ATMA

24 April 2018

Atlas Mara Limited Reviewed Results – Year Ended 31 December 2017

Atlas Mara Limited ("Atlas Mara" or the "Company" including its subsidiaries, the "Group"), the sub-Saharan African financial services group, today releases its consolidated reviewed results for the year ended 31 December 2017. The results represent an extract from the reviewed summarised financial statements.

Principal highlights:

- **Reported 2017 net income of $45.4 million (2016: $8.4 million), and EPS of 42 cents (2016: 12 cents). This is the third consecutive year of profitability for the Company**
    - **2017 reported profit benefitted from the inclusion of a one-off gain of $20.6 million associated with the acquisition of the additional shares in UBN. This gain arose as a result of the fair value of the shares acquired exceeding the purchase consideration paid**
    - **Adjusted net profit is $37.0 million (2016: $20.8 million) and excludes the impact of this gain and other transaction and restructuring related expenses**
- **Delivered $27 million in Shared Services and Centre cost savings, exceeding the stated guidance of $20 million**
- **Focused on growth and execution in streamlined business units:**
    - **Retail & Commercial Banking led to an improved portfolio, improved credit quality trends with lower NPLs at 11.8% (2016: 13.3%), and improved cost of funds at 5.5% (2016: 6.3%), while achieving higher NII and NIM on a stable loan book. Achieved BVPS growth from $4.44 in Q3 2017 to $4.77 in Q4 2017**
    - **Developed our Digital offering and executed on strategic partnerships**
    - **Continued to enhance Markets and Treasury propositions to customers, which are provided both directly and through our banking subsidiaries**
- **Continued shareholder support with oversubscribed equity placement and subsequent strategic financing transaction with existing Atlas Mara shareholders and new investor Fairfax Africa Holdings ("Fairfax"), enabling an aggregate of $213.7 million equity raise to accelerate growth plans**
- **Executed on Nigeria strategy by increasing stake in Union Bank of Nigeria ("UBN") from approximately 31% in Q3 2017 to 44.5% in Q4 2017 and 48% in Q1 2018**
- **Closed DFI facilities for asset growth of our operations to support digital banking and financial inclusion initiatives**

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

"2017 was Atlas Mara's best operating performance to date. Against a mixed macroeconomic backdrop, we delivered our highest reported net profit to date, improved credit quality, stabilised interest margins, established our asset-light business lines, and positioned the Company to better achieve our strategic growth objectives.

"One year ago, we promised to meet two clear performance targets: more than $20 million in cost savings at the centre, and more than double our net profit from 2016. We delivered on both through the efforts of our committed management and staff throughout our businesses. We have a leaner Shared Services Centre with stronger presence on the ground, and we expanded our product portfolio and improved the quality of our loans and deposits. We significantly increased our investment in UBN, and we brought in a new strategic long-term partner in Fairfax. Despite headwinds, we saw significant penetration across customer segments.

"We are better positioned to grow within our markets, and to benefit as they turn the corner economically. I am very pleased to deliver a strong 2017, and am even more excited for what lies ahead. We have more work to do, but our company is the strongest it has ever been, and I am confident we will deliver increased value for our shareholders in 2018."

Key Events Since Period End

Management and Directorate Changes

- Atlas Mara today also announces the appointment of John Staley to the position of Chief Executive Officer, effective 1 May 2018. Shareholder approval will be sought to appoint Mr. Staley to the Board. Mr Staley was previously Chief Officer – Finance and Innovation with Equity Group Holdings, the parent company of Equity Bank until 2017. He joined Equity Group in 2002 and served in a variety of roles during his tenure. Mr Staley was instrumental in the growth and market-leading product development at Equity Bank. He also brings a strong expertise in technology and infrastructure to his new role.
- The Company also today announces the appointment of Mr. Simon Lee to the Board of Directors, to replace Mr. Quinn McLean, who is stepping down from the Board of Directors of the Company effective today. This change is in accordance with the terms of the agreement entered into with Fairfax as part of the Placing and Open Offer (the "Strategic Financing") under which Fairfax has the right to appoint four directors to the Board.
- Mr Lee was previously the CEO of RSA Insurance Group plc until 2013. Prior to RSA, Mr Lee held a number of senior roles with NatWest, part of the Royal Bank of Scotland Group.

Commenting on the appointment and changes, Bob Diamond, Chairman, said:

- "We are very pleased to appoint John Staley as the Company's new CEO. His appointment reflects the ambitions of the Company, including to build out a leading IT infrastructure, and to utilize digital products and channels to accelerate the pursuit of the Company's strategy. The Board and I look forward to working with John. I am also pleased to welcome Simon Lee to the Board and look forward to working closely with him. He brings a long record of accomplishments and his skills will complement the Board and add value.
- "On behalf of the Board I also want to thank Quinn McLean for his contributions, particularly in the areas of corporate finance and innovative structured finance. We are grateful for his service to the Company and wish him well in the future."

Convertible bonds

- Atlas Mara today further announces a new issue of secured convertible bonds maturing in April 2020. Proceeds from the issuance will be used to support growth in the Markets and Digital business lines and for general corporate purposes. A portion of the bonds will be issued to Fairfax, the Company's largest shareholder, for a total principal value of $16.0 million and is part of a series of debt fundraising targeting a total of $37.5 million. The bonds are secured with a portion of the Company's indirect shareholding in Union Bank of Nigeria and have a coupon of 7.5% payable semi-annually. Conversion of the bonds is subject to shareholder and any other requisite approvals and is convertible into shares of Atlas Mara at a 10% discount to the lower of the market price at the date of issuance or the volume weighted average price on the conversion date prior to the maturity date in April 2020. This conversion is at the option of the bondholder(s) in lieu of repayment in cash. Shareholder approval for the conversion feature will be requested at the Company's forthcoming Annual General Meeting. In the event that shareholder approval is not secured, the coupon on the bonds will increase retroactively from 7.5% to 9.0%.

Key Financial Highlights During the Period:

- Adjusted net profit after tax increased significantly both on a USD and constant currency basis to $37.0 million, driven by higher revenue, cost savings in the Shared Services and Centre, and the full accounting impact of the additional 13.4% share of UBN which was completed on 1 October 2017
- Total revenue increased by 7.8% and was attributable to continued focus on lower cost of funding, revenue growth, increased net interest margins, and the full year impact of the Zambia acquisition
- Though we successfully executed cost savings of more than $20 million, this figure was to some extent offset by inflation related cost increases in certain countries and the non-recurring costs of integration and branding associated with our newly rebranded operation in Zambia to "Atlas Mara Zambia", the first operating bank to carry the Atlas Mara brand.
- We will continue to invest at a quicker pace in our businesses' infrastructure to enable them to grow safely and sustainably from robust, efficient, flexible platforms
- Our emphasis for 2017 continued to be on managing down higher risk portfolios in certain countries where we had a cautious credit risk appetite. This has resulted in muted loan book growth for the Group
- The Group NPL ratio continued to steadily improve in 2017 to 11.8% (2016: 13.3%). When specific legacy Zimbabwe and Zambia loans, where recovery efforts are underway, are excluded from this figure, the Group NPL ratio reduced to 9.3%.
- Asset recoveries totalled $20.1 million for the year reflecting continued focus to deliver shareholder value through managing the asset portfolio end-to-end
- UBN contributed associate income of an estimated $38.4 million for the period (2016: $18.1 million), which reflects the share of 9 months' income at a 31.2% shareholding and 3 months' income at a 44.5% shareholding, on an equity accounted basis, as well as the impact of the gain on acquisition. The UBN earnings have been estimated, based on the average earnings reported for the 9 months period ended 30 September 2017, on an annualised basis.
- Reported equity at period end was $813.2 million, which represents a significant increase from $526.1 million at 31 December 2016. This is as a result of the reported profit of $45.4 million, the positive impact of translation gains as most currencies strengthened against the USD during 2017

and the impact of the strategic transaction, which saw the group raise additional equity of $200 million. Atlas Mara grew book value per share Quarter on Quarter for the first time in the Company's history to $4.77 in Q4 2017 from $4.44 in Q3 2017. Year on year BVPS was $4.77 at 31 December 2017 compared to $7.29 at 31 December 2016. Tangible book value per share was $3.87 at 31 December 2017 ($5.27 at 31 December 2016). The year on year declines resulted from the 2017 equity issuances.

Key operational highlights during the period:

- The Group continues to focus on building the existing retail and corporate businesses across all countries of operation. In 2017 significant improvements were made in cost efficiencies, operations, and talent acquisition in the banks. Cost of funds and liquidity improved in all countries. Both Botswana and Rwanda finalized significant new debt funding facilities from global development finance institutions.
- We increased focus on deployment of our digital initiatives. During the quarter the Group continued to expand access points and deposit mobilization efforts across the footprint. We also launched Agency banking in Tanzania in partnership with Maxcom, and in Mozambique.
- Markets and Treasury's continued to diversify its product offering and broadening the client base, including through build out of the offshore desk based in Dubai. Despite a challenging market environment including a slow foreign exchange environment in several markets, overall foreign exchange and fixed income revenues were 16% higher than in 2016.
- In 2017, shareholders reinforced their confidence in the company when the Company raised a total of $213.7 million in equity through a combined $13.7 million oversubscribed placement in February 2017, and a $200 million placement as part of our strategic financing with existing Atlas Mara investors and new shareholder Fairfax in August 2017.
- In 2017, in accordance with the terms of the agreement entered into with Fairfax as part of the Placing and Open Offer (the "Strategic Financing"), the Atlas Mara Board approved the appointments of Michael Wilkerson, Richard Boucher, Quinn McLean and Hisham Ezz Al-Arab (the "New Directors") to the Board of Directors. Ashish J. Thakkar, Co-Founder, and Tonye Cole, Chair of the Nomination Committee, stepped down from their respective roles on the Board. As previously noted, subsequent to year-end, Mr McLean stepped down from his position on the Board, and Fairfax has nominated Simon Lee for appointment to the Board.
- In each of our operating territories, we have seen significant new business momentum in 2017:
  - In Botswana,
    - we established a market leading position with our prepaid card product, and we were appointed as card issuer for the government. This product has the potential to be a powerful driver of client and wallet share acquisition.
    - We finalised a $40 million debt financing facility from a development finance institution, to support digital initiatives and financial inclusion.
    - We appointed Kgotso Bannalotlhe as Managing Director of the Bank, who brings with him a strong corporate banking background and a focus on digital banking, reflecting our strategy to diversify our Botswana business.

- In Mozambique,
    - we launched agency banking, brought in more than 10,000 new accounts, and expanded our point of sale network to more than 300 terminals. We also partnered with Vodacom M-Pesa to provide two products: nano credit for cash and credit for usage within the banking wallet.
- In Rwanda,
    - we won the award of “Best Bank in Rwanda” at the Banker East Africa awards.
    - We raised RWF 4 billion in deposits through a successful rural deposit mobilization campaign. We also closed on a $30 million debt financing facility from a group of development finance institutions to support SMEs, corporates, and digital banking.
    - We enhanced our electronic channels, including mobile and internet banking. Other initiatives in Rwanda included pioneering financing structures that have made us leaders in banking off-grid power producers such as solar and launching mobile/online apps to facilitate electronic payments for utility services.
    - We appointed Maurice Toroitich as Managing Director, who brings with him a longstanding experience in Retail and Corporate Banking, to support our ambitions for growth and expansion of our digital offerings.
- In Tanzania,
    - we won the award of “Best Emerging Bank” at the Banker East Africa awards.
    - We restructured the business to reduce cost, increase focus on operations, and make us more responsive to the market.
    - We also recapitalized the bank.
- In Zambia,
    - we improved efficiency by completing the integration of 2 banks including the merger of 28 branches into 14.
    - We launched the new Atlas Mara brand, making this the first country operation to bear our group’s brand.
    - We appointed James Koni as Managing Director to lead our growth ambitions in Zambia and steer the bank through the completion of the integration process and establishing the foundation for accelerated growth.
- In Zimbabwe,
    - we achieved significant NPL recoveries in our legacy NPL portfolio, driving a substantial improvement in NPL ratio.
    - We made upgrades to our digital platforms, including reintroducing mobile banking and adding instant interbank transfers. We also rolled out more than 1,000 point of sale terminals.

Investor Conference Call

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

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About Atlas Mara

Atlas Mara Limited (LON: ATMA) is a financial services institution listed on the London Stock Exchange. Its vision is to create sub-Saharan Africa's premier financial services institution through organic and inorganic growth by combining the best of global institutional knowledge with extensive local insights. With a presence in seven sub-Saharan countries, Atlas Mara aims to be a positive disruptive force in the markets in which we operate by leveraging technology to provide innovative and differentiated product offerings, excellent customer service and accelerate financial inclusion in the countries in which the Company operates. For more information, visit www.atlasmara.com

Summary of Results

Table 1: Adjusted operating profit and reconciliation to IFRS profit for year ended December 2017

$'m	2017 Reviewed	2016 Audited	Total Var %	CCY Var %
Adjusted profit after tax	**37.0**	**20.8**	**77.7**	>100
Transaction and M & A related items	20.6	(8.8)	>100	20.6
Reorganisations and restructuring costs	(10.0)	(8.9)	(12.4)	(10.0)
Tax and NCI	(2.2)	5.3	->100	->100
Reported net profit	**45.4**	**8.4**	**>100**	**>100**
Reported cost to income ratio	85.8%	97.1%		
Adjusted cost to income ratio	82.0%	89.9%		
Reported return on equity	5.6%	1.6%		
Adjusted return on equity	4.5%	3.9%		
Reported return on assets	1.4%	0.3%		
Adjusted return on assets	1.2%	0.8%		
Reported EPS ($)	0.42	0.12		
Operational EPS ($)	0.34	0.29		
Book value per share ($)	4.77	7.29		
Tangible book value per share ($)	3.87	5.27		
Total Shares in issue (‘000)	**172 259**	**72 759**		

Table 2: Summary of Financial Position as at December 2017

Q1 2017	Q2 2017	Q3 2017	Q4 2017	$' million	Reviewed 2017	Audited 2016	Total Var %	CCY Var %
422.4	486.2	497.6	457.0	Cash and short-term funds	457.0	406.3	12.4	10.0
180.6	91.4	99.2	95.9	Financial assets held for trading	95.9	115.6	(17.0)	20.6
1,304	1,329.9	1,303.2	1,330.0	Loans & advances	1,330.0	1,334.8	(0.4)	(4.0)
187.2	323.5	330.9	355.0	Investments	355.0	237.2	49.7	29.2
295.8	302.6	306.1	444.6	Investment in associates	444.6	294.0	51.2	51.2
155.3	175.0	171.9	174.6	Intangible asset	174.6	168.2	4.0	3.4
226.1	204.8	245.5	283.3	Other assets	283.3	200.9	41.0	44.7
2771.4	**2913.4**	**2 954.4**	**3,140.4**	**Total assets**	**3,140.4**	**2,757.1**	**13.9**	**9.9**

1,753.8	1,892.7	1,799.3	1,877.5	Customer deposits	1,877.5	1,799.4	4.1	0.7
367.3	364.7	341.1	346.2	Borrowed funds	346.2	322.6	8.5	8.2
102.6	82.9	56.5	103.5	Other liabilities	103.5	109.0	(4.3)	(30.4)
547.7	573.1	757.5	813.2	Capital and reserves	813.2	526.1	54.5	51.0
2,771.4	**2,913.4**	**2,954.4**	**3,140.4**	**Total equity and liabilities**	**3,140.4**	**2,757.1**	**13.9**	**9.9**
74.4%	70.3%	72.4%	70.8%	Loan: Deposit ratio	70.8%	74.2%		
13.1%	12.3%	11.1%	11.8%	NPL ratio	11.8%	13.3%		

Notes: CCY refers to constant currency variance which excludes the impact of local currencies' changes against the US$.

Chairman’s introduction

Dear Shareholder

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

The year in review

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

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

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

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

Strategic partnership and Nigeria

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

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

Business model

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

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

Management update

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

Outlook

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

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

Bob Diamond

Chairman

Kenroy Dowers, Chief Financial Officer

Performance Overview

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

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

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

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

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

- We have invested in our Markets and Treasury business with the aim to broaden the spectrum of African currencies that we focus on, and to offer transaction capability on currency hedging and trade finance support, to include markets and currencies for customers outside our current country footprint. Likewise, following the recent equity raise, we have invested in specific growth initiatives in our digital finance product offering, as another source to diversify and improve revenue generation.

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

The financial information included within this document represents an extract from the reviewed IAS 34: Interim Financial Statements compliant condensed consolidated financial statements. The review opinion of the auditors on these accounts was unmodified.

Those accounts do not represent the Group's Annual Report and Accounts, which is subject to publication of UBN's 2017 results. The Audited Annual Report and Accounts will be published on the Group's website by 30 April 2018.

Statement of comprehensive income review

Table 2: Total income for the year ended 31 December 2017

$'m	**2017**	**2016**	**CC Var %**
Net interest income	145.3	127.2	12.8
Non-interest income	115.2	114.5	(0.3)
- Net income from derivative and foreign exchange transactions	47.1	35.9	>100%
- Fees and commissions	51.8	48.9	(8.0)
- Other revenue	16.3	29.7	(6.0)
Total income	**260.5**	**241.7**	**6.6**

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

Net interest income

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

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

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

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

With an emphasis on attracting low-cost retail deposits across the Group, we expect to see our retail business making a greater contribution to net interest income over time.

Non-interest income

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

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

Total expenses

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

Shared Services and Centre costs were reduced by $27 million. This cost saving was achieved as a result of lower staff and other operating costs following the restructuring of the Shared Services and

Centre and the closure of the office in Johannesburg, and other cost-savings initiatives implemented across the Group.

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

Loan impairment charges

The 2017 loan impairment charge of $22.3 million represents a 44.8% (63.7% ccy) increase on the prior year charge of $15.4 million. This is largely due to additional impairments in Mozambique, Rwanda, Tanzania and Zimbabwe and the impact of lower IFRS 3 adjustments than historically taken into account. We reported gross recoveries of $20.1 million in 2017 (2016: $4.3 million). The impact of economic conditions contributed to the additional charges. In Zimbabwe, despite an increase in recoveries, we also experienced an increase in portfolio impairments resulting in an overall increase in the impairment charge for the year. We continue to focus on restructuring and recovering further from the legacy NPL book, and have made good progress on a couple of large single name exposures in Zambia and Zimbabwe, both to increase profitability and to reduce our overall NPL ratios to closer to comparable peer levels.

Statement of financial position review

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

Customer loan composition – 2017

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

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

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

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

Credit quality

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

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

Non-performing loans (NPLs) as a percentage of the loan book declined to 11.8% (December 2016: 13.3%), reflecting evidence of our improved resourcing behind our credit monitoring and collection processes. The year-on-year improvement was specifically supported by asset recoveries secured in Mozambique, Zambia and Zimbabwe.

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

Capital position

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

Table 5: Capital Adequacy ratios

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

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

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

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

Investment in associate: UBN

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

We have reviewed the carrying value of the investment held in UBN from a valuation perspective as part of the year-end audit review and valuation work. We have stress-tested future expected earnings and having considered the impact of the devaluation of the Naira, coupled with potential credit shocks in the Nigerian market from lower oil prices and market-wide shortages of US Dollar liquidity, the carrying value was nonetheless substantiated, with no impairment required to the UBN carrying value for this investment at December 2017.

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

Goodwill and intangibles

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

Liabilities

Table 6: Customer deposits ($ millions)

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

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

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

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

Segment information

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

Southern Africa (SADC)

Our Business

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

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

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

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

East Africa (EAC)

Our Business

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

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

West Africa (ECOWAS)

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

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

Our Business

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

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

Other

Included in this segment are Atlas Mara Limited, the BVI incorporated holding company and Atlas Mara’s Dubai subsidiary and all other intermediate Group holding entities acquired through the acquisitions of ABCH and ADC in August 2014, also referred to as the Shared Services and Centre. This segment of Atlas Mara reported a net loss of $2.9 million for 2017 compared to a net loss of $8.1 million for 2016 due to the commitment to reduce costs in this segment.

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

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

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

2016			**Banking Ops**						**Other**
US$m	**Group**		**Southern**		**East**		**West**		**Corporate**
Total Income	241.7		165.3		57.3		-		19.1
Loan impairment charge	(15.4)		(11.5)		(3.9)		-		-
Operating expenses	(234.8)		(156.5)		(50.4)		-		(27.9)
Share of profits of associate	17.9		(0.2)		0.1		18.1		(0.1)
Profit / (loss) before tax	9.4		(2.9)		3.1		18.1		(8.9)
Profit / (loss) after tax and NCI	**8.4**		**(4.9)**		**3.3**		**18.1**		**(8.1)**
Loans and advances	1,334.8		1,046.0		287.1				
Total assets	2,757.1		1,895.5		475.9		291.4		94.3
Total liabilities	2,231.0		1,799.5		404.9				26.6
Deposits	1,799.4		1,431.6		367.9				(0.1)
Net interest margin - total assets	4.7%		5.0%		8.3%				
Net interest margin - earning assets	6.3%		5.4%		9.1%				
Cost to income ratio	97.1%		94.7%		87.9%				
Statutory Credit loss ratio	1.2%		1.1%		1.4%				
Return on equity	1.6%		(5.1%)		4.6%				
Return on assets	0.3%		(0.3%)		0.7%				
Loan to deposit ratio	74.2%		73.1%		78.0%				

This statement contains certain non-GAAP financial information. The primary non-GAAP financial measures used are ‘adjusted operating profit’ which is computed by adjusting reported results for the impact of one-off and transaction related items and “constant currency balances/variances, which adjusts for the period-on-period effects of foreign currency translation differences. One-off items are considered, but not limited to be those related to matters such as separation packages paid to staff and executives, integration cots when acquiring new business and costs associated with corporate restructures and reorganisations which management and investors would identify and evaluate separately when assessing performance and performance trends of the business. Reconciliations between non-GAAP financial measurements and the most directly comparable IFRS measures are provided in the 2017 Annual Report and Accounts – Annexure B and the Reconciliations of Non-GAAP Financial Measures document, which will be available on the Atlas Mara website.