



## **PRESS RELEASE**

### **NCBA Group PLC reports a profit of KES 4.98 billion in 2020**

**29<sup>th</sup> March 2021**

NCBA Group PLC has posted a profit before tax of KES 4.98 billion for the financial year ending December 31, 2020. This is the first time NCBA is announcing full year results as an entity following the successful merger of NIC Group PLC and CBA in October 2019. The Group maintained strong operational performance, reporting an operating income growth of 38% to KES 46.4 billion. Operating profit (before provisions and exceptional items) increased by 37% to KES 26.8 billion.

John Gachora, NCBA Group Managing Director said, "In a year of unprecedented challenges for our business, the banking sector and the economy at large, I am extremely proud of the results that the Group delivered. Despite the massive economic impact of COVID-19, our operating income increased 38% to close the year at KES 46.4 billion. To cushion our business and our customers against the impact of COVID-19, we took unprecedented measures throughout the year. We implemented a robust cost containment plan that reduced operating expenses and contributed to the operating profit increase. Further, to support our customers we restructured KES 78 billion of loans and increased our credit provision reserves by KES 20 billion to address the uncertain economic environment that continues to persist. The high levels of credit provisions taken resulted in a year over year drop in profit after tax of 42%."

"However, NCBA's fundamentals remained solid with total assets up KES 33 billion to close at KES 528 billion and customer deposits up by KES 43 billion to close at KES 421.5 billion. We remain very well capitalized with core capital at KES 64.8 billion and have a robust liquidity of 55%, allowing us to continue effectively serving our clients through these challenging times" John Gachora added.



### **Key Highlights**

- Net operating income of KES 46.4 billion, up 38 percent.
- Non-funded income remained a key revenue driver contributing 45% of operating income.
- Operating profit before provisions up 37 percent to KES 26.8 billion.
- Pre-tax profit of KES 4.98 billion, down 56 percent due to increased impairments.
- Profit after tax of KES 4.6 billion, down 42 percent.
- Net interest income closed at KES 25.5 billion.
- Asset base rose to KES 528 billion.
- Deposits stood at KES 421.5 billion.
- Net loan book stood at KES 248.5 billion.
- Non-Performing Loans stood at KES 40.1 billion up 19%.
- Non-performing loan provision coverage 61% up from 56%.

### **Proposed Dividend**

For the year 2020, the Board has resolved to recommend to the shareholders for their approval at the Annual General Meeting scheduled to be held on 9th June 2021, the payment of a final dividend for the year of KES 1.50 per share. The dividend will be payable to the shareholders registered on the Company's register at the close of business on 20th April 2021 (closing date for determination of entitlement to dividend).

### **Impact of Covid-19**

As a result of the pandemic, the economic outlook for 2020 was lowered substantially, due to slowdown in global trade, services and the continued uncertainties around the pandemic impacting exports, tourism and agribusiness sectors.

NCBA supported its customers throughout this period and has disbursed over KES 432 billion in digital loans thus enabling small enterprises and individuals with the tools to manage their day-to-day needs and working capital. In addition, the Group also granted loan moratoriums and restructured loans amounting to over KES 78 billion to corporate and retail customers as at end of December 2020.



However, the rate of impairments increased due to delayed repayments and an assessment of additional stress that could emerge in relation to COVID-19. The increase in impairment charges contributed to a decline in net earnings.

The group's diversified loan book consisting of corporate, institutional, retail and SME clients is however expected to mitigate lending risks brought about by the pandemic.

During the period under review, the bank rationalised 14 branches that were co-located or in close proximity following the successful conclusion of the merger. In Q4 2020. The Group also executed a Voluntary Exit Program and realigned its organization structure to match its strategic objectives.

### **ICT Investments**

During the year, NCBA upgraded and consolidated its core banking system as part of the merger integration process. The upgrade of its core banking system has enabled the Bank to offer its customers a more seamless and unified banking experience.

NCBA also upgraded its M-Shwari digital platform, drastically improving transaction capacity for its 35 million Kenyan customers . The Group plans to roll out the technology in its mobile savings and loan business in Uganda, Rwanda, Tanzania and Ivory Coast in 2021.

The Bank will continue investing in its digital platforms which will allow the bank to diversify its revenue streams while offering its customers improved experiences

### **Citizenship**

NCBA invested in communities through partnerships with organisations that provide important services and contribute to our local economy. The key programmes included environmental initiatives and building a sustainable education programme. Under the environmental campaign dubbed #ChangeTheStory, NCBA launched a one million indigenous tree nursery at Karura Forest in partnership with Kenya Forest



Services (KFS) for continuous and affordable supply of quality seedlings. NCBA invested KES 13 million towards the development of this project as part of its reforestation initiative. NCBA's tree planting campaign aims to support a national target of 10% tree cover by 2022.

Under education, NCBA invested KES 11 million towards various initiatives aimed at empowering people and communities and helping them prepare for the workplace. Through Palmhouse Foundation, M-Pesa Foundation Academy, Dr. Choksey Albinism Foundation, SOS Children's Villages Kenya and Edumed Trust we sponsored 80 students from underprivileged backgrounds. NCBA also partnered with Junior Achievement Kenya, under its job shadow programme, to educate 1500 students and youth on entrepreneurship, work readiness and financial literacy through experiential programs.

### **Group Strategy & Outlook**

NCBA's strategic priorities are clearly defined and their successful execution will prove critical against the current operating background.

Over the next 4 years the Group will continue to invest in and prioritize efforts to 1) Build a Distinguished Brand Known for Customer Experience 2) Scale Retail Banking 3) Deepen its Market Leadership in Corporate Banking & Asset Finance 4) Digital Transformation and 5) Develop a High Performance Culture.

While reflecting on the 2021 outlook, John Gachora added: "Our progress in managing through the pandemic over the last year confirms the strength of our merged business supported by a diverse and loyal customer base. As the new year begins, I am optimistic that we have established a solid foundation from which we will execute our strategic priorities. I am very excited that our branch expansion plan that is already in motion will expand our customer relationships, get us closer to our customers wherever they are and enable us to serve them better."



### **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 1<sup>st</sup> 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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