

# **Atlas Mara Limited**

**Interim Results - 2016**

**Executing for Growth**



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# Agenda

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# Consolidation and Growth Transition

# Acquisition and Rebranding of BPR



# Acquisition of FBZ



# The Transition From Buy and Protect to Grow

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## 2015 – 2016: Buy and Protect

- Completed five acquisitions, two this year; present in seven markets
- Build a bank with a high-performance results-focused culture and top-quality management team
- Improve risk management and governance processes and controls
- Build brand equity across our markets, with “part of Atlas Mara” being rolled out across our acquired platforms
- Execute a funding strategy to support future growth and to reduce funding costs
- Improve technology platforms
- Reduce costs while also investing for growth

## 2017 – 2018: Grow

- Economic headwinds become tailwinds
- Further countries added, as appropriate, with a focus on UBN in Nigeria
- Build out onshore and offshore Treasury and Global Markets
- Build a differentiated digital strategy through innovative and disruptive market share growth strategies

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# Summary Results and Strategy



## Summary: Six Months to June 2016

Revenue

**USD 113.5m**

H1 2015 : USD 98.8m

Loans and advances

**USD 1,421m**

Dec 2015: USD 1,229m

Countries of Operation <sup>(1)</sup>

**7**

Credit impairments

**USD 9.1m**

H1 2015: USD 6.1m

Deposits

**USD 1,815m**

Dec 2015: USD 1,436m

Total physical locations

**304**

(629 including UBN)

Adjusted Net Profit

**USD 9.2m**

H1 2015: USD 17.0m

Total equity

**USD 577m**

Dec 2015: USD 625.5m

ATMs

**350**

(>1000 including UBN)

Net profit (reported)

**USD 1.2m**

H1 2015: USD 4.1m

Net book value per share

**USD 8.07**

Dec 2015: USD 8.94

Customers

**677k**

(>3m including UBN)

CC represents constant currency variances, which exclude the impact of FX translation differences

(1) Including Atlas Mara's investment in Union Bank of Nigeria Plc ("UBN")

# Summary Results: Six Months to June 2016

## First Half Challenges

- More challenging macroeconomic backdrop from lower commodity prices and a weaker oil price
- Full impact from FX translation due to weakness of African currencies versus a stronger US Dollar in the second half of 2015
- Credit provisions taken in Zimbabwe against specific corporate loans
- Liquidity constraints in Zambia and Zimbabwe

## First Half Responses

- Bank-wide staff reduction plan initiated in August 2016. Headcount reduction of 30% - 35% in Shared Services and Centre. Run-rate costs reduced by c.\$8m
- Profit improvement plans agreed at country level and being managed on a micro basis with weekly review
- Accelerated build-out of digital and treasury/markets plans
- Significantly curtailed non-staff discretionary expenditure

## Outlook

- Our medium-term financial targets and strategic goals remain unchanged and we remain optimistic about our ability to achieve them but recognize that further acquisitions and a supportive economic environment are central to achieving this
- We expect a better operational performance from our businesses during the second half of the year as the cost and revenue initiatives that we have implemented begin to deliver results
- As a result of the measures we are taking, we continue to strive to meet our goal of matching last year's earnings of US\$11.3 million. However, we do recognize that the combination of weaker currencies, restructuring costs associated with staff reductions and integration expenses associated with the two completed acquisitions, as well as the uncertain economic outlook, provide challenging headwinds in this regard

\* Excluding any revaluation of intangible assets or goodwill

# Green Shoots Supporting Momentum in Operating Performance

## Botswana



- New products launched with successfully attracting new clients /leading to increased business volumes: BancABC Mobi in April 2016, Branch forex campaign launched in June 2016, roll-out of POS and Bancassurance product to be launched in H2
- Won a significant engagement for the Botswana Agriculture Marketing Board, supporting Botswana to buy grain from local farmers and building the food security reserves of Botswana

## Mozambique



- Winning new market share – new multinational corporate transactional account acquisition showed positive growth
- Credit impairments decreased by 20% year on year in constant currency resulting from recoveries made
- Signed an MOU with the biggest power generator in Mozambique to boost the local content agenda

## Tanzania



- Agency banking to be launched in H2 2016 with all approvals received from the Central Bank of Tanzania
- Positive trend in obtaining lower priced deposits with new product offering launched
- Received an award from VISA; “Visa Ecommerce Activation Award 2016” for the no 1 bank in online VISA transactions in Tanzania

## Zambia



- FBZ acquisition transaction completed in June 2016 with operational integration progressing well
- Won FISP Farmers Support Program deal partnering with Government & Zambian National Farmers Union
- Recognised by VISA for an Award based on the success of the E-Voucher programme

## Zimbabwe



- POS project launched in record time in Zimbabwe, anticipated to attract additional transactional accounts
- Launched a Bancassurance product following agreement signed with a leading insurance company
- Commenced regional partnership with PUMA by launching the PUMA dealer financing programme in Zimbabwe

## Rwanda



- BPR was awarded the ‘best overall exhibitor for customer service at Rwanda’s 19th International Trade Fair
- Integration of BRD-Commercial with Banque Populaire du Rwanda successfully achieved ahead of schedule
- Rebranding of BPR part of Atlas Mara creating new excitement in the local market, boosting client acquisition

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# Financial Review

## Results: Six Months to June 2016

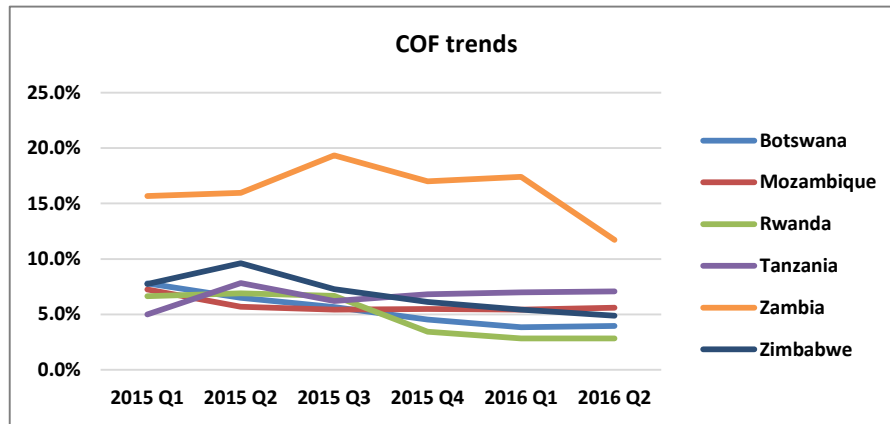
Quarterly			USD'million	Year to date		
Q1 2016	Q2 2016	Var %		2016	2015	CC Var %
23.7	21.5	(9.3%)	Net interest income	45.2	49.4	4.2%
28.2	40.1	42.2%	Non-interest income	68.3	49.4	66.3%
<b>51.9</b>	<b>61.6</b>	18.7%	<b>Total income</b>	<b>113.5</b>	<b>98.8</b>	34.5%
(8.5)	(0.6)	92.9%	Credit impairment	(9.1)	(6.1)	(64.0%)
<b>43.4</b>	<b>61.0</b>	<b>40.6%</b>	<b>Operating income</b>	<b>104.4</b>	<b>92.6</b>	<b>32.4%</b>
(57.5)	(58.0)	(0.9%)	Operating expenses	(115.5)	(94.0)	(39.1%)
<b>(14.1)</b>	<b>3.0</b>	<b>&gt;100%</b>	<b>Net operating income</b>	<b>(11.1)</b>	<b>(1.4)</b>	<b>&gt;(100%)</b>
6.9	5.6	(18.8%)	Income from associates	12.5	10.5	22.9%
<b>(7.2)</b>	<b>8.6</b>	<b>&gt;100%</b>	<b>Profit/(loss) before tax</b>	<b>1.4</b>	<b>9.1</b>	<b>(76.6%)</b>
0.5	(0.7)	>(100%)	Taxation and minority interest	(0.2)	(5.0)	94.6%
<b>(6.7)</b>	<b>7.9</b>	<b>&gt;100%</b>	<b>Profit/(loss) after tax</b>	<b>1.2</b>	<b>4.1</b>	<b>(33.9%)</b>
3.5%	2.9%		Net interest margin (total assets)	3.1%	3.9%	
4.9%	3.9%		Net interest margin (earning assets)	4.1%	5.5%	
7.1%	6.0%		Net interest margin (customer loans)	6.4%	8.4%	
2.5%	0.2%		Credit loss ratio	1.3%	1.0%	
110.9%	94.1%		Cost to income ratio	101.7%	95.2%	
(1.0%)	1.1%		Return on assets	0.1%	0.4%	
(4.1%)	5.5%		Return on equity	0.4%	1.7%	

# Segmental Report – June 2016

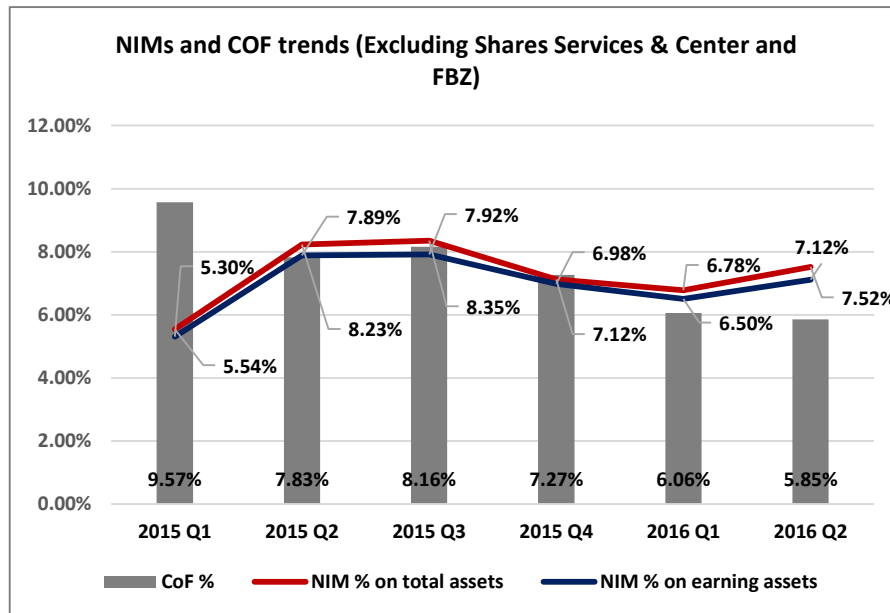
USD'000	June 2016	Banking Operations			Other	
	Actual	Southern	East	West	Shared Services & Center	M&A, ADC & Consol
Total Income	113.5	71.2	27.1	-	6.6	8.6
Loan impairment charge	(9.1)	(8.1)	(1.5)	-	-	0.5
Operating expenses	(115.5)	(61.0)	(24.6)	-	(18.4)	(11.5)
Share of profits of associate	12.5	-	-	12.5	-	-
Profit / (loss) before tax	1.4	2.1	1.0	12.5	(11.8)	(2.4)
<b>Profit / (loss) after tax and NCI</b>	<b>1.2</b>	<b>2.1</b>	<b>1.1</b>	<b>12.5</b>	<b>(11.8)</b>	<b>(2.7)</b>
Loans and advances	1 421.0	1 125.3	297.0	-	-	(1.3)
Total assets	2 946.7	1 979.3	504.2	321.4	722.4	(580.6)
Total equity	577.3	105.5	71.1	321.4	642.1	(562.8)
Total liabilities	2 369.4	1 873.8	434.1	-	76.3	(14.8)
Deposits	1 814.9	1 423.7	391.5	-	-	(0.3)
Net interest margin - total assets	3.1%	3.4%	7.9%		N/A	
Net interest margin - earnings assets	4.1%	4.3%	9.3%		N/A	
Cost to income ratio	101.7%	85.7%	90.9%		>100%	
Statutory Credit loss ratio	1.3%	1.4%	1.0%		N/A	
Return on equity	0.4%	3.9%	3.1%		(3.7%)	
Return on assets	0.1%	0.2%	0.4%		(3.3%)	
Loan to deposit ratio	78.3%	79.0%	75.9%		N/A	

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 'Other'. Operating banks in each geography are aggregated. All consolidation entries are included in 'M&A, ADC & Consol'.

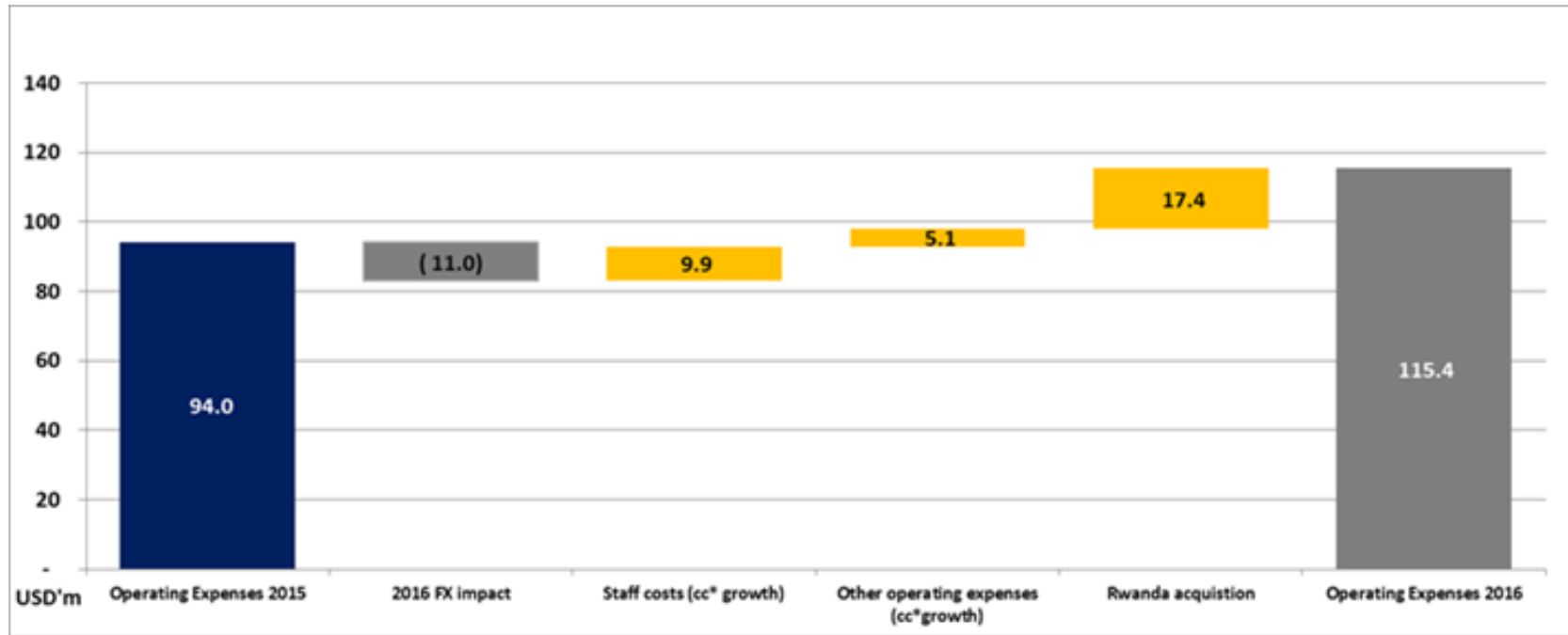
# Country NIMs and Cost of Funds Quarterly Trends



- All countries except Tanzania showing an improving trend in cost of funding
- Market-wide liquidity constraints in Tanzania has resulted in the bank to rely on interbank funding which has resulted in an increased cost of funds



# Cost Analysis

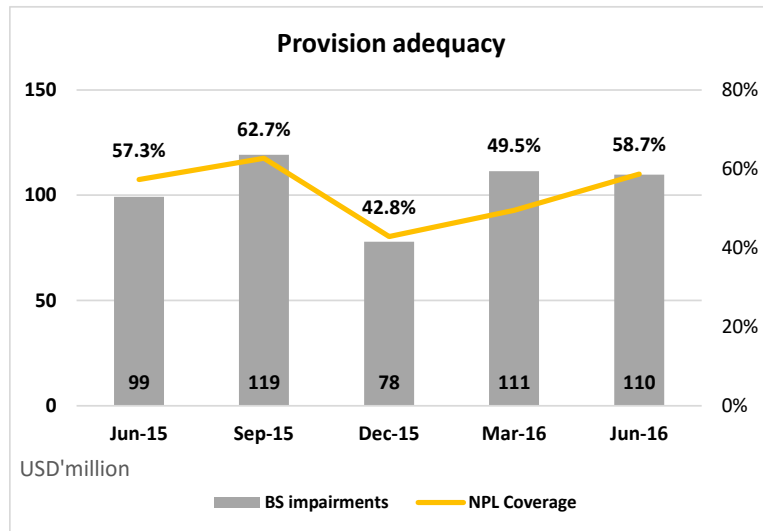
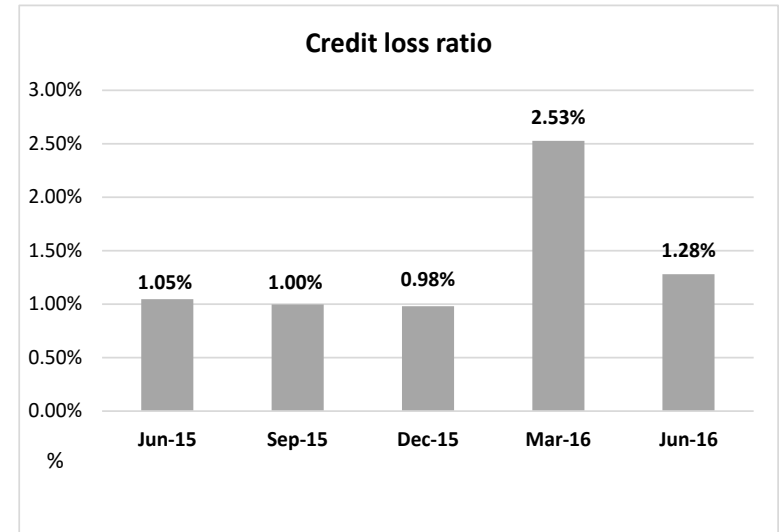
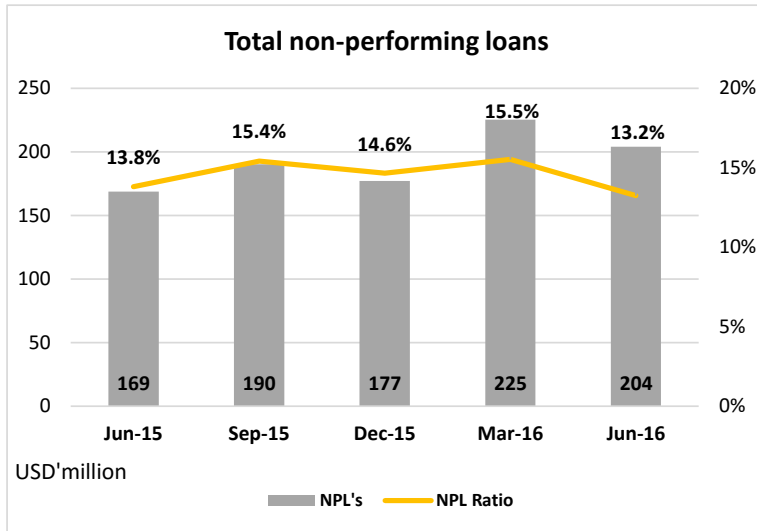


\*cc-constant currency

- Continued focus on driving efficiencies across the network
- Investment in IT, Digital and Talent to drive future growth
- Excluding Rwanda acquisition, year on year comparable cost growth is 18.1%
- Average inflation across our markets at 7.1%
- Restructuring of the Shared Services & Center to reduce costs by ca.\$8m (annualised)



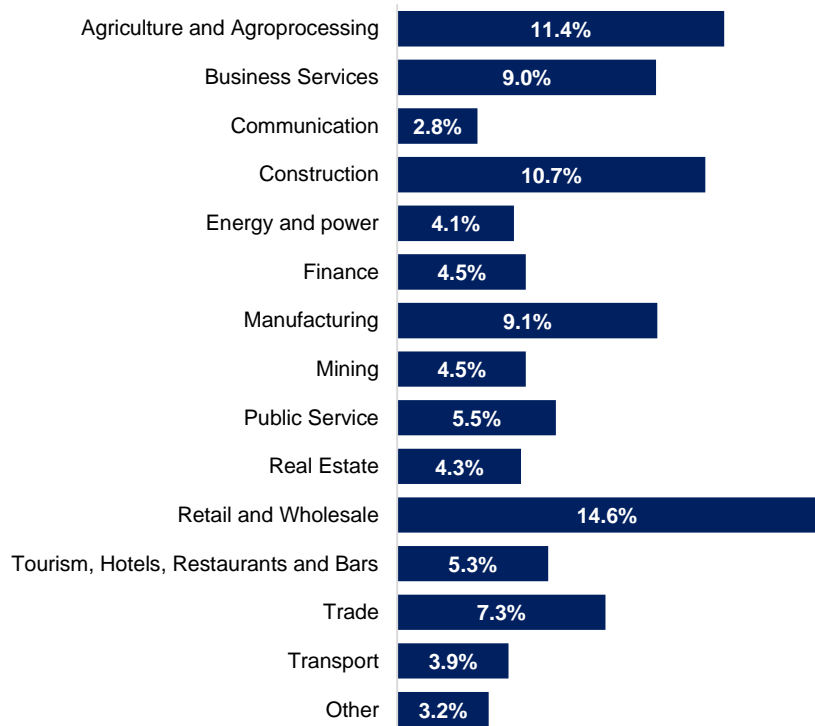
# Credit Impairments & NPL Trends



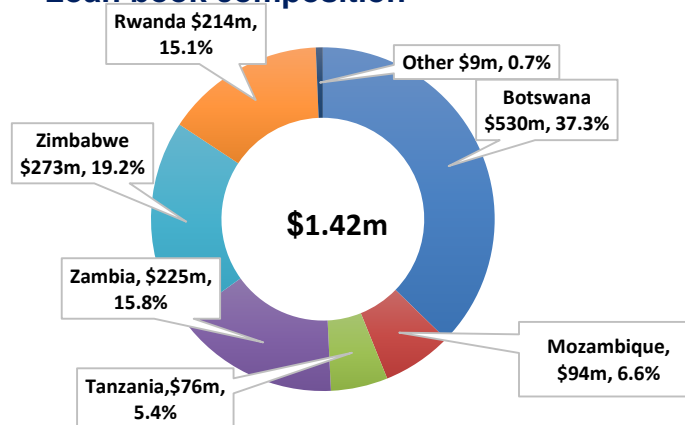
- Quarter on quarter improvement in the credit loss ratio (CLR) driven by recoveries in Rwanda and Zimbabwe
- Overall CLR increased from 1.05% in June 2015 to 1.3% in June 2016. Zambia is the economy of greatest concern where we are monitoring developments closely
- NPL ratio improved from 14.6% in December 2015 to 13.2% in June 2016, reflecting evidence of our improved resourcing behind our credit origination and collection processes.
- Provision adequacy ratio improved from 42.8% in December 2015 to 58.7% in June 2016, which represents a satisfactory coverage position given the uncertain economic outlook

# Loans and Advances Analysis

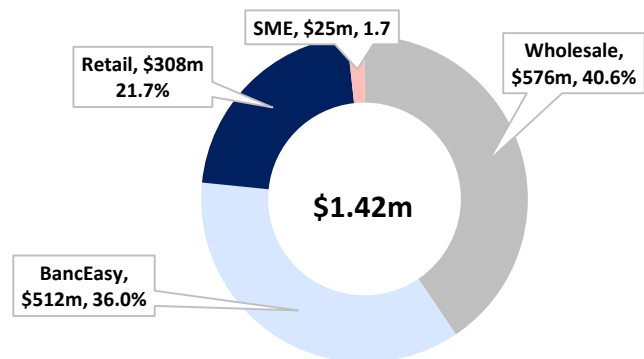
## Corporate loans per sector



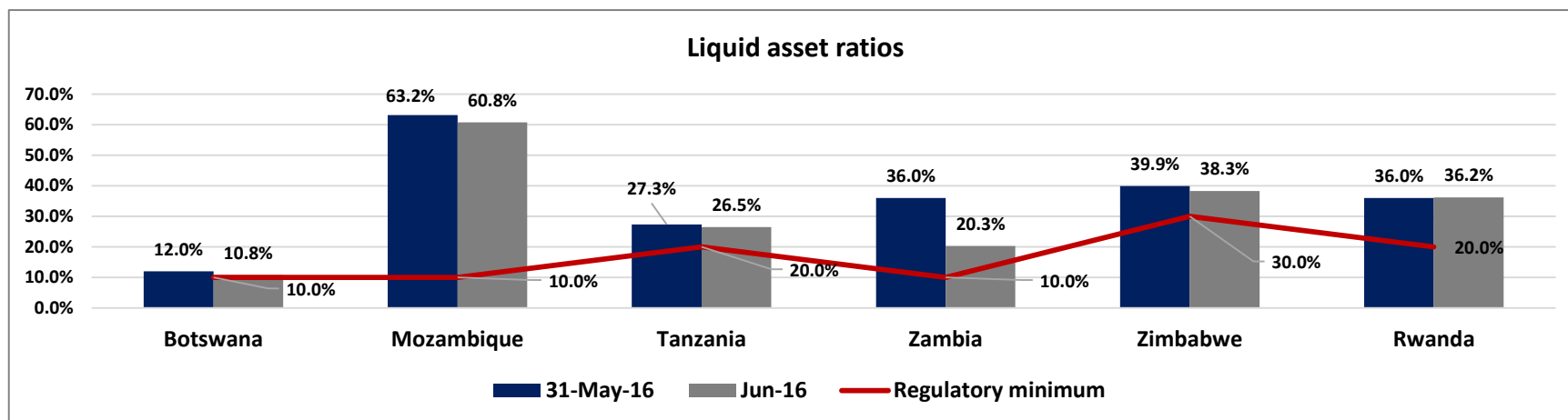
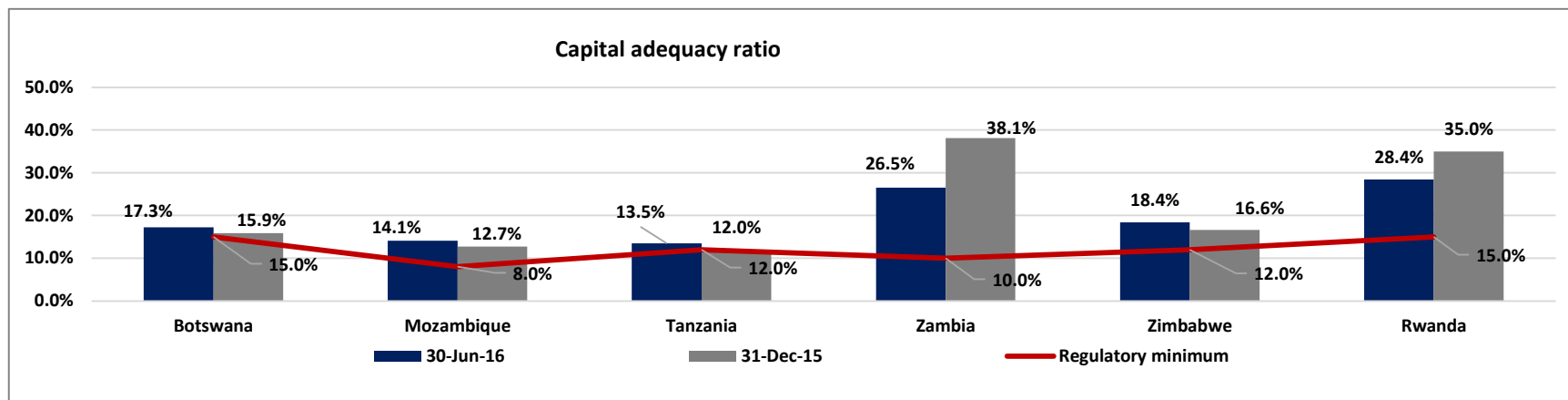
## Loan book composition



## Business Unit contribution



# Regulatory Capital and Liquidity Ratios



- All entities in the Group remained adequately capitalised
- Pro Forma capital adequacy and liquid asset ratios for the Zambia group (ABC + FBZ) are 16.3% and 33.4% respectively

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# Digital Initiatives



# Digital Transformation

- Following the approval of the Atlas Mara Group strategy on digital banking, a series of initiative are underway to transform our core traditional banking business

Priority Initiatives	Achievements
Agency Banking	Agency banking and Corporate Internet pilot Programme will go live at the end of Q3 2016 in Tanzania
Open Loop Merchant Acquiring	The pilot for the Open Loop Merchant Acquiring in Zimbabwe has commenced with one of the city councils in Zimbabwe
Omni Channel deployment	<ul style="list-style-type: none"> <li>As part of the brand unveiling of BPR in Rwanda, we launched the very first Mobile Banking App in Rwanda thus positioning BPR as a leader in innovative banking in the country, looking forward to introduce best in class internet banking platform by late Q3 2016</li> <li>Corporate Internet pilot Programme will go live at the end of Q4 in Botswana</li> </ul>
Card based solutions	Designed to ease the Pensions and Loans Disbursement process, launched in the following countries <ul style="list-style-type: none"> <li>Zambia - Workers Compensation Fund Control Board Pension Card for Pensions Disbursement</li> <li>Botswana - Botswana Public Officers Pension Card for Pension Disbursement</li> <li>Zimbabwe - Largest micro finance institution card for micro loans Disbursement</li> </ul>

- We have also reached an understanding for a group wide partnership arrangement with VISA and MasterCard for a major ramp up of our payments businesses

# Digital Reinvention

- Initiatives to support our digital reinvention agenda include the following:

Initiatives	Goal	Progress	Execution
<b>Digital Lending</b>	Provide short tenured, high volume, low credit and high margin advances to target sectors	Advanced stages of engagements with telecom companies and electricity utilities in Zambia, Mozambique and Rwanda	Looking forward to introduce the service in Q4 2016
<b>Cross Border Funds Transfer</b>	Ease cross boarder transfers and payments in selected countries that do not have an Atlas Mara presence	Partnership with MasterCard HomeSend to deploy a remittance hub that will facilitate cross border remittances and payments between the 7 Atlas Mara banks and partner banks in select countries that do not have an Atlas Mara presence	Planned for launch in Q4 2016
<b>Digital Bank</b>	Meet customer's financial needs through the use of their mobile phones	Roll out of standalone digital banks to provide solutions for everyday financial needs	The first country is planned for rollout in Q2 2017

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# Treasury and Global Markets

# Global Markets and Treasury – Key messages

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## ❑ What it is?

- The Global Markets and Treasury business has an onshore and an offshore component – offshore in Dubai, onshore in our local markets

## ❑ How its working?

- First half revenues in 2016: US\$17.8m (2015 US\$10m), an increase of 78% increase YoY
- Trade volumes are running at US\$1 billion year to date (31% higher than last year)
- Sales revenue growth is up 51%, trading revenue is up 121%
- Client growth from 713 at end-December to 944 currently. 231 new clients added year to date
- No. of spot transactions undertaken in H1 2015: 10,424, H1 2016: 12,325 an increase of 18%

## ❑ What comes next?

- The onshore business plan involves hiring of key staff and growing the product and client base within our existing countries and is currently being implemented
- The offshore business is a new business and investment here is now being stepped up
- We will build a distribution component for the offshore client base to promote access to Africa



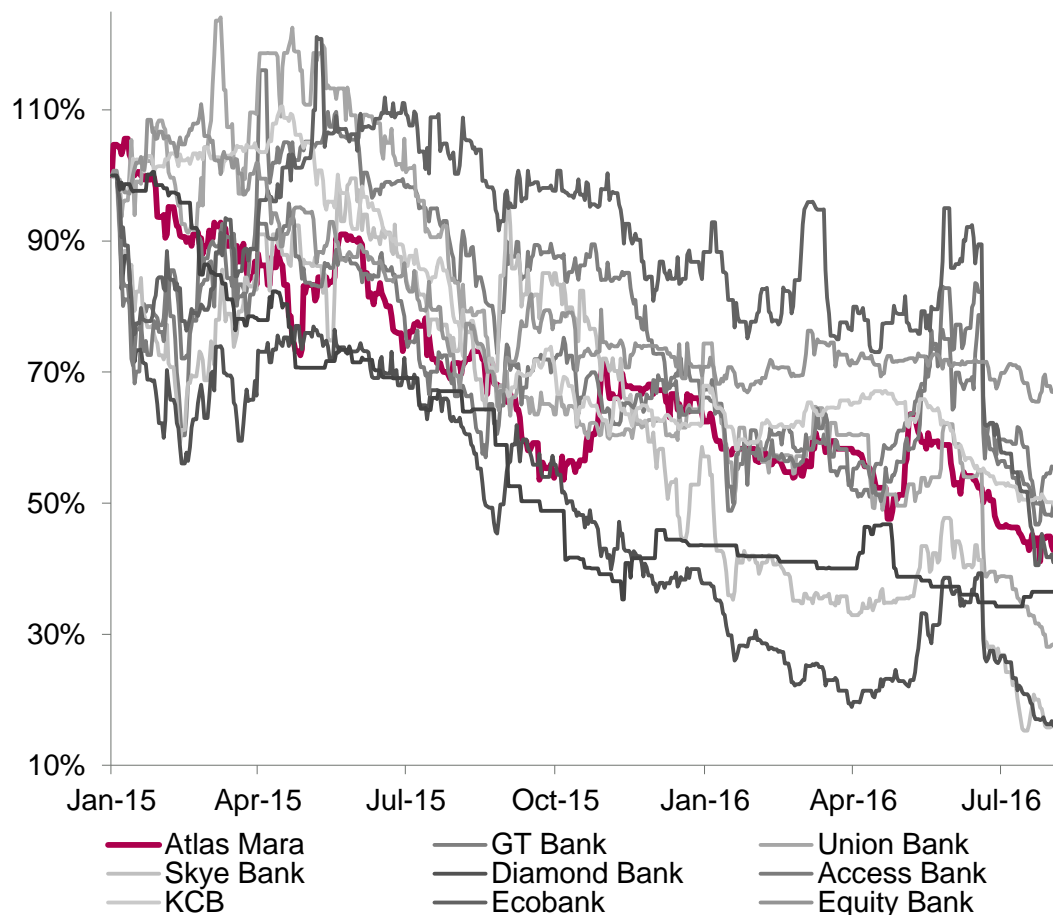
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# Valuation



# African Banks Share Price Performance (since Jan 2015)

Market Performance of Nigerian and African Banks since January 2015, USD terms



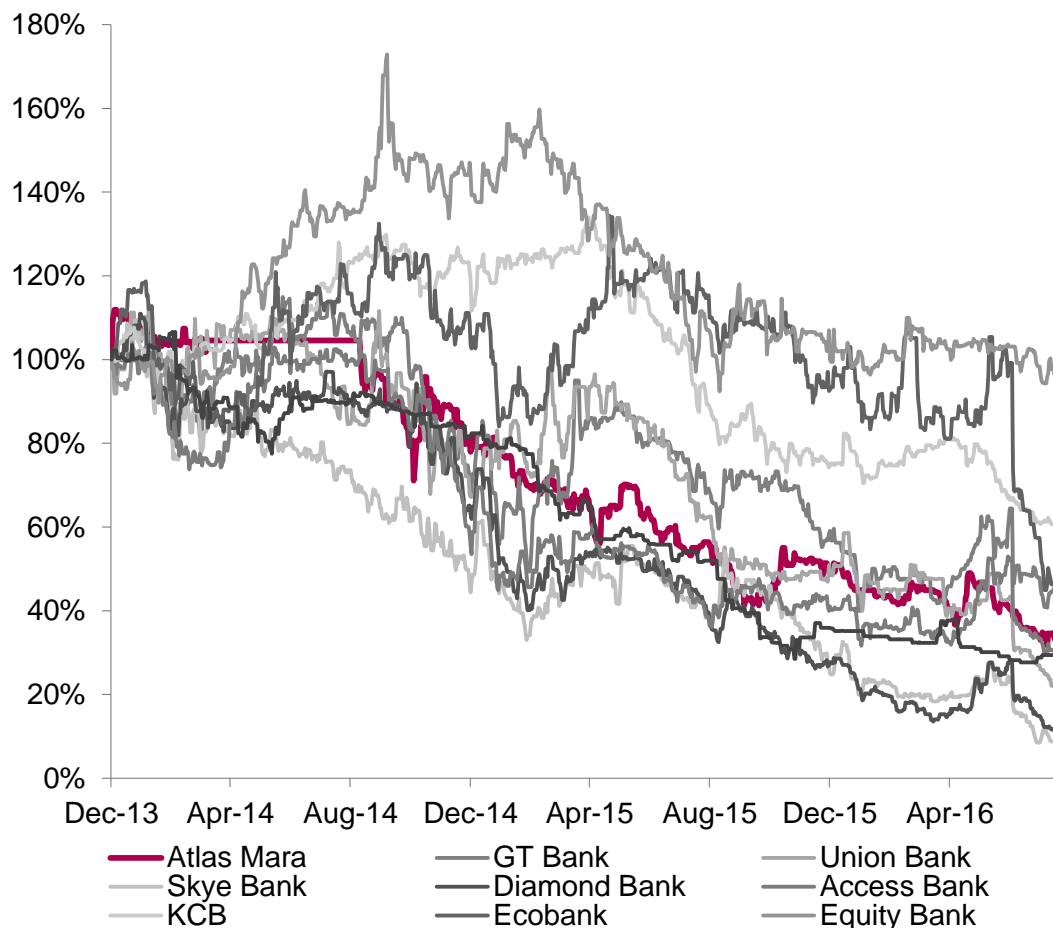
Performance of Nigerian and African Banks, USD terms

		2015-16YTD
Index	NSE Top 30	-54.5%
Nigerian Banks	GT Bank	-44.7%
	Access Bank	-50.2%
	Union Bank	-71.5%
	Diamond Bank	-83.9%
	Skye Bank	-84.0%
Other African Banks	Equity Bank	-33.1%
	KCB	-49.9%
	Ecobank	-59.0%
	Zambia NCB	-63.5%

<b>Nigerian Banks Average</b>	<b>-66.9%</b>
<b>Atlas Mara</b>	<b>-57.2%</b>
<b>Atlas Mara performance relative to average</b>	<b>9.7%</b>

# African Banks Share Price Performance (since Atlas Mara IPO)

Market Performance of Nigerian and African Banks since Atlas Mara IPO, USD terms



Performance of Nigerian and African Banks, USD terms

		Dec 2013-16YTD
Index	NSE Top 30	-65.4%
Nigerian Banks	GT Bank	-54.7%
	Access Bank	-68.5%
	Union Bank	-77.6%
	Diamond Bank	-88.5%
	Skye Bank	-91.1%
Other African Banks	Equity Bank	-3.6%
	KCB	-39.3%
	Ecobank	-54.6%
	Zambia NCB	-70.5%

<b>Nigerian Banks Average</b>	<b>-76.1%</b>
<b>Atlas Mara</b>	<b>-67.0%</b>
<b>Atlas Mara performance relative to average</b>	<b>9.1%</b>

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## Appendix – UBN First Half Results

# Summary Overview: UBN Interim Results

UBN	USD'million			NGN'million			CC Var %
	H1 2016	FY 2015	H1 2015	H1 2016	FY 2015	H1 2015	H1 2015
Gross earnings	296	591	284	60 069	117 211	55 958	7%
Net interest income	152	281	137	30 947	55 683	26 874	15%
Non-interest revenue	77	132	63	15 725	26 167	12 307	28%
Total income	230	414	199	46 672	81 850	39 181	19%
Credit impairments	(43)	(50)	(15)	(8 780)	(9 948)	(2 973)	195%
Operating expenses	(143)	(294)	(152)	(29 132)	(58 164)	(29 843)	-2%
Profit before tax	44	73	32	8 925	14 442	6 365	40%
<b>Profit after tax</b>	<b>43</b>	<b>70</b>	<b>32</b>	<b>8 761</b>	<b>13 890</b>	<b>6 264</b>	<b>40%</b>
Loans and advances to customers	1 688	1 844	1 866	475 942	366 721	374 582	27%
<b>Total assets</b>	<b>4 087</b>	<b>5 263</b>	<b>5 405</b>	<b>1 152 175</b>	<b>1 046 892</b>	<b>1 084 899</b>	<b>6%</b>
Equity	897	1 226	1 142	252 898	243 921	229 266	10%
Deposits due to customers	2 171	2 869	2 738	611 914	570 639	549 554	11%
<b>Total liabilities</b>	<b>3 190</b>	<b>4 037</b>	<b>4 263</b>	<b>899 277</b>	<b>802 971</b>	<b>855 632</b>	<b>5%</b>
Net interest margin	3.7%	5.3%	2.5%				
Credit loss ratio	2.6%	2.7%	0.8%				
Cost to income ratio	62.4%	71%	76.2%				
Return on equity	4.8%	5.7%	2.8%				
Return on assets	1.1%	1.3%	0.6%				
Loan to deposit ratio	77.8%	64.3%	68.2%				

UBN continues to build upon positive trends notwithstanding continued macro-economic headwinds in Nigeria:

- Year on year profit is up by 40% compared to June 2015.
- Operating expenses are in line with planned investments in technology and network infrastructure, and with double digit inflation and anticipated cost efficiencies from the past two years' transformation projects are becoming visible.
- Loans and advances are up 27% compared to June 2015, 12 % of which is real growth and the rest driven by the impact of the currency devaluation.
- Customer deposits are up 11%. Expanded and improved service offerings continue to generate customer confidence and customer growth.
- The closing Naira rate was 281.91 at June 2016 compared to 198.9 as at December 2015 (42% devaluation).

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# Reshaping African Banking.

