

ATLAS MARA LIMITED

ANNUAL REPORT 2018



WHO WE ARE:

ATLAS MARA IS A LONDON-LISTED FINANCIAL SERVICES GROUP FOCUSED ENTIRELY ON SUB-SAHARAN AFRICA ('SSA').

WHAT WE DO AND HOW WE DO IT:

WE SERVE OUR CUSTOMERS' FINANCIAL SERVICES NEEDS THROUGH DIFFERENTIATED PRODUCTS AND SERVICES.

WE WANT TO BE A 'POSITIVELY DISRUPTIVE FORCE' IN THE MARKETS IN WHICH WE OPERATE BY HARNESSING TECHNOLOGY AND OUR COLLECTIVE EXPERIENCE IN RUNNING FIRST-TIER FINANCIAL INSTITUTIONS.

OUR PURPOSE:

ACHIEVE SUSTAINABLE GROWTH BY HELPING PEOPLE, BUSINESSES AND ECONOMIES GROW.

Strategic report

- 01 2018 highlights
- 02 Executive Chairman's statement
- 04 Our markets
- 10 Business operations
- 16 Our business model
- 18 How we do business
- 22 Our strategy
- 26 Key performance indicators
- 28 Principal risks and uncertainties
- 31 Chief Financial Officer's review of financial performance

Governance and risk

- 35 Corporate Governance: Introduction
- 38 Board of Directors
- 40 Corporate Governance Report
- 52 Nomination Committee Report
- 54 Audit, Risk and Compliance Committee Report
- 57 Risk Report
- 76 Directors' Remuneration Report
- 87 Directors' Report
- 89 Statement of Directors' responsibilities

Financial statements

- 90 Independent Auditor's Report
- 94 Consolidated statement of financial position
- 95 Consolidated statement of profit or loss
- 95 Consolidated statement of other comprehensive income
- 96 Consolidated statement of changes in equity
- 98 Consolidated statement of cash flows
- 99 Segmental report
- 102 Significant accounting policies
- 113 Notes to the financial statements

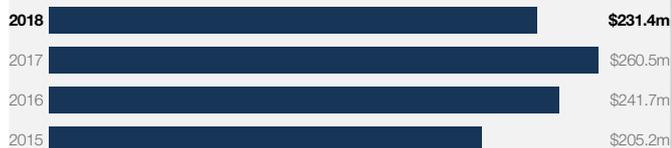
Additional information

- 160 Glossary
- IBC Professional advisers

2018 highlights

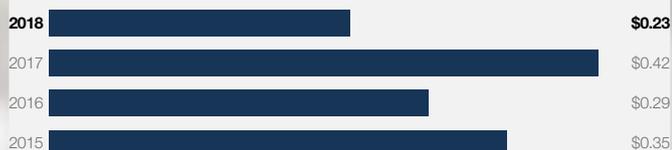
Revenue (US\$)

\$231.4m -14.7¹



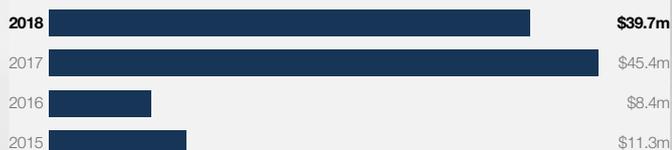
Earnings per share (cents)

0.23c



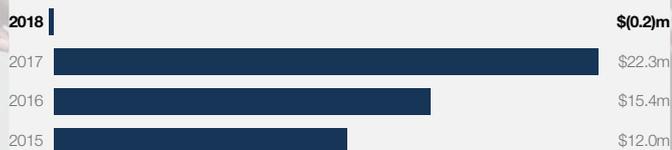
Net profit after NCI (US\$)

\$39.7m -12.6%



Credit impairments (US\$) +62.8% constant currency

\$(0.2)m +99.1%¹



1. At constant currency



Michael Wilkerson
Chairman

A handwritten signature of Michael Wilkerson in red ink, written in a cursive style.

Dear fellow shareholders

This is my first letter to you since assuming the role of Chairman of Atlas Mara in February 2019. I welcome the opportunity to serve our shareholders and the Company in this leadership position, and I appreciate the support expressed by many of you since the announcement. I'm further grateful for the full support of the Board and management team, and for Bob Diamond's support and assistance in the transition. I accepted the responsibility recognising the scale of the opportunities and challenges we face, and I am optimistic about the potential to achieve our strategic objectives.

Update on review of strategic options

In February, the Board of Atlas Mara announced that it was undertaking a review of strategic options, including an analysis of each banking operation to ensure that top five market leadership was practicably achievable in the near term, with the intention to focus on investments in such core markets, and to partner, exit or reduce risk exposure elsewhere.

Earlier today the Company announced a proposed share exchange transaction with Equity Group Holdings ('EGH') for our banks in Rwanda, Zambia, Mozambique and Tanzania, which aligns clearly with this strategic objective. In 2018, the four banks contributed in aggregate less than 2% of Group net income with an implied aggregate return on equity of 2%, and represent substantial carrying costs in terms of capital and liquidity support. At \$105.4 million of aggregate upfront consideration, we believe

**WE BELIEVE A
STREAMLINED
ATLAS MARA
FOCUSED ON
GROWING OUR
POSITION IN
NIGERIA AND
OTHER CORE
MARKETS WILL
BE BETTER
EQUIPPED TO
EXECUTE OUR
STRATEGIES.**



To read more

Focus on Nigeria
Page 12

the proposed transaction represents fair value to the Company for these assets. Over time the proposed transaction is expected to be substantially value-enhancing for Atlas Mara, notwithstanding any potential near-term accounting loss as a result of the discount to gross book value. Atlas Mara will become a meaningful shareholder in one of Africa's most successful and well-run banks. The transaction will result in increased scale in two of the four markets (Rwanda and Tanzania) as a result of in-country mergers with EGH's local banks, and through the implementation of EGH's business model for digitally-driven banking, we expect these four banks will generate improved financial performance. The Board believes this transaction is in the best interests of Atlas Mara's shareholders and will enable us to maximise value from these assets.

With the closing of this transaction and concurrent initiatives to streamline the operating platform, Atlas Mara will be better positioned to deliver shareholder value.

2018 in review

Atlas Mara reported net profit attributable to shareholders of \$39.7 million for the full year 2018, a decline of 12.6% from \$45.4 million in 2017. Return on average equity increased from 5.6% to 6.3%. Financial performance in Nigeria and Zimbabwe exceeded management expectations, Botswana, Mozambique and Rwanda were in line, while Tanzania and Zambia lagged. On a consolidated basis, Zimbabwe's strong performance in local terms was undermined by the severe devaluation of the currency in the first quarter of 2019, which along with currency devaluations in other BancABC markets resulted in an aggregate \$71.8 million impact to the Group's capital position from an unrealised loss on foreign currency translation, in Zimbabwe's case retroactively imposed as at 31 December 2018. As a result of Zimbabwe's and other currencies' impact on consolidated capital, as well as one-time IFRS 9 adjustments taken by all of our banks in 2018, book value per share declined from \$4.77 at year-end 2017 to \$3.83 at year-end 2018. IFRS 9 imposes a different approach to the treatment of loan impairments, and our results, like those of most banks across the EMEA region, have been impacted, including a negative impact on retained earnings and capital. These factors led to a \$124.3 million decrease in the Company's book value, despite the substantial net profit contribution for the year. However, as a result of the full adoption of IFRS 9 in 2018, we expect that future loan impairments will have a lesser impact on our financial results, and that the Company may benefit from recoveries going forward.

While we were not pleased with the financial impact of these two factors to the Group's capital, we believe they are non-recurring in nature. The underperformance across most of the BancABC banks during the year remains a concern, and we have taken immediate steps to address these performance challenges, including by way of the proposed transaction with EGH.

In a more positive light, UBN, our largest investment, delivered a strong performance in 2018, continuing the positive trend of operational improvements seen since Atlas Mara's investments were made in 2016 and 2017. For 2018, UBN's profit after tax increased 39% to 18 billion Nigerian Naira (\$59 million), while returns on average tangible equity at the bank increased from 5.9% to 11.3% and bank NPLs declined to 8.1%. Amidst an improving environment for growth in the Nigerian economy, the bank achieved substantially increased profitability while delivering on the key strategic priorities for the year, which included disciplined balance sheet management, growth in retail deposits, an aggressive reduction of the NPL ratio, and optimising the capital and funding structure including through an oversubscribed local bond issuance. Looking ahead, we remain positive about the near-term opportunities for UBN, and remain committed to supporting management's initiatives in pursuit of higher shareholder returns, which in 2019 include a programme to make the cost structure more efficient without sacrificing customer service.

We ended 2018 having increased our shareholding in UBN to 49% from 44.5% in December 2017. After acquiring additional shares in the open market in recent months, as of 30 April 2019 we control, directly and indirectly, 49.7% of the shareholding in UBN. This increase aligns with our stated focus on UBN and underscores the importance of the bank to our plans.

Finally, I would note that in December 2018, the Company successfully completed the IPO of BancABC Botswana on the Botswana Stock Exchange, selling 20.5% to institutional and retail investors at a price to book value of 1.5x. The transaction was intended to strengthen BancABC Botswana's local market connectivity by providing a broad base of more than 450 domestic shareholders and served to illustrate the value of the Group's underlying banking operations not reflected in the share price of Atlas Mara.

2019 and beyond

Our key strategic priorities for 2019 include completing the proposed transaction with EGH, achieving our shareholding objectives at UBN, working with UBN's management to drive for further growth and profitability improvement at the bank, stabilising Zimbabwe operations in the current macroeconomic environment, and fully streamlining the Atlas Mara platform to align with a simpler Group structure. By delivering on these aims we can create an accelerated path to our return targets through a more narrowly focused and efficient platform. We share your frustration with the Company's share price and believe it does not represent the fundamental value of the Company. We remain committed to delivering value to shareholders and believe a streamlined Atlas Mara focused on growing our position in Nigeria and other core markets will be better equipped to execute our strategies.

With the strategic initiatives to be completed in 2019 – including the proposed transaction with EGH announced today, which will result in the relevant operations being classified as held for sale and deconsolidated from the Group – we expect greater than usual variability in our financial results over the course of this year. In light of these circumstances, and in line with our regulatory requirements, we will release financial results to the market on a six-month (as opposed to three-month) basis going forward.

We remain positive on what lies ahead. Our position in Nigeria is strong with a good management team and a path to accelerated growth. A shareholding in EGH, and the relationship that this represents with the leader in digital banking in Africa, can meaningfully enhance our value proposition across our operations. Our strategic review continues, but we believe the new Atlas Mara emerging from the proposed transaction is the right model for delivering value for shareholders over the long term.

On behalf of the Board I want to thank our shareholders and all stakeholders for their continued support.

Michael Wilkerson

Chairman
30 April 2019

SUB-SAHARAN AFRICA (SSA)

NEARLY TWO DECADES OF ROBUST AND LESS VOLATILE GROWTH SAW SUB-SAHARAN AFRICA ('SSA') GDP GROWTH CONSISTENTLY OUTPACING WORLD ECONOMIC GROWTH.

SSA – Sub-Saharan Africa

Until 2015, Sub-Saharan Africa ('SSA') economic growth was among the fastest growing regions in the world and economic growth was consistently higher than world growth. The SSA economies have immensely benefited from political stability, improvements in the business and macroeconomic environment, increased regional integration, and a generally supportive global environment with high commodity prices and accommodating financial conditions.

While Sub-Saharan Africa (SSA) is experiencing a modest economic growth uptick, it still remains well below historical trends and below that of the world. According to IMF, SSA growth is estimated at 2.9% in 2018, the same as in 2017. In 2019, economic growth is projected to pick to 3.5% and 3.6% in 2020. Among SSA's largest economies, notably South Africa ('SA') and Nigeria which account for nearly 50% of SSA GDP in US dollar terms, economic growth has been slower. A slower than previously anticipated recovery in the oil sector and continued challenges in the non-oil industrial sectors continued to weigh on activity in Nigeria. Economic growth forecast in SA was revised downwards on account of elevated SA policy and political uncertainty, as well as slowing global growth. The global economy is expected to slow down from 3.7% in 2018 to 3.5% in 2019.

Since 2000, SSA economies have achieved on average a 50% increase in real per capita GDP while life expectancy has increased steadily to around 60 years by 2016. This being the case, average GDP per capita at around \$1,650 in 2018 still lags world per capita income of above \$11,000. Alternatively, the world economy is more productive than SSA which results in a gap in per capita incomes. In 2018, almost 50% of the countries in SSA had GDP per capita of less than \$1,000. Top five countries in order of highest GDP per capita GDP in SSA were Seychelles (\$16,300); Equatorial Guinea (\$15,300), Mauritius (\$11,000), Gabon (\$8,400) and Botswana (\$8,160). Countries which has the least GDP per capita ranged around \$300.



To read more

www.atlasmara.com/why-africa

SINCE 2000, SSA ECONOMIES HAVE ACHIEVED ON AVERAGE A 50% INCREASE IN REAL PER CAPITA GDP WHILE LIFE EXPECTANCY HAS INCREASED STEADILY TO AROUND 60 YEARS BY 2016.

Africa's share of trade as measured by exports and imports is relatively low, accounting for less than 2.5% of world trade. The region is reliant of a narrow base of export commodities, with primary commodities representing close to 80% of the continent's total exports. High dependence on commodities creates severe constraints on economic growth and makes countries vulnerable to commodity price volatility.

Due to depressed commodity prices in late 2014 and 2015, most commodity exporting SSA countries experienced negative terms of trade shock but have progressively shown improvement since then.

Intra-African trade accounts for a low 18% of total African trade by volume, which is significantly lower than 59% in Europe, 51% in Asia, 37% in North America, and around 20% in Latin America. Most of the intra-African trade was, however, driven by the SADC and EAC which had the highest levels of intra-union trade of over 20% of total trade. Trade within Africa is dominated by manufactured goods and financial and retail services.

According to the UN Economic Commission for Africa (UNECA), regional free trade areas, together with measures to address non-tariff barriers, could lead to doubling of intra-African trade, potentially taking total of such trade to more than \$34bn by 2022. As intra-regional trade steadily gains strength, intra-regional spillovers through trade, remittances and banking channels are also having an even larger impact on economic growth.

In March 2018, a number of African countries signed the African Continental Free Trade Area (AfCFTA) agreement, which potentially is one of the world's largest free-trade areas. Once fully implemented, the AfCFTA will cover all 55 African countries, with combined GDP of about \$2.2 trillion and a population of over one billion. However, in the meantime, a number of regional countries appear not ready to sign the agreement as they remain broadly protectionist, while political and logistical challenges mean the establishment of a fully function trade community is not feasible in the short term.

REGIONAL ECONOMIC COMMUNITIES

SADC – Southern African Development Community

In 2019, despite the expected tightening of global financial conditions as the Fed continues to raise interest rates, regional economies will continue to leverage on the benefits of recovering commodity prices. South Africa is the largest member of the SADC bloc. Unfortunately, growth prospects in SA are biased on the downside, which may weigh down on the regional growth. SA faces elevated political and policy uncertainty ahead of elections in 2019. Other members to hold elections in 2019 include Botswana, DRC, Malawi, Mozambique and Namibia.

	Units	2014	2018
Number of States		15	15
Land Area	m sq km	9.6	9.6

	US\$ bn	2014	2018
GDP		708	725
GDP share of SSA	%	41.1	44.1
GDP per capita	US\$	2,264	2,098
GDP Growth 2014–18	%		0.62

	US\$ bn	2014	2018
FDI		20.6	1.8
Exports		241.8	207.5
Imports		265.2	207.5
Trade Balance		-23	-0

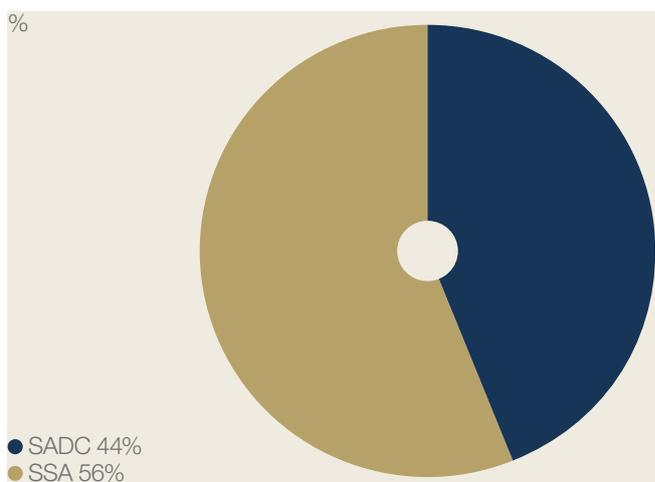
	m	2014	2018
Population		312.6	345.6
Population share of SSA	%	34.8	34.8
Urban Population	%	41.1	42.5
Working age Population	%	57.8	58.2
Mobile Sub per 100 people	%	88.4	84.9

Largest member (SA)			
	%	2014	2018
GDP Share of SADC		49.6	51.9
FDI Share of SADC		28.1	77.3
Exports share of SADC		45.6	50.0
Imports Share of SADC		43.6	47.6

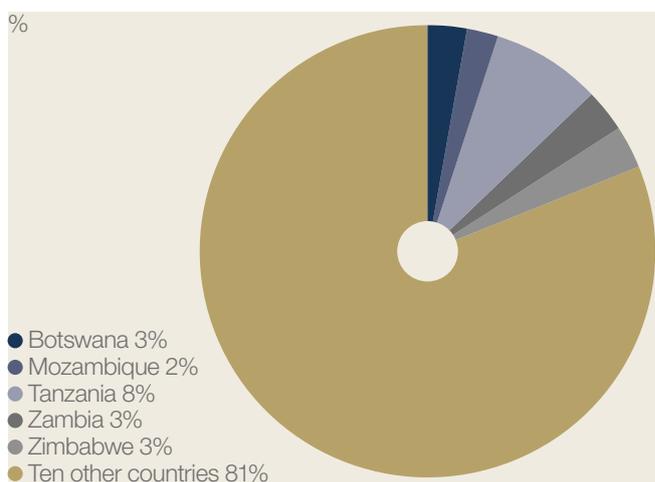
Source: World Bank; IMF

Mozambique and Zambia will continue their quest to seek IMF-led programmes as necessary policy anchors, which is also expected to improve investor sentiment and their creditworthiness and – most likely – facilitate the refinancing of debt. In Zimbabwe, after enjoyed a stable economic environment anchored on multi-currency, the economy has experienced persistent foreign currency shortages and has made initial moves towards the introduction of local currency for the first time in over 10 years.

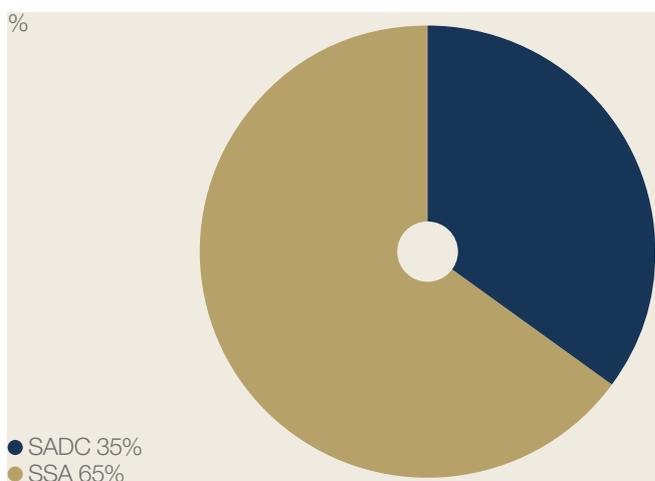
SADC Share of SSA GDP



SADC Bloc GDP Share



SADC Share of SSA Population



Our markets continued

EAC – East African Community

EAC is one of the most well integrated region whose GDP increased from \$62.5 billion in 2014 to \$90.2 billion in 2018. South Sudan gained accession to EAC in April 2016 to become the sixth member of the bloc. However, conflict in South Sudan weighed down economic performance, resulting in persistent economic contraction since 2015, and counteracting the region's overall growth – this notwithstanding that South Sudan account for about 1% of the region's GDP. Uganda and Kenya, with major trade and investment links in South Sudan, have also faced spillovers from the latter's economic contraction.

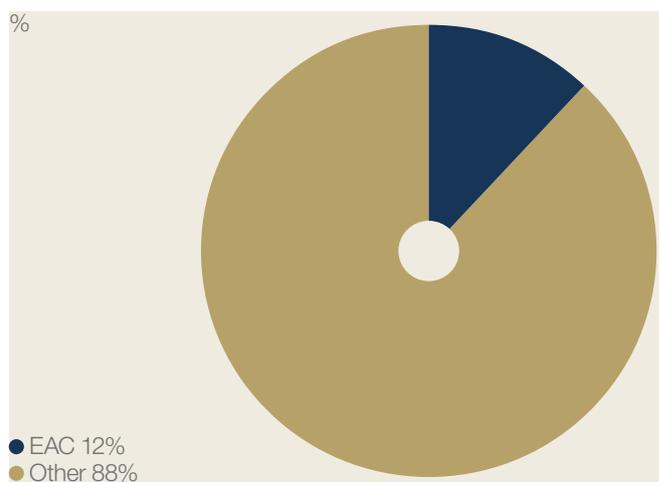
Over the past five years, economic growth averaged 4.0%, this notwithstanding considerable variation among member countries. Economic growth in Tanzania and Rwanda has averaged 7.0% make it among the fastest in the world. Economic growth in the region has been bolstered by continued investment in public infrastructure, service sector expansion and recovery from drought in 2017 which shored up agriculture. On balance, countries rely on external resources – FDI, remittances, aid, and borrowing – to address these resource gaps. Borrowing from both traditional lenders and non-traditional ones (in particular China) is raising debt in the region considerably.

	Units	2014	2018
Number of States	m sq km	5	6
Land Area	m sq km	1.71	1.71
<hr/>			
GDP	US\$ bn	62.5	90.2
GDP share of SSA	%	9.4	1.6
GDP per capita	US\$	1,037	1,092
GDP Growth 2014–18	%		4.0
<hr/>			
FDI	US\$ bn	3.9	2.8
Exports	US\$ bn	30.0	26.5
Imports	US\$ bn	50.6	39.5
Trade Balance	US\$ bn	-20.6	-13.1
<hr/>			
Population	m	56.7	74.2
Population share of SSA	%	17.5	17.6
Urban Population	%	20.8	22.0
Working age Population	%	53.3	53.9
Mobile Sub per 100 people	%	52.0	58.8
<hr/>			
Largest member (Kenya)			
GDP Share of EAC	%	37.9	47.1
FDI Share of EAC	%	20.8	23.6
Exports share of EAC	%	37.4	39.5
Imports Share of EAC	%	40.1	48.3

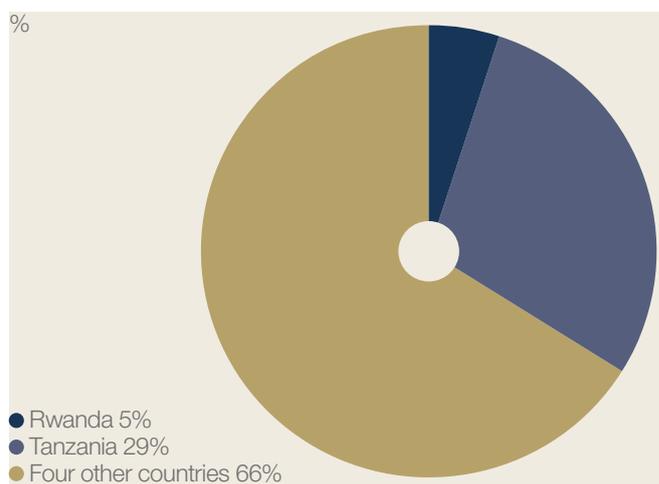
Source: World Bank; IMF

Enhanced regional integration through the EAC and the potential exploitation of the oil and gas discoveries in Uganda, Kenya and Tanzania offer the region immense growth opportunities. In Rwanda, efforts to promote and diversify exports, and tariff reductions provide opportunity for growth. Economic growth in Tanzania has been supported by large public investments in transportation and energy infrastructure in line with the thrust for regional integration. Tanzania will benefit from strong growth in neighbouring countries particularly in light of Uganda's decision to run its oil export pipeline through it rather than through Kenya.

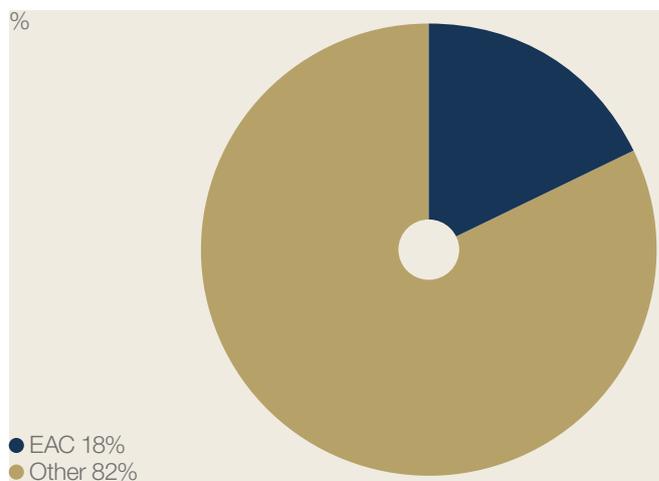
EAC Share of SSA GDP



EAC Bloc GDP Share



EAC Share of SSA Population



ECOWAS – Economic Community of West African States

By virtue of being the largest economy in SSA, Nigeria which also accounts for 66% market share in terms of GDP in the ECOWAS bloc has an overriding weight on growth. Consequently, the regional performance is largely shaped by the performance of Nigeria. Average GDP growth in US dollar terms also reflect the impact of exchange rate depreciation, resulting in annual average GDP contraction of 4.9% over the five-year period spanning from 2014–2018. By and large, most of the economies in the region are dominated by service sectors while manufacturing sector is general very small.

	Units	2014	2018
Number of States		15	15
Land Area	m sq km	5.0	5.0

	US\$ bn	2014	2018
GDP		732.8	600.0
GDP share of SSA	%	42.6	36.5
GDP per capita	US\$	2,190	1,610
GDP Growth 2014–18	%		-4.9

	US\$ m	2014	2018
FDI		11.7	10.9
Exports		136.0	77.4
Imports		154.4	80.2
Trade Balance		-8.4	-2.8

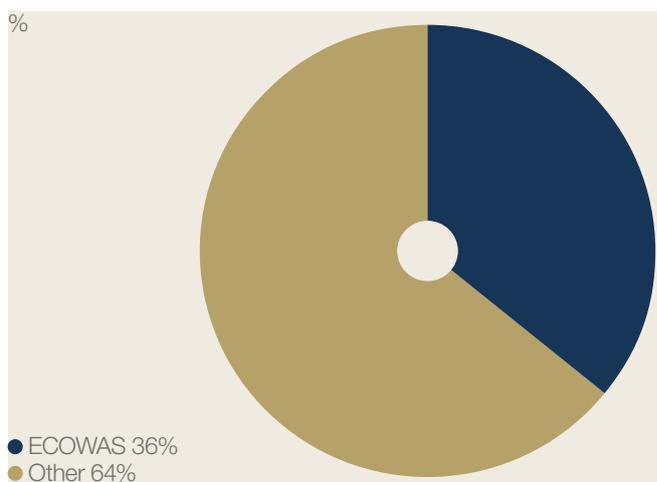
	m	2014	2018
Population		334.6	372.7
Population share of SSA	%	37.3	37.6
Urban Population	%	43.4	44.9
Working age Population	%	54.0	54.5
Mobile Sub per 100 people	%	86.8	93.8

Largest member (Nigeria)			
	%	2014	2018
GDP Share of ECOWAS		77.6	66.2
FDI Share of ECOWAS		39.8	32.1
Exports share of ECOWAS		61.6	65.6
Imports Share of ECOWAS		55.5	63.4

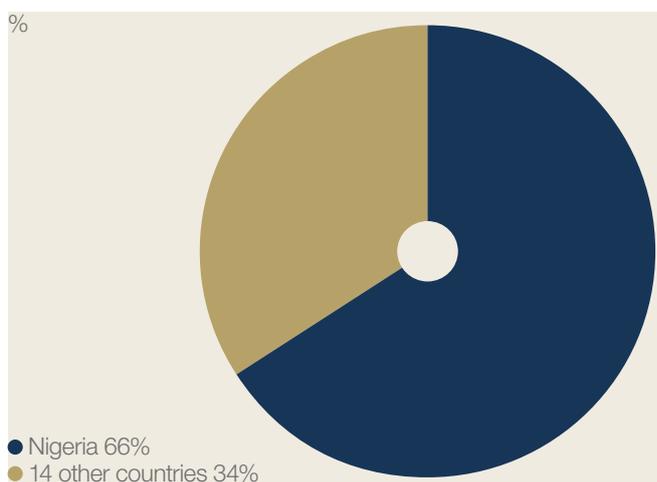
Source: World Bank; IMF

The region is vulnerable to external shocks due to dependence by several economies, especially Nigeria, on oil or other mineral extraction. Poverty is high, with 43% of the population below the international \$1.90 per day poverty line in 2013 (the most recent estimate).

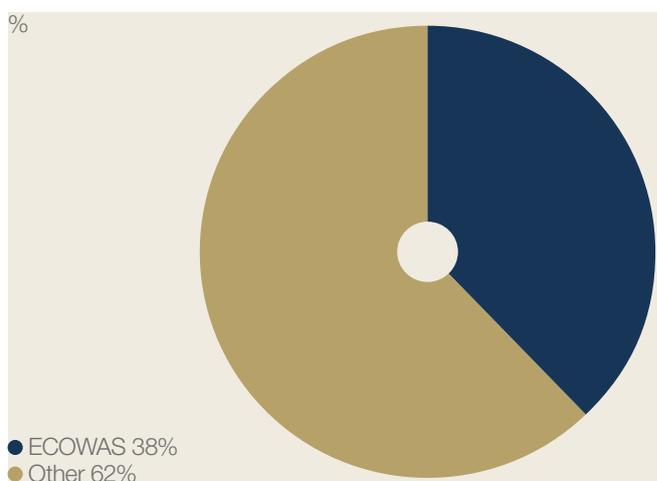
ECOWAS Share of SSA GDP



ECOWAS Bloc GDP Share



ECOWAS Share of SSA Population



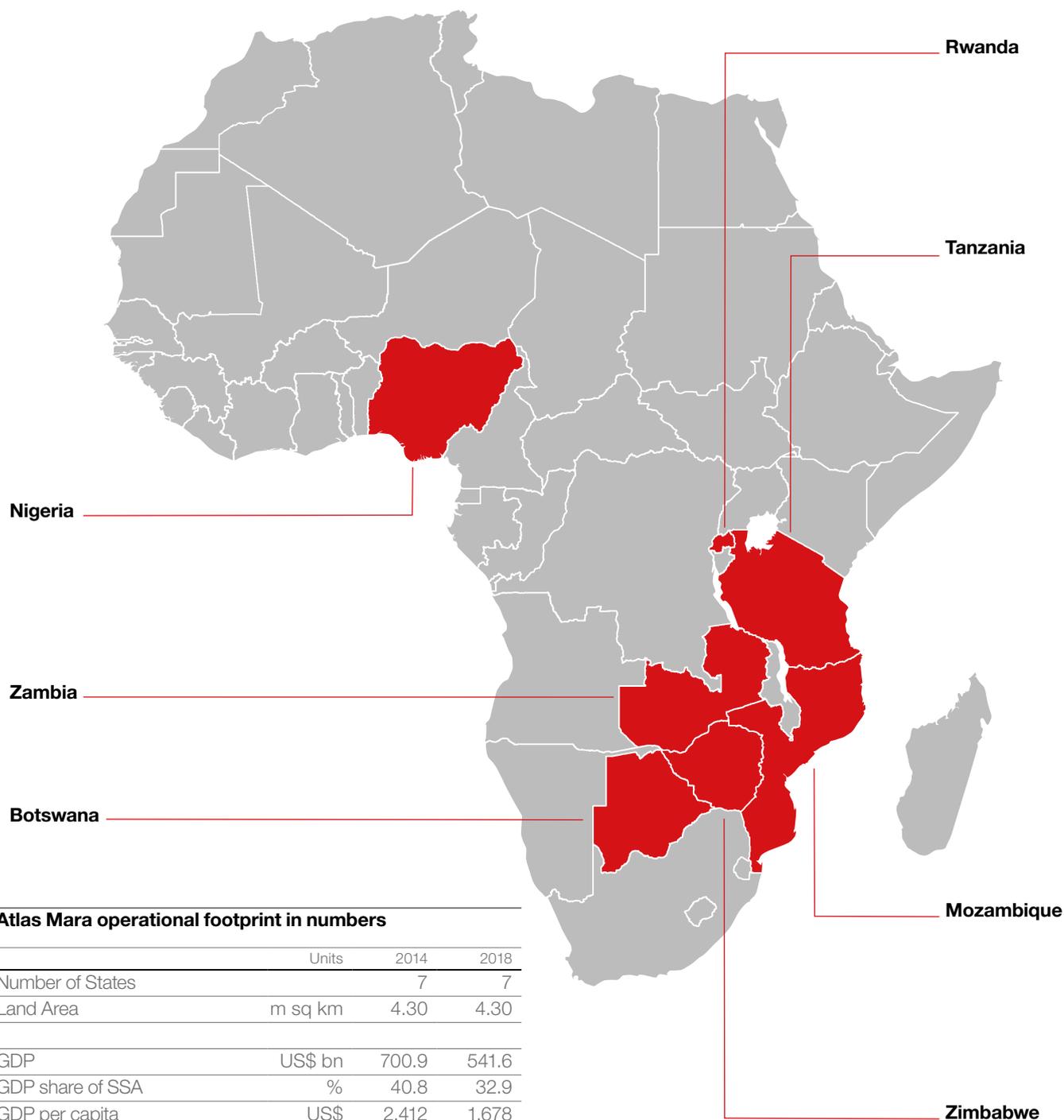
ATLAS MARA OPERATIONAL MARKETS

THE ATLAS MARA OPERATIONAL FOOTPRINT IS STRATEGIC, CONSISTING OF SEVEN COUNTRIES, COVERING SOUTHERN, EASTERN AND WESTERN REGIONS OF THE CONTINENT.

LIKE MANY OTHER AFRICAN COUNTRIES, ATLAS MARA ECONOMIES ARE HIGHLY DEPENDENT ON COMMODITIES SUCH AS OIL (NIGERIA); COPPER (ZAMBIA); GOLD (TANZANIA); ALUMINIUM AND COAL (MOZAMBIQUE); DIAMOND (BOTSWANA) AND DIAMOND, GOLD, PLATINUM (ZIMBABWE). MAJOR MINERALS PRODUCED IN RWANDA CONSIST OF CASSITERITE, COLTAN, WOLFRAM AND TO A LESSER EXTENT GOLD.



Where we operate



Atlas Mara operational footprint in numbers

	Units	2014	2018
Number of States		7	7
Land Area	m sq km	4.30	4.30
GDP	US\$ bn	700.9	541.6
GDP share of SSA	%	40.8	32.9
GDP per capita	US\$	2,412	1,678
GDP Growth 2014–2018	%		-6.2
FDI	US\$ bn	4,133	8,804
Exports	US\$ bn	23,005	7,696
Imports	US\$ bn	40,693	93,423
Trade Balance	US\$ bn	-17,687	-5,726
Population	m	290.6	322.8
Population share of SSA	%	32.4	32.5
Urban Population	%	38.4	39.9
Working age Population	%	54.9	55.4
Mobile Sub per 100 people	%	82.1	80.5

Source: World Bank; IMF

NIGERIA

Population

194m

GDP US\$

395bn

GDP Growth

0.8%

Deposits US\$

0.9bn

Loans US\$

0.5bn

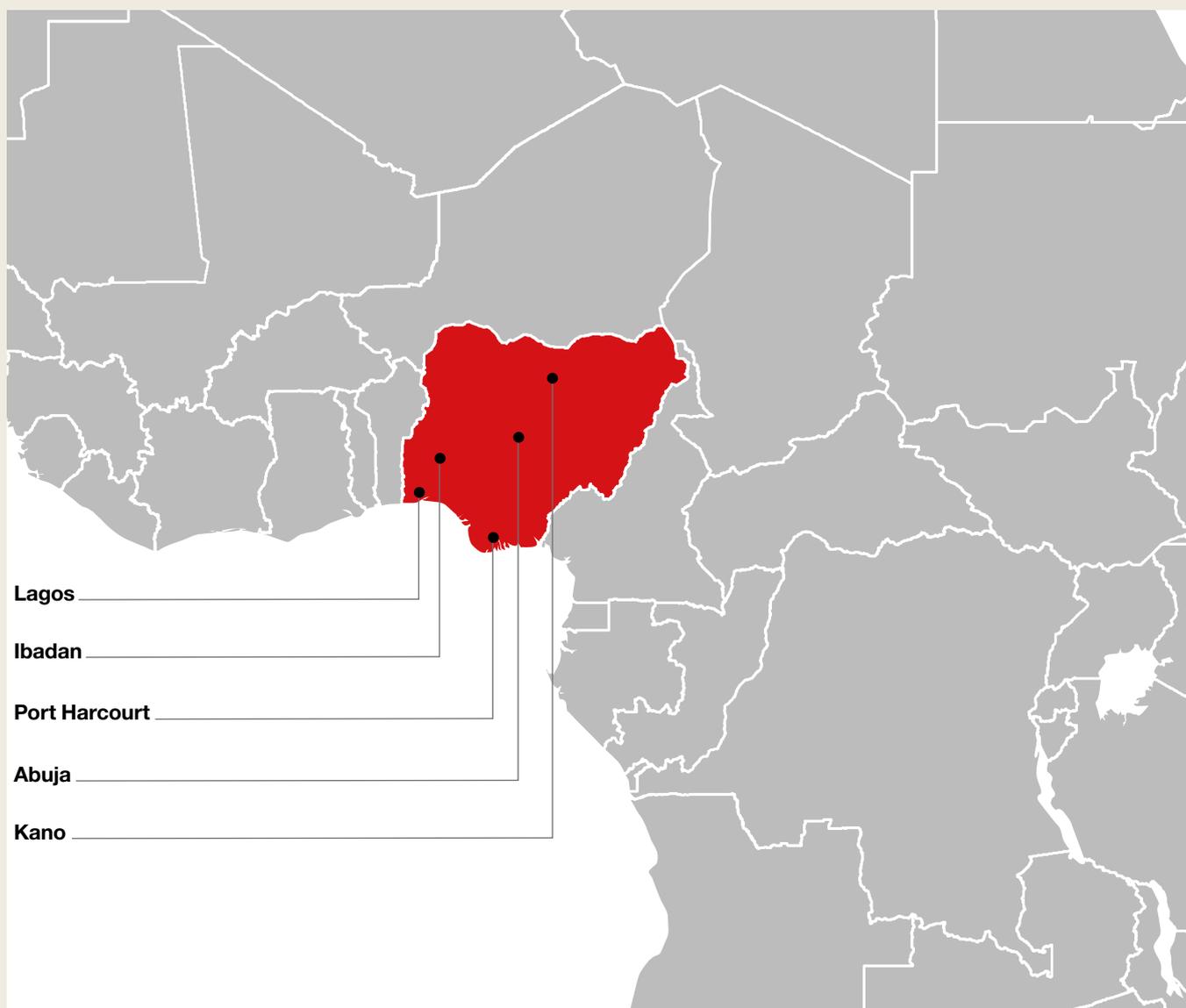
Located in West Africa, Nigeria is the biggest economy in the continent. Its population is estimated at 194m, accounting for close to 20% of SSA population.

The country held national elections in February 2019, for the sixth consecutive time since its return to democracy in 1999.

Over the decade spanning from 2006–2016, GDP grew by an average of 5.7% per annum, while volatile oil prices drove growth to a high of 8% in 2006 and to a low of -1.5% in 2016.

Nigeria emerged from recession in 2017, with a growth rate of 0.8%, driven mainly by the oil sector. Continued economic recovery saw the economy growing by 1.9% in 2018 and it is projected to improve to 2.1% in 2019.

Pursuit of macroeconomic and structural reform priorities articulated in the country's Economic Recovery and Growth Plan (ERGP 2017–2020) is expected to strengthen economic growth outlook.



Overview of the Nigerian economy and economic outlook

Nigeria, Africa's largest exporter of crude oil and Africa's largest economy making up circa 20% of total Africa GDP, continued its gradual recovery out of recession in 2018, riding on the back of the rebound of oil prices. The country's real GDP grew at an annual growth rate of 1.93% in 2018, more than twice as much compared to the 0.82% growth level recorded in 2017 and signaling a growing recovery is underway. This growth in 2018 was driven by improved fundamentals in both the oil and non-oil sector.

Headline inflation stood at 11.44% at the end of December 2018, compared with the 11.28% and 15.37% at the end of the preceding quarter and the corresponding period of 2017, respectively. This reflected the rise in prices of selected food items, fuel and lubricants for personal transport equipment and solid fuels, among others.

Nigeria's interest rate policy remained stable throughout the year 2018 as the Monetary policy rate (MPR) was maintained by the CBN at 14% throughout 2018. With headline inflation at 11.44% at the end of December 2018, all deposit rates were negative in real terms, while lending rates were positive.

According to the International Monetary Fund, Nigeria's real GDP is projected to grow by 2.1% in 2019 and 2.5% in 2020. However, the slide in oil prices from late 2018 coupled with an output cut imposed by the Organization of the Petroleum Exporting Countries (OPEC) poses a downside risk to the economic outlook if prices worsen from current levels.

External reserves increased by 13.3% from \$38.1 billion in December 2017 to \$43.1 billion in December 2018. Accretion to reserves was supported by proceeds from the Eurobond issuances in 2018, strong crude oil receipts occasioned by the higher oil prices recorded in most of 2018 and positive capital flows recorded in the first half of 2018. Nigeria has actively continued to seek ways to bolster its external reserve to improve absorption of any global macro shocks.

During the year 2018, the underlying rates for the NIFEX and NAFEX benchmarks (which are benchmarks for the floating foreign exchange market) converged at ₦360–₦362/\$1 level, with the Nigerian Central Bank official exchange rate remaining below the market rate at around ₦305–₦307/\$1. Consequently, what used to be a multiple exchange rate regime is now more or less a two-rate regime. The Nigerian Central Bank was able to sustain the currency in 2018 through its market intervention activities.

Financial highlights

- An increase in profit after tax of 39% to 18 billion Nigerian Naira (\$59 million).
- Returns on average tangible equity at the bank increased from 5.9% to 11.3%.
- Bank NPLs declined to 8.1% resulting from loan book clean up as a result of IFRS 9 adoption.
- Total expenses increased by 12%, largely due to higher AMCON/NDIC premium, increased depreciation and maintenance expenses, staff costs and business promotion expenses.
- Loans and advances reduced by 8% mainly as a result of write-off of some fully provisioned non-performing loans.
- Deposits increased by 7%, reflecting the success of the bank's mobilisation efforts.

UBN reported improved performance for the year ended December 2018. Gross earnings for the year declined by 11% to ₦145 billion (\$474.5 million) from ₦168 billion (\$549.8 million) reported in December 2017 primarily as a result of the decrease in interest income due to a loan book clean up exercise. Operating Expenses increased from ₦66.7bn (\$218.6 million) in 2017 to ₦75.0bn (\$245.6 million) for the year ended December 2018. Profit before tax however increased by 33% to ₦18.5bn (\$60.4million) from ₦13.9 billion (\$45.6 million) recorded in the corresponding year ended December 2017. The increase in Profit before tax was driven by an improvement in non-interest income and reduced impairment which is evident across the Nigerian banking industry as a result of IFRS 9 implementation.

Customer deposits increased by 7% to ₦857.6bn (\$2.8 billion) versus ₦802.4bn (\$2.6 billion) as at December 2017; however, the loan book declined by 8% from ₦517.1 billion (\$1.7 billion) recorded as at December 2017 to ₦473.4 billion (\$1.5 billion) as at December 2018. NPL ratio reduced to 8.1% as at December 2018 from 20.8% as at December 2017, as a direct consequence of the loan book clean-up and resolution of key exposures.

During the year 2018, UBN successfully initiated the first tranche of its local currency (LCY) bonds programme to raise ₦13.5 billion. The bond was 165% oversubscribed.

UBN won the 2018 New Age Banking Awards' Excellence in Banking Innovation and also won the 2018 Sustainability, Enterprise and Responsibility Awards' Best Company in Environmental Excellence and Most Outstanding Company in CSR/Sustainability.

BOTSWANA



Botswana has a strong sovereign credit rating and has maintained macroeconomic stability over the last decade.

The country enjoys a stable political environment and general elections are held every five years. This year is an important year in the country's election calendar as general elections are set to be held in October 2019.

The economy will benefit from an expected increase in non-diamond mineral production, intensified public investments and the Government's economic diversification drive.

Overview of the Botswana economy and economic outlook

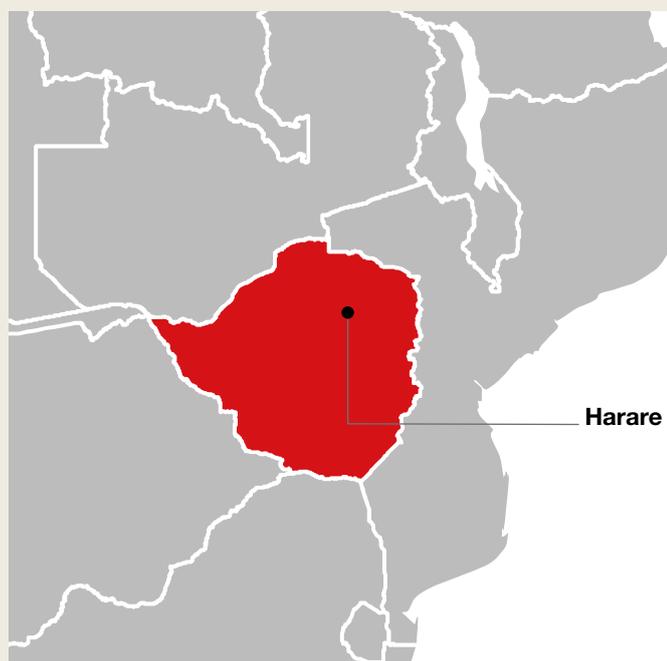
- Driven by global demand for diamonds, economic growth accelerated to 4.6% in 2018, which was the highest since 2011 when the economy grew by 6.0%.
- Botswana has a sizeable fiscal buffer from many years of sound fiscal management and surpluses. Government spending remains focused on promoting longer-term growth; the budget continues to anchor positive investor sentiments going forward.
- Completed an IPO for 20.5% of the shares in issue raising BWP 296.8 million (\$28.1 million) for ABCH Holdings, a portion of which will be reinvested in the ongoing efforts to develop and enhance the Group's IT infrastructure and banking platforms. Key investment initiatives will be focused on core banking software and banking channel upgrades to support growth and improve operational efficiencies across the ABCH Group.
- Raised \$15 million from the market to refinance Tier 2 Capital.
- Renegotiated for a three-year period Retail savings and loans scheme with two of the largest employee unions with a combined membership of 80,000 members.
- Increased the bank's transaction processing speed and capacity. This has significantly improved customer experience and back-end processing capabilities.
- Officially launched of the prepaid Pula card to Public service employees. This will make our Botswana franchise the biggest card issuer in the market. Goal is to have 200,000 cards issued in the next 24 months, making our franchise the biggest card issuer in Botswana.
- Partnered with one of the biggest telecom companies for the issuance of the telco's mobile wallet prepaid card.
- The bank opened four service centres in remote areas to improve access to banking services and has plans to increase the service centre footprint throughout the country.



To read more

www.atlasmara.com/about-us/our-business

ZIMBABWE



Zimbabwe has vast natural resources and a skilled workforce.

Zimbabwe started using the multicurrency system in February 2009 which brought economic stability and double digit GDP growth over the period 2010–2012. Over recent years, economic growth has slowed down and become more uneven, reflecting the need for broader structural reforms.

The country is working with the IMF under a Staff Monitored Program (SMP) to implement a coherent set of policies that can facilitate a return to macroeconomic stability.

Overview of the Zimbabwe economy and economic outlook

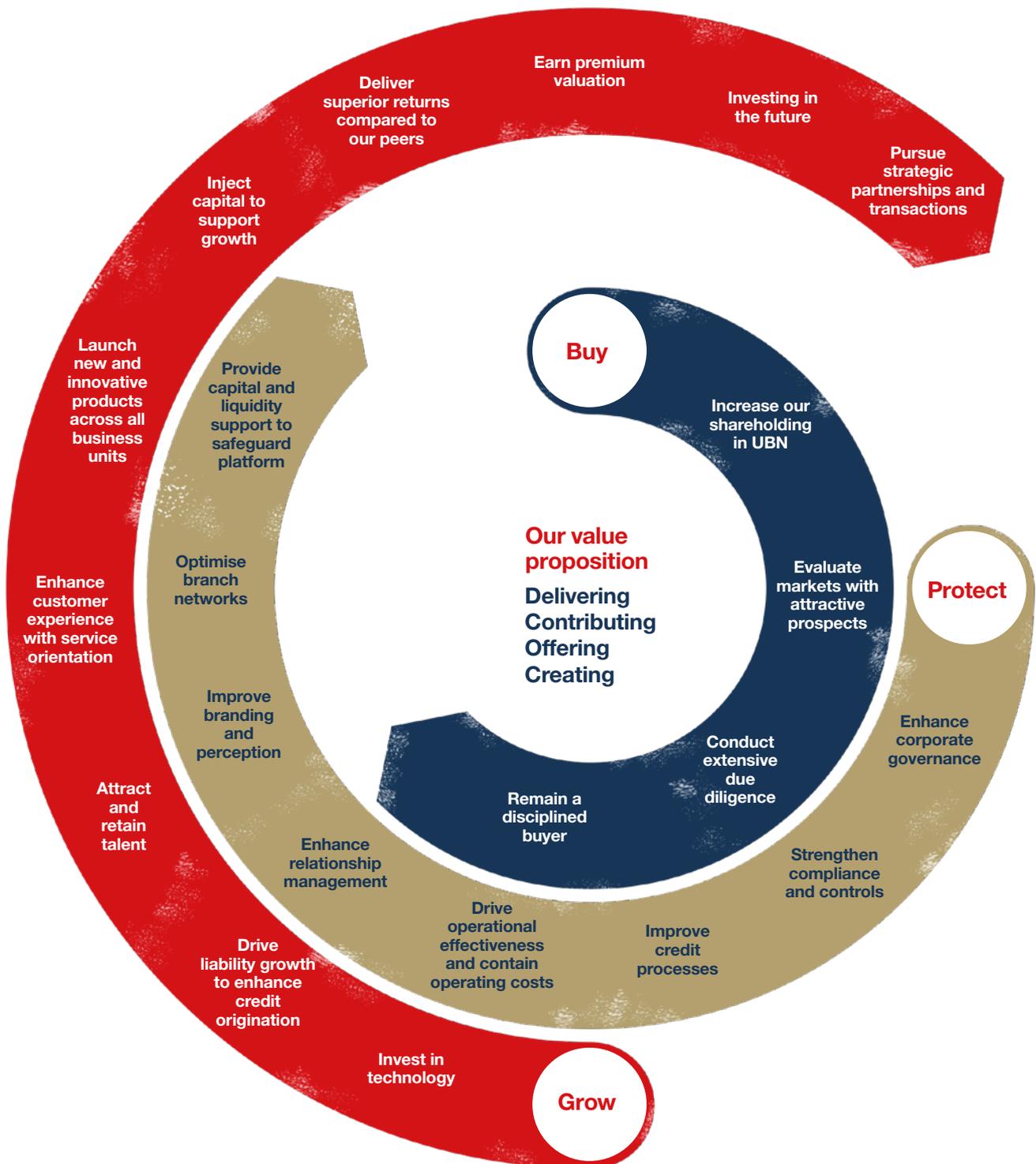
- Economic situation in 2018 deteriorated somewhat on the back of foreign currency tightening and rising inflation resulting in economic growth slowdown.
- Zimbabwe could, however slide into a recession this year as the economy is facing deep macroeconomic imbalances, characterised by large fiscal deficits and significant distortions in foreign exchange and other markets, which have severely hampered the functioning of the economy.
- Re-engagements with the international community are continuing as the country seeks a sustainable solution to its arrears clearance strategy.
- Executed on our liability-led strategy which resulted in Current and Savings accounts contribution to total liabilities (CASA) improving to 57% from 50% in 2017.
- Reduced NPL to 9.1% (2017: 14.7%) through increased collections and quality loan book growth.
- As part of our supply chain financing, we are introducing a credit enhanced accounts payable product that will facilitate trade flows and enhance our position in the important area of trade finance.
- We introduced a new Agribusiness unit to take advantage of growth in the Agricultural sector which has become a major contributor to the country's GDP. New products specifically suited to small scale farming customers have been developed with funding to the tune of \$18 million made available.
- Raised \$40 million for the second tranche of the Public sector road infrastructure programme.
- Renewed a \$54 million stock financing facility with one of the biggest players in the Agricultural sector.
- Completed acceptance of Mobile Money on POS which has seen significant growth in POS volumes in the second half of the year. 566 devices deployed since launch in H2, 2018.
- Engaged agents to acquire KYC-lite accounts (simpler KYC requirements) to enable the unbanked on easy account opening and access to formalised financial services. This initiative has seen a 74% increase in the active customer base over a five-month period (40,000 to more than 70,000 customers).
- Our partnership with one of the strongest insurance players in the market has enabled us to serve the Retail & SME segments better through the issuance of zero-deposit mortgage advance and performance bonds (\$14 million) and bid bonds (\$4.6 million) which has seen an increase in inflows of foreign currency deposits on our SME book.
- Partnered with World Remit, a global leader in international transfers to mobile money accounts, to enable the bank to participate in diaspora remittances processing.
- During 2019 Lance Mambondiani was appointed as CEO of the Bank. The new CEO is recognised as one of the country's rising young leaders and businessmen, and has been credited with groundbreaking innovations such as Kwenga, KaShagi and Sosholoza, a Whatsapp banking feature released into the market in March.



To read more

www.atlasmara.com/about-us/our-business

CREATING VALUE FOR US AND OUR CUSTOMERS.



BY CONCENTRATING ON THEIR NEEDS AND OPERATING SUSTAINABLY AND RESPONSIBLY, WE BELIEVE WE CAN SUPPORT ECONOMIC GROWTH AND STRENGTHEN THE FINANCIAL SYSTEMS IN THE COUNTRIES IN WHICH WE OPERATE AND CREATE VALUE FOR OUR SHAREHOLDERS.

Our value proposition

We aspire to...

Delivering

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

Contributing

Contributing positively to the communities in which we operate by seeking to increase financial inclusion, including strengthening the role of women in business.

Offering

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

Creating

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

Buy

Evaluate markets with attractive prospects

Through acquisition, Atlas Mara has historically been directly present in seven markets across sub-Saharan Africa.

Conduct extensive due diligence

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

Remain a disciplined buyer

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

Protect

Fit for growth

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

Carefully planned improvements

The first part of this process is overseeing detailed short- and medium-term action plans to improve the acquired business with a clear objective of generating value for our shareholders through operational improvements.

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

Grow

Multifaceted growth strategy

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

Digital opportunities

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

Delivering treasury products across the spectrum

We see opportunity to increase revenues from selling treasury and risk management products in Africa and focus on supporting local treasury operations on the ground.

Empowering employees to reinforce cultural change

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

OUR VALUES ANCHOR US AND UNDERPIN OUR APPROACH TO HOW WE DO BUSINESS.



WE ARE A COMPANY THAT RECOGNISES THAT OUR PEOPLE ARE OUR KEY DIFFERENTIATOR AND OUR VALUES DRIVE INDIVIDUAL AND ORGANISATIONAL BEHAVIOUR, AS WELL AS HOW WE INTERACT WITH OUR EMPLOYEES, OUR CUSTOMERS, OUR SHAREHOLDERS, REGULATORS, COMMUNITIES AND OTHER STAKEHOLDERS.

Our values

During 2018, we continued our efforts to drive our culture and values across the Group. Over this period, we reinforced our common set of values and undertook a variety of initiatives aimed at embedding these values and ensuring they are understood and practised by all employees. In each of our countries, we continue to prioritise engagement with employees at all levels of the organisation and ensure we have the right leaders in place to articulate and model the essence of our values.

Our values inform our approach to building relationships with each other, and with customers, communities and key stakeholders:

1. Visible commitment

We help without questioning and do it with grace. When decisions are taken we carry them through with commitment and responsibility using 'one voice' to discharge our responsibilities effectively.



2. Inclusive partnership

We value others for what they bring. We have intuitive and organic discussions and dialogue as equals assuming positive intent. We encourage forthrightness and discourage a culture of lobbying.



3. Demonstrate courage

We give honest feedback, speaking with candour, challenging ideas, embracing trial and error and supporting bold ideas and the people who run with them. We learn from mistakes and strive to prevent the organisation from repeating them.



4. Responsibility and integrity

We take accountability and ownership, individually and collectively, striving for the highest standards, and doing everything with unquestionable integrity. We believe in doing good and doing well.



5. Respect

We have regard for others, show courtesy, good manners and politeness. We avoid surprises and doing things at last minute.



Our people

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

In 2018 we continued to focus on the development of our talent and increased our focus on retention through learning and development solutions. We moved our average learning days from 1.5 to 3 days across the Group. Our staff attrition rate remains constant at under 3%, particularly at the management-level and for key staff roles. We are, among other things: positively disruptive, innovative, embracing of diversity, forthright and truthful, not accepting of mediocrity, team-oriented and contributing members of society.

People engagement

During 2018, we completed the roll-out of the 1 Atlas Mara Programme aimed at reinforcing the Group values and culture, and building organisational commitment. We conducted the first group employee engagement survey which yielded a high performing score of 65% and highlighted further opportunities for improvement, particularly in learning and development. Key strengths highlighted by the survey were performance management and clarity of vision and strategy.

We are well on track, and remain focused on instilling a common understanding that Atlas Mara aspires to be a company that:

- Is known for delivering results and regarded as a top performer
- Is driven by a high performance culture and holds people accountable
- Believes good governance is not optional but who we are
- Has values that drive individual and organisational behaviour
- Believes in doing good and doing well
- Recognises that our people are our key differentiator
- Takes time to listen to our key stakeholders
- Is agile and nimble
- Celebrates diversity and innovation

Learning and development

We continue to reinforce our commitment to the learning and development of employees. During 2018, we supported the roll-out of several Human Capital Development Initiatives aimed at providing employees with opportunities for advancement:

- A Learning Fair where we trained 600 employees in one week and covered over 35 learning modules covering subjects ranging from customer service to life skills. This programme will now be rolled out across all our markets in 2019.
- Continued with Credit Academy aimed at improving credit analytics, quality of credit proposals submitted to committees for approval, and overall turnaround time for credit approval processes.
- Training on target areas of focus for the business, including customer service training, sales and treasury skills.
- Revamped our e-learning platform and partnered with additional learning vendors to increase our offerings covering managerial skills, sales, customer service, on-boarding, business management, credit, compliance, and business continuity management.
- Developed in-house training to increase the number of in-house trainers across the Group.

Managing transformation

As an organisation that has undergone significant transformation in recent years, whether through corporate restructuring or merger and integration activities, we remain particularly focused on engaging employees before, during and after events of change. During 2018, we have created change champions across the Group to help embed a culture of continuous improvement and to ensure that our transformation Initiatives are effectively executed.

Diversity and inclusion

We firmly believe that inclusivity and diversity are key to achieving our individual and collective success. We value each individual for their unique contributions and strive to foster inclusive teams and partnerships. With regards to gender equality, we are committed to building an organisation that actively empowers and engages women to achieve excellence in the workplace. We encouraged the appointment of diverse candidates on subsidiary boards. A key priority for 2018 is the Women Banking Initiative, aimed at introducing sustainable strategies and solutions to address the challenges faced by female entrepreneurs, when accessing capital to grow their businesses in the markets in which we operate.

WITH OPERATIONS SPANNING ACROSS MULTIPLE JURISDICTIONS, WE PLACE GREAT EMPHASIS ON ENSURING OUR EMPLOYEES FEEL THEY ARE PART OF ONE ORGANISATION WITH ONE COMMON SET OF VALUES.

Our customers

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

We remain focused on supporting the enhancement of customers' experience and expanding our customer base. In 2018, we continued to implement our holistic approach to the provision of products and services to corporate clients and their value chains that we refer to as 'ecosystem banking'. For retail customers, the businesses continued to roll out a series of mobile- and internet-banking products to enhance the number of channels and ease by which retail customers can interact with our businesses.

Primary and secondary schools that have benefited over the last four years from BancABC Mozambique's annual books giveaway initiative

29

Over 1,000 people benefited from donations made by Atlas Mara Zambia during a health initiative aimed at preventing the spread of cholera

1,000+

BancABC Zimbabwe has pledged an annual contribution of \$100,000 over a five-year period towards the Sizinda Vocational Training Centre as part of its Youth Development Program

\$500,000

OUR STRONG BELIEF IN DOING GOOD AND DOING WELL SHAPES HOW WE INTERACT WITH OUR COMMUNITIES.

Our Communities: Corporate Citizenship in Action

An important part of listening to our key stakeholders involves forging strong and positive relationships with the communities in which we operate. During 2018, our banks carried out several initiatives aimed at driving our corporate social responsibility objectives, as highlighted below.

Championing education and youth development

During 2018, BancABC Zimbabwe contributed funds towards the construction of a block of classrooms at Sizinda Vocational Training Centre in Matebeleland Province, as part of its five-year Youth Development Program initiated in 2016. The bank has pledged to contribute \$100,000 annually over a five-year period towards an Empowerment Trust that has been set up for carrying out a variety of youth and skills development projects.

In Mozambique, BancABC continued to support education and literacy through its annual donation of books to libraries. In 2018, the bank donated books to six schools, one in each province in which the bank operates. The Libraries Project, which began in 2015 in partnership with Alance Editores, has so far benefited 29 primary and secondary schools. In addition to books, the bank also donated a variety of school materials and recycled bags to school children most in need.

In Rwanda, BPR continued its annual sponsorship of students who were survivors of the 1994 Genocide. The bank's sponsorship began in 2014 and started with 19 students, 15 of whom have now graduated. Four students continue to receive sponsorship from the bank, which covers their tuition for university, accommodation and other living expenses.

During 2018, both BancABC Botswana and Atlas Mara Zambia supported scholarship programmes. In Zambia, the bank donated funds to the St Ignatius College Student Scholarship Programme aimed at providing need-based financial support and promoting academic excellence. In Botswana, the Bank contributed towards the University of Botswana Foundation Golf Day, an annual fundraising initiative where scholarships are provided to promising graduate scholars.



BancABC Mozambique carried out its annual Libraries Project aimed at donating books and school materials to primary and secondary schools.



BancABC Tanzania jointly organised and sponsored an event with Ikupa Trust Foundation aimed at celebrating Tanzania's National Day for Women with Disabilities.

Promoting gender equality and inclusion

During 2018, BancABC Tanzania partnered with Ikupa Trust Foundation to celebrate Tanzania's National Day for Women with Disabilities. On this day, the bank jointly organised and sponsored an event that brought together women with disabilities and civil society organisations to discuss challenges faced by the community and identify ways to promote inclusive development.

In Rwanda, BPR continued its annual sponsorship of the Unity Club, a non-profit organisation established by female government officials and the female spouses of former and current cabinet members. A key aspect of the Unity Club's mission is to empower Rwandan women, promote gender equality and improve the social well-being of vulnerable persons, in particular widows and orphans. The bank's support to the organisation began in 2017, and will continue over a three-year period.

Sponsoring health initiatives

During 2018, BancABC Botswana supported a benefit concert aimed at raising funds for charitable causes. The donated funds were used to sponsor a Happy Hearts Foundation project to build a home for cancer patients and a UNICEF Botswana project aimed at promoting sexual reproductive health. The bank also donated a wheelchair to a student at Motsumi Community Junior Secondary School in Letlhakane.

In Zambia, the bank donated a variety of health supplies including bins, gloves and gumboots in an effort to help prevent the spread of cholera during a deadly outbreak in 2018. The bank also sponsored the 6th CBR Africa Conference hosted by the Ministry of Community Development and Social Services. The conference brought together various community members and stakeholders to discuss ways to improve service delivery and enhance quality of life for persons living with disabilities.

In Zimbabwe, the bank implemented a Grassroots Skills Holiday Program aimed at teaching and empowering students and their communities on HIV/AIDS awareness, life skills, and promoting life-saving choices and behaviours. The programme covered students across five vocational training centres and seven youth centres in the Matabeleland province.



Atlas Mara Zambia donated health supplies, including bins, gloves and gumboots, in an effort to help curb the spread of cholera during a deadly outbreak.

Our Stakeholders

During 2018, we remained committed to enhancing our policies, standards and procedures across the Group to strengthen engagement with our key stakeholders and carry out our operations responsibly and with strategic purpose.

We value the reputation the banks have established in the communities we operate in, and remain committed to undertaking business in accordance with the highest standards. We have a policy of being proactive in mitigating reputational risks and a 'zero tolerance' approach in relation to breaches of corruption, anti-bribery, anti-money laundering, and related regulations and policies. Our banks also continue to implement the Group's environmental and social policy and procedure manual. Our continued emphasis on good governance requires us to promote transparency, accountability and integrity throughout the Group as we work towards building trust internally and externally, with all our key stakeholders. We will continue to take action to ensure management and employees are accountable, risk aware, and have a clear understanding of their roles and ethical responsibilities.

Our regulators

Maintaining constructive and transparent relationships with the regulators in the markets in which we operate remains key to our success, as their licences are clearly critical to the banks' ability to execute their business models. We continue to invest significant time and effort in ensuring that communication with regulators are timely and candid.

Our shareholders

Our shareholders are the driving force for the Company. We have established a programme of regular shareholder and prospective investor engagement.

Our financing providers

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

The public capital markets, more broadly, are also critical to our success, particularly as we continue to raise capital, when required and appropriate, to execute our strategy. We will continue to increase the frequency with which we interact with the market.

**DURING 2018,
WE LAUNCHED
A REVIEW OF
OUR STRATEGIC
OPTIONS AND
OUR STRATEGIC
PRIORITIES WILL
CONTINUE TO
EVOLVE.**

Strategic priority 1

**ACHIEVING A TOP FIVE
(OR TOP TIER) POSITION IN
THE MARKETS IN WHICH
WE OPERATE EITHER VIA DIRECT
INVESTMENT OR STRATEGIC
PARTNERSHIPS.**

What it means

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

Progress

Since inception, Atlas Mara has completed five acquisitions, establishing a sub-Saharan African financial services group with a diverse geographic footprint spread across seven countries on the continent. This includes two 'bolt-on' transactions to effect mergers with BPR in Rwanda and FBZ in Zambia.

We announced the strategic partnership with Equity Bank.

Atlas Mara will become a meaningful shareholder in one of Africa's most successful and well-run banks. The transaction will result in increased scale in two of the four markets (Rwanda and Tanzania) as a result of in-country mergers with EGH's local banks, and through the implementation of EGH's business model for digitally-driven banking, we expect these four banks will generate improved financial performance.

Link to risk



To read more

www.atlasmara.com/about-us/our-strategy

Strategic priority 2**DELIVERING INNOVATIVE PRODUCTS AND SERVICES TO OUR CUSTOMERS, INCLUDING, IN PARTICULAR, THE EFFECTIVE USE OF TECHNOLOGY.****What it means**

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

Progress

We have launched a number of innovative products and services over the course of the year.

We expect that with the strategic transaction through the implementation of EGH's business model for digitally-driven banking we will make further progress on this priority.

Link to risk**Strategic priority 3****ESTABLISHING COMPREHENSIVE AND EFFECTIVE RISK MANAGEMENT AND CORPORATE GOVERNANCE POLICIES AND PROCEDURES ACROSS OUR NETWORK.****What it means**

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

Progress

A review of the credit life cycle management process was completed in 2015. The implementation of the recommendations, including an enhanced credit scoring system and collections capability, is ongoing. The group focused on refining the credit and IFRS 9 impairment models in 2018.

Link to risk

Strategic priority 4
MAINTAINING CONSTRUCTIVE
RELATIONSHIPS WITH THE
REGULATORS IN THE MARKETS
IN WHICH WE OPERATE.

What it means

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

Progress

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

Link to risk



Strategic priority 5
DELIVERING DIFFERENTIATED,
RISK-ADJUSTED RETURNS TO
OUR INVESTORS.

What it means

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

Progress

Since inception, Atlas Mara has completed five acquisitions, establishing a sub-Saharan African financial services group with a diverse geographic footprint spread across seven countries on the continent. This includes two 'bolt-on' transactions to effect mergers with BPR in Rwanda and FBZ in Zambia.

The strategic transaction with EGH will allow Atlas Mara continued exposure to these markets and introduce new markets across East Africa.

Link to risk





Strategic priority 6

CONTRIBUTING POSITIVELY TO THE COMMUNITIES IN WHICH WE OPERATE (MOST NOTABLY BY STRENGTHENING FINANCIAL SYSTEMS AND INCREASING FINANCIAL INCLUSION).

What it means

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

Progress

Several of the notable initiatives during the course of the year have been referenced on pages 20 and 21.

Link to risk

1 3 5 8



ATLAS MARA'S KEY PERFORMANCE INDICATORS (‘KPIs’) ARE CONSISTENT WITH OUR BUSINESS MODEL OF BUY, PROTECT AND GROW.

Business model

Buy

Executing acquisitions



Key performance indicator

Market position (by assets/loans and/or deposits)

Profit pools are correlated to size in many of the markets in which Atlas Mara operates.

Goal

Tier 1 position, normally among the top 3–5

2018 status

In progress

2017 status

Yes – in Botswana, Rwanda and Zambia

Comments

Improved market position in Rwanda.

Create value through acquisitions

Acquisitions to be accretive within three years.

Goal

Return on equity to exceed cost of equity

2018 status

In progress

2017 status

In progress

Comments

We continue to focus on protecting while considering and investing through strategic partnerships.

Strategy link

1 4 5

Link to risk

1 2 3 4 6 7

Business model

Protect

Safeguarding our assets and ensuring the platform is ‘fit for growth’



Key performance indicator

Cost-to-income ratio

Focused on creating efficient, scalable platforms.

Goal

60–65% in the medium term

2018 status

104.0%¹ (99.3% – Adjusted basis)

2017 status

85.8%¹ (82.0% – Adjusted basis)

Comments

More to be done, still work in progress.

NPL to total loans

Sound credit risk management practices are core to Atlas Mara's operating model.

Goal

NPLs less than 4% of loans

2018 status

11.1%²

2017 status

11.8%²

Comments

Our continued focus on recoveries has driven year-on-year improvement.

Strategy link

2 3

Link to risk

1 2 3 5 6 7

Notes:

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

Business model**Grow**

Leveraging the talent, technology and capital across our asset base

**Key performance indicator****Loan and deposit growth relative to GDP growth and peers**

In line with the strategy of delivering a top five position in our markets of operations, above-market growth in loans and deposits is targeted.

Goal

Growth >1.5x GDP growth

2018 status

Yes – on a constant currency basis; Loans +2.4%, Deposits +7.25%, Average GDP growth c.5.3%

YES**Comments**

Achieved in 2018 and 2017 in constant currency terms.

2017 status

Yes – on a constant currency basis; Loans +8.7%, Deposits +25.3%, Average GDP growth c.1.5%

YES**Key performance indicator****Return on average equity³**

Measure of returns upon which Atlas Mara is highly focused.

Goal

c.20% in the medium to long term

2018 status

6.1% (3.8%) (adjusted basis)

6.1%**Comments**

More to be done, still work in progress.

2017 status

5.6% (3.9%) (adjusted basis)

5.6%**Key performance indicator****Return on average assets⁴**

Represents a measure of balance sheet efficiency which when combined with our RoE target provides a framework for maximum leverage.

Goal

c.2% in the medium term

2018 status

1.4% (0.9%) (adjusted basis)

1.4%**Comments**

More to be done, still work in progress.

2017 status

1.4% (0.8%) (adjusted basis)

1.4%**Strategy link**

1 2 4 5 6

Link to risk

1 2 3 4 6 7 8

IT IS OUR BELIEF THAT EFFECTIVE RISK MANAGEMENT IS FUNDAMENTAL TO THE LONG-TERM VIABILITY OF OUR BUSINESS.

We continue to espouse a strong risk management culture to ensure an appropriate balance between the diverse risks and rewards inherent in any transaction to underpin sound decision-making. Accordingly, we continue to work towards implementing a comprehensive risk management process to evaluate, monitor and manage the principal risks the Group assumes in conducting its activities. In the course of conducting its business, the Group is exposed to various risks inherent in providing financial services. Some of these risks are managed in accordance with established risk management policies and procedures, most of which are discussed in the Risk report section on page 57.

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

Principal risk CREDIT RISK

1

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

Key mitigating actions

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

Risk trend



Principal risk MARKET RISK

2

Atlas Mara may be adversely impacted by both global and local markets and economic conditions that can lead to fluctuations in interest and exchange rates, as well as equity and commodity prices. It may also be adversely impacted by significant holdings of financial assets, or significant loans or commitments to extend loans.

Key mitigating actions

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

Risk trend



Principal risk FUNDING AND LIQUIDITY RISK

3

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

Key mitigating actions

- Appropriate 'emergency'/'contingency' liquidity plans.
- Active dialogue with development finance institutions to provide funding at the subsidiary level.
- Frequent stress and scenario testing.

Risk trend



Principal risk ACQUISITION/ INTEGRATION RISK

4

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

Key mitigating actions

- Skilled Corporate Development resources working on originating and evaluating opportunities.
- Multiple prospective transactions under consideration with no reliance on one single transaction coming to fruition.

Risk trend



Principal risk OPERATIONAL RISK

5

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

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

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

Key mitigating actions

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

Risk trend



Principal risk
LEGAL RISK

6

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

Principal risk
REGULATORY AND LEGISLATIVE RISK

7

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

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

Principal risk
REPUTATION RISK

8

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



Key mitigating actions

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

Key mitigating actions

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

Key mitigating actions

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

Risk trend



Risk trend



Risk trend





Kenroy Dowers
Acting Chief Financial Officer

A handwritten signature in red ink, appearing to read 'K. D.', written in a cursive style.

**2018 WAS A
YEAR IN WHICH
WE CONTINUED
TO PURSUE OUR
STRATEGY FOR
DELIVERING
SHAREHOLDER
VALUE, WITH
A FOCUS ON
OPERATIONS AND
PROFITABILITY.**

Chief Financial Officer's review of financial performance continued

Performance overview

2018 was a year in which we continued to pursue our strategy for delivering shareholder value, with a focus on operations and profitability, as well as increasing our share in UBN. We also saw sustained profit performance driven in large part by the performance of UBN.

Our adjusted operating profit for 2018 was \$26.4 million versus the \$37.0 million on a similar basis for 2017, representing a decrease of 28.5% on a constant currency basis (computing 2017 operating earnings on 2018 foreign exchange rates as a more appropriate year-on-year comparative). Adjusted operating profit excludes certain non-recurring revenues and costs that are not part of the ongoing earnings base, to make us more comparable to other market peers by separately identifying and excluding one-off gains and charges, including acquisition costs, integration of businesses, etc.

Excluding one-off and transaction-related expenses or gains, our cost to income ratio was 99.3% versus the comparable figure in 2017 of 82.0%, driven primarily by a decrease in total income more than an increase in expenses.

Overall the returns being generated by the business remain below the level to which we aspire, but there is a positive trajectory. We remain committed to improving the ROE realised by the business.

2018 represents the first year where the full impact of IFRS 9 Financial Instruments have been included in the Group results, and the impact negatively affected a number of key lines in the financial statements, including the loan book, financial investments and our investment in UBN, which in turn negatively impacted book value, without 2017 being restated. The impact of IFRS 9 has been seen across the industry in all our countries of operation as all banks reported higher portfolio or general impairments compared to IAS 39 and higher coverage ratios on all stages.

In October 2018, the Reserve Bank of Zimbabwe (RBZ) instructed banks to separate bank accounts into FCA Nostro (USD balances) and FCA RTGS (RTGS balances). This confirmed the position in Zimbabwe that both USD and RTGS were legal tender and that the different currencies could have different values, even though the official exchange rate remained 1:1 through the end of 2018. During February 2019, further clarification was provided as the exchange rate was formally moved to 2.5: \$1.

In line with the general market practice, we included the assets and liabilities of our Zimbabwean operations in our statement of financial position using an exchange rate of 2.5: \$1 whereas this was previously included at a rate of 1:1, while income has been included at 1: 1 vs an average exchange rate, as the impact of such a change was deemed immaterial.

At the end of the year our book value was \$3.83 per share (December 2017: \$4.77) and our tangible book value was \$3.00 per share (December 2017: \$3.87). The main contributors to this reduction in year-on-year book value is the impact of IFRS 9 for both our operating subsidiaries and our share of the impact reported by UBN. The currency change in Zimbabwe, which became effective 31 December 2018 for accounting purposes, further impacted the situation.

Looking to 2019, following the announcement of the proposed transaction with EGH and our continued efforts to increase our shareholding in UBN, we expect results throughout the year to be negatively impacted by the impact of deconsolidation of those subsidiaries, earmarked for disposal during the next 12 months, and the possible consolidation of UBN. This will be driven mostly by the realisation of cumulative translation losses booked and the write down of goodwill and intangible assets associated with the business combination at the time of the acquisition of these investments.

Statement of comprehensive income review

Total income for the year ended 31 December 2018

\$'m	2018	2017	CC Var %
Net interest income	132.6	145.3	(12.1)
Non-interest income	98.8	115.2	(17.9)
Total income	231.4	260.5	(14.7)

Atlas Mara reported a reduction in total income of 11.2% (14.7% on a constant currency basis) as a result of decline in net interest income and non-interest revenue.

Net interest income

Net interest income declined by 12.1% on a constant currency basis, mainly driven by the decline in interest income on loans, as a result of contraction of the loan book, lower margins and market illiquidity experienced in a number of the operating countries.

Interest expense declined by 5% compared to the prior period as a result of decline in deposits. The decline in interest income was negated by the decline in interest expense.

The net interest margin at 7.3% (2017: 6.8%) benefited from the reduction in earning assets driven by the impact of IFRS 9 and the continued focus on managing the risk appetite for credit growth given the more challenging economic conditions across the sub-Saharan Africa region.

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

Non-interest income

Non-interest income declined in 2018 by 14.2% to \$98.8 million (2017: \$115.2 million) mainly as a result of decline in net trading revenue and lower fee and commission income and other income.

The decline in trading revenue is attributable to depressed trading volumes and reduced trading activity at the SSC level.

Total expenses

Total costs of \$229.8 million, excluding one-offs, represented an increase of 7.6%, with this increase mostly attributable to increased costs in the countries of operation, specifically in Zimbabwe where inflation increased to approximately 20% during Q4, driven by the acute foreign exchange shortages which triggered fuel and basic goods shortages, in the process, partially reversing the positive economic gains that had been experienced earlier during the year.

Shared Services and Centre costs increased but remain under control, increasing to \$30.2 million from \$29.0 million. The Group continues to focus on driving these costs lower.

Staff costs remained relatively constant at \$96.8 million (2017: \$99.8 million) for the year, but the contribution to total expenditure has reduced to 40.2%. On an adjusted operating profit basis, Atlas Mara reported a cost to income ratio of 99.3% (2017: 82.0%), compared to 104.0% (2017: 85.8%) on an IFRS basis.

Loan impairment charges

Impairment charges reduced gradually quarter by quarter to end the year at \$0.2 million as a result of loan recoveries, loan write-offs and impairment reversals carried out in Zimbabwe and Mozambique. Improvements in credit quality seen by movements from stage 2 and 3 from the day one levels also contributed to the lower impairment charge during the year.

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

Statement of financial position review

Customer loans and advances comprise c.41.2% of the Group's total asset base. Cash, short-term funds and marketable securities represent c.27.7%, other assets represent 6.5%, the investment in associate UBN accounts for 19.0% of the asset base, with goodwill and intangible assets making up the remainder at c.5.7% of total assets. Total assets contracted by 10.7%, but grew by 6.0% on a constant currency basis, reflecting the impact of the currency change in Zimbabwe.

Customer loan composition – 2018

Customer loan composition – By country (\$ millions)

Botswana	Mozambique	Rwanda	Tanzania	Zambia	Zimbabwe	Other	Total
541.4	65.9	193.1	57.2	193.0	86.6	16.9	1,154.1

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.

The stage 3 impairment coverage ratio of 44.8% (NPL coverage 2017: 46.5%), is considered appropriate given the credit quality at year-end and in line with coverage ratios reported by other African banking Groups.

NPLs as a percentage of the loan book declined to 11.1% (December 2017: 11.8%), reflecting our focused efforts on credit monitoring and the collection processes. The year-on-year improvement was specifically supported by asset recoveries secured in Mozambique and Zimbabwe.

Capital position

As at 31 December 2018, all of Atlas Mara's operating banks complied with local minimum capital requirements relevant in that country, as summarised below.

Capital adequacy ratios

Capital ratios	2018	2017	Regulatory minimum
Botswana	17.6%	19.7%	15.0%
Mozambique	23.8%	24.4%	9.0%
Rwanda	23.7%	22.6%	15.0%
Tanzania	14.8%	17.7%	14.5%
Zambia	15.9%	13.8%	10.0%
Zimbabwe	39.0%	37.6%	12.0%

In Zambia, the bank remains compliant with the minimum capital adequacy requirement and is now compliant with the absolute capital requirement of ZMW520 million set by the Central Bank for foreign-owned banks.

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.

Chief Financial Officer's review of financial performance continued

Investment in associate: UBN

Our investment in Union Bank of Nigeria of 49.0% at the end of December 2018, is equity-accounted for in the statement of financial position as an investment in associate, with a closing balance of \$530.6 million (2017: \$442.7 million). The value of the asset increased due to the additional investments, the gain on acquisition booked and the increased profits reported by UBN; however this was offset by a further clean-up of the loan book including the impact of IFRS 9 on UBN's accounts.

We have reviewed the carrying value of the investment held in UBN from a valuation perspective as part of the year-end audit review and valuation work. We have stress-tested future expected earnings and having considered the impact of the devaluation of the Naira, coupled with potential credit shocks in the Nigerian market from lower oil prices and market-wide shortages of US dollar liquidity, the carrying value was nonetheless substantiated, with no impairment required to the UBN carrying value for this investment at December 2018.

Goodwill and intangibles

Due to the acquisitions made in the prior years and in compliance with IFRS 3: Business Combinations, the statement of financial position incorporates goodwill and intangible assets of \$159.0 million at December 2018 (December 2017: \$174.6 million). These assets represent 5.6% of the Group's asset base, resulting in a tangible book value of \$3.00 per share (December 2017: \$3.87 per share) versus a book value per share of \$3.83 (December 2017: \$4.77).

Liabilities

Customer deposits (\$ millions)

	Retail	Corporate	Treasury	Total
FY 2018	410.4	972.1	249.3	1,631.8
FY 2017	489.5	1 115.3	272.7	1 877.5

There was a decline in total deposits compared to the prior year, mainly attributable to loss of deposits in Tanzania, Botswana and Zambia.

Term deposits remained the highest percentage of deposits reflecting the tight liquidity situation in the countries of operation.

Decline in transactional deposits and overnight deposits reflect the tight liquidity situation experienced in most of our countries of operation, especially the ones listed above.

Customer deposits comprise 77.1% of the liability base and represent 58.2% of the aggregate of liabilities and equity. The loan to deposit ratio for 2018 was 70.7% (December 2017: 70.8 %).

Segment information

The segmental results and statement of financial position information represents management's view of its underlying operations on a geographic distributed basis, with the business focus aligned to promote inter-Africa trade within the trade blocs on the continent. The seven countries of operation and investment are grouped as follows:

Our Business

Through our 49% stake in UBN and Board representation, Atlas Mara has a footprint in Africa's largest economy, Nigeria. Nigeria continues to represent a long-term destination for investment, particularly in financial services, and our stake in UBN is a key facet of our strategy for the region.

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

Our share of profit from the 49.0% stake in UBN is based on UBN's audited year-end results.

Botswana continued to perform well during 2018, although the impact of liquidity constraints particularly in the earlier part of the year, and a significant decline in the forex trading volumes, affected overall income.

Despite broader economic challenges in **Mozambique** in 2018, the business reported a profit for 2018, underscoring the benefit of the focus during 2016 and 2017 to improve the capabilities of the workforce.

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

In **Rwanda** our business continues to show improvement in performance due to the strong focus on cost efficiency initiatives.

Other

Included in this segment are Atlas Mara Limited, the BVI incorporated holding company and Atlas Mara's Dubai subsidiary and all other intermediate Group holding entities acquired through the acquisitions of ABCH and ADC in August 2014, also referred to as the Shared Services and Centre.

Segment report for the year ended 31 December 2018

2018 US\$m	Group	Banking Operations Southern	Banking Operations East	Banking Operations West	Other Corporate
Total Income	231.4	193.6	52.2	–	(14.4)
Loan impairment charge	(0.2)	6.9	(6.6)	–	(0.5)
Operating expenses	(240.5)	(165.3)	(45.0)	–	(30.2)
Share of profits of associate	56.3	–	–	27.8	28.5
Profit/(loss) before tax	47.0	35.2	0.6	27.8	(16.6)
Profit/(loss) after tax and non controlling interest	39.7	27.5	(2.9)	27.8	(12.7)
Loans and advances	1,154.1	886.9	250.3	–	16.9
Total assets	2,804.7	1,674.4	421.7	530.6	178.0
Total liabilities	2,115.8	1,479.9	353.5	–	282.4
Deposits	1,631.8	1,319.8	312.0	–	–
Net interest margin – total assets	4.7%	7.4%	9.2%		
Net interest margin – earning assets	7.3%	8.8%	10.4%		
Cost to income ratio	104.0%	85.4%	86.2%		
Statutory Credit loss ratio	0.0%	(0.8%)	2.6%		
Return on equity	6.1%	11.7%	(4.2%)		
Return on assets	1.4%	1.6%	(0.7%)		
Loan to deposit ratio	70.7%	67.2%	80.2%		

Segment report for the year ended 31 December 2017

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

Kenroy Dowers

Acting Chief Financial Officer

30 April 2019



Beatrice Hamza Bassey
Group General Counsel

A stylized, handwritten signature in red ink, appearing to read 'B. Hamza Bassey'.

SUSTAINING GOOD GOVERNANCE IS VITAL FOR BUILDING OPERATIONAL RESILIENCE

I am pleased to present our Corporate Governance Report for the 2018 financial year. During the year, the Company underwent organisational and leadership changes that were undertaken as a part of a larger strategic initiative to reposition the Company for sustainable growth. The Board and management team recognise the importance of sustaining a robust governance framework, particularly during such periods of transition. We therefore placed more emphasis and efforts on risk oversight, strengthening controls and promoting accountability as key aspects of our governance structure.

During 2018, there were a number of changes made to the Board and management team. In April 2018, we welcomed Simon Lee to the Board as a Non-Executive Director appointed as a Fairfax director to replace Quinn McLean, who stepped down from his role on the Board, effective from 24 April 2018. In May 2018, the Company appointed a new Chief Executive Officer and a number of management changes and transitions followed. During the first half of 2019, we bade farewell to Funke Opeke who chaired the Nomination Committee and Hisham Ezz Al-Arab, both of whom stepped down from their respective roles on the Board, effective 6 February 2019. Effective from 10 May 2019, Richard Boucher who chaired the Remuneration Committee and Eduardo Mondlane, Jr, also stepped down from their respective roles on the Board. We then welcomed new Board member, Jawaid Mirza, who joined the Board as a Non-Executive Director as well as Muhammed Omar Khan as new Chief Financial Officer, both effective from 1 April 2019. Kenroy Dowers, who served as Acting Chief Financial Officer, will continue in his role as Group Managing Director for Strategy and Investments.

In February 2019, Bob Diamond transitioned from his role as interim Executive Chairman of the Board and returned to his previous role as a Non-Executive Director. Concurrently, the Board appointed Michael Wilkerson, a Non-Executive Director of the Board, to assume the role of Executive Chairman. At the senior management level, John Staley, stepped down from the role of CEO, effective from 30 April 2019. Michael Christelis who served as Group MD for Treasury and Markets also moved on from the company effective 30 June 2019. Following the changes made to date, Atlas Mara's Executive Committee consists of: Muhammad Omar Khan (CFO), Sanjeev Anand (Group MD Retail and Commercial Banking), Kenroy Dowers (Group MD Strategic Investments), myself as Group General Counsel, and Michael Wilkerson as Chairman of the Executive Committee. The Board of Directors has remained fully committed to supporting the new Chairman of the Board to ensure a seamless transition and continued focus on the Company's strategic priorities for 2019. The biographies of each Director can be found on pages 38–39.

Throughout the year, the Board deliberated on a variety of matters, placing significant emphasis on managing risk, managing change, optimising the Group's Information Technology ('IT') systems, and reviewing the strategic direction of the Company to ensure sustainability and operational efficiency.

In accordance with our policy to conduct annual evaluations to assess efficacy of the Directors' individual and collective performance, in 2018, the Board and its Committees, as well as our subsidiary boards and committees, conducted a self-assessment that was externally-facilitated by Independent Audit Limited, using their online assessment service Thinking Board®. The 2018 evaluation included a comparative analysis of the Board's performance in 2017 and 2018, which allowed the Directors to give full consideration to the areas that have improved, and those that require additional focus in 2019. Details of some of the key issues flagged during the 2018 evaluation can be found on page 50. In 2018, we continued to track our compliance with the provisions of the UK Corporate Governance Code 2016 issued by the Financial Reporting Council (the '2016 Code'). A summary of our compliance with the 2016 Code can be found on pages 40–44. Looking ahead to 2019, we plan to begin tracking our compliance with the new UK Corporate Governance Code 2018 (the '2018 Code'), which applies to periods beginning on or after 1 January 2019. While the Company holds a standard listing on the London Stock Exchange, we nonetheless voluntarily applied the 2016 Code during 2018, and will endeavour to apply the 2018 Code during 2019, where feasible, and as appropriate to Atlas Mara.

During 2018, the Board and its Committees continued to devote a significant amount of time in discharging its duties, meeting a total of 27 times throughout the year. A summary of key matters considered by the Board can be found on pages 48–49, and further details on attendance at Board and Committee meetings are provided on page 47.

We remain committed to maintaining a constructive dialogue with all shareholders. Our Annual General Meeting ('AGM') is an opportunity to receive feedback from our shareholders on the performance of the business. I invite and encourage you to attend our next AGM, details of which will be announced in due course.

The latest developments in the UK Corporate Governance framework highlight the need to place greater emphasis on purpose and culture, diversity, and stakeholder engagement. The Board recognises that these central themes are key to the Company's long-term success. To this end, we will continue our efforts in 2019, in setting the right tone and promoting the Company's values, engaging meaningfully with our stakeholders, and identifying opportunities to strengthen our existing governance practices. Against this backdrop, we invite you to review this Corporate Governance Report, to gain additional insight into the Board's activities to date and the overall progress being made in implementing our corporate governance framework.

Beatrice Hamza Bassey
Group General Counsel

Board of Directors

COMBINING THE BEST OF GLOBAL INSTITUTIONAL KNOWLEDGE, WITH EXTENSIVE LOCAL INSIGHTS AND EXPERIENCE.

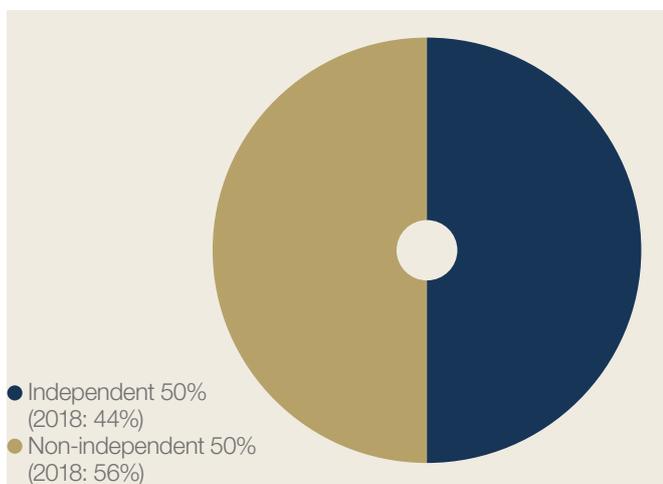


Michael Wilkerson
Executive Chairman
Age 50

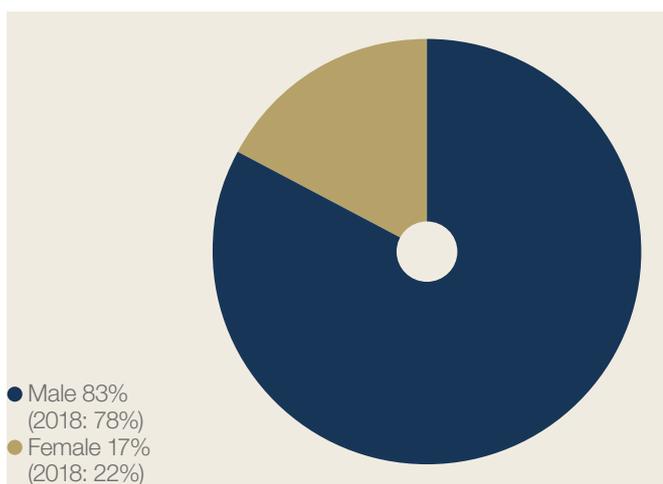


Robert E. (Bob) Diamond, Jr.
Co-Founder and Non-Executive Director
Chair of Nomination Committee
Age 68

Board composition as at August 2019



Gender diversity



Date appointed to Board
3 October 2017

Tenure on Board
5 months

Committee memberships
R

Independent
No

Relevant skills and experience

- Chief Executive Officer and Director of Fairfax Africa Holdings Corporation.
- Significant investing experience in the financial services sector in Africa and across emerging markets.
- Extensive investment banking experience across various sectors including Financial Institutions.

External appointments

- Chief Executive Officer and Director of Fairfax Africa Holdings Corporation.
- Chairman of the Boards of AFGRI and Consolidated Infrastructure Group
- Director of non-profit organisations, Charity: water and Invest Africa US.

Past roles

- Co-Founder and Managing Partner of AgriGroupe Limited.
- Global Co-Head of Consumer, Food & Retail Group and Managing Director in the Financial Institutions Group, at Lazard Frères & Co.
- Managing Director, Financial Institutions M&A, at Citigroup.

Date appointed to Board
3 December 2013

Committee memberships
R, N

Independent
No

Relevant skills and experience

- Founder and CEO of Atlas Merchant Capital LLC and Founder of Atlas Mara.
- Over 30 years of global banking experience.
- Extensive knowledge of banking regulatory frameworks and relationships with regulators in the US, the UK, Europe, Asia and Africa.
- Deep experience growing and integrating banks in Africa.
- Extensive risk management expertise.

External appointments

- Founder and CEO of Atlas Merchant Capital LLC.
- Director at Diamond Family Foundation.
- Life Member of Council on Foreign Relations.
- Member of Yale School of Management, Council of Global Advisors.
- Trustee of Board of Colby College.
- Trustee of the American Foundation of the Imperial War Museum.

Past roles

- Chief Executive Officer of Barclays PLC.
- President of Barclays and Chief Executive of Corporate & Investment Banking and Wealth Management.
- Trustee at Mayor's Fund for London.

Committee membership key:

AR&C Audit, Risk and Compliance Committee
N Nomination Committee
R Remuneration Committee



Rachel F. Robbins
Senior Independent
Non-Executive Director
Chair of Remuneration
Committee
Age 68

Date appointed to Board
3 December 2013

Committee memberships
R, AR&C, N

Independent
Yes

**Relevant skills
and experience**

- Three decades of global financial services institution experience as general counsel at the NYSE and JP Morgan and economic development experience at the International Finance Corporation (“IFC”).
- Extensive experience in corporate governance and compliance.
- Well versed in international banking and emerging markets, including sub-Saharan Africa.

External appointments

- Trustee at New York University School of Law.
- Advisory Board, Grunin Center on Law and Social Entrepreneurship.
- Member of the Council on Foreign Relations.

Past roles

- Vice President and General Counsel of the IFC.
- Executive Vice President, General Counsel, and Secretary of the New York Stock Exchange and NYSE Euronext.
- Managing Director, General Counsel and Secretary, JP Morgan & Co.
- Managing Director and General Counsel, Citigroup International.
- Non-Executive Director at FINCA Microfinance Holdings LLC.



Amadou Raimi
Independent Non-Executive
Director
Chair of Audit, Risk and
Compliance Committee
Age 70

Date appointed to Board
21 January 2015

Committee memberships
AR&C

Independent
Yes

**Relevant skills
and experience**

- President of Croissance Sud Conseils.
- Over 36 years of international accounting, audit and risk management experience across multiple sectors and regions including financial services and Africa respectively.
- Relationships with key stakeholders in Francophone Africa.

External appointments

- Chairman of Cauris Management.
- Member of the Investment Committee of Yeelen Capital.
- Chairman of Audit and Risk Committee of AGF (African Guarantee Fund)
- Non-Executive Directorships at IMS – Entreprenre La Cité.

Past roles

- Non-Executive Director at Orabank Group.
- Non-Executive Director at Citizen Capital.
- Non-Executive Director at BGF1 Benin.
- Vice Chairman of the global Deloitte Board.
- Chairman of Deloitte France.
- Various senior management roles at Deloitte France.



Simon Lee
Non-Executive Director
Age 58

Date appointed to Board
24 April 2018

Committee memberships
AR&C, N

Independent
No

**Relevant skills
and experience**

- Former Group Chief Executive of a FTSE 100 financial services company.
- Extensive banking experience having fulfilled a number of senior roles over 20 years for NatWest Group both in the UK and internationally.
- Significant mergers and acquisitions experience.

External appointments

- Global Advisor to Fairfax Financial and Board Member at Brit Insurance Ltd.
- Member of the Global Advisory Boards at Afinity Inc and SippWine.
- Chairman at Osirium Technologies plc.
- Chairman at iDefigo Ltd.
- Non-Executive Director at TIA Technology.
- Chairman at Hospice in the Weald.

Past roles

- Group Chief Executive at RSA Insurance Group plc.
- Chairman of Codan and Trygg Hansa.
- Non-Executive Directorships at DGS plc, Mutual and Federal (JSE-listed), and Conister Trust (AIM-listed).
- Senior International Roles at NatWest Bank Group, including Chief Executive at NatWest Offshore, Head of US Retail Banking, CEO at NatWest Mortgage Corporation (US), and Director of Global Wholesale Markets.
- Advisory Board Member at Make it Cheaper.
- Board Member at Advent Underwriting Ltd.



Jawaid Mirza
Non-Executive Director
Age 61

Date appointed to Board
1 April 2019

Committee memberships
AR&C, N

Independent
Yes

**Relevant skills
and experience**

- Over 30 years of significant experience in banking with global financial institutions, including senior executive positions with Citibank and ABN AMRO Bank.
- Diversified experience and a solid track record in all facets of financial and risk management, technology, mergers and acquisitions, business turnarounds and operation management.

External appointments

- Independent Non-Executive Director and Chairman of the Audit Committee at Eurobank Ergasias (Athens).
- Non-Executive Director and Chairman of the Audit Committee at Commercial International Bank of Egypt.
- Non-Executive Director of the South African Bank of Athens.

Past roles

- ABN AMRO's CFO European Region, Managing Director and COO for Global Private Banking, Asset Management and New Growth Markets, and Managing Director and CFO for Asia, Middle East and Australia.
- Group COO and later CEO and Managing Director for Consumer Banking and Operations at Commercial International Bank of Egypt.

Corporate Governance Report

Introduction

The Company places emphasis on a sound corporate governance framework through which our strategic objectives are set. Indeed, although the Company is not required to comply with the UK Corporate Governance Code (2016) (the 'Code') for as long as it has a standard listing, the Company will continue to voluntarily comply with the Code to the greatest extent possible to facilitate effective and prudent management that can contribute to the long-term success of the Company.

In July 2018, the FRC published the UK Corporate Governance Code 2018, which applies to accounting periods beginning on or after 1 January 2019 (the '2018 Code'). The Company's compliance with the 2018 Code will be reported in the 2019 Annual Report to be published next year.

The 2016 Code remains in place for accounting periods ended 31 December 2018. Accordingly, this Corporate Governance report highlights the Company's compliance with the 2016 Code, a copy of which can be found on the FRC's website at <https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code>.

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

Compliance with the Code

Although Atlas Mara is a standard listed company on the London Stock Exchange, we continue to work towards compliance with the UK Corporate Governance Code's guidelines as a principal focus, and explain any deviations as appropriate.

The first table below sets out how we have applied the Principles of the 2016 Code during the 2018 financial year, and the second table below sets out areas of non-compliance with the 2016 Code and explanations for any deviations.

Application of the Main Principles of the Code

Set out below is the Board's assessment of the Company's application of the Main Principles of the 2016 Code:

Section of the Code	How we comply
A. Leadership	
A1. The role of the Board	<ul style="list-style-type: none">– The Board recognises its responsibility for the long-term success of the Company. The Board provides an effective oversight of the Company's business for the benefit of all stakeholders.– The Board also delegates certain responsibilities to its Committees to assist in discharging its functions.– During 2018, the Board held a strategy session during which it reaffirmed its vision, values and mission to ensure that the strategic goals of the Company create sustainable shareholder value.– The Board met regularly to discharge its duties effectively with meetings held at least once a month, and in-person every quarter. In 2018, the Board and Committees held an aggregate of 27 meetings that were well-attended by the Directors. The discussions were robust and supported by the management team.– As recommended by the Code, the Company arranged for insurance coverage for the Directors.
A2. Division of responsibilities	<ul style="list-style-type: none">– Following the departure of former CEO, John Staley, effective 30 April 2019, the Chairman of the Board acts in an executive capacity as Chairman of the Executive Committee.– The Board delegates the operational management of the Group's business to the Executive Committee, which executes the strategy set by the Board.
A3. The Chairman	<ul style="list-style-type: none">– The Chairman sets the agenda for meetings and manages the calendar and timetable of meetings, leveraging the assistance of the Company Secretary.– The Chairman facilitates open and constructive dialogue during the meetings, actively inviting the views of the Non-Executive Directors.– In 2018, the Chairman met with major shareholders of the Company to promote effective dialogue with the shareholders.– The Chairman of the Board acts in an executive capacity as Chairman of the Executive Committee.

Section of the Code	How we comply
A4. Non-Executive Directors	<ul style="list-style-type: none"> – In 2018, the Chairman held several meetings with the Non-Executive Directors without the Executive Management present, to discuss a number of matters including performance and remuneration. – It is a standard agenda item at every Board meeting for the Chairman to have a session with Non-Executive Directors without the Executive Management in attendance to openly discuss matters relating to the business of the Company. – The Senior Independent Director and the Independent Directors constructively and rigorously challenge management on matters important to all stakeholders.
B. Effectiveness	
B1. The composition of the Board	<ul style="list-style-type: none"> – As at 31 December 2018, the Board was composed of nine Directors and was sufficiently sized to meet the requirements of the Company. Further details on the Directors and recent changes to the Board's composition are available on pages 36–39. – As at 31 December 2018, at least half of the Board members, excluding the Chairman, were independent. – The Directors have the requisite background, knowledge and skills to provide effective oversight and challenge the senior management team. Details on the background of the Board are disclosed on pages 38–39.
B2. Appointments to the Board	<ul style="list-style-type: none"> – During 2018, one new Director was appointed to the Board pursuant to the terms of the strategic financing transaction executed between the Company and Fairfax Africa, which closed on 31 August 2017. In accordance with such terms, Fairfax Africa was granted certain rights to appoint and remove Directors to the Company's Board. These governance arrangements were incorporated into the amended Articles of the Company, which were approved by the shareholders of the Company at an extraordinary general meeting held on 14 July 2017. – With respect to appointments to the Board generally, the Nomination Committee takes into account a variety of factors including the skills and experience needed to enhance diversity on the Board. Each Board candidate is interviewed by the Non-Executive Directors and relevant members of the Executive Committee prior to appointment. Further details of the work of the Nomination Committee and the approach to appointing Directors are disclosed on pages 52–53.
B3. Commitment	<ul style="list-style-type: none"> – On appointment, Directors are notified of the time commitment expected from them and Directors are expected to disclose any jobs, external directorships or similar commitments. External directorships, which may impact on the existing time commitments of the Executive Directors, must be agreed with the Chairman. – The Directors allocate sufficient time to the Company to discharge their duties effectively. Meeting attendance by the Directors has been high for all meetings held in 2018, as further detailed on page 47. – External appointments held by the Chairman and all the Directors on the Board are disclosed on pages 38–39.
B4. Development	<ul style="list-style-type: none"> – One new Director nominated by Fairfax Africa was appointed to the Board in April 2018. The new Director received an induction into the Board aimed at ensuring a good understanding of the business and the Director's duties and responsibilities. – In 2018, the Directors received Board training on a variety of topics including presentations on macroeconomic conditions in emerging markets.

Section of the Code	How we comply
B5. Information and support	<ul style="list-style-type: none"> – Directors have access to independent professional advice to discharge their responsibilities as and when required, and did in fact seek such independent advice at various times during 2018. – The Company's General Counsel serves as Company Secretary and is readily available to advise the Board on various strategic matters and also ensure that the Board is kept up to date on regulatory developments and remains compliant with applicable corporate governance rules. – The Board receives monthly written and verbal reports on performance of the operating businesses, financial performance of the Company generally, credit, key risks facing the Company, regulatory developments and engagement with key stakeholders, investor relations, and key strategic initiatives. At each monthly Board meeting, the Board has an opportunity to engage and challenge management on these matters and receive answers to questions and/or any additional information requested.
B6. Evaluation	<ul style="list-style-type: none"> – In 2018 the Board conducted a formal and rigorous evaluation of its own performance and that of its Committees and individual Directors. – The Board appointed Independent Audit Limited to conduct a self-assessment that was externally facilitated, as further detailed on page 50. – The evaluation was tailored specifically for the Company and elicited constructive feedback and identified areas for improvement. A report was provided to the Board and the Company which included among its recommendations, continued focus on succession planning, diversity and oversight over IT infrastructure and cyber risk mitigation. A summary of the findings can be found on page 50. Since the report, we have been endeavouring to remediate the areas identified for improvement.
B7. Re-election of the Directors	<ul style="list-style-type: none"> – At the AGM held by the Company in August 2018, the Directors were submitted for re-election by the shareholders and all Directors were re-appointed at the 2018 AGM. – Consistent with the Code, the Directors will be subject to re-election at intervals of not more than three years. – Although not applicable to the Company at this time given its four years since inception, at the appropriate time in the future, Non-Executive Directors who have served more than nine years will be subject to annual re-election.
C. Accountability	
C1. Financial and business reporting	<ul style="list-style-type: none"> – During 2018, the Board reported the Company's financial statements on a quarterly basis. – A statement from the Directors on their assessment of the Annual Report and Accounts of the Company is set out in the Directors' Report on pages 86–88. – Details on the Company's business model and how it generates value over the long term are provided on pages 16–21. – A statement from the Directors on the going concern of the Company is set out in the Directors' Report on pages 86–88.
C2. Risk management and internal control	<ul style="list-style-type: none"> – The Audit, Risk and Compliance Committee receives and considers effectiveness of the Company's internal control systems at every meeting of the Board and its Committees. – The Board receives and considers, on a regular basis, reports from the Chief Risk Officer of the operating banks and the Head of Internal Audit of the operating banks who both have reporting lines to the Board, which are used to effectively assess the Company's risk management and internal controls systems, including financial and operational controls. – The Corporate Governance Report provides additional details on the risk management and internal controls matters considered by the Directors in 2018, and a detailed Risk Report is set on pages 57–75.

C3. Audit Committee and Auditors

- As at 31 December 2018, at least three of the members of the Audit, Risk and Compliance Committee were Independent Non-Executive Directors.
- The Audit, Risk and Compliance Committee regularly monitors and reviews the activities of the Company as well as its internal controls, work by its Internal Audit as well as external auditors.
- At every meeting, the Committee receives regular reports from the Company's Head of Internal Audit of the operations, which facilitates effective oversight of Internal Audit activities. The Committee also receives reports from the Chief Risk Officer of the operations, as well as the Chief Financial Officer and General Counsel of the Company at every meeting.
- The Chairman of the Audit Committee provides updates to the Board following every Audit Committee. The Chairman of the Audit Committee also regularly monitors the Company's financial reporting processes, meets with the external auditors every quarter and provides updates to the Board.
- In addition, the Chairman of the Audit Committee receives updates from the Head of Internal Audit, Chief Financial Officer and Group General Counsel, on a regular basis.
- The main role and responsibilities of the Audit, Risk and Compliance Committee are set out in the Committee's terms of reference. A summary of these are provided on page 54.
- Further details on the work of the Audit, Risk and Compliance Committee undertaken in 2018 are provided in the Committee Chairman's Report on pages 54–56.

D. Remuneration**D1. Levels and components of remuneration**

- During 2018, the Remuneration Committee provided oversight in the application of the Company's remuneration policy to ensure continued alignment with shareholder interests, by determining the appropriate balance between immediate and deferred remuneration for senior management of the Company.
- Remuneration of Non-Executive Directors is comprised of fees paid in cash and ordinary shares in the Company.
- Details of the work of the Remuneration Committee and the approach to setting and overseeing the remuneration policy of the Company can be found in the Directors' Remuneration Report on pages 76–85.

D2. Remuneration procedure

- The Executive Management do not participate in Board discussions relating to their own remuneration. The Remuneration Committee and the Board meet in an executive session when determining the compensation of the Executive team. Details of the work of the Remuneration Committee and the approach to setting the remuneration policy can be found in the Directors' Remuneration Report on pages 76–85.

E. Relations with shareholders**E1. Shareholder engagement and dialogue**

- During 2018, the Chairman of the Board and Executive Management met with many of the major shareholders of the Company to interact on various topics on the minds of the shareholders. Feedback from the sessions was shared with the Board and implemented in some of the Company's strategic decisions.
- The Senior Independent Director regularly engages with the Executive Management to receive updates, including on investor engagements and feedback.
- The Board regularly requests reports from management to ensure that the Non-Executive Directors have an understanding of the views of major shareholders and senior management regularly provide updates to the Board to ensure awareness of the issues and concerns of major shareholders.
- The Board leverages the Investor Relations Department to keep abreast of shareholder feedback. A summary of activities undertaken in 2018 to engage with shareholders is available on page 51.

E2. Constructive use of the AGM

- The Chairman of the Board and the Chairs of the Committees were available to answer questions at the 2018 AGM. They will similarly be available to interact with shareholders and answer questions at the next AGM to be held on a date to be announced in due course.

Corporate Governance Report

continued

Areas of Non-Compliance with the Code

The table below sets out areas of non-compliance with the Code and explanations for any deviations.

Section of the Code	Section of the Code	Explanation for Areas of Non-Compliance
A2. Division of Responsibilities	A.2.1	– The division of responsibilities between the Chairman and Chief Executive is clearly defined, however at times the Board has for an interim period deemed it in the best Interest of the Company for the Chairman of the Board to act in an executive capacity, in particular given the Board's current focus on review of the strategic priorities of the Company.
A3. The Chairman	A.3.1	– Bob Diamond served as Chairman of the Board from December 2016 through February 2019. Following Bob Diamond's transition from this role, Michael Wilkerson was appointed as new Chairman of the Board effective 6 February 2019. While Michael Wilkerson is not independent, the Board elected to appoint him as Chairman of the Board to ensure continuity in executing the Company's strategic priorities. Michael Wilkerson will remain Chairman of the Board until such time the Board determines appropriate to reinstate the search for an independent Board Chair.
A4. Non-Executive Directors	A.4.2	– The Non-Executive Directors appraised the Chairman during the Board evaluation exercise facilitated by an independent provider in 2018. In light of recent changes to the Chairmanship, the Senior Independent Director did not separately review the Chairman with the other Non-Executive Directors, as this appointment was recent. However this practice will resume in 2019.
B2. Appointments to the Board	B.2.1	– Less than a majority of the current Nomination Committee members are independent. While not a majority of the members are independent, these Committee members bring extensive experience and knowledge, and provided substantial support to the work of the Committee during 2018.
D1. Level and Components of Remuneration	D.1.3	– As at 31 December 2018, the former Chairman of the Board, Bob Diamond, held stock options which were awarded to him as part of a new Management Incentive Plan that was put in place pursuant to the terms of the strategic financing transaction executed between the Company and Fairfax Africa, which closed on 31 August 2017. The current Chairman of the Board, Michael Wilkerson, does not hold stock options.
D2. Remuneration Procedure	D.2.1	<ul style="list-style-type: none"> – As at 31 December 2018, the Chair of the Remuneration Committee was Richie Boucher, who was not independent. However, Rachel Robbins, the Senior Independent Director, was appointed to replace Richie Boucher as Chair of the Remuneration Committee, effective 10 May 2019. – While less than a majority of the current Remuneration Committee members are independent, the Committee members bring the skills and knowledge necessary to effectively carry out their duties on the Committee.

LEADERSHIP

Overview of governance structures

The Board of Directors oversees the business of Atlas Mara on behalf of the Company's shareholders. The Board is accountable for the long-term success of the Company and delivery of sustainable value to shareholders. The Board provides leadership of the Company within a framework of prudent and effective controls to appropriately assess and manage risks. The Board has delegated certain responsibilities to Board Committees to assist it with discharging its duties. Additionally, the implementation of matters approved by the Board and oversight of the day-to-day operations of the Company is delegated to the Atlas Mara Executive Committee ('EXCO'), which consists of senior management from the Company's key business lines and functional areas. Following recent changes made at the senior management level, Atlas Mara's Executive Committee consists of Michael Wilkerson, as Chairman of the Executive Committee, Muhammad Omar Khan (Group CFO); Beatrice Hamza Bassey (Group General Counsel); Kenroy Dowers (Group MD Strategy and Corporate Development); and Sanjeev Anand (Group MD Retail and Commercial Banking).

Role of the Board

Specifically, the Board:

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

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

Matters reserved for the Board

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

This schedule covers areas including:

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

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

Composition of the Board

As at 31 December 2018, the Board was comprised of nine members: the Chairman and eight Non-Executive Directors. During the first half of 2019, there were a number of changes to the Board's composition. Effective from 6 February 2019, Funke Opeke and Hisham Ezz Al-Arab stepped down from the Board, and effective from 10 May 2019, Richie Boucher and Eduardo Mondlane, also stepped down from the Board. Jawaid Mirza, joined the Board effective from 1 April 2019. Following these changes, the Board is currently comprised of six members: Michael Wilkerson, as Chairman of the Board, and Bob Diamond, Rachel Robbins, Amadou Raimi, Simon Lee, and Jawaid Mirza as Non-Executive Directors. Further details on the Board of Directors and its composition are set out on pages 38–39.

Meetings of the Board

The Board holds regularly scheduled meetings every month with in-person meetings scheduled each quarter. In 2018, special meetings were held in between scheduled meetings as often as necessary in order to enable the Board to fulfil its role or to consider and approve corporate activity of the Company. The Directors allocated sufficient time to the Company to perform their responsibilities effectively which includes time to prepare for Board meetings and review information packs circulated to the Board ahead of each meeting. During 2018, the Board and its Committees held 27 meetings in the aggregate. Board and Board Committee meetings are conducted in accordance with the articles of association of the Company.

The Board information packs include monthly reports from senior management, with updates on the following key areas: financial performance; risk management; Internal Audit; legal, compliance and regulatory matters; banking and operations; fintech and digital; global markets and treasury; and corporate development and strategic initiatives. The reports shared with the Board are agreed and prepared by the Executive Committee, in consultation with the Chairman of the Board and Chairs of respective Committees. The Board also receives quarterly reports from external auditors. The Executive Committee also makes available ad hoc information at the Board's request and endeavours to do so in a timely manner to ensure the Board has sufficient time to review materials.

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

The tables on page 47 set out the attendance by Directors at Board and Committee meetings during 2018.

Corporate Governance Report

continued

Committees of the Board

The Board has delegated authority to its Committees to undertake various tasks on its behalf and to ensure compliance with regulatory requirements. This enables the Board to operate efficiently. The Board Committee terms of reference were drafted with the aim of promoting best practice in corporate governance. A summary of the terms of reference for each Committee is set out below. The full terms of reference are available on our website <http://atlasmara.com/about-us/corporate-governance/board-committees/>.

Committee	Role and terms of reference	Minimum meetings per year	Committee Report on pages
Nomination	Leads the process for Board appointments and ensures that the Board and its Committees have an appropriate balance of skills, experience, availability, independence and knowledge of the Company to enable them to discharge their responsibilities effectively.	At least twice per year, and more frequently as requirements dictate.	52–53
Audit, Risk and Compliance	Reviews and reports to the Board on the Group's financial reporting, internal controls and risk management systems, the Company's compliance with legal and regulatory requirements, internal audit and the independence and effectiveness of the external auditors.	At least four times a year in person at appropriate intervals in the financial reporting and audit cycle and otherwise as required.	54–56
Remuneration	Advises the Board on developing an overall remuneration policy that is aligned with the business strategy and objectives, risk appetite, values and long-term interests of the Company, recognising the interests of all stakeholders.	At least four times per year, and more frequently as requirements dictate.	76–85

Board and Committee meetings

The attendance of Directors at Board and Committee meetings during 2018 is set out below.

Board meeting attendance in 2018		
Robert E. Diamond, Jr.	●●●●●●●●●●●●●●●●	16 (16)
Rachel F. Robbins	●●●●●●●●●●●●●●●●	16 (16)
Funke Opeke ¹	●●●●●●●●●●●●○○○○	12 (16)
Amadou Raimi	●●●●●●●●●●●●○○○○	13 (16)
Eduardo C. Mondlane, Jr. ¹	●●●●●●●●●●●●●●●●	16 (16)
Michael Wilkerson	●●●●●●●●●●●●●●●●	15 (15)
Richie Boucher ¹	●●●●●●●●●●●●●●○	14 (15)
Hisham Ezz Al-Arab ¹	●●●●●●●●○○○○○○○○	9 (15)
Quinn McLean ²	●●●●●●●●●●●●●●●●	4 (5)
Simon Lee ²	●●●●●●●●●●●●○○○	7 (10)
Jawaid Mirza ³		n/a
In attendance ● Absent ○		

Note:

- Funke Opeke and Hisham Ezz Al-Arab stepped down from the Board effective 6 February 2019, and Richie Boucher and Eduardo Mondlane Jr. stepped down from the Board effective 10 May 2019.
- Quinn McLean stepped down from the Board, effective 24 April 2018 and Simon Lee joined the Board, effective 24 April 2018.
- Jawaid Mirza joined the Board effective 1 April 2019.

Audit, Risk and Compliance Committee meeting attendance in 2018 ¹		
Amadou Raimi	●●●●●○	5 (6)
Rachel F. Robbins	●●●●●●●●	6 (6)
Eduardo C. Mondlane, Jr. ¹	●●●●●●●●	6 (6)
Richie Boucher ¹	●●●●●●○	5 (6)
Hisham Ezz Al-Arab ¹	●●●○○○○	3 (6)
Jawaid Mirza ²		n/a
Simon Lee ²		n/a
In attendance ● Absent ○		

Note:

- Hisham Ezz Al-Arab stepped down from the Committee effective 6 February 2019, and Richie Boucher and Eduardo Mondlane Jr. stepped down from the Committee effective 10 May 2019.
- Jawaid Mirza joined the Committee effective 1 April 2019 and Simon Lee joined the Committee effective 10 May 2019.

Remuneration Committee meeting attendance in 2018		
Eduardo C. Mondlane, Jr. ¹	●●●●	4 (4)
Robert E. Diamond, Jr.	●●●●	4 (4)
Richie Boucher ¹	●●●●	4 (4)
Michael Wilkerson	●●●●	4 (4)
Rachel Robbins ²		n/a
In attendance ● Absent ○		

Note:

- Richie Boucher and Eduardo Mondlane Jr. stepped down from the Committee effective 10 May 2019.
- Rachel Robbins was appointed Chair of the Remuneration Committee to replace Richie Boucher, effective 10 May 2019.

Nomination Committee meeting attendance in 2018 ¹		
Funke Opeke ¹	●	1 (1)
Rachel F. Robbins	●	1 (1)
Michael Wilkerson	●	1 (1)
Quinn McLean ¹	●	1 (1)
Robert E. Diamond, Jr. ²	●	1 (1)
Simon Lee ³		0 (0)
In attendance ● Absent ○		

Note:

- Funke Opeke stepped down from the Committee effective 6 February 2019, and Quinn McLean stepped down from the Committee effective 24 April 2018.
- Bob Diamond was appointed Chair of the Nomination Committee, to replace Funke Opeke, effective 6 February 2019.
- Simon Lee was appointed to the Committee, effective 24 April 2018.

What the Board focused its time on in 2018

STRATEGY AND CORPORATE DEVELOPMENT

-
- Reviewed and discussed the strategic direction of the Company to ensure sustainability, growth and creation of long-term value for shareholders.
 - Considered and approved leadership and organisational changes aimed at repositioning the Company for growth.
 - Considered and approved strategic fundraising initiatives, including completion of a debt facility during 2018.
 - Reviewed the capital and funding structure of the Group's businesses and assessed strategic proposals for enhancing growth and financial performance.
 - Continued to oversee the Company's strategic investment in Union Bank of Nigeria, Plc. ('UBN'), and considered and approved an increase in the Company equity interest in UBN.
 - Monitored the successful completion of a partial Initial Public Offering of BancABC Botswana.

FINANCIAL AND OPERATIONAL PERFORMANCE OF RETAIL AND COMMERCIAL BANKING DIVISION

-
- Assessed and monitored the financial performance of the Company and its operating subsidiaries against the targets set for 2018.
 - Assessed and approved quarterly, half-year and full-year financial statements to be released to the market.
 - Received and reviewed regular updates on the operating environment and key drivers of the Company's performance.
 - Monitored implementation of IFRS 9 requirements.
 - Assessed management proposals for addressing key macroeconomic challenges impacting financial performance.
 - Assessed the liquidity and solvency of the Company.
 - Considered and approved capital injections into subsidiaries to capitalise subsidiaries to meet regulatory capital requirements where needed.
 - Considered and approved cost control and growth initiatives to drive financial performance of the Company.
 - Considered options for strengthening the IT platform.

RISK AND GOVERNANCE

-
- Provided oversight and advice on the Company's risk strategy and effectiveness of the overall risk management framework.
 - Reviewed and received monthly reports on risk management and key risk exposures.
 - Considered and discussed proposals to enhance internal controls and risk management systems.
 - Reviewed and monitored effectiveness of the Company's compliance policies and procedures.
 - Provided oversight over the implementation of the Company's compliance programme.
 - Monitored adherence to the Board Committee terms of reference.
 - Received and reviewed monthly updates from the General Counsel on legal, compliance and governance matters across the Group.
 - Discussed and reviewed potential candidates for appointment to the subsidiary Boards.
 - Discussed key regulatory engagement and interactions.

SHAREHOLDERS AND INVESTORS

-
- Engaged with shareholders directly to receive feedback on the Company's operations.
 - Engaged with shareholders in connection with fundraising initiatives, including the debt facility completed in 2018.
 - Discussed shareholders' views and concerns on a regular basis.
 - Discussed share price performance and investor feedback.
 - Engaged with shareholders at the 2018 AGM.

PEOPLE, CULTURE AND VALUES

-
- Approved and monitored organisational and leadership changes during 2018.
 - Focused on integration and culture during periods of transition.
 - Monitored ongoing implementation of the Company's People Agenda, aimed at embedding the Company's culture and values across the Group, and engaging and re-energising staff around a common vision and unified people proposition.
 - Considered and reviewed compensation structures of senior management to ensure alignment with values and long-term interests of the Company.
 - Monitored implementation of cost-rationalisation projects to ensure operational stability and effective engagement with staff impacted by leadership and organisational changes.
 - Provided oversight over the Company's human resource policies and received regular updates on staff recruitment and performance.
 - Monitored ongoing efforts to standardise human capital policies and procedures across the Group.

EFFECTIVENESS

Independence

As at 31 December 2018, the Board consisted of the Chairman and eight Non-Executive Directors, four of whom were considered to be independent in character and judgement and free from relationships or circumstances that may affect their independence, as defined under the Code. Following recent changes to the Board's composition, the Board currently consists of the Chairman and five Non-Executive Directors, two of whom are considered to be independent. The two Independent Non-Executive Directors on the Board are: Rachel F. Robbins and Amadou Raimi.

Starting from late 2016 and during 2018, Mr. Amadou Raimi's daughter undertook an internship at the London office of Atlas Merchant Capital ('AMC'), which is founded by Bob Diamond, Chairman of the Board. Following disclosure of the arrangement to the Board, the Board considered and determined that the internship is not material and did not affect the independence of Mr. Raimi, who continues to discharge his duties as Chairman of the Audit Committee with the requisite rigor, and challenges the Chairman and Executive Committee with independence of judgement.

Robert E. Diamond, Jr., Non-Executive Director on the Board, is a co-founder of the Company and an affiliate of AFS Partners LLC, one of the Founding Entities of the Company that holds Founder Preferred Shares issued by the Company at the time of its incorporation. Bob Diamond is not considered independent by virtue of his role in founding the Company.

Out of the six current Board members, two were appointed to the Board pursuant to the terms of the strategic financing transaction executed between the Company and Fairfax Africa in August 2017: Michael Wilkerson and Simon Lee. Under this strategic partnership, Fairfax Africa was granted certain rights to appoint Directors to the Company's Board, which were incorporated into the Articles of the Company and approved by the shareholders of the Company at an extraordinary general meeting held on 14 July 2017. These two Directors are not considered independent by virtue of their appointment to the Board by Fairfax Africa, which holds a substantial minority interest in the Company.

Following recent changes to the composition of the Board, less than half of the Board members, excluding the Chairman, are considered independent as defined by the 2016 Code. In light of ongoing strategic initiatives, the composition of the Board will remain as is, until such time the Board determines appropriate to initiate a search for additional independent Board members.

Board evaluation and effectiveness

During 2018, the Committee conducted a self-assessment that was externally-facilitated by Independent Audit Limited, using their online assessment service Thinking Board®. The Company does not have any other connection to Independent Audit Limited, other than its engagement of the firm for the purposes of facilitating the Board evaluation.

The Board evaluation process involved completing comprehensive self-assessment questionnaires which were developed in close consultation with the Company General Counsel, which covered the overall performance of the Board, the performance of each of the Committees, and the performance of the Chairman. The evaluation also assessed the Board's relationship with the Boards of subsidiary companies. The Board received a report providing feedback from the review, which highlighted areas of strength and areas needing further improvement. The Board also received a supplementary report analysing and comparing the results of the 2017 and 2018 Board evaluations. Below are some key themes from the 2018 evaluation, which the Board will continue to focus on in 2019:

- overseeing succession planning for the Board and senior management team;
- broadening the range of potential candidates in order to meet our diversity goals;
- ensuring the Board has the right mix of skills to provide sufficient oversight over IT infrastructure developments and cyber risks;
- fostering a more collaborative culture for resolving key issues; and
- continuing to focus on stress testing in order to enhance overall management of risk.

The Board will continue to assess its progress in addressing key issues raised during the 2018 evaluation and plans to conduct another effectiveness review during 2019.

The Board continues to receive regular and ongoing training and development to remain engaged and well-informed of its statutory duties and the material internal and external factors that impact the business. During 2018, the Board received presentations on a variety of topics including macroeconomic conditions in our markets of operation.

One new Director joined the Board in 2018. The new Director received an induction into the Board aimed at ensuring a good understanding of the business and the Director's duties and responsibilities. The Company's standardized induction program includes meetings with Directors and senior management, information packs and presentations covering key aspects of the Company's governance framework, operating model, personnel, policies and procedures, strategic priorities, business initiatives, and financial and operational performance.

Director election

The Code recommends that all Directors should be submitted for re-election by the shareholders at the first AGM after their appointment, and thereafter at intervals of no more than three years. At the Company's AGM held in August 2018, all Directors were subject to re-election by the shareholders and all were approved for re-election by the shareholders. Consistent with the Code, the Directors will be submitted for re-election at intervals of not more than three years.

Diversity

Atlas Mara remains committed to promoting diversity across the Group, however the Board acknowledges the need to improve gender balance across the Board and senior management team. The Company's policy on diversity is embedded in the Group's Human Capital Policy, which outlines key principles and guidelines for enhancing diversity and inclusivity at all levels within the organisation. Achieving balanced representation is important for encouraging meaningful dialogue and empowering staff, Management and Directors to work towards the Company's common strategic objectives. Further details on our values and culture, and commitment to diversity in the workplace, can be found on page 19.

ACCOUNTABILITY

Risk management

The Board recognises its responsibility with respect to risk management with a particular focus on determining the nature and extent of the Company's risk appetite for achieving its strategic objectives.

The Audit, Risk and Compliance Committee takes responsibility for overseeing the effectiveness of sound risk management and setting the framework. The Board is very clear that risks and uncertainties are a necessary facet of the businesses in which we operate. Within this context, the Board trusts and empowers the Company's management and employees to manage risks, providing a framework designed to provide reasonable assurance that our resources are safeguarded and that the risks and uncertainties facing the business are being properly assessed, managed and mitigated.

Internal controls

The Board gives primacy to its responsibility for establishing and maintaining the Group's system of internal controls. The Board receives regular reports from management identifying, evaluating and managing the risks within the business. The system of internal controls is designed to manage, as opposed to eliminate, the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material losses or misstatements. The Audit, Risk and Compliance Committee reviews the system of internal controls by way of reports from the Chief Risk Officer, the General Counsel, as well as internal and external auditors. In 2017, as part of the restructuring exercise undertaken by the Company, the Board relocated the role of the Head of Internal Audit from Dubai to the operations, to bring the function closer to the operating entities and ensure closer oversight. The Group Head of Internal Audit, Bruce Jonker, oversees the Internal Audit department across the Group.

During 2018, the Company's management continued efforts to strengthen internal controls and ensure a sound internal controls environment is established and adhered to by all the Company's subsidiaries. The Audit, Risk and Compliance Committee provided close monitoring and review of progress being undertaken by Management to improve internal controls. Management will continue to strive to ensure key issues are brought to the attention of the Committee and the Board.

The Board and the Audit, Risk and Compliance Committee has carried out a review of the effectiveness of the system of internal controls during the year ended 31 December 2018 and for the period up to the date of approval of the consolidated financial statements contained in the Annual Report. The review covered all material controls, including financial, operational and compliance controls, and risk management systems. The Board confirms that the actions it considers necessary have been, or are being, taken to remedy any significant weaknesses identified from its review of the system of internal control. This has involved considering the matters reported to it and developing plans and programmes that it considers are reasonable in the circumstances. The Board also confirms that it has not been advised of material weaknesses in the part of the internal control system that relates to financial reporting.

RELATIONS WITH SHAREHOLDERS

The Board emphasises the importance of communicating with its shareholders to ensure that its strategy, business model and performance are clearly understood and that it remains accountable to shareholders.

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

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

Investor activity during the last financial year included:

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

To further support engagement with our shareholders, we actively engaged with sell-side research analysts who provide their recommendations to the market. During 2018, one sell-side analyst maintained coverage on Atlas Mara.

Nomination Committee Report



Robert E. Diamond, Jr.
Chair of the Nomination Committee

Dear Shareholders

It is my pleasure to present the Directors' Nomination Committee report for 2018, even though I only became the new Chair of the Nomination Committee in February 2019 following Funke Opeke's departure from the Board to focus on her role as Chief Executive Officer of her Company. Funke was an invaluable Board member and Committee Chair and I thank her for her extraordinary service and leadership over the past four years.

Membership of the Nomination Committee

In 2018, and during the first quarter of 2019, there were a number of changes to the membership of the Nomination Committee, following wider changes to the composition of the Board. Funke Opeke, former Chair of the Nomination Committee, stepped down from her role on the Board and Committee, effective 6 February 2019. Quinn McLean stepped down from the Board and Committee, effective 24 April 2018. We thank both Funke and Quinn for their valuable contributions to the work of the Committee. During this period, we also welcomed two new Committee members: Simon Lee was appointed to the Committee, effective 24 April 2018 and Jawaid Mirza was appointed to the Committee, effective 25 April 2019. Today, the members of the Committee include myself as the new Chair of the Committee, Rachel F. Robbins, Michael Wilkerson, Simon Lee and Jawaid Mirza.

Role of the Nomination Committee

The Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any proposed changes. The Committee oversees the process for Board appointments and ensures that the Board and its Committees have an appropriate balance of skills, experience, availability, independence and knowledge of the Company to enable them to discharge their respective responsibilities effectively. The Committee also keeps under review succession planning for Directors and other senior executives of the Company. The full terms of reference of the Committee covering the authority delegated to it by the Board are available on the Company's website: <http://atlasmara.com/about-us/corporate-governance/constitutional-documents/>.

Nomination Committee meeting attendance in 2018¹

Robert E. Diamond, Jr.	●	1 (1)
Rachel F. Robbins	●	1 (1)
Michael Wilkerson	●	1 (1)
Simon Lee	●	1 (1)
Jawaid Mirza	○	0 (0)

In attendance ● Absent ○

Note:

1. Bob Diamond was appointed Chair of the Nomination Committee, to replace Funke Opeke who stepped down from the Board and Committee, effective 6 February 2019. Quinn McLean stepped down from the Board and Committee, effective 24 April 2018. Simon Lee was appointed to the Committee, effective 24 April 2018 and Jawaid Mirza was appointed to the Committee, effective 25 April 2019.

Principal activities during 2018

The Committee oversaw the directorate changes that occurred over the last year including the appointment process for Simon Lee, who joined the Board as a Non-Executive Director, effective 24 April 2018, and Jawaid Mirza, who joined the Board as a Non-Executive Director, effective 1 April 2019. The Committee also spent time reviewing the composition of the Board and Committees in order to make a recommendation to the Board on the assignment of Committee memberships for the new Board members taking into account their skills and background. With regards to the Board Chairmanship position, in February 2019, the Committee was pleased to recommend Michael Wilkerson's appointment as the new Executive Chairman of the Board, following my decision to transition from this role that I have held on an interim basis since December 2016, to return to my previous role as a Non-Executive Director.

During 2018, the Committee conducted a self-assessment that was externally-facilitated by Independent Audit Limited, using their online assessment service Thinking Board®. Key themes identified from the 2018 evaluation, which the Committee will continue to focus on in 2019, include overseeing succession planning for the Board and senior management team, broadening the range of potential candidates in order to meet our diversity goals, and ensuring the Board has the right mix of skills to provide sufficient oversight over IT infrastructure developments and cyber risks. Work has already begun on addressing many of these issues, including the creation of a new Operations and IT Committee and a search is underway to identify new Board members to meet our diversity goals.

Appointment of Directors during 2018

Simon Lee, who was appointed to the Board in April 2018, was appointed in accordance with the terms of the strategic partnership the Company entered into with Fairfax Africa in 2017, and pursuant to the governance arrangements incorporated into the amended Articles of the Company, which were approved by the shareholders at an extraordinary general meeting held in July 2017. Additional details on the rights granted to Fairfax Africa in appointing Directors to the Board, can be found on page 86. Jawaid Mirza, who was appointed to the Board in April 2019, was appointed in accordance with the standard appointment procedures for all other seats on the Board, which remain the same. In summary, when evaluating candidates for the Board, the Committee begins with a full evaluation of the current structure and composition of the Board and uses the results to prepare a job specification, describing the specific role and capabilities required for a particular appointment. The Committee targets individuals with expertise relevant to the Company's operations, including those with sub-Saharan African, financial services and/or public company experience. As part of the recruitment process, the individuals each meet with current members of the Board, and relevant members of the Executive Committee.

Diversity

The Committee acknowledges the need to improve gender balance and diversity across the Board and senior management team. Diversity and inclusion remain central to our individual and collective success and we will continue to seek opportunities to address gaps through future appointments.

I look forward to serving you in my new role as Committee Chair and to working with my fellow Committee members in overseeing the nomination process and ensuring the Board and subsidiary Boards across the group, possess the right balance of skills and expertise to effectively carry out their duties.

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

Robert E. Diamond, Jr.
Chair of the Nomination Committee

Audit, Risk and Compliance Committee Report



Amadou Raimi
Chairman of the Audit, Risk and Compliance Committee

Dear Shareholders

As Chairman of the Audit, Risk and Compliance Committee, it is my pleasure, to present our fourth report. I have continued to enjoy working with my fellow colleagues on the Committee and providing updates and insights to our stakeholders on our work, specifically during this transformational year for the Group.

Membership of the Audit, Risk and Compliance Committee

There were a number of changes to the membership of the committee during this year, with Hisham Ezz Al-Arab stepping down from the Committee effective 6 February 2019, and Richie Boucher and Eduardo Mondlane, Jr. stepping down from the Committee effective 10 May 2019. Jawaid Mirza joined the committee on 1 April 2019 and Simon Lee, joined on 10 May 2019. Rachel Robbins and myself continue to serve on the Committee.

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

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

The Committee met six times during 2018. I am pleased to confirm outstanding attendance and participation at all these meetings, fully utilising the extensive relevant experience available, to the benefit of the Atlas Mara Group. The Committee expects to keep the same momentum for the fiscal year 2019.

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

Attendance at the Audit, Risk and Compliance Committee meetings for 2018 is as shown in the table left. In addition to the above, regular productive meetings were held with the internal and external auditors during 2018, ensuring regular communication at all levels with these important stakeholders.

Role of the Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee provides oversight and review of financial reporting and financial statements, ensuring clarity and disclosure. By executing these duties and responsibilities in 2018, assurance is provided to stakeholders of the quality and effectiveness of reporting and controls relating to:

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

The Audit, Risk and Compliance Committee focused on the following matters:

Main activities of the Audit, Risk and Compliance Committee during 2018

Financial reporting matters

Clear, balanced and reliable disclosure

The Group is required to ensure that it meets all of its financial reporting obligations as a Standard Listed entity, including ensuring that its financial reporting is fair, balanced and compliant with all disclosure requirements set out under IFRS. During this year, the Committee performed the following activities in respect of this.

- Assessed, reviewed and/or approved the Company's consolidated results released every quarter.
- Through discussion with management, assessed whether the disclosures in the Annual Report and Interim Report were fair, balanced and compliant with IFRS.
- The committee specifically focused on the disclosure associated with the acquisition of the additional share acquired in UBN.

Audit, Risk and Compliance Committee meeting attendance in 2018¹

Amadou Raimi	● ● ● ● ● ○	5 (6)
Rachel F. Robbins	● ● ● ● ● ●	6 (6)
Eduardo C. Mondlane, Jr. ¹	● ● ● ● ● ●	6 (6)
Richie Boucher ¹	● ● ● ● ● ○	5 (6)
Hisham Ezz Al-Arab ¹	● ● ● ○ ○ ○	3 (6)
Jawaid Mirza ²		n/a
Simon Lee ²		n/a

In attendance ● Absent ○

Note:

1. Richie Boucher and Eduardo Mondlane, Jr. stepped down from the Committee, effective 10 May 2019.
2. Simon Lee was appointed to the Committee, effective 24 April 2018 and Jawaid Mirza was appointed to the Committee, effective 25 April 2019.

Based on the evaluation and assurances provided by management, the Committee concluded that the process of preparation of the financial statements were appropriate and effective in ensuring that the financial statements are clear, balanced and reliable.

Accounting estimates

The disclosure of Atlas Mara's strategy and financial performance in the Annual Report aims to provide a clear, balanced and reliable measure of the execution of the strategy and of day-to-day business. In order to provide clarity, the use of estimates and assumptions in preparing the consolidated Group financial statements in terms of IFRS is inevitable. The Audit, Risk and Compliance Committee provides oversight, ensuring the balanced nature and reliability of such assumptions. During the year, the Committee focussed on the following estimates specifically and performed the activities as set out below:

Credit impairments

- With the implementation of IFRS 9, the Committee reviewed the progress of the implementation and results on a quarterly basis.
- Reviewed, discussed and assessed the detailed credit risk report presented by the head of risk on a quarterly basis.
- Challenged management's assumptions applied with a focus on certain higher risk portfolios and countries where there has been a deterioration in the lending market or increase in non-performing loans.
- Challenged management's assumptions and appropriateness of impairments held against specific large exposures.

The Committee concluded that the impairment process is appropriate and that impairment levels of the Group are adequate.

Valuation of financial instruments

The Group applies judgement in valuation of financial assets and liabilities where no quoted market price exists or where there is no active market. The Committee performed the following activities in considering the appropriateness of the valuation.

- Reviewed and assessed the report presented by management and challenged management on the appropriateness of the assumptions and inputs applied in determining the calculations. Specific focus was on the valuation of those instruments where the value was driven by valuation of UBN, namely the Mezzanine debt and forward contract entered into for the acquisition of the additional shares in UBN.

Based on the review of the report and representations made by management, the Committee concluded that the valuations are appropriate.

Valuation of UBN

The Group exercises judgement in the valuation of UBN, specifically as it relates to the impairment testing of the goodwill associated with the West Africa CGU, the varying value of the Mezzanine debt and the gain recognised on the acquisition of the additional share in UBN. The Committee performed the following activities in considering the appropriateness of the valuation.

- Reviewed and debated the report presented by management.
- Challenged management's assumptions and inputs, especially those related to the exchange rate and risk adjusted discount rate.

The Committee concludes that the process, inputs and assumptions are adequate and that the valuation is appropriate.

Goodwill impairment assessment

Significant assumptions are made when determining the value in use of the cash generating units as part of the goodwill impairment test. In assessing the appropriateness of management's judgement, the Committee performed the following activities.

- Reviewed the financial forecasts.
- Challenged management's assumptions and inputs, especially those related to the exchange rate and risk adjusted discount rate.

The Committee concludes that the process, inputs and assumptions are adequate and that the valuation is appropriate.

Going concern

The Group is required to make judgements in providing the basis for concluding that the financial statements have been prepared on a going concern basis and that the Group and holding company will continue as a going concern for the period up to June 2019. In evaluating management's assessment the Committee performed the following activities.

- Reviewed and debated the management presentation setting out the key risks to the going concern of the Group.
- Reviewed and challenged the cash flow forecast presented by management for the holding company and Group.
- As part of the budgeting process for the Group, reviewed, debated as a Committee and challenged management on the Group's forecast performance for the period.
- Reviewed and challenged management on the assumptions made in respect of committed obligations and new funding initiatives.

Based on the results of this assessment and the representations made by management, the committee concluded that the assumptions and overall going concern assessment is both adequate and appropriate.

Other activities

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

Risk matters

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

Audit, Risk and Compliance Committee Report continued

Compliance matters

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

The Committee reviewed and agreed proposed changes to the Atlas Mara Group's risk appetite framework, adapting to changes in the markets we operate within given the prevailing macroeconomic environment. Equal focus was put on Values, Ethics and Governance as well as developing the right risk culture and attracting the right talent to the Group. Underpinning the strategy for Atlas Mara is a focus on the business operating model with changes having been proposed and effected to the operating model resulting from such reviews, together with the Board. The Committee also reviewed business proposals to accelerate the implementation and innovation of appropriate use of digital products as part of the business model to enhance the technology capability in servicing our clients. The conclusions of this strategy review were challenged and endorsed by the Committee and subsequently approved by the Board.

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

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

The Committee, as recommended by the Corporate Governance Code, will continue to focus on matters summarised below:

- the Company's accounting and financial reporting processes;
- the integrity and audits of the Company's financial statements and announcements;
- review of the risks faced by the Company and the continued effectiveness of existing controls;
- review of the internal controls, internal audit and financial crime control measures in place;
- the Company's compliance with legal and regulatory requirements; and
- the qualifications, performance and independence of the Company's independent auditors.

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

Significant risk matters

The Committee identified the following as the principal risks as outlined in the principal risk section of the Strategic Report. The Committee has fulfilled its responsibility in respect of these risks by performing the following:

- review the detailed risk assessment report and findings from subsidiary risk committees;
- evaluated the potential impact on the organisation; and
- evaluated management's view of the potential impact, including potential exposures.

Assessment of the External Auditor

The Committee is responsible for monitoring the performance, objectivity and independence of the external auditor, KPMG Inc. During 2018, the main activities of the Committee in discharging that responsibility, were as follows:

- assessed and agreed the scope of KPMG's Group Audit Plan including, but not limited to, the key audit risk areas, materiality and significant judgement areas;
- agreement of the terms of the audit engagement letter and approved, on behalf of the Board, the audit fees payable;
- met with the KPMG audit partner to discuss the KPMG findings and assessment of management's judgements
- assessed the competence with which KPMG handled the key accounting and audit judgements and how they were communicated to management and the Committee;
- reviewed and debated the re appointment of KPMG SA as the external auditors following negative publicity about the firm in South Africa;
- assessed the independence of the external auditor, including a review of the non-audit services provided; and
- assessed any other potential threats to the independence of the auditor.

The results of the assessment confirmed that KPMG and the audit process are effective and that a good working relationship was accompanied by an appropriate level of professional challenge and scepticism.

Following all the above, and in particular the process of evaluation, the Committee recommended to the Board and to shareholders that KPMG should be reappointed as the Group's auditors at the AGM in 2019.

Non-audit services

The current Atlas Mara non-audit services policy has regard for the most significant rules and regulation that governs/seeks to govern the independence of the external auditor(s). These include:

- The Corporate Governance Code.
- The EU Audit Reform Regulation.

Under the policy certain services as set out by the guidance are strictly prohibited. As a general guideline the Group's authorised spend on non-audit services provided by the Group's external auditors in any one financial year should not exceed 35% for permitted non-audit services. The actual spend is reviewed on an ongoing basis by the Committee. Certain other assurance services require approval from the Committee and all non-audit services in excess of \$300,000 require pre-approval from the Committee

It has been a busy year for the Audit, Risk and Compliance Committee and I would like to use this opportunity to thank all the members of the Committee and the other individuals who accepted the invitation of the Committee for their contributions in 2018. We look forward to another productive year in 2019.

Amadou Raimi
Chairman of the Audit, Risk and Compliance Committee

Risk Report

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

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

Group risk management objectives

The Board recognises that it is ultimately responsible and accountable to shareholders for:

- the process of risk management and the systems of internal control;
- identifying, evaluating and managing the significant risks faced by the Group;
- ensuring that effective internal control systems are in place to mitigate significant risks faced;
- ensuring that a documented and tested process is in place to allow the Group to continue its critical business in the event of a severe incident impacting its activities; and
- reviewing the efficacy of the internal control system.

The Group risk management function, as mandated by the Board of Directors is to:

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

The Group's approach to risk management

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

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

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

The Group risk management framework defines the risk management Principles and Standards followed by the Group. These Principles and Standards ensure that risks are consistently managed throughout the Group through a set of internal controls. The Principles and Standards also ensure that risk awareness filters down through every level of the Group, and that every employee understands their responsibility in managing risk. At each operating subsidiary entity, the following sub-committees, comprising executives and senior management, are responsible for dealing with the risks facing the Group in a structured manner:

- Credit Committee ('CREDCO') – responsible for credit risk;
- Assets and Liability Committee ('ALCO') – responsible for interest rate, market, liquidity, counterparty, currency and capital adequacy risk; and
- Operational Risk Committee ('ORCO') – responsible for technology, compliance, legal, human resources, reputational, operational and regulatory risk.

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

The three lines of defence are:

- Business operations;
- Risk and control functions; and
- Internal audit.

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

Role of Atlas Mara Group Risk Management

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

It also updates the Group risk management framework on a regular basis to reflect new policies adopted by the Board of Directors. Group Risk Management regularly reports to the Atlas Mara Executive Committee and the Atlas Mara Audit, Risk and Compliance Committee, to provide the Board with assurance that risks are being appropriately identified, managed and controlled. Group Risk Management is headed by an executive manager who reports to the CEO.

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

Risk Report continued

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

Credit

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

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

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

Credit risk management and strategy

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

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

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

Atlas Mara Group credit risk management objectives are to:

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

Approach to credit risk

Credit life cycle

The credit life cycle consists of target market identification and quantification, principles of credit evaluation and decisioning, post-sanctioning fulfilment, credit administration, portfolio monitoring, early warning triggers, problem recognition and remedial management. The business, risk and senior management are integrated into the end-to-end credit life cycle. Atlas Mara Group uses a Risk Grading tool for corporate exposures to determine a minimum credit rating for acceptance for credit granting purposes.

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

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

Measuring credit risk

The Group's approach to measuring credit risk aims to align with international best practice and is, in all substantial aspects, aligned with the standard approach and methodology employed by international financial institutions.

In line with IFRS 9, the Group has adopted the Expected Credit Loss approach effective 1 January 2018. Credit risk is broken down into the common risk components of Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD'), modelled at a client, facility and portfolio level. These risk components are used in the calculation of a number of aggregate risk measures such as Expected Loss ('EL'). The models used by the Group are compliant with Basel II and regulatory requirements. These risk measures would be used as inputs to calculate the collective impairment amounts.

Component	Definition
Probability of default ('PD')	The probability that a counterparty will default, over the next 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating the impact of forward-looking economic assumptions that have an effect on credit risk, such as interest rates, unemployment rates and GDP forecasts. The PD estimates will fluctuate in line with the economic cycle. The lifetime (or term structure) PDs are based on statistical models, calibrated using historical data and adjusted to incorporate forward-looking economic assumptions.
Loss given default ('LGD')	The loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cash flows due and those that the bank expects to receive. The Group estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.
Exposure at default ('EAD')	The expected statement of financial position exposure at the time of default, taking into account the expected change in exposure over the lifetime of the exposure. This incorporates the impact of drawdowns of committed facilities, repayments of principal and interest, amortisation and prepayments, together with the impact of forward-looking economic assumptions where relevant.

To determine the expected credit loss ('ECL'), these components are multiplied together (PD for the reference period (up to 12 months or lifetime) x LGD at the beginning of the period x EAD at the beginning of the period) and discounted to the balance sheet date using the effective interest rate as the discount rate.

Expected loss and capital requirements*

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

Forbearance and restructuring*

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

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

Credit transformation programme*

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

The Group successfully launched a credit transformation programme ('CTP') covering the portfolios in five countries.

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

Risk limit control and mitigation policies*

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

a. Collateral*

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

The Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are:

- cash collateral;
- charges over assets financed;
- mortgages over residential and commercial properties;
- charges over business assets such as premises, inventory and accounts receivable; and
- charges over financial instruments such as debt securities and equities.

Atlas Mara's loan book classification criteria

Category	Descriptions	ECL recognised
Stage 1 – performing loans	Financial instruments that have had no significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For example: a newly originated loan on which repayments are being received and there are no other indicators of a significant increase in credit risk.	12-month expected credit losses Losses expected on defaults which may occur within the next 12 months.
Stage 2 – underperforming loans	Financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For example: a loan on which payment is 30 days overdue.	Lifetime expected credit losses Losses expected on defaults which may occur at any point in a loan's lifetime. Losses are adjusted for probability weighted macro-economic scenarios.
Stage 3 – non-performing loans	Market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee on actual EBITDA for the period ended 31 December 2018. The estimate is adjusted for the effect of the non-marketability of the equity securities.	Lifetime expected credit losses Losses expected on defaults which may occur at any point in a loan's lifetime. Losses are adjusted for probability weighted macro-economic scenarios. Interest income is calculated on the carrying amount of the loan net of credit allowance.

Note:

* Audited.

Risk Report

continued

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

b. Master netting arrangements*

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

c. Credit-related commitments*

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

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

d. Derivatives*

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

Impairment policies*

The impairments shown in the statement of financial position at year-end are measure in line with the expected credit loss model prescribed by IFRS 9. IFRS 9 outlines a 'three stage' model for impairment based on changes in credit quality since initial recognition as summarised in the accounting policy detailed in note vi. Please refer to Figure 1 which shows the percentage of the Group's on- and off-balance sheet items relating to loans and advances and the associated impairment for each of the Group's internal rating categories.

Figure 1: Credit quality*

Category	2018			2017	
	Stage 1	Stage 2	Stage 3	Loans and advances	Impairments
Performing	85.3%	–	–	83%	14%
Special mention	–	3.3%	–	2%	0%
Sub-standard	–	–	3.5%	3%	1%
Doubtful	–	–	1.4%	2%	1%
Lost	–	–	6.5%	11%	84%

Note:

* Audited.

Maximum exposure to credit risk as at 31 December 2018*

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	75,358	–	–	–	–	–	75,358
Loans and advances (gross)	1,267,559	9,645	–	485,634	72,180	567,459	700,100
Derivate financial instruments	5,602	–	–	–	–	–	5,602
Cross-currency interest rate swaps	5,400	–	–	–	–	–	5,400
Forward foreign exchange contracts	202	–	–	–	–	–	202
Equity derivative	–	–	–	–	–	–	–
Financial assets designated at fair value through profit or loss	24,909	–	–	–	–	–	24,909
Listed equities	1,711	–	–	–	–	–	1,711
Unlisted equities	22,463	–	–	–	–	–	22,463
Unlisted debentures	114	–	–	–	–	–	114
Property units	621	–	–	–	–	–	621
Investment securities – FVOCI	101,114	–	–	–	18,104	18,104	83,010
Government bonds	68,655	–	–	–	5,157	5,157	63,498
Corporate bonds	18,467	–	–	–	–	–	18,467
Listed equities	291	–	–	–	–	–	291
Unlisted equities	872	–	–	–	435	435	437
Unlisted investments	12,829	–	–	–	12,512	12,512	317
Investment securities – Amortised cost	270,100	–	–	–	–	–	270,100
Treasury bills	183,933	–	–	–	–	–	183,933
Government bonds	86,167	–	–	–	–	–	86,167
	1,744,642	9,645	–	485,634	90,284	585,563	1,159,079
Credit exposures relating to off-balance sheet items are as follows:	133,312	8,251	6,781	5,640	699	21,371	111,941
Guarantees	33,434	2,990	6,781	4,030	699	14,500	18,934
Letters of credit	80,772	5,261	–	1,610	–	6,871	73,901
Forward contracts and currency swaps	7,146	–	–	–	–	–	7,146
Other contingent liabilities	11,960	–	–	–	–	–	11,960
	1,877,954	17,896	6,781	491,274	90,983	606,934	1,271,020

Notes:

1. Vehicles, machinery, other fixed assets, inventory and trade receivables.
2. Represents cash balances held with other banks. Included in \$382 million cash per statement of financial position.
3. These collateral items are not readily convertible into cash as these items are sold in the market and are dependent on a buyer and seller.

* Audited.

Risk Report

continued

Maximum exposure to credit risk as at 31 December 2017*

Type of collateral or credit enhancement	Maximum exposure to credit risk \$'000	Fair value of collateral and credit enhancements held				Net collateral \$'000	Net exposure \$'000
		Cash \$'000	Letters of credit/ guarantees \$'000	Property ³ \$'000	Other ^{1,3} \$'000		
Placement with other banks²	63,707	–	–	–	–	–	63,707
Loans and advances	1,387,850	63,680	78,562	1,373,725	212,212	1,728,179	(340,329)
Derivate financial instruments	6,990	–	–	–	–	–	6,990
Currency swaps	6,492	–	–	–	–	–	6,492
Forward foreign exchange contracts	10	–	–	–	–	–	10
Equity derivative	488	–	–	–	–	–	488
Financial assets held for trading	76,786	–	–	–	–	–	76,786
Government bonds	14,137	–	–	–	–	–	14,137
Treasury bills	62,649	–	–	–	–	–	62,649
Financial assets designated at fair value through profit or loss	19,151	–	–	–	–	–	19,151
Listed equities	1,547	–	–	–	–	–	1,547
Unlisted equities	17,306	–	–	–	–	–	17,306
Unlisted debentures	268	–	–	–	–	–	268
Property units	30	–	–	–	–	–	30
Investment securities – available-for-sale	294,287	–	–	–	23,738	23,738	270,549
Government bonds	211,925	–	–	–	5,040	5,040	206,885
Corporate bonds	61,960	–	–	–	–	–	61,960
Unlisted equities	1,375	–	–	–	–	–	1,375
Unlisted investments	19,027	–	–	–	18,698	18,698	329
Investment securities – held-to-maturity	60,701	–	–	–	–	–	60,701
Treasury bills	50,355	–	–	–	–	–	50,355
Corporate bonds	3,308	–	–	–	–	–	3,308
Government bonds	7,038	–	–	–	–	–	7,038
	1,909,472	63,680	78,562	1,373,725	235,950	1,751,917	157,555
Credit exposures relating to off-balance sheet items are as follows:	140,932	1,839	897	14,314	274	17,324	123,608
Guarantees	29,944	1,839	897	11,697	274	14,707	15,237
Letters of credit	44,295	–	–	2,617	–	2,617	41,678
Forward contracts and currency swaps	2,241	–	–	–	–	–	2,241
Other commitments	64,452	–	–	–	–	–	64,452
	2,050,404	65,519	79,459	1,388,039	236,224	1,769,241	281,163

Notes:

- Vehicles, machinery, other fixed assets, inventory and trade receivables.
 - Represents cash balances held with other banks. Included in \$457 million cash per statement of financial position.
 - These collateral items are not readily convertible into cash as these items are sold in the market and are dependent on a buyer and seller.
- * Audited.

Repossessed collateral

During 2018, the Group obtained assets by taking possession of collateral held as security, as follows:

	2018 \$'000	2017 \$'000
Property and equipment	5,621	9,051
Motor vehicles	313	341
Other assets	230	–
	6,164	9,392

Credit quality analysis

Loans and advances

The table below sets out information about credit quality of loans and advances. Unless otherwise specifically indicated the amounts in the table represent gross carrying amounts:

Category	31 December 2018			Total \$'000
	Subjected to 12-month ECL (Stage 1) \$'000	Not credit impaired assets (Stage 2) \$'000	Credit impaired assets – excluding purchased or originated (Stage 3) \$'000	
Performing	1,080,990	–	–	1,080,990
Special mention	–	41,498	–	41,498
Sub-standard	–	–	44,061	44,061
Doubtful	–	–	17,315	17,315
Lost	–	–	83,695	83,695
	1,080,990	41,498	145,071	1,267,559

Risk Report

continued

Concentration risk of financial assets with credit risk exposure*

a. Geographical sectors

The following table breaks down the Group's main credit exposures at their carrying amounts, as categorised by geographical region as of 31 December 2018. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties:

31 December 2018	Botswana \$'000	Mozambique \$'000	Tanzania \$'000	Zambia \$'000	Zimbabwe \$'000	Rwanda \$'000	Other \$'000	Total \$'000
Placements with other banks	28,440	14,098	8,678	21,853	22	2,265	2	75,358
Financial assets designated at fair value	–	–	22,320	–	2,589	–	–	24,909
Derivative financial assets	216	10	–	–	–	–	5,376	5,602
Loans and advances (net)	541,420	65,890	62,541	193,045	86,577	193,099	11,541	1,154,113
Investment securities	112,628	26,736	18,459	78,163	78,205	55,651	–	369,842
	682,704	106,734	111,998	293,061	167,393	251,015	16,919	1,629,824
Guarantees	10,190	4,823	430	2,360	8,168	7,337	–	33,308
Letters of credit	36,227	–	80	44,114	–	–	–	80,421
Letters of credit	7,146	–	–	–	–	–	–	7,146
Other commitments	6,066	–	–	–	5,324	–	507	11,897
	59,629	4,823	510	46,474	13,492	7,337	507	132,772

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

Note:

* Audited.

b. Industry sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by industry sectors as of 31 December 2017 of the counterparties:

31 December 2018	Agriculture \$'000	Construction \$'000	Corporate, retail and trade \$'000	Public sector \$'000	Manufacturing \$'000	Mining and energy \$'000	Financial services \$'000	Transport \$'000	Individuals \$'000	Tourism	Other	Total
Placements with other banks	-	-	-	-	-	-	75,358	-	-	-	-	75,358
Financial assets designated at fair value	54	3	2,341	-	21	20,628	1,215	-	-	15	632	24,909
Derivative financial assets	-	-	-	-	-	-	5,602	-	-	-	-	5,602
Loans and advances (net)	39,741	72,092	125,350	68,411	32,943	25,242	42,281	19,343	566,866	16,933	144,911	1,154,113
Investment securities	-	-	-	186,489	-	-	183,271	-	-	-	82	369,842
	39,795	72,095	127,691	254,900	32,964	45,870	307,727	19,343	566,866	16,948	145,625	1,629,824
Guarantees	697	3,795	12,415	2,920	324	3,605	17	386	-	-	9,149	33,308
Letters of credit	-	124	1,393	76,515	80	1,497	-	568	-	-	244	80,421
Forward contracts	-	-	7,146	-	-	-	-	-	-	-	-	7,146
Other commitments	-	-	4,251	-	-	-	-	-	2,425	-	5,221	11,897
	40,492	76,014	152,911	333,102	33,368	50,972	307,744	20,297	569,291	16,948	160,240	1,761,376

31 December 2017	Agriculture \$'000	Construction \$'000	Corporate, retail and trade \$'000	Public sector \$'000	Manufacturing \$'000	Mining and energy \$'000	Financial services \$'000	Transport \$'000	Individuals \$'000	Tourism	Other	Total
Placements with other banks	-	-	-	-	-	-	63,707	-	-	-	-	63,707
Financial assets held for trading	-	-	-	-	-	-	76,786	-	-	-	-	76,786
Financial assets designated at fair value	23	-	1,982	-	212	15,266	(3,874)	-	-	-	5,542	19,151
Derivative financial assets	-	-	-	-	-	-	6,990	-	-	-	-	6,990
Loans and advances (net)	36,137	73,016	135,653	94,409	53,307	40,030	46,615	67,665	692,089	9,647	81,394	1,329,962
Investment securities	-	-	-	185,059	-	-	169,929	-	-	-	-	354,988
	36,160	73,016	137,635	279,468	53,519	55,296	360,153	67,665	692,089	9,647	86,936	1,851,584
Financial guarantees	-	4,665	3,248	540	2,261	850	14,709	801	11	-	2,859	29,944
Letters of credit for customers	-	-	42,405	-	1,309	91	-	489	-	-	-	44,294
Other commitments	-	-	2,241	-	-	-	-	-	-	-	-	2,241
	21,127	2,492	14,539	1,911	5,224	3,307	-	11,226	3,613	-	1,013	64,452

Note:

* Audited.

Risk Report

continued

Selected 2017 credit disclosures

Below are certain IAS 39 related disclosures for 2017, included for comparative purposes:

Credit quality by class of financial assets*

	Neither past due nor impaired	Past due but not impaired			Individually impaired	31 December 2016
		Performing	30 days	31–60 days		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
31 December 2017						
Cash and cash equivalents	457,018	–	–	–	–	457,018
Derivative financial assets	6,990	–	–	–	–	6,990
Financial assets held for trading	76,786	–	–	–	–	76,786
Financial assets designated at fair value through profit/loss	19,151	–	–	–	–	19,151
Loans and advances to customers						
Mortgage lending	129,880	9,990	5,618	5,441	13,953	164,882
Instalment finance	9,507	295	365	77	3,387	13,631
Corporate lending	373,638	9,914	10,180	8,616	53,045	455,393
Commercial and property finance	89,365	4,728	3,066	7,480	33,297	137,936
Consumer lending	548,057	6,200	17,525	1,840	42,386	616,008
Gross loans and advances	1,150,447	31,127	36,754	23,454	146,068	1,387,850
Less: Impairments	(8,161)	(115)	(461)	(320)	(48,831)	(57,888)
Net loans and advances	1,142,286	31,012	36,293	23,134	97,237	1,329,962
Investment securities – available-for-sale	294,287	–	–	–	–	294,287
Government bonds	211,925	–	–	–	–	211,925
Unlisted equities	1,375	–	–	–	–	1,375
Unlisted investments	19,027	–	–	–	–	19,027
Corporate bonds	61,960	–	–	–	–	61,960
Investment securities – held to maturity	60,701	–	–	–	–	60,701
Treasury bills	50,355	–	–	–	–	50,355
Corporate bonds	3,308	–	–	–	–	3,308
Government bonds	7,038	–	–	–	–	7,038
Total	2,057,219	31,012	36,293	23,134	97,237	2,244,895

Credit quality

Loans and advances individually impaired:

	31 December 2017		
	Individually impaired \$'000	Fair value of collateral \$'000	Under collateralisation ¹ \$'000
Mortgage lending	13,952	10,111	3,841
Instalment finance	3,387	986	2,401
Corporate lending	53,046	68,428	(15,382)
Commercial and property finance	33,297	27,379	5,918
Consumer lending	42,387	582	41,805
	146,069	107,486	38,583

Notes:

1. The under collateralisation amount if fully impaired.

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

Loans and advances renegotiated

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

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

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

Risk Report

continued

Total loan impairments by loan class and type

a. Impairment by loan class

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

b. Impairment analysis

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

c. Credit quality supplement

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

Liquidity risk*

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

Capital and liquidity risk management*

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

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

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

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

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

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

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

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

Stress testing

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

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

Impacts are assessed along with potential mitigating actions that may be taken. Analysis from such stress scenarios is compiled for and reviewed through our weekly Liquidity Risk Management Committee, ALCO, Executive Management Committee and the Board's Audit, Risk and Compliance 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.

Note:

* Audited

Risk Report

continued

Analysis of liquidity risk*

Non-derivative financial liabilities' cash flow*

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

31 December 2018	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Greater than 1 year \$'000	Total \$'000	Effect of discount/ financing rates \$'000	Total \$'000
Deposits	1,005,442	304,850	242,912	83,119	1,636,323	(4,527)	1,631,796
Borrowed funds	54,446	5,779	35,688	338,798	434,711	(24,554)	410,157
Total liabilities (contractual)	1,059,888	310,629	278,600	421,917	2,071,034	(29,081)	2,041,953

31 December 2017	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Greater than 1 year \$'000	Total \$'000	Effect of discount/ financing rates \$'000	Total \$'000
Deposits	1,219,556	350,995	294,936	11,235	1,876,722	755	1,877,477
Creditors and accruals	45,422	6,182	18,737	2,140	72,481	–	72,481
Borrowed funds	68,784	4,470	35,612	250,510	359,376	(13,223)	346,153
Total liabilities (contractual)	1,333,762	361,647	349,285	263,885	2,308,579	(12,468)	2,296,111

Note:

* Audited.

Non-derivative financial assets' cash flow*

31 December 2018	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Greater than 1 year \$'000	Total \$'000	Effect of discount/ financing rates \$'000	Total \$'000
Cash and short-term funds	374,413	4,513	3,009	–	381,935	53	381,988
Financial assets designated at fair value	–	72	2,517	22,320	24,909	–	24,909
Loans and advances (net)	239,891	120,841	263,679	931,684	1,556,095	(401,982)	1,154,113
Investment securities	45,315	82,145	97,463	147,179	372,102	(2,260)	369,842
Total financial assets (contractual)	659,619	207,571	366,668	1,101,183	2,335,041	(404,189)	1,930,852

31 December 2017	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Greater than 1 year \$'000	Total \$'000	Effect of discount/ financing rates \$'000	Total \$'000
Cash and short-term funds	451,980	1,503	3,503	–	456,986	32	457,018
Financial assets held for trading	39,864	–	25,204	14,101	79,169	(2,383)	76,786
Financial assets designated at fair value	5,512	80	1,840	11,719	19,151	–	19,151
Loans and advances (net)	261,741	141,979	322,402	1,012,403	1,738,525	(408,563)	1,329,962
Investment securities	26,432	33,917	148,858	154,840	364,047	(9,059)	354,988
Total financial assets (contractual)	785,529	177,479	501,807	1,193,063	2,657,878	(419,973)	2,237,905

Note:

* Audited.

Operational risk management

Managing operational risk requires timely and reliable as well as a strong control culture. We seek to manage our operational risk through:

- active participation of all business units in identifying and mitigating key operational risks across the Group;
- the training and development of the bank's employees;
- independent control and support functions that monitor operational risk periodically; and
- a network of systems and tools throughout the bank to facilitate the collection of data used to analyse and assess our operational risk exposure.

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

Analysis of market risk*

Sensitivity analysis of market price

The Group holds, directly or through its associates, listed equities with a fair value of \$2 million and unlisted equities of \$22.5 million. The Group is therefore exposed to gains or losses related to the variability in the market prices of the equities held.

Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowed funds of \$410 million and financial assets held at fair value through other comprehensive income of \$101 million and derivative financial instruments of \$0.9 million (net liability). The exposure to equity price risk is described below.

Equity price risk

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

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

Foreign currency risk

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

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Group Risk sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table on page 72 summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2018:

Risk Report

continued

Foreign exchange risk*

31 December 2018	Total											Total \$'000
	USD \$'000	EUR \$'000	BWP \$'000	ZAR \$'000	ZMK \$'000	TZS \$'000	MZN \$'000	JPY \$'000	NGN \$'000	RWF \$'000	Other \$'000	
Cash and short-term funds	196,560	11,903	77,819	7,240	9,714	5,518	39,656	6	5	30,091	3,476	381,988
Financial assets designated at fair value	23,196	-	-	-	-	1,713	-	-	-	-	-	24,909
Derivative financial assets	2,398	-	2,979	215	-	-	10	-	-	-	-	5,602
Loans and advances	190,519	1,873	540,237	-	137,824	37,257	57,194	-	-	189,209	-	1,154,113
Investment securities	110,688	57	112,628	-	45,823	18,459	26,537	-	-	55,650	-	369,842
Total assets	523,361	13,833	733,663	7,455	193,361	62,947	123,397	6	5	274,950	3,476	1,936,454
Shareholders' equity and liabilities												
Equity	707,812	-	-	-	-	(18,874)	-	-	-	-	-	688,938
Deposits	361,292	11,791	628,381	5,288	240,718	49,950	112,207	10	-	220,821	1,339	1,631,797
Derivative financial liabilities	(11,936)	25	10,932	-	7,515	-	-	-	-	-	-	6,536
Borrowed funds	382,179	-	21,888	-	368	2,863	2,164	-	-	695	-	410,157
Total equity and liabilities	1,439,347	11,816	661,201	5,288	248,601	33,940	114,371	10	-	221,516	1,339	2,737,428

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

Shareholders' equity and liabilities

Equity	778,156	-	291	(78)	(1,700)	(11,287)	(4,777)	-	-	52,619	-	813,224
Deposits	602,027	18,228	573,385	8,464	273,966	78,325	88,935	10	-	227,939	6,198	1,877,477
Derivative financial liabilities	5,632	-	(7,708)	-	8,815	-	2	-	-	-	-	6,741
Borrowed funds	301,957	-	35,318	-	-	641	7,511	-	-	726	-	346,153
Total equity and liabilities	1,687,772	18,228	601,286	8,386	281,081	67,679	91,671	10	-	281,284	6,198	3,043,595

Note:

* Audited.

Sensitivity analysis*

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

Currency	31 December 2018		31 December 2017	
	Effect on equity \$'000	Effect on profit or loss \$'000	Effect on equity \$'000	Effect on profit or loss \$'000
EUR	20	20	29	29
BWP	732	732	962	962
ZAR	22	22	4	4
ZMK	(558)	(558)	(61)	(61)
All other currencies	22	22	(34)	(34)
TZS	102	102	105	105
MZN	91	91	252	252
JPY	-	-	-	-
NGN	-	-	-	-
RWF	540	540	564	564
	971	971	1,821	1,821

Interest rate risk*

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

Note:

* Audited.

Risk Report

continued

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.

31 December 2018	Total					Total \$'000
	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Non-interest bearing \$'000	
Cash and short-term funds	192,120	4,548	3,023	–	182,297	381,988
Financial assets designated at fair value	–	–	–	–	24,909	24,909
Derivative financial assets	227	2,421	–	5,632	(2,678)	5,602
Loans and advances	639,629	26,003	70,654	417,827	–	1,154,113
Investment securities	43,057	82,418	97,190	146,307	870	369,842
Total assets	875,033	115,390	170,867	569,766	205,398	1,936,454
Shareholders' equity and liabilities						
Equity	–	209	1,994	8,050	678,685	688,938
Deposits	819,268	269,592	465,827	77,110	–	1,631,797
Derivative financial liabilities	71	–	–	12,959	(6,494)	6,536
Borrowed funds	96,733	72,255	16,250	201,570	23,349	410,157
Total equity and liabilities	916,072	342,056	484,071	299,689	695,540	2,737,428

31 December 2017	Total					Total \$'000
	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Non-interest bearing \$'000	
Cash and short-term funds	221,790	3,775	3,514	–	227,939	457,018
Financial assets held for trading	15,240	22,241	25,204	14,101	–	76,786
Financial assets designated at fair value	–	–	–	–	19,151	19,151
Derivative financial assets	26,810	–	–	(25,452)	5,632	6,990
Loans and advances	744,357	28,402	65,044	488,244	3,915	1,329,962
Investment securities	20,847	37,754	143,492	151,190	1,705	354,988
Total assets	1,029,044	92,172	237,254	628,083	258,342	2,244,895

Shareholders' equity and liabilities						
Equity	–	–	–	18,724	794,500	813,224
Deposits	722,961	193,235	276,774	264,961	419,546	1,877,477
Derivative financial liabilities	(13,825)	–	2	14,932	5,632	6,741
Borrowed funds	61,818	4,460	34,047	245,828	–	346,153
Total equity and liabilities	770,954	197,695	310,823	544,445	1,219,678	3,043,595

Interest rate sensitivity*

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

	31 December 2018				31 December 2017			
	Increase of 50bp		Decrease of 50bp		Increase of 50bp		Decrease of 50bp	
	Pre-tax \$'000	Post-tax \$'000	Pre-tax \$'000	Post-tax \$'000	Pre-tax \$'000	Post-tax \$'000	Pre-tax \$'000	Post-tax \$'000
BancABC Botswana								
Change in net interest income	(599)	(467)	599	467	(1,743)	(1,360)	1,743	1,360
As a percentage of total shareholders' equity	(0.55%)	(0.43%)	0.55%	0.43%	(1.37%)	(1.07%)	1.37%	1.07%
BancABC Mozambique								
Change in net interest income	221	150	(221)	(150)	291	198	(291)	(198)
As a percentage of total shareholders' equity	0.53%	0.36%	(0.53%)	(0.36%)	0.63%	0.43%	(0.63%)	(0.43%)
BancABC Tanzania								
Change in net interest income	82	58	(82)	(58)	237	166	(237)	(166)
As a percentage of total shareholders' equity	0.37%	0.26%	(0.37%)	(0.26%)	0.84%	0.59%	(0.84%)	(0.59%)
BancABC Zambia								
Change in net interest income	261	169	(261)	(169)	652	424	(652)	(424)
As a percentage of total shareholders' equity	0.36%	0.23%	(0.36%)	(0.23%)	0.76%	0.49%	(0.76%)	(0.49%)
BancABC Zimbabwe								
Change in net interest income	351	261	(351)	(261)	915	679	(915)	(679)
As a percentage of total shareholders' equity	0.89%	0.66%	(0.89%)	(0.66%)	0.95%	0.71%	(0.95%)	(0.71%)
Rwanda								
Change in net interest income	549	385	(549)	(385)	817	572	(817)	(572)
As a percentage of total shareholders' equity	1.15%	0.81%	(1.15%)	(0.81%)	1.55%	1.09%	(1.55%)	(1.09%)

Market risk management

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

Compliance risk management

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

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

Legal risk management

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

Group Internal Audit

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

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

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

Directors' Remuneration Report



Rachel Robbins
Chair of the Remuneration Committee

Dear Shareholders

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2018. On 10 May 2019, I assumed the role as Chair of the Committee.

Membership of the Remuneration Committee

In 2018, there were no changes to the composition of the Committee. The members of the Committee included Richie Boucher, as Chair of the Committee, Bob Diamond, Eduardo Mondlane, Jr., and Michael Wilkerson. Today, the members of the Committee include myself as the new Chair of the Committee, Michael Wilkerson and Bob Diamond.

Role of the Remuneration Committee

The Committee has oversight over the remuneration policy of the Company to ensure its alignment with the Company's business strategy and objectives, risk appetite, values, and the long-term interests of the Company and its shareholders. In consultation with the Chairman of the Board, the Committee makes recommendations to the Board relating to the remuneration packages of Executive Directors and other senior executives, and oversees the Company's human resource policies. The Committee also reviews the design of, and targets for, any performance-related pay schemes, and all share incentive plans operated by the Company.

In making compensation decisions, the Committee reviews proposals from management and quantitative market data. While the Company utilises compensation consulting firms to obtain market data, the Committee relies on its own knowledge and business judgement to review and challenge management proposals and make compensation decisions. The full terms of reference of the Committee covering the authority delegated to it by the Board are available on the Company's website at: www.atlasmara.com.

Principal activities during 2018

During 2018, the Committee oversaw several leadership changes and remained focused on reviewing implementation of the Company's recruitment and remuneration policies across the Group. Throughout the year, the Committee closely monitored key human resource matters impacting the Group's operations, and received regular updates from the Company's Head of Human Capital, Jonathan Muthige. In particular, the Committee focused on monitoring the level and structure of remuneration for senior management, taking into account the values and long-term interests of the Company. The Committee also focused on overseeing efforts to embed the Company's culture and values during management transitions. Other key matters considered by the Committee included implementation of performance management programmes and the Company's long-term incentive plan. Additional details on the matters considered by the Committee in 2018 are provided on page 85.

Remuneration Committee meeting attendance in 2018

Robert E. Diamond, Jr.	● ● ● ●	4 (4)
Michael Wilkerson	● ● ● ●	4 (4)
Richie Boucher ¹	● ● ● ●	4 (4)
Eduardo Mondlane, Jr. ¹	● ● ● ●	4 (4)
Rachel Robbins ²		n/a

In attendance ● Absent ○

Note:

- Richie Boucher and Eduardo Mondlane, Jr. stepped down from the Committee, effective 10 May 2019.
- Rachel Robbins was appointed Chair of the Remuneration Committee, to replace Richie Boucher, effective 10 May 2019.

During 2018, the Committee conducted a self-assessment that was externally-facilitated by Independent Audit Limited, using their online assessment service Thinking Board®. Through this process, we identified areas that are working well and those that require more focused attention. The Committee will continue to focus in 2019 on overseeing talent management and reviewing our reward strategy and incentive policies to ensure they remain in line with the Company's strategic objectives.

The Directors' Remuneration Report

While Atlas Mara, as a BVI-incorporated company and with its standard listing on the LSE, is not subject to disclosure requirements related to Directors' remuneration, the Board has chosen to report the key elements of the Directors' Remuneration Policy and how they were applied during 2018. The Board has also chosen to disclose aggregate remuneration data for members of the Executive Committee, including any options and share awards granted to members of the Executive Committee during 2018. This information can be found on page 82.

The Directors' Remuneration Report is divided into two sections:

1. The Directors' Remuneration Policy on pages 78–81 contains details of the Remuneration Policy, the Recruitment Policy and Policy on Payment for Loss of Office.
2. The Directors' Annual Report on Remuneration on pages 82–85 sets out the details on the implementation of the Remuneration Policy during 2018.

For the remainder of the year 2019, the Committee will continue to oversee implementation of the Company's remuneration arrangements to ensure they remain calibrated to the interests of our shareholders.

Members of the Committee and Board will be available at our AGM to take any questions you may have and receive your feedback and views with regard to our policy on executive remuneration and the activities of the Committee more generally.

Rachel Robbins

Chair of the Remuneration Committee

REMUNERATION POLICY

This part of the report sets out the remuneration policy for our Directors and Senior Management (the 'Remuneration Policy'). Since adoption of the Remuneration Policy in May 2015, the Committee has continued to closely monitor its implementation to ensure that it attracts, retains and motivates high-performing executive talent required to deliver the business strategy. In setting and reviewing the Remuneration Policy, the Committee gives due regard to sustainability and the long-term interests of the Company.

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

Executive Management

The tables below set out key elements of the Remuneration Policy for both fixed and variable remuneration with respect to executive management of the Company.

Fixed remuneration

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Salary	<p>To provide fixed remuneration which is balanced, taking into account the complexity of the role and the skills and experience of the individual.</p> <p>To attract and retain talent by being market competitive and rewarding ongoing contribution.</p>	<p>The Committee takes into account a number of factors when setting salaries, including:</p> <ul style="list-style-type: none"> – scope and complexity of the role; – the skills and experience of the individual; – salary levels for similar roles within the international industry; – salary levels of comparable executives in the Company; and – the overall remuneration offered to the relevant individual. 	<p>Salary increases are influenced by performance, comparability and affordability factors.</p>	<p>A performance management programme was adopted in 2015, which includes assessing performance against objective and measurable key performance indicators.</p>
Living allowance	<p>To offset the higher cost of living in the beneficiary's work location country compared to the cost of living in his/her home country.</p> <p>To provide a supplement to salary to ensure an overall package matching the role, skills and experience of the beneficiary and to maintain a competitive total remuneration package for retention of key talent.</p>	<p>The level of living allowance is based on factors such as local cost of living, family size and seniority.</p> <p>The cash supplement is not included in calculating bonus and long-term incentive quantum.</p>	<p>While there is no maximum opportunity, the highest living allowance is currently approximately 110% of base salary.</p> <p>The Committee keeps the level of living allowance under review.</p>	<p>Not applicable</p>
Benefits	<p>The beneficiary participates in benefits programmes to provide an overall broadly market competitive package matching the role, skills and experience of the beneficiary.</p>	<p>To date, for certain individuals, the Company has provided healthcare coverage, a term life policy and an accident policy.</p>	<p>There is no maximum opportunity although the competitiveness and affordability of the benefits package is kept under review.</p>	<p>Not applicable</p>

Variable remuneration

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus	To drive and reward the achievement of annual financial, operational and individual objectives which are key to the delivery of the Company's short-term strategy.	<p>Awards are based on objectives set by the Committee over a combination of financial, operational and individual goals measured over one financial year.</p> <p>Objectives are set annually to ensure that they remain targeted and focused on the delivery of the Company's goals.</p> <p>The Committee sets targets which require appropriate levels of performance, taking into account internal and external expectations of performance.</p> <p>As soon as practicable after the year-end, the Committee meets to review performance against objectives and determines pay-out levels.</p> <p>As previously announced, in 2015, the Remuneration Committee adopted a bonus deferral programme, which came into effect on 1 January 2016. Under the bonus deferral programme, the bonus structure of members of the Executive Committee was amended from a 100% cash to a 50% cash and 50% equity structure. The 50% equity takes the form of three-year time-vesting restricted shares of the Company.</p> <p>Given the entirely discretionary nature of the bonus, the Committee believes that it is in the best position to evaluate all aspects of executive performance and reward, taking into account any prevailing factors which it considers appropriate and suitable, including longer-term financial sustainability.</p> <p>Should an executive be dismissed for gross misconduct, no bonus is payable.</p>	<p>Annual bonuses are granted at the discretion of the Committee.</p> <p>The target range for bonus is currently 0% to 200% of a specified target and is based on affordability and achievement of mutually agreed performance goals. The Company keeps the bonus metrics under review.</p> <p>The Committee retains the discretion to award bonuses greater than 200% of target.</p>	<p>A performance management programme includes assessing performance against objective and measurable key performance indicators.</p> <p>For 2018, senior executives were assessed on performance measures set for 2018.</p>
Share grant	<p>Incentivise and reward the creation of long-term shareholder value.</p> <p>Align the interests of the beneficiaries and senior management with those of shareholders.</p>	<p>Executive Directors and Senior Management are considered for share grants annually.</p> <p>The Committee has the flexibility to grant share options, restricted shares and/or performance shares, for motivating and rewarding senior executives, and aligning shareholder and executive interests.</p>	No maximum opportunity	<p>Pursuant to the current approach, if employment terminates for any reason, the unvested portion of any option and share grant will be forfeited, save in the event of death, disability or the Company giving notice of termination or the Company determining the terminated employee a Good Leaver. The Company reserves the right to cancel, rescind, withhold, claw back or otherwise limit or restrict the share grant if the beneficiary is not in compliance with all applicable provisions of their employment contract, or breaches any agreement with the Company including agreements governing non-competition, non-solicitation or confidentiality.</p>

Directors' Remuneration Report

continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Share options	<p>Incentivise and reward the creation of long-term shareholder value.</p> <p>Align the interests of the Executive Director with those of shareholders.</p>	<p>The exercise of share options are subject to the provisions of the Model Code contained in Chapter 9 of the UK Listing Rules which the Company has voluntarily adopted.</p> <p>In 2018, the former CEO, John Staley, was awarded 1,800,000 share options, 1,000,000 of which vest on the 18-month anniversary of the date of grant and 800,000 of which vest on the fifth anniversary of the date of grant. These options were subsequently forfeited when the CEO stepped down from the Company, as announced on 30 April 2019. Details of the share option award are provided on page 84.</p>	<p>The Global Share Plan has been structured to comply with the provisions of the Investment Management Association ('IMA') Principles of Remuneration regarding dilution.</p> <p>Subject to the above, these are granted considering:</p> <ul style="list-style-type: none"> – market practice for comparative roles; – the beneficiary's total compensation; – time commitment and duties involved; – the requirement to attract and retain the quality and experience of individuals required to drive our strategy; and – the ability to align interests with that of shareholders. 	None

Non-Executive Directors

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

The table below sets out key elements of the Remuneration Policy applicable to Non-Executive Directors.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Non-Executive Director fees	To provide an appropriate award to attract and retain high-calibre individuals with the relevant skills, knowledge and experience.	<p>The fees for the Non-Executive Directors are normally reviewed annually but not necessarily increased.</p> <p>The remuneration of Non-Executive Directors is dealt with by the Chairman and approved by the Board.</p> <p>The Chairman of the Board and the Non-Executive Directors received 50% of their 2018 remuneration in cash and 50% in the form of ordinary shares in the Company.</p> <p>The Company retains flexibility to pay additional fees where the Non-Executive Director agrees to serve on one or more Committees, or enters into collateral arrangements to undertake any special task or consultancy role. Remuneration in 2018 for Non-Executive Directors included sitting fees for Board and Board Committee meeting attendance.</p>	<p>While there is no maximum fee level, fees are set considering:</p> <ul style="list-style-type: none"> – market practice for comparative roles; – time commitment and duties involved; and – the requirement to attract and retain the quality of individuals required. 	None
Share options	<p>To incentivise and reward the creation of long-term shareholder value.</p> <p>To align the interests of the Non-Executive Directors with those of shareholders.</p>	<p>In 2018, there were no share options awarded to the Non-Executive Directors.</p> <p>In 2017, the former Executive Chairman of the Board, Bob Diamond, received share options as part of a Management Incentive Plan that was put in place during 2017, pursuant to the terms of the Strategic Transaction entered into between the Company and Fairfax Africa. Details of the share option award are provided on page 84.</p>	<p>Non-Executive Directors are ordinarily not considered for the grant of share options although the Company retains the discretion to do so if it deems it appropriate in the circumstances.</p> <p>Factors taken into account would include:</p> <ul style="list-style-type: none"> – market practice for comparative roles; – time commitment and duties involved; – the requirement to attract and retain the quality and experience of individuals required; and – the ability to align interests with that of shareholders. 	None

Recruitment policy

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

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

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

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

It is expected that the quantum and structure of the variable pay elements would reflect those set out in the policy table on page 79. However, the Committee recognises that as a financial services company, it is competing for its talent with global firms. Consequently, the Committee considers it necessary that the recruitment policy has sufficient flexibility in order to attract the calibre of individual that the Company requires to grow a successful business. The Committee therefore reserves the right to exercise its discretion in awarding annual bonuses in excess of the 200% of target parameters and/or to set different performance metrics. Such awards would be an exception made for outstanding performance, contribution or similar circumstances and would only be used if the Committee believes such action is necessary to recruit and motivate an exceptional candidate from the global market.

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

During 2018, there were no changes made to the compensation packages for the Non-Executive Directors. Details on the remuneration of each Director during 2018 are provided on page 82.

Service contracts

In 2018, there were no service contracts entered into with Executive Directors.

Non-Executive Director letters of appointment

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

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

The Non-Directors' letters of appointment are kept available for inspection at the Company's registered office.

Policy on payment for loss of office

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

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

The Company would not consider that Non-Executive Directors are eligible for payments for loss of office.

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

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

In determining executive pay, the Committee reviews market data provided by compensation consulting firms. The Committee has previously received market data from Deloitte, Willis Towers Watson, Ernst & Young and McLagan Partners. While this information provides background and context for decision-making, the Committee retains discretion on benchmarking executive pay to match any particular market level.

Consideration of shareholders

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

Directors' Remuneration Report

continued

ANNUAL REPORT ON REMUNERATION

Single total figure of remuneration for each Director in 2018

	Annual salary and fees ¹	Taxable benefits	Annual incentives	Long-term incentive awards	Pension	Other items in nature of remuneration ²	Total ¹
Non-Executive Directors							
Robert E. Diamond, Jr.	\$400,000	n/a	n/a	4,000,000 ³	n/a	n/a	\$400,000
Rachel F. Robbins	\$110,000	n/a	n/a	n/a	n/a	n/a	\$110,000
Amadou Raimi	\$125,000	n/a	n/a	n/a	n/a	n/a	\$125,000
Eduardo C. Mondlane, Jr. ⁶	\$110,000	n/a	n/a	n/a	n/a	n/a	\$110,000
Michael Wilkerson	\$110,000	n/a	n/a	n/a	n/a	n/a	\$110,000
Richie Boucher ⁶	\$110,000	n/a	n/a	n/a	n/a	n/a	\$110,000
Simon Lee ⁴	\$110,000	n/a	n/a	n/a	n/a	n/a	\$110,000
Quinn McLean ⁴	\$110,000	n/a	n/a	n/a	n/a	n/a	\$110,000
Hisham Ezz Al-Arab ⁵	\$110,000	n/a	n/a	n/a	n/a	n/a	\$110,000
Funke Opeke ⁵	\$110,000	n/a	n/a	n/a	n/a	n/a	\$110,000
Jawaid Mirza ⁵	\$110,000	n/a	n/a	n/a	n/a	n/a	\$110,000

Notes:

- For 2018, and for 2019, 50% of Non-Executive Directors' salary and fees were, and shall be, paid in ordinary shares of the Company.
- The Company reimburses all expenses reasonably incurred by the Non-Executive Directors including travel, accommodation and telephone calls, in undertaking their duties as Directors, subject to appropriate evidence of expenditure.
- This figure represents the total number of share options awarded to Robert E. Diamond, Jr. in 2017, pursuant to the terms of the Strategic Transaction entered into between the Company and Fairfax Africa in 2017.
- Quinn McLean stepped down from the Board, effective 24 April 2018 and Simon Lee joined the Board, effective 24 April 2018. Mr. Lee and Mr. McLean's remuneration in 2018 was prorated to take into account the duration of their tenure in 2018.
- Funke Opeke and Hisham Ezz Al-Arab stepped down from the Board, effective 6 February 2019, and Jawaid Mirza joined the Board, effective 1 April 2019.
- Richie Boucher and Eduardo Mondlane, Jr. stepped down from the Board, effective 10 May 2019.

Total pension entitlements

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

Scheme interests awarded

There were no scheme interests awarded to Non-Executive Directors during 2018. The table below sets out the scheme interest awarded to the former CEO, John Staley, which was subsequently forfeited when the CEO stepped down from the Company, effective 30 April 2019.

Name	Type of interest awarded	Date of award	Number of shares	Performance conditions	Exercise price	Vesting
John Staley	Share options	31 May 2018	1,800,000 ordinary shares ¹	None	\$2.36 per share	1,000,000 options exercisable on the 18-month anniversary of the date of grant; and 800,000 options exercisable on the five-year anniversary of the date of grant, provided that the Executive remains employed by the Company on such date.

Note:

- The former CEO, John Staley, joined the Company, effective 1 May 2018, and was awarded 1,800,000 share options, which were subsequently forfeited when the CEO stepped down from the Company, effective 30 April 2019.

Equity interests awarded

The table below set out the equity interests awarded to Non-Executive Directors from 2015 through to 2018.

Name	Type of interest awarded ¹	Number of shares awarded in 2015	Number of shares awarded in 2016	Number of shares awarded in 2017	Number of shares awarded in 2018	Performance conditions
Robert. E. Diamond, Jr.	Share awards	n/a	n/a	21,322 ordinary shares	89,264 ordinary shares	The shares were issued as part of the Director's remuneration
Rachel F. Robbins	Share awards	7,203 ordinary shares	21,809 ordinary shares ²	22,814 ordinary shares	24,548 ordinary shares	The shares were issued as part of the Director's remuneration
Amadou Raimi	Share awards	8,185 ordinary shares	22,648 ordinary shares	25,925 ordinary shares	27,895 ordinary shares	The shares were issued as part of the Director's remuneration
Eduardo C. Mondlane, Jr. ⁶	Share awards	7,203 ordinary shares	19,931 ordinary shares	22,814 ordinary shares	24,548 ordinary shares	The shares were issued as part of the Director's remuneration
Michael Wilkerson	Share awards	n/a	n/a	5,864 ordinary shares	24,548 ordinary shares	The shares were issued as part of the Director's remuneration
Richie Boucher ⁶	Share awards	n/a	n/a	5,864 ordinary shares	24,548 ordinary shares	The shares were issued as part of the Director's remuneration
Simon Lee ³	Share awards	n/a	n/a	n/a	18,170 ordinary shares	The shares were issued as part of the Director's remuneration
Quinn McLean ³	Share awards	n/a	n/a	5,864 ordinary shares	6,378 ordinary shares	The shares were issued as part of the Director's remuneration
Funke Opeke ⁴	Share awards	7,203 ordinary shares	19,931 ordinary shares	22,814 ordinary shares	24,548 ordinary shares	The shares were issued as part of the Director's remuneration
Hisham Ezz Al-Arab ⁴	Share awards	n/a	n/a	5,864 ordinary shares	24,548 ordinary shares	The shares were issued as part of the Director's remuneration
Jawaid Mirza ⁵	Share awards	n/a	n/a	n/a	n/a	

Notes:

- All ordinary shares issued to Non-Executive Directors from 2015 through to 2018 were awarded as part of their annual remuneration. Non-Executive Directors receive 50% of their annual fee in the form of ordinary shares in the Company, and 50% in the form of cash.
- This figure includes 1,878 ordinary shares in the Company received by Rachel F. Robbins in June 2016, in lieu of 50,000 cancelled share options. In 2016, the Board approved the cancellation of share options previously granted to three Non-Executive Directors in 2013, at the time of the Company's admission to the London Stock Exchange.
- Quinn McLean stepped down from the Board, effective 24 April 2018 and Simon Lee joined the Board, effective 24 April 2018. Mr. Lee and Mr. McLean's remuneration in 2018 was prorated to take into account the duration of their tenure in 2018.
- Funke Opeke and Hisham Ezz Al-Arab stepped down from the Board, effective 6 February 2019.
- Jawaid Mirza joined the Board, effective 1 April 2019 and will be issued shares as part of his remuneration commencing in 2019.
- Richie Boucher and Eduardo Mondlane, Jr. stepped down from the Board, effective 10 May 2019.

Directors' Remuneration Report

continued

Stock options

As at 31 December 2018, the only stock options held by a Director, were those held by the former Executive Chairman, Robert E. Diamond, Jr. as set out in the table below. Mr. Diamond was awarded 4,000,000 stock options as part of a Management Incentive Plan that was put in place pursuant to the terms of the strategic financing transaction executed between the Company and Fairfax Africa, which closed on 31 August 2017.

Name	Type of interest awarded	Date of award	Number of shares	Performance conditions	Exercise price	Vesting
Robert E. Diamond, Jr.	Share options	3 October 2017	4,000,000 ordinary shares	None	\$2.36 per share	4,000,000 share options shall vest on the fifth anniversary of the date of grant.

Payments to past Directors

In 2018, payments were made to former Non-Executive Directors, Quinn McLean, who stepped down from the Board, effective 24 April 2018, Hisham Ezz Al-Arab and Funke Opeke, who stepped down from the Board, effective 6 February 2019, and Richie Boucher and Eduardo Mondlane, Jr., who stepped down from the Board, effective 10 May 2019. These payments were made to the former Non-Executive Directors as part of their standard remuneration for the duration of their tenure through to their respective dates of resignation.

Payments for loss of office

In 2018, there were no payments made to Directors for loss of office. As a policy, the Company does not make such payments.

Statement of Directors' shareholding and share interests

The table below sets out the share interests awarded by the Company to the Board of Directors as part of their remuneration, from the respective date of appointment of each Director through to 31 December 2018.

Name	Robert E. Diamond, Jr.	Rachel F. Robbins	Amadou Raimi	Eduardo C Mondlane, Jr. ⁶	Michael Wilkerson	Richie Boucher ⁶	Simon Lee ³	Quinn McLean ³	Hisham Ezz Al-Arab ⁴	Funke Opeke ⁴	Jawaid Mirza ⁵
Share options with performance conditions	–	–	–	–	–	–	–	–	–	–	–
Share options without performance conditions	4,000,000	–	–	–	–	–	–	–	–	–	–
Share awards with performance conditions	–	–	–	–	–	–	–	–	–	–	–
Share awards without performance conditions ¹	110,586	86,522	84,653	74,496	30,412	30,412	18,170	12,242	30,412	74,496	n/a
Scheme interests in shares											
Vested but unexercised share options	–	–	–	–	–	–	–	–	–	–	–
Total interest in shares²	4,110,586	86,522	84,653	74,496	30,412	30,412	18,170	12,242	30,412	74,496	n/a
Share options exercised during the year	–	–	–	–	–	–	–	–	–	–	–

Notes:

- All share interests awarded without performance conditions, were awarded as part of the Directors' annual remuneration.
- This figure does not include any shares in the Company beneficially owned by the Directors that were not granted by the Company for remuneration purposes. The Directors' total beneficial shareholdings in the Company are disclosed on page 67.
- Quinn McLean stepped down from the Board, effective 24 April 2018 and Simon Lee joined the Board, effective 24 April 2018. Mr. Lee and Mr. McLean's remuneration in 2018 was prorated to take into account the duration of their tenure in 2018.
- Funke Opeke and Hisham Ezz Al-Arab stepped down from the Board, effective 6 February 2019.
- Jawaid Mirza joined the Board, effective 1 April 2019 and will be issued shares as part of his remuneration commencing in 2019.
- Richie Boucher and Eduardo Mondlane, Jr. stepped down from the Board, effective 10 May 2019.

Performance-related remuneration for Executive Directors

Performance-related remuneration for Executive Directors consists of two components:

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

Additional remuneration disclosures

The composition mix for the Executive Committee changed during 2018 following a number of leadership changes.¹ As at 31 December 2018, Atlas Mara's Executive Committee consisted of John Staley (former CEO); Beatrice Hamza Bassey (Group General Counsel); Kenroy Dowers (Group CFO and MD Strategy and Corporate Development); Mike Christelis (Group MD Treasury and Markets); and Jonathan Muthige (Head of Human Capital).

For the aforementioned members of the Executive Committee, total Base Salaries as at 31 December 2018 were \$3,672,730, and aggregate bonuses awarded to these Executive Committee members in respect of the 2017 financial year were \$1,520,000. There were no restricted shares granted to members of the Executive Committee during 2018. With respect to share option awards, in May 2018, the former CEO, John Staley was awarded 1,800,000 share options which were subsequently forfeited when the CEO stepped down from the Company, as announced on 30 April 2019.

Note:

1. As at 31 December 2018, the Executive Committee consisted of the following members: John Staley, Beatrice Hamza Bassey, Kenroy Dowers, Mike Christelis, and Jonathan Muthige. The composition of the Executive Committee subsequently changed in 2019 following a number of leadership changes, including the stepping down of former CEO, John Staley, effective 30 April 2019 and the appointment of Muhammad Omar Khan as the new CFO, effective 1 April 2019. As at 13 August 2019, the Executive Committee consists of: Beatrice Hamza Bassey (Group General Counsel), Muhammad Omar Khan (CFO), Sanjeev Anand (Group MD Retail and Commercial Banking), Kenroy Dowers (Group MD Strategic Investments), Jonathan Muthige (Head of Human Capital), and Michael Wilkerson as Chairman of the Executive Committee.

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

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

Main activities of the Remuneration Committee in 2018

The Remuneration Committee met several times in 2018 to consider and make recommendations to the Board on matters concerning human capital and the Company's remuneration policy. In particular, the work of the Remuneration Committee focused on the following matters:

- review of the Company's culture and values to ensure alignment with strategic objectives of the Company;
- oversight over recruitment and approval of compensation arrangements for key new senior management hires at the Group;
- oversight over key Human Capital projects implemented in 2018, including efforts to improve and standardise Human Capital processes across the Group;
- implementation of the Company's performance management programme for senior management, which includes objective and measurable key performance indicators for members of the Executive Committee;
- oversight over implementation of the Company's incentive plan for management and other key members of staff;
- discussion and approval of promotions, salary adjustments, retention awards and subsidiary variable pay pools;
- discussion of options for equity plan alternatives and long-term incentive plan options for the Company;
- discussion of key matters in human resources as reported regularly by the Head of Human Capital, including updates on staff headcount, recruitment development, and disciplinary action;
- monitoring of progress on human resources-related cost reduction programmes;
- discussion of key human resources-related litigation matters; and
- review and approval of compensation packages, including pay ranges, bonuses and salary increases, for members of the Executive Committee and other staff.

Statement of voting at general meeting

At the AGM held on 31 May 2018, there were no remuneration matters put up for voting by the shareholders nor were there any concerns raised in relation to the remuneration report or policy.

Members of the Committee and Board will be available at our AGM to take any questions you may have and receive your feedback and views with regard to our policy on executive remuneration and the activities of the Committee more generally.

Signed on behalf of the Board

Rachel Robbins
Chair of the Remuneration Committee

Directors' Report

Corporate governance and management report

DTR 7.2 requires that certain information be included in a corporate governance statement. The Corporate Governance Report is included in the Company's 2018 Annual Report, which will be published with the Notice of AGM, at least 20 working days prior to the AGM of the Company.

For the purposes of compliance with DTR 4.1, the required content of the 'Management Report' can be found on pages 2–23 and in this Directors' Report.

Results

The consolidated statement of profit or loss shows a reported profit of \$39.7m.

Dividends

The Directors do not propose paying a dividend in respect of the year ended 31 December 2018.

Branches

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

Financial risk management objectives and policies

Details on financial risk management are set out in the Risk Report on pages 57–75, and are incorporated into this Report by reference.

Statement of Directors' responsibilities

The statement of Directors' responsibilities is on page 89, and is incorporated into this Report by reference.

Change of control

The Company is party to the following contracts that are subject to change of control provisions in the event of a takeover bid. In connection with the placement of senior secured convertible notes due 2020 and the placement of secured bonds due 2021 (the 'Bonds'), the Company is party to contracts that give Bondholders the right to require redemption of their Bonds upon a change of control. In addition, a change of control triggers a downward adjustment to the conversion applicable to the Convertible Bonds due 2020, for a limited period of time following the change of control. The Company is also party to facility agreements that give the Lenders the right to declare all amounts outstanding under the loans immediately due and payable upon a change of control. There are no agreements between the Company and its Directors or employees providing compensation for loss of office or employment that occurs because of a takeover bid. However, if options are granted to senior executive officers, the vesting of issued options is accelerated in the case of a change of control.

Significant contracts

Details of related party transactions are set out on pages 147–148 and are incorporated into this Report by reference.

Going concern

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

Directors

The names of the current members of the Board of Directors of the Company, as at 30 April 2018, are listed in the table below. Particulars of their emoluments and interests in shares in the Company are provided on pages 81–83 and these pages are incorporated into this Report by reference. The composition of the Board and dates of appointment are shown in the table below:

Director ¹	Date of appointment				
	3 Dec 2013	21 Jan 2015	3 Oct 2017	24 Apr 2018	1 Apr 2019
Robert E. Diamond, Jr.	●				
Rachel F. Robbins	●				
Amadou Raimi		●			
Michael Wilkerson			●		
Simon Lee				●	
Jawaid Mirza					●

Notes:

1. Funke Opeke, Hisham Ezz Al-Arab, Richie Boucher and Eduardo Mondlane, Jr., were Directors during the full year 2018 but stepped down from the Board during the first half of 2019. Funke Opeke and Hisham Ezz Al-Arab stepped down from the Board, effective 6 February 2019 and Richie Boucher and Eduardo Mondlane, Jr. stepped down from the Board, effective 10 May 2019. Quinn McLean stepped down from the Board, effective 24 April 2018.
2. Simon Lee joined the Board, effective 24 April 2018 and Jawaid Mirza joined the Board, effective 1 April 2019.

Directors' indemnities

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

Rights to appoint and remove Directors

On 31 August 2017, the Company entered a strategic financing transaction with Fairfax Africa, which resulted in Fairfax Africa acquiring a 42.4% ownership stake in the Company (the 'Strategic Financing'). On 22 December 2017 Fairfax Africa acquired additional ordinary shares of Atlas Mara, increasing its ownership stake to 43.3%. Pursuant to the terms of the Strategic Financing, Fairfax Africa was granted certain rights to appoint and remove directors to the Company's Board, which were incorporated into the Articles of the Company and approved by the shareholders of the Company at an extraordinary general meeting held on 14 July 2017. The amended Articles of the Company are available for inspection at the Company's registered office.

Pursuant to the Strategic Financing agreement, Fairfax Africa has the right to nominate four persons as Directors of the Company (the 'Investor Directors'), and the Directors shall appoint such persons to the Board, subject to the BVI Companies Act and the Articles. In the event Fairfax Africa notifies the Company to remove an Investor Director from the Board, the Directors shall remove such Investor Director, and Fairfax Africa shall have the right to nominate an Investor Director to fill such vacancy. For so long as Fairfax Africa has the right to appoint four Directors to the Board, the Directors retain the right, acting by majority, to nominate five persons as Directors of the Company (the 'Non-Investor Directors').

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

Powers of the Directors

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

Substantial shareholders

As at 13 August 2019, the Company has been notified of the following significant holdings (being 5% or more of the voting rights in the Company) in the Company's ordinary share capital.

Shareholder	Number of ordinary shares ¹	% fully diluted interest ¹	Transaction date ¹
Fairfax Africa Holdings Investments Limited	71,958,670	43.30	31/08/2017 & 20/12/2017
Wellington Management Company, LLP	6,952,805	9.91	19/01/2017
UBS Asset Management: O'Connor	10,080,551	5.9	12/07/2018

Note:

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

Share capital

General

As at 31 December 2018, the Company had in issue 174,618,767 ordinary shares of no par value and 1,250,000 Founder Preferred Shares of no par value. As at 30 April 2019 (the latest practicable date prior to the publication of this document) the Company had a total number of 174,618,767 ordinary shares in issue, of which 1,665,764 are held in treasury and 3,298,298 are held in escrow as part of the contingent consideration for the acquisition of Finance Bank Zambia Limited.

Founder Preferred Shares

Details of the Founder Preferred Shares can be found in note 1.1 on page 113 and are incorporated into this Report by reference.

Directors' and senior managers' interest in shares

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

Directors and Executive Committee	Number of ordinary shares held	% ownership
Robert E. Diamond, Jr.	3,696,021	2.18%
Rachel F. Robbins	86,522	0.05%
Amadou Raimi	84,653	0.05%
Michael Wilkerson	30,412	0.02%
Simon Lee	18,170	0/01%
Jawaid Mirza ²	0	n/a
Aggregate holdings of Executive Committee ³	593,852	0.35%

Note:

- Funke Opeke and Hisham Ezz Al-Arab stepped down from the Board, effective 6 February 2019 and Richie Boucher and Eduardo Mondlane, Jr. stepped down from the Board, effective 10 May 2019. Quinn McLean stepped down from the Board, effective 24 April 2018.
- Simon Lee joined the Board, effective 24 April 2018 and Jawaid Mirza joined the Board, effective 1 April 2019.
- As at 13 August 2019, the Executive Committee is comprised of Beatrice Hamza Basse, Kenroy Dowers, Sanjeev Anand, Muhammad Omar Khan, and Jonathan Muthige.

Securities carrying special rights

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

Voting rights

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

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

Restrictions on voting

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

Directors' Report

continued

Transfer of shares

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

Independent auditor and audit information

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

Annual General Meeting

The AGM of the Company will be held on a date to be announced in due course in New York City at 375 Park Avenue (21st floor), New York, NY, 10152. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. The Notice of the AGM will be mailed out and made available on the Company's website at least 20 working days prior to the date of the AGM. The Notice of the AGM sets out the business of the meeting and explanatory notes on all resolutions. Separate resolutions will be proposed in respect of each substantive issue. The Chairman of the Board and the Chairpersons of the Board Committees will be available to answer shareholders' questions.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Financial Statements and the Group financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of their profit or loss for that period. In preparing each of the Group Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Risk Report and Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial statements

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report, Risk Report and Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board

Michael Wilkerson

Chairman

29 April 2019

Independent Auditor's Report

1. Our opinion is unmodified

We have audited the financial statements of Atlas Mara Limited ("the Group") for the year ended 31 December 2018 which comprise the Consolidated statement of financial position, Consolidated statement of profit and loss, Consolidated statement of other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows and related notes, including the accounting policies.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2018 and of the Group's profit for the year then ended; and
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors during 2013. The period of total uninterrupted engagement is for the 6 financial years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2017), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters:

a. Impairment of loans and advances

Refer to Significant accounting policies: (iv) Use of estimates and judgement, (vi) Changes in accounting policies and (vii) Financial assets and liabilities, as well as notes 10 and 11 to the financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>Loans and advances, which represent over 41% of total assets, and the associated impairment allowances, are significant in the context of the consolidated financial statements.</p> <p>Atlas Mara Limited adopted IFRS 9 with effect from 1 January 2018 which requires impairment losses to be evaluated on an expected credit loss (ECL) basis. The determination of impairment allowances for expected losses requires significant judgement, and we have identified the audit of ECL impairment allowances to be a key audit matter.</p> <p>The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the group's implementation of IFRS 9 are:</p> <p>Accuracy of ECL models</p> <p>The ECL model applies to financial assets measured at amortised cost. Under IFRS 9 loss allowances are measured on either of the following bases:</p> <ul style="list-style-type: none">– 12 month ECLs that result from possible default events within the 12 months after the reporting date.– Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.	<p>Our response to the key audit matter included performing the following audit procedures:</p> <ul style="list-style-type: none">– Identified relevant controls that address the impairment risks identified and evaluated the design and implementation, and in certain instances the operating effectiveness, of these controls. We focused on controls over the identification of impairment losses; the governance processes in place for credit models, inputs and overlays; the credit forums where key judgements are considered; and governance processes over allowances for loan impairments and other credit risk allowances.– To challenge the accuracy of models we:<ul style="list-style-type: none">– performed an assessment of changes to definitions and methodologies (at a parameter and ECL calculation level);– re-performed the IFRS 9 model build at a parameter level as well as the assessment of its components, e.g. probability of default, loss given default, exposure at default, significant increase in credit risk; and– re-performed the ECL, SICR and stage migration calculations.– We evaluated the forward looking models and focused on reviewing the suitability of the macroeconomic scenario forecasts generated as well as any changes made to processes or governance. We tested how scenarios have performed against actual results and how they compare based on our knowledge of the industry.

Key audit matter	How our audit addressed the key audit matter
<p>The group is required to recognise an allowance for either 12 month or lifetime ECLs, depending on whether there has been a significant increase in credit risk (SICR) since initial recognition.</p> <p>Indicators of SICR in the retail portfolio may include short-term forbearance, direct debit cancellation, extension to the terms granted and previous arrears within the past months.</p> <p>Indicators of a SICR in the corporate portfolio may include any of the following: significant increase in the credit spread, significant adverse changes in business, financial and/or economic conditions in which the client operates, actual or expected forbearance or restructuring, significant change in collateral value or early signs of liquidity and cashflow problems.</p> <p>The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the group's best available forward-looking information. The above mentioned probability-weighted outcome considers the possibility of a credit loss occurring and the possibility of no credit loss occurring, even if the possibility of a credit loss is low. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cashflows that the Group expects to receive). ECLs are discounted at the original effective interest rate of the financial asset.</p> <p>The assessment of the ECL of a financial asset or a portfolio of financial assets entails estimations of the likelihood of defaults occurring and of the default correlations between counterparties. The group measures ECL using probability of default (PD), exposure at default (EAD) and loss given default (LGD). These three components are multiplied together and adjusted for the likelihood of default. The calculated ECL is then discounted using the original effective interest rate of the financial asset.</p> <p>The assessment of SICR and the calculation of ECL both incorporate forward looking information. Significant judgement and estimates are applied in this process of incorporating forward looking information into the SICR assessment and ECL calculation.</p> <p>Accordingly, due to the significance of loans and advances and the significant judgement involved, the expected credit risk evaluations was considered to be a key audit matter.</p>	<ul style="list-style-type: none"> – We challenged the completeness, accuracy and validity of qualitative adjustments made to model results. In model adjustments are audited through our independent assessment of models as we compare our model output to the final provision incorporating adjustments. – With regard to retail and corporate portfolio exposures: <ul style="list-style-type: none"> – For a sample of loans and advances that had been individually evaluated and impaired, we challenged the valuation of impairment losses by developing an independent expectation of the amount of the allowance. This involved challenging the collateral value and assessing the reasonableness of expected cashflows; – When performing work on the valuation of allowances, we considered any collateral held. Where management used specialists to perform the valuations, with the assistance of our financial risk management specialists, we reperformed the calculations of the expected credit losses for loans and advances. – We evaluated management specialists' competence, capabilities and objectivity in performing these valuations. – With regard to corporate portfolio exposures: <ul style="list-style-type: none"> – We selected a sample of performing loans and advances and performed a detailed independent assessment of the expected credit losses, this included benchmarking internal ratings of loans and advances against external ratings and the ratings produced by a challenger model.

b. Goodwill

Refer to Significant accounting policies: (iv) Use of estimates and judgement and note 8 to the financial statements

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

Independent Auditor's Report

continued

3. Our application of materiality and an overview of the scope of our audit

Materiality

Materiality for the group financial statements as a whole was set at USD 14.0 million (2017: USD 13.0 million), determined with reference to a benchmark of total assets.

We agreed to report to the board audit committee any corrected or uncorrected identified misstatements exceeding USD 0.7 million (2017: USD 0.65 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Scope-general

The group team performed the audit of the group as if it was a single aggregated set of financial information. The audit was performed using the materiality levels set out above.

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or to cease their operations, and as they have concluded that the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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

The directors are responsible for the other information presented in the Annual Financial Statements together with the financial statements. The other information comprises the Strategic report, Risk report, Directors' report and the Statement of directors' responsibilities. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

Corporate governance disclosures

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
 - we have not identified material misstatements therein; and
 - the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

We are also required to report to you if a corporate governance statement has not been prepared by the group. We have nothing to report in these respects.

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 34, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Group is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's 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 and the Company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG Inc

Pierre Fourie
Chartered Accountants
85 Empire Road
Parktown
Johannesburg
2193
2 May 2019

Consolidated statement of financial position
at 31 December 2018

	Notes	31 December 2018 \$'000	31 December 2017 \$'000
Assets			
Cash and short-term funds	22	381,988	457,018
Financial assets held at fair value through profit or loss	14	–	76,786
Financial assets designated at fair value	15	24,909	19,151
Derivative financial assets	17	5,602	6,990
Loans and advances	10	1,154,113	1,329,962
Investment securities	16	369,842	354,988
Prepayments and other receivables	29	37,287	136,105
Current tax assets		8,585	10,024
Investment in associates	7	532,233	444,569
Property and equipment	28	78,417	95,728
Investment property	27	12,414	21,199
Other intangible assets	8	79,015	90,881
Deferred tax assets	23.3	40,316	13,244
Goodwill on acquisition	8	80,005	83,740
Total assets		2,804,726	3,140,385
Equity and liabilities			
Deposits	4	1,631,797	1,877,477
Derivative financial liabilities	17	6,536	6,741
Creditors and accruals	20	41,268	72,481
Current tax liabilities		7,832	5,992
Deferred tax liability	23.3	18,198	18,317
Borrowed funds	3	410,157	346,153
Total liabilities		2,115,788	2,327,161
Founder Preference Shares	1	11,300	12,500
Ordinary share capital	1	993,192	987,292
Capital reserves		(38,314)	51,723
Retained earnings/(Accumulated loss)		2,981	(5,977)
Fair value reserves		488	39
Foreign currency translation reserve		(299,252)	(228,522)
Treasury shares		(23,551)	(24,539)
Equity attributable to ordinary shareholders		646,844	792,516
Non-controlling interest		42,094	20,708
Total equity		688,938	813,224
Total equity and liabilities		2,804,726	3,140,385

Consolidated statement of profit or loss
for the year ended 31 December 2018

	Notes	31 December 2018 \$'000	31 December 2017 \$'000
Interest and similar income	13	247,558	266,503
Interest and similar expense	5	(114,999)	(121,217)
Net interest income		132,559	145,286
Impairment charges on financial instruments	11	(211)	(22,265)
Net interest income after loan impairment charges		132,348	123,021
Non-interest income	18	98,810	115,167
Share of profit of associates		56,332	38,400
Total operating income		287,490	276,588
Operating expenses	19	(240,690)	(223,384)
Transaction and integration expenses	6	164	(150)
Profit before tax		46,964	53,054
Income tax expense	23.1	(4,747)	(5,268)
Profit for the period		42,217	47,786
Attributable to:			
Ordinary shareholders		39,708	45,432
Non-controlling interests		2,509	2,354
		42,217	47,786
Basic earnings per share (\$)	26	0.23	0.42
Diluted earnings per share (\$)	26	0.23	0.42

Consolidated statement of other comprehensive income
for the year ended 31 December 2018

	31 December 2018 \$'000	31 December 2017 \$'000
Profit for the period:	42,217	47,786
Other comprehensive income to be reclassified to profit/loss in subsequent periods:	(76,107)	33,039
Exchange differences on translating foreign operations	(71,817)	21,975
Financial assets at fair value through OCI – net change in fair value (net of tax)	85	783
Share of other comprehensive income of equity-accounted investees (net of tax)	(4,375)	10,281
Other comprehensive income not to be reclassified to profit/loss in subsequent periods:	1,862	503
Revaluation of land and buildings (net of tax)	1,862	516
Other comprehensive income	–	(13)
Total other comprehensive income for the period, net of tax	(74,245)	33,542
Total comprehensive income for the period, net of tax	(32,028)	81,328
Total comprehensive income attributable to:		
Ordinary shareholders	(33,379)	79,980
Non-controlling interests	1,351	1,348
	(32,028)	81,328

Consolidated statement of changes in equity
for the year ended 31 December 2018

	Founder Preference Shares \$'000	Ordinary share capital \$'000	Capital reserves ¹ \$'000
Opening balance as at 1 January 2017	12,500	773,213	45,840
Results for the period	–	–	–
Other comprehensive income:			
Exchange differences on translating foreign operations	–	–	–
Revaluation of property net of deferred tax	–	–	516
Movement in available-for-sale reserves	–	–	–
Other comprehensive income	–	–	(13)
Equity-accounted investees	–	–	–
Total comprehensive income	–	–	503
Transactions with owners			
Employee share awards	–	–	2,042
Issue of ordinary shares to Directors	–	–	–
New shares issued on private placement	–	214,079	–
Non-controlling interests acquired	–	–	(242)
Movements in non-distributable reserves	–	–	14,539
Share issue expense	–	–	(10,959)
Closing balance as at 31 December 2017	12,500	987,292	51,723
Opening balance as at 1 January 2018	12,500	987,292	51,723
Change on initial application of IFRS 9 at 1 January 2018 (see note vi (a))	–	–	(86,807)
Restated balance as at 1 January 2018	12,500	987,292	(35,084)
Results for the period	–	–	–
Other comprehensive income:			
Exchange differences on translating foreign operations	–	–	–
Revaluation of property net of deferred tax	–	–	1,862
Movement in available-for-sale reserves	–	–	–
Equity-accounted investees	–	–	–
Total comprehensive income	–	–	1,862
Transactions with owners			
Employee share awards	–	–	4,513
Conversion of founder preference shares to ordinary shares	(1,200)	–	888
Issue of shares on business acquisition (UBN 1%)	–	5,900	–
Issue of ordinary shares to Directors	–	–	–
Equity portion of convertible debt issued	–	–	11,377
Non-controlling interests acquired	–	–	4,235
Movements in non-distributable reserves	–	–	(26,105)
Closing balance as at 31 December 2018	11,300	993,192	(38,314)

Notes:

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

Available for sale reserves \$'000	Fair value through OCI reserves \$'000	Foreign currency translation reserve \$'000	Treasury shares ² \$'000	Retained earnings/ (Accumulated loss) \$'000	Equity attributable to ordinary shareholders \$'000	Non-controlling interests \$'000	Total equity \$'000
(744)	–	(251,503)	(26,085)	(46,676)	506,545	19,510	526,055
–	–	–	–	45,432	45,432	2,354	47,786
–	–	22,981	–	–	22,981	(1,006)	21,975
–	–	–	–	–	516	–	516
783	–	–	–	–	783	–	783
–	–	–	–	–	(13)	–	(13)
–	–	–	–	10,281	10,281	–	10,281
783	–	22,981	–	55,713	79,980	1,348	81,328
–	–	–	1,017	–	3,059	–	3,059
–	–	–	529	–	529	–	529
–	–	–	–	–	214,079	–	214,079
–	–	–	–	–	(242)	–	(242)
–	–	–	–	(15,014)	(475)	(150)	(625)
–	–	–	–	–	(10,959)	–	(10,959)
39	–	(228,522)	(24,539)	(5,977)	792,516	20,708	813,224
39	–	(228,522)	(24,539)	(5,977)	792,516	20,708	813,224
(39)	327	–	–	(47,284)	(133,803)	(2,788)	(136,591)
	327	(228,522)	(24,539)	(53,261)	658,713	17,920	676,633
	–	–	–	39,708	39,708	2,509	42,217
–	–	(70,730)	–	–	(70,730)	(1,087)	(71,817)
–	–	–	–	–	1,862	–	1,862
–	156	–	–	–	156	(71)	85
–	5	–	–	(4,380)	(4,375)	–	(4,375)
–	161	(70,730)	–	35,328	(33,379)	1,351	(32,028)
–	–	–	289	–	4,802	–	4,802
–	–	–	312	–	–	–	–
–	–	–	–	–	5,900	–	5,900
–	–	–	387	–	387	–	387
–	–	–	–	–	11,377	–	11,377
–	–	–	–	–	4,235	22,823	27,058
–	–	–	–	20,914	(5,191)	–	(5,191)
–	488	(299,252)	(23,551)	2,981	646,844	42,094	688,938

Consolidated statement of cash flows
for the year ended 31 December 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities:			
Profit before tax		46,964	53,054
Adjusted for:			
Fair value adjustment		–	(5,941)
Foreign exchange gains		(3,549)	(8,640)
Loan impairment charges	11	211	22,265
Depreciation and amortisation	19	25,458	24,467
Impairment of goodwill	8	–	3,500
Net losses on derivative financial instruments		(60)	56
Net gains on financial instruments at fair value through profit/loss		(14,572)	(1,331)
Share of profit of associates		(56,332)	(38,355)
Fair value adjustment on acquisition related financial instrument		–	(26,800)
Revaluation of investment property		(1,187)	(1,699)
(Gain)/loss on disposal of property and equipment		(629)	814
Equity-settled share-based payment transactions		4,437	3,059
Tax paid		(15,298)	(4,826)
Net cash (outflow)/inflow from operating activities before changes in operating funds		(14,557)	19,623
Net (decrease)/increase in operating funds		27,102	(4,404)
(Increase)/decrease in operating assets		333,920	(90,253)
Increase/(decrease) in operating liabilities		(306,818)	85,849
Net cash used in operating activities		12,545	15,219
Cash flow from investing activities:			
Purchase of property and equipment		(9,004)	(13,679)
Purchase of investment property		(3,141)	(2,099)
Purchase of intangible assets		(16,970)	(15,757)
Additions to associates		(55,054)	(75,734)
Acquisition of financial assets designated at fair value		(284)	(3,952)
Disposal of financial assets held at fair value through profit or loss		–	24,941
Purchase of Investment securities		(83,113)	(117,013)
Proceeds on disposal of property and equipment		1,332	2,010
Net proceeds from IPO (ABC Botswana)		27,058	–
Net cash used in investing activities		(139,176)	(201,283)
Cash flow from financing activities			
Share issue expense		–	(10,959)
Proceeds from issue of shares		–	214,079
Increase in borrowed funds		84,383	23,772
Net cash generated from financial activities		84,383	226,892
Increase in cash and cash equivalents		(42,248)	40,828
Cash and cash equivalents at the beginning of the year		457,018	406,325
Effect of exchange rate fluctuations on cash and cash equivalents held		(32,782)	9,865
Cash and cash equivalents at the end of the year		381,988	457,018
Cash and short-term funds			
	22	381,988	457,018
Cash and cash equivalents		288,889	355,098
Statutory reserve balances		93,099	101,920

Segmental report

for the year ended 31 December 2018

Segment information

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

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

- Southern Africa
- East Africa
- West Africa
- Corporate

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

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

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

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

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

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

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

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

Main products include

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

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

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

Segmental report
for the year ended 31 December 2018
continued

Statement of profit or loss

	31 December 2018				
	Southern Africa ¹ \$'000	East Africa ² \$'000	West Africa ³ \$'000	Corporate ⁴ \$'000	Total \$'000
Interest and similar income	200,958	59,509	–	(12,909)	247,558
Interest and similar expense	(77,274)	(20,767)	–	(16,958)	(114,999)
Net interest income	123,684	38,742	–	(29,867)	132,559
Loan impairment charges	6,863	(6,628)	–	(446)	(211)
Income/(loss) from lending activities	130,547	32,114	–	(30,313)	132,348
Non-interest income	69,908	13,492	–	15,410	98,810
Total operating income	200,455	45,606	–	(14,903)	231,158
Operating expenses	(165,259)	(45,019)	–	(30,248)	(240,526)
Net income from operations	35,196	587	–	(45,151)	(9,368)
Share of profit of associates	–	–	27,831	28,501	56,332
Profit/(loss) before tax	35,196	587	27,831	(16,650)	46,964
Income tax expense	(7,737)	(1,944)	–	4,934	(4,747)
Profit/(loss) for the year	27,459	(1,357)	27,831	(11,716)	42,217
Non-controlling interest	–	1,508	–	1,001	2,509
Profit/(loss) attributable to ordinary shareholders	27,459	(2,865)	27,831	(12,717)	39,708

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

Notes:

1. Southern Africa segment includes Zambia, Zimbabwe, Botswana and Mozambique.
2. East Africa segment includes Rwanda and Tanzania.
3. West Africa segment includes the investment in associate (UBN).
4. Corporate segment includes Dubai, Germany, BVI, Mauritius and all other regions.
5. In line with the manner in which the Group has moved to manage the business as primarily geographic segments and on a secondary basis as business lines, the segment report presents the results in geographic segments. As the business lines develop and financial results become material a secondary segmental split showing the business lines will be presented.

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

Statement of financial position

	31 December 2018				
	Southern Africa ¹	East Africa ²	West Africa ³	Corporate ⁴	Total
Loans and advances	886,931	250,265	–	16,917	1,154,113
Total assets	1,674,376	421,657	530,585	178,108	2,804,726
Deposits	235,643	68,123	–	385,171	1,631,797
Total liabilities	1,479,940	353,534	–	282,314	2,115,788

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

Notes:

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

Significant accounting policies for the year ended 31 December 2018

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

i. Reporting entity

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

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

During the course of 2014 – 2016, Atlas Mara acquired control of ABC Holdings Limited, which operates banking subsidiaries in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe and conducts business under the BancABC brand in each country, African Development Corporation AG ('ADC'), BRD Commercial Bank Limited ('BRD Commercial'), a non-controlling holding, both direct and indirect, in Union Bank of Nigeria plc ('UBN'), BPR and FBZ. During 2017 the Group increased its non-controlling holding in UBN to c.49%

ii. Compliance with IFRS

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

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

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

As at 31 December 2018, there were no unendorsed standards effective for the year ended 31 December 2018 that affect these consolidated financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Group.

iii. Basis of preparation

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

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

Going concern

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

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

The Directors' assessment of Going Concern was based on the Group's forecasts, covering the period 2018–2019, which have been considered by the Group's Board of Directors and included a particular focus on the 12-month period following the date of publication of the financial statements. The Group's forecasts are based on bottom-up financial forecasts for the existing Group, which have been approved by the boards of subsidiaries and associates and include a detailed review of known and potential risks and factors mitigating such risk events.

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

iv. Use of estimates and judgements

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

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

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

- fair value of financial instruments (notes 3, 9 and 30);
- assessment of the investment in associates for impairment (note 7);
- assessment of goodwill and intangible assets for impairment (note 8);
- loan impairment charges (note 11);
- share-based payment valuations (note 21);
- recognition of deferred tax assets (note 23); and
- fair value of investment properties (note 27).

v. Foreign currency translation

Functional and presentation currency

The Directors consider US dollars as the currency that represents the economic effects of the underlying transactions, events and conditions. The financial statements of the Company are presented in US dollars, which is also the Company's functional currency. The presentation currency of the Group is also US dollars.

Transactions and balances

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

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

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

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

Foreign operations

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

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

Significant accounting policies

for the year ended 31 December 2018
continued

vi. Changes in accounting policies

Adoption of IFRS 9

Effective 1 January 2018, the Group adopted IFRS 9 ('Financial Instruments') which has resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustment to carrying amounts of financial assets and financial liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. The Group has also elected to continue to apply the hedge accounting requirements of IAS 39.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been applied to the comparative information. The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Group classifies financial assets under IFRS 9, see note vii below.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

For an explanation of how the Group classifies financial liabilities under IFRS 9, see note vii below.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Group assesses on a forward-looking basis the expected credit loss (ECL) associated with its debt instruments carried at amortised cost and FVOCI and with the exposure arising from loans commitments and financial guarantee contracts.

Loans and advances

Sophisticated impairment models have been developed for our retail and commercial loan portfolios, with three core models. Expected credit losses must be calculated for drawn loans, and for committed lending.

In general terms, the ECL for a loan is calculated using the following formula:

$ECL = \text{Probability of default} \times \text{Loss given default} \times \text{Exposure at default}$

Key model inputs and judgements include:

- Consideration of when a significant increase in credit risk occurs
- Probability of default, loss given default, and exposure at default.

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

Stage	Description	ECL recognised
Stage 1 – performing loans	Financial instruments that have had no significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For example: a newly originated loan on which repayments are being received and there are no other indicators of a significant increase in credit risk.	12-month expected credit losses Losses expected on defaults which may occur within the next 12 months.
Stage 2 – underperforming loans	Financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For example: a loan on which payment is 30 days overdue.	Lifetime expected credit losses Losses expected on defaults which may occur at any point in a loan's lifetime. Losses are adjusted for probability weighted macro-economic scenarios.
Stage 3 – non-performing loans	Market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee on actual EBITDA for the period ended 31 December 2018. The estimate is adjusted for the effect of the non-marketability of the equity securities.	Lifetime expected credit losses Losses expected on defaults which may occur at any point in a loan's lifetime. Losses are adjusted for probability weighted macro-economic scenarios. Interest income is calculated on the carrying amount of the loan net of credit allowance.

A significant increase in credit risk may be identified in a number of ways:

- Qualitative criteria – for example, the borrower's credit risk grade has deteriorated, the client is included on a watch list or there are signs that the customer is unlikely or unwilling to pay
- Quantitative criteria – for example, where payments are at least 30 days overdue,

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

Probability of default

The Probability of Default (PD) model estimates the probability of default across various product segments. PD curves are created for each of these segments to identify the likelihood of default from the point of observation into the future. Survival methodology was selected for the calculation of PD which is explained in the section below.

PD term structures are developed for each segment. The base term structures are calculated empirically based on one monthly hazard rates. The hazard rates are calculated as the proportion of the default balances for a given time on the book across all origination cohorts in the data, to the balance of the accounts at risk.

Loss given default

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

LGD rates have been modelled considering a range of inputs, including:

- value of collateral on secured portfolios, including any haircut applied to the collateral value to take into account a force sale value
- forecasting of recoveries in the case of unsecured facilities.
- Stress factors based on macro-economic scenarios

Exposure at default

Represents the amount expected to be owed at the point of default. This is subject to judgement since a balance will not necessarily remain static between the balance sheet date and the point of expected default. For example:

- Interest accrued
- Repayments may be received
- For a revolving product, further drawings may be taken between the current point in time and the point of default.

Investment securities and other financial assets

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

Significant accounting policies
for the year ended 31 December 2018
continued

Hedge accounting

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

IFRS 9 governance

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

Impact of adoption of IFRS 9

Set out below are the disclosures relating to the impact of adoption of IFRS 9 on the Group:

a) Impact on equity

The following table illustrates the impact, net of tax of transition to IFRS 9 on reserves and retained earnings:

	Fair value reserves \$'000	Available for sale reserve \$'000	Capital reserves \$'000	Retained earnings \$'000	NCI \$'000	Others ¹ \$'000	Total \$'000
Opening balance – IAS 39	–	39	51,723	(5,977)	20,708	746,731	813,224
Reclassification from available for sale to fair value reserves	39	(39)	–	–	–	–	–
IFRS 9 remeasurement impact (see Table d below)	288	–	(18,595)	(71,550)	(2,788)	–	(92,645)
Deferred tax on IFRS 9 (Note 23.3)	–	–	–	24,266	–	–	24,266
Group's share of IFRS 9 impact on UBN (Note 7)	–	–	(68,212)	–	–	–	(68,212)
Total IFRS 9 impact	288	–	(86,807)	(47,284)	(2,788)	–	(136,591)
Opening balance – IFRS 9	327	–	(35,084)	(53,261)	17,920	746,731	679,067

Notes:

1. Others include ordinary share capital, founder preference shares, foreign currency translation reserves and treasury shares

b) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and financial liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	Measurement category	Carrying Value \$'000	Measurement category	Carrying Value \$'000
Financial assets				
Cash and short-term funds	Loans and receivables	457,018	Amortised cost	457,018
Loans and advances	Loans and receivables	1,329,962	Amortised cost	1,239,354
Trading assets	FVPL (Held for trading)	76,786	FVPL	–
Investment securities	Held to maturity	60,701	Amortised cost	384,542
	Available for sale	294,287	FVOCI	45,353
	FVPL (designated)	19,151	FVPL	19,145
Derivative financial assets	FVPL	6,990	FVPL	6,990
Financial liabilities				
Deposits	Amortised cost	1,877,477	Amortised cost	1,877,477
Derivative financial liabilities	FVPL	6,741	FVPL	6,741

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

c) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

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

	IAS 39 carrying amount at 31 December 2017 \$'000	Reclassification \$'000	Remeasurement \$'000	IFRS 9 carrying amount at 1 January 2018 \$'000
Financial assets				
<i>Amortised cost</i>				
Cash and short-term funds	457,018	-	-	457,018
Loans and advances	1,329,962	-	-	-
Remeasurement: ECL Allowance	-	-	(90,608)	-
Closing balance under IFRS 9	-	-	-	1,239,354
Investment securities held to maturity	60,701	-	-	-
Transfer from available for sale (IAS 39)	-	248,933	-	-
Remeasurement: ECL Allowance	-	-	(1,031)	-
Transfer from held for trading (IAS 39)	-	76,786	-	-
Remeasurement from FV to amortised cost	-	-	(2)	-
Remeasurement of amortised cost	-	-	(845)	-
Closing balance under IFRS 9	-	-	-	384,542
<i>Fair value through other comprehensive income</i>				
Investment securities available for sale	294,287	-	-	-
Transfer to amortised cost (IFRS 9)	-	(248,933)	-	-
Remeasurement from amortised cost to FV	-	-	(1)	-
Closing balance under IFRS 9	-	-	-	45,353
<i>Fair value through profit or loss</i>				
Financial assets held for trading	76,786	-	-	-
Transfer to amortised cost (IFRS 9)	-	(76,786)	-	-
Closing balance under IFRS 9	-	-	-	-
Financial assets designated at fair value	19,151	-	-	19,151
Derivative financial asset	6,990	-	-	6,990
Total	2,244,895	-	(92,487)	2,152,408

Significant accounting policies

for the year ended 31 December 2018

continued

d) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

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

Measurement categories	Loan loss allowance under IAS 39 \$'000	Remeasurement \$'000	Loan loss allowance under IFRS 9 \$'000
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)			
Loans and advances	57,888	90,608	148,496
Held to maturity (IAS 39)/Financial assets at amortised cost (IFRS 9)			
Investment securities	–	1,878	1,878
Available for sale (IAS 39)/Fair value through other comprehensive income (IFRS 9)			
Investment securities	–	1	1
Fair value through profit or loss			
Financial assets designated at fair value	–	–	–
Off-balance sheet items	–	158	158
Total	57,888	92,645	150,533

Adoption of IFRS 15

On 1 January 2018, the Group adopted IFRS 15 (“Revenue from Contracts with Customer”). Most of the Group's income is accounted for under other accounting standards and as such there was no significant impact to the financial statements upon transition.

vii. Financial instruments (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.

At initial recognition, the Group measures all financial instruments at fair value plus or minus, in case of a financial asset or financial liability not at fair value through profit or loss, transactions costs that are incremental and directly attributable to the acquisition or the issue of the financial asset or financial liability, such as fees and commissions. Transaction costs on financial instruments at fair value through profit or loss are immediately recognised in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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.

Financial liabilities

In both the current and prior periods, financial liabilities are classified as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Transaction costs are included in the initial measurement and accounted for in profit or loss as part of the effective interest.

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).

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

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

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.

Financial assets

Classification and subsequent measurement – Policy applicable from 1 January 2018

From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost.

The Group classifies all its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics. The classification requirements for debt and equity instruments are as described below:

Debt instruments

Amortised cost: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'); and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest ('SPPI'); and that are not designated at FVPL, are measured at fair value through other comprehensive income. Movements in carrying amounts are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through profit or loss (FVPL): Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. Whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed; how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Significant accounting policies

for the year ended 31 December 2018
continued

SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial assets' cash flows represent solely payments of principal and interest (the 'SPPI' test). For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In making the assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration of the time value of money, credit risk and other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at fair value through profit or loss.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity instruments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity instrument at FVOCI. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

The Group's financial assets comprise cash and short-term funds, financial assets held at fair value through profit or loss and OCI, financial assets designated at fair value, derivative financial assets, loans and other advances, investment securities and loans to Group companies.

Impairment

The Group assesses on a forward-looking basis the expected credit loss (ECL) associated with its debt instruments carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Classification and subsequent measurement – Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories: loans and receivables, fair value through profit or loss, held-to-maturity or available-for-sale:

Loans and receivables

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

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

Cash and cash equivalents

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

Financial assets at fair value through profit or loss

Held for trading financial assets

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

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

Financial instruments designated at fair value

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

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

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

Held-to-maturity financial assets

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

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

Available-for-sale financial assets

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

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

Derivative financial assets and liabilities

A derivative is a financial instrument with the following characteristics:

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

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

Effective interest method

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

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

Compound instruments

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

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

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

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment charges on financial instruments' in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Significant accounting policies

for the year ended 31 December 2018
continued

Offsetting financial instruments

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

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

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

Standards and interpretations issued and not yet applicable or adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective for the financial year commencing 1 January 2019

– **IFRS 16 Leases** – IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Group is assessing the potential impact on the financial statements resulting from the application of IFRS 16.

Other standards:

The following amended standards are not expected to have a significant impact on the Group's consolidated financial statements

- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to References to Conceptual Framework in IFRS Standards

Notes to the financial statements for the year ended 31 December 2018

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

1. Capital and reserves

Refer to accounting policy pertaining to financial instruments.

Share capital

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

1.1. Authorised and issued share capital and share warrants

	31 December 2018		31 December 2017	
	No. of shares \$'000	\$'000	No. of shares \$'000	\$'000
Opening balance¹	168,961	987,292	72,759	773,213
Ordinary shares issues	2,360	5,900	96,202	214,079
Shares held in escrow ²	3,298	–	3,298	–
Total shares in issue	174,619	993,192	172,259	987,292
Shares in issue excluding escrow shares	171,320	–	168,961	–
Founder Preference Shares ³	1,130	11,300	1,250	12,500
	172,450	1,004,492	170,211	999,792

Note:

- Comprises ordinary shares and share warrants.
- Shares held in escrow are part of the contingent consideration for the acquisition of Finance Bank Zambia and has no voting rights associated to it.
- As allowed, under Article 5.2 of the Company's Articles, a holder of Founder Preferred Shares (FPS) has the right to request for conversion of FPS into Ordinary Shares at any time, by providing notice in writing to the Company requiring such conversion of FPS into an equal number of Ordinary Shares. On 23 May 2018, Ashish Thakkar elected to convert 120,000 FPS into 120,000 ordinary shares, and the transfer was effective from 23 May 2018. Following conversion of the 120,000 FPS into ordinary shares, Ashish now holds 5,000 FPS.

1.2. Issued and fully paid

	2018 \$'000	2017 \$'000
Ordinary share capital and share warrants	993,192	987,292
	993,192	987,292

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

1.3. Reconciliation of the number of shares in issue

	2018 No. of shares	2017 No. of shares
Opening balance	168,961	72,759
Ordinary shares issued during the period	2,360	96,202
Shares held in escrow	3,298	3,298
Closing balance	174,619	172,259

Share warrants

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

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

Notes to the financial statements

for the year ended 31 December 2018
continued

1. Capital and reserves continued

Terms of the Founder Preferred Shares

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

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

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

2. Capital planning

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

The Group's principal objectives when managing capital are:

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

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

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

Capital adequacy computations

	31 December 2018					
	BancABC Botswana \$'000	BancABC Zimbabwe \$'000	Atlas Mara Zambia \$'000	BancABC Tanzania \$'000	BancABC Mozambique \$'000	BPR Rwanda \$'000
Tier I Capital						
Share capital and premium	20,735	49,989	85,658	50,478	32,374	50,761
Capital reserves and retained earnings/ (accumulated loss)	69,092	37,004	(16,826)	(28,611)	(7,843)	(9,474)
Intangible assets (software)/ deferred charges	(6,198)	–	(8,968)	(4,103)	(4,933)	(1,907)
Deferred tax asset	–	–	–	(4,479)	–	–
Prepayments	–	–	(3,173)	(825)	–	–
Exposures to insiders	–	(292)	–	–	–	–
Total qualifying for Tier I Capital	83,629	86,701	56,691	12,460	19,598	39,380
Tier II Capital						
Shareholder's loan	18,081	–	3,666	–	4,447	2,123
General debt provision	7,187	2,188	–	562	11	–
Revaluation reserves (limited to Tier I Capital)	–	4,736	–	–	(1,460)	427
Profit for the year	11,947	–	–	–	–	4,105
Total qualifying for Tier II Capital	37,215	6,924	3,666	562	2,998	6,655
Total Capital	120,845	93,625	60,357	13,022	22,596	46,035
Risk weighted assets¹ (unaudited)						
Market risk	49,623	3,800	26,251	2,945	338	–
Operational risk	60,480	60,304	51,473	9,253	3,625	–
On balance sheet assets	551,359	172,999	292,776	74,858	90,083	191,802
Off balance sheet assets	23,626	2,824	9,047	966	987	2,518
Total risk weighted assets	685,088	239,927	379,547	88,022	95,033	194,320
Capital adequacy ratio	17.6%	39.0%	15.9%	14.8%	23.8%	23.7%
Minimum regulatory capital adequacy ratio	15.0%	12%	10%	14.5%	9.0%	15%

Note:

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

Notes to the financial statements
for the year ended 31 December 2018
continued

2. Capital planning continued

	31 December 2017					
	BancABC Botswana \$'000	BancABC Zimbabwe \$'000	BancABC Zambia \$'000	BancABC Tanzania \$'000	BancABC Mozambique \$'000	BRD-C Rwanda \$'000
Tier I Capital						
Share capital and premium	22,587	49,989	84,539	51,781	33,700	53,071
Capital reserves and retained earnings/ (accumulated loss)	71,439	27,699	(28,932)	(25,566)	(7,356)	(6,917)
Intangible assets (software)/ deferred charges	(3,669)	–	(17,016)	(3,748)	(4,824)	(2,148)
Deferred tax asset	–	–	–	(3,462)	–	–
Prepayments	–	–	(1,357)	(728)	–	(1,380)
Exposures to insiders	–	(1,960)	–	–	–	–
Total qualifying for Tier I Capital	90,357	75,728	37,234	18,277	21,520	42,626
Tier II Capital						
Shareholder's loan	18,724	–	–	–	4,546	2,220
General debt provision	1,765	2,769	–	497	12	–
Revaluation reserves (limited to Tier I Capital)	–	4,719	–	–	–	446
Profit for the year	14,129	–	–	–	–	1,227
Total qualifying for Tier II Capital	34,618	7,488	–	497	4,558	3,893
Total Capital	124,975	83,216	37,234	18,774	26,078	46,519
Risk weighted assets¹ (unaudited)						
Market risk	11,618	4,340	–	1,795	3,703	–
Operational risk	60,485	64,334	–	–	3,176	–
On balance sheet assets	529,149	144,442	264,077	103,052	97,794	203,211
Off balance sheet assets	32,748	8,413	6,127	1,322	2,141	1,358
Total risk weighted assets	634,000	221,529	270,204	106,169	106,814	204,569
Capital adequacy ratio (unaudited)	19.7%	37.6%	13.8%	17.7%	24.4%	22.7%
Minimum regulatory capital adequacy ratio	15.0%	12%	10%	14.5%	9.0%	15%

Note:

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

3. Borrowed funds

Refer to accounting policy pertaining to financial instruments.

	2018 \$'000	2017 \$'000
Convertible bond (a)	56,255	51,325
Other borrowed funds (b)	353,902	294,828
	410,157	346,153

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

	Carrying value		Fair value	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Overseas Private Investment Corporation ('OPIC')	105,497	104,657	105,497	104,657
Afreximbank	54,000	61,273	59,629	64,176
Convertible bond (liability)	56,255	51,325	56,255	51,325
Fairfax Africa Financial Holding Corporation	52,885	–	52,885	–
Standard Chartered	23,249	32,398	23,349	31,309
Africa Agriculture and Trade Investment Fund S.A. ('AATIF')	20,000	20,008	20,954	20,027
UBS	12,594	–	12,594	–
EDC	12,577	–	12,577	–
BIFM Capital Investment Fund One Proprietary Limited ('BIFM')	11,995	19,594	12,134	20,118
NORSAD	10,000	10,228	10,061	10,074
European Investment Bank (EIB)	8,326	9,073	8,326	9,073
Sanlam	4,937	–	4,937	–
Kuhanha	–	4,448	–	4,535
Shelter Afrique	1,121	3,969	1,002	3,442
Other	36,621	29,180	36,543	28,320
	410,057	346,153	416,743	347,056

a. Convertible bond

	2018 \$'000	2017 \$'000
Opening balance as at 1 January	51,325	47,790
Issued during the year	–	–
Interest accrued	4,930	3,535
Closing balance as at 31 December	56,255	51,325

Convertible bond

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

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

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

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

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

On 22 April 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.

Notes to the financial statements
for the year ended 31 December 2018
continued

3. Borrowed funds continued
b. Other borrowed funds

	2018 \$'000	2017 \$'000
Borrowed funds – At fair value through profit/loss:	23,349	32,398
Borrowed funds – Amortised cost	330,553	262,430
	353,902	294,828

Borrowed funds

The following represents a summary of significant Group borrowed funds, i.e. funding obtained to support business growth other than through banking products and customer accounts, rather third-party lenders supporting the liability side of the statement of financial position.

BIFM Capital Investment Fund One Proprietary Limited

The loan from BIFM Capital Investment Fund One Proprietary Limited (USD 25.2 million) 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 – Promissory Note A USD 6.3 million;
- 30 September 2018 – Promissory Note B USD 6.3 million;
- 30 September 2019 – Promissory Note C USD 6.3 million; and
- 30 September 2020 – Promissory Note D USD 6.3 million.

Payments of BWP 62.5 million each were made to BIFM in September 2017 and September 2018 to redeem Promissory Notes A and B respectively as per the redemption schedule. Promissory Notes C and D are scheduled for redemption in September 2019 and 2020 respectively.

Afrexim Bank Limited

The loan from Afrexim Bank Limited is a USD 60 million advanced to ABCH on 26 July 2013. In November 2018, ABCH and Afrexim Bank Limited entered into a new loan agreement. These principal terms include a reduction in the principal balance via a repayment of USD 6 million with the balance of USD 54 million repaid over four years with a grace period of one year. The new loan agreement attracts interest of 3-month LIBOR +7.3%, payable quarterly. In February 2018, the agreed USD 6 million loan repayment was made in accordance with the agreed key terms.

Norsad Finance Limited

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

Africa Agriculture and Trade Investment Fund S.A.

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

A new loan agreement was entered with AATIF in December 2018 with the repayment of the outstanding principal of USD 20 million commencing on 30 June 2020 until the maturity date of 30 June 2022 with five equal semi-annual repayments of USD 4 million each at an interest rate of Libor plus 6.5%

Standard Chartered

The loan from Standard Chartered is US dollar denominated and secured by the UBN shares held by ADC Ventures and pledged as collateral for such loan. The loan was obtained to finance the loan from ADC to UGPL, on 19 July 2012, upon the acquisition of the referenced shares. The loan is a non-recourse loan and can be settled in full by the delivery of the UBN shares. The loan is repayable in December 2019 and could be further extended by another two-year period, to be mutually agreed upon. The loan is measured at fair value based on the determined fair value of the UBN shares at ca.5.6 NGN per share.

Overseas Private Investment Corporation

The USD 65 million loan is denominated in USD and was advanced to BancABC Zambia to finance the acquisition of Finance Bank Zambia. The loan attracts interest at a rate of 3 months LIBOR +4.45%. There is a three-year grace period on the repayment of principal with the loan repaid on a quarterly basis over 16 quarters starting in the first quarter of 2019.

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

Fairfax Africa financial holdings Corporation

On 6 August 2018, the Group reached an agreement in principle for a \$40 million debt facility. This debt facility replaced the convertible bond (the 'April Convertible') issued to Fairfax Africa Holdings Corporation ('Fairfax Africa'), the Company's largest shareholder, as previously announced on 24 April 2018. The first tranche of the facility was drawn down on 6 November 2018, with a three-year term maturing in July 2021 and an interest rate of 7.5%, accruable half-yearly – 30 Jun and 31 Dec. The facility is secured by a portion of the Company's indirect shareholding in Union Bank of Nigeria and it includes the issuance of 12,400,000 detachable warrants that on exercise each allow the holder to subscribe for one ordinary share of the Company at an initial strike price of \$3.20.

UBS

This represents \$20 million secured convertible bonds issued by the Company during the year and due in 2021. The loan attracts an interest rate of 7.5% per annum, with the interest accruable half-yearly on 30 June and 31 December. The bonds are secured by a portion of the Company's indirect shareholding in Union Bank of Nigeria and it includes the issuance of 6,200,000 warrants that on exercise each allow the holder to subscribe for one ordinary share of the Company.

Export Development Canada (EDC)

On 11 December 2018, the Group secured a three-year \$20 million debt facility from Export Development Canada ("EDC") for general corporate purposes. The first tranche of the facility was drawn on 18 December 2018 with an interest rate of 9.0%, accruable half yearly. The facility is secured by a portion of the Company's indirect shareholding in Union Bank of Nigeria.

Sanlam

The loan from Sanlam Africa Credit Investments Limited is a three year \$5 million payable quarterly and attracts interest of LIBOR + 7%. The facility is secured by the Company's direct shareholding in Union Bank of Nigeria.

Maturity analysis

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

	2018 \$'000	2017 \$'000
On demand to one month	785	61,820
One to three months	5,566	4,460
Three months to one year	43,428	34,047
Over one year	360,378	245,826
Total	410,157	346,153

4. Deposits

Refer to accounting policy pertaining to financial instruments.

	2018 \$'000	2017 \$'000
Deposits from banks	101,690	157,209
Deposits from other customers	1,530,107	1,720,268
	1,631,797	1,877,477
Payable on demand		
Corporate customers	316,899	452,477
Public sector	92,318	58,540
Retail customers	295,416	349,753
Other financial institutions	15,881	82,949
Banks	11,266	42,028
	731,780	985,747
Term and savings deposits		
Corporate customers	209,889	281,649
Public sector	297,766	207,281
Retail customers	92,217	90,798
Other financial institutions	216,199	221,904
Banks	83,946	90,098
	900,017	891,730
Total	1,631,797	1,877,477
Current	1,636,323	1,865,486
Non-current	78,594	11,991

Notes to the financial statements
for the year ended 31 December 2018
continued

5. Interest and similar expense

Accounting for interest expense

Refer to accounting policy pertaining to financial instruments.

	2018 \$'000	2017 \$'000
Deposits	(76,717)	(83,764)
Borrowed funds	(38,282)	(37,453)
Interest and similar expense	(114,999)	(121,217)

6. Transaction and integration expenses

	2018 \$'000	2017 \$'000
Professional fees (including legal and due diligence costs)	179	(144)
Others	(15)	(6)
	164	(150)

7. 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 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 there are indications that the investment may be impaired.

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

In determining the value in use ("VIU") of the investment, an entity estimates:

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

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

Assets of the associate

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

Investment in the associate

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

Critical accounting estimates and judgements

Fair value of assets and liabilities of associate

During the year (January and June), the Group concluded the acquisition of an additional 3.5% and c.1% share in UBN respectively, increasing the Group's shareholding from 44.5% as at 31 December 2017 to c. 49%.

The Group applies judgement in determining the value of the assets and liabilities of the associate. The Group's share of the fair value of the assets and liabilities vs the fair value of the consideration paid.

Following the conclusion of the assessment of the fair value of the assets and liabilities acquired during the additional c.4.5% share in UBN, the Group recognised a gain on acquisition of \$28.7 million.

Intangible assets

Included in the fair value of UBN are intangible assets of \$7.1 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 part of the 'share of profit of an associate' in the statement of profit or loss.

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

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

Share of profit and OCI

The value of equity accounted earnings in the statement of comprehensive income for Atlas Mara represents the reported year-end profit and other comprehensive income for UBN, based on the audited financial statements of UBN for the year 31 December 2018.

	2018 \$'000	2017 \$'000
Opening balance	444,569	293,980
Share of profits	56,332	38,400
Share of OCI	38,618	10,281
Exchange rate adjustment	(26)	(40)
Tax associated	(2)	–
Additions during year	60,954	101,948
Impact of changes on initial application of IFRS 9	(68,212)	–
Investment in associates	532,233	444,569

Investment in Union Bank of Nigeria ('UBN')

The group holds an effective direct and indirect share of UBN's voting rights of c.49% as at 31 December 2018. This is as a result of the acquisitions completed during 2014 and 2015, which included an indirect share of 9.05% and a direct investment of 21.16%. In 2017, the group acquired a further 13.4% of the voting rights in UBN, bringing the group's total share to 44.55% as at 31 December 2017. A further acquisition of c.4.5% during the year 2018 brought the group's total share to c.49% as at 31 December 2018.

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

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

The investment in UBN is equity accounted using the annual financial statements of UBN for the period 1 January 2018 to 31 December 2018. The local currency of UBN is Nigerian Naira.

Notes to the financial statements
for the year ended 31 December 2018
continued

7. Investment in associate continued

The following table illustrates the audited published summarised financial information of the Group's investment in UBN for the year ended 31 December 2018. The audited UBN annual financial statements has been published on the Group's website.

	2018 \$'000	2017 \$'000
Cash and cash equivalents	762,042	569,977
Loans and advances	1,544,737	1,555,712
Investment securities	650,300	623,954
Other assets	1,851,592	1,696,282
Total assets	4,776,046	4,445,925
Deposits	2,798,020	2,868,255
Borrowed funds	354,816	263,221
Other liabilities	887,054	379,774
Total liabilities	4,039,889	3,511,250
Group's share of equity (48.99%) (2017: 44.55%)	360,212	416,397
Intangible assets	7,139	8,368
Share of total identifiable net assets	424,765	424,765
	2018 \$'000	2017 \$'000
Carrying value of the investment in associate including intangible assets	530,586	442,738
Net interest income	181,132	153,645
Non-interest income	115,031	68,928
Loan impairment charges	9,791	(19,683)
Profit after tax	59,209	47,846

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

Impairment testing

At 31 December 2018, the Group performed an impairment test on the carrying amount of the investment in UBN. The test confirmed that there was no impairment at 31 December 2018.

The table below illustrates the VIU, carrying value and fair value of the Group's 48.99% (2017: 44.55%) in UBN.

	31 December 2018			31 December 2017		
	VIU \$'000	Carrying amount \$'000	Fair value \$'000	VIU \$'000	Carrying amount \$'000	Fair value \$'000
Union Bank of Nigeria	552,456	530,585	220,982	460,500	442,738	227,142

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 three years to take into account the focused turnaround strategy currently in the process of implementation in the bank. The forecast period was extended by seven years (until 2028) 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 2028 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 9% in the terminal year.

Long-term asset growth rate

The average growth rate used up to 2021 was 15.5%. Over the extended forecast period these items have been forecast to grow at annually decreasing rates, reaching 9.8% in the terminal year.

Discount rate

The discount rate used was based on the CoE for UBN. This has been calculated by taking into account the following components to adjust for specific risks associated with the business and specifically the future strategy for turnaround. The discount rate used is within the range of 29.5%. The rate is calculated using the yield on US treasury bills with 10-year maturity, maturing on 31 December 2028 as a starting point (2.68), adjusted for a Nigerian country risk premium of 4.2 and an equity market risk premium of 13.60 and an entity specific risk.

The VIU based on the above assumptions is \$552.5 million. This value has on \$21.9 million headroom.

Sensitivity analysis

Given the changes in the exchange rate environment in Nigeria, the estimation of VIU to evaluate the carrying value of UBN is particularly sensitive to changes in the exchange rate. This is somewhat different to prior periods, where small changes in the discount rate could have triggered impairment. As at 31 December 2018, the sensitivity to the changes in rate are set out below:

Sensitivity	Potential impairment
4.1% devaluation to 319.1 NGN	Reduces headroom to \$120 000
5% devaluation to 321.8 NGN	c\$4.5 million
10% devaluation to 337.2 NGN	c\$28.3 million
5% devaluation to 352.5 NGN	c\$50.2 million
5% devaluation to 322 NGN	c\$70.2 million

Notes to the financial statements
for the year ended 31 December 2018
continued

8. 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 and associates is measured at cost less accumulated impairment losses. Goodwill has an indefinite useful life.

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

Critical accounting estimates and judgements

The Group assesses goodwill for impairment on an annual basis based on value in use calculations. Significant estimates and judgements are applied in projecting the future pre-tax cash flows, the appropriate growth and discount rates as set out below. An absolute movement of +/-1% on the discounted rates listed could result in a potential movement of \$38.5 million in the value of goodwill.

	2018 \$'000	2017 \$'000
Goodwill	80,005	83,740
Other intangible assets	79,015	90,881
	159,020	174,621

	31 December 2018			31 December 2017		
	Goodwill	Other intangible assets	Total	Goodwill	Other intangible assets	Total
Intangible assets and goodwill						
Opening balance	87,240	138,283	225,523	83,800	117,482	201,282
Exchange rate adjustment	(4,299)	(13,976)	(18,275)	3,440	3,357	6,797
Additions during the year	–	16,970	16,970	–	17,444	17,444
Reclassification during the year	–	531	531	–	–	–
Cost or valuation at period end	82,941	141,808	224,749	87,240	138,283	225,523
Impairment losses and amortisation						
Opening balance	(3,500)	(47,402)	(50,902)	–	(33,047)	(33,047)
Exchange rate adjustment	564	(268)	296	–	(939)	(939)
Amortisation during the year	–	(15,123)	(15,123)	–	(13,416)	(16,916)
Impairment losses during the year	–	–	–	(3,500)	–	–
Accumulated impairment at period end	(2,936)	(62,793)	(65,729)	(3,500)	(47,402)	(50,902)
Carrying value at period end	80,005	79,015	159,020	83,740	90,881	174,621

Goodwill

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

During 2016 Atlas Mara completed a further two acquisitions, as set out in note 6. The completion of these acquisitions resulted in additional intangible assets identified.

In terms of IFRS 3, at the date of the acquisition, the purchaser is required to measure all identifiable assets and liabilities separately at acquisition date fair values. This could include assets that were not previously recognised by the acquiree in its financial statements.

In the case of the ADC, BancABC and in 2016, the BPR and FBZ acquisitions, these assets include certain intangible assets acquired, namely:

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

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

Allocation of goodwill to CGUs

The goodwill that arose in the acquisition of BancABC and ADC has been allocated to the CGUs based on the following basis:

- The primary quantitative indicator used for the allocation of goodwill is based on the debt value of each underlying operating bank in the Group combined with management's view, based on judgement of current and future operating performance, asset quality and management's judgement on the probability of future synergies that will arise as a result of the business combination;
- The allocation of goodwill to non-core operating entities was limited; and
- Secondary allocation of goodwill to the lowest level of CGU presented per IFRS 8 was based on management's judgement of current and future operating performance and asset quality and current asset contribution.

During the 2016 acquisition of FBZ, a further \$11.8 million of goodwill was identified. This goodwill has been allocated to the Zambia CGU and has been included in the assessment of impairment of the CGU. During 2017, following a reduction in the forecast performance of the Zambia CGU, the group recognised an impairment loss of \$3.5 million.

The re-allocation is deemed to be a change to a critical estimate and judgement in 2015. The impact on the prior year statement of OCI arising from this change in estimate is \$nil million.

The table below illustrates the allocation of goodwill to the operating banks acquired, allocated based on management's revised assessment of future synergies that would occur as a result of the business combination. The judgement applied focuses on future cash flows from operations.

Notes to the financial statements
for the year ended 31 December 2018
continued

8. Intangible assets and goodwill continued

	2018			2017		
	\$ million	Allocation		\$ million	Allocation	
		Retail \$ million	Corporate \$ million		Retail \$ million	Corporate \$ million
Botswana	31.6	17.4	14.2	34.4	19.0	15.4
Zambia	21.3	8.5	12.8	21.9	8.7	13.2
Mozambique	9.5	1.6	7.9	9.9	1.7	8.2
West Africa	17.6	–	17.6	17.6	–	17.6
Total	80.0	27.5	52.5	83.8	29.4	54.4

Impairment testing

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

The annual impairment test was performed for goodwill. A comprehensive assessment of the underlying CGUs has taken place. This assessment included a review of the forecast financial information. The review and testing of goodwill for impairment inherently requires significant management judgement as it requires management to derive the best estimates of the identified CGUs' future cash flows.

The recoverable amounts for the CGUs have been calculated based on their value in use (VIU), determined by discounting the future cash flows expected to be generated from the continuing use of the CGUs' assets. No impairment losses were recognised during the year ended 31 December 2018 (2017: \$3.5 million on Zambia CGU) because the recoverable amounts of these CGUs were determined to be higher than their carrying amounts.

The principal assumptions considered in determining the VIUs were as follows:

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. The cash flow projections covering a five-year period were based on financial budgets approved by management. Cashflows beyond the five-year period are extrapolated into perpetuity to reflect the long-term plans for the entity, using the estimated growth rates stated in the table below. These growth rates are consistent with forecasts included in industry reports specific to the industry the CGUs operate.

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 December 2018. 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 2018.

	Botswana	Mozambique	Zambia	West Africa
Discount rate (%)	14.3	22.0	17.9	29.5
Terminal growth rate (%)	5	5	0.5	0.5
Forecast period (years)	5	10	10	10

The key assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amounts of the CGUs to decline below the carrying amount.

West Africa segment goodwill

A goodwill test was also performed in respect of the West Africa segment. This segment houses the investment in associate. Refer to note 7 for the details of the valuation performed to determine the value-in-use of the investment. As at 31 December, the carrying value of the investment of \$530.6 million is less than the VIU of \$552.5 million and therefore no impairment is required.

Other intangible assets

The other intangible assets have been assessed for indications of impairment and at 31 December 2018, there are no indications of impairment.

9. Financial instruments

Refer to accounting policy pertaining to financial instruments.

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value:

The following tables show the breakdown of carrying amounts and fair values of financial assets and financial liabilities by class and category of financial instrument measured at amortised cost:

	31 December 2018		31 December 2017	
	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	381,988	381,988	457,018	457,018
Loan and advances	1,154,113	1,154,113	1,329,962	1,329,962
Investments securities held at amortised cost				
Government bonds	85,790	85,790	7,038	7,038
Treasury bills	183,125	183,125	50,355	50,355
Corporate bonds	-	-	3,308	3,308

	31 December 2018		31 December 2017	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial liabilities measured at amortised cost				
Deposits	1,631,797	1,631,797	1,877,477	1,877,477
Creditors and accruals	23,116	23,116	72,481	72,481
Borrowed funds	410,157	416,743	346,153	347,056

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

i. Cash and short-term funds

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

ii. Loans and advances

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

iii. Investment securities – Held-to-maturity

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.

Notes to the financial statements
for the year ended 31 December 2018
continued

10. Loans and advances

Refer to accounting policy pertaining to financial instruments.

Critical accounting estimates and judgements

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

	2018 \$'000	2017 \$'000
Gross loans and advances	1,267,559	1,387,850
Less expected credit loss (10.1a)/impairment allowance (10.1b):		
12 months ECL (Stage 1)	(33,253)	–
Lifetime not credit impaired (Stage 2)	(5,888)	–
Lifetime credit-impaired (stage 3)	(74,305)	–
Specific impairments	–	(43,405)
Collective impairments	–	(14,483)
Net loans and advances	1,154,113	1,329,962
Current	463,109	555,480
Non-current	691,004	774,482

10.1a. Reconciliation of impairment allowance for loans and advances – 2018 only

	31 December 2018			
	Subject to 12 month ECL (Stage 1) \$'000	Subject to lifetime ECL (Stage 2) \$'000	Credit impaired (excluding purchased/ originated) (Stage 3) \$'000	Total \$'000
At 1 January 2018	78,420	19,137	50,939	148,496
Changes due to financial instruments recognised as at 1 January 2018:				
Transfer to Stage 2	(2,358)	3,249	(891)	–
Transfer to Stage 3	(3,364)	(2,985)	6,349	–
Transfer to Stage 1	5,493	(3,941)	(1,552)	–
New financial assets originated or purchased	14,476	–	–	14,476
Other	(59,414)	(9,572)	19,460	(49,526)
As at 31 December 2018	33,253	5,888	74,305	113,446

10.1b. Reconciliation of impairment allowance for loans and advances by market segment – 2017 only

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

10.1c. Allowance for loan impairments – 2017 only

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

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

The specific allowance for credit losses of \$24,5 million exclusively relates to loans and advances to customers.

11. Loan impairment charges

Accounting for impairments of loans and advances

Refer to accounting policy pertaining to financial instruments.

Critical accounting estimates and judgements

The group assesses its loan portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cashflows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These include early arrears and other indicators of potential default, such as changes in macroeconomic conditions and legislation affecting credit recovery. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated-loss emergence period.

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition, as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified as stage 1 and has its credit continuously monitored by the group.
- Where a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to stage 2, but not yet deemed to be credit-impaired.
- Where the financial instrument is credit-impaired, the financial instrument is moved to stage 3.
- Financial instruments in stage 1 have their ECLs measured at an amount equal to the portion of lifetime ECLs that result from default events possible within the next 12 months. Instruments at stages 2 and 3 have their ECLs measured based on ECLs on a lifetime basis.
- A pervasive concept in measuring the ECLs in accordance with IFRS 9 is that forward-looking information should be considered.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECLs are measured on a lifetime basis.

	2018 \$'000	2017 \$'000
Stage 1 – 12-month ECL	10,468	–
Stage 2 – Lifetime ECL not credit-impaired	208	–
Stage 3 – Lifetime ECL credit-impaired	923	–
Purchased credit impaired	998	–
Recoveries of bad debts previously written off	5,990	–
Write offs	(18,798)	–
Specific impairment	–	(8,758)
Collective impairment	–	(18,342)
Recoveries for the period	–	4,835
Total impairment charge	(211)	(22,265)

Notes to the financial statements
for the year ended 31 December 2018
continued

12. Collateral

Liabilities for which collateral is pledged:

	2018 \$'000	2017 \$'000
Deposits from banks	34,839	54,437
Deposits from customers	50,891	68,587
Borrowed funds	81,360	48,147
	167,090	171,171

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

	2018 \$'000	2017 \$'000
Advances (collateral)	82,738	44,071
Investment securities	79,034	128,531
Property and equipment	15,751	2,954
	177,523	175,556

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

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

	2018 \$'000	2017 \$'000
The fair value of financial assets accepted as collateral that have been sold or repledged is:	–	41,936
	–	41,936

13. Interest and similar income

Accounting for interest income

Refer to accounting policy pertaining to financial instruments.

	2018 \$'000	2017 \$'000
Unwind of fair value adjustment to loans and advances acquired at fair value through business combination	–	1,503
Cash and short-term funds	2,888	10,259
Investment securities and dated financial instruments	34,413	33,377
Loans and advances	207,021	218,703
Other interest income	2,570	1,971
Interest and similar income	246,892	265,813
Interest income on financial assets designated at fair value through profit/loss	666	690
Interest and similar income	247,558	266,503

14. Financial assets held at fair value through profit or loss

Refer to accounting policy pertaining to financial instruments.

Critical accounting estimates and judgements

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

	2018 \$'000	2017 \$'000
Government bonds	–	14,137
Treasury bills	–	40,405
	–	54,542
Financials assets held at fair value through profit or loss pledged as collateral		
Treasury bills and other open market instruments	–	22,244
Financial assets held at fair value through profit or loss	–	76,786
Current	–	65,067
Non-current	–	11,719

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.

15. Financial assets designated at fair value

Refer to accounting policy pertaining to financial instruments.

	2018 \$'000	2017 \$'000
Listed equities	1,711	1,547
Unlisted equities	22,463	17,306
Unlisted Debentures	114	268
Property units	621	30
Financial assets designated at fair value	24,909	19,151
Current	2,588	7,432
Non-current	22,321	11,719

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).

Notes to the financial statements
for the year ended 31 December 2018
continued

16. Investment securities

Refer to accounting policy pertaining to financial instruments.

	2018 \$'000	2017 \$'000
Balance at 31 December consists of:		
Held at fair value through other comprehensive income/Available for sale		
Government bonds	68,655	211,925
Corporate bonds	18,467	61,960
Listed equities	291	–
Unlisted equities	872	1,375
Unlisted investment	12,829	19,027
Gross total	101,114	–
Less: Expected credit loss	(186)	–
	100,928	294,287
Amortised cost/Held-to-maturity		
Treasury bills	183,933	50,355
Corporate bonds	–	3,308
Government bonds	86,167	7,038
Gross total	270,100	–
Less: Expected credit loss	(1,186)	–
	268,914	60,701
Investment securities	369,842	354,988
Current	224,922	209,206
Non-current	144,920	145,782

The investments in unlisted equities are accounted for at fair value. Refer to note 30 for details.

The government bonds are partial security for the loan from BIFM (note 3). The government bonds earn a fixed interest at 10% and 7.75% p.a. and are redeemable on 12 September 2019 and 8 September 2020. The fair value of the government bonds has not been determined as the government bonds are specifically conditional to the terms of the BIFM loan referred to in note 3.

17. Derivative financial instruments

Refer to accounting policy pertaining to financial instruments.

Critical accounting estimates and judgements

The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market nor the credit risk.

	31 December 2018		
	Assets \$'000	Liabilities \$'000	Notional amount \$'000
Derivatives held for trading			
Forward foreign exchange contracts	202	7,562	145
Derivatives designated at fair value through profit or loss			
Cross-currency interest rate swaps	5,400	10,933	2,916
Equity derivative	–	(11,959)	–
	5,602	6,536	3,061
	31 December 2017		
	Assets \$'000	Liabilities \$'000	Notional amount \$'000
Derivatives held for trading			
Forward foreign exchange contracts	10	136	620
Derivatives designated at fair value through profit or loss			
Cross-currency interest rate swaps	6,493	14,932	25,234
Equity derivative	487	(8,327)	–
	6,990	6,741	25,854

Forward foreign exchange contracts

The notional amounts of outstanding forward foreign exchange contracts at 31 December 2018 were \$145,000 (2017: \$620,000). These resulted in derivative financial assets of \$202,000 (2017: \$10,000) and derivative financial liabilities of \$7.56million (2017: \$136,000).

Cross-currency interest rate swaps

The Group uses cross-currency rate swaps to manage its exposure to foreign currency and interest rate risk. These instruments are transacted for both hedging and non-hedging activities. These instruments result in an economic exchange of currencies and interest rates. An exchange of principal takes place for all cross-currency interest rate swaps. The Group's credit risk exposure represents the potential cost to replace swap contracts if counterparties fail to fulfil their obligation. To control the level of credit risk taken, the Group assesses counterparties using the same technique as for its lending activities.

The notional amounts of the financial instruments provide a basis of comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows or the current fair value of the instrument and, therefore, do not indicate the Group's exposure to credit or price risks.

The table below presents the cash flows payable by the Group for derivative financial liabilities by remaining contractual maturities at the date of the consolidated statement of financial position.

Notes to the financial statements
for the year ended 31 December 2018
continued

17. Derivative financial instruments continued

The amounts disclosed in the table are the contractual undiscounted nominal currency swap cash flows for the liability leg of such swaps, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Greater than 1 year \$'000	Total \$'000
31 December 2018					
Value on initial recognition					
Derivative financial liabilities	71	–	–	5,444	5,515
Equity derivative					
Derivative financial liabilities	–	–	–	–	–
31 December 2017	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Greater than 1 year \$'000	Total \$'000
Value on initial recognition					
Derivative financial liabilities	26,936	–	–	973	27,909
Equity derivative					
Derivative financial liabilities	–	–	–	–	–

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

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.

	2018 \$'000	2017 \$'000
Net fee and commission income:		
Fee and commission income		
Fee income on loans and advances	9,389	6,362
Fee income on investments held at amortised cost	1,071	107
Fee income from trust and fiduciary activities	9,634	9,118
Cash transaction fees	22,748	14,806
Fee income on off-balance sheet items	511	998
Other fee income	11,402	20,420
Net fee and commission income:	54,755	51,811
Net gains/(losses) on financial instruments designated at fair value through profit/loss		
Financial assets designated at fair value through profit/loss	5,570	2,189
Financial liabilities designated at fair value through profit/loss	9,002	(858)
Net gains/(losses) on financial instruments designated at fair value through profit/loss	14,572	1,331
Net income from derivative and foreign exchange transactions:		
Gains on derivatives	60	26,743
Gains on foreign exchange transactions	17,794	16,057
Other net income from non-proprietary trading	1,826	4,278
Net trading income	19,680	47,078
Gains on investments held at FVOCI		
Equities available for sale – quoted	(86)	(114)
Other non-interest income:		
Dividends received – listed shares – fair value through profit/loss	2,191	1,433
Gains/(losses) on disposal of property and equipment	629	(106)
Gains/(losses) on disposal of investment property	–	284
Rental income on investment property	1,936	1,598
Other non-interest income	3,946	5,652
Gain on revaluation of investment property	1,187	6,200
Other non-interest income	9,889	15,061
Non-interest income	98,810	115,167

Notes to the financial statements
for the year ended 31 December 2018
continued

19. Operating expenses

	2018 \$'000	2017 \$'000
Administrative expenses	(102,984)	(82,597)
Property lease rentals	(9,344)	(10,555)
Staff costs (note 19.1)	(96,833)	(99,873)
Auditor's remuneration	(2,516)	(3,379)
Depreciation	(10,334)	(11,051)
Amortisation charge (note 8)	(15,123)	(13,416)
Directors' remuneration (note 19.2)	(3,556)	(2,513)
	(240,690)	(223,384)

19.1. Staff costs

Accounting for staff costs

The Group applies IAS 19 Employee Benefits in its accounting for most of the components of staff costs.

Short-term employee benefits – Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

	2018 \$'000	2017 \$'000
Salaries	(74,902)	(72,251)
Employer contributions to post-retirement funds	(6,685)	(5,276)
Other staff costs	(15,246)	(22,346)
	(96,833)	(99,873)

Notes:

- Total equity-settled share-based payments costs of \$5.1 million (2017: \$6.1 million) have been included in other staff costs. Other staff costs comprise incentive pay, medical aid contributions, staff training and other staff-related expenses.

19.2. Directors' remuneration

	2018 \$'000	2017 \$'000
Executive Directors		
Salary, performance-related remuneration and other	(2,133)	(1,685)
Non-Executive Directors	(1,423)	(828)
Fees as Director of holding company	(1,316)	(828)
Fees as Director of subsidiaries	(107)	–
Total Directors' remuneration	(3,556)	(2,513)

Notes:

The executive directors' fees include the cash component of \$200k, share based component of \$ 200k (in the form of actual shares granted) and share options of \$1.73 million.

Non-executive directors fees include a cash component of \$ 539k and share based component of \$776k (in the form of actual shares granted)

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

19.3. Auditor's remuneration

	2018 \$'000	2017 \$'000
Fees paid to KPMG (external auditor)	(2,516)	(3,379)
Fees paid to KPMG in their capacity as auditor	(2,265)	(2,003)
Fees paid for non-audit services:	(251)	(1,376)
– Taxation-related services	(85)	(246)
– Other assurance services	(166)	(143)
– Other non-audit services ¹	–	(987)

Note:

- 2017 included fees paid to KPMG for services performed in their capacity as the auditor related to the issuance of the prospectives in 2017.

20. Creditors

Refer to accounting policy pertaining to financial instruments.

	2018 \$'000	2017 \$'000
Accruals	7,511	(189,366)
Provisions	16,422	229,026
Other liability accounts	17,334	32,821
	41,267	72,481

Creditors and accruals are due and payable within 12 months.

21. Share-based payment transactions

Accounting for share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Employees working in the business development group are granted share appreciation rights, which are settled in cash (cash-settled transactions).

Equity-settled transactions

The CoE-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share and only presented if the result is a loss.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense.

Critical accounting estimates and judgements

Atlas Mara has entered into equity-settled share-based payment arrangements with its employees and Directors as compensation for services provided. The grant-date fair value of share-based payment awards – i.e. stock options – granted to employees is recognised as personnel expenses, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Fair value is determined by using appropriate valuation models. Vesting conditions include service conditions. Vesting conditions are not taken into account in the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the share-based payment transaction. In determining the grant date fair value of the equity-settled share-based payments, the Group has made key assumptions in relation to inputs included in the valuation methodology, the most significant thereof, relating to the expected volatility of the Atlas Mara shares. In making these assumptions the following were taken into account to determine a proxy volatility:

Volatility of the traded shares of the significant investments held by the Group.
Volatilities of peer group companies in the same markets as the significant investments.

Notes to the financial statements
for the year ended 31 December 2018
continued

21. Share-based payment transactions continued

a. Description of share-based payment arrangements

Atlas Mara currently operates three share-based remuneration arrangements for key management, Directors and employees. These programmes are limited to Directors, key management and senior employees. The key terms and conditions related to these arrangements are listed below. All options/grants are settled by the physical delivery of shares. A number of options were granted to employees to buy Atlas Mara shares, as traded on the London Stock Exchange, in the future at a predetermined price (strike price).

Employee/consultant options

These options were granted to employees and consultants of Atlas Mara. These options were granted under terms similar to the Atlas Mara Global Share Plan. Under this plan the employee/consultant is required to remain employed or engaged with the Group during the vesting period. Requirements are subject to Board discretion. One-third of the options vests on the grant date (8 September 2014 and 15 November 2014 respectively), one-third of the options vests on the first anniversary of the grant date and the remaining third vests on the second anniversary of the grant date. All vested options expire seven years from the grant date. Management indicated that the employees are not entitled to dividends (if any) prior to the vesting date, nor will they receive the value of the dividends that they would have earned if they had been the owner of the shares from grant date.

Summary of Share Awards Scheme operation

Awards C-M

The employee must remain in the employment of the Group for the duration of the vesting period in order to be eligible to receive the shares.

The vesting of the shares occur on variable dates as summarised below.

The employees are not entitled to dividends (if any) prior to the vesting date, nor will they receive the value of the dividends that they would have earned if they had been the owner of the shares from grant date.

b. Measurement of fair values

The fair value of the IPO, employee and key management scheme and the key management share grants have been measured using the risk-neutral valuation principles. Service conditions attached to the transactions were not taken into account in the measurement of fair value. The inputs used in the measurement of the grant date fair value of the equity-settled arrangements are as follows:

	Share Options Scheme									
	Employee options									
	Award C	Award D	Award E	Award F	Award G	Award H	Award I	Award J	Award K	
Derivative	31 Mar 15	19 Nov 15	11 Jan 16	11 Jan 16	27 Apr 16	25 Aug 16	03 Oct 17	4 Oct 17	1 May 18	
	31 Mar 15	19 Nov 15	11 Jan 16	11 Jan 16	27 Apr 17	25 Aug 16	03 Oct 22	4 Oct 22	1 Nov 19	
	31 Mar 16	19 Nov 16	1 Mar 16	11 Jan 17	27 Apr 18	25 Aug 17	-	-	1 May 23	
Vesting dates	31 Mar 17	19 Nov 17	11 Jan 17	11 Jan 18	27 Apr 19	25 Aug 18	-	-		
			1 Mar 17		-	-	-	-		
			11 Jan 18		-	-	-	-		
Expiry date	31 Mar 22	19 Nov 22	11 Jan 23	11 Jan 23	27 Apr 23	25 Aug 23	04 Oct 27	4 Oct 27	4 May 28	

	Share Awards Scheme												
	Award A	Award C	Award D	Award E	Award F	Award G	Award H	Award I	Award J	Award K	Award L	Award M	Award M
Grant date	8 Sep 14	31 Mar 15	19 Nov 15	14 Dec 15	11 Jan 16	11 Jan 16	27 Apr 16	27 Apr 16	27 Apr 16	27 Apr 16	25 Aug 16	22 Mar 17	22 Mar 17
	8 Sep 14	31 Mar 15	1 Mar 16	14 Dec 15	1 Mar 16	1 Mar 17	27 Apr 17	27 Apr 16	27 Apr 16	1 Mar 17	1 Mar 17	22 Mar 17	1 Apr 17
Vesting dates	1 Apr 15	31 Mar 16	1 Mar 17	1 Mar 17	1 Mar 17	1 Mar 18	27 Apr 18	27 Apr 17	1 Mar 17	1 Mar 18	1 Mar 18	22 Mar 18	1 Apr 18
	1 Apr 16	31 Mar 17	1 Mar 18	1 Mar 18	1 Mar 18	-	27 Apr 19	27 Apr 18	27 Apr 17	-	1 Mar 19	22 Mar 19	1 Apr 19
	1 Apr 17	-	-	-	-	-	-	-	1 Mar 18	-	-	-	-
Expiry date	-	-	-	-	-	-	-	-	27 Apr 18	-	-	-	-

21. Share-based payment transactions continued

Number of options and awards granted

The following tables contain the number of options and awards granted per grant date:

Share Options Scheme	
Grant date	Number of options granted
31 March 2015	1,016,000
19 November 2015	369,999
11 January 2016	700,000
27 April 2016	925,001
25 August 2016	20,000
03 October 2017	8,100,000
04 October 2017	1,395,000
1 May 2018	1,800,000

Share Awards Scheme	
Grant date	Number of options granted
31 March 2015	75,627
19 November 2015	229,506
14 December 2015	3,572
11 January 2016	164,853
27 April 2016	423,745
25 August 2016	13,518
22 March 2017	10,000
22 March 2017	11,162

Valuation models and key assumptions used The following tables list the inputs to the models used for the year ended 31 December 2018:

	2018	2017
Dividend yield (%)	0.00	0.00
Expected volatility (%)	25.63/38.17	36.97
Risk-free interest rate (%)	0.90/1.20/1.70	1.00/3.00
Expected life of share options (years)	<10	<10
Weighted average share price (\$)	3.59	3.53
Model used	Binomial	Binomial

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Notes to the financial statements
for the year ended 31 December 2018
continued

21. Share-based payment transactions continued

Valuation results

Share Options Scheme

Based on the aforementioned inputs and assumptions, we obtained the following results. The tables below contain the amortisation schedules per grant made.

Movements during the year

The following table illustrates the number and weighted average exercise prices ('WAEP') of, and movements in, share options during the year:

	2018	2017
Granted during the year	3,195,000	8,100,000
Forfeited during the year	–	–
Exercised during the year	–	–
Expired during the year	(605,000)	–

The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 was:

	2018	2017
Employee options		
Award C	5.25	5.25
Award D	5.89	5.89
Award E	6.03	6.03
Award F	6.03	6.03
Award G	6.32	6.32
Award H	6.65	6.65
Award I	9.76	9.76
Award J	8.76	–
Award K	9.35	–

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

The weighted average fair value of option per unit granted during the year was \$1.99 (2017: \$2.17).

Valuation report information

Spot prices

The following share prices per Atlas Mara share, as traded on the London Stock Exchange, as at the respective grant dates, were sourced from Bloomberg:

Grant date	2018 Spot price (\$)	2017 Spot price (\$)
17 December 2013	10.90	10.90
8 September 2014	10.10	10.10
15 November 2014	9.50	9.50
17 November 2014	9.35	9.35
26 March 2015	7.00	7.00
19 November 2015	5.68	5.68
11 January 2016	5.25	5.25
27 April 2016	4.30	4.30
25 August 2016	3.00	3.00
03 October 2017	3.53	3.53
04 October 2017	3.56	–
01 May 2018	3.61	–

21. Share-based payment transactions continued

Strike prices

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

Grant date	2018 Strike price (\$)	2017 Strike price (\$)
17 December 2013	11.50	11.50
8 September 2014	11.00	11.00
15 November 2014	9.50	9.50
26 March 2015	7.18	7.18
17 November 2015	5.68	5.68
11 January 2016	5.00	5.00
27 April 2016	4.28	4.28
25 August 2016	3.05	3.05
03 October 2017	2.36	2.36
04 October 2017	2.36	–
01 May 2018	2.36	–

Fair values

Grant date	Vesting date	Fair value per option (\$)	Number of options granted	Employee options					Totals (\$)
				December 2014 (\$)	December 2015 (\$)	December 2016 (\$)	December 2017 (\$)	December 2018 (\$)	
31 Mar 2015	31 Mar 2017	1.78	338,667	–	226,205	301,058	74,031	–	601,294
19 Nov 2015	19 Nov 2017	1.82	123,333	–	12,918	112,400	99,313	–	224,631
11 Jan 2016	11 Jan 2017	1.51	150,000	–	–	219,791	6,810	–	226,601
	11 Jan 2018	1.59	150,001	–	–	115,661	119,240	3,698	238,598
11 Jan 2016	11 Jan 2016	1.40	50,000	–	–	69,763	–	–	69,763
	01 Mar 2016	1.40	50,000	–	–	69,763	–	–	69,763
	11 Jan 2017	1.51	50,000	–	–	73,264	2,270	–	75,534
	01 Mar 2017	1.52	50,000	–	–	65,063	11,101	–	76,164
	11 Jan 2018	1.59	50,000	–	–	38,553	39,746	1,233	79,532
27 Apr 2016	27 Apr 2017	1.19	308,334	–	–	247,589	117,804	–	365,393
	27 Apr 2018	1.24	308,333	–	–	130,138	191,974	61,655	383,767
	27 Apr 2019	1.29	308,333	–	–	90,109	132,925	132,964	355,998
25 Aug 2016	25 Aug 2016	0.77	6,667	–	–	5,114	–	–	5,114
	25 Aug 2017	0.80	6,667	–	–	1,876	3,489	–	5,365
	25 Aug 2018	0.85	6,666	–	–	993	2,837	1,844	5,674
03 Oct 2017	03 Oct 2022	2.17	8,100,000	–	–	–	855,693	3,814,995	4,670,688
04 Oct 2017	03 Oct 2022	1.99	1,395,000	–	–	–	–	688,277	688,277
01 May 2018	03 Oct 2022	2.24	1,800,000	–	–	–	–	177,713	177,713
Totals			12,218,998	–	239,123	1,514,136	1,657,233	4,882,378	8,319,870

Notes to the financial statements
for the year ended 31 December 2018
continued

21. Share-based payment transactions continued
Share awards scheme

		Award C						
Grant date	Vesting date	Fair value per option (\$)	Number of options granted	December 2015 (\$)	December 2016 (\$)	December 2017 (\$)	December 2018 (\$)	Totals (\$)
31 March 2015	31 March 2017	6.73	25,209	58,745	78,185	19,226	–	156,156
Totals			25,209	58,745	78,185	19,226	–	156,156

		Award D						
Grant date	Vesting date	Fair value per option (\$)	Number of options granted	December 2015 (\$)	December 2016 (\$)	December 2017 (\$)	December 2018 (\$)	Totals (\$)
17 November 2015	1 March 2017	5.53	96,845	48,119	418,683	68,891	–	535,693
17 November 2015	1 March 2018	5.42	32,240	8,820	76,740	76,616	12,628	174,804
Totals			129,085	56,939	495,423	145,507	12,628	710,497

		Award E						
Grant date	Vesting date	Fair value per option (\$)	Number of options granted	December 2015 (\$)	December 2016 (\$)	December 2017 (\$)	December 2018 (\$)	Totals (\$)
14 December 2015	1 March 2017	5.47	1,191	250	5,376	884	–	6,510
14 December 2015	1 March 2018	5.36	1,190	134	2,886	2,881	475	6,376
Totals			2,381	384	8,262	3,765	475	12,886

		Award F						
Grant date	Vesting date	Fair value per option (\$)	Number of options granted	December 2015 (\$)	December 2016 (\$)	December 2017 (\$)	December 2018 (\$)	Totals (\$)
11 January 2016	1 March 2017	5.13	89,816	–	393,765	67,182	–	460,947
11 January 2016	1 March 2018	5.03	14,969	–	34,210	35,268	5,824	75,302
Totals			104,785	–	427,975	102,450	5,824	536,249

		Award G						
Grant date	Vesting date	Fair value per option (\$)	Number of options granted	December 2015 (\$)	December 2016 (\$)	December 2017 (\$)	December 2018 (\$)	Totals (\$)
11 January 2016	01 March 2017	5.13	22,157	–	97,139	16,573	–	113,712
11 January 2016	01 March 2018	5.03	9,362	–	21,396	22,058	3,643	47,097
Totals			31,519	–	118,535	38,631	3,643	160,809

		Award H						
Grant date	Vesting date	Fair value per option (\$)	Number of options granted	December 2015 (\$)	December 2016 (\$)	December 2017 (\$)	December 2018 (\$)	Totals (\$)
27 April 2016	27 April 2017	4.21	116,804	–	333,588	158,723	–	492,311
27 April 2016	27 April 2018	4.13	116,804	–	163,647	241,404	77,350	482,401
27 April 2016	27 April 2019	4.05	116,805	–	106,915	157,716	157,762	422,392
Totals			350,413	–	604,150	557,843	235,692	1,397,104

		Award I						
Grant date	Vesting date	Fair value per option (\$)	Number of options granted	December 2015 (\$)	December 2016 (\$)	December 2017 (\$)	December 2018 (\$)	Totals (\$)
27 April 2016	27 April 2016	4.30	10,000	–	43,000	–	–	43,000
27 April 2016	27 April 2017	4.21	10,000	–	28,560	13,589	–	42,149
27 April 2016	27 April 2018	4.13	10,000	–	14,010	20,667	6,638	41,315
Totals			30,000	–	85,570	34,256	6,638	126,464

21. Share-based payment transactions continued

		Award J						
Grant date	Vesting date	Fair value per option (\$)	Number of options granted	December 2015 (\$)	December 2016 (\$)	December 2017 (\$)	December 2018 (\$)	Totals (\$)
27 April 2016	27 April 2016	4.30	10,781	–	46,358	–	–	46,358
27 April 2016	01 March 2017	4.23	779	–	2,645	649	–	3,294
27 April 2016	27 April 2017	4.21	10,000	–	28,560	13,589	–	42,149
27 April 2016	01 March 2018	4.14	6,977	–	10,636	15,690	2,590	28,916
27 April 2016	27 April 2018	4.13	10,000	–	14,010	20,667	6,638	41,315
		Totals	38,537	–	102,209	50,595	9,228	162,032

		Award K						
Grant date	Vesting date	Fair value per option (\$)	Number of options granted	December 2015 (\$)	December 2016 (\$)	December 2017 (\$)	December 2018 (\$)	Totals (\$)
27 April 2016	01 March 2017	4.23	2,151	–	7,303	1,792	–	9,095
27 April 2016	01 March 2018	4.14	2,644	–	4,031	5,946	981	10,958
		Totals	4,795	–	11,334	7,738	981	20,053

		Award L						
Grant date	Vesting date	Fair value per option (\$)	Number of options granted	December 2015 (\$)	December 2016 (\$)	December 2017 (\$)	December 2018 (\$)	Totals (\$)
25 August 2016	01 March 2017	0.41	7,922	–	15,972	7,551	–	23,523
25 August 2016	01 March 2018	0.53	3,586	–	2,411	6,889	1,137	10,437
25 August 2016	01 March 2019	0.66	2,010	–	798	2,280	2,281	5,359
		Totals	13,518	–	19,181	16,720	3,418	39,319

		Award M						
Grant date	Vesting date	Fair value per option (\$)	Number of options granted	December 2015 (\$)	December 2016 (\$)	December 2017 (\$)	December 2018 (\$)	Totals (\$)
22 March 2017	22 March 2017	2.97	3333	–	–	–	1,378	1378
22 March 2017	22 March 2018	2.91	3333	–	–	–	1,766	1766
22 March 2017	22 March 2019	2.85	3334	–	–	–	1,934	1934
		Totals	10,000	–	–	–	5,078	5,078

		Award M						
Grant date	Vesting date	Fair value per option (\$)	Number of options granted	December 2015 (\$)	December 2016 (\$)	December 2017 (\$)	December 2018 (\$)	Totals (\$)
22 March 2017	22 March 2017	2.97	5691	–	–	–	2,359	2,359
22 March 2017	22 March 2018	2.91	3803	–	–	–	2,029	2,029
22 March 2017	22 March 2019	2.85	1668	–	–	–	959	959
		Totals	11,162	–	–	–	5,347	5,347

Notes to the financial statements
for the year ended 31 December 2018
continued

22. Cash and short-term funds

Cash and cash equivalents comprise of balances with banks that are short-term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

	2018 \$'000	2017 \$'000
Cash on hand	54,582	64,104
Balances with central banks	37,669	88,951
Balances with other banks	121,149	135,365
Other cash balances	131	2,971
Money market placements maturing within three months	75,358	63,707
Cash and cash equivalents	288,889	355,098
Statutory reserve balances	93,099	101,920
Cash and short-term funds	381,988	457,018

Statutory reserve balances are restricted minimum statutory balances not available for the banking operations' daily operations. These balances do not accrue interest.

23. Tax

Accounting for tax and deferred tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement as the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and any adjustment to tax payable in respect of previous years. Potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities are provided for.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position, and the amounts attributed to such assets and liabilities for tax purposes.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled.

Current and deferred tax is calculated based on tax rates and laws enacted, or substantively enacted, at the reporting date.

Critical accounting estimates and judgements

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies. In the absence of a history of taxable profits, the most significant judgements relate to expected future profitability and to the applicability of tax planning strategies, including corporate reorganisations.

The group's deferred tax asset includes an amount of \$16 million, relating to carried forward tax losses. The group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets of the affected subsidiaries. The subsidiaries are expected to generate taxable profit from 2020 onwards.

This estimate would be most sensitive to a change in the underlying projected profits, where a change of \$1 million would have an approximate impact on the carrying value of +/- 25% (based on average tax rate for entities in tax jurisdictions).

23. Tax continued

23.1. Income tax expense

	2018 \$'000	2017 \$'000
Current tax expense		
Current year tax expense	(12,605)	(7,389)
Withholding tax	(35)	(4)
	(12,640)	(7,393)
Deferred tax		
Accruals	817	1,510
Impairment losses	(2,270)	(2,802)
Property and equipment	(1,858)	370
Gains/(losses) from investments	563	254
Utilisation of assessed losses	5,549	4,431
Impairment of deferred tax assets	3,496	(137)
Other	1,596	(1,501)
Total deferred tax	7,893	2,125
Total tax expense per statement of profit/loss	(4,747)	(5,268)
Reconciliation of effective tax charge:		
Profit before tax	46,964	53,054
Income tax using corporate tax rates	(11,224)	(7,928)
Non-taxable income	(1,122)	(357)
Non-deductible expenses	–	3,003
Effect of share of loss of associates	–	(16)
Tax exempt revenues	1,237	(1,578)
Tax incentives	(404)	–
Income tax at different rates	4,553	530
Unrecognised deferred tax	14	35
Minimum tax charge	(68)	(44)
Tax and fair value losses of prior years claimed	4,123	14
Other	(1,856)	1,073
Current tax expense per statement of profit/loss	(4,747)	(5,268)
Effective tax rate	10%	10%

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

	2018			2017		
	Before tax \$'000	Tax charge \$'000	After tax \$'000	Before tax \$'000	Tax charge \$'000	After tax \$'000
Exchange differences on translating foreign operations	(71,817)	–	(71,817)	21,975	–	21,975
Revaluation of property net of deferred tax	2,678	(815)	1,863	1,019	(503)	516
Share of reserves in associate	(4,373)	(2)	(4,375)	–	–	–
Movement in fair value/available-for-sale reserves	67	18	85	783	–	783
Other	(248)	–	(248)	(13)	–	(13)
Other comprehensive income	(73,693)	(799)	(74,492)	23,764	(503)	23,261

Notes to the financial statements
for the year ended 31 December 2018
continued

23. Tax continued
23.3. Deferred tax

	2018 \$'000	2017 \$'000
Balance at the beginning of the year	(5,073)	(8,765)
IFRS 9 Day 1 impact	24,266	–
Exchange rate adjustment	(4,169)	2,068
Statement of profit or loss charge (note 23.1)	7,893	2,127
Deferred tax on amounts charged to equity (note 23.2)	(799)	(503)
	22,118	(5,073)
Disclosed as follows:		
Deferred tax asset	40,316	13,244
Deferred tax liability	(18,198)	(18,317)
	22,118	(5,073)
Tax effects of temporary differences:		
Accruals	3,565	623
Bond with warrant deferred tax	455	1,251
IFRS 9 Day 1 impact	24,266	–
Impairment losses	5,768	8,017
Property and equipment	(6,684)	(6,129)
Investment property	(963)	(62)
Unrealised gains on investment	(1,519)	(821)
Revaluation surplus	5,024	(1,655)
Tax losses	16,976	19,179
Tax and fair value losses of prior years claimed	–	(19,995)
Other	(24,767)	(5,481)
	22,118	(5,073)

Amount for which no deferred tax assets are recognised:

	2018 \$'000	2017 \$'000
Deductible temporary difference	–	–
Unused tax losses	2,902	2,963
Unused tax credits	–	–

24. Funds under management

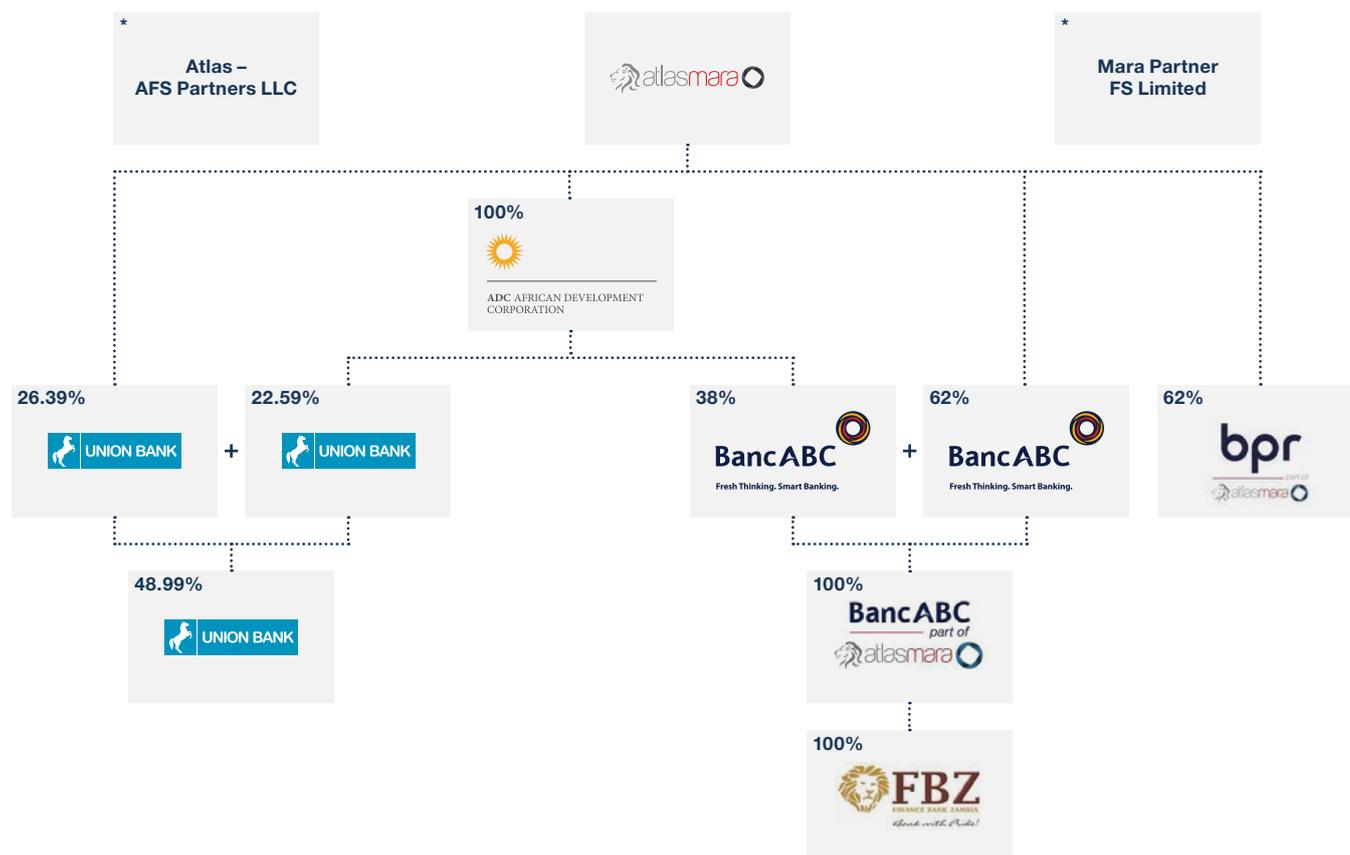
	2018 \$'000	2017 \$'000
Funds under management	235,084	159,177

The Group provides asset management and unit trust activities to pension funds, individuals, trusts and other institutions, whereby it holds and manages assets. The Group receives a management fee for providing these services. The Group is not exposed to any credit risk relating to such placements as these do not represent assets held by the Group.

25. Related parties

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

Nature of related party relationships



Note:

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

Related party transactions

	2018			
	Management fees \$'000	Interest income/expense \$'000	Others \$'000	Total \$'000
Related party:				
Transactions between Atlas Mara and ABCH	(3,772)	3,925	1,347	1,500
Transactions between Atlas Mara and BancABC subsidiaries	(544)	(643)	–	(1,187)
Transactions between Atlas Mara and Atlas Mara Digital Ltd	–	24	(1,238)	(1,214)
Transactions between Atlas Mara and AMFS	–	–	33	33
Transactions between Atlas Mara and BPR	(1,078)	–	–	(1,078)
Transactions between Atlas Mara and founder shareholders' affiliated companies	–	–	(1,354)	(1,354)
Transactions between Atlas Mara and shareholder companies	–	(2,087)	–	(2,087)
	(5,394)	1,219	(1,212)	(5,386)

Notes to the financial statements
for the year ended 31 December 2018
continued

25. Related parties continued
Related party balances

Related party:	2018			
	Loans to Group companies \$'000	Loans from Group companies \$'000	Others \$'000	Total \$'000
Balances between Atlas Mara and ABCH	78,220	–	2,443	80,663
Balances between Atlas Mara and Banc ABC subsidiaries	–	(11,533)	4,095	(7,438)
Balances between Atlas Mara and Atlas Mara Eagle	–	–	14	14
Balances between Atlas Mara and AMFS	–	–	(127)	(127)
Balances between Atlas Mara and founder shareholders' affiliated companies	–	–	(1,325)	(1,325)
Balances between Atlas Mara and shareholder companies	–	(27,608)	–	(27,608)
	78,220	(39,140)	5,100	44,179

Related party transactions

Related party:	2017			
	Management fees \$'000	Interest income/expense \$'000	Others \$'000	Total \$'000
Transactions between Atlas Mara and ABCH	3,385	(918)	(885)	1,582
Transactions between Atlas Mara and BancABC subsidiaries	11,956	(1,082)	(7,738)	3,136
Transactions between Atlas Mara and BPR	1,077	–	–	1,077
Transactions between Atlas Mara and founder shareholders' affiliated companies	–	–	(2,494)	(2,494)
	16,418	(2,000)	(11,117)	3,301

Related party balances

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

26. 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.

	2018 \$'000	2017 \$'000
Earnings		
Profit for the period	39,708	45,432
Basic and diluted earnings	39,708	45,432
Weighted-average ordinary shares (number of shares)		
Recognised as treasury shares	(1,523)	(2,023)
Ordinary shares issued during the period	171,432	110,089
Weighted-average ordinary shares (number of shares)	169,910	108,066
Diluted number of ordinary shares (number of shares)		
Diluted shares	472	684
Total diluted number of ordinary shares (number of shares)	170,382	108,750
Basic earnings per share (\$)	0.23	0.42
Diluted earnings per share (\$)	0.23	0.42

27. Investment property

Accounting for investment property

Investment property is initially measured at cost and subsequently at fair value, with any change therein recognised in profit or loss within non-interest income.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment property comprises commercial properties that are leased to third parties.

Notes to the financial statements
for the year ended 31 December 2018
continued

Critical accounting estimates and judgements

The group obtains independent valuations for its investment properties at least annually.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The fair values of the investment properties at 31 December 2018 have been determined based on the valuations performed by accredited independent valuers.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Valuation technique and significant unobservable inputs

The fair value of investment property was determined by independent professional valuers, across the Group. The valuations, which conform to International Valuation Standards, were in terms of the policy as set out in the accounting policies section and was derived with reference to market information close to the date of the valuation.

The fair values of investment properties have been categorised under level 3 in the fair value hierarchy based on the inputs used.

These inputs include:

- Expected market rental growth
- Void periods
- Occupancy rate
- Rent-free periods
- Risk-adjusted discount rates
- Adjusted rentals per square meter effected to the net lettable areas.

The estimated fair value would increase/(decrease) if:

- Expected market rental growth were higher (lower);
- Void periods were shorter (longer);
- The occupancy rates were higher (lower);
- Rent-free periods were shorter (longer);
- The risk – adjusted discount rates were lower (higher);
- Present use of land and improvements is ceased (lower); or
- Developments are made on the land (increase).

	2018 \$'000	2017 \$'000
Opening balance	21,199	17,199
Exchange rate adjustment	(4,832)	202
Fair value gain/(loss)	1,187	1,699
Additions during the period	3,141	2,099
Reclassifications to property and equipment	(5,437)	
Disposals during the period	(2,843)	–
	12,414	21,199

28. Property and equipment

Accounting for property and equipment

Land and buildings are shown at fair value based on annual valuations by external independent valuers under hyperinflationary economies, otherwise at least once every three years. However, management conducts annual assessments, to ensure that the carrying amount of land and buildings is not significantly different from fair value.

Surpluses and deficits arising thereon are transferred to the property revaluation reserve included under capital reserves in equity. All other items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment. Owner-occupied properties are held for use in the supply of services or for administrative purposes.

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful life of the property and equipment. Land is not depreciated.

The estimated useful lives are as follows:

- Buildings: 20–50 years;
- Buildings: 4 years;
- Computer and office equipment: 3–5 years; and
- Furniture and fittings: 4–10 years.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group.

The cost of day-to-day servicing of property and equipment are recognised in the statement of profit or loss as incurred.

Any gain or loss on disposal of an item of property and equipment is recognised within non-interest income in the statement of profit or loss.

	31 December 2018				
	Land and buildings \$'000	Motor vehicles \$'000	Computer and office equipment \$'000	Furniture and fittings \$'000	Total \$'000
Related party:					
Cost or valuation					
Opening balance at 1 January 2018	85,782	7,503	49,354	30,052	172,690
Exchange rate adjustment	(23,879)	(1,715)	(12,212)	(5,245)	(43,052)
Additions during the year	893	120	5,759	2,232	9,004
Revaluation	2,667	–	–	–	2,667
Reclassification from investment property	5,437	–	–	–	5,437
Disposal during the year	(1,309)	(473)	(124)	(30)	(1,936)
Other reclassifications	646	–	773	(1,949)	(530)
Cost or valuation at 31 December 2018	70,236	5,434	43,549	25,060	144,280
Accumulated depreciation					
Opening balance	(20,225)	(5,720)	(36,183)	(14,833)	(76,962)
Exchange rate adjustment	7,068	1,370	9,034	2,728	20,201
Depreciation charge for the year	(3,025)	(333)	(4,978)	(1,998)	(10,334)
Disposals during the year	670	455	95	12	1,233
Accumulated depreciation at 31 December 2018	(15,512)	(4,228)	(32,032)	(14,091)	(65,863)
Carrying value at 31 December 2018	54,724	1,207	11,517	10,970	78,417
Carrying value at 31 December 2017	65,556	1,783	13,171	15,218	95,728

Notes to the financial statements
for the year ended 31 December 2018
continued

29. Prepayment and other receivables

Accounting for prepayment and other receivables

Prepayments and other receivables are not financial assets and are carried at amortised cost. Identifiable risks of default are accounted for by means of impairments.

	2018 \$'000	2017 \$'000
Accounts receivable	6,541	15,113
Prepayments	12,400	13,637
Security deposits	3,825	13,624
Other receivables	14,521	93,731
	37,287	136,105

30. Fair value of financial assets and liabilities

Fair value determination

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

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

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

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

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

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

30. Fair value of financial assets and liabilities continued

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

	31 December 2018			Total at fair value \$'000
	Quoted prices Level 1 \$'000	Significant observable inputs Level 2 \$'000	Significant unobservable inputs Level 3 \$'000	
Related party:				
Assets measured at fair value:				
<i>Fair value option</i>				
<i>Designated at fair value</i>				
Listed equities	1,711	–	–	1,711
Unlisted equities	–	–	22,463	22,463
Unlisted debentures	–	–	114	114
Property units	–	–	621	621
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	–	2,422	2,978	5,400
Forward foreign exchange contracts	192	10	–	202
<i>Fair value through other comprehensive income</i>				
Government bonds	49,105	19,384	–	68,490
Corporate bonds	6,253	12,193	–	18,446
Listed equities	291	–	–	291
Unlisted equities	–	435	437	872
Unlisted investment	–	12,828	–	12,828
Fair value hierarchy for financial assets	57,554	47,272	26,613	131,439
Liabilities measured at fair value:				
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	5,488	–	5,444	10,932
Forward foreign exchange contracts	7,563	–	–	7,563
Equity derivative	–	(11,959)	–	(11,959)
<i>Borrowed funds</i>				
	–	23,349	–	23,349
Liabilities for which fair values are disclosed:				
Borrowed funds	–	393,394	–	393,394
Fair value hierarchy for financial liabilities	13,051	404,784	5,444	423,279

Notes to the financial statements
for the year ended 31 December 2018
continued

30. Fair value of financial assets and liabilities continued

	31 December 2017			Total at fair value \$'000
	Quoted prices Level 1 \$'000	Significant observable inputs Level 2 \$'000	Significant unobservable inputs Level 3 \$'000	
Related party:				
Assets measured at fair value:				
<i>Financial assets held for trading</i>				
Government bonds	–	1,583	12,554	14,137
Treasury bills	–	62,649	–	62,649
<i>Fair value option</i>				
<i>Designated at fair value</i>				
Listed equities	1,547	–	–	1,547
Unlisted equities	–	–	17,306	17,306
Unlisted debetures	–	–	268	268
Property units	–	–	30	30
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	(487)	486	6,494	6,493
Equity derivative	–	487	26,800	27,287
Forward foreign exchange contracts	–	10	–	10
<i>Available-for-sale investments</i>				
Unlisted equities	–	446	929	1,375
Unlisted investment	–	19,027	–	19,027
Government bonds	–	211,925	–	211,925
Corporate bonds	–	61,960	–	61,960
Fair value hierarchy for financial assets	1,060	358,573	64,381	424,014
Liabilities measured at fair value:				
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	8,816	–	6,117	14,933
Forward foreign exchange contracts	–	136	–	136
Equity derivative	–	(8,328)	–	(8,328)
<i>Borrowed funds</i>				
	–	31,309	–	31,309
Liabilities for which fair values are disclosed:				
Borrowed funds	–	315,747	–	315,747
Fair value hierarchy for financial liabilities	8,816	338,864	6,117	353,797

There were no transfers between levels in the current period.

30. Fair value of financial assets and liabilities continued

Level 3 fair value movements

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

	31 December 2018				
	Debt or equity investments \$'000	Derivative financial assets \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
Opening balance	31,088	33,294	64,382	6,117	6,117
Total gains or losses	-	-	-	-	-
– in profit/(loss)	5,174	-	5,174	-	-
– in other comprehensive income	(308)	(329)	(637)	(172)	(172)
Purchases	2,193	-	2,193	-	-
Settlements	(12,897)	(29,454)	(42,351)	-	-
Exchange rate adjustment	(1,615)	(533)	(2,148)	(502)	(502)
Closing balance	23,635	2,978	26,613	5,444	5,444

	31 December 2017				
	Debt or equity investments \$'000	Derivative financial assets \$'000	Total assets at fair value \$'000	Derivative financial liabilities \$'000	Total liabilities at fair value \$'000
Opening balance	14,021	6,024	20,045	5,733	5,733
Total gains or losses	4,485	26,773	31,258	(88)	(88)
– in profit/(loss)	4,514	26,773	31,287	(88)	(88)
– in other comprehensive income	(29)	-	(29)	-	-
Purchases	(288)	-	(288)	-	-
Exchange rate adjustment	(27)	497	470	472	472
Transfer into level 3	12,897	-	12,897	-	-
Closing balance	31,088	33,294	64,382	6,117	6,117

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

	31 December 2018				
	Debt or equity investments \$'000	Derivative financial assets \$'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:	5,174	-	5,174	-	-
Net trading income	-	-	-	-	-
Net income from other financial instruments carried at fair value	5,174	-	5,174	-	-
Total gains or losses recognised in other comprehensive income	-	(329)	(329)	(172)	(172)

	31 December 2017				
	Debt or equity investments \$'000	Derivative financial assets \$'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:	4,494	-	4,514	-	-
Rental income	4,494	-	4,514	-	-
Net income from other financial instruments carried at fair value	(27)	-	(27)	(88)	(88)
Total gains or losses recognised in other comprehensive income	(29)	-	(29)	-	-

Notes to the financial statements
for the year ended 31 December 2018
continued

30. Fair value of financial assets and liabilities continued

Description of significant unobservable inputs to valuation

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

Type of financial instrument	Valuation technique	Significant unobservable input	Range of estimates (weighted average) for unobservable input
Government debt	This includes government bonds and treasury bills. Liquid government bonds that are actively traded through an exchange or clearing house are marked-to-market. Less liquid bonds are valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. Where there are no observable market prices, a proxy curve is constructed by using the US interest rate swap yield curve and adding a spread indicative of the inherent risk relating to credit, liquidity and for the sovereign risk of the government debt.	Discount rate where no traded market exists.	12–22%
Corporate debt	This includes corporate bonds which are valued using observable market prices which are sourced from broker quotes, inter-dealer prices or other reliable pricing services. Where there are no observable market prices, a proxy curve is constructed by using the US interest rate swap yield curve and adding a spread indicative of the inherent risk relating to credit, liquidity and for the sovereign risk of the corporate debt.	Discount rate where no traded market exists.	12–18%
Unlisted equities and investments	Market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee on actual EBITDA for the year ended 31 December 2018. The estimate is adjusted for the effect of the non-marketability of the equity securities.	Adjusted price to book ratio. Adjusted EV/EBITDA.	12–25%

Sensitivity analysis

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

	31 December 2018			
	Profit or loss		Equity	
	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000
Average price to book ratio (5% movement)	78	(78)	78	(78)
Book value (2% movement)	31	(31)	31	(31)
Adjusted EV/EBITDA (5% movement)	78	(78)	78	(78)
EBITDA (2% movement)	31	(31)	31	(31)

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

30. Fair value of financial assets and liabilities continued

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions:

The following table shows the impact on the fair value of level 3 financial instruments of using reasonably possible alternative assumptions by class of instrument. The positive and negative effects are approximately the same.

	31 December 2018		31 December 2017	
	Carrying amount \$'000	Effect of reasonably possible alternative assumptions \$'000	Carrying amount \$'000	Effect of reasonably possible alternative assumptions \$'000
Financial assets				
<i>Financial assets held at fair value through profit or loss</i>				
Government bonds	-	-	12,554	1,255
<i>Fair value option</i>				
Unlisted equities	142	14	17,306	1,731
Unlisted debentures	114	11	268	27
Property units	621	62	30	3
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	5,632	5,604	6,494	649
Equity derivative	-	-	26,800	2,680
<i>Financial assets held at fair value through other comprehensive income</i>				
Unlisted equities	82	8	929	93
Financial liabilities				
<i>Derivative financial instruments</i>				
Cross-currency interest swaps	5,444	5,415	6,117	612

31. Off-balance sheet items

a. Loan commitments and other financial facilities

The timing profile of the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities for the year ended 31 December 2018 are summarised below:

	2018 \$'000	2017 \$'000
Guarantees	33,434	29,944
Letters of credit	80,772	44,295
Forward contracts and currency swaps	7,146	2,241
Other contingent liabilities	11,961	64,452
Gross balance	133,313	140,932
Expected credit loss allowance	(541)	-
	132,772	140,932

Maturity analysis of loan commitments

Less than one year	79,243	106,071
Between one and five years	43,393	33,049
Over five years	10,136	1,812
	132,772	140,932

b. Capital commitments

Approved and contracted for	6,257	5,724
Approved but not contracted for	10,233	22,090
	16,490	27,814

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

Notes to the financial statements
for the year ended 31 December 2018
continued

32. Non-current assets held-for-sale

a) Non-current asset/disposal group classified as held for sale

Accounting for non-current assets held-for-sale (or disposal groups)

The Group classifies non-current assets as held-for-sale (or disposal groups) to equity holders of the Parent if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell.

Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held-for-sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn.

Management must be committed to the sale expected within one year from the date of the classification.

Property and equipment and intangible assets are not depreciated or amortised once classified as held-for-sale.

Assets and liabilities classified as held-for-sale are presented separately as current items in the statement of financial position.

On 30 April, the Group announced its intention to dispose of its investments in:

- BancABC Mozambique
- BancABC Tanzania
- Atlas Mara Zambia
- BPR Rwanda

This will result in deconsolidation effective 30 March 2019. The disposal group includes all the assets and liabilities of these entities as well as Group balances associated with them.

Annexure A – Reconciliation Non-GAAP measures

Use of non-GAAP financial measures

As stated in our reported results, our financial results are prepared in accordance with IFRS as detailed in the Financial Statements starting on page 39 of the Atlas Mara Annual Report and Accounts 2018.

When measuring our performance, we include certain financial measures, to report our results, where the impact of certain non-recurring or non-core activities are excluded to provide a view of our sustainable performance.

We also include certain measures, where factors that distort year-on-year comparison is excluded.

These are considered non-GAAP measures.

Adjusted operating profit

When calculating our adjusted operating profit, we exclude the impact of one-off and transaction-related items.

One-off items are considered, but not limited to be those related to matters such as separation packages paid to staff and executives, integration costs when acquiring new business and costs associated with corporate restructures and reorganisations which management would identify and evaluate separately when assessing performance and performance trends of the business. The following table provides a reconciliation of the adjusted operating profit to most directly comparable measures under IFRS.

		2018 \$'000	2017 \$'000	CC Var %
Adjusted profit after tax	\$ million	26.4	37.0	77%
Transaction and M & A related items	\$ million	26.3	20.6	>100%
Reorganisations and restructuring costs	\$ million	(8.7)	(10.0)	(12.4)
Tax and NCI	\$ million	(4.3)	(2.2)	(>100%)
IFRS reported profit	\$ million	39.7	45.4	>100%

Note:

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

2018 – Included in M&A costs are the gain recognised in respect of the acquisition of the additional c.4.5% share of UBN. Included in reorganisation and restructuring costs are amongst others, restructuring and integration costs of ca \$8.7 million.

Glossary

AMFS	Atlas Mara Financial Services Limited (formerly ADC Financial Services Limited)	HIFA	Harare International Festival of the Arts
AATIF	Africa Agriculture and Trade Investment Fund S.A	IASB	International Accounting Standards Board
ABC	BancABC	ICAAP	Internal Capital Adequacy Assessment Process
ABCH	ABC Holdings Limited	IFC	International Finance Corporation
AfDB	African Development Bank	IFRS	International Financial Reporting Standards
ADC AG	ADC African Development Corporation AG	IFRSIC	International Financial Reporting Standards Interpretation Committee
AED	United Arab Emirates Dirham	IMA	Investment Management Association
AGM	Annual General Meeting	IMF	International Monetary Fund
ALCO	Assets and Liability Committee	IPDEV	I&P Development
BIFM	BIFM Capital Investment Fund One (Pty) Ltd	IPO	Initial Public Offering
BPR	Banque Populaire du Rwanda Limited	KPI	Key performance indicator
BRD-C	Banque Rwandaise de Développement – Commercial/Development Bank of Rwanda – Commercial	KPMG	KPMG Inc
BVI	British Virgin Islands	LGD	Loss given default
CEO	Chief Executive Officer	NBTS	National Blood Transfusion Services
CFO	Chief Financial Officer	NCI	Non-controlling interests
CGU	Cash-generating unit	NPL	Non-performing loan
CoE	Cost of equity	OCI	Other comprehensive income
COMESA	Common Market for Eastern and Southern Africa	OECD	Organisation for Economic Co-operation and Development
Corporate centre	Atlas Mara Dubai based office	OPIC	Overseas Private Investment Corporation
CPI	Corruption Perceptions Index	ORCO	Operational Risk Committee
CREDCO	Credit Committee	Parent company	Atlas Mara
CRO	Chief Risk Officer	PD	Probability of default
CTP	Credit transformation programme	PE	Private equity
DFI	Development finance institution	RAROC	Risk adjusted return on capital
DTR	Disclosure and Transparency Rules	REC	Regional Economic Community
EAC	East African Community	REMCO	Remuneration Committee
EAD	Exposure at default	RoE	Return on equity
ECOWAS	Economic Community of West African States	SADC	Southern African Development Community
EIR	Effective interest rate	SMEs	Small- and medium-sized enterprises
EL	Expected loss	SSA	Sub-Saharan Africa
EPS	Earnings per share	TFTA	Tripartite Free Trade Agreement
ERM	Enterprise-wide Risk Management	The Model	Three lines of defence model
EU	European Union	Translation reserve	Foreign currency translation reserve
EXCO	Executive Committee	TSA	Treasury Single Account
EV	Expected value	UBN	Union Bank of Nigeria
EBITDA	Earnings before interest, tax, depreciation and amortisation	UGPL	Union Global Partners Limited
FDI	Foreign Direct Investment	VIU	Value in use
FISP	Farmer Input Support Programme	WAEP	Weighted-average exercise price
GBFC	Green Buffaloes Football Club	WEF	World Economic Forum
		ZAMCO	Zimbabwean Asset Management Company

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