30 April 2019

Atlas Mara provides audited results for the year ended 31 December 2018

Atlas Mara Limited ("Atlas Mara" or the "Company" including its subsidiaries, the “Group”), the sub-Saharan African financial services group, releases its consolidated audited financial results for the year ended 31 December 2018. The results represent an extract from the audited summarised financial statements.

Principal financial highlights:

- Reported net income of $39.7 million (2017: $45.4 million)
- Underlying bank operating results include outperformance vs. 2017 in Nigeria and Zimbabwe, in-line performance in Botswana, Mozambique, and Rwanda, and underperformance in Tanzania and Zambia
- In Nigeria, Union Bank of Nigeria (“UBN”) contributed associate income of an estimated $56.5 million for the period (2017: $38.4 million), which reflects the Company’s share of income on an equity accounted basis of $27.8 million (2017: $17.8 million), as well as the impact of the gain on acquisition of $28.7 million
- EPS of 23 cents compared to 26 cents in 2017 pro forma for the 12 month impact of the 2017 equity issuance (2017 reported EPS: 42 cents)
- Both the statement of financial position and profits of the Group were adversely impacted by the implementation of IFRS 9. This is consistent with the position reported by most banks across EMEA
- Executed on Nigeria strategy by increasing stake in Union Bank of Nigeria (“UBN”) from approximately 44.5 percent in Q4 2017 to 49.0 percent in Q4 2018 and 49.7 percent as at 30 April 2019
- The Group’s book value was adversely impacted by $59.1 million compared to 2017 and 1H 2018 due to the impact of the currency change in Zimbabwe
- Post IFRS 9 impact, all operating banks maintained adequate capital adequacy ratios, reflecting stable balance sheets
- Continued focus on deposit growth, loan book quality, and growth business lines:
    - Launched a deposit drive across Retail, Corporate and Institutional segments through innovative campaigns to lower cost of funds and generate sustainable funding for balance sheet growth
    - Reduction in non-performing loan (“NPL”) ratio to 11.1% at year-end (2017: 11.8%)
    - Digital channels volumes and revenues increasing month-on month across all channels, especially mobile banking (all countries), mobile push/pull (Zimbabwe) and POS (Mozambique and Zimbabwe)
    - Markets & Treasury pivoted to onshore, aligned to client demand, and continued expansion of product catalogue and client roster

Commenting on the results, Michael Wilkerson, Executive Chairman, said: “We are pleased to report a profitable year for the Company, including another strong performance from our largest investment, UBN, but core operating performance remains below target in many markets. We are disappointed in the decrease in book capital, which resulted primarily from the transition to IFRS 9 and the unrealized currency losses in Zimbabwe and elsewhere. In this challenging environment, we are focused on the priorities we outlined earlier this year from our ongoing strategic review, including partnering in or exiting markets where we do not have a clear near-term path to acceptable scale and profitability as illustrated by the Proposed Transaction also announced today. We continue to pursue other levers for value creation, including improving asset quality, reducing our cost of funds, and controlling operating expenses. We remain committed to delivering improving returns for our shareholders."

Events Subsequent to Period End

- The Group also announced today that it has entered into a binding term sheet with Equity Group Holdings Plc ("EGH") for the exchange of certain banking assets of the Company in four countries for ordinary shares in EGH (the "Proposed Transaction"). The Proposed Transaction is subject to confirmatory due diligence, definitive transaction documentation, relevant regulatory approvals, and other conditions precedent customary for transactions of this nature. This transaction will result in the deconsolidation of the referenced entities effective 30 April 2019. Further information on the Proposed Transaction is included in the announcement issued by the Company today.

- Following the announcement relating to the Proposed Transaction, the Company announces that John Staley has determined to step down as Chief Executive Officer effective 30 April 2019 to pursue other interests. The Board and the Company wish him well in his future endeavours. The Company's executive leadership team will report directly to Executive Chairman Michael Wilkerson.

Additional Financial Highlights During the Period:

- Credit impairments reduced to $0.2 million, driven by recoveries in Mozambique and Zambia and the overall improvement in credit quality compared to the IFRS 9 Day 1 position

- 2018 reported profit benefitted from a gain of $28.7 million associated with the acquisition of additional shares in UBN, as a result of the fair value of the shares acquired exceeding the purchase consideration paid. It relates to both the additional shares allocated from the rights issue during January 2018 and the share purchase reported on 26 June 2018

- Total revenue decreased by 11.2%, attributable to the decline in interest income on loans, as a result of contraction of the loan book, the impact of IFRS 9 on the accounting for interest in suspense, lower margins and tight market liquidity. Trading income declined due to lower trading volumes

- Operating expenses increased by 7.6% driven by increases in the cost base of operating banks in most countries, most notably Zimbabwe which also saw a double-digit increase in inflation during 2018

- The Group's continued focus of managing down higher risk portfolios in certain countries where we had a cautious credit risk appetite has resulted in a further improved NPL ratio, but combined with the impact of IFRS 9 the total loan book contracted by 13.2%

- Asset recoveries totalled $6.0 million for the year reflecting continued focus to deliver shareholder value through managing the asset portfolio

- Financial highlights from the UBN results included:

    - Profit after tax increased by 39% to 18 billion Nigerian Naira ($59 million)

    - Returns on average tangible equity at the bank increased from 5.9% to 11.3%

    - NPL ratio declined from 20.8% to 8.1% resulting from loan book clean-up, improved collections and collateral management, and adoption of IFRS 9

    - Total expenses increased by 12%, largely due to higher AMCON/Nigerian Deposit Insurance Corporation (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 mobilization efforts
- BVPS declined to ₦7.75, a decline of 36.1% from 2017, which resulted primarily from loan book clean-up including IFRS 9 adoption

Key operational highlights during the period:

- Continued focus on strengthening the existing retail and corporate business platform across all countries of operation. In 2018 we increased focus on operational and IT improvements, and talent acquisition in the banks
- Launched a deposit drive across Retail, Corporate and Institutional segments through innovative campaigns across the franchise to lower cost of funds and generate sustainable funding
- Launched improved corporate transaction platforms and improved mobile banking applications for USSD, Android and iOS in Mozambique, Rwanda, Tanzania and Zambia. The POS offering was enhanced in Zimbabwe to include mobile money while MPOS was introduced for the SME clients
- Digital channels volumes and revenues, though on a small scale relative to total revenues, have been increasing month-on-month across all channels, especially mobile banking (all countries), mobile push/pull (Zimbabwe) and POS (Mozambique and Zimbabwe)
- Strong performance in the Markets & Treasury Business in Zambia, Rwanda and Tanzania. In Mozambique we led the first ever secondary market transaction on fixed income trading and executed the issuance of BancABC Mozambique corporate paper
- We saw a number of notable achievements in our operating territories:

  - Botswana:
    - Completed an IPO for 20.5% of the shares in issue, raising $28.1 million for ABCH Holdings, a portion of which has been reinvested in the ongoing efforts to develop and enhance the Group's IT infrastructure and banking platforms
    - Raised $15 million from the market to refinance Tier 2 Capital
    - Renegotiated a three-year retail savings and loans scheme with two of the largest employee unions with a combined membership of 80,000 members
    - Officially launched a prepaid Pula card to public service employees. If we achieve our goal of 200,000 cards issued in the next 24 months our Botswana franchise will become the largest card issuer in the market
    - Partnered with one of the biggest telecom companies for the issuance of the telco's mobile wallet prepaid card
  - Mozambique:
    - Launched an online cash management solution with an automatic banking machine at client premise for Corporate and SME customers
    - Initiated a micro-credit pilot with 19,000 mobile wallet subscribers of one of the biggest telecoms companies in Mozambique with a planned market-wide launch in 2019
    - Launched a new Corporate and Retail online transactional platform with enhanced functionality and client experience

- Rwanda:
    - Continue to grow our presence in the Corporate Banking space. During 2018 we:
        - Participated in a $50 million syndicated loan for a large MNO as lead arranger and extended financing ($11 million) for infrastructure expansion and modernization
        - Participated in the funding of a Corporate client contracted to construct a new Airport
        - Launched a new pre-export value chain financing in the country's coffee sector
    - Obtained VISA license and commenced integration process
- Tanzania:
    - Launched a virtual card in partnership with the leading Mobile Network Operator in the market and Mastercard. This is the first of its kind in the Tanzanian market. The virtual card will allow MNO mobile wallet holders to make payments on any local or international website
- Zambia:
    - Launched an improved mobile banking application and a mobile wallet for both savings and micro-credit with multi-lingual functionality to support the Bank's financial inclusion drive
    - Strong performance in Corporate Banking with new advances to our Corporate clients rising 150% compared to 2017
    - Commenced rollout of 90 new ATMs with upgraded functionality. The ATMs are bringing new features like card-less transactions and cash deposit facilities
    - Successfully completed the rebranding of the merged bank and was awarded second place for brand equity conducted by IPSOS, a global market research and a consulting firm
- Zimbabwe:
    - Executed on our liability-led strategy which resulted in Current and Savings accounts contribution to total liabilities improving to 57% from 50% in 2017
    - Introduced new Agribusiness unit to take advantage of potential growth in the Agricultural sector, expected to become a major contributor to the country's GDP. New products specifically suited to small scale farming customers have been developed with a significance increase in funding to our agri-finance clients
    - Raised large funding facility as the second tranche of the Public sector road infrastructure programme
    - Renewed significant stock financing facility with one of the biggest players in the agricultural sector
    - Utilized partnership with one of the strongest insurance players in the market to serve the Retail & SME segments better through the issuance of zero-deposit mortgage advance and performance bonds and bid bonds
    - Partnered with World Remit, a global leader in international transfers to mobile money accounts, to enable the bank to participate in diaspora remittances processing

Investor Conference Call

Atlas Mara will be holding a conference call 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 founded by Bob Diamond and listed on the London Stock Exchange. 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, deliver excellent customer service and accelerate financial inclusion. For more information, visit www.atlasmara.com.

Summary of Results

Table 1: Adjusted operating profit and reconciliation to IFRS profit for year ended December 2018

$'m	**2018 Audited**	**2017 Audited**	**Total Var %**	**CCY Var %**
Adjusted profit after tax	**26.4**	**37.0**	**28.5**	(28.5)
Transaction and M & A related items	26.3	20.6	27.8	27.8
Reorganisations and restructuring costs	(8.7)	(10.0)	(13.0)	(13.0)
Tax and NCI	(4.3)	(2.2)	99	->100
Reported net profit	**39.7**	**45.4**	**(12.6)**	**(12.6)**
Reported cost to income ratio	104.0%	85.8%		
Adjusted cost to income ratio	99.3%	82.0%		
Reported return on equity	5.8%	5.6%		
Adjusted return on equity	3.8%	4.5%		
Reported return on assets	1.4%	1.4%		
Adjusted return on assets	0.9%	1.2%		
Reported EPS ($)	0.23	0.42		
Operational EPS ($)	0.15	0.34		
Book value per share ($)	3.83	4.77		
Tangible book value per share ($)	3.00	3.87		
Total Shares in issue (‘000)	**173 073**	**172 259**		

Table 2: Summary of Financial Position as at December 2018

Q1 2018	Q2 2018	Q3 2018	$' million	Audited 2018	Audited 2017	Total Var %	CCY Var %
302.9	339.6	343.8	Cash and short-term funds	382.0	457.0	(16.4%)	6.6%
82.0	25.3	18.8	Financial assets at fair value through OCI	24.9	95.9	(74.0%)	(69.5%)
1,367.7	1,280.9	1,261.5	Loans & advances	1,154.1	1,330.0	(13.2%)	2.4%
429.5	509.6	608.4	Investments	369.8	355.0	4.2%	61.1%
515.6	537.5	542.2	Investment in associates	532.2	444.6	19.7%	19.5%
177.1	169.4	152.6	Intangible asset	159.0	174.6	(8.9%)	(3.9%)
226.7	242.0	218.3	Other assets	182.6	283.3	(35.5%)	(27.7%)
3,101.6	**3,104.3**	**3,145.7**	**Total assets**	**2,804.7**	**3,140.4**	**(10.7%)**	**6.0%**
1,853.9	1,910.1	1,911.8	Customer deposits	1,631.8	1,877.5	(13.1%)	7.2%
350.5	358.1	408.2	Borrowed funds	410.2	346.2	18.5%	27.6%
70.9	59.9	65.5	Other liabilities	73.8	103.5	(28.7%)	58.2%
826.3	573.1	757.5	Capital and reserves	688.9	813.2	(15.3%)	(15.3%)
3,101.6	**3,104.3**	**3,145.7**	**Total equity and liabilities**	**2,804.7**	**3,140.4**	**(10.7%)**	**6.0%**
73.8%	67.1%	66.0%	Loan: Deposit ratio	70.7%	70.8%		
11.6%	12.9%	11.9%	NPL ratio	11.1%	11.8%		

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

Chairman's Introduction

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 recognizing 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 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 maximize 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 unrealized 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 in 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 optimizing 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 program 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, stabilizing 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

Executive Chairman

Kenroy Dowers, Chief Financial Officer

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 realized 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

Table 2: 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 ccy 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: $98.8 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 1 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

Table 3: 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	13.7	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.

Table 5: 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.

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 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

Table 6: 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 capability 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.

Table 7: Segment report

2018		Banking Operations			Other
US$m	**Group**	**Southern**	**East**	**West**	**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 NCI	**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%

2017		Banking Operations			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%

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 2018 Annual Report and Accounts – Annexure A and the Reconciliations of Non-GAAP Financial Measures document, which will be available on the Atlas Mara website.