Atlas Mara Limited

Interim Report 2018

Financial highlights

Financial facts and figures

Loans and advances ($)

$1,281m

June 2017: $1,330m

Deposits ($)

$1,910m

June 2017: $1,893m

Total equity ($)

$776.2m

June 2017: $573m

Net book value per share ($)

$4.39

June 2017: $7.18

Total number of customers[1,2]

>2.4m

Total number of employees[1]

~5,900

Total number of ATMs[1,3]

>1,000

Total number of physical locations[1]

705

Number of acquisitions since 2014

6

Total number of countries

7

Notes:
1. Includes UBN (even though it is not consolidated).
2. Active customers.
3. Statistics include BPR and totality of UBN's operational footprint (Atlas Mara owns c. 49%, which is accounted for as an investment in associate shareholding in UBN).

Contents

Reshaping African banking. Driving change and creating opportunity.

Who we are

Atlas Mara is a London-listed financial services group focused entirely on sub-Saharan Africa. Our goal is to become sub-Saharan Africa's premier financial institution by building an innovative, customer-centric Group that provides wholesale 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 announced six acquisitions during the past 24 months 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 creating value for our shareholders.

What we do

We have a three-phase business model for executing our strategy: Buy (executing acquisitions), Protect (safeguarding our assets and ensuring the platform is 'fit for growth'), 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 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 either 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').

Bob Diamond
Chairman

Although we expect the balance of 2018 to bring continued challenges in our growth and rate environments, the Board and I remain cautiously optimistic about the future.

We are pleased to present the Company's first half results, which included a positive net profit, albeit with some challenges. We maintained a largely stable balance sheet while weathering substantial macroeconomic challenges in some key markets. At the same time, we saw progress in the countries and business lines, as we continue to establish our franchise and pursue our long-term goal of being a top tier player across our footprint.

The first half was also marked by some key strategic developments. First, as you know, this half year marks the first with our CEO, John Staley, at the helm, and he has demonstrated the drive to accelerate value creation across the Company. We have also strengthened management in-country.

We increased our investment in Nigeria, the largest economy in Africa. We now own c. 49% of UBN. At the same time, UBN's management team has continued to deliver, with another profitable half year. Since the spike last year, UBN's NPL ratio trend has been reversed. The UBN team deserves credit for their continued strong performance. We remain optimistic about the future of that market.

Although we expect the balance of 2018 to bring continued challenges in our growth and rate environments, the Board and I remain cautiously optimistic about the future. We are in attractive markets for which we expect the long-term trends to remain favourable. As always, we are grateful to all of our shareholders for your support.

Bob Diamond
Chairman

John Staley
Chief Executive Officer

I am actively working with my colleagues and the Board to further develop and execute our strategy so as to deliver on the potential of our businesses in the best interests of our shareholders, customers, staff and other stakeholders.

Since joining the Group in May I have visited with all of our majority owned banks and with the support units, thereby getting to know my colleagues in these businesses and meeting with regulators, customers and other stakeholders.

I have been developing an understanding of the issues and the innate potential for our businesses. I have also been reviewing the capital and funding structure of our businesses. Having been heavily involved with the success of several other financial institutions in Africa I shall be seeking to further develop our model of ensuring that the banks in which we invest can be in the top tier in the countries in which the operate, that they are funded by low marginal cost, sticky consumer deposits and transactional flows supported by robust, flexible, efficient and customer friendly digital infrastructures and capabilities. Such a strategy enables funding the provision of sensible credit to customers in a sustainable manner at attractive margins and drives the opportunity for the cross sale of other products which customers need.

There is a heightened urgency in expediting this work as the market backdrop has been less buoyant than it was in 2017. Lower international demand for commodities, international trade tensions, Central Banks in the US and Europe pursuing less accommodative monetary policies and the relative strengthening of the US $ have reduced foreign inflows into, and the economic growth trajectory in some of our markets. This has resulted in tighter liquidity conditions, increased capital requirements and lower credit demand from viable customers. Recognising this environment, we will continue to execute on our business plan.

Accordingly, I am actively working with my colleagues and the Board to further develop and execute our strategy so as to deliver on the potential of our businesses in the best interests of our shareholders, customers, staff and other stakeholders. I am invigorated by this task.

John Staley
CEO

Kenroy Dowers
Chief Financial Officer

The Group's reported non-GAAP adjusted operating profit is $13.5 million compared to $12.2 million in June 2017.

As our Chairman and CEO have noted, we continue to face challenging market environments from constrained macroeconomic growth, low liquidity levels, and rate pressures, among other factors, which have combined to impede our broader growth.

The consolidated profit after tax for the period to June 2018 was $28.6 million which compares to the comparable prior year profit of $11.5 million, and the full year 2017 profit of $45.4 million. The Group's reported non-GAAP adjusted operating profit is $13.5 million compared to $12.2 million in June 2017.

The improvement in our net profit this year is, in the main, due to the gain on acquisition of the additional share of UBN of $19.2 million combined with an improvement in UBN's underlying performance. The Group's share of income from our associate, UBN, excluding the impact of the gain is $17.4 million (H1 2017: $8.7 million), which includes the impact of the increase in shareholding and UBN's net profit growth of 25%.

The overall decrease of 8.1% in total income compared to H1 2017, 8.7% on a ccy basis year on year, was primarily driven by a 12.8% decrease in interest income, due to muted low loan book growth and some margin pressure, as the credit appetite in many markets remains subdued.

Net interest margin on earning assets has reduced to 6.3% compared to 7.0% as at 30 June 2017, with this change due most notably to liquidity challenges experienced in certain markets during the first half of 2018.

Despite difficult conditions in the first quarter in the foreign exchange markets, the Markets business produced stable results, with overall performance in line with the comparative period.

While costs increased 3.3% overall year on year, this was below the rate of inflation in our main markets, as we continued to focus on cost management.

NPLs were reduced in absolute terms from $169 million to $166 million, but the lower comparable loan balance, partially reflecting IFRS 9 impacts, resulting in the NPL ratio increasing to 12.9%, compared to 11.8% at 31 December 2017.

Table 1: Adjusted operating profit and reconciliation to IFRS profit for six months to end June

		2018	2017	Var
Total income	$ million	**112.2**	122.2	8.1%
Impairment	$ million	**(4.3)**	(10.0)	57.5%
Total expenses (excluding one-off)	$ million	**(108.6)**	(103.5)	(5.0%)
Share of profit of associate	$ million	**17.4**	8.7	99.7%
Adjusted profit/(loss) before tax	$ million	**16.7**	17.4	(4.3%)
Adjusted net profit/(loss)	$ million	**13.5**	12.2	10.6%
M&A transaction (expenses)/gains	$ million	**19.2**	(0.4)	>100
Reorganising/restructuring costs	$ million	**0.2**	(0.2)	>100
Reported profit/(loss) before tax	$ million	**36.1**	16.8	>100
Reported net profit/(loss)	$ million	**28.6**	11.5	>100
Reported cost to income ratio	%	**96.7**	85.2	
Adjusted cost to income ratio	%	**96.8**	84.7	
Reported return on equity	%	**7.6**	4.0	
Adjusted return on equity	%	**3.6**	4.3	
Return on assets	%	**1.8**	0.8	
Adjusted return on assets	%	**0.9**	1.7	
Reported EPS	$	**0.17**	0.15	
Credit loss ratio	%	**0.7**	1.5	
Book value per share	$	**4.48**	7.18	
Tangible book value per share	$	**3.49**	5.31	

Income statement review

Total income decreased by 8.1% and 8.8% on a ccy basis, largely due to a decrease in net interest income resulting from muted loan growth and some margin pressure.

We saw marginal growth of 1.1% on a ccy basis in non-interest revenue, driven primarily by the Markets and Treasury business.

Table 2: Total income

	2018 $m	2017 $m	Var %	CC Var %
Net interest income	**68.3**	78.6	(13.1%)	(14.2%)
Non-interest income	**44.0**	43.6	0.8%	1.1%

Net interest income

NII for the 6 months was $68.3 million compared to $78.6 million attributable to low loan book growth and some liquidity pressures and rate cap issues in certain markets.

Non-interest income

NIR growth of 1.1% on a ccy basis has been mainly due to consistent performance in our Markets business. Challenging macro conditions in the first quarter eased somewhat in the second quarter and certain of our new initiatives in the subsidiaries started to get some traction in customer transactions.

Fee income has been low, driven by the low loan book growth experienced in most markets.

Total expenses

Total costs amounted to $108.5 million versus $104.1 million in the prior period, an increase of 3.3% in constant currency terms year on year, which was below the rate of inflation in the main markets in which we operate.

Loan impairment charges

The loan impairment charge of $4.3 million (2017: $ 10.0 million) reflects the impact of the new impairment methodology introduced by IFRS 9, as the group now accounts for losses on an expected loss bases as required by the standard. We benefited from the impact of recoveries of legacy non-performing loans, most notably in Tanzania and Mozambique.

This has resulted in a reduction in the credit loss ratio from 1.5% reported in 2017 to 0.7% as at 30 June 2018.

Table 3: Loan impairment charges

	2018 $m	2017 $m	Var %	CC Var %
Loan impairment charges	**4.3**	10.0	57.5%	57.8%

Share of profit of associates

This represents Atlas Mara's share of profit from the ca. 49.0% stake in Union Bank of Nigeria Plc ('UBN') based on their published results to 30 June 2018. The impact of intangible amortisation is also included.

Included in the share of profits from associates is the impact of a $19.2 million gain related to the acquisition of additional shares during the quarter. Excluding this gain, the contribution from UBN as associate increased from $8.7 million to $17.4 million, due to both 20% growth on a USD basis in the earnings from UBN and the increased shareholding.

UBN's financial performance improved across a number of key metrics from FY 2017 to H1 2018 and the comparative period. Return on Tangible Equity was up at 10.4% for the first six months of 2018, supported by profit after tax growth of 25% over the same period last year.

During the course of the first six months of 2018, UBN also focused on improving fee and other non-interest income to offset the impact of declining asset yields in Nigeria.

Another significant improvement of note as of June 2018 has been the positive reduction in the NPL ratio of the bank to 10.8% led by the ongoing efforts on non-performing loan recoveries and credit risk management.

UBN remains well-capitalised, with its Capital Adequacy Ratio (CAR) sitting at 18.2% as at 30 June 2018, higher than the Nigeria regulatory minimum of 15.0%.

Table 4: Share of profit of associates

	2018 $m	2017 $m	Var %	CC Var %
Share of profit of associates	**36.6**	8.7	>100%	>100%

Statement of financial position review

Customer loans and advances comprise ca. 41% of the Group's total asset base. Balance sheet growth of 6.5% or 9.3% on a constant currency basis is primarily due to the impact of the group's increased shareholding in UBN. Loan growth remained relatively stagnant in most of the countries due to market liquidity constraints and a lower than anticipated demand for credit due to challenging economic environment. Loan balances as of 30 June 2018 were $1,280.9 million compared to $1,330.0 million at year end.

Credit quality

The operational NPL coverage ratio has increased year on year at 95.0% (2017: 58.1%), with this increase due to the impact of IFRS 9, which the Group adopted effective 1 January 2018. The day 1 impact was an increase in the impairment allowance of ca. $85 million, with the net impact accounted for in equity being ca. $60 million (including the impact of off balance sheet items and securities reclassified to amortised cost).

We continue to focus on improving credit processes to drive improvements in the quality of the loan portfolio – a key priority for management. This is evident in the continued reduction in the total NPL balance as at June 2018. NPLs were reduced in absolute terms from $169 million to $166 million, but the lower comparable loan balance, partially reflecting IFRS 9 impacts, resulting in the NPL ratio increasing to 12.9%, compared to 11.8% at 31 December 2017.

Capital position

As at 30 June 2018, all of Atlas Mara's operating banks complied with local minimum capital ratios relevant in each of our operating countries, as summarised in the table below.

Table 5: Capital adequacy

Capital ratios	**June 2018**	June 2017	Regulatory minimum
Botswana	**19.1%**	19.1%	15.0%
Mozambique	**25.8%**	26.1%	9.0%
Rwanda	**21.3%**	23.1%	15.0%
Tanzania	**17.0%**	14.1%	14.5%
Zambia	**17.0%**	14.2%	10.0%
Zimbabwe	**35.3%**	22.5%	12.0%

Table 6: Customer loans and deposits

	June 2018 $m	December 2017 $m	Var %	CC Var %
Customer loans	**1,280.9**	1,330.0	(3.7%)	(1.2%)
Total deposits	**1,910.1**	1,877.5	1.7%	3.9%

Goodwill and intangibles

As a result of the acquisitions made to date and in compliance with IFRS 3: Business Combinations, the statement of financial position incorporates a goodwill asset of $85.5 million (December 2017: $83.7 million) and intangible assets of $83.9 million (December 2017: $90.9 million). Intangible assets are amortised over an average seven-year useful life period and include investment in new product development.

This asset class represents a combined 5% of the Group's total assets, resulting in a tangible book value of $3.49 per share (December 2017: $3.87 per share) versus a book value per share of $4.48 (December 2017: $4.77).

Investment in associate: UBN

Our investment in UBN is equity-accounted for in the statement of financial position as an investment in an associate, with a closing balance of $535.6 million (June 2017: $300.6 million). The value of the equity-accounted earnings is as reported in UBN's 30 June 2018 unaudited financials.

We have performed an assessment to determine if any impairment triggers have been met as defined by IFRS and have concluded that no impairment test is required as at 30 June 2018. The asset will be subject to the mandatory annual impairment review as at 31 December 2018.

Equity and Liabilities

Equity decreased over the period to $776.2 million (December 2017: $813.2 million), with the positive net impact of the profit contribution for the half year being offset by the impact of IFRS 9 day 1 adjustment accounted for in equity and the negative FX translation impact of $8.8 million from converting our investments, which are made in local currency, into US dollars as reporting currency. Customer deposits comprise 82% of the liability base and represent 62% of the aggregate of liabilities and equity. The loan to deposit ratio for June 2018 is 67.1% (June 2017: 70.3%).

Table 7: Composition of liabilities

	2018 $m	2017 $m	Var %	CC Var %
Deposits due to customers	**1,910.1**	1,892.7	0.9%	3.9%
Borrowed funds	**358.1**	364.7	(1.8%)	0.2%

Segment information

The segmental results and statement of financial position information represent Management's view of its underlying operations. The business is managed on a geographic basis consistent with the Group's emphasis on sub-Saharan Africa's key trading blocs with a specific focus on underlying business line and to actively support intra-Africa trade opportunities.

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

Southern Africa

Our Southern Africa segment includes the operations of the BancABC Group excluding Tanzania, i.e. Botswana, Mozambique, Zambia and Zimbabwe, as well as its holding company, ABCH, incorporated in Botswana.

East Africa

Our East Africa segment consists of BancABC Tanzania and Banque Populaire du Rwanda.

West Africa

The contribution to earnings from West Africa comprises our associate investment in UBN, based on our 49% share of UBN's earnings attributable to equity holders as disclosed in its published results. Our investment in UBN resulted in associate income of $36.6 million in 2017 compared to $8.7 million for 2017, representing a >100% increase in constant currency.

Other

Included in this segment are Atlas Mara Limited, the BVI incorporated holding company, Atlas Mara's Dubai subsidiary and all other intermediate Group holding entities acquired in connection with acquisitions of ABCH and ADC in August 2014.

Table 8: Segment report for the period-ended 30 June 2018

2018	Banking Operations Group US$m	Southern US$m	East US$m	West US$m	Other SS & C and Consolidation US$m
Total income	112.3	95.6	25.6	–	(8.9)
Loan impairment charge	(4.3)	(0.9)	(5.3)	–	1.9
Operating expenses	(108.5)	(62.8)	(21.4)	–	(24.3)
Share of profits of associate	36.6	–	–	36.6	–
Profit/(loss) before tax	36.1	31.9	(1.1)	36.6	(31.3)
Profit/(loss) after tax and NCI	28.6	14.6	(2.5)	36.6	(31.3)
Loans and advances	1,280.9	1,003.0	276.1	–	10.9
Total assets	3,104.3	1,944.9	494.4	535.6	132.4
Total liabilities	2,328.1	1,659.0	423.9	–	436.4
Deposits	1,910.1	1,524.9	385.2	–	–
Net interest margin – total assets	4.4	6.3	(0.5)	–	–
Net interest margin – earning assets	6.4	7.2	(0.5)	–	–
Cost to income ratio	96.5	65.7	83.5	–	–
Statutory credit loss ratio	0.7	0.2	4.0	–	–
Return on equity	7.6	10.5	7.8	–	–
Return on assets	1.8	1.5	1.9	–	–
Loan to deposit ratio	54.6	65.8	54.6	–	–

Table 9: Segment report for the period-ended 30 June 2017

2017	Banking Operations Group US$m	Southern US$m	East US$m	West US$m	Other SS & C and Consolidation US$m
Total income	122.2	95.1	24.7	–	2.4
Loan impairment charge	(10.0)	(6.9)	(5.6)	–	2.5
Operating expenses	(104.1)	(79.6)	(21.5)	–	(3.0)
Share of profits of associate	8.7	–	–	8.7	–
Profit/(loss) before tax	16.8	8.6	(2.4)	8.7	1.9
Profit/(loss) after tax and NCI	11.5	4.5	(1.6)	8.7	(0.1)
Loans and advances	1,329.9	1,047.2	276.0	–	6.7
Total assets	2,913.4	2,006.3	480.6	300.6	125.9
Total liabilities	2,340.3	1,891.1	412.1	–	37.1
Deposits	1,892.7	1,518.5	376.0		(1.8)
Net interest margin – total assets	5.4%	5.7%	8.0%		
Net interest margin – earning assets	7.1%	6.4%	8.8%		
Cost to income ratio	85.2%	83.7%	87.1%		
Statutory credit loss ratio	1.5%	1.3%	4.1%		
Return on equity	4.0%	7.7%	(4.8%)		
Return on assets	0.8%	0.4%	(0.7%)		
Loan to deposit ratio	70.3%	69.0%	73.4%		

Kenroy Dowers
Chief Financial Officer

Directors' responsibilities statement in respect of the interim report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Bob Diamond
Chairman

Independent review report to Atlas Mara Limited

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises of the Consolidated Statement of Financial Position, the Consolidated Statement of Profit and Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').

Scope of review

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

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

Directors' responsibilities

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

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

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

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

KPMG Inc.
Registered Auditor

Per P Fourie
Chartered Accountant (SA)
Registered Auditor
Director
5 September 2018

KPMG Crescent
85 Empire Road
Parktown
Johannesburg

Consolidated statement of financial position
at 30 June 2018

	Notes	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Assets				
Cash and short-term funds		**339,607**	486,149	457,018
Financial assets held at fair value through profit and loss	12	**6,785**	77,590	76,786
Financial assets designated at fair value	13	**18,526**	13,769	19,151
Derivative financial assets		**8,039**	6,455	6,990
Loans and advances	8	**1,280,941**	1,329,872	1,329,962
Investment securities	14	**509,628**	323,481	354,988
Prepayments and other receivables		**87,205**	49,947	136,105
Current tax assets		**9,732**	7,104	10,024
Investment in associates	5	**537,459**	302,607	444,569
Property and equipment		**100,530**	91,530	95,728
Investment property		**14,711**	20,478	21,199
Other intangible assets	6	**83,933**	86,266	90,881
Deferred tax assets	17.3	**21,776**	14,338	13,244
Goodwill on acquisition	6	**85,455**	88,757	83,740
Non-current assets and disposal groups held for sale		**–**	15,019	–
Total assets		**3,104,327**	2,913,362	3,140,385
Equity and liabilities				
Deposits	3	**1,910,150**	1,892,652	1,877,477
Derivative financial liabilities		**7,447**	6,021	6,741
Creditors and accruals		**40,728**	47,631	72,481
Current tax liabilities		**6,544**	3,606	5,992
Deferred tax liabilities	17.3	**5,188**	25,696	18,317
Borrowed funds	2	**358,086**	364,674	346,153
Total liabilities		**2,328,143**	2,340,280	2,327,161
Founder preference shares	1	**11,300**	12,500	12,500
Ordinary share capital	1	**993,192**	786,667	987,292
Capital reserves		**14,024**	56,020	51,723
Accumulated losses		**(1,229)**	(42,010)	(5,977)
Available-for-sale reserves		**770**	(1,205)	39
Foreign currency translation reserve		**(236,909)**	(233,042)	(228,522)
Treasury shares		**(23,522)**	(25,108)	(24,539)
Equity attributable to ordinary shareholders		**757,626**	553,822	792,516
Non-controlling interest		**18,558**	19,260	20,708
Total equity		**776,184**	573,082	813,224
Total equity and liabilities		**3,104,327**	2,913,362	3,140,385

Consolidated statement of profit or loss
for the six months ended 30 June 2018

	Notes	**Half-year to 30 June 2018 $'000**	Half-year to 30 June 2017 $'000	31 December 2017 $'000
Interest and similar income	11	**127,775**	139,208	266,503
Interest and similar expense	4	**(59,484)**	(60,568)	(121,217)
Net interest income		**68,291**	78,640	145,286
Loan impairment charges	9	**(4,253)**	(10,031)	(22,265)
Net interest income after loan impairment charges		**64,038**	68,609	123,021
Non-interest income	15	**43,929**	43,603	115,167
Share of profit of associates		**36,606**	8,648	38,400
Total operating income		**144,573**	120,860	276,588
Operating expenses	16	**(108,713)**	(103,514)	(223,384)
Transaction and integration expenses		**232**	(589)	(150)
Profit before tax		**36,092**	16,757	53,054
Income tax expense	17.1	**(6,893)**	(5,389)	(5,268)
Profit for the period		**29,199**	11,368	47,786
Attributable to:				
Ordinary shareholders		**28,621**	11,468	45,432
Non-controlling interests		**578**	(100)	2,354
		29,199	11,368	47,786
Basic earnings per share ($)	19	**0.17**	0.15	0.42
Diluted earnings per share ($)	19	**0.17**	0.15	0.42

Consolidated statement of other comprehensive income
for the six months ended 30 June 2018

	Half-year to 30 June 2018 $'000	Half-year to 30 June 2017 $'000	31 December 2017 $'000
Profit for the period	**29,199**	11,368	47,786
Other comprehensive income to be reclassified to profit/loss in subsequent periods:	**(12,885)**	20,768	33,039
Exchange differences on translating foreign operations	**(8,819)**	17,836	21,975
Available-for-sale financial assets – net change in fair value	**303**	(461)	783
Equity-accounted investees	**(4,510)**	560	10,281
Other	**141**	2,833	–
Other comprehensive income not to be reclassified to profit/loss in subsequent periods:	**–**	–	503
Revaluation of land and buildings	**–**	–	516
Other comprehensive income	**–**	–	(13)
Total comprehensive income for the period, net of tax	**16,314**	32,136	81,328
Total comprehensive income attributable to:			
Ordinary shareholders	**16,168**	32,861	79,980
Non-controlling interests	**146**	(725)	1,348
	16,314	32,136	81,328

Consolidated statement of changes in equity
for the six months ended 30 June 2018

	Founder Preference Shares $'000	Ordinary share capital $'000	Capital reserves[1] $'000
Opening balance as at 1 January 2017	12,500	773,213	45,840
Profit for the period	–	–	–
Other comprehensive income			
Exchange differences on translating foreign operations	–	–	–
Movement in available-for-sale reserves	–	–	–
Equity-accounted investees	–	–	–
Other	–	–	2,833
Total comprehensive income	–	–	2,833
Transactions with owners			
Employee share awards	–	–	467
New shares issued on private placement	–	13,454	–
Movements in non-distributable reserves	–	–	6,880
Closing balance as at 30 June 2017	12,500	786,667	56,020
Opening balance as at 1 January 2018	**12,500**	**987,292**	**51,723**
Change on initial application of IFRS 9 at 1 January 2018	**–**	**–**	**(29,446)**
Restated balance at 1 January 2018	**12,500**	**987,292**	**22,277**
Profit for the period	**–**	**–**	**–**
Other comprehensive income	**–**	**–**	**(431)**
Exchange differences on translating foreign operations	**–**	**–**	**–**
Movement in available-for-sale reserves	**–**	**–**	**(428)**
Investment in associates – OCI	**–**	**–**	**–**
FV on hedging instrument	**–**	**–**	**(3)**
Revaluation of property and equipment	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**(431)**
Transactions with owners			
Employee share awards	**–**	**–**	**2,554**
Conversion of founder preference shares to ordinary shares	**(1,200)**	**–**	**888**
Issue of ordinary shares to Directors	**–**	**–**	**–**
Non-controlling interests acquired	**–**	**–**	**–**
Issue of shares on business acquisition (UBN 1%)	**–**	**5,900**	**–**
Fair value of non-controlling interest settled	**–**	**–**	**–**
Other movements in capital reserve	**–**	**–**	**(11,256)**
Other (Zambia's catch up adjustments)	**–**	**–**	**(8)**
Closing balance as at 30 June 2018	**11,300**	**993,192**	**14,024**

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.

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
(744)	(251,503)	(26,085)	(46,676)	506,545	19,510	526,055
–	–	–	11,468	11,468	(100)	11,368
–	18,461	–	–	18,461	(625)	17,836
(461)	–	–	–	(461)	–	(461)
–	–	–	560	560	–	560
–	–	–	–	2,833	–	2,833
(461)	18,461	–	12,028	32,861	(725)	32,136
–	–	977	–	1,444	–	1,444
–	–	–	–	13,454	–	13,454
–	–	–	(7,362)	(482)	475	(7)
(1,205)	(233,042)	(25,108)	(42,010)	553,822	19,260	573,082
39	**(228,522)**	**(24,539)**	**(5,977)**	**792,516**	**20,708**	**813,224**
–	**–**	**–**	**(28,907)**	**(58,353)**	**(2,296)**	**(60,649)**
39	**(228,522)**	**(24,539)**	**(34,884)**	**734,163**	**18,412**	**752,575**
–	**–**	**–**	**28,621**	**28,621**	**578**	**29,199**
731	**(8,387)**	**–**	**(4,366)**	**(12,453)**	**(432)**	**(12,885)**
–	**(8,387)**	**–**	**–**	**(8,387)**	**(432)**	**(8,819)**
731	**–**	**–**	**–**	**303**	**–**	**(303)**
–	**–**	**–**	**(4,510)**	**(4,510)**	**–**	**(4,510)**
–	**–**	**–**	**–**	**(3)**	**–**	**(3)**
–	**–**	**–**	**144**	**144**	**–**	**144**
731	**(8,387)**	**–**	**24,255**	**16,168**	**146**	**16,317**
–	**–**	**317**	**–**	**2,871**	**–**	**2,871**
–	**–**	**312**	**–**	**–**	**–**	**–**
–	**–**	**388**	**–**	**388**	**–**	**388**
–	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**5,900**	**–**	**5,900**
–	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**9,400**	**(1,856)**	**–**	**(1,856)**
–	**–**	**–**	**–**	**(8)**	**–**	**(8)**
770	**(236,909)**	**(23,522)**	**(1,299)**	**757,626**	**18,558**	**776,184**

Consolidated statement of cash flows
for the six months ended 30 June 2018

	Notes	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Cash flows from operating activities		**21,031**	81,346	15,219
Profit before tax		**36,092**	16,757	53,054
Adjusted for:				
Fair value adjustments		**(170)**	(7,299)	(5,941)
Foreign exchange gain		**(6,047)**	(2,589)	(8,640)
Loan impairment charges	8	**4,253**	10,031	22,265
Depreciation and amortisation		**12,673**	11,055	24,467
Impairment of goodwill		**–**	–	3,500
Net (gains)/losses on derivative financial instruments		**(489)**	119	56
Net gains on financial instruments at fair value through profit/loss		**(1,772)**	(4,177)	(1,331)
Share of profit of associates	5	**(36,606)**	(8,648)	(38,355)
Fair value adjustment on acquisition related financial instrument		**–**	–	(26,800)
Re-measurement of investment property		**–**	–	(1,699)
Profit/(loss) on disposal of property and equipment		**(51)**	(92)	814
Equity-settled share-based payment transactions		**2,871**	1,444	3,059
Tax paid		**(9,862)**	(2,420)	(4,826)
Net cash inflow from operating activities before changes in operating funds		**892**	14,181	19,623
Net decrease in operating funds		**20,139**	67,165	(4,404)
(Increase)/decrease in operating assets		**(173)**	1,893	(90,253)
Increase/(decrease) in operating liabilities		**20,312**	65,272	85,849
Cash flow from investing activities		**(147,123)**	(80,450)	(201,283)
Purchase of property and equipment		**(5,805)**	(12,505)	(13,679)
Purchase of investment property		**–**	–	(2,099)
Purchase of intangible assets		**(4,050)**	(11,484)	(15,757)
Addition to associates		**(54,911)**	–	(75,734)
Financial assets designated at fair value		**606**	4,276	(3,952)
Financial assets held at fair value through profit and loss		**70,001**	24,137	24,941
Purchase of investment securities		**(153,739)**	(86,750)	(117,013)
Proceeds on disposal of property and equipment		**775**	1,876	2,010
Cash flows from financing activities		**13,724**	55,554	226,892
Increase in borrowed funds		**13,724**	42,100	23,772
Proceeds from share issue		**–**	13,454	214,079
Share issue expense		**–**	–	(10,959)
(Decrease)/increase in cash and cash equivalents		**(112,368)**	56,450	40,828
Cash and cash equivalents at the beginning of the period		**457,018**	406,325	406,325
Exchange rate adjustment on opening balance		**(5,043)**	23,374	9,865
Cash and cash equivalents at the end of the period		**339,607**	486,149	457,018
Cash and short-term funds		**339,607**	486,149	457,018
Cash and cash equivalents		**274,996**	384,085	355,098
Statutory reserve balances		**64,611**	102,064	101,920

Segmental report
for the six months ended 30 June 2018

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 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:
– 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 wholesale) 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 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 standalone 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 management fees and dividends.

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

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

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.

Inter-segment revenues are eliminated on consolidation.

Segmental report
for the six months ended 30 June 2018
continued

Statement of profit or loss

	Half-year to 30 June 2018				
	Southern Africa[1] $'000	East Africa[2] $'000	West Africa[3] $'000	Corporate[4] $'000	Total $'000
Interest and similar income	**96,353**	**31,538**	**–**	**(116)**	**127,775**
Interest and similar expense	**(35,327)**	**(12,078)**	**–**	**(12,079)**	**(59,484)**
Net interest income	**61,026**	**19,460**	**–**	**(12,195)**	**68,291**
Loan impairment charges	**(917)**	**(5,301)**	**–**	**1,965**	**(4,253)**
Income/(loss) from lending activities	**60,109**	**14,159**	**–**	**(10,230)**	**64,038**
Non-interest income	**34,620**	**6,167**	**–**	**3,142**	**43,929**
Total operating income	**94,729**	**20,326**	**–**	**(7,088)**	**107,967**
Operating expenses	**(75,673)**	**(21,217)**	**–**	**(11,591)**	**(108,481)**
Net income from operations	**19,056**	**(891)**	**–**	**(18,679)**	**(514)**
Share of profit of associates	**–**	**–**	**36,606**	**–**	**36,606**
Profit/(loss) before tax	**19,056**	**(891)**	**36,606**	**(18,679)**	**36,092**
Income tax expense	**(4,461)**	**(910)**	**–**	**(1,522)**	**(6,893)**
Profit/(loss) for the year	**14,595**	**(1,801)**	**36,606**	**(20,201)**	**29,199**
Non-controlling interest	**–**	**578**	**–**	**–**	**578**
Profit/(loss) attributable to ordinary shareholders	**14,595**	**(2,379)**	**36,606**	**(20,201)**	**28,621**

	Half-year to 30 June 2017				
	Southern Africa[1] $'000	East Africa[2] $'000	West Africa[3] $'000	Corporate[4] $'000	Total $'000
Interest and similar income	106,448	32,760	–	–	139,208
Interest and similar expense	(44,759)	(13,640)	–	(2,169)	(60,568)
Net interest income	61,689	19,120	–	(2,169)	78,640
Loan impairment charges	(6,980)	(5,600)	–	2,549	(10,031)
Income/(loss) from lending activities	54,709	13,520	–	380	68,609
Non-interest income	33,484	5,550	–	4,569	43,603
Total operating income	88,193	19,070	–	4,949	112,212
Operating expenses	(79,558)	(21,483)	–	(3,062)	(104,103)
Net income from operations	8,635	(2,413)	–	1,887	8,109
Share of profit of associates	–	–	8,648	–	8,648
Profit/(loss) before tax	8,635	(2,413)	8,648	1,887	16,757
Income tax expense	(4,141)	127	–	(1,375)	(5,389)
Profit/(loss) for the year	4,494	(2,286)	8,648	512	11,368
Non-controlling interest	–	(644)	–	544	(100)
Profit/(loss) attributable to ordinary shareholders	4,494	(1,642)	8,648	(32)	11,468

	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

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 Shared Services & Centre.

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

Statement of financial position

	30 June 2018				
	Southern Africa[1] $'000	**East Africa[2] $'000**	**West Africa[3] $'000**	**Corporate[4] $'000**	**Total $'000**
Loans and advances	**1,002,960**	**267,084**	**–**	**10,897**	**1,280,941**
Total assets	**2,083,133**	**410,527**	**535,646**	**75,021**	**3,104,327**
Deposits	**1,524,948**	**385,202**	**–**	**–**	**1,910,150**
Total liabilities	**1,770,741**	**435,927**	**–**	**121,475**	**2,328,143**

	30 June 2017				
	Southern Africa[1] $'000	East Africa[2] $'000	West Africa[3] $'000	Corporate[4] $'000	Total $'000
Loans and advances	1,047,197	275,986	–	6,689	1,329,872
Total assets	2,006,360	480,627	300,571	125,804	2,913,362
Deposits	1,518,510	375,958	–	(1,816)	1,892,652
Total liabilities	1,891,067	412,111	–	37,102	2,340,280

	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

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

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 the period ended 30 June 2018, the Group increased its non-controlling holding in UBN to 49%.

ii. Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting' and IFRS Interpretations Committee (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU).

The accounting policies applied in the preparation of these interim financial statements are in terms of IFRS and are consistent with those applied in the previous annual financial statements.

All entities within the Group have applied the accounting policies in all material aspects.

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 30 June 2018, there were no unendorsed standards effective for the period ended 30 June 2018 that affect these condensed 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.

The financial statements have been prepared on a historical cost basis except for financial assets held at fair value through profit and loss, financial assets designated at fair value, derivative financial instruments, investment securities (fair value through other comprehensive income), 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 of 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, 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 separate scenarios for selected identified acquisitions.

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 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.

Accounting policies
The accounting policies and methods of computation are consistent with those applied in our 2017 Annual Report and Accounts, other than the following

Adoption of IFRS 9
Effective 1 January 2018 we adopted IFRS 9 ('Financial Instruments') which has resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. As set out in the transitional provisions in IFRS 9, comparative figures have not been restated. For full details of the adjustments made on transition to IFRS 9, please refer to note 25.

Adoption of IFRS 15
On 1 January 2018 we adopted IFRS 15 ("Revenue from Contracts with Customer"). The majority of the Group's income is accounted for under other accounting standards and as such there was no significant impact to the financial statements upon transition. Additionally, no changes to the accounting policies as disclosed in the 2017 Annual Report and Accounts have been made.

iii. 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. The Group applies judgement in the following key areas. Apart from the implementation of IFRS as set out in note 25, unless noted below, the assumptions applied have remained consistent with those applied in preparing the 2017 financial statements:
– fair value of financial instruments
– investment in associates
– goodwill impairment
– loan impairment charges

Notes to the financial statements
for the six months ended 30 June 2018

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
1.1. Authorised and issued share capital and share warrants

	30 June 2018		30 June 2017		31 December 2017	
	No. of shares '000	$'000	No. of shares '000	$'000	No. of shares '000	$'000
Opening balance[1]	**172,259**	**987,292**	72,759	773,213	72,759	773,213
Ordinary shares issued	**–**	**5,900**	7,035	13,454	96,202	214,079
Shares held in escrow	**–**	**–**	–	–	3,298	–
Closing balance	**172,259**	**993,192**	79,794	786,667	172,259	987,292
Shares in issue excluding escrow shares	**–**	**–**	–	–	168,961	–
Founder preference shares	**1,130[3]**	**11,300**	1,250	12,500	1,250	12,500
	173,389	**1,004,492**	81,044	799,167	170,211	999,792

Notes:
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.
3. As allowed, under Article 5.2 of the Company's Articles, a holder of Founder Preferred Shares (FPS) has the right to request for conversion of FPS into Ordinary Shares at any time, by providing notice in writing to the Company requiring such conversion of FPS into an equal number of Ordinary Shares. On 23 May 2018, Ashish Thakkar elected to covert 120,000 FPS into 120,000 ordinary shares, and the transfer was effective from 23 May 2018. Following conversion of the 120,000 FPS into ordinary shares, Ashish now holds 5,000 FPS.

1.2. Issued and fully paid

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Ordinary share capital and share warrants	**993,192**	786,667	987,292
	993,192	786,667	987,292

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.

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. On 21 August 2017, the warrants were cancelled.

Terms of the Founder Preference Shares
The Founder Preference Shares do not carry the same voting rights as are attached to the ordinary shares. The Founder Preference 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 Preference 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 Preference 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. Borrowed funds

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Convertible bond (a)	**53,866**	47,820	51,325
Other borrowed funds (b)	**304,220**	316,854	294,828
	358,086	364,674	322,574

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

	Carrying value			Fair value		
	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Overseas Private Investment Corporation	**105,978**	106,300	104,657	**105,978**	106,600	104,657
Afreximbank	**56,309**	60,026	61,273	**56,309**	62,518	64,176
Convertible bond (liability)	**53,866**	47,820	51,325	**53,866**	47,820	51,325
Standard Chartered	**30,608**	29,060	32,398	**30,608**	29,060	31,309
Africa Agriculture and Trade Investment Fund S.A. ('AATIF')	**20,848**	25,086	20,008	**20,848**	25,039	20,027
BIFM Capital Investment Fund One (Pty) Ltd ('BIFM')	**18,566**	25,197	19,594	**18,566**	28,267	20,118
New Debt Facility	**15,376**	–	–	**15,376**	–	–
NORSAD	**10,223**	10,000	10,228	**10,223**	10,060	10,074
Kuhanha	**–**	–	4,448	**–**	–	4,535
Shelter Afrique	**3,319**	–	3,969	**3,319**	–	3,442
Other	**42,993**	61,185	38,253	**42,993**	53,961	37,393
	358,086	364,674	346,153	**358,086**	363,325	347,056

a. Convertible bond

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Opening balance as at 1 January	**51,325**	47,790	47,790
Interest accrued	**2,541**	30	3,535
Closing balance	**53,866**	47,820	51,325

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

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

The instrument will continue to be 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 at $11.2 million, resulting in the equity component being valued as $3.4 million included in capital reserves.

2. Borrowed funds continued

b. Other borrowed funds

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Borrowed funds – At fair value through profit/loss	**30,608**	29,060	31,541
Borrowed funds – Amortised cost	**273,612**	287,794	243,243
	304,220	316,854	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.

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.

Norsad Finance Limited
This $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 $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 $5 million was made in December 2017 in accordance with the loan agreement with an outstanding principal of $20 million on the loan facility which is scheduled to be paid in one instalment on 23 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 c. 7.32 NGN per share.

Overseas Private Investment Corporation
The $65 million loan is denominated in US dollars and was advanced to BancABC Zambia to finance the acquisition of Finance Bank Zambia. The loan attracts interest at a rate of 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, BancABC Botswana finalised a $40 million Fintech and Financial Inclusion Debt Facility provided by the Overseas Private Investment Corporation. The funding is part of the $200 million multi-country facility 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 instalments after year three. The rate is three-month LIBOR plus a margin of 4.5%.

c. Subsequent event

New Debt Facility

On 6 August the Group announced that it had reached agreement in principle for a $40 million Debt Facility (the 'New Debt Facility'). This New Debt Facility will replace the convertible bond (the 'April Convertible') issued to Fairfax Africa Holdings Corporation ('Fairfax Africa'), the Company's largest shareholder, as previously announced on 24 April 2018. Completion of the New Debt Facility remains subject to customary conditions for transactions of this nature.

Proceeds will be used for general corporate purposes including replacing the April Convertible, strengthening the Company's digital finance platform and supporting broader business growth and operations.

The New Debt Facility will have a three-year term maturing in or around July 2021, have an average annualised cost of debt of approximately 10.5%, and is secured by a portion of the Company's indirect shareholding in Union Bank of Nigeria. The New Debt Facility includes the issuance of 12,400,000 detachable warrants (once the New Debt Facility is fully drawn) that on exercise each allow the holder to subscribe for one ordinary share of the Company at an initial strike price of $3.20.

On 16 August 2018, a new facility agreement was signed with Afrexim. The loan balance of $54 million will be repayable in 13 quarterly instalments of $ 4,153,874. The first instalment will be due 12 months after the date of the agreement with each of the remaining instalments due quarterly thereafter. Interest will be LIBOR plus 7.3% per annum and is payable at each of the above repayment dates.

Maturity analysis

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

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
On demand to one month	**58,197**	61,972	61,820
One to three months	**12,021**	13,912	4,460
Three months to one year	**39,896**	36,626	34,047
Over one year	**247,972**	252,164	245,826
Total	**358,086**	364,674	346,153

3. Deposits

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Deposits from banks	**242,799**	154,316	157,209
Deposits from other customers	**1,667,351**	1,738,336	1,720,268
	1,910,150	1,892,652	1,877,477
Payable on demand			
Corporate customers	**306,603**	363,315	452,477
Public sector	**112,533**	68,274	58,540
Retail customers	**355,873**	354,653	349,753
Other financial institutions	**114,041**	85,315	82,949
Banks	**74,002**	38,964	42,028
	963,052	910,521	985,747
Term and savings deposits			
Corporate customers	**292,476**	430,052	281,649
Public sector	**245,931**	95,327	207,281
Retail customers	**96,864**	85,642	90,798
Other financial institutions	**202,720**	283,391	221,904
Banks	**109,107**	87,719	90,098
	947,098	982,131	891,730
Total	**1,910,150**	1,892,652	1,877,477

4. Interest and similar expense

	Half-year to 30 June 2018 $'000	Half-year to 30 June 2017 $'000	31 December 2017 $'000
Deposits	**(36,683)**	(43,380)	(83,764)
Borrowed funds	**(22,801)**	(17,172)	(37,453)
Securities lent and repurchase agreements	**–**	(16)	–
Interest and similar expense	**(59,484)**	(60,568)	(121,217)

5. Investment in associate

Critical accounting estimates and judgements

Fair value of assets and liabilities of associate
Effective 26 June 2018, the Group concluded the acquisition of an additional c. 1% share in UBN, increasing the Group's shareholding from c. 48% to c. 49%.

The Group applies judgement in determining the value of the assets and liabilities of the associate. There has been no significant changes to the assumptions applied by management in the measurement of the associate from those included In the 31 December 2017 annual report and accounts.

Intangible assets
Included in the fair value of UBN are intangible assets of $17.6 million.

Share of profit and OCI
The value of equity accounted earnings in the statement of comprehensive income for Atlas Mara represents the period-end profit and other comprehensive income for UBN, based on the results reported for the 6 months ended 30 June 2018.

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Opening balance	**444,569**	293,980	293,980
Share of profits	**36,606**	8,648	38,400
Share of OCI	**(4,508)**	560	10,281
Exchange rate adjustment	**–**	(361)	(40)
Additions during the year	**60,792**	–	101,948
Disposals during year	**–**	(220)	–
Investment in associates	**537,459**	302,607	444,569

Investment in Union Bank of Nigeria ('UBN')

The Group holds an effective direct and indirect share of UBN's voting rights of c. 49% as at 30 June 2018. This is as a result of the acquisitions completed in 2014, 2015 and 2017 which included an indirect share of 9.05% and a direct investment of 21.16% and 13.4% respectively, thereby bringing the Group's total share as at 31 December 2017 to 44.55%.

Effective 2018, the Group acquired a further 4.4% of the voting rights in UBN, bringing the Group's total share to 48.95%.

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 financial statements of UBN for the period ended 30 June 2018. 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 six months ended 30 June 2018.

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Cash and cash equivalents	**795,767**		569,977
Loans and advances	**1,539,113**	1,561,445	1,555,712
Investment securities	**587,841**		623,954
Other assets	**1,893,623**		1,696,282
Total assets	**4,816,344**	4,331,932	4,445,925
Deposits	**3,005,965**	2,814,868	2,868,255
Borrowed funds	**229,867**		263,221
Other liabilities	**629,943**		379,774
Total liabilities	**3,865,775**	3,410,572	3,225,013
Net interest income	**112,510**		153,645
Non-interest income	**69,221**		68,928
Loan impairment charges	**(15,151)**	4,331,932	(19,683)
Profit after tax	**37,534**		47,846

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.

6. Intangible assets and goodwill

	Goodwill	Software	Other intangibles
Useful lives	n/a	From 3 to 5 years	10 years
Amortisation method	n/a	Straight-line	Straight-line

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Goodwill	**85,455**	88,757	83,740
Other intangibles	**83,933**	86,266	90,881
	169,388	175,023	174,621

Other intangible assets

The other intangible assets have been assessed for indications of impairment and at 30 June 2018, there are no indications of impairment.

7. 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:

	30 June 2018		30 June 2017		31 December 2017	
	Carrying amount $'000	**Fair value $'000**	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	**339,607**	**339,607**	486,149	486,149	457,018	457,018
Loan and advances	**1,280,941**	**1,280,941**	1,329,872	1,329,872	1,329,962	1,329,962
Held-to-maturity investments/ Held at Amortised cost						
Promissory note	**–**	**–**	228	228	–	–
Treasury bills	**220,114**	**220,114**	43,229	43,229	50,355	50,355
Corporate bonds	**17,197**	**17,197**	3,345	3,345	3,308	3,308
Government bonds	**81,626**	**81,626**	6,726	6,726	7,038	7,038

	30 June 2018		30 June 2017		31 December 2017	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial liabilities measured at amortised cost						
Deposits	**1,910,150**	**1,910,150**	1,892,652	1,892,652	1,877,477	1,877,477
Creditors and accruals	**40,728**	**40,728**	47,630	47,630	72,481	72,481
Borrowed funds	**270,064**	**270,064**	335,614	334,265	346,153	347,056

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

Investment securities include only interest-bearing assets held-to-maturity, and unlisted equities. 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.

8. Loans and advances

Refer to the IFRS 9 transitional disclosures for details on the accounting policy.

	30 June 2018		
Segment and stage	ECL	Gross	Net
Corporate			
1	13,933	335,734	321,801
2	2,237	19,526	17,289
3	29,533	156,156	126,623
Corporate total	45,703	511,416	465,713
Corporate overdrafts			
1	5,370	75,726	70,356
2	350	2,612	2,262
3	7,655	15,871	8,216
Corporate overdrafts total	13,375	94,209	80,834
Retail overdrafts			
1	276	7,128	6,852
2	2	105	103
3	276	1,163	887
Retail overdrafts total	554	8,396	7,842
Retail secured			
1	4,863	163,814	158,951
2	1,268	17,127	15,859
3	7,873	22,836	14,963
Retail secured total	14,004	203,777	189,773
Retail unsecured			
1	22,519	527,652	505,133
2	4,756	14,359	9,603
3	43,517	65,560	22,043
Retail unsecured total	70,792	607,571	536,779
Total	144,428	1,425,369	1,280,941

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

Repossessed collateral

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

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Property and equipment	**6,792**	5,134	9,051
Motor vehicles	**52**	86	341
	6,844	5,220	9,392

9. Loan impairment charges

Accounting for impairments of loans and advances

Refer to the IFRS 9 transitional disclosures set out in note 24.

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Total impairment charge	**(4,253)**	(10,031)	(22,265)

10. Collateral

Liabilities for which collateral is pledged:

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Deposits from banks	**58,977**	100,206	54,437
Deposits from customers	**133,596**	201,066	68,587
Borrowed funds	**3,970**	27,116	48,147
	196,543	328,388	171,171

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

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Advances (collateral)	**43,816**	42,406	44,071
Financial assets held at fair value through profit and loss	**21,824**	22,832	–
Investment securities	**86,831**	189,503	128,531
Property and equipment	**2,794**	2,996	2,954
	155,265	257,737	175,556

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

11. Interest and similar income

	Half-year to 30 June 2018 $'000	Half-year to 30 June 2017 $'000	31 December 2017 $'000
Unwind of fair value adjustment to loans and advances acquired at fair value through business combination	**75**	184	1,503
Cash and short-term funds	**8,567**	5,275	10,259
Investment securities and dated financial instruments	**6,075**	17,812	33,377
Loans and advances	**103,690**	105,090	218,703
Other interest income	**962**	898	1,971
Financial investments – available for sale	**8,406**	9,949	–
Interest and similar income	**127,775**	139,208	265,813
Interest income on financial assets designated at fair value through profit/loss	**–**	–	690
Interest and similar income	**127,775**	139,208	266,503

12. Financial assets held at fair value through profit and loss

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Government bonds	**6,785**	5,388	14,137
Treasury bills	**–**	42,175	40,405
	6,785	47,563	54,542
Financials assets held for trading pledged as collateral			
Government bonds	**–**	2,500	–
Corporate bonds	**–**	6,243	–
Treasury bills and other open market instruments	**–**	21,284	22,244
	–	30,027	22,244
Financial assets held at fair value through profit and loss	**6,785**	77,590	76,786

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 at fair value through profit and loss are carried at fair value in 2018 and 2017. Refer to the fair value disclosure included in note 20 for detailed information of key assumptions.

13. Financial assets designated at fair value

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Listed equities	**969**	1,003	1,547
Unlisted equities	**17,252**	12,756	17,306
Unlisted Debentures	**276**	–	268
Property units	**29**	10	30
Financial assets designated at fair value	**18,526**	13,769	19,151

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).

14. Investment securities

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Held at fair value through OCI/Available-for-sale			
Government bonds	**63,602**	61,504	137,463
Unlisted equities	**876**	21,427	1,375
Corporate bonds	**78,610**	68,941	56,210
Unlisted investment	**766**	324	19,027
	143,854	152,196	214,075
Held at fair value through OCI/Available-for-sale pledged as collateral			
Government bonds	**4,959**	60,427	74,462
Corporate bonds	**21,035**	57,330	5,750
Unlisted equities	**16,865**	–	–
	42,859	117,757	80,212
Held at amortised cost/Held-to-maturity			
Promissory notes	**–**	228	–
Government bonds	**51,864**	–	2,729
Treasury bills	**108,927**	–	50,355
Corporate bonds	**10,444**	–	3,308
	171,235	228	56,392
Held at amortised cost/Held-to-maturity			
Treasury bills	**111,187**	43,229	–
Corporate bonds	**6,754**	3,345	–
Government bonds	**33,739**	6,726	4,309
	151,680	53,300	4,309
Investment securities	**509,628**	323,481	354,988

The investments in unlisted equities are accounted for at fair value.

The government bonds are partial security for the loan from BIFM (note 2). 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.

15. Non-interest income

	Half-year to 30 June 2018 $'000	Half-year to 30 June 2017 $'000	31 December 2017 $'000
Net gains/(losses) on financial instruments designated at fair value through profit/loss	**1,772**	4,177	1,331
Net fee and commission income	**27,327**	19,893	51,811
Net trading income and currency revaluation	**10,432**	12,986	47,078
Gains and losses on investments held-for-sale	**170**	(145)	(114)
Other non-interest income	**4,228**	6,692	15,061
Non-interest income	**43,929**	43,603	115,167

16. Operating expenses

	Half-year to 30 June 2018 $'000	Half-year to 30 June 2017 $'000	31 December 2017 $'000
Administrative expenses	**(38,150)**	(40,483)	(82,597)
Property lease rentals	**(4,934)**	(5,278)	(10,555)
Staff costs	**(45,505)**	(43,114)	(99,873)
Auditor's remuneration	**(934)**	(1,026)	(3,379)
Depreciation	**(5,299)**	(5,522)	(11,051)
Amortisation charge	**(7,374)**	(5,533)	(13,416)
Directors' remuneration	**(6,517)**	(2,558)	(2,513)
	(108,713)	(103,514)	(223,384)

17. Tax

17.1. Income tax expense

	Half-year to 30 June 2018 $'000	Half-year to 30 June 2017 $'000	31 December 2017 $'000
Current tax expense			
Current year tax expense	**(5,452)**	(1,749)	(7,389)
Withholding tax	**(577)**	(126)	(4)
	(6,029)	(1,875)	(7,393)
Deferred tax			
Total deferred tax	**(864)**	(3,514)	2,125
Total tax expense per statement of profit/loss	**(6,893)**	(5,389)	(5,268)
Reconciliation of effective tax charge			
Profit before tax	**36,092**	16,757	53,054
Current tax expense per statement of profit/(loss)	**6,893**	5,389	78
Effective tax rate (%)	**19%**	32%	1%

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

	30 June 2018			30 June 2017			31 December 2017		
	Before tax $'000	**Tax charge $'000**	**After tax $'000**	Before tax $'000	Tax charge $'000	After tax $'000	Before tax $'000	Tax charge $'000	After tax $'000
Exchange differences on translating foreign operations	**(8,819)**	**–**	**(8,819)**	44	–	44	21,975	–	21,975
Revaluation of property net of deferred tax	**144**	**–**	**144**	–	–	–	1,019	(503)	516
Movement in available-for-sale reserves	**303**	**–**	**303**	(1,324)	268	(1,056)	783	–	783
Other	**(3)**	**–**	**(3)**	–	–	–	(13)	–	(13)
Other comprehensive income	**(8,375)**	**–**	**(8,375)**	(1,280)	268	(1,012)	23,764	(503)	23,261

17. Tax continued

17.3. Deferred tax

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Balance at the beginning of the year	**(5,073)**	(8,765)	(8,765)
Exchange rate adjustment	**(1,588)**	747	2,068
Statement of profit or loss charge (note 17.1)	**(864)**	(3,514)	2,127
Deferred tax on amounts charged to equity	**–**	174	(503)
Deferred tax on initial application of IFRS 9	**24,113**	–	–
	16,588	(11,358)	(5,073)
Disclosed as follows:			
Deferred tax asset	**21,776**	14,338	13,244
Deferred tax liability	**(5,188)**	(25,696)	(18,317)
	16,588	(11,358)	(5,073)
Tax effects of temporary differences			
Accruals	**1,104**	534	623
Bond with warrant deferred tax	**1,199**	1,296	1,251
Impairment losses	**13,828**	10,458	8,017
Property and equipment	**367**	(4,118)	(6,129)
Investment property	**32**	42	(62)
Unrealised gains on investment	**(1,481)**	(708)	(821)
Revaluation surplus	**(1,510)**	(1,313)	(1,655)
Tax losses	**4,103**	8,534	19,179
At acquisition adjustments	**–**	(22,161)	–
Tax and fair value losses of prior years claimed	**–**	–	(19,995)
Other	**(1,054)**	(3,922)	(5,481)
	16,588	(11,358)	(5,073)

Amount for which no deferred tax assets are recognised:

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Deductible temporary difference	**–**	–	–
Unused tax losses	**2,963**	2,963	2,963

18. 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. The nature of the related parties are as follows: ABCH, BPR, ATMA Digital, ATMA Eagle and AMFS are all subsidiaries of Atlas Mara, with ABCH being the direct parent of the BancABC subsidiaries.

Related party transactions

	30 June 2018			
	Management fees $'000	**Interest income/ expense $'000**	**Others $'000**	**Total $'000**
Transactions between Atlas Mara and ABCH	**(1,282)**	**1,977**	**–**	**695**
Transactions between Atlas Mara and BancABC subsidiaries	**(271)**	**(272)**	**–**	**(543)**
Transactions between Atlas Mara and Atlas Mara Digital Ltd	**–**	**29**	**733**	**762**
Transactions between Atlas Mara and BPR	**514**	**–**	**–**	**514**
Transactions between Atlas Mara and founder shareholders' affiliated companies	**–**	**–**	**(222)**	**(222)**
	(1,039)	**1,734**	**511**	**1,206**

Related party balances

	30 June 2018				
	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	**38,355**	**–**	**–**	**9,604**	**47,959**
Balances between Atlas Mara and BancABC subsidiaries	**–**	**–**	**(5,543)**	**3,652**	**(1,891)**
Balances between ABC Holdings and BancABC subsidiaries	**33,270**	**672**	**(105,620)**	**6,760**	**(64,918)**
Balances between Atlas Mara and Atlas Mara Digital Ltd	**1,029**	**–**	**–**	**1,048**	**2,077**
Balances between Atlas Mara and BPR	**–**	**–**	**–**	**1,592**	**1,592**
Balances between Atlas Mara and Atlas Mara Eagle Ltd	**–**	**–**	**–**	**20**	**20**
Balances between Atlas Mara and AMFS	**–**	**–**	**–**	**(284)**	**(284)**
Balances between Atlas Mara and founder shareholders' affiliated companies	**–**	**–**	**–**	**443**	**443**
	72,654	**672**	**(111,163)**	**22,835**	**(15,002)**

Related party transactions

	30 June 2017			
	Management fees $'000	Interest income/ expense $'000	Others $'000	Total $'000
Transactions between Atlas Mara and ABCH	1,281	–	(208)	1,073
Transactions between Atlas Mara and BancABC subsidiaries	4,514	38	–	4,552
Transactions between Atlas Mara and BPR	331	–	–	331
Transactions between Atlas Mara and founder shareholders' affiliated companies	–	–	(333)	(333)
	6,126	38	(541)	5,623

Related party balances

	30 June 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	56,100	–	–	19,597	75,697
Balances between Atlas Mara and BancABC subsidiaries	–	–	(5,486)	3,033	(2,453)
Balances between ABC Holdings and BancABC subsidiaries	40,169	1,875	(118,326)	17,740	(58,542)
Balances between Atlas Mara and AMFS	–	–	–	(289)	(289)
Balances between Atlas Mara and BPR	–	–	–	871	871
Balances between Atlas Mara and founder shareholders' affiliated companies	–	–	–	306	306
	96,269	1,875	(123,812)	41,258	15,590

18. Related parties continued

Related party transactions

	31 December 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 BPR	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

	31 December 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 BancABC subsidiaries	–	–	(5,763)	–	(5,763)
Balances between ABC Holdings and BancABC 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

19. Earnings per share

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Earnings			
Profit for the period	**28,621**	11,468	45,432
Basic and diluted earnings	**28,621**	11,468	45,432
Weighted-average ordinary shares (number of shares)			
Recognised as treasury shares	**(1,817)**	(2,335)	(2,023)
Ordinary shares in issue during the period	**170,243**	76,495	110,089
Weighted-average ordinary shares (number of shares)	**168,426**	74,160	108,066
Diluted number of ordinary shares (number of shares)			
Diluted shares	**684**	684	684
Total diluted number of ordinary shares (number of shares)	**169,049**	74,844	108,750
Basic earnings per share	**0.17**	0.15	0.42
Diluted earnings per share	**0.17**	0.02	0.42

20. Fair value of financial assets and liabilities

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

	30 June 2018			
	Quoted prices Level 1 $'000	Significant observable inputs Level 2 $'000	Significant unobservable inputs Level 3 $'000	Total at fair value $'000
Assets measured at fair value:				
Financial assets held at fair value through profit and loss				
Government bonds	–	6,785	–	6,785
Fair value option				
Designated at fair value				
Listed equities	969	–	–	969
Unlisted equities	–	–	17,252	17,252
Unlisted debentures	–	–	276	276
Property units	–	–	29	29
Derivative financial instruments				
Cross-currency interest swaps	–	659	6,163	6,822
Equity derivative	–	862	–	862
Forward foreign exchange contracts	36	319	–	355
Available-for-sale investments				
Unlisted equities	–	16,865	876	17,741
Unlisted investment	327	439	–	766
Government bonds	12,948	59,591	–	72,358
Corporate bonds	81,866	17,780	–	99,646
Fair value hierarchy for financial assets	96,146	103,300	24,596	224,042
Liabilities measured at fair value:				
Derivative financial instruments				
Cross-currency interest swaps	192	–	6,351	6,543
Forward foreign exchange contracts	8	33	–	41
Equity derivative	–	862	–	862
Borrowed funds	–	30,608	–	30,608
Liabilities for which fair values are disclosed:				
Borrowed funds	–	327,478	–	327,478
Fair value hierarchy for financial liabilities	200	358,981	6,351	365,532

20. Fair value of financial assets and liabilities continued

	30 June 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				
Other financial assets held at fair value through profit and loss				
Government bonds	–	7,888	–	7,888
Treasury bills	–	63,459	–	63,459
Corporate bonds	–	6,243	–	6,243
Fair value option				
Designated at fair value				
Listed equities	1,003	–	–	1,003
Unlisted equities	–	–	12,756	12,756
Property units	–	–	10	10
Derivative financial instruments				
Cross-currency interest swaps	–	–	6,285	6,285
Forward foreign exchange contracts	–	170	–	170
Available-for-sale investments				
Government bonds	–	121,931	–	121,931
Corporate bonds	–	126,271	–	126,271
Unlisted equities	–	20,482	945	21,427
Unlisted investment	–	324	–	324
Fair value hierarchy for financial assets	1,003	346,768	19,996	367,767
Liabilities measured at fair value				
Derivative financial instruments				
Cross-currency interest swaps	–	–	5,977	5,977
Forward foreign exchange contracts	–	44	–	44
Equity derivatives	–	–	–	–
Borrowed funds	–	–	29,060	29,060
Liabilities for which fair values are disclosed				
Borrowed funds	–	335,614	–	335,614
Fair value hierarchy for financial liabilities	–	335,658	35,037	370,695

	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:				
Financial assets held at fair value through profit and loss				
Government bonds	–	1,583	12,554	14,137
Treasury bills	–	62,649	–	62,649
Fair value option				
Designated at fair value				
Listed equities	1,547	–	–	1,547
Unlisted equities	–	–	17,306	17,306
Unlisted debentures	–	–	268	268
Property units	–	–	30	30
Derivative financial instruments				
Cross-currency interest swaps	(487)	486	6,494	6,493
Equity derivative	–	487	26,800	27,287
Forward foreign exchange contracts	–	10	–	10
Available-for-sale investments				
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:				
Derivative financial instruments				
Cross-currency interest swaps	8,816	–	6,117	14,933
Forward foreign exchange contracts	–	136	–	136
Equity derivative	–	(8,328)	–	(8,328)
Borrowed funds	–	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

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

20. 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:

	30 June 2018			
	Debt or equity investments $'000	**Total assets at fair value $'000**	**Derivative financial liabilities $'000**	**Total liabilities at fair value $'000**
Opening balance	**64,382**	**64,382**	**6,117**	**6,117**
Total gains or losses				
– in profit/(loss)	**–**	**–**	**–**	**–**
– in other comprehensive income	**–**	**–**	**–**	**–**
Purchases	**–**	**–**	**–**	**–**
Issues	**–**	**–**	**–**	**–**
Settlements	**(39,347)**	**(39,347)**	**488**	**488**
Exchange rate adjustment	**(439)**	**(439)**	**(254)**	**(254)**
Closing balance	**24,596**	**24,596**	**6,351**	**6,351**

	30 June 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				
– in profit/(loss)	–	–	–	–
Purchases	–	–	–	–
Issues	(252)	(252)	–	–
Settlements	(4)	(4)	(5)	(5)
Exchange rate adjustment	207	207	251	251
Closing balance	19,996	19,996	5,979	5,979

	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	–	–
Exchange rate adjustment	470	470	472	472
Transfer to level 3	12,897	12,897	–	–
Closing balance	64,382	64,382	6,117	6,117

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 30 June 2018. 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%

20. Fair value of financial assets and liabilities continued

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:

	30 June 2018			
	Profit or loss		Equity	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Average price to book ratio (5% movement)	**12**	**(12)**	**12**	**(12)**
Book value (2% movement)	**5**	**(5)**	**5**	**(5)**
Adjusted EV/EBITDA (5% movement)	**12**	**(12)**	**12**	**(12)**
EBITDA (2% movement)	**5**	**(5)**	**5**	**(5)**

	30 June 2017			
	Profit or loss		Equity	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Average price to book ratio (5% movement)	12	(12)	12	(12)
Book value (2% movement)	5	(5)	5	(5)
Adjusted EV/EBITDA (5% movement)	12	(12)	12	(12)
EBITDA (2% movement)	5	(5)	5	(5)

	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)

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.

	30 June 2018		30 June 2017		31 December 2017	
	Carrying amount $'000	Effect of reasonably possible alternative assumptions $'000	Carrying amount $'000	Effect of reasonably possible alternative assumptions $'000	Carrying amount $'000	Effect of reasonably possible alternative assumptions $'000
Financial assets						
Financial assets held at fair value through profit and loss						
Government bonds	–	–	–	–	12,554	1,255
Fair value option						
Unlisted equities	75	8	–	–	17,306	1,731
Unlisted debentures	276	28	–	–	268	27
Property units	30	3	10	1	30	3
Derivative financial instruments						
Cross-currency interest swaps	–	–	–	–	6,494	649
Equity derivative	–	–	–	–	26,800	2,680
Available-for-sale investments						
Unlisted equities	206	21	234	23	929	93
Financial liabilities					12,554	1,255
Derivative financial instruments						
Cross-currency interest swaps	–	–	–	–	17,306	1,731

21. Off-balance sheet items

Loan commitments and other financial facilities

The timing profile of the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities for the period ended 30 June 2018 are summarised below:

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Guarantees	34,687	11,883	29,944
Letters of credit	37,816	6,420	44,295
Forward contracts and currency swaps	5,828	–	2,241
Other contingent liabilities	45,454	46,423	64,452
	123,785	64,726	140,932
Maturity analysis of loan commitments			
Less than one year	62,841	44,527	106,071
Between one and five years	39,225	20,199	33,049
Over five years	21,719	–	1,812
	123,785	64,726	140,932

22. Credit risk

Concentration risk of financial assets with credit risk exposure

a. Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 30 June 2018. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties:

30 June 2018	**Botswana $'000**	**Mozambique $'000**	**Tanzania $'000**	**Zambia $'000**	**Zimbabwe $'000**	**Other/ Rwanda $'000**	**Total $'000**
Placements with other banks	**91,336**	**3,099**	**9,390**	**98,597**	**18,188**	**48,550**	**269,160**
Financial assets held at fair value through profit and loss	**–**	**–**	**–**	**6,785**	**–**	**–**	**6,785**
Financial assets designated at fair value	**–**	**–**	**17,177**	**–**	**1,349**	**–**	**18,526**
Derivative financial assets	**6,482**	**36**	**–**	**659**	**–**	**862**	**8,039**
Loans and advances (net)	**550,602**	**64,764**	**68,775**	**202,250**	**185,343**	**209,207**	**1,280,941**
Investment securities	**69,523**	**29,593**	**22,933**	**68,435**	**243,059**	**75,878**	**509,421**
	717,943	**97,492**	**118,275**	**376,726**	**447,939**	**334,497**	**2,092,872**

30 June 2017	Botswana $'000	Mozambique $'000	Tanzania $'000	Zambia $'000	Zimbabwe $'000	Other/ Rwanda $'000	Total $'000
Placements with other banks	75,443	19,469	10,795	63,355	15,624	14,795	199,481
Financial assets held at fair value through profit and loss	64,938	8,743	–	3,909	–	–	77,590
Financial assets designated at fair value	–	–	12,756	–	1,013	–	13,769
Derivative financial assets	6,454	–	–	–	–	1	6,455
Loans and advances (net)	560,547	87,293	74,215	186,064	210,437	211,316	1,329,872
Investment securities	5,506	324	25,780	71,757	172,086	48,028	323,481
	712,888	115,829	123,546	325,085	399,160	274,140	1,950,648

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 at fair value through profit and loss	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

b. Industry sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by industry sectors as of 30 June 2018 of the counterparties:

30 June 2018	Agriculture $'000	Construc-tion $'000	Wholesale, retail and trade $'000	Public sector $'000	Manu-facturing $'000	Mining and energy $'000	Financial services $'000	Transport $'000	Individuals $'000	Tourism $'000	Other $'000	Total $'000
Placements with other banks	–	–	–	–	–	–	222,712	–	–	–	1,872	224,584
Financial assets held at fair value through profit and loss	–	–	–	–	–	–	6,785	–	–	–	–	6,785
Financial assets designated at fair value	65	68	1,106	–	15	27	39	–	–	–	17,206	18,526
Derivative financial assets	–	–	–	–	–	–	8,039	–	–	–	–	8,039
Loans and advances (net)	34,177	17,442	96,704	34,135	28,200	37,712	250,423	75,667	538,825	10,425	157,231	1,280,941
Investment securities	–	–	–	254,440	–	–	254,518	–	–	–	670	509,628
	34,242	17,510	97,810	288,575	28,215	37,739	742,516	75,667	538,825	10,425	176,979	2,048,503

30 June 2017	Agriculture $'000	Construc-tion $'000	Wholesale, retail and trade $'000	Public sector $'000	Manu-facturing $'000	Mining and energy $'000	Financial services $'000	Transport $'000	Individuals $'000	Tourism $'000	Other $'000	Total $'000
Placements with other banks	–	–	–	–	–	–	199,481	–	–	–	–	199,481
Financial assets held at fair value through profit and loss	–	–	–	–	–	–	77,590	–	–	–	–	77,590
Financial assets designated at fair value	276	–	1,107	–	172	10,438	1,776	–	–	–	–	13,769
Derivative financial assets	–	–	–	–	–	–	6,454	–	–	–	1	6,455
Loans and advances (net)	37,495	13,644	232,055	114,178	47,262	35,305	33,218	16,514	653,638	20,973	125,590	1,329,872
Investment securities	–	–	–	102,688	–	–	220,793	–	–	–	–	323,481
	37,771	13,644	233,162	216,866	47,434	45,743	539,312	16,514	653,638	20,973	125,591	1,950,648

31 December 2017	Agriculture $'000	Construc-tion $'000	Corporate, retail and trade $'000	Public sector $'000	Manu-facturing $'000	Mining and energy $'000	Financial services $'000	Transport $'000	Individuals $'000	Tourism $'000	Other $'000	Total $'000
Placements with other banks	–	–	–	–	–	–	63,707	–	–	–	–	63,707
Financial assets held at fair value through profit and loss	–	–	–	–	–	–	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

23. 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.

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 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, Asset Liability Committee, Executive Management Committee and the Board's Risk and Audit Committee, and serves to inform and be incorporated, along with other core business processes, into decision-making by management and the Board. We have made substantial commitment through 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:

30 June 2018	**Up to 1 month $'000**	**1-3 months $'000**	**3-12 months $'000**	**Greater than 1 year $'000**	**Total $'000**	**Effect of discount/ financing rates $'000**	**Total $'000**
Deposits	**1,240,779**	**357,103**	**300,069**	**11,431**	**1,909,382**	**768**	**1,910,150**
Borrowed funds	**58,197**	**12,021**	**39,896**	**250,221**	**360,335**	**(2,249)**	**358,086**
Total liabilities (contractual)	**1,298,976**	**369,124**	**339,965**	**261,652**	**2,269,717**	**(1,481)**	**2,268,236**

30 June 2017	Up to 1 month $'000	1–3 months $'000	3–12 months $'000	Greater than 1 year $'000	Total $'000	Effect of discount/ financing rates $'000	Total $'000
Deposits	1,128,534	406,495	310,796	50,506	1,896,331	(3,679)	1,892,652
Borrowed funds	39,966	13,183	38,770	295,357	387,276	(22,602)	364,674
Total liabilities (contractual)	1,168,500	419,678	349,566	345,863	2,283,607	(26,281)	2,257,326

31 December 2017	Up to 1 month $'000	1-3 months $'000	3-12 months $'000	Greater than 1 year $'000	Total $'000	Effect of discount/ financing rates $'000	Total $'000
Deposits	1,219,556	350,995	294,936	11,235	1,876,722	755	1,877,477
Borrowed funds	68,784	4,470	35,612	250,510	359,376	(13,223)	346,153
Total liabilities (contractual)	1,288,340	355,465	330,548	261,745	2,236,098	(12,468)	2,223,630

24. Offsetting financial assets and liabilities

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Deferred loan income reduces the outstanding loans and advances balance on the basis that the revenue will be recognised over the terms of the loans.

Effective for periods ending 30 June 2017, the offsetting requirements were clarified. In terms of the amendment it was confirmed that 'legal enforceable right to set off' is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and counterparties. The revised guidance did not affect the Group.

During the current period, there was no offsetting of financial assets and liabilities.

25. IFRS 9 Transitional disclosures

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. It replaces IAS 39 – Financial Instruments: Recognition and Measurement.

We have adopted IFRS 9 with a date of transition of 1 January 2018. This resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

IFRS 9 sets out new accounting requirements in respect of: classification and measurement of financial instruments, credit impairment and hedge accounting. Based on assessments undertaken to date, the total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Group's equity at 1 January 2018 is c. $61 million, representing:
– An increase of c. $85 million relating to impairment requirements
– An increase of c. $24 million relating to deferred tax impacts.

The above assessment is preliminary and our transition work will be finalised during 2018. The actual impact of adopting IFRS 9 on 1 January 2018 may change as we refine and finalise our expected credit loss ('ECL') and related deferred tax calculations.

Classification and measurement of financial instruments

Financial assets

IFRS 9 defines three new measurement categories:
– Measured at amortised cost
– Measured at fair value through other comprehensive income ('FVOCI')
– Measured at fair value through profit or loss ('FVPL')

IFRS 9 applies one classification approach for all types of financial assets, including customer lending and treasury assets. Two criteria are used to determine how financial assets should be classified and measured:
(a) Business model: how an entity manages its financial assets in order to generate cash flows by collecting contractual cash flows, selling financial assets or both. Factors considered in determining the business model for a group of assets include, for example, past experience on how the cash flows for these assets were collected, how their performance is assessed and how their managers have been compensated; and
(b) SPPI test: whether contractual cash flows are consistent with a basic lending arrangement; that is whether cash flows solely comprise payments of principal and interest ('SPPI').

If assets pass the SPPI test and are within a business model that holds to collect contractual cash flows, they are measured at amortised cost. If assets pass the SPPI test and are within a business model that holds to collect contractual cash flows and for sale, they are measured at FVOCI. If an asset does not meet the criteria for amortised cost of FVOCI, it is measured at FVPL.

Under IFRS 9, assets will only move between categories if there is a significant change to the business model within which they are held; this is expected to be infrequent.

Financial liabilities

All financial liabilities are classified and subsequently measured at amortised cost, except for those designated at fair value through profit or loss at initial recognition. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Impairment

Under IFRS 9, we assess on a forward-looking basis the expected credit loss ('ECL') associated with the assets carried at amortised cost and FVOCI and recognise a loss allowance for such losses at each reporting date.

Impairment provisions are driven by changes in credit risk of loans and securities, with a provision for lifetime expected credit losses recognised where the risk of default of an instrument has increased significantly. Risk of default and expected credit losses must incorporate forward looking and macroeconomic information.

Loans and advances

Sophisticated impairment models have been developed for our retail and commercial loan portfolios, with three core models.

Expected credit losses must be calculated for drawn loans, and for committed lending.

In general terms, the ECL for a loan is calculated using the following formula:
ECL = Probability of default x Loss given default x Exposure at default

Key model inputs and judgements include:
– Consideration of when a significant increase in credit risk occurs
– Probability of default, loss given default, and exposure at default

IFRS 9 requires a higher level of expected credit loss to be recognised for underperforming loans. This is considered based on a staging approach:

Stage	Description	ECL recognised
Stage 1 – performing loans	Financial instruments that have had no significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For example: a newly originated loan on which repayments are being received and there are no other indicators of a significant increase in credit risk.	**12-month expected credit losses** Losses expected on defaults which may occur within the next 12 months.
Stage 2 – underperforming loans	Financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For example: a loan on which payment is 30 days overdue.	**Lifetime expected credit losses** Losses expected on defaults which may occur at any point in a loan's lifetime. Losses are adjusted for probability weighted macro-economic scenarios.
Stage 3 – non-performing loans	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 period ended 30 June 2017. The estimate is adjusted for the effect of the non-marketability of the equity securities.	**Lifetime expected credit losses** Losses expected on defaults which may occur at any point in a loan's lifetime. Losses are adjusted for probability weighted macro-economic scenarios. Interest income is calculated on the carrying amount of the loan net of credit allowance.

A significant increase in credit risk may be identified in a number of ways:
– Qualitative criteria – for example, the borrower's credit risk grade has deteriorated, the client is included on a watch list or there are signs that the customer is unlikely or unwilling to pay
– Quantitative criteria – for example, where payments are at least 30 days overdue

A loan will be considered to be 'non-performing' when it meets the Group's definition of default – e.g. the loan is 90 days past due, or the borrower is considered unlikely to pay.

Probability of default

The Probability of Default (PD) model estimates the probability of default across various product segments. PD curves are created for each of these segments to identify the likelihood of default from the point of observation into the future.

Survival methodology was selected for the calculation of PD which is explained in the section below.
– PD term structures are developed for each segment
– The base term structures are calculated empirically based on one monthly hazard rates
– The hazard rates are calculated as the proportion of the default balances for a given time on the book across all origination cohorts in the data, to the balance of the accounts at risk
– A single default definition has been applied

Under this assumption, survival rates can be calculated as the product of the balance that survive at time divided by the balance at risk, where the balance at risk is the total exposure in Stage 1 and Stage 2.

Loss given default

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. We have applied two LGD rates – one for unsecured lending and one for secured lending.

LGD rates have been modelled considering a range of inputs, including:
– Value of collateral on secured portfolios, including any haircut applied to the collateral value to take into account a force sale value
– Forecasting of recoveries in the case of unsecured facilities
– Stress factors based on macro-economic scenarios

Exposure at default

Represents the amount expected to be owed at the point of default. This is subject to judgement since a balance will not necessarily remain static between the balance sheet date and the point of expected default. For example:
– Interest accrued
– Repayments may be received
– For a revolving product, further drawings may be taken between the current point in time and the point of default

25. IFRS 9 Transitional disclosures continued

Investment securities and other financial assets

Impairment provisions have been calculated based on our best estimate of expected credit losses on other assets classified and measured at amortised cost and fair value through other comprehensive income. These include investment securities, cash held at banks and other financial assets. Impairment provisions are not material.

Hedge accounting

The new requirements under IFRS 9 align hedge accounting more closely with risk management. The revised standard also establishes a more principles-based approach to hedge accounting. IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting. Hedge accounting is not currently material for us and we have elected to continue applying the requirements of IAS 39.

IFRS 9 governance

Responsibility for initial approval of all impairment models has been assigned to an IFRS 9 Steer Committee. The Credit Risk Committee is responsible for review of credit impairment models, including model design and outcomes. The Audit Risk and Compliance Committee is responsible for review and approval of accounting policy.

Impact on adoption

The measurement category and the carrying amount of financial assets and liabilities as at 31 December 2017 in accordance with IAS 39 and IFRS 9 are compared as follows.

Stage	IAS 39		IFRS 9	
	Measurement category	Carrying value $'000	Measurement category	Carrying value $'000
Financial assets				
Cash and balances with banks	Loans and receivables	457,018	Amortised cost	457,018
Loans and advances	Loans and receivables	1,329,962	Amortised cost	1,245,200
Trading assets	FVPL (Held for trading)	76,786	FVPL	12,506
Investment securities	Held to maturity	60,701	Amortised cost	373,029
	Available for sale	294,287		
	FVPL (Designated)	19,151	FVOCI	45,353
Financial liabilities				
Deposits	Financial liabilities at amortised cost	1,877,477	Amortised cost	1,877,477

The classification requirements in IFRS 9 were applied after performing a detailed analysis of its business models for managing financial assets. The Group has considered whether financial assets are held for the collection of principal and interest payments, or whether cash flows are expected to be collected from their sale, as well as how the performance of such financial assets is assessed.

Reconciliation of balance sheet balances from IAS 39 to IFRS 9

The following table reconciles the carrying amount of financial assets and liabilities, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018.

Financial assets measured at amortised cost under IFRS 9

	Cash and balances with central banks	Loans and advances to customers	Investment securities	
	IAS 39: Loans and receivables	IAS 39: Loans and receivables	IAS 39: Held to Maturity	Total $'000
Carrying value under IAS 39 – amortised cost	**457,018**	**1,329,962**	**60,701**	**1,847,681**
Transfer from available for sale (IAS 39)	**–**	**–**	**248,933**	**248,933**
Remeasurement: ECL Allowance	**–**	**–**	**(195)**	**(195)**
Transfer from held for trading (IAS 39)	**–**	**–**	**64,232**	**64,232**
Remeasurement from FV to amortised cost	**–**	**–**	**(2)**	**(2)**
Remeasurement of amortised cost	**–**	**–**	**(640)**	**(640)**
Remeasurement: ECL allowance	**–**	**(84,762)**	**–**	**(84,762)**
Carrying value under IFRS 9 – amortised cost	**457,018**	**1,245,200**	**373,029**	**2,067,147**

Remeasurement of amortised cost – this relates to assets which were initially classified as available for sale under IAS 39. They were subsequently transferred to the held to maturity category, with the carrying value at the point of transfer being equal to the fair value. This adjustment restates the carrying value of these assets to reflect the appropriate amortised cost as if the assets had always been measured at amortised cost.

The total amount of remeasurement of $84.8 million was adjusted to change to equity on 1 January 2018. A corresponding increase in deferred tax assets of approximately $24.1 million was also adjusted through change to equity on 1 January 2018.

Financial assets measured at FVOCI under IFRS 9

	Investment securities	
	IAS 39: Available for sale	Total $'000
Carrying value under IAS 39 – FVOCI	**294,287**	**294,287**
Transfer to amortised cost		
– Carrying amount transferred	**(248,933)**	**(248,933)**
– Remeasurement from amortised cost to fair value	**(1)**	**(1)**
Carrying value under IFRS 9 – FVOCI	**(45,353)**	**(45,353)**

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the previous impairment allowance measured in accordance with the IAS 39 incurred loss model and the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement category (IAS 39/IFRS 9)	Loan loss allowance under IAS 39/Provision under IAS 37	Reclassification	Remeasurement	Loan loss allowance under IFRS 9
Loans and receivables/Financial assets at amortised cost	**57,888**	**–**	**84,762**	**142,650**
Total	**57,888**	**–**	**84,762**	**142,650**

The increase in loss allowance estimated under IFRS 9 when compared to that measured under IAS 39 is primarily due to earlier recognition of credit losses under the new expected loss model. The most significant impact has been observed in relation to our unsecured lending portfolios, a number of which are no longer being originated. We continue to refine, monitor and validate certain elements of the impairment models underpinning the estimates provided above.

We expect some additional volatility in impairment charges under IFRS 9 when compared to the current IAS 39.

Accounting for equity instruments

For equity investments that are neither held for trading nor contingent consideration, the Group may irrevocably elect to present subsequent changes in fair value of these equity investments in other comprehensive income (OCI). Where the equity investment is derecognised, the cumulative gain or loss previously recognised in OCI is not reclassified from equity to profit or loss. However, it may be reclassified within equity. Alternatively where the Group does not make the aforementioned election, fair value changes are recognised in profit or loss. This election is made on an investment by investment basis.

Annexure A: Selected 2017 credit risk disclosures

The disclosures below were included in our 2017 interim and year end accounts and are based on IAS 39. These do not reflect the adoption of IFRS 9. As these tables are not directly comparable to the current 2018 credit risk tables, which are disclosed on an IFRS 9 basis, these 2017 disclosures have been shown below and not adjacent to 2018 tables.

	30 June 2017 $'000	31 December 2017 $'000
Mortgage lending	148,174	164,882
Instalment finance	16,295	13,631
Corporate lending	503,809	455,393
Commercial and property finance	121,879	137,936
Consumer lending	588,533	616,008
Gross loans and advances	1,378,690	1,387,850
Less impairments	(48,818)	(57,888)
Net loans and advances	1,329,872	1,329,962

	30 June 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	65	123	337	71	458	1,054
Credit impairment charges	1,294	(228)	1,865	1,635	5,465	10,031
30 June 2017						
Closing balances	3,619	5,538	16,338	2,713	20,610	48,818
Specific impairment	376	4,539	5,108	2,202	19,979	32,204
Gross non-performing loans	15,032	4,313	71,087	3,593	29,560	123,585

	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

Credit quality

Loans and advances individually impaired.

	30 June 2017			31 December 2017		
	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	15,032	70,475	(55,443)	13,952	10,111	3,841
Instalment finance	4,313	9,692	(5,379)	3,387	986	2,401
Corporate lending	71,087	147,066	(75,979)	53,046	68,428	(15,382)
Commercial and property finance	3,593	2,176	1,417	33,297	27,379	5,918
Consumer lending	29,560	28,889	671	42,387	582	41,805
	123,585	258,298	(134,713)	146,069	107,486	38,583

Note:

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.

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:

	30 June 2017		
	Collective allowance for credit losses $'000	Specific allowance for credit losses $'000	Total $'000
Opening balance	13,243	24,490	37,733
Impairments created	3,006	7,025	10,031
Exchange rate adjustment	365	689	1,054
Balance as at 30 June 2017	16,614	32,204	48,818

	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

Total loan impairments by loan class and type

a. Impairment by loan class

	30 June 2017 $'000	31 December 2017 $'000
Mortgage lending	3,619	3,602
Instalment finance	5,538	6,365
Corporate lending	16,338	14,646
Commercial and property finance	2,713	(434)
Consumer lending	20,610	33,709
Total loan impairments	48,818	57,888

b. Impairment analysis

	30 June 2017 $'000	31 December 2017 $'000
Collective impairments	16,614	14,483
Specific impairments	32,204	43,405
Total loan impairments	48,818	57,888

Annexure A: Selected 2017 credit risk disclosures continued

Credit quality supplement

	30 June 2017 $'000	31 December 2017 $'000
Gross loans and advances	1,378,690	1,387,850
Collective impairments	(16,614)	(14,483)
Specific impairments	(32,204)	(43,405)
Net loans and advances	1,329,872	1,329,962

Loans and advances renegotiated

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

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

	30 June 2017 $'000	31 December 2017 $'000
Mortgage lending	805	661
Corporate lending	–	6,037
Commercial and property finance	180	19,523
Consumer lending	14,497	12,822
SME lending	–	–
	15,482	39,043
Continuing to be impaired after restructuring	1,153	4,626
Non-impaired after restructuring – would otherwise have been impaired	14,329	24,793
Non-impaired after restructuring – would otherwise not have been impaired	–	9,624
	15,482	39,043

Credit quality

30 June 2017	Neither past due nor impaired Performing $'000	Past due but not impaired 30 days $'000	31–60 days $'000	61–90 days $'000	Individually impaired $'000	Total $'000
Cash and cash equivalents	486,149	–	–	–	–	486,149
Derivative financial assets	6,455	–	–	–	–	6,455
Financial assets held at fair value through profit and loss	77,590	–	–	–	–	77,590
Financial assets designated at fair value through profit/loss	13,769	–	–	–	–	13,769
Loans and advances to customers						
Mortgage lending	113,053	10,573	4,897	4,619	15,032	148,174
Instalment finance	11,085	236	–	661	4,313	16,295
Corporate lending	355,997	15,301	7,077	54,347	71,087	503,809
Commercial and property finance	104,578	11,014	1,941	753	3,593	121,879
Consumer lending	537,927	13,177	1,026	6,843	29,560	588,533
Gross loans and advances	1,122,640	50,301	14,941	67,223	123,585	1,378,690
Less: Allowance for impairment		(7,364)	(4,620)	(4,630)	(32,204)	(48,818)
Net loans and advances	1,122,640	42,937	10,321	62,593	91,381	1,329,872
Investment securities – available-for-sale	269,953	–	–	–	–	269,953
Government bonds	121,931	–	–	–	–	121,931
Corporate bonds	126,271	–	–	–	–	126,271
Unlisted equities	21,427	–	–	–	–	21,427
Unlisted investment	324	–	–	–	–	324
Investment securities – held to maturity	53,528	–	–	–	–	53,528
Promissory note	228	–	–	–	–	228
Treasury bills	43,229	–	–	–	–	43,229
Corporate bonds	3,345	–	–	–	–	3,345
Government bonds	6,726	–	–	–	–	6,726
Total	2,030,084	42,937	10,321	62,593	91,381	2,237,316

Notes to the financial statements
for the six months ended 30 June 2018
continued

Annexure A: Selected 2017 credit risk disclosures continued

31 December 2017	Neither past due nor impaired Performing $'000	Past due but not impaired 30 days $'000	 31-60 days $'000	 61-90 days $'000	Individually impaired $'000	Total $'000
Cash and cash equivalents	457,018	–	–	–	–	457,018
Derivative financial assets	6,990	–	–	–	–	6,990
Financial assets held at fair value through profit and loss	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

Maximum exposure to credit risk as at 30 June 2017

Type of collateral or credit enhancement	Maximum exposure to credit risk $'000	Fair value of collateral and credit enhancements held: Cash $'000	Letters of credit/ guarantees $'000	Property[3] $'000	Other[1,3] $'000	Net collateral $'000	Net exposure $'000
Placement with other banks[2]	199,481	–	–	–	–	–	199,481
Loans and advances	1,329,872	20,487	16,034	806,695	70,855	914,071	415,800
Mortgage lending	144,555	267	–	224,814	21	225,102	(80,547)
Instalment finance	10,757	–	21	3,584	3,027	6,632	4,125
Corporate lending	487,471	19,403	16,013	424,471	67,807	527,694	(40,223)
Commercial and property finance	119,166	522	–	130,225	–	130,747	(11,581)
Consumer lending	567,923	295	–	23,601	–	23,896	544,027
Derivative financial instruments	6,455	–	–	–	–	–	6,455
Currency swaps	6,455	–	–	–	–	–	6,455
Financial assets held at fair value through profit and loss	77,590	–	–	–	–	–	77,590
Government bonds	7,888	–	–	–	–	–	7,888
Promissory notes	6,243	–	–	–	–	–	6,243
Treasury bills	63,459	–	–	–	–	–	63,459
Financial assets designated at fair value through profit or loss	13,769	–	–	–	–	–	13,769
Listed equities	1,003	–	–	–	–	–	1,003
Unlisted equities	12,756	–	–	–	–	–	12,756
Property units	10	–	–	–	–	–	10
Investment securities – available-for-sale	269,953	–	24,623	–	–	24,623	245,330
Government bonds	121,931	–	4,588	–	–	4,588	117,343
Corporate bonds	126,271	–	–	–	–	–	126,271
Unlisted equities	21,427	–	20,035	–	–	20,035	1,392
Unlisted investment	324	–	–	–	–	–	324
Investment securities – held-to-maturity	53,528	–	–	–	–	–	53,528
Treasury bills	43,229	–	–	–	–	–	43,229
Promissory notes	228	–	–	–	–	–	228
Corporate bonds	3,345	–	–	–	–	–	3,345
Government bonds	6,726	–	–	–	–	–	6,726
	1,950,648	20,487	40,657	806,695	70,855	938,694	1,011,953

Notes:
1. Vehicles, machinery, other fixed assets, inventory and trade receivables.
2. Represents cash balances held with other banks. Included in $486.1 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.

Annexure A: Selected 2017 credit risk disclosures continued

Maximum exposure to credit risk as at 31 December 2017

		Fair value of collateral and credit enhancements held					
Type of collateral or credit enhancement	Maximum exposure to credit risk $'000	Cash $'000	Letters of credit/ guarantees $'000	Property[3] $'000	Other[1,3] $'000	Net collateral $'000	Net exposure $'000
Placement with other banks[2]	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 at fair value through profit and loss	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 $457 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.

Glossary

AATIF	Africa Agriculture and Trade Investment Fund S.A
ABC	BancABC
ABCH	ABC Holdings Limited
AfDB	African Development Bank
ADC	ADC African Development Corporation
AED	United Arab Emirates Dirham
AGM	Annual General Meeting
ALCO	Assets and Liability Committee
BIFM	BIFM Capital Investment Fund One (Pty) Ltd
BPR	Banque Populaire du Rwanda Limited
BRD-C	Banque Rwandaise de Développement – Commercial/Development Bank of Rwanda – Commercial
BVI	British Virgin Islands
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash-generating unit
CoE	Cost of equity
COMESA	Common Market for Eastern and Southern Africa
Corporate Centre	Atlas Mara Dubai based office
DFI	Development finance institution
DTR	Disclosure and Transparency Rules
EAC	East African Community
EAD	Exposure at default
ECOWAS	Economic Community of West African States
EIR	Effective interest rate
EL	Expected loss
EPS	Earnings per share
ERM	Enterprise-wide Risk Management
EU	European Union
EXCO	Executive Committee
FDI	Foreign Direct Investment
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
IMA	Investment Management Association
IMF	International Monetary Fund
KPI	Key performance indicator
KPMG	KPMG Inc.
LGD	Loss given default
NCI	Non-controlling interests
NPL	Non-performing loan
OCI	Other comprehensive income
OPIC	Overseas Private Investment Corporation
ORCO	Operational Risk Committee
Parent Company	Atlas Mara
PD	Probability of default
RoE	Return on equity
SADC	Southern African Development Community
Shared Services & Centre	Shared services centre, centres of excellence and previously referred to, corporate centre
SMEs	Small- and medium-sized enterprises
SSA	Sub-Saharan Africa
Translation reserve	Foreign currency translation reserve
UBN	Union Bank of Nigeria
UGPL	Union Global Partners Limited
VIU	Value in use
ZAMCO	Zimbabwean Asset Management Company

Additional information

Share information

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

2018 share price performance

2 January 2018: $2.42
29 June 2018: $2.47

Professional advisers

Company auditor
KPMG Inc.
KPMG Crescent
85 Empire Road
Parktown
South Africa
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 Pavilions, Bridgwater Road
Bristol BS99 6ZZ

Other contacts
Group Investor Relations
Email: ir@atlasmara.com

Group Media Relations
Email: media@atlasmara.com

Board of Directors
Non-Executive Directors
Bob Diamond (Chairman and Founder)
Rachel F. Robbins (Senior Independent Director)
Amadou Raimi
Eduardo C. Mondlane, Jr.
Funke Opeke
Michael Wilkerson
Richie Boucher
Hisham Ezz Al-Arab
Simon Lee

Executive Committee
John Staley (Group Chief Executive Officer)
Kenroy Dowers (Chief Financial Officer and Group Managing Director – Strategic Investments)
Beatrice Hamza Bassey (General Counsel)
Chidi Okpala (Group Managing Director – Fintech)
Mike Christelis (Group Managing Director Markets & Treasury)
Sanjeev Anand (Group Managing Director Retail and Commercial Banking)

Registered office
Ritter House, 6th Floor
Wickhams Cay II
PO Box 4041, Road Town,
Tortola VG1110

Registration number
1800950

Website address
http://atlasmara.com

atlasmara

http://atlasmara.com