1,229.4	8.6	9.8
Investments	110.9	181.9	155.3	**237.2**	21.6	>100	>100
Investment in associates	422.1	324.3	312.4	**294.0**	398.4	(26.2)	(25.2)
Intangible asset	153.5	166.8	148.2	**168.3**	139.4	20.7	21.0
Other assets	163.3	244.1	249.9	**200.9**	139.0	44.5	49.0
Total assets	**2,677.8**	**2,946.7**	**2,830.7**	**2,757.1**	**2,452.1**	**12.4**	**14.0**
Customer deposits	1,628.8	1,814.9	1,797.0	**1,799.4**	1,436.1	25.3	27.3
Borrowed funds	298.3	343.0	329.6	**322.6**	302.2	6.8	8.2
Other liabilities	89.1	211.5	144.7	**109.0**	88.2	23.4	18.2
Capital and reserves	661.7	577.3	559.5	**526.1**	625.5	(15.9)	(14.5)
Total equity and liabilities	**2,677.8**	**2,946.7**	**2,830.7**	**2,757.1**	**2,452.1**	**12.4**	**14.0**
Loan: Deposit ratio	82.2%	78.3%	78.0%	**74.2%**	85.6%		
NPL ratio	15.5%	13.2%	14.9%	**13.3%**	13.5%		
Assets growth	9.2%	10.0%	(3.9%)	**(2.6%)**	(6.5%)	12.4	14.0
Liabilities growth	10.4%	17.5%	(4.1%)	**(1.8%)**	(5.8%)	22.1	24.1

Note:
CCY refers to constant currency variance which excludes the impact of depreciating currencies against the US dollar.

We believe that the customer loan book is adequately provisioned.

This decline is consistent with our expectations that these expenses will decrease over time. Included in the above amount is $5.5 million associated with the restructuring and reorganisation in Rwanda and Zambia, and $3.4 million of costs associated with the right-sizing of the Shared Services and Centre teams.

Staff costs amounted to $106.6 million for the year and represented 48% of total expenditure for the Group (2015: 41.2%). On an ‘adjusted operating profit’ basis, Atlas Mara reported a cost to income ratio of 89.9% (2015: 85.2%), compared to 97.1% (2015: 94.7%) on an IFRS-compliant basis. Table 3 on page 31 provides an analysis of the change in our cost base over the year to identify the impact of acquisitions and other one-off costs on our cost base.

Loan impairment charges

The 2016 loan impairment charge of $15.4 million represents a 28.3% (62.1% constant currency) increase on the prior year charge of $12.0 million, with this largely due to lower recoveries in 2016 relative to 2015. We reported gross recoveries of $18.1 million in 2016 (2015: $18.1 million), which were weighted towards the latter part of the year with Rwanda and Zimbabwe being the main contributors in this regard. Countries of particular focus from a credit perspective are Mozambique and Tanzania, where impairment model changes have driven higher credit costs and pressure in the local economies has become visible through the portfolio impairment trends, in general. We continue to focus on restructuring and

12%

Asset growth (14% ccy)

Table 5: Customer loan composition by geography ($millions)

Botswana	Mozambique	Rwanda	Tanzania	Zambia	Zimbabwe	Other
531.9	79.8	207.3	87.2	194.1	232.6	1.9

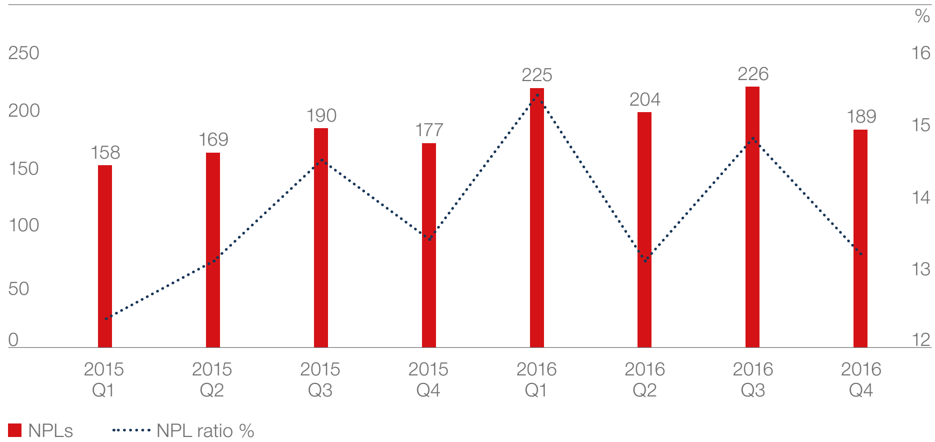
Table 6: Customer loan composition by product ($millions)

Mortgage lending	Instalment finance	Corporate lending	Commercial and property finance	Consumer lending	Total
146.6	13.3	510.1	124.6	540.1	1,334.8

Table 7: Customer deposits ($millions)

	Retail	Corporate	Treasury	Total
FY 2015	299.3	524.0	612.8	1,436.1
FY 2016	551.0	924.8	323.6	1,799.4

Figure 3: Non-performing loans



recovering further from the acquired NPL book, and have made good progress on a couple of large single name exposures in Zambia and Zimbabwe, both to increase profitability and to reduce our overall NPL ratios to closer to comparable peer levels.

Note:
In line with IFRS 3 Business Combination, the recoveries reported in 2015 of $18.1 million was accounted for in NII as an unwind of fair value adjustments.

Statement of financial position review

Customer loans and advances comprise ca.48% of the Group's total asset base. Cash, short-term funds and marketable securities represent ca.28%, and other assets represents 7%, the investment in associate UBN accounts for 11% of the asset base, with goodwill and intangible assets making up the remainder at ca.6% of total assets. Total asset growth was 12.4% (14% ccy) compared to 2015 with the acquisitions in Rwanda and Zambia the principal drivers of this growth – being part of our strategic focus to get to scale in all our markets of operation. Excluding acquisitions, the growth in the balance sheet was broadly flat on a constant currency basis.

Credit quality

The credit information presented below is based on the IFRS results reported by operating countries, excluding the impact of IFRS 3 Business Combinations and fair value adjustments made on acquisition in respect of gross loans and advances and impairment allowances.

We are satisfied that the customer loan book is adequately provisioned with a coverage ratio of 47.2% (including both acquisitions completed during 2016) vs. December 2015: 42.8%. In addition to statement of financial position provisions, there is specific security held against the NPL portfolio at a 77.8% coverage level over and above the impairments taken, representing a satisfactory coverage position given the uncertain economic outlook.

Non-performing loans ('NPLs') as a percentage of the loan book declined to 13.3% (December 2015: 13.5%), reflecting evidence of our improved resourcing behind our credit monitoring and collection processes. The year-on-year improvement was specifically supported by asset recoveries secured in Mozambique and Zimbabwe. In both Zambia and Zimbabwe, there are a handful of single name exposures that skew the overall Group NPL ratio where the quality of the Group's asset book should not be clouded by these few large single name accounts in default. Excluding

Figure 4: Evolution of margins and costs of funds

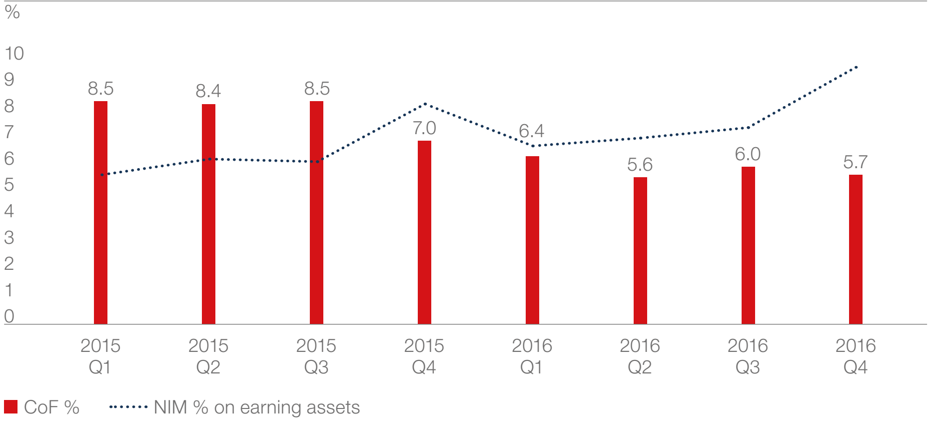


Figure 5: Capital adequacy ratios

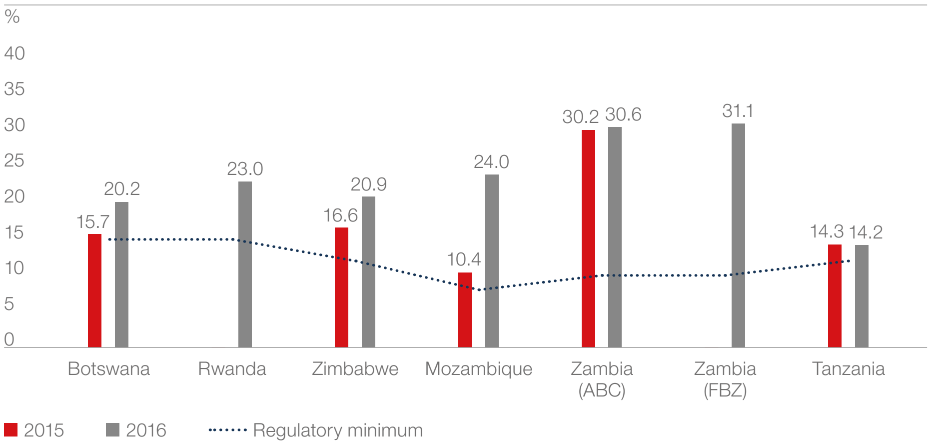
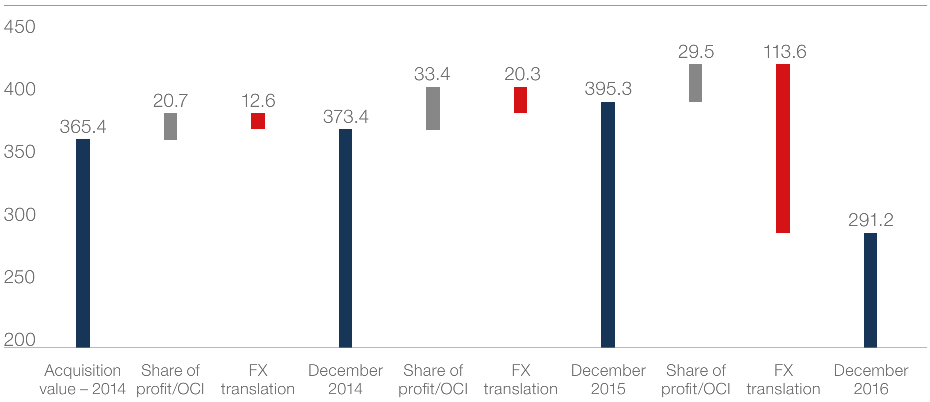


Figure 6: UBN – Investment in associate



one NPL account in Zambia, which is already subject to a remediation agreement supported by an international finance organisation, and a block of seven accounts in Zimbabwe that are in the process of being restructured with the support of the Zimbabwe Asset Management Company, the Group's NPL ratio reduces to 9.8% from the reported 13.3%.

Capital position

As at 31 December 2016, all of Atlas Mara's operating banks complied with local minimum capital requirements relevant in that country, as summarised in Figure 4. Risk-weighted asset growth, excluding acquisitions, was limited reflecting both the subdued demand for credit across our markets but also our selective approach to credit risk from refining our overall risk appetite.

Investment in associate: UBN

Our investment in Union Bank of Nigeria of 31.15% is equity-accounted for in the statement of financial position as an investment in associate, with a closing balance of $291.4 million (2015: $395.9 million). The reason for this year-on-year decline in this investment's carrying value is entirely linked to the Naira devaluation executed by the Central Bank of Nigeria during June 2016, with the Naira losing value from December 2015 close at NGN 199, to NGN 250 in June 2016, to a December 2016 official closing rate at NGN 304 vs. the US dollar.

We have reviewed the carrying value of the investment held in UBN from a valuation perspective as part of the year-end audit review and valuation work. We have stress-tested future expected earnings and having considered the impact of the devaluation of the Naira as noted above, coupled with potential credit shocks in the Nigerian market from lower oil prices and market-wide shortages of US dollar liquidity, the carrying value was nonetheless substantiated, with no impairment required to the UBN carrying value for this investment at December 2016.

The value of equity accounted earnings in the statement of comprehensive income for Atlas Mara is based on UBN's year-end 2016 results, as was released to the market on 31 March 2016.

Goodwill and intangibles

Due to the acquisitions made during 2016 and in compliance with IFRS 3: Business Combinations, the statement of financial position incorporates goodwill and intangible assets of $168.2 million at December 2016 (December 2015: $139.4 million).

These assets represent 7% of the Group's asset base, resulting in a tangible book value of $5.27 per share (December 2015: $7.00 per share) vs. a book value per share of $7.29 (December 2015: $8.94).

Liabilities

Our focus on deposit growth has delivered results with growth of 25.3% (27.3% ccy) year-on-year, driven by the acquisitions in Rwanda and Zambia. Excluding the acquisitions, deposits decreased by 4.5% as tight liquidity in markets like Tanzania, Zambia and Zimbabwe constrained growth. Nevertheless, a considerable shift in deposit mix from corporate and interbank to retail deposits was achieved, supporting the Group's improved liability drive and to reduce cost of funds as a key objective. Retail deposits now comprise 30.6% of the book up from 20.8% a year earlier. The contribution of interbank deposits has decreased gradually from 9.3% at end of 2015 to 7.6% at end of 2016. Interbank funding in Tanzania and Zambia remains high reflecting market-wide liquidity constraints.

Customer deposits comprise 80.7% of the liability base and represent 65.3% of the aggregate of liabilities and equity. The loan to deposit ratio for 2016 is 74.2% (December 2015: 85.6%).

Table 8: 2016 segmental results

		Banking operations			Other	
$m	**Group**	Southern	East	West	Shared Services and Centre	M&A, AMFS and Consol
Total income	241.7	165.3	57.3	–	13.3	5.8
Loan impairment charge	(15.4)	(11.5)	(3.9)	–	–	–
Operating expenses	(234.8)	(156.5)	(50.4)	–	(34.1)	6.2
Share of profits of associate	17.9	(0.2)	0.1	18.1	–	(0.1)
Profit/(loss) before tax	9.4	(2.9)	3.1	18.1	(20.8)	11.9
Profit/(loss) after tax and NCI	**8.4**	**(4.9)**	**3.3**	**18.1**	**(20.8)**	**12.7**
Loans and advances	1,334.8	1,046.0	287.1	–	–	1.7
Total assets	2,757.1	1,895.5	475.9	291.4	717.5	(623.2)
Total liabilities	2,231.0	1,799.5	404.9	–	65.4	(38.8)
Deposits	1,799.4	1,431.6	367.9	–	–	(0.1)
Net interest margin – total assets	4.7%	5.0%	8.3%	–	–	–
Net interest margin – earnings assets	6.3%	5.4%	9.1%	–	–	–
Cost to income ratio	97.1%	94.7%	87.9%	–	–	–
Statutory credit loss ratio	1.2%	1.1%	1.4%	–	–	–
Return on equity	1.6%	(5.1%)	4.6%	–	–	–
Return on assets	0.3%	(0.3%)	0.7%	–	–	–
Loan to deposit ratio	74.2%	73.1%	78.0%	–	–	–

Segment information

The segmental results and statement of financial position information represents management's view of its underlying operations on a geographic distributed basis, with the business focus aligned to promote inter-Africa trade amidst the known trade blocs on the continent. The business is managed on a geographic basis consistent with the Group's emphasis on sub-Saharan Africa's key trading blocs with a specific focus on underlying business line performance.

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

Southern Africa

Banking environment

Our Southern Africa segment includes the operations of BancABC in Botswana, Mozambique, Zambia and Zimbabwe, as well as BancABC's holding company, ABCH, incorporated in Botswana, as well as newly acquired Finance Bank Zambia and various affiliated non-bank Group entities in those jurisdictions.

The 2014 BancABC transaction provided Atlas Mara with a multi-country, core banking platform across Southern Africa. The scale of our operations in Zambia was significantly increased by the acquisition of Finance Bank Zambia on 30 June 2016. SADC which forms

Table 9: 2015 segmental results

$m	Group	Banking operations: Southern	East	West	Other: Shared Services and Centre	M&A, ADC and Consol
Total income	205.2	181.2	14.1	–	11.4	(1.6)
Loan impairment charge	(12.0)	(12.4)	0.4	–	–	–
Operating expenses	(194.2)	(136.3)	(17.7)	–	(33.4)	(6.8)
Share of profits of associate	20.3	(0.1)	0.2	20.2	–	–
Profit/(loss) before tax	19.2	32.4	(3.0)	20.2	(22.0)	(8.4)
Profit/(loss) after tax and NCI	**11.3**	**21.6**	**(1.9)**	**20.2**	**(22.0)**	**(6.6)**
Loans and advances	1,229.4	1,100.3	129.8	–	–	(0.7)
Total assets	2,452.1	1,643.0	241.6	395.3	744.0	(571.8)
Total liabilities	1,826.6	1,542.2	209.5	–	75.9	(1.0)
Deposits	1,436.1	1,248.5	187.6	–	–	–
Net interest margin – total assets	4.2%	6.6%	5.3%	–	–	–
Net interest margin – earnings assets	5.8%	7.2%	5.6%	–	–	–
Cost to income ratio	94.7%	75.2%	>100%	–	–	–
Statutory credit loss ratio	1.0%	1.1%	(10.1%)	–	–	–
Return on equity	1.7%	21.4%	(6.0%)	–	–	–
Return on assets	0.4%	1.3%	(0.8%)	–	–	–
Loan to deposit ratio	85.6%	88.1%	69.2%	–	–	–

74% **Loan deposit ratio**

the largest part of our business by assets had a challenging 2016 and the environment is expected to remain tough into 2017. Overall growth for the region of around 2.7% in 2015 per the IMF is expected to only rise to ca.2.9% for 2017. Given the size of the South African economy relative to the rest of the region, its lower level of growth not only weighs on the regional average but there is a knock-on impact upon some of the smaller states which depend on trading activity with South Africa to support their own economies.

The region's economies can be subdivided into those that are experiencing a combination of challenging politics and policy such as Mozambique and Zimbabwe, those with a benign policy environment and a supportive environment such as Botswana. Finally, economies like Zambia have a good policy framework but challenging economic outlook, albeit that we are hopeful that the slowdown in growth has plateaued with the IMF expecting a very modest pick-up in 2017.

The challenging politics and policy in Mozambique and Zimbabwe make the outlook for these two economies difficult to predict in 2017. The scale of the debt crisis in Mozambique with the Government debt to GDP estimated to hit 112.6% by the end of 2016 per the IMF will require a complex debt restructuring. In the near-term, the Government is likely to follow policy measures suggested by the IMF and other donors but this may add to the complexity of domestic politics because of the trade-offs required.

Improved relations between Zimbabwe and the international community remains unlikely in the near term. Economic challenges remain intense with the IMF forecasting a decline in GDP of 2.5% in 2017. The appreciation of the US dollar (Zimbabwe adopted a multi-currency regime in 2009 with the US dollar being the predominant currency) against regional currencies has contributed to the erosion of the country's export competitiveness. Across the entire banking system, a lack of availability of physical cash also remains a constraint on economic activity and with the country having virtually no access to external finance, funding fiscal and current account deficits is no longer possible. This has lead the Government to consider other solutions such as the bond notes by the Reserve Bank of Zimbabwe. Although 2017 will continue to be a challenging year, we remain hopeful with respect to Zimbabwe's longer-term prospects.

Our business

Botswana remains our largest profit contributor by country. The business continued to perform well during 2016. We continued to improve the business by rolling out a mobile banking solution and improving our customer cards offering and introducing new bancassurance products. We delivered a significant (12 percentage point) reduction in the cost to income ratio through reducing discretionary expenditure, improving our cost of funding and operating a recruitment freeze. NPL recoveries also demonstrated a good out-turn for the year.

Despite significant economic challenges caused by excessive government borrowing, our business in **Mozambique** performed well in 2016. A loss for the year in 2015 was reversed with the business making a positive contribution in 2016. We have upgraded local management significantly through the hire of a new Country MD, CFO, Head of CIB, and several others. The capability of the workforce has also been enhanced through bespoke training initiatives. Our Treasury business was a particular success with extraordinary currency volatility driving income levels well beyond our expectations and this level of performance will be challenging to maintain in 2017. We have also looked to reduce expensive funding and an element of our US dollar denominated expenses given the scale of currency depreciation.

Zambia performed below our expectations during 2016 with this largely due to the delay taken to close the acquisition of Finance Bank Zambia which completed at end of June. Remedial action on our existing operations was delayed in anticipation of this which contributed to the weak out-turn. Following the acquisition of FBZ, the integration proceeded quickly and was completed ahead of time and budget. This has improved stability and availability of key systems and improved the control environment. The focus is now on driving acquisition synergies and improving funding costs which is a natural synergy from combining the two platforms. Against this backdrop, we are anticipating a substantial turnaround in performance in 2017.

The economic situation in **Zimbabwe** remains very challenging as a result of a shortage of physical US dollars across the banking system. This has provided opportunity to be innovative with new digital products such as our POS offering but the broader market challenges have given rise to other challenges such as maintaining staff morale. Our average income run rate was lower than in 2015 due to lower lending related income after deliberately subdued loan book growth as we sought to reduce exposure to higher risk areas and the impact of regulatory-imposed interest rate caps. Notwithstanding this, our business has remained profitable with this underpinned by a reduction in discretionary expenses, staff rationalisation and a strong focus on credit recoveries. As one of the larger individual country statements of financial position within Atlas Mara, we remain committed to building our operations and supporting the long-term success of the country.

East Africa

Banking environment

The two countries that we operate in the EAC (Tanzania and Rwanda) are among the fastest growing countries in Africa. In January 2016 Atlas Mara acquired a 45.03% stake in BPR. BPR was established in 1975 and had total assets of ca.$250 million, loans of $159.5 million and deposits of ca.$181.5 million as at 31 December 2015. BPR was merged with our existing operation, BRD Commercial Bank, at the beginning of January 2016 resulting in Atlas Mara owning 62.06% of the merged entity, which is now the second largest bank in Rwanda. The integration process is complete and we are positive about the prospects for the merged entity in Rwanda.

The IMF estimates that overall growth levels in the EAC in 2016 and into 2017 is likely to remain robust at around 5% with this supported by good performance from Rwanda and Tanzania. The Rwandan economy has continued to perform well with growth being sustained in the 6-7% range. GDP expanded by 6.5% year-on-year during the first half of 2016 with the country's private sector-led growth strategy continuing to demonstrate positive results. The country enjoys an accommodative business environment accompanied by prudent macroeconomic policies.

Tanzania has established a track record of consistently strong GDP growth and prospects remain positive. The construction, transport services, telecommunications and financial services remain key drivers behind economic growth, while the manufacturing sector is expected to benefit from increased natural gas production. Overall, GDP growth is expected to reach 7.1% for 2016 per the IMF which represents a modest increase on the 2015 growth rate of 7%. Looking ahead, real GDP growth is expected to remain consistently around the 7% level.

Our business

In **Rwanda** our focus during the early part of the year was on integrating our two businesses into a single operating entity which was completed ahead of expectations by the middle of the year. Since then, our focus has been on reducing costs to bring the cost to income ratio in line with Group targets. We completed an initial staff refit programme to lower headcount materially, reviewed and renegotiated contracts with telecoms and security providers to drive cost control and reduced funding costs through the launch of targeted trust fund accounts. A task force was also set up whose sole focus is to develop recovery strategies for legacy BRD-C non-performing loans and the written off portfolio.

Tanzania was a challenging market in 2016, but despite this contributed a profit to the Group for the year. It remains a market where we have insufficient scale and plans are in place to address this through the roll-out of agency banking platforms. We have improved the management team by hiring new heads of Corporate, Retail, Marketing and Legal/Compliance. Costs have been reduced through management of discretionary spend and we have looked to drive a reduction in cost of funding through the launch of tiered current accounts in order to raise lower cost deposits.

West Africa

Banking environment

Through our 31.15% stake in UBN and Board representation, Atlas Mara has a footprint in Africa's largest economy, Nigeria, and the broader ECOWAS region. Despite near-term

$8.4m Net profit

$18.1m

Associate contribution from UBN

challenges, Nigeria continues to represent a long-term attractive destination for investment, particularly in financial services, and the ownership of our stake in UBN is a key facet of our strategy for the ECOWAS region.

In Nigeria, the policy environment has been dictated by the dearth of foreign exchange which led the Central Bank of Nigeria (CBN) to eventually break its quasi peg and achieve an orderly devaluation in mid-2016 substantially closing the differential with the parallel exchange rate. Rather than allowing a full market adjustment the CBN has since reined in the interbank market forcing an appreciation of the currency back to levels of just over NGN300:$1 and a widening of the gap between the official and parallel market dollar rates. This means that many of the issues that weighed on investor sentiment towards the country at the start of 2016 have persisted.

The policy response remains weak, and the planned expansion in fiscal spending seems to be progressing slower than anticipated. The Central Bank's move to adopt a 'flexible' exchange rate regime has also not worked and forex liquidity remains extremely tight. This has been reflected in economic statistics and per the National Bureau of Statistics (NBS), the Nigerian economy performed worse in the third quarter of 2016 than the second. The agency estimates that GDP contracted by 2.24% year-on-year in Q3, compared to a decline of 2.06% year-on-year in Q2. We expect weak economic momentum and a lack of investor engagement in 2017 while major policy issues relating to the exchange rate remain unresolved.

In spite of these challenges, our investment in UBN resulted in associate income of $18.1 million in 2016 compared to $20.2 million for 2015, with this decline of 10.4% representing constant currency growth of 16.1% after adjusting for the impact of the Naira depreciation.

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

Our business

Our share of profit from the 31.15% stake in Union Bank of Nigeria Plc ('UBN') based on their published results to end December 2016 is included as an associate income of $18.1 million in 2016 compared to $20.2 million for 2015, representing a decline of 10.4% but constant currency growth of 16.1% after adjusting for the impact of the Naira depreciation. Given that, as of the date of release of these results, UBN had publicly disclosed its results to the market, their results have been included in this set of accounts without any change.

As noted above, the Nigerian macroeconomic environment has been challenging in 2016 culminating in devaluation in the Naira at the end of June. The decline in commodity prices, especially in oil and gas, has led to a reduction in national income and slower growth, as well as a reduction in Foreign Direct Investment. Against this backdrop, UBN performed creditably and gross earnings were up 8.2% on 2015 on a constant currency basis. The anticipated cost efficiencies from UBN's last two years' transformation projects are becoming visible. Loans and advances were up 38.3% on a constant currency basis, compared to 2015. Customer deposits grew by 15.4% in 2016, on a constant currency basis. Improved service offerings continue to generate customer growth.

The net impact of the devaluation of the Naira towards the end of June had a positive impact on our P&L, largely due to fair value adjustments of $25.5 million, on the mezzanine debt related to UBN investment. However, there has been a negative impact on our reported equity of $133.6 million from unrealised translation losses, on our investment in UBN. This latter item was the principal reason for the decline in our equity over the course of the year.

Other

Included in this segment are Atlas Mara Limited, the BVI incorporated holding company, and Atlas Mara's Dubai subsidiary and all other intermediate Group holding entities acquired through the acquisitions of ABCH and ADC in August 2014. The Shared Services and Centre of Atlas Mara reported a net loss of $20.8 million for 2016 compared to a net loss of $22.0 million for 2015. We have initiated plans to reduce the Shared Services and Centre costs both through direct staff reduction and through the transfer of certain personnel to operating businesses.

It is our belief that effective risk management is fundamental to the sustainability of our business.

At Atlas Mara (The Group), we continue to espouse a strong risk management culture to ensure an appropriate balance between the diverse risks and rewards inherent in any transaction, and underpins sound decision-making. Accordingly, we continue to work towards implementing a comprehensive risk management process 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 Risk report section on page 58.

The principal risks faced by Atlas Mara, which could impact the Group's ability to meet its strategic objectives, are highlighted below, together with key mitigating actions.

Principal risk

Credit risk

The Group may be adversely impacted by an increase in its credit exposure related to lending, trading and other business activities. Credit risk stems from the possibility of losses arising from the failure of Group customers or counterparties to meet their financial obligations on a timely basis. Credit risk is the most significant risk type faced by the Group as explained in more detail further down in this report. Credit risk arises from lending and other financing activities comprising of the Group's core business.

Key mitigating actions

- Well-considered credit policies incorporating prudent lending criteria.
- Well-defined authorities and governance structures with appropriate separation between origination and sanctioning.
- Improvements to credit processes and controls, including proactive portfolio monitoring especially with the pre-NPL portfolio and effective remedial management.

Risk trend

↓

Principal risk

Market risk

Atlas Mara may be adversely impacted by both global and local 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.

Key mitigating actions

- Vigilant monitoring of macroeconomic and geopolitical conditions.
- Establishment and regular monitoring of trading limits and positions.
- Rates hedging programmes, both with respect to interest rates and foreign exchange.
- Stress testing and scenario planning.

Risk trend

↑

↑ Risk increasing
↓ Risk decreasing
↔ No change

Principal risk

Funding and liquidity risk

The financial condition of Atlas Mara may be adversely impacted by an inability to raise capital, borrow funds or sell assets to meet its obligations. Cash is currently upstreamed to the parent company in the form of management fees which may be subjected to local restrictions.

Key mitigating actions

- Maintenance of prudent levels of liquid assets to meet cash and collateral outflows.
- Appropriate 'emergency'/'contingency' liquidity plans.
- Active dialogue with development finance institutions to provide funding at the subsidiary level.
- Frequent stress and scenario testing.

Risk trend

Principal risk

Acquisition/integration risk

Atlas Mara may not be successful in its strategic objectives and specifically it may not be able to find enough acquisition opportunities or successfully complete the integration of newly acquired assets to meet the Company's criteria and to enable it to achieve its strategy of building sub-Saharan Africa's premier financial institution.

Key mitigating actions

- Dedicated team focused on originating and evaluating opportunities.
- Multiple prospective transactions under consideration with no reliance on one single transaction coming to fruition.
- Atlas Mara is building a track record of successful acquisitions and integration and expects to continue this in 2017 and beyond.

Risk trend

Principal risk

Operational risk

Atlas Mara may incur losses due to lapses in controls, internal processes or systems, or as a result of external events which could also have negative repercussions across other risk dimensions. Information technology systems, in particular, represent an important focal point.

Selected jurisdictions in which Atlas Mara operates (or may operate in the future) have higher levels of risk than more mature markets.

Atlas Mara may not be able to deliver efficiencies, synergies or governance enhancements at its acquired operations leading to disappointing performance and/or control failures.

Key mitigating actions

- Appropriate skills training and elevation of employee awareness across the Group on fraud, controls and self assessment.
- Ongoing review of IT systems architecture and systems resilience, including with respect to business continuity planning, and identification of areas for improvement.
- Active focus from senior management on the execution of integration and performance enhancement programmes.
- Enhancements to operational risk policies and processes for ensuring compliance with safe practice and a secure controls environment.

Risk trend

Principal risk

Legal risk

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

Key mitigating actions

- Vigilant monitoring of pending and ongoing litigation.
- Enhancements to staffing and training of the legal function across the Group.

Risk trend

Principal risk:

Regulatory and legislative risk

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

With a number of additional regulatory/legislative matters on the horizon, including but not limited to the financial reporting, accounting and the knock-on regulatory impact of IFRS 9 Financial Instruments:

- We have completed the initial stages of our IFRS 9 data gap analysis and have commenced remediation programmes.
- The conceptual expected model design process is underway at the date of this report.
- Our Business Model reviews have been completed, with implementation earmarked for quarter 2 2017.

Key mitigating actions

- Frequent interactions with regulators across the Group's countries of operations.
- Active dialogues with relevant government officials and monitoring of events potentially impacting our business.
- High level and senior attention given to all matters pertaining to regulatory standards and requirements.
- Dedicated Group response to monitor regulatory matters on the ground on a continuous basis.

Risk trend

Principal risk:

Reputation risk

Atlas Mara's strategy is to become sub-Saharan Africa's premier financial institution. Damage to Atlas Mara's brand arising from any association, action or inaction which is perceived by customers, regulators, shareholders or other stakeholders as inappropriate or unethical would impact the Company's ability to achieve its strategic goals.

Key mitigating actions

- Continuous emphasis on a culture of excellence and integrity across the entire Group in which the preservation and enhancement of our reputation is sacrosanct.
- Sustaining a robust internal audit function to ensure compliance with standards, policies and procedures across the Group.

Risk trend

Good governance is a competitive advantage

Beatrice Hamza Bassey
Group General Counsel

I am pleased to present our Corporate Governance Report for the 2016 financial year. During the year, we remained focused on executing our strategy, positioning the bank for sustainable success, and creating long-term value for our shareholders.

Excellence in corporate governance remains central to the Atlas Mara proposition. Following the decision by our first Chairman, Arnold Ekpe, to stand down from the Board at the end of his three-year term, Bob Diamond assumed the Chairmanship of Atlas Mara on an interim basis and will continue to serve in the role until a new independent Chairman is appointed.

The Directors are deeply committed to effectively discharging their duties to the shareholders and the Company. The Board and its Committees met a total of 51 times in 2016 to discuss and deliberate on a variety of matters. Attendance at Board and Committee meetings has been very good, and is denoted on page 51. The Board also dedicated time to attending training sessions, to enable continuing improvement in governance and oversight. The Board Committee Terms of Reference are summarised on page 50.

We continue to work towards compliance with the provisions of the UK Corporate Governance Code 2014 issued by the Financial Reporting Council (the 'Code'), even though many elements are less relevant to our Company, given our early stage. Our progress is summarised on pages 45–48.

Over the last two years, we have committed significant resources to upgrading our systems, control environment and processes. We have also strengthened the Boards of each of our subsidiaries, provided oversight to ensure alignment with best practice standards, and provided additional training.

Atlas Mara today has an incredibly strong senior management team. They are the right leaders for the organisation, and fully up to the task of building the Company we aspire to be, in line with our original vision. The Executive Committee consists of the leaders of our key business and functional areas: Sanjeev Anand (Group MD Retail and Commercial Banking), Chidi Okpala (Group MD Fintech), Mike Christelis (Group MD Treasury and Markets), Arina McDonald (CFO), Kenroy Dowers (Group MD Strategic Investments) and myself as Group General Counsel.

Maintaining an active and constructive dialogue with our shareholders remains crucial to our success. We continue to listen carefully to the feedback provided by our investors. Rachel Robbins, our Senior Independent Non-Executive Director, also continues to engage with our shareholders. I invite all shareholders to attend our next Annual General Meeting ('AGM'), which will be held in New York City at 375 Park Avenue (21st floor), New York, NY, 10152 on 31 May 2017.

We are pleased with the Board's activities to date and the progress being made on compliance with the key principles of the Code. We will continue to review developments in corporate governance and apply them, as appropriate, to Atlas Mara.

Beatrice Hamza Bassey
Group General Counsel

Board of Directors

Combining the best of global institutional knowledge, with extensive local insights and experience.

1.

Robert E. (Bob) Diamond, Jr.[1]
Chairman and Co-Founder
Age 65

Date appointed to Board
3 December 2013

Tenure on Board
3 years 4 months

Committee memberships
R

Independent
No

Relevant skills and experience
Founder and CEO of Atlas Merchant Capital LLC and Founder of Atlas Mara.

Over 30 years of global banking experience.

Extensive knowledge of banking regulatory frameworks and relationships with regulators in the US, the UK, Europe, Asia and Africa.

Deep experience growing and integrating banks in Africa.

Extensive risk management expertise.

External appointments
Founder and CEO of Atlas Merchant Capital LLC.

Director at Diamond Family Foundation.

Life Member of Council on Foreign Relations.

Member of Yale School of Management, Council of Global Advisors

Trustee of Board of Colby College.

Past roles
Chief Executive Officer of Barclays PLC.

President of Barclays and Chief Executive of Corporate & Investment Banking and Wealth Management.

Trustee at Mayor's Fund for London.

2.

Ashish J. Thakkar
Co-Founder and Director
Non-Executive Director
Age 35

Date appointed to Board
3 December 2013

Tenure on Board
3 years 4 months

Committee memberships
N

Independent
No

Relevant skills and experience
Founder of Mara Group, Mara Foundation and Atlas Mara.

20 years of experience in Africa across multiple sectors, including technology, real estate, manufacturing, infrastructure, and finance.

Extensive local knowledge of African business and geopolitical landscapes.

Advisor to certain African Heads of State; broad and significant relationships with African governments and leading executives.

External appointments
Chairman of United Nations Foundation's Global Entrepreneurship Council.

World Economic Forum's Young Global Leader. Sits on the World Economic Forum's Global Agenda Council on Africa.

Current directorships: MG Investments Assets Limited; Mara Partners FS Limited; Atlas Mara Limited, Raps Middle East LLC; Mara Investment Partners Limited; MIC Investment Management Limited; Mara Sokoni Holdings Limited; and the Museum of African Art Inc.

Past roles
Previous directorships: Azure Holdings Limited, Mara Africa Special Opportunities SPC Limited, Mara Agriculture Holdings Limited, Mara Agriculture EA Holdings Limited, Mara Capital Partners Limited, Mara Financial Institution Holdings Limited, Mara Ison Technologies Holdings Limited, MF Holdings Group Limited, MF Ventures Holdings Limited, Riley Packaging Limited, Red Line International, Mara JS Investment Holding Limited, Mara JS Ethanol Holdings Limited, Mara JS Ethanol East African Limited, Mara JS Sugar Holdings Limited, Mara JS Sugar West Africa Limited, Mara Social Media Limited, Mara Investment Corporation SPC Limited, and Mara Partners (Cayman) Limited.

Committee membership key:
A&R Audit and Risk Committee
N Nomination Committee
R Remuneration Committee

Note:
1. Robert E. Diamond, Jr was appointed to serve as Interim Chair, effective 1 December 2016. John F. Vitalo stepped down as the Company's CEO and from the Board, effective 15 February 2017.

3.

Rachel F. Robbins
Senior Independent
Non-Executive Director
Age 66

Date appointed to Board
3 December 2013

Tenure on Board
3 years 4 months

Committee memberships
A&R, N

Independent
Yes

Relevant skills and experience
Three decades of global financial services institution experience as general counsel at the NYSE and JP Morgan and economic development experience at the International Finance Corporation ('IFC').

Extensive experience in corporate governance and compliance.

Well versed in international banking and emerging markets, including sub-Saharan Africa.

External appointments
Trustee at New York University School of Law.

Member of the Council on Foreign Relations.

Non-Executive Director at FINCA Microfinance Holdings LLC (until February 2016).

Past roles
Vice President and General Counsel of the IFC.

Executive Vice President, General Counsel, and Secretary of the New York Stock Exchange and NYSE Euronext.

Managing Director, General Counsel and Secretary, JP Morgan & Co.

Managing Director and General Counsel, Citigroup International.

4.

Tonye Cole
Independent Non-Executive Director,
Chair of Nomination Committee
Age 50

Date appointed to Board
3 December 2013

Tenure on Board
3 years 4 months

Committee memberships
N, R

Independent
Yes

Relevant skills and experience
Co-founder and Group Executive Director of Sahara Group.

Extensive management experience across Africa.

Deep knowledge base of commodities sector, especially energy.

Broad relationships with key stakeholders across Africa.

External appointments
Non-Executive Directorships at 40 entities operating within the Sahara Group.

Non-Executive Directorships at Servant Leaders Foundation, Digital Jewels Ltd, Nehemiah Youth Empowerment Initiative, VolunteerCorps Ltd, Excel Charity Foundation, 234 Give Nigeria, and Enactus Nigeria.

Past roles
Not applicable.

5.

Eduardo C. Mondlane, Jr.
Independent Non-Executive Director,
Chair of Remuneration Committee
Age 59

Date appointed to Board
21 January 2015

Tenure on Board
2 years 3 months

Committee memberships
A&R, R

Independent
Yes

Relevant skills and experience
30 years of commercial experience in Southern Africa across numerous sectors, including energy, infrastructure, aerospace and banking.

Significant experience serving in governance roles in financial services in the Southern Africa region.

Exceptionally well-developed knowledge base of operating in Lusophone Africa.

External appointments
Non-Executive Directorships at Project Materials Moçambique, Logistique Lda, Ilha Quilalea Lda and Tutudesk Company.

Senior Strategic Advisor at Anadarko Petroleum Corporation in Mozambique.

Partner and Chairman of the General Assembly at The Atria Group in Mozambique.

Past roles
Non-Executive Directorships at ABSA Group and ABSA Bank Limited (Barclays Africa Group), ABSA Financial Services, Barclays Bank Mozambique and Banco Commercial Angolano SA.

Managing Director at Shand Moçambique Lda, Pick n Pay Supermarket Group (Mozambique) and Sabacor UK Limited.

6.

Funke Opeke[1]
Independent
Non-Executive Director
Age 55

Date appointed to Board
21 January 2015

Tenure on Board
2 years 3 months

Committee memberships
N, A&R

Independent
Yes

Relevant skills and experience
Founder and CEO of Main One Cable Company.

Extensive experience in technology and telecommunications in sub-Saharan Africa.

Broad relationships with key stakeholders across West Africa.

External appointments
Non-Executive Directorships at Cameron Hotels Nigeria

Executive Directorships at Main One Cable Company, Main Street Technologies, Main One Service Company, MainData, Main One Cable Company Ghana, Main One Cable Company Nigeria and Main One Cable Company Portugal.

Past roles
Chief Operating Officer, Nitel in Nigeria.

Chief Technology Officer, MTN Nigeria.

Executive Director, Verizon Communications New York.

7.

Amadou Raimi
Independent Non-Executive Director,
Chair of Audit, Risk and Compliance Committee
Age 67

Date appointed to Board
21 January 2015

Tenure on Board
2 years 3 months

Committee memberships
A&R, R

Independent
Yes

Relevant skills and experience
President of Croissance sud Conseils.

Over 35 years of international accounting, audit and risk management experience across multiple sectors and regions including financial services and Africa respectively.

Relationships with key stakeholders in Francophone Africa.

External appointments
Chairman of Cauris Management

Member of the Investment Committee of Yeelen Capital

Non-Executive Directorships at IMS – Entreprendre Pour Member La Cité and I&P Development ('IPDEV').

Past roles
Non-Executive Director at Citizen Capital.

Non-Executive Director at BGFI Benin.

Vice Chairman of the global Deloitte Board.

Chairman of Deloitte France.

Various senior management roles at Deloitte France.

Note:
1. Funke Opeke moved from the Remuneration Committee and was appointed to the Audit, Risk, and Compliance Committee, effective 30 November 2016.

Corporate Governance report

Introduction

The Company places emphasis on a sound corporate governance framework through which our strategic objectives are set. Indeed, although the Company is not required to comply with the UK Corporate Governance Code (2014) (the Code) for as long as it has a standard listing, the Company has regard for the premium listing rules and continues to work towards achieving full compliance with the Code in order to achieve the highest standards of corporate governance. The purpose of the Code is to facilitate effective and prudent management that can contribute to the long-term success of the Company.

A copy of the Code can be found on the FRC's website http://www.frc.org.uk. As highlighted throughout this report, we are firmly committed to attaining the objectives set by the Code.

At the appropriate time, after due consideration of various factors, including the successful execution of the Company's current strategy, the Directors will consider whether the Company should seek to transfer from a standard listing to a premium listing or other appropriate listing venue.

In addition, the Company also applies the corporate governance regime applicable to the Company pursuant to the laws of the British Virgin Islands ('BVI'). The corporate governance standards outlined in the BVI Business Companies Act 2004 have been incorporated into the Company's memorandum of articles and association. The Board has also voluntarily adopted a share dealing code which incorporates the Model Code for Directors' Dealings contained in the Listing Rules of the UK Listing Authority. The Board is responsible for taking all proper and reasonable steps to ensure compliance with the Model Code by the Directors.

Compliance with the Code

Although Atlas Mara is a standard listed company on the London Stock Exchange, we have regard for the premium listing rules and continue to work towards achieving full compliance with the UK Corporate Governance Code's guidelines as a principal focus.

The table below sets out the areas of compliance as at 31 December 2016.

Application of the Main Principles of the Code

Set out below is the Board's assessment of the Company's application of the Main Principles of the Code:

Section of the Code	How we comply
A. Leadership	
A1. The role of the Board	– The Board recognises its responsibility for the long-term success of the Company. The Board provides an effective and independent oversight of the Company's business for the benefit of all stakeholders. – The Board also delegates certain responsibilities to its Committees to assist in discharging its functions. During 2016, the Board held a strategy session during which it reaffirmed its vision, values and mission to ensure that strategic goals of the Company create sustainable shareholder value. – The Board met regularly to discharge its duties effectively. The Board meets at least once a month, and in-person every quarter. In 2016, the Board and Committees held an aggregate of 31 meetings that were well-attended by the Directors. The discussions were robust and supported by the management team. – As recommended by the Code, the Company arranged for insurance coverage for the Directors.
A2. Division of responsibilities	– The division of responsibilities between the Chairman and the Chief Executive Officer are clearly established and defined. – The Board delegates the operational management of the Group's business to the CEO.
A3. The Chairman	– The Chairman sets the agenda for meetings and manages the calendar and timetable of meetings, leveraging the assistance of the Company Secretary. – The Chairman facilitates open and constructive dialogue during the meetings, actively inviting the views of the Non-Executive Directors. – In 2016, the Chairman and the Senior Independent Non-Executive Director met with major shareholders of the Company to promote effective dialogue with the shareholders. – The roles of the Chairman and the Chief Executive Officer are not exercised by the same individual.
A4. Non-Executive Directors	– In 2016, the Chairman held meetings with the Non-Executive Directors without the Executive Director present, to discuss a number of matters including performance and remuneration. – The Senior Independent Director and the Independent Directors constructively and rigorously challenge management on matters important to all stakeholders. – In light of changes in the Board chairmanship in 2016, the Senior Independent Director did not meet with the other Non-Executive Directors to appraise the Chairman's performance, however such a practice will resume following appointment of a permanent Board Chair.

Section of the Code	How we comply
B. Effectiveness	
B1. The composition of the Board	– During 2016, the Board was composed of nine Directors (eight after Arnold Ekpe stepped down in December 2016) and was thus sufficiently sized to meet the requirements of the Company. Further details on the Directors and recent changes to the Board's composition are available on pages 42–44. – Directors are sufficiently independent to carry out the Board's activities effectively. Six of the nine Directors on the Board are independent. – The Directors have the requisite background, knowledge and skills to provide effective oversight and challenge the senior management team. Details on the background of the Board are disclosed on pages 42–44.
B2. Appointments to the Board	– With respect to the ongoing process for appointing a new Board Chair to replace Arnold Ekpe following his departure in December 2016, the Nomination Committee is taking into account a variety of factors including the skills and experience needed to enhance diversity on the Board. Individuals with sub-Saharan African, financial services and/or public company experience are specifically targeted. External recruitment consultants have been engaged to assist in the search and each candidate will be interviewed by the Non-Executive Directors and relevant members of the Executive Committee prior to appointment. – Further details of the work of the Nomination Committee and the approach to appointing Directors are disclosed on page 55.
B3. Commitment	– On appointment, Directors are notified of the time commitment expected from them. External directorships, which may impact on the existing time commitments of the Executive Directors, must be agreed with the Chairman. – The Directors allocate sufficient time to the Company to discharge their duties effectively. Meeting attendance by the Directors has been high for all meetings held in 2016, as further detailed on page 51. – External appointments held by the Chairman and all the Directors on the Board are disclosed on pages 42–44.
B4. Development	– There were no new Directors appointed to the Board in 2016, however it is the practice of the Board to ensure new appointees attend a full-day induction session to gain a good understanding of the business. – In 2016, the Directors attended a Board training session which covered a variety of topics including: updates on changes in IFRS accounting standards, and recent changes in UK listing and corporate governance rules.
B5. Information and support	– Directors have access to independent professional advice to discharge their responsibilities as and when required, and did in fact seek such independent advice at various times during 2016. – The Company's General Counsel serves as Company Secretary and is readily available to advise the Board and ensure that the Board is compliant with applicable corporate governance rules.
B6. Evaluation	– The Board conducts a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors after every full year of operation. – The Board has appointed Independent Audit Limited to conduct an externally facilitated review of the Board's effectiveness, which is expected to take place in April 2017.
B7. Re-election of the Directors	– At the second AGM held by the Company in June 2016, the Directors were submitted for re-election by the shareholders. – All Directors were re-appointed at the 2016 AGM, and are subject to re-election at the 2017 AGM

Section of the Code	How we comply
C. Accountability	
C1. Financial and business reporting	– The Board reports its financial statements on a quarterly basis. – A statement from the Directors on their assessment of the Annual Report and Accounts of the Company is set out in the Directors' Report on page 86. – Details on the Company's business model and how it generates value over the long term are provided on pages 12–13. – A statement from the Directors on the going concern of the Company is set out in the Directors' Report on page 86.
C2. Risk management and internal control	– The Audit, Risk, and Compliance Committee considers updates on the Company's internal control systems at every meeting. – The Board receives reports from the Chief Risk Officer on a regular basis, which are used to effectively assess the Company's risk management and internal controls systems, including financial and operational controls. – The Corporate Governance Report provides additional details on the risk management and internal controls matters considered by the Directors in 2016, and a detailed Risk Report is set on page 58.
C3. Audit Committee and Auditors	– All members of the Audit, Risk and Compliance Committee are Independent Non-Executive Directors. – The Audit, Risk and Compliance Committee regularly monitors and reviews the activities of the Company as well as its internal controls, work by its Internal Audit as well as external auditors. The Chairman of the Audit Committee provides updates to the Board following every Audit Committee. – The Committee receives regular reports from the Company's Head of Internal Audit, which facilitates effective oversight of internal audit activities. – The main role and responsibilities of the Audit and Risk Committee are set out in the Committee's terms of reference. A summary of these are provided on page 50. – Further details on the work of the Audit and Risk Committee undertaken in 2016 are provided in the Committee Chairman's Report on page 56.
D. Remuneration	
D1. Levels and elements of remuneration	– During 2016, the Remuneration Committee provided oversight in the application of the Company's remuneration policy to ensure continued alignment with long-term shareholder interests, by determining the appropriate balance between immediate and deferred remuneration for senior management of the Company. – Remuneration of Non-Executive Directors is comprised of fees paid in cash and ordinary shares in the Company. – Tonye Cole, Rachel Robbins, and Arnold Ekpe, previously held share options that were granted at the time of their appointment to the Board in 2013. In 2016, the Board voted to cancel the share options and the relevant Directors have been issued ordinary shares in the Company in lieu of their cancelled options. – Details of the work of the Remuneration Committee and the approach to setting the remuneration policy can be found in the Directors' Remuneration Report on page 75.
D2. Development of remuneration policy and packages	– Four out of the five members of the Remuneration Committee are Independent Non-Executive Directors. – The CEO does not participate in Board discussions on his remuneration. The Remuneration Committee and the Board meet in an executive session when determining the compensation of the CEO. Details of the work of the Remuneration Committee and the approach to setting the remuneration policy can be found in the Directors' Remuneration Report on page 75.

Section of the Code	How we comply
E. Relations with shareholders	
E1. Shareholder engagement and dialogue	– During 2016, the Chairman of the Board and the Senior Independent Non-Executive Director met with some of the major shareholders of the Company to interact on various topics on the minds of the shareholders. Feedback from the sessions was shared with the Board and implemented in some of the Company's strategic decisions. – The Board regularly requests reports from management to ensure that the Non-Executive Directors have an understanding of the views of major shareholders and senior management regularly provide updates to the Board to ensure awareness of the issues and concerns of major shareholders. – The Company's Head of Investor Relations, John-Paul Crutchley, led the Company's engagement with shareholders in 2016. The Board leverages the Investor Relations Department to keep abreast of shareholder feedback.
E2. Constructive use of the AGM	– The Chairman of the Board and the Chairmen of the Committees were available to answer questions at the 2016 AGM. They will similarly be available to interact with shareholders and answer questions during the 2017 AGM scheduled for 31 May 2017.

Leadership

Overview of governance structure

The Board of Directors oversees the business of Atlas Mara on behalf of the Company's shareholders. The Board is accountable for the long-term success of the Company and delivery of sustainable value to shareholders. The Board provides leadership of the Company within a framework of prudent and effective controls to appropriately assess and manage risks. The Board has delegated certain responsibilities to Board Committees to assist it with discharging its duties. Additionally, the implementation of matters approved by the Board and oversight of the day-to-day operations of the Company is delegated to the Atlas Mara Executive Committee ('EXCO'), which consists of senior management selected by the CEO with counsel from the Board.

Role of the Board

Specifically, the Board:
- oversees the corporate governance activities of the Company;
- reviews the strategy and risk appetite for the Company;
- approves capital and operating plans presented by management for the achievement of the strategic objectives it has set;
- selects and evaluates the CEO; the Board also approves selected senior hires;
- approves the remuneration of the CEO and EXCO members, as well as the remuneration of the Board;
- is responsible for the Company's preparedness to respond in the event of a crisis;
- reviews compliance with the Code and any other corporate governance code the Board considers appropriate from time to time and the disclosures on corporate governance made in the Annual Report and Accounts; and
- reviews annually the Board's terms of reference and its own effectiveness.

The Board is also responsible for ensuring compliance with the general secretarial functions required under the BVI Companies Act and for compliance with the Company's continuing obligations as a company listed on the Official List and trading on the main market of the London Stock Exchange. The Company's company secretarial functions are performed and managed by the General Counsel.

Matters reserved for the Board

The Board maintains and periodically reviews a formal schedule of matters that are reserved to, and can only be approved by, the Board. The full schedule is available on the Atlas Mara website at http://atlasmara.com.

This schedule covers areas including, inter alia:
- the overall direction and approval of the Group's strategy;
- changes relating to the Group's capital or corporate structures;
- major investments, acquisitions and divestments;
- risk appetite and oversight of risk and internal control;
- approval of contracts, loans, repayments, borrowings, acquisitions and disposals greater than the thresholds established in the Company's related Schedule of Authorisations; and
- authorising conflicts of interest where permitted by the Company's Articles of Association.

The matters that have not been expressly reserved to the Board are delegated by the Board to its Committees, as set out in their terms of reference, or to the CEO. The CEO is responsible to the Board for the management, development and performance of Atlas Mara and those matters for which he has been delegated authority from the Board.

Composition of the Board

As at 30 November 2016, the Board comprised of nine members: the Chairman, one Executive Director (the CEO), the two Founders, and five Independent Non-Executive Directors. Effective 1 December 2016, Arnold Ekpe stepped down from the Board. Further details on the Board of Directors and its composition are set out on pages 42–44.

Meetings of the Board

The Board holds regularly scheduled meetings every month with in-person meetings scheduled each quarter. However, during the year, special meetings were held in between scheduled meetings as often as necessary in order to enable the Board to fulfil its role or to consider and approve corporate activity of the Company. The Directors allocated sufficient time to the Company to perform their responsibilities effectively which includes time to prepare for Board meetings and review information packs circulated to the Board ahead of each meeting. During 2016, the Board and its Committees held 31 meetings in the aggregate. Board and Board Committee meetings are conducted in accordance with the articles of association of the Company.

The Board information packs include standing reports provided by the CEO, the CFO, the General Counsel and Chief Compliance Officer, and the Chief Risk Officer. The reports generally cover financial information, strategic initiatives of the Company, various key performance indicators, risk management and compliance related information and updates issues, as agreed and prepared by the EXCO. The EXCO makes available ad hoc information at the Board's request in a timely manner.

In the few instances where Directors are unable to attend meetings due to conflicts in their schedule, they receive papers in the normal manner and have the opportunity to relay their comments in advance of the meeting, as well as follow up with the Chairman if necessary. The same process applies in respect of the various Board Committees.

The tables on page 51 set out the attendance by Directors at Board and Committee meetings during that period.

Committees of the Board

The Board has delegated authority to its Committee to undertake various tasks on its behalf and to ensure compliance with regulatory requirements. This enables the Board to operate efficiently. In March 2016, the Board approved revisions to all Board Committee terms of reference to further promote best practice in corporate governance. A summary of the terms of reference for each Committee is set out below, including key changes made to the terms of reference in 2016. The full terms of reference are available on our website http://atlasmara.com

Committee	Role and terms of reference	Key revisions to the terms of reference made in 2016	Membership required under terms of reference	Minimum meetings per year	Committee Report on pages
Nomination	Leads the process for Board appointments and ensures that the Board and its Committees have an appropriate balance of skills, experience, availability, independence and knowledge of the Company to enable them to discharge their responsibilities effectively.	Further align the Committee's duties in setting and reviewing the nomination policy with the provisions of the Code and the views of shareholders and other stakeholders.	At least three members, the majority of whom shall be Independent Non-Executive Directors.	At least twice per year.	55
Audit, Risk and Compliance	Reviews and reports to the Board on the Group's financial reporting, internal controls and risk management systems, the Company's compliance with legal and regulatory requirements, internal audit and the independence and effectiveness of the external auditors.	Strengthen the Committee's oversight over compliance matters and allow for more detailed direction around budgetary and administrative affairs, finance and operations. The Committee was renamed from Audit and Risk to Audit, Risk and Compliance.	During 2016, the Board approved a revision to the membership requirements of the Committee. Previously, a minimum of three members were required, with at least two Independents. Following revisions to the Committee terms of reference, all members of the Committee are required to be Independent Non-Executive Directors. The Chairman of the Board may be a member of the Committee, provided he or she was independent on appointment as Chairman. The Chairman of the Board shall not chair the Committee.	At least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.	56
Remuneration	Advises the Board on developing an overall remuneration policy that is aligned with the business strategy and objectives, risk appetite, values and long-term interests of the Company, recognising the interests of all stakeholders.	Strengthen the Committee's role in developing the remuneration policy as it relates to senior management and oversight over the Company's human resource policies.	A minimum of three members and at least two of such members shall be Independent Non-Executive Directors.	At least twice per year.	75–85

Board and Committee meetings

The attendance of Directors at Board and Committee meetings during 2016 is set out below.

Board meeting attendance		
Arnold Ekpe[1]	⊗⊗●●●●●●●●●●●○○	11 (13)
Robert E. Diamond, Jr.	●●●●●●●●●●●●●●●	15 (15)
Ashish J. Thakkar	●●●●●●●●●●●●●●●	15 (15)
Rachel F. Robbins	●●●●●●●●●●●●●●●	15 (15)
Tonye Cole	●●●●●●●●●○○○○○○	9 (15)
John F. Vitalo	●●●●●●●●●●●●●●●	15 (15)
Funke Opeke	●●●●●●●●●●●●●●○	14 (15)
Amadou Raimi	●●●●●●●●●●●●○○○	12 (15)
Eduardo C. Mondlane, Jr.	●●●●●●●●●●●●●●○	14 (15)

● In attendance ○ Absent ⊗ N/A

Note:

1. Arnold Ekpe stepped down from the Board following the end of his tenure, effective 1 December 2016.

Audit, Risk and Compliance Committee meeting attendance[1]		
Amadou Raimi	●●●●●○	5 (6)
Arnold Ekpe	●●●●●○	5 (6)
Rachel F. Robbins	●●●●●●	6 (6)
Eduardo C. Mondlane, Jr.	●●●●●○	5 (6)

● In attendance ○ Absent ⊗ N/A

Note:

1. Funke Opeke moved from the Remuneration Committee and was appointed to the Audit, Risk and Compliance Committee, effective 30 November. There were no Audit, Risk and Compliance Committee meetings held in December 2016.

Remuneration Committee meeting attendance		
Eduardo C. Mondlane, Jr.	●●●●●●○	6 (7)
Arnold Ekpe	⊗●●●●●●	6 (6)
Funke Opeke[1]	⊗●●●●●●	6 (6)
Amadou Raimi	●●●●●●○	6 (7)
Tonye Cole	●●●●●●○	6 (7)
Robert E. Diamond, Jr.	●●●●●●○	6 (7)

● In attendance ○ Absent ⊗ N/A

Note:

1. Funke Opeke moved from the Remuneration Committee and was appointed to the Audit and Risk Committee, effective 30 November 2016.

Nomination Committee meeting attendance		
Tonye Cole	●●●●	4 (4)
Arnold Ekpe	●●●●	4 (4)
Rachel F. Robbins	●●●●	4 (4)
Ashish J. Thakkar	●●●○	3 (4)
Funke Opeke	●●●●	4 (4)

● In attendance ○ Absent ⊗ N/A

What the Board focused its time on in 2016

Strategy

- Reviewed and discussed the strategic direction of the Company to ensure sustainability, growth, and creation of long-term value for shareholders.
- Considered and approved a growth strategy for the Company's Digital business.
- Considered and approved a business plan for Global Markets and Treasury.
- Considered and approved strategic initiatives aimed at enhancing operational performance at the subsidiaries.
- Reviewed proposals to enhance the Company's target operating model to accelerate integration and create efficiencies in the corporate organisational structure.
- Enforced strategic discipline in assessing management proposals with a key focus on promoting sustainable growth.
- Considered and approved strategic financing initiatives including funding from development financing institutions.
- Considered and approved a proposal to renew the share buyback programme.
- Monitored execution of the Company's strategy.
- Discussed regulatory engagement and interactions and considered and approved a proposal to obtain a regulatory license for the Company's Global Markets and Treasury business.

Performance

- Reviewed and approved a budget aimed at driving performance of the Company.
- Assessed and monitored the financial performance of the Company and its operating subsidiaries.
- Received and reviewed regular updates on the operating environment and key drivers of the Company's performance.
- Assessed and approved the Company's consolidated results released every quarter.
- Considered and approved the 2017 annual budget of the Company and its operating subsidiaries and ensured alignment with strategic objectives of the Company.
- Assessed the liquidity and solvency of the Company.
- Considered and approved capital injections into subsidiaries where needed.
- Considered and approved cost control and growth initiatives to drive financial performance of the Company.

Corporate development and Digital initiatives

- Assessed potential acquisitions and weighed them against strategic aims of the Company and associated transactional risks.
- Regularly received and reviewed transactions documents and reports to assess potential acquisitions in countries of strategic interest.
- Assessed and monitored the integration process for mergers in Rwanda and Zambia.
- Assessed and approved a variety of Digital initiatives aimed at driving revenue growth.

Risk and governance

- Provided oversight and advice on the Company's risk strategy and effectiveness of the overall risk management framework.
- Reviewed and received monthly reports from the Group Chief Risk Officer and monitored the Company's risk exposures.
- Considered and discussed proposals to enhance internal controls and risk management systems.
- Reviewed and monitored effectiveness of the Company's compliance policies and procedures.
- Considered and approved revisions to the Board Committee terms of reference to further align with best practice in corporate governance.
- Considered and approved a gifts and hospitality policy and a charitable donations policy aimed at ensuring best practice in receiving and giving of gifts and charitable contributions.
- Received and reviewed monthly updates from the General Counsel on legal, compliance and governance matters across the Group.

Shareholders and investors

- Engaged with shareholders at the 2016 AGM.
- Engaged with shareholders directly to receive feedback on the Company's operations.
- Discussed shareholders' views and concerns on a regular basis.
- Reviewed regular updates on investor roadshows held in the UK, the US, the Middle East and South Africa.
- Discussed share price performance and investor feedback.

People, culture and values

- Reflected upon and refined the Company's mission, vision and values.
- Discussed integration and culture and recommended approaches to building a single culture across the Group.
- Considered and reviewed compensation structures of senior management to ensure alignment with long-term interests of the Company.
- Considered and approved revised compensation packages for members of the Executive Committee.
- Provided oversight over the Company's human resource policies and received regular updates on staff recruitment and performance.

Effectiveness

Independence

The Board considers each of the Independent Non-Executive Directors and the Chairman (on appointment, as recommended by the Code) to be independent in character and judgement and free from relationships or circumstances which are likely to affect or could appear to affect, their judgement. Arnold Ekpe, Rachel F. Robbins and Tonye Cole, entered into option deeds at the time of the IPO in 2013. The Board voted to cancel the options and grant the relevant Directors ordinary shares in the Company in lieu of the cancelled options. Such steps were to ensure full alignment with shareholder views on the independence of the Directors. Mr Diamond and Mr Thakkar are affiliates of AFS Partners LLC and Mara Partners FS Limited (the 'Founding Entities') that hold the Founder Preferred Shares issued by the Company and are therefore not considered to be independent Directors.

During 2016, the Board, following recommendation from the Nomination Committee voted to recommend Robert E. Diamond, Jr. to serve as Interim Chair, following the departure of Arnold Ekpe in December 2016. The Committee gave full consideration to the suitability of each current member of the Board in selecting the Interim Chair, taking into account a variety of factors including availability and level of existing commitments resulting from external appointments and current Committee Chair duties. The Nomination Committee and Board continue to evaluate a potential pool of candidates to serve as the permanent Board Chair.

As at 31 December 2016, the Board consisted of the Chairman, one Executive Director, five Independent Non-Executive Directors and two Non-Executive Directors who are not considered independent by virtue of their role in founding the Company, thus the Board complies with the recommendation of the Code that at least half of the Directors be Independent Non-Executive Directors.

Board evaluation and effectiveness

The Board has appointed Independent Audit Limited as an external facilitator to conduct a Board assessment process to measure the Board's effectiveness. The evaluation will take place in April 2017.

In November 2016, the Board participated in a training session that contributed to the professional development of the Directors. The training session covered the following topics:
- updates to UK listing and corporate governance requirements including recent changes to applicable market abuse regulation; and
- updates to accounting standards and their impact on the Company's operations.

Director election

The Code recommends that all Directors should be submitted for re-election by the shareholders at the first AGM after their appointment, and thereafter at intervals of no more than three years. At the Company's second AGM held in June 2016, each of the nine Directors were subject to re-election by the shareholders and all were approved for re-election by the shareholders.

Accountability

Risk management

The Board recognises its responsibility with respect to risk management with a particular focus on determining the nature and extent of significant risks it is willing to take in achieving its strategic objectives – our risk appetite. The Audit, Risk and Compliance Committee takes responsibility for overseeing the effectiveness of sound risk management. The Board is very clear that risks and uncertainties are a necessary facet of the businesses in which we operate. Within this context, the Board trusts and empowers the Company's management and employees to manage risks, providing a framework designed to provide reasonable, but not absolute, assurance that our resources are safeguarded and that the risks and uncertainties facing the business are being properly assessed, managed and mitigated. The Company's Chief Risk Officer led the Company's efforts to strengthen its ability to institute effective risk and control processes and continues to support the Board in its ongoing assessment of the Company's risk management systems.

Internal controls

The Board acknowledges its responsibility for establishing and maintaining the Group's system of internal controls. The Board receives regular reports from management identifying, evaluating and managing the risks within the business. The system of internal controls is designed to manage, as opposed to eliminate, the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material losses or misstatements. The Audit, Risk and Compliance Committee reviews the system of internal controls by way of reports from the Chief Risk Officer, the General Counsel, as well as internal and external auditors.

During 2016, the Company's management continued efforts to strengthen internal controls and ensure a sound internal controls environment is established and adhered to by all the Company's subsidiaries. The Audit, Risk and Compliance Committee provided close monitoring and review of progress being undertaken by Management to improve internal controls. Management will continue to strive to ensure key issues are brought to the attention of the Committee and the Board.

The Board and the Audit, Risk and Compliance Committee have carried out a review of the effectiveness of the system of internal controls during the year ended 31 December 2016 and for the period up to the date of approval of the consolidated financial statements contained in the Annual Report. The review covered all material controls, including financial, operational and compliance controls, and risk management systems. The Board confirms that the actions it considers necessary have been, or are being, taken to remedy any significant weaknesses identified from its review of the system of internal control. This has involved considering the matters reported to it and developing plans and programmes that it considers are reasonable in the circumstances. The Board also confirms that it has not been advised of material weaknesses in the part of the internal control system that relates to financial reporting.

Relations with shareholders

The Board believes it is important to communicate with its shareholders to ensure that its strategy, business model and performance are clearly understood and that it remains accountable to shareholders.

Responsibility for maintaining regular communications with shareholders rests with the CFO and other members of the Executive team, as appropriate. Additionally, Atlas Mara has made available the Chairman of the Board and the Senior Non-Executive Director to investors reflecting our desire to promote shareholder access to the Company.

The Company sets itself the target of providing information that is timely, clear and concise. We have a programme of communication with shareholders based on our financial reporting calendar, including the Interim and Annual Report, AGM and the Investor Relations section of the corporate website at http://atlasmara.com.

Investor activity during the last financial year included:

- earnings calls for investors, analysts and stakeholders in conjunction with key financial announcements;
- attendance at various investment bank-sponsored institutional investor conferences;
- investor 'roadshows' held in the UK, the US, the Middle East and South Africa; and
- briefings and ad hoc meetings on request, where calendar and regulatory requirements allow.

To further support engagement with our shareholders, we actively engaged with sell-side research analysts who provide their recommendations to the market. During 2016, two sell-side analysts maintained coverage on Atlas Mara.

Nomination Committee report

Tonye Cole
Chairman of the Nomination Committee

Dear Shareholders

As Chairman of the Nomination Committee, it is my pleasure to present the Directors' Nomination Committee report for 2016.

Membership of the Nomination Committee

The members of the Committee include myself, Tonye Cole, as Chairman of the Committee, Rachel F. Robbins, Ashish J. Thakkar, Funke Opeke and Arnold Ekpe, who stepped down from the Committee at the end of his tenure in December 2016. In accordance with the Code, which recommends that a majority of the members of the Nomination Committee be Independent Non-Executive Directors, three of the four remaining Committee members are Independent Non-Executive Directors. By invitation, the meetings of the Nomination Committee are also attended by the CEO, the General Counsel and other members of the Executive Committee as deemed appropriate.

Role of the Nomination Committee

In March 2016, the Board approved the revision of the Committee terms of reference to further align the Committee's duties with best practice in corporate governance. The Committee is responsible for leading the process for Board appointments and ensures that the Board and its Committees have an appropriate balance of skills, experience, availability, independence and knowledge of the Company to enable them to discharge their respective responsibilities effectively. The Nomination Committee also reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any proposed changes. It is also responsible for ensuring that the Board appointment procedure is transparent, based on objective criteria, and gives due consideration to diversity. The full written terms of reference of the Committee covering the authority delegated to it by the Board are available on the Company's website: www.atlasmara.com.

Main activities of the Nomination Committee during 2016

The Committee's main focus in 2016 has been to discuss and give full consideration to succession planning for the position of Chairman of the Board, taking into account all relevant legal, regulatory and corporate governance requirements. During 2016, we initiated the process for appointment of a Board Chair, and voted to recommend Robert E. Diamond, Jr. to serve as Interim Chair, following the departure of Arnold Ekpe in December 2016. The Committee gave full consideration to the suitability of each current member of the Board in selecting the Interim Chair, taking into account a variety of factors including availability and level of existing commitments resulting from external appointments and current Committee Chair duties.

The process for appointment of a new Board Chair is on course. Similar to the process used for the appointment of Funke Opeke, Amadou Raimi and Eduardo C. Mondlane, Jr. in January 2015, we have engaged Spencer Stuart, to assist in the search to identify potential nominees. We expect to make an announcement regarding a new Chair in due course.

Appointment of Directors

In carrying out its duties for the appointment of Directors to the Board, the Committee begins with a full evaluation of the current structure and composition of the Board, including an assessment of the balance of skills and experience brought by current Board members. The Committee uses the results of the evaluation to prepare a job specification, describing the specific role and capabilities required for a particular appointment. In accordance with our commitment to diversity, the Committee ensures that potential candidates come from a wide range of backgrounds. Due regard is given to a candidate's potential to bring the diversity of skills and experience needed to enhance the Board's effectiveness. Individuals with expertise relevant to the Company's operations are specifically targeted, including those with sub-Saharan African, financial services and/or public company experience. As part of the recruitment process, the individuals each meet with current members of the Board, and relevant members of the Executive Committee.

Diversity

Atlas Mara is committed to ensuring appropriate diversity is achieved across the Company and gives full consideration to the recommendations of the Lord Davies' Review (Women on Boards, February 2011). We believe that Atlas Mara's Board and senior executive management should broadly reflect the gender and ethnicity of the customers we serve to facilitate exchange of diverse perspectives. We currently have 29% women on the Board and 33% women on the Executive Committee. The priority of the Committee has been and will continue to be ensuring that members of the Board collectively possess the range of skills, expertise, and geographic and industry-related knowledge and experience needed to provide effective oversight of the Group. While a formal diversity policy for the Company is yet to be adopted, this remains a key objective for 2017.

In summary, I am pleased with the Committee's activities this year and look forward to working with my fellow Committee members to continue to strive for transparency, objectivity and effectiveness in the nominations process.

I will be available at the AGM to answer any questions on the work of the Committee.

On behalf of the Board

Tonye Cole
Chairman of the Nomination Committee

Audit, Risk and Compliance Committee report

Amadou Raimi
Chairman of the Audit, Risk and Compliance Committee

Dear Shareholders

It is my pleasure as Chairman of the Audit, Risk and Compliance Committee to present our third report. I have continued to enjoy working with my fellow colleagues on the Committee and providing updates and insights to our stakeholders on our work.

Membership of the Audit, Risk and Compliance Committee

The members of the Committee include Arnold Ekpe, the Chairman of the Board, Rachel Robbins, Eduardo Mondlane, Jr. and myself. On his retirement as Chairman of the Board on 1 December 2016, Arnold Ekpe stood down as a member of the Audit and Risk Committee and he was replaced by Funke Opeke on the same date.

Although Atlas Mara is a standard listed company on the London Stock Exchange, we have regard for the premium listing rules and follow the UK Corporate Governance code's guidelines as a principal focus.

Audit, Risk and Compliance Committee meeting attendance[1]

Amadou Raimi	●●●●●○	5(6)
Arnold Ekpe	●●●●●○	5(6)
Rachel F. Robbins	●●●●●●	6(6)
Eduardo C. Mondlane, Jr.	●●●●●○	5 (6)

● In attendance ○ Absent ⊗ N/A

Note:

1. Funke Opeke moved from the Remuneration Committee and was appointed to the Audit, Risk and Compliance Committee effective 30 November. There was no Audit, Risk and Compliance meeting held in December 2016.

The Code recommends that the Audit, Risk and Compliance Committee should comprise at least three members, all of whom should be independent Non-Executive Directors with at least one member having recent and relevant financial experience. I am satisfied that all members of this Committee have extensive experience in financial services and/or multi-country operations in Africa.

The Committee met six times during 2016. I am pleased to confirm outstanding attendance and participation at all these meetings, fully utilising the extensive relevant experience available, to the benefit of the Atlas Mara Group. The Committee expects to keep the same momentum for the fiscal year 2017.

I am further pleased to confirm the invitations to meetings of the Committee have been extended to, with full attendance by, the CEO, CFO, Chief Risk Officer, General Counsel, Head of Internal Audit, and various other senior members of the Finance or Executive team, as appropriate. The KPMG Inc South Africa ('KPMG') audit engagement partner and team were also invited to attend the four meetings where financial performance and disclosure to the market, in particular, were discussed, to ensure full communication on matters relating to the audit and review engagements in place.

Attendance at the Audit, Risk and Compliance Committee meetings for 2016 is as shown in the table left. In addition to the above, regular productive meetings were held with the internal and external auditors during 2016, ensuring regular communication at all levels with these important stakeholders.

Role of the Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee provides oversight and review of financial reporting and financial statements, ensuring clarity and disclosure. By executing these duties and responsibilities in 2016, assurance is provided to stakeholders of the quality and effectiveness of reporting and controls relating to:

- financial, regulatory and compliance reporting;
- internal control, internal audit and financial crime control;
- risk management and information technology;
- legal, regulatory and compliance requirements; and
- the independence of the external auditors.

The Audit, Risk and Compliance Committee met six times during 2016. The work of the Committee focused on the following matters:

Main activities of the Audit, Risk and Compliance Committee during 2016

Audit matters

- Assessed, reviewed and/or approved the Company's consolidated results released every quarter.
- Considered the use of key accounting and audit judgements in preparing financial results.
- Received regulator updates from the Company's Chief Financial Officer covering the financial performance of the Company, key tax matters, accounting updates and the tax and accounting implications for key transactions.
- Considered feedback on the year-end audit strategy and reviewed the effectiveness of the audit process.
- Received regular reports from the Company's internal auditor and reviewed and approved the internal audit work plan.
- Monitored management's responsiveness to internal audit findings.
- Considered and approved the annual budget of the Company and its operating subsidiaries and ensured alignment with strategic objectives of the Company.
- Monitored the capital adequacy of the Company and its subsidiaries to ensure regulatory compliance.

Risk matters

- Provided oversight and advice on the Company's risk strategy and effectiveness of the overall risk management framework.
- Reviewed and received regular reports from the Chief Risk Officer, internal auditor and monitored the Company's risk exposures.
- Considered and discussed proposals to enhance internal controls and risk management systems.

Compliance matters

- Received regular updates from the General Counsel on compliance matters across the Group covering transaction monitoring, anti-money laundering systems and controls, sanctions screening, investigations, and regulatory compliance.
- Monitored implementation of key projects aimed at improving the Compliance framework.
- Considered and approved a gifts and hospitality policy and a charitable donations policy aimed at ensuring best practice in receiving and giving of gifts and charitable contributions.

The Committee reviewed and agreed proposed changes to the Atlas Mara Group's risk appetite framework, adapting to changes in the markets we operate within given the prevailing macroeconomic environment. Equal focus was put on Values, Ethics and Governance as well as developing the right risk culture and attracting the right talent to the Group. Underpinning the strategy for

Atlas Mara is a focus on the business operating model with changes having been proposed and effected to the operating model resulting from such reviews, together with the Board. The Committee also reviewed business proposals to accelerate the implementation and innovation of appropriate use of digital products as part of the business model to enhance the technology capability in servicing our clients. The conclusions of this strategy review were challenged and endorsed by the Committee and subsequently approved by the Board.

Through regular reporting to the Committee, the Risk Oversight function provides assurance on the effective management of business risk, in the context of the above-mentioned strategy, through the coordination of continuous assurance activities and active oversight. The Committee actively reviews and challenges progress reports around the control environment, specifically regarding operational, legal and compliance risk matters, and also the financial control environment in the Group. This is followed up by detailed reviews and debate on particular credit and liquidity risk themes, and other risk matters such as information technology control, shared services engagements, etc.

The Committee reviewed matters relating to tax risk management across the Group's subsidiaries, and follow through discussions around the Group's compliance with domestic tax rules as well as its alignment to OECD guidelines as it pertains to international tax transfer pricing matters, which governs the recharge methodology across the integrated banking group, as relevant.

The Committee, as recommended by the Corporate Governance Code, will continue to focus on matters summarised below:
- the Company's accounting and financial reporting processes;
- the integrity and audits of the Company's financial statements and announcements;
- review of the risks faced by the Company and the continued effectiveness of existing controls;
- review of the internal controls, internal audit and financial crime control measures in place;
- the Company's compliance with legal and regulatory requirements; and
- the qualifications, performance and independence of the Company's independent auditors.

The internal audit plan has been reviewed and approved by the Audit and Risk Committee and all reports arising from this work are continuously reviewed and assessed (including management's responses and actions to be taken in connection with the findings.

Significant accounting matters

The disclosure of Atlas Mara's strategy and financial performance in the Annual Report aims to provide a clear, balanced and reliable measure of the execution of the strategy and of day-to-day business. In order to provide clarity, the use of estimates and assumptions in preparing the consolidated Group financial statements in terms of IFRS is inevitable. The Audit and Risk Committee provides oversight, ensuring the balanced nature and reliability of such assumptions.

Management has made such judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts in relation to assets, liabilities, income and expenses, with a key focus on the following areas:
- fair value of financial instruments;
- fair value of assets and liabilities acquired in business combinations;
- assessment of the investment in associates for impairment;
- assessment of goodwill and intangible assets for impairment;
- loan impairment charges;
- share-based payment valuations;
- recognition of deferred tax assets;
- transactions in Atlas Mara's equity; and
- going concern assessment.

With appropriate guidance, insight and challenge from the external auditor, the Committee examined in detail the main judgements and assumptions listed above including the conclusions drawn from the available information and evidence. For each of the matters listed above the Committee fulfilled its responsibility with regard to these by performing the following:
- scrutinised reports from management;
- reviewed the methodologies used by management to determine the values assigned to each estimate;
- reviewed the appropriateness of the accounting treatment;
- referenced reports from both advisors to the Company on specialist valuations and engaged in detailed discussions with the external auditors to confirm their alignment and broad agreement to such areas of judgement; and
- reviewed the basis of recognition and measurement of these items.

Significant risk matters

The Committee identified the following as the principal risks as outlined in the principal risk section of the Strategic report. The Committee has fulfilled its responsibility in respect of these risks by performing the following:
- review the detailed risk assessment report and findings from subsidiary risk committees;
- evaluated the potential impact on the organisation;
- evaluated management's view of the potential impact, including potential exposures; and
- reviewing the appointment of external auditor including the substitution of KPMG UK LLP as auditor with KPMG Inc., its South African sister company.

The Committee is responsible for monitoring the performance, objectivity and independence of the external auditor, KPMG Inc. During 2016, the main activities of the Committee in discharging that responsibility, were as follows:
- assessed and agreed the scope of KPMG's Group Audit Plan including, but not limited to, the key audit risk areas, materiality and significant judgement areas;
- agreement of the terms of the audit engagement letter and approved, on behalf of the Board, the audit fees payable;
- assessed the competence with which KPMG handled the key accounting and audit judgements and how they were communicated to management and the Committee; and
- assessed the independence of the external auditor, including a review of the non-audit services provided.

The results of the assessment confirmed that KPMG and the audit process are effective and that a good working relationship was accompanied by an appropriate level of professional challenge and scepticism. Following all the above, and in particular the process of evaluation, the Committee recommended to the Board and to shareholders that KPMG should be reappointed as the Group's auditors at the AGM in 2017.

It has been a busy year for the Audit, Risk and Compliance Committee and I would like to use this opportunity to thank all the members of the Committee and the other individuals who accepted the invitation of the Committee for their contributions in 2016. We look forward to another productive year in 2017.

Amadou Raimi
Chairman of the Audit, Risk and Compliance Committee

Risk report

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

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

Group risk management objectives

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

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

The Group's approach to risk management

The Group's approach to risk management involves a number of fundamental elements. The procedures and methodology are enshrined in the evolving Atlas Mara Enterprise-wide Risk Management ('ERM') Framework as shown in figure 1.

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

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

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

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

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

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

Role of Atlas Mara Group Risk Management

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

It also updates the Group risk management framework on a regular basis to reflect new policies adopted by the Board of Directors. Group Risk Management regularly reports to the Atlas Mara Executive Committee and the Atlas Mara 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 CEO.

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

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

Credit

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

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

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

Credit risk management and strategy

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

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

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

Atlas Mara Group credit risk management objectives are to:

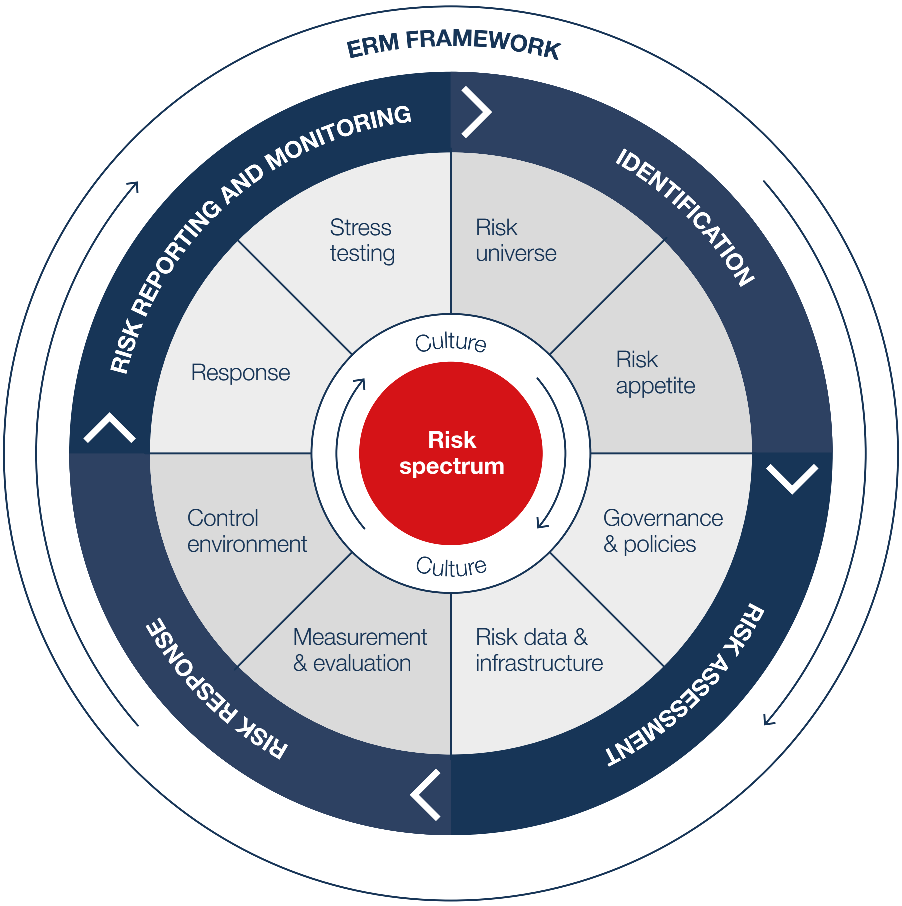
- enable sustainable asset growth in line with the Group Risk appetite;
- optimise credit governance and operational structures;
- create a robust control environment;
- invest in skills, training and appropriate experience;
- simplify risk management processes;
- implement and refine appropriate models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

Approach to credit risk

Credit life cycle

The credit life cycle consists of target market identification and quantification, principles of credit evaluation and decisioning, post-sanctioning fulfilment, credit administration, portfolio monitoring, early warning triggers, problem recognition and remedial

Figure 1: Atlas Mara ERM framework



management. The business, risk and senior management are integrated into the end-to-end credit lifecycle. Atlas Mara Group uses a Risk Grading tool for corporate exposures to determine a minimum credit rating for acceptance for credit granting purposes.

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

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

Measuring credit risk

The Group's approach to measuring credit risk aims to align with international best practice and is, in all substantial aspects, aligned with the standard approach and methodology employed by international financial institutions. Credit risk is broken down into the common risk components of Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD'), modelled at a client, facility and portfolio level. These risk components are used in the calculation of a number of aggregate risk measures such as Expected Loss ('EL'). The models used by the Group are compliant with regulatory requirements. The Group's default probability table on the next page shows the mapping of the corporate rating to External Rating Agency S&P's grid to align credit risk appetite assessment and tolerance across the corporate businesses.

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.

The Group's default probabilities are considered to be in line with banking best practice. 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.

Risk rating table

Atlas Mara scale	Atlas Mara default rates	Standard & Poor's ratings	Grade quality and alignment to Atlas Mara loan book classification
A+	0.10%	AAA-AA	Investment Grade (performing)
A	0.25%	AA+	
A-	0.33%	AA	
B+	0.40%	AA-	
B	0.50%	A+	
B-	0.66%	A	
C+	0.80%	A-	
C	0.96%	BBB+	
C-	1.30%	BBB	
D+	1.80%	BBB-	
D	2.65%	BB+	Standard Grade (special mention, substandard and doubtful)
D-	3.80%	BB	
E+	7.85%	BB-	
E	12.90%	B+	
E-	16.88%	B	
F+	26.00%	B-	
F	38.67%	CCC+	
F-	45.00%	CCC	
G	Default	CCC-	Default (loss)

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 based on Basel guidance.

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

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

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status after satisfying the relevant curing period of instalments paid on time. Restructuring policies and practices are based on indicators or criteria which, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review.

Credit transformation programme*
One of the major investments by Atlas Mara during 2015 has been to elevate its credit risk management capability.

The Group successfully launched a credit transformation programme ('CTP') covering the portfolios in five countries. The programme is a key enabler to support the bank's growth plans for 2016 and beyond focusing on reducing NPLs and improving customer experience. To date the programme has made significant progress in uplifting the credit capabilities at a Group and country level. The programme aims to establish five main building blocks as shown opposite.

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

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

The Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are:
- cash collateral;
- charges over assets financed;
- mortgages over residential and commercial properties;
- charges over business assets such as premises, inventory and accounts receivable; and
- charges over financial instruments such as debt securities and equities.

Atlas Mara's loan book classification criteria

Category	Descriptions
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, e.g. the paying capacity of the borrower is doubtful or inadequate, or more than 90 days but less than 180 days in arrears.
Doubtful	Credit facilitates 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.

Note:
* Audited.

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

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

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

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

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

Impairment policies*
The impairments shown in the statement of financial position at year-end are derived from each of the five internal classification grades, adjusted for the provision of IAS 39. Figure 1 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.

Impairments are managed incurred 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.

Collectively assessed impairment allowances are provided for:
- portfolios of homogenous assets that are individually below materiality thresholds; and
- losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgement and statistical techniques.

Figure 1: Credit quality*

	2016		2015	
Category	**Loans and advances**	**Impairments**	Loans and advances	Impairments
Performing	**83%**	**2%**	84%	0%
Special mention	**7%**	**6%**	8%	3%
Sub-standard	**3%**	**14%**	4%	13%
Doubtful	**3%**	**17%**	4%	14%
Loss	**4%**	**61%**	0%	70%
	100%	**100%**	100%	100%

Note:
* Audited.

Year-on-year change in loan book quality:
2% increase in Non-Performing Loans (2015: 8%; 2016: 10%)
1% reduction in the Special Mention Category (2015: 8%; 2016: 7%)

Maximum exposure to credit risk as at 31 December 2016*

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

		Fair value of collateral and credit enhancements held					
Type of collateral or credit enhancement	Maximum exposure to credit risk $'000	Cash $'000	Letters of credit/ guarantees $'000	Property[3] $'000	Other[1,3] $'000	Net collateral $'000	Net exposure $'000
Placement with other banks[2]	157,032	–	–	–	–	–	157,032
Loans and advances	1,334,763	16,295	16,160	427,012	91,056	550,523	784,240
Mortgage lending	146 593	–	–	124,737	20	124,757	21,836
Instalment finance	13 276	–	20	2,905	2,918	5,843	7,433
Corporate lending	510 114	12,773	11,433	206,347	74,161	304,714	205,400
Commercial and property finance	124 603	3,096	4,707	82,094	8,896	98,793	25,810
Consumer lending	540 177	426	–	10,929	5,061	16,416	523,761
Derivate financial instruments	6,323	–	–	–	–	–	6,323
Cross-currency interest rate swaps	6,025	–	–	–	–	–	6,025
Forward foreign exchange contracts	298	–	–	–	–	–	298
Financial assets held for trading	101,727	–	–	–	–	–	101,727
Government bonds	5,382	–	–	–	–	–	5,382
Treasury bills	96,345	–	–	–	–	–	96,345
Financial assets designated at fair value through profit or loss	13,868	–	–	–	–	–	13,868
Listed equities	774	–	–	–	–	–	774
Unlisted equities	13,084	–	–	–	–	–	13,084
Property units	10	–	–	–	–	–	10
Investment securities – available-for-sale	205,328	–	29,571	–	–	29,571	175,757
Government bonds	52,046	–	4,600	–	–	4,600	47,446
Corporate bonds	9,561	–	–	–	–	–	9,561
Unlisted equities	1,385	–	–	–	–	–	1,385
Unlisted investment	25,095	–	24,971	–	–	24,971	124
Treasury bills	117,241	–	–	–	–	–	117,241
Investment securities – held-to-maturity	31,864	–	–	–	–	–	31,864
Treasury bills	22,086	–	–	–	–	–	22,086
Corporate bonds	3,440	–	–	–	–	–	3,440
Government bonds	6,338	–	–	–	–	–	6,338
	1,850,905	16,295	45,731	427,012	91,056	580,094	1,270,811
Credit exposures relating to off-balance sheet items are as follows:	45,576	2,124	14	4,022	–	6,160	39,416
Guarantees	13,774	1,836	14	3,821	–	5,671	8,103
Letters of credit	2,767	288	–	201	–	489	2,278
Other commitments	29,035	–	–	–	–	–	29,035
	1,896,481	18,419	45,745	431,034	91,056	586,254	1,310,227

Notes:
1. Vehicles, machinery, other fixed assets, inventory and trade receivables.
2. Represents cash balances held with other banks. Included in $406 million cash per statement of financial position.
3. These collateral items are not readily convertible into cash as these items are sold in the market and are dependent on a buyer and seller.
* Audited.

Maximum exposure to credit risk as at 31 December 2015*

Type of collateral or credit enhancement	Maximum exposure to credit risk $'000	Fair value of collateral and credit enhancements held Cash $'000	Letters of credit/ guarantees $'000	Property[3] $'000	Other[1,3] $'000	Net collateral $'000	Net exposure $'000
Placement with other banks[2]	248,751	–	–	–	–	–	248,751
Loans and advances	1,229,438	13,505	18,009	287,450	89,437	408,401	821,037
Mortgage lending	69,342	–	–	62,358	–	62,358	6,984
Instalment finance	71,818	573	147	23,131	6,581	30,432	41,386
Corporate lending	510,190	12,911	14,361	183,482	66,462	277,216	232,974
Commercial and property finance	36,024	–	3,501	12,961	12,231	28,693	7,331
Consumer lending	542,064	21	–	5,518	4,163	9,702	532,362
Derivate financial instruments	1,893	–	–	502	–	502	1,391
Currency swaps	502	–	–	502	–	502	–
Forward foreign exchange contracts	1,391	–	–	–	–	–	1,391
Financial assets held for trading	190,231	–	25,947	–	–	25,947	164,284
Government bonds	36,342	–	4,233	–	–	4,233	32,109
Promissory notes	913	–		–	–	–	913
Treasury bills	147,982	–	21,714	–	–	21,714	126,268
Bankers' acceptance and commercial paper	4,994	–	–	–	–	–	4,994
Financial assets designated at fair value through profit or loss	13,343	–	–	–	–	–	13,343
Listed equities	798	–	–	–	–	–	798
Unlisted equities	12,535	–	–	–	–	–	12,535
Property units	10	–	–	–	–	–	10
Financial investments – available-for-sale	16,568	–	–	–	–	–	16,568
Unlisted equities	726	–	–	–	–	–	726
Unlisted investment	15,842	–	–	–	–	–	15,842
Financial investments held-to-maturity	5,012	–	–	–	–	–	5,012
Government bonds	5,012	–	–	–	–	–	5,012
	1,705,236	13,505	43,956	287,952	89,437	434,850	1,270,386
Credit exposures relating to off-balance sheet items are as follows	105,685	6,049	4,905	6,700	685	18,339	87,346
Financial guarantees	52,271	3,747	4,203	6,250	685	14,885	37,386
Letters of credit for customers	5,423	193	702	450		1,345	4,078
Other commitments (including loan commitments)	47,991	2,109				2,109	45,882
	1,810,921	19,554	48,861	294,652	90,122	453,189	1,357,732

Notes:
1. Vehicles, machinery, other fixed assets, inventory and trade receivables.
2. Represents cash balances held with other banks. Included in $321 million cash per statement of financial position.
3. These collateral items are not readily convertible into cash as these items are sold in the market and are dependent on a buyer and seller.
* Audited.

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 2016. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties:

31 December 2016	Botswana $'000	Mozambique $'000	Tanzania $'000	Zambia $'000	Zimbabwe $'000	Other/ Rwanda $'000	Total $'000
Placements with other banks	28,289	18,475	25,090	68,946	2,562	13,670	157,032
Financial assets held for trading	96,345	–	–	5,382	–	–	101,727
Financial assets designated at fair value	–	–	13,084	–	784	–	13,868
Derivative financial assets	20	278	–	–	–	6,025	6,323
Loans and advances (net)	531,859	79,813	87,242	194,086	232,624	209,139	1,334,763
Investment securities	5,246	5,975	30,759	85,016	83,424	26,772	237,192
	661,759	104,541	156,175	353,430	319,394	255,606	1,850,905
Guarantees	2,662	4,517	1,783	2,642	602	1,568	13,774
Letters of credit	313	–	1,965	489	–	–	2,767
Other commitments	17,622	11,413	–	–	–	–	29,035
	20,597	15,930	3,748	3,131	602	1,568	45,576

31 December 2015	Botswana $'000	Mozambique $'000	Tanzania $'000	Zambia $'000	Zimbabwe $'000	Other/ Rwanda $'000	Total $'000
Placements with other banks	81,068	52,349	33,456	52,901	22,473	6,504	248,751
Financial assets held for trading	46,247	25,308	25,947	39,345	53,384	–	190,231
Financial assets designated at fair value	–	–	12,535	–	808	–	13,343
Derivative financial assets	36	1,355	–	502	–	–	1,893
Loans and advances (net)	502,298	137,780	84,115	101,066	378,478	25,701	1,229,438
Investment securities	5,012	160	463	–	–	15,945	21,580
	634,661	216,952	156,516	193,814	455,143	48,150	1,705,236
Financial guarantees	3,026	18,483	13,463	13,303	3,996	–	52,271
Letters of credit for customers	164	91	554	1,030	2,827	757	5,423
Other commitments	42,930	1,353	–	2,109	–	1,599	47,991
	46,120	19,927	14,017	16,442	6,823	2,356	105,685

Note:
* Audited.

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 2016 of the counterparties:

31 December 2016	Agriculture $'000	Construction $'000	Corporate, retail and trade $'000	Public sector $'000	Manufacturing $'000	Mining and energy $'000	Financial services $'000	Transport $'000	Individuals $'000	Tourism	Other	Total
Placements with other banks	–	–	–	–	–	–	157,032	–	–	–	–	157,032
Financial assets held for trading	–	–	–	–	–	–	101,727	–	–	–	–	101,727
Financial assets designated at fair value	9	58	1,023	–	126	10,774	1,811	–	–	–	67	13,868
Derivative financial assets	–	–	–	–	–	–	6,323	–	–	–	–	6,323
Loans and advances (net)	42,969	24,233	184,565	85,828	66,494	40,084	10,789	21,470	606,156	16,241	235,934	1,334,763
Investment securities	–	–	–	57,072	–	–	180,120	–	–	–	–	237,192
	42,978	24,291	185,588	142,900	66,620	50,858	457,802	21,470	606,156	16,241	236,001	1,850,905
Guarantees	–	2,927	6,027	1,569	67	178	854	1,578	1	87	486	13,774
Letters of credit	–	–	1,675	–	749	187	–	156	–	–	–	2,767
Other commitments	–	–	14,658	–	–	–	11,414	–	1,161	–	1,802	29,035
	–	2,927	22,360	1,569	816	365	12,268	1,734	1,162	87	2,288	45,576

31 December 2015	Agriculture $'000	Construction $'000	Corporate, retail and trade $'000	Public sector $'000	Manufacturing $'000	Mining and energy $'000	Financial services $'000	Transport $'000	Individuals $'000	Tourism	Other	Total
Placements with other banks	–	–	–	–	–	–	244,603	–	–	–	4,148	248,751
Financial assets held for trading	–	–	–	79,331	–	–	110,900	–	–	–	–	190,231
Financial assets designated at fair value	6	–	829	–	460	9,755	2,293	–	–	–	–	13,343
Derivative financial assets	–	–	–	–	–	–	1,893	–	–	–	–	1,893
Loans and advances (net)	35,099	44,132	152,795	44,678	122,667	52,037	58,575	25,225	555,768	17,625	120,837	1,229,438
Investment securities	–	–	–	–	–	–	15,960	–	–	–	5,620	21,580
	35,105	44,132	153,624	124,009	123,127	61,792	434,224	25,225	555,768	17,625	130,605	1,705,236
Financial guarantees	1,758	27,466	13,989	944	904	1,092	661	735	33	1,104	3,585	52,271
Letters of credit for customers	–	–	994	–	270	2,775	–	–	–	–	1,384	5,423
Other commitments	–	–	8,961	–	–	–	27,963	2,109	6,045	–	2,913	47,991
	1,758	27,466	23,944	944	1,174	3,867	28,624	2,844	6,078	1,104	7,882	105,685

Note:
* Audited.

Credit quality by class of financial assets*

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

	Neither past due nor impaired	Past due but not impaired				
31 December 2016	**Performing $'000**	**30 days $'000**	**31-60 days $'000**	**61-90 days $'000**	**Individually impaired $'000**	**31 December 2016 $'000**
Cash and cash equivalents	406,325	–	–	–	–	406,325
Derivative financial assets	6,323	–	–	–	–	6,323
Financial assets held for trading	101,727	–	–	–	–	101,727
Financial assets designated at fair value through profit/loss	13,868	–	–	–	–	13,868
Loans and advances to customers						
Mortgage lending	113,746	9,826	4,481	5,892	14,907	148,852
Instalment finance	13,673	–	462	462	4,322	18,919
Corporate lending	381,819	16,254	13,201	37,187	75,788	524,249
Commercial and property finance	73,024	12,066	6,023	6,240	28,257	125,610
Consumer lending	515,088	15,815	6,287	9,747	7,929	554,866
Gross loans and advances	1,097,350	53,961	30,454	59,528	131,203	1,372,496
Less: Impairments	(2,521)	(3,167)	–	–	(32,045)	(37,733)
Net loans and advances	1,094,829	50,794	30,454	59,528	99,158	1,334,763
Investment securities – available-for-sale	205,328	–	–	–	–	205,328
Government bonds	52,046	–	–	–	–	52,046
Unlisted equities	1,385	–	–	–	–	1,385
Unlisted investment	25,095	–	–	–	–	25,095
Treasury bills	117,241	–	–	–	–	117,241
Corporate bonds	9,561	–	–	–	–	9,561
Investment securities – held to maturity	31,864	–	–	–	–	31,864
Treasury bills	22,086	–	–	–	–	22,086
Corporate bonds	3,440	–	–	–	–	3,440
Government bonds	6,338	–	–	–	–	6,338
Total	1,860,264	50,794	30,454	59,528	99,158	2,100,198

Note:
* Audited.

Credit quality by class of financial assets* (continued)

31 December 2015	Neither past due nor impaired Performing $'000	Past due but not impaired 30 days $'000	 31-60 days $'000	 61-90 days $'000	Individually impaired $'000	31 December 2015 $'000
Cash and cash equivalents	320,682	–	–	–	–	320,682
Derivative financial assets	1,893	–	–	–	–	1,893
Financial assets held for trading	190,231	–	–	–	–	190,231
Financial assets designated at fair value through profit/loss	13,343	–	–	–	–	13,343
Loans and advances to customers						
Mortgage lending	56,175	7,022	1,367	1,157	3,934	69,655
Instalment finance	38,867	294	2,504	4,080	27,955	73,700
Corporate lending	413,005	21,835	24,811	20,868	41,287	521,806
Commercial and property finance	10,137	9,764	1,680	131	14,848	36,560
Consumer lending	529,370	314	2,882	4,778	10,434	547,778
Gross loans and advances	1,047,554	39,229	33,244	31,014	98,458	1,249,499
Less: Allowance for impairment	–	–	–	–	(20,061)	(20,061)
Net loans and advances	1,047,554	39,229	33,244	31,014	78,397	1,229,438
Financial investments available-for-sale	16,568	–	–	–	–	16,568
Unlisted equities	726	–	–	–	–	726
Unlisted investment	15,842	–	–	–	–	15,842
Financial investments held to maturity	5,012	–	–	–	–	5,012
Government bonds	5,012	–	–	–	–	5,012
Total	1,595,283	39,229	33,244	31,014	78,397	1,777,167

Liquidity risk*

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

Capital and liquidity risk management*

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

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

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

Note:
* Audited.

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

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

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

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

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

Stress testing

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

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

Impacts are assessed along with potential mitigating actions that may be taken. Analysis from such stress scenarios is compiled for and reviewed through our weekly Liquidity Risk Management Committee, ALCO, Executive Management Committee and the Board's 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 the development of tools and systems to establish stress testing capabilities as a core business process.

Analysis of liquidity risk*

Non-derivative financial liabilities' cash flow*

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

31 December 2016	**Up to 1 month $'000**	**1-3 months $'000**	**3-12 months $'000**	**Greater than 1 year $'000**	**Total $'000**	**Effect of discount/ financing rates $'000**	**Total $'000**
Deposits	**1,043,415**	**404,967**	**327,979**	**26,504**	**1,802,865**	**(3,422)**	**1,799,443**
Creditors and accruals	**46,749**	**6,363**	**19,284**	**2,203**	**74,599**	**–**	**74,599**
Borrowed funds	**63,451**	**6,235**	**38,254**	**226,860**	**334,800**	**(12,226)**	**322,574**
Total liabilities (contractual)	**1,153,615**	**417,565**	**385,517**	**255,567**	**2,212,264**	**(15,648)**	**2,196,616**

31 December 2015	Up to 1 month $'000	1-3 months $'000	3-12 months $'000	Greater than 1 year $'000	Total $'000	Effect of discount/ financing rates $'000	Total $'000
Deposits	854,793	250,250	328,851	5,874	1,439,768	(3,620)	1,436,148
Creditors and accruals	34,405	19,470	3,725	7,486	65,086	(262)	64,824
Borrowed funds	48,217	5,341	111,035	143,575	308,168	(5,953)	302,215
Total liabilities (contractual)	937,415	275,061	443,611	156,935	1,813,022	(9,835)	1,803,187

Note:
* Audited.

Non-derivative financial assets' cash flow*

31 December 2016	Up to 1 month $'000	1-3 months $'000	3-12 months $'000	Greater than 1 year $'000	Total $'000	Effect of discount/ financing rates $'000	Total $'000
Cash and short term funds	**361,330**	**13,509**	**19,762**	**3,935**	**398,536**	**7,789**	**406,325**
Financial assets held for trading	**143,894**	**–**	**–**	**5,382**	**149,276**	**(47,549)**	**101,727**
Financial assets designated at fair value	**–**	**736**	**48**	**13,084**	**13,868**	**–**	**13,868**
Loans and advances (net)	**205,479**	**50,488**	**134,814**	**1,299,140**	**1,689,921**	**(355,158)**	**1,334,763**
Investment securities	**15,465**	**58,581**	**76,890**	**94,435**	**245,371**	**(8,179)**	**237,192**
Total financial assets (contractual)	**726,168**	**123,314**	**231,514**	**1,415,976**	**2,496,972**	**(403,097)**	**2,093,875**

31 December 2015	Up to 1 month $'000	1-3 months $'000	3-12 months $'000	Greater than 1 year $'000	Total $'000	Effect of discount/ financing rates $'000	Total $'000
Cash and short term funds	308,335	6,997	5,350	–	320,682	–	320,682
Financial assets held for trading	2,890	71,128	28,420	88,677	191,115	(884)	190,231
Financial assets designated at fair value	–	783	25	12,535	13,343	–	13,343
Loans and advances (net)	272,233	83, 929	184,478	975,334	1,515,974	(286,536)	1,229,438
Investment securities	15,842	–	–	5,738	21,580	–	21,580
Total financial assets (contractual)	599,300	162,837	218,273	1,082,284	2,062,694	(287,420)	1,775,274

Operational risk management

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

Analysis of market risk*

Sensitivity analysis of market price

The Group holds, directly or through its associates, listed equities with a fair value of $0.8 million and unlisted equities of $14.5 million. The Group is therefore exposed to gains or losses related to the variability in the market prices of the equities held.

Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowed funds of $323 million and available-for-sale investments of $205.3 million and derivative financial instruments of $0.553 million (net liabilities). The exposure to equity price risk is described below.

Equity price risk

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

Further details on key assumptions in valuations, and sensitivity analysis of equity instruments and price risk are shown in note 29.

Foreign currency risk

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

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Group Risk sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The following table summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2016.

Note:
* Audited.

Foreign exchange risk*

31 December 2016	USD $'000	EUR $'000	BWP $'000	ZAR $'000	ZMK $'000	Total TZS $'000	MZN $'000	JPY $'000	NGN $'000	RWF $'000	Other $'000	Total $'000
Cash and short-term funds	**119,334**	**39,167**	**44,738**	**8,628**	**128,140**	**15,211**	**15,336**	**3**	**–**	**31,566**	**4,202**	**406,325**
Financial assets held for trading	**–**	**–**	**96,345**	**–**	**5,382**	**–**	**–**	**–**	**–**	**–**	**–**	**101,727**
Financial assets designated at fair value	**11,254**	**–**	**–**	**–**	**–**	**2,614**	**–**	**–**	**–**	**–**	**–**	**13,868**
Derivative financial assets	**5,858**	**51**	**414**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,323**
Loans and advances	**300,542**	**2,018**	**530,481**	**16**	**162,638**	**61,097**	**71,387**	**–**	**–**	**206,584**	**–**	**1,334,763**
Investment securities	**83,424**	**153**	**5,246**	**–**	**85,016**	**30,759**	**5,975**	**–**	**–**	**26,619**	**–**	**237,192**
Total assets	**520,412**	**41,389**	**677,224**	**8,644**	**381,176**	**109,681**	**92,698**	**3**	**–**	**264,769**	**4,202**	**2,100,198**
Shareholders' equity and liabilities												
Equity	**468,869**	**–**	**34,928**	**982**	**7,646**	**2,632**	**7,495**	**–**	**–**	**3,503**	**–**	**526,055**
Deposits	**519,664**	**26,149**	**569,624**	**7,250**	**294,470**	**88,363**	**64,967**	**23**	**–**	**216,048**	**12,885**	**1,799,443**
Derivative financial liabilities	**5,632**	**–**	**138**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,770**
Creditors and accruals	**20,524**	**291**	**5,526**	**5,802**	**16,804**	**1,539**	**2,242**	**–**	**–**	**19,025**	**2,846**	**74,599**
Borrowed funds	**243,293**	**–**	**33,641**	**–**	**1,880**	**658**	**6,150**	**–**	**31,541**	**393**	**5,018**	**322,574**
Total equity and liabilities	**1,257,982**	**26,440**	**643,857**	**14,034**	**320,800**	**93,192**	**80,854**	**23**	**31,541**	**238,969**	**20,749**	**2,728,441**

31 December 2015	USD $'000	EUR $'000	BWP $'000	ZAR $'000	ZMK $'000	Total TZS $'000	MZN $'000	JPY $'000	NGN $'000	RWF $'000	Other $'000	Total $'000
Cash and short-term funds	177,682	15,046	57,466	8,857	815	17,530	26,575	1,921	–	11,698	3,092	320,682
Financial assets held for trading	92,730	–	46,247	–	–	25,947	25,307	–	–	–	–	190,231
Financial assets designated at fair value	10,435	–	–	–	–	2,908	–	–	–	–	–	13,343
Derivative financial assets	1,184	647	–	62	–	–	–	–	–	–	–	1,893
Loans and advances	414,260	2,226	495,176	32	84,621	57,244	122,786	–	–	53,126	(33)	1,229,439
Investment securities	15,682	179	5,012	–	–	463	160	–	–	84	–	21,580
Total assets	711,973	18,098	603,901	8,951	85,436	104,092	174,828	1,921	–	64,908	3,059	1,777,167
Shareholders' equity and liabilities												
Equity	674,591	–	84,814	(526)	34,262	14,582	32,735	–	–	17,471	(232,403)	625,526
Deposits	496,725	21,362	526,297	5,088	107,998	80,032	151,801	1,347	–	42,422	3,076	1,436,148
Derivative financial liabilities	7,463	39	(3)	–	–	–	–	(2,310)	–	–	2	5,191
Creditors and accruals	41,395	57	5,650	1,176	4,418	2,220	1,598	–	–	2,444	5,866	64,824
Borrowed funds	289,967	–	(1,363)	–	–	665	10,253	2,310	–	383	–	302,215
Total equity and liabilities	1,510,141	21,458	615,395	5,738	146,678	97,499	196,387	1,347	–	62,720	(223,459)	2,433,904

Note:
* Audited.

Sensitivity analysis*

The impact of a 1% change in the value of the Group's major currency exposure vs. the US dollar is presented below:

Currency	31 December 2016 Effect on equity $'000	31 December 2016 Effect on profit or loss $'000	31 December 2015 Effect on equity $'000	31 December 2015 Effect on profit or loss $'000
EUR	**151**	**151**	–	(34)
BWP	**1,083**	**690**	875	641
ZAR	**(36)**	**(45)**	20	31
ZMK	**713**	**687**	166	(286)
All other currencies	**(167)**	**(167)**	1,278	(50)
TZS	**193**	**193**	37	271
MZN	**270**	**195**	49	121
JPY	**–**	**–**	–	6
NGN	**1,950**	**200**	184	–
RWF	**331**	**296**	3	208
	4,566	**2,200**	2,612	908

Pressure on local currencies

% change vs. US$ – last 12 months (based on spot rates)

Interest rate risk*

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

Note:

* Audited.

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.

	Total					
31 December 2016	**Up to 1 month $'000**	**1-3 months $'000**	**3-12 months $'000**	**1-5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
Cash and short-term funds	**200,981**	**18,003**	**21,047**	**–**	**166,294**	**406,325**
Financial assets held for trading	**96,345**	**–**	**–**	**5,382**	**–**	**101,727**
Financial assets designated at fair value	**–**	**–**	**–**	**–**	**13,868**	**13,868**
Derivative financial assets	**37**	**195**	**45**	**413**	**5,633**	**6,323**
Loans and advances	**719,092**	**58,879**	**119,114**	**437,678**	**–**	**1,334,763**
Investment securities	**6,279**	**69,750**	**77,074**	**82,581**	**1,508**	**237,192**
Total assets	**1,022,734**	**146,827**	**217,280**	**526,054**	**187,303**	**2,100,198**
Shareholders' equity and liabilities						
Equity	**–**	**–**	**–**	**33,580**	**492,475**	**526,055**
Deposits	**908,182**	**400,744**	**334,216**	**156,301**	**–**	**1,799,443**
Derivative financial liabilities	**–**	**–**	**–**	**138**	**5,632**	**5,770**
Creditors and accruals	**7,113**	**–**	**4,285**	**–**	**63,201**	**74,599**
Borrowed funds	**60,472**	**1,174**	**20,885**	**240,043**	**–**	**322,574**
Total equity and liabilities	**975,767**	**401,918**	**359,386**	**430,062**	**561,308**	**2,728,441**

	Total					
31 December 2015	Up to 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	Non-interest bearing $'000	Total $'000
Cash and short-term funds	164,685	6,997	5,351	–	143,649	320,682
Financial assets held for trading	3,320	71,011	27,145	88,755	–	190,231
Financial assets designated at fair value	–	–	–	–	13,343	13,343
Derivative financial assets	1,391	502	–	–	–	1,893
Loans and advances	769,744	53,313	90,809	315,572	–	1,229,438
Investment securities	15,682	–	–	5,012	886	21,580
Total assets	954,822	131,823	123,305	409,339	157,878	1,777,167
Shareholders' equity and liabilities						
Equity	–	–	–	–	625,526	625,526
Deposits	848,818	239,921	317,009	1,329	29,071	1,436,148
Derivative financial liabilities	62	–	–	–	5,129	5,191
Creditors and accruals	6,059	–	–	–	58,765	64,824
Borrowed funds	1,539	1,420	85,629	213,627	–	302,215
Total equity and liabilities	856,478	241,341	402,638	214,956	718,491	2,433,904

Interest rate sensitivity*

The table below illustrates the impact of interest rate movements for each banking subsidiary, on the subsidiary. Based on a review of the movements in interest rates as 100 basis points stress was deemed to be reflective of current interest rate movements.

	31 December 2016				31 December 2015			
	Increase of 50bp		Decrease of 50bp		Increase of 50bp		Decrease of 50bp	
	Pre-tax $'000	Post-tax $'000	Pre-tax $'000	Post-tax $'000	Pre-tax $'000	Post-tax $'000	Pre-tax $'000	Post-tax $'000
BancABC Botswana								
Change in net interest income	**(726)**	**(566)**	**726**	**566**	(1,199)	(935)	1,199	935
As a percentage of total shareholders' equity	**(0.69%)**	**(0.54%)**	**0.69%**	**0.54%**	(1.78%)	(1.39%)	1.78%	1.39%
BancABC Mozambique								
Change in net interest income	**172**	**117**	**(172)**	**(117)**	585	398	(585)	(398)
As a percentage of total shareholders' equity	**0.47%**	**0.32%**	**(0.47%)**	**(0.32%)**	1.70%	1.16%	(1.70%)	(1.16%)
BancABC Tanzania								
Change in net interest income	**199**	**139**	**(199)**	**(139)**	478	335	(478)	(335)
As a percentage of total shareholders' equity	**0.72%**	**0.50%**	**(0.72%)**	**(0.50%)**	1.65%	1.16%	(1.65%)	(1.16%)
BancABC Zambia								
Change in net interest income	**(446)**	**(290)**	**446**	**290**	482	314	(482)	(314)
As a percentage of total shareholders' equity	**(0.05%)**	**(0.04%)**	**0.05%**	**0.04%**	1.26%	0.82%	(1.26%)	(0.82%)
BancABC Zimbabwe								
Change in net interest income	**607**	**451**	**(607)**	**(451)**	1,139	846	(1,139)	(846)
As a percentage of total shareholders' equity	**0.7%**	**0.52%**	**(0.7%)**	**(0.52%)**	1.35%	1.00%	(1.35%)	(1.00%)
Rwanda								
Change in net interest income	**68**	**48**	**(68)**	**(48)**	311	218	(311)	(218)
As a percentage of total shareholders' equity	**0.32%**	**0.23%**	**(0.32%)**	**(0.23%)**	1.78%	1.25%	(1.78%)	(1.25%)
Finance Bank Zambia								
Change in net interest income	**202**	**131**	**(202)**	**(131)**	–	–	–	–
As a percentage of total shareholders' equity	**0.27%**	**0.17%**	**(0.27%)**	**(0.17%)**	–	–	–	–

Market risk management

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

Compliance risk management

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

Note:

* Audited

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

Legal risk management

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

Group Internal Audit

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

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

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

Directors' Remuneration report

Eduardo C. Mondlane, Jr.
Chairman of the Remuneration Committee

Introduction from the Chairman

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 2016.

The Committee's main focus in 2016 has been to continue to refine the Company's remuneration and recruitment policies to ensure they are designed to promote the long-term success of the Company. One of the Committee's key objectives in 2016 has also been to monitor implementation of remuneration policies to further align them with feedback provided by our shareholders throughout the year. The Committee also discussed and considered key matters in human resources and received regular updates from the Company's Head of Human Capital, Jonathan Muthige, who joined the Company in January 2016.

During 2016, the Committee spent time clarifying the Company's values with respect to executive compensation and performance management, and ensuring these values are firmly adopted and consistently applied throughout the Group. The Committee also spent time approving compensation arrangements for new members of the executive management team and other key new hires. Additional details on the matters considered by the Committee in 2016 are provided in the Annual Report on Remuneration on pages 76–85.

The Committee believes in transparency and accountability as key principles for achieving good governance. While Atlas Mara, as a BVI-incorporated company, is not subject to disclosure requirements related to Directors' remuneration, the Board has chosen to report the key elements of the Directors' Remuneration Policy and how they have been applied during 2016. The Board has also chosen to disclose the remuneration for members of the Executive Committee, including the options and restricted share awards granted to the Executive Committee during 2016.

The Directors' Remuneration Report is divided into two sections:
1. The Directors' Remuneration Report on pages 76–85 contains details of the Remuneration Policy, the Recruitment Policy and Policy on Payment for Loss of Office.
2. The Directors' Annual Report on Remuneration on pages 76–85 sets out the details on the implementation of the Remuneration Policy during 2016.

Throughout 2017, the Committee will continue to oversee implementation of the Company's remuneration arrangements to ensure they remain calibrated to the interests of our shareholders.

I will be available, together with my fellow Committee members and colleagues on the Board, at our 2017 AGM to answer any questions you may have and receive your feedback and views with regard to our policy on executive remuneration and the activities of the Committee more generally.

Eduardo C. Mondlane, Jr.
Chairman of the Remuneration Committee

Directors' Remuneration Policy

This part of the report sets out our Directors' Remuneration Policy (the 'Policy'). Since adoption of the Policy in May 2015, the Committee has continued to closely monitor its implementation to ensure that it attracts, retains and motivates high-performing executive talent required to deliver the business strategy. In setting and reviewing the Remuneration Policy, the Committee gives due regard to sustainability and the long-term interests of the Company. A bonus deferral programme adopted by the Committee in 2015, came into effect on 1 January 2016. Under the bonus deferral programme, the bonus structure of members of the Executive Committee was amended from a 100% cash structure to a 50% cash and 50% equity structure. The 50% equity portion will take the form of three-year time-vesting restricted shares of the Company. This enhancement to the remuneration policy better aligns management with shareholders' interest. In addition, the Executive Committee of the Company will for the year 2017 take their salary in 50% cash and 50% restricted stock units.

Given the entirely discretionary nature of the bonus, the Committee believes that it is in the best position to evaluate all aspects of executive performance and reward, taking into account any prevailing factors which it considers appropriate and suitable at the time of payment, including longer-term financial sustainability. The Committee also believes that risks associated with payment of bonuses (in circumstances where annual financial results have been a major factor in the award) are substantially mitigated by the use of equity compensation with multi-year vesting requirements.

In 2016, the Board approved the cancellation of share options previously granted to three Non-Executive Directors in 2013, at the time of the Company's admission to the London Stock Exchange. Subsequent to the share option cancellation, none of the current Non-Executive Directors hold equity interests in the form of share options in the Company.

Remuneration Policy

The table below sets out key elements of the Remuneration Policy for both fixed and variable remuneration with respect to Executive Directors.

Fixed remuneration

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Salary	To provide fixed remuneration which is balanced, taking into account the complexity of the role and the skills and experience of the individual. To attract and retain talent by being market competitive and rewarding ongoing contribution.	The Committee takes into account a number of factors when setting salaries, including: – scope and complexity of the role; – the skills and experience of the individual; – salary levels for similar roles within the international industry; and – salary levels of comparable executives in the Company.	While there is no defined maximum opportunity, salary increases are made with reference to the average increase for the Company's wider employee population. The Committee retains discretion to make higher increases if circumstances warrant.	A performance management programme was adopted in 2015, which includes assessing performance against objective and measurable key performance indicators.
Living allowance	To offset the higher cost of living in the Executive Director's work location country compared to the cost of living in his/her home country. To provide a supplement to salary to ensure an overall package matching the role, skills and experience of the Executive Director and to maintain a competitive total remuneration package for retention of key talent.	The level of living allowance is based on factors such as local cost of living, family size and seniority. The cash supplement is not included in calculating bonus and long-term incentive quantum.	While there is no maximum opportunity, the highest living allowance is currently approximately 110% of base salary. The Committee keeps the level of living allowance under review.	Not applicable
Benefits	The Executive Director participates in benefits programmes to provide an overall broadly market competitive package matching the role, skills and experience of the Executive Director.	To date, the Company has provided healthcare coverage, a term life policy and an accident policy.	There is no maximum opportunity although the competitiveness of the benefits package is kept under review.	Not applicable

Variable remuneration

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus	To drive and reward the achievement of annual financial, operational and individual objectives which are key to the delivery of the Company's short-term strategy.	Awards are based on objectives set by the Committee over a combination of financial, operational and individual goals measured over one financial year. Objectives are set annually to ensure that they remain targeted and focused on the delivery of the Company's short-term goals. The Committee sets targets which require appropriate levels of performance, taking into account internal and external expectations of performance. As soon as practicable after the year-end, the Committee meets to review performance against objectives and determines pay-out levels. In 2015, the Remuneration Committee adopted a bonus deferral programme, which came into effect on 1 January 2016. Under the bonus deferral programme, the bonus structure of members of the Executive Committee was amended from a 100% cash to a 50% cash and 50% equity structure. The 50% equity will take the form of three-year time-vesting restricted shares of the Company. It should be noted that notwithstanding the bonus deferral programme, during the first year of employment, each member of staff is entitled to a 100% cash bonus. If the Executive Director is dismissed for gross misconduct, no bonus is payable.	Annual bonuses are granted at the discretion of the Committee. The target range for bonus is currently 0% to 200% of a specified target and is based on achievement of mutually agreed performance goals. The Company keeps the bonus metrics for the Executive Director under review. The Committee retains the discretion to award bonuses greater than 200% of target.	A performance management programme was adopted in 2015, which includes assessing performance against objective and measurable key performance indicators.
Share grant	Incentivise and reward the creation of long-term shareholder value. Align the interests of the Executive Director with those of shareholders.	The Executive Director is considered for share grants annually. Although the Committee has the flexibility to grant share options, restricted shares and/or performance shares in 2016 the Committee decided restricted shares are the primary equity compensation vehicle for motivating and rewarding senior executives, and aligning shareholder and executive interests.	No maximum opportunity	Pursuant to the current approach, if employment terminates for any reason, the unvested portion of any option and share grant will be forfeited, save in the event of death, disability or the Company giving notice of termination. The Company reserves the right to cancel, rescind, withhold, claw-back or otherwise limit or restrict the share grant if the Executive is not in compliance with all applicable provisions of their employment contract, or breaches any agreement with the Company including agreements governing non-competition, non-solicitation or confidentiality.

Variable remuneration continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Share options	Incentivise and reward the creation of long-term shareholder value. Align the interests of the Executive Director with those of shareholders.	With a few exceptions and consistent with market practice, share options have been granted primarily to the Executive Director. The exercise of share options are subject to the provisions of the Model Code contained in Chapter 9 of the UK Listing Rules which the Company has voluntarily adopted.	The Global Share Plan has been structured to comply with the provisions of the Investment Management Association ('IMA') Principles of Remuneration regarding dilution. Subject to the above, these are granted considering: – market practice for comparative roles; – the Executive Director's total compensation; – time commitment and duties involved; – the requirement to attract and retain the quality and experience of individuals required to drive our strategy; and – the ability to align interests with that of shareholders.	None

Non-Executive Directors

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Non-Executive Director fees	To provide an appropriate award to attract and retain high-calibre individuals with the relevant skills, knowledge and experience.	The fees for the Non-Executive Directors are normally reviewed annually but not necessarily increased. The remuneration of Non-Executive Directors is dealt with by the Chairman and the Executive Director. The Chairman of the Board voluntarily opted to receive 100% of his 2016 remuneration in the form of ordinary shares of the Company. The five Independent Non-Executive Directors voluntarily opted to receive 50% of their 2016 remuneration in cash and 50% in the form of ordinary shares in the Company. The two Founders of the Company do not receive compensation for serving as Directors on the Board of the Company. The Company retains flexibility to pay additional fees where the Non-Executive Director agrees to serve on one or more Committees, or enters into collateral arrangements to undertake any special task or consultancy role. Remuneration in 2016 for Non-Executive Directors included sitting fees for Board and Board Committee meeting attendance.	Whilst there is no maximum fee level, fees are set considering: – market practice for comparative roles; – time commitment and duties involved; and – the requirement to attract and retain the quality of individuals required.	None

Non-Executive Directors continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Share options	To incentivise and reward the creation of long-term shareholder value. To align the interests of the Non-Executive Directors with those of shareholders.	In 2016, the Board approved the cancellation of share options previously granted to three Non-Executive Directors in 2013, at the time of the Company's admission to the London Stock Exchange. Subsequent to the share option cancellation, none of the current Non-Executive Directors hold equity interests in the form of share options in the Company. Further details can be found on page 81 of the Directors' Remuneration Report. The exercise of share options are subject to the provisions of the Model Code contained in Chapter 9 of the UK Listing Rules which the Company has voluntarily adopted. There is a prescribed period during which the Non-Executives are able to exercise their options, as set out below under 'Equity interests awarded during the financial year'	Non-Executive Directors are ordinarily not considered for the grant of share options although the Company retains the discretion to do so if it deems it appropriate in the circumstances. Factors taken into account would include: – market practice for comparative roles; – time commitment and duties involved; – the requirement to attract and retain the quality and experience of individuals required; and – the ability to align interests with that of shareholders.	None

Non-Executive Directors may receive professional advice in respect of their duties, to be paid for by the Company together with payment of expenses wholly incurred in the performance of their role. Non-Executive Directors are also covered by the Company's Directors and Officers Insurance policy.

During 2016, John Vitalo, the only Executive Director on the Board as at 31 December 2016, held a number of Non-Executive Directorships with companies affiliated with Atlas Mara, namely ABCH, Atlas Mara Mauritius Limited, BPR, Union Bank of Nigeria plc, and Finance Bank of Zambia plc. John Vitalo does not retain any additional earnings by virtue of those appointments.

The policy regarding Executive Director compensation seeks to emphasise performance-based variable compensation, as demonstrated by long-term equity compensation that aims to align shareholder interests with those of the Executive Director. The Company's general remuneration policy is to pay market-competitive base salaries and to provide the opportunity to earn incentive awards consistent with market practice, based on factors which the Committee sees fit to take account of, including Company and individual performance.

Recruitment policy

In determining remuneration for new appointments to the Board, the Committee will consider all relevant factors including, but not limited to, the experience and skillset of the individual, their existing compensation package, the arrangements for the Company's current Directors and external market conditions such that any arrangements offered are considered to be in the best interests of the Company and shareholders, without paying more than is necessary.

The Company has developed a skills matrix to assist in the evaluation of prospective hires, which looks at factors such as the candidate's market and regulatory knowledge, management (including risk management) experience and financial services expertise.

Where the new appointment is replacing a previous Director, the total remuneration opportunity may be higher or lower than the previous Director. If the appointee is expected to develop into the role, the Committee may decide to appoint the new Director to the Board with a lower than standard package. Increases above those of comparable individuals may be awarded over time to move closer to market level as their experience and calibre develops.

Benefits will normally be limited to those outlined in the remuneration policy table above. However, additional benefits may be provided by the Company where the Committee considers it reasonable to do so in the circumstances, including where a Director is required to relocate to carry out their duties.

It is expected that the quantum and structure of the variable pay elements would reflect those set out in the policy table above. However, the Committee recognises that as a financial services company, it is competing for its talent with global firms. Consequently, the Committee considers it necessary that the recruitment policy has sufficient flexibility in order to attract the calibre of individual that the Company requires to grow a successful business. The Committee therefore reserves the right to exercise its discretion in awarding annual bonuses in excess of the 200% of target parameters and/or to set different performance metrics. Such awards would be an exception made for outstanding performance, contribution or similar circumstances and would only be used if the Committee believes such action is necessary to recruit and motivate a candidate from the global market.

Where an Executive Director is appointed from within the Group, the normal policy of the Company would be that any legacy arrangements are honoured in line with the original terms and conditions. The same would happen following an acquisition or merger with another company.

The Committee reserves the right to make appropriate remuneration decisions outside the standard policy to meet the individual circumstances necessary for recruitment when, for example, an interim appointment to fill an Executive Director role is made on a short-term basis.

The compensation packages for the Non-Executive Directors remained the same in 2016, and have not changed since the increase approved by the Committee in Q1 2015. In the event of the appointment of a new Chairman or Non-Executive Director, remuneration arrangements would usually be in line with these arrangements.

Service contracts

The key employment terms and conditions of John Vitalo, the Executive Director on the Board, as applicable in 2016, are set out below.

Provision	Policy
Notice period	Six months' written notice by either the Director or the Company.

Non-Executive Director letters of appointment

The Non-Executive Directors have letters of appointment which set out their duties and responsibilities and do not have service contracts with the Company.

Provision	Policy
Period	In accordance with the Code, the Non-Executive Directors are subject to annual re-election by shareholders at the AGM.
Termination	Non-Executive Directors or the Company can terminate the appointment by giving three months' notice.

Directors' service agreements are kept available for inspection at the Company's registered office.

Policy on payment for loss of office

In the event that an Executive Director's employment is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee and applicable legal requirements or exposures. The Company considers a variety of factors when considering leaving arrangements for an Executive Director, including individual and business performance, the obligation for the Director to mitigate loss in seeking alternative employment and other relevant circumstances, including health.

If an Executive Director's employment is terminated by the Company for gross misconduct, as defined in the relevant service agreement or letter of appointment, the Director will not be eligible to receive any bonus.

The Company would ordinarily not consider that Non-Executive Directors are eligible for payments for loss of office, but will again take account of all relevant factors before reaching a decision.

When setting Directors' notice periods, the Company takes into account such factors as market practice and the needs of both the Executive and the Company to have adequate notice of their exit from Atlas Mara.

The Committee does not directly consult with employees as part of the process in determining executive pay and there has been no consultation with the workforce regarding the content of the Remuneration Policy.

In determining executive pay, the Committee reviewed market data provided by several compensation consulting firms, including Deloitte, Willis Towers Watson, Ernst and Young and McLagan Partners. The information provides background and context for decision-making, but the Committee does not benchmark executive pay to match a particular market level.

Consideration of shareholders

The Committee will be mindful of shareholder views when evaluating and setting ongoing remuneration strategy and commits to shareholder consultation prior to any significant changes to our remuneration policy.

Annual Report on Remuneration

Single total figure of remuneration for each Director

	Salary and fees	Taxable benefits	Annual incentives	Long-term incentive awards	Pension	Other items in nature of remuneration	Total
Executive							
John Vitalo	$537,499 (Salary)[1] + $550,002 (Allowance)[2]	$44,184[3]	$0	$999,919[4]	n/a	n/a	$2,131,604

	Salary and fees	Taxable benefits	Annual incentives	Long-term incentive awards	Pension	Other items in nature of remuneration	Total
Non-Executive							
Arnold Ekpe	$150,000	n/a	n/a	n/a	n/a	n/a	$150,000
Rachel F. Robbins	$110,000	n/a	n/a	n/a	n/a	n/a	$110,000
Tonye Cole	$110,000	n/a	n/a	n/a	n/a	n/a	$110,000
Amadou Raimi	$125,000	n/a	n/a	n/a	n/a	n/a	$125,000
Funke Opeke	$110,000	n/a	n/a	n/a	n/a	n/a	$110,000
Eduardo C. Mondlane, Jr.	$110,000	n/a	n/a	n/a	n/a	n/a	$110,000
Robert E. Diamond, Jr.	n/a[5]	n/a	n/a	n/a	n/a	n/a	n/a
Ashish J. Thakkar	n/a[6]	n/a	n/a	n/a	n/a	n/a	n/a

Notes:
1. Salary converted from AED (1 US dollar = 3.673 AED). John Vitalo's salary on an annual basis is AED 1,974,233.
2. Allowance to be used for housing, car, education costs, utilities etc. is adjusted annually for local (Dubai) inflation (as determined by Atlas Mara) based on education, housing and utilities cost indices. Allowance is converted from AED. John Vitalo's allowance on an annual basis is AED 2,020,157.
3. For 2016, John Vitalo participated in the CIGNA Global Platinum Medical Plan.
4. This figure represents the total fair value of share options and restricted stock awarded to John Vitalo in 2016, and the value of share options and restricted stock awarded to John Vitalo in 2014 and 2015, which vested in 2016.
5. Robert E. Diamond, Jr. is not entitled to fees for his services as a Non-Executive Director. The Company will reimburse all expenses reasonably incurred by Robert E. Diamond, Jr. (including travel, accommodation and telephone calls) in undertaking his duties as a Non-Executive Director, including attendance at Board meetings, subject to appropriate evidence of expenditure.
6. Ashish J. Thakkar is not entitled to fees for his services as a Non-Executive Director. The Company will reimburse all expenses reasonably incurred by Ashish J. Thakkar (including travel, accommodation and telephone calls) in undertaking his duties as a Non-Executive Director, including attendance at Board meetings, subject to appropriate evidence of expenditure.

Total pension entitlements
Neither the Executive Director nor the Non-Executive Directors are entitled to pension allowance or benefit from the Company.

Scheme interests awarded
The tables below set out the scheme interests awarded to the Executive and Non-Executive Directors during 2014, 2015 and 2016.

Scheme interests awarded during 2014

Name	Type of interest awarded	Date of award	Number of shares	Performance conditions	Exercise price	Vesting
John Vitalo	Share options	11 September 2014	300,000 ordinary shares	The share options were conditional on the closing of the Company's first acquisition which had taken place by the time of grant	$11 per share	100,000 on 11 September 2014; 100,000 on the one-year anniversary of the grant date; 100,000 on the two-year anniversary of the grant date.

Scheme interests awarded during 2015

Name	Type of interest awarded	Date of award	Number of shares	Performance conditions	Exercise price	Vesting
John Vitalo	Share options	26 March 2015	500,000 ordinary shares	None	$7.18 per share	One-third on the first anniversary of the grant date; one-third on the second anniversary of the grant date; one-third on the third anniversary of the grant date.

Name	Type of interest awarded	Date of award	Number of shares	Performance conditions	Exercise price	Vesting
John Vitalo	Share options	27 April 2016	500,000 ordinary shares	None	$4.28 per share	One-third on the first anniversary of the grant date; one-third on the second anniversary of the grant date; one-third on the third anniversary of the grant date.

Equity interests awarded

The tables below set out the equity interests awarded to the Executive and Non-Executive Directors from 2014 through to 2016.[1]

Notes:

1. Equity interests in the form of share options, awarded to Arnold Ekpe, Tonye Cole and Rachel F. Robbins in December 2013, were cancelled in June 2016. In lieu of the cancelled options, each Director received ordinary shares in the Company of a value commensurate to these options. Arnold Ekpe received 2,505 ordinary shares in the Company in lieu of 50,000 cancelled share options. Tonye Cole received 1,878 ordinary shares in the Company in lieu of 37,500 cancelled share options. Rachel F. Robbins received 1,878 ordinary shares in the Company in lieu of 37,500 cancelled share options.

Equity interests awarded to Executive Directors: 2014 to 2016

Name	Type of interest awarded	Date of award	Number of shares	Performance conditions	Exercise price	Vesting
John Vitalo	Restricted shares	11 September 2014	300,482 ordinary shares	The shares were conditional on the closing of the Company's first acquisition	n/a	Vesting between grant and 1 April 2017[1]
John Vitalo	Restricted shares	27 April 2016	103,093 ordinary shares	None	n/a	One-third on the first anniversary of the grant date; one-third on the second anniversary of the grant date; one-third on the third anniversary of the grant date.

Notes:

1. Together with a 'balancing' share grant of an additional 482 shares to reflect the change in share price and FX rate from the date of John Vitalo's employment agreement to the date of the grant); 102,765 shares vested on grant, 87,741 shares vested on 1 April 2015, 65,805 shares to vest on 1 April 2016 and 44,171 shares to vest on 1 April 2017. The unvested portion of the share grant will, subject to limited expectations, be forfeited if John Vitalo is deemed a bad leaver prior to the relevant vesting date. The Company reserves the right to cancel, rescind, withhold, claw-back or otherwise limit or restrict the share grant if John Vitalo is not in compliance with all applicable provisions of his employment contract, or if John Vitalo breaches any agreement with the Company including, but not limited to, any agreement with respect to non-competition, non-solicitation or confidentiality.

Equity interests awarded to Non-Executive: 2015 and 2016[1]

Name	Type of interest awarded	Number of shares awarded in 2015	Number of shares awarded in 2016	Performance conditions	Exercise price	Vesting
Arnold Ekpe	Share awards	19,644 ordinary shares	56,861 ordinary shares[2]	The shares were issued as part of the Director's remuneration	n/a	n/a
Tonye Cole	Share awards	7,203 ordinary shares	21,809 ordinary shares[3]	The shares were issued as part of the Director's remuneration	n/a	n/a
Rachel F. Robbins	Share awards	7,203 ordinary shares	21,809 ordinary shares[4]	The shares were issued as part of the Director's remuneration	n/a	n/a
Funke Opeke	Share awards	7,203 ordinary shares	19,931 ordinary shares	The shares were issued as part of the Director's remuneration	n/a	n/a
Amadou Raimi	Share awards	8,185 ordinary shares	22,648 ordinary shares	The shares were issued as part of the Director's remuneration	n/a	n/a
Eduardo C. Mondlane, Jr.	Share awards	7,203 ordinary shares	19,931 ordinary shares	The shares were issued as part of the Director's remuneration	n/a	n/a

Notes:

1. All ordinary shares issued to the Independent Non-Executive Directors in 2015 and 2016 were awarded as part of their annual remuneration. The Chairman opted to receive 100% of his annual fee in the form of the Atlas Mara ordinary shares. The remaining five Independent Non-Executive Directors opted to receive 50% of their annual fee in the form of Atlas Mara ordinary shares.
2. This includes the 2,505 ordinary shares in the Company received by Arnold Ekpe in June 2016, in lieu of 50,000 cancelled share options.
3. This includes the 1,878 ordinary shares in the Company received by Tonye Cole in June 2016, in lieu of 37,500 cancelled share options.
4. This includes the 1,878 ordinary shares in the Company received by Rachel F. Robbins in June 2016, in lieu of 37,500 cancelled share options.

Stock options
As at 31 December 2016, none of the Non-Executive Directors on the Board hold equity interests in the form of stock options. The Global Share Plan, pursuant to which John Vitalo was granted share options, as outlined above, was adopted by the Board in June 2014. Shareholder approval was not sought at the time of adoption, given the need to act quickly and given the early stage in the Company, which had only been in operation for six months. Throughout 2016, the Global Share Plan adhered to the recommended 5%/10% limits on the issue of ordinary share capital prescribed by the IMA Principles of Remuneration. Shareholder approval will be sought prior to any amendment to such limits.

Payments for loss of office
In 2016, there were no payments to past Directors during the year.

In 2016, there were no payments to Directors for loss of office.

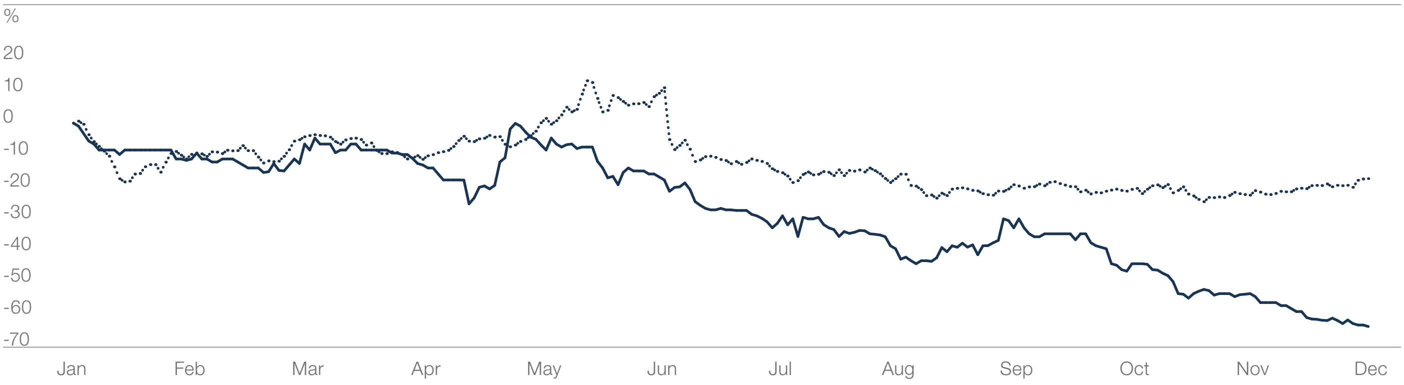
Statement of Directors' shareholding and share interests

Name	John F. Vitalo	Arnold Ekpe	Tonye Cole	Rachel F. Robbins	Amadou Raimi	Funke Opeke	Eduardo C. Mondlane, Jr.
Share options with performance conditions	–	–	–	–	–	–	–
Share options without performance conditions	1,300,000	–	–	–	–	–	–
Share awards with performance conditions	–	–	–	–	–	–	–
Share awards without performance conditions	403,575	76,505	29,012	29,012	30,833	27,134	27,134
Scheme interests in shares							
Vested but unexercised share options	466,667	–	–	–	–	–	–
Shares beneficially owned (including connected persons)	–	–	–	–	–	–	–
Total interest in shares	1,703,575	76,505	29,012	29,012	30,833	27,134	27,134
Share options exercised during the year	–	–	–	–	–	–	–

Performance-related remuneration for Executive Directors consists of two components
1. Annual cash bonus: Annual bonuses are established for Executive Directors, the awards for which are based on a number of factors including market competitive practice for their role and responsibilities. The actual award can generally vary from 0% to 200% of the target based on performance, although the Committee reserves the right to grant larger awards where appropriate based on its business judgement. It is intended that future bonus awards will be based on achievement of pre-determined performance metrics rather than being wholly discretionary.
2. Equity compensation: A material proportion of Executive Director compensation consists of share options and restricted shares – current grants are designed to vest in stages over three years. Since Atlas Mara is still in the early stages of its development, the Committee believes it would be premature to assign specific performance measures to the vesting schedule at this stage, but for future grants, consideration is being given to a performance-based long-term incentive plan.

The Committee considers that the current approach strikes a balance between affording flexibility for the Company, which is important in its early years and without detailed knowledge of how its business will develop, and for the Executive Director in seeking to attract talent to a company without a developed trading history. In particular, the Company has not required Directors to hold shares for a minimum period after leaving and considers that vesting of share options in less than three years is appropriate and necessary in the circumstances.

2016 Atlas Mara Total Shareholder Return graph



Note:
The 'Average' index consists of a simple average-based total shareholder return of the following peers: Guarantee Trust Bank Plc, Zenith Bank Plc, United Bank of Africa Plc, Access Bank Plc, Diamond Bank Plc, Equity Group Holdings Ltd (formerly Equity Bank Ltd), Kenya Commercial Bank Group Ltd, Barclays Africa Group Ltd, Standard Bank Group Ltd, and Ecobank Transnational Incorporated.

Percentage change in the remuneration of the Chief Executive Officer

Year	CEO single figure of total remuneration	CEO annual bonus	CEO long-term incentive plan vesting
Remuneration in 2015	$1,551,980 comprising $1,051,980 (salary and allowance) and $500,000 (bonus)	The 2015 annual bonus, paid in March 2015, is $500,000	$1,835,0801
Remuneration in 2016	$1,087,501 (salary and allowance)	There was no 2016 annual bonus paid	$999,919
Percentage change in remuneration	-30%	-100%	-45%

Additional remuneration disclosures

As a result of actions taken in February 2016, the composition mix for Executive Committee[1] compensation, relative to the prior year, was shifted to a greater portion of equity and less cash. Under the bonus deferral programme, the bonus structure of members of the Executive Committee was amended from a 100% cash structure to a 50% cash and 50% equity structure. The 50% equity portion will take the form of three-year time-vesting restricted shares of the Company.

For the six Executive Committee members employed as of 31 December 2016, Total Base Salaries were $2,499,622. No bonuses have been awarded to Executive Committee members in respect of 2016. The Executive Committee was granted 345,266 restricted shares during 2016, of which 180,413 were granted as bonuses for 2015, and 164,853 were granted to two member of the Executive Committee who joined the Company in January 2016.

The Executive Committee was granted 1,300,000 options in aggregate during 2016 of which 800,000 options were granted as bonuses for 2016, and 500,000 were granted to two members of the Executive Committee who joined the Company in January 2016. The Executive Committee was also granted 345,266 restricted shares during 2016, of which 180,413 were granted as bonuses for 2015 and 164,853 were granted to two members of the Executive Committee who joined the Company in January 2016.

Note:
1. Six Executive Committee members were employed as of 31 December 2016: John Vitalo, Beatrice Hamza Bassey, Arina McDonald, Eric Odhiambo, Chidi Okpala and Jonathan Muthige
   John Vitalo the former CEO will depart the firm after serving his contractual notice period of 6 months, which he began serving in February 2017

Statement of implementation of the remuneration policy in the following financial year

The Company's remuneration practices are managed in accordance with the remuneration policy as set out above.

Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee initially consisted of three Independent Non-Executive Directors immediately following its formation on 13 August 2014, Tonye Cole, Chairman of the Remuneration Committee, Rachel F. Robbins and Arnold Ekpe. The Board felt that it was important to have the benefit of Robert E. Diamond, Jr.'s significant experience and informed views on the Remuneration Committee and he was therefore appointed to it on 8 December 2014, notwithstanding that he is not considered independent for the purposes of the UK Corporate Governance Code.

As at the date of this Report, the Remuneration Committee comprises Eduardo C. Mondlane, Jr. (Chairman), Amadou Raimi, Tonye Cole and Robert E. Diamond, Jr. Arnold Ekpe stepped down from the Committee, effective 1 December 2016 following the end of his tenure. In order to rebalance the structure and composition of the Board Committees, Funke Opeke was moved from the Remuneration Committee, and appointed to join the Audit, Risk and Compliance Committee.

John Vitalo's compensation package was considered and set by the Board, prior to the establishment of the current Remuneration Committee. In 2016, the Remuneration Committee reviewed and confirmed the compensation packages of John Vitalo and other senior management staff. In making compensation decisions, the Committee receives written proposals from management that provides a narrative rationale and quantitative market data. While the Company utilised compensation consulting firms to obtain market data, the Committee relied on its own knowledge and business judgement to review management proposals and make compensation decisions.

The Remuneration Committee met six times in 2016. The work of the Remuneration Committee focused on the following matters:

– review of the Company's culture and values as they relate to executive compensation to ensure alignment with strategic objectives of the Company;
– implementation of a performance management programme for senior management, which includes objective and measurable key performance indicators for the CEO and other members of the Executive Committee;
– discussion of equity plan alternatives for the Company;
– discussion of key matters in human resources as reported regularly by the Head of Human Capital, including updates on staff headcount, recruitment, development, and disciplinary action;
– oversight of key Human Capital projects implemented in 2016, including rationalisation projects and efforts to improve and standardise Human Capital processes across the Group.
– review and approval of compensation packages, including pay ranges, bonuses and salary increases, for members of the Executive Committee and other staff;
– recruitment and approval of compensation arrangements for key new hires across the Group;
– discussion of alternative peer groups for executive compensation benchmarking and the Company's long-term incentive plan; and
– discussion of long-term incentive plan options for the Company.

Statement of voting at general meeting

At the AGM held on 9 June 2016, there were no remuneration matters put up for voting by the shareholders nor were there any concerns raised in relation to a report or policy.

Signed on behalf of the Board

Eduardo C. Mondlane, Jr.
Chairman of the Remuneration Committee

Directors' report

Corporate governance and incorporation by reference
DTR 7.2 requires that certain information be included in a corporate governance statement set out in the Directors' Report. The Corporate Governance Report on pages 45–54 forms part of this Directors' Report, and is included in it by reference.

For the purposes of compliance with DTR 4.1.5R(2), DTR 4.1.8R and DTR4.1.11R, the required content of the 'Management Report' can be found in the Overview, Strategic report, Governance and risk and this Directors' report.

Results
The consolidated statement of profit or loss shows a reported profit of $8.4 million.

Dividends
The Directors do not propose paying a dividend in respect of the year ended 31 December 2016.

Events after the reporting date
Please see pages 104 and 109 in the Financial statements, which are incorporated into this Report by reference.

Branches
Atlas Mara has subsidiaries and investments domiciled and/or operating in Botswana, Germany, Luxembourg, Mauritius, Mozambique, Nigeria, Rwanda, South Africa, Tanzania, United Arab Emirates, Zambia and Zimbabwe.

Financial risk management objectives and policies
Please see pages 38–40 in the Strategic report. These are incorporated into this Report by reference.

Change of control
The Company is party to the following contracts that are subject to change of control provisions in the event of a takeover bid. In connection with the placement of senior secured convertible notes due 2020 (the 'Bonds') the Company is party to contracts that give Bondholders the right to require redemption of their Bonds upon a change of control. In addition, a change of control triggers a downward adjustment to the conversion applicable to the Bonds for a limited period of time following the change of control. There are no agreements between the Company and its Directors or employees providing compensation for loss of office or employment that occurs because of a takeover bid. However, with respect to options granted to senior executive officers, the vesting of issued options is accelerated in the case of a change of control.

Significant contracts
Details of related party transactions are set out on pages 150 and 151 and are incorporated into this Report by reference.

Going concern
The going concern of the Company is dependent on successfully funding the balance sheet of Atlas Mara and its subsidiaries ('the Group') and maintaining adequate levels of capital. In order to satisfy themselves that the Company has adequate resources to continue to operate for the foreseeable future, the Directors have considered a number of key dependencies relating to funding, liquidity and capital. Having considered these, the Directors consider that it is appropriate to adopt the going concern basis in preparing the accounts.

Directors
The names and biographical details of the Directors are included on pages 42–44. Particulars of their emoluments and interests in shares in the Company are provided on pages 81–84 and these pages are incorporated into this Report by reference. The composition of the Board and dates of appointment are shown in the table below:

	Date of appointment		
Director	3 December 2013	21 August 2014	21 January 2015
Arnold Ekpe[1]	●		
Robert E. Diamond, Jr.	●		
Ashish J. Thakkar	●		
Tonye Cole	●		
Rachel F. Robbins	●		
John F. Vitalo[2]		●	
Eduardo C. Mondlane, Jr.			●
Funke Opeke			●
Amadou Raimi			●

Notes:
1. Arnold Ekpe stepped down from the Board following the end of his tenure, effective 1 December 2016.
2. John F. Vitalo stepped down as CEO and from the Board of the Company, effective 15 February 2017.

Directors' indemnities
As at the date of this Report, indemnities granted by the Company to the Directors are in force to the extent permitted under BVI law. The Company also maintains Directors' and Officers' liability insurance, the level of which is reviewed annually.

Rights to appoint and remove Directors
Subject to the BVI Companies Act and the Articles, the Directors shall have power at any time, and from time to time, without sanction of the members, to appoint any person to be a Director, either to fill a casual vacancy or as an additional Director. Subject to the BVI Companies Act and the Articles, the members may by a Resolution of Members appoint any person as a Director and remove any person from office as a Director.

For so long as an initial holder of Founder Preferred Shares (being a Founding Entity together with its affiliates) holds 20% or more of the Founder Preferred Shares in issue, such holder shall be entitled to nominate a person as a Director of the Company and the Directors shall appoint such person. In the event such holder notifies the Company to remove any Director nominated by him the other Directors shall remove such Director, and in the event of such a removal the relevant holder shall have the right to nominate a Director to fill such vacancy.

Powers of the Directors
Subject to the provisions of the BVI Companies Act and the Articles, the business and affairs of the Company shall be managed by, or under the direction or supervision of, the Directors. The Directors have all the powers necessary for managing, and for directing and supervising, the business and affairs of the Company. The Directors may exercise all the powers of the Company to borrow or raise money (including the power to borrow for the purpose of redeeming shares) and secure any debt or obligation of or binding on the Company in any manner including by the issue of debentures (perpetual or otherwise) and to secure the repayment of any money borrowed, raised or owing by mortgage charge pledge or lien upon the whole or any part of the Company's undertaking property or assets (whether present or future) and also by a similar mortgage charge pledge or lien to secure and guarantee the performance of any obligation or liability undertaken by the Company or any third party.

Substantial shareholders
As at 28 March 2016, the Company has been notified of the following significant holdings (being 5% or more of the voting rights in the Company) in the Company's ordinary share capital.

Shareholder	Number of ordinary shares[1]	% fully diluted interest[1]	Transaction date[1]
Guggenheim Partners Investment Management	5,000,000	11.22	21/08/2014
Wellington Management Company, LLP	6,952,805	9.91	19/01/2017
Owl Creek Asset Management, LP	2,500,000	7.99	17/12/2013
Trafigura Holding Limited	4,039,037	6.23	27/08/2014
UBS Asset Management: O'Connor	4,354,909	5.62	22/02/2017
Barclays Capital Securities	4,164,800	5.38	22/02/2017
Janus Capital Management LLC	2,632,710	3.92	16/03/2017

Note:
1. Per public TR-1 filings with the Financial Conduct Authority.

Share capital

General

As at 31 December 2016, the Company had in issue 76,057,135 ordinary shares of no par value, 1,250,000 Founder Preferred Shares of no par value and 32,529,500 warrants.
As at 28 March 2017 (the latest practicable date prior to the publication of this document) the Company had a total number of 32,529,500 warrants in issue, and a total number of 83,092,069 ordinary shares in issue, of which 2,339,080 are held in treasury and 3,298,298 are held in escrow as part of the contingent consideration for the acquisition of Finance Bank Zambia Limited.

Founder Preferred Shares

Details of the Founder Preferred Shares can be found in note 1 on page 103 and are incorporated into this Report by reference.

The Directors' and Executive Committee beneficial shareholding as of 31 December 2016 is as follows:
– Bob Diamond, 1,754,032 shares representing 2.5%
– John F. Vitalo, 363,054 shares representing 0.5%
– Ashish J. Thakkar, 93,760 shares representing 0.1%
– The aggregate Executive Committee beneficial shareholding (excluding John F. Vitalo) is 353,368 shares, representing 0.46%.

Authority to Purchase Own Shares

On 11 May 2015, the Board of Directors renewed the authority to repurchase up to 10% of the Company's issued share capital. During the period ended 31 December 2016, the Company repurchased 631,832 ordinary shares. The authority conferred to repurchase the Company's own shares expired at the conclusion of the AGM, which was held on 9 June 2016.

Securities carrying special rights

Save as disclosed above in relation to the Founder Preferred Shares, no person holds securities in the Company carrying special rights with regard to control of the Company.

Voting rights

Holders of ordinary shares will have the right to receive notice of and to attend and vote at any meetings of members. Each holder of ordinary shares being present in person or by proxy at a meeting will, upon a show of hands, have one vote and upon a poll each such holder of ordinary shares present in person or by proxy will have one vote for each ordinary share held by him.

In the case of joint holders of a share, if two or more persons hold shares jointly each of them may be present in person or by proxy at a meeting of members and may speak as a member, if only one of the joint owners is present he may vote on behalf of all joint owners, and if two or more joint holders are present at a meeting of members, in person or by proxy, they must vote as one.

Restrictions on voting

No member shall, if the Directors so determine, be entitled in respect of any share held by him to attend or vote (either personally or by proxy) at any meeting of members or separate class meeting of the Company or to exercise any other right conferred by membership in relation to any such meeting if he or any other person appearing to be interested in such shares has failed to comply with a notice requiring the disclosure of shareholder interests and given in accordance with the Articles within 14 calendar days, in a case where the shares in question represent at least 0.25% of their class, or within seven days, in any other case, from the date of such notice. These restrictions will continue until the information required by the notice is supplied to the Company or until the shares in question are transferred or sold in circumstances specified for this purpose in the Articles.

Transfer of shares

Subject to the BVI Companies Act and the terms of the Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Directors may approve. The Directors may accept such evidence of title of the transfer of shares (or interests in shares) held in uncertificated form (including in the form of depositary interests or similar interests, instruments or securities) as they shall in their discretion determine. The Directors may permit such shares or interests in shares held in uncertificated form to be transferred by means of a relevant system of holding and transferring shares (or interests in shares) in uncertificated form. No transfer of shares will be registered if, in the reasonable determination of the Directors, the transferee is or may be a Prohibited Person (as defined in the Articles), or is or may be holding such shares on behalf of a beneficial owner who is or may be a Prohibited Person. The Directors shall have power to implement and/or approve any arrangements they may, in their absolute discretion, think fit in relation to the evidencing of title to and transfer of interests in shares in the Company in uncertificated form (including in the form of depositary interests or similar interests, instruments or securities).

Independent auditor and audit information

Each person who is a Director at the date of approval of this report confirms that, so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual General Meeting

The AGM of the Company will be held in New York City at 375 Park Avenue (21st floor), New York, NY, 10152 on 31 May 2017. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. The Notice of the AGM is being mailed out at the same time as this Report is being made available on the Company's website. The Notice of the AGM sets out the business of the meeting and explanatory notes on all resolutions. Separate resolutions will be proposed in respect of each substantive issue. The Chairman of the Board and the Chairpersons of the Board Committees will be available to answer shareholders' questions.

Statement of Directors' responsibilities

The Directors of Atlas Mara have accepted responsibility for the preparation of these non-statutory consolidated accounts for the period ended 31 December 2016 which are intended by them to give a true and fair view of the state of affairs of the Group and of the profit for that period. The Directors have decided to prepare the non-statutory consolidated accounts in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU').

In preparing these non-statutory accounts, the Directors have:
- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepared the non-statutory accounts on the going concern basis as they believe that the Group will continue in business.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

A copy of the financial statements is placed on our website http://atlasmara.com. The Directors are responsible for the maintenance and integrity of the Company's website.

Each of the current Directors, who are in office and whose names and functions are listed on pages 42–44 of this Annual Report, confirm that, to the best of his or her knowledge:
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the management report contained in the CFO review and the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that they face.

The Directors consider that the Annual Report, inclusive of the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Signed on behalf of the Board

Bob Diamond
Chairman and Co-Founder

Independent Auditor's report

We have audited the non-statutory consolidated accounts of Atlas Mara Limited for the year ended 31 December 2016 set out on pages 90–162 and marked as audited on pages 60–74. These non-statutory consolidated accounts have been prepared for the reasons set out in the note Basis of preparation on page 98 to the non-statutory consolidated accounts and on the basis of the financial reporting framework International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU').

Our report has been prepared for the Company solely in connection with meeting the requirements of the Disclosure and Transparency Rules of the UK's Financial Conduct Authority. It has been released to the Company on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the Company's own internal purposes) or in part, without our prior written consent.

Our report was designed to meet the agreed requirements of the Company determined by the Company's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company for any purpose or in any context. Any party other than the Company who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG Inc will accept no responsibility or liability in respect of our report to any other party.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 88, the directors are responsible for the preparation of these non-statutory consolidated accounts, which are intended by them to give a true and fair view.

Our responsibility is to audit, and express an opinion on, these non-statutory consolidated accounts in accordance with the terms of our engagement letter dated 18 July 2016 and International Standards on Auditing (UK and Ireland).

Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the non-statutory accounts

An audit involves obtaining evidence about the amounts and disclosures in the non-statutory consolidated accounts sufficient to give reasonable assurance that the non-statutory consolidated accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the non-statutory consolidated accounts.

In addition we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited non-statutory consolidated accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on non-statutory accounts

In our opinion the non-statutory consolidated accounts:

- give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of its profit for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the EU.

KPMG Inc
Pierre Fourie
Registered Auditor

31 March 2017

Consolidated statement of financial position

at 31 December 2016

	Notes	**31 December 2016 $'000**	31 December 2015 $'000
Assets			
Cash and short-term funds	23	**406,325**	320,682
Financial assets held for trading	15	**101,727**	190,231
Financial assets designated at fair value	16	**13,868**	13,343
Derivative financial assets	18	**6,323**	1,893
Loans and advances	11	**1,334,763**	1,229,438
Investment securities	17	**237,192**	21,580
Prepayments and other receivables		**62,244**	47,901
Current tax assets		**5,633**	4,618
Investment in associates	8	**293,980**	398,423
Property and equipment		**92,428**	64,518
Investment property		**17,318**	11,979
Other intangible assets	9	**84,435**	56,633
Deferred tax assets	24.3	**14,323**	8,130
Goodwill on acquisition	9	**83,800**	82,736
Non-current assets held for sale	26	**1,633**	–
Total assets		**2,755,992**	2,452,105
Equity and liabilities			
Deposits	4	**1,799,443**	1,436,148
Derivative financial liabilities	18	**5,770**	5,191
Creditors and accruals	21	**74,599**	64,824
Current tax liabilities		**4,463**	2,805
Deferred tax liability	24.3	**23,088**	15,396
Borrowed funds	3	**322,574**	302,215
Total liabilities		**2,229,937**	1,826,579
Founder Preference Shares	1	**12,500**	12,500
Ordinary share capital	1	**773,213**	772,204
Capital reserves		**45,840**	18,098
Accumulated loss		**(46,676)**	(53,230)
Available-for-sale reserves		**(744)**	325
Foreign currency translation reserve		**(251,503)**	(94,125)
Treasury shares		**(26,085)**	(25,563)
Equity attributable to ordinary shareholders		**506,545**	630,209
Non-controlling interest		**19,510**	(4,683)
Total equity		**526,055**	625,526
Total equity and liabilities		**2,755,992**	2,452,105

Consolidated statement of profit or loss

for the year ended 31 December 2016

	Notes	**31 December 2016 $'000**	31 December 2015 $'000
Interest and similar income	14	**247,052**	245,356
Interest and similar expense	5	**(119,811)**	(138,951)
Net interest income		**127,241**	106,405
Loan impairment charges	12	**(15,448)**	(12,042)
Net interest income after loan impairment charges		**111,793**	94,363
Non-interest income	19	**114,499**	98,747
Share of profit of associates	8	**17,926**	20,282
Total operating income		**244,218**	213,392
Operating expenses	20	**(223,068)**	(184,896)
Transaction and integration expenses	7	**(11,783)**	(9,315)
Profit before tax		**9,367**	19,181
Income tax expense	24.1	**(78)**	(6,820)
Profit for the period		**9,289**	12,361
Attributable to:			
Ordinary shareholders		**8,402**	11,251
Non-controlling interests		**887**	1,110
		9,289	12,361
Basic earnings per share ($)	28	**0.12**	0.16
Diluted earnings per share ($)	28	**0.12**	0.16

Consolidated statement of other comprehensive income

for the year ended 31 December 2016

	31 December 2016 $'000	31 December 2015 $'000
Profit for the period:	**9,289**	12,361
Other comprehensive income to be reclassified to profit/loss in subsequent periods:	**(151,638)**	(77,599)
Exchange differences on translating foreign operations	**(159,423)**	(88,232)
Available-for-sale financial assets – net change in fair value	**(3,406)**	481
Equity-accounted investees	**11,191**	13,648
Net loss on hedge of the net investment in foreign operations	**–**	(3,496)
Other comprehensive income not to be reclassified to profit/loss in subsequent periods:	**2,959**	3,397
Revaluation of land and buildings	**2,959**	3,397
Total comprehensive income for the period, net of tax	**(139,390)**	(61,841)
Total comprehensive income attributable to:		
Ordinary shareholders	**(138,677)**	(64,012)
Non-controlling interests	**(713)**	2,171
	(139,390)	(61,841)

Consolidated statement of changes in equity

for the year ended 31 December 2016

	Founder Preference Shares $'000	Ordinary share capital $'000	Capital reserves[1] $'000
Opening balance as at 1 January 2015	**12,500**	**772,204**	**(12,211)**
Results for the period	–	–	–
Other comprehensive income:			
Exchange differences on translating foreign operations	–	–	–
Net loss on hedge of net investment in foreign operations	–	–	–
Revaluation of property net of deferred tax	–	–	3,397
Movement in available-for-sale reserves	–	–	21
Equity-accounted investees	–	–	–
Total comprehensive income	–	–	3,418
Transactions with owners			
Employee share awards	–	–	2,946
Issue of ordinary shares to Directors	–	–	–
Equity portion of convertible debt issued	–	–	14,066
Non-controlling interests acquired	–	–	–
Fair value of non-controlling interest settled	–	–	(5,132)
Movements in non-distributable reserves	–	–	15,011
Movements in treasury shares	–	–	–
Closing balance as at 31 December 2015	**12,500**	**772,204**	**18,098**
Opening balance as at 1 January 2016	**12,500**	**772,204**	**18,098**
Results for the period	–	–	–
Other comprehensive income:			
Exchange differences on translating foreign operations	–	–	–
Net loss on hedge of net investment in foreign operations	–	–	–
Revaluation of property net of deferred tax	–	–	2,959
Movement in available-for-sale reserves	–	–	(120)
Equity-accounted investees	–	–	–
Total comprehensive income	–	–	2,839
Transactions with owners			
Employee share awards	–	–	2,389
Issue of ordinary shares to Directors	–	–	–
Shares issued on acquisition	–	1,009	–
Equity portion of convertible debt issued	–	–	3,409
Non-controlling interests acquired	–	–	(126)
Fair value of non-controlling interest settled	–	–	–
Movements in non-distributable reserves	–	–	8,094
Conditional shares to be issued on acquisition	–	–	11,137
Movements in treasury shares	–	–	–
Closing balance as at 31 December 2016	**12,500**	**773,213**	**45,840**

Notes:

1. Capital reserves consists of the following:
   – The credit risk reserve represents an appropriation from retained earnings to comply with the Countries Central Bank Regulations. The balance in the reserve represents the excess of impairment provisions determined in accordance with Central Bank regulations over the impairment provisions recognised in accordance with IFRSs. The reserve is not distributable.
   – Equity-settled share-based payment reserve.

Available-for-sale reserves $'000	Foreign currency translation reserve $'000	Treasury shares[2] $'000	Accumulated loss $'000	Equity attributable to ordinary shareholders $'000	Non-controlling interests $'000	Total equity $'000
13	(1,483)	(19,967)	(63,119)	687,937	(5,511)	682,426
–	–	–	11,251	11,251	1,110	12,361
–	(89,146)	–	–	(89,146)	914	(88,232)
–	(3,496)	–	–	(3,496)	–	(3,496)
–	–	–	–	3,397	–	3,397
–	–	–	460	481	–	481
312	–	–	13,189	13,501	147	13,648
312	(92,642)	–	24,900	(64,012)	2,171	(61,841)
–	–	1,916	–	4,862	–	4,862
–	–	324	–	324	–	324
–	–	–	–	14,066	–	14,066
–	–	–	–	–	(6,475)	(6,475)
–	–	–	–	(5,132)	5,132	–
–	–	–	(15,011)	–	–	–
–	–	(7,836)	–	(7,836)	–	(7,836)
325	(94,125)	(25,563)	(53,230)	630,209	(4,683)	625,526
325	(94,125)	(25,563)	(53,230)	630,209	(4,683)	625,526
–	–	–	8,402	8,402	887	9,289
–	(157,378)	–	–	(157,378)	(2,045)	(159,423)
–	–	–	–	–	–	–
–	–	–	–	2,959	–	2,959
(1,069)	–	–	(2,662)	(3,851)	445	(3,406)
–	–	–	11,191	11,191	–	11,191
(1,069)	(157,378)	–	16,931	(138,677)	(713)	(139,390)
–	–	2,555	–	4,944	–	4,944
–	–	–	–	–	–	–
–	–	–	–	1,009	–	1,009
–	–	–	–	3,409	–	3,409
–	–	–	–	(126)	25,395	25,269
–	–	–	–	–	–	–
–	–	–	(10,377)	(2,283)	(489)	(2,772)
–	–	–	–	11,137	–	11,137
–	–	(3,077)	–	(3,077)	–	(3,077)
(744)	(251,503)	(26,085)	(46,676)	506,545	19,510	526,055

– The revaluation reserve represents the revaluation surplus on the revaluation of property for the year.
– The equity portion of the convertible bond represents the equity component of the compound instrument. This has been measured as the residual amount which is the issued price less the fair value of the liability component.

2. Treasury shares: Treasury shares comprise the cost of the Company's own shares held by subsidiaries.

Consolidated statement of cash flows
for the year ended 31 December 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities		**89,493**	(88,381)
Cash utilised in operating activities		**(6,653)**	(25,250)
Profit before tax		**9,367**	19,181
Adjusted for:			
Fair value adjustment		**(4,428)**	(20,151)
Foreign exchange gains		**(8,046)**	(14,511)
Loan impairment charges	12	**15,448**	12,042
Depreciation and amortisation	20	**21,175**	17,295
Net losses/(gains) on derivative financial instruments		**667**	(1,725)
Net gains on financial instruments at fair value through profit/loss		**(25,736)**	(18,949)
Share of profit of associates	8	**(17,926)**	(20,282)
Re-measurement of investment property		**(306)**	(3,036)
Bargain purchase accounted for in the statement of profit/loss		**(1,811)**	–
Equity-settled share-based payment transactions		**4,943**	4,886
Tax paid		**(7,810)**	(6,996)
Net cash outflow from operating activities before changes in operating funds		**(14,463)**	(32,246)
Net increase/(decrease) in operating funds		**103,956**	(56,065)
Decrease/(increase) in operating assets		**161,566**	(218,902)
(Decrease)/increase in operating liabilities		**(57,610)**	162,837
Cash flow from investing activities		**9,369**	58,509
Purchase of property and equipment		**(488)**	(8,820)
Purchase of investment property		**(545)**	(2,167)
Purchase of intangible assets		**(1,595)**	(6,724)
Additions to associates	8	**–**	(8,823)
Financial assets designated at fair value		**7,116**	17,432
Financial assets held for trading		**105,099**	(65,251)
Investment securities		**(140,822)**	124,041
Proceeds from sale of disposal group held for sale		**–**	9,083
Proceeds on disposal of property and equipment		**–**	4,457
Net cash inflow/(outflow) resulting from acquisition of subsidiaries		**40,604**	(4,719)
Cash flow from financing activities		**(2,670)**	18,017
Purchase of treasury shares		**(3,076)**	–
Increase in borrowed funds		**406**	18,017
Increase/(decrease) in cash and cash equivalents		**96,192**	(11,855)
Cash and cash equivalents at the beginning of the period		**320,682**	409,785
Exchange rate adjustment on opening balance		**(10,549)**	(77,248)
Cash and cash equivalents at the end of the period		**406,325**	320,682
Cash and short-term funds	23	**406,325**	320,682
Cash and cash equivalents		**285,157**	243,025
Statutory reserve balances		**121,168**	77,657

Segmental report
for the year ended 31 December 2016

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

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

Atlas Mara identifies segments based on the geography of operating banks. All entities and/or consolidation adjustments not part of operating banks, are included as 'Corporate'. Business unit segmentation (retail and corporate) within geographies are determined by revenue drivers relating to client segmentation within each operating entity. Operating banks in each geography are aggregated. All consolidation entries are included in 'Corporate'.

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties. During 2015, the Group designed and implemented a new transfer pricing policy that is in line with OECD requirements. The policy is in the implementation stage and currently undergoing regulatory approval at operational country level. The impact of this policy is that in addition to formalising the manner in which arm's-length is determined, it is also in line with both Group and country-level tax and regulatory best practice.

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

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

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

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

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

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

Main products include
- Transactional accounts
- Business accounts
- Savings accounts
- Prepaid cards
- Overdrafts
- Term lending
- Mortgage loans
- Vehicle and asset finance
- Unsecured personal lending/payroll deduction lending
- Fixed term deposits
- Call deposits
- Forex, bond and fixed income trading

The Group operates on a universal product offering across countries, managed by a New Products Committee. Exceptions could occur when new products are tested in an individual country before being rolled out across the Group.

No one client contributes more than 10% of total Group revenue.

Segmental report continued
for the year ended 31 December 2016

Statement of profit or loss

	31 December 2016						
	Southern Africa[1]		East Africa[2]		West Africa[3]	Corporate[4]	
	Retail $'000	Corporate $'000	Retail $'000	Corporate $'000	Corporate $'000	Corporate $'000	Total $'000
Interest and similar income	**97,524**	**84,189**	**53,567**	**11,601**	**–**	**171**	**247,052**
Interest and similar expense	**(48,718)**	**(38,325)**	**(14,450)**	**(11,382)**	**–**	**(6,936)**	**(119,811)**
Net interest income	**48,806**	**45,864**	**39,117**	**219**	**–**	**(6,765)**	**127,241**
Loan impairment charges	**(11,946)**	**402**	**(5,247)**	**1,343**	**–**	**–**	**(15,448)**
Income/(loss) from lending activities	**36,860**	**46,266**	**33,870**	**1,562**	**–**	**(6,765)**	**111,793**
Non-interest income	**29,841**	**40,774**	**10,786**	**7,204**	**–**	**25,894**	**114,499**
Total operating income	**66,701**	**87,040**	**44,656**	**8,766**	**–**	**19,129**	**226,292**
Operating expenses	**(101,949)**	**(54,523)**	**(45,262)**	**(5,107)**	**–**	**(28,010)**	**(234,851)**
Net income from operations	**(35,248)**	**32,517**	**(606)**	**3,659**	**–**	**(8,881)**	**(8,559)**
Share of profit of associates	**–**	**(244)**	**–**	**103**	**18,067**	**–**	**17,926**
Profit/(loss) before tax	**(35,248)**	**32,273**	**(606)**	**3,762**	**18,067**	**(8,881)**	**9,367**
Income tax expense	**9,239**	**(11,119)**	**(354)**	**1,361**	**–**	**795**	**(78)**
Profit/(loss) for the year	**(26,009)**	**21,154**	**(960)**	**5,123**	**18,067**	**(8,086)**	**9,289**
Non-controlling interest	**–**	**–**	**656**	**(1,543)**	**–**	**–**	**(887)**
Profit/(loss) attributable to ordinary shareholders	**(26,009)**	**21,154**	**(304)**	**3,580**	**18,067**	**(8,086)**	**8,402**

	31 December 2015						
	Southern Africa[1]		East Africa[2]		West Africa[3]	Corporate[4]	
	Retail $'000	Corporate $'000	Retail $'000	Corporate $'000	Corporate $'000	Corporate $'000	Total $'000
Interest and similar income	114,305	98,220	20,999	11,802	–	30	245,356
Interest and similar expense	(53,821)	(52,459)	(8,204)	(11,857)	–	(12,610)	(138,951)
Net interest income	60,484	45,761	12,795	(55)	–	(12,580)	106,405
Loan impairment charges	(6,174)	(6,224)	354	2	–	–	(12,042)
Income/(loss) from lending activities	54,310	39,537	13,149	(53)	–	(12,580)	94,363
Non-interest income	43,299	31,696	381	1,028	–	22,343	98,747
Total operating income	97,609	71,233	13,530	975	–	9,763	193,110
Operating expenses	(83,170)	(53,151)	(11,878)	(5,870)	–	(40,142)	(194,211)
Net income from operations	14,439	18,082	1,652	(4,895)	–	(30,379)	(1,101)
Share of profit of associates	–	(99)	–	–	20,175	206	20,282
Profit/(loss) before tax	14,439	17,983	1,652	(4,895)	20,175	(30,173)	19,181
Income tax expense	(3,233)	(5,185)	(104)	(56)	–	1,758	(6,820)
Profit/(loss) for the year	11,206	12,798	1,548	(4,951)	20,175	(28,415)	12,361
Non-controlling interest	–	(2,389)	(20)	1,303	–	(4)	(1,110)
Profit/(loss) attributable to ordinary shareholders	11,206	10,409	1,528	(3,648)	20,175	(28,419)	11,251

Notes:
1. Southern Africa segment includes South Africa, Zambia, Zimbabwe, Botswana and Mozambique.
2. East Africa segment includes Rwanda and Tanzania.
3. West Africa segment includes the investment in associate (UBN).
4. Corporate segment includes Dubai, Germany, BVI, Mauritius and all other regions.

Inter-segment management fees of $14 million between Corporate and Southern Africa ($10 million) and East Africa ($4 million) are eliminated on consolidation.

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

Statement of financial position

	31 December 2016						
	Southern Africa[1]		East Africa[2]		West Africa[3]	Corporate[4]	
	Retail $'000	Corporate $'000	Retail $'000	Corporate $'000	Corporate $'000	Corporate $'000	Total $'000
Loans and advances	**600 430**	**445 588**	**253 249**	**33 803**	**–**	**1,693**	**1,334,763**
Total assets	**709 905**	**1 185 556**	**356 683**	**119 220**	**291 353**	**93,275**	**2,755,992**
Deposits	**294 959**	**1 136 622**	**255 999**	**111 863**	**–**	**–**	**1,799,443**
Total liabilities	**713 044**	**1 086 471**	**304 209**	**100 664**	**–**	**25,549**	**2,229,937**

	31 December 2015						
	Southern Africa[1]		East Africa[2]		West Africa[3]	Corporate[4]	
	Retail $'000	Corporate $'000	Retail $'000	Corporate $'000	Corporate $'000	Corporate $'000	Total $'000
Loans and advances	578,429	521,875	94,184	35,589	–	(639)	1,229,438
Total assets	632,828	1,010,154	126,724	114,872	395,948	171,579	2,452,105
Deposits	238,938	1,009,584	60,401	127,225	–	–	1,436,148
Total liabilities	602,410	939,830	107,489	102,035	–	74,815	1,826,579

Notes:
1. Southern Africa segment includes South Africa, Zambia, Zimbabwe, Botswana and Mozambique.
2. East Africa segment includes Rwanda and Tanzania.
3. West Africa segment includes the investment in associate (UBN).
4. Corporate segment includes Dubai, Germany, BVI, Mauritius and all other regions.

Significant accounting policies

for the year ended 31 December 2016

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

i. Reporting entity

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

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

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

During 2016 Atlas Mara acquired a controlling stake in Banque Populaire Du Rwanda Limited and Finance Bank Zambia Limited. The results of these operations have been consolidated into the Group results from the respective effective dates of acquisition as set out in note 6.

ii. Compliance with IFRS

The consolidated financial statements of the Group (the 'financial statements') have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee ('IFRIC') interpretations as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU').

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

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

As at 31 December 2016, there were no unendorsed standards effective for the year ended 31 December 2016 that affect these consolidated financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Group.

iii. Basis of preparation

The financial statements have been prepared on a historical cost basis except for financial assets held for trading, financial assets designated at fair value, derivative financial instruments, investment securities (available-for-sale instruments), property, investment property and a portion of borrowed funds which are measured at fair value.

Going concern

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

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

The Directors' assessment of Going Concern was based on the Group's forecasts, covering the period 2017-2018, which have been considered by the Group's Board of Directors, and included a particular focus on the 12-month period following the date of publication of the financial statements. The Group's forecasts are based on bottom-up financial forecasts for the existing Group, which have been approved by the boards of subsidiaries and associates and include a detailed review of known and potential risks and factors mitigating such risk events.

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

In addition, the Directors considered forecasts for the Parent company itself. In this regard, the recent equity placement to fund growth initiatives also supported the overall cash availability for the Parent company as well as several other fundraising initiatives either in place or under way. The restructuring at the Parent company executed during the first quarter, with the consequential reduction in operating and staff costs, further supports the assumptions around a much reduced cash requirement at the Parent company materially.

iv. Use of estimates and judgements

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

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

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

– fair value of financial instruments (notes 3, 10 and 29);
– fair value of assets and liabilities acquired in business combinations (note 6);
– assessment of the investment in associates for impairment (note 8);
– assessment of goodwill and intangible assets for impairment (note 9);
– loan impairment charges (note 12);
– share-based payment valuations (note 22); and
– recognition of deferred tax assets (note 24).

v. Foreign currency translation

Functional and presentation currency

The capital raised in the IPO was in US dollars and the intended dividends and distributions to be paid to shareholders are to be in US dollars. The Directors consider US dollars as the currency that represents the economic effects of the underlying transactions, events and conditions. The financial statements of the Company are presented in US dollars, which is also the Company's functional currency. The presentation currency of the Group is also US dollars.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

In the consolidated financial statements, the assets and liabilities of branches, subsidiaries, joint ventures and associates whose functional currency is not US dollars are translated into the Group's presentation currency at the rate of exchange at the statement of financial position date, while their results are translated into US dollars at the average rates of exchange for the reporting period.

Exchange differences arising from the retranslation of opening foreign currency net assets, and the retranslation of the results for the reporting period from the average rate to the exchange rate at the period end, are recognised in other comprehensive income ('OCI').

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into US dollars at the spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into US dollars at the spot exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI, and accumulated in the foreign currency translation reserve ('FCTR'), except to the extent that the translation difference is allocated to non-controlling interest ('NCI').

vi. Financial assets and liabilities

Initial recognition, measurement and derecognition

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised in profit or loss, until the instrument is disposed of or is determined to be impaired, at which time the gain or loss is included in the profit or loss for the period.

Financial assets are derecognised when rights to receive cash flows from the financial asset have expired or where the Group has transferred substantially all contractual risks and rewards of ownership. The Group derecognises financial liabilities when its contractual obligations are discharged, cancelled, or expire.

Financial instruments are measured initially at fair value. For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument. Transaction costs on financial instruments at fair value through profit or loss are immediately recognised in profit or loss.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Subsequent to initial recognition, the Group measures financial instruments as follows:

Financial liabilities

Financial liabilities comprise creditors and accruals, deposits, derivative financial liabilities, borrowed funds and loans from Group companies.

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities.

Financial liabilities at fair value through profit or loss are classified as such where the financial liability is either held for trading (derivative financial liabilities) or it is designated as at fair value through profit or loss (borrowed funds).

The Group derecognises financial liabilities when its contractual obligations are discharged, expired or cancelled.

Other financial liabilities, comprising of creditors and accruals, deposits, borrowed funds and loans from Group companies, are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Transaction costs are included in the initial measurement and accounted for in profit or loss as part of the effective interest.

Financial assets

Financial assets comprise cash and short-term funds, financial assets held for trading, financial assets designated at fair value, derivative financial assets, loans and other advances, investment securities and loans to Group companies.

The Group classifies financial assets as loans and receivables, as at fair value through profit or loss, held-to-maturity or available-for-sale.

Loans and receivables

Loans and receivables include loans and advances and loans to Group companies.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment.

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 within loan impairment charges. When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against loan impairment charge in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from date of acquisition including cash on hand and demand deposits and other highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents is measured at amortised cost and approximates fair value due to the short-term nature of these instruments.

Financial assets at fair value through profit or loss

Held for trading financial assets
Financial assets are classified as held for trading if they have been acquired or incurred principally for the purpose of selling or repurchasing in the near term, or on initial recognition they are part of an identified portfolio of identifiable financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Subsequent gains and losses arising from changes in fair value are recognised in profit or loss.

Financial instruments designated at fair value
Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below. These instruments are designated at inception and this designation is irrevocable. Instruments may be designated at fair value when the designation:
– eliminates or significantly reduces measurement or recognition mismatches that would otherwise arise from measuring financial instruments or recognising gains and losses on different bases from related positions. Designation at fair value of the financial assets and related liabilities allows the changes in fair values to be recorded in the statement of profit or loss and presented in the same line; and
– applies to groups of financial instruments that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management strategy, and where information about the groups of financial instruments is reported to management on that basis.

Subsequent gains and losses arising from changes in fair value are recognised in profit or loss.

Held-to-maturity financial assets
If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. These financial assets are initially measured at fair value plus direct transaction costs.

Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment.

Available-for-sale financial assets
Financial assets are available-for-sale financial assets if they are non-derivative and not classified as ‘loans and receivables’, ‘held-to-maturity’ or ‘at fair value through profit or loss’.

Available-for-sale assets are measured at fair value with gains and losses arising from changes in fair value recognised in OCI. When an asset is derecognised or impaired, the cumulative gain or loss recognised in OCI is reclassified from equity to profit or loss.

Derivative financial assets and liabilities
A derivative is a financial instrument with the following characteristics:
– its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable;
– it requires no initial net investment, or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
– it is settled at a future date.

Derivatives are normally recorded in the statement of financial position at fair value with any changes in value reported in profit or loss.

Effective interest method
Interest income and expense are recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, excluding credit losses.

Compound instruments
Convertible Bonds entitle bondholders to convert their bonds into a fixed number of shares of the issuing company usually at the time of their maturity. Convertible bonds are compound financial instruments. This implies the instrument has the characteristics of both liability and equity.

On initial recognition the liability component of the instrument is measured at fair value (in terms of IFRS 13 Fair Value) and the equity component is the residual amount which is the issued price less the fair value of the liability component.

Subsequently, the liability will be accounted for at amortised cost using the effective interest method. The equity component will not be remeasured. On conversion of the instrument, the liability component is reclassified to equity. No gain or loss is recognised in profit or loss.

As a newly established Group, the execution of our business model is dependent on our ability to continue to raise long-term funding. We completed an oversubscribed equity placement in February 2017.

Notes to the financial statements

for period ended 31 December 2016

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

1. Capital and reserves

Refer to accounting policy pertaining to financial instruments.

Share capital

Founder Preferred Shares and ordinary share capital are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds.

1.1. Authorised and issued share capital and share warrants

	31 December 2016		31 December 2015	
	No. of shares '000	$'000	No. of shares '000	$'000
Opening balance[1]	72,459	772,204	72,459	772,204
Issued to previous shareholders of FBZ in June 2016	300	1,009	–	–
Closing balance	72,759	773,213	72 459	772,204
Founder Preference Shares	1,250	12,500	1,250	12,500
	74,009	785,713	73,709	784,704

Note:

1. Comprises ordinary shares and share warrants.

1.2. Issued and fully paid

	2016 $'000	2015 $'000
Ordinary share capital and share warrants	773,213	772,204
	773,213	772,204

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

1.3. Reconciliation of the number of shares in issue

	2016 No. of shares	2015 No. of shares
Opening balance	72,459	72,459
Ordinary shares issued during the period	300	–
Shares issued to staff under staff share purchase scheme	–	–
Closing balance	72,759	72,459

Terms of the Founder Preferred Shares

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

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

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

1. Capital and reserves continued

Share warrants

On 17 December 2013, the Company issued 32,529,500 warrants to its warrant subscribers, pursuant to a resolution of the Board passed on 16 December 2013. Each warrant entitles a warrant holder to subscribe for one-third of an ordinary share upon exercise. Warrant holders will have subscription rights to subscribe in cash for all or any whole number of ordinary shares at an exercise price of $11.50 during the period commencing on 17 December 2013 and ending on the earlier to occur of (i) the third anniversary of the completion of the Company's initial acquisition and (ii) such earlier date as determined by the Warrant Instrument.

The share warrants have been recognised in accordance with IAS 32 (2d) as they are financial instruments issued by the entity that meet the definition of an equity instrument.

There is no statutory requirement to disclose this equity reserve separately and it has been disclosed under share capital.

As at 31 December 2016 the warrants issued were all outstanding.

1.4. Subsequent events

Placing of additional ordinary shares

On 16 February 2017 a total of 7,034,934 new ordinary shares of no par value in the Company (the "Placing Shares"), representing approximately 9.99 per cent. of the Company's existing issued ordinary share capital, have been placed at a price of $1.9125 per Placing Share, raising gross proceeds of approximately $13,454,310.

The shares will be fully paid and will rank pari passu in all respects with the existing ordinary shares of no par value each in the Company including the right to receive all dividends and other distributions declared, made or paid after the date of issue of the Placing Shares.

The proceeds of the Placing will be used by the Company to support the operational growth of the Company through the rollout and expansion of the Company's global markets and treasury business, scaling up its digital finance business, and for general corporate purposes.

2. Capital planning

For the purpose of the Group's capital management, capital includes issued share capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the Company.

The Group's principal objectives when managing capital are:
- to optimise business activities and ensure return on capital targets is achieved through efficient capital management and allocation;
- to ensure the Group and operating banks hold sufficient risk capital in compliance with regulatory requirements in relevant jurisdictions;
- to ensure that the Group's ability to operate as a going concern and to provide returns to shareholders is safeguarded; and
- to support the development of the Group's business by maintaining a strong and sustainable capital base.

These objectives are delivered through regular reviews of the capital position of operating banks both in-country and at Group. Group management closely monitors capital adequacy and the use of regulatory capital and is actively involved in country level discussions to ensure compliance with local supervisory requirements. An annual capital plan is prepared by each operating entity and submitted to Group for review and approval as part of the annual budget process. A buffer of 2% above regulatory minimum capital limit is generally set and monitored by country management and Group as part of the Asset and Liability Management Committee ('ALCO'). In addition operating entities carry out stress testing of capital position as part of the Internal Capital Adequacy Assessment Process ('ICAAP').

Subject to compliance with laws and regulations in relevant jurisdictions, no significant restrictions exist on transfer of funds and regulatory capital within the Group.

Capital adequacy computations

	31 December 2016						
	BancABC Botswana $'000	BancABC Zimbabwe $'000	BancABC Zambia $'000	Finance Bank Zambia $'000	BancABC Tanzania $'000	BancABC Mozambique $'000	BPR Rwanda $'000
Tier I Capital							
Share capital and premium	**20,869**	**49,989**	**70,307**	**31,234**	**45,034**	**27,850**	**55,226**
Capital reserves and retained earnings/ (accumulated loss)	**65,536**	**24,134**	**(20,851)**	**38,903**	**(23,232)**	**(2,528)**	**(6,380)**
Intangible assets (software)/deferred charges	**–**	**–**	**(2,632)**	**–**	**(2,031)**	**(2,335)**	**(2,728)**
Investments in unconsolidated subsidiaries and associates	**–**	**–**	**(519)**	**–**	**–**	**–**	**–**
Deferred tax asset	**–**	**–**	**–**	**–**	**(3,830)**	**–**	**–**
Prepayments	**–**	**–**	**–**	**(27,716)**	**(660)**	**–**	**–**
Exposures to insiders	**–**	**(2,507)**	**–**	**–**	**–**	**–**	**–**
Less Tier III Capital	**–**	**(8,402)**	**–**	**–**	**–**	**–**	**–**
Total qualifying for Tier I Capital	**86,405**	**63,214**	**46,305**	**42,421**	**15,281**	**22,987**	**46,118**
Tier II Capital							
Shareholder's loan	**18,067**	**–**	**16,292**	**–**	**–**	**4,014**	**1,848**
General debt provision	**2,416**	**3,360**	**–**	**–**	**580**	**14**	**1,284**
Fair value revaluation/available-for-sale reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Revaluation reserves (limited to Tier I Capital)	**289**	**4,063**	**–**	**1,350**	**–**	**–**	**465**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,823)**
Total qualifying for Tier II Capital	**20,772**	**7,423**	**16,292**	**1,350**	**580**	**4,028**	**1,774**
Total qualifying for Tier III Capital	**–**	**8,402**	**–**	**–**	**–**	**–**	**–**
Total Capital	**107,177**	**79,039**	**62,597**	**43,771**	**15,861**	**27,015**	**47,892**
Risk weighted assets[1] (unaudited)							
Market risk	**748**	**1,742**	**–**	**–**	**1,746**	**2,392**	**–**
Operational risk	**51,818**	**103,277**	**–**	**–**	**–**	**1,955**	**–**
On balance sheet assets	**465,049**	**265,331**	**199,775**	**139,718**	**100,851**	**106,090**	**207,583**
Off balance sheet assets	**12,252**	**8,344**	**5,098**	**1,161**	**8,798**	**2,118**	**392**
Total risk weighted assets	**529,867**	**378,694**	**204,873**	**140,879**	**111,395**	**112,555**	**207,975**
Capital adequacy ratio (unaudited)	**20.2%**	**20.9%**	**30.6%**	**31.1%**	**14.2%**	**24.0%**	**23.0%**
Minimum regulatory capital adequacy ratio	**15.0%**	**12%**	**10%**	**10%**	**12%**	**8.0%**	**15%**

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

2. Capital planning continued

	31 December 2015					
	BancABC Botswana $'000	BancABC Zimbabwe $'000	BancABC Zambia $'000	BancABC Tanzania $'000	BancABC Mozambique $'000	BRD-C Rwanda $'000
Tier I Capital	–	–	–	–	–	–
Share capital and premium	19,828	49,989	31,385	45,479	29,494	17,479
Capital reserves and retained earnings/accumulated (loss)	36,381	21,790	(7,997)	(23,508)	(10,574)	246
Intangible assets (software)/deferred charges	–	–	–	(1,401)	(1,541)	–
Deferred tax asset	–	–	–	(4,005)	–	–
Prepayments	–	–	–	(1,099)	–	–
Exposures to insiders	–	(3,892)	–	–	–	–
Less Tier III Capital	–	(8,773)	–	–	–	–
Total qualifying for Tier I Capital	56,209	59,114	23,388	15,466	17,379	17,725
Tier II Capital						
Shareholder's loan	12,788	–	23,688	–	1,952	–
General debt provision	1,989	4,439	–	592	20	–
Fair value revaluation/available-for-sale reserve	–	18	–	–	–	–
Revaluation reserves (limited to Tier I Capital)	302	4,638	–	–	(105)	–
Profit for the year	10,713	–	–	–	(2,152)	–
Total qualifying for Tier II Capital	25,792	9,095	23,688	592	(285)	–
Total qualifying for Tier III Capital	–	8,773	–	–	–	–
Total Capital	82,001	76,982	47,076	16,058	17,094	17,725
Risk weighted assets[1] (unaudited)						
Market risk	–	3,156	19,722	1,875	1,658	–
Operational risk	–	103,354	19,582	–	2,457	–
On balance sheet assets	521,062	349,303	106,208	94,616	154,355	48,275
Off balance sheet assets	1,455	6,969	9,481	15,781	6,548	–
Total risk weighted assets	522,517	462,782	154,993	112,272	165,018	48,275
Capital adequacy ratio (unaudited)	15.7%	16.6%	30.2%	14.3%	10.4%	36.7%
Minimum regulatory capital adequacy ratio	15%	12%	10%	12%	8%	15%

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

3. Borrowed funds

Refer to accounting policy pertaining to financial instruments.

	2016 $'000	2015 $'000
Convertible bond (a)	**47,790**	37,920
Other borrowed funds (b)	**274,784**	264,295
	322,574	302,215

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

	Carrying value		Fair value	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Other	**48,526**	41,821	**48,050**	41,826
BIFM Capital Investment Fund One Proprietary Limited ('BIFM')	**25,587**	23,667	**29,652**	28,790
NORSAD	**10,010**	10,672	**10,742**	11,471
Shelter Afrique	**4,915**	11,098	**4,915**	11,098
Kuhanha	**3,623**	5,451	**3,333**	5,451
Afreximbank	**60,052**	89,689	**63,316**	89,812
Africa Agriculture and Trade Investment Fund S.A. ('AATIF')	**25,019**	24,869	**24,989**	25,382
Overseas Private Investment Corporation ("OPIC")	**65,511**	–	**65,511**	–
Standard Chartered	**31,541**	57,028	**31,541**	57,028
Convertible bond (liability)	**47,790**	37,920	**47,790**	37,920
	322,574	302,215	**329,839**	308,778

a. Convertible bond

	2016 $'000	2015 $'000
Opening balance as at 1 January	**37,920**	–
Issued during the year	**9,870**	37,920
Closing balance as at 31 December	**47,790**	37,920

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

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

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

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

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

On 22 April 2016 Atlas Mara placed a further $17.4 million of its 8.00% senior secured convertible notes due 2020. The additional issuance was undertaken on identical terms to the October 2015 tranche, except that these bonds will be issued at a price of 84%, as opposed to 82.7% in October 2015, to account for the intervening passage of time.

The instrument is treated as a compound financial instrument. The discount rate used to determine the fair value of the liability for the original convertible bond has been assessed as meeting the valuation requirements of IFRS 13 Fair Value.

For this issue, a discount rate of 17.7% was used to determine the fair value of the liability, resulting in the equity component being valued as $3.4 million.

3. Borrowed funds continued

b. Other borrowed funds

	2016 $'000	2015 $'000
Borrowed funds – At fair value through profit/loss:	**31,541**	57,029
Borrowed funds – Amortised cost	**243,243**	207,266
	274,784	264,295

Borrowed funds
The following represents a summary of significant Group borrowed funds, i.e. funding obtained to support business growth other than through banking products and customer accounts, rather third-party lenders supporting the liability side of the statement of financial position. As at 31 December 2016, the total outstanding amount of all such borrowed funds was $323 million, compared to $302 million as at 31 December 2015.

BIFM Capital Investment Fund One Proprietary Limited
The loan from BIFM Capital Investment Fund One Proprietary Limited is denominated in Botswana Pula and was granted on 20 December 2006. It attracts interest at 11.63% per annum, payable semi-annually. The redemption dates for the principal amount are as follows:
- 30 September 2017 – $5.6 million;
- 30 September 2018 – $5.6 million;
- 30 September 2019 – $5.6 million; and
- 30 September 2020 – $5.6 million.

Afrexim Bank Limited
The loans from Afrexim Bank Limited consist of $60 million advanced to ABC Holdings Limited ('ABCH') on 26 July 2013 and a $40 million trade finance facility to ABC Zimbabwe, granted in 2015.

The $60 million loan attracts interest at three-month LIBOR + 5% and matured on 30 June 2015, but with a provision to extend it for a further, mutually agreeable period. ABCH and Afrexim Bank are currently in discussions to restructure this facility.

The $40 million trade finance facility was availed to ABC Zimbabwe by Afrexim Bank Limited from December 2013 to December 2016. This facility was repaid in full in November 2016 with no amounts outstanding as at 31 December 2016.

Norsad Finance Limited
The loans from Norsad Finance Limited were advanced to ABCH as well as BancABC Zambia and BancABC Zimbabwe. The $10 million loan advanced to ABCH is a subordinated loan and attracts interest at six months LIBOR + 7.5%. Interest is payable quarterly on 31 March, 30 June, 30 September and 31 December. The loan matures on 9 October 2020 when the full principal amount is due for repayment in one instalment.

The loan advanced to BancABC Zimbabwe was denominated in US dollars and attracts interest of LIBOR + 11% but capped at 12%. The loan matured on 30 June 2016 and has been repaid in full with no amounts outstanding as at 31 December 2016.

Amounts have been translated from Pula to UDD at the closing rate as at 31 December 2016.

Africa Agriculture and Trade Investment Fund S.A.
The loan from AATIF is denominated in US dollars and attracts interest at three months LIBOR + 6.25%. Interest is payable quarterly on 31 March, 30 June, 30 September and 31 December. The loan matures on 21 December 2018 when the full principal amount is due for repayment in one instalment.

Standard Chartered
The loan from Standard Chartered is US dollar denominated and secured by the UBN shares held by ADC Ventures and pledged as collateral for such loan. The loan was obtained to finance the loan from ADC to UGPL, on 19 July 2012, upon the acquisition of the referenced shares. The loan is a non-recourse loan and can be settled in full by the delivery of the UBN shares. The loan is repayable in December 2019 and could be further extended by another two-year period, to be mutually agreed upon. The loan is measured at fair value based on the determined fair value of the UBN shares at ca.11 NGN per share.

Overseas Private Investment Corporation
The loan is denominated in US dollars and was advanced to BancABC Zambia to finance the acquisition of Finance Bank Zambia. The loan attracts interest at a rate of three months LIBOR + 4.45%. There is a three-year grace period on the repayment of principal with the loan repaid on a quarterly basis over 16 quarters starting in the first quarter of 2019.

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

	2016 $'000	2015 $'000
On demand to one month	**60,472**	280
One to three months	**1,174**	1,457
Three months to one year	**20,885**	117,780
Over one year	**240,043**	182,698
Total	**322,574**	302,215

3.1. Subsequent events
Overseas Private Investment Corporation
On 7 March 2017 BancABC Botswana finalised a $40 million Fintech and Financial Inclusion Debt Facility provided by the Overseas Private Investment Corporation. The funding is part of the $200 million multi-country facility that OPIC approved for Atlas Mara's banks in Botswana, Zambia, and Mozambique in August 2015. The debt facility will be used to provide access to finance for SMEs and to support the Company's efforts to accelerate its digital finance initiatives, which are key areas of the Company's strategy.

The loan has a seven-year tenor with a three-year moratorium on Capital. Interest is paid quarterly during the three years and the Capital is paid in 16 equal instalments after year three. The rate is three-month Libor plus a margin of 4.45%.

4. Deposits

Refer to accounting policy pertaining to financial instruments.

	2016 $'000	2015 $'000
Deposits from banks	**145,834**	130,585
Deposits from other customers	**1,653,609**	1,305,563
	1,799,443	1,436,148
Payable on demand		
Corporate customers	**419,826**	218,219
Public sector	**19,679**	51,456
Retail customers	**274,814**	171,305
Other financial institutions	**63,084**	39,616
Banks	**30,952**	13,360
	808,355	493,956
Term and savings deposits		
Corporate customers	**363,161**	318,400
Public sector	**283,291**	278,419
Retail customers	**148,550**	91,565
Other financial institutions	**93,395**	136,145
Banks	**102,691**	117,663
	991,088	942,192
Total	**1,799,443**	1,436,148

5. Interest and similar expense

Accounting for interest expense

Refer to accounting policy pertaining to financial instruments.

	2016 $'000	2015 $'000
Deposits	**(79,488)**	(104,732)
Borrowed funds	**(40,323)**	(34,219)
Interest and similar expense	**(119,811)**	(138,951)

2016 was a year in which we continued to deliver on our strategy in line with our business model. We acquired and integrated businesses in Rwanda and Zambia.

6. Business combinations

Accounting for business combinations
Business combinations are accounted for using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

There were two acquisitions in the current period. There were no business combinations during 2015.

Non-controlling interests ('NCI')
NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries
Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

Transactions eliminated on consolidation
Intra-Group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Bargain purchase
Where the Group enters into a business combination where fair value of the net assets acquired exceeds the aggregate of the amounts specified consideration paid, resulting in a bargain purchase, this gain from bargain purchase is recognised as non-interest income in profit or loss on the acquisition date.

Common control transactions
A common control transaction is 'a business combination in which all of the combining entities/businesses are ultimately controlled by the Group both before and after the business combination, and that control is not transitory.'

The acquirer in a business combination under common control does not restate any assets and liabilities to their fair values. Instead, the acquirer 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 acquirer's financial statements include the acquired entity's results from the date of the business combination.

Critical accounting estimates and judgements

Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values (measured in terms of IFRS 13).

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

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

The following was applied when calculating the at-acquisition fair values of assets acquired and liabilities assumed:

Intangible assets:

Identifiable intangible assets may have to be recognised by the acquirer even though they are not recognised by the acquiree. These assets shall be measured at fair value at acquisition date.

An independent valuation is performed by an accounting and auditing firm where the Group enters into a business combination. The intangible assets are assessed to determine whether they are identifiable and, if so, the fair value of such assets.

Prepayments and other receivables:

IFRS 3 requires the acquirer to measure acquired receivables, including loans, at their acquisition-date fair values. The acquirer does not recognise a separate valuation allowance for the contractual cash flows that are deemed to be uncollectible at that date.

Deferred tax and income tax:

In evaluating the deferred tax assets and liabilities in the business combination, the Group re-assessed the probability of there being future taxable profits against which these could be utilised within the next five years.

Loans and advances

The fair value of loans and advances is determined with reference to the estimated future cash flows discounted back at the discount rate calculated based on a market premium which included the risk-free rate, a small stock premium, country risk premium and the cost of equity (‘CoE’). Below is a summary of the approach followed in respect of estimating the cash flows:

- The fair value of the loan book (asset value) was split into the fair value of equity plus the funding (debt) value. By discounting the free cash flows to equity by the cost of equity, a fair value of equity was derived.
- By subtracting the initial value of equity from the gross exposure the initial funding cost of the loan book was derived. The initial value of equity used to fund the loan book is deemed equal to the risk weighted assets of the loan book times the capitalisation rate.
- Free cash flows to equity were used in deriving the fair value of equity of the loan book. These cash flows were calculated by adjusting the statement of comprehensive income of the loan book to a cash flow statement by accounting for changes in capital.
- The calculation of interest income, interest expense, principal loss and change in capital are adjusted for various aspects required by a fair value methodology.
- The contractual cash flow is split into its interest and principal portions. The probability of not receiving the interest portion or the principal portion of the contractual cash flow, i.e. probability of default (‘PD’), is included in the valuation.
- Loss given default assumptions are calculated for the loss given a default on the interest portion of the contractual cash flow, LGDi, and the loss given default on the principal portion, LGDp.

The calculation is specifically sensitive to the CoE applied, where a 1–2% stress on the CoE could result in a 10% higher or lower valuation to the book. The calculation is also particularly sensitive to the value of collateral (an input in the LGD) calculation, where a 10–20% higher haircut/lower valuation would result in a 15% movement in the valuation of the loan book.

Deposits

The fair value of deposits is calculated based on the estimated contractual future cash flows and discounted using the CoE determined.

Borrowed funds

Borrowed funds are separately valued and fair value adjustments made. The valuation methodology used is as follows:

- Floating rate loan: Future cash flows based on applicable variable interest forecasts and redemptions are discounted at the risk-free rate, adjusted for an independent credit spread.
- Treasury bills: Future cash flows based on contractual fixed interest and redemption amounts are discounted at the risk-free rate, adjusted for an independent credit spread.

Creditors and accruals

The fair value of other liabilities has been calculated with reference to the minimum contractual amount to settle the liability.

6. Business combinations continued

Acquisition of BPR and subsequent merger

	BPR
Date of acquisition	7 January 2016
Percentage of voting equity instruments acquired (%)	45.03%[1]

Note:
1. Percentage of voting equity instruments acquired is shown at the date that control was obtained.

The details of the fair value of the assets and liabilities acquired and goodwill arising are as follows:

BPR	BPR carrying amount $'000	BPR fair value amount $'000	Change $'000
Cash and short-term funds	25,480	45,943	20,463
Amounts due from other banks	–	–	–
Loans and advances	157,900	159,469	1,569
Investment securities	25,965	25,965	–
Prepayments and other receivables	1,338	1,338	–
Current tax assets	1,660	1,660	–
Investment in associates	–	–	–
Property and equipment	14 445	23,591	9,146
Investment property	–	–	–
Intangible assets	3,404	6,989	3,585
Deferred tax assets	–	–	–
Deposits	(181,447)	(181,447)	–
Amounts due to other banks	(14,446)	(14,446)	–
Creditors and accruals	(13,109)	(13,224)	(115)
Current tax liabilities	–	–	–
Deferred tax liability	(74)	(3,860)	(3,786)
Borrowed funds	(2,515)	(2,515)	–
Net asset value	18,601	49,463	30,862
Less: Non-controlling interest		(27,189)	
Goodwill		(1,811)	
Total purchase consideration		20,463	
Cost of acquisition		20,463	
Less: Non-cash consideration		–	
Cash consideration paid		20,463	
Less: Cash and cash equivalents in subsidiary acquired		(45 943)	
Cash inflow on acquisition		25,480	

On 7 January 2016, BPR was acquired by Atlas Mara Limited. As part of the acquisition Atlas Mara injected $20.5 million as additional capital in exchange for 45.03% of the voting rights of BPR.

Prior to this transaction Atlas Mara also owned 100% of BRD-C. After the completion of the transaction BPR acquired 100% of BRD-C. This transaction was achieved through a share for share swap effectively increasing the Group's share in the combined entity to 62.06%. The common control transaction was accounted for using the historical costs basis as set out in the accounting policies on page 116. The two entities have been integrated to represent a combined position in Rwanda.

As per the requirements of IFRS 3 the fair values presented for BPR as at 30 June 2016 and those disclosed in the 31 December 2015 Annual Report and Accounts were considered to be incomplete due to the following key factors:

- The valuation of certain loans and advances have not been completed. This is due to the fact that management believes there may be facts and circumstances that existed at the acquisition date that have not been factored into the impairment calculations of these loans.
- The assessment of the recoverability of certain deferred tax assets that have been recognised in the Group.
- The valuation of the new BPR head office building. The building is not yet complete and the process of valuation is ongoing and as at the date of this report has not yet been completed.

During the last six months of 2016 the accounting for the transaction was finalised and adjustments made as set out below:

Loans and advances

The accounting for loans and advances acquired as part of a business combination introduces a number of complex accounting considerations. Key amongst these are:

- The amount at which initial measurement takes place and specifically how to determine fair value.
- The subsequent measurement of the acquired portfolio of loans and how to differentiate the impact of cash flow changes between interest income and impairment losses when the subsequent measurement of the loans is at amortised cost.

The detailed approach set out has been included in the critical estimates set out on page 117.

Based on the result of the work, the fair value has been determined to be $159.5 million vs. a carrying value of $157.9 million. The difference in the carrying value and fair value will contribute to the gain on acquisition recognised.

The impact of this adjustments will unwind over a 3–5 year period.

Other adjustments

In addition to the adjustments made as a result of the PPA reports, set out above, management also made adjustments for the following matters that existed at the acquisition date:

- Fair valuation of property and equipment owned by BPR amounting $9.1 million, following detailed valuation reports on key properties.
- Accrual for the separation costs in terms of the contract agreed and confirmed prior to the effective date of the business combination of $115,000.
- The impact of all of the above adjustments has resulted in an additional deferred tax liability of $3.8 million.

The impact of these adjustments will result in the recognition of a total gain on acquisition of $1.8 million.

Acquisition of Finance Bank Zambia Limited

On 30 June 2016 BancABC Zambia acquired 100% of Finance Bank Zambia ('FBZ') for a total purchase consideration of $76.4 million which comprises a cash consideration of $64.2 million and a non-cash consideration in the form of Atlas Mara (ABCH Parent company) shares. As part of the terms of the acquisition a portion of both the cash and equity consideration is contingent.

	FBZ
Date of acquisition	30 June 2016
Percentage of voting equity instruments acquired (%)	100%[1]

Note:

1. Percentage of voting equity instruments acquired is shown at the date that control was obtained.

6. Business combinations continued

The details of the fair value of the assets and liabilities acquired and goodwill arising are as follows:

FBZ	FBZ carrying amount $'000	FBZ fair value amount $'000	Change $'000
Cash and short-term funds	79,355	79,355	–
Amounts due from other banks	–	–	–
Loans and advances	119,876	115,255	(4,621)
Investment securities	52,767	52,767	–
Prepayments and other receivables	38,220	34,315	(3,905)
Current tax assets	–	–	–
Investment in associates	–	–	–
Property and equipment	16,125	16,125	–
Investment property	3,553	3,553	–
Intangible assets	17,632	16,476	(1,156)
Deferred tax assets	669	669	–
Deposits	(210,484)	(210,484)	–
Amounts due to other banks	–	–	–
Creditors and accruals	(30,867)	(31,310)	(443)
Current tax liabilities	(170)	(170)	–
Deferred tax liability	(4,674)	(6,315)	(1,641)
Borrowed funds	(5,645)	(5,645)	–
Net asset value	76,357	64,591	(11,766)
Less: Non-controlling interest		–	
Goodwill		11,785	
Total purchase consideration		76,376	

Cost of acquisition	76,376
Less: Non-cash consideration	(12,145)
Cash consideration paid	64,231
Less: Cash and cash equivalents in subsidiary acquired	(79,355)
Cash inflow on acquisition	15,124

As per the requirements of IFRS 3.45 the initial accounting for the acquisition of FBZ was considered to be incomplete as at 30 June 2016 (acquisition date) due to the following key factors:
- The valuation of certain loans and advances had not been completed. This is due to the fact that management believed there might be facts and circumstances that existed at the acquisition date that had not been factored into the impairment calculations of these loans.
- Existence of potential fines, penalties or other incurred costs related to instances of non-compliance with key laws and regulations and restructuring arrangements that existed at the date of the acquisition.
- Valuation of fixed property, where the final valuation documentation was not available as at the acquisition date.

While management has completed items set out below in respect of loans and advances, creditors and accruals and prepayments and other assets, the acquisition accounting remains incomplete as at 31 December 2016 due to ongoing data review procedures with regards to take on loans and advances balances and operational processing accounts.

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

Loans and advances

The accounting for loans and advances acquired as part of a business combination introduces a number of complex accounting considerations. Key amongst these are:

– The amount at which initial measurement takes place and specifically how to determine fair value.
– The subsequent measurement of the acquired portfolio of loans and how to differentiate the impact of cash flow changes between interest income and impairment losses when the subsequent measurement of the loans is at amortised cost.

The detailed approach set out has been included in the critical estimates set out on page 113.

The impact of this adjustments will unwind over a 3–5 year period.

Based on the result of the work, the fair value has been determined to be $115.3 million vs. a carrying value of $119.9 million. The difference in the carrying value and fair value will contribute to the goodwill recognised.

Other adjustments

In addition to the adjustments made as a result of the PPA reports set out above, management also made adjustments for the following matters that existed at the acquisition date:

– Fair valuation of property in possession, where the final valuation certificate as at 30 June 2016 was obtained during the six months ended 31 December 2016. This resulted in a decrease in value of $3.9 million and has been recognised as part of prepayments and other assets.
– Recognition of separation packages under restructure agreements that existed at the date of acquisition of $443 000.
– The impact of all of the above adjustments has resulted in an additional deferred tax liability of $1.6 million.

The net impact of the adjustments has resulted in additional goodwill of $11.8 million.

7. Transaction and integration expenses

	2016 $'000	2015 $'000
Professional fees (including legal and due diligence costs)	**(1,819)**	(7,747)
Transaction and integration expenses	**(7,196)**	–
Others	**(2,768)**	(1,568)
	(11,783)	(9,315)

On 31 December 2015, Atlas Mara entered into a settlement arrangement in respect of the put and call option agreement.

Under this settlement, the Group entered into an arrangement to pay the option holders $13.0 million as full and final settlement of the options within seven days of the signing of the contract.

The option carrying value as at the date of this transaction was $15.6 million, resulting in a net fair value gain on settlement of $2.6 million. The fair value gain on the settlement is accounted for in non-interest income.

8. Investment in associate

Accounting for investment in associate

Associates are entities in which the Group has significant influence, but not control, over the operating and financial policies.

The Group's investments in associates and joint ventures are recognised using the equity method. These investments are initially recorded at cost and increased (or decreased) each year by the Group's share of the post-acquisition profit (or loss).

The Group ceases to recognise its share of the losses of equity accounted associates when its share of the net assets and amounts due from the entity have been written off in full, unless it has a contractual or constructive obligation to make good its share of the losses.

When the Group acquires an additional share in the investment, while still maintaining significant influence, the investment is accounted for at cost. The incremental fair value adjustments of the assets and liabilities of the investment is determined and included in the carrying amount of the investment.

Impairment losses

After application of the equity method, including recognising the associate's losses, the entity applies IAS 36 Impairment of Assets to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture.

The entity also applies IAS 36 to determine whether any additional impairment loss is recognised with respect to its interest in the associate or joint venture that does not constitute part of the net investment and the amount of that impairment loss.

Goodwill forms part of the carrying amount of an investment in an associate and is not separately recognised, it is therefore not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets. Instead, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of IAS 39 indicates that the investment may be impaired.

An impairment loss recognised in those circumstances is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Accordingly, any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

In determining the value in use ('VIU') of the investment, an entity estimates:

(a) its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds from the ultimate disposal of the investment.

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

Assets of the associate

The investor should measure its interest in an associate's identifiable net assets at fair value at the date of acquisition of an associate. If the value that the investor attributes to the associate's net assets differs from the carrying value amounts in the associates' books, the investor should restate any impairment losses recognised by the associate.

Investment in the associate

As well as applying the equity method, IAS 28 requires an investor to apply the requirements of IAS 39 to determine whether any impairment loss should be recognised with regards to the investor's net investment in the associate. The amount of the impairment is determined in accordance with IAS 36.

Critical accounting estimates and judgements

Fair value of assets and liabilities of associate

In determining the value of the assets and liabilities of the associate, the Group applies judgement.

Included in the investment in associate is the valuation of intangible assets identified. The valuation is sensitive to the discount rate applied.

Intangible assets

Included in the fair value of UBN are intangible assets of $14.7 million.

Impairment losses

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 loss as 'share of profit of an associate' in the statement of profit or loss. Refer to page 121 for the detailed sensitivity assessment and key assumptions that have been included in the impairment assessment.

The following assessments for impairment losses are required for an investment in associates:
- assets of the associate;
- investment in the associate; and
- other interests that are not part of the net investment in the associate.

	2016 $'000	2015 $'000
Opening balance	398,423	375,112
Acquired through business combinations at fair value	–	–
Share of profits	17,926	20,282
Share of OCI	11,191	13,648
Exchange rate adjustment	(133,560)	(19,442)
Tax associated	–	–
Additions during year	–	8,823
Investment in associates	**293,980**	398,423

8. Investment in associate continued

Investment in Union Bank of Nigeria ('UBN')
On 19 December 2014, the Group acquired, through a direct investment, 21.16% of the voting shares of UBN, bringing the Group's cumulative direct and indirect holding to 30.21%. Prior to this investment the Group held an indirect stake through the UGPL consortium of 9.05% acquired as part of the Group's acquisition of ADC AG in August of 2014.

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

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

In total Atlas Mara obtained the 22.10% (2015: 22.10%) in UBN through a purchase of 3,742,201,213 (2015: 3,742,201,213) shares.

The investment in UBN is equity accounted using the annual financial statements of UBN for the period 1 January 2016 to 31 December 2016. The local currency of UBN is Nigerian Naira.

The following table illustrates the summarised financial information of the Group's investment in UBN for the year ending 31 December 2016:

	2016 $'000	2015 $'000
Cash and cash equivalents	447,541	413,544
Loans and advances	1,667,291	1,843,792
Investment securities	597,541	1,081,661
Other assets	1,405,194	1,924,542
Total assets	4,117,567	5,263,541
Deposits	2,461,243	3,090,726
Borrowed funds	294,260	382,408
Other liabilities	469,510	564,026
Total liabilities	3,225,013	4,037,160
Group's share of equity (31.15%) (2015: 31.15%)	276,640	377,776
Intangible assets	14,713	18,402
Share of total identifiable net assets	291,353	395,314

	2016 $'000	2015 $'000
Carrying value of the investment in associate including intangible assets	291,353	395,314
Net interest income	250,937	337,281
Non-interest income	99,578	158,498
Loan impairment charges	(69,620)	(60,257)
Profit after tax	59,209	84,721
Group's share of profit for the year (31.15%) (2015: 31.15%)	18,065	13,927
Post-tax profit or loss from discontinued operations	–	480
Other comprehensive income	38,343	50,771
Total comprehensive income	117,019	135,493
Group's share of other comprehensive income (31.15%) (2015: 31.15%)	11,191	13,187

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

Impairment testing

At 31 December 2016, due to changes in the macroeconomic environment in Nigeria and the global economy, specifically the impact of the lowering oil price and the devaluation of the Nigerian Naira, in line with the requirements of IAS 39, an impairment trigger was identified in respect of this investment.

As a result, the Group performed an impairment test on the carrying amount of the investment in UBN. The test confirmed that there was no impairment at 31 December 2016.

The table below illustrates the VIU, carrying value and fair value of the Group's 31.15% (2015: 31.15%) in UBN.

	31 December 2016			31 December 2015		
	VIU $'000	**Carrying amount $'000**	**Fair value $'000**	VIU $'000	Carrying amount $'000	Fair value $'000
Union Bank of Nigeria	**311,200**	**291,353**	**201,200**	440,000	395,948	345,000

Basis of recoverable amount

The impairment test was performed by comparing the recoverable amount of UBN, determined by a value in use ('VIU') calculation, with its carrying amount. The VIU calculation uses discounted cash flow projections based on management's estimates of earnings. Detailed cash flow analysis was prepared for the first five years to take into account the focused turnaround strategy currently in the process of implementation in the bank. The forecast period was extended by five years (until 2026) to achieve a steady state after the significant forecast growth as a result of the turn-around programme currently in place. Extending the forecast to 2026 has allowed for the terminal year to be based on normalised growth and margins.

Forecast risk weighted assets have been calculated to ensure that the bank maintains the capital adequacy requirements in order to calculate the movement in regulatory reserve requirements. This movement has been deducted from forecast cash flows.

Key assumptions in VIU calculation

Long-term growth rate

Increasing growth rates are assumed for net interest income, interest income and non-interest income in line with the transformation plan. Over the extended forecast period these items have been forecast to grow at annually decreasing rates, reaching 11.2% in the terminal year, which is the long-term expected Nigerian forecast inflation rate.

Long-term asset growth rate

The average growth rate used up to 2020 was 24.1%. Over the extended forecast period these items have been forecast to grow at annually decreasing rates, reaching 11.2% in the terminal year, which is the long-term expected Nigerian forecast inflation rate.

Discount rate

The discount rate used was based on the CoE for UBN. This has been calculated by taking into account the following components to adjust for specific risks associated with the business and specifically the future strategy for turnaround. The discount rate used is within the range of 25.8%–26.9.1%. The rate is calculated using the yield on US treasury bills with 10-year maturity, maturing on 31 December 2026 as a starting point (2.5%), adjusted for a Nigerian country risk premium of 4.7%, an equity market risk premium of 5.5%–6.5%, country consumer price index of 11.2% and an entity specific risk of 2.5%. The VIU has been calculated using a rate of 26%.

Sensitivity analyses were performed on each key assumption to ascertain the impact of reasonably possible changes in assumptions. The following change to each key assumption used on its own in the VIU calculation would reduce the headroom to nil.

Key assumption:	Changes to key assumption to reduce headroom to nil:
– Long-term growth rate	– Decrease of 1,100 basis points
– Discount rate	– Increase of 130 basis points
– Cost-income ratio	– Increase of 720 basis points

Based on the results of the testing, management estimates that the reasonably possible range of VIU is $311.2 million.

9. Intangible assets and goodwill

Goodwill

Goodwill arises on the acquisition of subsidiaries and associates, and represents the excess of the fair value of the purchase consideration over the fair value of the Group's share of the assets acquired and the liabilities and contingent liabilities assumed on the date of the acquisition. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

An annual impairment evaluation is performed in respect of goodwill, or more frequently when there are indications that an impairment may be necessary. The evaluation involves comparing the carrying value of goodwill with the present value of the pre-tax cash flows, discounted at a rate of interest that reflects the inherent risks, of the cash-generating unit ('CGU') to which the goodwill relates, or the CGU's fair value if this is higher.

Intangibles

Intangible assets other than goodwill are accounted for in accordance with IAS 38 Intangible Assets.

Intangible assets include trade names, customer relationships, core deposits, core overdrafts, software, licences and other contracts. They are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use.

Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less amortisation and provisions for impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally over 10 years.

Intangible assets are reviewed for impairment when there are indications that an impairment may be necessary.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

The intangible assets have the following amortisation method and useful lives:

	Goodwill	Software	Other intangibles
Useful lives	n/a	From 3 to 5 years	10 years
Amortisation method	n/a	Straight-line	Straight-line

Critical accounting estimates and judgements

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 as set out below. An absolute movement of +/-1% on the discounted rates listed could result in a potential movement of $38.5 million in the value of goodwill.

	2016 $'000	2015 $'000
Goodwill	**83,800**	82,736
Other intangible assets	**84,435**	56,633
	168,235	139,369

	31 December 2016			31 December 2015		
	Goodwill $'000	Other intangible assets $'000	Total $'000	Goodwill $'000	Other intangible assets $'000	Total $'000
Intangible assets and goodwill						
Balance acquired through business combinations	**11,785**	**23,458**	**35,243**	–	–	–
Opening balance	**82,736**	**78,496**	**161,232**	109,441	74,297	183,738
Exchange rate adjustment	**(10,721)**	**(2,277)**	**(12,998)**	(26,705)	(2,947)	(29,652)
Reclassifications	**–**	**–**	**–**	–	422	422
Additions during the year	**–**	**17,805**	**17,805**	–	6,724	6,724
Cost or valuation at period end	**83,800**	**117,482**	**201,282**	82,736	78,496	161,232
Impairment losses and amortisation						
Opening balance	**–**	**(21,863)**	**(21,863)**	–	(2,930)	(2,930)
Exchange rate adjustment	**–**	**(713)**	**(713)**	–	(9,758)	(9,758)
Impairment losses or amortisation during the period	**–**	**(10,471)**	**(10,471)**	–	(9,175)	(9,175)
Reclassifications	**–**	**–**	**–**	–	–	–
Accumulated impairment at period end	**–**	**(33,047)**	**(33,047)**	–	(21,863)	(21,863)
Carrying value at period end	**83,800**	**84,435**	**168,235**	82,736	56,633	139,369

Goodwill

Effective 21 August 2014, Atlas Mara acquired a controlling stake in BancABC (through the acquisition of ADC and the direct acquisition of shares).

During 2016 Atlas Mara completed a further two acquisitions, as set out in note 6. The completion of these acquisitions resulted in additional intangible assets identified.

In terms of IFRS 3, at the date of the acquisition, the purchaser is required to measure all identifiable assets and liabilities separately at acquisition date fair values.

This could include assets that were not previously recognised by the acquiree in its financial statements.

In the case of the ADC, BancABC and in 2016, the BPR and FBZ acquisitions, these assets include certain intangible assets acquired, namely:
- trademarks;
- customer relationships (the valuation of the customer relationships was adjusted to take into account the risk and uncertainty of the future of the payroll deduction businesses included in the valuation);
- core deposits which consists of fixed rate deposits to retail and corporate customers which earn a net interest margin over a defined period; and
- core overdrafts which consists of retail and corporate overdrafts.

These assets are recognised only if they meet the asset recognition criteria, i.e. it is probable that the expected future economic benefits attributable to the asset will flow to the entity and the cost can be measured reliably. The intangible assets will only be recognised at Atlas Mara (consolidated) level and will be amortised over their useful lives.

Allocation of goodwill to CGUs

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

During the 2016 acquisition of FBZ a further $11.8 million of goodwill was identified. This goodwill has been allocated to the Zambia CGU and has been included in the assessment of impairment of the CGU, with a conclusion reached that there is sufficient headroom of $60 million in the CGU to accommodate the goodwill.

9. Intangible assets and goodwill continued

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

The table below illustrates the allocation of goodwill to the operating banks acquired, allocated based on management's revised assessment of future synergies that would occur as a result of the business combination. The judgement applied focuses on future cash flows from operations.

	2016			2015		
		Allocation			Allocation	
	$ million	Retail $ million	Corporate $ million	$ million	Retail $ million	Corporate $ million
Botswana	**31.8**	**17.5**	**14.3**	28.3	15.4	12.9
Zambia	**26.1**	**10.4**	**15.7**	15.1	6.0	9.1
Mozambique	**8.3**	**1.4**	**6.9**	12.4	2.1	10.3
West Africa	**17.6**	**–**	**17.6**	26.9	–	26.9
Total	**83.8**	**29.3**	**54.5**	82.7	23.5	59.2

Impairment testing
IFRS requires annual impairment testing of goodwill, or more frequently when there is an indication that the CGU may be impaired. Where there is no impairment trigger, there is no need for the two-step approach.

The annual impairment test was performed for goodwill. A comprehensive assessment of the underlying CGUs has taken place. This assessment included a review of the forecast financial information.

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

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

Discount rates – The CoE percentages were derived from an equity pricing model deemed appropriate based on the entities under review. The risk-free rate used to determine the CoE has been derived from the 10-year US treasury bonds as at 31 August 2014. The future cash flows are discounted using the CoE assigned to the appropriate CGUs and by nature can have a significant effect on their valuations.

The following table summarises the impairment test methodology applied and the key inputs used in testing the Group's goodwill collectively in respect of 31 December 2016.

	Botswana	Mozambique	Zambia	West Africa
Discount rate (%)	13.2	22.3	18.3	26.4
Terminal growth rate (%)	2..8	16.5	4.10	11.2
Forecast period (years)	10	10	10	10

The calculation is most sensitive to a change in the discount rate. An absolute movement of + or -1% on the discount rate would result in a potential movement of $38.5 million in the value of the CGUs thereby reducing or increasing the headroom.

West Africa Segment goodwill
A goodwill test was also performed in respect of the West Africa segment. This segment houses the investment in associate. Refer to note 8 for the details of the valuation performed to determine the value-in-use of the investment. As at 31 December the carrying value of the investment of $291 million is less than the VIU of $311 million and therefore no impairment is required.

Other intangible assets
The other intangible assets have been assessed for indications of impairment and at 31 December 2016 there are no indications of impairment.

Protect and Grow in action

We improved our platforms through tangible enhancements in governance and credit risk management whilst investing in the future growth of the businesses, we have several targeted initiatives focused on growth and quality in our core banking operations.

10. Financial instruments

Refer to accounting policy pertaining to financial instruments.

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value:
The following tables show the breakdown of carrying amounts and fair values of financial assets and financial liabilities by class and category of financial instrument measured at amortised cost:

	31 December 2016		31 December 2015	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets measured at amortised cost				
Loan and receivables				
Cash and short-term funds	**406,325**	**406,325**	320,682	320,682
Loan and advances	**1,334,763**	**1,334,763**	1,229,438	1,229,438
Held-to-maturity investments				
Government bonds	**6,338**	**6,338**	5,012	5,012
Treasury bills	**22,086**	**22,086**	–	–
Corporate bonds	**3,440**	**3,440**	–	–

	31 December 2016		31 December 2015	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial liabilities measured at amortised cost				
Deposits	**1,799,443**	**1,799,443**	1,436,148	1,436,148
Creditors and accruals	**74,599**	**74,599**	64,824	64,824
Borrowed funds	**291,033**	**298,298**	245,187	251,750

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

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

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

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

11. Loans and advances

Refer to accounting policy pertaining to financial instruments.

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

	2016 $'000	2015 $'000
Mortgage lending	**148,852**	69,655
Instalment finance	**18,919**	73,700
Corporate lending	**524,249**	521,806
Commercial and property finance	**125,610**	36,560
Consumer lending	**554,866**	547,778
	1,372,496	1,249,499
Less impairments (note 11.1)	**(37,733)**	(20,061)
Net loans and advances	**1,334,763**	1,229,438

11.1. Reconciliation of impairment allowance for loans and advances by market segment

	31 December 2016					
	Mortgage lending $'000	**Instalment finance $'000**	**Corporate lending $'000**	**Commercial and property finance $'000**	**Consumer lending $'000**	**Gross loans and advances $'000**
1 January 2016						
Opening balance	**313**	**1,882**	**11,616**	**536**	**5,714**	**20,061**
Exchange rate adjustment	**26**	**161**	**587**	**112**	**1,338**	**2,224**
Credit impairment charges	**1,921**	**3,600**	**1,933**	**359**	**7,635**	**15,448**
31 December 2016						
Closing balance	**2,260**	**5,643**	**14,136**	**1,007**	**14,687**	**37,733**
Specific impairment	**263**	**3,382**	**9,644**	**166**	**11,035**	**24,490**
Gross non-performing loans	**14,907**	**4,322**	**75,788**	**28,257**	**7,929**	**131,203**

	31 December 2015					
	Mortgage lending $'000	Instalment finance $'000	Corporate lending $'000	Commercial and property finance $'000	Consumer lending $'000	Gross loans and advances $'000
1 January 2015						
Opening balance	25	409	4,563	861	2,160	8,018
Exchange rate adjustment	(35)	37	(509)	(366)	(429)	(1,302)
Credit impairment charges	323	1,436	7,562	41	3,983	13,345
31 December 2015						
Closing balance	313	1,882	11,616	536	5,714	20,061
Specific impairment	237	3,221	8,007	(687)	7,122	17,900
Gross non-performing loans	3,934	27,955	41,287	14,848	10,434	98,458

11. Loans and advances continued

11.2. Allowance for loan impairments

The changes in impairment losses included in the allowances for losses on loans and advances recognised under assets, shown by class of financial instrument, were as follows:

	31 December 2016		
	Collective allowance for credit losses $'000	Specific allowance for credit losses $'000	Total $'000
Opening balance as at 1 January 2016	2,161	17,900	20,061
Impairments created	9,555	5,893	15,448
Exchange rate adjustment	1,527	697	2,224
Balance as at 31 December 2016	13,243	24,490	37,733

	31 December 2015		
	Collective allowance for credit losses $'000	Specific allowance for credit losses $'000	Total $'000
Opening balance as at 1 January 2015	–	8,018	8,018
Impairments created	2,161	11,184	13,345
Exchange rate adjustment	–	(1,302)	(1,302)
Balance as at 31 December 2015	2,161	17,900	20,061

The specific allowance for credit losses of $24,5 million exclusively relates to loans and advances to customers.

11.3. Credit quality

Loans and advances individually impaired:

	31 December 2016			31 December 2015		
	Individually impaired $'000	Fair value of collateral $'000	Under collateralisation[1] $'000	Individually impaired $'000	Fair value of collateral $'000	Under collateralisation[1] $'000
Mortgage lending	14,907	11,453	3,454	3,934	3,934	–
Instalment finance	4,322	3,751	571	27,955	8,061	19,894
Corporate lending	75,788	65,641	10,147	41,287	41,287	–
Commercial and property finance	28,257	25,966	2,291	14,848	12,778	2,070
Consumer lending	7,929	1,281	6,648	10,434	2,550	7,884
	131,203	108,092	23,111	98,458	68,610	29,848

Notes:
1. The under collateralisation amount if fully impaired.

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

11.4. Loans and advances renegotiated

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

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

	2016 $'000	2015 $'000
Mortgage lending	**4,486**	1,566
Instalment finance	**61**	–
Corporate lending	**30,683**	46,889
Commercial and property finance	**1,722**	20,897
Consumer lending	**1,979**	3,067
	38,931	72,419
Continuing to be impaired after restructuring	**2,358**	44,226
Non-impaired after restructuring – would otherwise have been impaired	**35,376**	27,284
Non-impaired after restructuring – would otherwise not have been impaired	**1,197**	909
	38,931	72,419

11.5. Total loan impairments by loan class and type

a. Impairment by loan class

	31 December 2016 $'000	31 December 2015 $'000
Mortgage lending	**2,260**	313
Instalment finance	**5,643**	1,882
Corporate lending	**14,136**	11,616
Commercial and property finance	**1,007**	536
Consumer lending	**14,687**	5,714
Total loan impairments	**37,733**	20,061

b. Impairment analysis

	31 December 2016 $'000	31 December 2015 $'000
Collective impairments	**13,243**	2,161
Specific impairments	**24,490**	17,900
Total loan impairments	**37,733**	20,061

11. Loans and advances continued

c. Credit quality supplement

	31 December 2016 $'000	31 December 2015 $'000
Gross loans and advances	1,372,496	1,249,499
Collective impairments	(13,243)	(2,161)
Specific impairments	(24,490)	(17,900)
Net loans and advances	1,334,763	1,229,438
Non-performing loans	131,203	98,458
Impairments (profit/loss)	(15,448)	(12,042)
Impairments (allowance)	(37,733)	(20,061)
Percentage (%)		
Non-performing loans/gross loans and advances	9.6%	7.9%
Total impairment allowance/non-performing loans	28.8%	20.4%
Specific impairments/gross loans and advances	1.8%	1.4%

11.6. Repossessed collateral

During 2016, the Group obtained assets by taking possession of collateral held as security, as follows:

	2016 $'000	2015 $'000
Property and equipment	15,752	8,027
Motor vehicles	256	4,527
Other assets	494	–
	16,502	12,554

12. Loan impairment charges

Accounting for impairments of loans and advances

Refer to accounting policy pertaining to financial instruments.

Critical accounting estimates and judgements

Credit risk is broken down into the common risk components of Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD'), modelled at a client, facility and portfolio level. These risk components are used in the calculation of a number of aggregate risk measures such as Expected Loss ('EL'). The models used by the Group are aimed to be compliant with Basel II and regulatory requirements. These risk measures would be used as inputs to calculate the collective impairment amounts. Refer to pages 62–67 in the risk reports for further detail.

Collective impairment is established for:
– groups of homogeneous loans that are not considered individually significant; and
– groups of assets that are individually significant but that were not found to be individually impaired (loss 'incurred but not reported' or IBNR).

Specific impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a client's financial situation and the net realisable value of any underlying collateral. In most cases management will recommend a discounted value for the collateral based on the knowledge of the client. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

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.

Management applies judgement to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date.

The most significant input that could materially impact the calculation of the loan impairment charges is the valuation of collateral. A 10% decrease in the valuation of collateral would result in an additional $1.7 million (2015: $2.8 million) impairment charge.

	2016 $'000	2015 $'000
Specific impairment	**(10,163)**	(11,189)
Collective impairment	**(9,555)**	254
Recoveries for the period	**4,270**	(1,107)
Total impairment charge	**(15,448)**	(12,042)

13. Collateral

Liabilities for which collateral is pledged:

	2016 $'000	2015 $'000
Deposits from banks	**68,740**	66,195
Deposits from customers	**94,514**	18,097
Borrowed funds	**1,961**	6,987
	165,215	91,279

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

	2016 $'000	2015 $'000
Advances (collateral)	**658**	8,665
Financial assets held for trading	**–**	38,179
Investment securities	**131,924**	44,578
Property and equipment	**2,870**	2,727
	135,452	94,149

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

The fair vale of financial assets accepted as collateral that the Group is permitted to sell or re-pledged in the absence of default is:

	2016 $'000	2015 $'000
The fair vale of financial assets accepted as collateral that have been sold or repledged is:	**32,322**	23,488
	32,322	23,488

14. Interest and similar income

Accounting for interest income
Refer to accounting policy pertaining to financial instruments.

	2016 $'000	2015 $'000
Unwind of fair value adjustment to loans and advances acquired at fair value through business combination	–	18,530
Cash and short-term funds	5,951	5,152
Investment securities and dated financial instruments	23,416	10,751
Loans and advances	217,685	206,833
Other interest income	–	660
Financial investments – available-for-sale	–	2,449
Interest and similar income	**247,052**	244,375
Interest income on financial assets designated at fair value through profit/loss	–	981
Interest and similar income	**247,052**	245,356

15. Financial assets held for trading

Refer to accounting policy pertaining to financial instruments.

Critical accounting estimates and judgements
Many of the Group's financial instruments are measured at fair value on the statement of financial position 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.

	2016 $'000	2015 $'000
Government bonds	5,382	36,342
Corporate bonds	–	5,907
Treasury bills	75,953	102,921
	81,335	145,170
Financials assets held for trading pledged as collateral		
Treasury bills and other open market instruments	20,392	45,061
Financial assets held for trading	**101,727**	190,231

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 assets portfolio. There are no cross-border investments in government securities by any of the subsidiaries and the holding company. The Group also invests in tradable paper issued by large corporates in the respective markets.

All financial assets held for trading are carried at fair value in 2016 and 2015. Refer to the fair value disclosure included in note 29 for detailed information of key assumptions.

16. Financial assets designated at fair value

Refer to accounting policy pertaining to financial instruments.

	2016 $'000	2015 $'000
Listed equities	**774**	798
Unlisted equities	**13,084**	12,535
Property units	**10**	10
Financial assets designated at fair value	**13,868**	13,343

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

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

All financial assets held for trading are carried at fair value in 2016 and 2015. Refer to the fair value disclosure included in note 29 for detailed information of key assumptions.

17. Investment securities

Refer to accounting policy pertaining to financial instruments.

	2016 $'000	2015 $'000
Balance at 31 December consists of:		
Available-for-sale		
Government bonds	**52,046**	–
Unlisted equities	**1,385**	726
Corporate bonds	**9,561**	–
Treasury bills	**117,241**	–
Unlisted investment	**25,095**	15,842
	205,328	16,568
Held-to-maturity		
Government bonds	**6,338**	5,012
Treasury bills	**22,086**	–
Corporate bonds	**3,440**	–
	31,864	5,012
Investment securities	**237,192**	21,580

The investments in unlisted equities are accounted for at fair value. Refer to note 29 for details.

Included in government bonds is $5.2 million that are partial security for the loan from BIFM (note 3).

All financial assets held for trading are carried at fair value in 2016 and 2015. Refer to the fair value disclosure included in note 29 for detailed information of key assumptions.

18. Derivative financial instruments

Refer to accounting policy pertaining to financial instruments.

Critical accounting estimates and judgements
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. Further details are noted in note 29.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market nor the credit risk.

	31 December 2016		
	Assets $'000	**Liabilities $'000**	**Notional amount $'000**
Derivatives held for trading			
Forward foreign exchange contracts	**298**	**37**	**11,397**
Derivatives designated at fair value through profit or loss			
Cross-currency interest rate swaps	**6,025**	**5,733**	**292**
	6,323	**5,770**	**11,689**

	31 December 2015		
	Assets $'000	Liabilities $'000	Notional amount $'000
Derivatives held for trading			
Forward foreign exchange contracts	1,391	62	31,023
Equity derivative	–	4,455	9,627
Derivatives designated at fair value through profit or loss			
Cross-currency interest rate swaps	502	674	13,033
	1,893	5,191	53,683

Forward foreign exchange contracts
The notional amounts of outstanding forward foreign exchange contracts at 31 December 2016 were $11.4 million (2015: $31 million). These resulted in derivative financial assets of $298,000 (2015: $1.3 million) and derivative financial liabilities of $37,000 (2015: $62,000).

Equity derivative
This comprises of an equity derivative on an unlisted energy company of $nil million (2015: $4.5 million).

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 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 statement of financial position but do not necessarily indicate the amounts of future cash flows or the current fair value of the instrument and, therefore, do not indicate the Group's exposure to credit or price risks.

The table below presents the cash flows payable by the Group for derivative financial liabilities by remaining contractual maturities at the date of the consolidated statement of financial position.

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:

31 December 2016	Up to 1 month $'000	1-3 months $'000	3-12 months $'000	Greater than 1 year $'000	Total $'000
Value on initial recognition					
Derivative financial liabilities	546	7,819	3,085	5,733	17,183
Equity derivative					
Derivative financial liabilities	–	–	–	–	–

31 December 2015	Up to 1 month $'000	1-3 months $'000	3-12 months $'000	Greater than 1 year $'000	Total $'000
Value on initial recognition					
Derivative financial liabilities	9,692	14,721	6,695	–	31,108
Equity derivative					
Derivative financial liabilities	–	–	–	4,455	4,455

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.

19. Non-interest income

Accounting for non-interest income

Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

19. Non-interest income continued

	2016 $'000	2015 $'000
Net fee and commission income:		
Fee and commission income		
Fee income on loans and advances	**7,271**	30,690
Fee income on held-to-maturity investments	**(312)**	(1,499)
Fee income from trust and fiduciary activities	**3,576**	1,314
Cash transaction fees	**16,319**	15,132
Fee income on off-balance sheet items	**3,327**	1,407
Other fee income	**18,680**	9,522
Net fee and commission income:	**48,861**	56,566
Net gains/(losses) on financial instruments designated at fair value through profit/loss		
Financial assets designated at fair value through profit/loss	**266**	1,611
Financial liabilities designated at fair value through profit/loss	**25,470**	17,338
Net gains/(losses) on financial instruments designated at fair value through profit/loss	**25,736**	18,949
Net income from derivative and foreign exchange transactions:		
Gains on derivatives	**(667)**	636
Gains on foreign exchange transactions	**32,143**	14,564
Other net income from non-proprietary trading	**4,479**	1,610
Net trading income	**35,955**	16,810
Gains on held-to-maturity investments		
Debt securities – unquoted	**–**	1
Gains on held-to-maturity investments	**–**	1
Other non-interest income:		
Dividends received – listed shares – fair value through profit/loss	**35**	53
Gains on disposal of property and equipment	**14**	–
Losses from sale of loans and receivables	**–**	(974)
Non-trading foreign exchange	**143**	204
Rental income	**322**	289
Rental income on investment property	**799**	723
Other non-interest income	**517**	3,090
Gain from on bargain purchase	**1,811**	–
Gain on revaluation of investment property	**306**	3,036
Other non-interest income	**3,947**	6,421
Non-interest income	**114,499**	98,747

20. Operating expenses

Operating expenditure	2016 $'000	2015 $'000
Administrative expenses	**(81,195)**	(79,623)
Property lease rentals	**(8,097)**	(5,076)
Staff costs (note 20.1)	**(106,572)**	(76,190)
Auditor's remuneration (note 20.3)	**(2,942)**	(2,493)
Depreciation	**(10,704)**	(8,121)
Amortisation charge (note 9)	**(10,471)**	(9,175)
Directors' remuneration (note 20.2)	**(3,087)**	(4,218)
	(223,068)	(184,896)

20.1. Staff costs

Accounting for staff costs
The Group applies IAS 19 Employee Benefits in its accounting for most of the components of staff costs.

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.

	2016 $'000	2015 $'000
Salaries	**(77,655)**	(46,230)
Employer contributions to post-retirement funds	**(4,827)**	(3,425)
Other staff costs[1]	**(24,090)**	(26,535)
	(106,572)	(76,190)

Notes:
1. Total equity-settled share-based payments costs of $5.2 million (2015: $4.8 million) have been included in other staff costs. Other staff costs comprise incentive pay, medical aid contributions, staff training and other staff-related expenses.

20.2. Directors' remuneration

	2016 $'000	2015 $'000
Executive Directors		
Salary, performance-related remuneration and other	**(2,178)**	(3,428)
Non-Executive Directors	**(909)**	(790)
Fees as Director of holding company	**(909)**	(790)
Fees as Director of subsidiaries	**–**	–
Total Directors' remuneration	**(3,087)**	(4,218)

Details of other transactions and balances with related parties have been disclosed under note 25.

Details of Directors' remuneration per Director has been included in the Directors' Remuneration Report on page 81.

20.3. Auditor's remuneration

	2016 $'000	2015 $'000
Fees paid to KPMG (external auditor)	**2,942**	2,493
Fees paid to KPMG in their capacity as auditor	**1,930**	1,931
Fees paid for non-audit services:	**1,012**	562
– Taxation-related services	**88**	34
– Other assurance services	**27**	52
– Other non-audit services[1]	**897**	476

Note:
1. Included in the non-audit services fee paid to KPMG is the integration support provided in respect of Rwanda. These fees were not paid in respect of prohibited services as defined by the Atlas Mara non-audit services policy (aligned to best practice in respect of auditor independence). The other non-audit services also include fees for allowable technical accounting advisory services and opinions and financial risk management review services.

21. Creditors

Refer to accounting policy pertaining to financial instruments.

	2016 $'000	2015 $'000
Accruals	**19,363**	17,046
Provisions*	**31,126**	8,207
Other liability accounts	**24,110**	39,571
	74,599	64,824

Note:
* Included in provisions is a restructuring provision of $1.8 million related to the closure of the ABCH Johannesburg office, $2.5 million related to the Zambia integration process and $0.3 million related to Rwanda integration.

Creditors and accruals are due and payable within 12 months.

22. Share-based payment transactions

Accounting for share-based payments
Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Employees working in the business development group are granted share appreciation rights, which are settled in cash (cash-settled transactions).

Equity-settled transactions
The CoE-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share and only presented if the result is a loss.

Cash-settled transactions
The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense.

Critical accounting estimates and judgements
Atlas Mara has entered into equity-settled share-based payment arrangements with its employees and Directors as compensation for services provided. The grant-date fair value of share-based payment awards – i.e. stock options – granted to employees is recognised as personnel expenses, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Fair value is determined by using appropriate valuation models. Vesting conditions include service conditions. Vesting conditions are not taken into account in the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the share-based payment transaction.

In determining the grant date fair value of the equity-settled share-based payments, the Group has made key assumptions in relation to inputs included in the valuation methodology, the most significant thereof, relating to the expected volatility of the Atlas Mara shares. In making these assumptions the following were taken into account to determine a proxy volatility:
– Volatility of the traded shares of the significant investments held by the Group.
– Volatilities of peer group companies in the same markets as the significant investments.

a. Description of share-based payment arrangements

During the financial year, Atlas Mara established three share-based remuneration arrangements for key management, Directors and employees. Currently these programmes are limited to Directors, key management and senior employees. The key terms and conditions related to these arrangements are listed below. All options/grants are settled by the physical delivery of shares. A number of options were granted to employees to buy Atlas Mara shares, as traded on the London Stock Exchange, in the future at a predetermined price (strike price).

Summary of Share Options Scheme operation

IPO options

The options were granted to Non-Executive Directors. The options vested on the grant date (17 December 2013). All vested options expire five years from the date of completion of the BancABC acquisition.

Employee/consultant options

These options were granted to employees and consultants of Atlas Mara. These options were granted under terms similar to the Atlas Mara Global Share Plan. Under this plan the employee/consultant is required to remain employed or engaged with the Group during the vesting period. Requirements are subject to Board discretion. One-third of the options vests on the grant date (8 September 2014 and 15 November 2014 respectively), one-third of the options vests on the first anniversary of the grant date and the remaining third vests on the second anniversary of the grant date. All vested options expire seven years from the grant date. Management indicated that the employees are not entitled to dividends (if any) prior to the vesting date, nor will they receive the value of the dividends that they would have earned if they had been the owner of the shares from grant date.

Summary of Share Awards Scheme operation

Award A

The employee must remain in the employment of Atlas Mara for the duration of the vesting period in order to be eligible to receive the shares.

34.2% of the awards vested on the grant date, 8 September 2014, 29.2% of the awards vested on 1 April 2015, 21.9% of the awards vested on 1 April 2016, and the remaining 14.7% vested on 1 April 2017.

The employees are not entitled to dividends (if any) prior to the vesting date, nor will they receive the value of the dividends that they would have earned if they had been the owner of the shares from grant date.

Award B

The employee must remain in the employment of Atlas Mara for the duration of the vesting period in order to be eligible to receive the shares.

The awards vested on 17 November 2014, 31 October 2015 and 1 April 2016.

The employees are not entitled to dividends (if any) prior to the vesting date, nor will they receive the value of the dividends that they would have earned if they had been the owner of the shares from grant date.

Awards C-L

The employee must remain in the employment of the Group for the duration of the vesting period in order to be eligible to receive the shares.

The vesting of the shares occur on variable dates as summarised below.

The employees are not entitled to dividends (if any) prior to the vesting date, nor will they receive the value of the dividends that they would have earned if they had been the owner of the shares from grant date.

22. Share-based payment transactions continued

b. Measurement of fair values

The fair value of the IPO, employee and key management scheme and the key management share grants have been measured using the risk-neutral valuation principles. Service conditions attached to the transactions were not taken into account in the measurement of fair value. The inputs used in the measurement of the grant date fair value of the equity-settled arrangements are as follows:

	Share Options Scheme								
	IPO options	Employee options							
		Award A	Award B	Award C	Award D	Award E	Award F	Award G	Award H
Grant date	17 Dec 13	8 Sep 14	15 Nov 14	31 Mar 15	19 Nov 15	11 Jan 16	11 Jan 16	27 Apr 16	25 Aug 16
Vesting dates	17 Dec 13	8 Sep 14	15 Nov 14	31 Mar 15	19 Nov 15	11 Jan 16	11 Jan 16	27 Apr 17	25 Aug 16
	–	8 Sep 15	15 Nov 15	31 Mar 16	19 Nov 16	1 Mar 16	11 Jan 17	27 Apr 18	25 Aug 17
	–	8 Sep 16	15 Nov 16	31 Mar 17	19 Nov 17	11 Jan 17	11 Jan 18	27 Apr 19	25 Aug 18
	–	–	–	–	–	1 Mar 17	–	–	–
	–	–	–	–	–	11 Jan 18	–	–	–
Expiry date	21 Aug 19	8 Sep 21	15 Nov 21	31 Mar 22	19 Nov 22	11 Jan 23	11 Jan 23	27 Apr 23	25 Aug 23

	Share Awards Scheme											
	Award A	Award B	Award C	Award D	Award E	Award F	Award G	Award H	Award I	Award J	Award K	Award L
Grant date	8 Sep 14	17 Nov 14	31 Mar 15	19 Nov 15	14 Dec 15	11 Jan 16	11 Jan 16	27 Apr 16	27 Apr 16	27 Apr 16	27 Apr 16	25 Aug 16
Vesting dates	8 Sep 14	17 Nov 14	31 Mar 15	1 Mar 16	14 Dec 15	1 Mar 16	1 Mar 17	27 Apr 17	27 Apr 16	27 Apr 16	1 Mar 17	1 Mar 17
	1 Apr 15	31 Oct 15	31 Mar 16	1 Mar 17	1 Mar 17	1 Mar 17	1 Mar 18	27 Apr 18	27 Apr 17	1 Mar 17	1 Mar 18	1 Mar 18
	1 Apr 16	1 Apr 16	31 Mar 17	1 Mar 18	1 Mar 18	1 Mar 18	–	27 Apr 19	27 Apr 18	27 Apr 17	–	1 Mar 19
	1 Apr 17	–	–	–	–	–	–	–		1 Mar 18	–	–
	–	–	–	–	–	–	–	–		27 Apr 18	–	–

Number of options and awards granted

The following tables contain the number of options and awards granted per grant date:

Share Options Scheme	
Grant date	Number of options granted
17 December 2013	125,000
8 September 2014	943,000
15 November 2014	145,000
31 March 2015	1,016,000
19 November 2015	369,999
11 January 2016	700,000
27 April 2016	925,001
25 August 2016	20,000

Share Awards Scheme	
Grant date	Number of options granted
8 September 2014	300,483
17 November 2014	161,527
31 March 2015	75,627
19 November 2015	229,506
14 December 2015	3,572
11 January 2016	164,853
27 April 2016	423,745
25 August 2016	13,518

Risk-free curve
The risk-free interest rate indicates the rate of interest that can be earned without assuming any risks over a specified time period. The US dollar swap curves as at the respective grant dates were independently sourced from Bloomberg.

Dividend yield
A dividend yield of 2% as an average over the period was used.

Volatility
Based on analysis of the above volatilities and industry experience, a volatility of 35% was applied in the valuation as at all the grant dates during 2016 and 2014 and a volatility of 40% for 2015 grants.

Valuation results
Share Options Scheme
Based on the aforementioned inputs and assumptions, we obtained the following results. The tables below contain the amortisation schedules per grant made. Note that the value as at 31 December 2016 is the cumulative expense as at 31 December 2016.

Movements during the year
The following table illustrates the number and weighted average exercise prices ('WAEP') of, and movements in, share options during the year:

	2016	2015
Granted during the year	**1,645,001**	1,284,333
Forfeited during the year	**(150,001)**	–
Exercised during the year	**–**	–
Expired during the year	**(125,000)**	–

The weighted average remaining contractual life for the share options outstanding as at 31 December 2016 was:

	2016	2015
IPO options	**2.64**	3.64
Employee options		
Award A	**4.69**	5.69
Award B	**4.88**	5.88
Award C	**5.25**	6.25
Award D	**5.89**	6.89
Award E	**6.03**	7.04
Award F	**6.03**	–
Award G	**6.32**	–
Award H	**6.65**	–

The range of exercise prices for options outstanding at the end of the year was $3.05-11.50.

The weighted average fair value of option per unit granted during the year was $1.34 (2015: $1.69).

22. Share-based payment transactions continued

Valuation models and key assumptions used The following tables list the inputs to the models used for the year ended 31 December 2016:

	2016	2015
Dividend yield (%)	**2.00**	2.00
Expected volatility (%)	**35**	40
Risk-free interest rate (%)	**2.08/2.11/2.14**	1.83
Expected life of share options (years)	**3-5.5**	2.5-4.5
Weighted average share price ($)	**4.53**	10.11
Model used	**Black Scholes**	Black Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Valuation report information

Spot prices

The following share prices per Atlas Mara share, as traded on the London Stock Exchange, as at the respective grant dates, were sourced from Bloomberg:

Grant date	2016 Spot price ($)	2015 Spot price ($)
17 December 2013	**10.90**	10.90
8 September 2014	**10.10**	10.10
15 November 2014	**9.50**	9.50
17 November 2014	**9.35**	9.35
26 March 2015	**7.00**	7.00
19 November 2015	**5.68**	5.68
11 January 2016	**5.25**	–
27 April 2016	**4.30**	–
25 August 2016	**3.00**	–

Strike prices

The following strike prices relating to the share options granted were provided by management:

Grant date	2016 Strike price ($)	2015 Strike price ($)
17 December 2013	**11.50**	11.50
8 September 2014	**11.00**	11.00
15 November 2014	**9.50**	9.50
26 March 2015	**7.18**	7.18
17 November 2015	**5.68**	5.68
11 January 2016	**5.00**	–
27 April 2016	**4.28**	–
25 August 2016	**3.05**	–

Fair values

IPO options					
Grant date	Vesting date	Fair value per option ($)	Number of options granted	December 2014 ($)	Totals ($)
17 December 2013	17 December 2013	2.00	41,667	83,495	83,495
17 December 2013	17 December 2013	2.19	41,667	91,176	91,176
17 December 2013	17 December 2013	2.35	41,667	97,949	97,949
		Totals	**125,001**	**272,620**	**272,620**

Employee options								
Grant date	Vesting date	Fair value per option ($)	Number of options granted	December 2014 ($)	December 2015 ($)	December 2016 ($)	December 2017 ($)	Totals ($)
08 September 2014	08 September 2014	2.15	314,333	677,003	–	–	–	677,003
08 September 2014	08 September 2015	2.30	314,333	225,808	497,175	–	–	722,983
08 September 2014	08 September 2016	2.43	314,333	119,244	381,789	263,591	73,220	837,844
15 November 2014	15 November 2014	2.29	48,333	110,464	–	–	–	110,464
15 November 2014	15 November 2015	2.41	48,333	14,700	101,944	–	–	116,644
15 November 2014	15 November 2016	2.53	48,333	7,691	61 026	53,502	–	122,219
31 March 2015	31 March 2015	1.60	338,667	–	541,100	–	–	541,100
	31 March 2016	1.69	338,667	–	430,410	142,427	–	572,837
	31 March 2017	1.78	338,667	–	226,205	301,058	74,031	601,294
19 November 2015	19 November 2015	1.55	123,333	–	190,603	–	–	190,603
	19 November 2016	1.71	123,333	–	24,302	186,896	–	211,198
	19 November 2017	1.82	123,333	–	12,918	112,400	99,313	224,631
11 January 2016	11 January 2016	1.40	149,999	–	–	209,289	–	209,289
	11 January 2017	1.51	150,000	–	–	219,791	6,810	226,601
	11 January 2018	1.59	150,001	–	–	115,661	119,240	234,901
11 January 2016	11 January 2016	1.40	50,000	–	–	69,763	–	69,763
	01 March 2016	1.40	50,000	–	–	69,763	–	69,763
	11 January 2017	1.51	50,000	–	–	73,264	2,270	75,534
	01 March 2017	1.52	50,000	–	–	65,063	11,101	76,164
	11 January 2018	1.59	50,000	–	–	38,553	39,746	78,299
27 April 2016	27 April 2017	1.19	308,334	–	–	247,589	117,804	365,393
	27 April 2018	1.24	308,333	–	–	130,138	191,974	322,112
	27 April 2019	1.29	308,333	–	–	90,109	132,925	223,034
25 August 2016	25 August 2016	0.77	6,667	–	–	5,114	–	5,114
	25 August 2017	0.80	6,667	–	–	1,876	3,489	5,365
	25 August 2018	0.85	6,666	–	–	993	2,837	3,830
		Totals	**4,118,998**	**1,154,910**	**2,467,472**	**2,396,840**	**874,760**	**6,893,982**

22. Share-based payment transactions continued

Share awards scheme

		Award A					
Grant date	Vesting date	Fair value per award ($)	Number of awards granted	December 2014 ($'000)	December 2015 ($'000)	December 2016 ($'000)	Totals ($'000)
08 September 2014	08 September 2014	10.10	102,765	1,037,925	–	–	1,037,925
08 September 2014	01 April 2015	9.99	87,741	487,299	388,984	–	876,283
08 September 2014	01 April 2016	9.79	65,806	128,607	411,768	103,788	644,163
08 September 2014	01 April 2017	9.60	44,171	51,619	165,272	165,725	382,616
		Totals	**300,483**	**1,705,450**	**966,024**	**269,513**	**2,940,977**

		Award B					
Grant date	Vesting date	Fair value per award ($)	Number of awards granted	December 2014 ($'000)	December 2015 ($'000)	December 2016 ($'000)	Totals ($'000)
17 November 2014	17 November 2014	9.35	53,837	503,375	–	–	503,375
17 November 2014	31 October 2015	9.16	53,837	59,479	433,929	–	493,408
17 November 2014	1 April 2016	9.10	53,853	43,024	356,907	89,960	489,891
		Totals	**161,527**	**605,878**	**790,836**	**89,960**	**1,486,674**

		Award C					
Grant date	Vesting date	Fair value per award ($)	Number of awards granted	December 2014 ($'000)	December 2015 ($'000)	December 2016 ($'000)	Totals ($'000)
31 March 2015	31 March 2015	7.00	25,209	–	162,538	–	162,538
31 March 2015	31 March 2016	6.86	25,209	–	119,700	39,610	159,310
31 March 2015	31 March 2017	6.73	25,209	–	58,745	78,185	136,930
		Totals	**75,627**	**–**	**340,983**	**117,795**	**458,778**

		Award D					
Grant date	Vesting date	Fair value per award ($)	Number of awards granted	December 2014 ($'000)	December 2015 ($'000)	December 2016 ($'000)	Totals ($'000)
17 November 2015	1 March 2016	5.64	100,421	–	231,711	334,980	566,691
17 November 2015	1 March 2017	5.53	96,845	–	48,119	418,683	466,802
17 November 2015	1 March 2018	5.42	32,240	–	8,820	76,740	85,560
		Totals	**229,506**	**–**	**288,650**	**830,403**	**1,119,053**

		Award E					
Grant date	Vesting date	Fair value per award ($)	Number of awards granted	December 2014 ($'000)	December 2015 ($'000)	December 2016 ($'000)	Totals ($'000)
14 December 2015	14 December 2015	5.6	1,191	–	6,670	–	6,670
14 December 2015	1 March 2017	5.47	1,191	–	250	5,376	5,626
14 December 2015	1 March 2018	5.36	1,190	–	134	2,886	3,020
		Totals	**3,572**	**–**	**7,054**	**8,262**	**15,316**

		Award F					
Grant date	Vesting date	Fair value per award ($)	Number of awards granted	December 2014 ($'000)	December 2015 ($'000)	December 2016 ($'000)	Totals ($'000)
11 January 2016	1 March 2017	5.13	89,816	–	–	393,765	393,765
11 January 2016	1 March 2018	5.03	14,969	–	–	34,210	34,210
		Totals	**104,785**	**–**	**–**	**427,975**	**427,975**

		Award G					
Grant date	Vesting date	Fair value per award ($)	Number of awards granted	December 2014 ($'000)	December 2015 ($'000)	December 2016 ($'000)	Totals ($'000)
11 January 2016	01 March 2016	5.24	28,549	–	–	149,473	149,473
11 January 2016	01 March 2017	5.13	22,157	–	–	97,139	97,139
11 January 2016	01 March 2018	5.03	9,362	–	–	21,396	21,396
		Totals	**60,068**	**–**	**–**	**268,008**	**268,008**

		Award H					
Grant date	Vesting date	Fair value per award ($)	Number of awards granted	December 2014 ($'000)	December 2015 ($'000)	December 2016 ($'000)	Totals ($'000)
27 April 2016	27 April 2017	4.21	116,804	–	–	333,588	333,588
27 April 2016	27 April 2018	4.13	116,804	–	–	163,647	163,647
27 April 2016	27 April 2019	4.05	116,805	–	–	106,915	106,915
		Totals	**350,413**	**–**	**–**	**604,150**	**604,150**

22. Share-based payment transactions continued

Award I

Grant date	Vesting date	Fair value per award ($)	Number of awards granted	December 2014 ($'000)	December 2015 ($'000)	December 2016 ($'000)	Totals ($'000)
27 April 2016	27 April 2016	4.30	10,000	–	–	43,000	43,000
27 April 2016	27 April 2017	4.21	10,000	–	–	28,560	28,560
27 April 2016	27 April 2018	4.13	10,000	–	–	14,010	14,010
		Totals	**30,000**	**–**	**–**	**85,570**	**85,570**

Award J

Grant date	Vesting date	Fair value per award ($)	Number of awards granted	December 2014 ($'000)	December 2015 ($'000)	December 2016 ($'000)	Totals ($'000)
27 April 2016	27 April 2016	4.30	10,781	–	–	46,358	46,358
27 April 2016	01 March 2017	4.23	779	–	–	2,645	2,645
27 April 2016	27 April 2017	4.21	10,000	–	–	28,560	28,560
27 April 2016	01 March 2018	4.14	6,977	–	–	10,636	10,636
27 April 2016	27 April 2018	4.13	10,000	–	–	14,010	14,010
		Totals	**38,537**	**–**	**–**	**102,209**	**102,209**

Award K

Grant date	Vesting date	Fair value per award ($)	Number of awards granted	December 2014 ($'000)	December 2015 ($'000)	December 2016 ($'000)	Totals ($'000)
27 April 2016	01 March 2017	4.23	2,151	–	–	7,303	7,303
27 April 2016	01 March 2018	4.14	2,644	–	–	4,031	4,031
		Totals	**4,795**	**–**	**–**	**11,334**	**11,334**

Award L

Grant date	Vesting date	Fair value per award ($)	Number of awards granted	December 2014 ($'000)	December 2015 ($'000)	December 2016 ($'000)	Totals ($'000)
25 August 2016	01 March 2017	2.97	7,922	–	–	15,972	15,972
25 August 2016	01 March 2018	2.91	3,586	–	–	2,411	2,411
25 August 2016	01 March 2019	2.85	2,010	–	–	798	798
		Totals	**13,518**	**–**	**–**	**19,181**	**19,181**

23. Cash and short-term funds

Cash and cash equivalents comprises of balances with banks that are short-term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

	2016 $'000	2015 $'000
Cash on hand	**57,545**	52,440
Balances with central banks	**97,586**	51,462
Balances with other banks	**91,469**	80,244
Other cash balances	**2,693**	981
Money market placements maturing within three months	**35,864**	57,898
Cash and cash equivalents	**285,157**	243,025
Statutory reserve balances	**121,168**	77,657
	406,325	320,682

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

24. Tax

Accounting for tax and deferred tax
Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement as the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and any adjustment to tax payable in respect of previous years. Potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities are provided for.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet, and the amounts attributed to such assets and liabilities for tax purposes.
Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled.

Current and deferred tax is calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

Critical accounting estimates and judgements
The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies. In the absence of a history of taxable profits, the most significant judgements relate to expected future profitability and to the applicability of tax planning strategies, including corporate reorganisations.

This estimate would be most sensitive to a change in the underlying projected profits, where a change of $1 million would have an approximate impact on the carrying value of +/- 25% (based on average tax rate for entities in tax jurisdictions).

24. Tax continued

24.1. Income tax expense

	2016 $'000	2015 $'000
Current tax expense		
Current year tax expense	**(8,107)**	8,661
Tax on share of profit of associates	**(4)**	–
Withholding tax	**(1)**	2
Bank levies	**–**	3
	(8,112)	8,666
Deferred tax		
Accruals	**(490)**	(531)
Impairment losses	**3,642**	(1,273)
Property and equipment	**(2,634)**	(512)
Investment property	**(591)**	120
Gains/(losses) from investments	**1,500**	413
Utilisation of assessed losses	**6,716**	(1,466)
Impairment of deferred tax assets	**3,730**	75
Other	**(7,658)**	46
Revaluation	**4,118**	–
At acquisition adjustments	**(143)**	1,282
Total deferred tax	**8,190**	(1,846)
Total tax expense per statement of profit/loss	**78**	6,820
Reconciliation of effective tax charge:		
Profit before tax	**9,367**	19,181
Income tax using corporate tax rates	**22,009**	3,672
Non-taxable income	**3,612**	2,706
Non-deductible expenses	**103**	–
Effect of share of loss of associates	**(63)**	–
Tax exempt revenues	**516**	26
Tax incentives	**–**	(1,030)
Bank levies	**–**	(3)
Tax on dividends received	**–**	–
Under provision in prior years	**164**	–
Income tax at different rates	**330**	943
Unrecognised deferred tax	**(22,601)**	(627)
Rate differential	**–**	(1,782)
Minimum tax charge	**62**	40
Tax and fair value losses of prior years claimed	**(712)**	–
Other	**(3,342)**	2,875
Current tax expense per statement of profit/loss	**78**	6,820
Effective tax rate	**1%**	36%

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

	2016			2015		
	Before tax $'000	**Tax charge $'000**	**After tax $'000**	Before tax $'000	Tax charge $'000	After tax $'000
Exchange differences on translating foreign operations	**(159,423)**	**–**	**(159,423)**	(88,232)	–	(88,232)
Net loss on hedge of the net investment in foreign operations	**–**	**–**	**–**	(3,496)	–	(3,496)
Revaluation of property net of deferred tax	**2,969**	**(10)**	**2,959**	3,642	(245)	3,397
Share of reserves in associate	**(3,406)**	**–**	**(3,406)**	13,648	–	13,648
Movement in available-for-sale reserves	**11,191**	**–**	**11,191**	481	–	481
Other comprehensive income	**(148,669)**	**(10)**	**(148,679)**	(73,957)	(245)	(74,202)

24.3. Deferred tax

	2016 $'000	2015 $'000
Balance at the beginning of the year	**(7,266)**	(13,326)
Acquired through business combinations	**(9,506)**	–
Exchange rate adjustment	**(193)**	4,459
Statement of profit or loss charge (note 24.1)	**8,190**	1,846
Deferred tax on amounts charged to equity	**10**	(245)
	(8,765)	(7,266)
Disclosed as follows:		
Deferred tax asset	**14,323**	8,130
Deferred tax liability	**(23,088)**	(15,396)
	(8,765)	(7,266)
Tax effects of temporary differences:		
Accruals	**1,531**	1,554
Bond with warrant deferred tax	**959**	845
Impairment losses	**6,820**	11,917
Property and equipment	**(7,464)**	(3,521)
Investment property	**72**	72
Unrealised gains on investment	**(1,806)**	(2,173)
Unearned income	**(192)**	–
Revaluation surplus	**9,017**	(1,080)
Tax losses	**(2,321)**	1,923
At acquisition adjustments	**(23,342)**	(19,482)
Other	**7,961**	2,679
	(8,765)	(7,266)

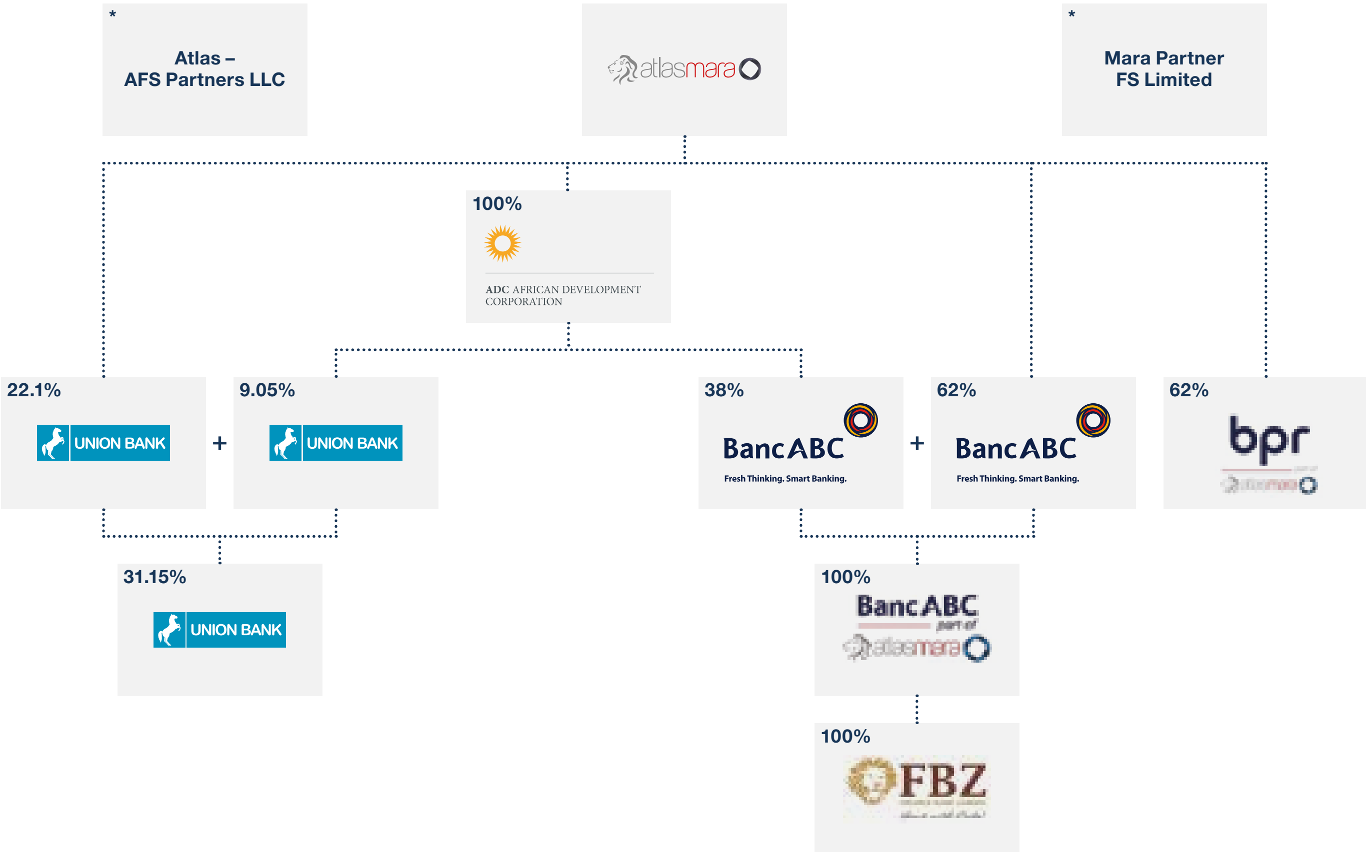
Amount for which no deferred tax assets are recognised:

	2016 $'000	2015 $'000
Deductible temporary difference	**–**	–
Unused tax losses	**8,696**	31,297
Unused tax credits	**–**	–

25. Related parties

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

Nature of related party relationships



Note:
* These represent the founder shareholders' affiliated group of companies.

Related party transactions

Related party:	2016 Management fees $'000	Interest income/expense $'000	Others $'000	Total $'000
Transactions between Atlas Mara and ABCH	14,018	–	(2,916)	11,102
Transactions between Atlas Mara and BancABC subsidiaries	14,914	(1,269)	(8,802)	4,843
Transactions between ABCH and AMFS	–	(207)	–	(207)
Transactions between Atlas Mara and BPR	1,000	–	52	1,052
Transactions between Atlas Mara and founder shareholders' affiliated companies	–	–	(2,378)	(2,378)
	29,932	(1,476)	(14,044)	14,412

Related party balances

Related party:	2016 Loans to Group companies $'000	Cash and cash equivalents $'000	Loans from Group companies $'000	Other $'000	Total $'000
Balances between Atlas Mara and ABCH	**50,000**	**–**	**–**	**17,669**	**67,669**
Balances between Atlas Mara and BancABC subsidiaries	**–**	**–**	**(463)**	**–**	**(463)**
Balances between ABC Holdings and BancABC subsidiaries	**54,363**	**7,359**	**(117,743)**	**17,448**	**(38,573)**
Balances between Atlas Mara and AMFS	**–**	**–**	**–**	**(289)**	**(289)**
Balances between Atlas Mara and BPR	**–**	**–**	**–**	**511**	**511**
Balances between Atlas Mara and founder shareholders' affiliated companies	**–**	**–**	**–**	**(79)**	**(79)**
	104,363	**7,359**	**(118,206)**	**35,260**	**28,776**

Related party transactions

Related party:	2015 Management fees $'000	Interest income/expense $'000	Others $'000	Total $'000
Transactions between Atlas Mara and ABCH	4,079	–	5,243	9,322
Transactions between Atlas Mara and BancABC subsidiaries	3,373	–	–	3,373
Transactions between ABCH and BancABC subsidiaries	11,781	(7,156)	–	4,625
Transactions between Atlas Mara and Atlas Mara Financial Services Limited	–	(83)	–	(83)
Transactions between Atlas Mara and founder shareholders' affiliated companies			2,699	2,699
	19,233	(7,239)	7,942	19,936

Related party balances

Related party:	2015 Loans to Group companies $'000	Cash and cash equivalents $'000	Loans from Group companies $'000	Other $'000	Total $'000
Balances between Atlas Mara and ABCH	50,000	–	–	13,341	63,341
Balances between Atlas Mara and BancABC subsidiaries	10,000	–	–	–	10,000
Balances between ABC Holdings and BancABC subsidiaries	51,790	32,072	(67,646)	(2,321)	13,895
Balances between Atlas Mara and BRD Commercial	–	–	(541)	–	(541)
Balances between Atlas Mara and Atlas Mara Financial Services Limited	–	–	(6,583)	–	(6,583)
Balances between Atlas Mara and founder shareholders' affiliated companies	–	–	–	1,950	1,950
	111,790	32,072	(74,770)	12,970	82,062

26. Non-current assets held-for-sale

Accounting for non-current assets held-for-sale
The Group classifies non-current assets as held-for-sale to equity holders of the Parent if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell.

Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held-for-sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn.

Management must be committed to the sale expected within one year from the date of the classification.
Property and equipment and intangible assets are not depreciated or amortised once classified as held-for-sale.
Assets and liabilities classified as held-for-sale are presented separately as current items in the statement of financial position.

The major classes of assets of Atlas Mara classified as held-for-sale to equity holders of the Parent as at 31 December 2016 are as follows:

	2016 $'000	2015 $'000
Assets		
Non-current assets held-for-sale	**1,633**	–
Net assets classified as held-for-sale	**1,633**	–

27. Funds under management

	2016 $'000	2015 $'000
Funds under management	**101,131**	88,555

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 as these do not represents assets held by the Group.

28. Earnings per share

Accounting for earnings per share ('EPS')
The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Group by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

	2016 $'000	2015 $'000
Earnings		
Profit for the period	**8,402**	11,251
Basic and diluted earnings	**8,402**	11,251
Weighted-average ordinary shares (number of shares)		
Recognised as treasury shares	**(2,475)**	(1,754)
Ordinary shares issued during the period	**73,861**	73,709
Weighted-average ordinary shares (number of shares)	**71,386**	71,955
Diluted number of ordinary shares (number of shares)		
Diluted shares	**589**	66
Total diluted number of ordinary shares (number of shares)	**71,975**	72,021
Basic earnings per share ($)	**0.12**	0.16
Diluted earnings per share ($)	**0.12**	0.16

29. Fair value of financial assets and liabilities

Fair value determination
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:
- 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 (i.e. as prices) or indirectly (i.e. derived from prices) (**level 2**); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (**level 3**).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

Fair value determination as included in the measurement and disclosure requirements of IFRS 13 is applicable to all elements of the statement of financial position, and not only financial instruments.

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

	31 December 2016			
	Quoted prices Level 1 $'000	Significant observable inputs Level 2 $'000	Significant unobservable inputs Level 3 $'000	Total at fair value $'000
Assets measured at fair value:				
Financial assets held for trading				
Government bonds	–	5,382	–	5,382
Treasury bills	–	96,345	–	96,345
Fair value option				
Designated at fair value				
Listed equities	774	–	–	774
Unlisted equities	–	–	13,084	13,084
Property units	–	–	10	10
Derivative financial instruments				
Cross-currency interest swaps	–	–	6,025	6,025
Forward foreign exchange contracts	–	298	–	298
Available-for-sale investments				
Unlisted equities	–	459	926	1,385
Unlisted investment	–	25,095	–	25,095
Government bonds	–	52,046	–	52,046
Corporate bonds	–	9,561	–	9,561
Treasury bills	–	117,241	–	117,241
Fair value hierarchy for financial assets	774	306,427	20,045	327,246
Liabilities measured at fair value:				
Derivative financial instruments				
Cross-currency interest swaps	–	–	5,733	5,733
Forward foreign exchange contracts	–	37	–	37
Borrowed funds	–	–	31,541	31,541
Liabilities for which fair values are disclosed:				
Borrowed funds	–	298,298	–	298,298
Fair value hierarchy for financial liabilities	–	298,335	37,274	335,609

29. Fair value of financial assets and liabilities continued

	31 December 2015			
	Quoted prices Level 1 $'000	Significant observable inputs Level 2 $'000	Significant unobservable inputs Level 3 $'000	Total at fair value $'000
Assets measured at fair value:				
Other financial assets held for trading				
Government bonds	–	36,461	–	36,461
Treasury bills	–	147,982	–	147,982
Corporate bonds	–	5,907	–	5,907
Fair value option				
Designated at fair value				
Listed equities	798	–	–	798
Unlisted equities	–	–	12,535	12,535
Property units	–	–	10	10
Derivative financial instruments				
Cross-currency interest swaps	–	502	–	502
Forward foreign exchange contracts	–	1,137	–	1,137
Available-for-sale investments				
Unlisted equities	–	642	84	726
Unlisted investment	–	15,842	–	15,842
Fair value hierarchy for financial assets	798	208,473	12,629	221,900
Liabilities measured at fair value:				
Derivative financial instruments				
Cross-currency interest swaps	–	674	–	674
Forward foreign exchange contracts	–	62	–	62
Equity derivatives	–	4,455	–	4,455
Borrowed funds	–	–	57,028	57,028
Liabilities for which fair values are disclosed:				
Borrowed funds	–	251,750	–	251,750
Fair value hierarchy for financial liabilities	–	256,941	57,028	313,969

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

There was a transfer from level 2 to level 3 of unlisted equities of $197,000 in the current period.

Level 3 fair value movements

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

	31 December 2016			
	Debt or equity investments $'000	Total assets at fair value $'000	Derivative financial liabilities $'000	Total liabilities at fair value $'000
Opening balance	12,629	12,629	–	–
Total gains or losses	1,139	1,139	–	–
– in profit/(loss)	1,149	1,149	331	331
– in other comprehensive income	(10)	(10)	–	–
Purchases	–	–	–	–
Issues	6,092	6,092	5,304	5,304
Settlements	–	–	–	–
Exchange rate adjustment	(12)	(12)	98	98
Transfer into level 3	197	197	–	–
Closing balance	20,045	20,045	5,733	5,733

	31 December 2015			
	Debt or equity investments $'000	Total assets at fair value $'000	Derivative financial liabilities $'000	Total liabilities at fair value $'000
Opening balance	12,867	12,867	2,777	2,777
Total gains or losses	–	–	–	–
– in profit/(loss)	2,364	2,364	–	–
Purchases	76	76	–	–
Issues	(4,592)	(4,592)	–	–
Settlements	–	–	(2,777)	(2,777)
Exchange rate adjustment	1,914	1,914	–	–
Closing balance	12,629	12,629	–	–

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

	31 December 2016			
	Debt or equity investments $'000	Total assets at fair value $'000	Derivative financial liabilities $'000	Total liabilities at fair value $'000
Total gains or losses in profit/loss for the year:				
Rental income	1,149	1,149	331	331
Fair value adjustments	582	582	–	–
Net income from other financial instruments carried at fair value	567	567	331	331
Total gains or losses recognised in other comprehensive income	(10)	(10)	–	–

	31 December 2015			
	Trading securities $'000	Total assets at fair value $'000	Derivative financial liabilities $'000	Total liabilities at fair value $'000
Total gains or losses in profit/loss for the year:				
Rental income	158	158	–	–
Total gains or losses recognised in other comprehensive income	158	158	–	–

29. Fair value of financial assets and liabilities continued

Description of significant unobservable inputs to valuation

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

Type of financial instrument	Valuation technique	Significant unobservable input	Range of estimates (weighted average) for unobservable input
Government debt	This includes government bonds and treasury bills. Liquid government bonds that are actively traded through an exchange or clearing house are marked-to-market. Less liquid bonds are valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. Where there are no observable market prices, a proxy curve is constructed by using the US interest rate swap yield curve and adding a spread indicative of the inherent risk relating to credit, liquidity and for the sovereign risk of the government debt.	Discount rate where no traded market exists.	12-22%
Corporate debt	This includes corporate bonds which are valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. Where there are no observable market prices, a proxy curve is constructed by using the US interest rate swap yield curve and adding a spread indicative of the inherent risk relating to credit, liquidity and for the sovereign risk of the corporate debt.	Discount rate where no traded market exists.	12-18%
Unlisted equities and investments	Market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee on actual EBITDA for the year ended 31 December 2016. The estimate is adjusted for the effect of the non-marketability of the equity securities.	Adjusted price to book ratio. Adjusted EV/EBITDA.	12-25%

Sensitivity analysis

For the fair values of unlisted equities – 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:

	31 December 2016			
	Profit or loss		**Equity**	
	Increase $'000	**Decrease $'000**	**Increase $'000**	**Decrease $'000**
Average price to book ratio (5% movement)	**(120)**	**120**	**10**	**(10)**
Book value (2% movement)	**4**	**(4)**	**18**	**(18)**
Adjusted EV/EBITDA (5% movement)	**10**	**(10)**	**10**	**(10)**
EBITDA (2% movement)	**(278)**	**278**	**4**	**(4)**

	31 December 2015			
	Profit or loss		Equity	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Average price to book ratio (5% movement)	132	(132)	9	(9)
Book value (2% movement)	20	(20)	14	(14)
Adjusted EV/EBITDA (5% movement)	9	(9)	9	(9)
EBITDA (2% movement)	462	(462)	4	(4)

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions:
The following table shows the impact on the fair value of level 3 financial instruments of using reasonably possible alternative assumptions by class of instrument. The positive and negative effects are approximately the same.

	31 December 2016		31 December 2015	
	Carrying amount $'000	**Effect of reasonably possible alternative assumptions $'000**	Carrying amount $'000	Effect of reasonably possible alternative assumptions $'000
Financial assets				
Fair value option				
Unlisted equities	**13,084**	**1,308**	–	–
Property units	**10**	**1**	–	–
Derivative financial instruments				
Cross-currency interest swaps	**6,025**	**603**	–	–
Available-for-sale investments				
Unlisted equities	**926**	**93**	83	–
Financial liabilities				
Derivative financial instruments				
Cross-currency interest swaps	**5,733**	**573**	–	–

30. Off-balance sheet items

a. Loan commitments and other financial facilities
The timing profile of the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities for the year ended 31 December 2016 are summarised below:

	2016 $'000	2015 $'000
Guarantees	**13,774**	52,271
Letters of credit	**2,767**	5,423
Forward contracts and currency swaps	**18,605**	10,434
Other contingent liabilities	**10,430**	37,557
	45,576	105,685
Maturity analysis of loan commitments		
Less than one year	**35,383**	91,039
Between one and five years	**10,193**	14,646
Over five years	**–**	–
	45,576	105,685

b. Capital commitments

	2016 $'000	2015 $'000
Approved and contracted for	**8,444**	16,048
Approved but not contracted for	**15,348**	6,918
	23,792	22,966

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

Annexure A – Standards and interpretations

Standards and interpretations issued and not yet applicable or adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective for the financial year commencing 1 January 2017
Disclosure Initiative (amendments to IAS 7) – The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

Effective for the financial year commencing 1 January 2018
- **IFRS 15 Revenue from Contracts with Customers** – IFRS 15 will be effective for the Company's annual reporting period starting 1 January 2018. IFRS 15 replaces the current effective standards on recognition and measurement of revenues, including IAS 18 Revenue. Management expects that the impact of application of IFRS 15 in the financial statements would be minimal (if any), due to the following reasons:
  - The fees for services are established based on a percentage of the underlying listed equity instruments. The fair value of the underlying equity instruments are easily established.
  - The right to service fees are established by the end of the reporting period (or more frequent) and is subject to reversal/claw-back features after the reporting period.
  - The fees do not include any significant finance component or contingent provisions.

IFRS 9 Financial Instruments – On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will have a significant impact on the Group, which will include changes in the measurement bases 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 from IAS 39 to an 'expected credit loss' model, which is expected to increase the loan impairment charges recognised in the Group.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. The Group is assessing the potential impact on the financial statements resulting from the application of IFRS 9.

Effective for the financial year commencing 1 January 2019
- **IFRS 16 Leases** – IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors.

  The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Group is assessing the potential impact on the financial statements resulting from the application of IFRS 16.

Annexure B – Reconciliation Non-GAAP measures

Use of non-GAAP financial measures

As stated in our reported results, our financial results are prepared in accordance with IFRS as detailed in the Financial Statements starting on page 90 of the Atlas Mara Annual Report and Accounts 2016.

When measuring our performance, we include certain financial measures, to report our results, where the impact of certain non-recurring or non-core activities are excluded to provide a view of our sustainable performance.

We also include certain measures, where factors that distort year-on-year comparison is excluded.

These are considered non-GAAP measures.

Adjusted operating profit

When calculating our adjusted operating profit, we exclude the impact of one-off and transaction-related items.

One-off items are considered, but not limited to be those related to matters such as separation packages paid to staff and executives, integration cots when acquiring new business and costs associated with corporate restructures and reorganisations which management would identify and evaluate separately when assessing performance and performance trends of the business. The following table provides a reconciliation of the adjusted operating profit to most directly comparable measures under IFRS.

		2016	2015	CC Var %
Total Income	$ million	**241.7**	205.2	31.8%
Loan impairment charge	$ million	**(15.4)**	(12.0)	62.8%
Total expenses (excluding one-off)	$ million	**(217.2)**	(174.2)	37.9%
Income from associates	$ million	**17.9**	20.3	16.1%
Adjusted profit before tax	$ million	**27.0**	39.3	(15.3%)
Adjusted net profit	**$ million**	**20.8**	**24.9**	**2.7%**
M&A transaction expenses*	$ million	**(8.8)**	(11.9)	(26.2%)
Reorganising/restructuring costs	$ million	**(8.9)**	(7.6)	16.6%
Reported profit before tax	$ million	**9.4**	19.2	(24.4%)
Reported net profit	**$ million**	**8.4**	**11.3**	**75.1%**

Note:

* 2015 – Included in M&A for adjusted profit is $9.3 million as disclosed in note 7 plus other directly attributable costs of the M&A function, including staff costs, travel costs and other directly attributable expenses.
2016 – Included in M&A costs is $11.8 million as per note 7, less costs directly attributable to reorganisation/restructuring of $6.5 million, plus other directly attributable costs of the M&A function, including staff costs, travel costs and other directly attributable expenses.

Constant Currency balances/variances

Constant currency balances and variances are presented to eliminate the macroeconomic effect of exchange rate movements to make operational year-on-year comparisons more meaningful.

The constant currency amounts are calculated by translating the prior year local currency balances using the 2016 foreign exchange rates against the US dollar.

The following tables details the adjustments made to the reported results

Constant currency reconciliation – statement of comprehensive income

		Reconciling items (FX adjustment)							
$'m	2015 IFRS	BWP	MZN	NGN	RwF	TZS	ZMW	2015 CC	CC Var %
Total income	205.1	(3.7)	(11.6)	0.0	(0.4)	(0.7)	(5.3)	183.4	30.1%
Credit impairments	(12.0)	0.1	2.0	0.0	0.0	0.0	0.4	(9.5)	(62.1%)
Total expenses	(194.2)	2.4	10.0	0.0	0.4	0.9	3.5	(177.0)	(32.7%)
Income from associates	20.3	0.0	0.0	(4.9)	0.0	0.0	0.0	15.4	16.2%
Taxation and minority interest	(7.9)	0.2	(0.2)	0.0	0.0	(0.1)	0.5	(7.5)	86.8%
Profit/(loss) after tax	11.3	(1.0)	0.2	(4.9)	0.0	0.1	(0.9)	4.8	75.0%

		Reconciling items (FX adjustment)							
$'m	2015 IFRS	BWP	MZN	NGN	RwF	TZS	ZMW	2015 CC	CC Var %
Trading revenue	12.8	(0.2)	(3.4)	0.0	0.0	0.1	0.3	9.6	>100%
Fee and commission income	49.9	(0.4)	(1.7)	0.0	(0.0)	(0.1)	(3.6)	43.9	(8.0%)
Other	36.1	(0.3)	0.0	0.0	0.1	(0.1)	(1.2)	34.5	(6.0%)

Constant currency reconciliation – statement of financial position

		Reconciling items (FX adjustment)							
$'m	2015 IFRS	BWP	MZN	NGN	RwF	TZS	ZMW	2015 CC	CC Var %
Cash	320.7	4.6	(0.1)	(17.9)	0.0	(2.0)	(0.3)	311.4	29.6%
Financial assets held for trading	203.6	2.4	0.0	(8.6)	0.0	0.0	(0.4)	201.2	(42.0%)
Loans and advances	1,229.4	26.8	0.0	(47.0)	0.0	(4.3)	(0.8)	1,214.9	9.8%
Investments	21.6	0.0	(0.1)	(0.1)	0.0	(0.0)	(0.0)	21.4	>100%
Investment in associate	398.4	0.0	(1.9)	0.0	(2.3)	0.0	(0.0)	394.2	(25.2%)
Intangible assets	139.4	0.1	0.0	(0.5)	0.0	0.0	(0.0)	139.0	21.0%
Other assets	139.0	3.4	(0.2)	(13.0)	0.0	(0.1)	(0.1)	132.8	49.0%
Customer deposits	1,436.1	30.8	0.0	(69.4)	0.0	(4.0)	(1.4)	1,407.5	27.3%
Borrowed funds	302.2	0.4	(1.3)	(3.5)	0.0	(0.9)	(0.0)	297.9	8.2%
Other liabilities	88.2	1.0	(0.0)	(2.3)	0.0	(0.2)	(0.1)	92.9	18.2%

Note:
The 2015 constant currency amounts are calculated by translating the 2015 local currency balances using the 2016 foreign exchange rates against the US dollar.

Glossary

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

Share information

Share information
Atlas Mara stock ticker: ATMA
(traded on the London Stock Exchange)

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

2016 share price performance
4 January 2016: $5.35
31 December 2016: $1.95
52-week high to date: $5.35
52-week low to date: $1.95

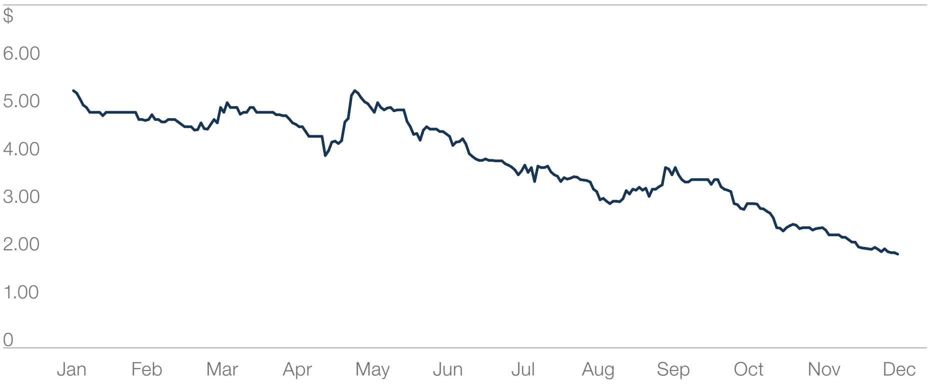
Total voting rights
As at 28 March 2017 (the latest practicable date prior to the publication of this document) the Company had a total number of 32,529,500 warrants in issue, and a total number of 83,092,069 ordinary shares in issue, of which 2,339,080 are held in treasury and 3,298,298 are held in escrow as part of the contingent consideration for the acquisition of Finance Bank Zambia Limited.

Total outstanding warrants
32,529,500 warrants as of 31 December 2016

2016 share price performance by quarter

	Average price	Average volume
Q1	$4.85	18,057 shares
Q2	$4.61	66,997 shares
Q3	$3.51	17,259 shares
Q4	$2.63	30,452 shares

Atlas Mara 2016 share price



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Citigroup Centre
33 Canada Square
London E14 5LB

Renaissance Capital Limited
50 Bank Street
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Computershare Investor Services
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Annual General Meeting
1:00pm (EST)/6:00pm (BST)
31 May 2017
375 Park Avenue
21st floor
New York, NY, 10152
USA

Board of Directors
Non-Executive Directors
Bob Diamond (Chairman and Co-Founder)
Ashish J. Thakkar (Co-Founder)
Rachel F. Robbins (Senior Independent Director)
Tonye Patrick Cole
Eduardo C. Mondlane, Jr.
Funke Opeke
Amadou Raimi

Executive Committee
Arina McDonald (Chief Financial Officer)
Beatrice Hamza Bassey (General Counsel)
Chidi Okpala (Group MD Fintech)
Kenroy Dowers (Group MD Strategic Investments)
Mike Christelis (Group MD Markets and Treasury)
Sanjeev Anand (Group MD Retail & Commercial Banking)

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