



31 March 2017

## **Atlas Mara Limited Audited Results – Year Ended 31 December 2016**

Atlas Mara Limited ("Atlas Mara" or the "Company" including its subsidiaries, the "Group"), the sub-Saharan African financial services group, today releases its consolidated audited results for the year ended 31 December 2016.

### **Principal highlights:**

- **Second consecutive year of profitable execution – Atlas Mara reports 2016 attributable net profit of \$8.4m (2015: \$11.3 million) and EPS of 12 cents per share (2015: 16 cents)**
- **Positive constant currency growth in key financial metrics, total income up 31.8% to \$241.7 million, net profit up 75.0%**
- **Delivered on \$8 million cost reduction commitment with further cost reductions to follow, as recently announced, of at least \$20 million**
- **Streamlined business units focused on growth and execution – strong momentum in Markets and Treasury (gross income +72% year-on-year) and early successes in Fintech initiatives**
- **Credit quality trends continue to demonstrate improvement as NPL ratios continue to decline**
- **Full integration of acquisitions in Rwanda and Zambia completed**
- **Equity placement (oversubscribed) completed in February to accelerate growth plans. OPIC facility of \$40 million to support asset growth in Botswana completed in March**

Commenting on the results, Bob Diamond, Chairman, said:

"Atlas Mara made considerable progress in 2016, but we need to execute faster, be nimbler, and be laser-focused on driving results across our three business lines. We have simplified our management structure, reduced costs, streamlined operations, and put increased resources behind our growing Fintech and Markets and Treasury businesses.

The SSA economic environment appears to be stabilizing. Although volatility is still expected, several currencies have appreciated from their lows, and rainfall has been more plentiful in Southern Africa, which supports key sectors including agriculture and power generation. We have also seen economic "green shoots," such as firmer commodity prices and greater investor appetite for Africa.

While 2017 will have its challenges, we expect to deliver a significant improvement in earnings relative to 2016 as we execute on our cost savings and revenue growth plans. We also expect reported and adjusted earnings to converge as one-off costs fall away. We are targeting reported earnings for 2017 to be more than double the level achieved in 2016.

I am incredibly excited about the opportunity ahead and working with the highly talented team we have in place; I am confident we will deliver for our shareholders in 2017 and beyond."

**Key financial highlights during the period:**

- Total income of \$241.7 million increased by 17.8% or 31.8% on a constant currency (ccy) basis largely attributable to lower cost of funding in Botswana and our acquisitions in Rwanda and Zambia. We saw an increase of 30.1% in non-interest income (ccy) boosted by client forex activity and fair value gains on mezzanine debt related to the investment in Nigeria. Net interest income increased by 19.5% in US\$ terms but grew by 33.3% on a ccy basis supported by improved net interest margins on earning assets which increased to 6.3% versus 5.80% for 2015.
- Adjusted net profit after tax declined by 16.5% in US\$ terms but grew by 2.8% to \$20.8 million on a ccy basis. Reported profit after tax for 2016 was \$8.4 million, a decline of 25.7% but with this representing growth of 75.0% in ccy terms. The reported profit after tax of \$11.3 million for 2015 would have been \$4.7m at 2016 average exchange rates.
- Excluding M&A and one-off charges, expenses grew by 24.7% to \$217.2 million with this representing 37.9% year-on-year on a ccy basis with acquisitions the principal reason for this increase. Excluding acquisitions, the cost growth was limited to 4.8% ccy, a level below the average rate of inflation ranging between 5% to 15% across our markets of operation. The Company continues to focus on delivering cost efficiencies while investing in growth initiatives such as Treasury and Markets, Fintech and service offerings.
- Against our target of \$8 million cost savings announced at our Q2 results in August 2016 (subsequently increased by \$20 million across the business – equivalent to just under 30 cents per share after tax), we have delivered annualized run-rate savings of \$3 million in the Shared Service and Centre and a further \$5 million in our operating countries.
- Deposits increased by 25.3% or 27.3% on a ccy basis, reflecting the company's focus on acquiring lower cost deposits that are also behaviourally longer term. This resulted in a reduction in cost of funds from 7.9% in 2015 to 6.0% in 2016, despite continued tightening on local monetary policies. Retail deposits now comprise 30.6% of the total deposit book versus 20.8% a year ago.
- Loans and advances grew by 8.6% or 9.8% on a ccy basis. Excluding acquisitions, the statement of financial position was essentially flat reflecting risk appetite focus and growth opportunities in each market. Some countries have seen good growth in their asset portfolios, whilst others have seen a similar rate of decline as we reposition our statement of financial position in line with our diversification risk strategies. Our emphasis on managing down higher risk portfolios in certain countries where we have a cautious credit risk appetite has been offset by volume growth in other territories.
- NPLs as a percentage of the loan book at 13.3% (2015: 13.5%) remain above market averages but have been steadily improving. Our consolidated Group NPL ratio is inflated by the level of NPLs currently accounted for in Zimbabwe. Excluding one NPL account in Zambia, which is now subject to a remediation agreement with an international finance organisation, and a block of seven accounts that are in the process of being transferred to Zimbabwe Asset Management Company, the Group's NPL ratio would be 9.8%. Asset recoveries totalled \$4.3 million for the year reflecting continued focus to deliver shareholder value through managing the asset portfolio end-to-end.
- Union Bank of Nigeria Plc ("UBN") contributed associate income of \$18.1 million for the period (2015: \$20.2 million), reflecting Atlas Mara's 31.15% shareholding on an equity accounted basis. Naira depreciation during the second half of the year has led to the lower contribution, with the contribution from UBN growing by 16.1% on a ccy basis.

- Reported equity at period end was \$526.1 million, a decline of \$99.5 million from 31 December 2015, largely due to \$157.4 million of foreign exchange translation losses principally driven by the strengthening of the US Dollar against the Nigerian Naira and Mozambican Meticaís. Book value per share was \$7.29 at December 2016 (compared to \$8.94 at 31 December 2015). Tangible book value per share was \$5.27 at December 2016 (\$7.00 at 31 December 2015).

**Key operational highlights during the period:**

- The build-out of our onshore Treasury and Markets business continues to make excellent progress with a notable uplift in net income from derivative and foreign exchange transactions from \$16.8 million in 2015 to \$35.9 million in 2016, reflecting the greater scale of our operations, significantly increased client numbers and diversification of revenue streams.
- Atlas Mara has been implementing a shift in its operational model to create a leaner Shared Services and Centre to realize stronger presence on the ground and be closer to its clients. Going forward our banking operations will be led from Botswana and Fintech and Markets and Treasury from Dubai. The leaner Shared Service and Centre is supported by a significant cost reduction programme including the closure of our Johannesburg office. This streamlining of our Shared Services and Centre will ensure our cost base is more aligned with the current operating environment. To achieve greater alignment with our shareholders, our executive team has also agreed to a shift in compensation structure, which includes a substantial reduction in current cash compensation in exchange for deferred equity participation.
- We are very pleased with the progress that has been made in terms of broadening our strategic footprint in 2016. In Rwanda, the company's 62% owned subsidiary, BPR, has announced a restructuring and repositioning programme that was envisaged at the time of acquisition to improve profitability, address historic loss of market share and to move the business from being primarily retail-oriented towards a more balanced retail and corporate customer base. Upon completion of this transformation programme, we expect to have a modern infrastructure and unmatched branch banking network across Rwanda and are excited about the growth opportunity in that market. In Zambia, the integration of Finance Bank Zambia with BancABC Zambia is now complete with the new leadership team already in place. Cost synergies we anticipated ahead of acquisition have been validated and will be delivered in 2017. Both of our platforms in Rwanda and Zambia, now integrated, are primed for growth in 2017.
- Across our operating territories, we have seen significant new business momentum in 2016:
  - In Botswana, we were awarded the Visa Card Warrior Award in August 2016 for being the first prepaid card issuer in the market, we have set up a co-brand partnership with Orange money, a leading life Insurer; and we were granted a license to issue MasterCard and Union Pay transactions, we expect this to enhance the value of the bank's POS proposition to merchants.
  - In Mozambique, we drove aggressive Retail customer acquisition, adding almost 10,000 customers over the course of the year; and in our CIB business we have been equally as effective in client acquisition and have attracted several blue-chip customers to bank with us.
  - In Tanzania, we received the Visa E-commerce Activation Award for being the no 1 bank in online VISA transactions in Tanzania and enjoy 65% market share out of 17 visa issuing Banks.
  - In Rwanda, we were honoured that President Paul Kagame agreed to launch the New "BPR Part of Atlas Mara" logo during WEF Africa in May in Kigali. We launched several digital banking initiatives including a mobile app, an online bill payment service across all our branches for water,



sewage and power utilities, a MTN Mobile Money Trust Account and push pull services marking a milestone in country wide banking and financial inclusion; and we pioneered financing structures for mini solar cell receivable financing. We are a leader in banking off-grid power producers and this supports efforts to improve access to power in Rwanda.

- In Zambia, we signed a \$30 million deal with the Development Bank of Zambia and China Development Bank Corporation with potential outreach to more than 10,000 SMEs; and we were given the Visa Growth Champion Award – for the largest growth in issued prepaid VISA cards and supporting financial inclusion to an underserved sector.
- In Zimbabwe, in the three months following launch of our Point-of-Sale capabilities, we signed up 52 merchants and deployed 187 devices raising transactional deposits of \$2.7 million.
- Since year-end we have announced strategic partnerships with both Visa and MasterCard as part of our plans to introduce a suite of payment solutions and expand access to electronic payments across the sub-Saharan Africa region. These partnerships will enable our operating banks across Africa to provide their customers new payment solutions and supports our efforts to drive disruptive growth strategies across sub-Saharan Africa.
- In February 2017, we also completed an oversubscribed equity placement, primarily to accelerate investment in growth in Treasury and Markets and Fintech. These businesses are built for the future of financial services in Africa, and we are eager to deliver results more quickly.
- To complement funding from the equity placement, we have continued to scale up our partnerships to secure funding from Development Finance Institutions and other sources. In January 2017, we finalized terms to enable drawdown by BancABC Zambia of a €25 million facility with the European Investment Bank (“EIB”) for funding SMEs in Zambia. In March 2017, we announced completion of a \$40 million debt facility that the Overseas Private Investment Corporation (“OPIC”) agreed to provide to BancABC Botswana. The facility will be used to provide access to finance for SMEs and to accelerate growth in digital finance initiatives. It is consistent with Atlas Mara’s objective of supporting financial inclusion and will allow the company to expand access to finance in underserved markets.

### Investor Conference Call

Atlas Mara’s senior management will today be holding a market update for investors at 10am EST / 3pm BST. There will be a presentation available in the Investor Relations section of the Company's website, <http://atlasmara.com>. The Company will not be disclosing any new material information.

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### **About Atlas Mara**

Atlas Mara was listed on the London Stock Exchange in December 2013. Atlas Mara's vision is to create sub-Saharan Africa's premier financial services institution through a combination of its experience, expertise and access to capital, liquidity and funding. Its goals are to combine the best of global institutional knowledge with extensive local insights and to support economic growth and financial inclusion in the countries in which the Company operates.

## Summary of Results

Table 1: Adjusted operating profit and reconciliation to IFRS profit for year to end December 2016.

\$'m	2016	2015	Total	CCY
	Audited	Audited	Var %	Var %
Total Income	241.7	205.1	17.8	31.8
Loan impairment charge	(15.4)	(12.0)	28.3	62.1
Total expenses (excluding one-off)	(217.2)	(174.2)	24.7	37.9
Share of profit of associates	17.9	20.3	(11.8)	16.2
Adjusted profit before tax	27.0	39.2	(31.1)	(15.2)
<b>Adjusted net profit</b>	<b>20.8</b>	<b>24.9</b>	<b>(16.5)</b>	<b>2.8</b>
M&A transaction expenses	(8.8)	(11.9)	(26.1)	(26.1)
Reorganisation/restructuring costs	(8.9)	(7.6)	17.1	17.1
Reported profit before tax	9.4	19.2	(51.0)	(24.2)
<b>Reported net profit</b>	<b>8.4</b>	<b>11.3</b>	<b>(25.7)</b>	<b>75.0</b>
Reported cost to income ratio	97.1%	94.7%		
Adjusted cost to income ratio	89.9%	85.2%		
Reported return on equity	1.6%	1.7%		
Adjusted return on equity	3.9%	3.8%		
Reported return on assets	0.3%	0.4%		
Adjusted return on assets	0.8%	1.0%		
Reported EPS (\$)	0.12	0.16		
Operational EPS (\$)	0.29	0.34		
Book value per share (\$)	7.29	8.94		
Tangible book value per share (\$)	5.27	7.00		

Notes: CCY refers to constant currency variance which excludes the impact of depreciating currencies against the US \$.

### Summary of Financial Position

Q1	Q2	Q3	Q4	\$'	Audited	Audited	Total	CCY
2016	2016	2016	2016	million	2016	2015	Var %	Var %
345.0	448.3	399.2	406.3	Cash and short-term funds	406.3	320.7	26.7	29.6
143.5	160.4	163.6	115.6	Financial assets held for trading	115.6	203.6	(43.2)	(42.0)
1,339.4	1,421.0	1,402.1	1,334.8	Loans & advances	1,334.8	1,229.4	8.6	9.8
110.9	181.9	155.3	237.2	Investments	237.2	21.6	>100	>100
422.1	324.3	312.4	294.0	Investment in associates	294.0	398.4	(26.2)	(25.2)
153.5	166.8	148.2	168.2	Intangible asset	168.2	139.4	20.7	21.0
163.3	244.1	249.9	200.9	Other assets	200.9	139.0	44.5	49.0
<b>2,677.8</b>	<b>2,946.7</b>	<b>2,830.7</b>	<b>2,757.1</b>	<b>Total assets</b>	<b>2,757.1</b>	<b>2,452.1</b>	<b>12.4</b>	<b>14.0</b>
1,628.8	1,814.9	1,797.0	1,799.4	Customer deposits	1,799.4	1,436.1	25.3	27.3
298.3	343.0	329.6	322.6	Borrowed funds	322.6	302.2	6.8	8.2
89.1	211.5	144.7	109.0	Other liabilities	109.0	88.2	23.4%	18.2
661.7	577.3	559.5	526.1	Capital and reserves	526.1	625.5	(15.9)	(14.5)
<b>2,677.8</b>	<b>2,946.7</b>	<b>2,830.7</b>	<b>2,757.1</b>	<b>Total equity and liabilities</b>	<b>2,757.1</b>	<b>2,452.1</b>	<b>12.4</b>	<b>14.0</b>
82.2%	78.3%	78.0%	74.2%	Loan: Deposit ratio	74.2%	85.6%		
15.5%	13.2%	14.9%	13.3%	NPL ratio	13.3%	13.5%		
9.2%	10.0%	(3.9%)	(2.6%)	Assets growth %	12.4%	(6.5%)	12.4	14.0
10.4%	17.5%	(4.1%)	(1.8%)	Liabilities growth %	22.1%	(5.8%)	22.1	24.1

Notes: CCY refers to constant currency variance which excludes the impact of depreciating currencies against the US \$.



## **Chairman's introduction**

Dear Shareholder

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

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

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

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

## **The year in review**

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

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

Over the course of 2016, we placed greater emphasis on both our Markets and Fintech businesses to drive faster organic growth. For the year, Markets and Treasury grew net income from derivative and foreign exchange transactions from \$16.8 million in 2015 to \$35.9 million in 2016, showing strong momentum which will continue into 2017 and beyond.

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



## **Business model**

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

### **Buy**

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

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

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

### **Protect**

As well as completing the integration of our acquired businesses in Zambia and Rwanda ahead of schedule, we have been focused on a number of business transformation projects within our Southern African operations, reducing operational costs and managing down non-performing loans and impairments. We continue to improve governance and compliance processes, such as automating Know Your Customer and transaction monitoring procedures, to mitigate our operational risk exposure in these areas.

### **Grow**

As noted above, after key acquisitions in Rwanda and Zambia, we pivoted to focus more on organic growth in the past year to achieve results in the current environment. Early results in our Markets and Fintech business support this strategic shift.

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

## **Valuation and shareholder returns**

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

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

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

## **Outlook**

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

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

The first quarter of the year is traditionally a slow quarter, but we expect to be solidly profitable in Q1 2017, and expect profitability to accelerate over the course of the year as we execute on our plans.

**Bob Diamond**

**Chairman**

## Arina McDonald, Chief Financial Officer

### Overview

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

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

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

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

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

Excluding one-off and transaction-related expenses, our cost to income ratio was 89.9% versus the comparable figure in 2015 of 85.2%. This ratio remains higher than what we would like it to be, mostly due to our continuous focus to invest to facilitate future growth, coupled with the fact that the two acquisitions

we made in 2016 were both high cost to income ratio businesses. A further factor is the impact of having a large component of US\$ linked costs while our revenues are in local African currencies which have depreciated against the US\$ in recent years. Our focused cost conscious objectives and streamlining of the acquired businesses, together with the impact of cost reductions post the restructuring at the Shared Services & Centre, will drive efficiencies and support our longer-term goal of reducing the cost to income ratios to comparable peer levels, which will notably increase earnings and thus shareholder returns.

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

- With our half year results, we indicated plans to reduce non-staff costs and headcount by around \$8 million on an annualized basis. At December 2016 year-end, we have achieved this target with \$3 million delivered in the Centre and \$5 million effected in the operating businesses, following the staff repositioning and further branch restructuring especially in the acquired businesses in Rwanda and Zambia. During Q1 2017, we have taken further costs out of our Shared Service and Centre operations and decided to close our office in Johannesburg and relocate roles to our countries of operation. Such change in operating structure will not only reduce costs but is beneficial to our country operations with direct support and strengthening of teams at the point of delivering banking services to our customers. This will ensure that our cost base is more aligned with our current revenue environment and this will lead to cost savings well of at least \$20 million on a full year run-rate basis.
- During 2016, our Treasury & Markets business grew net income from derivative and foreign exchange transactions from \$16.8 million in 2015 to \$35.9 million. Having seen this momentum, we have intentionally accelerated investment into this business to grow the offshore markets operations as a key focus during 2017. The aim is to broaden the spectrum of African currencies that we focus on, and offer transaction capability on currency hedging and trade finance support to include markets and currencies for customers outside our current country footprint. Likewise, following the recent equity raise, we have invested in specific growth initiatives in our digital finance product offering, as another source to diversify and improve revenue generation, and we expect both these operations to contribute meaningfully to our overall profitability during 2017.
- We also remain focused on operational improvements around governance and the overall compliance and control environment that requires some investment to strengthen our platform for growth, which is set to continue as part of our overall risk management focus into 2017.

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

## Statement of comprehensive income review

### Total income (\$ millions)

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

We reported growth in total income of 17.8% or 31.8% on a constant currency basis, largely attributable to lower cost of funding especially in Botswana and our acquisitions in Rwanda and Zambia. We continue to build our capability in digital and mobile banking product offering and further expect the efforts around growing transactional banking services across the region to improve revenues without putting more reliance on the statement of financial position.

### Net interest income

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

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

### Non-interest income

Non-interest income increased by 16.0% or 30.1% on a constant currency basis to \$114.5 million in 2016 (2015: \$98.7 million) boosted by net income from our markets business (an increase of \$19.1 million year-on-year) and fair value gains recorded on the mezzanine debt related to investment in Nigeria of \$25.5 million for 2016 (2015: \$3.3 million). Excluding the fair value gains recorded, non-interest income was also impacted by a loss of insurance income in Botswana (Unions have moved to a self-insurance model for their clients, away from our banking product offering).

### Total expenses

Underlying total costs of \$217.2 million, excluding one-offs, represented an increase of 24.7% or 37.9% in ccy terms year on year with the acquisitions completed this year being a principal contributor to this.

Excluding the operating cost contributions from acquisitions in Rwanda and Zambia, our costs fell by 5.5% but growth was limited to 4.8% on a constant currency basis.

Total M&A transaction and one off restructuring and integration expenditures of \$17.7 million for 2016 has declined from \$19.5 million incurred during 2015. This decline is consistent with our expectation that these expenses will decrease over time. Included in the above amount is \$5.5 million associated with the restructuring and reorganization in Rwanda and Zambia and \$3.4 million of costs associated with the right-sizing of the Shared Services & Centre teams.

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

### Cost Analysis (\$ millions)

	2016	2015	FX var	Operational var	Total var	CC var %	Total var %
Total expenses	234.8	194.2	17.2	57.8	40.6	32.7	20.9
<b>Less: Acquisitions</b>							
Rwanda	(35.9)	(4.0)	(0.4)	(32.3)	(31.9)	>100	>100
FBZ	(20.0)	-	-	(20.0)	(20.0)	N/A	N/A
<b>Total expenses (excl. acquisitions)</b>	<b>178.9</b>	<b>190.2</b>	<b>16.8</b>	<b>5.5</b>	<b>(11.3)</b>	<b>(3.2)</b>	<b>(5.9)</b>
<b>Transactional expenditure</b>							
M&A transaction expenses	(8.8)	(11.9)	-	3.1	3.1	26.1	26.1
Reorganisation/restructuring costs	(8.9)	(7.6)	-	(1.3)	(1.3)	(17.1)	(16.6)
<b>Total expenses (excl. acq &amp; one - off)</b>	<b>161.2</b>	<b>170.7</b>	<b>16.8</b>	<b>7.3</b>	<b>9.5</b>	<b>(4.8)</b>	<b>5.5</b>

### Loan impairment charges

The 2016 loan impairment charge of \$15.4 million represents a 28.3% (62.1% ccy) increase on the prior year charge of \$12.0 million, with this is largely due to lower recoveries in 2016 relative to 2015. We reported gross recoveries of \$4.3 million in 2016 (2015: \$18.1 million), which were weighted towards the latter part of the year with Rwanda and Zimbabwe being the main contributors in this regard. Countries of particular focus from a credit perspective are Mozambique and Tanzania, where impairment model changes have driven higher credit costs and pressure in the local economies has become visible through the portfolio impairment trends, in general. We continue to focus on restructuring and recovering further from the acquired NPL book, and have made good progress on a couple of large single name exposures in Zambia



and Zimbabwe, both to increase profitability and to reduce our overall NPL ratios to closer to comparable peer levels. Note: In line with IFRS 3 Business Combination, the recoveries reported in 2015 of \$18.1 million was accounted for in NII as an unwind of fair value adjustments.

## Statement of financial position review

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

### Customer loan composition – 2016

By Product (\$ millions)

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

By Country (\$ millions)

Botswana	Mozambique	Rwanda	Tanzania	Zambia	Zimbabwe	Other
531.9	79.8	207.3	87.2	194.1	232.6	1.8

### Credit quality

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

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

Non-performing loans (NPLs) as a percentage of the loan book declined to 13.3% (December 2015: 13.5%), reflecting evidence of our improved resourcing behind our credit monitoring and collection processes. The year-on-year improvement was specifically supported by asset recoveries secured in Mozambique and Zimbabwe.

In both Zambia and Zimbabwe, there are a handful of single name exposures that skew the overall group NPL ratio where the quality of the group's asset book should not be clouded by these few large single name accounts in default. Excluding one NPL account in Zambia, which is already subject to a remediation agreement supported by an international finance organisation, and a block of seven accounts in Zimbabwe that are in the process of being restructured with the support of the Zimbabwe Asset Management Company, the Group's NPL ratio reduces to 9.8% from the reported 13.3%.



## Capital position

As at 31 December 2016, all of Atlas Mara's operating banks complied with local minimum capital requirements relevant in that country, as summarised below.

Capital Ratios	2016	2015	Regulatory Minimum
Botswana	20.2%	15.7%	15.0%
Mozambique	24.0%	10.4%	8.0%
Rwanda	23.0%		15.0%
Tanzania	14.2%	14.3%	12.0%
Zambia (ABC)	30.6%	30.2%	10.0%
Zambia (FBZ)	31.1%		10.0%
Zimbabwe	20.9%	16.6%	12.0%

Risk - weighted asset growth, excluding acquisitions, was limited reflecting both the subdued demand for credit across our markets but also our selective approach to credit risk from refining our overall risk appetite.

## Investment in associate: UBN

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

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

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

## Goodwill and intangibles

Due to the acquisitions made during 2016 and in compliance with IFRS 3: Business Combinations, the statement of financial position incorporates goodwill and intangible assets of \$168.2 million at December 2016 (December 2015: \$139.4 million). These assets represent 6% of the Group's asset base, resulting in a tangible book value of \$5.27 per share (December 2015: \$7.00 per share) versus a book value per share of \$7.29 (December 2015: \$8.94).

## Liabilities

Table 5: Customer deposits (\$ millions)

	Retail	Corporate	Treasury	Total
FY 2015	299.3	524.0	612.8	1436.1
FY 2016	551.0	924.8	323.6	1799.4

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

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

## Segment information

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

### Southern Africa

#### Banking Environment

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

The 2014 BancABC ('ABC') transaction provided Atlas Mara with a multi-country, core banking platform across Southern Africa. The scale of our operations in Zambia was significantly increased by the acquisition of Finance Bank Zambia on 30 June 2016. The South African Development Community (SADC) region, which forms the largest part of our business by assets, had a challenging 2016 and the environment is expected to remain tough into 2017. Overall growth for the region of around 2.7% in 2015 per the IMF is expected to only rise to c.2.9% for 2017. Given the size of the South African economy relative to the rest of the region, its lower level of growth not only weighs on the regional average but there is a knock-on impact upon some of the smaller states which depend on trading activity with South Africa to support their own economies.

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

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

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

#### Our Business

**Botswana** remains our largest profit contributor by country. The business continued to perform well during 2016. We continued to improve the business by rolling out a mobile banking solution and improving our customer cards offering and introducing new bancassurance products. We delivered a significant (12

percentage point) reduction in the cost to income ratio through reducing discretionary expenditure, improving our cost of funding and operating a recruitment freeze. NPL recoveries also demonstrated a good out-turn for the year.

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

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

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

## East Africa

### Banking Environment

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

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

Tanzania has established a track record of consistently strong GDP growth and prospects remain positive. The construction, transport services, telecommunications and financial services remain key drivers behind

economic growth, while the manufacturing sector is expected to benefit from increased natural gas production. Overall, GDP growth is expected to reach 7.1% for 2016 per the IMF which represents a modest increase on the 2015 growth rate of 7%. Looking ahead, real GDP growth is expected to remain consistently around the 7% level.

## **Our Business**

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

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

## **West Africa**

### **Banking Environment**

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

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

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

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

Atlas Mara, through its three board seats on the UBN board, is working closely with UBN management to monitor the impact of the recent oil price declines and currency weakening on the credit and capital



positions. We see positive medium-term growth potential for UBN irrespective of the near-term challenges from the macroeconomic environment.

### **Our Business**

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

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

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

### **Other**

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

2016		Banking Ops				Other	
US\$m	Group	Southern	East	West		Shared Services & Center	M&A, ADC & Consol
Total Income	241.7	165.3	57.3	-		13.3	5.8
Loan impairment charge	(15.4)	(11.5)	(3.9)	-		-	-
Operating expenses	(234.8)	(156.5)	(50.4)	-		(34.1)	6.2
Share of profits of associate	17.9	(0.2)	0.1	18.1		-	(0.1)
Profit / (loss) before tax	9.4	(2.9)	3.1	18.1		(20.8)	11.9
<b>Profit / (loss) after tax and NCI</b>	<b>8.4</b>	<b>(4.9)</b>	<b>3.3</b>	<b>18.1</b>		<b>(20.8)</b>	<b>12.7</b>
Loans and advances	1,334.8	1,046.0	287.1				1.7
Total assets	2,757.1	1,895.5	475.9	291.4		717.5	(623.2)
Total liabilities	2,231.0	1,799.5	404.9			65.4	(38.8)
Deposits	1,799.4	1,431.6	367.9				(0.1)
Net interest margin - total assets	4.7%	5.0%	8.3%				
Net interest margin - earning assets	6.3%	5.4%	9.1%				
Cost to income ratio	97.1%	94.7%	87.9%				
Statutory Credit loss ratio	1.2%	1.1%	1.4%				
Return on equity	1.6%	(5.1%)	4.6%				
Return on assets	0.3%	(0.3%)	0.7%				
Loan to deposit ratio	74.2%	73.1%	78.0%				

2015		Banking Ops				Other	
US\$m	Group	Southern	East	West		Shared Services & Center	M&A, ADC & Consol
Total Income	205.1	181.2	14.1	-		11.4	(1.6)
Loan impairment charge	(12.0)	(12.4)	0.4	-		-	-
Operating expenses	(194.2)	(136.3)	(17.7)	-		(33.4)	(6.8)
Share of profits of associate	20.3	(0.1)	0.2	20.2		-	-
Profit / (loss) before tax	19.2	32.4	(3.0)	20.2		(22.0)	(8.4)
<b>Profit / (loss) after tax and NCI</b>	<b>11.3</b>	<b>21.6</b>	<b>(1.9)</b>	<b>20.2</b>		<b>(22.0)</b>	<b>(6.6)</b>
Loans and advances	1,229.4	1,100.3	129.8				(0.7)
Total assets	2,452.1	1,643.0	241.6	395.3		744.0	(571.8)
Total liabilities	1,826.6	1,542.2	209.5			75.9	(1.0)
Deposits	1,436.1	1,248.5	187.6				
Net interest margin - total assets	4.2%	6.6%	5.3%				
Net interest margin - earning assets	5.8%	7.2%	5.6%				
Cost to income ratio	94.7%	75.2%	>100%				
Statutory Credit loss ratio	1.0%	1.1%	(10.1%)				
Return on equity	1.7%	21.4%	(6.0%)				
Return on assets	0.4%	1.3%	(0.8%)				
Loan to deposit ratio	85.6%	88.1%	69.2%				

This statement contains certain non-GAAP financial information. The primary non-GAAP financial measures used are 'adjusted operating profit' which is computed by adjusting reported results for the impact of one-off and transaction related items and "constant currency balances/variances, which adjusts for the period-on-period effects of foreign currency translation differences. One-off items are considered, but not limited to be those related to matters such as separation packages paid to staff and executives, integration costs when acquiring new business and costs associated with corporate restructures and reorganisations which management and investors would identify and evaluate separately when assessing performance and performance trends of the business. Reconciliations between non-GAAP financial measurements and the most directly comparable IFRS measures are provided in the 2016 Annual Report and Accounts – Annexure B and the Reconciliations of Non-GAAP Financial Measures document available on the Atlas Mara website.