8 October 2020

Atlas Mara Limited Interim Results - Six months ended 30 June 2020

Atlas Mara Limited ("Atlas Mara" or the "Company" and, including its subsidiaries, the "Group"), the sub-Saharan African financial services group, today releases its reviewed results for the six months ended 30 June 2020.

Key highlights for the period:

- Adjusted profit after tax of $4.3 million for the six months ended 30 June 2020 (30 June 2019: $17.0 million) with adjusted earnings per share of $0.03 (30 June 2019: $0.10).
- Local currency depreciation across all markets not only negatively impacted the Group’s profitability, but also resulted in additional currency translation losses of $150.7 million, reducing book value to $391.9 million, representing a decline of $0.89 per share compared to a year earlier. Excluding depreciation, the Group would have reported an adjusted profit of c. $6.8 million.
- Union Bank of Nigeria (“UBN”) contributed associate income of $13.8 million for the period ended 30 June 2020 (30 June 2019: $18.7 million). The decrease is mostly attributable to the Group’s accounting policy change to move from the official exchange rate to the NAFEX reference rate. Despite the effects of the COVID-19 pandemic, UBN achieved a 3.3% increase in profit before tax from its continuing operations (excluding UBN UK, which has been classified as held for sale) in local currency terms in H1 2020 compared to H1 2019.
- All operating banks maintained capital adequacy ratios above the regulatory minimum, reflecting stable balance sheets.

Commenting on the results, Michael Wilkerson, Executive Chairman, said, “We are pleased to report a resilient performance in the first half of the year. While facing a number of acute market challenges including COVID-19 related business disruptions, market liquidity shortages, local currency depreciation, and interest rate cuts, six of our seven banks showed strong growth in our digital channels, and our Markets and Treasury business delivered an excellent contribution across markets on the back of trading income. In the near-term, we continue to focus on responding to the global crisis by prioritising safety of our employees, safely supporting our customers, pursuing innovation, and protecting our banking franchises through credit management and cost controls. We also continue to progress in our strategic review, in order to strengthen the Group to weather the current environment and position ourselves for profitable growth in the future recovery.”

Highlights during the period:

Botswana:

- The BancOnline remote corporate banking solution (launched in late 2019) and the SaruMoney banking app both saw strong growth in users and volumes; SaruMoney active users were more than double that of the legacy platform as of period-end.
- Secured $10 million of Tier II capital from PROPARCO to support growth, especially in the retail consumer segment. This is part of the strategic plan to optimise bank capital, which is more than 80% Tier I.
- Continue to actively participate in industry-wide measures to support borrowers during the pandemic. The central bank also reduced the primary reserves rate by half, and the capital adequacy requirement from 15.0% to 12.5%, to enable banks to better support borrowers.
- Launched a new 84-month tenor personal loan to provide relief to customers by reducing instalment amounts.

- Continued focus on deposit capture through innovative products and digital offerings, including a new high-yield savings account Maungo Saver, resulted in an increase in retail deposits of 16% year on year.

Mozambique:

- Reported 20.7% increase in total income and 6.9% reduction in costs on a constant currency basis, compared to the prior year due to strong forex trading income and cost reduction initiatives.
- Successfully piloted a nano loans program with the biggest mobile operator in the country, with expectation of full commercial roll out in H2 2020.
- Launched a variety of technology-based operational improvements at the point of customer (such as "tablet banking" where a number of customer activities are paperless and completed on a tablet) to expand capabilities outside of the traditional branches and tie into new digital banking offerings, increasing distribution and reducing cost of delivery.
- Supported small businesses affected by the pandemic through moratoriums to help them to survive during this period.
- Conducted information awareness campaigns both on public broadcasters and social media to raise awareness about the COVID-19 pandemic and promote health and safety protocols to citizens of the country.

Nigeria:

- UBN reported strong year on year growth in transaction volumes for payments (139%) and collections (536%).
- Growth of active user sign-ons across channels: 39% on Union Mobile; 44% on Union Online; 19% on cards; and 27% Union 360 & Union One.
- #UnionRiseChallenge launched in June to recognise and reward customers who are rising to support their communities during the COVID-19 crisis. The bank awarded NGN15 million to 90 recipients over a period of four weeks and helped amplify the great work of over 1,500 community initiatives that were submitted through the campaign.
- Gross earnings increased by 7.7% year on year in local currency terms.
- Operating expenses remained under control during H1 2020, despite the macroeconomic conditions, reflecting the bank's ongoing cost reduction and efficiency program.
- Increased customer count by 24% to 6.1 million from 4.9 million in H1 2019.
- Gross loans increased by 5.9% in local currency terms, reflecting the bank's deliberate strategy to grow risk assets, thereby driving the increase in interest income on loans.
- Increased demand for UBN's innovative offerings and the continued benefits of UBN's brand growth resulted in a 12.3% growth in deposits in local currency terms.
- NPL ratio increased slightly to 6.3% in H1 2020 from 5.8% in December 2019, resulting from increased impairments due to the business disruptions caused by the COVID-19 pandemic. The bank remains committed to meeting its objectives for the year, leveraging the solid risk management structure in place.
- Reported capital adequacy ratio of 19.2% versus the minimum requirement of 15.0% for banks with an international banking licence.

Rwanda

- Profit for the period increased by 65.3%, supported by a 17.2% increase in non-interest income and a 45.7% decrease in impairment charges.

- Substantial improvement in the NPL ratio from 7.8% to 4.7%.

- The Agency banking platform launched in Q4 2019 continued to drive growth of the deposit base.

- 80% of all customer transactions are now being conducted through digital platforms, compared to only 33% in the prior year.

- The bank has played a key role as part of a wider market effort accommodate debt repayment relief to businesses directly affected by COVID-19, as well as providing an avenue for the disbursement of special recovery funds arranged by the Government to sectors of the economy that have been most vulnerable to the effects of the pandemic.

Tanzania

- Reduced net loss by half year on year, due to increased focus on credit and cost driving lower impairment charges and operating expenses, which helped to offset lower income due in part to acute liquidity challenges.

- Deposits increased year on year, supported by the agency banking platform launched late in 2019 and by an increased focus on retail deposits.

- Tanzania's COVID-19 related restrictions were less stringent than in other markets, leading to a positive outlook for the economic environment in H2 2020.

Zambia

- Despite challenging macroeconomic headwinds, reported a profit of $0.9 million compared to a loss of $0.7 million in H1 2019, driven by commendable performance by Markets and Treasury, with trading income increasing by 62.5%.

- Secured a $29.4 million medium-term facility to support the financial sector, in particular through on-lending to customers affected by the pandemic.

- 58% of transactions are now occurring through digital channels, compared to 43% in the prior year.

Zimbabwe:

- Markets and Treasury and Corporate and Investment Banking continued to scale up trading activities and leverage regional synergies to generate income, partially offsetting the negative impacts of the low yield environment.

- Retail Banking and Business Banking grew the customer base by 84% between the end of FY 2019 and H1 2020.

- Introduced webinars for SME capacity-building and knowledge exchange during the lockdown, deepening customer engagement and value from the bank.

- The Ally chatbot and the A360 mobile app have onboarded more than 10,000 customers, and the Branch X virtual branch had 25,000 customer interactions between April launch and the end of H1. Income from digital channels now contributes 12% of core income. System stability was also a key focus given the higher usage, and the bank achieved a 98% system uptime in H1 2020.

- Despite market conditions, the bank successfully drove the NPL Ratio down to 2.2%, the lowest ratio in a decade.

- Achieved 44% growth in the investment property portfolio In line with the continued emphasis on this sector to support the objectives of capital preservation and building a mortgages book.
- During the ongoing pandemic, committed ZWL $1.5million (c. $30 000) to COVID-19 relief efforts and assisted a local trust to mobilise resources for frontline healthcare workers and food insecure groups.

Events after the reporting period

- On 30 September 2020, Atlas Mara Limited entered into definitive agreements with Access Bank Plc ("Access Bank") for the sale of ABCH's holdings in African Banking Corporation Mozambique ("BancABC Mozambique").
- The transaction is subject to regulatory approval and other customary conditions precedent.
- The transaction will include upfront cash consideration payable at closing equal to approximately 0.8 times book value as of 30 June 2020, plus additional cash consideration payable 24 months after closing of the transaction, subject to certain conditions.

Directorate Changes

- The Company also announces today that Amadou Raimi, Chair of the Audit Committee, will retire from the Board of Directors of the Company effective October 7, to focus on his other responsibilities with other companies, after serving two terms on the Board. As Chair of the Audit Committee, Mr Raimi oversaw the Audit Committee through a transformative period at the Company. Having served in the role for approximately six years, Mr Raimi has opted to not seek to renew his appointment for another term of three years. Mr. Raimi said: "It has been a privilege to serve as Chair of the Audit Committee of the Company and to work with the Atlas Mara Board and management through a period of transformation for the Company. I wish the Board and management the best of luck as they continue to execute the strategic repositioning that the Board approved in 2019."
- The Board has appointed Jawaid Mirza to assume the role of Chair of the Audit Committee in place of Mr Raimi. Mr Mirza has over 30 years of experience in banking with global financial institutions, including senior executive positions with Citibank and ABN AMRO Bank. He served as ABN AMRO's CFO European Region, Managing Director and COO for Global Private Banking, Asset Management and New Growth Markets, and Managing Director and CFO for Asia, Middle East and Australia. Mr Mirza also served as Group COO and later CEO and Managing Director for Consumer & Commercial at Commercial International Bank of Egypt ("CIB"). Until recently, Mr. Mirza was on the Board of Commercial International Bank ("CIB") of Egypt, where he chaired the Audit Committee and was a member of the Risk and Board Technology & Operations committees. Mr Mirza is currently an independent non-executive board member of Eurobank Ergasias (Athens), where he chairs the Audit Committee and is a member of the Risk Committee, and of GroBank, where he is a member of the Audit Committee and is a member of the Risk Committee. He is also a non-executive board member of AGT Foods & Ingredients Inc.

  Mr. Wilkerson said, "Amadou has been a valuable and well-respected board member and colleague. We greatly appreciate his professionalism, dedication and leadership of the Audit Committee over the last several years. We wish him the very best in his future endeavours. Jawaid, as incoming Chair of the Audit Committee, brings extensive experience and the right skills to lead the Audit Committee through the next phase as the Company continues its strategic repositioning."

Investor Conference Call

Atlas Mara will hold a conference call for investors at 10am EDT / 3pm BST today. There will be a presentation available in the Investor Relations section of the Company's website, www.atlasmara.com. The Company will not be disclosing any new material information.

Conference Call Details:

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About Atlas Mara

Atlas Mara Limited (LON: ATMA) is a financial institution listed on the London Stock Exchange. 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 the six months period ended 30 June 2020

$'million	H1 2020	H1 2019	Total Var %	CCY Var %
Adjusted profit after tax	**4.3**	**17.0**	**(74.8%)**	**(19.5%)**
IFRS remeasurement gain/(loss)	0.4	(125.6)	>100%	>100%
Transactions costs	(0.5)	(10.0)	95.0%	95.0%
Restructuring costs	(3.3)	(2.6)	(26.4%)	(26.4%)
Tax and NCI	(8.8)	(5.3)	(66.5%)	(60.1%)
Reported net profit attributable to ATMA	**(7.9)**	**(126.5)**	**93.8%**	**94.6%**
Reported cost to income ratio	104.1%	108.0%		
Adjusted cost to income ratio	99.9%	94.7%		
Reported return on equity	(4.7%)	(25.4%)		
Adjusted return on equity	2.5%	6.8%		
Reported return on assets	(0.6%)	(5.1%)		
Adjusted return on assets	0.3%	1.4%		
Reported EPS ($)	(0.05)	(0.74)		
Operational EPS ($)	0.03	0.10		
Book value per share ($)	2.06	2.95		
Tangible book value per share ($)	2.05	2.84		
Total shares in issue (‘000)	**174,619**	**174,619**		

Table 2: Consolidated financial position summary as at 30 June 2020

Q1 2020	$'million	Reviewed	Audited	Variance (%)		Reviewed	Total Var. (%)
		H1 2020	FY 2019	Total	CCY	H1 2019	
	ASSETS						
154.6	Cash and short-term funds	167.9	130.5	28.6%	38.3%	124.6	34.8%
24.7	Financial assets at FVTPL	24.8	25.2	(1.9%)	(1.3%)	23.9	3.7%
582.7	Loans & advances	554.2	644.1	(14.0%)	(5.1%)	604.6	(8.3%)
70.5	Investments	62.8	107.8	(41.7%)	(38.3%)	120.9	(48.0%)
484.3	Investment in associates	489.2	582.1	(16.0%)	(16.0%)	559.1	(12.5%)
59.1	Goodwill and other intangible assets	61.6	73.0	(15.6%)	(14.5%)	74.3	(17.2%)
70.3	Other assets	103.4	85.1	21.7%	25.9%	74.0	39.8%
979.6	Assets included in disposal groups held for sale	1,026.1	979.6	4.7%	4.7%	915.2	12.1%
2,425.8	**Total assets**	**2,490.0**	**2,627.4**	**(5.2%)**	**(2.3%)**	**2,496.6**	**(0.3%)**
	LIABILITIES AND EQUITY						
660.6	Deposits	612.8	723.7	(15.3%)	(0.3%)	684.0	(10.4%)
378.4	Borrowed funds	410.7	366.8	12.0%	15.9%	413.5	(0.7%)
118.1	Other liabilities	138.3	115.5	19.7%	51.7%	43.6	>100%
874.2	Liabilities included in disposal groups held for sale	936.3	874.2	7.1%	7.1%	809.8	15.6%
2,031.3	**Total liabilities**	**2,098.0**	**2,080.2**	**0.9%**	**8.5%**	**1,950.9**	**7.5%**
394.5	**Capital and reserves**	**391.9**	**547.2**	**(28.4%)**	**(36.1%)**	**545.8**	**(28.2%)**
2,425.8	**Total equity and liabilities**	**2,490.0**	**2,627.4**	**(5.2%)**	**(2.3%)**	**2,496.6**	**(0.3%)**
88.2%	Loans to deposit ratio	90.4%	89.0%			88.4%	
9.9%	NPL ratio	12.0%	11.4%			9.6%	

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

Executive Chairman's statement

Dear Shareholders,

I hope this finds you safe and healthy during this extraordinary time.

As the COVID-19 pandemic continues to take a toll on both health and economies across the globe, Atlas Mara's first priority remains the safety of our employees, customers, and communities. Our banks remain open in all of our markets of operation, and I want to thank every member of our team for their resilience and dedication to serving our customers.

Interim results

Our banks performed admirably in the first half of the year, delivering improvements in key metrics despite the extraordinary dual challenges of the pandemic and already difficult macroeconomic conditions. All of our markets have experienced lockdowns and disruptions in various forms, which have suppressed business activity and required innovative approaches and accelerated shifts into digital channels. I am pleased to report that our banks have responded to this challenge. All banks saw strong digital growth, and all remain adequately capitalised.

At UBN, our largest investment, despite the challenging macroeconomic environment, management delivered a strong performance, with increases in loans, deposits, and total income (in Naira terms). Loans and deposits grew across all three channels (corporate, commercial, and retail) thanks to substantially expanded digital offerings in response to the pandemic. Mobile users increased by 39%, and 90% of transactions were completed digitally in the period (compared to 57% a year earlier). Strong cost controls kept operating expenses in check and, despite the substantial impact of lockdowns, the NPL ratio increased only 50 bps year on year, which is a testament to the bank's credit risk management. The bank is also shifting its lending focus toward more crisis-resilient sectors (such as FMCG, healthcare, and telecom). For Atlas Mara, our share of income from UBN was negatively affected by the devaluation of the Nigerian naira; the NAFEX rate depreciated by 7.3% from 360.6 in H1 2019 to 386.8 at the end of the current period. I want to commend Emeka Emuwa and the UBN team for another strong result over the period.

Outside of Nigeria, we faced many similar challenges from lockdowns, tight liquidity, and interest rate environments. Nonetheless, our teams responded well to the environment, in particular by leaning into digital distribution to expand customer access, cut costs, and grow assets. Digital has quickly become part of our DNA and was a primary driver of increased loans and deposits, lower cost of funds, and lower brick and mortar overhead expenses. The Markets and Treasury business was also a key driver of improved results, with forex trading income contributing substantially to the bottom line. In response to the pandemic-induced slowdown, we continue to reduce overhead and focus on strong credit risk management, with a proactive restructuring approach to avoid unnecessary defaults. It is worth noting that across the Group's countries of operation, excluding Zimbabwe, the local currencies depreciated by an average of 14% compared to June 2019, negatively impacting the Group's results as reported in USD.

In Botswana, despite severe liquidity shortages and two interest rate cuts, net profit increased by 8.6% year on year. Technology – including the launch of the SaruMoney digital platform – and an aggressive deposit repricing effort drove interest expense down 15.3% year on year, while impairments remained low. The bank also secured $10 million in growth capital from PROPARCO, the French development finance institution, to support its long-term goals.

Zimbabwe was a severely challenging market environment even before the pandemic, with hyperinflation, low economic growth, forex shortages, and a fiscal crisis all impacting business performance. Nonetheless, our bank delivered another outstanding period, with profit up by over 100% in local currency terms. The bank launched multiple innovative digital products, including the Branch X virtual branch platform and an

AI chatbot feature for customer service. In response to the volatile currency environment, the bank implemented effective forex hedges, and delivered another strong period of trading results.

In Mozambique, aggressive cost reductions, a new digital offering, and increased forex trading income led to a profitable half year. The bank is now booking "nano loans" through an agency banking initiative to meet customers where they are (outside the branch), and we believe this will continue to be a growth area in Mozambique. Management also shifted the focus of the loan book from corporate – where spreads are currently too tight – to the more profitable retail business.

In Rwanda, strong net profit growth was driven by forex income and substantial improvements in asset quality, with impairment charges lower and the NPL ratio down to 4.7% from 7.8% in December 2019, despite the pandemic environment. The bank will continue to aggressively cut distribution costs in favour of digital channels, with plans to reduce the branch network by more than 20% in the near-term.

In Tanzania, the bank continued a substantial business refocus and saw improved performance year on year. The corporate banking arm has been largely scaled down due to low margins, and the bank is now focused on retail. Asset quality improved thanks to a strengthened credit function, which we expect to yield improved recoveries in the future.

In Zambia, we achieved a turnaround to profitability in the first half of the year compared to a year earlier. Management demonstrated very tight liquidity management and grew digital banking, leading to lower cost of funds, helping to lower overall expenses year on year. Markets and Treasury achieved strong forex trading income, with a considerable amount of regional transactions in the period.

Strategic update

The board of Atlas Mara continues to focus on the strategic transformation we announced in 2019, albeit with timelines affected by COVID-19. The ongoing repositioning of the Group as a more streamlined holding company is evident in our cost reductions to date, and in moving the Markets and Treasury business onshore, which yielded good results. The improved performance across our banks in Southern and East Africa reflects strengthened management and governance, and we continue to work closely with UBN management to deliver consistent profits and enable continued returns to shareholders.

The board also remains committed to pursuing strategic options that ensure the business can thrive during this crisis and will be positioned for profitable growth alongside an economic recovery. The transaction we announced in September with Access Bank Plc for the sale of our Mozambique subsidiary is firmly in line with this initiative. We are on the path to a more focused group with a core footprint, with our capital deployed in and resources concentrated on areas where we can add real value. The Company continues to evaluate strategic options, which may include additional divestiture or partnership transactions, or other alternatives that benefit Atlas Mara and its shareholders in the long term. We are also exploring options for refinancing the December 2020 convertible bonds, discussing an extension of the maturity date with the principal bondholders, and engaging with development finance institutions ("DFIs") and other counterparties regarding various COVID-19-related financing options that could be beneficial to the Group and its shareholders. The Company will update the market in due course as these engagements develop.

We are concurrently reviewing the areas where we can most contribute to shareholder value, and increasing our focus on those core capabilities, including capital mobilisation and portfolio management. Through initiatives such as the $200 million growth financing for UBN, as well as various growth financings and the minority stake IPO for BancABC Botswana, the Company has demonstrated a distinct ability to add value to operating banks, and it is an area we continue to prioritise.

Share Price Performance

We share the frustration of our shareholders with the performance of the Company's share price. Like many African corporates, Atlas Mara has seen financial performance substantially affected by the pandemic, the broader macroeconomic slowdown in much of sub-Saharan Africa, and the effects of currency depreciation - but the Company's share price has suffered considerably more. Our tangible book value per share (at 30 June 2020) was several times the current share price. We believe the market is considerably undervaluing our franchise.

Conclusion

For 2020, we remain focused on serving our customers safely, protecting our franchises during the crisis, pursuing transformational strategic options, and looking for efficient avenues for future growth. With our improved governance and credit functions, strong digital offerings, and continued cost reductions across the footprint, our banks' resilience continues to improve, and we are increasingly positioned to capitalise on a post-pandemic recovery period.

Thank you for your continued support.

Michael Wilkerson

Executive Chairman

Omar Khan, Chief Financial Officer performance overview

The impact of the COVID-19 pandemic on the global economy has been felt across all of the Company's countries of operation. While the mortality rates across the African continent have been lower than initially feared, the economic impact has been unprecedented.

Many of the countries across sub-Saharan Africa ("SSA") continue to have border and travel restrictions, as well as work-from home restrictions, and despite government and central bank interventions to stimulate economies, as of the date of this statement, the SSA region is now projected to contract by 3.2%, with most African economies revising their growth outlook downwards.

The Group's results have been impacted by this, with the adjusted profit declining from $17 million for the six months ended 30 June 2019 to $4.3 million for the six months ended 30 June 2020. While the cost to income ratio has improved to 104.1% (H1 2019: 108.0%), the Group has seen nearly all key financial indicators negatively impacted with the adjusted ROE reducing to 2.5% from 6.8% for the comparative period. The NPL ratio has increased to 12.0% from 11.4% reported as at 31 December 2019.

The Group has been stress testing its portfolios in the current environment. As at 30 June 2020, there was a marginal increase in our ECL estimate and NPL ratio in line with the composition of our portfolios. We continue to monitor the portfolios and will continue to act as the situation unfolds.

Country performance summary

Nigeria

UBN has weathered the COVID-19 storm fairly well and has reported a 3.3% increase in profit before tax from continuing operations (which excludes the performance of its UK subsidiary which is currently classified as asset held for sale). Including the results of the discontinued operations, profit before tax declined by 7.0% in local currency terms in the six months ended 30 June 2020 in comparison to the corresponding period in 2019. The devaluation of the Naira and the Group's decision to move away from the official exchange rate which was at NGN306.4/$1 as of 30 June 2019 to the NAFEX reference rate which stood at NGN386.8/$1 at the end of the current period, has resulted in the income from associate further reducing profit before tax in USD terms from $18.7million in H1 2019 to $13.8 million in H1 2020.

Overall, UBN lowered its cost to income ratio to 75.5% from 76.1% reported in H1 2019 but has seen contraction in the net interest margin to 5.3% (H1 2019: 5.8%) and return on equity to 8.5% from 10.8% for the comparative period.

While the NPL ratio has increased to 6.3% from 5.8% at year-end, the NPL coverage ratio remained strong at 127.5% (31 December 2019: 138.1%).

Despite the impact of the contraction in earnings, UBN remains well capitalised with its CAR at 19.2%, well above the regulatory minimum of 15%.

Zimbabwe

Zimbabwe has continued to grapple with serious economic challenges created due to long standing structural weaknesses and inflation which is expected to reach 1,000% in the second half of 2020.

Following numerous changes to the currency regime on 23 June 2020, the Reserve Bank of Zimbabwe ("RBZ") announced the replacement of the interbank market rate with weekly foreign exchange auctions to determine the Zimbabwe dollar exchange rate. This change is expected to build market confidence, improve access to foreign currency and help stabilise the exchange rate.

Our Zimbabwe business has shown resilience despite the challenging situation and delivered an impressive performance in the current period. In local currency terms, the bank recorded >100% increases in both operating income and profit before and after tax for the six month period ended June 2020 compared to the corresponding period last year.

Sound credit risk management practices have also resulted in the decline in the NPL ratio to 2.2% and the liquidity and capital adequacy ratios at 137% and 43.6% respectively are above the regulatory minimum.

Botswana

The first half of the year was impacted by the ongoing subdued macroeconomic environment further compounded by the impact of COVID-19, however, building blocks have been put in place since the listing on the Botswana Stock Exchange. Strong momentum established in H2 2019 carried into Q1 2020 which helped mitigate the COVID-19 downside pressures. Despite the challenges in the macroeconomic environment and COVID-19 related impacts, the bank reported an increase in profit after tax of 8.6% on a constant currency basis for the six months period ended 30 June 2020 compared to the corresponding period last year.

Total income increased by 3.0% (11.1% on a constant currency basis) in the six month period ended 30 June 2020 driven by a strong performance on net interest income (NII) despite two rate cuts of 50bps in August 2019 and April 2020 impacting the review period. This growth in NII was supported by both the growth of the loan book by 4%, largely in the first quarter, and the successful reduction in interest expense by 15% year on year. The reduction in interest expense has been achieved through the more efficient use of technology such as the platform rolled out for corporate clients BancOnline and the downward re-pricing of term deposits.

Discontinued operations

On a consolidated basis, the subsidiaries classified as discontinued operations contributed $4.2 million to the Group loss before tax reported for the period. This was mostly driven by macroeconomic headwinds and weakened currencies. The subsidiaries have shown resilience in their performance despite the impacts of the COVID-19 pandemic on business activities.

Atlas Mara Zambia delivered a profit for the six months period ended 30 June 2020 with profit after tax increasing to $0.9 million compared to a loss of $0.7 million for the same period last year, primarily attributed to the strong forex trading income and the successful implementation of cost reduction initiatives. The cost to income ratio decreased by c6% year on year.

Despite the suspension of lending activities due to liquidity constraints in the market, the loan book grew by 31% on a ccy basis, following increased draw down by certain large corporate clients.

Rwanda reported a 65.3% increase in profitability compared to the corresponding period last year on a constant currency basis. The growth was driven by an increase in non-interest income especially commissions from new loans disbursed and transactional fees as a result of increase in transaction volumes. The quality of the loan book improved resulting in a reduction in loan impairment charges. Deposits grew by 10.6% (11.9% on a constant currency basis), achieved through various deposit initiatives including account opening through a mobile channel and agency banking which was launched in Q4 2019.

Mozambique's profit decreased by 87.8% due to an increase (>100%) in the impairment charge for the period and a reduction in recoveries, compared to H1 2019. Despite this, total income increased by 20.7% on a constant currency basis following strong forex trading revenue due to trading opportunities on the volatile currency.

In Tanzania, performance was adversely affected by the reduction in transactional activity caused by the COVID-19 pandemic. This resulted in a decrease in forex trading revenue, credit related fees and digital transactions.

Performance summary

The Group recorded an adjusted net profit of $4.3 million for the period ended 30 June 2020 (30 June 2019: $17.0 million).

Income statement review

Total income

The Group reported a decrease in total income of 5.1% (increase of 67.5% on a constant currency basis) as a result of decline in net interest income.

Table 3: Total income for the period ended 30 June 2020

$'million	30 June 2020			30 June 2019			Var %	CC Var %
	Continuing	Discontinued	Total	Continuing	Discontinued	Total		
Net interest income	4.3	32.8	37.1	8.8	35.7	44.5	(16.6%)	13.5%
Non-interest income	30.6	22.9	53.5	29.7	21.3	51.0	4.9%	>100%
Total income	**34.9**	**55.7**	**90.6**	**38.5**	**57.0**	**95.5**	**(5.1%)**	67**.5%**

Net interest income

Net interest income declined by 16.6% (increase of 13.5% on a constant currency basis) to $37.1 million in the current period, due to the decline in interest income and increased interest expense.

Interest income decreased during the period by 2.5% (increase of 19.5% on a constant currency basis) to $97.9 million from $100.4 million reported in H1 2019, attributable to rate cuts imposed by central banks in response to the pandemic; liquidity shortages in key markets; low lending volumes and COVID-19 related measures put in place by banking subsidiaries to support customers such as loan restructures and extended moratorium on loans.

Interest expense increased by 8.7% (21.6% on a constant currency basis) compared to the prior period mainly as a result of an increase in borrowed funds and the impact of liquidity pressures experienced in some of our markets, resulting in more expensive deposits. This is reflected in the increase in the cost of funds from 5.5% in H1 2019 to 6.2% in the current period.

Non-interest income

The consolidated total, non-interest income increased during the period by 4.9% (>100% on a constant currency basis) due a decrease in FV losses recognised on financial instruments (measured at FVTPL) in the current period compared to the prior period. The impressive performance of Markets and Treasury in Zimbabwe contributed significantly to the Group's non-interest income.

Excluding the impact of the fair value changes on financial instruments, non-interest income declined by 9.4%, resulting from lower loan-related and digital channel fees in the period. Lower loan growth and decline in business activities resulting from the lockdowns imposed by national governments are some of the factors that contributed to the decline in non-interest income.

Total expenses

Total expenses of $94.3 million ($90.5 million excluding one-offs) decreased by 8.5% (increase of 11.2% on a constant currency basis), largely due to the effects of currency translation in Zimbabwe and the strategic cost management initiatives across the Group. Excluding Zimbabwe where expenses increased on a constant currency basis due to hyperinflation, the rest of the Group’s expenses declined by 12.1% for the six months ended 30 June 2020 in comparison to the corresponding period last year. Cost management and productivity enhancement efforts are underway in the subsidiaries to improve our cost to income ratios.

Staff costs decreased by 6.3% from $47.3 million in H1 2019 to $44.4 million in the current period, but the contribution to total expenditure increased to 47.0% from 45.9%.

On an adjusted operating profit basis, Atlas Mara reported a cost to income ratio of 99.9% (H1 2019: 94.7%), compared to 104.1% (H1 2019: 108.0%) on an IFRS basis.

Atlas Mara continues to focus on the holding companies' expenses and for the six months ended 30 June 2020, normalised expenses (net of restructuring costs) showed a decline of 8.5% compared to the corresponding period last year.

Loan impairment charges

Credit impairment charges increased by 46.1% (>100% on a constant currency basis) from $2.7 million in H1 2019 to $3.9 million in the current period. This increase primarily reflects the impact of the recalibration of the IFRS 9 impairment model for the Group to incorporate forward looking information (mostly related to COVID-19) and the impact of other macroeconomic changes. There was also a decline in recoveries in the current period to $1.1 million) compared to the prior period ($2.6 million).

The Group continues to enhance its risk management framework including credit monitoring and recovery processes.

Share of profit of associates

This represents Atlas Mara's share of profit from its 49.97% stake in UBN, based on UBN's published unaudited results for the six month period ended 30 June 2020. The impact of the amortisation of acquisition-related intangible assets is also included.

UBN's financial performance for the period was impacted by the challenging economic environment and the lockdown measures taken by the government to limit the spread of the COVID-19 pandemic.

Profit before tax declined marginally by 7% in the six months ended 30 June 2020 compared to the corresponding period last year. This decline is attributable to the increase in credit impairment charges in the current period, resulting from the impact of the COVID-19 pandemic.

UBN remains well-capitalised, with its capital adequacy ratio sitting at 19.2% at 30 June 2010, higher than the regulatory minimum of 15.0%.

Statement of financial position review

The Group's balances are split between continuing and discontinued operations, with the balances relating to discontinued operations disclosed as a single line item in the consolidated statement of financial position.

Analysis of balances related to continuing operations as presented on the statement of financial position is as follows: Loans and advances comprise 37.9% of total assets; Cash, short-term funds and marketable securities represent 17.5%; investment in associate (UBN) balance accounts for 33.3%; goodwill and other intangible assets make up 4.2%; while other assets (made up of derivatives, property and equipment, investment property, prepayment and other receivables etc.) make up the remainder at 7.2% of total assets relating to continuing operations.

Total assets relating to continuing operations contracted by 11.2% (6.7% on a constant currency basis) reflecting the impact of currency movements in the Group's core markets (Botswana, Zimbabwe and Nigeria) and the slow-down in business operations resulting from the disruptions caused by COVID-19.

Deposits comprise 52.7% of the liability base for continuing operations and represent 24.6% of the aggregate of liabilities and equity. The loan to deposit ratio for the period was 90.4% (December 2019: 89.0%).

Loans and deposits

Table 4: Customer loans and deposits composition by country at 30 June 2020

$'million	**30 June 2020**		**31 December 2019**		**Var (%)**	**CC Var (%)**	**Var (%)**	**CC Var (%)**
	Loans	**Deposits**	**Loans**	**Deposits**	**Loans**		**Deposits**	
Continuing operations								
Botswana	522.5	550.9	606.3	662.5	(13.8%)	(4.3%)	(16.8%)	(7.7%)
Zimbabwe	16.7	61.9	22.7	61.2	(26.6%)	>100%	1.1%	>100%
Other	15.0	–	15.1	–	(0.3%)	0.0%	–	–
Total	**554.2**	**612.8**	**644.1**	**723.7**	**(14.0%)**	**(2.4%)**	**(15.3%)**	**(0.3%)**
Discontinued operations								
Mozambique	77.2	170.0	89.9	179.3	(14.1%)	(2.0%)	(5.2%)	8.2%
Tanzania	50.8	65.6	51.2	65.3	(0.7%)	0.1%	0.4%	1.3%
Zambia	191.7	286.7	188.8	380.1	1.5%	31.0%	(24.6%)	(2.7%)
Rwanda	180.6	314.3	172.5	284.1	4.7%	5.9%	10.6%	11.9%

Loans and deposits

As presented in Table 4 above, total loans decreased by 14.0% (2.4% on a constant currency basis) to $554.2 million at the end of the current period from $644.1 million at 31 December 2019. Total deposits also declined in the current period by 15.3% (0.3% on a constant currency basis) to $612.8 million from $723.7 million at 31 December 2019.

Decline in loans and deposits is attributable to the impact of currency devaluation in Botswana and Zimbabwe and the slowdown in business activities due to the COVID-19 pandemic. The economic environment was challenging in the period as a result of the business disruptions caused by the pandemic and the market liquidity constraints in our countries of operations significantly impacted the writing of new loans (as there was a market-wide decline in the demand for credit) and also resulted in the loss of some significant deposits.

Term deposits remained the highest contributor to deposits, making up 58.2% of total deposits in the current period, compared to 72.0% in December 2019. There was an increase in overnight deposits/interbank borrowings reflecting the tight liquidity situation experienced in Botswana and Zimbabwe.

Credit quality

NPLs as a percentage of the loan book increased from 11.4% in December 2019 to 12% at the end of the current period. This is due to the impact of the COVID-19 pandemic on business activities which in turn increased the credit risk on the Group's loan portfolio.

Capital position

As at 30 June 2020, all of Atlas Mara's operating banks and affiliates complied with local minimum capital requirements relevant in respective countries, as summarised below.

Table 5: Capital adequacy ratios

	June 2020	December 2019	Regulatory Minimum
Continuing operations			
Botswana	21.0%	18.6%	12.5%
Zimbabwe	43.6%	58.7%	12.0%
Discontinued operations			
Mozambique	19.1%	19.6%	11.0%
Rwanda	21.7%	23.5%	15.0%
Tanzania	15.1%	16.6%	12.0%
Zambia	11.9%	14.3%	10.0%

Investment in associate: UBN

Our total shareholding in Union Bank of Nigeria remained at 49.97% as reported in FY 2019. The investment is equity-accounted for in the statement of financial position as an investment in associate, with a closing balance of $487.7 million (December 2019: $580.6 million). Reduction in carrying value is mainly attributable to the dividend income earned from UBN during the period and the impact of currency translation losses, following the devaluation of the naira during the period.

Goodwill and intangibles

The statement of financial position incorporates goodwill and intangible assets of $61.6 million at 30 June 2020 (31 December 2019: $73.0 million). The decline in this balance is attributable to amortisation for the period and currency translation losses on local currency balances reported by the Group's foreign subsidiaries (Botswana and Zimbabwe). These assets represent 4.2% of the Group's asset base (excluding assets held for sale), resulting in a tangible book value of $2.05 per share (December 2019: $2.87 per share) and book value per share of $2.06 (December 2019: $2.97).

The impact of the macroeconomic challenges in Nigeria triggered the requirement for an assessment of the goodwill allocated to the Nigeria segment. While no impairment is required as at 30 June 2020, the headroom previously reported has been completely eroded, resulting in the goodwill balance of $13.9 million being at risk in 2020.

Segment information

The segmental results and statement of financial position information represents management's view of its underlying operations.

Nigeria

Through our 49.97% stake in UBN and Board representation, Atlas Mara has a footprint in Nigeria, Africa's largest economy.

Our share of profit from the 49.97% stake in UBN is based on UBN's published unaudited financial statement for the six months period ended 30 June 2020.

Botswana

Represents the Group’s 78.15% investment in BancABC Botswana and its subsidiaries. BancABC Botswana has been listed on the Botswana Stock Exchange since 2018.

Zimbabwe

Represents the 100% owned investment in BancABC Zimbabwe and its subsidiaries.

Discontinued operations

Our operations in Mozambique, Tanzania, Zambia and Rwanda still remain classified as discontinued operations as the Group is still committed to implementing the strategic decision to dispose of these subsidiaries and continues to actively evaluate several options with the objective of completing a strategic transaction in 2020.

Corporate

Included in this segment are Atlas Mara Limited, the BVI incorporated holding company, Atlas Mara Management Services, the Dubai subsidiary, and all other intermediate Group holding entities, also referred to as the Shared Services and Centre.

Table 7: Segment report

Segment report for the period ended 30 June 2020

$'million	Group	Continuing operations				Discontinued operations
		Botswana	Zimbabwe	Nigeria	Corporate	
Total Income	90.6	23.6	28.2	–	(16.9)	55.7
Impairment charge on financial assets	(3.9)	(0.2)	(0.6)	–	–	(3.1)
Operating expenses	(94.3)	(17.1)	(11.9)	–	(8.5)	(56.8)
Net loss on monetary position	(4.7)	–	(4.7)	–	–	–
Share of profits of associate	13.8	–	–	13.8	–	–
Profit / (loss) before tax	**1.5**	**6.3**	**11.0**	**13.8**	**(25.4)**	**(4.2)**
Gain on IFRS 5 remeasurement	0.4	–	–	–	–	0.4
Profit / (loss) after tax and NCI	**(7.9)**	**3.8**	**7.4**	**13.8**	**(26.8)**	**(6.1)**
Loans and advances	554.2	522.5	16.7	–	15.0	–
Total assets	2,490.0	740.5	165.6	487.7	70.1	1,026.1
Total liabilities	2,098.0	617.1	111.6	–	433.0	936.3
Deposits	612.8	550.9	61.9	–	–	–
Net interest margin - total assets	3.0%	5.4%	3.7%			
Net interest margin - earning assets	4.7%	6.1%	12.8%			
Cost to income ratio	104.1%	72.4%	42.1%			
Statutory credit loss ratio	0.7%	0.1%	7.5%			
Return on equity	(4.7%)	7.4%	27.4%			
Return on assets	(0.6%)	1.0%	8.9%			
Loan to deposit ratio	90.4%	94.8%	27.0%			

Segment report for the period ended 30 June 2019

$'million	Group	Continuing operations				Discontinued operations
		Botswana	Zimbabwe	Nigeria	Corporate	
Total Income	95.5	22.9	33.0	–	(17.4)	57.0
Loan impairment charge	(2.7)	0.5	(0.3)	–	(0.9)	(2.0)
Operating expenses	(103.1)	(17.1)	(9.3)	–	(13.1)	(63.6)
Share of profits of associate	18.7	–	–	18.7	–	–
Profit / (loss) before tax	8.4	6.2	23.5	18.7	(31.5)	(8.5)
Loss on IFRS 5 remeasurement	(125.6)	–	–	–	–	(125.6)
Profit / (loss) after tax and NCI	(126.4)	3.8	18.8	18.7	(32.4)	(135.3)
Loans and advances	604.6	558.6	31.6	–	14.4	–
Total assets	2,496.6	800.1	165.4	557.5	58.4	915.2
Total liabilities	1,950.8	684.5	121.0	–	335.5	809.8
Deposits	684.0	603.7	80.3	–	–	–

Net interest margin - total assets	3.6%	4.5%	7.2%
Net interest margin - earning assets	10.5%	5.1%	10.3%
Cost to income ratio	108.0%	74.8%	28.1%
Statutory credit loss ratio	0.5%	(0.2%)	1.7%
Return on equity	(25.4%)	10.6%	84.5%
Return on assets	(5.1%)	0.9%	22.7%
Loan to deposit ratio	88.4%	92.5%	39.3%