BANK OF AFRICA Groupe BMCE BANK

BANK OF AFRICA KENYA LIMITED

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AUDITED FINANCIAL STATEMENTS AND OTHER DISCLOSURES FOR THE PERIOD ENDED 31 DECEMBER 2019

No.	Item	31 December 2018 Shs '000 (Audited)	31 December 2019 Shs '000 (Audited)
I	**STATEMENT OF FINANCIAL POSITION**		
A	**ASSETS**		
1	Cash (both local and foreign)	760,143	713,298
2	Balances with from Central Bank of Kenya	9,167,200	8,537,330
3	Kenya Government and other securities held for dealing purposes	-	-
4	Financial Assets at fair value through profit and loss	-	-
5	Investment securities	-	-
	a) Held to Maturity	-	-
	a. Kenya Government securities	6,469,212	7,287,730
	b.Other Securities	43,433	-
	b) Available for sale	-	-
	a. Kenya Government securities	-	-
	b.Other Securities	283,027	552,931
6	Deposits and balances due from local banking institutions	19,308	602,429
7	Deposits and balances due from banking institutions abroad	2,853,198	2,336,312
8	Tax recoverable	438,004	438,004
9	Loans and advances to customers (net)	21,188,115	15,982,158
10	Balances due from banking institutions in the group	1,012,283	844,230
11	Investments in associates	1,311,749	-
12	Investments in subsidiary companies	-	-
13	Investments in joint ventures	-	-
14	Investment properties	-	-
15	Property, plant and equipment	1,857,393	2,396,382
16	Prepaid lease rentals	-	-
17	Intangible assets	40,129	192,808
18	Deferred tax asset	1,659,968	2,546,320
19	Retirement benefit asset	-	-
20	Other assets	1,310,601	1,566,186
21	**TOTAL ASSETS**	**48,413,763**	**43,996,118**
B	**LIABILITIES**		
22	Balances due to Central Bank of Kenya	-	-
23	Customer deposits	30,122,457	33,327,232
24	Deposits and balances due to local banking institutions	37	37
25	Deposits and balances due to banking institutions abroad	58,022	1,840
26	Other money market deposits	-	-
27	Borrowed Funds	4,683,357	1,439,516
28	Balances due to banking institutions in the group	6,860,714	3,394,873
29	Tax payable	-	-
30	Dividends payable	-	-
31	Deferred tax liability	-	-
32	Retirement benefit liability	-	-
33	Other liabilities	620,090	1,556,859
34	**TOTAL LIABILITIES**	**42,344,677**	**39,720,357**
C	**SHAREHOLDERS' FUNDS**		
35	Paid up/ Assigned capital	6,404,949	6,404,949
36	Share premium/ (discount)	1,980,356	1,980,356
37	Revaluation reserves	-	-
38	Retained earnings/ (Accumulated losses)	(2,275,378)	(4,146,484)
39	Statutory loan loss reserve	486,296	317,564
40	Other reserves	(527,137)	(280,624)
41	Proposed dividends	-	-
42	Capital grants	-	-
43	**TOTAL SHAREHOLDERS' FUNDS**	**6,069,086**	**4,275,761**
44	**TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS**	**48,413,763**	**43,996,118**
II	**STATEMENT OF COMPREHENSIVE INCOME**		
1	**INTEREST INCOME**		
1.1	Loans and advances	2,713,067	2,238,616
1.2	Government securities	508,207	604,655
1.3	Deposits and placements with banking institutions	130,068	78,269
1.4	Other interest income	38,346	4,660
1.5	**Total interest income**	**3,389,688**	**2,926,200**
2	**INTEREST EXPENSES**		
2.1	Customer deposits	1,528,426	1,173,019
2.2	Deposits and placements from banking institutions	75,363	113,176
2.3	Other interest expense	603,026	642,898
2.4	**Total interest expenses**	**2,206,815**	**1,929,093**
3	**NET INTEREST INCOME/(LOSS)**	**1,182,873**	**997,107**
4	**OTHER OPERATING INCOME**		
4.1	Fees and commissions on loans and advances	162,106	130,312
4.2	Other fees and commissions	457,829	403,613
4.3	Foreign exchange trading income (loss)	436,126	660,087
4.4	Dividend income	12,043	-
4.5	Other income	646,501	193,929
4.6	**Total other operating income**	**1,714,605**	**1,387,941**
5	**Total operating income**	**2,897,478**	**2,385,048**
6	**OPERATING EXPENSES**		
6.1	Loan loss provision	403,608	2,732,421
6.2	Staff costs	1,031,538	990,463
6.3	Directors emoluments	54,482	53,583
6.4	Rental charges	205,524	74,571
6.5	Depreciation charge on property and equipment	179,156	363,439
6.6	Amortisation charges	19,911	29,819
6.7	Other operating expenses	793,698	1,070,428
6.8	**Total operating expenses**	**2,687,917**	**5,314,724**
7	**Profit / (Loss) before tax and exceptional expenses**	**209,561**	**(2,929,676)**
8	Exceptional items	-	-
9	**Profit / (Loss) before tax**	**209,561**	**(2,929,676)**
10	Current tax	-	-
11	Deferred tax	(36,488)	889,838
12	**Profit / (Loss) after tax**	**173,073**	**(2,039,838)**
13	**Other Comprehensive Income**		
13.1	Gains/(Losses) from translating the financial statements of foreign operations	(77,326)	180,255
13.2	Fair value changes in available-for-sale financial assets	(284,960)	69,745
13.3	Revaluation Surplus on Property, plant and equipment	-	-
13.4	Share of other comprehensive income of associates	-	-
13.5	Income tax relating to components of other comprehensive income	14,248	(3,487)
14	**Other comprehensive income for the year net of tax**	**(348,038)**	**246,513**
15	**Total comprehensive income for the year**	**(174,965)**	**(1,793,325)**
III	**OTHER DISCLOSURES**		
1	**NON-PERFORMING LOANS AND ADVANCES**		
a	Gross non-performing loans and advances (a)	9,508,974	8,998,345
b	Interest in suspense (b)	2,340,240	2,383,388
c	**Total non-performing loans and advances (a-b)**	**7,168,734**	**6,614,957**
d	Loan loss provisions	2,727,110	4,180,944
e	**Net non-performing loans (c-d)**	**4,441,624**	**2,434,013**
f	Discounted value of securities	(3,953,571)	(2,258,962)
g	**Net NPLs Exposure (e-f)**	**488,053**	**175,051**
2	**INSIDER LOANS AND ADVANCES**		
a	Shareholders, Directors, and their associates	23,303	16,693
b	Employees	749,751	754,442
c	**Total insider loans and advances**	**773,054**	**771,135**
3	**OFF-BALANCE SHEET ITEMS**		
a	Letters of credit, guarantees and acceptances	8,083,318	6,202,143
b	Forwards, swaps and options	83,067	212,021
c	Other contingent liabilities	1,183,212	767,893
d	**Total contingent liabilities**	**9,349,597**	**7,182,057**
4	**CAPITAL STRENGTH**		
a	Core capital	3,333,755	1,510,566
b	Minimum statutory capital	1,000,000	1,000,000
c	**Excess/ (Deficiency)**	**2,333,755**	**510,566**
d	Supplementary Capital	1,535,496	1,146,860
e	**Total capital**	**4,869,251**	**2,657,425**
f	Total risk weighted assets	30,952,640	24,545,787
g	**Core capital/total deposit liabilities**	**9.0%**	**4.1%**
h	Minimum statutory ratio	8.0%	8.0%
i	Excess/ (Deficiency)	1.0%	-3.9%
j	**Core capital/total risk weighted assets**	**10.8%**	**6.2%**
k	Minimum statutory ratio	10.5%	10.5%
l	Excess/ (Deficiency)	0.3%	-4.3%
m	**Total capital /total risk weighted assets**	**15.7%**	**10.8%**
n	Minimum statutory ratio	14.5%	14.5%
o	Excess/ (Deficiency)	1.2%	-3.7%
	Adjusted Core Capital/Total Deposit Liabilities*	10.3%	6.2%
	Adjusted Core Capital/Total Risk Weighted Assets*	12.4%	9.2%
	Adjusted Total Capital/Total Risk Weighted Assets*	17.4%	13.9%
5	**LIQUIDITY**		
a	Liquidity ratio	43.7%	48.7%
b	Minimum statutory ratio	20.0%	20.0%
c	Excess/(Deficiency)	23.7%	28.7%

The above statement of comprehensive income and statement of financial position are extracts of financial statements audited by KPMG Kenya and received an unqualified opinion. The complete set of audited financial statements, statutory and qualitative disclosures can be accessed on the institution's website www.boakenya.com. They may also be accessed at the institution's head office located at BOA House, School lane, Westlands, Nairobi.

The financial statements were approved by the Board of Directors and were signed on its behalf by:
Amb. Dennis Awori - Chairman | **Ronald Marambii** - Managing Director | **Susan Kasinga** - Director | **Anne Gitau** - Company Secretary

Bank of Africa Group confident of Kenya's Economic resilience and injects KES1.5 Bn in capital to BOA Kenya.

Bank of Africa Group (The Group) has been operating in Kenya since July 2004. Although still relatively small in Kenya compared to other markets in West Africa that it operates in, The Group considers the Kenya market as strategic and promising as it is the gateway to East Africa.

Bank of Africa Kenya has been in a defensive strategy in Kenya since the implementation of interest capping which resulted in a significant drop in its interest margins which was the primary source of income due to its strong focus on financing of the economy. With the prolonged tightening of credit to the private sector, the bank has seen a number of corporates enter into financial distress as a result of being weighed down by increased indebtedness due to the need to finance SMEs in their supply chain, a situation further complicated by the problem of delayed public sector bills in the country. This has resulted in the Group having to take on more provisions in Kenya to clean up its books.

Bank of Africa Kenya has also been working with several customers on debt restructure with the objective of rehabilitating such non-performing debtors to support their business continuity amidst the market disruptions and economic slowdown in key sectors. The prolonged difficult economic environment however affected a magnitude of businesses and some firms have struggled to manage operational costs and financial obligations. As a result, Bank of Africa Kenya has had to take significant provisions in 2019 to cover the risks on these non-performing clients. With continued cleanup of its risk assets and business reorganization done, the Bank now sits on a better base from which to grow.

With the ending of the interest capping, The Group is now taking an offensive approach in Kenya and will be making an immediate capital injection of KES 1.5 Billion to enable Bank of Africa Kenya continue to offer financial support to businesses, specially now with the Coronavirus pandemic which is expected to have significant negative impact on businesses across many industries. The Group is confident with the resilience of the Kenya economy and its people and its capacity to manage the current health and economic crisis.

The Group has put in place measures across all its 17 subsidiaries aimed at protecting our staff and customers during this pandemic. Bank of Africa Kenya is providing solutions to keep client businesses running and is implementing safety measures for staff. It encourages the use of digital money over cash, remote working to encourage isolation, and is engaging closely with customers to understand their needs and be proactive on restructuring loans or provide additional working capital where there is an imperative need to do so.

BOA Group is among the large Pan-African banking institutions operating in Kenya with a presence in 17 African Countries and France. Today BOA Group has about $9 billion in total assets while BMCE Bank of Africa, the largest shareholder in BOA Group has $31 billion in assets.