

Atlas Mara Limited

H1 2020 Results



8 October 2020

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Summary highlights

H1 2020 results

- Adjusted net profit of \$4.3 million (H1 2019: \$17.0 million)
- Despite pandemic and lockdowns, all banks remained adequately capitalized
- Book value of \$2.06 per share; tangible book value of \$2.05 per share

UBN

- Total income, loans and deposits increased year over year across all three channels
- Rapid transition toward digital: mobile users increase 39%; 90% of all transactions were digital (H1 2019: 57%)
- Atlas Mara income affected by 7.3% depreciation of NAFEX rate

COVID-19

- All banks remain open as essential services
- All countries responded with innovation and digital growth; proactive credit management kept NPLs in check
- Continue to follow all national and local guidance and remain open to serve customers

Strategic Update and Transaction

- Post-H1, announced sale of BancABC Mozambique to Access Bank Plc, in line with previously announced strategic review, and repositioning to focus on core markets; continue to evaluate other strategic options
- Continued progress streamlining holding company structure and costs
- Markets and Treasury onshore move completed; contributed profitability to Botswana and Zimbabwe
- Prioritizing investments in digital channels; focusing on Atlas Mara capabilities including capital mobilization

Summary highlights – other markets

Botswana

- Increased net profit despite severe liquidity shortages and two interest rate cuts
- Digital offerings BancOnline (corporate) and SaruMoney (retail) saw strong growth in users and volumes
- Retail deposits up 16% year over year due in part to new high-yield savings account

Mozambique

- Total income increased 20.7% driven by FX trading and costs decreased 6.9% (ccy)
- Successful nano loans pilot program with the leading mobile operator; full rollout target H2 2020
- Variety of technology-based operational improvements to customer processes to expand out-of-branch reach

Rwanda

- Net profit up >100% year over year driven in part by 31.2% growth in loans and advances
- Asset quality improved markedly with lower impairment charges and NPL ratio reduced to 4.9%
- 80% of all transactions are now digital (vs 33% a year earlier) and distribution costs are decreasing

Tanzania

- Reduced net loss by half year over year through intense focus on credit and operating expenses
- Shifted bank's focus from corporate to retail where margins are more favorable
- Retail deposit focus, particularly through agency banking, led to increased deposits

Zambia

- Net profit driven by a strong period from Markets and Treasury, with trading income up 64.6%
- Lower cost of funds owing to very tight liquidity management as well as the shift to digital channels
- 58% of all transactions are now digital vs. 43% a year earlier)

Zimbabwe

- Outstanding performance with net profit up >100% year over year (LCY)
- Multiple innovative new digital products to reach customers where they are in 2020
- Severely challenging environment even before pandemic: hyperinflation, low growth, FX shortages, and more

Performance overview

Total income

\$90.6 million

H1 2019: \$95.5 million
Total Var (5.1%) CC Var 67.5%

Loans and advances

\$554.2 million

FY 2019: \$644.1 million
Total Var (14.0%) CC Var (5.1%)

Net book value per share

\$2.06

FY 2019: \$2.97

Impairment charge

(\$3.9 million)

H1 2019: \$2.7 million
Total Var. (46.1%) CC Var >(100%)

Deposits

\$612.8 million

FY 2019: \$723.7 million
Total Var (15.3%) CC Var (0.3%)

Return on equity

(4.7%)

H1 2019: (25.4%)

Adjusted net profit

\$4.3 million

H1 2019: \$17.0 million
Total Var. (74.8%) CC Var. (19.5%)

Total equity

\$391.9 million

FY 2019: \$547.2 million

Total physical locations:
376
(>600 including UBN)

Net loss attributable to ATMA

(\$7.9 million)

H1 2019: (\$126.5 million)
Total Var. 93.8% CC Var. 94.6%

Total assets

\$2,490.0 million

FY 2019: \$2,627.4 million
Total Var (5.2%) CC Var (2.3%)

Countries of operation: **7**

Customers: **>1m**
(>7m including UBN)

UBN H1 2020 financial and operational highlights

Financial highlights

(in USD 'millions)	H1 2020	FY 2019	Change
Balance Sheet			
Gross Loans	1,630.3	1,942.3	(16.1%)
Customer Deposits	2,572.8	2,891.6	(11.0%)
Borrowed Funds	578.8	499.1	16.0%
Total Assets	5,717.8	6,108.4	(6.4%)
Shareholders' Equity	668.4	823.3	(18.8%)

Key Metrics

NPL ratio	6.3%	5.8%	↓
NPL coverage ratio	127.5%	138.1%	↓
Capital adequacy ratio	19.2%	19.7%	↓

(in USD 'millions, except per share data)	H1 2020	H1 2019	Change
Income Statement			
Gross earnings	217.4	248.1	(12.4%)
Net interest income	75.0	76.8	(2.3%)
Non-interest revenue	60.3	59.6	1.2%
Operating expenses	(94.3)	(116.1)	(18.7%)
Profit before tax	30.0	39.6	(24.3%)
Profit for the period	28.6	38.7	(26.1%)
EPS	37k	37k	0.0%

Key Metrics

Net interest margin	5.3%	5.8%	↓
Cost to income ratio	75.5%	76.1%	↑
Return on assets	1.2%	1.6%	↓
Return on equity	8.5%	10.8%	↓

Key H1 2020 operational highlights

Digital and channels

- Launch of straight through account opening on Union Mobile
- Launch of Pay Day Loans on Union Mobile.
- Growth of active user sign-ons across channels: 39% on Union Mobile; 44% on Union Online; 19% on cards and 27% on Union 360 & Union One.

Channels growth (Y-O-Y)

- Active mobile users: 1.7m → 2.4m
- Active online users: 620k → 896k
- Union360/One users: 20.5k → 25.9k
- Active POS: 5.3k → 6.5k

Emerging segments

- **alpher:**
 - >5000 users of the "alpher hub"
 - Commenced discounted loans for customers
- **SME:**
 - Growth of the SME Loan book - >N2.5bn new loans were booked in H1 2020
 - 5% growth in average deposits despite impact of COVID-19 on SMEs

New customer offerings

- **New products:** Union Infinity and Union Legend for Children and Teens.
- **New channel features** on Union Mobile and USSD

Other highlights

- Launched the #UnionRiseChallenge to recognize and reward UBN customers who are rising in various ways despite the Covid-19 pandemic.
- Implemented various initiatives in response to COVID-19 to provide continuous support to stakeholders: customers, employees and the community.

Source: UBN H1 2020 financial analyst presentation

H1 2020 ATMA Group summarised consolidated income statement

Quarterly		\$million	Year to 30 June 2020			Year to 30 June 2019			Var	CC Var
Q1 2020	Q2 2020		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total		
20.2	16.9	Net interest income	4.3	32.8	37.1	8.8	35.7	44.5	(16.6%)	13.5%
26.5	27.0	Non-interest income	30.6	22.9	53.5	29.7	21.3	51.0	4.9%	>100%
46.7	43.9	Total income	34.9	55.7	90.6	38.5	57.0	95.5	(5.1%)	67.5%
(1.7)	(2.2)	Impairment charge on financial assets	(0.8)	(3.1)	(3.9)	(0.7)	(2.0)	(2.7)	(46.1%)	>(100%)
45.0	41.7	Operating income	34.1	52.6	86.7	37.8	55.0	92.8	(6.6%)	65.8%
(49.9)	(44.4)	Total expenses	(37.5)	(56.8)	(94.3)	(39.5)	(63.5)	(103.1)	8.5%	(11.2%)
(3.1)	(1.6)	Net loss on monetary position	(4.7)	-	(4.7)	-	-	-	0.0%	0.0%
(8.0)	(4.3)	Net operating (loss)/income	(8.1)	(4.2)	(12.3)	(1.8)	(8.5)	(10.3)	(19.9%)	62.2%
8.1	5.7	Income from associates	13.8	-	13.8	18.7	-	18.7	(26.0%)	(9.2%)
0.1	1.4	(Loss)/profit before tax	5.7	(4.2)	1.5	16.9	(8.5)	8.4	(82.1%)	>100%
(1.9)	(6.7)	Taxation	(7.2)	(1.4)	(8.6)	(7.4)	(1.0)	(8.4)	(2.7%)	>(100%)
(1.8)	(5.3)	(Loss)/profit after tax	(1.5)	(5.6)	(7.1)	9.5	(9.5)	0.0	>(100%)	(66.4%)
(0.4)	0.8	IFRS 5 impairment movement	-	0.4	0.4	-	(125.6)	(125.6)	>100%	>100%
(2.2)	(4.5)	Loss/(profit) for the period	(1.5)	(5.2)	(6.7)	9.5	(135.1)	(125.6)	94.7%	95.4%
		Attributable to:								
(2.8)	(5.1)	Equity holders of the company	(1.8)	(6.1)	(7.9)	8.9	(135.4)	(126.5)	93.8%	94.6%
0.6	0.6	Non-controlling interest	0.3	0.9	1.2	0.6	0.3	0.9	33.3%	50.0%
(2.2)	(4.5)	Loss for the period	(1.5)	(5.2)	(6.7)	9.5	(135.1)	(125.6)	94.7%	95.4%
4.5%	2.1%	Net interest margin - Earning assets	1.2%	7.7%	4.7%	2.0%	9.1%	10.3%		
3.3%	1.4%	Net interest margin - Total assets	0.6%	6.4%	3.0%	1.1%	7.8%	3.6%		
6.9%	3.0%	Cost of funds	5.9%	6.7%	6.2%	5.4%	5.6%	5.5%		
0.6%	0.4%	Credit loss ratio	0.3%	1.2%	0.7%	0.2%	1.0%	0.8%		
113.5%	101.2%	Cost to income ratio	107.4%	102.0%	104.1%	102.8%	111.5%	108.0%		
(0.4%)	(0.5%)	Return on assets	(0.2%)	(1.2%)	(0.6%)	1.1%	(15.9%)	(5.1%)		
(2.8%)	(3.4%)	Return on equity	(1.0%)	(3.6%)	(4.7%)	3.6%	(3.9%)	(25.4%)		
		Earnings per share - \$	(0.01)	(0.04)	(0.05)	0.05	(0.79)	(0.74)		

Adjusted operating profit (non-GAAP method)

- When calculating our adjusted operating profit, we exclude the impact of one-off and transaction-related items.
- One-off items are considered, but not limited to be those related to matters such as separation packages paid to staff and executives, integration costs when acquiring new business and costs associated with corporate restructures and reorganizations which management would identify and evaluate separately when assessing performance and performance trends of the business.

\$'million	H1 2020	H1 2019	CC. Var %
Total income	90.6	95.5	67.5%
Loan impairment charge	(3.9)	(2.7)	>(100%)
Total expenses	(90.5)	(90.5)	(25.3%)
Loss on monetary position	(4.7)	-	0.0%
Income from associates	13.8	18.7	(9.2%)
Adjusted operating profit before tax	5.3	21.0	(19.5%)
Adjusted net operating profit	4.3	17.0	(19.5%)
IFRS 5 impairment loss	0.4	(125.6)	>100%
Transaction costs	(0.5)	(10.0)	95.0%
Restructuring costs	(3.3)	(2.6)	(26.4%)
Reported profit before tax and IFRS 5 remeasurement loss	1.5	8.4	>100%
Reported loss after tax and NCI	(7.9)	(126.5)	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 earnings per share - \$	(0.05)	(0.74)	
Adjusted earnings per share - \$	0.03	0.10	

H1 2020 ATMA Group summarised consolidated statement of financial position

Q1 2020	\$'million	H1 2020	FY 2019	Var %	CC Var %	H1 2019	Var %
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 to customers	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	Intangible asset (including goodwill)	61.6	73.0	(15.6%)	(14.5%)	74.3	(17.2%)
70.2	Other assets	103.4	84.9	21.7%	25.9%	74.0	39.8%
979.6	Assets included in disposal groups classified as 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%)
623.1	Deposits from customers	555.2	712.7	(22.1%)	(8.3%)	644.6	(13.9%)
37.5	Deposits from banks	57.7	11.0	>100%	>100%	39.4	46.5%
378.4	Borrowed funds	410.7	366.8	12.0%	15.9%	413.5	(0.7%)
117.9	Other liabilities	138.3	115.5	19.7%	51.7%	43.6	>100%
874.2	Liabilities included in disposal groups classified as held for sale	936.3	874.2	7.1%	7.1%	809.8	15.6%
2,031.2	Total liabilities	2,098.0	2,080.2	0.9%	8.5%	1,950.9	7.5%
351.7	Equity attributable to parent	348.3	502.5	(30.7%)	(30.7%)	501.0	(30.5%)
42.8	Minority interests	43.6	44.7	(2.4%)	(2.4%)	44.8	(2.6%)
394.5	Total equity	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%	Loan : Deposit ratio	90.4%	89.0%			88.4%	
9.9%	NPL ratio	12.0%	11.4%			9.6%	
2.08	Net book value per share - \$	2.06	2.97			2.95	
2.04	Tangible book value per share - \$	2.05	2.87			2.84	

2020 and Beyond

COVID-19

- Continue to follow government guidance and serve customers safely
- Banks have managed credit impacts well, but more credit quality deterioration is possible
- Estimate 15-20% of year on year variation in H1 net profit is directly attributable to the pandemic
- Investments in digital channels will continue; expect higher volumes are secular
- Working closely with regulators and governments to support customers and our markets
- All banks are operating business continuity plans and stress testing

ATMA Share Price

- Share price performance continues to be affected by COVID-19 impact, including capital outflows from EM and slowing projected recovery pace in sub-Saharan African markets
- African markets continue to underperform developed markets with global flight to safety and unprecedented monetary and fiscal action in the US and EU
- Pro forma tangible book value remains >4x current share price

Current Priorities

- Safety of employees, customers, and communities
- Prioritize liquidity and capital preservation; work with regulators to support our markets
- Focused on execution of strategic priorities; continuing to review additional strategic options including potential divestiture or partnership transactions
- Emphasizing areas where we have contributed to banks' shareholder value, including in capital mobilization (e.g. >\$200 million in recent growth financings for UBN and BancABC Botswana)

Appendix



H1 2020 segmental financial summary

\$'m	H1 2020 Group	Continuing operations				Discontinued operations
		Botswana	Zimbabwe	Nigeria	Others	
Total income	90.6	23.6	28.2	-	(16.9)	55.7
Impairment charge on financial assets	(3.9)	(0.2)	(0.6)	-	0.0	(3.1)
Total expenses	(94.3)	(17.1)	(11.9)	-	(8.5)	(56.8)
Net loss on monetary position	(4.7)	-	(4.7)	-	-	-
Income from associates	13.8	-	-	13.8	-	-
Profit/(loss) before tax	1.5	6.3	11.0	13.8	(25.3)	(4.2)
Net change 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 - earnings assets	4.7%	6.1%	12.8%			
Cost to income ratio	104.1%	72.4%	42.1%			
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%			

H1 2019 segmental financial summary

\$'m	H1 2019	Continuing operations				Discontinued operations
	Group	Botswana	Zimbabwe	Nigeria	Others	
Total income	95.5	22.9	33.0	-	(17.4)	57.0
Credit impairments	(2.7)	0.5	(0.3)	-	(0.9)	(2.0)
Total expenses	(103.1)	(17.1)	(9.3)	-	(13.1)	(63.5)
Income from associates	18.7	-	-	18.7	-	-
Profit/(loss) before tax	8.4	6.2	23.5	18.7	(31.5)	(8.5)
Loss on 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	
Total liabilities	1,950.8	684.5	121.0	-	335.5	
Deposits	684.0	603.7	80.3	-	-	
Net interest margin - total assets	3.6%	4.5%	7.2%			
Net interest margin - earnings assets	10.5%	5.1%	10.3%			
Cost to income ratio	108.0%	74.8%	28.1%			
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%			