

Interim Report 2017

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Financial highlights

Financial facts and figures

Loans and advances (\$)

\$1,330m

June 2016: \$1,421m

Deposits (\$)

\$1,893m

June 2016: \$1,815m

Total equity (\$)

\$573m

June 2016: \$577m

Net book value per share (\$)

\$7.18

June 2016: \$8.07

Total number of customers^{2,3}

>3.0m

Total number of employees²

~5,900

Total number of ATMs^{2,4}

>1,000

Total number of physical locations²

705

Number of acquisitions completed in 2016

2

Total number of countries

7

Notes:

1. Unaudited/unreviewed.
2. Includes UBN (even though it is not consolidated).
3. Active customers.
4. Statistics include BPR and totality of UBN's operational footprint (Atlas Mara owns 31.15%, which is accounted for as an investment in associate shareholding in UBN).

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')).

“Our highest half-year net profit to date and growth in our newest business lines show that we are delivering on the promises we made for 2017. With our new strategic partner, we are positioned better than ever to achieve our goals.”



Bob Diamond
Chairman

Overview

I am pleased to report that in H1 Atlas Mara recorded its highest half-year net profit since inception. We are delivering on the cost reductions we promised, and we remain focused on improving credit quality to enable smart, sustainable growth. We also continued to grow our deposit base, benefiting our cost of funds and thus our margins.

Our newer business lines, Fintech and Markets & Treasury, are developing well. Fintech's mobile banking, internet banking, and point-of-sale segments are reporting increased revenues. Markets & Treasury's first half profit was a nearly 50% increase from the comparable period a year ago.

The committed cost reductions have supported earnings for this strong first half. Headcount has been reduced by 30–35% across the Shared Service and Centre, and non-staff costs at the Centre have reduced substantially as well.

The first half of the year was not without its challenges. While some macroeconomic conditions improved, in some markets core factors such as growth, currency values, and market liquidity still constrained our ability to grow loans and revenue. These negatively affected our half-year results, albeit offset by improvements driven by cost reductions and growth in other areas.

Our first half net profit of \$11.5 million is a significant improvement over the \$1.2 million in the comparable period last year and builds on the \$8.4 million profit reported for the full 2016 year.

Our long-term goal remains to build sub-Saharan Africa's premier financial institution. In the short term, we remain on course to deliver on the commitments we made during the first quarter of 2017, namely: further cost reductions, and a full year net profit of more than double that of 2016.

Strategic update

In our 2016 Annual Report, we highlighted the components of our 'Buy, Protect, Grow' business model. We continue to execute using this framework as we pursue our steady-state performance targets of 20% return on equity and 2% return on assets.

Acquisitions remain a core tenet of the Atlas Mara strategy, in order to attain optimal scale. As we recently announced, we expect to complete later this year the acquisition of an additional 13.4% ownership stake in UBN, which is fundamental to our growth strategy in Africa's biggest economy.

Since completing bolt-on acquisitions in Rwanda and Zambia last year – which took us to scale positions in those countries – we have increasingly focused on organic growth. Most notably, we have accelerated investments for growth in our Markets & Treasury and Fintech business lines. Commercial and Retail Banking also saw progress in the first half, and with our new Group MD for that business line in place, we expect further improvements.

Some key highlights within our business lines include:

- In Commercial Banking, we saw net interest income growth of 10.0% year-on-year through margin improvement, and strong growth in non-interest income supported by certain one-off gains, partially offset by higher impairments from Rwanda and Zambia. Loan book growth remains a challenge due to liquidity constraints and lower demand stemming from the challenging macroeconomic conditions in some countries. Overall profitability was improved year-on-year.
- Retail Banking has seen significant improvement driven by growth in total income (+29.4% on a ccy basis) with limited growth in impairments (+2.5% ccy). A reported loss in H1 2016 has been reduced in 2017 with the business moving in the right direction.
- Our focused efforts around credit quality continue to bear fruit. Total NPL ratio declined for the third straight quarter, and credit impairments decreased year-on-year.
- In Markets & Treasury the growth trend has continued, with Markets revenue up more than 30% year-on-year. Although costs increased with our Dubai Offshore business coming onstream in May, net profit was higher, and we expect the Offshore business to grow in the future.

- Fintech has successfully established multiple partnerships that will drive digital revenue in our existing footprint and on a standalone basis. As our newest business line, its income remains low relative to the overall Group, but growth is accelerating. We expect Fintech to contribute meaningfully to net profit in 2018.

Strategic investment transaction with Fairfax Africa Holdings

We recently completed a \$200 million strategic investment (including a convertible bond and an equity placement) through which a new investor, Fairfax Africa, and existing shareholders subscribed for new ordinary shares in the Company. This investment, underwritten by Fairfax Africa, will enable us to accelerate our growth plans across the business. In addition to increasing our stake in UBN, we are deploying capital to expedite the rollout of some of our Fintech initiatives, and to drive greater Markets & Treasury revenue.

We are very pleased to have a new partner in Fairfax Africa. They share our vision for building the premier sub-Saharan Africa financial services group. Like us, they are permanent capital, enabling a truly long-term view. Fairfax has a track record as a supportive investor, and we believe this strategic partnership will enable greater value for all our shareholders.

UBN investment

In conjunction with the strategic investment, we executed an agreement to acquire an additional 13.4% stake in UBN. This will bring our total (direct and indirect) ownership in UBN to 44.5%, strengthening our position as we continue to work with other UBN shareholders to drive value creation at UBN.

We have consistently stated our view that UBN is one of the most promising banks in Nigeria, and we are thrilled to be able to increase our investment in the bank. With UBN's rights issue launching imminently, we intend to take up our maximum rights in that transaction, and believe that UBN's improved capitalisation will put it in a very strong competitive position amongst Nigerian banks going into 2018.

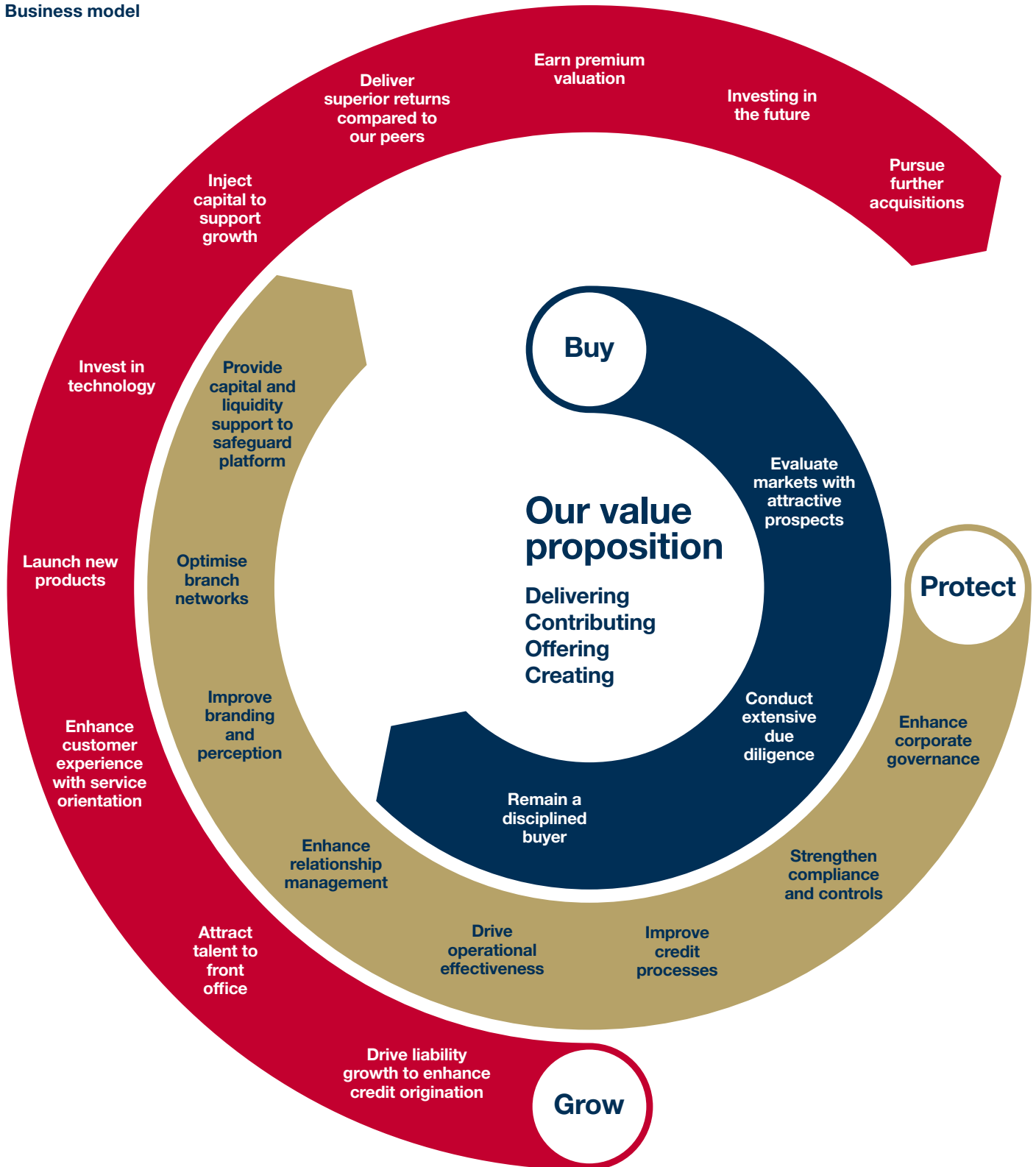
Outlook

We expect the second half to reflect further improved operational performance, with continued momentum from the cost reductions and growth initiatives that we have implemented this year. Our medium-term financial targets and strategic goals remain unchanged.

Bob Diamond

Chairman

Business model



For more information on our business model, value proposition and strategic priorities, please see pages 12 to 23 of our Annual Report 2016: atlasmara.com/media/1269/atlasmara-2016ar.pdf

“We are taking a number of steps to improve the performance of the business and we remain wholly focused on execution to deliver the returns our shareholders expect.”



Arina McDonald
Chief Financial Officer

Overview

As our Chairman, Bob Diamond, has noted, slow recovery from the 2016 challenging macroeconomic headwinds has not proven supportive to our objective of growing our balance sheets in line with our longer-term guidance. However, we were pleased with the focused Management actions across all our operating banks to support continued earnings growth during the first half of 2017.

The consolidated profit after tax for the period to June 2017 was \$11.5 million which compares to the comparable prior year profit of \$1.2 million, and the full year 2016 profit of \$8.4 million. Excluding the impact of exchange rate movements, our first half net profit would have been \$15.4 million. We continue to report quarterly growth in earnings for the past consecutive four quarters, reflecting a positive growth trajectory in line with our internal forecasts.

The improvement in our performance this year is mainly due to targeted and specific management actions, specifically focusing on improving the credit quality of our loan book. This was visible through reducing the operational non-performing loan (NPL) ratio from 13.3% at December 2016 to 12.0% at June 2017. The NPL book reduced by \$7.6 million over the same period on an IFRS basis vs \$35 million on an operational basis. We have achieved success in net NPL recoveries in Mozambique, Zambia and Zimbabwe of \$2.9 million during the first six months of 2017. This has supported earnings growth and offsetting additional impairments in Zimbabwe and Rwanda taken on the corporate loan book of \$6.3 million (pre-tax) in total.

Improvement in margin on earning assets of 2.9% year-on-year was due to increasing yields and a continuous reduction in cost of funding, with the teams focusing on restructuring the balance sheet and funding assets with lower cost deposits. Current accounts, by way of example, have increased by \$156.3 million or 26.9% year-on-year. We have also focused on growing the non-balance sheet intensive transactional products, as well as the digital business and alternative channels such as mobile and internet banking, point of sale device usage, and agency banking across most of our markets. These initiatives have seen increased revenue generation and double-digit volume growth in transactions year-on-year, albeit off a low base. We believe this positive traction will continue to grow as the teams are focused on further customer acquisition and increasing the Fintech offering.

The Markets & Treasury business has continued to perform well, against a backdrop of lower volume and value activity in Mozambique and Botswana given the slower economic recovery year-on-year. Our other businesses have in turn showed good momentum, resulting in the positive year-on-year growth for the Markets & Treasury business of 33%.

We have also taken several steps to improve the operational efficiency in our business, resulting in lower cost growth year-on-year with a cost to income ratio of 85.2% as at 30 June 2017. This is a notable improvement considering the H1 results for 2017 include the cost base of FBZ that was not included in the prior period results. We have also recorded a saving of \$8 million in the Shared Services & Centre year-to-date cost base compared to actual costs incurred in H1 of 2016.

While we were pleased with the 15% reduction in year-on-year cost to income ratio, the ratio remains higher than where we would like it to be and we are focusing on further reducing this efficiency ratio closer to peer levels.

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

		2017	2016	Var	CC Var ¹
Total income	\$ million	122.2	113.5	7.7%	9.9%
Impairment	\$ million	(10.0)	(9.1)	(9.9%)	(9.9%)
Total expenses (excluding one-off)	\$ million	(103.5)	(104.1)	0.6%	(3.4%)
Share of profit of associates	\$ million	8.7	12.5	(30.4%)	7.5%
Adjusted profit/(loss) before tax	\$ million	17.4	12.8	35.9%	74%
Adjusted net profit/(loss)	\$ million	12.2	9.2	32.6%	60.5%
M&A transaction expenses	\$ million	(0.4)	(7.8)	>100	>100
Reorganising/restructuring costs	\$ million	(0.2)	(3.6)	83.3%	83.3%
Reported profit/(loss) before tax	\$ million	16.8	1.4	>100	>100
Reported net profit/(loss)	\$ million	11.5	1.2	>100	>100
Reported cost to income ratio	%	85.2	101.7		
Adjusted cost to income ratio	%	84.7	91.7		
Reported return on equity	%	4.0	0.4		
Adjusted return on equity	%	4.3	3.2		
Return on assets	%	0.8	0.1		
Adjusted return on assets	%	1.7	0.6		
Reported EPS	\$	0.15	0.02		
Credit loss ratio	%	1.5	1.3		
Book value per share	\$	7.18	8.07		
Tangible book value per share	\$	5.31	6.07		

Note:

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

Table 2: Total income

		2017	2016	Var	CC Var
Net interest income	\$78.6 million	\$45.2 million		73.9%	79.0%
Non-interest income	\$43.6 million	\$68.3 million		(36.2%)	(35.2%)

The Shared Services & Centre cost saving, as was communicated to the market in February this year of around \$20 million for 2017 will support this objective in particular, whilst we are continuing to invest in some Fintech initiatives and new products to offer to the Corporate and Retail customer, as we are investing for sustainable future growth.

We remain focused on execution to deliver improved returns to shareholders for the full year 2017 of more than double the consolidated reported profit after tax reported for 2016 of \$8.4 million.

Income statement review

We reported growth in total income of 9.9% on a constant currency basis, largely attributable to increased margins year-on-year particularly in Mozambique (6.4%), Tanzania (2.3%) and Zambia (2.1%). This was mainly due to increasing yields and customer acquisition, although partly as a result of reducing the cost of funding, notably in Tanzania (80bps) and Botswana (20bps).

We continue to build our capability in the Digital offering through mobile and internet banking, agency banking and focusing on corporate transactional business growth having improved our payments offering to clients. Such lower balance sheet intensive revenues from these products and services will further accelerate return on capital, as a core objective of delivering on our strategy to shareholders.

Net interest income

Reported NII growth of 79.0% on a constant currency basis mainly due to the acquisition of FBZ where the acquisition was completed at the end of the comparable period on 30 June 2016. On a pro forma basis, with FBZ included in the comparative numbers, NII grew by 22.3% mainly due to growth in Mozambique, Zambia and Zimbabwe.

Growth in Mozambique was driven largely by higher yields on interest earning assets due to an increase in interest rates in the market. In addition to the contribution from FBZ, we saw positive traction in the underlying growth in Zambia as the contribution in the prior period was depressed due to higher cost of funds and the regulatory interest rate caps on the consumer loan book that reduced the ability on price adjustments.

Zimbabwe reported positive growth in NII amongst others, from treasury bills received from the Zimbabwe Asset Management Company (ZAMCO), following prior year NPL asset sales to ZAMCO, together with a reduction in cost of funds due to the bank's deposit repricing efforts.

Non-interest income

NIR declined by 35.2% on a constant currency basis mainly due to the one-off fair value gain resulting from the sharp depreciation of the Nigerian Naira in June 2016. This contributed around \$15.4 million in the consolidation journals and the comparative numbers also included a bargain purchase gain of \$1 million on the acquisition of FBZ. Notwithstanding the overall growth in the Markets & Treasury revenue, we saw declines in the volume of transactions in particularly Botswana and Mozambique as a result of lower market FX volatility and reduced client activity. As a result, NIR performance in Botswana and Mozambique was hampered by a decline in trading revenue (decline by 41.5% and 57.6% respectively year on year), whilst other of our banking operations have in turn seen some growth in this business.

Total expenses

Total costs amounted to \$104.1 million versus \$115.5 million in the prior period, a decrease of 6.6% in constant currency terms year-on-year. This was despite the inclusion of nearly \$22 million of costs in respect of FBZ in Zambia this year, which were not included in the comparable prior period figures. Including FBZ on a pro forma basis, total Group costs would have reduced by 23.3% on constant currency terms year-on-year. Expenses also decreased in Rwanda following the staff restructuring programme in the latter part of the prior year, as part of the integration activities, together with a reduction in marketing expenses year-on-year in Rwanda, post merger.

Cost savings in the Shared Services & Centre, after staff rationalisation programmes and the closure of the Johannesburg office in March 2017, have further contributed to the above noteworthy cost reduction totalling \$8 million year-to-date, compared to prior period. This includes savings in staff costs following staff redundancies, other operational expense savings and non-recurring M&A costs incurred in H1 2016.

We continue to have a Group-wide focus on cost containment to support positive JAWS. However, we remain focused to invest in some core new product and system development to ensure the sustainability of improved quality and more diverse sources of income in the future.

Loan impairment charges

The loan impairment charge of \$10 million (2016: \$9.1 million) is broadly constant year-on-year but with a positive trajectory on improved NPL ratio, reflecting an improved overall quality of risk assets. The credit loss ratio, which has been trending downwards since Q1 2016 driven by improved credit processes and NPL recoveries in Botswana, Mozambique and Zimbabwe, increased modestly in Q2 2017 from 1.3% in H1 2016 to 1.5% as at H1 2017. The increase in credit loss ratio is largely due to some impairments in the corporate loan book in Zambia and Rwanda of \$6.3 million (pre-tax), offset by recoveries in Zambia and Zimbabwe.

Share of profit of associates

This represents Atlas Mara's share of profit from the 31.15% stake in Union Bank of Nigeria Plc ('UBN') based on their published results to 30 June 2017. The impact of intangible amortisation is also included. Given that, as of the date of release of these results, UBN had publicly disclosed its first half results to the market, their results have been included in this set of accounts without any change.

The challenges seen in the Nigerian macroeconomic environment in 2016 have continued this year. The decline in commodity prices, especially in oil and gas, has led to a reduction in national income and slower growth, as well as a reduction in Foreign Direct Investment.

In constant currency terms, net interest income before impairments improved 2.5% year-on-year and the credit impairment charge in the income statement reduced notably following lower specific impairments compared to the prior period, and somewhat muted loan book growth, thus not resulting in a much higher portfolio provision.

Net interest margins, however, tightened from 9.1% to 7.1%, given the continued market liquidity tightness. Non-interest revenue was down 14.6% on a constant currency basis year-on-year due to lower trade volumes adversely impacted by scarcity of foreign currency. However we have seen some reprieve from an increase in portfolio inflows over the past few months (ca.\$1.3 billion in May to roughly \$1.9 billion in July) ascribed to the Nigerian Central Bank's more liberal stance on the Naira exchange rate. The launch of the Investors' and Exporters' forex window played a significant role in this regard, and should support more FDI (US dollar) inflows and thus improved market liquidity, and also support a downturn in inflation and thus improve economic growth – an environment that bodes well for the future growth plans of UBN.

Growth in expenses was due to increased investments in the brand with the celebration of its 100th Year of doing business, the continued investment in technology and other CAPEX with a higher inflationary environment and a weaker Naira, noting that most of this IT and capex spend is USD-linked expenditure.

Statement of financial position review

Customer loans and advances comprise ca.46% of the Group's total asset base. Balance sheet growth is 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 and rising inflation in many markets. On a constant currency basis, total assets declined by 2.6% compared to 2016.

Table 3: Loan impairment charges

	2017 \$m	2016 \$m	Var %	CC Var %
Loan impairment charges	10.0	9.1	(9.9%)	(9.9%)

Table 4: Share of profit of associates

	2017 \$m	2016 \$m	Var %	CC Var %
Share of profit of associates	8.7	12.5	(30.4%)	7.5%

Credit quality

The operational NPL coverage ratio has remained relatively stable year-on-year at 58.1% (2016: 58.7%). Given the nature of the loan book and relatively diverse sector exposure, Management is of the view that this represents an adequate provision level for the Group. Non-performing loans (NPLs) as a percentage of the loan book declined to 11.7% (June 2016: 13.2%), with the NPL ratio also decreasing year-on-year from 13.2% to 12.0%. Including the accounting treatment of IFRS 3 Business Combinations at-acquisitions NPL recoveries, this ratio in fact decreased from 9.6% to 9.0% reflecting a more extensive perspective of total NPLs including those recorded and discounted upon Atlas Mara's acquisition of its various subsidiaries.

We continue to focus on improving credit processes and embedding responsible lending practices across the Group to drive improvements in the quality of the loan portfolio – all being a key priority for Management. This focus is evidenced by the reduction in the NPL book from \$204 million in June 2016 to \$169 million as at June 2017.

Capital position

As at 30 June 2017, 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.

Capital ratios	June 2017	December 2016	Regulatory minimum
Botswana	19.1%	20.2%	15.0%
Mozambique	26.1%	24.0%	8.0%
Rwanda	23.1%	23.0%	15.0%
Tanzania	14.1%	14.2%	12.0%
Zambia (ABC)	N/A	30.6%	10.0%
Zambia (FBZ)	N/A	31.1%	10.0%
Zambia	14.2%	N/A	10.0%
Zimbabwe	22.5%	20.9%	12.0%

Deposits in Zimbabwe grew by \$77.6 million as compared to prior year reflecting a net cash inflow from selected corporate accounts.

Across the Group, the contribution of transactional deposits continued an upward trajectory compared to prior year (increase of current accounts of \$156 million year-on-year), whilst the Group's reliance on term and interbank deposits has been gradually declining (by \$67 million year-on-year) which will support the Group-wide focus to reduce cost of funding.

Table 5: Customer loans and deposits

	2017 \$m	2016 \$m	Var %	CC Var %
Total assets	2,913.4	2,946.7	(1.1%)	(2.6%)
Customer loans*	1,329.9	1,421.0	(6.4%)	(8.0%)
Total deposits	1,892.7	1,814.9	4.3%	2.7%

* Included in customer loans are IFRS based NPLs of \$123.6 million, which compares to \$169.0 million operational NPLs as at 30 June 2017

Table 6: Composition of liabilities

	2017 \$m	2016 \$m	Var %	CC Var %
Deposits due to customers	1,892.7	\$1,814.9	4.3%	2.7%
Borrowed funds	364.7	\$342.9	6.4%	5.2%

Goodwill and intangibles

As a result of the acquisitions made during 2016 and in compliance with IFRS 3: Business Combinations, the statement of financial position incorporates a goodwill asset of \$88.8 million (December 2016: \$83.8 million) and intangible assets of \$86.3 million (December 2016: \$84.4 million). Intangible assets are amortised over an average seven-year useful life period and include investment in new product development, specifically focused on the Group's Fintech strategy and product development to support the Corporate customer book's further sector diversification objective.

This asset class represents a combined 6% of the Group's total assets, resulting in a tangible book value of \$5.31 per share (December 2016: \$5.27 per share) versus a book value per share of \$7.18 (December 2016: \$7.29).

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 \$300.6 million (2016: \$321.4 million). The value of the equity-accounted earnings is as reported in UBN's 30 June 2017 unaudited financials.

We have reviewed the carrying value of the investment held in UBN from a valuation perspective. Stress-testing of future expected earnings has been considered, taking into account the impact of the depreciation of the Naira (through the FX window rate versus official rate), as well as potential credit shocks in the Nigerian market from lower oil prices and market-wide shortages of US dollar liquidity. The carrying value was substantiated notwithstanding such potential stress scenarios. Following on from the recently closed \$200 million strategic financing

transaction, post period end, where the investment in UBN is expected to increase to at least 44.5%. This investment valuation is set to further increase towards December year-end.

Equity and liabilities

Equity was broadly stable over the period at \$573.1 million (December 2016: \$526.1 million) reflecting the positive net impact of the profit contribution for the half year, the modest capital raising undertaken in February 2017 of \$13.5 million, and the positive FX translation impact of \$17.8 million from converting our African operations into US dollars as reporting currency over H1 2017. Customer deposits comprise 81% of the liability base and represent 65% of the aggregate of liabilities and equity. The loan to deposit ratio for June 2017 is 70.3% (June 2016: 78.3%).

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. The scale of our operations in Zambia was increased with a net asset value of \$64.6 million following the acquisition of Finance Bank Zambia at 30 June 2016. The integration process has largely been completed and we remain positive on the medium- to long-term growth opportunities for this market, post reaching scale in that market as a credible competitor bank.

East Africa

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

In January 2016 Atlas Mara acquired a 45.03% stake in BPR. BPR was merged with Atlas Mara's wholly-owned bank, BRD-Commercial Bank at the beginning of January 2016 with BPR as the surviving entity, and Atlas Mara owning 62.06% of the merged entity, which is now the second largest bank in this key East African growth market. The integration process saw

savings materialise following a restructure process during Q3 and Q4 2016, reducing its year-on-year cost to income ratio from 86.3% to 72.6% and reported a total asset base of \$337 million (BPR stand-alone December 2015 was at \$250 million) – and a total customer deposit base of \$260 million as at June 2017 (December 2015: \$188 million).

West Africa

The contribution to earnings from West Africa comprises our associate investment in UBN, based on our 31.15% share of UBN's earnings attributable to equity holders as disclosed in their published results. Our investment in UBN resulted in associate income of \$8.7 million in 2017 compared to \$12.5 million for 2016, representing a 7.5% increase in constant currency.

Atlas Mara, through its three Board seats on the UBN Board, is working closely with UBN Management to navigate investment and banking opportunities in that market as UBN focuses on diversifying away from a mostly oil-based economy. The total assets growth for UBN year-on-year of 15.2% on a constant currency basis reflects early successes of such a strategy to grow, with a positive 24.1% growth in customer deposits which has been a key focus over the past year.

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 the acquisitions of ABCH and ADC in August 2014.

The Shared Services & Centre of Atlas Mara have shown improved results for H1 2017 compared H1 2016, representing the positive result for shareholders following the restructuring in Q1 2017 that focused on taking costs out of the Centre and better align the Group's head office structure and cost base to its revenue generating subsidiaries.

Arina McDonald

Chief Financial Officer

Table 7: Segmental results

	Banking Operations				Other	
	Group \$m	Southern \$m	East \$m	West \$m	Shared Services & Centre \$m	M&A, ADC and Consol \$m
2017						
Total income	122.2	95.1	24.7	–	2.1	0.3
Loan impairment charge	(10.0)	(6.9)	(5.6)	–	–	2.5
Operating expenses	(104.1)	(79.6)	(21.5)	–	(3.7)	0.7
Share of profits of associate	8.7	–	–	8.7	–	–
Profit/(loss) before tax	16.8	8.6	(2.4)	8.7	(1.6)	3.5
Profit/(loss) after tax and NCI	11.5	4.5	(1.6)	8.7	(1.6)	1.5
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	692.7	(566.8)
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 – earnings assets	7.0%	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%			

Chief Financial Officer's Review of Financial Performance continued

Table 7: Other segmental results continued

	Banking Operations				Other	
	Group \$m	Southern \$m	East \$m	West \$m	Shared Services & Centre \$m	M&A, ADC and Consol \$m
2016						
Total income	113.5	71.2	27.1	–	6.6	8.6
Loan impairment charge	(9.1)	(8.1)	(1.5)	–	–	0.5
Operating expenses	(115.5)	(61.0)	(24.6)	–	(18.4)	(11.5)
Share of profits of associate	12.5	–	–	12.5	–	–
Profit/(loss) before tax	1.4	2.1	1.0	12.5	(11.8)	(2.4)
Profit/(loss) after tax and NCI	1.2	2.1	1.1	12.5	(11.8)	(2.7)
Loans and advances	1,421.0	1,125.3	297.0	–	–	(1.3)
Total assets	2,946.7	1,979.3	504.2	321.4	722.4	(580.6)
Total liabilities	2,369.4	1,873.8	434.1	–	76.3	(14.8)
Deposits	1,814.9	1,423.7	391.5	–	–	(0.3)
Net interest margin – total assets	3.1%	3.4%	7.9%	–	–	–
Net interest margin – earnings assets	4.1%	4.3%	9.3%	–	–	–
Cost to income ratio	101.7%	85.7%	90.9%	–	–	–
Statutory credit loss ratio	1.3%	1.4%	1.0%	–	–	–
Return on equity	0.4%	3.9%	3.1%	–	–	–
Return on assets	0.1%	0.2%	0.4%	–	–	–
Loan to deposit ratio	78.3%	79.0%	75.9%	–	–	–

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

Introduction

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 2017 which comprises of the Consolidated Statement of Profit and Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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.

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.

As disclosed in the significant accounting policies, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting 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.

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. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

Other matter

We draw attention to the fact that we have not audited the accompanying comparative Consolidated Statements of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the period ended 30 June 2016, or any of the related notes and accordingly, we do not express an opinion on them.

Conclusion

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 2017 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU.

KPMG Inc

Per Pierre Fourie

Registered Auditor
6 September 2017

Consolidated statement of financial position
at 30 June 2017

	Notes	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Assets				
Cash and short-term funds		486,149	448,257	406,325
Financial assets held for trading	15	77,590	146,773	101,727
Financial assets designated at fair value	16	13,769	13,595	13,868
Derivative financial assets		6,455	5,121	6,323
Loans and advances	10	1,329,872	1,421,046	1,334,763
Investment securities	17	323,481	181,886	237,192
Prepayments and other receivables		49,947	111,650	62,244
Current tax assets		7,104	8,033	5,633
Investment in associates	6	302,607	324,269	293,980
Property and equipment		91,530	93,701	92,428
Investment property		20,478	16,150	17,318
Other intangible assets	7	86,266	84,980	84,435
Deferred tax assets	20.3	14,338	9,415	14,323
Goodwill on acquisition	7	88,757	81,785	83,800
Non-current assets and disposal groups held for sale		15,019	–	1,633
Total assets		2,913,362	2,946,661	2,755,992
Equity and liabilities				
Deposits	3	1,892,652	1,814,924	1,799,443
Derivative financial liabilities		6,021	10,530	5,770
Creditors and accruals		47,631	178,141	74,599
Current tax liabilities		3,606	4,056	4,463
Deferred tax liabilities	20.3	25,696	18,747	23,088
Borrowed funds	2	364,674	342,961	322,574
Total liabilities		2,340,280	2,369,359	2,229,937
Founder preference shares	1	12,500	12,500	12,500
Ordinary share capital	1	786,667	772,204	773,213
Capital reserves		56,020	33,406	45,840
Accumulated losses		(42,010)	(54,113)	(46,676)
Available-for-sale reserves		(1,205)	1,040	(744)
Foreign currency translation reserve		(233,042)	(179,427)	(251,503)
Treasury shares		(25,108)	(27,787)	(26,085)
Equity attributable to ordinary shareholders		553,822	557,823	506,545
Non-controlling interest		19,260	19,479	19,510
Total equity		573,082	577,302	526,055
Total equity and liabilities		2,913,362	2,946,661	2,755,992

Consolidated statement of profit or loss

for the six months ended 30 June 2017

	Notes	Half-year to 30 June 2017 \$'000	Half-year to 30 June 2016 \$'000	31 December 2016 \$'000
Interest and similar income	14	139,208	106,366	247,052
Interest and similar expense	4	(60,568)	(61,195)	(119,811)
Net interest income		78,640	45,171	127,241
Loan impairment charges	11	(10,031)	(9,093)	(15,448)
Net interest income after loan impairment charges		68,609	36,078	111,793
Non-interest income	18	43,603	68,303	114,499
Share of profit of associates		8,648	12,480	17,926
Total operating income		120,860	116,861	244,218
Operating expenses	19	(103,514)	(106,798)	(223,068)
Transaction and integration expenses		(589)	(8,655)	(11,783)
Profit before tax		16,757	1,408	9,367
Income tax expense	20.1	(5,389)	(367)	(78)
Profit for the period		11,368	1,041	9,289
Attributable to:				
Ordinary shareholders		11,468	1,178	8,402
Non-controlling interests		(100)	(137)	887
		11,368	1,041	9,289
Basic earnings per share (\$)	23	0.15	0.02	0.12
Diluted earnings per share (\$)	23	0.15	0.02	0.12

Consolidated statement of other comprehensive income

for the six months ended 30 June 2017

	Half-year to 30 June 2017 \$'000	Half-year to 30 June 2016 \$'000	31 December 2016 \$'000
Profit for the period	11,368	1,041	9,289
Other comprehensive income to be reclassified to profit/loss in subsequent periods	20,768	(81,978)	(151,638)
Exchange differences on translating foreign operations	17,836	(83,010)	(159,423)
Available-for-sale financial assets – net change in fair value	(461)	715	(3,406)
Equity-accounted investees	560	317	11,191
Other	2,833	–	–
Other comprehensive income not to be reclassified to profit/loss in subsequent periods	–	–	2,959
Revaluation of land and buildings	–	–	2,959
Total comprehensive income for the period, net of tax	32,136	(80,937)	(139,390)
Total comprehensive income attributable to:			
Ordinary shareholders	32,861	(83,169)	(138,677)
Non-controlling interests	(725)	2,232	(713)
	32,136	(80,937)	(139,390)

Consolidated statement of changes in equity

for the six months ended 30 June 2017

	Founder Preference Shares \$'000	Ordinary share capital \$'000	Capital reserves ¹ \$'000
Opening balance as at 1 January 2016	12,500	772,204	18,098
Profit for the period	-	-	-
Other comprehensive income			
Exchange differences on translating foreign operations	-	-	-
Net loss on hedge of net investment in foreign operations	-	-	-
Revaluation of property net of deferred tax	-	-	2,959
Movement in available-for-sale reserves	-	-	(120)
Equity-accounted investees	-	-	-
Total comprehensive income	-	-	2,839
Transactions with owners			
Employee share awards	-	-	2,389
Issue of ordinary shares to Directors	-	-	-
Shares issued on acquisition	-	1,009	-
Equity portion of convertible debt issued	-	-	3,409
Non-controlling interests acquired	-	-	(126)
Fair value of non-controlling interest settled	-	-	-
Movements in non-distributable reserves	-	-	8,094
Conditional shares to be issued on acquisition	-	-	11,137
Movements in treasury shares	-	-	-
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
Equity portion of convertible debt issued	-	-	-
Issue of ordinary shares to Directors	-	-	-
Non-controlling interests acquired	-	-	-
New shares issued on private placement	-	13,454	-
Fair value of non-controlling interest settled	-	-	-
Movements in non-distributable reserves	-	-	6,880
Closing balance as at 30 June 2017	12,500	786,667	56,020

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
325	(94,125)	(25,563)	(53,230)	630,209	(4,683)	625,526
-	-	-	8,402	8,402	887	9,289
-	(157,378)	-	-	(157,378)	(2,045)	(159,423)
-	-	-	-	-	-	-
-	-	-	-	2,959	-	2,959
(1,069)	-	-	(2,662)	(3,851)	445	(3,406)
-	-	-	11,191	11,191	-	11,191
(1,069)	(157,378)	-	16,931	(138,677)	(713)	(139,390)
-	-	2,555	-	4,944	-	4,944
-	-	-	-	-	-	-
-	-	-	-	1,009	-	1,009
-	-	-	-	3,409	-	3,409
-	-	-	-	(126)	25,395	25,269
-	-	-	-	-	-	-
-	-	-	(10,377)	(2,283)	(489)	(2,772)
-	-	-	-	11,137	-	11,137
-	-	(3,077)	-	(3,077)	-	(3,077)
(744)	(251,503)	(26,085)	(46,676)	506,545	19,510	526,055
-	-	-	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

Consolidated statement of cash flows

for the six months ended 30 June 2017

	Notes	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Cash flows from operating activities		81,346	108,951	89,493
Profit before tax		16,757	1,408	9,367
Adjusted for:				
Fair value adjustments		(7,299)	1,915	(4,428)
Foreign exchange losses		(2,589)	(5,400)	(8,046)
Loan impairment charges	11	10,031	9,093	15,448
Depreciation and amortisation		11,055	7,337	21,175
Net losses on derivative financial instruments		119	2,111	667
Net gains on financial instruments at fair value through profit/loss		(4,177)	(22,255)	(25,736)
Share of profit of associates	6	(8,648)	(12,480)	(17,926)
Re-measurement of investment property		-	(616)	(306)
Bargain purchase accounted for in the statement of profit/loss		-	(2,000)	(1,811)
Profit on disposal of property and equipment		(92)	-	-
Equity-settled share-based payment transactions		1,444	1,575	4,943
Tax paid		(2,420)	(1,647)	(7,810)
Net cash inflow/(outflow) from operating activities before changes in operating funds		14,181	(20,959)	(14,463)
Net decrease in operating funds		67,165	129,910	103,956
Decrease/(increase) in operating assets		1,893	(41,992)	161,566
Increase/(decrease) in operating liabilities		65,272	171,902	(57,610)
Cash flow from investing activities		(80,450)	(59,998)	9,369
Purchase of property and equipment		(12,505)	(18,859)	(488)
Purchase of investment property		-	-	(545)
Purchase of intangible assets		(11,484)	(10,185)	(1,595)
Financial assets designated at fair value		4,276	1,782	7,116
Financial assets held for trading		24,137	43,459	105,099
Purchase of investment securities		(86,750)	(106,170)	(140,822)
Proceeds on disposal of property and equipment		1,876	-	-
Net cash inflow resulting from acquisition of subsidiaries		-	29,975	40,604
Cash flows from financing activities		55,554	67,314	(2,670)
Increase in borrowed funds		42,100	58,389	406
Proceeds from share issue		13,454	-	-
Purchase of treasury shares		-	-	(3,076)
Increase in equity reserves		-	8,925	-
Increase in cash and cash equivalents		56,450	116,267	96,192
Cash and cash equivalents at the beginning of the period		406,325	320,682	320,682
Exchange rate adjustment on opening balance		23,374	11,308	(10,549)
Cash and cash equivalents at the end of the period		486,149	448,257	406,325
Cash and short-term funds		486,149	448,257	406,325
Cash and cash equivalents		384,085	319,322	285,157
Statutory reserve balances		102,064	128,935	121,168

Segmental report

for the six months ended 30 June 2017

Segment information

Segment results that are reported to the Group's Executive Committee (EXCO – being the chief operating decision maker) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly 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; and
- 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; and
- Forex, bond and fixed income trading.

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

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

Segmental report continued
for the six months ended 30 June 2017

Inter-segment revenues are eliminated on consolidation.

Statement of profit or loss

	Half-year to 30 June 2017						Total \$'000
	Southern Africa ¹		East Africa ²		West Africa ³	Corporate ⁴	
	Retail \$'000	Corporate \$'000	Retail \$'000	Corporate \$'000	Corporate \$'000	Corporate \$'000	
Interest and similar income	50,909	55,539	21,670	11,090	–	–	139,208
Interest and similar expense	(15,943)	(28,816)	(4,016)	(9,624)	–	(2,169)	(60,568)
Net interest income	34,966	26,723	17,654	1,466	–	(2,169)	78,640
Loan impairment charges	(7,463)	483	(1,388)	(4,212)	–	2,549	(10,031)
Income from lending activities	27,503	27,206	16,266	(2,746)	–	380	68,609
Non-interest income	12,623	20,861	3,085	2,465	–	4,569	43,603
Total operating income	40,126	48,067	19,351	(281)	–	4,949	112,212
Operating expenses	(50,749)	(28,809)	(13,064)	(8,419)	–	(3,062)	(104,103)
Net income from operations	(10,623)	19,258	6,287	(8,700)	–	1,887	8,109
Share of profit of associates	–	–	–	–	8,648	–	8,648
Profit/(loss) before tax	(10,623)	19,258	6,287	(8,700)	8,648	1,887	16,757
Income tax expense	2,684	(6,825)	95	32	–	(1,375)	(5,389)
Profit/(loss) for the year	(7,939)	12,433	6,382	(8,668)	8,648	512	11,368
Non-controlling interest	–	–	2,764	(3,408)	–	544	(100)
Profit/(loss) attributable to ordinary shareholders	(7,939)	12,433	3,618	(5,260)	8,648	(32)	11,468

	Half-year to 30 June 2016						Total \$'000
	Southern Africa ¹		East Africa ²		West Africa ³	Corporate ⁴	
	Retail \$'000	Corporate \$'000	Retail \$'000	Corporate \$'000	Corporate \$'000	Corporate \$'000	
Interest and similar income	43,180	31,981	26,285	4,865	–	55	106,366
Interest and similar expense	(24,475)	(16,988)	(7,077)	(4,172)	–	(8,483)	(61,195)
Net interest income	18,705	14,993	19,208	693	–	(8,428)	45,171
Loan impairment charges	(7,685)	(377)	(876)	(656)	–	501	(9,093)
Income/(loss) from lending activities	11,020	14,616	18,332	37	–	(7,927)	36,078
Non-interest income	18,814	18,689	6,556	642	–	23,602	68,303
Total operating income	29,834	33,305	24,888	679	–	15,675	104,381
Operating expenses	(43,478)	(21,657)	(22,121)	(2,500)	–	(25,697)	(115,453)
Net income from operations	(13,644)	11,648	2,767	(1,821)	–	(10,022)	(11,072)
Share of profit of associates	–	–	–	–	12,480	–	12,480
Profit/(loss) before tax	(13,644)	11,648	2,767	(1,821)	12,480	(10,022)	1,408
Income tax expense	3,858	(3,874)	(173)	–	–	(178)	(367)
Profit/(loss) for the year	(9,786)	7,774	2,594	(1,821)	12,480	(10,200)	1,041
Non-controlling interest	–	–	(239)	560	–	(184)	137
Profit/(loss) attributable to ordinary shareholders	(9,786)	7,774	2,355	(1,261)	12,480	(10,384)	1,178

Statement of profit or loss continued

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

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 Shared Services & Centre.

Segmental report continued
for the six months ended 30 June 2017

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

Statement of financial position

	30 June 2017						
	Southern Africa ¹		East Africa ²		West Africa ³	Corporate ⁴	Total \$'000
	Retail \$'000	Corporate \$'000	Retail \$'000	Corporate \$'000	Corporate \$'000	Corporate \$'000	
Loans and advances	615,611	431,586	160,521	115,465	–	6,689	
Total assets	734,131	1,272,229	184,592	296,035	300,571	125,804	2,913,362
Deposits	326,335	1,192,175	128,901	247,057	–	(1,816)	1,892,652
Total liabilities	692,209	1,198,858	181,998	230,113	–	37,102	2,340,280

	30 June 2016						
	Southern Africa ¹		East Africa ²		West Africa ³	Corporate ⁴	Total \$'000
	Retail \$'000	Corporate \$'000	Retail \$'000	Corporate \$'000	Corporate \$'000	Corporate \$'000	
Loans and advances	586,280	416,851	258,419	38,630	–	120,866	
Total assets	640,986	1,083,505	382,866	121,333	321,434	396,537	2,946,661
Deposits	212,905	997,262	267,786	123,731	–	213,240	1,814,924
Total liabilities	595,554	1,024,736	324,413	109,651	–	315,005	2,369,359

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

Notes:

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

Significant accounting policies

for the six months ended 30 June 2017

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

i. Reporting entity

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

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

During the course of 2014, 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, ADC African Development Corporation AG ('ADC'), BRD Commercial Bank Limited ('BRD Commercial'), and a non-controlling holding, both direct and indirect, in Union Bank of Nigeria plc ('UBN').

In 2016, Atlas Mara acquired control of BPR and Finance Bank Zambia ('FBZ').

ii. Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) 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 2017, there were no unendorsed standards effective for the period ended 30 June 2017 that affect these consolidated financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Group.

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

Going concern

The Directors consider it appropriate to adopt the Going Concern basis 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.

The Parent company forecasts include increased income during the next 12 months as further regulatory approvals are obtained and as dividends come on-stream from late 2017, as planned investee performance is realised.

Significant accounting policies continued
for the six months ended 30 June 2017

The financial statements are prepared in US dollars (\$), the presentation currency of the Group and Company, and rounded to the nearest thousands (\$'000s) unless otherwise stated.

These non-statutory accounts have been prepared by Atlas Mara Limited for the purposes of meeting the requirements of the Disclosure and Transparency Rules of the UK's Financial Conduct Authority, and are unaudited and unreviewed.

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. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty, are set out in the relevant disclosure notes for the following areas:

- fair value of financial instruments (notes 2, 8 and 24);
- fair value of assets and liabilities acquired in business combinations (note 5);
- investment in associates (note 6);
- goodwill impairment (note 7); and
- loan impairment charges (note 11).

iv. Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

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

However, foreign currency differences arising from the translation of available-for-sale equity instruments are recognised in OCI.

Foreign operations

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

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

v. Financial assets and liabilities

Initial recognition, measurement and derecognition

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

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

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

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

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

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

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

Financial instruments designated at fair value

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below. These instruments are designated at inception and this designation is irrevocable. Instruments may be designated at fair value when the designation:

- eliminates or significantly reduces measurement or recognition mismatches that would otherwise arise from measuring financial instruments or recognising gains and losses on different bases from related positions. Designation at fair value of the financial assets and related liabilities allows the changes in fair values to be recorded in the statement of profit or loss and presented in the same line; and
- applies to groups of financial instruments that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management strategy, and where information about the groups of financial instruments is reported to management on that basis.

Financial liabilities

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

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

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

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

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

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

Financial assets

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

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

Loans and receivables

Loans and receivables include loans and advances, prepayments and other receivables and loans to Group companies.

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within loan impairment charges. When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against loan impairment charges in profit or loss.

Cash and cash equivalents

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

Designated as at fair value through profit or loss, held for trading financial assets, held-to-maturity financial assets and available-for-sale financial assets

Other financial assets include investments classified as designated as at fair value through profit or loss, held for trading and held-to-maturity investments.

Designated as at fair value through profit or loss

Financial assets are designated as at fair value through profit or loss upon initial recognition to the extent it produces more relevant information because it forms part of a group of assets which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally to management on that basis. Subsequent gains and losses arising from changes in fair value are recognised in profit or loss.

Held for trading financial assets

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

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

Held-to-maturity financial assets

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

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

Available-for-sale financial assets

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

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

Derivative financial assets and liabilities

A derivative is a financial instrument with the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable;
- It requires no initial net investment, or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- It is settled at a future date.

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

Effective interest method

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

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

Compound instruments

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

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

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

Funding

As a growing Group, the execution of our business model is dependent on our ability to continue to raise long-term funding. We continue to deliver on our strategy in line with our business model of **Buy, Protect, Grow**.

Notes to the financial statements

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

1. Capital and reserves

Refer to accounting policy pertaining to financial instruments included on pages 24 to 26.

Share capital

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

1.1. Authorised and issued share capital and share warrants

	30 June 2017		30 June 2016		31 December 2016	
	No. of shares '000	\$'000	No. of shares '000	\$'000	No. of shares '000	\$'000
Opening balance¹	72,759	773,213	72,459	772,204	72,459	772,204
Ordinary shares issued	7,035	13,454	–	–	300	1,009
Closing balance	79,794	786,667	72,459	772,204	72,759	773,213
Founder preference shares	1,250	12,500	1,250	12,500	1,250	12,500
	81,044	799,167	73,709	784,704	74,009	785,713

Note:

1. Comprises ordinary shares and share warrants.

1.2. Issued and fully paid

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Ordinary share capital and share warrants	786,667	772,204	773,213
	786,667	772,204	773,213

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

1. Capital and reserves continued

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.

Share warrants

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

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

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

As at 30 June 2017 the warrants issued were all outstanding.

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

1.3. Post Balance Sheet event

On 21 June 2017, the Group announced it was in discussions with potential investors regarding a possible raising of new equity capital of \$200 million.

On 17 July 2017, the Group concluded a \$100 million mandatory convertible bond (the "Mandatory Convertible Bond") to be issued to Fairfax Africa, which will convert into New Ordinary Shares at the Issue Price upon the closing of the Open Offer.

On 14 August 2017, the open offer opened and closed on 29 August 2017.

The above transaction will be accounted for as a debt instrument accounted for at amortised cost, with interest accruing at 5% per annum.

On 29 August 2017, following the closing of the open offer, this instrument converts into an equity instrument of \$100 million. In addition to the above, the private placement and open offer resulted in the issuance of additional equity equal to \$100 million.

As indicated in the announcement dated 21 August 2017, the proceeds were initially used to acquire an additional 13.4% stake in UBN Plc as an associate investment, which will result in the Group owning a 44.5% shareholding in UBN Plc. This will be accounted for as an increase in the investment in associate investment of \$55 million (the contracted acquisition price for the shares so bought).

Following the closure of the open period, the Company will have 172,258,735 ordinary shares in issue, of which 1,977,096 will continue to be held in treasury and 3,298,298 shares will continue to be held in escrow as part of the acquisition-related contingent consideration disclosed to the market on 1 July 2016.

On 21 August 2017, the warrants were cancelled.

2. Borrowed funds

Refer to accounting policy pertaining to financial instruments included on pages 24 to 26.

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Convertible bond (a)	47,820	47,790	47,790
Other borrowed funds (b)	316,854	295,171	274,784
	364,674	342,961	322,574

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

	Carrying value			Fair value		
	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Other	61,185	55,663	57,064	53,961	54,254	56,298
BIFM Capital Investment Fund One (Pty) Ltd ('BIFM')	25,197	21,814	25,587	28,267	25,993	29,652
NORSAD	10,000	10,080	10,010	10,060	10,643	10,742
Afreximbank	60,026	80,332	60,052	62,518	79,675	63,316
Africa Agriculture and Trade Investment Fund S.A. ('AATIF')	25,086	25,120	25,019	25,039	25,316	24,989
Overseas Private Investment Corporation	106,300	65,033	65,511	106,600	65,033	65,511
Standard Chartered	29,060	37,129	31,541	29,060	37,129	31,541
Convertible bond (liability)	47,820	47,790	47,790	47,820	47,790	47,790
	364,674	342,961	322,574	363,325	345,833	329,839

Convertible bond

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

The bonds carry a coupon of 8.0% and were issued at an issue price of 82.7% of their principal amount, have a maturity date of 31 December 2020 and are convertible into the ordinary shares of Atlas Mara at a price of \$11.00 per share at the option of the bondholder. Atlas Mara 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.

2. Borrowed funds continued

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.

Other borrowed funds

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Borrowed funds – At fair value through profit/loss	29,060	37,129	31,541
Borrowed funds – Amortised cost	287,794	258,042	243,243
	316,854	295,171	274,784

Borrowed funds

The following represents a summary of significant Group borrowed funds, i.e. funding obtained to support business growth other than through banking products and customer accounts, rather third-party lenders supporting the liability side of the statement of financial position. As at 30 June 2017, the total outstanding amount of all such borrowed funds was \$295.2 million, compared to \$284.7 million balance as at 30 June 2016.

BIFM Capital Investment Fund One Proprietary Limited

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

- 30 September 2017 – \$6.2 million;
- 30 September 2018 – \$6.2 million;
- 30 September 2019 – \$6.2 million; and
- 30 September 2020 – \$6.2 million.

Amounts have been translated from Pula to USD using the closing rate as at 30 June 2017.

Afrexim Bank Limited

The loans from Afrexim Bank Limited consist of \$60 million advanced to ABC Holdings Limited ('ABCH') on 26 July 2013.

The loan attracts interest at three-month LIBOR +5% and matured on 30 June 2015, but with a provision to be extended for a further, mutually agreeable period. ABCH and Afrexim are currently in discussions on a restructuring of this facility.

Norsad Finance Limited

The loans from Norsad Finance Limited were advanced to ABCH on 7 October 2013.

The \$10 million loan advanced to ABCH is a subordinated loan and attracts interest at six-month 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. ('AATIF')

The loan from AATIF is denominated in US dollars (\$25 million) and attracts interest at three-month LIBOR +6.25%. It was granted on 23 December 2013. Interest is payable quarterly on 31 March, 30 June, 30 September and 31 December. The loan has an initial repayment of \$5 million due on 23 December 2017 and a final repayment of \$20 million due on 23 December 2018.

Overseas Private Investment Corporation

The loan from OPIC is denominated in US dollars. There is a \$65 million facility that was advanced to Banc ABC Zambia to finance the acquisition of Finance Bank Zambia. The loan attracts interest at a rate of three months LIBOR + 4.45%. There is a three year grace period on the repayment of principal with the loan repaid on a quarterly basis over 16 quarters starting in the first quarter of 2019.

There is a \$40 million Fintech and Financial Inclusion Debt Facility to Banc ABC Botswana. The loan facility was granted in March 2017 and has a seven year tenor with three year moratorium on Capital. Interest is paid quarterly during the three years and the Capital is paid in 16 instalments after year three. The rate is three month LIBOR plus a margin of 4.45%. The debt facility will be used to provide access to finance for SMEs and to support the Company's efforts to accelerate its digital finance initiatives, which are key areas of the Company's strategy.

The OPIC funding for BancABC Zambia and BancABC Botswana is part of the \$200 million multi-country facility that OPIC approved for Atlas Mara's banks in Botswana, Zambia and Mozambique in August 2015

2. Borrowed funds continued

Standard Chartered

The loan from Standard Chartered is US dollar denominated \$29.1 million (2016: \$37 million) 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 2017 and could be further extended by another two-year period, to be mutually agreed upon. The loan is measured at fair value based on the determined fair value of the UBN shares at ca.11 NGN per share.

Maturity analysis

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

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
On demand to one month	61,972	19,796	60,472
One to three months	13,912	11,752	1,174
Three months to one year	36,626	68,154	20,885
Over one year	252,164	243,259	240,043
Total	364,674	342,961	322,574

3. Deposits

Deposits represent deposits from customers and banks taken in the ordinary course of the Group's banking operations.

4. Interest and similar expense

Accounting for interest expense

Refer to accounting policy pertaining to financial instruments included on pages 24 to 26.

	Half-year to 30 June 2017 \$'000	Half-year to 30 June 2016 \$'000	31 December 2016 \$'000
Deposits	(43,380)	(40,224)	(79,488)
Borrowed funds	(17,172)	(20,873)	(40,323)
Securities lent and repurchase agreements	(16)	(98)	–
Interest and similar expense	(60,568)	(61,195)	(119,811)

Buy in action

Since 2014 Atlas Mara has completed six acquisitions.

5. Business combinations

Accounting for business combinations

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

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

Non-controlling interests ('NCI')

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

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

Subsidiaries

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

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

Transactions eliminated on consolidation

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

Bargain purchase

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

Common control transactions

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

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

Critical accounting estimates and judgements

Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values (measured in terms of IFRS 13).

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

The fair value for non-financial assets is calculated by considering the highest and best use of the asset from the perspective of the market participants.

The following was applied when calculating the at-acquisition fair values of assets acquired and liabilities assumed:

Intangible assets:

Identifiable intangible assets may have to be recognised by the acquirer even though they are not recognised by the acquiree. These assets shall be measured at fair value at acquisition date.

An independent valuation is performed by an accounting and auditing firm where the Group enters into a business combination. The intangible assets are assessed to determine whether they are identifiable and, if so, the fair value of such assets.

5. Business combinations continued

Prepayments and other receivables

IFRS 3 requires the acquirer to measure acquired receivables, including loans, at their acquisition-date fair values. The acquirer does not recognise a separate valuation allowance for the contractual cash flows that are deemed to be uncollectable at that date.

Deferred tax and income tax

There were material deferred tax balances included in the carrying amounts of the assets of BancABC Group. In evaluating the assets and liabilities in the business combination, the Group re-assessed the probability of there being future taxable profits against which these could be utilised within the next five years. For the BancABC acquisition, the most significant of these assets related to BancABC and ABC Tanzania and it was concluded that the full amount would not be recoverable in the five-year period.

Loans and advances

The fair value of loans and advances was determined with reference to the estimated future cash flows discounted back at the discount rate calculated for each banking subsidiary based on a market premium which included the risk-free rate, a small stock premium, country risk premium and the cost of equity ('CoE'). Where collateral is held, the value of collateral was compared to similar assets sold under typical 'forced sale' conditions. The expected future cash flows from collateral were also discounted at the discount rate calculated per subsidiary.

Deposits

The fair value of deposits was calculated based on the estimated contractual future cash flows and was discounted using the CoE determined per subsidiary.

Borrowed funds

Borrowed funds were separately valued and fair value adjustments made. The valuation methodology used was as follows:

- Floating rate loan: Future cash flows based on applicable variable interest forecasts and redemption were discounted at the risk-free rate, adjusted for an independent credit spread.
- Treasury bills: Future cash flows based on contractual fixed interest and redemption amount were discounted at the risk-free rate, adjusted for an independent credit spread.

Incomplete initial accounting – FBZ

As per the requirements of IFRS 3.45 the fair values presented for FBZ are considered to be incomplete due to the following key factors:

- The valuation of certain loans and advances have not been completed. This is due to the fact that management believes there may be facts and circumstances that existed at the acquisition date that have not been factored into the impairment calculations of these loans.
- The assessment of the recoverability of certain deferred tax assets that have been recognised in the Group.
- The valuation of property and equipment.
- The valuation of certain intangible assets related to historical transactions between entities in the FBZ group.
- The valuation of acquisition-related intangible assets. The valuation is subject to change following finalisation of the above mentioned items and the potential impact on working capital.

During the six months ended 30 June 2017, additional work was performed in respect of the above listed items and no further changes were made to the fair values of the assets and liabilities acquired.

5. Business combinations continued

The details of the fair value of the assets and liabilities acquired and goodwill arising are as follows:

	BPR carrying amount \$'000	BPR fair value amount \$'000	Change \$'000
BRD/BPR			
Cash and short-term funds	25,480	45,943	20,463
Loans and advances	157,900	159,469	1,569
Investment securities	25,965	25,965	–
Prepayments and other receivables	1,338	1,338	–
Current tax assets	1,660	1,660	–
Property and equipment	14,445	23,591	9,146
Intangible assets	3,404	6,989	3,585
Deposits	(181,447)	(181,447)	–
Amounts due to other banks	(14,446)	(14,446)	–
Creditors and accruals	(13,109)	(13,224)	(115)
Deferred tax liability	(74)	(3,860)	(3,786)
Borrowed funds	(2,515)	(2,515)	–
Net asset value	18,601	49,463	30,862
Less: Non-controlling interest		(27,189)	
Less: Gain from bargain purchase		(1,811)	
Total purchase consideration		20,463	
Cost of acquisition			
Less: Non-cash consideration		–	
Cash consideration paid		20,463	
Less: Cash and cash equivalents in subsidiary acquired		(45,943)	
Cash inflow on acquisition		(25,480)	

On 7 January 2016, BPR was acquired by Atlas Mara Limited. As part of the acquisition Atlas Mara injected \$20 million as additional capital in exchange for 45% of the voting rights of BPR.

Prior to this transaction Atlas Mara also owned 100% of BRD-C in Rwanda. After the completion of the transaction, BPR acquired 100% of BRD-C. This transaction was achieved through a share for share swap effectively increasing the Group's share in the combined entity to 62%. The fair values have been provisionally determined. The two entities are intended to integrate to represent a combined position in Rwanda.

Acquisition of Finance Bank Zambia Limited

	FBZ
	30 June 2016
Date of acquisition	
Percentage of voting equity instruments acquired (%)	100%

Note:

- Percentage of voting equity instruments acquired are shown at the date that control was obtained.

5. Business combinations continued

The details of the fair value of the assets and liabilities acquired and goodwill arising are as follows:

FBZ	FBZ carrying amount \$'000	FBZ fair value amount \$'000	Change \$'000
Cash and short-term funds	79,355	79,355	–
Amounts due from other banks	–	–	–
Loans and advances	119,876	115,255	(4,621)
Investment securities	52,767	52,767	–
Prepayments and other receivables	38,220	34,315	(3,905)
Current tax assets	–	–	–
Investment in associates	–	–	–
Property and equipment	16,125	16,125	–
Investment property	3,553	3,553	–
Intangible assets	17,632	16,476	(1,156)
Deferred tax assets	669	669	–
Deposits	(210,484)	(210,484)	–
Amounts due to other banks	–	–	–
Creditors and accruals	(30,867)	(31,310)	(443)
Current tax liabilities	(170)	(170)	–
Deferred tax liability	(4,674)	(6,315)	(1,641)
Borrowed funds	(5,645)	(5,645)	–
Net asset value	76,357	64,591	(11,766)
Less: Non-controlling interest	–	–	–
Goodwill		11,785	
Total purchase consideration		76,376	
Cost of acquisition		76,376	
Less: Non-cash consideration		(12,145)	
Cash consideration paid		64,231	
Less: Cash and cash equivalents in subsidiary acquired		(79,355)	
Cash inflow on acquisition		(15,124)	

On 30 June 2016, FBZ was acquired by Atlas Mara Limited.

6. Investment in associate

Accounting for investment in associate

Associates are entities in which the Group has significant influence, but not control, over the operating and financial policies.

The Group's investments in associates and joint ventures are recognised using the equity method. These investments are initially recorded at cost and increased (or decreased) each year by the Group's share of the post-acquisition profit (or loss).

The Group ceases to recognise its share of the losses of equity accounted associates when its share of the net assets and amounts due from the entity have been written off in full, unless it has a contractual or constructive obligation to make good its share of the losses.

When the Group acquires an additional share in the investment, while still maintaining significant influence, the investment is accounted for at cost. The incremental fair value adjustments of the assets and liabilities of the investment is determined and included in the carrying amount of the investment.

Impairment losses

After application of the equity method, including recognising the associate's losses, the entity applies IAS 36 Impairment of Assets to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture.

The entity also applies IAS 36 to determine whether any additional impairment loss is recognised with respect to its interest in the associate or joint venture that does not constitute part of the net investment and the amount of that impairment loss.

Goodwill forms part of the carrying amount of an investment in an associate and is not separately recognised, it is therefore not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets. Instead, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, whenever application of IAS 39 indicates that the investment may be impaired.

An impairment loss recognised in those circumstances is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Accordingly, any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

In determining the value in use of the investment, an entity estimates:

Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds from the ultimate disposal of the investment.

The recoverable amount of an investment in an associate or a joint venture shall be assessed for each associate or joint venture, unless the associate or joint venture does not generate cash inflows from continuing use that are largely independent of those from other assets of the entity.

Assets of the associate

The investor should measure its interest in an associate's identifiable net assets at fair value at the date of acquisition of an associate. If the value that the investor attributes to the associate's net assets differs from the carrying value amounts in the associate's books, the investor should restate any impairment losses recognised by the associate.

Investment in the associate

As well as applying the equity method, IAS 28 requires an investor to apply the requirements of IAS 39 to determine whether any impairment loss should be recognised with regards to the investor's net investment in the associate. The amount of the impairment is determined in accordance with IAS 36.

Critical accounting estimates and judgements

Fair value of assets and liabilities of associate

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

Included in the investment in associate is the valuation of intangible assets identified. The valuation is sensitive to the discount rate applied.

Intangible assets

Included in the fair value of UBN are intangible assets of \$16.4 million.

Impairment losses

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the loss as 'share of profit of an associate and a joint venture' in the statement of profit or loss.

6. Investment in associate continued

Refer to page 28 for the detailed sensitivity assessment and key assumptions that have been included in the impairment assessment.

The following assessments for impairment losses are required for an investment in associates:

- assets of the associate;
- investment in the associate; and
- other interests that are not part of the net investment in the associate.

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Opening balance	293,980	398,423	398,423
Acquired through business combinations at fair value	–	–	–
Share of profits	8,648	12,480	17,926
Share of OCI	560	331	11,191
Exchange rate adjustment	(361)	(86,965)	(133,560)
Tax associated	–	–	–
Disposals during year	(220)	–	–
Investment in associates	302,607	324,269	293,980

The following table illustrates the summarised financial information of UBN.

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Loans and advances	1,561,445	1,688,276	1,667,291
Total assets	4,331,932	4,087,031	4,117,567
Deposits	2,814,868	2,410,936	2,461,243
Total liabilities	3,410,572	3,189,944	3,225,013

6. Investment in associate continued

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

Impairment testing

At 31 December 2016, due to changes in the macroeconomic environment in Nigeria and the global economy, specifically the impact of the lowering oil price, in line with the requirements of IAS 39, an impairment trigger was identified in respect of this investment.

As at 30 June 2017, following the devaluation of the Nigerian Naira and continued macroeconomic challenges, the impairment trigger was reassessed and the impairment test rolled forward for the six months then ended.

The test confirmed that there was no impairment at 30 June 2017.

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

	30 June 2017			30 June 2016			31 December 2016		
	VIU \$'000	Carrying amount \$'000	Fair value \$'000	VIU \$'000	Carrying amount \$'000	Fair value \$'000	VIU \$'000	Carrying amount \$'000	Fair value \$'000
Union Bank of Nigeria	311,200	300,571	201,200	324,900	321,434	224,569	311,200	291,353	201,200

Basis of recoverable amount

The impairment test was performed by comparing the recoverable amount of UBN, determined by a value in use ("VIU") calculation, with its carrying amount. The VIU calculation uses discounted cash flow projections based on management's estimates of earnings. Detailed cash flow analysis was prepared for the first five years to take into account the focused turnaround strategy currently in the process of implementation in the bank. The forecast period was extended by five years (until 2025) to achieve a steady state after the significant forecast growth as a result of the turn-around programme currently in place. Extending the forecast to 2025 has allowed for the terminal year to be based on normalised growth and margins.

Forecast risk weighted assets have been calculated to ensure that the bank maintains the capital adequacy requirements in order to calculate the movement in regulatory reserve requirements. This movement has been deducted from forecast cash flows.

Key assumptions in VIU calculation

Long-term growth rate

Increasing growth rates are assumed for net interest income, interest income and non-interest income in line with the transformation plan. Over the extended forecast period these items have been forecast to grow at annually decreasing rates, reaching 8% in the terminal year, which is the long-term expected Nigerian forecast inflation rate.

Long-term asset growth rate

The average growth rate used up to 2020 was 20% and 15% thereafter. Over the extended forecast period these items have been forecast to grow at annually decreasing rates, reaching 8% in the terminal year, which is the long-term expected Nigerian forecast inflation rate.

Discount rate

The discount rate used was based on the CoE for UBN. This has been calculated by taking into account the following components to adjust for specific risks associated with the business and specifically the future strategy for turnaround. The discount rate used is within the range of 25.0%–26.0%. The rate is calculated using the yield on US treasury bills with 10-year maturity, maturing on 31 December 2025 as a starting point (2.3%), adjusted for a Nigerian country risk premium of 5.1%, an equity market risk premium of 5.5%, country consumer price index of 10.9% and an entity specific risk of 2.5%. The VIU has been calculated using a rate of 25.2%.

Sensitivity analyses were performed on each key assumption to ascertain the impact of reasonably possible changes in assumptions. The following change to each key assumption used on its own in the VIU calculation would reduce the headroom to nil.

Key assumption:	Changes to key assumption to reduce headroom to nil:
– Long-term growth rate	– Decrease of 1,190 basis points
– Discount rate	– Increase of 130 basis points
– Cost-income ratio	– Increase of 720 basis points

Based on the results of the testing, management estimates that the reasonably possible range of VIU is \$324.9 million.

6. Investment in associate continued

Investment in Union Bank of Nigeria ('UBN')

On 19 December 2014, the Group acquired 21.16% of the voting shares of Union Bank of Nigeria ('UBN'), a company incorporated in 1917 and listed on the Nigerian Stock Exchange. UBN is a respected and recognised financial institution situated in Nigeria. UBN is a commercial and retail banking franchise with a stable customer deposit base.

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

In total Atlas Mara obtained the 22.10% in 2015 in UBN through a purchase of 3,742,201,213 shares.

The investment in UBN is equity accounted using the interim financial statements of UBN for the period 1 January 2017 to 30 June 2017. The local currency of UBN is Nigerian Naira.

7. Intangible assets and goodwill

Goodwill

Goodwill arises on the acquisition of subsidiaries and associates, and represents the excess of the fair value of the purchase consideration over the fair value of the Group's share of the assets acquired and the liabilities and contingent liabilities assumed on the date of the acquisition. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

An annual impairment evaluation is performed in respect of goodwill, or more frequently when there are indications that an impairment may be necessary. The evaluation involves comparing the carrying value of goodwill with the present value of the pre-tax cash flows, discounted at a rate of interest that reflects the inherent risks, of the cash-generating unit ('CGU') to which the goodwill relates, or the CGU's fair value if this is higher.

Intangibles

Intangible assets other than goodwill are accounted for in accordance with IAS 38 Intangible Assets.

Intangible assets include trade names, customer relationships, core deposits, core overdrafts, software, licences and other contracts. They are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use.

Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less amortisation and provisions for impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally over 10 years.

Intangible assets are reviewed for impairment when there are indications that an impairment may be necessary.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

The intangible assets have the following amortisation method and useful lives:

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

7. Intangible assets and goodwill continued

Critical accounting estimates and judgements

The Group assesses goodwill for impairment on an annual basis based on value in use calculations. Significant estimates and judgements are applied in projecting the future pre-tax cash flows, the appropriate growth and discount rates as set out below. An absolute movement of +/-1% on the discounted rates listed could result in a potential movement of \$21.8 million in the value of goodwill.

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Goodwill	88,757	81,785	83,800
Other intangibles	86,266	84,980	84,435
	175,023	166,765	168,235

Goodwill

Effective 21 August 2014, Atlas Mara acquired a controlling stake in BancABC (through the acquisition of ADC and the direct acquisition of shares).

In terms of IFRS 3, at the date of the acquisition, the purchaser is required to measure all identifiable assets and liabilities separately at acquisition date fair value.

This could include assets that were not previously recognised by the acquiree in its financial statements.

In the case of the ADC and BancABC acquisition, these assets include certain intangible assets acquired, namely:

- trademarks;
- customer relationships (the valuation of the customer relationships was adjusted to take into account the risk and uncertainty of the future of the payroll deduction businesses included in the valuation);
- core deposits consists of fixed rate deposits to retail and wholesale customers which earn a net interest margin over a defined period; and
- core overdrafts consists of retail and wholesale overdrafts.

These assets are recognised only if they meet the asset recognition criteria, i.e. it is probable that the expected future economic benefits attributable to the asset will flow to the entity and the cost can be measured reliably. The intangible assets will only be recognised at Atlas Mara (consolidated) level and will be amortised over their useful lives.

7. Intangible assets and goodwill continued

Impairment testing

IFRS requires annual impairment testing of goodwill, or more frequently when there is an indication that the CGU may be impaired. Where there is no impairment trigger, there is no need for the two-step approach.

IAS 38 also requires that where an impairment trigger has been identified, intangible assets are required to be tested for impairment. The intangible assets allocated to Zimbabwe were tested for impairment.

While the standard is clear that the annual testing is mandatory and should be performed irrespective of whether a triggered impairment test was done, it states that the impairment tests can be performed at any time within the reporting period, provided that the test is performed at the same time. The assessment was performed between September 2015 and January 2016.

The annual impairment test was performed for goodwill that arose in the acquisition of BancABC and ADC. In respect of this goodwill, a comprehensive assessment of the underlying CGUs has taken place. This assessment included a review of the forecast financial information.

The review and testing of goodwill for impairment inherently requires significant management judgement as it requires management to derive the best estimates of the identified CGUs' future cash flows. The principal assumptions considered in determining an entity's values are:

Future cash flows – The forecast periods adopted reflect a set of cash flows that, based on management judgement and expected market conditions, could be sustainably generated over such a period. A forecast period of five years has been used. The cash flows from the final discrete cash flow period were extrapolated into perpetuity to reflect the long-term plans for the entity. It is common valuation methodology to avoid placing too high a proportion of the total value on the perpetuity value.

Discount rates – The CoE percentages were derived from an equity pricing model deemed appropriate based on the entities under review. The risk-free rate used to determine the CoE has been derived from the 10-year US treasury bonds as at 31 August 2014. The future cash flows are discounted using the CoE assigned to the appropriate CGUs and by nature can have a significant effect on their valuations.

The following table summarises the impairment test methodology applied and the key inputs used in testing the Group's goodwill collectively in respect of 31 December 2015 as well as the intangible assets in Zimbabwe:

	Botswana	Mozambique	Zambia	West Africa
Discount rate (%)	13.2	22.3	18.3	26.4
Terminal growth rate (%)	2.8	16.5	4.1	11.2
Forecast period (years)	10	10	10	10

The calculation is most sensitive to a change in the discount rate. An absolute movement of + or -1% on the discount rate would result in a potential movement of \$21.8 million in the value of the CGUs thereby reducing or increasing the headroom.

Other intangible assets

The other intangible assets have been assessed for indications of impairment and at 30 June 2017 there are no indications of impairment.

Protect and Grow in action

We brought improvements to the platforms through tangible enhancements in governance and credit risk management, and delivered growth in the business.

8. Financial instruments

Refer to the accounting policy pertaining to financial instruments included on pages 24 to 26.

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 2017		30 June 2016		31 December 2016	
	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	486,149	486,149	448,257	448,257	406,325	406,325
Loan and advances	1,329,872	1,329,872	1,421,046	1,421,046	1,334,763	1,334,763
Held-to-maturity investments						
Promissory note	228	228	–	–	–	–
Treasury bills	43,229	43,229	118,866	118,866	22,086	22,086
Corporate bonds	3,345	3,345	8,743	8,743	3,440	3,440
Government bonds	6,726	6,726	36,802	36,802	6,338	6,338

	30 June 2017		30 June 2016		31 December 2016	
	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	1,892,652	1,892,652	1,814,924	1,814,924	1,799,443	1,799,443
Borrowed funds	335,614	334,265	305,832	305,832	291,033	298,298

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

i. Cash and short-term funds

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

ii. Loans and advances

The fair value of loans and advances is deemed to closely approximate the carrying value. This is due to most of the instruments included in this classification being variable rate instruments. The impact of fixed rate exposures has been assessed and is deemed to be immaterial. The value of variable rate instruments is determined with reference to the estimated future cash flows discounted back at the market rate prevailing for such instruments.

iii. Investment securities – Held-to-maturity

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.

9. Market risk

Sensitivity analysis of market price

The Group holds, directly or through its associates, listed equities with a fair value of \$1.1 million and unlisted equities of \$13.2 million.

The Group is therefore exposed to gains or losses related to the variability in the market prices of the equities held.

Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk.

Financial instruments affected by market risk include borrowed funds of \$365 million and available-for-sale investments of \$17.5 million and derivative financial instruments of \$5.4 million (net liabilities).

The exposure to equity price risk is described below, with additional detail around the sensitivity included in note 24.

Equity price risk

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

The Group's Board of Directors reviews and approves all equity investment decisions.

Further details on key assumptions in valuations, and sensitivity analysis of equity instruments and price risk are shown in note 24.

Foreign exchange risk

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

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Group Risk sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 30 June 2017.

Notes to the financial statements continued
for the six months ended 30 June 2017

9. Market risk continued

Foreign exchange risk

30 June 2017	Total											
	USD \$'000	EUR \$'000	BWP \$'000	ZAR \$'000	TZS \$'000	ZMW \$'000	MZN \$'000	JPY \$'000	NGN \$'000	RWF \$'000	Other \$'000	Total \$'000
Cash and short-term funds	189,971	18,185	101,747	5,390	9,826	94,203	23,992	5	-	39,609	3,221	486,149
Financial assets held for trading	-	-	64,938	-	-	3,909	8,743	-	-	-	-	77,590
Financial assets designated at fair value	11,508	-	-	-	2,261	-	-	-	-	-	-	13,769
Derivative financial assets	1	-	6,454	-	-	-	-	-	-	-	-	6,455
Loans and advances	291,745	3	556,265	4	40,716	162,906	78,276	-	-	199,957	-	1,329,872
Investment securities	172,320	-	5,506	-	25,780	71,757	324	-	-	47,794	-	323,481
Total assets	665,545	18,188	734,910	5,394	78,583	332,775	111,335	5	-	287,360	3,221	2,237,316

Shareholders' equity and liabilities

Equity	496,895	-	77,772	1,154	(32,474)	127	9,111	-	(51,862)	72,359	-	573,082
Deposits	609,081	20,085	579,037	4,547	72,315	289,787	67,639	10	-	235,837	14,314	1,892,652
Derivative financial liabilities	-	-	6,021	-	-	-	-	-	-	-	-	6,021
Borrowed funds	211,066	44,119	26,587	-	642	73,755	7,388	-	-	1,117	-	364,674
Total equity and liabilities	1,317,042	64,204	689,417	5,701	40,483	363,669	84,138	10	(51,862)	309,313	14,314	2,836,429

30 June 2016	Total											
	USD \$'000	EUR \$'000	BWP \$'000	ZAR \$'000	ZMK \$'000	TZS \$'000	MZN \$'000	JPY \$'000	NGN \$'000	RWF \$'000	Other \$'000	Total \$'000
Cash and short-term funds	141,808	27,189	45,596	4,096	17,306	152,541	15,876	5	-	37,560	6,280	448,257
Financial assets held for trading	12,165	-	72,103	-	28,920	19,832	13,753	-	-	-	-	146,773
Financial assets designated at fair value	10,729	-	-	-	2,866	-	-	-	-	-	-	13,595
Derivative financial assets	-	-	5,121	-	-	-	-	-	-	-	-	5,121
Loans and advances	360,993	2,227	520,759	14	59,493	181,378	82,259	-	-	213,923	-	1,421,046
Investment securities	60,888	146	5,030	-	456	67,372	118	-	-	47,876	-	181,886
Total assets	586,583	29,562	648,609	4,110	109,041	421,123	112,006	5	-	299,359	6,280	2,216,678

Shareholders' equity and liabilities

Equity	252,849	-	80,476	1,088	12,201	142,535	28,749	-	-	59,404	-	577,302
Deposits	526,156	23,917	543,012	3,329	90,739	296,664	86,562	27	-	239,341	5,177	1,814,924
Derivative financial liabilities	4,954	328	5,121	127	-	-	-	-	-	-	-	10,530
Borrowed funds	251,161	-	370	-	-	79,236	10,485	-	-	398	1,311	342,961
Total equity and liabilities	1,035,120	24,245	628,979	4,544	102,940	518,435	125,796	27	-	299,143	6,488	2,745,717

9. Market risk continued

31 December 2016	Total											
	USD \$'000	EUR \$'000	BWP \$'000	ZAR \$'000	ZMK \$'000	TZS \$'000	MZN \$'000	JPY \$'000	NGN \$'000	RWF \$'000	Other \$'000	Total \$'000
Cash and short-term funds	119,334	39,167	44,738	8,628	128,140	15,211	15,336	3	-	31,566	4,202	406,325
Financial assets held for trading	-	-	96,345	-	5,382	-	-	-	-	-	-	101,727
Financial assets designated at fair value	11,254	-	-	-	-	2,614	-	-	-	-	-	13,868
Derivative financial assets	5,858	51	414	-	-	-	-	-	-	-	-	6,323
Loans and advances	300,542	2,018	530,481	16	162,638	61,097	71,387	-	-	206,584	-	1,334,763
Investment securities	83,424	153	5,246	-	85,016	30,759	5,975	-	-	26,619	-	237,192
Total assets	520,412	41,389	677,224	8,644	381,176	109,681	92,698	3	-	264,769	4,202	2,100,198

Shareholders' equity and liabilities

Equity	468,869	-	34,928	982	7,646	2,632	7,495	-	-	3,503	-	526,055
Deposits	519,664	26,149	569,624	7,250	294,470	88,363	64,967	23	-	216,048	12,885	1,799,443
Derivative financial liabilities	5,632	-	138	-	-	-	-	-	-	-	-	5,770
Borrowed funds	243,293	-	33,641	-	1,880	658	6,150	-	31,541	393	5,018	322,574
Total equity and liabilities	1,275,458	26,149	638,331	8,232	303,996	91,653	78,612	23	31,541	219,944	17,903	2,653,842

Sensitivity analysis:

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

Currency	Effect on equity \$'000	Effect on profit or loss \$'000
EUR	456	456
BWP	(1,220)	(1,220)
ZAR	(8)	(8)
ZMW	305	305
All other currencies	110	110
TZS	(56)	(56)
MZN	(359)	(359)
JPY	-	-
RWF	(499)	(499)
NGN	-	-

9. Market risk continued

Interest rate risk

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

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

	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2017						
Cash and short-term funds	298,588	24,537	2,005	–	161,019	486,149
Financial assets held for trading	15,082	24,545	34,325	3,638	–	77,590
Financial assets designated at fair value	47	–	–	12,756	966	13,769
Derivative financial assets	–	–	–	–	6,455	6,455
Loans and advances	728,196	53,643	138,988	404,852	4,193	1,329,872
Investment securities	14,268	25,490	77,053	206,207	463	323,481
Total assets	1,056,181	128,215	252,371	627,453	173,096	2,237,316

Shareholders' equity and liabilities

Equity	–	–	–	–	573,082	573,082
Deposits	963,761	409,099	311,574	45,099	163,119	1,892,652
Derivative financial liabilities	2,807	–	–	–	3,214	6,021
Borrowed funds	7,334	127,128	4,177	169,935	56,100	364,674
Total equity and liabilities	973,902	536,227	315,751	215,034	795,515	2,836,429

	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Non-interest bearing \$'000	Total \$'000
30 June 2016						
Cash and short-term funds	116,365	4,294	13,225	121	314,252	448,257
Financial assets held for trading	32,887	87,684	19,857	6,345	–	146,773
Financial assets designated at fair value	–	–	–	–	13,595	13,595
Derivative financial assets	–	–	–	5,121	–	5,121
Loans and advances	732,974	69,642	190,110	359,908	68,412	1,421,046
Investment securities	24,653	29,490	88,396	38,507	840	181,886
Total assets	906,879	191,110	311,588	410,002	397,099	2,216,678

Shareholders' equity and liabilities

Equity	–	–	–	9,456	567,846	577,302
Deposits	822,115	374,315	503,422	115,072	–	1,814,924
Derivative financial liabilities	962	–	–	5,121	4,447	10,530
Borrowed funds	93,642	1,862	18,189	228,470	798	342,961
Total equity and liabilities	916,719	376,177	521,611	358,119	573,091	2,745,717

9. Market risk continued

31 December 2016	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Non-interest bearing \$'000	Total \$'000
Cash and short-term funds	200,981	18,003	21,047	–	166,294	406,325
Financial assets held for trading	96,345	–	–	5,382	–	101,727
Financial assets designated at fair value	–	–	–	–	13,868	13,868
Derivative financial assets	37	195	45	413	5,633	6,323
Loans and advances	719,092	58,879	119,114	437,678	–	1,334,763
Investment securities	6,279	69,750	77,074	82,581	1,508	237,192
Total assets	1,022,734	146,827	217,280	526,054	187,303	2,100,198

Shareholders' equity and liabilities

Equity	–	–	–	33,580	492,475	526,055
Deposits	908,182	400,744	334,216	156,301	–	1,799,443
Derivative financial liabilities	–	–	–	138	5,632	5,770
Borrowed funds	60,472	1,174	20,885	240,043	–	322,574
Total equity and liabilities	968,654	401,918	355,101	430,062	498,107	2,653,842

Interest rate sensitivity

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

	Increase of 50bps		Decrease of 50bps	
	Pre-tax \$'000	Post-tax \$'000	Pre-tax \$'000	Post-tax \$'000
BancABC Botswana				
Change in net interest income	(808)	(630)	808	630
As a percentage of total shareholders' equity	(0.70%)	(0.54%)	0.70%	0.54%
BancABC Mozambique				
Change in net interest income	199	135	(199)	(135)
As a percentage of total shareholders' equity	0.47%	0.32%	(0.47%)	(0.32%)
BancABC Tanzania				
Change in net interest income	127	89	(127)	(89)
As a percentage of total shareholders' equity	0.48%	0.34%	(0.48%)	(0.34%)
BancABC Zambia				
Change in net interest income	270	175	(270)	(175)
As a percentage of total shareholders' equity	0.29%	0.19%	(0.29%)	(0.19%)
BancABC Zimbabwe				
Change in net interest income	1,240	921	(1,240)	(921)
As a percentage of total shareholders' equity	1.34%	1.00%	(1.34%)	(1.00%)
Rwanda				
Change in net interest income	664	465	(664)	(465)
As a percentage of total shareholders' equity	1.28%	0.90%	(1.28%)	(0.90%)

10. Loans and advances

Refer to accounting policy pertaining to financial instruments included on pages 24 to 26.

Critical accounting estimates and judgements

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

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Mortgage lending	148,174	89,364	148,852
Instalment finance	16,295	59,072	18,919
Corporate lending	503,809	562,073	524,249
Commercial and property finance	121,879	40,976	125,610
Consumer lending	588,533	699,562	554,866
	1,378,690	1,451,047	1,372,496
Less impairments (note 10.1)	(48,818)	(30,001)	(37,733)
Net loans and advances	1,329,872	1,421,046	1,334,763

10.1. Reconciliation of impairment allowance for loans and advances to customers by market segment

	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 2016						
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

10. Loans and advances continued

	30 June 2016					
	Mortgage lending \$'000	Instalment finance \$'000	Corporate lending \$'000	Commercial and property finance \$'000	Consumer lending \$'000	Gross loans and advances \$'000
1 January 2016						
Opening balance	313	1,882	11,616	536	5,714	20,061
Exchange rate adjustment	17	49	318	107	355	846
Credit impairment charges	741	2,065	1,197	763	4,328	9,094
30 June 2016						
Closing balances	1,071	3,996	13,131	1,406	10,397	30,001
Specific impairment	447	3,230	11,655	1,321	10,312	26,965
Gross non-performing loans	4,548	8,813	73,122	11,201	31,560	129,244
	31 December 2016					
	Mortgage lending \$'000	Instalment finance \$'000	Corporate lending \$'000	Commercial and property finance \$'000	Consumer lending \$'000	Gross loans and advances \$'000
1 January 2016						
Opening balance	313	1,882	11,616	536	5,714	20,061
Exchange rate adjustment	26	161	587	112	1,338	2,224
Credit impairment charges	1,921	3,600	1,933	359	7,635	15,448
31 December 2016						
Closing balances	2,260	5,643	14,136	1,007	14,687	37,733
Specific impairment	263	3,382	9,644	166	11,035	24,490
Gross non-performing loans	14,907	4,322	75,788	28,257	7,929	131,203

10.2. Allowance for loan impairments

The changes in impairment losses included in the allowances for losses on loans and advances recognised under assets, shown by class of financial instrument, were as follows:

	30 June 2017		
	Collective allowance for credit losses 30 June 2017 \$'000	Specific allowance for credit losses 30 June 2017 \$'000	Total 30 June 2017 \$'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

10. Loans and advances continued

	30 June 2016		
	Collective allowance for credit losses 30 June 2016 \$'000	Specific allowance for credit losses 30 June 2016 \$'000	Total 30 June 2016 \$'000
Opening balance	2,161	17,900	20,061
Impairments created	675	8,419	9,094
Exchange rate adjustment	200	646	846
Balance as at 30 June 2016	3,036	26,965	30,001

	31 December 2016		
	Collective allowance for credit losses 31 December 2016 \$'000	Specific allowance for credit losses 31 December 2016 \$'000	Total 31 December 2016 \$'000
Opening balance	2,161	17,900	20,061
Impairments created	9,555	5,893	15,448
Exchange rate adjustment	1,527	697	2,224
Balance as at 31 December 2016	13,243	24,490	37,733

10.3. Credit quality

Loans and advances individually impaired

	30 June 2017			30 June 2016			31 December 2016		
	Individually impaired \$'000	Fair value of collateral \$'000	Under collateralisation ¹ \$'000	Individually impaired \$'000	Fair value of collateral \$'000	Under collateralisation ¹ \$'000	Individually impaired \$'000	Fair value of collateral \$'000	Under collateralisation ¹ \$'000
Mortgage lending	15,032	70,475	(55,443)	4,548	3,165	1,383	14,907	11,453	3,454
Instalment finance	4,313	9,692	(5,379)	8,813	4,474	4,339	4,322	3,751	571
Corporate lending	71,087	147,066	(75,979)	73,122	55,402	17,720	75,788	65,641	10,147
Commercial and property finance	3,593	2,176	1,417	11,201	12,181	(980)	28,257	25,966	2,291
Consumer lending	29,560	28,889	671	31,560	10,144	21,416	7,929	1,281	6,648
	123,585	258,298	(134,713)	129,244	85,366	43,878	131,203	108,092	23,111

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.

10.4. Loans and advances renegotiated

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

10. Loans and advances continued

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

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Mortgage lending	805	–	4,486
Instalment finance	–	224	61
Corporate lending	–	21,411	30,683
Commercial and property finance	180	2,699	1,722
Consumer lending	14,497	–	1,979
	15,482	24,334	38,931
Continuing to be impaired after restructuring	1,153	1,321	2,358
Non-impaired after restructuring – would otherwise have been impaired	14,329	8,905	35,376
Non-impaired after restructuring – would otherwise not have been impaired	–	14,108	1,197
	15,482	24,334	38,931

10.5. Total loan impairments by loan class and type

a. Impairment by loan class

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Mortgage lending	3,619	1,070	2,260
Instalment finance	5,538	3,996	5,643
Corporate lending	16,338	13,369	14,136
Commercial and property finance	2,713	1,926	1,007
Consumer lending	20,610	9,640	14,687
Total loan impairments	48,818	30,001	37,733

b. Impairment analysis

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Collective impairments	16,614	3,036	13,243
Specific impairments	32,204	26,965	24,490
Total loan impairments	48,818	30,001	37,733

c. Credit quality supplement

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Total gross loans	1,378,690	1,451,047	1,372,496
Collective impairments	(16,614)	(3,036)	(13,243)
Specific impairments	(32,204)	(26,965)	(24,490)
Net Loans	1,329,872	1,421,046	1,334,763
Non-performing loans	123,585	129,244	131,203
Impairments (profit/loss)	(10,031)	(9,093)	(15,448)
Impairments (allowance)	48,818	(30,001)	(37,733)
Percentage (%)			
Non-performing loans/gross loans	9.0	8.9	9.6
Total impairment allowance/Non-performing loans	40.0	23.2	28.8
Specific impairments/gross loans	2.3	1.86	1.8

10. Loans and advances continued

10.6. Repossessed collateral

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

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Property and equipment	5,134	3,565	15,752
Motor vehicles	86	452	256
Other assets	–	–	494
	5,220	4,017	16,502

11. Loan impairment charges

Accounting for impairments of loans and advances

Refer to accounting policy pertaining to financial instruments included on pages 24 to 26.

Critical accounting estimates and judgements

Credit risk is broken down into the common risk components of Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD'), modelled at a client, facility and portfolio level. These risk components are used in the calculation of a number of aggregate risk measures such as Expected Loss ('EL'). The models used by the Group are aimed to be compliant with Basel II and regulatory requirements. These risk measures would be used as inputs to calculate the collective impairment amounts.

Collective impairment is established for:

- groups of homogeneous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired (loss 'incurred but not reported' or IBNR).

Specific impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. In most cases management will recommend a discounted value for the collateral based on the knowledge of the client. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Management applies judgement to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date.

The most significant input that could materially impact the calculation of the loan impairment charges is the valuation of collateral. A 10% decrease in the valuation of collateral would result in an additional \$1.10 million (2016: \$2.27 million) impairment charge.

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Specific impairments	(7,025)	(11,152)	(10,163)
Collective impairment	(3,006)	(675)	(9,555)
Recoveries for the period	–	2,734	4,270
Total impairment charge	(10,031)	(9,093)	(15,448)

12. Collateral

Liabilities for which collateral is pledged:

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Deposits from banks	100,206	62,269	68,740
Deposits from customers	201,066	162,755	94,514
Borrowed funds	27,116	1,995	1,961
	328,388	227,019	165,215

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

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Advances (collateral)	42,406	2,471	658
Financial assets held for trading	22,832	53,503	–
Investment securities	189,503	53,388	131,924
Property and equipment	2,996	2,814	2,870
	257,737	112,176	135,452

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

13. Credit risk and liquidity risk

Maximum exposure to credit risk as at 30 June 2017

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

Type of collateral or credit enhancement	Maximum exposure to credit risk \$'000	Fair value of collateral and credit enhancements held				Net collateral \$'000	Net exposure \$'000
		Cash \$'000	Letters of credit/ guarantees \$'000	Property ³ \$'000	Other ^{1,3} \$'000		
Placement with other banks²	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 for trading	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
Financial investments – 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
Financial investments 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 \$486.2 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.

13. Credit risk and liquidity risk continued

Maximum exposure to credit risk as at 30 June 2016

Type of collateral or credit enhancement	Maximum exposure to credit risk \$'000	Fair value of collateral and credit enhancements held				Net collateral \$'000	Net exposure \$'000
		Cash \$'000	Letters of credit/ guarantees \$'000	Property ³ \$'000	Other ^{1,3} \$'000		
Placement with other banks²	179,442	–	–	–	–	–	179,442
Loans and advances	1,421,046	17,788	–	323,007	58,451	399,246	1,021,800
Mortgage lending	88,293	–	–	52,010	–	52,010	36,283
Instalment finance	55,076	–	–	11,474	993	12,467	42,609
Corporate lending	548,942	16,665	–	152,182	56,222	225,069	323,873
Commercial and property finance	39,570	1,034	–	19,336	686	21,056	18,514
Consumer lending	689,165	89	–	88,005	550	88,644	600,521
Derivative financial instruments							
Currency swaps	5,121	–	–	–	–	–	5,121
Forward foreign exchange contracts		–	–	–	–	–	–
Financial assets held for trading	146,773	–	–	–	28,921	28,921	117,852
Government bonds	15,808	–	–	–	4,323	4,323	11,485
Promissory notes	675	–	–	–	–	–	675
Treasury bills	130,290	–	–	–	24,598	24,598	105,692
Financial assets designated at fair value through profit or loss	13,595	–	–	–	–	–	13,595
Listed equities	1,125	–	–	–	–	–	1,125
Unlisted equities	12,460	–	–	–	–	–	12,460
Property units	10	–	–	–	–	–	10
Financial investments – available-for-sale	17,475	–	–	–	–	–	17,475
Government bonds	2,026	–	–	–	–	–	2,026
Corporate bonds	11,925	–	–	–	–	–	11,925
Unlisted equities	722	–	–	–	–	–	722
Unlisted investment	2,802	–	–	–	–	–	2,802
Financial investments held-to-maturity	164,411	–	–	–	–	–	164,411
Treasury bills	118,866	–	–	–	–	–	118,866
Corporate bonds	8,743	–	–	–	–	–	8,743
Government bonds	36,802	–	–	–	–	–	36,802
	1,947,863	17,788	–	323,007	87,372	428,167	1,519,696

Notes:

1. Vehicles, machinery, other fixed assets, inventory and trade receivables.
2. Represents cash balances held with other banks. Included in \$448.3 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.

13. Credit risk and liquidity risk continued

Maximum exposure to credit risk as at 31 December 2016

Type of collateral or credit enhancement	Maximum exposure to credit risk \$'000	Fair value of collateral and credit enhancements held				Net collateral \$'000	Net exposure \$'000
		Cash \$'000	Letters of credit/ guarantees \$'000	Property ³ \$'000	Other ^{1,3} \$'000		
Placement with other banks²	157,032	–	–	–	–	–	157,032
Loans and advances	1,334,763	16,295	16,160	427,012	91,056	550,523	784,240
Mortgage lending	146,593	–	–	124,737	20	124,757	21,836
Instalment finance	13,276	–	20	2,905	2,918	5,843	7,433
Corporate lending	510,114	12,773	11,433	206,347	74,161	304,714	205,400
Commercial and property finance	124,603	3,096	4,707	82,094	8,896	98,793	25,810
Consumer lending	540,177	426	–	10,929	5,061	16,416	523,761
Derivative financial instruments	6,323	–	–	–	–	–	6,323
Currency swaps	6,025	–	–	–	–	–	6,025
Forward foreign exchange contracts	298	–	–	–	–	–	298
Financial assets held for trading	101,727	–	–	–	–	–	101,727
Government bonds	5,382	–	–	–	–	–	5,382
Treasury bills	96,345	–	–	–	–	–	96,345
Financial assets designated at fair value through profit or loss	13,868	–	–	–	–	–	13,868
Listed equities	774	–	–	–	–	–	774
Unlisted equities	13,084	–	–	–	–	–	13,084
Property units	10	–	–	–	–	–	10
Financial investments – available-for-sale	205,328	–	29,571	–	–	29,571	175,757
Government bonds	52,046	–	4,600	–	–	4,600	47,446
Corporate bonds	9,561	–	–	–	–	–	9,561
Unlisted equities	1,385	–	–	–	–	–	1,385
Unlisted investment	25,095	–	24,971	–	–	24,971	124
Treasury bills	117,241	–	–	–	–	–	117,241
Financial investments held-to-maturity	31,864	–	–	–	–	–	31,864
Treasury bills	22,086	–	–	–	–	–	22,086
Corporate bonds	3,440	–	–	–	–	–	3,440
Government bonds	6,338	–	–	–	–	–	6,338
	1,850,905	16,295	45,731	427,012	91,056	580,094	1,270,811

Notes:

1. Vehicles, machinery, other fixed assets, inventory and trade receivables.
2. Represents cash balances held with other banks. Included in \$406.3 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.

13. Credit risk and liquidity risk continued

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 2017. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties:

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 for trading	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

30 June 2016	Botswana \$'000	Mozambique \$'000	Tanzania \$'000	Zambia \$'000	Zimbabwe \$'000	Other/ Rwanda \$'000	Total \$'000
Placements with other banks	628	26,970	18,293	117,121	9,232	7,198	179,442
Financial assets held for trading	72,103	13,753	28,920	31,997	–	–	146,773
Financial assets designated at fair value	–	–	12,460	–	1,135	–	13,595
Derivative financial assets	–	–	–	–	–	5,121	5,121
Loans and advances (net)	520,748	93,834	87,291	224,952	280,700	213,521	1,421,046
Investment securities	5,030	118	456	67,372	58,204	50,706	181,886
	598,509	134,675	147,420	441,442	349,271	276,546	1,947,863

31 December 2016	Botswana \$'000	Mozambique \$'000	Tanzania \$'000	Zambia \$'000	Zimbabwe \$'000	Other/ Rwanda \$'000	Total \$'000
Placements with other banks	28,289	18,475	25,090	68,946	2,562	13,670	157,032
Financial assets held for trading	96,345	–	–	5,382	–	–	101,727
Financial assets designated at fair value	–	–	13,084	–	784	–	13,868
Derivative financial assets	20	278	–	–	–	6,025	6,323
Loans and advances (net)	531,859	79,813	87,242	194,086	232,624	209,139	1,334,763
Investment securities	5,246	5,975	30,759	85,016	83,424	26,772	237,192
	661,759	104,541	156,175	353,430	319,394	255,606	1,850,905

13. Credit risk and liquidity risk continued

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 2017 of the counterparties:

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 for trading	-	-	-	-	-	-	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

30 June 2016	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	-	-	-	-	-	-	179,442	-	-	-	-	179,442
Financial assets held for trading	-	-	-	28,920	-	-	117,853	-	-	-	-	146,773
Financial assets designated at fair value	11	28	87	-	437	9,692	3,340	-	-	-	-	13,595
Derivative financial assets	-	-	-	-	-	-	5,121	-	-	-	-	5,121
Loans and advances (net)	41,018	119,480	243,378	95,893	93,862	43,303	35,201	19,360	611,540	9,964	108,047	1,421,046
Investment securities	-	-	-	106,592	-	-	75,294	-	-	-	-	181,886
	41,029	119,508	243,465	231,405	94,299	52,995	416,251	19,360	611,540	9,964	108,047	1,947,863

13. Credit risk and liquidity risk continued

31 December 2016	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	-	-	-	-	-	-	157,032	-	-	-	-	157,032
Financial assets held for trading	-	-	-	-	-	-	101,727	-	-	-	-	101,727
Financial assets designated at fair value	9	58	1,023	-	126	10,774	1,811	-	-	-	67	13,868
Derivative financial assets	-	-	-	-	-	-	6,323	-	-	-	-	6,323
Loans and advances (net)	42,969	24,233	184,565	85,828	66,494	40,084	10,789	21,470	606,156	16,241	235,934	1,334,763
Investment securities	-	-	-	57,072	-	-	180,120	-	-	-	-	237,192
	42,978	24,291	185,588	142,900	66,620	50,858	457,802	21,470	606,156	16,241	236,001	1,850,905

13. Credit risk and liquidity risk continued

Credit quality by class of financial assets

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

30 June 2017	Neither past due nor impaired	Past due but not impaired			Individually impaired \$'000	30 June 2017 \$'000
	Performing \$'000	30 days \$'000	31–60 days \$'000	61–90 days \$'000		
Cash and cash equivalents	486,149	–	–	–	–	486,149
Derivative financial assets	6,455	–	–	–	–	6,455
Financial assets held for trading	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
Financial investments 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
Financial investments 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

13. Credit risk and liquidity risk continued

30 June 2016	Neither past due nor impaired	Past due but not impaired			Individually impaired \$'000	30 June 2016 \$'000
	Performing \$'000	30 days \$'000	31–60 days \$'000	61–90 days \$'000		
Cash and cash equivalents	448,257	–	–	–	–	448,257
Derivative financial assets	5,121	–	–	–	–	5,121
Financial assets held for trading	146,773	–	–	–	–	146,773
Financial assets designated at fair value through profit/loss	13,595	–	–	–	–	13,595
Loans and advances to customers						
Mortgage lending	83,838	600	95	283	4,548	89,364
Instalment finance	33,169	12,859	3,327	903	8,813	59,071
Corporate lending	411,432	27,787	11,141	38,590	73,122	562,072
Commercial and property finance	29,686	1,346	253	(1,510)	11,201	40,976
Consumer lending	594,693	56,313	9,344	7,652	31,562	699,564
Gross loans and advances	1,152,818	98,905	24,160	45,918	129,246	1,451,047
Less: Allowance for impairment					(30,001)	(30,001)
Net loans and advances	1,152,818	98,905	24,160	45,918	99,245	1,421,046
Financial investments available-for-sale						
Financial investments available-for-sale	17,475	–	–	–	–	17,475
Government bonds	2,026	–	–	–	–	2,026
Corporate bonds	11,925	–	–	–	–	11,925
Unlisted equities	722	–	–	–	–	722
Unlisted investment	2,802	–	–	–	–	2,802
Financial investments held to maturity						
Financial investments held to maturity	164,411	–	–	–	–	164,411
Treasury bills	118,866	–	–	–	–	118,866
Corporate bonds	8,743	–	–	–	–	8,743
Government bonds	36,802	–	–	–	–	36,802
Total	1,948,450	98,905	24,160	45,918	99,245	2,216,678

13. Credit risk and liquidity risk continued

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

Liquidity risk

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

Capital and liquidity risk management

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

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

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

13. Credit risk and liquidity risk continued

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:

	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
30 June 2017							
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
	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
30 June 2016							
Deposits	883,992	152,835	698,438	62,780	1,798,045	16,879	1,814,924
Borrowed funds	19,479	4,568	92,422	245,385	361,854	(18,893)	342,961
Total liabilities (contractual)	903,471	157,403	790,860	308,165	2,159,899	(2,014)	2,157,885

13. Credit risk and liquidity risk continued

31 December 2016	Up to 1 month \$'000	1–3 months \$'000	3–12 months \$'000	Greater than 1 year \$'000	Total \$'000	Effect of discount/ financing rates \$'000	Total \$'000
Deposits	1,043,415	404,967	327,979	26,504	1,802,865	(3,422)	1,799,443
Borrowed funds	63,451	6,235	38,254	226,860	334,800	(12,226)	322,574
Total liabilities (contractual)	1,106,866	411,202	366,233	253,364	2,137,665	(15,648)	2,122,017

14. Interest and similar income

Accounting for interest income

Refer to accounting policy pertaining to financial instruments included on pages 24 to 26.

	Half-year to 30 June 2017 \$'000	Half-year to 30 June 2016 \$'000	31 December 2016 \$'000
Unwind of fair value adjustment to loans and advances acquired at fair value through business combination	184	–	–
Cash and short-term funds	5,275	5,908	5,951
Investment securities and dated financial instruments	17,812	5,174	23,416
Loans and advances at amortised cost	105,090	91,522	217,685
Other interest income	898	–	–
Financial investments – available-for-sale	9,949	3,762	–
Interest and similar income	139,208	106,366	247,052
Interest income on financial assets designated at fair value through profit/loss	–	–	–
Interest and similar income	139,208	106,366	247,052

15. Financial assets held for trading

Refer to accounting policy pertaining to financial instruments included on pages 24 to 26.

Critical accounting estimates and judgements

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

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Government bonds	5,388	11,485	5,382
Corporate bonds	–	675	–
Treasury bills	42,175	91,937	75,953
	47,563	104,097	81,335
Financial assets held for trading pledged as collateral			
Government bonds	2,500	4,323	–
Corporate bonds	6,243	–	–
Treasury bills and other open market instruments	21,284	38,353	20,392
	30,027	42,676	20,392
Financial assets held for trading	77,590	146,773	101,727

15. Financial assets held for trading continued

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

All financial assets held for trading are carried at fair value in 2017 and 2016. Refer to the fair value disclosure included in note 24 for detailed information of key assumptions.

16. Financial assets designated at fair value

Refer to accounting policy pertaining to financial instruments included on pages 24 to 26.

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Listed equities	1,003	1,125	774
Unlisted equities	12,756	12,460	13,084
Property units	10	10	10
Financial assets designated at fair value	13,769	13,595	13,868

The listed equities comprise various counters listed on the Zimbabwe Stock Exchange that subsidiaries have invested in. The balance comprises of a number of unlisted equity investments housed in an investment company in the Group (refer to the overview of valuation assumptions included in the financial risk management section of the financial statements).

All financial assets held for trading are carried at fair value in 2017 and 2016. Refer to the fair value disclosure included in note 24 for detailed information of key assumptions.

17. Investment securities

Refer to accounting policy pertaining to financial instruments included on pages 24 to 26.

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Available-for-sale			
Government bonds	61,504	2,026	52,046
Corporate bonds	68,941	–	9,561
Listed equities	–	–	–
Unlisted equities	21,427	722	1,385
Unlisted investment	324	2,802	25,095
Treasury bills	–	–	117,241
Available-for-sale pledged as collateral	152,196	5,550	205,328
Corporate bonds	57,330	11,925	–
Government bonds	60,427	–	–
	117,757	11,925	–
Held-to-maturity			
Promissory notes	228	–	–
Treasury bills	–	99,200	–
Corporate bonds	–	4,943	–
Government bonds	–	11,910	–
	228	116,053	–
Held-to-maturity pledged as collateral			
Treasury bills	43,229	19,666	22,086
Corporate bonds	3,345	3,800	3,440
Government bonds	6,726	24,892	6,338
	53,300	48,358	31,864
Investment securities	323,481	181,886	237,192

17. Investment securities continued

The investments in unlisted equities are accounted for at fair value. Refer to note 24 for details.

All financial assets held for trading are carried at fair value in 2017 and 2016. Refer to the fair value disclosure included in note 24 for detailed information of key assumptions.

18. Non-interest income

Accounting for non-interest income

Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

	Half-year to 30 June 2017 \$'000	Half-year to 30 June 2016 \$'000	31 December 2016 \$'000
Net gains/(losses) on financial instruments designated at fair value through profit or loss	4,177	22,255	25,736
Net fee and commission income	19,893	21,125	48,861
Net trading income and currency revaluation	12,986	17,123	35,955
Gains and losses on investments held-for-sale	(145)	–	–
Other income	6,692	7,800	3,947
Non-interest income	43,603	68,303	114,499

19. Operating expenses

	Half-year to 30 June 2017 \$'000	Half-year to 30 June 2016 \$'000	31 December 2016 \$'000
Operating expenditure			
Administrative expenses	(40,483)	(42,874)	(81,195)
Property lease rentals	(5,278)	(3,794)	(8,097)
Staff costs	(43,114)	(48,753)	(106,572)
Auditor's remuneration	(1,026)	(1,770)	(2,942)
Depreciation and amortisation charge	(11,055)	(7,337)	(21,175)
Directors' remuneration	(2,558)	(2,270)	(3,087)
	(103,514)	(106,798)	(223,068)

20. Tax

20.1. Income tax expense

	Half-year to 30 June 2017 \$'000	Half-year to 30 June 2016 \$'000	31 December 2016 \$'000
Current tax expense			
Current year tax expense	(1,749)	2,709	(8,107)
Tax on share of profit or associates	-	-	(4)
Withholding tax	(126)	1	(1)
Bank levies	-	1	-
	(1,875)	2,711	(8,112)
Deferred tax			
Total deferred tax	(3,514)	(3,078)	8,190
Total tax expense per statement of profit/loss	(5,389)	(367)	78
Reconciliation of effective tax charge			
Profit/(loss) before tax	16,757	1,408	9,367
Current tax expense per statement of profit/(loss)	5,389	367	78
Effective tax rate (%)	32%	26%	1%

20. Tax continued

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

	30 June 2017			30 June 2016			31 December 2016		
	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	44	-	44	(83,010)	-	(83,010)	(159,423)	-	(159,423)
Revaluation of property net of deferred tax	-	-	-	-	-	-	2,969	(10)	2,959
Share of reserves in associate	-	-	-	317	-	317	(3,406)	-	(3,406)
Movement in available-for-sale reserves	(1,324)	268	(1,056)	715	-	715	11,191	-	11,191
Other comprehensive income	(1,280)	268	(1,012)	(81,978)	-	(81,978)	(148,669)	(10)	(148,679)

20.3. Deferred tax

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Balance at the beginning of the year	(8,765)	(7,266)	(7,266)
Acquired through business combinations	-	(3,715)	(9,506)
Exchange rate adjustment	747	(1,245)	(193)
Statement of profit or loss charge (note 20.1)	(3,514)	3,078	8,190
Deferred tax on amounts charged to equity	174	(184)	10
	(11,358)	(9,332)	(8,765)
Disclosed as follows:			
Deferred tax asset	14,338	9,415	14,323
Deferred tax liability	(25,696)	(18,747)	(23,088)
	(11,358)	(9,332)	(8,765)
Tax effects of temporary differences			
Accruals	534	552	1,531
Bond with warrant deferred tax	1,296	958	959
Impairment losses	10,458	15,575	6,820
Property and equipment	(4,118)	(5,437)	(7,464)
Investment property	42	(987)	72
Unrealised gains on investment	(708)	(2,572)	(1,806)
Revaluation surplus	(1,313)	(252)	(192)
Tax losses	8,534	1,604	9,017
At acquisition adjustments	(22,161)	-	(2,321)
Tax and fair value losses of prior years claimed	-	(18,727)	(23,342)
Other	(3,922)	(46)	7,961
	(11,358)	(9,332)	(8,765)

Amount for which no deferred tax assets are recognised:

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Deductible temporary difference	-	-	-
Unused tax losses	2,963	32,611	8,696
Unused tax credits	2,963	-	-

20. Tax continued

The unutilised deferred tax asset relates mainly to tax losses in ABCH (\$6.8 million), BancABC Tanzania (\$12.0 million) and Tanzania Development Finance Limited (\$15.2 million). Tax losses for ABCH will be utilised by charging management fees or interest on finance provided to subsidiaries. For BancABC Tanzania, new revenue streams will be applied to utilise the tax loss. The deferred tax assets for Tanzania Development Finance Limited which are largely due to timing differences on loan impairments, are expected to be utilised as the loan impairment cases are either resolved or amounts permanently written off.

21. 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.

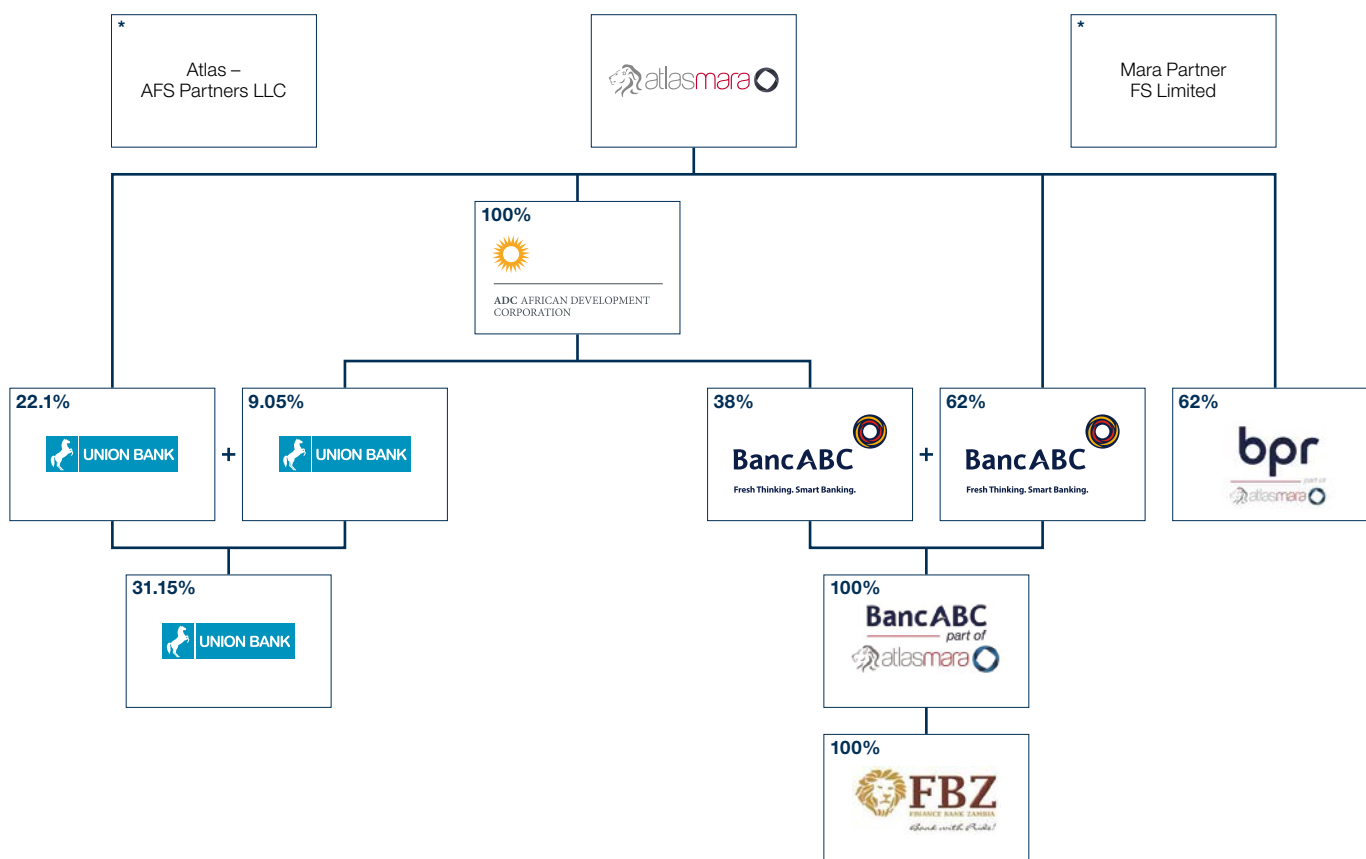
Effective for periods ending 30 June 2017 the offsetting requirements were clarified. In terms of the amendment it was confirmed that 'legal enforceable right to set off' is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency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

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

22. Related parties

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

Nature of related party relationships:



Note:

* These represent the founder shareholders' affiliated group of companies.

22. Related parties continued

Related party transactions

Related party	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 AMFS	–	–	–	–
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

Related party	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

Related party transactions

Related party	30 June 2016			
	Management fees \$'000	Interest income/expense \$'000	Others \$'000	Total \$'000
Transactions between Atlas Mara and ABCH	3,818	23	1,677	5,518
Transactions between Atlas Mara and BancABC subsidiaries	1,753	–	–	1,753
Transactions between ABCH and BancABC subsidiaries	–	–	–	–
Transactions between Atlas Mara and ADC AG	–	(111)	–	(111)
Transactions between Atlas Mara and founder shareholders' affiliated companies	–	–	1,349	1,349
	5,571	(88)	3,026	8,509

22. Related parties continued

Related party balances

Related party	30 June 2016				
	Loans to Group companies \$'000	Cash and cash equivalents \$'000	Loans from Group companies \$'000	Other \$'000	Total \$'000
Balances between Atlas Mara and ABCH	55,023	–	–	11,668	66,691
Balances between Atlas Mara and BancABC subsidiaries	–	–	–	(25,039)	(25,039)
Balances between ABC Holdings and BancABC subsidiaries	30,243	25,490	(65,589)	–	(9,856)
Balances between Atlas Mara and BRD Commercial	–	–	(541)	–	(541)
Balances between Atlas Mara and Atlas Mara Financial Services Limited	–	–	(10,493)	–	(10,493)
Balances between Atlas Mara and founder shareholders' affiliated companies	–	–	–	119	119
	85,266	25,490	(76,623)	(13,252)	(20,881)

Related party transactions

Related party	31 December 2016				Total \$'000
	Management fees \$'000	Interest income/expense \$'000	Others \$'000		
Transactions between Atlas Mara and ABCH	14,018	–	(2,916)		11,102
Transactions between Atlas Mara and BancABC subsidiaries	14,914	(1,269)	(8,802)		4,843
Transactions between ABCH and AMFS	–	(207)	–		(207)
Transactions between Atlas Mara and BPR	1,000	–	52		1,052
Transactions between Atlas Mara and founder shareholders' affiliated companies	–	–	(2,378)		(2,378)
	29,932	(1,476)	(14,044)		14,412

Related party balances

Related party	31 December 2016				
	Loans to Group companies \$'000	Cash and cash equivalents \$'000	Loans from Group companies \$'000	Other \$'000	Total \$'000
Balances between Atlas Mara and ABCH	50,000	–	–	17,669	67,669
Balances between Atlas Mara and BancABC subsidiaries	–	–	(463)	–	(463)
Balances between ABC Holdings and BancABC subsidiaries	54,363	7,359	(117,743)	17,448	(38,573)
Balances between Atlas Mara and AMFS	–	–	–	(289)	(289)
Balances between Atlas Mara and BPR	–	–	–	511	511
Balances between Atlas Mara and founder shareholders' affiliated companies	–	–	–	(79)	(79)
	104,363	7,359	(118,206)	35,260	28,776

23. Earnings per share

Accounting for earnings per share ('EPS')

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Group by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Earnings/(loss)			
Profit/(loss) for the period	11,468	1,178	8,402
Basic and diluted earnings	11,468	1,178	8,402
Weighted-average ordinary shares (number of shares)			
Recognised as treasury shares	(2,335)	(2,203)	(2,475)
Ordinary shares in issue during the period	76,495	73,709	73,861
Weighted-average ordinary shares (number of shares)	74,160	71,506	71,386
Diluted number of ordinary shares (number of shares)			
Diluted shares	684	157	589
Total diluted number of ordinary shares (number of shares)	74,844	71,663	71,975
Basic earnings/(loss) per share	0.15	0.02	0.12
Diluted earnings/(loss) per share	0.15	0.02	0.12

24. Fair value of financial assets and liabilities

Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

Fair value determination as included in the measurement and disclosure requirements of IFRS 13 is applicable to all elements of the statement of financial position, and not only financial instruments.

24. Fair value of financial assets and liabilities continued

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

	30 June 2017			Total at fair value \$'000
	Quoted prices Level 1 \$'000	Significant observable inputs Level 2 \$'000	Significant unobservable inputs Level 3 \$'000	
Assets measured at fair value				
<i>Other financial assets held for trading</i>	-	77,590	-	77,590
Government bonds	-	7,888	-	7,888
Treasury bills	-	63,459	-	63,459
Corporate bonds	-	6,243	-	6,243
<i>Fair value option</i>				
<i>Designated at fair value</i>	1,003	-	12,766	13,769
Listed equities	1,003	-	-	1,003
Unlisted equities	-	-	12,756	12,756
Property units	-	-	10	10
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	-	170	6,285	6,455
Forward foreign exchange contracts	-	-	6,285	6,285
	-	170	-	170
<i>Available-for-sale investments</i>				
Government bonds	-	269,008	945	269,953
Corporate bonds	-	121,931	-	121,931
Unlisted equities	-	126,271	-	126,271
Unlisted investment	-	20,482	945	21,427
	-	324	-	324
Fair value hierarchy for financial assets	1,003	346,768	19,996	367,767
Liabilities measured at fair value				
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	-	44	5,977	6,021
Forward foreign exchange contracts	-	-	5,977	5,977
Equity derivatives	-	44	-	44
	-	-	-	-
<i>Borrowed funds</i>				
	-	-	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

24. Fair value of financial assets and liabilities continued

	30 June 2016			Total at fair value \$'000
	Quoted prices Level 1 \$'000	Significant observable inputs Level 2 \$'000	Significant unobservable inputs Level 3 \$'000	
Assets measured at fair value				
<i>Other financial assets held for trading</i>	–	117,852	28,921	146,773
Government bonds	–	11,485	4,323	15,808
Treasury bills	–	105,692	24,598	130,290
Corporate bonds	–	675	–	675
<i>Fair value option</i>				
<i>Designated at fair value</i>	1,125	–	12,470	13,595
Listed equities	1,125	–	–	1,125
Unlisted equities	–	–	12,460	12,460
Property units	–	–	10	10
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	–	5,121	–	5,121
Forward foreign exchange contracts	–	–	–	–
<i>Available-for-sale investments</i>				
Government bonds	–	16,935	540	17,475
Corporate bonds	–	2,026	–	2,026
Unlisted equities	–	11,925	–	11,925
Unlisted investment	–	182	540	722
Unlisted investment	–	2,802	–	2,802
Fair value hierarchy for financial assets	1,125	139,908	41,931	182,964
Liabilities measured at fair value				
<i>Derivative financial instruments</i>	–	6,083	4,447	10,530
Cross-currency interest swaps	–	5,121	–	5,121
Forward foreign exchange contracts	–	962	7	969
Equity derivatives	–	–	4,440	4,440
<i>Borrowed funds</i>	–	37,129	–	37,129
Liabilities for which fair values are disclosed				
Borrowed funds	–	305,832	–	305,832
Fair value hierarchy for financial liabilities	–	349,044	4,447	353,491

24. Fair value of financial assets and liabilities continued

	31 December 2016			Total at fair value \$'000
	Quoted prices Level 1 \$'000	Significant observable inputs Level 2 \$'000	Significant unobservable inputs Level 3 \$'000	
Assets measured at fair value				
<i>Other financial assets held for trading</i>		101,727		101,727
Government bonds	–	5,382	–	5,382
Treasury bills	–	96,345	–	96,345
<i>Fair value option</i>				
<i>Designated at fair value</i>	774	–	13,094	13,868
Listed equities	774	–	–	774
Unlisted equities	–	–	13,084	13,084
Property units	–	–	10	10
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	–	–	6,025	6,025
Forward foreign exchange contracts	–	298	–	298
<i>Available-for-sale investments</i>				
Unlisted equities	–	459	926	1,385
Unlisted investment	–	25,095	–	25,095
Government bonds	–	52,046	–	52,046
Corporate bonds	–	9,561	–	9,561
Treasury bills	–	117,241	–	117,241
Fair value hierarchy for financial assets	774	306,427	20,045	327,246
Liabilities measured at fair value				
<i>Derivative financial instruments</i>		37	5,733	5,770
Cross-currency interest swaps	–	–	5,733	5,733
Forward foreign exchange contracts	–	37	–	37
<i>Borrowed funds</i>	–	–	31,541	31,541
Liabilities for which fair values are disclosed				
Borrowed funds	–	298,298	–	298,298
Fair value hierarchy for financial liabilities	–	298,335	37,274	335,609

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

24. 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 2017					
	Trading securities \$'000	Trading derivatives \$'000	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

	30 June 2016					
	Trading securities \$'000	Trading derivatives \$'000	Debt or equity investments \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
Opening balance	–	–	12,629	12,629	–	–
Total gains or losses						
– in profit/(loss)	–	–	61	61	–	–
Purchases	–	–	29,709	29,709	–	–
Issues	–	–	–	–	–	–
Settlements	–	–	–	–	4,454	4,454
Exchange rate adjustment	–	–	(468)	(468)	(6)	(6)
Closing balance	–	–	41,931	41,931	4,448	4,448

	31 December 2016					
	Trading securities \$'000	Trading derivatives \$'000	Debt or equity investments \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
Opening balance	–	–	12,629	12,629	–	–
Total gains or losses						
– in profit/(loss)	–	–	1,149	1,149	331	331
– in other comprehensive income	–	–	(10)	(10)	–	–
Purchases	–	–	–	–	–	–
Issues	–	–	6,092	6,092	5,304	5,304
Settlements	–	–	–	–	–	–
Exchange rate adjustment	–	–	(12)	(12)	98	98
Transfer to level 3	–	–	197	197	–	–
Closing balance	–	–	20,045	20,045	5,733	5,733

24. Fair value of financial assets and liabilities continued

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

	30 June 2017					
	Trading securities \$'000	Trading derivatives \$'000	Debt or equity investments \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
Total gains or losses in profit/loss for the year	-	-	-	-	-	-
Net income from other financial instruments carried at fair value	-	-	-	-	-	-
Total gains or losses recognised in other comprehensive income	-	-	-	-	-	-

	30 June 2016					
	Trading securities \$'000	Trading derivatives \$'000	Debt or equity investments \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
Total gains or losses in profit/loss for the year	-	-	-	-	-	-
Net income from other financial instruments carried at fair value	61	-	110	171	-	-
Total gains or losses recognised in other comprehensive income	61	-	110	171	-	-

	31 December 2016					
	Trading securities \$'000	Trading derivatives \$'000	Debt or equity investments \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
Total gains or losses in profit/loss for the year	-	-	1,149	1,149	331	331
Rental income	-	-	1,149	1,149	331	331
Fair value adjustments	-	-	582	582	-	-
Net income from other financial instruments carried at fair value	-	-	567	567	331	331
Total gains or losses recognised in other comprehensive income	-	-	(10)	(10)	-	-

24. Fair value of financial assets and liabilities continued

Description of significant unobservable inputs to valuation

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

Type of financial instrument	Valuation technique	Significant unobservable input	Range of estimates (weighted average) for unobservable input
Government debt	This includes government bonds and treasury bills. Liquid government bonds that are actively traded through an exchange or clearing house are marked-to-market. Less liquid bonds are valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. Where there are no observable market prices, a proxy curve is constructed by using the US interest rate swap yield curve and adding a spread indicative of the inherent risk relating to credit, liquidity and for the sovereign risk of the government debt.	Discount rate where no traded market exists.	12–22%
Corporate debt	This includes corporate bonds which are valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. Where there are no observable market prices, a proxy curve is constructed by using the US interest rate swap yield curve and adding a spread indicative of the inherent risk relating to credit, liquidity and for the sovereign risk of the corporate debt.	Discount rate where no traded market exists.	12–18%
Unlisted equities and investments	Market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee on actual EBITDA for the period ended 30 June 2017. The estimate is adjusted for the effect of the non-marketability of the equity securities.	Adjusted price to book ratio. Adjusted EV/EBITDA.	12–25%

Sensitivity analysis

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

	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)

	30 June 2016			
	Profit or loss		Equity	
	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000
Average price to book ratio (5% movement)	132	(132)	9	(9)
Book value (2% movement)	20	(20)	14	(14)
Adjusted EV/EBITDA (5% movement)	9	(9)	9	(9)
EBITDA (2% movement)	462	(462)	4	(4)

24. Fair value of financial assets and liabilities continued

	31 December 2016			
	Profit or loss		Equity	
	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000
Average price to book ratio (5% movement)	(120)	120	10	(10)
Book value (2% movement)	4	(4)	18	(18)
Adjusted EV/EBITDA (5% movement)	10	(10)	10	(10)
EBITDA (2% movement)	(278)	278	4	(4)

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 2017		30 June 2016		31 December 2016	
	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						
<i>Fair value option</i>						
Unlisted equities	–	–	12,460	–	13,084	1,308
Property units	10	1	–	–	10	1
<i>Derivative financial instruments</i>						
Cross-currency interest swaps	–	–	–	–	6,025	603
<i>Available-for-sale investments</i>						
Unlisted equities	234	23	–	–	926	93
Financial liabilities						
<i>Derivative financial instruments</i>						
Cross currency interest swap	–	–	–	–	5,733	573

25. Off-balance sheet items

a. Loan commitments and other financial facilities

The timing profile of the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities for the period ended 30 June 2017 are summarised below:

	30 June 2017 \$'000	30 June 2016 \$'000	31 December 2016 \$'000
Guarantees	11,883	50,892	13,774
Letters of credit	6,420	7,311	2,767
Forward contracts and currency swaps	–	9,815	18,605
Other contingent liabilities	46,423	15,111	10,430
	64,726	83,129	45,576
Maturity analysis of loan commitments			
Less than one year	44,527	64,276	35,383
Between one and five years	20,199	18,853	10,193
Over five years	–	–	–
	64,726	83,129	45,576

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

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 and Johannesburg based offices
DFI	Development finance institution
EAC	East African Community
EAD	Exposure at default
ECOWAS	Economic Community of West African States
EIR	Effective interest rate
EL	Expected loss
EPS	Earnings per share
ERM	Enterprise-wide Risk Management
EU	European Union
EXCO	Executive Committee
FDI	Foreign Direct Investment
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

Glossary continued

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)

Atlas Mara warrants: ATMW
(traded on the London Stock Exchange)

2017 share price performance

2 January 2017: \$1.98
30 June 2017: \$2.41

Total voting rights

166,983,341 shares, as of 6 September 2017 (172,258,735 ordinary shares in issue, of which of which 1,977,096 are held in treasury and 3,298,298 shares are held in escrow as part of the acquisition-related contingent consideration disclosed to the market on 1 July 2016).

Total outstanding warrants

32,529,500 warrants issued on 17 December 2013, expired on 21 August 2017.

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Board of Directors

Non-Executive Directors

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Ashish J. Thakkar (Co-Founder)
Rachel F. Robbins (Senior
Independent Director)
Tonye Patrick Cole
Eduardo C. Mondlane, Jr.
Funke Opeke
Amadou Raimi

Executive Committee

Arina McDonald (Chief Financial Officer)
Beatrice Hamza Basse (General Counsel)
Chidi Okpala (Group Managing
Director – Fintech)
Kenroy Dowers (Group Managing
Director – Strategic Investments)
Mike Christelis (Group Managing Director
Markets & Treasury)
Sanjeev Anand (Group Managing Director
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