

Reshaping African banking

Atlas Mara Limited – Annual Financial Statements 2017

Financial highlights 2017

Overview

- 01 About Atlas Mara
- 02 At a glance

Strategic report

- 04 Our markets
- 05 Chairman's introduction
- 07 Chief Financial Officer's review of financial performance

Governance and risk

- 12 Risk report
- 32 Directors' report
- 35 Statement of Directors' responsibilities

Financial statements

- 36 Independent Auditor's report
- 39 Consolidated statement of financial position
- 40 Consolidated statement of profit or loss
- 40 Consolidated statement of other comprehensive income
- 41 Consolidated statement of changes in equity
- 43 Consolidated statement of cash flows
- 44 Segmental report
- 47 Significant accounting policies
- 52 Notes to the financial statements

Additional information

- 109 Annexure A: Standards and interpretations
- 110 Annexure B: Reconciliation Non-GAAP measures
- 111 Glossary
- 113 Professional advisers

<http://atlasmara.com>

About Atlas Mara

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 **57.3%**

B – Corporate **36.1%**

C – SME **6.6%**

Composition of loans and advances

by country

A – Botswana **45%**

B – Zimbabwe **14%**

C – Mozambique **6%**

D – Zambia **14%**

E – Rwanda **16%**

F – Tanzania **5%**

Loans and advances US\$

\$1,330.0m +0.4%

2016: \$1,334.8m

Deposits US\$

\$1,877.5m +4.1%

2016: \$1,799.4m

Total equity US\$

\$813.2m

2016: \$526.1m

Net book value per share US\$

\$4.77

2016: \$7.29

Total number of customers (including UBN)

>2.4m

Operational facts and figures

	Southern ¹ Africa	East ¹ Africa	West ¹ Africa
Employees	1,932	1,214	2,753
Customers ('000s)	348	252	1,800
ATMs	246	112	679
Number of physical locations	105	195	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 44.55% 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 ATMs³

358

Total number of physical locations¹

300

Total number of acquisitions since 2014

6

Note:

3. Statistics exclude UBN's operational footprint (Atlas Mara owns 44.5%, 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
	Botswana	Zambia	Zimbabwe	Mozambique	Rwanda	Tanzania ¹	Nigeria ²
Number of cities/towns ¹	5	13	14	7	10	2	39
Number of physical locations	8	67	19	11	190	5	314
Number of ATMs	15	177	35	19	104	8	679
Number of employees	313	1,016	315	288	1,050	164	2,753
Loans and advances \$m	588	186	187	75	206	76	1 556
Customer deposits \$m	617	356	368	130	252	118	2 513
Position in market ³	5	5	5	8	2	18	12

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.

Chairman's introduction

Dear Shareholder

One year ago, we promised to meet two clear performance targets: more than \$20 million in cost savings at the centre, and more than double our net profit from 2016. I am pleased to report to you that we meaningfully exceeded those targets by 35% and more than 100%, respectively. We also expanded our product offerings across our business lines, improved the quality of our loans and deposits, and materially increased our investment in Nigeria, while bringing in a strong new strategic partner. 2017 was a landmark year for the Company and has positioned us better than ever for the future.

The year in review

Against a mixed macroeconomic backdrop, we delivered strong operating performance and an improved franchise. In 2017, we established a leaner management team and focused on execution and strengthening the foundations of our Group. Our efforts yielded results.

Our Retail & Commercial Banking business line delivered improved credit quality with a stable loan book, as a focus on legacy NPLs and the credit approval processes moved us closer to our company-wide short-term target NPL ratio of below 10%. At the same time, we improved our deposit mix through a targeted effort to retire expensive deposits; at year-end, transactional deposits were 50% of the total base (from 38% a year earlier). Finally, we improved capacity through a focus on talent in our operating countries, and today, we believe our local franchises are stronger than ever. Notably, we also launched the first bank with our group's brand, Atlas Mara, in Zambia, as a precursor of the synergies we expect to create across the footprint in the long-term.

Our agency banking program continues to be a strong driver of customer growth and deposit capture, and we expanded it in 2017 including in Tanzania and Mozambique, adding hundreds of new agents and thousands of new customers. We also achieved more than \$50 million in deposit capture in Zimbabwe in the year. We deployed a new, best-in-class internet banking solution in Rwanda.

Markets and Treasury faced a particularly challenging yield environment, but offset this with a focus on other income streams and broader business expansion. Although net interest income was down from 2016, non-interest revenue increased 16% and has shown a strong growth trend since 2015. Markets was particularly focused on expanding the product portfolio and the client base, and in 2017 it doubled client visits and launched several new products. It built out the offshore trading desk in Dubai to drive further revenue diversification, and this segment contributed more than \$3.5 million in revenue in a partial year in 2017. In 2018 Markets is positioned for strong growth as our product offerings mature and we take share, particularly in FX.

Strategic partnership and Nigeria

In 2017 we materially increased our investment in Nigeria by increasing our position in UBN, and today we hold 48% total ownership in the bank. Our increased shareholding came in part through a rights issue by UBN, which strengthened the bank's capital position and equipped it to make key strategic investments for growth. With Nigeria having turned the corner from recession during the year, growth forecasts are now increasingly positive for the medium-term. Against that backdrop, we expect UBN to continue to take market share and improve its positioning in this crucial market.

Our Nigeria investments were also enabled in part by our \$200 million capital raise from our existing investors and Fairfax. Fairfax was the ideal partner, given their model of permanent equity and their long-term outlook. The partnership with Fairfax brought new capital and further strengthened our Board, ensuring that Atlas Mara is in position to capitalize on the opportunities for expansion and investment across our footprint. Today we have also announced the issuance of a new convertible bond to be anchored by Fairfax, to support growth across our business lines. This is yet another strong statement of support for our strategy, and of our alignment with Fairfax.

Business model

We have adopted a "Buy, Protect, and Grow" strategy for how we expect to build sub-Saharan Africa's premier financial institution. Additional acquisitions are likely to be an element of achieving desired scale in the long-term, but our current top priority is on execution in our existing operations and growing organically.

Our successful focus in 2017 on strengthening our foundations and improving the quality of our balance sheet are an example of our ability to execute on the Protect element of our broader strategy. In 2018, we are focused principally on retaining and improving quality in our balance sheet while driving core growth across all three business lines.

Management update

The Board and I are delighted to welcome John Staley to the Company as our new CEO. John brings an impressive record of building up and helping to drive the growth of Equity Bank. His experience and expertise in banking and payments technology and infrastructure in particular will help to accelerate the build out of a best in class platform across our footprint, and to support our growth through technology, including through new digital products and channels. I have been working with John for the past few months and am thrilled that we successfully brought him on board. He will begin his new role May 1, and you will hear from him in due course regarding his plans for improving operations and infrastructure, developing new products, and driving growth. We are fortunate to have John joining us and I look forward to working with him to achieve our vision.

Outlook

On the back of a strong 2017, we have more work to do. Most of all, we will continue to focus on sustainable growth throughout our businesses, making sensible and supportive investments to enable us to meet the needs of our customers in a manner that will drive long-term value for our shareholders.

With a strong 2017 behind us, I am incredibly excited about what lies ahead. We are in a better position than ever, and I am confident we will deliver increased value for our shareholders.

Bob Diamond

Chairman

Chief Financial Officer's review of financial performance

Performance Overview

2017 was a year in which we continued to deliver on our strategy in line with our business model of Buy, Protect, Grow. In 2017 we focused on achieving the cost savings communicated to the market and achieving our strategic objectives to deliver shareholder value.

We draw attention to our adjusted operating profit, which excludes certain non-recurring revenues and costs that are not part of the ongoing earnings base, to make us more comparable to other 'market peers' by separately identifying and excluding one-off gains and charges, including acquisition costs, integration of businesses, etc. Our operating profit for 2017 on this basis was \$37.0 million versus the \$20.8 million on a similar basis for 2016, representing an increase of 77% in US\$ and an increase of >100% on a constant currency basis (basing 2016 operating earnings on 2017 FX rates as a more appropriate year-on-year comparative).

Excluding one-off and transaction-related expenses or gains, our cost to income ratio was 82.0% versus the comparable figure in 2016 of 89.9%. This ratio remains higher than what we would like it to be, partly due to our continuous investment in our operations to facilitate future growth. While in the near term we expect to increase investments in IT and infrastructure, we continue to strive towards our longer-term goal of reducing the cost to income ratios to comparable peer levels, which will increase earnings and thus shareholder returns.

While we not only met but exceeded the targeted profit for 2017, the returns being generated by the business remain considerably below the level to which we aspire. We remain committed to improving the ROE and have already implemented a number of steps to improve the core performance of the business as we remain wholly focused on execution to deliver the returns our shareholders expect. For example:

- We intensified efforts and initiatives to grow low-cost retail deposits across the Group, facilitate regional corporate banking relationships, manage down our NPL ratio, improve credit processes, and expand our digital products capabilities to further support growth of our business. We also remain focused on operational improvements around credit and control environment that requires some investment to strengthen our platform, which is set to continue as part of our overall risk management focus into 2018.
- We have invested in our Markets and Treasury business with the aim to broaden the spectrum of African currencies that we focus on, and to 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.

At the end of the year our book value was \$4.77 per share (December 2016: \$7.29) and our tangible book value was \$3.87 per share (December 2016: \$5.27). The main contributor to this reduction in year-on-year book value is the impact of the additional shares issued as part of the strategic transaction which was completed during Q3 2017.

The financial information included within this document represents the audited Financial Statements consolidated financial statements.

These accounts do not represent the Group's Annual Report and Accounts, which is subject to publication of UBN's 2017 results. The Audited Annual Report and Accounts will be published on the Group's website by 15 May 2018.

Statement of comprehensive income review

Atlas Mara reported growth in total revenue of 7.8% (6.6% on a constant currency basis), largely attributable to lower cost of funding especially in Botswana and additionally in our recently merged banks in Rwanda and Zambia. We continue to build out our Digital product offering and further expect the efforts around growing transactional banking services across the region to improve revenues.

Net interest income

Net interest income grew by 12.8% on a constant currency basis, mainly driven by growth factors in three countries: in Mozambique due to an increase in interest rates, in Zimbabwe due to a reduction in the cost of funds through the repricing of deposits and in Zambia, due to the full 12 month impact of the inclusion of the results of the acquired bank vs. only 6 months impact for the comparative period in 2016. Net interest income constituted 55.8% of total income for the Group, an increase from the 52.6% reported for the comparative period.

The net interest margin on earning assets was approximately 6.8% (2016: 6.3%). This margin increase occurred in a slower loan book growth environment during 2017 as we adjusted risk appetite for credit growth given the more challenging economic conditions across the SSA region.

Though improved cost of funds continues to be a key focus area for the Group, in markets where we experienced liquidity pressures specifically relating to local currency shortages there was downward pressure on loan growth and upward pressure on the cost of funding.

We continue to drive liability growth, with a specific focus on transactional deposits, which will be critical to improve NII in our banking operations.

With an emphasis 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.

Non-interest income

Non-interest income grew modestly to \$115.2 million in 2017 (2016: \$114.5 million). This lower growth was driven by a decline in the forex trading volumes in Botswana and Mozambique.

Non-interest income includes the impact of a fair value gain of \$26.8 million associated with the acquisition of the additional 13.4% share of UBN completed in 2017.

Total expenses

Underlying total costs of \$213.7 million, excluding one-offs, represented a decrease of 1.7% (37.9% decrease in ccy terms) year on year.

Shared Services and Centre costs were reduced by \$27 million. This cost saving was achieved as a result of lower staff and other operating costs following the restructuring of the Shared Services and Centre and the closure of the office in Johannesburg, and other cost-savings initiatives implemented across the Group.

Staff costs amounted to \$98.8 million (2016: \$106.6 million) for the year and represented 44.2% of total expenditure for the Group (2016: 48.0%). On an adjusted operating profit basis, Atlas Mara reported a cost to income ratio of 82.0% (2016: 89.9%), compared to 85.8% (2016: 97.1%) on an IFRS GAAP basis.

Loan impairment charges

The 2017 loan impairment charge of \$22.3 million represents a 44.8% (63.7% ccy) increase on the prior year charge of \$15.4 million. This is largely due to additional impairments in Mozambique, Rwanda, Tanzania and Zimbabwe and the impact of lower IFRS 3 adjustments than historically taken into account. We reported gross recoveries of \$20.1 million in 2017 (2016: \$4.3 million). The impact of economic conditions contributed to the additional charges. In Zimbabwe, despite an increase in recoveries, we also experienced an increase in portfolio impairments resulting in an overall increase in the impairment charge for the year. We continue to focus on restructuring and recovering further from the legacy 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.

Statement of financial position review

Customer loans and advances comprise c.42.5% of the Group's total asset base. Cash, short-term funds and marketable securities represent c.28.1%, other assets represents 11.4%, the investment in associate UBN accounts for 12.5% of the asset base, with goodwill and intangible assets making up the remainder at c.5.6% of total assets. Total asset growth was 13.6% (9.9% ccy) compared to 2016, with the acquisitions of the additional shares in UBN, the principal driver of this growth, being part of our strategic focus to materially increase our shareholding in UBN.

Customer loan composition - 2017

Table 3: Customer loan composition - By Product (\$ millions)

Mortgage lending	Instalment finance	Corporate lending	Commercial and property finance	Consumer lending	Total
161.3	7.2	440.8	138.4	582.3	1 330

Table 4: Customer loan composition - By Country (\$ millions)

Botswana	Mozambique	Rwanda	Tanzania	Zambia	Zimbabwe	Other	Total
588.4	75.2	206.1	75.3	186.1	186.9	12.0	1 330

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 have broadly maintained our provision coverage ratio, which at 2017 year-end was 46.5% (including both acquisitions completed during 2016) vs. December 2016: 47.2%. In addition to statement of financial position provisions, there is specific security held against the NPL portfolio at a 73.6% coverage level over and above the impairments taken.

Non-performing loans (NPLs) as a percentage of the loan book declined to 11.8% (December 2016: 13.3%), 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, Zambia and Zimbabwe.

In both Zambia and Zimbabwe, there are a handful of single name exposures that significantly skew the overall group NPL ratio. Excluding certain accounts in Zambia and Zimbabwe, which are already in the legal process for recovering the collateral, the Group's NPL ratio reduces to 9.3% from the reported 11.8%.

Capital position

As at 31 December 2017, all of Atlas Mara's operating banks complied with local minimum capital requirements relevant in that country, as summarised below.

Table 5: Capital Adequacy ratios

Capital Ratios	2017	2016	Regulatory Minimum
Botswana	19.7%	20.2%	15.0%
Mozambique	24.4%	24.0%	9.0%
Rwanda	22.6%	23.0%	15.0%
Tanzania	17.7%	14.2%	14.5%
Zambia	13.8%	N/A ¹	10.0%
Zimbabwe	37.6%	20.9%	12.0%

¹ The capital adequacy ratio was not reported on a combined basis in 2016.

In Zambia, while the bank is compliant with the minimum capital adequacy requirement, the bank is deficient in the absolute capital requirement of ZMW520 million set by the Central Bank for foreign-owned banks, but an ongoing remediation plan to address the gap approved by the Central Bank of Zambia is at an advanced stage of implementation.

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 44.55% is equity-accounted for in the statement of financial position as an investment in associate, with a closing balance of \$442.7 million (2016: \$291.4 million). The value of the asset has increased due to the completion of the additional 13.4% acquisition effective 1 October 2017, the impact of the Group's share of the profit from UBN (based on an estimated full year profit) million and the gain on the acquisition of the 13.4% share.

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, 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 2017.

The value of equity accounted earnings in the statement of comprehensive income for Atlas Mara represents the estimated year-end profit and other comprehensive income for UBN, based the average results reported for the 9 months period ended 30 September 2017 on an annualised basis. The UBN results are expected to be published by 30 April 2018. We have done a comprehensive review of the factors that would impact on our results and conclude that the Atlas Mara year-end results will not be impacted in a material manner by the publication of these UBN results.

Goodwill and intangibles

Due to the acquisitions made during 2017 and in compliance with IFRS 3: Business Combinations, the statement of financial position incorporates goodwill and intangible assets of \$174.6 million at December 2017 (December 2016: \$168.2 million). These assets represent 5.6% of the Group's asset base, resulting in a tangible book value of \$3.87 per share (December 2016: \$5.27 per share) versus a book value per share of \$4.77 (December 2016: \$7.29).

Liabilities

Table 6: Customer deposits (\$ millions)

	Retail	Corporate	Treasury	Total
FY 2017	489.5	1 115.3	272.7	1 877.5
FY 2016	551.0	924.8	323.6	1799.4

Overall, deposits were broadly flat on a constant currency basis, with a \$94.3 million increase driven by Corporate Banking clients in Zimbabwe being offset by lower deposits in Botswana, Mozambique, Tanzania, and Zambia.

The key focus for the group remains targeting cheaper transactional deposits to decrease cost of funding as evidenced by the upward shift of transactional deposits in the deposit mix. The result of this focus can be seen by the decrease in the contribution of interbank deposits from 7.6% at end of 2016 to 5.0% at end of 2017

Customer deposits comprise 80.7% of the liability base and represent 59.8% of the aggregate of liabilities and equity. The loan to deposit ratio for 2017 is 70.8% (December 2016: 74.2%).

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 within the trade blocs on the continent. The seven countries of operation and investment are grouped as follows:

Southern Africa (SADC)

Our Business

Botswana remains our largest profit contributor by country. The business continued to perform well during 2017, although the impact of liquidity constraints and a significant decline in the forex trading volumes affected income. We continued to improve the business by rolling out a mobile banking solution and improving our customer cards offering and introducing new bancassurance products.

Despite broader economic challenges in **Mozambique** in 2017, the business reported a profit for 2017, underscoring the benefit of the focus during 2016 to improve the capability of the workforce. The high volume trading revenue was negatively impacted by lower demand in 2017. We have also continued to focus on reducing our US\$ denominated expenses given the scale of currency depreciation, roll out of agency banking and new investments in new products and channels.

Zambia rebounded from the negative contribution reported in 2016 as remediation processes and stabilisation of the integrated entity started to bear fruit. During the year the rebranding of the combined African Banking Corporation Zambia Limited ("BancABC Zambia") and Finance Bank Zambia Limited ("FBZ") to Atlas Mara Zambia made this the first operational banking entity carrying the Atlas Mara brand.

Our business in **Zimbabwe** reported strong operating profits boosted by NPL recoveries, continued focus on cost reduction and fair value gains booked on some core banking and other assets.

East Africa (EAC)

Our Business

In **Rwanda** our business has shown significant improvement in performance due to the strong focus on cost efficiency initiatives. The positive impact of this was somewhat absorbed by an increase in the credit impairment charges related to specific provisions. Asset growth was lower than expected due to the slowdown in the economy, which is expected to rebound during 2018.

Tanzania saw an improvement in performance from the negative contribution in 2016. This was mostly driven by fair value gains on equity investments and some NPL recoveries. Focus continues to be on further recoveries of legacy NPL loans and growth of the loan book as the region as a whole looks to rebound from slower growth reported in 2016 and 2017.

West Africa (ECOWAS)

Through our 48% stake in UBN (as of Q1 2018) and Board representation, Atlas Mara has a footprint in Africa's largest economy, Nigeria, and the broader ECOWAS region. Nigeria continues to represent a long-term destination for investment, particularly in financial services, and our stake in UBN is a key facet of our strategy for the ECOWAS region.

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

Our Business

Our share of profit from the 44.5% stake in Union Bank of Nigeria Plc ('UBN') is based on estimated UBN year-end performance. Estimated earnings are used, due to the UBN results not yet being publicly disclosed to the market as of the date of release of these results. The result presented also include the gain on the acquisition of the 13.4% share in UBN.

As noted above, the Nigerian macroeconomic environment has shown improvement during 2017. Improved service offerings continue to generate customer growth.

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, also referred to as the Shared Services and Centre. This segment of Atlas Mara reported a net loss of \$2.9 million for 2017 compared to a net loss of \$8.1 million for 2016 due to the commitment to reduce costs in this segment.

Table 7: Segment report for the year-ended 31 December 2017

2017 US\$m	Group	Banking Ops Southern	East	West	Other Corporate
Total Income	260.5	181.7	54.1	-	24.7
Loan impairment charge	(22.3)	(12.7)	(9.6)	-	-
Operating expenses	(223.5)	(156.8)	(41.3)	-	(25.4)
Share of profits of associate	38.4	-	-	38.4	-
Profit / (loss) before tax	53.1	12.2	3.2	38.4	(0.7)
Profit / (loss) after tax and NCI	45.4	8.5	1.4	38.4	(2.9)
Loans and advances	1,330.0	1,037.6	286.7	-	5.7
Total assets	3,140.4	2,000.1	503.0	442.7	194.6
Total liabilities	2,327.2	1,875.2	422.3	-	29.7
Deposits	1,877.5	1,505.1	372.4	-	-
Net interest margin - total assets	4.6%	5.6%	7.6%		
Net interest margin - earning assets	6.8%	6.7%	9.0%		
Cost to income ratio	85.8%	86.3%	76.5%		
Statutory Credit loss ratio	1.7%	1.2%	3.3%		
Return on equity	5.6%	6.8%	1.8%		
Return on assets	1.4%	0.4%	0.3%		
Loan to deposit ratio	70.8%	68.9%	77.0%		

Table 8: Segment report for the year-ended 31 December 2016

2016 US\$m	Group	Banking Ops Southern	East	West	Other Corporate
Total Income	241.7	165.3	57.3	-	19.1
Loan impairment charge	(15.4)	(11.5)	(3.9)	-	-
Operating expenses	(234.8)	(156.5)	(50.4)	-	(27.9)
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	(8.9)
Profit / (loss) after tax and NCI	8.4	(4.9)	3.3	18.1	(8.1)
Loans and advances	1,334.8	1,046.0	287.1	-	-
Total assets	2,757.1	1,895.5	475.9	291.4	94.3
Total liabilities	2,231.0	1,799.5	404.9	-	26.6
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 - earning 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%		

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.

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 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 facilities with above weaknesses and has deteriorated further to the extent that even with the existing security, full recovery will not be possible, or 180 days but less than 12 months in arrears.
Loss	Facilities considered impossible to collect with little or no realisable security, or more than 12 months in arrears.

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*

Category	2017		2016	
	Loans and advances	Impairments	Loans and advances	Impairments
Performing	83%	14%	83%	2%
Special mention	2%	0%	7%	6%
Sub-standard	3%	1%	3%	14%
Doubtful	2%	1%	3%	17%
Loss	11%	84%	4%	61%
	100%	100%	100%	100%

Note:

* Audited.

Maximum exposure to credit risk as at 31 December 2017*

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

Type of collateral or credit enhancement	Maximum exposure to credit risk \$'000	Fair value of collateral and credit enhancements held				Net collateral \$'000	Net exposure \$'000
		Cash \$'000	Letters of credit/ guarantees \$'000	Property ³ \$'000	Other ^{1,3} \$'000		
Placement with other banks²	63,707	–	–	–	–	–	63,707
Loans and advances	1,387,850	63,680	78,562	1,373,725	212,212	1,728,179	(340,329)
Mortgage lending	164,882	–	–	365,307	–	365,307	(200,425)
Instalment finance	13,631	–	–	8,878	–	8,878	4,753
Corporate lending	455,393	57,695	66,839	551,021	205,682	881,237	(425,844)
Commercial and property finance	137,936	4,542	4,784	415,995	6,530	431,851	(293,915)
Consumer lending	616,008	1,443	6,939	32,524	–	40,906	575,102
Derivate financial instruments	6,990	–	–	–	–	–	6,990
Cross-currency interest rate swaps	6,492	–	–	–	–	–	6,492
Forward foreign exchange contracts	10	–	–	–	–	–	10
Equity derivative	488	–	–	–	–	–	488
Financial assets held for trading	76,786	–	–	–	–	–	76,786
Government bonds	14,137	–	–	–	–	–	14,137
Treasury bills	62,649	–	–	–	–	–	62,649
Financial assets designated at fair value through profit or loss	19,151	–	–	–	–	–	19,151
Listed equities	1,547	–	–	–	–	–	1,547
Unlisted equities	17,306	–	–	–	–	–	17,306
Unlisted debentures	268	–	–	–	–	–	268
Property units	30	–	–	–	–	–	30
Investment securities – available-for-sale	294,287	–	–	–	23,738	23,738	270,549
Government bonds	211,925	–	–	–	5,040	5,040	206,885
Corporate bonds	61,960	–	–	–	–	–	61,960
Unlisted equities	1,375	–	–	–	–	–	1,375
Unlisted investment	19,027	–	–	–	18,698	18,698	329
Investment securities – held-to-maturity	60,701	–	–	–	–	–	60,701
Treasury bills	50,355	–	–	–	–	–	50,355
Corporate bonds	3,308	–	–	–	–	–	3,308
Government bonds	7,038	–	–	–	–	–	7,038
	1,909,472	63,680	78,562	1,373,725	235,950	1,751,917	157,555
Credit exposures relating to off-balance sheet items are as follows:	140,932	1,839	897	14,314	274	17,324	123,608
Guarantees	29,944	1,839	897	11,697	274	14,707	15,237
Letters of credit	44,295	–	–	2,617	–	2,617	41,678
Forward contracts and Currency swaps	2,241	–	–	–	–	–	2,241
Other commitments	64,452	–	–	–	–	–	64,452
	2,050,404	65,519	79,459	1,388,039	236,224	1,769,241	281,163

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 2016*

Type of collateral or credit enhancement	Maximum exposure to credit risk \$'000	Fair value of collateral and credit enhancements held				Net collateral \$'000	Net exposure \$'000
		Cash \$'000	Letters of credit/ guarantees \$'000	Property ³ \$'000	Other ^{1,3} \$'000		
Placement with other banks²	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
Currency 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 \$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 2017. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties:

31 December 2017	Botswana \$'000	Mozambique \$'000	Tanzania \$'000	Zambia \$'000	Zimbabwe \$'000	Other/Rwanda \$'000	Total \$'000
Placements with other banks	10,357	22,426	7,644	5,147	18,133	–	63,707
Financial assets held for trading	64,232	–	–	–	12,554	–	76,786
Financial assets designated at fair value	–	–	17,231	–	1,920	–	19,151
Derivative financial assets	–	10	–	(32,433)	–	39,413	6,990
Loans and advances (net)	588,312	75,211	80,573	186,120	186,534	213,212	1,329,962
Investment securities	4,309	19,715	24,865	63,874	185,586	56,639	354,988
	667,210	117,362	130,313	222,708	404,627	309,264	1,851,584
Guarantees	15,214	5,212	1,121	1,895	1,071	5,431	29,944
Letters of credit	42,291	489	205	1,309	–	–	44,294
Other commitments	17,466	–	–	–	48,214	1,013	66,693
	74,971	5,701	1,326	3,204	49,285	6,444	140,931

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
Financial guarantees	2,662	4,517	1,783	2,642	602	1,568	13,774
Letters of credit for customers	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

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 2017 of the counterparties:

31 December 2017	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	–	–	–	–	–	–	63,707	–	–	–	–	63,707
Financial assets held for trading	–	–	–	–	–	–	76,786	–	–	–	–	76,786
Financial assets designated at fair value	23	–	1,982	–	212	15,266	(3,874)	–	–	–	5,542	19,151
Derivative financial assets	–	–	–	–	–	–	6,990	–	–	–	–	6,990
Loans and advances (net)	36,137	73,016	135,653	94,409	53,307	40,030	46,615	67,665	692,089	9,647	81,394	1,329,962
Investment securities	–	–	–	185,059	–	–	169,929	–	–	–	–	354,988
	36,160	73,016	137,635	279,468	53,519	55,296	360,153	67,665	692,089	9,647	86,936	1,851,584
Guarantees	–	4,665	3,248	540	2,261	850	14,709	801	11	–	2,859	29,944
Letters of credit	–	–	42,405	–	1,309	91	–	489	–	–	–	44,294
Forward contracts	–	–	2,241	–	–	–	–	–	–	–	–	2,241
Other commitments	21,127	2,492	14,539	1,911	5,224	3,307	–	11,226	3,613	–	1,013	64,452
	21,127	7,157	62,433	2,451	8,794	4,248	14,709	12,516	3,624	–	3,872	140,931

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
Financial guarantees	–	2,927	6,027	1,569	67	178	854	1,578	1	87	486	13,774
Letters of credit for customers	–	–	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

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			Individually impaired	31 December 2017
	Performing \$'000	30 days \$'000	31-60 days \$'000	61-90 days \$'000	\$'000	\$'000
31 December 2017						
Cash and cash equivalents	457,018	–	–	–	–	457,018
Derivative financial assets	6,990	–	–	–	–	6,990
Financial assets held for trading	76,786	–	–	–	–	76,786
Financial assets designated at fair value through profit/loss	19,151	–	–	–	–	19,151
Loans and advances to customers						
Mortgage lending	129,880	9,990	5,618	5,441	13,953	164,882
Instalment finance	9,507	295	365	77	3,387	13,631
Corporate lending	373,638	9,914	10,180	8,616	53,045	455,393
Commercial and property finance	89,365	4,728	3,066	7,480	33,297	137,936
Consumer lending	548,057	6,200	17,525	1,840	42,386	616,008
Gross loans and advances	1,150,447	31,127	36,754	23,454	146,068	1,387,850
Less: Impairments	(8,161)	(115)	(461)	(320)	(48,831)	(57,888)
Net loans and advances	1,142,286	31,012	36,293	23,134	97,237	1,329,962
Investment securities – available-for-sale	294,287	–	–	–	–	294,287
Government bonds	211,925	–	–	–	–	211,925
Unlisted equities	1,375	–	–	–	–	1,375
Unlisted investment	19,027	–	–	–	–	19,027
Corporate bonds	61,960	–	–	–	–	61,960
Investment securities – held to maturity	60,701	–	–	–	–	60,701
Treasury bills	50,355	–	–	–	–	50,355
Corporate bonds	3,308	–	–	–	–	3,308
Government bonds	7,038	–	–	–	–	7,038
Total	2,057,219	31,012	36,293	23,134	97,237	2,244,895

Note:

* Audited.

Credit quality by class of financial assets* (continued)

	Neither past due nor impaired	Past due but not impaired			Individually impaired \$'000	31 December 2015 \$'000
	Performing \$'000	30 days \$'000	31-60 days \$'000	61-90 days \$'000		
31 December 2016						
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: Allowance for impairment	(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

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:

	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
31 December 2017							
Deposits	1,219,556	350,995	294,936	11,235	1,876,722	755	1,877,477
Creditors and accruals	45,422	6,182	18,737	2,140	72,481	–	72,481
Borrowed funds	68,784	4,470	35,612	250,510	359,376	(13,223)	346,153
Total liabilities (contractual)	1,333,762	361,647	349,285	263,885	2,308,579	(12,468)	2,296,111

	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
31 December 2016							
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

Note:

* Audited.

Non-derivative financial assets' cash flow*

	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
31 December 2017							
Cash and short term funds	451,980	1,503	3,503	–	456,986	32	457,018
Financial assets held for trading	39,864	–	25,204	14,101	79,169	(2,383)	76,786
Financial assets designated at fair value	5,512	80	1,840	11,719	19,151	–	19,151
Loans and advances (net)	261,741	141,979	322,402	1,012,403	1,738,525	(408,563)	1,329,962
Investment securities	26,432	33,917	148,858	154,840	364,047	(9,059)	354,988
Total financial assets (contractual)	785,529	177,479	501,807	1,193,063	2,657,878	(419,973)	2,237,905

	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
31 December 2016							
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

Note:

* Audited.

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 \$1.5 million and unlisted equities of \$18.6 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 \$346 million and available-for-sale investments of \$294 million and derivative financial instruments of \$0.2 million (net assets). 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 2017.

Foreign exchange risk*

31 December 2017	Total											
	USD \$'000	EUR \$'000	BWP \$'000	ZAR \$'000	ZMK \$'000	TZS \$'000	MZN \$'000	JPY \$'000	NGN \$'000	RWF \$'000	Other \$'000	Total \$'000
Cash and short-term funds	234,226	18,751	48,223	8,859	70,272	11,418	39,821	2	–	22,656	2,790	457,018
Financial assets held for trading	12,554	–	64,232	–	–	–	–	–	–	–	–	76,786
Financial assets designated at fair value	16,774	–	–	–	–	2,377	–	–	–	–	–	19,151
Derivative financial assets	32,918	–	(25,450)	–	(488)	–	10	–	–	–	–	6,990
Loans and advances	261,854	2,169	586,928	10	158,214	50,683	61,324	–	–	208,761	19	1,329,962
Investment securities	200,230	206	4,309	–	48,744	24,865	20,242	–	–	56,392	–	354,988
Total assets	758,556	21,126	678,242	8,869	276,742	89,343	121,397	2	–	287,809	2,809	2,244,895
Shareholders' equity and liabilities												
Equity	778,156	–	291	(78)	(1,700)	(11,287)	(4,777)	–	–	52,619	–	813,224
Deposits	602,027	18,228	573,385	8,464	273,966	78,325	88,935	10	–	227,939	6,198	1,877,477
Derivative financial liabilities	5,632	–	(7,708)	–	8,815	–	2	–	–	–	–	6,741
Borrowed funds	301,957	–	35,318	–	–	641	7,511	–	–	726	–	346,153
Total equity and liabilities	1,687,772	18,228	601,286	8,386	281,081	67,679	91,671	10	–	281,284	6,198	3,043,595
Shareholders' equity and liabilities												
31 December 2016	Total											
	USD \$'000	EUR \$'000	BWP \$'000	ZAR \$'000	ZMK \$'000	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

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 2017		31 December 2016	
	Effect on equity \$'000	Effect on profit or loss \$'000	Effect on equity \$'000	Effect on profit or loss \$'000
EUR	29	29	151	151
BWP	962	962	1,083	690
ZAR	4	4	(36)	(45)
ZMK	(61)	(61)	713	687
All other currencies	(34)	(34)	(167)	(167)
TZS	105	105	193	193
MZN	252	252	270	195
JPY	–	–	–	–
NGN	–	–	1,950	200
RWF	564	564	331	296
	1,821	1,821	4,566	2,200

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					Total \$'000
	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Non-interest bearing \$'000	
31 December 2017						
Cash and short-term funds	221,790	3,775	3,514	–	227,939	457,018
Financial assets held for trading	15,240	22,241	25,204	14,101	–	76,786
Financial assets designated at fair value	–	–	–	–	19,151	19,151
Derivative financial assets	26,810	–	–	(25,452)	5,632	6,990
Loans and advances	744,357	28,402	65,044	488,244	3,915	1,329,962
Investment securities	20,847	37,754	143,492	151,190	1,705	354,988
Total assets	1,029,044	92,172	237,254	628,083	258,342	2,244,895
Shareholders' equity and liabilities						
Equity	–	–	–	18,724	794,500	813,224
Deposits	722,961	193,235	276,774	264,961	419,546	1,877,477
Derivative financial liabilities	(13,825)	–	2	14,932	5,632	6,741
Borrowed funds	61,818	4,460	34,047	245,828	–	346,153
Total equity and liabilities	770,954	197,695	310,823	544,445	1,219,678	3,043,595
	Total					Total \$'000
	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Non-interest bearing \$'000	
31 December 2016						
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

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 2017				31 December 2016			
	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	(1,743)	(1,360)	1,743	1,360	(726)	(566)	726	566
As a percentage of total shareholders' equity	(1.37%)	(1.07%)	1.37%	1.07%	(0.69%)	(0.54%)	0.69%	0.54%
BancABC Mozambique								
Change in net interest income	291	198	(291)	(198)	172	117	(172)	(117)
As a percentage of total shareholders' equity	0.63%	0.43%	(0.63%)	(0.43%)	0.47%	0.32%	(0.47%)	(0.32%)
BancABC Tanzania								
Change in net interest income	237	166	(237)	(166)	199	139	(199)	(139)
As a percentage of total shareholders' equity	0.84%	0.59%	(0.84%)	(0.59%)	0.72%	0.50%	(0.72%)	(0.50%)
BancABC Zambia								
Change in net interest income	652	424	(652)	(424)	(446)	(290)	446	290
As a percentage of total shareholders' equity	0.76%	0.49%	(0.76%)	(0.49%)	(0.05%)	(0.04%)	0.05%	0.04%
BancABC Zimbabwe								
Change in net interest income	915	679	(915)	(679)	607	451	(607)	(451)
As a percentage of total shareholders' equity	0.95%	0.71%	(0.95%)	(0.71%)	0.7%	0.52%	(0.7%)	(0.52%)
Rwanda								
Change in net interest income	817	572	(817)	(572)	68	48	(68)	(48)
As a percentage of total shareholders' equity	1.55%	1.09%	(1.55%)	(1.09%)	0.32%	0.23%	(0.32%)	(0.23%)

Market risk management

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

Compliance risk management

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

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

Legal risk management

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

Group Internal Audit

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

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

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

Directors' report

Corporate governance and management report

DTR 7.2 requires that certain information be included in a corporate governance statement. The Corporate Governance Report is included in the Company's 2017 Annual Report, which will be published with the Notice of AGM, at least 20 working days prior to the AGM of the Company.

For the purposes of compliance with DTR 4.1, the required content of the 'Management Report' can be found on page 5 and in this Directors' report.

Results

The consolidated statement of profit or loss shows a reported profit of \$45.5m.

Dividends

The Directors do not propose paying a dividend in respect of the year ended 31 December 2017.

Events after the reporting date

Please see pages 58 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, Kenya, Luxembourg, Mauritius, Mozambique, Nigeria, Rwanda, South Africa, Tanzania, United Arab Emirates, Zambia and Zimbabwe.

Financial risk management objectives and policies

Please see the risk report on page 12. 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 99-100 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 of the current members of the Board of Directors of the Company, as at 30 April 2018, are listed in the table below. Particulars of their interests in shares in the Company are set out in these pages. The composition of the Board and dates of appointment are shown in the table below:

Director ¹	Date of appointment			
	3 December 2013	21 January 2015	3 October 2017	24 April 2018
Robert E. Diamond, Jr.	●			
Rachel F. Robbins	●			
Funke Opeke		●		
Amadou Raimi		●		
Eduardo C. Mondlane, Jr.		●		
Michael Wilkerson			●	
Hisham Ezz Al-Arab			●	
Richie Boucher			●	
Simon Lee				●

Notes:

1. Tonye Cole and Ashish Thakkar stepped down from the Board, effective 3 October 2017 and John F. Vitalo stepped down as CEO and from the Board, effective 15 February 2017.
2. Quinn McLean stepped down from the Board, effective 24 April 2018 and Simon Lee joined the Board, effective 24 April 2018.

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

On 31 August 2017, the Company completed a strategic financing transaction with Fairfax Africa, which resulted in Fairfax Africa acquiring a 43.37% ownership stake in the Company (the "Strategic Financing"). Pursuant to the terms of the Strategic Financing, Fairfax Africa was granted certain rights to appoint and remove directors to the Company's Board, which were incorporated into the Articles of the Company and approved by the shareholders of the Company at an extraordinary general meeting held on 14 July 2017. The amended Articles of the Company are available for inspection at the Company's registered office.

Pursuant to the Strategic Financing agreement, Fairfax has the right to nominate 4 persons as Directors of the Company (the "Investor Directors"), and the Directors shall appoint such persons to the Board, subject to the BVI Companies Act and the Articles. In the event Fairfax Africa notifies the Company to remove an Investor Director from the Board, the Directors shall remove such Investor Director, and Fairfax Africa shall have the right to nominate an Investor Director to fill such vacancy. For so long as Fairfax Africa has the right to appoint 4 Directors to the Board, the Directors retain the right, acting by majority, to nominate 5 persons as Directors of the Company (the "Non-Investors Directors"). On December 22, 2017 Fairfax acquired additional ordinary shares of Atlas Mara, increasing its ownership stake to 43.3%.

Following completion of the Strategic Financing, and subsequent to the changes in the governance arrangements of the Company, a holder of Founder Preferred Shares (being a Founding Entity together with its affiliates) owning 20% or more of the Founder Preferred Shares in issue, is no longer entitled to nominate a person as a Director of the Company.

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 30 April 2018, 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
Fairfax Africa Holdings Investments Limited	71,958,670	43.30	31/08/2017 & 20/12/2017
Wellington Management Company, LLP	6,952,805	9.91	19/01/2017
UBS Asset Management: O'Connor	6,304,690	8.10	14/07/2017

Note:

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

Share capital

General

As at 31 December 2017, the Company had in issue 172,258,735 ordinary shares of no par value and 1,250,000 Founder Preferred Shares of no par value. As at 30 April 2018 (the latest practicable date prior to the publication of this document) the Company had a total number of 172,258,735 ordinary shares in issue, of which 1,665,764 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 53 and are incorporated into this Report by reference.

Directors' and senior managers' interest in shares

The Directors' and senior managers' beneficial shareholding in the Company, as of 30 April 2018 (the latest practicable date prior to the publication of this document) is as follows:

	Number of ordinary shares held	% ownership
Directors and Executive Committee		
Robert E. Diamond, Jr.	3,606,757	2.16%
Rachel F. Robbins	61,974	0.04%
Amadou Raimi	56,758	0.03%
Eduardo Mondlane, Jr.	49,948	0.03%

Directors and Executive Committee	Number of ordinary shares held	% ownership
Funke Opeke	49,948	0.004%
Michael Wilkerson	5,864	0.004%
Richie Boucher	5,864	0.004%
Hisham Ezz Al-Arab	5,864	0.004%
Quinn McLean ¹	5,864	0.004%
Simon Lee ¹	0	n/a
Aggregate holdings of Executive Committee	451,464	0.27%

Notes:

1. Quinn McLean stepped down from the Board, effective 24 April 2018 and Simon Lee joined the Board, effective 24 April 2018.

Securities carrying special rights

Save as disclosed above in relation to the shares held by Fairfax Africa and 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 on 22 June 2018. Details on time and location of the AGM will be disclosed in the Notice of the AGM. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. The Notice of the AGM will be mailed out and made available on the Company's website at least 20 working days prior to the date of the AGM. 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

Statement of directors' responsibilities

The directors of Atlas Mara Limited ('the directors') have accepted responsibility for the preparation of these non-statutory accounts for the year ended 31 December 2017 which are intended by them to give a true and fair view of the state of affairs of the company and of the profit or loss for that period. They have decided to prepare the non-statutory accounts in accordance with International Financial Reporting Standards as adopted by the European Union.

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;
- confirm that these non-statutory accounts have been prepared in accordance with IFRSs as adopted by the EU;
- assessed the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- used the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for such internal control as they determine is necessary to enable the preparation of non-statutory accounts that are free from material misstatement, whether due to fraud or error, and 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.

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').

The Directors consider that the Annual 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

Our opinion is unmodified

We have audited the non-statutory accounts of Atlas Mara Limited for the year ended 31 December 2017 which comprise the Consolidated statement of financial position, Consolidated statement of profit and loss, Consolidated statement of changes in equity and Consolidated statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion the non-statutory accounts:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit/loss for the year 31 December 2017 then ended; and
- have been properly prepared in accordance with UK accounting standards, including International Financial Reporting Standards as adopted by the European Union ;and
- have been prepared in accordance with the requirements of the Companies Act 2006, as if those requirements were to apply.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and the terms of our engagement letter dated 13 October 2017. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

1. Loans and advances

Refer to Significant accounting policies: (iv) Use of estimates and judgement and (vi) Financial assets and liabilities, as well as notes 11 and 12 to the financial statements

Key audit matter	How our audit addressed the key audit matter
<p>Impairment allowances represent management's best estimate of the losses incurred within the loans and advances portfolios at reporting date.</p> <p>The impairment allowances of loans and advances are significant in the context of the consolidated financial statements due to the estimation uncertainty and judgement applied inherent in determining the impairment allowances. The estimation uncertainty is heightened due to the ongoing volatility in the African economies.</p> <p>Furthermore, models used to determine credit impairments are complex.</p> <p>Due to the magnitude of the loans and advances balances and the extent of managements judgement inherent in the determination of impairment allowances, this has been identified as an area of most significance in the current year audit of the consolidated financial statements.</p> <p>Retail portfolio</p> <p><i>The retail portfolio consists of mortgage lending, instalment finance, commercial and property finance and consumer lending</i></p> <p>A significant portion of the retail impairment is calculated on a portfolio basis. In calculating the impairment allowance on a portfolio basis, statistical models are used. The following inputs to these models require significant management judgement:</p> <ul style="list-style-type: none">• the probability of default (PD);• the exposure at default (EAD); and• the loss given default (LGD);	<p>Our procedures include:</p> <ul style="list-style-type: none">• We evaluated the appropriateness of the accounting policies and the loan impairment methodologies applied, with reference to the requirements of IAS 39 Financial Instruments: Recognition and Measurement (IAS 39).• We obtained an understanding of management's process over credit origination, credit monitoring and credit remediation and tested the design, implementation and operating effectiveness of the key controls identified within these processes. <p>Retail portfolio</p> <p>With the assistance of our internal credit risk specialists we evaluated management's impairment modelling methodology and inputs by processing management's data through our independent models. These independent models use inputs determined with reference to current economic performance and assumptions most commonly used in the industry. The models also include elements of scenario and sensitivity analyses and comparison with external evidence or historical trends.</p>

<p>Corporate lending portfolios</p> <p>A significant proportion of Corporate lending portfolios loans and advances are assessed for impairment on an individual basis. Significant judgements, estimates and assumptions have been applied by management to:</p> <ul style="list-style-type: none"> • Determine if the loan or advance is impaired with reference to the client's financial situation; • Evaluate the net realisable value of underlying collateral; and • Determine the expected discounted cash flows to be collected. • the emergence periods (EP) between the occurrence of an impairment event and the recognition of an individual or collective impairment. 	<p>Corporate lending portfolios</p> <ul style="list-style-type: none"> • We evaluated management's assessment of the recoverability of the corporate lending portfolio balances and supporting collateral with reference to current economic performance, assumptions used in the industry, and comparison with external evidence or historical trends. • We challenged the valuation of impairment losses for a sample of loans and advances that had been incurred, by developing our own expectation of the amount of the impairment allowance using independently verified inputs. • We inspected a sample of legal agreements and supporting documentation to confirm the existence and legal right to collateral. • We evaluated collateral valuation techniques applied against the Group policy and industry standards. • We selected a sample of loans and advances for which no impairment indicators were identified and evaluated the appropriateness of the conclusions reached by using external evidence to substantiate our views.
---	--

2. Valuation of goodwill

Refer to Significant accounting policies: (iv) Use of estimates and judgement and note 9 to the financial statements

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill has been allocated to four cash-generating units (CGU's) for purposes of impairment testing, namely: Botswana, Zambia, Mozambique and West Africa.</p> <p>An annual impairment test was performed on goodwill by determining the value in use of the CGUs. Management's assessment of impairment of the Group's goodwill requires the application of significant judgements in the following areas:</p> <ul style="list-style-type: none"> • forecast cash flows; • discount rates applied; and • the assumptions underlying the forecast growth and terminal growth rates. <p>The judgements applied by management have a significant impact on the valuation on the CGU's. The valuation of goodwill was therefore considered a key audit matter.</p>	<p>Our procedures include :</p> <ul style="list-style-type: none"> • We evaluated management's determination of the Group's CGU's with reference to: <ul style="list-style-type: none"> ◦ our understanding of the Group's business; ◦ how earnings are monitored and reported internally within the Group; and ◦ requirements of the financial reporting framework around identification of CGU's. • We evaluated management's forecasting ability by comparing previous forecasts to current actual results. • We used our knowledge of the client, and their industry to challenge the Group's value in use model and significant judgements and assumptions. This included: <ul style="list-style-type: none"> ◦ Comparing management's growth assumptions and discount rates to known market and industry trends; and ◦ Evaluating forecast cash flows in light of the expected continuation of depressed market conditions and capital constraints and challenging the Group's estimation of rate of turnaround against market expectations.

3. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the non-statutory accounts. We have nothing to report in these respects.

4. We have nothing to report on the other information in the Annual Financial Statements

The directors are responsible for the other information, which comprises identify the additional "other information". Our opinion on the non-statutory accounts does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our non-statutory accounts audit work, the information therein is materially misstated or inconsistent with the non-statutory accounts or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

5. We have nothing to report on the other matters on which we are required to report by exception

Under the terms of our engagement we are required to report to you if, in our opinion:

- list of matters on which we have been engaged to report by exception. This may include, for example: adequacy of accounting records; agreement of non-statutory accounts with accounting records; receipt of all information and explanations we require for our audit

We have nothing to report in these respects.

6. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 35, the directors are responsible for: the preparation of the non-statutory accounts, which are intended by them to give a true and fair view; such internal control as they determine is necessary to enable the preparation of non-statutory accounts that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the non-statutory accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the non-statutory accounts.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

This report is made solely to the Company in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the Company those matters we have been engaged to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our audit work, for this report, or for the opinions we have formed.

KPMG Inc
Pierre Fourie
Chartered Accountants
85 Empire Road
Parktown
Johannesburg
2193
30 April 2018

Consolidated statement of financial position

at 31 December 2017

	Notes	31 December 2017 \$'000	31 December 2016 \$'000
Assets			
Cash and short-term funds	23	457,018	406,325
Financial assets held for trading	15	76,786	101,727
Financial assets designated at fair value	16	19,151	13,868
Derivative financial assets	18	6,990	6,323
Loans and advances	11	1,329,962	1,334,763
Investment securities	17	354,988	237,192
Prepayments and other receivables		136,105	62,244
Current tax assets		10,024	5,633
Investment in associates	8	444,569	293,980
Property and equipment		95,728	92,428
Investment property		21,199	17,318
Other intangible assets	9	90,881	84,435
Deferred tax assets	24.3	13,244	14,323
Goodwill on acquisition	9	83,740	83,800
Non-current assets held for sale	26	—	1,633
Total assets		3,140,385	2,755,992
Equity and liabilities			
Deposits	4	1,877,477	1,799,443
Derivative financial liabilities	18	6,741	5,770
Creditors and accruals	21	72,481	74,599
Current tax liabilities		5,992	4,463
Deferred tax liability	24.3	18,317	23,088
Borrowed funds	3	346,153	322,574
Total liabilities		2,327,161	2,229,937
Founder Preference Shares	1	12,500	12,500
Ordinary share capital	1	987,292	773,213
Capital reserves		51,723	45,840
Accumulated loss		(5,977)	(46,676)
Available-for-sale reserves		39	(744)
Foreign currency translation reserve		(228,522)	(251,503)
Treasury shares		(24,539)	(26,085)
Equity attributable to ordinary shareholders		792,516	506,545
Non-controlling interest		20,708	19,510
Total equity		813,224	526,055
Total equity and liabilities		3,140,385	2,755,992

Consolidated statement of profit or loss

for the year ended 31 December 2017

	Notes	31 December 2017 \$'000	31 December 2016 \$'000
Interest and similar income	14	266,503	247,052
Interest and similar expense	5	(121,217)	(119,811)
Net interest income		145,286	127,241
Loan impairment charges	12	(22,265)	(15,448)
Net interest income after loan impairment charges		123,021	111,793
Non-interest income	19	115,167	114,499
Share of profit of associates		38,400	17,926
Total operating income		276,588	244,218
Operating expenses	20	(223,384)	(223,068)
Transaction and integration expenses	7	(150)	(11,783)
Profit before tax		53,054	9,367
Income tax expense	24.1	(5,268)	(78)
Profit for the period		47,786	9,289
Attributable to:			
Ordinary shareholders		45,432	8,402
Non-controlling interests		2,354	887
		47,786	9,289
Basic earnings per share (\$)	28	0.42	0.12
Diluted earnings per share (\$)	28	0.42	0.12

Consolidated statement of other comprehensive income

for the year ended 31 December 2017

	31 December 2017 \$'000	31 December 2016 \$'000
Profit for the period:	47,786	9,289
Other comprehensive income to be reclassified to profit/loss in subsequent periods:	33,039	(151,638)
Exchange differences on translating foreign operations	21,975	(159,423)
Available-for-sale financial assets – net change in fair value	783	(3,406)
Share of other comprehensive income of equity-accounted investees	10,281	11,191
Other comprehensive income not to be reclassified to profit/loss in subsequent periods:	503	2,959
Revaluation of land and buildings	516	2,959
Other comprehensive income	(13)	–
Total comprehensive income for the period, net of tax	81,328	(139,390)
Total comprehensive income attributable to:		
Ordinary shareholders	79,980	(138,677)
Non-controlling interests	1,348	(713)
	81,328	(139,390)

Consolidated statement of changes in equity

for the year ended 31 December 2017

	Founder Preference Shares \$'000	Ordinary share capital \$'000	Capital reserves ¹ \$'000	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
Opening balance as at 1 January 2016	12,500	772,204	18,098	325	(94,125)	(25,563)	(53,230)	630,209	(4,683)	625,526
Results for the period	–	–	–	–	–	–	8,402	8,402	887	9,289
Other comprehensive income:										
Exchange differences on translating foreign operations	–	–	–	–	(157,378)	–	–	(157,378)	(2,045)	(159,423)
Net loss on hedge of net investment in foreign operations	–	–	–	–	–	–	–	–	–	–
Revaluation of property net of deferred tax	–	–	2,959	–	–	–	–	2,959	–	2,959
Movement in available-for-sale reserves	–	–	(120)	(1,069)	–	–	(2,662)	(3,851)	445	(3,406)
Equity-accounted investees	–	–	–	–	–	–	11,191	11,191	–	11,191
Total comprehensive income	–	–	2,839	(1,069)	(157,378)	–	16,931	(138,677)	(713)	(139,390)
Transactions with owners										
Employee share awards	–	–	2,389	–	–	2,555	–	4,944	–	4,944
Issue of ordinary shares to Directors	–	–	–	–	–	–	–	–	–	–
Shares issued on acquisition	–	1,009	–	–	–	–	–	1,009	–	1,009
Equity portion of convertible debt issued	–	–	3,409	–	–	–	–	3,409	–	3,409
Non-controlling interests acquired	–	–	(126)	–	–	–	–	(126)	25,395	25,269
Fair value of non-controlling interest settled	–	–	–	–	–	–	–	–	–	–
Movements in non-distributable reserves	–	–	8,094	–	–	–	(10,377)	(2,283)	(489)	(2,772)
Conditional shares to be issued on acquisition	–	–	11,137	–	–	–	–	11,137	–	11,137
Movements in treasury shares	–	–	–	–	–	(3,077)	–	(3,077)	–	(3,077)
Closing balance as at 31 December 2016	12,500	773,213	45,840	(744)	(251,503)	(26,085)	(46,676)	506,545	19,510	526,055
Opening balance as at 1 January 2017	12,500	773,213	45,840	(744)	(251,503)	(26,085)	(46,676)	506,545	19,510	526,055
Results for the period	–	–	–	–	–	–	45,432	45,432	2,354	47,786
Other comprehensive income:										
Exchange differences on translating foreign operations	–	–	–	–	22,981	–	–	22,981	(1,006)	21,975
Net loss on hedge of net investment in foreign operations	–	–	–	–	–	–	–	–	–	–
Revaluation of property net of deferred tax	–	–	516	–	–	–	–	516	–	516
Movement in available-for-sale reserves	–	–	–	783	–	–	–	783	–	783
Other comprehensive income	–	–	(13)	–	–	–	–	(13)	–	(13)
Equity-accounted investees	–	–	–	–	–	–	10,281	10,281	–	10,281
Total comprehensive income	–	–	503	783	22,981	–	55,713	79,980	1,348	81,328
Transactions with owners										
Employee share awards	–	–	2,042	–	–	1,017	–	3,059	–	3,059

	Founder Preference Shares \$'000	Ordinary share capital \$'000	Capital reserves ¹ \$'000	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
Issue of ordinary shares to Directors	–	–	–	–	–	529	–	529	–	529
New shares issued on private placement	–	214,079	–	–	–	–	–	214,079	–	214,079
Equity portion of convertible debt issued	–	–	–	–	–	–	–	–	–	–
Non-controlling interests acquired	–	–	(242)	–	–	–	–	(242)	–	(242)
Fair value of non-controlling interest settled	–	–	–	–	–	–	–	–	–	–
Movements in non-distributable reserves	–	–	14,539	–	–	–	(15,014)	(475)	(150)	(625)
Share issue expense	–	–	(10,959)	–	–	–	–	(10,959)	–	(10,959)
Movements in treasury shares	–	–	–	–	–	–	–	–	–	–
Closing balance as at 31 December 2017	12,500	987,292	51,723	39	(228,522)	(24,539)	(5,977)	792,516	20,708	813,224

Notes:

1. Capital reserves consists of the following:

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

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

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

Consolidated statement of cash flows

for the year ended 31 December 2017

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities		15,219	89,493
Cash utilised in operating activities		24,449	(6,653)
Profit before tax		53,054	9,367
Adjusted for:			
Fair value adjustment		(5,941)	(4,428)
Foreign exchange gains		(8,640)	(8,046)
Loan impairment charges	12	22,265	15,448
Depreciation and amortisation	20	24,467	21,175
Impairment of goodwill	6	3,500	–
Net losses on derivative financial instruments		56	667
Net gains on financial instruments at fair value through profit/loss		(1,331)	(25,736)
Share of profit of associates		(38,355)	(17,926)
Fair value adjustment on acquisition related financial instrument		(26,800)	–
Re-measurement of investment property		(1,699)	(306)
Bargain purchase accounted for in the statement of profit/loss		–	(1,811)
Loss on disposal of property and equipment		814	–
Equity-settled share-based payment transactions		3,059	4,943
Tax paid		(4,826)	(7,810)
Net cash inflow/(outflow) from operating activities before changes in operating funds		19,623	(14,463)
Net (decrease)/increase in operating funds		(4,404)	103,956
(Increase)/Decrease in operating assets		(90,253)	161,566
Increase/(Decrease) in operating liabilities		85,849	(57,610)
Cash flow from investing activities		(201,283)	9,369
Purchase of property and equipment		(13,679)	(488)
Purchase of investment property		(2,099)	(545)
Purchase of intangible assets		(15,757)	(1,595)
Additions to associates		(75,734)	–
Financial assets designated at fair value		(3,952)	7,116
Financial assets held for trading		24,941	105,099
Purchase of Investment securities		(117,013)	(140,822)
Proceeds on disposal of property and equipment		2,010	–
Net cash inflow resulting from acquisition of subsidiaries		–	40,604
Cash flow from financing activities		226,892	(2,670)
Purchase of treasury shares		–	(3,076)
Share issue expense		(10,959)	–
Proceeds from issue of shares		214,079	–
Increase in borrowed funds		23,772	406
Increase in cash and cash equivalents		40,828	96,192
Cash and cash equivalents at the beginning of the period		406,325	320,682
Exchange rate adjustment on opening balance		9,865	(10,549)
Cash and cash equivalents at the end of the period		457,018	406,325
Cash and short-term funds	23	457,018	406,325
Cash and cash equivalents		355,098	285,157
Statutory reserve balances		101,920	121,168

Segmental report

for the year ended 31 December 2017

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, non-interest income and operating expenses.

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

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

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.

Statement of profit or loss

31 December 2017					
	Southern Africa ¹ \$'000	East Africa ² \$'000	West Africa ³ \$'000	Corporate ⁴ \$'000	Total \$'000
Interest and similar income	200,650	64,162	–	1,691	266,503
Interest and similar expense	(87,726)	(26,007)	–	(7,484)	(121,217)
Net interest income	112,924	38,155	–	(5,793)	145,286
Loan impairment charges	(12,725)	(9,540)	–	–	(22,265)
Income/(loss) from lending activities	100,199	28,615	–	(5,793)	123,021
Non-interest income	68,769	15,979	–	30,419	115,167
Total operating income	168,968	44,594	–	24,626	238,188
Operating expenses	(156,750)	(41,420)	–	(25,364)	(223,534)
Net income from operations	12,218	3,174	–	(738)	14,654
Share of profit of associates	–	–	38,400	–	38,400
Profit/(loss) before tax	12,218	3,174	38,400	(738)	53,054
Income tax expense	(3,735)	(240)	–	(1,293)	(5,268)
Profit/(loss) for the year	8,483	2,934	38,400	(2,031)	47,786
Non-controlling interest	–	1,515	–	839	2,354
Profit/(loss) attributable to ordinary shareholders	8,483	1,419	38,400	(2,870)	45,432

31 December 2016					
	Southern Africa ¹ \$'000	East Africa ² \$'000	West Africa ³ \$'000	Corporate ⁴ \$'000	Total \$'000
Interest and similar income	181,713	65,168	–	171	247,052
Interest and similar expense	(87,043)	(25,832)	–	(6,936)	(119,811)
Net interest income	94,670	39,336	–	(6,765)	127,241
Loan impairment charges	(11,544)	(3,904)	–	–	(15,448)
Income/(loss) from lending activities	83,126	35,432	–	(6,765)	111,793
Non-interest income	70,615	17,990	–	25,894	114,499
Total operating income	153,741	53,422	–	19,129	226,292
Operating expenses	(156,472)	(50,369)	–	(28,010)	(234,851)
Net income from operations	(2,731)	3,053	–	(8,881)	(8,559)
Share of profit of associates	(244)	103	18,067	–	17,926
Profit/(loss) before tax	(2,975)	3,156	18,067	(8,881)	9,367
Income tax expense	(1,880)	1,007	–	795	(78)
Profit/(loss) for the year	(4,855)	4,163	18,067	(8,086)	9,289
Non-controlling interest	–	(887)	–	–	(887)
Profit/(loss) attributable to ordinary shareholders	(4,855)	3,276	18,067	(8,086)	8,402

Notes:

1. Southern Africa segment includes 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.
5. In line with the manner in which the Group has moved to manage the business as primarily geographic segments and on a secondary basis as business lines, the segment report presents the results in geographic segments. As the business lines develop and financial results become material a secondary segmental split showing the business lines will be presented.

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

Statement of financial position

	31 December 2017				
	Southern Africa ¹ \$'000	East Africa ² \$'000	West Africa ³ \$'000	Corporate ⁴ \$'000	Total \$'000
Loans and advances	1,037,541	286,717	–	5,704	1,329,962
Total assets	2,000,110	502,996	442,738	194,541	3,140,385
Deposits	1,505,111	372,366	–	–	1,877,477
Total liabilities	1,875,164	422,267	–	29,730	2,327,161

	31 December 2016				
	Southern Africa ¹ \$'000	East Africa ² \$'000	West Africa ³ \$'000	Corporate ⁴ \$'000	Total \$'000
Loans and advances	1,046,018	287,052	–	1,693	1,334,763
Total assets	1,895,461	475,903	291,353	93,275	2,755,992
Deposits	1,431,581	367,862	–	–	1,799,443
Total liabilities	1,799,515	404,873	–	25,549	2,229,937

Notes:

1. Southern Africa segment includes 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 2017

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

i. Reporting entity

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

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

During the course of 2014 – 2016, Atlas Mara acquired control of ABC Holdings Limited, which operates banking subsidiaries in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe and conducts business under the BancABC brand in each country, African Development Corporation AG ('ADC'), BRD Commercial Bank Limited ('BRD Commercial'), a non-controlling holding, both direct and indirect, in Union Bank of Nigeria plc ('UBN'), BPR and FBZ. During 2017 the Group increased its non-controlling holding in UBN to 44.5%

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 2017, there were no unendorsed standards effective for the year ended 31 December 2017 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 2017 equity raise in February and September 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 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.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces the earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

Classification and Measurement

This standard will include changes in the classification and measurement bases of the Group's/company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these categories are similar to IAS 39, the criteria for classification into these categories are significantly different.

IFRS 9 will require financial assets to be classified on the basis of two criteria:

- The business model within which financial assets are managed, and
- Their contractual cash flow characteristics (whether the cash flows represent solely payments of principal and interest).

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest.

Other financial assets are required to be measured at fair value through profit and loss if they are held for the purposes of trading, if their contractual cash flows do not meet the 'solely payments of principal and interest' criterion, or if they are managed on a fair value basis and the Group/Company maximises cash flows through sale. IFRS 9 allows an entity to irrevocably designate a financial asset as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (that is, an accounting mismatch).

Based on its preliminary assessment, the effects of the new classification and measurement requirements under IFRS 9 are not expected to have a significant impact on the Group.

Impairment

The IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability weighted basis. The new impairment model will apply to financial assets that are debt instruments measured either at amortised cost and fair value through other comprehensive income (FVOCI). Under IFRS 9, no impairment loss is recognised on equity investments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and the 12-month ECL measurement applies if it has not.

The group is currently assessing the estimated impact that the initial application of IFRS 9 will have on its financial statements. The provisioning approach currently in use is where provisions are raised on non-performing loans which has exceeded the 90 day category in terms of collections. The non-performing loans are placed on a watch list and monitored for recoverability purposes and to raise adequate provisions.

Notes to the financial statements

for period ended 31 December 2017

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 2017		31 December 2016	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Opening balance¹	72,759	773,213	72,459	772,204
Ordinary shares issues	96,202	214,079	300	1,009
Shares held in escrow ²	3,298	—	—	—
Total shares in issue	172,259	987,292	72,759	773,213
Shares in issue excluding escrow shares	168,961			
Founder Preference Shares	1,250	12,500	1,250	12,500
	170,211	999,792	74,009	785,713

Note:

1. Comprises ordinary shares and share warrants.
2. Shares held in escrow are part of the contingent consideration for the acquisition of Finance Bank Zambia and has no voting rights associated to it.

1.2. Issued and fully paid

	2017 \$'000	2016 \$'000
Ordinary share capital and share warrants	987,292	773,213
	987,292	773,213

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

	2017 No. of shares	2016 No. of shares
Opening balance	72,759	72,459
Ordinary shares issued during the period	96,202	300
Shares held in escrow	3,298	—
Closing balance	172,259	72,759

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.

On 18 August 2017, the Group announced that the 32,529,500 outstanding warrants on 17 December 2013 would be de-listed and cancelled following their expiration on 21 August 2017.

1. Capital and reserves continued

Terms of the Founder Preferred Shares

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

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

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

2. 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.

2. Capital planning continued

Capital adequacy computations

	BancABC Botswana \$'000	BancABC Zimbabwe \$'000	Atlas Mara Zambia \$'000	BancABC Tanzania \$'000	BancABC Mozambique \$'000	BPR Rwanda \$'000
Tier I Capital						
Share capital and premium	22,587	49,989	84,539	51,781	33,700	53,071
Capital reserves and retained earnings/(accumulated loss)	71,439	27,699	(28,932)	(25,566)	(7,356)	(6,917)
Intangible assets (software)/deferred charges	(3,669)	–	(17,016)	(3,748)	(4,824)	(2,148)
Deferred tax asset	–	–	–	(3,462)	–	–
Prepayments	–	–	(1,357)	(728)	–	(1,380)
Exposures to insiders	–	(1,960)	–	–	–	–
Total qualifying for Tier I Capital	90,357	75,728	37,234	18,277	21,520	42,626
Tier II Capital						
Shareholder's loan	18,724	–	–	–	4,546	2,220
General debt provision	1,765	2,769	–	497	12	–
Fair value revaluation/available-for-sale reserve	–	–	–	–	–	–
Revaluation reserves (limited to Tier I Capital)	–	4,719	–	–	–	446
Profit for the year	14,129	–	–	–	–	1,227
Total qualifying for Tier II Capital	34,618	7,488	–	497	4,558	3,893
Total qualifying for Tier III Capital	–	–	–	–	–	–
Total Capital	124,975	83,216	37,234	18,774	26,078	46,519
Risk weighted assets¹ (unaudited)						
Market risk	11,618	4,340	–	1,795	3,703	–
Operational risk	60,485	64,334	–	–	3,176	–
On balance sheet assets	529,149	144,442	264,077	103,052	97,794	203,211
Off balance sheet assets	32,748	8,413	6,127	1,322	2,141	1,358
Total risk weighted assets	634,000	221,529	270,204	106,169	106,814	204,569
Capital adequacy ratio (unaudited)	19.7%	37.6%	13.8%	17.7%	24.4%	22.7%
Minimum regulatory capital adequacy ratio	15.0%	12%	10%	14.5%	9.0%	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 2016					
	BancABC Botswana \$'000	BancABC Zimbabwe \$'000	BancABC Zambia \$'000	BancABC Tanzania \$'000	BancABC Mozambique \$'000	BRD-C Rwanda \$'000
Tier I Capital	20,869	49,989	101,541	45,034	27,850	55,226
Share capital and premium	65,536	24,134	18,052	(23,232)	(2,528)	(6,380)
Capital reserves and retained earnings/accumulated (loss)	–	–	(2,632)	(2,031)	(2,335)	(2,728)
Intangible assets (software)/deferred charges	–	–	(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	88,726	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	17,642	580	4,028	1,774
Total qualifying for Tier III Capital	–	8,402	–	–	–	–
Total Capital	107,177	79,039	106,368	15,861	27,015	47,892
Risk weighted assets¹ (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	339,493	100,851	106,090	207,583
Off balance sheet assets	12,252	8,344	6,259	8,798	2,118	392
Total risk weighted assets	529,867	378,694	345,752	111,395	112,555	207,975
Capital adequacy ratio (unaudited)	20.2%	20.9%	30.8%	14.2%	24.0%	23.0%
Minimum regulatory capital adequacy ratio	15.0%	12%	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.

3. Borrowed funds

Refer to accounting policy pertaining to financial instruments.

	2017 \$'000	2016 \$'000
Convertible bond (a)	51,325	47,790
Other borrowed funds (b)	294,828	274,784
	346,153	322,574

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

	Carrying value		Fair value	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Overseas Private Investment Corporation ('OPIC')	104,657	65,511	104,657	65,511
Afreximbank	61,273	60,052	64,176	63,316
Convertible bond (liability)	51,325	47,790	51,325	47,790
Standard Chartered	32,398	31,541	31,309	31,541
Africa Agriculture and Trade Investment Fund S.A. ('AATIF')	20,008	25,019	20,027	24,989
BIFM Capital Investment Fund One Proprietary Limited ('BIFM')	19,594	25,587	20,118	29,652
NORSAD	10,228	10,010	10,074	10,742
Kuhanha	4,448	3,623	4,535	3,333
Shelter Afrique	3,969	4,915	3,442	4,915
Other	38,253	48,526	37,393	48,050
	346,153	322,574	347,056	329,839

a. Convertible bond

	2017 \$'000	2016 \$'000
Opening balance as at 1 January	47,790	37,920
Issued during the year	—	9,870
Interest accrued	3,535	—
Closing balance as at 31 December	51,325	47,790

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.

3. Borrowed funds continued

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.

b. Other borrowed funds

	2017 \$'000	2016 \$'000
Borrowed funds – At fair value through profit/loss:	32,398	31,541
Borrowed funds – Amortised cost	262,430	243,243
	294,828	274,784

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 2017, the total outstanding amount of all such borrowed funds was \$350 million, compared to \$323 million as at 31 December 2016.

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 2018 – \$6.3 million;
- 30 September 2019 – \$6.3 million; and
- 30 September 2020 – \$6.3 million.

A payment of 62.5 million BWP was made to BIFM in September 2017 to redeem Promissory Note A which was scheduled for redemption.

Afrexim Bank Limited

The loan from Afrexim Bank Limited is a USD 60 million advanced to ABCH on 26 July 2013. In October 2017, ABCH and Afrexim Bank Limited agreed on key terms for a restructuring agreement. These principal terms include a reduction in the principal balance via a repayment of USD 6 million with the balance of USD 54 million repaid over four years with a grace period of one year. The restructured facility is expected to attract an interest of 3 month LIBOR +7.3%, payable quarterly. In February 2018, the agreed USD 6 million loan repayment was made in accordance with the agreed key terms and the restructuring agreement is in the process of being finalised.

Norsad Finance Limited

This USD 10 million loan advanced to ABCH is a subordinated loan and attracts interest at 6 months LIBOR + 7.5%. Interest is payable quarterly on 31 March, 30 June, 30 September and 31 December. The loan matures on 9 October 2020 when the full principal amount is due for repayment in one instalment.

Africa Agriculture and Trade Investment Fund S.A.

The loan of USD 25 million from AATIF is denominated in US Dollars and attracts interest at 3 months LIBOR +6.25%. Interest is payable quarterly on 31 March, 30 June, 30 September and 31 December. An initial repayment of USD 5 million was made in December 2017 in accordance with the loan agreement with an outstanding principal of USD 20 million on the loan facility which is scheduled to be paid in one installment on the 23rd December 2018.

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.7.10 NGN per share.

Overseas Private Investment Corporation

The USD 65 million loan is denominated in USD and was advanced to BancABC Zambia to finance the acquisition of Finance Bank Zambia. The loan attracts interest at a rate of 3 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.

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

3. Borrowed funds continued

c. Subsequent Events

Subsequent to year-end, the Group issued a new secured convertible bonds maturing in April 2020. The bond will be issued to the Company's shareholder, Fairfax Africa, for a total principal value of \$16.0 million and is part of a series of debt fundraising targeting a total of \$37.5 million. The bond is secured with a portion of the Company's indirect shareholding in Union Bank of Nigeria and has a coupon of 7.5% payable semi-annually. Conversion of the bonds is subject to shareholder and any other requisite approvals and is convertible into shares of Atlas Mara at lower of (\$2.50) per share or a 10% discount to the 30-day volume weighted average price prior to the maturity date in April 2020. This conversion is at the option of the bondholder(s) in lieu of repayment in cash. Shareholder approval for the conversion feature will be requested at the Company's forthcoming Annual General Meeting. In the event that shareholder approval is not secured, the coupon on the bonds will increase from 7.5% to 9.0%.

Maturity analysis

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

	2017 \$'000	2016 \$'000
On demand to one month	61,820	60,472
One to three months	4,460	1,174
Three months to one year	34,047	20,885
Over one year	245,826	240,043
Total	346,153	322,574

4. Deposits

Refer to accounting policy pertaining to financial instruments.

	2017 \$'000	2016 \$'000
Deposits from banks	157,209	145,834
Deposits from other customers	1,720,268	1,653,609
	1,877,477	1,799,443
Payable on demand		
Corporate customers	452,477	419,826
Public sector	58,540	19,679
Retail customers	349,753	274,814
Other financial institutions	82,949	63,084
Banks	42,028	30,952
	985,747	808,355
Term and savings deposits		
Corporate customers	281,649	363,161
Public sector	207,281	283,291
Retail customers	90,798	148,550
Other financial institutions	221,904	93,395
Banks	90,098	102,691
	891,730	991,088
Total	1,877,477	1,799,443

5. Interest and similar expense

Accounting for interest expense

Refer to accounting policy pertaining to financial instruments.

	2017 \$'000	2016 \$'000
Deposits	(83,764)	(79,488)
Borrowed funds	(37,453)	(40,323)
Interest and similar expense	(121,217)	(119,811)

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 no acquisitions in the current period. There were two business combinations during 2016.

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
<i>Less: Non-controlling interest</i>		(27,189)	
Goodwill		(1,811)	
Total purchase consideration		20,463	
Cost of acquisition		20,463	
<i>Less: Non-cash consideration</i>		–	
Cash consideration paid		20,463	
<i>Less: Cash and cash equivalents in subsidiary acquired</i>		(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 47. 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 48.

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.

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 48.

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

	2017 \$'000	2016 \$'000
Professional fees (including legal and due diligence costs)	(144)	(1,819)
Transaction and integration expenses	–	(7,196)
Others	(6)	(2,768)
	(150)	(11,783)

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.

8. Investment in associate continued

Critical accounting estimates and judgements

Fair value of assets and liabilities of associate

Effective 1 October 2017, the Group concluded the acquisition of an additional 13.4% share in UBN. As required by IFRS, the Group assessed the fair value of the assets and liabilities acquired vs the fair value of the consideration paid.

In determining the value of the assets and liabilities of the associate, the Group applies judgement.

The Group's share of the fair value of the assets and liabilities vs the fair value of the consideration paid.

Following the conclusion of the assessment of the fair value of the assets and liabilities acquired during the additional 13.4% share in UBN, the Group recognised a gain on acquisition of \$21 million.

Intangible assets

Included in the fair value of UBN are intangible assets of \$8.3 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.

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.

Share of profit and OCI

The value of equity accounted earnings in the statement of comprehensive income for Atlas Mara represents the estimated year-end profit and other comprehensive income for UBN, based the average results reported for the 9 months period ended 30 September 2017 on an annualised basis

	2017 \$'000	2016 \$'000
Opening balance	293,980	398,423
Acquired through business combinations at fair value	–	–
Share of profits	38,400	17,926
Share of OCI	10,281	11,191
Exchange rate adjustment	(40)	(133,560)
Tax associated	–	–
Additions during year	101,948	–
Investment in associates	444,569	293,980

8. Investment in associate continued

Investment in Union Bank of Nigeria ('UBN')

The group holds an effective direct and indirect share of UBN's voting rights of 44.55% as at 31 December 2017. This is as a result of the acquisitions completed during 2014 and 2015, which included an indirect share of 9.05% and a direct investment of 21.16%.

Effective 1 October 2017 the group acquired a further 13.4% of the voting rights in UBN, bringing the group's total share to 44.55%.

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

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

The investment in UBN is equity accounted using the annual financial statements of UBN for the period 1 January 2016 to 31 December 2017. The local currency of UBN is Nigerian Naira.

The following table illustrates the unaudited published summarised financial information of the Group's investment in UBN for the 9 months ended 30 September 2017. As at the date of this report, UBN has not yet published its annual financial statements for the year ended 31 December 2017. The audited UBN annual financial statements will be published on the Group's website.

	2017 \$'000	2016 \$'000
Cash and cash equivalents	569,977	447,541
Loans and advances	1,555,712	1,667,291
Investment securities	623,954	597,541
Other assets	1,696,282	1,405,194
Total assets	4,445,925	4,117,567
Deposits	2,868,255	2,461,243
Borrowed funds	263,221	294,260
Other liabilities	379,774	469,510
Total liabilities	3,511,250	3,225,013
Group's share of equity (44.55%) (2016: 31.15%)	416,397	276,640
Intangible assets	8,368	14,713
Share of total identifiable net assets	424,765	291,353
	2017 \$'000	2016 \$'000
Carrying value of the investment in associate including intangible assets	442,738	291,353
Net interest income	153,645	250,937
Non-interest income	68,928	99,578
Loan impairment charges	(19,683)	(69,620)
Profit after tax	47,846	59,209
Post-tax profit or loss from discontinued operations	—	—

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.

8. Investment in associate continued

Impairment testing

At 31 December 2017, 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 2017.

The table below illustrates the VIU, carrying value and fair value of the Group's 44.55% (2016: 31.15%) in UBN.

	31 December 2017			31 December 2016		
	VIU \$'000	Carrying amount \$'000	Fair value \$'000	VIU \$'000	Carrying amount \$'000	Fair value \$'000
Union Bank of Nigeria	460,500	442,738	227,142	311,200	291,353	201,20

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 23.1%. Over the extended forecast period these items have been forecast to grow at annually decreasing rates, reaching 4.4% in the terminal year.

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 24.4%. The rate is calculated using the yield on US treasury bills with 10-year maturity, maturing on 31 December 2027 as a starting point (2.5%), adjusted for a Nigerian country risk premium of an equity market risk premium of, and an entity specific risk.

The VIU based on the above assumptions is \$460.5 million. This value has on \$17 million headroom. A small in any of the assumptions could reduce the headroom to nil.

Key assumption:	Changes to key assumption to reduce headroom to nil:
– Long-term growth rate	– Decrease of 0.5 basis points
– Discount rate	– Increase of 150 basis points
– Cost-income ratio	– Increase of 700 basis points

Based on the results of the testing, management estimates that the reasonably possible range of VIU is \$460.5 million.

9. Intangible assets and goodwill continued

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.

	2017 \$'000	2016 \$'000
Goodwill	83,740	83,800
Other intangible assets	90,881	84,435
	174,621	168,235

9. Intangible assets and goodwill

	31 December 2017			31 December 2016		
	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	83,800	117,482	201,282	82,736	78,496	161,232
Exchange rate adjustment	3,440	3,357	6,797	(10,721)	(2,277)	(12,998)
Additions during the year	–	17,444	17,444	–	17,805	17,805
Cost or valuation at period end	87,240	138,283	225,523	83,800	117,482	201,282
Impairment losses and amortisation						
Opening balance	–	(33,047)	(33,047)	–	(21,863)	(21,863)
Exchange rate adjustment	–	(939)	(939)	–	(713)	(713)
Impairment losses or amortisation during the year	(3,500)	(13,416)	(16,916)	–	(10,471)	(10,471)
Accumulated impairment at period end	(3,500)	(47,402)	(50,902)	–	(33,047)	(33,047)
Carrying value at period end	83,740	90,881	174,621	83,800	84,435	168,235

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. During 2017, following a reduction in the forecast performance of the Zambia CGU, the group recognised an impairment loss of \$3.5 million

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.

	2017			2016		
	\$ million	Allocation		\$ million	Allocation	
		Retail \$ million	Corporate \$ million		Retail \$ million	Corporate \$ million
Botswana	34.4	19.0	15.4	31.8	17.5	14.3
Zambia	21.9	8.7	13.2	26.1	10.4	15.7
Mozambique	9.9	1.7	8.2	8.3	1.4	6.9
West Africa	17.6	–	17.6	17.6	–	17.6
Total	83.8	29.4	54.4	83.8	29.3	54.5

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 2017.

	Botswana	Mozambique	Zambia	West Africa
Discount rate (%)	13.4	23.1	19.8	24.4
Terminal growth rate (%)	1.9	1.9	1.9	4.4
Forecast period (years)	10	10	10	10

During 2017, following a reduction in the forecast performance of the Zambia CGU, the group recognised an impairment loss of \$3.5 million

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 \$442 million is less than the VIU of \$460.5 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 2017 there are no indications of impairment.

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 2017		31 December 2016	
	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	457,018	457,018	406,325	406,325
Loan and advances	1,329,962	1,329,962	1,334,763	1,334,763
Held-to-maturity investments				
Government bonds	7,038	7,038	6,338	6,338
Treasury bills	50,355	50,355	22,086	22,086
Corporate bonds	3,308	3,308	3,440	3,440

	31 December 2017		31 December 2016	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial liabilities measured at amortised cost				
Deposits	1,877,477	1,877,477	1,799,443	1,799,443
Creditors and accruals	72,481	72,481	74,599	74,599
Borrowed funds	346,153	347,056	291,033	298,298

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.

	2017 \$'000	2016 \$'000
Mortgage lending	164,882	148,852
Instalment finance	13,631	18,919
Corporate lending	455,393	524,249
Commercial and property finance	137,936	125,610
Consumer lending	616,008	554,866
Gross loans and advances	1,387,850	1,372,496
Less impairments (note 11.1)	(57,888)	(37,733)
Net loans and advances	1,329,962	1,334,763

11.1. Reconciliation of impairment allowance for loans and advances by market segment

31 December 2017						
	Mortgage lending \$'000	Instalment finance \$'000	Corporate lending \$'000	Commercial and property finance \$'000	Consumer lending \$'000	Gross loans and advances \$'000
1 January 2017						
Opening balance	2,260	5,643	14,136	1,007	14,687	37,733
Exchange rate adjustment	(113)	(282)	(707)	(50)	(958)	(2,110)
Credit impairment charges	1,455	1,004	1,217	(1,391)	19,980	22,265
31 December 2017						
Closing balance	3,602	6,365	14,646	(434)	33,709	57,888
Specific impairment	263	4,104	10,154	(1,275)	30,159	43,405
Gross non-performing loans	13,952	3,387	53,046	33,297	42,387	146,069
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

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 2017		
	Collective allowance for credit losses \$'000	Specific allowance for credit losses \$'000	Total \$'000
Opening balance as at 1 January 2017	13,243	24,490	37,733
Impairments created	2,311	19,954	22,265
Exchange rate adjustment	(1,071)	(1,039)	(2,110)
Balance as at 31 December 2017	14,483	43,405	57,888

	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

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 2017			31 December 2016		
	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	13,952	10,111	3,841	14,907	11,453	3,454
Instalment finance	3,387	986	2,401	4,322	3,751	571
Corporate lending	53,046	68,428	(15,382)	75,788	65,641	10,147
Commercial and property finance	33,297	27,379	5,918	28,257	25,966	2,291
Consumer lending	42,387	582	41,805	7,929	1,281	6,648
	146,069	107,486	38,583	131,203	108,092	23,111

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. Loans and advances continued

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:

	2017 \$'000	2016 \$'000
Mortgage lending	661	4,486
Instalment finance	—	61
Corporate lending	6,037	30,683
Commercial and property finance	19,523	1,722
Consumer lending	12,822	1,979
	39,043	38,931
Continuing to be impaired after restructuring	4,626	2,358
Non-impaired after restructuring – would otherwise have been impaired	24,793	35,376
Non-impaired after restructuring – would otherwise not have been impaired	9,624	1,197
	39,043	38,931

11.5. Total loan impairments by loan class and type

a. Impairment by loan class

	31 December 2017 \$'000	31 December 2016 \$'000
Mortgage lending	3,602	2,260
Instalment finance	6,365	5,643
Corporate lending	14,646	14,136
Commercial and property finance	(434)	1,007
Consumer lending	33,709	14,687
Total loan impairments	57,888	37,733

b. Impairment analysis

	31 December 2017 \$'000	31 December 2016 \$'000
Collective impairments	14,483	13,243
Specific impairments	43,405	24,490
Total loan impairments	57,888	37,733

11. Loans and advances continued

c. Credit quality supplement

	31 December 2017 \$'000	31 December 2016 \$'000
Gross loans and advances	1,387,850	1,372,496
Collective impairments	(14,483)	(13,243)
Specific impairments	(43,405)	(24,490)
Net loans and advances	1,329,962	1,334,763
Non-performing loans	146,079	131,203
Impairments (profit/loss)	(22,265)	(15,448)
Impairments (allowance)	(57,888)	(37,733)
Percentage (%)		
Non-performing loans/gross loans and advances	10.5%	9.6%
Total impairment allowance/non-performing loans	39.6%	28.8%
Specific impairments/gross loans and advances	3.1%	1.8%

11.6. Repossessed collateral

During 2017, the Group obtained assets by taking possession of collateral held as security, as follows:

	2017 \$'000	2016 \$'000
Property and equipment	9,051	15,752
Motor vehicles	341	256
Other assets	—	494
	9,392	16,502

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 14–18 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.

12. Loan impairment charges continued

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 \$2.5 million (2016: \$1.7 million) impairment charge.

	2017 \$'000	2016 \$'000
Specific impairment	(8,758)	(10,163)
Collective impairment	(18,342)	(9,555)
Recoveries for the period	4,835	4,270
Total impairment charge	(22,265)	(15,448)

13. Collateral

Liabilities for which collateral is pledged:

	2017 \$'000	2016 \$'000
Deposits from banks	54,437	68,740
Deposits from customers	68,587	94,514
Borrowed funds	48,147	1,961
	171,171	165,215

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

	2017 \$'000	2016 \$'000
Advances (collateral)	44,071	658
Financial assets held for trading	—	—
Investment securities	128,531	131,924
Property and equipment	2,954	2,870
	175,556	135,452

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

The fair value of financial assets accepted as collateral that the Group is permitted to sell or re-pledged in the absence of default is:

	2017 \$'000	2016 \$'000
The fair value of financial assets accepted as collateral that have been sold or repledged is:	41,936	32,322
	41,936	32,322

14. Interest and similar income

Accounting for interest income

Refer to accounting policy pertaining to financial instruments.

	2017 \$'000	2016 \$'000
Unwind of fair value adjustment to loans and advances acquired at fair value through business combination	1,503	–
Cash and short-term funds	10,259	5,951
Investment securities and dated financial instruments	33,377	23,416
Loans and advances	218,703	217,685
Other interest income	1,971	–
Interest and similar income	265,813	247,052
Interest income on financial assets designated at fair value through profit/loss	690	–
Interest and similar income	266,503	247,052

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.

	2017 \$'000	2016 \$'000
Government bonds	14,137	5,382
Treasury bills	40,405	75,953
	54,542	81,335
Financials assets held for trading pledged as collateral		
Treasury bills and other open market instruments	22,244	20,392
Financial assets held for trading	76,786	101,727

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 2017 and 2016. 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.

	2017 \$'000	2016 \$'000
Listed equities	1,547	774
Unlisted equities	17,306	13,084
Unlisted Debentures	268	–
Property units	30	10
Financial assets designated at fair value	19,151	13,868

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 2017 and 2016. 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.

	2017 \$'000	2016 \$'000
Balance at 31 December consists of:		
Available-for-sale		
Government bonds	211,925	52,046
Unlisted equities	1,375	1,385
Corporate bonds	61,960	9,561
Treasury bills	–	117,241
Unlisted investment	19,027	25,095
	294,287	205,328
Held-to-maturity		
Government bonds	7,038	6,338
Treasury bills	50,355	22,086
Corporate bonds	3,308	3,440
	60,701	31,864
Investment securities	354,988	237,192

The investments in unlisted equities are accounted for at fair value. Refer to note 29 for details.

The government bonds are partial security for the loan from BIFM (note 17). The government bonds earn a fixed interest at 10% and 7.75% p.a., and are redeemable on 12 September 2018 and 8 September 2020. The fair value of the government bonds has not been determined as the government bonds are specifically conditional to the terms of the BIFM loan referred to in note 3.

All financial assets held for trading are carried at fair value in 2017 and 2016. 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 2017		
	Assets \$'000	Liabilities \$'000	Notional amount \$'000
Derivatives held for trading			
Forward foreign exchange contracts	10	136	620
Equity derivative	—	—	—
Derivatives designated at fair value through profit or loss			
Cross-currency interest rate swaps	6,493	14,932	25,234
Equity derivative	487	(8,327)	—
	6,990	6,741	25,854
	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

Forward foreign exchange contracts

The notional amounts of outstanding forward foreign exchange contracts at 31 December 2017 were \$620,000 (2016: \$11.4 million). These resulted in derivative financial assets of \$10,000 (2016: \$298,000) and derivative financial liabilities of \$136,000 (2016: \$37,000).

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.

18. Derivative financial instruments

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:

	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Greater than 1 year \$'000	Total \$'000
31 December 2017					
Value on initial recognition					
Derivative financial liabilities	26,936	—	—	973	27,909
Equity derivative					
Derivative financial liabilities	—	—	—	—	—
31 December 2016					
Value on initial recognition					
Derivative financial liabilities	546	7,819	3,085	5,733	17,183
Equity derivative					
Derivative financial liabilities	—	—	—	—	—

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

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

	2017 \$'000	2016 \$'000
Net fee and commission income:		
Fee and commission income		
Fee income on loans and advances	6,362	7,271
Fee income on held-to-maturity investments	107	(312)
Fee income from trust and fiduciary activities	9,118	3,576
Cash transaction fees	14,806	16,319
Fee income on off-balance sheet items	998	3,327
Other fee income	20,420	18,680
Net fee and commission income:	51,811	48,861
Net gains/(losses) on financial instruments designated at fair value through profit/loss		
Financial assets designated at fair value through profit/loss	2,189	266
Financial liabilities designated at fair value through profit/loss	(858)	25,470
Net gains/(losses) on financial instruments designated at fair value through profit/loss	1,331	25,736
Net income from derivative and foreign exchange transactions:		
Gains on derivatives	26,743	(667)
Gains on foreign exchange transactions	16,057	32,143
Other net income from non-proprietary trading	4,278	4,479
Net trading income	47,078	35,955
Gains on investments available-for-sale		
Equities available for sale – quoted	(114)	–
Other non-interest income:		
Dividends received – listed shares – fair value through profit/loss	7	35
Dividends received – listed shares – fair value through profit/loss	1,433	–
Gains/(losses) on disposal of property and equipment	(106)	14
Gains/(losses) on disposal of investment property	284	–
Non-trading foreign exchange	–	143
Rental income	34	322
Rental income on investment property	1,598	799
Other non-interest income	5,611	517
Gain from on bargain purchase	–	1,811
Gain on revaluation of investment property	6,200	306
Other non-interest income	15,061	3,947
Non-interest income	115,167	114,499

20. Operating expenses

	2017 \$'000	2016 \$'000
Operating expenditure		
Administrative expenses	(82,597)	(81,195)
Property lease rentals	(10,555)	(8,097)
Staff costs (note 20.1)	(99,873)	(106,572)
Auditor's remuneration	(3,379)	(2,942)
Depreciation	(11,051)	(10,704)
Amortisation charge (note 9)	(13,416)	(10,471)
Directors' remuneration (note 20.2)	(2,513)	(3,087)
	(223,384)	(223,068)

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.

	2017 \$'000	2016 \$'000
Salaries	(72,251)	(77,655)
Employer contributions to post-retirement funds	(5,276)	(4,827)
Other staff costs	(22,346)	(24,090)
	(99,873)	(106,572)

Notes:

1. Total equity-settled share-based payments costs of \$6.1 million (2016: \$5.2 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

	2017 \$'000	2016 \$'000
Executive Directors		
Salary, performance-related remuneration and other	(1,685)	(2,178)
Non-Executive Directors	(828)	(909)
Fees as Director of holding company	(828)	(909)
Fees as Director of subsidiaries	–	–
Total Directors' remuneration	(2,513)	(3,087)

Details of other transactions and balances with related parties have been disclosed under note 25.

20. Operating expenses continued

20.3. Auditor's remuneration

	2017 \$'000	2016 \$'000
Fees paid to KPMG (external auditor)	(3,379)	(2,942)
Fees paid to KPMG in their capacity as auditor	(2,003)	(1,930)
Fees paid for non-audit services:	(1,376)	(1,012)
– Taxation-related services	(246)	(88)
– Other assurance services	(143)	(27)
– Other non-audit services ^{1 and 2}	(987)	(897)

Note:

1. 2017 included fees paid to KPMG for services performed in their capacity as the auditor related to the issuance of the prospectus in 2017
2. 2016 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.

	2017 \$'000	2016 \$'000
Accruals	(189,366)	19,363
Provisions*	229,026	31,126
Other liability accounts	32,821	24,110
	72,481	74,599

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.

22. Share-based payment transactions continued

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.

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:

22. Share-based payment transactions continued

Share Options Scheme										
	IPO options	Employee options								
		Award A	Award B	Award C	Award D	Award E	Award F	Award G	Award H	Award I
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	03 Oct 17
	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	03 Oct 22
	–	8 Sep 15	15 Nov 15	31 Mar 16	19 Nov 16	1 Mar 16	11 Jan 17	27 Apr 18	25 Aug 17	–
Vesting dates	–	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	04 Oct 27

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
	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
Vesting dates	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	–	–

22. Share-based payment transactions continued

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
03 October 2017	8,100,000
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

22. Share-based payment transactions continued

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 37% was applied in the valuation on all grants during 2017. All the grant dates during 2016 and 2014 were 35% 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 2017.

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:

	2017	2016
Granted during the year	8,100,000	1,645,001
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 2017 was:

	2017	2016
IPO options	2.64	2.64
Employee options		
Award A	4.69	4.69
Award B	4.88	4.88
Award C	5.25	5.25
Award D	5.89	5.89
Award E	6.03	6.03
Award F	6.03	6.03
Award G	6.32	6.32
Award H	6.65	6.65
Award I	9.76	—

The range of exercise prices for options outstanding at the end of the year was \$2.00-11.50.

The weighted average fair value of option per unit granted during the year was \$2.17 (2016: \$1.34).

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 2017:

	2017	2016
Dividend yield (%)	0.00	2.00
Expected volatility (%)	36.97	35
Risk-free interest rate (%)	1.00/3.00	2.08/2.11/2.14
Expected life of share options (years)	<10	3-5.5
Weighted average share price (\$)	3.53	4.53
Model used	Binomial	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	2017 Spot price (\$)	2016 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	5.25
27 April 2016	4.30	4.30
25 August 2016	3.00	3.00
03 October 2017	3.53	–

Strike prices

The following strike prices relating to the share options granted were provided by management:

Grant date	2017 Strike price (\$)	2016 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	5.00
27 April 2016	4.28	4.28
25 August 2016	3.05	3.05
03 October 2017	2.36	–

22. Share-based payment transactions continued

Fair values

IPO options								
Grant date	Vesting date	Fair value per option (\$)	Number of options granted	December 2014 (\$)	December 2015 (\$)	December 2016 (\$)	December 2017 (\$)	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
03 October 2017	03 October 2022	2.17	8,100,000	–	–	–	855,693	855,693
		12,218,99						
		Totals	8	1,154,910	2,467,472	2,396,840	1,730,453	7,749,676

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)	December 2017 (\$'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	41,205	423,821
Totals			300,483	1,705,450	966,024	269,513	41,205	2,982,192

Award B								
Grant date	Vesting date	Fair value per award (\$)	Number of awards granted	December 2014 (\$'000)	December 2015 (\$'000)	December 2016 (\$'000)	December 2017 (\$'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)	December 2017 (\$'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	19,226	156,156
Totals			75,627	–	340,983	117,795	19,226	478,004

Award D								
Grant date	Vesting date	Fair value per award (\$)	Number of awards granted	December 2014 (\$'000)	December 2015 (\$'000)	December 2016 (\$'000)	December 2017 (\$'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	68,891	535,693
17 November 2015	1 March 2018	5.42	32,240	–	8,820	76,740	76,616	162,176
Totals			229,506	–	288,650	830,403	145,507	1,264,560

22. Share-based payment transactions continued

Award E								
Grant date	Vesting date	Fair value per award (\$)	Number of awards granted	December 2014 (\$'000)	December 2015 (\$'000)	December 2016 (\$'000)	December 2017 (\$'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	884	6,510
14 December 2015	1 March 2018	5.36	1,190	–	134	2,886	2,881	5,901
Totals			3,572	–	7,054	8,262	3,765	19,081

Award F								
Grant date	Vesting date	Fair value per award (\$)	Number of awards granted	December 2014 (\$'000)	December 2015 (\$'000)	December 2016 (\$'000)	December 2017 (\$'000)	Totals (\$'000)
11 January 2016	1 March 2017	5.13	89,816	–	–	393,765	67,182	460,947
11 January 2016	1 March 2018	5.03	14,969	–	–	34,210	35,268	69,478
Totals			104,785	–	–	427,975	102,450	530,425

Award G								
Grant date	Vesting date	Fair value per award (\$)	Number of awards granted	December 2014 (\$'000)	December 2015 (\$'000)	December 2016 (\$'000)	December 2017 (\$'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	16,573	113,712
11 January 2016	01 March 2018	5.03	9,362	–	–	21,396	22,058	43,454
Totals			60,068	–	–	268,008	38,631	306,629

Award H								
Grant date	Vesting date	Fair value per award (\$)	Number of awards granted	December 2014 (\$'000)	December 2015 (\$'000)	December 2016 (\$'000)	December 2017 (\$'000)	Totals (\$'000)
27 April 2016	27 April 2017	4.21	116,804	–	–	333,588	158,723	492,311
27 April 2016	27 April 2018	4.13	116,804	–	–	163,647	241,404	405,051
27 April 2016	27 April 2019	4.05	116,805	–	–	106,915	157,716	264,631
Totals			350,413	–	–	604,150	557,843	1,161,993

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)	December 2017 (\$'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	13,589	42,149
27 April 2016	27 April 2018	4.13	10,000	–	–	14,010	20,667	34,677
		Totals	30,000	–	–	85,570	34,256	119,826

Award J								
Grant date	Vesting date	Fair value per award (\$)	Number of awards granted	December 2014 (\$'000)	December 2015 (\$'000)	December 2016 (\$'000)	December 2017 (\$'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	649	3,294
27 April 2016	27 April 2017	4.21	10,000	–	–	28,560	13,589	42,149
27 April 2016	01 March 2018	4.14	6,977	–	–	10,636	15,690	26,326
27 April 2016	27 April 2018	4.13	10,000	–	–	14,010	20,667	34,677
		Totals	38,537	–	–	102,209	50,595	152,804

Award K								
Grant date	Vesting date	Fair value per award (\$)	Number of awards granted	December 2014 (\$'000)	December 2015 (\$'000)	December 2016 (\$'000)	December 2017 (\$'000)	Totals (\$'000)
27 April 2016	01 March 2017	4.23	2,151	–	–	7,303	1,792	9,095
27 April 2016	01 March 2018	4.14	2,644	–	–	4,031	5,946	9,977
		Totals	4,795	–	–	11,334	7,738	19,072

Award L								
Grant date	Vesting date	Fair value per award (\$)	Number of awards granted	December 2014 (\$'000)	December 2015 (\$'000)	December 2016 (\$'000)	December 2017 (\$'000)	Totals (\$'000)
25 August 2016	01 March 2017	2.97	7,922	–	–	15,972	7,551	23,523
25 August 2016	01 March 2018	2.91	3,586	–	–	2,411	6,889	9,300
25 August 2016	01 March 2019	2.85	2,010	–	–	798	2,280	3,078
		Totals	13,518	–	–	19,181	16,720	35,901

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.

	2017 \$'000	2016 \$'000
Cash on hand	64,104	57,545
Balances with central banks	88,951	97,586
Balances with other banks	135,365	91,469
Other cash balances	2,971	2,693
Money market placements maturing within three months	63,707	35,864
Cash and cash equivalents	355,098	285,157
Statutory reserve balances	101,920	121,168
	457,018	406,325

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

	2017 \$'000	2016 \$'000
Current tax expense		
Current year tax expense	(7,389)	(8,107)
Tax on share of profit of associates	–	(4)
Withholding tax	(4)	(1)
	(7,393)	(8,112)
Deferred tax		
Accruals	1,510	(490)
Impairment losses	(2,802)	3,642
Property and equipment	370	(2,634)
Investment property	–	(591)
Gains/(losses) from investments	254	1,500
Utilisation of assessed losses	4,431	6,716
Impairment of deferred tax assets	(137)	3,730
Other	(1,501)	(7,658)
Revaluation	–	4,118
At acquisition adjustments	–	(143)
Total deferred tax	2,125	8,190
Total tax expense per statement of profit/loss	(5,268)	78
Reconciliation of effective tax charge:		
Profit before tax	53,054	9,367
Income tax using corporate tax rates	(7,928)	22,009
Non-taxable income	(357)	3,612
Non-deductible expenses	3,003	103
Effect of share of loss of associates	(16)	(63)
Tax exempt revenues	(1,578)	516
Tax incentives	–	–
Bank levies	–	–
Tax on dividends received	–	–
Under provision in prior years	–	164
Income tax at different rates	530	330
Unrecognised deferred tax	35	(22,601)
Rate differential	–	–
Minimum tax charge	(44)	62
Tax and fair value losses of prior years claimed	14	(712)
Other	1,073	(3,342)
Current tax expense per statement of profit/loss	(5,268)	78
Effective tax rate	10%	1%

24. Tax continued

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

	2017			2016		
	Before tax \$'000	Tax charge \$'000	After tax \$'000	Before tax \$'000	Tax charge \$'000	After tax \$'000
Exchange differences on translating foreign operations	21,975	–	21,975	(159,423)	–	(159,423)
Revaluation of property net of deferred tax	1,019	(503)	516	2,969	(10)	2,959
Share of reserves in associate	–	–	–	(3,406)	–	(3,406)
Movement in available-for-sale reserves	783	–	783	11,191	–	11,191
Other	(13)	–	(13)	–	–	–
Other comprehensive income	23,764	(503)	23,261	(148,669)	(10)	(148,679)

24.3. Deferred tax

	2017 \$'000	2016 \$'000
Balance at the beginning of the year	(8,765)	(7,266)
Acquired through business combinations	–	(9,506)
Exchange rate adjustment	2,068	(193)
Statement of profit or loss charge (note 24.1)	2,127	8,190
Deferred tax on amounts charged to equity	(503)	10
	(5,073)	(8,765)
Disclosed as follows:		
Deferred tax asset	13,244	14,323
Deferred tax liability	(18,317)	(23,088)
	(5,073)	(8,765)
Tax effects of temporary differences:		
Accruals	623	1,531
Bond with warrant deferred tax	1,251	959
Impairment losses	8,017	6,820
Property and equipment	(6,129)	(7,464)
Investment property	(62)	72
Unrealised gains on investment	(821)	(1,806)
Unearned income	–	(192)
Revaluation surplus	(1,655)	9,017
Tax losses	19,179	(2,321)
At acquisition adjustments	–	(23,342)
Tax and fair value losses of prior years claimed	(19,995)	–
Other	(5,481)	7,961
	(5,073)	(8,765)

Amount for which no deferred tax assets are recognised:

	2017 \$'000	2016 \$'000
Deductible temporary difference	–	–
Unused tax losses	2,963	8,696
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:	2017			
	Management fees \$'000	Interest income/expense \$'000	Others \$'000	Total \$'000
Transactions between Atlas Mara and ABCH	3,385	(918)	(885)	1,582
Transactions between Atlas Mara and BancABC subsidiaries	11,956	(1,082)	(7,738)	3,136
Transactions between Atlas Mara and ADC AG	–	–	–	–
Transactions between Atlas Mara and BRD Commercial	1,077	–	–	1,077
Transactions between Atlas Mara and founder shareholders' affiliated companies	–	–	(2,494)	(2,494)
	16,418	(2,000)	(11,117)	3,301

Related party balances

Related party:	2017				
	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	62,438	–	–	23,707	86,145
Balances between Atlas Mara and Banc ABC subsidiaries	–	–	(5,763)	–	(5,763)
Balances between ABC Holdings and Banc ABC subsidiaries	32,683	268	(119,021)	20,110	(65,960)
Balances between Atlas Mara and ADC AG	–	–	–	(289)	(289)
Balances between Atlas Mara and Atlas Mara Digital	1,000	–	–	268	1,268
Balances between Atlas Mara and BRD Commercial	–	–	–	1,077	1,077
Balances between Atlas Mara and founder shareholders' affiliated companies	–	–	–	(321)	(321)
	96,121	268	(124,784)	44,552	16,157

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

25. Related parties continued

Related party balances

	2016				
	Loans to Group companies \$'000	Cash and cash equivalents \$'000	Loans from Group companies \$'000	Other \$'000	Total \$'000
Related party:					
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

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 2017 are as follows:

	2017 \$'000	2016 \$'000
Assets		
Non-current assets held-for-sale	—	1,633
Net assets classified as held-for-sale	—	1,633

27. Funds under management

	2017 \$'000	2016 \$'000
Funds under management	159,177	101,131

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 represent 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.

	2017 \$'000	2016 \$'000
Earnings		
Profit for the period	45,432	8,402
Basic and diluted earnings	45,432	8,402
Weighted-average ordinary shares (number of shares)		
Recognised as treasury shares	(2,023)	(2,475)
Ordinary shares issued during the period	110,089	73,861
Weighted-average ordinary shares (number of shares)	108,066	71,386
Diluted number of ordinary shares (number of shares)		
Diluted shares	684	589
Total diluted number of ordinary shares (number of shares)	108,750	71,975
Basic earnings per share (\$)	0.42	0.12
Diluted earnings per share (\$)	0.42	0.12

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.

29. Fair value of financial assets and liabilities continued

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

	31 December 2017			
	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:				
<i>Financial assets held for trading</i>				
Government bonds	–	1,583	12,554	14,137
Treasury bills	–	62,649	–	62,649
<i>Fair value option</i>				
<i>Designated at fair value</i>				
Listed equities	1,547	–	–	1,547
Unlisted equities	–	–	17,306	17,306
Unlisted debentures	–	–	268	268
Property units	–	–	30	30
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	(487)	486	6,494	6,493
Equity derivative	–	487	26,800	27,287
Forward foreign exchange contracts	–	10	–	10
<i>Available-for-sale investments</i>				
Unlisted equities	–	446	929	1,375
Unlisted investment	–	19,027	–	19,027
Government bonds	–	211,925	–	211,925
Corporate bonds	–	61,960	–	61,960
Fair value hierarchy for financial assets	1,060	358,573	64,381	424,014
Liabilities measured at fair value:				
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	8,816	–	6,117	14,933
Forward foreign exchange contracts	–	136	–	136
Equity derivative	–	(8,328)	–	(8,328)
<i>Borrowed funds</i>	–	31,309	–	31,309
Liabilities for which fair values are disclosed:				
Borrowed funds	–	315,747	–	315,747
Fair value hierarchy for financial liabilities	8,816	338,864	6,117	353,797

29. Fair value of financial assets and liabilities continued

	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:				
<i>Other financial assets held for trading</i>				
Government bonds	–	5,382	–	5,382
Treasury bills	–	96,345	–	96,345
<i>Fair value option</i>				
<i>Designated at fair value</i>				
Listed equities	774	–	–	774
Unlisted equities	–	–	13,084	13,084
Property units	–	–	10	10
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	–	–	6,025	6,025
Forward foreign exchange contracts	–	298	–	298
<i>Available-for-sale investments</i>				
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:				
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	–	–	5,733	5,733
Forward foreign exchange contracts	–	37	–	37
<i>Borrowed funds</i>				
	–	–	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

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 \$12.9 million in the current period.

29. Fair value of financial assets and liabilities continued

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 2017				
	Debt or equity investments \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
Opening balance	20,045	20,045	5,733	5,733
Total gains or losses	4,458	4,458	(88)	(88)
– in profit/(loss)	4,487	4,487	(88)	(88)
– in other comprehensive income	(29)	(29)	–	–
Purchases	26,512	26,512	–	–
Issues	–	–	–	–
Settlements	–	–	–	–
Exchange rate adjustment	470	470	472	472
Transfer into level 3	12,897	12,897	–	–
Closing balance	64,382	64,382	6,117	6,117

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

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

31 December 2017				
	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	4,494	4,514	–	–
Net income from other financial instruments carried at fair value	(27)	(27)	(88)	(88)
Total gains or losses recognised in other comprehensive income	(29)	(29)	–	–

31 December 2016				
	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	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)	–	–

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 2017. 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 2017			
	Profit or loss		Equity	
	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000
Average price to book ratio (5% movement)	14	(14)	14	(14)
Book value (2% movement)	6	(6)	6	(6)
Adjusted EV/EBITDA (5% movement)	14	(14)	14	(14)
EBITDA (2% movement)	6	(6)	6	(6)
	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)

29. Fair value of financial assets and liabilities continued

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 2017		31 December 2016	
	Carrying amount \$'000	Effect of reasonably possible alternative assumptions \$'000	Carrying amount \$'000	Effect of reasonably possible alternative assumptions \$'000
Financial assets				
<i>Financial assets held for trading</i>				
Government bonds	12,554	1,255	–	–
<i>Fair value option</i>				
Unlisted equities	17,306	1,731	13,084	1,308
Unlisted debentures	268	27	–	–
Property units	30	3	10	1
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	6,494	649	6,025	603
Equity derivative	26,800	2,680	–	–
<i>Available-for-sale investments</i>				
Unlisted equities	929	93	926	93
Financial liabilities				
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	6,117	612	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:

	2017 \$'000	2016 \$'000
Guarantees	29,944	13,774
Letters of credit	44,295	2,767
Forward contracts and currency swaps	2,241	18,605
Other contingent liabilities	64,452	10,430
	140,932	45,576
Maturity analysis of loan commitments		
Less than one year	106,071	35,383
Between one and five years	33,049	10,193
Over five years	1,812	–
	140,932	45,576
b. Capital commitments		
Approved and contracted for	5,724	8,444
Approved but not contracted for	22,090	15,348
	27,814	23,792

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 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 39.

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 costs 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.

		2017	2016	CC Var %
Adjusted profit after tax	\$ million	37.0	20.8	77%
Transaction and M & A related items	\$ million	20.6	(8.8)	>100%
Reorganisations and restructuring costs	\$ million	(10.0)	(8.9)	(12.4)
Tax and NCI	\$ million	(2.2)	5.3	(>100%)
IFRS reported profit	\$ million	45.4	8.4	>100%

Note:

* 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.

2017 – Included in M&A costs are the gain recognised in respect of the acquisition of the additional 13.4% share of UBN. Included in reorganisation and restructuring costs are amongst others, goodwill impairment of \$3.5 million, restructuring and integration costs of ca \$6.5 million.

Glossary

AMFS	Atlas Mara Financial Services Limited (formerly ADC Financial Services Limited)
AATIF	Africa Agriculture and Trade Investment Fund S.A
ABC	BancABC
ABCH	ABC Holdings Limited
AfDB	African Development Bank
ADC AG	ADC African Development Corporation AG
AED	United Arab Emirates Dirham
AGM	Annual General Meeting
ALCO	Assets and Liability Committee
BIFM	BIFM Capital Investment Fund One (Pty) Ltd
BPR	Banque Populaire du Rwanda Limited
BRD-C	Banque Rwandaise de Développement – Commercial/Development Bank of Rwanda – Commercial
BVI	British Virgin Islands
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash-generating unit
CoE	Cost of equity
COMESA	Common Market for Eastern and Southern Africa
Corporate centre	Atlas Mara Dubai 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

Professional advisers

Company auditor

KPMG Inc
85 Empire Rd
Parktown
Johannesburg
2193

Corporate brokers

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

Renaissance Capital Limited
50 Bank Street
London E14 5NT

Registrar

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

Other contacts

Group Investor Relations
Email: ir@atlasmara.com

Group Media Relations
Email: media@atlasmara.com

Registered office

Ritter House, 6th Floor
Wickhams Cay II
PO Box 4041, Road Town,
Tortola VG1110
British Virgin Islands

Registration number

1800950

Website address

<http://atlasmara.com>