NCBA

INSPIRING GREATNESS

2020 INTEGRATED

ANNUAL REPORT

AND FINANCIAL STATEMENTS

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Our Commitment to Integrated Reporting

The NCBA Group firmly believes that integrated reporting provides a platform that enables our stakeholders' to better appreciate the interplay and interaction of various factors, both financial and non-financial, which ultimately affect our performance in our pursuit of creating long-term sustainable value. In this regard, the Group has adopted the International Integrated Reporting Framework as the basis of our reporting structure.

This report aims to make corporate reporting more transparent and meaningful for our stakeholders, and also highlights details of our strategies, opportunities and challenges in realising sustainable value for the future. It contains a summary of our strategies, businesses, products, services and value-creation efforts towards ensuring the continued and sustainable success of our business.

Our report presents the following key areas:

AREA	CONTENT
NCBA and its External Environment	Overview of the Group structure, its history, and relationships with our stakeholders.
Governance	Leadership and operational oversight structure in harnessing strengths and mitigating risks towards value creation.
Our Business	Describes the Group's operating model, delivery mechanism and its contribution to protection of sustainable value.
Risks and Opportunities	Describes the challenges faced in, and opportunities available for the achievement of value creation.
Strategy and Resourcing allocation	Highlights the strategic objectives upon which we measure the success of our promise of collaborating to inspire growth.
Performance	Details how the Group's different business lines performed.
Outlook	Details factors that could affect the Group's sustainability, whether positively and not and the projected future performance and sustainability of the Group.
Basis of preparation and presentation	General reporting guidance as adopted for the presentation of the Group's financial and non-financial performance.

All the financial information contained in this report has been presented in accordance with the International Financial Reporting Standards (IFRS) applicable to our operations and businesses. The Financial Statements contain comprehensive information on the business carried out during the period of January 1 to December 31, 2020.

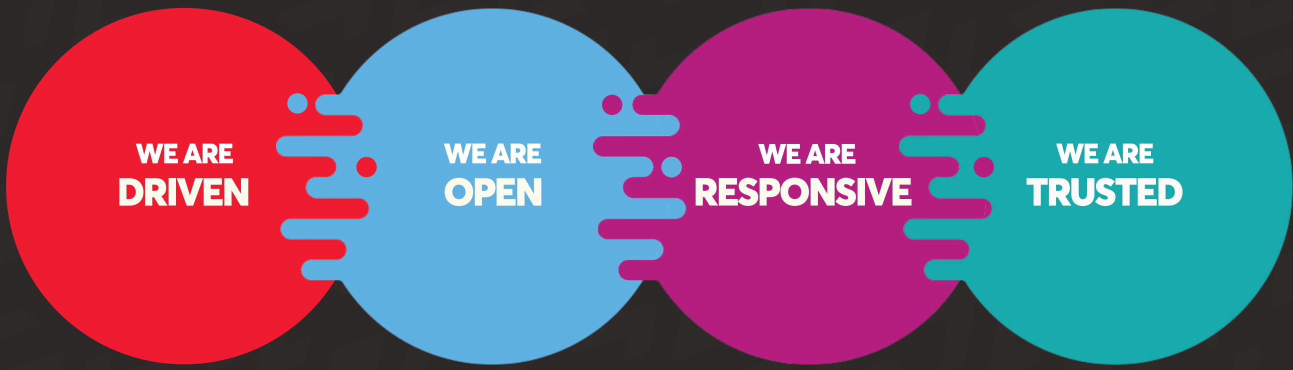
The Group's sector information, economic forecasts and performance indicators are derived from the business and their main sources are highlighted within this report.
NCBA Group is a full-service banking group providing a broad range of financial products and services to corporate, institutional, SME 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.

OUR VALUES



BY BEING
- DECISIVE
- PASSIONATE
- BOLD

BY ALWAYS BEING
- HONEST
- TRANSPARENT
- INCLUSIVE

BY EMBRACING
- SPEED
- SIMPLICITY & INNOVATION
- FOCUSING ON OUR CUSTOMERS

BECAUSE WE VALUE
- TEAMWORK
- INTEGRITY
- ACCOUNTABILITY

NCBA Group PLC, officially started operations on Tuesday, 1st October 2019 following the merger of the NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA) with the Kenya operating bank being called NCBA Bank Kenya PLC.

The two banks brought together 110 years of experience in the banking industry.

NIC was first incorporated as National Industrial Credit, 60 years ago and later renamed NIC Bank in 2005. It started as a hire purchase organisation, to enable Kenyans to finance their assets and has remained the undisputed market leader in Asset Financing, a heritage that has continued into NCBA Bank.

Over 50 years ago the largest privately-owned bank in East Africa, Commercial Bank of Africa Limited (CBA) opened its doors. A Kenyan owned institution, with regional presence, it developed a reputation as the go-to provider for large corporations, institutions, businesses and individuals. CBA proved to be a truly innovative Bank having been the first to market with full digital banking platform, M-Shwari and Loop, the first 105% mortgage offering in this market.

This innovation has been instrumental in NCBA's digital drive and its clarity of vision in reimaging the future of the financial services industry through digital transformation.
Indisputably, NIC and CBA were world-class financial service providers offering customers a vast range of products and services tailored to local needs and inspired by global innovation.

In December 2018 the Boards of Directors of NIC and CBA authorized commencement of discussions regarding a potential merger of both banks. The process went through all the regulatory, board and shareholders approvals needed in the course of 2019 culminating to the approval by the Central Bank of Kenya (CBK) and the National Treasury on 27th September 2019.

MERGER MILESTONE/ JOURNEY

6th December 2018: NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA) announce that the respective Boards of Directors authorised commencement of discussions regarding a potential merger of the two entities

31st January 2019: NIC and CBA announce that their Boards of Directors unanimously voted to recommend to shareholders a merger of the two banks.

It was announced that the proposed merger would be executed through a share exchange, with a share ratio between NIC and CBA being 47:53 respectively

16th April 2019: CBA held an Annual General Meeting where its shareholders overwhelmingly approved the merger with NIC.

17th April 2019: NIC held an Annual General Meeting where its shareholders overwhelmingly approved the merger with CBA

13th May 2019: The Competition Authority of Kenya (CAK) approved the proposed merger and shares its conditions on the same

15th May 2019: Announcement of the designated leadership of the merged NIC and CBA announced.

27th September 2019: The Central Bank of Kenya through Kenya Gazette Notice No. 9038 approved the amalgamation of Commercial Bank of Africa Ltd and NIC Group PLC effective 30th September 2019

27th September 2019: The Central Bank of Kenya issued a Press Release announcing the approval of the name of the amalgamated NCBA Group Plc.

1st October 2019: NCBA officially started operations

3rd October 2019: NCBA brand was unveiled

22nd October 2019: All shares of NCBA were listed at the Nairobi Securities Exchange (NSE)

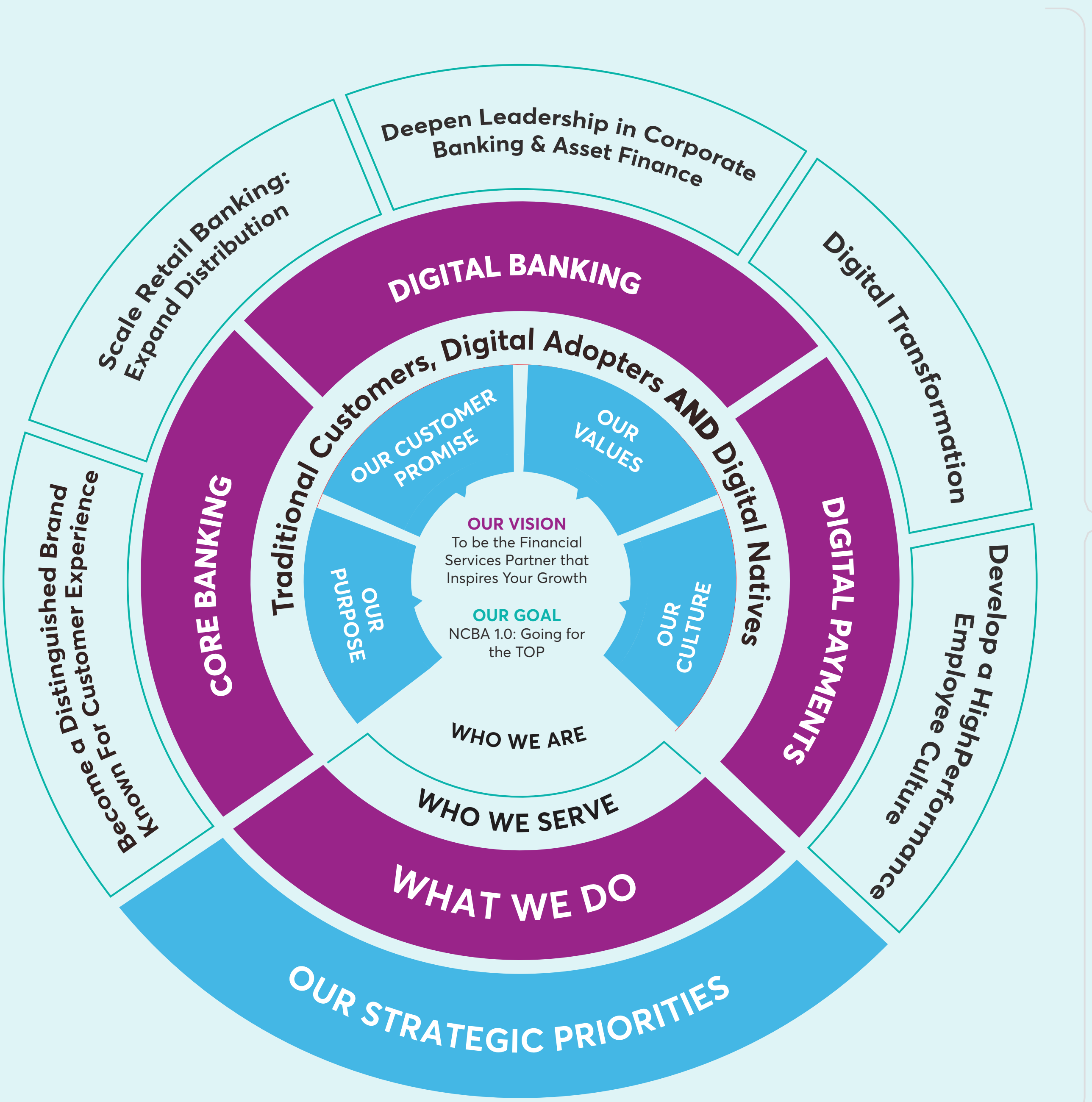
January 2020: We received the green light from the National Bank of Rwanda (BNR), which issued the Bank a new operating license under the name NCBA Bank Rwanda PLC.

May 2020: Bank of Uganda issued a letter of 'No objection' in May 2020 and later issued a commercial banking license on June 15, 2020 paving way for the two organizations to officially start operations as NCBA Bank Uganda Limited.

June 2020: NIC Bank Tanzania Limited (NIC) and Commercial Bank of Africa (Tanzania) Limited (CBA) received all approvals to merge and start operations as NCBA Bank Tanzania Limited.

MATERIAL THEMES

STAKEHOLDER	MATERIAL ISSUES	RISK & IMPACT	OPPORTUNITIES	DESIRED OUTCOMES
Shareholders and investors	• Competitive returns on investment & equity. • Winning strategy that supports successful achievement of the Group's goals.	• Challenging operating environment, including legislative change effects, which adversely affect strategy and/or performance.	• Strong balance sheet - supportive of business growth. • Strong fundamentals – supportive of financial requirements and obligations. • Strong collaborative associations with industry associations and regulators.	• Increased share value. • Enhanced return on investment and return on equity.
Customers	• Secure, stable and convenient transactional platforms. • Value for money. • Service excellence and personalised financial solutions. • Fair and transparent treatment.	• System downtime - inconvenience and losses. • Rapid changes in technology - obsolescence. • Loss of trust - reduced business and customer attrition.	• Scale distribution channels - increased market share. • Flexible & convenient products – increased uptake. • Brand ambassadors - promote NCBA.	• Distinguished brand known for Customer Excellence. • Compelling Customer Value Proposition that enhances brand loyalty and business growth.
Society	• Participation in environmental and social improvement initiatives. • Sustainable investment - community growth.	• Harmful business practices – adverse reputation. • Loss of market share to competitors engaged in community issues.	• Drive real and meaningful change by addressing key social and environmental issues.	• Establishment of long-term sustainable practices that are supportive of our communities. • Enhanced brand image and affinity.
Employees	• Skills relevance and career growth. • Employment sustainability. • Conducive environment. • Progressive culture. • Open communication.	• Discontentment, demotivation and disengagement. • High staff turnover. • Skills shortage.	• Strong legacy - diversity and inclusivity. • Robust training and career development programs. • Corporate values that encourage openness and trust in interactions.	• Highly engaged, performing and cohesive workforce. • Reputation for staff development and growth in an ever changing and competitive business environment.
Government/ regulators	• Compliance to the Laws of Kenya.	• Regulatory sanctions – loss of operating license. • Reputational risk.	• Reputation as a law abiding, transparent and trusted business partner – greater growth opportunities.	• Exceptional corporate governance standards and reputation.


Deepen Leadership in Corporate Banking & Asset Finance
Scale Retail Banking: Expand Distribution
Digital Transformation
Become a Distinguished Brand Known For Customer Experience
Develop a HighPerformance Employee Culture
DIGITAL BANKING
CORE BANKING
DIGITAL PAYMENTS
Traditional Customers, Digital Adopters AND Digital Natives
OUR CUSTOMER PROMISE
OUR VALUES
OUR PURPOSE
OUR CULTURE
OUR VISION
To be the Financial Services Partner that Inspires Your Growth
OUR GOAL
NCBA 1.0: Going for the TOP
WHO WE ARE
WHO WE SERVE
WHAT WE DO
OUR STRATEGIC PRIORITIES

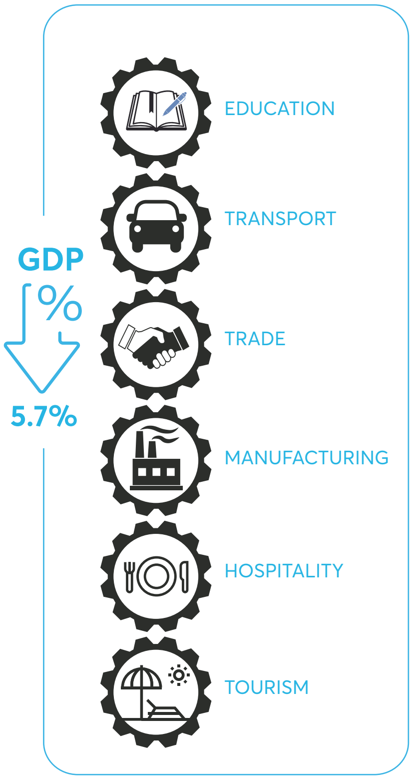
VALUE CREATION MODEL

CAPITALS	INPUTS
HUMAN CAPITAL	2,392 Employees Rewards and Recognition program aligned to performance Experienced Executive Management Team and Board Focused employee development strategy
FINANCIAL CAPITAL	Shareholders' Equity: KES 72.5Bn Deposits: KES 421.5Bn Lending: KES 248.5Bn
MANUFACTURED CAPITAL	Branches 70, ATMS 64, CDM's 27 NCBA Kenya T24 Transformation NCBA Kenya T24 Consolidation Consolidation of our core banking, workflows and processes across the subsidiaries Market Leading Digital Products – Mshwari, Sasa, Fuliza, Loop. "Change the story tree initiative"
INTELLECTUAL CAPITAL	Leadership in Corporate Banking Leadership in Asset Finance Leadership in Digital Business
SOCIAL CAPITAL	258,841 Customers Strategic Partnerships Mentorship and Job Shadow

VALUE CREATION MODEL

	OUTPUT	OUTCOME
HUMAN CAPITAL	94% Employees Retention 240 Employees rotated 103 Employees Promoted 106 Employees recognized through our Rewards and Recognition program 4X E-learning on NCBA Academy Platform 35% Increase in Self-initiated learning	A workplace which fosters self-growth, provides career development opportunities and recognizes performance
FINANCIAL CAPITAL	KES 27 Share price 7% Balance Sheet Growth 6% ROE 1% ROA KES 2.47B Dividend declared 3 Earning Per Share 1 Dividend Per Share	Sustainable return on investment to our shareholders (investors) by providing dividends A stable financial service institutions anchored on good corporate governance
MANUFACTURED CAPITAL	Consolidation efforts realized 7% Reduction of IT costs 99% Uptime of application systems	Stable operating systems that enable seamless back-end customer management and improved system architecture that supports scalability and improved system performance
INTELLECTUAL CAPITAL	↓ 45% 16.2B Asset financing Loan disbursed 2020 163.7B Financed / Value of the NPV5 Leasing Programme ↑ 12% 24,158 Digital active clients	Enhanced visibility across the region under a strong brand name.
SOCIAL CAPITAL	CSAT 73% against a target of 85% NPS 23% (65% Increase) against a target of 35% 90 students mentored 90 scholarship awarded Sustenance Covid-19 Pandemic Financial support to 594 support staffs	Empowering customers to attain their vision / goals Providing increased access to education, healthcare and caring for our community welfare

James Ndegwa
Group Chairman



Dear Shareholder,

I am pleased to present the Group's 2020 Integrated Report and Financial Statements.

The year 2020 was, without question, defined by the profound and devastating impact that COVID-19 has had on lives and livelihoods. What started as a public health crisis quickly spread indiscriminately across the world to become a global pandemic and necessitating severe containment measures.

The world's efforts to contain the contagion precipitated an economic fallout far worse than the financial crisis of 2008/09. As a result, global output is estimated to have contracted by 3.5% in 2020, the worst output loss in decades.

In response to the crisis, governments and central banks scaled up economic interventions to unprecedented levels. For governments, priority was given to public health spending, social protection and employment preservation. The increase in spending at a time of weakening revenues has led to historic government deficits and propelled public debt to extraordinary levels, particularly in emerging and frontier economies.

Throughout these extraordinarily challenging times, NCBA has taken swift and comprehensive action to safeguard and support its staff, customers, shareholders and the greater community through deliberate efforts aimed at both addressing the immediate and prevailing difficulties while facilitating a rapid and sustained post COVID-19 recovery.

Market Review - Kenya

The Kenyan economy was not spared the scorching impact of the COVID-19 pandemic. Businesses had to carefully balance between building resilience and supporting customers, while at the same time ensuring the health and wellbeing of employees.

Earlier pandemic containment measures led to a sharp contraction of economic activity across all sectors, especially in those dependent upon movement. For instance, according to a 2020 report by the Kenya National Bureau of Statistics, in the second quarter Kenya's GDP slumped by 5.7% compared to a year before following a sharp contraction in the education, transport, trade, manufacturing and the hospitality and tourism sectors.

Output has since improved driven by the gradual reopening of the economy and the positive effects of monetary and fiscal stimulus launched in response to the pandemic. In particular, the Kenyan government announced several tax relief measures to protect livelihoods and launched a KES 58Bn fiscal stimulus program to help boost domestic demand.

More profound was the pandemic's impact on public finances, aggravating concerns over sustainability of the country's debt. The twin pressures from increased spending and diminished government revenues deepened the deficit to an estimated 8.5% of GDP from 7.7% in the preceding year.

Plugging this deficit meant a further surge in public debt from 62% of GDP to about 70%, worsening the sovereign credit rating outlook.

On a brighter note, the character and quality of debt has improved somewhat on account of concessionary funding from the IMF, the World Bank and other development partners. Restructuring of external debt and the lengthening of local debt maturity have also eased potential liquidity strains for the sovereign.

> "INDEED, THE SHOCKS FROM THE PANDEMIC AGGRAVATED THE COUNTRY'S PRE-EXISTING ECONOMIC VULNERABILITIES."

KES 1,630Bn

54.2%

OF TOTAL LOAN PORTFOLIO

INDUSTRY RESTRUCTURED LOANS

Industry NPL rise 2.1% from 12% in 2019 to 14.1% in 2020

NON-PERFORMING LOANS (NPL)

IN THE YEAR TO SEPTEMBER 2020, CREDIT GROWTH EXPANDED BY 7.6% BEATING THE 7.1% CREDIT EXPANSION IN 2019.

The economy was further cushioned by the interventions made by the Central Bank of Kenya. A combination of lower policy interest rate, reduced cash reserve ratio (CRR) requirements and extensive short-term liquidity support through repos ensured enhanced liquidity in the financial system. Moreover, the easing of prudential guidelines helped minimize liquidity strains on businesses, saving thousands of jobs and abating insolvency risks.

All said, Kenya GDP growth is estimated to have dropped to just about 0.1% in 2020, a respectable figure compared to the region and the world. This resilience partly reflects the gains of economic diversification.

Financial sector performance

The Kenyan banking sector was stable and resilient throughout 2020. The sector played a key role in mitigating some of the financial and economic consequences of the crisis. In the year, banks are estimated to have restructured over KES 1,630Bn in loans, representing about 54.2% of the total loan portfolio. This injected much needed liquidity into businesses, reducing what could have been immense solvency problems.

Whereas the direct impact on the sector was minimal, the consequent underlying effects on balance sheets are beginning to emerge. Banks have had to dramatically increase provisions for bad debts as portfolio quality deteriorates. The sector's non-performing loans have risen to about 14.1% from 12.0% a year before. This notwithstanding, private sector credit growth across households, manufacturing and service sectors remained positive.

Despite the slowdown in cash flows, liquidity conditions remained healthy. This was primarily on the back of Central Bank of Kenya interventions, especially the reduction in the Cash Reserve Ratio (CRR). This also reflected some spillovers from fiscal stimulus measures, given the focus on payment of pending bills both at the national and county levels. The banking sector remained profitable and well capitalized. With the volatility in the local currency, banks saw a considerable surge in foreign currency deposits.

Future Outlook

Economies have begun to emerge from the pandemic-induced recession. Phased reopening and softening of COVID-19 containment measures is supporting a return of activity especially in industries. The positive progress on the medical front with the earlier than expected arrival of vaccines has also enhanced confidence in the recovery.

YOUR BANK HAS PLAYED A CENTRAL ROLE IN SUPPORTING INDIVIDUALS, BUSINESSES AND THE ECONOMY DURING THIS CRISIS AND OUR CONTRIBUTIONS SO FAR HAVE FOCUSED MAINLY ON PROTECTING AND SAFEGUARDING PEOPLE'S LIVES.

However, the recovery is still fragile and uneven. In spite of the gains on the medical front, the crisis continues to hang its shadow over the global economy. Glaring vaccine deficits and protectionism in distribution could see emerging and frontier economies lag behind even as new virus variants emerge, further delaying the recovery.

That said, we expect greater support from development partners as the G7 countries set out to ensure no country is left behind in the post COVID-19 recovery quest.

Overall, our outlook remains cautiously optimistic that an uptick in vaccination coupled with continued fiscal support will release pent up demand and accelerate recovery.

Conclusion

The crisis arose soon after the merger of NIC Group and Commercial Bank of Africa and alongside the complexities of completing the establishment of NCBA Group, we have ensured that our customers continue to have access to our services and products by adhering to all Central Bank of Kenya regulations to mitigate adverse economic effects on bank borrowers from COVID-19 while prioritizing the health of our customers, employees and partners.

Moving forward, we remain steadfast in delivering on our strategy and growing shareholders' wealth as we deliver on our purpose of "Inspiring Greatness."

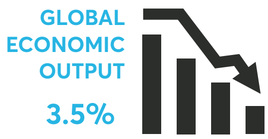
Our passion and determination to create value continues despite these challenging times. We have a strong and resilient balance sheet and are well positioned to support customers as they navigate this crisis.

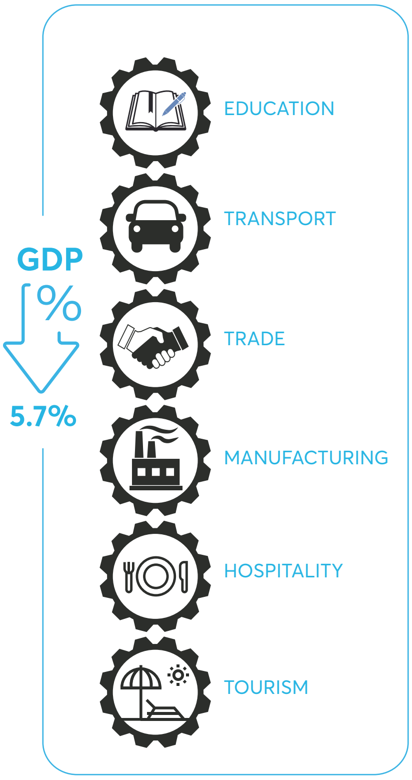
Your Board will continue to guide Management as they adjust business plans to drive sustainability in the face of COVID-19. We highly appreciate the work by Management and Staff in maintaining the stability of NCBA during these turbulent times.

I thank my fellow Directors for their contribution and commitment to the Group at both Board and committee levels.

J P M Ndegwa
Group Chairman

James Ndegwa
Mwenyekiti wa kundi





Ndugu wanahisa,

Ninafurahi kuwasilisha Ripoti ya Jumla ya 2020 na Taarifa za Fedha.

Mwaka wa 2020, bila swali, unatafsiriwa na athari kubwa ambayo ilitokana na COVID-19 katika maisha na kipato. Ilianza kama janga la afya kwa umma haraka ilisambaa ulimwenguni kote bila kubagua na kuwa janga la ulimwengu na kuhitaji hatua mathubuti za kuzuia.

Jitihada za ulimwengu kuzuia maambukizo zilisababisha kuanguka vibaya zaidi kwa uchumi kuliko janga la kifedha la 2008/09. Matokeo yake, pato la ulimwengu linakadiriwa kushuka kwa 3.5% mnamo 2020, hasara mbaya zaidi ya pato kuwahi kutokea kwa miongo.

Katika Kukabiliana na janga la COVID-19, serikali na benki kuu ilichukua hatua za sera za fedha viwango ambavyo havijawahi kutokea. Kwa serikali, kipaumbele cha matumizi kiliwekwa kwenye afya ya umma, ulinzi wa jamii na uhifadhi wa ajira. Ongezeko la matumizi baada ya mapato kuwa kudhohofu ilisababiisha deni la kihistoria kwa serikali na kuongeza deni kwa viwango vya kushangaza, haswa katika uchumi wa ndani nan je.

Katika nyakati hizi zenye changamoto nyingi, NCBA imechukua hatua za haraka na kamili kulinda na kusaidia wafanyikazi wake, wateja, wanahisa na jamii kwa ujumla kupitia juhudi za makusudi zinazolenga kushughulikia na kutatua shida za haraka wakati tukiendelea kuwezesha upatikanaji wa ahueni ya haraka na endelevu baada ya COVID-19.

Mapitio ya Soko – Kenya

Uchumi wa Kenya haukupona kutoka kwenye athari kali za janga la COVID-19. Biashara zililazimika kusawazisha kwa kuangali kati ya kujenga uthabiti na kusaidia wateja, wakati huo huo tukahakikisha afya na usalama wa wafanyikazi.

Hatua za mapema za kuzuia janga hili zilipelekea kupunguzwa kwa shughuli za kiuchumi katika sekta zote, haswa kwa zile zinazotegemea mwingiliano. Kwa mfano, kulingana na ripoti ya 2020 ya Ofisi ya Taifa ya Takwimu ya Kenya, katika robo ya pili ya Pato la Taifa la Kenya limepungua kwa asilimia 5.7% ikilinganishwa na mwaka mmoja kabla ya kufungiwa mapema kwa shughuli katika sekta ya elimu, usafirishaji,uzarishaji viwandani, biashara, ukarimu na sekta ya utalii.

Maelezo mafupi

Kwa kweli, taharuki kutokana na janga ilizidisha mdororo wa kiuchumi kwa nchi kuzidi hapo awali.

Kwa ukubwa janga la COVID-19 liliathari zaidi uchumi wa umma, ikizidisha wasiwasi juu ya ustahimilivu wa deni la nchi. Shinikizo pacha kutokana na kuongezeka kwa matumizi na kupungua kwa mapato ya serikali kulizidisha upungufu wa pato la taifa hadi asilimia 8.5 kutoka 7.7% katika mwaka uliopita. Kurekebisha deni hili kulimaanisha kuongezeka zaidi kwa deni la umma kutoka 62% ya Pato la Taifa hadi karibu 70%, ikidhoofisha mtazamo mkuu wa ukadiriaji wa mkopo.

BENKI YAKO IMEKUWA NA JUKUMU MUHIMU KATIKA KUSAIDIA WATU BINAFSI, BIASHARA NA UCHUMI WAKATI WA JANGA LA COVID-19 NA MICHANGO YETU HADI SASA IMEJIKITA ZAIDI KATIKA KULINDA NA KUSAIDIA USTAWI WA MAISHA YA WATU

Katika hali ya kufurahisha, tabia na ubora wa deni umeimarika kwa sababu ya ufadhili kutoka kwa IMF, Benki ya Dunia na washirika wengine wa maendeleo. Marekebisho ya rejesho la deni la nje na kuongeza muda wa ukomavu wa deni la ndani pia kumepunguza la ukwasi huru

Uchumi ulipata auheni zaidi kutokana na hatua zilizochukuliwa na Benki Kuu ya Kenya. Mchanganyiko wa sera za kupunguza kiwango cha riba, kupunguzwa kwa mahitaji ya Uwiano wa mtaji wa msingi wa sekta ya benki (CRR) na msaada mkubwa wa ukwasi wa muda mfupi kupitia ilioimarishwa katika mfumo wa kifedha. Kwa kuongezea, ilipunga tatizo la ukwasi upunguzaji wa ukwasi kwenye biashara, kuokoa maelfu ya ajira na kupunguza hatari za ufilisi.

Baada ya kusema hayo yote, ukuaji wa Pato la Taifa la Kenya unakadiriwa kushuka hadi karibu asilimia 0.1% mnamo 2020, idadi inayoridhisha ikilinganishwa ukanda wetu na mataifa mengine ulimwenguni. Uimara huo ni sehemu inayoonesha ustahimilivu wa uchumi..

Mwenendo wa Utendaji wa sekta ya fedha

Sekta ya benki ya Kenya ilikuwa imara na thabiti wakati wote wa mwaka 2020. Sekta hiyo ilichukua jukumu muhimu katika kupunguza athari za kifedha na kiuchumi zilizotokana na janga. Ndani ya mwaka, benki zinakadiriwa kuwa na marekebisho ya marejesho yamikopo ya zaidi ya KES 1,630Bn, inayowakilisha karibu 54.2% ya jumla ya mkopo. Hii iliingiza ukwasi mkubwa katika biashara, ikipunguza kile ambacho kingeweza kuwa statizo kubwa katika utatuzi.

Wakati athari ya moja kwa moja katika sekta ya benki ilikuwa ndogo, athari za msingi kwenye repoti ya uwiano zinaanza kujitokeza. Benki zimelazimika kuongeza kwa kiasi kikubwa sheria katika madeni kichefu chefu kama ilivyo nukuliwa. Sekta ya Mikopo chefu chefu imeongezeka hadi karibu 14.1% kutoka 12.0% mwaka ilipita. Pamoja na hayo, ukuaji wa mikopo kwa sekta binafsi katika kaya, sekta za uzalishaji na huduma ulibaki kuwa stahimilivu.

Maelezo mafupi

Katika mwaka hadi Septemba 2020, ukuaji wa mikopo uliongezeka kwa asilimia 7.6% ikizidi upanuzi wa mkopo wa asilimia 7.1% Kwa mwaka 2019.

Licha ya kupungua kwa mtiririko wa fedha, hali ya ukwasi ilibaki kuwa na afya. Hii ilikuwa kipaumbele cha utekelezaji kwa Benki Kuu ya Kenya, haswa kupunguzwa kwa Uwiano wa mtaji wa msingi wa sekta ya benki (CRR). Hii pia iliakisi marekebisho ya muundo wa hatua za kichocheo cha uchumi, ikizingatia katika ulipaji wa bili zinazosubiri katika ngazi ya kitaifa na kazi ya kaunti. Sekta ya benki ilibaki kuwa na faida na mtaji mzuri. Pamoja na hali tete ya sarafu ya ndani, benki zilishuhudia kuongezeka kwa amana za fedha za kigeni.

Matazamio ya Baadaye

Uchumi umeanza kuimarika kufuatia athari zilizotoka na janga la COVID-19. Kufunguliwa na kulegezwa kwa hatua za kuzuia COVID-19 inasaidia kurudi kwa shughuli haswa katika viwanda. Maendeleo mazuri kwa upande wa afya na kuwasili kwa chanjo mapema kuliko vile ilivyotarajiwa pia imeongeza ujasiri katika kuzishinda changamoto za COVID-19

Hata hivyo, Bado ni vigumu kuzishinda changamoto zilizotokana na COVID-19. Licha ya kuwa faida ya kuwa mstari w amble katika matibabu, janga la COVID- 19 linaendelea kuweka kivuli chake katika uchumi wa ulimwengu. Upungufu katika usambazaji wa chanjo na kinga unaweza kusababisha uchumi kubaki nyuma kutokana na kuibuka upya kwa virusi, na kupelekea kuchelewa kuondokana na athari za janga la COVID-19.

Kwa kusema hayo, tunatarajia msaada mkubwa kutoka kwa washirika wa maendeleo ambapo nchi za G7 zilipanga kuhakikisha kuwa hakuna nchi itayoachwa nyuma katika azma ya kutokomeza COVID-19.

Kwa ujumla, mtazamo wetu unabaki kuwa na matumaini ya uangalifu kwamba kuongezeka kwa chanjo pamoja na msaada wa kifedha utaendelea kupunguza mahitaji na kuharakisha rejesha hali kawaida.

Janga la COVID- 19 liliibuka mara tu baada ya kuunganishwa kwa benki mbili za NIC Group na Commercial Bank of Africa sambamba na ugumu wa kukamilisha uanzishwaji wa Benki ya NCBA, tumehakikisha kuwa wateja wetu wanaendelea kupata huduma na bidhaa zetu kwa kuzingatia kanuni za Benki Kuu ya Kenya za kupunguza athari mbaya za kiuchumi kwa wakopaji wa benki kutokana na janga la Covid-19 huku tukizipa kipaumbele afya ya wateja, wafanyikazi na washirika wetu.

Kuendelea mbele, tunabaki thabiti katika kutekeleza mkakati wetu na kukuza utajiri wa wanahisa tunapotimiza kusudi letu la "Inspiring Greatness."

Shauku na dhamira yetu ya kuunda thamani inaendelea licha ya nyakati hizi zenye changamoto. Tunayo mizania yenye nguvu na imara na tumejizatiti vyema kusaidia wateja wanapopambana na janga hili,

Bodi yako itaendelea kuongoza Menejimenti wakati wanapobadilisha mipango ya biashara ili kuendesha kwa ustahimilivu mbele ya janga COVID-19. Tunashukuru sana Menejimenti na Wafanyikazi katika kudumisha utulivu wa NCBA wakati huu wa misukosuko.

Nawashukuru Wakurugenzi wenzangu kwa mchango wao na kujitolea kwa Group katika ngazi zote za Bodi na kamati.

J P M Ndegwa

Mwenyekiti wa kundi

John Gachora
Group Managing Director

KES 300Bn
DISBURSED
DIGITAL LOANS TO SME

KES 78Bn
MORATORIUM/ RESTRUCTURED LOANS
CORPORATE & RETAIL

KES 4.98Bn
PRE-TAX PROFIT

KES 45.8Bn
TOTAL OPERATING INCOME
41% GROWTH

KES 528Bn
TOTAL ASSETS
7% GROWTH

Dear Shareholder,

When I wrote to you a year ago, the World Health Organization had just declared COVID-19 a public health emergency of international concern. At the time we had no idea how significantly the pandemic would change our lives and our business.

2020 was an extraordinary year. The COVID-19 pandemic has tested the resilience of millions of lives and livelihoods, stretched our healthcare systems and devastated economies in ways we could never have imagined. Many businesses have had to shut down operations completely or adopt new business models. Our company, like the rest of the business world, had to quickly pivot and direct all focus towards meeting the urgent needs confronting so many of our customers and employees as a result of the COVID-19 crisis.

As I begin this letter, I am immensely proud of what our company and our thousands of employees across East Africa have achieved, collectively and individually. NCBA is an organization that fundamentally believes that we play an essential role within our communities to enable businesses and individuals to reach for their dreams. 2020 was a test of this commitment and I am pleased by how our company stepped up for its staff, customers and the community throughout the region, backing them during these difficult times. We demonstrated that as an organization we can show compassion for our employees, customers and communities while still upholding shareholder value.

DESPITE A TURBULENT 2020, THE BANK RECORDED STRONG PERFORMANCE ANCHORED ON ROBUST BUSINESS CONTINUITY PLANS. NCBA'S GROUP RECORDED A PRE -TAX PROFIT OF KES 4.98 BILLION FOR THE YEAR ENDING DECEMBER 2020

Supporting Our Employees

Ultimately, the basis of our success is our people. They are the ones who serve our customers and communities, build the technology, make the strategic decisions, manage the risks, and drive innovation. We are fortunate to have a wonderful team of colleagues who show up to work every day determined to help our stakeholders fulfil their dreams even in these difficult times.

For these reasons, since the beginning of the pandemic, our number one priority has been to protect the health and safety of our employees. As the pandemic raged on, we enabled majority of non-branch staff to work remotely, provided access to personal protective equipment where necessary, provided a special financial support to all our support staff who were most vulnerable to the economic impact of the crisis and expanded access to medical resources such as testing and isolation facilities as needed.

The COVID -19 experience has increased the resilience of our organization, made us more agile and prepared us for a workplace post pandemic that is more responsive to the demands of the day.

Supporting Our Customers

This COVID-19 period has heightened our focus on earning and retaining the trust of our customers. Our relationship with our customers is bolstered by our day-to-day interactions with them and more importantly, by how we back them in moments of difficulty.

Throughout the crisis, we have remained unwavering of our support to customers to help them weather this storm and have taken significant measures. These actions include;

- NCBA granted loan moratoriums and restructured loans amounting to KES 78 billion to corporate and retail customers as at end of December 2020
- We waived bank charges and fees on mobile transfer and Pesalink cashless transactions.
- We disbursed over KES 300 billion in digital loans, enabling small enterprises and individuals to meet their day-to-day working capital needs.
- Moreover, we waived all M-Shwari late payment fees, deferred roll over fees by 30 days and suspended CRB listing for 90 days.

The pandemic has also changed the way many customers engage with their banks, as such we also quickly rolled-out initiatives to drive contactless banking and increase adoption of our digital platforms.

We have confidence that we will emerge from this crisis having strengthened our relationship with our customers.

Supporting Our Community

In recognition of the fact that this crisis has devastated our economies, rendered numerous individuals destitute and greatly constrained health resources, we doubled down on our commitment as a responsible corporate citizen during this period.

We were one of the very first organizations to support the Kenya COVID-19 Emergency Response Fund, donating KES 100M to finance access to personal protective equipment for our medical staff in the various hospitals. Our various subsidiaries made similar donations in the countries where we operate.

Throughout the year we continued to support various education and sustainability programmes as further outlined in this report. Our collaborative tree planting initiative dubbed "Change The Story" continued to inspire millions of people to plant and grow trees to step climate and soil deterioration. Together with the Kenya Forest Services and the Friends of Karura, we launched a one-million tree seedling nursery at the Karura Forest. By so doing, we aim to help Change The Story and support the government in its quest to increase reforestation across the nation.

A Strategy That Delivers

2020 marked the first anniversary of the merger of NIC Group PLC and Commercial Bank of Africa Limited (CBA). During the year, we also completed the mergers of all subsidiaries across the region.

Despite a turbulent 2020, the bank recorded strong performance anchored on robust business continuity plans. NCBA Group recorded a pre-tax profit of Kes 4.98 billion for the year ending December 2020. Total operating income for the year was KES 45.8 Billion, a growth of 41%.

The Group's strong performance is best seen through the operating profit (before credit provisions) which increased by 48% to KES 24.9 billion as compared to the same period in the year prior.

The Group's fundamentals remain strong and we are well positioned to respond to the demands of the new environment. As at December 2020, we had increased our total assets to close at KES 528 billion and maintained a strong core capital position of KES 64.8 billion and a liquidity ratio of 55%.

During the year, the Group made significant strides in beginning to realize the synergies envisioned from the merger.

The key 2020 milestones are:

1. **Branch rationalization** - In June 2020, we rationalised our branch network in Kenya. The rationalisation saw 14 branches that were co-located or in close proximity merged into one of the selected branches. The staff members of the affected branches were redeployed across the banks network and business units.
2. **System consolidation** – We consolidated our core banking systems to create a foundation for standardized improved customer experiences and to enhance cost efficiencies
3. **Harmonization of processes and procedures** to enable better risk management, faster development and launch of new products and simplified access to product updates. We also consolidated several products and tariffs to allow for robust cross selling.
4. **Organizational restructure** – We restructured the Kenya businesses to create a leaner target operating model that can deliver on our strategic ambitions. As part of this process, we executed

a voluntary exit programme for employees who wished to consider opportunities outside the organization. Through this process, a number of our senior executives elected to leave the organization. We thank them for the indelible mark they left having served the organization for many years. Thanks to the depth of our talent pool, we were able to appoint new executives who continue to execute strongly on our strategic journey.

We have demonstrated that the business is on the right footing to deliver long-term growth plans. More broadly, our strong performance is a reflection of the hard work of our staff, and their commitment to delivering an exceptional banking experience to our customers.

Looking forward

In 2021, we will continue to deliver on our ambitions by executing on our 5 strategic priorities:

- Build out our retail distribution. We believe that when we get closer to our customers, we understand them better. For this reason, the Board has approved a strategy that will see our retail distribution network grow, both in branch and agency networks.
- Extend our leadership in Corporate Banking and Asset Finance businesses. We have a proud legacy of bringing tailored solutions to our Corporate Banking customers. We are also reputed as the best and quickest Asset Financing operation in the region. For both these strengths, we intend to double down and continue to be an important engine for growth in the region.
- Digital first operations. If there is anything COVID-19 taught us, it is how quickly businesses must adapt to maintain relationships with their customers. At NCBA, our partnership with Safaricom PLC through the M-Shwari and Fuliza products allowed us to continue to provide much needed working capital solutions to small businesses and individual traders. We believe there is a lot more we can offer through our digital platforms. We are therefore working on new innovations that will make banking easier and more accessible to more people. On the traditional banking front, we continue to shift a large number of services onto digital channels. Furthermore, we are working to create cost efficiencies by digitizing internal processes as we change customer journeys.
- Banking anchored on distinguished customer experience. We believe that banking products are quickly becoming commoditized. However, how the products are delivered remains a distinguishing factor. Ours strategy calls for customer experience to be one that leaves our customers wowed and dignified.
- Creating a high performance employee culture. People will always be at the heart of banking services. For that reason, we will continue to invest in our people through recruitment, training and retention. Core to this ambition is creating and maintaining a culture that allows employees to thrive and delight customers. We have recently launched a culture blueprint called "Go-Getter Culture" in which we aim to align around well understood corporate values and strategy. Our values of being Open, Trusted, Driven and Responsive will form the building blocks for the expected behaviours.

We are clear about what we need to deliver. We remain deeply encouraged by the strength of our balance sheet, the resilience of our staff and the strong relationships we have with our customers. We are excited about the future of NCBA!

Conclusion

I would like to express my deep gratitude and appreciation to the employees of NCBA Group. From this letter, I hope you as a shareholder gain an appreciation of the tremendous character and capabilities of our people, and how they faced these times of adversity with grace and fortitude. I hope you are as proud of them as I am.

Finally, thank you fellow shareholder for your enduring support of NCBA Group. With your support and that of my colleagues on the Board of Directors we will overcome the challenges of the day and look forward to a brighter future.

John Gachora

Group Managing Director

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Group Managing Director

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Ndugu Mwanahisa mwenzangu,

Wakati nilipokuandikia mwaka mmoja uliopita, Shirika la Afya duniani ndio kwanza lilikuwa limetangaza COVID-19 kuwa dharura ya afya kwa umma kutokana na wasiwasi wa kimataifa. Wakati huo hatukujua jinsi janga hilo litabadilisha maisha yetu na biashara yetu.

2020 ulikuwa mwaka wa kustahajabisha. Janga la COVID-19 limejaribu uimara wa mamilioni ya Maisha ya watu na kipato kipato, ikanyoosha mifumo yetu ya huduma za afya na kuharibu uchumi kwa njia ambazo hatukuwezi kufikiria. Biashara nyingi zimelazimika kufunga kabisa shughuli zake au kuanza kutumia mifumo mipya ya biashara. Kampuni yetu, kama ilivyo biashara zingine ulimwenguni, ililazimika kuchukua hatua za haraka katika kuzingatia mahitaji ya dharura yanayowakabili wateja na wafanyikazi wetu wengi kufuatia changamoto zilizojitokeza kutokana na COVID-19.

Ninapoanza barua hii, najivunia sana kile kampuni yetu na maelfu ya wafanyikazi wote Afrika Mashariki walichofanikisha, kwa umoja wetu na kwa mtu binafsi. NCBA ni taasisi ambayo kimsingi inaamini kwamba tunasimamia jukumu muhimu ndani ya jamii zetu kuwezesha wafanyabiashara na watu binafsi kufikia ndoto zao. 2020 ilikuwa jaribio la jitihada hizi na ninafurahishwa na jinsi kampuni yetu imejitoa kwa wafanyikazi wake, wateja na jamii katika ukanda wote wa Afrika Mashariki, ikiwasaidia katika katika nyakati hizi ngumu. Tulionyesha kuwa kama taasisi tunaweza kuonyesha utu kwa wafanyikazi wetu, wateja na jamii wakati bado tunashikilia thamani ya wanahisa.

Kusaidia Wafanyakazi Wetu

Hatimaye, msingi wa mafanikio yetu ni watu wetu. Ndio ambao hutumikia wateja wetu na jamii, huunda teknolojia, hufanya maamuzi ya kimkakati, kudhibiti hatari, na kuanzisha uvumbuzi. Tuna bahati ya kuwa na timu nzuri ya wenzetu ambao hujitokeza kufanya kazi kila siku kwa kuamua kusaidia wadau wetu kutimiza ndoto zao hata katika nyakati hizi ngumu.

Kutokana na sababu hizi, tangu mwanzo wa janga , kipaumbele chetu cha kwanza imekuwa kulinda afya na usalama wa wafanyikazi wetu. Wakati janga likiendelea, tuliwawezesha wafanyikazi wengi ambao sio wafanyakazi wa matawi kufanya kazi nje ya ofisi, Tukawezesha upatikanaji wa vifaa vya kinga binafsi pale inapobidi, tulitoa msaada maalum wa kifedha kwa wafanyikazi wetu wote waliokuwa na uhitaji wa ziada kutokana na athari za kiuchumi zilizosababishwa na janga la COVID -19 na tulipanua upatikanaji wa vyanzo vya matibabu kama vile upimaji na sehemu za kujitenga (Karantini) pale inahitajika.

Uzoefu wa COVID -19 umeongeza uthabiti wa taasisi yetu, umetufanya tuwe wepesi zaidi na kutuandaa kwa janga linaloweza kutokea mbeleni katika mahali pa kazi ambalo litahitaji kukabiliwa kwa mahitaji kama ya sasa.

Kusaidia Jamii Yetu

Kwa kutambua ukweli kwamba janga la COVID- 19 limeharibu uchumi wetu, limewaacha watu wengi katika umaskini na kutoa usumbufu katika huduma za afya, tuliongezea dhamira yetu kama taasisi ya raia anayewajibika katika kipindi hiki.

Tulikuwa moja ya taasisi ya kwanza kabisa kusaidia Mfuko wa Kukabiliana na Dharura wa Kenya COVID-19, tukitoa KES 100M kufadhili upaikanaji wa vifaa vya kujikinga binafsi kwa wafanyikazi wetu wa afya na vifaa vya kusaidia kupumua kupumua vinahitajika katika hospitali kadhaa. Taasisi zetu Tanzu mbali mbali zilitoa michango sawa katika nchi tunazofanya kazi.

Katika mwaka mzima tuliendelea kusaidia mipango mbali mbali ya elimu na endelevu kama ilivyoainishwa zaidi katika ripoti hii. Mpango wetu wa ushirikiano wa upandaji miti uliopewa jina “Change The Story” uliendelea kuhamasisha mamilioni ya watu kupanda na kukuza miti ili linda hali ya hewa na kuzuia mmonyoko wa udongo. Kwa pamoja na Huduma ya Misitu ya Kenya na Marafiki wa Karura, tulizindua kitalu cha miche milioni moja katika Msitu wa Karura. Kwa kufanya hivyo, tunakusudia kusaidia Kubadilisha Hadithi na kuunga mkono serikali katika azma yake ya kuongeza upandaji miti kote nchini.

Mkakati wa utoaji huduma

2020 itakumbukwa kuwa kumbukumbu ya kwanza ya kuungana kwa NIC Group PLC na Benki ya Biashara ya Afrika (CBA). Katika mwaka, tulikamilisha kuunganishwa kwa kampuni tanzu zote katika ukanda wa Afrika Mashariki

Licha ya misukosuko ya 2020, benki ilikuwa na utekelezaji mzuri mipango thabiti iliyowekwa katika ya kuendeleza wa biashara. NCBA kwa ujumla ilitengeneza faida faida ya kabla ya ushuru ya Kes 4.98 bilioni kwa mwaka unaoishia Desemba 2020. Jumla ya mapato ya uendeshaji kwa mwaka ilikuwa KES 45.8 Bilioni, ukuaji wa asilimia 41%.

Utendaji mzuri wa benki unaonekana vizuri kupitia faida ya uendeshaji (kabla ya vifungu vya mkopo na vitu vya kipekee), ambayo iliongezeka kwa 48% hadi KES bilioni 24.9 ikilinganishwa na kipindi kama hicho cha mwaka uliopita.

Misingi ya Kampuni inabaki imara na tumejipanga vizuri kujibu mahitaji ya mazingira mapya. Kufikia Desemba 2020, tulikuwa tumeongeza mali zetu zote karibia kwa KES 528 bilioni na kuendelea kushikiria nafasi kubwa ya mtaji wa KES 64.8 bilioni na uwiano wa ukwasi wa 55%.

Ndani ya mwaka, Kampuni kilifanya mafanikio makubwa kama mwanzo wakutambua mpangilio endelevu baada ya kuungana,

Hatua muhimu za 2020 zilikuwa:

1. **Upatanisho wa tawi-**Mnamo Juni 2020, tulibadilisha mtandao wetu wa tawi nchini Kenya. Mabadiliko hayo yalihusisha kuunganishwa kwa matawi 14 yalio kuwa eneo moja au karibu na kuwa tawi moja lililo teuliwa. Wafanyakazi wa matawi yalioathiriwa na mabadiliko hayo walihamishiwa katika matawi ya Benki zetu mbali mbali na katika vitengo vya biashaera zetu
2. **Ujumuishaji wa mfumo –** Tuliunganisha mifumo yetu ya msingi ya benki ili kuunda msingi bora wa huduma kwa wateja na kuongeza ufanisi wa gharama.
3. **Kuoanisha michakato na taratibu** ili kuwezesha usimamizi bora wa arthari, maendeleo ya haraka na uzinduzi bidhaa mpya na kurahisisha upatikanaji mpya wa huduma. Tulijumuisha pia bidhaa kadhaa na ushuru ili kuruhusu uuzaji mkubwa
4. **Marekebisho ya shirika -** Tuliboresha biashara za Kenya ili kuunda mtindo unaolenga utendaji kazi ambao unaweza kutekeleza azma yetu ya kimkakati. Kama sehemu ya mchakato huu, tulitekeleza mpango wa wafanyakazi kuondoka kwa hiyari ambao wangependa natafuta fursa nje ya Taasisi. Kupitia mchakato huu, watendaji wetu wakuu walichaguliwa kuondoka katika taasisi. Tunawashukuru kwa alama isiyofutika waliyoacha wakiwa wamelitumikia shirika kwa miaka mingi. Shukrani kwa upana wa talanta tulionao katika Taasisi, tuliweza kuteua watendaji wapya ambao wamendelea kutekeleza kwa nguvu katika safari yetu ya kimkakati.

Tumeonyesha kuwa biashara iko katika hatua sahihi ya kutoa mipango ya ukuaji wa muda mrefu. Kwa upana zaidi, utendaji wetu wa nguvu u atokana na bidii ya wafanyikazi wetu, na kujitolea kwao kutoa huduna za benki za kipekee wateja wetu.

Kuelekea mbele

Mwaka 2021, tutaendelea kufanyia kazi malengo yetu kwa kutekeleza vipaumbele vyetu 5 vya kimkakati:

- Kuimarisha usambazaji wetu wa rejareja. Tunaamini kwamba tunapo kuwa karibu na wateja wetu, tunawaelewa vizuri. Kwa sababu hiyo, Bodi imeidhinisha mkakati ambao utahakikisha mtandao wetu wa usambazaji wa rejareja unakua, katika mitandao ya matawi na wakala.
- Kupanua uongozi wetu katika biashara yaBenki kwa makampuni na biashara ya mali fedha. Tuna urithi wa kujivunia wa kuleta suluhisho linalolenga wateja

wetu wa huduma za Benki kwa makampuni. Tunatambulika pia kwa operesheni bora na za haraka zaidi kwa huduma za mali fedha katika ukanda huu. Kwa uwezo wetu mkobwa tulionao katika maeneo hayo mawili , tunakusudia kuboresha na kuendelea kuwa injini muhimu kwa ukuaji kwa ukanda wa Afrika Mashariki.

- Kwanza shughuli za dijitali . kama kuna chochote COVID-19 ilitufundisha, ni kwa jinsi gani biashara lazima zibadilike haraka kudumisha uhusiano na wateja wao. Ndani ya NCBA, ushirikiano wetu na Safaricom PLC kupitia M-Shwari na bidhaa za Fuliza zilituruhusu kuendelea kutoa suluhisho la mitaji kwa wafanyikazi wadogo na wafanyabiashara wa kati. Tunaamini kuna mengi zaidi ambayo tunaweza kutoa kupitia majukwaa yetu ya dijitali. Kwa hivyo tunafanyia kazi ubunifu mpya ambao utafanya benki ipatikane kwa rahisi na kuwafikia watu wengi. Mbele ya utamaduni wa kibenki uliozoeleka, tunaendelea kuhamishia idadi kubwa ya huduma kwenye chanaeli za dijitali. Kwa kuongezea, tunafanya kazi kuunda ufanisi wa gharama kwa kutumia njia ya kidijitali katika njia ya kubadilishana na wateja wetu.

- Benki kujikita katika uzoefu wa wateja wanaojulikana. Tunaamini kuwa huduma za benki kwa haraka zinakuwa bidhaa inayouzwa. Hata hivyo, jinsi bidhaa zinavyotolewa bado linalozingatia utofauti. Mkakati wetu ni kutuma uzoefu wa huduma zitakazowaacha wateja wetu wakiwa na furaha na kuhisimiwa.

- Kuunda utamaduni wa hali ya juu kiutendaji kwa wafanyikazi. Watu daima wataendelea kuwa kiini cha huduma za kibenki. Kwa sababu hiyo, tutaendelea kuwekeza kwa watu wetu kupitia kuajiri, mafunzo na kuendelea kuwanao kazini. Msingi wa matamanio haya ni kuunda na kudumisha utamaduni unaoruhusu wafanyikazi kufanikiwa na kufurahisha wateja. Hivi karibuni tumezindua mwongozo wa utamaduni wetu "Go-Getter Culture" ambao tunakusudia kuainisha uelewa kuhusu maadili ya kampuni na mkakati. Maadili yetu ya kuwa Wazi, Kuaminika, usikivu na kuwajibika itaunda vizuizi vya kujengeka kwatabia zinazotarajiwa

Tunatambua wazi tunachohitajika kutoa. Tunabaki tukitiwa moyo sana na nguvu ya mizania yetu, uthabiti wa wafanyikazi wetu na uhusiano imara tulionayo na wateja wetu.. Tunafurahi juu ya siku zijazo za NCBA!

Hitimisho

Ningependa kutoa shukrani zangu za dhati kwa wafanyikazi wa NCBA Group. Kutokana kwa barua hii, natumahi wewe kama mwanahisa utajivunia haiba na uwezo mkubwa wa watu wetu, na jinsi walivyokabiliana na nyakati hizi za shida kwa upendo na ujasiri. Natumahi unajivunia wao kama mimi.

Mwishoni, asante mwanahisa mwenzabu kwa msaada wako wa kudumu kwa NCBA Group. Kwa msaada wako na wa wenzangu kwenye Bodi ya Wakurugenzi tutashinda changamoto za sasa na tunatarajia siku njema. zijazo

John Gachora

Mkurugenzi Mtendaji

BOARD OF DIRECTORS

James P.M. Ndegwa
Group Chairman Non-Executive

Mr. Ndegwa has extensive experience in governance and business management. He is the Chairman of First Chartered Securities Limited and is a Director of several other companies. He also serves as Chairman of the Capital Markets Authority. Mr. Ndegwa holds an MA (Hons) degree from the University of Oxford, UK, and is an Associate of the Chartered Insurance Institute, UK and the Insurance Institute of Kenya. He joined the Board on 19th November 2003 and was appointed Chairman in 2005.

Desterio A. Oyatsi
Deputy Group Chairman, Independent

Mr. Oyatsi is an advocate of the High Court of Kenya and Partner in Shapley Barret, and a director in several companies including chairman of Base Titanium, Musiara Ltd and Metropolitan Cannon Life Assurance. Mr. Oyatsi holds a LLB (Hons) degree from the University of Nairobi and Diploma in legal practice from the Kenya School of Law. He joined the Group Board on 20th November 2019.

John M. Gachora
Group Managing Director, Executive

Mr. Gachora has several years of experience in executive management positions at various global companies in Corporate and Investment Banking, Structuring and Financial Engineering, Commercial Banking and Financial services. He is a Director of several other companies and previously served as a Managing Director at Bank of America Securities and as Managing Director, Corporate and Investment Banking at Barclays Africa prior to joining the NIC Group. Mr. Gachora holds a Bachelor of Science and a Masters in Engineering degrees in Electrical Engineering and Computer Science from the Massachusetts Institute of Technology, USA and MBA degree from the Wharton School, University of Pennsylvania, USA. He joined the Group's Board on 21st August 2013 and was appointed to the Bank's Board on 1st October 2019.

Hon. Abdirahin H. Abdi
Independent, Non-Executive

Hon. Abdi served as the Speaker of the East African Legislative Assembly (2007 to 2012), having been a member of the Assembly from 2001. He was instrumental in significantly influencing legislative, oversight and representation activities of the assembly charged with fostering regional integration. Hon. Abdi holds a BSc Degree in Business Administration (Finance), has been accorded presidential awards and international appointments in legislative roles for his distinguished service to the nation and region. He is a seasoned businessman with multi-sectoral experience gained from the private and public sectors and holds directorships in various companies. Hon Abdi is currently Chairman of the Insurance Regulatory Authority. He joined the Bank's Board on 1st October 2012 and the Group's Board 20th November 2019.

David Abwoga
Executive

Mr. Abwoga has over 25 years regional experience in Audit, Operations and Finance, having worked for several years in various executive management positions at Citibank N.A., Marshalls (E.A.) Ltd. and Deloitte, the last three of which have been as Director, Finance and Strategy at NIC Group. Mr. Abwoga holds a BA degree in Economics from Moi University and an MBA, Strategic Management from the University of Nairobi. He is also a Certified Public Accountant, CPA (K) and Certified Public Secretary, CPS (K) in Kenya. He joined the Board on 21st March 2018.

John S. Armitage
Non-Executive

Mr. Armitage is a Chartered Accountant with considerable experience in agricultural finance and property development. He is a director of several companies operating in Kenya including Brookside Dairy Ltd, Heritage Holdings Ltd and Green Park Investments Ltd. He joined the Bank's Board on 28th September 1990 and the Group's Board on 20th November 2019.

Isaac O. Awuondo
Non-Executive

Mr. Awuondo has over 32 years' experience in the finance and banking sectors spanning Europe and Eastern Africa and has previously worked with BDO Binder Hamlyn, Nation Media Group and Standard Chartered Bank in various senior executive roles. He is the Chairman of Kenya Airports Authority (KAA), the Council of Riara University, a Member of the Advisory Board of the Kenya Private Sector Alliance (KEPSA) and a Director of Bata Shoe Company Kenya Ltd. He is also Chairman of the Kenya Conservatoire of Music, WWF Kenya, The Rhino Trust and a Trustee of Zawadi Africa Education Fund. He holds a Bachelor of Commerce (Accounting and Finance) degree from the University of Nairobi. He is a member of the Institute of Chartered Accountants in England and Wales (ACA) and member of the Institute of Certified Public Accountants of Kenya (CPA K). He joined the Bank's Board on 19th July 1996 and the Group's Board on 20th November 2019.

Philip R. Lopokoiyit
Independent, Non-Executive

Mr. Lopokoiyit has a wealth of experience in Finance, accounting, risk management, internal controls and corporate governance, having worked for over 20 years in various senior management capacities in multinational companies. Mr. Lopokoiyit holds a B.Com Degree (Hons.), Accounting Option from the University of Nairobi and MBA degree from the Warwick Business School, UK. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Chartered Management Accountants (ACMA). He joined the Board on 8th February 2018.

Andrew S. M. Ndegwa
Non-Executive

Mr. Ndegwa has extensive experience in business management and financial services. He is currently Executive Director of First Chartered Securities Limited, a Non-Executive Director at Unga Group PLC and director of several other companies. He previously served with Citibank and thereafter AMBank until 1995. Mr. Ndegwa holds an MA (Hons) degree in Philosophy, Politics and Economics from Oxford University, UK. He joined the Group's Board on 23rd April 1997 and the Bank's Board on 20th November 2019.

Esther N. Ngaine
Independent, Non-Executive

Mrs. Ngaine is a senior banker with 36 years of experience and over the years has played a role in the development of the Financial Services Sector in Kenya and the East Africa Region. She is currently the Managing Director of Amuiri Investment & Management Ltd, Non-Executive Director of several other companies and previously served as Director and Head of Public Sector at Citibank NA, Nairobi until 2014. Mrs. Ngaine holds a BSc. In International Business Administration, Finance option from United States International University (USIU). She joined the Group's Board on 15th June 2014 and the Bank's Board on 20th November 2019.

Mukeshchandra K. R. Shah
Independent, Non-Executive

Mr. Shah has in- depth professional experience gained over 40 years in strategic planning, mergers and acquisitions and family business management. He is currently a non-executive director of the Kenya Revenue Authority. He is a former partner of PriceWaterhouse and served in various senior executive capacities within the region and in the UK. Mr. Shah is a fellow of the Association of Chartered and Certified Accountants (FCCA), member of the Institute of Certified Public Accountants of Kenya (CPA K) and the Institute of Certified Secretaries of Kenya (ICS K). He joined the Bank's Board on 1st October 2012 and the Group's Board 20th November 2019.

GROUP COMPANY SECRETARY

Waweru Mathenge
Group Company Secretary

Mr. Mathenge holds a Bachelor of Laws (LL.B) Degree and a Masters of Business Administration (MBA) degree specializing in Finance and Strategic Management, both from the University of Nairobi, and a Diploma in law from Kenya School of Law. He is a practicing Advocate of the High Court of Kenya and practicing Certified Public Secretary and is the current Chairman of the Council of the Institute of Certified Secretaries – Kenya. Mr. Mathenge has over 24 years' experience in corporate and commercial law, corporate governance and banking practices, having worked in private practice and large listed corporates in retail and commercial banking sectors. He joined NCBA Group PLC in December 2016 (then NIC Bank Limited) as the Deputy Group Company Secretary and Head of Legal.

BOARD OF DIRECTORS (Continued)

Notes:

- Board members' directorships in other entities external to the Group are reviewed by the Board Governance and Nominations Committee to determine whether the Directors are fully compliant with the regulatory requirements prescribed in the Code and applicable regulations. As at the date of this report, all Directors had complied with the regulatory requirements;
- None of the Directors held a similar position in more than three public listed companies during the course of the year; and
- The Chairman did not hold any other similar position in public listed companies during the course of the year.

Jeremy Ngunze
Executive Director

Retired from service to the Group and consequently resigned from the Board on December 31st 2020.

Livingstone Murage
Group Company Secretary

Retired from service to the Group on December 31st 2020.

John M. Gachora

Group Managing Director, Executive

Mr. Gachora has several years of experience in executive management positions at various global companies in Corporate and Investment Banking, Structuring and Financial Engineering, Commercial Banking and Financial services. He is a Director of several other companies and previously served as a Managing Director at Bank of America Securities and as Managing Director, Corporate and Investment Banking at Barclays Africa prior to joining the NIC Group. Mr. Gachora holds a Bachelor of Science and a Masters in Engineering degrees in Electrical Engineering and Computer Science from the Massachusetts Institute of Technology, USA and MBA degree from the Wharton School, University of Pennsylvania, USA. He joined the Group's Board on 21st August 2013 and was appointed to the Bank's Board on 1st October 2019.

David Abwoga

Executive

Mr. Abwoga has over 25 years regional experience in Audit, Operations and Finance, having worked for several years in various executive management positions at Citibank N.A., Marshalls (E.A.) Ltd. and Deloitte, the last three of which have been as Director, Finance and Strategy at NIC Group. Mr. Abwoga holds a BA degree in Economics from Moi University and an MBA, Strategic Management from the University of Nairobi. He is also a Certified Public Accountant, CPA (K) and Certified Public Secretary, CPS (K) in Kenya. He joined the Board on 21st March 2018.

Waweru Mathenge

Group Director, Governance, Legal & Company Secretary

Mr. Mathenge holds a Bachelor of Laws (LL.B) Degree and a Masters of Business Administration (MBA) degree specializing in Finance and Strategic Management, both from the University of Nairobi, and a Diploma in law from Kenya School of Law. He is a practicing Advocate of the High Court of Kenya and practicing Certified Public Secretary and is the current Chairman of the Council of the Institute of Certified Secretaries – Kenya. Mr. Mathenge has over 24 years' experience in corporate and commercial law, corporate governance and banking practices, having worked in private practice and large listed corporates in retail and commercial banking sectors. He joined NCBA Group PLC in December 2016 (then NIC Bank Limited) as the Deputy Group Company Secretary and Head of Legal.

Rosalind Gichuru

Group Director, Marketing, Communication and Citizenship

Ms. Gichuru holds an MBA from Northeastern University, Boston, USA and a Bachelor of Commerce degree from McMaster University, Hamilton, Ontario, Canada. She is also a Certified Executive Coach by the Academy of Executive Coaching, United Kingdom. Rosalind is a seasoned Marketing and Communications leader with 21 years' experience having started her career in the US where she held various brand roles for the US market (Duracell and Oral-B Braun) working for The Gillette Company. She then worked for The Coca-Cola Company in various roles in Sub-Saharan Africa including South Africa, Mozambique and Eastern Africa. Before joining NIC Group, she was the Strategic Marketing Manager for the Coca-Cola brand for Coca-Cola's Central, East and West Africa Business Unit where she provided strategic marketing leadership and direction for the brand Coca-ColaTM across 39 African Markets. Rosalind transitioned from the FMCG sector to Banking and Financial Services in February 2014 when she joined NIC.

Julius Kamau

Group Director, Technology and Operations

Mr. Kamau holds a Bachelor of Commerce in Marketing degree from University of Nairobi and is a Certified Public Accountant (CPA-K). He has over 20 years' experience in commercial banking operations, including ICT Enterprise oversight, having previously worked in various senior management roles for Standard Chartered Bank, Ecobank Kenya, then NIC Bank Limited and lastly as Director, Shared Services at KCB Group prior to joining NCBA in January 2021 as Group Director, Technology and Operations

Monicah Kihia

Group Director, Human Resources & Culture

Mrs. Kihia is the Group Director, Human Resources and Culture and previously served as the Director, Human Resources at NIC. Mrs. Kihia holds an MBA (Marketing & Strategic Management) from the University of Nairobi, and Bachelor of Education (Mathematics & Economics) from Egerton University. She is also a Certified Executive Coach by the Academy of Executive Coaching - UK. Prior to joining NIC, she was the Deputy Head of HR for E.A. and Head of Learning & Development for Sub-Saharan Africa at Citi Bank, responsible for providing leadership in the human capital and organizational development functions. Prior to this, she held several senior positions in Africa within the Human Resources, Operations and Customer Service functions of Citi Bank, having joined in 1990. She joined NIC in July 2014.

Lennox Mugambi

Group Director, Asset Finance and Business Solutions

Mr. Mugambi holds a Bachelor of Arts in Economics degree from Kenyatta University and an Executive Masters of Business Administration from Strathmore / IESE Business Schools, through Strathmore University. He has over 15 years' experience in Banking, having previously worked at Stanbic Bank Kenya Limited and later Barclays Bank of Kenya Limited as Head of Asset Finance before joining NCBA (then NIC Bank Limited) in October 2015 as Deputy Director, Asset Finance.

James Mugo

Chief Operating Officer, Digital Business

Mr. Mugo is Chief Operating Officer, Digital Business. He previously served as the Group Director, Strategy and Integration Management and previously served as the Group Chief Finance Officer for the CBA Group with responsibility over the group's financial performance as well as strategic development and management. He holds an MBA in Strategic Management from United States International University (USIU), as well as a Bachelor of Commerce (Banking & Finance) from Kenyatta University. He is a member of Institute of Certified Public Accountants of Kenya (ICPAK). Mr. Mugo has over 16 years' experience in Finance, Strategy and Commercial Finance, having held various top management positions while working at East African Breweries Limited for 5 years and at Safaricom Limited. He is an Alumnus of Strathmore Business School & IESE (Instituto de Estudios Superiores de la Empresa) Business School, having taken their one year Executive Management Course, the Advanced Management Program (AMP) and Darden Business School, University of Virginia, USA. Mr. Mugo also holds directorships in Monjo Holdings Ltd, Metrius (K) Ltd, Chalbi Court Management Ltd, Safarimate Ltd, Amerucans Ltd and Beyond Business Basics Ltd.

Eric Muriuki

Group Director, Digital Business

Mr. Muriuki is the Group Director, Digital Business and previously served as the General Manager of New Business Ventures at CBA Group since 2011. Mr. Muriuki has been a key member of the CBA Group team since 2007 when he joined as a Business Development Manager, a position he held up to 2009. He then served as the Head of Enterprise Programmes Management until he moved into his most recent role in 2011. Mr. Muriuki has extensive regional experience in the banking industry dating back to 1999. Prior to joining the CBA Group, Mr. Njagi was the Head of Business Change Management at the Co-operative Bank of Kenya. He also worked as a Business Systems Manager and an Information Technology Officer at Citibank N.A. He holds a BSc in Mathematics and Computer Science from the Jomo Kenyatta University of Agriculture and Technology (JKUAT), a Master of Business Administration from Strathmore Business School. He is also a member of the Institute for the Management of Information Systems (IMIS), a Certified Information Systems Auditor (CISA) and a Cisco Certified Network Associate (CCNA).

Tirus Mwithiga

Group Director, Retail Business

Mr. Tirus Mwithiga has over 29 years' experience in Retail Banking across business management, Wealth and Retail products management, sales management, channel management and service delivery digitization. Tirus has served in an array of leadership roles locally, regionally and internationally, initially with Barclays Bank and lastly with Standard Chartered, where his last appointment was in Singapore where he served as the Global Head of Network Planning and Branch Design. Tirus is a certified banker with professional training from The London Institute of Banking and Finance and holds a Chartered Banker MBA from Bangor Business School, Bangor University in Wales UK.

Pauline Ndote

Group Director, Credit Risk Management

Ms. Ndote is the Group Director, Credit Risk Management and previously served as the Group Head of Credit Risk Management at CBA. She has had the overall responsibility for the Group's Credit Risk Management process which includes lending, credit administration, portfolio management and remedial management. Prior to joining CBA, Ms. Ndote worked with Housing Finance Company of Kenya as the Chief Risk Officer and CFCStanbic Bank as Head of Credit. She holds a Bachelor of Commerce Degree with double majors in Accounting and Business Administration & Management from the Daystar University and is an Associate of the Kenya Institute of Bankers.

John Okulo

Group Director, Corporate Banking

Mr. Okulo is the Group Director, Corporate Banking and previously served as the Chief Commercial Officer at CBA Kenya from 2018 after joining the Group as a General Manager Corporate and Transactional Banking in July 2016. His experience in the regional banking industry is broad, having held various positions in the region's top industry players. Mr. Okulo has previously worked as the Managing Director NC Bank Uganda, MD Designate for NC Bank Uganda while the bank set-up in the country, Head of Corporate and Investment Banking for Stanbic Bank Uganda, Head of Corporate Banking Kenya and Industry Head, Corporate Banking at Barclays Bank Kenya, Head of Trade Products (East Africa) at Citibank N A, Kenya, Trade Products Manager at Citibank N A, and Management Trainee at Standard Chartered Bank. A timeline spanning over 22 years. He holds an MSc in Economics from the University of Gdansk, is a Certified Documentary Credit Specialist IFS, UK and a Credit Professional Omega.

SENIOR MANAGEMENT (Continued)

Gift Shoko
Group Director, Regional Business

Mr. Shoko holds a Bachelor of Business Studies & Computing Science from the University of Zimbabwe and an MBA in Banking from CIMA, Cyprus as well as various certifications in business administration, banking credit, treasury management and trade finance. Mr. Shoko has over 23 years' experience in banking having begun his early career at Nedbank Zimbabwe and Commercial Bank of Zimbabwe before transitioning to the helm of Trust Holdings Limited and Trust Bank Corporation in Zimbabwe, and thereafter NCBA Bank Tanzania Limited prior to taking up his current role in May, 2021.

Michael Wachira
Group Director, Global Markets

Mr. Wachira has served as the Group Head of Treasury at CBA handling the Markets, Asset and Liability Management, as well as the Financial Institutions Businesses. Prior to joining CBA Mr. Wachira worked at Equity Bank, Kenya as Director, Treasury, held various Trading and Sales roles at Fortis Bank Group, Belgium as well as Cargill Financial Markets in London and Turkey. He holds a BSc (Hons) Economics Degree from the University of Buckingham and an MSc Investment Management Degree from City University's Cass Business School, UK.

OUR AIM

To create shared value as a business discipline to drive societal change.

OUR STRATEGY

The citizenship strategy, which is aligned to our corporate culture and anchored on the overall company strategy, generally focuses on what we do to support community growth, how we plan to do this and what resources are needed.

OUR GOAL

To create shared value by implementing corporate social strategies, innovation leadership strategy, differentiation strategy and strategic interactions.

Under our 3 strategic pillars People, Planet and Profit, we have supported a number of initiatives which are categorized in 4 thematic areas as below:

- **Youth Education and Enterprise**
- **Financial Innovation**
- **Environment and Natural Resources**
- **Preventative Health and Wellness**

youth education & enterprise

Supporting education especially of bright students from disadvantaged backgrounds is in line with the national agenda [Sustainable Development Goal (SDG) 4] that singles out education and training as a vehicle that will drive Kenya into a middle-income economy. NCBA annually supports 80 students by providing mentorship and financial donations through our partners: Edumed Trust, Dr. Choksey Albinism Foundation, Mpesa Foundation and Palmhouse Foundation.

We are looking to shape a sustainable future for the communities we operate in. It is for this reason that we collaborated with Kenya Community Development Foundation (KCDF) in the MENTENDA programme to adopt and mentor 400 young men from Upper Hill School. In 2020, the program ran virtually where mentors and students interacted through virtual zoom sessions with mentors encouraging the students to be responsible and confident young men while inculcating in them a strong give back ethos to their school and community. This is an exciting initiative for us, to be a part of inspiring the society to move from doing nothing about the boy child to taking action and addressing some of the challenges facing the boy child in Kenya.

Official cheque handover to Dr. Choksey Albinism Foundation by Group Chairman James Ndegwa and Group Director MCC Rosalind Gichuru

Mentenda Launch at Upperhill Boys School

financial innovation

In the last five years, we have partnered with Junior Achievement (JA) Kenya to run a financial innovation boot camp for high school and university students dubbed "Social Innovation Relay". Social Innovation Relay (SIR) is a global initiative that brings together experienced business mentors and students to advance real world social problem solving in their local communities and beyond. Currently running in ten countries: Bulgaria, Czech Republic, Greece, Hungary, Japan, Netherlands, Poland, Romania, Singapore, and Spain. This program themed "Game Changers" aims to encourage youth who are members of the Junior Achievement Club to develop transformational innovative solutions that will help solve everyday problems and have create positive change. Students teams (Students companies) submit and pitch business ideas to judges that have (or have the potential to) significantly change existing product and service offerings/markets/companies and bring higher customer satisfaction in terms of efficiency, affordability, convenience etc.

We successfully piloted virtual delivery of Social Innovation Relay and Job Shadow(mentorship) across five schools nationally which culminated in a National Entrepreneurship Competition on 17th December 2020. Owen Sakawa the founder of Repairrnet Inc. (a mobility platform of the future disrupting the car repair experience to make it transparent, convenient and customer centric) emerged as the national winner and proceeded into an accelerator program.

Junior Achievement Kenya Executive Director, John Wali and Sacred Heart Mukumu Girls principal Mrs. Fridah Ndolo during the award ceremony for High School Innovation Challenge in February 2020.

Founder and CEO, RepairNet Inc (Winner Entrepreneurship World Cup (EWC) 2020 Kenya and EWC 2020 Global Finalist)

Thereafter he represented Kenya at the global virtual competition that was held between 18th – 20th October 2020 which later led to him participating at the Entrepreneurship World Cup (EWC) 2020 global competition.

Testimonial "I would like to thank the JA Kenya team and partners for hosting the EWC 2020 Kenya finals. We were very excited and happy to have emerged as the winner, it was an intense competition with many great companies. The feedback and guidance that we all received from the judges was invaluable. It was equally exciting to be part of the accelerator program as we prepared for global competition as this presented an additional learning opportunity. The Global Competition provided me with a lot of exposure, and we were linked with potential investors who are willing to invest in our business. Such programs are the best way to expand the entrepreneurship space in our country and I would also personally be available to pass on this knowledge to any young person as a means of encouraging them to become entrepreneurial." Owen Sakawa - Founder and CEO, RepairNet Inc (Winner EWC 2020 Kenya Final and EWC 2020 Global Finalist).

We are cognizant of SDG number 3 (Ensure healthy lives and promote well-being for all at all ages) as we believe prevention is better than cure. Currently, the world is facing an unprecedented global health crisis, COVID-19, that is spreading human suffering, destabilizing the global economy, and upsetting the lives of billions of people around the globe. In April 2020 we committed KES 100 million to help the fight against the COVID-19 pandemic. The funds were donated towards the government's COVID-19 Emergency Response Fund, which was set up by H.E. President Uhuru Kenyatta to mobilize resources to support the fight against this pandemic. The contribution made by NCBA provided humanitarian support for the vulnerable members of the Kenyan society and helped accelerate access to PPEs for our health workers.

The SDG 3 targets to reduce the global maternal mortality ratio to less than 70 per 100,000 live births by 2030. Our partnership with Beyond Zero Half Marathon saw our staff participate in the marathon on 8th March 2020),

Staff participation at Beyond Zero Half Marathon

Staff participation at Beyond Zero Half Marathon

environment & natural resources

John Gachora, GMD, Julius Kamau, Chief Conservator of Forests and Peter Kinyua, Chairman KFS sowing seeds at Karura Tree Nursery Launch

Our country continues to lose about 12,000 hectares of forest land each year due to demand for fuelwood, charcoal, wood products, population pressure for settlements, infrastructure development, and conversion of forests to farmlands. To avert a crisis, the Government has adopted a coordinated approach to manage, conserve, and expand forests sustainably to attain a minimum 10% forest cover nationally by 2022. To achieve this target, the country requires 1.8 billion seedlings in the next two years.

Through our Change the Story campaign, we kicked off development of Indigenous Tree Seedling Nursery project in Karura Forest, in partnership with Kenya Forest Service. This started in July 2020 and our target is to eventually grow 1 million seedlings and currently percentage of work done is estimated to be 90%. The seedlings are projected to be ready by the end of 2022. All individuals, groups and organisations can buy the seedlings at a subsidized cost. The tree nursery launch took place on 3rd November 2020 at Karura Forest. This successful launch was graced by our GMD John Gachora, Peter Kinyua - Chairman Kenya Forest Service, Julius Kamau - Chief Conservator of Forests, representatives from the Ministry of Environment, KFS officials, staff members, media and partners. We shall continue to engage a broader number of partners, both from private and public sectors to support this project through various ways possible. We are pleased to see that our reforestation efforts so far have had a positive impact and we would like to call on your support as we seek to strengthen our efforts.

Profit

We have a central role to play in supporting individuals, businesses, and the economy. Our contribution is aimed at protecting and safeguarding people's lives in our community.

As a bank we have initiated various programs to support the youth. We realize that there is an abundance of talent across the counties and it's the reason we are spreading our sponsorships to cover specific tourneys. We supported the NCBA Cup Cricket Tournament dubbed, the NCBA Cricket Cup T20 Challenge which kicked off on Sunday 26th Jan 2020. This tournament enhances brand equity and increase visibility for the bank. Due to COVID - 19 government restrictions, the tournament was put on hold.

As part of our support of sports sponsorships, we held golf tournaments as customer appreciation events for brand leverage purposes to create awareness to potential customers. The tournaments include the NCBA Vetlab Golf Day at Vetlab Sports Club held on 8th February 2020 and the NCBA Muthaiga Golf Day at Muthaiga Golf Club held on 29th February 2020. We had every intention to hold similar events within the country, but due to the COVID-19 government restrictions, the golf calendar was suspended until later on in the year. We held the Karen Club nite and Karen Stableford Tournament at Karen Country Club on 26th and 28th November 2020 respectively.

NCBA T20 Cricket Cup launch at Coast Gymkhana

Overall Winner of the NCBA Vetlab Golf Day, Peter. N .Njuguna receives his overall prize from Michael O. Owino, Cluster Head, Business Banking

WE ARE THE BANK THAT SAYS GO FOR IT AND WE CONTINUE TO MAKE INVESTMENTS IN OUR STAFF, THE PIVOTAL RESOURCE THAT WILL DELIVER THAT PROMISE.

WE ARE DRIVING A CULTURE THAT ENABLES OUR STAFF TO DO GREATNESS EVERY DAY BY DELIBERATE INVESTMENTS AND POLICIES THAT ENHANCE:

NCBA Group PLC is underpinning all these initiatives by creating a great work experience and culture in an environment that is transparent, friendly and fosters inclusion and diversity. We believe that engaged and empowered employees will help us build and maintain strong and mutually beneficial relationships with our customers.

NCBA Group PLC is creating a brand that will not only attract great talent but also motivate and retain the great talent it already has.

Alignment for Oneness

Across the Group, we worked to ensure that human resource policies, procedures, employee benefits and contracts were harmonized in all four operating countries – Kenya, Tanzania, Uganda and Rwanda while adhering to local regulations.

We also assisted all operations and units to develop suitable organization designs at departmental, country and group levels for aligned delivery to our customers.

""An investment in knowledge pays the best interest."

- Benjamin Franklin

At the staff level, job descriptions with fully aligned Key Performance Indicators (KPIs) and performance management processes were disseminated.

Building Capacity for growth – Learning and Talent Development

Our Learning and Talent Development agenda enabled us to invest in People for Capacity, Expertise and Service.

1. We launched the NCBA Academy which is a robust e-learning platform that enables staff to have access to over 40,000 learning assets in the form of books, courses, videos, live events and boot camps. The learning platform is accessible through mobile devices and is accessible anytime, anywhere.
2. We had a four-fold increase in the uptake of E-learning as (compared to 2019) from 16,179 e-learning hours to 80,856 e- learning hours. Notably, staff have embraced virtual learning and e-learning as an alternative to the traditional classroom type of learning which is a key milestone in how we deliver our learning given the challenges occasioned by COVID-19.
3. We had a 35% increase in self-initiated learning from an average of 245 courses to an average of 378 courses mainly through self-enrollment of courses under the NCBA Academy and through self-registration by staff to various webinars in professional forums.

Key programs conducted;

1. Leadership training to equip our leaders to successfully lead teams during change and uncertainty in the COVID-19 crisis.
2. Customer Experience the NCBA Way training for all staff across the Group reiterating the NCBA Values and Customer Service Standards.
3. T24 Functional transformational training to equip staff adequately ahead of the upgrading of our core banking system.
4. Culture and Change Training for the 'Go Igniters' champions drawn from all teams across the bank and in the Group to embed and drive the NCBA Culture. The culture roll out is continuing into 2021.

NCBA Regional Excom during the Culture launch

Go Igniters during the Culture Training

Wellness for productivity

At NCBA Group PLC, we believe that investments in wellness programs give employees incentives, tools, social support, and strategies to adopt to maintain healthy behaviors. Additionally, we believe that wellness enables individuals to make better choices about their own health, take control of it for their own benefit and ultimately give their best to the organization. Wellness therefore is in fact a fundamental foundation for business growth and sustainability

In 2020, we organized annual wellness clinics which focused on:

a. Mental, Emotional, Financial & Physical Fitness.
b. Nutritional and other Health Talks
c. Cancer awareness checks
d. Smoking and illegal substance abuse
e. HIV/AIDS awareness.

At NCBA, we have an Employee Assistance Program (EAP) that provides psychosocial support to all NCBA staff and their dependents. The program is delivered through an EAP Centre that is manned by qualified counselling personnel that delivers the service through a five-fold approach including Tele-counselling, face to face sessions, Outreach Sessions, Group counselling and bonding sessions and specialist referrals.

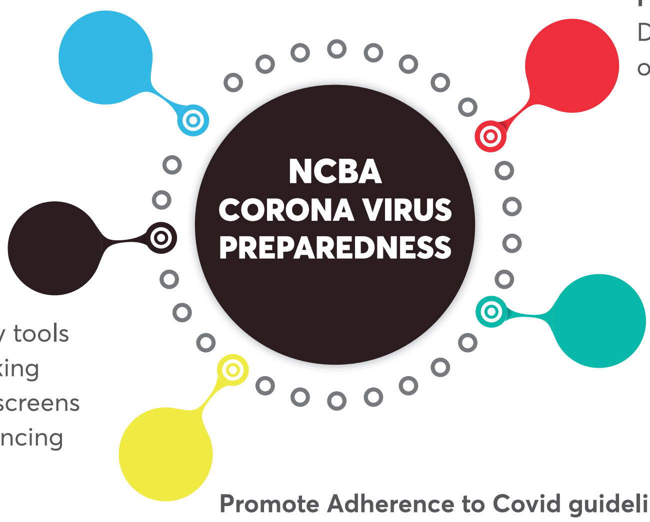
We enroll all staff on medical wellness programs to support their continued health and wellness for a productive workforce.

HR in Numbers

Staff Gender DiversityRatio	Employee Awarded Go Star Awards	Total Staff as at December 2020	New Hires
51% Male 49% Female	176	2,392	27

Staff Turnover	Staff Promoted	Staff Rotated
6%	103	240

A KEY FOCUS FOR NCBA MANAGEMENT WAS TO KEEP STAFF SAFE THROUGH THE PANDEMIC AND ADHERING TO MINISTRY OF HEALTH GUIDELINES AND COVID 19 PROTOCOLS. WE PROVIDED ALL STAFF WITH A SAFE WORK ENVIRONMENT AND APPOINTED A COVID MANAGEMENT COMMITTEE LED BY SENIOR LEADERSHIP TO ENSURE THE FOLLOWING HEALTH AND SAFETY MEASURES:



Installation of Sanitizers
Adequate supply of Sanitization points in all premises especially the common touch points

Preventative Hygiene
Deep cleaning and fumigation of premises on a regular basis

Infrastructure Provision
- Installation of signage
- Provision of the necessary tools e.g. laptops for agile working
- Installation of protective screens to enhance physical distancing

Enabling testing
Enable testing for all affected staff

Promote Adherence to Covid guidelines
- Monitoring of temperature in all access points
- Social/physical distancing
- Provision of masks for staff

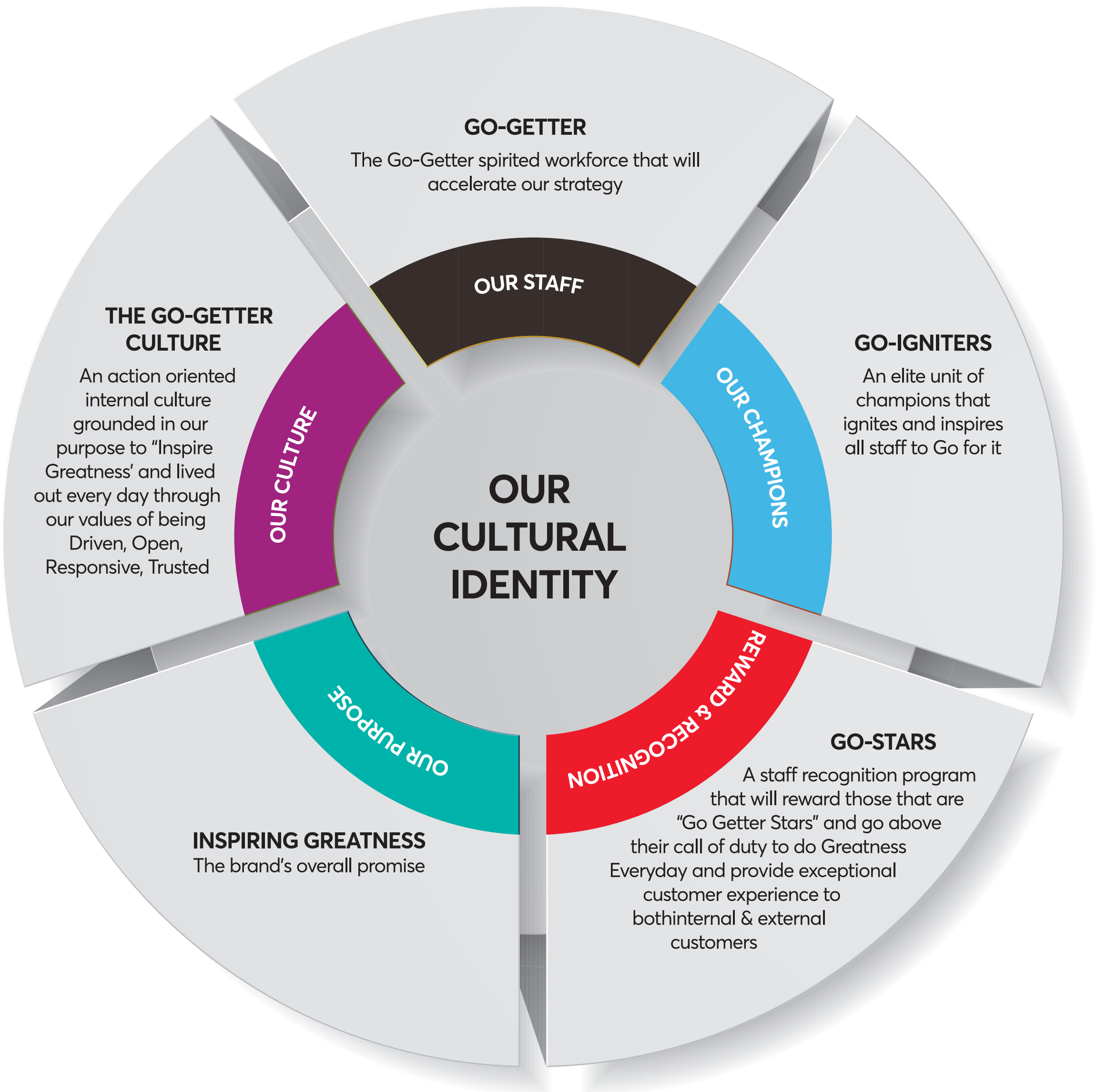
NCBA Go Getter Culture:

At NCBA we believe that Culture is the character and personality of your organization, it is the heartbeat of our values that enable us to achieve our desired objectives and strategy.

In our first year as a merged entity we managed to delve deeper into the design of our desired culture blueprint. We co created the NCBA Go Getter Culture which clearly identified our values i.e. Driven, Open, Responsive and Trusted (DORT)

We are confident that by living this co-created culture, NCBA will actualize its purpose and strategic intents. The culture journey continues into 2021.

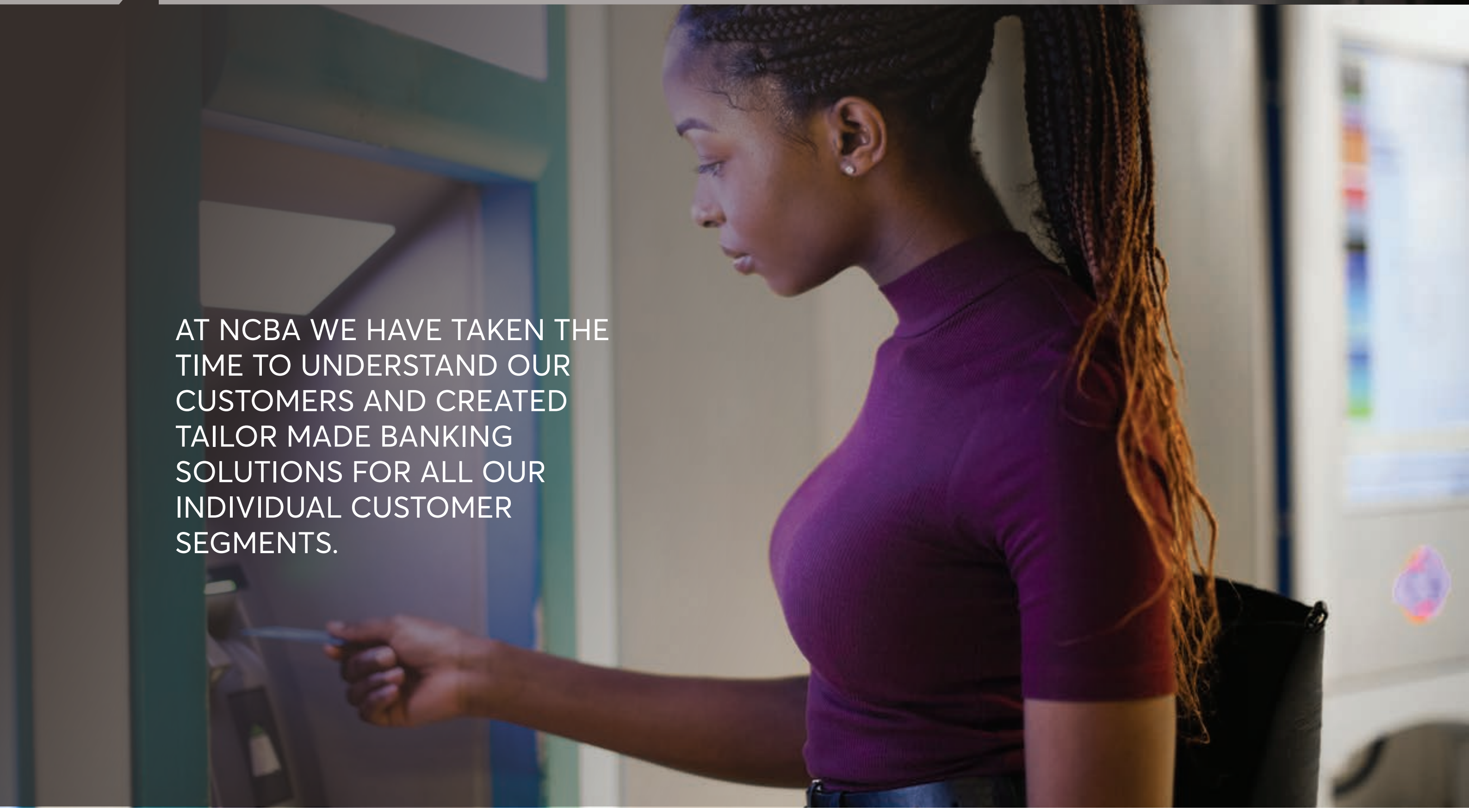
OUR DNA



OUR BUSINESS

KENYA BUSINESS OVERVIEW

REGIONAL BUSINESS OVERVIEW



AT NCBA WE HAVE TAKEN THE TIME TO UNDERSTAND OUR CUSTOMERS AND CREATED TAILOR MADE BANKING SOLUTIONS FOR ALL OUR INDIVIDUAL CUSTOMER SEGMENTS.

ACCESS OUR EXTENSIVE PORTFOLIO

- Accounts
- Asset Finance
- Loans
- Insurance
- Investments
- Deposits

RETAIL BANKING BUSINESS

The Retail Banking is the business division in NCBA Bank that looks after our Individual clients under Consumer Banking and our small and medium enterprise clients under Business Banking as well as operates the Branch Network channel.

The year 2020 came with a new set of challenges due to the covid-19 pandemic whose impact has been unique and remarkable. Throughout this period, the Retail Bank remained focused on being there for our customers every step of the way by keeping all of our branches open and supporting clients straining under the impact of the economic effects of the pandemic.

We supported over 6,000 Retail customers with facilities in excess of Kes. 16bn by providing relief on loans and offering restructures through:

- Extension of loan repayment periods by up to 12 months (reduction of instalments)
- Repayment Holiday for 3 months (Moratorium on Principle and/or Interest)
- Loan consolidation - for people with more than one loan facility, they could seek to consolidate this and even request for a longer loan repayment period as it reduces the cash outflow from them.

OUR BUSINESS (Continued)

- NCBA has also held webinars in 2020 with topics ranging from: Navigating Covid-19: Personal Finance Management in the Time of Corona; Unpacking the Journey to Property Ownership, Workplace Banking and the future of work and Property Finance
- In spite of a challenging year, the business grew its gross loans by 4.2% year-on-year, closing
- the year at KES. 72.39Bn. Customer deposits also grew by 14.9% year-on-year to close the year at KES. 119Bn.

CONSUMER BANKING

The Consumer Banking unit within Retail Banking has taken time to understand our customers and created tailor-made banking solutions for all our individual customer segments. We help our esteemed customers attain their personal financial growth goals and enjoy the lifestyle they desire, delivered through the support of over 100 dedicated Relationship Managers in Consumer Banking.

These solutions range from our car financing which is approved within 24 hours to our 105% financing of home loans coupled with various deposit, transaction and investment options. These solutions can be accessed through full range of products that are designed to suit our customer's needs.

The NCBA Online and Mobile Banking platforms enable our customers to bank whenever, wherever and however bringing convenience to their experience.

We also offer a Workplace Banking proposition that is designed to expand the reach of NCBA bank's distribution network by creating proactive sales strategy that efficiently acquires new customers and cross sell to existing customers in their workplace.

BUSINESS BANKING

Our Business Banking division offers a full range of banking services to support medium, small and micro business enterprises throughout their business lifecycle. We offer finance to support growth through working capital loans, asset and trade finance and overdraft facilities. Our branches and online banking platforms offer transactions services with the main focus being efficiency and excellence in service provision.

Our Business Banking Relationship Managers are well equipped and readily available to provide expert advice and guidance makes banking with NCBA a pleasure.

Thought leadership for SMEs is a critical enabler in NCBA and is part of our customer engagements and our Business Banking customer value proposition.

We held our 9th Annual SME Conference in partnership with Strathmore Business School where we had over 1,900 attendees logging into the Conference. We will continue to develop and strengthen a range of sectoral bodies, partners and consultants across the region that will support our clients to be better businesses.

We signed the Credit Guarantee Scheme with the Government of Kenya, which provides the following benefits:

a) Improve and stimulate the national economy by encouraging additional lending to MSMEs, increasing investment opportunities for MSMEs as well as strengthening skills and capacities of proprietors of MSMEs;

b) Facilitate the financing of MSMEs, increasing investment opportunities for MSMEs by partially guaranteeing credit advanced to the enterprises.

c) Create a conducive business environment and promote partnerships between the government and financial intermediaries with respect to credit guarantees for MSMEs and other related activities.

BRANCH NETWORK

Branch banking remains an integral part of our growth strategy.

We operate a branch network with 89 branches in the four markets we operate in (Kenya; 71 branches, Uganda 4, Tanzania 12 and Rwanda 3) we closed 13 branches (12 in Kenya and 1 in Uganda) In 2020 as a result of the reorganization of our network addressing some areas that had co-located branches following the merger that created NCBA.

The branch network remains a key part of the NCBA growth strategy; to which end we opened the first branch e new NCBA branch design at Sarit Centre. We plan to deploy this improved look and customer journey to the rest of the network over the coming years and also expand the network to cover more cities and towns across the region.

The quality of service delivered through the branch channel is also receiving a significant level of investment enhanced productivity, led by automation and digitization of service operations.

We continuously seek to create ambassadors out of every customer we serve.

CORPORATE BANKING

The Global outbreak of the Covid-19 pandemic induced fear and uncertainty in markets and across industries around the world and in our very own country, Kenya. We saw local and international Governments scale up measures to contain the spread with unprecedented border and travel restrictions, aggravating the economic fallout from supply chain disruptions. Most severely impacted were the supply chains of China and India that comprise 70% of the Bank's trade business. The negative impact on supply chains, demand and the restriction on movements and social gatherings had a heavy toll on key sectors of the economy in particular education, hospitality and transport sectors.

In order to support our clients and mitigate the adverse impact of the pandemic on their operations, 1,115 corporate loan accounts of a total value of KES 58.5Bn were restructured as at the end of December 2020. The purpose of the restructures was to provide these customers with cash flow relief whilst they adjusted to the new uncertain environment. At the same time, the bank increased funding to its customers in the technology and healthcare sectors who noted enhanced demand for their services due to the pandemic.

The bank increased access and encouraged the use of technology for both payments and collections in support of the preventative health care measures. We noted a significant increase in the use of online channels for payments and collections as well as the use of cash deposit machines as a safer and more convenient channel for depositing cash. To support our trade finance clients, the bank invoked its business continuity plans and measures in collaboration with the transacting parties to ensure that goods could be cleared at the ports of entry despite delays in receipt of shipping documents due to disruptions in banking and courier operations at the source countries. Additionally, customers were encouraged to use online channels for transmission of instructions and documents.

In spite of these challenges, in 2020, the Corporate Banking team grew its gross loans by 5.9% year-on-year, closing the year at KES. 169.2Bn. Customer deposits also grew by 8.8% year-on-year to close the year at KES. 214.7Bn. The off-balance sheet liabilities that indicate the level of trade business remained stable at KES. 53.38Bn.

In 2020, the Corporate Banking team collaborated with the NCBA Global Markets team and organized two Economic Forums to offer thought leadership and guidance to our clients. The topic for the first forum held on 6th February was "Kenya's Macroeconomic Outlook for the year 2020". The second forum was held virtually on 25th March as a webinar after the global spread of the COVID 19 virus was declared a pandemic by the World Health Organization. The webinar addressed the unfolding financial challenges in light of the pandemic.

The third NCBA economic forum was held on 5th November to discuss "The Macroeconomic reset amids the COVID-19 Pandemic and the Uncertain road to recovery."

ASSET FINANCE

The Asset Finance department is tasked with sourcing and originating asset finance and insurance premium finance business. The business is sourced directly from clients and indirectly through business partners who include, motor dealers, equipment suppliers, underwriters, insurance brokers/agents and various bancassurance entities. Asset finance enables customers acquire moveable assets like motor vehicles, plant and machinery, IT equipment among others while insurance premium finance enables customers purchase insurance. They cushion customers against the burden of making lump-sum payments towards assets or insurance acquisition.

Despite the challenges presented by COVID 19 in 2020, NCBA asset finance business continued to dominate the market as the undoubted market leader in value, service and product delivery. The bank maintained a market share of 33% and was first in the market to fully roll out an online application portal.

Year	Market Share	Loan Book	Customer Count
2020	33%	36.5Bn	Over 25k

The NCBA online application portal enables asset finance customers to originate their applications at the comfort of their offices or homes any time. Once they fill up the asset finance loan application form on the NCBA website and attach the required documentation, the application goes into our workflow system for review and analysis. This has enabled us to post the best turnaround time in the market that is seven times better than the next competitor. The business also continued to establish bespoke dealer partnerships and joint schemes that allowed customers to access asset finance despite operating in a challenging and dynamic environment.

The key successes in 2020 include;

- Integration of the online application system with the banks workflow system created additional efficiencies and convenience for customers and dealer partners which further reduced the application turnaround time. The turnaround time for retail customer applications reduced from 1.5 days to an average of 9 hours. Besides providing a simplified mode of access to our product offering to new and existing customers, the online application has also helped in streamlining application origination process for our business partners as they are now able to assist customers originate applications while on the go thereby resulting in increased productivity, as they no longer need to come to the bank to submit physical applications.
- 98% of asset finance applications received during the year were lodged through the online portal. This was also timely as it lowered paper and physical file movement reducing the risk of COVID 19 infections at a time when the government was advocating for social distancing. This gave us a competitive edge against competition.
- Real time SMS alerts notifying customers and dealers on the progress of lodged applications was activated. This improved our customer service delivery as it lowered persistent calls and enquiries to the bank while keeping them informed of the status and progress of their applications during each processing stage. As a result, there was increased productivity as the business development team was able to focus on business development initiatives reducing their time on call responding to enquiries.
- Asset finance department offered its customer's loan restructures to cushion them against the effects of the pandemic. This gave them reprieve on their cash flow as it allowed clients to organize and prioritize their business expenditures and as a result, created more loyal customers.
- Automation of offer letters was also realized during the year. This means that upon approval of a facility, the offer letters are automatically generated and emailed to the clients. This made the process simple, quicker and safer for both the clients and the bank staff especially in the wake of COVID 19.

NCBA INSURANCE AGENCY

NCBA Insurance Agency is a wholly owned subsidiary of NCBA Group PLC. we offer customers access to a one-stop shop for all their insurance needs. the company is licensed and regulated by the insurance regulatory authority (ira) to provide insurance and risk management solutions to the group's customers and the public through partnership with reputable insurers in the market.

The agency was licensed in 2009 and operates in a highly competitive industry, with over 10,000 insurance intermediaries in the kenyan market, comprising of bancassurance intermediaries (banks), insurance brokers and insurance agents.

A team of skilled and experienced insurance professionals support the operations of the business in sales, marketing, underwriting, claims and finance by bringing to the table professionalism and excellence in delivery. Our "one-stop shop" proposition offers the customers convenient access to a wide range of general and life insurance products, availed through the NCBA Group network of branches and digital channels. We provide customers, both individuals and businesses, with tailor-made insurance solutions to meet their diverse needs.

Financial performance

Quick facts about NCBA IA:

- Customer base 18,922 customers.
- Value of assets covered KES 200B.
- Gross premiums KES 2B.
- Customer segments – Retail (Personal and SME/BB) and Corporate.
- Service and distribution outlets – branches, NCBA House and Online.

The COVID-19 pandemic posed a challenge for the business since some of our customers were adversely affected. This affected some processes such as new business acquisition, renewals and premium collection. In spite of this difficult economic situation, the Agency recorded a 4% growth in revenue to KES 356.7M, and a commendable 17% growth in profit before tax (PBT) of KES. 251 million. Our net profit was KES. 184M, which resulted in a strong net profit margin of 52%.

Key success factors that boosted this good performance include the business diversification efforts through upselling insurance to existing customers of the business. In addition, the launch of new products in response to market demands such as Income Protector insurance, Critical Illness insurance, and a global health insurance product, in conjunction with Cigna. Our customer retention rate remained above industry,

even though it dropped from 85% in 2019 to 80%. This is attributed to financial challenges that customers faced in addition to the change in business operating models across the country that saw many car-owners work from home, thus many did not renew their policies.

The Company continues to pursue excellence in service delivery and to this end, we implemented customer-centric process changes, including the launch of an online insurance portal. This portal enables customers to access quotes, buy insurance and make claims quickly through a simple 5-minute process. The digital channel accords the agency an alternative distribution channel, in addition to the vast branch network.

Outlook/macro-environment

Kenya's economic growth decelerated in 2020 mainly due to the global COVID-19 pandemic. As a result, banks adopted a cautious approach to lending, focusing more on supporting customers to weather the storm by restructuring their facilities.

For year 2021, we foresee certain risks, uncertainties and opportunities for our business, some of which are outlined below:-

a) Regulation – The introduction of new regulations for Bancassurance business that require higher capital adequacy amongst others drive the Company to continue investing in its growth. This includes investments in people, growth in distribution channels and technology.

b) Economic recession – Economists have forecasted a strong rebound for 2021, with the Kenya GDP forecasted to grow at between 5.8% - 6.9%. Consumption within the private sector is set to spur the economy, and this poses an opportunity for NCBA Group to drive uptake of its financial services across the private sector.

c) Banking sector – lending policies impacted by the pandemic drive efforts towards management of the loan book as opposed to new facilities. Nevertheless, the Bancassurance business continues to build strong cross-departmental synergies in-order to win-over the millions of customers within the Group.

d) Technology – in order to meet the ever-changing needs of our customers, we are simplifying our processes and developing channels for quick access to sales and service.

e) Low penetration of insurance – the industry stakeholders continue to work together to drive penetration of insurance in Kenya. Bancassurance players are contributing in a big way through partnerships and collaboration the regulator, the Insurance Regulatory Authority and insurers.

f) Industry competitive environment – being highly saturated, the insurance sector is extremely competitive. This however poses an opportunity for us to develop a sustainable competitive advantage in order to consistently deliver value for our customers.

Our growth focus areas remain scaling up of the business and increasing penetration within all segments of the bank. We continually leverage on the group's core strengths to grow our Bancassurance business by building strategic partnerships, expanding our distribution channels, deepen the embedding and bundling of insurance into the bank's offering as well as reinforcing our industry leadership in customer retention.

NCBA LEASING LLP

NCBA Leasing LLP is a wholly owned subsidiary of NCBA Group PLC. The business offers various forms of operating leases which include dry leases and wet leases (with full maintenance). The leases are done directly or on a back-to-back arrangement with original equipment manufacturers.

The business was established in 2015 and operates in an industry that has about 15 independent leasing companies and three bank subsidiary leasing companies. It is supported by a team of experienced leasing experts who have the knowledge to structure leases skilfully to achieve customer-centric asset acquisition solutions. The business has invested in technical experts serving as Asset Managers for various asset classes. This has transformed the leasing experience into a full solution that allow customers enjoy the use of assets as opposed ownership as they focus their resources and time on their core business. NCBA Leasing scale and expertise reduces customer asset-related operational expenses, leading to increased efficiencies.

Financial performance

- A leased asset book of Kes 2.3Bn.
- Annual gross rentals of Kes 1.1Bn.
- The business has over 2000 different types of assets under management ranging from vehicles, medical equipment, IT equipment, commercial kitchens, merchandising beverage coolers, executive office furniture and fittings among others.

The COVID-19 pandemic posed a challenge to the business as there was a slow-down in new business acquisition and increase in restructure requests by existing customers. Despite this, the business recorded a 15% growth in rental revenue to KES 134M and a profit before tax (PBT) of KES 90M up from Kes 45M in 2019. The key success factors that contributed to this outstanding performance include aggressive disposal of out-of-lease assets and cost-cutting initiatives. The business continues to pursue excellence in service delivery, including the implementation of a new customer interactive leasing system.

Outlook/macro-environment

Kenya's economic growth decelerated in 2020, mainly due to the global COVID-19 pandemic. As a result, the leasing business focused more on supporting customers to weather the storm by restructuring their leases. In 2021, we foresee opportunities for our business as customers will look to conserve cash that would otherwise go to CAPEX for operational requirements, creating opportunities for growth in operating leases.

Our growth focus is through increasing penetration within corporate and commercial banking customers and strategic partnerships with original equipment manufacturers.

NCBA INVESTMENT BANK

NCBA Investment Bank Limited is the investment banking subsidiary of the NCBA Group PLC. The Company is licensed and regulated by the Capital Markets Authority. The Company is also licensed by the Retirements Benefits Authority to offer pension fund management services.

NCBA Investment Bank's mandate comprises three offerings; Advisory, Brokerage and Wealth Management Services.

Advisory:

Our advisory unit provides specialist value-add corporate finance advisory, capital raising services and project finance solutions. Corporate finance advisory services include due diligence reviews, business restructuring, mergers and acquisition and stand-alone company or business valuations. Capital raising services cut across debt and equity capital raises (both public and private), and structured products. Project finance entails structuring financing for large capital-intensive infrastructure projects and limited recourse transactions.

Brokerage:

The Company is licensed as a trading member of the Nairobi Securities Exchange, which enables us to offer investors a convenient way to invest in marketable securities, including equities, fixed income securities and derivatives. In addition, the Company facilitates approvals for new issuers of securities on the Nairobi Securities Exchange. These services are underpinned by a robust research team that channels out actionable research reports to aid investors in decision making, i.e. whether to buy, hold or sell their investments;

Wealth Management:

NCBA Investment Bank has developed fit-for-purpose investment solutions to meet our clients short to long term investment needs, that reflect their financial status, risk preferences, liquidity needs and investment horizon.

Our Private Wealth Management service offering christened "NCBA Wealth" this is a premier solution that offers bespoke and professionally managed access portfolios of private and public, on-shore and off-shore investment instruments and unique investment opportunities. Our solutions also include Collective Investment Schemes, comprising the Kenya Shilling denominated NCBA Money Market Fund, the NCBA Dollar Investment Fund and the NCBA Equity Fund).

As a licensed pension fund manager, we offer segregated portfolio management services as well as an Individual Pension Fund ("the NCBA IPP) to facilitate pension planning for individuals. We manage the funds to ensure an optimal return on the invested funds over the long term while managing the resulting investment risks in compliance with guidelines issued by the Retirement Benefits Authority.

We also offer execution only services which provides our clients a platform to retain the decision making control over their investments in the short term and long term investments, whilst outsourcing the administrative processes to the investment bank.

KES **435m**
REVENUE GROWTH

KES**202m**
PROFIT BEFORE TAX

Our 2020 performance

Despite the negative impact of the Covid-19 pandemic that adversely affected the global and local economy, NCBA Investment Bank recorded strong growth in revenues and profitability, underscoring the confidence our clients have in us as financial partners. The Company recorded revenues of KES [435 million] and profit before tax of [KES 202 million] in 2020, underpinned by a strong growth in Assets under Management and a boisterous advisory deal pipeline.

DIGITAL BUSINESS

Who we are

The Digital Business Division of the Group incorporates the mobile savings loan business and Loop. In order to take advantage of our innovation, we recently formed Banqtech as a fintech unit of the Group.

Future Digital Business will be undertaken under the Bnqtech business unit.

The unit was purposely set up to diversify the NCBA Group target market with a proposition that targets consumer mass market and micro and small enterprise (MSE). The unit offers mobile focused banking services to market segments that were previously excluded, addressing their cash flow management, savings/investment and credit needs.

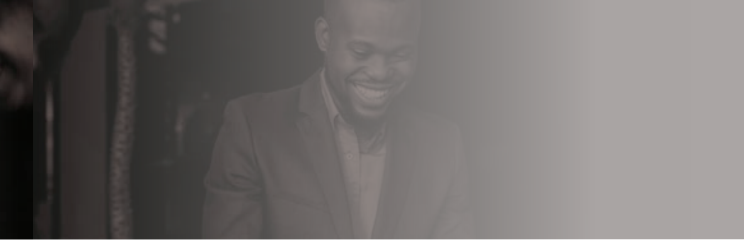
BanqTech services are primarily presented via electronic channels, unifying the mobile, card and internet channels. Our flagship product M-Shwari, offered through a collaboration with Safaricom has enrolled over 35 million customers since launch over 9 years ago.

Our Markets

BanqTech has been mandated to operate in all countries that NCBA is licensed to offer banking services and also offer digital financial services through partnerships in markets where NCBA may not have a banking presence.

Our Products

Product	Partner	2020 Enhancements	Customer Number	Loans Disbursed (Inception to Date – Count)	Loans Disbursed (Inception to Date – Value)
M-Shwari	Safaricom		38.4Mn	166Mn	$5Bn
Loop	A fully integrated digital banking service delivered through mobile, web and card		212K		
Fuliza	Safaricom		23Mn	969Mn	$4.7Bn
M-PAWA	Vodacom		10.9Mn	12.9Mn	$98.7Mn
MoKash Uganda	MTN		8.5Mn	14.4Mn	$223Mn
MoKash Rwanda	MTN	Launched Agent Finance with MTN in August 2020	2.2Mn	2.7Mn	$32.7Mn
MoMokash Ivory Coast	MTN	Launched Agent Finance with MTN in May 2020	4.9Mn	1.1Mn	$14.7Mn



Financial Performance against KPI's, 2021 Projections against KPI's, Risks

BanqTech was not spared from the effects of COVID -19 on the economy and society and this affected the performance in 2020. In response to the business climate and regulatory directives, BanqTech implemented the below measures to provide relief to borrowing customers and preserve shareholders value;

- Review of ECL (Expected Credit Loss) Accounting that changed the definition of default and CRB listing from day 90 to day 180.
- Delisting from CRB borrowers that had defaulted below KES. 1,000.
- Zero rating Loop B2C transactions to aid customers in the management of cash flows.
- Carried out Loan restructures on Longer Term Loans.

Across all BanqTech markets', Gross revenue closed at 7% above planned performance, this being 27% above prior years value and attributable to growth in disbursement values during the period (This grew by 3%). Deposit values closed at 15% below plan, which was attributed to the disruption in deposit mobilization activities during the COVID – 19 period.

The greatest risk to the BanqTech business remains capital erosion from impaired loans due to the prevalence of unsecured digital loans in the Kenyan Market. Statistics from Central Bank of Kenya (CBK) show that the non-performing loan (NPL) for bank digital loans averaged 23% in the Financial Year 2020 driven by the coronavirus pandemic. Non-bank digital lenders were greatly impacted by the failure of their customers to meet their repayment obligations and this resulted in some of them going out of business or significantly reducing credit supply. The Fintech market has however, continued to expand rapidly and we expect to roll out more digital financial solutions in partnership with Mobile Network operators, across Africa in 2021.

The Kenyan economy is projected to rebound relatively quickly in 2021 and this will be key in ensuring that the BanqTech business meets its Financial Year 2021 objectives. However, this is subject to significant risks, including the uncertainty around the length and severity of the pandemic and pace of the global economic recovery.

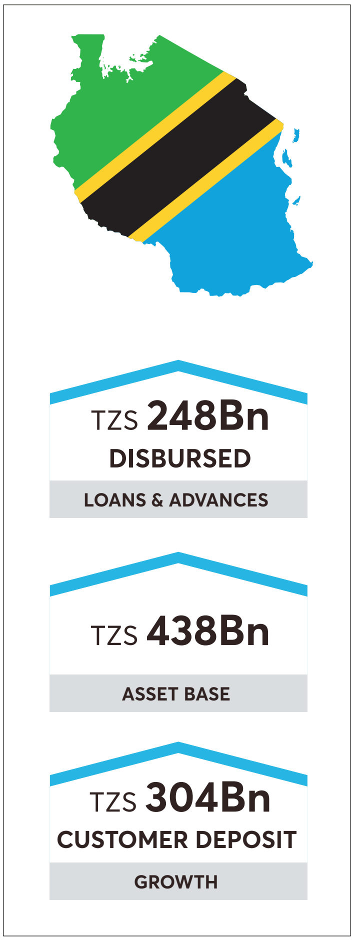
2020 Milestones & Partnerships

Successfully implemented and deployed NEO system in Kenya on 20 November 2020. A resilient, reliable and scalable architecture that has significantly improved the M-Shwari processing performance. Rollout of the new platform to the rest of the BanqTech markets is scheduled for Q2 and Q3 of 2021.

We entered into a significant partnership with VISA as our anchor partner, both commercially and technically in driving BanqTech's future payments strategy.

We signed a cooperation agreement with Moneta Technologies, the providers of the Amole mobile money service in Ethiopia. This partnership will support NCBA Group's market entry into Ethiopia, Africa's last frontier market. BanqTech will offer mobile savings and loan services on Amole, the leading digital payments platform in Ethiopia.

Margaret Karume
Managing Director & Chief Executive Officer



Dear Shareholder,

On 8th July 2020, NIC Bank Tanzania Limited (NICT) and Commercial Bank of Africa (Tanzania) Limited (CBAT) merged to form NCBA Bank Tanzania Limited following approvals from Bank of Tanzania (BOT) and Fair Competition Commission that paved the way for business amalgamation.

The bank recorded a Loss of TZS 18 Billion attributed to increased costs due to one off merger costs of TZS 4.5 Billion, credit write offs of TZS 12 Billion and increased credit provisions. Limited growth on the top lines was highly impacted by increased NPL, continuous decline on government securities yield, which reduced bank margins as cost of fund also increased due to stressed market liquidity. NPL ratio was still above desired regulatory threshold, however considerably reduced to 14% from the range of 18% in the previous year.

As at close of 2020, the customer deposits were at TZS 304B whereas the Asset Base was at TZS 438B

Outlook for 2021

NCBA bank has inherited a wide product range from the two banks, network channels across the country and a devoted team committed to turn around the past losses trend to a projected PBT of TZS 5.6 Billion in the year 2021. The bank has already started to roll out strategic initiatives to support growth across all business segments. This includes preparation of new products launch especially on digital banking and retail banking space to drive deposits and customer acquisition.

Both in-country macro and micro economic aspects are projected to remain within accommodative range despite the hit of the second wave of COVID-19, on account of measures adopted to cushion the economy from the impact of the pandemic. Inflation is projected to remain below 5% range while GDP is projected at 6% for the year 2021.

Conclusion

The Management of NCBA Tanzania has appreciated the devotion that the team has embraced during the merger process of the two banks. On the same note, the bank is honoured by the extended support from the senior management team, Board of Directors and our regulator, Bank of Tanzania

Margaret Karume

**Managing Director &
Chief Executive Officer**

Mr. Anthony Ndegwa
Managing Director & Chief Executive Officer

UGX **291Bn**
DISBURSED
LOANS & ADVANCES

UGX **600Bn**
TOTAL ASSET BASE
GROWTH

UGX **431.5Bn**
CUSTOMER DEPOSIT
GROWTH

UGX **39.7Bn**
OPERATING INCOME
GROWTH

Dear Shareholder,

Uganda's economic growth slowed down in 2020, due to the effects of the unprecedented outbreak and spread of Corona Virus (COVID-19) and measures put in place to prevent its spread.

Economic growth remained subdued, as real gross domestic product (GDP) grew by only 3.1 percent in 2020, compared to 6.8 percent in the year 2019.

On the demand side of the economy, domestic absorption significantly slowed down across all components of final consumption, which contributed to the sharp decline in real GDP. Investment spending reduced especially in the transport, information, communications and technology equipment sectors.

On the supply side, the slowdown in economic growth was driven by a drop in performance of the services and industry sectors, which contribute significantly, to Uganda's Gross Domestic Product.

An Important and Challenging Year for NCBA Bank Uganda

2020 was an important and challenging year, with the successful completion of the business integration between NC Bank Uganda Limited (NC Bank) and Commercial Bank of Africa Uganda Limited (CBA) as confirmed by the issuance of a commercial banking license by Bank of Uganda on June 15, 2020, paving way for the two organizations to officially start operations as NCBA Bank Uganda Limited.

The year 2020 was challenging due to the unprecedented outbreak and spread of the Corona Virus (COVID-19) pandemic and impact on the global economic performance including that of Uganda, due to the lockdown, travel restrictions and measures on social distancing implemented, in order to contain the spread of the pandemic. During these challenging times, the health and safety of our staff and customers was paramount, as we continued to avail flexible accessible financial services through our physical and digital platforms.

NCBA Bank Uganda is well positioned in the local market with Total Assets of UGX600Billion, as at December 31 2020.

NCBA Bank Uganda Limited has a significant capital base a strong liquidity profile and a well-motivated team, with a strong focus on exceeding customer expectation, therefore opening a new chapter in the growth and expansion of our business. Our aspiration is to be the financial services partner that inspires growth.

Mr. Anthony Ndegwa

Managing Director &
Chief Executive Officer

Lina M. Higiro
Chief Executive Officer

Rwf **35Bn**
LOANS & ADVANCES **+84%**
GROWTH

Rwf **41Bn**
CUSTOMER DEPOSITS **+100%**
GROWTH

Rwf **11.7Bn**
SHAREHOLDERS FUNDS **+63%**
GROWTH

Rwf **59Bn**
TOTAL ASSET BASE **+65%**
GROWTH

Dear Shareholder

NCBA Rwanda underwent a challenging period in 2020. The year saw our balance sheet grow by 65% from 2019, mainly driven by customer deposits which increased by 100% and loans growing by 80%.

The above growth numbers came against the background of COVID -19 pandemic. The world was shaken by this pandemic which started in China but quickly found its way into all corners of the world. Businesses faced a new previously unknown challenge of monumental proportions. Unfortunately, some of our customers suffered from its impact.

The bank was able to support affected businesses by offering loan restructuring to delay the repayments. We also partnered with the National Bank of Rwanda through the Economic Recovery fund to give low interest financing to one of the customers in the hospitality industry.

The outlook for year 2021 is more optimistic.

A strategy that delivers

NCBA has delivered a strong performance in the last year.

The main success story was in the balance sheet with total assets up by 65% from Rwf 35 billion in 2019 to Rwf 59 billion in 2020. Loans grew from Rwf 19 billion to Rwf 35 billion, while deposits grew by 100% from Rwf 21 billion to Rwf 41 billion in the same period.

The shareholders were kind enough to show confidence in the business by injecting Rwf 6 billion within the year. Shareholders funds moved from Rwf 7.2 billion to Rwf 11.7 billion, 63% up from the same period 2019.

Looking forward

NCBA has an ambitious growth strategy which will include expanding our branch network by four branches in 2021 with a vision of being present in every province in the next four years.

We are on course to achieve our mid and long terms objectives which will create better value for our shareholders.

Lina Higiro

Managing Director &
Chief Executive Officer

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

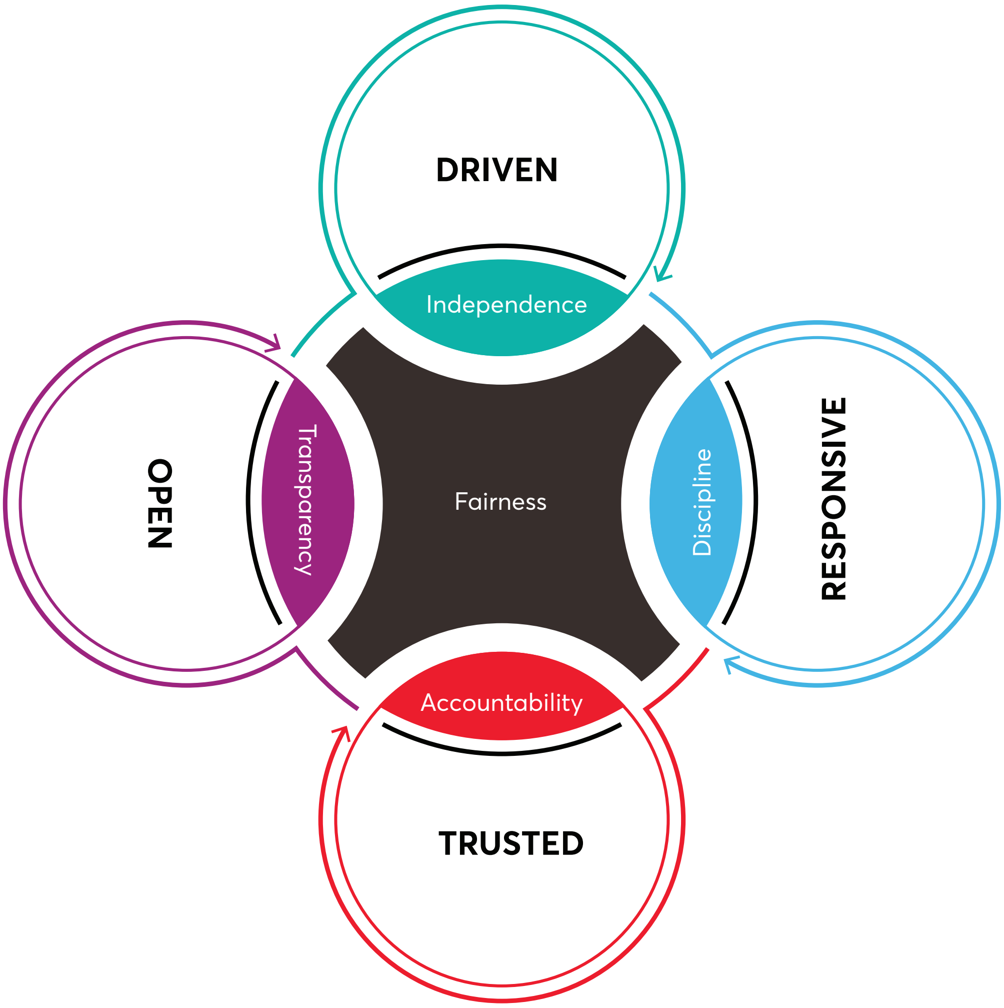
THE GROUP'S VISION AND VALUES, UNDERPIN THE PILLARS THAT THE NCBA GROUP, (MADE UP OF NCBA GROUP PLC AND ALL ITS DIRECT AND INDIRECT SUBSIDIARIES), LEANS UPON IN ENSURING GOOD CORPORATE GOVERNANCE PRACTICES.

NCBA Group PLC and all its direct and indirect subsidiaries (the Group) is committed to championing good corporate governance practices as a key factor in ensuring sustainability and accountability to our stakeholders. This commitment is underpinned by the Group's:

Vision: To be the Financial Services Partner that Inspires Your Growth; and

Values: Driven – to pursue our goal of building sustainable value for our shareholders; Open - by being inclusive, honest and transparent in our dealings; Responsive – to our stakeholders' needs as we strive to fulfil our vision; and Trusted – to honour our word.

Our Board, management and staff are guided in the execution of their responsibilities and general conduct by the NCBA Values and governance principles which have been embedded in the Group's day to day operations. The Group, being a responsible citizen of the Republic of Kenya and operating subsidiaries within the East African region as well as having brand presence in West Africa, recognizes the importance of and strives to consistently uphold excellent standards in corporate governance for the prudent management of its suite of businesses so as to deliver sustainable stakeholder value. The Group achieves this by remaining steadfastly committed and at the forefront of adopting best practices in corporate governance, internal control, risk management and compliance in the rapidly evolving financial landscape.

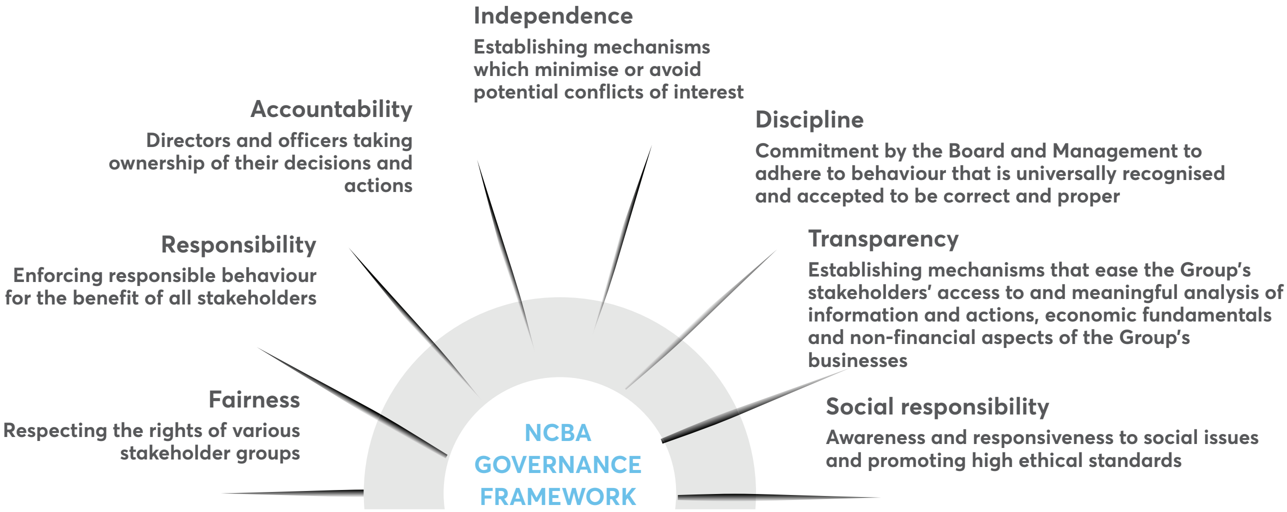


THE INTEGRATED REPORTING FRAMEWORK

The Group has adopted the International Integrated Reporting Council (IIRC) framework as its basis for integrated reporting. Our report considers the connectivity and interdependencies between the key factors that contribute to value creation over time. These principally revolve around the capitals that the Group relies upon and their contribution to its success, capacity to respond to stakeholders' legitimate needs and interests, and ability to adapt our business model and strategy to exploit the risks and opportunities presented by our external environment.

We believe that integrated reporting provides a clear, detailed and comprehensive view of how we create long-term sustainable value for our stakeholders, through transparent and meaningful corporate reporting on matters affecting our environmental, social and governance prospects, and performance on account of our strategies, opportunities and challenges.

The Group acknowledges that its success is not only drawn from financial performance but also from the concerted efforts to leverage on the following capitals as outlined on pages 10 and 11 of this report.



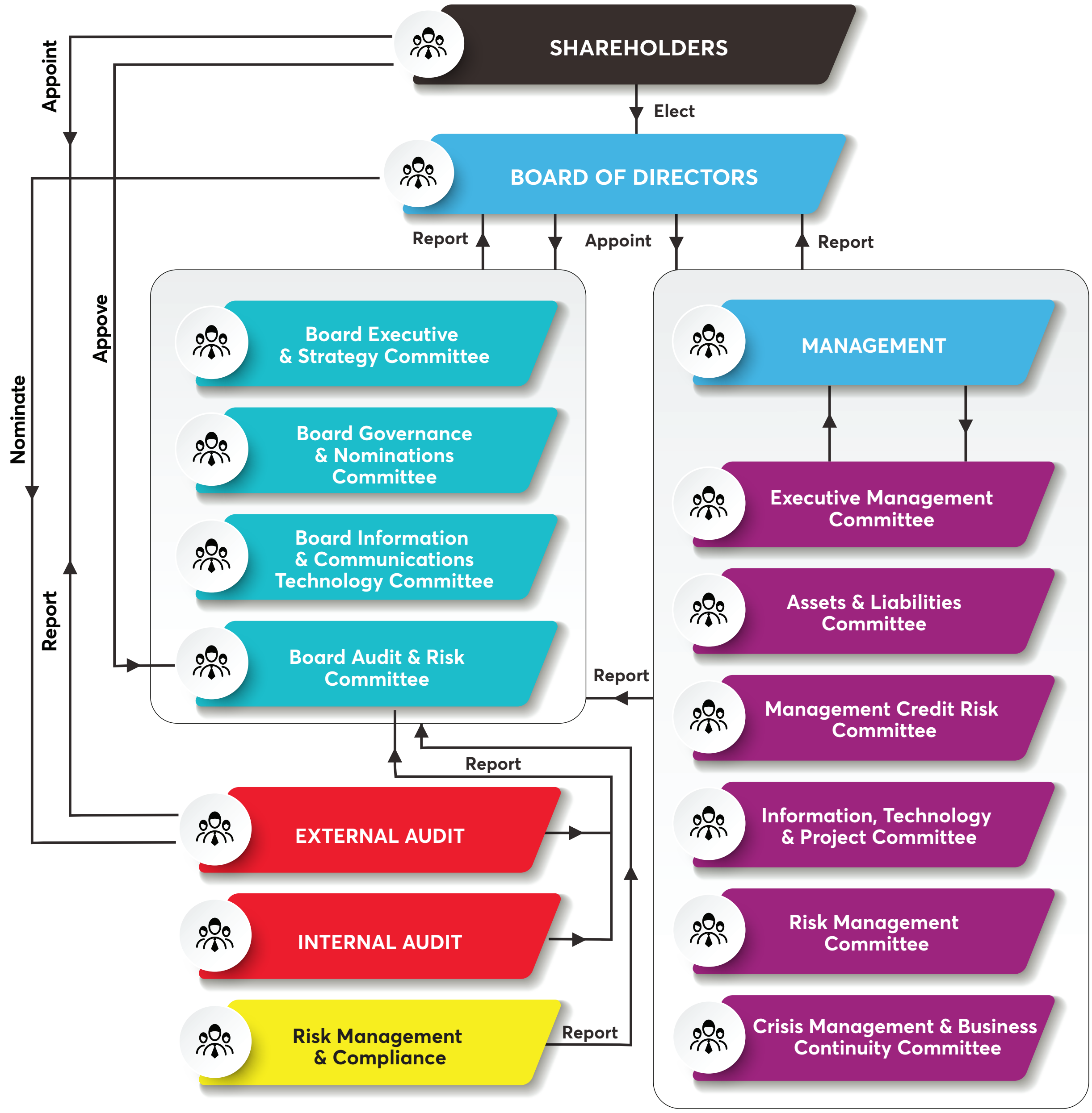
The Board of Directors of NCBA Group PLC has established robust governance structures modelled around the guidelines contained within the following sources:

- the guidelines from the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public, (the Code);
- the Central Bank of Kenya Prudential Guidelines on Corporate Governance, (the Prudential Guidelines);
- other best practices including but not limited to the King IV Report on Corporate Governance, The UK Corporate Governance Code 2018 and the G20/OECD Principles on Corporate Governance, all of which provide practical guidance to Directors and Senior Management of Companies in effectively discharging their Corporate Governance responsibilities.

Among other measures, the Group has adopted the following principal approaches in the implementation and perpetuation of its corporate governance practices:

- Compliance with the Constitution of Kenya, applicable laws and regulations, relevant national and international standards and internal policies;
- Structural integrity and accountability through regular review of the Boards' and Management's composition, independence, competencies, diversity and complementarity, effectiveness, supporting structures and appropriate segregation of duty and delegation of authority;
- Timely, transparent and relevant communication and disclosures, including key policies and relevant information, to provide stakeholders with a clear understanding of our businesses;
- Implementation of strong audit procedures through ensuring audit independence, applying internationally recognized auditing and accounting principles, ensuring the undertaking of a well-scoped internal and external audits, rotation of external auditors, appropriate composition of the audit committee and maintenance of robust internal controls;
- Alignment of roles, deliverables and remuneration with the long term interests of shareholders and ensuring employee participation in enhancing stakeholders' long term interests;
- Optimizing shareholder returns through regular and forward looking strategy reviews with the objective of adopting the most appropriate and viable strategies to enable and promote the long term prosperity and sustainability of the Group's businesses; and
- Upholding the highest levels of integrity in the Group's culture and practices through a well-defined and implementetion of a well-defined Code of Conduct and Ethics.

THE BOARD AND THE GOVERNANCE STRUCTURE



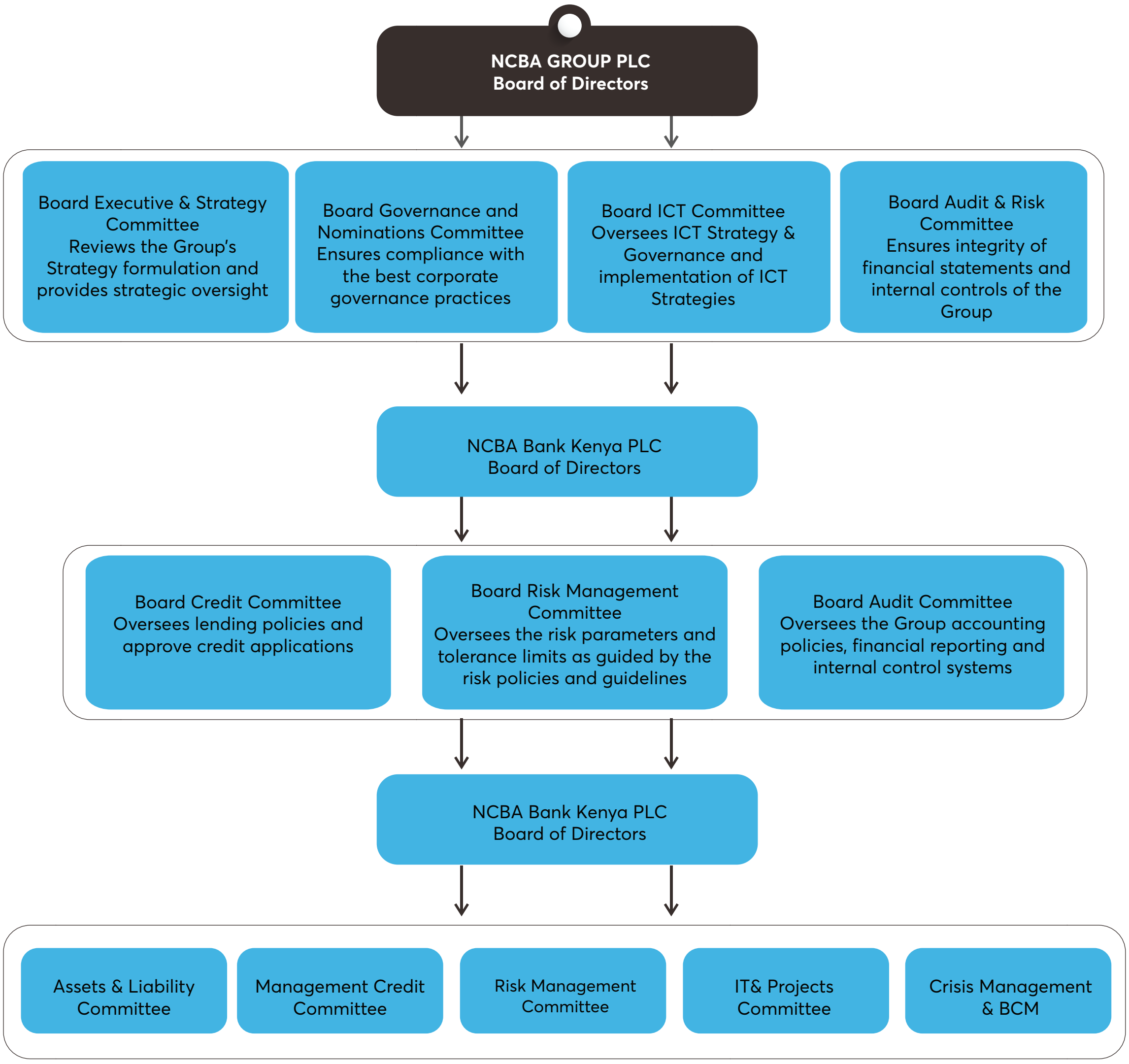
The Board

The Board is responsible for the long-term success of the Group. It sets the Group's core values and strategy and oversees implementation by management of the strategic objectives. It ensures there is a strong risk management and internal control framework that allows risks to be assessed and managed effectively, including implementation of the risk strategy, corporate governance structures and practices and corporate values. It provides leadership and direction and is responsible for the governance and financial performance of the Group.

The Executive Director assists the Group Managing Director in the execution of his role in overseeing the running of the Group's businesses while the Non-Executive Directors undertake an oversight role over the management of the Group's businesses, advise, constructively challenge, and monitor Management's success in delivering the agreed strategy within the Board approved risk appetite and control framework. Independent Directors bear the additional role of ensuring that the minority Shareholders' and other Stakeholders interests are protected at all times through exercising independent judgment and impartiality in discharging their responsibilities.

Key Responsibilities

- Defines and reviews the Group strategy, mission, vision, purpose, core values, business goals and objectives;
- Retains full and effective control over the Group;
- Monitors Management in implementing Board approved plans and strategies;
- Ensures a comprehensive system for Directors' independence;
- Identifies, monitors and guides on non-financial aspects relevant to the business;
- Ensures ethical behaviour and compliance with the Constitution of Kenya, relevant laws, regulations and policies;
- Defines the levels of materiality, reserving specific powers to the Board and delegating other matters;
- Identifies, implements and reviews the Group's internal controls;
- Maintains awareness of, and commits to, the underlying principles of good governance;
- Reviews the strategic direction and business plans of the Group;
- Approves specific financial and non-financial objectives and Management policies;
- Reviews processes for the identification and management of business risks and compliance with regulatory and legal areas;
- Reviews succession planning for the Board and Management team;
- Provides oversight of performance against targets and objectives; and
- Ensures that the companies operate sustainably, including on environmental, social and governance aspects.



The Board, having considered the size of the group and nature of our operations, has established the above Board Committees to support it in carrying out its duties and responsibilities and in guiding Management. The Committees, whose mandate and authority has been entrenched in the Board Charter, have been established with specific terms of reference which are regularly reviewed and up-dated. The appointment of the members to these Committees draws on the skills and experience of individual Directors. The role played by the Board committees has become increasingly important over the years and forms a principal point of contact between the Directors and Senior Management. The Chairman of each Board Committee reports to the Board on the matters discussed at Board Committee meetings.

The Composition of the Board Committees as well as key activities undertaken by the committees are highlighted on page 74 to 77 of this integrated report.

Board Size, Composition and Independence

The Board:

- Is composed so as to allow effective decision-making and supervision of Management in consideration of the nature and structure of the Group's businesses.
- Has a sufficient number of Directors, guided by the Company's Articles of Association as well as the nature of the businesses overseen and related inherent risks, to allow for fruitful discussions and to enable appropriate, swift and prudent decisions.
- Maintains a minimum of at least one-third Independent Non-Executive Directors and two-thirds Non-Executive Directors, which is reflective of the strong level of Board independence that further enables adequate representation and protection of the rights of minority shareholders.
- Is cognitive of, and adheres to, regulatory requirements relating to board composition and board independence;
- Adheres to the policies and procedures enacted by the Board through the Board Charter and Board Committee Terms of Reference to ensure that each Board member's independence is recognised and upheld at all times; and
- Is of an appropriate size and composition given the current scale and geographic footprint of the NCBA Group.

Independent Directors are determined based on the requirements outlined in the Code and the CBK Prudential Guidelines on Corporate Governance. In this regard, an assessment is undertaken annually by the Board, periodically by the independent Governance Auditor and by an independent consultant during the Board evaluation process to ascertain the status of independent Directors and the overall independence of Board Directors in the execution of their duties.

The Group Board in the year 2020 comprised twelve (12) Directors - the Chairman (Non-Executive), Group Managing Director (Executive), two (2) other Executive Directors and eight (8) other Non-Executive Directors, five (5) of whom are Independent Non-Executive Directors. This meets the requirements of the Code to have at least one-third of the directors being independent non-executive directors. One Executive Director opted for early retirement at the end of the year.

The Board of NCBA Bank Kenya PLC, a significant subsidiary of the Group, comprises ten (10) Directors - the Chairman (Non-Executive), Group Managing Director (Executive) and eight (8) other Non-Executive Directors, five (5) of whom are Independent Non-Executive Directors. This similarly meets the requirements of the Central Bank of Kenya Prudential Guidelines on Corporate Governance, and the Code, to have at least one-third of the directors being independent non-executive directors.

The Board considers its overall size and composition to be appropriate, having regard in particular to the independence, character and integrity of all Directors as well as their technical expertise and skills. Each Non-Executive Director has an ongoing obligation to inform the Board of any circumstances that could impair his or her independence.

Non-executive Directors are independent of Management and are subject to retirement by rotation, upon which they are required to seek re-election by Shareholders at least once every three years in accordance with the Company's Articles of Association and the Board Charter, and as recommended by the Code. Directors appointed during the year are required to retire and seek re-appointment at the next Annual General Meeting following their appointment to the Board.

Highlights of key responsibilities of the Board relating to Directors 'appointments

The Board:

- Is responsible for identifying its members and recommending them for election by the shareholders at the Annual General meeting;
- Considers recommendations on appointments from other Directors and the Shareholders;
- Has a formal and transparent procedure for the appointment of Directors to the Board;
- Annually, through the Governance and Nominations Committee, reviews the appropriate skills and characteristics required of Board members in the context of the Board Charter and the Vision and Objectives of the Group; and
- Approves the appointment of to serve as Directors on the Board.

The Directors' abridged biographies appear on pages 24 to 26 of this Integrated Report.

The Boards Mix of Skills and Competencies

It is the opinion of the Board that its membership is well composed in terms of the range and diversity of industry knowledge, skills, background, professional qualifications and experience. This is reflective of the Board's commitment to ensure strong levels of Board independence in executing their mandate, and adequate representation of the minority Shareholders.

Skill and Experience	Relevance to the Group
Strategy and planning	Developing and directing the implementation of the Group strategy
Financial Services	Understanding the workings of the industry and formulating suitable strategies for sustainability
Legal experience	Enabling suitable interpretation of the laws and regulations, and providing advisory services to the Board in ensuring compliance thereof
Risk Management	Facilitating a fit for purpose risk management framework that is protective of the Group's interests and long term objectives
Public Sector Experience	Understanding of government policy making processes to position the Group towards aligning with the national growth agenda
Information Technology	Development of a suitable Group ICT strategy in a pervasive digital service delivery and data intensive environment
International Business	Appreciating diversity in business practices and utilizing cross-border synergies for the enhancement of service delivery and performance
Real Estate	Understanding the Real Estate market and opportunities available
Manufacturing	Evaluation of the business opportunities, especially in relation to national policy on industrialization, and thus better support to our customers
Supply chain logistics	Understanding the value chain and how the Group can offer support in making it more efficient
Environment and Sustainability	Developing the Group's environmental and sustainability agenda for the long term benefit of its stakeholders, including consistent shareholder returns
Insurance	Appreciation of the risk environment and facilitating the development of practical solutions to protect our stakeholders' investment, and further providing a link between underwriters and end consumers thus enhancing predictability and stability
Accounting	Enables robust capital management and ensures transparency and accountability in financial reporting

In the course of, and for the purposes of, effectively executing their duties and as empowered through the Board Charter, Directors may at their discretion procure the services of independent subject matter experts and/or staff of the Group companies to assist the Board where unique expertise or insights are required.

Roles of the Chairman and Group Managing Director

The roles and responsibilities of the Chairman of the Board and the Group Managing Director remain distinct and separate and are clearly defined in the Board charter. The key aspects of their roles entail:

Chairman	Group Managing Director
• Providing leadership and smooth functioning of the Board without limiting collective responsibility for Board decisions; • Facilitating deliberations and sound decision making and the full discharge of the Board's duties; • Inculcating a positive culture in the Board; • Working with Committee chairpersons to co-ordinate the Committees' schedule of meetings; • Ensuring effective communication with Shareholders and ensuring Board understanding and balancing of stakeholder views and interests ; • Leading the induction program for new Directors and the continuous professional development needs of individual Directors; • Ensuring that the Board is evaluated at least once a year; and • Representing the Group to stakeholders.	• Effectively and efficiently running the Group businesses on a day to day basis; • Developing and recommending a long-term strategy and vision, business plans and budgets for the Group that support long-term strategy and create shareholder value; • Ensuring the achievement of a satisfactory competitive position; • Establishing an active plan for Management development and succession; • Formulating and overseeing the implementation of corporate policies; • Consistently striving to achieve the Group's financial and operating goals and objectives; and • Inculcating an ethical work climate that is conducive to attracting, retaining, and motivating top-quality employees.

Group Company Secretary

The Board is assisted by a qualified and competent Group Company Secretary who is a member, in good standing, of the Institute of Certified Secretaries (ICS). Details of the skills, experience and expertise of the Group Company Secretary are set out on page 26 of this report.

Key Responsibilities:

- Providing guidance to the Board on its duties and responsibilities and on matters of governance including monitoring and coordinating their completion;
- Supporting the Board by ensuring adherence to Board policies and procedures and providing guidance to the Board on its duties and responsibilities;
- Provide guidance and advice to the Board on procedural matters during Board meetings and annual general meetings
- Assisting the Chairman in the preparation of the annual Board work plan;
- Ensuring the timely preparation and circulation of the Board and Committee minutes and other relevant papers;
- Assisting the Board with the annual Board evaluation exercise;
- Assisting the Chairman with the induction process for new Directors and planning for continuous professional development of individual Directors;
- Coordinating the governance audit and legal and compliance audit processes;
- Maintaining custody of the Group companies' seals, accounting to the Board for their use and maintaining a record of their use;
- Maintaining and updating the register of conflict of interest; and
- Facilitating effective communication between the Group and its Shareholders and providing guidance to the Board on good corporate governance practices.

During the course of the year, the Group Company Secretary also bore additional administrative oversight over the Governance and Legal Departments. Mr. Livingstone Murage, NCBA Group PLC's long-serving Group Company Secretary retired from service at the end of year 2020 and was succeeded by Mr. Waweru Mathenge who had deputized him since the end of 2016. The Board subsequently appointed Mr. Mathenge to the role in March 2021.

Board meetings and activities

The Board and its Committees meet regularly in accordance with business and regulatory requirements. The Directors participate in discussing the strategy, financial performance, internal control systems and the risk management practices of the Group. The Chairman in consultation with the Company Secretary ensures that there is balanced distribution of membership and diversity of skills and experience across the Board Committees, coordination of meetings, and avoidance of duplication of roles across Committees. Meetings of the Board are structured to allow for sufficient time to consider the agenda and the Chairman encourages constructive challenge and debate. Management, external service providers and any other required subject matter experts may attend by invitation from time to time as circumstances dictate.

The Board schedules meetings at least four times a year with Directors attending either in person or via electronic communication channels. The latter means of meeting was predominant during the course of the year 2020 due to the restrictions on public gatherings as provided for under the Public Health (Covid -19 Restriction of Movement of Persons and Related Measures) Rules, 2020. The Board reserves matters that require decisions outside the scheduled meetings for deliberation through additional ad hoc meetings.

At each regularly scheduled meeting, the Board:

- Receives reports from the Group Managing Director and Executive Directors on the market developments, changes in the regulatory framework, performance and results of the Group;
- Is updated on the strategic and developments and initiatives for each of the business segments;
- Receives updates from operating functions, risk management and compliance, internal audit, human resources and on corporate social responsibility matters;
- Reviews new and updated policy documents for consideration and approval.

The Chairman and Group Managing Director also maintain frequent contact with each other and other board members throughout the year outside of the formal meetings.

Highlights of the key activities in 2020

During the course of the year 2020, the Board focused on the achievement of the following key objectives:

Objective	Key considerations
1. Merger Related Matters	• Supporting the regional subsidiaries in successfully concluding the merger of the entities in Tanzania and Uganda building from the lessons learnt in the Kenya merger process; • Review, approval and issuance of requisite resolutions to enable the mergers to take effect; and • Alignment of strategy, governance and operational structures to ensure consistency of approach.
2. Strategy Development and Capital Planning	• Establishing the Group strategies and objectives, business plans and budgets and advising on the implementation of the NCBA 1.0 Going For the Top Strategy; • Reviewing, advising on and approving significant matters with a bearing on the Group's capital position; • Reviewing comprehensive market updates and recommending actions for implementation against the strategic plans; • Considering updates and advising on the digital strategy; and • Considering and recommending for shareholder approval the dividend payout

Objective	Key considerations
3. Group Performance	• Monitoring and reviewing updates of the entire Group's performance against the set business targets and strategies and providing guidance on improvements on a quarterly basis at a minimum; • Considering and approving the financial reports and accounting policies in use; • Monitoring and reviewing performance vis-à-vis the impact of the COVID-19 pandemic on performance; and • Considering and approving of strategies aimed at increasing liquidity and conserving capital such as pre-payment of the Medium Term Note and conservation of capital via the bonus issue.
4. Internal Controls and Compliance	• Reviewing, recommending and approving the policies and systems for internal controls; • Reviewing and approving the internal and auditors' work plans and guiding on the recommendations made by the auditors for improvement of operational controls; • Considering and recommending measures for risk control as advised by the internal audit and risk management and compliance functions; • Reviewing the level of compliance to laws, regulations and internal policies; and • Establishing relevant policies to prudently manage the Group's business activities.
5. Governance and Ethics	• Reviewing the Group's Board and its Committees' composition, Charter and Terms of Reference against regulatory requirements and business needs; • Monitoring compliance with good governance principles and practices and implementing measures for adherence thereof; • Reviewing the Group's ethical policies, monitoring and reinforcing the ethical practices by internal stakeholders and avoiding conflicts of interest; • Undertaking continuous professional development and targeted training on governance, business management and technical areas; • Reviewing, recommending and approving changes to the governance, risk and compliance policies including those on people and talent management, succession planning and diversity; and Undertaking an evaluation of the Group's Board, its committees, Executive Management's and the Group Company Secretary's effectiveness and monitoring the implementation of the previous years' evaluation recommendations

2020 GROUP BOARD COMMITTEES MEMBERSHIP AND ATTENDANCE

Director	Designation		Board	Executive	Audit &Risk	Governance & Nominations	ICT	Training & Strategy
J. P. M Ndegwa	Group Board Chairman	Membership	√					
		Attendance	5/5			2/4		2/2
D. A. Oyatsi	Deputy Chairman & Chairman BGNC	Membership	√			√		
		Attendance	5/5			4/4		2/2
J. Gachora	Group Managing Director (ED)	Membership	√	√				
		Attendance	5/5	12/12	5/5	4/4	4/4	2/2
I. O. Awuondo	NED & Chairman, BESC	Membership	√	√			√	
		Attendance	5/5	12/12			4/4	2/2
E. N. Ngaine	INED	Membership	√			√		
		Attendance	5/5			1/4 *		2/2
J. Ngunze	ED	Membership	√					
		Attendance	5/5		5/5	4/4	4/4	1/2
M. K. R. Shah	INED & Chairman, BARC	Membership	√		√			
		Attendance	5/5		5/5			1/2
J. S. Armitage	NED	Membership	√	√				
		Attendance	5/5	12/12				2/2
A. S. M. Ndegwa	NED	Membership	√	√				
		Attendance	4/5	12/12				2/2
Hon A. H. Abdi	NED	Membership	√		√			
		Attendance	5/5		5/5			2/2
G. A Maina	NED	Membership	√			√		
		Attendance	1/5**			1/4**		2/2
D.Abwoga	ED	Membership	√					
		Attendance	5/5		5/5	1/4	4/4	2/2
P. R. Lopokoiyit	INED	Membership	√		√	√		
		Attendance	5/5		5/5	4/4		2/2
J. Somen ***	Co-opted member & Chairman, BICTC	Membership	√				√	
		Attendance	5/5				4/4	2/2
KEY								

BESC = Board Executive and Strategy Committee

BARC – Board Audit and Risk Committee

NED = Non-Executive Director

BGNC = Board Governance and Nominations Committee

ED = Executive Director

INED – Independent Non-Executive Director

BICTC = Board Information and Communications Technology Committee

Notes
* E. N. Ngaine was appointed to BGNC on November 25, 2020
** G. A. Maina resigned from the Board of NCBA Group PLC in May 19, 2020
*** J. Somen is a member of the NCBA Bank Kenya PLC Board of Directors but was co-opted to the Group ICT Committee

Board Induction, Training and Professional Development

On appointment, each Director takes part in an induction programme, during which he/she meets members of Senior Management, receives information about the role of the Board, each board Committee and the powers delegated to these Committees. In the year 2020, there were no new Directors appointed to the Board.

The Board is committed to the continuing professional development of the Directors in order for them to build on their expertise and develop deeper understanding of the Group's business and markets.

In 2020, the Directors were kept up to date with key developments despite the restrictions on movements that impeded the ability to have in person trainings and sensitisations. The trainings, which were facilitated by external experts through electronic communication channels, covered the following subject areas that were instrumental to the Board particularly following the merger and in view of current business trends:

- ***Culture & Leadership***
  - The nature of culture and its power in driving organisational performance
  - The Challenge of changing and evolving the organisation's culture
  - The do's and don'ts of managing culture during post-merger integration
  - The culture of the Board itself, and the Board's role in overseeing organisation change

- ***Cybersecurity Governance***
  - Nature and impacts of Cyber threats
  - Cybersecurity Governance
  - Key Imperatives for Board & senior management
  - Implementing a Cybersecurity Framework

The Board is confident that its members have the full ability and knowledge to perform their duties as required

Board Instruments

As the overarching and apex body in charge of formulating the strategy of an entity, it is imperative that the Board remains effective and efficient in conducting its mandate. In doing so, the Board has incorporated the following instruments to assist it in conducting its affairs in an efficient and effective manner. Board instruments guide members on how to execute their responsibilities in a precise and measurable manner. They range from those used during execution of duty, to those that measure performance. The instruments used by the NCBA Board include but are not limited to the below detailed items:

Board Charter	Board Code of Conduct
Provides guidance to the Board in the discharge of its duties in overseeing the affairs of the company and covers areas relating to: • Board and Governance structure; • Powers, Role, Responsibilities and Practices of the Board • Directors' Code of Conduct and Ethics • Conflict of Interest and Board Independence; • Board processes; and • Board effectiveness. The Board Charters has been published on the Company's' websites.	The Group Code of Conduct and Ethics, which has been published on the Group's website (https://ke.ncbagroup.com/),expresses the values that drive our behavior including addressing ethical issues, integrity on reporting, adherence to policies and procedures and addressing internal and external audit matters. It gives guidance to the Board, Management and Staff of the Group on acceptable behavior and ethical standards. Directors, Management and Staff of the Group reaffirm their commitment to upholding the requirements of the policies as defined within the Group Code of Conduct and Ethics annually. Additional policy enhancements in relation to the Group's Ethics Risk Profiling policies will be made during the 2021 review cycle to cover, among other enhancements, the recommendations made during the governance audit.

<table>
<tr><th>Board Work Plan</th><th>Board Evaluation Assessments</th></tr>
<tr><td>The Board Work Plan acts as a guide on the key activities and matters to be covered in the agenda for the Board and Board Committee meetings.</td><td>The Board is committed to ensuring that it continues enhance its effectiveness in order to have a positive impact on the performance of the Group. In this regard and on an annual basis, the Board conducts a Board Evaluation with a view to identifying its strengths and weaknesses in order to put in place mechanisms for ensuring that it remains a high-performing Board. With the assistance of an independent consultant, the Board undertook a self-evaluation to assess its performance for the year in review. The evaluation was done by way of a questionnaire designed by the independent consultant which covered three parts: Part One was Evaluation of the full Board, Part Two was Evaluation of Board Committees and Part Three was Evaluation of Individual Directors, the Chairman, the Group Managing Director and the Group Company Secretary. The data collected was then analysed by the independent consultant and a report produced.Each year, the Board is required to submit the Board Evaluation report to the Central Bank of Kenya. The key highlights of the Board evaluation for the year 2020 are as outlined below:

1. The composition of the Board and Committees is appropriate with the right mix of knowledge, appropriate experience, competencies and personal qualities, including professionalism.

2. There is a productive working relationship between the Board, Management, and Shareholders.

3. Board meetings are conducted in a manner that encourages candid and diverse opinions, meaningful participation and timely resolution of issues, with resultant quality reports and timely disclosures for stakeholder perusal.

4. The Board is sufficiently independent and demonstrated agility in managing the difficult business environment brought about by the COVID-19 pandemic while settling down from the recent merger.

A number of recommendations were made following the Board Evaluation exercise. The key recommendations include the following:

• Establishment of a post-merger formal succession plan framework to ensure an ongoing process of strategic director selection and recruitment, including senior management recruitment and selection as part of strategic talent management;

• Establishment of metrics and a scorecard aligned to Management performance objectives as part of tracking and assessing the Board's and its Committees' performance based on the strategic performance targets and Work Plan objectives;

• Enhancement of the Board training schedule to incorporate the Directors' self-assessed needs thereby enhancing their professional development and output; and

• Building on the ongoing post-merger culture immersion process to further enhance the team dynamic.</td></tr>
</table>

Board Policies

The Board has established a number of policy and procedure documents to guide the Directors and Management on the implementatin of their roles and responsibilities and the effective running of the Group's businesses as well as guide management in the implementation of the Corporate Governance Framework, key among them which are listed below with a brief summary of the key provisions

Policy	Key Provisions
Group Code of Conduct and Ethics	The Group Code of Conduct and Ethics, which has been published on the Group's website (https://ke.ncbagroup.com/), expresses the values that drive our behavior including addressing ethical issues, integrity on reporting, adherence to policies and procedures and addressing internal and external audit matters. It gives guidance to the Board, Management and Staff of the Group on acceptable behavior and ethical standards. Directors, Management and Staff of the Group reaffirm their commitment to upholding the requirements of the policies as defined within the Group Code of Conduct and Ethics annually.
Board Remuneration, Attraction and Retention Policy	The Policy sets guidelines and criteria for the Board's compensation, attraction and retention of Directors. It establishes the requirements for: • a transparent, fair and reasonable remuneration process; • a framework that encourages long-term financial soundness and risk management through minimisation of risky behavior and motivation for application of sound practices; • a good and strong reputation of the Group that attracts Directors and encourages their retention; • continuous growth opportunities for Directors to advance their skills hence enabling their long term retention; • Review of Directors' Remuneration so as to provide market competitive remuneration; and • Disclosures through a Directors' Remuneration Report. The Directors' remuneration policy and report, including details of their compensation appears on pages 91 to 95 of this Report
Corporate Disclosures Policy	The policy of the Group is to make adequate disclosure of material information and to ensure that all communications to the Group's stakeholders are timely, complete and accurate and appropriately and broadly communicated in accordance with all applicable legal and regulatory requirements. In addition, the Group Stakeholder Relations Policy guides the Group's relationship with its Stakeholders, with additional enhancements on engagement through digital and online communication, dispute resolution mechanisms and citizenship guidelines.

Conflicts of Interest Policy	The policy on conflict of interest has been established and elaborated upon within the Corporate Governance Policy read in conjunction with the Group Code of Conduct and Ethics, the Board Charters, Directors' letters of appointment, the Human Resource Management Policy and disclosures on actual, potential or perceived conflicts of interest that are a standing agenda item at each Board and Committee meeting. The policy requires: • new directors to disclose any actual, potential or perceived conflicts of interest prior to the Board's consideration of their appointment; • non-participation in discussions or decisions in which directors may have an actual or perceived conflict of interest; and • its application to all internal stakeholders of the Group. The Group Company Secretary maintains a register of all disclosed conflicts of interest.
Environmental, Social and Governance Policies	The Group policies and procedures create a framework in which the Group and its Customers commit to undertaking their activities in a manner that is considerate to the environment and communities surrounding their operations. The policies require: • undertaking an assessment of customers' operating activities; • creating a sustainable ecosystem that is beneficial to all parties involved; • designing an environmentally friendly structure that promotes sustainability; • Green / Responsible Procurement and use of sustainable products; and • Labour related Social Responsibility. The Group further enhanced its policies to focus on three key pillars, being Planet, People and Profit in which a correlated approach has been established to ensure that as the Group pursues sustainable mechanisms for wealth creation for its stakeholders. It also seeks to entrench and realise its vision in its interaction with people and the physical environment.
Procurement and Vendor Management Policy	The Policy subscribes to principles of openness, integrity and fairness in implementing the Group's procurement practices. This is achieved through: • providing equal opportunity to all; • Procurement Planning and Supply market analysis; • transparency in the procurement process; • procurement that matches the businesses standards, image, look and feel; • promotion of environmental and social protection and use of sustainable goods and services along the supply chain; • ensuring accountability on all transactions; • upholding the anti-bribery and anti- corruption laws and regulations; and • alignment to the Group's strategic plans hence ensuring prudent allocation of resources to enhance stakeholder value.

Group Staff and Related Parties Securities Trading Policy	The policy prohibits Directors, Management and staff from trading in the securities, (including equity securities, convertible securities, options, bonds and any stock index containing the security), of any company while in possession of material, non- public information, (also known as insider information), regarding the entity. • Information is considered to be "non-public" unless it has been publicly disclosed, and adequate time has passed for the securities market(s) to consider the import of the information; • Staff are required to adhere to the Group Staff & Related Parties Securities Trading Policy for additional details on permissible trading activity; and • Staff are required to obtain pre- clearance before trading in any securities listed across the East African region and are only permitted to trade in NCBA Group shares within a stipulated trading windows provided in the policy. The Board is glad to report that during the year 2020, there were no known or identified instances of insider trading by Directors, Management and Staff of the Group.
Whistle Blowing Policy	The Board established a Whistle Blowing Policy which: • sets out the Boards', Managements' and Staff members' obligation and commitment to upholding the highest levels of integrity and observance of the rule of law; • provides a definition of who a whistle blower is, protection and remedies for whistle blowers, dispute resolution mechanism, voluntary disclosure program, reporting channels and procedures, timely disclosure on findings and resolution and data retention; • is consistent with the commitments made in the Board Charter and Group Code of Conduct and Ethics and is applicable to all stakeholders of the Group; and • provides stakeholders with a secure, confidential and anonymous channel to report information that requires Management's and the Boards' attention on ethical and governance matters. The policy has been published on the Group's website (https://ke.ncbagroup.com) for ease of access and reference by the Group's stakeholders

ICT Policies	The Policies on ICT as established by the Board set the framework for: • prudent procurement practices in relation to ICT systems; • harmonisation of systems that can be seamlessly used by all entities within the Group to pursue its service delivery objectives; • an access controls platform to ensure adequate security is maintained for all data held with clear responsibilities and accountabilities for systems use; • the creation of an enabling environment for relevant infrastructure implementation and future development needs; • Data management and Protection • ICT Security and Cyber Security Monitoring • ICT literacy and professional skills development for all staff and especially for those charged with the administration of ICT systems; and • development of fit for purpose ICT systems and applications in support of the innovation and digital approach for the Group. The policies are administered by Management with periodic reports and updates submitted to the Group Board ICT Committee for consideration and guidance
Directors' External Activities and Related Party Transactions Policy	Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Group and its subsidiaries. Business transactions with all parties, including the Directors or their related parties are carried out at arm's length. The Directors annually submit their declarations of interest, which included an acknowledgement: • of their obligation to declare any matter concerning the Group that may result in a conflict of interest and exclude themselves from any discussion or decision over the matter in question; • that should they be appointed to a Board of or acquire a significant interest in a business competing with the Group, that they would be obliged to offer their resignation; • that should they be appointed to the Board of an entity, including a Government entity, that may expose them to potential or actual conflict of interest, that they would be obliged to declare such appointment, undergo an assessment to determine the potential for conflict and, where applicable, offer their resignation as a Director where the conflict cannot be mitigated by the existing Board policies for the management of conflicts of interest; and • that the foregoing also applies to interests of their immediate family members. In addition at every Board and Committee meeting and as a standing agenda item, the Directors declared any interest they may have had in the matter(s) to be discussed at the meeting and if decided that there is conflict, such director(s) is /are refrained from participating in any deliberations relating to the matter(s). Business transactions with the Directors or their related parties are disclosed on pages 177 to 179 note 43 of this report.

BOARD COMMITTEES

The Board, as part of ensuring that it remains effective in carrying out its duties and responsibilities, has established Board Committees, at Group and Bank level, that assist it in carrying out its functions and ensuring that there is independent oversight of strategy implementation, internal controls, risk management, financial and audit issues.

The Board, having considered the size and nature of the Group's operations has established Board Committees to support it in carrying out its duties and responsibilities and in guiding Management. The Committees, whose mandate and authority has been entrenched in the Board Charter, have been established with specific terms of reference which are regularly reviewed and up-dated. The appointment of the members to these Committees draws on the skills and experience of individual Directors. The role played by the Board committees has become increasingly important over the years and forms a principal point of contact between the Directors and Senior Management. The Chairman of each Board Committee reports to the Board on the matters deliberated upon at Board Committee meetings.

GROUP BOARD COMMITTEES

In 2020, the Group Board had the following committees mainly comprised of Non-Executive Directors:

- Audit & Risk Committee;
- Executive & Strategy Committee;
- Governance and Nominations Committee; and
- Information and Communication Technology (ICT) Committee.

The Composition of the Committees and details of Key responsibilities are highlighted below

Board Executive & Strategy Committee

The Committee assists the Board in discharging its responsibilities relative to strategy, capital management and business performance oversight. The Committee meets regularly to review and recommend for Board approval major capital projects, periodic strategic plans, and related policy guidelines as developed by Management.

Composition

I. O. Awuondo – Chairman
J. S. Armitage – Non Executive
A. S. M. Ndegwa – Non Executive
J. Gachora – Group Managing Director

Key purpose and responsibilities

The Committee

- Reviews strategy formulation and business performance;
- Provides strategic oversight on the Group's position in all the business segments it operates in:
- approvals major capital projects, periodic strategic plans, and related policy guidelines vis-à-vis the strategic plan as developed by Management;
- provides entrepreneurial leadership within a framework of prudent and effective controls;
- monitors of the Group's performance against strategic plans and objectives on an ongoing basis; and
- reviews and monitors the Group's capital position, approving proposals for investments, capital projects and the allocation of capital and other resources within the Group

Highlights of key activities in 2020

During the course of the year, the Committee received, reviewed, monitored, considered, approved, guided Management and made recommendations to the Board on:

- the execution of the Group's, vision, mission and strategy;
- proposals on new initiatives and updates on significant matters that had a bearing on the Group's capital position;
- branch expansion and major business investments;
- Effects of the COVID 19 Pandemic on Group performance and operations;
- market position updates vis-à-vis the strategic targets; and
- monitoring the NCBA 1.0 Strategy.

Board ICT Committee

The Committee oversees the cultivation and promotion of an ethical ICT governance and management culture and awareness and provides the required leadership to support and achieve the effective and efficient management of ICT resources to facilitate the achievement of the Group's strategic objectives.

Composition

J. Somen – Chairman
I. O. Awuondo – Non Executive

Key purpose and responsibilities

The Committee

- ensures that the Group has in place an appropriate ICT governance structure and risk management framework which suits the business needs and risk tolerance;
- develops and periodically reviews the alignment of ICT strategy with the overall business strategies and significant policies of the Group;
- approves the ICT risk management strategies and policies;
- sets the ICT ethical and integrity standards and establishes a culture that emphasises and demonstrates the importance of ICT risk management;
- establishes an ICT steering committee consisting of representatives from senior management, the ICT function and major business units to oversee the ICT activities and report to senior management and the Board on the effectiveness of strategic ICT planning, budgets and expenditure, ICT performance and its optimisation;
- ensures effective periodic internal and external audit procedures are carried out on the ICT risk management practices with reports submitted to the Board Audit adn Risk Committee;
- ensures the appropriation of required funding for ICT risk management functions; and
- considers the major ICT risks inherent in the Group's business and sets acceptable tolerance levels for the risks, while ensuring the implementation of the measures necessary to identify, measure, monitor and control / mitigate ICT risks.

Highlights of key activities in 2020

During the course of the year, the Committee received, reviewed, monitored, considered, approved, guided Management and made recommendations to the Board on:

- the core banking system upgrade and integration;
- investment in omni-channel banking capabilities;
- optimisation of systems given their increase in utilisation;
- digital transformation strategy;
- data and analytics strategy;
- cyber security initiatives; and
- ICT capacity to support the Group's ICT and digital strategy

Board Audit and Risk Committee

The Audit & Risk Committee focuses on ensuring the integrity of the financial statements and internal controls of the Group on behalf of the Board. It also sets the strategic risk parameters through policies, guidelines, tolerance limits and approving the risk management strategy, significant policies and programs. The Committee also assists the Board in discharging its duties relating to corporate accountability and associated risks with regard to assurance and reporting. The Committee meets at least quarterly in order to evaluate the effectiveness of the Group's financial, internal control and risk management systems.

Composition

M. K. R. Shah- Chairman

Hon. A. H. Abdi- Non Executive

P. R. Lopokoiyit- Non Executive

Key purpose and responsibilities

Financial Reporting

The Committee ensures the integrity of the financial statements prior to their review and approval by the Board through:

- review of the accounting policies, financial reporting and regulatory compliance practices of the Group;
- evaluation of the effectiveness of the internal control systems of the Group in accordance with its approved audit plan; and
- the appointment, supervision and performance appraisal of the independent external and internal auditors.

External Audit

The Committee:

- receives reports on the findings of the external auditors and Management's corrective actions in response to the findings;
- meets quarterly, and the external auditors are invited to attend whenever necessary with the option of dedicated meetings upon request without Senior Management's presence;
- annually, reviews and approves the overall scope and plans for the external audit activities, including the fees which have to be ratified by the shareholders;
- evaluates and identifies, through a competitive process, the external auditor for the Group's operations; and
- reviews the External auditor's performance.

To maintain independence, objectivity and professionalism of the external auditor, the Committee invites prequalified audit firms to bid for professional audit and tax services every six to nine years while the audit partner is rotated not more than five years after having taken up the assignment. The audit firms make presentations to the Committee and are evaluated on a set criteria and the Committee recommends to the Board the appointment of a suitable audit firm. The Board then recommends to the shareholders the appointment of the proposed auditor subject to the approval of appointment by the Central Bank of Kenya.

Internal Audit

The Audit Committee is involved in the appointment and performance assessment of the Head of Internal Audit, who reports directly to this Committee. The Committee;

- reviews the overall scope, annual plans and budget for the Internal Audit function's activities;
- oversees the alignment of Internal Audit activities vis-à- vis the risk management programs;
- monitors remediation of weaknesses in internal controls identified by the Committee, Head of Internal Audit, External Auditors and any other authorised party; and
- reviews all Internal Audit reports and has regular direct access to the Head of Internal Audit.

The above processes have been developed to ensure the competence and independence of the internal and external auditors hence ensuring timely, accurate and transparent reporting and disclosures on financial and internal control performance.

Risk Management:

The Committee:

- sets the strategic risk parameters and tolerance limits through appropriate risk policies/guidelines;
- approves the risk management strategy, policies and programs;
- monitors compliance with the risk policies, limits and programs; and
- reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Committee is assisted in these functions by various Management risk committees which undertake both regular and ad-hoc reviews of the Group's risk management environment, the results of which are reported at appropriate levels for review and action.

Highlights of key activities in 2020

During the course of the year, the Committee received, reviewed, monitored, considered, approved, guided Management and made recommendations to the Board on:

- the internal audit scope, risk based plans, capacity and quality assurance program and the internal audit progress reports;
- the internal audit reports and recommendations on issues identified, including status of implementation of audit recommendations;
- the external audit service plan and reports, including the audit recommendations on issues identified; and engagements with the external auditors;
- the Group's performance and approval of audited and unaudited financial statements;
- overseeing the performance of the Heads of the Internal Audit and Enterprise Risk Management and that of their departments as well as review of the departments' resourcing;
- reviewing the level of coordination between the Group's internal audit function and the external auditor;
- business systems resilience reports;
- adequacy of internal control structures and review of incidents;
- a summary of the litigations for and against the Bank to assess level of exposure;
- major loans in arrears for the purposes of approval of adequacy of provisions on the loan book;
- updates on implementation progress and impact of the IFRS 9 standard on the Bank;
- independent report on vulnerability of the Group's ICT systems;
- updates on the implementation of key risk management and internal control systems;
- disaster recovery and business continuity management;
- policy changes in relation to national and applicable international laws, regulations and policies including but not limited to Basel III and IFRS 9, 15 and 16;
- updates on the Group merger systems integration process and emerging risks thereof;
- updates on the Group's Environmental and Social Management System; and
- the Corporate Risk register on all key risks affecting the Group including the political and economic risks and the plans to manage any risks that may materialise as a result

Board Governance and Nominations Committee

The Committees' objective is to establish a robust Board and governance structure to deliver on the Group's strategic plans, and supporting the Board's effectiveness by developing a Board Charter to be implemented by the Board of Directors towards ensuring the protection, maintenance and enhancement of a sustainable return for the Group's stakeholders.

Composition

D. A. Oyatsi – Chairman

P. R. Lopokoiyit- Non Executive

G. A. Maina – Non-Executive (resigned in May 2020)

E. N. Ngaine – Non Executive (appointed in November 2020)

Key purpose and responsibilities

The Committee:

- tracks and monitors adherence by the Board and Management on good corporate governance practices as enshrined in the Articles of Association, Board Charter, Code of Conduct and Ethics and applicable regulatory requirements;
- maintains an overview of the Board's composition and ensures that the Directors collectively possess the required skills, expertise and experience to grow and sustain the business and uphold the principles and practices of good Corporate Governance as determined by the Board through its Charter;
- oversees the Board's annual performance evaluation and is responsible for assessing the extent of any conflict of interest posed by Directors' other interests or duties outside of the Group;
- ensures that the term of office of the Directors is organised in a manner that ensures a smooth transition in the event of changes to the Board's membership;
- considers the requirements for the appointment of Board members and makes recommendations for appointment to the Board through the Board Chairman;
- ensures that all appointments to the Board are approved, where required, by the Group's regulators and thereafter by the Shareholders during the Annual General Meeting;
- establishes an induction program for new members and recommends continuous professional development programs for the Board including requisite development annually on areas of governance;
- Publication of the Directors' Remuneration Report in the Integrated Report and approval of the Report by the Shareholders.
- Submission of the Capital Markets Corporate Governance Assessments for the Authority's review and recommendations;
- facilitates, through the Group Company Secretary, an annual governance audit and legal and compliance audits to provide assurance on the governance practices and adherence to laws; and
- reviews the status of Independent Non-Executive Directors annually in accordance with the requirements set out under the regulatory guidelines.

Highlights of Key activities in 2020

During the course of the year, the Committee received, reviewed, monitored, considered, approved, guided Management and made recommendations to the Board on:

- the Board Evaluation report for the year ended

  31st December 2020; the Group Company Secretary's report on the level and status of compliance with the Capital Markets Authority's and Central Bank of Kenya's corporate governance requirements and the Companies Act's requirements; and the Group's application of the principles of good corporate governance based on the findings and recommendations made from the Governance Audit
- board induction, training and CPD programmes
- assessment of the independence of Directors
- approval of the Corporate Governance Related policies and recommendation of the annual Board and Board Committee work plans;
- appointment of the Independent Governance Auditors and the Legal and Compliance Auditors.
- recommendations to the Board on the composition of the Group companies' Boards and Board Committees; and
- recommendation to the Board on changes to the Board remuneration structure

MANAGEMENT COMMITTEES

A significant factor in the Group's ongoing success is the strength of the Management team. Members of the Management team bring together a vital combination of leadership skills and extensive experience from both local and international institutions. To harness that strength, the Group Managing Director has established Management Committees to assist him and the Board in the management of the Group. These committees are chaired by the Group Managing Director (or his delegate where applicable) and include Heads of Departments of the banking subsidiary, with other senior managers being co-opted on a need basis so as to effectively harness the synergies of the Group's operations. The Management Committees supporting the Group Board during the year included the following Committees:

Executive Management Committee (EXCOM)

The Committee meets monthly or more frequently depending on the business circumstances to discuss:

- strategy formulation and implementation;
- supporting requirements to the Group Managing Director in the overall management of the Group's business;
- provision of strategic oversight to the positioning of the Group in all the business segments it operates in;
- policy and procedure formulation for appropriate internal control;
- financial performance against the approved strategy and budgets;
- strategic and operational plans for purposes of realising the Group's strategy; and
- compliance with the regulatory framework and guidelines and adherence to Group policies and procedures.

The Committee also serves as a link between the Board and Management in ensuring that the Board is apprised of key matters affecting the running of the Group. It reports to the Board Executive and Strategy Committee.

Assets and Liability Committee

The Committee meets monthly or more frequently depending on the business circumstances to:

- ensure that all foreseeable funding commitments can be met as and when they fall due;
- develop and implement the Bank's liquidity and funding strategy and policy;
- review and manage operational risks pertaining to interest rate, market and exchange rate risks;
- review the Bank's balance sheet and liability mix and recommend changes where applicable;
- ensure compliance with statutory requirements governing liquidity, cash ratio and foreign exchange exposure; and
- consider investment policies, and the internal capital adequacy management program.

The Committee provides a source of key information that informs considerations at Executive Management Committee, Board Executive and Strategy Committee, Board Credit Committee and Board Audit and Risk Committee.

Management Credit Committee

The Committee meets regularly and at least monthly to :

- review and approve new credit exposures within the delegated limits set by the Board;
- recommend to the Bank's Board Credit Committee (BCC) proposals on the revision of limits;
- ensure compliance with regulatory limits related to lending;
- monitor, review and consider and issues that may materially impact the quality of credit risk management; and
- recommend credit exposures for approval that fall within the limits reserved for Board approval.

All approvals and recommendations originating from the Committee are independent of the originating business unit(s).

The Committee provide a source of key information that informs considerations at the Bank's Board Credit Committee and Group Board Executive and Strategy Committee and Board Audit and Risk Committee.

Risk Management Committee

The Committee meets regularly to:

- review the Group's key risk exposures;
- determine the source and potential impact of risks;
- review the Risk Management and Compliance function's reports on the level of adequacy of policies and controls in place to manage the risks and level of adherence to regulatory requirements;
- monitor the Group's continuity and disaster recovery preparedness; and

- develop mitigation and corrective action plans to manage the key risks exposures.

The Committee provides a source of key information that informs considerations at the Bank's Board Risk Management Committee and Group Board Audit and Risk, Board Executive and Strategy and Board ICT Committees.

Information Technology and Projects Committee

The Committee meets regularly to review:

- review major ICT projects to ensure that they meet the minimum standards for implementation as per the ICT strategic plan;
- monitor and track overall ICT performance on value addition to the Group's business enterprises and enhancement of internal controls;
- formulate initiatives to achieve the Board approved ICT strategy; and
- undertake appropriate risk assessments to ensure that the Group's ICT policies and systems serve the long term needs of the Group in enhancing stakeholder value.

The Committee provides a source of key information that informs considerations by the Board ICT Committee, Board Audit and Risk Committee and Board Executive and Strategy Committee.

Crisis Management and Business Continuity Committee

The Committee meets regularly to:

- Manage and review the Business Continuity Management and Disaster Recovery planning within the Group;
- Review business continuity plans and take immediate remedial action for gaps identified;
- Ensure employees are trained and made aware of their role in the implementation of the business continuity plans;
- Ensure sufficient human and financial resources are available to support the business continuity activities;
- Monitor risks caused by moderate or major disruptions through ensuring the existence of appropriate structures to create resilience.

The Committee provides a source of key information that informs considerations at the Bank's Board Risk Management Committee and the Group Board Audit and Risk and Board ICT Committees.

COMPLIANCE WITH LAWS, REGULATIONS AND STANDARDS

In order to ensure that the Group is adhering to all laws, regulations and standards applicable to it and for the purposes of providing assurance to its stakeholders and complying with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, the Board through the Group Company Secretary facilitates comprehensive independent legal and compliance audits at least once every two years by a legal professional in good standing with the Law Society of Kenya. An internal legal and compliance audit is carried out in each year preceding the independent external audit to achieve the same purpose and ensure that any departures from the required levels of compliance are identified and corrected in a timely manner. As at the time of publication of this report, the Board had appointed Namasaka and Kariuki Advocates to undertake a comprehensive Legal and Compliance Audit which is ongoing. The audit report, together with a summary of the recommendations made for enhancement of the Group's practices, will be published on the Group's website upon completion of the independent review.

In addition, following the issuance of the Code of Corporate Governance Practices for Issuers of Securities to the Public (the Code) by the Capital Markets Authority in 2015, the Companies' Boards have consistently tracked the implementation of the guidelines and recommendations therein.

The Boards, in order to ensure that the Companies are well positioned to uphold their Corporate Governance principles and to check on the level of compliance with sound governance practices, commissioned an independent Governance Audit for the period ending 31st December 2020 which was undertaken by Maonga Ndonye Associates who are Certified Public Secretaries recognised and accredited by the Institute of Certified Secretaries (ICS) to undertake governance audits. The Governance Auditor's report has been published on page 87 of this report.

Some of the key recommendations from the Independent Governance Audit report for the year ended 2020 include:

- Undertaking a post-merger Board Skills Matrix review to ensure that the Board has the required skills and competencies and utilisation of the output thereof to enhance Board succession planning, and further utilisation during considerations for the selection and nomination of new Board members at the appropriate time.
- Enhancement of Board gender diversity during Board composition reviews when the opportunity arises.

- Enhancement of tracking of Board deliverables in the execution of the Board's work plan to ensure ease of monitoring and timely intervention as and when required.
- Amendment of the Board Charter to reflect the change in meeting mechanism from predominantly physical to a hybrid structure that enables predominance of meetings via electronic channels as brought about by the advent of the COVID-19 pandemic.
- Review and implementation of the Board training plan to incorporate specific training needs as identified by the Directors during their annual evaluation exercise, and ensuring incorporation of the minimum regulatory training recommendations on governance matters.
- Expansion of the scope / coverage of the Group Staff and Related Parties Securities Trading Policy to include the Board members' commitment to adherence of the policy's provisions.
- Consolidation of the numerous existing policies and practices on related party transitions into a unified policy for ease of implementation, tracking and management.
- Development of an Ethics Risk profile that depicts the negative ethics risks (threats) as well as the positive ethics risks (opportunities) to support the existing governance and risk management practices.
- The establishment of an enhanced Corporate Social Responsibility / Citizenship policy inclusive of goals and metrics for the measurement of the implementation of the policy.
- Enhancement of the Environmental and Social Risk Management policy scope to include additional environmental and social matters that the Group will aspire to, such as on waste and energy management

The Board, through its Governance and Nominations Committee will coordinate the implementation of the recommendations and make disclosures on the progress made in subsequent annual integrated reports

COMMUNICATION WITH STAKEHOLDERS

The Group is committed to relating openly with its shareholders and other stakeholders by providing regular information on its performance and addressing any areas of concern. This is achieved through quarterly publication of extracts of its financial performance in the daily newspapers in line with the Central Bank of Kenya and Capital Market's Authority's requirements, publication of annual audited accounts and annual integrated report and holding of the Annual General Meeting. The most recently published financial results are also available on the Group's website, https://ke.ncbagroup.com/investorrelations/, which also has all the relevant information relating to the Group companies.

The annual report also provides a rich set of information regarding the Group's activities which are reported through the Chairman's, Group Managing Director's and Executive Director's reports on the business environment, progress of the strategy and factors affecting the Group's performance. Additional information in the report outlines the various measures that the Board and Management have undertaken in ensuring the achievement of the Group's Vision.

The Group also holds periodic investor briefings to update investors on material factors affecting the Group both positively and negatively and its performance vis à- vis the strategic plan. Further to this, the Chairman holds annual cocktail events in Nairobi and Mombasa to meet with various stakeholders (mainly customers and investors) to appraise them of developments in an informal and interactive setting. However, with the restrictions imposed by the COVID-19 pandemic, the annual cocktail events were not held. However, customers interacted with the Group on the various electronic and social media channels.

In order to foster transparent and accountable long-term relationships, the Board has in place formal strategies to promote sustainability including aspects relating to the companies' environmental, social and governance activities and, through the Group Company Secretary, facilitates effective communication between the Group and its shareholders and stakeholders, hence ensuring that their rights are protected at all times. This includes giving shareholders the opportunity to place items on the agenda at Annual General Meetings, according them the opportunity to question Management of the companies and develop a program for regular investor briefings on the Group's economic, social and environmental performance. Questions from the shareholders and responses from the Group are availed on the Group website for ease of reference by stakeholders.

The Group has engaged the services of a shares registrar, C&R Group who, together with the Group Company Secretary, regularly address issues raised by the shareholders. The Group has also established clear lines of communication with its other stakeholders including peers through industry associations, Regulators and Government agencies, through both direct engagements and industry associations, and investors through direct engagements and participation in financial services and other market fora.

INTERNAL CONTROLS

The Directors' acknowledge their responsibility for the Group's internal control systems, including taking reasonable steps to ensure that adequate systems are being maintained. Internal control systems are designed to meet the particular needs of the Group, and the risks to which it is exposed with procedures intended to provide effective internal financial and operational control. However, it ise recognised that such systems can only provide reasonable, but not absolute, assurance against the occurrence of risk events.

The Board regularly reviews the Group's internal control policies and procedures to ensure that appropriate controls and procedures are in place.
The Board has put in place a comprehensive risk management framework to identify all key risks, measure these risks, manage the risk positions and determine capital allocations thereof. The policies are integrated in the overall management reporting structure.

The Group's performance trend is reported regularly to the Board by Management and includes an analysis of performance against budget and prior periods. The financial information is prepared using appropriate accounting policies which are applied consistently.
The Group has an Internal Audit Department which is an independent function that reports directly to the Board Audit and Risk Committee and provides independent assurance that the Group's business standards, policies and procedures are being adhered to. Where found necessary, corrective action is recommended.

The Group also has an Enterprise Risk Management and Compliance Department, headed by a senior officer who similarly reports directly to the Board Audit and Risk Committee. The Board Committee oversees the development and implementation of the Risk Management and Compliance framework while ensuring adherence to the Group's internal policies and regulatory requirements.

A key component of internal controls is the Boards relationship with Management and the latter's implementation of effective governance structures to manage arising risks. The primary Management governance structure is Management Committees whose key features and functions have been highlighted on pages 78 to 79 of this report. The Management Committees oversee the implementation of the Board approved policies and assist the Board and its Committees to implement, monitor, track and report on various Board mandated initiatives.

ENTERPRISE-WIDE RISK MANAGEMENT FRAMEWORK (ERMF)

The ERMF is an independent, integrated environment for the management of key risks faced by the Group founded on sound global, as well as local best practices. The key objectives are to ensure:

1. Risk taking is consistent with shareholder expectations, the strategic plan, regulatory requirements (including stress testing and the Internal Capital Adequacy Assessment Programme [ICAAP]), and an appropriate risk culture is institutionalised across the Group.
2. All material existing and emerging risks are identified, and managed in accordance with the Board's expectations.
3. Risks are managed consistently across the Group, plus their interactions and their associated impacts, are well understood when making decisions.
4. Risks are clearly identified, assessed, monitored and controlled / mitigated, with rewards assured to be in line with these risks, and decision makers held accountable for their actions.
5. Risk origination, its identification, assessment, monitoring and control are independently reviewed on a regular basis to avoid governance and/or conflict of interest issues.
6. Sufficient economic capital buffers are maintained to take on, and absorb key risks shocks, if and when, they occur.

It is with this in mind that the Risk Management Division is tasked to assist the Board of Directors and Senior Management in order to achieve those objectives. The ERMF provides a comprehensive and integrated enterprise-wide approach to managing the risks faced on a day to day basis hence enables the Group to achieve its objectives in a controlled manner towards the achievement of strategic, tactical and operational business goals.

It is acknowledged that the Group operates in a complex, increasingly competitive environment demanding higher quality of accountability and standards that place great pressure on its available resources. The framework provides information on key stakeholders roles plus responsibilities, procedures, standards, systems, and tools that are used, and also sets the context in which risks are managed in terms of their identification, assessment, monitoring, control and finally independent reviews.

The implementation of robust, integrated and transparent risk management programs is therefore important to structurally align these challenges to its strategic objectives and against the background of uncertainty

The Framework has been developed to:

- Enable the Group to pro-actively and systematically manage its risks while continuously reviewing its risk profile to levels acceptable to all stakeholders.
- Ensure appropriate strategies and tactics are in place to mitigate risks while maximising on opportunities.
- Embed the enterprise-wide risk management processes and ensure they form an integral part of the strategic, tactical and operational level planning.
- Create a risk awareness and risk management learning culture that is all permeating in the Group.
- Provide credibility to the risk management processes starting from risk objective setting, identification, assessment, monitoring, controlling to reporting plus communicating of the current, new and emerging risks, in a continuously and regular manner.
- Recognise the need for, and align, the holistic Group-wide "top-down" strategic assessment with the "bottom-up" operational and strategic risk assessment and reporting.

The key elements to this effective ERMF are:

a) active Board and Senior Management oversight;
b) adequate risk policies, procedures and limits
c) adequate risk identification, assessment, monitoring and control, plus reporting through appropriately robust management information systems; and
d) comprehensive internal controls, coupled with periodical independent reviews.

GROUP INTERNAL AUDIT

The NCBA Group Internal Audit Department provides independent, objective assurance and advisory services to the Audit and Risk Committee of the Board and Management in order to assist them carry out their responsibilities in regard to maintaining an adequate internal control system.

The Department's objectives, scope of authority and responsibilities are defined in the Internal Audit Charter which is approved by the Board Audit and Risk Committee (BARC) and reviewed every year. The Group Internal Audit function is therefore established by the Board, reporting directly to the BARC.

The Department's responsibilities include.

- Evaluating the reliability, adequacy and effectiveness of the Group's governance, risk management and internal controls systems, including whether there is prompt and accurate recording of transactions and proper safeguarding of assets;
- Monitoring and reviewing the integrity of financial statements;
- Independent appraisal of reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- Reviewing whether the Group complies with laws and regulations and adheres to established policies;
- Providing advisory services related to governance, risk management and control as appropriate for the organisation, including undertaking special assignments as may be required by the Board Audit and Risk Committee or Management; and
- Reviewing whether Management is taking appropriate steps to address control deficiencies.

The Institute of Internal Auditors (IIA) Professional Practices Framework requires that changes in management direction, objectives, emphasis and focus should be reflected in updates to the audit universe and related Audit Plan of an organisation. Group Audit adopts a risk-based approach in its auditing activities. Risk based audit provides a systematic method for identifying, prioritising and scheduling audits while at the same time providing a means by which scarce audit resources can be targeted in areas of high risk within the NCBA Group's entire audit universe. Annual audit coverage addresses the range of risks that NCBA Group identifies as "key" to the achievement of its objectives.

An annual audit plan is developed using a structured risk and control assessment framework through which the inherent risk and control effectiveness of each auditable entity in NCBA Group is assessed. The assessment also covers risks arising from new lines of business or new products. Audit projects are planned based on the results of the assessment, with priority given to auditing higher risk areas and as required by regulators. At least annually, the Head of Internal Audit submits to Senior Management and the BARC an internal audit plan for review and approval.

Group Audit adheres to the Code of Conduct and the Code of Ethics established by the Institute of Internal Auditors (IIA). It is also guided by the Mission Statement in the Audit Charter and has aligned its practices with the latest International Professional Practices Framework by the IIA. Group Audit's effectiveness is measured with reference to the IIA's Ten Core Principles for the professional practice of internal auditing. Audit reports containing identified issues and corrective action plans are presented to the BARC and Senior Management. Progress of the corrective action plans is monitored and past due action plans are included in quarterly reports to Senior Management and the BARC.

Mandate & Positioning

The mission of the Group Internal Audit is to provide assessments, independent from line management, on the adequacy and effectiveness of NCBA Group's risk management, control and governance processes and to report on these results. Establishment and maintenance of the system of internal control remains the responsibility of management under the oversight of the Board of Directors.

Group Audit is well positioned and resourced to provide this assurance and report to the BARC. In preparing the Audit Plan, the department draws upon its experience (including past audit reports) and prioritises based on updated risk assessments. For ease of performance of duty, the Department has unfettered access to the BARC and Management, and has been granted the authority to access any pertinent information in the execution of their duty.

Audit activities have also been updated to take into account risks associated with the recently concluded merger between NIC and CBA banks, and further reviewed to take cognisance of risks emerging from the COVID-19 pandemic and the resultant economic and operational impact..

Stakeholder assurance expectations

The Group's Stakeholders rely on the Department to provide assurance that the internal controls are sufficient to protect their interests. These include the Board, Management and external parties such as the Central Bank of Kenya, Capital Markets Authority (and other regulators) and external auditors who are key consumers of Internal Audit reports. Executive Management is a primary client of Group Internal Audit as most of the Department's work involves the review of frameworks, systems and controls set up by Management. Group Internal Audit is open with Management through all phases of an audit and as far as possible encourages a partnership approach with Management and listens to their expectations including audit requests. The Group Internal Audit Plan addresses this expectation through advisory reviews based on agreed upon procedures and terms of reference and engages the Executive Management Committee for the purposes of addressing expectations in the Audit Plan.

The Central Bank of Kenya, Capital Markets Authority, other regulatory authorities, external auditors and other stakeholders expect the Internal Audit function to maintain independence in its reporting to the Board in order for them to place reliance on their work.

Group Audit appraises the regulators and external auditors of all relevant audit matters and works closely with the external auditor to coordinate audit efforts.

Quality assurance and key developments

In line with leading practices, Group Audit has a quality assurance and improvement programme (QAIP) that covers all aspects of its audit activity and conforms to the International Standards for the Professional Practice of Internal Auditing. The QAIP programme includes both internal and external assessments, and external quality assessment reviews are carried out at least once every five years by qualified professionals from an external organisation.

As part of its mandate relating to advisory services, Group Audit provides ad-hoc project and advisory engagement on activities that directly support NCBA's internal governance and corporate processes that provide important, albeit indirect, support to business and management activities and day to day operations. Group Internal Audit has leveraged extensively on the use of data, technology and automation to provide greater insights on potential and emerging risks.

Some of the implemented initiatives to improve its capacity and effectiveness include:

- Automating the internal audit process by deploying an audit management software, TeamMate;
- Use of ACL data analysis tool and increasingly adopting data analytics for efficiency of audits and more timely review to add value to auditees;
- Continuous auditing reviews involving control and risk assessments on an ongoing basis as set out in the Internal Audit continuous auditing framework and ICT Audit Plan. Continuous auditing changes the audit paradigm from periodic reviews of a sample of transactions to ongoing audit testing of larger transaction sets. The results of continuous reviews are discussed with management for immediate remediation;
- Improvement of tracking of audit recommendations through automation including Board Audit and Risk Committee action points through a Board action items tracker;
- Involvement in advisory engagements such as new system product roll out and participation in special assignments requested by Management. In particular, the Bank has been upgrading and integrating systems following the merger and Group Internal Audit, as part of its assurance and advisory obligations, continues to provide quality assurance services to determine if activities in the project are being carried out in accordance with best practices and whether the procedures in place are adequate to ensure the quality of project management; and

- Continuous professional training for Internal Audit staff through conferences, seminars and certification. Training is linked to the development plans prepared for each staff and helps them remain current and meet professional and quality requirements.

Greater emphasis has been placed on emerging risks and threats including Cyber Security, ICT and digital business. All information technology systems audits are conducted in line with the Information Systems Standards and Guidelines as provided by the Information Systems Audit and Control Association (ISACA). Regulatory Cyber Security guidelines have been necessitated by the increased risks of cyber security threats around the world and the ease of connectivity. Group Internal Audit prepares an Annual ICT Audit Plan which is updated with emerging threats in the global technology landscape. Group Audit has increased transparency and collaboration and prioritises focus areas with auditees while ensuring the team maintains its independence.

Additionally, a Joint Audit program entails cross-country audit collaboration and seeks full alignment of NCBA Group audits with the international professional standards, best practice in governance and audit, and the specific expectations of the stakeholders. In 2020, these engagements were undertaken involving teams from Kenyaf, Uganda, Tanzania and Rwanda with audit clients appreciating the value derived.

GOING CONCERN

The Board confirms the financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources. For this reason, it continues to adopt the going concern basis when preparing the financial statements

CORPORATE DETAILS

Registered Office	NCBA Centre Mara & Ragati Road P. O. Box 44599 – 00100 Nairobi
Group Company Secretary	Waweru Mathenge Certified Secretary (Kenya) NCBA Centre, Mara & Ragati Road P. O. Box 44599 – 00100 Nairobi
Auditor	PricewaterhouseCoopers LLP (PwC) Certified Public Accountants (Kenya) PwC Tower Waiyaki Way/ Chiromo Road, Westlands P. O. Box 43963 - 00100 Nairobi
Registrars and Transfer Office	Custody & Registrars Services Limited 1st Floor, Tower B, IKM Place 5th Ngong Avenue P. O. Box 8484 – 00100 Nairobi

SHAREHOLDING PROFILES

The Company, through its Registrar, files returns regularly in line with the requirement of the Capital Markets Authority and the Nairobi Securities Exchange under the listing regulations on transactions related to shareholders.

The number of shareholders as at 31st December 2020 was 28,268 (2019 – 27,062)

Principal Shareholders

The top 10 major shareholders, based on the Group's share register as at 31st December 2020 are as follows:

Name	Number of Shares	%
Enke Investments Limited	217,497,023	13.20
Ropat Nominees Limited	196,466,672	11.92
Livingstone Registrars Limited A/C No. 1	173,763,902	10.55
First Chartered Securities Limited	122,673,486	7.45
Yana Investments Limited	97,279,904	5.90
ICEA LION Asset Management Limited A/C 2000	70,909,968	4.30
Livingstone Registrars Limited	67,602,884	4.10
Rivel Kenya Limited	64,206,673	3.90
Ropat Trust Company Limited	46,855,790	2.84
Livingstone Registrars Limited A/C No. 2	38,102,972	2.31
Total	**1,095,359,274**	**66.47**

Distribution Schedule

Category	Number of Shareholders	Number of Shares	%
1-500 shares	9,277	1,638,698	0.10
501-5,000 shares	13,896	28,699,106	1.74
5,001-10,000 shares	2,050	14,074,420	0.85
10,001-100,000 shares	2,498	67,466,629	4.10
100,001-1,000,000 shares	450	135,938,812	8.25
1,000,001 and over	97	1,399,701,867	84.96
Total	**28,268**	**1,647,519,532**	**100.00**

Shareholder Profile

Category	Number of Shareholders	Number of Shares	%
Local Individual Investors	26,213	194,987,470	11.84
Local Institutional Investors	1,839	1,445,527,192	87.74
Foreign Individual Investors	202	5,494,908	0.33
Foreign Institutional Investors	14	1,509,962	0.09
Total	**28,268**	**1,647,519,532**	**100.00**

Notes:

- The above constitute the key stakeholders who may have the ability to influence the Company's performance and sustainability;
- The Company submits the entire list of shareholders to the Registrar of Companies Annually.

The following Directors had direct or indirect beneficial equity interests in the ordinary shares of the Group as at 31st December 2020.

	Name	Number of Shares	%
1.	Andrew S. M. Ndegwa	70,909,968	4.30
2.	James P. M. Ndegwa	67,615,945	4.10
3.	Desterio A. Oyatsi	10,628,375	0.65
4.	John S. Armitage	8,731,852	0.53
5.	Mukesh K. R. Shah	676,090	0.041
6.	Isaac O. Awuondo	413,766	0.025
7.	John Gachora	381,755	0.023
8.	Esther N. Ngaine	353,980	0.021
9.	David Abwoga	9,108	0.0006

Maonga Ndonye Associates
Certified Public Secretaries (K)

Jadala Place, 3rd Floor,
Ngong Lane, Ngong Road
P.O. Box: 73248 - 00200,
Nairobi, Kenya
Tel: +254 (20) 21 49 923,
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www.maongandonye.com

REPORT OF THE INDEPENDENT GOVERNANCE AUDITOR TO THE SHAREHOLDERS OF NCBA GROUP PLC AND NCBA BANK KENYA PLC

INTRODUCTION

We have carried out Governance Audit of NCBA Group PLC and NCBA Bank Kenya PLC for the Financial Year ended 31st December 2020 through which we reviewed the Governance Practices, Structures and Systems put in place by the Boards of the two companies.

BOARD RESPONSIBILITY

The Boards of NCBA Group PLC and NCBA Bank Kenya PLC are responsible for putting in place governance structures and systems that support the practice of good governance in the two companies. Their responsibilities include planning, designing and maintaining governance structures through policy formulation necessary for efficient and effective management of the companies. The Boards are responsible for ensuring that they are properly constituted to promote and enhance ethical leadership and corporate citizenship, accountability, risk management, internal controls, transparency, disclosure, members' rights and obligations, members' relationship, compliance with laws and regulations, sustainability and performance management.

GOVERNANCE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in a company within the legal and regulatory framework and in accordance with best governance practices as envisaged under proper board constitution and composition; ethical leadership and corporate citizenship; accountability, risk management and internal control; transparency and disclosure; members' rights and obligations; members' relationship; compliance with laws and regulations; sustainability; and performance management based on our audit.

We conducted our audit in accordance with the ICS-K Governance Audit Standards and Guidelines which conform to global Standards. These standards require that we plan and perform the governance audit to obtain reasonable assurance on the adequacy and effectiveness of the companies' policies, systems, practices and processes. We believe that our governance audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the Boards of NCBA Group PLC and NCBA Bank Kenya PLC have put in place effective, appropriate and adequate governance structures which are in compliance with the legal and regulatory framework and in line with good governance practices for the interest of stakeholders.

....

FCS J L G Maonga, GA No.108
Maonga Ndonye Associates
Date: 15 April 2021

DIRECTORS

J P M Ndegwa	– Group Chairman
D A Oyatsi	– Deputy Chairman
J Gachora	– Group Managing Director
D Abwoga	– Executive Director
J I Ngunze*	– Executive Director
J S Armitage	
I O Awuondo	
Hon A H Abdi	
M K R Shah	
P R Lopokoiyit	
G A Maina**	
A S M Ndegwa	
E N Ngaine	

*Resigned on 31st December, 2020
**Resigned in May, 2020

EXECUTIVE / STRATEGY COMMITTEE

I O Awuondo – Chairman
J S Armitage
A S M Ndegwa
J Gachora

COMPANY SECRETARY

Waweru Mathenge
Certified Public Secretary (Kenya)
NCBA Centre
Mara and Ragati Road, Upper Hill
P.O. Box 44599 – 00100
Nairobi, Kenya

AUDITOR

PricewaterhouseCoopers LLP
Certified Public Accountants
(Kenya) PwC Tower
Waiyaki Way/Chiromo Road, Westlands
P.O. Box 43963-00100
Nairobi

AUDIT & RISK COMMITTEE

M K R Shah – Chairman
P R Lopokoiyit
Hon A H Abdi

GOVERNANCE AND NOMINATIONS COMMITTEE

D A Oyatsi – Chairman
G A Maina**
P R Lopokoiyit
E N Ngaine***

***Appointed on 25th November, 2020

INFORMATION, COMMUNICATIONS AND TECHNOLOGY (ICT) COMMITTEE

J Somen – Chairman****
I O Awuondo
****J Somen is a Non-Executive Director of NCBA Bank Kenya PLC and was co-opted to the ICT committee.

REGISTERED OFFICE

NCBA Centre
Mara and Ragati Road, Upper Hill
P.O. Box 44599 – 00100
Nairobi, Kenya

REGISTRARS AND TRANSFERS OFFICE

Custody & Registrars (C&R) Group
6th Floor, Bruce House,
Standard Street
PO Box 8484-00100
Nairobi, Kenya

The directors submit their report together with the audited financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

NCBA Group PLC (the "Company/Parent") and its subsidiaries (together, the "Group") provide retail, corporate banking, brokerage, bancassurance, property and investment banking services.

BUSINESS REVIEW

Financial Statements

The completion of the merger of NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA) having been achieved on 1 October 2019, the 2020 financial statements of the Bank are prepared on a prospective basis (a continuation of CBA), representing 12 months performance of NCBA Bank (merged bank) for 2020 while the prior year comparatives represent the 9 months performance of CBA Bank and 3 months performance of NCBA 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 NCBA Group, while prior year comparatives represent the 9 months performance of CBA Group and 3 months performance of NCBA Group. Merger related costs are included in the comprehensive income statements and are disclosed as exceptional items. The integration of regional subsidiaries was completed in Quarter 3 2020.

Performance for 2020

2020 was a challenging year, across the world, due to the widespread effects of the COVID-19 pandemic. This unprecedented health crisis had an adverse impact on economies, households, businesses and financial institutions around the world. East Africa was not spared from these effects.

NCBA Group has demonstrated financial and operational resilience during this period of intense economic and social strain. As the pandemic unfolded from March 2020, the Group remained focused on a clear action plan, to protect the health and safety of employees and customers, to support customers in weathering the effects of the pandemic, to prudently manage liquidity, to ensure continued financial strength and to preserve shareholder value.

NCBA Group continues to play its role in the fight against the pandemic working closely with Government agencies, central banks, and its other regulators. The Group made targeted donations to relief efforts, extended customers loan moratorium support in excess of Shs 78 billion and waived fees on digital lending. It is noteworthy that the Group disbursed over Shs 432 billion in digital loans to provide small enterprises and individuals with the relief and working capital to meet their day to day needs in these particularly trying times.

The Group was able to attain a strong operating performance in 2020. The 2020 results, however, reflect the impact of the health crisis and containment measures which resulted in disruption of regular business operations and affected overall volumes of business in all markets. These factors resulted in higher delinquency levels thus necessitating that the Group prudently take significant loan loss impairment reserves, ultimately impacting the profit before taxation.

Despite the challenging environment, the Group ended the year with a strong capital base, high level of liquidity and has increased the level of impairment coverage for the non performing portfolio. NCBA Group is therefore well poised to progress the execution of its strategy and expand its customer relationships from a position of strength and stability while withstanding potential pressure should economic conditions remain stressed.

The key performance highlights for the year are as follows;

The balance sheet grew by 7%, or Shs 33 billion to close at Shs 528 billion. The growth was constrained by the adverse impact of COVID-19 pandemic that continues to have a profound setback to economic activity around the world. The pandemic affected the Group's customers during the year resulting is constrained growth in both customer loans and advances and customer deposits. The net customer loans and advances shrunk year on year by 1% to close at Shs 247 billion from Shs 249 billion reported in 2019. On a positive note, customer deposits recorded 11% growth to close at Shs 422 billion. The increased liquidity from customer deposits was substantially invested in government securities and bank placements which grew by Shs 21 billion and Shs 16 billion respectively.

Borrowings reduced by Shs 8.8 billion year on year largely explained by the repayment of the Shs 7 billion Medium-Term Note in September 2020.

DIRECTORS' REPORT (Continued)

There was good growth in operating income for 2020, being an increase of Shs 13 billion over 2019, but the benefit of this improved performance was muted by the impairment charge on loans and advances of Shs 20.1 billion, partly due to the impact of COVID-19 on the Group's customers.

Year on year performance on non-interest income, excluding the one-off gain on bargain purchase of Shs 4.2 billion reported in 2019, was higher mainly due to an increase in foreign exchange income by Shs 1.9 billion. The improved income position was however offset by higher operating expenses which increased by Shs 5.3 billion and higher loan impairments provisions of Shs 20.1 billion (2019 – Shs 5.6 billion). The enlarged post-merger balance sheet resulted in higher net interest income by an additional Shs 14 billion. Overall, profit before tax reduced by 56% year on year.

Proposed dividend

In March 2020, due to the deep uncertainties posed by the then unfolding pandemic, the Board made the decision to conserve liquidity and reversed its initial recommendation to pay a dividend for 2019. Instead, the Group's shareholders were issued with bonus shares in the proportion of one new share for every ten shares then held.

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 Shs 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).

Outlook for 2021

Notwithstanding the positive progress made on the medical front, the economic impact of the COVID-19 crisis is still unfolding and its long-term effects on business and society remain uncertain. As such, the NCBA Group remains cautious and observant as the Board focuses on the Group's priorities and continues to re-assess and re-align operations to match the economic environment. The Board is confident that NCBA Group has the capital strength to withstand any anticipated shocks and will achieve its long-term objectives and goals notwithstanding these challenging times.

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 89.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITORS

With respect to each director at the time this report was approved:

(i) there is, so far as the director is aware, no relevant audit information of which the Group's auditor is unaware; and

(ii) the director has taken all the steps that the director ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

TERMS OF APPOINTMENT OF AUDITOR

PricewaterhouseCoopers LLP will retire at the Annual General Meeting in accordance with regulatory requirements. The Board has sent request for proposals from other audit forms and will recommend to the shareholders the appointment of a new auditor in accordance with the Company's Articles of Association and Section 721 of the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

By order of the board

26 March 2021

Waweru Mathenge
Group Company Secretary

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

This report describes the Group's remuneration policy and the remuneration paid to Directors in 2020. The remuneration policy, including all structures and policies related to remuneration, is in line with the Companies Act, No. 17 of 2015, the CMA Code of Corporate Governance Practices for issuers of Securities to the Public, 2015 and the Companies General Amendment Regulations No. 2 of 2017.

The first part of this report describes the remuneration policy, while the second part describes the implementation of the policy in 2020.

There were no changes to the structure and quantum of the Directors' remuneration in the year ended 31 December 2020, save for:

a) an adjustment involving the regional subsidiaries' board remuneration following the conclusion of a benchmarking review and the mergers thereof; and
b) an adjustment of the fees payable to the Chairmen of the Board and Board Committees in Kenya, in recognition of the additional responsibility undertaken while serving in those positions.

The adjustments took effect during the second half of the year.

The Board's composition during the course of the year is as detailed in the below table:

NCBA GROUP PLC BOARD OF DIRECTORS	
DIRECTOR	**DESIGNATION**
J P M Ndegwa	Group Chairman
D A Oyatsi	Deputy Group Chairman
J Gachora	Group Managing Director
D Abwoga	Executive Director
J I Ngunze	Executive Director
A H Abdi	Independent Non-Executive Director
J S Armitage	Non-Executive Director
I O Awuondo	Non-Executive Director
P R Lopokoiyit	Independent Non-Executive Director
G A Maina	Non-Executive Director
A S M Ndegwa	Non-Executive Director
E N Ngaine	Independent Non-Executive Director
M K R Shah	Independent Non-Executive Director

Notes:

- G A Maina resigned from the Board in May 2020 following his appointment as the Chairman of the Board of Faulu Microfinance Bank Limited;
- J I Ngunze resigned from the Board at the end of December 2020 having opted for early retirement; and
- I O Awuondo is the current Non-Executive Chairman of NCBA Bank Kenya PLC and Chairman of Banqtech Limited, a wholly owned financial technology subsidiary of NCBA Group PLC.

Background:

The members of the Board Governance and Nominations Committee for the period 1 January 2020 to 31 December 2020 were:

D A Oyatsi – Chairman

P R Lopokoiyit

G A Maina (Resigned 8 May 2020)

E N Ngaine (Appointed 25 November 2020)

PART 1

Remuneration Policy

The remuneration policy seeks to provide market competitive remuneration and has the objective of providing for remuneration that will attract, retain and engage high calibre directors whilst protecting and promoting the Group's strategy and objectives. The structure supports the Group's short-term and long-term objectives.

Remuneration of Executive Directors

Performance parameters for Executive Directors are drawn from the Group's Strategy. The Directors' targets and performance indicators are closely linked with the performance targets for the business, and are anchored on the short-term (annual) and long-term (5-year) strategic objectives of the Group. The targets are set and measured by the Board quarterly, half yearly and annually in line with the release of the business performance reports.

The remuneration of the Executive Directors consists of:

- Salary
- Performance-based Remuneration
- Deferred Remuneration
- Other Benefits – including company car, housing and utilities, medical and life cover, retirement benefits and loan benefits as determined by the Board.

Remuneration of Non-Executive Directors

The performance of Non-Executive Directors (NEDs) is assessed annually through the Board Evaluation process, which considers individual contribution to the activities of the Board and Board Committees. An Evaluation Report is generated with clear recommendations on the performance of the Directors, not only as a team but also as individuals. Non-Executive Directors are not entitled to a salary, performance based remuneration or other cash or non-cash benefits. Their remuneration is based on proposals by the Board Governance and Nominations Committee (BGNC) and approved by the Board and the Shareholders.

The remuneration for NEDs consists of:

- Monthly retainer fee; and
- Sitting allowance for Board and Board Committee meetings.

Expenses incurred in respect of travel, accommodation or other services whilst carrying out duties as a Director are reimbursed at cost.

Share Option Scheme

During the year 2020, the Group did not have an implemented share option scheme for Directors.

Directors' Contracts of Service

The Group Managing Director has been appointed on a five (5) year renewable contract term, with the renewal being subject to approval by the Board of Directors prior to maturity date. The Group's other Executive Directors were appointed on open-ended contracts. Executive Directors' continued service is subject to an annual performance review by the Board.

Non-Executive Directors are appointed in accordance with the procedure laid out in the Articles of Association and the Board Charter. NEDs are appointed for a 3-year term and retire by rotation, but are eligible for reappointment taking into consideration their performance and the Shareholders' views. The Board Governance and Nominations Committee makes recommendations to the Board based on professional skills and experience, independence and ethical standards. New appointments by the Board are subject to approval from the Central Bank of Kenya, the Group's Shareholders and, where applicable, the Capital Markets Authority.

The Notice period for departure from the Board for the Group Managing Director is six (6) months while that of other Executive Directors is three (3) months or payment in lieu of notice in all cases. For NEDs, the notice period where applicable will vary depending on the circumstances of the departure.

On termination of contract, an Executive Director is entitled to any amounts due as per contract terms up to the date of such termination. If such contract were terminated prior to maturity of the notice period, the maximum amount payable would be the salary and applicable benefits payable in lieu of notice.

Non-Executive Directors will be entitled to any outstanding dues on the monthly retainer fees and sitting allowances up to the date of termination. No additional amounts are payable to Directors unless these are expressly approved under special circumstances by the Board of Directors.

Statement of the Previous General Meeting

A Resolution to approve the Directors' remuneration policy and report for the year ended 31 December 2019 was passed through a poll vote by shareholders at the Annual General Meeting held on the 24th day of July 2020. There were no objections to the Directors' Remuneration Report.

INFORMATION SUBJECT TO AUDIT

PART 2: IMPLEMENTATION REPORT

The Board is responsible for ensuring that the remuneration policy, and its implementation, are aligned with the Group's strategies and objectives. The policy is designed to avoid instances where the Directors act in their own interests, or take risks that are not in line with the Group's strategy and risk appetite. Where other benefits are granted, the Board ensures that these are in line with market norms.

In interpreting the disclosures made in this report:

a) The remuneration details for the year 2020 outline payments relating to qualifying services rendered as Directors for the period served on the Board.

b) The Directors' remuneration is consolidated for services rendered as a Director on the Company's and related entities' (i.e. subsidiaries) Boards.

The following table shows the remuneration for the Chairman, other Non-Executive Directors (NEDs) and Executive Directors in respect of qualifying services for the year ended 31 December 2020. The aggregate Directors' emoluments are shown on note 43.

Directors Remuneration for the year ended 31 December 2020	Fees Shs 000	Salary Shs 000	Cash Incentive remuneration Shs 000	*Other remuneration Shs 000	Non-cash benefits Shs 000	Retirement Benefits Shs 000	Total Shs 000
J P M Ndegwa – Group Chairman**	2,520	-	-	-	-	-	2,520
D A Oyatsi – Deputy Group Chairman	2,560	-	-	-	-	-	2,560
J Gachora – Group Managing Director	-	65,017	-	3,938	5,490	7,090	81,535
D Abwoga – Executive Director	-	25,245	-	1,563	448	2,816	30,072
J I Ngunze – Executive Director***	-	33,998	-	41,851	834	3,831	80,515
A H Abdi	10,304	-	-	-	-	-	10,304
J S Armitage	5,680	-	-	-	-	-	5,680
I O Awuondo****	-	49,671	-	3,104	10,860	2	63,637
P R Lopokoiyit	5,989	-	-	-	-	-	5,989
G A Maina*****	900	-	-	-	-	-	900
A S M Ndegwa	6,095	-	-	-	-	-	6,095
E N Ngaine	7,659	-	-	-	-	-	7,659
M K R Shah	8,040	-	-	-	-	-	8,040
Total	**49,747**	**173,931**	**-**	**50,456**	**17,632**	**13,740**	**305,506**

Notes:

* Other remuneration includes an exceptional payment awarded to all staff in April 2020, following the onset of the COVID-19 pandemic.

** The total Director's fees for J P M Ndegwa was paid to Asset Managers Limited, in respect of Director's services in the year ended 31 December 2020.

*** Included in J I Ngunze's other remuneration is a one-off payment in December 2020, being final dues payable upon opting for early retirement under the Voluntary Exit Programme.

**** I O Awuondo earned a salary for services rendered towards the digital banking business of the Group.

***** G A Maina's remuneration was the total Director's fees for the period served on the Board, prior to his resignation in May 2020.

- Directors' total remuneration is consolidated, for services rendered as a Director on the NCBA Group PLC Board and related entities' (i.e. subsidiaries) Boards.
- Fees earned by Directors serving on the Boards of regional subsidiaries have been converted to Kenya Shillings, using the annual mean rate obtained from the Central Bank of Kenya.
- In the year ended 31 December 2020, there was no cash incentive remuneration awarded with respect to the Group's year 2019 performance..

The following table shows the remuneration for the Chairman, other Non-Executive Directors (NEDs) and Executive Directors in respect of qualifying services for the year ended 31 December 2019.

Directors Remuneration for the year ended 31 December 2019	Fees Shs 000	Salary Shs 000	*Cash Incentive remuneration Shs 000	Retirement Benefits Shs 000	Total Shs 000
J P M Ndegwa – Group Chairman*	2,480	-	-	-	2,480
D A Oyatsi – Deputy Group Chairman**	1,200	-	-	-	1,200
J Gachora – Group Managing Director	-	64,777	38,470	6,986	110,233
D Abwoga – Executive Director	-	25,073	14,440	2,795	42,308
J I Ngunze – Executive Director**	-	8,549	-	957	9,506
A H Abdi**	1,500	-	-	-	1,500
J S Armitage**	1,350	-	-	-	1,350
I O Awuondo**	-	12,417	-	-	12,417
P R Lopokoiyit	4,915	-	-	-	4,915
G A Maina	2,840	-	-	-	2,840
A S M Ndegwa	7,399	-	-	-	7,399
E N Ngaine	6,940	-	-	-	6,940
M K R Shah**	1,350	-	-	-	1,350
P V Shah	2,220	-	-	-	2,220
J Somen	2,140	-	-	-	2,140
Total	**34,334**	**110,816**	**52,910**	**10,738**	**208,798**

Notes:

* The total Director's fees for J P M Ndegwa was paid to Asset Managers Limited, in respect of Director's services in the year ended 31 December 2019.

** Amounts represent three (3) months' remuneration from 1 October 2019.

- I O Awuondo was previously the Group Managing Director of Commercial Bank of Africa Limited, and subsequently Chairman of NCBA Bank Kenya PLC.
- Directors' total remuneration is consolidated, for services rendered as a Director on the NCBA Group PLC Board and related entities' (i.e. subsidiaries) Boards.
- Fees earned by Directors serving on the Boards of regional subsidiaries have, where applicable, been converted to Kenya Shillings, using the annual mean rate obtained from the Central Bank of Kenya.
- In the year ended 31 December 2019, no cash incentive remuneration amounts were deferred.

Share Option Scheme

There was no share option scheme for Directors in the year ended 31 December 2020.

Long Term incentives

There were no long-term incentives granted to NEDs in the year ended 31 December 2020.

Pension related benefits

Pension for Executive Directors is provided for under the Group Defined Contribution Pension Scheme, which is registered with the Retirement Benefits Authority and whose members are all employed staff of the Group up to the age of 60 years. Contribution to the scheme is made up of a minimum five percent (5%) contribution of basic salary by the employee and fifteen percent (15%) contribution from the employer. This does not include the statutory contribution to the National Social Security Fund (NSSF). As at 31 December 2020, all the Executive Directors were members of the scheme.

NEDs are not entitled to a pension benefit.

Compensation for past directors

The Group did not make any payments to past Directors during the year ended 31 December 2020. (2019: Nil)
There was no change in the Group's policy on payments to former directors in the year ended 31 December 2020.

On behalf of the Board

D A OYATSI
Chair, Governance and Nominations Committee
26 March 2021

STATEMENT OF DIRECTOR'S RESPONSIBILITIES
for the year ended 31 December 2020

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and Company as at the end of the financial year and of its profit or loss for that year. The directors are responsible for ensuring that the Group and Company keep proper accounting records that are sufficient to show and explain the transactions of the Group and Company; disclose with reasonable accuracy at any time the financial position of the Group and Company; and that enables them to prepare financial statements of the Group and Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii) Selecting suitable accounting policies and then applying them consistently; and

iii) Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Group and Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group and Company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the board of directors on 26 March 2021 and signed on its behalf by:

J P M NDEGWA
Chairman

J GACHORA
Group Managing Director

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF NCBA GROUP PLC

Report on the audit of the financial statements.

Our opinion

We have audited the accompanying financial statements of NCBA Group PLC (the "Company") and its subsidiaries (together, the "Group") set out on pages 103 to 188, which comprise the Group and Company statements of financial position at 31 December 2020 and the Group and Company statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements of NCBA Group PLC give a true and fair view of the financial position of the Group and the Company at 31 December 2020 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the Key audit matter
Estimation of expected credit losses on loans and advances Loans and advances to customers comprise a significant portion of the Group's total assets. As described in notes 2.7, 3.2, and 5 (a) of the financial statements, the estimation of expected credit losses on loans and advances measured at amortised cost is complex and involves significant judgements and assumptions by management. In addition, the evolving economic impact of the COVID-19 pandemic has heightened the general risk of credit default and potential for significant increases in credit risk, increasing the uncertainty around the management judgements and estimation process. The key areas where significant judgements are exercised, and therefore an increased level of audit focus applied, include: · The classification of loans and advances which involves consideration of qualitative and quantitative considerations, particularly the identification of significant increase in credit risk and default events. The classification of loans determines whether a 12-month or lifetime PD is applied in the calculation of expected credit losses; · The estimation of exposures at default, the probabilities of default and the loss given default for the various credit exposures, including appropriate industry segmentation, the amounts and timing of expected future cash flows and any adjustments for potential impact of COVID-19; and · The appropriateness of forward-looking information used in the models. Changes to the assumptions and estimates used by management could generate significant fluctuations in the Group's financial results and materially impact the valuation of the portfolio of loans and advances.	We obtained an understanding of the Group's methodology for determining expected credit losses, including enhancements in the year, and evaluated this against the requirements of IFRS 9, Financial Instruments; For a sample of contracts, we tested the identification of financial assets that have experienced significant increase in credit risk or met the Group's default definition criteria for purposes of classification. This was done through examining documentation and credit performance to form an independent assessment as to whether the staging of such facilities was in line with the Group's policy and IFRS 9 requirements; We tested the accuracy and completeness of the historical data used in derivation of the key model parameters, and how these had been used to project the model parameters; We tested the reasonableness of management's assumptions in deriving the amounts and timing of expected future cash flows. For secured facilities, we agreed the collateral values used in the impairment model to external valuation reports; We tested the suitability of the selected forward-looking information and accuracy of application in the computation of the model parameters; We tested on a sample basis, the accuracy of the computations of exposures at default, probability of default, loss given default and the resulting expected credit losses and evaluated the reasonableness of the assumptions used in the computations; and We evaluated and assessed adequacy of the related disclosures in the financial statements.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF NCBA GROUP PLC (CONTINUED)

Key audit matter	How our audit addressed the Key audit matter
Information Technology systems and controls over financial reporting The Group's financial accounting and reporting processes are dependent on complex information technology (IT) systems and applications. Specifically, the calculation, recording and financial reporting of financial transactions and balances are significantly dependent on automated processes. Significant reliance on IT systems presents a significant risk to the Group as weaknesses in the design and operating effectiveness of the automated accounting procedures and related IT dependent manual controls could result in material errors in the financial information. Further, following the merger of the former NIC Group PLC (NIC) and Commercial Bank of Africa Limited (CBA) and amalgamation of the two legacy banks, NIC Bank and CBA in 2019, the Group amalgamated the operations and IT systems of the two former legacy banks and implemented new IT systems in the current year. This being the first year of operation for the new systems, there is an increased risk of weaknesses in the design and operating effectiveness of the automated accounting procedures and controls which may increase the risk of potential material errors in the financial information.	We obtained an understanding and tested the design and operating effectiveness of the controls over the IT systems that are relevant for financial accounting and reporting. These tests included: • We examined the framework of governance over the Group's IT Systems and the controls over program development and changes, access to programs and data and IT operations; • We tested controls over program development and changes, access to programs and data and IT operations including compensating controls where necessary. We also tested certain aspects of the security of the IT systems including logical access management and segregation of duties; • With regards to the amalgamation and new IT systems implemented in the year, we tested the controls around the change and data migration processes; • Where, either design or operating effectiveness control deficiencies were identified, we altered our audit approach to test the compensating controls or increased the level of our substantive tests; • We validated any manual adjustments to information generated by the IT systems and applications and assessed the appropriateness of the adjustments; and • In addition to the work done on the systems, we performed appropriate analytical reviews on selected transactions and balances to assess the reasonableness of the system computation and output.

Other information

The other information comprises the Corporate information, Directors' report, Directors' remuneration report and Statement of directors' responsibilities which we obtained prior to the date of this auditor's report, and the rest of the other information in the Integrated Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not and will not express any form of assurance conclusion thereon.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF NCBA GROUP PLC (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Integrated Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controll.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's or Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF NCBA GROUP PLC (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the directors

In our opinion the information given in the report of directors' report on pages 89 to 90 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 93 to 95 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

PricewaterhouseCoopers LLP

Certified Public Accountants
Nairobi
26 March 2021

FCPA Richard Njoroge, Practising certificate No. 1244
Signing partner responsible for the independent audit

FINANCIAL STATEMENT

STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2020

COMPANY 2020 Shs'000	COMPANY 2019 Shs'000		Note	GROUP 2020 Shs'000	GROUP 2019 Shs'000
33,474	38,109	Interest income and other credit-related fees	6	55,084,206	34,045,765
-	-	Interest expense	7	(19,075,114)	(12,509,123)
33,474	**38,109**	**Net Interest Income**		**36,009,092**	**21,536,642**
-	-	Net fee and commission income	9	3,338,124	3,042,082
-	-	Foreign exchange income	10	4,735,403	2,842,327
-	-	Net gain on disposal of financial instruments	11	745,509	189,750
(5,498,889)	9,027,285	(Loss) / gain on re-measurement of investment in subsidiaries	46	-	
-	-	Gain on bargain purchase	46	-	4,161,349
1,280,852	1,547,761	Other income	12	937,851	616,800
(4,218,037)	**10,575,046**	**Non interest revenue**		**9,756,887**	**10,852,308**
(4,184,563)	**10,613,155**	**Operating and other income**		**45,765,979**	**32,388,950**
(302,002)	(322,104)	Operating expenses	13	(20,847,567)	(15,583,963)
(4,486,565)	**10,291,051**	**Operating profit before impairment losses on customer loans and advances**		**24,918,412**	**16,804,987**
-	-	Impairment losses on customer loans and advances	8	(20,094,371)	(5,635,308)
(4,486,565)	**10,291,051**	**Profit before share of associate's profit**		**4,824,041**	**11,169,679**
-	-	Share of associates profit	26	157,880	143,880
(4,486,565)	**10,291,051**	**Profit before income tax**		**4,981,921**	**11,313,559**
(17,815)	(35,441)	Income tax expense	15	(411,054)	(3,471,783)
(4,504,380)	**10,255,610**	**Profit for the year**		**4,570,867**	**7,841,776**
		Profit for the year attributable to:			
(4,504,380)	10,255,610	Equity holders of the Group		4,638,306	7,821,491
-	-	Non-controlling interests		(67,439)	20,285
(4,504,380)	**10,255,610**			**4,570,867**	**7,841,776**
(2.73)	**9.75**	**Earnings per share – basic and diluted (Shs)**	**17**	**2.77**	**7.45**

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

COMPANY 2020 Shs'000	COMPANY 2019 Shs'000		Note	GROUP 2020 Shs'000	GROUP 2019 Shs'000
(4,504,380)	**10,255,610**	**Profit for the year**		**4,570,867**	**7,841,776**
		Other comprehensive income:			
		Items that may be subsequently reclassified to profit or loss			
-	-	Fair value gains on financial assets measured at FVOCI	41	498,189	(369,699)
-	-	Exchange differences on translation of foreign operations		225,647	282,035
-	**-**	**Other comprehensive income for the year, net of tax**		**723,836**	**(87,664)**
(4,504,380)	**10,255,610**	**Total Comprehensive income for the year**		**5,294,703**	**7,754,112**
		Attributable to:			
(4,504,380)	10,255,610	Equity holders of the Group		5,362,142	7,733,827
-	-	Non-controlling interests		(67,439)	20,285
(4,504,380)	**10,255,610**			**5,294,703**	**7,754,112**

STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2020

COMPANY				GROUP	
2020 Shs'000	**2019 Shs'000**		**Note**	**2020 Shs'000**	**2019 Shs'000**
		ASSETS			
-	-	Cash and balances with Central Banks	18	34,511,770	37,195,306
-	-	Item in the course of collection	19	348,662	534,806
-	-	Due from banking institutions	20	41,664,359	25,556,324
-	-	Derivative assets	21	88,835	80,164
-	-	Government securities	22	158,182,019	137,039,426
-	-	Investment securities	23	7,060,295	9,491,910
-	-	Customer loans and advances	24	247,506,956	248,885,318
-	-	Other assets	25	10,934,570	9,584,548
248,122	519,697	Due from group companies	43	-	-
-	-	Investment in associates	26	3,916,975	3,768,955
68,274,304	62,420,446	Investment in subsidiaries	27	-	-
-	-	Intangible assets	28	6,446,119	6,974,902
-	-	Property and equipment	29	3,172,657	3,844,075
39,318	-	Current income tax	15	761,439	268,080
23,466	15,984	Deferred income tax	30	9,630,045	7,085,373
-	-	Goodwill	31	34,000	34,000
-	-	Operating lease prepayments	32	522,375	522,500
-	-	Right of use asset	33	3,087,305	3,851,729
68,585,210	**62,956,127**	**Total assets**		**527,868,381**	**494,717,416**
		LIABILITIES			
-	-	Customer deposits	34	421,504,454	378,237,043
-	-	Due to banking institutions	35	6,303,343	10,892,910
8,030,783	-	Due to group companies	43	-	-
2,238,882	119,921	Other liabilities	36	10,350,971	11,508,778
-	-	Borrowings	37	13,319,474	22,081,245
-	5,623	Current income tax	15	8,653	13,027
-	-	Deferred income tax	30	21,010	21,340
33,392	37,819	Unclaimed dividends		33,392	37,819
-	-	Lease liability	38	3,778,787	4,665,429
10,303,057	**163,363**	**Total liabilities**		**455,320,084**	**427,457,591**
		SHAREHOLDERS' EQUITY			
8,237,598	7,488,725	Share capital	39	8,237,598	7,488,725
21,424,322	22,179,426	Share premium	40	21,424,322	22,179,426
-	-	Revaluation reserve	41	1,617,562	(288,240)
26,148,954	30,877,995	Retained earnings		39,038,741	35,962,429
-	-	Foreign currency translation reserve		(570,082)	(795,729)
-	-	Statutory loan loss reserve	42	129,098	199,378
2,471,279	2,246,618	Proposed dividend		2,471,279	2,246,618
58,282,153	**62,792,764**	**Total capital and reserves attributable to equity holders of the Group**		**72,348,518**	**66,992,607**
-	-	Non-controlling interests		199,779	267,218
58,282,153	**62,792,764**	**Total equity**		**72,548,297**	**67,259,825**
68,585,210	**62,956,127**	**Total liabilities and equity**		**527,868,381**	**494,717,416**

The financial statements on pages 103 to 188 were approved for issue by the board of directors on 26 March 2021 and were signed on its behalf by:

J P M Ndegwa	**J Gachora**	**M K R Shah**	**W. Mathenge**
Chairman	Group Managing Director	Director	Group Company Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

Year ended 31 December 2019	Notes	Share capital Shs'000	Share premium Shs'000	Revaluation reserve Shs'000	Revenue reserve Shs'000	Foreign currency translation reserve Shs'000	Statutory loan loss reserve Shs'000	Proposed dividend Shs'000	Capital and reserves attributable to equity holders of the Group Shs'000	Non-controlling interests Shs'000	Total equity Shs'000
At start of year		**3,519,701**	**2,373,994**	**81,459**	**23,215,651**	**(1,077,764)**	**829,290**	**1,665,480**	**30,607,811**	**-**	**30,607,811**
Impact of initial application of IFRS 9		-	-	-	(160,234)	-	-	-	(160,234)	-	**(160,234)**
Total comprehensive income for the year											
Profit for the year		-	-	-	7,821,491	-	-	-	7,821,491	20,285	**7,841,776**
Gain on revaluation of financial instruments at FVOCI	41	-	-	(369,699)	-	-	-	-	(369,699)	-	**(369,699)**
Currency translation differences		-	-	-	-	282,035	-	-	282,035	-	**282,035**
Total comprehensive income		**-**	**-**	**(369,699)**	**7,821,491**	**282,035**	**-**	**-**	**7,733,827**	**20,285**	**7,754,112**
Appropriation from statutory reserve	42	-	-	-	629,912	-	(629,912)	-	-	-	-
Transactions with owners recorded directly in equity											
Effects of Business Combination		3,969,024	19,805,432	-	8,107,419	-	-	-	31,881,875	246,933	**32,128,808**
- Final 2018 paid		-	-	-	-	-	-	(1,665,480)	(1,665,480)	-	**(1,665,480)**
- Interim dividend 2019 paid	16	-	-	-	(1,405,192)	-	-	-	(1,405,192)	-	**(1,405,192)**
- Proposed final dividend 2019	16	-	-	-	(2,246,618)	-	-	2,246,618	-	-	-
Total transactions with owners		**3,969,024**	**19,805,432**	**-**	**4,455,609**	**-**	**-**	**581,138**	**28,811,203**	**246,933**	**29,058,136**
At end of year		**7,488,725**	**22,179,426**	**(288,240)**	**35,962,429**	**(795,729)**	**199,378**	**2,246,618**	**66,992,607**	**267,218**	**67,259,825**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 December 2020

Year ended 31 December 2020	Note	Share capital Shs'000	Share premium Shs'000	Revaluation reserve Shs'000	Retained earnings Shs'000	Foreign currency translation reserve Shs'000	Statutory loan loss reserve Shs'000	Proposed dividend Shs'000	Capital and reserves attributable to equity holders of the Group Shs'000	Non-controlling interests Shs'000	Total equity Shs'000
At start of year		**7,488,725**	**22,179,426**	**(288,240)**	**35,962,429**	**(795,729)**	**199,378**	**2,246,618**	**66,992,607**	**267,218**	**67,259,825**
Total comprehensive income for the year											
Profit for the year		-	-	-	4,638,306	-	-	-	4,638,306	(67,439)	4,570,867
Gain on revaluation of FVOCI financial assets	41	-		498,189	-	-	-	-	498,189	-	498,189
Currency translation differences		-	-	-	-	225,647			225,647		225,647
Total comprehensive income		**-**	**-**	**498,189**	**4,638,306**	**225,647**	**-**	**-**	**5,362,142**	**(67,439)**	**5,294,703**
Transfer of fair value reserve from retained earnings	41	-	-	1,407,613	(1,407,613)	-	-	-	-	-	-
Appropriation from statutory loan reserve	42	-	-	-	70,280	-	(70,280)	-	-	-	-
Transaction with Equity Holders											
Bonus issue	40	748,873	(748,873)	-	-	-	-	-	-	-	-
Bonus issue expenses	40	-	(6,231)	-	-	-	-	-	(6,231)	-	(6,231)
2019 dividend rescinded	16	-	-	-	2,246,618	-	-	(2,246,618)	-	-	-
Proposed final dividend 2020	16	-	-	-	(2,471,279)	-	-	2,471,279	-	-	-
Total transactions with owners		**748,873**	**(755,104)**	**-**	**(224,661)**	**-**	**-**	**224,661**	**(6,231)**	**-**	**(6,231)**
At end of year		**8,237,598**	**21,424,322**	**1,617,562**	**39,038,741**	**(570,082)**	**129,098**	**2,471,279**	**72,348,518**	**199,779**	**72,548,297**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total equity Shs'000
At 1 January 2019		**3,519,701**	**2,373,994**	**23,044,987**	**879,925**	**29,818,607**
Effects of business combination		3,969,024	19,805,432	-	-	23,774,456
Profit and total comprehensive income for the year		-	-	10,255,610	-	10,255,610
Transactions with owners, recorded directly through equity						
Dividends paid - final for 2018		-	-	-	(879,925)	(879,925)
Dividends paid - interim 2019	16	-	-	(175,984)	-	(175,984)
Proposed dividend - final 2019	16	-	-	(2,246,618)	2,246,618	-
At 31 December 2019		**7,488,725**	**22,179,426**	**30,877,995**	**2,246,618**	**62,792,764**
At 1 January 2020		**7,488,725**	**22,179,426**	**30,877,995**	**2,246,618**	**62,792,764**
Profit and total comprehensive income for the year		-	-	(4,504,380)	-	(4,504,380)
Transactions with owners, recorded directly through equity						
Bonus share issue	40	748,873	(748,873)	-	-	-
Bonus issue expenses	40	-	(6,231)	-	-	(6,231)
Proposed dividends 2019 rescinded	16	-	-	2,246,618	(2,246,618)	-
Proposed final Dividend - 2020	16	-	-	(2,471,279)	2,471,279	-
At 31 December 2020		**8,237,598**	**21,424,322**	**26,148,954**	**2,471,279**	**58,282,153**

STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

COMPANY 2020 Shs'000	COMPANY 2019 Shs'000		Note	GROUP 2020 Shs'000	GROUP 2019 Shs'000
		CASH FLOWS FROM OPERATING ACTIVITIES			
11,195,103	(69,776)	Cash generated from operating activities	45	52,055,781	28,634,347
(70,238)	(26,570)	Income tax paid	15	(3,669,689)	(3,240,340)
11,124,865	**(96,346)**	**Net cash generated from operating activities**		**48,386,092**	**25,394,007**
		CASH FLOWS FROM INVESTING ACTIVITIES			
(11,352,746)	-	Investment in subsidiaries		-	-
-	-	Investment in associates		(63,536)	-
-	-	Dividends from associates		73,396	99,900
-	-	Purchase of government securities		(101,481,607)	(54,857,406)
-	-	Proceeds from disposal of government securities		81,050,717	48,110,103
-	-	Purchase of software		(739,792)	(910,057)
		Purchase of property and equipment		(724,258)	(1,314,107)
		Purchase of investment securities		-	(5,410,809)
-	-	Proceeds from sale of investments	23	2,543,903	598,167
-	-	Proceeds on sale of equipment	29	52,597	239,718
-	(50,000)	Effects of merger transaction		-	-
(11,352,746)	**(50,000)**	**Net cash used in investing activities**		**(19,288,581)**	**(13,444,491)**
	-	**CASH FLOWS FROM FINANCING ACTIVITIES**			
-	1,300,000	Dividends received		-	-
-	(1,055,909)	Dividends paid		-	(3,070,672)
-	-	Repayment of long-term borrowings	37(b)	(11,141,530)	(1,993,450)
-	-	Additional borrowings	37(b)	-	6,652,635
-	-	Rent paid in the year		(1,480,477)	(857,658)
(6,231)	-	Bonus share issue expense		(6,231)	-
(6,231)	**244,091**	**Net cash used in financing activities**		**(12,628,238)**	**730,855**
(234,112)	**97,745**	**Increase/(decrease) in cash and cash equivalents**		**16,469,273**	**12,680,371**
435,200	337,455	Cash and cash equivalents at 1 January	44	41,376,089	28,695,718
201,088	**435,200**	**Cash and cash equivalents at 31 December**	**44**	**57,845,362**	**41,376,089**

1) General Information

NCBA Group PLC (the "Company/Parent") and its subsidiaries (together, the "Group") provide retail, corporate banking, brokerage, bancassurance, property and investment banking services. NCBA Group PLC is incorporated in Kenya under the Kenyan Companies Act, 2015 as a public limited liability company and is domiciled in Kenya. The Company's shares are listed on the Nairobi Securities Exchange (NSE). NCBA Group PLC and its subsidiaries operate in Kenya, Tanzania, Uganda and Rwanda through its subsidiaries NCBA Bank Tanzania Limited, NCBA Bank Uganda Limited and NCBA Bank Rwanda PLC.

The address of its registered office is as follows:

NCBA Centre
Mara and Ragati Road, Upper Hill,
P.O. Box 44599 – 00100,
Nairobi, Kenya.

For the Kenyan Companies Act 2015 reporting purposes, the balance sheet is represented by the statement of financial position and profit and loss account by the statement of profit or loss in these financial statements.

2) Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated

2.1 Basis of preparation

i) Compliance with IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee of the IASB (IFRS IC) applicable to companies reporting under IFRS and the requirements of the Kenyan Companies Act, 2015. The financial statements are presented in thousands of Kenya shillings rounded to the nearest thousand (Shs '000) and are prepared under the historical cost convention except where otherwise stated in the accounting policies below. For those assets at fair value, fair value is the price that would be revalued to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(ii) Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires the directors to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

2) Significant accounting policies (continued)

2.1 Basis of preparation (continued)

iii) Changes in accounting policy and disclosures

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

IFRS 16, 'Leases' COVID-19- Related Rent Concessions Amendment

This standard becomes effective for annual periods beginning on or after 1 June 2020 and early adoption is permitted.

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The change is not expected to have any material impact to the accounts.

Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform

These amendments become effective for Annual periods beginning on or after 1 January 2021.

The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. The change is not expected to have any material impact to the accounts.

Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current

The amendment becomes effective for annual periods beginning on or after 1 January 2022.

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The change is not expected to have any material impact to the accounts.

Amendment to IFRS 3, 'Business combinations'

The amendment becomes effective for annual periods beginning on or after 1 January 2022.

The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.

The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The change is not expected to have any material impact to the accounts.

2) Significant accounting policies (continued)

2.1 Basis of preparation (continued)

iv) Changes in accounting policy and disclosures (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use

The amendment becomes effective for annual periods beginning on or after 1 January 2022.

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss. The change is not expected to have any material impact to the accounts.

Annual improvements cycle 2018 -2020

The improvements become effective for annual periods beginning on or after 1 January 2022.

These amendments include minor changes to:

- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.
- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

The changes are not expected to have any material impact on the financial statements of the Group.

Standards, amendments and interpretations to existing standards that are effective in the year

IFRS 3 - Business combinations

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

The change did not have a material impact on the financial statements of the Group.

Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- Use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- Clarify the explanation of the definition of material; and
- Incorporate some of the guidance in IAS 1 about immaterial information.

2) Significant accounting policies (continued)

2.2 Consolidation

The amended definition is:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The change did not have a material impact on the financial statements of the Group.

The consolidated financial statements comprise the financial statements of NCBA Group PLC (the "Company") and its subsidiaries (see note 27) and equity accounted stake in associates (see note 26) up to 31 December 2020 (together the "Group). All inter-company transactions, balances and gains or losses on transactions between group companies are eliminated in full on consolidation.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

i) Investment in subsidiaries

Subsidiary undertakings are those companies in which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date when it ceases. Investment in subsidiaries are carried in the Company's statement of financial position at cost less provision for impairment losses.

ii) Investment in associates

An associate is a company in which the Group has significant influence, but not control, as defined by IFRS 10: Consolidated financial statements. The consolidated financial statements include the Group's share of net assets of the associate on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. At Company level, associates are recognized at cost less impairment.

iii) Changes in ownership interest

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions; that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

iv) Common control transactions

Transactions in which combining entities are controlled by the same party or parties before and after the transaction, and that control is not transitory, are referred to as common control transactions.

2) Significant accounting policies (continued)

2.3 Interest income and expense recognition

There is currently no guidance under IFRS for the accounting treatment of such transactions and the Group has chosen to account for merger transactions that falls within the scope of IFRS 3 Business Combinations using the predecessor method.

Interest income and interest expense on interest bearing financial instruments is calculated by applying the effective interest rate to the gross carrying amount, except for:

a) Purchased or originated credit impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset; and

b) Financial assets that are not "POCI" but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e.net of the expected credit loss provision) in subsequent reporting periods.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees.

2.4. Fee and commission income

Fee and commission revenue, including transactional fees, account servicing fees, investment management fees and sales commissions are recognized as the performance obligations under the related services' contracts are met. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognized as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Performance-linked fees or fee components are recognized when the performance criteria are fulfilled.

2.5 Other income

Other revenue includes dividends received from subsidiaries and associate investments, fair value gains and losses on investment securities at fair value through profit or loss, dividends relating to those financial instruments, and re- measurement gains and losses from contingent consideration on disposals and purchases.

Dividends on equity instruments are recognized in the profit or loss when the Group's right to receive payment is established.

2) Significant accounting policies (continued)

2.6 Foreign currency translation

i) Functional and presentation currency

The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The financial statements are presented in Kenya Shilling which is the Group's and the Company's Functional and Presentation Currency. Except as indicated, financial information presented in Kenya Shillings has been rounded to the nearest thousand.

ii) Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency are translated into the respective functional currencies of the operations using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

iii) Translation of foreign operations

On consolidation, the results and financial position of the subsidiaries are translated into Kenya Shillings as follows:

- Assets and liabilities at each reporting period are translated at the closing rate at the reporting date; and
- Income and expenses for each statement of comprehensive income are translated at average exchange rates

2.7. Financial assets

a) Debt instruments

i) Recognition and subsequent measurement

The Group determines the appropriate classification of its financial assets at initial recognition. It recognises a financial asset in its statement of financial position when it becomes party to the contractual provisions of the instrument.

Financial assets (except those carried at fair value through profit or loss) are initially recognized in the financial statements at fair value plus transaction costs.

The Group classifies its financial assets into the following categories:

- Financial assets at fair value through profit or loss ("FVTPL");
- Financial assets measured at amortized cost; and
- Financial assets at fair value through other comprehensive income ("FVTOCI").

The Group's classification is based on the contractual cash flow characteristics of the asset and the business model for managing the financial assets.

2) Significant accounting policies (continued)

2.7 Financial assets (continued)

a) Debt instrument (continued)

i) Recognition and subsequent measurement (continued)

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss in the period in which it arises. Interest income and credit related income from these financial assets is included in "interest income" using the effective interest rate method.

Contractual characteristics of a financial asset / SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Group's business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how cash flows for these assets were collected, how the asset's performance is evaluated and reported by key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets is held by the Group as part of liquidity management and is generally classified with the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at FVPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. The changes are expected to be very infrequent and none occurred during the year.

2) Significant accounting policies (continued)

2.7 Financial assets (continued)

a) Debt instrument (continued)

ii) Modification of loans

The Group may sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

- Whether any substantial new terms are introduced, such as a profit share/equity based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change is interest rate; and
- Change in the currency of the loan - Insertion of collateral, other security or credit enhancement that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred.

Before renegotiation, the Group assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on de-recognition.

If the terms are not substantially different, the renegotiation or modification does not result in de-recognition, the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate of credit-adjusted effective interest rate for POCI financial assets.

iii) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass through" transfers that result in de-recognition if the Group:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from assets without material delays.

2) Significant accounting policies (continued)

2.7 Financial assets (continued)

a) Debt instrument (continued)

iii) Derecognition other than on a modification (continued)

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowings transactions are not derecognized because the Group retains substantially all the risks and rewards on the basis of predetermined repurchase price, and the criteria for de-recognition are therefore not met. This also applies to certain securitization transactions in which the Group retains a subordinated residual interest.

iv) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit loss ("ECL") associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Refer to Note 3.2 (b) for further details on how ECLs are determined, including some of the significant underpinning their computation.

b) Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets e.g. basic ordinary shares.

The Group measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are subsequently not reclassified to profit or loss, including on disposal. Impairment losses (and reversals of impairment losses) are not reported separately from other changes in fair values.

Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payment is established. Gains and losses on equity investments at FVPL are included in the "Other income" line in the statement of comprehensive income.

2) Significant accounting policies (continued)

2.8 Financial liabilities

i) Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss such as derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair values of the financial liability that is attributable to changes in the credit risk of that liability) and partially profit or loss (the remaining amount of change in the fair value of the liability);
- Financial liabilities arising from the transfer of financial assets which did not qualify for de-recognition, whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the Group recognizes any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments

The Group's holding in financial liabilities comprises mainly of borrowings, deposits from Banks and customers, balances due to group companies and other liabilities. Such financial liabilities are initially recognized at fair value, generally being their issue proceeds, net of directly attributable transaction costs incurred. They are subsequently measured at amortized cost and interest is recognized using the effective interest method.

Borrowing costs that relate to qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value, are capitalised. All other borrowing costs are recognized in profit or loss. Borrowing costs consist of interest and other costs that an entity incurred in connection with the borrowing of funds.

ii) Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of the debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities. Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognized in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument, other than for staff facilities. For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan to the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as provision.

iii) Derecognition of financial liabilities

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

2) Significant accounting policies (continued)

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle the asset and the liability on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

2.10 Property and equipment

Property and equipment are initially recorded at cost, and subsequently stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets.

Costs incurred in the process of acquiring or constructing an item of property and equipment are recognized as capital work in progress. Once acquisition or construction is complete and the item is ready for use, the carrying amount is transferred to the relevant property and equipment category. Depreciation commences when the item of property or equipment is put into use.

Depreciation is calculated on a straight-line basis at annual rates estimated to write off the cost of each asset to its residual value over its expected useful life as follows:

Buildings and improvements on leasehold land	- lesser of 40 years and the unexpired period of lease
Equipment, furniture and fittings	- 3 to 8 years
Motor vehicles	- 4 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Property and equipment are reviewed for impairment on an annual basis. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is immediately written down to its recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains or losses on disposal of property and equipment are determined by comparing proceeds with carrying amount and are taken into account in determining operating profit.

2.11 Intangible assets

i) Software

Intangible assets comprise acquired computer software license costs which are recognized on the basis of expenditure incurred to acquire and bring the specific software to use. These costs are amortized over estimated useful lives of three to ten years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. During development of these software products, direct costs such as the software development employee costs and an appropriate portion of relevant overheads are recorded as work in progress and amortized from the point at which the asset is ready for use.

2) Significant accounting policies (continued)

2.11 Intangible assets (continued)

i) Software (continued)

Computer software development costs recognized as assets are amortized over an estimated useful life of three to eight years. Costs associated with the maintenance of computer software are expensed as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

ii) Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquirer. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposals. Any impairment is recognized immediately as an expense and is not subsequently reversed.

iii) Other intangible assets

The Group's intangible assets other than goodwill include intangible assets arising out of business combinations. The cost of intangible assets in a business combination is their fair value at the date of transfer. Intangible assets transferred separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement.

The estimated useful lives of the intangible assets for the calculation of amortisation are as follows:

- Customer relationships - 4 years
- Core deposits - 1 years

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2) Significant accounting policies (continued)

2.13 Provisions and contingent liabilities

Provisions for legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognized because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognized but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

2.14 Employee benefits

i) Retirement benefit obligations

The Group operates defined contribution schemes, the assets of which are held in separate trustee-administered funds. The schemes are funded by contributions from both the Group and employees. The Group and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. The Group's contributions to the defined contribution schemes are charged to profit or loss in the year to which they relate.

ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

2.15 Income tax

i) Income tax charge

The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

ii) Current income tax

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

iii) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

2) Significant accounting policies (continued)

2.15 Income tax (continued)

iii) Deferred income tax

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Derivative financial instruments

A derivative is a financial instrument whose fair value changes in response to an underlying variable, requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors and is settled at a future date. Derivatives are initially recognized at fair value on the date on which the derivatives are entered into and subsequently re-measured at fair value.

All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative, subject to offsetting principles as described under the heading offsetting financial instruments.

Embedded derivatives on financial liabilities include hybrid instruments and are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The financial host contracts are accounted for and measured applying the rules of the relevant financial instrument category.

All gains and losses from changes in the fair values of derivatives are recognized immediately in profit or loss as trading income

2.17. Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are classified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in amounts due to other banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2.18. Leases

Lease accounting depend on whether the Group is the lessee or the lessor

i) The Group is the lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Group recognizes a right-of-use asset and a lease liability.

2) Significant accounting policies (continued)

2.18. Leases (continued)

i) The Group is the lessee (continued)

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Group is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. For leases that contain non-lease components, the company allocates the consideration payable to the lease and non-lease components based on their relative stand- alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortized cost, subject to re-measurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

All right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any re-measurement of the lease liabilities. Depreciation is calculated using the straight-line method to write-down the cost of each asset to its residual value over its estimated useful life. If the ownership of the underlying asset is expected to pass to the Group at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset if of low value, the total lease payments are recognized in profit or loss on a straight-line basis over the lease period. The above policy has been applied from January 2019.

ii) With the Group as lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method (before income tax expense), which reflects a constant periodic rate of return. Payments received under operating lease are charged to profit or loss on a straight-line basis over the period of the lease.

2.19 Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared.

Proposed dividends are appropriated from retained earnings into a separate component of equity until they are declared.

2.20 Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

2.21 Letters of credit, acceptances and guarantees

Letters of credit, acceptances and guarantees are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

2) Significant accounting policies (continued)

2.22 Fiduciary activities

The Group commonly acts as nominee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements as they do not belong to the Group.

2.23 Statutory loan loss reserve

Further to the credit loss allowances computed in line with international financial reporting standards, the Central Banks have, in their prudential guidelines, specified certain minimum loan loss provisions to be held against various categories of loans and advances. Where credit loss allowances computed in line with the Central Bank regulations exceed those computed on the same loan balances under International financial reporting standards, the excess is recognized as a regulatory loss reserve and is accounted for as an appropriation of retained earnings. The statutory loan loss reserve is non-distributable.

2.24 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment which is subject to risks and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or Group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision maker. All transactions between business segments are conducted on commercial terms basis with intra-segment revenue and costs being eliminated at Group level.

2.25 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary share shareholders and the weighted average number of ordinary shared outstanding for the effects of all dilutive potential shareholders if any.

2.26 Comparatives

Where necessary, comparative figures are restated to conform to changes in presentation in the reporting period.

3) Financial Risk Management

3.1 Risk management framework

The Group's activities expose it to a variety of financial risks, including credit risk and the risks of changes in debt and equity market prices, foreign currency exchange rates, liquidity risk and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. Risk management is carried out under policies approved by the board of directors. The board provides written principles for overall risk management as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and the investment of surplus funds

3) Financial risk management (continued)

3.1 Risk management framework (continued)

By their nature, the Group's activities are principally related to the use of financial instruments, including derivatives. The Group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on- balance sheet loans and advances; the Group also enters into guarantees and other commitments such as letters of credit and performance, and other bonds. The Group also trades in financial instruments where it takes positions in traded and over-the-counter instruments to take advantage of short-term market movements in bond prices and currency and interest rates. The board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Foreign exchange and interest rate exposures associated with derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

3.2 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty may be unable to pay amounts in full, when due. The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in respect of any borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a continuous basis and subject to annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved by the board of directors.

The exposure to any one borrower including banks is further restricted by sub-limits covering on and off balance sheet exposures and daily delivery risk limits in relation to trading items such as foreign exchange forward contracts. Actual exposures against set limits are monitored on a daily basis.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Impairment provisions are made for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration of the Group's portfolio, could result in losses that are different from those provided for at the reporting date. Directors therefore carefully manage the exposure to credit risk.

a) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances.

Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than loans and advances.

3.2 Credit risk (continued)

a) Credit related commitments (continued)

Commitments to extend credit represent un-utilized portions of authorized credit in the form of loans and advances, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss to the extent of the total un-utilized commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of risk than shorter- term commitments.

The amount that best represents the Group's maximum exposure to credit risk is the carrying value in the statement financial position. Loans and advances to customers are secured by collateral in the form of charges over land and buildings and/or plant and machinery or corporate guarantees and other collaterals accepted by the laws of the land. However, there are loans and advances to major corporations and individuals that are unsecured. In these cases, the Group undertakes stringent credit risk assessments before any disbursements are made.

The directors are confident in its ability to continue to control exposure of credit risk to the Group resulting from both its loan and advances portfolio and debt securities based on the following:

- The Group exercise stringent controls over the granting of new loans.
- 69% (2019: 73%) of the loans and advances portfolio are neither past due nor impaired.
- 96% (2019: 94%) of the debt securities are government securities.

b) Loans and advances

The Group aligns the classification criteria for assets that are past due or impaired in line with regulatory guidelines. In the determination of the classification of accounts, performance is the primary consideration. The classification of an account reflects a judgment about risks of default and loss associated with the credit facility. The classification process establishes a consistent approach to problem recognition, problem labeling, remedial action and the initiation of credit write-offs.

i) Expected credit loss measurement

IFRS 9 outlines a 'three-Stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- **Stage 1:**

  Assets that are performing. If credit risk is low as of the reporting date or the credit risk has not increased significantly since initial recognition, The Group recognises a loss allowance at an amount equal to 12-month expected credit losses. This amount of credit losses is intended to represent lifetime expected credit losses that will result if a default occurs in the 12 months after the reporting date, weighted by the probability of that default occurring.

- **Stage 2:**

  Assets that have significant increases in credit risk. In instances where credit risk has increased significantly since initial recognition, the Group measures a loss allowance at an amount equal to full lifetime expected credit losses. That is, the expected credit losses that result from all possible default events over the life of the financial instrument. For these debt instruments, interest income recognition will be based on the EIR multiplied by the gross carrying amount.

3) Financial risk management (continued)

3.2 Credit risk (continued)

i) Expected credit loss measurement (continued)

- **Stage 3**:

  For debt instruments that have both a significant increase in credit risk plus observable evidence of impairment i.e. have defaulted.

Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recorgnition

STAGE 1	STAGE 2	STAGE 3
(Initial recorgnition)	(Significant increase in credit risk since initial recorgnition)	(Credit-impaired assets)
12-months expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

ii) Significant Increase in credit risk (SICR)

The Group's decision on whether to recognize 12-month or lifetime expected credit losses depends on whether there has been a significant increase in credit risk since initial recognition. An assessment of whether credit risk has increased significantly is performed at each reporting date.

When making the assessment, the Group uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. This forms the basis of stage 1, 2 and 3 classification and subsequent migration.

The Group applies qualitative and quantitative criteria for stage classification and for its forward and backward credit risk migration.

<u>Quantitative Criteria</u>

The quantitative criteria is based on relative and not absolute changes in credit quality driven by counterparty ratings and days past due.

The Group considers that financial instruments for which default patterns are not concentrated at a specific point during the expected life of the financial instrument, changes in the risk of a default occurring over the next 12 months may be a reasonable approximation of the changes in the lifetime risk of a default occurring and could be used to determine whether credit risk has increased significantly since initial recognition.

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

The appropriateness of using changes in the risk of a default occurring over the next 12 months to determine whether lifetime expected credit losses should be recognized depends on the specific facts and circumstances. Risk of default occurring over the next 12 months is not a suitable basis for determining whether credit risk has increased on a financial instrument with a maturity of more than 12 months when:

- the financial instruments only have significant payment obligations beyond the next 12 months;
- changes in relevant macroeconomic or other credit-related factors occur that are not adequately reflected in the risk of a default occurring in the next 12 months; or
- changes in credit-related factors only have an impact on the credit risk of the financial instrument (or have a more pronounced effect) beyond 12 months.

The Group's quantitative credit grading, as compared to banking regulators' prudential guidelines credit grading is as per the table below:

IFRS 9 credit staging / grading	Regulator Guidelines	Days past due
Stage 1	Normal	Up to date and in line with contractual agreements or within 30 days' arrears
Stage 2	Watch	31 to 90 days overdue
Stage 3	Substandard	91 to 180 days overdue
	Doubtful	181 – 365 days overdue
	Loss	Over 365 overdue

Qualitative Criteria

In addition to the above, the Group considers other qualitative factors in determining the classification above, and may accelerate the classification of credit facilities where deemed appropriate. They include but not limited to:

- Significant changes in the terms of the same instrument if it were issued at the reporting date that indicate a change in credit risk since initial recognition, e.g.: increase in credit spread; more stringent covenants; increased amounts of collateral or guarantees; or higher income coverage.
- Significant changes in external market indicators of credit risk for the same financial instrument (or similar instrument of the borrower), e.g.: credit spread; credit default swap prices; length of time or the extent to which the fair value of a financial asset has been less than its amortized cost; other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments; or external credit rating (actual or expected).
- Changes in the Group's credit management approach in relation to the financial instrument (e.g. based on emerging indicators of changes in the credit risk of the financial instrument, the Group's credit risk management practice is expected to become more active or focused on managing the instrument, including the instrument becoming more closely monitored or controlled, or the Group specifically intervening with the borrower).

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

- Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations (e.g. increase in interest rates or unemployment rates); operating results of the borrower e.g. declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organizational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations; or regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations (e.g. a decline in the demand for the borrower's sales product because of a shift in technology).

- Significant changes in the value of collateral or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to pay or otherwise affect the probability of default; or quality of a guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) have an incentive and financial ability to prevent default by capital or cash infusion.

- Expected changes in the loan documentation (e.g. breach of contract leading to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees).

- Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group (e.g. increase in delayed contractual payments or number of credit card borrowers expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount)

<u>COVID-19 Impact to Significant Increase in Credit Risk (SICR)</u>

Although COVID-19 has had a negative impact on the economies in which the group operates, in isolation COVID-19 initially reflected a liquidity constraint more than an inherent increase in credit risk for the entire portfolio of advances held by the group. As such the group did not impose a blanket downgrade on all ECL stages.

A more systematic and targeted approach to the impact of COVID-19 on the group's customer base was undertaken, following the group's existing credit framework, which allowed for well-balanced and consistent decision-making that considered not only the impact of COVID-19, but existing economic trends as well. As such, the group did not view requests for payment deferrals and liquidity assistance as the sole indicator that SICR had occurred for performing advances.

IFRS 9 contains a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. This means that where payments are 30 days past due, the financial asset needs to migrate from stage 1 to stage 2. Instead of rebutting this presumption, the group views that where the customer and the group have agreed to a deferral of payment for a specified period, that such an extension will not trigger the counting of days past due.

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

In accordance with IFRS 9, all exposures are assessed to determine whether there has been a significant increase in credit risk at each reporting date (monthly), in which case the expected credit loss is calculated on a lifetime basis. SICR triggers are determined based on client behaviour, client internal group rating or risk score, as well as judgemental factors which may result in the client being added to the watch list through the group's ongoing risk management process. These triggers are determined at a deal and client level and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk. Additional judgmental triggers, such as belonging to an industry in distress, are considered in the context of the financial impact of COVID-19. These levels are monitored and validated on a continuous basis.

The group offered financial relief through various mechanisms in response to COVID- 19. These included the following:

- additional facilities or new loans being granted;
- restructure of existing exposures with no change in the present value of the estimated future cash flows; and
- restructure of existing exposures with a change in the present value of the estimated future cash flows.

Prior to COVID-19 relief being granted, the customer was assessed against eligibility for relief criteria. In doing so, the group was able to identify customers who were in good standing but were facing financial distress due to the impact of COVID-19 directly or indirectly. The COVID-19 relief provided to these customers were deemed to be temporary in nature and as such qualifed as a non- distressed restructure. The staging of the exposure as at 31 March 2020 was maintained, and adjustments were made to coverage to allow for incremental credit risk and potential masking of normal arrears. Where the relief was expected to be permanent in nature, the exposure was treated as a distressed restructure and staging and coverage were adjusted in line with the group's normal practice.

The ECL for all exposures on which relief has been offered and for all emergency facilities has been adjusted to reflect the impact of forward-looking macroeconomic information in line with the rest of the portfolio.

iii) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent or becoming probable that the borrower will enter bankruptcy
- The borrower is in breach of financial covenants
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

The above criteria have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

iv) Measuring expected credit loss – inputs, assumptions and estimation techniques

"ECL" is defined as the amount on a probability-weighted basis as the difference between the cash flows that are due to the Group in accordance with the contractual terms of a financial instrument and the cash flows that the Group expects to receive.

ECL is formula driven, i.e. ECL= PD x LGD x EAD (discounted using the EIR)

ECLs are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

iv) Measuring expected credit loss – inputs, assumptions and estimation techniques (continued)

LGD represents the Group's expectations of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is calculated on a 12-month or lifetime basis, where 12month LGD is the percentage of loss expected to be made if the default occurs over the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans.

The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and a credit grade. This is supported by a historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

- For amortizing products or bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayments/refinance assumptions are also incorporated.

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

- For revolving products, the exposure at default is predicted by taking the current drawn-down balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

- The 12-month and lifetime LGDs are determined based on the factors which impact the recoverable amount post default. These vary by product type:
- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and prices.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by the industry segmentation.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change – are monitored and reviewed on an annual basis.

v) Grouping of instruments for losses measured on a collective basis

For expected credit losses provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. In performing this grouping, there must be sufficient information for the group to be statistically credible. In concluding on how to group its exposures, the Group considered its approach to credit risk management and how aspects such as regulatory compliance and internal concentration limits are managed. As such, the Group grouped its loans and advances at amortized cost based on industries such as Agriculture, Business Services, Mining and Quarrying, Manufacturing, Individuals, Building and construction, Tourism, Transport and Communication among others. The appropriateness of groupings is monitored and reviewed on a periodic basis.

In the year, there were some exposures deemed to be individually significant to merit individual assessment, other than those in Stage 3. These were assessed individually.

vi) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses, segmented by portfolio and country. These economic variables and their associated impact on PD, EAD and LGD vary by industry/portfolio segmentation and in different countries.

Forecasts of the base economic scenario and the possible bearish and bullish scenarios along with scenario weightings are prepared by an expert economic team. The impact of these economic variables on the PD, EAD and LGD is determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

As with any economic forecasts, the projections and likelihoods of occurrence are subject to an inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearity's and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible outcomes.

The key macro-economic factors that were evaluated by the Group and deemed to be most correlated to the historical and forecasted default statistics include interest and foreign exchange rates, Inflation, GDP growth and population statistics for different countries.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have been considered, but are not deemed to have a material impact on therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness annually.

vii) Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery methods foreclosing on collateral and the value of the collateral are such that there is no reasonable expectations of recovering in full.

Although the Group may write-off financial assets that are still subject to enforcement activity, it still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of recovering in full.

viii) Restructured/renegotiated facilities

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

3) Financial risk management (continued)

3.2 Credit risk (continued)

b) Loans and advances (continued)

The breakdown of loans and advances based on their staging is summarised below:

Loans and advances at amortized cost less than 30 days past due date are not considered to have experienced SICR, unless other information is available to indicate the contrary.

The breakdown of loans and advances based on their staging is summarised below:

Group	2020 Shs'000	2019 Shs'000
Gross loans and advances		
Stage 1	189,706,749	200,817,720
Stage 2	51,513,060	38,687,882
Stage 3	32,109,411	26,961,516
Total gross loans advanced	**273,329,220**	**266,467,118**
Impairment allowances		
Stage 1	1,945,249	2,267,432
Stage 2	11,972,801	8,074,864
Stage 3	17,026,656	12,114,762
Impairment allowances	**30,944,706**	**22,457,058**
Fair-value		
Loan notes at FVTPL	5,011,663	4,875,258
Net loans and advances	**247,396,177**	**248,885,318**
Coverage ratio of the individually impaired	53%	45%

Included in loans and advances above are loan notes valued at Shs 5.0 billion (2019: Shs 4.9 billion) which were held at fair value through profit or loss. All other loans and advances are classified at amortized cost.

Staging of loans and advances

- Portfolio management is an integral part of the credit risk management process that enables the Group to limit concentrations, reduce volatility, increase liquidity and achieve optimum earnings. The responsibility for portfolio management lies primarily with business units, with oversight and review by credit risk management while the Board Credit Committee is responsible for credit approvals. The Group's portfolio management plan entails:
- The setting up of portfolio targets and concentrations.
- Establishing target market risk acceptance criteria and key success factors. These are subject to regular review to ensure their continued appropriateness.
- Monitoring the portfolio risk profile, risk-adjusted returns, risk concentrations, economic market and competitive data.
- Identifying and analysing trends and concentrations that could affect the risk and performance of the portfolio.
- Stress testing of the portfolio for the purpose of measuring potential losses.

3) Financial risk management (continued)

3.2 Credit risk (continued)

c) Other non-loan financial assets

ECL on non-loan financial assets such is measured as follows:

- Use of external credit ratings as proxies to infer approximate PDs;
- Assumes 100% LGDs;
- Assigns equal 'loss' and 'no loss' scenarios based on expert judgment; and
- EADs are estimated based on the expected maturities of the instruments, most of which are less than 12 months.

The other financial assets mainly relate to government securities balances held with Central Banks and other financial institutions that are highly rated and therefore considered low risk. None of these were past due or impaired except for a balance of Shs 4.1 million (2019: Shs 4.1 million).

Group

The summarised information on other financial instrument is tabulated below:

	2020			2019		
	Balance	**Stage**	**ECL**	**Balance**	**Stage**	**ECL**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Balances with the central banks	26,031,963	1	14,748	26,361,254	1	17,677
Items in the course of collection	348,662	1	-	534,806	1	-
Due from banking institutions	41,677,297	1	12,938	25,570,030	1	13,706
Investment securities	6,297,440	1	-	8,395,718	1	-
Government securities	158,182,019	1	58,047	137,039,426	1	58,047
Other receivables - Performing	11,062,626	1	4,090	10,119,354	1	4,090
Gross maximum exposure	**243,600,007**		**89,823**	**208,020,588**		**93,520**

3) Financial risk management (continued)

3.2 Credit risk (continued)

d) Gross maximum exposure

The following table breaks down gross maximum credit exposure at carrying amounts (without taking into account any collateral held or other credit support).

Group

	2020	2019
	Shs'000	Shs'000
Balances with central banks	26,031,963	26,361,254
Due from banking institutions	41,677,297	25,570,030
Items in the course of collection	348,662	534,806
Government securities	158,182,019	137,039,426
Investment securities	6,297,440	8,395,718
Derivatives	88,835	80,164
Customer loans and advances	247,506,956	248,885,318
Other receivables (financial)	11,062,626	9,584,548
	491,195,798	**456,451,264**
Credit risk exposures relating to off-balance seet items are as follows:		
Letters of credit	28,504,538	15,703,693
Acceptances	152,650	9,185,956
Guarantees	31,397,010	31,142,317
	60,054,198	**56,031,966**
Total credit risk exposure	**551,249,996**	**512,483,230**

Company

The company's credit exposure relates to balances due from group companies and other assets. These are classified under stage 1 and no provisions for ECL have been made. The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

	2020			2019		
	Balance	Stage	ECL	Balance	Stage	ECL
Credit exposure	**Sh '000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Due to group companies	248,122	1	-	519,697	1	-

3) Financial risk management (continued)

3.2 Credit risk (continued)

e) Concentrations of risk

Portfolio management is an integral part of the credit risk management process that enables the Group to limit concentrations, reduce volatility, increase liquidity and achieve optimum earnings. The responsibility for portfolio management lies primarily with business units, with oversight and review by credit risk management while the Board Credit Committee is responsible for credit approvals. The Group's portfolio management plan entails:

- The setting up of portfolio targets and concentrations;
- Establishing target market risk acceptance criteria and key success factors. These are subject to regular review to ensure their continued appropriateness;
- Monitoring the portfolio risk profile, risk-adjusted returns, risk concentrations, economic market and competitive data;
- Identifying and analyzing trends and concentrations that could affect the risk and performance of the portfolio; and
- Stress testing of the portfolio for the purpose of measuring potential losses.

To avoid excessive concentration in any one of several industrial sectors and, by extension, the overall safety of the Group, the lending portfolio is monitored and managed at all times. Equally, care is taken to avoid over-exposure to any one borrower. There are restrictions to the maximum exposure permitted with respect to any one name based on capital and these restrictions which are strictly adhered to, are laid down by regulation. Any changes made to the portfolio management plan are subject to the approval of the Board of Directors.

The economic sector risk concentrations within the customer loans and advances portfolios at the end of the year were as follows:

Group	2020	2019
	%	%
Manufacturing	23	18
Private individuals	19	22
Government bodies and parastatals	6	5
Transport and communications	15	10
Wholesale, retail trade and hotels	17	17
Agricultural	1	4
Insurance and business services	7	6
Building, construction and real estate	10	8
Other	2	10
	100	**100**

3) Financial risk management (continued)

3.2 Credit risk (continued)

f) Collateral management

The Group uses a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The acceptability of collateral for credit risk mitigation is guided by the Group's procedures and policies. The main types of collateral taken are:

Type of lending	Common collateral type
Mortgage lending	First ranking legal charge over the property financed.
Commercial loans	Debentures over the Company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and Company guarantees.
Personal loans	Checkoffs and cash backed
Asset finance	Secured by motor vehicles and chattel registrations
Other loans and advances	Debentures over the Company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and Company guarantees.

Repossession of collateral

In the normal credit management process, the Group may repossess collateral. The Group's policy is to dispose of repossessed collateral in the open market, at fair market value. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use. There was no material repossessed collateral held by the Group at year end.

Valuation of collateral

The Group has a panel of valuers who undertake valuation of property and other assets to be used as Collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. Valuation of collateral are performed between 3 to 5 year intervals.

Financial effect of collateral

As at 31 December 2020 the Group held collateral amounting to 48% (2019: 55%) of the value of impaired loans.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

3) Financial risk management (continued)

3.3 Currency risk

The group takes deposits and lend in currencies other than the local currency and are therefore exposed to effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows. The board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are both monitored daily. The company's currency position and exposure is managed within the exposure guidelines relating to core capital stipulated by regulation. The group's significant currency positions were:

Group

At 31 December 2020	KES Shs'000	USD Shs'000	GBP Shs'000	EUR Shs'000	Other Shs'000	Total Shs'000
Assets						
Cash in hand	6,754,969	899,673	99,593	293,603	446,717	**8,494,555**
Central banks balances	20,680,202	2,315,744	751,982	716,010	1,553,278	**26,017,216**
Government securities	148,382,989	4,027,524	-	-	5,771,506	**158,182,019**
Due from banking institutions	434,685	27,681,131	5,475,162	6,735,248	1,338,133	**41,664,359**
Investment securities	6,017,970	1,004,127	-	-	38,198	**7,060,295**
Customer loans and advances	146,421,903	87,005,612	355,107	2,528,766	11,084,789	**247,396,177**
Other Assets	37,208,499	825,995	1,352	342	1,017,572	**39,053,760**
Total assets	**365,901,217**	**123,759,806**	**6,683,196**	**10,273,969**	**21,250,193**	**527,868,381**
Liabilities						
Customer deposits	282,948,905	104,815,661	6,477,996	13,647,633	13,614,259	**421,504,454**
Due to banking institutions	1,959,074	3,370,325	29,069	242,574	702,301	**6,303,343**
Other liabilities	12,590,203	634,950	33,222	9,164	925,274	**14,192,813**
Borrowings	-	12,282,176	-	-	1,037,298	**13,319,474**
Total liabilities	**297,498,182**	**121,103,112**	**6,540,287**	**13,899,371**	**16,279,132**	**455,320,084**
Net on-balance sheet position	**68,403,035**	**2,656,694**	**142,909**	**(3,625,402)**	**4,971,061**	**72,548,297**

3) Financial risk management (continued)

3.3 Currency risk (continued)

Group	KES	USD	GBP	EUR	Other	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 31 December 2019						
Assets						
Cash in hand	7,700,052	1,467,406	74,047	146,913	1,463,311	**10,851,729**
Central banks balances	22,779,228	1,879,604	171,016	127,864	1,385,865	**26,343,577**
Government securities	125,879,682	3,070,320	-	-	8,089,424	**137,039,426**
Due from banking institutions	2,046,089	14,289,179	4,778,201	2,642,785	1,800,070	**25,556,324**
Investment securities	8,538,149	929,894	-	-	23,867	**9,491,910**
Customer loans and advances	138,458,564	94,834,104	312,108	2,616,554	12,663,988	**248,885,318**
Other assets	36,155,046	140,718	3,715	22,529	227,124	**36,549,132**
Total assets	**341,556,810**	**116,611,225**	**5,339,087**	**5,556,645**	**25,653,649**	**494,717,416**
Liabilities						
Customer deposits	258,005,011	92,735,642	6,544,017	7,854,911	13,097,462	**378,237,043**
Due to banking institutions	1,558,647	4,965,427	2,455,954	270,859	1,642,023	**10,892,910**
Other liabilities	13,148,462	824,707	5,213	5,588	2,262,423	**16,246,393**
Borrowings	7,039,231	14,036,534	-	1,005,480	-	**22,081,245**
Total liabilities	**279,751,351**	**112,562,310**	**9,005,184**	**9,136,838**	**17,001,908**	**427,457,591**
Net on-balance sheet position	**61,805,459**	**4,048,915**	**(3,666,097)**	**(3,580,193)**	**8,651,741**	**67,259,825**

** The local currency position presented above has no foreign currency exposure implications on the group.

Company

Currency risk arises on financial instruments denominated in foreign currency. The Company assets and liabilities are denominated in local currency hence no foreign currency exposure.

3) Financial risk management (continued)

3.4 Interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations in prevailing levels of market interest rates on both fair values and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Assets and Liabilities Committee closely monitors interest rate trends to minimize the potential adverse impact of rate changes. The table below summarizes the Group's exposure to interest rate risks. Included in the table are assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The Group does not bear any interest rate risk on off-balance sheet items. Customer loans and advances and floating rate financial instruments reprice in response to changes in market interest rates.

Group

As At 31 December 2020	Up to 1 month Shs'000	1 to 3 months Shs'000	3 to 12 months Shs'000	1 to 5 years Shs'000	Over 5 years Shs '000	Non - interest bearing Shs'000	Total Shs'000
Assets							
Cash in hand	-	-	-	-	-	8,494,555	**8,494,555**
Central bank balances	-	-	-	-	-	26,017,215	**26,017,215**
Government securities	3,617,953	14,925,365	39,129,907	20,077,123	80,431,671	-	**158,182,019**
Due from banking institutions	40,765,279	899,080	-	-	-	-	**41,664,359**
Investment securities	5,585,708	-	-	-	-	1,474,587	**7,060,295**
Customer loans and advances	247,396,177	-	-	-	-	-	**247,396,177**
Other assets	-	-	-	-	-	39,053,761	**39,053,761**
Total assets	**297,365,117**	**15,824,445**	**39,129,907**	**20,077,123**	**80,431,671**	**75,040,118**	**527,868,381**
Liabilities							
Customer deposits	74,404,049	75,585,576	111,496,498	4,364,070	1,214,166	154,440,095	**421,504,454**
Due to banking institutions	1,536,923	4,758,216	8,204	-	-	-	**6,303,343**
Lease liability	-	-	3,778,787	-	-	-	**3,778,787**
Other liabilities	-	-	-	-	-	10,414,026	**10,414,026**
Borrowings	-	6,652,702	6,666,772	-	-	-	**13,319,474**
Total liabilities	**75,940,972**	**86,996,494**	**121,950,261**	**4,364,070**	**1,214,166**	**164,854,121**	**455,320,084**
Interest sensitivity gap	**221,424,145**	**(71,172,049)**	**(82,820,354)**	**15,713,053**	**79,217,505**	**(89,814,003)**	**72,548,297**

3) Financial risk management (continued)

3.4 Interest risk (Continued)

Group

As At 31 December 2019	Up to 1 month Shs'000	1 to 3 months Shs'000	3 to 12 months Shs'000	1 to 5 years Shs'000	Over 5 years Shs '000	Non - interest bearing Shs'000	Total Shs'000
Assets							
Cash in hand	-	-	-	-	-	10,851,729	**10,851,729**
Central bank balances	-	-	-	-	-	26,343,577	**26,343,577**
Government securities	494,256	8,359,990	25,720,936	45,166,083	57,298,161	-	**137,039,426**
Due from banking institutions	25,556,324	-	-	-	-	-	**25,556,324**
Investment securities	8,507,747	-	-	-	-	984,163	**9,491,910**
Customer loans and advances	248,885,318	-	-	-	-	-	**248,885,318**
Other assets	-	-	-	-	-	36,549,132	**36,549,132**
Total assets	**283,443,645**	**8,359,990**	**25,720,936**	**45,166,083**	**57,298,161**	**74,728,601**	**494,717,416**
Liabilities							
Customer deposits	76,923,907	104,774,036	60,511,941	808,775	1,289,090	133,929,294	**378,237,043**
Due to banking institutions	10,496,584	396,326	-	-	-	-	**10,892,910**
Lease liability	-	-	4,665,429	-	-	-	**4,665,429**
Other liabilities	-	-		-	-	11,580,964	**11,580,964**
Borrowings	-	6,740,104	15,341,141	-	-	-	**22,081,245**
Total liabilities	**87,420,491**	**111,910,466**	**80,518,511**	**808,775**	**1,289,090**	**145,510,258**	**427,457,591**
Interest sensitivity gap	**196,023,154**	**(103,550,476)**	**(54,797,575)**	**44,357,308**	**56,009,071**	**(70,781,657)**	**67,259,825**

Company

The Company did not have other interest earning assets or interest-bearing liabilities. The company exposure to interest rate risk is therefore nil.

3) Financial risk management (continued)

3.5 Liquidity risk

The Group is exposed to daily calls on its available cash resources arising from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The maturity of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group. The Assets and Liabilities Committees of the Group's banking subsidiaries, review the maturity profile of liabilities on a weekly basis and ensures that sufficient liquidity is maintained to meet maturing deposit obligations. The Group fully complies with regulatory minimum cash and liquidity ratio requirements. The following tables analyze assets and liabilities of the Group into relevant maturity groupings based on the remaining period to contractual maturity date as at the reporting date.

3) Financial risk management (continued)

3.5 Liquidity risk (continued)

Group

At 31 December 2020	Up to 1 month Shs'000	1 to 3 months Shs'000	3 to 12 months Shs'000	1 to 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
Assets						
Cash in hand	8,494,555	-	-	-	-	8,494,555
Central banks balances	25,986,250	-	30,965	-	-	26,017,215
Government securities	3,647,759	15,153,690	42,846,595	25,082,901	123,473,260	210,204,205
Due from banking institutions	41,680,135	902,140	-	-	-	42,582,275
Investment securities	5,792,384	1,114,078	115,635	-	38,198	7,060,295
Customer loans and advances	50,864,084	11,188,006	36,739,713	109,986,556	104,596,703	313,375,062
Other financial assets	9,122,902	-	-	-	-	9,122,902
Total financial assets	**145,588,069**	**28,357,914**	**79,732,908**	**135,069,457**	**228,108,161**	**616,856,509**
Liabilities						
Customer deposits	226,521,662	76,151,894	114,755,096	7,690,087	1,462,732	426,581,471
Due to banking institutions	3,555,935	4,742,707	243,839	-	-	8,542,481
Other liabilities	38,297	117,353	329,359	3,130,242	626,048	4,241,299
Lease liability	10,414,026	-	-	-	-	10,414,026
Borrowings	2,489,548	323,631	5,519,726	5,273,670	231,026	13,837,601
Total financial liabilities	**243,019,468**	**81,335,585**	**120,848,020**	**16,093,999**	**2,319,806**	**463,616,878**
Net on- balance sheet liquidity gap	**(97,431,399)**	**(52,977,671)**	**(41,115,112)**	**118,975,458**	**225,788,355**	**153,239,631**
Un-recognised financial instruments						
Letters of credit, acceptances and Guarantees	(7,406,557)	(16,063,304)	(20,838,922)	(12,001,899)	(1,667,585)	(57,978,267)
Irrevocable un-utilised facilities	(6,872,519)	-	-	-	-	(6,872,519)
Total off-balance sheet notional position	**(14,279,076)**	**(16,063,304)**	**(20,838,922)**	**(12,001,899)**	**(1,667,585)**	**(64,850,786)**
Total on and off-balance sheet net liquidity gap	**(111,710,475)**	**(69,040,975)**	**(61,954,034)**	**106,973,559**	**224,120,770**	**88,388,845**

3) Financial risk management (continued)

3.5 Liquidity risk (continued)

Group

As At 31 December 2019	Up to 1 month Shs'000	1 to 3 months Shs'000	3 to 12 months Shs'000	1 to 5 years Shs'000	Over 5 years Shs'000	Total Shs'000
Assets						
Cash in hand	10,851,729	-	-	-	-	10,851,729
Central banks balances	27,218,655	-	-	-	-	27,218,655
Government securities	277,535	7,855,458	27,234,989	59,788,918	87,974,273	183,131,173
Due from banking institutions	23,517,006	304,410	206,821	80,908	357,175	24,466,320
Investment securities	6,095,332	1,080,000	-	2,468,259	776,787	10,420,378
Customer loans and advances	89,269,977	10,497,595	23,062,203	118,173,076	88,513,024	329,515,875
Other financial assets	36,534,384	-	-	-	-	36,534,384
Total financial assets	**193,764,618**	**19,737,463**	**50,504,013**	**180,511,161**	**177,621,259**	**622,138,514**
Liabilities						
Customer deposits	208,273,935	106,517,930	65,127,895	1,362,187	6,827,574	388,109,521
Due to banking institutions	11,628,869	397,900	-	-	13,027	12,039,796
Other liabilities	61,320	187,902	527,360	3,707,792	741,558	5,225,932
Lease liability	11,580,964			-	-	11,580,964
Borrowings	1,005,479	-	10,136,051	14,797,591	781,472	26,720,593
Total financial liabilities	**232,550,567**	**107,103,732**	**75,791,306**	**19,867,570**	**8,363,631**	**443,676,806**
Net on- balance sheet liquidity gap	**(38,785,949)**	**(87,366,269)**	**(25,287,293)**	**160,643,591**	**169,257,628**	**178,461,708**
Un-recognised financial instruments						
Letters of credit, acceptances and Guarantees	(11,777,339)	(7,399,296)	(25,023,580)	(11,252,715)	(579,036)	(56,031,966)
Irrevocable un-utilised facilities	(20,464,567)	31,187	-	12,276	-	(20,421,104)
Total off-balance sheet notional position	**(32,241,906)**	**(7,368,109)**	**(25,023,580)**	**(11,240,439)**	**(579,036)**	**(76,453,070)**
Total on and off-balance sheet net liquidity gap	**(71,027,855)**	**(94,734,378)**	**(50,310,873)**	**149,403,152**	**168,678,592**	**102,008,638**

3) Financial risk management (continued)

3.5 Liquidity risk (continued)

Company

At 31 December 2020	Up to 1 month Shs'000	1 to 12 months Shs'000	Over 1 year Shs'000	Total Shs'000
Assets				
Due from group companies	-	248,122	-	248,122
Liabilities				
Due to Group companies	-	3,390,007	6,780,016	10,170,023
Other liabilities	78,379	21,264	-	99,643
Unclaimed dividends	33,392	-	-	33,392
Total financial liabilities	**111,771**	**3,411,271**	**6,780,016**	**10,303,058**
Net on- balance sheet liquidity gap	**(111,771)**	**(3,163,149)**	**(6,780,016)**	**(10,054,936)**
At 31 December 2019				
Assets				
Due from group companies	-	519,697	-	519,697
Liabilities				
Other liabilities	119,921	-	-	119,921
Current income tax	-	5,623	-	5,623
Unclaimed dividends	37,819	-	-	37,819
Total financial liabilities	**157,740**	**5,623**	**-**	**163,363**
Net on- balance sheet liquidity gap	**(157,740)**	**514,074**	**-**	**356,334**

3) Financial risk management (continued)

3.6 Financial instruments subject to offsetting, enforceable master netting arrangements or similar agreements

IAS 32 Financial Instruments: Presentation (IAS 32) requires financial assets and financial liabilities to be offset and the net amount presented in the statement of financial position when, and only when, the Group has a current legally enforceable right to set off recognized amounts, as well as the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group holds master netting agreements for derivative instruments only and has no further netting agreements on other financial instruments. The gross amount of derivative instruments subject to offsetting at 31 December 2020 were below 1% (2019: <1%) of Group total assets and have been measured at fair value in the statement of financial position. No netting has been applied

3.7 Market risk sensitivity analysis

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control risk exposures within acceptable limits, while optimizing return. Overall responsibility for the management of market risk rests with the Assets and Liabilities Committees of the banking subsidiaries of the Group. The Group's Global Markets and Risk divisions are responsible for the development of detailed risk management policies.

The Group is exposed to risks associated with the effects of fluctuations in prevailing levels of market interest. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. At 31 December 2020, the effect of a 100 basis points change in net interest margin would have resulted in an increase or decrease of Shs 1,661 million (2019 - Shs 1,427 million) on the profit after income tax expense.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investment in foreign operations. Foreign exchange risk arising from future commercial transactions and recognized assets and liabilities are managed through use of forward contracts. Currency exposure arising from the net assets of foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31 December 2019, if the functional currencies in the economic environment in which the Group operates i.e. the Kenya Shilling had weakened or strengthened by 10% against the world's major currencies, with all other variables held constant, consolidated profit before income tax expense would have been higher or lower as depicted in below table.

	2020 Shs'000	2019 Shs'000
10% depreciation/appreciation		
USD	68,403	61,805
GBP	2,656	4,049
EUR	143	3,666
Total	**71,202**	**69,520**

3) Financial risk management (continued)

3.8 Fair value hierarchy

Financial instruments measured at fair value

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1 above.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

IFRS 7 requires the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation technique based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Valuation technique based on inputs for the asset or liability that are not observable market data (that is, unobservable inputs).

The following tables present assets that are measured at fair value at year end.

Group	Level 1	Level 2	Level 3	Total
At 31 December 2020	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Financial assets at fair value through profit or loss				
Equity securities – listed (note 23)	762,855	-	-	762,855
Loan notes	-	-	5,011,663	5,011,663
Derivative assets	-		88,835	88,835
Unit trusts and other investment securities (note 23)	126,219	-	-	126,219
Financial assets at FVOCI				
Fixed rate Treasury bonds – (note 22)	-	64,357,291	-	64,357,291
Total assets	**889,074**	**64,357,291**	**5,100,498**	**70,346,863**
At 31 December 2019				
Financial assets at fair value through profit or loss				
Equity securities – listed (note 23)	708,122	-	-	708,122
Loan notes	-	-	4,875,258	4,875,258
Derivative assets	-		80,164	80,164
Unit trusts and other investment securities (note 23)	68,665	-	-	68,665
Financial assets at FVOCI				
Fixed rate Treasury bonds – (note 22)	-	51,690,279	-	51,690,279
Total assets	**776,787**	**51,690,279**	**4,955,422**	**57,422,488**

3) Financial risk management (continued)

3.8 Fair value hierarchy (continued)

Company

The Company does not have assets that are measured at fair value.

Financial instruments not measured at fair value

i) Cash and balances with central banks

The carrying amount of cash and balances with central banks are reasonable approximation of fair value.

ii) Government securities

Government securities at amortized costs are non-derivative financial assets with fixed or determinable payments and fixed maturities that the directors have the positive intention and ability to hold to maturity. They are initially recognized at fair value and measured subsequently at amortized cost, using the effective interest met

iii) Due to banking institutions

Balances due from banking institutions include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight advances is a reasonable approximation of fair value.

iv) Customer loans and advances

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The fair value hierarchy for financial assets not measured at fair value is as shown in the table below:

Group	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Fair value Shs'000	Carrying value Shs'000
At 31 December 2020					
Assets					
Cash and balances with CBK	-	-	34,511,770	34,511,770	34,511,770
Items in course of collection	-	-	348,662	348,662	348,662
Loans and advances to Customers	-	-	247,506,956	247,506,956	247,506,956
Balances due from banking institutions	-	-	41,664,359	41,664,359	41,664,359
Government securities – Amortised cost	-	94,971,267	-	94,971,267	93,459,504
Investment securities	-	-	7,060,295	7,060,295	7,060,295
Other assets	-	-	10,934,570	10,934,570	10,934,570
Total	**-**	**94,971,267**	**342,026,612**	**436,997,879**	**435,486,116**
Liabilities					
Customer deposits	-	-	421,504,454	421,504,454	421,504,454
Due to banking institutions	-	-	6,303,343	6,303,343	6,303,343
Borrowings	-	-	13,319,474	13,319,474	13,319,474
Other Liabilities	-	-	10,350,971	10,350,971	10,350,971
Total	**-**	**-**	**451,478,242**	**451,478,242**	**451,478,242**

3) Financial risk management (continued)

3.8 Fair value hierarchy (continued)

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Fair value Shs'000	Carrying value Shs'000
At 31 December 2019					
Assets					
Cash and balances with Central banks	-	-	37,195,306	37,195,306	37,195,306
Items in course of collection	-	-	534,806	534,806	534,806
Loans and advances to Customers	-	-	248,885,318	248,885,318	248,885,318
Balances due from banking institutions	-	-	25,556,332	25,556,332	25,556,324
Government securities – Amortised cost	-	85,873,464	-	85,873,464	85,317,192
Investment securities	-	-	9,461,872	9,461,872	9,491,910
Other assets	-	-	9,584,548	9,584,548	9,584,548
Total	**-**	**85,873,464**	**331,218,182**	**417,091,646**	**416,565,404**
Customer deposits	-	-	378,832,124	378,832,124	378,237,043
Due to banking institutions	-	-	10,893,062	10,893,062	10,892,910
Borrowings	-	-	21,754,767	21,754,767	21,754,767
Other Liabilities	-	-	11,508,778	11,508,778	11,508,778
Total	**-**	**-**	**422,988,731**	**422,988,731**	**422,393,498**

	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Fair value Shs'000	Carrying value Shs'000
Company					
At 31 December 2020					
Assets					
Due from group companies	-	-	248,122	248,122	248,122
Liabilities					
Due to group companies	-	-	8,030,783	8,030,783	8,030,783
Other liabilities	-	-	99,642	99,642	99,642
Unclaimed dividends	-	-	33,392	33,392	33,392
Total	**-**	**-**	**8,163,817**	**8,163,817**	**8,163,817**
At 31 December 2019					
Assets					
Due from group companies	-	-	519,697	519,697	519,697
Liabilities					
Other liabilities	-	-	119,921	119,921	119,921
Unclaimed dividends	-	-	37,819	37,819	37,819
Total	**-**	**-**	**157,740**	**157,740**	**157,740**

4. Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are to comply with the capital requirements set by the regulators and safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders as well as maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital for the banking subsidiaries are monitored regularly by the directors, employing techniques based on guidelines developed by the Basel Committee, as implemented by the regulatory authorities for supervisory purposes. Returns on capital adequacy are filed with the regulators on a regular basis.

The level of capital is reviewed on an annual basis and is determined principally by the level of business growth realised during the period. This informs the directors' decision on dividend payout while ensuring stability and sustainability of business.

In Kenya, the Central Bank (CBK) requires each banking institution to:

- hold a minimum level of regulatory capital of Shs 1 billion;
- maintain a ratio of core capital to the risk-weighted assets at a minimum of 10.5%;
- maintain a ratio of core capital to total deposit liabilities at a minimum of 8%; and
- maintain a ratio of total capital to risk-weighted assets at a minimum of 14.5%.

During the year under review, the Group maintained capital adequacy ratios at levels above the stipulated minimum regulatory benchmarks. In line with Basel and local regulatory guidelines, total capital is divided into two tiers as follows:

- Tier 1 capital (core capital): comprises share capital, share premium and retained earnings.
- Tier 2 capital (supplementary capital): comprises 25% (subject to regulatory approval) of property revaluation reserves, statutory credit risk reserve, subordinated debt not exceeding 50% of tier I capital and hybrid capital instruments. Qualifying tier II capital is limited to 100% of tier I capital.
- Statutory credit risk reserve qualifying as tier II capital cannot exceed 1.25% of risk weighted assets total value.

Risk weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of (and reflecting an estimate of the credit risk associated with) each asset and counterparty. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

4. Capital management (continued)

The table below summarizes the composition of regulatory capital and capital adequacy ratios of the Group's Banking subsidiaries as at 31 December 2020.

As at 31 Dec 2020	Kenya Shs million	Tanzania Shs million	Uganda Shs million	Rwanda Shs million
Tier I capital	60,707	2,164	2,331	1,248
Tier II capital	526	-	82	31
Total capital	**61,233**	**2,164**	**2,413**	**1,279**
Risk-weighted assets				
Credit risk weighted assets	260,659	12,851	13,917	4,136
Market risk weighted assets equivalent	24,969	424	360	339
Operational risk equivalent assets	56,114	487	-	286
Total risk-weighted assets (TRWA)	**341,742**	**13,762**	**14,277**	**4,761**

	Kenya	Tanzania	Uganda	Rwanda
Core capital / TRWA	17.76%	15.72%	16.32%	26.20%
Regulator minimum requirement	10.50%	10.00%	10.00%	10.00%
Total capital / TRWA	17.92%	15.72%	16.90%	26.86%
Regulator minimum requirement	14.50%	12.00%	12.00%	12.00%

As at 31 Dec 2019	Kenya Shs million	Tanzania Shs million	Uganda Shs million	Rwanda Shs million
Tier I capital	62,561	2,478	1,995	642
Tier II capital	2,621	-	77	55
Total capital	**65,182**	**2,478**	**2,072**	**697**
Risk-weighted assets				
Credit risk weighted assets	273,220	13,669	14,855	2,811
Market risk weighted assets equivalent	17,894	563	854	33
Operational risk equivalent assets	59,767	1,988	-	194
Total risk-weighted assets (TRWA)	**350,881**	**16,220**	**15,709**	**3,038**

	Kenya	Tanzania	Uganda	Rwanda
Core capital / TRWA	17.83%	15.28%	12.70%	21.13%
Regulator minimum requirement	10.50%	10.00%	10.00%	10.00%
Total capital / TRWA	18.58%	15.28%	13.19%	22.94%
Regulator minimum requirement	14.50%	12.00%	12.00%	12.00%

5. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are continually evaluated and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5. Critical accounting estimates and judgements in applying accounting policies (continued)

a) Impairment losses on financial assets at amortised cost and FVOCI

The Group reviews its financial assets especially the loan and receivables portfolio to assess impairment on a continuous basis. The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area where the Group requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirement for measuring ECL, such as.

- Determining the qualitative and quantitative criteria for identifying financial instruments that experience significant increase in credit risk and/or default;
- Choosing the appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets (credit segmentation) for the purposes of measuring ECL;
- Establishing the number and relative weightings of forward-looking scenarios for various financial assets' segmentation and the associated ECL;
- Determining the relevant period of exposure to credit risk when measuring ECL for credit cards and revolving credit facilities; and
- For instrument in default, the methodology and assumptions used for estimating both the amount and timing of future cash flows.

The above assumptions are reviewed regularly to reduce any differences between loss estimates and actual loss experience. As at 31 December 2020, were the net present value of estimated cash flows to differ by +/- 1%, the impairment loss is estimated to be Shs 209 million higher or lower (2019: Shs 148 million).
The most significant period-end assumptions used for the ECL estimate as at 31 December 2020 was cost of recovery.

b) Amortised cost investments

The Group follows the guidance of IFRS 9 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturities as financial investments at amortized cost. This classification requires significant judgment. In making this judgement, the Group evaluates its business model and the cashflow characteristics of the instruments, including its intention and ability to hold such investments to collect contractual cashflows. If the Group fails to keep these investments to collect contractual cashflows other than for the specific circumstances - for example, selling insignificant portions thereof, infrequently - it is required to classify the entire class as FVOCI.

The investments would therefore be measured at fair value and not at amortized cost. If all financial investments at amortized cost were to be so reclassified, the carrying value would increase by Shs 1,572 million (2019: increase by Shs 556.2 million), with a corresponding entry in the fair value reserves in shareholders' equity.

c) Income taxes

The Group is subject to taxation laws and regulations. Significant estimates are required in determining the provision for income taxes. There may be transactions and calculations, during the normal course of business, whose ultimate tax impact determination has an element of uncertainty. In determining the interpretation and/or application of the various tax rules, disputes may arise with the relevant tax authorities, of which the outcome may not be favourable to the Group. In such cases, the Group relies on internal management expertise and where relevant, seeks expert advice to determine whether the unfavourable outcome is probable or possible.

5. Critical accounting estimates and judgements in applying accounting policies (continued)

c) Income taxes (continued)

Where objective estimates of the potential tax liabilities that may crystallise from such tax disputes are determinable, the Group recognises provision in line with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets principles. In such cases, if the final tax determination is different from the amounts that were initially recorded, the difference will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

Where payment is determined to be possible but not probable, the tax exposure is disclosed as a contingent liability.

d) Valuation of loan notes held at fair value

As per IFRS 13, where the Group measures a financial instrument at fair value, the fair value should represent the price that would be received to sell an asset in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Fair value is a market-based measurement, which uses the assumptions that market participants would use when pricing an asset or liability under current market conditions

The Group holds loan notes that are measured at fair value through profit or loss. For these, fair value is composed of two key cashflow components, being the interest receivable on the loan notes and valuation of the shares upon whose sale the principal debt amount will be realised. Any shortfall from the above cashflow streams is covered, albeit partially, by a government guarantee.

To determine the value of the shares, the Group utilises valuation models that incorporate both observable and unobservable inputs such as quoted prices and/or suitable proxies. These prices are then subjected to different sensitivity assessments. The selection and application of these models and the related inputs is judgmental.

Changes in assumptions about these factors could affect the reported fair value of loan notes. As at 31 December 2020, the fair value of the loan notes would have been estimated at Shs 330 million higher / lower if the determined share price was assumed to be 25% higher / lower (2019 – Shs 545 million).

6. Interest and credit related income

COMPANY			GROUP	
2020 Shs'000	2019 Shs'000		2020 Shs'000	2019 Shs'000
-	-	Government securities:		
-	-	- Amortised cost	9,590,907	6,615,304
-	-	- Fair value through OCI	6,896,289	2,559,458
-	-	Customer loans and advances	25,271,003	15,675,457
-	-	Credit related fees	12,157,870	8,527,859
33,474	38,109	Due from banking institutions	711,157	550,790
-	-	Investment securities	456,980	116,897
33,474	**38,109**		**55,084,206**	**34,045,765**

7. Interest expense - Group

	2020 Shs'000	2019 Shs'000
Customer deposits	17,157,248	10,545,410
Deposit from other banking institutions	302,548	293,110
Long term debt	1,256,533	1,302,408
Finance cost	358,785	368,195
	19,075,114	**12,509,123**

8. Credit impairment charge - Group

Stage 1	(202,150)	(19,343)
Stage 2	4,064,874	1,731,612
Stage 3	17,927,949	4,409,122
Bad debts Recoveries	(1,696,302)	(486,083)
Total Impairment charges	**20,094,371**	**5,635,308**
Total impairment charges, may be analysed as follows:		
Loans and advances to customers	20,094,371	5,635,308
	20,094,371	**5,635,308**

9. Net fee and commission income - Group

Service and transactions fees	2,579,376	2,205,778
Fees and commission on bills, letters of credit and guarantees	758,748	836,304
	3,338,124	**3,042,082**

10. Foreign exchange income - Group

Realised gains	4,644,303	2,822,467
Unrealised gains	91,100	19,860
	4,735,403	**2,842,327**

11. Net gains on disposal of financial asset - Group

Net gain on disposal of financial instruments	**745,509**	**189,750**

12. Other income

COMPANY 2020 Shs'000	COMPANY 2019 Shs'000		GROUP 2020 Shs'000	GROUP 2019 Shs'000
1,078,536	1,300,000	Dividends from subsidiaries	-	-
-	-	Wealth management commissions	463,564	134,605
-	-	Insurance commissions	349,035	288,200
-	-	Fair value gain on equity securities at fair value through profit or loss (note 23)	54,733	208,438
		Fair value loss on Loan note through profit and loss	(300,000)	(200,000)
202,316	247,698	Management fees (Group recharges)	-	-
-	-	Gain/(Loss) on disposal of fixed assets	(19,910)	371
-	63	Other	390,429	185,186
1,280,852	**1,547,761**		**937,851**	**616,800**

12. Operating expenses

COMPANY 2020 Shs'000	COMPANY 2019 Shs'000		GROUP 2020 Shs'000	GROUP 2019 Shs'000
201,760	219,725	Employee benefits (note 14)	7,391,119	5,923,557
-	1,286	Premises expenses	2,054,019	1,211,791
-	-	Equipment expenses	4,471,502	3,442,453
-	-	Marketing and business development expenses	1,152,760	696,347
-	-	Security and insurance expenses	748,416	371,946
-	-	Amortization of intangibles (merger related)	782,499	220,625
-	-	Staff Restructure Costs	700,753	-
-	-	Merger transaction related costs	95,929	735,561
-	-	Deposit protection fund	540,499	374,125
-	-	Legal, and Professional fees	983,734	712,012
-	-	Stationery and communication costs	601,933	406,122
100,242	101,093	Other expenses	1,324,404	1,489,424
302,002	**322,104**		**20,847,567**	**15,583,963**

14. Employee benefits

COMPANY 2020 Shs'000	COMPANY 2019 Shs'000		GROUP 2020 Shs'000	GROUP 2019 Shs'000
165,702	190,312	Salaries and allowances	5,939,751	4,877,546
20,880	12,013	Contribution to defined contribution scheme	633,636	330,895
15,178	17,400	Medical	396,618	267,468
	-	Other	421,114	447,648
201,760	**219,725**		**7,391,119**	**5,923,557**

15. Income tax expense

COMPANY 2020 Shs'000	COMPANY 2019 Shs'000		GROUP 2020 Shs'000	GROUP 2019 Shs'000
		Current tax		
25,297	52,044	Income tax based on taxable profit for the year	3,164,966	2,990,224
-	(619)	Prior year under/(over) provision of current tax	4,602	65,138
		Deferred tax:		
(7,482)	(15,984)	Deferred income tax charge/(credit) (note 30)	(2,662,027)	474,965
-	-	(Over)/under provision of deferred tax in prior year	(96,487)	(58,544)
17,815	**35,441**		**411,054**	**3,471,783**
(4,486,565)	10,291,051	**Profit before tax**	4,981,921	11,313,560
(1,121,641)	3,087,315	Income tax - at the statutory rate of 25 % (2019: 30%)	1,245,480	3,394,067
1,410,337	46,929	Expenses not deductible for tax purposes	1,046,110	654,217
(269,634)	(3,098,184)	Income not assessable for tax purposes	(1,400,425)	(1,925,545)
(1,247)	-	Effect of different tax rates on deferred and current tax	(424,087)	-
-	(619)	Under/(over) provision of current tax in prior year	4,602	65,138
-	-	(Over)/under provision of deferred tax in prior year	(96,487)	(58,544)
-	-	Deferred income tax not recognized	35,861	1,342,450
17,815	**35,441**		**411,054**	**3,471,783**
5,623	(19,232)	**At 1 January**	(255,053)	(70,075)
-	-	Exchange difference on translation	2,388	-
25,297	52,044	Tax charge - current year	3,164,966	2,990,224
-	(619)	Tax charge – prior year	4,602	65,138
(70,238)	(26,570)	Income taxation paid	(3,669,689)	(3,240,340)
(39,318)	**5,623**	**At 31 December**	**(752,786)**	**(255,053)**
		Comprising:		
(39,318)	-	Current income tax recoverable	761,439	268,080
-	(5,623)	Current income tax payable	(8,653)	(13,027)
(39,318)	**(5,623)**	**At 31 December**	**752,786**	**255,053**

16. Dividends per share

Dividend per share is based on the dividends paid and proposed for the year and the number of ordinary shares at year end. Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting.

At the Annual General Meeting to be held in 2021, a final dividend in respect of the year ended 31 December 2020 of Shs 1.50 is to be proposed (2019: Shs 1.50 per share final dividend proposed was rescinded). During the year, no interim dividend was paid (2019: Shs 175 million).

Dividends paid are subject to withholding tax at the rate of 5% and 10% for residents and non-residents respectively where applicable:

17. Earnings per share (EPS)

Earnings per share (EPS) is calculated by dividing the profit for the year after taxation by the weighted average number of ordinary shares in issue during the year. There were no potentially dilutive shares outstanding at 31 December 2020 or 2019. Diluted earnings per share are therefore equal to basic earnings per share.

COMPANY			GROUP	
2020 Shs'000	2019 Shs'000		2020 Shs'000	2019 Shs'000
(4,504,380)	10,255,610	Profit for the year	4,570,867	7,841,776
		Weighted average number of ordinary shares		
1,497,745	703,940	Number of shares issued/deemed to be outstanding 1 Jan ('000)	1,497,745	703,940
-	198,451	Bonus issue/weighted average number of shares issued on merger ('000)	-	198,451
149,774	149,774	Bonus shares issued in 2020	149,774	149,774
1,647,519	1,052,166	Weighted average number of shares ('000) 31 Dec	1,647,519	1,052,166
(2.73)	9.75	Basic EPS (Shs)	2.77	7.45

In July 2020, the Group issued bonus shares at the rate of one (1) new fully paid up bonus share of par value of Shs 5, for every ten (10) shares of par value of Shs 5 held.

18. Cash and balances with Central Bank - Group

	2020 Shs'000	2019 Shs'000
Cash in hand	8,494,555	10,851,729
Balances with central banks	7,828,117	8,035,338
Included in cash and cash equivalent	**16,322,672**	**18,887,067**
Mandatory reserve deposits	18,203,846	18,325,916
Less: Impairment loss allowance	(14,748)	(17,677)
	34,511,770	**37,195,306**

19. Items in the course of collection - Group

	2020 Shs'000	2019 Shs'000
Clearing account balances	348,662	534,806

20. Due from banking institutions - Group

	2020 Shs'000	2019 Shs'000
Current accounts, overnight and call deposits	33,671,736	12,377,138
Time deposits	8,005,561	13,192,892
Impairment	(12,938)	(13,706)
	41,664,359	**25,556,324**

All the balances due from banking institutions had maturities of less than 91 days from date of placement and are classified as current assets.

21. Derivative Assets

	2020 Shs'000	2019 Shs'000
Derivative assets	88,835	80,164

The amount represents the fair value of forward foreign exchange contracts. These derivative assets and liabilities are measured at fair value through profit or loss. Notional principal amounts are the amounts underlying the contract at the reporting date. Derivative liabilities/ (assets) are current.

22. Government securities - Group

	2020 Shs'000	2019 Shs'000
Treasury bills – amortised cost	29,115,532	26,021,013
Fixed rate Treasury bonds - FVOCI	64,357,291	51,690,279
Fixed rate Treasury bonds – FVTPL	-	31,955
Fixed rate Treasury bonds – amortised cost	64,709,196	59,296,179
	158,182,019	**137,039,426**
Treasury bills and bonds maturing within 91 days from date of acquisition	6,541,646	7,843,285
Treasury bills and bonds maturing after 91 days but within 360 days from date of acquisition	11,912,827	27,550,142
Treasury bills and bonds maturing after 360 days from date of acquisition	139,727,546	101,645,999
	158,182,019	**137,039,426**
The movement in FVOCI Treasury bonds was as follows:		
At start of year	51,690,279	16,798,063
Transfer from NIC Group	-	36,824,273
Additions during the year	37,590,315	4,318,998
Maturities and disposals	(25,635,002)	(5,722,914)
Changes in fair value (note 41)	711,699	(528,141)
At end of year	**64,357,291**	**51,690,279**

22. Government securities - Group (continued)

	2020 Shs'000	2019 Shs'000
The movement in held-to-maturity fixed rate Treasury bonds was as follows:		
At start of year	59,296,179	23,018,194
Transfer from NIC Group	-	26,601,177
Additions during the year	10,287,990	15,330,773
Maturities	(4,874,973)	(5,653,965)
At end of year	**64,709,196**	**59,296,179**
The movement in held-to-maturity fixed rate Treasury bills was as follows:		
At start of year	26,021,013	25,248,738
Transfer from NIC Group	-	2,297,863
Additions during the year	53,635,261	35,207,636
Maturities	(50,540,742)	(36,733,224)
At end of year	**29,115,532**	**26,021,013**

23. Investment securities - Group

	2020 Shs'000	2019 Shs'000
Equity securities – FVTPL	762,855	708,122
Unit trusts – FVOCI	54,951	54,269
Other investment securities - FVTPL	71,268	14,396
Financial assets – amortized cost	6,171,221	8,715,123
	7,060,295	**9,491,910**
The movement in financial assets held at amortised cost was as follows:		
At start of year	8,715,123	3,432,390
Transfer from NIC Group	-	470,091
Additions	-	5,410,809
Maturities	(2,543,903)	(598,167)
At end of year	**6,171,221**	**8,715,123**
The movement in equity securities was as follows:		
At start of year	708,122	499,684
Fair value gain on equity securities at fair value through profit or loss	54,733	208,438
At end of year	**762,855**	**708,122**

Price risk

Equity securities comprise of shares quoted in the New York Stock Exchange ("NYSE"), "listed shares" and are stated at their fair value on the last day of business in the year. These values are subject to frequent variations due to changes in their market prices.

At 31 December 2020, if the prices at the NYSE had appreciated/depreciated by 5% with all other variables held constant, the impact on the statement of profit or loss, and shareholders' equity would have been Shs 38.1 million higher or lower (2019: Shs 35.04 million).

24. Customer loans and advances - Group

Summary of customer loans and advances

	2020 Shs'000	2019 Shs'000
Loans and advances classified as:		
a) Loans and receivables (amortised cost)	242,495,293	244,010,060
b) Fair value through profit or loss	5,011,663	4,875,258
	247,506,956	**248,885,318**
(a) Loans and advances at amortised cost		
Overdrafts	47,382,206	39,849,831
Term loans	218,866,753	213,253,157
Credit cards	903,565	1,232,768
Bills discounted	6,287,475	12,131,362
	273,439,999	**266,467,118**
Provisions for impairment		
Stage 1	(1,945,249)	(2,267,432)
Stage 2	(11,972,801)	(8,074,864)
Stage 3	(17,026,656)	(12,114,762)
Net loans and advances at amortised cost	**242,495,293**	**244,010,060**
(b) Loan notes at fair value through profit or loss		
Loans notes	5,011,663	4,875,258
At start of year	4,875,258	3,055,500
Transfer from NIC Group	-	2,077,204
Fair value loss and foreign currency exchange rate movements	136,405	(257,446)
At end of year	**5,011,663**	**4,875,258**
Current and non-current analysis		
Current	77,991,893	99,191,707
Non-current	169,515,063	149,693,611
	247,506,956	**248,885,318**

24. Customer loans and advances – Group (continued)

Gross carrying amounts

Significant changes in the gross carrying amounts of loans and advances to customers that contributed to movements in loss allowances were new loans advanced in the year, as well as write off of impaired loans.

The table below shows the movement in gross loans and advances between the various credit quality stages in the year:

	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	Total Shs'000
Gross carrying amount as at 01 January 2020	**200,817,720**	**38,687,882**	**26,961,516**	**266,467,118**
Changes in the gross carrying amount				
Transfer to stage 1	3,724,178	(3,540,121)	(184,057)	-
Transfer to stage 2	(18,937,119)	19,864,208	(927,089)	-
Transfer to stage 3	(3,971,263)	(6,674,200)	10,645,463	-
Net new financial assets originated or purchased	8,193,266	3,342,229	8,629,632	20,165,127
Write-offs	(120,033)	(166,938)	(13,016,054)	(13,303,025)
Gross carrying amounts as at 31 December 2020	**189,706,749**	**51,513,060**	**32,109,411**	**273,329,220**
Gross carrying amount as at 01 January 2019	**98,119,556**	**19,275,465**	**9,907,826**	**127,302,847**
Changes in the gross carrying amount				
Transfer from NIC Group	93,972,559	21,430,376	14,115,287	129,518,222
Transfer to stage 1	6,602,990	(6,482,849)	(120,141)	-
Transfer to stage 2	(10,244,781)	10,429,234	(184,453)	-
Transfer to stage 3	(993,149)	(2,735,261)	3,728,410	-
Net new financial assets originated or purchased	21,520,570	(1,795,199)	4,196,770	23,922,141
Foreign exchange and other changes	(8,160,025)	(1,134,980)	(5,709)	(9,300,714)
Write-offs	-	(298,904)	(4,676,474)	(4,975,378)
Gross carrying amounts as at 31 December 2018	**200,817,720**	**38,687,882**	**26,961,516**	**266,467,118**

Impairment of financial assets

The loss allowance recognized in the period is impacted by a variety of factors as follows:

- Transfers between Stage 1 and Stage 2 or stage 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent "step up" or "step down" between 12-month and lifetime ECL;
- Additional allowance for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

24. Customer loans and advances – Group (continued)

The following tables provide details of the changes in the loss allowance in the year due to these factors:

	12-month ECL Shs'000	Lifetime ECL Shs'000	Lifetime ECL Shs'000	Total Shs'000
At start of year	**2,267,432**	**8,074,864**	**12,114,762**	**22,457,058**
Changes in the loss allowance				
Transfer to stage 1	294,418	(277,813)	(16,605)	-
Transfer to stage 2	(218,439)	282,949	(64,510)	-
Transfer to stage 3	(153,332)	(2,039,352)	2,192,684	-
Net new impairments created/(released)	539,136	6,248,186	3,076,835	9,864,157
Changes in models/risk parameters	(663,933)	(149,096)	12,739,545	11,926,516
Total charge to profit or loss	**(202,150)**	**4,064,874**	**17,927,949**	**21,790,673**
Write-offs	(120,033)	(166,937)	(13,016,055)	(13,303,025)
At 31 December 2020	**1,945,249**	**11,972,801**	**17,026,656**	**30,944,706**
At start of year	1,329,642	1,432,947	6,092,347	8,854,936
Transfer from NIC Group	957,133	4,984,538	5,884,125	11,825,796
Changes in the loss allowance				
Transfer to stage 1	281,017	(148,555)	(132,462)	-
Transfer to stage 2	(192,148)	3,465	188,683	-
Transfer to stage 3	(11,926)	(216,373)	228,299	-
Net new impairments created/(released)	272,415	(761,474)	2,945,749	2,456,690
Changes in models/risk parameters	(330,021)	2,523,659	1,209,068	3,402,706
Foreign exchange and other changes	(38,680)	330,890	(30,215)	261,995
Total charge to profit or loss	**(19,343)**	**1,731,612**	**4,409,122**	**6,121,391**
Write-offs	-	(74,233)	(4,270,832)	(4,345,065)
At 31 December 2019	**2,267,432**	**8,074,864**	**12,114,762**	**22,457,058**

25. Other assets - Group

	2020 Shs'000	2019 Shs'000
Deposits, prepayments and other deferred charges	2,079,967	1,757,663
Mobile banking control accounts	3,209,269	3,828,031
Other receivables	5,649,424	4,002,944
	10,938,660	**9,588,638**
Credit loss allowances	(4,090)	(4,090)
	10,934,570	**9,584,548**

26. Investment in associates - Group

	Effective interest	2020 Shs'000	2019 Shs'000
CBA Mutuya Property Group Limited	23.34%		
As start of the year		2,838,529	2,779,744
Share of associate's profits		81,261	58,785
Dividend received		(23,396)	-
At end of year		**2,896,394**	**2,838,529**
AIG Kenya Insurance Company Limited	33.33%		
At start of the year		930,426	945,231
Share of associate's profits		123,925	85,095
Dividends received		(50,000)	(99,900)
At end of year		**1,004,351**	**930,426**
Bridge MicroFinance	35.00%		
As start of the year		-	-
Investment		63,536	-
Share of associate's profits		(47,306)	-
At end of year		**16,230**	**-**
Total investment in associates		**3,916,975**	**3,768,955**

	CBA Mutuya Property Group Limited		AIG Kenya Insurance Limited		Bridge MicroFinance	
Summarised statement of financial position	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Current						
Assets	1,551,109	1,706,556	1,675,981	3,779,155	72,985	79,849
Liabilities	168,657	266,983	1,109,895	3,557,226	62,941	41,178
Net current assets	**1,382,452**	**1,439,573**	**566,086**	**221,929**	**10,044**	**38,671**
Non-current						
Assets	12,890,558	12,598,802	4,937,430	4,164,369	309,949	206,211
Liabilities	306,051	329,433	3,183,822	2,242,414	298,116	203,219
Net non-current liabilities	**12,584,507**	**12,269,369**	**1,753,608**	**1,921,955**	**11,833**	**2,992**
Net assets	**13,966,959**	**13,708,942**	**2,319,694**	**2,143,884**	**21,877**	**41,663**
Summarised statement of comprehensive income						
Revenue	408,715	410,673	2,093,595	2,327,930	454,733	-
Profit for the period	276,852	251,820	373,824	255,285	(57,525)	-
Total share of associate's profit for the period	81,261	58,785	123,925	85,095	(47,306)	-

	2020 Shs 000	2019 Shs 000
CBA Mutuya Property Group Limited	81,261	58,785
AIG Kenya Insurance Limited	123,925	85,095
Bridge MicroFinance	(47,306)	-
	157,880	**143,880**

26. Investment in associates - Group (continued)

- The associates are unlisted.
- AIG Kenya Insurance Limited is an insurance company which underwrites all classes of general insurance risks as defined by the Insurance Act.
- CBA Mutuya Property Group Limited is a property holding company which invests in investment property for rental income.
- The Group invested in Bridge Microfinance, a company registered in the Republic of Cote d'Ivoire. The registration process was completed in the year and the investment has been recognized as an associate. The company is jointly owned by NCBA Bank Kenya PLC (35% shareholding) and Bridge Group West Africa (65% shareholding). The company is mainly involved in the following:
    - Collection of savings and the financing of micro, small and medium enterprises; and
    - Provision of financial services to micro-entrepreneurs or small and medium-sized enterprises

Investment in associates are classified as non-current assets.

There are no material contingent liabilities that may affect the financial position of the associates

27. Investment in subsidiaries - Company

NCBA Group PLC, is the parent to the subsidiaries listed below:

Company name	Country of incorporation	Principal activity	Percentage of ownership interest (%)	2020 Shs'000	2019 Shs'000
NCBA Bank Kenya PLC	Kenya	Banking	100	57,247,745	23,774,456
NIC Bank Kenya PLC	Kenya	Dormant	100	-	33,473,289
NCBA Bank Tanzania Limited	Tanzania	Banking	91.65	4,105,890	2,042,462
NCBA Bank Uganda Limited	Uganda	Banking	100	3,355,173	1,828,738
NCBA Bank Rwanda PLC	Rwanda	Banking	100	2,263,995	-
NIC Properties Limited	Kenya	Property	100	550,000	550,000
NCBA Investment Bank Limited	Kenya	Financial advisory	100	500,000	500,000
NCBA Leasing LLP	Kenya	Leasing	100	200,000	200,000
Mercantile Finance Company Limited	Kenya	Dormant	100	50,000	50,000
NCBA Insurance Agency Limited	Kenya	Insurance agency	100	1,000	1,000
National Industrial Credit Trustees	Kenya	Dormant	100	500	500
Banqtech Limited	Kenya	Financial Innovation	100	1	1
				68,274,304	62,420,446

Movements in the investments with changes in the year are further explained below

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

27. Investment in subsidiaries (continued)

Year ended 31 December 2020	NCBA Bank Kenya Shs'000	NIC Bank Kenya Shs'000	NCBA Bank Tanzania Shs'000	NCBA Bank Uganda Shs'000	NCBA Bank Rwanda Shs'000	NCBA Bank Leasing Shs'000	Others Shs'000	Total Shs'000
Balance as at 01 Jan 2020	23,774,456	33,473,289	2,042,462	1,828,738	-	200,000	1,101,501	62,420,446
Transfer from NCBA Bank Kenya PLC	-	-	5,837,733	2,501,019	1,873,995	-	-	10,212,747
Transfer from NIC Bank Kenya	33,473,289	(33,473,289)	-	-	-	-	-	-
Loss on re-measurement of investment in subsidiaries	-	-	(4,074,305)	(1,424,584)	-	-	-	
Investment during the year	-	-	300,000	450,000	390,000	-	-	1,140,000
Balance at end of year	**57,247,745**	**-**	**4,105,890**	**3,355,173**	**2,263,995**	**200,000**	**1,101,501**	**68,274,304**
Year ended 31 December 2019								
Balance as at 01 Jan 2019	-	24,446,004	2,042,462	1,828,738	-	150,000	1,101,501	29,568,705
Additions during the year	23,774,456	9,027,285	-	-	-	50,000	-	32,851,741
Balance at end of year	**23,774,456**	**33,473,289**	**2,042,462**	**1,828,738**	**-**	**200,000**	**1,101,501**	**62,420,446**

The changes in the investments in subsidiaries relating to NCBA Bank Kenya PLC and NIC Bank Kenya PLC in 2019 are further explained in Note 46.

27) Investment in subsidiaries (continued)

The list of subsidiaries owned indirectly by NCBA Group PLC through NCBA Bank Kenya PLC are listed below:

Company name	Country of incorporation	Principal activity	Percentage of ownership interest (%)	2020 Shs'000	2019 Shs'000
CBA Capital Limited	Kenya	Dormant	100	-	400,000
Syndicate Nominees Limited	Kenya	Nominee	100	2	2
CBA Insurance Agency Limited	Kenya	Insurance agency	100	-	-
Commercial Bank of Africa (Tanzania) Limited	Tanzania	Banking	100	-	4,349,738
Commercial Bank of Africa (Uganda) Limited	Uganda	Banking	100	-	2,283,708
First American Bank of Kenya Limited	Kenya	Dormant	100	-	-
First American Finance Company Limited	Kenya	Dormant	100	-	-
First Investment Limited	Kenya	Dormant	100	23,000	23,000
NCBA Bank Rwanda PLC	Rwanda	Banking	100	-	1,498,096
				23,002	**8,554,544**

There were no changes in the investments in Syndicate Nominees Limited, CBA Insurance Agency Limited, First American Bank of Kenya Limited, First American Finance Company Limited and First Investment Limited. The movements in CBA Capital Limited, Commercial Bank of Africa (Tanzania) Limited (CBA Tanzania), Commercial Bank of Africa (Uganda) Limited (CBA Uganda) and NCBA Bank Rwanda PLC (NCBA Rwanda) are as presented below:

Year ended 31 December 2020	CBA Tanzania Shs'000	CBA Uganda Shs'000	NCBA Rwanda Shs'000	CBA Capital Shs'000	Total Shs'000
Balance as at 01 Jan 2020	4,349,738	2,283,708	1,498,096	400,000	**8,531,542**
Additional investments during the year	267,125	217,311	375,899	-	**860,335**
Reclassification from other assets	1,220,870	-	-	-	**1,220,870**
Transfer to NCBA Group PLC	(5,837,733)	(2,501,019)	(1,873,995)		**(10,212,747)**
Remeasurement of investment in subsidiary	-	-	-	(400,000)	**(400,000)**
Balance at end of year	-	-	-	-	**-**
Year ended 31 December 2019					
Balance as at 01 Jan 2019	4,349,738	2,130,758	1,338,076	400,000	**8,218,572**
Additions during the year	-	152,950	160,020	-	**312,970**
Balance at end of year	**4,349,738**	**2,283,708**	**1,498,096**	**400,000**	**8,531,542**

As part of Group reorganization, NCBA Bank Kenya PLC transferred its investments in CBA Uganda, CBA Tanzania, NCBA Bank Rwanda PLC to NCBA Group PLC in 2020. These transfers were effected at net asset value and through intercompany balances between the NCBA Bank Kenya PLC and NCBA Group PLC.

During the year, CBA Capital Limited, a subsidiary of NCBA Bank Kenya PLC sold all its assets to NCBA Group PLC and repatriated the intercompany receivable to NCBA Bank Kenya.

27) Investment in subsidiaries (continued)

In addition, post-merger, CBA Insurance Agency Limited is being rundown with new banc assurance business undertaken under NCBA Insurance Agents Limited. Hence CBA Insurance Agency Limited was largely dormant during the year.

Investment in subsidiaries is classified as non-current asset.

28. Intangible assets - Group

	2020 Shs'000	2019 Shs'000
Software	5,119,244	4,865,527
Other intangible assets	1,326,875	2,109,375
	6,446,119	**6,974,902**

Intangible assets are classified as non-current

a) Software

	2020	2019
Year ended 31 December		
At start of year	4,865,527	3,332,803
Additions during the year	739,792	338,303
Transfer from NIC Group - cost	-	3,293,944
Transfer from NIC Group - accumulated depreciation	-	(1,791,003)
Capitalisation of work in progress – transfer from property and equipment	585,332	12,784
Work in progress	8,847	571,754
Amortisation charge for the year	(1,056,828)	(893,033)
Disposals	(46,450)	-
Foreign currency exchange rate movement on Consolidation	23,024	(25)
At end of year	**5,119,244**	**4,865,527**
As at 31 December		
Cost	10,463,131	9,024,618
Accumulated amortization	(5,300,851)	(4,139,481)
Foreign currency exchange rate movement on consolidation	(43,036)	(19,610)
	5,119,244	**4,865,527**

b) Other Intangible assets

	Customer relationships Shs'000	Core deposits Shs'000	Total Shs'000
Year ended 31 December 2020			
At start of year	1,809,375	300,000	2,109,375
Amortisation charge for the year	(482,500)	(300,000)	(782,500)
At end of year	**1,326,875**	**-**	**1,326,875**
Year ended 31 December 2019			
At start of year	-	-	-
Recognised on acquisition of NIC Group PLC	1,930,000	400,000	2,330,000
Amortisation charge for the year	(120,625)	(100,000)	(220,625)
At end of year	**1,809,375**	**300,000**	**2,109,375**

29) Property and equipment - Group

At 1 January 2020	Improvements on leased properties Shs'000	Equipment, furniture and fittings Shs'000	Motor vehicles Shs'000	Work in progress Shs'000	Total Shs'000
Cost	2,445,508	5,417,940	162,522	1,303,828	**9,329,798**
Accumulated depreciation	(1,380,894)	(4,003,808)	(101,021)	-	**(5,485,723)**
Net book amount	**1,064,614**	**1,414,132**	**61,501**	**1,303,828**	**3,844,075**
Year ended 31 December 2019					
Opening net book amount	**1,064,614**	**1,414,132**	**61,501**	**1,303,828**	**3,844,075**
Asset additions - at cost	12,014	185,334	36,182	490,728	**724,258**
Exchange movements	2,787	5,757	557	1	**9,102**
Capitalization of work in progress	97,472	220,050	-	(317,522)	**-**
Transfers to intangible assets	-	-	-	(585,332)	**(585,332)**
Asset disposals	(270,957)	(56,911)	(25,207)	-	**(353,075)**
Depreciation eliminated on disposals	242,480	52,701	25,207	-	**320,388**
Depreciation charge	(162,380)	(590,359)	(34,020)	-	**(786,759)**
Closing net book amount	**986,030**	**1,230,704**	**64,220**	**891,703**	**3,172,657**
At 31 December 2020					
Cost	2,286,824	5,772,170	174,054	891,703	**9,124,751**
Accumulated depreciation	(1,300,794)	(4,541,466)	(109,834)	-	**(5,952,094)**
Net book amount	**986,030**	**1,230,704**	**64,220**	**891,703**	**3,172,657**
Year ended 31 Dec 2019					
Opening net book amount	584,511	801,971	6,946	910,055	**2,303,483**
Asset additions - at cost	97,955	357,413	33,813	824,926	**1,314,107**
Exchange movements	765	26	10	-	**801**
Capitalisation of work in progress	120,322	352,561	14,732	(487,615)	**-**
Transfer from NIC Group at cost	606,837	2,886,714	86,345	69,246	**3,649,142**
accumulated depreciation	(54,091)	(2,311,457)	(49,671)	-	**(2,415,219)**
Transfers to intangible assets	-	-	-	(12,784)	**(12,784)**
Asset disposals	(103,113)	(227,821)	(26,873)	-	**(357,807)**
Depreciation eliminated on disposals	-	109,355	9,105.00	-	**118,460**
Depreciation charge	(188,572)	(554,630)	(12,906)	-	**(756,108)**
Closing net book amount	**1,064,614**	**1,414,132**	**61,501**	**1,303,828**	**3,844,075**
At 31 December 2019					
Cost	2,445,507	5,417,941	162,522	1,303,828	**9,329,798**
Accumulated depreciation	(1,380,894)	(4,003,808)	(101,021)	-	**(5,485,723)**
Net book amount	**1,064,613**	**1,414,133**	**61,501**	**1,303,828**	**3,844,075**

Work in progress comprise improvements on leased properties, equipment, fittings and software which are to be capitalised upon completion and commissioning of respective projects, they are to be depreciated over estimated useful lives of three to eight years.

Property and equipment with a gross carrying amount of Shs 6.9 billion were fully depreciated as at 31 December 2020 (2019 - Shs 4.1 billion). All property plant and equipment are classified as non-current assets.

30. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2019 - 30%). The movements in the deferred income tax account were as follows:

COMPANY 2020 Shs'000	COMPANY 2019 Shs'000		GROUP 2020 Shs'000	GROUP 2019 Shs'000
15,984	-	At start of year	7,064,033	3,670,382
-	-	Impact of initial application of IFRS 16	-	68,672
			7,064,033	3,739,054
-	-	Merger of NIC Group	-	3,582,958
7,482	15,984	Profit or loss credit (note 15)	2,662,027	(474,965)
-	-	Prior year under provision	96,485	58,544
-	-	Income tax on changes in value of FVOCI financial instruments (note 41)	(213,510)	158,442
23,466	**15,984**	At end of year	**9,609,035**	**7,064,033**

Group

Year ended 31 December 2020	At start of year Shs'000	Effect of business cobination Shs'000	Debited to profit or loss account Shs'000	Credited to revaluation reserves Shs'000	At end of year Shs'000
Property and equipment	607,827	-	30,404	-	638,231
Intangible assets recognized on merger	(699,000)	-	300,937	-	(398,063)
Accelerated depreciation	3,610	-	-	-	3,610
Exchange rate difference on consolidation	(168,402)	-	73,112	-	(95,290)
Provisions for staff leave and unidentified impairment losses	6,433,222	(603,263)	2,262,069	-	8,092,028
Changes in fair value of FVOCI financial instruments (note 41)	149,381	603,263	-	(213,510)	539,134
Changes in fair value of assets carried at FVTPL	**11,507**	-	-	-	**11,507**
Tax losses	2,068,337	-	91,990	-	2,160,327
Deferred income tax de-recognized	(1,342,449)	-	-	-	(1,342,449)
Total	**7,064,033**	**-**	**2,758,512**	**(213,510)**	**9,609,035**
Deferred tax asset					9,630,045
Deferred tax liability					(21,010)
Net deferred income tax asset					**9,609,035**

30. Deferred income tax (Continued)

Year ended 31 December 2019	At start of year Shs'000	Effect of business combination Shs'000	Debited to profit or loss account Shs'000	Impact of initial application of IFRS 16 Shs'000	Credited to revaluation reserves revaluation Shs'000	At end of year Shs'000
Property and equipment	(124,553)	689,883	(26,175)	68,672	-	607,827
Intangible assets recognized on merger	-	(699,000)	-	-	-	(699,000)
Accelerated depreciation	3,610	-	-	-	-	3,610
Exchange rate difference on consolidation	(111,786)	(56,616)	-	-	-	(168,402)
Provisions for staff leave and unidentified impairment losses	2,198,482	3,648,691	586,049	-	-	6,433,222
Changes in fair value of FVOCI financial instruments (note 41)	(9,061)	-	-	-	158,442	149,381
Changes in fair value of assets carried at FVTPL	11,507	-	-	-	-	11,507
Tax losses	1,702,183	-	366,154	-		2,068,337
Deferred income tax de-recognized	-	-	(1,342,449)	-	-	(1,342,449)
Net deferred income tax asset / (liability)	**3,670,382**	**3,582,958**	**(416,421)**	**68,672**	**158,442**	**7,064,033**
Comprised of:						
Deferred tax asset						7,085,373
Deferred tax liability						(21,340)
Net deferred income tax asset						**7,064,033**

Company

Year ended 31 December 2020	At start of year Shs'000	Credited to profit and loss account Shs'000	At end of year Shs'000
Deferred income tax asset			
Provisions for staff leave and impairment losses	15,984	7,482	23,466
Year ended 31 December 2019			
Deferred income tax asset			
Provisions for staff leave and impairment losses	-	15,984	15,984

31) Goodwill - Group

Movement of goodwill in the year:	2020 Shs'000	2019 Shs'000
At start of year	34,000	362,610
Transfer from NIC Group	-	409,426
Impairment of goodwill	-	(738,036)
At year end	34,000	34,000
Goodwill is attributed to the following subsidiaries:		
First American Bank of Kenya (FAB)	-	301,324
CBA Tanzania (CBAT)	-	61,286
NIC Bank Tanzania	-	251,996
NIC Securities	-	123,430
NIC Properties	34,000	34,000
Impairment of goodwill	-	(738,036)
	34,000	**34,000**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquirer. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Ordinarily goodwill is recognized upon consolidation of interest in subsidiaries. However, the business of First American Bank of Kenya Limited was subsumed into Commercial Bank of Africa Kenya Limited's business upon acquisition, hence the goodwill thereon is recognized in the Bank's standalone statement of financial position.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposals. Any impairment is recognized immediately as an expense and is not subsequently reversed. The assessment of goodwill for impairment has been carried out in respect of the respective entities considered to be the cash generating units by computing the value in use based on projected cash flows discounted using a weighted average rate. On completion of the business combination in 2019, the Group reassessed the carrying amounts of pre-combination goodwill values existing in both former Groups. These were impaired accordingly.

32) Operating lease prepayments - leasehold land - Group

	2020 Shs'000	2019 Shs'000
At 1 January	526,000	-
Transfer from NIC Group	-	526,000
At end of year	**526,000**	**526,000**
Amortization		
At start of year	3,500	-
Transfer from NIC Group	-	3,469
Charge for the year	125	31
At end of year	3,625	3,500
Net book value	**522,375**	**522,500**

Operating lease prepayments - leasehold land is classified as non-current assets

33) Right of use asset – Group

	2020 Shs'000	2019 Shs'000
At 1 January	3,851,729	-
Impact on initial application of IFRS16	-	2,742,967
Additions during the year	559,596	549,979
Derecognition of ROU on Terminated Leases	(461,775)	
Transfer from NIC Group	-	1,292,913
Depreciation charge for the year	(940,833)	(734,130)
Forex variations	78,588	-
Net book value	**3,087,305**	**3,851,729**

Right of use assets is classified as non-current assets

34) Customer deposits – Group

Current accounts	200,176,645	179,248,601
Call deposits	10,119,898	12,621,729
Time deposits	194,810,844	171,209,591
Savings accounts	14,933,137	13,353,028
Others	1,463,930	1,804,094
	421,504,454	**378,237,043**

Current and non-current analysis		
Current	417,340,197	374,934,986
Non-current	4,164,257	3,302,057
	421,504,454	**378,237,043**

The maturity analysis is based on the remaining periods to contractual maturity from year end.

35. Due to banking institutions – Group

Maturing within 3 months	2020 Shs'000	2019 Shs'000
Time deposits	6,223,368	10,129,912
Current account balances	79,975	762,998
Total due to banking institutions	**6,303,343**	**10,892,910**

All the balances due to the banking institutions of less than 91 days and are classified as current.

36. Other liabilities

COMPANY			GROUP	
2020 Shs'000	2019 Shs'000		2020 Shs'000	2019 Shs'000
99,642	119,921	Accrued expenses and other liabilities	5,436,697	7,404,225
2,139,240	-	Deferred benefit on fair valuation of intercompany debt	-	-
-	-	Provisions for expenses and Other items	4,928,731	4,104,553
2,238,882	**119,921**		**10,365,428**	**11,508,778**

The other liabilities except fair valuation of intercompany debt are all classified as current liabilities.

37) Borrowings – Group

a) Summary of borrowings

	2020 Shs'000	2019 Shs'000
Medium term note		
Principal amount	-	7,000,000
Accrued interest	-	39,231
	-	**7,039,231**
African Development Bank		
Principal amount	6,612,000	6,587,750
Accrued interest	40,702	152,354
	6,652,702	**6,740,104**
Agence Francaise de Developpement (AFD)		
Principal amount	1,021,014	1,004,866
Accrued interest	16,284	613
	1,037,298	**1,005,479**
International Finance Corporation (IFC)		
Principal amount	2,353,841	3,641,182
Accrued interest	5,405	10,520
	2,359,246	**3,651,702**
European Investment Bank (EIB)		
Principal amount	3,266,878	3,638,570
Accrued interest	3,350	6,159
	3,270,228	**3,644,729**
Total borrowings	**13,319,474**	**22,081,245**
Maturity Analysis:		
Current	7,200,390	10,594,705
Non-current	6,119,084	11,486,540
	13,319,474	**22,081,245**

b) Net borrowings reconciliation

	2020 Shs'000	2019 Shs'000
Opening balance	22,081,244	7,962,958
Additions	-	6,652,635
Transfer from NIC Group	-	8,391,473
Accrued interest	1,256,533	1,289,735
Repayments (cash flow movement)	(11,141,530)	(1,993,450)
Foreign exchange movements	1,123,227	(222,106)
Closing balance	**13,319,474**	**22,081,245**

37. Borrowings – Group (continued)

Borrowings are financial instruments classified as a liability at amortised cost. The terms of the borrowings are as follows:

i) Subordinated debts

NCBA Bank Kenya PLC has two sets of long-term subordinated debts facilities obtained to enhance the Bank's capital base:

- US$ 20 million unsecured facility raised from IFC in December 2014, with a tenure of 7 years. Outstanding principal balance at 31 December 2020 was US$ 12 million (2019: US$ 20 million). This facility bears interest at rates referenced to the six months Libor; and
- Shs 7.0 billion raised from the Medium-Term Note issued in December 2014 at an interest rate of 12.75%, with a tenure of 6 years. This note was repaid in September 2020 (2019 outstanding: Shs 7 billion).

ii) Other borrowings

NCBA Bank Kenya PLC has four long-term senior loans as below:

- US$ 35 million unsecured facility raised from IFC in December 2014, with a tenure of 7 years. Outstanding principal balance at 31 December 2020 was US$ 10 million (2019: US$ 16 million);
- US$ 54 million unsecured facility raised from EIB in December 2016, with a tenure of 7 years. Outstanding principal balance as at 31 December 2020 was US$ 30 million (2019: US$ 36 million);
- Eur 7.8 million unsecured raised from Agence Francaise de Developement (AFD), with a tenor of 8 years. Outstanding principal balance as at 31 December 2020 was Eur 7.8 million (2019: Eur 7.8 million);
- US$ 65 million unsecured facility raised from African Development Bank in 2019. The facility is payable over a period of 7 years, including a two (2) year moratorium. Outstanding principal balance as at 31 December 2020 was US$ 60 million (2019: US$ 65 million)

These facilities bear interest at rates referenced to the six months Libor.

38) Lease liability - Group

	2020 Shs'000	2019 Shs'000
At start of year 2020	**4,665,429**	**-**
Impact on initial application of IFRS16	-	2,937,003
Additions during the year	559,596	584,262
Derecognition on Lease Termination	(527,280)	-
Transfer from NIC Bank	-	1,701,779
Interest expense accruals (lease liability) during the year	481,539	300,043
Lease Liability debits (rent paid) in the year	(1,480,477)	(857,658)
Exchange Movements	79,980	-
At end of year	**3,778,787**	**4,665,429**
Current and non-current analysis:		
Current	454,637	727,951
Non-current	3,324,151	3,937,478
Total	**3,778,787**	**4,665,429**

39) Share capital – Group and Company

	2020 Number of shares (thousands)	2020 Value (thousands)	2019 Number of shares (thousands)	2019 Value Shs '000
Issued and fully paid				
At start of year	1,497,745	7,488,725	1,497,745	7,488,725
Bonus issue of shares in the year	149,774	748,873	-	-
At close of year	**1,647,519**	**8,237,598**	**1,497,745**	**7,488,725**

40) Share premium – Group and Company

	2020 Shs'000	2019 Shs'000
At start of year	22,179,426	2,373,994
Effects of business combination	-	19,805,432
Bonus share issue	(748,873)	-
Bonus share issue expenses	(6,231)	-
At end of year	**21,424,322**	**22,179,426**

41. Revaluation reserve - Group

Changes in fair value of financial Instruments at FVOCI	2020 Shs'000	2019 Shs'000
At start of year	(288,240)	81,459
Changes in fair value of FVOCI financial instruments (note 23)	711,699	(528,141)
Deferred income tax on changes in fair value of FVOCI financial instruments (note 30)	(213,510)	158,442
Transfer from retained earnings	1,407,613	-
At end of year	**1,617,562**	**(288,240)**

The transfer from retained earnings relates to FVOCI reserve element that was taken to retained earnings in 2019 as part of the common control reserve on business amalgamation.

The reserve, which is non-distributable, arises from changes to fair value of financial assets at FVOC.

42. Statutory loan loss reserve - Group

The reserve represents an appropriation from retained earnings to comply with regional Central Banks' prudential guidelines on loan loss provisions. The balance represents excess of impairment provisions determined in accordance with the prudential guidelines over the impairment provisions recognized in accordance with the International Financial Reporting Standards. The reserve is non- distributable.

43. Related parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over that party's financial or operational decisions. In the normal course of business, current accounts are operated, and placements made between the Group companies at interest rates in line with the market. Included in customer loans and advances are amounts advanced to directors, companies controlled by directors or their associates and loans to key management personnel as follows.

43. Related parties (continued)

Due to group companies - Company	2020 Shs'000	2019 Shs'000
Deposits with NCBA Bank Kenya PLC	201,088	435,200
Receivable from NCBA Bank Kenya PLC	47,034	84,497
	248,122	**519,697**
Due to group companies - Company		
Due to NCBA Bank Kenya PLC	8,030,783	-
Loans and advances to directors - Group		
At start of year	189,252	145,412
Advanced during the year	63,456	177,501
Repaid during the year	(20,225)	(133,661)
At end of year	**232,483**	**189,252**
Loans and advances to other key management personnel - Group		
Loans and advances to other key management personnel	453,595	577,211
Loans and advances / facilities to companies controlled by directors, common shareholders or their associates - Group		
On-balance sheet	16,937,615	12,596,930
Off-balance sheet	2,788,671	1,599,885
Income earned on related party loans and advances - Group		
Interest income earned on related party loans and advances during the year	935,702	344,851
Commissions earned on related party loans and advances during the year	80,389	61,150

All facilities and arrangements relating to the above loans and advances have been made in the normal course of business and on terms similar to those applicable to third parties. The loans and advances are to companies on whose boards the directors serve and to companies with common shareholders as those of the Group:

Related party deposits - Group

	2020 Shs'000	2019 Shs'000
Related party deposits	10,992,516	7,591,245
Interest expense incurred on related party deposits during the year	344,052	292,315

The above deposits are from directors, companies on whose boards the directors serve and from companies with common shareholders as the Group.

43. Related parties (continued)

Key management personnel compensation

COMPANY 2020 Shs'000	COMPANY 2019 Shs'000		GROUP 2020 Shs'000	GROUP 2019 Shs'000
161,813	197,447	Salaries and other short term employment benefits	721,551	832,400
12,267	10,738	Post-employment benefits	65,495	64,503
174,080	**208,185**		**787,046**	**896,903**

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director.

Directors' remuneration

COMPANY 2020 Shs'000	COMPANY 2019 Shs'000		GROUP 2020 Shs'000	GROUP 2019 Shs'000
19,200	6,000	Fees for services as directors	49,746	91,792
192,122	144,537	Other emoluments (included in key management compensation above)	255,760	313,135
211,322	**150,537**		**305,506**	**404,927**

44. Cash and cash equivalents

For the purposes of the cash flow statement, cash equivalents comprise short-term highly liquid investments, which are readily convertible into known amounts of cash without notice, with less than 91 days to maturity from the date of acquisition including balances with Central Banks, Treasury bills and bonds and amounts due from and / or to banking institutions.

COMPANY 2020 Shs'000	COMPANY 2019 Shs'000		GROUP 2020 Shs'000	GROUP 2019 Shs'000
-	-	Cash and balances with Central Banks (note 18)	34,511,770	37,195,306
-	-	Less: Cash reserve requirement	(18,203,846)	(18,325,916)
			16,307,924	**18,869,390**
201,088	435,200	Due from banking institutions (note 20)	41,664,359	25,556,324
-	-	Due to banking institutions (note 35)	(6,303,343)	(10,892,910)
-	-	Government securities	6,176,422	7,843,285
201,088	**435,200**		**57,845,362**	**41,376,089**

45. Cash generated from operations

COMPANY 2020 Shs'000	COMPANY 2019 Shs'000		GROUP 2020 Shs'000	GROUP 2019 Shs'000
		Reconciliation of profit before taxation to cash generated from operations		
(4,486,565)	**10,291,051**	**Profit before income tax**	**4,981,921**	**11,313,559**
-	-	Share of profit from associates	(157,880)	(143,880)
-	(1,300,000)	Divided income received	-	-
5,498,889	(9,027,285)	Loss / gain on re-measurement of investment in subsidiary	-	-
-	-	Gain on disposal property & equipment	(19,910)	(371)
-	-	Depreciation charge on property & equipment	786,759	756,108
-	-	Depreciation of right of use asset	940,833	734,130
-	-	Interest expense on lease liability	481,539	300,043
-	-	Amortization of other intangible Assets	782,500	893,033
-	-	Impairment losses on customer loans	20,094,371	5,635,308
-	-	Accrued interest on borrowings	1,256,533	1,289,735
-	-	Gain on bargain purchase	-	(4,161,349)
-	-	Write off of goodwill	-	738,036
-	-	Amortization of lease prepayments	125	31
-	-	Amortization of other intangible Assets	1,056,828	220,625
1,012,324	**(36,234)**	**Cash flows from operating activities before changes in operating assets and liabilities**	**30,203,619**	**17,575,008**
-	-	Decrease / increase in balances held with Central Banks- mandatory reserves	122,070	(7,811,074)
-	-	Cash transferred from NIC Group PLC	-	11,062,594
-	-	Increase/ decrease in derivative assets		36,736
-	-	Decrease/ increase in loans and advances	(18,716,010)	(15,324,789)
-	500	Increase in other assets	(2,871,713)	(4,582,240)
37,463	(84,497)	Increase / decrease due from group companies	-	-
8,030,783	(15,850)	Increase / decrease due to group companies	-	-
-	-	Increase in customer deposits	43,267,411	23,474,833
2,118,960	71,472	Decrease in other liabilities	54,831	6,535,856
(4,427)	(5,167)	Decrease in unclaimed dividends	(4,427)	(2,577)
-	-	Increase in other intangible assets	-	(2,330,000)
11,195,103	**(69,776)**	**Cash generated from operations**	**52,055,781**	**28,634,347**

46. Business combination

i) Business combination 2020

Following the completion of the merger of NIC Group PLC and commercial Bank of Africa Limited in 2019, the group embarked on an internal reorganization exercise in 2020 that merged the in-country banking businesses in Uganda and Tanzania to have one combined bank in Uganda (NCBA Bank Uganda Limited) and Tanzania (NCBA Bank Tanzania Limited).

The merger was effected by first transferring the investments in Commercial Bank of Africa (Uganda) Limited and Commercial Bank of Africa (Tanzania) Limited from NCBA Bank Kenya PLC and CBA Capital Limited to the NCBA Group PLC. The transfer was effected at the carrying value of the investments in NCBA Bank Kenya PLC as disclosed in Note 27.

Subsequently, Commercial Bank of Africa (Uganda) Limited and Commercial Bank of Africa (Tanzania) Limited transferred their assets and liabilities into NC Bank Uganda Limited and NIC Bank Tanzania Limited respectively through intercompany settlement.

These mergers of the two stand-alone banks in Uganda and Tanzania are considered business combinations under common control as both banks in each country were owned before and after the merger by the same shareholders as a result of the merger that created the NCBA Group PLC.

The Group has adopted the predecessor accounting policy choice for the presentation and preparation of the financial statements. Under the predecessor accounting;

- Assets and liabilities of CBA Banks (CBA Uganda and CBA Tanzania) are stated at predecessor values (values used for the merger of both groups).
- The difference between the consideration and the net assets acquired are included in equity (common control/ restructuring reserve) in the balance sheet of the acquiring or surviving entity (NIC Bank Tanzania Limited and NIC Bank Uganda Limited) in Tanzania and Uganda respectively.
- The results of CBA Banks and balance sheet are incorporated prospectively from the completion date and comparatives have not been restated.

Having carried out the in-country mergers through intercompany balances, an impairment evaluation was performed to assess the recoverable amounts of the investments held by NCBA Group PLC in Commercial Bank of Africa (Uganda) Limited and Commercial Bank of Africa (Tanzania) Limited.

The value of the investments transferred was lower than net assets in both Uganda and Tanzania, which resulted in a remeasurement loss of KES 5,498,8,889,000 as per the table below.

	2020 Shs'000
Value of net assets of the subsidiaries transferred to NCBA Group PLC	2,839,864
Carrying amount of investments in CBA Tanzania and CBA Uganda subsidiaries transferred to NCBA Group PLC (Note 27)	(8,338,753)
Loss on remeasurement of the investments in subsidiary	**(5,498,889)**

ii) Business combination 2019

In 2019, the merger of NIC Group PLC and Commercial Bank of Africa Limited (CBA) was completed the merger in 2019, through a share swap, with the shareholders of CBA exchanging their shares in CBA for new shares in NIC in the ratio of 53:47 between the former CBA and NIC shareholders respectively.

The merger transaction was within the scope of IFRS 3 Business Combinations (IFRS 3 and was accounted for using the acquisition method with the impact below:

46. Business combination (continued)

a) Gain on bargain purchase - Group

The accounting requirement to value the consideration when compared to the net asset transferred resulted in a bargain purchase which was reflected in the Group's statement of profit or loss.

	Shs'000
Consideration paid – being issue of shares	33,473,289
Net identifiable assets transferred	(37,634,638)
Bargain purchase gain	**(4,161,349)**

b) Gain on remeasurement of the investment in subsidiary for Company

The result on remeasurement of the investment in the standalone financial statements of NCBA Group PLC is recognized in the statement of profit or loss of the Company as computed below:

	Shs'000
Consideration paid – being issue of shares	33,473,289
Investment in NIC Bank Kenya	(24,446,004)
Gain on revaluation of investment in subsidiary	**9,027,285**

47. Off-balance sheet financial instruments, contingent liabilities, commitments and operating leases

In common with other banking entities, the Group conducts business involving acceptances, guarantees, performance bonds and indemnities. These facilities are obligations on behalf of customers, in the normal course of business, matched and with recourse. In addition, there are other off-balance sheet financial instruments including foreign exchange forward contracts for the purchase and sale of foreign currencies, the nominal amounts of which are not reflected in the consolidated balance sheet.

Contingent liabilities	2020 Shs'000	2019 Shs'000
Letters of credit	28,504,538	15,703,693
Acceptances	152,650	9,185,956
Guarantees	**31,397,010**	**31,142,317**
	60,054,198	**56,031,966**

Nature of off-balance sheet financial instruments and contingent liabilities

Letters of credit commit the Group to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

An acceptance is an undertaking by a Group to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented and reimbursement by the customer is normally immediate.

Guarantees are generally written by the Group to support performance by a customer to a third party. The Group would only be required to meet these obligations in the event of default by a customer.

47. Off-balance sheet financial instruments, contingent liabilities, commitments and operating leases (Continued)

Commitments	2020 Shs'000	2019 Shs'000
Un-drawn formal standby facilities, credit lines and other commitments to lend	18,296,737	20,421,103
Foreign exchange forward contracts	7,201,519	5,122,892
Purchase of property and equipment	96,755	116,231

Commitments to lend are agreements to lend to a customer in future, subject to certain conditions, and are normally for a fixed period. The Group may withdraw from its contractual obligation for the un-drawn portion of agreed overdraft limits by giving reasonable notice to a customer.

Foreign exchange forward contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed price.

Legal claims contingency

The Company is a defendant in a number of other legal proceedings arising in the normal course of business, mostly relating to the realisation of collateral on lending.

Tax authorities' assessments

The Group has received tax assessments from Revenue Authorities in the markets it operates in, which it has challenged on various principles and continues to engage the relevant authorities to resolve the matters. Management is confident that no material liabilities will crystallise from these, beyond the provisions already recorded.

48. Fiduciary activities

The Group provides safekeeping, safe deposit, advisory, custody and nominee and investment management services to third parties. Safekeeping and safe deposit services involve providing secure and confidential storage for valuables and documents. Custodial and nominee services entail the holding of customers' assets and securities and collection of income on their behalf based on express instructions.

Advisory services involve the provision of a wide range of financial advice to clients either as independent advisors or as tied agents. Investment management involves advising customers on allocation and purchase and sale decisions in relation to a wide range of financial instruments, assets that are held in fiduciary capacity and which are not included in these financial statements. These arrangements involve the Group in an advisory capacity only, acting on specific instructions from clients and not in a discretionary manner. Consequently, the Group is not exposed to risks associated with mal-administration or underperformance of assets under its care.

At the balance sheet date, the Group had funds under investment management and securities held under nominee arrangements amounting to Shs 212 billion (2019 – Shs 171 billion). Other risks that may arise from these fiduciary activities are of operational and reputational nature. These risks are managed and mitigated through the existence and continuing application of sound internal control policies and procedures that ensure the proper discharge of fiduciary duties.

49. Operating segments

The Group operations are within various geographical segments, Kenya, Uganda, Tanzania and Rwanda. Further to the geographical segmentation, Kenya operations are maintained in the following business segments for allocation of resources and assessment of performance.

i) ***Corporate and Institutional banking***

Targets medium to large corporate clientele and institutions, with a focus on liability mobilization and asset growth.

ii) ***Retail banking (SME and Personal banking)***

Targets the mass to affluent and high net worth and business banking clientele, with a focus on becoming the customers' core deposit, transactional banker and financier. This also includes the Group's asset finance products.

iii) ***Treasury dealing***

Treasury dealing targets corporate customers and institutions, with a focus on customers having a foreign exchange component in their business.

iv) ***Digital Bank***

This segment focuses on mobile savings and lending products at a macro level.

v) ***Investment banking***

Investment banking targets large and medium sized companies for research, advisory, capital restructuring and stock brokerage requirements.

There is no single customer within the Group who accounts for more than 10% of the interest revenue.

The table below analyses the breakdown of segmental assets, liabilities, income and expenses. There were no changes in the reportable segments during the year

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

49. Segmental reporting (continued)

Statement of profit or loss – Year ended 31 December 2020

Amount in Shs'000	Corporate business	Retail Banking	Treasury	Kenya Digital Bank	Investment Banking	Others/ Elimination	Total Kenya	Tanzania	Uganda	Rwanda	Group
Interest income and other credit-related fees	16,514,254	10,293,225	11,890,957	11,545,921	33,421	(484,428)	49,793,350	2,538,869	2,132,251	619,736	55,084,206
Interest expense	(9,403,150)	(3,464,919)	(4,277,300)	(534,941)	-	532,565	(17,147,745)	(883,139)	(786,727)	(257,503)	(19,075,114)
Net interest income	**7,111,104**	**6,828,306**	**7,613,657**	**11,010,980**	**33,421**	**48,137**	**32,645,605**	**1,655,730**	**1,345,524**	**362,233**	**36,009,092**
Non – interest revenue	3,230,886	2,772,565	1,946,891	48,712	402,290	434,248	8,835,592	494,558	269,849	156,888	9,756,887
Operating and other income	**10,341,990**	**9,600,871**	**9,560,548**	**11,059,692**	**435,711**	**482,385**	**41,481,197**	**2,150,288**	**1,615,373**	**519,121**	**45,765,979**
Impairment charges	(8,498,222)	(3,515,677)	-	(6,569,145)	(12,368)	(4,669)	(18,600,081)	(665,571)	(718,218)	(110,501)	(20,094,371)
Operating expenses	(4,703,697)	(6,643,607)	(1,464,829)	(2,213,236)	(220,243)	(1,796,258)	(17,041,870)	(2,161,304)	(1,127,274)	(517,119)	(20,847,567)
Profit before share of associate's profit	**(2,859,929)**	**(558,413)**	**8,095,719**	**2,277,311**	**203,100**	**(1,318,542)**	**5,839,246**	**(676,587)**	**(230,119)**	**(108,499)**	**4,824,041**
Share of associates profit	-	-	-	-	-	157,880	157,880	-	-	-	157,880
Profit before income tax	**(2,859,929)**	**(558,413)**	**8,095,719**	**2,277,311**	**203,100**	**(1,160,662)**	**5,997,126**	**(676,587)**	**(230,119)**	**(108,499)**	**4,981,921**
Income tax expense	181,583	35,455	(514,016)	(144,592)	(54,967)	73,694	(422,843)	(93,444)	104,219	1,014	(411,054)
Profit for the year	**(2,678,346)**	**(522,958)**	**7,581,703**	**2,132,719**	**148,133**	**(1,086,968)**	**5,574,283**	**(770,031)**	**(125,900)**	**(107,485)**	**4,570,867**

49. Segmental reporting (continued)

Statement of profit or loss – Year ended 31 December 2019

Amount in Shs'000	Corporate business	Retail Banking	Treasury	Kenya Digital Bank	Investment Banking	Others/ Elimination	Total Kenya	Tanzania	Uganda	Rwanda	Group
Interest income and other credit-related fees	10,513,642	4,138,805	8,935,093	8,169,810	8,575	(465,679)	31,300,246	1,735,239	613,755	396,525	34,045,765
Interest expense	(4,967,996)	(1,121,427)	(5,331,639)	(474,808)	-	473,212	(11,422,658)	(641,908)	(296,803)	(147,754)	(12,509,123)
Net interest income	**5,545,646**	**3,017,378**	**3,603,454**	**7,695,002**	**8,575**	**7,533**	**19,877,588**	**1,093,331**	**316,952**	**248,771**	**21,536,642**
Non – interest revenue	5,832,767	910,907	1,409,965	119,253	619,131	363,813	9,255,836	756,230	788,081	52,161	10,852,308
Operating and other Income	**11,378,413**	**3,928,285**	**5,013,419**	**7,814,255**	**627,706**	**371,346**	**29,133,424**	**1,849,561**	**1,105,033**	**300,932**	**32,388,950**
Impairment charges	(1,083,563)	(525,873)	-	(3,767,943)	-	-	(5,377,379)	122,287	(329,970)	(50,246)	(5,635,308)
Operating expenses	(4,476,194)	(1,097,986)	(874,496)	(1,892,891)	(577,282)	(2,562,287)	(11,481,136)	(2,944,963)	(713,413)	(444,451)	(15,583,963)
Profit before share of associate's profit	**5,818,656**	**2,304,426**	**4,138,923**	**2,153,421**	**50,424**	**(2,190,941)**	**12,274,909**	**(973,115)**	**61,650**	**(193,765)**	**11,169,679**
Share of associates profit	-	-	-	-	-	143,880	143,880	-	-	-	143,880
Profit before income tax	**5,818,656**	**2,304,426**	**4,138,923**	**2,153,421**	**50,424**	**(2,047,061)**	**12,418,789**	**(973,115)**	**61,650**	**(193,765)**	**11,313,559**
Income tax expense	(794,013)	(199,934)	(736,704)	(286,509)	9,567	(16,275)	(2,023,868)	(1,210,070)	(236,446)	(1,399)	(3,471,783)
Profit for the year	**5,024,643**	**2,104,492**	**3,402,219**	**1,866,912**	**59,991**	**(2,063,336)**	**10,394,921**	**(2,183,185)**	**(174,796)**	**(195,164)**	**7,841,776**

49. Segmental reporting (continued)

Statement of of financial position – As at 31 December 2020

Amount in Shs'000	Corporate Banking	Retail Banking	Treasury	Kenya Digital Bank	Investment Banking	Others/ Elimination	Total Kenya	Tanzania	Uganda	Rwanda	Group
Assets											
Cash and balances with Central banks	-	-	26,157,485	3,268,429	-	-	29,425,914	2,941,178	1,800,086	344,592	34,511,770
Government securities	-	-	148,283,248	-	-	-	148,283,248	4,234,498	3,762,041	1,902,232	158,182,019
Due from banking institutions	-	-	39,985,327	-	278,975	(1,013,518)	39,250,784	882,967	1,155,490	375,118	41,664,359
Customer loans and advances	143,194,131	70,083,187	-	10,152,404	-	-	223,429,722	12,467,627	7,988,946	3,620,661	247,506,956
Investment securities	990,946	-	-	5,708,839	360,510	-	7,060,295	-	-	-	7,060,295
Other assets	-	-	-	6,622,166	232,412	28,359,610	35,214,188	1,437,940	1,698,612	592,242	38,942,982
Total assets	**144,185,077**	**70,083,187**	**214,426,060**	**25,751,838**	**871,897**	**27,346,092**	**482,664,151**	**21,964,210**	**16,405,175**	**6,834,845**	**527,868,381**
Liabilities											
Customer deposits	215,696,682	116,944,725	29,647,468	27,195,295	-	-	389,484,170	15,282,097	11,823,252	4,914,935	421,504,454
Due to banking institutions	-	-	5,329,176	-	-	(2,821,386)	2,507,790	2,986,970	736,814	71,769	6,303,343
Borrowings	-	-	13,319,474	-	-	-	13,319,474	-	-	-	13,319,474
Other liabilities	-	-	-	4,048,322	195,852	7,213,560	11,457,734	1,272,835	901,662	560,582	14,192,813
Total liabilities	**215,696,682**	**116,944,725**	**48,296,118**	**31,243,617**	**195,852**	**4,392,174**	**416,769,168**	**19,541,902**	**13,461,728**	**5,547,286**	**455,320,084**
Shareholders' funds	-	-	-	4,332,891	676,045	60,886,047	65,894,983	2,422,308	2,943,447	1,287,559	72,548,297
Total liabilities and shareholders' funds	**215,696,682**	**116,944,725**	**48,296,118**	**35,576,508**	**871,897**	**65,278,221**	**482,664,151**	**21,964,210**	**16,405,175**	**6,834,845**	**527,868,381**

Liabilities and all other assets are not directly attributable and, neither can they be allocated to a particular segment. Consequently, there is no allocation to the business segments.

49. Segmental reporting (continued)

Statement of of financial position – As at 31 December 2019

Amount in Shs'000	Corporate Business	Retail Banking	Treasury	Kenya Digital Bank	Investment Banking	Others/ Elimination	Total Kenya	Tanzania	Uganda	Rwanda	Group
Assets											
Cash and balances with Central banks	-	-	27,745,550	5,106,886	-	-	32,852,436	2,226,139	1,634,380	482,351	37,195,306
Government securities	-	-	128,950,002	-	-	-	128,950,002	4,946,834	2,366,518	776,072	137,039,426
Due from banking institutions	-	-	21,610,808	-	578,984	(656,277)	21,533,515	2,011,930	1,930,509	80,370	25,556,324
Customer loans and advances	142,317,325	71,019,817	-	14,061,246	-	-	227,398,388	11,684,759	7,818,398	1,983,773	248,885,318
Investment securities	544,760	-	-	8,847,757	99,393	-	9,491,910	-	-	-	9,491,910
Other assets				3,324,833	229,287	29,893,717	33,447,837	1,498,426	1,130,554	472,315	36,549,132
Total assets	**142,862,085**	**71,019,817**	**178,306,360**	**31,340,722**	**907,664**	**29,237,440**	**453,674,088**	**22,368,088**	**14,880,359**	**3,794,881**	**494,717,416**
Liabilities											
Customer deposits	199,238,241	104,642,247	30,111,189	19,626,841	-	-	353,618,518	12,185,977	10,229,401	2,203,147	378,237,043
Due to banking institutions	-	-	6,686,299	-	-	(1,623,688)	5,062,611	5,211,432	103,747	515,120	10,892,910
Borrowings	-	-	**22,081,245**	-	-	-	**22,081,245**	-	-	-	**22,081,245**
Other liabilities	-	-	-	4,314,480	297,565	7,389,299	12,001,344	2,209,690	1,668,264	367,095	16,246,393
Total liabilities	**199,238,241**	**104,642,247**	**58,878,733**	**23,941,321**	**297,565**	**5,765,611**	**392,763,718**	**19,607,099**	**12,001,412**	**3,085,362**	**427,457,591**
Shareholders' funds	-	-	-	2,055,580	610,079	58,244,711	60,910,370	2,760,989	2,878,947	709,519	67,259,825
Total liabilities and shareholders' funds	**199,238,241**	**104,642,247**	**58,878,733**	**25,996,901**	**907,644**	**64,010,322**	**453,674,088**	**22,368,088**	**14,880,359**	**3,794,881**	**494,717,416**

Liabilities and all other assets are not directly attributable and, neither can they be allocated to a particular segment. Consequently, there is no allocation to the business segments.

NOTICE OF THE 61ST ANNUAL GENERAL MEETING

Notice is hereby given that the **61st Annual General Meeting (AGM)** of the shareholders of **NCBA Group PLC (the Company)** will be held via electronic communication on **Wednesday, 9th June 2021** at **10:00 am** in the manner set out in the notes immediately following this notice for the following purposes:

1. To read the notice convening the meeting.
2. To receive, consider and, if thought fit, adopt the Financial Statements for the year ended 31st December 2020 and the Directors' and Auditors' reports thereon.
3. To approve the payment of a first and final dividend of Shs 1.50 per ordinary share (2019: Nil).
4. To approve the Directors' Remuneration Policy and Report and the remuneration paid to the Directors in the year ended 31st December 2020, and to authorize the Board to fix the remuneration of the Directors for the year 2021
5. **To elect Directors:**
   (a) In accordance with Articles 7.18 of the Company's Articles of Association, the following Directors retire by rotation and being eligible, offer themselves for re-election:
      i) I. O. Awuondo;
      ii) P. R. Lopokoiyit; and
      iii) D. A. Oyatsi
   (b) In accordance with section 10.5 of the Company's Board Charter and guideline 2.5 of the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, J. S. Armitage having attained the age of 70 years retires from the Board and being eligible, offers himself for re-election.
   (c) In accordance with the provisions of Section 769 of the Companies Act, 2015, the following Directors, being members of the Board Audit and Risk Committee, be elected to serve as members of the said Committee:
      i) M. K. R. Shah (Chairman);
      ii) A. H. Abdi; and
      iii) P. R. Lopokoiyit.
6. To appoint the Auditors of the Company until the end of the next AGM by virtue of section 721 (4) of the Companies Act, 2015, subject to Central Bank of Kenya approval in accordance with section 24(1) of the Banking Act (Cap.488) and to authorize the Directors to fix their remuneration.
7. To transact any other business of the AGM of which due notice has been received.

BY ORDER OF THE BOARD

Waweru Mathenge

Group Company Secretary

Nairobi

17 May 2021

Notes:

1. Due to the ongoing COVID-19 pandemic and restrictions on public gatherings as provided for under the Public Health Act, the Company finds it impracticable to hold a physical AGM and has elected, in accordance with Article 6.51 of the Company's Articles of Association, to hold a Virtual AGM in the manner detailed below.
2. The Company, pursuant to Section 283 (2) (c) of the Companies Act, has availed the following documents on the Company's website https://ncbagroup.com/investor-relations/ for Shareholder access:
   a) a copy of this Notice and the proxy form; and
   b) the Company's Annual Report and Financial Statements for the year 2020;
3. A Member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his, her or its behalf. A proxy need not be a Member of the Company. To be valid, a proxy form must be duly completed by the Member and lodged with the Company's shares registrar, C&R Group at their registered office on 1st Floor, Tower B, IKM Place, 5th Ngong Avenue, or with the Group Company Secretary at the Company's registered office situated at NCBA Centre, Mara and Ragati Roads, Nairobi, Kenya, or by sending a clear scanned copy to proxy@candrgroup.co.ke so as to reach before Monday, 7th June 2021 at 12:00 noon failing which it will be invalid. In the case of a Member which is a corporate body then the proxy must be given under its common seal or under the hand of an officer or attorney so authorized. Any proxy registration that is rejected will be communicated to the Shareholder concerned no later than Tuesday 8th June 2021 to allow time to address/resolve any issues.
4. A copy of this notice, proxy form and full copy of the Group financial statements including explanatory notes are available from our website https://ncbagroup.com/investor-relations/. Completed proxy forms, must contain the appointed person's mobile telephone and email contact, and the ID of the shareholder and appointed person for proxy holder must be included.
5. Shareholders and registered proxies wishing to participate in the meeting should register for the AGM as follows:
   a) USSD platform users should access the system through *384*069# from their mobile telephones and follow the various prompts regarding the registration process.
   b) Internet platform users should access the registration procedures and system through ***https://digital.candrgroup.co.ke.***
   c) Registration commences on Wednesday, 26th May 2021 at 08:00am and will conclude on Tuesday, 8th June 2021 at 12:00 noon after which no further registration for the virtual AGM will be allowed.

   In order to register for attendance, Shareholders will need to provide their National Identification Document Number, Shares/CDSC Account Number, Telephone Number (for USSD access) and their Email Address (for web access) which shall be input as guided through the registration process. Shareholders who may require assistance during the registration process can call the helpline (020) 760 8216 between 8:00 am and 4:00 pm. Any shareholder domiciled outside of Kenya should dial the helpline number, with +254 country code prefix, or send an email to digital@candrgroup.co.ke for any assistance.
6. Shareholders wishing to raise questions or clarifications in relation to the virtual AGM may do so prior to the meeting through written submission:
   a) by email through ***digital@candrgroup.co.ke;*** or
   b) online through web access of the system at ***https://digital.candrgroup.co.ke*** and clicking the Q&A tab on the display screen; or
   c) by short message service (SMS) through *384*069# and following the menu prompts; or
   d) via formal letter, containing contact details to facilitate responses (i.e. email or postal address), which should be:
      i. physically delivered where practicable to the Company's shares registrar C & R Group, 1st Floor, Tower B, IKM Place, 5th Ngong Avenue, or to the Company's registered office at NCBA Centre, Mara and Ragati Roads, Upper Hill; or
      ii. sent by registered post to the Company's shares registrar C & R Group through P. O. Box 8484 – 00100, Nairobi or the Company's postal address through P. O. Box 44599 – 00100, Nairobi.

All written submissions sent through any of the above highlighted means will be required to contain the Shareholder's full name as per official Identification Document, Identification Number and Shares/CDS Account Number, to be received by the Company not later than Monday, 7th June 2021 at 12:00 noon. All questions through the system, web or USSD platforms can be submitted up to, and during, the AGM.

The Directors of the Company will provide feedback to the requests received through the Group Company Secretary at the earliest opportunity but no later than 24 hours before the start of the virtual AGM, including publishing the full set of requests and feedback on the Company's website.

In addition to the above, Shareholders will have the opportunity to ask additional questions on the day, and within the duration, of the AGM through either the USSD or Online platforms. The Directors will thereafter address questions relating to the AGM agenda, which will be published on the Company's website within 24 hours of the conclusion of the AGM.

7. The live stream broadcast of the AGM will be available for duly registered Shareholders accessing the Virtual AGM via a live link to be sent or through the web platform. Duly registered Shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, one (1) day prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent two (2) hours ahead of the AGM, reminding duly registered Shareholders and proxies that the AGM will begin in two hours' time to allow shareholders to log-in to the system through web or USSD for participation.

8. Duly registered Shareholders and proxies will be able to vote on the resolutions either via the USSD platform by dialing *384*069#, or the online platform via https://digital.candrgroup.co.ke. The voting procedures have been published on our website for ease of reference. Voting will commence with opening of registration on Wednesday, 26th May 2021 and will conclude two hours after the AGM. Shareholders and proxies who may require assistance can call the helpline (020) 760 8216 between 8:00 am and 4:00 pm.

9. The results of the votes on the proposed resolutions as presented through the AGM Notice shall be announced during the AGM proceedings, and published within 48 hours following the conclusion of the AGM on the Company's website.

10. The preferred method of paying dividends which are below Kshs 140,000 is through M-PESA. Shareholders who wish to receive their dividend through M-PESA and who have not registered for this mode of payment can opt to receive future dividends by dialing *483*038# or contacting the Share Registrar, Custody & Registrars Services Limited.

11. All present and former shareholders of the Company are hereby notified that pursuant to the provisions of the Unclaimed Financial Assets Act No 40 of 2011 Parts II and III, dividends and shares which have not been claimed for a period of three (3) years or more will require to be delivered to the Unclaimed Financial Assets Authority ('the Authority') as abandoned assets on the appointed date.

Therefore, all present and former shareholders with unpaid dividends are requested to urgently contact the Share Registrar, Custody & Registrars Services Limited at the address indicated below to claim any unpaid dividends to avert the risk of the dividends being forwarded to the Authority.

Custody & Registrars Services Limited (C&R Group)
IKM Place, Tower B, 1st Floor
5th Ngong Avenue, Nairobi
Email: info@candrgroup.co.ke

Should any changes be necessitated by any laws, regulations or circumstances, Shareholders will be updated through the registered contact details and through the Company's website

PROXY FORM

The Group Company Secretary,

NCBA Group PLC

NCBA Centre

Mara & Ragati Road,

P. O. Box 44599 - 00100

GPO Nairobi

I/We ____of

P. O. Box ___________________________________being a member / members of NCBA Group PLC

and entitled to _________________________________votes hereby appoint ________________

____of P. O. Box ________________________

Mobile ______________________ Email: ____

or failing him ____

of P. O. Box _______________________________________ Mobile ______________________

Email: ____

as my / our Proxy to vote for me / us on my / our behalf at the Annual General meeting of the company to be held on **9th June 2021** and at any adjournment thereof.

As witness my / our hand this __________________day of __________ 2021

Signature (s) of ____

Complete the form provided and attach a copy of your National ID and a copy of the National ID of the proxy appointed.

Return the form (plus copies of the National ID's) to the Company's Registrar, Custody & Registrars, 1st Floor, Tower B, IKM Place, 5th Ngong Avenue, P. O. Box 8484 – 00100, Nairobi or alternatively to the Registered Office of the Company so as to arrive not later than **12:00 noon** on Monday **7th June 2021**.

Duly signed proxy forms and ID copies may also be emailed to proxy@candrgroup.co.ke in PDF format.

Note: In case of a Corporation, the Proxy must be made under its Common Seal or the hand of an officer or attorney so authorised.

FOMU YA UWAKILISHI

Katibu wa Kampuni,

NCBA Group PLC

NCBA Centre

Mara & Ragati Road,

P. O. Box 44599 - 00100

GPO Nairobi

Mimi / Sisi ____ wa

anuani hii ______________________________ nikiwa mwanachama/tukiwa wanachama

wa NCBA Group PLC ________________________ nikiwa/tukiwa na haki ya kura ____________

namchagua / tunamchagua ____________________ wa sanduku la posta ____________

Simu ya rununu ________________ barua pepe ______________________________

na akiwa hatapata nafasi nimechagua / tumechagua ______________________________

wasandukulaposta ______________________ Simuyarununu ______________________

barua pepe ____

akiwa mwakilishi wangu/wetu kunipigia/kutupigia kura kwa niaba yangu/yetu katika Mkutano wa Mwaka wa Kampuni utakaofanyika tarehe **9 June 2021** au tarehe yoyote iwapo mkutano utahairishwa. Nashuhudia kwa mkono/mikono yangu/yetu siku hii ya

Tarehe ______________________ mwezi wa __________ 2021

Sahihi ______________________________________

Jaza fomu uliyopewa na uambatanishe na nakala ya kitambulisho chako cha kitaifa na nakala ya kitambulisho cha kitaifa cha mwakilishi uliyemteua.

Rudisha fomu (pamoja na nakala za vitambulisho vya kitaifa) ukitumia anwani hii; Company's Registrar, Custody & Registrars, 1st Floor, Tower B, IKM Place, 5th Ngong Avenue, P. O. Box 8484 – 00100, Nairobi au kwa ofisi za kampuni zilizosajilisha ili zifike muda usiozidi saa **12:00 mchana**, **Jumatatu 7 June 2021**.

Fomu za uwakilishi zilizojazwa kulingana na maagizo pamoja na nakala za vitambulisho pia zinaweza kutumwa kupitia barua pepe kwa anwani hii; proxy@candrgroup.co.ke kwa muundo wa PDF.

Elewa: Mwakala akiwa anawakilisha kampuni yoyote au shirika ni lazima atumie muhuri rasmi wa kampuni hiyo (common seal), au sahihi rasmi ya wakili aliyeidhinishwa.

NCBA

Visit www.ncbagroup.com, download the NCBA banking app or call +254 20 288 4444

ncbagroup.com Go for it

NCBA Bank Kenya PLC is regulated by the Central Bank of Kenya