

31 August 2021

Atlas Mara provides audited results for the 14-month period ended 28 February 2021

Atlas Mara Limited ("Atlas Mara" or the "Company," and including its subsidiaries, the "Group"), the sub-Saharan African financial services group, releases its summary financial highlights for the 14-month period ended 28 February 2021. This represents an extract from the audited financial statements.

The full audited financial statements will be released shortly and published on our website.

Principal highlights:

- On 29 June 2021, the Group announced that it had changed its accounting reference date and financial year end from 31 December to 28 February, effective for the 2020 financial year. As a result of this change, the results and prior year information presented herein on an IFRS basis are not comparable.
- Adjusted net profit of \$1.5 million (2019: \$5.8 million) which excludes the impact of IFRS 5 remeasurement of subsidiaries held-for-sale and other transaction and restructuring related expenses.
- Union Bank of Nigeria ("UBN") contributed associate income of \$25.5 million for the 14-month period (2019: \$31.2 million). The associate income reported reflects the impact of the currency devaluation in 2020, being translated at an average US dollar FX rate of NGN384.4 compared to NGN306.4 in 2019. This represents a 14-month pro-rated 30% decrease in US dollar terms (12.1% on a constant currency basis)
 - Despite the impact of the COVID-19 pandemic and related macro-economic challenges as well as government policy responses, UBN's underlying performance for the 14-month period remained strong, with the NPL ratio decreasing to 4% compared to 5.8% in December 2019.
 - Capital adequacy remains strong with total CAR above 17% at period-end.
 - BVPS increased by NGN 0.41 to 9.05 as at December 2020.
- On 14 July 2021 the Group announced that it had successfully executed a binding and comprehensive debt restructuring agreement (the "Support and Override Agreement" or "restructuring agreement") with the majority of the Company's and its subsidiary ABC Holdings Limited's ("ABCH's") creditors. This followed the initial announcement on 29 December 2020 that the Group had entered into a new secured facility agreement and a standstill agreement with certain creditors in respect of the Company's and ABCH's financing arrangements (the "Standstill"). Additional information related to the terms of this agreement are set out in the Company's previous announcement.
- Successful execution of the restructuring agreement enables the Company to continue its focus on its previously announced strategic priorities. In the period from September 2020 to date, the company has announced divestments in Mozambique, Rwanda, Tanzania and Botswana. The Group continues its efforts to streamline the holding company and centralised cost structures. Additionally, the Company continues to evaluate all options that could include a take-private or delisting of the Company and will keep the market apprised as appropriate.
- Reported net loss to equity holders of \$58.7 million (2019: loss of \$143.2 million) or \$0.35 per share (2019: loss of \$0.84 per share). This result includes a loss from continuing operations of \$46.6 million (2019: loss of \$8.5 million) and a loss from discontinued operations of \$12.0 million (2019: loss of \$134.7 million). The loss from continuing operations includes a loss on the monetary position in Zimbabwe of \$16.9 million and reflects the impact of the currency devaluation of >100% in Zimbabwe and 20% in Nigeria.
- The Group's operating businesses evolved in response to the challenges brought by the COVID-19 pandemic as well as the ever-increasing customer expectations, new technologies and a rapidly changing competitive environment. Key changes were implemented in health and safety of clients and employees, Information Technology systems and cyber security, capital and liquidity buffers, internal controls, and robust loan management systems.

- All operating banks maintained adequate capital adequacy ratios, reflecting stable balance sheets. Continued focus on deposit growth, loan book quality, and growth business lines.

Commenting on these results, Chairman Michael Wilkerson said, "The past financial year was the most challenging in the Company's history. Nonetheless, I am pleased to report that the Group was successful in working with its creditors to complete its debt restructuring. The Company also achieved several milestones in the strategic review aimed at maximizing creditor and shareholder value in the context of extraordinary market disruptions and highly regulated banking environments. Despite the challenging macroeconomic environment in Africa, most of our banks generated positive recurring operating profit during the period."

Events subsequent to year end

- **Debt Restructuring**
 - On 14 July 2021 the Group announced the successful execution of the restructuring agreement. Creditors representing 88% of the aggregate amount of debt outstanding under the Company's direct and contingent financial liabilities agreed to enter the Restructuring Agreement.
 - This agreement provides for a high level of support from the creditors to enable a long-term stable platform to allow the Company to complete its strategic review and divestiture program.
- **Update on strategic transactions**
 - On 25 August 2021, the Group announced that after successfully securing the necessary regulatory approvals and consents, and fulfilling all other agreed closing conditions, the transaction for the sale of 62.06% shareholding in Banque Populaire du Rwanda Plc ("BPR") had been completed.
 - On 19 May 2021, the Group announced the completion of the sale of its subsidiary African Banking Corporation Mozambique ("BancABC Mozambique"). The transaction was initially announced on 29 September 2020.
 - On 19 April 2021, the Group announced that it had entered into definitive agreements for the sale of ABCH's holdings in African Banking Corporation Botswana ("BancABC Botswana"). This transaction has received all requisite regulatory approvals and is expected to close by the end of 2021.
- **Classification of BancABC Botswana as a non-current asset held for sale**
 - Following the announcement of the planned divestiture of BancABC Botswana, effective 31 August 2021, the Group will be required to classify its investment in BancABC Botswana as a non-current asset held for sale. As required by IFRS 5, this will result in the investment being deconsolidated and remeasured to the lower of its carrying value or fair value less cost to sell. The transaction is expected to result in a loss primarily due to the carrying value of goodwill and intangible assets associated with BancABC Botswana of c\$25 – 28 million.
 - At completion, this transaction will result in release of translation losses to P&L of c. \$13.2 million.

Additional operational highlights during the period:

- BancABC Botswana
 - Implemented a new Retail Digital Banking platform (SARUMoney) in 2020 before the introduction of mandatory COVID-19 related country-wide lockdowns.
 - Digital subscriptions increased by 60% during the year and monthly engagement levels exceed 80% on the platform. The Bank also introduced cardless cash withdrawal on its digital platform. These innovations contributed to the Retail deposit book's increase by over 16% by end of February 2021 compared to December 2019.

- Aligned to the ambition to become a transactional bank for corporate clients, additional functionality was added to the Corporate Banking Online platform, which resulted in significant volume and subscription growth during the year.
 - Global Markets profit after tax recorded over 40% year on year increase, supported by a 176% increase in trading income driven by increased client relationships.
 - Extended repayment and interest moratoriums were offered to select impacted clients in both the retail and corporate business – mostly small exposures in the tourism sector.
 - Tools were provided to staff to enable them to work from home. Allowances were granted to employees to purchase office equipment and internet facilities to improve productivity. This ensured that employees were fully equipped to work during the pandemic.
- BancABC Zimbabwe
 - Digital income contributed 9% to core revenue, a substantial increase from 2019.
 - A 348% increase in Visa card holders from 7.5 thousand as at February 2020 to 33.8 thousand as at February 2021. 11% increase between December 2020 (30.5k) and February 2021 (33.8 thousand).
 - A 33% increase in mobile banking subscribers from 107 thousand in February 2020 to 164 thousand in February 2021.
 - A 63% and 424% increase in mobile transaction volumes and values (\$3.7 million vs. \$2.3 million) respectively.
 - The Bank NPL ratio improved to 1.35% as at February 2021 from 3.10% in February 2020.
 - Entered into partnership to open total of 28 kiosks which are a low-cost substitute to branches.
 - Launched the local remittance service in September 2020, \$2 million sent through the service between September 2020 and February 2021.
 - Launched the A360 mobile app in July, 33 thousand registrations by December 2020 and 45 thousand registrations by February 2021.
 - Added QR code payment functionality on the A360 mobile app.
 - Optimized KYC account opening through the website launched in October 2020.
 - As part of the annual #777 CSR Campaign, the Bank donated over 200 litres of sanitiser and detergent, 500 face masks and other PPE to 7 different medical and vulnerable health organisations including an Old Peoples Home, Antenatal Clinic, Children's Hospital and Infectious Diseases Hospital.
 - UBN
 - Non-interest income increased by 4% for the 12 months ended 31 December 2020 compared to December 2019, with this trend continuing into Q1 and H1 2021 with UBN reporting a 9.5% and 22.3% increase respectively compared to the comparable period.
 - The NPL ratio decreased to 4% at 31 December 2020 compared to 5.8% reported in December 2019. As at 30 June 2021, the NPL ratio has stabilized at 4.3%.
 - Active users on digital platforms grew 1.3x and new features were added such as end-to-end account opening and enhanced card services including home delivery of cards, boosting revenues from digital channels by 1.5x.
 - UnionDirect network was increased to over 18,000 agents, representing a 6x increase. Transaction volume and value grew 10x and 12x respectively delivering 14x revenue growth.

- Relaunched UnionVibe, UnionLegend and UnionInfinity, a suite of products targeting the key youth and teen demographic; and disbursed over NGN9.4 billion loans with new credit propositions.
- Core systems were upgraded to strengthen the performance, reliability, security and processing capacity of various platforms.
- Measures to prioritize the health and safety of employees, customers and other stakeholders to help weather the challenges of the pandemic.
- One of the first in the Nigerian banking industry to adopt the remote working model, with over 70% of workforce operating remotely at the height of the lockdowns, made possible due to pre-pandemic strategic investments made in digital technologies.
- Investments as part of business continuity measures taken in the face of this crisis including additional tools, measures and investments to facilitate work from home and avoid reduced productivity.

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About Atlas Mara

Atlas Mara Limited (LON: ATMA) is a financial services institution listed on the London Stock Exchange. For more information, visit www.atlasmara.com.

Summary of audited results

Table 1: Adjusted operating profit and reconciliation to IFRS profit for 14-months ended 28 February 2021

\$'million	14-months ended 28 February 2021	Year ended 31 December 2019	CCY* Var %
Adjusted profit after tax	1.5	5.8	2.0%
Transaction and M & A related items	(12.6)	(109.5)	88.5%
Reorganisations and restructuring costs	(4.3)	(13.1)	67.4%
Impact of hyperinflation accounting	(16.9)	(11.1)	(45.7%)
Tax and NCI	(26.4)	(15.3)	45.5%
Reported net profit	(58.7)	(143.2)	61.0%
Reported cost to income ratio	114.4%	115.7%	
Adjusted cost to income ratio	106.1%	106.6%	
Reported return on equity	(20.5%)	(28.5%)	
Adjusted return on equity	0.9%	1.2%	
Reported return on assets	(2.3%)	(5.5%)	
Adjusted return on assets	0.1%	0.2%	
Reported EPS (\$)	(0.35)	(0.84)	
Operational EPS (\$)	0.01	0.03	
Book value per share (\$)	1.99	2.97	
Tangible book value per share (\$)	2.01	2.87	
Total Shares in issue ('000)	144,002	169,191	

* Unaudited

Statement of financial position as at 28 February 2021

\$'million	28 February 2021	FY 2019	Variance (%)	
			Total	CCY
ASSETS				
Cash and short-term funds	141.9	130.5	8.7%	14.1%
Financial assets at FVTPL	17.3	25.2	(31.3%)	(30.5%)
Loans & advances	580.5	644.1	(9.9%)	(7.2%)
Investments	119.6	107.8	10.9%	17.6%
Investment in associates	471.5	582.1	(19.0%)	(19.0%)
Goodwill and other intangible assets	63.9	73.0	(12.5%)	(10.7%)
Other assets	112.5	85.1	32.2%	42.2%
Assets included in disposal groups held for sale	1,101.4	979.6	12.4%	12.4%
Total assets	2,608.6	2,627.4	(0.7%)	0.8%
LIABILITIES				
Deposits	672.5	723.7	(7.1%)	(3.9%)
Borrowed funds	441.7	366.8	20.4%	21.3%
Other liabilities	141.3	115.5	22.3%	25.6%
Liabilities included in disposal groups held for sale	1,022.6	874.2	17.0%	17.0%
Total liabilities	2,278.1	2,080.2	9.5%	11.1%
EQUITY				
Equity attributable to parent	286.8	502.5	(42.9%)	(41.9%)
Minority interests	43.7	44.7	(2.2%)	(2.2%)
Total equity	330.5	547.2	(39.6%)	(38.6%)
Total equity and liabilities	2,608.6	2,627.4	(0.7%)	0.8%
Loan to deposit ratio	86.3%	89.0%		
NPL ratio	11.4%	11.4%		
Net book value per share - \$	1.99	2.97		
Tangible book value per share - \$	2.01	2.87		

Executive chairman's statement

Dear fellow Atlas Mara shareholders,

We entered the 2020 financial year with both optimism and positive momentum for most of our underlying banks. The previously announced strategic transaction in 2019 was intended to strengthen our position in markets where we did not have top five stand-alone market positions, and, through meaningful share ownership in the combined group, provide a broader strategic partnership with one of the region's leading banking franchises. At the same time, a strategic fund-raising was underway to strengthen the Group's balance sheet and to allow the Group to focus on and invest in FinTech and digital banking in its top-performing markets. Both of these opportunities were severely impacted by the unexpected global developments of the first quarter of 2020.

The visible onset of the pandemic caused by SARS-CoV-2, government responses in attempt to contain it, and the resulting period of market panic had a substantial and immediate detrimental impact on our business and on our markets that was outsized relative to other regions, including other emerging markets, and even other industries in the region. For example, during the first quarter of 2020, African equity markets declined by nearly 40%, double the decline of the S&P 500 in the same quarter, and of the African equity markets in the worse quarter of the global financial crisis (4Q08). Foreign exchange markets were similarly impacted, with greater than 20% declines against the dollar in the quarter for local currencies in countries such as Zambia, Zimbabwe, and South Africa. The major currency depreciations across the African markets in which the Group operates resulted in a more than \$145 million reduction in the US dollar value of the Company's assets and thus a reduction in the Company's debt capacity. Debt funding and liquidity dried up almost overnight. In our largest market, Nigeria, the equity markets declined by over 25% and the Naira by over 7%, while the sovereign yield blew out by over 110 basis points, foreign currency was unavailable in any size. The equity market decline in Africa was 60% worse than in other emerging markets, reflecting a particular "risk-off" view of Africa investment.

While COVID-19 infections remained relatively low, strict lockdowns and travel restrictions led to a substantial decrease in business activity in the region. Many African central banks struggled to provide the liquidity support necessary for local banks impacted by the crisis, while at the same time political pressures led to the imposition of regulatory restrictions on interest rate increases, imposition of fees and other actions that would ordinarily be available to defend liquidity and capital, if not profitability.

As the year progressed, it became apparent that neither the strategic transaction nor the strategic fundraising and repositioning of the balance sheet would be able to go forward under the circumstances. The Board made the difficult decision to undertake a formal restructuring of the Group's holding company debt and hired legal and financial advisors to assist in the process. At the same time, the Board broadened its review of strategic options to ensure that all possible alternatives to preserve value would be considered.

I am pleased to report that the Group was successful in completing the debt restructuring. In July 2021, the Company announced an agreement with creditors representing 88% of the total outstanding debt of the Group's holding companies. This critical agreement includes forbearance of debt service and other conditions favourable to the Group. The agreement also enabled the Company to continue its strategic review and certain associated divestitures, which are discussed below. The high level of creditor support was an affirmation of the alignment of the Company with its creditors, regulators and other stakeholders. I want to thank our creditors for their constructive engagement in reaching the agreement.

The Company also achieved several milestones in the strategic review aimed at maximizing creditor and shareholder value in the context of highly regulated banking environments. In the past year, we have completed or announced several important divestitures in line with this goal, including the Company's banking subsidiaries in Mozambique, Tanzania, Rwanda, and Botswana. Additionally, the company is in ongoing discussions regarding the Group's Zambian subsidiary. These announced transactions demonstrated the value of the Company's assets and represented the culmination of tremendous effort on the part of our colleagues, for which the Board and I are grateful. Today, the Company has a clear trajectory for completing the strategic review and restructuring that we began more than a year ago.

Despite the challenging macroeconomic environment in Africa, I am also pleased to report resilient operating performance from our underlying banks during the financial year. Most banks generated positive recurring operating profit during the period. Our local management teams demonstrated dedicated – and in some cases heroic – performance during this extraordinary period, and I want to thank our teams for their commitment and hard work.

Digital banking continued its rapid expansion across the footprint, particularly given the disruptions to traditional in-person banking activities, and we expect increasing contribution to income from these channels. UBN achieved an increase in profit from continuing operations (in local currency terms), due in part to improved cost efficiency, and despite the significant hit to Nigeria's economy and very limited access to hard currency.

Across the Group, the banks' balance sheets contracted as expected, given pandemic and lockdown related disruptions, but all banks remained above their minimal required capital adequacy ratios. We believe a stronger macroeconomic turnaround will enable the banks, which have improved operational efficiency in this crisis, to achieve faster growth and improved profitability in the future.

For the moment, the macroeconomic environments in our countries of operation remain precarious. The 2021 recovery seen elsewhere around the world has been slow to come to sub-Saharan Africa. The region's GDP contracted by 2.6% in 2020 and is expected to reach only 3.2% positive growth in 2021 (a respectable figure for Western markets, but far below a normal environment for sub-Saharan Africa). The muted economic activity has had widespread effects, from decreased credit book quality, negative credit growth, and lower interest income due in part to regulatory policy decisions.

With already constrained fiscal environments and relatively limited assistance from central banks, African markets have been unable to mount economic responses as impactful as those in the US or the EU, and local currencies, debt and capital markets remain under considerable pressure.

The Company continues to work with the subsidiaries to maximize value both in operations and, where appropriate, in potential partnerships or divestments. We have received expressions of interest in our remaining banking assets, and the board continues to explore all options to maximize the value of its franchises.

In July 2021, Atlas Mara's ordinary shares were suspended from trading at the Company's request, while critical elements of the strategic review were completed, and while financial results were prepared for publication following the completion of the debt restructuring. Shareholders can expect the shares to resume trading following the publication of the annual results. The Board continues to evaluate all potential options that could include a take-private or delisting of the Company and will keep the market apprised as appropriate.

The past financial year was the most challenging in the Company's history. I am proud of our teams' persistence and unwavering commitment to their customers. We continue to believe in the long-term growth story for Africa and for the banking sector, especially as it relates to financial technology and digital banking. In the short-term we remain focused first and foremost on exploring every available option for value realization. Thank you for your continued support.

Michael Wilkerson
Chairman

Chief Financial Officer's review of financial performance

Consistent with the Atlas Mara's continued efforts to monitor and mitigate the effects of the COVID-19 pandemic, the Company implemented measures to prioritise the health and safety of employees, customers, and other stakeholders and activated the business continuity processes. COVID-19 and the scale of its impact on the Group's countries of operations continues to evolve, we remain hopeful that with greater access to vaccinations, the coming months could be a bridge to "normalcy," and many aspects of social and economic life can resume. In 2020, the sub-Saharan Africa ('SSA') region contracted by 2.6% due to the adverse impact of the pandemic and the associated lockdown measures, which disrupted economic activity through multiple channels. Economic growth in the SSA region is expected to rebound by 3.2% in 2021, which is still below typical levels for the region.

Despite these challenges, during the 14-month period ended 28 February 2021, the banking subsidiaries in Botswana and Zambia respectively reported profit after tax of \$8.3 million (12-month period ended 31 December 2019: Profit after tax of \$11.3 million) and \$5.2 million (12-month period ended 31 December 2019: reported loss of \$9.8 million), despite the significant headwinds posed by the COVID-19 pandemic.

The banking subsidiary in Zimbabwe, BancABC Zimbabwe, reported a loss of \$0.4 million for the 14-month period ended 28 February 2021 (12-month period ended 31 December 2019: Profit after tax of \$7.8 million). Performance was impacted by an increase in loss on net monetary position as well as increased operating costs due to hyperinflationary pressures and currency depreciation. As part of balance sheet management, BancABC Zimbabwe invested in inflation and exchange rate hedging assets, which resulted in net asset value increasing to \$60.7 million for February 2021 compared to \$53.6 million for December 2019.

The Group's performance for the period was negatively impacted by the restrictions on business activity in each of our markets as a result of lockdowns, travel restrictions, and entire sectors of the economy being closed as "non-essential" during the height of the pandemic. Excluding IFRS 5 remeasurement loss of \$1.4 million (12-month period ended 31 December 2019: \$105.5 million), the Group recorded a loss of \$57.3 million for the 14-month period ended 28 February 2021 (12-month period ended 31 December 2019: \$37.7 million). In addition to the negative impact of the pandemic on the Group's operations, current period performance was also negatively impacted by additional losses arising from write-off of deferred tax assets of \$10.9 million, additional fair value loss of \$2.8 million arising on the revaluation of the Group's financial assets measured at FVTPL as well as \$6.1 million net monetary loss based on hyperinflation accounting in Zimbabwe. Excluding the impact of these additional losses and that of IFRS 5 remeasurement loss, the reported loss for the 14-month period ended 28 February 2021 remained flat at \$37.6 million (12-month period to 31 December 2019: \$37.7 million).

Adjusted profit for the 14-month period ended 28 February 2021 was \$1.5 million (12-month period ended 31 December 2019: \$5.8 million), while the adjusted cost to income ratio remained flat at 106.1% (12-month period to 31 December 2019: 106.6%). Nearly all other key financial performance metrics were negatively impacted with the adjusted ROE declining to 0.9% for the 14-month period ended 28 February 2021 from 1.2% for the 12-month period ended 31 December 2019.

The Group has been stress testing its portfolios in the current environment. As of 28 February 2021, there was a decline in the ECL estimate, thereby keeping the NPL ratio constant at 11.4%. We will continue to monitor the portfolios and act as the situation unfolds.

Change in financial year-end

The Group extended its reported date by two months from 31 December 2020 to 28 February 2021.

New financing

On 29 December 2020, the Company entered into a new secured facility agreement with a fund entity managed by UBS O'Connor LLC. The facility was for a new investment in the principal amount of US\$25,824,075 with a duration of 18 months. The facility has been used to fund the near-term operating expenses and working capital requirements of the Group, and to finance the purchase of 26,435,188 ordinary shares of the Company held by the lender at a price of \$0.40 per share, reflecting the closing market price on the day the funding was agreed between the parties. The repurchased shares are held in treasury.

Strategic transactions

On 30 September 2020, ABCH entered into a definitive agreement for the sale of the Group's shareholding in African Banking Corporation Mozambique Limited. The transaction was completed on 17 May 2021.

On 26 November 2020, ABCH entered into a definitive agreement for the sale of the Group's 97.3% shareholding in African Banking Corporation Tanzania Limited. The transaction, which has been approved by the Bank of Tanzania, is now subject to fulfilment of customary conditions precedent.

On 26 November 2020, ATMA entered into a definitive agreement for the sale of the Group's 62.06% shareholding in Banque Populaire du Rwanda Plc ("BPR"). The Transaction was completed on 25 August 2021.

On 19 April 2021, ABCH entered into a definitive agreement for the sale of its 78.15% shareholding in African Banking Corporation Botswana Limited. The transaction, which has already been approved by the Bank of Botswana, is now near completion.

African Banking Corporation Zambia limited is, for accounting purposes, still classified as a disposal group held for sale in terms of International Financial Reporting Standard ("IFRS") 5: *Non-current assets held for sale and discontinued operations*. The discussions with a potential investor for the sale of the subsidiary are ongoing.

Restructuring agreement

On 14 July 2021, the Support and Override agreement was signed by majority of the company lenders representing 88% of the aggregate amount of debt outstanding under the company direct and contingent facilities. The lenders who are a party to the Support and Override Agreement have agreed to forbearances in respect of certain events of default under their relevant facilities, while the Support and Override Agreement is effective, including (i) non-payment of amounts due under the company's financing agreements, (ii) any deterioration in the financial or operational performance of the Group as a result of COVID-19, and (iii) any breach of any financial covenant under the company's financing agreements. The Support and Override Agreement governs and provides a stable framework for company ongoing liquidity needs as the Company continues to work on the milestones set out in the agreement. Details of the restructuring agreement and milestones are set out in the Company's previous announcement. These milestones include Strategic Transactions required for successful implementation of the Support and Override agreement.

Country performance summary

Nigeria

UBN has shown resilient performance which has resulted in profit after tax increasing by 3.1% in local currency for continued operations for 12-month period ended December 2020 in comparison to 12-month period ended December 2019. Including the results of the discontinued operations, profit after tax declined by 6.1% in local currency for 12-month period ended December 2020 in comparison to 12-month period ended December 2019.

Overall, UBN sustained its cost to income ratio to 75.4% for 12-month period ended December 2020 compared to 74.1% reported in December 2019. The NPL ratio has decreased to 4.0% for 12-month period ended December 2020 from 5.8% for 12-month period ended December 2019. The NPL coverage ratio remained strong at 127.5% for the period ended 31 December 2020 (31 December 2019: 138.1%).

Despite the impact of the contraction in earnings, UBN remains well capitalised with its CAR at 17.5% at December 2020, well above the regulatory minimum of 15%.

UBN continues to show resilience in 2021 and is well capitalized over its regulatory minimum, NPL ratio hovering at 4.3% and sustained profitability with cost to income ratio hovering at 76%.

Zimbabwe

Zimbabwe's recession persisted in 2020 amid continued structural economic weaknesses, adverse climate conditions and the outbreak of the COVID-19 pandemic. Inflation reached a peak of 838% year-on-year in July 2020, and then trended downward to 349% year-on-year in December 2020. The economy has benefited from the currency reforms, which led to the adoption of the auction exchange rate system in June 2020.

African Banking Corporation of Zimbabwe Limited reported a loss of \$0.45 million for the 14-month period ended February 2021 compared to reported profit of \$7.8 million for the 12-month period ended December 2019. The numbers have been impacted by an increase in loss on net monetary position of \$5.8 million

compared to corresponding period due to hyperinflation. As part of balance sheet management, the Bank invested in inflation and exchange rate hedging assets, which resulted in net asset value being sustained year-on-year.

Botswana

Botswana's economy is estimated to have contracted by a record of 10% during the year as the country suffered from the collapse of international trade, which adversely affected diamond exports and tourism. In response to the pandemic, the Bank of Botswana ("BoB") cut its policy rate by 100 bps in April 2020 to provide sufficient liquidity in the economy.

The banking subsidiary in Botswana reported profit after tax of \$8.3 million for the 14 months ended February 2021 compared to profit of \$11.3 million for the 12-month period ended December 2019 despite the significant headwinds posed by the COVID-19 outbreak. Profitability was supported by cost reduction and containment measures implemented.

Discontinued operations

Zambia delivered a solid performance for the year after posting a profit after tax of \$5.2 million for the 14-month period ended February 2021 compared to a loss of \$9.8 million in 2019 largely due to increase in interest income, improved FX trading income and reduction in impairment charge. Interest income was propelled by earnings on short term structured finance deals and improved yields on government securities.

Rwanda reported a profit of \$4.8 million for the 14-month period ended February 2021 compared to the profit of \$2.6 million for the 12-month period in 2019. This performance has been supported by cost reduction and containment initiatives.

In Tanzania, performance was adversely impacted by the reduction in transactional activity caused by the COVID-19 pandemic and liquidity challenges, partially offset by recoveries of loans written off in previous years.

Performance summary

The Group recorded an adjusted net profit of \$1.5 million for the 14-month period ended 28 February 2021 (12-month period 31 December 2019: adjusted profit of \$5.8 million).

Statement of comprehensive income review

Total income

Total income at \$186.2 for the 14-month period ended 28 February 2021 has shown a decline due to decrease in net interest income.

Table 1: Total income for the year ended 28 February 2021

\$million	14 months to 28 February 2021			12 months to 31 December 2019		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Net interest income	1.1	81.1	82.2	11.4	74.8	86.2
Non-interest revenue	51.7	52.3	104.0	53.7	49.9	103.6
Total income	52.8	133.4	186.2	65.1	124.7	189.8

Net interest income

Net interest income declined by \$4 million resulting from an increase in interest expense. This was 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 to 6.6% for the 14-month period ended 28 February 2021 from 5.9% as reported for the 12-month period ended 31 December 2019.

Non-interest income

Non-interest income increased by \$0.4 million resulting from improved earnings from digital channels and offset by a reduction in loan-related fees and foreign currency trading income. Lower loan growth and decline in business activities resulting from the impact of the COVID-19 pandemic negatively impacted the Group's ability to improve non-interest income during the period.

Total expenses

Total expenses declined to \$213.1 million (\$209.5 million excluding one-offs) for the 14-month period ended 28 February 2021 from \$219.5 million reported for the 12-month period ended 31 December 2019, largely due to strategic cost management initiatives across the Group. Cost to income ratio decreased to 114.4% from 115.7% reported in December 2019; however, on an adjusted operating profit basis, cost to income ratio decreased to 106.1% in the 14-month period ended 28 February 2021 from 106.6% for the 12-month period ended 31 December 2019).

Staff costs decreased by 2.4% from \$93.0 million reported for the 12-month period ended 31 December 2019 to \$90.8 million reported for the current period ended 28 February 2021, while the contribution to total expenses decreased from 42.6% to 42.4%.

The Group continued to focus on reducing holding companies' expenses and for the 14-month period ended 28 February 2021, normalised expenses (net of restructuring costs) holding companies declined by \$6.56 million for the 14-month period ended February 2021 compared to the 12-month period ended 31 December 2019. This has been achieved due to reduction in head count across the Holdcos, cost rationalization and process reengineering.

Impairment charges on financial assets

The loan book reduced by 9.9% during the 14-month reporting period ended February 2021, largely due to the conservative credit appetite, as lending was halted in the high-risk sectors and a cautious approach was taken for all new lending. COVID-19 related restrictions including lockdowns and travel restrictions also negatively impacted on Customer drawdown. Notwithstanding the 9.8% reduction in the loan book, the NPL ratio remained constant at 11.4%, however reduced in actual stock by \$14.6 million or 10.2% to end the period at \$142.6 million. This was due to proactive remedial management strategies and hard collection efforts in some high value cases.

While most of the retail loan portfolio consists of lending to the government sector, constrained incomes have resulted in subdued increase of credit in some markets. Corporate and SME borrowers in sectors such as transport, tourism, hospitality, private education and manufacturing have experienced increasing levels of default which are the main drivers of increases in NPL and impairments. Whilst these loans are collateralized by immovable property, adjustments have been made to the expected recovery rates and time to liquidate these assets, as prices remain under pressure and asset disposals take longer to effect.

Several enhancements were made to the ECL model during the year. Some of these enhancements included development of separate PD term structures for stage 1 and stage 2 loans; improving the ECL code to compute a weighted ECL based on base, best and worse-case scenarios to account for non-linearities in the scenarios and to incorporate forward looking information; development of a macro-economic linkage model to estimate changes in macro-economic factors on PD; introduction of a Floor LGD as a minimum ECL appropriate for each of the country portfolios and segmenting the retail secured and unsecured loan portfolios to accommodate for the different PD behaviour of these portfolios.

Share of profit of associates

This represents the Group's 47.68% share of UBN's profit for the 14-month period ended 28 February 2021. The impact of the amortisation of acquisition-related intangible assets is also included.

The Group booked \$25.5 million of profit from UBN for the 14-month period ended Feb 2021 compared to \$31.2 million for 12-month period ended Dec 2019. The reduction in profit has been due to the change in exchange rate index from Central Bank Rate to Nafex and devaluation of the currency. (Exchange rate on February 2021: 410 Naira, Exchange rate on December 2019: 306 Naira)

Statement of financial position review

Loans and advances comprise 22.3% of total assets; Cash, short-term funds and marketable securities represent 10.7%; investment in associate (UBN) balance accounts for 18.1%; goodwill and other intangible assets make up 2.4%; other assets (made up of derivatives, property and equipment, investment property, prepayments and other receivables etc.) make up 4.3% of total assets, while assets included in disposal groups account for the balance of 42.2%.

Total assets contracted by 0.7% reflecting the impact of currency movements in the Group's core markets (Botswana and Nigeria) and the slow-down in business operations resulting from the disruptions caused by COVID-19.

Deposits comprise 29.5% of the total liability base and represent 25.8% of the aggregate of liabilities and equity. The loan to deposit ratio for the period was 86.3% (December 2019: 89.0%).

Loans and deposits

Table 2: Loans and deposits composition by country at 28 February 2021

	28 February 2021 (\$'m)		31 December 2019 (\$'m)		Var (%)	CC Var (%)	Var (%)	CC Var (%)
	Loans	Deposits	Loans	Deposits	Loans		Deposits	
Continuing operations								
Botswana	549.4	581.5	606.3	662.5	(9.4)	(6.9)	(12.2)	(9.8)
Zimbabwe	18.4	91.0	22.7	61.2	(18.9)	(9.6)	48.7	65.8
Other	12.7	–	15.1	–	(15.9)	(15.9)	–	–
Total	580.5	672.5	644.1	723.7	(9.9)	(7.2)	(7.1)	(3.9)

Loans and deposits

As presented in Table 2 above, loans and advances to customers declined by 9.9% (7.2% on a ccy basis) while deposits also declined by 7.1% (3.9% on a ccy basis).

Decline in loans and deposits was 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. Market liquidity constraints in our countries of operations hindered the writing of new loans (as there was a market-wide decline in the demand for credit) and resulted in the loss of some significant deposits.

Term deposits remained the highest contributor to deposits, making up 58.2% of total deposits as at the end of February 2021 (31 December 2019: 72.0%). 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 remained constant at 11.4% (31 December 2019: 11.4%). 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 28 February 2021, all of Atlas Mara's operating banks and affiliates complied with local minimum capital requirements relevant in respective countries, as summarised below.

Table 3: Capital adequacy ratios

	February 2021	December 2019	Regulatory Minimum
Continuing operations			
Botswana	18.4%	18.6%	12.5%
Zimbabwe	35.9%	58.7%	12.0%
Discontinued operations			
Mozambique	12.1%	19.6%	12.0%
Rwanda	23.4%	23.5%	15.0%
Tanzania	12.9%	16.6%	12.0%
Zambia	12.8%	14.3%	10.0%

Investment in associate: UBN

Our total shareholding in Union Bank of Nigeria was 47.68% as at 28 February 2021 compared to 49.97% as at 31 December 2019. The investment is equity-accounted for in the statement of financial position as an investment in associate, with a closing balance of \$469.9 million (December 2019: \$580.6 million). Reduction in carrying value is mainly attributable to the dividend income earned from UBN in the year of \$8.5 million and the impact of currency translation losses of \$114.2 million.

Goodwill and other intangible assets

The statement of financial position incorporates goodwill and intangible assets of \$63.9 million at 28 February 2021 (31 December 2019: \$73.0 million). The decline in this balance is attributable to the amortisation for the period as well as currency translation losses on the balances reported by Group's foreign operations (UBN and Botswana).

Statement of Equity

The net equity balance of \$330.5 million at 28 February 2021 was down from \$547.2 million at 31 December 2019. \$145.9 million of the reduction was due to FX translation losses taken by the Group during the 14-month period ended February 2021. As of 28 February 2021, the tangible book value of the Group was \$2.01 per share (31 December 2019: \$2.87 per share) and book value per share of the Group \$1.99 (31 December 2019: \$2.97).

Segment information

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

Nigeria: Through our 47.68% stake in UBN and Board representation, Atlas Mara has a footprint in Nigeria, Africa's largest economy. Our share of profit from our stake in UBN is based on UBN's reviewed management accounts for the 14-month period ended 28 February 2021.

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. The Group is currently in the process of completing the sale of its stake to Access Bank Plc. This transaction is expected to be completed before the end of the year.

Zimbabwe: Represents the Group's 100% owned investment in BancABC Zimbabwe and its subsidiaries.

Discontinued operations

Our operations in Mozambique, Tanzania, Zambia and Rwanda remain classified as discontinued operations as the Group. On 17 May 2021, the transaction was completed for the sale of African Banking Corporation Mozambique Limited. On 25 August 2021, the transaction was completed for the sale of ATMA shareholding in Banque Populaire du Rwanda Plc ("BPR").

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.

Segment report for the year ended 28 February 2021

\$'million	Group	Continuing operations				Discontinued operations
		Botswana	Zimbabwe	Nigeria	Corporate	
Total income	186.2	55.4	51.0	–	(53.6)	133.4
Impairment charge on financial assets	(12.2)	(0.6)	(0.8)	–	1.5	(12.3)
Total expenses	(213.1)	(42.5)	(31.1)	–	(16.6)	(122.9)
Net loss on monetary position	(16.9)	–	(13.0)	–	(3.9)	–
Share of profits of associate	25.5	–	–	25.5	–	–
(Loss)/profit before tax	(30.5)	12.2	6.2	25.5	(72.6)	(1.8)
Net change on IFRS 5 remeasurement	(1.4)	–	–	–	–	(1.4)
(Loss)/profit after tax and NCI	(58.7)	6.5	(0.4)	25.5	(78.2)	(12.0)
Loans and advances	580.5	549.4	18.4	–	12.7	–
Total assets	2,608.6	727.9	197.7	470.6	111.0	1,101.4
Total liabilities	2,278.1	619.9	137.1	–	498.5	1,022.6
Deposits	672.5	581.5	91.0	–	–	–
Net interest margin – total assets	3.2%	5.9%	4.2%			
Net interest margin – earning assets	4.7%	6.0%	6.4%			
Cost to income ratio	114.4%	76.8%	60.9%			
Statutory credit loss ratio	1.2%	0.1%	4.4%			
Return on equity	(20.5%)	6.0%	(0.7%)			
Return on assets	(2.3%)	0.9%	(0.2%)			
Loan to deposit ratio	86.3%	94.5%	20.2%			

Segment report for the year ended 31 December 2019

\$'million	Group	Continuing operations				Discontinued operations
		Botswana	Zimbabwe	Nigeria	Corporate	
Total income	189.8	50.1	38.3	–	(23.2)	124.6
Loan impairment charge	(11.4)	1.5	(0.2)	–	(0.3)	(12.4)
Operating expenses	(230.6)	(37.4)	(21.6)	–	(33.6)	(138.0)
Share of profits of associate	31.1	–	–	31.2	(0.1)	–
Profit/(loss) before tax	(21.1)	14.2	16.5	31.2	(57.2)	(25.8)
Loss on IFRS 5 remeasurement	(105.5)	–	–	–	–	(105.5)
Profit/(loss) after tax and NCI	(143.2)	8.9	7.8	31.2	(56.4)	(134.7)
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 – earning assets	4.7%	5.0%	14.4%			
Cost to income ratio	115.7%	74.6%	56.4%			
Statutory credit loss ratio	1.0%	(0.2%)	0.8%			
Return on equity	(28.5%)	11.2%	14.7%			
Return on assets	(5.5%)	1.3%	4.8%			
Loan to deposit ratio	89.0%	91.5%	37.1%			

