



PRESS RELEASE

25th March 2020

NCBA Group PLC reports financial results for the year ended 31 December 2019

The NCBA Group PLC (NCBA) has recorded a pre-tax profit of KES 11.3 billion for the year ending December 31, 2019. Total operating income for the year was KES 33.7 billion and profit after tax was KES 7.8 billion.

The key factors relating to the 2019 results are:

- Prospective basis of accounting – where the results for both the Bank and Group include those of Commercial Bank of Africa Limited (CBA) for 9 months, plus the results of the merged entity, NCBA Group PLC (NCBA Group) for quarter 4 of 2019. The comparator is thus CBA 2018 results.
- Other income of KES 5.6 billion which includes a bargain purchase gain resulting from the merger, of KES 4.1 billion.
- Exceptional items of KES 2.1 billion comprised of merger costs, amortisation of intangibles and goodwill write off on consolidation.
- De-recognition of deferred tax assets in subsidiary entities of KES 1.2 billion.
- Loan loss provisions of KES 6.2 billion. The ratio of non-performing loans to the total loan book stands at 12.0%, in line with the industry average. Impairment provisions at the Bank increased to KES 5.9 billion from KES 2.1 billion. The increase in provisions is driven by asset quality deterioration particularly in the transport and manufacturing sectors and on the mobile loan portfolio. The Group continues to be very conservative in the way it treats impairment and thus provisions.

This is the first time that the Group is announcing its combined financial results following the successful merger of NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA) in October 2019. However, the results are not comparable with the corresponding figures of the previous year in view of the prospective basis of accounting.

The merger, which resulted in the formation of NCBA Group PLC, was completed on October 1, 2019 through a share exchange, with NIC issuing new shares to the shareholders of CBA as consideration for the transfer by CBA shareholders of all their shares in CBA. The practical merger of the Kenya banking business was achieved by transferring the business and net assets of NIC Bank Kenya PLC to CBA (which was renamed NCBA Bank Kenya PLC).

The merger transaction is accounted for in accordance with IFRS 3 - Business Combinations. Reported results for both the Bank and the Group reflect heritage CBA prior to the completion of the merger and results from NCBA Group from the merger closing date onwards, with an adjustment to capital to reflect the legal capital of NIC. Therefore, pre-combination net income and net assets are those of CBA, including prior year comparatives.

The net assets transferred have been adjusted to fair value, and intangible assets identified as part of the purchase price allocation exercise incorporated in the consolidated financial statements in accordance with IFRS 3. The consideration when compared to the value of the net assets transferred at the completion date, resulted in a bargain purchase gain of KES 4.1 billion which has been reflected in the Group's comprehensive income statement under other income.

On completion of the business combination, the Group reassessed the carrying amounts of pre-combination goodwill values existing in both former Groups

and concluded these needed to be written off in full. In addition, the carrying amounts of deferred tax assets in subsidiary companies were reviewed and reduced to the extent that future taxable profits will be available against which the assets can be utilized.

The planned integration of other Kenyan subsidiaries of NCBA Group has been completed. Integration of subsidiaries in the other jurisdictions where NCBA Group has a presence is ongoing.

The merger related costs incurred in 2019, which are included in the comprehensive income statements and disclosed as exceptional items totalled KES 1.1 billion covering integration, advisory and legal expenses among others. The Group expects some additional merger related expenses as it rolls out in other markets.

Following the merger, the Group saw its asset base close the year under review at KES 495 billion while the customer base stood at 50.1 million. Deposits stood at KES 378 billion while the net loan book closed at KES 249 billion.

Commenting on the 2019 results, NCBA's Group Managing Director John Gachora said;

"The successful completion of our merger was due to the hard work of our colleagues with superb guidance from the Board. I am truly grateful for their efforts. Our integration and execution efforts continue in earnest, as we '**Go For It**'."

"While the results of 2019 included a number of costs necessary to complete the merger, our underlying performance remained strong. Our operating income in the fourth quarter totalled KES 11.6 billion. We have continued to register very impressive growth in advances and deposits over the last two quarters despite being in a merger process. Now that we have concluded the

merger and established a much stronger bank, I am positive and confident in the business growth prospects going forward.”

The Bank's capital levels remain strong compared to regulatory levels for well capitalised banks.

- Total shareholder equity was KES 69.4 billion.
- Core capital was KES 62.6 billion.
- Core capital to risk weighted assets ratio was 17.8 % (versus 10.5% required).
- Total capital to risk weighted assets ratio was 18.6 % (versus 14.5% required).

“We are now well positioned to play a key role in supporting Kenya's economic ambitions, specifically facilitating implementation of the Government's Big Four Agenda which is gaining momentum,” Mr Gachora said.

He noted that this year, the Bank continues to hit key milestones that will bring it closer for customers and colleagues. NCBA's purpose – ‘Inspiring Greatness’ has been positively embraced by the team – which strives every day to support our customers to go for those things that matter most to them. NCBA believes everyone possesses a go-getter spirit, which when inspired will build better lives and society in which we all live. The Bank's purpose remains the starting point for every decision that it makes as it harnesses its superior relationship management and technology to build deeper trust with customers and other stakeholders.

2020 Outlook

Mr Gachora said the integration of the two banks in Kenya was a complex process and the process is currently moving to the other jurisdictions where NCBA has a presence.

“In Rwanda we received regulatory approval at the end of December 2019 but went live as NCBA Rwanda at the beginning of February. The mergers in Uganda and Tanzania will be going live in Q2 2020,” said Mr Gachora.

Going ahead, NCBA Bank will leverage on the core strengths of the two former institutions to boost growth. The Bank's strategic priorities include:

- I. Scaling up Retail Banking;
- II. Deepening its strength in Corporate Banking and Asset Finance;
- III. Propelling digital transformation; and
- IV. Distinguishing NCBA as a brand known for excellent customer experience.

“To drive this, we will adopt a higher performance culture and fuse the two cultures to create one that ensures we deliver our promise to all our stakeholders,” said Mr Gachora.

COVID-19 Pandemic

NCBA remains cognisant of the devastation that the COVID-19 pandemic is causing, with significant human, economic and social costs. These are unprecedented times and while the extent of this devastation is still evolving, we recognize that no single person or entity is fully equipped to deal with the possible outcomes.

NCBA is alive to the challenges faced by our many stakeholders and the communities in which we operate. The Group has strictly implemented all recommended measures to protect the health and welfare of staff and customers visiting the bank and to ensure normal service levels are maintained throughout the pandemic.

The NCBA team is ready and standing by to assist its customers through this period. NCBA has taken certain measures to help its customers ride over this uncertain period. These measures include:

- Waiver of fees on mobile money transfer and PesaLink cashless transactions
- Extension of loan repayment periods by up to 12 months
- Restructuring of loans with the Bank absorbing bank-levied restructuring charges

At the heart of banking is trust which is built around good governance and risk management. Even as we support our customers, the Bank continues to strengthen its conservative policies to protect and enhance its strong financial positioning.

Dividend Pay-out

In line with the Group's policy on dividend payments to its shareholders, the Board has resolved to recommend to the shareholders for their approval a final dividend for the year of KES 1.50 per ordinary share bringing the total dividend paid for the year to KES 1.75 per ordinary share (2018: KES 1.25). Upon approval by the shareholders, the dividend will be payable to the shareholders registered on the NCBA Group company register at the close of business on 23 April 2020.

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About NCBA Group

NCBA Group is a full-service banking group providing a broad range of financial products and services to corporate, institutional, SME and consumer banking customers.

The Group was created on 1st October 2019 following approval by Central Bank of Kenya and The National Treasury of the merger of NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA).

NCBA Group operates a network of more than 100 branches in five countries including Kenya, Uganda, Tanzania, Rwanda and Ivory Coast. Serving over 50 million customers, the NCBA Group is the largest banking group in Africa by customer numbers.

NCBA Bank Kenya PLC is Kenya's third largest bank by assets. The Bank is set to play a key role in supporting Kenya's economic ambitions, specifically facilitating

implementation of the Government's Big Four Agenda which focuses on food security, affordable housing, manufacturing and universal healthcare. The Bank is a market leader in Corporate Banking, Asset Finance and Digital Banking.

NOTE TO EDITORS:

6th December 2018: NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA) announce the respective Boards of Directors authorised commencement of discussions regarding a potential merger of the two entities.

31st January 2019: NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA) announce their Boards of Directors unanimously voted to recommend to shareholders a merger of the two banks.

It was announced the proposed merger will be executed through a share exchange, with a share ratio between NIC and CBA being 47:53 respectively.

16th April 2019: Commercial Bank of Africa Limited ("CBA") held an Annual General Meeting where its shareholders overwhelmingly approved the merger with NIC Group PLC ("NIC").

17th April 2019: NIC Group PLC ("NIC") held an Annual General Meeting where its shareholders overwhelmingly approved the merger with Commercial Bank of Africa Limited ("CBA").

13th May 2019: The Competition Authority of Kenya (CAK) approved the proposed shares its conditions on the same.

15th May 2019: Announcement of the designated leadership of the merged NIC and CBA announced

27th September 2019: The Central Bank of Kenya through Kenya Gazette Notice No. 9038 approved the amalgamation of Commercial Bank of Africa Ltd and NIC Group PLC effective 30th September 2019

27th September 2019: The Central Bank of Kenya issued a Press Release announcing the approval of the name of the amalgamated bank as NCBA Bank Kenya PLC.

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FURTHER INFORMATION

NCBA Group PLC

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