



NCBA

PRESS RELEASE

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NCBA GROUP PLC Half Year Financial Results

The NCBA Group PLC (NCBA or Bank) today reported half year results for the period ending 30 June, 2020. NCBA was created following the merger of NIC Group PLC and Commercial Bank of Africa Limited (CBA) on 1 October 2019. Its financial results are prepared on a prospective basis (assuming a continuation of CBA). Thus, the results represent 6 months performance of NCBA (merged group), with prior year comparatives being those of CBA.

Key Highlights:

- Operating income of KES 21.3 billion, up 91 percent, compared with the first six months of last year.
- Operating profit before provisions of KES 11.9 billion, compared with the first six months of last year.
- Pre-tax profit of KES 3.9 billion, down 3 percent, compared with the first six months of last year.
- Profit after tax of KES 2.6 billion, up 11 percent, compared with the first six months of last year.
- Net interest income closed at KES 11.2 billion.
- Non funded income remained a key revenue driver contributing 48% of operating income.
- Asset base rose to KES 514 billion at the end of the period.
- Deposits stood at KES 390.5 billion.
- Net loan book stood at KES 248.3 billion.
- Total customer base stood of 56 million.

The Bank continues to maintain a high liquidity profile of 54.9% across the network placing it in a strong position to continue supporting its customers during the ongoing economic downturn due to the COVID-19 pandemic.

Due to the pandemic the Bank saw a reduction in transaction volumes and the demand for credit. Forex income dropped due to reduced trade volumes. During the period, the Fuliza product, an overdraft facility for all M-Pesa users offered through the Bank, disbursed loans worth KES 132.4 billion, up 57 percent, compared with the same period last year.

"I am pleased with our overall performance and the actions we have taken to support our stakeholders during what has been a challenging and rapidly evolving business environment" said NCBA Group Managing Director, John Gachora. "The full impact of the COVID-19 pandemic was felt in the second quarter, impacting our business further. Loan performance, especially in the core digital products and a challenging interest rate environment continue to directly affect our earnings. However, an aggressive cost containment program has helped us mitigate some of the expected decline by reducing operating expenses,"

He added: "During the period under review, we focused on supporting our customers, staff and the community affected by the pandemic. We have dedicated over KES 250 million towards direct support for staff, customers and the community, in addition to over KES 1 billion foregone to support our borrowing customers. Looking across the globe at the impact of this pandemic and the economic uncertainty that persists, it is clear that the recovery will be a lot more protracted than we anticipated. However, the Board and the Management team remain committed to actively monitoring the emergent risks and acting swiftly and judiciously in addressing them."

COVID-19

Towards the end of the first quarter the first case of COVID-19 was reported in Kenya leading to the government issuing various directives to protect the citizens.

NCBA took 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, absorbing associated bank restructuring charges and waiving of fees on mobile transfer and Pesalink cashless transactions.

In addition, the Bank waived all M-Shwari late payment sanctions, deferred roll over fees by 30 days and suspended CRB listing for 90 days.

Non-performing loans (NPLs) remained a major issue from legacy accounts which the Group continues to provide for. The ongoing challenges in the market led to an increase in NPLs across various sectors during this period.

"We have seen an increase in impairments from our digital business, especially M-Shwari, in the second quarter, mainly driven by the state of the economy. We are monitoring our NPLs keenly and working on measures to address them, including increasing provisions coverage to ensure we protect both the Bank and our customers," said Mr. Gachora.

He noted during the period, the Bank restructured loans worth over KES 50 billion to support its customers during the pandemic.

Outlook

As part of the Bank's cost containment efforts, NCBA has rationalised its branch network. Thirteen branches that were co-located or in close proximity were merged into another branch, bringing the network in Kenya to 69 in July.

Regional integration activities continued during this period to unlock synergies and the merger of NIC and CBA Banks in Tanzania and Uganda was completed.

In September, NCBA Bank will roll out a new integrated banking system that will enable it to serve customers better, improve the online banking experience and deliver faster transaction turnaround.

"The system upgrade is our largest project for 2020 and is one of the key milestones of the merger. As we come close to celebrating one year of NCBA we are moving all our customers to one integrated system which will allow us to deliver a seamless experience for all of our customers," said Mr Gachora.

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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

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