



NCBA

PRESS RELEASE

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NCBA GROUP PLC Financial Results for Quarter 1, 2020

The NCBA Group PLC (NCBA) has recorded a pre-tax profit of KES 2.4 billion for the quarter ending March 31, 2020.

Total operating income for the quarter was KES 10.9 billion and profit after tax was KES 1.6 billion.

On 1 October 2019 NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA) completed the merger of both institutions, the transaction was accounted for in accordance with IFRS 3 - Business Combinations.

The Q1 2020 financial statements of the bank are prepared on a prospective basis (a continuation of CBA), representing 3 months performance of NCBA Bank (merged bank); prior year comparatives are those of CBA Bank. The consolidated financial statements are also a continuation of the financial statements of CBA with an adjustment to capital to reflect the legal capital of NIC. The prior year comparatives are those of CBA.

The Group's fundamentals remained strong in the first quarter of the year with overall positive volume increases, ending the quarter with a total assets base at KES 509.6 billion. The customer base stood at 54 million, deposits stood at KES 390.5 billion, while the net loan book closed at KES 245.9 billion.

The underlying trends of the income statement remained solid, with customer revenue growing, operating costs on the other hand remained stable compared to the last quarter of 2019. The Group continues to pursue integration efficiencies and synergies.

The Group notes the increase in levels of non-performing loans especially in the transport and manufacturing sectors and on the mobile loan portfolio and has taken proactive steps to increase provisions coverage through an increase in its impairment provisions.

The Bank continues to maintain a high liquidity profile of 55% across the network placing it in a strong position to withstand the expected economic downturn as a result of the COVID-19 pandemic.

"The year started strong with promising growth driven by the optimisms in the East African economies, however the COVID-19 pandemic impacted business performance towards the end of the quarter where we saw reduced transaction volumes and credit demand," said NCBA Group Managing Director, John Gachora.

"NPLs remain a major issue from legacy accounts for which we continue to provide. Further stress was seen in the digital business as a result of a one off increase in limits.

We expect that the impairments seen in the digital business will normalize during the second quarter. However, we expect the overall NPL ratio will continue to be impacted negatively by the ongoing challenges in the market caused by the pandemic."

Mr Gachora noted the Bank has led the way in taking capital conservation measures including replacing an earlier proposed cash dividend with a bonus share issuance for the financial year 2019.

At the end of the FY19 the Board had resolved to recommend to the shareholders the approval of a final dividend for the year of KES 1.50 per ordinary share bringing the total dividend to be paid for the year to KES 1.75 per ordinary share (2018: KES 1.25).

As part of conserving capital, the Group instead opted to offer shareholders a bonus share issue of one share for every 10 shares held.

COVID-19 and Outlook:

The planned Integration in the other jurisdictions where NCBA Group has a presence is ongoing and is expected to be completed by the close of the third quarter.

Going ahead, NCBA Bank will continue to leverage on its core strengths 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. Accelerating digital transformation; and
- IV. Distinguishing NCBA as a brand known for excellent customer experience.

The global COVID-19 pandemic is expected to impact NCBA's growth objectives over the next three quarters.

The Group has put in place a clear action plan to protect the health and safety of its staff and customers, enable business continuity, guard against shocks and reduce costs.

NCBA remains cognisant of the impact COVID-19 pandemic has caused to personal lives, businesses and the economies as a whole.

As part of its action plan, NCBA has taken significant measures to cushion its customers during this uncertain period. These actions include: extension of loan repayment periods by up to 12 months, restructuring of loans with the Bank absorbing associated bank restructuring charges and waiving of fees on mobile transfer and Pesalink cashless transactions. In addition, the Bank has waived all M-Shwari late payment sanctions, deferred roll over fees by 30 days and suspended CRB listing for 90 days.

"Since the pandemic begun, we have restructured loans worth over KES 30 billion, offering much needed relief to thousands of our customers. We remain steadfast in our commitment to support our customers to weather this challenge and are supporting their requests with a clear view to ensure recovery post crisis," said Mr Gachora.

The bank is also committed to supporting the community during these trying times and in April pledged KES 100 million to the Kenya COVID-19 Emergency Response Fund established to address the pandemic.

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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.

FURTHER INFORMATION

NCBA Group PLC

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