

# Atlas Mara Limited

## FY 2019 Results



12 May 2020

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## Table of contents

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Summary highlights	4
Union Bank of Nigeria (“UBN”) highlights	6
Group performance review	7
2020 and beyond	11
Appendix	12

# Summary highlights

<p><b>2019 Results</b></p>	<ul style="list-style-type: none"> <li>Adjusted net profit of \$5.8m (2018: \$26.4m)</li> <li>Profitable in all core markets (Nigeria, Botswana, Zimbabwe) despite challenging market conditions</li> <li>Overall net loss of \$143m driven by IFRS 5 remeasurement loss of \$105.5m (due primarily to reclassifying banks related to a potential strategic transaction)</li> <li>Book value \$2.97 per share; tangible book value \$2.87 per share</li> </ul>	
<p><b>Update from Strategic Review</b></p>	<ul style="list-style-type: none"> <li>Markets and Treasury onshore move completed; contributed profitability to Botswana and Zimbabwe</li> <li>Prioritizing investments in high-impact digital channels; digital volumes increased across markets</li> <li>Progress streamlining holding company structure and costs; a strategic transaction is expected to accelerate</li> </ul>	
<p><b>Update on Strategic transaction</b></p>	<ul style="list-style-type: none"> <li>Board strategic review led to exploration of potential transaction for non-core markets</li> <li>Complex potential transaction has been further delayed by COVID-19 effects</li> <li>Strategic transaction rationale remains sound</li> <li>Commitment to execute a transaction when practicable</li> </ul>	
<p><b>UBN</b></p>	<ul style="list-style-type: none"> <li>Very strong performance with net profit, RoE, loans, deposits, and NPL ratio all improved</li> <li>Declared first dividend in more than a decade</li> <li>Strengthened balance sheet: largest ever Nigerian 10yr corp bond; \$200 million growth facility from US DFC</li> <li>Atlas Mara ownership now 49.97%</li> <li>Sold UK subsidiary in January, which will expand min CAR buffer by 500 bps</li> </ul>	
<p><b>Other Core Markets</b></p>	<p><b>Botswana</b></p>	<ul style="list-style-type: none"> <li>Positive H2 performance (net profit up 35% vs. H1) amidst slow market growth</li> <li>Declared and paid first dividend under Atlas Mara ownership</li> <li>New \$10m Tier II growth facility from PROPARCO funded in May 2020</li> </ul>
<p><b>Zimbabwe</b></p>	<ul style="list-style-type: none"> <li>Very strong performance with 162.2% higher net profit (inflation-adjusted local currency terms)</li> <li>Focus on hard assets, strong non-interest income, digital channel growth, and Markets and Treasury</li> <li>Improved market position – now #2 bank in Zimbabwe measured by net profit</li> </ul>	



# Performance overview vs 2018

<p><b>Revenue</b></p> <p><b>\$189.8 million</b></p> <p>2018: \$231.4 million Total Var (18.0%) CC Var 18.3%</p>	<p><b>Loans and Advances*</b></p> <p><b>\$644.1 million</b></p> <p>2018: \$1,154.1 million Total Var (44.2%) CC Var (38.0%)</p>	<p><b>Total Assets</b></p> <p><b>\$2,627.4 million</b></p> <p>2018: \$2,804.7 million Total Var (6.3%) CC Var 3.8%</p>
<p><b>Impairment charge</b></p> <p><b>\$11.4 million</b></p> <p>2018: \$0.2 million Total Var &gt;(100.0%) CC Var &gt;(100%)</p>	<p><b>Deposits*</b></p> <p><b>\$723.7 million</b></p> <p>2018: \$1,631.8 million Total Var (55.7%) CC Var (49.8%)</p>	<p><b>Return on Equity</b></p> <p><b>(28.5%)</b></p> <p>2018: 6.1%</p>
<p><b>Adjusted Net Profit</b></p> <p><b>\$5.8 million</b></p> <p>2018: \$26.4 million</p>	<p><b>Total Equity</b></p> <p><b>\$547.2 million</b></p> <p>2018: \$688.9 million</p>	<p><b>Total Physical Locations:</b></p> <p><b>376</b></p> <p><b>( &gt;600 including UBN)</b></p>
<p><b>Net (loss)/profit</b></p> <p><b>(\$143.2 million)</b></p> <p>2018: \$39.7 million Total Var &gt;(100%)CC Var &gt;(100%)</p>	<p><b>Net Book Value per Share</b></p> <p><b>\$2.97</b></p> <p>2018: \$3.83</p>	<p><b>Countries of Operation: 7</b></p> <p><b>Customers: &gt;1m</b></p> <p><b>(&gt;6m including UBN)</b></p>

\* FY 2019 figures reported on Loans and advances and Deposits relate only to continuing operations while FY 2018 figures includes the balances for discontinued operations.

# UBN FY 2019 financial and operational highlights

## Financial highlights

(in USD 'millions, except per share data)	2019	2018	Change
<b>Balance Sheet</b>			
Gross Loans	1,942.3	1,771.9	9.7%
Customer Deposits	2,891.6	2,798.0	3.3%
Borrowed Funds	499.1	354.8	40.7%
<b>Total Assets</b>	<b>6,108.4</b>	<b>4,776.0</b>	<b>27.9%</b>
<b>Shareholders' Equity</b>	<b>823.3</b>	<b>736.2</b>	<b>11.8%</b>
<b>Income Statement</b>			
Gross earnings	543.5	476.2	14.1%
Net interest income	171.4	168.8	1.5%
Non-interest revenue	139.8	112.3	24.5%
Operating expenses	231.8	233.5	(0.8%)
<b>Profit before tax</b>	<b>66.4</b>	<b>60.4</b>	<b>10.0%</b>
<b>Profit for the year</b>	<b>64.9</b>	<b>59.2</b>	<b>9.5%</b>
<b>EPS</b>	<b>67k</b>	<b>61k</b>	<b>9.8%</b>

## Key Metrics

Net interest margin	5.8%	6.1%	↓
Cost to income ratio	74.1%	79.8%	↑
Return on assets	1.6%	1.2%	↑
Return on equity	10.2%	6.2%	↑
NPL ratio	5.8%	8.7%	↑
NPL coverage ratio	138.1%	110.5%	↑
Capital adequacy ratio	19.7%	16.4%	↑

## Key 2019 achievements and operational highlights

### Digital and automation

- Expansion of Robotic Process Automation to include refunds, reconciliation, term deposit
- Digital loan offerings launched
- Increased self-service functionalities on Union Mobile.

### Improved Digital Footprint (Y-O-Y)

- Active Mobile Users: 1.3m → 2.1m
- ATM: 1,100 → 977
- Active Online Users: 910k → 1.3m
- Active POS: 9.6k → 5.9k

### Operational efficiency

- Improved NPL ratio to 5.8% from 7.8% in prior year
- Improved cost to income ratio from 79.2% in prior year to 74.1%
- ~ ₺ 2.4 bn in cost savings as part of the benefits of the implementation of project LEAP

### Value Chain & Ecosystems

Refocus of value chain strategies led to:

- >10% growth in LC trade volumes
- 76% growth in key distributor conversion
- 37% growth in payroll sign-ons

### Funding

- 10-year ₺30 billion bond in June 2019, as part of the bank's ₺100 billion debt capital program
- \$200m 10-year growth funding from US DFC
- ₺24 bn raised via commercial paper issued.

### Portfolio diversification

- Loan book diversified towards the real sector:
  - ✓ Oil & Gas at 29% of loan book (vs. 36% in 2018)
  - ✓ Retail lending up to ~8% (vs. 6% in 2018)
  - ✓ General commerce 14% of portfolio (vs. 9% in 2018)

Source: UBN 2019 abridged audited financial statements and investor presentation



# FY 2019 ATMA Group Income statement summary

Quarterly				\$'million	FY 2019			FY 2018			Var %	CC Var %
Q1 2019	Q2 2019	Q3 2019	Q4 2019		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total		
22.3	22.2	20.7	21.0	Net interest income	11.4	74.8	86.2	51.4	81.2	132.6	(35.0%)	(6.5%)
10.9	40.1	8.7	43.9	Non-interest income	53.7	49.9	103.6	54.1	44.8	98.8	4.9%	51.7%
<b>33.2</b>	<b>62.3</b>	<b>29.4</b>	<b>64.9</b>	<b>Total income</b>	<b>65.1</b>	<b>124.7</b>	<b>189.8</b>	<b>105.4</b>	<b>125.9</b>	<b>231.4</b>	<b>(18.0%)</b>	<b>18.3%</b>
0.7	(3.4)	(0.5)	(8.2)	Impairment (charges)/credit	1.0	(12.4)	(11.4)	1.5	(1.7)	(0.2)	>(100%)	>(100%)
<b>33.9</b>	<b>58.9</b>	<b>28.9</b>	<b>56.7</b>	<b>Operating income</b>	<b>66.1</b>	<b>112.3</b>	<b>178.4</b>	<b>106.9</b>	<b>124.2</b>	<b>231.2</b>	<b>(22.8%)</b>	<b>11.7%</b>
(52.8)	(50.3)	(45.0)	(82.5)	Total expenses	(92.5)	(138.1)	(230.6)	(110.3)	(130.2)	(240.5)	4.1%	(24.4%)
<b>(18.9)</b>	<b>8.6</b>	<b>(16.1)</b>	<b>(25.7)</b>	<b>Net operating income/(loss)</b>	<b>(26.4)</b>	<b>(25.8)</b>	<b>(52.2)</b>	<b>(3.4)</b>	<b>(6.0)</b>	<b>(9.3)</b>	<b>&gt;100%</b>	<b>&gt;(100%)</b>
8.2	10.5	5.9	6.5	Income from associates	31.1	-	31.1	56.3	-	56.3	(44.8%)	(44.8%)
<b>(10.7)</b>	<b>19.1</b>	<b>(10.2)</b>	<b>(19.2)</b>	<b>(Loss)/profit before tax</b>	<b>4.7</b>	<b>(25.8)</b>	<b>(21.1)</b>	<b>53.0</b>	<b>(6.0)</b>	<b>47.0</b>	<b>&gt;100%</b>	<b>&gt;100%</b>
(0.9)	(7.5)	(0.2)	(5.9)	Taxation	(12.5)	(2.0)	(14.5)	(1.3)	(3.5)	(4.7)	>(100%)	>(100%)
<b>(11.6)</b>	<b>11.6</b>	<b>(10.4)</b>	<b>(25.1)</b>	<b>(Loss)/profit after tax</b>	<b>(7.8)</b>	<b>(27.8)</b>	<b>(35.6)</b>	<b>51.7</b>	<b>(9.5)</b>	<b>42.2</b>	<b>&gt;(100%)</b>	<b>&gt;(100%)</b>
-	(125.6)	(0.9)	21.0	Loss on remeasurement	-	(105.5)	(105.5)	-	-	-	0.0%	0.0%
<b>(11.6)</b>	<b>(114.0)</b>	<b>(11.3)</b>	<b>(4.2)</b>	<b>(Loss)/profit for the period</b>	<b>(7.8)</b>	<b>(133.3)</b>	<b>(141.1)</b>	<b>51.7</b>	<b>(9.5)</b>	<b>42.2</b>	<b>&gt;(100%)</b>	<b>&gt;(100%)</b>
<b>Attributable to:</b>												
<b>(12.0)</b>	<b>(114.4)</b>	<b>(12.1)</b>	<b>(4.6)</b>	<b>Equity holders of the company</b>	<b>(8.5)</b>	<b>(134.7)</b>	<b>(143.2)</b>	<b>50.7</b>	<b>(11.0)</b>	<b>39.7</b>	<b>&gt;(100%)</b>	<b>&gt;(100%)</b>
0.4	0.5	0.8	0.4	Non-controlling interest	0.7	1.4	2.1	1.0	1.5	2.5	(16.0%)	(8.7%)
<b>(11.6)</b>	<b>(114.0)</b>	<b>(11.3)</b>	<b>(4.2)</b>	<b>(Loss)/profit for the period</b>	<b>(7.8)</b>	<b>(133.3)</b>	<b>(141.1)</b>	<b>51.7</b>	<b>(9.5)</b>	<b>42.2</b>	<b>&gt;100%</b>	<b>&gt;100%</b>
				Net interest margin - Earning assets	1.2%	8.1%	4.7%			7.3%		
				Net interest margin - Total assets	0.7%	7.6%	3.3%			4.7%		
				Cost of funds	6.0%	5.8%	5.9%			5.6%		
				Credit loss ratio	(0.1%)	2.5%	1.0%			0.0%		
				Cost to income ratio	142.0%	110.7%	121.5%			104.0%		
				Return on assets	(0.5%)	(13.7%)	(5.5%)			1.4%		
				Return on equity	(1.7%)	(26.8%)	(24.9%)			6.1%		
				Earnings per share - \$	(0.05)	(0.79)	(0.84)			0.23		
				Net book value per share - \$			2.97			3.83		
				Tangible book value per share - \$			2.87			3.00		

## 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.
- The M&A transaction loss of \$105.5 million relates to the fair value loss arising on the remeasurement of the assets and liabilities included in the disposal groups held for sale to the lower of costs and fair value less cost to sell in line with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

\$'million	FY 2019	FY 2018	CC. Var %
Total income	189.8	231.6	18.3%
Loan impairment charge	(11.4)	(0.2)	>(100%)
Total expenses	(202.3)	(229.9)	24.5%
Income from associates	31.1	28.0	10.9%
Adjusted operating profit before tax	7.2	29.5	(45.6%)
<b>Adjusted net operating profit</b>	<b>5.8</b>	<b>26.4</b>	<b>(51.1%)</b>
M&A transaction gains/(expenses)	(109.5)	28.3	>(100%)
Reorganising/restructuring costs	(13.1)	(10.7)	(22.8%)
Net monetary loss	(11.1)	-	0.0%
Reported (loss)/profit before tax	(21.1)	47.1	>(100%)
<b>Reported (loss)/profit after tax, NCI and remeasurement loss</b>	<b>(143.2)</b>	<b>39.7</b>	<b>&gt;(100%)</b>
Reported cost to income ratio	121.5%	104.0%	
Adjusted cost to income ratio	106.6%	99.3%	
Reported return on equity	(28.5%)	6.1%	
Adjusted return on equity	1.2%	3.8%	
Reported return on assets	(5.5%)	1.4%	
Adjusted return on assets	0.2%	0.9%	
Reported earnings per share - \$	(0.84)	0.23	
Adjusted earnings per share - \$	0.03	0.15	



# FY 2019 ATMA Group Summary statement of financial position

Q1 2019	H1 2019	Q3 2019	\$'million	FY 2019	FY 2018	Var %	CC Var %
404.3	124.6	135.4	Cash and short term funds	130.5	382.0	(65.8%)	(61.7%)
29.1	23.9	25.1	Financial assets at FVTPL	25.2	24.9	1.3%	11.2%
1,097.3	604.6	595.3	Loans & advances to customers	644.1	1,154.1	(44.2%)	(38.0%)
318.5	120.9	120.7	Investments	107.8	369.8	(70.9%)	(63.0%)
546.2	559.1	566.4	Investment in associates	582.1	532.2	9.4%	9.4%
96.2	34.1	24.2	Property and equipment	41.2	78.4	(47.4%)	(37.2%)
160.2	74.3	67.7	Intangible asset (including goodwill)	73.0	159.0	(54.1%)	(36.7%)
109.0	39.8	37.8	Other assets	43.7	104.2	(58.0%)	(64.4%)
2,760.8	1,581.4	1,572.5		1,647.8	2,804.7	(41.3%)	(34.9%)
			Assets included in disposal groups classified as				
-	915.2	915.2	held for sale	979.6	-	0.0%	0.0%
<b>2,760.8</b>	<b>2,496.6</b>	<b>2,487.7</b>	<b>Total assets</b>	<b>2,627.4</b>	<b>2,804.7</b>	<b>(6.3%)</b>	<b>3.8%</b>
1,557.5	684.0	684.3	Deposits	723.7	1,631.8	(55.7%)	(49.8%)
436.4	413.5	439.6	Borrowed funds	366.8	410.2	(10.6%)	(7.7%)
71.9	43.5	41.1	Other liabilities	115.5	73.8	56.4%	>100%
2,065.8	1,141.0	1,165.0		1,206.0	2,115.8	(43.0%)	(36.1%)
			Liabilities included in disposal groups classified				
-	809.8	809.8	as held for sale	874.2	-	0.0%	0.0%
2,065.8	1,950.8	1,974.8	<b>Total liabilities</b>	2,080.2	2,115.8	(1.7%)	10.2%
651.3	501.0	467.3	Equity attributable to parent	502.5	646.8	(22.3%)	(16.2%)
43.7	44.8	45.6	Minority interests	44.7	42.1	6.2%	6.2%
695.0	545.8	512.9	<b>Total equity</b>	547.2	688.9	(20.6%)	(14.7%)
<b>2,760.7</b>	<b>2,496.6</b>	<b>2,487.7</b>	<b>Total equity and liabilities</b>	<b>2,627.4</b>	<b>2,804.7</b>	<b>(6.3%)</b>	<b>3.8%</b>
			Loan : Deposit ratio	89.0%	70.7%		
			NPL ratio	11.4%	11.1%		

# Key achievements in other core markets



## Botswana

- Declared and paid first dividend under Atlas Mara ownership
- Revamped card and ATM infrastructure as part of repositioning for digital business
- Reduced interest expense in H2 2019 by 9% vs. H1 2019
- Opened four new Sales and Service Centres to double footprint outside of Gaborone, with performance better than expected
- Hired new, experienced leadership in Corporate & Investment Banking and in Operations, to drive growth in Corporate & GMT divisions and support transformation agenda
- Completed and launched new credit card product
- Signed five new lending schemes and one new union in continued loan book diversification push
- Launched state-of-the-art corporate banking platform, BancOnline
- Challenging conditions in Markets and Treasury affected H1 2019 results; onboarded new team mid-year that oversaw improved results in H2 2019
- Subsequent to period end, signed \$10 million Tier II facility with PROPARCO to support growth (especially SME)



## Zimbabwe

- Reclaimed position as a top bank in the country with the second-best 2019 net profit in the market, in line with Group strategic goal of achieving top-five market position in every market
- Onboarded new CEO, Lance Mambondiani, former CEO of Steward Bank, in July following retirement of predecessor
- Markets and Treasury continued to deliver strong revenues despite unprecedented economic challenges
- Implemented aggressive Digital Transformation Agenda, launching several innovative products, including WhatsApp chatbot for basic banking and COVID-19 information, as well as enhanced mobile and internet platforms for both Retail and Corporate customers.
- Achieved 87% growth in customers and 79% growth in volume on digital platforms, making the bank one of the fastest-growing in the country
- Won “Best Innovation Award” from the CEOs Round Table
- Completed core banking system upgrade, supporting system stability, including for robust new digital channels
- Pioneered novel hedging strategy for balance sheet management in the highly volatile environment

# 2020 and Beyond

## Impact of COVID-19

- Full impact not yet known but we expect near-term effects on performance across all banks
- Banks deemed essential across the footprint; working to serve customers safely
- Investments in digital channels and infrastructure are supporting increased digital volume
- Working closely with regulators and governments, whose actions to date have included:
  - liquidity support: lower reserve requirements, cheaper overnight funding, eased FX restrictions, and direct injections of liquidity (e.g. a nearly \$10 billion injection in Nigeria)
  - capital support: lower minimum CARs and special provision exemptions
  - lending, cost, and money supply: lower interest rates, credit facilities for on-lending and refinancing, increased digital transaction limits, and lower transaction fees
  - fiscal stimulus (e.g. a \$1.4 billion IMF package announced in Nigeria)
- All banks are operating business continuity plans and stress testing

## ATMA Share Price

- Poor 2019 share price performance exacerbated in 2020 by COVID-19 impact
- In Q1 2020 African markets underperformed vs. other markets vs. 2008 financial crisis
- Reasons for optimism for Africa's resilience to long-term impact (demographics; uncorrelated economic growth; long-term emphasis on increased trade)
- Pro forma tangible book value >4x current share price

## Go-Forward Priorities

- Safety of employees, customers, and communities
- Prioritize liquidity and capital preservation; work with regulators to support our markets
- Encourage innovative solutions to serve customers with an emphasis on digital channels
- Execute strategic transaction
- Long-term thesis intact, but 2020 focus on urgent issues and managing through the crisis

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# Appendix



## FY 2019 segmental financial summary

\$'million	FY 2019 Group	Continuing operations				Discontinued operations
		Botswana	Zimbabwe	Nigeria	Others	
Total income	189.8	50.1	38.3	-	(23.3)	124.7
Loan impairment charge	(11.4)	1.5	(0.2)	-	(0.3)	(12.4)
Operating expenses	(230.6)	(37.4)	(21.6)	-	(33.5)	(138.1)
Income from associates	31.1	-	-	31.2	(0.1)	-
<b>Profit/(loss) before tax</b>	<b>(21.1)</b>	<b>14.2</b>	<b>16.5</b>	<b>31.2</b>	<b>(57.2)</b>	<b>(25.8)</b>
Loss on remeasurement	(105.5)	-	-	-	-	(105.5)
<b>Profit/(loss) after tax and NCI</b>	<b>(143.2)</b>	<b>8.9</b>	<b>7.8</b>	<b>31.2</b>	<b>(56.4)</b>	<b>(134.7)</b>
Loans and advances	644.1	606.3	22.7	-	15.1	
Total assets	2,627.4	856.7	161.3	580.6	49.2	979.6
Total liabilities	2,080.2	736.1	107.9	-	362.0	874.2
Deposits	723.7	662.5	61.2	-	-	
Net interest margin - total assets	3.3%	4.5%	6.1%			
Net interest margin - earnings assets	4.7%	5.0%	14.4%			
Cost to income ratio	121.5%	74.6%	56.4%			
Credit loss ratio	1.0%	(0.2%)	0.8%			
Return on equity	(28.5%)	8.8%	14.7%			
Return on assets	(5.5%)	1.0%	4.8%			
Loan to deposit ratio	89.0%	91.5%	37.1%			

## FY 2018 segmental financial summary

\$'million	FY 2018 Group	Continuing operations				Discontinued operations
		Botswana	Zimbabwe	Nigeria	Others	
Total income	231.4	54.0	57.1	-	(5.6)	125.9
Loan impairment charge	(0.2)	1.9	0.1	-	(0.5)	(1.7)
Operating expenses	(240.5)	(39.6)	(41.6)	-	(29.1)	(130.2)
Income from associates	56.3	-	-	27.8	28.5	-
Profit/(loss) before tax	47.0	16.3	15.6	27.8	(6.7)	(6.0)
<b>Profit/(loss) after tax and NCI</b>	<b>39.7</b>	<b>12.6</b>	<b>13.1</b>	<b>27.8</b>	<b>(2.8)</b>	<b>(11.0)</b>
Loans and advances	1,154.1	541.4	86.6	-	210.0	316.1
Total assets	2,804.7	851.0	220.6	530.6	240.2	962.3
Total liabilities	2,115.8	741.2	181.3	-	222.2	971.2
Deposits	1,631.8	671.9	152.4	-	-	807.5
Net interest margin - total assets	4.7%	4.8%	19.0%			
Net interest margin - earnings assets	7.3%	5.4%	16.5%			
Cost to income ratio	104.0%	73.4%	72.8%			
Credit loss ratio	0.0%	(0.3%)	(0.1%)			
Return on equity	6.1%	13.9%	33.2%			
Return on assets	1.4%	1.5%	5.9%			
Loan to deposit ratio	70.7%	80.6%	56.8%			