

NCBA GROUP PLC - AGM QUESTIONS AND ANSWERS

CATEGORY	QUESTION	ANSWER
Bonus Issue	When do you Register?	All holders of ordinary shares as registered at the CDSC by close of business on 12th May 2020 will automatically become recipients of the bonus shares in the proportion of 1 fully paid up ordinary share of par value Shs 5 for every 10 ordinary shares then held. This will be subject to receipt of shareholder approval at the AGM. Upon receipt of shareholder approval, the bonus shares will be credited to shareholders' respective CDS accounts on Wednesday, 5th August 2020.
Gifts	Gifts or vouchers?	Shareholder gifts have historically been offered as customary tokens of appreciation to shareholders attending in person, who have often made great efforts to spare time and funds to travel to the AGM venue in order to participate in the meeting's deliberations. Owing to the current COVID-19 pandemic, we are this year holding a virtual AGM and we remain grateful for your continued participation, albeit virtually, as we collectively seek to ensure the long term growth of the Company, which will invariably translate into the growth of your (our shareholder's) wealth.
	Pay voucher	
Financial Report	Has financial report been published on the local dailies?	NCBA Group PLC published the full year 2019 financial report in the local dailies on 24th March 2020. The Company further published the abridged financials in the local dailies on 2nd July 2020 alongside the Notice of the AGM. We have also published on the Company's website the Annual Report and related documentation for shareholder review prior to the AGM.

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Administration	Why CDS account don't have a next of kin?	The CDSC system is currently not calibrated to capture next of kin details. As an industry, we agree that this is an important functionality in the best interest of the beneficiaries of tradable securities. In this regard, our brokerage arm of NCBA Investment Bank collects next of kin details for purposes of contact tracing should we be unable, for any reason, to contact the primary brokerage account holder and remains available to assist in any way that it can should such eventuality arise. These details do not, however, automatically bequeath any assets held to the credit of the brokerage account to the nominated next of kin, who will be required to undertake the requisite legal procedures as provided for under the laws of Kenya for account administration.
Directors & Governance	What is the need to increase directors from 12 to 15?? What cost cutting measures are being undertaken in terms of Directors' remuneration?	NCBA Group is a universal financial services business providing a full range of financial products and services spanning 5 countries in Africa. In recognition of the complexity and additional dynamics introduced as a result of the merger, the Board deemed it necessary to expand the capacity for appointing Directors with additional critical skills to complement those that already exist. The amendment proposal provides the headroom for an increase, but not an obligation to do so, thus allowing the Board the flexibility to make key appointments should the need arise for the better governance of the Group. In addition, the Directors' remuneration is monitored and reviewed by the Board Governance and Nominations Committee which is Chaired by our Deputy Chairman, taking into consideration the market dynamics and comparative compensation by peer companies with the aim of ensuring the attraction and retention of the right calibre of Board Members, while at the same time ensuring that the financial impact of any proposals made is for the ultimate benefit of the Company. Finally, the
	Why don't you reduce the number of directors instead of increasing them from 13 to 15 rather have a maximum of 10 directors only?	

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		<p>responsibilities and duties of Directors are onerous and extremely demanding, with Directors serving not only on the main Board but also on the various Board Committees, details on which are set out in the Corporate Governance Statement of the Annual Report.</p>
Financial Report	<p>NPL's rose threefold, but provisioning wasn't as aggressive? Should we expect to see increased provisioning? Impact of this on NPL and outlook?</p>	<p>Financial reporting is undertaken in line with the requirements of the Central Bank of Kenya's Prudential Guidelines and the International Financial Reporting Standards (IFRS). Our financial reports are further subjected to an independent financial audit annually to ensure that adequate disclosures are made. The amalgamation of the Kenyan 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) on 1st October 2019. The financial statements of the bank are prepared on a prospective basis (a continuation of CBA), representing the 9 months performance of CBA Bank and 3 months performance of NCBA Bank (merged bank); prior year comparatives are those of CBA Bank. The Group continues to monitor its Non-Performing Loan Book while implementing the necessary measures to institute recovery, including through providing required support and advisory to affected customers, especially during this time of the COVID-19 pandemic. We will continue to make disclosures in relation to our NPL book, provisioning as well as other financial metrics through our quarterly financial reports to the public, such as was done through the Quarter 1, 2020 financial performance which was published in the local dailies as well as on our website.</p>

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	<p>Will operating expenses increase at the same pace? Or is this a one off?</p>	<p>The amalgamation of the Kenyan 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) on 1st October 2019. The financial statements of the bank are prepared on a prospective basis (a continuation of CBA), representing the 9 months performance of CBA Bank and 3 months performance of NCBA Bank (merged bank); prior year comparatives are those of CBA Bank. The operating expenses at the end of the year 2019 are therefore reflective of the above noted change that occurred as a result of the merger. In addition, our financial performance for Quarter 1, 2020 was published in the local dailies as well as on our website, and depicts a trend analysis of the treatment of reporting as well as operating costs incurred for the period.</p>
Dividend	<p>Any dividend for the year? If not why?</p>	<p>An interim dividend of Shs 0.25 per ordinary share was paid on 15th October 2019 to the shareholders in the Company's register at the close of business on 30th September 2019. When we published our full year 2019 audited financials on 24th March 2020, the Board further announced that it had resolved to recommend to shareholders the payment of a final cash dividend for the year of Shs 1.50 per share, which would have brought the total cash dividend for the year to Shs 1.75 per share (compared to Shs 1.25 per share paid for the year 2018). However, following the advent of COVID-19, and recognising the critical need to preserve capital as the Company meets the challenges posed by the pandemic while supporting its customers and the communities in which it operates, the Board resolved to instead recommend to shareholders a Bonus Share Issue in the proportion of 1 fully paid up ordinary share for every 10 ordinary shares held as at 12th May 2020. This Bonus Issue provides shareholders increased value via higher stock ownership. It has the potential for additional value</p>

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		growth through higher future dividend payments based on the larger number of shares held, as well as greater value in the market, based on the current market price per share vis-à-vis the par value of the bonus shares issued.
Dividend	PAYMENT BY MPESA	There are primarily three ways of receiving dividends. These are through cheque payments, bank electronic funds transfers and transfers via M-PESA. All dividend payments are automatically processed for eligible shareholders, with the payments being dispatched on the determined payment date to either the last updated postal address for cheques, bank account for electronic transfers, or registered mobile phone number for M-PESA payments. The mode of payment of dividends is based on shareholder choice, which requires one to have opted-in at the point of shares purchase, through their securities broker, for the relevant mode of dividend payment. If you wish to change your current mode of receipt of future cash dividend payments, or to change your postal address, bank account number or mobile phone number, please contact our shares registrar (C&R Group) via info@candrgroup.co.ke or call via 0726971599 or 0737095124 and they will assist you to facilitate the change of details and/or payment mode.
	How do we receive the annual dividends?	
	Send my dividends through mpesa.	
	Can all my unclaimed dividends be send to M-PESA account?	

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Dividends	How do you generate dividends from our shares?	Shares, being the representation of the level of ownership in the Company, underlie the financial investment made in the Company by the holders of the shares. NCBA Group PLC uses these shareholders' funds to invest in the Group's diverse business operations, in order to generate a return in the form of profit. It is from this profit that a percentage is then set aside for distribution as payment to shareholders in the form of dividends, being the return for their investment in the Company. The remaining undistributed funds are retained for purposes of reinvestment in strategic growth projects, in order to generate an even greater return in the coming years for our shareholders.
Business Operations	How does the group plan to respond to customer service needs and requirements?	The Group structure has brought together the best of two very well-established financial institutions that were keen on being customer centric in all their activities. NCBA Group continues to leverage upon these key strengths by continuously working on enhancing our people's skills, system capabilities and processes, including providing continuous training to our staff, all on the back of keeping our customers top of mind in all that we do.
Business Strategy	What strategy does management have in terms of fee/income growth in 2020, given the COVID-19 situation?	The COVID-19 pandemic has indeed presented a challenge in the economies in which we operate. Nevertheless, we continue to support our customers in all ways possible to overcome the reduced product and service demand as both they, and we, journey together in realigning our strategies to the realities facing us all. This notwithstanding, we remain committed to pursuing our strategy anchors and priorities, aligned to the current and post-COVID environment. Our priorities remain relevant to our success especially in the key retail, corporate, asset finance and other segments that we serve, as well as in the digital landscape in which we increasingly find ourselves.

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Business Strategy	Owing to the recent closure of branches of the bank, has the bank retracted its policy on growth? What does NCBA plan on doing to continue deepening penetration of banking services to areas that have been affected?	As a result of the merger, NCBA Bank Kenya PLC ended up with branches which were in close proximity with one another, in some cases within the same building. The recent closure of some of the Bank's branches primarily focused on branches that were in close proximity, while seeking to ensure that customers located in regions where we had a physical branch location continued to receive banking services with minimal disruptions. As communicated prior to and after the merger, the Bank is keen on growing its footprint in strategic locations to ensure that our customers are well served as broadly as possible. Whereas we still intend to continue with our expansion plans, we appreciate the disruptive challenge brought about by the COVID-19 pandemic, which has necessitated a review towards realigning our plans in light of the current and projected future realities. This notwithstanding, the Bank will continue with its growth plans in relation to our alternative service channels which include digital access (online and mobile) service channels.

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Business Strategy	What other challenges are they facing in the business?	During the third quarter of 2019 and first quarter of 2020, our key challenges emanated from settling down on post-merger activities and ensuring that our new strategy was fully embedded in pursuit of our strategic objectives. However, as we commenced the second quarter of 2020, the single largest challenge facing the company, as well as humanity, was the COVID-19 pandemic owing to its broad impact on socio-economic activity which is the mainstay of our customers', and therefore our own business. Our core focus in the short-term is on navigating the adverse socio-economic environment occasioned by the pandemic, while maximising on the available opportunities in order to mitigate the impact to our customers' and our business; while ensuring that we do not lose sight of our consistent drive to improve our merged business operations for the benefit of our customers, and ultimately our shareholders through a robust return on their investment.
Business Operations	Forbearance activity, if you could give us a sense of, by products. How many of our clients e.g. Card & Auto are in forbearance state and have started to defer payments as a percentage of our clients base? And how are you thinking about the government	Practically all sectors of the economy, and therefore all lending products, have had varying levels of impact due to the subdued economic activity occasioned by the effects of the COVID-19 pandemic. As a strong proponent of business growth and support initiatives, we firmly stand by the Government of Kenya's and the Central Bank of Kenya's initiatives in protecting business enterprises through this difficult period. In this regard, As at mid-July 2020, the Bank had approved loan restructures for value 47.3B in relation to the impact of COVID-19. This represents 20% of the total loan book value with a further breakdown of 20%, 13% and 33% for the corporate and commercial banking, personal banking and SME and business banking segments. We will continue supporting our customers through this difficult period as they put in place the required recovery measures.

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	<p>intervention through CBK with potential scenarios included.- Suggested responder CFO/CEO</p>	
	<p>How do you thread the needle between supporting your customers, employees and the country, and still doing all these things that you want to do while still protecting the resiliency of the balance sheet? - CEO.</p>	<p>NCBA Group PLC is driven by 3 corporate objectives: People, Planet and Profit. We fundamentally believe that it is only through pursuing the success of our Customers and Employees and through contributing to the societies within which we operate that we can deliver shareholder value. The Group has also ensured that it brings on board the right talent to pursue its business objectives, thus ultimately protecting and enhancing the Group's financial performance and balance sheet.</p>
<p>Dividends</p>	<p>In the extreme adverse case, is there a preference toward cutting the dividend or a temporary suspension and is there any difference between the two? - Chairman of board.</p>	<p>NCBA Group PLC acknowledges the importance of providing its shareholders with a return on their investment. The Company has consistently ensured that shareholders receive a return on their investment either in the form of cash dividends, or through additional stock in proportion of their holdings, such as through the current bonus share issue. Whereas we do not expect to cease or suspend dividend payments in the future, the current global operating environment has proven to be quite unpredictable. Nevertheless, regardless of the situation, we commit to always involving our shareholders in any key decisions that the Company will seek to implement, and always in the best interests of all stakeholders involved, especially shareholders.</p>

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Shareholding	Mr. Gachora, How many shares of the merged bank do you own and are you buying more?	"I currently own 347,050 shares of NCBA Group PLC. This holding has been disclosed on page 84 of our Annual Report for the year 2019. Whereas the purchase of additional shares is indeed a personal - and by extension family - decision, I will God-willing not only retain the current shareholding, but also increase it should the opportunity arise."